



Proximus NV van publiek recht/ Proximus SA de droit public

Statutory report of the joint auditors to the shareholders' meeting for the year ended 31 December 2018 - Annual accounts

The original text of this report is in Dutch and French

Statutory report of the joint auditors to the shareholders' meeting of Proximus van publiek recht / Proximus SA de droit public for the year ended 31 December 2018 - Annual accounts

In the context of the statutory audit of the annual accounts of Proximus NV van publiek recht / Proximus SA de droit public (the "company"), we hereby submit our statutory audit report. This report includes our report on the annual accounts and the other legal and regulatory requirements. These parts should be considered as integral to the report.

As required by law and the company's articles of association, and more specifically by article 25 of the law of 21 March 1991 reforming certain economic public corporations applicable to Proximus NV van publiek recht / SA de droit public, the statutory auditors, members of the joint auditors, were appointed in their capacity as statutory auditor by the shareholders' meeting of 20 April 2016 for a period of six years, in accordance with the proposal of the board of directors issued upon recommendation of the audit and compliance committee. The mandate of these statutory auditors will expire on the date of the shareholders' meeting approving the annual accounts for the year ending 31 December 2021. Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises has performed the statutory audit of the annual accounts of Proximus NV van publiek recht / Proximus SA de droit public for 9 subsequent years. CDP Petit & Co has performed the statutory audit of the annual accounts of Proximus NV van publiek recht / Proximus SA de droit public for 3 subsequent years.

Report on the annual accounts

Unqualified opinion

We have audited the annual accounts of the company, which comprises the balance sheet as at 31 December 2018 and the income statement for the year then ended, as well as the explanatory notes. The annual accounts show total assets of 16 167 816 (000) EUR and the income statement shows a profit for the year ended of 450 498 (000) EUR.

In our opinion, the annual accounts give a true and fair view of the company's net equity and financial position as of 31 December 2018 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the joint auditors for the audit of the annual accounts" section of our report. We have complied with all ethical requirements relevant to the statutory audit of the annual accounts in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p>Revenue recognition on telecommunications activities</p> <p>The accuracy of revenue is an inherent risk in the telecommunications industry. This is driven by the complexity of billing systems, the magnitude of volumes of data in combination with different products on the market and price changes in the year. The correct application of revenue recognition accounting standards to the separate elements of a customer's contract are complex and require judgement by management.</p> <p>The details on revenue recognition are included in explanatory notes 6.19 'Valuation rules' and 6.10 'Net turnover' to the annual accounts.</p>	<p>We addressed this key audit matter by including the following controls and substantive test procedures to the material revenue streams:</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of the key controls in place in the revenue cycle, as well as in the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that support material revenue streams; • We performed a tests of details on a sample of individual revenue transactions, tracing these back to order documentation and cash receipts; and • We performed a substantive analytical review. <p>Additionally we considered the appropriateness of the company's accounting policies with respect to revenue recognition, mainly focusing on the treatment of new products.</p>
<p>Capitalization and asset lives</p> <p>Over the past years, Proximus annually invested significant amounts in its fixed and mobile networks as well as in IT systems. Given the technological changes in the network and the investments in new IT systems, there are a number of areas where management judgement influences the carrying value of property, plant and equipment and intangible assets and their respective depreciation profiles. These include:</p> <ul style="list-style-type: none"> • The decision to capitalize or expense costs; and • The annual review of useful life considering the impact of changes in the company's strategy, if any. <p>The details on capitalization and asset lives are included in explanatory notes 6.19 'Valuation rules', 6.2.3 'Concessions, patents, licenses, knowhow, brands and similar rights', 6.2.4 'Goodwill' and 6.3.1 to 6.3.5 'Statement of tangible fixed assets' to the annual accounts.</p>	<p>We tested the design and implementation of the key controls in place in the property, plant and equipment and intangible assets cycle.</p> <p>We evaluated the appropriateness of capitalization policies and performed tests of details on costs capitalized.</p> <p>Additionally, we assessed and challenged the judgements made by management including:</p> <ul style="list-style-type: none"> • The appropriateness of asset lives applied in the calculation of depreciation/amortization; and • The potential need for accelerated depreciation/amortization in view of the IT transformation plan.

Valuation of financial fixed assets

As parent company of the Proximus group, the company has important investments in subsidiaries, which make up a significant part of the balance sheet. These investments could be subject to potential impairment. Impairment may be caused by:

- Over a longer period of time disappointing results and lower than budgeted cash flows; or
- Upstreaming dividends from a subsidiary for amounts that exceed the result of this subsidiary since incorporation or acquisition.

The details on valuation of financial fixed assets are included in explanatory notes 6.19 'Valuation rules' and 6.4.1 to 6.4.3 'Statement of financial fixed assets' to the annual accounts.

We addressed this key audit matter by including the following substantive test procedures:

- Identifying impairment indicators, if any, for the company's material investments; and
- Verifying the appropriate accounting treatment of dividends distributed to the company.

Responsibilities of the board of directors for the preparation of the annual accounts

The board of directors is responsible for the preparation and fair presentation of the annual accounts in accordance with the financial reporting framework applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the joint auditors for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of annual accounts in Belgium.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit and compliance committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and compliance committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated to the audit and compliance committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the annual accounts, the statement of non-financial information attached to the directors' report on the annual accounts and other matters disclosed in the annual report, for the documents to be filed according to the legal and regulatory requirements, for maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in Belgium, as well as for the company's compliance with the Companies Code and the company's articles of association.

Responsibilities of the joint auditors

As part of our mandate and in accordance with the Belgian standard complementary (revised in 2018) to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the annual accounts, the statement of non-financial information attached to the directors' report on the annual accounts and other matters disclosed in the annual report, those documents to be filed according to the legal and regulatory requirements and compliance with certain obligations referred to in the Companies Code and the articles of association, as well as to report on these matters.

Aspects regarding the directors' report

In our opinion, after performing the specific procedures on the directors' report on the annual accounts, the directors' report on the annual accounts is consistent with the annual accounts for that same year and has been established in accordance with the requirements of article 95 and 96 of the Companies Code.

In the context of our statutory audit of the annual accounts we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the annual accounts is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement.

The non-financial information as required by article 96, § 4 of the Companies Code, has been disclosed in the separate report, attached to the directors' report, except for the information on diversity which was integrated in the corporate governance statement. This statement on non-financial information includes all the information required by article 96, § 4 of the Companies Code and is in accordance with the annual accounts for the financial year then ended. The non-financial information has been established by the company based on the GRI Standards reporting principles. In accordance with article 144, § 1, 6° of the Companies Code we do not express any opinion on the question whether this non-financial information has been established in accordance with the GRI Standards reporting principles mentioned in this non-financial information.

Statement on the social balance sheet

The social balance sheet, to be filed at the National Bank of Belgium in accordance with article 100, § 1, 6°/2 of the Companies Code, includes, both in form and in substance, all of the information required by the Companies Code and is free from any material inconsistencies with the information available to us in the context of our mission.

Statements regarding independence

- No services, incompatible with the statutory audit of the annual accounts as referred to by the law, have been performed and our audit firms and, if applicable, our networks of audit firms remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the annual accounts, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the annual accounts.

Other statements

- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting is in accordance with the relevant legal and regulatory requirements.
- We do not have to report any transactions undertaken or decisions taken which may be in violation of the company's articles of association or the Companies Code.
- In accordance with article 523 of the Companies Code, we are required to report on the following transaction which has taken place between 1 January 2018 and 31 December 2018:

The decision of the board of directors of 1 March 2018 on the short-term incentive granted to the CEO for the 2017 performance represented a conflict of interest for the CEO, Mrs. D. Leroy. The board of directors determined the financial consequences for the company at a total amount of 225 (000) EUR.

In the director's report, the board of directors has, in accordance with the requirements of article 523 of the Companies Code, reported on the above transaction, which triggered a conflict of interest for the aforementioned board member. We refer to the attached director's report for the respective extract of the minutes of the board of directors. The director involved did not participate in the discussion or the decision of the above-mentioned item.

- An interim dividend was distributed during the financial year on which the statutory auditors, members of the joint auditors, have issued the attached report in accordance with the legal requirements. The statement of assets and liabilities that accompanies this report did not yet take into account the change in depreciation method for the tangible fixed assets and broadcasting rights acquired in 2018. We refer to C 6.19 for the disclosure on the impact of this change on the results for the full year 2018.
- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) N° 537/2014.

Brussels, 1 March 2019

The joint auditors

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL

Represented by Michel Denayer

CDP Petit & Co BVBA / SPRL

Represented by Damien Petit

The Belgian Court of Audit

Represented by

Pierre Rion
Counselor

Jan Debucquoy
Counselor

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Proximus SA under public law

Report on the review of the statement of assets and liabilities for the period ended 30 September 2018 of the company Proximus SA under public law in the context of the distribution of an interim dividend

The original text of this report is in Dutch and French

Report on the review of the statement of assets and liabilities for the period ended 30 September 2018 of the company Proximus SA under public law in the context of the distribution of an interim dividend

In accordance with article 618 of the Companies Code and with article 45 of the articles of association of Proximus SA under public law ("the company"), the board of directors proposes the distribution of an interim dividend for an amount of approximately 161 000 (000) EUR, based on the results of the current period. In accordance with article 618 of the Companies Code and in the context of our appointment as statutory auditors, we hereby report to the board of directors on the report on the review of the statement of assets and liabilities for the period ended 30 September 2018.

We have conducted our review of the company's enclosed statement of assets and liabilities for the period ended 30 September 2018, prepared in accordance with the financial reporting framework applicable in Belgium, which show total assets of 16 027 971 (000) EUR.

Board of directors' responsibility for the preparation of the statement of assets and liabilities

The board of directors is responsible for the preparation of the statement of assets and liabilities for the period ended 30 September 2018 in accordance with the financial reporting framework applicable in Belgium, in accordance with article 92, § 1, first section, of the Companies Code, as well as for compliance with the conditions set by article 618, second section, of the Companies Code.

Statutory auditor's responsibility

Our responsibility is to express a conclusion on the statement of assets and liabilities, based on the review conducted by us.

We conducted our review in accordance with ISRE 2410, "Review of interim financial information performed by the independent auditor of the entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and administrative matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion on the statement of assets and liabilities.

A handwritten signature in blue ink, consisting of a large, stylized 'A' followed by a vertical line and a horizontal stroke at the bottom.

Proximus SA under public law

Report on the review of the statement of assets and liabilities for the period ended 30 September 2018 of the company Proximus SA under public law in the context of the distribution of an interim dividend

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the enclosed statement of assets and liabilities of Proximus SA under public law as of 30 September 2018 showing total assets of 16 027 971 (000) EUR and a loss for the period then ended of 11 126 (000) EUR, has not been prepared, in all material respects, in accordance with the financial reporting framework applicable in Belgium.

Other matters

The statement of assets and liabilities as of 30 September 2018 indicates that the loss for the period then ended, increased with the profit carried forward, amounts to 119 596 (000) EUR. This amount is smaller than the planned interim dividend of 161 000 (000) EUR. This does not take into account the planned upstream of dividends from subsidiaries in the fourth quarter of 2018, which are expected to positively impact the result of the period of the company.


Restrictions on the use and distribution of our report

This report is solely intended for use by the board of directors and the shareholders of the company in accordance with article 618 of the Companies Code and may therefore not be used for any other purpose.

Zaventem, 25 October 2018



DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises
BV o.v.v.e CVBA / SC s.f.d. SCRL
Represented by Michel Denayer



CDP Petit & Co
BVBA / SPRL
Represented by Damien Petit

Enclosure: Statement of assets and liabilities for the period ended 30 September 2018 and accounting principles of the company

Proximus Board
October 25, 2018

Statement of assets and liabilities
as per September 30, 2018 of
Proximus S.A. under public law
(in EUR)

ANNUAL ACCOUNTS

BALANCE SHEET AFTER APPROPRIATION

01/01/18 - 30/09/18

01/01/17 - 31/12/17

	Notes	Codes	Period	Previous period
ASSETS				
FORMATION EXPENSES	6.1	20		
FIXED ASSETS		21/28	<u>14.772.859.695</u>	<u>14.960.454.967</u>
Intangible fixed assets	6.2	21	2.822.819.780	3.064.536.967
Tangible fixed assets	6.3	22/27	2.696.384.124	2.685.903.696
Land and buildings		22	119.180.583	125.838.210
Plant, machinery and equipment		23	2.538.184.465	2.513.510.363
Furniture and vehicles		24	16.613.301	18.926.917
Leasing and other rights		25	310.386	188.767
Other tangible fixed assets		26	22.095.389	27.439.439
Tangible assets under construction and advance payments made		27		
Financial fixed assets	6.4 / 6.5.1	28	9.253.655.791	9.210.014.304
Affiliated enterprises	6.15	280/1	9.245.844.135	9.202.328.402
Participating interests		280	9.245.844.135	9.202.328.402
Amounts receivable		281		
Other enterprises linked by participating interests	6.15	282/3	5.167.187	5.043.928
Participating interests		282	4.567.187	3.661.010
Amounts receivable		283	600.000	1.382.918
Other financial assets		284/8	2.644.469	2.641.974
Shares		284	322.500	322.500
Amounts receivable and cash guarantees		285/8	2.321.969	2.319.474

01/01/18 - 30/09/18

01/01/17 - 31/12/17

	Notes	Codes	Period	Previous period
CURRENT ASSETS		29/58	1.255.111.556	1.467.114.178
Amounts receivable after more than one year		29	144.013.383	144.015.468
Trade debtors		290		
Other amounts receivable		291	144.013.383	144.015.468
Stocks and contracts in progress		3	118.760.397	111.495.061
Stocks		30/36	91.167.945	95.587.148
Raw materials and consumables		30/31	38.146.478	29.343.401
Work in progress		32		
Finished goods		33		
Goods purchased for resale		34	53.021.467	66.243.747
Immovable property intended for sale		35		
Advance payments		36		
Contracts in progress		37	27.592.452	15.907.913
Amounts receivable within one year		40/41	546.717.125	656.612.303
Trade debtors		40	536.135.956	574.407.246
Other amounts receivable		41	10.581.169	82.205.057
Current investments	6.5.1/ 6.6	50/53	353.840.150	461.997.831
Own shares		50	317.305.827	420.347.469
Other investments and deposits		51/53	36.534.323	41.650.362
Cash at bank and in hand		54/58	18.966.158	38.605.134
Deferred charges and accrued income	6.6	490/1	72.814.343	54.388.381
TOTAL ASSETS		20/58	16.027.971.251	16.427.569.145

01/01/18 - 30/09/18

01/01/17 - 31/12/17

	Notes	Codes	Period	Previous period
EQUITY AND LIABILITIES				
EQUITY		10/15	<u>1.854.630.218</u>	<u>1.866.284.512</u>
Capital	6.7.1	10	1.000.000.000	1.000.000.000
Issued capital		100	1.000.000.000	1.000.000.000
Uncalled capital ⁴		101		
Share premium account		11		
Revaluation surpluses		12		
Reserves		13	735.034.055	736.054.274
Legal reserve		130	100.000.000	100.000.000
Reserves not available		131	331.411.605	435.002.353
In respect of own shares held		1310	317.305.827	420.347.469
Others		1311	14.105.778	14.654.884
Untaxed reserves		132	9.308.353	9.800.093
Available reserves		133	294.314.097	191.251.828
Accumulated profits (losses)(+)/(-)		14	119.596.163	130.230.238
Investment grants		15		
Advance to associates on the sharing out of the assets ⁵		19		
PROVISIONS AND DEFERRED TAXES		16	<u>678.116.148</u>	<u>708.508.725</u>
Provisions for liabilities and charges		160/5	676.474.504	706.659.700
Pensions and similar obligations		160		
Taxation		161		
Major repairs and maintenance		162		
Environmental liabilities		163	2.617.138	2.617.137
Other risks and costs	6.8	164/5	673.857.366	704.042.563
Deferred taxes		168	1.641.644	1.849.025

⁴ Amount to be deducted from the issued capital.

⁵ Amount to be deducted from the other components of equity.

	Notes	Codes	01/01/18 - 30/09/18	01/01/17 - 31/12/17
			Period	Previous period
AMOUNTS PAYABLE		17/49	13.495.224.885	13.852.775.908
Amounts payable after more than one year	6.9	17	11.987.086.568	11.585.935.374
Financial debts		170/4	11.851.340.610	11.450.703.061
Subordinated loans		170		
Unsubordinated debentures		171	1.855.433.696	1.854.796.147
Leasing and other similar obligations		172		
Credit institutions		173	9.995.906.914	9.595.906.914
Other loans		174		
Trade debts		175	129.423.742	128.910.097
Suppliers		1750	129.423.742	128.910.097
Bills of exchange payable		1751		
Advances received on contracts in progress		176		
Other amounts payable		178/9	6.322.216	6.322.216
Amounts payable within one year	6.9	42/48	1.307.527.132	2.083.647.406
Current portion of amounts payable after more than one year falling due within one year		42	95.750.527	512.936.640
Financial debts		43	244.937.941	191.929.251
Credit institutions		430/8	244.937.941	191.929.251
Other loans		439		
Trade debts		44	602.044.498	715.381.375
Suppliers		440/4	602.044.498	715.381.375
Bills of exchange payable		441		
Advances received on contracts in progress		46	3.540.178	5.034.212
Taxes, remuneration and social security	6.9	45	344.632.758	274.996.453
Taxes		450/3	169.243.411	102.384.417
Remuneration and social security		454/9	175.389.347	172.612.036
Other amounts payable		47/48	16.621.230	383.369.475
Accrued charges and deferred income	6.9	492/3	200.611.185	183.193.128
TOTAL LIABILITIES		10/49	16.027.971.251	16.427.569.145

VALUATION RULES

The valuation rules comply with the terms of Chapter II of the R.D. of Jan 30, 2001 modified by R.D. Dec 18, 2015.

These rules were approved and modified by the Board of Directors on May 27, 1993, Dec 4, 1997, Oct 22, 1998, Oct 28, 1999, Oct 26, 2000, April 25, 2002, Oct 23, 2003, Dec 13, 2004, Dec 18, 2008, Feb 24, 2011, March 1, 2012 and February 27, 2014.

BALANCE SHEET

FORMATION EXPENSES

The debt issuance costs are charged to income statement in the year in which they are incurred. Material formation expenses are capitalised and depreciated over a 5 year period. The acquisitions of the year are depreciated pro rata temporis. Restructuring costs are expensed as incurred.

INTANGIBLE ASSETS

The intangible assets are measured at cost; this is the purchase price, production cost or the contribution value. General expenses are not incorporated.

For amortization the straight line method is used. The acquisitions of the year are amortized pro rata temporis.

Intangible assets with an indefinite useful life are not amortized. An impairment loss on these assets is recorded in case of a permanent loss or durable decrease of value.

Intangible assets with a finite useful life are amortized on a straight line basis at a fixed rate using the following plan, established on the basis of economic criteria:

- Goodwill: over the estimated useful life, if the useful life cannot be estimated reliably: 5 to 10 years
- Software: 5 years or the license period in case the latter one is shorter than 5 year
- Network licenses: over the license period
- Rights to use, football and broadcasting rights: over the contract period
- Customer bases and trademarks: 3 to 10 years

The goodwill resulting from the merger of early 2010 is depreciated over 15 years. This depreciation period is justified by the long life character of the expected profitability of all the merged companies.

The goodwill resulting from the merger of Wireless Technology in 2016 is depreciated over 10 years. This depreciation period reflects the useful life over which the economic benefits from the assets in the business combination are expected to be consumed by Proximus.

TANGIBLE ASSETS

Tangible assets are valued at cost; this is the purchase price, production cost or the contribution value. General expenses are not included.

Tangible assets with an indefinite useful life are not depreciated. An impairment loss on these assets is recorded in case of a permanent loss or durable decrease of value.

Tangible assets with a finite useful life are depreciated using the straight line method. The determination of the depreciable amount takes into account a residual value if this can be determined accurately, is material and its realization is sufficiently certain.

They are depreciated at a fixed rate using the following plan, established on the basis of economic criteria:

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

Fixed assets held under leasing or other similar rights are depreciated based on the useful life of the fixed asset as defined in the contract.

Assets under construction and advance payments are depreciated over the life term of the assets to which they relate.

Fixed assets that are put out of order are valued at net book value or at their expected realisation value if lower. They are no longer depreciated.

The acquisitions of the year are depreciated pro rata temporis.

FINANCIAL ASSETS

Participating interests and shares are valued at their acquisition cost, which is the purchase price or the contribution value. Only the material ancillary costs are capitalised.

A write down is recorded if a durable permanent impairment or decrease in value of these assets is observed, based on the financial situation, the profitability or the perspectives of the company in which the participating interests or shares are held, taking into account the CBN/CNC advice n° 126-8.

Receivables are recognized at their nominal value. An allowance is recorded when, at the due date, the payment is partially or entirely uncertain.

AMOUNTS RECEIVABLE AFTER MORE THAN ONE YEAR

Amounts receivables are booked at nominal value. Amounts receivable expressed in foreign currencies are converted to EUR at the rate in force at the date of delivery and are translated at the year-end rate.

A bad debt allowance is recorded on the nominal value when at the due date, the payment is partially or entirely uncertain.

STOCKS AND CONTRACTS IN PROGRESS

Inventories of consumables and goods for resale are booked at their cost.

At the time of the annual inventory, the Weighted Average Price method is used to assess the various subdivisions in this caption.

A write down is applied when the realisable value or market value is lower than the acquisition cost or to take into consideration the risks inherent to the nature of the products.

Contracts in progress and work in process are valued at production cost or at market price (if this is lower than the production cost).

The projects of the ICT activity (contracts in progress) are taken into result based on stage of completion.

AMOUNTS RECEIVABLE WITHIN ONE YEAR

These amounts appear on the balance sheet at nominal value.

A bad debt allowance is recorded on the nominal value when at the due date, the payment is partially or entirely uncertain.

Amounts receivable expressed in foreign currencies are converted into EUR at the rate in force on the date of delivery. At balance date they are translated at closing rate.

CURRENT INVESTMENTS

Current investments are valued at nominal value when they concern funds held in financial institutions and at acquisition cost, acquisition price without ancillary costs, in the other case.

A write-down is recorded on the nominal value or on the acquisition cost when the sales value on the closing date of the balance sheet is less than the previously booked value.

For the determination of the realisable value of own shares the market value is taken into account on the one hand and the strike price of granted share options for which these shares are held on the other hand.

Current investments in foreign currencies are translated into EUR at the rate in force on the closing date of the balance sheet.

CASH AT BANK AND IN HAND

Cash at bank and in hand is valued at nominal value. A write-down is recorded on the nominal value when the realisation value on the closing date of the balance sheet is less than the previously booked value. Cash at bank and in hand in foreign currencies is translated into EUR at the rate in force on the closing date of the balance sheet.

PROVISIONS AND DEFERRED TAXES

On the closing date of the balance sheet, an inventory is made of all foreseeable liabilities and contingent losses arising during the current year or during prior years. Provisions are established based on a reliable estimate of the risk on the moment of the establishment of the annual accounts. Provisions reflect the best estimate of probable costs or, when it relates to an obligation, the best estimate of the amount necessary to settle this at year-end closing.

In the framework of the departure plans, provisions are made after approval by the Joint Committee. These provisions are determined as the present value of the benefits granted during the period of inactivity, both for current and future beneficiaries.

In the framework of post-employment benefits, a provision is made for the current and future beneficiaries of these benefits. For the current beneficiaries this provision is determined as the present value of the obligation resulting from the granted benefits. For future beneficiaries, this provision is built up gradually based on the number of years of service. As a consequence, at the pension date, the provision corresponds also to the present value of the obligation for the granted benefits.

The provision for damages concerning vehicles is built by the company as "own insurer" and is valued through an individualisation of all damages that occurred before 2014 and for which the costs will reasonably be bared by the company in future years.

Deferred taxes are booked in compliance with article 76 of the R.D. of January 30, 2001.

AMOUNTS PAYABLE WITHIN ONE YEAR AND AFTER MORE THAN ONE YEAR

Amounts payables are recognized on the balance sheet at nominal value.

Amounts payable in foreign currencies are converted into EUR as follows:

- loans in foreign currencies at the rate in force at the time the loan is concluded;
- trade debts at the exchange rate on the date of entry of the reception of the goods and services.

Trade debts and financial debts, not covered against exchange risks, expressed in foreign currencies are translated at closing rate.

TRANSLATION DIFFERENCES

Exchange gains and losses resulting from the translation are taken in the income statement.

INCOME STATEMENT

The items in the income statement are valued at nominal value. Own construction is booked at production cost excluding indirect costs.

TURNOVER

Revenue is recorded in the period to which they refer, regardless of their payment. The turnover takes commercial and volume discounts into account.

Specific revenue streams and related recognition criteria are as follows:

- revenue from fixed line, mobile and carrier 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.
- revenue relating to the monthly rent, the monthly subscription fee and access fees in the framework of fixed and mobile telephony, internet and digital television are recognized in the period in which the services are provided.
- 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.
- revenue from the ICT activity linked to projects is recognized in the result in function of the realization percentage.

RIGHT AND COMMITMENTS NOT ACCRUED IN THE BALANCE SHEET

The rights and commitments not accrued in the balance sheet are mentioned in the notes, per category, at the nominal value of the commitment in the contract, or failing that, at their estimated value.