Enjoying digital life

Orange Belgium Annual Report 2016

All about what matters to you

Orange Belgium is one of the leading telecommunication operators on the Belgian market, with over 3 million customers, and in Luxembourg through its subsidiary Orange Communications Luxembourg.

As a convergent actor, we provide mobile telecommunication services, internet and TV to private clients, as well as innovative mobile and fixed line services to businesses. Our high-performance mobile network supports 2G, 3G, 4G and 4G+ technology and is the subject of ongoing investments. We are also a wholesale provider, offering access to our infrastructure and service capabilities to partners.

Orange Belgium is a subsidiary of the Orange Group, one of the leading European and African operators for mobile telephony and internet access, as well as one of the world leaders for telecommunication services to enterprises.

Orange Belgium is listed on the Brussels Stock Exchange (OBEL).

€ 1,241.6 mio
Turnover Orange Belgium Group

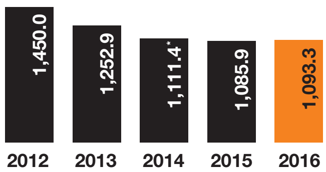
6 mio
Connected SIM cards

1,686
Team members

Key Figures 2016

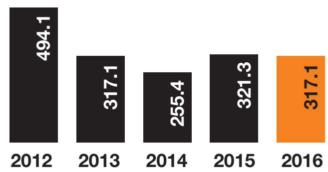
€1,093.3 mio
Consolidated service revenues

(in mio €)



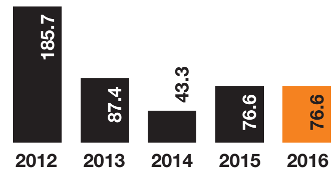
€317.1 mio
Consolidated reported EBITDA

(in mio €)



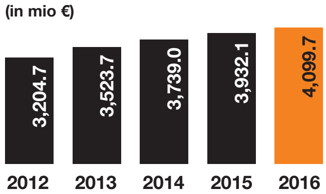
€76.6 mio
Consolidated net profit

(in mio €)



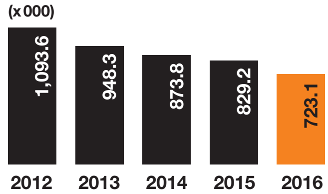
€4,099.7 mio
Consolidated investments
(cumulated since 1999)

(in mio €)



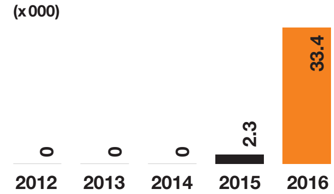
723.1 thousand
Active prepaid customers (BE)

(x 000)



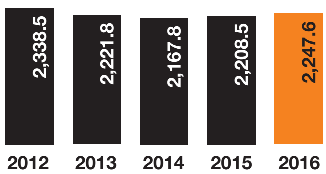
33.4 thousand
Orange LOVE Internet + TV customers (BE)

(x 000)



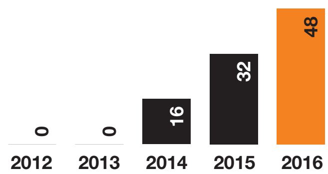
2,247.6 thousand
Active postpaid customers (BE)

(x 000)



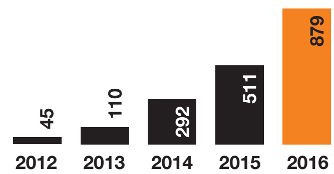
48%
4G smartphone penetration (BE)

(in %)

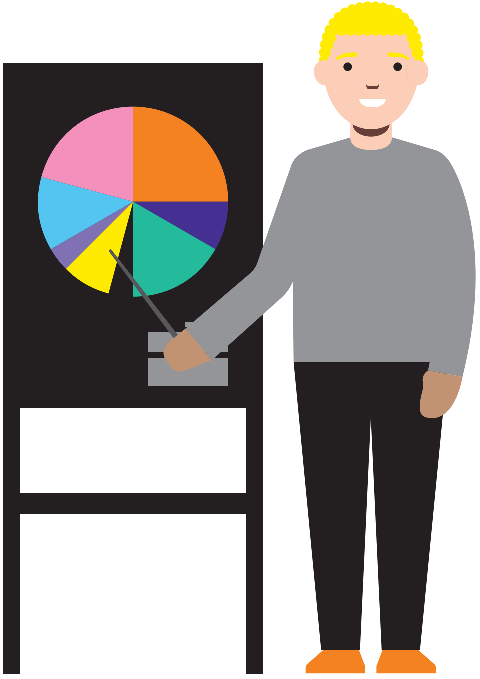


879 MB
Average mobile data usage per customer (BE)

(in MB)



* The presentation of the consolidated financial statements has been adjusted compared to the layout used for the year ended 31 December 2014.



Consolidated statement of comprehensive income (Mio €)	2016	2015
Mobile service revenues	1 020.5	1 006.2
Fixed service revenues	72.8	79.6
Other revenues	26.8	21.5
Mobile equipment sales	121.6	128.0
Total turnover	**1 241.6**	**1 235.4**
Reported EBITDA	**317.1**	**321.3**
Reported EBITDA margin in % of service revenues	**29.0%**	**29.6%**
EBIT	**107.2**	**119.1**
EBIT margin in % of service revenues	**9.8%**	**11.0%**
Financial result	-6.5	-6.7
Tax expense	-24.1	-35.8
Net profit of the period (*)	**76.6**	**76.6**
Profit attributable to equity holders of the parent	**76.6**	**76.6**
Basic earnings per share (in EUR)	1.28	1.28
Weighted average number of ordinary shares	60 014 414	60 014 414
Diluted earnings per share (in EUR)	1.28	1.28
Diluted weighted average number of ordinary shares	60 014 414	60 014 414

Consolidated statement of financial position (Mio €)	2016	2015
Non-current assets	1 249.1	1 280.5
Current assets	275.1	236.9
o/w cash and cash equivalents	51.4	9.7
Total assets	**1 524.2**	**1 517.4**
Equity	532.4	457.1
Non-current liabilities	465.4	484.1
Current liabilities	526.4	576.2
Total equity and liabilities	**1 524.2**	**1 517.4**

Consolidated cash flow statement (Mio €)	2016	2015
Consolidated net income incl. non cash adjustments	327.5	360.4
Changes in working capital requirements	11.8	14.8
Other net cash out	-40.4	-33.3
Net cash provided by operating activities	**298.9**	**341.8**
Net cash used in investing activities	**-228.7**	**-205.6**
Loans and borrowings	-28.2	-132.7
Net purchase of treasury shares	-0.3	0.0
Dividend paid	0.0	0.0
Net change in cash and cash equivalents	**41.7**	**3.6**

Consolidated statement of comprehensive income - Segment reporting (Mio €)	2016			2015		
	Belgium	Luxembourg	Orange Belgium Group	Belgium	Luxembourg	Orange Belgium Group
Mobile service revenues	980.3	44.3	1 020.5	963.6	44.8	1 006.2
Fixed service revenues	68.4	4.4	72.8	76.5	3.1	79.6
Other revenues	25.5	1.4	26.8	21.4	0.2	21.5
Mobile equipment sales	121.9	11.6	121.6	126.6	16.6	128.0
Total turnover	**1 196.1**	**61.6**	**1 241.6**	**1 188.1**	**64.8**	**1 235.4**
Reported EBITDA	**312.1**	**5.0**	**317.1**	**317.1**	**4.2**	**321.3**
Reported EBITDA margin in % of service revenues	**29.8%**	**10.3%**	**29.0%**	**30.5%**	**8.9%**	**29.6%**

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

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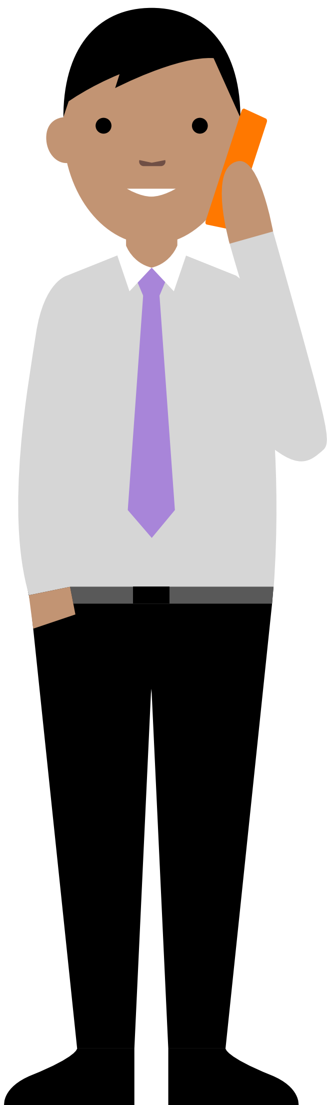


Orange Belgium primed to play its role as industry disruptor

2016 was a year of substantial changes for Orange Belgium, formerly Mobistar. A new dynamism has invigorated the company. So what are the main aspects of this new drive and what do the next few months hold for us?
Jan Steyaert, Chairman of the Board of Directors and Michaël Trabbia, CEO of Orange Belgium, give us their analysis and outlook.

Jan Steyaert, Chairman of the Board of Directors (right)

Michaël Trabbia, CEO of Orange Belgium (left)

What were the stand-out moments of the last year?

Jan Steyaert : after twenty years in business, the company turned a new page in its history. There was the name change, of course, but also our entry onto the fixed-mobile convergent services market both for businesses and personal customers. These two defining events were in fact closely linked. Orange Belgium was the first mobile company in Europe to seize the opportunity presented by the opening up of the cable networks to launch an offering on the market.

Michaël Trabbia : we had been waiting and preparing for this entry onto the fixed internet and digital TV market for a long time. 2016 will be remembered as the year of the company's entry onto the fixed-mobile convergence market alongside the expansion of our business thanks to the growing demand for mobile data.

Didn't this launch come a little late in the day?

Jan Steyaert : we actually launched at just the right time, at the point where there was a fresh impetus on the Belgian convergence market as a whole, particularly with the buyout of mobile operator Base by cable operator Telenet. This trend towards fixed-mobile convergence will continue to play out over the next few months and years. It was crucial that Orange was ready with a top-quality offer.

Michaël Trabbia : this positive start for us indicates that there is an appetite amongst consumers for a high-quality service at a more reasonable price. This is just the beginning. We will continue to expand both the services and content of our convergent services. Our development plan is in line with our ambition, namely to capture 10% of Belgium's fixed internet and digital TV market.

To what extent is this rebranding exercise more than just a change of company livery from green to orange?

Michaël Trabbia : over and above the commercial transition to an internationally-recognised brand, which Belgians could already see in France and Spain for example, the name change was an opportunity to strengthen the ties between the company and the group. We benefit from the power of a group ranked amongst the world's top twelve telecoms operators bringing us considerable power in terms of technological expertise, business optimisation, access to content and of course far greater investment and innovation capacity. For instance, the Orange group has 4,500 dedicated research and development staff around the world. What's more, there has been no compromise on the values which made Mobistar such a success, such as its capacity to challenge the market and its ongoing commitment to customer service.

Jan Steyaert : in its twenty years in business, Mobistar has revolutionised and democratised the Belgian market. The adoption of a major international brand such as Orange has enabled our business to continue to stimulate the Belgian market, to the benefit of consumers. It is for this reason that the Board of Directors and our General Meeting of Shareholders voted in favour of this change of branding. It has enabled us to continue to develop our business. Moreover, this move towards the Orange brand is a sign of the Orange group's profound and ongoing commitment in Belgium.

How has this year of major change felt on the inside?

Michaël Trabbia : I have nothing but praise for the quality of the work carried out by our teams, who, by putting their considerable personal resources to work, have moved mountains. Our entry onto the convergence market was particularly well handled. We are also continuing to reap the rewards of our investment in our mobile phone network. We will continue to keep up this commitment and this impetus. At twenty years old, Orange Belgium is a relatively young company, retaining its pioneering spirit whilst enjoying the backing of a major international group. Our staff can rightly be proud of the work they've accomplished and their remarkable capacities. We are quietly confident in our abilities to face up to our biggest competitors on the Belgian market.

What are your priorities for 2017?

Michaël Trabbia : thanks to a flying start, we are now fully focussed on becoming a force to be reckoned with on the fixed-mobile convergence market. To achieve this, we intend to update our convergent value proposition so that it is more user-friendly, particularly for families. We will of course be adding in new functionalities and content, to stay at the cutting edge of technology. On the mobile market, we will continue to support our customers' growing demand for data.

Another key priority is to digitise and simplify our processes to enhance the customer experience. We have launched a solid digital transformation plan which will enable us to review, and therefore improve, our interactions with our customers. Digitalisation should be synonymous with simplification, and should always be customer-focused.

Jan Steyaert : we need to continue improving on our business model to ensure it is up to the market's toughest demands. The opening up of the cable market gives us the opportunity to bring in new customers with our top-class customer service. Whilst Belgians certainly care about cost, they are also increasingly discerning when it comes to quality. Nobody now accepts being disconnected and cut off from technology.

Does the current situation now allow Orange to freely take up its role as challenger?

Jan Steyaert : the regulator had the courage to open up the cable market, having seen that the existing Belgian telecoms market was not working. We now call on the regulator to continue its work to improve the market situation and correct certain glitches on the operational side as well as reviewing the wholesale tariff model to help improve market competitiveness, to the benefit of consumers. `

Which innovative fields can we expect Orange Belgium to break into next?

Michaël Trabbia : in new business services, whether with the Internet of Things, fleet management, cyber security or cloud services. We plan to ascend the value chain, going beyond mere connectivity.

More generally, our change of branding supports our ambition and our credibility in the field of innovation. One great example is the successful launch in late 2016 of the Orange-branded virtual reality headset, which is compatible with all smartphone types, and the launch of our Orange TV app. Each are examples of our desire to democratise access to innovation for Belgian consumers. Furthermore, we will be continuing to build on our interactions with Belgium's innovative digital ecosystem. There is no lack of fantastic opportunities here. We will be helping those with big ideas to take them onto the international stage.

And the last word...?

I wouldn't want to end this interview without extending my warmest thanks to Jan, who has decided to step down as Chairman of the Board of Directors after 21 years of good and loyal service to the company, 14 of which were spent as Chair. Thank you Jan for your contribution, right from the beginning, to the success story that was Mobistar yesterday, Orange Belgium today and in the future.

More than 20 Years of Pride and Gratitude

After more than 20 years on the Board of Directors, I have decided that it is time for me to pass on the baton to a new Chairman for Orange Belgium. This company represents such an important part of my life that I could not leave it without saying a few words to you all.

I've been with Mobistar, now Orange, right from the start. More than 20 years ago, I was involved in the launch of what was to become Belgium's challenger telecoms company. Over the last 14 years, I've had the honour of being the Chairman of the Board of Directors.

Circumstances now dictate that I hand over the torch, one year on from the company name change and its remarkable and impressive entry onto the fixed-mobile convergence market. I am glad to be conducting this handover at a point where, backed by a winning strategy and the support of an innovative industry group, Orange Belgium is all set to write a new chapter in its history.

Faced with the new opportunities ahead, it is a good time to proudly remember both how well we have risen to and indeed exceeded the challenges of the past and our capacity for change and innovation.

10 years after its inception, Mobistar had already far exceeded its intended market share, whilst some were in doubt as to this newcomer's capacity to change the Belgian telecoms landscape forever. I also remember the launch of the Tempo prepaid card, a first for the Belgian market. More recently, I was thrilled by our market leadership with Orange's 3G and 4G networks.

We have of course also been through tough times, but we have always continued to invest and consolidate our position, enabling us to calmly consider the future. In this regard, I would like to acknowledge the patience of our shareholders, who have accepted the occasional absence of dividends for the sake of our long-term vision. Today, I am proud to announce that we will propose the payment of a dividend for the year 2016.

I would also like to highlight the confidence in us and the constructive role played by our major shareholder, the Orange Group, right throughout the history of this company which has always retained its "start-up" spirit.

As Chairman of the Board of Directors, I have always worked to conciliate the various viewpoints of the shareholders, management and staff. I was happy to fulfil this role in an environment which has always been friendly and in which the human dimension always predominated.

Thank you for all these connections and these moments which will become for me treasured memories.

May the next 20 years of Orange Belgium be as bright as those through which I have worked and lived.

With warmest regards,

Jan Steyaert

A New Name and a New Convergent Services Offer

2016 will be remembered as the year of two closely-related major changes: the company rebrand and the launch of Orange Internet + TV. Summary of a neatly-executed transformation operation.

Three Months' Intensive Implementation

The official decision was made on 4 February 2016 and the change of company name from Mobistar to Orange Belgium was formalised on 10 May. A celebration to mark the event was held with some 9000 guests. This translated into 3 months of intensive implementation operations with wide-ranging ramifications, as the facts and figures below indicate.

Some 800 people, including 120 brand ambassadors, contributed directly to making this rebranding exercise a success within a very short timeframe *and* timed to coincide with the rollout of Orange's convergent fixed-mobile offer in March.

A New Lease of Life

This huge transformation operation, backed by both internal forces and Group support, lent its momentum to revitalising the teams and optimising certain areas of customer relations.

Web content for instance has been overhauled. This cleanup exercise, covering over 1200 webpages, quickly paid dividends: there was a considerable increase in site visits, particularly for business customers, whose traffic doubled.

31% of website visitors interested in Orange services are now accessing the website via their smartphone, as compared with only 9% before the brand changeover.

Within a fortnight of the rebranding, the number of Google searches using the keyword "Orange" exceeded the number of searches for "Mobistar".

New Services

Sales outlets have of course been revamped. In addition to the change of colour scheme, the new Orange Internet + TV services are now being promoted instore, as well as various connected objects and other innovations (for example the Orange VR virtual reality headset). New services are also being offered, for example the Orange shop secure customer phone-charging service.

Over 9,000
communication points affected (letters, contracts, email, sales outlet equipment, etc.)

180
Orange Centers and "shop-in-shops" have been revamped

30,000m²
of shop space redecorated with new colours and branding

2,400
employees and partners were involved in the changeover

Why the move to Orange?

- to mark the transition to a new era of convergence, with the launch of Orange's fixed Internet and TV offering
- to capitalise on the visibility of an international brand with a reputation for quality
- to promote access to innovation
- to increase economic efficiency, creating cost synergies with Orange group products

2016 highlights

January

Customer Cinema Treats

Free customer tickets available via the loyalty scheme are now valid for use at any of the 11 Kinepolis cinema complexes.

KINEPOLIS

March

The Long-Awaited Fixed Internet and TV Package

Orange launches its Internet + TV offering throughout 6 towns and cities nationwide.

April

Big Data Backing Security

In response to a request from the City of Antwerp, Orange joins forces with IT start-up Cropland to facilitate crowd management at big events, using (anonymised) GSM data.

May

On May 10, Mobistar officially becomes Orange Belgium and launches its national Internet + TV offering.

orange™

Official sponsor and partner of Euro 2016, with Kevin De Bruyne

As the Orange group is the official sponsor and partner for the Euro 2016 football tournament, Orange Belgium is able to offer over 1000 of its loyal customers the opportunity to enjoy one of the matches. Thanks to its exclusive partnership with Kevin De Bruyne, Orange provided its football-mad fans with a unique experience.

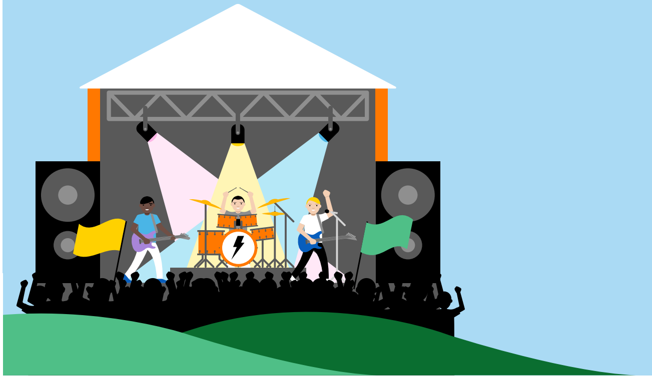
June

Free Roaming

Ahead of European legislation, Orange lifts roaming charges on text messaging, calls and web browsing for its customers when travelling within the EU.

4G+ already available for 47% of Belgians

47% of the population can now access 4G+ high-speed broadband, with roll-out for the rest of the country underway. Orange made 4G+ available at over 25 events and festivals during summer 2016.



July

The Best of Sports and Football on Eleven Sports 1 and 2

Orange adds the channels Eleven Sports 1 and 2 to its Internet + TV offering, giving customers access to the best of international sport and football.

August

Increased Data for Prepaid Offers

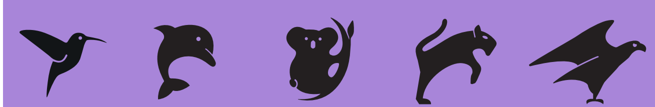
Orange revises its prepaid packages in line with increasing consumer demand for mobile data.

Orange becomes the proud main sponsor of national basketball teams, the Belgian Lions (men) and the Belgian Cats (women), and the Pro-league, the national top level championship.

September

Simpler, Enhanced Offers

Orange launches its new range of mobile offers in response to changing customer usage patterns and requirements. A new, simplified portfolio of services with an "Animals" theme is launched to cater to a range of different customer requirements and all with greatly enhanced data allowances.



November

Ready for the Internet of Things

Orange announced the deployment of NB-IoT and LTE-M technologies on its mobile network in 2017. Known as Mobile IoT, these technologies connect millions of everyday devices.

Virtual Reality Headsets Now a Reality

Orange launches the VR1 virtual reality (VR) headset. Compatible with a wide range of smartphones, the headset is offered at an affordable price, bringing virtual reality within reach of everyone.

December

Gift Wrap Offer #OrangeTower

Orange gift-wrapped the famous Antwerp Tower in Belgium's largest roll of wrapping paper (6.5m wide and 100m long) to mark the start of the festive season. Orange had the year all wrapped up!

Putting Customer Experience at the Heart of Our Strategy

In accordance with the Essentials2020 objectives of the Group, Orange Belgium is implementing 5 key strategic priorities to ensure a unique customer experience, both in terms of its service quality and customer-appropriate product range. The company is keen to show that its market-challenger position now extends beyond the mobile phone market for both the residential and business markets.

Orange Belgium wants to shake up the market, for the benefit of consumers and business alike, not just within the mobile phone sector but right across the fixed-mobile network convergence market.

In order to maintain sustainable growth, and to ensure internal cost control, the company will be operating in accordance with 5 strategic priorities.

A digital, efficient and responsible company

Offering Enhanced Connectivity to Residential and Business Customers

Orange Belgium intends to offer both business and residential customers the best possible communications experience and provide the best value for Belgian consumers. Optimal connectivity must be maintained, so that users never need to worry about whether they have the best available network. They must be able to access all manner of content, anytime, anywhere and from any device.

As the only convergent operator leveraging the power of cable connectivity at national level, Orange also intends to enhance its content and service offering, whilst maintaining highly competitive pricing.

Reinventing Customer Relations

Optimising customer relations is at the heart of a major reorganisation programme within the company. A number of internal processes are being reviewed to ultimately enhance the entire Orange Belgium customer experience.

The 'Orange Thank You' customer loyalty scheme will be developed and expanded.

The company will be using its analysis of big data to better accompany its customers' exponential mobile data usage. While respecting private life strictly, the company will be better able to offer customers appropriate tariffs and apps, whilst maintaining stringent customer data protection standards.

A Digital and Caring Employer

Orange Belgium intends to continue being one of Belgium's best employers. Working at Orange brings the promise of a unique, digital and caring experience, on a par with the experience the company aims to give its customers. Technology is the key to its communications processes, in the form of digital tools enabling an enhanced collective agility which draws on everyone's contributions.

It is also attractive in terms of its lateral mobility (offering a variety of posts and roles) as well as vertical mobility, with the prospect of promotion through skills development.

Supporting Digital Business Transformation

On the business market, Orange Belgium intends to support the digital transformation of businesses, well beyond their connectivity management requirements. As a convergent services operator with the backing of multinational group expertise, the business is developing an expanding range of unified communications, cloud applications and connected object technologies which offer targeted solutions to specific problems.

To enhance its solutions offering, Orange Belgium has opted for an open innovation approach, as part of an ecosystem of partners specialising in domains matching the needs of its business clients.

Innovation as a Differentiator Across a Range of Products

Orange Belgium will be investing more than ever in developing innovative new products and services both on the mobile and fixed-mobile convergence markets.

New mobile and convergent services will soon be available to personal and business customers.

Orange Belgium sees its future blossoming with the increasing involvement of an ecosystem of start-ups, resulting from the cross-fertilisation of small yet agile innovative structures with the commercial might of a business with the backing of a major multinational.

More competition on the convergence market

2016 began with the further bolstering of the Proximus-Telenet duopoly, following the latter's acquisition of the mobile operator Base. Orange Belgium's subsequent entry onto the convergence market brought competition to a Belgian telecoms market which had hitherto been characterised by abnormally high tariffs for fixed line services.

75%
of Belgians have a smartphone

Following booming mobile data consumption and the ubiquity of smartphones in Belgians' everyday lives, last year it became clear that the telecoms market, dominated as it was by a regional duopoly, needed shaking up.

When Telenet acquired Base, this only served to reinforce this feeling, as the sum total of the country's telecoms operators dropped from 4 to 3. In the wake of this acquisition and the findings of an enquiry by the European Commission, Telenet was invited to sell its interests in virtual mobile operator Jim Mobile (an MVNO using the Base network) on to the Medialaan group (parent company of VTM and Q-music) as well as Base's 50% share in virtual operator Mobile Vikings.

A New Convergent Player on the Scene

This consolidation on the mobile phone market coincided with the arrival of Orange Belgium on the fixed-mobile convergence market and the launch of Orange Internet & TV. The operator is thus the first and only company in Belgium to commercially exploit the opening up of the cable networks by the regulator.

Wholesale: Agreement with Telenet

Telenet's acquisition of the mobile operator Base in early 2016 created uncertainty about the current MVNO contract between Orange Belgium and Telenet. The latter effectively offers its fixed connectivity customers mobile phone services via the Orange network.

Both operators managed to reach an agreement in May 2016, stipulating that Telenet's mobile customers could continue to use Orange Belgium's premium mobile voice and data network until the end of 2018. Telenet agreed to a minimum payment of €150 million over the 3-year period 2016-2018. Thanks to this contract termination agreement, all unresolved legal disputes between the 2 companies are now deemed settled.

Concluding a cycle of decisions and regulations on the opening of the cable networks which commenced in 2013, a decision on the method of calculating retail prices was made in February 2016. Whilst not ideal, this so-called "retail minus" model (calculated on the basis of the retail price of competitors' fixed services, minus certain costs avoided by the operator) was deemed sufficient by Orange Belgium to launch commercial services. The operator nevertheless continues to plead for the fairer "cost plus" model, based on investments and the true exploitation cost of the cable networks.

Now reduced from 4 to 3, the operators active in Belgium are henceforth all convergent.

"Pylon Tax" Lifted

In 2016, the Walloon Region signed an agreement with the telecoms operators: the Walloon Region undertook to lift taxes on mobile phone masts (the so-called "pylon tax") also putting in place a legal, regulatory and administrative framework aimed at facilitating their deployment. The parties also settled a pending fiscal dispute and agreed on the operators making additional investments in the digital economy, including improvement of telecoms infrastructures.

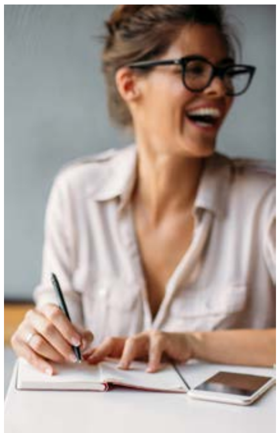
Registration of prepaid card users

As part of measures to combat terrorism, all mobile phone operators are now obliged to ensure that customers purchasing a prepaid card are registered. Ahead of the game on this issue, Orange Belgium has made this a requirement for its customers since 16 December 2016.

Operators are anticipating that this requirement will encourage a certain number of prepaid customers to gradually go over to postpaid mobile phone subscriptions

Cybersecurity coalition

Throughout 2016, CybersecurityCoalition.be (founded in 2015) successfully ran awareness-raising and experience-sharing campaigns to help counter cybercrime in all its forms. The coalition covers over fifty public and private entities, including the main telecoms operators.



50%
of Belgians use their smartphone more often than their landline to make phone calls and to send business emails

Coming in 2017

> "Roam like at home" will be effective from summer 2017, meaning that mobile operators may no longer impose roaming charges on communications (voice calls, text messages and data) whilst travelling within the European Union. So long as these communications fall within the bounds of "fair use", they will therefore be billed at national rates.

> Following a consultation due to begin in the first half of 2017, Federal and EC regulators meeting at the Conference of Electronic Communications Sector Regulators (CRC) will present the new conclusions on the Belgian fixed telecoms situation and the possible dominant market forces. This exercise will help determine the technical and financial factors which will set wholesale prices for access to fixed networks, both for the traditional copper-wire network operators as well as the cable operators. This new framework will also be of major significance for the future deployment of fibre optic networks.

> The new Easy Switch regulation, approved by Belgian Royal Decree, is due to enter into force on 1 July 2017. Its purpose is to make changing service providers for fixed line telephony, internet and TV into a simple one-step process, avoiding any periods of double billing.

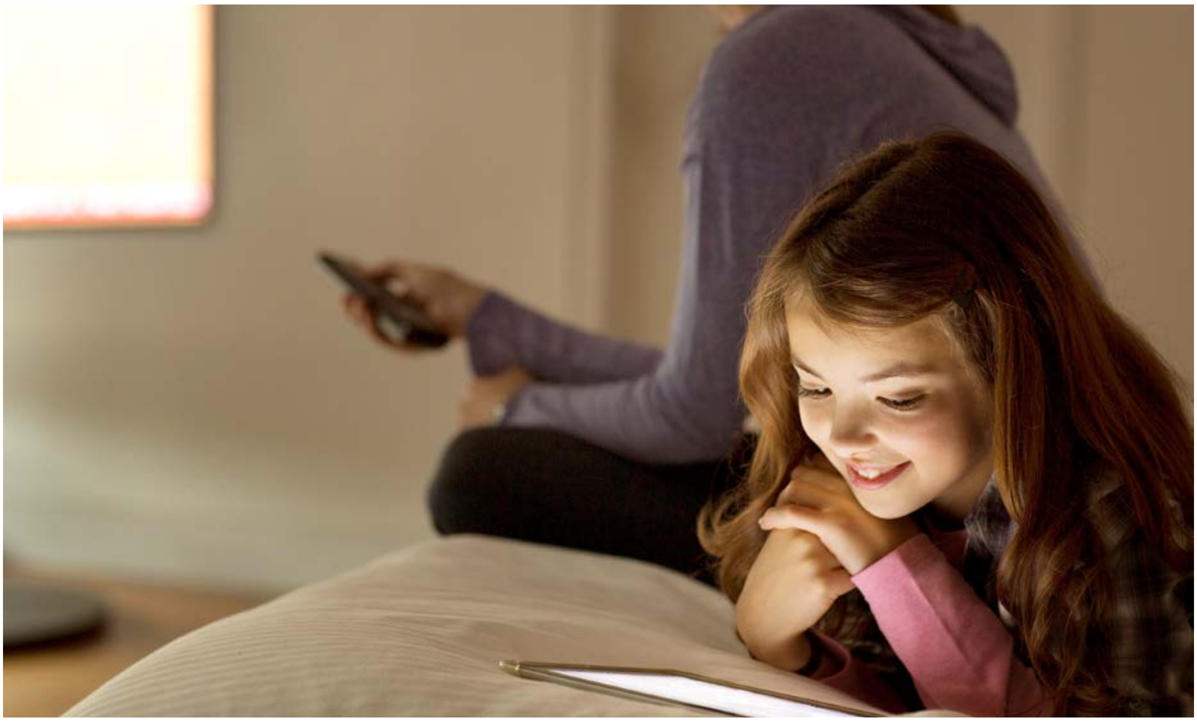
> The European Commission will continue this year with a complete revision of the telecoms regulatory framework, in the light of new convergent practices and the emergence of new "over the top" operators, who bypass the traditional network operators.

> The government will be called to begin creating a legal framework for allocating and renewing spectrum licences for mobile services (900 MHz, 1800 MHz, 2.1 GHz, 700 MHz) amongst others in order to set up and promote the development of 5G mobile services.

4G

53%
of mobile phones are already on the 4G network

Quality Convergent Offers at a Fair Price



The introduction of the Orange brand in 2016 saw the launch of the TV + Internet offer, along with new mobile portfolio. Orange made quite a splash with its entry onto the convergence market.

New

The highly popular Orange shop phone charging service

A Competitive Convergent Offering

Delivering great value for money. As the market's main mobile challenger mobile, this has been the company's guiding principle for many years, and continues to apply to both fixed line and digital television services. As of May 2016, the competitive Orange Internet + TV offering has been available to the majority of Belgians, giving them the option to combine it with a mobile offering.

Orange Belgium made its dramatic entrance onto the convergence market boasting an attractive range of tariffs, quality content (up to 70 channels, with some 20 in HD plus the Eleven Sports channels), high performance (min. 100 Mbits/s on all devices) and a remarkably smooth digital TV interface.

Within just a few months, over 33,000 customers had already signed up for this new offering, which is set to be further expanded in 2017 to include new content and functions.

A Successfully Implemented Rollout

Whilst there were assiduous preparations for the entry onto the convergence market, the launch of this kind offer is always a delicate operation (particularly in view of the that Orange Belgium also thereby became the first national convergent cable operator). The company was therefore extremely proud of its successful national launch and rollout, all achieved within the space of a few short months. It is no exaggeration to state that this was a tremendous challenge, given that this was the first European cable service launch of its kind. Orange Belgium successfully navigated the teething problems inherent in this new form of cooperation, dealing with cable operating companies which are effectively its competitors.

A significant number of Team Members were trained and deployed for Orange Internet + TV, to ensure rapid activation of customer accounts and to have specialist staff on hand to assist with any technical problems. Considerable effort was made to ensure optimal installation in customers' homes, and survey data indicates a very high level of customer satisfaction with the installation process. Orange installers were specifically trained to uphold the brand's stringent quality standards, both in terms of technical skills and soft skills. Orange installers never leave a customer's home without having first tested all equipment and having given a full explanation of how it works.

A Wealth of Mobile Data

Orange Belgium has updated its subscription and prepaid tariffs for the mobile telephone market in line with changing customer needs, offering a more streamlined range and increased volumes of mobile data. Over 75% of users now have a smartphone and want to access their favourite apps more frequently, which has a corresponding influence on data consumption requirements. Orange Belgium is contacting customers who might benefit from a new tariff. These "personal checkups" for subscribing customers are performed via either a personal phone call, email, or letter.

Since mid-December 2016, anyone buying a new prepaid card needs to present ID. Orange Belgium has been one of the most proactive companies in implementing this government-led initiative, designed to combat terrorism.

Early Adopters of Free Roaming

As this change of brand clearly bears out, Orange Belgium is the only truly international telecoms company operating in Belgium. With access to all the advantages of an international group such as Orange, customers have already been reaping its considerable benefits. For example, in summer 2016 the "roaming like @home" campaign meant Orange customers would no longer have to pay roaming charges within the European Union. This translated into considerable savings on holiday phone bills. This makes Orange Belgium successful proactive adopters of the free roaming policy which is to be legislatively imposed on the European Union in mid-2017.

Orange Thank You

Orange has developed and expanded its 'Orange Thank You' customer loyalty scheme.
This enables the company to fulfil customer demand for loyalty bonuses: over 1 million rewards have been distributed since the launch of the scheme in May 2014, in the form of tickets for concerts and other exclusive events or cinema tickets, through the company's partnership with the Kinopolis group.

In June 2016, over 1500 customers took up the offer of VIP tickets to one of the Euro football matches in France, through Orange's key sponsorship of the event.

By the end of 2016, the vast majority of the company's customers had received at least one reward for their loyalty. Orange Belgium intends to maintain the upward trajectory of this positive initiative throughout 2017, firmly committed to continuing to surprise its customers with the offer of unique experiences.

Customer Satisfaction on the Increase

Despite a number of major changes, impacting considerably on many internal customer communications processes, Orange Belgium has managed to improve its overall levels of customer satisfaction. Customer satisfaction levels with their new Internet + TV-related services were extremely positive.

These positive results were confirmed by the Belgian Institute for Postal services and Telecommunications (IBPT): Orange offers the best customer service of any major mobile operator.

Moreover, customer satisfaction at Orange shops has increased. Their new mobile phone charging services, using a system of secure, PIN-protected lockers, has been a great hit with customers.

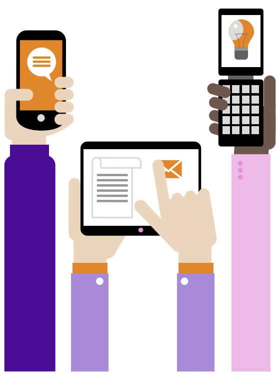
One of Orange Belgium's key priorities for 2017 is to ensure a unique customer experience at every level throughout the company.

Bringing the Digital Revolution to the High Street

Through the Orange brand, the company has already started offering new and innovative products. Orange shops are now offering such items as virtual reality headsets, smart watches and other wearable devices and a whole range of connected objects (humidity detectors, GPS trackers for children, surveillance cameras, etc.) making the digital revolution available to all. This product range will continue to expand throughout 2017, enabling all customers to enhance their daily lives by building their own network of handy digital tools.

1.500
the number of customers offered VIP tickets to a Euro football match in France

3
Orange Smart Stores opened in 2016 (2 in Brussels and Ostende)



A new range of innovative products for digital living

A Partner That Adapts to its Customers' Needs

Businesses need to be able to count on a telecoms partner that listens to them. They increasingly expect their telecoms provider to provide them with solutions which keep pace with evolving market conditions. More specifically, connected objects and Big Data are generating new opportunities.

825,000
M2M SIM cards

In a fiercely competitive business market, Orange Belgium has succeeded in retaining the loyalty of its biggest customers whilst also attracting major new ones. The launch of a new range of fixed connectivity solutions at the end of 2015 resulted in a marked increase in sales.

Although fixed and mobile connectivity is increasingly becoming a "utility", it is also paradoxically becoming increasingly business-critical. Companies expect their telecoms operator to be unfailingly reliable in supplying the networks which support their business operations.

Smart Cities

Orange Belgium is proud to be putting its telecoms expertise to work building the most intelligent, best organised cities with efficient transport systems and services. The company is also a stakeholder in the Antwerp City of Things project, which aims to make the city of Antwerp a model city in terms of its trailblazing use of the Internet of Things for the benefit of its citizens and businesses. This ambitious project is a result of collaboration between the City of Antwerp, the Flanders Region and the IMEC Centre for Technology Research.

From this perspective, Orange Belgium has chosen to listen to their customers and react swiftly to their needs. In other words, the company is taking great care over the quality of its service.

More specifically, in 2016 Orange completed its portfolio of convergent connectivity solutions. Alongside its leading position on the mobile network market, the company is working in partnership for VDSL and fibre services.

The preferred partner of ICT integrators and experts

In 2016, Orange Belgium supported many of their business customers in migrating towards more agile and adaptable solutions. To ensure it is offering the best possible solution for their individual IT requirements, Orange Belgium has elected to develop an ecosystem of specialist partners.

With regard to international connectivity, the business is able to call on the expertise of the Orange Group, which has a wide portfolio of fixed and mobile solutions to meet its international customers' individual needs.

An Open Partnership Strategy

Businesses have increasingly complex and specific requirements. To ensure it is as responsive as possible to new ICT demands, Orange Belgium has firmly opted for an open innovation strategy based on a number of specialist local partners, as well as expertise within the Orange Group such as Orange Applications for Business and Orange Cyberdefence.

A key customer concern is migrating from ISDN lines to SIP protocol, which is more open and better enables the use of a variety of applications such as instant messaging, video calls, virtual reality, etc. Orange provides SIP connectivity and works closely with Belgium's major PABX suppliers.

Customers looking to replace their traditional PABX with a unified communications solution (e.g. voice, mail and data) and/or integrate their fixed and mobile telephony can choose from a wide range of integration solutions.

For all other IT needs, those relating for example to the use of collaborative tools or individual security solutions, we are working on an open and constructive basis with experts in the field. Customers are therefore able to choose the cutting-edge solution which best matches their individual requirements.

The Internet of Things Boom

Orange has also seen an explosion in demand on the connected objects market, which has translated into a two-figure increase in sales. What was more recently termed the M2M (machine-to-machine) market, now known as the Internet of Things (IoT), is experiencing exponential growth.

Capitalising on its M2M expertise, the company further extended its sphere of activity in 2016 through a number of IoT projects. 80% of these complex and ambitious projects are carried out in association with specialist partners in the connected objects field, and are often for very specific functions such as 'track & trace' and mobile payments.

Orange Belgium is acknowledged to be the best M2M operator within the Orange Group, boasting an extensive international client base.

Whilst most of our IoT solutions worked with 2G up to 2014, we have seen a rise in the number of 4G-compatible solutions over the last few years, video surveillance applications in particular. These 4G applications now represent a significant proportion of our IoT-related income.

Expanding LPWAs

The deployment of Low-Power Wide Area networks, designed specifically for the IOT, should be another growth catalyst. These LPWA networks enable devices to be connected at a lower cost, with better indoor coverage and longer running times. To this end, Orange Belgium has decided to launch two technologies based on international standards: LTE-M and Narrowband IoT (NB-IoT), which exploit the existing capacity of LTE (4G) networks.

Orange Belgium's market-leading position in this area is inextricably linked to the fact that all of its IoT experts, including all commercial, technical and customer support staff, are all located in the same dedicated business unit, which offers support 24 hours a day, 7 days a week. Moreover, the company has invested in a dedicated IoT infrastructure, to which all existing customers migrated in 2016.

Big Data in Action

Managing mountains of data every day, Orange Belgium has proven the value of its data networks through a number of different practical applications both in the public and private sectors.

To this end, we are working with key partners in the data analysis sector. Working with Cropland for example, a start-up which specialises in data analysis, Orange has developed a crowd monitoring application for the City of Antwerp, which helps the public order authorities manage major public events more effectively.

Using anonymized data from its telecoms network, the company has also provided data on logistical flows of heavy goods vehicles for the Directorate General for Roads (*Direction générale des routes*) of the Walloon Public Service and a traffic flow study for the Pairi Daiza zoo. This project won the Agoria Smart Cities Award 2017.

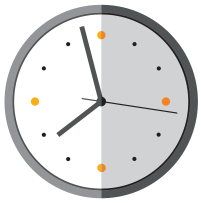
2017 priorities

One of its major priorities for the forthcoming months is Orange Belgium's plan to increase the visibility of its convergent offering for business. This change should be boosted by the adoption of the Orange convergent brand.

More generally, the international support of the Orange Group, both in terms of technological expertise and implementation capacity, is to be more keenly emphasised in business value propositions, particularly to major multinationals.

In 2017, Orange Belgium intends to invest more in developing its ecosystem of innovative partners, looking to create equitable win-win situations for all parties.

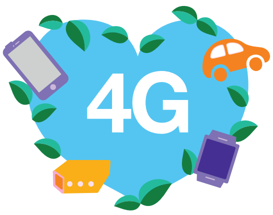
80%
IoT projects achieved in partnership



24h/24
Support

An Increasingly Powerful Network

In the space of a year, the volume of 4G traffic on the Orange Belgium mobile network went from 50 to 80%, exceeding that of 3G. This expansion of mobile broadband was made possible by the ongoing commitment of long-term investments in both network coverage and capacity.



80%
Share of 4G traffic

A Noticeable Improvement

Orange Belgium has continued investing in the quality of its infrastructure to improve both the actual and perceived quality of its mobile network.

In 2016, the continued drive towards ultra high-speed broadband continued through deployment of the 4G network, taking national coverage to over 99,9% by the end of 2016. 4G coverage is now more or less equivalent to that of the 2G network. Customers are benefiting from this for their connectivity requirements: at the beginning of 2016, the Orange mobile network traffic was split roughly 50-50 between 3G and 4G traffic. By the end of the year, 4G communications accounted for 80%.

Network optimisations and deployment in the 800 MHz frequency spectrum have considerably improved customers' indoor network coverage quality.

During the summer of 2016, Orange Belgium was able to showcase its excellent 4G network coverage at some of the biggest festivals, successfully using the 2600 MHz frequency band for the first time to improve its network capacity at such events.

4G+ and 4.5G

Meanwhile, Orange's 4G+ network, which offers speeds up to 4x faster, is also gathering momentum. It already has outdoor coverage of around 54%. Thanks to better coordination of radio frequencies (upstream and downstream traffic) and better traffic congestion management, Orange has managed to leverage improvements in 4G+ to make a noticeable difference to all users, not just those with 4G+-compatible devices.

At the same time, the company has also been carrying out 4.5G configuration tests which offer download speeds up to 8 times higher than the 4G network by ensuring optimal coordination of three frequency bands. In 2017, Orange Belgium will continue its deployment of sustainable 4.5G configurations.

Meeting the Internet & TV Challenge

Orange entered the fixed Internet and digital TV market by commercially exploiting the regulated opening of the cable networks. The infrastructure relies on the cable operators. In order to be able to offer this service, Orange had to create an infrastructure to manage access rights for Internet and TV channel content, which required considerable work to align processes, and the support of a solid IT team.

Increased Capacity

To ensure the smooth increase of the total mobile network capacity of 70% for the year (an impressive increase given demand for mobile data), Orange has considerably increased the performance capacity of various links in its network infrastructure. This operation to increase load capacity is being implemented at a number of levels:

At cell level, capacity is being increased by software updates and the activation of new frequency bands for potentially overloaded cells. In 2016, considerable deployment of carrier aggregation software on both 800 and 1800 MHz frequency bands has led to improved service for customers. Around 50% of the Orange network now benefits from this technology, which combines the better coverage of the 800 Mhz band with the speed of the 1800 Mhz band. This provides the winning combination of coverage and speed.

A Stronger, Simpler Core Network

At core network level, the company has extended its software and hardware capacities, and simplified the technologies used. Generally speaking, the company is vigilant about not accumulating technology layers and keeping its cost structure under control.

The backhaul network (aka the intermediary network) which provides communications between the core network and the base stations has also benefited from ongoing optimisation work, particularly fibre-optic installation to support the ever-increasing bandwidths.

All these investments in the future of the network guarantee an infrastructure which can meet the demands of future generations.

Meticulous Work in Key Areas

Orange Belgium has been carrying out painstaking work to ensure network quality is optimised in a targeted fashion, focusing particularly on geographical areas of increasing user data demand. One notable exercise has been the targeting of commuters who, stuck in tunnels, want to be able to make the best use of their time. Great efforts have been made to clearly improve the quality of the Orange network along the main arterial road and rail routes, including the underground network.

It is now possible to stream films via 4G (for passengers, obviously) along most of Belgium's major motorway routes.

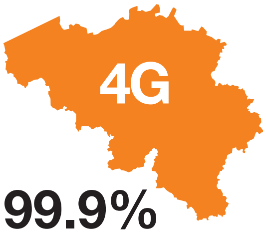
Main Areas of Focus for 2017

> Orange will pursue its optimisation of the mobile broadband networks, paying particular attention to increasing the perceived quality of "deep indoor" coverage.

> The company is also keen to maintain its leading edge when it comes to crystal clear, high definition quality voice calls.

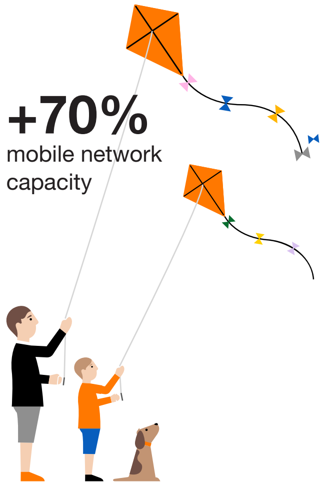
> Throughout 2017, Orange will launch NB-IoT and 4M technologies, based on the existing 4G network.

> With regard to 5G (the future of ultra high-speed broadband in the medium term) the operator is waiting to see which standards will emerge before committing to concrete plans. 2017 should bring greater visibility regarding standards to be adopted at industrial level.



99.9%
The quality of the Orange mobile network coverage has been clearly confirmed by the IBPT (Belgian Institute for Postal services and Telecommunications)

+70%
mobile network capacity



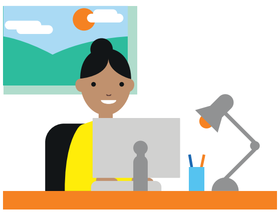
Strength in Adversity

This is the kind of situation no-one wanted to have to put to the test. At the time of the terror attacks on Brussels on 22nd March, the Orange network proved its resilience in the event of a massive usage surge.

Migrating B2B Fixed Networks

Orange Belgium is also keen to clarify and rationalise its offering of fixed telecoms infrastructures for business. Following the scheduled termination of the Proximus unbundling on the ADSL network, the operator is offering its customers three migration options: to its partner EDPnet for fixed networks, to the new Proximus access offering, or to the cable network.

Change – also in terms of company culture



39 years
the average age of Orange Belgium employees

The adoption of the Orange brand was not merely a commercial operation, it was also an opportunity to help corporate culture to evolve, along with the staff, by going back to basics. Consequently, employee satisfaction levels have increased.

A Renewed Sense of Belonging

2016 will go down in history as an exceptional year for Orange Belgium's 1446 employees. The Mobistar page was turned respectfully – a modest in-house museum chronicles the best moments in this Belgian success story – but without exaggerated nostalgia. The change was adopted swiftly, both operationally and in terms of business culture. This new élan has also made staff more proud to work for a company now active on the FMC market, with the backing of a leading multinational group.

The move to Orange goes hand-in-hand with a mission to go back to basics and look at what makes people want to work for a company, starting with the implementation of 6 Principles of Action principles (see below) that replaced the 'values', which were also affected by the new corporate identity.

Co-creation

These changes, specifically the formation of teams under the Orange brand and its numerous repercussions, were not imposed by management (top-down) but were implemented together with the staff through a process of co-creation. Some 120 people volunteered to be involved in this transition process, which involved training, gamification and reporting processes. Of this group, 20 people were chosen to become ambassadors for these Action Principles, which will create durable guidelines that go way beyond a simple name change.

Streamlined Staff Training

This back to basics mission also applies to training. The revision of staff training programmes started in 2016 and this process will be intensified in 2017 in order to meet the competency needs that staff and management themselves have formulated. The aim is to implement a more mentoring-based approach, which encourages staff to play a more active role in their professional development. The traditional group-based training format will still exist, but greater emphasis will be placed on digital training (e.g. e-learning and information-sharing via the company intranet) as well as peer-to-peer training. Reverse mentoring, whereby younger staff train more senior staff, is actively encouraged.

A Digital and Human Employer

Beginning in 2017, Orange Belgium will be working towards its Essentials2020 vision, shared across the group: working for Orange brings the promise of a unique, digital and human experience, on a par with the experience the company aims to give its customers. Technology will be at the heart of the processes of interaction, in the form of digital tools used to enhance a collective agility that hinges on the contributions of every staff member.

Action will be taken to put these promises into practice, whether this be the signing of agreements or charters, the implementation of new tools, changing working practices, improving the work environment or adopting more cooperative ways of working.

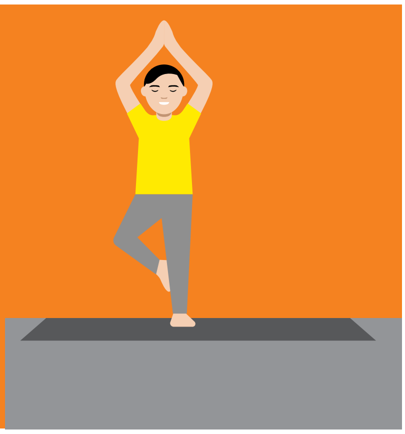
The Human Resources Department will be a driving force in promoting the digitization of internal processes by offering more administrative processes on a “self-service” basis. These new initiatives will be intensively promoted across the company to motivate staff to adopt the new working methods with the aim of boosting efficiency and flexibility.

A Major Recruitment Campaign for Orange Internet & TV

In terms of human resources, Orange’s entry onto the fixed-mobile convergence market also entailed a major recruitment and training drive. Staff numbers remain stable overall, with old positions evolving into new jobs.

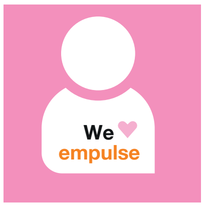
Well-being

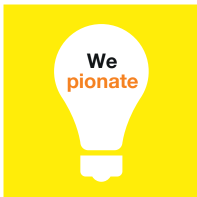
Over the last few years, Orange Belgium has been implementing a psychosocial risk prevention plan. It is updated and improved each year. The company has various initiatives aimed at improving well-being at work and combating stress, including stress management coaching, sports classes, advice on sleep and nutrition, etc.



6 Principles of Actions

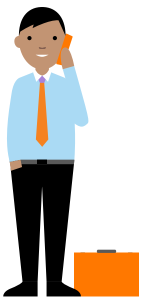
The Principles of Actions help the team members to live the Orange promise.



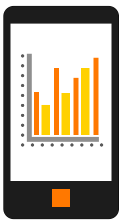


Onwards and Upwards for Orange Luxembourg

In a highly competitive local market, Orange Belgium's Luxembourg subsidiary has increased its market share of both business and personal customers.



163
number of staff employed by Orange Communications Luxembourg



x5
increase in mobile internet traffic on the 4G/4G+ Orange network in the space of 30 months

Enhanced Residential Offerings

In the residential sector, Orange Luxembourg continued to reap the benefits of a new commercial drive. Its goal of increasing its market share in the face of tough competition has been achieved. Its subscribing (postpaid) customer base has increased accordingly.

In September, the operator brought out a new range of tariffs (Light, Plus Elite and Ultimate) which offer attractive pricing structures whilst including an increased number of services as standard. The most exacting customers can now benefit from services such as Orange Tranquillité (smartphone repair and replacement in the case of loss or theft), Orange Wednesdays (buy-one-get-one-free on cinema tickets every Wednesday) and Orange Cloud storage services. Just as in Belgium, the iCoyote mobile navigation service is automatically included for free in certain packages. Our insurance services have also been a great success with customers wanting to insure their latest-generation smartphones.

Convergence Continues Apace

Orange Luxembourg has renewed its partnership with the fixed operator Eltrona to further expand its convergent offer consisting of television, mobile phone services, broadband and fixed telephony. Thanks to a further partnership with Luxembourg Online, the convergent offer is also available in IP. 95% of the territory is now eligible for these services. This has therefore enabled the company to consolidate its market share. The convergent offering has also benefited from a considerable upgrade in connection speeds for cable, internet and digital TV content. As in Belgium, Orange Luxembourg is a hit with sports fans as it offers subscribers free access to the sports channels Eleven and Eleven Sports.

Loyal Companies

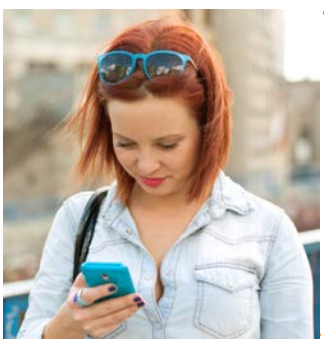
The operator has shown impressive growth in its client base on the business market, particularly for the second half of the year. As well as attracting new customers, Orange is also pleased to have renewed its contracts with major companies such as Arcelor Mittal and Crédit Agricole Indosuez.

An increasing number of SMEs are now taking up the Orange Luxembourg convergent offering. One of the year's top launches was Orange Cloud Phone, a cloud-based virtual PABX solution specifically designed for SMEs, in collaboration with fixed service provider Luxembourg Online.

Loyalty Rewarded

The Orange Sponsors You loyalty campaign was enhanced and expanded in 2016. As a Euro 2016 sponsor, the company capitalised on the momentum of this major sporting event to boost its commercial and marketing offer and inviting its customers to exclusive events.

Orange also continues to support cinema in Luxembourg through its sponsorship of such events as the Luxembourg City Film Festival, the British and Irish Film Festival and the City Open Air Cinema with Orange.



Orange is Officially Best Mobile Network in Luxembourg

In November 2016, results of testing carried out by the independent benchmarking and testing organisation, Systemics-PAB, revealed that of the three mobile companies operating in Luxembourg, Orange Luxembourg provided the best quality mobile services. Tests also showed that Orange dealt seamlessly with a fivefold increase of mobile internet traffic within the space of 30 months, taking growth to over 90 Terabytes per week on the Orange 4G/4G+ network.

The 4G coverage rate is now over 90% and for 4G+ has reached 75%. Orange is continuing to make investments to maintain its leading position on the mobile network market.

In-Depth Work in Three Key Areas

Orange Belgium has been carrying out vital work to improve its environmental, social and economic balance sheets, to the maximum benefit of all stakeholders. It continues to implement its ongoing Corporate Social Responsibility (CSR) work, focusing on the following key areas:

A Carbon-Neutral Company

As of 2014, all of Orange Belgium's business activities have been carbon neutral. Its irreducible carbon emissions are offset by environmental schemes to improve the quality of life for vulnerable groups, principally in Africa.

Listening to Employees' Needs and Well-Being

Employee satisfaction is one of the company's major strategic priorities. For some years now, team members have been specially trained to act as trusted confidants for their colleagues, able to listen to any problems they may have and assume a mediation role where appropriate

Grassroots initiatives to combat stress and prevent burnout are bearing fruit.

In the same vein, the company is also keen to provide a working environment which ensures a good work–life balance. There are regular initiatives to promote healthy minds and bodies: lunch time sports classes, free fruit at work, subsidizing the cost of smoking cessation treatment, flu vaccinations, etc.

The move to Orange went hand-in-hand with the implementation of 6 very practical Principles of Action, replacing the former company "Values" (see HR section).

Working for Social Inclusion

It is incumbent upon Orange Belgium to ensure an impeccable service for its customers, including those with disabilities, by offering high-quality and reliable goods and services in which customers can trust. This also requires ongoing vigilance with regard to data protection and child protection in relation to certain content. As such, Orange Belgium is proud to be working with Child Focus.

The company is also proud to have been working over the last 13 years with the non-profit organisation Close The Gap, which collects pre-owned computer hardware to help humanitarian and educational programs in developing countries.

And in 2017…

As part of its overall mission to connect people, Orange Belgium is an active contributor to be<\code>. Through BeCode, Orange is playing an active role in supporting those who want to be part of our society's digital revolution by helping them access the digital skills they need. The be<\code> project was introduced in early 2017.

www.becode.org

As of 2014, all of Orange Belgium's business activities have been carbon neutral

Orange Belgium's relation with the investor and analyst community

Orange Belgium Investor Relations team aims to create a trustful and long-standing relationship with the financial markets and all its participants by being a reliable and timely source of relevant financial and strategic information about the company, its performance and the market it operates in. In doing so the IR-team plays an important role in assisting both investors and management in their decision-making.

The Orange Belgium share and share price evolution in 2016

Orange Belgium's shares (ISIN: BE0003735496) are listed on Compartment A of Euronext Brussels. Compartment A comprises the listed companies with a market capitalization above 1 billion euros. On May 9, 2016 the name and ticker on the stock exchange have changed from Mobistar/MOBB into Orange Belgium/OBEL (the ISIN code has remained unchanged). The first quotation of Orange Belgium took place together with a "Bell Ceremony" upon initiative of Euronext in Brussels with the opening of the financial markets.

In a year marked by political instability and upheaval, global stocks were up on signs of improving U.S. economic growth and aggressive central bank stimulus measures around the world.

European stocks ended 2016 at almost the same level at which they started the year. The Stoxx Europe 600, a benchmark of major companies across the continent, was down 1.2 % year-on-year. The year 2016 was characterized by plenty of volatility following a series of tragic events in Europe and the concerns about EU stability and the potential for an economic downturn following the decision of British voters to leave the European Union. However, despite these events the European markets staged a strong bounce-back rally in the final few days of the year, partly supported by the continuation of the European Central Bank's stimulus program.

The telecoms sector was the worst performing sector in Europe in 2016. The Stoxx Europe 600 Telecommunications index fell by 15.8 % year-on-year. The sector fundamentals continued to improve in 2016 with the recovery of mobile service revenues and the stabilization of fixed service revenues. Though the simple consolidation theme, which attracted new investors to the telecommunication sector over 2013-15, faded as regulators blocked or challenged deals and highly anticipated deals fell apart.

Key figures (in €)	2016	2015	2014	2013	2012	2011	2010	2009
Number of shares end of year	60,014,414	60,014,414	60,014,414	60,014,414	60,014,414	60,014,414	60,014,414	60,014,414
Number of shares free float end of year	28,261,314	28,261,314	28,261,314	28,261,314	28,261,314	28,261,314	28,261,314	28,261,314
Stock market capitalisation end of year	1,191,586,190	1,340,121,865	1,176,582,586	828,198,913	1,163,679,487	2,385,572,957	2,911,299,223	2,874,390,359

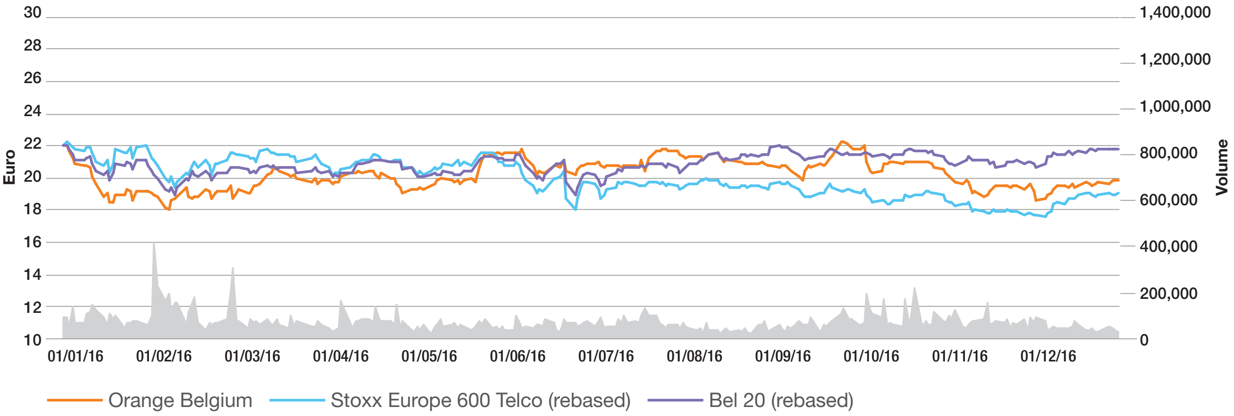
Brussels Stock Exchange data								
Highest price	22.33	22.54	20.20	21.47	39.71	53.33	49.20	59.00
Lowest price	18.00	15.50	11.35	10.25	18.70	37.73	39.51	41.19
Price end of year	19.86	22.33	19.61	13.80	19.39	39.75	48.51	47.90
Total volume for the period*	19,357,147	33,421,814	33,101,429	42,740,595	44,150,505	45,717,610	42,058,634	53,685,388
Average daily trading volume*	75,057	130,090	130,015	166,955	172,463	177,890	163,018	209,709
Turnover of free float/year	0.69	1.18	1.17	1.51	1.56	1.62	1.49	1.90

* number of shares

Orange Belgium's share price declined by 11.1 % year-on-year in 2016, after an increase of 42 % and 14 % in 2014 and 2015, respectively. After three years of outperforming the overall sector index, the share price performance of Orange Belgium in 2016 came out lower than the performance of the broader market. However, when compared to its European telecom peers Orange Belgium's share price performed slightly better.

Following a strong rally at the end of 2015, Orange Belgium's share price traded down from 22.0 euros at the beginning of 2016 to 18.0 euros on February 9, 2016, reaching its lowest level of 2016. This initial period was marked with uncertainty on the qualitative pricing of the wholesale cable regulation. However, mid-February, the Belgian regulator BIPT published its final conclusions, allowing Orange Belgium to proceed with its convergent Orange Internet + TV offer, which was unveiled early March 2016. Soon thereafter, the decision was communicated to rebrand Mobistar into Orange Belgium. On the back of this commercial news flow the Orange Belgium share price recovered quickly over the following months, further supported by encouraging first quarter results and the signing of the agreement on the termination of the MVNO contract with Telenet, securing a minimum payment of 150 million euros. While the returns of the Stoxx Europe 600 Telecommunications index started to fall in June 2016 following the break-up of the merger talks in France, Orange Belgium's share price continued to trade sideward until October, as the progressive communication on the Orange Belgium rebranding and the nationwide launch of the convergent Orange Internet + TV offer created a positive dynamic. On September 26, the share price reached its highest level in 2016, however unjustified doubts on the robustness of the mobile pricing environment in Belgium caused Orange Belgium's share price to retreat in the last months of 2016.

Orange Belgium vs. STOXX Europe 600 Telecommunications vs BEL 20



Shareholders' structure

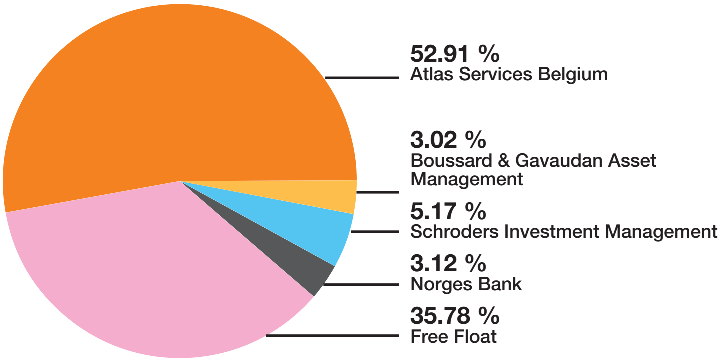
Orange Belgium's shareholders' structure in terms of institutional holding by region and style remained balanced in 2016. The Orange Group, indirectly via its 100 % subsidiary Atlas Services Belgium, remained the largest shareholder with a stake of 52.91 %. The majority of the remaining Orange Belgium shares are held by investors from the UK, followed by investors from Continental Europe (excl. Belgium), North America, Belgium and the rest of the world. In 2016 investors from the UK and the rest of the world reduced their position in favor of investors based in North America. Orange Belgium's shareholder base remains largely characterized by value-oriented investors. This is followed by growth investors holding. Yield based investors are not well presented in Orange Belgium's investor base. Low and medium turnover investors are the two largest groups within the institutional investor base, which is a positive signal for Orange Belgium's stock as these investors provide stability with average holding periods of 4+ years and 2-4 years, respectively. Ownership by very active turnover investors, typically holding on to their Orange Belgium shares for 1-2 years and less than a year increased in this reporting period.

According to Orange Belgium's bylaws, an increase above (or decrease below) the following thresholds requires a declaration to Orange Belgium on anske.deporre@orange.com and the Financial Services and Markets Authority (FSMA) on trp.fin@fsma.be:

- 3 % statutory threshold, as set out by the articles of association of the Company;
- 5 % or each multiple of 5 %, as set out by the Belgian law.

Orange S.A. (previously named 'France Télécom'), holds via its 100 % subsidiary Atlas Services Belgium S.A., 31,753,100 shares, representing 52.91 % of the total share capital of Orange Belgium S.A. The number of shares held by Orange (France Télécom) has not changed since 2009.

Shareholders' structure



On 9 May 2014, Orange Belgium received a transparency declaration from Boussard & Gavaudan, stating that, as of 18 April 2014, Boussard & Gavaudan Asset Management LP holds 1,810,714 shares, representing 3.02 % of the total share capital of the Company.

On 19 January 2015, Orange Belgium received a transparency declaration from Schroders Plc, stating that, as of 15 January 2015, Schroders Investment Management holds 3,105,040 shares, representing 5.17 % of the total share capital of the Company.

On 26 August 2015, Orange Belgium received a transparency declaration from Prudential Plc, stating that, as of 21 August 2015, M&G Investment Management holds 1,801,397 shares, representing 3 % of the total share capital of the Company. On 9 August 2016, Orange Belgium received a transparency declaration from Prudential Plc, stating that, as of 5 August 2016, M&G Investment Management Ltd holds 1,790,456 shares, representing 2.98 % of the total share capital of the Company.

On 3 August 2016, Orange Belgium received a transparency declaration from Norges Bank (the Central Bank of Norway), stating that, as of 2 August 2016, Norges Bank holds 1,821,290 shares, representing 3.03 % of the total share capital of the Company. On 23 August 2016, Orange Belgium received a second transparency declaration from Norges Bank (the Central Bank of Norway), stating that, as of 19 August 2016, Norges Bank holds 1,793,762 shares, representing 2.99 % of the total share capital of the Company. Finally, on 23 August 2016, Orange Belgium received a third transparency declaration from Norges Bank (the Central Bank of Norway), stating that, as of 22 August 2016, Norges Bank holds 1,872,617 shares, representing 3.12 % of the total share capital of the Company.

To Orange Belgium's knowledge, no other shareholder owned 3 % or more of Orange Belgium's outstanding shares as at 31 December 2016.

Shareholder remuneration

Orange Belgium aims to balance the appropriate cash returns to equity holders with the requirement of maintaining a balanced and sound financial position, while leaving sufficient leeway to continue to invest in its convergent strategy and the build out of its network.

Accordingly the Board of Directors will propose the Annual General Meeting of Shareholders on 3 May 2017 to distribute a gross ordinary dividend for the financial year 2016 of 0.50 euro per share. If approved, the payment of the gross ordinary dividend of 0.50 euro will be done on 17 May 2017 (ex-dividend date 15 May 2017; record date 16 May 2017).

Liquidity contract

On July 31, 2014 Orange Belgium announced that from August 1, 2014 onwards, it has entered into a liquidity contract with a financial institution and provided them with the mandate to trade the Orange Belgium shares on a strictly discretionary basis on behalf and for account of Orange Belgium. Those transactions are executed on the central book orders of the regulated market of Euronext Brussels. The purpose of this contract is to foster regular and liquid trading. The trading of own shares was authorized by the ordinary Annual General Meeting of shareholders of Orange Belgium on May 7, 2014. In the framework of this liquidity contract Orange Belgium held 14,069 treasury shares on December 30, 2016.

Investor Relations

The aim of Orange Belgium's Investor Relations team is to create a trustful relationship with the financial markets by being a reliable source and provide relevant information that assists both investors and management in their decision-making.

In order to realize this objective, Orange Belgium's Investor Relations team has developed a year round communication program, entailing:

> formal presentations of the quarterly and full year results that can be followed live, through a webcast and/or via audio conference calls;

> regular investor meetings in Europe (Brussels, London, Paris, Zurich, Amsterdam, Milan, Madrid, Dublin, Nice and Luxembourg), the UK, the US and Canada, between institutional investors and analysts, and Orange Belgium's Chief Executive, Chief Financial Officer and Investor Relations Director to discuss the results and outlook of Orange Belgium's business performance. Orange Belgium's management and investor relations team met more than 218 investors in one-to-one meetings and group meetings, spending in total 27 days to roadshows and industry conferences in 11 different countries.

> hosting reversed roadshows and analyst visits at which senior management is present;

> responding to enquiries from shareholders and analysts through our Investor Relations team; and https://corporate.orange.be/en/financial-information which is a section on our website dedicated to shareholders and analysts. The Investor Relations team in cooperation with the Corporate Communication team prepares the annual report that is presented in the framework of the Annual General Meeting.

For the third year in a row Orange Belgium's Investor Relations efforts have been rewarded as Orange Belgium was elected as Winner of the Extel 2016 IR Awards for Belgium in the category "Best Corporate on IR" Mid- & Small caps. Orange Belgium's Director of Investor Relations Siddy Jobe was also elected as for the third year in a row as winner for Belgium in the category "Best IR Professional" Mid- & Small caps.

Investor Relations

T. +32 (0)2 745 80 92
E ir@orange.be

Analyst Coverage

The number of brokerage firms that have actively published equity research notes on Orange Belgium stood at 21 and shows a good mix of local and international analyst coverage. Each quarter the analysts are polled for the estimates, providing the company with a detailed overview of the market expectations. This consensus is made publicly available on the company website.

Financial Calendar	
09-Feb-17	Financial results Q4 2016 (7:00 am CET) – Press release
09-Feb-17	Financial results Q4 2016 (2:00 pm CET) – Audio conference call/webcast
03-Apr-17	Start quiet period
21-Apr-17	Financial results Q1 2017 (7:00 am CET) – Press release
21-Apr-17	Financial results Q1 2017 (10:00 am CET) – Audio conference call
03-May-17	Annual General Meeting of Shareholders
15 May 17	Ex-dividend date
16 May 17	Record date
17 May 17	Payment date
03-Jul-17	Start quiet period
26-Jul-17	Financial results Q2 2017 (7:00 am CET) – Press release
26-Jul-17	Financial results Q2 2017 (2:00 pm CET) – Audio conference call/webcast
02-Oct-17	Start quiet period
23-Oct-17	Financial results Q3 2017 (7:00 am CET) – Press release
23-Oct-17	Financial results Q3 2017 (10:00 am CET) – Audio conference call

Management report

The management report for the accounting period ending on December 31, 2016, consisting of pages 26 to 34, and 84 to 101 (Corporate Governance), has been prepared in accordance with Articles 96 and 119 of the Belgian Companies' Code and was approved by the Board of Directors on March 23, 2017. It covers both the consolidated accounts of the Orange Belgium Group and the statutory accounts of Orange Belgium S.A.

1. Key events 2016

2016 was a pivotal year for Orange Belgium with the successful nationwide launch of the Orange Internet + TV offer in Belgium and the rebranding of Mobistar into Orange Belgium. Following the unveiling of the Orange internet + TV offering in March 2016, Orange Belgium started commercially 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. In addition, Orange Belgium revamped all its mobile offers throughout 2016 with a clear focus on mobile data. At the end of 2016, Orange Belgium passed the threshold of 2 million smartphone users in Belgium, of which more than 1.4 million are 4G smartphone users. In May, 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. The Orange Belgium Group continued on its growth path with all key financial (mobile service revenues, adjusted EBITDA and net financial debt) and commercial indicators (postpaid ARPU and postpaid and cable customer base) showing solid progress in 2016. Following key achievements were realized in 2016:

First quarter of 2016

- Orange Belgium added Kinepolis to its loyalty program 'Orange Thank You'. Loyal customers are receiving free movie tickets and are invited for exclusive avant-premières
- The Board of Directors approved the adoption of the Orange brand in Belgium
- The wholesale cable regulation was finally adopted in Belgium
- The convergent offering Orange Internet + TV is unveiled and became available in 6 cities
- A communication campaign was launched to explain to the Belgian population that Mobistar will very shortly become Orange
- Orange Belgium's 4G leadership is confirmed in Belgium with outdoor- and indoor coverage reaching 99 % and 88 % of the population
- The average usage of Orange Belgium's smartphone users for the first time amounted to more than 1 GB per month
- Orange Belgium strengthened its offering for its SoHo customers with the launch of 3 specific Pro Pack offers
- Orange Belgium's cable team received a European Innovation Award for its innovative TV decoder solution

Second quarter of 2016

- The Orange Belgium brand was unveiled in Belgium with a magical week full of celebrations
- The name change of Mobistar into Orange Belgium on the Brussels stock exchange was celebrated with a Bell Ceremony at Euronext Brussels
- Orange Belgium and Cropland mapped out crowds of people during large-scale events in the city of Antwerp
- The Orange Internet + TV offer became available in the entire province of East Flanders and Hainaut
- As Orange was an official partner of the UEFA EURO 2016™ in France, Orange Belgium invited more than 1,000 customers to attend various matches during the championship. In addition, Orange Belgium struck an exclusive partnership deal with Kevin De Bruyne
- The first Orange Smart Store, which is all about interacting with the customer as soon as they walk into the shop, was opened in Belgium
- Orange Belgium, iMinds and Rombit started a drone project in the port of Antwerp within the European HORIZON 2020 initiative framework

- Orange Belgium and Telenet concluded the terms and conditions for the future termination of the Full MVNO Agreement. Telenet committed to a minimum payment of 150.0 million euros over the 3-year period 2016-2018
- The European regulation IV on “roaming” became effective on April 30, 2016. As a result customers can use the traffic units included in their national subscriptions also in Europe considering a small surcharge on top of the national prices
- Orange Belgium announced its Go-Europe promotion, allowing its customers to call, text and surf in the European Union throughout the summer without any extra charges
- Orange Luxembourg launched a new residential mobile portfolio and a new premium offer
- Orange Belgium added Eleven and Eleven Sports to the channel list of its Orange Internet + TV offering, thereby offering its customers access to the best of international sport and football
- Orange Belgium achieved a 4G+ population coverage of 47 % and made 4G+ available on more than 25 summer events and festivals

Third quarter of 2016

- The service barometer of the Belgian telecom regulator IBPT confirmed Orange Belgium’s excellent quality of customer service and 4G network
- Orange Belgium launched its digital and caring employer promise
- Orange Belgium announced that Jean Marc Harion, CEO of Orange Belgium, will leave his duty in Belgium and will become CEO of Orange Egypt as of September 2016
- Michaël Trabbia was appointed as the new CEO of Orange Belgium
- Orange Belgium launched its new prepaid portfolio. This new portfolio provides a clear answer to the connectivity needs of each prepaid consumer: the (uber)digitals, the low data users and the voice users
- The international prepaid offer 1617 tariff plan has been remodeled and renamed into Maghreb Mobile
- Orange Belgium became the main sponsor of the Belgian Lions, Belgian Cats and the Pro Basketball League
- A whole new executive team was installed at the head of Orange Belgium. The new structure is designed to support the company’s strategy, in which customer experience and fixed-mobile convergence are the key priorities.
- Orange Belgium renewed its distribution contract with Carrefour until 2019

Fourth quarter of 2016

- Orange Belgium launched its new simplified ‘Animal’ postpaid portfolio in order to respond to the strong customer demand for mobile data and to reduce the friction of trading up towards tariff plans of a higher value
- Orange Belgium customers drive more cautiously thanks to the iCoyote application and can now benefit from the new ‘My Stats’ feature
- Orange Belgium announced that its 4G mobile network will support the Internet of Things thanks to the nationwide implementation of new dedicated LPWA layers, based on NB-IoT and LTE-M
- Orange Belgium launched a Virtual Reality headset and application to make high-quality VR accessible for everyone
- Orange Belgium rolled out its prepaid identification process in all Orange shops and via orange.be
- Orange Belgium and its Director of Investor Relations Siddy Jobe received for the third consecutive year on a row the award for Corporate best for Investor Relations and for Best IR Professionals (Belgium Mid & Small Caps)
- Orange Belgium enriched its Orange Internet + TV offer with a mobile application that allows customers to control their TV decoder and manage their recordings, even when they’re not at home
- Orange Luxembourg was certified as the telecom operator with the best quality for mobile services in the country
- Orange Belgium opened additional Smart Stores in shopping center Docks in Brussels and in Oostende
- Orange Belgium reached an agreement in principle with the Walloon government on the issue of taxing mobile infrastructures in Wallonia

2. Comments on the consolidated accounts prepared according to IFRS standards

The scope of consolidation includes Orange Belgium S.A. (100 %), the Luxembourgian company Orange Communications Luxembourg S.A. (100 %), IRISnet S.C.R.L. (28.16 %), Smart Services Network S.A. (100 %), Walcom S.A. (100 %) and Co.Station Brussels (20 %).

Orange Communications Luxembourg S.A., a company organized and existing under the laws of Luxembourg, has been acquired as of 2 July 2007 by Orange Belgium S.A. The purchase concerned 90 % of the shares of Orange Communications Luxembourg S.A. The remaining 10 % of shares have been acquired on 12 November 2008. The company has consolidated the results of Orange Communications Luxembourg S.A. for 100 % as of 2 July 2007.

IRISnet S.C.R.L. is a company constituted in July 2012 in collaboration with the Brussels authorities in order to take over the activities performed by the temporary association Irisnet. The take-over of the activities took place on 1 November 2012. In this new legal structure, Orange Belgium has contributed in cash for 3,450,000 euros equivalent to 345,000 shares out of the 1,225,000 shares issued by the company.

Due to the deal structure, IRISnet S.C.R.L. is accounted for in the accounts using the equity method.

Smart Services Network S.A., a company organized and existing under the laws of Belgium, has been created as of 30 September 2014. Orange Belgium S.A. contributed in cash for 999,900 euros equivalent to 9,999 shares out of the 10,000 shares issued by the company. Atlas Services Belgium S.A. contributed in cash for 100 euros equivalent to 1 share.

Walcom S.A., a company organized and existing under the laws of Belgium, has been acquired as of 3 April 2015 by Orange Belgium S.A. The purchase concerned 100 % of the 1,250 shares of Walcom S.A. The company has consolidated the results of Walcom S.A. for 100 %, as of 3 April 2015.

Co.Station Brussels S.A. is a company organized and existing under the laws of Belgium. Orange Belgium has contributed in cash for 100,000 euros equivalent to 2,000 shares out of the 8,000 shares issued by the company (29 October 2015). In 2016, SD Patrimonium subscribed also in the capital, bringing the total number of shares issued to 10,000. Due to the deal structure, Co.Station Brussels is accounted for in the accounts using the equity method.

2.1 Consolidated statement of comprehensive income

Orange Belgium group's consolidated key figures	FY 2016	FY 2015	Variation
Total number of connected SIM cards (Orange Belgium S.A., Orange Communications Luxembourg S.A. and MVNO's)	5,998.7	5,819.6	+3.1 %
Consolidated turnover (mio €)	**1,241.6**	**1,235.4**	**+0.5 %**
Total service revenues (mio €)	1,093.3	1,085.9	+0.7 %
Mobile equipment sales (mio €)	121.6	128.0	-5.0 %
Adjusted EBITDA (mio €)[1]	**315.7**	**276.0**	**+14.4 %**
Adjusted EBITDA margin in % of total service revenues	28.9 %	25.4 %	
Reported EBITDA (mio €)	317.1	321.3	-1.3 %
Reported EBITDA margin in % of total service revenues	29.0 %	29.6 %	
Consolidated net profit (mio €)	**76.6**	**76.6**	**+0.0 %**
Net profit per ordinary share (€)	1.28	1.28	+0.0 %
Net investment (mio €)	167.6	193.1	-13.2 %
Net investment / Total service revenues	15.3 %	17.8 %	
Operational cash flow (mio €)	**149.4**	**128.2**	**+16.5 %**
Organic cash flow (mio €)	71.2	130.5	-45.4 %
Net financial debt (mio €)	**338.0**	**407.5**	**-17.1 %**

1. The name of EBITDA and Restated EBITDA are modified from the fourth quarter of 2016 onwards, in order to clarify our disclosures (no confusion with normative changes) and to be consistent with other groups. The nature and components of these aggregates are not modified, it is only a change of name. It means that:
   - Restated EBITDA becomes Adjusted EBITDA, and
   - EBITDA becomes Reported EBITDA, and
   - Restatements of EBITDA becomes Adjustments of EBITDA.

Revenues

The Orange Belgium Group achieved a solid financial performance with a consolidated turnover of 1,241.6 million euros in 2016, compared to 1,235.4 million euros in 2015, a growth of 0.5 % year-on-year. The impact of the EU roaming regulation amounted to 28.4 million euros in 2016. On a comparable basis, the total consolidated turnover would have increased by 2.9 % in 2016, once corrected for the regulatory EU roaming impact.

The growth in total service revenues of the Orange Belgium Group accelerated in the fourth quarter of 2016, thanks to a positive development in both mobile and fixed service revenues, resulting in a stabilization of the total service revenues in full year 2016. Total service revenues amounted to 1,093.3 million euros in 2016 compared to 1,085.9 million euros in 2015, an increase of 0.7 % year-on-year. Excluding the aforementioned regulatory impact, the total service revenues of the Orange Belgium Group would have increased by 3.4 % year-on-year in 2016, as a result of a growing ARPU trend and a higher portion of postpaid customers in the overall mix.

The consolidated mobile equipment sales of the Orange Belgium Group amounted to 121.6 million euros in 2016, compared to 128.0 million euros last year, a decrease of 5.0 % year-on-year.

Result of operating activities before depreciation and other expenses

The adjusted EBITDA of the Orange Belgium Group amounted to 315.7 million euros in 2016, compared to 276.0 million euros in 2015. The adjusted EBITDA margin amounted to 28.9 % of service revenues respectively in 2016 compared to 25.4 % in the same period a year ago.

The year-on-year comparison in the fourth quarter of 2016 has been strongly influenced by 1/ the Walloon pylon tax provision of 10.0 million euros booked in the fourth quarter of 2015, following the rectification notice received at the end of December 2015 from the Walloon tax administration; and 2/ the agreement in principle on the issue of taxing mobile infrastructures with the current Walloon government, signed in December 2016. As a result of this agreement the Orange Belgium Group reversed in the fourth quarter of 2016 the Walloon pylon tax provision for the year 2014 and 2016 for a total amount of 31.6 million euros, while at the same time recognized a settlement fee of 16.1 million euros. The net balance resulted in the fourth quarter of 2016 in a positive one-off contribution to the adjusted EBITDA of 15.5 million euros. If we would strip the adjusted EBITDA for all Walloon pylon tax related fluctuations in 2015 and 2016, both creation and reversal of provisions as well as the settlement fee, the adjusted EBITDA would have increased in 2016 by 1.1 % to 300.2 million euros, despite 28.4 million EU roaming impact.

The regulatory EU roaming impact on the adjusted EBITDA amounted to 28.4 million euros in 2016. The net impact of the EU Roaming Regulation was substantially lower. The greatest negative impact was mainly the result of lower roaming revenues from voice and SMS traffic, and to a much lesser extent from mobile data which benefitted from a higher usage. Revenues from roaming visitors evolved positively as a result of the positive demand elasticity of visitors in Belgium.

In 2016, the Orange Belgium Group succeeded in driving down all major cost lines. The total operational expenses amounted to 926.0 million euros in 2016 compared to 959.4 million euros in 2015, a decrease of 3.5 % year-on-year. The comparison is obviously impacted by the timing of the recording and the consequent reversal of the different provisions related to the Walloon pylon tax in 2015 and 2016. However, when neutralizing the effect of the Walloon pylon tax, the cost management performance remained solid in 2016. The operational expenses related to the Orange Internet + TV offering, including the monthly cable wholesale fee paid to the cable operators, amounted to 20.4 million euros in 2016, compared to 6.8 million euros incurred in 2015.

Direct costs amounted to 530.4 million euros in 2016 compared to 544.4 million euros in 2015, a decrease of 2.6 % year-on-year.

Labor costs reached 130.6 million euros in 2016 compared to 133.9 million euros in 2015, a decrease of 2.4 % year-on-year, resulting from lower salaries and other benefits and social contributions.

Indirect costs amounted to 264.9 million euros in 2016 compared to 281.1 million euros in 2015, a strong decrease of 5.7 % year-on-year. Neutralizing the effect of the Walloon pylon tax in 2015 and 2016, the indirect costs would have increased by 7.7 % as a result of higher commercial expenses linked to rebranding and the launch of the convergent offer, that are not fully compensated by lower IT and network expenses.

Reported EBITDA adjustments (in million €)	FY 2016	FY 2015	Variation
Adjusted EBITDA	**315.7**	**276.0**	**+14.4 %**
Adjustments	+1.4	45.3	Na
- o/w other restructuring costs	-15.7	-8.7	Na
- o/w other operating income	+17.1	+54.0	Na
Reported EBITDA	**317.1**	**321.3**	**-1.3 %**

The adjustments of EBITDA amounted to 1.4 million euros in 2016, compared to 45.3 million euros in 2015.

The adjustments in 2015 were mainly linked to the settlement fee of 54.0 million euros received from Proximus S.A. following a settlement linked to all outstanding litigations related to the former practice of applying tariffs for mobile telecommunication services that were differentiating on-net and off-net voice communications.

Consequently, the reported EBITDA of the Orange Belgium Group amounted in 2016 to 317.1 million euros compared to 321.3 million euros a year ago, a decrease of 1.3 % year-on-year. The reported EBITDA margin in 2016 stood at 29.0 % of service revenues, compared to 29.6 % in 2015.

Depreciation and other expenses

The depreciation and other expenses of the Orange Belgium Group amounted to 210.3 million euros in 2016, compared to 202.2 million euros in 2015. In line with the ramp up of the Orange Internet + TV customer base, the investments in the installation of new service equipment at the customer premises (such as the set-top boxes, modems and remotes used by customers, as well as the associated activation and installation costs of the Orange Internet + TV offering) are also ramping up. As a consequence, Orange Belgium started depreciating the associated customer premises equipment over the useful life of the asset.

EBIT

The consolidated EBIT of the Orange Belgium Group amounted to 107.2 million euros in 2016, compared to 119.1 million euros in 2015. This decline is the result of the higher reported EBITDA in the fourth quarter of 2015, considering the positive contribution of the 54.0 million euros settlement fee in October 2015. Secondly, the EBIT was in 2016 impacted by the higher depreciation charges. The EBIT margin in 2016 stood at 9.8 % of service revenues, compared to 11.0 % last year.

Financial result

The financial result in 2016 amounted to -6.5 million euros and was relatively stable compared to the previous year. This can be explained by lower interest charges in line with the lower outstanding debt, fully counterbalanced by increased interest charges related to the interest rate swap.

Taxes

The tax expenses for the full year 2016 amounted to 24.1 million euros, compared to 35.8 million euros in 2015. Orange Belgium's effective tax rate came out at 23.9 % in 2016 compared to 31.9 % in 2015. Regional taxes and contributions are not tax deductible in Belgium. In full year 2015, Orange Belgium recorded a higher net impact of provisions related to the Walloon pylon tax than in 2016, hence the taxable basis came out higher in 2015 compared to 2016. This largely explains the variation in income tax and effective tax rate between 2015 and 2016.

Net profit

As a result of the previous items, the consolidated net profit of the Orange Belgium Group remained relatively stable and amounted to 76.6 million euros in 2016. The net profit per share stood at 1.28 euro in 2016, exactly the same amount as in 2015.

2.2 Consolidated statement of financial position

The consolidated statement of financial position total reached 1,524.2 million euros on 31 December 2016, compared to 1,517.4 million euros at the end of the previous financial year.

Non-current assets amounted to 1,249.1 million euros at the end of 2016 compared to 1,280.5 million euros at the end of 2015 and consisted of the following items:

> Goodwill of 80.1 million euros, resulting from:
  - the acquisition of Mobistar Affiliate S.A. (10.6 million euros) in 2001;
  - the acquisition of Orange Communications Luxembourg S.A. (70.9 million euros) in 2007, adjusted by 2.2 million euros (decrease) after the acquisition of the remaining shares of Orange Communications Luxembourg in 2008;
  - the acquisition of Mobistar Enterprise Services S.A. (MES) in 2010 (0.8 million euros).

  The goodwill's have been reviewed for impairment during the year. As the recoverable values exceeded the carrying amount at the end of the year, no impairment loss was recorded.

> Intangible assets, posting a net value of 320.8 million euros at the end of 2016 compared with 347.4 million euros at the end of 2015. Values related to the licenses are as follows (respectively acquisition value, net book value at the end of the period, remaining amortization period):
  - 2G (extension 900 & 1800 MHz): 76.8 million euros, 60.4 million euros, 50 months;
  - 3G (2.1 GHz): 149.0 million euros, 39.8 million euros, 51 months;
  - 4G (2.6 GHz): 20.0 million euros, 19.0 million euros, 125 months;
  - 4G (800 MHz): 120.0 million euros, 102.4 million euros, 203 months.

> Property, plant and equipment, mainly comprised of network facilities and equipment, amounting to 830.0 million euros at the end of the 2016 financial year to be compared with 840.4 million euros recorded at the end of the 2015 financial year.

> In 2012, the Orange Belgium Group invested in a new Belgian company (IRISnet S.C.R.L.) for an amount of 3.5 million euros corresponding to 28.16 % of the equity. This company is treated as an associated company. IRISnet started its activities on 1 November 2012. Variation in the consolidated results of the year 2016 reflects the share in the result of IRISnet S.C.R.L. for the year 2016.

> In 2015, the Orange Belgium Group acquired a Belgian company (Walcom S.A.) for an amount of 5 million euros. The purchase concerned 100 % of the 1,250 shares of Walcom S.A. The variation in the consolidated results of the year 2016 reflects the result of Walcom S.A.

- In 2015, the Orange Belgium Group invested in a Belgian company (Co.Station Brussels) for an amount of 100 thousand euros, corresponding to 20 % of the equity. This company is treated as an associated company. The variation in the consolidated results of the year 2016 reflects the result of Co.Station Brussels S.A.
- In 2016, the Orange Belgium Group invested in a Belgian company (Belgian Mobile Wallet S.A.) for an amount of 1.7 million euros. Orange Belgium S.A. holds, directly or indirectly, less than 20 per cent of the voting power and does not have significant influence. Consequently, Belgian Mobile Wallet S.A. will not be part of the consolidation perimeter.
- Net deferred tax assets, relating essentially to the temporary differences resulting from the development costs for intranet sites, to the dismantling assets depreciation and the depreciation on SIM cards, as well as the integration of losses carried forward from Orange Communications Luxembourg, amounted to 12.3 million euros at the end of 2016.

Current assets increased year-on-year, going from a total of 236.9 million euros at the end of 2015 to 275.1 million euros at the end of 2016. They consist of the following items:

- Inventories of goods, amounting to 30.6 million euros, i.e. an increase of 9.1 million euros compared to 2015. This increase is related to the year-end campaign of the mobile equipment, that was extended this year until end of January 2017. The higher inventory position reflects also the build-up of equipment supply for the convergent Orange Internet + TV offer.
- Trade receivables, amounting to 175.7 million euros at the end of 2016, compared with 184.4 million euros at the end of 2015. This decrease is mainly linked to the recovery of old outstanding receivables with the Belgian State (related to services rendered for public prosecutor, courts, etc.). The continued efforts in terms of cash collection resulted also in a decrease in outstanding receivables of more than 360 days.
- Other current assets and prepaid expenses are decreasing from 17.2 million euros at the end of 2015 to 13.1 million euros at the end of 2016. This decrease is explained by lower prepaid expenses mainly due to lower prepayments regarding rentals for buildings and shops.
- Cash and cash equivalents amounting to 51.4 million euros at the end of 2016, an increase of 41.8 million euros since the end of the 2015 financial year. The cash flow statement gives details of the flows that gave rise to this trend.

Total equity increased by 75.9 million euros during the 2016 financial year, from 457.1 million euros to 532.4 million euros:

- The share capital remained at 131.7 million euros.
- The legal reserve corresponds to 10 % of the share capital.
- The evolution of retained earnings (75.9 million euros) is mainly the result appropriation of the net profit of the period (75.3 million euros).

Non-current liabilities decreased from 484.1 million euros at the end of 2015 to 465.4 million euros at the end of 2016, mainly a result of 20.0 million euros lower non-current financial liabilities.

Current liabilities decreased to 526.4 million euros at the end of 2016 from 576.2 million euros at the end of 2015. The strong cash flow generation throughout 2016 enabled the advancement of the 900Mhz/1800Mhz spectrum license payment of 52 million euros in 2016. The net financial debt/adjusted EBITDA ratio at the end of December 2016 amounted to 1.1x compared to 1.3x at the end of December 2015.

3. Events after the reporting period and outlook

Events after the reporting period

There were no material events after the reporting period.

Trends

Our ambitions for 2017 are clear. The Orange Belgium Group aims to grow its postpaid and convergent customer base with a clear focus on value management. Orange has all necessary assets at its disposal in Belgium and Luxembourg: a state-of-the-art 4G network, a strong national and international brand and an attractive mobile and convergent portfolio at an attractive price.

In terms of brand awareness, in particular the extent to which Belgian consumers are able to recognize Orange as a provider of mobile and fixed services, the company has already made excellent progress in 2016. However, the level of brand awareness has still a lot of potential to improve and thereby supporting the overall delivery of the company's growth ambition. The progressive reinforcement of the Orange Internet + TV offering via additional features and more content will certainly act as a motor for future growth and will allow Orange to further increase its convergent household market share in Belgium and Luxembourg.

The Orange Belgium Group estimates that the EU roaming regulation will have a gross negative impact of 36.4 million euros on the group's service revenues and of 31.9 million euros on the group's adjusted EBITDA in 2017.

The Orange Belgium Group expects its total service revenues to grow in 2017 and aims at an adjusted EBITDA between 290 and 310 million euros in 2017. This guidance compares to the 300.2 million euros realized in 2016 and shows a strong ambition especially taking into account the 31.9 million euros adverse impact of EU roaming regulation in 2017. Further, the Orange Belgium Group expects its total capex excluding investments linked to the successful uptake of the Orange Internet + TV offer to remain fairly stable compared to 2016. This capex outlook includes the additional investments foreseen in the framework of the Walloon settlement agreement.

4. Disputes

Masts:

Since 1997, certain municipalities and four provinces have adopted local taxes, on an annual basis, on pylons, masts or antennae erected within their boundaries. These taxes are currently being contested before the Civil Courts (Courts of First Instance - Tax Chamber and Courts of Appeal).

The Council of State decided since 20 November 2007 in several judgments that a tax regulation violates the principle of equality if the motive appearing in the preamble of this tax regulation results from the financial situation of the municipality. In fact, such a motive does not explain at all the differentiation made between the mobile telephone network operators (which are taxed on the basis of this tax regulation) and the operators of other similar networks (which are not taxed on the basis of this same tax regulation). It is therefore not established that the difference in treatment is based on a criterion that can be objectively and logically justified.

The Constitutional Court decided in its judgment of 15 December 2011 that article 98 §2 of the Act of 21 March 1991 reforming certain public companies doesn't prohibit the municipalities from taxing the economic activity of the telecom operators which is achieved in the territory of the municipality by the presence (whether on the public or private domain) of mobile phone masts, pylons or antennae dedicated to this activity, for budgetary or other reasons. According to the Constitutional Court, this interpretation of article 98 §2 is not inconsistent with article 170 § 4 of the Constitution.

The Supreme Court has confirmed in its judgments of 30 March 2012 the interpretation of the Constitutional Court of article 98 of the Act of 21 March 1991.

On 4 September 2014, the European Court of Justice held that the Directive on the authorization of electronic communications networks and services must be interpreted as not precluding operators providing electronic communications networks or services from being subject to a general tax on establishments, on account of the presence on public or private property of cellular telephone communication masts, pylons or antennae necessary for their activity.

On 6 October 2015, the European Court of Justice has held that article 13 of the Authorization Directive is not applicable and doesn't prohibit a tax 'on free-standing structures, such as transmission pylons or masts intended to support the antennas required for the functioning of the mobile telecommunication network, and which it was not possible to place on an existing site mobile telecommunication infrastructure'.

The European Court of Justice has taken a similar position in two judgments of 17 December 2015.

The total liability amount of taxes charged, plus default interest calculated at the legal rate, amounts to 103.0 million euros. The vast majority of this aggregated amount is disputed in court.

Walloon tax on masts, pylons or antennas:

2014

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.

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. 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.

2015

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.

2016

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.These provisions are however not applicable any more after the judgment of the Constitutional Court of 25 May 2016. The Constitutional Court has confirmed this again in its judgment of 17 November 2016.

Protocol Agreement Walloon taxes

On 22 December 2016 the three mobile operators and the Walloon government have concluded an agreement in principle on the issue of taxing mobile infrastructure and agreed to settle the dispute on the Walloon regional taxes for 2014.

Orange Belgium engages itself to pay an amount of 16.1 million euros over 4 years (i.e. 2016-2019) and to invest an incremental amount of 20 million euros in telecom infrastructure in the Walloon region in the period 2016-2019.

In turn, the Walloon Region undertakes to no longer levy taxes on telecom infrastructure and to implement a legislative, regulatory and administrative framework designed to facilitate the deployment of this infrastructure. Also the Walloon Region will discourage taxation by municipalities and provinces on telecom infrastructure. The operators will be entitled to deduct such local taxes levied in 2016-2019 by Walloon municipalities or provinces from the 2019 settlement and investment amounts.

Abuse of dominant position by the Belgacom group:

Orange Belgium, acting jointly with Base, filed a complaint with the European Commission against Proximus for abuse of dominant position on the broadband market in April 2009. In the course of 2010 this complaint was withdrawn and introduced instead before the Belgian Competition Council. Begin 2014, BASE decided to withdraw its complaint. The investigation is ongoing.

Social tariffs:

On 26 January 2013, Orange Belgium and Base attacked the law transposing the Telecom Directives before the Constitutional Court regarding the compensation system put in place and the retroactive effect relating to social tariffs. Proximus decided to intervene in the proceedings. The Constitutional Court decided early February 2016, based on the judgment of the European Court of Justice of June 2015, that mobile services cannot qualify for social tariffs and for the specific financing system by the sector. The Government is now considering how to adapt the social tariff system to take the Court's judgment into account.

Regulation of broadband and cable:

Mid-2011 the 4 media regulators (IBPT, VRM, CSA and Medienrat) decided to impose access obligations on the cable operators, i.e. the resale of analogue TV, the access to digital TV platform and the resale of broadband in combination with TV. The cable operators attacked in suspension and annulment the decisions. Both attacks were dismissed by the Court which confirmed the decisions on the merits in November 2014 and May 2015 and extended the access obligation to digital television and internet for Proximus.
In December 2015 Telenet and Coditel/AIESH launched a cassation appeal against these judgments. The proceedings before the Court of Cassation are ongoing.

In December 2013, the media regulators adopted the first decisions on the pricing of the cable wholesale services. These decisions were attacked on the merits by cable operators and Orange Belgium in 2014. The proceedings, temporarily suspended in 2014 due to the expected judgment on the market analysis, were continued in 2015 and 2016. Pleading dates must be fixed but the final procedural outcome of these attacks is closely linked to the attack of the second price decisions adopted in February 2016 (see below).

In February 2016, the media regulators adopted the second price decisions completing and correcting the first price decisions of December 2013. Orange Belgium, Nethys, Brutélé and Coditel attack the price decisions before the French speaking Chamber of the Court of appeal while Telenet attacks those decisions before the Dutch speaking Chamber of the Court of appeal. In view of the changes brought to the functionning of the Court since end 2015, the parallel treatment of all attacks by the same judge is not possible any more. Considering the risk of conflicting judgments and the links between French and Dutch attacks of both decisions (2013 & 2016), an ad hoc bilingual chamber has been created asking all the parties to conclude on the language of the proceedings and the merger of the cases. A judgment on these procedural aspects is planned for 8 February 2017. Based on this judgment, the proceedings against the decisions of 2013 and 2016 will be pursued.

Proximus's refusal to negotiate a commercial agreement:

In 2012, Orange Belgium and Proximus entered into negotiations regarding a commercial agreement that would enable Orange Belgium to offer retail fixed services (internet, telephony and television). Despite the progress in the discussions, Proximus stopped abruptly the negotiations. Orange Belgium attacked Proximus before the Court for non-respect of the non-discrimination principle and for breach in the handling of the negotiations. On 15 September 2016, the Court dismissed Orange Belgium's claim considering among other things that Proximus was entitled to be concerned by Orange Belgium negotiations with the cable operators and that Proximus' dominant position for the commercial wholesale offers was not established.

Fixed termination rates (FTR):

On 25 August 2016 the IBPT published its decision on the "wholesale tariffs for call termination on the public telephone network provided at a fixed location", determining the new rates ("the FTR-decision"). In October 2016 3StarsNet attacked the IBPT decision, asking the suspension and annulment of the FTR-decision criticizing i.a. the outdated market analysis (2012) and the risk on their business model. Proximus also attacks the decision pointing out i.a. procedural defaults and errors in the cost model. Orange Belgium intervenes in both proceedings to support the decision.
On 30 November 2016, the Court of Appeal rejected the suspension request. Briefs must now be exchanged. A judgment on the merit is expected in the first quarter of 2017.

Access to Coditel Brabant (SFR) 's cable network:

After Orange Belgium paid the provision for the cable wholesale access set-up fees to Coditel Brabant, Coditel Brabant failed to provide such access within the regulatory 6-month period. This, in combination with the lack of progress on the development of an effective wholesale service, prompted Orange Belgium to initiate legal action against Coditel for breach of its regulatory obligations end of December 2016. Briefs will be exchanged in 2017 and pleadings are planned for begin 2018.

Telenet Full MVNO (Mobile Virtual Network Operator) Agreement:

Orange Belgium has brought court proceedings against Telenet before the Commercial Court of Brussels for the judicial recovery of invoices under the Full MVNO (Mobile Virtual Network Operator) Agreement between Orange Belgium and Telenet, entered into force on 27 April 2012. Telenet is wrongfully claiming a price reduction on invoices for services rendered by Orange Belgium in 2013 and 2014. Telenet has also made an erroneous use of wholesale tariff arrangements leading Orange Belgium to claim additional payment for the 2012-2015 period. As Telenet refused to pay these amounts voluntarily, Orange Belgium was left with no other option than to bring suit against Telenet for the recovery of the due amount. After the introduction of the claim, parties conducted negotiations and finally reached a settlement. As a result, the case has been formally terminated by the court.

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 judgement 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 has been ongoing for several years. Parties have finally reached a settlement. We are currently awaiting the formal termination of the ongoing proceedings by the court.

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. In parallel, parties have conducted settlement negotiations, which have already led to partial payments in 2015. Parties reached a final settlement for the global dispute as a result of which the proceedings have been formally terminated by the court.

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In this document, unless otherwise indicated, the terms "the company" and "Orange Belgium S.A." refer to Orange Société Anonyme (formerly Mobistar), and the terms "Orange Belgium", "the Group" and "the Orange Belgium Group" refer to the Orange Belgium company together with its consolidated subsidiaries.

1. Consolidated financial statements

1.1 Consolidated statement of comprehensive income

in thousand EUR

Ref.		31.12.2016	31.12.2015
2	Mobile service revenues	1 020 519	1 006 224
2	Fixed service revenues	72 784	79 629
2	Other revenues	26 783	21 543
2	Mobile equipment sales	121 558	127 978
2	**Total turnover**	**1 241 644**	**1 235 374**
3	Purchase of material	-190 730	-185 601
3	Other direct costs	-339 671	-358 824
3	**Direct costs**	**-530 401**	**-544 425**
3	**Labor costs**	**-130 644**	**-133 852**
3	Commercial expenses	-52 810	-41 262
3	Other IT & network expenses	-93 453	-100 681
3	Property expenses	-55 295	-53 696
3	General expenses	-58 676	-57 547
3	Other indirect income	24 308	21 644
3	Other indirect costs	-29 013	-49 533
3	**Indirect costs**	**-264 939**	**-281 075**
	Adjusted EBITDA	**315 660**	**276 022**
3	Adjustements	1 394	45 327
	o/w other restructuring costs*	-15 695	-8 673
	o/w other operating income	17 089	54 000
	Reported EBITDA	**317 054**	**321 349**
5	Depreciation and amortization	-210 270	-202 224
	Share of profits (losses) of associates	410	-51
	EBIT	**107 194**	**119 074**
8	Financial result	-6 457	-6 686
8	Financial costs	-6 457	-6 687
8	Financial income		1
6	Tax expense	-24 126	-35 797
	Net profit of the period**	**76 611**	**76 591**
	Profit attributable to equity holders of the parent	**76 611**	**76 591**
	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
	Net profit for the period	**76 611**	**76 591**
	Other comprehensive income (cash flow hedging)	-1 286	-1 984
	Total comprehensive income for the period	**75 325**	**74 607**
	Part of the total comprehensive income attributable to equity holders of the parent	**75 325**	**74 607**
	Basic earnings per share (in EUR)	1.28	1.28
	Weighted average number of ordinary shares	60 014 414	60 014 414
	Diluted earnings per share (in EUR)	1.28	1.28
	Diluted weighted average number of ordinary shares	60 014 414	60 014 414

* Restructuring costs consist of contract termination costs and redundancy charges (see Note 3 - Expenses).

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

1.2 Consolidated statement of financial position

in thousand EUR

Ref.		31.12.2016	31.12.2015
	ASSETS		
4	Goodwill	80 080	80 080
5	Other intangible assets	320 789	347 391
5	Property, plant and equipment	829 971	840 389
7	Interests in associates and joint ventures	3 722	3 237
8	Non-current financial assets	2 024	741
2	Other non-current assets	255	254
6	Deferred tax assets	12 263	8 389
	Total non-current assets	**1 249 104**	**1 280 481**
3	Inventories	30 632	21 473
2	Trade receivables	175 677	184 366
8	Current financial assets	452	1 113
8	Current derivatives assets	3 131	2 160
2	Other current assets	994	575
6	Operating taxes and levies receivables	652	842
3	Prepaid expenses	12 131	16 633
8	Cash and cash equivalents	51 444	9 709
	Total current assets	**275 113**	**236 871**
	Total assets	**1 524 217**	**1 517 352**
	EQUITY AND LIABILITIES		
9	Share capital	131 721	131 721
	Legal reserve	13 172	13 172
	Retained earnings (excl. legal reserve)	387 804	312 214
	Treasury shares	-279	
	Equity attributable to the owners of the parent	**532 418**	**457 107**
	Total equity	**532 418**	**457 107**
8	Non-current financial liabilities	389 043	409 007
8	Non-current derivatives liabilities	4 659	1
	Non-current employee benefits	638	
5/11	Non-current provisions for dismantling	65 596	60 125
	Non-current restructuring provisions		2 099
11	Other non-current liabilities	3 759	10 823
6	Deferred tax liabilities	1 687	2 008
	Total non-current liabilities	**465 382**	**484 063**
8	Current financial liabilities	236	8 165
8	Current derivatives liabilities	3 131	4 172
8	Current fixed assets payable	68 757	128 819
3/8	Trade payables	167 695	169 815
3	Current employee benefits	31 788	36 462
5	Current provisions for dismantling	1 023	924
	Current restructuring provisions	16 772	
3/11	Other current liabilities	11 409	10 176
8	Operating taxes and levies payables	110 000	114 230
6/8	Current tax payables	56 923	42 870
3	Deferred income	58 683	60 549
	Total current liabilities	**526 417**	**576 182**
	Total equity and liabilities	**1 524 217**	**1 517 352**

1.3 Consolidated cash flow statement

in thousand EUR

Ref.		31.12.2016	31.12.2015
	Operating activities		
	Consolidated net income	**76 611**	**76 591**
	Adjustments to reconcile net income (loss) to funds generated from operations		
6	Operating taxes and levies	18 203	38 809
5	Depreciation, amortization and impairment	210 270	202 224
	Change in provisions	-7 842	-671
7	Share of profits (losses) of associates and joint ventures	-410	51
	Operational net foreign exchange and derivatives	-269	865
8	Finance costs, net	6 457	6 686
6	Income tax	24 126	35 797
	Share-based compensation	314	
	Changes in working capital requirements		
3	Decrease (increase) in inventories, gross	-8 440	-2 026
2	Decrease (increase) in trade receivables, gross	32 658	9 167
3	Increase (decrease) in trade payables	470	13 190
2	Changes in other assets and liabilities	-12 852	-5 540
	Other net cash out		
	Operating taxes and levies paid	-22 243	-16 552
	Interest paid and interest rates effects on derivatives, net	-5 405	-6 470
6	Income tax paid	-12 760	-10 301
	Net cash provided by operating activities	**298 888**	**341 820**
	Investing activities		
	Purchases (sales) of property, plant and equipment and intangible assets		
5	Purchases of property, plant and equipment and intangible assets	-167 643	-269 273
	Increase (decrease) in fixed assets payables	-60 062	57 936
	Organic cash flow *	**71 183**	**130 483**
	Cash paid for investment securities, net of cash acquired	-2 067	-3 618
	Investments in associates and joint ventures, net of cash acquired	-20	
	Other proceeds from sales of investment securities, net of cash transferred	1	
	Decrease (increase) in securities and other financial assets	1 062	9 375
	Net cash used in investing activities	**-228 729**	**-205 580**
	Financing activities		
8	Long-term debt issuances		540 000
	Long-term debt redemptions and repayments	-19 940	-675 000
	Increase (decrease) of bank overdrafts and short-term borrowings	-8 210	2 344
	Purchase of treasury shares	-279	39
	Capital increase (decrease) – owners of the parent company	20	
	Dividends paid to owners of the parent company	-15	-28
	Net cash used in financing activities	**-28 424**	**-132 645**
	Net change in cash and cash equivalents	**41 735**	**3 595**
8	**Cash and cash equivalents – opening balance**	**9 709**	**6 124**
	o/w cash	3 163	2 998
	o/w cash equivalents	6 546	3 126
	Cash change in cash and cash equivalents	**41 735**	**3 595**
	Effect of exchange rates changes on cash and cash equivalents and other non-monetary effects		**-10**
8	**Cash and cash equivalents – closing balance**	**51 444**	**9 709**
	o/w cash	4 125	3 163
	o/w cash equivalents	47 319	6 546

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

1.4 Consolidated statement of changes in equity

in thousand EUR

	Share capital	Legal reserve	Retained earnings	Treasury shares	Total equity
Balance as at 1 January 2016	**131 721**	**13 172**	**312 214**		**457 107**
Net profit for the period			76 611		76 611
Other comprehensive income			-1 286		-1 286
Total comprehensive income for the period			**75 325**		**75 325**
Other			265		265
Own shares				-279	-279
Balance as at 31 December 2016	**131 721**	**13 172**	**387 804**	**-279**	**532 418**

in thousand EUR

	Share capital	Legal reserve	Retained earnings	Treasury shares	Total equity
Balance as at 1 January 2015	**131 721**	**13 172**	**238 721**	**39**	**383 653**
Impact of IAS 8 on SIM cards			-1 114		-1 114
Correction own shares				-39	-39
Net profit for the period			76 591		76 591
Other comprehensive income			-1 984		-1 984
Total comprehensive income for the period			**74 607**		**74 607**
Balance as at 31 December 2015	**131 721**	**13 172**	**312 214**	**0**	**457 107**

1.5 Segment information

Consolidated statement of comprehensive income for the year ended December 31, 2016

in thousand EUR

31.12.2016	Belgium	Luxembourg	Interco elimination	Orange Belgium group
Mobile service revenues	980 270	44 319	-4 070	1 020 519
Fixed service revenues	68 400	4 384		72 784
Other revenues	25 455	1 361	-33	26 783
Mobile equipment sales	121 936	11 574	-11 952	121 558
Total turnover	**1 196 061**	**61 638**	**-16 055**	**1 241 644**
Direct costs	**-513 098**	**-32 988**	**15 685**	**-530 401**
Labor costs	**-121 055**	**-9 589**	**0**	**-130 644**
Indirect costs	**-251 200**	**-14 109**	**370**	**-264 939**
Adjusted EBITDA	**310 708**	**4 952**	**0**	**315 660**
Reported EBITDA	**312 102**	**4 952**	**0**	**317 054**

Consolidated statement of comprehensive income for the year ended December 31, 2015

in thousand EUR

31.12.2015	Belgium	Luxembourg	Interco elimination	Orange Belgium group
Mobile service revenues	963 606	44 798	-2 180	1 006 224
Fixed service revenues	76 490	3 139		79 629
Other revenues	21 417	198	-72	21 543
Mobile equipment sales	126 595	16 624	-15 241	127 978
Total turnover	**1 188 108**	**64 759**	**-17 493**	**1 235 374**
Direct costs	**-525 667**	**-36 359**	**17 601**	**-544 425**
Labor costs	**-124 176**	**-9 676**	**0**	**-133 852**
Indirect costs	**-266 488**	**-14 479**	**-108**	**-281 075**
Adjusted EBITDA	**271 777**	**4 245**	**0**	**276 022**
Reported EBITDA	**317 104**	**4 245**	**0**	**321 349**

Consolidated statement of financial position for the year ended December 31, 2016

in thousand EUR

31.12.2016	Belgium	Luxembourg	Eliminations & unallocated items	Orange Belgium group
Goodwill	11 351	68 729		80 080
Other intangible assets	317 151	3 638		320 789
Property, plant and equipment	808 724	21 247		829 971
Interests in associates and joint ventures	3 722			3 722
Non-current assets included in the calculation of the net financial debt	2 024			2 024
Other	7 194	5 324		12 518
Total non-current assets	**1 150 166**	**98 938**	**0**	**1 249 104**
Inventories	27 813	2 819		30 632
Trade receivables	174 270	3 901	-2 494	175 677
Prepaid expenses	8 115	4 016		12 131
Current assets included in the calculation of the net financial debt	52 744	1 831		54 575
Other	13 591	380	-11 873	2 098
Total current assets	**276 533**	**12 947**	**-14 367**	**275 113**
Total assets	**1 426 699**	**111 885**	**-14 367**	**1 524 217**
Total equity	**0**	**0**	**532 418**	**532 418**
Non-current employee benefits	638			638
Non-current liabilities included in the calculation of the net financial debt	393 702			393 702
Other	66 613	4 429		71 042
Total non-current liabilities	**460 953**	**4 429**		**465 382**
Current fixed assets payable	66 714	2 043		68 757
Trade payables	165 000	5 189	-2 494	167 695
Current employee benefits	30 993	795		31 788
Deferred income	58 341	342		58 683
Current liabilities included in the calculation of the net financial debt	3 371	11 869	-11 873	3 367
Other	194 951	1 176		196 127
Total current liabilities	**519 370**	**21 414**	**-14 367**	**526 417**
Total equity and liabilities	**980 323**	**25 843**	**518 050**	**1 524 217**

Consolidated statement of financial position for the year ended December 31, 2015

in thousand EUR

31.12.2015	Belgium	Luxembourg	Eliminations & unallocated items	Orange Belgium group
Goodwill	11 351	68 729		80 080
Other intangible assets	344 149	3 242		347 391
Property, plant and equipment	818 247	22 142		840 389
Interests in associates and joint ventures	3 237			3 237
Non-current assets included in the calculation of the net financial debt	741			741
Other	4 048	4 595		8 643
Total non-current assets	**1 181 773**	**98 708**	**0**	**1 280 481**
Inventories	18 753	2 720		21 473
Trade receivables	184 472	3 598	-3 704	184 366
Prepaid expenses	12 306	4 327		16 633
Current assets included in the calculation of the net financial debt	10 720	1 149		11 869
Other	2 149	381		2 530
Total current assets	**228 400**	**12 175**	**-3 704**	**236 871**
Total assets	**1 410 173**	**110 883**	**-3 704**	**1 517 352**
Total equity	**0**	**0**	**457 107**	**457 107**
Non-current liabilities included in the calculation of the net financial debt	410 001		-993	409 008
Other	71 048	4 007		75 055
Total non-current liabilities	**481 049**	**4 007**	**-993**	**484 063**
Current fixed assets payable	127 236	1 583		128 819
Trade payables	166 486	7 033	-3 704	169 815
Current employee benefits	35 580	882		36 462
Deferred income	59 996	553		60 549
Current liabilities included in the calculation of the net financial debt	12 342	7 732	-7 737	12 337
Other	167 002	1 198		168 200
Total current liabilities	**568 642**	**18 981**	**-11 441**	**576 182**
Total equity and liabilities	**1 049 691**	**22 988**	**444 672**	**1 517 352**

2. Notes to the consolidated financial statements

Note 1: Description of business and basis of preparation of the consolidated financial statements

1. Description of business

Orange Belgium S.A. (the company's ultimate majority shareholder is Orange S.A) is one of the main actors on the telecommunications market in Belgium and Luxembourg. Orange Belgium is listed on the Brussels Stock Exchange (OBEL). As a convergent actor, the company provides mobile telecommunication, internet and TV services to residential clients, as well as innovative mobile and fixed line services to businesses and large corporates. Orange Belgium also acts as a wholesale operator, providing its partners with access to its infrastructure and service capacities. Orange Belgium's high-performance mobile network supports 2G, 3G, 4G and 4G+ technology and is the subject of on-going investments.

Orange Communications Luxembourg S.A., a company organized and existing under the laws of Luxembourg, has been acquired as of 2 July 2007 by Orange Belgium S.A. The purchase concerned 90 % of the shares of Orange Communications Luxembourg S.A. The remaining 10 % of shares have been acquired on November 12, 2008. The company has consolidated the results of Orange Communications Luxembourg S.A. for 100 %, as of 2 July 2007.

Smart Services Network S.A. (SSN) is a Belgian company that distributes telecommunication and energy services including those of Orange Belgium and Luminus. SSN's route to market is based on the principle of multi-level marketing. SSN's network consists of more than 1,000 independent consultants.
Smart Services Network S.A., a company organized and existing under the laws of Belgium, has been created as of 30 September 2014. Orange Belgium S.A. contributed in cash for 999,900 euros equivalent to 9,999 shares out of the 10,000 shares issued by the company. Atlas Services Belgium S.A. contributed in cash for 100 euros equivalent to 1 share.

IRISnet S.C.R.L. is a company constituted in July 2012 in collaboration with the Brussels authorities in order to take over the activities performed by the temporary association Irisnet, and is responsible for the operation of the Irisnet 2 optical fibre network and for the provision of fixed telephony, data transmission services (internet, e-mail) and other network-related services (video-conferencing, video surveillance, etc.).
The take-over of the activities took place on 1st November 2012. In this new legal structure, Orange Belgium has contributed in cash for 3,450,000 euros equivalent to 345,000 shares out of the 1,225,000 shares issued by the company.

Walcom S.A. is a residential and professional distribution network located in Wallonia. Walcom specializes in the sale of telecommunications products and services for individuals through a network of 20 stores and a dedicated sales team for the professional market. The company has been an Orange Belgium exclusive agent for almost 20 years.
Walcom S.A., a company organized and existing under the laws of Belgium, has been acquired as of 3 April 2015 by Orange Belgium. The purchase concerned 100 % of the 1,250 shares of Walcom S.A. The company has consolidated the results of Walcom S.A. for 100 %, as of 3 April 2015.

Co.Station Brussels S.A. is an accelerator with spacious infrastructure designed for digital sector start-ups and scale-ups. It offers three formulae, which may be combined: Co.Station Village, a successful co-working space building a heterogeneous community for entrepreneurs; Co.Station Virtuology Academy, a specialised training center; and Co.Station Accelerator, a program designed for scale-ups and fast-growing businesses that are moving towards international expansion and growth.
Co.Station Brussels S.A. is a company organized and existing under the laws of Belgium. Orange Belgium has contributed in cash for 100,000 euros equivalent to 2,000 shares out of the 8,000 shares issued by the company (29 October 2015). In 2016, SD Patrimonium subscribed also in the capital, bringing the total number of shares issued by Co.Station Brussels S.A. to 10.000.

On 29 June 2016, Orange Belgium S.A. subscribed in the capital of **Belgian Mobile Wallet S.A.** (for 16.67% or 1,745,853.92 euros), with four banks and the two other mobile telecom operators of the country, to collaborate on the establishment of a mobile identification system for both private and professional users. With this mobile solution, Belgian Mobile Wallet S.A. wants to make it easier for anyone with a mobile phone and a bank account or an eID to digitally log in, confirm transactions and even sign documents.
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. Moreover, generating surplus value is not the main purpose of the investment in Belgian Mobile Wallet SA. Consequently, Belgian Mobile Wallet S.A. will not be part of the consolidation perimeter and this participation is considered as an Available-For-Sale (AFS) financial asset and recognized at fair value.

2. Perimeter of consolidation

The following parent company, subsidiaries and joint venture are included in the perimeter of consolidation as at 31.12.2016:

Orange Belgium S.A.
Parent company, incorporated under Belgian law
Limited company with publicly traded shares
Avenue du Bourget 3
B - 1140 Brussels
Belgium
Company identification number: BE 0456 810 810

Orange Communications Luxembourg S.A.
100 % of the shares held by Orange Belgium S.A.
8, rue des Mérovingiens
L – 8070 Bertrange
Luxembourg
Company identification number: LU 19749504

IRISnet S.C.R.L.
28.16 % of the shares held by Orange Belgium S.A.
Accounted for by equity method
Avenue des Arts 21
B – 1000 Brussels
Belgium
Company identification number: BE 0847 220 467

Smart Services Network S.A.
100 % of the shares held by Orange Belgium S.A.
Avenue du Bourget 3
B – 1140 Brussels
Belgium
Company identification number: BE 0563 470 723

Walcom S.A.
100 % of the shares held by Orange Belgium S.A.
Friddericht 10
B – 6700 Arlon
Belgium
Company identification number: BE 0424 071 231

Co.Station Brussels
20 % of the shares held by Orange Belgium S.A.
Accounted for by equity method
Parvis Sainte-Gudule 5
B – 1000 Brussels
Belgium
Company identification number: BE 0599 786 434

There are no significant restrictions on the assets and liabilities of the subsidiaries and joint ventures included in the scope of consolidation.

Date of authorization for issue of the financial statements

On 23 March 2017, the Board of Directors of Orange Belgium S.A. reviewed the 2016 consolidated financial statements and authorized them for issue.

The 2016 consolidated financial statements will be approved on 3 May 2017 by the General Assembly of Shareholders which has still the power to amend the financial statements after issue.

3. Basis of preparation

The consolidated financial statements are presented in thousand euros except when otherwise indicated. The Group's functional and presentation currency is Euro. Each entity in the Group applies this functional currency for its financial statements.

Statement of compliance

The consolidated financial statements of Orange Belgium S.A. and all its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Changes in accounting policy and disclosures

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2015.

Although there has been limited impact on the operations performed by the Group, following new amendments to IFRS have been considered in the preparation of the annual consolidated accounts:

- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015);
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (applicable for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (applicable for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1 *Presentation of Financial Statements – Disclosure Initiative* (applicable for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 and IAS 38 *Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (applicable for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (applicable for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 19 *Employee Benefits – Employee Contributions* (applicable for annual periods beginning on or after 1 February 2015);
- Amendments to IAS 27 *Separate Financial Statements – Equity Method* (applicable for annual periods beginning on or after 1 January 2016).

Defined contribution plans

The Belgian defined contribution plans classify as defined benefit plans in view of the guaranteed minimum rates of return. Before the law changed on 18 December 2015, under the previous legal framework, the application of the Projected Unit Credit (PUC) method was considered problematic, and there was uncertainty with respect to the future evolution of the minimum guaranteed rates of return. Therefore, Orange Belgium did not apply the PUC method for the Belgian defined contribution plans up to 2014.
In view of the above, management decided to apply the “Intrinsic Value” approach to these plans. This approach consists in calculating the liability in the statement of financial position as the sum of any individual differences between the minimum guaranteed reserves (as determined by Article 24 of the law of 28 April 2003 with respect to complementary pensions (“WAP/LPC”), calculated by applying the minimum return on the contributions paid) and the actual accumulated reserves (reserves calculated by capitalizing the past contributions at the technical interest rate applied by the insurance company, taking profit-sharing into account).

With the change in the law in December 2015, there was no longer a reason not to apply the PUC method. However, because of the late law change in 2015 and because the impact of applying the PUC method was estimated to be immaterial, the Intrinsic Value approach was still applied in 2015. The PUC method has been applied in 2016.

The related obligations recognized in the consolidated balance sheet represent the present value of the defined benefit obligations calculated annually by independent actuaries. These actuarial valuations include assumptions such as discount rates and mortality rates. These actuarial assumptions vary according to the local prevailing economic and social conditions. Details of the assumptions used are provided in Note 3 – Expenses, prepaid and inventory.

New standards and interpretations issued but not yet effective: IFRS 15 'Revenue from contracts with customers'

The International Accounting Standards Board (IASB) and its American counterpart (the FASB) have jointly issued a converged standard on the recognition of revenue from contracts with customers. The standard will improve the financial reporting of revenue and the comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2018 (with comparable information for 2016 and 2017 and applying it on a fully retrospective basis). Its impact on revenue recognition for large telecom industry players is particularly significant.

1. Key concepts

The IFRS 15 standard introduces two important key concepts that apply to Orange Belgium: it defines precisely what constitutes a contract from an accounting point of view, and then imposes revenue reallocation rules for these contracts.

1.1. <u>Definition of an "accounting" contract</u>

Regardless the legal nature of a contract, the standard retains the concept of mutual commitment between Orange Belgium and its customer on both prices and quantities.

For example, a framework agreement between Orange Belgium and a B2B customer contains a price list that commits Orange Belgium to delivering certain services; however, as long as the customer is not committed on quantities, IFRS 15 does not consider that a mutual commitment exists between the two parties. The mutual commitment between Orange Belgium and the customer only begins upon signature of a contract fixing the price and the service to deliver (service type and quantity), for example through an implementation contract or a purchase order.

The notion of commitment and the definition of a contract that follows logically from it, as well as the commitment period, are two fundamental concepts for Orange Belgium. Indeed:

- any mutual commitment with an initial commitment period greater than 12 months (including in the Mass Market environment) leads to an obligation for Orange Belgium to communicate the corresponding backlog, assessed based on the length of the commitment period, in the notes to the consolidated financial statements;
- if only a unilateral commitment (from Orange Belgium) exists, and in the absence of the customer's commitment on both prices and quantities (such as standard framework agreements, "pay as you go" contracts, etc.), the Group is not subject to this disclosure obligation;
- the period during which rights and obligations are enforceable is not necessarily the nominal contractual period stated in the contract. Although enforceability is a matter of law, Orange Belgium shall take into account the terms of the contract and business practices (such as early renewal) in determining the enforceable period. In any case, it shall not exceed the nominal contractual period as rights and obligations cannot be made enforceable by law beyond this term.

1.2. <u>Reallocation of a contract's total revenue to each of its elements</u>

The standard requires the reallocation of a contract's total revenue to each of its elements, depending on the selling price of each item when sold separately - "market price" (excluding cross-subsidy mechanisms). The revenue thus determined for each element is recognized upon its delivery to the customer, regardless of the amount billed to the customer at that time.

The implementation of IFRS 15 has an impact on revenue recognition for all bundled offers (i.e. offers including multiple elements) that include a subsidy mechanism in which one element's subsidy is recovered through the selling price of other elements whose delivery is not aligned with the subsidized element's own delivery. This applies to all of the Group's activities.

For example, in the Mass Market environment, each contract that includes a subsidized equipment will be reflected in the financial statements through the recognition of the equipment at market value (equal to the amount charged to the customer plus the subsidy granted), upon delivery of the equipment.

Consequently:

- revenue recognized upon the sale of the equipment will no longer be equal to its billing (cash received upon delivery of the equipment, on which the new standard has no impact), but rather to its market price;
- the monthly service revenue will no longer be equal to the monthly billing: it will be reduced by the amount of the monthly subsidy;
- the monthly billing will be allocated between the service revenue and the monthly recovery of the subsidy. Once the subsidy is fully recovered, the total monthly bill will be recognized as service revenue.

Apart from offers that allow payment by installments for equipment, there is currently almost no gap between revenue recognition and cash collection. The implementation of the standard will increase the difference between cash and revenue.

The anticipation of the recognition of part of a contract's revenue at the time of delivery of the equipment will create a gap between the recognized revenue and the amount billed to the customer, and thus with the cash received. This will directly increase working capital (excluding securitization mechanisms).

2. Implications by business

2.1 Mass Market

2.1.1. Mobile Mass Market

IFRS 15 will only impact part of the Mobile Mass Market revenue: only those contracts that include a mutual commitment between Orange Belgium and its customer are concerned, while other contracts will keep the same accounting method and will experience no change in disclosure (in the notes to the financial statements) requirements.

For all contracts involving a mutual commitment between Orange Belgium and its customer (with or without subsidy) and with an initial commitment period greater than 12 months, Orange Belgium will have to present the remaining "backlog" at the closing date in the notes to the consolidated financial statements.

- Due to the volume of data required (information to obtain per contract, identification of changes in the backlog from one period to another, etc.), each of the Group's subsidiaries will need a reliable process to establish the backlog.

For all contracts that include a subsidized equipment, the revenue relating to this equipment will be higher than today, and correspondingly, revenue relating to the service provided by Orange Belgium will be lower than today.

- Indeed, the equipment revenue will be equal to the equipment's sale price when sold separately at market price ("cost +" approach);
- As a result, the difference between the cash received upon delivery of the equipment and the revenue will be presented in the balance sheet's assets.
  This asset, which represents income recognized in advance of the cash received, corresponds to the amount of the total subsidy granted to the client for the equipment, and will be reduced as the monthly service revenue is recognized.

2.1.2. Fixed Mass Market

Fixed Mass Market offers generally require a commitment from the customer of 12 months maximum, and do not allow for subsidy mechanisms.

As long as these observations hold true, IFRS 15 does not change the revenue recognition of Fixed Mass Market offers.

2.1.3. Mass Market convergent offers

Orange Belgium's convergent offer combines mobile telecommunication services with fixed cable services, such as high speed broadband internet and digital TV. Like other Mass Market contracts, when a convergent offer includes a mutual commitment between Orange Belgium and its customer which is initially greater than 12 months, Orange will have to present the remaining backlog at the closing date in the notes to the consolidated financial statements.

If the convergent offer, regardless of the initial commitment period, includes a subsidized equipment, the same revenue allocation principles as for pure Mobile Mass Market offers apply.

Thus, the equipment revenue will be equal to the equipment's selling price when it is sold separately at "market" price ("cost +" approach), therefore inducing the same consequences as those described in paragraph 2.1.1:

- the revenue relating to the equipment will be higher than today, and correspondingly, revenue relating to the service provided by Orange Belgium will be lower than today;
- the difference between the cash received upon delivery of the equipment and the revenue will be presented in the balance sheet's assets.

A convergence discount, which represents the difference between the sum of the prices of the various elements when sold separately and the convergent offer's price, is recorded only as a reduction of service revenue (as opposed to a distribution of the discount among the different elements in the offer), so as to reflect the reality of the Group's marketing policies.

2.1.4. Revenue presentation in the notes to the consolidated financial statements

The revenue breakdown presented in the notes to the consolidated financial statements will have to reflect the construction of offers (by portfolio).

- It will distinguish service revenue from equipment revenue (including fixed equipment);
- It will also separately present mobile, fixed and convergent revenue.

2.2 Enterprise

2.2.1. Common features among all enterprise activities

Contractual relationships with customers are characterized by the coexistence of "closed" contracts (price, quantity and contract period are determined by the contract terms), which are highly present on the SoHo market segment, and "open" contracts (Orange Belgium is committed to offering a given price per type of service for a fixed time period, but the customer is not committed on volumes per type of service) that are specific to custom agreements, which are highly present on the large accounts market segment.

- For all "closed" contracts (with or without subsidy), Orange Belgium will have to present the remaining backlog at closing date (including mobile, IT services and connectivity) in the notes to the financial statements, whenever the initial mutual commitment period is greater than 12 months.

2.2.2. Specifics of Fixed Enterprise offers

As illustrated in paragraph 1.1, the parties' mutual commitment usually begins upon signature of the purchase order or implementation contract, rather than upon signature of the framework agreement. Thus, the assessment of the backlog disclosed in the notes will be based on purchase orders or on signed "operating contracts", but not on the elements of the framework agreement.

In rare situations where cross-subsidies between services and/or equipment and/or platforms occur, a reallocation of revenues between these elements must be made, similarly to Mass Market subsidized equipment.

When contracts include a Build and Run phase, and when the build phase is billed with a negative margin, revenue must be reallocated between the two phases.

As build phases are carried out at the beginning of the contract, the same consequences as those listed in 2.1.1 will apply:

- the revenue relating to the equipment will be higher than today, and correspondingly, revenue relating to the service provided by Orange Belgium will be lower than today;
- the difference between the cash received upon delivery of the equipment and the revenue will be presented in the balance sheet's assets.

2.2.3. Specifics of Mobile Enterprise offers

Mobile Enterprise fleet offers are presented through two main contractual models:

- mutual commitments between parties, established line by line. In this context, each line operates independently in terms of beginning and end of commitment period;
- mutual commitments between parties, established for the entire fleet. In this context, the commitment period begins and ends at the same time for all lines, regardless of their individual activation date.

The equipment subsidy is also based on major mechanisms:

- "averaged" subsidies: regardless of each line's activation date (and therefore the residual commitment period), all fleet equipments are subsidized equally; the subsidies granted are recovered based on the overall services billed to the fleet;
- "decreasing" subsidies: the longer the residual contract period, the smaller the subsidy granted for each equipment upon line activation; this allows the subsidy granted at each activation to be recovered through the billing of the service specific to each line.

In some cases, it will not be possible to manage the revenue reallocation mechanism (between the equipment and the service) for each line, as seen in the Mass Market context, and therefore the development of specific solutions may be required.

The "firm" commitment within Mobile Enterprise contracts is generally based on the total number of activated lines. Thus, the backlog disclosed in the notes will be based solely on these lines, and not on the items in the framework agreement.

2.3 Wholesale

Since the wholesale market is inter-operator, Orange Belgium's presentation of revenue for this activity under IFRS 15 will have to be consistent with the presentation used by other operators (as is currently the case).

Because one of the characteristics of the business is the provision of interconnectivity, which is often on a reciprocal basis, one question still remains open: this is to determine whether some of the activities may be viewed as falling out of IFRS 15 because they would be analyzed as "non-monetary exchange between entities in the same line of business to facilitate sales to customers or potential customers". This question will be further analyzed and so Orange Belgium's position is not finalized yet.

Regarding "domestic wholesale" activities:

- the regulated "legacy" activities are generally structured around framework agreements with no commitment on volumes, and purchase orders that do not include multiple elements. In addition, the commitment period for these offers is not greater than 12 months. IFRS 15 therefore does not affect the current revenue recognition method and Orange Belgium does not have to disclose the backlog in the notes to the consolidated financial statements;
- MVNO contracts are structured around "pay as you go" or "send or pay" models without multiple elements, but with reciprocal commitments on prices and volumes. The application of the new standard therefore implies that Orange Belgium will need to disclose the backlog in the notes to the consolidated financial statements.

For other new standards and interpretations issued, but not yet effective, please see Note 13 – Significant accounting policies.

Basis of preparation

In order to avoid differences in the information published by the Orange Belgium Group and its majority shareholder Orange S.A., the Orange Belgium Group applies similar reporting format and standards than Orange S.A.

The name of EBITDA and Restated EBITDA have been modified in the fourth quarter of 2016. The nature and components of these aggregates have not been modified, it only concerned a change of name. It means that:

- Restated EBITDA becomes Adjusted EBITDA; and
- EBITDA becomes Reported EBITDA; and
- Restatements of EBITDA becomes Adjustments of EBITDA.

4. Uses of estimates and judgments

The preparation of the Group's financial statements in conformity with IFRS requires that management makes certain judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Critical judgments in applying accounting policies

In the process of applying the Group's accounting policies, management has not made any significant judgments, estimates and assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, except for:

Operating lease commitment – Group as a lessee

The Group has entered into property leases, network and cars leases. It has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Details are given in Note 10.

Critical estimates and assumptions

Estimates that have been made at each reporting date reflect conditions that existed at those dates (e.g. market prices, interest rates and foreign exchange rates). Although these estimates are based on management's best knowledge of current events and actions that Orange Belgium may undertake, actual results may differ from those estimates.

Impairment of non-financial assets

The Group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the financial projections for the next four years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units are further explained in Note 4.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details on deferred tax assets are given in Note 6.

Provision for dismantling network sites

The Group has recognized a provision for dismantling network sites obligations as for the rented building situated at Avenue du Bourget and the various antennas sites. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove all plants from the sites (see Note 11).

Universal service

Orange Belgium is involved, together with other alternative operators, in a number of legal actions regarding the planned financial compensation system in relation to the provision of social tariffs. Significant management judgment and assumptions have been required in order to assess the potential impact of the evolution of the regulation in that matter (see Note 11).

Contract termination

In the context of the distribution footprint evolution, estimates related to distribution contracts termination have been required in order to assess the outcome of the negotiations and the valuation of the termination costs (see Note 3).

Operational taxes: pylon

Since 1997, municipalities and provinces levy local taxes on an annual basis on masts, pylons and antennas. These taxes do not qualify as income taxes and are recorded as operational taxes, hence negatively impacting the profit before tax.

When a tax bill is received, the related cost is recorded. In case no tax bill is received, the cost will be based upon the tax bill of the previous year and the pylon tax liability expires when no tax bill is received within three years. As all tax bills are disputed, interests are calculated on the legal tax rate. When the case is closed at procedure level, basis and interests are reversed.

This method is still used in Flanders and for the Brussels Region, and was also applicable for the Walloon region until 2013. Since 2014, this tax, introduced by a decree of the Walloon region, became a regional tax. On 22 December 2016 the three mobile operators and the Walloon government have concluded an agreement in principle on the issue of taxing mobile infrastructure and to settle the dispute on the Walloon regional taxes for 2014. Orange Belgium engages itself to pay an amount of 16.1 million euros over 4 years (i.e. 2016-2019) and to invest an incremental amount of 20 million euros in telecom infrastructure in the Walloon region in the period 2016-2019. In turn, the Walloon Region undertakes to no longer levy taxes on telecom infrastructure and to implement a legislative, regulatory and administrative framework designed to facilitate the deployment of this infrastructure. Also the Walloon Region will discourage taxation by municipalities and provinces on telecom infrastructure. The operators will be entitled to deduct such local taxes levied in 2016-2019 by Walloon municipalities or provinces from the 2019 settlement and investment amounts.

Given the uncertainties surrounding the lawfulness (see Note 11 on litigations) and amount of the pylon taxes, and considering inter alia that this tax is not fully payable at the beginning of each fiscal year and actually not paid, Orange Belgium continues to account for this as a risk in accordance with IAS 37 (Provisions & contingent liabilities). However, the full year risk is estimated and recognized both as a liability and charge at the beginning of each year. Interest charges related to the non-payment of this tax continue being recorded monthly.

The provision for pylon tax is reassessed every quarter using prudent best estimate assumptions based on the evolution of the regional tax framework, of the different court cases and of the new tax bills received. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at December 31, 2016 may subsequently be changed.

Note 2: Sales and (trade) receivables

in thousand EUR

	31.12.2016	31.12.2015
Belgium	**1 196 061**	**1 188 108**
Mobile services	980 270	963 606
Fixed services	68 400	76 490
Other revenues	25 455	21 417
Mobile equipment sales	121 936	126 595
Luxembourg	**61 638**	**64 759**
Mobile services	44 319	44 798
Fixed services	4 384	3 139
Other revenues	1 361	198
Mobile equipment sales	11 574	16 624
Inter-segment eliminations	**-16 055**	**-17 493**
TOTAL	**1 241 644**	**1 235 374**

Orange Belgium's total consolidated turnover amounted to 1,241.6 million euros in 2016, compared to 1,235.4 million euros in 2015, a growth of 0.5 % year-on-year. Excluding the regulatory impact of 28.4 million euros incurred in 2016 (EU roaming regulation), the total consolidated turnover would have increased with 2.9 % compared with 2015.

Orange Belgium's total service revenues (in casu mobile and fixed services) amounted to 1,093.3 million euros in 2016 compared to 1,085.9 million euros in 2015, an increase of 0.7 % year-on-year. However, excluding the aforementioned regulatory impact, Orange Belgium's 2016 consolidated total service revenues would have increased by 3.4 % compared to the same period last year, as a result of a growing ARPU trend and a higher portion of postpaid customers in the overall mix.

The consolidated mobile equipment sales of Orange Belgium amounted to 121.6 million euros in the full year 2016, compared to 128.0 million euros last year, a decrease of 5.0 % year-on-year.

The year-on-year variance of Orange Belgium's other revenues in 2016 was positively impacted by the recognition of accrued revenues following the payment of unpaid invoices for services provided by Orange Belgium to public prosecutors, courts, etc.

Trade receivables

in thousand EUR

	31.12.2016	31.12.2015
Trade receivables – Gross value	220 576	243 068
Allowance for doubtful debtors	-44 899	-58 702
TOTAL TRADE RECEIVABLES	**175 677**	**184 366**

Ageing Balance

in thousand EUR

	31.12.2016	31.12.2015
Not past due	133 775	130 407
Less than 180 days	18 561	22 737
Between 180 days and 360 days	14 655	4 676
More than 360 days	8 686	26 546
TOTAL TRADE RECEIVABLES	**175 677**	**184 366**

Change in provision for trade receivables

in thousand EUR

	31.12.2016	31.12.2015
Allowances on trade receivables – opening balance	**-58 702**	**-57 211**
Net addition with impact on income statement	6 979	-10 559
Losses on trade receivables	6 824	9 068
Allowances on trade receivables – closing balance	**-44 899**	**-58 702**

For terms and conditions relating to related parties receivables, refer to Note 12.

Trade receivables are non-interest bearing and are generally paid via direct debits (almost 60 % of the service revenues are collected by direct debit). Trade receivables which are not paid via direct debits bear mainly a payment term of 30 days end of month.

The Group is not dependent from major customers' situation, none representing more than 10 % of the company's turnover. The customers risk is spread over almost 4 million customers.

Trade receivables amount to 175.7 million euros at the end of 2016, compared with 184.4 million euros at the end of 2015. The decrease in trade receivables – gross value is mainly due to the recovery of old outstanding receivables: settlement with the Belgian State (related to services rendered for public prosecutor, courts, etc.) for 7.4 million euros; collecting a doubtful receivable of 12.1 million euros following the unwinding of the temporary association Irisnet; and the cleaning of open invoices with Telenet.

Consequently, the allowance for doubtful debtors decreased due to the recovery of these old Irisnet invoices. The continued efforts in terms of cash collection resulted also in a decrease in outstanding receivables of more than 360 days.

Other assets

in thousand EUR

	31.12.2016	31.12.2015
Advances and downpayments	599	352
Security deposits paid	255	254
Other	395	223
TOTAL OTHER ASSETS	**1 249**	**829**
o/w other non-current assets	**255**	**254**
o/w other current assets	**994**	**575**

The increase in other current assets is due to prepayments regarding advertising campaigns.

Note 3: Expenses, prepaid and inventory

Direct costs

in thousand EUR

	31.12.2016	31.12.2015
Purchase of material	-190 730	-185 601
Other direct costs	-339 671	-358 824
TOTAL DIRECT COSTS	**-530 401**	**-544 425**

The direct costs in 2016 decreased by 2.6 % year-on-year to 530.4 million euros from 544.5 million euros a year earlier.

Purchase of material

The purchase of material increased by 3 %, mainly due to the roll-out of equipment supply for the convergent Orange Internet + TV offer. The increase in sales of accessories (+ 15 % year-on-year) did also impact the related costs but was totally offset by the decrease of costs related to repair and maintenance of mobile devices.

Other direct costs

The other direct costs, mainly consisting of interconnection costs, commissions, content costs and bad debts, decreased by 5.6 % year-on-year.

Interconnection costs

Interconnection costs amounted to 267.3 million euros, a decrease of 6.3 million euros, mainly due to the lower SMS interconnection costs (as a result of less SMS traffic).

Commissions

The costs related to commissions slightly decreased with 1.7 million euros in 2016 at 51.7 million euros.

Content costs

Orange Belgium's content strategy is primarily based on developing partnerships with rights holders and service publishers. Orange Belgium is mainly focused on its role of aggregating and distributing content to offer improved services to its customers. The costs regarding content amount to 4.6 million euros in 2016 compared to 2 million euros in 2015. This increase is in line with the enrichment of Orange Belgium's digital TV offer in 2016.

Bad debt

The bad debt cost was positively impacted by the recovery from old Irisnet invoices and the continued efforts of cash collection and amounted to -6.7 million euros in 2016, compared to 10.5 million euros costs in 2015 (see also Note 2 – Trade receivables).

Prepaid expenses

in thousand EUR

	31.12.2016	31.12.2015
Prepaid supplies and services	10 767	15 388
Prepaid spectrum fees	1 364	1 245
TOTAL PREPAID EXPENSES	**12 131**	**16 633**

The decrease in prepaid expenses is mainly due to lower prepayments regarding rentals for buildings and shops. The prepaid amount regarding spectrum fees remained at the same level compared to 2015.

Inventories

in thousand EUR

	31.12.2016	31.12.2015
Gross inventories	31 720	23 280
Depreciation	-1 088	-1 807
TOTAL INVENTORIES	**30 632**	**21 473**
Inventories – Cost recognized as an expense during the period	**-187 984**	**-181 935**

The increase in gross inventories is related to the end-of-year campaign of the mobile equipment, that was extended this year until end of January 2017. The higher inventory position reflects also the built-up of equipment supply for the convergent Orange Internet + TV offer. The reserve for obsolete and slow moving items (1.1 million euros) was slightly lower in 2016 than in 2015.

Trade payables and other current liabilities

in thousand EUR

	31.12.2016	31.12.2015
TRADE PAYABLES	**167 695**	**169 815**
Salaries and termination pay	3 976	5 491
Performance and profit sharing bonus, pensions	7 479	9 813
Social security contributions	6 280	7 336
Holiday pay	13 397	13 758
Other	145	64
CURRENT EMPLOYEE BENEFITS	**31 788**	**36 462**
CURRENT RESTRUCTURING PROVISIONS	**16 772**	**0**
OTHER CURRENT LIABILITIES	**11 409**	**10 176**
CURRENT TAX PAYABLES	**56 923**	**42 870**
DEFERRED INCOME	**58 683**	**60 549**

Trade payables are non-interest bearing and are normally settled on 30 to 60-days terms. The trade payables in 2016 remained at the same level as in 2015 (168 million euros).

The decrease in current employee benefits is related to the reclassification of termination pay to current restructuring provisions (2 million euros) and the reclassification of the (long-term) pension accrual to other non-current liabilities (1.6 million euros).

As a consequence of the law of 18 December 2015, minimum returns are guaranteed by the employer as follows:

- for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75 % and a maximum of 3.75 %. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75 %;
- for the contributions paid until end December 2015, the previously applicable legal returns (3.25 % and 3.75 % respectively on the employer and employee contributions) continue to apply until retirement date of the participants.

In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans.

In order to make sure that the defined contribution pension plan in force guarantees to the participants the minimum interest return at the date of leaving required by law, Orange Belgium ordered a complete actuarial computation under the Projected Unit Credit (PUC) method. The actuary performed projections according to a pre-defined methodology and with certain assumptions. This report indicates that the accumulated reserves are sufficient to cover any deficit over the next ten years and this for all scenarios. As a consequence, as of 31 December 2016, no provision has been recognized.

The contributions paid during 2016 for those plans amounted to 4.6 million euros paid by the employer and 0.9 million euros paid by the employees. The plan assets at 31 December 2016 consisted of 106.4 million euros individual insurance reserves, which benefit from a weighted average guaranteed interest rate of 3.68 % and 4.6 million euros reserves in collective financing funds.

The increase in other current liabilities is due to the increase in provision for outstanding litigations mainly related to a higher accrual for social tariffs (see note 11: (Non-) Current provisions and see also the management report, section 4 for detailed information on the disputes).

The current restructuring provisions are constituted of above mentioned reclassification of termination costs and charges booked for early termination of long-term distribution contracts (15 million euros).

The current tax payables are related to the tax calculation of the current year (see Note 6 – Operational taxes and levies).

The decrease in deferred income is related to the decrease in prepaid cards business and to the payment of unpaid invoices for services provided by Orange Belgium to public prosecutors, courts, etc.

Labor costs (excluding termination benefits)

Labor costs decreased by 2.4 % year-on-year in 2016 to 130.6 million euros compared to 133.9 million euros in 2015, mainly resulting from lower other benefits costs and lower social contributions. Orange Belgium did indeed benefit from structural rebates in the employer contributions decided by the Belgian government in the “tax shift”.

Indirect costs

in thousand EUR

	31.12.2016	31.12.2015
Commercial expenses	-52 810	-41 262
Other IT and network expenses	-93 453	-100 681
Property expenses	-55 295	-53 696
General expenses	-58 676	-57 547
Other indirect income	24 308	21 644
Other indirect costs	-29 013	-49 533
TOTAL INDIRECT COSTS	**-264 939**	**-281 075**

The indirect costs decreased 6.0 % year-on-year to 264.9 million euros in 2016 compared to 281.0 million euros in 2015.

The commercial expenses increased by 21.8 % due to costs related to the rebranding and the commercial launch of the Orange Internet + TV offer. The decrease in other IT and network expenses (-7.7 %) can be explained by less maintenance costs for IT infrastructure and for network. The increase of property expenses (2.9 %) relates to network site rentals.

Other indirect income increased with 12 % year-on-year, due to more re-invoicing of operational costs to the Orange Group. Other indirect income consists also of re-invoicing of rental costs to sublessors (mainly related to the Sirius building) and re-invoicing of staff costs to the Orange Group.

The other indirect costs evolution is mainly due to the correction related to the pylon taxes. On 22 December 2016 the three mobile operators and the Walloon government have concluded an agreement in principle on the issue of taxing mobile infrastructure and to settle the dispute on the Walloon regional taxes for 2014. Orange Belgium engages itself to pay an amount of 16.1 million euros over 4 years (i.e. 2016-2019) and to invest an incremental amount of 20 million euros in telecom infrastructure in the Walloon region in the period 2016-2019. As a result of this agreement the Orange Belgium Group reversed in the fourth quarter of 2016 the Walloon pylon tax provision for the year 2014 and 2016 for a total amount of 31.6 million euros, while at the same time recognized a settlement fee of 16.1 million euros, of which a first tranche was paid in December 2016.

Adjustments

Other operating income

In 2015, the settlement agreement between Orange Belgium, KPN, Base and Proximus involved a payment by Proximus to Orange Belgium of 54 million euros.

In the fourth quarter of 2016, Orange Belgium received an exceptional payment of 17.1 million euros. Following the unwinding of the temporary association Irisnet, which was a joint venture between Orange S.A. and Proximus S.A., Orange Belgium was able to collect an old doubtful receivable and in addition the associated default interests.

Other restructuring costs

Orange Belgium also booked restructuring charges of 10.8 million euros for early termination of long-term distribution contracts (in 2015: 5.1 million euros), linked to the on-going transformation of its distribution network.

The redundancy costs amount to 4.9 million euros, compared to 3.6 million euros in 2015.

Note 4: Goodwill

in thousand EUR

	31.12.2016			31.12.2015		
	Acquisition value	Accumulated impairment losses	Net carrying amount	Acquisition value	Accumulated impairment losses	Net carrying amount
Orange Communications Luxembourg S.A.	68 729		**68 729**	68 729		**68 729**
Other goodwill	11 351		**11 351**	11 351		**11 351**
TOTAL GOODWILL	**80 080**	**0**	**80 080**	**80 080**	**0**	**80 080**

The goodwill did not change in 2016 and finds its origin in the acquisition of:

Belgian operations:	11 351
Luxembourg operations:	68 729
Total:	**80 080**

Orange Communications Luxembourg S.A.

The acquisition of Orange Communications Luxembourg S.A. has been achieved in two phases. 90 % of the shares were acquired on 2 July 2007. The remaining 10 % have been acquired on 12 November 2008. The reported goodwill is fully allocated to the segment “Luxembourg”.

Impairment test on this goodwill is performed at least at the end of each financial year to assess whether its carrying amount does or does not exceed its recoverable amount.

For 2016, the same methodology has been used as in previous years. Cash flows have been estimated on a four-year business plan (2017 to 2020) approved by the Strategic Committee. The management of Orange Communications Luxembourg foresees a progressive increase of adjusted EBITDA over the period as the result of (i) a continuous and sustained top line growth coming both from an increase in market size and market share, and (ii) the continuation of its enhanced transformation program with a tight control of operating expenses. More precisely, the management ambitions a remarkable turnaround over this 4-year period with a 9 % (compared to 8 % last year) and 32 % (compared to 23 % last year) compounded annual growth rate (CAGR) of revenues and adjusted EBITDA respectively, while capital expenses are expected to remain relatively stable.

The results achieved in 2016 and more specific in the fourth quarter are promising. Total service revenues stood at 12.5 million euros in the fourth quarter, an increase of 4.5 % compared to last year, as a result of higher fixed service revenues. The mobile service revenues turned positive again in the fourth quarter of 2016, after two quarters of negative growth. Considering the adverse impact of EU roaming regulation in the fourth quarter and full year 2016 of 1.4 and 4.0 million euros, the mobile service revenues were very strong in Luxembourg with an increase of 16.8 % and 8.5 %.These results make management confident about the turnaround and the realization of the long-term strategic plan.

Considering a perpetuity growth rate of 1.25 % (identical as in 2015) and a WACC of 6.0 % (compared to 6.5 % last year), those assumptions would result in a positive amount comparable to last year values.

Sensitivity of recoverable amounts

Sensitivity analysis on those parameters has been performed, using a growth rate varying from 0.5 % to 1.5 % and a discount rate varying from 6.0 % to 7.0 %, and this even if the extremes are considered as very theoretical. No impairment loss had to be recognized as the recoverable amount of the segment “Luxembourg”, including goodwill, exceeds its carrying value for any of those scenarios.

Because of the correlation between operating cash flow and investment capacity, sensitivity of net cash flow is used. Cash flow for the terminal year representing a significant portion of the recoverable amount, a change of plus or minus 10 % of this cash flow is presented in case sensitivity.

As at 31 December 2016:

- 100 % margin of the recoverable amount over the carrying value tested: 18.0 million euros
- 100 % effect on the recoverable amount of a variation of:
  - ✓ 10 % in cash flow of terminal year: 15.0 million euros
  - ✓ 1 % in growth rate to perpetuity: 26.0 million euros
  - ✓ 1 % in discount rate: 20.0 million euros

Finally, the impact of a variation of 2 % in the adjusted EBITDA annual margin growth rate has been estimated at 8 million euros.

Other goodwill

This corresponds to:

Mobistar Affiliate S.A.

The acquisition of Mobistar Affiliate S.A. was achieved in two phases: initial purchase of 20 % shares in April 1999 and purchase of the remaining 80 % shares in May 2001.

The reported goodwill is fully allocated to the segment 'Belgium' (see Segment information).

Mobistar Enterprise Services S.A.

The goodwill resulting from the acquisition of MES was recorded in two steps. First allocation on 1st April 2010 for 844 thousand euros, adjusted on 31st March 2011 for a final result of 793 thousand euros.

The reported goodwill is fully allocated to the segment "Belgium" (see Segment information).

Impairment test on the goodwill allocated to the segment "Belgium" is performed at least at the end of each financial year to assess whether its carrying amount does not exceed its recoverable amount. Estimating the fair value less costs to sell will take into account Orange Belgium's share price as quoted on the stock exchange.

Concerning the goodwill of the segment "Belgium", when considering the relationship between the market capitalization and the net assets of the Group as at 31 December 2016, the market capitalization was significantly higher than the net book value.

Note 5: Other intangible assets and property, plant and equipment

Depreciation and amortization

The 2016 figure for depreciation and amortization stood at 210.3 million euros, up by 8.0 million euros compared to 2015. The level of historical depreciations remained stable, the increase is due to the accelerated depreciations of some fixed assets (network equipment) and to the ramp up of the investments in the installation of new services equipment at the customer premises (such as the set-up boxes, modems and remotes used by customers, as well as the associated activation and installation costs of the Orange Internet + TV offer). As a consequence, Orange Belgium started depreciating the associated customer premises equipment over the useful life of the asset.

Accelerated depreciations of fixed assets

The changes in useful life on intangible assets and property, plant and equipment recognized during the year have been determined on individual asset basis in order to consider technology and IT evolution. Obsolescence, dismantling or losses are also considered in the exercise.

During 2016, change in useful life on property, plant and equipment has been recognized for an amount of 13.1 million euros (compared with 9.8 million euros in 2015) and shown as expense on the line "Depreciation and amortization" in the statement of comprehensive income.

This increase can be explained by reducing the estimated economic lives for radio-, transcoders- and base station equipment with one year (impact of 0.8 million euros) and by reducing some useful lives of radio network equipment (related to 2G, 3G & 4G) with two years (impact of 4 million euros). These changes in useful lives are necessary to cope with the accelerated technologic evolution.

Other intangible assets

in thousand EUR

	31.12.2016	31.12.2015
Net book value of other intangible assets in the opening balance	**347 391**	**304 989**
Acquisitions of other intangible assets	46 824	113 391
o/w licenses	0	76 143
Additions through business combinations	0	6 616
Depreciation and amortization	-73 427	-70 439
Reclassifications and other items	1	-7 166
Net book value of other intangible assets in the closing balance	**320 789**	**347 391**

Acquisitions of other intangible assets are mainly related to software and internal generated software development costs. No telecommunication licenses had to be renewed in 2016 (see overview below).

in thousand EUR

2016	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value
Telecommunication licenses	365 203	-143 659		221 544
Brand	4 172		-4 172	
Subscriber bases	11 180	-11 180		
Software	407 148	-319 178		87 970
Other intangible assets	123 158	-111 883		11 275
TOTAL	**910 861**	**-585 900**	**-4 172**	**320 789**

in thousand EUR

2015	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value
Telecommunication licenses	365 900	-113 364		252 536
Brand	4 172		-4 172	
Subscriber bases	11 180	-11 180		
Software	377 825	-297 105		80 720
Other intangible assets	124 989	-110 854		14 135
TOTAL	**884 066**	**-532 503**	**-4 172**	**347 391**

Telecommunication licenses

in thousand EUR

Type of license	Acquisition cost	Net book value end 2016	Net book value end 2015	Useful life in months	Remaining months	Start depreciation period
UMTS 3G	149 041	39 779	49 143	191	51	April 2005
4G	20 020	18 956	20 020	End June 2027	125	June 2016
800 MHz	120 000	102 362	108 422	238	203	February 2014
2G renewal 5 years 3 months	76 840	60 447	74 951	63	50	December 2015
TOTAL	**365 900**	**221 544**	**252 536**			

Internally generated intangible assets include software development costs generated by the Group staff.

Other intangible assets are mainly related to software acquired or developed by external suppliers. They are mainly used for the network applications or for administrative purpose.

The useful lives of intangible assets applied in 2016 remain comparable to the ones' used in 2015.

Investments related to original software acquisition may be fully amortized as well but upgrades of these softwares, still in use, are not fully amortized. The same applies to original site's research costs.

Intangible assets are not subject to title restriction or pledges as security for liabilities.

Property, plant and equipment

in thousand EUR

	31.12.2016	31.12.2015
Net book value of property, plant and equipment in the opening balance	**840 389**	**804 387**
Acquisitions of property, plant and equipment	120 819	155 882
Additions through business combinations		126
Depreciation and amortization	-136 843	-131 785
Reclassifications and other items	5 606	11 779
Net book value of property, plant and equipment in the closing balance	**829 971**	**840 389**

in thousand EUR

2016	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value
Land and buildings	71 527	-45 013		26 514
Networks and terminals	1 689 217	-915 645		773 572
IT equipment	195 854	-182 270		13 584
Other property, plant and equipment	29 895	-13 594		16 301
TOTAL	**1 986 493**	**-1 156 522**	**0**	**829 971**

in thousand EUR

2015	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value
Land and buildings	70 398	-41 628		28 770
Networks and terminals	1 616 270	-840 353		775 917
IT equipment	236 051	-216 510		19 541
Other property, plant and equipment	28 042	-11 881		16 161
TOTAL	**1 950 761**	**-1 110 372**	**0**	**840 389**

Provision for dismantling

in thousand EUR

	31.12.2016	31.12.2015
Provision for dismantling in the opening balance	**61 049**	**56 927**
Reversals releases with impact on income statement		-1 696
Discounting with impact on income statement	690	772
Utilizations without impact on income statement	-727	-20
Additions with impact on assets	5 607	5 066
Provision for dismantling in the closing balance	**66 619**	**61 049**
o/w non-current provisions	**65 596**	**60 125**
o/w current provisions	**1 023**	**924**

The key assumptions used to measure the network sites dismantling provision are as follows:

in thousand EUR

	31.12.2016	31.12.2015
Number of network sites, Orange Communications Luxembourg S.A. incl. (in units)	4 417	4 257
Average dismantling cost per network site	12.1	11.5
Inflation rate	2.0 %	2.0 %
Discount rate	1.143 %	1.135 %

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 those costs are estimated at 12,087 euros per site (in 2015 the average cost was 11,500 euros). For sites of a bigger size, like MSC's (Mobile Switching Centre), the provision is calculated on the surface area of the sites rented and an average dismantling cost per m² based on past similar experience.

Although it is rather not practicable to estimate the timing of the cash outflows, it is assumed that all the network sites will be dismantled in the future. Since 2011, the duration of the rental contracts has been capped to 15 years, which is considered to be equivalent to a dismantling plan spread over a period close to 30 years. Before that change, the longest period considered was 99 years. The approach was maintained to evaluate the provision in 2016.

The main explanation of the increase is the higher average dismantling cost per site (from 11,500 to 12,087 euros per site), leading to an increase of the liability of more than 2.6 million euros. Unwinding effect has also increased the provision for 0.6 million euros, and the increase in number of sites (plus 160) explains 2.0 million euros.

Network sites dismantling provision will also be adjusted when there is sufficient objective evidence that future change in technology or in legislation will have an impact on the amount of the provision.

Note 6: Taxes and levies

Income tax in profit and loss statement

in thousand EUR

	31.12.2016	31.12.2015
Current income tax	-26 813	-38 069
Deferred tax expense arising to the origination and reversal of temporary differences	2 687	2 272
TOTAL TAX EXPENSE	**-24 126**	**-35 797**

Relationship between tax expense and accounting profit

in thousand EUR

	31.12.2016	31.12.2015
Earnings before income tax	100 737	112 388
Group income tax rate	33.99 %	33.99 %
Theoretical income tax	**-34 241**	**-38 201**
Effect of difference between local standard rate and Group rate*	-61	254
Effect of permanent differences and other reconciling items**	599	-5 577
Tax effect due to differences from standard rates	-370	-340
Effect of tax (without base) affecting current tax***	9 915	8 180
Effect of tax (without base) affecting deferred tax	32	-113
INCOME TAX	**-24 126**	**-35 797**
EFFECTIVE TAX RATE	**23.9 %**	**31.9 %**

* Local rate (Orange Communications Luxembourg: 31.47 %) and Group rate (33.99 %).

** Consisting of non-deductible expenses and permanent differences.

*** Adjustments on prior years.

Tax expenses amounted to 24.1 million euros in 2016 compared to 35.8 million euros in 2015. The effective tax rate came out at 23.9 %, 8.0 points below the effective tax rate of 31.9 % in 2015. Given the lower pre-tax earnings in 2016, the absolute amount of tax expenses has decreased in 2016 with 4.1 million euros. The regional pylon tax has been considered in the past as a non-tax deductible professional expense. Consequently, due to the settlement with the Walloon region, a positive impact of 6.1 million euros could be recorded in 2016 (see **).

A positive impact on the taxable year 2015 has been recorded in December 2016 for an amount of 9.5 million euros to record tax deductions for investments (2.4 million euros increase compared to 2015) (see ***).

Tax position in the statement of financial position

Movements in current tax balances

in thousand EUR

	31.12.2016	31.12.2015
Net current tax - opening balance	**42 870**	**14 996**
Cash tax payments	-12 760	-10 301
Current income tax expense	26 813	38 069
Changes in consolidation scope, reclassification and translation adjustments		106
Net current tax - closing balance	**56 923**	**42 870**

Due to carried forward losses, Orange Communications Luxembourg S.A. has no current tax recorded.

Movements in deferred tax balances

in thousand EUR

	31.12.2016	31.12.2015
Net deferred taxes - opening balance	**6 381**	**7 095**
Change in income statement	2 687	2 272
Change in other comprehensive income	864	
Changes in consolidation scope, reclassification and translation adjustments	644	-2 986
Net deferred taxes - closing balance	**10 576**	**6 381**

in thousand EUR

	31.12.2016			31.12.2015		
	Assets	Liabilities	Income statement	Assets	Liabilities	Income statement
Fixed assets		2 992	594		3 586	441
Tax losses carryforward	5 176		711	4 044		
Other temporary differences	8 392		1 382	5 923		1 831
Deferred taxes	**13 568**	**2 992**	**2 687**	**9 967**	**3 586**	**2 272**
Netting	-1 305	-1 305		-1 578	-1 578	
TOTAL	**12 263**	**1 687**	**2 687**	**8 389**	**2 008**	**2 272**

Deferred taxes recorded on Orange Belgium’s operations are essentially related to the marked-to-market value of the interest rate swap contracts, to the development costs for intranet sites, to the dismantling assets depreciation and to the depreciation of SIM cards. The deferred tax liability of 2.9 million euros is entirely related to the Purchase Price Accounting of Walcom. In Orange Communications Luxembourg the tax asset recorded is related to carried forward tax losses (5.1 million euros).

Operating taxes and levies payables

The operating taxes and levies payables amounted to 110.0 million euros in 2016 and consist of VAT payables and of 103.0 million euros taxes charged to pylons and masts, plus default interests calculated at the legal rate, of which the majority is disputed in Court.

Operating taxes and levies receivables

The operating taxes and levies receivables amounted to 0.7 million euros in 2016, compared to 0.8 million euros a year ago and consist of the recoverable VAT.

Note 7: Interests in associates and joint ventures

In July 2012, the Group participated to the constitution of the company IRISnet S.C.R.L. The activity of IRISnet S.C.R.L. started on 1st November 2012. The share of the Group in the equity of IRISnet S.C.R.L. is 28.16 %. The Group is represented in the Board of Directors for 2 out of 7 seats. This company is consolidated using the equity method. The net result of the year amounts to 400 thousand euros, resulting in a net carrying amount as at 31 December 2016 of 3,673 thousand euros.

In October 2015, the Group has contributed in cash for 100,000 euros equivalent to 2,000 shares out of the 8,000 shares issued by Co.Station Brussels. In 2016, SD Patrimonium subscribed also in the capital, bringing the total number of shares issued by Co.Station Brussels S.A. to 10.000. The share of the Group in the equity of Co.Station Brussels is now 20 %. This company is consolidated using the equity method. The net result of the year amounts to 86 thousand euros, resulting in a net carrying amount as at 31 December 2016 of 49 thousand euros.

Note 8: Financial assets, liabilities and financial result

Financial result

in thousand EUR

	31.12.2016	31.12.2015
Financial costs	-6 457	-6 687
Financial income		1
TOTAL NET FINANCIAL COSTS	**-6 457**	**-6 686**

The net financial result amounted to -6.5 million euros in 2016, compared to -6.7 million euros a year ago. This small improvement is due to lower interest charges in line with the lower outstanding debt (intercompany borrowing – see below), almost fully counterbalanced by increased interest charges related to the interest rate swaps.

Cash and cash equivalents, financial liabilities

in thousand EUR

	31.12.2016	31.12.2015
Cash and cash equivalents		
Cash on hand	-51 444	-9 709
TOTAL CASH AND CASH EQUIVALENTS	**-51 444**	**-9 709**
Financial liabilities		
Intercompany short-term borrowing	236	10 177
Intercompany long-term borrowing	389 177	407 024
TOTAL BORROWINGS	**389 413**	**417 201**
Net financial debt	**337 969**	**407 492**

The net financial debt at the end of 2016 amounted to 338.0 million euros, a decrease of Orange Belgium's net financial debt position by almost 70 million euros compared to 407.5 million euros of net financial debt at the end of December 2015. This decrease is due to the strong cash flow generation throughout 2016. Orange Belgium continued to strengthen its balance sheet in 2016 by securing its long-term financing, while reducing at the same time the absolute level of its net financial debt position. Orange Belgium did net repayments of its long-term borrowing debt (credit facility agreement with Atlas Services Belgium for a total amount of 420 million euros) of 19 million euros. On the other hand the cash and cash equivalents increased with 41 million euros compared to 2015. This is mainly due to the increase in the cash pool with Orange S.A.

Financial risks

Liquidity risk

Orange Belgium's results and outlook could be affected if the terms of access to funding become difficult
Orange Belgium is financed through long-term credit facilities granted by Orange Group entities and is thus not directly exposed to adverse changes in market conditions. Sufficient funding is ensured until 2020 included and can reasonably be assumed also beyond. In addition, Orange Belgium could evoke other sources of funding such as bank loans or bonds should financing limitations be imposed by the Orange Group after 2020.

Interest rate risk

Orange Belgium's business activities could be adversely affected by interest rate fluctuations
Orange Belgium's long-term credit facilities bear interest at variable rates. To cover partially the risk of sudden hikes in market interest rates, Orange Belgium has hedged 200 million euros of its long-term debt at a fixed rate of 0.41% up to and including 2020. As of 31 December 2016, Orange Belgium has drawn for a total of 390 million euros, thus leaving 190 million euros exposed to interest rate risk.

Credit rating risk

Downgrades of Orange Belgium's credit rating or rating outlook could increase its borrowing costs and/or limit its financing capacity
Orange Belgium is financed through long-term credit facilities granted by Orange Group entities until 2020 included which do not foresee rating-based funding adjustments. The funding agreement includes a financial covenant that Orange Belgium has to respect (Net debt / EBITDA ratio of < 2.75x). As of 31 December 2016 the ratio stood at 1.1x and a breach of covenant can be considered as highly unlikely.

However, rating downgrades could negatively impact the trading terms that Orange Belgium is receiving from its suppliers thus increasing the operational financing needs and overall funding costs.

Counterparty risk on financial transactions

The insolvency or deterioration in the financial position of a bank or other institution with which Orange Belgium has a financial agreement may have a material adverse effect on the company and its financial position
Orange Belgium does not have any derivative exposure with financial institutions nor term deposits. In addition, the credit balances on its bank accounts are very limited given that it is operating a cash pooling structure with automatic sweeping of excess funds to Orange S.A.

However, a default of one of its main banking partners would have a negative impact on its cash management operations. This risk is mitigated by the fact that Orange Belgium's Treasury policy foresees working with at least three different banking partners with an investment-grade rating.

Credit risk

Customer payment defaults could adversely affect Orange Belgium's financial results and liquidity position
Orange Belgium's credit policy foresees that all customers who wish to trade on credit terms are subject to credit verification procedures. If the risk is deemed not acceptable, payment terms are defined as prepayment or cash on delivery.

The customer portfolio is highly diversified and consists mainly of local counterparties which reduces the risk of substantial one-off losses. In addition, the collection procedures are to a large extent automated and trade receivable balances are monitored on an on-going basis (see Note 2: Sales and (trade) receivables). Bad debt provisions are calculated on a monthly basis to cater for potentially uncollectable amounts.

Foreign exchange risk

Exchange rate fluctuations could adversely affect Orange Belgium's financial results and liquidity position
Given the mainly local nature of its business Orange Belgium is not exposed to significant foreign currency risk.

Interest-bearing loans and borrowings

in thousand EUR

	Nominal amount end 2016	Interest rate	Maturity	31.12.2016	31.12.2015
Unsecured revolving credit facility agreement with Atlas Services Belgium	70 000	EURIBOR +1.10	09.06.2017		
	420 000	EURIBOR +0.95	15.06.2021	390 000	410 000
Transactions costs on long-term loan				-993	-993
TOTAL LONG-TERM LOANS AND BORROWINGS				**389 007**	**409 007**
Cash-pool related credit facility with Orange	50 000	EONIA +0.65	on demand		8 225
Uncommitted credit lines with various banks	36 000	determined upon withdrawal	on demand		
TOTAL SHORT-TERM LOANS AND BORROWINGS					**8 225**

Fair values

in thousand EUR

	Carrying amount		Fair value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
FINANCIAL ASSETS				
Non-current financial assets*	2 024	741	2 006[1]	738[2]
Trade receivables*	175 677	184 366	175 677	184 366
Current financial assets*	452	1 113	452[1/4]	1 113[1/3]
Current derivatives assets	3 131	2 160	3 131	2 160
Cash and cash equivalents	51 444	9 709	51 444	9 709
FINANCIAL LIABILITIES				
Non-current financial liabilities	389 043	409 007	386 915[1]	407 652[2]
Non-current derivatives liabilities	4 659	1	4 617[1]	1
Current financial liabilities	236	8 165	236	8 165
Current derivatives liabilities	3 131	4 172	3 131	4 172
Trade payables	167 695	169 815	167 695	169 815

[1] Discount rates (assumption) have been considered on the estimated period of repayment (1 year: -0.2650 %, 2 years: -0.1850 %, 3 years: -0.0250 %, 4 years: 0.2300 %, 5 years: 0.5500 %, 6 years: 0.9050 %).
[2] Discount rates (assumption) have been considered on the estimated period of repayment (1 year: -0.057015 %, 2 years: -0.035 %, 3 years: 0.06357 %, 4 years: 0.194035 %, 5 years: 0.33265 %, 6 years: 0.48127 %).
[3] This value includes a loan to a partner for which an accrual for collection risk has been recorded for a value of 3,513 thousand euros.
[4] This value includes a loan to a partner for which an accrual for collection risk has been recorded for a value of 3,512 thousand euros.
* See note related to the accounting principles (loans and receivables).

As at 31 December 2016, the Group held two hedging derivative financial instruments qualifying for hedge accounting. Orange Belgium uses derivative financial instruments, more particularly interest rate swaps, to hedge its exposure to interest rate risks arising from its financing activity. An interest rate swap (IRS) is an interest rate forward contract for which Orange Belgium exchanges a floating interest rate against a fixed interest rate. These IRS are valued, subsequent to their initial recognition, at their fair value. The fair value measurement is derived from data that are observable, either directly or indirectly, and is based on the discounted cash flow method by using a yield curve that is adapted to the duration of the instruments.

Summary of the hedging derivative financial instruments qualifying for hedge accounting:

in thousand EUR

Start date	End date	Option	Exercise price	Floating rate	Notional amount
31/01/2016	31/01/2021	IRS	0.4280 %	EURIBOR 3 months	75 000
15/12/2015	15/12/2020	IRS	0.3995 %	EURIBOR 3 months	125 000

Fair value of the hedging derivative financial instruments qualifying for hedge accounting:

in thousand EUR

	31.12.2016	31.12.2015
Current liabilities – effective part of the fair value of authorized cash flow hedging instruments	4 658	2 012

The carrying amount of cash and cash equivalents, trade receivables and other assets, trade payables and other payables is deemed to represent their fair value considering the associated short-term maturity. Other non-current financial assets are measured at amortized costs which are deemed to represent their fair value.

Maturity

in thousand EUR

As at 31 December 2016	Amount	Within 1 year	Within 2-5 years	More than 5 years
FINANCIAL ASSETS				
Non-current financial assets	2 024			2 024
Trade receivables	175 677	175 677		
Current financial assets	452	452		
Current derivatives assets	3 131	3 131		
Cash and cash equivalents	51 444	51 444		
FINANCIAL LIABILITIES				
Non-current financial liabilities	389 043		389 043	
Non-current derivatives liabilities	4 659		4 659	
Current financial liabilities	236	236		
Current derivatives liabilities	3 131	3 131		
Trade payables	167 695	167 695		

in thousand EUR

As at 31 December 2015	Amount	Within 1 year	Within 2-5 years	More than 5 years
FINANCIAL ASSETS				
Non-current financial assets	741		90	651
Trade receivables	184 366	184 366		
Current financial assets	1 113	1 113		
Current derivatives assets	2 160	2 160		
Cash and cash equivalents	9 709	9 709		
FINANCIAL LIABILITIES				
Non-current financial liabilities	409 007		294 037	114 970
Non-current derivatives liabilities	1	1		
Current financial liabilities	8 165	8 165		
Current derivatives liabilities	4 172	2 160	1 251	761
Trade payables	169 815	169 815		

Sensitivity

As indicated above, the main risk area related to external variable elements is the cost of borrowing. Considering an average long-term indebtedness of 388 million euros for 2016, a variation of floating rate of 0.5 % would have meant an impact on financing costs of 0.9 million euros. Considering an average long-term indebtedness of 488 million euros for 2015, a variation of floating rate of 0.5 % would have meant an impact on financing costs of 2.4 million euros.

Note 9: Shareholders' equity

Share capital

No changes have been performed during the years 2015 and 2016.

	Share capital (in thousand EUR)	Number of ordinary shares (in units)
As at 1 January 2016	**131 721**	**60 014 414**
As at 31 December 2016	**131 721**	**60 014 414**

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

Dividends

The Orange Belgium Group aims to balance the appropriate cash returns to equity holders with the requirement of maintaining a balanced and sound financial position, while leaving sufficient leeway to continue to invest in its convergent strategy and the build-out of its network.

Accordingly the Board of Directors will propose the Annual General Meeting of Shareholders on 3 May 2017 to distribute a gross ordinary dividend for the financial year 2016 of 0.50 euro per share. If approved, the payment of the gross ordinary dividend of 0.50 euro will be done on 17 May 2017 (ex-dividend date 15 May 2017; record date 16 May 2017).

Note 10: Commitments and contingencies

Operational activities commitments

in thousand EUR

	Total	Less than one year	From one to five years	More than five years
Operating leases	8 752	989	7 763	
Handsets purchases	61 086	61 086		
Other goods and services purchases	44 488	24 212	20 276	
Investment commitments	158 656	94 608	64 048	
OPERATIONAL ACTIVITIES COMMITMENTS	**272 982**	**180 895**	**92 087**	

Property lease commitments

in thousand EUR

	Discounted value of future lease payments	Minimum future lease payments
Technical activities	216 795	370 751
Shops / Offices activities	80 809	92 664
PROPERTY LEASE COMMITMENTS	**297 604**	**463 415**

Operating leases for offices have a duration up to 15 years with renewal options. Operating leases for network sites have a duration from 1 to 99 years.

Maturities are set forth below:

in thousand EUR

	Minimum future lease payments	Less than one year	1-2 years	2-3 years	3-4 years	4-5 years	More than five years
PROPERTY LEASE COMMITMENTS	**463 415**	**38 311**	**34 523**	**31 689**	**28 195**	**26 052**	**304 645**

Guarantees granted

in thousand EUR

	Total	Less than one year	From one to five years	More than five years
GUARANTEES GRANTED	**10 864**	**723**	**3 324**	**6 817**

In 2016, guarantees granted are related to various lease agreements and to network performance commitment granted to some corporate customers. No other security (mortgage, pledge or other) has been granted on Orange Belgium assets as at 31 December 2016.

Note 11: (Non)-current provisions

in thousand EUR

2016	31.12.2015	Additions	Utilisations	Reversal	Other effect	31.12.2016
Provisions for dismantling	61 049		-727		6 297	66 619
Provisions for litigations	11 622	2 090	-4 481	-2 197	-2 080	4 954
TOTAL PROVISIONS	**72 671**	**2 090**	**-5 208**	**-2 197**	**4 217**	**71 573**

in thousand EUR

2015	31.12.2014	Additions	Utilisations	Reversal	Other effect	31.12.2015
Provisions for dismantling	56 927		-1 696	-20	5 838	61 049
Provisions for litigations	14 145	1 860	-3 654	-748	19	11 622
TOTAL PROVISIONS	**71 072**	**1 860**	**-5 350**	**-768**	**5 857**	**72 671**

Accruals for dismantling consist of current (1.0 million euros) and non-current provisions (65.6 million euros) (see also Note 5 – Other intangible assets).

Provisions for litigations are recorded in other (non)-current liabilities.

Outstanding litigations

Orange Belgium 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.

See Management report, section 4 for detailed information on the disputes.

Network sites dismantling provision

See Note 5 – Other intangible assets and property, plant and equipment.

Waste Electrical and Electronic Equipment

According to the European Directive issued on that subject and to the IFRIC 6 interpretation, Orange Belgium is responsible for the treatment and disposal for any wasted electrical and electronic equipment (i.e. network equipment, IT hardware...) acquired on or before 13 August 2005.

Orange Belgium is currently selling its waste electrical and electronic equipment to a WEEE certified third-party supplier at a net selling price which includes all the European Directive obligations. The agreement with this supplier also includes the obligations of Orange Belgium for the period before 13 August 2005. No provision has to be recognized in this respect in the Orange Belgium financial statements.

Note 12: Related parties

Relationships with affiliated enterprises

Balance sheet and income statement

in thousand EUR

	31.12.2016	31.12.2015
ASSETS		
Current trade receivables	-11 672	5 055
LIABILITIES		
Current interest-bearing loan	-815	7 565
Non-current interest-bearing loan	390 000	409 589
Current trade payables	-10 703	-6 526
INCOME AND CHARGES		
Sales	34 662	21 689
Purchases	-24 336	-17 051
Interests	-3 732	-5 852

The ultimate parent entity of Orange Belgium S.A. is Orange S.A., 78 rue Olivier de Serres, 75015 Paris, France.

Related parties transactions

in thousand EUR

31.12.2016	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Orange – Traffic and services	13 945	-18 541		
Orange – Cash pool		-63	-10 381	-2 045
Orange Affiliates – Traffic and services	20 717	-5 732	-1 382	-8 481
Atlas Services Belgium – Loan		-3 548	91	389 008
TOTAL	**34 662**	**-27 884**	**-11 672**	**378 482**

in thousand EUR

31.12.2015	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Orange – Traffic and services	16 127	-12 292		
Orange – Cash pool			4 106	9 365
Orange Affiliates – Traffic and services	5 562	-4 759	949	-7 333
Atlas Services Belgium – Loan		-5 852		408 596
TOTAL	**21 689**	**-22 903**	**5 055**	**410 628**

Terms and conditions of transactions with related parties

The terms and conditions applied to sales and purchases of traffic and services, to the centralised treasury management agreement and to the revolving credit facility agreement 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.

Relationships with Board of Directors members and senior management

The total employee benefits and compensation, including employer social security contributions, attributed to the members of the Executive Committee of Orange Belgium, and recognized as an expense during the period, are as follows:

in thousand EUR

	31.12.2016	31.12.2015
Short-term employee benefits	534	488
Post-employment benefits	5 340	4 572
TOTAL	**5 874**	**5 060**

The total remuneration attributed to the Board of Directors (excluding the normal compensation of the CEO which is included in the table above) is as follows:

in thousand EUR

	31.12.2016	31.12.2015
TOTAL REMUNERATION	**326**	**455**

Note 13: Significant accounting policies

1. Summary of significant accounting policies

1.1. Transactions in foreign currencies

On initial recognition in the functional currency, a foreign currency transaction is recorded by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At each balance sheet date, foreign monetary assets and liabilities are translated using the closing rate.

Exchange gains and losses are recognized as operational income and expenses when they are related to the operational activities. Exchange gains and losses are recognized as financial income and expenses only when they are related to the financing activities.

1.2. Business combinations, goodwill and goodwill impairment

Business combinations are accounted for applying the acquisition method:

- the acquisition cost is measured at the acquisition date at the fair value of the consideration transferred, including all contingent consideration. Subsequent changes in contingent consideration are accounted for either through profit or loss or through other comprehensive income in accordance with the applicable standards;
- if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date;
- goodwill is the difference between the consideration transferred and the fair value of the identifiable assets and liabilities assumed at the acquisition date and is recognized as an asset in the statement of financial position.

For each business combination with ownership interest below 100 %, non-controlling interests are measured:

- either at fair value: in this case, goodwill relating to non-controlling interests is recognized; or
- at the non-controlling interest's proportionate share of the acquiree's identifiable net assets: in this case, goodwill is only recognized for the share acquired.

Acquisition related costs are directly recognized in operating income in the period in which they are incurred.

When a business combination is achieved in stages, the previously held equity interest is remeasured at fair value at the acquisition date through operating income. The attributable other comprehensive income, if any, is fully reclassified in operating income.

Goodwill is not amortized but tested for impairment at least annually or more frequently when there is an indication that it may be impaired. Therefore, the evolution of general economic and financial trends, the different levels of resilience of the telecommunication operators with respect to the decline of local economic environments, the changes in the market capitalization values of telecommunication companies, as well as actual economic performance compared to market expectations represent external indicators that are analysed by the Group, together with internal performance indicators, in order to assess whether an impairment test should be performed more than once a year.

IAS 36 requires these tests to be performed at the level of each Cash Generating Unit (CGU) or groups of CGUs likely to benefit from acquisition-related synergies. De facto, it generally corresponds to the operating segment. This allocation is reviewed if the Group changes the level at which it monitors return on investment for goodwill testing purposes.

To determine whether an impairment loss should be recognized, the carrying value of the assets and liabilities of the CGUs or groups of CGUs is compared to the recoverable amount. The recoverable amount of a CGU is its value in use.

Value in use is the present value of the future cash flows expected to be derived from the CGUs. Cash flow projections are based on economic and regulatory assumptions, license renewal assumptions and forecast trading conditions drawn up by the Group's management, as follows:

- cash flow projections are based on three to five-year business plans;
- cash flow projections beyond that timeframe may be extrapolated by applying a declining or flat growth rate over the next two years (for some CGUs), followed by a growth rate to perpetuity reflecting the expected long-term growth in the market;
- the cash flows obtained are discounted using appropriate rates for the type of business and the countries concerned.

Carrying values of CGUs tested include goodwill, intangible assets with indefinite useful life arising from business combinations and assets with finite useful life (property, plant and equipment, intangible assets and net working capital, including intragroup balances). Net book values are disclosed at the level of the CGUs and groups of CGUs, i.e. including accounting items related to transactions with other CGUs and groups of CGUs.

For a CGU partially owned by the Group, when it includes a portion relating to non-controlling interests, the impairment loss is allocated between the owners of the parent and the non-controlling interests on the same basis as that on which profit or loss is allocated (i.e. ownership interest).

Impairment loss for goodwill is recorded as a deduction from operating income and is never subsequently reversed.

The values in use of the businesses, which are most of the recoverable amounts and which support the book values of long-term assets including are sensitive to the valuation method and the assumptions used in the models. They are also sensitive to any change in the business environment that is different from the assumptions used. Orange Belgium recognizes assets as impaired if events or circumstances occur that involve material adverse changes of a permanent nature affecting the economic climate or the assumptions and targets used at the time of the acquisition. New events or adverse circumstances could conduct Orange Belgium to review the present value of its assets and to recognize further substantial impairment losses that could have an adverse effect on its results.

1.3. Intangible assets

Are included under this asset category, the intangible assets with a finite useful life such as the cost of the telecommunication licenses, the cost of network design and development, the cost of purchased and internally generated software.

Intangible assets are measured on initial recognition at cost. The cost includes the purchase price, import duties, non-refundable purchase taxes, after deduction of trade discounts and rebates, and any directly attributable costs of preparing the asset for its intended use, i.e. costs of employee benefits, professional fees and testing costs.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses.

The residual value of intangible assets is assumed to be zero unless the conditions provided for by IAS 38 are met.

Intangible assets are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The depreciable amount of an intangible asset with a finite useful life is allocated on a linear basis over its useful life.

The amortization of the mobile licenses starts when they are ready to operate.

The GSM and UMTS licenses have been granted for a period of 15 years (originally) and 20 years respectively. The extension of the GSM license, acquired in 2015, is amortized over a period of 5 years which corresponds to the license term.
The 4G license, acquired in 2011, has been granted for a period of 15 years, till the 1st of July 2027. The 800 MHz license has been acquired in November 2013 and is valid for a period of 20 years. Amortization of the licenses should start when the asset is available for use, i.e. when it is in the location and technical condition necessary for it to be capable of operating in the manner intended by the management, even if the asset is actually not being used. The license will be available for use when the first geographical zone will be declared "ready to launch" by the technical team. The full amount will be amortized on a straight line basis over its remaining useful life of that date.

The useful life of acquired and internally generated software is 5 years (network software) or 4 years (non-network software) and their amortization starts when the software has been ready for use.

The amortization period and amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Any change in the useful life or in the expected pattern of consumption of the future economic benefits embodied in the asset, is accounted for prospectively as a change in an accounting estimate. The changes in useful life on intangible assets recognized during the year are determined on individual asset basis. Obsolescence, dismantling or losses are also considered in the exercise.

Amortization costs are recorded in the income statement under the heading “Depreciation and amortization”.

Research costs are expenses as incurred. Development expenditure on an individual project is recognized as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the liability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

1.4. Property, plant and equipment

The following items of property, plant and equipment are classified under the tangible assets category: building, network infrastructure and equipment, IT servers and personal computers, office furniture, leasehold improvements, equipment leased to customers.

Upon recognition, tangible assets are measured at cost. The cost includes the purchase price, import duties and non-refundable purchase taxes, after deduction of trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition for it to be capable of operating in the expected manner. The cost of replacing part of an item of property, plant and equipment is recognized as an asset when incurred and if the recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss as incurred. The cost includes also the estimated cost to dismantle the network sites and to refurbish the rented premises when such obligation exists.

After initial recognition, tangible assets are measured at cost less any accumulated depreciation and impairment losses.

The depreciable amount of a tangible asset is allocated on a systematic and linear basis over its useful life. The depreciation of a tangible asset starts when it is ready to operate as intended.

The useful life of each category of tangible assets has been determined as follows:

- Building 20 years
- Pylons and network constructions 20 years
- Optical fibre 15 years
- Network equipment 5-8 years
- Messaging equipment 5 years
- IT servers 5 years
- Personal computers 4 years
- Office furniture 5-10 years
- Leasehold improvements 9 years or rental period if shorter

The residual value and the useful life of a tangible asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate. The changes in useful life on tangible assets recognized during the year are determined on individual asset basis. Obsolescence, dismantling or losses are also considered in the exercise.

Depreciation costs are recorded in the income statement under the heading “Depreciation and amortization”.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognized.

The asset retirement obligation (ARO) relating to the network sites is measured based on the known term of sites rental contracts, assuming a high probability of renewal upon each renewal date, and considering that the entire sites park will be dismantled in the future. The dismantling asset is measured by using appropriate inflation and discount rates.

1.5. Impairment of tangible and intangible items other than goodwill

The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, Orange Belgium makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the income statement in the operating expenses under the heading “Impairment of fixed assets”.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

1.6. Borrowing costs

Borrowing costs are capitalized after 1 January 2009. Evaluation of the need to capitalize borrowing costs is made at project level. Up to end of 2008, borrowing costs were recognized as an expense in the period in which they occurred.

1.7. Government grants

A government grant is recognized when there is a reasonable assurance that the grant will be received and the conditions attached to them are complied with.

When the grant relates to an expense item, it is recognized as income over the period necessary to match on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to the carrying amount of the asset and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

1.8. Taxes

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the acquisition cost of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Operational taxes: IFRIC 21

The IFRIC 21 interpretation has been adopted by the European Union in the course of the first semester 2014. It defines the obligating event that gives rise to a liability to pay a levy (as the activity that triggers the levy) and refers to other standards to determine whether the recognized liability gives rise to an asset or expense.

Orange Belgium applies IFRIC 21 in the consolidated financial statements of 31 December 2016 to a limited number of levies whose accounting is modified by the interpretation: property withholding tax, tax on offices' space, tax on class 1/2/3 sites (hazardous and/or insalubrious sites), sites tax and taxes on advertising boards, panels, etc.

1.9. Inventories

Inventories are assets held for sale in the ordinary course of business, i.e. handsets and SIM cards.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of inventories are assigned by using the first-in, first-out (FIFO) cost formula. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1.10. Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash deposits with a maximum term of 3 months. Cash and cash equivalents held with financial institutions are measured at nominal value. Banks and intercompany cash pooling overdrafts are classified as short-term financial liabilities.

1.11. Own shares (liquidity contract)

The purchase of own (Orange Belgium) shares or obligations in the framework of a liquidity contract is recorded as a financial asset.

Gains or losses realized when selling own shares are recognized directly into profit and loss accounts (*financial result*). Revaluation of the shares at closing date is also recorded into profit and loss accounts.

1.12. Financial instruments

Recognition and de-recognition

A financial asset or a financial liability is recognized on the balance sheet at settlement date when the Group becomes a party to the contractual provisions of the financial instrument.

A financial asset will be derecognized when the contractual rights to the cash flows from the financial asset expire.

A financial liability will be derecognized when the contractual obligation is discharged or cancelled or expires.

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, or loans and receivables.

The Company has no held-to-maturity investments or available for sale financial assets.

Upon initial recognition, financial assets are measured at fair value, plus directly attributable transaction costs in case investments are not recognized at fair value through profit and loss accounts. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates the designation at each financial year-end.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and financial assets designated upon initial recognition as at fair value through profit or loss are classified under this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Trade and other short-term receivables with no stated interest rate are measured at the original invoice or nominal amount when the effect of discounting is immaterial. An impairment loss on trade and other short-term receivables is recognized in the profit and loss statement when their carrying amount is lower than the present value of estimated future cash flows. Impairment is valuated on an individual basis or on a segmented category basis when individual impairment cannot be evaluated. Trade and other short-term receivables are presented on the face of the balance sheet net of any accumulated impairment losses.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets has to be impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a bad debt accrual is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Financial liabilities

Interest-bearing loans and borrowings

Loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in income when the liabilities are derecognized as well as through the amortization process.

Trade and other short-term payables

Trade and other short-term payables with no stated interest rate are measured at the original invoice or nominal amount when the effect of discounting is immaterial.

Offsetting a financial asset and a financial liability

Trade receivables and payables are offset and the net amount is presented on the face of the balance sheet when such amounts may legally be offset and a clear intention to settle them on a net basis exists.

1.13. Long-term provisions

Provisions are recognized when Orange Belgium has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where Orange Belgium expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

The estimate of the dismantling costs regarding the network sites and of the refurbishment costs related to the rented premises is recognized as an item of tangible asset. This estimate is also recognized as a provision that is measured by using appropriate inflation and discount rates.

1.14. Employee benefits

Short-term employee benefits, such as wages, salaries, social security contributions, paid annual leave, profit-sharing and bonuses, medical care, company cars and others are recognized during the period in which the service has been rendered by the employee.

Short-term employee benefits are shown as liabilities as a result of a legal or constructive present obligation and when a reliable estimate of such liabilities can be made.

As a consequence of the law of 18 December 2015, minimum returns are guaranteed by the employer as follows:

- for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75 % and a maximum of 3.75 %. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75 %;
- for the contributions paid until end December 2015, the previously applicable legal returns (3.25 % and 3.75 % respectively on the employer and employee contributions) continue to apply until retirement date of the participants.

In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans.

In order to make sure that the defined contribution pension plan in force guarantees to the participants the minimum interest return at the date of leaving required by law, Orange Belgium ordered a complete actuarial computation under the PUC method.
The actuary performed projections according to a pre-defined methodology and with certain assumptions. This report indicates that the accumulated reserves are sufficient to cover any deficit over the next ten years and this for all scenarios. As a consequence, as of 31 December 2016, no provision has been recognized.

1.15. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Orange Belgium and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

Sale of goods is recognized as revenue when most of the risks and rewards of ownership of the goods and the control on them have been transferred to the buyer.

Revenue arising from rendering of services is recognized by reference to the stage of completion of the transaction at the balance sheet date. Revenue is measured at the fair value of the consideration received or receivable. Different indicators are used to define the completion of the transaction depending on the service rendered. For prepaid services, revenues are recorded based on usage information (minutes used, sms issued). For postpaid services, revenues are recorded based either on usage (billed or accrued) or on percentages of estimated consumptions (for advanced billed services).

Specific revenue streams and related recognition criteria are as follows:

Sales of equipment

Sales of equipment to the distribution channels and to the final customers are recognized in revenue upon delivery. Consignment sales are recognized in revenue upon sale to the final customer.

Revenue from subscription contracts

Traffic revenue is recognized upon usage and non-used traffic rights are deferred when such right of deferral exists. Prepaid subscription amount is recognized over the subscription period on a linear basis.

Separable components of bundled offers

Some service offers of the Group include two components: an equipment component (e.g. a mobile handset) and a service component (e.g. a talk plan).

For the sale of multiple products or services, the Group evaluates all deliverables in the arrangement to determine whether they represent separate units of accounting. A delivered item is considered a separate unit of accounting if (i) it has value to the customer on a stand-alone basis and (ii) there is objective and reliable evidence of the fair value of the undelivered item(s). The total fixed or determinable amount of the arrangement is allocated to the separate units of accounting based on its relative fair value. However, when an amount allocated to a delivered item is contingent upon the delivery of additional items or meeting specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount. This case arises in the mobile business for sales of bundled offers including a handset and a telecommunication service contract. The handset is considered to have value on a stand-alone basis to the customer, and there is objective and reliable evidence of fair value for the telecommunication service to be delivered. As the amount allocable to the handset generally exceeds the amount received from the customer at the date the handset is delivered, revenue recognized for the handset sale is generally limited to the amount of the arrangement that is not contingent upon the rendering of telecommunication services, i.e. the amount paid by the customer for the handset.

Revenue from the sale of prepaid cards

Sales of prepaid cards are recognized at facial value as deferred income at the time of sale and released in the profit and loss statement as revenue upon usage.

Interconnection revenue

Traffic revenue paid by other telecommunication operators for use of our network is recognized upon usage.

Revenue sharing

Revenue arising from contracts with third-party content providers is recognized after deduction of the fees paid to them in remuneration of the product or service delivered.

Revenue deferred until payment

Revenue of which the collectability is not reasonably assured at the point of sale is deferred until the payment has been received.

Site sharing rental income

Regarding the agreements whereas Orange Belgium has the entire responsibility to respect the terms and conditions of sites rental contracts, the rental costs are shown in expenses. Revenue arising from sites sub-letting agreements entered with other operators is shown as revenue.

1.16. Leases

A lease whereby all the risks and rewards incidental to ownership are not substantially transferred to the lessee is an operating lease and lease payments are recognized as an expense on a straight-line basis over the lease term.

Determining whether an arrangement is or contains a lease requires assessment of whether the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

1.17. Loyalty commissions

Loyalty commissions earned by the distribution channels on postpaid contracts are recognized upfront upon contract subscription.

1.18. Financial discounts

Financial discounts granted to customers or received from suppliers for early payments are deducted from revenue and costs of sales as incurred.

1.19. Dividend

A dividend declared by the General Assembly of the shareholders after the balance sheet date is not recognized as a liability at that date.

1.20. Loyalty programs

Loyalty program (“Orange Thank you”) is based on customer’s fidelity. The longer the customer (prepaid or postpaid) stays with Orange Belgium, the more gifts will be granted. The costs related to this fidelity program are accounted into “commercial expenses” (opex) as incurred.

1.21. TV content contracts

Expenses related to acquired TV distribution rights are recognized in the profit and loss statement as incurred and not capitalized as intangible asset and consequently amortized over the term of the contract.

2. Future changes in accounting policies

New or amended standards and interpretations issued up to the date of issuance of the Group's financial statements, but not yet effective for 2016 financial statements, are listed below. The Group has elected not to adopt any standards or interpretations in advance of their effective dates.

- IFRS 9 *Financial Instruments* and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018);
- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU);
- IFRS 15 *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after 1 January 2018);
- IFRS 16 *Leases* (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU);
- Improvements to IFRS (2014-2016) (applicable for annual periods beginning on or after 1 January 2017 or 2018, but not yet endorsed in the EU);
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU);
- Amendments to IFRS 4 *Insurance Contracts - Applying IFRS 9 Financial Instruments with IFRS 4* (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU);
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (the effective date has been deferred indefinitely, and therefore the endorsement in the EU has been postponed);
- Amendments to IAS 7 *Statement of Cash Flows – Disclosure Initiative* (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in the EU);
- Amendments to IAS 12 *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in the EU);
- Amendments to IAS 40 *Transfers of Investment Property* (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU);
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU).

Note 14: Subsequent events

No adjusting events arose between the balance sheet date and the date at which the financial statements have been authorised for issue.

Orange Belgium S.A. annual accounts 2016

Comments on Orange Belgium S.A.'s 2016 annual accounts prepared according to Belgian accounting standards

The statutory income statement and balance sheet are presented hereafter. As for the exhaustive annual accounts of Orange Belgium S.A., we refer you to the website of the Central Balance Sheet Office (http://www.nbb.be/en).

Balance sheet after appropriation

in thousand EUR

	2016	2015
ASSETS		
Formation expenses	992	1 404
Fixed assets	1 182 728	1 216 383
Intangible fixed assets	**312 910**	**339 142**
Tangible fixed assets	**764 986**	**775 166**
Land and buildings	362 041	357 743
Plant, machinery and equipment	364 093	386 100
Furniture and vehicles	27 494	17 171
Other tangible fixed assets	11 358	14 152
Financial fixed assets	**104 832**	**102 075**
Affiliated enterprises	99 428	98 429
Participating interests	94 016	93 017
Amounts receivable	5 412	5 412
Other enterprises linked by participating interests	5 307	3 550
Participating interests	5 307	3 550
Other financial assets	97	96
Amounts receivable and cash guarantees	97	96
Current assets	282 261	260 602
Amounts receivable after more than one year	**649**	**701**
Other amounts receivable	649	701
Stocks and contracts in progress	**26 757**	**17 973**
Stocks	26 757	17 973
Goods purchased for resale	26 757	17 973
Amounts receivable within one year	**236 179**	**219 758**
Trade debtors	183 462	210 575
Other amounts receivable	52 717	9 182
Current investments	**9 802**	**8 706**
Own shares	279	
Other investments and deposits	9 522	8 706
Cash at bank and in hand	**963**	**1 217**
Deferred charges and accrued income	**7 911**	**12 248**
TOTAL ASSETS	1 465 981	1 478 389

in thousand EUR

	2016	2015
EQUITY AND LIABILITIES		
Equity	516 163	464 915
Capital	**131 721**	**131 721**
Issued capital	131 721	131 721
Reserves	**13 452**	**13 172**
Legal reserve	13 172	13 172
Reserves not available	280	
In respect of own shares held	280	
Accumulated profits (losses) (+) (-)	**370 983**	**320 002**
Investment grants	**7**	**20**
Provisions and deferred taxes	4 766	13 557
Provisions for liabilities and charges	**4 766**	**13 557**
Pensions and similar obligations	1 149	1 321
Other risks and costs	3 617	12 236
Amounts payable	945 052	999 916
Amounts payable after more than one year	**390 000**	**410 000**
Financial debts	390 000	410 000
Other loans	390 000	410 000
Amounts payable within one year	**496 454**	**529 520**
Financial debts	434	8 225
Other loans	434	8 225
Trade debts	363 511	443 842
Suppliers	363 511	443 842
Taxes, remuneration and social security	98 125	74 026
Taxes	69 303	42 356
Remuneration and social security	28 822	31 670
Other amounts payable	34 384	3 427
Accrued charges and deferred income	**58 598**	**60 396**
TOTAL EQUITY AND LIABILITIES	1 465 981	1 478 389

Income statement

in thousand EUR

	2016	2015
Operating income	**1 235 085**	**1 275 307**
Turnover	1 167 773	1 161 959
Own construction capitalized	7 644	7 895
Other operating income	59 668	48 754
Non-recurring operating income		56 699
Operating charges	**1 124 931**	**1 147 103**
Raw materials, consumables	592 287	571 278
Purchases	600 034	573 201
Stocks: decrease (increase) (+) (-)	-7 747	-1 923
Services and other goods	235 952	222 737
Remuneration, social security costs and pensions (+) (-)	127 831	134 504
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	196 406	188 672
Amounts written off stocks, contracts in progress and trade debtors: appropriations (write-backs) (+) (-)	-44 811	16 785
Provisions for risks and charges: appropriations (uses and write-backs) (+) (-)	-8 791	708
Other operating charges	26 057	12 419
Operating profit (loss) (+) (-)	**110 154**	**128 204**
Financial income	**5 477**	**382**
Recurring financial income	584	382
Income from current assets	292	238
Other financial income	292	144
Non-recurring financial income	4 893	
Financial charges	**7 273**	**8 565**
Recurring financial charges	7 273	8 565
Debt charges	6 034	6 159
Other financial charges	1 239	2 406
Profit (loss) for the period before taxes (+) (-)	**108 358**	**120 021**
Income taxes (+) (-)	**26 316**	**37 939**
Income taxes	36 267	46 261
Adjustment of income taxes and write-backs of tax provisions	9 951	8 322
Profit (loss) for the period (+) (-)	**82 042**	**82 082**
Profit (loss) for the period available for appropriation (+) (-)	**82 042**	**82 082**

Appropriations and withdrawings

in thousand EUR

	2016	2015
Profit (loss) to be appropriated (+) (-)	**402 045**	**320 737**
Profit (loss) to be appropriated (+) (-)	82 042	82 082
Profit (loss) to be carried forward (+) (-)	320 003	238 655
Transfers from capital and reserves		**39**
From reserves		39
Transfers to capital and reserves	**280**	
To other reserves	280	
Profit (loss) to be carried forward (+) (-)	**370 983**	**320 002**
Profit to be distributed	**30 782**	**774**
Dividends	30 007	
Other beneficiaries	775	774

Corporate Governance Statement

1. Introduction

The Orange Belgium Group attaches significant importance to a proper governance and confirms its willingness to comply with the Belgian Corporate Governance Code of 12 March 2009 which it has adopted as its reference code.

This code is available online and can be consulted at the following internet address: http://www.corporategovernancecommittee.be. It has also been published in the Belgian Official Gazette (Belgisch Staatsblad / Moniteur belge) on 28 June 2010 as an annex to the Royal Decree of 6 June 2010 regarding the designation of the Corporate Governance Code to be complied with by listed companies.

The Board of Directors has drawn up, in collaboration with the Governance Supervisory Committee, an updated Corporate Governance Charter which has been approved by the Board of Directors on 8 December 2016. This version of the Corporate Governance Charter has entered into force on 19 December 2016. The Charter is available on the Orange Belgium website (https://corporate.orange.be/en/financial-information/corporate-governance) and may be obtained on request to the Investor Relations Department.

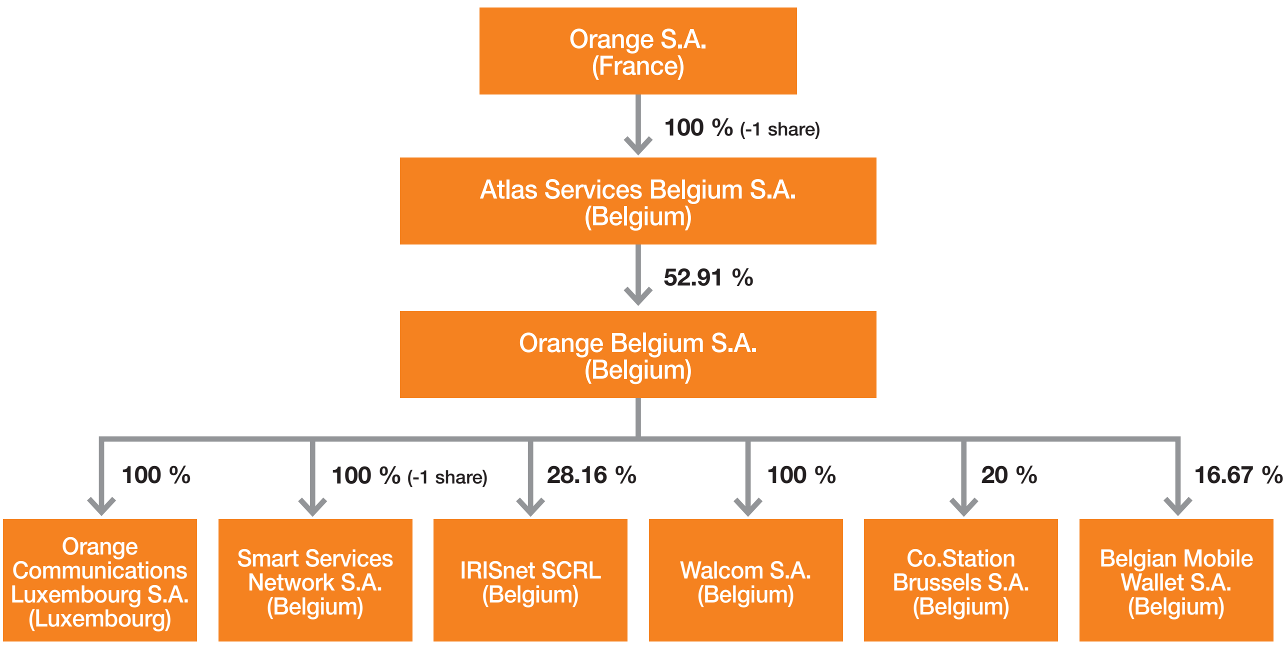
The company considers that its Corporate Governance Charter as well as this Corporate Governance Statement reflect both the spirit and the provisions of the Belgian Corporate Governance Code and the relevant provisions of the Belgian Companies Code.

2. Law on takeover bids

On 24 August 2009, the Orange Belgium Group has received notification from its ultimate shareholder Orange S.A. on the basis of article 74 §7 of the law of 1 April 2007 concerning takeover bids.

This notification detailed Orange S.A.'s participation in Orange Belgium. As at 24 August 2009, Orange S.A. held indirectly 31,753,100 shares of Orange Belgium.

The chain of control was reconfirmed on 1 July 2013 after an internal restructuring of the Orange group. The organisation chart as at 31 December 2016 is depicted here below:



3. Relevant information as foreseen by the law of 2 May 2007 and the Royal Decree of 14 November 2007

On 31 December 2016, the shareholders' structure of the company was composed as follows:

Orange Belgium shareholders	Number of shares	Capital percentage
Atlas Services Belgium	31,753,100	52.91 %
Boussard & Gavaudan Asset Management	1,810,714	3.02 %
Schroder Investment Management	3,105,040	5.17 %
Norges Bank	1,872,617	3.12 %
Free float (others)	21,472,943	35.78 %
Total number of shares	**60,014,414**	**100 %**

The company's majority shareholder is Atlas Services Belgium S.A., which currently holds 52.91 % of the company's shares. Atlas Services Belgium is a wholly owned subsidiary of Orange S.A.

In compliance with the transparency rules (article 18 of the law of 2 May 2007) on notifying the shareholders of companies listed on a regulated market, Orange Belgium maintains the notification thresholds of 3 %, 5 % and multiples of 5 %. In August 2016, Norges Bank crossed the threshold of 3 % and in the same month M&G Investment Management Ltd went under the threshold of 3 % (no longer visible in the shareholders' structure).

All the shares issued by the company are ordinary shares. There are no specific categories of shares and all shares are provided with the same rights. There are no exceptions to this rule.

There is no legal or statutory limitation to the exercise of the voting rights attached to the shares of the company.

The directors are appointed and replaced in accordance with the relevant articles of the Belgian Companies Code. More detailed information in this respect can be found in Appendix I, Title II of the Corporate Governance Charter.

The articles of association of the company may be modified in accordance with the relevant provisions of the Belgian Companies Code.

The Board of Directors is not empowered to issue new shares as the company does not make use of the procedure of the authorised capital.

At the General Meeting held on 7 May 2014, the shareholders authorised the Board of Directors to acquire (by purchase or exchange) the company's shares, up to a maximum of 20 % of the number of shares issued by the company. This authorisation is valid for a period of five years as from the above mentioned date of the General Meeting. The acquisition price of the shares must not be higher than 115 % and must not be lower than 85 % of the average closing price of the shares during the five working days preceding the acquisition. This authorisation is also valid for the acquisition of shares in the company by a direct subsidiary pursuant to article 627 of the Belgian Companies Code.

The shareholders have authorised the Board of Directors to resell or to cancel the shares acquired by the company, and to record this cancellation in a notarial deed and to amend and coordinate the articles of association in order to bring them in line with the relevant decisions.

4. Composition and operation mode of the Board of Directors and the committees

The composition of the Board of Directors is determined on the basis of diverse and complementary competencies, experience and knowledge, as well as on the basis of gender diversity and diversity in general. The Board of Directors must consist of a reasonable number of directors allowing its effective operation while taking into account the specificities of the company.

On 31 December 2016, the Board of Directors consisted of twelve members of which one executive director and eleven non-executive directors (of which four independent directors). No age limit has been fixed within the Board of Directors.

In 2016, three directors resigned and were replaced: Mr Bruno Mettling resigned as from 1 March 2016 and was replaced by Mr Jérôme Barré on the same date, Mr Gérard Ries resigned as from 21 April 2016 and was replaced by Ms Béatrice Mandine on 22 April 2016, and Mr Jean Marc Harion resigned as from 31 August 2016 and was replaced by Mr Michaël Trabbia on 1 September 2016.

Name	Function	Main function	Age	Nationality	End of mandate
J. Steyaert	Chairman	Director of companies	72	Belgian	AGM 2017
Michaël Trabbia (1)(2)(8)	Executive director	CEO - Orange Belgium	41	French	AGM 2017
J. Deschuyffeleer (3)	Independent director	Director of companies	59	Belgian	AGM 2017
Société de Conseil en Gestion et Stratégie d'Entreprises (3)(4)	Independent director	Director of companies	NA	Belgian	AGM 2017
F. Gelibter (1)	Director	Chief Finance & Strategy for Europe - Orange SA	59	French	AGM 2017
B. Mandine (1)(7)	Director	Head of Communication and Brand - Orange SA	49	French	AGM 2017
Ch. Naulleau (1)	Director	Senior VP Europe / Countries Governance - Orange SA	57	French	AGM 2017
P. Lambert-de Diesbach (1)	Director	Senior VP / Head of Investor Relations - Orange SA	60	French	AGM 2017
J. Barré (1)(6)	Director	Head of HR Group - Orange SA	54	French	AGM 2017
G. Pellissier (1)	Director	Deputy CEO - Orange SA (Europe and Group operations)	58	French	AGM 2017
M. De Rouck (3)	Independent director	Director of companies	60	Belgian	AGM 2017
Leadership and Management Advisory Services (LMAS)(3)(5)	Independent director	Director of companies	NA	Belgian	AGM 2017

(1) Directors who represent the majority shareholder (Atlas Services Belgium).
(2) Director in charge of the daily management since 1 September 2016.
(3) The independent directors have signed a declaration stating that they comply with the criteria of independence mentioned in the Belgian Companies Code.
(4) The company Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA) is represented by Ms Nadine Lemaître-Rozencweig.
(5) The company Leadership and Management Advisory Services (LMAS) is represented by Mr Grégoire Dallemagne.
(6) Mr Jérôme Barré was coopted with effect from 1 March 2016 following the resignation of Mr Bruno Mettling. His appointment was confirmed during the General Shareholders' Meeting of 2016.
(7) Ms Béatrice Mandine was coopted with effect from 22 April 2016 following the resignation of Mr Gérard Ries. Her final appointment will be proposed during the General Shareholders' Meeting of 2017.
(8) Mr Michaël Trabbia was coopted with effect from 1 September 2016 following the resignation of Mr Jean Marc Harion. His final appointment will be proposed during the General Shareholders' Meeting of 2017.


J. Steyaert


Michaël Trabbia


J. Deschuyffeleer


N. Lemaître-Rozencweig


F. Gelibter


B. Mandine


Ch. Naulleau


P. Lambert-de Diesbach


J. Barré


G. Pellissier


M. De Rouck


G. Dallemagne

The Board of Directors meets at least four times a year. In 2016, the Board of Directors mainly discussed the following subjects:

> the company's strategy and structure;
> the budget and financing of the company;
> the operational and financial situation;
> the follow-up of the strategic projects;
> the functioning and resolutions of the committees set up by the Board of Directors;
> the evolution of the regulatory framework;
> the distribution management and vehicles;
> the branding and communication;
> the network licences and spectrum requirements.

The management of the company systematically provides to the directors, before each meeting, a file containing all necessary information with a view on the deliberation of the subjects mentioned in the agenda (of which the most relevant subjects have been enumerated herein above).

The articles of association stipulate that the resolutions of the Board of Directors are taken by the majority of the votes cast.

Presence of the directors at the meetings of the Board of Directors:

Members of the Board of Directors	Function	03.02	25.03	21.04	04.05	19.07	22.09	20.10	08.12
J. Steyaert	Chairman	P	P	P	P	P	P	P	P
Ch. Naulleau	Director	P	P	P	P	P	P	P	P
F. Gelibter	Director	R	P	P	P	R	P	P	P
J. Barré	Director	NA	NA	P	P	P	P	P	P
G. Ries	Director	P	R	P	NA	NA	NA	NA	NA
J. Deschuyffeleer	Independent director	P	P	P	P	P	P	P	P
SOGESTRA (N. Lemaître-Rozencweig)	Independent director	P	P	P	P	P	P	P	P
J. M. Harion	Director	P	P	P	P	P	NA	NA	NA
M. Trabbia	Director	NA	NA	NA	NA	NA	P	P	P
B. Mandine	Director	NA	NA	NA	P	P	P	P	E
M. De Rouck	Independent director	P	P	P	P	P	P	P	E
P. Lambert-de Diesbach	Director	P	P	P	P	P	P	P	P
B. Mettling	Director	R	P	NA	NA	NA	NA	NA	NA
Leadership and Management Advisory Services (G. Dallemagne)	Independent director	P	P	E	P	R	P	R	P
G. Pellissier	Director	R	R	P	P	P	P	R	E

P: participated (in person or by call), E: excused, R: validly represented, NA: not applicable

The Board of Directors has set up three statutory committees (the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee) as well as an extra-statutory committee (the Governance Supervisory Committee).

The Audit Committee

In 2016, the Audit Committee consisted of three directors: the company Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Ms Nadine Lemaître-Rozencweig), Ms Martine De Rouck and Mr Francis Gelibter.

The Audit Committee's mission is to assist the Board of Directors, among others, in its responsibilities with respect to the monitoring of the reporting process of the financial information disclosed by the company, the monitoring of the effectiveness of the internal control and risk management systems of the company, the monitoring of the internal audit and its effectiveness, the monitoring of the statutory audit of the financial reports, the review and the monitoring of the independence of the external auditor, the review of the budget proposals presented by the management and the monitoring of the financial relations between the company and its shareholders. The Audit Committee met five times in 2016.

Presence of the members at the meetings of the Audit Committee:

Members of the Audit Committee	Function	02.02	20.04	18.07	19.10	06.12
SOGESTRA (N. Lemaître-Rozencweig)	Chairman	P	P	P	P	P
F. Gelibter	Director	P	P	P	P	P
M. De Rouck	Independent director	P	P	P	P	P

P: participated (in person or by call)

The main subjects which have been discussed within the Audit Committee in 2016 are the following:

- the annual evaluation of the Committee functioning;
- the periodical financial, budget and activity reports;
- the internal control, including the quality aspects;
- the internal audit (plan, activities, reports and conclusions);
- the evaluation of the external audit and report of the statutory auditor;
- the risk management (cartography of important risks and events);
- the annual report 'Fraud & Revenue Assurance';
- the Information Security;
- the annual report 'Compliance & Ethics';
- the proposals regarding the statutory auditor appointment;
- the annual report concerning the main disputes.

The Remuneration and Nomination Committee

In 2016, the Remuneration and Nomination Committee consisted of five directors: Messrs Jérôme Barré who replaced Mr Bruno Mettling as Chairman, Jan Steyaert and Johan Deschuyffeleer, Ms Martine De Rouck and the company Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Ms Nadine Lemaître-Rozencweig).

The Remuneration and Nomination Committee has the mission, among others, to assist the Board of Directors in setting the remuneration of the members of the management of the company and also to assist the Board of Directors with the proposal of members of the Board of Directors for nominations or re-elections.

In 2016, the Remuneration and Nomination Committee met eight times and examined, among others, the remuneration of the members of the Executive Management and the remuneration policy of the company. The committee reviewed the composition of the Board of Directors and of the Executive Management and discussed the changes that occurred during the year 2016 (including notably the appointment of a new CEO).

The Remuneration and Nomination Committee has also drafted the company's remuneration report and presented it to the Board of Directors.

Presence of the members at the meetings of the Remuneration and Nomination Committee:

Members of the Remuneration and Nomination Committee	Function	02.02	04.05	03.06	30.06	05.07	18.07	22.09	06.12
B. Mettling	Chairman	E	NA	NA	NA	NA	NA	NA	NA
J. Barré	Chairman	NA	P	P	P	P	P	P	P
J. Steyaert	Director	P	P	P	P	P	P	P	P
SOGESTRA (N. Lemaître-Rozencweig)	Independent director	P	P	P	P	P	P	P	P
J. Deschuyffeleer	Independent director	P	P	P	P	P	P	P	P
M. De Rouck	Independent director	P	P	P	P	P	P	P	P

P: participated (in person or by call), E: excused, NA: not applicable

The Strategic Committee

The role of the Strategic Committee consists of assisting the Board of Directors in the setting and assessment of the company's strategy.

End 2016, the Strategic Committee consisted of eight directors: Mr Johan Deschuyffeleer (Chairman), the company Leadership and Management Advisory Services (LMAS, represented by Mr Grégoire Dallemagne), Messrs Jan Steyaert, Gérard Ries, Patrice Lambert-de Diesbach, Christophe Naulleau, Francis Gelibter and Gervais Pellissier. Mr Gérard Ries resigned in April 2016. Ms Béatrice Mandine's mandate started officially in November 2016.

In 2016, the Strategic Committee met five times and dealt with the following subjects:

- the results of the company;
- the development and prospects of the company;
- the convergence and new technologies;
- the major investments;
- the long-term and short-term strategies with regard to fixed lines, cable distribution and network management;
- the trends of the market and the positioning of the company;
- the main disputes;
- the rebranding and related matters.

Presence of the members at the meetings of the Strategic Committee:

Members of the Strategic Committee	Function	22.01	21.04	23.06	22.09	24.11
J. Deschuyffeleer	Chairman	P	P	P	P	P
J. Steyaert	Director	P	P	P	P	P
B. Mandine	Director	NA	NA	NA	NA	P
G. Ries	Director	P	P	NA	NA	NA
Ch. Naulleau	Director	P	P	P	P	P
Leadership and Management Advisory Services (G. Dallemagne)	Independent director	P	E	P	P	P
G.Pellissier	Director	E	P	P	P	P
F. Gelibter	Director	P	P	P	P	P
P. Lambert-de Diesbach	Director	P	P	P	P	P

P: participated (in person or by call), E: excused, NA: not applicable

The Governance Supervisory Committee

The Governance Supervisory Committee is an ad hoc committee which was set up on 14 December 2004, after the publication of the (first) Corporate Governance Code, with a view to follow the evolutions regarding Corporate Governance and ensuring its application within the company.

End 2016, the Governance Supervisory Committee consisted of three directors: Messrs Jan Steyaert and Christophe Naulleau and the company Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Ms Nadine Lemaître-Rozencweig).

In 2016, the Governance Supervisory Committee met once.

The subjects dealt with in 2016 were, among others, the evolutions in terms of governance, the evaluation of the committees, the follow-up of the KPI's of the rebranding, the possible role of the Vice-President of the Board, as well as the update of the Corporate Governance Chapter.

Presence of the members at the meetings of the Governance Supervisory Committee:

Members of the Governance Supervisory Committee	Function	19.12
SOGESTRA (N. Lemaître-Rozencweig)	Chairman	P
J. Steyaert	Director	P
Ch. Naulleau	Director	P

P: participated (in person or by call)

5. Efforts undertaken to ensure that at least one-third of the members are of a different gender than the other

When replacing directors, the company attempts as much as possible to propose the appointment of female candidates.

The Board of Directors has currently three female directors out of a total of 12. These efforts will continue for future appointments in order to reach the desired quota (one-third female directors) as soon as possible. Orange Belgium is striving to attain the objective well before the legally-imposed deadline (2019).

6. Composition and operation of the Executive Management

Mr Michaël Trabbia exercises the position of CEO since 1 September 2016. He replaced Mr Jean Marc Harion.

During the meeting of 24 July 2003, the Board of Directors resolved not to make use of the legal and statutory possibility of delegating specific powers to a management committee.

In order to assist the CEO in its responsibilities regarding the daily management, a committee (the 'Executive Management') meets, in principle, on a weekly basis. Every member of the Executive Management, except the CEO, is at the head of a department of the organization.

The Executive Management is composed of the following persons:

> Mr Jean Marc Harion (Chief Executive Officer) - until 31 August 2016

> Mr Michaël Trabbia (Chief Executive Officer) - as from 1 September 2016

> Mr Stéphane Beauduin (Chief Enterprise and Wholesales Officer) - until 31 August 2016

> Ms Ingrid Gonnissen (Chief Enterprise Officer) - as from 1 September 2016

> Mr Paul-Marie Dessart (Secretary General)

> Mr Ludovic Pech (Chief Financial Officer) - until 30 November 2016

> Mr Arnaud Castille (Chief Financial Officer) - as from 1 December 2016

> Ms Cristina Zanchi (Chief Consumer Officer)

> Mr Alain Ovyn (Chief Transformation and Digital Officer)

> Mr Erick Cuvelier (Chief Program Officer) - until 31 December 2016

> Mr Gabriel Flichy (Chief Technology Officer)

> Mr Jérémie Dutray (Chief Operating Officer) - until 31 August 2016

> Mr Werner De Laet (Chief Executive Officer Orange Communications Luxembourg SA / Chief Wholesale and Innovation Officer)

> Ms Isabel Carrion (Chief People Officer)

> Mr Stéphane Janssens (Chief Customer Experience Officer) – as from 1 October 2016

Michaël Trabbia
(as from 1 September 2016)

Ingrid Gonnissen
(as from 1 September 2016)

Paul-Marie Dessart

Gabriel Flichy

Arnaud Castille
(as from 1 December 2016)

Cristina Zanchi

Alain Ovyn

Werner De Laet

Isabel Carrion

Stéphane Janssens
(as from 1 October 2016)

7. Contractual relations with directors, managers and companies of the Group

Every contract and every transaction between a director or a member of the Executive Management and the company is subject to the prior approval of the Board of Directors, after informing and consulting with the Audit Committee in that respect. Such contracts or transactions should be concluded at commercial conditions, in accordance with the prevailing market circumstances. The prior approval of the Board of Directors is required, even if articles 523 and 524 of the Belgian Companies Code are not applicable to the said transaction or the said contract. However, services delivered by the company in its normal course of business and at normal market conditions (i.e. a normal 'customer relationship') are not subject to such prior approval requirement.

Between several companies of the Orange group and the company, there are agreements and/or invoices regarding the performances of the staff members and/or delivery of services or goods. These contracts and invoices are reviewed by the Audit Committee of the company.

8. Evaluation procedure of the Board of Directors, the committees and each director

The Board of Directors is in charge of a periodical evaluation of its own effectiveness and of the periodical evaluation of the different committees.

In this respect, at least every two to three years, the Board of Directors, under the lead of its Chairman, carries out an assessment as to the size, composition and performances of the Board of Directors and the different committees. This assessment has four objectives:

> assessing the operation;

> checking that the important issues are thoroughly prepared and discussed;

> evaluating the actual contribution of each director to the work of the Board of Directors and the committees, his/her attendance at the Board of Directors and committee meetings and his/her constructive involvement in discussions and the decision-making process;

> checking the current composition of the Board of Directors and the committees against its desired composition.

In order to enable periodic individual evaluations, the directors must give their full assistance to the Chairman of the Board of Directors, the Remuneration and Nomination Committee and any other persons, whether internal or external to the company, entrusted with the evaluation of the directors. The Chairman of the Board of Directors, and the performance of his/her duties within the Board of Directors, are also carefully evaluated.

The non-executive directors must assess, on an annual basis, their interaction with the Executive Management and, if necessary, make proposals to the Chairman of the Board of Directors with a view to facilitating improvements.

For more information, reference is made to Title II, 1.3 and 2.1 of the Corporate Governance Charter.

9. Information regarding the remuneration connected to shares

In 2016, no remuneration was paid out in the form of shares, options or other rights to acquire shares of the company. No proposal in this respect shall be made at the 2017 Annual Shareholders' meeting.

10. Remuneration report

Remuneration policy of Orange Belgium

At Orange Belgium we believe our promise as a digital and caring employer enables our employees to feel committed to our long-term success. Our performance-oriented remuneration policy aims to attract and retain new talents, competencies and skills as well as motivate all our employees to achieve the company´s objectives and long-term goals.

Orange Belgium's remuneration policy fits within the framework of a more comprehensive remuneration strategy, aligned with our digital and caring promise. This strategy is based on three main priorities to ensure: the right skills for the future; collective agility; and commitment of our employees to our company success. With this is mind, Orange Belgium's remuneration programmes and tools aim to provide employees with opportunities to develop and grow their careers within Orange as well as working terms and conditions adapted to their daily lives and individual needs.

Our remuneration policy is continually evaluated in light of the markets, the collective stakes and Orange Belgium´s objectives in order to motivate employees, to promote personal commitment to the company's project and to present an attractive compensation on the job market. To do this, Orange Belgium works in collaboration with several universities in order to develop the best tools: classification of positions, elements composing the remuneration and remuneration levels for each type of position. The salary surveys used are chosen as a function of the sector, the size of the companies and the strategic stakes.

In addition to the performance-oriented remuneration policy for all of its employees, Orange Belgium also has the ambition of compensating the members of the Executive Management in accordance with the short-term performance of the company and the attainment of the company´s long-term strategic ambitions. All members of the Executive Management have the status of employee.

In 2016, Orange Belgium has completed its restructuring of the remuneration of its Executive Management team, with the re-adjustment of short- and long-term variable pay, aligned with the company's long-term growth policy.

Structure of the remuneration of the members of the Executive Management

The remuneration of the members of the Executive Management consists of the following elements:

> Yearly basis remuneration (around 42 % of total remuneration)

> Variable remuneration, based on short- and long-term performance and encouraging the attainment of the company's objectives (around 41 % of total remuneration)
- Short-term variable remuneration called "performance bonus"
- Long-term variable remuneration called "Long-term bonus 2014-2015", "Long-term bonus 2015-2016","Long-term Incentive Plan 2015-2017" and "Long-term Incentive Plan 2016-2018"

The General Assembly of May 2011 decided to apply the exception provided for in article 520ter of the Belgian Companies Code (combined with article 525) to take account of the competitive and constantly developing context that is intrinsic to the telecommunications sector.

> Other elements of the remuneration (around 17% of total remuneration)
- Group insurance consisting of four parts: life – death – invalidity and exemption of premiums
- Hospital insurance
- Employee profit sharing plan
- Availability of /Disposal over a vehicle
- Meal vouchers
- Housing costs of the Chief Executive Officer and some members of the Executive Management
- Exceptional premiums at individual level

Components of the remuneration of the members of the Executive Management

The remuneration policies concerning the Executive Management are assessed and discussed within the Remuneration and Nomination Committee that submits its propositions for approval to the Board of Directors.

The yearly basis remuneration

The yearly basis remuneration is intended to remunerate the nature and the extent of the individual responsibilities.

It is based on the benchmark while taking into consideration the respect of the internal equity within the company.

The variable remuneration

1. The performance bonus

The short-term variable remuneration is a key element in the remuneration policy of the company. Based on salary surveys, the level of the target variable contractual remuneration lies between 30 % and 40 % of the yearly basis remuneration for the functions supporting the business, between 40 % and 50 % for the functions leading the business and 50 % for the CEO. This variable remuneration consists of one part encouraging the individual performance and another part aimed to attain the company's objectives.

> An individual part based on the evaluation of the relevant and neutral targets. An important part is based on the management qualities as well as on the personal implication in the achievement of the strategic priorities of the company.

The targets for the individual variable part are determined every semester. The individual performance of the Chief Executive Officer is determined by the Remuneration and Nomination Committee; the individual performance of the other members of the Executive Management is proposed by the Chief Executive Officer to the Remuneration and Nomination Committee.

> The collective part which is based in 2016 on the financial indicators, the customer satisfaction and the employee engagement, reflecting the company's strategic ambition to put its customers and its employees at the centre of its activity:
- The consolidated service revenues (mobile and fixed)
- The adjusted EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)
- The Net Promoter Score (percentage of customers who are promoters - percentage of customers who are detractors)
- The Employee Net Promoter Score that measures to what extent the Orange Belgium employees would recommend Orange Belgium as a great place to work (percentage of employees who are promoters - percentage of employees who are detractors)

The targets for the collective variable part are fixed for the entire year, spread by semester based on the objectives of the company and validated by the Remuneration and Nomination Committee.

The performance bonus is granted in cash or in options on shares which are not connected to the company.

The result of the collective and individual part is submitted for review to the Remuneration and Nomination Committee each semester prior to it being granted.

In case of non-achievement of the targets, the collective part can be brought back to 0 %. In case of insufficient personal performance, the financial individual part of the short-term bonus can also be reduced and even annulled. If it should appear that variable remuneration has been awarded based on incorrect financial information, the company can seek reimbursement based on the general rules on undue payments, within 12 months following the payment date.

The results of the first semester are evaluated in July of the current year; the results of the second semester are evaluated in February of the year following the end of the financial year.

Performance bonuses for Executive Management members either joining or leaving the company in the course of a given semester shall be calculated on a prorata temporis basis.

In 2016, an exceptional incentive was granted to the Executive Committee members including the CEO, linked to the successful rebranding to the Orange brand and to the commercial launch of the cable offer. Results have been evaluated by the end of 2016 and paid in March 2017.

2. The long-term variable remuneration

a) Long-term bonus 2014-2015 and 2015-2016

The 2014-2015 long-term bonus was a bonus which enabled the evaluation of changes to the company over a two-year period with a view to ensuring remuneration is more consistent with long-term growth policy and to help bring company strategy to successful fruition. This long-term bonus represented 20 % of annual gross remuneration per annum (40 % over the two-year period). It was developed based on the market trend towards readjusting short- and long-term corporate bonuses. This 2014-2015 long-term bonus was already evaluated and paid for 25 % in 2015 and the remaining 75 % in 2016.

As from 2015 the Chief Executive Officer and his Executive Management team benefit contractually from a new recurring Long-term Incentive Plan over 3 years (see b). In order to bridge the long-term bonus 2014-2015 and this new recurring Long-term Incentive Plan, an exceptional long-term bonus 2015-2016 was granted, to ensure continued focus on long-term growth. This 2015-2016 long-term bonus represents 15 % of annual gross remuneration (30 % over the two-year period). The 2015-2016 long-term bonus will be evaluated and paid in March 2017.

These two long-term bonuses are based on two KPI's: cumulative adjusted EBITDA indicators for the period 2014-2015, respectively 2015-2016 and incremental operating revenues (mobile and fixed) generated at the end of the 2014-2015 period, 2015-2016 period respectively (both having a weight of 50 %).

The awarding of the long-term bonuses is conditional upon being present in March 2016 (for remaining balance of the 2014-2015 bonus) and in March 2017 for the 2015-2016 bonus. The executive members having an Orange contract will be entitled to a prorata temporis awarding in case they accept another mission in the Orange Group. This plan is paid in cash or in the form of non-company share options. In the case of payment in the form of options, these options are frozen for one year. In 2016, the leaving Chief Executive Officer and two other members of the Executive Committee received an anticipated pro-rated payment of the long-term bonus 2015-2016 following their new mission within the Orange Group.

Members of the Executive Management who joined the company during 2016 are not included in the 2015-2016 long-term bonus scheme.

The former Chief Executive Officer was not included in the long-term bonus scheme 2014-2015 but he is included in the long-term bonus scheme 2015-2016.

b) Recurring Long-term Incentive Plans (2015-2017 and 2016-2018)

The 2015-2017 Long-term Incentive Plan was the first award made by the Remuneration and Nomination Committee under a new three-year recurring Long-term Incentive Plan ("LTIP") established by the company which aims to incentivize and retain executive members over the longer term by rewarding delivery of targets linked to the company's strategy and longer term value creation. This new LTIP represents 30 % of yearly fixed remuneration after three years and executive members have access to this LTIP on condition they had agreed in 2015 to adapt their contractual terms and conditions to reflect the rebalance of short- and long-term mix in their package with a corresponding 5 % to 10 % reduction in annual bonus opportunity.

The LTIP is a "rolling plan" over three-year performance periods with awards considered and decided annually by the Remuneration and Nomination Committee. For new executive members, the LTIP is accessible as from the year following the entry date (i.e. the next annual LTIP award considered by the Remuneration and Nomination Committee). Executive members must still be employed on the payment date to remain eligible to the Incentive Bonus unless they are requested to move within the Orange Group and in which case they will retain a prorated entitlement up to the date of transfer, always subject to the approval of the Remuneration and Nomination Committee on a case by case basis. Leavers under notice are not eligible for any further awards under consideration by the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee will decide on three company KPI's and targets to apply to each annual LTIP award for the three-year performance period at the beginning of the financial year. Company targets are weighted independently 50%/50%/50%, with a maximum possible achievement for each LTIP award of 150 %. Performance will be assessed by the Remuneration and Nomination Committee at the end of each three-year performance period on a "Hit or Miss" principle (i.e. all or nothing), the objective is reached or not and must be reached to vest the respective percentage for each target. Subject to the achievement of at least one company target in any three-year performance period, individual contribution by the executive member can add an additional 25 % to the final result subject to an overall maximum LTIP potential of 175 % of the target award.

The Remuneration and Nomination Committee will assess and decide on individual contribution in each case considering the following criteria:

> above expectations in terms of individual contribution related to each executive member's strategic objectives (in his/her scope of work, costs and/or revenues driven)

> above expectations in terms of collaborative and transversal contribution

> personal achievement in the biannual bonus continuously above 100 % achievement during the whole of the three-year performance period

> any other exceptional element to be considered (Group contribution, outside Orange Belgium significant impact etc.)

In case of non-achievement of the long-term company targets and insufficient personal performance, the payout of the LTIP can be annulled. If it should appear that variable remuneration has been awarded based on incorrect financial information, the company can seek reimbursement based on the general rules on undue payments, within 12 months following the payment date.

For the 2016-2018 LTIP award the Remuneration and Nomination Committee has decided on the following company targets to reflect the company's strategic aims over the three-year performance period:

> adjusted EBITDA margin as % of total revenues

> postpaid market share

> number of B2C convergent customers at end 2018 compared to strategic plan approved by the Board of Directors

LTIP awards will vest subject to company performance measured over each three-year period with plan payments paid in cash or in the form of non-company share options. In the case of payment in the form of options, these options are frozen for one year. The 2016-2018 LTIP is anticipated to vest and become payable in March 2019 subject to results.

Other elements of the remuneration

1. Group insurance - additional pension plan

The additional pension plan is a plan with predefined contributions. The acquired reserve consists of employers' contributions solely.

2. Employee profit sharing plan

In accordance with the law of 22 May 2001, a Collective Labour Agreement has been executed in order to share 1 % of the net consolidated profit under certain circumstances with the members of the personnel including the members of the Executive Management. In case the conditions are fulfilled, the amount granted to each employee, herein included the members of the Executive Management, is identical no matter which position is held.

In 2016, the shareholders' meeting approved the awarding of a profit-sharing scheme.

3. Pre-negotiated exit conditions

The new Chief People Officer who joined the company in September 2015 benefits from a 12 months exit guarantee. For the other members of the Executive Management, labor law applies and no specific severance clauses have been agreed.

The detailed remuneration of the members of the Executive Management

In 2016, the Executive Management's remuneration increased with 16 % compared to 2015. Variations are largely a result of:

> variable long-term remuneration, which affected remuneration in 2015 only for 10 % and for 30 % in 2016

> Anticipated long-term plan payments due to the intra-group departure of the CEO and of two other EXCO members

> Exceptional premium to leaving CEO and Chief People Officer

For the Chief Enterprise & Wholesales Officer a severance payment corresponding to 10 months and 12 weeks and a non-competition clause payment equivalent to 3 month's salary was paid end June 2016.

(in €)	2016	2015
CEO[1]		
Gross base remuneration	334,240	330,952
Gross variable remuneration in cash and/or options (short-term)	275,535	284,680
Gross variable remuneration in cash and/or options (long-term)	80,384	
Other components of the remuneration (excluding employer's contributions to the pension plan)	138,543	91,819
- risk insurance	14,210	17,136
- other components	124,333	74,684
Employer's contributions to the pension plan	61,505	65,239
Total	**890,208**	**772,690**
Executive Management (except the CEO)		
Gross base remuneration	2,137,340	2,150,323
Gross variable remuneration in cash and/or options (short-term)	1,177,734	1,180,304
Gross variable remuneration in cash and/or options (long-term)	874,693	210,739
Other components of the remuneration (excluding employer's contributions to the pension plan)	392,927	325,223
- risk insurance	66,566	67,483
- other components	326,360	257,740
Employer's contributions to the pension plan	401,505	421,075
Total	**4,984,199**	**4,287,664**
Global total	**5,874,406**	**5,060,354**

1. The 2016 amounts correspond to 8 months remuneration for Jean Marc Harion and 4 months remuneration for Michaël Trabbia.

All the amounts are reported on the basis of a gross amount, excluding the social security of the employer and all taxes due by the employer, notably on the insurance premiums.

The variable remuneration taken into account is the variable remuneration which has been actually paid out in 2016 related to 2015 performance or, in the case of options which are not linked to the company, the options that were actually granted over the period concerned. The "Black & Scholes" formula is used for the valuation of the options.

In 2016 the Executive Management (except the CEO) was composed of 9 members (8.8 full-time equivalents). In 2015, it was composed of 9.4 full-time equivalents. The members of the Executive Management who were not in service all year long are taken into account prorata temporis.

No share, option or any other right to acquire shares of the company have been granted, exercised or have expired in 2016.

The remuneration policy for the directors

The remuneration policy for the directors is determined by the Board of Directors, and has been fixed during the Board meeting of 7 May 2014 for a period of three years.

For 2016, the independent directors will receive a fixed annual remuneration of 33,000 euros as well as an additional remuneration of 2,200 euros per meeting of a statutory or ad hoc committee they have attended. This remuneration will be paid (if necessary, prorata temporis) after the Annual General Meeting that approves the annual accounts of the financial year in question.

These directors are:

> Mr Jan Steyaert
> SOGESTRA (represented by Ms Nadine Lemaître-Rozencweig)
> Mr Johan Deschuyffeleer
> Ms Martine De Rouck
> Leadership and Management Advisory Services (LMAS, represented by Mr Grégoire Dallemagne)

For 2016, the Chairman of the Board of Directors, Mr Jan Steyaert, will receive a fixed annual remuneration of 66,000 euros as well as an additional remuneration of 2,200 euros per meeting of a Board of Directors' committee of which he is a member. This remuneration will be paid (if necessary, prorata temporis) after the Annual General Meeting that approves the annual accounts of the financial year in question.

The following directors (all belonging to the Orange group) fulfilled their mandate without remuneration in 2016:

> Mr Jean Marc Harion (till 31 August 2016) is remunerated under his statute of employee
> Mr Michaël Trabbia (as from 1 September 2016) is remunerated under his statute of employee
> Mr Gérard Ries (till 21 April 2016)
> Mrs Béatrice Mandine (as from 22 April 2016)
> Mr Gervais Pellissier (as from 1 September 2014)
> Mr Bruno Mettling (till 29 February 2016)
> Mr Jérôme Barré (as from 1 March 2016)
> Mr Patrice Lambert-de Diesbach (as from 7 May 2014)
> Mr Christophe Naulleau (as from 23 July 2015)
> Mr Francis Gelibter (as from 1 December 2015)

The detailed remuneration of the directors

Directors	Basic Fee (pro rata)	Audit Committee	Remuneration and Nomination Committee	Strategic Committee	Governance Supervisory Committee	TOTAL
J. Steyaert	66,000	NA	17,600	11,000	2,200	96,800
SOGESTRA (N. Lemaître-Rozencweig)	33,000	11,000	17,600	NA	2,200	63,800
J. Deschuyffeleer	33,000	NA	17,600	11,000	NA	61,600
M. De Rouck	33,000	11,000	17,600	NA	NA	61,600
Leadership and Management Advisory Services (G. Dallemagne)	33,000	NA	NA	8,800	NA	41,800
TOTAL	**198,000**	**22,000**	**70,400**	**30,800**	**4,400**	**325,600**

11. Risk management

A comprehensive, consistent and integrated risk management approach is in place to capitalize on synergies between Audit, Control and Risk functions at all levels of the organization. This approach is intended to provide reasonable assurance that operating and strategic targets are met, that current laws and regulations are complied with, and that the financial information is reliable.

Risk management

The framework and the process of risk management, as well as the organisation and the responsibilities relating to it are formalized in a charter, validated by the Executive Committee and approved by the Board of Directors. Business and operational key players in the different departments are responsible for the identification, analysis, evaluation and treatment of their risks. Bottom-up information on the risk management is also assured at least twice a year via the Risk Committee which comprises all members of the Executive Committee. Also, the company risk map is approved at least once a year by the Executive Committee and submitted to the Audit Committee for overall assessment of approach and methodology.

Today, this risk map includes, but is not limited to:

- Geopolitical instability, liquidity and macro-economic crisis
- Image attack or incident
- Breach of sensitive data or information confidentiality
- Corruption, ethical breach and frauds
- Damage to assets
- Emerging or disruptive offers
- Inability to sustain the business models on convergence
- Failure or malfunction of the profitability monitoring, decision process, the project mode or the strategy
- Failure to transform or simplify processes and systems
- Human health and safety
- Human errors
- Insufficient, wrong or late investments
- Loss of key or rare skills
- Loss of the relationship with the customers
- Major business interruption
- Non-compliance with or increase of laws or regulations
- Key partnership underperformance

Internal control environment and control activities

For purposes of managing risks taken in its business, an internal control environment has been deployed since many years at Orange Belgium. It covers aspects such as governance, the delegations of powers and signatures, policies, processes, procedures, segregation of duties and controls to ensure selected risk treatments (retain, reduce, transfer, avoid) are effectively carried out.

Through its vision, its mission and its values, the Orange Belgium Group defines its corporate culture and promotes ethical values that are reflected in all of its activities. There is a charter of professional ethics at company level and a section of the company's intranet, accessible to all employees, is dedicated to compliance, ethics, corporate social responsibility and to the company culture in general. Within the framework of promoting ethical values, a professional warning system allows for reporting confidential information intended to strengthen the control environment.

The human resources management and the social responsibility of the company are described in the corporate brochure of the annual report. The management and control of the company and the functioning of the management bodies are detailed in the declaration of corporate governance contained in the annual report as well as in the company's articles of association. This corporate governance covers in particular the responsibilities of these bodies, their internal regulations as well as the main rules to be respected in the management of the company.

The control activities are carried out in the first place by the functional or operational managers under the supervision of their superiors. All major processes and the controls that they encompass are formalised and customer contact processes (customer service and points of sales) are ISO 9001:2008 certified.

Furthermore as a result of belonging to the Orange Group, this internal control environment participates to the conformity with the American Sarbanes-Oxley requirements that must be complied with at the level of the Orange group.

The whole documentation is regularly reviewed and duly updated. Specific functions of assurance (i.e. 'Fraud & Revenue Assurance'; 'Data Privacy'), compliance and audit (i.e. 'Internal Audit') have also been set up.

The budget control covers not only the budget aspects, but also key performance indicators. In order to ensure adequate financial planning and follow-up, a financial planning procedure describing the planning, the quantification, the implementation and the review of the budget in alignment with the periodical forecasts, is closely followed.

Information and communication

The company maintains transparent communication vis-à-vis its employees, in conformity with its values and based on a multiple system integrating in particular its intranet and the periodical presentations of the Executive Management at different levels.

Advanced data processing and control processes make it possible to circulate reliable information in due course, in particular for the production of the financial reporting.

The Orange Belgium Group aspires to be open and transparent in its disclosure to the public, customers, employees and other stakeholders. The company publishes detailed quarterly financial reports providing a comprehensive set of key performance indicators and financial statements for each business segment. These results are made available four times a year to the press and to the investors and analysts community during dedicated meetings (conference calls/webcasts/physical meetings). The provided information is accessible to all and available on the company's website (https://corporate.orange.be) in advance of the meetings. Orange Belgium's Investor Relations efforts have not remained unnoticed as it was elected as First Prize in the pan-European study Extel in the category Belgium - 'Corporate Best on IR Mid & Small Cap'; this for the 3rd year in a row.

Monitoring

In addition to the front-line control activities, specific functions of assurance, compliance and audit are in place in order to ensure a constant evaluation of the internal control environment.

An internal audit department reports functionally to the Audit Committee to monitor it can carry out its assignments with independence and impartiality. The Audit Committee monitors the responsiveness to audit engagements and the follow-up of (corrective) action plans.

The Audit Committee also monitors and controls the reporting process of the financial information disclosed by the company and its reporting methods. To this effect, the Audit Committee discusses all financial information with the Executive Management and with the external auditor and if required, examines specific issues with respect to this information.

The Audit Committee of the Board of Directors monitors and reviews at least once a year with the Executive Management the quality and effectiveness of the risk management and the internal control environment set up by the Executive Management. It must monitor that the principal risks, such as but not limited to fraud, revenue assurance, compliance & ethic, security and legal, are properly identified, managed and disclosed in accordance with the framework which was approved by the Board of Directors.

For more detailed information regarding this monitoring, reference is made to Audit Committee Terms of Reference (Appendix III of the Corporate Governance Charter).

12. Justification of the application of the going concern accounting principles

In view of Orange Belgium Group's financial results in the course of the financial year which closed on 31 December 2016, the company is not subject to the application of article 96 §1 (6°) of the Company Code relating to provision of evidence of the application of the going concern accounting rules.

13. Application of article 524 of the Company Code during the 2016 financial year

The procedure foreseen in article 524 of the Company Code has not been applied during the 2016 financial year.

Nevertheless, the Board of Directors entrusted the independent directors asking them to track inter-group transactions in which Orange Belgium is involved.

14. Application of Article 96 §1 (9°) of the Company Code

As foreseen by the article 96 §1 (9°) of the Company code, the company justifies of the independence and the accounting and audit expertise of at least one member of the Audit Committee as follows: Mrs Martine De Rouck, member of the Audit Committee, is an independent director since 1 May 2014.

She has been appointed by the General Assembly and meets the independence criteria as described in the article 524 of the Company code.

Her expertise in accounting and auditing is justified as well by her education than by the various positions she occupied across her career in the banking world.

15. Information concerning the tasks entrusted to the auditors

In the course of the 2016 financial year, the statutory auditor and linked companies provided services broken down as follows:

> audit services	353,000 euros
> other non-audit services	91,387 euros

The services provided by the other auditors in the course of 2016 could be broken down as follows:

> audit services	102,254 euros
> other non-audit services	28,665 euros

Statutory auditor's report

to the shareholders' meeting of Orange Belgium NV/SA on the consolidated financial statements for the year ended 31 December 2016

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Orange Belgium NV/SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of 1.524.217 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 76.611 (000) EUR.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA) as adopted in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group’s preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group’s officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Orange Belgium NV/SA give a true and fair view of the group’s net equity and financial position as of 31 December 2016, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors’ report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

> The directors’ report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Zaventem, 24 March 2017

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d’Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by
Rik Neckebroeck and Bernard De Meulemeester

Declaration by the responsible persons

We, the undersigned, Michaël Trabbia, CEO, and Arnaud Castille, CFO, declare that to our knowledge:

a) the financial statements drawn up in accordance with the prevailing accounting standards, give a true and fair view of the company's assets, liabilities, financial position and results of the issuer and the companies included within its consolidation;

b) the management report contains an accurate overview of the business activities evolution, the results and the financial situation of the issuer and the companies included within its consolidation, and a description of the main risks and uncertainties they are confronted to.

Michaël Trabbia

CEO

Arnaud Castille

CFO

Ce rapport annuel est également disponible en français.
Dit jaarverslag is ook verkrijgbaar in het Nederlands.

Download our annual and activity report on corporate.orange.be/annualreport-2016

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