Consolidated Financial Statement

2016

proximus

Consolidated Financial Statements

Prepared under International Financial Reporting Standards for each of the two years ended 31 December 2016 and 2015

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Consolidated Balance Sheet

(EUR million)		(EUR million)	
ASSETS	Note	2015	2016
NON-CURRENT ASSETS		**6,386**	**6,372**
Goodwill	3	2,272	2,279
Intangible assets with finite useful life	4	1,162	1,099
Property, plant and equipment	5	2,809	2,910
Investments in associates and joint ventures	6	2	3
Other participating interests	7	9	10
Deferred income tax assets	8	89	34
Other non-current assets	10	43	37
CURRENT ASSETS		**1,897**	**1,745**
Inventories	11	108	125
Trade receivables	12	1,140	1,149
Current tax assets	8	14	46
Other current assets	13	124	122
Investments	14	8	6
Cash and cash equivalents	15	502	297
TOTAL ASSETS		**8,283**	**8,117**

LIABILITIES AND EQUITY	Note		
EQUITY	**17**	**2,965**	**2,981**
Shareholders' equity	**17**	**2,801**	**2,819**
Issued capital		1,000	1,000
Treasury shares		-448	-430
Restricted reserve		100	100
Remeasurement reserve		-112	-125
Stock compensation		5	5
Retained earnings		2,255	2,270
Non-Controlling interests	**17**	**164**	**162**
NON-CURRENT LIABILITIES		**2,663**	**2,697**
Interest-bearing liabilities	18	1,761	1,763
Liability for pensions, other post-employment benefits and termination benefits	9	464	544
Provisions	19	157	144
Deferred income tax liabilities	8	96	84
Other non-current payables	20	185	162
CURRENT LIABILITIES		**2,655**	**2,439**
Interest-bearing liabilities	18	674	407
Trade payables		1,330	1,388
Tax payables	8	82	65
Other current payables	21	570	579
TOTAL LIABILITIES AND EQUITY		**8,283**	**8,117**

Consolidated income statement

(EUR million)	Note	Year ended 31 December 2015	2016
Net revenue	22	5,944	5,829
Other operating income	23	68	44
Total income		**6,012**	**5,873**
Costs of materials and services related to revenue	25	-2,377	-2,242
Workforce expenses (1)	26	-1,199	-1,159
Non-workforce expenses (1)	27	-792	-644
Non-recurring expenses	28	2	-95
Total operating expenses before depreciation and amortization		**-4,366**	**-4,141**
Operating income before depreciation and amortization		**1,646**	**1,733**
Depreciation and amortization	29	-869	-917
Operating income		**777**	**816**
Finance income		20	3
Finance costs		-140	-104
Net finance costs	30	-120	-101
Share of loss on associates and joint ventures		-2	-1
Income before taxes		**655**	**715**
Tax expense	8	-156	-167
Net income		**499**	**548**
Non-controlling interests	17	17	25
Net income (group share)		482	523
Basic earnings per share (in EUR)	31	1.50	1.62
Diluted earnings per share (in EUR)	31	1.50	1.62
Weighted average nb of outstanding ordinary shares	31	321,767,821	322,317,201
Weighted average nb of outstanding ordinary shares for diluted earnings per share	31	322,272,472	322,610,116

(1) restated in 2015

Consolidated statement of other comprehensive income

(EUR million)	Note	Year ended 31 December 2015	2016
Net income		**499**	**548**
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Cash flow hedges			
Gain/(loss) taken to equity		-5	-2
Reclassification adjustments		4	0
Transfer to profit or loss for the period		0	1
Total before related tax effects		**-1**	**-1**
Related tax effects			
Cash flow hedges:			
Gain/(loss) taken to equity		2	1
Transfer to profit or loss for the period		-1	0
Income tax relating to items that may be reclassified		**0**	**0**
Items that may be reclassified to profit and loss - net of related tax effects		**0**	**0**
Items that will not be reclassified to profit and loss			
Remeasurement of defined benefit obligations		18	-8
Total before related tax effects	9	**18**	**-8**
Related tax effects			
Remeasurement of defined benefit obligations		-1	-5
Income tax relating to items that will not be reclassified		**-1**	**-5**
Items that will not be reclassified to profit and loss - net of related tax effects		**17**	**-13**
Total comprehensive income		**515**	**535**
Attributable to:			
Equity holders of the parent		498	510
Non-controlling interests		17	25

Consolidated statement of cash flows

(EUR million)	Note	Year ended 31 December 2015	2016
Cash flow from operating activities			
Net income		499	548
Adjustments for:			
Depreciation and amortization on intangible assets and property, plant and equipment	4/5	869	917
Increase / (decrease) of provisions	19	3	-14
Deferred tax expense	8	-3	38
Loss from investments accounted for using the equity method	6	2	1
Fair value adjustments on financial instruments	30	-16	0
Loans amortization	30	31	6
Gain on disposal of other participating interests and enterprises accounted for using the equity method	30	-2	0
Gain on disposal of fixed assets		-18	-3
Other non-cash movements		3	1
Operating cash flow before working capital changes		**1,370**	**1,493**
Decrease / (increase) in inventories		9	-17
Decrease / (increase) in trade receivables		54	-2
Decrease in current income tax assets		0	-31
Decrease in other current assets		33	2
Increase / (decrease) in trade payables		-29	28
Decrease in income tax payables		-32	-16
Increase / (decrease) in other current payables		2	-24
Increase / (decrease) in net liability for pensions, other post-employment benefits and termination benefits	9	-22	73
Increase in other non-current payables and provisions		0	15
Increase in working capital, net of acquisitions and disposals of subsidiaries		**16**	**28**
Net cash flow provided by operating activities		**1,386**	**1,521**
Cash flow from investing activities			
Cash paid for acquisitions of intangible assets and property, plant and equipment	4/5	-1,000	-962
Cash paid for acquisitions of other participating interests and joint ventures		-3	-2
Cash paid for acquisition of consolidated companies, net of cash acquired	6.5	-20	-6
Cash received from / (paid for) sales of consolidated companies, net of cash disposed of	6	-3	0
Cash received from sales of intangible assets and property, plant and equipment		39	5
Cash received from sales of other participating interests and enterprises accounted for using the equity method		8	3
Net cash used in investing activities		**-978**	**-962**
Cash flow before financing activities		**408**	**559**

Cash flow from financing activities			
Dividends paid to shareholders	32	-489	-485
Dividends paid to non-controlling interests	17	-36	-26
Net sale of treasury shares		19	18
Net sale of investments		0	2
Issuance of long term debt		492	1
Repayment of long term debt (2)		-594	-677
Issuance of short term debt		0	404
Net cash used in financing activities (1)		**-608**	**-764**
Net decrease of cash and cash equivalents		**-200**	**-205**
Cash and cash equivalents at 1 January		702	502
Cash and cash equivalents at 31 December	15	502	297
Net cash flow from operating activities includes the following cash movements :			
Interest paid		-92	-79
Interest received		3	3
Income taxes paid		-191	-177

(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	Share premium	Treasury shares	Restricted reserve	AFS & hedge reserve	Remeasure-ment reserve	Foreign currency translation	Stock Compen-sation	Retained Earnings	Share'rs' Equity	Non-controlling interests	Total Equity
Balance at 1 January 2015	**1,000**	**0**	**-470**	**100**	**2**	**-130**	**0**	**8**	**2,270**	**2,779**	**189**	**2,969**
Fair value changes in cash flow hedges	0	0	0	0	-1	0	0	0	0	0	0	0
Remeasurement defined benefit obligations	0	0	0	0	0	17	0	0	0	17	0	17
Equity changes not recognised in the income statement	0	0	0	0	-1	17	0	0	0	16	0	16
Net income	0	0	0	0	0	0	0	0	482	482	17	499
Total comprehensive income and expense	**0**	**0**	**0**	**0**	**-1**	**17**	**0**	**0**	**482**	**498**	**17**	**515**
Dividends to shareholders (relating to 2014)	0	0	0	0	0	0	0	0	-322	-322	0	-322
Interim dividends to shareholders (relating to 2015)	0	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	0	-36	-36
Changes in ownership interest in investees	0	0	0	0	0	0	0	0	-14	-14	-6	-20
Treasury shares												
Exercise of stock options	0	0	22	0	0	0	0	0	-2	20	0	20
Stock options												
Exercise of stock options	0	0	0	0	0	0	0	-2	2	0	0	0
Total transactions with equity holders	**0**	**0**	**22**	**0**	**0**	**0**	**0**	**-2**	**-496**	**-477**	**-42**	**-519**
Balance at 31 December 2015	**1,000**	**0**	**-448**	**100**	**1**	**-114**	**0**	**5**	**2,255**	**2,801**	**164**	**2,965**
Remeasurement defined benefit obligations	0	0	0	0	0	-13	0	0	0	-13	0	-13
Equity changes not recognised in the income statement	0	0	0	0	0	-13	0	0	0	-13	0	-13
Net income	0	0	0	0	0	0	0	0	523	523	25	548
Total comprehensive income and expense	**0**	**0**	**0**	**0**	**0**	**-13**	**0**	**0**	**523**	**510**	**25**	**535**
Dividends to shareholders (relating to 2015)	0	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	0	-161	-161	0	-161
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	0	-26	-26
Business combination (1)	0	0	0	0	0	0	0	0	-25	-25	-1	-26
Treasury shares												0
Exercise of stock options	0	0	6	0	0	0	0	0	-1	5	0	5
Sale of treasury shares	0	0	12	0	0	0	0	0	1	13	0	13
Stock options												
Exercise of stock options	0	0	0	0	0	0	0	-1	1	0	0	0
Total transactions with equity holders	**0**	**0**	**18**	**0**	**0**	**0**	**0**	**-1**	**-508**	**-491**	**-27**	**-519**
Balance at 31 December 2016	**1,000**	**0**	**-430**	**100**	**1**	**-127**	**0**	**5**	**2,270**	**2,819**	**162**	**2,981**

(1) see note 6.5

Notes to the consolidated financial statements

Note 1. Corporate information

The consolidated financial statements at 31 December 2016 were authorized for issue by the Board of Directors on 23 February 2017. 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 from 2015 (self-employed persons and small companies), 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 14,090 at 31 December 2015.
For the year 2015, the average number of headcount of the Group was 164 management personnel, 12,432 employees and 1,444 workers.
For the year 2016, the average number of headcount of the Group was 163 management personnel, 12,218 employees and 1,401 workers.

Note 2. Significant accounting policies

Basis of preparation

The accompanying consolidated financial statements as of 31 December 2016 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 2016 and that are detailed as follows:

- Amendments to standards:
  - Annual Improvements to IFRS's (2012-2014 cycle);
  - Annual improvements to IFRS's (2010-2012 cycle);
  - Amendment to IFRS 11 ("Accounting for Acquisitions of Interests in Joint Operations")
  - Amendment to IAS 16 / 38 (Clarification of Acceptable Methods of Amortization and Depreciation);
  - Amendments to IAS 27 ("Equity Method in Separate Financial Statements");
  - Amendment to IAS 1 ("Disclosure Initiative");
  - Amendments to IFRS 10, IFRS 12 and IAS 28 (Investment Entities: Applying the Consolidation Exception);
  - Amendment to IAS 19 ("Employee Benefits – Employee Contributions");

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, the comparable are disclosed. As from 2016 a split is made between workforce and non-workforce. The 2015 work force and non-work force figures correspond to the sum of personnel expense and other Opex presented previously.

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:

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 in line with the estimates. 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).

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.

Foreign currency translation

The presentation currency for the Group is the Euro. Foreign currency transactions are translated, 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.

All exchange differences arising from a monetary item that forms part of the Group's net investment in such entity are recognized in the same separate component of equity.

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.

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 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 and trade names acquired	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.
Deferred tax liabilities with respect to temporary differences associated with investments in subsidiaries are recognized except when the parent company is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will be reversed in a foreseeable future.

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, in the absence of specific guidance, management applied a methodology that corresponds to the 'Projected Unit Credit 'method in order to obtain relevant information and reliable estimates of the obligation and underfunding if any.The obligation measurement is the present value of the accrued reserves projected at the current guaranteed return. The discount rate used to calculate the present value 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.
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. These changes are recognized respectively in EBITDA or financial result when underlying is recorded in EBITDA or not.

Net gains and losses on financial instruments

The Group excludes dividends, interest income and interest charges from the 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. When the financial instruments relate to operating or investing activities, 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'.

Non-recurring income and non-recurring expenses include gains or losses on the disposal of consolidated companies exceeding individually EUR 5 million, fines and penalties imposed by competition authorities or by the regulator exceeding EUR 5 million, costs of employee restructuring programs and the effect of settlements of post-employment benefit plans with impacts for the beneficiaries.

Note 3. Goodwill

(EUR million)	Goodwill
As of 1 January 2015	**2,272**
As of 31 December 2015	**2,272**
Acquisition of Flow NV and Be-Mobile Tech	7
As of 31 December 2016	**2,279**

The Group goodwill increased with EUR 7 million to EUR 2,279 million in 2016 as a result of the acquisition of Be-Mobile Tech NV (previously named Be-Mobile), Flow NV and Flitsmeister BV (see note 6.5).

Goodwill is tested for impairment at the level of operating segments as these are the Group cash-generating units; 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 2016, 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)	2015	2016
Consumer Business Unit	1,303	1,303
Enterprise Business Unit	718	725
International Carrier Services	252	252
Total	**2,272**	**2,279**

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, 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 (2017 to 2019), as presented by management to the Board of Director. Subsequent years were extrapolated based on a growth rate of around 1% in 2015 and 1.1% in 2016 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 6.3% in 2015 and 6.0% in 2016, with the exception of the ICS segment for which a specific post-tax weighted average cost of capital of 8.9% in 2015 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 7.4% and 10.6% in 2015 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 2016. Sensitivity analysis for all segments demonstrates that in case of a reasonable change in one of the key assumptions, their values in use still exceed their net carrying values.

Note 4. Intangible assets with finite useful life

(EUR million)	GSM and UMTS licences	Internally generated assets	Customer bases and trade names acquired	TV rights	Other intangible assets	Total
Cost						
As of 1 January 2015	**605**	**761**	**791**	**262**	**1,072**	**3,492**
Additions	75	81	0	61	106	323
Derecognition	0	0	0	-108	-66	-174
Reclassifications	0	0	0	0	-9	-9
As of 31 December 2015	**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**
Accumulated amortization and impairment						
As of 1 January 2015	**-401**	**-562**	**-405**	**-128**	**-816**	**-2,311**
Amortization charge for the year	-30	-78	-58	-83	-94	-342
Derecognition	0	0	0	108	66	174
Reclassifications	0	0	0	0	9	9
As of 31 December 2015	**-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
Derecognition	0	0	0	40	99	138
As of 31 December 2016	**-463**	**-726**	**-518**	**-148**	**-837**	**-2,692**
Carrying amount as of 31 December 2015	**250**	**204**	**328**	**112**	**269**	**1,162**
Carrying amount as of 31 December 2016	**217**	**261**	**278**	**82**	**261**	**1,099**

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	Net book value	Period	Payment method	Start of Amortization
		(EUR million)				
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	53	2015 - 2021	over the period	08/04/2015
2001	UMTS	150	36	2001 - 2021	completed	01/06/2004
2011	4G	20	14	2012 - 2027	completed	01/07/2012
2013	800 Mhz spectrum	120	101	2013 - 2033	over the period	30/11/2013
2014	900 MHz spectrum	16	12	2015 - 2021	over the period	27/11/2015
	Total	681	217			

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 2016 amounts to EUR 24 million.

Customer bases and trade names acquired include intangible assets recognized as part of business combinations; mainly as a result of the purchase price allocation performed when the Group acquired control over BICS.

In 2016 the Group acquired TV rights for an amount of EUR 55 million which includes mainly broadcasting rights. Some of these rights are acquired with a deferred payment plan.
Other intangible additions (EUR 80 million) include mainly vendor development and 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 2015	**701**	**11,421**	**386**	**7**	**12,514**
Additions	10	644	16	8	678
Derecognition	-54	-285	-32	0	-371
Disposal of subsidiary	0	0	-2	0	-1
Reclassifications	0	10	5	-7	9
As of 31 December 2015	**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**
Accumulated depreciation and impairment					
As of 1 January 2015	**-329**	**-9,164**	**-341**	**0**	**-9,834**
Depreciation charge for the year	-27	-474	-26	0	-528
Derecognition	44	277	30	0	351
Disposal of subsidiary	0	0	2	0	1
Reclassifications	0	-4	-5	0	-9
As of 31 December 2015	**-312**	**-9,366**	**-341**	**0**	**-10,019**
Depreciation charge for the year	-25	-511	-24	0	-559
Acquisition of subsidiary	0	-1	0	0	-1
Derecognition	13	964	25	0	1,002
As of 31 December 2016	**-324**	**-8,913**	**-341**	**0**	**-9,577**
Carrying amount as of 31 December 2015	**345**	**2,424**	**33**	**7**	**2,809**
Carrying amount as of 31 December 2016	**296**	**2,546**	**57**	**11**	**2,910**

The investments reflects the Group strategy to invest more extensively in network and the network quality and services to customers. Proximus mainly invested in its mobile leadership and in improvements of its fixed network with the continued roll out of its vectoring technology.

Derecognition of technical and network equipment mainly relates to switching outphasing. In 2016, the Group sold administrative and technical buildings and realised a gain on disposal of these buildings o of EUR 3 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	2015	2016
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 3001 Heverlee 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)	100%	61%
Be-Mobile Tech NV	Kardinaal Mercierlaan 1A 9090 Melle VAT BE 0884.443.228	Belgium (5)	0%	61%
Flow NV	Kardinaal Mercierlaan 1A 9090 Melle VAT BE 0897.466.269	Belgium (5)	0%	61%
Flitsmeister BV	Koningsschot 45 - Postbus 114 3900 AC Veenendaal	The Netherlands (5)	0%	61%
Be-Mobile Ltda	Rua Joaquim Floriano 243 - Conjunto 113 CEP 04534-010 San Paulo	Brazil (5)	0%	61%
Scarlet Business NV	Carlistraat 2 1140 Evere VAT BE 0463.079.780	Belgium (2)	100%	0%
Scarlet Belgium NV	Carlistraat 2 1140 Evere VAT BE 0447.976.484	Belgium	100%	100%

Name	Registered office	Country of incorporation	2015	2016
MBS TELECOM NV	Carlistraat 2 1140 Evere VAT BE 0882,760,574	Belgium (2)	100%	0%
Wireless Technologies NV	Koning Albert II laan 27 1030 Brussels VAT BE 0464.030.479	Belgium (4)	100%	0%
Clearmedia NV	Zagerijstraat 11 2960 Brecht VAT BE 0831.425.897	Belgium	100%	100%
Belgacom International Carrier Services Mauritius Ltd	Chancery House 5th floor , Lislet, Geoffrey Street Port Louis 1112-07	Mauritius (1)	58%	58%
Belgacom International Carrier Services SA	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 M15ES Manchester	United Kingdom (1)	58%	58%
Belgacom International Carrier Services Nederland BV	Wilhelminakade 91 3072 AP Rotterdam	The Netherlands (1)	58%	58%
Belgacom International Carrier Services North America Inc	Corporation trust center - 1209 Orange street USA - 19801 Willington Delaware	United States (1)	58%	58%
Belgacom International Carrier Services Asia Pte Ltd	16, Collyer Quay # 30.02 Singapore 049318	Singapore (1)	58%	58%
Belgacom International Carrier Services (Portugal) SA	Avenida da Republica, 50, 10th floor 1069-211 Lisboa	Portugal (1)	58%	58%
Belgacom International Carrier Services Italia Srl	Via della Moscova 3 20121 Milano	Italy (1)	58%	58%
Belgacom International Carrier Services Spain SL	Calle Salvatierra, 4, 2c 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	2015	2016
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)		

(1) Entity of BICS Group

(2) Entity liquidated in 2016

(3) Previously named Mobile For

(4) Entity merged into Proximus SA in 2016

(5) Entity acquired in 2016

(6) See note 6.5

Note 6.2. Details of non-wholly owned subsidiaries 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	
		2015	2016	2015	2016	2015	2016
BICS (segment)	Belgium	42%	42%	17	24	164	162
Total				**17**	**24**	**164**	**162**

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

BICS (segment)	2015	2016
Current assets	716	716
Non-current assets	665	625
Current liabilities	645	626
Non-current liabilities	97	82
Equity attributable to owners of the company	639	633
Revenue (total)	1,616	1,460
Expenses (operating)	-1,456	-1,311
Profit for the year	39	56
Profit attributable to owners of the company	22	32
Profit attributable to the non-controlling interests	17	24
Dividends paid to non-controlling interests	37	26
Net cash inflow from operating activities	120	92
Net cash (outflow) from investing activities	-29	-36
Net cash (outflow) from financing activities	-83	-65
Net cash inflow (outflow)	9	-10

BICS shareholder agreement foresees protective rights for the non-controlling interests (see note 1).

Note 6.3 Investments in joint ventures

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

Name	Registered office	Country of incorporation	2015	2016
Allo Bottin SA (1)	101/109, rue Jean-Jurès 92300 Levalloi-Perret	France	50%	50%

(1) In liquidation

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	
			2015	2016
Belgian Mobile Wallet SA/NV	Place Sainte-Gudule 5 1000 Brussel VAT BE 541.659.084	Belgium	20%	17%
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%	20%
Citie NV	Turnhoutsebaan 453 2110 Wijnegem VAT BE 665.683.284	Belgium	0%	33%

In April 2015, the Group acquired a 20% interest in Tessares, a recent spin-off of the Catholic University of Louvain (UCL) which aspires to become the reference supplier of telecom network convergence software. In October 2016 Proximus acquired a 33% stake in Citie, investing in a digital platform to support the local Belgian economy and boost our country position on the digital map.

Per 31 December 2016 the aggregate information on all individually immaterial associates is as follows:

(EUR million)	2015	2016
Carrying amount	2	3
Profit or loss of continuing operations	2	1

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

In 2014 the Group sold the business of Telindus Limited, a UK subsidiary of Telindus, to Telent Technology Services. The Group paid an amount of EUR 3 million in 2015 as price adjustment in relation with the sale of Telindus Limited business and liquidated the entity afterwards.

In 2015 the Group acquired the remaining 35.30% stake in Telindus SA (established in Luxembourg) and its subsidiaries from Arcelor Mittal. As the Group already controlled the entity, the transaction qualified as equity transaction. It reduced the equity attributable to owners of the parent by EUR 14 million in 2015.

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 purpose of these acquisitions is to create a leading player of smart mobility solutions in Belgium and abroad.

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	Carrying value
Non current fixed assets	8	2
Trade receivables	4	4
Investments and cash and cash equivalents	2	2
Total assets	**14**	**8**
Non-current interest-bearing liabilities	-1	-1
Deferred income tax liabilities	-2	0
Current interest-bearing liabilities	-1	-1
Trade payables	-2	-2
Other current payables	-2	-2
Total non-controlling interests and liabilities	**-7**	**-5**
Net assets acquired	**7**	**3**
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

The net carrying amount of other participating interests evolved on the following way:

	As of 31 December	
(EUR million)	2015	2016
Net carrying amount as of 1 January	**8**	**9**
Additions	2	1
Total	**9**	**10**

At 31 December 2015 and 2016, 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.).

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Note 8. Income taxes

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

	As of 31 December	
(EUR million)	2015	2016
Accelerated depreciation for tax purposes	-6	-6
Fair value adjustments on acquisition	-94	-82
Statutory provisons not retained under IFRS	-3	-3
Remeasurement of financial instruments to fair value	-2	-2
Deferred taxation on sales of property, plant and equipment	-9	-8
Liability for post-employment, termination and other benefits	0	-7
Other	-1	-1
Gross deferred income tax liabilities	**-116**	**-110**
Fair value adjustment on fixed assets	32	31
Liability for post-employment, termination and other benefits	54	0
Capital losses on investments in subsidiaries	1	1
Provision for liabilities and charges	23	20
Unused tax losses carried forward	0	7
Gross deferred income tax assets	**109**	**59**
Net deferred income tax assets / (liabilities), when grouped per taxable entity, are as follows :		
Net deferred income tax liability	**-96**	**-84**
Net deferred income tax asset	**89**	**34**

The net deferred income tax liabilities increased with EUR 44 million of which EUR 38 million through the income statement, EUR 5 million through Other Comprehensive income and EUR 2 million as a result of the purchase price allocation. This increase is mainly the consequence of liability for early leave plan for which the cost was recognized over the service period in IFRS while fully expensed in the statutory financial statements of Proximus SA established under Belgian GAAP. This was partly offset in 2016 by the deferred tax impact from the amortization of the assets recognized in 2010 in the purchase price allocation of BICS performed when the Group acquired control.
The deferred income tax assets on fair value adjustment of fixed assets remains fairly stable and 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 77 million at 31 December 2016 (EUR 209 million in 2015) of which EUR 69 million has no expiration date and EUR 8 million has an expiration date after 2018.

The share of Proximus in the undistributed retained profit of subsidiaries amounts to EUR 3,687 million at 31 December 2016 (EUR 4,063 million in 2015).

No deferred tax liability is recorded for temporary differences associated with investments in subsidiaries except when the parent company controls the reversal of the temporary difference and it is probable that the difference will be reversed in a foreseeable future.

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

(EUR million)	Year ended 31 December 2015	2016
Relating to deferred income tax liabilities		
Accelerated depreciation for tax purposes	1	0
Fair value adjustments on acquisition	15	14
Statutory provisons not retained under IFRS	-1	0
Deferred taxation on sales of property, plant and equipment	-1	1
Other	5	0
Relating to deferred income tax assets		
Fair value adjustment on fixed assets	-2	-1
Remeasurement of financial instruments to fair value	-3	1
Liability for post-employment and termination benefits	-10	-56
Other	-1	5
Deferred tax expense of the year	**3**	**-38**

The consolidated income statement includes the following tax expense:

(EUR million)	As of 31 December 2015	2016
Current income tax		
Current income tax expense	-156	-108
Adjustments in respect of current income tax of previous periods	-3	-21
Deferred income tax		
Expense resulting from changes in temporary differences	3	-38
Income tax expense reported in consolidated income statement	**-156**	**-167**

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:

	As of 31 December	
(EUR million)	2015	2016
Income before taxes	**655**	**715**
At Belgian statutory income tax rate of 33.99%	223	243
Lower income tax rates of other countries	-1	-2
Income tax consequences of disposal of subsidiaries and other participating interests	-1	-1
Non-taxable income from subsidiaries	-84	-67
Non-deductible expenditures for income tax purposes	17	18
Other	3	-24
Income tax expense	**156**	**167**
Effective income tax rate	**23.83%**	**23.33%**

The 2016 effective income tax rate amounts to 23.33 % compared to the Belgian statutory corporate tax rate of 33.99%.

The effective tax rate in 2016 (23.33%) is slightly lower compared to 2015 (23.83%), mainly due to lower upward tax adjustments and one-off transactions.

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.

Non-deductible expenditures for income tax purposes primarily relate to various expenses that are disallowed for tax purposes, the impact of the fairness tax upon dividend distributions and unrecognized tax losses for loss making subsidiaries.

The caption “other” mainly relates to the benefit of previously unrecognized tax losses (EUR 38 million) which are partly offset by tax adjustments for prior years.

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)	2015	2016
Termination benefits and additional compensations in respect of restructuring programs	35	149
Defined benefit plans for complementary pension plans (net liability)	80	43
Post-employment benefits other than pensions	349	352
Net liability recognized in the balance sheet	**464**	**545**

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 2005, the Group implemented a leave program and a career outphasing program (tutorship). Under the terms of the plan, the Group paid benefits until the year 2015.

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.

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

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

	As of 31 December	
(EUR million)	2015	2016
Defined Benefit Obligation	35	149
Benefit obligation in excess of plan assets	**35**	**149**

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

	As of 31 December	
	2015	2016
At the beginning of the year	52	35
Total expense for the period	2	125
Actual employer contribution	-19	-11
At the end of the year	**35**	**149**

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

	As of 31 December	
(EUR million)	2015	2016
Discount rate	0.00% - 0.70%	0.00%
Future price inflation	(1) 2%	2%

(1) Inflation assumed end 2015 to be 0% for 2016

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 30 million for termination benefits and additional compensations in 2017. The payments in 2016 amounted to EUR 11 million.

Note 9.2. Defined contribution and benefit plans for complementary pensions

Defined contribution plans

The Group has some plans based on contributions for qualifying employees. For most of the plans which are operated abroad, the Group does not guarantee a minimum return on the contribution. All the defined contribution plans including the newly created plans with a guaranteed return are not material for the Group.

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. 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 2015 and 2016, 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 joint 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)	2015	2016
Defined Benefit Obligation	536	565
Plan assets at fair value	-456	-522
Deficit	**80**	**43**

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

	Year ended 31 December	
(EUR million)	2015	2016
Current service cost - employer	41	43
Net interest	1	1
Past service cost recognized	0	-13
Recognized in the income statement	**42**	**31**
Remeasurements		
Actuarial gains and losses from changes in financial assumptions	-25	-16
Actuarial gains and losses from changes in demographic assumptions (1)	35	15
Actuarial gains and losses arising from experience adjustments	3	-2
Return on assets, excluding interest income	-12	-17
Recognized in other comprehensive income	**2**	**-21**
Total	**43**	**9**

(1) The assumptions relating to the assumed retirement age and the mortality have been revised.

In 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 :

	Year ended 31 December	
(EUR million)	2015	2016
At the beginning of the year	80	80
Expense for the period recognized in the income statement	42	31
Remeasurement recognized in other comprehensive income	2	-21
Actual employer contribution	-44	-46
Net deficit	**80**	**43**

Change in plan assets :

	As of 31 December	
(EUR million)	2015	2016
At the beginning of the year	400	456
Interest income	9	11
Return on assets, excluding interest income	12	17
Actual employer contribution	44	46
Benefits payments and expenses	-8	-9
At the end of the year	**456**	**522**

Change in the defined benefit obligation :

	As of 31 December	
(EUR million)	2015	2016
At the beginning of the year	480	536
Service cost	41	43
Interest cost	11	13
Past service cost - vested benefits	0	-13
Benefits payments and expenses	-8	-9
Actuarial (gains) / losses	13	-4
At the end of the year	**536**	**565**

The pension liability was determined using the following assumptions :

	As of 31 December	
(EUR million)	2015	2016
Discount rate	2.40%	1.80%
Future price inflation	(1) 2.00%	2.00%
Nominal future salary increase	1.10%-4.50%	3.10% - 3.50%
Nominal future baremic salary increase	1.00%-3.15%	3.00%- 3.15%
Mortality	BE Prospective IA/BE	BE Prospective IA/BE

(1) Inflation assumed end 2015 to be 0% for 2016

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 16% to 21%.

If the inflation rate increases (or decreases) by 0.25%, the defined benefit obligation would increase (or decrease) by around 4%. If the real salary increases (decreases) by 0.25%, the defined benefit obligation would increase (decrease) by around 7% to 8%.

The assets of the pension plans are detailed as follows:

	As of 31 December	
(EUR million)	2015	2016
Equity instruments	46.50%	46.3%
Debt instruments	39.20%	38.1%
Convertible bonds	8.50%	8.0%
Other (property, infrastructure, Private equity funds, insurance deposits)	5.80%	7.5%

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 (16.7 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 2016 the portfolio was invested by about 46.3% in listed equities (in Europe, US and Emerging Markets), about 38.1% in fixed income (government bonds, corporate bonds, and senior loans) and about 8% in convertible bonds (World ex US), the remaining part being invested in European infrastructure, global private equity, European non-listed real estate and cash. The actual implementation of the investments is outsourced to specialized asset managers.

Nearly all investments are done via mutual investment funds. Direct investments amount for less than 1% of the assets. Equity instruments, debt instruments and convertible bonds have quoted prices in active markets. The other assets, amounting for 7.5 % of the portfolio are not quoted. The Pension Fund does not directly invest in Proximus shares or bonds, but it is not excluded that some Proximus shares or bonds are included in some of the mutual investment funds in which we invest.

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

The Group expects to contribute an amount of EUR 41 million to the Proximus Pension Fund in 2017.

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 :

(EUR million)	As of 31 December 2015	2016
Defined Benefit Obligation	349	352
Plan assets at fair value	0	0
Net liability recognized in the balance sheet	**349**	**352**

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

The components recognized in the income statement and other comprehensive

(EUR million)	Year ended 31 December 2015	2016
Current service cost - employer	4	3
Interest cost	7	8
Past service cost recognized	0	-24
Expense recognized in the income statement, before curtailment, settlement and special termination benefits	**12**	**-13**
Recognized in the income statement	**12**	**-13**
Remeasurements		
Actuarial gains and losses from changes in financial assumptions	-16	34
Effect of experience adjustments	-4	-4
Recognized in other comprehensive income	**-20**	**30**
Total	**-8**	**17**

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

(EUR million)	As of 31 December 2015	2016
At the beginning of the year	372	349
Expense for the period recognized in the income statement	12	-13
Remeasurement recognized in other comprehensive income	-20	30
Actual employer contribution	-15	-13
At the end of the year	**349**	**352**

The liability for post-employment benefits other than pensions was

	As of 31 December	
	2015	2016
Discount rate	2.25%	1.60%
Future cost trend (index included)	(1) 2.00%	2.00%
Mortality	BE Prospective IA/BE	BE Prospective IA/BE

(1) Socio Cultural Aid as from 2017 index related

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 14.78 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 17%.

If the future cost trend increases (or decreases) by 1%, the defined benefit obligation would increase (or decrease) by around 13% to 17%.

If a 1 year age correction would be applied to the mortality tables, the defined benefit obligation would change by around 4%.
The Group expects to contribute an amount of EUR 14 million to these plans in 2017.

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 with some residual risk remaining. There is an annual compensation mechanism in place to offset certain future increases or decreases in the Belgian State's obligations as a result of actions taken by the Group. The latter did not generate material income statement impacts until 2014. In 2015 Proximus was entitled to EUR 15 million and to EUR 10 million in 2016. In the absence of sufficient information notably concerning the accumulated contributions and benefits payments, the plan is accounted for as a defined contribution plan. The compensation payments, calculated by the State, are recognized in accordance with a non IAS 19 method used by the State to determine those amounts. No contributions are expected to be made by the Group to the plan in 2017.

Note 10. Other non-current assets

(EUR million)	Note	As of 31 December 2015	2016
Other derivatives	33.1	6	6
Other financial assets			
Other assets		37	30
Total		**43**	**37**

The decrease in other non-current assets is the result of a transfer from long term receivable to short term receivables

Note 11. Inventories

(EUR million)	As of 31 December 2015	2016
Raw materials, consumables and spare parts	41	33
Work in progress and finished goods	19	21
Goods purchased for resale	48	71
Total	**108**	**125**

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
2014	1,317	-135	1,182	798	78	33	31	53	59	129
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

As of 31 December 2016 and 2015, respectively 66% and 69% 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 2016, Proximus Group received bank and parent guarantees of EUR 8 million (in 2015 EUR 10 million) as securities for the payment of outstanding invoices.

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

(EUR million)	2015	2016
As of 1 January	**-135**	**-141**
Decrease / (increase) recognized in income statement	-8	23
Other movements	2	0
As of 31 December	**-141**	**-118**

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	2015	2016
VAT receivables		4	3
Derivatives	33.1	1	1
Prepaid expenses		85	95
Other receivables		34	22
Total		**124**	**122**

Note 14. Investments

		As of 31 December	
(EUR million)	Note	2015	2016
Deposits	33.4	4	5
Shares in Funds	33.4	4	1
Total		**8**	**6**

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 2015	2016
Short-term deposits	33.4	263	118
Cash at bank and in hand	33.4	239	179
Total		**502**	**297**

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

Note 16. Assets classified as held for sale

In 2015 and 2016 there are no assets classified as held for sale.

Note 17. Equity

Note 17.1 Shareholders' equity

At 31 December 2016, 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 2016, the number of treasury shares amounts to 15,388,032 of which 1,167,056 entitled to dividend rights and 14,220,976 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 2015, the Group sold respectively 9,773 and 1,047 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 2015, employees exercised respectively 201,579 and 772,107 share options. In order to honor its obligation in respect of these exercises, Proximus used treasury shares (see note 36).
In 2016 and 2015, no share options were granted by the Group to its key management and senior management

Number of shares (including treasury shares):	2015	2016
As of 1 January	**338,025,135**	**338,025,135**
Cancellation		
As of 31 December	**338,025,135**	**338,025,135**

Number of treasury shares:	2015	2016
As of 1 January	**16,794,538**	**16,021,384**
Acquisition	0	0
Sale under a discounted share purchase plan	-1,047	-9,773
Sale of treasury shares	0	-422,000
Exercice of stock option	-772,107	-201,579
Cancellation	0	0
As of 31 December	**16,021,384**	**15,388,032**

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

		As of 31 December	
(EUR million)	Note	2015	2016
Unsubordinated debentures		1,753	1,755
Leasing and similar obligations		3	2
Other derivatives	33.1	4	6
Total		**1,761**	**1,763**

All long term debt is unsecured. During 2015 and 2016 there have been no defaults or breaches on loans payables.

Over the two years presented, interest rate swaps (IRS, in 2015 only), and interest rate and currency swaps (IRCS) were 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 from a fixed interest rate to a floating interest rate or vice versa.
Unsubordinated debentures in EUR and in JPY are issued by Proximus SA. The capital is repayable in full on the maturity date.

In April 2015, the Group repurchased 85% of JPY 10 billion Notes due in December 2026 and unwound the related IRCS. The other JPY bonds came to maturity in November 2015.

In October 2015 Proximus repurchased 29% of its EUR 950 million bond due in November 2016 and 19% of its EUR 500 million bond due in February 2018.

The foreign currency exposure on the remaining liability in JPY is fully hedged economically by an interest rate and currency swap converting it into liability in EUR (see note 33).

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 loan 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

Non-current interest-bearing liabilities as of 31 December 2015 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	403	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	492	500	Amortized cost	Oct-25	Annually	1.88%	2.05%
	1,741	**1,755**					
Total unsubordinated debentures	**1,753**	**1,766**					
Leasing and similar obligations							
EUR	3	3	Amortized cost	2020	Quarterly	4.59%	4.59%
Total non-current financial liabilities (derivatives excluded)	**1,756**	**1,769**					
Derivatives							
Derivatives held-for-trading	4		Fair value				
Total	**1,761**	**1,769**					

(a) converted into a loan 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 2015

Note 18.2 Current interest-bearing liabilities

(EUR million)	Note	As of 31 December 2015	2016
Current portion of amounts payable > 1 year			
Unsubordinated debentures		671	0
Leasing and similar obligations		2	2
Other financial debts			
Other loans		0	405
Total		**674**	**407**

Two bonds matured in November 2016 for a total amount of EUR 675 million, which the company refinanced with commercial paper for an amount of EUR 405 million.

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

Current interest-bearing liabilities as of 31 December 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%

Current interest-bearing liabilities as of 31 December 2015 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	533	533	Amortized cost	Nov-16	Annually	4.38%	4.50%
EUR	139	142	Amortized cost	Nov-16	Annually	4.38%	7.16%
	671	**675**					
Leasing and similar obligations							
Fixed rate borrowings							
EUR	2	2	Amortized cost	2020	Quarterly	4.59%	4.59%
EUR	0	0	Amortized cost				
Total	**674**	**677**					

Note 19. Provisions

(EUR million)	Workers' accidents	Litigation	Illness days	Other Obligations	Total
As of 1 January 2015	**35**	**26**	**36**	**57**	**154**
Additions	0	10	4	14	28
Utilisations	-1	-1	0	-12	-14
Withdrawals	0	-4	0	-8	-11
Unwinding	0	0	1	0	1
As of 31 December 2015	**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**

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 labor 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 2016 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 2017-2046. 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 2015	2016
Other non-current payables -trade	185	146
Other non-current payables- non trade	0	16
Total	**185**	**162**

Long term 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).

Note 21. Other current payables

(EUR million)	As of 31 December 2015	2016
VAT payables	6	13
Payables to employees	127	106
Accrual for holiday pay	84	83
Accrual for social security contributions	55	41
Advances received on contracts	12	15
Other taxes	97	78
Deferred income	137	154
Accrued expenses	38	34
Other debts	14	55
Total	**570**	**579**

Deferred income mainly includes prepaid telecommunication and ICT services.

Note 22. Net revenue

(EUR million)	Year ended 31 December 2015	2016
Sales and rental of goods	547	548
Rendering of services	5,397	5,282
Total	**5,944**	**5,829**

Note 23. Other operating income

(EUR million)	Note	Year ended 31 December 2015	2016
Gain on disposal of intangible assets and property, plant and equipment		21	3
Other income		47	41
Total		**68**	**44**

The Group realized a gain on disposal of fixed assets of EUR 21 million in 2015 and EUR 3 million in 2016. The cash received from disposals amounts to EUR 39 million in 2015 and EUR 5 million in 2016.

Other income includes compensation for network damages (EUR 9 million in 2015 and EUR 8 million in 2016) as well as employee and third party contributions for sundry services.

Note 24. Non-recurring income

Gains on the disposal of subsidiaries and joint-ventures are reported as non-recurring income when they individually exceed EUR 5 million.

There was no non-recurring income in 2015 neither in 2016.

Note 25. Costs of materials and services related to revenue

(EUR million)	Year ended 31 December 2015	2016
Purchases of materials	410	435
Purchases of services	1,967	1,807
Total	**2377**	**2242**

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 109 million in 2015.

Note 26. Workforce expenses

(EUR million)	Year ended 31 December	
	2015	2016
Salaries and wages	740	708
Social security expenses	189	182
Pension costs	41	43
Post-employment benefits other than pensions and termination benefits	9	5
Other workforce expenses	221	221
Total	**1,199**	**1,159**

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.

The 2015 workforce expenses include the positive impact of the compensation mechanism with Belgian State related to the retired statutory employees (note 9.4). The negative impact from the re-measurement of the liability component of the past long term incentive plans as a result of the recent Proximus share-price evolution is also included in these workforce expenses.

2016 includes the positive impacts compensation mechanism (see note 9.4) and of the reduced number of FTE (318) as a consequence of the early leave plan.

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Salaries and wages and social security expenses are shown net of work performed by the enterprise that is capitalized for an amount of EUR 110 million in 2016 and EUR 103 million in 2015.

Note 27. Non-Workforce expenses

(EUR million)	Year ended 31 December	
	2015	2016
Rent expense	117	119
Maintenance and utilities	180	178
Advertising and public relations	83	84
Administration, training, studies and fees	125	127
Telecommunications, postage costs and office equipment	44	41
Allowances and loss on trade debtors	35	27
Taxes other than income taxes	37	2
Other non workforce expenses (1)	171	66
Total	**792**	**644**

(1) Unrealized and realized net exchange gains of EUR 2.9 million in 2016 and EUR 1.1 million in 2015.

Tax on pylons

In 2014, the Walloon Region adopted a Decree introducing a tax on pylons of EUR 8,000 per site and giving the possibility to the municipalities to levy additional surcharges up to 100% of the amount of the regional tax. The Constitutional Court annulled this Decree on 16 July 2015 after an annulment request introduced by Proximus and the two other mobile operators. The Court endorsed the argument that the Walloon Region does not have the authority to impose such a tax but deemed, however, that the tax could be upheld for previous years "given the financial and legal problems that the decision entails".

For 2015, the Walloon Region adopted a similar decree and a liability was therefore recognized in 2015. For 2016 also the Walloon Region adopted a similar decree which restored full competence for local authorities to tax pylons. Annulment requests were filed with respect to these decrees before the Constitutional Court that annulled them on 25 May and 17 November 2016 respectively. As a consequence the outstanding liability for 2015 was reversed in 2016..

In the meantime, the mobile operators have reached an agreement with the Walloon Region on the tax on pylons and put in place a framework facilitating the roll out of networks and investments to be made by the operators for promoting the digital development of the Region up to 2019 included.
As a consequence of all above facts the outstanding liability for 2014 was reversed in 2016 and no liability was recognized for 2016. The liability resulting from the settlement was recognized in other non-workforce expenses.

The Brussels Region had also included a regional tax on pylons for 2016 in its 2015 Budget Decree which should cover a budgetary need of EUR 10 million for the 3 mobile operators. However, the Region did not issue legal texts in this respect before the deadline of 31 December 2016.

Proximus continues to introduce claims against the tax on pylon assessments received.

Base, KPN & Mobistar settlement

In October 2015, KPN, BASE Company, Mobistar and Proximus agreed to settle all outstanding litigations related to the practice of applying tariffs from the past for mobile telecommunication services that are differentiated between on-net and off-net voice communications. The settlement agreement involves the payment of an amount of EUR 120 million. The related cost (EUR 116 million) is included in other non-workforce expenses.

Note 28. Non-recurring expenses

(EUR million)	Year ended 31 December 2015	2016
Termination benefits and restructuring	-3	0
Early leave plan and CAO	0	103
Removal of favourable early retirement clause	0	-9
Total	**-2**	**95**

Losses on the disposal of subsidiaries and joint-ventures that individually exceed EUR 5 million, costs of restructuring programs, and the effect of settlements of post-employment benefit plans with impacts for the beneficiaries are recognized as non-recurring expenses.

On 27 April 2016, the social partners and the Board of Directors approved a voluntary early leave plan and a collective agreement.
All voluntary leave plan related costs are and will be accounted for as non-recurring expenses. For employees for whom the plan had an immediate effect the cost was recognized immediately. For employees who have opted for the plan but are still remaining active, the cost is spread over their respective activity period, as from the second quarter of 2016.
The one-off balance sheet impacts of the collective agreement were also accounted for through non-recurring expenses in 2016.
The impacts of the early leave plan on the provision for illness days for statutory employees were recognized in non-recurring expenses.

Total impacts of all these are as follows:

In EUR million

Q2-2016	Q3-2016	Q4-2016	2017	2018	2019	Total
53	33	18	73	43	19	239

As a consequence of the change of law on pensions (law of 18 December 2015) the favourable early retirement clause in supplementary pension plans became void, subject to transition rules for employees aged 55 and more in 2016. The settlement resulting from the removal of this clause led to a past service gain of EUR 9 million recorded in non-recurring expenses.

Note 29. Depreciation and amortization

(EUR million)	Year ended 31 December 2015	2016
Amortization of licenses and other intangible assets	342	358
Depreciation of property, plant and equipment	528	559
Total	**869**	**917**

Note 30. Net finance cost

(EUR million)		Year ended 31 December 2015	2016
Finance income			
Interest income on financial instruments			
At amortized cost		1	1
At fair value through income statement		0	1
Interest income on assets			
On receivables		5	2
Fair value adjustments of financial instruments			
Not in a hedge relationship	37	7	0
Gain on disposal of			
Investments	37	2	0
Bonds buy back		6	0
Other finance income		1	1
Finance costs			
Interests and debt charges on financial instruments			
At amortized cost		-95	-82
At fair value through income statement		-1	0
On long term payables		-4	-4
Loss on disposal of			
Bonds buy back	37	-25	0
Discounting charges			
On provisions		0	-3
On termination benefits		-10	-14
Other finance costs		-4	-2
Total		**-120**	**-101**

The Group partially settled on 1 April 2015 a long term unsubordinated debenture in JPY maturing in 2026. The transaction generated a gain of EUR 6 million. The other JPY bonds and the related derivatives (IRS, IRCS) came to maturity in November 2015. As a result, the remeasurements to fair value of financial instruments were not material in 2016.

The Group paid on 1 October 2015 a premium of EUR 25 million for the partial settlement of the two bonds due in 2016 and 2018.

The total of the agios/disagios amortization related to the non JPY bonds and the bond buy back premium paid for these bonds amounted to EUR 31 million in 2015. The amortization of the agios/disagios related to the non JPY bonds amounted to EUR 6 million in 2016.

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)	2015	2016
Net income attributable to ordinary shareholders (EUR million)	482	523
Weighted average number of outstanding ordinary shares	321,767,821	322,317,201
Adjustment for share options	504,651	292,915
Weighted average number of outstanding ordinary shares for diluted earnings per share	322,272,472	322,610,116
Basic earnings per share (EUR)	1.50	1.62
Diluted earnings per share (EUR)	1.50	1.62

In 2016 and 2015, the stock options granted from 2004 until 2012 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)	2015	2016
Dividends on ordinary shares:		
Proposed dividends (EUR million)	483	484
Number of outstanding shares with dividend rights	322,003,751	322,637,103
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 2015 have been effectively paid in April 2016. The interim dividends for 2016 have been paid in December 2016.

An amount of EUR 1.6 million was paid in 2016 in relation with the stock options exercised in 2016. 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, in 2015 only), interest rate and currency swaps (IRCS), forward foreign exchange contracts and currency options.

(EUR million)	Note	2015	2016
Non-current assets			
Derivatives held for trading	10	6	6
Current assets			
Non-interest-bearing			
Derivatives held for trading	13	1	1
Total assets		**6**	**8**
Non-current liabilities			
Interest-bearing			
Derivatives held for trading	18	4	6
Total liabilities		**5**	**6**

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 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**

As of 31 December 2015	Fair value	
(EUR million)	Asset	Liability
Interest rate and currency swaps	6	0
Interests and currency related - other derivatives	0	-4
Derivatives not qualifying for hedge accounting	**6**	**-5**

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

Forward foreign exchange contracts concerned mainly the forward purchase of USD against EUR for forecasted business transactions, most of which will settle before year end 2017.

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. The Group is also exposed to financial risks associated with forecasted transactions.

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 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), the interest rate swap agreements (IRS) and the net currency obligations of the Group at 31 December 2015 and 2016.

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.

As of 31 December 2015

	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	2,430	2.48%	6				2,430	2.48%	6
Variable				11	-0.22%	11	11	-0.22%	11
JPY									
Fixed	11	5.04%	11	-11	-5.04%	11			
Variable									
Total	**2,441**	**2.50%**	**6**	**0**			**2,441**	**2.46%**	**6**

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

The Group does not expect material impacts for 2017 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.

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 their respective functional currency. Transactions in currencies other than the functional currency mainly occur in the International Carrier Services ("ICS") segment whose international carrier activities generate payments to and receipts from other telecommunications operators in various foreign currencies, as well as in some affiliates engaging in international activities (ICT, roaming, capital and operating expenditure) of the Group.

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 2015 and 2016, the Group only incurred currency exposures relative to its operating activities. Re-measurement to fair value of underlying open trade positions in foreign currencies as a rule is recorded via the income statement and reduced or offset by the accompanying re-measurement to fair value of derivatives used to hedge such underlying exposures. In a limited number of cases however, 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 2015 and 2016. For 2015 and 2016, there was no material impact on the Group's income statement. For 2017, 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

Proximus is exposed to credit risk from its operating activities and from its investing activities (financial investments done to manage cash of the Group). 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 financial guarantees. At 31 December 2016, it had granted bank guarantees (with recourse) for an amount of EUR 49.2 million and EUR 48 million at 31 December 2015).

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 SA entered into committed bilateral credit agreements with different maturities and into two separate and committed

Syndicated Revolving Facilities for an 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 2015 and 2016, respectively).

(EUR million)	2016	2017	2018	2019	2020	2021-2028
As of 31 December 2015						
Capital	675	0	405	0	0	1,361
Interests	76	47	47	31	31	152
Total	**752**	**47**	**452**	**31**	**31**	**1,513**
As of 31 December 2016						
Capital		0	405	0	0	1,361
Interests		47	47	31	31	152
Total		**47**	**452**	**31**	**31**	**1,513**

Bank credit facilities at 31 December 2016

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 2016, there were no outstanding balances under any of these facilities. A total of some EUR 700 million of credit lines was therefore available for drawdown as at 31 December 2016.

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 2016, there was an outstanding balance under the EMTN Program of EUR 1,755 million, whereas the CP Program showed a drawn and outstanding amount of EUR 405 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	2015	2016
Assets			
Current investments (1)	14	8	6
Cash and cash equivalents (1)	15	502	297
Non-current derivatives	10	6	6
Liabilities			
Non-current interest-bearing liabilities (1)	18	-1,761	-1,763
Current interest-bearing liabilities (1)	18	-674	-407
Net financial position		**-1,919**	**-1,861**

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

Non-current interest-bearing liabilities include non-current derivatives at fair value amounting to EUR 4.4 million in 2015 and EUR 6 million in 2016 (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 either through dividends or share buybacks 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 next 3 years to come (2017, 2018 & 2019), provided Proximus' financial performance delivery be 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 and 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 2016, the fair value of the unsubordinated debentures, which are accounted for at amortized cost exceeds by EUR 156 million, or 8.9%, 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 2016 for similar debentures with the same remaining maturities.

As of 31 December 2016	Note	Category according to IAS 39 (1)	Carrying amount	Amounts recognized in balance sheet according to IAS 39			
(EUR million)				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
VAT and other receivables	13	N/A	25	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 debt	6.5	OFL	34		34	0	
V.A.T. and other amounts payable	21	OFL	280	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

As of 31 December 2015 (EUR million)	Note	Category according to	Carrying amount	Amounts recognized in balance sheet according to IAS 39			
				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	9		9	0	
Other derivatives	33.1	FVTPL	6				1
Other financial assets	10	LaR	37	37			
Current assets							
Trade receivables	12	LaR	1,140	1,140			
Other current assets							
VAT and other receivables	13	N/A	39	39			0
Investments	14	AFS	4		4	0	
Investments	14	HTM	4	4			
Cash and cash equivalents							
Short-term deposits	15	LaR	502	502			
LIABILITIES							
Non-current liabilities							
Interest-bearing liabilities							
Unsubordinated debentures not in a hedge relationship	18	OFL	1,753	1,753			
Leasing and similar obligations	18	OFL	3	3			
Other derivatives	33.1	FVTPL	4				1
Non interest-bearing liabilities							
Other non-current payables	20	OFL	185	185			
Current liabilities							
Interest-bearing liabilities, current portion							
Unsubordinated debentures not in a hedge relationship	18	OFL	671	671			
Leasing and similar obligations	18	OFL	2	2			
Trade payables		OFL	1,330	1,330			
Other current payables							
V.A.T. and other amounts payable	21	OFL	298	298			

(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 2015 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 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

As of 31 December 2015 (EUR million)	Note	Category according to IAS 39 (1)	Balance at 31 December 2015	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	6		6	
Current assets						
Investments	14	AFS	4	4		
LIABILITIES						
Non-current liabilities						
Interest-bearing liabilities						
Unsubordinated debentures except for their "non-closely related" embedded derivatives	33.1	OFL	1,753		1,838	
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	671		700	

(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 follows:

Proximus SA transactions with its subsidiairies	Year ended 31 December	
(EUR million)	2015	2016
Revenues	134	132
Costs of materials and services related to revenue	-135	-120
Net finance costs	-261	-259
Dividends received	719	646

Outstanding balances of Proximus SA with subsidiaries	As of 31 December	
(EUR million)	2015	2016
Trade receivables	40	30
Trade payables	-52	-44
Interest bearing receivables/liabilities	-9,939	-9,772
Other receivables and liabilities	-4	0

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 4.56%. The remaining 41.93% 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 did not change in 2016: 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, of the Audit Committee and of the Board of 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 Directors do not receive performance-based remuneration such as bonuses or long-term incentive programs, nor do they receive benefits linked to pension plans.

The total remuneration for the Directors amounted to EUR 970,638€ for 2016 and to EUR 1,010,575 for 2015.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:

	2015	2016
Board of Directors	8	7
Audit and Compliance Committee	6	5
Nomination and Remuneration Committee	5	5
Strategic and Business Development Committee	2	2

In its meeting of 24 February 2011, the Board adopted a “related party transactions policy” which was updated in September 2016 and 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. Proximus is also a Partner of Guberna, the Belgian Institute for Directors (affiliated with Mrs Lutgart Van den Berghe, member of the Board of Directors until 20 April 2016, who is Executive Director of Guberna), for which it has paid a fee of € 30,250 in 2016.

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 (but 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.

For the year ended 31 December 2015, a total gross amount (long term share-based payments and termination benefits included) of EUR 7,069,995 (before social security costs) was paid or granted in aggregate to the members of the Executive Committee, Chief Executive Officer included. In 2015, the members of the Executive Committee were Dominique Leroy, Sandrine Dufour, Michel Georgis, Dirk Lybaert, Geert Standaert, Ray Stewart (4 months), Renaud Tilmans, 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 2018 (granted in 2015) or May 2019 (granted in 2016), 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.
- Termination benefits: paid or accrued

	Year ended 31 December	
EUR*	2015	2016
Short-term employee benefits	4,962,360	4,884,620
Post-employment benefits	882,385	1,089,162
Long-Term Performance Value Plan	1,225,250	982,000
Total	**7,069,995**	**6,955,782**

* All these amounts are gross amounts before empolyer'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 131 million in 2016 and EUR 129 million in 2015.

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	12	1	1	0	14
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	**71**	**51**	**13**	**11**	**146**

Future minimum rentals payable under the non-cancellable operating leases are as follows at 31 December 2015:

(EUR million)	Within one year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Buildings	28	40	17	4	89
Sites (1)	13	1	1	0	16
Technical and network equipment	11	3	2	0	16
Furniture	0	0	0	0	0
Vehicles	24	9	24	0	57
Other material	0	0	0	0	0
Total	**77**	**53**	**43**	**4**	**177**

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

Orange (Mobistar at the date of the initiation of the action) launched on 3 May 2013 a claim for damages against Proximus before the commercial court of Brussels for allegedly wrongful and/or abusive termination by Proximus of negotiations with Orange on the conclusion of a commercial agreement on DSL-based services. Proximus contested Orange's claims entirely, particularly as Orange has pub-licly expressed at several occasions its interest for and its intention to obtain wholesale access from the cable operators. On 15 September 2016 the commercial court of Brussels rejected the claim of Orange. The case is now definitely closed.

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 proceeding

The Belgian tax authorities notified a foreign subsidiary of the Group in 2007 to be considered as a tax resident of Belgium rather than of Luxembourg and therefore to be subject to Belgian corporate income tax for the year 2004. In 2008, the Belgian tax authorities maintained their 2004 assessment and assessed the Belgian corporate income tax for the subsequent years 2005 and 2006 for a total amount of EUR 69 million excluding interest. The Court of Brussels decided in June 2014 in favor of Proximus. The tax authorities filed an appeal against this decision. A hearing was held on February 9, 2017 which had no impact on the assessment of probable outcome made.

Capital expenditure commitments

At 31 December 2016, the Group has contracted commitments of EUR 119 million, mainly for the acquisition of intangible assets and technical and network equipment.

Other rights and commitments

At 31 December 2016, the Group has the following other rights and commitments:
The Group received guarantees for EUR 8 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 67 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;

The financial debt of FLOW SA is guaranteed by a unilateral and irrevocable right given to the bank to put its tangible and intangible assets as security for the repayment of the amounts due to the bank, up to an amount of 440,000 euro

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 analyse 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 hence remains obligatory, be it without a possibility to ask compensation from a sectorial fund mechanism, as it is the case for other social tariffs en universal services.
Since 2015, the Minister competent for e-communications announces a reform of the legal system of social tariffs, prioritizing a simplification of the present system as well as an evolution towards a system based on voluntary engagement. The focus of Proximus prioritary moved towards the proposal of suggestions for reform of the social tariffs. This would be dealt with in a law 'divers provisions', but until today the Minister did not materialize his intention into a concrete pre-draft of legal text. The demand for compensation has not been renewed

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Note 36. Share-based Payment

Discounted Share Purchase Plans

In 2015 and 2016, the Group launched Discounted Share Purchase Plans.

Under the 2015 and 2016 plans, Proximus sold respectively 1,047 and 9,773 shares to the senior management of the Group at a discount of 16.66% compared to the market price (discounted price of respectively EUR 26.72 per share in 2015 and from EUR 22.94 to 23.82 in 2016). The cost of the discount is below EUR one million in 2015 and in 2016 and was recorded in the income statement as workforce expenses (see note 26).

Performance Value Plan

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

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

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

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

The fair value of the tranches 2013, 2014, 2015 and 2016 amounted as per 31 December 2016 respectively to EUR million 0, 6, 5 and 4. The annual charge for the tranches amounted respectively to EUR million 2, 1, 2 and 1. 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 2016:

	As of	
	31 December 2015	31 December 2016
Weighted average risk free of return	-0.060%	-0.075%
Expected volatility - company	24.23%	21.03%
Expected volatility - peer companies	17% - 62%	17%-31%
Weighted average remaining measurement period	1.38	2.76

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 2.5 million in 2015 and EUR 0.7 million in 2016.

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 6.8 million on 31 December 2015 and EUR 6 million on 31 December 2016 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 serous 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.

Number of stock options

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Outstanding at 31 December 2015	**1,240**	**6,498**	**22,085**	**33,045**	**60,455**	**22,258**	**51,670**	**116,232**	**392,881**
Exercisable at 31 December 2015	**1,240**	**6,498**	**22,085**	**33,045**	**60,455**	**22,258**	**51,670**	**116,232**	**392,881**
Movements during the year 2016									
Granted									
Forfeited	0	0	0	0	0	0	-1,168	-3,759	0
Exercised	-1,240	0	-515	-448	-3,082	-22,258	-7,551	-10,454	-156,031
Expired	0	0	0	0	0	0	0	0	0
Total	-1,240	0	-515	-448	-3,082	-22,258	-8,719	-14,213	-156,031
Outstanding at 31 December 2016	**0**	**6,498**	**21,570**	**32,597**	**57,373**	**0**	**42,951**	**102,019**	**236,850**
Exercisable at 31 December 2016	**0**	**6,498**	**21,570**	**32,597**	**57,373**	**0**	**42,951**	**102,019**	**236,850**
Exercise price	**25**	**30**	**26**	**33**	**29**	**23**	**26**	**25**	**22**

The volatility used for the remeasurement of the liability component has been estimated to 23%.

Note 37. Relationship with the auditors

The Group expensed for the Group's auditors during the year 2016 for an amount of EUR 1,126,907 for the annual audit mandate fees and EUR 257,997 for non-mandate fees.

This last amount is detailed as follows:

EUR	Auditor	Network of auditor
Other mandatory audit missions	61,115	0
Other missions	182,690	14,192
Total	**243,805**	**14,192**

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:

- The operating income before depreciation and amortization net of incidentals. The segment reporting below provides a reconciliation between underlying figures and those reported in the financial statements, the 2015 and 2016 segment reporting is presented accordingly; and
- 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.

Changes in Segment reporting

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

- Provide a split of revenue and direct margin per customer segment: Consumer, Enterprise and Wholesale. This resulted in some very minor changes in revenue by product group, and hence ARPU.
- Similar to the past, an EBITDA is provided for Group, Domestic and BICS.
- "Segment results" (contribution to Group EBITDA) is no longer reported as these figures are non-relevant, given no full cost allocation was applied, a large part of costs remained within TEC and S&S.
- Split Expenses (after direct margin) at Group level only, and in a more relevant manner
  Group Opex: Workforce and Non Workforce
  * Workforce expenses: expenses related to own employees (former HR-expenses) as well as to external employees (part of former non-HR expenses) for Proximus S.A. For subsidiaries, only internal HR

expenses are reported under Workforce expenses

* Non Workforce: all other expenses (part of former non-HR expenses)

(EUR million)		Group Proximus	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
				Year ended 31 December 2016				
Turnover		5,829	1,457	4,373	2,887	1,355	194	-63
Other revenues		41	4	38	18	5	0	14
REVENUES	Underlying	5,871	1,460	4,410	2,905	1,360	194	-49
Adjustments		3	0	3	0	0	0	3
TOTAL INCOME	Reported	5,873	1,460	4,413	2,905	1,360	194	-46
Elim intersegment	Included in above revenue figures							
Turnover		-80	-37	-42	-7	-4	0	-31
Other revenues		-13	0	-13	0	0	0	-13
COST OF SALES	Underlying	-2,242	-1,186	-1,056	-691	-406	-25	66
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	Reported	-2,242	-1,186	-1,056	-691	-406	-25	66
Direct margin	Underlying	3,628	274	3,354	2,214	954	169	17
Direct margin	Reported	3,631	274	3,357	2,214	954	169	20
Workforce expenses		-1,159	-53	-1,106				
Non workforce expenses		-673	-72	-601				
OPERATING EXPENSES	Underlying	-1,832	-125	-1,707				
Non-recurring expenses		-95	0	-95				
Adjustments		29	0	29				
TOTAL OPERATING EXPENSES	Reported	-1,898	-125	-1,773				
OPERATING INCOME before depreciation & amortization	Reported	1,733	149	1,584				
Adjustments & non-recurring		63	0	63				
EBITDA	Underlying	1,796	149	1,647				
Depreciation and amortization	Reported	-917	-77	-840				
OPERATING INCOME	Reported	816	73	743				
Net finance costs		-101						
Share of loss on associates		-1						
INCOME BEFORE TAXES		715						
Tax expense		-167						
NET INCOME		548						
Non-controlling interests		25						
Net income (Group share)		523						

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

(EUR million)		Group Proximus	BICS	Domestic (Group excl. BICS)	Consumer	Enterprise	Wholesale	Others
		Year ended 31 December 2015						
Turnover		5,944	1,612	4,332	2,863	1,331	201	-63
Other revenues		51	4	47	29	4	0	13
REVENUES	Underlying	5,994	1,616	4,379	2,892	1,335	202	-50
Adjustments		17	0	17	0	0	0	17
TOTAL INCOME	Reported	6,012	1,616	4,396	2,892	1,335	202	-33
Elim intersegment	Included in above revenue figures							
Turnover		-81	-40	-41	-5	-5	0	-31
Other revenues		-12	0	-12	0	0	0	-12
COST OF SALES	Underlying	-2,377	-1,338	-1,039	-692	-388	-28	69
COSTS OF MATERIALS AND SERVICES RELATED TO REVENUE	Reported	-2,377	-1,338	-1,039	-692	-388	-28	69
Direct margin	Underlying	3,617	278	3,340	2,200	947	174	19
Direct margin	Reported	3,635	278	3,357	2,200	947	174	36
Workforce expenses		-1,199	-53	-1,146				
Non workforce expenses		-685	-64	-620				
OPERATING EXPENSES	Underlying	-1,884	-118	-1,766				
Non-recurring expenses		2	0	2				
Adjustments		-107	0	-107				
TOTAL OPERATING EXPENSES	Reported	-1,989	-118	-1,871				
OPERATING INCOME before depreciation & amortization	Reported	1,646	160	1,486				
Adjustments & non-recurring		87	0	87				
EBITDA	Underlying	1,733	160	1,573				
Depreciation and amortization	Reported	-869	-78	-791				
OPERATING INCOME	Reported	777	82	695				
Net finance costs		-120						
Share of loss on associates		-2						
INCOME BEFORE TAXES		655						
Tax expense		-156						
NET INCOME		499						
Non-controlling interests		17						
Net income (Group share)		482						

(EUR million)	Group	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations
	Year ended 31 December 2015						
Capital expenditure	1,002	178	28	729	32	37	-2

In respect of geographical areas, the Group realized EUR 4,020 million net revenue in Belgium in 2015 and EUR 4,030 million in 2016 based on the country of the customer. The net revenue realized in other countries amounted to EUR 1,924 million in 2015 and EUR 1,799 million in 2016. 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 2016.

This means that the Group did not apply the following standards or interpretations that are applicable for the Group as from 1 January 2017 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).

Newly issued standards:

- IFRS 9 ("Financial Instruments");
- IFRS 15 (Revenue from contracts with customers);
- IFRS 16 (Leases).

The Group will continue investigating the possible impacts of the application of these new standards and interpretations on the Group's financial statements in the course of 2017.
The Group does not anticipate material impacts from the initial application of those IFRS except potentially the initial application of IFRS 15 and IFRS 16.

- 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. 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 of revenue recognition will be impacted as service revenue is recognized over time compared to the point in time recognition for revenue from the sale of goods. This change in timing of revenue recognition may also result in the creation of contract assets and liabilities. Furthermore, IFRS 15 allows for certain qualifying 'costs to acquire' contracts to be capitalized as 'contract cost assets'. The asset recognised shall be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Business customers' revenue is characterized by a large range of service lines (e.g. Fixed and Mobile Telco, ICT, Fixed Data) with customized contracts. Initial analyses indicate that implementing IFRS 15 will likely impact the method of discount allocation in a limited number of contracts. The timing of revenue recognition will also change for a limited number of services, which are currently recognized at point in time but for which IFRS 15 will require over time recognition. Furthermore, IFRS 15 allows for certain qualifying 'costs to acquire' contracts to be capitalized as 'contract cost assets'. The asset recognised shall be amortised on a systematic basis that is consistent with the

transfer to the customer of the goods or services to which the asset relates. Given the customized nature of these contracts, there could be other changes under IFRS 15 for these contracts, for example additional revenue streams being identified, or a change in the determination of transaction prices due to variable considerations. We believe that such changes will probably be triggered by a limited number of large contracts for which the analysis is ongoing.

The IFRS 15 analysis together with the quantification of the above mentioned impacts on revenue are still ongoing. The IFRS 15 impact on yearly household 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, but the assessment is preliminary and ongoing. More quantitative information will be disclosed in the 2017 interim reporting.

The Group does not intend to apply the new standard earlier than the required effective date. The Group has not decided yet which method of application will be used for IFRS transition i.e. full retrospective or cumulative catch-up as this depends on practical operational aspects.
Transition practical expedients are expected to be used. Completed contracts will probably be excluded from restatement at transition date including any contract modifications before that date.

- 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. It includes mainly a new impairment model based on the expected credit losses, new requirements and guidance on the classification and measurement of financial assets in addition to the "own credit" risk and changes for hedge accounting. Proximus as corporate does not anticipate major impacts and analysis is ongoing.

- 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 the new standard IFRS 16, 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 discount of lease liability will be periodically unwound into finance cost.

Note 40. Post balance sheet events

There are no events that occurred after 31 December 2016 that have not been reflected in the financial statements.