unlimited

Annual Report Orange Belgium 2018

orange™

Unlimited possibilities on an unlimited network

Orange Belgium is one of the major telecommunication market players in Belgium and in Luxembourg through its subsidiary Orange Communications Luxembourg.

The company offers prepaid and subscription mobile services as well as various other innovative telecommunication services to its residential customers. Orange is also a convergent operator, offering TV and internet services via cable network in Belgium.

On the corporate market, Orange provides mobile and fixed telephony as well as broadband internet. Positioned as an integrated communications operator, Orange proposes a wide portfolio of connectivity and mobility services, including offers that are built on big data and the Internet of Things (IoT). Orange is also a wholesale operator and provides its partners with access to its infrastructure and service capabilities.

Orange has over 4 million customers in Belgium and Luxembourg and operates a top-quality mobile network with continuous investment. The company's high-performance network offers 2G, 3G, 4G, 4G+ and 4.5G technologies.

Orange Belgium is a subsidiary of the Orange Group, one of the leading operators in Europe and Africa 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.

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Key Figures 2018

1,511
employees

180,000
Love convergence customers

€ 1,226 mio
Total Revenues

€ 280 mio
Adjusted EBITDA

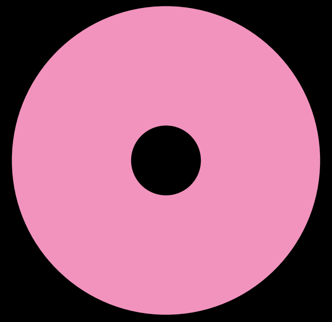
#1
3G/4G network

2,469,000
Mobile postpaid customers

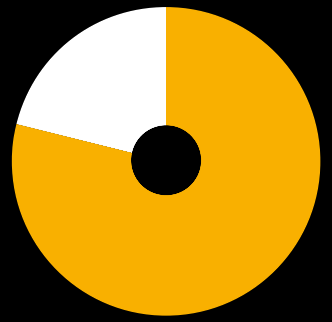
€ 728 mio
Total Retail Service Revenues

1,114,000
IoT/M2M
SIM cards

100%
4G coverage



79%
4G smartphone penetration



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Bringing simplicity & peace of mind

Committed to offering unlimited opportunities on an unstoppable network

In 2018, Orange Belgium moved forward boldly, solidifying its challenger position and achieving a number of firsts on the Belgian market. Johan Deschuyffeleer, Chairman of the Board of Directors, and Michaël Trabbia, CEO of Orange Belgium, review the successes of the past year and look forward to the future.

Johan Deschuyffeleer

Michaël Trabbia

From a strategic point of view, did Orange Belgium achieve its goals for 2018?

Johan Deschuyffeleer: As a bold challenger with an ambitious plan, I'm happy and proud that we achieved what we set out to do for the year.

We are successful in what we do because our company has a very strong customer-focus and all of our stakeholders support our position. Above all, we bring to the market the services the customer is looking for. The growth of our market share demonstrates that our customers really appreciate what we're doing. I therefore believe that our vision of the customer as our key stakeholder is paying off.

Michaël Trabbia: We first focus on customers' expectations for simple and worry-free offers. We also take into account how their usage is evolving – how customers watch content, for example. We want to provide easy-to-use, affordable voice and data solutions and make unrestricted usage part of their everyday life.

We're definitely starting to shape the market in Belgium with our unlimited offers. And we have watched with interest our competitors going more or less in the same direction we initiated.

I am proud to say that we've grown our convergent customer base to challenge the incumbent players in unrivalled ways. This confirms that our decision to become a convergent player was the right one and that we're executing it the right way.

What made Orange Belgium stand out in 2018?

M.T.: 2018 was definitely a bold year for Orange Belgium. Starting with the launch of the first fully unlimited mobile and convergent offers in Belgium. We listened to our customers' unmet needs. They want to use their connectivity simply and with peace of mind – that's exactly the solution we provided.

M.T.: "Our aim is to break telco conventions. We don't want our customers to limit their usages because of unfair pricing."

In June, we extended this philosophy with our Koala subscription, giving our customers unlimited voice calls with a sizeable amount of data. As a result, we recorded outstanding commercial success, especially in the second half of the year.

Our customers are clearly reaping the benefits: average data consumption has increased by 79% in only one year!

We have also continuously improved our convergent offer Love. In 2017, we demonstrated our ability to become the first real challenger in the market. In 2018, we strengthened that position with even more new customers and we continued to expand our convergent offer with new features. We introduced new TV channels for both French-speaking and Dutch-speaking customers; and we launched our mobile TV application, allowing our customers to watch TV on their smartphone or tablet wherever they are, in Belgium and in Europe. Combined with our unlimited data offer, this is a truly powerful – worry-free – service.

Our teams did a fantastic job to get there and I want to warmly thank them for their commitment and dedication to our customers.

With a 4G coverage rate of nearly 100% of the Belgian population, is Orange Belgium still investing in connectivity today?

M.T.: Of course. Our 4G network is regularly recognized for its top performance. And for the first time, Orange was the most used mobile network in Belgium during the New Year celebration.

On top of this, we have further improved our customers' relation to connectivity by providing what really matters to them. Our customers want to use their connectivity at home, where it is most relevant for them. We have therefore decided to guarantee indoor connectivity for all our customers. Where needed, we provide them with a dedicated solution.

For example, we were the first operator in Belgium to launch two new technologies: Voice-over-WiFi and Voice-over-4G/LTE. Customers can call deep indoors using their Wifi network and, when they go out, seamlessly switch to our 4G network without any interruption. Customers who call on our 4G network can also continue to surf at the same time. And for our customers whose devices are not compatible, we provide them free of charge with a Femtocell connected to any broadband access. With these new solutions, we offer our customers a 100% solution for their indoor connectivity.

M.T.: "Because customers are increasingly watching content online, our unlimited broadband offer will meet another unmet need in Belgium."

What is the ambition on the business market?

M.T.: We have strong ambitions for the B2B market for 2019 and beyond. We'll continue to reinforce our distribution network. We'll further align our B2B claim with our B2C claim, as it's important to have consistency between the two markets. We'll also offer key services beyond connectivity – in particular, new services concerning cyber-security.

IoT is a very important focus for us: we were the first to launch a full IoT network in Belgium covering 100% of the Belgian population on top of our 4G network. Moving forward, we will be able to manage all the data from connected objects, and we'll extend our ecosystem of partners to provide special solutions for the most relevant use cases.

One example: CommuniThings – one of the companies in our Orange Fab accelerator – recently launched the first Smart Parking solution, a component of Smart Cities, via the Orange NarrowBand-IoT technology. We are currently rolling out our Smart Parking solutions in 5 cities and we'll continue to launch innovative IoT solutions.

Orange Belgium will also welcome a new MVNO on its network.

M.T.: In 2018, we signed a wholesale 5-year partnership with Medialaan for the 'Unleashed' mobile branch, which provides mobile services to residential customers under the Mobile Vikings and JIM Mobile brands. As from spring 2019, Unleashed will migrate the approximately 365,000 customers of Mobile Vikings and JIM Mobile to surf, call and text via Orange Belgium's leading 4G network.

I am very happy to start this new collaboration with the leading Flemish commercial broadcaster. This full MVNO agreement is more than just a contract – it's the start of a strong long-term partnership based on a shared vision and the complementarity of both companies.

How is being part of the Orange Group valuable for Orange Belgium?

J.D.: In the scattered European telco industry, it's really important to belong to a large and great group. Being part of the Orange Group allows us to tap into its programmes to roll out marketing activities very quickly and easily.

We also benefit from the Group's Research & Development activities, which are among the world's top in ICT. For instance, we can take advantage of the Group's research on new trends like the Internet of Things.

M.T.: Moreover, as part of the Group, we benefit from extensive experience and know-how supporting us as we offer additional services to our clients or develop products and services that go beyond connectivity. We benefit from a very strong brand, with an international recognition.

M.T.: "2019 will also be an important year to prepare for the arrival of 5G, the new mobile technology that Orange will first launch in Brussels."

Were regulatory decisions favourable to Orange Belgium in 2018?

M.T.: Mid-year, we received a very important regulatory decision concerning cable access. It still needs to be further implemented in 2019, in particular with another decision on the cost model and on the final wholesale prices. This decision should enable us to offer a sustainable convergent offer over the long-term.

This regulatory decision is crucial to us because we decided to launch our offer with a pricing strategy that is more in line with the real costs of network access. Unlike our competitors, who increase prices annually, we have a different vision: we strongly oppose price increases, as we believe there is room to use the continual progress in technology to offset the additional costs that arise. So, as we move forward, our position is: the same price … but with even more services.

The regulatory decision also allows us to improve our service with regard to installation. Today, in many cases, we need two installers: one from the cable company and one from Orange. That's a source of complexity, inefficiency and cost. The new regulation allows our Orange installer to handle everything for the customer.

And we still aim to reach a 10% broadband market share.

What are the main challenges and goals for 2019?

J.D.: I feel it's my role, and that of the management and board, to have a long-term perspective. How can we continue to be the bold challenger, the market disrupter? How can we surprise the market with new products and services, in both B2B and B2C, in line with what our customers want? We have already proven we can go beyond our goals, given the success of our convergence offer that continues to rise without promotions.

As we work in a high-tech environment in a world that is changing very rapidly, how can we introduce innovations to serve our customers better? I would like Orange Belgium to be a kind of incubator environment, anticipating needs. We will continue to surprise and disrupt the market. As a Bold Challenger, we will continue to be different.

M.T.: In 2018, we managed to disrupt and started to shape the telco market in Belgium. In 2019, we will build on that momentum and – in accordance with our 'unlimited' vision – continue to offer the customer more services without any price increase.

The regulatory decision in the summer of 2018 also paves the way for new offers in 2019. We will open a new segment in the market with our unlimited broadband-only offer. In contrast to coming to the market with big bundles of services, some of which the customer does not use or want, our approach is to give back the power of choice by letting the customer decide what he or she really wants.

J.D.: I would like to add a last word of appreciation towards all the people working at Orange Belgium. We can serve our customers the way we do thanks to the efforts and commitment of all our team members. 2018 was a challenging year. I want to take this opportunity to warmly thank all of our employees for their contribution, motivation, and ongoing engagement – from rolling out the network, to the shops and customer service – they really did a fantastic job!

Michaël Trabbia: What I promise you

- We will not increase the price of our services in 2019
- We will launch an unlimited broadband-only offer to meet the needs of online content watchers
- We will guarantee excellent indoor coverage

Highlights 2018

January

Orange Belgium adds TLC, Eurosport 2 and the French versions of Eurosport 1 and Discovery channel to its LOVE offer in Flanders. 😍 😊

February

Orange Belgium announces the launch of the first mobile subscription with unlimited mobile data volume in Belgium as a first move underlining its bold challenger positioning. As from 40 euros per month, on top of unlimited SMS and calls, the Orange Eagle tariff plans will now include unlimited mobile data to allow customers to surf carefree anytime and anywhere they want without having to worry about their internet use anymore.

March

Orange Belgium and Orange Polska sign an agreement with Salesforce, the global leader in CRM, and Vlocity, a leading industry cloud company. Both will help Orange achieve business agility faster and reduce time to market by leveraging cloud-based solutions across Orange's digital and assisted channels.

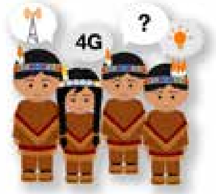
April

Maître Gims plays exclusive concert in Liège, for Orange customers only as part of the unique 'Orange Thank You' loyalty program. The French-speaking rapper and singer is extremely popular with young adults. With the release of his latest album 'Ceinture Noire', he is dominating the music scene in Europe and even Canada.

Love

Orange presents Love Unlimited, the 1st fully unlimited mobile, internet & TV offer on the market. The Love Unlimited formula offers fully unlimited mobile data, SMS, calls, internet and TV. That way customers can stay connected anytime, anywhere, at home as well as on the go with complete peace of mind. ❤ ❤

May



Orange Belgium celebrates successful launch of online platform Orange Tribe with special live Question & Answer session with CEO Michaël Trabbia. At Orange Tribe customers can exchange information, ask questions or discuss Orange products and services, new technologies and other telecom news.

Orange is the first to launch end-to-end mobile IoT services, paving the way for Belgium's IoT (r)evolution. Orange's Mobile IoT network covers 100% of the Belgian territory making it possible for companies to start putting the first IoT solutions in place thanks to the new Rapid Development Kit and a commercial mobile IoT offer (called 'Connected Things') that allow companies to build and roll-out IoT-solutions in a smart and safe way. 😊

Orange activates a live TV feature on its Orange TV mobile app that lets customers enjoy their favourite TV shows on the go. It has already added a Fixed Phone option to the existing Internet Boost and Evening & Weekend options for those who would like to have or keep their fixed line.

MEDIALAAN

Orange Belgium and MEDIALAAN sign a full MVNO agreement that welcomes JIM Mobile and Mobile Vikings on the Orange Belgium network.

June

Orange is the first provider to activate both Voice over WiFi (VoWiFi) and Voice over 4G (VoLTE) technologies. These will improve the voice experience with crystal-clear sound, extended coverage and a much faster connection time. Wherever they are, Orange customers can now enjoy the best technology available to make high-quality voice calls on Orange's WiFi, 2G, 3G or 4G networks.

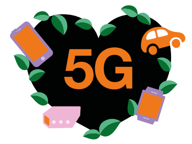
Since December 2016 Orange Belgium has invested more than 13 million euros to improve mobile broadband access in the Walloon region and brought 4G mobile coverage to the population in 39 municipalities with inadequate fixed and mobile services. Today Orange Belgium's 4G network in the Walloon region reaches 98% of the population in these 'white zones' and indoor coverage has risen to up to 94%.

Orange Belgium presents a mobile offer with unlimited calls for 20 euros per month and continues to increase data volumes of its subscriptions.

September

SECTOR ONE

Orange Belgium becomes main sponsor of esports team 'Sector One' and the Benelux' biggest esports tournament, 'GameForce Masters'



Orange Belgium was the first to present a set of real use cases that rely on the much anticipated 5G technology. In Liège, in the presence of CEO of the Orange Group, Stéphane Richard, Orange Belgium demonstrated the potential and future applications of 5G and confirms its ambition to deploy the 5G technology as soon as possible for its residential and business customers.

KANAL Centre Pompidou

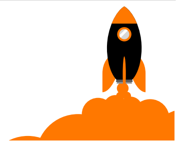
Orange Belgium signs a partnership with KANAL – Centre Pompidou, the brand new museum of Modern and Contemporary art in the iconic Citroën garage in Brussels. They join forces to build the multidisciplinary art hub of the future. ❤

Thanks to a strengthened partnership with Google, Orange Belgium proposes Google Chromecast to its Love customers so they can very easily 'cast' hundreds of films, series, music playlists, sports events, photos and much more from their smartphone directly to their television.

Love

Orange Belgium adds the channels MENT TV, njam!, Dobbit TV and Plattelands TV to its Love offer in Flanders and LCI and TF1 Séries Films in Wallonia.

October



The Start- and Scale-ups Chatlayer, iReachm and Thingsplay are officially selected to enter the second Orange Fab BeLux season

Orange starts the implementation of a new user interface on its TV decoder and updates its Orange TV mobile App with extra features that allow customers to enjoy their favourite TV shows at home as well as on the go.

November

fluvius. Tot bij u

Orange is the first Belgian telecom operator to partner up with Fluvius on their fibre pilot project, that fits within the framework of the Flemish Government's superfast network goals for the future. In 2019 a pilot will start in 5 cities and municipalities aiming to connect 15,000 households.

From bold challenger...

... to bold disruptor on mobile on the Belgian market

Listening carefully to what is essential to the customer, Orange launched the first fully unlimited offer in Belgium – including the first fully unlimited convergent offer, the Love Unlimited proposition. It is clear that Orange Belgium disrupted the Belgian mobile market in 2018. Last year, the new decision concerning cable regulation establishes the foundation towards a future, similar shaking up of the fixed market.

"We listen to our customers to discover – and fulfil – unmet needs on the Belgian market."

Michaël Trabbia, CEO of Orange Belgium

Orange Belgium leading the way

Orange Belgium prides itself on being resolutely customer-centric, responding to unmet customer needs with bold propositions. Over the course of 2018, while the company's convergent customer base grew substantially, the mobile unlimited offers reshaped the market in Belgium.

2018 was a year of unlimited possibilities: starting with the February launch of the first fully unlimited offer in Belgium – including the first fully unlimited convergent offer, the Love Unlimited proposition.

The solid commercial achievements of Orange Belgium in 2018 confirm the relevance of its convergent and mobile-data strategy.

The company also continuously expanded its convergent offer with new features – including new TV channels and a mobile TV application to allow customers to watch TV on their smartphone or tablet.

In June, the Koala mobile subscription gave customers unlimited voice calls with a substantial amount of data. Orange's commitment to providing powerful, worry-free services at attractive price points was rewarded with a record commercial success by year-end.

How has the competition reacted to the Orange innovations? By essentially following in the same direction. Ever the bold challenger, Orange has established itself as a bold disruptor on the mobile Belgian market and is gearing up to do the same on the fixed markets.

Sustainable cable regulation provides a breakthrough

Convergence was a strategic focus in 2018. Over the last years, Orange has been requesting the application of a fair wholesale price model (preferably, a cost-plus model based on efficient operator costs) to allow more competition on the fixed market and to allow lower tariffs for consumers.

Since 2014, Orange has invested over 70 million euros in this effort, creating more than 200 direct and indirect jobs. However, the regulatory conditions implied that the company's convergent offer was economically unsustainable. In 2017, Orange pushed the regulators to improve the financial and operational conditions for cable access so that Belgian customers could benefit from effective competition on the fixed internet and TV market.

In 2018, Orange Belgium welcomed the improvement of the foundation for cable wholesale access – the framework outlining the key operational and financial remedies that are required to ensure more efficient competition.

Mobile Vikings and JIM Mobile customers will soon use Orange's unstoppable network

In May, Orange Belgium and MEDIALAAN announced their wholesale partnership for 5 years for the mobile branch of MEDIALAAN – 'Unleashed' – which provides mobile services to residential customers under the Mobile Vikings and JIM Mobile brand.

As from Spring 2019, Unleashed will migrate the approximately 365,000 Mobile Vikings and JIM Mobile customers, currently hosted on the Base network, to surf, call and text via Orange Belgium's leading 4G network.

Open infrastructures with passive access are in the best interest of consumers

In 2018, Orange Belgium became the first Belgian telecom operator to partner up with Fluvius – a public company created to manage energy networks in Flanders – on their fibre-optic pilot project. The project fits within the framework of the Flemish Government's superfast network goals for the future.

Looking ahead, a pilot will start in 5 cities and municipalities, aiming to connect 15,000 households in 2019. The city of Genk will be first in line to be connected.

2019 promises to be exciting

New spectrum allocation and renewal of existing spectrum attributions

The draft Royal Decrees regarding the allocation of the 700, 1400 and 3400-3800 MHz bands and the renewal/reallocation conditions of the 900, 1800 and 2100 MHz bands were published in 2018.

While there is still substantial uncertainty regarding the final timeline and evolution of this crucial file, the renewal and new allocation of the spectrum is needed for the roll-out of 5G. Orange Belgium has committed to launching 5G in the capital of Europe first – making Brussels the first Belgian city to welcome the innovative 5G technology.

Accelerating digital transformation, 5G will bring improvements that include greater speed and reliability, more flexibility and coverage, and higher security. Orange Belgium strongly believes that 5G will enable a wide range of new services – from IoT and big data, to AI and connected cars, to eHealth – for the benefit of individuals and enterprises.

For 2019 Orange Belgium makes 3 promises: it will launch an unlimited broadband-only offer at a correct price to boost the competition on the Belgian fixed market. Orange Belgium will offer unlimited connectivity at home and on the go thanks to the latest technologies and last but not least... it will not increase its prices!

Unmatched customer experience

2018 was a bold year for Orange Belgium – starting with boldly simplifying products and services, improving market share in all businesses, and providing unlimited data and voice.

Boost convergence to sustain mobile value

Orange Belgium delivered a key priority for 2018 by boosting its convergent offer. The launch of the Unlimited Love offer in February – including extra features – increased the customer base to 180,000 (or +75% year-on-year).

A crucial factor in these developments was the favourable regulatory decision that has enabled competitive entry into the convergence field in Belgium. The way is now open for Orange to achieve its objective of 10% market share in broadband.

And to continue the upward momentum, in 2019 Orange will offer broadband only (without TV) to capitalise on the rapidly growing trend of viewing content online.

Claim our mobile-only champion stance

Building on the company's fundamental strength, 2018 was the moment for Orange to boldly honour and claim its mobile-only champion stance. The innovative Koala subscription gives customers unlimited voice calls and text messages with a generous amount of data at a very attractive price.

Towards unmatched customer experience

One of Orange's primary advantages is that it is decidedly customer-centric. The 4 strategic priorities and all of the company's stakeholders support this stance. In fact, Orange views the customer as a key stakeholder. 2018 was a year of proactivity and simplification of processes.

In addition, the company enhanced its mobile application to serve customers even better. So, the year was marked by an enriched portfolio of services and enhanced content, on top of the continued excellence of the Orange network. With the goal of reinforcing customer loyalty and providing an excellent customer experience to every member of a family.

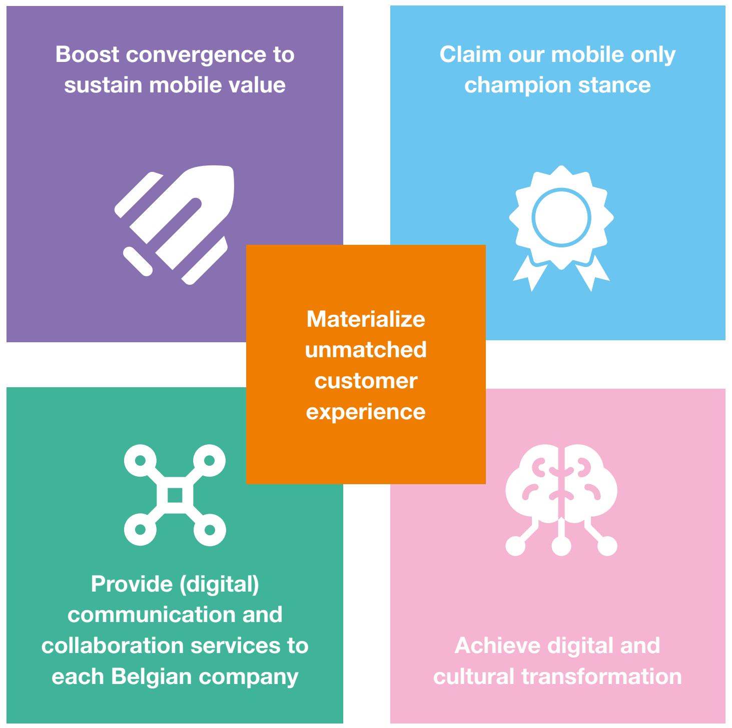
What to expect in 2019? Even more benefits … without a price increase!

Provide digital communication and collaboration services to each Belgian company

The company also enriched its portfolio of services to business customers. In addition to strong mobile and convergent products and services, Orange Belgium added an array of services for businesses, including fleet management, support for ICT, and mobile-centric employee solutions to serve and facilitate the New Way of Working trend.

Orange approaches the B2B market segment with a corporate mindset. This results in leaner products and services and solutions that are tailored to a customer's specific needs and requirements. Looking to the year ahead, Orange will be preparing for the arrival of 5G. In the meantime, the company will create a dedicated IoT layer on top of its 4G network.

The vision is to provide the services and solutions that ultimately deliver peace of mind.



Achieve digital & cultural transformation

In 2018, Orange Belgium made progress in its comprehensive in-house digital transformation project, which is transforming the company from the telco past to the digital future. The ultimate goal is to make decision-making, collaboration and innovation – the entire Orange culture and way of working – faster and more agile. The company is looking forward to the initial results of the digital transformation project in 2019.

Furthermore, Orange is committed to delivering its Orange Promise to be a digital and caring employer. Among many other developments, this past year gave special attention to nutrition and exercise, vital components in keeping team members physically and mentally healthy. Orange's philosophy is that improving the employee experience powerfully improves the customer experience as well.

Listening to customers…

… & responding boldly

2018 was a year of consistently adhering to Orange Belgium's residential market claim, standing strong and undistracted by the competition. The company simplified procedures and services, while launching new offers and enhancing existing products by adding peace of mind.

All-in unlimited mobile

First of all, in February Orange launched its 'all-in unlimited' mobile offer: unlimited calls and unlimited data. Stepping forward to be the first in the market with an unlimited offer was a courageous move. Orange listened to the customer's needs and responded with an offer that represented a leap forward while providing peace of mind.

Not only did it prove to be a winning concept with regard to numbers of tariff plans and migrated users, the product also stimulated the use of mobile data. Today, Orange customers are #1 in mobile data usage.

In June, the Koala offer extended this bold positioning with unlimited calls and a generous 4 GB of data for the revolutionary price of 20 euros per month. The offer has been winning customers from all of the competitors in the field.

Steady growth for Love convergence

In the first quarter of the year, Orange enhanced its Love convergent offer – adding fixed-line voice – to make it even more relevant to its users. This was followed in May by the launch of mobile TV.

Belgian consumers use more and more mobile data

Each year, mobile data traffic on the Orange network increases substantially – and 2018 continued this trend with a sizable +79% year-on-year increase in usage. Average mobile data usage per customer increased to 3.2 GB/month, making Orange customers the most data hungry of all consumers.

Orange Thank You gamification

In 2018, Orange enhanced its 'Orange Thank You' customer loyalty programme with the launch of 'gamification', which increases the customer's engagement by requiring him or her to perform an action before receiving a reward.

Enhancements to My Orange

The My Orange app was also enhanced: now customers can pay their invoice directly through the application; buy their content pass on prepaid; see all details on the invoice and much more.

and, in September, the official launch of Google Chromecast: a compact digital receiver that makes it easy to stream photos, videos and multimedia to the user's TV.

Improved customer experience with the launch of Voice over WiFi and Voice over 4G technologies

Orange Belgium is continuously investing to offer its residential and business customers a unique experience. In 2018, two important initiatives provided Orange Belgium customers with a 100% solution for their indoor connectivity: the launch of voice-over-4G/LTE and voice-over-Wifi in June. These improve the voice experience with crystal-clear sound, extended coverage and a much faster connection time. Wherever they are, Orange customers can enjoy the best technology available to make high-quality voice calls on Orange's WiFi, 2G, 3G or 4G networks. Orange also has the opportunity to strengthen indoor networks with a Femtocell (or Mobile Coverage Extender) connected free of charge to broadband access. Customer satisfaction responded with an NPS (Net Promotor Score) rise in a variety of KPIs. Orange was the first provider to activate both Voice over WiFi (VoWiFi) and Voice over 4G (VoLTE) technologies.

100%
solution for indoor connectivity

#1
Orange Belgium is rated #1 in customer satisfaction in prepaid, postpaid loyalty & shops

Orange supports eSports and the Belgian Cats

Thanks to the Orange network, playing on eSports via a smartphone or PC is extremely easy – good news for the 55% of Belgians who are eSports enthusiasts! This sponsorship is in an important segment that includes a lot of young people. In brief, another bold initiative…

Orange Belgium is also sponsoring the Belgian Lions and Cats, Belgium's national basketball teams. Since Orange began its sponsorship, the Belgian Cats have risen to 4th place in the world basketball league and won the bronze medal in the European Championship – which certainly cannot be a coincidence!

Looking forward to 2019

As it tackles the challenges of the new year, Orange intends to keep its leadership on Unlimited. It will also:

- Open a beautiful new flagship store in the centre of Brussels.
- Progress further in the Internet of Things (IoT) sector by launching a couple of relevant connected objects and capitalising on the connectivity of its network and the ability to provide coaching to customers.
- Continue its test centre approach, surveying customers every month regarding their needs and wishes for new products or services.

In 2018, it became obvious that the strategic decisions taken years ago were the right ones. Today, customer satisfaction as measured by the NPS rates Orange Belgium as #1 in prepaid, postpaid, loyalty and shops.

With Orange, there are no small prints and no surprises. Leveraging its experience and continuing to simplify, the company's ambition is to be the unlimited leader – moving forward boldly – with quality, transparency and style!

Unlimited broadband-only offer

Orange is committed to launch an unlimited broadband-only offer, allowing customers to decide what they want to watch when and where they want to enjoy online content. So no TV, only unlimited internet on a high-quality network at a correct price.

Building presence and growth

2018 was a year of notable growth for Orange Belgium in the business sector. Thanks largely to the ongoing digital transformation of the company's business processes – making its B2B interactions more agile and efficient – Orange booked its best business results in 7 years.

Fundamentally, B2B is a people business. Orange takes a personal interest in assessing and anticipating the needs and requirements of businesses. From providing ICT services in the cloud, and analytical tools for big data to a mobile IoT network, Orange helps companies stay on top of today's rapidly evolving business environment.

Go-to-Market boosts Orange presence

Several important initiatives combined to power growth in 2018. First of all, the company met its objective to have +10% more account managers' feet on the street to widen its range of business. This 'Go-to-Market' campaign contributed to Orange's greater presence and awareness in the market and created a shift from push to pull for Orange: now more than ever before, instead of Orange contacting target businesses, potential customers are contacting Orange to explore possibilities.

Mobile-centric – a key factor in Orange's business success

One of the company's major differentiators is that it is solidly mobile-centric. This gives Orange an advantage in meeting the challenges of today's changing work environment, including the 'new way of working'. As companies go more and more digital – and increase their mobility – Orange is precisely the partner they need. Orange provides solutions for business customers whose employees are not only active professionally, but stay connected in their spare time as well.

+10%
account managers' feet on the street

Shape Traveller

a flexible formula over an extremely high-performance mobile network – business travellers can communicate as often as they like (unlimited again!) in Belgium and abroad.

In 2018, Orange enjoyed a 26% increase in demand for the mobile packages with benefits that both employees and their families can use. These packages are an important factor in employee satisfaction and retention. As Orange collaborates with a business, the customer itself, and all of its employees, are equipped for the new world of work.

Orange Belgium and Orange Business Services

Orange Belgium's invigorated convergent offering has established Orange's position in the business segment. To further strengthen its relationship with businesses of all sizes in Belgium, Orange Belgium has entered into a sales engagement agreement with Orange Business Services. Now, Orange Belgium's business customers can leverage Orange Business Services' expertise, and Orange Business Services' multinational customers can rely on Orange Belgium's network resources and business capabilities, including its mobile IoT network.

Both companies provide digital solutions to allow work tools to become more mobile, more connected and more collaborative, and business customers can access private and hybrid cloud solutions as well as security solutions to protect all areas of their vital activities.

The Internet of Things (IoT)

Orange Belgium is leading the way in IoT. The Orange mobile IoT networks (NB-IoT & LTE-M) allow millions of everyday objects to be connected to the Internet of Things. In 2018, Orange experienced double-digit growth, extending its connectivity offering more IoT devices, with the ability to store the data collected by these devices.

+26%
increase in demand for mobile formulas

Solving the city parking problem

CommuniThings – a star tech start-up in the Orange Fab programme – provides a platform that collects, visualises and analyses data to show where there is a parking space available via a mobile application that provides real-time information. The Orange NarrowBand-Internet of Things (NB-IoT) network is a crucial factor in this system.

Bold ambitions for 2019

In 2019, Orange plans to increase its Go-to-Market coverage even further, raising awareness and providing more solutions for mid-sized businesses.

The next step in the company's business transformation is to become even leaner – simplifying and streamlining Orange's B2B interactions. Orange is taking a corporate market approach, assessing the most favourable opportunities and providing tailored solutions.

In the IoT sector, the company plans to enlarge its eco-system of partners, focusing on specific business niches, and to further leverage AllThingsTalk, the eco-friendly IoT product platform. Orange is also an active sponsor of The Beacon – a product development hub in the centre of Antwerp focused on the key IoT domains of industry, logistics and smart city.

So, what's the overall outlook for B2B in 2019? From Bold 2 Bolder, of course!

Orange Belgium renews its contract with Irisnet so it can provide the capital of Europe with new Smart City solutions.

IRISNET
Powered by Orange

Our network makes Unlimited possible

In 2018, Orange Belgium's network team followed the company's bold challenger positioning with the goal of achieving industry-leading growth in both the residential and the business markets. All the while, maintaining a full end-to-end customer experience at the highest level.

Thanks to its high-performance 2G, 3G, 4G network, Orange Belgium was able to launch its Unlimited offers – the first on the Belgian market – thus, leading the way with unlimited mobile data and voice.

The quality of the customer's experience

Ensuring the quality of the customer's experience is at the heart of Orange Belgium's network operations activities. As the bold launch of the Unlimited offers increased mobile data traffic significantly, the challenge for the network was to handle the increased traffic without impacting the overall customer experience of the mobile data services.

So, the team's focus for the year was to ensure the right capacities for handling both voice and data services, and to reinforce the robustness and reliability of both network and IT operations. The network's capacity was increased in 2018 by the addition of 100 sites.

Very good results for 2018

The team's efforts resulted in very good figures for the year:

- 82% indoor coverage in Belgium – a best-in-class figure at the European level.
- Number of dropped voice calls reduced by 15% – through optimisation efforts and by improving indoor coverage via Femtocell and Voice-over-WiFi.
- 99.2% data buffer rate on YouTube – also a best-in-class figure at European level.
- Deployment of 100% IoT national coverage.

Unlimited convergence too

In addition, network capacity was enhanced to handle the increase in cable users as well. The Orange TV decoder received a facelift with a brand-new user-interface. And to enable customers to watch TV on their smartphone or tablet, Unlimited mobile TV was integrated into the company's Love offers.

What's in store for 2019?

The network team's focus for 2019 is to put the right resources and training in place to prepare for the new technologies that are coming soon – most notably 5G. In addition to preparing the first 5G cities in Belgium – starting with Brussels – Orange Belgium will join the Orange Group to participate in a 5G network equipment auction.

Customer experience will continue to be a network attention point to ensure end-to-end quality and reliability for both mobile and fixed services (voice and data). New Wifi solutions will ensure seamless Wifi coverage for all residential customers. One of the improvements planned for fixed services is 'fast-zapping' so that users can change TV channels more quickly – an important user-comfort consideration for Orange customers.

The Orange Belgium network: putting the company's bold ideas into practice – everywhere, any time.

In a complex environment, the Orange Belgium network team achieved best-in-class network experience.

78 million euros will be invested in the unstoppable network of Orange Belgium by the end of 2019.

Since reaching an agreement with the Walloon government in December 2016 over the region's pylon tax, Orange Belgium has invested more than 13 million euros to improve mobile broadband access in the Walloon region and brought 4G mobile coverage to the population in 39 municipalities with inadequate fixed and mobile services. Today Orange Belgium's 4G network reaches 98% of the population in these 'white zones' and indoor coverage has risen to up to 94%. An illustration of this positive trend: Orange Belgium installed an innovative technical solution in Vresse-sur-Semois to offer 4G to 96% of the inhabitants.

Simplifying, collaborating...

... & working more boldly

In 2018, the HR team helped embed the 6 Principles of Action framework more solidly within the culture and launched ways to have leaders and team members work together on solving workplace challenges. The result: a bolder Orange workforce.

Rewarding behaviour based on the 6 Principles of Action

When we look at Orange Belgium's strategic priorities, one stands out in particular: achieve digital and cultural transformation – and this was a major focus for HR in 2018. The company moved forward from the concepts and awareness of the 6 Principles of Action, introduced in 2017, to embedding the principles and behaviours in practice, so that they become part of the Orange culture and a key element of company life.

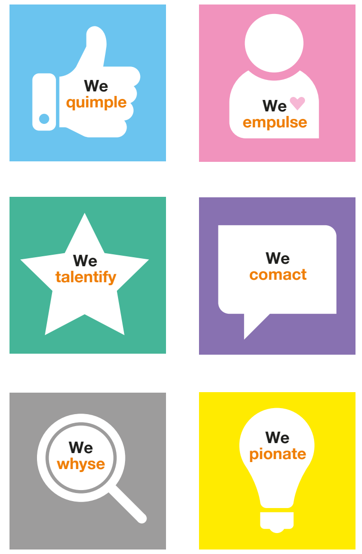
The HR team is actively helping everyone change their behaviour by rewarding behaviours that are based on the 6 Principles of Action. This extends to the employee review – in addition to assessing what team members deliver, how they collaborate to achieve their objectives is also taken into consideration in defining the bonus pay-outs.

Building LeaderShift competencies

In 2018, all people managers participated in HR's leadership development programme, called LeaderShift. The goal of the LeaderShift programme is to help managers contribute to the company's cultural transformation by integrating a new style of leadership. The programme consists of 4 modules organised to incorporate the 6 Principles of Action: Kick-off (Whyse), Empowerment (Comact), Collaboration (Empulse and Talentify) and Agility (Quimple and Pionate).

How to work more boldly internally?

Examples include: In what ways might we make the business grow – even boom! Break down silos, work together, as one company. Dare to accept accountability, and courageously not become defensive in the face of feedback. Build a culture that drives transparency and honest conversations. And prepare leadership to drive an ever bolder Orange workforce.



Fulfilling the Orange Promise

2018 also saw further steps being taken to fulfil the Orange Promise to be a digital and caring employer. New digital solutions are being implemented that will facilitate the employment journey from end-to-end. For example, the Workday tool, launched in 2017, was enhanced with more HR-related topics. The goal is to combine all major HR tools on a single handy tool, accessible on everyone's mobile.

Executive Committee swap programme

To facilitate understanding among the various teams of the company – and to break down silo-mentality – several company department heads traded places for 2 weeks in 2018. For example, the head of HR became the Chief Legal Officer, and the head of IT donned the HR Chief's hat.

Performing the job of your colleague helps you better understand, and empathise with, his or her goals and challenges. You enrich your understanding of the other leader's team as well. This is also an overt demonstration to the workforce of team leaders engaging in close collaboration. A framework has been developed that will enable other leaders to experience changing places in 2019.

top EMPLOYER BELGIË BELGIQUE 2019
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

A clear sign that Orange Belgium is on the right track in the field of people management: external auditors have renewed Orange Belgium's Top Employer certification for 2019.

Listening to team members

Orange Belgium is building a strong feedback culture, and this includes listening & responding. Moreover, in addition to listening to customers, the management is listening to the team members.

The aim is to co-create solutions to workplace challenges. In this regard, in 2018 Orange created Principles of Action Champions: employees who were voted by their peers as outstanding examples of living the principles of action in their jobs. These representatives are now working closely with management to tackle the top priorities in improving the company's ways of working.

Plenty of plans for 2019

For 2019, HR will concentrate on a number of important areas. The first is new – and bolder – ways of working and getting things done. This effort dovetails with the company-wide efforts to simplify and make processes and decision-making faster and more efficient. It also entails leveraging different types of resources, including automation.

Another focus will be aligning HR's human capital strategy and initiatives with the company's business strategy and how work gets done, ensuring that these are in sync for maximum effectiveness. This includes employer branding and attracting the right profiles for specific challenges in IT, as well as recruiting and retaining a diverse workforce and allocating resources in a more agile way.

To drive engagement and innovation, plans are also underway to implement a more segmented or tailored approach to employee training and Reward & Performance management. For example, team members will be able to select the training opportunities that best fit with their personal goals for development. The upcoming flex-income plan will offer team members choice in the benefits package they would prefer (no company car, but an extra week of holiday, for instance).

Digital transformation...

... powers bold initiatives

Orange Belgium is transforming itself rapidly from a ‘traditional telco’ into an agile, innovative digital operator. In 2018, Orange accelerated its digital transformation efforts, whose aim is to install state-of-the-art digital solutions throughout the company.

In 2018, the IT team contributed to the company’s very good results by underpinning the development, testing and delivery of Orange products and services according to plan. In this way, the team was instrumental in supporting and sustaining the company’s bold positioning and the commercial performance of the business.

Transforming CRM

At the same time, the team began executing the digital transformation plans that were developed in 2017. In the context of a broader CRM transformation, the team started with the customer-facing order entry system, partnering with Salesforce, the global leader in CRM, and Vlocity, a leading industry cloud company. By leveraging cloud-based solutions across Orange’s digital and assisted channels, the two companies are helping Orange achieve business agility more quickly and reduce time to market. A first proof point of this program is Orange’s new enterprise catalogue that centralizes all products and services.

Working boldly in the new way

The heads of the IT team and the residential business team are co-leading independent product development teams to develop a programme for the business in an agile-delivery mode. The group’s members have been drawn from all over the company expressly for this project – from a business analyst and an enterprise architect, to a user experience specialist and a large staff of programmers.

The main goals of Orange’s digital transformation are offering a simplified omnichannel experience to Orange customers and reducing the company’s time to market.

Thus, the project is being organised and conducted according to ‘the new way of working’ principles – introducing into the company a bold new mind-set with regard to IT and business development.

Radical simplification

A key element of Orange Belgium’s boldness is the company’s active efforts to improve efficiency through ‘radical simplification’. Indeed, the improved cable regulations help level the playing field – but to make the company’s convergent offer truly sustainable, leaner, simpler internal procedures are also required.

From collaboration and decision-making, to training, to CRM and billing processes, the Orange Belgium culture and way of working are being simplified, digitized and transformed as Orange takes its disruptive competitiveness into the future.

Rolling out digital innovations...

... and preparing the future

Focusing on practical innovation to serve essential customer needs, in 2018 Orange Belgium nourished the Orange Fab network of innovative scale-ups and implemented the itsme® app, the secure digital ID developed by the Belgian Mobile ID consortium.

New innovations from Orange Fab

2018 marked the second season of Orange Fab, the exclusive accelerator network of scale-ups that are developing new innovative products and services – in sectors such as the Internet of Things, Big Data, Artificial Intelligence, and more – that will change the way we live and work tomorrow.

In the second season, 3 more scale-ups were selected to work with Orange:

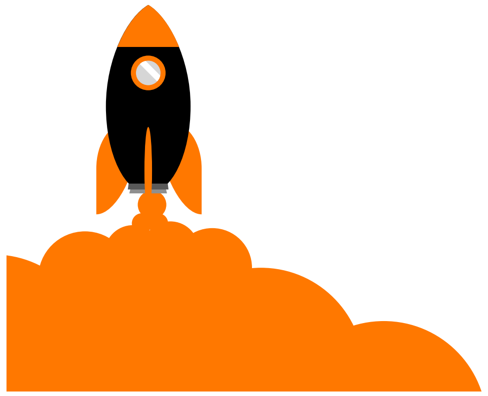
- **Chatlayer** developed a conversational engagement platform, using artificial intelligence to automate human conversations;
- **iReachm** transforms a voicemail into a Virtual Assistant who takes calls, schedules meeting requests into an agenda, and enriches data in the user's address book; and
- **Thingsplay** provides IoT solutions for industries, developing hardware and software for manufacturers who need connected devices.

Orange Fab's main objective is to create a win-win commercial partnership between the scale-ups and the Orange Belgium and Luxembourg business units. Thanks to Orange Fab, the selected start-ups are offered specific support to accelerate their own development – in Belgium and Luxembourg, as well as internationally – leveraging Orange's worldwide footprint of 29 countries with more than 250 million customers.

At the end of 2018, Orange Belgium decided to invest in previous Orange Fab winner CommuniThings, which developed smart-parking solutions on Orange's mobile Internet of Things network.

OZ - The employee innovation programme

In 2018, Orange Belgium launched OZ, a programme that stimulates innovation, creativity and entrepreneurship within the company. Orange Belgium launched 2 Innovation Challenges, whose aim is to draw creative ideas from our employees. An amazing number of ideas were received for the two subjects: Connected Home and Smart Business. The Innovation team will now look more deeply into this.



Orange Telephone

In 2018 Orange Belgium launched an application to take back control of the green button allowing users to easily and safely manage their calls. Orange Telephone protects Orange customers from malicious calls, displays the company's name for incoming calls and offers the best experience for Visual Voicemail.

itsme® – the digital ID

In 2017, the Belgian Mobile ID consortium launched 'itsme': a single secure digital ID that can be used for all digital transactions, from logging on or signing up to various websites, to making secure payments and validating contracts with the highest security standards, to booking a holiday.

Orange customers can easily download the itsme application and use it on every platform that has integrated the app. 2018 saw the number of itsme users approach 750,000. Orange Belgium team members use itsme for some of the latest internal systems, and Orange Belgium customers can use itsme to log in to the customer zone.

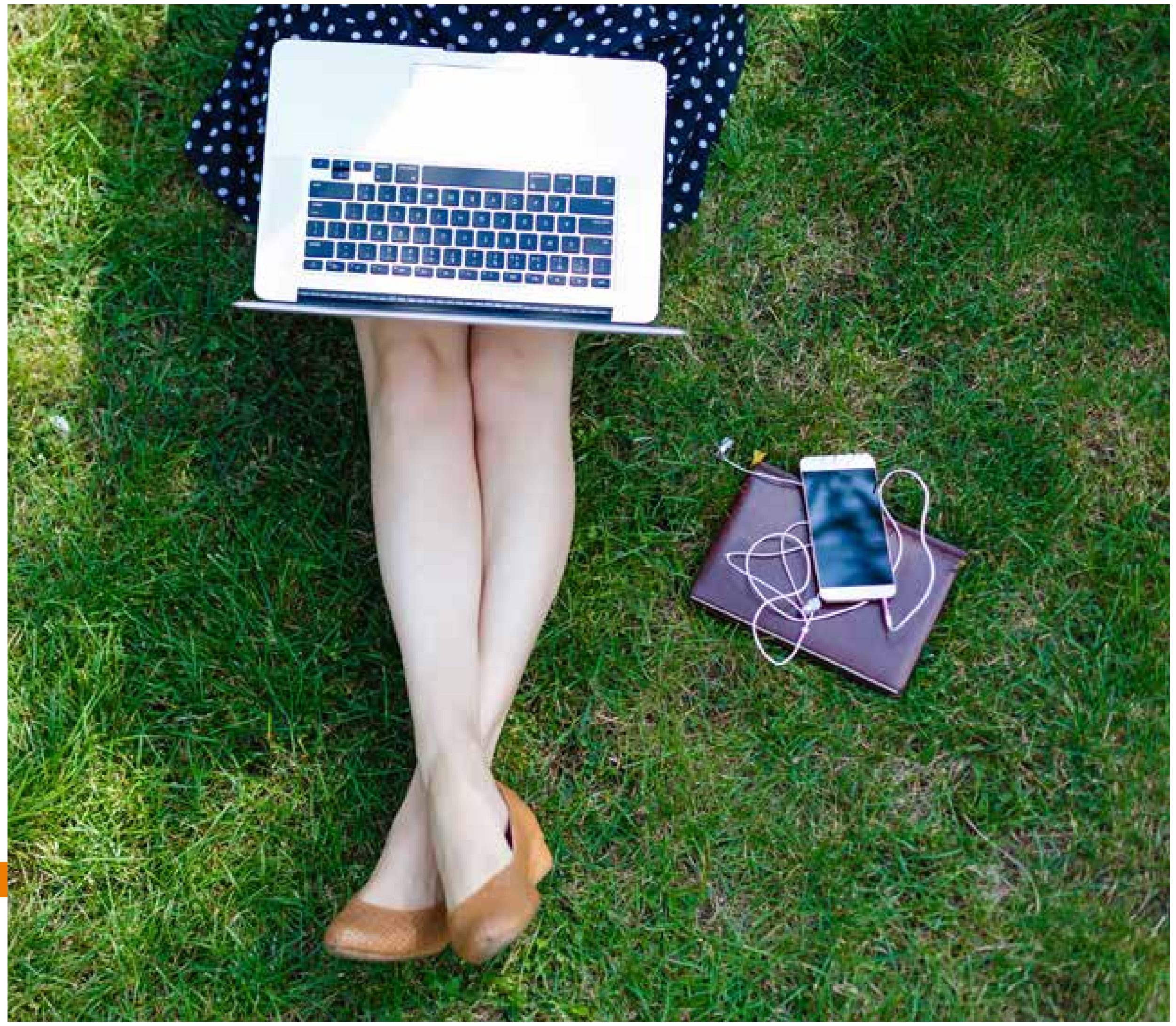
Fibre pilot project in Flanders

Orange Belgium is the first Belgian telecom operator to partner up with Fluvius – a public company created to manage energy networks in Flanders – on their fibre-optic pilot project. The project fits within the framework of the Flemish Government's superfast network goals for the future.

Looking ahead, a pilot will start in 5 cities and municipalities, aiming to connect 15,000 households in 2019. The city of Genk will be first in line to be connected.

The pilot's open model with access to a passive fibre infrastructure has been successfully used in other European countries. As several operators can use the shared infrastructure at a reasonable price, the model enables accelerated investment and lower prices for consumers. It also stimulates competition, as each service operator can use its own active equipment, allowing it to further differentiate on services and technological network innovation.

Boldly responsible...



... towards the Belgian society

Orange Belgium takes pride in acting responsibly and sustainably for the benefit of Belgian society. In 2018, the company's efforts continued to focus on responsible products and services, social inclusion, and limiting impact on the environment.

Responsible products and services

As a key player in developing the local economy, Orange's primary responsibility is to guarantee its customers impeccable service, which means providing high-quality, reliable and trustworthy goods and services. This also means that the company must constantly remain vigilant to data protection and child protection issues in relation to certain content.

A Carbon-Neutral Company

All of Orange Belgium's business activities have been carbon neutral since 2014: the buildings, network and Orange stores are all neutral in terms of CO_2 emissions. The domains covered by CO_2 neutrality are: electricity, gas, fuel, paper, waste, business trips by plane and by train, and refrigerants in air conditioning systems.

The company's irreducible carbon emissions are compensated for by contributing to a civil project in Africa.

For the 4th year in a row, Orange Belgium has been awarded the CO_2 neutrality label by CO_2Logic and Vinçotte, meaning that the company's operational activities (network and buildings) are neutral with regard to CO_2 emissions.

Orange Belgium's ambitious plan to significantly reduce its environmental impact has included: moving to a much greener building in Brussels, installing solar panels, using green electricity, sorting waste, reducing paper usage, and more. As a result, since 2006, Orange Belgium has reduced its CO_2 emissions by 80%.

To eliminate the remaining 20% (the so-called incompressible emissions) and become CO_2-neutral, the company supports 'CO_2 compensation' actions, whose objective is to reduce CO_2 emissions elsewhere on the planet (generally in developing countries). Concretely, in 2018 Orange Belgium participated in the construction of ovens in Uganda to reduce the use of wood and coal, and thus curb deforestation while improving the living conditions of the population.

And Orange Belgium made an extra gesture: at the end of November, many team members and their families participated in 'Nature Day' (organized by partner Natuurpunt) by planting 1,000 trees to reforest the Waverwoud in St-Katelijne-Waver, Belgium.

Addressing the skills gap in an inclusive way with 'be<\code'

As part of its mission to connect people, Orange Belgium actively contributes to the 'be<\code>' project, which was introduced early 2017. Through BeCode, Orange plays an active role in helping those who want to be part of society's digital revolution to acquire the digital skills they need. In February 2018, be<\code presented its first graduates, ready to enter the job market!

www.becode.org

A gift that warms the heart

The holiday season is also synonymous with generosity. In 2018, Orange Belgium supported 'Christmas for All' – an initiative to offer a Christmas worthy of the name to people living on the street. The action, led by young people in Brussels, organized a large distribution of essential goods at Brussels' Central Station. To support this good cause, Orange Belgium collected clothes, sleeping bags, hygiene products and non-perishable foods at the company's offices in Brussels and Ghent.

Another initiative came from Orange's team members. During the Christmas period, 350 refugees spent the night near the Orange building in Brussels. Social workers from the City of Brussels and volunteers helped prepare and distribute meals and took care of administration and the collection of clothes and furniture.

A WiFi connection was needed, so that the refugees could communicate with their families via social networks. Orange Belgium provided a technical solution for deploying WiFi in the common area, where the refugees could call their loved ones.

Listening to Employees' Needs and Well-Being

Employee satisfaction is one of the company's major strategic priorities. In 2018, Orange made further strides to establish a strong feedback culture. In addition to listening to customers, the management makes a special point of listening to the team members.

The aim is to co-create solutions to workplace challenges. In this regard, Orange created Principles of Action Champions: employees who were voted by their peers as outstanding examples of living the principles of action in their jobs. These representatives are now working closely with management to tackle the top priorities in improving the company's ways of working.

Orange is also keen to provide a working environment that ensures a good work–life balance and a healthy lifestyle. In 2018, the company restaurant was completely refurbished and more healthy and fresh choices were added to the offering, from special sandwiches to a wide variety of freshly cooked meals. Moreover, the company provides free fruit at work, lunch-time sports classes, flu vaccinations, and more.

Orange is also keen to provide a working environment that ensures a good work–life balance and a healthy lifestyle.

Bold touches accentuate market leadership

2018 was another good year for Orange Luxembourg, as the company continued its upward path in the marketplace.

In 2018, Orange Luxembourg carried the 'bold challenger' banner into the sector's highly competitive landscape, again gaining mobile market share, which is now up to about 20%.

In March, the company celebrated its one-year anniversary of Love – and the year was marked by more progress on the convergent side of the business. Orange Luxembourg is now selling fixed connectivity on the B2B market.

BOOMing business

In November, the company made a bold move by launching its BOOM offer without engagement for one month: no handset, but plenty of gigabytes (Unlimited!) for a truly attractive price. This initiative helped boost Orange Luxembourg to the #1 position in mobile number portability.

During the year, in the context of the company-wide digital transformation programme, Orange Luxembourg began to upgrade its IT production chain, simplifying and streamlining to serve customers even better. The upgrade is scheduled to go live in 2019.

In addition, in 2018, the NB-IoT network was activated in Luxembourg and the company installed a smart-parking product for its office, as a use case demonstration.

The best mobile network in Luxembourg

In 2018 Orange was again recognised as the 'best mobile network in Luxembourg' by the independent benchmarking and testing organisation, Systemics-PAB. The results of the survey placed Orange as having the best results in quality of experience of mobile services in Luxembourg for:

- Best mobile network
- Best overall results for mobile internet
- Best overall results for mobile voice

Network demand is increasingly growing. Within the last 30 months the mobile internet grew from 20 to 90 Terabytes per week on 4G/4G+, therefore coverage completion, capacity increase and quality of service requires continuous investments including new equipment to prepare 5G in Luxembourg.

Ecological projects and 5G preparations planned for 2019

One of Orange Luxembourg's goals is to further develop its network so that it has the lowest CO_2 footprint of the networks in the country. To this end, Orange built a wind- and solar-powered antenna that is energy neutral – a premiere in Luxembourg and only the second one in Europe. The pylon is a producer of renewable energy. In total, the combined wind, solar and optimized parameterization of the radio can cover up to 54% of the energy consumption of the pylon and its operations.

In line with the country's Digital Luxembourg programme to speed up the entry of 5G into Luxembourg, Orange is exploring working relationships with industry partners to tackle this gigantic undertaking and ensure 5G's timely arrival. Bold progress is anticipated in 2019!

Best mobile network

Orange was again recognised as the 'best mobile network in Luxembourg' by the independent benchmarking and testing organisation, Systemics-PAB.

~20%

Market share in 2018

Investor Relations

Orange Belgium's relationship with the investment 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.

Shares

There were no changes to the Company's capital in 2018. It amounts to €131,720,619 and is represented by 60,014,414 shares with a par value of €2.195.

All the shares issued by the company are ordinary shares. There are no other specific categories of shares. All shares carry the same rights with no exceptions. There is no legal or statutory limitation to the exercise of the voting rights attached to the shares of the company.

Shareholders

Major shareholder

Orange S.A. is the company's main shareholder. Orange S.A. owns a 52.91% stake in Orange Belgium via its wholly-owned subsidiary Atlas Services Belgium S.A..

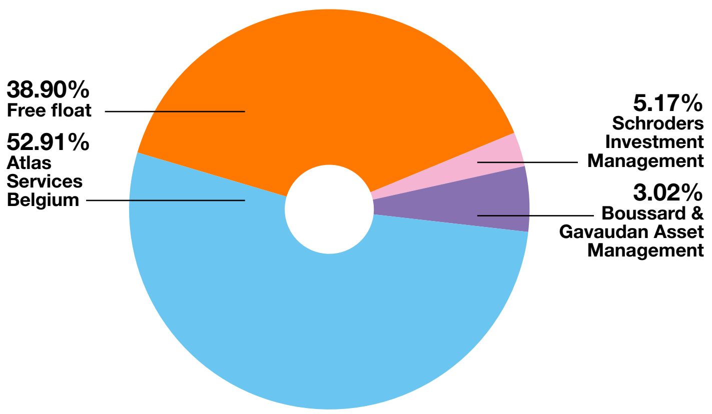
Shareholder structure

The following table shows Orange Belgium's shareholder structure as at 31 December 2018. It is based on most recent notifications made to the Company and to the Belgian Financial Services and Markets Authority ("FSMA") by the shareholders listed below.

Transparency rules (Article 18 of the law of 2 May 2007) requires shareholders to disclose their interest when their stake exceeds a certain threshold. Orange Belgium sets notification thresholds at 3%, 5% and multiples of 3%.

- In April 2018, Norges Bank gave notice it reduced its Orange Belgium stake below 3%.

Shareholding structure as of 31/12/2018



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 building out of its network.

Considering the financial and commercial performance of 2018 and the mid-term outlook, the Board of Directors will propose to the Annual General Meeting of Shareholders on 2 May 2019 to distribute an ordinary gross dividend of 0.50 euros per share for the financial year 2018. If approved, the gross ordinary dividend of €0.50 will be paid on 16 May 2019 (ex-dividend date 14 May 2019; record date 15 May 2019).

The table below shows the dividends paid or payable on Orange Belgium's shares for the last five years.

Year	Ordinary in €
2014	0.00
2015	0.00
2016	0.00
2017	0.50
2018	0.50

+18%

yoy average daily trading volume in 2018

Liquidity contract

Rothschild Martin Maurel was appointed as Orange Belgium's liquidity provider on 1 August 2014 to ensure regular and liquid trading. The liquidity provider's mandate is on a strictly discretionary basis on behalf and for account of the Company. Those transactions are executed on the central book orders of Euronext Brussels' regulated market. The trading of own shares was authorized by the Annual General Meeting of 7 May 2014. As of 28 December 2018, Orange Belgium held no treasury shares.

Relation with shareholders & investors

Share price performance

Orange Belgium's shares (ISIN: BE0003735496) are listed on Compartment A of Euronext Brussels. Compartment A comprises companies with a market capitalization of €1 billion and above.

The Company's shares traded in a €12.56-€17.92 range during the year. Average daily traded volume in 2018 was 65,702 shares compared to 55,848 shares in the previous year.

Year ended 31 December	Highest in €	Lowest in €	Period end in €	Average daily trading volume
2010	49.20	39.51	48.51	163,018
2011	53.33	37.73	39.75	177,890
2012	39.71	18.70	19.39	172,463
2013	21.47	10.25	13.80	166,955
2014	20.20	11.35	19.61	130,015
2015	22.54	15.50	22.33	130,090
2016	22.33	18.00	19.86	75,057
2017	22.10	17.03	17.50	55,848
2018	17.92	12.56	17.24	65,702

Quarter ended	Highest in €	Lowest in €	Period end in €	Average daily trading volume
31-Mar-17	22.10	19.86	20.04	59,067
30-Jun-17	21.42	19.05	20.50	72,600
30-Sep-17	21.30	18.91	19.56	41,594
31-Dec-17	19.91	17.03	17.50	50,130
31-Mar-18	17.78	14.80	16.62	73,805
30-Jun-18	17.50	14.46	14.46	67,103
30-Sep-18	15.50	12.56	13.54	51,720
31-Dec-18	17.92	13.70	17.24	70,111

2018 was a turning point for the Belgian telecom industry. In June, the Minister of Development Cooperation, Digital Agenda, Telecom and Postal Services supported the merit of a fourth mobile operator. All listed telecom operators in Belgium experienced a decline in their share price between June and August.

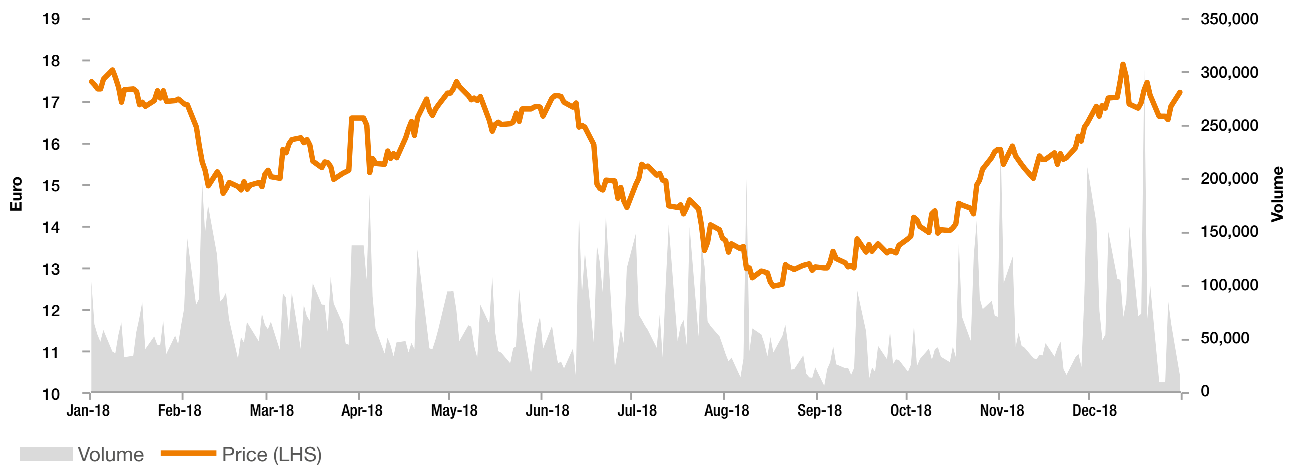
Orange Belgium's strong commercial and financial results in Q3 helped reverse the share price trend during the last quarter of 2018. Furthermore, consolidation in the Dutch mobile market eased the fears of a fourth entrant in the Belgian market. In November, the European Commission approved the Tele2/T-Mobile merger paving the way for a three operators market in the Netherlands.

Financial communications

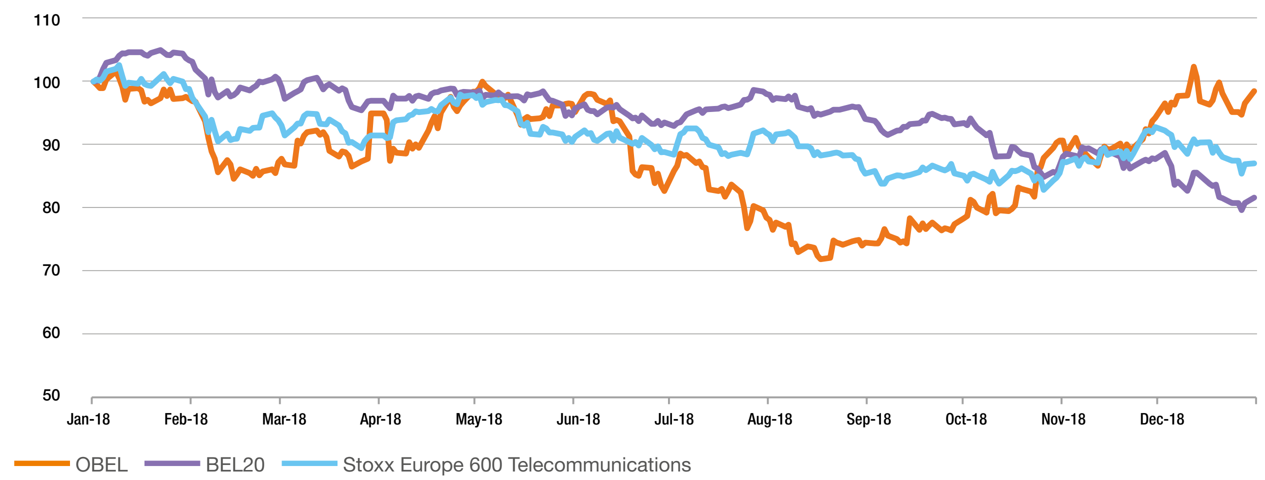
The Investor Relations team engages the investment community by being a reliable source and providing relevant information that helps in their investment decision. Their role is to respond to enquiries from shareholders and the wider investment community.

Extensive information about the Company's operations, strategy and financial performance are available in a wide variety of regulatory filings (press releases, earnings releases, annual report, quarterly reports, investor presentations). All of these documents are readily available in English, Dutch, and French in *https://corporate.orange.be/en/financial-information* and on request from the Investor Relations team.

Orange Belgium share price (in €) and trading volumes from 1 January 2018 to 31 December 2018



Orange Belgium share price compared (in €) to indices from 1 January 2018 to 31 December 2018[1]



1. All indexes rebased on 100 as from 1 January 2018

Senior management hosts live presentations of the quarterly and full year results. The presentations are broadcasted via a webcast and/or telephone conference calls.

Roadshows and meetings with institutional investors

The investor relation program includes one-on-one meetings, roadshows and conferences. These events bring together institutional investors, sell-side analysts and Orange Belgium's management to discuss the results and outlook of Orange Belgium's business performance. In 2018, management met 170 investors and spent 22 days on roadshows and industry conferences in 7 countries.

Analyst Coverage

Orange Belgium is actively covered by 18 brokerage firms. Each quarter, the Company polls analysts for their estimates and recommendation to get a detailed overview of market expectations. This consensus is publicly available on Orange Belgium's website.

Firm	Analyst
Bank Degroof Petercam	Stefaan Genoe
Barclays Capital	Simon Coles
Berenberg Bank	David Burns
Citigroup	Nayab Amjad
Credit Suisse	Paul Sidney
Deutsche Bank	Roshan Ranjit
Goldman Sachs	Michael Bishop
HSBC	Nicolas Cote-Colisson
ING	David Vagman
Jefferies	Ulrich Rathe
JP Morgan	Akhil Dattani
KBC Securities	Ruben Devos
Kepler Cheuvreux	Matthijs Van Leijenhorst
Macquarie	Guy Peddy
ODDO Securities	Alexandre Iatrides
MainFirst	Stéphane Beyazian
Société Générale	Stéphane Schlatter
UBS	Nicholas Prys-Owen

Event	Sponsor	City
Q1 2018		
Roadshow	KBC Securities	Brussels
Roadshow	Kepler Cheuvreux	London
Roadshow	HSBC	Paris
Conference	Citigroup	London
Roadshow	Credit Suisse	Zurich
Q2 2018		
Roadshow	Berenberg	London
Roadshow	KBC Securities	Brussels
Roadshow	Bank of America Merrill Lynch	London
Roadshow	ING	Paris
Roadshow	Goldman Sachs	Madrid
Roadshow	Raymond James	New York, Boston
Roadshow	Kepler Cheuvreux	Oslo
Q3 2018		
Conference	Barclays	London
Conference	Goldman Sachs	New York
Roadshow	Exane BNP Paribas	Paris
Roadshow	Degroof Petercam	Madrid
Q4 2018		
Roadshow	Jefferies	London
Roadshow	Société Générale	Paris
Conference	ING	Brussels

Financial calendar

The following table shows the expected announcement of results.

Financial Calendar	
14-Jan-19	Start quiet period
13-Feb-19	Financial results Q4 2018 (7:00 am CET) - Press release
13-Feb-19	Financial results Q4 2018 (2:00 pm CET) - Audio conference call/webcast
1-Apr-19	Start quiet period
24-Apr-19	Financial results Q1 2019 (7:00 am CET) – Press release
02-May-19	Annual General Meeting of Shareholders
14-May-19	Ex-dividend date[2]
15-May-19	Record date dividend[2]
16-May-19	Payment date dividend[2]
1-Jul-19	Start quiet period
24-Jul-19	Financial results Q2 2019 (7:00 am CET) – Press release
24-Jul-19	Financial results Q2 2019 (2:00 pm CET) – Audio conference call/webcast
1-Oct-19	Start quiet period
23-Oct-19	Financial results Q3 2019 (7:00 am CET) – Press release
23-Oct-19	Financial results Q3 2019 (10:00 am CET) – Audio conference call

2. Subject to AGM approval

Management Report

Orange Belgium is one of the leading telecommunication operators on the Belgian market, with over 4 million customers, and in Luxembourg through its subsidiary Orange 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.

Orange Belgium is a subsidiary of the Orange Group, one of the leading European and African operators for mobile telephony and ADSL 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).

The Management Report for the accounting year ended on 31 December 2018, consisting of pages 36 to 44, has been prepared in accordance with Articles 96 and 119 of the Belgian Companies' Code and was approved by the Board of Directors on 27 March 2019. It covers both the consolidated accounts of the Orange Belgium Group and the statutory accounts of Orange Belgium S.A.. The Corporate Governance statement on pages 102 to 115 is an integral part of this Management Report.

1. Recent events

First quarter of 2018

Orange Belgium launched the first unlimited mobile subscription in Belgium proving its bold challenger positioning

Orange Belgium's Eagle tariff plan is addressing residential customers that want to surf carefree anytime and anywhere without having to worry about the cost of their internet usage anymore. From 40 euros per month, Orange Belgium's Eagle tariff plan includes unlimited mobile data, in addition to unlimited SMS and calls. Orange Eagle and Eagle Premium, which includes international traffic, can be combined with the Love offer. This further reinforces Orange Belgium's convergent pack, which now offers unlimited voice calls, SMS, mobile data, fixed internet and premium TV content for only 79 euros per month.

Orange Belgium is providing its Love customers with option to add a Fixed Phone service to their bundle

By adding the Fixed Phone option for 10 euros per month to their Love subscription, customers can make unlimited calls to mobile phones or fixed lines in Belgium and to landlines in 40 different countries. In addition, customers can enjoy the following services: transferring a call to any mobile or fixed device, switch to a second call, teleconferencing, voicemail and display the incoming call number.

Orange Belgium partners with Salesforce and Vlocity to strengthen its digital transformation

Orange Belgium signed an agreement with Salesforce, the global leader in CRM, and Vlocity, a leading industry cloud company. Salesforce and Vlocity will help Orange Belgium to faster achieve business agility and to reduce time to market by leveraging cloud-based solutions across Orange Belgium's digital and assisted channels.

Second quarter of 2018

Orange Belgium reinforced its 'Bold Challenger' position with new customer focused offers

At the end of June 2018 Orange Belgium embraced its Bold Challenger position further by enriching and streamlining its range of mobile subscriptions: 1/ the new 'Koala' offer includes unlimited calls and SMS. It also has extra mobile data, which brings it up to 4 GB of data. Customers signing up for this new 'Koala' offer will pay 20 euros per month; and 2/ the brand-new 'Cheetah' offer presents unlimited calls and SMS and 8 GB of mobile data for 30 euros per month.

Orange Belgium also puts the spotlight on the first fully unlimited convergent package in the market

Following the launch in February 2018 of the first unlimited mobile offer in Belgium, Eagle, Orange Belgium directed in the second quarter of 2018 its attention towards advertising the first fully unlimited convergent package (mobile, internet and TV) in the market. The Love Unlimited package can be obtained by adding internet and TV to Orange Belgium's Eagle or Eagle Premium offers. As such, customers can enjoy unlimited voice calls, SMS, mobile data and fixed internet and digital TV at the sharpest price on the market.

Orange Belgium expanded its Love offering with unlimited live TV via the Orange TV app and a Fixed Phone option

Orange Belgium is continuously investing to further improve its Love offer and to support its convergent positioning and growth. Orange Love customers can enjoy their favourite TV shows on their smartphone or tablet with the Orange TV app, at no additional cost for its convergent customers.

Finalization of Broadband and TV distribution market analysis decision after approval of the European Commission

After a public consultation on the analysis of the broadband and TV distribution market in 2017, the CRC submitted its draft decision to the Belgian Competition Authority and subsequently to the European Commission early May 2018. One month later, the European Commission issued its comments letter and cleared the proposed wholesale regulation in Belgium. End of June 2018, the Belgian regulators finalized their decision, while taking the EC comments into account. The intermediary pricing decision came into force at the beginning of August 2018.

Orange Belgium and Medialaan signed a 5-year full MVNO agreement

Orange Belgium and Medialaan, the leading Flemish commercial broadcaster, have signed a wholesale partnership for 5 years for the mobile branch of Medialaan: Unleashed. This MVNO currently provides mobile services to residential customers under the Mobile Vikings and JIM Mobile brand. As from spring 2019, Unleashed will transfer approximately 365 thousand customers of Mobile Vikings and JIM Mobile, currently hosted on the Telenet/Base network, to Orange Belgium's leading 4G network.

Orange Belgium improved customers' experience by launching 'Voice over Wi-Fi' and 'Voice over 4G' technologies

Orange Belgium was the first operator in Belgium to activate both 'Voice over Wi-Fi' (VoWiFi) and 'Voice over 4G' (VoLTE) technologies in June 2018. Orange Belgium is also the only operator offering High Definition voice on all technologies (2G/3G/4G/VoWiFi). By adding VoWiFi and VoLTE technologies to its network, with its crystal-clear sound, extended coverage and a strongly reduced connection time, Orange Belgium has ensured a considerable improvement in the voice experience of its customers. 'Voice over Wi-Fi' and 'Voice over 4G' calls will be invoiced as normal voice calls. This technological innovation is part of Orange Belgium's strategy to focus on the improvement of Orange's network quality and its coverage inside buildings.

Third quarter of 2018

Orange Fab kicked off its 2nd edition in Belgium and Luxembourg

Orange Fab is the 3-month accelerator program from the Orange Group for mature start-ups who want to partner with Orange. The main objective of this program is to create a commercial acceleration between the scale-ups and Orange Belgium, and to help them grow thanks to Orange's worldwide footprint. Due to the latter, 45 start-ups and scale-ups submitted their applications, and three have been selected as winners: Chatlayer, iReachm and Thingsplay. They immediately enrolled in the Orange Fab program.

New spectrum allocation and renewal of existing spectrum attributions

The draft Royal Decrees regarding the allocation of the 700, 1400 and 3400-3800 mhz band and the renewal/reallocation conditions of the 900, 1800 and 2100 mhz bands were published. Minister De Croo announced unexpectedly that the intention is to reserve spectrum for a 4th mobile network operator. The Council of Ministers gave an initial approval for the Royal Decrees at the end of July. The Council of State and the Consultation Committee are now reviewing the texts. Overall, the purpose of the decrees is to prepare the spectrum auction in the second half of 2019.

Fourth quarter of 2018

Orange Belgium participates in the Fluvius fibre pilot project in Flanders

Fluvius, the public utilities provider in Flanders, is rolling out a pilot FTTH network with passive access across 5 municipalities. Orange Belgium is the first Belgian telecom operator to partner with Fluvius on this pilot project. Orange Belgium will be responsible for its own backhaul network and will roll out its own active equipment connected to Fluvius' fibre network.

This initiative allows an acceleration of investment and lower prices for consumers, as several operators can use the shared infrastructure at a reasonable price. It also stimulates competition as each service operator can use its own active equipment, which allows them to further differentiate on services and technological network innovation.

BIPT updated its customer care quality indicators for the first half of 2018

The Belgian regulator BIPT updated its barometer on fixed and mobile services. The information is designed to provide end-users as well as policymakers with better insight into the available services. The BIPT analysis highlighted Orange Belgium's customer care. The company led in response time on customer assistance services, percentage of problems solved at first contact as well as complaints concerning billing and repair time.

Revision of Broadband and TV distribution market analysis decisions – update

Telenet filed an appeal with the European Court of Justice to contest the EC comments letter regarding the new market analysis. In parallel, all cable operators have appealed the decisions before the Belgian Court of Appeal (Cour des Marchés). On 30 January 2019, the Court of Appeal rejected the claims of Telenet, Nethys and Brutélé to suspend the market analysis decisions while waiting for the outcome of the European Court. The timing for the final outcome of these procedures is uncertain.

The BIPT launched a consultation on the cost models for wholesale access to cable networks and Proximus' FTTH network. The consultation started on December 13, 2018 and ran until February 15, 2019. The results of the consultation, once available, will be used as input for the future decisions regarding regulated wholesale tariffs.

The implementation of the "broadband only" and "single installer" obligations is decided by the aforesaid BIPT division and should be available by mid-year.

A pre-consultation on the updated reference offers for cable and the reference offer for Proximus' fiber network, in order to reflect the obligations of the new market analysis decisions, is ongoing. The consultation on the reference offer decisions is expected mid-2019. This should lead to lower access price and greater competition in the fixed market.

Fixed voice access and call origination

In line with other EU markets, the BIPT has decided to deregulate fixed voice related markets. Proximus proposes to continue to supply a carrier select / carrier preselect service on commercial terms until the end of 2019. The BIPT decided on December 17, 2018, to deregulate end-users' access to national fixed telephony services via CS (Carrier Selection) and CPS (Carrier Preselection). A similar decision has been taken for the wholesale fixed call origination market.

Regulation on international intra-EU tariffs for voice & SMS

As from May 15, 2019. European regulations are applicable to intra-EU international voice calls and SMS for residential customers. A cap of €0.19 per minute (excl. VAT) is applicable to voice calls while SMS charges are limited to €0.06 (excl. VAT) per message.

Electromagnetic fields standards in Brussels

The Brussels regional government has agreed to a framework with mobile operators to allow the deployment of a next-generation network in the capital. The cap for Electromagnetic fields is expected to increase from 6 volts per meter to 14.5 volts per meter. Without this increase, 5G deployment would be impossible in the Brussels region.

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

The scope of consolidation includes the following companies: 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%), Walcom Business Solutions S.A. (100%), A3COM S.A. (100%) and A & S Partners S.A. (100%).

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).

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.

IRISnet SCRL 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 1 November 2012. In this new legal structure, Orange Belgium S.A. 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. (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. In 2016, Orange Belgium S.A. contributed in cash in the capital increase of Smart Services Network S.A. for 700,000 euros, equivalent to 7,000 shares.

Walcom S.A. is a residential distribution network located in Wallonia. Walcom specializes in the sale of telecommunications products and services for individuals through a network of 10 stores. The company has been an Orange Belgium S.A. 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 99.92% of the 1,250 shares of Walcom S.A.. One share is held by Atlas Services Belgium S.A.. The company has consolidated the results of Walcom S.A. for 100%, as of 3 April 2015.

On 1 June 2017, Orange Belgium acquired 7 shops from **Easy Phone S.A.**, a residential and professional distribution network located in Wallonia. These 7 shops have been integrated in **Walcom Liège S.A.** (which was founded on 29 May 2017). Walcom S.A. contributed in cash for 60,885 euros equivalent to 99 shares out of the 100 shares issued by Walcom Liège S.A. Orange Belgium S.A. contributed in cash for 615 euros equivalent to 1 share. The company has consolidated the results of Walcom Liège S.A. for 100%, as of 1 June 2017.

Walcom Business Solutions S.A., a company organized and existing under the laws of Belgium, has been created as of 13 July 2017. Walcom Business Solutions S.A. specializes in the sales of telecommunication products and services for the professional market. Orange Belgium S.A. contributed in cash for 60,885 euros equivalent to 99 shares of the 100 shares issued by Walcom Business Solutions S.A.. Walcom S.A. contributed in cash for 615 euros equivalent to 1 share. The company has consolidated the results of Walcom Business Solutions S.A. for 100%, as of 13 July 2017.

A3Com S.A. was already an exclusive Orange Belgium agent, specialised in telecommunications product sales and services for residential customers through a network of 12 Orange shops located in the Brussels region. A3Com S.A., a company organized and existing under the laws of Belgium, has been acquired as of 30 September 2017 by Orange Belgium S.A. The purchase concerned 100% of the 630 shares of A3Com S.A.. The company has consolidated the results of A3Com S.A. for 100%, as of 1 October 2017.

A&S Partners S.A. also an existing Orange Belgium agent, provides telecommunications services to B2B customers within the Brussels region via a dedicated sales team of 35 professionals under the name of AS Mobility. A&S Partners S.A., a company organized and existing under the laws of Belgium, has been acquired as of 30 September 2017 by Orange Belgium S.A.. The purchase concerned 100% of the 620 shares of A&S Partners S.A..The company has consolidated the results of A&S Partners S.A. for 100%, as of 1 October 2017.

2.1 Consolidated statement of comprehensive income

(€ m)	2018	2017	Variation
Mobile customers (excl. MVNOs)	4,342	4,038	7.5%
Revenues	**1,279.8**	**1,246.4**	**2.7%**
Retail service revenues	768.4	709.0	8.4%
Equipment sales	125.0	125.4	-0.3%
Wholesale revenues	329.2	350.7	-6.1%
Other revenues	57.2	61.3	-6.6%
Adjusted EBITDA	**286.1**	**295.8**	**-3.3%**
% of Revenues	*22.4%*	*23.7%*	
Reported EBITDA	278.6	305.6	-8.8%
% of Revenues	*21.8%*	*24.5%*	
Net profit	**32.4**	**39.0**	**-16.8%**
Earnings per share (€)	**0.54**	**0.65**	**-17.0%**
Capex	-179.4	-188.4	-4.8%
% of Revenues	*14.0%*	*15.1%*	
Operating cash flow	106.7	107.4	-0.6%
Organic cash flow	**80.6**	**65.9**	**22.3%**
Net financial debt	264.3	312.8	-15.5%
Net financial debt / Reported EBITDA	*0.9*	*1.0*	

Revenues

Group revenues grew 2.7% to €1,279.8 million in 2018. The contribution during 2018 of the MVNO revenues was €42.9 million, 39% less in comparison to 2017. Additionally, revenues in 2018 were impacted by the EU roaming regulation, which had a negative impact of €26.2 million.

Retail service revenues grew 8.4% to €768.4 million. Growth was mainly driven by convergent services revenues which increased by 117.6%.

Result of operating activities before depreciation and other expenses

Adjusted EBITDA reached €286.1 million, a slight decrease of -3.3% year-on-year. MVNO revenues and the EU regulation had an impact of -€27.9 million and -€16.8 million on adjusted EBITDA.

The EBITDA loss of convergence services narrowed from €18.5 million in 2017 to €16.4 million in 2018. It is important to highlight that regardless of the steady increase of the convergence subscriber base, this was achieved thanks to cost improvement, churn reduction and a reduced wholesale price which went into effect in August 2018. As soon as the single-installer is implemented, Orange Belgium will see the benefit on direct costs as well as churn rates.

Total operational expenses for the full-year increased by 4.5% to €993.7 million. The following provides an overview of the different expenses:

- **Direct costs** increased 4.5% to €593.0 million on higher cable access and content costs.
- **Labour costs** increased by 6.5% to €139.5 million (2017: €131.0 million) due to the integration of distribution partners acquired last year.
- **Indirect costs** increased by 3.5% to €261.1 million explained by higher IT & Network expenses and advertising expenses.

The adjustments to EBITDA amounted to -€7.6 million and were entirely headcount-related restructuring charges.

Reported EBITDA adjustments (€ m)	2018	2017	Variation
Adjusted EBITDA	286.1	295.8	-3.3%
Adjustments of which	-7.6	9.8	
- Other restructuring costs	-7.6	9.7	
- Other operating income	0.0	0.1	
Reported EBITDA	278.6	305.6	-8.8%

Depreciation and other expenses

Depreciation and amortization increased from €230.1 million in 2017 to €235.7 million in 2018.

EBIT

EBIT decreased from €58.0 million in 2017 to €43.2 million due to lower adjusted EBITDA and higher restructuring charges.

Financial result

Net financial expenses were comparable to the previous year.

Taxes

Full-year tax expense decreased from €14.1 million in 2017 to €5.9 million in 2018. The decrease is the cumulative impact of a lower pre-tax profit, and a lower corporate tax rate (29.58% in 2018 versus from 33.99% in 2017). The effective tax rate in 2018 was 15.3% against 26.6% in the previous year.

Net profit and earnings per share

The full-year net profit decreased from €39.0 million in 2017 to €32.4 million in 2018 due to lower adjusted EBITDA and higher restructuring charges. Earnings per share were €0.54, compared to an earnings per share of €0.65 for the year ended 31 December 2017.

2.2 Consolidated statement of financial position

Assets

Goodwill is tested for impairment each year. No impairment loss was recorded in 2018 as opposed to 2017 in which a goodwill impairment of €17.9 million was recognized related to Orange Luxembourg. The carrying year-end value is €67.0 million.

Intangible assets mainly relate to mobile licenses and spectrum fees. The net carrying value at year-end was €285.3 million compared to €304.0 million at the previous year-end.

Property, plant and equipment mainly comprises network facilities and equipment. The net book value at year-end was €772.3 million against €809.9 million at 2017 year-end.

Inventories increased by €2.8 million to €27.7 million. The increase is mainly due to higher inventories of mobile handsets at year-end.

Trade receivables increased from €184.8 million at the end of 2017 to €194.3 million as at December 31, 2018. The variation is mainly the combined result of the reclassification of open discounts from Telco operators from Payables to Receivables partially offset by the sale of some debt surveillance files to a credit management company.

Other current assets and prepaid expenses remained stable at €14.1 million in 2018 (2017: €13.7 million).

Other assets related to contracts with customers were €61.8 million, a €8 million decrease compared to 2017. This variation is due to a decrease in the number of subsidized contracts outstanding at year-end and lower costs of obtaining contracts.

Cash and cash equivalents increased by €13.6 million to €26.6 million at the end of 2018. More details on the cash flows can be found in the cash flow statement.

Total equity and liabilities

Total equity increased by €4.5 million to €587.1 million. The evolution of retained earnings (€2.0 million) is the result of the net profit of the period (€32.4 million euros) and payment of the 2017 dividend (€30.0 million). Revenues of equity transactions and other equity transactions had a favourable impact of €2.5 million in 2018.

Non-current liabilities decreased from €402.3 million at the end of 2017 to €346.0 million at the end of 2018. During the year, the Group repaid €50.1 million of the revolving credit facility maturing in 2021.

Current liabilities increased to €530.0 million at the end of 2018 from €513.1 million at the end of 2017. Gearing remained conservative with a net debt /reported EBITDA ratio 0.9x at year-end.

Dividends

The Board is recommending a dividend per share of €0.50. The ex-dividend date is 14 May 2019 for ordinary shareholders, the record date is 15 May 2019 and the dividend is payable on 16 May 2019. Dividend payments will be paid directly into a nominated bank account.

2.3 Liquidity and capital resources

Cash flows

Orange Belgium uses Operating cash flow and Organic cash flow as the main performance metrics for analysing cash generation. The following table shows the reconciliation to net debt.

Consolidated cash flow statement (€ m)	FY 2018	FY 2017	Variation
Adjusted EBITDA	286.1	295.8	-3.3%
Capex	-179.4	-188.4	4.8%
Operating cash flow	**106.7**	**107.4**	**-0.6%**
Tax paid	-29.0	-52.4	44.6%
Net interest	-3.8	-3.8	1.7%
Working capital	18.5	45.9	-59.8%
Other	-10.5	-18.7	44.1%
Change in fixed assets payables	-1.4	-14.1	90.3%
Disposal of property, plant and equipment and intangible assets	0.0	1.6	-100.0%
Organic cash flow	**80.6**	**65.9**	**22.3%**
Financial investments	-4.2	-8.0	
Treasury shares	2.5	-2.2	
Dividends	-30.0	-30.0	
Debt drawdown	14.8	5.9	
Debt repayment	-50.1	-70.1	
Net change in cash and cash equivalents	**13.6**	**-38.5**	
Cash and cash equivalents			
Opening balance	13.0	51.4	
Closing balance	26.6	13.0	
Net financial debt	**264.3**	**312.8**	

Operating cash flow is defined as adjusted EBITDA less capex. Operating cash flow decreased slightly by €0.7 million due to lower capex.

Organic cash flow measures the net cash provided by operating activities, less capex, plus proceeds from the disposal of tangible and intangible assets. Organic cash flow increased from €65.9 million to €80.6 million. The improvement is due to lower capex payables.

Net debt

Net debt at year-end was €264.3 million, compared to €312.8 million at the end of 2017. It includes an Orange S.A. revolving credit facility and credit lines from banks.

As at 31 December 31 2018, gearing remained conservative with a net debt/reported EBITDA ratio of 0.9x.

Orange Belgium Group's consolidated key figures (€ m)	2018	2017
Group revolving credit facility	288.3	325.8
Bank credit line	2.5	0.0
Gross debt	**290.9**	**325.8**
Cash and equivalents	-26.6	-13.0
Net debt	**264.3**	**312.8**
Net debt/Adjusted EBITDA	0.9	1.0
Net debt/Reported EBITDA	0.9	1.0

3. Orange Belgium S.A's statutory accounts 2018

The statutory income statement and balance sheet are presented on pages 97 to 101. 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). Key changes in statutory income statement and balance sheet are essentially identical than those discussed in section 2 of this Management Report.

4. Events after the reporting period

On 1 January 2019, the BIPT's decision on fixed termination rate which lowers tariffs from €0.007/min to €0.0016/min entered into force. 3Starsnet, a fixed operator, has filed an appeal to the BIPT's decision.

5. Outlook

Orange Belgium expects a slight growth in revenues in 2019 taking into account further uptake on its postpaid and convergent customer base.

For 2019, the Company expects an adjusted EBITDA (under IAS17) between €285 million and €305 million. This range takes into account headwinds such as the decrease in MVNO revenues, the international call impact due to the new regulation and the payment of the Orange branding fee as from May. As a reminder, the Company expects cable operations to achieve EBITDA breakeven by year-end. Orange Belgium expects the gap between adjusted EBITDA and EBITDAaL to be minimal in 2019.

In addition, total capex is expected to remain stable in comparison to last year.

6. Legal disputes

The following section summarizes Orange Belgium's legal disputes.

Masts

Since 1997, certain municipalities and four provinces have adopted local taxes, on an annual basis, on pylons, masts or antennas erected within their boundaries. Orange Belgium continues to file fiscal objections against each tax assessment notice received concerning these local taxes on pylons, masts or antennas. These taxes are currently being contested before the Civil Courts (Courts of First Instance - Tax Chamber and Courts of Appeal).

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 in the Walloon region for the period 2016-2019 and agreed to settle the dispute on the Walloon regional taxes for 2014.

Orange Belgium is commited to pay an amount of 16.1 million € 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.

In 2018 several Walloon municipalities and provinces have levied taxes 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.

Regulation of broadband and cable

Mid-2011 the telecom and media regulators 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 these decisions before the Court of appeal which dismissed these appeals. In December 2015 Telenet and Coditel/AIESH launched a cassation appeal against these judgments. Coditel/AIESH's appeal was rejected in April 2017. On 26 April 2018 the Supreme Court rejected Telenet's appeal and confirmed definitively the 2011 decision.

On 29 June 2018, the telecom and media regulators (CRC) adopted new decisions on the broadband and broadcast markets which maintain the access obligations on the historical operators of fixed networks, among which the cable operators, Telenet, Nethys and Brutélé. The decisions imply additional obligations compared to the ones imposed in the 2011 decision and foresee a reduction of the applicable wholesale charges. Telenet attacked the observations of the EC on the draft decision before the General Court of the European Union. The cable operators also attacked the market analysis decisions before the Court of appeal of Brussels. Orange Belgium intervenes in the national proceedings to support the CRC decisions. On 3 October 2018 the Court of appeal delivered an intermediary judgment deciding to put the national proceedings on hold until the judgment of the European Court while reserving its decision on maintaining or suspending the decisions in the intermediate period. On 30 January 2019 the Court of Appeal rejected the claim of Telenet, Nethys and Brutélé to suspend the decisions during the intermediate period.

Access to Coditel Brabant (Telenet) 's cable network

After Orange Belgium paid the provision for the cable wholesale access set-up fees, Coditel Brabant (Telenet) 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/Telenet for breach of its regulatory obligations end of December 2016. Taking the implementation of a technical solution was still ongoing beginning 2018, the proceedings were put on hold.

Access to Telenet's cable network – own channel

Based on the decisions on regulated access to the cable networks Orange Belgium is entitled to offer "own channels" to its retail TV customers, i.e. channels that are not commercially offered by the cable operators. While VOO provided such own channel (Eleven Sports 3) on its network, Telenet refused to offer such access at reasonable conditions. Beginning 2018, Orange Belgium initiated proceedings against Telenet for breach of its regulatory obligations before the Commercial Court of Antwerp. On 30 May 2018 the Commercial Court of Antwerp dismissed Orange Belgium's claim. Orange Belgium appeals this decision. The pleadings before the Court of appeal are foreseen in March 2019 and the judgment is expected in the second quarter of 2019.

Access to Telenet's cable network – own internet profile

Under the regulation of the access to the cable networks alternative operators have the right to commercialize internet profiles that are not commercialized by the regulated cable operator ("own internet profiles"), i.e. an internet profile with different upload/download speeds and/or volumes than the internet speeds and/or volumes offered by the cable operator to its own retail clients. Despite several requests made by Orange Belgium to Telenet since 2015, Telenet refused to grant such own profile until May 2018. In view of the damages incurred by Orange Belgium linked to the refusals, Orange Belgium filed a formal complaint against Telenet with the regulator in February 2018. On 22 October 2018 the regulator published its decision finding Telenet in breach with its regulatory obligation for not providing a own profile to Orange Belgium. Orange Belgium sent a formal notice to Telenet in January 2019 requesting a compensation for the damages incurred.

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. The case has been handled before the court at the hearing of 10 March 2017. By judgement of 12 May 2017, the Commercial Court of Brussels has dismissed Lycamobile's claim and ordered it to pay to Orange Belgium an indemnity for procedural costs in the amount of 18,000 euros. The judgement has been served upon Lycamobile on 3 July 2017. Consequently, Lycamobile paid the amount of 18,000 euros to Orange Belgium. On 11 August 2017, Lycamobile filed an appeal against this judgement before the Brussels Court of Appeal. The introductory hearing took place on 21 September 2017. At that hearing, a calendar for the filing of trial briefs has been set. Parties have exchanged trial briefs. No pleading date is set yet.

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. By judgement of 8 February 2018, the pending proceedings have been formally terminated by the court.

Euphony Benelux SA in bankruptcy

On 2 April 2015, Orange Belgium was summoned by the receivers of the bankrupt company Euphony Benelux NV in order to appear before the Brussels Commercial Court at the hearing of 17 April 2015. The bankruptcy receivers claim that Orange Belgium would be condemned to pay a provisional amount of one (1) euro for overdue commissions and an eviction fee. In this context, the bankruptcy receivers claim that Orange Belgium would be condemned to submit all relevant documents in order to provide to the bankruptcy receivers the possibility to calculate the amounts claimed.

By judgement of 17 April 2018, the claim of the bankruptcy receivers as to the eviction fee has been dismissed and as to the claim relating to the overdue commissions, an expert has been appointed. Orange Belgium has lodged an appeal against this judgement before the Brussels Court of Appeals. The introductory hearing has taken place and the Court of Appeals has set a calendar for the filing of trial briefs. Parties are currently exchanging trial briefs.

7. Other disclosures required in accordance with art. 96 and 119 of the Belgian Company Code

Art 96 §1.4 – Research and development: activities are carried out in this respect and especially in the field of the cable. Orange Belgium recently developed a patent and benefits from fiscal deductions following its R&D activities.

Art 96 §1.7 – Treasury shares: reference should be made to note 9 of the IFRS financial statements.

Art 96 §1.7 – Use of financial instruments: reference should be made to note 8 of the IFRS financial statements.

Art 96 §4/ Art 119 §2 – Non-financial information disclosure: In accordance with Art 96 §4 and Art 119 §2, Orange Belgium S.A. is exempted from the obligation to prepare and disclose the non-financial information since it is also a subsidiary of Orange S.A. who prepares a consolidated board of directors' annual report in accordance with the applicable EU directive.

Consolidated financial statements 2018

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.		31.12.2018	31.12.2017 Restated (*)(**)
2	**Retail service revenues**	768 383	708 964
2	Convergent service revenues	106 297	48 859
2	Mobile only services revenues	616 242	615 514
2	Fixed only service revenues	41 341	41 095
2	IT & Integration Service	4 503	3 496
2	Equipment sales	124 997	125 374
2	Wholesale revenues	329 179	350 698
2	Other revenues	57 244	61 315
2	**Revenues**	1 279 803	1 246 351
3	Purchase of material	- 187 438	- 187 208
3	Other direct costs	- 399 229	- 372 734
3	Impairment loss on trade and other receivables, including contract assets	- 6 348	- 7 382
3	**Direct costs**	- 593 015	- 567 324
3	**Labor costs**	- 139 515	- 130 980
3	Commercial expenses	- 45 537	- 43 083
3	Other IT & Network expenses	- 90 757	- 86 641
3	Property expenses	- 56 908	- 57 679
3	General expenses	- 66 115	- 67 093
3	Other indirect income	19 617	21 559
3	Other indirect costs	- 21 440	- 19 345
3	**Indirect costs**	- 261 140	- 252 282
	Adjusted EBITDA	286 133	295 765
3	**Adjustments of EBITDA**	- 7 577	9 823
	o/w other restructuring costs (***)	- 7 577	9 766
	o/w other operating income		57
	Reported EBITDA	278 556	305 588
5	Depreciation and amortization	- 235 737	- 230 066
4	Impairment of goodwill		- 17 865
	Share of profits (losses) of associates	337	349
	Operating Profit (EBIT)	43 156	58 006
8	Financial result	- 4 855	- 4 880
8	Financial costs	- 4 855	- 4 880
6	Tax expense	- 5 870	- 14 131
6	**Net profit of the period (****)**	32 431	38 995
	Profit (loss) attributable to equity holders of the parent	32 431	38 995
	Consolidated Statement of Comprehensive Income		
	Net profit (loss) for the period	32 431	38 995
	Other comprehensive income (cash flow hedging net of tax)	- 449	745
	Total comprehensive income for the period	31 982	39 740
	Part of the total comprehensive income attributable to equity holders of the parent	31 982	39 740
	Basic earnings per share (in EUR)	0.54	0.65
	Weighted average number of ordinary shares (excl. treasury shares)	59 848 037	59 872 914
	Diluted earnings per share (in EUR)	0.54	0.65
	Diluted weighted average number of ordinary shares (excl. treasury shares)	59 848 037	59 872 914

(*) The Group has initially applied IFRS 15 and 9 at 1 January 2018. The Group applied IFRS 15 retrospectively on 1 January 2016 under which comparative information is restated. (See also note 13).
(**) The presentation of the statement of comprehensive income has been aligned with the changed internal reporting format used by the parent company, changes are related to presentation of Revenues. (See also note 13).
(***) Composed by 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.		31.12.2018	31.12.2017 Restated (*)	01.01.2017 Restated (*)
	ASSETS			
4	Goodwill	67 041	66 438	80 080
5	Other intangible assets	285 262	303 971	320 789
5	Property, plant and equipment	772 306	809 934	829 971
7	Interests in associates and joint ventures	4 359	4 021	3 722
8	Non-current financial assets	2 538	1 542	2 024
2	Other non-current assets	1 410	729	255
6	Deferred tax assets	3 330	3 330	3 869
	Total non-current assets	1 136 246	1 189 965	1 240 710
3	Inventories	27 710	24 930	30 632
2	Trade receivables	194 281	184 836	175 677
	Current financial assets	362	469	452
8	Current derivatives assets	202	68	3 131
2	Other current assets	2 652	2 670	994
6	Operating taxes and levies receivables	1 866	1 370	652
	Current tax assets	70	1	
3	Prepaid expenses	11 359	11 003	12 131
13	Other assets related to contracts with customers	61 827	69 779	75 830
8	Cash and cash equivalents	26 591	13 012	51 444
	Total current assets	326 920	308 138	350 943
	Total Assets	1 463 166	1 498 103	1 591 653
	EQUITY AND LIABILITIES			
9	Share capital	131 721	131 721	131 721
	Legal reserve	13 172	13 172	13 172
	Retained earnings (excl. legal reserve)	442 246	440 198	430 465
	Treasury shares		- 2 476	- 279
	Equity attributable to the owners of the parent	587 139	582 615	575 079
	Total equity	587 139	582 615	575 079
8	Non-current financial liabilities	269 895	319 615	389 043
8	Non-current derivatives liabilities	2 777	2 973	4 659
	Non-current employee benefits	137	274	638
5/11	Non-current provisions for dismantling	63 228	65 891	65 596
11	Other non-current liabilities	1 866	2 820	3 759
6	Deferred tax liabilities	8 131	10 774	13 986
	Total non-current liabilities	346 034	402 347	477 681
8	Current financial liabilities	20 826	6 066	236
8	Current derivatives liabilities	202	68	3 131
	Current fixed assets payable	53 295	56 210	68 757
3/8	Trade payables	266 575	224 319	178 605
3	Current employee benefits	30 839	30 017	31 788
5	Current provisions for dismantling	1 232	1 040	1 023
3	Current restructuring provisions	3 045	1 812	16 772
3/11	Other current liabilities	3 498	12 667	11 409
6	Operating taxes and levies payables	85 608	94 217	110 000
6	Current tax payables	3 133	23 259	56 923
13	Liabilities related to contracts with customers	59 415	61 253	57 639
	Deferred income	2 325	2 213	2 610
	Total current liabilities	529 993	513 141	538 893
	Total Equity and Liabilities	1 463 166	1 498 103	1 591 653

(*) The Group has initially applied IFRS 15 and 9 at 1 January 2018. The Group applied IFRS 15 retrospectively on 1 January 2016 under which comparative information is restated. (See also note 13).

1.3 Consolidated cash flow statement

in thousand EUR

Ref.		31.12.2018	31.12.2017 Restated (*)
	Operating Activities		
	Consolidated net profit	**32 431**	**38 995**
	Adjustments to reconcile net profit (loss) to cash generated from operations		
6	Operating taxes and levies	16 401	8 451
	Gains (losses) on disposal		- 1 607
5	Depreciation, amortization and impairment	235 737	230 066
	Changes in other provisions	- 986	- 17 935
	Impairment of goodwill		17 865
7	Share of profits (losses) of associates and joint ventures	- 337	- 349
	Operational net foreign exchange and derivatives	121	- 238
8	Finance costs, net	4 855	4 880
6	Income tax	5 870	14 131
	Share-based compensation	732	120
	Impairment loss on trade and other receivables, including contract assets	6 348	7 382
	Changes in working capital requirements		
3	Decrease (increase) in inventories, gross	- 3 044	5 731
2	Decrease (increase) in trade receivables, gross	- 17 145	- 14 555
3	Increase (decrease) in trade payables	42 262	45 247
	Changes in other assets and liabilities	- 9 764	- 274
13	Change in other assets related to contracts with customers	7 984	6 159
13	Change in liabilities related to contracts	- 1 838	3 615
	Other net cash out		
3	Operating taxes and levies paid	- 25 506	- 24 714
	Interest paid and interest rates effects on derivatives, net	- 3 738	- 3 769
6	Income tax paid	- 28 988	- 52 365
	Net cash provided by operating activities	261 395	266 836
	Investing Activities		
	Purchases (sales) of property, plant and equipment and intangible assets		
5	Purchases of property, plant and equipment and intangible assets	- 179 403	- 188 377
	Increase (decrease) in fixed assets payables	- 1 371	- 14 097
	Proceeds from sales of property, plant and equipment and intangible assets		1 550
	Organic cash flow**	**80 621**	**65 912**
	Cash paid for investments securities and acquired businesses, net of cash acquired	- 4 220	- 8 196
	Proceeds from sale of investment securities and businesses, net of cash sold		100
	Decrease (increase) in securities and other financial assets	110	96
	Net cash used in investing activities	**- 184 884**	**- 208 924**
	Financing Activities		
8	Long-term debt redemptions and repayments	- 50 054	- 70 070
	Increase (decrease) of bank overdrafts and short-term borrowings	14 653	5 948
	Purchase of treasury shares	2 476	- 2 197
9	Dividends paid to owners of the parent company	- 30 007	- 30 025
	Net cash used in financing activities	**- 62 932**	**- 96 344**
	Net change in cash and cash equivalents	**13 579**	**- 38 432**
8	**Cash and cash equivalents - opening balance**	**13 012**	**51 444**
	o/w cash	8 726	4 125
	o/w cash equivalents	4 286	47 319
	Cash change in cash and cash equivalents	13 579	- 38 432
8	**Cash and cash equivalents - closing balance**	**26 591**	**13 012**
	o/w cash	19 891	8 726
	o/w cash equivalents	6 700	4 286

(*) The Group has initially applied IFRS 15 and 9 at 1 January 2018. The Group applied IFRS 15 retrospectively on 1 January 2016 under which comparative information is restated. (See also note 13).
(**) 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

Ref.		Share capital	Legal reserve	Retained earnings	Treasury shares	Total equity
	Balance at 31 December 2017, as previously reported	**131 721**	**13 172**	**399 607**	**- 2 476**	**542 024**
13	Adjustment due to application of IFRS 15 (net of tax)			40 591		40 591
	Restated balance as at 31 December 2017	**131 721**	**13 172**	**440 198**	**- 2 476**	**582 615**
13	Adjustment on initial application of IFRS 9 (net of tax)			- 659		- 659
	Adjusted balance at 1 January 2018	**131 721**	**13 172**	**439 539**	**- 2 476**	**581 956**
	Net profit for the period			32 431		32 431
	Other comprehensive income			- 449		- 449
	Total comprehensive income for the period			**31 982**		**31 982**
9	Own Shares				2 476	2 476
	Employee - Share-based compensation			732		732
9	Declared dividends			- 30 007		- 30 007
	Balance as at 31 December 2018	**131 721**	**13 172**	**442 246**		**587 139**

in thousand EUR

Ref.		Share capital	Legal reserve	Retained earnings	Treasury shares	Total equity
	Balance at 1 January 2017, as previously reported	**131 721**	**13 172**	**387 804**	**- 279**	**532 418**
13	Adjustment due to application of IFRS 15 (net of tax)			42 661		42 661
	Restated balance as at 1 January 2017	**131 721**	**13 172**	**430 465**	**- 279**	**575 079**
	Restated net profit for the period			38 995		38 995
	Restated other comprehensive income			745		745
	Restated total comprehensive income for the period			**39 740**		**39 740**
9	Own shares				- 2 197	- 2 197
9	Declared dividends			- 30 007		- 30 007
	Restated balance as at 31 December 2017	**131 721**	**13 172**	**440 198**	**- 2 476**	**582 615**

1.5 Segment information

Consolidated statement of comprehensive income for the year ended December 31, 2018

in thousand EUR

31.12.2018	Orange Belgium	Orange Luxembourg	Interco elimination	Orange Belgium Group
Retail service revenues	**727 641**	**40 742**		**768 383**
Convergent service revenues	106 297			106 297
Mobile only service revenues	583 288	32 954		616 242
Fixed only service revenues	33 553	7 788		41 341
IT & Integration service revenues	4 503			4 503
Equipment sales	110 407	14 590		124 997
Wholesale revenues	322 576	10 695	- 4 092	329 179
Other revenues	65 736	896	- 9 388	57 244
Total revenues	**1 226 360**	**66 923**	**- 13 480**	**1 279 803**
Direct costs	**- 570 156**	**- 36 339**	**13 480**	**- 593 015**
Labor costs	**- 129 757**	**- 9 758**		**- 139 515**
Indirect costs	**- 246 530**	**- 14 610**		**- 261 140**
Adjusted EBITDA	**279 917**	**6 216**		**286 133**
Reported EBITDA	**272 424**	**6 132**		**278 556**

Consolidated statement of comprehensive income for the year ended December 31, 2017

in thousand EUR

31.12.2017 Restated (*)	Orange Belgium	Orange Luxembourg	Interco elimination	Orange Belgium Group
Retail service revenues	**671 537**	**37 430**	**- 3**	**708 964**
Convergent service revenues	48 859			48 859
Mobile only service revenues	583 855	31 662	- 3	615 514
Fixed only service revenues	35 327	5 768		41 095
IT & Integration Service revenues	3 496			3 496
Equipment sales	108 823	16 551		125 374
Wholesale revenues	344 064	9 912	- 3 278	350 698
Other revenues	67 208	2 353	- 8 246	61 315
Total revenues	**1 191 632**	**66 246**	**- 11 527**	**1 246 351**
Direct costs	**- 541 894**	**- 36 956**	**11 526**	**- 567 324**
Labor costs	**- 121 331**	**- 9 649**		**- 130 980**
Indirect costs	**- 241 170**	**- 11 113**	**1**	**- 252 282**
Adjusted EBITDA	**287 237**	**8 528**		**295 765**
Reported EBITDA	**297 101**	**8 487**		**305 588**

(*) The Group has initially applied IFRS 15 and 9 at 1 January 2018. The Group applied IFRS 15 retrospectively on 1 January 2016 under which comparative information is restated. (See also note 13).

Consolidated statement of financial position for the year ended December 31, 2018

in thousand EUR

31.12.2018	Orange Belgium	Orange Luxembourg	Interco elimination	Orange Belgium Group
Goodwill	16 177	50 864		67 041
Other intangible assets	279 424	5 838		285 262
Property, plant and equipment	753 185	19 121		772 306
Interests in associates and joint ventures	4 359			4 359
Non-current assets included in the calculation of the net financial debt	2 538			2 538
Other	1 253	3 487		4 740
Total non-current assets	**1 056 936**	**79 310**		**1 136 246**
Inventories	26 469	1 241		27 710
Trade receivables	180 665	17 032	- 3 416	194 281
Prepaid expenses	5 791	5 568		11 359
Current assets included in the calculation of the net financial debt	15 026	11 767		26 793
Other	73 529	5 221	- 11 973	66 777
Total current assets	**301 480**	**40 829**	**- 15 389**	**326 920**
TOTAL ASSETS	**1 358 416**	**120 139**	**- 15 389**	**1 463 166**
Total equity			**587 139**	**587 139**
Non-current employee benefits	137			137
Non-current liabilities included in the calculation of the net financial debt	272 672			272 672
Other	68 737	4 488		73 225
Total non-current liabilities	**341 546**	**4 488**		**346 034**
Current fixed assets payable	51 206	2 089		53 295
Trade payables	244 071	25 920	- 3 416	266 575
Current employee benefits	29 626	1 213		30 839
Deferred income	2 325			2 325
Current liabilities included in the calculation of the net financial debt	21 041	11 960	- 11 973	21 028
Other	153 722	2 209		155 931
Total current liabilities	**501 991**	**43 391**	**- 15 389**	**529 993**
TOTAL EQUITY AND LIABILITIES	**843 537**	**47 879**	**571 750**	**1 463 166**

Consolidated statement of financial position for the year ended December 31, 2017

in thousand EUR

31.12.2017 Restated (*)	Orange Belgium	Orange Luxembourg	Interco elimination	Orange Belgium Group
Goodwill	15 574	50 864		66 438
Other intangible assets	300 097	3 874		303 971
Property, plant and equipment	789 258	20 676		809 934
Interests in associates and joint ventures	4 021			4 021
Non-current assets included in the calculation of the net financial debt	1 542			1 542
Other	572	3 487		4 059
Total non-current assets	**1 111 064**	**78 901**		**1 189 965**
Inventories	21 888	3 042		24 930
Trade receivables	185 708	1 496	- 2 368	184 836
Prepaid expenses	7 100	3 903		11 003
Current assets included in the calculation of the net financial debt	8 268	4 812		13 080
Other	83 560	577	- 9 848	74 289
Total current assets	**306 524**	**13 830**	**- 12 216**	**308 138**
TOTAL ASSETS	**1 417 588**	**92 731**	**- 12 216**	**1 498 103**
Total equity			**582 615**	**582 615**
Non-current employee benefits	274			274
Non-current liabilities included in the calculation of the net financial debt	322 588			322 588
Other	74 923	4 562		79 485
Total non-current liabilities	**397 785**	**4 562**		**402 347**
Current fixed assets payable	52 379	3 831		56 210
Trade payables	221 686	5 001	- 2 368	224 319
Current employee benefits	28 990	1 027		30 017
Deferred income	2 213			2 213
Current liabilities included in the calculation of the net financial debt	6 134	9 848	- 9 848	6 134
Other	192 470	1 778		194 248
Total current liabilities	**503 872**	**21 485**	**- 12 216**	**513 141**
TOTAL EQUITY AND LIABILITIES	**901 657**	**26 047**	**570 398**	**1 498 103**

(*) The Group has initially applied IFRS 15 and 9 at 1 January 2018. The Group applied IFRS 15 retrospectively on 1 January 2016 under which comparative information is restated. (See also note 13).

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.

In 2016, Orange Belgium S.A. contributed in cash in the capital increase of Smart Services Network S.A. for 700,000 euros, equivalent to 7,000 shares.

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 S.A. 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 distribution network located in Wallonia. Walcom specializes in the sale of telecommunications products and services for individuals through a network of 10 stores. The company has been an Orange Belgium S.A. 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 99.92% of the 1,250 shares of Walcom S.A.. One share is held by Atlas Services Belgium S.A.. The company has consolidated the results of Walcom S.A. for 100%, as of 3 April 2015.

On 1 June 2017, Orange Belgium acquired 7 shops from Easy Phone S.A., a residential and professional distribution network located in Wallonia. These 7 shops have been integrated in **Walcom Liège S.A.** (which was founded on 29 May 2017). Walcom S.A. contributed in cash for 60,885 euros equivalent to 99 shares out of the 100 shares issued by Walcom Liège S.A.. Orange Belgium S.A. contributed in cash for 615 euros equivalent to 1 share. The company has consolidated the results of Walcom Liège S.A. for 100%, as of 1 June 2017.

Walcom Business Solutions S.A., a company organized and existing under the laws of Belgium, has been created as of 13 July 2017. Walcom Business Solutions S.A. specializes in the sales of telecommunication products and services for the professional market. Orange Belgium S.A. contributed in cash for 60,885 euros equivalent to 99 shares of the 100 shares issued by Walcom Business Solutions S.A. Walcom S.A.. contributed in cash for 615 euros equivalent to 1 share. The company has consolidated the results of Walcom Business Solutions S.A. for 100%, as of 13 July 2017.

A3Com S.A. was already an exclusive Orange Belgium agent, specialised in telecommunications product sales and services for residential customers through a network of 12 Orange shops located in the Brussels region. A3Com S.A., a company organized and existing under the laws of Belgium, has been acquired as of 30 September 2017 by Orange Belgium S.A.. The purchase concerned 100% of the 630 shares of A3Com S.A.. The company has consolidated the results of A3Com S.A. for 100%, as of 1 October 2017.

A&S Partners S.A., also an existing Orange Belgium agent, provides telecommunications services to B2B customers within the Brussels region via a dedicated sales team of 35 professionals under the name of AS Mobility. A&S Partners S.A., a company organized and existing under the laws of Belgium, has been acquired as of 30 September 2017 by Orange Belgium S.A.. The purchase concerned 100% of the 620 shares of A&S Partners S.A.. The company has consolidated the results of A&S Partners S.A. for 100%, as of 1 October 2017.

On 29 June 2016, Orange Belgium S.A. subscribed in the capital of **Belgian Mobile ID S.A.** (for 6.28% 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 ID 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. In April 2018, Orange Belgium S.A. further contributed in cash in the capital increase of Belgian Mobile ID S.A. for 1,846,294.43 euros (or 10% of the total shares).

Orange Belgium S.A. holds, directly or indirectly (e.g. through other subsidiaries), less than 20% of the voting power of Belgian Mobile ID 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 ID S.A..

2. Perimeter of consolidation

The parent company and the subsidiaries listed below are included in the perimeter of consolidation as at 31.12.2018:

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.
99.99% 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.
99.92% of the shares held by Orange Belgium S.A.
Fridderícht 10
B - 6700 Arlon
Belgium
Company identification number: BE 0424 071 231

Walcom Liège S.A.
99% of the shares held by Walcom S.A.
1% of the shares held by Orange Belgium S.A.
Fridderícht 10
B - 6700 Arlon
Belgium
Company identification number: BE 0676 407 724

Walcom Business Solutions S.A.
99% of the shares held by Orange Belgium S.A.
1% of the shares held by Walcom S.A.
Avenue du Bourget 3
B - 1140 Brussels
Belgium
Company identification number: BE 0678 686 036

A3Com S.A.
100% of the shares held by Orange Belgium S.A.
Chaussée de Waterloo 851
B - 1180 Brussels
Belgium
Company identification number: BE 0471 336 856

A&S Partners S.A.
100% of the shares held by Orange Belgium S.A.
Rue Crocq 72
B-1200 Brussels
Belgium
Company identification number: BE 0885 920 794

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

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.

Date of authorization for issue of the financial statements

On 27 March 2019, the Board of Directors of Orange Belgium S.A. reviewed the 2018 consolidated financial statements and authorized them for issue.

The 2018 consolidated financial statements will be approved on 2 May 2019 by the General Assembly of Shareholders which has still the power to amend the consolidated 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 the Euro. Each entity within 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.

The principles applied to prepare financial data relating to the 2018 financial year are based on:
- all the standards and interpretations endorsed by the European Union compulsory as of 1 January 2018;
- the recognition and measurement alternatives allowed by the IFRS:

Standard		Alternative used
IAS 1	Accretion expense on operating liabilities (employee benefits, environmental liabilities)	Classification as financial expenses
IAS 2	Inventories	Measurement of inventories determined by the weighted average unit cost method
IAS 7	Interest paid and received dividends	Classification as net operating cash flows
IAS 16	Property, Plant and Equipment	Measurement at amortized historical cost
IAS 38	Intangible Assets	Measurement at amortized historical cost

In the absence of any accounting standard or interpretation, management uses its judgment to define and apply an accounting policy that will result in relevant and reliable information, such that the financial statements:
- fairly present the Group's financial position, financial performance and cash flows;
- reflect the economic substance of transactions;
- are neutral;
- are prepared on a prudent basis; and
- are complete in all material respects.

These are the first annual financial statements of the Group where IFRS 15 and IFRS 9 have been applied. Change to accounting policies are described below and in note 13 “Significant accounting policies”.

Changes in accounting policy and disclosures

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements have been modified compared to those followed in the preparation of the consolidated financial statements for the year ended 31 December 2017. More specifically, the presentation of the statement of comprehensive income has been aligned with the changed internal reporting format used by the parent company Orange S.A., using consistent accounting policies.

The changes relate to the Financial Statement caption “Total Revenues”. Total Revenues is now split as follows:

(1) Retail service revenues consists of **Convergent**, **Mobile only**, **Fixed only** and **IT & Integration service revenues**.

A **convergent (B2C) offer** is defined as an offer combining at least a broadband access and a mobile voice contract. **Mobile only** service revenues are revenues from mobile offers and M2M connectivity**. Fixed only** revenues includes (i) fixed broadband, (ii) fixed narrowband, and (iii) data infrastructure, managed networks, and incoming phone calls to customer relations call centers. **IT & Integration service revenues** are defined as Revenues from collaborative services, application services, hosting, cloud computing services, security services, video-conferencing and M2M services.

(2) **Equipment Sales**, is defined as revenues from all mobile and fixed equipment sales,

(3) **Wholesale revenues** are revenues with third-party telecom operators for (i) mobile: incoming, visitor roaming, domestic mobile interconnection and MVNO, and for (ii) fixed carriers services

(4) **Other revenues**, includes (i) equipment sales to brokers and dealers, (ii) portal, on-line advertising revenues, (iii) corporate transversal business line activities, and (iv) other miscellaneous revenues.

The group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. Further reference is made to note 13 in this context.

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

- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 1 and IAS 28
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 40 Transfers of Investment Property

Standards and interpretations compulsory after 31 December 2018, with no early application elected by the Group

Among these standards and interpretations, the ones that might affect the Group's future consolidated financial statements are IFRS 16, which is a dedicated project within the Group:

IFRS 16 Leases (January 1, 2019)	This standard introduces provisions that significantly affect the financial reporting of the leases as well as the financial measures of the lessees. At the delivery date of the right of use granted by the lessor, the lessees will account for all of their leases, as an asset against a financial liability as for a financial lease under IAS 17. IFRS 16 implementation has been subject to a dedicated project within the Group. After having finalized the analysis and concluded on the scope of application (still subject to new interpretations), the Group started, in 2018, the implementation and deployment of the tools dedicated to lease accounting. As at December 31, 2018, the Group is finalizing the inventory of contracts, the tools deployment and the data collection in order to be able to present, as of 2019, financial statements in compliance with IFRS 16. In order to define the scope of application of this new standard, the Group has analyzed all of its leases (under IAS 17) and service contracts in order to determine whether these contracts contain a lease component. The Group defines a contract as a lease if it conveys to the lessee the right to control the use of an identified asset. After this analysis phase the Group defined four main categories of leases contracts: ▪ real estate: point of sales, offices buildings, technical buildings ; ▪ mobile network: lands, certain contracts with Towercos; ▪ fixed network: access to the local loop, colocation in technical building, certain dark fiber contracts; ▪ general expenses: vehicles, technical cars, datacenter. From January 1, 2019 onward, the Group (as lessee) will record all of its leases contracts using a unique model in which an asset will be recognized on the balance sheet for the right of use of the assets leased against a liability for the corresponding lease obligations. The accounting measurement of these items on the balance sheet depend on the following: ▪ the assessment of the term to be retained for each contract. This duration corresponds to the non-cancelable lease term, plus the time periods in any extension option the lessee can be reasonably certain to exercise and any option to cancel which the lessee is certain will not be exercised. The definition of this contract term must also take into account laws and practices in each jurisdiction or sector of activity regarding the duration of a firm commitment granted by lessors; ▪ the combination of the fixed and variable components of contractual payments; ▪ the determination of the incremental borrowing rate if the contract's implicit rate cannot easily be established. The Group has also chosen to use the two exemptions proposed by the standard on leases contracts: ▪ contracts with a duration of less than 12 months; ▪ contracts for which the underlying asset new value is around 5,000 euros. In addition to the effect on the statement of financial position, the income statement (depreciation of rights of use assets and interests expenses on lease liabilities instead of operating lease expenses, acceleration of the expense notably resulting from the interest component) and the statement of cash flows (only interests expenses will continue to affect the operating cash flows, investment cash flows will not be impacted, while financing cash flows will be impacted by the repayment of the debt) will also be affected. The Group will apply IFRS 16 from January 1, 2019 using the simplified retrospective method without restatement of comparative periods. Whilst following current discussions under way at the IFRIC and IASB, the Group estimates the effect on the opening balance sheet between 260 and 330 million euros resulting from the recognition of the lease obligation and the right of use associated with leases contracts. Furthermore, the Group will record deferred taxes during the initial recognition of the right of use and the lease obligation from the transition. The effect on equity at January 1, 2019 should not be material. These impacts at transition date are not directly comparable to the off-balance sheet commitments as presented in Note 10 mentioning the operating leases commitments. The main differences concern the scopes of application, the valuation methods of lease payments and the lease term determination (more specific the determination of the period that is considered as “reasonably certain” to renew).

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 a reporting format and reporting standards that are similar to the ones used by Orange S.A.

4. Uses of estimates and judgments

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

Judgments in applying accounting policies

In the process of applying the Group's accounting policies, management has not made any significant judgments 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:

- Revenues: splitting of transaction price between mobile and service component as well as the identification of distinct or non-distinct performance obligations. Reference in this respect should be made to note 13 – 1.21.

Critical estimates and assumptions

Estimates 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 based on a discounted cash flow model. The cash flows are derived from the financial projections for the next five 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.

Fixed assets – Useful life assessment

Assessing assets' useful life according to the change in the technological, regulatory or economic environment (greater bandwidth technologies, radio technology migration…). Reference should be made to Note 5.

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 5).

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).

Revenue

Estimation of duration of legally binding rights and obligations (see Note 13 – 1.21)

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 the event no tax bill is received, the cost will be based upon the tax bill of the previous year and the pylon tax liability expires if the company does not receive a tax bill 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 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 commits 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. In addition, the Walloon Region will discourage municipalities and provinces from levying taxes 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 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 (see also note 3 and 6) 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 31 December 2018, may subsequently be changed.

Note 2: Sales and (trade) receivables

Sales

in thousand EUR

	31.12.2018	31.12.2017
Belgium	**1 226 360**	**1 191 632**
Retail service revenues	727 641	671 537
Convergent service revenues	106 297	48 859
Mobile only service revenues	583 288	583 855
Fixed only service revenues	33 553	35 327
IT & Integration service revenues	4 503	3 496
Equipment sales	110 407	108 823
Wholesale revenues	322 576	344 064
Other revenues	65 736	67 208
Luxembourg	**66 923**	**66 246**
Retail service revenues	40 742	37 430
Mobile only service revenues	32 954	31 662
Fixed only service revenues	7 788	5 768
Equipment sales	14 590	16 551
Wholesale revenues	10 695	9 912
Other revenues	896	2 353
Inter-segment eliminations	**- 13 480**	**- 11 527**
Total	**1 279 803**	**1 246 351**

Orange Belgium's total consolidated turnover amounted to 1,279.8 million euros in 2018, compared to 1,246.4 million euros in 2017, a growth of 2.6% year-on-year. Excluding the regulatory impact of 26.2 million euros incurred in 2018, the total consolidated turnover would have increased by 4.7% compared to 2017. Furthermore, in addition to this Roaming effect, the full year 2018 was also negatively impacted by lower MVNO revenues (for 27.9 million euros). When also taking this into account, the resulting underlying growth of the turnover is even higher, reaching 6.9% year-on-year.

Orange Belgium's retail service revenues (i.e. mobile-only services, fixed-only services, convergent services and IT & Integration services) amounted to 768.4 million euros in 2018 compared to 709.0 million euros in 2017, an increase of 8.4% year-on-year. However, excluding the aforementioned regulatory roaming impact, Orange Belgium's 2018 consolidated total service revenues would have increased by 11.8% compared to the same period last year, illustrating the successful bold challenger positioning of the company. The mobile contract customer base (excluding M2M) grew 154k to 2.5 million subscribers. Orange Belgium's simplified mobile offering continued to attract customers towards mid and high-end tariffs. These plans include abundant voice/data allowances and have improved customer satisfaction and retention. Convergent services revenues more than doubled (+117.6%) despite no recourse to promotional activities.

Consolidated fixed only service revenues and Equipment sales stabilized at 41.3 million euros (compared to 41.1 million euros in 2017) and 125.0 million euros (compared to 125.4 million euros in 2017) respectively.

The consolidated wholesale revenues of Orange Belgium amounted to 329.2 million euros in the full year 2018, compared to 350.7 million euros last year, a decrease of 6.1% year-on year, mainly due to lower MVNO revenues.

The year-on-year variance of Orange Belgium's other revenues in 2018 was negatively impacted by lower tariffs for services provided by Orange Belgium to public prosecutors, courts, etc.

Trade receivables

in thousand EUR

	31.12.2018	31.12.2017
Trade receivables - Gross value	226 738	229 213
Allowance for doubtful debtors	- 32 457	- 44 377
Total trade receivables	**194 281**	**184 836**

Ageing Balance

in thousand EUR

	31.12.2018	31.12.2017
Not past due	127 558	131 323
Less than 180 days	27 401	24 146
Between 180 days and 360 days	12 130	15 047
More than 360 days	27 192	14 320
Total trade receivables	194 281	184 836

Change in Provision for Trade receivables

in thousand EUR

	31.12.2018	31.12.2017
Allowances on trade receivables - Opening balance	- 44 377	- 44 899
Net addition with impact on income statement	- 6 348	- 7 382
Losses on trade receivables	19 499	7 904
Adjustment IFRS 9	- 1 231	
Allowances on trade receivables - Closing balance	- 32 457	- 44 377

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 (56% of 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 on any major customers, none representing more than 10% of the company's consolidated revenues. The customers risk is spread over more than 4 million customers.

Trade receivables amounted to 194.3 million euros at the end of 2018, compared with 184.8 million euros at the end of 2017. The decrease in trade receivables –gross value is the result of a combined effect. In 2018 the Group did a sale of some debt surveillance files to a credit management company for an amount of 19.3 million euros. This effect was partially offset by the reclassification of open discounts from Telco operators from Payables to Receivables in Orange Luxembourg as a result of formally concluded netting agreements (impact of 11.7 million euros) and less Credit Notes to be issued for 4 million euros.
The increase in net receivables over 360 days is mainly due to open roaming invoices for two large telecom operators (4 million euros) and less credit notes to be issued with an MVNO (2.6 million euros).

Allowance for doubtful debtors decreased significantly to 32.5 million euros, due to the sale of old debt surveillance files as mentioned above.

Since 2017, Orange Belgium S.A. entered into a factoring program with Belfius Commercial Finance. The eligible trade receivables were related to the top 400 B2B Airtime debtors (factored receivables around 1.6 million euros per 31 December 2018 compared to 2 million euros per 31 December 2017). IFRS 9 provides requirements for evaluating whether, and to what extent, a financial asset is derecognized. Based on the fact pattern and management analysis, all risks and rewards relating to the receivables have been substantially transferred and de-recognition may consequently be achieved.

Other assets

in thousand EUR

	31.12.2018	31.12.2017
Advances and downpayments	627	583
Security deposits paid	1 410	729
Other	2 025	2 087
Total other assets	4 062	3 399
o/w other non-current assets	1 410	729
o/w other current assets	2 652	2 670

The increase on other non-current assets is due to security deposits paid for 0.7 million euros related to a cash guarantee agreement.

Note 3: Expenses, prepaid and inventory

Direct costs

in thousand EUR

	31.12.2018	31.12.2017
Purchase of material	- 187 438	- 187 208
Other direct costs	- 399 229	- 372 734
Impairment loss on trade and other receivables, including contract assets	- 6 348	- 7 382
Total direct costs	- 593 015	- 567 324

The direct costs in 2018 increased by 4.5% year-on-year to 593.0 million euros from 567.3 million euros a year earlier.

Purchase of material

The costs related to the purchase of material, mainly handsets, remained stable at 187.4 million euros.

Other direct costs

The other direct costs, mainly consisting of interconnection costs, commissions and content costs, increased by 7.1% year-on-year.

Interconnection costs

Interconnection expenses increased by 6.9 million euros to 275.5 million euros, as higher roaming costs (11.3 million euros) were not fully compensated by declining outgoing SMS costs.

Commissions

Commission expenses decreased with 8.1 million euros in 2018 to 41.1 million euros, mainly due to the full year impact of the integration of distribution partners (A3Com and A&S Partners).

Content costs

Orange Belgium's television 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 television content amount to 13.9 million euros in 2018 compared to 8.2 million euros in 2017. This increase is in line with the uptake of Orange Belgium's digital TV offer (Love) in 2018.

Impairment loss on trade and other receivables, including contract assets

The costs related to bad debts amounts to 6.4 million euros in 2018 compared to 7.3 million euros in 2017. In 2018, the bad debt costs were positively impacted by the continued efforts in terms of cash collection (see also Note 2 – Trade receivables).

Connectivity

Connectivity costs increased by 19.2 million euros in 2018 to 60.7 million euros. This is mostly the result of the increase in wholesale access fees related to the convergent Love offer.

Prepaid expenses

in thousand EUR

	31.12.2018	31.12.2017
Prepaid supplies and services	10 010	9 662
Prepaid spectrum fees	1 349	1 341
Total Prepaid expenses	11 359	11 003

The prepaid expenses remained at the same level compared to 2017.

Inventories

in thousand EUR

	31.12.2018	31.12.2017
Gross inventories	29 109	26 065
Depreciation	- 1 399	- 1 135
Total Inventories	27 710	24 930
Inventories - Cost recognized as an expense during the period	**- 184 811**	**- 184 871**

Gross inventories increased mainly because of higher mobile equipment (handset) inventories at year-end. The reserve for obsolete and slow moving items (1.4 million euros) is slightly higher in 2018 than in 2017.

Trade payables and other current liabilities

in thousand EUR

	31.12.2018	31.12.2017
Trade payables	**266 575**	**224 319**
Salaries and termination pay	2 985	2 641
Performance and profit sharing bonus, pensions	7 777	8 421
Social security contributions	5 420	4 901
Holiday pay	14 511	13 967
Other	146	87
Current employee benefits	**30 839**	**30 017**
Current restructuring provisions	**3 045**	**1 812**
Other current liabilities	**3 498**	**12 667**
Current tax payables	**3 133**	**23 259**
Deferred income	**2 325**	**2 213**

Trade payables are non-interest bearing and are generally settled on 30 to 60-days terms. The trade payables increased by 42.3 million euros compared to 2017. This is due to higher roaming payables as a result of much higher traffic with other telecom operators (more data and voice) for 7 million euros; by higher outstanding payables at year end for a number of suppliers (impact 14 million euros) and the reclassification of open discounts from telecom operators from Payables to Receivables at Orange Luxembourg (impact of 11.7 million euros) (see also Trade receivables – Note 2).

Current employee benefits remained nearly stable in 2018, the increase of 0.8 million euros is mainly due to a timing difference in the payment of social security contributions and open invoices for insurance companies.

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 and this for all scenarios. As a consequence, as of 31 December 2017 and 31 December 2018, no provision has been recognized.

The contributions paid during 2018 for those plans amounted to 3.9 million euros paid by the employer and 1.0 million euros paid by the employees. The plan assets at 31 December 2018 consisted of 118.7 million euros individual insurance reserves, which benefit from a weighted average guaranteed interest rate of 3.58% and 4.8 million euros reserves in collective financing funds.

The change in other current liabilities is due to the decrease in provision for outstanding litigations mainly related to some legal cases and the reversal of the accrual for social tariffs (see note 11: (Non)-current provisions and see also the management report, section 6 for detailed information on the disputes).

The current restructuring provisions increased with 1.2 million euros in 2018 mainly as a result of the charges booked for early termination of a long-term distribution contract.
The current tax payables are related to the tax calculation of the current year. The decrease compared to the preceding accounting year is explained by the payment before Y/E of the outstanding tax payable related to the accounting year 2016 (see also Note 6 – Operational taxes and levies).

Labor costs (excluding termination benefits)

Labor costs increased with 6.5% to 139.5 million euros in 2018, compared to 131.0 million euros a year ago. This increase can be explained by the full year impact of the internalization of distribution partners acquired in 2017 and the indexation of all salaries (1.83% as from January 2018).

Indirect costs

in thousand EUR

	31.12.2018	31.12.2017
Commercial expenses	- 45 537	- 43 083
Other IT and network expenses	- 90 757	- 86 641
Property expenses	- 56 908	- 57 679
General expenses	- 66 115	- 67 093
Other indirect income	19 617	21 559
Other indirect costs	- 21 440	- 19 345
Total indirect costs	**- 261 140**	**- 252 282**
of which operational taxes and fees	- 16 401	- 8 451

The indirect costs increased 3.5% year-on-year to 261.1 million euros in 2018 compared to 252.3 million euros in 2017.

The commercial expenses increased by 5.6%, mainly due to more advertising expenses (media buying) and events. The increase in other IT and network expenses (+4.7%) is linked to the Group's digital transformation project.

General- and Property expenses remained stable compared with prior year.

Other indirect income decreased with 9.0% year-on-year, due to less re-invoicing of operational- and staff costs to the Orange Group.

The other indirect costs evolution is mainly due to the reassessment of the provision for pylon taxes, using best estimate assumptions based on the evolution of the regional tax framework, of the different court cases and of the new tax bills received by Orange Belgium S.A..

Adjustments

Other restructuring costs

Orange Belgium booked in 2018 restructuring charges of 1.2 million euros for early termination of long-term distribution contracts, linked to the on-going transformation of its distribution network. The redundancy costs amount to 6.4 million euros in 2018.

In 2017 the other restructuring charges were positively triggered as a result of the mutual termination of a number of long-term partner contracts slightly offset by redundancy costs of 5.2 million euros.

Note 4: Goodwill

Goodwill

in thousand EUR

	31.12.2018			31.12.2017		
	Acquisition Value	Accumulated impairment losses	Net carrying amount	Acquisition Value	Accumulated impairment losses	Net carrying amount
Orange Communications Luxembourg S.A.	68 729	- 17 865	50 864	68 729	- 17 865	50 864
Others goodwill	16 177		16 177	15 574		15 574
Total goodwill	84 906	- 17 865	67 041	84 303	- 17 865	66 438

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.

Cash flows have been estimated on a five-year business plan (2019 to 2023) 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 turnaround over this 5-year period with a 7.25% (compared to 6.23% last year) and 23.69% (compared to 23.22% last year) compounded annual growth rate (CAGR) of revenues and adjusted EBITDA respectively, while capital expenses are expected to increase with 9.6% (compared to 15.9% last year).

Considering a perpetuity growth rate of 1.50% (identical as in 2017) and a WACC of 5.50% (compared to 6.25% last year), those assumptions would result in a positive amount.

Sensitivity of recoverable amounts

A sensitivity analysis on those parameters was performed, using a growth rate varying from 0.5% to 2.5% and a discount rate varying from 4.5% to 6.5%, and this even if the extremes are considered as very theoretical.

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.

31 December 2018:

- 100% margin of the recoverable amount over the carrying value tested: 26.1 million euros
- Effect on the recoverable amount of a variation of:
  - 10% (increase/decrease) in cash flow of terminal year: +/- 8.7 million euros
  - 1% increase in growth rate to perpetuity: + 28.0 million euros
  - 1% decrease in growth rate to perpetuity: - 17.0 million euros
  - 1% increase in discount rate: - 21.0 million euros
  - 1% decrease in discount rate: + 34.0 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 Mobistar Enterprise Services S.A. 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).

A3Com S.A.

A3Com S.A. has been acquired as of 30 September 2017 by Orange Belgium S.A for a total consideration of 4.5 million euros. The purchase concerned 100% of the shares. A3Com S.A. was already an exclusive agent for Orange Belgium and is specialised in telecommunications product sales and services for residential customers through a network of 12 shops located mainly in the Brussels region. Absent of any significant identifiable assets and liabilities assumed as of the acquisition date (30 September 2017), an amount of 4.2 million euros has been fully allocated to other intangible assets as part of the purchase price allocation.

A&S Partners S.A.

A&S Partners S.A. has been acquired as of 30 September 2017 by Orange Belgium S.A for a total consideration of 5.0 million euros. The purchase concerned 100% of the shares. A&S Partners S.A. was also an existing agent for Orange Belgium and provides telecommunications services to B2B customers within the Brussels region via a dedicated sales team of 35 professionals under the name of AS Mobility. The purchase concerned 100% of the 620 shares of A&S Partners S.A. An amount of 4.2 million euros has been allocated to goodwill for the segment “Belgium”.

In 2018 this acquisition value was adjusted by 603 thousands euros and fully allocated to the segment “Belgium” (see Segment information).

Annual impairment test

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 2018, the market capitalization was higher than the net book value.

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

Depreciation and amortization

The depreciation and amortization charge for the year was 235.7 million euros, up by 5.7 million euros compared to 2017. The level of historical depreciations remained stable, the increase is mainly due to the depreciation of the activated customer premises equipment (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. The useful life of these types of assets is typically lower than the traditional network equipment.

Accelerated depreciations of fixed assets

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

During 2018, the change in useful life on property, plant and equipment has been recognised for a total amount of 11.5 million euros (compared with 17.5 million euros in 2017) and shown as expense on the line “Depreciation and amortization” in the statement of comprehensive income.

Impact can be split as such:

- Network and other equipment for 5.5 million euros including impairments resulting for cancelled and moved sites (3.8 million euros) and closing data center (0.7 million euros).
- Cable equipment: 6.0 million euros

Other intangible assets

in thousand EUR

	31.12.2018	31.12.2017
Net book value of other intangible assets in the opening balance	**303 971**	**320 789**
Acquisitions of other intangible assets	54 905	53 864
Additions through business combinations	2 430	4 206
Depreciation and amortization	- 76 557	- 74 888
Reclassifications and other items	513	
Net book value of other intangible assets in the closing balance	**285 262**	**303 971**

Acquisitions of other intangible assets are mainly software and internal generated software development costs. No telecommunication licenses were renewed in 2018 (see also overview below).

in thousand EUR

31.12.2018	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value
Telecommunication licenses	365 203	- 207 151		158 052
Brand	4 172		- 4 172	
Subscriber bases	11 180	- 11 180		
Software	493 546	- 381 679		111 867
Other intangible assets	130 853	- 115 510		15 343
Total	**1 004 954**	**- 715 520**	**- 4 172**	**285 262**

in thousand EUR

31.12.2017	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value
Telecommunication licenses	365 203	- 175 397		189 806
Brand	4 172		- 4 172	
Subscriber bases	11 180	- 11 180		
Software	444 007	- 344 394		99 613
Other intangible assets	129 195	- 114 643		14 552
Total	**953 757**	**- 645 614**	**- 4 172**	**303 971**

Telecommunication licenses

Type of License	Acquisition cost	Net book value end 2018	Net book value end 2017	Useful life in months	Remaining months	Start depreciation period
UMTS 3G	149 040	21 045	30 415	191	27	April 2005
4G	20 020	15 316	17 136	End June 2027	101	June 2016
800 MHz	120 000	90 263	96 312	238	179	February 2014
2G renewal 5 years 3 months	76 143	31 428	45 943	63	26	December 2015
Total	**365 203**	**158 052**	**189 806**			

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

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

The useful lives of intangible assets applied in 2018 remain comparable to the ones' used in 2017.

Investments related to original software acquisition may be fully amortized as well but upgrades of these software, still in use, are not fully amortized. The same applies to the 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

	31.12.2018	31.12.2017
Net book value of property, plant and equipment in the opening balance	**809 934**	**829 971**
Acquisitions of property, plant and equipment	124 498	134 513
Additions through business combinations		279
Disposals and retirements		
Depreciation and amortization	- 159 180	- 155 178
Reclassifications and other items	- 2 946	349
Net book value of property, plant and equipment in the closing balance	**772 306**	**809 934**

in thousand EUR

31.12.2018	Gross value	Accumulated depreciation and amortization	Net book Value
Land and buildings	86 655	- 55 270	31 385
Networks and terminals	1 872 739	-1 155 134	717 605
IT equipment	189 981	- 176 750	13 231
Other property, plant and equipment	31 547	- 21 462	10 085
Total	**2 180 922**	**-1 408 616**	**772 306**

in thousand EUR

31.12.2017	Gross value	Accumulated depreciation and amortization	Net book Value
Land and buildings	78 912	- 50 704	28 208
Networks and terminals	1 787 240	-1 032 507	754 733
IT equipment	183 799	- 171 405	12 394
Other property, plant and equipment	31 634	- 17 035	14 599
Total	**2 081 585**	**-1 271 651**	**809 934**

Provision for dismantling

in thousand EUR

	31.12.2018	31.12.2017
Provisions for dismantling in the opening balance	**66 931**	**66 619**
Discounting with impact on income statement	826	692
Utilizations without impact on income statement	- 864	- 729
Changes in provision with impact on assets	- 2 433	349
Provisions for dismantling in the closing balance	**64 460**	**66 931**
o/w non-current provisions	63 228	65 891
o/w current provisions	1 232	1 040

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

in thousand EUR

	31.12.2018	31.12.2017
Number of network sites, Orange Communications Luxembourg S.A. incl. (in units)	4 537	4 483
Average dismantling cost per network site	11.6	11.8
Inflation rate	2.0%	2.0%
Discount rate	1.257%	1.044%

Although size and installation on site may slightly vary from site to site, the provision is calculated on an average dismantling cost based on the actual costs incurred in the past for similar activities. For 2018 those costs were estimated at 11,550 euros per site (2017 the average cost was 11,782 euros). For bigger sites, like MSC's (Mobile Switching Centre), the provision is calculated on the surface area of the sites rented and an average dismantling cost per m^2 based on past similar experience.

Although it is rather not practicable to estimate the timing of the cash outflows, all network sites are assumed to be dismantled in the future. Since 2011, the duration of the rental contracts are capped at 15 years, which is considered equivalent to a dismantling plan spread over a period close to 30 years. Prior to that change, the longest period considered was 99 years. The approach was maintained to evaluate the provision in 2018.

The dismantling provision decreased with 2.5 million euros. This is a combined effect of lower average dismantling cost per site (from 11,782 to 11,550 euros per site) leading to a decrease of the liability of 1.3 million euros; partially offset by the increase in the number of sites (effect of 0.6 million euros) and a higher discount rate resulting in an decrease of the provision of 1.8 million euros.

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

Besides network, the dismantling provision also includes 6.0 million euros of accruals related to buildings, Mobile Switching Centres (MSC's) and Point-of-Presence (POP's).

Note 6: Taxes and levies

Income tax in profit and loss statement

in thousand EUR

	31.12.2018	31.12.2017
Current income tax	- 8 793	- 18 509
Deferred tax expense arising to the origination and reversal of temporary differences	2 923	4 378
Total tax expenses	**- 5 870**	**- 14 131**

Relationship between tax expense and accounting profit

in thousand EUR

	31.12.2018	31.12.2017
Earnings before income tax	38 301	53 126
Group income tax rate	29.58	33.99
Theoretical income tax	**- 11 330**	**- 18 057**
Effect of difference between local standard rate and Group rate (*)	- 15	42
Effect of permanent differences and other reconciling items (**)	- 691	- 8 881
Effect of tax (without base) affecting current tax (***)	6 152	11 906
Effect of tax (without base) affecting deferred tax	13	859
Income tax	**- 5 870**	**- 14 131**
Effective tax rate	**15.3%**	**26.6%**

(*) Local rate in Luxembourg (31.47%) and Group rate (33.99% in 2017 and 29.58% in 2018)
(**) Consisting of non-deductible expenses, effect of application of patent income deduction and permanent differences
(***) Adjustments on prior years

Tax expenses amounted to 5.9 million euros in 2018 compared to 14.1 million euros in 2017. The effective tax rate came out at 15.3%, 11.3 points below the effective tax rate of 26.6% in 2017. Given the significant lower pre-tax earnings in 2018, the theoretical amount of tax expenses decreased by 6.7 million euros in 2018.

The following explains the variation in income tax and effective tax rate between 2017 and 2018:
The permanent differences (see **) were negative in 2017 mainly due to the impairment loss recognised on the participation of Orange Communications Luxembourg – tax wise not deductible – which had a negative impact of approximately 6 million euros. In 2018 the other non-deductible tax expenses and the application of the patent income deduction had a net impact of -0.7 million euros.

A positive impact on the taxable year 2017 has been recorded in 2018 for an amount of 5.2 million euros to record tax deductions for investments (0.9 million euros decrease compared to 2017). In addition, the recuperation of patent income deduction on the fiscal year 2017 led to a further 1.3 million euros in tax deductions (see ***).

Tax position in the statement of financial position

Movements in current tax balances

in thousand EUR

	31.12.2018	31.12.2017
Net current tax - opening balance	**23 258**	**56 923**
Cash tax payments	- 28 988	- 52 365
Current income tax expense	8 793	18 509
Changes in consolidation scope, reclassification and translation adjustments		191
Net current tax - closing balance	**3 063**	**23 258**

Due to carried forward losses, Orange Communications Luxembourg S.A. has no current tax recorded.
Cash tax payments in 2018 include 12.1 million euros of prepayments for 2018 and the final payment of 2016 income taxes.

Movements in deferred tax balances

in thousand EUR

	31.12.2018	31.12.2017
Net deferred taxes - opening balance	**- 7 444**	**- 10 117**
Change in income statement	2 923	4 378
Change in other comprehensive income	103	- 573
Changes in consolidation scope, reclassification and translation adjustments	- 383	- 1 132
Net deferred taxes - closing balance	**- 4 801**	**- 7 444**

in thousand EUR

	31.12.2018			31.12.2017		
	Assets	Liabilities	Income statement	Assets	Liabilities	Income statement
Fixed assets		2 847	694		2 881	1 244
Tax losses carryforward	4 337		- 400	4 698		- 439
Other temporary differences	8 295	14 586	2 629	6 972	16 233	3 573
Deferred taxes	**12 632**	**17 433**	**2 923**	**11 670**	**19 114**	**4 378**
Netting	- 9 302	- 9 302		- 8 340	- 8 340	
Total	**3 330**	**8 131**	**2 923**	**3 330**	**10 774**	**4 378**

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 2.8 million euros is entirely related to the Purchase Price Accounting of Walcom S.A..

In Orange Communications Luxembourg the deferred tax asset recorded is related to carried forward tax losses (4.3 million euros). A deferred tax asset is only recognized when it is probable that the tax entity will have sufficient future taxable profits to recover them. The recoverability of the deferred tax asset of Orange Communications Luxembourg has been assessed based on the business plan used for impairment testing as discussed in note 4.

Operating taxes and levies payables

The operating taxes and levies payables amounted to 85.6 million euros in 2018 and consist of VAT payables (9.2 million euros); 71.9 million euros taxes charged to pylons and masts - plus default interests calculated at the legal rate; and of 4.5 million euros related to the 2016 settlement with the Walloon Region.

Operating taxes and levies receivables

The operating taxes and levies receivables amounted to 1.9 million euros in 2018, compared to 1.4 million euros a year ago and mainly 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 337 thousand euros, resulting in a net carrying amount as at 31 December 2018 of 4,359 thousand euros.

Note 8: Financial assets, liabilities and financial result

Financial result

in thousand EUR

	31.12.2018	31.12.2017
Financial Costs	- 4 855	- 4 880
Financial Income		
Total Net Financial Costs	**- 4 855**	**- 4 880**

Net financial result was -4.9 million euros in 2018, comparable to 2017.

Cash and cash equivalents, financial liabilities

in thousand EUR

	31.12.2018	31.12.2017
Cash and cash equivalents		
Cash equivalents	- 6 700	- 4 286
Cash	- 19 891	- 8 726
Total cash and cash equivalents	**- 26 591**	**- 13 012**
Financial liabilities		
Intercompany short-term borrowing	18 321	6 066
Third parties short-term borrowing	2 505	
Intercompany long-term borrowing	270 025	319 753
Total borrowings	**290 851**	**325 819**
Net debt (Financial liabilities- Cash and cash equivalents)	**264 260**	**312 807**

The net financial debt at the end of 2018 amounted to 264.3 million euros, a decrease of Orange Belgium's net financial debt position by 48.5 million euros compared to 312.8 million euros of net financial debt at the end of December 2017. Orange Belgium did net repayments of its long-term borrowing debt related to the unsecured revolving credit facility (with Atlas Services Belgium for a total amount of 420 million euros) of 50.0 million euros. On the other hand, the cash and cash equivalents increased by 13.6 million euros compared to 2017 (see consolidated cash flow statement).

Changes in financial liabilities whose cash flows are disclosed in financing activities in the cash flow statement (see 1.3) are disclosed below:

in thousand EUR

Other changes with no impact on cash flows from financing activities	31.12.2017	Cash Flows	Acquisition	Foreign exchange movement	Other	31.12.2018
Intercompany short-term borrowing	6 066	12 255				18 321
Intercompany long-term borrowing	319 753	- 50 054			148 [1]	269 847
Third party borrowing		2 505				2 505

[1] Mainly accrued interests

Financial risks

Liquidity risk

Orange Belgium's results and outlook could be affected if the terms of access to funding becomes 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 mid-June 2021 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 partially cover 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 2018, Orange Belgium has drawn 270 million euros from his facilities, thus leaving 70 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 below 2.75x). As of 31 December 2018 the ratio stood at 0.9x and a breach of covenant may be considered as highly unlikely.

However, rating downgrades could negatively impact the trading terms that Orange Belgium receives 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.

Orange considers that it has limited concentration in credit risk with respect to trade receivables due to its large and diverse customer base (residential, professional and large business customers) operating in numerous industries. In addition, the maximum value of the counterparty risk on these financial assets is equal to their recognized net carrying value. An analysis of net trade receivables past due is provided in Note 2.

For loans and other receivables, amounts past due but not provisioned are not material.

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.

General risk management framework

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.

The most important components of the risk management framework are discussed in detail in section 11 of our Corporate Governance Statement.

Interest-bearing loans and borrowings

in thousand EUR

	Nominal amount end 2018	Interest rate	Maturity	31.12.2018	31.12.2017
Unsecured revolving credit facility agreement with Atlas Services Belgium	420 000	EURIBOR + 0.95	15.06.2021	270 000	320 000
Transactions costs on long-term loan				- 153	- 390
Total long-term loans and borrowings				**269 847**	**319 610**
Cash-pool related credit facility with Orange	50 000	EONIA + 0.65	on demand	18 321	5 890
Other Third parties Financial debt	7 500	0.1%	10.04.2019	2 505	
Uncommitted credit lines with various banks	38 300	determined upon withdrawal	on demand		
Total short-term loans and borrowings				**20 826**	**5 890**

As at 31 December 2018, 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

	31.12.2018	31.12.2017
Current liabilities - effective part of the fair value of authorized cash flow hedging instruments	2 777	2 973

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

Year ended December 2018	Amount	Within 1 year	Within 2-5 years	More than 5 years
Financial assets				
Non-current financial assets	2 538		330	2 208
Trade receivables	194 281	194 281		
Current financial assets	362	362		
Current derivatives assets	202	202		
Cash and cash equivalents	26 591	26 591		
Financial liabilities				
Non-current financial liabilities	269 895		269 895	
Non-current derivatives liabilities	2 777		2 777	
Current financial liabilities	20 826	20 826		
Current derivatives liabilities	202	202		
Trade payables	266 575	266 575		

in thousand EUR

Year ended December 2017	Amount	Within 1 year	Within 2-5 years	More than 5 years
Financial assets				
Non-current financial assets	1 542		440	1 102
Trade receivables	184 836	184 836		
Current financial assets	469	469		
Current derivatives assets	68	68		
Cash and cash equivalents	13 012	13 012		
Financial liabilities				
Non-current financial liabilities	319 615		319 615	
Non-current derivatives liabilities	2 973		2 973	
Current financial liabilities	6 066	6 066		
Current derivatives liabilities	68	68		
Trade payables	224 319	224 319		

Sensitivity

As indicated above, the main risk area related to external variable elements is the cost of borrowing. Considering an average long-term debt of 290 million euros in 2018, a 0.5% variation of the floating rate would have a 0.5 million euros impact on financing costs. Considering an average long-term debt of 324 million euros in 2017, a 0.5% variation of the floating rate would have 0.7 million euros impact on financing costs.

Fair value of financial assets and liabilities

The table below is presented according to IFRS 9:

in thousand EUR

31.12.2018	Classification under IFRS 9 (1)	Book value	Estimated fair value	Level 1 and cash	Level 2	Level 3
Trade receivables	AC	**194 281**	**194 281**		**194 281**	
Financial assets		**7 259**	**7 259**		**7 259**	
Equity securities	FVR	6 897	6 897		6 897	
Financial assets at amortized cost	AC	362	362		362	
Cash and cash equivalents		**26 591**	**26 591**	**26 591**		
Cash	AC	6 700	6 700	6 700		
Cash equivalents	AC	19 891	19 891	19 891		
Trade payables	AC	**319 870**	**319 870**		**319 870**	
Financial liabilities	AC	**290 721**	**291 074**		**291 074**	
Derivatives (net amount) (2)		**2 777**	**2 777**		**2 777**	

(1) “AC” stands for “amortized cost”, “FVR” stands for fair value through profit or loss”.
(2) IFRS 9 classification for derivatives instruments depends on their hedging qualification

The table below is presented according to IAS 39:

in thousand EUR

31.12.2017	Classification under IFRS 9 [1]	Book value	Estimated fair value	Level 1 and cash	Level 2	Level 3
Trade receivables	L&R	184 836	184 836		184 836	
Financial assets		6 032	6 032		6 032	
Assets available for sale	AFS	5 563	5 563		5 563	
Held to maturity financial assets	HTM	469	469		469	
Cash and cash equivalents		13 012	13 012	13 012		
Cash	FVR	4 286	4 286	4 286		
Cash equivalents	L&R	8 726	8 726	8 726		
Trade payables	LAC	280 529	280 529		280 529	
Financial liabilities	AC	325 681	325 547		325 547	
Derivatives, net amount		2 973	2 973		2 973	

(1) “L&R” stands for “loans and receivables, “FVR” stands for “fair value through profit or loss”, “LAC” stands for “liabilities at amortized cost”, “AC” stands for “amortized cost”, “AFS” stands for “available for sale” and “HTM” stands for “held to maturity”.

The financial assets and liabilities measured at fair value in the statement of financial position have been classified based on the three hierarchy levels:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2: inputs that are observable for the asset or liability, either directly or indirectly;
- level 3: unobservable inputs for the asset or liability.

The fair value of investment securities uses a valuation technique determined according to the most appropriate financial criteria in each case (comparable transactions, multiples for comparable companies, shareholders’ agreement, discounted present value of future cash flows).

For financial assets at amortized cost, the Group considers that the carrying amount of cash and trade receivables provide a reasonable approximation of fair value, due to the high liquidity of these elements.

For financial liabilities at amortized cost, the fair value of financial liabilities is determined using the present value of estimated future cash flows, discounted using rates observed by the Group at the end of the period.

The Group considers the carrying value of trade payables to be a reasonable approximation of fair value, due to the high liquidity.

The fair value of derivatives is determined using the present value of estimated future cash flows, discounted using the interest rates observed by the Group at the end of the period.

Note 9: Shareholders’ equity

Share capital

No changes have been performed during the years 2017 and 2018.

	Share capital (in thousand EUR)	Number of ordinary shares (in units)
As at 1 January 2018	131 721	60 014 414
As at 31 December 2018	131 721	60 014 414

All ordinary shares are fully paid and have a par value of 2.195 euros. No changes occurred during 2018, the par value is the same for 2017 and 2018.

Dividends

The Orange Belgium Group policy is 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. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

Accordingly, the Board of Directors will propose the Annual General Meeting of Shareholders on 2 May 2019 to distribute a gross ordinary dividend of 0.50 euro per share for the financial year 2018. If approved, the gross ordinary dividend of 0.50 euro will be paid on 16 May 2019 (ex-dividend date 14 May 2019; record date 15 May 2019).

The Annual General Meeting of Shareholders approved on 2 May 2018 to distribute a gross ordinary dividend for the financial year 2017 of 0.50 euro per share. The gross ordinary dividend amounted to 30.0 million euro which has been paid on 16 May 2018.

Treasury shares

At 31 December 2018, the Group held no treasury shares. As at 31 December 2017, the Group held 141,500 treasury shares.

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	5 593	2 914	2 679	
Handsets purchases	146 183	146 143	40	
Other goods and services purchases	46 408	24 404	21 719	285
Investment commitments	128 573	112 917	15 656	
Operational activities commitments	**326 757**	**286 378**	**40 094**	**285**

Property lease commitments

in thousand EUR

	Discounted value of future lease payments	Minimum future lease payments
o/w technical activities	221 152	255 987
o/w shops / offices activities	75 484	78 721
Property lease commitments	**296 636**	**334 708**

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	334 708	40 285	37 429	32 429	27 051	23 738	173 776

Guarantees granted

in thousand EUR

	Total	Less than one year	From one to five years	More than five years
Guarantees granted	7 856	245	1 935	5 676

In 2018, guarantees granted relate 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 2018.

Note 11: (Non)-current provisions

in thousand EUR

	31.12.2017	Additions	Utilisations	Reversal	Other effect	31.12.2018
Provisions for dismantling	66 931	568	- 864		- 2 175	64 460
Provisions for litigations	4 644	1 040	- 1 551	- 952		3 181
Total provisions	71 575	1 608	- 2 415	- 952	- 2 175	67 641

in thousand EUR

	31.12.2016	Additions	Utilisations	Reversal	Other effect	31.12.2017
Provisions for dismantling	66 619	443		- 729	598	66 931
Provisions for litigations	4 954	1 147	- 229	- 1 228		4 644
Total provisions	71 573	1 590	- 229	- 1 957	598	71 575

Accruals for dismantling consist of current (1.2 million euros) and non-current provisions (63.2 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 ensures that the assumptions to quantify the provisions are valid.

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

Note 12: Related parties

Relationships with affiliated enterprises

Balance sheet and income statement

in thousand EUR

	31.12.2018	31.12.2017
ASSETS		
Current trade receivables	- 8 627	- 28 999
LIABILITIES		
Current interest-bearing loan	18 218	5 491
Non-current interest-bearing loan	270 000	320 000
Current trade payables	- 1 538	- 12 245
INCOME AND CHARGES		
Sales	43 738	32 282
Purchases	- 43 168	- 30 231
Interests	- 2 680	- 2 887

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

During the year, Orange Belgium S.A. repaid 50.0 million euros of the long term-debt related to the unsecured revolving credit facility with Atlas Services Belgium.

At year-end, the current account with Orange S.A. amounted to 18.3 million euros.

Related parties transactions

in thousand EUR

31.12.2018	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Orange - Traffic and services	32 444	- 32 772		
Orange - Cash pool		- 68	- 7 572	20 889
Orange Affiliates - Traffic and services	11 294	- 10 451	- 1 085	- 3 819
Atlas Services Belgium - Loan		- 2 557	30	269 610
Total	43 738	- 45 848	- 8 627	286 680

in thousand EUR

31.12.2017	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Orange - Traffic and services	22 150	- 22 583		
Orange - Cash pool		- 71	- 26 658	- 4 391
Orange Affiliates - Traffic and services	10 132	- 7 746	- 2 410	- 1 672
Atlas Services Belgium - Loan		- 2 718	69	319 309
Total	32 282	- 33 118	- 28 999	313 246

Terms and conditions of transactions with related parties

Terms and conditions for the sale and purchase of traffic and services, to the centralised treasury management agreement and to the revolving credit facility agreement are determined on an arm's length basis according to the normal market prices and conditions.

There are 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

	31.12.2018	31.12.2017
Short-term employees benefits	3 599	3 571
Post-employment benefits	483	385
Other long-term benefits	239	824
Termination benefits	173	548
Total	4 494	5 328

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

	31.12.2018	31.12.2017
Total Remuneration	292	291

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 the income statement during the period in which they are incurred.

When a business combination is achieved in stages, the previously held equity interest is re-measured at fair value at the acquisition date through profit or loss. The attributable other comprehensive income, if any, is recognised on the same basis as would be required if the previously held equity interests would have been disposed.

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. 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 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 accounted for in the income statement 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, 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

This asset category includes 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.
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 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.

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 expensed 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 ability 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.

The costs related to the installation & activation of the cable and that are directly attributable to bring the asset into working condition for its intended use, are recognized as an asset.

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 fiber 15 years
- Network equipment 5-10 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
- Cable equipment 3-4 years

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 de-recognition 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.

The Group is required to dismantle technical equipment and restore technical sites.

When the obligation arises, a dismantlement asset is recognized in compensation for the dismantling provision.

The provision is based on dismantling costs (on a per-site basis) incurred by the Group to meet its environmental commitments over the asset dismantling and site restoration planning. The provision is assessed on the basis of the identified costs for the current fiscal year, extrapolated for future years using the best estimate of the commitment settlement. This estimate is revised annually and adjusted where appropriate against the asset to which it relates. The provision is present-discounted.

In case of extinguishment of the obligation, the provision is reversed in compensation for the net carrying value of the dismantlement asset and of the net carrying value of the underlying assets if the dismantling asset is less than the reversal of the provision.

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 was adopted by the European Union in 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 2018 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 accessories.

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. The measurement of our inventories are determined by the weighted average method. The weighted average unit cost is the total amount that has been paid for the inventory divided by the number of units in the inventory. 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 are accounted for as a deduction from equity.

1.12. 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.

1.13. 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 and this for all scenarios. As a consequence, as of 31 December 2018 and 2017, no provision has been recognized.

1.14. 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.

1.15. Loyalty commissions

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

1.16. Financial discounts

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

1.17. 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.

1.18. 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. The Company believes that it only acquires the distribution right to air a certain channel and has no view or influence on future scheduling and content. As such, there is only a limited ability to predict significant audiences or revenues from future airings, which implies that the acquired TV distribution rights do not meet the requirements to be recognized as an intangible asset under IAS 38.

1.19 Segment reporting

Decisions on allocation of resources and operating segments' performance assessment of Group components are made by the Chief Executive Officer (main operational decision-maker) at operating segments' level, mainly composed by geographical locations. Thus, the operating segments are:

- Belgium; and
- Luxembourg.

The use of shared resources is taken into account in segmental results based either on contractual agreements terms between legal entities, or external benchmarks, or by allocating costs among all segments. The supply of shared resources is included in other revenues of the service provider, and the use of the resources is included in expenses taken into account for the calculation of the service user's EBITDA. The cost of shared resources may be affected by changes in contractual relationships or organization and may therefore impact the segment results disclosed from one year to another.

Adjusted EBITDA and reported EBITDA are operating performance indicators used by the Group:

- to manage and assess its operating and segment results; and
- to implement its investment and resource allocation strategy.

The Group's management believes that the presentation of these indicators is pertinent as it provides readers with the same management indicators as those used internally.

Reported EBITDA corresponds to operating income before depreciation and amortization, effects associated with takeovers, reversal of translation reserves of liquidated entities, impairment of goodwill and fixed assets and share of profits (losses) of associates and joint ventures.

Adjusted EBITDA corresponds to reported EBITDA, adjusted for significant litigation, specific labor expenses, review of the investments and business portfolio, restructuring and integration costs and, where appropriate, other specific elements.

This measurement indicator allows for the effects of certain specific factors to be isolated from reported EBITDA, irrespective of their recurrence and the type of income or expense, when they are linked to:

- Significant litigation: Associated procedures are based on third-party decisions (regulatory authority, court, etc.) and occurring over a different period to the activities at the source of the litigation. By their very nature, costs are difficult to predict in terms of their source, amount and period.
- Restructuring and integration costs: the adjustment of Group activities in line with changes in the business environment may also incur other types of transformation costs. These actions may have a negative effect on the period during which they are announced or implemented; for instance but not limited to, some of the transformation plans approved by the group.
- Where applicable, other specific elements that are systematically specified in relation to income and/or expenses.

Adjusted EBITDA and reported EBITDA are not financial aggregates as defined by IFRS and are not comparable to similarly titled indicators used by other groups. They are provided as additional information only and should not be considered as a substitute for operating income or cash flow provided by operating activities.

1.20. Financial instruments

Accounting policy as per IAS 39

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 significant held-to-maturity investments.

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.

Accounting policy as per IFRS 9

The new standard IFRS 9 "Financial instruments" is of mandatory application since January 1, 2018. The Group has elected not to restate the 2016 and 2017 comparative periods, as authorized by the standard.

This option led the Group to recognize the aggregate impact of restatements required by the standard in the Group opening Equity as of January 1, 2018. The effect on the consolidated statement of financial position due to the application of IFRS 9 is a 1.0 million euros decrease in retained earnings, fully counterbalanced with a decrease in trade receivables. Consequently, the deferred taxes were corrected with 0.3 million euros. For Orange Belgium, the effect of IFRS 9 was limited to the impairment of financial assets.

In terms of presentation it should be noted that impairment losses on trade receivables and contract assets (6.3 million euros in 2018 and 7.4 million euros in 2017) are now presented separately in the consolidated statement of comprehensive income.

IFRS 9 comprises three phases: classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement of financial assets and liabilities

The new classification proposed by IFRS 9 determines the way assets are recognized and measured. The financial asset classification depends on the combination of the following two criteria:

- the Group's business model for managing financial assets; and
- the contractual cash flow characteristics of the financial asset (whether or not solely payments of principal and interest).

Based on the combined analysis of these two criteria, IFRS 9 identifies three business models:

- financial assets measured at fair value through profit or loss;
- financial assets measured at fair value through other comprehensive income that may be reclassified (or not) to profit or loss;
- financial assets measured at amortized cost.

Assets previously classified as available-for-sale assets and held-to-maturity investments under IAS 39 are now presented in the following categories:

- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income;
- financial assets at fair value through other comprehensive income that may be reclassified to profit or loss; and
- financial assets at amortized cost.

The application of IFRS 9 has no impact on the Group's Accounting policy regarding financial liabilities.

Impairment of financial assets

IFRS 9 introduces a new expected loss model for impairment of financial assets. The new standard requires expected credit losses to be taken into account from the initial recognition of financial instruments. In addition to the existing provision system, the Group has elected to apply a simplified approach of anticipated impairment upon asset recognition.

Hedge accounting

The Group's hedging policy is not affected by the application of IFRS 9.

1.21 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group applied IFRS 15 retrospectively on 1 January 2016, meaning the restatement of 2016 and 2017 reported comparative periods. For this first application, the Group applied the following practical expedients:

- Regarding the Financial information -related to periods before the first application date- Orange Belgium did not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue.
- No restatements have been calculated for contracts that began and ended in the same period.

The application of IFRS 15 on ongoing contracts as of January 1, 2016 (first comparative period) increased net equity with 42.7 million euros. This impact is mainly the results of the recognition of contract assets.

IFRS 15 introduced a way of accounting focused on:

- identification of contracts, customers and contract modifications;
- identification of distinct performance obligations (from supplier), reference price (standalone selling prices), discreet to the continuous follow-up of transfer of control to customers; and
- determination of the transaction price (customer contract price) and allocation of total contract revenue to each performance obligation.

The main effects of the new methodology introduced by the application of IFRS 15 compared to former principles used are:

- Prior to the application of IFRS 15 and more specifically for the bundled contracts (goods and services), the handsets sold were accounted independently of the future services, which was in general equal to the amount received from the customer. Under IFRS 15, the contract's total revenue is reallocated to each element provided to the client, based on its standalone selling price. This change in accounting standard has mainly an effect on our bundled contract offers, including at least one element sold with a subsidy mechanism. Consequently, for these types of contracts, and compared to previously when the revenue recorded was equal to the billing, under IFRS 15 more equipment revenue will be recognized at the time of the handset sale and less service revenue will be recorded over the duration of the contract. However, over the contract period, the total revenue recognized remains the same. Due to this revenue allocation over time, an asset will be created at the moment of the handset sale and will be equal to the total contractual value minus the cash already received. Progressively with the invoicing of the service this asset will evolve to a customer receivable. IFRS 15 introduces thus a higher sensitivity of the total turnover to the sale of equipment and a certain seasonality effect between different quarters. Depending of the different markets, the effects of IFRS 15 on total revenues differs from revenues presented under IAS 18, related to the increase or decrease of the subsidized offers. Compared to IAS 18, IFRS 15 requires also new judgments and assumptions, notably for enforceable contract periods, total contract value and standalone selling prices.

- For our service offers requiring non generic equipment (Love offer requiring set-top box /modem) IFRS 15 did not change our historical analysis: this type of equipment is part of the network controlled by Orange and represents as such no distinct performance obligation (or rent).

- For our other service offers (not combined) to Consumers or Enterprises, the application of IFRS 15 did not require changes to our revenues, nor creation of assets or customer receivables or any other liabilities than those already reflected by IAS 18 and IAS 11.

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 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 for which collection is not considered probable

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

The following tables summarize the impact of adopting IFRS 15 on the Group's consolidated financial statements:

Consolidated statement of financial position December 31, 2017

in thousand EUR

	As previously reported	Adjustments	As restated
ASSETS			
Goodwill	66 438		66 438
Other intangible assets	303 971		303 971
Property, plant and equipment	809 934		809 934
Interests in associates and joint ventures	4 021		4 021
Non-current financial assets	1 542		1 542
Other non-current assets	729		729
Deferred tax assets	11 165	- 7 835	3 330
Total non-current assets	**1 197 800**	**- 7 835**	**1 189 965**
Inventories	24 930		24 930
Trade receivables	184 836		184 836
Current financial assets	469		469
Current derivatives assets	68		68
Other current assets	2 670		2 670
Operating taxes and levies receivables	1 370		1 370
Current tax assets	1		1
Prepaid expenses	11 003		11 003
Other Assets related to contracts with customers		69 779	69 779
Cash and cash equivalents	13 012		13 012
Total current assets	**238 359**	**69 779**	**308 138**
Total Assets	**1 436 159**	**61 944**	**1 498 103**
EQUITY AND LIABILITIES			
Share capital	131 721		131 721
Legal reserve	13 172		13 172
Retained earnings (excl. Legal reserve)	399 608	40 590	440 198
Treasury shares	- 2 476		- 2 476
Equity attributable to the owners of the parent	542 025	40 590	582 615
Total equity	**542 025**	**40 590**	**582 615**
Non-current financial liabilities	319 615		319 615
Non-current derivatives liabilities	2 973		2 973
Non-current employee benefits	274		274
Non-current provisions for dismantling	65 891		65 891
Other non-current liabilities	2 820		2 820
Deferred tax liabilities	2 374	8 400	10 774
Total non-current liabilities	**393 947**	**8 400**	**402 347**
Current financial liabilities	6 066		6 066
Current derivatives liabilities	68		68
Current fixed assets payable	56 210		56 210
Trade payables	212 562	11 757	224 319
Current employee benefits	30 017		30 017
Current provisions for dismantling	1 040		1 040
Current restructuring provisions	1 812		1 812
Other current liabilities	12 667		12 667
Operating taxes and levies payables	94 217		94 217
Current tax payables	23 259		23 259
Liabilities related to contracts with customers		61 253	61 253
Deferred income	62 269	- 60 056	2 213
Total current liabilities	**500 187**	**12 954**	**513 141**
Total Equity and Liabilities	**1 436 159**	**61 944**	**1 498 103**

Consolidated statement of financial position December 31, 2016

in thousand EUR

	As previously reported	Adjustments	As restated
ASSETS			
Goodwill	80 080		80 080
Other intangible assets	320 789		320 789
Property, plant and equipment	829 971		829 971
Interests in associates and joint ventures	3 722		3 722
Non-current financial assets	2 024		2 024
Other non-current assets	255		255
Deferred tax assets	12 263	- 8 394	3 869
Total non-current assets	**1 249 104**	**- 8 394**	**1 240 710**
Inventories	30 632		30 632
Trade receivables	175 677		175 677
Current financial assets	452		452
Current derivatives assets	3 131		3 131
Other current assets	994		994
Operating taxes and levies receivables	652		652
Prepaid expenses	12 131		12 131
Other Assets related to contracts with customers		75 830	75 830
Cash and cash equivalents	51 444		51 444
Total current assets	**275 113**	**75 830**	**350 943**
Total Assets	**1 524 217**	**67 436**	**1 591 653**
EQUITY AND LIABILITIES			
Share capital	131 721		131 721
Legal reserve	13 172		13 172
Retained earnings (excl. Legal reserve)	387 804	42 661	430 465
Treasury shares	- 279		- 279
Equity attributable to the owners of the parent	**532 418**	**42 661**	**575 079**
Total equity	**532 418**	**42 661**	**575 079**
Non-current financial liabilities	389 043		389 043
Non-current derivatives liabilities	4 659		4 659
Non-current employee benefits	638		638
Non-current provisions for dismantling	65 596		65 596
Other non-current liabilities	3 759		3 759
Deferred tax liabilities	1 687	12 299	13 986
Total non-current liabilities	**465 382**	**12 299**	**477 681**
Current financial liabilities	236		236
Current derivatives liabilities	3 131		3 131
Current fixed assets payable	68 757		68 757
Trade payables	167 695	10 910	178 605
Current employee benefits	31 788		31 788
Current provisions for dismantling	1 023		1 023
Current restructuring provisions	16 772		16 772
Other current liabilities	11 409		11 409
Operating taxes and levies payables	110 000		110 000
Current tax payables	56 923		56 923
Liabilities related to contracts with customers		57 639	57 639
Deferred income	58 683	- 56 073	2 610
Total current liabilities	**526 417**	**12 476**	**538 893**
Total Equity and Liabilities	**1 524 217**	**67 436**	**1 591 653**

Consolidated statement of comprehensive income

in thousand EUR

	IAS 18 31.12.2017	IFRS15 31.12.2017	Variation	IAS 18 31.12.2018	IFRS15 31.12.2018	Variation
Retail service revenues						
Convergent service revenues	51 775	48 859	- 2 916	111 976	106 297	- 5 679
Mobile only services revenues	675 263	615 514	- 59 749	668 762	616 242	- 52 520
Fixed only service revenues	41 095	41 095		41 341	41 341	
IT & Integration Service	3 496	3 496		4 502	4 503	
Equipment sales	67 573	125 374	57 801	70 313	124 997	54 684
Wholesale revenues	350 698	350 698		329 178	329 179	
Other revenues	61 315	61 315		57 244	57 244	
Revenues	**1 251 215**	**1 246 351**	**- 4 864**	**1 283 316**	**1 279 803**	**- 3 513**
Direct costs	**- 565 772**	**- 567 324**	**- 1 552**	**- 592 207**	**- 593 015**	**- 808**
Indirect costs	**- 383 262**	**- 383 262**		**- 400 655**	**- 400 655**	
Adjusted EBITDA	**302 181**	**295 765**	**- 6 416**	**290 454**	**286 133**	**- 4 321**
Adjustments	9 823	9 823		- 7 577	- 7 577	
Depreciation, Amortization & other	- 247 582	- 247 582		- 235 400	- 235 400	
Operation Profit	**64 422**	**58 006**	**- 6 416**	**47 477**	**43 156**	**- 4 321**
Financial Result	- 4 880	- 4 880		- 4 855	- 4 855	
Tax Expense	- 18 590	- 14 131	4 459	- 8 213	- 5 870	2 343
Net Profit	**40 952**	**38 995**	**- 1 957**	**34 409**	**32 431**	**- 1 978**

Consolidated statement of cash flow

in thousand EUR

31.12.2017	Historical data	IFRS 15 application effect	Restated data from IFRS 15
Consolidated net income	40 952	- 1 957	38 995
Non-monetary items and reclassified for presentation			
Change in provision	- 17 826	- 109	- 17 935
Income tax	18 590	- 4 459	14 131
Impairment loss on trade and other receivables, including contract assets		7 382	7 382
Changes in working capital			
Decrease (increase) in trade receivables	- 7 173	- 7 382	- 14 555
Increase (decrease) in trade payables	44 513	734	45 247
Changes in other customer contract assets and liabilities		9 774	9 774
Changes in other assets and liabilities	3 709	- 3 983	- 274
Net cash provided by operating activities (a)	**266 836**		**266 836**
Net cash used in investing activities (b)	**- 208 924**		**- 208 924**
Net cash used in financing activities (c)	**- 96 344**		**- 96 344**
Net change in cash and cash equivalents (a) + (b) + (c)	**- 38 432**		**- 38 432**

Customer contract net assets and liabilities

in thousand EUR

	December 31, 2018	December 31, 2017
Customer contract net assets (1)	46 432	50 149
Costs of obtaining a contract	15 395	19 630
Total customer contract net assets	**61 827**	**69 779**
Prepaid telephone cards	- 19 522	- 20 527
Connection fees	- 340	- 437
Other deferred revenue (2)	- 38 589	- 39 091
Other customer contract liabilities	- 964	- 1 198
Total deferred revenue related to customer contracts	**- 59 415**	**- 61 253**
Total customer contract net assets and liabilities	**2 412**	**8 526**

(1) Assets net of remaining performance obligations, (2) Includes subscription fees

The following tables give an analysis of the balances of customer contract net assets and the costs of acquiring and fulfilling them in the financial statements.

in thousand EUR

	2018	2017
Customer contract net assets - in the opening balance	50 149	55 273
Business related variations (1)	- 3 717	- 5 124
Changes in the scope of consolidation		
Translation adjustment		
Reclassifications and other items		
Reclassification to assets held for sale		
Customer contract net assets - in the closing balance	46 432	50 153

(1) Mainly includes the new customer contract assets net of related liabilities, the transfer of the net contract assets directly to trade receivables and impairment of the period.

Below is presented the change in deferred income on customer contracts (prepaid telephone cards, service access fees and other unearned income) in the statement of financial position.

in thousand EUR

	2018	2017
Deferred revenue related to customer contracts - in the opening balance	61 253	57 639
Business related variations	- 1 838	3 614
Changes in the scope of consolidation		
Translation adjustment		
Reclassifications and other items		
Reclassification to assets held for sale		
Deferred revenue related to customer contracts - in the closing balance	59 415	61 253

Trade receivables presented in the consolidated statement of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

By contrast, contract assets mainly refer to amounts allocated per IFRS 15 as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other services or goods under that same contract (or group of contracts). This is the case in a bundled offer combining the sale of a mobile phone and mobile communication services for a fixed-period, where the mobile phone is invoiced at a reduced price leading to the reallocation of a portion of amounts invoiced for telephone communication services to the supply of the mobile phone. The excess of the amount allocated to the mobile phone over the price invoiced is recognized as a contract asset and transferred to trade receivables as the service is invoiced.

Contract assets, like trade receivables, are subject to impairment for credit risk. The recoverability of contract assets is also verified, especially to cover the risk of impairment should the contract be interrupted. Recoverability may also be impacted by a change in the legal environment governing offers.

Contract liabilities represent amounts paid by customers to Orange before receiving the goods and/or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced and paid for goods or services not transferred yet, such as contracts payable in advance or prepaid packages (previously recognized in deferred income).
Customer contract assets and liabilities are presented, respectively, in current assets and current liabilities since they are a normal part of the Group's operations.

in thousand EUR

	2018	2017
Costs of obtaining a contract - in the opening balance	**19 630**	**20 557**
Business related variations	- 4 235	- 927
Changes in the scope of consolidation		
Translation adjustment		
Reclassifications and other items		
Reclassification to assets held for sale		
Costs of obtaining a contract - in the closing balance	15 395	19 630

Where a telecommunications service contract is signed via a third-party distributor, this distributor may receive business provider remuneration, generally paid in the form of a commission for each contract or invoice-indexed commission. Where the commission is incremental and would not have been paid in the absence of the contract, the commission cost is estimated and capitalized in the balance sheet. It should be noted that the Group has adopted the simplification measure authorized by IFRS 15 to recognize the costs of obtaining contracts as an expense when they are incurred if the amortization period of the asset, it would have recognized in respect of them, would not have exceeded a year.

The costs of obtaining fixed-period mobile service contracts are capitalized and released to profit or loss on a straight-line over the enforceable contract term, as these costs are generally incurred each time the customer renews the fixed-period.

The following table presents the transaction price assigned to unfulfilled performance obligations as at December 31, 2018. Unfulfilled performance obligations are the services that the Group is obliged to provide to customers during the remaining fixed term of the contract. As allowed by the simplification method procedure in IFRS 15, these disclosures are only related to performance obligations with an internal term greater than one year.

in thousand EUR

		Total 2018
Less than one year	Y01	62 797
Between 1 and 2 years	Y02	24 140
Between 2 and 3 years	Y03	241
Between 3 and 4 years	Y04	19
Between 4 and 5 years	Y05	
More than 5 years	Y99	
Total		**87 198**

On the allocation of the total contract transaction price to identified performance obligations, a portion of the total transaction price can be allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. We have elected to apply certain available practical expedients when disclosing unfulfilled performance obligations, including the option to exclude expected revenues from unsatisfied obligations of contracts with an original expected duration of one year or less. These contracts are primarily monthly service contracts.

In addition, certain contracts offer customers the ability to purchase additional services. These additional services are not included in the transaction price and are recognized when the customer exercises the option (generally on a monthly basis). They are not therefore included in unfulfilled performance obligations.

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 2018 financial statements, are listed below. The Group has elected not to adopt any standards or interpretations in advance of their effective dates. None of those new or amended standards and interpretations are expected to have a material impact on the Group's consolidated financial statements with exception of IFRS 16 which has been discussed in Note 1.

- Annual improvements to IFRS Standards 2015-2017 Cycle (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)
- Amendments to references to the Conceptual Framework in IFRS standards (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Amendments to IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (applicable for annual periods beginning on or after 1 January 2019)
- 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 1 and IAS 8 Definition of Material (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 28 Long term interests in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (applicable for annual periods beginning on or after 1 January 2019)

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.

It should be however noted that on 1 January 2019, the BIPT's decision on fixed termination rate which lowers tariffs from €0.007/min to €0.0016/min entered into force. 3Starsnet, a fixed operator, has filed an appeal to the BIPT's decision.

Orange Belgium S.A. annual accounts 2018

Comments on Orange Belgium S.A.'s 2018 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).

Balance sheet after appropriation

in thousand EUR

	31.12.2018	31.12.2017
ASSETS		
Formation expenses	390	691
Fixed assets	1 078 377	1 124 847
Intangible fixed assets	250 664	279 172
Tangible fixed assets	739 723	762 686
Land and buildings	342 539	352 328
Plant, machinery and equipment	317 052	338 274
Furniture and vehicles	17 770	24 143
Other tangible fixed assets	8 461	9 320
Tangible assets under construction and advance payments made	53 901	38 621
Financial fixed assets	87 990	82 989
Affiliated enterprises	79 633	77 220
Participating interests	74 221	71 809
Amounts receivable	5 412	5 411
Other enterprises linked by participating interests	7 115	5 207
Participating interests	7 115	5 207
Other financial assets	1 243	562
Amounts receivable and cash guarantees	1 243	562
Current assets	246 206	240 384
Amounts receivable after more than one year	331	534
Other amounts receivable	331	534
Stocks and contracts in progress	23 228	19 192
Stocks	23 228	19 192
Goods purchased for resale	23 228	19 192
Amounts receivable within one year	208 660	206 176
Trade debtors	189 699	195 363
Other amounts receivable	18 961	10 813
Current investments	6 900	6 830
Own shares	0	2 476
Other investments and deposits	6 900	4 354
Cash at bank and in hand	1 346	553
Deferred charges and accrued income	5 741	7 099
Total Assets	1 324 973	1 365 922

in thousand EUR

	31.12.2018	31.12.2017
EQUITY AND LIABILITIES		
Equity	526 848	517 655
Capital	131 721	131 721
Issued capital	131 721	131 721
Reserves	13 172	15 648
Legal reserve	13 172	13 172
Reserves not available	0	2 476
In respect of own shares held	0	2 476
Accumulated profits (losses) (+) (-)	381 956	370 279
Investment grants	0	7
Provisions and deferred taxes	3 332	4 886
Provisions for liabilities and charges	3 332	4 886
Pensions and similar obligations	305	818
Other risks and costs	3 027	4 068
Amounts payable	794 792	843 381
Amounts payable after more than one year	271 793	324 466
Financial debts	270 000	320 000
Other loans	270 000	320 000
Other amounts payable	1 793	4 466
Amounts payable within one year	462 328	456 540
Financial debts	22 596	8 061
Credit institutions	2 500	0
Other loans	20 096	8 061
Trade debts	303 407	287 812
Suppliers	303 382	287 812
Bills of exchange payable	25	0
Taxes, remuneration and social security	102 837	125 789
Taxes	75 274	99 479
Remuneration and social security	27 563	26 310
Other amounts payable	33 488	34 878
Accrued charges and deferred income	60 672	62 375
Total Equity and Liabilities	1 324 973	1 365 922

Income statement

in thousand EUR

	31.12.2018	31.12.2017
Operating income	**1 259 363**	**1 228 888**
Turnover	1 217 821	1 180 536
Own construction capitalized	9 485	10 221
Other operating income	31 695	38 131
Non-recurring operating income	362	0
Operating charges	**1 210 306**	**1 142 306**
Raw materials, consumables	630 357	596 011
Purchases	634 606	588 522
Stocks: decrease (increase) (+) (-)	- 4 249	7 489
Services and other goods	214 174	201 613
Remuneration, social security costs and pensions	132 593	128 214
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	222 593	216 051
Amounts written off stocks, contracts in progress and trade debtors: appropriations (write-backs) (+) (-)	- 17 721	- 13 566
Provisions for risks and charges: appropriations (uses and write-backs) (+) (-)	- 1 554	119
Other operating charges	29 771	13 864
Non-recurring operating charges	93	0
Operating profit (loss) (+) (-)	**49 057**	**86 582**
Financial income	2 700	500
Recurring financial income	2 700	500
Income from financial fixed assets	2 526	0
Income from current assets	72	207
Other financial income	102	293
Non-recurring financial income	0	0
Financial charges	5 403	37 514
Recurring financial charges	5 403	5 498
Debt charges	4 202	4 553
Other financial charges	1 201	945
Non-recurring financial charges	0	32 016
Profit (loss) for the period before taxes (+) (-)	**46 355**	**49 568**
Income taxes (+) (-)	6 819	17 741
Income taxes	13 623	29 540
Adjustment of income taxes and write-backs of tax provisions	6 804	11 799
Profit (loss) for the period (+) (-)	39 536	31 827
Profit (loss) for the period available for appropriation (+) (-)	**39 536**	**31 827**

Appropriations and withdrawings

in thousand EUR

	31.12.2018	31.12.2017
Profit (loss) to be appropriated (+) (-)	**409 815**	**402 810**
Profit (loss) to be appropriated (+) (-)	39 536	31 827
Profit (loss) to be carried forward (+) (-)	370 279	370 983
Transfers from capital and reserves	**2 476**	**279**
From reserves	2 476	279
Transfers to capital and reserves	**0**	**2 476**
To other reserves	0	2 476
Profit (loss) to be carried forward (+) (-)	**381 956**	**370 279**
Profit to be distributed	**30 336**	**30 334**
Dividends	30 007	30 007
Other beneficiaries	328	327

Corporate Governance Statement

1. Introduction

Orange Belgium attaches significant importance to a proper governance. The company has adopted the Belgian Corporate Governance Code of 12 March 2009 as its reference code.

This code was 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. It is also available online (http://www.corporategovernancecommittee.be).

The Board of Directors approved the updated Corporate Governance Charter on 19 July 2018. This version of the Charter was implemented on 1 September 2018. It is available on Orange Belgium's website (https://corporate.orange.be/en/financial-information/corporate-governance). The document describes the main aspects of the company's corporate governance, including its governance structure and the internal rules of the Board of Directors, the Executive Committee, and other committees set up by the Board of Directors.

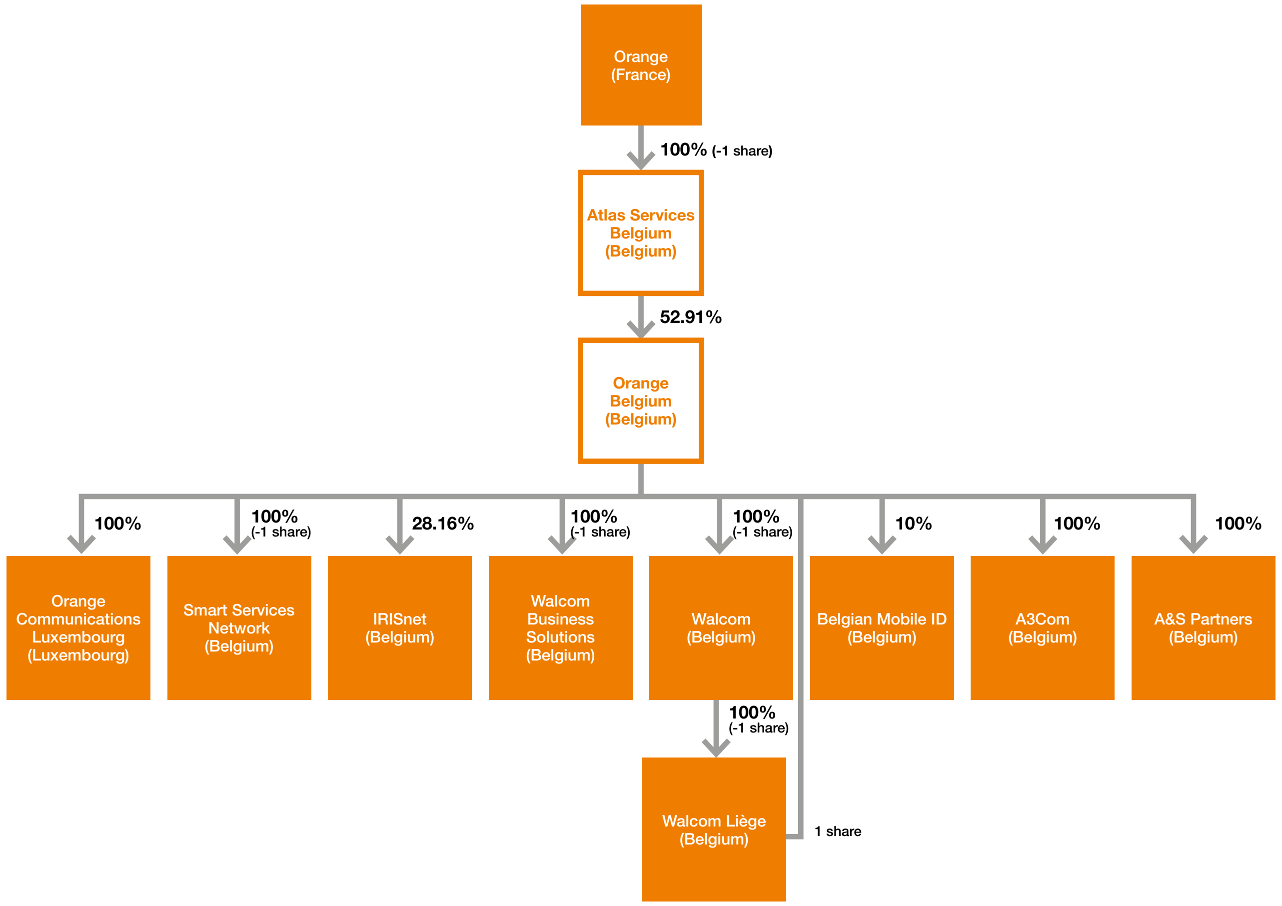
The Company considers that its Corporate Governance Charter as well as this Corporate Governance Statement reflect both the spirit and the provisions of the Belgian Corporate Governance Code and the relevant provisions of the Belgian Companies Code.

2. Law on takeover bids

On 24 August 2009, Orange Belgium received a notification from its ultimate parent company 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 ownership of Orange Belgium. As at 24 August 2009, Orange S.A. held indirectly 31,753,100 Orange Belgium shares.

The chain of control was reconfirmed on 1 July 2013 after an internal restructuring of the Orange Group. The organisation chart below illustrates Orange Belgium's corporate structure as at 31 December 2018:



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

As at 31 December 2018, Orange Belgium's shareholder structure was as follows:

Shareholders	Shareholding	Number of shares
Atlas Services Belgium	52.91%	31,753,100
Schroders	5.17%	3,105,040
Boussard & Gavaudan Asset Management	3.02%	1,810,714
Other	38.90%	23,345,560
TOTAL	100%	60,014,414

Atlas Services Belgium S.A. – an Orange S.A. wholly-owned subsidiary – is Orange Belgium's main shareholder through its 52.91% stake.

Transfer of shares & shareholder arrangements

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 sets notification thresholds at 3%, 5% and multiples of 5%. In April 2018, Norges Bank's stake in Orange Belgium decreased below the 3% threshold.

Restrictions on the exercise of voting rights

All the shares issued by the company are ordinary shares. There are no other specific categories of shares. All shares carry the same rights with no exceptions. There is no legal or statutory limitation to the exercise of the voting rights attached to the shares of the company.

Appointment, renewal, resignation and dismissal of Directors

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.

Orange Belgium's articles of association may be modified in accordance with the relevant provisions of the Belgian Companies Code.

Powers of the Board of Directors, in particular to issue and buy back shares

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 Shareholders' Meeting held on 7 May 2014, shareholders authorised the Board of Directors to acquire (by purchase or exchange) up to a maximum of 20% of its outstanding shares. This authorization is valid for a period of five years from the said General Shareholders' Meeting. The shares' acquisition price must not be higher than 115% nor lower than 85% of Orange Belgium's average closing share price during the five working days preceding the purchase. 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 given the Board of Directors the authority 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.

The renewal of this authorization will be proposed during the General Shareholders' Meeting of 2019.

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

Orange Belgium's corporate governance charter defines the role, functioning, size, composition, training, and evaluation of the Board of Directors.

Board of Directors

Structure and composition

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. 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.

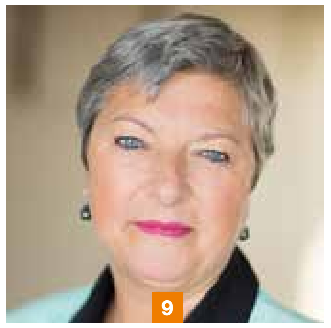
On 31 December 2018, the Board of Directors consisted of twelve members of which one executive director and eleven non-executive directors. Four non-executive directors are independent directors. One third of directors are women. There is no age limit within the Board of Directors.

Three directors resigned on 19 July 2018 and were replaced on the same date. Mr Ramon Fernandez replaced Mr Gervais Pellissier. Mrs Valérie Le Boulanger replaced Mr Jérôme Barré. Mr Jean-Marc Vignolles replaced Mr Patrice Lambert-de Diesbach de Belleroche. Their appointments need to be ratified at the General Shareholders' Meeting of 2019.

Name	Function	Main function	Born	Nationality	End of mandate
The House of Value - Advisory & Solutions (3)(8)	Director/ Chairman	Director of companies	NA	Belgian	AGM 2021
Michaël Trabbia (1)(2)	Executive director	CEO - Orange Belgium	1976	French	AGM 2021
K2A Management and Investment Services (3)(9)	Independent director	Director of companies	NA	Belgian	AGM 2021
Société de Conseil en Gestion et Stratégie d'Entreprises (3)(4)	Independent director/ Vice-Chairman	Director of companies	NA	Belgian	AGM 2021
Martine De Rouck (3)	Independent director	Director of companies	1956	Belgian	AGM 2021
Leadership and Manangement Advisory Services (LMAS)(3)(5)	Independent director	Director of companies	NA	Belgian	AGM 2021
Francis Gelibter (1)	Director	Head of Finance & Strategy Europe - Orange SA	1958	French	AGM 2021
Béatrice Mandine (1)	Director	Head of Communication and Brand - Orange SA	1968	French	AGM 2021
Christophe Naulleau (1)	Director	Senior VP Europe / Countries Governance - Orange SA	1960	French	AGM 2021
Jean-Marc Vignolles (1)(6)	Director	COO Europe - Orange SA	1953	French	AGM 2021
Valérie Le Boulanger (1)(7)	Director	Head of HR - Orange SA	1962	French	AGM 2021
Ramon Fernandez (1)(10)	Director	Deputy CEO / CFO - Orange SA	1967	French	AGM 2021

(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) Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA) is represented by Ms Nadine Lemaître-Rozencweig.
(5) Leadership and Management Advisory Services (LMAS) is represented by Mr Grégoire Dallemagne.
(6) The mandate of Mr Jean-Marc Vignolles who was coopted with effect from 19 July 2018 will be confirmed during the Annual General Meeting of 2 May 2019. He replaces Mr Patrice Lambert de Diesbach.
(7) The mandate of Ms Valérie Le Boulanger – who was coopted with effect from 19 July 2018 – will be confirmed during the Annual General Meeting of 2 May 2019. She replaces Mr Jérôme Barré.
(8) The House of Value - Advisory & Solutions is represented by Mr Johan Deschuyffeleer.
(9) K2A Management and Investment Services is represented by Mr Wilfried Verstraete.
(10) The mandate of Mr Ramon Fernandez – who was coopted with effect from 19 July 2018 – will be confirmed during the Annual General Meeting of 2 May 2019. He replaces Mr Gervais Pellissier.

1. J. Deschuyffeleer
2. M. Trabbia
3. W. Verstraete
4. N. Lemaître-Rozencweig
5. F. Gelibter
6. B. Mandine
7. Ch. Naulleau
8. JM. Vignolles
9. V. Le Boulanger
10. R. Fernandez
11. M. De Rouck
12. G. Dallemagne



Role and function

The Board of Directors meets at least four times a year. Prior to each meeting, the Executive Committee systematically provides the Directors a file containing all necessary information with a view on the deliberation of the subjects mentioned in the agenda. The Articles of Association stipulate that Board of Directors resolutions are taken by a simple majority.

During the year, the Board of Directors' discussions, reviews and decisions focused on the company's strategy and structure, budget and financing, operating and financial situation, commercial results, 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, branding and communication, network licences and spectrum requirements.

The Board of Directors met ten times in 2018. Each director's attendance is shown the table below.

Members of the Board of Directors	Function	08.01	06.02	22.03	19.04	31.05	19.07	23.10	13.11	06.12	21.12
The House of Value - Advisory & Solutions (Johan Deschuyffeleer)	Director/ Chairman	P	P	P	P	P	P	P	P	P	P
Christophe Naulleau	Director	P	P	P	P	P	P	P	P	P	P
Francis Gelibter	Director	P	P	P	P	P	P	P	P	P	P
Valérie Le Boulanger	Director	NA	NA	NA	NA	NA	P	P	R	P	R
K2A Management and Investment Services (Wilfried Verstraete)	Independent director	P	P	P	P	R	P	P	P	P	P
SOGESTRA (Nadine Lemaître-Rozencweig)	Independent director/ Vice-Chairman	P	P	P	P	P	P	E	P	P	P
Michaël Trabbia	Director	P	P	P	P	P	P	P	P	P	P
Béatrice Mandine	Director	P	P	P	P	P	P	P	R	P	P
Martine De Rouck	Independent director	P	P	P	P	P	P	P	P	P	P
Jean-Marc Vignolles	Director	NA	NA	NA	NA	NA	P	P	P	P	P
Leadership and Management Advisory Services (Grégoire Dallemagne)	Independent director	P	P	P	P	R	P	P	R	R	R
Ramon Fernandez	Director	NA	NA	NA	NA	NA	P	P	P	P	P
Patrice Lambert-de Diesbach	Director	P	P	P	R	R	NA	NA	NA	NA	NA
Jérôme Barré	Director	R	P	P	P	P	NA	NA	NA	NA	NA
Gervais Pellissier	Director	P	P	P	P	P	NA	NA	NA	NA	NA

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

There were no transactions or contractual relationships in 2018 between the Group and its Board members giving rise to conflicts of interests.

Board Committees

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

The Audit committee

The Audit committee comprises three directors: Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Mrs Nadine Lemaître-Rozencweig), Mrs Martine De Rouck and Mr Francis Gelibter. The Audit Committee met five times in 2018. The committee complies with the Belgian Companies Code which requires members to be exclusively non-executive directors and at least one independent director (Mrs Nadine Lemaître-Rozencweig and Mrs Martine De Rouck).

The Audit Committee's role is to assist the Board of Directors, among others, in its responsibilities with respect to the:

- monitoring of the reporting process of disclosed financial information
- monitoring of the effectiveness of the internal control and risk management systems
- monitoring of internal audit and its effectiveness
- monitoring of the statutory audit of the financial reports
- monitoring of the financial relations between the company and its shareholders
- review and monitoring of the independence of the external auditor
- review of the budget proposals presented by the management

The main subjects discussed were:

- the annual assessment of the Committee's functioning;
- the periodical financial, budget and activity reports;
- internal control, including qualitative aspects;
- internal audit (plan, activities, reports and conclusions);
- the evaluation of the external audit and report of the statutory auditor;
- risk management (cartography of important risks and events);
- annual report on "Fraud & Revenue Assurance";
- the sourcing process;
- GDPR and data security;
- the annual report on ethics, compliance and litigation;
- the annual report concerning the main disputes.

Members of the Audit Committee	Function	05.02	18.04	18.07	22.10	05.12
SOGESTRA (Nadine Lemaître-Rozencweig)	Independent director/ Chairman	P	P	P	E	P
Francis Gelibter	Director	P	P	P	P	P
Martine De Rouck	Independent director	P	P	P	P	P

P: participated (in person or by call), E: excused

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises three directors: Mrs Valérie Le Boulanger (Chairman) replaced Mr Jérôme Barré whose mandate ended on 19 July 2018; Mrs Martine De Rouck; Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Mrs Nadine Lemaître-Rozencweig). The committee complies with the Belgian Companies Code which requires members to be exclusively non-executive directors and at least one independent director (Mrs Nadine Lemaître-Rozencweig and Mrs Martine De Rouck).

The Remuneration and Nomination Committee's role is to assist the Board of Directors in setting Orange Belgium's Executive Committee remuneration and presenting candidates for nomination or re-elections on the Board of Directors.

The Remuneration and Nomination Committee met five times during 2018 and examined: the composition of the Board of Directors and the Executive Committee; remuneration of the Directors and the Executive Committee remuneration as well as the Company's remuneration policy.

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

Members of the Remuneration and Nomination Committee	Function	05.02	31.05	18.07	07.09	08.11
Jérôme Barré	Director/ Chairman	P	P	P	NA	NA
Valérie Le Boulanger	Director/ Chairman	NA	NA	NA	P	P
SOGESTRA (Nadine Lemaître-Rozencweig)	Independent director	P	P	P	R	P
Martine De Rouck	Independent director	P	P	P	P	P

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

The Strategic Committee

The role of the Strategic Committee is to assist the Board of Directors with setting and assessing the company's strategy. The Strategic Committee comprises five directors: The House of Value – Advisory & Solutions represented by Mr Johan Deschuyffeleer, Leadership and Management Advisory Services represented by Mr Grégoire Dallemagne, Mr Christophe Naulleau, K2A Management and Investment Services represented by Wilfried Verstraete) and Mr Jean-Marc Vignolles who replaced Mr Gervais Pellissier whose mandate ended on 19 July 2018.

In 2018, the Strategic Committee met three 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 digital transformation strategy;
- the trends of the market and the positioning of the company;
- the main disputes.

Members of the Strategic Committee	Function	22.03	13.06	13.11
Leadership and Management Advisory Services (Grégoire Dallemagne)	Independent director/ Chairman	P	P	P
The House of Value - Advisory & Solutions (Johan Deschuyffeleer)	Independent director	P	P	P
Christophe Naulleau	Director	P	P	P
K2A Management and Investment Services (Wilfried Verstraete)	Independent director	P	E	P
Gervais Pellissier	Director	P	E	NA
Jean-Marc Vignolles	Director	NA	NA	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 following the publication of the first Corporate Governance Code. The committee's purpose is to follow the code's evolution and to ensure its application within the company.

The Governance Supervisory Committee comprises three directors: Mr Christophe Naulleau, Mrs Martine De Rouck and Société de Conseil en Gestion et Stratégie d'Entreprises (represented by Mrs Nadine Lemaître-Rozencweig).

The Governance Supervisory Committee met once during the year and discussed: evolutions in corporate governance, the evaluation of the Board of Directors, the follow-up on the rebranding's KPIs and diversity within the Board of Directors.

Members of the Governance Supervisory Committee	Function	6.12
Martine De Rouck	Independent director/ Chairman	P
SOGESTRA (Nadine Lemaître-Rozencweig)	Independent director	P
Christophe Naulleau	Director	P

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

5. Diversity policy

The composition of the Board of Directors and the Executive Committee are determined on the basis of diverse and complementary competencies, experience and knowledge. Gender diversity and diversity in general are also taken into consideration.

Orange Belgium values diversity and is implementing various criteria in the selection processes to account for age, gender, educational background as well as professional experience.

With respect to gender diversity, when a Directorship is available, the Company makes the best effort to present candidates of both genders to ensure that at least one-third of the Board members are of different gender than the other members.

Following the appointment of a female director during 2018, the Board of Directors currently has four female directors out of a total of 12.

In the framework of the legislation regarding the publication of information with respect to diversity (Law of 3 September 2017), the Company's diversity policy will be further developed and monitored by the Board of Directors.

During the year, Orange Belgium further aligned its diversity approach with Orange S.A.'s approach and defined a dashboard to monitor progress.

The Orange Group diversity policy aims at fostering talents and encouraging the inclusion of all employees based on two pillars: gender equality and equal opportunities. In this frame, Orange Belgium focuses on developing all available talents for a unique experience by:

- Creating a common culture through our Principles of Action, our Leadershift and Orange in Touch programs;
- Offering a diverse and inclusive work environment that encourages all our employees to progress and to develop their talents for a unique experience;
- Focusing on diversity in the broad sense: promote team diversity;
- Ensuring well-feeling as a key component of our equity and inclusion strategy.

As an example, in 2018, Orange Belgium Group launched the Young Potential Boost Camp to foster young women in the ICT. The programme facilitates the exchange of views between mentors and mentees on how to build an ICT career as a woman.

6. Composition and operation of the Executive Committee

The Executive Committee meets, in principle, on a weekly basis to assist the CEO in his responsibilities regarding daily management. Each Executive Committee member, except the CEO, heads a department in the organization.

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.

As at 31 December 2018, the Executive Committee was composed of the following nine members.

Mr Michaël Trabbia is CEO since 1 September 2016. He joined from Orange S.A. where he was Senior Vice President for Corporate Public Affairs (2011-2014) and then Chief of staff and Secretary of the Group's Executive Committee (2014-2016). Prior to Orange S.A., Michaël had distinguished career in the public and private sector. He started his career at the ARCEP – the French telecom regulator – where he was responsible for the attribution and regulation of mobile licenses. He was also an advisor to several French cabinet Ministers. At TDF Group, Michaël was the Head of Strategy and Development. He is a graduate of École Polytechnique and Télécom ParisTech.

Mr Arnaud Castille joined Orange Belgium as Chief Financial Officer on 1 December 2016. He was previously Head of Mergers & Acquisitions (2013-2016) at Orange S.A. where he lead the acquisition of Jazztel in Spain, the disposal of EE to BT and the acquisition of Groupama bank. Prior to Orange S.A., Arnaud held senior leadership roles at Vivendi. Between 2006 and 2012, he was CFO and Director of Maroc Telecom (then a Vivendi subsidiary). Following the disposal of Maroc Telecom, Arnaud was appointed Vivendi's Senior Vice President of Strategy and Development. He is a graduate of the Université de Paris-Dauphine and holds an IEP Certificate from INSEAD.

Mr Paul-Marie Dessart is Orange Belgium's Corporate Secretary since 2005. He is responsible for a range of Corporate functions including Legal, Regulatory, Public and Corporate Affairs and Compliance and Security. Paul-Marie joined the company in 2001 as General Counsel, Head of Legal and Regulatory. Prior to that, he worked at Banque Bruxelles Lambert in London and as a lawyer at Sabena. Paul-Marie is a law graduate from the University of Liège. He also has a degree in taxation and finance at the University of Ghent ("Getuigschrift RUG").

Mrs Cristina Zanchi is Chief Consumer Officer since December 2013. She joined the company in 2010 as the Customer Relationship Officer. Prior to Orange Belgium, Cristina was a Director of Marketing & Strategy – Payment & Loyalty at Shell (2006-2010). Cristina started her career at KLM in 1989 and held various roles in distribution, marketing and alliance management. In 2002, she was appointed Air France-KLM's Loyalty & CRM Director. Cristina is a graduate of the University of Milan where she pursued a Master's degree in Economics and European Law. She also studied General Management at the London Business School.

Mr Werner De Laet was appointed Chief Enterprise Officer on 1 January 2019. He joined the company in 1998 as a finance manager. He held various finance roles with increasing responsibilities. Werner was appointed Chief Financial Officer in 2006 and then CEO of Orange Luxembourg in May 2013. He started his career as an auditor at Arthur Andersen. Werner holds an undergraduate degree from the Vrije Universiteit Brussels and a MBA from Vlerick Business School.

Mr Alain Ovyn is Chief Transformation Digital Officer since October 2016. He is responsible for digital transformation, operational excellence, as well as IT. Alain joined Orange Belgium in 2012 as a Director of Customer Care. Prior to that, Alain joined the telecoms industry in 1999 as he helped launch a mobile operator in Belgium. Following various customer-facing roles, Alain became that operator's director of customer operations. He began his career at Citibank where he held various leadership roles in project and process management. Alain has a translator's degree.

Mr Stefan Slavnicu was appointed Chief Technology Officer in September 2018. Stefan started his career at Orange Romania in 2000 as a Network Engineer. He was promoted to Chief Technology Officer at Orange Romania in 2014. He holds a PhD in Electronics and Telecommunications from the University Politehnica of Bucharest as well as a MBA from the Maastricht School of Management.

Mrs Isabel Carrion is Chief People Officer since September 2015. She joined from UCB where she held various leadership roles in Human Resources working in compensation and benefits as well as HR business partner. Isabel started her career as an auditor at KPMG before becoming a recruiter for the Robert Half International firm and then The Boston Consulting Group. She is a graduate of ICHEC Business Management School

Mr Stéphane Janssens is Chief Customer Experience Officer since October 2016. He joined the company in 1999 as head of customer service. He was then successively appointed Director of supply chain, Director of Efficiency and Director of purchasing. Stéphane is a graduate of the Vlaamse Economische Hogeschool and the University of Science and Technology in Lille.

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 Committee and the Company requires a prior approval from 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.

There are agreements and/or invoices regarding the performances of the staff members and/or delivery of services or goods between the Company and several companies of the Orange Group. These contracts and invoices are reviewed by the Audit Committee.

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

The Board of Directors is responsible for a periodic evaluation of its effectiveness and that of the various committees. Every two to three years, the Board of Directors, under the Chairman's lead, 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.

To enable periodic individual assessment, 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 assessment 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.

Non-executive directors must assess, on an annual basis, their interaction with the Executive Committee 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 2018, 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 2019 General 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 programs 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 market benchmarks, 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 Committee 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 Committee have the status of employee.

Structure of the remuneration of the members of the Executive Committee

The total compensation of the members of the Executive Committee consists of a base salary, a variable remuneration and other benefits. The yearly base salary represents around 49.5% of total compensation. Variable remuneration represents approximately 30% of total compensation. Other benefits represent around 20.5% of total remuneration.

The variable remuneration has a short-term and long-term components to encourage the attainment of the company's objectives. The short-term variable remuneration is called a "performance bonus". There are currently three long-term variable remuneration schemes: "Long-term Incentive Plan 2016-2018", "Long-term Incentive Plan 2017-2019" and "Long-term Incentive Plan 2018-2020".

Other benefits include:

- 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 Committee
- Exceptional premiums at individual level

Components of the remuneration of the members of the Executive Committee

The remuneration policies concerning the Executive Committee are assessed and discussed within the Remuneration and Nomination committee. The committee then submits its proposals for approval to the Board of Directors.

The yearly basis remuneration

The base salary is intended to remunerate the nature and extent of the individual's responsibilities, the contribution of the individual and role within the company. It reflects the individual's experience, skills and duties. The base salary is based on a benchmark while taking into consideration the respect of internal equity within the company.

The variable remuneration

1. The performance bonus

The short-term variable remuneration is a key element in the company's remuneration policy. Based on salary surveys, the level of the variable target lies between 30% and 40% of the annual base salary 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 individual performance and another part aimed at achieving the company's objectives.

The individual performance bonus is based on the evaluation of the relevant targets. An important part is based on management qualities as well as personal contribution to the achievement of the company's strategic priorities.

Targets for the individual performance bonus are determined every semester. The individual performance of the Chief Executive Officer is determined by the Remuneration and Nomination Committee. The Chief Executive Officer proposes the individual performance of other members of the Executive Committee to the Remuneration and Nomination Committee.

The 2018 collective performance bonus is based on financial indicators, 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:

- Consolidated service revenues (mobile and fixed)
- Adjusted EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)
- Net Promoter Score (percentage of customers who are promoters minus percentage of customers who are detractors)
- Employee Net Promoter Score that measures to what extent the Orange Belgium employees would recommend Orange Belgium as a good place to work (percentage of employees who are promoters minus percentage of employees who are detractors)

The targets for the collective performance bonus are fixed by semester based on the objectives of the company and validated by the Remuneration and Nomination Committee.

The performance bonus is granted in cash, in warrants 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 targets are not met, the collective portion 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 was awarded based on incorrect financial information, the company can seek reimbursement based on the general rules on undue payments, within 12 months of 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 Committee members either joining or leaving the company in the course of a given semester shall be calculated on a prorata temporis basis.

In 2018, an exceptional incentive was granted to each Executive Committee member including the CEO, linked to the achievement of important milestones in the company's digital transformation program which is one of the main strategic drivers. This incentive was based on a "hit or miss" principle (i.e. all or nothing) and results were evaluated by the Remuneration and Nomination Committee at the closing of 2017 and was paid in March 2018. This incentive did not exceed 1% of the total package.

2. The long-term variable remuneration

Recurring Long-term Incentive Plans (2016-2018, 2017-2019 and 2018-2020)

The three-year recurring Long-term Incentive Plan («LTIP») established by the company 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 LTIP represents 30% of yearly fixed remuneration of executive members after three years.

The LTIP is a "rolling plan" over a 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 decides 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 contributions 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 responsibilities, 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 the event long-term company targets are not met and insufficient personal performance, the LTIP payout can be cancelled. If it appears that variable remuneration was awarded based on incorrect financial information, the company can seek reimbursement based on the general rules on undue payments, within 12 months of the payment date.

The company targets set by the Remuneration and Nomination Committee in 2018 for the 2018-2020 LTIP award reflect the company's strategy and long-term value creation over a three-year performance period:

- Total Shareholder Return (TSR)
- Organic Cash Flow (OCF)
- Number of B2C convergent mobile customers at the end of the concerned period compared to the strategic plan approved by the Board of Directors

LTIP awards will vest subject to company performance measured over each three-year period with payout in the form of cash, warrants or non-company share options. In case of payment in options, these options are frozen for one year. The 2016-2018 LTIP, the 2017-2019 LTIP and the 2018-2020 awards are anticipated to vest and become payable in March 2019, March 2020 and March 2021 respectively, subject to results.

Other elements of the remuneration

Group insurance - additional pension plan. The additional pension plan is a plan with predefined contributions. The acquired reserve consists solely of employers' contributions.

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 members of the personnel including members of the Executive Committee. In case the conditions are fulfilled, the amount granted to each employee, herein included the members of the Executive Committee, is identical regardless of their position. In 2018, the General Shareholders' Meeting approved the profit-sharing scheme.

Pre-negotiated exit conditions. The Chief People Officer has an exit clause that guarantees 12 months. Labor law applies to all other members of the Executive Committee and no specific severance clauses have been agreed.

Orange S.A. Share Plans. In 2018, in continuity of the Group's 2017-2019 Long-Term Incentive Plan, Orange S.A.'s Board of Directors decided to implement a new share award for the 2018-2020 period, approved pursuant to the provisions of the seventeenth resolution of the General Shareholders' Meeting of 4 May 2018.

The goal of Orange S.A.'s Long-Term Incentive Plan is to develop corporate loyalty amongst employees who occupy senior positions within the Group and to align the beneficiaries interests with that of the Group and shareholders.

On 25 July 2018, Orange S.A.'s Board of Directors decided to award eligible executive members of the company as well as certain other key employees' rights to Orange SA shares. "Executives" are entitled 2,000 shares while "Leaders" are entitled to 1,000 shares, subject to the terms and conditions of the 2018-2020 award. Beneficiaries will receive free Orange SA shares at the end of a three year performance period (2018, 2019 and 2020), subject to the following conditions:

- **Presence conditions:** beneficiaries must be employed within the Orange Group (without interruption) up until the performance period end date of 31 December 2020
- **Performance conditions:** annual Organic Cash Flow versus budget (50% weighting) and Total Shareholder Return (TSR) over 3 years (50% weighting).

Shares will only vest at the end of the vesting period for the award on or after 31 March 2021, subject to the presence conditions and achievement of the performance conditions as set by Orange S.A.'s Board of Directors.

Detailed remuneration of the members of the Executive Committee

The Executive Committee's remuneration decreased by 10% in 2018 compared to 2017. The change is the result of:

- Lower long-term variable remuneration.
- newly appointed Chief Technical Officer joining at a later date
- lower severance payments

A severance payment corresponding to 6 months salary was paid to the former Chief Enterprise Officer at the end of December 2018.

(in €)	2018	2017
CEO		
Gross base remuneration	310,604	283,309
Gross variable remuneration in cash and/or options (short-term)	201,560	165,590
Gross variable remuneration in cash and/or options (long-term)	0	0
Other components of the remuneration (excluding employer's contributions to the pension plan)	83,858	80,240
- Risk insurance	9,613	4,401
- Other	74,245	75,839
Employer's contributions to the pension plan	66,736	42,266
	662,758	**571,405**
Executive Committee (excluding the CEO)		
Gross base remuneration	1,831,495	1,894,704
Gross variable remuneration in cash and/or options (short-term)	848,090	793,222
Gross variable remuneration in cash and/or options (long-term)	239,053	824,152
Other components of the remuneration (excluding employer's contributions to the pension plan)	323,179	353,954
- Risk insurance	71,884	59,616
- Other	251,295	294,338
Employer's contributions to the pension plan	416,410	342,760
	3,658,226	**4,208,792**
Total	**4,320,985**	**4,780,197**

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 2018 related to 2017 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 2018 the Executive Committee (except the CEO) was composed of 8 members (7.8 full-time equivalents during the year). In 2017, it was composed of 8.5 full-time equivalents. The members of the Executive Committee who were not in service all year long are taken into account prorata temporis.

Remuneration policy of the Directors

The remuneration policy for the Directors is proposed by the Board of Directors upon a recommendation of the Remuneration and Nomination Committee and has been fixed during the General Shareholder's Meeting of 3 May 2017 and will be applicable for a period of four years.

For 2018, the independent directors received a fixed annual remuneration of 36,000 euros as well as an additional remuneration of 2,400 euros per meeting of a statutory or ad hoc committee they have attended. It is stated that this additional compensation is capped for each independent director, to a maximum of 14,400 euros per statutory committee per year, and 12,000 euros per non statutory committee per year. This remuneration will be paid (if necessary, prorata temporis) after the General Shareholders' Meeting that approves the annual accounts of the financial year in question.

These directors are:

- The House of Value – Advisory & Solutions (represented by Mr Johan Deschuyffeleer)
- SOGESTRA (represented by Ms Nadine Lemaître-Rozencweig)
- Ms Martine De Rouck
- Leadership and Management Advisory Services (LMAS, represented by Mr Grégoire Dallemagne)
- K2A Management & Investment Services (represented by Mr Wilfried Verstraete)

For 2018, the Chairman of the Board of Directors, Mr Johan Deschuyffeleer, will receive a fixed annual remuneration of 72,000 euros as well as an additional remuneration of 2,400 euros per meeting of a Board of Directors' committee of which he is a member. The above mentioned caps will also be applied following to the nature of the committee. This remuneration will be paid (if necessary, prorata temporis) after the General Shareholders' Meeting that approves the annual accounts of the financial year in question. The Vice-Chairman and the Chairman of each statutory committee will receive an additional remuneration of 3,000 euros for their (vice)presidency.

The following directors (all belonging to the Orange group) fulfilled their mandate without remuneration in 2018:

- Mr Michaël Trabbia (as from 1 September 2016) is remunerated under his statute of employee
- Mrs Béatrice Mandine (as from 22 April 2016)
- Mrs Valérie Le Boulanger (as from 19 July 2018)
- Mr Ramon Fernandez (as from 19 July 2018)
- Mr Jean-Marc Vignolles (as from 19 July 2018)
- Mr Christophe Naulleau (as from 23 July 2015)
- Mr Francis Gelibter (as from 1 December 2015)

The detailed remuneration of the directors (in €)

Directors	Basic Fee (pro rata)	Extra € 3000 for VP and Presidents committees (pro rata)	Audit Committee (5)	Remuneration and Nomination Committee (5)	Strategic Committee (3)	Governance Supervisory Committee (1)	Total
The House of Value - Advisory & Solutions (President)	72,000	NA	NA	NA	7,200	NA	79,200
SOGESTRA (Nadine Lemaître-Rozencweig)	36,000	6,000	9,600	9,600	NA	2,400	63,600
M. De Rouck	36,000	NA	12,000	12,000	NA	2,400	62,400
Leadership and Management Advisory Services (Grégoire Dallemagne)	36,000	3,000	NA	NA	7,200	NA	46,200
K2A Management and Investment Services (Wilfried Verstraete)	36,000	NA	NA	NA	4,800	NA	40,800
Total	**216,000**	**9,000**	**21,600**	**21,600**	**19,200**	**4,800**	**292,200**

NA: not applicable

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 organization 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
- Reputation damage
- Breach of availability, integrity or confidentiality of data or information
- Corruption, ethical breach and frauds
- Damage to property or other assets
- Destabilization by a disruptive business model or innovation (sectorial risk)
- Inability to improve 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
- Errors and financial prejudices
- Insufficient, costly, wrong or late infrastructure investment (sectorial risk)
- Loss or difficulty to attract and retain key or rare skills
- Major business interruption
- Non-compliance with or increase of laws or regulations
- Key partnership underperformance

Internal control environment and control activities

For the purpose of managing risks, an internal control environment has been deployed for 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 formalized. 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, Security, Business Continuity and Crisis Management), 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 Committee 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).

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. Internal audit reports functionally to the Audit Committee to ensure 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 Committee 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 Committee the quality and effectiveness of the risk management and the internal control environment set up by the Executive Committee. It must monitor that the principal risks, such as but not limited to fraud, revenue assurance, data protection, security, 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 2018, 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 2018 financial year

The procedure foreseen in article 524 of the Company Code has not been applied during the 2018 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

According to Article 96 §1 (9°) of the Company Code, companies must certify the independence of at least one member of the Audit Committee and their required accounting and audit expertise.

Mrs Martine De Rouck, member of the Audit Committee, has been an independent director since 1 May 2014. Her appointment was ratified by the General Shareholders' Meeting. Mrs De Rouck meets the independence criteria as described in Article 524 of the Company Code. Her accounting and audit expertise is validated by her educational and extensive career in banking.

15. Information concerning the tasks entrusted to the auditors

The audit of Orange Belgium's consolidated and statutory financial statements is entrusted to KPMG Bedrijfsrevisoren / Réviseurs d' Entreprises.

During 2018, the statutory auditor and linked companies provided services of which the fees were as follows:

- Audit services €479,300
- Audit-related services € 68,800

Statutory auditor's report

Statutory auditor's report to the general meeting of Orange Belgium SA/NV on the consolidated financial statements as of and for the year ended December 31, 2018

In the context of the statutory audit of the consolidated financial statements of Orange Belgium SA/NV ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended December 31, 2018, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of May 3, 2017, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ending December 31, 2019. We have performed the statutory audit of the consolidated financial statements of Orange Belgium SA/NV for two consecutive financial years.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the Group as of and for the year ended December 31, 2018, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR'000 1.463.166 and the consolidated statement of comprehensive income shows a net profit for the year of EUR'000 32.431 and total comprehensive income attributable to equity holders of the parent of EUR'000 31.982.

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at December 31, 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the consolidated financial statements" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition from telecommunication activities

We refer to note 13.1.21 'Revenue from contracts with customers' and note 2 'Sales and (trade) receivables' of the consolidated financial statements.

■ Description

Revenue recognition is an inherent industry risk of error which arises from amongst others the complexity of the telecommunication billing systems, the large amount of data processed to determine billing and revenue, the combination of different products sold and price and promotion changes introduced during the year.

■ Our audit procedures

We gained insight into the processes surrounding the recognition of the various revenue streams, from contract signature and initial communication up to the invoicing and the receipt of payments.

We took into account the high level of integration of the various IT systems, by including IT specialists in our audit team, and by testing the design, implementation and effectiveness of the key automated controls of the relevant IT systems affecting revenue recognition.

As part of our audit procedures, we have, amongst others:

- identified the key controls implemented by Orange Belgium in relation to the revenue cycle that were relevant for our audit and tested their effectiveness;
- performed substantive analytical procedures by comparing our expectation of revenue with revenue recorded;
- tested a sample of residential customer billings and compared these to supporting evidence (e.g. customer orders or contracts and cash received);
- tested a sample of deferred and accrued revenue ending balances and compared these to supporting evidence;
- assessed the accounting treatment of any significant new products and promotions in the year; and
- assessed a selection of manual journal entries posted to revenue accounts at year end by comparing them with our independent calculations and estimates and by ensuring that evidence supporting these manual entries was available.

We have also assessed the appropriateness of the information presented in notes 2 and 13.1.21 to the consolidated financial statements.

Goodwill valuation

We refer to note 4 'Goodwill' of the consolidated financial statements.

■ Description

At December 31, 2018, the total goodwill recognized in the consolidated statement of financial position amounts to EUR'000 67.041.

As indicated in note 4, Orange Belgium performs an impairment test at least annually and more frequently when there is an indication of impairment. These tests are performed at the level of each cash generating unit ('CGU') or group of CGUs, which generally correspond to the operating segment. An impairment loss is recognized if the recoverable amount is lower than the carrying value. The recoverable amount is determined by Orange Belgium, based upon the value in use. The estimate of value in use is the present value of future expected cash flows.

The assessment of the value in use requires numerous estimates and judgments from management, and in particular the assessment of the competitive, economic and financial environment of the countries in which Orange Belgium operates, the ability to realize operating cash flows from strategic plans, the level of investment to be made and the discount and growth rates used in calculating recoverable amounts.

■ Our audit procedures

We gained insight into the procedure implemented by Orange Belgium for carrying out the annual impairment test and in particular the review of the cash flows used in the calculation of the recoverable amount.

With the assistance of our valuation specialists, we have assessed the appropriateness of the method used by Orange Belgium to calculate the recoverable amounts.

To assess the reliability of the data from the business plan used to calculate the recoverable amount, we have in particular:

- assessed the procedure for devising and approving business plans;
- evaluated the management's identification of the CGUs;
- compared 2018 cash flow forecasts with business plans from previous financial years;
- compared business plans from previous financial years with actual data over the financial periods in question;
- challenged the key assumptions made by management relating to revenue, EBITDA and capital expenditures with external data when available, such as market research or analysts' memos;
- assessed the method used to determine the weighted average cost of capital ('WACC') and the perpetual growth rate ('PGR') by comparing them to the market range and to data re-calculated with our own data sources;

- challenged the appropriateness of the sensitivity analysis performed by management by performing further sensitivity analyses, primarily focused on changes in operating cash flows; and
- tested the mathematical accuracy of the cash flow models.

We have also assessed the appropriateness of the information presented in note 4 to the consolidated financial statements.

Board of directors' responsibilities for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view 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 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.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements and the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (revised in 2018) which is complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements and the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements, and to report on these matters.

Aspects concerning the board of directors' annual report on the consolidated financial statements

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements contains material misstatements, that is information incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated financial statements and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 134 of the Companies' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

Other aspects

- Reference is made to the board of directors' annual report which states the board of directors' view that the Company is exempt from the obligation to prepare and disclose the non-financial information as required by article 119 §2 of the Companies' Code since the Company is a subsidiary of Orange SA, who prepares a consolidated board of directors' annual report, that includes the non-financial information, in accordance with the applicable EU directive.
- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Zaventem, March 28, 2019
KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Jos Briers
Réviseur d'Entreprises / Bedrijfsrevisor

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