



Orange Belgium Financial results H1 2017

Analysts and Investors
Roadshow presentation



Disclaimer

This presentation might contain forward-looking statements about Orange Belgium in particular for 2017. Although we believe these statements are based on reasonable assumptions, they are subject to numerous risks and uncertainties, including matters not yet known to us or not currently considered material by us, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ from the results anticipated in the forward-looking statements include, among others: the economic situation in Europe and more specifically in Belgium, the impact of price adjustments on the customer base resulting from competitive pressure, the evolution of the customer base, the effectiveness of Orange Belgium's convergent strategy including the success and market acceptance of the voice and data abundance plans in the business segment and of the Orange Internet + TV offers, of the Orange Belgium brand and other strategic, operating and financial initiatives, Orange Belgium's ability to adapt to the on-going transformation of the telecommunications industry, regulatory developments and constraints and the outcome of legal proceedings, risks and uncertainties related to business activity.

Section one

Business review



Michaël Trabbia
Orange Belgium, **CEO**

Key operational highlights in Belgium



2,271.7 K (+1.7 % yoy)
Postpaid customer base



64.3 K
Orange Love customers



105.8 K
Mobile customers in a convergent bundle



99.6 %
4G outdoor population coverage



53%
4G smartphone penetration



1.7 GB
Average mobile data usage per month



21.2 K
Postpaid net additions in 2Q17



29.3 euros (+1.0 % yoy)
Postpaid ARPU



95 %
Of active prepaid customers identified

A quarter impacted by an exceptional amount of exogenous events

Successfully managed thanks to Orange Belgium's agile structure



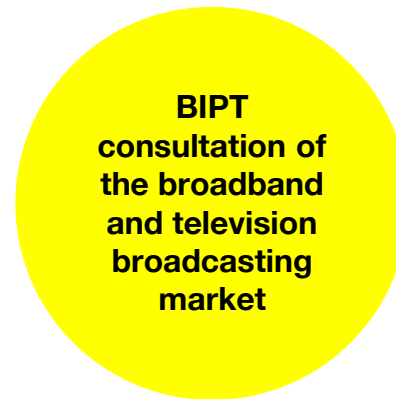
Roaming
regulation



Prepaid
identification



MTR cut



BIPT
consultation of
the broadband
and television
broadcasting
market



Fixed B2C
competition



Easy Switch



Continued OTT
substitution of SMS



Orange Belgium's key growth drivers

1

Convergence



2

**Mobile data
monetization**



3

**Customer
experience**



Orange Love offer provides an excellent quality & customer experience At the most attractive market price

39€/month

With Orange Eagle &
Eagle Premium

Internet 100 Mbps
Unlimited volume

70 TV channels

49€/month

With Orange
Hummingbird, Dolphin,
Koala & Panther

Internet 100 Mbps
Unlimited volume

70 TV channels



200 Mbps Internet boost : 10€-15€/month



Evening & Weekend : 3€/month



Extra TV decoder : 9€/month



Summer promotion

Internet + TV at 39 €/month

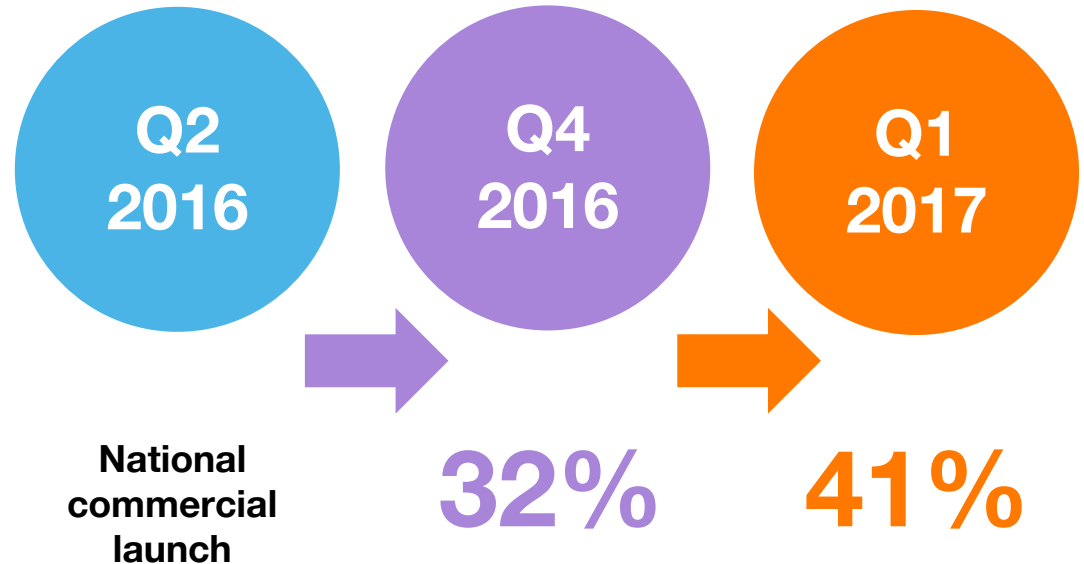
For all bundles excl. Hummingbird

Orange is increasingly recognized as a convergent brand in Belgium

Love campaign has boosted Orange's share of voice in the market



Q1 2017 brand tracker
Spontaneously aware of Orange convergent offer



Question: Which operators offering combined packages have you heard of ?

Third quarter in a row of net additions of close to 15 K

Despite competitors' promotional activity reacting to Orange Belgium's convergent positioning and ahead of the implementation of Easy Switch

Love

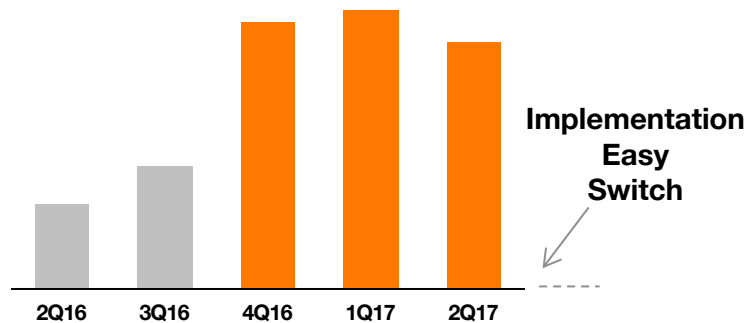


+15 K

Convergent customers



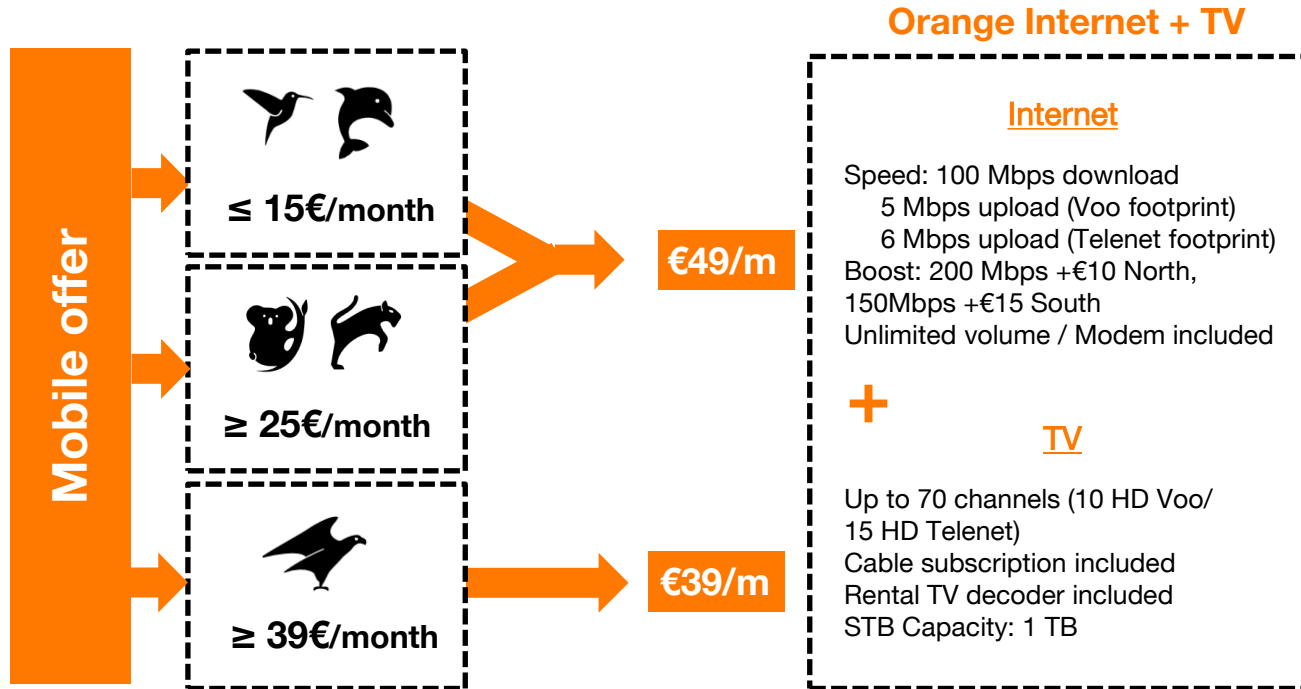
Net Love additions since launch date



steady run rate of
~15 K net adds
per quarter

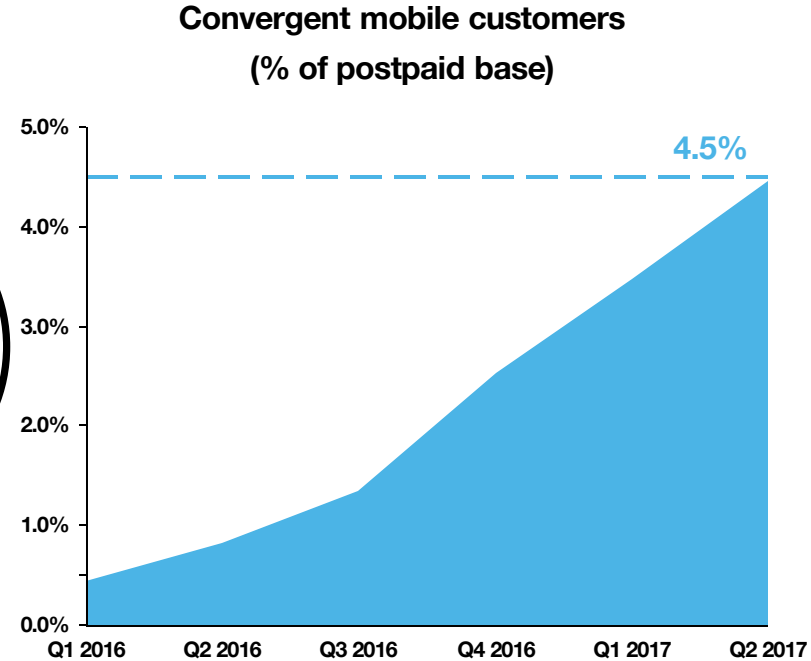
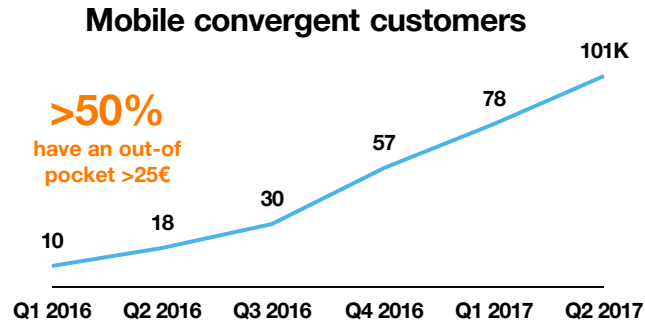
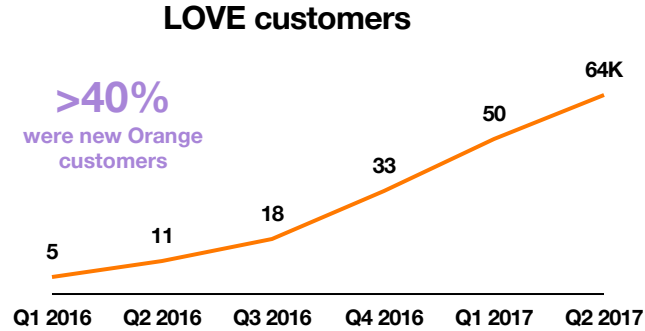
Driving the value creation story: “upsell path”

Stimulating upsell towards mid- and high- end tariff plans



Orange Belgium's convergent model drives mobile cross-selling

Increased share of mobile convergent customers in total postpaid base



...ahead of the implementation of the Easy Switch law

A law making it much easier for consumers to switch fixed operator

Choose your product



Fill your data



Orange will do the rest



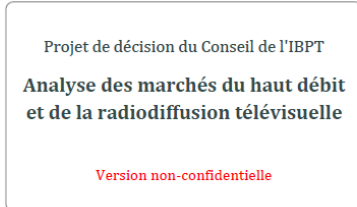
Avoiding periods of service interruption, double billing and unexpected costs for customers when switching to another fixed operator

Orange Belgium welcomes the regulator's intention to stimulate competition in the fixed market and the move to a cost-plus approach

The wholesale access fee level should significantly decrease and the implementation should be as soon as possible in customers' interest



Institut Belge des services Postaux et Télécommunications



Mode de réponse à la présente consultation :

Délai de réponse : jusqu'au 15 septembre 2017
Adresse de réponse : consultation_ag@ibpt.be
Objet : CONSULT-2015-07
Personne de contact : Vincent Hanché, économiste principal (02 226 97 70)

Les réponses sont attendues par voie électronique à l'adresse ci-dessus.
Merci d'utiliser comme page de garde pour votre réponse le formulaire spécifique disponible à l'adresse suivante : http://www.ibpt.be/fr/operateurs/telecom/marches/formulaire_de_couverture_ajoutee_a_la_reponse_a_une_consultation_publice_ou_pensee_par_ibpt
Les réponses doivent indiquer clairement ce qui est confidentiel.
L'IBPT souhaite également que les commentaires renvoient aux paragraphes et/ou sections auxquels ils se rapportent.

Institut belge des services postaux et des télécommunications
Maison Belgique - bâtiment C - Boulevard du Roi Albert II - 1050 Bruxelles
Tel. 02 226 98 88 Fax 02 226 98 77 <http://www.ibpt.be>

Third party network access: *“The BIPT has identified high entry barriers, a high concentration level of the different markets and the evolutions of prices detrimental to users”. “The BIPT concludes that without regulation the retail markets situation would be unsatisfactory for users.” “BIPT consequently considers that the development of effective and sustainable competition requires that third operators should have access to the networks of Proximus and of the cable operators.”*

Fair tariffs: *“By fair, the BIPT means a price which may exceed the costs while keeping a link with costs. In other words, there can be a reasonable margin between the cost of the product and the wholesale price.”*

Broadband: *“New obligations concern broadband access sold separately from broadcasting access, and the access to the Europacketcable (a protocol used to provide telephony services).”*

Fibre: *“According to the BIPT, it is necessary to also open the fibre network that Proximus has started to roll out to competition, insofar as this network is destined to eventually replace the copper network of Proximus, which has significant market power.”*

Orange Belgium's key growth drivers

1

Convergence



2

Mobile data monetization



3

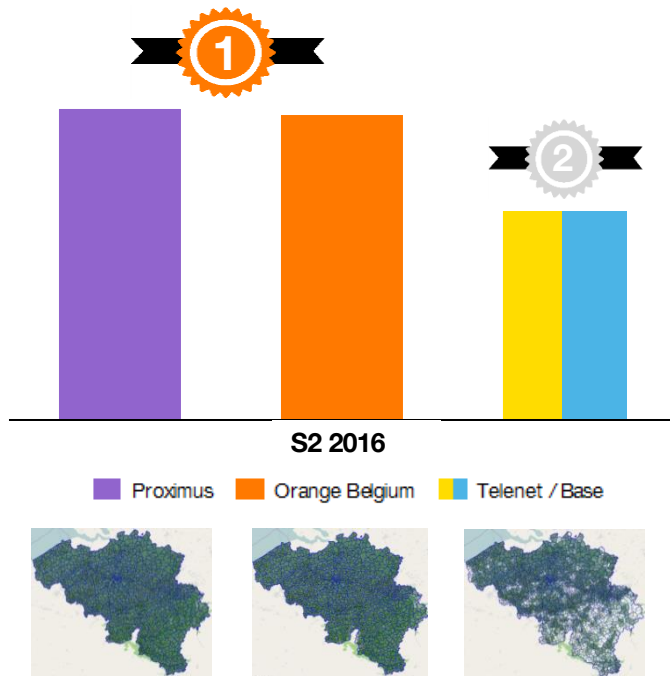
Customer experience



3 mobile operators covering the Belgium market

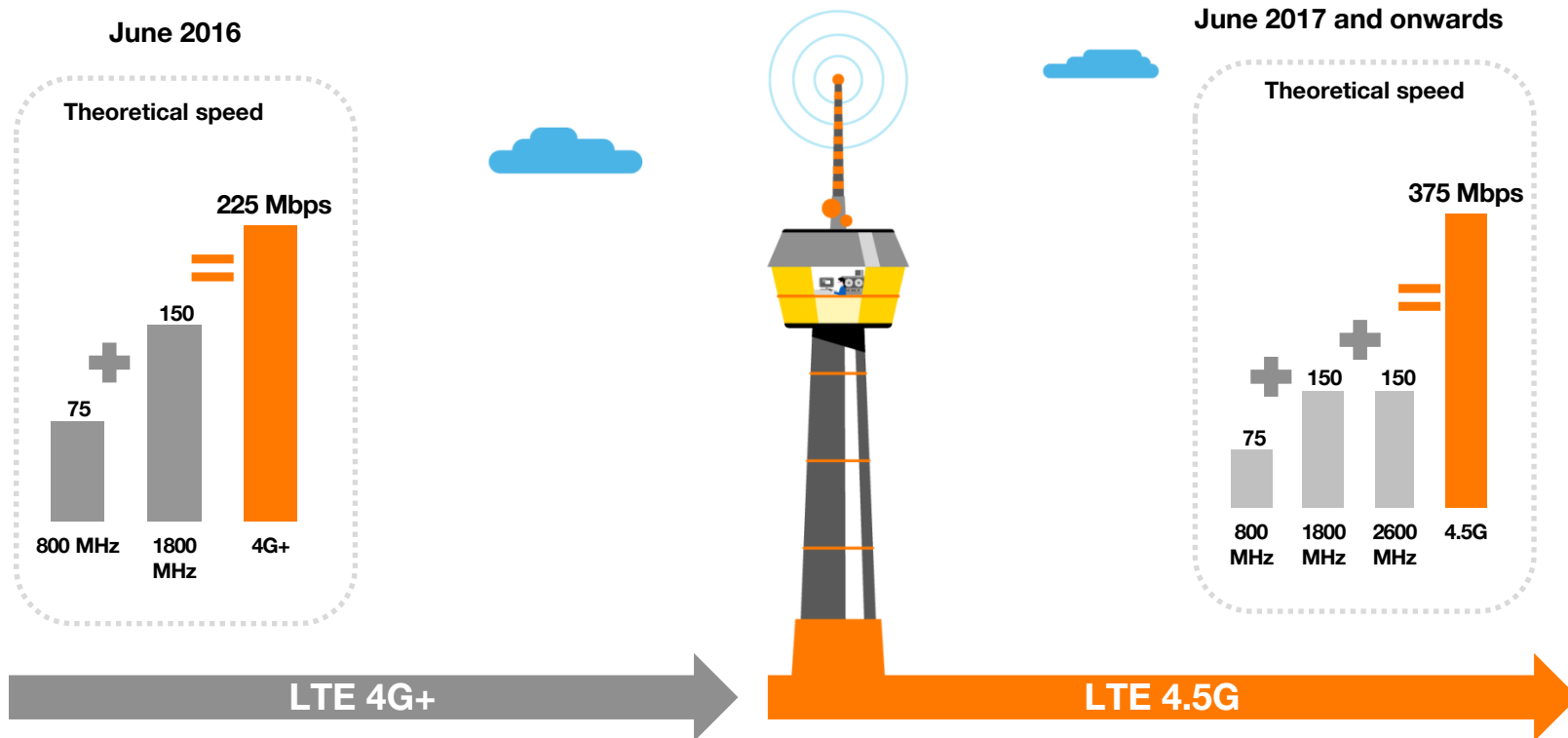
But 2 different kinds of networks

Territory 4G coverage rate



Orange Belgium strengthens its leading position as network operator

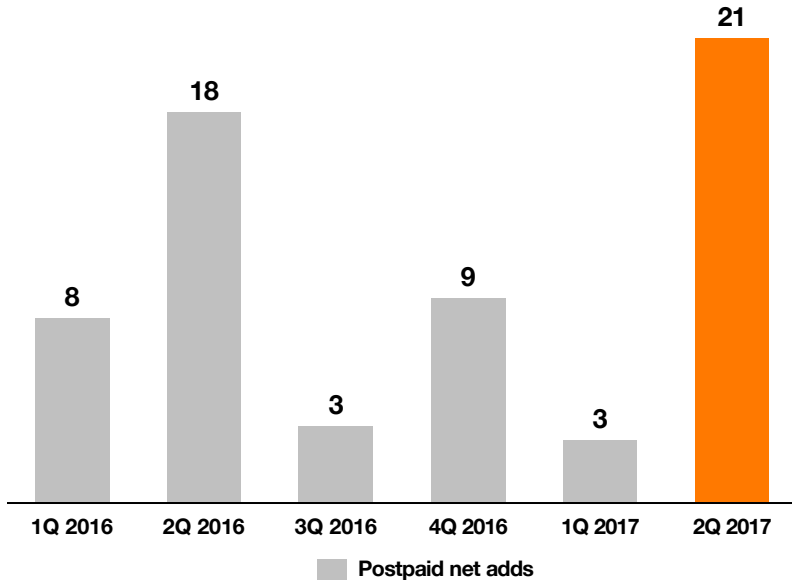
22 sites equipped with 4.5G technology adding capacity and speed



Best quarter in terms of postpaid growth since the beginning of 2016

Combined with ARPU growth and lower acquisition & retention costs

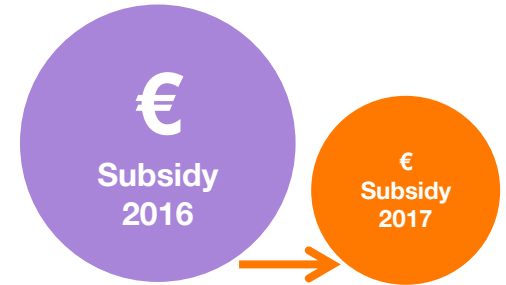
Quarterly postpaid net adds in Belgium ('k)



In spite of a significant reduction in the number of subsidized offers

Thanks to:

- + Strong postpaid offers
- + Smartphone instalment offer
- + Pre- to postpaid migration
- + Convergent uptake
- + Improved Churn management



Prepaid registration provided opportunity to connect with prepaid users

Driving pre- to postpaid migration

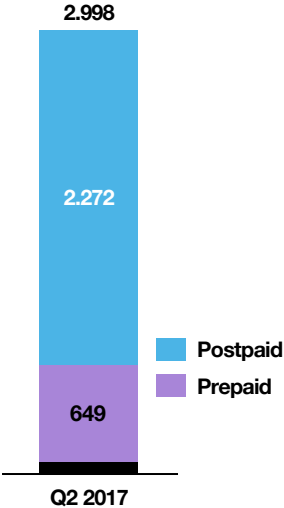


95%
Of active prepaid customers identified

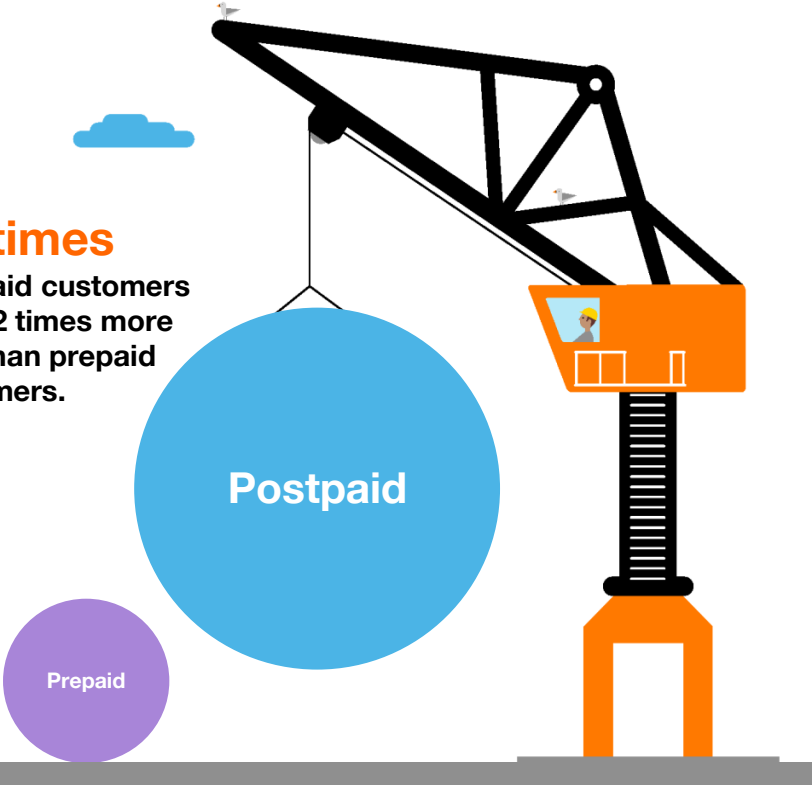


- + Less churn with postpaid
- + Higher 4G smartphone penetration
- + Higher loyalty and engagement
- + Higher cross sell opportunity with convergence

78%
Mobile postpaid ratio



2.2 times
Postpaid customers use 2.2 times more data than prepaid customers.

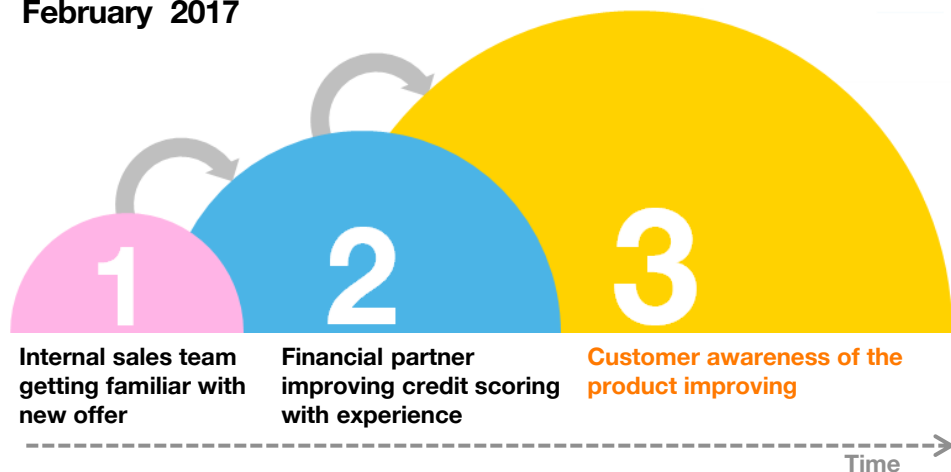


Interest in smartphone instalment offer is progressively growing

A smart way to address customers' needs while reducing acquisition and retention costs

Smartphone instalment offer

Launch date:
February 2017

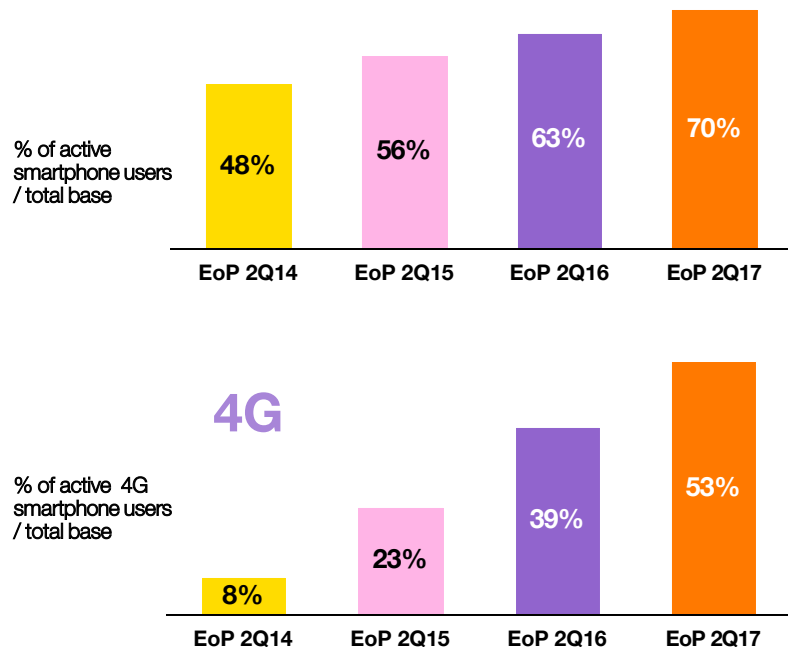


New Samsung Galaxy S8|S8+ launched with instalment offer end of April 2017

4G smartphone penetration increased to 53 % of total customer base

4G+ enabled devices are ramping up as well, reaching 16 %

Orange Belgium's active smartphone penetration



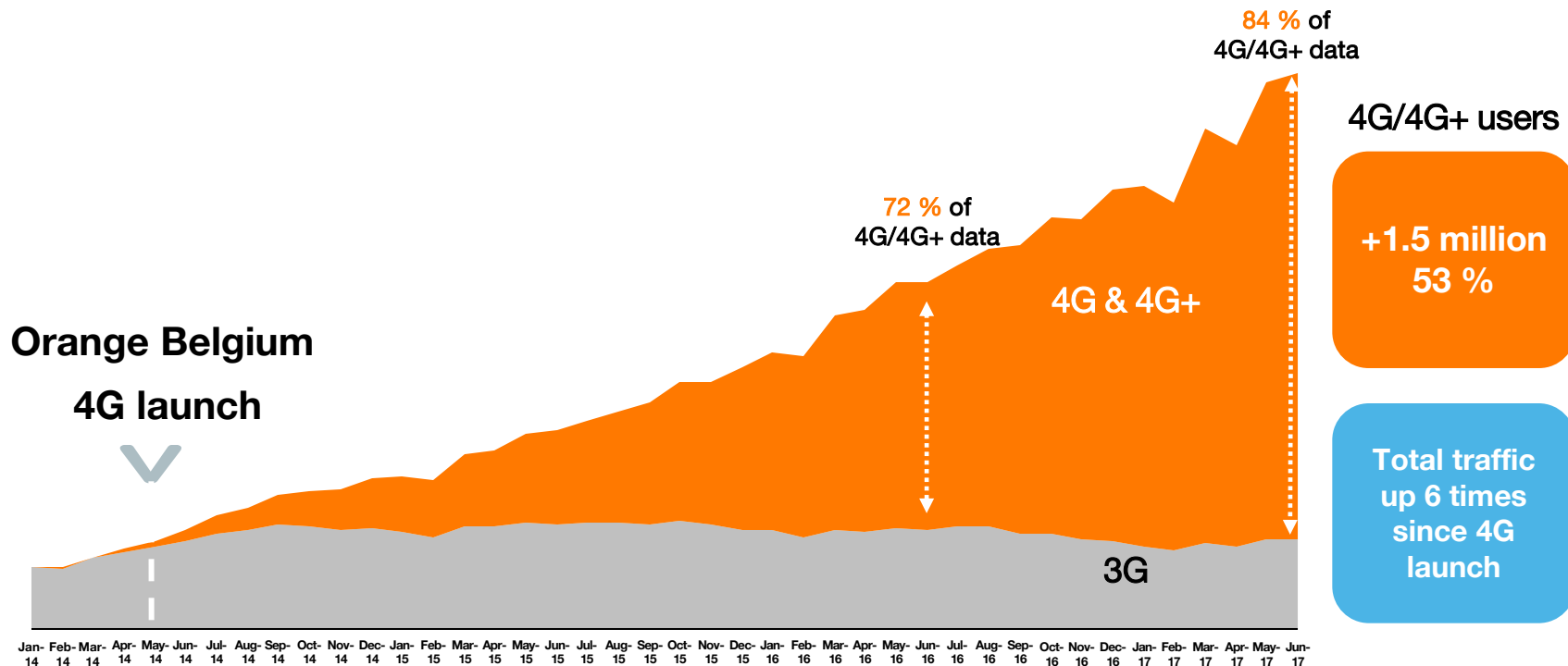
Smartphone penetration averages and forecasts

Region	2016	2021
North America	81 %	99 %
Western Europe	69 %	92 %
Central and Eastern Europe	57 %	92 %
Asia Pacific	46 %	81 %
Latin America	44 %	80 %
Middle East and Africa	19 %	71 %

Source: Cisco VNI Mobile, 2017

Total data traffic increased by 61 % year on year in June 2017

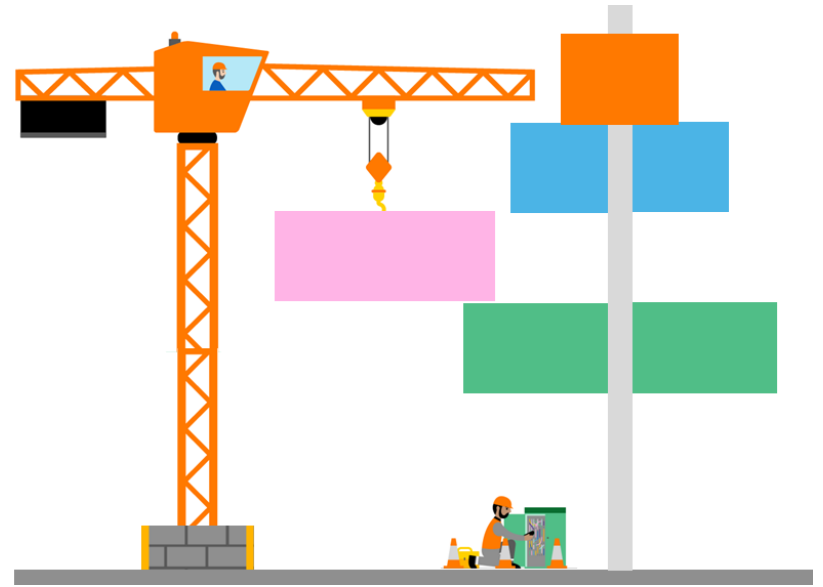
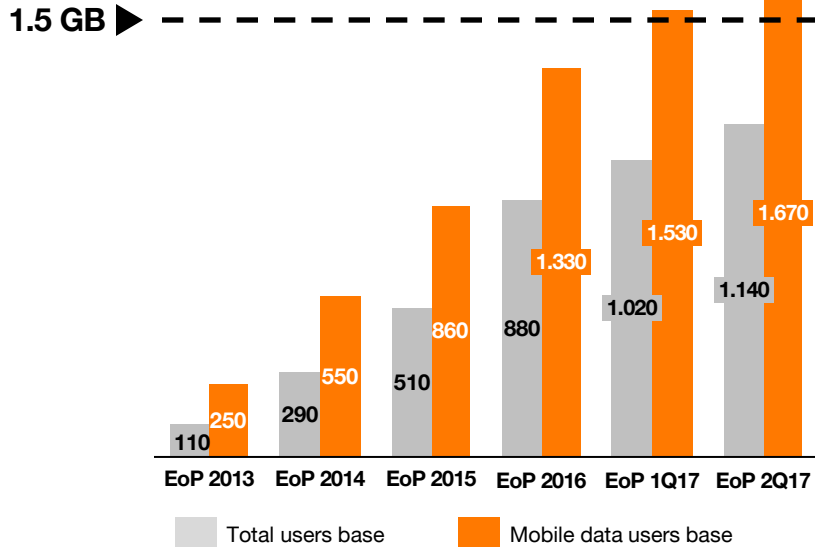
84 % of total data consumption is 4G/4G+ traffic



Mobile data usage continues to grow linearly

As customers fully embrace the benefits in their daily lives and work

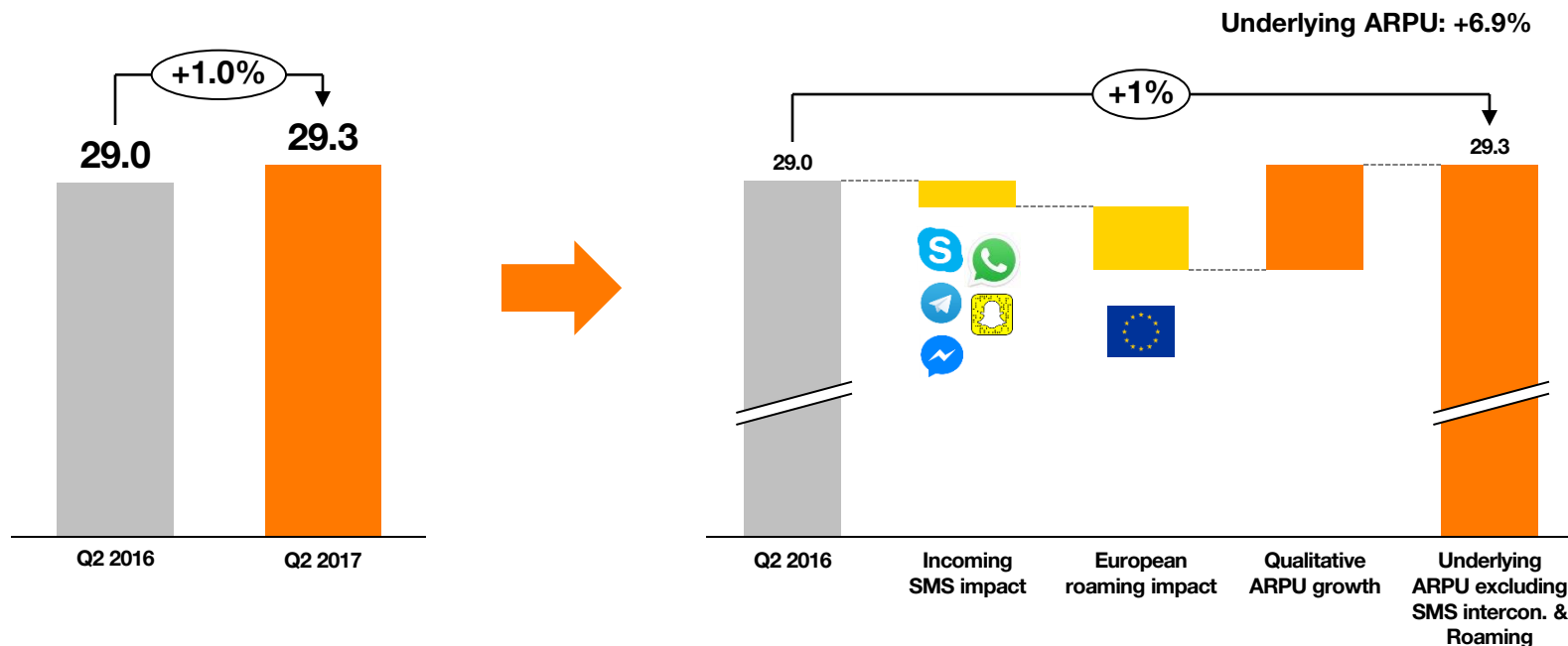
Orange Belgium's average mobile data usage per month



Qualitative ARPU growth leading to sustainable revenue growth

Ability to monetize mobile data confirmed

Postpaid ARPU increased YoY in Q2 2017

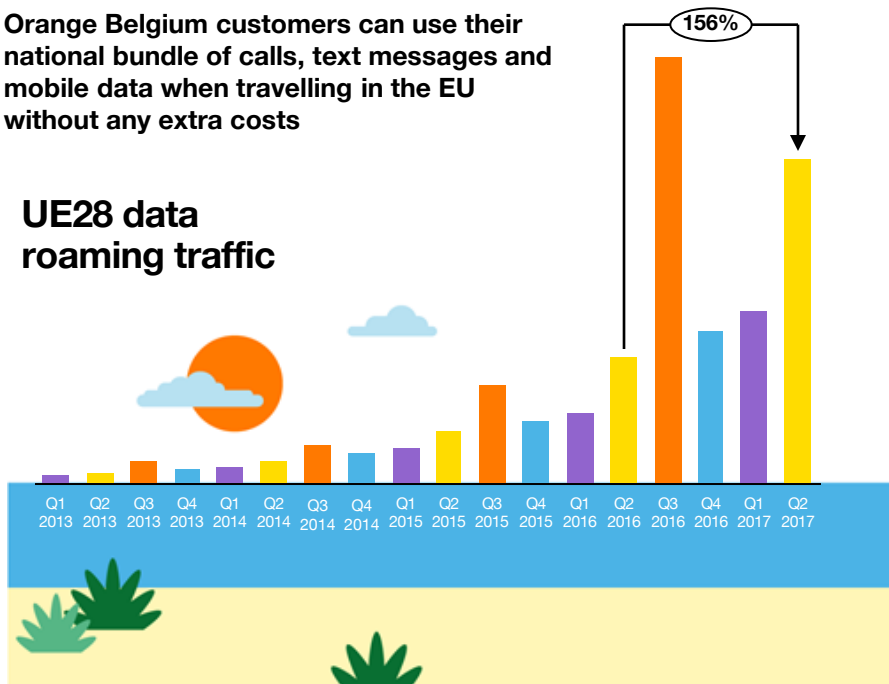


Orange Belgium removed EU roaming fees as of June 2017

Attractive offers and network quality provide fertile ground for elasticity

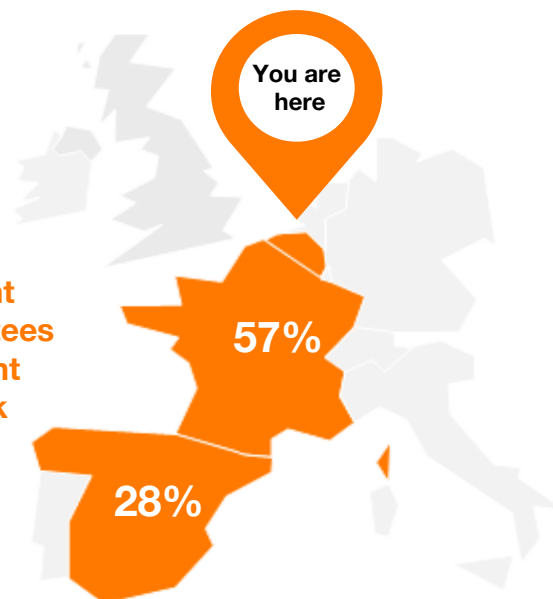
Orange Belgium customers can use their national bundle of calls, text messages and mobile data when travelling in the EU without any extra costs

UE28 data roaming traffic



Belgians' most favorite travel destinations

Orange footprint guarantees excellent network quality



Orange Belgium's key growth drivers

1

Convergence



2

**Mobile data
monetization**



3

**Customer
experience**



Happy birthday to the “Orange Thank You!” loyalty program 3 years of surprises for Orange Belgium customers

Orange Thank You celebrates its 3rd anniversary

1

N°1 in pospaid for NPS ‘My operator rewards my loyalty’

More than
2.5 millions of gifts



180,000 cinema
tickets offered

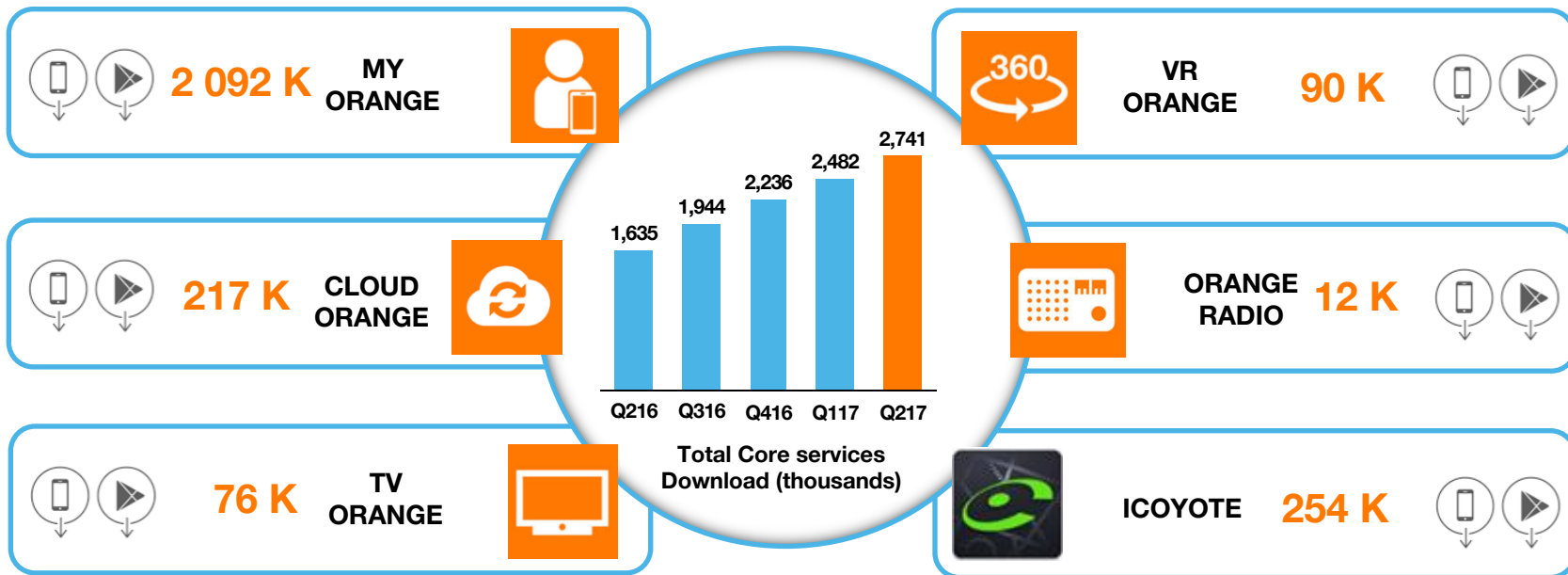


More than 20 exclusive
events organized



Consistent growth in core digital services

Focus always on building a superior client satisfaction



Orange Belgium digital transformation

6 digital markers to shape Orange Belgium digital DNA



Use digital tools to minimize the subscription effort for a convergent offer



Communities

Community based services and engagement



Mobile first

B2C/B2B SMA: Mobile device is first for interaction on Care / Sale upgrade. B2B Mid/high: End-users are given more autonomy through the App by profile management

Orange Belgium Digital Vision

6 digital markers to shape OBEs digital promise



"Me, Anywhere, Anytime"

360° Customer information is available through any Channel
Seamless Omnichannel Experience



Personalized Offers

Analytics on Customer information used to send targeted offers i.e. past purchases, website



Real-Time Digital Life

Real-Time Activation of Services
Real-Time view on all Usages
(accurate details Voice, Data, Content)

Section two

Financial results overview



Arnaud Castille
Orange Belgium, CFO

Total service revenues

€ 553.5m

+2.4%

Year-on-year

Capex

€ 77.2m

-8.0%

Year-on-year

(Core Capex)

Adjusted EBITDA

€ 157.2m

+8.4%

Year-on-year

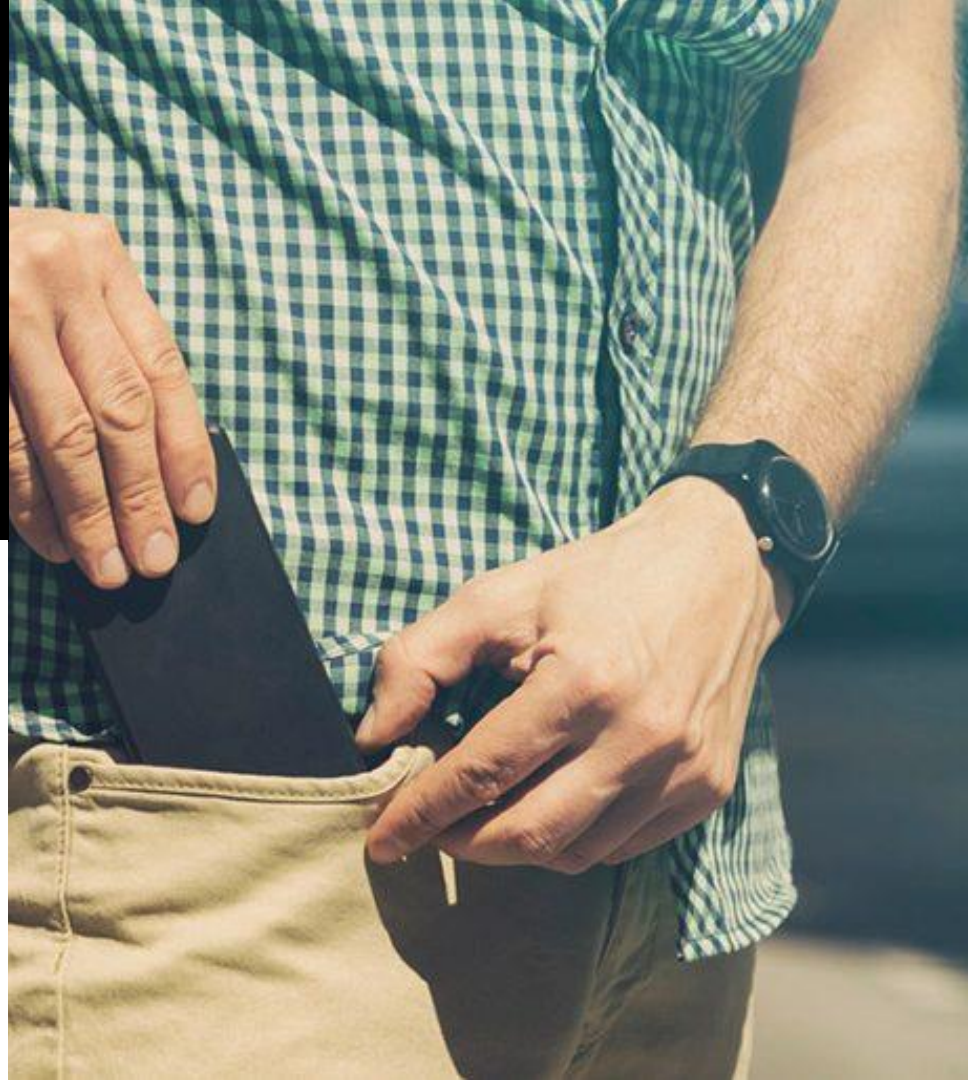
(Comparable basis)

Net debt

€ 329.7m

-10.9%

Year-on-year



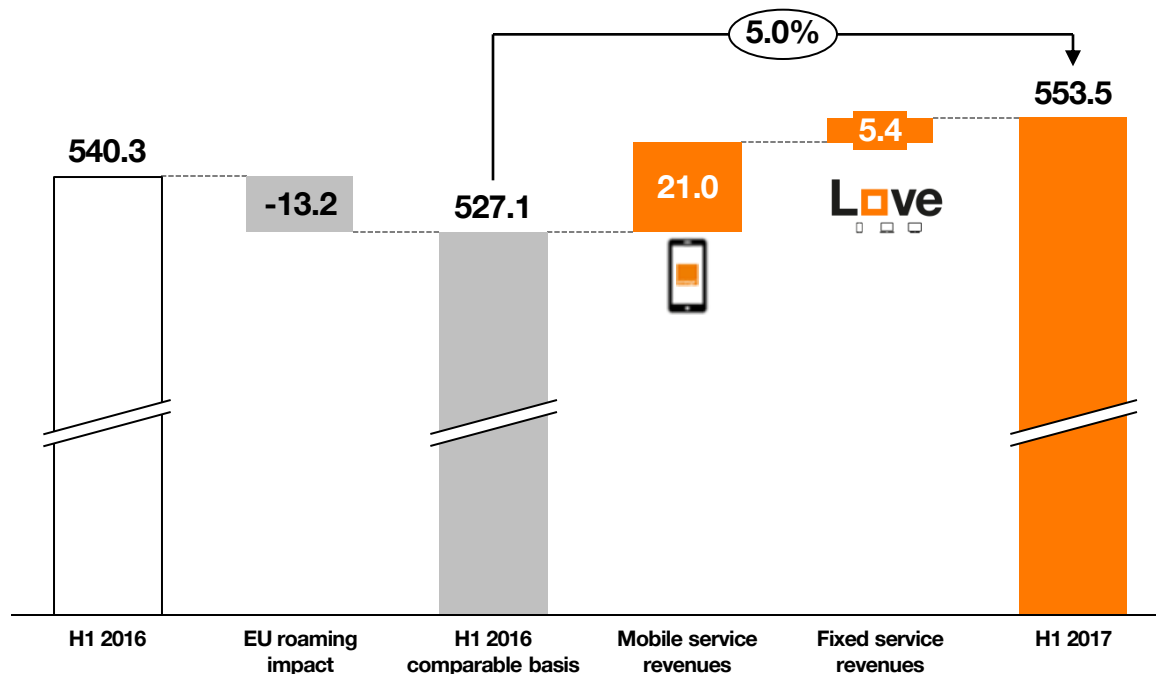
Total service revenues growth of 2.4% (+5.0% yoy excl. EU roaming)

Driven by both mobile and fixed service revenues growth

H1 2017
Service revenues

€553.5m

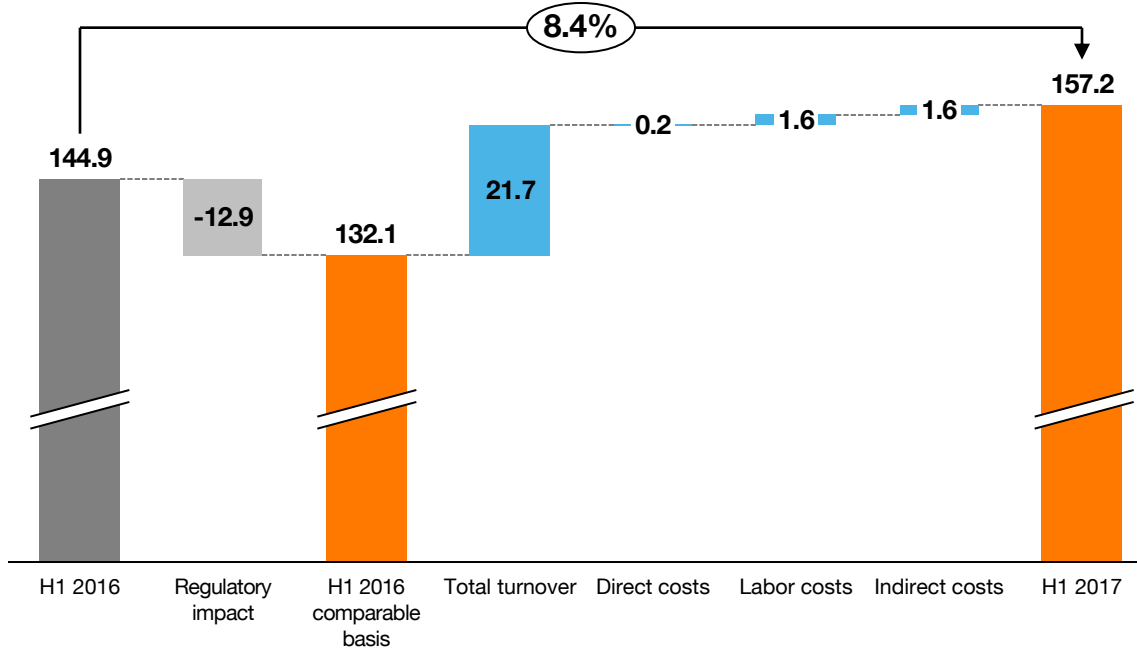
+2.4% (yoy)
+€13.2m (yoy)



H1 2017 adjusted EBITDA growth of 8.4 % proves solid cost management

Negative EU roaming impact balanced by anticipated MVNO revenues

In million euros



H1 2017
Adjusted EBITDA

€157.2m

28.4% of Total
service rev.

+8.4% (yoy)

+€12.2m (yoy)

Total capex increased by 24.3 % yoy, linked to lift off cable capex

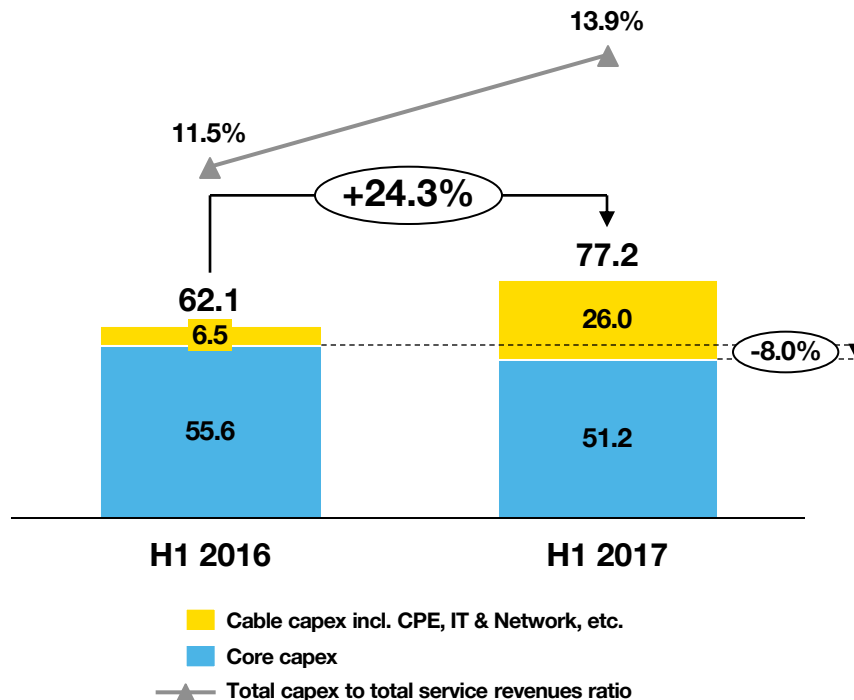
Network investment normalization after accelerated 4G roll-out

H1 2017
Capex

€77.2m

13.9% of Total
service revenues

- Total capex : +24.3% (yoy)
- Core capex: -8.0% (yoy)



Net financial debt: Solid EBITDA and mobile capex normalization Result in strong cash flow generation

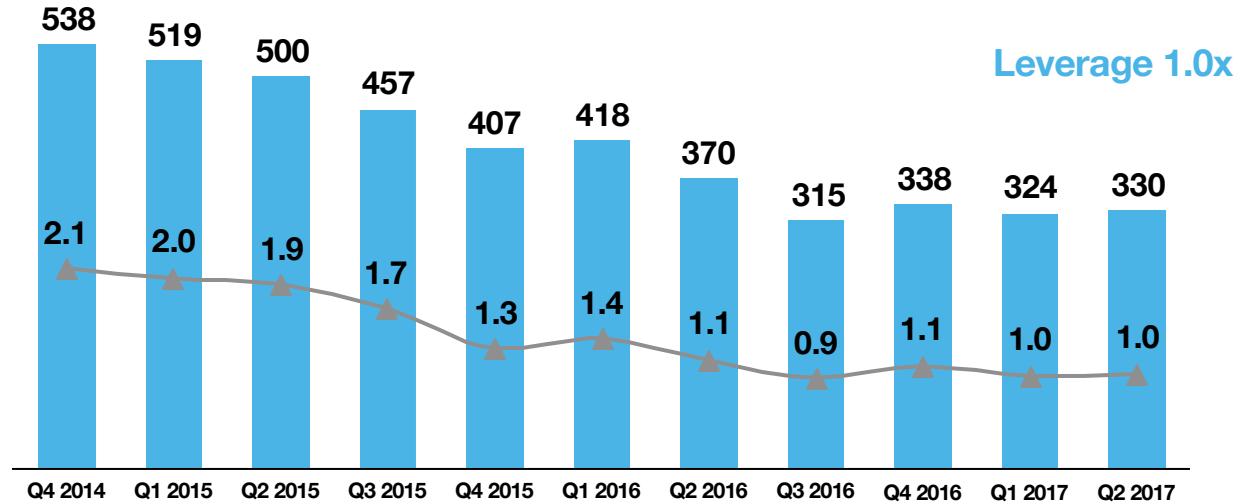
Leverage: 2.1x
(in million euros)

H1 2017
Net financial debt

€329.7m

-10.9% (yoy)

-€40.2m (yoy)



■ Net financial debt
▲ Net financial debt/EBITDA ratio

Orange Belgium key financials

Improving financials with a growing customer base

in €m	H1 2017	H1 2016	Var. (%)	Insight
Total service revenues	553.5	540.3	2.4%	<ul style="list-style-type: none"> Service revenues growth in spite of €13.2m roaming impact (+5.0% underlying growth), lower incoming SMS revenues and supported by anticipated MVNO revenues
Total turnover	617.2	608.7	1.4%	<ul style="list-style-type: none"> Service revenues growth offset by less mobile equipment revenues
Direct costs	-257.8	-258.3	-0.2%	<ul style="list-style-type: none"> Less direct costs, mainly due to less gross subsidy costs and less SMS traffic
Labor costs	-66.6	-68.2	-2.3%	<ul style="list-style-type: none"> Redeploying resources from legacy to growth
Indirect costs	-135.6	-137.3	-1.2%	<ul style="list-style-type: none"> Cable costs are more than offset by efficiency program
Adjusted EBITDA	157.2	144.9	8.4%	<ul style="list-style-type: none"> Positively impacted by higher revenues and less costs
<i>(in % of service revenues)</i>	<i>28.4%</i>	<i>26.8%</i>		
Reported EBITDA	157.7	145.5	8.4%	
<i>(in % of service revenues)</i>	<i>28.5%</i>	<i>26.9%</i>		
CAPEX	77.2	62.1	24.3%	<ul style="list-style-type: none"> Cable volume related
<i>(in % of service revenues)</i>	<i>13.9%</i>	<i>11.5%</i>		
Operational Cash Flow (EBITDA - CAPEX)	80.5	83.3	-3.4%	<ul style="list-style-type: none"> Reflecting EBITDA and CAPEX evolution

Orange Belgium consolidated net income and financial debt

Improving cash flow generation and debt profile

in €m	H1 2017	H1 2016	Var. (%)	Insight
Reported EBITDA	157.7	145.5	8.4%	
EBIT	45.8	47.4	-3.4%	<ul style="list-style-type: none"> Reflecting EBITDA evolution and increasing level of depreciation due to shorter useful life of some fixed assets
Financial result	-2.4	-3.3	-26.9%	
Tax	-15.7	-18.4	-14.7%	
Net income	27.7	25.7	7.7%	
Earning per share	0.46	0.43		
Net financial debt	329.7	369.9	-10.9%	Thanks to solid operational cash flow impacted by higher Capex and the payment of the 2015 income tax.
Net financial debt/Reported EBITDA	1.0	1.1		

Section three

2017 guidance

2017 financial guidance and outlook reiterated

Investing in future growth while protecting EBITDA margin

in million euros	Q1 2017	Q2 2017	H1 2017	2017 guidance
Total service revenues	+0.6%	+4.3%	+2.4%	To grow vs. 2016
Adjusted EBITDA	72.2	85.0	157.2	290-310
Core capex excl. cable	20.7	30.5	51.2	Stable vs. 2016

Outlook

- ❑ Further increase of the level of brand awareness
- ❑ Growing postpaid and convergent customer base with a clear focus on value management
- ❑ Further development of data usage / monetization of 4G investment
- ❑ Gross EU roaming impact of 36.4M€ on revenues and of 31.9M€ on adjusted EBITDA
- ❑ Capex outlook includes the additional investments foreseen in the framework of the Walloon settlement agreement. Cable capex is success related.

Section four

Q&A

Appendix 1

Key financial figures

		Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
ORANGE BELGIUM GROUP – Key financial figures							
Total service revenues	in mio EUR	279.5	274.0	277.7	275.3	267.9	272.4
Mobile service revenues	in mio EUR	258.9	253.4	258.5	257.6	250.1	254.3
Fixed service revenues	in mio EUR	20.6	20.7	19.2	17.7	17.8	18.1
Adjusted EBITDA	in mio EUR	85.0	72.2	78.5	92.2	91.1	53.8
% of service revenues		30.4 %	26.3 %	28.3 %	33.5 %	34.0 %	19.8 %
Reported EBITDA	in mio EUR	85.7	71.9	79.9	91.7	91.7	53.7
% of service revenues		30.7 %	26.2 %	28.8 %	33.3 %	34.2 %	19.7 %
CAPEX	in mio EUR	45.0	32.2	71.3	34.2	37.8	24.3
% of service revenues		16.1 %	11.7 %	25.7 %	12.4 %	14.1 %	8.9 %
Operating cash flow	in mio EUR	40.7	39.8	8.6	57.5	53.9	29.4
% of service revenues		14.6 %	14.5 %	3.1 %	20.9 %	20.1 %	10.8 %
Net financial debt	in mio EUR	329.7	323.7	338.0	315.2	369.9	418.1
Net financial debt / Reported EBITDA		1.0	1.0	1.1	0.9	1.1	1.4

Appendix 2

Orange Belgium's figures

		Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
ORANGE BELGIUM							
Mobile services							
Mobile retail customers (excl. MVNO)	in thousand	3,779.0	3,759.1	3,796.5	3,770.5	3,779.7	3 766.6
Mobile customers (excl. M2M)	in thousand	2,920.3	2,927.1	2,970.8	2,991.8	3,023.4	3 029.7
Postpaid	in thousand	2,271.7	2,250.5	2,247.6	2,238.3	2,234.8	2 217.0
Prepaid	in thousand	648.7	676.6	723.1	753.5	788.6	812.7
Mobile blended ARPU, three months average (incl. visitor roaming)	in EUR/month	25.4	24.5	24.8	24.7	24.5	24.0
Postpaid ARPU, three months average (incl. visitor roaming)	in EUR/month	29.3	28.9	29.1	29.2	29.0	28.6
Prepaid ARPU, three months average	in EUR/month	11.3	11.1	11.8	11.7	12.0	11.7
IoT/M2M SIM cards	in thousand	858.6	832.0	825.7	778.7	756.4	737.0
MVNO customers	in thousand	1,930.4	1,996.7	2,040.7	1,990.0	1,907.3	1 816.6
Fixed services							
Fixed broadband internet and TV customers	in thousand	77.8	66.3	50.3	34.2	28.0	25.9
Of which cable	in thousand	64.3	49.8	33.4	17.6	10.5	5.3
Fixed telephone lines	in thousand	150.7	157.0	157.9	158.5	164.7	169.9

Appendix 3

Orange Luxembourg's figures

		Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
ORANGE LUXEMBOURG							
Mobile services							
Mobile retail customers (excl. MVNO)	in thousand	178.3	164.9	159.3	154.5	148.1	142.4
Mobile customers (excl. M2M)	in thousand	109.7	106.0	105.4	104.1	102.7	102.1
Postpaid	in thousand	99.9	98.0	97.3	96.6	95.2	94.1
Prepaid	in thousand	9.8	8.0	8.0	7.5	7.5	8.0
Mobile blended ARPU, three months average (incl. visitor roaming)	in EUR/month	35.2	33.3	35.1	34.9	35.8	35.2
IoT/M2M SIM cards	in thousand	68.6	58.9	53.9	50.4	45.4	40.3
MVNO customers	in thousand	2.2	2.2	2.2	2.1	2.1	2.1
Fixed services							
Fixed broadband internet and TV customers	in thousand	9.9	10.0	9.6	9.1	8.6	8.0
Fixed telephone lines	in thousand	0.6	0.7	0.7	0.9	0.9	1.1

Investor Relations

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Director

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Corporate Finance



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<https://corporate.orange.be>