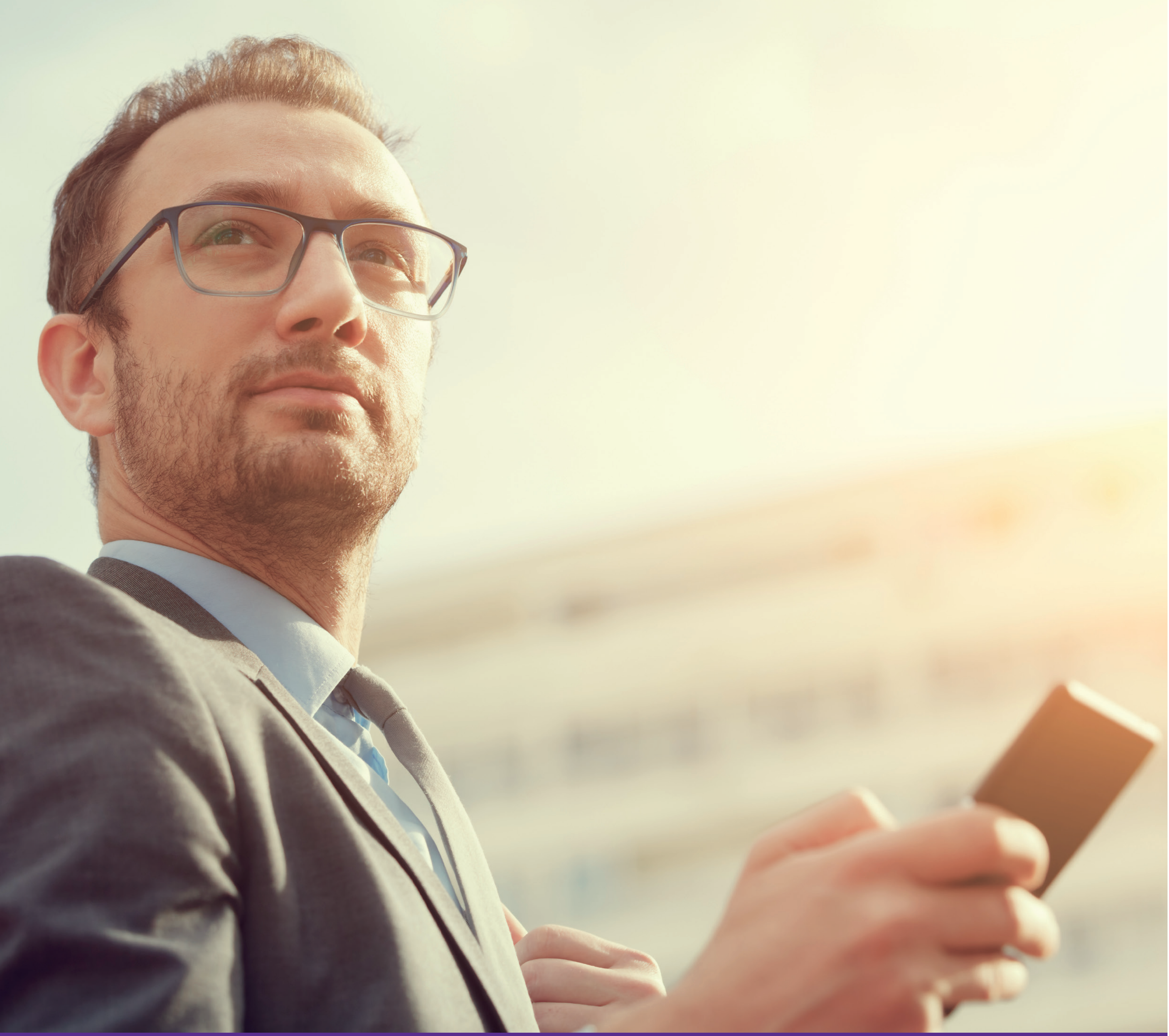

Consolidated Financial Statements

2018

proximus | group

NAT.	Filed date	Nr	P.	9 U.	EUR D.

CONSOLIDATED ACCOUNTS IN IFRS AND OTHER DOCUMENTS TO BE FILED ACCORDING THE COMPANY LAW.

IDENTIFICATION INFORMATION

NAME OF THE CONSOLIDATING ENTERPRISE ~~OR THE CONSORTIUM~~ (1) (2) :PROXIMUS

Legal form: Société anonyme de droit public

Address: Boulevard de Roi Albert II Nr: 27 Box:

Postal Code: 1030 Municipality: Brussels

Country: Belgium

Register of Legal Persons (RLP) – Office of the commercial court at Brussels n° 587163

Internetaddress (3): http://www.proximus.com

Company number: BE 0202.239.951

CONSOLIDATED ACCOUNTS **IN MILLIONS OF EUR** (4)

Submitted for the General Meeting of 17/04/2019

Concerning the financial year covering the period of	01/01/2018	au	31/12/2018
Preceding period from	01/01/2017	au	31/12/2017

The amounts of the preceding period **are** / ~~**are not**~~ identical to those which have been previously published (1)

Are enclosed with these consolidated accounts
- the consolidated directors' report
- the audit report on the consolidated accounts

IN CASE THE CONSOLIDATED ACCOUNTS OF A FOREIGN COMPANY ARE FILED BY A BELGIAN SUBSIDIARY.

Name of the Belgian subsidiary which filed the annual accounts (Article 113, § 2,4°a of Company law) :

Company number of the Belgian subsidiary which files the annual accounts :

Total number of pages files ...... Number of pages of the standard form not being filed as they don't apply :

Signature (name and position)	Signature (name and position)
Leroy Dominique Chief Executive Officer	De Clerck Stefaan Chairman of the Board of Directors

(1) Delete as appropriate.
(2) A consortium shall complete Statement IV (page CONSO 9)
(3) Optional disclosure
(4) Modify the unit and currency in which the amounts are published.

COMPLETE LIST OF DIRECTORS OR MANAGERS OF THE CONSOLIDATED ENTERPRISE AND OF THE AUDITORS WHO AUDITED THE CONSOLIDATED ACCOUNTS

LIST OF DIRECTORS, MANAGERS AND AUDITORS

COMPLETE LIST with name, first name,occupation, place of residence (address, number, posal code and municipality)

DE CLERCK Stefaan, Chairman of the Board of Directors
Damkaai 7, 8500 Kortrijk, BELGIUM
Chairman of the Board of Directors

LEROY Dominique, CEO
Avenue du Putdael 6, 1150 Bruxelles, BELGIUM
Chief Executive Officer

DEMUELENAERE Pierre, Director of companies
Rue des Couteliers 24, 1490 Court Saint Etienne, BELGIUM
Director

DEMUYNCK Guido J.M., Director of companies
Wagnerlaan 11, 1217 CP Hilversum, THE NETHERLANDS
Director

DE GUCHT Karel, President Institute of European Studies (IES) & Director of companies
Hoogstraat 9, 9290 Berlare, BELGIUM
Director

DE PRYCKER Martin, Managing Partner Qbic Fund
De Cauwerstraat 41, 9100 Sint-Niklaas, BELGIUM
Director

DUREZ Martine, Director of companies
Avenue de Saint-Pierre 34, 7000 Mons, BELGIUM
Director

LEVAUX Laurent, Director of companies
Avenue du Maréchal 25, 1180 Uccle, BELGIUM
Director

RANDERY Tanuja, Private Equity NED and Operating Advisor
19A Lexham Mews, London W8 6JW, UNITED KINGDOM
Director

SANTENS Isabelle, Director of companies
Wannegem-Ledestraat 36, 9772 Kruishoutem, BELGIUM
Director

TOURAINE Agnès, Chef d'entreprise
5 Rue Budé, 75004 Paris, FRANCE
Director

Nr		CONSO 1ter

COMPLETE LIST OF DIRECTORS OR MANAGERS OF THE CONSOLIDATED ENTERPRISE AND OF THE AUDITORS WHO AUDITED THE CONSOLIDATED ACCOUNTS

LIST OF DIRECTORS, MANAGERS AND AUDITORS

COMPLETE LIST with name, first name,occupation, place of residence (address, number, posal code and municipality

VANDENBORRE Catherine, Chief Financial Officer Elia
Clos du Champ de Bourgeois 11, 1330 Rixensart, BELGIUM
Director

Van den hove Luc, President & CEO imec
Jachthuislaan 29, 3210 Lubbeek, BELGIUM
Director

VAN de PERRE Paul, CEO Five Financial Solutions
Leliestraat 80, 1702 Dilbeek, BELGIUM
Director

DELOITTE, Statutory Auditors, BV ovve. CVBA (membershipnr B00025)
Gateway building / Luchthaven Nationaal 1J, 1930 Zaventem, BELGIUM
Nr: BE 0429.053.863

Represented by :
DENAYER Michel
HOUTHAEVE Nico

Consolidated Financial Statements

Prepared under International Financial Reporting Standards for each of the two years ended 31 December 2018 and 2017

Consolidated Balance Sheet

(EUR million)	Note	As of 31 December		As of 1 January	As of 31 December
ASSETS		2017 IAS 18	2018 IAS 18	2018-IFRS 15	2018-IFRS 15
NON-CURRENT ASSETS		6,735	6,752	6,842	6,850
Goodwill	3	2,431	2,466	2,431	2,470
Intangible assets with finite useful life	4	1,233	1,154	1,233	1,154
Property, plant and equipment	5	2,976	3,054	2,976	3,054
Contract costs	6	0	0	120	116
Investments in associates	7	3	3	3	3
Equity investments	8	8	0	8	0
Deferred income tax assets	9	27	35	15	12
Pension assets	9	0	0	0	0
Other non-current assets	11	56	40	56	40
CURRENT ASSETS		1,793	1,739	1,871	1,822
Inventories	12	123	129	123	129
Trade receivables	13	1,111	1,042	1,111	1,042
Contract assets	13	0	0	78	83
Current tax assets	9	83	68	83	68
Other current assets	14	137	155	137	155
Investments	15	5	4	5	4
Cash and cash equivalents	16	333	340	333	340
TOTAL ASSETS		8,527	8,490	8,713	8,671

LIABILITIES AND EQUITY	Note	2017 IAS 18	2018 IAS 18	2018-IFRS 15	2018-IFRS 15
EQUITY	17	3,013	3,012	3,153	3,153
Shareholders' equity	17	2,857	2,862	2,997	3,005
Issued capital		1,000	1,000	1,000	1,000
Reserves		-454	-469	-454	-469
Retained earnings		2,310	2,331	2,451	2,474
Non-Controlling interests	17	156	150	156	148
NON-CURRENT LIABILITIES		2,789	3,151	2,834	3,181
Interest-bearing liabilities	18	1,860	2,263	1,860	2,263
Liability for pensions, other post-employment benefits and termination benefits	10	515	553	515	553
Provisions	19	140	142	140	142
Deferred income tax liabilities	9	72	61	117	91
Other non-current payables	20	202	132	202	132
CURRENT LIABILITIES		2,725	2,328	2,726	2,338
Interest-bearing liabilities	18	570	234	570	234
Trade payables		1,415	1,361	1,415	1,361
Contract liabilities	21	0	0	98	109
Tax payables	9	112	56	112	56
Other current payables	21	628	677	532	578
TOTAL LIABILITIES AND EQUITY		8,527	8,490	8,713	8,671

Consolidated Income Statement

(EUR million)	Note	Year ended 31 December 2017 IAS 18	 2018 IAS 18	 2018 IFRS 15
Net revenue	22	5,739	5,761	5,764
Other operating income	23	63	65	65
Non-recurring income	24	0	0	0
Total income		**5,802**	**5,826**	**5,829**
Costs of materials and services related to revenue	24	-2,166	-2,122	-2,126
Workforce expenses (1)	25	-1,248	-1,245	-1,245
Non-workforce expenses (1)	26	-615	-663	-663
Non-recurring expenses (1)	28			
Total operating expenses before depreciation and amortization		**-4,030**	**-4,030**	**-4,034**
Operating income before depreciation and amortization		**1,772**	**1,796**	**1,794**
Depreciation and amortization	27	-963	-1,016	-1,016
Operating income		**809**	**780**	**778**
Finance income		6	9	9
Finance costs		-76	-64	-64
Net finance costs	28	-70	-56	-56
Share of loss on associates		-2	-1	-1
Income before taxes		**738**	**723**	**721**
Tax expense	9	-185	-194	-191
Net income		**552**	**529**	**530**
Attributable to:	17			
Equity holders of the parent (Group share)		522	506	508
Non-controlling interests		30	23	22
Basic earnings per share (in EUR)	29	1.62	1.57	1.58
Diluted earnings per share (in EUR)	29	1.62	1.57	1.58
Weighted average nb of outstanding ordinary shares	29	322,777,440	322,649,917	322,649,917
Weighted average nb of outstanding ordinary shares for diluted earnings per share	29	322,954,411	322,735,379	322,735,379

(1) restated for 2017: split between workforce-non workforce has been aligned for all subsidiaries, with the total unchanged at group's level.
The 2017 figures have been restated accordingly, with for the full year 2017 EUR 30 million moving from non-workforce to workforce expenses.

Consolidated Statement of Other Comprehensive Income

(EUR million)	Note	Year ended 31 December 2017 IAS 18	2018 IAS 18	2018 IFRS15
Net income		552	529	530
Other comprehensive income:				
Items that may be reclassified to profit and loss				
Exchange differences on translation of foreign operations		-6	11	11
Available-for-sale investments:				
Valuation gain/(loss) taken to equity				
Transfer to profit or loss on sale				
Cash flow hedges:				
Gain/(Loss) taken to equity		-7	6	6
Transfer to profit or loss for the period		0	-1	-1
Transfer related to the TeleSign combination	7.4	12	0	0
Other		0	-1	-1
Total before related tax effects		-1	15	15
Related tax effects				
Related tax effects				
Available-for-sale investments:				
Valuation gain/(loss) taken to equity				
Cash flow hedges:				
Loss taken to equity		-2	-1	-1
Transfer to profit or loss for the period		0	0	0
Income tax relating to items that may be reclassified		-2	-1	-1
Other (describe)				
Total of items that may be reclassified to profit and loss - net of related tax effects		-3	14	14
Items that will not be reclassified to profit and loss				
Change in the fair value of equity instruments		0	-5	-5
Total of items that will not be reclassified to profit and loss				
Remeasurement of defined benefit obligations	10	13	-35	-35
Total of items that will not be reclassified to profit and loss		13	-40	-40
Total before related tax effects		13	-40	-40
Related tax effects				
Remeasurement of defined benefit obligations	10	-4	8	8
Change in the fair value through OCI		0	0	0
Adjustment resulting from change in Belgian tax rate	9	-10	0	0
Income tax relating to items that will not be reclassified		-14	8	8
Related tax effects				
Items that will not be reclassified to profit and loss - net of related tax effects		-1	-32	-32
Total comprehensive income		549	510	511
Attributable to:				
Equity holders of the parent		521	484	487
Non-controlling interests		28	25	24

Consolidated Cash Flow Statement

(EUR million)	Note	Year ended 31 December 2017 IAS 18	2018-IAS 18	2018-IFRS 15&9
Cash flow from operating activities				
Net income		552	529	531
Adjustments for:				
Depreciation and amortization on intangible assets and property, plant and equipment	4/5	963	1,016	1,016
Increase of impairment on intangible assets and property, plant and equipment	3/4/5	2	23	23
Decrease of provisions	19	-4	-4	-4
Deferred tax income	9	-47	-13	-16
Increase of impairment on participating interests		2	0	0
Loss from investments accounted for using the equity method	7	2	1	1
Fair value adjustments on financial instruments	31	3	0	0
Loans amortization	31	2	2	2
Gain on disposal of consolidated companies	7	-1	0	0
Gain on disposal of other participating interests and enterprises accounted for using the equity method	28	0	0	0
Gain on disposal of Intangible assets and property, plant and equipment		-22	-22	-22
Other non-cash movements		0	-1	-1
Dividends received from non consolidated companies		0	0	
Exchange difference on contributed companies		0	0	
(Gain)/loss on disposal of other participating interests		0	0	
Operating cash flow before working capital changes		1,452	1,532	1,530
Decrease / (increase) in inventories		2	-5	-5
Decrease in trade receivables		52	95	95
Decrease in contract costs		0	0	4
Increase in contract assets		0	0	-5
(Increase) / decrease in current income tax assets		-41	15	15
(Increase) / decrease in other current assets		-7	3	3
Increase in other non current assets		0	0	0
Decrease in trade payables		-58	-30	-30
Increase in contract liabilities		0	0	5
Increase / (decrease) in income tax payables		47	-58	-58
Increase / (decrease) in other current payables		-3	6	3
Increase in net liability for pensions, other post-employment benefits and termination benefits	10	37	0	0
Decrease in other non-current payables and provisions		-10	0	0
Increase in working capital, net of acquisitions and disposals of subsidiaries		18	26	28
Net cash flow provided by operating activities (1)		1,470	1,558	1,558
Cash flow from investing activities				
Cash paid for acquisitions of intangible assets and property, plant and equipment	4/5	-989	-1,099	-1,099
Cash paid for acquisitions of other participating interests		-2	-3	-3
Cash paid for acquisition of consolidated companies, net of cash acquired	7	-221	-51	-51
Dividends received from non-consolidated companies		0	1	1
Cash received from / (paid for) sales of consolidated companies, net of cash disposed of	6	0	0	0
Cash received from sales of intangible assets and property, plant and equipment		36	37	37
Cash received from sales of other participating interests and enterprises accounted for using the equity method				
Net cash received from other non-current assets		-1	8	8
Net cash used in investing activities		-1,177	-1,107	-1,107
Cash flow before financing activities		292	451	451

(EUR million)	Note	Year ended 31 December 2017 IAS 18	2018-IAS 18	2018-IFRS 15&9
Cash flow from financing activities				
Dividends paid to shareholders	30	-488	-485	-485
Dividends paid to non-controlling interests	17	-32	-28	-28
Net sale of treasury shares		0	4	4
Net sale of investments		1	1	1
Decrease of shareholders' equity		-1	-3	-3
Cash received from cash flow hedge instrument related to long term debt		4	8	8
Issuance of long term debt	18.3	502	399	399
Repayment of long term debt	18.3	-1	-408	-408
Issuance of short term debt	18.3	-242	68	68
Net cash used in financing activities		-256	-444	-444
Net increase of cash and cash equivalents		36	7	7
Cash and cash equivalents at 1 January		297	333	333
Cash and cash equivalents at 31 December	15	333	340	340
(1) Net cash flow from operating activities includes the following cash movements :				
Interest paid		-49	-55	-55
Interest received		1	2	2
Income taxes paid		-227	-249	-249

Consolidated Statement of Changes in Equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Equity instruments and hedge reserve	Other remeasure-ment reserve	Foreign currency translation	Stock Compen-sation	Retained Earnings	Share'rs' Equity	Non-controlling interests	Total Equity
Balance at 31 December 2016	1,000	-430	100	2	-127	0	5	2,270	2,819	162	2,981
Total comprehensive income	0	0	0	4	-1	-4	0	522	521	28	549
Dividends to shareholders (relating to 2016)	0	0	0	0	0	0	0	-323	-323	0	-323
Interim dividends to shareholders (relating to 2017)	0	0	0	0	0	0	0	-161	-161	0	-161
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-32	-32
Business combination	0	0	0	0	0	0	0	2	2	-2	0
Treasury shares											
Exercise of stock options	0	0	0	0	0	0	0	-1	-1	0	-1
Sale of treasury shares	0	-9	0	0	0	0	0	0	-9	0	-9
Stock options											
Exercise of stock options	0	9	0	0	0	0	-1	1	9	0	9
Total transactions with equity holders	0	0	0	0	0	0	-1	-482	-483	-34	-517
Balance at 31 December 2017 (IAS 18)	1,000	-431	100	5	-128	-4	4	2,310	2,857	156	3,013
Total comprehensive income	0	0	0	1	-27	6	0	504	484	25	510
Dividends to shareholders (relating to 2017)	0	0	0	0	0	0	0	-323	-323	0	-323
Interim dividends to shareholders (relating to 2018)	0	0	0	0	0	0	0	-161	-161	0	-161
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-28	-28
Business combination	0	0	0	0	0	0	0	3	3	-3	0
Treasury shares											
Sale of treasury shares	0	3	0	0	0	0	0	-3	0	0	0
Stock options											
Exercise of stock options	0	1	0	0	0	0	0	0	1	0	1
Total transactions with equity holders	0	4	0	0	0	0	0	-483	-479	-32	-511
Balance at 31 December 2018 (IAS 18)	1,000	-427	100	6	-155	3	4	2,331	2,862	150	3,012
Balance at 31 December 2017 (IAS 18)	1,000	-431	100	5	-128	-4	4	2,310	2,857	156	3,013
Transition to IFRS 15	0	0	0	0	0	0	0	144	144	0	144
Transition to IFRS 9	0	0	0	0	0	0	0	-3	-3	0	-3
Balance at 1 January 2018 (IFRS 15)	1,000	-431	100	5	-128	-4	4	2,451	2,997	156	3,153
Total comprehensive income	0	0	0	1	-27	6	0	506	487	24	511
Dividends to shareholders (relating to 2017)	0	0	0	0	0	0	0	-323	-323	0	-323
Interim dividends to shareholders (relating to 2018)								-161	-161	0	-161
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-28	-28
Business combination	0	0	0	0	0	0	0	3	3	-3	0
Treasury shares											
Sale of treasury shares	0	3	0	0	0	0	0	-3	0	0	0
Stock options											
Exercise of stock options	0	1	0	0	0	0	0	0	1	0	1
Total transactions with equity holders	0	4	0	0	0	0	0	-483	-479	-32	-511
Balance at 31 December 2018 (IFRS 15)	1,000	-427	100	6	-155	3	4	2,474	3,005	148	3,153

Notes to the consolidated financial statements

Note 1. Corporate information

The consolidated financial statements at 31 December 2018 were authorized for issue by the Board of Directors on 28th February 2019. They comprise the financial statements of Proximus SA, its subsidiaries as well as the Group's interest in associates and joint ventures accounted for under the equity method (hereafter "the Group").

Proximus SA is a "Limited Liability Company of Public Law" registered in Belgium. The transformation of Proximus SA from "Autonomous State Company" into a "Limited Liability Company of Public Law" was implemented by the Royal Decree of 16 December 1994. Proximus SA headquarters are located at Boulevard du Roi Albert II, 27 1030 Brussels, Belgium. The company's name change took place in 2015.

The Board of Directors, the Chief Executive Officer and the Executive Committee assess the performance and allocate resources based on the customer-oriented organization structured around the following reportable operating segments.

- **The Consumer Business Unit (CBU)** sells voice products and services, internet and television, both on fixed and mobile networks, to residential customers and small offices as well as ICT-services mainly on the Belgian market and provides related customer operations.
- **The Enterprise Business Unit (EBU)** sells ICT and Telecom services and products to medium and corporate enterprises. These ICT solutions, including telephone services, are marketed mainly under the Proximus, and Telindus brands, on both the Belgian and international markets;
- **Wholesale unit (WU)** sells services to other telecom and cable operators;
- **International Carrier Services (ICS)** is responsible for international carrier activities;
- **The Technology Unit (TEC)** centralizes all the network and IT services and costs (excluding costs related to customer operations and to the service delivery of ICT solutions), and provides services to CBU, EBU and WU;
- **Staff and Support (S&S)** brings together all the horizontal functions (human resources, finance, legal, strategy and corporate communication), internal services and real estate that support the Group's activities.

The number of employees of the Group (in full time equivalents) amounted to 13,391 at 31 December 2017 and 13,385 at 31 December 2018.

For the year 2017, the average headcount of the Group was 162 management personnel, 11,830 employees and 1,187 workers. For the year 2018, the average headcount of the Group was 165 management personnel, 11,976 employees and 1,020 workers.

Note 2. Significant accounting policies

Basis of preparation

The accompanying consolidated financial statements as of 31 December 2018 and for the year then ended have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. The Group did not early adopt any IASB standards or interpretations.

Changes in accounting policies

The Group does not anticipate the application of standards and interpretations. The accounting policies applied are consistent with those of the previous financial years except that the Group applied the new or revised IFRS standards and interpretations as adopted by the European Union that became mandatory on 1 January 2018 and that are detailed as follows:

New standards:

- IFRS 9 Financial instruments;
- IFRS 15 Revenue from contracts with customers;
- IFRIC 22 (Foreign Currency Transactions and Advance Consideration);

Amendments to standards:

- Amendments to IFRS 2 (Classification and Measurement of Share Based Payments");
- Annual improvements to IFRS's (2014-2016 cycle) concerning IFRS 1 and IAS 28;
- Amendments to IAS 40 (Transfer of investment property);
- Amendments to IFRS 4 (Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts).

The adoption of these new and amended standards has limited impacts on the financial statements of the Group except for adoption of IFRS 9 and IFRS 15.

For the transition to IFRS 15 and IFRS 9 the Group decided to apply the cumulative catch-up method for transition i.e. applying the new standards retrospectively with the cumulative effect of initial application recognized on 1 January 2018 in the opening balance sheet. For IFRS 15, the retrospective application applies to those contracts not completed at the date of initial application. The Group opted as a practical expedient according to IFRS 15 for not restating retrospectively the contracts for all contract modifications that occurred before the date of initial application.

The impacts from adoption of these new standards are as follows:

(EUR million)	Adjustment from initial application on Opening Balance Sheet
IFRS 15	
Contract assets	83
Contract costs	120
Contract Liabilities	-2
Deferred tax on initial application	-59
IFRS 9	
Loss allowance on contract assets (IFRS 15)	-5
Deferred tax on initial application	1
Total	**140**

(*) Evolution arising from new financial assets recognized in current year, net of those derecognized upon settlement

IFRS 15 Adjustments

Under IAS 18, revenue from sale arrangements with multiple deliverables was allocated based on the relative fair values. When an amount allocated to a delivered component was contingent upon delivery of additional components or meeting specified performance conditions, the amount allocated to that delivered component was limited to the non-contingent amount (the so called "cash cap").

Whereas, under IFRS 15, the total consideration with respect to a contract is allocated to all products and services based on their relative stand-alone selling prices. The amounts allocated are not limited to the not contingent part. This results in a reallocation of a portion of revenue from service revenue to revenue from sales of goods, which is recognized when the control of the goods is transferred to the customer and leading to the creation of contract assets.

Previously, commissions paid to acquire contracts were expensed as incurred. Under IFRS 15, commissions to acquire postpaid contracts are considered as incremental costs to obtain a contract and deferred as contract costs.

IFRS 15 requires also reclassification of some items previously presented in deferred income to contract liabilities. Contract liabilities are netted of with contract assets on contract by contract basis.

IFRS 9 Adjustments

2017 financial statements were established based on the IAS39 standard. The related accounting policies are described in the 2017 financial statements.

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

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

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

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets / liabilities	Original classification under	New classification under IFRS 9
Equity Financial asset (case by case)	"At cost less impairment"	FVTOCI / FVTPL
Derivatives held-for-trading	FVTPL	FVTPL
Derivatives in hedge relationship	Hedge accounting	Hedge accounting
Trade/other receivables	Amortized cost	Amortized cost
Unsubordinated debentures not in a hedge relationship	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Financial liability related to Put options	FVTPL	FVTPL

For more information, please refer to note 31.4.

Alternative Performance Measures

The Group uses so called "Alternative Performance Measures" ("APM") in the financial statements and notes. An APM is a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined in the applicable financial reporting framework (IFRS). A glossary describing these is included in the section "Management Discussion" of the Consolidated Management Report. They are consistently used over time and when a change is needed, comparable information is restated.

Basis of consolidation

Note 7 lists the Group's subsidiaries, joint ventures and associates.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins from the date on which the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Intercompany balances and transactions and resulting unrealized profits or losses between Group companies are eliminated in full in consolidation. When necessary, accounting policies of subsidiaries are adjusted to ensure that the consolidated financial statements are prepared using uniform accounting policies.

Changes in Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transaction. Any difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control. Joint ventures are incorporated in these consolidated financial statements using the equity method.

Associated companies are companies in which the Group has a significant influence, defined as an investee in which Proximus has the power to participate in its financial and operating policy decisions (but not to control the investee). These investments are also accounted for using the equity method.

Under the equity method, the investments held in associates or joint venture are initially recognized at cost and the carrying amount is subsequently adjusted to recognize the Group's share in the profit or losses or other comprehensive income of the associate or joint venture as from the date of acquisition. These investments and the equity share of results for the period are shown in the balance sheet and income statement as respectively, investments in associates and joint ventures, and share in the result of the associates and joint ventures.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between, on the one hand the carrying amount of the associate or joint venture at the date the use of the equity method is discontinued and on the other hand the fair value of any retained interest and any proceeds of disposing of part of the interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests

Business Combinations

Acquisitions of businesses are accounted using the acquisition method. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued in exchange for control of the acquiree. Acquisition related costs are recognized in profit or loss as incurred.
At acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value at that date. This includes fair valuing the unrecognized assets and liabilities in the balance sheet of the acquire, which concerns mainly customer bases and trade names.
Non-controlling interests may be initially measured either at fair value or at the proportionate share of the recognized amounts of the acquiree' s identifiable net assets. The choice of the measurement principle is made on a transaction by transaction basis.

Judgments and estimates

In preparing the consolidated financial statements, management is required to make judgments and estimates that affect amounts included in the financial statements.
Judgments and estimates that are made at each reporting date reflect conditions that existed at those dates (e.g. market prices, interest rates and foreign exchange rates). Although these estimates are based on management's best knowledge of current events and actions that the Group may undertake, actual results may differ from those estimates.

Critical judgements in applying the Group accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Revenue recognition under IFRS 15

Under IFRS 15, the transaction price is allocated to the identified performance obligations in the contract based on their relative standalone selling prices. Judgement is required in determining the stand-alone price and the transaction price considering the contract duration.

- Determination of the contract duration

To define the duration of its contracts the Group considered the contractual period in which the parties to the contract have present enforceable rights and obligations. A contract has a duration when it includes a substantive termination payment. The duration runs until the termination payment is not due anymore. If there is no substantive termination payment clause, the Group concluded that the contract has no duration (i.e. open-ended contracts).

- Determination of the stand-alone selling price

In situations where the stand-alone selling price is not directly observable, the Group assesses it using all information (including market conditions, Proximus-specific factors and information about the customer or class of customer) that is reasonably available to it. This situation occurs mainly in the context of combined offers with subsidized devices, for which a cost-plus approach method is applied to one of the components.

Discounts granted because a customer entered into a contract, are allocated to all performance obligations triggering the granting of the discount.

- Identification of performance obligations

Identification of the performance obligations requires judgment and in-depth understanding of the promises in the contract and how they interact with each other.

Functional currency of the Group entities

The individual financial statements of each Group entity are prepared in the currency of the primary economic environment in which the entity operates. Management judgment is used to determine which functional currency most faithfully represents the economic effects of its underlying transactions, events and conditions. The current assessment of management about the functional currency of TeleSign is US Dollar.

Control in BICS

Note 7 describes that BICS is a subsidiary of the Group held with 57.6% of the shares and 57.6% of the voting rights to the company shareholders' meeting.

The shareholders agreement with BICS foresees decision-making rules and a deadlock procedure in force as from 1 January 2010. Thanks to these rules and procedures, the Group concluded in the past that it controlled BICS. This conclusion remains valid when applying IFRS 10 "Consolidated Financial Statements" (effective on 1 January 2014), even when taking into account potential barriers to exercise control on BICS.

Key sources of estimation uncertainty

Claims and contingent liabilities (see note 33)

Related to claims and contingencies, judgment is necessary in assessing the existence of an obligation resulting from a past event, in assessing the probability of an economic outflow, and in quantifying the probable outflow of economic resources. This judgment is reviewed when new information becomes available and with support of outside experts advises.

Income tax

On January 11, 2016, the European Commission announced its decision to consider Belgian tax rulings granted to multinationals with regard to "Excess Profit" as illegal state aid. BICS has applied such tax ruling for the period 2010-2014. BICS has paid the deemed aid recovery assessments. Furthermore, both BICS and the Belgian State filed an appeal against the decision of the European Commission before the European Court. Management assesses that the position as recognized in these financial statements reflects the best estimate of the probable final outcome.

Recoverable amount of cash generating units including goodwill

In the context of the impairment test, the key assumptions that are used for estimating the recoverable amounts of cash generating units to which goodwill is allocated are discussed in note 3 (Goodwill).

Actuarial assumptions related to the measurement of employee benefit obligations and plan assets

The Group holds several employee benefit plans such as pension plans, other post-employment plans and termination plans. In the context of the determination of the obligation, the plan asset and the net periodic cost, the key assumptions that are used are discussed in note 10 (Assets and liabilities for pensions, other post-employment benefits and termination benefits).

Fair value adjustments for business combinations

In accordance with IFRS 3 Business Combinations, the Group measures the identifiable assets acquired and (contingent) liabilities assumed in a business combination at fair value. Fair value adjustments are based on external appraisals or valuation models, e.g. intangible assets which were not recognized by the acquired business. All these valuation methods rely on various assumptions such as estimated future cash flows, remaining useful economic life, etc… Further details are provided in note 7.4.

Foreign currency translation

Foreign currency transactions are recognized in functional currency on initial recognition, at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity at the balance sheet date using the exchange rate at that date. Net exchange differences on the translation of monetary assets and liabilities are classified in "non-workforce expenses" in the income statement in the period in which they arise.

Foreign operations

Some foreign subsidiaries and joint-ventures operating in non-EURO countries are considered as foreign operations that are integral to the operations of the reporting enterprise. Therefore, monetary assets and liabilities are translated using the exchange rate at balance sheet date, non-monetary assets and liabilities are translated at the historical exchange rate, except for non-monetary items that are measured at fair value in the domestic currency and that are translated at the exchange rate when the fair value was determined.

Revenue and expenses of these entities are translated at the weighted average exchange rate. The resulting exchange differences are classified in "non-workforce expenses" in the income statement.

For other foreign subsidiaries and joint-ventures operating in non-EURO countries, assets and liabilities are translated using the exchange rate at balance sheet date. Revenue and expenses of these entities are translated at the weighted average exchange rate. The resulting exchange differences are taken directly to a separate component of equity. On disposal of such entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

Goodwill

Goodwill represents the excess of the sum of the consideration transferred, the amount of non-controlling interests, if any, and the fair value of the previously held interest, if any, over the net fair value of identifiable assets, liabilities and contingent liabilities acquired in business combination. When the Group obtains control, the previously held interest in the acquiree, if any, is re-measured to fair value through the income statement.

When the net fair value, after reassessment, of identifiable assets, liabilities and contingent liabilities acquired in a business combination exceeds the sum of the consideration transferred, the amount of non-controlling interests, if any, and the fair value of the previously held interest, if any, this excess is immediately recognized in income statement as a bargain purchase gain.

Changes in a contingent consideration included in the consideration transferred are adjusted against goodwill when they arise during the provisional purchase price allocation period and when they relate to facts and circumstances existing at acquisition date. In other cases, depending if the contingent consideration is classified as equity or not, changes are taken into equity or in the income statement.

Acquisition costs are expensed, and non-controlling interests are measured at acquisition date either at their value or at their proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Goodwill is stated at cost and not amortized but subject to an annual impairment test at the level of the cash generating unit to which it relates and whenever there is an indicator that the cash generating unit to which the goodwill has been allocated may be impaired. An impairment loss recognized for goodwill is never reversed in subsequent periods, even if there are indications that the impairment loss may no longer exist or may have decreased.

Goodwill is expressed in the currency of the subsidiary to which it relates and is translated to EUR using the year end exchange rate.

Intangible assets with finite useful life

Intangible assets consist primarily of the Global System for Mobile communication ("GSM") license, the Universal Mobile Telecommunication System ("UMTS") license, 4G licenses, customer bases, patents and trade names acquired in business combinations, internally developed software and other intangible assets such as football rights and broadcasting rights and externally developed software.

The Group capitalizes certain costs incurred in connection with developing or purchasing software for internal use when they are identifiable, when the Group controls the asset and when future economic benefits from the asset are probable. Software costs are included in internally generated and other intangible assets and are amortized over three to five years.

Intangible assets with finite life acquired separately are measured on initial recognition at cost. Only the fixed portion of the consideration is capitalized, except for intangible assets acquired with different pricing structure over time. For these assets both the fixed as the estimated variable consideration is capitalized at acquisition date. When the carrying amount of the financial liability is subsequently re-measured the cost of the asset is adjusted. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Intangible assets with finite useful life are stated at cost less accumulated amortization and impairment losses. The residual value of such intangible assets is assumed to be zero.

Customer bases and trade names acquired in business combinations are straight-line amortized over their estimated useful life (3 to 20 years). Except when the use of an asset is limited in time, for contractual reasons or reflecting the management intention on the use of the asset, the duration of an asset's useful life is set at acquisition date, for each asset individually, in such a way that the expected cumulated discounted cash flows generated by the concerned asset over its useful life represent approximately 90% of the total cumulated discounted cash flows expected from the asset.
GSM, UMTS and 4 G licenses, other intangible assets and internally generated assets with finite useful life are amortized on a straight-line basis over their estimated useful life. Amortization commences when the intangible asset is ready for its intended use. The licenses' useful lives are fixed by Royal Decree and they range from 5 to 20 years.

The useful lives are assigned as follows:

	Useful life (years)
GSM, UMTS, 4G and other network licenses	Over the license period
GSM (2G)	5 to 6
UMTS (3G)	16
LTE (4G)	15
800 Mhz (4G)	20
Customer bases, trade names, patents and software acquired in a business combination	3 to 20
Software	5
Rights to use, football and broadcasting rights	Over the contract period (usually from 2 to 5)

The amortization period and the amortization method for an intangible asset with finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Property, plant and equipment

Property, plant and equipment including assets rented to third parties are presented according to their nature and are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of additions and substantial improvements to property, plant and equipment is capitalized. The cost of maintenance and repairs of property, plant and equipment is charged to operating expenses when it does not extend the life of the asset or does not significantly increase its capacity to generate revenue. The cost of an item of property, plant and equipment includes the costs of its dismantlement, removal or restoration, the obligation for which the Group incurs as a consequence of installing the item.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Depreciation of an asset begins when the asset is ready for its intended use. Depreciation is calculated using the straight-line method over the estimated useful life of the asset.

The useful lives are assigned as follows:

	Useful life (years)
Land and buildings	
Land	Indefinite
Buildings and building equipment	22 to 33
Facilities in buildings	3 to 10
Leasehold improvement and advertising equipment	3 to 10
Technical and network equipment	
Cables and ducts	15 to 20
Switches	8 to 10
Transmission	6 to 8
Radio Access Network	6 to 7
Mobile sites and site facility equipment	5 to 10
Equipment installed at client premises	2 to 8
Data and other network equipment	2 to 15
Furniture and vehicles	
Furniture and office equipment	3 to 10
Vehicles	5 to 10

The asset's residual values, useful life and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

Costs of material, workforce and non-workforce expenses are shown net of work performed by the enterprise that is capitalized in respect of the construction of property, plant and equipment.

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset.

Contract costs

Contracts costs were expensed as incurred under IAS 18.

Under IFRS 15, contract costs eligible for capitalization as incremental costs of obtaining a contract comprise commission paid to dealers relating to postpaid contracts. Contract costs are recognized as non-current assets as the economic benefits from these assets are expected to be received in the period longer than twelve months.

All other commissions are expensed when incurred. Contract costs relating to postpaid contracts are deferred on a systematic basis that is consistent with the transfer to the customer of the services, being the time, at which related revenue is recognized. The group adopted a portfolio approach for the contract costs. Contract costs relating related to the CBU segment are deferred over three years and for the EBU segment five years.

Impairment of non-financial assets

The Group reviews the carrying value of its non-financial assets at each balance sheet date for any indication of impairment.

The Group compares at least once a year the carrying value with the estimated recoverable amount of intangible assets under construction and cash generating units including goodwill. The Group performs this annual impairment test during the fourth quarter of each year.

An impairment loss is recognized when the carrying value of the asset or cash generating unit exceeds the estimated recoverable amount, being the higher of the asset's or cash generating unit's fair value less costs to sell and its value in use for the Group.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

Impairment losses on goodwill, intangible assets and property, plant and equipment are recorded in operating expenses. An assessment is made at each balance sheet date as to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, impairment losses in respect of assets other than goodwill are reversed in order to increase the carrying amount of the asset to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement in operating expenses.

Deferred taxation

Deferred taxation is provided for all temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and their respective taxation bases.

Deferred tax assets associated to deductible temporary differences and unused tax losses carried forward are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference or the unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset will be realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets and liabilities are recognized in the income statement except to the extent that they relate to items recognized directly in equity, in which case the tax effect is also recognized directly in equity.

Pensions, other post-employment benefits and termination benefits

The Group operates several defined benefit pension plans to which the contributions are made through separately managed funds. The Group also agreed to provide additional post-employment benefits to certain employees. The cost of providing benefits under the plans is determined separately for each plan using the projected credit unit actuarial valuation method. Actuarial gains and losses are recognized through Other Comprehensive Income (equity). Any past service cost and gain or loss on settlement is recognized in income statement when they occur.

When applying the IAS 19 revised, the Group decided to classify the periodic cost in operating and financing activities for their respective components.

The Group also operates several defined contribution plans. For plans with guaranteed minimum return management applied the 'Projected Unit Credit 'method.

The discount rate used to calculate the present value of the plans reflects the market yields on high-quality corporate bonds. To determine the underfunding this is compared to the plan assets.

The Group operates several restructuring programs that involve termination benefits or other forms of additional compensation. Voluntary termination benefits to encourage employees to leave service are recognized when employees accept the offer of those benefits. Involuntary termination benefits are recognized when the Group has communicated its plan of termination to the affected employees and the plan meets specified criteria.

Benefits conditional on future service being provided do not quality as termination benefits but as long-term employee benefits. The liability for those benefits is recognized over the period of the future service.

The actuarial gains and losses on the liabilities for restructuring programs are recognized in the income statement when incurred.

Short-term and long-term employee benefits

The cost of all short-term and long-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognized during the period in which the employee renders the related service. The Group recognizes those costs only when it has a present legal or constructive obligation to make such payment and a reliable estimate of the liability can be made.

Financial instruments

Classification

The Group classifies its financial assets in the following categories:

- At fair value through profit and loss ("FVTPL"); or
- At fair value through other comprehensive income ("FVTOCI"); or
- At amortized cost.

The Group classifies its financial liabilities in the following categories:

- At fair value through profit and loss ("FVTPL"); or
- At amortized cost.

<u>Financial assets</u>

The Group determines the classification of the financial assets at initial recognition. The classification is driven by the Group's business model for managing the financial assets ('hold to collect', 'hold to collect and sell' and 'other') and their contractual cash flow characteristics (Solely payments of Principal and Interest "SPPI" test i.e. whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding).

If a non-equity financial asset fails the SPPI test, the Group classifies it at Fair Value Through Profit or Loss (FVTPL). If it passes the SPPI test, it will either be classified at amortized cost if the 'hold to collect' business model test is met, or at Fair Value Through Other Comprehensive Income (FVTOCI) if the 'hold to collect and sell' business model test is met.

For equity financial assets other than interests in subsidiaries, associates and joint ventures, the Group makes at initial recognition an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI or FVTPL.

The equity investments held for trading are always designated at FVTPL.

Financial liabilities

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Group has opted to measure them at FVTPL.

Measurement

Financial assets at FVTOCI

Investments in equity instruments designated at FVTOCI are initially recognized at fair value plus directly attributable transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income, with no subsequent recycling to the income statement.

Accumulated remeasurements on disposal or settlements of equity instruments carried at FVOCI are reclassified from OCI to retained earnings.

The Group holds no other investment measured at FVTOCI.

Dividend income is recognized in the income statement.

Financial assets and liabilities at amortized cost.

Financial assets, other than trade receivables, and liabilities at amortized cost are initially recognized at fair value plus or minus directly attributable transaction costs. Trade receivables are measured at their transaction price if the trade receivables do not contain a significant financing component.

These financial instruments are subsequently carried at amortized cost using the effective interest rate method less any impairment, if applicable.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities are included in the consolidated net (loss) income in the period in which they arise.

The Group has not designated financial liabilities at FVTPL (FV option). Derivatives are measured at FVTPL.

Expected credit losses

The Group applies the forward-looking expected credit loss (ECL) model.

The ECL model considers all losses that result from all possible default events over the expected life of the financial instrument (life-time expected credit losses) or that result from possible default events over the next 12 months (12-month expected credit losses), depending on whether the credit risk of the financial asset has increased significantly since initial recognition or not (the general ECL model).

Proximus recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized costs. Same treatment is applied to contract assets resulting from the application of IFRS 15 and lease receivables, even though these are not classified as financial assets.

At each reporting date, the Company measures the loss allowance for these assets.

The Group has limited trade receivables with financing component. The Group applies a simplified method and measures the loss allowance at an amount equal to the lifetime expected credit losses, for all trade receivables, whether assessed on an individual or collective basis, considering all reasonable and supportable information, including information that is forward-looking.

For CBU and EBU receivables, the payment delays compared to the contractual due dates and the status of the legal actions taken to recover the receivables due are the main information considered to assess whether credit risk has increased significantly since initial recognition. A provision matrix is used.

For the ICS segment, the Group considers past experience and reasonable and supportable information about future expectations to define provision rates on an individual rate" base.

In particular, following indicators are used:

- an actual or expected significant deterioration of the customer's external (if available) or internal credit rating;
- significant deterioration of the country risk in which the customer is active;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The same methodology is applied for contract assets.

For financial assets at amortized costs, contract assets and lease receivables, allowances and impairment are recognized in profit or loss.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Criteria for initial recognition and for de-recognition of financial assets and liabilities

Financial assets and liabilities are initially recognized when the Group becomes party to the contractual terms of the instruments. "Regular way" ("spot") purchases and sales of financial assets are accounted for at their settlement dates.

Financial assets (or a portion thereof) are derecognized only when the contractual rights to cash flows from the financial assets expire. For equity investments, the accumulated remeasurements to fair value in other comprehensive income are reclassified to retained earnings on de-recognition.

Financial liabilities (or a portion thereof) are de-recognized when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the income statement.

Fair value of financial instruments

The following methods and assumptions are used to estimate the fair value of financial instruments:

- For equity investments in quoted companies and mutual funds, the fair value is their quoted price;
- Investments in non-quoted companies are measured at Fair value. Fair value is estimated by reference to recent sale transactions on the shares of these non-quoted companies and, in the absence of such transactions, by using different valuation techniques such as discounted future cash flow models and multiples methods.
- For long-term debts carrying a floating interest rate, the amortized cost is assumed to approximate fair value;
- For long-term debts carrying a fixed interest rate, the fair value is determined based on the market

value when available or otherwise based on the discounted future cash flows;

- For derivatives, fair values are estimated by either considering their quoted price on an active market, and if not available by using different valuation techniques, in particular the discounting of future cash flows.

Criteria for offsetting financial assets and liabilities

Where a legally enforceable right of offset currently exists for recognized financial assets and liabilities, and Proximus has the intention to settle the liability and realize the asset simultaneously, or to settle on a net basis, all amounts in the statement of financial position are offset.

Trade receivables

Trade receivables are shown on the balance sheet are initially recognized at contract price and subsequently at amortized costs (SPPI model applies) less the allowance for expected credit losses.

Cash and cash equivalents

Cash and cash equivalents include cash, current bank accounts and term accounts with a maturity on acquisition of less than three months. These assets are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortized cost.

Interest-bearing liabilities

All loans and borrowings are initially recognized at their cost which generally corresponds to the fair value of the consideration received (net of issuance costs associated with the borrowings).

After initial recognition, debts are measured at amortized cost using the effective interest rate method, with amortization of discounts or premiums through the income statement.

Derivatives

On transition to IFRS 9 on 1 January 2018 the Group has chosen to continue applying the hedge accounting requirements of IAS 39 instead of applying the new requirements in IFRS 9 for 2018.

The Group does not hold or issue derivative financial instruments for trading purposes but some of its derivative contracts do not meet the criteria set by IAS 39 to be subject to hedge accounting and are therefore treated as derivatives held-for-trading, with changes in fair value recorded in the income statement.

The Group makes use of derivatives such as IRCS, forward foreign exchange contracts and currency options to reduce its risks associated with foreign currency fluctuations on underlying assets, liabilities and anticipated transactions. The derivatives are carried at fair value under the captions other assets (non-current and current), interest-bearing liabilities (non-current and current) and other payables (non-current and current).

An IRCS is used to reduce the Group exposure to interest rate and foreign currency fluctuations on a long-term debt denominated in JPY. The Group does not apply hedge accounting for this derivative.

This long-term debt expressed in JPY includes an embedded derivative. Such derivative is separated from its host contract and carried at fair value with changes in fair value recognized in the income statement. The mark-to-market effects on this derivative are offset by those on the IRCS.

The group used interest rate swaps to mitigate the risk of Interest rate variations between the hedge inception date and the issuance date of highly probable fixed rate long-term debts. The effective portion of changes in the fair value of hedging instruments that are designated in a cash flow hedge is recognized in other comprehensive income and gradually reclassified to profit or loss in the same period as the hedged item.

During 2017 the Group entered into a derivative foreign exchange forward contract in a hedge accounting relationship, as to economically hedge against exposure to changes in the US dollar exchange rate of the purchase consideration in dollar of the TeleSign business combination. The changes in fair value of the portion of such derivative that qualified for hedge accounting under IFRS rules was allocated as part of the consideration paid. The changes in fair value of the portion that did not qualify for hedge accounting was reported as finance cost in the profit and loss.

As from September 2011, the Group started contracting derivatives (forward foreign exchange contracts) to hedge its exposure to currency fluctuations for highly probable forecasted transactions. The Group applies cash flow hedge accounting; the effective portion of the gains and losses on the hedging instrument is recognized via other comprehensive income until the hedged item occurs. If the hedged transaction leads to the recognition of an asset, the carrying amount of the asset at the time of initial recognition incorporates the amount previously recognized via other comprehensive income. The ineffective portion of a cash flow hedge is always recognized in profit or loss.

The other forward exchange contracts do not qualify for hedge accounting and are consequently carried at fair value, with changes in fair value recognized in the income statement through financial result except when the underlying is recognized in the balance sheet and relates to costs recorded in operating income or to capitalized expenditures. In this case, changes in fair value are recognized in the income statement through operating income.

Net gains and losses on financial instruments

Dividends, interest income and interest charges arising from financial instruments are posted to the finance income (costs).

Remeasurements of financial instruments carried at FVTPL are accounted for as finance income (costs) when the instruments relate to financing activities.

Remeasurements of the financial instruments carried at FVTPL that relate to operating or investing activities (other than mentioned above), are accounted for as other operating income (expenses).

Accumulated remeasurements of equity instruments carried at FVOCI are reclassified from OCI to retained earnings.

Net gains and losses on derivatives used to manage foreign currency exposure on operating activities that do not qualify for hedge accounting under IAS 39 are recorded as operating expenses.

Net gains and losses resulting from fair value measurement of derivatives used to manage interest rate exposure on interest-bearing liabilities that do not qualify for hedge accounting under IAS 39 are recorded in finance income/(costs).

Contract assets

Contract assets result from the application of IFRS 15.

A contract asset is the Group's right to consideration in exchange for goods or services that it has already transferred to a customer and arise essentially in the context of contracts containing mobile and fix joint offer with a subsidized handset and services to be delivered over 24 months. The assets are classified as current as they are expected to be realized as part of the Group normal operating cycle.

When a contract for which a contract asset was recognized is terminated anticipatively by the customer, the net amount resulting from the contract settlement is recognized as device revenue. The compensation for the device corresponds to the unamortized part of the device when the contract is terminated.

Contract assets is a conditional right recognized on the balance sheet at cost less loss allowance, as defined on the life time expected credit loss model.

Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost is determined based on the weighted average cost method except for IT equipment (FIFO method) and goods purchased for resale as part of specific construction contracts (individual purchase price).

For inventory intended to be sold in joint offers, calculation of net realizable value takes into account the future margin expected from the telecommunications services in the joint offer, with which the item of inventory is offered.

For construction contracts, the percentage of completion method is applied. The stage of completion is measured by reference to the amount of contract costs incurred for work performed at balance sheet date in proportion to the estimated total costs for the contract. Contract cost includes all expenditures directly related to the specific contract and an allocation of fixed and variable overheads incurred in connection with contract activities based on normal operating capacity.

Lease agreements with suppliers

Leases of assets through which all the risks and the benefits of ownership of the asset are substantially transferred to the Group are classified as finance lease. Finance leases are recognized as assets and liabilities (interest-bearing liabilities) at amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at inception of the lease. Amortization and impairment testing for depreciable leased assets, is the same as for depreciable assets that are owned. Lease payments are apportioned between the outstanding liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Leases of assets through which all the risks and the benefits of ownership of the asset are substantially retained by the leasing company are classified as operating lease. Payments under operating leases are recognized as an expense in the income statement on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation resulting from past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. A past event is deemed to give rise to a present obligation if, taking into account the available evidence, it is more likely than not that a present obligation exists at the balance sheet date. The amount recognized as provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are discounted where the effect of the time value of money is material. The unwinding is recognized via the finance expense.

Certain assets and improvements that are situated on property owned by third parties must eventually be dismantled, and the property must be restored to its original condition. The estimated costs associated with dismantling and restorations are recorded under property, plant and equipment and depreciated over the useful life of the asset. The total estimated cost required for dismantling and restoration, discounted to its present value, is recorded under provisions. Where discounting is used, the increase in the provision due to the passage in time is recognized in financial expense in the income statement.

Assets and associated liabilities classified as held for sale

The Group classifies assets (or disposal group) as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through a continuing use. This condition is met when the asset (or disposal group) is available for immediate sale in its present condition, the sale is highly probable and expected to occur within one year. Assets and associated liabilities held for sale (or disposal group) are recorded at the lower of their carrying value or fair value less costs to sell,and are classified as current assets.

Share based payment

Equity and cash settled share-based payments to employees are measured at the fair value of the instrument at the grant date taking into account the terms and conditions upon which the rights are granted, and by using a valuation technique that is consistent with generally accepted valuation methodologies for pricing financial instruments, and that incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

For equity settled arrangement the fair value is recognized in workforce expenses over their vesting period, together with an increase of the caption "stock compensation" of the shareholders' equity for the equity part and an increase of a dividend liability for the dividend part. When the share options give right to dividends declared after granting the options, the fair value of this right is re-measured regularly.

For cash settled arrangement the fair value is recognized in workforce expenses over their vesting period together with an increase in the liabilities. The liabilities are regularly re-measured to reflect the evolution of the fair values.

Contract liabilities

The application of IFRS 15 led to the recognition of contract liabilities, which comprise the Group's obligation to transfer goods or services to a customer for which the Group has received consideration or the amount is due.

Some of these contract liabilities were classified previously either as other amounts payable or result from a difference in timing of revenue recognition generated by the application of IFRS 15.

Revenue

Proximus assesses at contract inception the goods or services promised in a contract with a customer and identifies as Performance obligation each promise to transfer to the customer either a good or service (or a bundle of) that is distinct, either a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Performance obligations are identified when following criterial are met

- Capable of being distinct: the customer can benefit from the goods and services on its own or together with other resources readily available to the customer
- Distinct within the context of the contract: a promise within the context of the contract is distinct from other promises in the contract if Proximus considers that it fulfills its contractual obligations by delivering the concerned promise independently from the others. Promises in a context of a contract are not distinct within the context of the contract when their nature is to be transferred in combination with other promises.

Following promises can be performance obligations, depending on their natures and interdependencies with the other promises in the contract:

- Traffic and data usage services; revenue is recognized on usage
- TV services: revenue is recognized over the contractual term
- Maintenance services: recognized over the contractual term
- Sale of equipment: revenue is recognized when the customer obtains control over the equipment
- Rent of equipment: rental revenue is recognized over the contractual period
- Setup/installation/activation fees: are recognized when delivered
- License of intellectual property: revenue recognized when transferred to the customer.

When these promises are not distinct, the Group combines them with other promises in the arrangement until the combined promises form a promise that is distinct (i.e. a performance obligation). Timing of revenue recognition for a Performance Obligation is based on the pattern of transfer to the customer of the predominant promise in that bundle.

When the "series guidance" applies i.e. when goods and services are distinct and substantially the same, the Group considers them as one Performance obligation. Each pricing plan – postpaid and prepaid (mobile voice, fix voice, internet, TV) is therefore considered as single performance obligation.

When contracts include different performance obligations that are not substantially the same, the transaction price is allocated to the different performance obligations of the arrangements based on their relative stand-alone selling prices. When contracts include customer options (i.e. unilateral rights granted to the customer) to acquire additional goods or services with a discount, including sales incentives, customer award points, contract renewal options or other discounts on future goods or services, revenue is allocated to these options when they provide the customer with a material right i.e. an unilateral right for the customer to obtain an advantage because he enters the contract.

When another party is involved in providing goods or services to a customer, the Group assesses for each performance obligation whether the nature of its promise is to provide the specified goods or services itself (ie the Group is a principal) or to arrange for those goods or services to be provided by the other party (ie the Group is an agent). When the Group acts as agent only the commission is recognized in revenue.

Operating expenses

The costs of materials and services related to revenues include the costs for purchases of materials and services directly related to revenue.

Work force expenses are expenses related to own employees (personnel expenses and pensions) as well as to external employees.

Operating expenses are reported net of work performed by the Group, which is capitalized. They are reported by nature.

Incremental costs to obtain a contract are deferred on a straight-line basis over 3 years for contract belonging to the CBU segment and 5 years for contracts belonging to the EBU segment.

Note 3. Goodwill

(EUR million)	Goodwill
As of 1 January 2017	2,279
Acquisition of TeleSign Holding Inc	151
Effect of movements in foreign exchange	-4
Acquisition of Davinsi Labs BVBA and Unbrace BVBA	6
As of 31 December 2017	2,431
Acquisitions of ION IP, UMBRIO, CODIT, MediaMobile and price adjustment for TeleSign Holding INC	38
Effect of movements in foreign exchange	3
Finalisation of purchase price allocation	-2
As of 31 december 2018	2,470

The goodwill increased by EUR 39 million to EUR 2,470 million in 2018 as a result of the acquisitions of Umbrio, CODIT, ION IP and MediaMobile (see note 7.4) as well as the impact of translation from foreign currencies and the finalization of the purchase price allocation of TeleSign.

Goodwill is tested for impairment at the level of operating segments as the performance, financial position (including goodwill) and capital expenditures within the Group are being monitored at operating segment level.

For the purpose of impairment testing, goodwill acquired in a business combination is, at acquisition date, allocated to each of the Group operating segments that is expected to benefit from the business combination. Therefore, this allocation is based on the nature of the acquired customers and activities.

At 31 December 2018, all businesses acquired were fully allocated to one single operating segment, except for the goodwill resulting from the acquisition of non-controlling interests in 2007 in Belgacom Mobile, which was allocated to the Consumer Business Unit and the Enterprise Business Unit on basis of their relative value in use for the Group at 31 December 2007.

The carrying amount of the goodwill is allocated to the operating segments as follows:

	As of 31 December	
(EUR million)	**2017**	**2018**
Consumer Business Unit	1,303	1,303
Enterprise Business Unit	730	767
International Carrier Services	398	401
Total	2,431	2,470

The recoverable amount at segment level was based on the value in use estimated through a discounted free cash flow model. The key variables used in determining the value in use are:

- The operating income before depreciation and amortization (except for the International Carrier Services segment for which the direct margin is more important);
- The capital expenditures;
- The long-term growth rate;
- The post-tax weighted average cost of capital;
- The mark-up rate to be applied on staff and support services, should Proximus Group organize a full and at arm's length transfer pricing between the segments;
- The expected rate of return on TEC capital employed (1), allowing the determination of TEC network related costs to be invoiced to the other segments, should Proximus Group organize a full and at arm's length transfer pricing between the segments.

CBU and EBU operating income before depreciation and amortization is highly sensitive to the following operational parameters: number of customers by type of service (TV, fix….), traffic (if applicable) and net ARPU by customer for each type of service. The value attached to each of these operational parameters is the result of an internal process, conducted in each segment and at group level, by confronting data from the market, market perspectives, and the strategies Proximus intends to implement in order to be adequately prepared for upcoming challenges.

The value in use calculations are based on the Three-Year Plan (2019 to 2021), as presented by management to the Board of Director and adjusted for events that are not allowed for consideration under IFRS. Subsequent years were extrapolated based on a growth rate comprised between 0% and 1.3% in 2018 and 2017 for the operating segment.

The free cash flows considered for calculating the value in use are estimated for the concerned assets in their current condition and exclude the cash inflows and outflows that are expected to arise from any future restructuring to which the Group is not yet committed and from improving or enhancing the assets performance. Free cash flows of each segment were discounted with the Group post-tax weighted average cost of capital (ICS excluded) of 5.3% in 2018 and 2017, with the exception of the ICS segment for which a specific post-tax weighted average cost of capital of 8.0% in 2018 and 8.1% in 2017 was used, its activities being deemed different enough from those of the rest of the Group to justify a specific calculation. The pre-tax weighted average cost of capital, derived from the post-tax weighted average cost of capital via an iterative method, was comprised between 6.6% and 8.9% in 2017 and between 6.7% and 8.8% in 2018 The Group reviews annually the growth rate and the weighted average cost of capital in the light of the market economics.

(1): Return on capital employed corresponds to the adjusted pre-tax Weighted Average Cost of Capital

The calculated weighted average costs of capital at Group level and for the ICS segment are based on the relative weight of their capital structure components and include a risk premium specific to their inherent risks.

None of the goodwill was impaired at 31 December 2018. Sensitivity analysis for all segments demonstrates that in case of a reasonable change in one of the key assumptions, their values in use still exceed their net carrying values.

Note 4. Intangible assets with finite useful life

(EUR million)	GSM and UMTS licences	Intangibles acquired in a business combination	TV rights	Other intan-gible assets	Total
Cost					
As of 1 January 2017	681	797	230	2.084	3.792
Additions	0	0	185	66	431
Acquisition of subsidiary	0	85	0	0	85
Internally generated assets	0	0	0	180	0
Derecognition	0	0	-129	-35	-164
Reclassifications	0	0	0	4	4
Foreign exchange adjustment	0	-3	0	0	-3
As of 31 December 2017	681	879	286	2.299	4.145
Additions	0	0	71	83	153
Acquisition of subsidiary	0	29	0	8	36
Internally generated assets	0	0	0	185	185
Derecognition	0	0	-54	-176	-229
Reclassifications	0	0	0	-23	-24
Effect of movements in foreign exchange	0	4	0	0	4
As of 31 December 2018	681	911	303	2.375	4.270
Accumulated amortization and impairment					
As of 1 January 2017	-463	-518	-148	-1.563	-2.692
Amortization charge for the year	-32	-56	-93	-201	-382
Impairment charge	0	0	0	-1	-1
Derecognition	0	0	129	34	164
As of 31 December 2017	-495	-574	-113	-1.730	-2.912
Amortization charge for the year	-32	-67	-110	-223	-431
Impairment charge	0	0	0	-22	-22
Acquisition of subsidiary	0	0	0	-6	-6
Derecognition	0	0	54	176	229
Reclassifications	0	0	0	27	27
As of 31 December 2018	-527	-641	-169	-1.779	-3.116
Carrying amount as of 31 December 2017	185	305	174	569	1.233
Carrying amount as of 31 December 2018	153	270	134	596	1.154

The GSM and UMTS licenses acquisition value include the costs related to the Global System for Mobile communication ("GSM") and Universal Mobile Telecommunication System ("UMTS").

The Group possesses the following licenses:

Year of acquisition	Description	Acquisition value (EUR million)	Net book value	Period	Payment method	Start of Amortization
1995	900 MHz spectrum	223	0	1995 - 2010	completed	08/04/1995
1998	ILT 2238	2	0	1998 -	completed	01/01/1998
1998	ILT	0	0	1998 -	completed	10/12/1998
2010	900 MHz spectrum	74	0	2010 - 2015	completed	08/04/2010
2015	900 MHz spectrum	75	28	2015 - 2021	over the period	08/04/2015
2001	UMTS	150	18	2001 - 2021	completed	01/06/2004
2011	4G	20	11	2012 - 2027	completed	01/07/2012
2013	800 Mhz spectrum	120	89	2013 - 2033	over the period	30/11/2013
2014	900 MHz spectrum	16	6	2015 - 2021	over the period	27/11/2015
	Total	681	153			

Internally generated assets mainly relate to development expenditures for internally developed software (mainly billing an ordering related). The aggregate amount of research expensed for this internally generated software during 2018 amounts to EUR 27 million.

Intangible assets acquired in a business combination relate to customer bases, trade names and patents recognized mainly as a result of the purchase price allocation performed when the Group acquired control over BICS and TeleSign (see note 7.4).

In 2018 the Group acquired TV rights for an amount of EUR 71 million mainly including broadcasting rights.

Other intangible additions (EUR 83 million) include mainly software development and software licenses.

The professional market IT landscape within Proximus has been reassessed as part of the ongoing transformation program. The outcome envisions an approach that integrates more with the mass market IT stack to leverage recent investments and to ensure coherence between the mass market and professional market from a customer and operational point of view. This has resulted in a move towards aligning the ordering, provisioning and billing chain between the two IT chains. As a consequence, a full impairment (Euro 22 million) on the related assets was recorded in Non-work force expenses in 2018 and those assets have been derecognized.

Note 5. Property, plant and equipment

(EUR million)	Technical and network equipment	Other tangible assets	Assets under construction	Total
Cost				
As of 1 January 2017	11,459	398	11	12,487
Additions	620	19	13	662
Acquisition of subsidiary	0	4	0	4
Derecognition	-1,247	-40	0	-1,319
Reclassifications	10	0	-14	-4
As of 31 December 2017	10,843	380	9	11,830
Additions	646	15	12	681
Acquisition of subsidiary	1	2	1	3
Derecognition	-279	-35	0	-362
Reclassifications	3	-2	-6	-5
As of 31 December 2018	11,214	361	16	12,147
Accumulated depreciation and impairment				
As of 1 January 2017	-8,913	-342	0	-9,577
Depreciation charge for the year	-536	-22	0	-581
Acquisition of subsidiary	-1	0	0	-2
Derecognition	1,246	38	0	1,307
Reclassifications	-1	0	0	0
As of 31 December 2017	-8,205	-325	0	-8,853
Depreciation charge for the year	-540	-23	0	-585
Acquisition of subsidiary	-1	-2	0	-2
Impairment charge	0	0	0	-1
Derecognition	278	33	0	347
Reclassifications	0	2	0	1
As of 31 December 2018	-8,468	-316	0	-9,093
Carrying amount as of 31 December 2017	2,638	56	9	2,976
Carrying amount as of 31 December 2018	2,746	45	16	3,054

The investments reflect the Group strategy to invest extensively in order to always better serve its customers. The Group mainly invested in its mobile leadership and in its fixed networks with the further rollout of Fiber to the business and the start of the fiber-to-the-home roll-out.

Derecognition of technical and network equipment mainly relates to radio equipment and data network equipment.

In 2018, the Group sold administrative and technical buildings and realised a gain on disposal of these buildings of EUR 22 million.

Note 6. Contract cost (IFRS 15)

In adopting IFRS 15, the Group recognized an asset in relation to commissions paid to dealer for the acquisition of post-paid contracts. These costs directly relate to contracts, are incurred only because the Group entered into contracts and are expected to be recovered.

For commissions related to the acquisition of mobile prepaid customers, the Group applied the practical expedient provided for in IFRS 15, allowing to expense as incurred incremental costs to obtain a contract if otherwise would have been deferred over one year or less.

These costs had been expensed as incurred until 2017.

The asset is deferred on a straight-line basis over 3 years for contracts belonging to CBU segment and 5 years for EBU segment. The deferral of these costs is recognized according to their nature being 'cost of material and services related to revenue'.

Movements on contract costs are as follows:

Balance at 31 December 2017 (IAS 18)	0
Balance at 1 January 2018 (IFRS 15)	120
Normal evolution	-73
New contract assets	69
Balance at 31 Dec 2018 IFRS 15	116

The portion of the balance as at December 31, 2018 of the contract costs deferred less than one year and deferred more than one year are as follows:

(EUR million)	As of 31 December 2018 - IFRS 15
Contract costs	116
Deferred within 12 months	59
Deferred beyond 12 months	57

Note 7. Investments in subsidiaries, joint ventures and associates

Note 7.1. Investments in subsidiaries

The consolidated financial statements include the financial statements of Proximus SA and the subsidiaries listed in the following table:

Name	Registered office	Country of incorporation	2017	2018
Proximus SA under Public Law	Bld du Roi Albert II 27 1030 Bruxelles VAT BE 0202.239.951	Belgium	Mother company	
Proximus Group Services SA	Bld du Roi Albert II 27 1030 Bruxelles VAT BE 0466.917.220	Belgium	100%	100%
PXS Re	Rue de Merl 74 2146 Luxembourg	Luxemburg	100%	100%
Connectimmo SA	Bld du Roi Albert II 27 1030 Bruxelles VAT BE 0477.931.965	Belgium	100%	100%
Skynet iMotion Activities SA	Rue Carli 2 1140 Evere VAT BE 0875.092.626	Belgium	100%	100%
Tango SA	Rue de Luxembourg 177 8077 Bertrange	Luxemburg	100%	100%
Telindus - ISIT BV	Krommewetering 7 3543 AP UTRECHT	Nederland	100%	100%
Telindus SA	Route d'Arlon 81– 83 8009 Strassen	Luxemburg	100%	100%
Telectronics SA	2 Rue des Mines 4244 Esch sur Alzette	Luxemburg	100%	100%
Beim Weissenkreuz SA	Route d'Arlon 81– 83 8009 Strassen	Luxemburg	100%	100%
Proximus Spearit NV	Koning Albert II laan 27 1030 Brussels VAT BE 0826.942.915	Belgium	100%	100%
Proximus ICT - Expert Community CVBA	Ferdinand Allenstraat 38 3290 Diest VAT BE 0841.396.905	Belgium	81%	81%
Proximus Opal SA	Bld du Roi Albert II 27 1030 Bruxelles VAT BE 0861.585.672	Belgium	100%	100%
Be-Mobile SA	Kardinaal Mercierlaan 1A 9090 Melle VAT BE 0881.959.533	Belgium (3)(6)	61%	61%
Be-Mobile Tech NV	Kardinaal Mercierlaan 1A 9090 Melle VAT BE 0884.443.228	Belgium (5)	61%	61%
Flow NV	Kardinaal Mercierlaan 1A 9090 Melle VAT BE 0897.466.269	Belgium (5)	61%	-
Flitsmeister BV	Koningsschot 45 - Postbus 114 3900 AC Veenendaal	Nederland	61%	61%
Be-Mobile Ltda	Rua Joaquim Floriano 243 - Conjunto 113 CEP 04534-010 San Paulo	Brazil (5)(7)	61%	0%
Scarlet Belgium NV	Carlistraat 2 1140 Evere VAT BE 0447.976.484	Belgium	100%	100%

Name	Registered office	Country of incorporation	2017	2018
Clearmedia NV	Zagerijstraat 11 2960 Brecht VAT BE 0831.425.897	Belgium	100%	100%
Davinsi Labs NV	Borsbeeksebrug 28/2verd 2600 Antwerpen VAT BE 0550.853.793	Belgium	100%	100%
Unbrace Bvba	Zagerijstraat 11 2960 Brecht VAT BE 0867.696.771	Belgium (2)	100%	100%
Belgacom International Carrier Services Mauritius Ltd	Chancery House 5th floor , Lislet, Geoffrey Street Port Louis 1112-07	Mauritius (1)	58%	58%
Belgacom International Carrier Services SA	Rue Lebeau 4 1000 Brussels VAT BE 0866.977.981	Belgium (1)	58%	58%
Belgacom International Carrier Services Deutschland GMBH	Taunusanlage 11 60329 Frankfurt am Main	Germany (1)	58%	58%
Belgacom International Carrier Services UK Ltd	Great Bridgewaterstreet 70 M1 5ES Manchester	United Kingdom (1)	58%	58%
Belgacom International Carrier Services Nederland BV	Wilhelminakade 91 3072 AP Rotterdam	The Netherlands (1)	58%	58%
Belgacom International Carrier Services North America Inc	Corporation trust center - 1209 Orange street USA - 19801 Willington Delaware	United States (1)	58%	58%
Belgacom International Carrier Services Asia Pte Ltd	16, Collyer Quay # 30.02 Singapore 049318	Singapore (1)	58%	58%
Belgacom International Carrier Services (Portugal) SA	Avenida da Republica, 50, 10th floor 1069-211 Lisboa	Portugal (1)	58%	58%
Belgacom International Carrier Services Italia Srl	Via della Moscova 3 20121 Milano	Italy (1)	58%	58%
Belgacom International Carrier Services Spain SL	Calle Salvatierra, 4, 2c 28034 Madrid	Spain (1)	58%	58%
Belgacom International Carrier Services Switzerland AG	Papiermühlestrasse 73 3014 Bern	Switzerland (1)	58%	58%
Belgacom International Carrier Services Austria GMBH	Wildpretmarkt 2-4 1010 Wien	Austria (1)	58%	58%
Belgacom International Carrier Services Sweden AB	Drottninggatan 30 411-14 Goteborg	Sweden (1)	58%	58%
Belgacom International Carrier Services JAPAN KK	#409 Raffine Higashi Ginza, 4-14 Tsukiji 4 - Chome - Chuo-ku Tokyo 104-00	Japan (1)	58%	58%
Belgacom International Carrier Services China Ltd	Hopewell Centre - level 54 183, Queen's road East Hong Kong	China (1)	58%	58%
Belgacom International Carrier Services Ghana Ltd	Box GP 821 Accra	Ghana (1)	58%	58%

Name	Registered office	Country of incorporation	2017	2018
Belgacom International Carrier Services Dubai FZ-LLC	Dubai Internet City Premises 306 - Floor 03- Building 02 -PO box Dubai	United Arab. Emirates (1)	58%	58%
Belgacom International Carrier Services South Africa Proprietary Ltd	The promenade shop 202 D - Victoria Road Camps Bay 8005	South Africa (1)	58%	58%
Belgacom International Carrier Services Kenya Ltd	LR-N° 204861, 1st Floor Block A Nairobi Business Park-Ngong Road PO BOX 10643 - 00100 Nairobi	Kenya (1)	58%	58%
Belgacom International Carrier Services France SAS	Rue du Colonel Moll 3 75017 Paris	France (1)	58%	58%
TeleSign Holdings Agents, Inc	160 Greentree Dr., Ste.101 Dover, DE 19904	United Kingdom (1) '(2) '(6)	58%	58%
TeleSign Corporation	13274 Fiji Way , Suite 600 Marina del Rey, CA 90292	United States (1) '(2) '(6)	58%	58%
TeleSign UK	4th Floor 210 High Holborn London WC1V 7DL	United Kingdom (1) '(2) '(6)	58%	58%
TeleSign Mobile Ltd	4th Floor 210 High Holborn London WC1V 7DL	United Kingdom (1) '(2) '(6)	58%	58%
TeleSign Doo	Tresnjinog cveta 1 11070 Novi Beograd	Serbia (1) '(2) '(6)	58%	58%
TeleSign Netherlands B.V.	4th Floor 210 High Holborn London WC1V 7DL	United Kingdom (1) '(2) '(6)	58%	58%
TeleSign Singapore Pte. Ltd.	1 Robinson Road, #17-00 AIA Tower Singapore (048542)	Singapore (1) '(2) '(6)	58%	58%
TeleSign Australia Pty Ltd	FDK Laurence Varney Level 12 222 Pitt Street Sidney NSW 2000	Australia (1) '(2) '(6)	58%	58%
TeleSign Japan KK	Oak Minami Azabu Building 2F 3-19-23 Minami Azabu Minato-ku, Tokyo 106-0047	Japan (1) '(2) '(6)	58%	0%
TeleSign (Beijing) Technology Co., Ltd.	15/F, Office Building A, Parkview Green, 9 Dongdaqiao Road, Chaoyang District Beijing 100020	P.R. China (1) '(2) '(6)	58%	58%
TeleSign Hong Kong Ltd	5/F., Heng Shan Centre, 145 Queen's Road East, Wanchai, Hong Kong	Hong Kong (1) '(2) '(6)	58%	58%
Codit Holding BVBA	Gaston Crommenlaan 14, box 301 9050 Ledeberg VAT BE 662.946.401	Belgium (4)	-	100%
Codit BVBA	Gaston Crommenlaan 14, box 301 9050 Ledeberg VAT BE 0471.349.823	Belgium (4)	-	100%
Codit Switzerland AG	Schaffhauserstrasse 374 8050 Zurich VAT CHE-335.776.516	Switzerland (4)	-	100%
Codit Integration Ltd.	Landmark House, Station Road RG27 9HA Hook (Hampshire) VAT GB 241.5781.10	United Kingdom (4)	-	100%
Codit Managed Services BVBA	Gaston Commenlaan 14, box 301 9050 Ledeberg VAT BE 0835.734.875	Belgium (4)	-	100%
CODIT Mare Limited	International House, Mdina Road Mriehel, Birkirkara C55412	Malta (4)	-	100%

Name	Registered office	Country of incorporation	2017	2018
Codit Nederland B.V	Atoomweg 350, 3542AB Utrecht	The Netherlands (4)	-	100%
Votijnit Lda. (Codit Portugal)	Praça Duque de Saldanha 20 1° Dtio.Lisbon NIPC 510.595.251	Portugal (4)	-	100%
Codit Software Limited	International House, Mdina Road Mriehel, Birkirkara C64225	Malta (4)	-	100%
Codit France S.A.S.	Rue de la Michodière 4 75002 Paris VAT FR 0478.300.189	France (4)	-	100%
AXON Olympus	Atoomweg 350 3542AB Utrecht 6171872	The Netherlands (4)	-	100%
UMBRiO Holding BV	Patrijsweg 74 NL-2289 EX Rijswijk	The Netherlands (4)	-	100%
UMBRiO BV	Patrijsweg 74 NL-2289 EX Rijswijk	The Netherlands (4)	-	100%
UMBRiO Consulting BV	Patrijsweg 74 NL-2289 EX Rijswijk	The Netherlands (4)	-	100%
UMBRiO University BV	Patrijsweg 74 NL-2289 EX Rijswijk	The Netherlands (4)	-	100%
MEDIAMOBILE S.A.	Rue Camille Desmoulins 41 F-92130 Issy Les Moulineaux	France (4)	-	100%
Mediamobile Nordic OY	Äyritie 8B 01510 Vantaa, Finland FI 23364202	Finland (4)	-	100%
ION-IP	Vendelier 2C NL-3905 PA Veenendaal	The Netherlands (4)	-	100%

(1) Entity of BICS Group
(2) Entity acquired in 2017
(3) Previously named Mobile For
(4) Entity acquired in 2018
(5) Entity mergerd with Be-Mobile TECH
(6) See note 7.4
(7) Entity liquidated in 2017

Note 7.2. Details of non-wholly owned subsidiaries that have material non-controlling interests

Only BICS and its subsidiaries have material non-controlling interests.

Detail of non-wholly owned subsidiaries of the Group that have material non-controlling interests

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests As of 31 December		Profit allocated to non-controlling interests As of 31 December		Accumulated non-controlling interests As of 31 December	
		2017	2018	2017	2018	2017	2018
BICS (segment)	Belgium	42%	42%	28	20	156	149
Total				28	20	156	149

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests

BICS (segment)	2017	2018
Current assets	617	671
Non-current assets	830	752
Current liabilities	590	614
Non-current liabilities	237	205
Equity attributable to owners of the company	620	604
Revenue (total)	1,320	1,347
Expenses (operating)	-1,181	-1,195
Profit for the year	66	47
Profit attributable to owners of the company	38	27
Profit attributable to the non-controlling interests	28	20
Dividends paid to non-controlling interests	32	28
Net cash inflow from operating activities	83	141
Net cash outflow from investing activities	-247	-30
Net cash inflow / (outflow) from financing activities	70	-68
Net cash inflow / (outflow)	-95	44

BICS shareholder agreement foresees protective rights for the non-controlling interests (see note 2).

The Group granted the Be-Mobile Group (composed of Be-Mobile, Be-Mobile Tech, Flitsmeister and MediaMobile) non-controlling interests with put options on their shares. Similarly, the Group was granted call options on these non-controlling shares. These options can be exercised under the same conditions and for the same price. As a result, the Group recognizes a financial liability to these shareholders. This financial liability is classified at FVTPL.

Note 7.3. Investments in associates

The Group had a significant influence in the following company:

Name	Registered office	Country of incorporation	Group's participating interests	
			2017	2018
Belgian Mobile ID SA/NV	Sinter-Goedeleplein 5 1000 Brussel VAT BE 541.659.084	Belgium	19%	15%
Synductis C.V.B.A	Brusselsesteenweg 199 9090 Melle VAT BE 502.445.845	Belgium	17%	17%
Experience@work C.V.B.A	Minderbroedersgang 12 2800 Mechelen VAT BE 627.819.632	Belgium	33%	33%
Tessares SA/NV	Avenue Jean Monnet 1 1348 Ottignies-Louvain-la-Neuve VAT BE 600.810.278	Belgium	23%	23%
Co.station Belgium NV	Sinter-Goedeleplein 5 1000 Brussel VAT BE 599,786,434	Belgium	20%	20%

Per 31 December 2018 the aggregate information on all individually immaterial associates is as follow

(EUR million)	2017	2018
Carrying amount	3	3
Loss of continuing operations	-2	-1

Note 7.4. Acquisitions and disposal of subsidiaries, joint ventures and associates

Acquisitions in 2018

In 2018, Proximus Group has acquired ION-IP, Umbrio, CODIT and MediaMobile.

On March 26, 2018, the Group entered into a purchase agreement to acquire 100% of the shares of ION-IP B.V. The company operates as a Managed Infrastructure Security and Application Performance Provider that supplies integrated solutions to business customers.

On May 31, 2018, the Group entered into a purchase agreement to acquire 100% of the shares of Umbrio Holding B.V. Umbrio is specialized in implementing IT Operation Management platforms providing: consulting and implementation services within the domain of IT Operations and Business Analytics and Application Delivery Management on the basis of the Splunk platform.

On July 12, 2018, the Group entered into a purchase agreement to acquire 100% of the shares of CODIT HOLDING BVBA. CODIT focusses on Application Integration based on Microsoft technologies and is active in 7 countries: Belgium, Netherlands, France, Switzerland, United Kingdom, Portugal and Malta.

On November 15, 2018, the Group entered into a purchase agreement to acquire 100% of the shares of MediaMobile SA (French Société Anonyme). Main activity is to sell its RTTI licenses to Automotive and PND Manufacturers.

The acquisition price paid for those entities amounts to EUR 55 million and has led, after provisional purchase price allocation, to a goodwill of EUR 38 million. A contingent consideration of maximum EUR 11 million, of which EUR 4 million has been paid on an escrow account, is subject to further conditions and will become due upon realization of those conditions. Cash acquired at acquisition date from those companies amounts to EUR 5 million.

Furthermore, contingent payments which are considered as compensation for post-combination services, are recognized as post-combination remuneration expense and are not included in the consideration paid and thus not in the goodwill. These contingent payments are recognized linearly over the vesting period as long as it is probable that the employment KPI (and performance conditions, if any) will be met. Total amount of those compensations relating to the acquisitions of 2018 amounts to EUR 16 million of which EUR 6 million has been paid on an escrow account.

Acquisition costs expensed amounted to EUR 1 million.

The provisional purchase price allocation of the entities has led to the recognition of following intangibles assets:

- Brand name: EUR 18 million
- Customer relationship: EUR 8 million

For MediaMobile, the purchase price allocation is provisional and, based on a preliminary estimation of the duration of the period over which the entity has enforceable obligations to deliver its services, a contract liability of EUR 6 million has been recognized, for IFRS 15 purposes.

There are no other fair value adjustments performed other than the recognition of the intangible assets and the alignment of the revenue recognition criteria for MediaMobile, as the carrying values, as noted below, represent the fair value (and related deferred taxes).

(EUR million)	Fair value recognised on acquisition
Intangibles	26
Non current fixed assets	1
Deferred income tax assets	1
Trade receivables	10
Other current assets	6
Investments and cash and cash equivalents	5
Total assets	50
Non-current interest-bearing liabilities	-4
Deferred income tax liabilities	-7
Trade payables	-5
Income tax payables	-2
Contract liability	-5
Other current payables	-10
Total non-controlling interests and liabilities	-33
Net assets acquired	17
Consideration	55
Goodwill arising on acquisition	38

Acquisitions in 2017

In 2018, the purchase price allocation of TeleSign has been completed.

Per end of October 2017, Proximus' subsidiary BICS acquired 100% of TeleSign a United States company active in the provision of authentication and mobile identity services to internet and digital service providers, for USD 230 million on a cash and debt free basis, upwards adjusted for 1 million in 2018.

Part of the consideration was deposited on escrow accounts which is recognized in current assets (see note 11). The unreleased part of the escrow accounts is recognized as liability towards the sellers (see note 20). Both the receivable and payable are included in the cash flow statement of 2017 in the cash paid for the acquisition of consolidated companies net of cash acquired.

At the signing of the deal, the Group entered into a derivative foreign exchange forward contract in a hedge accounting relationship, in order to hedge against exposure to changes in the US dollar exchange rate for the purchase consideration between signing and closing. Although this derivative was considered to be an economic hedge, a portion of such derivative could not qualify for hedge accounting under IFRS rules. The cumulative negative mark-to-market for the qualifying part of the hedge recognized in other comprehensive income amounted to EUR 12 million. This was allocated as part of the consideration paid. The not qualifying portion was recognized in financial result in 2017.

The transaction resulted in EUR 151 million as per 31 October 2017 goodwill mainly as the result from the premiums paid for synergies expected to be achieved.

The purchase price allocation has been finalized in 2018, resulting in a goodwill of EUR 149 million which is a decrease of EUR 5 million which is mainly the result of the recognition of a deferred tax asset of EUR 6 million for losses carried forward as well as further update on provision of about EUR (1) MEUR.

(EUR million)	Fair value recognised on acquisition
Intangibles	85
Non current fixed assets	3
Deferred income tax assets	8
Trade receivables	14
Other current assets	4
Investments and cash and cash equivalents	9
Total assets	123
Provisions and contingent liabilities	-6
Deferred income tax liabilities	-28
Trade payables	-8
Other current payables	-2
Total non-controlling interests and liabilities	-44
Net assets acquired	79
Consideration	225
Goodwill arising on acquisition	146
Translation difference	3
Goodwill as per 31 December 2018	149
The consideration is detailed as follows:	
Cash paid to shareholders	225
Consideration	225
The cash outflow on acquisition is as follows:	
Consideration paid	225
Net cash acquired of the subsidiary	-9
Net cash outflow	215

Note 8. Equity investments

Other participating interests comprise the following interests:

(EUR million)	As of 31 December 2017	2018
Unlisted shares	8	0
HomeSend SCRL/CVBA	7	0
Other unlisted shares	1	0
Total	8	0

At 31 December 2017 and 2018, the other participating interests included almost exclusively shares in equity of non-consolidated and non-quoted entities, in a start-up phase.

These interests that were previously recognized at cost less impairment are, under IFRS 9, measured at fair value and classified on a case by case basis either at FVTOCI or FVTPL. The Group elected to classify all instruments at transition at FVTOCI as these equity instruments were not held for a purpose of trading but acquired with a long-term strategic view and not with the purpose to realize gains. No dividend was granted by those investments during 2018. The application of IFRS 9 did not generate any remeasurement.The participating interest in HomeSend was sold in 2018 and the accumulated remeasurement recognized in other comprehensive income (EUR 3 million) were reclassified to retained earnings.

Note 9. Income taxes

Gross deferred income tax assets / (liabilities) relate to the

	As of 31 December		
(EUR million)	2017 IAS 18	2018 IAS 18	2018 IFRS 15
Accelerated depreciation for tax purposes	-6	-16	-16
Fair value adjustments on acquisition	-69	-60	-60
Statutory provisons not retained under IFRS	-4	-5	-5
Remeasurement of financial instruments to fair value	-2	-1	-1
Deferred taxation on sales of property, plant and equipment	-6	-8	-8
Other	0	-2	-55
Gross deferred income tax liabilities	-87	-93	-145
Fair value adjustment on fixed assets	19	17	17
Asset for post-employment, termination and other benefits	6	26	26
Tax losses carry forward	0	5	5
Provisions for liabilities and charges	17	18	18
Other	-1	1	1
Gross deferred income tax assets	42	66	66
Net deferred income tax assets / (liabilities), when grouped per taxable entity, are as follows :			
Net deferred income tax liability	-72	-61	-91
Net deferred income tax asset	27	35	12

The movements in 2018 of the deferred tax position are as follows

(EUR million)	Note	
As of 1 January - IAS 18		-45
Increase as the result of the purchase price allocation	7.4	-1
Decrease recognized through other comprehensive income		8
Decrease recognized in income statement		12
As of 31 December - IAS 18		-26
As of 1 January - IFRS 15		-102
Increase as the result of the purchase price allocation		-1
Decrease recognized through other comprehensive income		8
Decrease recognized in income statement		17
As of 31 December - IFRS 15		-79

The movements in 2017 of the deferred tax position are as follows

(EUR million)	Note	
As of 1 January		-50
Increase as the result of the purchase price allocation	7.4	-25
Increase recognized through other comprehensive income		-16
Decrease recognized in income statement		47
As of 31 December		-45

The 2018 deferred tax gain in the income statement under IAS 18 is mainly related to the early leave plans and fair value adjustments on fixed assets.

The cost for the early leave plan was fully expensed in the 2016 statutory statements of Proximus SA established under Belgian GAAP whereas in IFRS the cost is recognized over the service period.

The deferred income tax assets on fair value adjustment of fixed assets relate mainly to the elimination of the gain resulting from the intercompany sale at fair value of certain fixed assets.

The deferred tax gains are partly offset by the liability recognized as a consequence of the reversal of the annual declining depreciation method applied by Proximus SA in BGAAP on the tangible assets and broadcasting intangible assets acquired in 2018.

Deferred tax assets have not been recognized in respect of the losses of subsidiaries that have been loss-making for several years. Cumulative tax losses carried forward and tax deductions available for such companies amounted to EUR 56 million at 31 December 2018 (EUR 61 million in 2017) of which EUR 53 million has no expiration date and EUR 3 million has an expiration date after 2020.

In the income statement, deferred tax income/ (expense)

(EUR million)	2017 IAS 18	Year ended 31 December 2018 IAS 18	2018 IFRS 15
Accelerated depreciation for tax purposes	1	-10	-10
Fair value adjustments on acquisition	38	15	15
Remeasurement of financial instruments to fair value	1	2	2
Deferred taxation on sales of property, plant and equipment	2	-2	-2
Fair value adjustment on fixed assets	-12	-2	-2
Asset for post-employment, termination and other benefits	28	11	11
Tax losses carried forward	0	-1	-1
Capital losses on investments in subsidiaries	-1	0	0
Contract assets and contract cost	0	0	3
Other	-11	0	0
Deferred tax expense of the year	47	12	15

The consolidated income statement includes the following tax

(EUR million)	2017 IAS 18	As of 31 December 2018 IAS 18	2018 IFRS 15
Current income tax			
Current income tax expense	-262	-214	-214
Adjustments in respect of current income tax of previous periods	30	8	8
Deferred income tax			
Effect of reduction in income tax rates on closing balance of deferred income tax	20	-1	-3
Expense resulting from changes in temporary differences	27	13	19
Income tax expense reported in consolidated income statement	-185	194	191

The reconciliation of income tax expense applicable to income before taxes at the statutory income tax rate to income tax expense at the group's effective income tax rate for each of the two years ended is as follows:

(EUR million)	**2017 IAS 18**	**As of 31 December** **2018 IAS 18**	**2018 IFRS 15**
Income before taxes	738	723	721
At Belgian statutory income tax rate of 33.99%	251	0	0
At Belgian statutory income tax rate of 29.58%	0	214	213
Lower income tax rates of other countries	-2	-2	-2
Effect of reduction in income tax rates on closing balance of deferre	-20	-1	-3
Non-taxable income from subsidiaries	-38	-27	-27
Non-deductible expenditures for income tax purposes	17	15	15
Other	-22	-6	-6
Income tax expense	185	194	191
Effective income tax rate	25.14%	26.80%	26.44%

The 2018 effective income tax rate under IAS 18 amounts to 26.80 % which is higher compared to the effective income tax rate of 25.14% in 2017. The higher income tax expense is mainly due to the new notional interest deduction regime in Belgium significantly reducing its impact, the lower positive outcome on previous year tax audit corrections and the absence of a 2018 positive impact of the Belgian and US corporate income tax reforms. These items are not fully compensated by the lower income tax rates.

The non-taxable income from subsidiaries mainly relates to the application of general principles of tax law such as the patent income deduction applicable in Belgium.

The 2018 non-deductible expenditures for income tax purposes primarily relate to various expenses that are disallowed for tax purposes.

The caption "other" include mainly R&D tax incentives and prior year tax adjustments.

Note 10. Assets and liabilities for pensions, other post-employment benefits and termination benefits

The Group has several plans that are summarized below:

	As of 31 December	
(EUR million)	2017(1)	2018(1)
Termination benefits and additional compensations in respect of restructuring programs	188	192
Defined benefit plans for complementary pension plans (net liability)	29	65
Post-employment benefits other than pensions	350	347
Net liability recognized in the balance sheet	568	605

(1) The net liablity in the balance sheet amounts to EUR 52 and EUR 53 mio as current portion and non-current portion of EUR 552 and EUR 515 mio respectively for 2018 and 2017.

The calculation of the liability is based on the assumptions established at the balance sheet date. The assumptions for the various plans have been determined based on both macro-economic factors and the specific terms of each plan relating to the duration and the beneficiary population.

The discount rate used for the valuation of pension plans, other post-employment benefit plans and termination benefits is based on the yield of Eurozone high quality corporate bonds with a duration matching the duration of such plans.

Note 10.1. Termination benefits and additional compensations in respect of restructuring programs

Termination benefits and additional compensations included in this chapter relate to employee restructuring programs. No plan assets are accumulated for these benefits.

In 2007, the Group implemented a voluntary external mobility program to the Belgian State for its statutory employees and a program for unfit statutory employees. Under the terms of this plan, the Group will pay benefits until retirement date of the participant.

In 2016, the Group implemented a voluntary leave program allowing for early termination from the age of 60 (or 58 for a small group). Under the terms of this plan, the Group will pay benefits until the earliest retirement date of the participant.

The part of the plan conditional to future service being provided is recognized over that period of future service.

Any subsequent re-measurement of the liability for termination benefits and additional compensations is recognized immediately in the income statement.

The funded status of the plans for termination benefits and additional compensations is as follows :

	As of 31 December	
(EUR million)	2017	2018
Defined Benefit Obligation	188	192
Benefit obligation in excess of plan assets	188	192

The movement in the net liability recognized in the balance sheet is as follows :

	As of 31 December	
	2017	2018
At the beginning of the year	149	189
Total expense for the period	69	41
Actual employer contribution	-30	-39
At the end of the year	188	192

The liability for termination benefits and additional compensations was determined using the following assumptions:

	As of 31 December	
(EUR million)	2017	2018
Discount rate	0.00%	0.00%
Future price inflation	2.00%	2.00%

Sensitivity analysis

An increase or decrease of 0.5% in the effective discount rate involves a fluctuation of the liability by approximately EUR 2 million.

For benefits which are conditional to future services we refer to note 28.

The Group expects to pay an amount of EUR 51 million for termination benefits and additional compensations in 2019. The payments in 2018 amounted to EUR 39 million.

Note 10.2. Defined contribution and benefit plans for complementary pensions

Defined benefits plans

Proximus SA and some of its Belgian subsidiaries offer defined benefit pension plans for their employees. These plans provide pension benefits, expressed as a lump sum, for services as of 1 January 1997 at the earliest. They provide benefits based on salary and years of service. They are financed through the Proximus Pension Fund, a legally separate entity created in 1998 for that purpose.

The financing method is intended to finance the current value of future pension obligations (defined benefit obligation – DBO) relating to the years of service already rendered in the company and taking into account future salary increase. The financing method is derived from calculations under IAS 19. The annual contribution is equal to the sum of the service cost, the net financial cost (interest cost on DBO minus the expected return on assets) and the amortization of the difference between the assets and the DBO exceeding 10% of the higher of the DBO or the assets.

At 31 December 2017 and 2018, the assets of the Pension Fund exceed the minimum required by the pension regulator, being the technical provision. The technical provision represents the amount needed to guarantee the short-term and long-term equilibrium of the Pension Fund. It is constituted of the vested rights increased with an additional buffer amount in order to guarantee the long-term durability of the pension financing. The vested rights represent the current value of the accumulated benefits relating to years of service already rendered in the company and based on current salaries. They are calculated in accordance with the pension regulation and applicable law regarding actuarial assumptions.

As for most of defined benefit plans, the pension cost can be impacted (positively or negatively) by parameters such as interest rates, future salary increase and inflation. These risks are not unusual for defined benefit plans.

For the complementary defined benefit pension plan, actuarial valuations are carried out at 31 December by external independent actuaries. The present value and the current service cost and past service cost, are measured using the projected unit credit method.

The funded status of the pension plans is as follows :

	As of 31 December	
(EUR million)	2017	2018
Defined Benefit Obligation	614	670
Plan assets at fair value	-585	-604
Deficit	29	65

The components recognized in the income statement and other comprehensive income are as follows :

	Year ended 31 December	
(EUR million)	2017	2018
Current service cost - employer	44	47
Past service cost recognized	1	0
Recognized in the income statement	46	47
Remeasurements		
Actuarial losses arising from experience adjustments	4	11
Actuarial losses related to return on assets, excluding interest income	-18	25
Recognized in other comprehensive income	-13	35
Total	32	82

The components of the expense recognized in the income statement are as follows :

	Year ended 31 December	
(EUR million)	2017	2018
Current service cost - employer	44	47
Interest cost	10	11
Expected return on plan assets	-10	-11
Past service cost recognized	1	0
Expense recognized in the income statement	46	47

The movement in the net liability recognized in the balance sheet is as follows :

	Year ended 31 December	
(EUR million)	2017	2018
At the beginning of the year	43	29
Expense for the period recognized in the income statement	46	47
Remeasurement recognized in other comprehensive income	-14	36
Actual employer contribution	-46	-47
Net deficit	29	65

Change in plan assets :

(EUR million)	As of 31 December 2017	2018
At the beginning of the year	522	585
Interest income	10	11
Return on assets, excluding interest income	18	-25
Actual employer contribution	46	47
Benefits payments and expenses	-10	-13
At the end of the year	585	604

Change in the defined benefit obligation :

(EUR million)	As of 31 December 2017	2018
At the beginning of the year	565	614
Service cost	44	47
Interest cost	10	11
Past service cost - vested benefits	1	0
Benefits payments and expenses	-10	-13
Actuarial losses	4	11
At the end of the year	614	670

The pension liability was determined using the following assumptions :

(EUR million)	As of 31 December 2017	2018
Discount rate	1.80%	1.80%
Future price inflation	2.00%	2.00%
Nominal future salary increase	3.10% - 3.50%	3.10% - 3.50%
Nominal future baremic salary increase	3.00%- 3.15%	3.00%- 3.15%
Mortality	BE Prospective IA/BE	BE Prospective IA/BE

The pension liability is determined based on the entity's best estimate of the financial and demographic assumptions which are reviewed on an annual basis.

The duration of the obligation is 15.56 years.

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit plans obligations are discount rate, inflation and real salary increase. The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions, while holding the other assumptions constant.

If the discount rate increases (or decreases) by 1%, the estimated impact on the defined benefit obligation would be a decrease (or increase) by around 15% to 19%.

If the inflation rate increases (or decreases) by 0.25%, the defined benefit obligation would increase (or decrease) by around 3% to 4%. If the real salary increases (decreases) by 0.25%, the defined benefit obligation would increase (decrease) by around 7%.

The assets of the pension plans are detailed as follows:

(EUR million)	As of 31 December 2017	2018
Equity instruments	46.7%	42.4%
Debt instruments	37.5%	40.0%
Convertible bonds	7.6%	6.8%
Other (property, infrastructure, Private equity funds, insurance deposits)	8.2%	10.9%

The actual return on plan assets is as follows:

(EUR million)	As of 31 December 2017	2018
Actual return on plan assets	28	-14

The investment strategy of the Pension Fund is defined to optimize the return on investment within strict limits of risk control and taking into account the profile of the pension obligations. The relatively long duration of the pension obligations (15.56 years) allows to allocate a reasonable portion of its portfolio to equities. Over the last five years, the pension fund has significantly increased the diversification of its investment portfolio across asset classes, regions and currencies in order to reduce the overall risk and improve the expected return.

At the end of 2018 the portfolio was invested by about 42.4% in listed equities (in Europe, US and Emerging Markets), about 40.0% in fixed income (government bonds, corporate bonds, and senior loans) and about 6.8% in convertible bonds (World ex US), the remaining part being invested in European infrastructure, global private equity, European non-listed real estate and cash. The actual implementation of the investments is outsourced to specialized asset managers.

Nearly all investments are done via mutual investment funds. Direct investments amount for less than 1% of the assets. Equity instruments, debt instruments and convertible bonds have quoted prices in active markets. The other assets, amounting for 10.9 % of the portfolio are not quoted. The Pension Fund does not directly invest in Proximus shares or bonds, but it is not excluded that some Proximus shares or bonds are included in some of the mutual investment funds in which we invest.

The Pension Fund wants to promote the concept of corporate social responsibility among its asset managers. It has therefore drawn up a "Memorandum on Corporate Social Responsibility" defining its policy in this area, in order to encourage them to take these aspects into account in their management decisions.

The Group expects to contribute an amount of EUR 49 million to the Proximus Pension Fund in 2019.

In addition to the defined benefit plan described here above the Group operates two defined benefit plans with a limited amplitude. They present a net asset of EUR 1 million resulting from a DBO of EUR 7 and plan assets of EUR 8 million.

Defined contribution plans

The Group has some plans based on contributions for qualifying employees.

For the plans operated abroad, the Group does not guarantee a minimum return on the contribution.

For those operated in Belgian a guaranteed return is provided.

All plans (operated in Belgian and abroad open and closed) are not material at Group level and do not present any net liability material for the Group.

Note 10.3. Post-employment benefits other than pensions

Historically, the Group grants to its retirees post-employment benefits other than pensions in the form of socio-cultural aid premium and other social benefits including a subsidized hospitalization plan. There are no plan assets for such benefits.

The subsidy to the hospitalization plan is based on an indexed fixed amount per beneficiary.

The funded status of the plans is as follows :

(EUR million)	As of 31 December 2017	2018
Defined Benefit Obligation	350	347
Plan assets at fair value	0	0
Net liability recognized in the balance sheet	350	347

The components recognized in the income statement and other comprehensive income are as follows :

(EUR million)	Year ended 31 December 2017	2018
Current service cost - employer	5	4
Interest cost	5	5
Recognized in the income statement	10	10
Remeasurements		
Effect of experience adjustments	1	1
Recognized in other comprehensive income	1	1
Total	11	11

The movement in the net liability recognized in the balance sheet is as follows :

(EUR million)	As of 31 December 2017	2018
At the beginning of the year	352	350
Expense for the period recognized in the income statement	10	10
Remeasurement recognized in other comprehensive income	1	1
Actual employer contribution	-13	-13
At the end of the year	350	347

The liability for post-employment benefits other than pensions was determined using following assumptions :

	As of 31 December 2017	2018
Discount rate	1.60%	1.60%
Future cost trend (index included)	2.00%	2.00%
Mortality	BE Prospective IA/BE	BE Prospective IA/BE

The liability for post-employment benefits other than pensions is determined based on the entity's best estimate of the financial and demographic assumptions which are reviewed on an annual basis.
The duration of the obligation is 14.37 years.

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit plans obligations are discount rate, inflation, future cost trend and mortality. The sensitivity analysis has been performed based on reasonably possible changes of the respective assumptions, while holding the other assumptions constant.

If the discount rate increases (or decreases) by 1%, the defined benefit obligation would decrease (or increase) by around 13% to 16%.

If the future cost trend increases (or decreases) by 1%, the defined benefit obligation would increase (or decrease) by around 13% to 16%.

If a 1-year age correction would be applied to the mortality tables, the defined benefit obligation would change by around 4%.

The Group expects to contribute an amount of EUR 15 million to these plans in 2019.

Note 10.4. Other liabilities

The Group participates in a State Defined Benefit plan. On 31 December 2003, Proximus transferred to the Belgian State its legal pension obligation for its statutory employees and their survivors to the Belgian State. The transfer of the statutory pension liability to the Belgian State in 2003 was coupled with an increased employer social security contribution for civil servants as from 2004 and included an annual compensation mechanism to off-set certain future increases or decreases in the Belgian State's obligations as a result of actions taken by Proximus. Following a change in law (Program Law of 25 December 2017), as from 2018, the obligation to off-set stopped for the Belgian State.

Note 11. Other non-current assets

		As of 31 December	
(EUR million)	Note	2017	2018
Other derivatives	33.1	5	5
Other financial assets			
Other financial assets at amortized cost		51	34
Total		56	40

The decrease in other non-current assets relates to the transfer of the escrow account opened in the context of the TeleSign business combination of EUR 19 million from non-current assets (in 2017) to current assets (in 2018).

Note 12. Inventories

(EUR million)	As of 31 December 2017	2018
Raw materials, consumables and spare parts	33	34
Work in progress and finished goods	17	26
Goods purchased for resale	73	69
Total	123	129

Inventory is reported net of allowances for obsolescence.

Note 13. Trade receivables and contract assets

13.1 Trade receivables

(EUR million)	As of 31 December 2017	2018
Trade receivables	1,111	1,042
Trade receivables - gross amount	1,222	1,149
Loss allowance	-111	-107

Trade receivables are amounts due by customers for goods sold or services performed in the ordinary course of business. Most trade receivables are non-interest bearing and are usually on 30-90 days terms. Terms are somewhat longer for the receivables of the International Carrier Services segment (ICS), since major part of its trade receivables relates to other Telco operators. Given the bilateral nature of ICS business, netting practice is very common, but this process can be quite long. The related netting agreements are not legally enforceable.

For non-ICS business, the netting payment is also applied with some other telecom operators.

Trade receivables are recognized initially, when they are originated, at contract price. The group holds the trade receivables with the objective to collect the contractual cash flows and measures them subsequently at amortized cost using the effective interest method.

For the years presented, no trade receivables were pledged as collaterals. In 2018, Proximus Group received bank and parent guarantees of EUR 6 million (in 2017, EUR 7 million) as securities for the payment of outstanding invoices.

13.2 Contract assets (IFRS15)

(EUR million)	As of 1st January 2018 IFRS 15	As of 31 December 2018 IFRS 15
Contract assets gross	83	88
Settled after 12 month of the reporting period	0	64
Settled within 12 month of the reporting period	0	24
Loss allowance	-5	-5
Contract assets net	78	83

The evolution of the gross amount of the contract assets during the year, can be explained as follow

Balance at 1 Jan 2018 IFRS 15	83
Decrease in contract assets relating to existing contracts in the opening balance	-88
Normal evolution	-77
Anticipated termination	-11
New contract assets	93
Balance at 31 Dec 2018 IFRS 15	88

13.3 Loss allowance on trade receivables and contract assets

The group applies the IFRS 9 simplified approach for measuring the expected credit losses. This approach uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets of CBU and EBU segments have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to a right to consideration in exchange of goods and services that have already transferred and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables of the CBU and EBU segments are a reasonable approximation of the loss rates for the contract assets. These expected loss rates correspond to historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For the ICS segment expected credit losses for trade receivables have been determined on individual basis considering different factors determining a credit scoring such as micro and macro-economic criteria as well as credit rating, country risk, customer history, possible compensation in order to net the risk and other internal and external sources.

The analysis of trade receivables that were past due is as follows:

As of 31 December (EUR million)	Gross receivables / contract assets	Loss allowance	Net carrying amount	Not past due	Past due					
					< 30 days	30-60 days	60-90 days	90-180 days	180-360 days	> 360 days
Trade receivables										
2016	1,268	-118	1,149	762	84	57	41	74	48	84
2017	1,222	-111	1,111	657	134	55	40	61	71	93
2018	1,149	-107	1,042	616	128	46	38	63	50	101
2018 % loss allowance on trade receivables			9%	1%	2%	3%	4%	12%	16%	43%
The loss allowance on contract assets was as follow :										
Contract assets	93	-5	88	88						
2018 % loss allowance on contract asset			5%	5%						

The closing loss allowances for trade receivables and contract assets as at 31 December 2018 reconciles to the opening loss allowances as follows:

The evolution of the allowance for doubtful debtors is as

(EUR million)	Trade receivable	Contract costs	Total
31 December 2017 under IAS 39	-111	0	-111
Amounts restated through retained earnings	0	-5	-5
Opening loss allowance per 1/1/2018 under IFRS 9	-111	-5	-116
Increase in loss allowance through income statement	-28	0	-28
Receivables written off as uncollectible	32	0	32
As of 31 December 2018	-107	-5	-112

Note 14. Other current assets

(EUR million)	Note	As of 31 December 2017	2018
VAT receivables		22	11
Derivatives	31.1	2	0
Prepaid expenses		95	96
Other receivables		36	46
Total		122	155

Note 15. Investments

(EUR million)	Note	As of 31 December 2017	2018
Term account at amortized costs	31.4	5	4
Total		5	4

Investments include deposits with an original maturity greater than three months but less than one year.

Note 16. Cash and cash equivalents

(EUR million)	Note	As of 31 December 2017	2018
Term account at amortized costs	31.4	28	40
Cash at bank and in hand	31.4	305	300
Total		333	340

Short-term deposits are made for periods varying between one day and three months, depending on the immediate cash requirements of the Group, and earn or pay interest at the respective short-term deposit rates. Interest rates applied on cash with banks are floating as corresponding to the daily bank deposit rates.

The cash and cash equivalents are held with banks and financial institutions counterparties with a high long-term credit rating between A- and A+ with a minimum of A-. Therefore, the expected credit loss on cash and cash equivalents is deemed immaterial.

Note 17. Equity

Note 17.1 Shareholders' equity

At 31 December 2018, the share capital of Proximus SA amounted to EUR 1 billion (fully paid up), represented by 338,025,135 shares, with no par value and all having the same rights, provided such rights are not suspended or cancelled in the case of treasury shares. The Board of Directors of Proximus SA is entitled to increase the capital for a maximum amount of EUR 200 million.

The Company may acquire its own shares and transfer the shares thus acquired in accordance with the provisions of the Commercial Companies Code. The Board of Directors is empowered by article 13 of the Articles of Association to acquire the maximum number of own shares permitted by law. The price paid for these shares must not be more than five percent above the highest closing price in the thirty-day trading period preceding the transaction nor more than ten percent below the lowest closing price in that same thirty-day period. Said authorization is granted for a period of five years as of 16 April 2014.

Distribution of retained earnings of Proximus SA, the parent company, is limited by a restricted reserve built up in prior years in accordance with Belgian Company Law up to 10% of Proximus' issued capital.

Proximus SA has a statutory obligation to distribute 5% of the parent company income before taxes to its employees. In the accompanying consolidated financial statements, this profit distribution is accounted for as workforce expenses.

In December 2015, a new law was adopted by the Belgian Parliament with the purpose of modernizing the 1991 Law reforming certain economic public companies, especially by the flexibility of certain organizational constraints in order to create a level playing field with competing companies, by aligning the corporate governance to the normal rules for listed companies in Belgium and by defining the framework for the government to decrease their participation below 50%. The General Shareholders Meeting of 2016 decided to change the bylaws in order to incorporate the amendments made to the 1991 Law.

On 31 December 2018, the number of treasury shares amounts to 15,321,318 of which 1,199,036 entitled to dividend rights and 14,122,282 without dividend rights. Dividends allocated to treasury shares entitled to dividend rights are accounted for under the caption "Reserves not available for distribution" in the statutory financial statements of Proximus SA.

In 2018 and 2017, the Group sold respectively 14,431 and 6,263 treasury shares to its senior management for less than EUR 1 million under share purchase plans at a discount of 16.70% (see note 34).

During the years 2018 and 2017, employees exercised respectively 38,397 and 308,623 share options. In order to honor its obligation in respect of these exercises, Proximus used treasury shares (see note 34).

In 2018 and 2017, no share options were granted by the Group to its key management and senior management

	2017	2018
As of 1 January	338,025,135	338,025,135
As of 31 December	338,025,135	338,025,135

Number of treasury shares:	2017	2018
As of 1 January	15,388,032	15,386,146
Sale under a discounted share purchase plan	-6,263	-14,431
Acquisition / (sale) of treasury shares	313,000	-12,000
Exercice of stock option	-308,623	-38,397
As of 31 December	15,386,146	15,321,318

Note 17.2 Non-controlling interests

Non-controlling interests include the 42.4% of the minority shareholders (Swisscom and MTN Dubai) into BICS as from 1 January 2010.

The Group granted Be-Mobile Group non-controlling interests with put options on their shares. As a result, a gross liability is recognized for the expected exercise price of the put option and is remeasured at FVTPL.

Note 18. Interest-bearing liabilities

Note 18.1 Non-current interest-bearing liabilities

		As of 31 December	
(EUR million)	Note	2017	2018
Unsubordinated debentures		1,850	1,852
Leasing and similar obligations		6	4
Credit institutions		0	403
Derivatives held for trading	31.1	4	4
Total		1,860	2,263

The move to IFRS 9 did not lead to financial liabilities reclassifications from amortised costs.

In March 2018, the European Investment Bank (EIB) granted Proximus S.A. a EUR 400 million loan for the further roll-out and upgrading of its fixed broadband infrastructure in Belgium. The loan has a duration of 10 years.

All long-term debt is unsecured. During 2017 and 2018 there have been no defaults or breaches on loans payables.

Over the two years presented, an interest rate and currency swaps (IRCS) was used to manage the currency and interest rate exposure on the JPY unsubordinated debentures. The swaps enabled the Group to transform the interest rate on these debentures which are fully hedged economically, from a fixed interest rate to a floating interest rate; and converting the remaining liability in JPY into fixed rate liability in EUR (see note 31).

Unsubordinated debentures in EUR and in JPY are issued by Proximus SA. The capital is repayable in full on the maturity date.

Non-current interest-bearing liabilities as of 31 December 2018 are summarised as follows:

	Carrying amount (EUR million)	Nominal amount (EUR million)	Measurement under IAS 39	Maturity date	Interest payment / repriceable (b)	Interest rate payable	Effective interest rate
Unsubordinated debentures							
Floating rate borrowings							
JPY (a)	12	11	Amortized cost	Dec-26	Semi-annually	-0.42%	-0.42%
Fixed rate borrowings							
EUR	150	150	Amortized cost	Mar-28	Annually	3.19%	3.22%
EUR	100	100	Amortized cost	May-23	Annually	2.26%	2.29%
EUR	597	600	Amortized cost	Apr-24	Annually	2.38%	2.46%
EUR	495	500	Amortized cost	Oct-25	Annually	1.88%	2.05%
EUR	499	500	Amortized cost	Mar-22	Annually	0.50%	0.34%
Leasing and similar obligations							
EUR	4	4	Amortized cost	2022	Quarterly	3.75%	3.75%
Credit institutions							
Fixed rate borrowings							
EUR	400	400	Amortized cost	Mar-28	Annually	1.23%	1.04%
EUR	3	0	Amortized cost	Oct-23	Monthly	0.60%	0.60%
Derivatives							
Derivatives held-for-trading	4	0	Fair value				
Total	2,263	2,265					

(a) converted into a floating rate borrowing in EUR via currency interest rate swap
(b) for floating rate borrowings, interest rate is the one prevailing at the last repricing date before 31 December 2018

Non-current interest-bearing liabilities as of 31 December 2017 are summarised as follows:

	Carrying amount (EUR million)	Nominal amount (EUR million)	Measurement under IAS 39	Maturity date	Interest payment / repriceable (b)	Interest rate payable	Effective interest rate
Unsubordinated debentures							
Floating rate borrowings							
JPY (a)	12	11	Amortized cost	Dec-26	Semi-annually	-0.22%	-0.22%
Fixed rate borrowings							
EUR	150	150	Amortized cost	Mar-28	Annually	3.19%	3.22%
EUR	100	100	Amortized cost	May-23	Annually	2.26%	2.29%
EUR	597	600	Amortized cost	Apr-24	Annually	2.38%	2.46%
EUR	494	500	Amortized cost	Oct-25	Annually	1.88%	2.05%
EUR	498	500	Amortized cost	Mar-22	Annually	0.50%	0.34%
Leasing and similar obligations							
EUR	6	6	Amortized cost	2021	Quarterly	3.75%	3.75%
Derivatives							
Derivatives held-for-trading	4	0	Fair value				
Total	1,860	1,867					

(a) converted into a floating rate borrowing in EUR via currency interest rate swap
(b) for floating rate borrowings, interest rate is the one prevailing at the last repricing date before 31 December 2017

Note 18.2 Current interest-bearing liabilities

		As of 31 December	
(EUR million)	Note	2017	2018
Current portion of amounts payable > 1 year			
Unsubordinated debentures		405	0
Leasing and similar obligations		2	2
Credit institutions		0	1
Other financial debts			
Other loans		164	232
Total		570	234

In February 2018 the Group repaid the maturing bond of EUR 405 million.

The table below details the current portion of the unsubordinated debentures maturing within one year.

Current interest-bearing liabilities as of 31 December 2018 are summarised as follows:

	Carrying amount (EUR million)	Nominal amount (EUR million)	Measurement under IAS 39	Maturity date	Interest payment / repriceable	Interest rate payable	Effective interest rate
Current portion of interest-bearing-liabilities > 1 year							
Leasing and similar obligations							
Fixed rate borrowings							
EUR	2	2	Amortized cost	2021	Kwartaal	3.75%	3.75%
Credit institutions							
Fixed rate borrowings							
EUR	1	1	Amortized cost		Maandelijks	0.60%	0.60%
Total	3	3					

Current interest-bearing liabilities as of 31 December 2017 are summarised as follows:

	Carrying amount (EUR million)	Nominal amount (EUR million)	Measurement under IAS 39	Maturity date	Interest payment / repriceable	Interest rate payable	Effective interest rate
Current portion of interest-bearing-liabilities > 1 year							
Unsubordinated debentures							
Fixed rate borrowings							
EUR	405	405	Amortized cost	Feb-18	Annually	3.88%	4.05%
Leasing and similar obligations							
Fixed rate borrowings							
EUR	2	2	Amortized cost	2021	Quarterly	3.75%	3.75%
Total	407	407					

Note 18.3 Information about the Group financing activities related to interest bearing liabilities

In Eur million	As of 31 December 2017	Cash Flows	Non-cash changes			As of 31 December 2018
			Business combination	Fair value changes	Amortiz-ation	
Long-term						
Unsubordinated debentures	1,850	0	0	0	2	1,852
Leasing and similar obligations	6	-2	0	0	0	4
Credit institutions	0	399	4	0	0	403
Derivatives held for trading	4	0	0	1	0	4
Current portion of amounts payable > one year						
Unsubordinated debentures	405	-405	0	0	0	0
Leasing and similar obligations	2	0	0	0	0	2
Credit institutions held to maturity	0	0	0	0	0	1
Other financial debts						
Credit institutions	0	-1	1	0	0	0
Other loans	164	68	0	0	0	232
Total liabilities from financing activities	2,430	59	5	1	2	2,497

Note 19. Provisions

(EUR million)	Workers' accidents	Litigation	Illness days	Other risks	Total
As of 1 January 2016	32	25	31	55	144
Utilisations	2	3	0	6	11
Withdrawals	-2	-3	0	-4	-9
Unwinding	0	-2	-2	-1	-6
As of 31 December 2017	32	24	28	56	140
Additions	2	3	0	19	24
Utilisations	-2	-1	0	-9	-12
Withdrawals	0	-4	-1	-3	-9
As of 31 December 2018	31	22	27	63	142

The provision for workers' accidents relates to compensation that Proximus SA could pay to members of personnel injured (including professional illness) when performing their job and on their way to work. Until 31 December 2002, according to the law of 1967 (public sector) on labour accidents, compensation was funded and paid directly by Proximus. This provision (annuities part) is based on actuarial data including mortality tables, compensation ratios, interest rates and other factors defined by the law of 1967 and calculated with the support of a professional insurer. Taking into account the mortality table, it is expected that most of these costs will be paid out until 2062.

As from 1 January 2003, contractual employees are subject to the law of 1971 (private sector) and statutory employees remain subject to the law of 1967 (public sector). For both the contractual and statutory employees, Proximus is covered as from 1 January 2003 by insurance policies for workers' accidents and therefore will not directly pay members of personnel.

The provision for litigation represents management's best estimate for probable losses due to pending litigation where the Group has been sued by a third party or is subject to a judicial or tax dispute. The expected timing of the related cash outflows depends on the progress and duration of the underlying judicial procedures.

The provision for illness days represents management's best estimate of probable charges related to the granting by Proximus of accumulating non-vesting illness days to its statutory employees. In 2016 this provision decreased as a consequence of the voluntary early leave plan.

The provision for other obligations per end of 2018 mainly includes the expected costs for dismantling and restoration of mobile antenna - environmental risks and sundry risks. It is expected that most of these costs will be paid during the period 2019-2048. The provision for restoration costs is estimated at current prices and discounted using a discount rate that varies between 0% and 4%, depending on the expected timing to settle the obligation.

Note 20. Other non-current payables

	As of 31 December	
(EUR million)	2017	2018
Other non-current payables -trade	177	126
Other non-current payables- non trade	26	6
Total	202	132

Non-current payables-trade include licenses (see note 4), broadcasting and content rights payable over the part of the contract duration that is more than one year (mostly less than 3 years) and escrow accounts opened in the context of business combination for more than one year.

Non-current payable-non trade decreased as a result of the transfer of the escrow account opened in the context of the TeleSign business combination of EUR 19 million from non-current payables in 2017 to current payables in 2018 (see notes 7.4 and 11).

Note 21. Other current payables and contract liabilities

			As of 31 December	
(EUR million)		2017	2018 IAS 18	2018 IFRS 15
VAT payables		8	8	8
Payables to employees		97	99	99
Accrual for holiday pay		83	86	86
Accrual for social security contributions		52	49	49
Advances received on contracts		8	9	9
Other taxes		79	93	93
Deferred income		146	153	54
Other derivatives	31.1	1	0	0
Accrued expenses		16	26	26
Other debts (1)		138	152	152
Subtotal Other current payables		628	677	578
Contract Liability		0	0	109
Total		628	677	687

(1) includes short term part of the liabilities for pensions, post employment and termination benefits (EUR 52 million for 2018 and EUR 53 million for 2017)

Deferred income under IAS 18 mainly included prepaid telecommunication and ICT services. In the framework of the application of IFRS 15, these prepaid amounts have been reclassified to the contract liabilities.

Contract liabilities comprise the Group's obligation to transfer goods or services in the future to a customer for which the Group has received consideration from the customer or the amount is due. The opening balance of contract liabilities as per 1 January 2018 amounted to million 98 EUR.

Note 22. Net revenue

Net revenue corresponds to the revenue from contracts with customers. The group derives revenue from the transfer of goods and services over time and at a point in time as follows:

	Year ended 31 December		
(EUR million)	2017	2018 IAS 18	2018 IFRS 15
Revenue recognized at one point in time	528	530	612
Revenue recognized over time	5,211	5,231	5,152
Total	5,739	5,761	5,764

The disaggregation of revenue in disclosed in the consolidated management report under section management comment.

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date:

	Expected timing of recognition		
(EUR million)	2019	2020	> 2020
Transaction price allocated to performance obligations that are unsatisfied at reporting date	217	52	13

These figures include the revenue that will be recognized for Media Mobile, based on a preliminary estimation of the duration of the period over which the entity has enforceable obligations to deliver its services.

Note 23. Other operating income

	Year ended 31 December	
(EUR million)	2017	2018
Gain on disposal of intangible assets and property, plant and equipment	24	22
Gain on disposal of consolidated companies	1	0
Other income	38	43
Total	63	65

The Group realized a gain on disposal of fixed assets of EUR 24 million in 2017 and EUR 22 million in 2018. The cash received from disposals amounts to EUR 37 million in 2018.

Other income includes compensation for network damages (EUR 9 million in 2018 and EUR 8 million in 2017) as well as employee and third-party contributions for sundry services.

Note 24. Costs of materials and services related to revenue

(EUR million)	Year ended 31 December 2016	2018 IAS 18	2018 IFRS 15
Purchases of materials	478	477	477
Purchases of services	1,688	1,645	1,649
Total	2,166	2,122	2,126

Purchases of materials are shown net of work performed by the enterprise that is capitalized for an amount of EUR 53 million in 2018 and EUR 57 million in 2017.

Note 25. Workforce expenses

(EUR million)	Year ended 31 December 2017	2018
Salaries and wages	685	705
Social security expenses	178	176
Pension costs	46	44
Post-employment benefits other than pensions and termination benefits	74	49
Other workforce expenses (1)	266	272
Total	1,248	1,245

(1) restated for 2017: split between workforce-non workforce has been aligned for all subsidiaries , with the total
The 2017 figures have been restated accordingly, with for the full year 2017 EUR 30 million moving from non-

Workforce expenses are expenses related to own employees as well as to external working parties (included in other workforce expenses).

Salaries and wages and social security expenses are shown net of work performed by the enterprise that is capitalized for an amount of EUR 113 million in 2018 and EUR 125 million in 2017.

The post-employment benefits other than pensions and termination benefits include the impact of the voluntary early leave plan and collective agreement approved by the social partners and the Board of Directors on 27 April 2016 (2017 EUR 65 million and 2018 EUR 36 million). For employees for whom the plan had an immediate effect the cost was recognized immediately. 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 other workforce expenses include external work force and other costs relating to internal workforce (such as Meal vouchers, social activities, workers accident insurance, train tickets for actives).

The 2017 other workforce expenses include the positive impacts of the compensation mechanism (see note 10.4).

Note 26. Non-Workforce expenses

	Year ended 31 December	
(EUR million)	2017	2018 IFRS 15
Rent expense	79	80
Service and capacity contracts and non lease components of renting contracts	32	42
Maintenance and utilities	176	166
Advertising and public relations	80	84
Administration, training, studies and fees	128	141
Telecommunications, postage costs and office equipment	38	38
Loss allowance	25	28
Taxes other than income taxes	27	48
Other Non-Workforce expenses (1)	30	37
Total	615	663

(1) restated for 2017: split between workforce-non workforce has been aligned for all subsidiaries , with the total The 2017 figures have been restated accordingly, with for the full year 2017 EUR 30 million moving from non-workforce to workforce expenses.

Taxes other than income tax: Tax on pylons

The European Court of Justice confirmed in two Proximus cases of December 2015 that a tax on pylons is not, per se, in contradiction with European law.

Proximus continues to file tax complaints and to launch legal proceedings with respect to tax on pylons tax bills received from municipalities and provinces in the three regions based on other arguments.

New evolutions in jurisprudence in 2018 led the Group to reassess the liabilities related to Taxes on Pylons for past litigations in 2018. This resulted in an increase of cost of 20 million. The position as recognized in these Financial Statements reflects management's best estimate of the probable final outcome.

Note 27. Depreciation and amortization

	Year ended 31 December	
(EUR million)	2017	2018
Amortization of licenses and other intangible assets	382	431
Depreciation of property, plant and equipment	581	585
Total	963	1,016

Note 28. Net finance cost

(EUR million)	Year ended 31 December 2017	2018
Finance income		
Interest income on financial instruments		
At amortized costs	4	6
Fair value adjustments of financial instruments		
Not in a hedge relationship - FVTPL	2	1
Other finance income	1	2
Finance costs		
Interests and debt charges on financial instruments at amortized costs		
Unsubordinated debentures	-53	-40
Long term payables	-3	-2
Interests and debt charges on financial instruments at FVTOCI	-4	0
Discounting charges		
On provisions	0	-2
On termination benefits	-7	-7
Impairment losses		
On participating interests at FVTOCI (1)	-2	0
Fair value adjustments of financial instruments		
Not in a hedge relationship - FVTPL	-5	-3
Other finance costs	-2	-10
Total	**-70**	**-56**

(1) this financial instrument was recognized at cost less impairment under IAS 39

Note 29. Earnings per share

Basic earnings per share are calculated by dividing the net income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net income for the year attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the year, both adjusted for the effects of dilutive potential ordinary shares.

The following table reflects the income and share data used in the computation of basic and diluted earnings per share.

(in millions, except per share amounts)	Year ended 31 December 2017	2018
Net income attributable to ordinary shareholders (EUR)	522	508
Weighted average number of outstanding ordinary shares	322,777,440	322,649,917
Adjustment for share options	176,971	85,462
Weighted average number of outstanding ordinary shares for diluted earnings per share	322,954,411	322,735,379
Basic earnings per share (EUR)	1.62	1.58
Diluted earnings per share (EUR)	1.62	1.58

In 2018 and 2017, all stock options granted were dilutive and hence included in the calculation of diluted earnings per shares.

Note 30. Dividends paid and proposed

(in millions, except per share amounts)	2017	2018
Dividends on ordinary shares:		
Proposed dividends (EUR million)	484	484
Number of outstanding shares with dividend rights	322,638,989	322,703,817
Dividend per share (EUR)	1.5	1.5
Interim dividend paid to the shareholders (EUR million)	161	161
Interim dividend per share (EUR)	0.50	0.50

The proposed dividends for 2017 have been effectively paid in April 2018. The interim dividends for 2018 have been paid in December 2018.

An amount of less than EUR 1 million was paid in 2018 in relation with the stock options exercised in 2018. This amount corresponds to the accumulated dividends attached to the exercised stock options since their granting.

Note 31. Additional disclosures on financial instruments

Note 31.1. Derivatives

The Group makes use of derivatives such as interest rate swaps (IRS), interest rate and currency swaps (IRCS), forward foreign exchange contracts and currency options.

(EUR million)	Note	2017	2018
Non-current assets			
Derivatives held for trading	11	5	5
Current assets			
Non-interest-bearing			
Derivatives held-for-hedging	14	2	0
Total assets		7	5
Non-current liabilities			
Interest-bearing			
Derivatives held for trading	18	4	4
Current liabilities			
Non-interest-bearing			
Derivatives held for trading	21	1	0
Total liabilities		4	4

The tables below show the positive and negative fair value of derivatives, included in the balance sheet respectively as current/non-current assets or liabilities.

As of 31 December 2018	Fair value	
(EUR million)	Asset	Liability
Interest rate and currency swaps	5	0
Interests and currency related - other derivatives	0	-4
Derivatives not qualifying for hedge accounting	6	-5
Total	6	-5

As of 31 December 2017	Fair value	
(EUR million)	Asset	Liability
Interest rate swaps	2	0
Derivatives qualifying for hedge accounting	2	0
Interests and currency related - other derivatives	5	0
Forward foreign exchange contracts	0	-4
Derivatives not qualifying for hedge accounting	5	-4
Total	6	-4

Interest rate and currency swaps (IRCS) are used to manage the currency and interest rate exposure on outstanding JPY 1.5 billion unsubordinated debentures (see note 18).

Forward foreign exchange contracts concerned mainly the forward purchase of USD against EUR for forecasted business transactions, all of which settling before year end 2018.

Note 31.2 Financial risk management objectives and policies

The Group's main financial instruments comprise unsubordinated debentures, trade receivables and trade payables. The main risks arising from the Group's use of financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

All financial activities are subject to the principle of risk minimization. To achieve this, all matters related to funding, foreign exchange, interest rate and counterparty risk management are handled by a centralized Group Treasury department. Simulations are performed using different market (including worst case) scenarios with a view to estimating the effects of varying market conditions. All financial transactions and financial risk positions are managed and monitored in a centralized treasury management system.

Group Treasury operations are conducted within a framework of policies and guidelines approved by the Executive Committee and the Board of Directors. Group Treasury is responsible for implementing these policies. According to the policies, derivatives are used to hedge interest rate and currency exposures. Derivatives are used exclusively as hedging instruments, i.e., not for trading or other speculative purposes. Derivatives used by the Group mainly include forward exchange contracts, interest rate swaps and currency options.

The table below provides a reconciliation of changes in equity and statement of OCI by hedge type for 2018

(EUR million)	Note	Gain taken to equity	Transfer to profit or loss for the period
Interest rate swap instruments	OCI		-6
Amortization of cumulated remeasurements of settled interest rate swap	OCI	1	
Changes in other comprehensive income in relation with cash flow hedges		1	-6

The Group's internal auditors regularly review the internal control environment at Group Treasury.

Interest rate risk

The Group's exposure to changing market interest rates primarily relates to its long-term financial obligations. Group Treasury manages exposure of the Group to changes in interest rates and the overall cost of financing by using a mix of fixed and variable rate debts, in accordance with the Group's financial risk management policies. The aim of such policies is to achieve an optimal balance between total cost of funding, risk minimization and avoidance of volatility in financial results, whilst taking into account market conditions and opportunities as well as overall business strategy.

The tables below summarize the non-current interest-bearing liabilities (including their current portions, excluding leasing and similar obligations) per currency, the interest rate and currency swap agreements (IRCS), and the net obligations of the Group at 31 December 2017 and 2018.

These tables do not consider the loans entered into by the Group subsidiaries, before their acquisition by the Group, for a carrying amount of € 4 million at 31Dec 2018.

	As of 31 December 2018								
	Direct borrowing			IRCS agreements			Net obligations		
	Notional amount	Weighted average interest rate (1)	Average time to maturity	Amount payable (receivable)	Weighted average interest rate (1)	Average time to maturity	Amount payable (receivable)	Weighted average interest rate (1)	Average time to maturity
	(EUR million)		(in years)	(EUR million)		(in years)	(EUR million)		(in years)
EUR									
Fixed	2,250	1.73%	6				2,250	1.73%	6
Variable				11	-0.42%	8	11	-0.42%	8
JPY									
Fixed	11	5.04%	8	-11	-5.04%	8			
Variable									
Total	2,261	1.75%	6	0			2,261	1.72%	6

(1) Weighted average interest rate taking into account last repriced interest rates for floating borrowings.

	As of 31 December 2017								
	Direct borrowing			IRCS agreements			Net obligations		
	Notional amount	Weighted average interest rate (1)	Average time to maturity	Amount payable (receivable)	Weighted average interest rate (1)	Average time to maturity	Amount payable (receivable)	Weighted average interest rate (1)	Average time to maturity
	(EUR million)		(in years)	(EUR million)		(in years)	(EUR million)		(in years)
EUR									
Fixed	2,255	1.95%	5				2,255	1.95%	5
Variable				11	-0.46%	9	11	-0.46%	9
JPY									
Fixed	11	5.04%	9	-11	-5.04%	9			
Variable									
Total	2,266	1.98%	5	0			2,266	1.94%	5

(1) Weighted average interest rate taking into account last repriced interest rates for floating borrowings.

On November 28, 2017 the Group entered into an interest rate swap to mitigate the risk of Interest rate variations between the hedge inception date and the issuance date of a highly probable fixed rate long-term debt of EUR 400 million, expected to be issued in the first quarter 2018 and which effectively materialized on March, 15th 2018, when the group entered into a ten year investment loan with the European Investment Bank. The effective portion of changes in the fair value of hedging instruments that are designated in a cash flow hedge was recognized in other comprehensive income and henceforth are gradually reclassified to profit or loss in the same period as the hedged item.

Foreign currency risk

The Group's main currency exposures result from its operating activities. Such exposure arises from sales or purchases by operating units in currencies other than euro. Transactions in currencies other than euro mainly occur in the International Carrier Services ("ICS") segment, even more so following the recent acquisition of TeleSign. Indeed, international carrier activities generate payments to and receipts from other telecommunications operators in various foreign currencies. Next to these, Proximus as well as a number of its affiliates also engage in international activities (ICT, roaming, capital and operating expenditure) giving rise to currency exposures.

Risks from foreign currencies are hedged to the extent that they are liable to influence the Group's cash flows. Foreign currency risks that do not influence the Group's cash flows (i.e., the risks resulting from the translation of assets and liabilities of foreign operations into the Group's reporting currency) as a rule are not hedged. However, the Group could envisage hedging such so-called translation differences should their potential impact become material to the Group's consolidated financial statements.

The typical financial instruments used to hedge foreign currency risk are forward foreign exchange contracts and currency options.

In 2017 and 2018, the Group only incurred currency exposures relative to its operating activities. Foreign currency transactions are recognized in functional currency on initial recognition at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at balance sheet date using the exchange rate at that date. The net exchange difference on the translation of these monetary assets and liabilities are recorded via the income statement. However, in a limited number of cases, hedge accounting has been applied, the effective portion of the gains and losses on the hedging instrument is recognized via other comprehensive income until the hedged item occurs. If the hedged transaction leads to the recognition of an asset, the carrying amount of the asset at the time of initial recognition incorporates the amount previously recognized via other comprehensive income. The ineffective portion of a cash flow hedge is always recognized in profit or loss.

The Group performed a sensitivity analysis on the exchange rates EUR/USD, EUR/SDR, EUR/GBP, and EUR/CHF, four currency pairs to which it is typically exposed in its operating activities, for the years 2017 and 2018.

Credit risk and significant concentrations of credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to Proximus in relation to lending, hedging, settlement and other financial activities.

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparties fail to perform their obligations in relation to each class of recognized financial assets, including derivatives with positive market value, is the carrying amount of those assets in the balance sheet and bank guarantees granted.

To reduce the credit risk in respect of financing activities and cash management of the Group, transactions are only entered into with leading financial institutions whose long-term credit ratings equal at least A- (S&P).

The group applies the IFRS 9 simplified approach for measuring the expected credit losses for trade receivables and contract assets, meaning the life time expected credit loss. The determination of this loss allowance might be at portfolio or individual level, depending on the assessed risk related to the customer.

Credit risk on operating activities with significant clients is managed and controlled on an individualized basis. When needed, the Group requests additional collaterals. These significant customers are however not material to the Group, since the client portfolio of the Group is mainly composed of a large number of small customers. Hence, credit risk and concentration of credit risk on trade receivables is limited. For amounts receivable from other telecommunication companies, the concentration of credit risk is also limited due to netting agreements (see note 13.3) with accounts payable to these companies, prepayment obligations, bank guarantees, parent guarantees and the use of credit limits obtained via credit insurance.

The Group is exposed to credit loss in the event of non-performance by counterparty on short-term bank deposits and financial derivatives (see note 31.1). However, the Group does not anticipate non-performance by any of these counterparties, seeing it only deals with prime financial institutions, makes very limited use of derivatives on debt instruments as shown in table 31.1, and, as a rule, only invests in highly liquid and short-term securities (mainly cash and cash equivalents), for which, seen the excellent rating of the counterparts, the Group do not calculate loss allowances provisions.

Moreover, the Group monitors potential changes in credit risk on counterparties by tracking their external credit ratings on an ongoing basis as well as evolutions in its bank's credit default swap rates (a leading indicator often anticipating on future rating changes).

In addition, the Group is exposed to credit risk by occasionally granting non-recourse bank guarantees in favour of some of its institutional or governmental clients. At 31 December 2018, it had granted bank guarantees for an amount of EUR 54 million and EUR 52 million at 31 December 2017.

Finally, the Group has not pledged any financial assets, nor does it hold any collateral against any of its counterparties.

Liquidity risk

In accordance with the treasury policy, Group Treasury manages its overall cost of financing by using a mix of fixed and variable rate debts.

A liquidity reserve in the form of credit lines and cash is maintained to guarantee the solvency and financial flexibility of the Group at all times. For this purpose, Proximus entered into committed bilateral credit agreements with different maturities and into two separate and committed Syndicated Revolving Facilities for a total amount of EUR 700 million. For medium to long-term funding, the Group uses bonds and medium-term notes. The maturity profile of the debt portfolio is spread over several years. Group Treasury frequently assesses its funding resources taking into account its own credit rating and general market conditions.

The table below summarizes the maturity profile of the Group's unsubordinated debentures as disclosed on note 18 at each reporting date. This maturity profile is based on contractual undiscounted interest payments and capital reimbursements and takes into account the impact on cash flows of interest rate derivatives used to convert fixed interest rate liabilities into floating interest rate liabilities and vice versa. For floating rate liabilities, interest rates used to determine cash outflows are the ones prevailing at their last price fixing date before reporting date (as of 31 December 2017 and 2018, respectively).

(EUR million)	2018	2019	2020	2021	2022	2022-2028
As of 31 December 2017						
Capital	405	0	0	0	500	1,361
Interests	49	34	34	34	34	90
Total	454	34	34	34	534	1,451
As of 31 December 2018						
Capital	0	1	1	1	501	1,762
Interests	0	39	39	39	39	119
Total	0	40	39	39	539	1,881

Bank credit facilities at 31 December 2018

In addition to the interest-bearing liabilities disclosed in notes 18.1 and 18.2, the Group is backed by long-term committed credit facilities of EUR 700 million. These facilities are provided by a diversified group of Belgian and international banks. As at 31 December 2018, there were no outstanding balances under any of these facilities. A total of EUR 700 million of credit lines was therefore available for drawdown as at 31 December 2018.

The Group also uses a EUR 3.5 billion Euro Medium-term Note ("EMTN") Program and a EUR 1 billion Commercial Paper ("CP") Program. As at 31 December 2018, there was an outstanding balance under the EMTN Program of EUR 1,850 million, whereas the CP Program showed a drawn and outstanding amount of EUR 231 million.

Note 31.3 Net financial position of the Group and capital management

The Group defines the net financial position as the net amount of investments, cash and cash equivalents minus any interest-bearing financial liabilities and related derivatives (including re-measurement to fair value). The net financial position does not include non-current trade payables.

(EUR million)	Note	2017	2018
Assets			
Current investments (1)	14	5	4
Cash and cash equivalents (1)	15	333	340
Non-current derivatives	10	5	5
Liabilities			
Non-current interest-bearing liabilities (1)	18	-1,860	-2,263
Current interest-bearing liabilities (1)	18	-570	-234
Net financial position		-2,088	-2,148

(1) after remeasurement to fair value, if applicable.

Non-current interest-bearing liabilities include non-current derivatives at fair value amounting to EUR 4 million in 2017 and EUR 4 million in 2018 (see note 18.1).

The purpose of the Group's capital management is to maintain net financial debt and equity ratios that allow for security of liquidity at all times via flexible access to capital markets, in order to be able to finance strategic projects and to offer an attractive remuneration to shareholders. Over the two years presented, the Group did not issue new shares or any other dilutive instruments.

Note 31.4 Categories of financial instruments

The Group occasionally uses interest rate (IRS) and/or currency swaps (IRCS) to manage the exposure to interest rate risk and to foreign currency risk on its non-current interest-bearing liabilities (see note 31.2).

The following tables present the Group's financial instruments per category defined under IAS 39, as well as gains and losses resulting from re-measurement to fair value. Based on market conditions at 31 December 2018, the fair value of the unsubordinated debentures, which are accounted for at amortized cost exceeds by EUR 107 million, or 5.0%, their carrying amount.

The fair values, calculated for each debenture separately, were obtained by discounting the cumulated cash outflows generated by each debenture with the interest rates at which the Group could borrow at 31 December 2018 for similar debentures with the same remaining maturities.

The tables below show the measurement categories under IAS 39 (for 2017) and the new measurement categories under IFRS 9 (for 2018) for each class of assets and financial liabilities, for 2017 and 2018:

As of 31 December 2018 (EUR million)	Note	Classification under IFRS 9 (1)	Carrying amount under IFRS 9	Fair value
ASSETS				
Non-current assets				
Other non-current assets				
Other derivatives	31	FVTPL	5	5
Other financial assets		Amortized cost	11	11
Current assets				
Trade receivables	13	Amortized cost	1,042	1,042
Interests bearing				
Other receivables		Amortized cost	5	5
Non-intersts bearing				
Other receivables		Amortized cost	24	24
Investments	15	Amortized cost	4	4
Cash and cash equivalents				
Short-term deposits	16	Amortized cost	40	40
Cash at bank and in hand		Amortized cost	300	300
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	18	Amortized cost	1,852	1,959
Credit institutions		Amortized cost	403	403
Other derivatives	31	FVTPL	4	4
Non interest-bearing liabilities				
Other non-current payables	20	Amortized cost	132	132
Current liabilities				
Interest-bearing liabilities, current portion				
Credit institutions		Amortized cost	1	1
Interest-bearing liabilities				
Other loans	18	Amortized cost	232	232
Trade payables		Amortized cost	1,361	1,361
Other current payables				
Other debt		FVTPL	39	39
Other amounts payable		Amortized cost	305	305

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

As of 31 December 2017 (EUR million)	Note	Categories under IAS 39 (1)	Classification under IFRS 9 (01/01/2018)	Carrying amount	Fair value
ASSETS					
Non-current assets					
Other participating interests	8	AFS	FVTOCI	8	8
Other non-current assets					
Other derivatives	31.1	FVTPL	FVTPL	5	5
Other financial assets		LaR	Amortized cost	25	25
Current assets					
Trade receivables	13	LaR	Amortized cost	1,111	1,111
Other current assets					
Derivatives held-for-hedging	31.1	HeAc	FVTOCI	2	2
Other receivables		N/A	Amortized cost	14	14
Investments	15	HTM	Amortized cost	5	5
Cash and cash equivalents					
Short-term deposits	16	LaR	Amortized cost	333	333
LIABILITIES					
Non-current liabilities					
Interest-bearing liabilities					
Unsubordinated debentures not in a hedge relationship	18	OFL	Amortized cost	1,850	1,989
Other derivatives	31.1	FVTPL	FVTPL	4	4
Non interest-bearing liabilities					
Other non-current payables	20	OFL	Amortized cost	202	202
Current liabilities					
Interest-bearing liabilities, current portion					
Unsubordinated debentures not in a hedge relationship	18	OFL	Amortized cost	405	407
Interest-bearing liabilities					
Other loans	18	OFL	Amortized cost	164	164
Trade payables		OFL	Amortized cost	1,415	1,415
Other current payables					
Derivatives held for trading	31.1	FVTPL	FVTPL	1	1
Other debt		FVTPL	FVTPL	37	37
Other amounts payable		OFL	Amortized cost	289	289

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

The Group did no designated at FVTPL financial instruments that would otherwise be FVTOCI or at amortized costs.

The Group did not reclassify, during the period, financial instruments from one category to another.

Note 31.5 Fair value of financial assets and liabilities

Financial instruments measured at fair value are disclosed in the table below according to the valuation technique used. The hierarchy between the techniques reflects the significance of the inputs used in making the measurements:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable for the asset or liability, either directly or indirectly;

Level 3: valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data.

The Group holds financial instruments classified in Level 1, 2 and 3. In 2016, the Group classified a new instrument in Level 3, which is not a transfer from another Level.

The valuation techniques for fair value measuring the Level 2 financial instruments are:

- Other derivatives in Level 2

  Other derivatives include mainly the interest rate swaps (IRS, in 2015 only) 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. The fair values of these instruments are determined by discounting the expected contractual cash flows using interest rate curves in the corresponding currencies and currency exchange rates, all observable on active markets.

- Unsubordinated debentures

  The unsubordinated debentures are recognized at amortized cost. Their fair values, calculated for each debenture separately, were obtained by discounting the interest rates at which the Group could borrow at 31 December 2018 for similar debentures with the same remaining maturities.

The financial instrument classified among the level 3 category is fair valued based on cash outflows in different scenarios, each one being weighted for its chance of occurrence. The weights are either based on statistical data that are very stable over time, either based on Proximus best estimate of the scenario occurrence. The instrument fair value is very depending but proportionate to changes in estimated cash outflows.

As of 31 December 2018 (EUR million)	Note	Classification under IFRS 9 (1)	Balance at 31 December 2018	Fair values measurement at end of the reporting period using : Level 1	Level 2	Level 3
ASSETS						
Non-current assets						
Other non-current assets						
Other derivatives	31.1	FVTPL	5		5	
LIABILITIES						
Non-current liabilities						
Interest-bearing liabilities						
Unsubordinated debentures except for their "non-closely related" embedded derivatives	18	Amortized cost	1,852		1,959	
Credit institutions	18	Amortized cost	403		403	
Non interest-bearing liabilities						
Other derivatives	31.1	FVTPL	4		4	
Current liabilities						
Interest-bearing liabilities						
Credit institutions	18	Amortized cost	1		1	
Non interest-bearing liabilities						
Other debt		FVTPL	39			39

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

As of 31 December 2017 (EUR million)	Note	Category according to IAS 39 (1)	Category according to IFRS 9	Balance at 31 December 2017	Fair values measurement at end of the reporting period using : Level 1	Level 2	Level 3
ASSETS							
Non-current assets							
Other non-current assets							
Other derivatives	31.1	FVTPL	FVTPL	5		5	
Current assets							
Non interest-bearing receivables							
Derivatives held-for-hedging	31.1	HeAc	FVTOCI	2	2		
LIABILITIES							
Non-current liabilities							
Interest-bearing liabilities							
Unsubordinated debentures except for their "non-closely related" embedded derivatives	18	OFL	Amortized cost	1,850		1,989	
Non interest-bearing liabilities							
Other derivatives	33.1	FVTPL	FVTPL	4		4	
Current liabilities							
Interest-bearing liabilities							
Unsubordinated debentures except for their "non-closely related" embedded derivatives	18	OFL	Amortized cost	405		407	
Non interest-bearing liabilities							
Derivatives held for trading	31.1	FVTPL	FVTPL	1	1		
Other debt		FVTPL	FVTPL	37			37

(1) The categories according to IAS 39 are the following :
AFS: Available-for-sale financial assets
FVTPL: Financial assets/liabilities at fair value through profit and loss
OFL : Other financial liabilities

Note 32. Related party disclosures

Note 32.1. Consolidated companies

Subsidiaries, joint-ventures and associates are listed in note 7.

Commercial terms and market prices apply for the supply of goods and services between Group companies.

The transactions between Proximus SA and its subsidiaries, being related parties, are eliminated for the preparation of the consolidated financial statements. The transactions between Proximus SA and its subsidiaries are as follow:

Proximus SA transactions with its subsidiairies	Year ended 31 December	
(EUR million)	2017	2018
Revenues	145	163
Costs of materials and services related to revenue	-122	-138
Net finance costs	-157	-152
Dividends received	268	491

Outstanding balances of Proximus SA with subsidiaries	As of 31 December	
(EUR million)	2017	2018
Trade receivables	25	30
Trade payables	-43	-39
Interest bearing receivables/liabilities	-9,438	-8,665
Other receivables and liabilities	-7	0

Note 32.2. Relationship with shareholders and other State-controlled enterprises.

The Belgian State is the majority shareholder of the Group, with a stake of 53.51%. The Group holds treasury shares for 4.53%. The remaining 41.95% are traded on the First Market of Euronext Brussels.

Relationship with the Belgian State

The Group supplies telecommunication services to the Belgian State and State-related entities. State related enterprises are those that are either State-controlled or State-jointly-controlled or State-influenced. All such transactions are made within normal customer/supplier relationships on terms and conditions that are not more favorable than those available to other customers and suppliers. The services provided to State-related enterprises do not represent a significant component of the Group's net revenue, meaning less than 5%.

Note 32.3. Relationship with key management personnel

The remuneration of the Board of Directors was decided by the General Shareholders' Meeting of 2004.

The principles of this remuneration remained applicable in 2018 and no substantial change of the policy is expected for the coming two years: it foresees an annual fixed compensation of EUR 50,000 for the Chairman of the Board of Directors and of EUR 25,000 for the other members of the Board of Directors, with the exception of the CEO. All members of the Board of Directors, with the exception of the CEO, have the right to an attendance fee of EUR 5,000 per attended meeting of the Board of Directors. This fee is doubled for the Chairman. Attendance fees of EUR 2,500 are foreseen for each member of an advisory committee of the Board of Directors, with the exception of the CEO. For the Chairman of the respective advisory committee, these attendance fees are doubled.

The members also receive EUR 2,000 per year for communication costs. For the Chairman of the Board of Directors, the communication costs are also doubled.

The Chairman of the Board of Directors is also Chairman of the Joint Committee and of the Pension Fund. Mrs Catherine Vandenborre and Mrs Sandrine Dufour are members of the Board of the Pension Fund. They do not receive any fees for these board mandates. For the execution of their Board mandates, the non-executive Directors do not receive any variable performance-based remuneration such as bonuses or long-term incentive plan, nor do they receive benefits linked to complementary pension plans or any other group insurance.

The total remuneration for the Directors amounted to EUR 1,080,244 for 2017 and to EUR 1,000,499 for 2018. The directors have not received any loan or advance from the Group.

The number of meetings of the Board of Directors and advising committees are detailed as follows:

	2017	2018
Board of Directors	8	7
Audit and Compliance Committee	5	5
Nomination and Remuneration Committee	4	4
Strategic and Business Development Committee	2	0
Transformation & Innovation Committee	0	2

In its meeting of 24 February 2011, the Board adopted a "related party transactions policy" which governs all transactions or other contractual relationships between the company and its board members. Proximus has contractual relationships and is also a vendor for telephony, Internet and/or ICT services for many of the companies in which Board members have an executive or non-executive mandate.

These transactions take place in the ordinary course of business and are arm's length of nature.

For the year ended 31 December 2018, a total gross amount (long-term share-based payments and termination benefits included) of EUR 6,161,728 (before employer social security costs) was paid or granted in aggregate to the members of the Executive Committee, Chief Executive Officer included. In 2018, the members of the Executive Committee were Dominique Leroy, Sandrine Dufour, Jan Van Acoleyen, Dirk Lybaert, Geert Standaert, Renaud Tilmans, Bart Van Den Meersche and Guillaume Boutin.

For the year ended 31 December 2017, a total gross amount (long-term share-based payments and termination benefits included) of EUR 5,925,606 (before employer social security costs) was paid or granted in aggregate to the members of the Executive Committee, Chief Executive Officer included. In 2017, the members of the Executive Committee were Dominique Leroy, Sandrine Dufour, Jan Van Acoleyen, Dirk Lybaert, Geert Standaert, Renaud Tilmans, Bart Van Den Meersche, Phillip Vandervoort (2 months) and Guillaume Boutin (4,2 months).

These total amounts of key management compensation include the following components:

- Short-term employee benefits: annual salary (base and short-term variable) as well as other short-term employee benefits such as medical insurance, private use of management cars, meal vouchers, and excluding employer social security contributions paid on these benefits;
- Post-employment benefits: insurance premiums paid by the Group in the name of members of the Executive Committee. The premiums cover mainly a post-retirement complementary pension plan;
- Share-based payments: Performance Value based payments (long-term): gross amounts granted under the Performance Value Plan, which creates possible exercising rights as from May 2020 (granted in 2017) or May 2021 (granted in 2018), depending on the achievement of market conditions based on the company's Total Shareholder Return compared to a predefined group of other European telecom operators.

EUR*	Year ended 31 December 2017	2018
Short-term employee benefits	4,223,170	4,462,406
Post-employment benefits	697,436	674,322
Share based payments	1,005,000	1,025,000
Total	5,925,606	6,161,728

* All these amounts are gross amounts before employer's social contribution

Note 32.4. Regulations

The telecommunications sector is regulated by European legislation, Belgian federal and regional legislation and by decisions of sectors specific regulators (the Belgian Institute for Postal services and Telecommunications, commonly referred to as the "BIPT/IBPT" and the regional regulators competent for media) or administrative bodies such as the Competition authorities.

Note 33. Rights, commitments and contingent liabilities

Operating lease commitments

The Group rents sites for its telecom infrastructure and leases buildings, technical and network equipment, as well as furniture and vehicles under operating leases with terms of one year or more. Rental expenses in respect of these operating leases amounted EUR 80 million in 2018 and EUR 79 million in 2017.

Future minimum rentals payable under the non-cancellable operating leases are as follows at 31 December 2018:

(EUR million)	< 1 year	From 1-3 years	From 3-5 years	More than 5 years	Total
Buildings	30	33	13	41	117
Sites	25	37	20	20	102
Technical and network equipment	6	6	1	0	13
Furniture	21	32	7	0	60
Furniture	1	1	1	0	3
Total	83	109	42	61	295

In the scope of its normal activities, the Group rents the equipment for its own use and needs. The Group is not involved in significant sublease contracts with customers. The rent contracts do not include contingent rent payable or other special features or restrictions.

Claims and legal proceedings

Our policies and procedures are designed to comply with all applicable laws, accounting and reporting requirements, regulations and tax requirements, including those imposed by foreign countries, the EU, as well as applicable labour laws.

The complexity of the legal and regulatory environment in which we operate and the related cost of compliance are both increasing due to additional requirements. Furthermore, foreign and supranational laws occasionally conflict with domestic laws. Failure to comply with the various laws and regulations as well as changes in laws and regulations or the manner in which they are interpreted or applied, may result in damage to our reputation, liability, fines and penalties, increased tax burden or cost of regulatory compliance and impacts of our financial statements.

The telecommunications industry and related service businesses are characterised by the existence of a large number of patents and trademarks. Litigation based on allegations of patent infringement or other violations of intellectual property rights is common. As the number of entrants into the market grows and the overlap of product functions increases, the possibility of an intellectual property infringement claim against Proximus increases.

Proximus is currently involved in various claims and legal proceedings, including those for which a provision has been made and those described below for which no or limited provisions have been accrued, in the jurisdictions in which it operates concerning matters arising in connection with the conduct of its business. These include also proceedings before the Belgian Institute for Postal services and Telecommunications ("BIPT"), appeals against decisions taken by the BIPT, and proceedings with the tax administrations.

Broadband/Broadcast Access Related Cases

Between 12 and 14 October 2010, the Belgian Directorate General of Competition started a dawn raid in Proximus's offices in Brussels. This investigation concerns allegations by Mobistar and KPN regarding the wholesale DSL services of which Proximus would have engaged in obstruction practices. This measure is without prejudice to the final outcome of the full investigation. Following the inspection, the Directorate General of Competition is to examine all the relevant elements of the case. Eventually the College of

Competition Prosecutors may propose a decision to be adopted by the Competition Council. During this procedure, Proximus will be in a position to make its views heard. (This procedure may last several years.)

During the investigation of October 2010, a large numbers of documents were seized (electronic data such as a full copy of mail boxes and archives and other files). Proximus and the prosecutor of the Competition authority exchanged extensive views on the way to handle the seized data. Proximus wanted to be sure that the lawyers "legal privilege" (LPP) and the confidentiality of in house counsel advices are guaranteed. Moreover, Proximus sought to prevent the Competition authority from having access to (sensitive) data that were out of scope. Not being able to convince the prosecutor of its position, Proximus started two proceedings, one before the Brussels Court of Appeal and one before the President of the Competition Council, in order to have the communication to the investigation teams of LPP data and data out of scope suspended. On 5 March 2013, the Court of Appeal issued a positive judgment in this appeal procedure by which it ruled that investigators had no authority to seize documents containing advices of company lawyers and documents that are out of scope and that these documents should be removed/destroyed. To be noted that this is a decision on the procedure in itself and not on the merit of the case.

On 14 October 2013, the Competition authority launched a request for cassation against this decision. Proximus has joined this cassation procedure. Eventually, on 22 January 2015, the Supreme Court decided to confirm the Judgment of 5 March 2013, except for a restriction with regard to older documents, which was annulled. It is up to the Court of Appeal now to take a new decision on this restriction.

In March 2014, KPN has withdrawn its complaint; Mobistar remaining the sole complainant.

<u>Mobile On-net cases related</u>

In the proceedings following a complaint by KPN Group Belgium in 2005 with the Belgian Competition Authority the latter confirmed on 26 May 2009 one of the five charges of abuse of dominant position put forward by the Prosecutor on 22 April 2008, i.e. engaging in 2004-2005 in a "price-squeeze" on the professional market. The Belgian Competition Authority considered that the rates for calls be-tween Proximus customers ("on-net rates") were lower than the rates it charged competitors for routing a call from their own networks to that of Proximus (=termination rates), increased with a number of other costs deemed relevant. All other charges of the Prosecutor were rejected. The Competition Authority also imposed a fine of EUR 66 million on Proximus (former Belgacom Mobile) for abuse of a dominant position during the years 2004 and 2005. Proximus was obliged to pay the fine prior to 30 June 2009 and recognized this charge (net of existing provisions) as a non-recurring expense in the income statement of the second quarter 2009.

Proximus filed an appeal against the ruling of the Competition Authority with the Court of Appeal of Brussels, contesting a large number of elements of the ruling: amongst other the fact that the market impact was not examined. Also KPN Group Belgium and Mobistar filed an appeal against said ruling.

Following the settlement agreement dated 21 October 2015, the appeals of Base and Mobistar against the decision of the Belgian Competition Authority are withdrawn. Proximus will continue its appeal procedure against this decision.

In October 2009, seven parties (Telenet, KPN Group Belgium (former Base), KPN Belgium Business (Tele 2 Belgium), KPN BV (Sympac), BT, Verizon, Colt Telecom) filed an action against Belgacom mobile (currently Proximus and hereinafter indicated as Proximus) before the Commercial Court of Brussels formulating allegations that are similar to those in the case mentioned above (including Proximus-to-Proximus tariffs constitute an abuse of Proximus's alleged dominant position in the Bel-gian market), but for different periods depending on the claimant, in particular, in the 1999 up to now timeframe (claim for EUR 1 provisional and request for appointment of an expert to compute the precise damage). In November 2009 Mobistar filed another similar claim for the period 2004 and beyond. These cases have been postponed for an undefined period.

Following the settlements with Telenet, KPN, BASE Company and Orange, the only remaining claimants are BT, Verizon and Colt Telecom.

Tax proceedings

BICS received withholding tax assessments from the Indian tax authorities in relation to payments made by an Indian tax resident customer to BICS in the period 1 April 2007 to 31 March 2010. BICS filed appeals against the above assessments with the competent Indian Courts opposing the view of the Indian tax authorities that Indian withholding taxes are due on the payments. Furthermore, BICS is opposing the assessments in relation to the periods from 1 April 2008 to 31 March 2010 on procedural grounds. The amount of the contingent liability including late payment interest should not exceed 25 M EUR.

BICS has not paid the assessed amounts and has not recorded a tax provision. Management assesses that the position as recognized in these financial statements reflects the best estimate of the probable final outcome.

Capital expenditure commitments

At 31 December 2018, the Group has contracted commitments of EUR 188 million, mainly for the acquisition of intangible assets and technical and network equipment.

Other rights and commitments

At 31 December 2018, the Group has the following other rights and commitments:

The Group received guarantees for EUR 6 million from its customers to guarantee the payment of its trade receivables and guarantees for EUR 10 million from its suppliers to ensure the completion of contracts or works ordered by the Group. The Group granted guarantees for an amount of EUR 81 million (including the bank guarantees mentioned in note 31.2) to its customers and other third parties to guarantee, among others, the completion of contracts and works ordered by its clients and the payment of rental expenses related to buildings and sites for antenna installations.

In accordance with the law of 13 June 2005 on electronic communication, Proximus is entitled to claim compensation for the social tariffs that it has offered since 1 July 2005 as part of its universal service provision. For every operator offering social tariffs, the BIPT is required to assess whether or not there is a net cost and an unreasonable burden. In May 2014, the BIPT, together with an external consultant, started to analyze the net costs Proximus bore in providing the social discounts, which were offered over the period 2005-2012, the aim being to assess the possibility of there being an unreasonable burden on Proximus, and hence the possibility of a contribution being due by the operators liable to pay a contribution. On 1 April 2015, however, Proximus withdrew its request for compensation, referring to the legal opinion of 29 January 2015 of the Advocate General of the European Court of Justice, following the prejudicial question that the Belgian Constitutional Court submitted regarding the law of 10 June 2012 (case C-1/14), more precisely regarding the possibility of classifying mobile social tariffs as an element of the universal service. Proximus reserved its right to introduce a new request for compensation once the implications of the Court's decision would be clear. In a judgment of 11 July 2015, the European Court of Justice stated that mobile social tariffs cannot be financed by means of a compensation mechanism to which specific undertakings have to contribute.

In its judgment of 3 February 2016 (no. 15/2016), the Constitutional Court, taking into account the Judgment of the Court of Justice, indicated that since the Member States are free to consider mobile communication services (voice and internet) as additional mandatory services, the Legislator could impose the obligation on mobile operators to provide mobile tariff reductions to social subscribers. However, it specified that a financing mechanism for such services involving specific undertakings cannot be imposed. It is up to the Legislator to decide whether, for the provision of such services, compensation should be calculated by means of another mechanism which does not involve specific undertakings.

In its communication of 27 December 2017 regarding the monitoring van the universal service, the BIPT states the following: '(PXS translation)'Following this, the Constitutional Court has decided on 3 February 2016 that Belgium cannot oblige the telecom operators to grant social tariffs for mobile telephony and mobile internet. However, the government could decide to make the services accessible to the public as 'additional obligatory services', however without a possibility to have a financing from the sectorial compensation fund.' Given this reading of the BIPT, it has been decided not to grant any longer social tariffs on standalone mobile internet formulas. Social reductions on bundles for mobile internet are being maintained.

In 2015, the Minister competent for electronic communications announced a reform of the legal system of social tariffs, prioritizing a simplification of the current system as well as an evolution towards a system based on voluntary engagement. Proximus has focused its attention mainly on the proposal of suggestions for reform of the social tariffs. These should be incorporated in a 'miscellaneous provisions' law, but so far the Minister has not yet transformed his intention into a concrete draft law. The claim for compensation for the social tariffs has not been renewed.

Note 34. Share-based Payment

Discounted Share Purchase Plans

In 2017 and 2018, the Group launched Discounted Share Purchase Plans.

Under the 2017 and 2018 plans, Proximus sold respectively 6,263 and 14.431 shares to the senior management of the Group at a discount of 16.66% compared to the market price (discounted price for EUR 24.74 to 26.00 per share in 2017 and from EUR 19.18 to 23.12 in 2018). The cost of the discount is below EUR one million in 2017 and in 2018 and was recorded in the income statement as workforce expenses (see note 26).

Performance Value Plan

In 2013, 2014, 2015, 2016, 2017 and 2018, Proximus launched different tranches of the "Performance Value Plan" for its senior management. Under this Long-Term Performance Value Plan, the granted awards are conditional upon a blocked period of 3 years after which the Performance Values vest. The possible exercising rights are dependent on the achievement of market conditions based on Proximus' Total Shareholder Return compared to a group of peer companies.

After the vesting period rights can be exercised during four years. In case of voluntary leave during the vesting period, all the non-vested rights and the vested rights not exercised yet are forfeited. In case of involuntary leave (except for serious cause) or retirement the rights remain and continue to vest during the normal 3 year vesting period.

The Group determines the fair value of the arrangement at inception date and the cost is linearly spread over the vesting period with corresponding increase in equity for equity settled (currently not material) and liability for cash settled shared based payments.

For cash settled share-based payment the liability is periodically re-measured.

The fair value of the tranches 2013, 2014, 2015 was nihil per 31 December 2018 and those for 2016, 2017 and 2018 tranches respectively EUR 4 million, 3 million and 1 million. The annual charge of the 2013 and 2014 tranches was nihil and amounted to EUR 5 million for the other tranches. The calculation of simulated total shareholder return under the Monte Carlo model for the remaining time in the performance period for awards with market conditions included the following assumptions as of 31 December 2018:

	As of 31 December	
	2017	2018
Weighted average risk free of return	-0.040%	0.070%
Expected volatility - company	15.35% - 19.44%	19.88% - 20.04%
Expected volatility - peer companies	11.42% - 75.90%	15.21% - 37.03%
Weighted average remaining measurement period	3.14	2.45

Employee Stock Option Plans

In 2012, Proximus launched a last yearly tranche of the Employee Stock Option Plan to the key management and senior management of the Group. The Plan rules were adapted early 2011 according to the Belgian legislation. Therefore as from 2011, the Group launched two different series: one for the Executive Committee, Chief Executive Officer included and one for the other key management and senior management.

As prescribed by IFRS 2 ("Share-based Payments"), the Group recognizes the fair value of the equity portion of the share options at inception date over their vesting period in accordance with the graded vesting method and periodic re-measurement of the liability component. Black&Scholes is used as option pricing model. The annual charge of the graded vesting including the liability component re-measurement is recognized as workforce expenses and amounts to EUR 0.2 million in 2017 and EUR 0.1 million in 2018.

The tranches granted from 2004 to 2012 are still open and have all vested by now. All the tranches except the 2004 tranche provide the beneficiaries with a right to the dividends declared after granting the options. The dividend liability amounted to EUR 2.7 million on 31 December 2017 and EUR 2.2 million on 31 December 2018 and is included under the caption "Other current payables'. The right to dividends granted to the beneficiaries of the tranches 2005-2012 corresponds to the contractual life of the tranches.

In 2009, the Group gave the opportunity to its option holders to voluntary extend the exercise period of all the former tranches (except the 2009 tranche) with 5 years, within the guidelines as established by the law.

For all the tranches except the 2004 tranche and the Executive Committee series of 2011 and 2012 tranches (as described below),

- in case of voluntary leave of the employee, all unvested options forfeit except during the first year, for which the first third of the options vests immediately and must be exercised prior to the second anniversary following the termination date of the contract, as for all vested options;
- in case of involuntary leave of the employee, except for serious cause, all

  unvested options vest immediately and must be exercised prior to the second anniversary following the termination date of the contract or prior to the expiration date of the options whichever comes first, as for all vested options;
- in case of involuntary leave of the employee for serious cause, all options forfeit immediately.

For the Executive Committee series of the 2011 and 2012 tranches:

- in case of voluntary leave of the Executive Committee member during a period of three year following the grant 50% of the options immediately forfeit. If the voluntary leave takes place after that date, the options continue to vest according to the plan rules and regular vesting calendar. The exercise may only take place at the earliest on the first business day following the 3rd anniversary of the offer date. The exercise should take place prior to the 5th anniversary following the termination of the contract or prior to the expiration date of the options, whichever comes first, otherwise the options become forfeited;
- in case of involuntary leave of the Executive Committee member, except for serious cause, the options will continue to vest according to the plan rules and regular vesting calendar. The exercise may only take place at the earliest on the first business day following the 3rd anniversary of the offer date. The exercise should take place prior to the 5th anniversary following the termination of the contract or the expiration date of the options, whichever comes first, otherwise the options become forfeited;
- in case of involuntary leave of the Executive Committee member for serious cause, all options forfeit immediately.

The evolution of the stock option plans is as follows:

	Number of stock options (1)						
	2006	2007	2008	2010	2011	2012	Total
Outstanding at 31 December 2017	9,357	23,005	39,681	0	34,793	80,553	187,389
Exercisable at 31 December 2017	9,357	23,005	39,681	0	34,793	80,553	187,389
Movements during the year 2018							
Forfeited	-6,802	0	0	0	-3,175	0	-9,977
Exercised	-2,555	-3,524	0	0	-31,618	-700	-38,397
Total	-9,357	-3,524	0	0	-34,793	-700	-48,374
Outstanding at 31 December 2018	0	19,481	39,681	0	0	79,853	139,015
Exercisable at 31 December 2018	0	19,481	39,681	0	0	79,853	139,015
Exercise price	26	33	29	26	25	22	

(1) plans of 2004,2005,2006,2009,2010 and 2011 expired

The volatility used for the remeasurement of the liability component has been estimated to 19%.

Note 35. Relationship with the auditors

The Group expensed for the Group's auditors during the year 2018 for an amount of EUR 1,557,021 for audit mandate and control missions and EUR 360,617 other missions.

This last amount is detailed as follows:

EUR	Auditor	Network of auditor
Audit mandate	1,028,234	435,495
Other Control Missions	50,320	42,972
Other missions	66,875	293,742
Total	1,145,429	772,209

Note 36. Segment reporting

The Board of Directors, the Chief Executive Officer and the Executive Committee assesses the performance and allocates resources of Proximus Group based on the client-oriented organization structured around the following reportable operating segments:

- The Consumer Business Unit (CBU) sells voice products and services, internet and television, both on fixed and mobile networks, to residential customers, to self-employed persons and small companies, as well as ICT-services mainly on the Belgian market and provides related customer operations.
- The Enterprise Business Unit (EBU) sells ICT services and products to medium enterprises and major companies. These ICT solutions, including telephone services, are marketed mainly under the Proximus and Telindus brands, on both the Belgian and international markets;
- International Carrier Services (ICS) is responsible for international carrier activities;
- Wholesale unit (WU) sells services to other telecom and cable operators;
- The Technology unit (TEC) (centralizes all the network and IT services and costs (excluding costs related to customer operations and to the service delivery of ICT solutions), provides services to CBU, EBU and WU and sells these services to other telecom and cable operators;
- Staff and Support (S&S) brings together all the horizontal functions (human resources, finance, legal,

strategy and corporate communication), internal services and real estate supporting the Group's activities.

No operating segments have been aggregated to form the above reportable operating segments.

The Group monitored the operating results of its reportable operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance was evaluated on the following basis:

- Direct margin net of incidentals. The segment reporting below provides a reconciliation between underlying figures and those reported in the financial statements.
- The capital expenditures.

Group financing (including finance expenses and finance income) and income taxes were managed on a group basis and are not allocated to operating segments.

The accounting policies of the operating segments are the same as the significant accounting policies of the Group. Segment results are therefore measured on a similar basis as the operating result in the consolidated financial statements but are disclosed excluding "incidentals". The Group defines "incidentals" as material items that are out of usual business operations.

Intercompany transactions between legal entities of the Group are invoiced on an arm's length basis.

	Year ended 31 December 2018										
	Group Proximus					underlying by segment					
(EUR million)	Reported under IFRS 15	IFRS 15 Adjustment	Reported under IAS 18	Incidental	Underlying	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	5,764	-3	5,761	0	5,761	1,346	4,415	2,875	1,410	201	-71
Other revenues	65	0	65	-21	43	0	43	23	5	1	15
TOTAL INCOME	5,829	-3	5,826	-21	5,804	1,347	4,458	2,898	1,415	201	-57
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-2,126	4	-2,122	0	-2,122	-1,030	-1,092	-680	-453	-36	77
Direct margin	3,703	2	3,704	-21	3,683	317	3,366	2,218	962	165	21
Workforce expenses	-1,245	0	-1,245	46	-1,199	-91	-1,108				
Non workforce expenses	-663	0	-663	45	-618	-73	-545				
TOTAL OTHER OPERATING EXPENSES	-1,908	0	-1,908	92	-1,816	-164	-1,653				
OPERATING INCOME before depreciation & amortization	1,794	2	1,796	70	1,866	154	1,713				
Depreciation and amortization	-1,016	0	-1,016	0	-1,016	-91	-925				
OPERATING INCOME	778	3	780	70	850	63	788				
Net finance costs	-56	0	-56								
Share of loss on associates	-1	0	-1								
INCOME BEFORE TAXES	721	2	723								
Tax expense	-191	-3	-194								
NET INCOME	530	-1	529								
Attribuate to:											
Equity holders of the parent (Group share)	508	-1	506								
Non-controlling interests	22	0	23								

	Year ended 31 December 2018						
(EUR million)	Group	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations
Capital expenditure	1,019	137	34	779	34	35	0

(EUR million)	Year ended 31 December 2017 Group Proximus Reported under IAS 18	Incidental	Underlying	underlying by segment BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	5,739	0	5,739	1,318	4,420	2,889	1,394	206	-69
Other revenues	63	-24	39	2	37	20	6	0	11
TOTAL INCOME	5,802	-24	5,778	1,320	4,458	2,909	1,400	207	-58
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-2,166	0	-2,166	-1,041	-1,126	-720	-445	-32	71
Direct margin	3,636	-24	3,612	279	3,332	2,189	955	175	13
Workforce expenses (*)	-1,248	72	-1,176	-72	-1,104				
Non workforce expenses (*)	-615	3	-612	-65	-548				
TOTAL OPERATING EXPENSES	-1,863	75	-1,789	-137	-1,652				
OPERATING INCOME before depreciation & amortization	1,772	51	1,823	143	1,680				
Depreciation and amortization	-963	0	-963	-80	-883				
OPERATING INCOME	809	51	860	63	797				
Net finance costs	-70								
Share of loss on associates	-2								
INCOME BEFORE TAXES	738								
Tax expense	-185								
NET INCOME	552								
Attribuate to:									
Equity holders of the parent (Group share)	522								
Non-controlling interests	30								

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

(EUR million)	Year ended 31 December 2017 Group	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations
Capital expenditure	1,092	251	33	740	35	34	0

In respect of geographical areas, the Group realized EUR 4,042 million net revenue in Belgium in 2017 and EUR 4,020 million in 2018 (IFRS 15 basis) based on the country of the customer. The net revenue realized in other countries amounted to EUR 1,697 million in 2017 and EUR 1,744 million in 2018. More than 90% of the segment assets are located in Belgium.

Note 37. Recent IFRS pronouncements

The Group does not early adopt the standards or interpretations that are not yet effective at 31 December 2018.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

This means that the Group did not apply the following standards or interpretations that are applicable for the Group as from 1 January 2019 or later:

Newly issued standards and Interpretations

Effective 1/1/2019 or later

- Annual improvements to IFRS Standards 2015-2017 Cycle
- IFRS 14 Regulatory Deferral Accounts

- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- Amendments to references to the Conceptual Framework in IFRS standards
- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 and IAS 8 Definition of Material
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long-term interests in Associates and Joint Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments

The Group will continue investigating the possible impacts of the application of these new standards and interpretations on the Group's financial statements in the course of 2019.

The Group does not anticipate material impacts from the initial application of those IFRS except for IFRS 16.

IFRS 16- Leases

IFRS 16 was issued in 2016 and replaces IAS17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27- Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It becomes effective on 1 January 2019 with early application permitted. The Group will apply the standard from its mandatory application date of 1 January 2019.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under the current standard IAS 17, the Group is required to classify its leases as either finance or operating leases. Under this new standard, lessees are required to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. A right-of use- asset and a lease liability is to be recognized for all leases conveying the right to control the use of an identified asset for a period of time. Accordingly, the expenses relating to the use of the leased asset currently presented in operating expenses will be capitalized and depreciated. The discounting of lease liability will be periodically unwound into finance cost.

The Group plans to adopt the simplified transition approach with the cumulative effect of initially applying IFRS 16 recognized at the date of initial application being 1th January 2019 without restatement of year before adoption. The right-of-use assets will be measured at the amount of the lease liability at adoption.

The Group expects to recognize a right-of-use asset and lease liability of approximately million 290 EUR on 1 January 2019.

The Group's activities as a lessor are not significant and the Group does not expect any significant impact on the financial statements and considering that the classification into operating or finance lease remains applicable under IFRS 16.

Note 38. Post balance sheet events

Following post balance sheet events are occurred after 31 December 2018:

Proximus launched its #shifttodigital strategy, accelerating its transformation to remain relevant on the Belgian market and to secure the company's future. Proximus intends to change its way of working, become more flexible and lean, renew its employee's competencies in the digital domain and adjust its cost structure to better conform to market standards. On 10 January 2019, Proximus announced its intention to reduce further the number of employees by approximately 1900 people in the next 3 years in line with the planned workload reduction and at the same time to recruit 1.250 new employees with specific skills. Immediately after this date, the information and consultation phase with Unions started, as part of the social dialogue.

On January 11, 2016, the European Commission announced its decision to consider Belgian tax rulings granted to multinationals with regard to “Excess Profit” as illegal state aid. BICS has applied such tax ruling for the period 2010-2014. BICS has paid the deemed aid recovery assessments. Furthermore, both BICS and the Belgian State filed an appeal against the decision of the European Commission before the European Court. The EU General Court ruled in its decision of February 14, 2019 in favor of the Belgian state against the European Commission based on the argument that there is no “state aid scheme”. The European Commission can file an appeal against the above decision with the European Court of Justice (ECJ) within 8 weeks as of the notification of the decision of the EU General Court.

On 27th February 2019, Proximus entered into an agreement with an institutional investor to issue a new EUR 100 million private placement note starting 8th March 2019 and maturing in September 2031 with an annual fixed coupon of 1.75%.

To date, Management assesses that the position as recognized in these financial statements reflects the best estimate of the probable outcome. Depending on the actions of the European Commission following the above decision of the EU General Court (in particular whether or not the European Commission will file an appeal with the European Court of Justice), Management’s position may need to be reassessed.

No other significant post balance sheet events are identified.