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

CONSO 1

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 du Roi Albert II – Koning Albert II laan .... Nr: 27 .... Box: ....

Postal Code: 1030 .... Municipality: Brussels ....

Country: Belgium ....

Register of Legal Persons (RLP) – Office of the commercial court at Brussels – Dutch speaking..

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 | 15/04/2020

Concerning the financial year covering the period of	01/01/2019	au	31/12/2019
Preceding period from	01/01/2018	au	31/12/2018

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 :

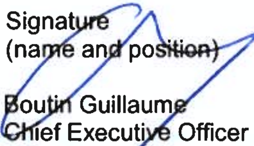
Total number of pages files ....

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

....

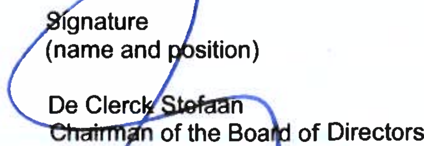
Signature
(name and position)

Boutin Guillaume
Chief Executive Officer



Signature
(name and position)

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)

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Avenue du Putdael 6, 1150 Brussels, BELGIUM
Chief Executive Officer

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Chief Executive Officer and Managing Director

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

DE GUCHT Karel, President of the Institute of European Studies (IES) & Director of companies
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VAN de PERRE Paul, CEO Five Financial Solutions
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19A Lexham Mews, London W8 6JW, UNITED KINGDOM
Director

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

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Director

SONNE Joachim, Finance Advisor (as from 29/07/2019)
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TOURAINE Agnès, Chef d'entreprise
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Director

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
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Chairman of the Board of Auditors
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Number of membership with the Institute of Auditors: B00025
Represented by :
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Auditor
Number of membership with the Institute of Auditors: A01481

CDP Petit & Co SRL
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Auditor
Company number: BE 0670.625.336
Number of membership with the Institute of Auditors: B00938
Represented by
PETIT Damien
Avenue Princesse Paola 6, 1410 Waterloo, BELGIUM
Auditor
Number of membership with the Institute of Auditors: A01500

Consolidated Financial Statements

Prepared under International Financial Reporting Standards for each of the two years ended 31 December 2019 and 2018

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Consolidated Balance Sheet

(EUR million) ASSETS	Note	As of 31 December 2018 IAS 17	As of 1 January 2019 IFRS 16	As of 31 December 2019 IFRS 16
NON-CURRENT ASSETS		6,850	7,135	7,160
Goodwill	3	2,470	2,470	2,477
Intangible assets with finite useful life	4	1,154	1,154	1,080
Property, plant and equipment	5	3,054	3,054	3,127
Right-of-use assets	6	n.a.	285	307
Lease receivable		4	4	6
Contract costs	7	116	116	113
Investments in associates	8	3	3	2
Deferred income tax assets	10	12	12	16
Other non-current assets	12	35	35	31
CURRENT ASSETS		1,822	1,812	1,818
Inventories	13	129	129	133
Trade receivables	14	1,042	1,042	985
Lease receivable		4	4	3
Contract assets	14	83	83	97
Current tax assets	10	68	68	139
Other current assets	15	152	142	134
Investments	16	4	4	3
Cash and cash equivalents	17	340	340	323
TOTAL ASSETS		8,671	8,946	8,978

LIABILITIES AND EQUITY	Note			
EQUITY	18	3,153	3,153	2,998
Shareholders' equity	18	3,005	3,005	2,856
Issued capital		1,000	1,000	1,000
Reserves		-469	-469	-500
Retained earnings		2,474	2,474	2,356
Non-Controlling interests	18	148	148	142
NON-CURRENT LIABILITIES		3,181	3,393	3,616
Interest-bearing liabilities	19	2,259	2,259	2,360
Lease liabilities		4	216	243
Liability for pensions, other post-employment benefits and termination benefits	11	553	553	639
Provisions	20	142	142	137
Deferred income tax liabilities	10	91	91	110
Other non-current payables	21	132	132	127
CURRENT LIABILITIES		2,338	2,401	2,363
Interest-bearing liabilities	19	232	232	157
Lease liabilities	6	2	64	64
Liability for pensions, other post-employment benefits and termination benefits	11	52	52	225
Trade payables		1,361	1,361	1,284
Contract liabilities	22	109	109	116
Tax payables	10	56	56	28
Other current payables	22	526	526	490
TOTAL LIABILITIES AND EQUITY		8,671	8,946	8,978

Consolidated Income Statement

(EUR million)	Note	Year ended 31 December 2018 IAS 17	2019 IFRS16
Net revenue	23	5,764	5,638
Other operating income	24	65	59
Total income		**5,829**	**5,697**
Costs of materials and services related to revenue	25	-2,126	-2,018
Workforce expenses	26	-1,245	-1,477
Non-workforce expenses	27	-663	-527
Total operating expenses before depreciation and amortization		**-4,034**	**-4,021**
Operating income before depreciation and amortization		**1,794**	**1,676**
Depreciation and amortization	28	-1,016	-1,038
Lease depreciation	6	n.a.	-82
Operating income		**778**	**556**
Finance income		9	16
Finance costs		-65	-63
Net finance costs	29	-56	-47
Share of loss on associates		-1	-1
Income before taxes		**721**	**508**
Tax expense	10	-191	-116
Net income		**530**	**392**
Attributable to:	18		
Equity holders of the parent (Group share)		508	373
Non-controlling interests		22	19
Basic earnings per share (in EUR)	30	1.58	1.16
Diluted earnings per share (in EUR)	30	1.58	1.16
Weighted average nb of outstanding ordinary shares	30	322,649,917	322,918,006
Weighted average nb of outstanding ordinary shares for diluted earnings per share	30	322,735,379	322,954,702

Consolidated Statement of Other Comprehensive Income

(EUR million)	Note	Year ended 31 December	
		2018 IAS 17	2019 IFRS 16
Net income		530	392
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		11	4
Transfer to profit or loss on sale			
Cash flow hedges:			
Gain/(Loss) taken to equity		6	0
Transfer to profit or loss for the period		-1	-2
Other		-1	1
Total before related tax effects		15	3
Related tax effects			
Cash flow hedges:			
Loss taken to equity		-2	0
Income tax relating to items that may be reclassified		-1	0
Total of items that may be reclassified to profit and loss - net of related tax effects		14	4
Items that will not be reclassified to profit and loss			
Change in the fair value of equity instruments		-5	0
Remeasurement of defined benefit obligations	11	-28	-43
Total before related tax effects		-32	-43
Related tax effects			
Change in the fair value of equity instruments		-1	0
Remeasurement of defined benefit obligations		0	4
Income tax relating to items that will not be reclassified		-1	4
Total of items that will not be reclassified to profit and loss, net of related tax effects		-33	-38
Total comprehensive income		511	358
Attributable to:			
Equity holders of the parent		487	336
Non-controlling interests		24	22

Consolidated Cash Flow Statement

(EUR million)	Note	Year ended 31 December 2018 IAS 17	2019 IFRS 16
Cash flow from operating activities			
Net income		530	392
Adjustments for:			
Depreciation and amortization on intangible assets, property, plant and equipment and right-of-use asset	4/5/6	1,016	1,120
Increase of impairment on intangible assets and property, plant and equipment	3/4/5	23	1
Decrease of provisions	20	-4	-5
Deferred tax income	10	-16	22
Impairment on participating interests		0	2
Loss from investments accounted for using the equity method	8.3	1	1
Loans amortization		2	2
Gain on disposal of consolidated companies and remeasurement of previously held interest	24	0	-4
Gain on disposal of Intangible assets and property, plant and equipment	24	-22	-8
Other non-cash movements		-1	-1
Operating cash flow before working capital changes		1,530	1,522
Increase in inventories		-5	-4
Decrease in trade receivables		95	50
Decrease in contract costs	7	4	3
Increase in contract asset	14,2	-5	-14
Decrease/(increase) in current income tax assets		15	-70
Decrease/(increase) in other current assets		3	-12
Decrease in trade payables		-29	-18
(Decrease)/increase in contract liability		5	-8
Decrease in income tax payables		-58	-27
Increase in other current payables		3	17
Increase in net liability for pensions, other post-employment benefits and termination benefits	11	0	217
Decrease in other non-current payables and provisions		0	-1
Increase in working capital, net of acquisitions and disposals of subsidiaries		28	133
Net cash flow provided by operating activities (1)		1,558	1,655
Cash flow from investing activities			
Cash paid for acquisitions of intangible assets and property, plant and equipment	4/5	-1,099	-1,091
Cash paid for acquisitions of other participating interests		-3	-1
Cash paid for acquisition of consolidated companies, net of cash acquired	8.2	-51	-3
Dividends received from non-consolidated companies		1	0
Cash received from sales of intangible assets and property, plant and equipment		37	13
Net cash received from other non-current assets		8	3
Net cash used in investing activities		-1,107	-1,079
Cash flow before financing activities		451	576
Lease payments	6	n.a.	-78
Free cash flow (2)		451	498

(EUR million)	Note	Year ended 31 December 2018 IAS 17	2019 IFRS 16
Cash flow from financing activities other than lease payments			
Dividends paid to shareholders	31	-485	-486
Dividends to and transactions with non controlling interests	18.2	-28	-60
Net sale of treasury shares		4	8
Net sale of investments		1	1
Decrease of shareholders' equity		-3	0
Cash received from cash flow hedge instrument related to long term debt		8	-1
Issuance of long term debt	19.3	399	99
Repayment of long term debt	19.3	-408	0
Issuance/(repayment) of short term debt	19.3	68	-76
Cash flows used in financing activities other than lease payments		-444	-515
Net change of cash and cash equivalents		7	-17
Cash and cash equivalents at 1 January		333	340
Cash and cash equivalents at the end of the period	17	340	323
(1) Net cash flow from operating activities includes the following cash movements :			
Interest paid		-49	-40
Interest received		2	1
Income taxes paid		-249	-191
(2) Free cash flow: cash flow before financing activities and after lease payments			

Consolidated Statement of Changes in Equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Equity instruments and hedge reserve	Other remeasurement reserve	Foreign currency translation	Stock Compen-sation	Retained Earnings	Share'rs' Equity	Non-controlling interests	Total Equity
Balance at 1 January 2018	1,000	-431	100	5	-128	-4	4	2,451	2,997	156	3,153
Total recognised income and expense	0	0	0	-1	-27	6	0	508	487	24	511
Transfer of loss on disposal of equity instruments at fair value through other comprehensive income to retained earnings	0	0	0	2	0	0	0	-2	0	0	0
Dividends to shareholders (relating to 2017)	0	0	0	0	0	0	0	-323	-323	0	-323
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	2	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	1,000	-427	100	6	-155	3	4	2,474	3,005	148	3,153
Balance per 1 January 2019	1,000	-427	100	6	-155	3	4	2,474	3,005	148	3,153
Total comprehensive income	0	0	0	-1	-39	2	0	373	336	22	358
Dividends to shareholders (relating to 2018)	0	0	0	0	0	0	0	-324	-324	0	-324
Interim dividends to shareholders (relating to 2019)	0	0	0	0	0	0	0	-162	-162	0	-162
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-29	-29
Business combination	0	0	0	0	0	0	0	-2	-2	2	0
Changes in shareholders' equity	0	0	0	0	0	0	0	-6	-6	0	-6
Treasury shares											
Sale of treasury shares	0	3	0	0	0	0	0	2	5	0	5
Stock options											
Exercise of stock options	0	3	0	0	0	0	0	0	3	0	3
Total transactions with equity holders	0	6	0	0	0	0	0	-491	-485	-28	-513
Balance at 31 December 2019	1,000	-421	100	6	-194	5	4	2,356	2,856	142	2,998

Notes to the consolidated financial statements

Note 1. Corporate information

The consolidated financial statements at 31 December 2019 were authorized for issue by the Board of Directors on 20th February 2020. 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 13,385 at 31 December 2018 and 12,931 at 31 December 2019.

For the year 2018, the average headcount of the Group was 165 management personnel, 11,976 employees and 1,020 workers. For the year 2019, the average headcount of the Group was 159 management personnel 11,934 employees and 914 workers.

Note 2. Significant accounting policies

Basis of preparation

The accompanying consolidated financial statements as of 31 December 2019 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 2019 and that are detailed as follows:

New standards:

- IFRS 16- Leases

Amendments to standards:

- Amendments to IFRS 9 - Prepayment Features with Negative Compensation;
- IFRIC 23- Uncertainty over Income Tax Treatments;
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement;
- Annual Improvements to IFRS 2015-2017 Cycle.
- Amendments to IAS 28 Long-Term interests in Associates and Joint Ventures

The adoption of these new and amended standards has limited impacts on the financial statements of the Group except for adoption of IFRS 16.

Impact on Lessee Accounting

Under IAS 17, the Group was required to classify its leases as either finance or operating leases. Under the new standard, lessees are required to account for all leases under a single on-balance sheet model like the accounting for finance leases under IAS 17. The distinction between operating and finance leases is removed for lessees.

When the Group acts as lessee 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 previously presented in operating expenses are now capitalized and depreciated. The discounting of lease liability is periodically unwound into finance cost.

When the Group acts as a lessor the distinction between operating and finance leases remains.

Financial impact of the initial application of IFRS 16

For the transition to IFRS 16 the Group decided to adopt the simplified transition approach with the cumulative effect of initially applying IFRS 16 recognized in retained earnings (if any) at the date of initial application, being 1 January 2019. The comparative reporting period before adoption is not restated. Right-of-use assets are measured at the amount of the lease liabilities at adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

The Group decided not to apply exemptions for short-term leases or leases for which the underlying is of low value and to exclude the initial direct costs from the right-of-use. The non-lease components are not included in the lease liabilities. IFRS 16 is not applied to leases for intangible fixed assets.

At transition, initial recognition of lease liabilities under IFRS 16 amounted to EUR 275 million and were measured at the present value of the remaining lease payments with the Group's incremental borrowing rate at a discount rate ranging from 0.2% to 2.5%. There is no impact on equity as a result of the initial adoption of IFRS 16.

For the Group acting as a lessor, the Group did not identify impacts at adoption date.

The effect of adopting IFRS 16 on the consolidated balance sheet is as follows:

(EUR million)	As per 31 Dec 2018	Initial recognition IFRS 16	As per 1 January 2019
Assets	18	275	293
Right-of-use asset	0	285	285
Leasing receivables – non-current	4	-	4
Leasing receivables – current	4	-	4
Prepaid expenses	10	-10	0
Liabilities	5	275	280
Lease liabilities – non-current	4	212	216
Lease liabilities – current	2	63	64

In note 33 of the 2018 consolidated financial statements, future minimum rentals payable under the non-cancellable operating leases at 31 December 2018 were disclosed and amounted to EUR 295 million.

The table below provides the reconciliation between these non-cancellable lease commitments and the lease liability of EUR 280 million recognized in the opening balance sheet at IFRS 16 adoption:

Operating lease commitments at 31 December 2018 (in note 33)	295
Operating lease commitments at 31 December 2018 but starting after 1 January 2019*	-60
Non-cancellable lease commitments excluding leases starting after 1 January 2019	235
Impact of expected end date**	58
Impact of discounting	-8
Existing finance lease liabilities at 31 December 2018	5
Prepaid lease payments at 31 December 2018	-10
Lease liability at 1 January 2019	280

* The operating lease commitments as reported at 31 December 2018 included commitments for contracts for which the asset became only be available for use in the course of 2019. IFRS 16 requires leases to be recognized when they are available for use. The lease liabilities for those commitments are therefore not recognized in the opening balance but were recognized as they became available for use.

** The lease term under IAS 17 represents the minimum non-cancellable period. Under IFRS 16, the lease term corresponds to the period including all extension options deemed reasonably certain to be exercised and until both lessee and lessor can terminate the contract.

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 8 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 acquiree, 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.

Leases under IFRS 16

- Determining whether an arrangement contains a lease

IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to control use of an identified asset for a period of time in exchange for consideration. For some contracts, significant judgment is required to assess whether a contract conveys the right to use an asset or is instead a contract for a service that is provided using that asset.

- Lease term

When the Group acts as lessee the lease term consists of the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

Significant judgement is required in assessing whether these options will be exercised or not, considering all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

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 8 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 considering potential barriers to exercise control on BICS.

Key sources of estimation uncertainty

Claims and contingent liabilities (see note 34)

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 11 January 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 14 February 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 filed an appeal against the aforementioned decision with the European Court of Justice (ECJ) on 24 April 2019. In addition, on 16 September 2019, the European Commission opened separate in-depth investigation into 39 individual excess profit rulings including the excess profit rulings obtained by BICS. Management assesses that the position as recognized in the financial statements still reflects the best estimate of the probable 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 11 (Assets and liabilities for pensions, other post-employment benefits and termination benefits).

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 through operating leases, 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

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.

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 to the CBU segment are deferred over three years and for the EBU segment five years.

All other commissions are expensed when incurred.

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.

Financial assets

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

<u>Financial assets at FVTOCI</u>

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.

<u>Financial assets and liabilities at amortized cost.</u>

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.

<u>Financial assets and liabilities at FVTPL</u>

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 experience and reasonable and supportable information about future expectations to define provision rates on an individual rate" base.

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 assumed not recoverable by external recovery agency, 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.

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

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 considers 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

The Group assesses whether a contract is or contains a lease, at inception of the contract.

Group as a lessee (receives a right to use an asset from a supplier)

When the Group is lessee it applies a single recognition and measurement approach for all leases. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, The Group does not apply the short-term lease recognition exemption nor the low-value recognition exemption.

- Lease liabilities

  The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

  The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

  The lease liabilities are included in Interest-bearing loans and borrowings (see Note 19).

- Right-of-use assets

  Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, lease payments made at or before the commencement date less any lease incentives received and the estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which the underlying asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

Group as a lessor (grants a right to use an asset to a customer)

Leases for which the Group is a lessor are classified as finance or operating leases. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership to the lessee are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

For finance leases the Group recognizes a receivable at an amount equal to the net investment in the lease, this is the gross investment in the lease discounted at the interest rate implicit in the lease. The gross

investment is the sum of the lease payments receivable by the Group and any unguaranteed residual value accruing to the Group.

Group as intermediate lessor

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease rather than by reference to the underlying asset (e.g. the item of property, plant and equipment that is subject of the lease

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, considering 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

Contract liabilities 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.

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 2018	2,431
Acquisitions of ION IP, UMBRIO, CODIT, MediaMobile and price adjustment for TeleSign Holding INC	39
Effect of movements in foreign exchange	2
Finalisation of purchase price allocation	-2
As of 31 December 2018	2,470
Finalisation of purchase price allocation	5
Effect of movements in foreign exchange	3
As of 31 december 2019	2,477

The goodwill increased by EUR 7 million to EUR 2,477 million in 2019 as a result of the finalization of the purchase price allocation of MediaMobile (see note 8.4) as well as the impact of translation from foreign currencies in relation with 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 2019, 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)	2018	2019
Consumer Business Unit	1,303	1,303
Enterprise Business Unit	767	771
International Carrier Services	401	403
Total	2,470	2,477

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 (2020 to 2022), as presented by management to the Board of Director. Subsequent years were extrapolated based on a growth rate comprised between 0% and 0.5% in 2019 and between 0% and 1.3% in 2018 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 4.9% in 2019 and 5.3% in 2018, with the exception of the ICS segment for which a specific post-tax weighted average cost of capital of 7.9% in 2019 and 8.0% in 2018 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 6.3% and 8.8% in 2019 and between 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.

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 2019. 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.

[1] Return on capital employed corresponds to the adjusted pre-tax Weighted Average Cost of Capital

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 2018	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
Foreign exchange adjustment	0	4	0	0	4
As of 31 December 2018	681	911	303	2,375	4,270
Additions	8	0	91	99	199
Acquisition of subsidiary	0	6	0	0	6
Internally generated assets	0	0	0	166	166
Derecognition	-297	0	-32	-51	-380
Reclassifications	0	0	0	10	10
Effect of movements in foreign exchange	0	2	0	0	2
As of 31 December 2019	391	919	363	2,600	4,273
Accumulated amortization and impairment					
As of 1 January 2018	-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
Amortization charge for the year	-33	-64	-116	-236	-449
Derecognition	297	0	32	51	381
Reclassifications	0	0	0	-7	-7
As of 31 December 2019	-263	-705	-253	-1,972	-3,193
Carrying amount as of 31 December 2018	153	270	134	596	1,154
Carrying amount as of 31 December 2019	128	214	110	629	1,080

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
1998	ILT 2238	2	0	1998 -	completed	01/01/1998
1998	ILT	0	0	1998 -	completed	10/12/1998
2015	900 MHz spectrum	75	15	2015 - 2021	over the period	08/04/2015
2001	UMTS	150	9	2001 - 2021	completed	01/06/2004
2011	4G	20	10	2012 - 2027	completed	01/07/2012
2013	800 Mhz spectrum	120	83	2013 - 2033	over the period	30/11/2013
2014	900 MHz spectrum	16	3	2015 - 2021	over the period	27/11/2015
2019	800 Mhz sepctrum	2	1	2019-2027	bi-annual	01/01/2019
2019	900 MHz spectrum	2	2	2019-2027	bi-annual	01/01/2019
2019	1800 Mhz spectrum	2	2	2019-2027	bi-annual	01/01/2019
2019	2100 Mhz spectrum	2	1	2019-2033	bi-annual	01/01/2019
2019	2600Mhz spectrum	1	1	2019-2027	bi-annual	01/01/2019
	Total	391	128			

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 8.4).

In 2019 the Group acquired TV rights for an amount of EUR 91 million mainly including broadcasting rights.

Internally generated assets (EUR 166 million) included in the other intangible 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 2019 amounts to EUR 7 million.

Other intangible additions also included in the other intangible assets (EUR 99 million) contain mainly software development and software licenses.

Note 5. Property, plant and equipment

(EUR million)	Land and buildings	Technical and network equipment	Other tangible assets	Assets under construction	Total
Cost					
As of 1 January 2018	597	10,843	380	9	11,830
Additions	8	646	15	12	681
Acquisition of subsidiary	0	1	2	1	3
Derecognition	-48	-279	-35	0	-362
Reclassifications	0	3	-2	-6	-5
As of 31 December 2018	556	11,214	361	16	12,147
Additions	8	625	16	20	670
Derecognition	-24	-512	-17	0	-553
Reclassifications	5	-5	2	-12	-10
As of 31 December 2019	546	11,321	363	24	12,254
Accumulated depreciation and impairment					
As of 1 January 2018	-324	-8,205	-325	0	-8,853
Depreciation charge for the year	-22	-540	-23	0	-585
Impairment charge	0	-1	-2	0	-2
Acquisition of subsidiary	0	0	0	0	-1
Derecognition	36	278	33	0	347
Reclassifications	0	0	2	0	1
As of 31 December 2018	-310	-8,468	-316	0	-9,093
Depreciation charge for the year	-21	-548	-20	0	-589
Derecognition	19	512	17	0	548
Reclassifications	0	8	-1	0	7
As of 31 December 2019	-311	-8,495	-320	0	-9,127
Carrying amount as of 31 December 2018	247	2,746	45	16	3,054
Carrying amount as of 31 December 2019	234	2,826	42	24	3,127

The investments reflect the Group strategy to invest extensively in order to always better serve its customers. Proximus continued its investments in, among other things, new digital platforms, the ongoing multi-year modernization of its transport network and Fiber for Belgium project. Furthermore, Proximus continued to invest in its mobile network to provide a high-quality mobile service while coping with a continuing increase in data usage.

In 2019, the Group sold buildings and realised a gain on disposal of these buildings of EUR 7 million.

Note 6. Leases

The Group leases several assets including buildings, real estate and facilities to install pylons and mobile communication equipment and fleet. These leases generally have lease terms between 4 and 15 years. The average lease term is 8.5 years.

The carrying amounts of right-of-use assets recognized and the movements during the period are disclosed below

(EUR million)	Buildings	Mobile sites	Fleet	Other	Total
As of 1 January 2019	112	113	50	10	285
New contracts	57	9	28	2	97
Depreciations	-30	-25	-21	-5	-82
Contract modifications/disposals/reassessments	14	-4	-3	0	7
As of 31 December 2019	153	93	54	6	307

New contracts mainly relate to the new lease contract entered in by the Group for the head office in Bertrange -Luxembourg for a duration of 15 years and for which a right of use of EUR 38 million was recognized.

The contract modifications mainly relate to the extension of the leasing contract for the building in Mechelen for a period of 11 years and for which the right of use was increased with 11 million EUR.

The carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period are disclosed below

(EUR million)	Buildings	Mobile sites	Fleet	Other	Sub-leases	Total
As of 1 January 2019	107	108	50	10	5	280
New contracts	57	9	28	2	0	97
Contract modifications/disposals/reassessments	14	-3	-3	0	0	7
Interest expense	1	1	0	0	0	2
Reimbursements	-31	-25	-21	-5	2	-80
As of 31 December 2019	148	91	54	7	8	307
Current portion						64
Non current portion						243

The maturity analysis of lease liabilities is disclosed in Note 32.

(EUR million)	2019
The following are the amounts recognized in profit or loss:	
Depreciation	-82
Interest expenses	-2
Total	-84
The Group had total cash outflows for leases of	
Repayment of lease liabilities (cash out for financing activities)	-78
Interest expenses (in the operating cash flow)	-2
Total	-80

There a no material cash outflows in 2019 relating to leases that have not commenced on 31 December 2019.

Note 7. Contract cost

The Group recognizes an asset in relation to commissions paid to dealers 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 applies 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.

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:

(EUR million)		
Balance at 1 January	120	116
Decrease/ Increase in contract assets relating to existing contracts in the opening balance		
Normal evolution	-73	-69
New contract assets	69	67
Balance at 31 December	116	113

The portion of the balance as at 31 December 2019 of the contract costs deferred less than one year and deferred more than one year are as follows:

	As of 31 December	
(EUR million)	2018	2019
Contract costs	116	113
Deferred within 12 months	59	57
Deferred beyond 12 months	57	56

Note 8. Investments in subsidiaries, joint ventures and associates

Note 8.1. 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	2018	2019
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 (5)	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%
Proximus Media House (PmH)	Rue Carli 2 1140 Evere VAT BE 0875.092.626	Belgium (7)	100%	100%
Telindus - ISIT BV	Krommewetering 7 3543 AP UTRECHT	Nederland (14)	100%	100%
ION-IP	Vendelier 2C NL-3905 PA Veenendaal	The Netherlands (2) '(14)	100%	-
Tango SA	Rue de Luxembourg 177 8077 Bertrange	Luxemburg (8)	100%	-
Proximus Luxembourg SA	18 rue du Puits Romain 8070 Bertrange	Luxemburg (9)	100%	100%
Telectronics SA	2 Rue des Mines 4244 Esch sur Alzette	Luxemburg	100%	100%
Proximus Luxembourg Technology Services BV	Bld du Roi Albert II 27 1030 Bruxelles	Belgium (3)	-	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%	93%
Be-Mobile Tech NV	Kardinaal Mercierlaan 1A 9090 Melle VAT BE 0884.443.228	Belgium (10)	61%	-
Mediamobile Nordic OY	Äyritie 8B 01510 Vantaa, Finland FI 23364202	Finland (2)	100%	100%
MEDIAMOBILE S.A.	Rue Camille Desmoulins 41 F-92130 Issy Les Moulineaux	France (2)	100%	100%
Flitsmeister BV	Koningsschot 45 - Postbus 114 3900 AC Veenendaal	Nederland (2)	61%	93%

Name	Registered office	Country of incorporation	2018	2019
Cascador BVBA	Kardinaal Mercierlaan 1, bus A 9090 Melle VAT BE 0648 964 048	Belgium (4)	-	100%
Scarlet Belgium NV	Carlistraat 2 1140 Evere VAT BE 0447.976.484	Belgium	100%	100%
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	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	Bld du Roi Albert II 27 1030 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 M15ES 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%

Name	Registered office	Country of incorporation	2018	2019
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%
Belgacom International Carrier Services Australia Pty Ltd	1 Margaret Street - Level 11 Sydney NSW 2000 Australia	Australia (1) '(3)	-	58%
Belgacom International Carrier Services Dubai FZ-LLC	Dubai Internet City Premises 306 - Floor 03- Building 02 -PO box 502307 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)	58%	58%
TeleSign Corporation	13274 Fiji Way , Suite 600 Marina del Rey, CA 90292	United States (1) '(2)	58%	58%
TeleSign UK	4th Floor 210 High Holborn London WC1V 7DL	United Kingdom (1) '(2)	58%	58%
TeleSign Mobile Ltd	4th Floor 210 High Holborn London WC1V 7DL	United Kingdom (1) '(2)	58%	58%
TeleSign Doo	Tresnjinog cveta 1 11070 Novi Beograd	Serbia (1) '(2)	58%	58%
TeleSign Netherlands B.V.	4th Floor 210 High Holborn London WC1V 7DL	United Kingdom (1) '(2)	58%	58%
TeleSign Singapore Pte. Ltd.	1 Robinson Road, # 17-00 AIA Tower Singapore (048542)	Singapore (1) '(2)	58%	58%
TeleSign Australia Pty Ltd	FDK Laurence Varney Level 12 222 Pitt Street Sidney NSW 2000	Australia (1) '(2) '(11)	58%	-
TeleSign Japan KK	Oak Minami Azabu Building 2F 3-19-23 Minami Azabu Minato-ku, Tokyo 106-0047	Japan (1) '(2) '(12)	58%	-
TeleSign (Beijing) Technology Co., Ltd.	15/F, Office Building A, Parkview Green, 9 Dongdaqiao Road, Chaoyang District Beijing 100020	P.R. China (1) '(2)	58%	58%
TeleSign Hong Kong Ltd	5/F., Heng Shan Centre, 145 Queen's Road East, Wanchai, Hong Kong	Hong Kong (1) '(2) '(13)	58%	-
Codit Holding BVBA	Gaston Crommenlaan 14, box 301 9050 Ledeberg VAT BE 662.946.401	Belgium (2)	100%	100%
Codit BVBA	Gaston Crommenlaan 14, box 301 9050 Ledeberg VAT BE 0471.349.823	Belgium (2)	100%	100%
Codit Switzerland AG	Schaffhauserstrasse 374 8050 Zurich VAT CHE-335.776.516	Switzerland (2)	100%	100%

Name	Registered office	Country of incorporation	2018	2019
Codit Integration Ltd.	Landmark House, Station Road RG27 9HA Hook (Hampshire) VAT GB 241.5781.10	United Kingdom (2)	100%	100%
Codit Managed Services BVBA	Gaston Commenlaan 14, box 301 9050 Ledeberg VAT BE 0835.734.875	Belgium (2)	100%	100%
CODIT Mare Limited	International House, Mdina Road Mriehel, Birkirkara C55412	Malta (2)	100%	100%
Codit Nederland B.V	Atoomweg 350, 3542AB Utrecht	The Netherlands (2)	100%	100%
Votijnit Lda. (Codit Portugal)	Praça Duque de Saldanha 20 1°Dtio.Lisbon NIPC 510.595.251	Portugal (2)	100%	100%
Codit Software Limited	International House, Mdina Road Mriehel, Birkirkara C64225	Malta (2)	100%	100%
Codit France S.A.S.	Rue de la Michodière 4 75002 Paris VAT FR 0478.300.189	France (2)	100%	100%
AXON Olympus	Atoomweg 350 3542AB Utrecht 6171872	The Netherlands (2)	100%	100%
UMBRiO Holding BV	Patrijsweg 74 NL-2289 EX Rijswijk	The Netherlands (2)	100%	100%
UMBRiO BV	Patrijsweg 74 NL-2289 EX Rijswijk	The Netherlands (2)	100%	100%
UMBRiO Consulting BV	Patrijsweg 74 NL-2289 EX Rijswijk	The Netherlands (2)	100%	100%
UMBRiO University BV	Patrijsweg 74 NL-2289 EX Rijswijk	The Netherlands (2)	100%	100%
MWingz BV	Bld Simon Bolivar 34 1000 Bruxelles VAT BE 0738.987.372	Belgium (3)	-	50%

(1) Entity of BICS Group

(2) Entity acquired in 2018

(3) Entity established in 2019

(4) Entity acquired in 2019

(5) Entity merged into Proximus SA in 2019

(6) See note 8.2

(7) Previously named Skynet iMotion Activities SA

(8) Entity merged with Proximus Luxembourg

(9) Previously named Telindus SA

(10) Entity merged with Be-Mobile SA

(11) Entity merged with Belgacom International Carrier Services Australia Pty Ltd

(12) Entity merged with Belgacom International Carrier Services JAPAN KK

(13) Entity merged with Belgacom International Carrier Services China Ltd

(14) Entity merged with Telindus - ISIT BV

Note 8.2. Details of non-wholly owned subsidiaries that have material non-controlling interests

Only Belgacom International Carrier Services SA (BICS SA) 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			Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		As of 31 December	As of 1 January	As of 31 December	As of 31 December		As of 31 December	
		2018	2019	2019	2018	2019	2018	2019
BICS (segment)	Belgium	42%	42%	42%	20	19	149	142
Total					20	19	149	142
Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests								
BICS (segment)								
Current assets		671	671	578				
Non-current assets		752	767	718				
Current liabilities		614	616	556				
Non-current liabilities		205	217	154				
Equity attributable to owners of the company		604	604	586				
Revenue (total)		1,347		1,301				
Expenses (operating)		-1,195		-1,145				
Profit for the year		47		46				
Profit attributable to owners of the company		27		26				
Profit attributable to the non-controlling interests		20		19				
Dividends paid to non-controlling interests		28		29				
Net cash inflow from operating activities		141		105				
Net cash outflow from investing activities		-30		-38				
Net cash inflow / (outflow) from financing activities		-68		-127				
Net cash inflow / (outflow)		44		-60				

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

Note 8.3. Investments in associates

The Group had a significant influence in the following company:

Name	Registered office	Country of incorporation	Group's participating interests	
			2018	2019
Belgian Mobile ID SA/NV	Sinter-Goedeleplein 5 1000 Brussel VAT BE 541.659.084	Belgium	15%	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%	30%
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 2019 the aggregate information on all individually immaterial associates is as follows :

(EUR million)	2018	2019
Carrying amount	3	2
Loss of continuing operations	-1	-1

Note 8.4. Acquisitions and disposal of subsidiaries, joint ventures and associates

Acquisitions in 2018 (with purchase price allocation finalized in 2019)

Proximus Group finalized in 2019 the purchase price allocation of MediaMobile (acquired on 15th November 2018) which led to a decrease of the goodwill by EUR 4 million, from EUR 15 million as of 31 December 2018 to EUR 11 million.

	MediaMobile	
(EUR million)	Fair value recognised on acquisition	Carrying value
Intangibles	1	1
Non current fixed assets	7	1
Other financial fixed assets	0	3
Deferred income tax assets	6	0
Trade receivables	4	4
Other current assets	1	1
Investments and cash and cash equivalents	1	1
Total assets	20	11
Deferred income tax liabilities	-2	0
Trade payables	-1	-1
Contract liability	-19	0
Other current payables	-2	-2
Total non-controlling interests and liabilities	-25	-4
Net assets acquired	-6	7
Goodwill arising on acquisition	11	
Consideration	5	

The consideration is detailed as follows:	
Cash paid to shareholders	5
Consideration	5
The cash outflow on acquisition is as follows:	
Consideration paid	-5
Net cash acquired of the subsidiary	1
Net cash outflow	-5

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 2018 acquisitions 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 end of 2018 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).

The table below includes the fair value recognized on the acquisition of ION IP B.V., Umbrio Holding B.V, Codit Holding BVBA. It includes also the provisional purchase price allocation of MediaMobile per December 2018.

(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

Note 9. Equity investments

At 31 December 2019 and 2018, the group held participating interests in non-quoted companies, the fair value of which was inferior to € 1 million.

These interests are classified at FVTOCI as they are not held for a purpose of trading but acquired with a long-term strategic view and not with the purpose to realize gains.

Note 10. Income taxes

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

(EUR million)	As of 31 December	
	2018	2019
Accelerated depreciation	-16	-38
Fair value adjustments on acquisition	-60	-48
Statutory provisons not retained under IFRS	-5	-5
Remeasurement of financial instruments to fair value	-1	-1
Deferred taxation on sales of property, plant and equipment	-8	-11
Deferred taxation on contract assets & contract costs	-52	-48
Other	-2	-3
Gross deferred income tax liabilities	-145	-154
Fair value adjustment on fixed assets	17	15
Asset for post-employment, termination and other benefits	26	26
Tax losses carried forward	5	5
Provisions for liabilities and charges	18	12
Other	1	1
Gross deferred income tax assets	66	60
Net deferred income tax assets / (liabilities), when grouped per taxable entity, are as follows :		
Net deferred income tax liability	-91	-110
Net deferred income tax asset	12	16

The movements in 2019 of the deferred tax position are as follows

(EUR million)	
As of 31 December 2018	-79
Decrease as the result of the purchase price allocation	2
Decrease recognized through other comprehensive income	4
Increase recognized in income statement	-22
As of 31 December 2019	-95

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

(EUR million)	
As of 1 January 2018	-102
Increase as the result of the purchase price allocation	1
Decrease recognized through other comprehensive income	8
Decrease recognized in income statement	15
As of 31 December 2018	-79

The 2019 deferred tax expense in the income statement is mainly the consequence of the annual declining depreciation method applied by Proximus SA in BGAAP on the tangible assets and broadcasting intangible assets acquired in 2018 and 2019. This expense is partially offset by the decrease of the deferred tax liability on fair value adjustments on acquisitions.

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.

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 35 million at 31 December 2019 (EUR 56 million in 2018) of which EUR 32 million has no expiration date and EUR 3 million has an expiration date after 2021.

In the income statement, deferred tax income/ (expense) relate to the following:

	Year ended 31 December	
(EUR million)	2018	2019
Accelerated depreciation	-10	-23
Fair value adjustments on acquisition	15	15
Remeasurement of financial instruments to fair value	2	-1
Deferred taxation on sales of property, plant and equipment	-2	-3
Fair value adjustment on fixed assets	-2	-2
Asset for post-employment, termination and other benefits	11	-5
Tax losses carried forward	-1	-2
Contract assets and contract cost	4	1
Other	0	-3
Deferred tax expense of the year	15	-22

The consolidated income statement includes the following tax expense:

	As of 31 December	
(EUR million)	2018	2019
Current income tax		
Current income tax expense	-206	-93
Deferred income tax	15	-22
Income tax expense reported in consolidated income statement	-191	-116

The reconciliation of income tax expense 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:

	As of 31 December	
(EUR million)	**2018**	**2019**
Income before taxes	721	508
At Belgian statutory income tax rate of 29.58%	213	150
Lower income tax rates of other countries	-2	-2
Effect of reduction in income tax rates on closing balance of deferred income tax	-3	-13
Non-taxable income from subsidiaries	-27	-27
Non-deductible expenditures for income tax purposes	15	13
Other	-6	-6
Income tax expense	191	116
Effective income tax rate	26.44%	22.80%

The 2019 effective income tax rate amounts to 22.80% which is lower compared to the effective income tax rate of 26.44% in 2018. This mainly results from the cost of the restructuring program reducing the income tax base and the positive impact of the decrease of the Belgian corporate tax rate as from 2020 on the deferred tax balance in caption “effect of reduction in income tax rates on closing balance of deferred income tax”.

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 2019 non-deductible expenditures for income tax purposes primarily relate to various expenses that are disallowed for tax purposes.

The caption “other” include mainly other R&D tax incentives and minor prior year tax adjustments.

Note 11. 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)	2018	2019
Termination benefits and additional compensations in respect of restructuring programs	192	447
Defined benefit plans for complementary pension plans (net liability)	65	46
Post-employment benefits other than pensions	347	371
Net liability recognized in the balance sheet	605	864
Net liability (current)	52	225
Net liability (non-current)	552	639

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 11.1. 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 was recognized over that period of future service that ended at 31 December 2019.

In 2019, Proximus launched its #shifttodigital strategy, accelerating its transformation to remain relevant and be more efficient on the Belgian market to secure the company’s future. The focus is a real shift to become a customer-centric digital company. An analysis based on the company’s future challenges has led to the identification of areas of activity that either are being modified or that are disappearing. As a consequence, 1300 functions were identified as being redundant. The implementation started in November 2019 and all employees including those impacted by the plan have been informed beginning of December 2019. Most employees impacted opted for a voluntary leave end of February 2020. In the event there are still functions in excess, a formal process has been defined to define which employee will be confirmed or not.

The provision for termination benefits (EUR 288 million) has been entirely booked in 2019 as a result of a detailed and formal communication to those affected by the plan and as these benefits were not conditional to future service.

The employees impacted can opt for a voluntary leave end of February 2020.

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)	2018	2019
Defined Benefit Obligation	192	447
Benefit obligation in excess of plan assets	192	447

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

	As of 31 December	
	2018	2019
At the beginning of the year	189	192
Total expense for the period	41	306
Actual employer contribution	-39	-51
At the end of the year	192	447

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

	As of 31 December	
(EUR million)	2018	2019
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 1 million.

The Group expects to pay an amount of EUR 211 million for termination benefits and additional compensations in 2020. The payments in 2019 amounted to EUR 51 million.

Note 11.2. 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, 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 2019, 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 increases 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)	2018	2019
Defined Benefit Obligation	670	776
Plan assets at fair value	-605	-729
Deficit	65	46

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

	Year ended 31 December	
(EUR million)	2018	2019
Current service cost - employer	47	48
Net interest	0	1
Past service cost recognized	0	-29
Recognized in the income statement	47	20
Remeasurements		
Actuarial loss from changes in financial assumptions	0	93
Actuarial gains / (losses) arising from experience adjustments	11	-4
Actuarial (gains) / losses related to return on assets, excluding amounts included in net interest expense	25	-79
Recognized in other comprehensive income	35	9
Total	82	29

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

	Year ended 31 December	
(EUR million)	2018	2019
At the beginning of the year	29	65
Expense for the period recognized in the income statement	47	20
Remeasurement recognized in other comprehensive income	36	9
Actual employer contribution	-47	-49
Net deficit	65	46

Change in plan assets :

(EUR million)	As of 31 December 2018	2019
At the beginning of the year	585	605
Interest income	11	11
Return on assets, excluding amounts included in net interest expense	-25	79
Actual employer contribution	47	49
Benefits payments and expenses	-13	-15
At the end of the year	605	729

Change in the defined benefit obligation :

(EUR million)	As of 31 December 2018	2019
At the beginning of the year	614	670
Service cost	47	48
Interest cost	11	12
Past service cost - vested benefits	0	-29
Benefits payments and expenses	-13	-15
Actuarial losses	11	89
At the end of the year	670	776

The past service cost is the change in the present value of the defined benefit obligation as a consequence of the implementation of the 2019 restructuring plan.

The pension liability was determined using the following assumptions :

(EUR million)	As of 31 December 2018	2019
Discount rate	1.80%	0.90%
Future price inflation	2.00%	1.90%
Nominal future salary increase	3.10% - 3.50%	3.10% - 3.40%
Nominal future baremic salary increase	3.00%- 3.15%	3.00%- 3.05%
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 15.54years.

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 0.5%, the estimated impact on the defined benefit obligation would be a decrease (or increase) by around 8% to 9%.

If the inflation rate increases (or decreases) by 0.25%, the defined benefit obligation would increase (or decrease) by around 3%. 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:

	As of 31 December	
(EUR million)	2018	2019
Equity instruments	42.4%	45.8%
Debt instruments	40.0%	37.7%
Convertible bonds	6.8%	6.0%
Other (property, infrastructure, Private equity funds, insurance deposits)	10.9%	10.5%

The actual return on plan assets is as follows:

	As of 31 December	
(EUR million)	2018	2019
Actual return on plan assets	-14	91

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 (15.54 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 2019 the portfolio was invested by about 45.8% in listed equities (in Europe, US and Emerging Markets), about 37.7% in fixed income (government bonds, corporate bonds, and senior loans) and about 6.0% 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 10.5% 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 52 million to the Proximus Pension Fund in 2020.

In addition to the defined benefit plan described here above the Group operates two defined benefit plans with a limited amplitude. They present a DBO equal to the plan assets (EUR 8 million each).

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 11.3. 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 :

	As of 31 December	
(EUR million)	2018	2019
Defined Benefit Obligation	347	371
Net liability recognized in the balance sheet	347	371

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

	Year ended 31 December	
(EUR million)	2018	2019
Current service cost - employer	4	4
Interest cost	5	5
Expense recognized in the income statement, before curtailment, settlement and special termination benefits	10	10
Curtailment or settlement gain and past service cost	0	-6
Recognized in the income statement	10	4
Remeasurements		
Actuarial losses from changes in financial assumptions	0	33
Effect of experience adjustments	1	0
Recognized in other comprehensive income	1	33
Total	11	37

The past service cost is the change in the present value of the defined benefit obligation as a consequence of the implementation of the 2019 restructuring plan.

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

	As of 31 December	
(EUR million)	2018	2019
At the beginning of the year	350	347
Expense for the period recognized in the income statement	10	4
Remeasurement recognized in other comprehensive income	1	33
Actual employer contribution	-13	-13
At the end of the year	347	371

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

	As of 31 December	
	2018	2019
Discount rate	1.60%	0.85%
Future cost trend (index included)	2.00%	1.90%
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 15.10 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 0.5%, the defined benefit obligation would decrease (or increase) by around 7% to 8%.

If the future cost trend increases (or decreases) by 1%, the defined benefit obligation would increase (or decrease) by around 14% to 17%.

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 2020.

Note 11.4. 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, in exchange of a payment of EUR 5 Billion 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 12. Other non-current assets

		As of 31 December	
(EUR million)	Note	2018	2019
Other derivatives	32.1	5	5
Other financial assets			
Other financial assets at amortized cost		30	26
Total		35	31

Other financial assets decreased by EUR 4 million following the transfer of a receivable from long-term to short-term.

Note 13. Inventories

(EUR million)	As of 31 December 2018	2019
Raw materials, consumables and spare parts	34	36
Work in progress and finished goods	26	25
Goods purchased for resale	69	72
Total	129	133

Inventory is reported net of allowances for obsolescence.

Note 14. Trade receivables and contract assets

14.1 Trade receivables

(EUR million)	As of 31 December 2018	2019
Trade receivables	1,042	985
Trade receivables - gross amount	1,149	1,084
Loss allowance	-107	-99

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 2019, Proximus Group received bank and parent guarantees of EUR 6 million (in 2018, EUR 6 million) as securities for the payment of outstanding invoices.

14.2 Contract assets

(EUR million)	As of 31 December 2018	2019
Contract assets gross	88	103
Settled after 12 month of the reporting period	64	73
Settled within 12 month of the reporting period	24	30
Loss allowance	-5	-6
Contract assets net	83	97

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

(EUR million)	2018	2019
Balance at 1 Jan	83	88
Decrease in contract assets relating to existing contracts in the opening balance	-88	-96
Normal evolution	-77	-83
Anticipated termination	-11	-13
New contract assets	93	111
Balance at 31 Dec	88	103

14.3 Loss allowance on trade receivables and contract assets

The group applies the IFRS 9 simplified approach for measuring the expected credit losses. This[2] 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 but not impaired is as follows:

As of 31 December					Past due					
(EUR million)	Gross receivables / contract assets	Loss allowance	Net carrying amount	Not past due	< 30 days	30-60 days	60-90 days	90-180 days	180-360 days	> 360 days
Trade receivables										
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
2019	1,084	-99	985	569	100	41	29	58	63	126
2019 % loss allowance on trade receivables			9%	1%	2%	3%	5%	10%	11%	37%
The loss allowance on contract assets was as follow :										
Contract assets	103	-6	97	97						
2019 % loss allowance on contract asset			6%	6%						

The closing loss allowances for trade receivables and contract assets as at 31 December 2019 reconciles to the opening loss allowances as follows:

The evolution of the allowance for doubtful debtors is as follows:

(EUR million)	Trade receivable	Contract costs	Total
As of 31 December 2018	107	-5	102
Increase in loss allowance through income statement	-4	-1	-5
Receivables written off as uncollectible	-4	0	-4
As of 31 December 2019	99	-6	93

2

Note 15. Other current assets

(EUR million)	As of 31 December 2018 IAS 17	As of 1 January 2019 2019 IFRS 16	As of 31 December 2019 IFRS 16
VAT receivables	11	11	10
Prepaid expenses	112	102	102
Accrued income	3	3	1
Other receivables	26	26	20
Total	152	142	134

Prepaid expenses in relation with lease contracts are deducted from the lease liability under IFRS 16.

Note 16. Investments

		As of 31 December	
(EUR million)	Note	2018	2019
Term account at amortized costs	32.4	4	3
Total		4	3

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

Note 17. Cash and cash equivalents

		As of 31 December	
(EUR million)	Note	2018	2019
Term account at amortized costs	32.4	40	13
Cash at bank and in hand	32.4	300	310
Total		340	323

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 18. Equity

Note 18.1 Shareholders' equity

At 31 December 2019, 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 20 April 2016. 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 2019, the number of treasury shares amounts to 15,042,626 of which 923,377 entitled to dividend rights and 14,119,249 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 2019 and 2018, the Group sold respectively 3,033 and 14,431 treasury shares to its senior management for less than EUR 1 million under share purchase plans at a discount of 16.70% (see note 35).

During the years 2019 and 2018, employees exercised respectively 109,751 and 38,397 share options. In order to honor its obligation in respect of these exercises, Proximus used treasury shares (see note 35).

In 2019 and 2018, no share options were granted by the Group to its key management and senior management.

Number of shares (including treasury shares):	2018	2019
As of 1 January	338,025,135	338,025,135
As of 31 December	338,025,135	338,025,135

Number of treasury shares:	2018	2019
As of 1 January	15,386,146	15,321,318
Sale under a discounted share purchase plan	-14,431	-3,033
Sale of treasury shares	-12,000	-165,908
Exercice of stock option	-38,397	-109,751
As of 31 December	15,321,318	15,042,626

Note 18.2 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.

In 2019, the Group acquired all the remaining Be-Mobile non-controlling interests through the exercise of the put option that had been granted on these shares for an amount of EUR 37 million. In a second step the Group sold 7.26% of the shares to non-controlling interests (for EUR 7 million) on which it granted a put option (together with a new shareholder's agreement) resulting in a negative impact on equity of EUR 6 million.

The Group was granted call options on these 7.26% non-controlling shares. These options can be exercised under the same conditions and for the same price.

The Group has recorded gross debt up to the expected exercise price of the PUT option. This financial instrument is valued at the FVTPL.

Note 19. Interest-bearing liabilities

Note 19.1 Non-current interest-bearing liabilities

(EUR million)	Note	As of 31 December 2018 IAS 17	As of 1 January 2019 IFRS 16	As of 31 December 2019 IFRS 16
Unsubordinated debentures		1,852	1,852	1,953
Leasing and similar obligations		4	216	243
Credit institutions		403	403	402
Derivatives held for trading	32.1	4	4	5
Total		2,263	2,475	2,603

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

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 2019 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 32).

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 2019 under IFRS 16 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	-0.44%	-0.44%
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	598	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%
EUR	100	100	Amortized cost	Sep-31	Annually	1.75%	1.78%
Leasing and similar obligations							
Under IFRS16							
EUR	243	255	Amortized cost	May-23 (c)	Different patterns (d)	1.29%	1.29%
Credit institutions							
Fixed rate borrowings							
EUR	400	400	Amortized cost	Mar-28	Annually	1.23%	1.04%
EUR	2	2	Amortized cost	Oct-23	Monthly	0.60%	0.60%
Derivatives							
Derivatives held-for-trading	5		Fair value				
Total - under IFRs 16	2,603	2,618					

(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 2019
(c) : average duration
(d) : monthly, quarterly, half yearly, yearly

Non-current interest-bearing liabilities as of 31 December 2018, under IAS 17 and IFRS 16, 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							
Under IAS 17							
EUR	4	4	Amortized cost	2022	Quarterly	3.75%	3.75%
Under IFRS16							
EUR	216	226	Amortized cost	May-23 (c)	Different patterns (d)	1.29%	1.29%
Credit institutions							
Fixed rate borrowings							
EUR	400	400	Amortized cost	Mar-28	Annually	1.23%	1.04%
EUR	3	3	Amortized cost	Oct-23	Monthly	0.60%	0.60%
Derivatives							
Derivatives held-for-trading	4		Fair value				
Total - under IAS 17	2,263	2,268					
Total - under IFRs 16	2,475	2,491					

(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
(c) : average duration
(d) : monthly, quarterly, half yearly, yearly

Note 19.2 Current interest-bearing liabilities

(EUR million)	As of 31 December 2018 IAS 17	As of 1 January 2019 IFRS 16	As of 31 December 2019 IFRS 16
Current portion of amounts payable > 1 year			
Leasing and similar obligations	2	64	64
Credit institutions	1	1	1
Other financial debts			
Other loans	232	232	156
Total	234	297	220

The tables below detail the current portion of the unsubordinated debentures maturing within one year.

Current interest-bearing liabilities as of 31 December 2019 under IFRS 16 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							
Under IFRS16							
EUR	64	64	Amortized cost		Different patterns (a)	1.29%	1.29%
Credit institutions							
Fixed rate borrowings							
EUR	1	1	Amortized cost		Monthly	0.60%	0.60%
Total - under IFRS 16	64	65					

(a) : monthly, quarterly, half yearly, yearly

Current interest-bearing liabilities as of 31 December 2018, under IAS 17 and IFRS 16, 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							
Under IAS 17							
EUR	2	2	Amortized cost	2021	Quarterly	3.75%	3.75%
Under IFRS16							
EUR	64	65	Amortized cost		Different patterns (a)	1.29%	1.29%
Credit institutions							
Fixed rate borrowings							
EUR	1	1	Amortized cost		Monthly	0.60%	0.60%
Total - under IAS 17	3	3					
Total - under IFRS 16	65	66					

(a) : monthly, quarterly, half yearly, yearly

Note 19.3 Information about the Group financing activities related to interest bearing liabilities

(EUR million)	As of 31 December 2018 IAS 17	As of 1 January 2019 IFRS 16	Cash Flows	Non-cash changes	As of 31 December 2019
Long-term					
Unsubordinated debentures	1,852	1,852	100	2	1,953
Credit institutions	403	403	-1	0	402
Derivatives held for trading	4	4	0	0	5
Current portion of amounts payable > one year					
Credit institutions held to maturity	1	1	0	0	1
Other loans	232	232	-76	0	156
Total liabilities from financing activities excluding lease liabilities	2,492	2,492	23	2	2,517
Lease liabilities current and non current	5	280	-78	104	307
Total liabilities from financing activities including lease liabilities	2,497	2,772	-55	106	2,824

Note 20. Provisions

(EUR million)	Workers' accidents	Litigation	Illness days	Other risks	Total
As of 1 January 2018	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
Additions	0	2	0	22	24
Utilisations	-2	-1	0	-7	-10
Withdrawals	0	-5	-10	-7	-22
Unwinding	0	0	0	2	3
As of 31 December 2019	29	19	17	73	137

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. Considering 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 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 2019 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 2020-2049. The provision for restoration costs is estimated at current prices and discounted using a discount rate of 0.9% based on the expected timing to settle the obligation.

Note 21. Other non-current payables

	As of 31 December	
(EUR million)	2018	2019
Other non-current payables -trade	126	114
Other non-current payables- non trade	6	12
Total	132	127

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).

Note 22. Other current payables and contract liabilities

	As of 31 December	
(EUR million)	2018	2019
VAT payables	8	9
Payables to employees	99	115
Accrual for holiday pay	86	86
Accrual for social security contributions	49	51
Advances received on contracts	9	18
Other taxes	93	103
Deferred income	54	43
Accrued expenses	26	26
Other debts	100	40
Subtotal Other current payables	526	490
Contract Liability	109	116
Total	635	606

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.

Note 23. 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)	2018	2019
Revenue recognized at one point in time	612	544
Revenue recognized over time	5,152	5,094
Total	5,764	5,638

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)	2020	2021	> 2021
Transaction price allocated to performance obligations that are unsatisfied at reporting date	193	54	14

Note 24. Other operating income

	Year ended 31 December	
(EUR million)	2018	2019
Gain on disposal of intangible assets and property, plant and equipment	22	8
Gain on disposal of financial fixed assets	0	5
Miscellaneous reinvoicing and recovery of expenditures	39	41
Other income	4	5
Total	65	59

The Group realized a gain on disposal of buildings of EUR 7 million in 2019 and EUR 22 million in 2018. The cash received from disposals amounts to EUR 13 million in 2019 and EUR 37 million in 2018.

"Miscellaneous reinvoicing and recovery of expenditures" includes compensation for network damages (EUR 10 million in 2019 and EUR 9 million in 2018) as well as employee and third-party contributions for sundry services.

Note 25. Costs of materials and services related to revenue

	Year ended 31 December	
(EUR million)	2018	2019
Purchases of materials	477	443
Purchases of services	1,649	1,574
Total	2,126	2,018

Purchases of materials are shown net of work performed by the enterprise that is capitalized for an amount of EUR 54 million in 2019 and of EUR 53 million in 2018.

Note 26. Workforce expenses

	Year ended 31 December	
(EUR million)	2018	2019
Salaries and wages	705	705
Social security expenses	176	177
Pension costs	44	19
Post-employment benefits other than pensions and termination benefits	49	306
Other workforce expenses	272	269
Total	1,245	1,477

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 133 million in 2019 and EUR 131 million in 2018.

Post-employment benefits other than pensions and termination benefits include amongst others the impact of the transformation plan launched in the context of the #shifttodigital strategy in 2019 and in particular the cost for termination benefits (EUR 288 million) reduced by the resulting impacts (gain) on other post-employment benefit (EUR 6 million) and sickness days provision (EUR 6 million).

It includes also 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 (2018 EUR 36 million and 2019 EUR 14 million). For employees who had opted for the plan but were still active, the cost is spread over their respective activity period, as from the second quarter of 2016. As of end of December 2019 none of the related employees was still active.

The pension cost of 2019 includes a negative past service cost for pension (gain) as a consequence of the transformation plan of EUR 29 million.

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).

Note 27. Non-Workforce expenses

	Year ended 31 December	
(EUR million)	2018 IAS 17	2019 IFRS 16
Rent expense	80	n.a.
Service and capacity contracts and non lease components of renting contracts	42	48
Maintenance and utilities	166	163
Advertising and public relations	84	81
Adminstration, training, studies and fees	141	112
Telecommunications, postage costs and office equipment	38	32
Loss allowance	28	28
Taxes other than income taxes	48	28
Other Non-Workforce expenses	37	35
Total	663	527

Rent expense

With the implementation of IFRS 16 as from 1st January 2019 the expenses relating to the use of the leased assets previously presented in operating expenses (until 2018) are now capitalized as Right of Use assets and depreciated.

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 led the Group to reassess the liabilities related to Taxes on Pylons in 2018. This resulted in a material increase of provisions in 2018. In 2019, there are no material changes in the jurisprudence which should lead to a review of the applied methodology with respect to the accruals. The

position as recognised in the Financial Statements reflects management's best estimate of the probable final outcome.

Note 28. Depreciation and amortization

(EUR million)	Year ended 31 December	
	2018 IAS 17	2019 IFRS 16
Amortization of licenses and other intangible assets	431	449
Depreciation of property, plant and equipment	585	589
Depreciation of right of use	n.a.	82
Total	1,016	1,120

Note 29. Net finance cost

(EUR million)	Year ended 31 December	
	2018	2019
Finance income		
Interest income on financial instruments		
At amortized costs	6	5
Fair value adjustments of financial instruments		
Not in a hedge relationship - FVTPL	1	10
Other finance income	2	1
Finance costs		
Interests and debt charges on financial instruments at amortized costs		
Unsubordinated debentures	-40	-40
Lease interests	N/A	-2
Long term payables	-2	-2
Discounting charges		
On provisions	-2	-2
On pensions and other post-employment benefits	-7	-8
Impairment losses		
On associates	0	-2
Fair value adjustments of financial instruments		
Not in a hedge relationship - FVTPL	-3	0
Other finance costs	-10	-5
Total	-56	-47

Note 30. 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.

	Year ended 31 December	
	2018	2019
Net income attributable to ordinary shareholders (EUR million)	508	373
Adjusted net income for calculating diluted earnings per share (EUR million)	508	373
Weighted average number of outstanding ordinary shares	322,649,917	322,918,006
Adjustment for share options	85,462	36,696
Weighted average number of outstanding ordinary shares for diluted earnings per share	322,735,379	322,954,702
Basic earnings per share (EUR)	1.58	1.16
Diluted earnings per share (EUR)	1.58	1.16

In 2019 and 2018, all stock options granted were dilutive and hence included in the calculation of diluted earnings per shares.

Note 31. Dividends paid and proposed

	2018	2019
Dividends on ordinary shares:		
Proposed dividends (EUR million)	484	485
Number of outstanding shares with dividend rights	322,703,817	322,982,509
Dividend per share (EUR)	1.5	1.5
Interim dividend paid to the shareholders (EUR million)	161	162
Interim dividend per share (EUR)	0.50	0.50

The proposed dividends for 2018 have been effectively paid in April 2019. The interim dividends for 2019 have been paid in December 2019.

An amount of EUR 2 million was paid in 2019 in relation with the stock options exercised in 2019. That amount was less than EUR 1 million in 2018. This amount corresponds to the accumulated dividends attached to the exercised stock options since their granting.

Note 32. Additional disclosures on financial instruments

Note 32.1. 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	2018	2019
Non-current assets			
Derivatives held for trading	12	5	5
Total assets		5	5
Non-current liabilities			
Interest-bearing			
Derivatives held for trading	19	4	5
Total liabilities		4	5

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 2019	Fair value	
(EUR million)	Asset	Liability
Interest rate and currency swaps	5	
Interests and currency related - other derivatives		-5
Derivatives not qualifying for hedge accounting	5	-5
Total	5	-5

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

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 32.2 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 2019

(EUR million)	Note	Transfer to profit or loss for the period
Amortization of cumulated remeasurements of settled interest rate swap	OCI	1.58
Changes in other comprehensive income in relation with cash flow hedges		1.58

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 2019 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 31 Dec 2018 and which are amortized progressively.

	As of 31 December 2019								
	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	2,350	1.75%	5				2,350	1.75%	5
Variable				11	-0.52%	7	11	-0.52%	7
JPY									
Fixed	11	5.04%	7	-11	-5.04%	7			
Variable									
Total	2,361	1.77%	5	0			2,361	1.73%	5

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

	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.

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 2019 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 2019 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 14.3) 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 32.1). 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 32.1, 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 2019, it had granted bank guarantees for an amount of EUR 44 million and EUR 54 million at 31 December 2018.

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 19 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 2019 and 2018, respectively).

(EUR million)	2019	2020	2021	2022	2023	2024-2048
As of 31 December 2018 under IAS 17						
Capital	1	1	1	501	101	1,661
Interests	39	39	39	39	36	83
Total	40	39	39	539	137	1,744
As of 1 January 2019 under IFRS 16						
Capital	60	49	39	529	121	1,747
Interests	41	40	40	40	37	87
Total	101	89	79	569	158	1,834
As of 31 December 2019 under IFRS 16						
Capital		70	55	543	132	1,872
Interests		43	42	42	39	102
Total		112	97	585	171	1,974

Bank credit facilities at 31 December 2019

In addition to the interest-bearing liabilities disclosed in notes 19.1 and 19.2, the Group is backed by committed credit facilities of EUR 700 million. These facilities are provided by a diversified group of Belgian and international banks. As at 31 December 2019, 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 2019.

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 2019, there was an outstanding balance under the EMTN Program of EUR 1,950 million, whereas the CP Program showed a drawn and outstanding amount of EUR 156 million.

Note 32.3 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 and lease liabilities. The net financial position does not include non-current trade payables.

Adjusted Net Financial Position refers to the total interest-bearing debt (short term + long term) minus cash and cash equivalents, excluding lease liabilities.

(EUR million)	Note	As of 31 December 2018 IAS 17	As per 1 January 2019 IFRS 16	As of 31 December 2019
Investments, Cash and cash equivalents	16 / 17	344	344	327
Derivatives	12	5	5	5
Assets		349	349	332
Non-current liabilities (*)	19.1	-2,263	-2,475	-2,603
Current liabilities (*)	19.2	-234	-297	-220
Liabilities		-2,497	-2,772	-2,824
Net financial position (*)		-2,148	-2,423	-2,492
Of which Leasing liabilities		-5	-280	-307
Adjusted financial position (**)		-2,143	-2,143	-2,185

(*) Including derivatives and leasing liabilities

(**) The adjusted financial position excludes leasing liabilities

Non-current interest-bearing liabilities include non-current derivatives at net fair value amounting to EUR 1 million in 2019 and 2018 (see note 19.1).

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 32.4 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 2019, the fair value of the unsubordinated debentures, which are accounted for at amortized cost exceeds by EUR 160 million, or 6.8%, 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 2019 for similar debentures with the same remaining maturities.

The tables below show the measurement categories under IFRS 9, for each class of assets and financial liabilities, for 2019 and 2018:

As of 31 December 2019 (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	32	FVTPL	5	5
Other financial assets		Amortized cost	10	10
Current assets				
Trade receivables	14	Amortized cost	985	985
Interests bearing				
Other receivables		Amortized cost	7	7
Non-interests bearing				
Other receivables		Amortized cost	3	3
Investments	16	Amortized cost	3	3
Cash and cash equivalents				
Short-term deposits	17	Amortized cost	13	13
Cash at bank and in hand	17	Amortized cost	310	310
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	19	Amortized cost	1,953	2,094
Credit institutions	19	Amortized cost	402	417
Other derivatives	32	FVTPL	5	5
Non interest-bearing liabilities				
Other non-current payables	21	Amortized cost	127	127
Current liabilities				
Interest-bearing liabilities, current portion				
Credit institutions		Amortized cost	1	1
Interest-bearing liabilities				
Other loans	19	Amortized cost	156	156
Trade payables		Amortized cost	1,284	1,284
Other current payables				
Other debt		FVTPL	6	6
Other amounts payable		Amortized cost	286	286

(1) 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

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

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	32	FVTPL	5	5
Other financial assets		Amortized cost	11	11
Current assets				
Trade receivables	14	Amortized cost	1,042	1,042
Interests bearing				
Other receivables		Amortized cost	5	5
Non-interests bearing				
Other receivables		Amortized cost	24	24
Investments	16	Amortized cost	4	4
Cash and cash equivalents				
Short-term deposits	17	Amortized cost	40	40
Cash at bank and in hand	17	Amortized cost	300	300
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	19	Amortized cost	1,852	1,959
Credit institutions	19	Amortized cost	403	403
Other derivatives	32	FVTPL	4	4
Non interest-bearing liabilities				
Other non-current payables	21	Amortized cost	132	132
Current liabilities				
Interest-bearing liabilities, current portion				
Credit institutions		Amortized cost	1	1
Interest-bearing liabilities				
Other loans	19	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

Note 32.5 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.

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 and interest rate and currency swaps (IRCS) the Group entered 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 2019 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 2019		Classification under IFRS 9 (1)	Balance at 31 December 2019	Fair values measurement at end of the reporting period using :		
(EUR million)	Note			Level 1	Level 2	Level 3
ASSETS						
Non-current assets						
Other non-current assets						
Other derivatives	32.1	FVTPL	5		5	
LIABILITIES						
Non-current liabilities						
Interest-bearing liabilities						
Unsubordinated debentures except for their "non-closely related" embedded derivatives	19	Amortized cost	1,953		2,094	
Credit institutions	19	Amortized cost	402		417	
Other derivatives	32.1	FVTPL	5		5	
Current liabilities						
Interest-bearing liabilities						
Credit institutions	19	Amortized cost	1		1	
Non interest-bearing liabilities						
Other debt		FVTPL	6			6

(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 2018		Classification under IFRS 9 (1)	Balance at 31 December 2018	Fair values measurement at end of the reporting period using :		
(EUR million)	Note			Level 1	Level 2	Level 3
ASSETS						
Non-current assets						
Other non-current assets						
Other derivatives	32.1	FVTPL	5		5	
LIABILITIES						
Non-current liabilities						
Interest-bearing liabilities						
Unsubordinated debentures except for their "non-closely related" embedded derivatives	19	Amortized cost	1,852		1,959	
Credit institutions	19	Amortized cost	403		403	
Non interest-bearing liabilities						
Other derivatives	32.1	FVTPL	4		4	
Current liabilities						
Interest-bearing liabilities						
Credit institutions	19	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

Note 33. Related party disclosures

Note 33.1. Consolidated companies

Subsidiaries, joint-ventures and associates are listed in note 8.

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 follows:

Proximus SA transactions with its subsidiairies	Year ended 31 December	
(EUR million)	2018	2019
Revenues	163	174
Costs of materials and services related to revenue	-138	-146
Net finance costs	-152	1
Dividends received	491	92
Gain on contribution of financial fixed assets	0	437

Outstanding balances of Proximus SA with subsidiaries	As of 31 December	
(EUR million)	2018	2019
Trade receivables	30	32
Trade payables	-39	-42
Interest-bearing receivables/liabilities	-8,665	-1,022
Other receivables and liabilities	0	-1

The decrease of the balance of the net interest-bearing receivables/liabilities is the consequence of the merger between Proximus SA and Proximus Group Services (PGS).

Note 33.2. 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 4.45%. The remaining 42.04% 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 33.3. 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 2019 and no substantial change of the policy is expected: 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 is 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 gross EUR 1,000,499 for 2018 and to gross EUR 1,243,509 for 2019. 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:

	2018	2019
Board of Directors	7	10
Audit and Compliance Committee	5	5
Nomination and Remuneration Committee	4	9
Transformation & Innovation Committee	2	2

In its meeting of 24 February 2011, the Board adopted a "related party transactions policy" which was updated in September 2016, 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 2019, a total gross amount (long-term performance based payments) of EUR 6,252,939 (before employer social security costs) was paid or granted in aggregate to the members of the Executive Committee, Chief Executive Officer included. In 2019, the members of the Executive Committee were Dominique Leroy, Guillaume Boutin, Sandrine Dufour, Jan Van Acoleyen, Dirk Lybaert, Geert Standaert, Renaud Tilmans and Bart Van Den Meersche.

For the year ended 31 December 2018, a total gross amount (long-term share-based payments) 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.

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;
- Performance Value based payments (long-term): gross amounts granted under the Performance Value Plan, which creates possible exercising rights as from 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, or creates pay-out rights in May 2022 (granted in 2019) depending on the achievement of 3 company driven performance criteria which consist of the Group free cash flow, the reputation index and the company's Total Shareholder Return compared to a predefined group of other European telecom operators.

	Year ended 31 December	
EUR (*)	2018	2019
Short-term employee benefits	4,462,406	4,511,137
Post-employment benefits	674,322	686,802
Performance based payments	1,025,000	1,055,000
Total	6,161,728	6,252,939

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

Note 33.4. 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 34. Rights, commitments and contingent liabilities

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, li-ability, 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.

Mobile On-net cases related

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 66.3 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.

Gial case

On 19 June 2019, Proximus was indicted by a Brussels investigating judge following a complaint on the grounds of corruption and offences relating to industry, commerce and public auctions in the so-called "GIAL" case. Proximus formally contests having committed any offence in this case. Due to the secrecy of the investigation, the details of this case cannot be set out in this report.

Nevertheless, Proximus would like to mention the existence of this case to ensure transparency.

For information purposes: if, contrary to its analysis of its role in this case, Proximus were to be found guilty of the acts which it is accused of and in view of the indictment by the investigating judge, the maximum fine that could be imposed to Proximus in the context of this case would be EUR 800,000. At the present time and on the basis of the information available to Proximus in connection with this case, Proximus has not set aside any amount for the payment of any fine.

Finally, insofar as necessary, Proximus recalls that the indictment does not in any way imply that there are any charges or evidence of guilt against it and insists that it is presumed innocent and has solid elements for a favorable outcome to this case.

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 2011. BICS filed appeals against the assessments for the period 1 April 2007 to 31 March 2010 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. BICS will file an appeal against the assessment for the period 1 April 2010 to 31 March 2011 on procedural grounds. The amount of the contingent liability including late payment interest should not exceed EUR 25 million. 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.

Mobile access sharing agreement

On 22nd November 2019, Orange Belgium and Proximus concluded a mobile radio access network (RAN) sharing agreement. Telenet, which contests the agreement, lodged a complaint with the Belgian Competition Authority and made a request for preliminary measures. On 8th January 2020, the Belgian Competition Authority, whilst acknowledging the benefits of the agreement, decided to suspend the agreement during 2 months, giving Orange Belgium and Proximus the time to have discussions with the telecommunications regulator. In the meantime, several preparatory actions can still be taken. Passed this time, unless the

prosecutors of the Belgian Competition Authority would take a new initiative, the suspension takes an end. A decision on the merits, if any, may take several years.

Capital expenditure commitments

At 31 December 2019, the Group had contracted commitments of EUR 200 million, mainly for the acquisition of intangible assets and technical and network equipment.

Other rights and commitments

At 31 December 2019, 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 15 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 126 million (including the bank guarantees mentioned in note 32.2) 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 of the universal service, the BIPT states the following: '(Proximus 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.

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. The transposition of the European Electronic Communication Code into Belgian law might possibly bring changes to the definition of the social tariffs.

Note 35. Share-based Payment

Discounted Share Purchase Plans

In 2018 and 2019, the Group launched Discounted Share Purchase Plans.

Under the 2018 and 2019 plans, Proximus sold respectively 14,431 and 3,033 shares to the senior management of the Group at a discount of 16.66% compared to the market price (discounted price for EUR between EUR 19.18 and EUR 23.12 per share in 2018 and for EUR 20.64 and 21.35 in 2019). The cost of the discount is below EUR one million in 2019 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 2017 and 2018 amounted respectively to EUR 4 million for each tranche as of 31 December 2019. The annual charge of these tranches amounted to EUR 4 million. The calculation of simulated total shareholder return for those tranches 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 2019.

	As of 31 December	
	2018	2019
Weighted average risk free of return	0.070%	-0.296%
Expected volatility - company	19.88% - 20.04%	18.76%-19.02%
Expected volatility - peer companies	15.21% - 37.03%	14.37%-28.70%
Weighted average remaining measurement period	2.45	2.25

In 2019, Proximus launched a tranche of the changed "Performance Value Plan" for its senior management. Under this changed 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 is dependent on an extended number of KPI's which are the composed of the Proximus' Total Shareholder Return compared to a group of peer companies (40%), the group Free Cash Flow (40%) and the Reputation Index (20%). The final KPI is the average of the intermediary calculations of the 3 calendar years.

The fair value and the annual charge of the tranche 2019 amounted to EUR 2 million as of 31 December 2019 based on actual calculation.

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 0.1 million in 2019 and 2018.

All tranches granted from 2004 to 2012, except for 2008, are closed.

The dividend liability amounted to EUR 0.5 million on 31 December 2019 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)			
	2007	2008	2012	Total
Outstanding at 31 December 2018	19,481	39,681	79,853	139,015
Exercisable at 31 December 2018	19,481	39,681	79,853	139,015
Movements during the year 2018				
Forfeited	-5,207	0	0	-5,207
Exercised	-14,274	-15,624	-79,853	-109,751
Total	-19,481	-15,624	-79,853	-114,958
Outstanding at 31 December 2019	0	24,057	0	24,057
Exercisable at 31 December 2019	0	24,057	0	24,057
Exercise price	33	29	22	

(1) plans of 2004,2005,2006,2007, 2009,2010, 2011 and 2012 are expired

The volatility used for the remeasurement of the liability component has been estimated to 27%.

Note 36. Relationship with the auditors

The Group expensed for the Group's auditors during the year 2019 for an amount of EUR 1,566,002 for audit mandate and control missions and EUR 286,726 other missions.

This last amount is detailed as follows:

EUR	Auditor	Network of auditor
Audit mandate	1,041,335	457,046
Other Control Missions	56,358	11,264
Other missions	39,900	246,826
Total	1,137,593	715,136

Note 37. 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 2019									
	Group Proximus				underlying by segment					
(EUR million)	Reported	Lease depreciation	Incidental	Underlying	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	5,638	0	0	5,638	1,297	4,341	2,820	1,413	181	-73
Other revenues	59	0	-11	48	4	44	25	6	0	13
TOTAL INCOME	5,697	0	-11	5,686	1,301	4,386	2,845	1,419	182	-60
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-2,018	-5	9	-2,014	-976	-1,038	-636	-447	-36	80
Direct margin	3,680	-5	-2	3,673	325	3,348	2,209	973	146	20
Workforce expenses	-1,477	0	278	-1,199	-100	-1,099				
Non workforce expenses	-527	-79	3	-603	-72	-531				
TOTAL OPERATING EXPENSES	-2,004	-79	280	-1,802	-172	-1,630				
OPERATING INCOME before depreciation & amortization	1,676	-84	278	1,870	153	1,718				
Depreciation and amortization	-1,120									
OPERATING INCOME	556									
Net finance costs	-47									
Share of loss on associates	-1									
INCOME BEFORE TAXES	508									
Tax expense	-116									
NET INCOME	392									
Attribuate to:										
Equity holders of the parent (Group share)	373									
Non-controlling interests	19									

	Year ended 31 December 2019					
(EUR million)	Group	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services
Capital expenditure	1,035	170	45	750	31	39

(EUR million)	Year ended 31 December 2018 Group Proximus Reported	Incidental	Underlying	underlying by segment BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	5,764	0	5,764	1,346	4,417	2,880	1,408	201	-71
Other revenues	65	-21	43	0	43	23	5	1	15
TOTAL INCOME	5,829	-21	5,807	1,347	4,460	2,903	1,413	201	-57
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	-2,126	0	-2,126	-1,030	-1,096	-684	-454	-36	77
Direct margin	3,703	-21	3,681	317	3,364	2,219	959	165	21
Workforce expenses	-1,245	46	-1,199	-91	-1,108				
Non workforce expenses	-663	45	-618	-73	-545				
TOTAL OPERATING EXPENSES	-1,908	92	-1,817	-164	-1,653				
OPERATING INCOME before depreciation & amortization	1,794	70	1,865	154	1,711				
Depreciation and amortization	-1,016								
OPERATING INCOME	778								
Net finance costs	-56								
Share of loss on associates	-1								
INCOME BEFORE TAXES	721								
Tax expense	-191								
NET INCOME	530								
Attribuate to:									
Equity holders of the parent (Group share)	508								
Non-controlling interests	22								

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

In respect of geographical areas, the Group realized EUR 4,020 million net revenue in Belgium in 2018 (IFRS 15 basis) and EUR 3,900 million in 2019 based on the country of the customer. The net revenue realized in other countries amounted to EUR 1,744 million in 2018 and EUR 1,738million in 2019. More than 90% of the segment assets are located in Belgium.

Note 38. Recent IFRS pronouncements

The Group does not early adopt the standards or interpretations that are not yet effective at 31 December 2019.

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 2020 or later:

Newly issued standards and Interpretations

Effective 1/1/2020 or later

- IFRS 14 Regulatory Deferral Accounts
- IFRS 17 Insurance Contracts
- Amendments to references to the Conceptual Framework in IFRS standards
- Amendments to IFRS 3 Definition of a business
- 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 IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

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 2020.

The Group does not anticipate material impacts from the initial application of those IFRS

Note 39. Post balance sheet events

There are no significant post balance sheet events.