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

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 de Roi Albert II .... Nr: 27 .... Box: ....

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

Country: Belgium ....

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

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

Company number: BE 0202.239.951

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

Submitted for the General Meeting of: 18/04/2018

Concerning the financial year covering the period of: 01/01/2017 au 31/12/2017

Preceding period from: 01/01/2016 au 31/12/2016

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

Are enclosed with these consolidated accounts

- the consolidated directors' report
- the audit report on the consolidated accounts

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

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

....

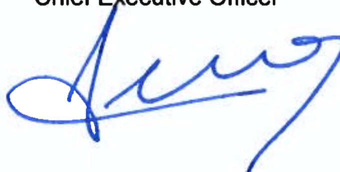
....

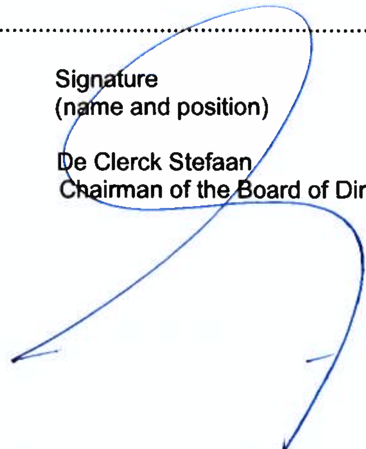
Company number of the Belgian subsidiary which files the annual accounts :

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

....

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





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

Nr		CONSO 1bis

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

LIST OF DIRECTORS, MANAGERS AND AUDITORS

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

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

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

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

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

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

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

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

LEVAUX Laurent, Director of companies
Avenue du Maréchal 23, 1180 Uccle, BELGIUM
Director

RANDERY Tanuja, Operating Executive Apax Partners LLP
19A Lexham Mews, London W8 6JW, UNITED KINGDOM
Director

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

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

Nr		CONSO 1ter

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

LIST OF DIRECTORS, MANAGERS AND AUDITORS

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

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

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

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

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

Represented by :
DENAYER Michel
HOUTHAEVE Nico

Consolidated Financial Statements

Prepared under International Financial Reporting Standards for each of the two years ended 31 December 2017 and 2016

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Consolidated Balance Sheet

(EUR million) ASSETS	Note	(EUR million) 2016	2017
NON-CURRENT ASSETS		**6,372**	**6,735**
Goodwill	3	2,279	2,431
Intangible assets with finite useful life	4	1,099	1,233
Property, plant and equipment	5	2,910	2,976
Investments in associates and joint ventures	6	3	3
Other participating interests	7	10	8
Deferred income tax assets	8	34	27
Other non-current assets	10	37	56
CURRENT ASSETS		**1,745**	**1,793**
Inventories	11	125	123
Trade receivables	12	1,149	1,11
Current tax assets	8	46	83
Other current assets	13	122	137
Investments	14	6	5
Cash and cash equivalents	15	297	333
TOTAL ASSETS		**8,117**	**8,527**

LIABILITIES AND EQUITY	Note	2016	2017
EQUITY	**17**	**2,981**	**3,013**
Shareholders' equity	**17**	**2,819**	**2,857**
Issued capital		1,000	1,000
Treasury shares		-430	-431
Restricted reserve		100	100
Remeasurement reserve		-125	-123
Stock compensation		5	4
Retained earnings		2,270	2,310
Foreign currency translation		0	-4
Non-Controlling interests	**17**	**162**	**156**
NON-CURRENT LIABILITIES		**2,697**	**2,789**
Interest-bearing liabilities	18	1,763	1,860
Liability for pensions, other post-employment benefits and termination benefits (1)	9	544	515
Provisions	19	144	140
Deferred income tax liabilities	8	84	72
Other non-current payables	20	162	202
CURRENT LIABILITIES		**2,439**	**2,725**
Interest-bearing liabilities	18	407	570
Trade payables		1,388	1,415
Tax payables	8	65	112
Other current payables (1)	21	579	628
TOTAL LIABILITIES AND EQUITY		**8,117**	**8,527**

(1) As of 1st January 2017 the current part of the 'liability for pensions, other post-employment benefits and termination benefits' is included in 'other current payables'.

Consolidated income statement

(EUR million)	Note	Year ended 31 December 2016 restated (1)	2017
Net revenue	22	5,829	5,739
Other operating income	23	44	63
Total income		**5,873**	**5,802**
Costs of materials and services related to revenue	25	-2,242	-2,166
Workforce expenses	26	-1,254	-1,218
Non-workforce expenses	27	-644	-646
Total operating expenses before depreciation and amortization		**-4,141**	**-4,030**
Operating income before depreciation and amortization		**1,733**	**1,772**
Depreciation and amortization	29	-917	-963
Operating income		**816**	**809**
Finance income		3	6
Finance costs		-104	-76
Net finance costs	30	-101	-70
Share of loss on associates and joint ventures		-1	-2
Income before taxes		**715**	**738**
Tax expense	8	-167	-185
Net income		**548**	**552**
Non-controlling interests	17	25	30
Net income (group share)		523	522
Basic earnings per share (in EUR)	31	1.62	1.62
Diluted earnings per share (in EUR)	31	1.62	1.62
Weighted average nb of outstanding ordinary shares	31	322,317,201	322,777,440
Weighted average nb of outstanding ordinary shares for diluted earnings per share	31	322,610,116	322,954,411

(1) To improve the relevance of the reported figures, the Group review the presentation of the income statement by removing the section ‘non recurring’ and classifying the related items according to their nature.

Consolidated statement of other comprehensive income

(EUR million)	Note	Year ended 31 December 2016	2017
Net income		**548**	**552**
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Exchange differences from translation of foreign operations		0	-6
Cash flow hedges			
Change in fair value		-2	-7
Transfer to profit or loss for the period		1	0
Transfer related to the TeleSign combination	6.5	0	12
Total before related tax effects		**-1**	**-1**
Related tax effects			
Cash flow hedges:			
Gain/(loss) taken to equity		1	-2
Income tax relating to items that may be reclassified		**0**	**-2**
Items that may be reclassified to profit and loss - net of related tax effects		**0**	**-3**
Items that will not be reclassified to profit and loss			
Remeasurement of defined benefit obligations	9	-8	13
Total before related tax effects		**-8**	**13**
Related tax effects			
Remeasurement of defined benefit obligations	9	-5	-4
Adjustment resulting from change in Belgian tax rate	8	0	-10
Income tax relating to items that will not be reclassified		**-5**	**-14**
Items that will not be reclassified to profit and loss - net of related tax effects		**-13**	**-1**
Total comprehensive income		**535**	**549**
Attributable to:			
Equity holders of the parent		510	521
Non-controlling interests		25	28

Consolidated statement of cash flows

(EUR million)	Note	Year ended 31 December 2016	2017
Cash flow from operating activities			
Net income		548	552
Adjustments for:			
Depreciation and amortization on intangible assets and property, plant and equipment	4/5	917	963
Increase of impairment on goodwill, intangible assets and property, plant and equipment	3/4/5	0	2
Increase / (decrease) of provisions	19	-14	-4
Deferred tax expense	8	38	-47
Increase of impairment on participating interests		0	2
Loss from investments accounted for using the equity method	6	1	2
Fair value adjustments on financial instruments	30	0	3
Loans amortization	30	6	2
Gain on disposal of consolidated companies	6	0	-1
Gain on disposal of other participating interests and enterprises accounted for using the equity method	30	0	0
Gain on disposal of fixed assets		-3	-22
Other non-cash movements		1	0
Operating cash flow before working capital changes		**1,493**	**1,452**
Decrease / (increase) in inventories		-17	2
Decrease / (increase) in trade receivables		-2	52
Increase in current income tax assets		-31	-41
Decrease / (increase) in other current assets		2	-7
Increase / (decrease) in trade payables		28	-58
Increase / (decrease) in income tax payables		-16	47
Increase / (decrease) in other current payables		-24	-3
Increase in net liability for pensions, other post-employment benefits and termination benefits	9	73	37
Increase / (decrease) in other non-current payables and provisions		15	-10
Increase in working capital, net of acquisitions and disposals of subsidiaries		**28**	**18**
Net cash flow provided by operating activities		**1,521**	**1,470**
Cash flow from investing activities			
Cash paid for acquisitions of intangible assets and property, plant and equipment	4/5	-962	-989
Cash paid for acquisitions of other participating interests and joint ventures		-2	-2
Cash paid for acquisition of consolidated companies, net of cash acquired	6.5	-6	-221
Cash received from sales of intangible assets and property, plant and equipment		5	36
Cash received from sales of other participating interests and enterprises accounted for using the equity method		3	-1
Net cash used in investing activities		**-962**	**-1,177**
Cash flow before financing activities		**559**	**292**

Cash flow from financing activities			
Dividends paid to shareholders	32	-485	-488
Dividends paid to non-controlling interests	17	-26	-32
Net sale of treasury shares		18	0
Net sale of investments		2	1
Variation in equity		0	-1
Cash received from cash flow hedge instrument related to long term debt		0	4
Issuance of long term debt	18.3	1	502
Repayment of long term debt (2)	18.3	-677	-1
Issuance of short term debt	18.3	404	-242
Net cash used in financing activities (1)		**-764**	**-256**
Net decrease of cash and cash equivalents		**-205**	**36**
Cash and cash equivalents at 1 January		502	297
Cash and cash equivalents at 31 December	15	297	333
Net cash flow from operating activities includes the following cash movements :			
Interest paid		-79	-49
Interest received		3	1
Income taxes paid		-177	-227

(1) Gains and losses from debt restructuring are part of the Cash used in financing activities.

(2) The repayment of long term debt is the net of cash paid for the debt and related derivatives

Consolidated statement of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	AFS & hedge reserve	Other remeasure-ment reserve	Foreign currency translation	Stock Compen-sation	Retained Earnings	Share'rs' Equity	Non-controlling interests	Total Equity
Balance at 1 January 2016	**1,000**	**-448**	**100**	**1**	**-114**	**0**	**5**	**2,255**	**2,801**	**164**	**2,965**
Remeasurement defined benefit obligations	0	0	0	0	-13	0	0	0	-13	0	-13
Equity changes not recognised in the income statement	0	0	0	0	-13	0	0	0	-13	0	-13
Net income	0	0	0	0	0	0	0	523	523	25	548
Total comprehensive income and expense	**0**	**0**	**0**	**0**	**-13**	**0**	**0**	**523**	**510**	**25**	**535**
Dividends to shareholders (relating to 2015)	0	0	0	0	0	0	0	-322	-322	0	-322
Interim dividends to shareholders (relating to 2016)	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	-26	-26
Business combination (1)	0	0	0	0	0	0	0	-25	-25	-1	-26
Treasury shares											
Exercise of stock options	0	6	0	0	0	0	0	-1	5	0	5
Sale of treasury shares	0	12	0	0	0	0	0	1	13	0	13
Stock options											
Exercise of stock options	0	0	0	0	0	0	-1	1	0	0	0
Total transactions with equity holders	**0**	**18**	**0**	**0**	**0**	**0**	**-1**	**-508**	**-491**	**-27**	**-519**
Balance at 31 December 2016	**1,000**	**-430**	**100**	**2**	**-127**	**0**	**5**	**2,270**	**2,819**	**162**	**2,981**
Fair value changes in cash flow hedges	0	0	0	3	0	0	0	0	3	0	4
Exchange difference from translation of foreign operations	0	0	0	0	0	-4	0	0	-4	-3	-6
Adjustment resulting from change in Belgian tax rate	0	0	0	0	-10	0	0	0	-10	0	-10
Remeasurement defined benefit obligations	0	0	0	0	9	0	0	0	9	0	9
Equity changes not recognised in the income statement	0	0	0	4	-1	-4	0	0	-1	-2	-4
Net income	0	0	0	0	0	0	0	522	522	30	552
Total comprehensive income and expense	**0**	**0**	**0**	**4**	**-1**	**-4**	**0**	**522**	**521**	**28**	**549**
Dividends to shareholders (relating to 2016)	0	0	0	0	0	0	0	-323	-323	0	-323
Interim dividends to shareholders (relating to 2017)	0	0	0	0	0	0	0	-161	-161	0	-161
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-32	-32
Business combination (1)	0	0	0	0	0	0	0	2	2	-2	0
Treasury shares											
Exercise of stock options	0	0	0	0	0	0	0	-1	-1	0	-1
Purchase of treasury shares	0	-9	0	0	0	0	0	0	-9	0	-9
Stock options											
Exercise of stock options	0	9	0	0	0	0	-1	1	9	0	9
Total transactions with equity holders	**0**	**0**	**0**	**0**	**0**	**0**	**-1**	**-482**	**-483**	**-34**	**-517**
Balance at 31 December 2017	**1,000**	**-431**	**100**	**5**	**-128**	**-4**	**4**	**2,310**	**2,857**	**156**	**3,013**

(1) see note 6.5

Notes to the consolidated financial statements

Note 1. Corporate information

The consolidated financial statements at 31 December 2017 were authorized for issue by the Board of Directors on 1 March 2018. 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;
- 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 13,633 at 31 December 2016 and 13,391 at 31 December 2017.
For the year 2016, the average number of headcount of the Group was 163 management personnel, 12,218 employees and 1,401 workers. For the year 2017, the average headcount of the Group was 162 management personnel, 11,830 employees and 1,187 workers.

Note 2. Significant accounting policies

Basis of preparation

The accompanying consolidated financial statements as of 31 December 2017 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 2017 and that are detailed as follows:

- Amendments to standards:
    - Annual Improvements to IFRS's (2014-2016 cycle)
    - Amendment to IAS 7 (Statement of Cash Flow): Disclosures Initiative;
    - Amendment to IAS 12 ("Income taxes") "Recognition of Deferred Tax Assets for Unrealized Losses";

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

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.

To improve the relevance of the reported figures, the Group reviewed the presentation of the income statement by removing the section 'non-recurring' and classifying the related items according to their nature (see note 26).

In 2016 the financials of the subsidiary Tango were fully reported within the Consumer segment.
As of 2017 Tango reported in the respective customer division: Consumer and Enterprise. The 2016 figures have been restated accordingly (see note 38).

Basis of consolidation

Note 6 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 IAS 39. 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 recognised in profit or loss as incurred.
At acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at that date. This includes fair valuing the unrecognised 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 recognised 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.

Major judgments and estimates are principally made in the following areas:

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 the US dollar.

Control in BICS

Note 6 describes that BICS is a subsidiary of the Group held with 57.6% of the shares and 57.6% of the voting rights to the company shareholders' meeting.
The shareholders agreement with BICS foresees decision-making rules and a deadlock procedure in force as from 1 January 2010. Thanks to these rules and procedures, the Group concluded in the past that it controlled BICS. This conclusion remains valid when applying IFRS 10 "Consolidated Financial Statements" (effective on 1 January 2014), even when taking into account potential barriers to exercise control on BICS.

Claims and contingent liabilities (see note 35)

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

Income tax

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

Recoverable amount of cash generating units including goodwill

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

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

The Group holds several employee benefit plans such as pension plans, other post-employment plans and termination plans. In the context of the determination of the obligation, the plan asset and the net periodic cost, the key assumptions that are used are discussed in note 9 (Assets and liabilities for pensions, other post-employment benefits and termination benefits).

Fair value adjustments for business combinations

In accordance with IFRS 3 Business Combinations, the Group measures the identifiable assets acquired and (contingent) liabilities assumed in a business combination at fair value. Fair value adjustments are based on external appraisals or valuation models, e.g. intangible assets which were not recognized by the acquired business. All of these valuation methods rely on various assumptions such as estimated future cash flows, remaining useful economic life, etc.
Further details are provided in note 6.5.

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. The estimated cost of intangible assets acquired with different pricing structure over time includes the fixed and estimated variable consideration at acquisition date. When the carrying amount of the financial liability is subsequently re-measured the cost of the asset is adjusted. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

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

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

The useful lives are assigned as follows:

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

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

Property, plant and equipment

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

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

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

The useful lives are assigned as follows:

	Useful life (years)
Land and buildings	
• Land	Indefinite
• Buildings and building equipment	22 to 33
• Facilities in buildings	3 to 10
• Leasehold improvement and advertising equipment	3 to 10
Technical and network equipment	
• Cables and ducts	15 to 20
• Switches	8 to 10
• Transmission	6 to 8
• Radio Access Network	6 to 7

• Mobile sites and site facility equipment	5 to 10
• Equipment installed at client premises	2 to 8
• Data and other network equipment	2 to 15
Furniture and vehicles	
• Furniture and office equipment	3 to 10
• Vehicles	5 to 10

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

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

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

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

Fair value of financial instruments

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

- For investments in quoted companies and mutual funds, the fair value is their quoted price;
- For investments in non-quoted companies, 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 investments in non-quoted companies for which no fair value can be reliably determined, fair value is based on the historical acquisition cost, adjusted for impairment losses, if any;
- 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 trade receivables, trade payables, other current assets and current liabilities, the carrying amounts reported in the balance sheet approximate their fair value considering their short maturity;
- For cash and cash equivalents, the carrying amounts reported in the balance sheet approximate their fair value considering their short maturity;
- For derivatives, fair values have been estimated by either considering their quote price on an active market, and if not available by using different valuation techniques, in particular the discounting of future cash flows.

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

Financial instruments are initially recognized when the Group becomes party to the contractual terms of the instruments. Normal purchases and sales of financial assets are accounted for at their settlement dates.

Financial assets (or a portion thereof) are de-recognized when either the Group realizes the rights to the benefits specified in the contract, either the rights expire or, either the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. Financial liabilities (or a portion thereof) are de-recognized when the obligation specified in the contract is discharged, cancelled or expires.

Criteria for offsetting financial assets and liabilities

Where a legally enforceable right of offset exists for recognized financial assets and liabilities, and there is an intention to settle the liability and realize the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Criteria for classifying financial instruments as held to maturity

Some financial instruments are classified as held to maturity based on the ability and the intention of the Group to keep these instruments until maturity. The Group has already a large experience of respecting that statement.

Criteria for classifying financial instruments as available-for-sale

Non-derivative financial assets that the Group has no intention nor ability to keep until maturity, that the Group does not classify as loans and receivables and that the Group does not designate as at fair value through profit and loss at inception, are classified as available-for-sale.

Shares in equity of non-consolidated entities are usually classified as available-for-sale financial assets. Shares in mutual funds or similar funds are classified as available-for-sale, if not designated at fair value through profit and loss at inception.

Other participating interests

Other participating interests are equity instruments in entities that are not subsidiaries, joint ventures or associates. They are initially recognized at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. These interests are classified as available-for-sale financial assets in the balance sheet.
After initial recognition,

- The participating interests in non-quoted companies for which no fair value can be reliably determined are carried at cost with adjustment for impairment loss if any;
- All other participating interests are carried at fair value, with recognition of the changes in fair value directly in equity, until the financial asset is sold, collected or otherwise disposed of, at which time the cumulative gain or loss previously reported in equity is included in income statement in net finance cost.

Other non-current financial assets

Other non-current financial assets include derivatives (see below), long-term interest-bearing receivables such as loans to joint-ventures, personnel and cash guarantees and long-term investments such as notes and purchased bonds. Long-term receivables are accounted for as loans and receivables originated by the Group and are carried at amortized cost. Long-term investments are classified as held-to-maturity and are carried at amortized cost.

Trade receivables and other current assets

Trade receivables and other current assets are shown on the balance sheet at nominal value (generally, the original invoice amount) less the allowance for doubtful debts.

Investments

Investments include shares in funds and mutual funds, fixed income securities and deposits with a maturity greater than three months but less than one year.

Shares are initially recognized at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. After initial recognition, shares are treated as available-for-sale, with re-measurement to fair value recorded directly in equity until the investment is sold, collected or otherwise disposed of, at which time the cumulative gain or loss previously reported in equity is included in income statement.

Fixed income securities are initially recognized at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. After initial recognition, fixed income securities that are classified as available-for-sale, are measured at fair value, with gains and losses on re-measurement recognized in equity until the investment is sold, collected or otherwise disposed of, at which time the cumulative gain or loss reported in equity is included in income statement. Fixed income securities that are intended to be held-to-maturity are measured at amortized cost, using the effective interest rate method.

Deposits are measured at amortized cost.

Cash and cash equivalents

Cash and cash equivalents include cash, current bank accounts and investments with an original maturity of less than three months, and that 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.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. When the carrying amount of the financial asset is greater than its recoverable amount, an impairment loss is recorded.

An allowance account is always used to account for impairment losses, whether impairment is caused by credit losses or not.

Allowances and impairment on financial assets are accounted for as non-workforce expenses when the assets relates to operating activities. For 'other participating interests', associates and assets relating to finance activities, allowances and impairment losses are accounted for as finance costs.

Impairment losses on receivables are determined when it is probable that the Group will not be able to collect any amount due, on basis of individualized criteria or based on portfolio statistics and analysis of ageing balances.

In case of impairment due to credit losses, the impairment allowance is reversed when it becomes probable that the Group will collect the financial asset, as a result of various indicators such as the receipt of collaterals, a successful capital increase at the customer etc.
The impairment allowance will also be reversed when the asset is definitively sold, collected or at the opposite, uncollectible, at what time, the definitive gain (loss) on disposal of the asset is recorded in income statement.
Impairment losses on available for sale equity investments are recognized in net income in case of significant (more than 30%) or prolonged (more than 12 months successively) decline in the fair value below cost. These impairment losses are not reversed in income statement. If it appears that an existing impairment loss has to be reversed, reversal will be recorded in equity, as a re-measurement to fair value.

Interest-bearing liabilities

All loans and borrowings are initially recognized at cost, being 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

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 expressed in JPY. The Group does not apply hedge accounting for this derivative.
This long-term debt expressed in JPY includes an embedded derivative. Such derivative is separated from its host contract and carried at fair value with changes in fair value recognized in the income statement. The mark-to-market effects on this derivative are offset by those on the IRCS.

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

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

As from September 2011, the Group started contracting derivatives (forward foreign exchange contracts) to hedge its exposure to currency fluctuations for highly probable forecasted transactions. The Group applies cash flow hedge accounting; the effective portion of the gains and losses on the hedging instrument is recognized via other comprehensive income until the hedged item occurs. If the hedged transaction leads to the recognition of an asset, the carrying amount of the asset at the time of initial recognition is adjusted to include 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 EBITDA or to capitalized expenditures. In this case, changes in fair value are recognized in the income statement through EBITDA.

Net gains and losses on financial instruments

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

Net gains (losses) from disposals or settlements of financial instruments are accounted for as finance income (costs) when the instruments relate to financing activities. Finance income (cost) also includes the settlement of the portion of the derivatives hedging the business combination purchase that does not qualify for hedge accounting.
When the financial instruments relate to operating or investing activities (other than mentioned above), net gains (losses) from disposals or settlements are accounted for as other operating income (expenses).

Net gains and losses resulting from fair value measurement of 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).

Inventories

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

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

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

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

Lease agreements with suppliers

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

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

Provisions

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

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

Assets and associated liabilities classified as held for sale

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

Share based payment

Equity and cash settled share-based payments to employees are measured at the fair value of the instrument at the grant date taking into account the terms and conditions upon which the rights are granted,

and by using a valuation technique that is consistent with generally accepted valuation methodologies for pricing financial instruments, and that incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

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

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

Revenue and operating expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Specific revenue streams and related recognition criteria are as follows:

- Revenue from wireline, carrier and mobile traffic is recognized on usage;
- Revenue from connection fees and installation fees is recognized in income at the time of connection or installation;
- Revenue from sales of communication equipment is recognized upon delivery to the third party distributors or upon delivery by the own Proximus shops to the end-customer;
- Revenues relating to the monthly rent or access fees, which are applicable to wireline and mobile revenues are recognized in the period in which the services are provided;
- Subscription fees are recognized as revenue over the subscription period on a pro-rata basis;
- Prepaid revenue such as revenue from pre-paid fixed and mobile phone cards is deferred and recognized based on usage of the cards;
- Maintenance fees are recognized as revenue over the maintenance period on a pro-rata basis;
- Commissions received are recognized net when the Group acts as an agent, i.e. when the Group does not bear inventory risk and credit risk, does not set the prices nor change or perform part of the services and has no latitude in the supplier's selection;
- The Group cooperates with a network of dealers who sell amongst others joint offers (handset or TV bundled with telecommunication services). In these joint offers, the dealer acts as an agent for the sale of the joint offer to the end users.
- The revenue from sales arrangements with multiple deliverables are allocated to the different components of the arrangements based on their relative fair values being the amount for which each component could be sold separately. However when an amount allocated to a delivered component is contingent upon the delivery of additional components or meeting specified performance conditions, the amount allocated to that delivered component is limited to the non-contingent amount.

Net revenue is defined as the gross inflow of economic benefits during the period arising in the course of the ordinary activities and taking into account the amount of any trade discounts and volume rebates allowed by the Group. The award credits (loyalty programs) are recorded as a separate component of the sales transaction and recorded as deduction from the initial sale in net revenue. Revenue from award credits is recognized at redemption.

Expenditure on research activities is recognized in the income statement as an expense as incurred.
The Group's consolidated income statement presents operating expenses by nature. Operating expenses are reported net of work performed by the enterprise that is capitalized.
The costs of materials and services related to revenues include the costs for purchases of materials and services directly related to revenue.

Costs for advertising and other marketing charges are expensed as incurred.

As a consequence of the new Belgian Telecom law in force as from 1 October 2012 all dealer commissions are expensed as incurred. The accumulated deferred upfront dealer commissions are expensed as 'cost of materials and services related to revenue'.

Note 3. Goodwill

(EUR million)	Goodwill
As of 1 January 2016	**2,272**
Acquisition of Flow NV and Be-Mobile Tech	7
As of 31 December 2016	**2,279**
Acquisition of TeleSign Holding Inc	151
Effect of movements in foreign exchange	-4
Acquisition of Davinsi Labs BVBA and Unbrace BVBA	6
As of 31 December 2017	**2,431**

The Group goodwill increased with EUR 152 million to EUR 2,431 million in 2017 as a result of the acquisition of TeleSign Holding Inc, Davinsi Labs BVBA and Unbrace BVBA (see note 6.5).

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 2017, 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)	2016	2017
Consumer Business Unit	1.303	1.303
Enterprise Business Unit	725	730
International Carrier Services	252	398
Total	**2.279**	**2.431**

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 (2018 to 2020), as presented by management to the Board of Director. Subsequent years were extrapolated based on a growth rate of around 1% in 2016 and comprised between 0% and 1.3% in 2017 for the operating segments.

The free cash flows considered for calculating the value in use are estimated for the concerned assets in their current condition and exclude the cash inflows and outflows that are expected to arise from any future restructuring to which the Group is not yet committed and from improving or enhancing the assets performance. Free cash flows of each segment were discounted with the Group post-tax weighted average cost of capital (ICS excluded) of 5.3% in 2017 and 6.0% in 2016, with the exception of the ICS segment for which a specific post-tax weighted average cost of capital of 8.1% in 2017 and 8.2% in 2016 was used, its activities being deemed different enough from those of the rest of the Group to justify a specific calculation. The pre-tax weighted average cost of capital, derived from the post-tax weighted average cost of capital via an iterative method, was comprised between 6.6% and 8.9% in 2017 and between 7.0% and 9.5% in 2016 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 2017. 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 licenc es	Internally gener-ated assets	Intangibles acquis lors de regroupements d'entreprises	TV rights	Other intan-gible assets	Total
Cost						
As of 1 January 2016	**681**	**843**	**791**	**215**	**1,103**	**3,632**
Additions	0	144	6	55	80	285
Acquisition of subsidiary	0	0	0	0	10	10
Derecognition	0	0	0	-40	-99	-138
Reclassifications	0	0	0	0	3	3
As of 31 December 2016	**681**	**987**	**797**	**230**	**1,098**	**3,792**
Additions	0	180	0	185	66	431
Acquisition of subsidiary	0	0	85	0	0	85
Derecognition	0	-6	0	-129	-29	-164
Reclassifications	0	0	0	0	4	4
Effect of movements in foreign exchange	0	0	-3	0	0	-3
As of 31 December 2017	**681**	**1,161**	**879**	**286**	**1,138**	**4,145**
Accumulated amortization and impairment						
As of 1 January 2016	**-431**	**-639**	**-463**	**-103**	**-835**	**-2,470**
Amortization charge for the year	-32	-87	-56	-85	-98	-358
Acquisition of subsidiary	0	0	0	0	-2	-2
As of 31 December 2016	**-463**	**-726**	**-518**	**-148**	**-837**	**-2,692**
Amortization charge for the year	-32	-104	-56	-93	-97	-382
Derecognition	0	6	0	129	29	164
As of 31 December 2017	**-495**	**-824**	**-574**	**-113**	**-906**	**-2,912**
Carrying amount as of 31 December 2016	**217**	**261**	**278**	**82**	**261**	**1,099**
Carrying amount as of 31 December 2017	**185**	**337**	**305**	**174**	**232**	**1,233**

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

The Group possesses the following licenses:

Year of acquisition	Description	Acquisition value (EUR million)	Net book value	Period	Payment method	Start of Amortization
1995	900 MHz spectrum	223	0	1995 - 2010	completed	08/04/1995
1998	ILT 2238	2	0	1998 -	completed	01/01/1998
1998	ILT	0	0	1998 -	completed	10/12/1998
2010	900 MHz spectrum	74	0	2010 - 2015	completed	08/04/2010
2015	900 MHz spectrum	75	40	2015 - 2021	over the period	08/04/2015
2001	UMTS	150	27	2001 - 2021	completed	01/06/2004
2011	4G	20	13	2012 - 2027	completed	01/07/2012
2013	800 Mhz spectrum	120	95	2013 - 2033	over the period	30/11/2013
2014	900 MHz spectrum	16	9	2015 - 2021	over the period	27/11/2015
	Total	**681**	**185**			

Internally generated assets mainly relate to development expenditures for internally developed software (mainly billing and ordering related). The aggregate amount of research expensed for these internally generated software during 2017 amounts to EUR 21 million.

Intangible assets acquired in a business combination relate to customer bases, trade names and patents recognized mainly as a result of the purchase price allocation performed when the Group acquired control over BICS and over TeleSign (see note 6.5).

In 2017 the Group acquired TV rights for an amount of EUR 184 million including the renewal of 3-year contracts for football broadcasting rights (Jupiler Pro League and UEFA Champions League).
Other intangible additions (EUR 66 million) include mainly vendor development, software licenses and rights of use for cables (IRU).

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 2016	**657**	**11,790**	**373**	**7**	**12,828**
Additions	9	627	16	12	664
Acquisition of subsidiary	0	1	0	0	1
Derecognition	-15	-963	-25	0	-1,003
Reclassifications	-33	5	33	-9	-3
As of 31 December 2016	**619**	**11,459**	**398**	**11**	**12,487**
Additions	9	620	19	13	662
Acquisition of subsidiary	0	0	4	0	4
Derecognition	-32	-1,247	-40	0	-1,319
Reclassifications	0	10	0	-14	-4
As of 31 December 2017	**597**	**10,843**	**380**	**9**	**11,830**
Accumulated depreciation and impairment					
As of 1 January 2016	**-312**	**-9,366**	**-341**	**0**	**-10,019**
Depreciation charge for the year	-25	-511	-24	0	-559
Impairment charge	0	-1	0	0	-1
Derecognition	13	964	25	0	1,002
As of 31 December 2016	**-324**	**-8,913**	**-342**	**0**	**-9,577**
Depreciation charge for the year	-23	-536	-22	0	-581
Derecognition	23	1,246	38	0	1,307
As of 31 December 2017	**-324**	**-8,205**	**-325**	**0**	**-8,853**
Carrying amount as of 31 December 2016	**296**	**2,546**	**56**	**11**	**2,910**
Carrying amount as of 31 December 2017	**273**	**2,638**	**56**	**9**	**2,976**

The investments reflect the Group strategy to invest extensively in order to always better serve its customers. The Group mainly invested in its mobile leadership and in its fixed networks with the further rollout of Fiber to the business and the start of the fiber-to-the-home roll-out.
Derecognition of technical and network equipment mainly relates to switching decommissioning.
In 2017, the Group sold administrative and technical buildings and realised a gain on disposal of these buildings of EUR 23 million.

Note 6. Investments in subsidiaries, joint ventures and associates

Note 6.1. 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	2016	2017
Proximus SA under Public Law	Bld du Roi Albert II 27 1030 Bruxelles VAT BE 0202.239.951	Belgium	Mother company	
Proximus Group Services SA	Bld du Roi Albert II 27 1030 Bruxelles VAT BE 0466.917.220	Belgium	100%	100%
PXS Re	Rue de Merl 74 2146 Luxembourg	Luxemburg	100%	100%
Connectimmo SA	Bld du Roi Albert II 27 1030 Bruxelles VAT BE 0477.931.965	Belgium	100%	100%
Skynet iMotion Activities SA	Rue Carli 2 1140 Evere VAT BE 0875.092.626	Belgium	100%	100%
Tango SA	Rue de Luxembourg 177 8077 Bertrange	Luxemburg	100%	100%
Telindus - ISIT BV	Krommewetering 7 3543 AP UTRECHT	The Netherlands	100%	100%
Telindus SA	Route d'Arlon 81– 83 8009 Strassen	Luxemburg	100%	100%
Telectronics SA	2 Rue des Mines 4244 Esch sur Alzette	Luxemburg	100%	100%
Beim Weissenkreuz SA	Route d'Arlon 81– 83 8009 Strassen	Luxemburg	100%	100%
Proximus Spearit NV	Koning Albert II laan 27 1030 Brussels VAT BE 0826.942.915	Belgium	100%	100%
Proximus ICT - Expert Community CVBA	Ferdinand Allenstraat 38 3290 Diest VAT BE 0841.396.905	Belgium	81%	81%
Proximus Opal SA	Bld du Roi Albert II 27 1030 Bruxelles VAT BE 0861.583.672	Belgium	100%	100%
Be-Mobile SA	Kardinaal Mercierlaan 1A 9090 Melle VAT BE 0881.959.533	Belgium (3)(6)	61%	61%
Be-Mobile Tech NV	Kardinaal Mercierlaan 1A 9090 Melle VAT BE 0884.443.228	Belgium (5)	61%	61%
Flow NV	Kardinaal Mercierlaan 1A 9090 Melle VAT BE 0897.466.269	Belgium (5)	61%	61%
Flitsmeister BV	Koningsschot 45 - Postbus 114 3900 AC Veenendaal	The Netherlands (5)	61%	61%
Be-Mobile Ltda	Rua Joaquim Floriano 243 - Conjunto 113 CEP 04534-010 San Paulo	Brazil (5)(7)	61%	0%
Scarlet Belgium NV	Carlistraat 2 1140 Evere VAT BE 0447.976.484	Belgium	100%	100%

Name	Registered office	Country of incorporation	2016	2017
Clearmedia NV	Zagerijstraat 11 2960 Brecht VAT BE 0831.425.897	Belgium	100%	100%
Davinsi Labs NV	De Keyserlei 58-60 bus 19 2018 Antwerpen VAT BE 0550.853.793	Belgium	0%	100%
Unbrace Bvba	Zagerijstraat 11 2960 Brecht VAT BE 0867.696.771	Belgium (2)	0%	100%
Belgacom International Carrier Services Mauritius Ltd	Chancery House 5th floor , Lislet, Geoffrey Street Port Louis 1112-07	Mauritius (1)	58%	58%
Belgacom International Carrier Services SA	Rue Lebeau 4 1000 Brussels VAT BE 0866.977.981	Belgium (1)	58%	58%
Belgacom International Carrier Services Deutschland GMBH	Taunusanlage 11 60329 Frankfurt am Main	Germany (1)	58%	58%
Belgacom International Carrier Services UK Ltd	Great Bridgewaterstreet 70 M1 5ES Manchester	United Kingdom (1)	58%	58%
Belgacom International Carrier Services Nederland BV	Wilhelminakade 91 3072 AP Rotterdam	The Netherlands (1)	58%	58%
Belgacom International Carrier Services North America Inc	Corporation trust center - 1209 Orange street USA - 19801 Willington Delaware	United States (1)	58%	58%
Belgacom International Carrier Services Asia Pte Ltd	16, Collyer Quay # 30.02 Singapore 049318	Singapore (1)	58%	58%
Belgacom International Carrier Services (Portugal) SA	Avenida da Republica, 50, 10th floor 1069-211 Lisboa	Portugal (1)	58%	58%
Belgacom International Carrier Services Italia Srl	Via della Moscova 3 20121 Milano	Italy (1)	58%	58%
Belgacom International Carrier Services Spain SL	Calle Salvatierra, 4, 2c 28022 Madrid	Spain (1)	58%	58%
Belgacom International Carrier Services Switzerland AG	Papiermühlestrasse 73 3014 Bern	Switzerland (1)	58%	58%
Belgacom International Carrier Services Austria GMBH	Wildpretmarkt 2-4 1010 Wien	Austria (1)	58%	58%
Belgacom International Carrier Services Sweden AB	Drottninggatan 30 411-14 Goteborg	Sweden (1)	58%	58%
Belgacom International Carrier Services JAPAN KK	#409 Raffine Higashi Ginza, 4-14 Tsukiji 4 - Chome - Chuo-ku Tokyo 104-00	Japan (1)	58%	58%
Belgacom International Carrier Services China Ltd	Hopewell Centre - level 54 183, Queen's road East Hong Kong	China (1)	58%	58%
Belgacom International Carrier Services Ghana Ltd	Box GP 821 Accra	Ghana (1)	58%	58%

Name	Registered office	Country of incorporation	2016	2017
Belgacom International Carrier Services Dubai FZ-LLC	Dubai Internet City	United Arab. Emirates	58%	58%
	Premises 306 - Floor 03- Building 02 -PO box 502307			
	Dubai	(1)		
Belgacom International Carrier Services South Africa Proprietary Ltd	The promenade shop 202 D - Victoria Road	South Africa	58%	58%
	Camps Bay 8005	(1)		
Belgacom International Carrier Services Kenya Ltd	LR-N° 204861, 1st Floor Block A	Kenya	58%	58%
	Nairobi Business Park-Ngong Road			
	PO BOX 10643 - 00100 Nairobi	(1)		
Belgacom International Carrier Services France SAS	Rue du Colonel Moll 3	France	58%	58%
	75017 Paris	(1)		
TeleSign Holdings Agents, Inc	160 Greentree Dr., Ste.101	United Kingdom	0%	58%
	Dover, DE 19904	(1) '(2) '(6)		
TeleSign Corporation	13274 Fiji Way , Suite 600	United States	0%	58%
	Marina del Rey, CA 90292	(1) '(2) '(6)		
TeleSign UK	4th Floor	United Kingdom	0%	58%
	210 High Holborn			
	London WC1V 7DL	(1) '(2) '(6)		
TeleSign Mobile Ltd	4th Floor	United Kingdom	0%	58%
	210 High Holborn			
	London WC1V 7DL	(1) '(2) '(6)		
TeleSign Doo	Tresnjinog cveta 1	Serbia	0%	58%
	11070 Novi Beograd	(1) '(2) '(6)		
TeleSign Netherlands B.V.	4th Floor	United Kingdom	0%	58%
	210 High Holborn			
	London WC1V 7DL	(1) '(2) '(6)		
TeleSign Singapore Pte. Ltd.	1 Robinson Road, #17-00	Singapore	0%	58%
	AIA Tower			
	Singapore (048542)	(1) '(2) '(6)		
TeleSign Australia Pty Ltd	FDK Laurence Varney	Australia	0%	58%
	Level 12 222 Pitt Street			
	Sidney NSW 2000	(1) '(2) '(6)		
TeleSign Japan KK	Oak Minami Azabu Building 2F	Japan	0%	58%
	3-19-23 Minami Azabu			
	Minato-ku, Tokyo 106-0047	(1) '(2) '(6)		
TeleSign (Beijing) Technology Co., Ltd.	15/F, Office Building A, Parkview Green,	P.R. China	0%	58%
	9 Dongdaqiao Road, Chaoyang District	(1) '(2) '(6)		
	Beijing 100020	(1)		
TeleSign Hong Kong Ltd	5/F., Heng Shan Centre,	Hong Kong	0%	58%
	145 Queen's Road East,			
	Wanchai, Hong Kong	(1) '(2) '(6)		

(1) Entity of BICS Group
(2) Entity acquired in 2017
(3) Previously named Mobile For
(4) Entity merged into Proximus SA in 2016
(5) Entity acquired in 2016
(6) See note 6.5
(7) Entity liquidated in 2017

Note 6.2. Details of non-wholly owned subsidiaries that 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 31 December		As of 31 December	
		2016	2017	2016	2017	2016	2017
BICS (segment)	Belgium	42%	42%	24	28	162	156
Total				**24**	**28**	**162**	**156**

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

BICS (segment)	2016	2017
Current assets	716	617
Non-current assets	625	830
Current liabilities	626	590
Non-current liabilities	82	237
Equity attributable to owners of the company	633	620
Revenue (total)	1,460	1,320
Expenses (operating)	-1,311	-1,181
Profit for the year	56	66
Profit attributable to owners of the company	32	38
Profit attributable to the non-controlling interests	24	28
Dividends paid to non-controlling interests	26	32
Net cash inflow from operating activities	92	83
Net cash (outflow) from investing activities	-36	-247
Net cash (outflow) from financing activities	-65	70
Net cash inflow (outflow)	-10	-95

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

Note 6.3 Investments in joint ventures

The Group has a joint-venture interest in the following companies:

Name	Registered office	Country of incorporation	2016	2017
Allo Bottin SA (1)	101/109, rue Jean-Jurès 92300 Levalloi-Perret	France	50%	0%

(1) liquidated in 2017

Note 6.4. Investments in associates

The Group had a significant influence in the following company:

Name	Registered office	Country of incorporation	Group's participating interests		
			2016		2017
Belgian Mobile ID SA/NV	Place Sainte-Gudule 5 1000 Brussel VAT BE 541.659.084	Belgium	17%		19%
Synductis C.V.B.A	Brusselsesteenweg 199 9090 Melle VAT BE 502.445.845	Belgium	17%		17%
Experience@work C.V.B.A	Minderbroedergang 12 2800 Mechelen VAT BE 627.819.631	Belgium	33%		33%
Tessares SA/NV	Rue Louis de Geer 6 1348 Louvain-la-Neuve VAT BE 600.810.278	Belgium	20%		23%
Citie NV	Turnhoutsebaan 453 2110 Wijnegem VAT BE 665.683.284	Belgium	33%	(1)	0%
Co.station Belgium NV	Sinter-Goedeleplein 5 1000 Brussel VAT BE 599,786,434	Belgium	0%		20%

(1) investment sold in 2017

Per 31 December 2017 the aggregate information on all individually immaterial associates is as follows:

(EUR million)	2016	2017
Carrying amount	3	3
Profit or loss of continuing operations	1	2

Note 6.5. Acquisitions and disposal of subsidiaries, joint ventures and associates

Acquisition of TeleSign:

Per end of October 2017, Proximus' subsidiary BICS acquired 100% of TeleSign a United States company active in the provision of authentication and mobile identity services to internet and digital service providers, for USD 230 million on a cash and debt free basis.
Part of the consideration was deposited on escrow accounts which is recognized in (non) current assets. (see note 10). The unreleased part of the escrow accounts is recognized as liability towards the sellers (see note 20). Both the receivable and payable are included in the cash flow statement in the cash paid for the acquisition of consolidated companies net of cash acquired.
The transaction is financed through Proximus Group available cash.

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

The provisional allocation of the purchase price included in the balance sheet and detailed in the table below is based on the current best estimates of the Group's management with input from independent third parties. The completion of the purchase price allocation may result in further adjustment to the carrying value of TeleSign's recorded assets and liabilities and the determination of any residual amount that will be allocated to goodwill. The majority of the intangible asset valuation relates to client relationships and patents. A deferred tax liability has been accrued on the fair value adjustments considering tax rates enacted at acquisition date.

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

The transaction costs incurred in connection with the TeleSign transaction which include legal and other fees and costs, amounted to approximately EUR 4 million. In addition the Group incurred approximately EUR 3.6 million of costs in connection with the transaction-related hedging arrangement.

The fair value of the identifiable assets and liabilities of TeleSign as at the date of acquisition is detailed as follows:

(EUR million)	Fair Values recognised on acquisition
Intangible assets with finite useful life	85
Property, plant and equipment	4
Amounts receivable and cash guarantees	1
Deferred income tax assets	2
Trade receivables	14
Other amounts receivable	1
Other current assets	2
Investments and cash and cash equivalents	9
Total assets	**117**
Deferred income tax liabilities	-28
Other accounts payable non current	-1
Trade payables	-14
Total liabilities	**-43**
Net identified assets and liabilities acquired	**74**
Consideration	**225**
Goodwill from acquisition	**151**
Consideration paid	**225**
Net cash acquired of the subsidiary	**9**
Net cash outflow	**215**

Following the completion date of the transaction, TeleSign contributed EUR 17 million to the Total Revenue and EUR 5 million to the profit (Net Income Group Share) including the impact of the US tax reform on deferred taxes recognized for certain purchase price allocation purposes.

2017 acquisitions

In 2017 the group acquired all the shares of Davinsi Labs BVBA and Unbrace BVBA with no significant impact in the consolidated financial statements.

2016 acquisitions

In March 2016 Be-Mobile SA (previously named Mobile-For SA) a fully owned subsidiary of Proximus SA acquired control over and all shares of Be Mobile-Tech NV, Flow NV and Flitsmeister BV.
The consideration was composed of cash and shares of Be-Mobile. As a result of the transaction the group retained a 61.02% stake in Be-Mobile.

The fair value of the identifiable assets and liabilities of these acquistions at the date of acquisition and corresponding carrying amounts immediately prior to the acquisition were

(EUR million)	Fair value recognized on acquisition
Non current fixed assets	8
Trade receivables	4
Investments and cash and cash equivalents	2
Total assets	**14**
Non-current interest-bearing liabilities	-1
Deferred income tax liabilities	-2
Current interest-bearing liabilities	-1
Trade payables	-2
Other current payables	-2
Total liabilities	**-7**
Net identified assets and liabilities	**7**
Goodwill arising on acquisition	7
Equity movement	-3
Consideration	**12**
The consideration is detailed as follows:	
Cash paid to shareholders	7
Fair value of net asset transferred	5
Consideration	**12**
The cash outflow on acquisition is as follows:	
Consideration paid	7
Net cash acquired of the subsidiary	-2
Net cash outflow	**6**

The transaction generated a shareholders' equity decrease of EUR 25 million mainly as a result of the recognition of a financial instrument granted to the non-controlling interests, enabling Proximus to own all shares of Be-Mobile in the future. This required the recognition of a gross liability for the expected amount of the strike price.

Note 7. Other participating interests

Other participating interests comprise the following interests:

(EUR million)	As of 31 2016	2017
Unlisted shares	10	8
HomeSend SCRL/CVBA	7	7
Other unlisted shares	1	1
Total	**10**	**8**

At 31 December 2016 and 2017, the other participating interests included almost exclusively shares in equity of non-consolidated and non-quoted entities, in a start-up phase, for which no fair value can be reliably determined. These participating interests are carried at cost with adjustment for impairment loss if any.

The fair values of these participations cannot be reliably estimated as concerning start-up companies with not yet stabilized business models. Until those companies leave this start-up phase, the Group will focus on identifying objective indications of impairment losses. Such indications are drawn from quantitative elements (i.e. the company cash position, the cash burn rate, the company results, etc.) and qualitative elements (i.e. discussion with management, the book order, etc.).

Note 8. Income taxes

Gross deferred income tax assets / (liabilities) relate to the		As of 31 December	
(EUR million)	Note	2016	2017
Accelerated depreciation for tax purposes		-6	-6
Fair value adjustments on acquisition		-82	-69
Statutory provisons not retained under IFRS		-3	-4
Remeasurement of financial instruments to fair value		-2	-2
Deferred taxation on sales of property, plant and equipment		-8	-6
Liability for post-employment, termination and other benefits		-7	0
Other		-1	0
Gross deferred income tax liabilities		**-110**	**-87**
Fair value adjustment on fixed assets		31	19
Asset for post-employment, termination and other benefits		0	6
Capital losses on investments in subsidiaries		1	0
Provisions for liabilities and charges		20	17
Unused tax losses carried forward		7	0
Other		0	-1
Gross deferred income tax assets		**59**	**43**
Net deferred income tax assets / (liabilities), when grouped per taxable entity, a as follows :			
Net deferred income tax liability		**-84**	**-72**
Net deferred income tax asset		**34**	**27**

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

(EUR million)	Note	Deferred tax liabilities	Deferred tax assets
As of 1 January		-84	34
Movement as the result of the purchase price allocation	6.5	-25	0
Movement recognized through other comprehensive income		-2	-14
Movement recognized in income statement		38	9
As of 31 December		-72	27

The movements in 2016 of the deferred tax position are as follows

(EUR million)	Note	Deferred tax liabilities	Deferred tax assets
As of 1 January		-96	89
Movement as the result of the purchase price allocation	6.5	-2	0
Movement recognized through other comprehensive income		0	-5
Movement recognized in income statement		14	-52
As of 31 December		-84	34

The deferred tax gain in the income statement mainly results from tax reforms. The gain is mainly the consequence of the impact of the reduction of the income tax rate on the closing balance of the deferred tax positions both in Belgium and in the US and the resulting impact on the amortization of the assets recognized in 2010 in the purchase price allocation of BICS performed when the Group acquired control. This is partly offset by the decrease of the deferred tax asset related to the early leave plan and the fair value adjustments on fixed assets. The cost for the early leave plan was fully expensed in the 2016 statutory statements of Proximus SA established under Belgian GAAP whereas in IFRS the cost is recognized over the service period.

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

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 61 million at 31 December 2017 (EUR 77 million in 2016) of which EUR 60 million has no expiration date and EUR 1 million has an expiration date after 2019.

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

(EUR million)	Year ended 31 December 2016	2017
Relating to deferred income tax liabilities		
Accelerated depreciation for tax purposes	0	1
Fair value adjustments on acquisition	14	38
Liability for post-employment and termination benefits	0	-4
Remeasurement of financial instruments to fair value	0	1
Deferred taxation on sales of property, plant and equipment	1	2
Relating to deferred income tax assets		
Fair value adjustment on fixed assets	-1	-12
Remeasurement of financial instruments to fair value	1	0
Asset for post-employment and termination benefits	-56	32
Capital losses on investments in subsidiaries	0	-1
Other	4	-11
Deferred tax income /(expense) of the year	**-38**	**47**

The consolidated income statement includes the following tax

(EUR million)	As of 31 2016	2017
Current income tax		
Current income tax expense	-108	-262
Adjustments in respect of current income tax of previous periods	-21	30
Deferred income tax		
Effect of reduction in income tax rates on closing balance of deferred income tax	0	20
Expense resulting from changes in temporary differences	-38	27
Income tax expense reported in consolidated income statement	**-167**	**-185**

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

(EUR million)	As of 31 2016	2017
Income before taxes	**715**	**738**
At Belgian statutory income tax rate of 33.99%	243	251
Lower income tax rates of other countries	-2	-2
Effect of reduction in income tax rates on closing balance of deferred income tax	0	-20
Income tax consequences of disposal of subsidiaries and other participating interests	-1	0
Non-taxable income from subsidiaries	-67	-38
Non-deductible expenditures for income tax purposes	18	17
Other	-24	-22
Income tax expense	**167**	**185**
Effective income tax rate	**23.33%**	**25.14%**

The 2017 effective income tax rate amounts to 25.14 % which is higher compared to the effective income tax rate of 23.33% in 2016. The increase of the effective tax rate is mainly due to a decrease of the notional interest deduction as a result of the low market interest rates, as reflected in the decrease in non-taxable income from subsidiaries. The non-taxable income from subsidiaries mainly relates to the application of general principles of tax law such as the notional interest deduction and the patent income deduction applicable in Belgium.

This is however mitigated mainly by a positive impact of both the Belgian and US corporate income tax reforms on deferred assets in caption “effect of reduction in income tax rates on closing balance of deferred income tax”.

The 2017 non-deductible expenditures for income tax purposes primarily relate to various expenses that are disallowed for tax purposes.

The caption “other” included in 2016 the benefit of previously unrecognized tax losses (EUR 38 million) partly offset by a provision for prior year tax audit adjustments. In 2017 the caption "other" includes mainly the partial reversal of the provision for prior year tax adjustments booked in 2016 following the closing of the tax audit.

Note 9. 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)	2016	2017 (1)
Termination benefits and additional compensations in respect of restructuring programs	149	188
Defined benefit plans for complementary pension plans (net liability)	43	29
Post-employment benefits other than pensions	352	350
Net liability recognized in the balance sheet	**545**	**568**

(1) To improve the relevance of the reported figures, the Group reviewed the presentation of the 2017 net liablity into a non-current portion of EUR [illegible] mio and a current of EUR 53 mio.

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. Publicly available yield curves for such type of bonds are usually limited to 10 years horizon.

For longer durations, such as for the complementary pension plans and other post-employment benefits, although no yield curve is directly available, the depth of the market is sufficient to allow the determination of a discount rate for IAS 19 purposes. Proximus estimates the appropriate discount rate on the basis of available market data.

Estimations provided by independent third parties are used for validation purpose. These third party estimations are mainly based on different methodologies and the retained discount rate remains in line with the results of these methodologies. The first methodology consists in building a synthetic yield curve on the basis of the existing high quality corporate bonds. The second methodology consists in combining the risk-free rate for the duration with a credit risk premium to reflect the spread of high quality corporate bonds versus the risk free rate.

Note 9.1. Termination benefits and additional compensations in respect of restructuring programs

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

In 2007, the Group implemented a voluntary external mobility program to the Belgian State for its statutory employees and a program for unfit statutory employees. Under the terms of this plan, the Group will pay benefits until retirement date of the participant.
In 2016, the Group implemented a voluntary leave program allowing for early termination from the age of 60 (or 58 for a small group). Under the terms of this plan, the Group will pay benefits until the earliest retirement date of the participant.
The part of the plan conditional to future service being provided is recognized over that period of future service.

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

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

(EUR million)	As of 31 December 2016	As of 31 December 2017
Defined Benefit Obligation	149	188
Benefit obligation in excess of plan assets	**149**	**188**

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

	As of 31 December 2016	As of 31 December 2017
At the beginning of the year	35	149
Total expense for the period	125	69
Actual employer contribution	-11	-30
At the end of the year	**149**	**188**

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

(EUR million)	As of 31 December 2016	As of 31 December 2017
Discount rate	0.00%	0.00%
Future price inflation	2.00%	2.00%

Sensitivity analysis

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

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

The Group expects to pay an amount of EUR 39 million for termination benefits and additional compensations in 2018. The payments in 2017 amounted to EUR 30 million.

Note 9.2. 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 accumulated actuarial gains and losses exceeding 10% of the higher of the DBO or the assets.

At 31 December 2016 and 2017, 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 rules and applicable law regarding actuarial assumptions.

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

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

The funded status of the pension plans is as follows :

	As of 31 December	
(EUR million)	2016	2017
Defined Benefit Obligation	565	614
Plan assets at fair value	-522	-585
Deficit	**43**	**29**

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

	Year ended 31 December	
(EUR million)	2016	2017
Current service cost - employer	43	44
Net interest	1	0
Past service cost recognized	-13	1
Recognized in the income statement	**31**	**46**
Remeasurements		
Actuarial gains and losses from changes in financial assumptions	-16	0
Actuarial gains and losses from changes in demographic assumptions	15	0
Actuarial gains and losses arising from experience adjustments	-2	4
Return on assets, excluding interest income	-17	-18
Recognized in other comprehensive income	**-21**	**-14**
Total	**9**	**32**

As from 2016, as a consequence of the law of 18 December 2015 and subject to transition rules for employees aged 55 and more, the favorable early retirement conditions in complementary pension plans became void. A past service costs has been recognized for that and for the early leave plan impact.

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

(EUR million)	Year ended 31 December 2016	2017
At the beginning of the year	80	43
Expense for the period recognized in the income statement	31	46
Remeasurement recognized in other comprehensive income	-21	-14
Actual employer contribution	-46	-46
Net deficit	**43**	**29**

Change in plan assets :

(EUR million)	As of 31 December 2016	2017
At the beginning of the year	456	522
Interest income	11	10
Return on assets, excluding interest income	17	18
Actual employer contribution	46	46
Benefits payments and expenses	-9	-10
At the end of the year	**522**	**585**

Change in the defined benefit obligation :

(EUR million)	As of 31 December 2016	2017
At the beginning of the year	536	565
Service cost	43	44
Interest cost	13	10
Past service cost - vested benefits	-13	1
Benefits payments and expenses	-9	-10
Actuarial (gains) / losses	-4	4
At the end of the year	**565**	**614**

(EUR million)	As of 31 December 2016	2017
Discount rate	1.80%	1.80%
Future price inflation	2.00%	2.00%
Nominal future salary increase	3.10% - 3.50%	3.15% - 3.50%
Nominal future baremic salary increase	3.00%- 3.15%	3.00% - 3.15%
Mortality	BE Prospective IA/BE	BE Prospective IA/BE

The pension liability is determined based on the entity's best estimate of the financial and demographic assumptions which are reviewed on an annual basis.
The duration of the obligation is 16.1 years.

Sensitivity analysis

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

If the discount rate increases (or decreases) by 1%, the estimated impact on the defined benefit obligation would be a decrease (or increase) by around 15% to 20%.

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

The assets of the pension plans are detailed as follows:

	As of 31 December	
(EUR million)	2016	2017
Equity instruments	46.3%	46.7%
Debt instruments	38.1%	37.5%
Convertible bonds	8.0%	7.6%
Other (property, infrastructure, Private equity funds, insurance deposits)	7.5%	8.2%

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 (16.1 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 2017 the portfolio was invested by about 46.7% in listed equities (in Europe, US and Emerging Markets), about 37.5% in fixed income (government bonds, corporate bonds, and senior loans) and about 7.6% 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 8.2 % 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 47 million to the Proximus Pension Fund in 2018.

In addition to the defined benefit plan described here above the Group operates two defined benefit plans with a limited amplitude. They present a net asset of EUR 2 million resulting from a DBO of EUR 6 and plan assets of EUR 8 million.

Defined contribution plans

The Group has some plans based on contributions for qualifying employees.
For the plans operated abroad, the Group does not guarantee a minimum return on the contribution.
For those operated in Belgian a guaranteed return is provided.

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

Note 9.3. 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 hospitalization. There are no plan assets for such benefits.
The hospitalization plan is based on an indexed lump sum per beneficiary.

The funded status of the plans is as follows :

	As of 31 December	
(EUR million)	2016	2017
Defined Benefit Obligation	352	350
Plan assets at fair value	0	0
Net liability recognized in the balance sheet	**352**	**350**

As a consequence of 2016 collective labour agreements a negative past service cost of EUR 24 million was recognized in 2016.

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

	Year ended 31 December	
(EUR million)	2016	2017
Current service cost - employer	3	5
Interest cost	8	5
Past service cost recognized	-24	0
Expense recognized in the income statement, before curtailment, settlement and special termination benefits	**-13**	**10**
Recognized in the income statement	**-13**	**10**
Remeasurements		
Actuarial gains and losses from changes in financial assumptions	34	0
Effect of experience adjustments	-4	1
Recognized in other comprehensive income	**30**	**1**
Total	**17**	**11**

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

	As of 31 December	
(EUR million)	2016	2017
At the beginning of the year	349	352
Expense for the period recognized in the income statement	-13	10
Remeasurement recognized in other comprehensive income	30	1
Actual employer contribution	-13	-13
At the end of the year	**352**	**350**

The liability for post-employment benefits other than pensions was :

	As of 31 December	
	2016	2017
Discount rate	1,60%	1,60%
Future cost trend (index included)	2%	2%
Mortality	BE Prospective IA/BE	BE Prospective IA/BE

The liability for post-employment benefits other than pensions is determined based on the entity's best estimate of the financial and demographic assumptions which are reviewed on an annual basis.
The duration of the obligation is 14.54 years.

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit plans obligations are discount rate, inflation, future cost trend and mortality. The sensitivity analysis has been performed based on reasonably possible changes of the respective assumptions, while holding the other assumptions constant. If the discount rate increases (or decreases) by 1%, the defined benefit obligation would decrease (or increase) by around 13% to 16%.

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

If a 1 year age correction would be applied to the mortality tables, the defined benefit obligation would change by around 4%.
The Group expects to contribute an amount of EUR 14 million to these plans in 2018.

Note 9.4. Other liabilities

The Group participates in a State Defined Benefit plan. 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 offset 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, this compensation mechanism stops the foreseen payments towards Proximus.

Note 10. Other non-current assets

(EUR million)	Note	As of 31 December 2016	2017
Other derivatives	33.1	6	5
Other financial assets			
Other assets		30	51
Total		**37**	**56**

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

Note 11. Inventories

(EUR million)	As of 31 2016	2017
Raw materials, consumables and spare parts	33	33
Work in progress and finished goods	21	17
Goods purchased for resale	71	73
Total	**125**	**123**

Inventory is reported net of allowances for obsolescence.

Note 12. Trade receivables

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, 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 operator.

The analysis of trade receivables that were past due but not impaired is as follows:

As of 31 December	Gross receivables	Allowance for doubtful debtors	Net carrying amount	Neither past due nor impaired	Past due but not impaired					
(EUR million)					< 30 days	30-60 days	60-90 days	90-180 days	180-360 days	> 360 days
2015	1,281	-141	1,140	783	81	49	23	40	58	107
2016	1,268	-118	1,149	762	84	57	41	74	48	84
2017	1,222	-111	1,111	657	134	55	40	61	71	93

As of 31 December 2017 and 2016, respectively 59% and 66% of the net carrying amount of the trade receivables were neither past due nor impaired.

For the years presented, no trade receivables were pledged as collaterals. In 2017, Proximus Group received bank and parent guarantees of EUR 7 million (in 2016, EUR 8 million) as securities for the payment of outstanding invoices.

The evolution of the allowance for doubtful debtors is as

(EUR million)	2016	2017
As of 1 January	**-141**	**-118**
Decrease recognized in income statement	23	6
Other movements	0	1
As of 31 December	**-118**	**-111**

In 2016 decrease of the allowance is mainly linked to final settlement of long outstanding Bad debt case of 25M€. Doubtful debt and allowance for doubtful debtors have both been released for equal amount.

Note 13. Other current assets

		As of 31 December	
(EUR million)	Note	2016	2017
VAT receivables		3	22
Derivatives	33.1	1	2
Prepaid expenses		95	96
Other receivables		22	36
Total		**122**	**137**

Note 14. Investments

		As of 31 December	
(EUR million)	Note	2016	2017
Deposits	33.4	5	5
Shares in Funds	33.4	1	0
Total		**6**	**5**

Investments include shares in funds and mutual funds, treasury certificates and deposits with an original maturity greater than three months but less than one year.

Note 15. Cash and cash equivalents

(EUR million)	Note	As of 31 December 2016	2017
Short-term deposits	33.4	118	28
Cash at bank and in hand	33.4	179	305
Total		**297**	**333**

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.

Note 16. Assets classified as held for sale

In 2017 and 2016 there are no assets classified as held for sale.

Note 17. Equity

Note 17.1 Shareholders' equity

At 31 December 2017, the share capital of Proximus SA amounted to EUR 1 billion (fully paid up), represented by 338,025,135 shares, with no par value and all having the same rights, provided such rights are not suspended or cancelled in the case of treasury shares. The Board of Directors of Proximus SA is entitled to increase the capital for a maximum amount of EUR 200 million.

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

Distribution of retained earnings of Proximus SA, the parent company, is limited by a restricted reserve built up in prior years in accordance with Belgian Company Law up to 10% of Proximus' issued capital. Proximus SA has a statutory obligation to distribute 5% of the parent company income before taxes to its employees. In the accompanying consolidated financial statements, this profit distribution is accounted for as workforce expenses.

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

On 31 December 2017, the number of treasury shares amounts to 15,386,146 of which 1,249,433 entitled to dividend rights and 14,136,713 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 2016 and 2017, the Group sold respectively 9,773 and 6,263 treasury shares to its senior management for less than EUR 1 million under share purchase plans at a discount of 16.70% (see note 36).

During the years 2016 and 2017, employees exercised respectively 201,579 and 308,623 share options. In order to honor its obligation in respect of these exercises, Proximus used treasury shares (see note 36).
In 2016 and 2017, no share options were granted by the Group to its key management and senior management

	2016	2017
As of 1 January	**338,025,135**	**338,025,135**
Cancellation	0	0
As of 31 December	**338,025,135**	**338,025,135**

Number of treasury shares:	2016	2017
As of 1 January	**16,021,384**	**15,388,032**
Sale under a discounted share purchase plan	-9,773	-6,263
Acquisition / (sale) of treasury shares	-422,000	313,000
Exercice of stock option	-201,579	-308,623
As of 31 December	**15,388,032**	**15,386,146**

Note 17.2 Non-controlling interests

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

Note 18. Interest-bearing liabilities

Note 18.1 Non-current interest-bearing liabilities

(EUR million)	Note	As of 31 December 2016	2017
Unsubordinated debentures		1,755	1,850
Leasing and similar obligations		2	6
Other derivatives	33.1	6	4
Total		**1,763**	**1,860**

All long term debt is unsecured. During 2016 and 2017 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 33).

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 2017 are summarised as follows:

	Carrying amount (EUR million)	Nominal amount (EUR million)	Measurement under IAS 39	Maturity date	Interest payment / repriceable (b)	Interest rate payable	Effective interest rate
Unsubordinated debentures							
Floating rate borrowings							
JPY (a)	12	11	Amortized cost	Dec-26	Semi-annually	-0.22%	-0.22%
Fixed rate borrowings							
EUR	150	150	Amortized cost	Mar-28	Annually	3.19%	3.22%
EUR	100	100	Amortized cost	May-23	Annually	2.26%	2.29%
EUR	597	600	Amortized cost	Apr-24	Annually	2.38%	2.46%
EUR	494	500	Amortized cost	Oct-25	Annually	1.88%	2.05%
EUR	498	500	Amortized cost	Mar-22	Annually	0.50%	0.59%
	1,838	**1,850**					
Total unsubordinated debentures	**1,850**	**1,861**					
Leasing and similar obligations							
EUR	6	6	Amortized cost	2021	Quarterly	3.75%	3.75%
Total non-current financial liabilities (derivatives excluded)	**1,856**	**1,867**					
Derivatives							
Derivatives held-for-trading	4		Fair value				
Total	**1,860**	**1,867**					

(a) converted into a floating rate borrowing in EUR via currency interest rate swap

(b) for floating rate borrowings, interest rate is the one prevailing at the last repricing date before 31 December 2017

Non-current interest-bearing liabilities as of 31 December 2016 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	-0.40%	-0.40%
Fixed rate borrowings							
EUR	404	405	Amortized cost	Feb-18	Annually	3.88%	4.05%
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	596	600	Amortized cost	Apr-24	Annually	2.38%	2.46%
EUR	493	500	Amortized cost	Oct-25	Annually	1.88%	2.05%
	1,743	**1,755**					
Total unsubordinated debentures	**1,755**	**1,766**					
Leasing and similar obligations							
EUR	2	2	Amortized cost	2020	Quarterly	4.44%	4.44%
Total non-current financial liabilities (derivatives excluded)	**1,758**	**1,768**					
Derivatives							
Derivatives held-for-trading	6		Fair value				
Total	**1,763**	**1,768**					

(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 2016

Note 18.2 Current interest-bearing liabilities

(EUR million)	Note	As of 31 December 2016	2017
Current portion of amounts payable > 1 year			
Unsubordinated debentures		0	405
Leasing and similar obligations		2	2
Other financial debts			
Other loans		405	164
Total		407	570
Fair value remeasurement - loans hedged			
Total		407	570

Whereas no bonds matured during 2017, the company refinanced outstanding short term commercial paper debt by a new 5 year institutional bond of EUR 500 million in March 2017.
The table below details the current portion of the unsubordinated debentures maturing within one year.

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

	Carrying amount (EUR million)	Nominal amount (EUR million)	Measurement under IAS 39	Maturity date	Interest payment / repriceable	Interest rate payable	Effective interest rate
Current portion of interest-bearing-liabilities > 1 year							
Unsubordinated debentures							
Fixed rate borrowings							
EUR	405	405	Amortized cost	Feb-18	Annually	3,88%	4,05%
EUR			Amortized cost		Annually		
	405	**405**					
Leasing and similar obligations							
Fixed rate borrowings							
EUR	2	2	Amortized cost	2021	Quarterly	3,75%	3,75%
Total	**407**	**407**					

Current interest-bearing liabilities as of 31 December 2016 are summarised as follows:

	Carrying amount (EUR million)	Nominal amount (EUR million)	Measurement under IAS 39	Maturity date	Interest payment / repriceable	Interest rate payable	Effective interest rate
Current portion of interest-bearing-liabilities > 1 year							
Leasing and similar obligations							
Fixed rate borrowings							
EUR	2	2	Amortized cost	2020	Quarterly	4.44%	4.44%

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

(EUR million)	As of 31 December 2016	Cash flows	Non-cash changes			As of 31 December 2017
			Reclassification	Fair value changes	Amortization	
Long-term						
Unsubordinated debentures	1,755	498	-404	0	1	1,850
Leasing and similar obligations	2	4	0	0	0	6
Derivatives held for trading	6	0	0	-2	0	4
Current portion of amounts payable > one year						
Unsubordinated debentures	0	0	404	0	1	405
Leasing and similar obligations	2	0	0	0	0	2
Other financial debts						
Credit institutions	405	-242	0	0	0	164
Total liabilities from financing activities	**2,170**	**260**	**0**	**-2**	**2**	**2,430**

Note 19. Provisions

(EUR million)	Workers' accidents	Litigation	Illness days	Other Obligations	Total
As of 1 January 2016	**35**	**31**	**41**	**51**	**157**
Additions	0	6	0	13	19
Utilisations	-2	-9	0	-6	-17
Withdrawals	0	-3	-11	-3	-17
Unwinding	0	1	1	0	2
As of 31 December 2016	**32**	**25**	**31**	**55**	**144**
Additions	2	3	0	6	11
Utilisations	-2	-3	0	-4	-9
Withdrawals	0	-2	-2	-1	-6
As of 31 December 2017	**32**	**24**	**28**	**56**	**140**

The provision for workers' accidents relates to compensation that Proximus SA could pay to members of personnel injured (including professional illness) when performing their job and on their way to work. Until 31 December 2002, according to the law of 1967 (public sector) on labour accidents, compensation was funded and paid directly by Proximus. This provision (annuities part) is based on actuarial data including mortality tables, compensation ratios, interest rates and other factors defined by the law of 1967 and calculated with the support of a professional insurer. Taking into account the mortality table, it is expected that most of these costs will be paid out until 2062.
As from 1 January 2003, contractual employees are subject to the law of 1971 (private sector) and statutory employees remain subject to the law of 1967 (public sector). For both the contractual and statutory employees, Proximus is covered as from 1 January 2003 by insurance policies for workers' accidents and therefore will not directly pay members of personnel.

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

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

The provision for other obligations per end of 2017 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 2018-2047. The provision for restoration costs is estimated at current prices and discounted using a discount rate that varies between 0% and 4%, depending on the expected timing to settle the obligation.

Note 20. Other non-current payables

(EUR million)	As of 31 December 2016	2017
Other non-current payables -trade	146	177
Other non-current payables- non trade	16	26
Total	**162**	**202**

Non-current payables-trade include licenses (see note 4). They also include broadcasting and content rights payable over the part of the contract duration that is more than one year (mostly less than 3 years). Non-current payable-non trade increased as a consequence of the long term part of the remaining liability towards the sellers of TeleSign and for which the funds were deposited an escrow account (see notes 6.5 and 10).

Note 21. Other current payables

(EUR million)		As of 31 December 2016	2017
VAT payables		13	8
Payables to employees		106	97
Accrual for holiday pay		83	83
Accrual for social security contributions		41	52
Advances received on contracts		15	8
Other taxes		78	79
Deferred income		154	146
Other derivatives	33.4	0	1
Accrued expenses		34	16
Other debts (1)		55	138
Total		**579**	**628**

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

Deferred income mainly includes prepaid telecommunication and ICT services.

Note 22. Net revenue

(EUR million)	Year ended 31 December 2016	2017
Sales and rental of goods	548	573
Rendering of services	5,282	5,165
Total	**5,829**	**5,739**

Note 23. Other operating income

(EUR million)	Year ended 31 December 2016	2017
Gain on disposal of intangible assets and property, plant and equipment	3	24
Gain on disposal of consolidated companies	0	1
Other income	41	38
Total	**44**	**63**

The Group realized a gain on disposal of fixed assets of EUR 3 million in 2016 and EUR 24 million in 2017. The cash received from disposals amounts to EUR 5 million in 2016 and EUR 36 million in 2017.
Other income includes compensation for network damages (EUR 8 million in 2016 and 2017) as well as employee and third party contributions for sundry services.

Note 24. Non-recurring income

To improve the relevance of the reported figures, the Group reviewed the presentation of the income statement by removing the section 'non-recurring' and classifying the related items according to their nature.

Note 25. Costs of materials and services related to revenue

(EUR million)	Year ended 31 December 2016	2017
Purchases of materials	435	478
Purchases of services	1,807	1,688
Total	**2,242**	**2,166**

Purchases of materials are shown net of work performed by the enterprise that is capitalized for an amount of EUR 72 million in 2016 and EUR 57 million in 2017.

Note 26. Workforce expenses

(EUR million)	Year ended 31 December	
	2016 restated	2017
Salaries and wages	708	685
Social security expenses	182	178
Pension costs (1)	35	46
Post-employment benefits other than pensions and termination benefits (2)	108	74
Other workforce expenses	221	236
Total	**1,254**	**1,218**

(1) the negative non recurring pension cost were reclassified in pension costs

(2) the non recurring work force expenses were reclassified in post-employment benefits other than pensions and termination benefits

Workforce expenses are expenses related to own employees as well as to external working parties (included in other workforce expenses). For subsidiaries workforce expenses include internal personnel expenses and pensions only.

Salaries and wages and social security expenses are shown net of work performed by the enterprise that is capitalized for an amount of EUR 125 million in 2017 and EUR 110 million in 2016.

The 2016 pension costs include a past service gain of EUR 9 million as a consequence of the settlement resulting from the removal of the favourable early retirement clause in supplementary pension plans subject to transition rules for employees aged 55 and more in 2016.

The post-employment benefits other than pensions and termination benefits include the impact of the voluntary early leave plan and collective agreement approved by the social partners and the Board of Directors on 27 April 2016 (2017 EUR 65 million, 2016 EUR 104 million). For employees for whom the plan had an immediate effect the cost was recognized immediately. For employees who have opted for the plan but are still remaining active, the cost is spread over their respective activity period, as from the second quarter of 2016.
It includes also the impact of the plan on the provision for illness days for statutory employees

The 2016 and 2017 other workforce expenses include the positive impacts compensation mechanism (see note 9.4).

Note 27. Non-Workforce expenses

(EUR million)	Year ended 31 December 2016	2017
Rent expense	119	111
Maintenance and utilities	178	176
Advertising and public relations	84	80
Administration, training, studies and fees	127	128
Telecommunications, postage costs and office equipment	41	38
Allowances and loss on trade debtors	50	31
Loss on realization of trade debtors	-23	-6
Taxes other than income taxes	2	27
Other Non-Workforce expenses (1)	66	61
Total	**644**	**646**

(1) Unrealized and realized net exchange gains of EUR 2.9 million in 2016 and loss EUR 5,0 million in 2017.

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. The position as recognised in the Financial Statements reflects management's best estimate of the probable final outcome.
The difference with 2016 is explained by reversals in 2016 following decisions of the Constitutional Court, on the basis of which the Walloon regional tax on pylon for previous years was not due.

Note 28. Non-recurring expenses

To improve the relevance of the reported figures, the Group reviewed the presentation of the income statement by removing the section 'non-recurring' and classifying the related items according to their nature. All non-recurring expenses were reclassified in Workforce expenses (see note 26).

Note 29. Depreciation and amortization

(EUR million)	Year ended 31 December 2016	2017
Amortization of licenses and other intangible assets	358	382
Depreciation of property, plant and equipment	559	581
Total	**917**	**963**

Note 30. Net finance cost

(EUR million)		Year ended 31 December 2016	2017
Finance income			
Interest income on financial instruments			
At amortized cost		1	1
At fair value through income statement		1	0
Interest income on assets			
On receivables		2	3
Fair value adjustments of financial instruments			
Not in a hedge relationship	37	0	2
Other finance income		1	0
Finance costs			
Interests and debt charges on financial instruments			
At amortized cost		-82	-52
On long term payables		-4	-3
Other		0	-4
Discounting charges			
On provisions		-3	0
On termination benefits		-14	-7
Impairment losses			
On other participating interests		0	-2
Fair value adjustments of financial instruments			
Not in a hedge relationship	37	0	-5
Other finance costs		-2	-2
Total		**-101**	**-70**

Note 31. 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	
(in millions, except per share amounts)	2016	2017
Net income attributable to ordinary shareholders (EUR million)	523	522
Weighted average number of outstanding ordinary shares	322,317,201	322,777,440
Adjustment for share options	292,915	176,971
Weighted average number of outstanding ordinary shares for diluted earnings per share	322,610,116	322,954,411
Basic earnings per share (EUR)	1.62	1.62
Diluted earnings per share (EUR)	1.62	1.62

In 2016 and 2017, all stock options granted were dilutive and hence included in the calculation of diluted earnings per shares.

Note 32. Dividends paid and proposed

(in millions, except per share amounts)	2016	2017
Dividends on ordinary shares:		
Proposed dividends (EUR million)	484	484
Number of outstanding shares with dividend rights	322,637,103	322,638,989
Dividend per share (EUR)	1.5	1.5
Interim dividend paid to the shareholders (EUR million)	161	161
Interim dividend per share (EUR)	0.50	0.50

The proposed dividends for 2016 have been effectively paid in April 2017. The interim dividends for 2017 have been paid in December 2017.

An amount of EUR 3.7 million was paid in 2017 in relation with the stock options exercised in 2017. This amount corresponds to the accumulated dividends attached to the exercised SOP since their granting.

Note 33. Additional disclosures on financial instruments

Note 33.1. 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	2016	2017
Non-current assets			
Derivatives held for trading	10	6	5
Current assets			
Non-interest-bearing			
Derivatives held-for-hedging		0	2
Derivatives held for trading	13	1	0
Total assets		**8**	**7**
Non-current liabilities			
Interest-bearing			
Derivatives held for trading	18	6	4
Current liabilities			
Non-interest-bearing			
Derivatives held for trading	33.4	0	1
Total liabilities		**6**	**4**

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

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

As of 31 December 2016	Fair value	
(EUR million)	Asset	Liability
Interest rate and currency swaps	6	0
Interests and currency related - other derivatives	0	-6
Forward foreign exchange contracts	1	0
Derivatives not qualifying for hedge accounting	**8**	**-6**

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 33.2 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 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), the interest rate and currency swap agreements (IRCS), and the net currency obligations of the Group at 31 December 2016 and 2017.

As of 31 December 2017

	Direct borrowing			IRCS agreements			Net currency obligations		
	Notional amount	Weighted average interest rate (1)	Average time to maturity	Amount payable (receivable)	Weighted average interest rate (1)	Average time to maturity	Amount payable (receivable)	Weighted average interest rate (1)	Average time to maturity
	(EUR million)		(in years)	(EUR million)		(in years)	(EUR million)		(in years)
EUR									
Fixed	2,255	1.98%	5				2,255	1.98%	5
Variable				11	-0.46%	9	11	-0.46%	9
JPY									
Fixed	11	5.04%	9	-11	-5.04%	9			
Variable									
Total	**2,266**	**2.01%**	**5**	**0**			**2,266**	**1.96%**	**5**

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

As of 31 December 2016

	Direct borrowing			IRCS agreements			Net currency 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	1,755	2.36%	7				1,755	2.36%	7
Variable				11	-0.40%	10	11	-0.40%	10
JPY									
Fixed	11	5.04%	10	-11	-5.04%	10			
Variable									
Total	**1,766**	**2.38%**	**7**	**0**			**1,766**	**2.33%**	**7**

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

The Group does not expect material impacts for 2018 on the income statement resulting from interest payable on floating rate borrowings on the one hand and from re-measurement at fair value in income statement of some derivatives that do not qualify as hedging instruments on the other hand.

On November 28, 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 Q1 2018. 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 will be 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 2016 and 2017, 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, whereby such re-measurement results are temporarily being recorded on the balance sheet, awaiting final occurrence and settlement of underlying, so-called "hedge effective" exposures, when the foreign exchange results ultimately are included in the income statement.

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 2016 and 2017. For 2016 and 2017, there was no material impact on the Group's income statement. For 2018, the Group does not expect any material impact of currency fluctuations on its overall financial performance either, provided and as was the case before, timely and adequate hedging of such exposures can be performed as soon as they are recognizable in the ordinary course of business.

Credit risk and significant concentrations of credit risk

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 as a rule are only entered into with leading financial institutions whose long term credit ratings equal at least A- (S&P).

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 12) 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 financial derivatives (see note 33.1). However, the Group does not anticipate non-performance by any of these counterparties, seeing it only deals with prime financial institutions. 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 2017, it had granted bank guarantees for an amount of EUR 52 million and EUR 49million at 31 December 2016).

Liquidity risk

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

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

The table below summarizes the maturity profile of the Group's unsubordinated debentures as disclosed on note 18 at each reporting date. This maturity profile is based on contractual undiscounted interests 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 2016 and 2017, respectively).

(EUR million)	2017	2018	2019	2020	2021	2022-2028
As of 31 December 2016						
Capital	0	405	0	0	0	1,361
Interests	47	47	31	31	31	121
Total	**47**	**452**	**31**	**31**	**31**	**1,482**
As of 31 December 2017						
Capital	0	405	0	0	0	1,861
Interests	0	49	34	34	34	123
Total	**0**	**454**	**34**	**34**	**34**	**1,984**

Bank credit facilities at 31 December 2017

In addition to the interest-bearing liabilities disclosed in notes 18.1 and 18.2, the Group is backed by long term committed credit facilities of EUR 650 million and short term committed credit facilities of EUR 50 million. These facilities are provided by a diversified group of banks. As at 31 December 2017, 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 2017.

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 2017, there was an outstanding balance under the EMTN Program of EUR 2,255 million, whereas the CP Program showed a drawn and outstanding amount of EUR 163.5 million.

Note 33.3 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 liabilities and related derivatives (including re-measurement to fair value). The net financial position does not include non-current trade payables.

(EUR million)	Note	2016	2017
Assets			
Current investments (1)	14	6	5
Cash and cash equivalents (1)	15	297	333
Non-current derivatives	10	6	5
Liabilities			
Non-current interest-bearing liabilities (1)	18	-1,763	-1,860
Current interest-bearing liabilities (1)	18	-407	-570
Net financial position		**-1,861**	**-2,088**

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

Non-current interest-bearing liabilities include non-current derivatives at fair value amounting to EUR 6 million in 2016 and EUR 4 million in 2017 (see note 18.1).

The purpose of the Group's capital management is to maintain net financial debt and equity ratios that allow for security of liquidity at all times via flexible access to capital markets, in order to be able to finance strategic projects and to offer an attractive remuneration to shareholders. The latter was updated by the Proximus Board of Directors of 25 February 2010 and Proximus now commits to return, in principle, most of its annual cash flow before financing activities (or "Free Cash Flow"), to its shareholders. The return of free cash flow through dividends will be reviewed on an annual basis, in order to keep strategic financial flexibility for future growth, organically or via selective merger and acquisition projects, with a clear focus on value creation. This also includes confirming appropriate levels of distributable reserves. Furthermore, as confirmed and approved by the Proximus Board of Directors on December 15, 2016, Proximus' Board of Directors intends to pay out a stable dividend of EUR 1.50 per share (interim dividend of EUR 0.50 and ordinary dividend of EUR 1.00) for the years 2017, 2018 & 2019, provided Proximus' financial performance delivery in line with its strategic plan.

Over the two years presented, the Group did not issue new shares or any other dilutive instruments.

Note 33.4 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 33.2).

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 2017, the fair value of the unsubordinated debentures, which are accounted for at amortized cost exceeds by EUR 145 million, or 6.4%, 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 2017 for similar debentures with the same remaining maturities.

As of 31 December 2017 (EUR million)	Note	Category according to IAS 39 (1)	Carrying amount	Amortized cost	Acquisition cost net of impairment losses, if any	Fair value adjustment recognized in equity	Fair value adjustment recognized in income statement
ASSETS							
Non-current assets							
Other participating interests	7	AFS	8		8		
Other non-current assets							
Other derivatives	33.1	FVTPL	5				-2
Other financial assets	10	LaR	51	51			
Current assets							
Trade receivables	12	LaR	1,111	1,111			
Other current assets							
Derivatives held-for-hedging	33.1	HeAc	2			2	
Other receivables	13	N/A	16	16			
Investments	14	HTM	5	5			
Cash and cash equivalents							
Short-term deposits	15	LaR	333	333			
LIABILITIES							
Non-current liabilities							
Interest-bearing liabilities							
Unsubordinated debentures not in a hedge relationship	18	OFL	1,850	1,850			
Leasing and similar obligations	18	OFL	6	6			
Other derivatives	33.1	FVTPL	4				-2
Non interest-bearing liabilities							
Other non-current payables	20	OFL	202	202			
Current liabilities							
Interest-bearing liabilities, current portion							
Unsubordinated debentures not in a hedge relationship	18	OFL	405	405			
Leasing and similar obligations	18	OFL	2	2			
Interest-bearing liabilities							
Other loans	18	OFL	164	164			
Trade payables		OFL	1,415	1,415			
Other current payables							
Other derivatives	33.1	FVTPL	1				1
Other debt		OFL	37				3
Other amounts payable	21	OFL	289	289			

(1) The categories according to IAS 39 are the following :

AFS: Available-for-sale financial assets

HTM: Financial assets held-to-maturity

LaR: Loans and Receivables financial assets

FVTPL: Financial assets/liabilities at fair value through profit and loss

OFL: Other financial liabilities

As of 31 December 2016 (EUR million)	Note	Category according to IAS 39 (1)	Carrying amount	Amortized cost	Acquisition cost net of impairment losses, if any	Fair value adjustment recognized in equity	Fair value adjustment recognized in income statement
ASSETS							
Non-current assets							
Other participating interests	7	AFS	10		10	0	
Other non-current assets							
Other derivatives	33.1	FVTPL	6				1
Other financial assets	10	LaR	30	30			
Current assets							
Trade receivables	12	LaR	1,149	1,149			
Other current assets							
Other derivatives	32.1	FVTPL	1				1
Other receivables	13	N/A	22	25			
Investments	14	AFS	1		0	0	
Investments	14	HTM	5	5			
Cash and cash equivalents							
Short-term deposits	15	LaR	297	297			
LIABILITIES							
Non-current liabilities							
Interest-bearing liabilities							
Unsubordinated debentures not in a hedge relationship	18	OFL	1,755	1,755			
Leasing and similar obligations	18	OFL	2	2			
Other derivatives	33.1	FVTPL	6				1
Non interest-bearing liabilities							
Other non-current payables	20	OFL	169	169			
Current liabilities							
Interest-bearing liabilities, current portion							
Leasing and similar obligations	18	OFL	2	2			
Interest-bearing liabilities							
Other loans	18	OFL	405	405			
Trade payables		OFL	1,381	1,381			
Other current payables							
Other debts	6.5	OFL	34		34	0	
Other amounts payable	21	OFL	266	280			

(1) The categories according to IAS 39 are the following :

AFS: Available-for-sale financial assets

HTM: Financial assets held-to-maturity

LaR: Loans and Receivables financial assets

FVTPL: Financial assets/liabilities at fair value through profit and loss

OFL: Other financial liabilities

Note 33.5 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 or 2 only. In 2016, the Group classified a new instrument in Level 3, which is not a transfer from another Level.

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

- Other derivatives in Level 2
  Other derivatives include mainly the interest rate swaps (IRS, in 2015 only) and interest rate and currency swaps (IRCS) the Group entered into to reduce the interest rate and currency fluctuations on some of its long-term debentures. The fair values of these instruments are determined by discounting the expected contractual cash flows using interest rate curves in the corresponding currencies and currency exchange rates, all observable on active markets.
- Unsubordinated debentures
  The unsubordinated debentures are recognized at amortized cost. Their fair values, calculated for each debenture separately, were obtained by discounting the interest rates at which the Group could borrow at 31 December 2017 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 2017 (EUR million)	Note	Category according to IAS 39 (1)	Balance at 31 December 2017	Fair values measurement at end of the reporting period using : Level 1	Level 2	Level 3
ASSETS						
Non-current assets						
Other non-current assets						
Other derivatives	33.1	FVTPL	5		5	
Current assets						
Non interest-bearing receivables						
Derivatives held-for-hedging	33.1	HeAc	2	2		
LIABILITIES						
Non-current liabilities						
Interest-bearing liabilities						
Unsubordinated debentures except for their "non closely related" embedded derivatives	33.1	OFL	1,850		1,989	
Non interest-bearing liabilities						
Other derivatives	33.1	FVTPL	4		4	
Current liabilities						
Interest-bearing liabilities						
Unsubordinated debentures except for their "non closely related" embedded derivatives	33.1	OFL	405		407	
Non interest-bearing liabilities						
Other derivatives	33.1	HeAc	1	1		
Other debt		OFL	37			37

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

As of 31 December 2016 (EUR million)	Note	Category according to IAS 39 (1)	Balance at 31 December 2016	Fair values measurement at end of the reporting period using :		
				Level 1	Level 2	Level 3
ASSETS						
Non-current assets						
Other non-current assets						
Other derivatives		FVTPL	6		6	
Current assets						
Non interest-bearing liabilities						
Other derivatives		FVTPL	1	1		
Investments		AFS	1		1	
LIABILITIES						
Non-current liabilities						
Interest-bearing liabilities						
Unsubordinated debentures except for their "non closely related" embedded derivatives		OFL	1,755		1,906	
Non interest-bearing liabilities						
Other derivatives		FVTPL	6		6	
Current liabilities						
Non interest-bearing liabilities						
Other debt		OFL	34			34

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

Note 34. Related party disclosures

Note 34.1. Consolidated companies

Subsidiaries, joint-ventures and associates are listed in note 6.
Commercial terms and market prices apply for the supply of goods and services between Group companies.

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

Proximus SA transactions with its subsidiairies	Year ended 31 December	
(EUR million)	2016	2017
Revenues	132	145
Costs of materials and services related to revenue	-120	-122
Net finance costs	-259	-157
Dividends received	646	268

Outstanding balances of Proximus SA with subsidiaries	As of 31 December	
(EUR million)	2016	2017
Trade receivables	30	25
Trade payables	-44	-43
Interest bearing receivables/liabilities	-9,772	-9,438
Other receivables and liabilities	0	-7

Note 34.2. 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 4.55%. The remaining 41.94% 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 34.3. 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 has remained applicable in 2017 and no substantial change of the policy is expected for the coming two years: it foresees an annual fixed compensation of EUR 50,000 for the

Chairman of the Board of Directors and of EUR 25,000 for the other members of the Board of Directors, with the exception of the CEO. All members of the Board of Directors, with the exception of the CEO, have the right to an attendance fee of EUR 5,000 per attended meeting of the Board of Directors. This fee is doubled for the Chairman. Attendance fees of EUR 2,500 are foreseen for each member of an advisory committee of the Board of Directors, with the exception of the CEO. For the Chairman of the respective advisory committee, these attendance fees are doubled.

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

The Chairman of the Board of Directors is also Chairman of the Joint Committee and of the Pension Fund. Mrs Catherine Vandenborre and Mrs Sandrine Dufour are members of the Board of the Pension Fund. They do not receive any fees for these board mandates. For the execution of their Board mandates, the non-executive Directors do not receive any variable performance-based remuneration such as bonuses or long term incentive plan, nor do they receive benefits linked to complementary pension plans or any other group insurance.
The total remuneration for the Directors amounted to EUR 1,080,244 for 2017 and to EUR 970,638 for 2016. 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:

	2016	2017
Board of Directors	7	8
Audit and Compliance Committee	5	5
Nomination and Remuneration Committee	5	4
Strategic and Business Development Committee	2	2

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

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

For the year ended 31 December 2016, a total gross amount (long term share-based payments and termination benefits included) of EUR 6,955,782 (before social security costs) was paid or granted in aggregate to the members of the Executive Committee, Chief Executive Officer included. In 2016, the members of the Executive Committee were Dominique Leroy, Sandrine Dufour, Michel Georgis (6 months), Dirk Lybaert, Geert Standaert, Renaud Tilmans, Jan Van Acoleyen (7,5 months), Bart Van Den Meersche and Phillip Vandervoort.
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 including employer social security contributions paid on these benefits;
- Post-employment benefits: insurance premiums paid by the Group in the name of members of the

Executive Committee. The premiums cover mainly a post-retirement complementary pension plan;

- Share-based payments:
    - Performance Value based payments (long term): gross amounts granted under the Performance Value Plan, which creates possible exercising rights as from May 2019 (granted in 2016) or May 2020 (granted in 2017), 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.

	Year ended 31 December	
EUR*	2016	2017
Short-term employee benefits	4,884,620	4,223,170
Post-employment benefits	1,089,162	697,436
Share based payments	982,000	1,005,000
Total	**6,955,782**	**5,925,606**

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

Note 34.4. 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 35. Rights, commitments and contingent liabilities

Operating lease commitments

The Group rents sites for its telecom infrastructure and leases buildings, technical and network equipment, as well as furniture and vehicles under operating leases with terms of one year or more. Rental expenses in respect of these operating leases amounted EUR 123 million in 2017 and EUR 131 million in 2016.

Future minimum rentals payable under the non-cancellable operating leases are as follows at 31 December 2017:

(EUR million)	Within one year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Buildings	21	30	9	3	63
Sites	23	27	12	6	68
Technical and network equipment	14	4	1	1	19
Furniture	0	0	0	0	0
Vehicles	21	26	6	0	54
Other material	0	0	0	0	0
Total	**79**	**86**	**27**	**11**	**203**

Future minimum rentals payable under the non-cancellable operating leases are as follows at 31 December 2016:

(EUR million)	Within one year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Buildings	23	24	9	9	66
Sites	23	28	15	8	74
Technical and network equipment	13	5	1	1	21
Furniture	0	0	0	0	0
Vehicles	22	20	2	0	44
Other material	0	0	0	0	0
Total	**82**	**77**	**27**	**18**	**205**

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

Claims and legal proceedings

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

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

Proximus is currently involved in various judicial and regulatory 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 between 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 Belgian market), but for different periods depending on the claimant, in particular, in the 1999 up to now timeframe (claim for EUR 1 provisional and request for appointment of an expert to compute the precise damage). In November 2009 Mobistar filed another similar claim for the period 2004 and beyond. These cases have been postponed for an undefined period.

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

Tax proceedings

The Belgian tax authorities considered a foreign subsidiary of the Group as a tax resident of Belgium rather than of Luxembourg and assessed a total amount of EUR 69 million excluding interest for the years 2004, 2005 and 2006. The Brussels Court of First Instance decided in June 2014 in favour of the Group's foreign subsidiary. The tax authorities filed an appeal against this decision. On November 23, 2017, the Brussels Court of Appeal confirmed the decision of the Court of First Instance and annulled the assessments. The Belgian State has decided not to appeal the ruling of the Brussels Court of Appeal before the Supreme Court.

BICS NV received withholding tax assessments from the Indian tax authorities in relation to payments made by an Indian tax resident customer to BICS NV in the period 1 April 2007 to 31 March 2009 for an aggregate amount of INR 522.9 million (equivalent to EUR 6.8 million). BCS NV filed appeals against the above assessments with the competent Indian Courts opposing the view of the Indian tax authorities that Indian withholding taxes are due on the payments. Furthermore, BICS NV is opposing the assessment in relation to the period 1 April 2008 to 31 March 2009 on procedural grounds. BICS has not paid the assessed amounts and has not recorded a tax provision. Management assesses that the position as recognized in these financial statements reflects the best estimate of the probable final outcome.

Capital expenditure commitments

At 31 December 2017, the Group has contracted commitments of EUR 231 million, mainly for the acquisition of intangible assets and technical and network equipment.

Other rights and commitments

At 31 December 2017, the Group has the following other rights and commitments:
The Group received guarantees for EUR 7 million from its customers to guarantee the payment of its trade receivables and guarantees for EUR 9 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 94 million (including the bank guarantees mentioned in note 33.2) 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. The provision of mobile social tariffs therefore remains obligatory, albeit without a possibility to request compensation from a sector-specific fund, as it is the case for other social tariffs and universal services.
In its communication of 27 December 2017 regarding the monitoring van the universal service, the BIPT states the following : '(PXS translation)'Following this, the Constitutional Court has decided on 3 February 2016 that Belgium cannot oblige the telecom operators to grant social tariffs for mobile telephony and mobile internet. However, the government could decide to make the services accessible to the public as 'additional obligatory services', however without a possibility to have a financing from the sectorial compensation fund.' Given this reading of the BIPT, it has been decided not to grant any longer social tariffs on standalone mobile internet formula's. Social reductions on bundles for mobile internet are being maintained.

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

Note 36. Share-based Payment

Discounted Share Purchase Plans

In 2016 and 2017, the Group launched Discounted Share Purchase Plans.

Under the 2016 and 2017 plans, Proximus sold respectively 9,773 and 6,263 shares to the senior management of the Group at a discount of 16.66% compared to the market price (discounted price for EUR 22.94 to 23.82 per share in 2016 and from EUR 24.74 to 26.00 in 2017). The cost of the discount is below EUR one million in 2016 and in 2017 and was recorded in the income statement as workforce expenses (see note 26).

Performance Value Plan

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

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

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

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

The fair value of the tranches 2013, 2014, was nihil per 31 December 2017 and those for 2015, 2016 and 2017 tranches respectively EUR 5, 2 and 1.million. The annual charge of the 2013 tranche was nihil and amounted to EUR one million for the other tranches The calculation of simulated total shareholder return under the Monte Carlo model for the remaining time in the performance period for awards with market conditions included the following assumptions as of 31 December 2017:

	31 December 2016	31 December 2017
Weighted average risk free of return	-0.075%	-0.040%
Expected volatility - company	21.03%	15.35% - 19.44%
Expected volatility - peer companies	17%-31%	11.42% - 75.90%
Weighted average remaining measurement period	2.76	3.14

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 0.7 million in 2016 and EUR 0.2 million in 2017.

The tranches granted from 2004 to 2012 are still open and have all vested by now. All the tranches except the 2004 tranche provide the beneficiaries with a right to the dividends declared after granting the options. The dividend liability amounted to EUR 6 million on 31 December 2016 and EUR 2.7 million on 31 December 2017 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 serie 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)							
	2005	2006	2007	2008	2010	2011	2012	Total
Outstanding at 31 December 2016	**6,498**	**21,570**	**32,597**	**57,373**	**42,951**	**102,019**	**236,850**	**499,858**
Exercisable at 31 December 2016	**6,498**	**21,570**	**32,597**	**57,373**	**42,951**	**102,019**	**236,850**	**499,858**
Movements during the year 2017								
Forfeited	-100	0	0	0	0	0	-3,746	-3,846
Exercised	-6,398	-12,213	-9,592	-17,692	-42,951	-67,226	-152,551	-308,623
Total	-6,498	-12,213	-9,592	-17,692	-42,951	-67,226	-156,297	-312,469
Outstanding at 31 December 2017	**0**	**9,357**	**23,005**	**39,681**	**0**	**34,793**	**80,553**	**187,389**
Exercisable at 31 December 2017	**0**	**9,357**	**23,005**	**39,681**	**0**	**34,793**	**80,553**	**187,389**
Exercise price	**30**	**26**	**33**	**29**	**26**	**25**	**22**	

(1) plans of 2004 and 2009 expired

The volatility used for the remeasurement of the liability component has been estimated to 22%.

Note 37. Relationship with the auditors

The Group expensed for the Group's auditors during the year 2017 for an amount of EUR 1,344,894 for audit mandate and control missions and EUR 267,032 for tax advice and other missions.

This last amount is detailed as follows:

EUR	Auditor	Network of auditor
Audit mandate	893,914	364,540
Other Control Missions	57,374	29,067
Tax advice	0	5,200
Other missions	199,158	62,674
Total	**1,150,445**	**461,481**

Note 38. Segment reporting

Reporting by segment

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;
- 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.

(EUR million)	Group Proximus Reported	Incidental	Underlying	Year ended 31 December 2017 underlying by segment BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	5,739	0	5,739	1,318	4,420	2,889	1,394	206	-69
Other revenues	63	-24	39	2	37	20	6	0	11
TOTAL INCOME	**5,802**	**-24**	**5,778**	**1,320**	**4,458**	**2,910**	**1,399**	**207**	**-58**
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	**-2,166**	**0**	**-2,166**	**-1,041**	**-1,126**	**-722**	**-444**	**-32**	**71**
Direct margin	**3,636**	**-24**	**3,612**	**279**	**3,332**	**2,188**	**956**	**175**	**13**
Workforce expenses	-1,218	72	-1,146	-59	-1,087				
Non workforce expenses	-646	3	-643	-78	-564				
TOTAL OPERATING EXPENSES	**-1,863**	**75**	**-1,789**	**-137**	**-1,652**				
OPERATING INCOME before depreciation & amortization	**1,772**	**51**	**1,823**	**143**	**1,680**				
Depreciation and amortization	-963	0	-963	-80	-883				
OPERATING INCOME	**809**	**51**	**860**	**63**	**797**				
Net finance costs	-70								
Share of loss on associates	-2								
INCOME BEFORE TAXES	**738**								
Tax expense	-185								
NET INCOME	**552**								
Non-controlling interests	30								
Net income (Group share)	**522**								

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

	Year ended 31 December 2016 - restated								
	Group Proximus			underlying by segment					
(EUR million)	Reported	Incidental	Underlying	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
Net revenue	5,829	0	5,829	1,457	4,373	2,870	1,371	194	-63
Other revenues	44	-3	41	4	38	18	5	0	14
TOTAL INCOME	**5,873**	**-3**	**5,871**	**1,460**	**4,410**	**2,889**	**1,376**	**194**	**-49**
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	**-2,242**	**0**	**-2,242**	**-1,186**	**-1,056**	**-684**	**-413**	**-25**	**66**
Direct margin	**3,631**	**-3**	**3,628**	**274**	**3,354**	**2,204**	**964**	**169**	**17**
Workforce expenses	-1,254	95	-1,159	-53	-1,106				
Non workforce expenses	-644	-29	-673	-72	-601				
TOTAL OPERATING EXPENSES	**-1,898**	**66**	**-1,832**	**-125**	**-1,707**				
OPERATING INCOME before depreciation & amortization	**1,733**	**63**	**1,796**	**149**	**1,647**				
Depreciation and amortization	-917	0	-917	-77	-840				
OPERATING INCOME	**816**	**63**	**879**	**72**	**807**				
Net finance costs	-101								
Share of loss on associates	-1								
INCOME BEFORE TAXES	**715**								
Tax expense	-167								
NET INCOME	**548**		**712**						
Non-controlling interests	25		32						
Net income (Group share)	**523**		**680**						

In 2016 the financials of the subsidiary Tango were fully reported with in the Consumer segment. As of 2017 Tango reported in the respective customer division: Consumer and Enterprise. The 2016 figures have been restated accordingly.

	Year ended 31 December 2016						
(EUR million)	Group	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations
Capital expenditure	949	137	27	717	32	36	0

In respect of geographical areas, the Group realized EUR 4,030 million net revenue in Belgium in 2016 and EUR 4,042 million in 2017 based on the country of the customer. The net revenue realized in other countries amounted to EUR 1,799 million in 2016 and EUR 1,697 million in 2017. More than 90% of the segment assets are located in Belgium.

Note 39. Recent IFRS pronouncements

The Group does not early adopt the standards or interpretations that are not yet effective at 31 December 2017.

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 2018 or later:

Amendments to standards:

- Amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture) (deferred indefinitely)
- Amendments to IFRS 2 (Classification and Measurement of Share Based Payments") effective 1/1/2018
- Annual improvements to IFRS's (2014-2016 cycle) concerning IFRS 1 and IAS 28 (effective 1/1/2018);
- Amendments to IFRS 9 (Prepayment features with negative compensation and modification of financial liabilities) effective 1/1/2019;

Newly issued standards and Interpretations:
Effective 1/1/2018

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

Effective 1/1/2019 or later

- IFRS 16 (Leases)
- IFRS 17 (Insurance Contracts)
- IFRIC 23 (Uncertainty over Income Tax Treatment)

IFRS 15 - Revenue from contracts with customers

IFRS 15 (endorsed by the EU in September 2016) will become applicable as from 1 January 2018 and supersede IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue-Barter Transaction Involving Advertising Services.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

For the implementation of key IFRS 15 concepts the Group structured its analysis by customer type.

Household revenue streams relate to the mass market goods and services with a large number of standardized contracts. The most significant change between current revenue recognition standards and IFRS 15 relates to bundled packages where devices and services are sold together. The Group currently allocates the consideration for these sales arrangements with multiple deliverables using the relative fair value approach but limits the revenue to the amount that is not contingent on delivery of future services ("cash cap"). Under IFRS 15, no cash cap is applicable and the revenue allocation will be made based on relative stand-alone selling prices. This will result in a shift between service revenue and revenue from sale of goods. Consequently, while the total revenue will remain the same over the contract duration, the timing for the revenue recognition will be impacted as service revenue is recognized over the period service is granted compared to the revenue from the sale of goods which is recognized immediately at the time of the sale.
This change in timing of revenue recognition may also result in the creation of contract assets and liabilities.

Enterprise customers' revenue is characterized by a large range of service lines (e.g. Fixed and Mobile Telco, ICT, Fixed Data) with customized contracts. Analyses indicates that implementing IFRS 15 has no material impact for Enterprise customers' revenue from contracts.

IFRS 15 qualifying commissions to acquire contracts are capitalized as 'contract cost assets'. The asset recognized will be deferred on a systematic basis being 3 years for residential and 5 years for business

customers, this is consistent with the transfer to the customer of the goods or services to which the asset relates.

The Group has decided to apply the cumulative catch-up method for transition with application of practical expedients. No significant financing component is considered when it is expected at contract inception that the period between the transfer of the promises to the customer and the payment is one year or less. The incremental costs to obtain a contract are expensed when incurred if the amortization period would be one year or less. The effect of initially applying IFRS 15 is recognized at date of initial application (1st January 2018) and will not be applied to the comparative periods. In 2018, dual reporting will be presented based on IFRS 15 and the previously applicable standards.

The Group has assessed the estimated impact from the initial application of IFRS 15 on the equity per 1 January 2018 on its consolidated financial statements. The total positive impact on equity is estimated to be EUR 203 million (before deferred tax). This impact results from the activation of contract costs (commissions) for EUR 120 million (before deferred tax) and EUR 83 million (before deferred tax) as a consequence from the change in timing of the revenue recognition.

The IFRS 15 impact on future yearly revenue will amongst other items, depend on the amplitude and the frequency of future joint offers. The impact on yearly revenue is not expected to be significant in case the pattern of future joint offers is consistent with the past.

IFRS 9 – Financial Instruments

IFRS 9 will be applicable as from 1 January 2018. It replaces major parts of IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 Financial instruments sets out requirements for classification and measurement of financial assets, financial liabilities, impairment and hedge accounting.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects their cash flows characteristics and the business model in which assets are managed.

There are three principal measurement classification categories being amortized cost, FVOCI (fair value through OCI) and FVTPL (fair value through P&L). The previous classifications according to IAS 39 are replaced.

The impairment model of IFRS 9 is based on the expected credit losses (ECL) and replaces the incurred losses model. It applies to the financial assets measured at amortized costs or FVOCI

The Group will adopt the new standard on 1 January 2018 and will not restate 2017 comparative information. The negative impact on equity is estimated at EUR 5 million (before deferred tax) and results from the use of the new impairment model on the contract asset recognized when applying IFRS 15. There is no material impact from the measurement of the other financial assets and liabilities. The other (trade) receivables held by the Group are mainly current with a very short term. Almost all other Group's financial assets relate to cash and cash equivalents The Group owns a very limited amount of equity investments.

Financial assets and liabilities will be classified in compliance with the new standard. However this will not have material impacts on the measurement.

IFRS 16- Leases

IFRS 16 will become applicable as 1 January 2019 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under

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

The assessment of the impact is ongoing and not yet final. This will notably be influenced by the Group's future borrowing rate at transition on 1/1/2019, the lease contracts portfolio at that time and the transition method including, if any, practical expedients that will be adopted.

Note 40. Post balance sheet events

There are no events that occurred after 31 December 2017 that have not been reflected in the financial statements.