

Orange Belgium Financial results Q1 2017

Analysts and Investors
Roadshow presentation



All you need
is love

Love

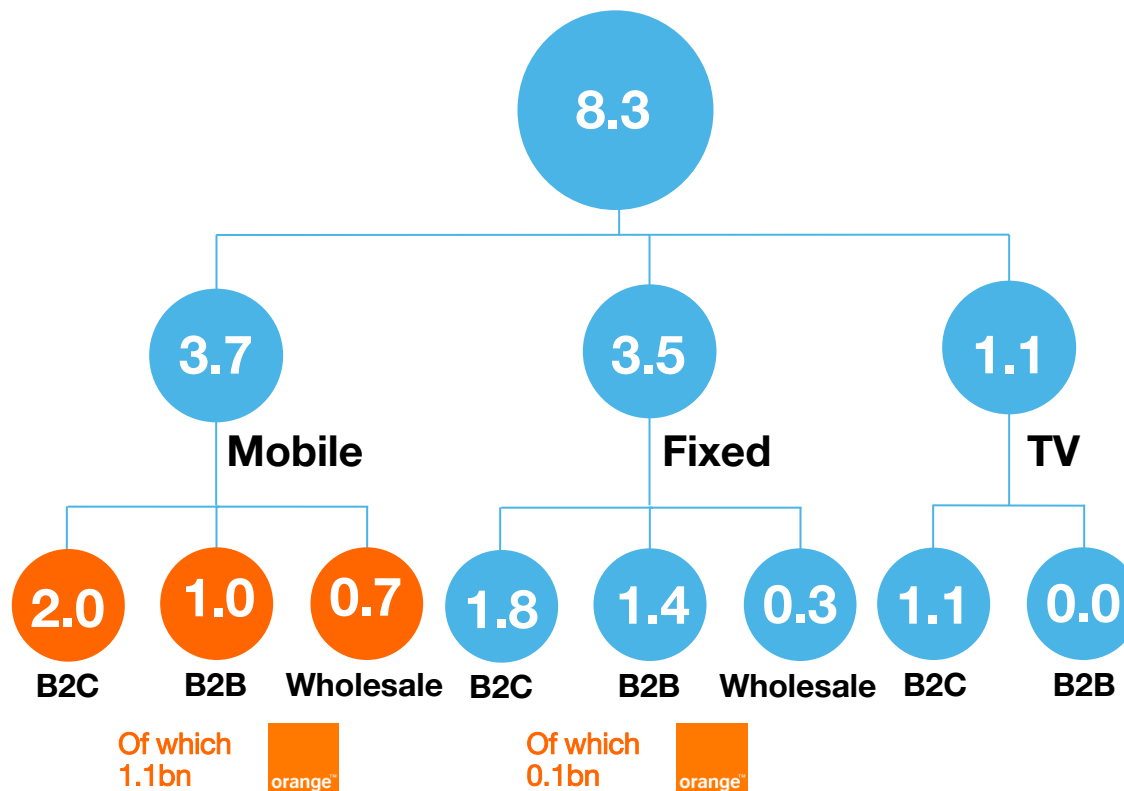


Disclaimer

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.

Snapshot of the 2015 Belgian telecom market

Value by segment in billion €



Section one

Business review



Michaël Trabbia
Orange Belgium, **CEO**

Total service revenues

€ 274m

+0.6%

Year-on-year

Capex

€ 32.2m

-2.9%

Year-on-year

(Core Capex)

Adjusted EBITDA

€ 72.2m

+3.6%

Year-on-year

(Comparable basis)

Net debt

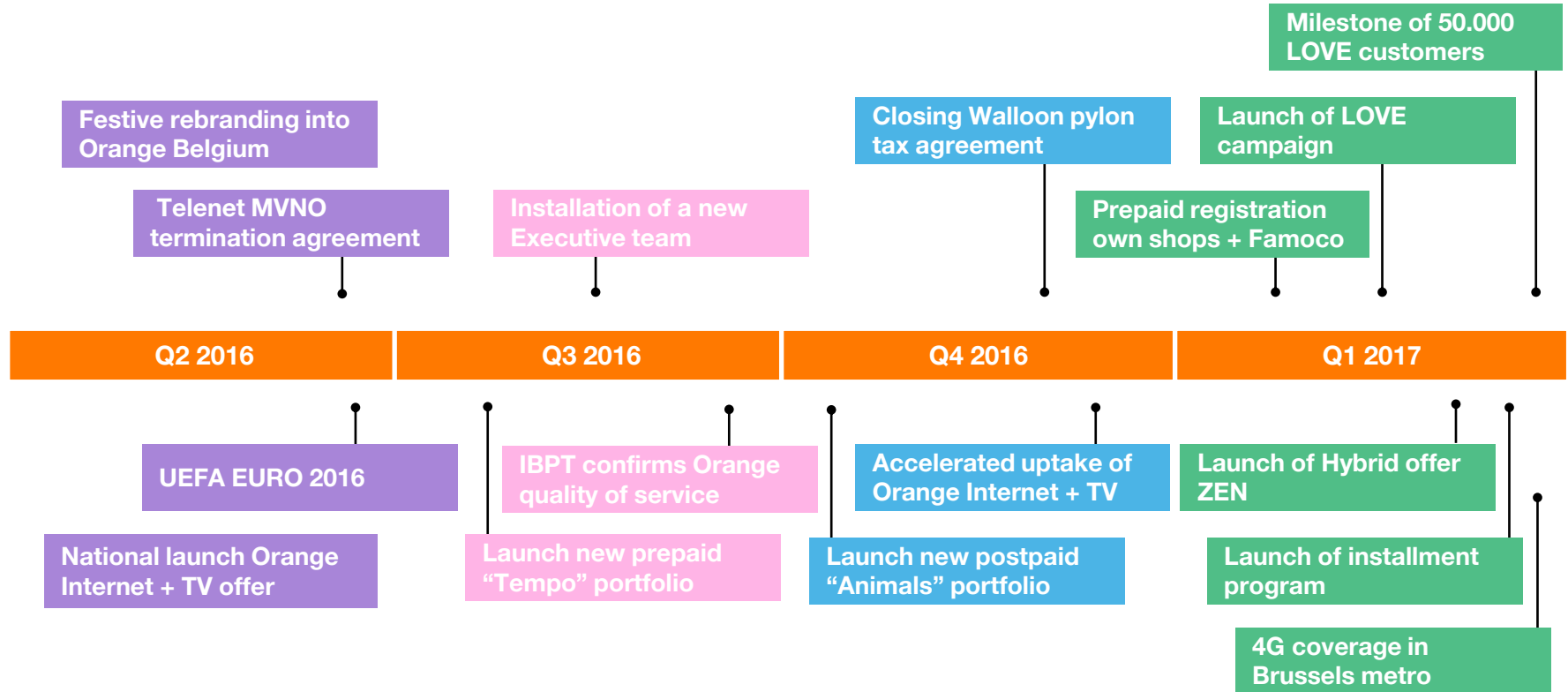
€ 323.7m

-22.6%

Year-on-year



Latest key events



Orange Belgium's key growth drivers starting to pay off

1

**Mobile data
monetization**

2

Fixed convergence
opportunity

3

Customer
experience

A proud 4G & 4G+ network leader

Developing new use cases, anytime, everywhere during the customer journey

99.6%



4G Outdoor

National population coverage

92.3%



4G Indoor

National population coverage

99.9%



4G+ Brussels

Population coverage

54.7%

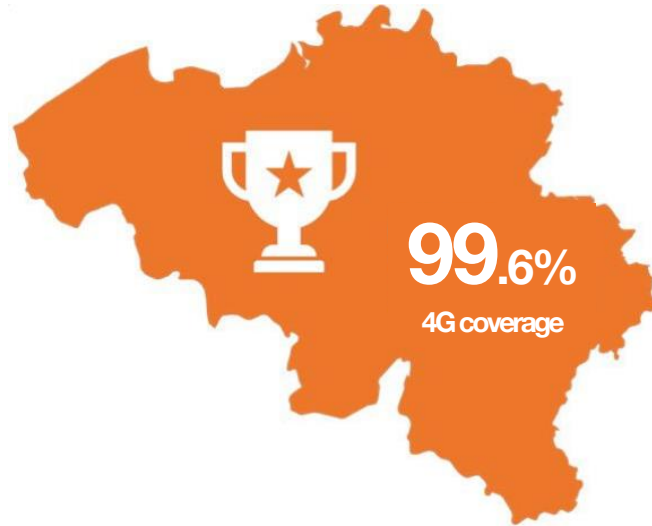


4G+

National population coverage

Continuous network investments with extra focus on indoor coverage

Securing a fast & reliable 4G-connection in the entire Brussels metro



Public transport coverage
Where it really matters..



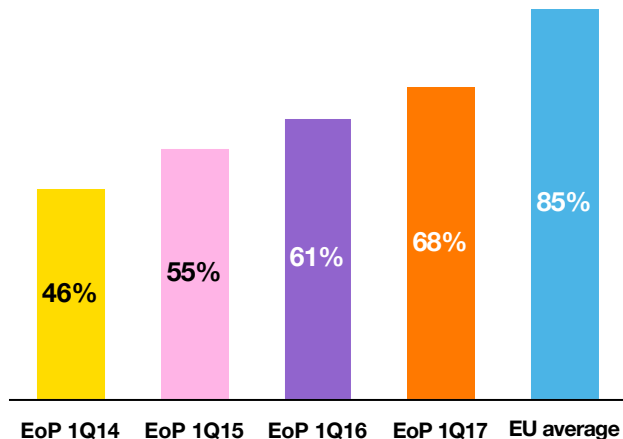
Cell level: increasing capacity by software updates and activation of new frequencies

Core network level: extended software and hardware capacities, technology upgrade

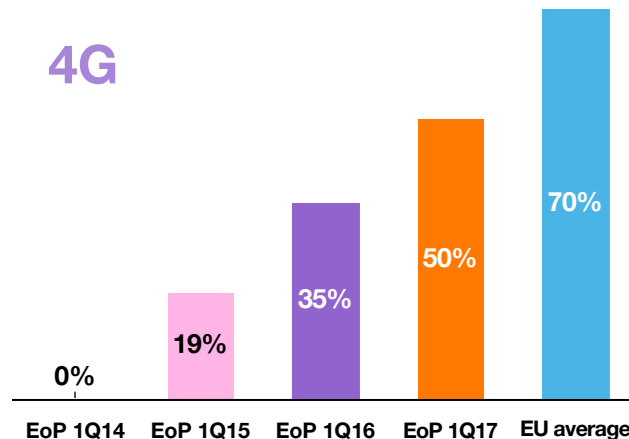
Backhaul network level: ongoing network optimization work in particular via fiber installations

4G smartphone penetration now represents more than 50% of the base 4G devices, and increasingly 4G+ devices, take the highest sales share

Orange Belgium's active smartphone penetration



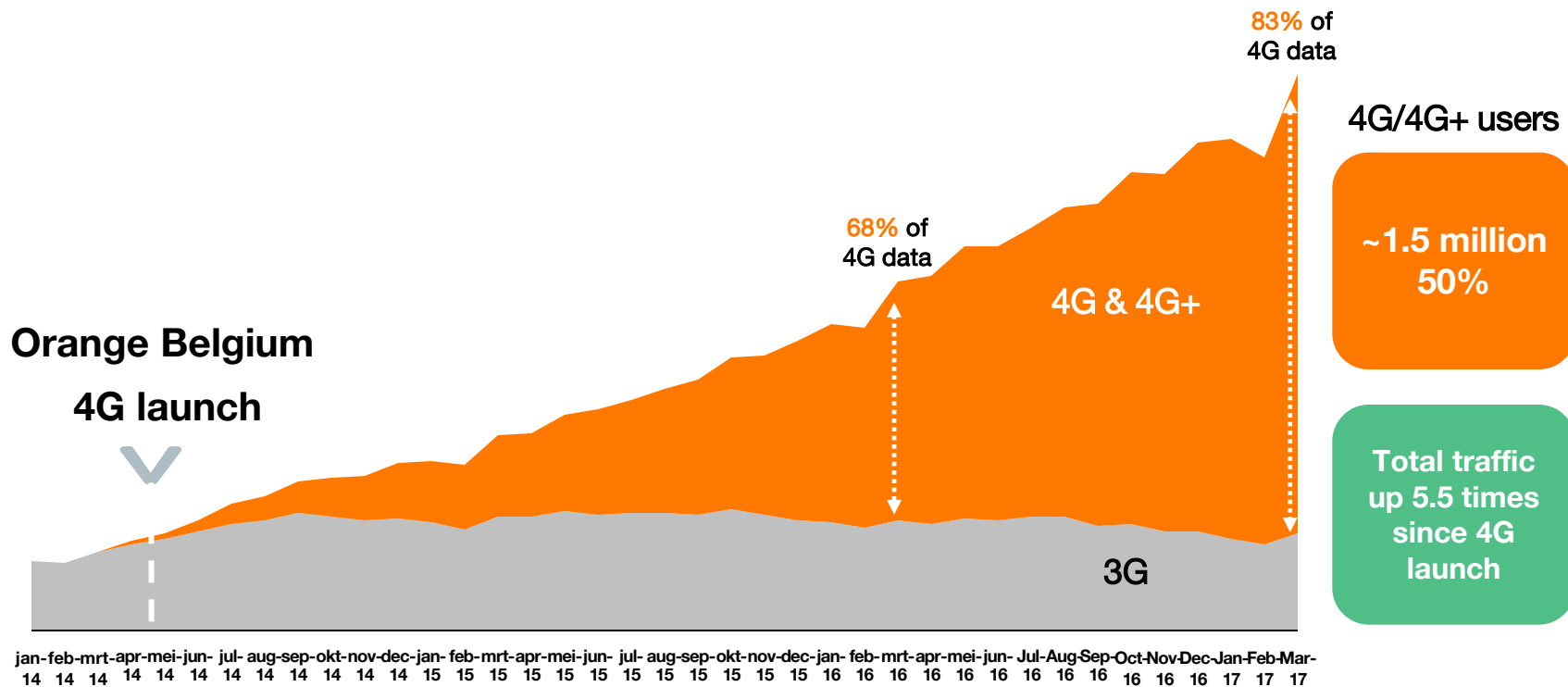
% of active smartphone users / total base



% of active 4G smartphone users / total base

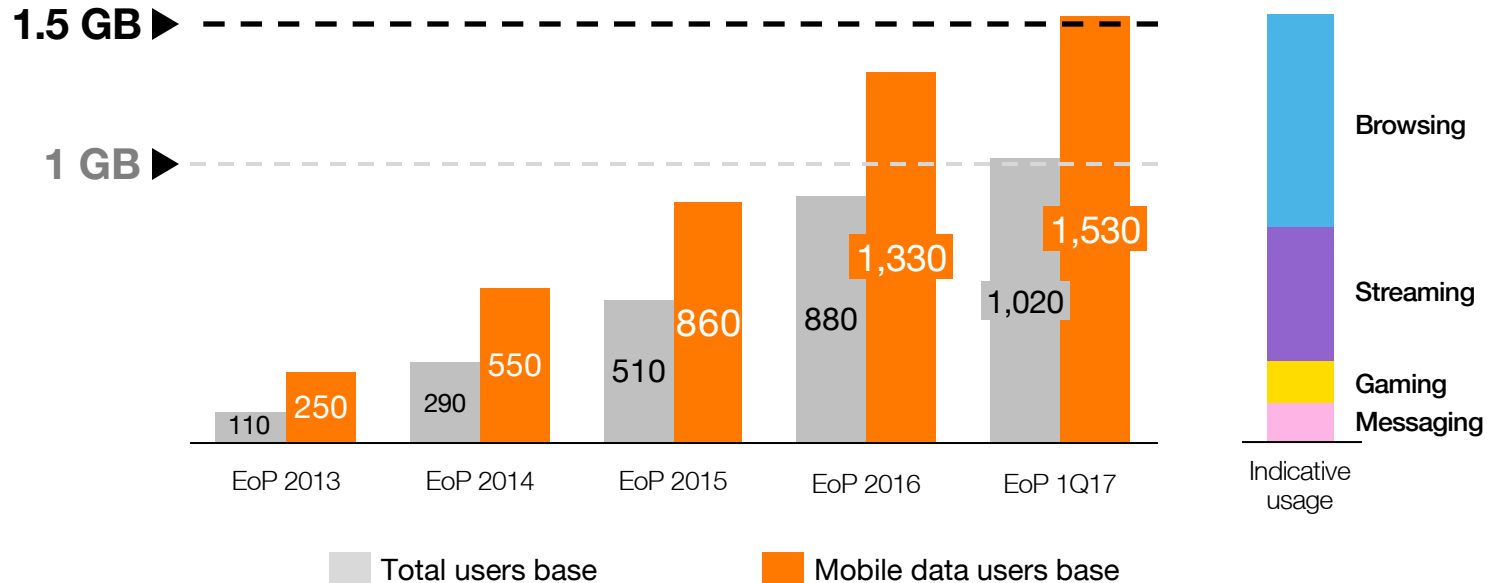
Total data traffic increased by 60% in the first quarter of 2017

83% of total data consumption is 4G/4G+ traffic



Mobile data usage continues to grow linearly

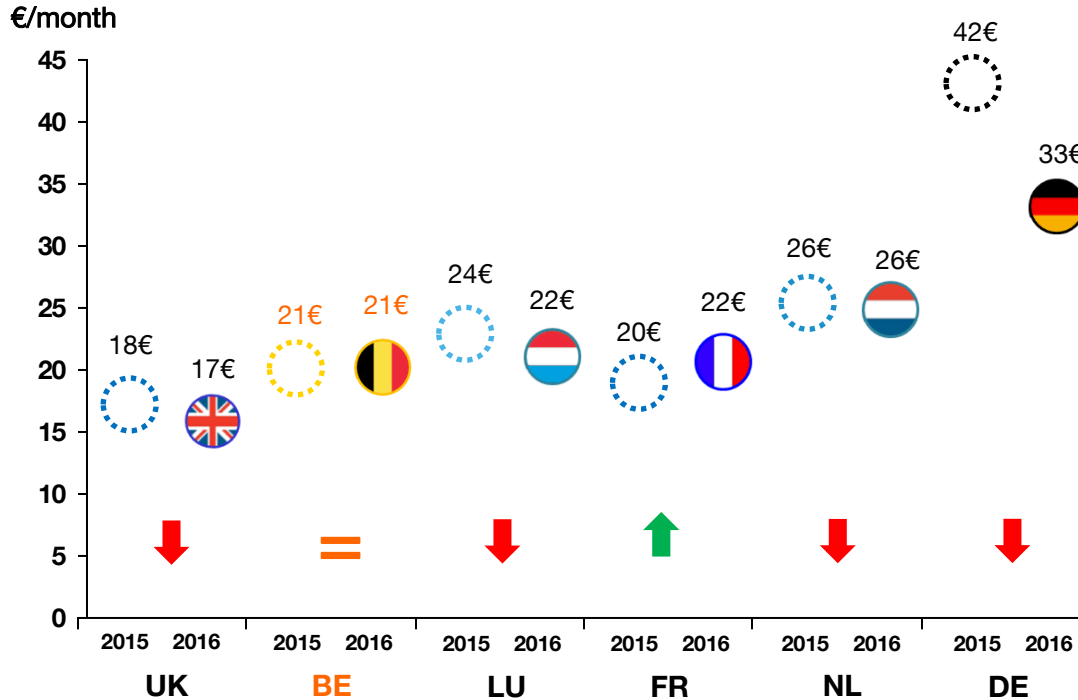
As customers fully embrace the benefits in their daily lives and work



Belgian mobile prices among the most attractive according to the BIPT













Orange Belgium's new portfolio leads the way for higher data users

**BIPT benchmark,
heavy user profile**
6H voice, unlimited
SMS, 1GB



Animal portfolio continues to be a value driver

Focus on customer experience, convergence & mobile data monetization

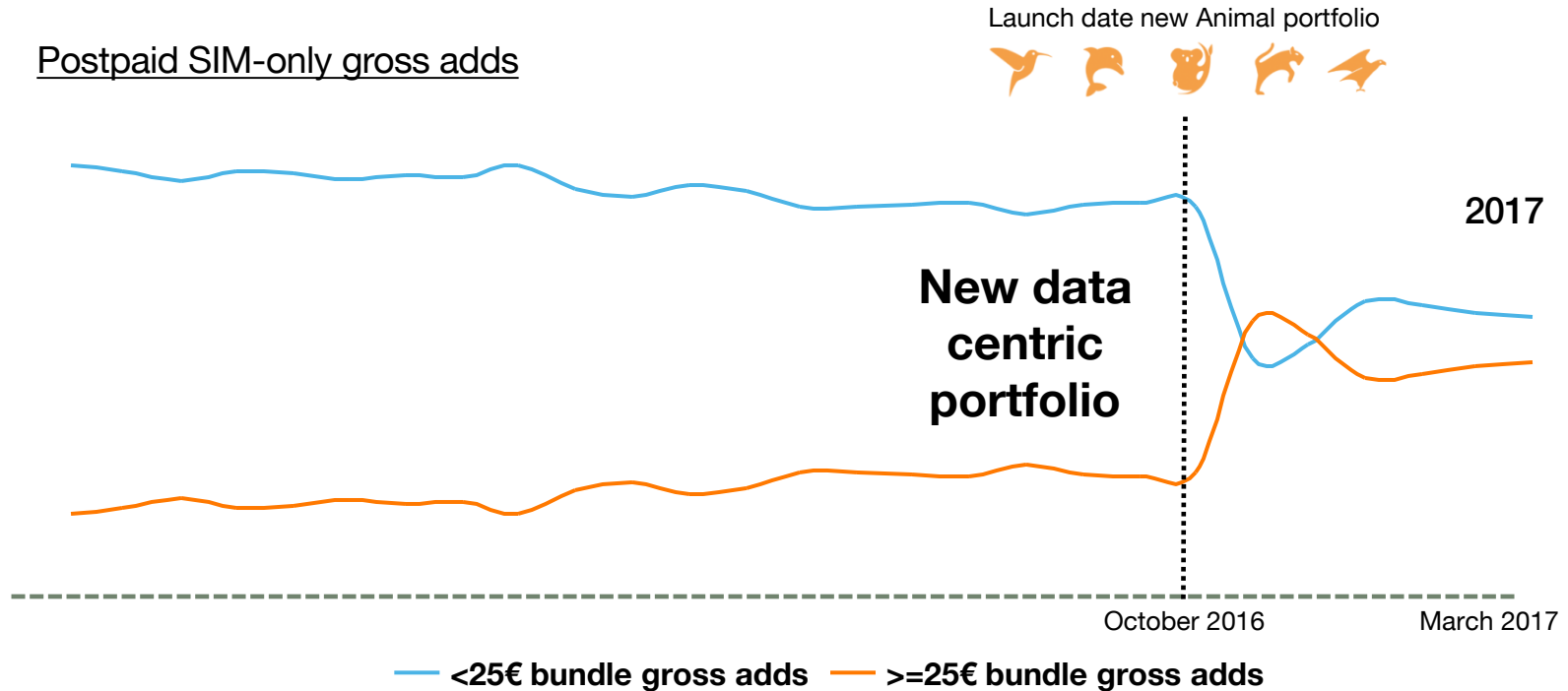
Tariff plans	 Hummingbird	 Dolphin	 Koala	 Panther	 Eagle	 Eagle Premium
Price/month	8€	15€	25€	33€	39€	60€
SMS	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited
Call	90 min	150 min	300 min + unlimited to 	unlimited	unlimited	unlimited
Surf volume	100 MB	1,5 GB	3 GB	5 GB	10 GB	10 GB
Orange Cloud 	500 MB	16 GB	32 GB	32 GB	64 GB	500 GB
Advantages included			 iCOYOTE	 iCOYOTE	 iCOYOTE	 iCOYOTE
In/to Europa						- 1000 min. in roaming - 1000 international call allowance (min) - 1000 SMS - 1 GB
Orange Internet & TV <small>(only with mobile subscription)</small>	49€/month	49€/month	49€/month	49€/month	39€/month	39€/month

The following roaming options can be added to the tariff plans:

- Transborder (12.1€ for 250 min. roaming, 250 min. international, 250 SMS, 250 MB)
- EU Traveler (24.2€ for 500 min. roaming, 500 min. international, 500 SMS, 500 MB)

New postpaid portfolio is delivering on expectations

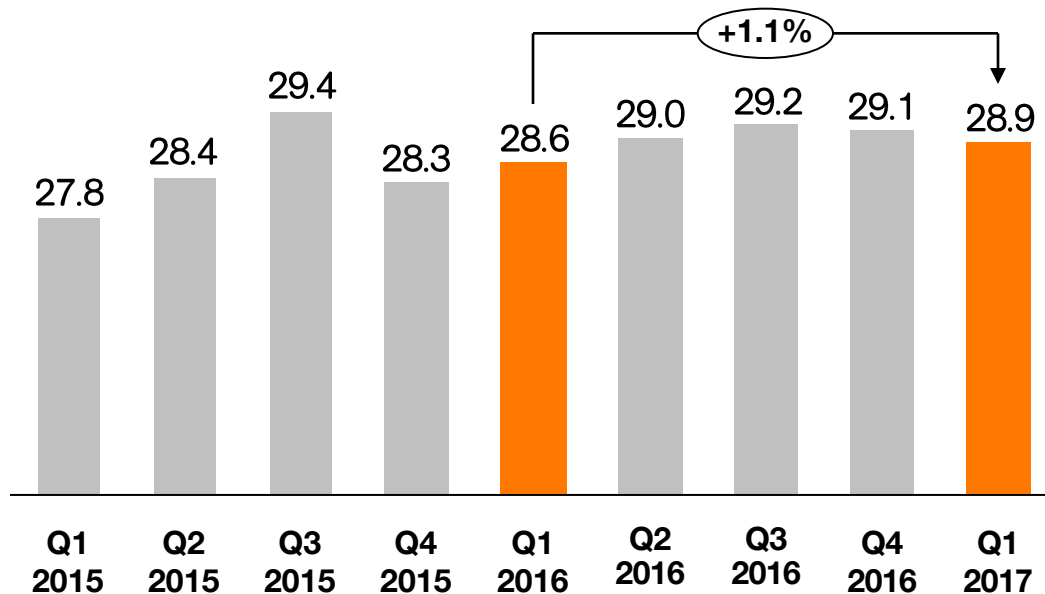
Close to 50% of the new SIM-only customers opt for a >25€ tariff plan



4G mobile data usage is driving sustained postpaid ARPU growth

Ability to monetize mobile data confirmed

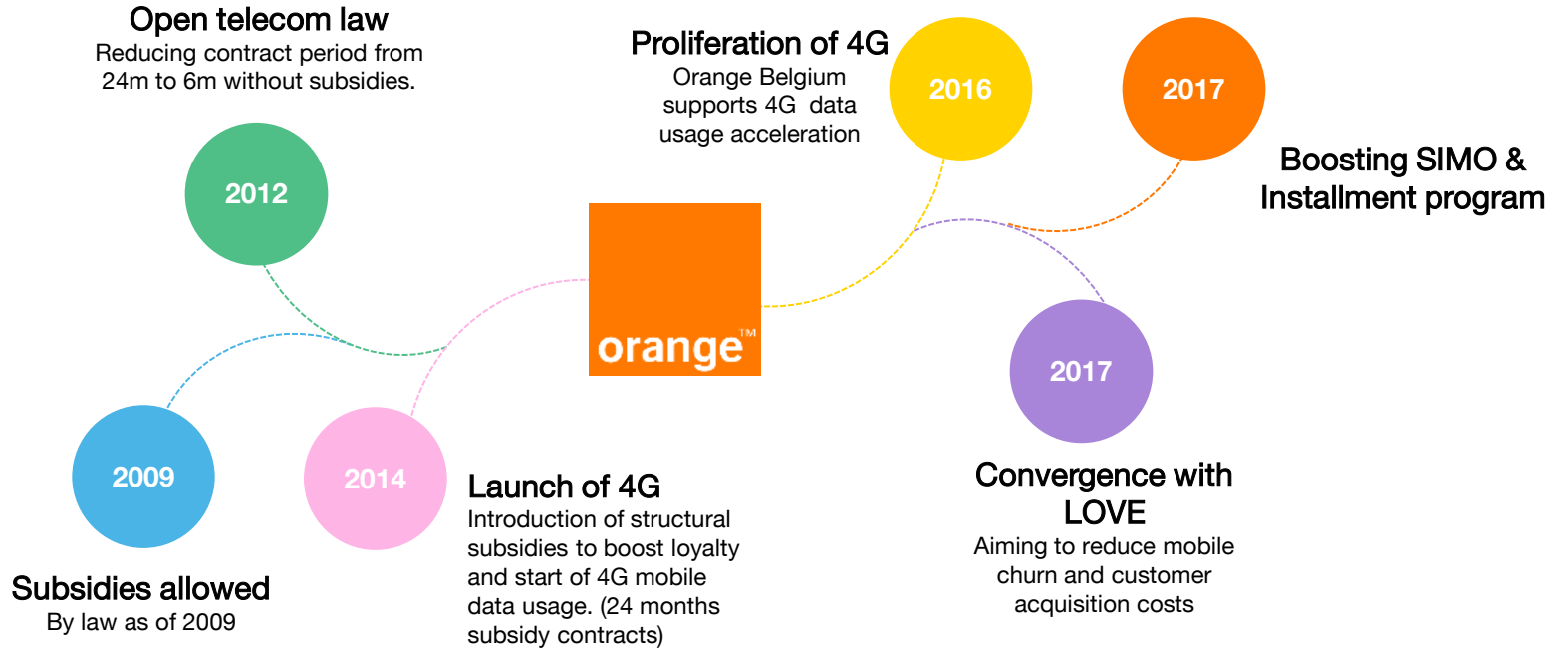
Postpaid ARPU increased YoY in Q1 2017



ARPU growth of 1.1%
despite 3.8M€ impact of
EU roaming regulation

Newly launched installment plan will reduce customer acquisition cost

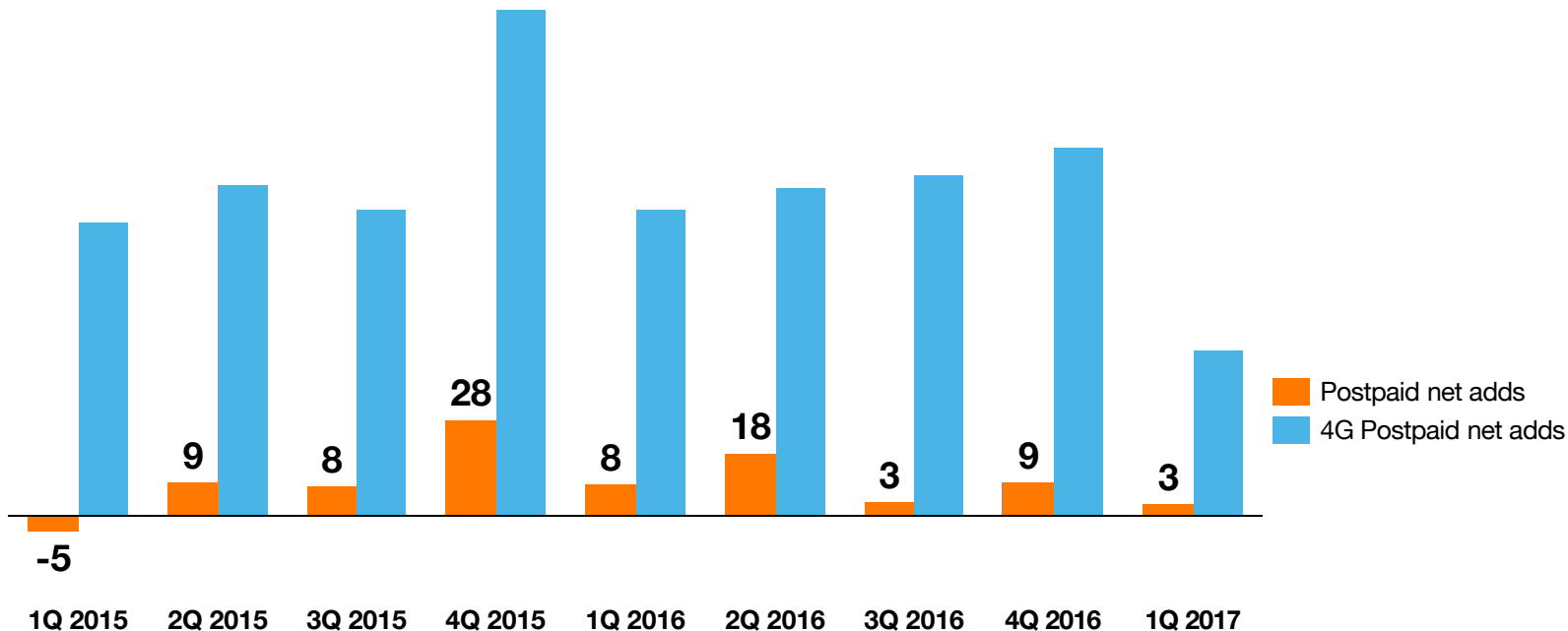
Switching from structural subsidy to consumer credit



Significant 4G postpaid net additions each quarter

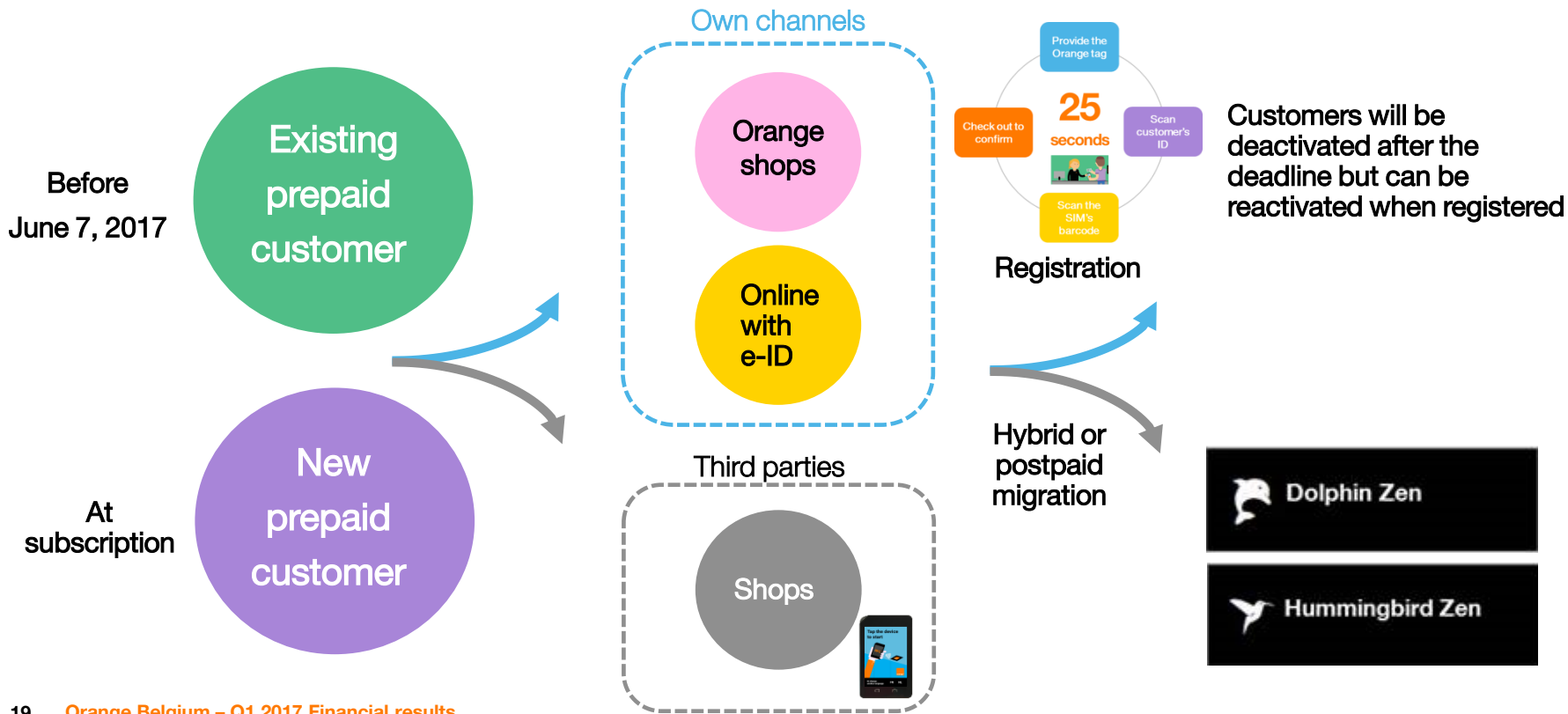
Eighth consecutive quarter in a row of postpaid growth

4G Postpaid quarterly net adds in Belgium ('k)



Widespread implementation of prepaid identification process

Driving seamless customer journey and postpaid migration



Orange Belgium's key growth drivers starting to pay off

1

Mobile data
monetization

2

**Fixed convergence
opportunity**

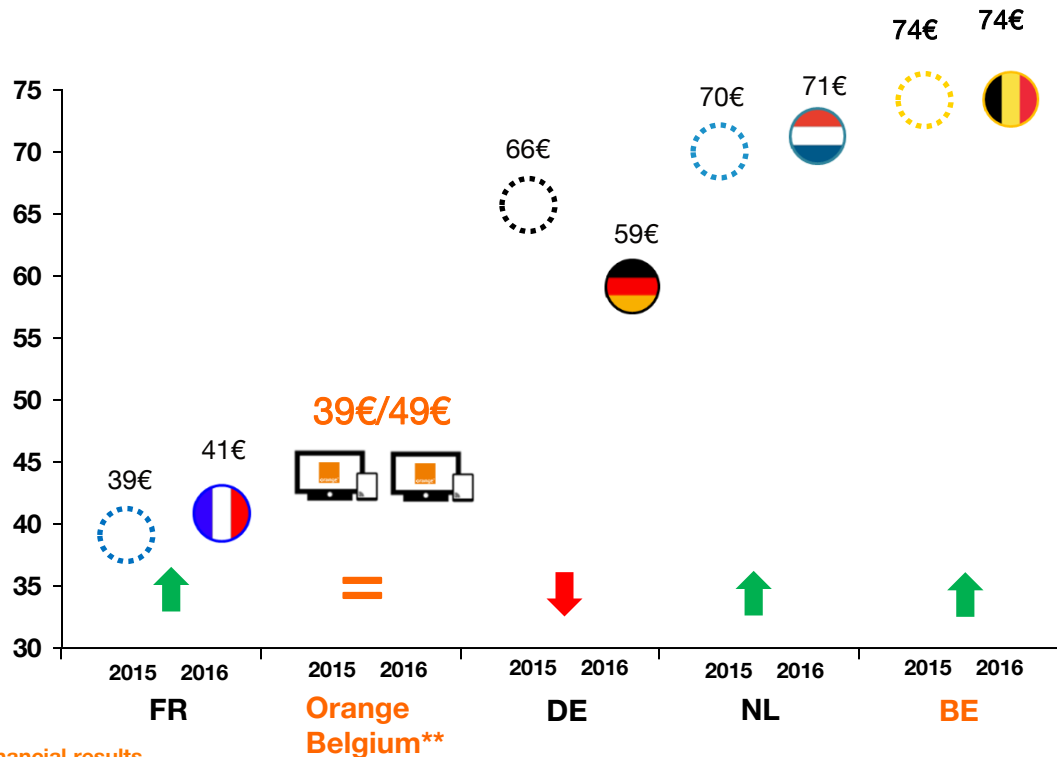
3

Customer
experience

3-play prices further increased according to BIPT price level benchmark

Current Belgian prices rank among the highest in Europe

BIPT benchmark, very high broadband
>100 Mbps + TV + fixed voice



Recently announced price increases not even included



+1.99%
January 10th, 2017

proximus
+4.7%
November 16th, 2016

*BIPT prices benchmark report - December 2015 and 2016
** Orange LOVE not including fixed voice

The Orange Internet + TV offering provides an excellent quality at the Most attractive market price and keeps on getting better

39€/month

Orange Eagle & Eagle Premium

**Internet 100 Mbps
Unlimited volume**

70 TV channels

49€/month

Orange Hummingbird, Dolphin, Koala & Panther

**Internet 100 Mbps
Unlimited volume**

70 TV channels



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



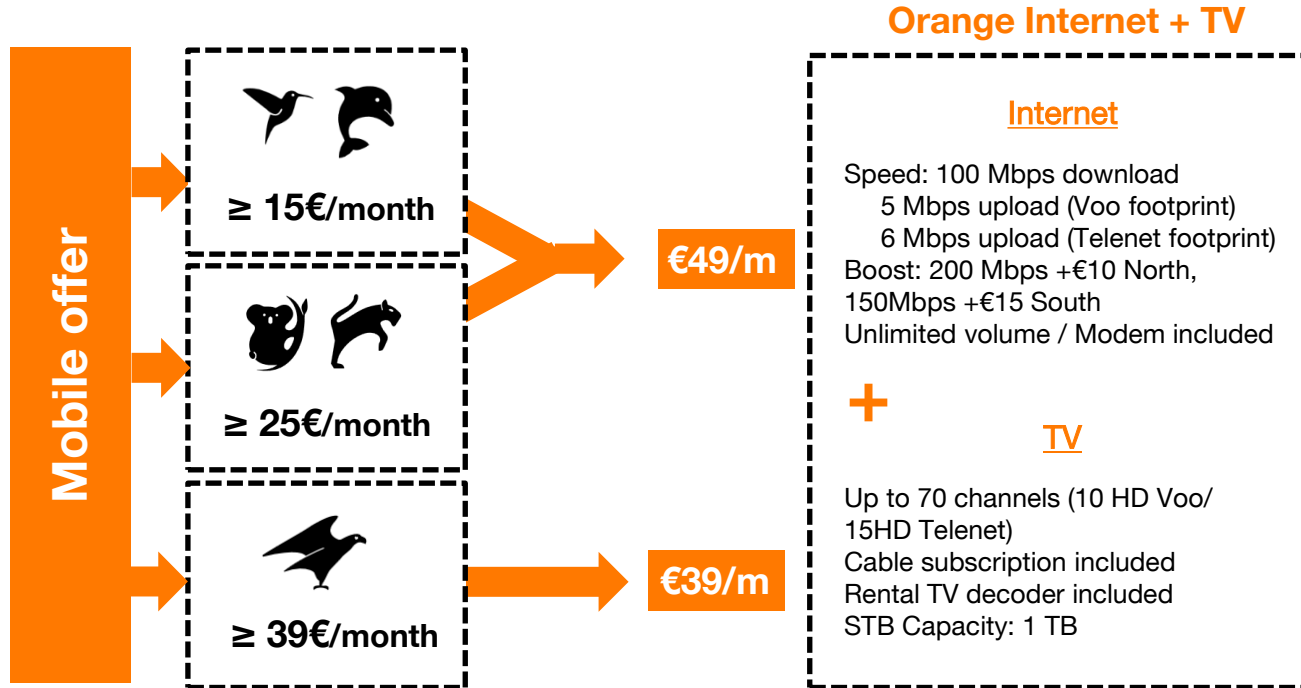
Evening&Weekend : 3€/month



extra TV decoder : 9€/month

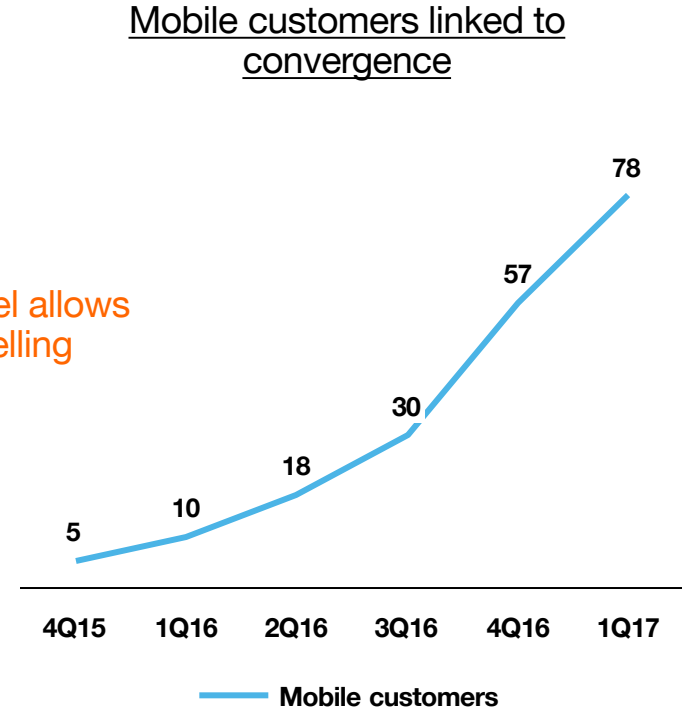
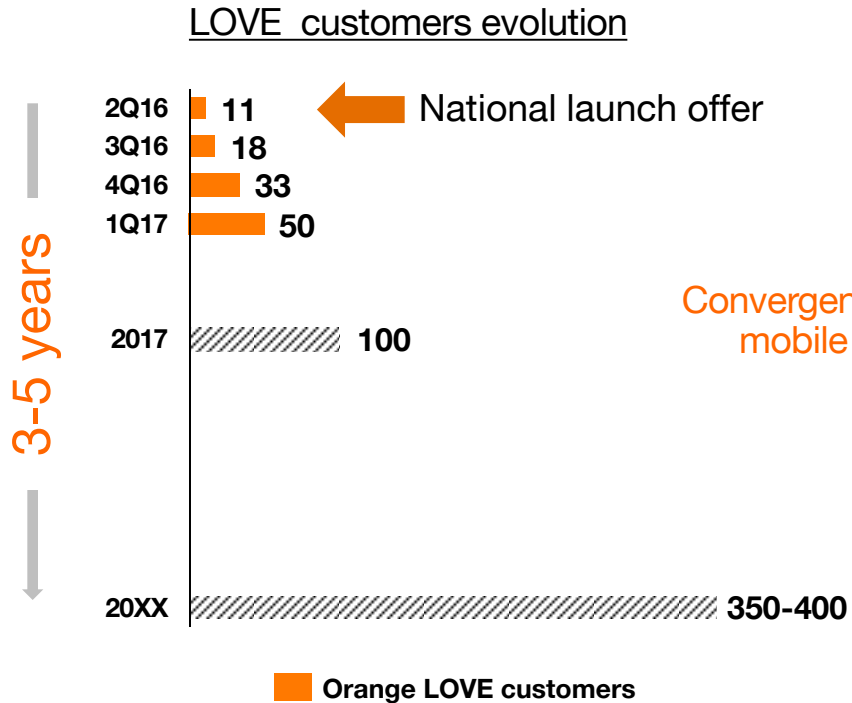
Driving the value creation story: “upsell cliff”

Stimulating upsell towards mid- and high- end tariff plans



Orange Belgium Internet + TV evolution and mid-term targets

50K customers and aiming at 100K customers by the end of 2017

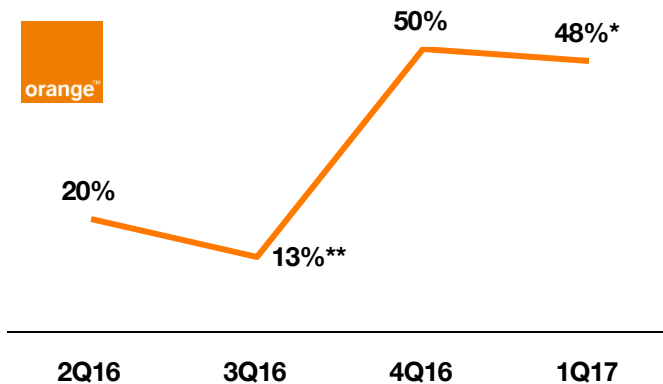


Orange Belgium established itself as a fully convergent player

Confirming customer addition trend for the second quarter in a row

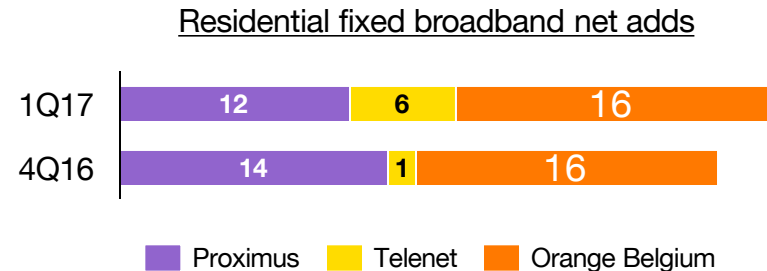
48%

Residential fixed broadband net adds in the first quarter of 2017*



2 quarters

With more than 15K Orange Internet + TV net adds in a row



50K

Orange Internet
+ TV customers

+16K in Q1 2017

78K

Associated Postpaid
SIM cards

1.6 x

Average contracts per
convergent household

Rate of newly
acquired
customers has
increased in
1Q17 versus
2016

Customer satisfaction

Installation



Broadband



TV



Content



All you
need is
Love



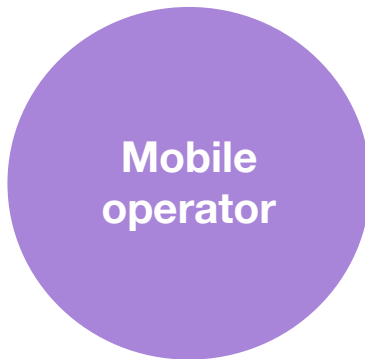
At the end of Q4 2016, the Orange brand was well recognized in Belgium
Increasing awareness will provide opportunities in fixed and mobile



Corporate Brand

3 out of 5

**customers
spontaneously aware
of Orange**



3 out of 5

**customers
spontaneously aware of
mobile offer**



















1 out of 3

**customers
spontaneously aware of
the Orange fixed offer**









Orange reveals the LOVE concept to support its convergent positioning

A smart and flexible way to combine mobile, internet and TV services at the best price





	Love	Love	Love	Love	Love
	57 €	64 €	74 €	78 €	99 €
	Hummingbird + Internet + TV	Dolphin + Internet + TV	Koala + Internet + TV	Eagle + Internet + TV	Eagle Premium + Internet + TV
	 0,1 GB 90 min. unlimited SMS	 1,5 GB 150 min. unlimited SMS	 3 GB 300 min. unlimited calls to Orange Belgium unlimited SMS	 10 GB unlimited calls unlimited SMS	 10 GB unlimited calls unlimited SMS
	unlimited internet 100 Mbps	unlimited internet 100 Mbps	unlimited internet 100 Mbps	unlimited internet 100 Mbps	unlimited internet 100 Mbps
	up to 70 digital TV channels	up to 70 digital TV channels	up to 70 digital TV channels	up to 70 digital TV channels	up to 70 digital TV channels
included benefits	Orange Cloud  16 GB	Orange Cloud  32 GB	Orange Cloud  64 GB 	Orange Cloud  500 GB 	Orange Cloud  500 GB  Roaming and calls Europe Extended*

Examples of Love combinations

With 1 mobile subscription

	Love 64 €	Love 74 €	Love 78 €
	Dolphin + Internet + TV	Koala + Internet + TV	Eagle + Internet + TV
	1,5 GB 150 min. unlimited SMS	3 GB 300 min. unlimited calls to Orange Belgium unlimited SMS	10 GB unlimited calls unlimited SMS
	unlimited internet 100 Mbps	unlimited internet 100 Mbps	unlimited internet 100 Mbps
	up to 70 digital TV channels	up to 70 digital TV channels	up to 70 digital TV channels
included benefits	Orange Cloud  32 GB	Orange Cloud  64 GB 	Orange Cloud  500 GB 

With 2 mobile subscriptions

	Love 79 €
	2 Dolphin + Internet + TV
	1,5 GB 150 min. unlimited SMS + 1,5 GB 150 min. unlimited SMS
	unlimited internet 100 Mbps
	up to 70 digital TV channels
included benefits	unlimited calls between your mobile subscriptions  Orange Cloud

Example of Love combinations with 3 mobile subscriptions

The diagram illustrates the 'Love' bundle, which is a combination of three mobile subscriptions and additional services. On the left, there are icons representing three mobile phones, a laptop, and a desktop monitor. The bundle is presented in a vertical stack of boxes:

- Love** (with three small device icons below the 'o')
- 119 €** (on an orange background bar)
- Hummingbird + Panther + Eagle + Internet + TV**
- Three mobile subscription options:
 - Hummingbird:** 0,1 GB, 90 min., unlimited SMS
 - Panther:** 5 GB, unlimited calls, unlimited SMS
 - Eagle:** 10 GB, unlimited calls, unlimited SMS
- unlimited internet 100 Mbps**
- up to 70 digital TV channels**
- included benefits:**
 - unlimited calls between your mobile subscriptions
 - Orange Cloud
 - iCOYOTE with Panther and Eagle

Orange Belgium's key growth drivers starting to pay off

1

Mobile data
monetization

2

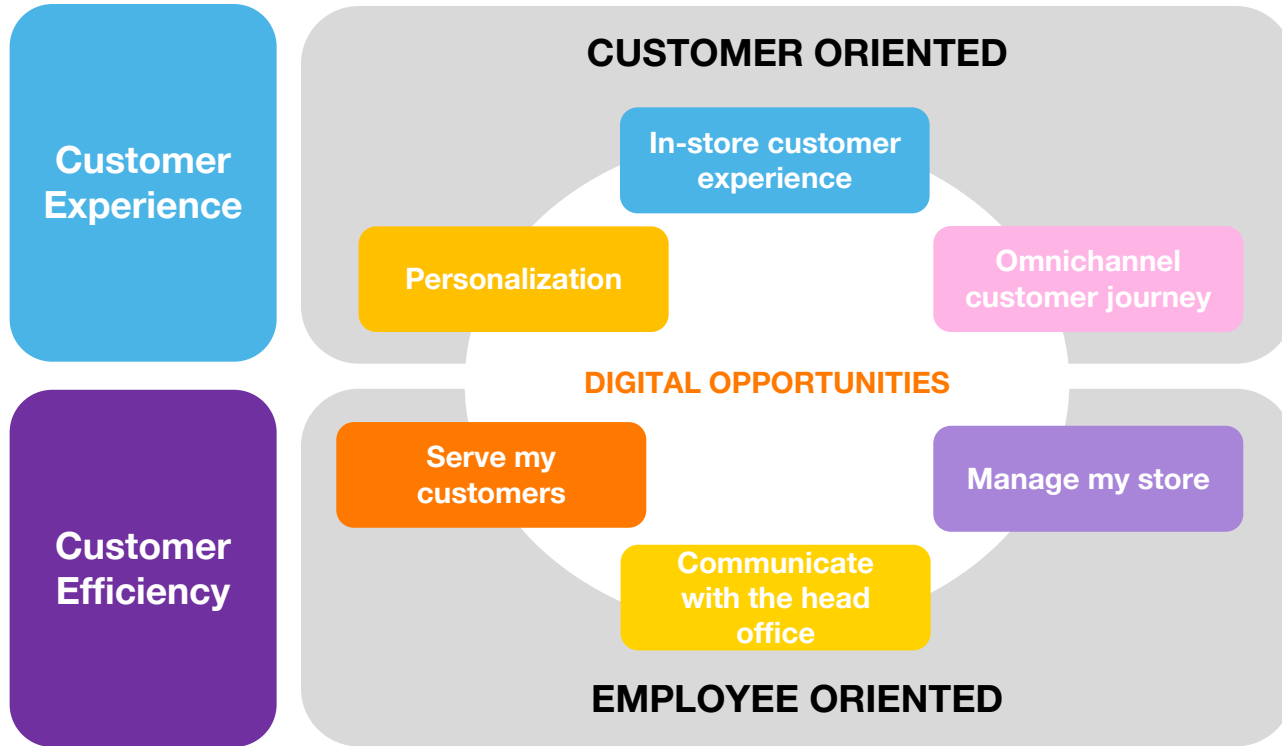
Fixed convergence
opportunity

3

**Customer
experience**

Orange Belgium's digital transformation program

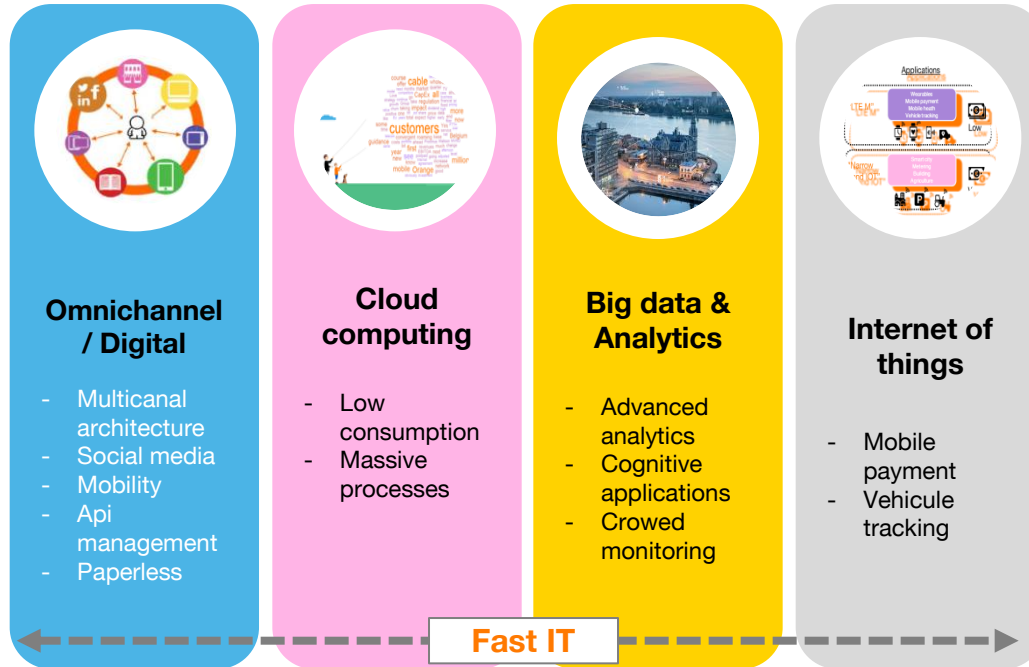
Creating digital opportunities with improved customer experience



Orange Belgium is preparing a real digital metamorphose

Using digital innovation to rethink relation with our customers

Personalized user experience



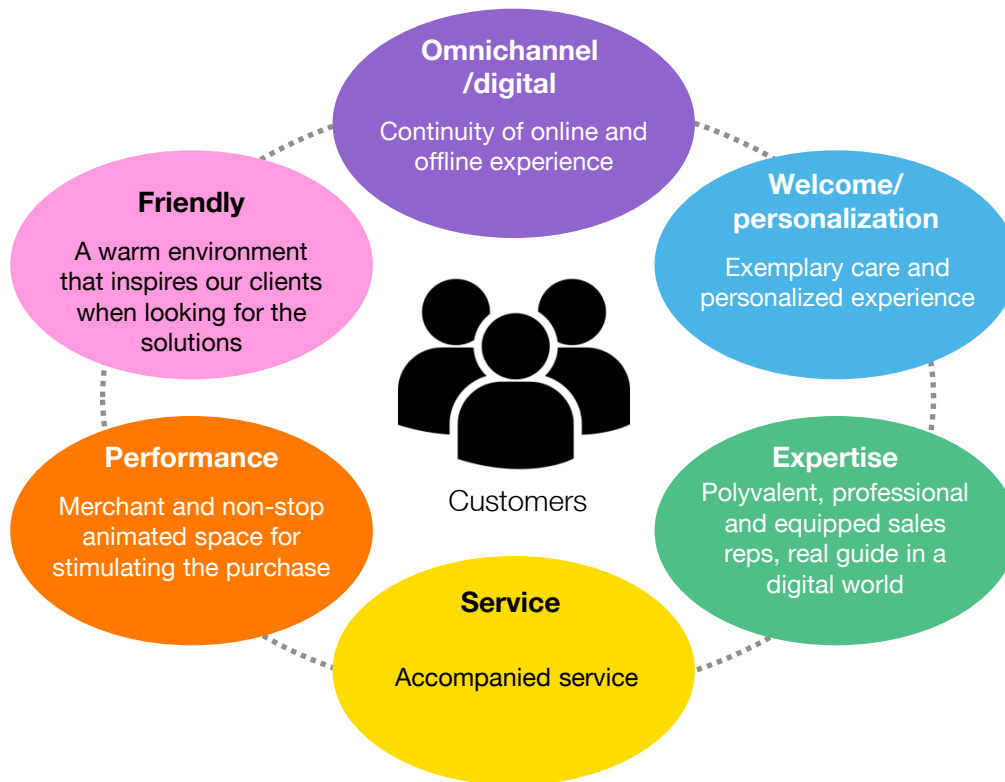
Smart Store program expanded to improve overall customer experience

Central to the company's convergent go-to-market strategy



Concept

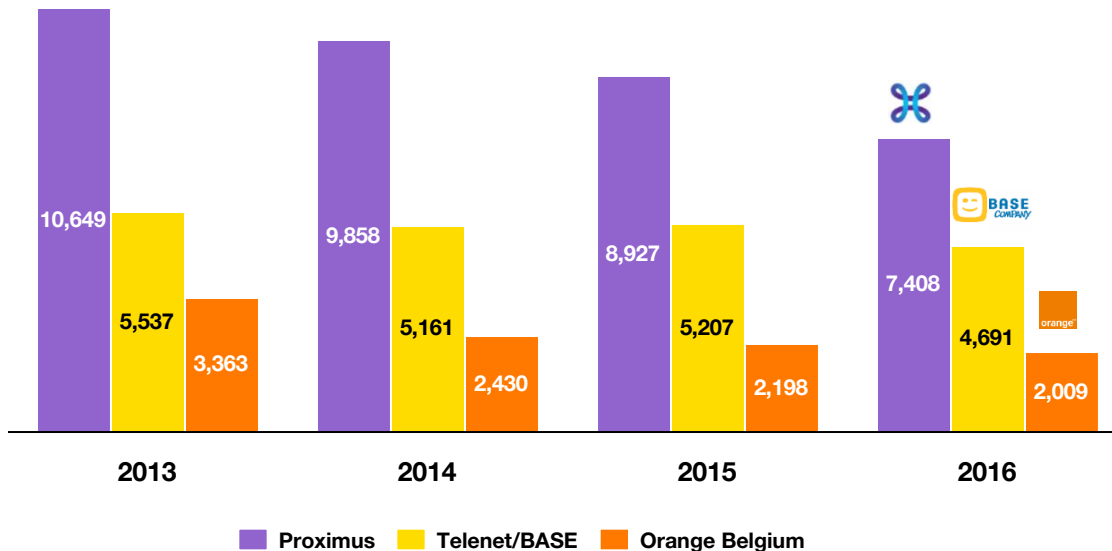
Smart Store is a subtle combination of the warmth of human relations and digital power in a personalized experience



Orange Belgium's focus on customer experience is paying off

-8.6% number of claims in 2016

Number of customer claims per operator



-8.6%
Customers' claims
in 2016 for
Orange Belgium

Section two

Financial results overview



Arnaud Castille
Orange Belgium, CFO

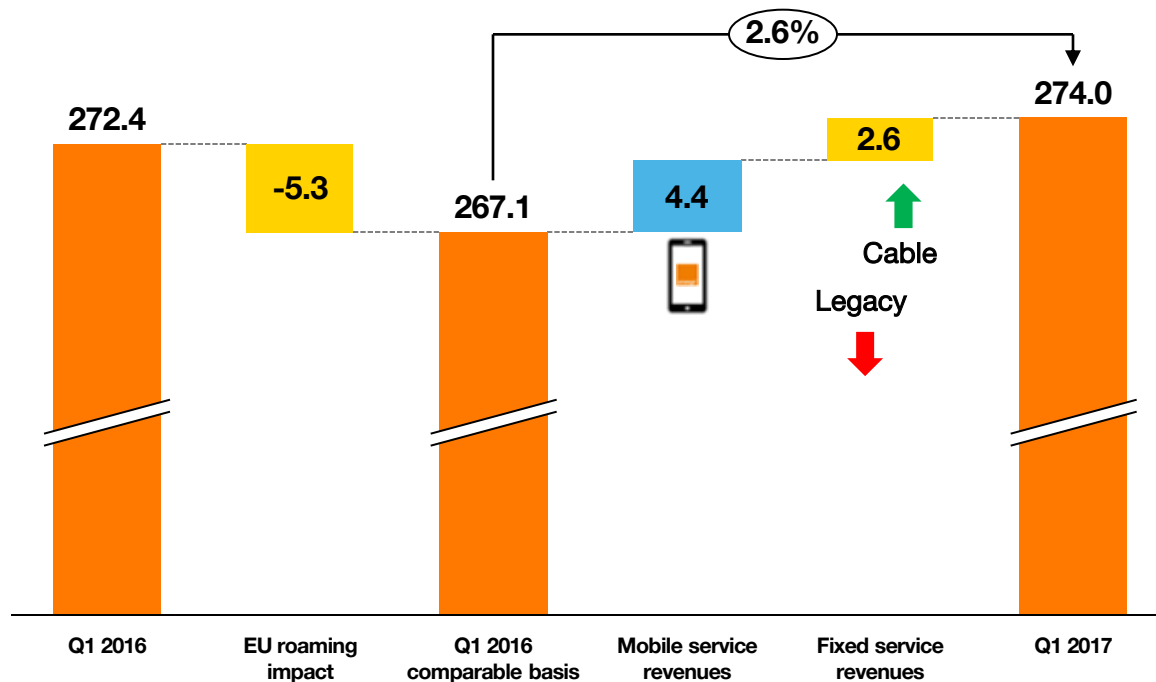
Total service revenues +0.6% (+2.6% excluding EU roaming impact)

Fixed service revenues growth of 13.3% y-o-y

Q1 2017
Service revenues

€274.0m

+0.6% (yoy)
+€1.6m (yoy)



Adjusted EBITDA growth of 3.6% in Q1 2017

Focus on value management

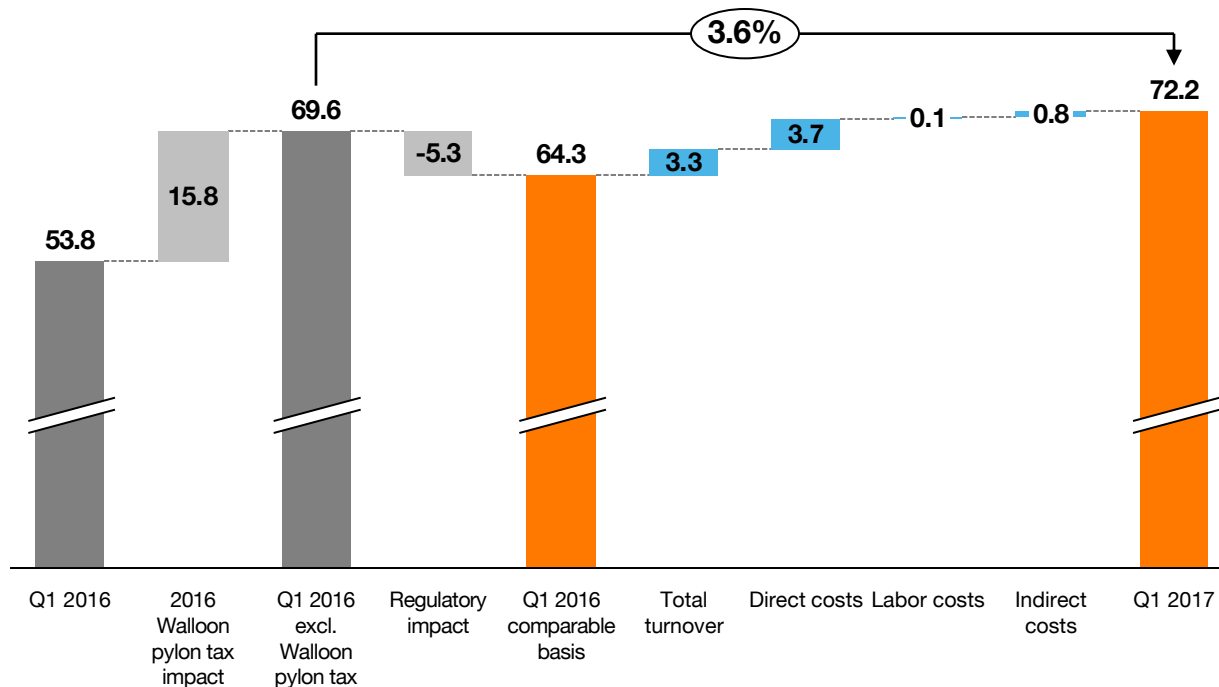
Q1 2017
Adjusted EBITDA

€72.2m

26.3% of Total
service rev.

+3.6% (yoy)

+€2.5m (yoy)



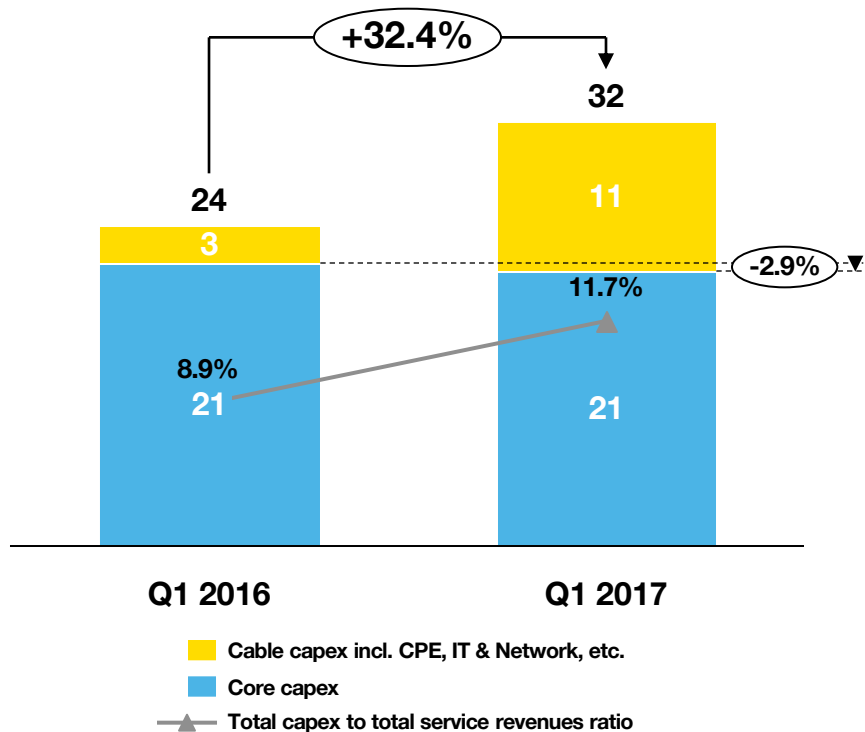
Total capex increased by 32.4 % y-o-y, linked to lift off cable capex

Network investment normalization after accelerated 4G roll-out

Q1 2017
Capex

€32.2m
11.7% of Total
service revenues

- Total capex : +32.4% (yoy)
- Core capex: -2.9% (yoy)



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

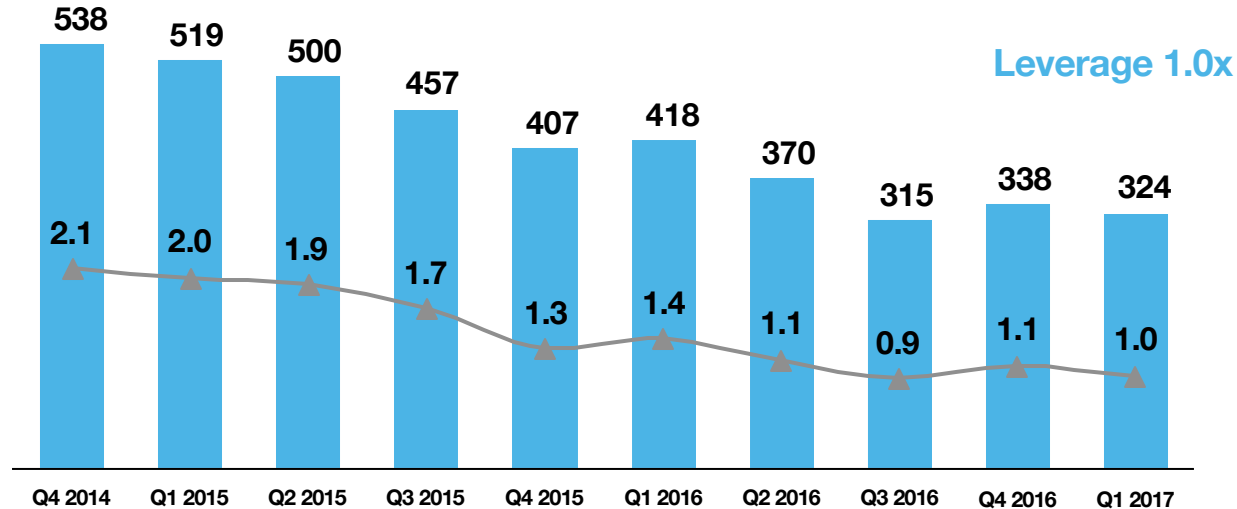
Leverage: 2.1x
(in million euros)

Q1 2017
Net financial debt

€323.7m

-22.6% (yoy)

- €94.4m (yoy)



Orange Belgium key financials

Improving financials with a growing customer base

in €m	Q1 2017	Q1 2016	Var. (%)	Insight
Total service revenues	274.0	272.4	0.6%	<ul style="list-style-type: none"> Service revenues growth in spite of €5.3m roaming impact (+2.6% underlying growth)
Total turnover	307.2	309.3	-0.7%	<ul style="list-style-type: none"> Service revenues growth offset by less mobile equipment revenues
Direct costs	-130.4	-134.1	-2.7%	<ul style="list-style-type: none"> Less direct costs, mainly due to less gross subsidy cost and less SMS traffic
Labor costs	-34.0	-34.1	-0.3%	<ul style="list-style-type: none"> Redeploying resources from legacy to growth
Indirect costs	-70.7	-87.3	-19.0%	<ul style="list-style-type: none"> Indirect costs positively impacted by Walloon pylon tax agreement
Adjusted EBITDA	72.2	53.8	34.0%	<ul style="list-style-type: none"> Positively impacted by Walloon pylon tax agreement
<i>(in % of service revenues)</i>	<i>26.3%</i>	<i>19.8%</i>		
Reported EBITDA	71.9	53.7	33.9%	
<i>(in % of service revenues)</i>	<i>26.2%</i>	<i>19.7%</i>		
CAPEX	32.2	24.3	32.4%	
<i>(in % of service revenues)</i>	<i>11.7%</i>	<i>8.9%</i>		
Operational Cash Flow (EBITDA - CAPEX)	39.8	29.4	35.2%	<ul style="list-style-type: none"> Reflecting EBITDA evolution

Orange Belgium consolidated net income and financial debt

Improving cash flow generation and debt profile

in €m	Q1 2017	Q1 2016	Var. (%)	Insight
Reported EBITDA	71.9	53.7	33.9%	
EBIT	17.1	4.9	251.5%	• Reflecting EBITDA evolution
Financial result	-1.3	-1.8	-32.0%	
Tax	-6.0	-1.6	288.3%	
Net income	9.8	1.5	571.3%	
Earning per share	0.16	0.02		
Net financial debt	323.7	418.1	-22.6%	
Net financial debt/Reported EBITDA	1.0	1.4		

Section three

2017 guidance

2017 financial guidance and outlook reiterated

Investing in future growth while protecting EBITDA margin

in million euros	Q1 2017	2017 guidance
Total service revenues	+0.6%	To grow vs. 2016
Adjusted EBITDA	72.2	290-310
Core capex excl. cable	20.7	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.

The Board of Directors will propose the AGM to reinitiate dividend

Creating additional shareholder value in 2017

- Orange Belgium aims to provide an appropriate cash returns to equity holders while maintaining a balanced and sound financial position, thereby leaving sufficient leeway to continue to invest in its convergent strategy and the build-out of its network.
- The Board of Directors will propose the AGM to distribute an ordinary dividend for the financial year 2016 of 0.50 euro per share.
- If approved, the payment of the ordinary dividend of 0.50 euro will be done on 17 May 2017.



0.50
euro

**Ordinary dividend for the
financial year 2016 of
0.50 euro per share**

Section four

Q&A

Appendix 1

Key financial figures

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

Appendix 2

Orange Belgium's figures

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

Appendix 3

Orange Luxembourg's figures

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

Investor Relations

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