



## First semester 2016 financial information

### Key financial and commercial indicators continue to show progress

### Orange Belgium now established as a national convergent operator under its new brand

### MVNO revenues secured for the next 3 years

Brussels, 20 July 2016 – Today, Orange Belgium Group (Euronext Brussels: OBEL) publishes its results for the second quarter and first half of 2016. This period, and in particular the second quarter of 2016, was a pivotal moment for the company with the successful nationwide launch of the Orange internet + TV offer in Belgium and the rebranding of Mobistar into Orange Belgium. The Orange Belgium Group continued on its growth path with all key financial (mobile service revenues, restated EBITDA and net financial debt) and commercial indicators (postpaid ARPU and postpaid and cable customer base), showing progress in the first half of 2016.

- ✓ On May 10, 2016, Mobistar was successfully rebranded into Orange Belgium, whose mission is to connect everyone to what is essential to them, making everyone's life a unique experience, every day. The rebranding into Orange Belgium, combined with the launch of convergent offers, also reinforces the position of Orange Belgium in the business segment by underpinning the international strength of the Orange-portfolio.
- ✓ Following the unveiling of the Orange internet + TV offering in March 2016, Orange Belgium commercially started offering its product nationwide as of mid-May and became the first operator with access to the cable network at a national scale in Belgium. At the end of June, Orange Belgium already stood at 10.5 thousand households on its Orange internet + TV offering that on average have 2 SIM-cards. Though in this first phase of the commercial launch existing customers remained the primary target, the uptake of new convergent subscriptions is already exceeding initial expectations. Orange Belgium now aims at attracting an increasing number of customers every quarter by communicating more specifically on the benefits of its convergent offers and progressively through a commercialization in all distribution channels.
- ✓ Orange Belgium's retail customer base development continued throughout the second quarter of 2016, reaching 3.8 million customers. This was partly due to the positive evolution of the postpaid customer base, which added 17.8 thousand customers, predominantly 4G smartphone users. In addition to the increasing postpaid customer base, Orange Belgium also increased its postpaid ARPU to 28.8 euros in the second quarter of 2016, from 27.9 euros a year ago, an increase of 3.4 % year-on-year. Both metrics have increased for the fifth quarter in a row.
- ✓ In the first half of 2016, the Orange Belgium Group generated mobile service revenues of 504.5 million euros, a solid increase of 1.9 % compared with the same period last year (i.e. +3.2 % excl. EU roaming regulation): the rapid adoption of 4G data usage and the solid increase of both the postpaid customer base and ARPU contributed substantially to this positive development and fully offset the negative impact of the new Roaming IV Regulation.
- ✓ The restated EBITDA increased by 2.0 % year-on-year to 144.9 million euros in the first half of 2016 as a result of both the positive trend of the top line and sustained focus on cost optimisation. Overall, it has to be noted that the reversal of the 2015 Walloon pylon tax recently ruled unconstitutional contributed to

mitigate for the negative impact of EU roaming, commercial launch of cable, increase in operational taxes and other one-off costs related to the rebranding in the second quarter of 2016.

- ✓ The organic cash flow in the first half of 2016 increased 4.8 % year-on-year, compared to the first half of 2015, with net investments over the period coming down 10.3 % compared to the same period last year. As a consequence, the net financial debt at the end of the first half of 2016 was reduced down to 369.9 million euros, compared to 499.8 million euros a year ago, a decrease of 26.0 % year-on-year. This translates into a net financial debt/EBITDA ratio of 1.1x at the end of June 2016, compared to 1.9x a year ago.
- ✓ The Orange Belgium Group revised its restated EBITDA guidance for the year 2016 to between 285 and 305 million euros from between 270 and 290 million euros, both excluding cable costs. This revised guidance corresponds to the reversal of provision related to the Walloon pylon tax for the year 2015.
- ✓ Orange Belgium and Telenet agreed upon the terms and conditions for the termination of the full MVNO, contract initially signed in 2012, by which Telenet committed to a minimum payment of 150.0 million euros (excluding VAT) over the 3-year period 2016-2018. The actual amount paid by Telenet could however exceed this minimum amount in case of higher network usage. Beyond 2018, an optional 6-month extension period has been granted for a minimum payment of 15.0 million euros (excluding VAT).

Jean Marc Harion, Orange Belgium's Chief Executive Officer, commented: *'The second quarter has been the climax of a highly eventful semester with among other things the rebranding and national launch of our convergent offers. Orange is now established as a convergent operator under its new brand. They are both powerful catalysts to deliver our 2020 ambitions. While giving us more visibility on our MVNO revenues for the next 3 years, the agreement with Telenet also reflects the superiority of our network in terms of coverage, capacity and quality of service. Finally, on a personal note, I would like to pay tribute to the team I had the privilege to lead during my term and who successfully conducted the turnaround of this company.'*

Jan Steyaert, Chairman of the Board of Directors, added: *'On behalf of the whole Board, I would like to thank Jean Marc for the many contributions to the turnaround executed over the last four years.'*

## 1. Key financial and operational highlights

- **Orange brand successfully introduced into the Belgian market**

The second quarter was an intense commercial quarter with the launch of the Orange brand and the nationwide Orange internet + TV offer in Belgium, as well as the communication on the UEFA EURO 2016, the roll-out of the new roaming portfolio, the commercial launch of 4G+ and the introduction of a number of new unique products and services in both the residential and business markets.

- **Orange Belgium's postpaid customer base increased by 18 thousand net additions**

Orange Belgium delivered again a solid customer base growth in the second quarter of 2016. At the end of June 2016, Orange Belgium's retail mobile customer base in Belgium stood at 3,779.7 thousand, an increase of 13.1 thousand compared to the previous quarter. The growth in the second quarter of 2016 was predominantly driven by the postpaid segment (+17.8 thousand) and by the M2M/IoT segment (+19.4 thousand). The prepaid segment continued to decline (-24.1 thousand) in line with the market evolution.

- **Orange Belgium's 4G leadership remains strong with the commercial launch of 4G+**

4G outdoor and indoor coverage stood at 99 % and 90 % of the population in Belgium respectively at the end of June 2016. At the end of the second quarter, Orange Belgium commercially launched 4G+ with a coverage of close to 50 % of the population and the aim to get close to 70 % by the end of 2016.

- **All 4G key performance indicators have advanced relentlessly**

At the end of the quarter, smartphone penetration stood at 63 %, while 4G and 4G+ smartphone penetration reached 39 % and 5 % respectively. In the second quarter of 2016, approximately 90 % of all mobile phones sold were smartphones. In June 2016, total 4G traffic represented 72 % of total traffic. From March to June 2016, the average total data usage/sim/month of Orange Belgium increased from 614 Mb to 679Mb, while the average data usage/sim/month of the smartphone population jumped up from 1.0 GB to 1.1 GB over the same period. In June, with the UEFA EURO 2016 tournament in full swing, users became even more active on their mobile devices, exploring news content and live streaming of the soccer games.

- **Orange Belgium's postpaid ARPU reaches its highest level in more than 2 years**

The demand for mobile services is reflected in the development of the mobile service revenues, especially considering the stable pricing environment. Orange Belgium's postpaid ARPU reached 28.8 euros in the second quarter of 2016, compared to 27.9 euros in the second quarter of 2015, an increase of 3.4 % year-on-year, thereby sustaining its highest level in more than 2 years, despite the adverse impact of roaming regulation.

- **The service revenues of the Orange Belgium Group grow sufficiently to offset roaming regulation**

The total service revenues of the Orange Belgium Group amounted to 267.9 and 540.3 million euros in the second quarter and first half of 2016, compared to 268.9 and 537.1 million euros in the same period last year. The impact of the new Roaming IV regulation amounted to 6.2 million euros for May and June 2016. Excluding this impact, the total service revenues of the Orange Belgium Group would have increased by 2.0 % in the second quarter and by 1.8 % in the first half of 2016.

- **The cash flow generation of the Orange Belgium Group is picking up**

The restated EBITDA of the Orange Belgium Group amounted to 91.1 and 144.9 million euros in the second quarter and first half of 2016, compared to 72.2 and 142.1 million euros last year. Net investments amounted to 37.8 and 62.1 million euros in the second quarter and first half of 2016, compared to 42.5 and 69.3 million euros in the same period last year, confirming a progressive normalization of the capex-to-sales ratio. As the peak in 4G investments has come to an end, the organic cash flow generation is picking up well, reaching 48.1 and 38.8 million euros in the second quarter and first half of 2016, compared to 22.7 and 37.0 million euros last year.

## 2. Key facts

### Leadership in Mobile:

- **Orange Belgium introduces 4G+ technology**  
4G+ is available at no extra cost to all customers of Orange Belgium with a tariff plan including mobile data. Orange Belgium's nationwide 4G+ population coverage achieved close to 50 % and 98 % in Brussels. Orange Belgium intends to reach its target of close to 70 % population coverage by the end of 2016. The 4G+ technology allows download speeds of up to 225Mb/sec and upload speeds of up to 50Mb/sec. Orange Belgium's 4G+ technology is obtained through a combination of frequency channels in the 800MHz and 1800MHz range and allows for the simultaneous use of multiple channels for the exchange between smartphones and the base stations, hence increasing speed for all end-users. Currently 150,000 customers using 4G+ devices are identified on the Belgian network. Since the beginning of the year, 1 out of 5 devices sold by Orange Belgium are 4G+ compatible.
- **Orange Belgium's "Go Europe" removed EU roaming charges for its postpaid customers**  
The European regulation IV on "roaming" became effective on April 30, 2016 and will end on June 14, 2017. During this transitory regulatory period towards 'Roam-like-at-Home', operators should allow their customers to use the traffic units included in their national subscriptions, also in Europe considering a small surcharge on top of the national prices. Orange Belgium adjusted its pricing accordingly and went even further by allowing its residential Animal subscribers to use their existing national bundle to call, surf and text anywhere in Europe without additional charges between June 1 and August 31, 2016. Last year Orange had 1.3 million residential customers roaming during the summer period. 1.2 million travelling customers spent their roaming volume in Europe, with France and Spain, 2 Orange-countries coming, out as most popular travel destinations.
- **Orange Belgium and Cropland developed a crowd monitoring solution**  
Orange Belgium and Cropland signed an agreement with the City of Antwerp to work on 10 events this year, including the Antwerp 10 Miles & Marathon and the Tall Ships Races, where they map out the crowds of people in real time. Orange Belgium provides the anonymous data and Cropland processes the results in a dashboard. Crowd monitoring offers numerous new possibilities for the cities and companies and for the further development of the services it provides.
- **Orange Belgium participates to the establishment of a Belgian mobile identification solution**  
Orange Belgium has decided to collaborate with four banks and the two other mobile network operators in the country on the establishment of a mobile identification system for both private and professional users, called Belgian Mobile Wallet. The 'Belgian Mobile ID' initiative is designed to provide a significant boost to the security and legitimacy of the digital services carried out by mobile users, while at the same time enhancing their ease and convenience. Belgian Mobile ID will be based on an open digital ecosystem that will provide numerous development and application opportunities for the day-to-day lives of people in Belgium.

### Pioneer in Disruptive Convergence:

- **Orange Belgium became the first cable virtual network operator (CVNO) in Belgium with a national footprint**  
On 1 March 2016, Orange Belgium unveiled its new convergent offer, Orange internet + TV. At the start of the second quarter of 2016 about 44 % of Belgian households were eligible. With the rebranding into Orange Belgium on May 10, 2016, the Orange internet + TV offering became available nationwide. This final step made Orange Belgium the first cable virtual network operator in Belgium and the only one with a national footprint. In line with its phased and segmented launch, Orange Belgium gradually scaled up its commercial intensity with respect to the new offer, although priority was given to establishing the new Orange brand, the UEFA EURO 2016 and the new roaming offers.
- **Orange Belgium adds premium content to its TV bouquet and the Orange TV application will follow soon**  
Orange Belgium and Eleven Sports Network reached an agreement to offer the Eleven and Eleven Sports channels in high definition to Orange internet + TV customers. Eleven is a 100 % football channel that broadcasts all the games of the best European football leagues, including the Italian Serie A, French Ligue 1,

the Spanish Liga and the English FA Cup. Eleven Sports is a channel dedicated to international sport which broadcasts the NFL (American football), the NBA (American basket-ball), the ATP 250 (tennis) and the EHF Champions League (handball). In June 2016, Orange Belgium's Internet & TV offer has also been enriched with new channels (Disney XD, Xite, France 5, France O, AB3, RAi1, and TVE in Flanders) and announced the future launch of the Orange TV application allowing the user to control the set-top box from a smartphone or tablet.

### Best Customer Experience:

- **“Orange Thank You” program rewards loyalty**  
The loyalty program “Have a Nice Day” has become “Orange Thank You”. This program regularly rewards both postpaid and prepaid customer loyalty with surprises, movie tickets and exclusive events. At the occasion of the rebranding, 5,000 of Orange Belgium's most loyal customers have been invited to attend a free exclusive Hooverphonic concert. The updated MyOrange app gives direct access to the benefits of the 'Orange Thank You' loyalty program. Customers do not need a login and password anymore to have access to their loyalty gifts on the app, leading to a reduced barrier and a greater business impact.
- **Orange partnered up with the UEFA EURO 2016 and Orange Belgium invited more than 1,000 fans**  
The Orange Group is an official partner of the UEFA EURO 2016. Thanks to this partnership, more than 1,000 loyal customers of Orange Belgium have been offered tickets via the “Orange Thank You” loyalty program as well as to different other contests in all points of sales and online. The lucky winners were offered VIP experiences: free tickets for various matches in France, including transport and accommodation during the entire tournament, up until the final in Paris. In addition, Orange Belgium's exclusive partnership deal with Kevin De Bruyne allowed the organisation of exclusive events for Orange Belgium's customers.
- **The usage of additional services, such as MyOrange, Orange Radio, Orange Cloud and iCoyote is taking off**  
The MyOrange-app is currently the most popular app with an increasing number of customers not only consulting the usage dashboard, but also activating additional options and collecting their “Orange Thank You” gifts. With the rebranding into Orange Belgium, the Orange-radio app was launched. Orange Radio provides worldwide access to thousands of internet radio stations and podcasts. A catalogue of over 15,000 radio stations and 5,000 podcast programs is sorted by continent, country and genre: music, business, sports, news. Customers are really satisfied with this new service and are increasingly using it. The Orange Cloud app was also rebranded and further enhanced. The number of registered users keeps growing, while the number of users actively synchronising their content is reaching record levels. The iCoyote-app which comes with Dolphin and Panther tariff plans is currently the second most popular application, while services such as Orange Circle, Orange Insurance, operator billing for Google Play and Windows Phone Store continue to attract more customers.

### Best Industry Efficiency:

- **Improvement of technology cost structure through better ‘make or buy’ analyses**  
Over the past few years, Orange Belgium has reviewed its delivery model in IT and network by concluding partnerships with a couple of reference actors on the market. These models need to be benchmarked and challenged regularly to improve the quality of service while keeping competitive costs. In this perspective, the ‘make or buy’ analyses performed this semester allowed to highlight some optimizations in the task allocation leading to savings of several million euros for 2016 but also for the following years.
- **Orange Belgium secures wholesale MVNO revenues up to and including 2018**  
Orange Belgium and Telenet concluded the terms and conditions for the termination of the Full MVNO Agreement. Telenet committed to a minimum payment of 150.0 million euros (excluding VAT) over the 3-year period 2016-2018. The actual amount paid by Telenet could exceed this minimum amount in case of higher network usage. Beyond 2018, an optional 6-month extension period has been agreed upon with a minimum payment of 15.0 million euros (excluding VAT) if enacted.

## 3. Comments on the financial situation

### 3.1 Consolidated figures for the Orange Belgium Group

Orange Belgium group's consolidated key figures	H1 2016	H1 2015	Variation	Q2 2016	Q2 2015	Variation
Total number of connected SIM cards (Orange Belgium S.A., Orange Communications Luxembourg S.A. and MVNO's)	5,837.2	5,942.5	-1.8 %	5,837.2	5,942.5	-1.8 %
<b>Consolidated turnover (mio €)</b>	<b>608.7</b>	<b>606.8</b>	<b>0.3 %</b>	<b>299.4</b>	<b>304.4</b>	<b>-1.6 %</b>
Total service revenues (mio €)	540.3	537.1	0.6 %	267.9	268.9	-0.4 %
Mobile equipment sales (mio €)	55.6	62.6	-11.2 %	24.5	30.3	-19.3 %
<b>Restated EBITDA (mio €)</b>	<b>144.9</b>	<b>142.1</b>	<b>2.0 %</b>	<b>91.1</b>	<b>72.2</b>	<b>26.1 %</b>
Restated EBITDA margin in % of total service revenues	26.8 %	26.5 %		34.0 %	26.9 %	
EBITDA (mio €)	145.5	140.4	3.6 %	91.7	71.5	28.2 %
EBITDA margin in % of total service revenues	26.9 %	26.1 %		34.2 %	26.6 %	
<b>Consolidated net profit (mio €)</b>	<b>25.7</b>	<b>25.1</b>	<b>2.3 %</b>	<b>24.2</b>	<b>13.3</b>	<b>82.6 %</b>
Net profit per ordinary share (€)	0.43	0.42	2.3 %	0.40	0.22	82.6 %
Net investment (mio €)	62.1	69.3	-10.3 %	37.8	42.5	-11.1 %
Net investment / Total service revenues	11.5 %	12.9 %		14.1 %	15.8 %	
<b>Operational cash flow (mio €)</b>	<b>83.3</b>	<b>71.1</b>	<b>17.2 %</b>	<b>53.9</b>	<b>29.0</b>	<b>85.8 %</b>
Organic cash flow (mio €)	38.8	37.0	4.8 %	48.1	22.7	112.3 %
<b>Net financial debt (mio €)</b>	<b>369.9</b>	<b>499.8</b>	<b>-26.0 %</b>	<b>369.9</b>	<b>499.8</b>	<b>-26.0 %</b>

### 3.2 Consolidated statement of comprehensive income

#### Revenues

The consolidated turnover of the Orange Belgium Group amounted to 299.4 and 608.7 million euros in the second quarter and the first half of 2016, compared to 304.4 and 606.8 million euros in the second quarter and first half of 2015, a delta of -1.6 % and +0.3 % year-on-year, respectively. While during the first four months of 2016 no regulatory impact was incurred, this changed as from 30 April 2016, when the regulatory transition period of the European roaming regulation IV towards 'Roam-like-at-Home' started. The impact amounted to 6.2 million euros for May and June 2016. Excluding this regulatory impact, the total consolidated turnover would have increased by 0.4 % and 1.3 % in the second quarter and first half of 2016 respectively.

The total service revenues of the Orange Belgium Group amounted to 267.9 and 540.3 million euros in the second quarter and first half of 2016 compared to 268.9 and 537.1 million euros in the second quarter and first half of 2015, an evolution of -0.4 % and +0.6 % year-on-year, respectively. The roaming regulation in particular impacted the year-on-year trend in the second quarter of 2016. Excluding the regulatory impact of 6.2 million euros the total service revenues of the Orange Belgium Group would have increased by 2.0 % year-on-year in the second quarter of 2016, an acceleration versus the 1.6 % year-on-year growth in the first quarter of 2016. The increase was again driven by the prospering growth of the mobile activities, fully compensating for the decline in the legacy fixed revenues.

The consolidated mobile equipment sales of the Orange Belgium Group amounted to 24.5 and 55.6 million euros in the second quarter and first half of 2016, compared to 30.3 and 62.6 million euros last year, a decrease of 19.3 % and 11.2 % year-on-year, respectively. The decline of this low margin revenue stream is largely explained by the declining volume of basic mobile phones sold, in addition to an increasing section of the customer base that is opting for a joint offer.



## Result of operating activities before depreciation and other expenses

The restated EBITDA of the Orange Belgium Group amounted to 91.1 and 144.9 million euros in the second quarter and first half of 2016, compared to 72.2 and 142.1 million euros in the second quarter and first half of 2015, an increase of 26.1 % and 2.0 %, respectively. The restated EBITDA margin amounted to 34.0 % and 26.8 % of service revenues respectively in the second quarter and first half of 2016 compared to 26.9 % and 26.5 % in the same periods a year ago.

The regulatory EU roaming impact on the restated EBITDA amounted to 6.2 million euros both in the second quarter and in the first half of 2016. Excluding the regulatory EU roaming impact, the restated EBITDA in the second quarter of 2016 would have increased by 37.9 % compared to the second quarter of 2015, while the restated EBITDA in the first half of 2016 would have increased 6.6 % year-on-year.

Direct costs decreased by 1.6 % in the first half of 2016 compared to the same period last year. In line with the trend of the previous quarters, this decrease comes in the context of an increase in the overall customer base, demonstrating the efficiency in acquiring and retaining customers. Moreover, the efficiency gains were sufficient to offset the higher content costs related to the launch of the Orange internet + TV offering in the course of the first half of 2016.

Labour costs have increased marginally by 1.4 % year-on-year to 68.2 million euros in the first half of 2016, from 67.3 million euros a year ago. This increase remained limited despite the increase in the average number of employees from 1,655 at the end of June 2015 to 1,689 at the end of June 2016, an increase of 2.1 % year-on-year. This headcount increase is still the repercussion of the management decision to redeploy part of the headcount towards customer facing and growth activities. This includes the insourcing of 85 sales agents for the shop-in-shops in the Carrefour hypermarkets, the addition of 70 employees in Orange Belgium's shops following the acquisition of Walcom and the progressive staffing related to the cable opportunity.

Indirect costs amounted to 137.3 million euros in the first half of 2016 compared to 134.9 million euros in the first half of 2015, an increase of 1.7 % year. Indirect costs were significantly impacted by the reversal of the Walloon pylon tax provision for the year 2015, mitigating the impact of higher Walloon pylon tax provisions in the first half of 2016 compared to the same period last year as well as impact of the one-off costs related to the rebranding and to the national commercial launch of the Orange internet + TV offer.

In 2015 Orange Belgium, together with the other Belgian operators, filed a petition with the Constitutional Court to request for the annulation of the articles of the Walloon Decree on the pylons taxes. The Constitutional Court is a high court that deals primarily with constitutional law. Its main authority is to rule on whether laws that are challenged are in fact unconstitutional, i.e. whether they conflict with constitutionally established rights and freedoms. In May 2016 the Constitutional Court judged that the regional decree concerning the pylon taxes for the year 2015 is unconstitutional and hence should be annulled without retaining its existing effects, making it impossible for the Walloon fiscal administration to enrol the Walloon taxes for 2015. Based on this analysis the Orange Belgium Group decided to reverse the provision of 15.8 million euros it had booked in 2015 for the pylon taxes for the year 2015. The provision for the pylon tax for the year 2014 currently remains unchanged pending the outcome of the legal procedure, while the provision for year 2016 remains unchanged and anticipates a possible new regional decree on pylon taxes for the year 2016.

The total operational expenses amounted to 463.8 million euros in the first half of 2016 compared to 464.7 million euros in the first half of 2015. This result was achieved despite the 5.9 million euros of operational expenses related to the new Orange internet + TV offering of Orange Belgium incurred in the first half of 2016, compared to 2.2 million euros incurred in the first half of 2015.

EBITDA restatements (in million €)	H1 2016	H1 2015	Variation	Q2 2016	Q2 2015	Variation
Restated EBITDA	144.9	142.1	2.0 %	91.1	72.2	26.1 %
Restatements	+0.5	-1.7	Na	+0.6	-0.7	Na
- o/w other restructuring costs	+0.5	-1.7	Na	+0.6	-0.7	Na
- o/w other operating income	0.0	0.0	Na	0.0	0.0	Na
EBITDA	145.5	140.4	3.6 %	91.7	71.5	28.2 %

The EBITDA of the Orange Belgium Group amounted in the second quarter and first half of 2016 to 91.7 and 145.5 million euros compared to 71.5 and 140.4 million euros a year ago, an increase of 28.2 % and 3.6 % year-on-year. The EBITDA margin in the second quarter of 2016 stood at 34.2 % of service revenues, compared to 26.6 % a year ago, or 26.9 % in the first half of 2016, compared to 26.1 % in the first half of 2015.

#### Depreciation and other expenses

The depreciation and other expenses of the Orange Belgium Group declined by 2.4 % and 1.4 % to 49.2 and 98.0 million euros respectively in the second quarter and first half of 2016, compared to 50.4 and 99.4 million euros for the same period in 2015.

#### EBIT

The consolidated EBIT of the Orange Belgium Group amounted to 42.6 and 47.4 million euros in the second quarter and first half of 2016, compared to 21.2 and 40.9 million euros recorded in the second quarter and first half of 2015. This increase is due to the effects described earlier in the restated EBITDA section, as well as the small decrease in depreciation and other expenses compared with the prior year. The EBIT margin in the second quarter and first half of 2016 stood at 15.9 % and 8.8 % of service revenues, resulting in a solid increase when compared to the same period a year ago.

#### Financial result

The development of the financial result of the Orange Belgium Group was mainly influenced by the continued decrease of the outstanding debt. Hence, the financial result in the first half of 2016 amounted to 3.3 million euros, compared to 3.6 million euros in the first half of 2015, a steady decrease of 7.8 % year-on-year.

#### Taxes

The tax expense of the Orange Belgium Group increased year-on-year by 6.2 million euros, resulting in an amount of 18.4 million euros in the first half of 2016, compared to 12.2 million euros in the first half of 2015. This implies an effective tax rate of 41.7 % in the first half of 2016, up from 32.8 % in the first half of 2015. The increase in tax expenses is partly due to the higher profit before income taxes, but also due to an increase of non-tax deductible expenses.

#### Net profit

The consolidated net profit of the Orange Belgium Group amounted to 24.2 and 25.7 million euros in the second quarter and first half of 2016, compared to 13.3 and 25.1 million euros in the second quarter and first half of 2015, an increase of 82.6 and 2.3 % year-on-year. The net profit per share stood at 0.40 and 0.43 euro in the second quarter and the first half of 2016, compared to 0.22 and 0.42 euro in the second quarter and first half of 2015, an increase of 82.6 % and 2.3 % year-on-year.

### 3.3 Consolidated statement of financial position

The consolidated statement of financial position amounted to 1,483.8 million euros as of 30 June 2016, compared to 1,517.4 million euros at the end of December 2015.

The carrying amount of the non-current assets stood at 1,254.6 million euros at the end of June 2016, compared to 1,280.5 million euros at the end of 2015. As the 4G investment cycle is slowing down, the carrying amount is levelling off as a result of the depreciation charges of 98.0 million euros, which have not



come down yet. Current assets decreased from 236.9 million euros at the end of 2015 to 229.3 million euros at the end of June 2016, mainly as a result of lower inventories and account receivables.

The total equity of the Orange Belgium Group increased by 23.7 million euros to 480.8 million euros at the end of the first half of 2016, compared to 457.1 million euros at the end of 2015. Non-current liabilities decreased from 484.1 million euros at the end of 2015 to 456.8 million euros at the end of the first half of 2016. The current liabilities also decreased from 576.2 million euros at the end of 2015 to 544.2 million euros at the end of the first half of 2016.

The net financial debt at the end of the first half of 2016 was 369.9 million euros, compared to 499.8 million euros a year ago, a decrease of 26.0 % year-on-year. This translates into a net financial debt/EBITDA ratio of 1.1x at the end of June 2016, compared to 1.9x at the end of June 2015.

### 3.4 Consolidated cash flow statement

The operational cash flow of the Orange Belgium Group maintained well in the first half of 2016 and amounted to 83.3 million euros, compared to 71.1 million euros in the first half of 2015, an increase of 17.2 %. The organic cash flow amounted to 38.8 million euros in the first half of 2016, compared to the organic cash flow generated in the first half of 2015 of 37.0 million euros, an increase of 1.8 million euros. The increase in organic cash flow in the first half of 2016 compared to the same period last year was mainly attributable to:

- A small increase of 0.6 million euros in consolidated net income (+) despite the higher indirect costs related to the rebranding and launch of the cable ,
- A decrease in the adjusted result of operating activities of 12.9 million euros (-) mainly linked to the reversal of provision related to the Walloon pylon tax for the year 2015 and the higher income tax registered in the first half of 2016,
- A decrease of 37.6 million euros in working capital needs (+). This mainly relates to a decrease in inventories and trade receivables,
- An increase of 13.0 million euros in other net cash out (-),
- An increase in purchases of property, plant and equipment and intangible assets of 10.8 million euros (-).

In the first half of 2016, the Orange Belgium Group invested 62.1 million euros, i.e. 11.5 % of total service revenues, compared to 69.3 million euros a year earlier. In the second quarter of 2016 the investments stood at 37.8 million euros, 14.1 % of total service revenues, a decrease of 11.1 % year-on-year.

The mobile network of Orange Belgium Group was further improved in the course of the first half of 2016 by building additional mobile sites, by increasing capacity to support the mobile data growth and by further rolling-out 4G and more recently 4G+ technology. This allows the Orange Belgium Group to provide customers with wide coverage, both indoors and outdoors, a reliable connection, high speed data transmission, and ample data capacity. In addition to its mobile network, the Orange Belgium Group invested in its shop real estate by renewing them and making them fully digital. The rebranding of Mobistar in Orange Belgium was performed at a record speed with all shops being rebranded in less than one month's time. Customers are looking for more than just an additional store selling telecom products: they want an experience that expresses the value of the brand and the chance to engage with experts who can help them get the most out of their mobile devices.

## 3.5 Activities of the Orange Belgium Group by segment

In greater detail, the breakdown of Orange Belgium Group's activities are the following:

### 3.5.1. Activities in Belgium

Key financial figures of Orange Belgium S.A.	H1 2016	H1 2015	Variation	Q2 2016	Q2 2015	Variation
Total service revenues (mio €)	517.4	514.0	+0.7 %	256.2	257.0	-0.3 %
of which mobile services	483.6	473.8	+2.1 %	239.5	237.0	+1.1 %
of which fixed services	33.8	40.2	-15.8 %	16.7	20.1	-16.7 %
Total turnover (mio €)	584.2	582.5	+0.3 %	286.0	292.1	-2.1 %

Key operating figures of Orange Belgium S.A.	Q2 2016	Q2 2015	Variation
ARPU (€/month/active customer)	24.2	23.6	2.3 %
Mobile retail customers (excl. MVNO)	3,779.7	3,818.4	-1.0 %
Mobile customers (excl. M2M)	3,023.4	3,032.8	-0.3 %
Of which postpaid	2,234.8	2,172.6	2.9 %
Of which prepaid	788.6	860.1	-8.3 %
M2M SIM cards	756.4	785.7	-3.7 %
Total number of MVNO customers (mobile telephony, incl. full MVNO)	1,907.3	1,990.4	-4.2 %
Fixed broadband internet and TV customers	28.0	28.3	-0.8 %
Of which cable	10.5	0.6	Na
Fixed telephone lines	164.7	198.1	-16.9 %

### Mobile activities

#### Market Review

The Belgian mobile market is still underpinned by improving fundamentals in the first half of 2016. The market shows a strong demand for mobile data services, while voice and SMS services remain pretty robust. Similar to other countries, Belgium is witnessing an acceleration towards digitization, translating into a stronger adoption of mobile applications by consumers, businesses, and governments. The Belgian mobile market in the first half of 2016 was very much in transition with Mobistar being rebranded into Orange Belgium and Telenet buying BASE Company. Considering the pricing environment, it remains true that the Belgian mobile prices remain relatively cheap compared to most of the neighbouring countries, even though they have been stable for several quarters.

The Law and Decree regarding the mandatory identification of prepaid users are being finalised. A final text is expected after summer, to be followed by the formal approval process. In the meantime the market of prepaid cards continues to wane down.

#### Operational Review

The second quarter was an intense quarter for Orange Belgium's residential customers in terms of commercial messages, as not only was there the launch of the Orange brand and the nationwide availability of the Orange internet + TV offer in Belgium, but also the communication on the UEFA EURO 2016, the roll-out of the new roaming portfolio, the commercial launch of 4G+ and the introduction of a number of new unique products and services in the residential market.

The rebranding marks a new era for Orange Belgium's B2B business. With about 20 years of experience in the Belgian business market, Orange Belgium was already well positioned to provide both mobile and fixed services tailored to SMEs, governments, large companies and multinationals. In the last 12 to 18 months Orange Belgium has built a comprehensive offering that is made up of modular and easily integrated telecommunication services and new digital business solutions. The rebranding into Orange Belgium allows to leverage a strong international group with 263 million customers in 29 countries. As a result, customers benefit from the purchasing power and the innovative capacity of a global player in telecommunications.

As a result of the intense commercial agenda and the reinforced position following the rebranding, Orange Belgium delivered a solid customer momentum in the second quarter of 2016. At the end of June 2016, Orange Belgium's retail mobile customer (excl. MVNO) base came out at 3,779.7 thousand, an increase of 13.1 thousand versus the previous quarter.

The growth in the second quarter of 2016 was predominantly driven by the postpaid segment, +17.8 thousands customers compared to the previous quarter. This upbeat result was realized thanks to a steady evolution in terms of gross adds, while benefitting from a sustained decline in churn. This was the fifth consecutive quarter during which Orange Belgium reported positive postpaid net customer additions.

In the residential segment an increasing part of the postpaid customer base is opting for an offer with data included in the bundle, i.e. either a Dolphin or Panther tariff plan. Obviously, this goes hand in hand with the uptake of smartphones, in particular across the postpaid customer base.

The prepaid customer base stood at 788.6 thousand at the end the first half of 2016, a decline of 24.1 thousand versus the previous quarter. Several reasons can be identified for the decline of the prepaid market: 1/ the reduction in the postpaid contract duration from 24 to 1 month provides more flexibility to postpaid offers; 2/ the cost differential of entry prepaid and postpaid tariff plans has converged, while a couple of years ago, prepaid offers were more considered as entry offers; and 3/ contrary to the postpaid segment, the uptake of smartphones, in particular 4G smartphones, in the prepaid segment is slower. Joint offers are only available with postpaid offers and therefore the device upgrade cycle takes more time in the prepaid segment. The recent approval by the Belgian government of the law requiring registration of personal details for all prepaid mobile cards, will only reinforce the downtrend of the prepaid segment.

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. Orange Belgium now also enables digital top-ups to allow prepaid customers to reload their account. Orange Belgium offers several methods to its customers: eTickets, web, scratch cards, etc. In order to offer more flexibility, Orange Belgium has recently launched a new version of the smartphone app 'MyOrange', allowing prepaid customers to easily reload their prepaid card. Customers have to install the app of their bank, or the Bancontact app, in addition to the MyOrange app in order to reload their prepaid card. As such it provides the customer with full control over their budget but with the autonomy of a postpaid card anywhere you are.

The adoption of M2M/IoT continues. Orange Belgium has always been at the forefront of M2M/IoT in Belgium. Even if M2M/IoT is a B2B market in the sense that products and services are sold to enterprise customers, the underlying demand is in fact to a large extent driven by consumer markets. Orange Belgium has developed a deep understanding of the end-to-end process of this segment throughout the years and as such, is best positioned to seize the growth potential in this market. This is demonstrated by the increasing number of deals signed and the increasing number of connected SIM cards. At the end of the first half of 2016 756.4 thousand active SIM cards were hosted on the network, a solid increase of 19.4 thousand compared to the previous quarter.

The wholesale MVNO customer base came in at 1,907.3 thousand customers at the end of June 2016. Including the MVNO customer base, Orange Belgium's total network customer base stood at 5,687.0 thousand at the end of the first half of 2016.

#### Financial Review

Orange Belgium's pricing strategy is progressing well. The past investments in Orange Belgium's network and customer service, and the overall value of its offerings (segmented portfolio, Facebook & Twitter Unlimited, iCoyote, Orange-apps, Orange Thank You), in addition to Orange Belgium's rich device portfolio, encourage customers to switch to 4G smartphones, and more recently to 4G+ smartphones. This translates into customers buying more mobile data, initially through buying top-ups of 200MB, 500MB or 1GB, as evidenced by the nearly 50 % year-on-year increase in top-ups in the first half of 2016. Once customers top-up for a couple of months in a row, Orange Belgium's Personal Check-Up service offers more suitable plans.

Orange Belgium's blended ARPU amounted to 24.2 euros in the second quarter of 2016 compared to 23.6 euros a year ago and 24.0 euros in the previous quarter, an increase of 2.3 % and 0.7 % respectively. The postpaid/ prepaid customer mix further improved to 74/26 % at the end of the first half of 2016 compared to 72/28 % a year ago.

Considering the adverse effect of the roaming regulation, the postpaid ARPU developed particularly well in the second quarter of 2016. One of the main drivers behind the positive development of the postpaid ARPU relates closely to the monetisation of mobile data as customer demand continues to surge. The postpaid ARPU in the second quarter of 2016, increased to 28.8 euros from 27.9 euros in the second quarter of 2015 or 28.7 euros in the previous quarter. The postpaid ARPU was handicapped in the second quarter of 2016 by a lower revenue contribution from Orange Belgium customers calling and texting abroad as roaming prices have come down, while the increase in data and visitor roaming revenues did not compensate for the loss.

The prepaid ARPU continued its declining trend in the second quarter of 2016, although the amplitude of the year-on-year decline is levelling off. It declined to 11.9 euros from 13.3 euros a year ago and from 12.0 euros in the first quarter of 2016, representing a decline of 10.4 % and 0.7 % respectively. This trend results from the combination of promotional activity and the migration of high ARPU prepaid customers into postpaid customers. By adopting a new direct top-up approach, the prepaid ARPU should start to benefit from an increasing top-up frequency and improving customer experience with anytime, anywhere top-up availability via smartphone or web.

Driven by the increasing postpaid customer base and ARPU, the mobile service revenues of Orange Belgium amounted to 239.5 and 483.6 million euros in the second quarter and first half of 2016, compared to 237.0 and 473.8 million euros in the second quarter and first half of 2015, an increase of 1.1 and 2.1 % year-on-year. Excluding the regulatory roaming impact of 5.3 million euros, the mobile service revenues of Orange Belgium would have increased 3.4 % and 3.2 % in the second quarter and first half of 2016. The wholesale MVNO revenues, which form part of the mobile service revenues, amounted to 13.5 and 34.9 million euros in the second quarter and first half of 2016 compared to 16.9 and 37.8 million euros in the second quarter and first half of 2015.

## Fixed and convergent activities

### Market Review

The Belgian telecom regulator IBPT and the media-regulators (CSA, Medienrat, VRM) have restarted the review of the broadband and TV-distribution markets, in line with the work-plan communicated earlier in the year. This analysis is aimed at reassessing the competitive situation of the broadband markets on the one hand and of the TV distribution market on the other hand. The market analysis is done according to the applicable EU framework and aims at assessing the most appropriate form of *ex ante* regulation that should be imposed in the markets under consideration. The previous market analysis for these markets dates back to 2011 and was the basis for the current wholesale cable regulation. In this respect, the current review should first lead to a reconfirmation of the dominant position of the cable operators and should in second instance lead towards a cost-plus based cable wholesale regulation.

The Belgian telecom regulator IBPT continued with the development of the specifications for a margin squeeze test (also called a "price squeezes" test). It should allow to assess whether a margin squeeze was incurred by alternative operators for retail services provided to both residential, small and large business users. 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 IBPT has notified its draft decision on the market for fixed voice call termination on individual networks to the European Commission. The decision provides for a substantial decrease of certain fixed voice termination rates. Entry into force of the decision is expected before the end of the year.

The Council of Ministers approved the "Easy Switch" Royal Decree. This decree aims at making it easier for consumers to fixed line service provider, especially when making use of bundled services. The decree aims

at ensuring service continuity when changing provider and builds on a recipient driven process. The final publication of the decree, that will be effective in 2017, is expected after summer.

#### Operational Review

Following the unveiling of its Orange internet + TV offering in March 2016, Orange Belgium started commercially offering its convergent offer nationwide as of mid-May towards its residential and SoHo customers. As such Orange Belgium became the first virtual cable network operator. Orange Belgium made steady progress with its Orange internet + TV offering in both operation scale and value creation through continued improvement in the six fronts of products, tariff setting, brand recognition, marketing and sales, distribution channels and service. Throughout the second quarter Orange Belgium implemented several action plans across the distribution network, at its customer care centres and on digital channels to meet all customers' needs through a single point of service with offers that bolster Orange Belgium positioning as a convergent operator.

At the end of June, Orange Belgium already stood at 10.5 thousand households on its Orange internet + TV offering that on average have close to 2 SIM-cards. Though in this first phase of the commercial launch existing customers remained the primary target, the uptake of new convergent subscriptions is already exceeding initial expectations. Orange Belgium now aims at attracting an increasing number of customers every quarter by communicating more specifically on the benefits of its convergent offers and progressively through a commercialization in all distribution channels.

In the enterprise segment Orange Belgium also operates one of the most powerful and best performing fixed networks in Belgium with speeds up to 10 GBps and built-in redundancy. It provides a wide range of access possibilities such as VDSL, Ethernet, fibre optics and even 4G and accommodates easy access in Antwerp, Brussels, Ghent and other large cities or within economic zones, such as Brussels' European quarter, Brussels South Charleroi Airport, Haasrode Business Park in Leuven, or the Hauts-Sarts industrial zone in Liège. Thanks to the collaboration with Orange Business Services, Orange Belgium can offer its customers secure and reliable services in more than 180 countries and more than 900 cities.

#### Financial Review

Orange Belgium's fixed service revenues in the second quarter and first half of 2016 amounted to 16.7 and 33.8 million euros respectively, compared to 20.1 and 40.2 million euros for the respective periods last year. The year-on-year decline in fixed service revenues comes amid lower sales of legacy DSL- and wholesale carrier activities, which are not yet compensated by the anticipated growth of the new Orange internet + TV offering.

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

Key financial figures of Orange Communications Luxembourg S.A.	H1 2016	H1 2015	Variation	Q2 2016	Q2 2015	Variation
Total service revenues (mio €)	24.1	24.1	-0.1 %	12.2	12.4	-1.4 %
of which mobile services	22.1	22.4	-1.5 %	11.2	11.6	-3.3 %
of which fixed services	2.0	1.7	17.8 %	1.1	0.9	23.1 %
Total turnover (mio €)	30.6	30.6	-0.1 %	14.6	15.9	-7.9 %

Key operating figures of Orange Communications Luxembourg S.A.	Q2 2016	Q2 2015	Variation
ARPU (€/month/active customer)	36.4	38.3	-5.0 %
Mobile retail customers (excl. MVNO)	148.1	131.6	12.5 %
Mobile customers (excl. M2M)	102.7	97.7	5.2 %
Of which postpaid	95.2	85.7	11.1 %
Of which prepaid	7.5	12.0	-37.0 %
M2M SIM cards	45.4	34.0	33.6 %
Total number of MVNO customers (mobile telephony, incl. full MVNO)	2.1	2.0	0.9 %

#### Market Review

The market in Luxembourg remained very much focused on convergence with all operators providing aggressive promotions on TV services.

#### Operational Review

Orange Luxembourg's efforts to provide a high quality 4G/4G+ network, an attractive Internet and TV offer on cable or via internet, and its overall focus on customer experience have been recognized by its customers. The 4G and 4G+ coverage stood at respectively 99 % and 68 %. At the end of the first half of 2016, Orange Luxembourg had 148.1 thousand SIM cards connected to its network, compared to 142.4 thousand at the end of the first quarter of 2016. Orange Luxembourg's postpaid customer base increased by 1.1 thousand in the second quarter of 2016 to 95.2 thousand customers. The growth of the postpaid customer base is driven by a solid increase in gross adds, partly resulting from the new convergent positioning of Orange Luxembourg, partly driven by the relevant offer portfolio, which is well aligned with customer needs: 1/ Early Upgrade which enables customer to renew their device before the end of their commitment period; 2/ Airbox V2, a product enhancing the customer experience of mobile internet offers and 3/ Orange sponsors you program in the context of the UEFA EURO 2016. In line with the first quarter of 2016, the prepaid customer base continued to migrate to postpaid offers. Moreover, in the context of terrorism prevention, anonymous prepaid cards have been phased-out since early December 2015.

#### Financial Review

Orange Luxembourg's total turnover in the second quarter and first half of 2016 amounted to 14.6 and 30.6 million euros compared to 15.9 and 30.6 million euros the same periods last year, a decrease of 7.9 % and 0.1%. Excluding the regulatory roaming impact from May 2016 onwards, the total turnover would have limited its decline in the second quarter of 2016 to 2.4 % year-on-year, while the total turnover would have increased by 2.9 % in the first half of 2016. The total service revenues stood at 12.2 and 24.1 million euros in the second quarter and first half of 2016, compared to 12.4 and 24.1 million euros a year earlier, a decline of 1.4 % and 0.1 %. Excluding the regulatory roaming impact of 0.9 million euros the total service revenues would have increased by 6.2 % and 3.7 % year-on-year in the second quarter and first half of 2016, as a result of the growing postpaid and M2M/IoT customer base. Orange Luxembourg registered a very strong increase in fixed service revenues although the contribution of the fixed activities was still relatively small.

## 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. Significant events after the end of the first half of 2016

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

## 6. Trends

The Orange Belgium Group revised its restated EBITDA guidance for the year 2016 to between 285 and 305 million euros from between 270 and 290 million euros previously, both excluding cable costs. This revision corresponds to the 15.8 million euros reversal of provision related to the Walloon pylon tax for the year 2015.

The Orange Belgium Group still estimates that the new roaming framework will have a maximum gross adverse impact of 28.5 million euros on both the Group's 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. However, this roaming elasticity will only appear in the fourth quarter due to the 'Go Europe' promotion, which allows residential subscribers to use their existing bundle to call, surf and text anywhere in Europe at no additional cost, between June 1 and August 31, 2016.

## 7. Financial calendar

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

## 8. Conference call & webcast details

Date:	20 July 2016
Time:	2:00 pm (CET), 1:00 pm (UK), 8:00 am (US/NY)
Conference call:	<a href="https://corporate.orange.be/en/financial-information">https://corporate.orange.be/en/financial-information</a>

Please plan on accessing the conference call and webcast ten minutes prior to the scheduled start time.

## 9. Shares

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

	H1 2016	H1 2015	Q2 2016	Q2 2015
<b>Trading of shares</b>				
Average closing share price (€)	19.93	18.25	20.32	16.87
Average daily volume	82,158	166,634	63,557	180,437
Average daily value (€)	1,622,154	3,002,881	1,291,431	3,021,709
<b>Shares and market values</b>				
Total number of shares	60,014,414	60,014,414	60,014,414	60,014,414
Treasury shares	3,400	0	3,400	0
Outstanding shares	60,014,414	60,014,414	60,014,414	60,014,414
Closing price (€)	20.75	16.98	20.75	16.98
Market capitalization (€)	1,244,999,018	1,019,044,750	1,244,999,018	1,019,044,750

## 10. Quarterly results

		Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
<b>ORANGE BELGIUM GROUP</b>							
<b>Mobile services</b>							
Mobile retail customers (excl. MVNO)	in thousand	3,927.8	3 909.1	4 032.9	3 973.5	3 950.1	3 890.7
Mobile customers (excl. M2M)	in thousand	3,126.1	3 131.8	3 139.1	3 129.1	3 130.4	3 118.4
Postpaid	in thousand	2,330.0	2 311.1	2 300.1	2 268.0	2 258.3	2 246.3
Prepaid	in thousand	796.1	820.7	839.0	861.2	872.1	872.1
M2M SIM cards	in thousand	801.8	777.3	893.8	844.4	819.6	772.3
MVNO customers	in thousand	1,909.3	1 818.7	1 786.7	1 698.7	1 992.4	1 711.9
<b>Fixed services</b>							
Fixed broadband internet and TV customers	in thousand	36.7	33.9	32.1	31.8	34.6	35.9
Fixed telephone lines	in thousand	165.6	171.0	195.1	196.0	199.4	205.3
<b>ORANGE BELGIUM</b>							
<b>Mobile services</b>							
Mobile retail customers (excl. MVNO)	in thousand	3,779.7	3 766.6	3 893.0	3 839.0	3 818.4	3 762.3
Mobile customers (excl. M2M)	in thousand	3,023.4	3 029.7	3 037.8	3 030.7	3 032.8	3 022.5
Postpaid	in thousand	2,234.8	2 217.0	2 208.5	2 180.9	2 172.6	2 163.3
Prepaid	in thousand	788.6	812.7	829.2	849.8	860.1	859.2
Mobile blended ARPU, annual rolling (incl. visitor roaming)	in EUR/month	24.2	24.0	23.9	23.9	23.6	23.7
Postpaid ARPU, annual rolling (incl. visitor roaming)	in EUR/month	28.8	28.7	28.5	28.3	27.9	27.8
Prepaid ARPU, annual rolling (incl. visitor roaming)	in EUR/month	11.9	12.0	12.2	12.7	13.3	13.8
M2M SIM cards	in thousand	756.4	737.0	855.3	808.3	785.7	739.8
MVNO customers	in thousand	1,907.3	1 816.6	1 784.6	1 696.6	1 990.4	1 710.0
<b>Fixed services</b>							
Fixed broadband internet and TV customers	in thousand	28.0	25.9	24.8	25.3	28.3	29.9
Of which cable	in thousand	10.5	5.3	2.3	0.8	0.6	0.3
Fixed telephone lines	in thousand	164.7	169.9	193.9	195.5	198.1	203.6
<b>ORANGE LUXEMBOURG</b>							
<b>Mobile services</b>							
Mobile retail customers (excl. MVNO)	in thousand	148.1	142.4	139.9	134.5	131.6	128.4
Mobile customers (excl. M2M)	in thousand	102.7	102.1	101.4	98.4	97.7	95.9
Postpaid	in thousand	95.2	94.1	91.6	87.0	85.7	83.0
Prepaid	in thousand	7.5	8.0	9.7	11.4	12.0	12.9
Mobile blended ARPU, annual rolling (incl. visitor roaming)	in EUR/month	36.4	37.2	37.9	38.1	38.3	38.8
M2M SIM cards	in thousand	45.4	40.3	38.5	36.1	34.0	32.6
MVNO customers	in thousand	2.1	2.1	2.1	2.0	2.0	2.0
<b>Fixed services</b>							
Fixed broadband internet and TV customers	in thousand	8.6	8.0	7.3	6.5	6.4	6.0
Fixed telephone lines	in thousand	0.9	1.1	1.2	0.5	1.3	1.7

ORANGE BELGIUM GROUP – Key financial figures

Total service revenues	in mio EUR	267.9	272.4	271.9	276.8	268.9	268.2
Mobile service revenues	in mio EUR	250.1	254.3	253.3	257.7	248.0	247.2
Fixed service revenues	in mio EUR	17.8	18.1	18.6	19.1	20.9	21.0
Restated EBITDA	in mio EUR	91.1	53.8	47.9	86.0	72.2	69.9
% of service revenues		34.0%	19.8%	17.6%	31.1%	26.9%	26.0%
EBITDA	in mio EUR	91.7	53.7	96.8	84.2	71.5	68.8
% of service revenues		34.2%	19.7%	35.6%	30.4%	26.6%	25.7%
CAPEX	in mio EUR	37.8	24.3	81.1	42.8	42.5	26.8
% of service revenues		14.1%	8.9%	29.8%	15.5%	15.8%	10.0%
Operating cash flow	in mio EUR	53.9	29.4	15.7	41.4	29.0	42.1
% of service revenues		20.1%	10.8%	5.8%	15.0%	10.8%	15.7%
Net financial debt	in mio EUR	369.9	418.1	407.5	457.0	499.8	518.5
Net financial debt / EBITDA		1.1	1.4	1.3	1.7	1.9	2.0

## 11. Glossary

Customers base (excl. MVNOs)	Number of customers with active simcard, including business and internet everywhere and M2M.
Postpaid (excl. M2M)	Customer with whom Orange Belgium has a formal contractual agreement, billed on a monthly basis for access fees and any additional voice or data use.
Prepaid (excl. M2M)	Customer with whom Orange Belgium has written contract, paying in advance any data or voice use by purchasing vouchers in retail outlets for example.
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 Orange Belgium'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	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.
Revenues by activity	Provide group revenues split in 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, except equipment sales and rentals, ii) fixed broadband, iii) data infrastructure & managed networks, and global services, iv) fixed carriers services.
Mobile equipment sales	Include subsidized and non-subsidized equipment sales. It excludes accessories sales, according to future IFRS standards that will imply to display only equipment revenue directly linked to service.
Other revenues	Include 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, less acquisitions of tangible and intangible assets, plus proceeds from disposals of tangible and intangible assets.
Consolidation perimeter	The consolidation perimeter has not changed since 31 December 2015 and includes Orange Belgium 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 %).

## Interim condensed consolidated financial statements

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## Interim condensed consolidated statement of comprehensive income

	in million EUR	
	30.06.2016	30.06.2015
Mobile service revenues	504.5	495.2
Fixed service revenues	35.9	41.9
Other revenues	12.8	7.1
Mobile equipment sales	55.6	62.6
<b>Total turnover</b>	<b>608.7</b>	<b>606.8</b>
Purchase of material	-88.8	-83.5
Other direct costs	-169.5	-179.0
<b>Direct costs</b>	<b>-258.3</b>	<b>-262.5</b>
<b>Labor costs</b>	<b>-68.2</b>	<b>-67.3</b>
Commercial expenses	-23.5	-16.0
Other IT & network expenses	-48.4	-51.4
Property expenses	-27.0	-25.4
General expenses	-27.4	-28.8
Other indirect income	10.9	16.3
Other indirect costs	-21.8	-29.6
<b>Indirect costs</b>	<b>-137.3</b>	<b>-134.9</b>
<b>Restated EBITDA</b>	<b>144.9</b>	<b>142.1</b>
Restatements	0.5	-1.7
o/w other restructuring costs*	0.5	-1.7
o/w other operating income	0	0
<b>EBITDA</b>	<b>145.5</b>	<b>140.4</b>
Depreciation and amortization	-98.0	-99.4
<b>EBIT</b>	<b>47.4</b>	<b>40.9</b>
Financial result	-3.3	-3.6
Financial costs	-3.3	-3.6
Financial income	0	0
Tax expense	-18.4	-12.2
<b>Net profit of the period **</b>	<b>25.7</b>	<b>25.1</b>
<b>Profit attributable to equity holders of the parent</b>	<b>25.7</b>	<b>25.1</b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>		
<b>Net profit for the period</b>	<b>25.7</b>	<b>25.1</b>
Other comprehensive income (cash flow hedging)	-2.2	0
<b>Total comprehensive income for the period</b>	<b>23.5</b>	<b>25.1</b>
<b>Part of the total comprehensive income attributable to equity holders of the parent</b>	<b>23.5</b>	<b>25.1</b>
Basic earnings per share (in EUR)	0.43	0.42
Weighted average number of ordinary shares	60 014 414	60 014 414
Diluted earnings per share (in EUR)	0.43	0.42
Diluted weighted average number of ordinary shares	60 014 414	60 014 414

\* Restructuring costs consist of contract termination costs and redundancy charges.

\*\* Since there are no discontinued operations, the profit or loss of the period corresponds to the result of continued operations.



## Interim condensed consolidated statement of financial position

in million EUR

	30.06.2016	31.12.2015
<b>ASSETS</b>		
Goodwill	80.1	80.1
Other intangible assets	328.0	347.4
Property, plant and equipment	829.1	840.4
Interests in associates and joint ventures	3.2	3.2
Non-current financial assets	2.5	0.7
Other non-current assets	0.3	0.3
Deferred tax assets	11.5	8.4
<b>Total non-current assets</b>	<b>1 254.6</b>	<b>1 280.5</b>
Inventories	11.5	21.5
Trade receivables	171.3	184.4
Current financial assets	0.4	1.1
Current derivatives assets	2.6	2.2
Other current assets	0.5	0.6
Operating taxes and levies receivables	0.5	0.8
Prepaid expenses	28.1	16.6
Cash and cash equivalents	14.5	9.7
<b>Total current assets</b>	<b>229.3</b>	<b>236.9</b>
<b>Total assets</b>	<b>1 483.8</b>	<b>1 517.4</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	131.7	131.7
Legal reserve	13.2	13.2
Retained earnings (excl. legal reserve)	335.9	312.2
<b>Equity attributable to the owners of the parent</b>	<b>480.8</b>	<b>457.1</b>
<b>Total equity</b>	<b>480.8</b>	<b>457.1</b>
Non-current financial liabilities	379.0	409.0
Non-current derivatives liabilities	6.5	0
Non-current employee benefits	1.0	0
Non-current provisions for dismantling	65.3	60.1
Non-current restructuring provisions	0	2.1
Other non-current liabilities	5.1	10.8
Deferred tax liabilities	1.8	2.0
<b>Total non-current liabilities</b>	<b>458.8</b>	<b>484.1</b>
Current financial liabilities	5.3	8.2
Current derivatives liabilities	2.6	4.2
Current fixed assets payable	95.4	128.8
Trade payables	158.0	169.8
Current employee benefits	35.3	36.5
Current provisions for dismantling	0.8	0.9
Other current liabilities	10.7	10.2
Operating taxes and levies payables	126.0	114.2
Current tax payables	51.6	42.9
Deferred income	58.4	60.5
<b>Total current liabilities</b>	<b>544.2</b>	<b>576.2</b>
<b>Total equity and liabilities</b>	<b>1 483.8</b>	<b>1 517.4</b>

## Interim condensed consolidated cash flow statement

in million EUR

	30.06.2016	30.06.2015
<b>Operating activities</b>		
<b>Consolidated net income</b>	<b>25.7</b>	<b>25.1</b>
Adjustments to reconcile net income (loss) to funds generated from operations		
Operating taxes and levies	21.6	22.8
Depreciation, amortization and impairment	98.0	99.4
Change in provisions	-18.5	-3.1
Operational net foreign exchange and derivatives	-0.3	0.8
Finance costs, net	3.3	3.6
Income tax	18.4	12.2
Share-based compensation	0.3	0
<b>Changes in working capital requirements</b>		
Decrease (increase) in inventories, gross	10.4	2.4
Decrease (increase) in trade receivables, gross	23.0	-5.5
Increase (decrease) in trade payables	-11.7	-9.4
Changes in other assets and liabilities	-5.0	-8.5
<b>Other net cash out</b>		
Operating taxes and levies paid	-17.5	-9.0
Interest paid and interest rates effects on derivatives, net	-2.8	-4.0
Income tax paid	-10.8	-5.1
<b>Net cash provided by operating activities</b>	<b>134.1</b>	<b>121.7</b>
<b>Investing activities</b>		
<b>Purchases (sales) of property, plant and equipment and intangible assets</b>		
Purchases of property, plant and equipment and intangible assets	-62.1	-69.3
Increase (decrease) in fixed assets payables	-33.4	-15.4
<b>Organic cash flow*</b>	<b>38.8</b>	<b>37.0</b>
Cash paid for investment securities, net of cash acquired	-2.1	-5.0
Decrease (increase) in securities and other financial assets	1.0	5.4
<b>Net cash used in investing activities</b>	<b>-96.5</b>	<b>-84.3</b>
<b>Financing activities</b>		
Long-term debt issuances	0	425.0
Long-term debt redemptions and repayments	-30.0	-470.0
Increase (decrease) of bank overdrafts and short-term borrowings	-2.9	12.4
Capital increase (decrease) – owners of the parent company	-0.1	0
<b>Net cash used in financing activities</b>	<b>-33.0</b>	<b>-32.5</b>
<b>Net change in cash and cash equivalents</b>	<b>4.5</b>	<b>4.9</b>
<b>Cash and cash equivalents – opening balance</b>	<b>9.7</b>	<b>6.1</b>
o/w cash	3.2	3.0
o/w cash equivalents	6.5	3.1
<b>Cash change in cash and cash equivalents</b>	<b>4.5</b>	<b>4.9</b>
<b>Cash and cash equivalents – closing balance</b>	<b>14.5</b>	<b>11.0</b>
o/w cash	7.9	4.2
o/w cash equivalents	6.6	6.8

(\*) Net cash flow from operations less acquisitions of tangible and intangible assets plus proceeds from disposals of tangible and intangible assets.

## Interim condensed consolidated statement of changes in equity

in million EUR

	Share capital	Legal reserve	Retained earnings	Treasury shares	Hedging instruments	Total equity
<b>Balance as at 1 January 2016</b>	<b>131.7</b>	<b>13.2</b>	<b>312.2</b>			<b>457.1</b>
Net profit for the period			25.7			25.7
Other comprehensive income					-2.2	-2.2
<b>Total comprehensive income for the period</b>						<b>23.5</b>
Other			0.3			0.3
Own shares				-0.1		-0.1
<b>Balance as at 30 June 2016</b>	<b>131.7</b>	<b>13.2</b>	<b>338.2</b>	<b>-0.1</b>	<b>-2.2</b>	<b>480.8</b>

in million EUR

	Share capital	Legal reserve	Retained earnings	Treasury shares	Hedging instruments	Total equity
<b>Balance as at 1 January 2015</b>	<b>131.7</b>	<b>13.2</b>	<b>237.6</b>			<b>382.5</b>
Net profit for the period			25.1			25.1
Other comprehensive income						
<b>Total comprehensive income for the period</b>			<b>25.1</b>			<b>25.1</b>
<b>Balance as at 30 June 2015</b>	<b>131.7</b>	<b>13.2</b>	<b>262.7</b>			<b>407.6</b>

## Segment information

30.06.2016	in million EUR			
	Belgium	Luxembourg	Interco elimination	Orange Belgium group
Mobile service revenues	483.6	22.1	-1.2	504.5
Fixed service revenues	33.8	2.0	0	35.9
Other revenues	12.2	0.6	0	12.8
Mobile equipment sales	54.6	5.8	-4.8	55.6
<b>Total turnover</b>	<b>584.2</b>	<b>30.6</b>	<b>-6.0</b>	<b>608.7</b>
<b>Direct costs</b>	<b>-248.7</b>	<b>-15.1</b>	<b>5.5</b>	<b>-258.3</b>
<b>Labor costs</b>	<b>-63.2</b>	<b>-5.0</b>	<b>0</b>	<b>-68.2</b>
<b>Indirect costs</b>	<b>-130.3</b>	<b>-7.4</b>	<b>0.5</b>	<b>-137.3</b>
<b>Restated EBITDA</b>	<b>141.9</b>	<b>3.0</b>	<b>0</b>	<b>144.9</b>
<b>EBITDA</b>	<b>142.4</b>	<b>3.0</b>	<b>0</b>	<b>145.5</b>

30.06.2015	in million EUR			
	Belgium	Luxembourg	Interco elimination	Orange Belgium group
Mobile service revenues	473.8	22.4	-1.0	495.2
Fixed service revenues	40.2	1.7	0	41.9
Other revenues	7.0	0.1	0	7.1
Mobile equipment sales	61.5	6.4	-5.3	62.6
<b>Total turnover</b>	<b>582.5</b>	<b>30.6</b>	<b>-6.3</b>	<b>606.8</b>
<b>Direct costs</b>	<b>-252.6</b>	<b>-16.0</b>	<b>6.1</b>	<b>-262.5</b>
<b>Labor costs</b>	<b>-62.4</b>	<b>-4.9</b>	<b>0</b>	<b>-67.3</b>
<b>Indirect costs</b>	<b>-127.4</b>	<b>-7.7</b>	<b>0.3</b>	<b>-134.9</b>
<b>Restated EBITDA</b>	<b>140.1</b>	<b>2.0</b>	<b>0</b>	<b>142.1</b>
<b>EBITDA</b>	<b>138.4</b>	<b>2.0</b>	<b>0</b>	<b>140.4</b>

# Notes to the interim condensed consolidated financial statements

## 1. Accounting policies

### 1.1. Basis of preparation of the financial statements

The interim condensed consolidated financial statements for the six months period ended 30 June 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and were authorized for issue by the Board of Directors on 19 July 2016.

The interim financial statements were prepared using the same accounting policies as the financial statements for the year ended December 31, 2015. They should be read in conjunction with Orange Belgium's annual financial statements as at 31 December 2015 since they do not include all the information and disclosures required in the annual financial statements.

### 1.2. Uses of estimates and judgment

In preparing the Group's consolidated financial statements, Orange Belgium's management is required to make estimates insofar as many elements included in the financial statements cannot be measured with precision. The underlying assumptions used for the main estimates are similar to those described as of December 31, 2015.

The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at June 30, 2016 may subsequently be changed.

The management also uses its judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with the related accounting issues.

## 2. Consolidation perimeter

The consolidation perimeter has not changed since 31 December 2015 and includes Orange Belgium 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 %).

On June 29, 2016, Orange Belgium S.A. subscribed in the capital of Belgian Mobile Wallet S.A. (for 16.67 %), with four banks and the other two mobile telecom operators of the country, to collaborate on the establishment of a mobile identification system for both private and professional users.

Orange Belgium S.A. holds, directly or indirectly (*e.g. through other subsidiaries*), less than 20 per cent of the voting power of Belgian Mobile Wallet S.A. and as such, it is presumed that Orange Belgium S.A. does not have significant influence. Consequently, Belgian Mobile Wallet S.A. will not be part of the consolidation perimeter.

### 3. Goodwill

in million EUR						
		30.06.2016		30.06.2015		
	Acquisition value	Accumulated impairment losses	Net carrying amount	Acquisition value	Accumulated impairment losses	Net carrying amount
Orange Communications Luxembourg S.A.	68.7		68.7	68.7		68.7
Other goodwill	11.4		11.4	11.4		11.4
<b>Total goodwill</b>	<b>80.1</b>	<b>0</b>	<b>80.1</b>	<b>80.1</b>	<b>0</b>	<b>80.1</b>

The other goodwill corresponds to the goodwill of Mobistar Affiliate S.A. and Mobistar Enterprise Services S.A. and is fully allocated to the segment "Belgium". The goodwill of Orange Communications Luxembourg S.A. is fully allocated to the segment "Luxembourg".

As at 30 June 2016, there were no internal or external indicators that impairment tests on the goodwill of Orange Communications Luxembourg S.A. should have been performed.

The management continues to pay attention to any indication that could require an anticipated review of the values. These tests are planned to be performed for the year-end closing. The impairment test for goodwill is based on value in use calculation.

### 4. Cash and cash equivalents, financial liabilities

Cash and cash equivalents include cash on hand and cash deposits with a maximum term of 3 months. Bank and inter-company cash pooling overdrafts are classified as short-term financial liabilities. See cash flow schedule to explain the 37.5 million euros reduction of the net debt for the first half year.

in million EUR		
	30.06.2016	31.12.2015
<b>Cash and cash equivalents</b>		
Cash on hand	-14.5	-9.7
<b>Total cash and cash equivalents</b>	<b>-14.5</b>	<b>-9.7</b>
<b>Financial liabilities</b>		
Intercompany short-term borrowing	5.3	10.2
Intercompany long-term borrowing	379.1	407.0
<b>Total borrowings</b>	<b>384.4</b>	<b>417.2</b>
<b>Net financial debt</b>	<b>369.9</b>	<b>407.5</b>



## 5. Shareholders' equity

### Share capital

There has been no change in the capital of the company during the first six months of 2016.

	Share capital (in million EUR)	Number of ordinary shares (in units)
As at 1 January 2016	131.7	60 014 414
As at 30 June 2016	131.7	60 014 414

All ordinary shares are fully paid and have a par value of 2.195 euros. As no changes occurred during the first six months of 2016, the par value is the same for 2016 and 2015.

### Dividends

While having reduced its net financial debt/EBITDA ratio to 1.3x at the end of 2015, Orange Belgium is prioritizing in 2016 the use of its cash for investing in convergence and future growth initiatives. The General Assembly of 4 May 2016 decided to not pay a dividend for the financial year 2015. No dividend has been paid neither for the financial year 2014.

## 6. Income taxes

The major components of the tax expense are as follows:

	in million EUR	
	30.06.2016	30.06.2015
Current income tax	-19.5	-13.5
Deferred tax expense arising to the origination and reversal of temporary differences	1.1	1.3
<b>Total tax expense</b>	<b>-18.4</b>	<b>-12.2</b>

## 7. Operating taxes and levies

In its judgment of 25 May 2016, the Constitutional Court has annulled the articles in the Walloon Decree regarding the tax on masts, pylons or antennas for mobile telecommunication, without definite retention of the effects of the annulled articles (see *note 9 Litigations*). Consequently, Orange Belgium has reversed the provision of 15.8 million euros related to this Walloon pylon tax for 2015 (Consolidated statement of comprehensive income: "Other Indirect costs").

## 8. Unrecognized contractual commitments

No major event has impacted the unrecognized contractual commitments described in the consolidated financial statements for 2015.

## 9. Non-current provisions

### Outstanding litigations

	31.12.2015	Additions	Utilisations	Reversal	Other effect	in million EUR 30.06.2016
Provisions for litigations	11.6	0.3	-3.4	-2.5	0	6.0

Orange Belgium S.A. is engaged in various judicial procedures whereby third-party individuals or entities are claiming repair of damages they pretend to have incurred. Each litigation is evaluated on an individual basis in order to assess as to whether it is more likely than not that an outflow of resources will be necessary to settle the litigation and to ensure that the assumptions taken to measure the provisions are valid.

The outstanding claims are built up during the previous years and it can be reasonably assumed that they will be subject to a Court decision or solved by means of a common agreement within the following years.

Due to the settlement of several disputes, the provision for litigations decreased with more than 5 million euros during the first six months of 2016 (Consolidated statement of comprehensive income: "Other Indirect costs").

### Disputes

The information relating to disputes contained in the 2015 annual report and in the first quarter 2016 report has been modified as follows:

**Masts:** The total liability amount of taxes charged, plus default interest calculated at the legal rate, amounts to 120.7 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. Orange Belgium 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.

Orange Belgium has received tax bills for this tax dated 22 December 2014. Orange Belgium 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 Orange Belgium 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. Orange Belgium has contested the rectification notice by letter on 29 January 2016. Orange Belgium has also introduced a fiscal objection against the tax bill on 10 June 2016. The same arguments already used in the request for annulment are included in Orange Belgium's contestation and moreover Orange Belgium 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. Orange Belgium introduced on 26 June 2015 a request for annulment at the Constitutional Court against this Decree. In its judgment of 25 May 2016 the Constitutional Court has annulled the articles in the Decree regarding the tax

on masts, pylons or antennas for mobile telecommunication, without definite retention of the effects of the annulled articles.

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.

**Regulation of broadband and cable:** In April 2016, Orange Belgium and the cable operators appealed against wholesale price decisions of February 2016 for access to the cable networks. Pleadings should take place in January and September 2017.

**Telenet full MVNO Agreement:** On 31 May 2016 Orange Belgium and Telenet concluded the terms and conditions for the future termination of the Full MVNO Agreement, which provides Telenet access to Orange Belgium's network. Telenet committed to a minimum payment of 150.0 million euros over the 3-year period 2016-2018. Through the termination Agreement, all outstanding legal disputes between both companies, including the judicial recovery of invoices under the Full MVNO Agreement, have now been settled.

**Lycamobile:** On 19 February 2016, Lycamobile Belgium Limited and Lycamobile BVBA initiated legal proceedings against Orange Belgium (at that time Mobistar) before the Brussels Commercial Court claiming damages for the alleged belated commercial launch of Lycamobile's 4G services. Orange Belgium considers this claim ungrounded.

**Agency agreement:** A former agent has initiated a procedure before the Brussels Commercial Court to obtain compensation for the termination of his agency agreement. The agent claims damages for an amount of around 16.9 million euros. Orange Belgium is convinced that the claim is, at least for the major part, unfounded. Orange Belgium has filed a counterclaim for a value of around 14.6 million euros. The procedure has been initiated in July 2011. The pleadings of the case took place at the hearing of 14 January 2013. The Commercial Court of Brussels decided by judgment of 22 April 2013 that the claim of the former agent as well as the claim of Orange Belgium were both partially founded. In order to determine the amount of the damages to be paid by both parties, a judicial expert has been appointed by the court. The judicial expertise is currently ongoing. In April 2016, the parties reached a settlement in this file. Orange Belgium is currently awaiting the formal termination of the pending proceedings.

**Unpaid invoices - Legal obligation to cooperate:** As part of the Royal Decree of 9 January 2003 on the modalities for the legal obligation to cooperate in legal actions relating to electronic communications, Orange Belgium provides services to public prosecutor, courts, etc. The fees that Orange Belgium may charge for the services rendered are defined in the above Royal Decree. The Belgian State, represented by its Minister of Justice, is debtor of these amounts. On 19 June 2014 Orange Belgium has summoned the Belgian State to pay its overdue amount. During the introductory hearing of 19 September 2014 a schedule for the filing of trial briefs has been set between the parties. The case has been handled before the Brussels Court of First Instance at the hearing of 9 September 2015. By interim judgment of 14 October 2015, the court ordered the reopening of the proceedings at the hearing of 17 February 2016. At the hearing of 17 February 2016, the case has been postponed to the hearing of 20 April 2016 and afterwards to the hearing of 7 September 2016. In the meantime, parties are conducting settlement negotiations.

#### Network sites dismantling provision

	31.12.2015	Additions	Utilisations	Reversal	Other effect	in million EUR 30.06.2016
Provisions for dismantling	61.0	0	-0.4	0	5.5	66.1

The increase in dismantling provision can be explained by a higher number of calculated sites (167 sites; impact of 2.4 million euros).

Although size and installation on site may slightly vary from site to site, the provision is calculated on an average dismantling cost which is based on the actual costs incurred in the past for similar activities. For 2016 this average cost is estimated at 12.2 thousand euros per site (in 2015 the average cost was 11.5 thousand euros). This increase in average cost had an impact of 2.7 million euros.

## 10. Related parties

30.06.2016	in million EUR			
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Orange - Traffic and services	5.4	-7.9		
Orange – Cash pool		-0.5	1.4	8.0
Orange Affiliates - Traffic and services	10.0	5.4	0.3	-8.4
Atlas Services Belgium – Loan		-2.0		378.8
<b>Total</b>	<b>15.4</b>	<b>-5.1</b>	<b>1.6</b>	<b>378.4</b>

30.06.2015	in million EUR			
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Orange - Traffic and services	9.6	-4.6		
Orange – Cash pool			1.4	11.8
Orange Affiliates - Traffic and services	3.8	-2.1	0.5	-6.1
Atlas Services Belgium – Loan				498.0
<b>Total</b>	<b>13.3</b>	<b>-6.7</b>	<b>1.9</b>	<b>503.8</b>

The terms and conditions applied to sales and purchases of traffic and services, to the centralized treasury management agreement, to the revolving credit facility agreements as well as to the interest-bearing loans and borrowings are determined at arm's length basis according to the normal market prices and conditions.

There is no outstanding guarantee provided to or received from any related parties at the balance sheet date. No allowance for doubtful debtors on amounts owed by related parties is outstanding at the balance sheet date.

## 11. Subsequent events

No adjusting event arose between the balance sheet date and the date at which the interim condensed consolidated financial statements have been authorized for issue.

## Declaration by the persons responsible

We, the undersigned, Jean Marc Harion, CEO, and Ludovic Pech, CFO, declare that to our knowledge:

a) the set of condensed financial statements drawn up in accordance with the prevailing accounting standards, gives a faithful image of the assets, financial situation and results of the issuer and the companies included within its consolidation;

b) the interim report contains a faithful presentation of the important events and major transactions between contracting parties which occurred during the first six months of the financial year, and their impact on the set of condensed financial statements, and a description of the main risks and uncertainties for the remaining months of the financial year.

Jean Marc Harion  
CEO

Ludovic Pech  
CFO

# Statutory auditor's report

## Report on review of the interim condensed consolidated financial information for the six-month period ended 30 June 2016

### To the board of directors

In the context of our appointment as the company's statutory auditor, we report to you on the interim condensed consolidated financial information. This interim condensed consolidated financial information comprises the interim condensed consolidated statement of financial position as at 30 June 2016, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in shareholders' equity and the interim condensed consolidated statement of cash flows for the period of six months then ended, as well as selective notes 1 to 11.

### Report on the interim condensed consolidated financial information

We have reviewed the interim condensed consolidated financial information of Orange Belgium NV/SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standard IAS 34 – Interim Financial Reporting as adopted by the European Union. The interim condensed consolidated statement of financial position shows total assets of 1,483,807 (000) EUR and a consolidated profit (group share) of 23,492 (000) EUR for the period then ended. The board of directors of the company is responsible for the preparation and fair presentation of the interim condensed consolidated financial information in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information of Orange Belgium NV/SA has not been prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

Diegem, 19 July 2016

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises  
BV o.v.v.e. CVBA / SC s.f.d. SCRL  
Represented by Rik Neckebroeck