



Mobistar

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Mobistar

First quarter 2016 results

Total turnover and underlying EBITDA demonstrate solid growth

Convergent offer unveiled

Orange brand to be adopted on 9 May 2016

Positive postpaid momentum sustained

Mobistar getting set for its 2016-2020 development plan

Brussels, 22 April 2016 – Today, Mobistar (Euronext Brussels: MOBB) publishes its results for the first quarter of 2016.

- ✓ Mobistar once again delivered solid financial results in the first quarter of 2016 as mobile service revenues increased by 2.9 % year-on-year to 254.3 million euros, supported by Mobistar's successful postpaid data monetisation. This growth is free of any regulatory impact as roaming cuts will only apply as of the second quarter of 2016. Meanwhile, Mobistar continued focusing on the retention and development of its postpaid customer base, with the postpaid/prepaid customer mix further improving to 73/27 % as of 31 March 2016.
- ✓ Mobistar's underlying restated EBITDA increased by 4.1 % year-on-year to 72.7 million euros in the first quarter of 2016, a result of higher revenues and margin expansion through on-going cost optimisations. Accounting timing differences related to the Walloon pylon tax provision and the IFRIC 21 standard impacted the reported restated EBITDA of 53.8 million euros. In total 18.9 million euros incremental operational taxes were recognized in the first quarter of 2016, instead of having been spread over the different quarters, which was the case in 2015.
- ✓ As of 31 March 2016, Mobistar's retail customer base in Belgium stood at 3,766.6 thousand. Mobistar continued to attract and retain postpaid customers with 8.4 thousand net additions in the first quarter of 2016, thanks to the enhanced attractiveness of its mobile business. This was the fourth consecutive quarter in which Mobistar reported positive postpaid net customer additions.
- ✓ 4G leadership confirmed in Belgium with outdoor- and indoor coverage reaching 99 % and 88 % of the population respectively at the end of the first quarter of 2016. 4G smartphone penetration advanced with nearly 1.1 million customers equipped with a 4G smartphone at the end of March. Total 4G traffic powered forward and represented 68 % of total traffic in March, leading total mobile data traffic to increase by close to 80 % year-on-year.
- ✓ The ARPU trajectory pursued its positive development with an increase of the blended ARPU in Belgium of 1.3 % year-on-year to 24.0 euros. Mobistar postpaid ARPU in Belgium rose to its highest level in more than 2 years to reach 28.7 euros in the first quarter of 2016, on the back of growing mobile data demand across the customer base.
- ✓ On 1 March 2016, Mobistar unveiled its internet & digital TV offering. At the end of the first quarter of 2016, 44 % of the Belgian households, i.e. 2.1 million households, were already eligible.
- ✓ Sustained by the growth of its services revenues, Mobistar reiterates its full year 2016 outlook with a restated EBITDA ranging between 270 and 290 million euros excluding cable costs. Mobistar also expects its mobile only capex to be about 145 million euros in 2016, in addition to the capitalization of the customer equipment and installation costs related to its convergent internet and digital TV offering.
- ✓ Mobistar's Board of Directors voted unanimously in favour of adopting the Orange brand in Belgium. Since then the operational implementation has progressed swiftly. Mobistar employees are enthusiastic about the adoption of the Orange brand. As of 9 May 2016, the Orange brand will be deployed for all product lines, thereby invigorating the new convergent positioning of Mobistar.

Mobistar's Chief Executive Officer Jean Marc Harion commented: *"We have reached an important turning point in the first quarter of 2016 with a return to growth in mobile service revenues and underlying restated EBITDA. We have been focusing on strengthening the core attractiveness of our mobile business, while implementing the last piece of our convergent strategy. Furthermore, I am extremely happy with the promising start of our internet and digital TV offering. Our customers tell us that we are delivering an excellent experience at an attractive price. This quarter is also the first quarter of our new 2016-2020 development plan, which is centered on growing our mobile value market share, by leveraging both the increasing customer appetite for mobile data and the positioning of Orange as a convergent operator in Belgium"*.

1. Key operational and financial highlights

- **Mobistar saw on-going strength in postpaid customers with 8.4 thousand net additions**

The first quarter of 2016 started with the extension of Mobistar's successful winter sales campaign that was dominated by attractive handset promotions and subsidized offers. As of February, the focus of Mobistar's commercial campaigns shifted towards its Buy Back offers, an advantageous solution for customers to upgrade to a more recent mobile device. These commercial initiatives allowed **Mobistar to display on-going strength in the postpaid segment with 8.4 thousand net additions in the first quarter of 2016**. The total postpaid customer base amounted to 2,217.0 thousand customers, representing an increase of 53.7 thousand customers year-on-year. This was **the fourth consecutive quarter in which Mobistar reported positive postpaid net additions**, compelled by sustained gross additions and a decrease in churn.
- **4G leadership in Belgium confirmed**

Mobistar remains committed to defend its 4G leadership position in Belgium with **outdoor and indoor coverage reaching 99 % and 88 %** of the population respectively at the end of the first quarter of 2016. Mobistar's investment strategy also targets an improved customer experience, notably with the rollout of 4G+, **which already covered 22 % of the population**.
- **Mobistar's mobile data traffic increased by 75 % year-on-year driven by 4G usage and smartphone penetration**

Overall smartphone penetration stood at 61 %, with 4G smartphone penetration moving up to reach more than 35 % accounting for **close to 1.1 million active 4G users**. In March 2016, total 4G traffic represented 68 % of total traffic, with the average usage per customer across the base standing at 614 Mb while the average usage of the smartphone population, i.e. approximately 1.9 million mobile data users, broke through the 1 Gb threshold for the first time.
- **Mobistar's postpaid ARPU amounted to 28.7 euro, an increase of 3.3 % year-on-year**

The **ARPU trajectory continued its positive development** with an increase of the blended ARPU of 1.3 % year-on-year to 24.0 euros. **The postpaid ARPU rose to its highest level in more than 2 years, reaching 28.7 euros** in the first quarter of 2016. This positive evolution comes on the back of growing data demand across the base improving the customer mix, stable incoming SMS revenues and declining revenues from voice roaming. The prepaid ARPU remained under pressure as high-end prepaid customers increasingly opt for postpaid offers, while promotions and lower incoming SMS revenues cause a deflation of the prepaid ARPU.
- **Mobistar's internet & digital TV offer gives subscribers in Belgium an excellent alternative at an attractive price**

As of March 1st, **Mobistar's mobile customers can enjoy the new Mobistar internet & digital TV offer**. This meets the needs of customers who want to benefit from high-speed internet and highly qualitative digital TV services at an attractive price. **At the end of the first quarter of 2016, 44 % of the Belgian households**, i.e. 2.1 million households, are **already** eligible to benefit from this offer.
- **Mobistar's mobile service revenues increased by 2.9 % year-on-year**

Mobistar's total service revenues for the first quarter of 2016 grew by 1.6 % year-on-year to 272.4 million euros compared to 268.2 million euros in the first quarter of 2015. **Mobistar's mobile service revenues even increased by 2.9 % year-on-year** to 254.3 million euros in the first quarter of 2016 compared to 247.2 million euros in the first quarter of 2015. This growth is free of any regulatory impact as roaming cuts will only apply as of the second quarter of 2016. The fixed revenues still declined, awaiting for the impact of the new internet & digital TV services.
- **The underlying restated EBITDA increased by 4.1 % year-on-year to 72.7 million euros**

The underlying restated EBITDA increased by 4.1 % year-on-year to 72.7 million euros in the first quarter of 2016 compared to 69.9 million euros in the first quarter of 2015. The associated restated EBITDA margin expanded to 26.7 %, up from 26.0 % in the first quarter of 2015. This increase stems from **the higher contribution of mobile service revenues**, triggered by the upsurge in the postpaid customer base and ARPU, and **from the on-going cost optimisations** that were in part offset by the **sustained commercial investment in customer acquisition and retention**. The reported restated EBITDA of 53.8 million euros was impacted by 18.9 million euros in incremental operational taxes in the first quarter of 2016, compared to the first quarter of 2015.
- **Maintained strength of balance sheet alongside continued investment, resulting in a net financial debt/EBITDA of 1.4x**

The operational cash flow in the first quarter of 2016 amounted to 29.4 million euros, compared to 42.1 million euros in the first quarter of 2015. The organic cash flow amounted to -9.3 million euros in the first quarter of 2016 compared to 14.4 million euros of organic cash flow generated in the first quarter of 2015. The decline was mainly linked to higher tax payments (12.2 million euros) and less favourable working capital changes (12.5 million euros).

2. Key facts

Leadership in Mobile:

- **Mobistar plans a commercial launch of its 4G+ services in the coming months**
At the end of the first quarter of 2016, Mobistar's 4G network reached 99 % outdoor and 88 % indoor coverage respectively. Mobistar's 4G+ technology is being deployed and already covers 22 % of the population, paving the way for a commercial launch in the coming months.
- **Mobistar, as part of the Orange group, intends to offer the best network quality at the most attractive price**
Mobistar is embracing the new roaming regulation as an opportunity. Roaming has always been perceived as expensive, and when people travel abroad they either turn off their phones or limit their data usage. However, the newly announced prices are extremely attractive, meaning that Mobistar's customers will be able to call and surf when abroad as easily as they do at home. Moreover, as part of the Orange group, Mobistar can count on a strong and established global partner network to offer customers the best network quality everywhere.
- **Mobistar strengthens its offering for its SoHo customers**
The SoHo market, which numbers more than 600 thousand companies in Belgium, is an attractive opportunity and provides an excellent entry point in both the residential and business segments. In view of the new convergent positioning and the rebranding into Orange, Mobistar is increasingly focusing on this segment. Already in 2015, Mobistar launched Mobiline, a service innovation replacing the fixed line and PBX by a fully mobile solution. To reinforce its renewed momentum, Mobistar launched 3 specific Pro Pack offers for its SoHo customers: 1/ Surf Pro Pack, offering a free mobile broadband surf extra card and 2 additional GB; 2/ Smartphone Pro Pack, including a MySwap option and 3/ Reduction Pro Pack, offering a 10 % reduction on the out-of-pocket cost of additional cards.
- **Mobistar increased the data bonus for prepaid Dolphin customers when recharging for a minimum of 15 euros**
Since March prepaid customers with a Dolphin tariff plan benefit from an increase in their data bonus when recharging for a minimum amount of 15 euros. At the same time Mobistar announced an increase, starting 1 April 2016, in the price of some old residential postpaid tariff plans, while proposing the customer changes to a more recent tariff plan.

Pioneer in Disruptive Convergence:

- **The strong NPS score of the 5,000 testers bodes well for the commercial launch**
Since 2014, Mobistar has developed internet and digital TV services that are based on the regulation of the cable market making it possible for Mobistar to access the network of cable operators. In preparation for the commercial launch, Mobistar has opted for a progressive and participatory approach in order to guarantee the best customer experience. During this real-live testing, the ordering process, installation, activation, functioning and the internet and television quality of services have been optimised. The strong NPS score of the 5,000 testers bodes well for the commercial launch.
- **Mobistar is offering internet & digital TV at an attractive discount despite the regulated wholesale price levels**
In response to the needs of customers who wish to group their telecommunication services, Mobistar introduced 2 flagship subscription formulas for its internet & digital TV offer: one is priced at 49 euros per month for all mid and entry level postpaid customers and the other one is priced at 39 euros per month for all high-end postpaid customers. The monthly subscription includes 1/ internet with download speed up to 100Mbps, upload speed of up to 6Mbps, unlimited surfing volume and a Wi-Fi modem and 2/ a digital cable TV subscription with up to 70 channels (incl. >10 HD channels and analogue channels), a TV decoder with an intuitive interface, play/pause, rich TV guide, up to 4 simultaneous recordings and a decoder recording storage of up to 400 hours in HD. Mobistar further completed its offer with extra options such as unlimited mobile voice calls during off-peak hours at 3 euros per month, extra surfing speed up to 200Mbps for 10 or 15 euros per month (depending on the city a customer lives in) and an extra TV decoder for 9 euros per month. Despite the relatively high regulated wholesale price levels, Mobistar managed to price its offering at an attractive discount compared to the established players, while guaranteeing a high standard of quality.
- **Mobistar is progressively rolling out its internet & digital TV offer, securing a qualitative product and organisation**
On 1 March 2016, Mobistar unveiled its internet & digital TV offer. Mobistar scheduled a progressive national rollout of its offer throughout Belgium in order to secure an excellent customer experience with a smooth installation and activation process. This controlled launch allows for a timely detection of any remaining flaws or bottlenecks in the installation process with each cable operator, before addressing the mass market. The offer was initially launched to 7 % of Belgian households, subsequently reaching 21 % by mid-March and 44 % by the end of March. The offering is now available to 2.1 million households in Belgium. After Brussels, Flemish/Walloon Brabant, Eastern Flanders and

Hainaut, more provinces will be opened in the coming weeks with the aim of reaching full national coverage by the end of 2016. During this initial phase Mobistar has not spent any marketing budget in anticipation of the upcoming rebranding of Mobistar into Orange.

- **Mobistar's new internet & digital TV activity creates additional employment opportunities**
Mobistar initiated a recruitment campaign to hire 40 professionals to strengthen its customer service team in order to manage subscriptions, and coordinate all installations.

Best Customer Experience:

- **Transversal, company-wide improvements in the customer journey are lifting the experience to a higher level**
In the past few years, Mobistar has focused on individual projects aiming at enriching the customer experience, such as the introduction of a loyalty program, an online customer zone, etc. Now that the foundations are in place, Mobistar is increasingly turning its attention towards more transversal, company-wide improvements in its processes. This ambition is reflected throughout the entire customer supply chain from the network, through the creation of Mobistar's product offering, the go-to-market, the physical and online distribution points, to the after-sales and customer support.
- **The MyMobistar App has been given a new look and extra features**
Mobistar is focused on making digital life easier for its customers, whether they are residential customers, professionals or enterprises, and as a result has upgraded the MyMobistar app. This free application enables Mobistar customers to understand and directly manage all their account details from their mobile in an efficient and easy way. Customers can track their mobile usage, buy data top ups, add service options, find out about special offers and get assistance. The resulting improvement in their patterns of use and their experience leads to a closer and more fruitful relationship. The app now also gives direct access to the benefits of the 'Have a Nice Day' loyalty program or an online reload via debit or banking app.

Best Industry Efficiency:

- **Cost savings envisioned through the gradual dismantling of Mobistar's local exchanges**
In support of the Move to All IP project and the vision to offer a future-proof solution to Mobistar's fixed customers, Mobistar has been phasing out some of the existing technologies (ATM/FR, PDH ...). In 2013 and 2014, Mobistar successfully completed the migration of part of its existing base to the new Ethernet technology. In 2015, Mobistar initiated the last part of the migration towards Ethernet/IP by dismantling its existing ATM equipment, which was installed in 174 incumbent LEXes (Local exchanges), and which generated a yearly cost of 6 million euros. The LEXes should be gradually left by mid-2017.
- **Distribution network optimization allows for an improved customer experience while realizing savings**
Over the past few years, Mobistar has transformed its residential distribution mix in favour of direct channels by closing down indirect channels, acquiring new channels and investing in the upgrade and digitalization of its existing channels. The heavy groundwork for this exercise was completed successfully at the end of 2015. Having established a solid commercial momentum in terms of postpaid net adds, the next phase entails a deeper optimization of the residential distribution network which enables an intimate understanding of the trade-offs between the optimal shop footprint versus the overall customer experience, especially in view of the recent launch of Mobistar's convergent offering and the rebranding into Orange. Mobistar also continues to implement further improvement in stores. The 'Repair in Shop' program is one example of how Mobistar is optimizing the handset repair process to ensure certified repair service in some shops and minimize the repair delay in the other points of sale, allowing for an improved customer experience while realizing savings.
- **Mobistar kicks off a streamlining of the purchasing process across both its enterprise and consumer markets**
Mobistar selected Sigma CPQ to streamline the purchasing process across both its enterprise and consumer markets. CPQ offers real-time product configuration, pricing and quote capabilities and will help ensure accuracy and alignment across all channels, reducing risks and increasing customer satisfaction. Deployed in the cloud, Sigma CPQ can handle the complexity of both business and consumer offers across all of Mobistar's sales channels, while reducing both time and cost to market.

3. Comments on the financial situation

3.1 Mobistar consolidated figures

Mobistar consolidated key figures	Q1 2016	Q1 2015	Variation
Total number of connected SIM cards (Mobistar S.A., Orange Communications Luxembourg S.A. and MVNO's)	5,727.7	5,602.7	+2.2 %
Consolidated turnover (mio €)	309.3	302.4	+2.3 %
Total service revenues (mio €)	272.4	268.2	+1.6 %
Mobile equipment sales (mio €)	31.1	32.3	-3.7 %
Restated EBITDA (mio €)	53.8	69.9	-23.0 %
Restated EBITDA margin in % of total service revenues	19.8%	26.0%	
EBITDA (mio €)	53.7	68.8	-22.0 %
EBITDA margin in % of total service revenues	19.7%	25.7%	
Consolidated net profit (mio €)	1.5	11.8	-87.7 %
Net profit per ordinary share (€)	0.02	0.20	-87.7 %
Net investment (mio €)	24.3	26.8	-9.2 %
Net investment / Total service revenues	8.9%	10.0%	
Operational cash flow (mio €)	29.4	42.1	-30.1 %
Organic cash flow (mio €)	-9.3	14.4	-164.8 %
Net financial debt (mio €)	418.1	518.5	-19.4 %

3.2 Consolidated statement of comprehensive income

Revenues

Mobistar's total consolidated turnover amounted to 309.3 million euros in the first quarter of 2016, compared to 302.4 million euros in the first quarter of 2015, an increase of 2.3 % year-on-year. This growth is free of any regulatory impact as roaming cuts will only apply as of the second quarter of 2016.

Mobistar's total service revenues amounted to 272.4 million euros in the first quarter of 2016 compared to 268.2 million euros in the first quarter of 2015, an increase of 1.6 % year-on-year. The increase was entirely driven by the robust growth in mobile activities, as the legacy fixed revenues were still in decline awaiting the impact of the new internet & digital TV services.

The consolidated mobile equipment sales in the first quarter of 2016 amounted to 31.1 million euros, compared to 32.3 million euros in the same period last year, a decrease of 3.7 % year-on-year.

Result of operating activities before depreciation and other expenses

Mobistar posted a restated EBITDA of 53.8 million euros in the first quarter of 2016, compared to 69.9 million euros in the first quarter of 2015. The restated EBITDA margin amounted to 19.8 % of total service revenues in the first quarter of 2016 compared to 26.0 % in the first quarter of 2015.

The year-on-year comparison of the restated EBITDA in the first quarter 2016 results has been affected by accounting timing differences related to the recognition of certain operational taxes. Most importantly, Mobistar provisioned the full amount of the Walloon pylon tax for the fiscal year 2016 of 15.9 million euros in the first quarter of 2016, whereas in 2015 the respective amount was spread over multiple quarters. In addition, Mobistar implemented IFRIC 21 in the first quarter of 2016, which was not the case in the first quarter of 2015. Excluding these accounting timing differences, Mobistar's restated EBITDA in the first quarter of 2016 would have amounted to 72.7 million euros, an increase of 4.1 % compared to the first quarter of 2015, reflecting the increase in revenues and continued stringent cost management. The associated restated EBITDA margin expanded to 26.7 % for the first quarter of 2016, up from 26.0 % in the first quarter of 2015.

Mobistar continued to heavily contest the Walloon pylon tax, while keeping a cautious approach to account for the tax. As a result, Mobistar provisioned the full amount of the Walloon pylon tax of 15.9 million euros for the fiscal year 2016 in the first

quarter of 2016. The IFRIC 21 standard clarifies which obligating event gives rise to a liability related to a levy, and when this liability is to be recognized. Therefore, the annual costs of these levies are now accounted for when the obligation event occurs (i.e. on January 1st). There are a limited number of levies whose accounting is modified: property withholding tax, tax on offices' space, tax on class 1/2/3 sites (hazardous and/or insalubrious sites), taxes on advertising boards, panels, etc. The cumulative impact of these timing differences, regarding the Walloon pylon tax and IFRIC 21, resulted in 18.9 million euros incremental operational taxes in the first quarter of 2016 which would otherwise have been spread over the rest of the year. As such the annual run rate of operational taxes will not differ significantly compared to last year, but the recognition of these expenses throughout 2016 will occur with a different timing than in 2015. There is no resultant effect on cash flow.

The costs incurred to prepare the launch of internet and digital TV services amounted to 2.4 million euros in the first quarter of 2016, compared to 0.9 million euros in the first quarter of 2015.

EBITDA restatements (in million €)	Q1 2016	Q1 2015	Variation
Restated EBITDA	53.8	69.9	-23.0 %
Restatements	-0.1	-1.0	Na
o/w other restructuring costs	-0.1	-1.0	Na
o/w other operating income	0.0	0.0	Na
EBITDA	53.7	68.8	-22.0 %

Taking into account the minor restatements in the first quarter of 2016, Mobistar posted an EBITDA of 53.7 million euros (72.6 million euros excl. accounting timing differences) in the first quarter of 2016, compared to 68.8 million euros in the first quarter of 2015. The EBITDA margin amounted to 19.7 % of total service revenues (26.7 % excl. accounting timing differences) in the first quarter of 2016 compared to 25.7 % in the first quarter of 2015.

Net profit

Mobistar's consolidated net profit amounted to 1.5 million euros in the first quarter of 2016, compared to 11.8 million euros in the first quarter of 2015. Consequently, the net profit per share stood at 0.02 euro in the first quarter of 2016, compared to 0.20 euro in the first quarter of 2015. Both Mobistar's consolidated net profit and net profit per share were equally affected by the accounting timing differences related to the Walloon pylon tax and the IFRIC 21 accounting standard.

3.3 Consolidated statement of financial position

Mobistar reported a consolidated statement of financial position of 1,511.1 million euros as of 31 March 2016, compared to 1,517.4 million euros at the end of December 2015.

The net financial debt at the end of the first quarter of 2016 amounted to 418.1 million euros, an increase of 10.6 million euros compared to 407.5 million euros of net financial debt at the end of December 2015.

3.4 Consolidated cash flow

In the first quarter of 2016, Mobistar generated an operational cash flow of 29.4 million euros, compared to 42.1 million euros in the first quarter of 2015. The organic cash flow amounted to -9.3 million euros in the first quarter of 2016 compared to 14.4 million euros in the first quarter of 2015. The decline was mainly linked to higher tax payments (12.2 million euros) and less favourable working capital changes (12.5 million euros).

3.5 Activities of Mobistar by segment

A more detailed breakdown of the Mobistar group's activities are as follows:

3.5.1. Activities in Belgium

Key financial figures of Mobistar S.A.	Q1 2016	Q1 2015	Variation
Total service revenues (mio €)	261.2	257.0	+1.6 %
of which mobile services	244.1	236.9	+3.0 %
of which fixed services	17.1	20.1	-15.0 %
Total turnover (mio €)	298.2	290.5	+2.6 %

Key operating figures of Mobistar S.A.	Q1 2016	Q1 2015	Variation
ARPU (€/month/active customer)	24.0	23.7	+1.3 %
Mobile retail customers (excl. MVNO)	3,766.6	3,762.3	+0.1 %
Mobile customers (excl. M2M)	3,029.7	3,022.5	+0.2 %
M2M SIM cards	737.0	739.8	-0.4 %
Total number of MVNO customers (mobile telephony, incl. full MVNO)	1,816.6	1,710.0	+6.2 %
Fixed broadband internet and TV customers	25.9	29.9	-13.3 %
Fixed telephone lines	169.9	203.6	-16.6 %

Mobile activities

Market Review

In view of the consultation conducted by the IBPT regarding the mobile termination rates in Belgium, the operators identified a number of corrections that are required. Therefore, a supplementary review of the mobile termination rates cost model is under way. As a result, an increase in the termination rates could be expected compared to those of the initial consultation. In view of this additional review process, it is becoming less likely that the new tariffs will enter into force in 2016.

Following an in-depth investigation, the European Commission has approved under the EU Merger Regulation the acquisition of BASE, a Belgian mobile network operator, by Telenet. The approval was conditional upon the implementation of commitments made by Telenet to ensure competition in the Belgian retail mobile market, as it feared that the merger could significantly reduce competition with a resultant risk of higher mobile prices. Hence, Telenet committed to sell BASE's share in Mobile Vikings, a mobile virtual network operator that uses BASE's network, to a Belgian broadcaster and to transfer part of BASE's customer base to the same player.

Operational Review

Mobistar's segmented offering, its loyalty program, its innovative services (e.g. iCoyote) and the quality of its network continued to contribute to the overall improvement of its customer dynamics. This was further supported by an increase in Mobistar's branded sales through its direct channels. The first quarter of 2016 started with the typical winter sales period in January that was still dominated by attractive handset promotions and subsidized offers. As of February, the focus of Mobistar's commercial campaigns shifted towards its Buy Back offers, an advantageous solution for customers who wish to upgrade to a more recent mobile device.

These commercial initiatives allowed Mobistar to display on-going strength in the postpaid segment with 8.4 thousand net additions in the first quarter of 2016. This was the fourth consecutive quarter during which Mobistar reported positive postpaid net customer additions, compelled by encouraging gross additions and a healthy decrease in customer churn. The total postpaid customer base amounted to 2,217.0 thousand customers. At the same time, the loss in prepaid cards for the first quarter of 2016 was limited to 16.5 thousand. A positive evolution for the prepaid segment is the increasing percentage of Mobistar customers who rely on electronic top-up transactions, instead of depending on indirect top-up channels. Overall, considering the balance between postpaid and prepaid, which stood at 73 % / 27 % respectively in the first quarter of 2016, Mobistar's value management was successful.

Customer demand for mobile data has continued to grow rapidly, driven by 4G smartphone adoption. As of the end of March 4G smartphone penetration across the Mobistar customer base advanced as nearly 1.1 million customers were equipped with a

4G device. Total 4G traffic powered ahead and represented 68 % of total traffic in March 2016, leading mobile data traffic to increase by close to 80 % year-on-year. The 3G customer base declined as customers upgrade towards 4G. Although the non-smartphone population is decreasing there remains a segment of users that place a premium on voice and messaging. This also explains why the majority of the non-smartphone users are either prepaid customers or business customers.

The underlying M2M/IoT net additions were strong, reaching 94.7 thousand extra SIM cards connected in the first quarter of 2016 compared to the previous quarter. However, due to the impact of a clean-up of SIM cards related to a M2M-wholesale partner, Mobistar's customer base totalled 737.0 thousand at the end of the first quarter of 2016, a decrease of 118.3 thousand compared to the previous quarter. The MVNO customer base again increased in the first quarter of 2016 by 32.0 thousand, reaching a total customer base of 1,816.6 thousand.

At the end of the first quarter of 2016, Mobistar's mobile customer base (excl. MVNO) stood at 3,766.6 thousand, compared to 3,762.3 at the end of the first quarter of 2015. Including the MVNO customer base, Mobistar's total network customer base in Belgium stood at 5,583.2 thousand at the end of the first quarter of 2016, an increase of 110.9 thousand compared to the end of the first quarter of 2015.

Financial Review

Mobistar's blended ARPU further increased by 1.3 % to 24.0 euros in the first quarter of 2016 compared to 23.7 euros in the first quarter of 2015. The postpaid ARPU rose to its highest level in more than 2 years to reach 28.7 euros in the first quarter of 2016, compared to 27.8 euros in the first quarter of 2015. This progression comes on the back of growing data demand across the base and thereby improving the customer mix, stable incoming SMS revenues and declining revenues from voice roaming. The prepaid ARPU in the first quarter of 2016 continued to decline by 13.4 % year-on-year to 12.0 euros, compared to 13.8 euros in the first quarter of 2015. The prepaid ARPU remains under pressure as high value customers continue to opt for postpaid offers, while promotions and lower incoming SMS revenues are entailing a further deflation of the prepaid ARPU.

Mobistar's mobile service revenues in Belgium amounted to 244.1 million euros in the first quarter of 2016, compared to 236.9 million euros in the first quarter of 2015, a solid increase of 3.0 % year-on-year. As such this result provides further evidence of the positive impact of the network investment programme and an improved commercial execution. The wholesale MVNO revenues, which form part of the mobile service revenues, amounted to 21.4 million euros in the first quarter of 2016 compared to 20.9 million euros in the first quarter of 2015.

Fixed and convergent activities

Market Review

The first quarter of 2016 was rich in terms of news flow related to wholesale regulation of cable networks in Belgium:

- CRC finalized its review of the wholesale charges for access to the regulated cable networks
Early January, the Conference of Regulators of the Electronic Communications sector, known as CRC, notified its draft decision on the revision of prices for wholesale access on the cable networks to the European Commission (EC). In its reaction the EC put forward a mix of issues and concerns, but did not enter into an in-depth investigation of the file. The EC considers that there are a number of flaws in the model, which in the end counterbalanced each other. More generally the EC reiterated its request to carry out a new market analysis, as the most recent one dated back to 2011, in order (a) to reassess whether continued regulation of cable access is indeed still justified and, (b) to estimate if an alignment of the current cable access price regulation with the wholesale broadband costing methodology would not be more appropriate. Following these comments the CRC adopted its final decision, in line with the decision that was notified.
- The cable wholesale pricing regulation should evolve in the next market analysis.
Overall the cable wholesale pricing process over the last years has shown that the retail minus method is a complex approach for the determination of the wholesale charges in the current dynamic retail market environment. Mobistar understands that the wholesale pricing methodology will be reconsidered in the context of the new market analysis process which is required urgently by the EC and included in the 2016 work-plan of the BIPT.
- Public consultation to develop a margin squeeze test related to wholesale cable access
The IBPT has initiated a public consultation to develop a margin squeeze test with respect to (a) wholesale access to the cable networks and (b) wholesale broadband and next generation leased lines of Proximus. Margin squeezes may occur if a vertically integrated operator sets a margin between the price of its wholesale services and the price of its retail services that is insufficient to cover the costs specific to the retail market. The consultation will run until 15 April 2016.

- Measures to facilitate switching for bundled services for consumers
The IBPT and the government are drafting, following inputs received from the various stakeholders, a Royal Decree specifying the rules to make it easier for consumers to change operators for bundled services. Publication of the Decree is expected in the second half of 2016, and implementation of the measures is scheduled over the course of 2017.

On a different topic, Mobistar understands that, following the comments on the consultation regarding the fixed termination rates, the IBPT intends to finalize its fixed termination rate decision for submission to the European Commission in May 2016. If this is the case, the new fixed termination tariffs may enter into force as of October 2016.

Finally, according to the latest figures from Statbel, the national bureau of statistics in Belgium, telecom service prices in Belgium were 3.6 % higher in March 2016 compared to the previous month and up 4.7 % year-on-year. That compares to an overall national inflation rate of 2.2 % in March 2016, the highest since December 2012. Telecom was among the main elements driving the higher inflation. The main increase in telecoms came from multi-play packs, which rose in price by 5.8 % on a monthly basis and 7.5 % on an annual basis in March.

Operational Review

As of March 1st, Mobistar's mobile customers can enjoy the new Mobistar internet & digital TV offer. At the end of the first quarter of 2016, 44 % of the Belgian households, i.e. 2.1 million households, were already eligible.

At the end of the first quarter of 2016, Mobistar had a total of 25.9 thousand fixed internet customers, compared to 29.9 thousand at the end of the first quarter of 2015. If compared to the fourth quarter of 2015, the customer base increased slightly, which is the net result of the increase in the number of Mobistar's cable customer base, predominantly testers, and the continued decrease in Mobistar's ADSL customer base. The decline in the number of legacy fixed telephone lines accelerated to -16.6 % year-on-year from 203.6 thousand at the end of the first quarter of 2015 to 169.9 thousand at the end of the first quarter of 2016.

Financial Review

Fixed service revenues continued to decline to 17.1 million euros in the first quarter of 2016 from 20.1 million euros in the first quarter of 2015, a decline of 15.0 % year-on-year. This downward trend was driven by the sustained decline in DSL- and wholesale carrier related revenues, which are not yet compensated by the anticipated growth of the new cable internet and digital TV services, which have just been unveiled.

3.5.2. Activities in Luxembourg (Orange Communications Luxembourg S.A.)

Key financial figures of Orange Communications Luxembourg S.A.	Q1 2016	Q1 2015	Variation
Total service revenues (mio €)	11.9	11.7	+1.2 %
of which mobile services	10.9	10.9	+0.3 %
of which fixed services	1.0	0.9	+12.5 %
Total turnover (mio €)	15.9	14.7	+8.3 %

Key operating figures of Orange Communications Luxembourg S.A.	Q1 2016	Q1 2015	Variation
ARPU (€/month/active customer)	37.2	38.8	-4.0 %
Mobile retail customers (excl. MVNO)	142.4	128.4	+10.9 %
Mobile customers (excl. M2M)	102.1	95.9	+6.5 %
M2M SIM cards	40.3	32.6	+23.8 %
Total number of MVNO customers (mobile telephony, incl. full MVNO)	2.1	2.0	+7.8 %

Market Review

The market in Luxembourg is currently focused on convergence with all operators providing aggressive promotions on TV services.

Operational Review

In the first quarter of 2016 Orange Luxembourg launched its 'Early Upgrade'-program which enables customers to renew their device before the end of their commitment period. Further Orange Luxembourg also launched "Play and Win", the first mobile application to increase customer loyalty. Thanks to the strong commitment of its employees, Orange Luxembourg has been awarded "Great Place to Work 2016" and "Top Employer 2016".

At the end of the first quarter of 2016, Mobistar's subsidiary in Luxembourg had 142.4 thousand mobile cards connected including 40.3 M2M/IoT cards, up 14.0 thousand compared to the first quarter of 2015. The positive evolution was mostly due to the solid progress of its postpaid customer base, +11.1 thousand compared to the first quarter of 2015. The growth in the postpaid customer base was driven by the relevant product portfolio offering (e.g. Europe Intense offer) as well as by the innovative services that were reinforced in the first quarter of 2016. The prepaid customer base continued to shrink as customers are migrating to postpaid offers. Moreover, this evolution is enhanced by the identification process held by Orange Luxembourg since early December 2015 to phase-out anonymous prepaid cards in the context of terrorism prevention. At the end of the first quarter of 2016 almost 40 % of the active prepaid base is identified.

The focus on convergence is also delivering solid results with an increase of 33.7 % year-on-year of the customer base. This is mainly due to the extension of the eligibility.

Financial Review

Orange Luxembourg delivered for the second quarter in a row a high single digit increase in total turnover, as it stood at 15.9 million euros at the end of the first quarter of 2016, compared to 14.7 million euros at the end of the first quarter of 2015. The increase in total turnover of 8.3 % was driven by higher mobile equipment-, convergent- and postpaid revenues.

Total service revenues stood at 11.9 million euros at the end of the first quarter of 2016, compared to 11.7 million euros a year earlier, an increase of 1.2 %, driven by the increase of the postpaid customer base which more than compensated for the erosion in ARPU.

4. Financial instruments, financial risks management objective and policy

No change has occurred in comparison to the information contained in the 2015 annual report (p.14).

5. Disputes

The information relating to disputes contained in the 2015 annual report has been modified as follows:

Masts: The total liability amount of taxes charged, plus default interest calculated at the legal rate, amounts to 135.3 million euros. This aggregated amount is disputed in court.

Walloon tax on masts, pylons or antennas: The Walloon region has implemented by a Decree on 11 December 2013 a yearly tax on masts, pylons or antennas for mobile telecommunication as from 1 January 2014. This tax amounts to 8,000 euros per site (yearly indexed as from 2015). Moreover Walloon municipalities are entitled to establish additional surcharges of maximum 100 % of the above described tax. Mobistar introduced on 20 June 2014 a request for annulment at the Constitutional Court against the Decree. In its judgment of 16 July 2015 the Constitutional Court has annulled the articles regarding the tax on masts, pylons or antennas for mobile telecommunication in the Decree of 11 December 2013, but retains its effects definitely. This judgment has been published on 1 September 2015 in the Belgian Official Gazette.

Mobistar has received tax bills for this tax dated 22 December 2014. Mobistar consequently introduced a fiscal objection against the tax bills on 20 February 2015. On 14 July 2015 these tax bills are annulled for procedural errors by the Walloon administration. On 20 July 2015 the Walloon administration has sent a request for information on the masts, pylons or antennas of 2014 in order to continue the enrolment process. In December 2015 Mobistar has received a tax bill for an amount of 16,000 euros and a rectification notice from the Walloon administration announcing the enrolment of the concerned taxes for 2014 for an amount of 15.9 million euros. The rectification is predominantly driven by the taxation of a much larger amount of sites than the previous tax bills, based inter alia on the information of the Walloon antenna cadaster. The cadaster includes also sites that have never been constructed, or sites that have been moved from one location towards another, so it includes far more sites than there are sites actually on air. Mobistar has contested the rectification notice by letter on 29 January 2016. Mobistar will also introduce a fiscal objection against the tax bill. The same arguments already used in the request for annulment are included in Mobistar's contestation and moreover Mobistar contests the taxation of non-existing or non-exploited sites.

The Walloon Decree of 12 December 2014, sustaining the above described Walloon tax for 2015 and following years, was published in the Belgian Official Gazette on 29 December 2014. Mobistar introduced on 26 June 2015 a request for annulment at the Constitutional Court against this Decree.

The Walloon Decree of 17 December 2015 has been published in the Belgian Official Gazette on 30 December 2015. It provides a right for the municipalities to establish an additional tax to the regional tax on the masts, pylons or antennas mainly established on their territory. It is applicable as from 1 January 2016.

In the Belgian Official Gazette of 6 April 2016 the Ministerial Decree with the new template of declaration form of the tax on masts, pylons and antennas has been published. Consequently the Walloon Region shall be able to invite the mobile operators to declare the sites for 2015 on the basis of this new template.

Social tariffs: The Constitutional Court decided early February 2016, based on the judgment of the European Court of Justice of June 2015 that mobile services cannot qualify for social tariffs and for the specific financing system by the sector. The Government is now considering how to adapt the social tariff system to take the Court's judgment into account.

6. Significant events after the end of the first quarter of 2016

No other significant events occurred after the end of the first quarter of 2016.

7. Trends

Mobistar reiterates its guidance for the financial year 2016: considering a progressive return to growth in service revenues, Mobistar expects its restated EBITDA in 2016 to range between 270 and 290 million euros excluding cable costs, which compares to the 282.8 million euros achieved in 2015. Mobistar expects its 2016 mobile only capex to be reduced by about 25 % from 193 million euros in 2015. In addition, Mobistar will capitalize the variable customer equipment and installation costs related to its convergent offering. The guidance provided is based on the current market, tax and regulatory context.

As from 30 April 2016, the regulatory transitory period towards 'Roam-like-at Home' starts. Mobistar now estimates that the new roaming framework will have a maximum gross negative impact of 28.5 million euros on both group service revenues and EBITDA in 2016, i.e. 24.5 million euros for Belgium and 4.0 million euros for Luxembourg. As indicated earlier, part of the gross impact is expected to be compensated by price elasticity of demand for roaming services, as lower roaming prices should drive additional volume. The expected increase in data volume should also be put in perspective with the rising demand from travellers for on-the-go connectivity.

In view of the updated timing regarding the implementation of a new cost model for both fixed and mobile termination rates, Mobistar now estimates that it will have a negative impact of 0.5 million euros and a positive impact of 1 million euros on the group service revenues, respectively EBITDA in 2016.

Mobistar will adopt the Orange brand name as of Monday, 9 May 2016. This will support Mobistar's strategic development and strengthen its position on the Belgian market, as a convergent as well as a mobile operator for individuals, families and for the professional market.

8. Quarterly results

		Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
MOBISTAR GROUP						
Mobile services						
Mobile retail customers (excl. MVNO)	in thousand	3 909.1	4 032.9	3 973.5	3 950.1	3 890.7
Mobile customers (excl. M2M)	in thousand	3 131.8	3 139.1	3 129.1	3 130.4	3 118.4
Postpaid	in thousand	2 311.1	2 300.1	2 268.0	2 258.3	2 246.3
Prepaid	in thousand	820.7	839.0	861.2	872.1	872.1
M2M SIM cards	in thousand	777.3	893.8	844.4	819.6	772.3
MVNO customers	in thousand	1 818.7	1 786.7	1 698.7	1 992.4	1 711.9
Fixed services						
Fixed broadband internet and TV customers	in thousand	33.9	32.1	31.8	34.6	35.9
Fixed telephone lines	in thousand	171.0	195.1	196.0	199.4	205.3
BELGIUM						
Mobile services						
Mobile retail customers (excl. MVNO)	in thousand	3 766.6	3 893.0	3 839.0	3 818.4	3 762.3
Mobile customers (excl. M2M)	in thousand	3 029.7	3 037.8	3 030.7	3 032.8	3 022.5
Postpaid	in thousand	2 217.0	2 208.5	2 180.9	2 172.6	2 163.3
Prepaid	in thousand	812.7	829.2	849.8	860.1	859.2
Mobile blended ARPU, annual rolling (incl. visitor roaming)	in EUR/month	24.0	23.9	23.9	23.6	23.7
Postpaid ARPU, annual rolling (incl. visitor roaming)	in EUR/month	28.7	28.5	28.3	27.9	27.8
Prepaid ARPU, annual rolling (incl. visitor roaming)	in EUR/month	12.0	12.2	12.7	13.3	13.8
M2M SIM cards	in thousand	737.0	855.3	808.3	785.7	739.8
MVNO customers	in thousand	1 816.6	1 784.6	1 696.6	1 990.4	1 710.0
Fixed services						
Fixed broadband internet and TV customers	in thousand	25.9	24.8	25.3	28.3	29.9
Fixed telephone lines	in thousand	169.9	193.9	195.5	198.1	203.6
LUXEMBOURG						
Mobile services						
Mobile retail customers (excl. MVNO)	in thousand	142.4	139.9	134.5	131.6	128.4
Mobile customers (excl. M2M)	in thousand	102.1	101.4	98.4	97.7	95.9
Postpaid	in thousand	94.1	91.6	87.0	85.7	83.0
Prepaid	in thousand	8.0	9.7	11.4	12.0	12.9
Mobile blended ARPU, annual rolling (incl. visitor roaming)	in EUR/month	37.2	37.9	38.1	38.3	38.8
M2M SIM cards	in thousand	40.3	38.5	36.1	34.0	32.6
MVNO customers	in thousand	2.1	2.1	2.0	2.0	2.0
Fixed services						
Fixed broadband internet and TV customers	in thousand	8.0	7.3	6.5	6.4	6.0
Fixed telephone lines	in thousand	1.1	1.2	0.5	1.3	1.7

MOBISTAR GROUP – Key financial figures

Total service revenues	in mio EUR	272.4	271.9	276.8	268.9	268.2
Mobile service revenues	in mio EUR	254.3	253.3	257.7	248.0	247.2
Fixed service revenues	in mio EUR	18.1	18.6	19.1	20.9	21.0
Restated EBITDA	in mio EUR	53.8	47.9	86.0	72.2	69.9
% of service revenues		19.8%	17.6%	31.1%	26.9%	26.0%
EBITDA	in mio EUR	53.7	96.8	84.2	71.5	68.8
% of service revenues		19.7%	35.6%	30.4%	26.6%	25.7%
CAPEX	in mio EUR	24.3	81.1	42.8	42.5	26.8
% of service revenues		8.9%	29.8%	15.5%	15.8%	10.0%
Operational cash flow	in mio EUR	29.4	15.7	41.4	29.0	42.1
% of service revenues		10.8%	5.8%	15.0%	10.8%	15.7%
Net financial debt	in mio EUR	418.1	407.5	457.0	499.8	518.5
Net financial debt / EBITDA		1.4	1.3	1.7	1.9	2.0

9. Financial calendar

22-Apr-16	Financial results Q1 2016 (7:00 am CET) – Press release
22-Apr-16	Financial results Q1 2016 (10:00 am CET) – Audio conference call
4-May-16	Annual General Meeting
1-Jul-16	Start quiet period
20-Jul-16	Financial results Q2 2016 (7:00 am CET) – Press release
20-Jul-16	Financial results Q2 2016 (2.00 pm CET) – Audio conference call /webcast
1-Oct-16	Start quiet period
20-Oct-16	Financial results Q3 2016 (7:00 am CET) – Press release
20-Oct-16	Financial results Q3 2016 (10:00 am CET) – Audio conference call

Preliminary agenda still subject to potential changes

10. Conference call details

Date:	22 April 2016
Time:	10:00 am (CET), 9:00 am (UK), 4:00 am (US/NY)
Conference call:	http://corporate.mobistar.be/en/financial-information

Please access the conference call five minutes prior to the scheduled start time.

11. Shares

Share trading volumes and closing prices are based on trades made on NYSE Euronext Brussels.

	Q1 2016	Q1 2015
Trading of shares		
Average closing share price (€)	19.53	19.60
Average daily volume	101 659	153 050
Average daily value (€)	1 968 880	2 984 351
Shares and market values		
Total number of shares	60 014 414	60 014 414
Treasury shares	40 000	0
Outstanding shares	60 014 414	60 014 414
Closing price (€)	19.68	20.21
Market capitalization (€)	1 181 083 668	1 212 891 307

12. Glossary

Customers base (excl. MVNOs)	Number of customers with an active simcard, including business and internet everywhere and M2M.
Postpaid	Customer with whom Mobistar has a formal contractual agreement with the customer billed on a monthly basis for access fees and any additional voice or data use.
Prepaid	Customer with whom Mobistar has a written contract, with the customer paying in advance any data or voice use e.g. by purchasing vouchers in retail outlets.
M2M/IoT (Machine to machine/Internet of things)	Exchange of information between machines that is established between the central control system (server) and any type of equipment, through one or several communication networks.
MVNO customers	Hosted MVNO customers on Mobistar's network.
ARPU (annual rolling)	Average annual revenues per user (ARPU) are calculated by dividing the revenues from mobile (outgoing and incoming) voice and non voice services and visitor roaming, generated over the past twelve months, excluding "machine to machine", by the weighted average number of customers over the same period, excluding "machine to machine" customers. The weighted average number of customers is the average of the monthly averages during the period in question. The monthly average is the arithmetic mean of the number of customers at the start and end of the month. Mobile ARPU is expressed as monthly revenues per customer.
Restatements	Restructuring/redundancy costs related to staff and other restructuring costs.
EBITDA / restated EBITDA	Reported EBITDA corresponds to the operating income before depreciation and amortization, before impairment of goodwill and fixed assets, and before share of profits (losses) of associates. Restated EBITDA corresponds to the EBITDA restated for exceptional items (restructuring- and redundancy charges, net expenses for various disputes, ...).
Revenues by activity	Provide group revenues split into mobile services, fixed services, mobile equipment sales and other revenues.
Mobile service revenues	Customer billed revenues, incoming revenues, visitor roaming, domestic mobile interconnection (i.e. network sharing and domestic roaming agreement), machine-to-machine and MVNO.
Fixed service revenues	Include i) fixed narrowband services, excepting equipment sales and rentals, ii) fixed broadband, iii) data infrastructure & managed networks, and global services, iv) fixed carrier services.
Mobile equipment sales	Includes subsidized and non-subsidized equipment sales. It excludes accessory sales, according to future IFRS standards that only display equipment revenue directly linked to service.
Other revenues	Includes i) fixed equipment sales and rentals, ii) mobile accessories sales, and iii) other revenues.
Operational cash-flow	EBITDA – net investments.
Organic cash flow	Net cash flow from operations, minus acquisitions of tangible and intangible assets, plus proceeds from disposals of tangible and intangible assets.
Consolidation perimeter	The consolidation perimeter has not changed since December 31, 2015 and includes Mobistar S.A. (100 %), Orange Communications Luxembourg S.A. (100 %), Smart Services Network S.A. (100 %), IRISnet S.C.R.L. (accounted for by equity method - 28.16 %), Walcom S.A. (100 %) and Co.Station Brussels (accounted for by equity method - 25 %).



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Mobistar (EURONEXT BRUSSELS: MOBB) is one of the main actors on the telecommunications market in Belgium and Luxembourg. The company offers its residential customers postpaid and prepaid innovative mobile telecom products and services. On the business market, Mobistar operates DSL fixed network telephony and high-speed internet, acts as an integrated communications provider and offers a portfolio of mobility and connectivity services. Mobistar is also a wholesale provider, offering access to its infrastructure and service capabilities to its wholesale partners. Mobistar, with the Orange group as major shareholder, is listed on the Brussels Stock Exchange.