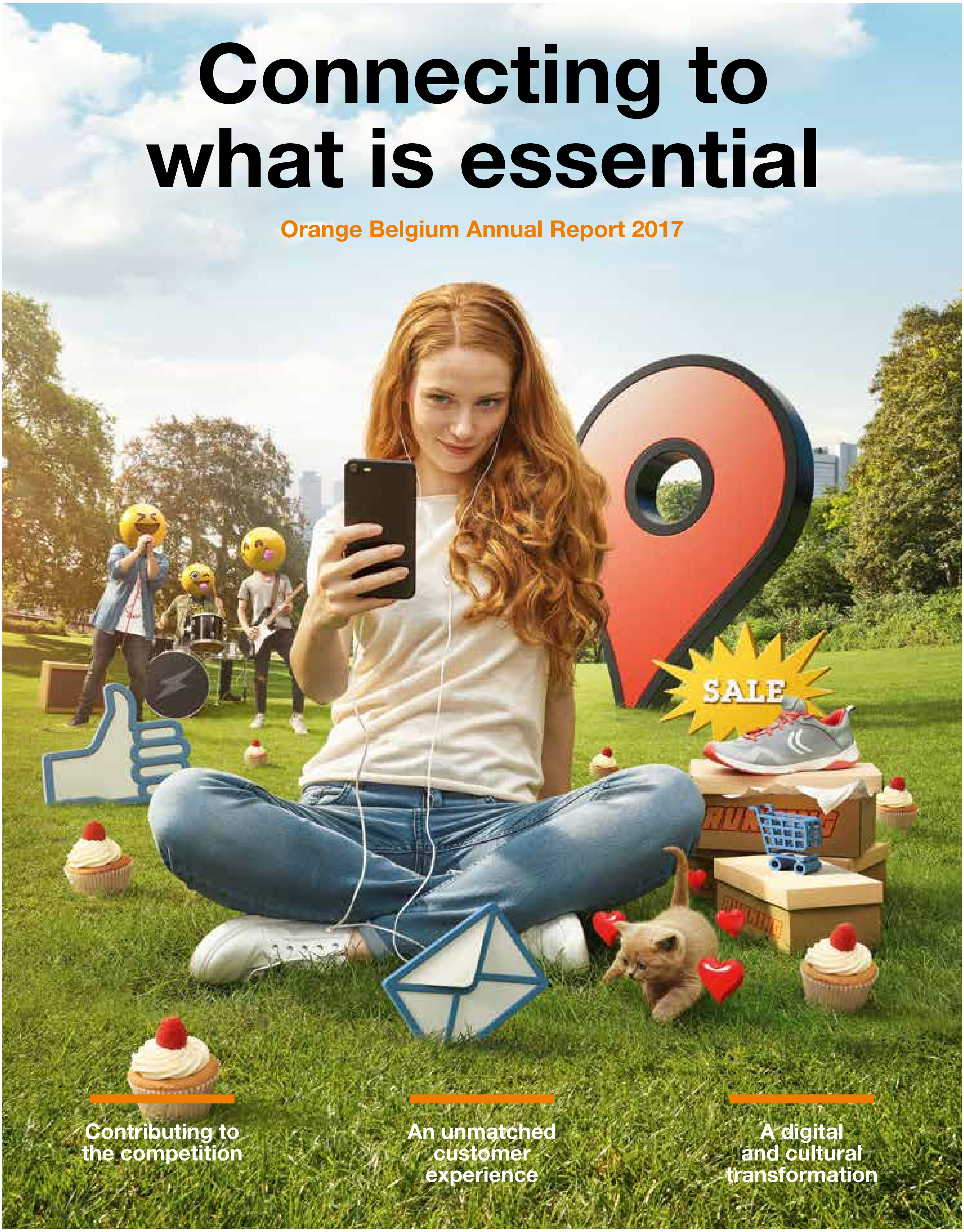
Connecting to what is essential

Orange Belgium Annual Report 2017

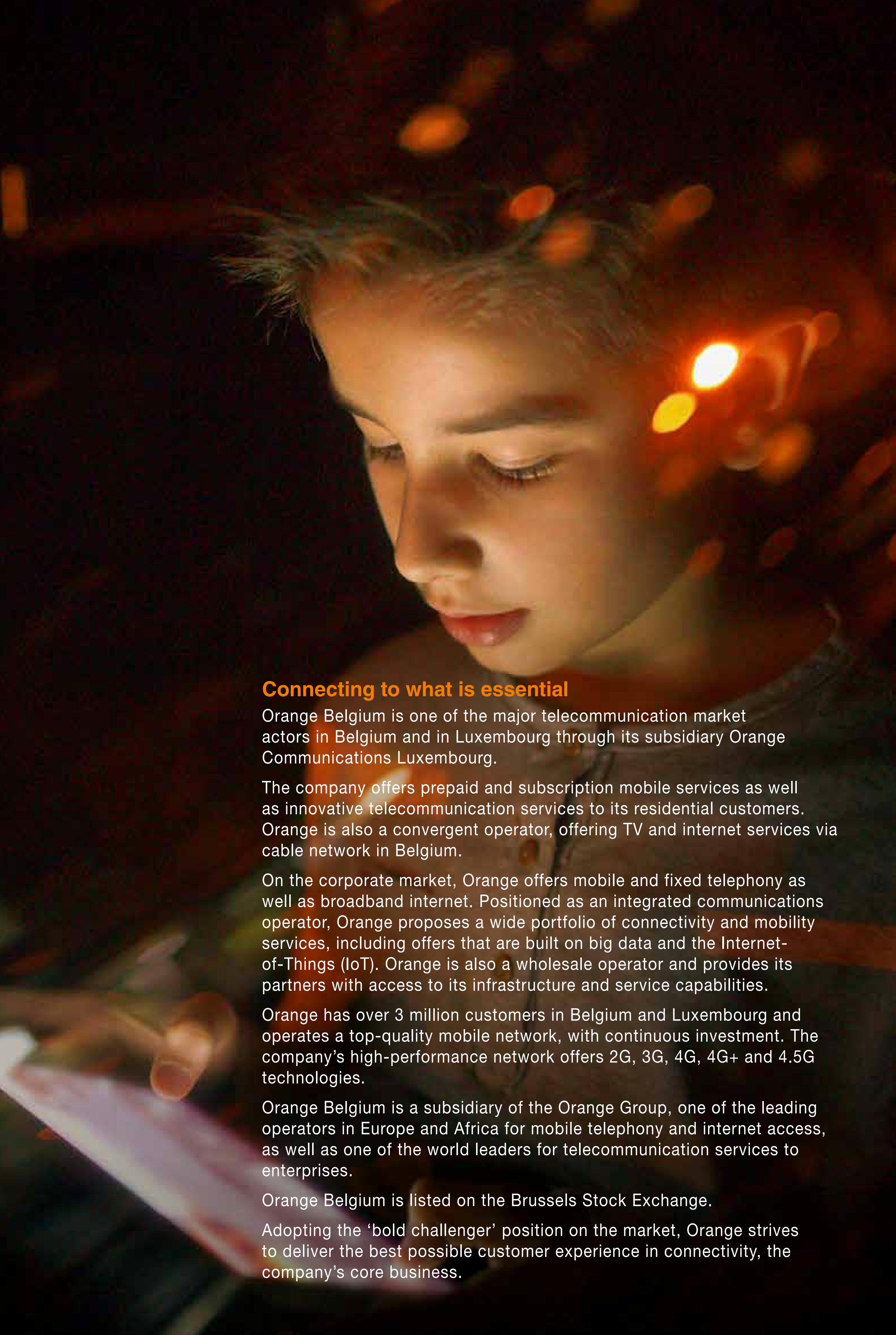


Contributing to the competition

An unmatched customer experience

A digital and cultural transformation

orange™



Connecting to what is essential

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

The company offers prepaid and subscription mobile services as well as 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 offers 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 3 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.

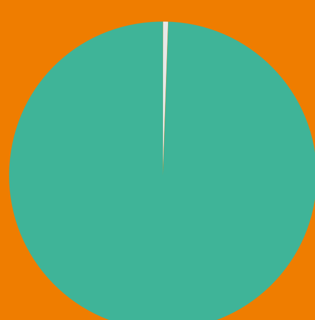
Adopting the 'bold challenger' position on the market, Orange strives to deliver the best possible customer experience in connectivity, the company's core business.

Key figures 2017

103,000
Love customers

2,315,000
Mobile postpaid customers

99.7%
4G coverage



62.9%
4G+ coverage

€ 1,110 mio
Total service revenues

949,800
IoT/M2M
SIM cards

73%
Smartphone penetration

59%
4G smartphone penetration

x10
Total mobile data traffic since launch of 4G

4G

88%
of total mobile data consumption is 4G traffic

100%
Coverage of mobile Internet of Things network

1,459
Orange team members

993,000
Orange Thank You gifts

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Orange, a ‘bold challenger’ on the Belgian market

2017 was a year of commercial successes for Orange Belgium, crowned by attaining the **100,000** Love customers milestone. Johan Deschuyffeleer, Chairman of the Board of Directors, and Michaël Trabbia, CEO of Orange Belgium, look back in pride and forward with eager anticipation.

What were the key events or achievements for Orange Belgium in 2017?

Johan Deschuyffeleer:

2017 was marked by strong commercial results, demonstrating the success of the company’s commercial strategy and execution. Financial and commercial targets were met, while Orange directed the right resources towards the company’s future growth by investing in its convergent positioning.

I would also like to highlight that Orange Belgium ended the year 2017 with 2.32 million postpaid customers, adding 67,600 customers over the year, underlining the growing nature of its core mobile business.

2017 was also an important year for Orange’s digital transformation programme, both externally, whilst shaking up the mobile and convergence market, as well as internally with several changes to optimise the digital experience of Orange employees.

“To support our ambitions, we have adopted a bold challenger positioning.”

Michaël Trabbia

Michaël Trabbia

We are constantly enhancing our customers' experience.

Michaël Trabbia:

Indeed, 2017 demonstrated a very good commercial momentum thanks to our consistent investments in customer experience, our leading 4G network, as well as the strong commitment of our employees.

The main achievement to my mind was our successful performance in the convergence market, which we entered only 18 months ago. We're bringing an offer that is simple while containing everything that is essential for the customer, without expensive and unnecessary add-ons. Our Love offer has been very well received by our customers – and in reaching our target of **100,000** customers at the end of 2017, we have captured more than 60% of the market growth in 2017.

We must remember that, a year ago, many observers had doubts about our being able to achieve this, because all previous efforts to enter the fixed market duopoly in Belgium had failed. So, we're extremely proud of our success, which is due to the entire company's efforts.

On the mobile market, Orange's postpaid customer base is growing steadily thanks to our customer-oriented 4G product portfolio, strong commercial campaigns, the continued success of the 'Orange Thank You' loyalty programme and the launch of Double Data for convergent customers.

Since the rebranding into Orange Belgium in 2016, the position of the company has also strengthened in the business segment. Orange Belgium wants to further reinforce its relationship with small, medium and large size businesses in Belgium to offer them a complete one-stop-shop service offering, bringing mobile and fixed connectivity in addition to a whole range of digital services.

What role is Orange Belgium playing in the market today?

Johan Deschuyffeleer:

It's quite clear that, over the years, Orange Belgium has been able to establish a very strong residential mobile business, and it's also clear that, from a strategic point of view, the ambition is to become just as important a player in the business market. Orange is collaborating with strong partners to build an ecosystem that is adapted to the customer.

We have proven that we are a serious player on the convergence market. With support from the regulatory authorities, we can work in an even more open market to bring even more competitive offers and services to the benefit of consumers and to Belgian society as a whole.

What are the main challenges that you see ahead, and where will your focus be in 2018?

Johan Deschuyffeleer:

A main challenge for Orange Belgium – which is also an opportunity – is to be sure that we really understand our customers, that we understand what they expect from us. We need to know what their data, TV and telecom needs and desires are, and then we need to deliver them in a digital world at a fair price with a very high level of quality.

And as the market keeps moving so rapidly, innovation is critical here. We need to continually bring new services to our customers, with a constant eye on operational excellence.

Another challenge, for this year and the years to come, is the digital transformation that everyone is going through. We need to continue to invest in our ability to provide the best digital experience to both our customers and our employees. I would like to point out that we have deliberately attracted people who have experience in this digital transformation to our board and management team.

In a market where there is high demand for top talent in technology, a soft but essential challenge is to be sure that we can attract, develop and promote the best talent in the industry. I personally want to ensure that Orange Belgium is a good place to deliver a strong contribution, where people can be part of challenging projects and grow and develop. I want Orange to be a place where they can accomplish and experience something that they cannot find elsewhere.

Johan Deschuyffeleer

I would like to emphasise my appreciation, respect and gratitude for the strong engagement, contribution and passion that our team members display every day. They give the best of themselves, which enables Orange Belgium to serve its customers in the way they truly want to be served.

Michaël Trabbia

We want to facilitate our customers' full participation in the new digital culture – the ability to be connected everywhere, at any time, with their mobile phone. We're preparing the future.

Michaël Trabbia:

We keep investing in our network to guarantee a highly qualitative experience to our customers. Investments are made not only to prepare the future but also to offer speed and capacity to the growing demand for mobile data. We want to offer our customers a worry-free connectivity and wow them with disruptive offers that allow them to stay connected anytime anywhere. The same goes for our B2B customers where we want to continue to be their preferred connectivity partner. At Orange we concentrate on some simple but profound principles, like peace of mind – we don't want our customers to worry about their contract, their communication or business continuity, we want them to have a package that answers their telecom needs as closely as possible.

And we'll be rolling out our innovative IoT offer to our business customers. We invite all application developers, system integrators and early adopters to test the advantages of the Orange Mobile IoT network which will allow them to connect millions of everyday objects to the internet.

Convergence remains a strategic focus, and we reiterate our mid-term target of 10 % broadband market share. Furthermore, to aim at turning our cable business break-even in the coming years, we are actively working on improving our efficiency, and at the same time we appeal to the regulators to substantially and quickly improve the financial and operational conditions for cable wholesale access. Strong regulatory improvements are required to ensure sustainable competition in Belgium.

Operationally, we have one major focus in 2018, and that's digital transformation, which will benefit both our customers and our employees. Our business and operational teams will also be working very closely with IT to be more agile and effective, to shrink time-to-market, and to increase customer satisfaction with their experience.

What strategy will you deploy to achieve your ambitions?

Michaël Trabbia:

To support our ambitions, we have adopted a bold challenger positioning – focusing on what's essential for our customers – which we started to illustrate early 2018 with the launch of the 1st fully unlimited mobile offer in Belgium. Indeed, we want to shake up the Belgian telecom market. By daring more, the challenge is to stay relevant. We need to focus on what's important in people's lives and 'get even closer to what is essential for them'.

Highlights 2017

February

Love

Orange launches its convergent offer Love with the message: ALL YOU NEED IS LOVE, a smart and flexible way to combine mobile, internet and TV services at the best price.

FAMOCO

Taking the next step in prepaid identification, Orange Belgium implements an innovative identification process in 1,700 prepaid resellers, using a state-of-the-art terminal manufactured by Famoco, a leading secure business terminals company.

April

Roam-like-at-home

Orange Belgium goes even further than the EU-roaming regulation by offering all Orange customers ‘roam like at home’ and unlimited calling in 39 countries & territories.

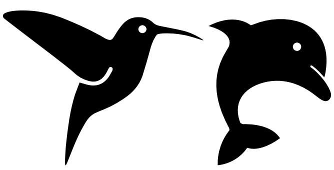
March

4G in Brussels metro

Thanks to Orange’s 4G network, Orange customers can enjoy high speed mobile internet while travelling with Brussels metro.

ZEN launch

Orange launches ZEN: a fixed budget mobile subscription that guarantees 100% budget control. Thanks to ZEN, the customer has full control of his monthly mobile budget.



May

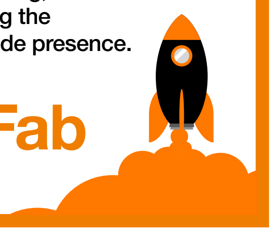
Happy Birthday Orange

Orange Belgium offers all of its residential customers 1 GB of mobile data to celebrate its first anniversary.

Orange Fab

Orange Fab, the exclusive international accelerator network, enters its first season in Belgium and Luxembourg. Thanks to Orange Fab, the selected start-ups receive specific support to accelerate their development in Belgium and Luxembourg, as well as internationally, leveraging the Orange Group’s worldwide presence.

Orange Fab



June

Orange Dive 72

Orange Belgium adds the Orange Dive 72 to its wide smartphone portfolio. This Orange branded 4G smartphone offers innovative functionalities at a very affordable price and will simplify the day to day usage thanks to unique smart Orange features.

Sponsorship

Extending its cooperation, Orange remains the proud main sponsor of the national basketball teams, the Belgian Lions, the Belgian Cats, and the Pro Basketball League, the Belgian professional basketball league.

BELGIAN LIONS BELGIAN CATS

July

Valerian

The Orange Thank You loyalty programme treated customers to exclusive avant-premières of summer blockbuster Valerian and the City of a Thousand Planets.

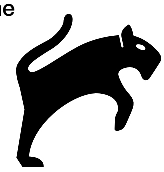
August

Orange Thank You

Belgian DJs Dimitri Vegas & Like Mike, voted the best DJs in the world by prestigious DJ Mag Top 100, play an exclusive gig for Orange customers only.

Panther Limited Edition

Orange launches 'Panther Limited Edition': unlimited calls & SMS and 5 GB of mobile data at the sharpest price in the market.



September

Double data with Love

The evolution of Orange Belgium's convergent Love offer continues apace. Following the ongoing expansion of TV channels and the launch of its Orange TV application, Orange offers a further benefit for its Love customers: doubled mobile data volume for all its Love mobile bundle customers (mobile + internet + TV) at no extra cost.

December

Eleven Sports

Eleven Sports 3 TV channel is now also available free of charge for all Orange Love customers.

National mobile IoT roll-out complete

Orange Belgium's new IoT network reaches 100% coverage to support massive Internet of Things (IoT) solutions.

The world's largest claw machine

During the seasonal holidays, Orange Belgium hands out presents on the Meir in Antwerp with the world's largest claw machine. Hundreds of prizes are distributed: from high-end smartphones and smartwatches to drones and Bongo gift vouchers.

100,000

Love customers

Orange Belgium reaches its objective of 100,000 Love customers before the end of the year confirming the quality of the Love offer on the market. This important milestone establishes Orange as a key player on the Belgian convergent market.

Contributing to competition on the Belgian fixed market

In 2017, Orange Belgium played an important role in stimulating competition on the Belgian market by offering mobile and convergent propositions at the sharpest price. However, a substantial improvement of the cable regulation is needed to ensure sustainable competition to the benefit of the consumers.

Proven success as a convergent player, but…

For many years now, Belgian customers have been suffering from a lack of competition in the internet & TV market, characterised by high retail tariffs with regular price increases. Orange's internet and TV offer ('Love), launched in the first half of 2016, marked a quantum leap in the market dynamic by offering consumers a qualitative alternative at an attractive price. With an eye on its future growth, Orange Belgium invested a lot of resources in its convergent positioning and the evolution of its Love offer. The convergent customer base grew to 103,000 customers by year-end: even surpassing the 100,000 milestone target.

And convergence remains a strategic focus at Orange Belgium, as the company confirms a mid-term target of 10% broadband market share. In order to turn Orange's cable business break-even in the coming years, Orange Belgium is actively working on improving its efficiency and calling upon the regulators to substantially and quickly improve the regulated financial and operational conditions for cable wholesale access. Sustainable competition in fixed services in Belgium can be guaranteed over time only if such improvements are implemented.

Registration of prepaid card users a huge success

In December 2016, anticipating the introduction of the Royal Decree that imposed the identification of prepaid mobile customers by June 2017, Orange started the roll-out of its prepaid identification process for all new and existing customers at the national level. When the government announced its intention to make prepaid registration mandatory, Orange took the lead in developing various prepaid identification processes in all of its points of sale. On 7 June 2017, Orange registered 95% of its active prepaid customer base – best-in-class on the market!

'Roam like at home'

In June 2017, the European Union's roaming regulation was implemented to allow travelling EU citizens to call, text and surf without surcharges in the 28 European Union countries, plus Norway, Iceland and Liechtenstein. This means that, when roaming, Orange customers can use their call minutes, mobile data volume and SMS from their bundle just as if they were in Belgium. Orange went even further by extending the same advantage to its customers in 8 extra territories. So, Orange customers can stay connected anywhere anytime, at no extra cost, in a total of 39 European countries and territories.

Easy Switch enables easy transfer

In July 2017, Easy Switch, an initiative of Telecom Minister Alexander De Croo, went into force, stimulating competition and helping customers to move to the best offer on the market. With Easy Switch, customers of other fixed operators who want to become an Orange Love customer simply contact Orange who organises the change of supplier. Orange handles all of the paperwork, the deactivation of the previous provider, and the installation and activation of Orange Love. Thanks to Easy Switch, the simple, seamless change of fixed operator gives customers peace of mind.

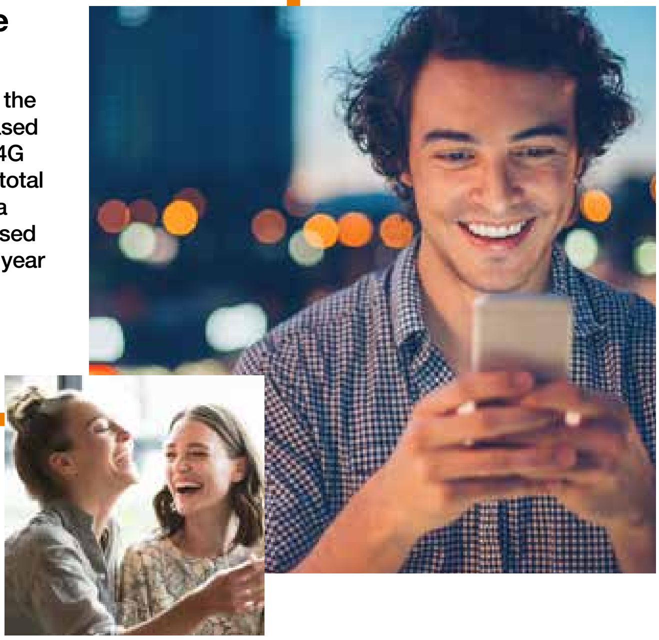
The arrival of 5G on the Belgian market

In its work plan for 2018, the Belgian telecom regulator BIPT has stated that it will communicate its recommendations regarding the introduction of 5G on the Belgian market in the course of 1Q 2018. BIPT has indicated that it intends to run the auctions for the assignment of the 700 MHz and 3.5 GHz, and the re-assignment of the 900 MHz, 1,800 MHz, and 2,100 MHz, by the end of 2018. The start date for the licenses will vary, with the first ones expected to start in the first half of 2019.

+43%
Mobile data traffic

Mobile data usage continues to rise

Total mobile data traffic on the Orange network has increased by 43% year-on-year, and 4G traffic represented 88% of total traffic. Average mobile data usage per customer increased to 1.8 GB/month (1.3 GB a year ago).



A sustainable cable regulation – a major challenge for 2018

Since 2014, when Orange was the only operator to seek regulation of the cable networks, the company has invested over €70 million in the project, creating more than 200 (direct and indirect) jobs. Since the commercial launch of its convergent service in 2016, Orange regularly enhances its Love proposition with new content and features. However, although there is clear market demand for the service – to date, over 100,000 customers have subscribed – the current regulatory conditions render the offer economically unsustainable.

Orange Belgium continues to call upon the regulators to move forward – with a sense of urgency – to improve the financial and operational conditions for cable access. Such improvements are essential to allowing Belgian customers to benefit from effective competition on the fixed internet & TV market.

In early July 2017, the media regulators launched a market consultation regarding their draft TV and broadband market analysis decisions. These draft decisions comprehensively address and illustrate how the retail markets for fixed broadband and TV services lack effective competition. The decisions identify the cable operators and Proximus as having significant market power on the various wholesale markets, and outline the operational and financial remedies that are required to address the market's failure to be competitive.

Orange Belgium welcomes the operational improvements put forward in the context of the regulation of the cable networks. These will allow more effective operations and further quality of service improvements for the end-users. Regarding the wholesale charges, the current retail-minus methodology has proven to be very complex and ineffective. Orange Belgium asks that the wholesale prices be based on a cost-plus methodology as used in other markets. It is Orange's considered opinion that such an approach will indicate that the wholesale costs currently charged by the cable operators should decrease by an amount of up to €10 per customer per month.

In October 2017, the Brussels Court of Appeal annulled the wholesale price decisions of December 2013 and February 2016 for access to the cable networks, while maintaining the effects of these decisions until 30 April 2018.

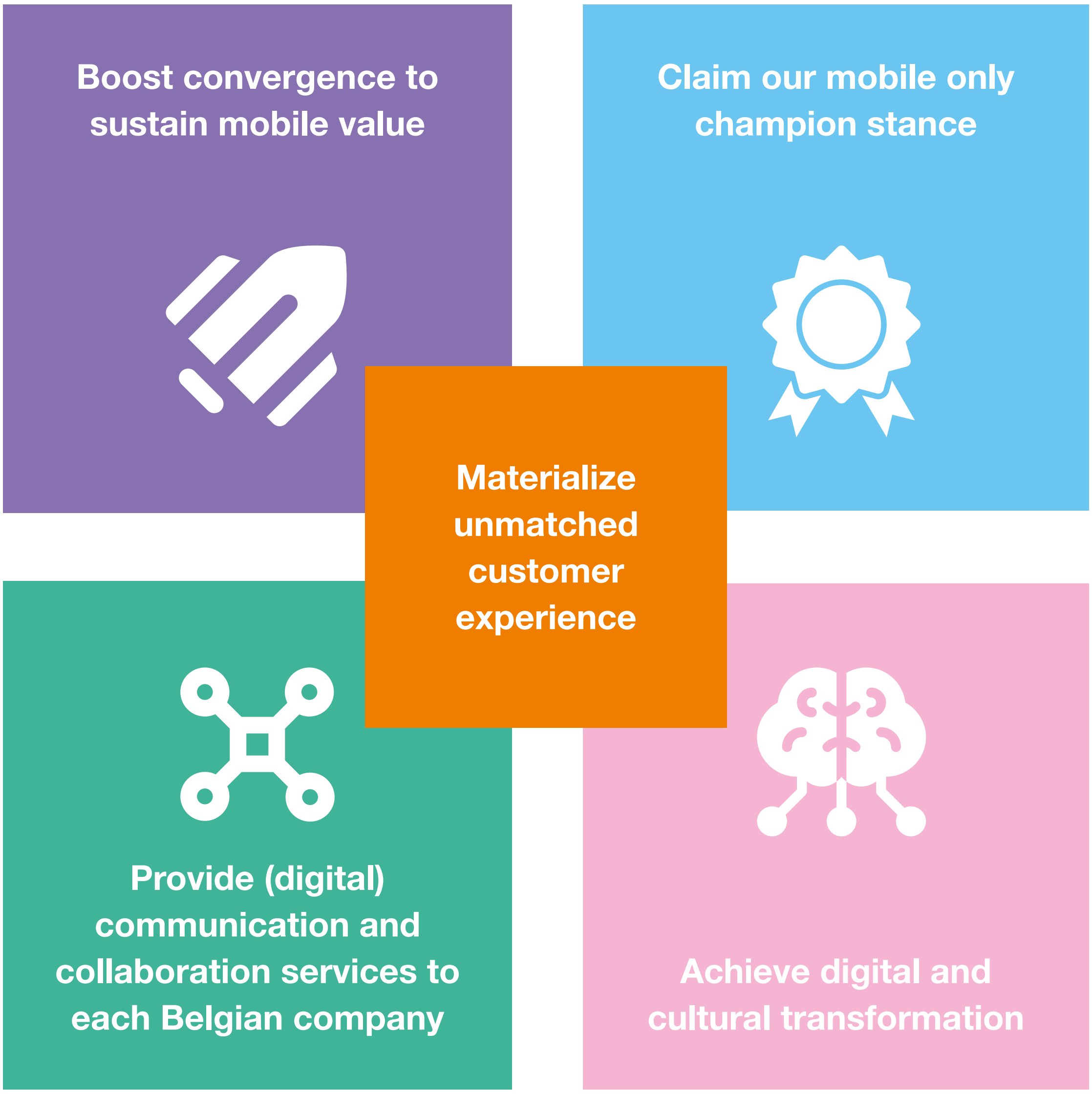
Meanwhile, Orange Belgium understands that the telecom and media regulators have continued their work towards finalising the market analysis decisions for the TV and broadband market.

In the next few months, the Belgian Competition Authority and the European Commission will be notified. The BIPT work plan for 2018 states that a final decision should be ready in the course of 2Q 2018.

Apart from the cable network regulation – which is an absolute short- and medium-term requirement to provide high-speed fixed internet access and TV service for operators that do not have a dense fixed network – Orange Belgium continues to follow up and to consider its options regarding other fixed market evolutions (for instance, in the context of FTTH developments).

4 strategic priorities for materialising unmatched customer experience

Orange has defined 4 strategic priorities for the coming years, all contributing to the primary goal: unmatched customer experience.



Boost convergence to sustain mobile value

As the market is evolving rapidly towards convergence, a key strategic priority for the year is for Orange to boost its convergent offer. Further progress is envisaged in the ongoing effort to provide the Belgian market with a viable regulatory framework that enables competitive entry into the convergence field.

It is crucial for Orange to boost convergence in 2018, and combine convergence with its mobile offer, in order to secure and grow the Orange mobile customer base and revenues. The mid-term objective is to build on 2017's 100,000 Love customer milestone and reach 10% market share in broadband.

Provide (digital) communication and collaboration services to each Belgian company

Just as Orange is set to expand its offering to residential customers, 2018 will see the company enriching its portfolio of services to business customers. On top of strong mobile and convergent products and services, Orange Belgium will be adding an array of services for businesses, including fleet management, support for ICT, and employee solutions. The next step will be next-level services such as cyber-security.

As communication and collaboration services become more and more important for all kinds of businesses, in Belgium, this is especially true for the SME market. Orange's strategic priority is to gain business market share in this extremely competitive arena, one company at a time. How? By providing the services and solutions that ultimately deliver peace of mind.

Claim our mobile only champion stance

Orange Belgium's fundamental strength – the company's true DNA – is mobile. In fact, Orange is Belgium's mobile champion. But this position can be over-shadowed in the market's current emphasis on convergent offers. So, 2018 is the moment for the company to honour and claim its premiere mobile stance.

In 2018, Orange aims to launch new disruptive mobile offers – enriching its portfolio of services, enhancing content, and reinforcing loyalty. With the ultimate goal of extending an excellent customer experience to every member of a family.

Achieve digital & cultural transformation

In 2017, Orange Belgium launched a full-scale in-house digital transformation project under the banner 'A Digital and Caring Employer'. 2018 will be marked with changes in the legacy systems with state-of-the-art digital solutions in every part of the company, from billing and cloud technologies to HR and training processes.

The ultimate goal is to transform the Orange culture and way of working, to make decision-making, collaboration and innovation faster and more agile. What distinguishes Orange in this effort is its bottom-up approach – through surveys and 360° feedback, the company is canvassing its team members for ideas for improving collaboration and efficiency, overcoming constraints, and so on. 2018 will see the entire workforce mobilised and contributing to the company's total transformation – creating powerful synergies between employee experience and customer experience.

10%

The mid-term objective is to build on 2017's 100,000 Love customer milestone and reach 10% market share in broadband.

Reaping the rewards of a customer-centric focus

Where does Orange Belgium stand in the residential market one year after launching as the Orange brand? Following the public's immediate acceptance of the Orange brand announcement in 2016, brand awareness, perception, preference and power have all risen steadily in 2017.

Achieving the 100,000 Love customer milestone

During 2017, Orange Belgium's entry into the convergent market rapidly grew into an unqualified success as the ambitious target of 100,000 Love customers was achieved by the end of the year. The emotional appeal of the Love campaign differentiated the Orange offer in the first place, and topping 100,000 customers is a major milestone, establishing Orange Belgium as a full convergent player on the Belgian market. With the best price-quality, Orange's internet and TV offer is proving to be a real alternative on the fixed market.

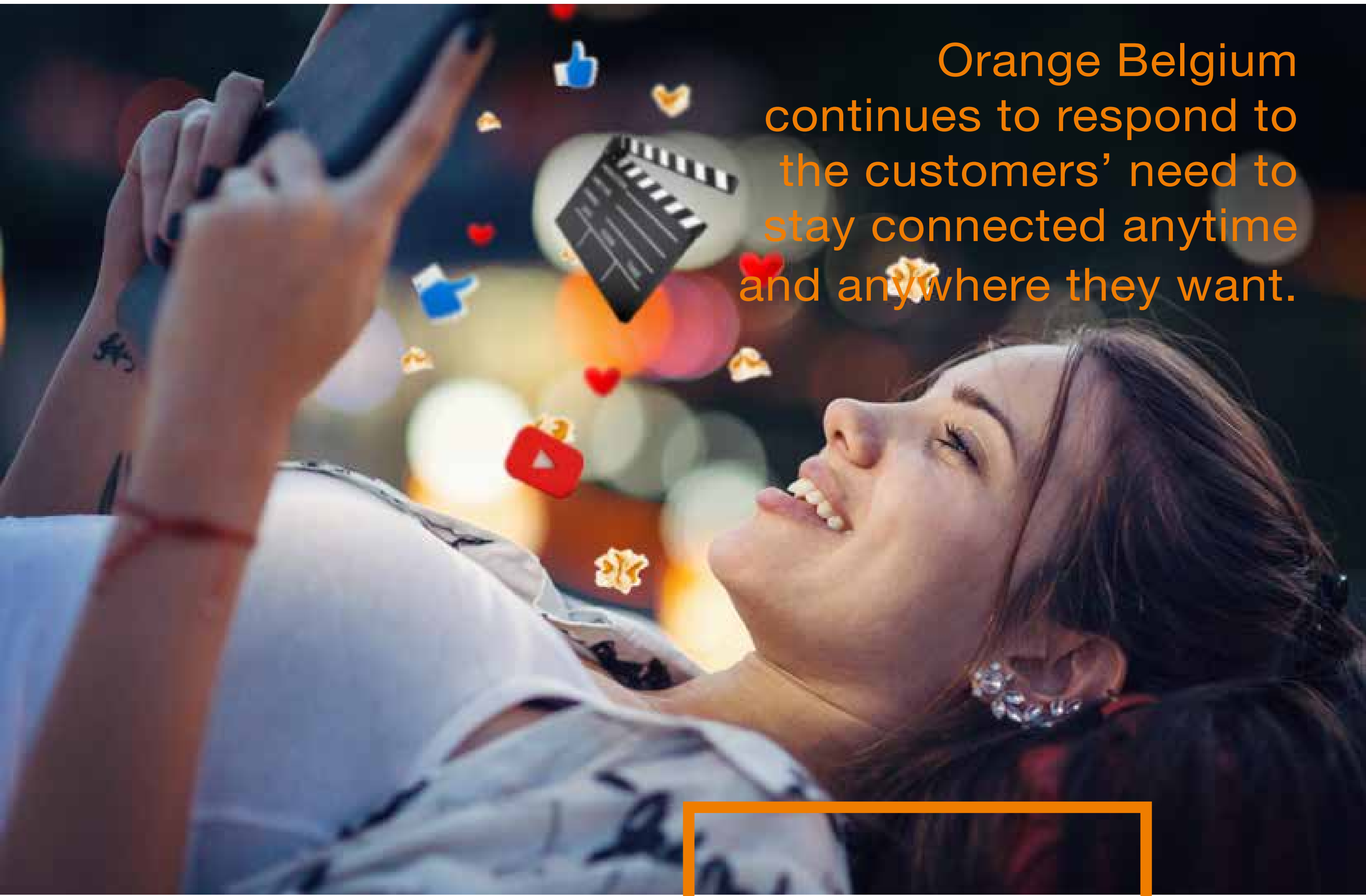
The new frontier: mobile data

In addition to the success in the convergent market, 2017 saw the continual evolution of Orange Belgium's strong mobile offers. The discontinuation of roaming fees in Europe in the middle of the year had a positive effect on the ongoing growth of mobile data usage. The Orange prepaid registration process went smoothly, identifying over 95% of Orange's active prepaid customer base; while postpaid achieved significant growth – 79% year-on-year – over the 2016 figures. Positioned between prepaid and postpaid, the Zen subscription, introduced in 2017, offers a set monthly volume for phone calls and internet usage at a competitive price. In September, Orange doubled its mobile data volume for all Love mobile bundle customers (mobile + internet + TV) at no extra cost.

As mobile data is a key component of mobile's future, Orange Belgium continues to respond, in tandem with the excellent Orange network, to the customers' need to stay connected anytime and anywhere they want.

Launch of 'Panther Limited Edition', an instant success

Unlimited calls & SMS and 5 GB of mobile data at a discount price – that's the 'Panther Limited Edition' offer available to the first 10,000 subscribers who want to enjoy unlimited calls and enough mobile data to stay connected to what matters to them. In the category of postpaid tariff plans with unlimited calls and that volume of mobile data, it was the best deal on the market.



Orange Belgium continues to respond to the customers’ need to stay connected anytime and anywhere they want.

1.8 GB

Average monthly mobile data usage per customer

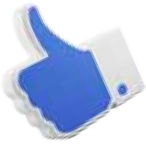
Anticipating customer needs

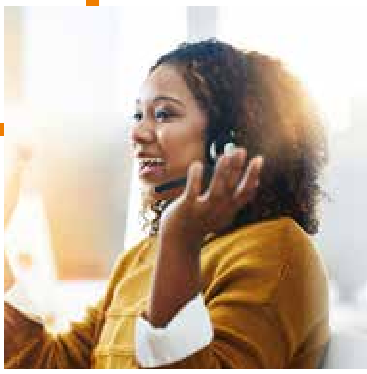
Continually adapting products and services in response to customer needs, Orange Belgium looks ahead towards future needs as well. In addition to doubling its mobile data volume, 2017 saw the introduction of the instalment payment plan for smartphones, which has enriched the customers’ choice while facilitating their entry into a mobile subscription. By offering the instalment plan, high-end smartphones become accessible to everyone. Moreover, the interest rate is 0%, with innovation at no extra cost.

993,000

customers redeemed an Orange Thank You gift in 2017

Increasing customer satisfaction





Rising Customer Satisfaction

Orange actively manages its customer base by contacting customers each year to reassess their needs and ensure that they are on the most advantageous tariff plan. In 2017, the company also enhanced the My Orange app to expand the customer's digital experience and provide transparency on their usage. My Orange – which enables customers to control their usage, buy extras, pay their invoice, and contact customer care directly – is a good example of Orange offering its customers 'digital self-care'.

All of these initiatives were rewarded with increased customer satisfaction in the course of the year. Orange shops have the market's highest Net Promoter Score. In addition, the Belgian Institute for Postal and Telecom Services – 'BIPT', the quality barometer for services in this sector – rated Orange Belgium 'best in class' for the amount of complaints that were solved at first contact with the customer care department.

'Orange Thank You' Loyalty Programme

Launched in 2014, the Orange Thank You customer loyalty programme continued its positive momentum in 2017. All Orange Belgium customers are eligible for the programme, which rewards loyalty throughout the year with cinema and concert tickets or invitations to other exclusive events – with the element of surprise as a special feature of the programme. A notable example in 2017: 6,000 Orange customers enjoyed the Madness of famous DJ Dimitri Vegas & Like Mike.

A very good choice in 2018

Plans for 2018 include growing both mobile and convergent volumes, and Orange Belgium's market share, without impacting value. As the Orange Belgium network is second-to-none, attention will be given to raising awareness of this fact in the market. Moreover, mobile has set further ambitious goals regarding mobile data. As a market disruptor in Belgium, Orange Belgium offers a very good alternative to the incumbent players. Consolidating this positioning is a key residential objective for the year.

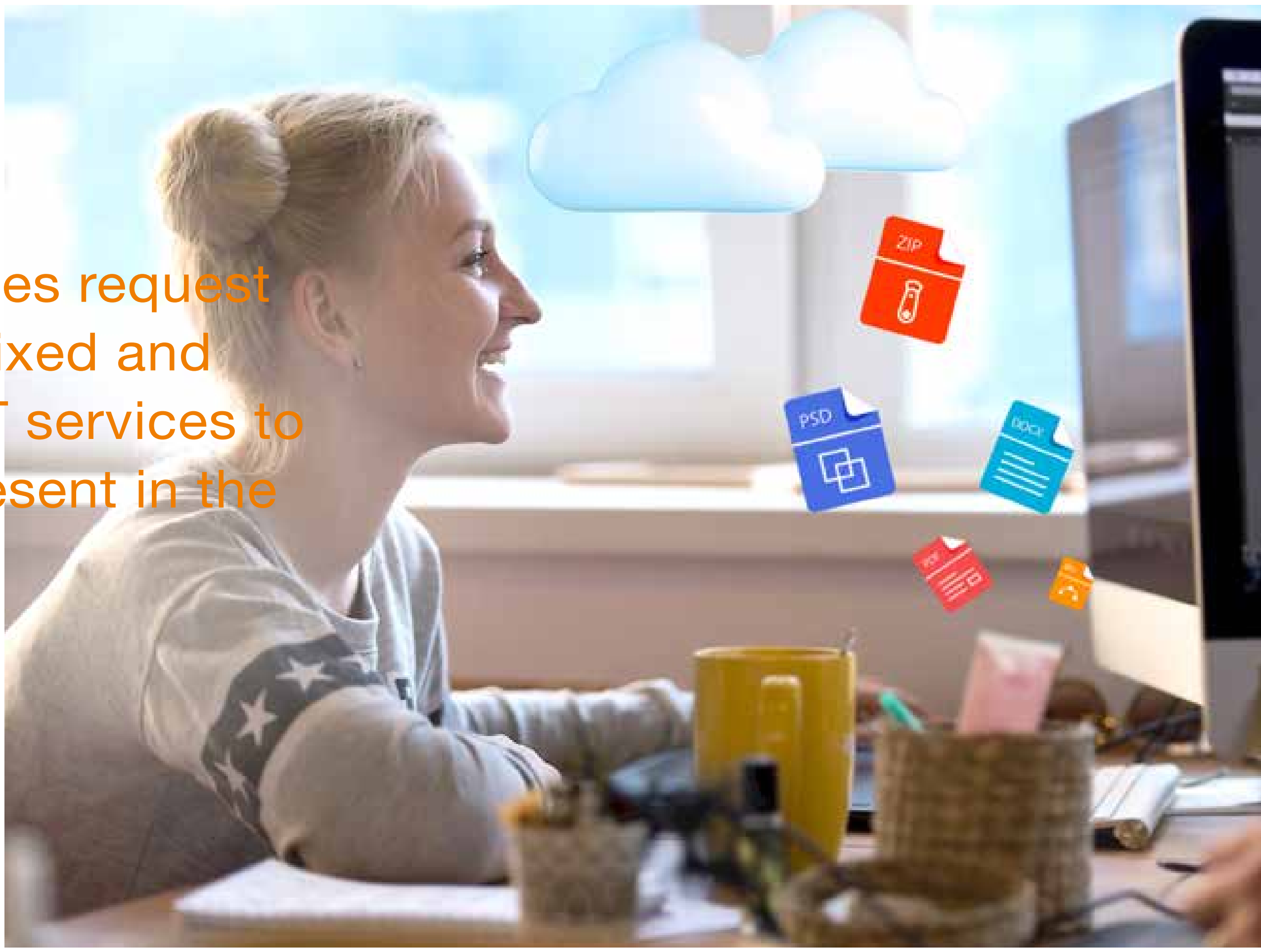
Even though customers do not ordinarily associate telecom services with the concept of loyalty, Orange is reversing this perception with its outstanding NPS.

Providing solutions for the changing business landscape

Today's business landscape is evolving rapidly. Digital transformation in an ever more mobile world is a reality. In 2017, Orange Belgium responded with solutions that facilitate this evolution.

The rise of new technologies such as Social, Cloud, Big Data and IoT – along with the blurring line between private and professional life – has put digital transformation high on business customers' agendas. On top of that, mobile is becoming the dominant platform for accessing the internet for both private and professional use.

Companies request mobile, fixed and other ICT services to all be present in the cloud.



+7%

Mobile data usage per month

Meeting the new challenges of a changing work environment

Customers are challenging telecom providers to help them with their mobility-first digital transformation. And as the 2nd largest mobile operator in Belgium, Orange Belgium is well positioned to address these needs.

In 2017, Orange launched solutions for business customers whose employees are not only active professionally, but stay connected in their spare time as well. Orange translated their needs into simple communication bundles with a clear focus on mobile data – so business customers can manage their corporate devices fleet easily and keep a close eye on the budgets spent.

Orange offers a wide range of devices and a unique Business Insurance service to guarantee business continuity. In 2017, Orange also reinforced convergent solutions for SME customers, combining fixed and mobile communication and adding indoor coverage and business continuity solutions.

'Roam like at home'

In June 2017, businesses benefitted from the EU roaming regulation that allows travelling EU citizens to call, text and surf without surcharges in the European Union. Business customers now roam carefree outside Belgium, using their national bundle of call minutes, SMS and mobile data. As mobile internet becomes more and more important, Orange business customers' mobile data usage is increasing by an average of 7% per month. So, the company took the opportunity of the EU roaming regulation to enhance its Shape offer – the new bundles enable Orange business customers to communicate even more smoothly and cost-effectively, in Belgium as well as abroad.

1-stop-shops

As companies request mobile, fixed and other ICT services to all be present in the cloud, the market is encouraging service providers to become 1-stop-shops. With IRISnet, for example, Orange launched a packaged fixed-mobile ICT solution for public customers in the Brussels-Capital Region. IRISnet is powered by Orange and responsible for the management and development of telecommunications services on the region's broadband network.

The Growth Programme

Orange Belgium's ambition to grow is also supported by improving the efficiency and quantity of various interactions with business customers. As Orange's phone account management has been proven successful with small customers, Orange will be expanding this service towards other customers. Moreover, the company aims to have at least +10% more account managers' feet on the street to widen the range of business in 2018.

In 2017, Orange Belgium became 100% shareholder of A3Com and A&S Partners, who have been Orange distribution partners for almost 20 years. A3Com is specialised in telecommunications product sales and services for residential customers through a network of 12 Orange shops located in the Brussels region.

A&S Partners provides telecommunications services to business customers within the Brussels region via a dedicated sales team of 35 professionals called AS Mobility. By acquiring both partners, Orange has strengthened its footprint in the Brussels region.

Growing collaboration in 2018

Business customers – both large corporates and SMEs – appreciate Orange Belgium's approach to everything from customer account management to co-creation of solutions. So the main focus in 2018 will be on growing this segment of Orange's business. As Orange collaborates with a business, the customer itself, and all of its employees, advance into the new, exciting working landscape.

Orange Belgium and Orange Business Services

Orange Belgium's invigorated convergent offering has strengthened Orange's position in the business segment. Now, the company wants to further strengthen its relationship with small-, medium- and large-size businesses in Belgium by offering them a complete one-stop-shop service, including mobile and fixed connectivity and a whole range of digital services.

To do this, Orange Belgium has entered into a sales engagement agreement with Orange Business Services to reinforce the commercial collaboration between the two companies, with the joint objective of serving more business customers with a wider product offering and even better service. Orange Belgium's business customers will be able to leverage Orange Business Services' expertise; and Orange Business Services' multinational customers will be able to rely even more on Orange Belgium's network resources and business capabilities, including the recently launched Mobile IoT network.

Orange Business Services offers a full range of services, primarily in the fixed-line communications and IT services markets. Both companies will be able to provide digital solutions to allow work tools to become more mobile, more connected and more collaborative, and business customers will be able to access private and hybrid cloud solutions as well as security solutions to protect all areas of their vital activities.

100%

Orange Belgium became 100% shareholder of A3Com and A&S Partners

New bundles

New bundles enable Orange business customers to communicate even more smoothly and cost-effectively, in Belgium as well as abroad.

The Internet of Things (IoT)

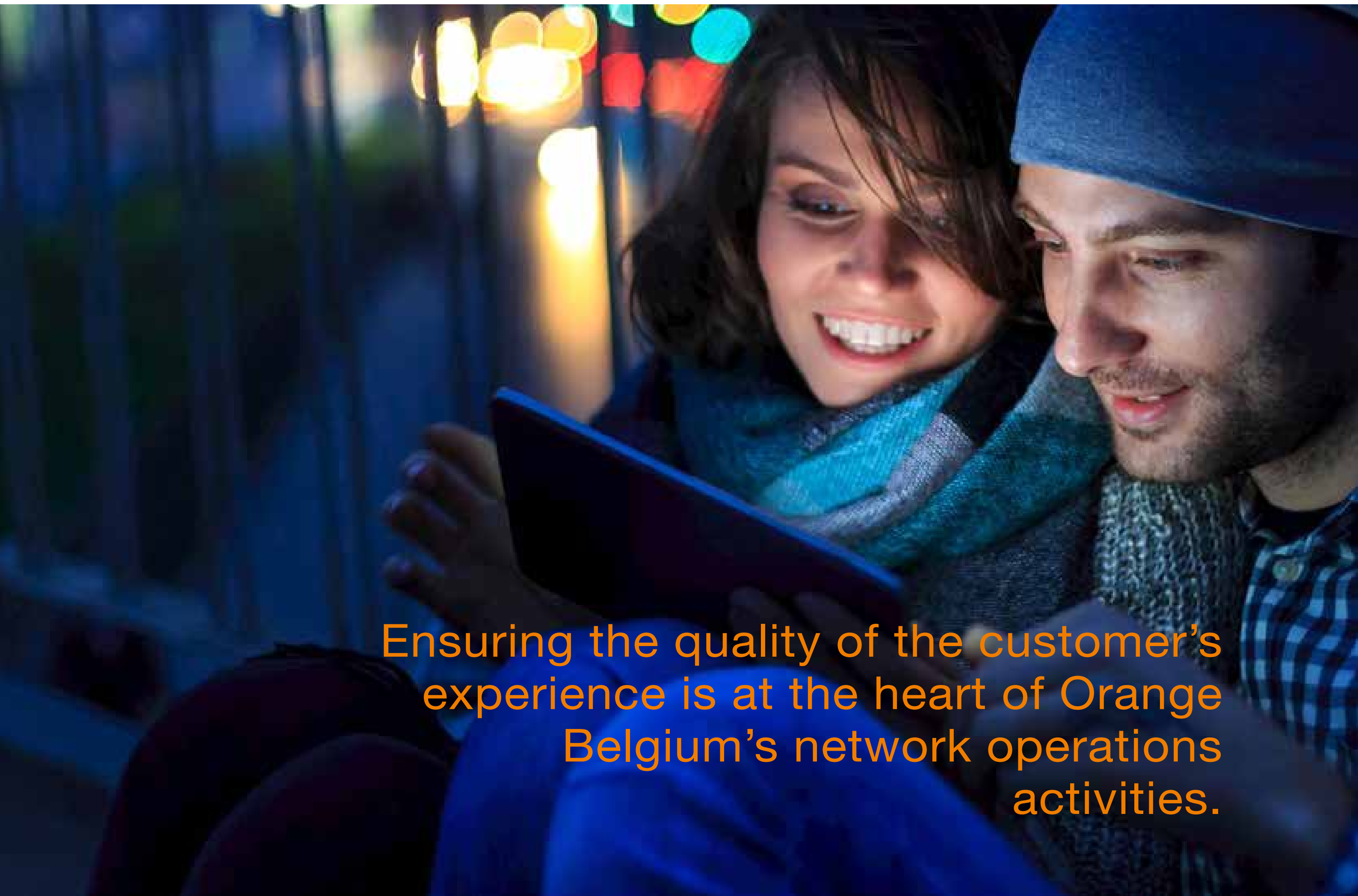
Orange Belgium is leading the way in IoT. In 2017, it again achieved double-digit growth. 2017 saw the breakthrough of 'super sims': sims with a minimum of 250 Giga/month used for wifi@board in trains as well as for video streaming applications. Also in 2017, Orange rolled out a new mobile IoT network nationally (NB-IoT & LTE-M). Such new IoT networks allow millions of everyday objects to be connected to the Internet of Things. In 2018, Orange will extend its connectivity offering to more IoT devices, with the ability to store the data collected by these devices.

Big data solutions

Because tourism and events have a major economic impact on a city, marketing is becoming increasingly important for cities and municipalities, along with 'big data' analytical tools that make it possible to detect and map out mobile devices. Crowd monitoring – measuring the presence and movement of groups of people – offers numerous new possibilities for the further development of the services cities provide. For example, the impact of weather conditions on how a crowd moves, and the pressure on arterial roads leading to and from events, can all be monitored and responded to. Orange helped the cities of Antwerp, Mechelen and Ghent with these developments; and the project with Service public de Wallonie and Pairi Daiza received the Agoria Smart City Award in 2017.

Orange network: excellent quality and coverage to serve customers' experience

As the volume of mobile data grows exponentially year-on-year, networks need more and more capacity. Orange uses big data technologies to measure the impact on its network and better prioritise developments. In 2017, the Orange network pleased customers with its superior capacity and speed.



Ensuring the quality of the customer's experience is at the heart of Orange Belgium's network operations activities.

Sharing greatest moments

Over the summer, via social media, Orange customers shared their greatest moments – captured in videos and photos – at more than 150 events and festivals, increasing mobile data volume by 82% compared to last year. Customers used 91 TB of mobile data, the equivalent of 30 million photos of 3 MB each.

+82%

Mobile data volume during summer festivals

Focus on customer experience

Ensuring the quality of the customer's experience is at the heart of Orange Belgium's network operations activities. With 50% growth in data traffic in 2017, this focus is constantly being challenged. The Orange network team leverages big data technologies to stay on top of customer usage patterns – and then, throughout the year, conducts continuous optimisation projects. The customers responded with a steadily growing NPS.

Investing where it counts

Orange continues to invest to improve its coverage. The increased usage of mobile data services in all aspects of people's lives has meant that customers' expectations have increased and that they typically expect outstanding network quality. At the end of 2017, Orange Belgium's outdoor 4G network coverage stood at 99.7%, while indoor coverage reached 93.5%. 4G+ coverage has reached 62.9%, providing an extra blanket of mobile connectivity in areas where extra capacity is requested.

Orange invests where it counts for its customers. With almost 100 extra network installations and optimisation of its current network capacity, Orange boosted its 4G and 4G+ capacity to ensure its customers can easily and instantly share and livestream their memorable moments via high-speed internet.

Future-proof Mobile IoT (Internet of Things)

In December, Orange announced the availability of Narrow Band-IoT (NB-IoT) and LTE-M technologies – so-called ‘Mobile IoT’ – providing nationwide coverage both indoors and outdoors. Based on international standards, this new IoT network has reached 100% coverage to support massive IoT solutions.

With regard to businesses, Mobile IoT will be able to answer the needs of the future. As for consumers, they will see a huge variety of new products, services and applications enabled thanks to the Mobile IoT network.

As they are fully consistent with the future evolution towards 5G, the Mobile IoT technologies are future-proof. This will make it possible to connect objects that require very high reliability (e.g. the ability to control critical devices and automation processes remotely).

Leveraging LPWA technologies

The NB-IoT and LTE-M technologies are Low Power Wide Area (LPWA) cellular network layers that will allow millions of everyday objects to be connected to the Internet of Things. When connecting objects to the Internet of Things, LPWA technologies offer many advantages, such as extending the battery life of the connected equipment by up to 10 years (thanks to low energy consumption), or dramatically reducing the cost of the radio modules inside the devices that need to be connected.

4G in the Brussels metro

Thanks to Orange Belgium’s continuous investments in its 4G mobile network, Orange customers can enjoy comprehensive high-speed mobile internet while travelling with the Brussels metro – not only in the metro stations, but also in the carriages during their journey.

‘Roam like at home’

With the implementation of the EU roaming regulation in June 2017, travelling EU citizens can now call, text and surf without surcharges in the 28 European Union countries plus Norway, Iceland and Liechtenstein. Orange Belgium went even beyond the EU roaming regulation by extending the same advantages to its customers in 8 extra territories. So Orange customers can stay connected anywhere anytime – just like at home – at no extra cost when travelling to 39 European countries and territories.

39
countries

Outlook for 2018 – moving into the future

In 2018, in preparation for 5G rollout and virtualisation technologies, the Orange network team will be strengthening the network’s backbone, and further deploying the 4G+ and 4.5G technologies.

Another priority for the year is launching Voice over IP technologies commercially to enable customers to optimise their infrastructure by bundling telephony and mobile data.

Bringing the Orange Employer Promise to life

2017 was a year of moving forward with conviction into a new growth phase, company culture and way of working. The HR team was the driving force behind a number of initiatives to implement the Orange Employer Promise of being a digital and caring employer.

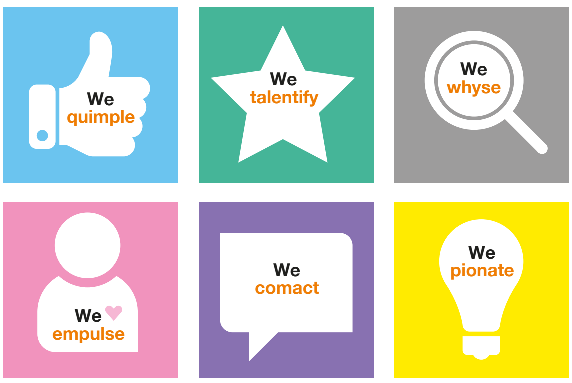
TOP
employer 2018

Creating a new history

Throughout 2017, Orange Belgium built on the foundations that were laid during the rebranding year of 2016. One of the key building blocks in the evolution towards the new company culture was the introduction of the '6 Principles of Action' framework, which was co-created with the team members to keep everyone practice-minded and action-oriented as they entered this new 'orange' chapter.

The Principles of Action help the team members live the Orange promise. For example: Quimple reminds them that quality must be approached with simplicity in mind; Whyse ensures that reasons why always make common sense. Created in 2016, these unique principles were embedded in the company's educational and HR processes in 2017. Performance reviews, succession planning, and so on are being redesigned to include the 6 Principles of Action mindset.

6 Principles of Action



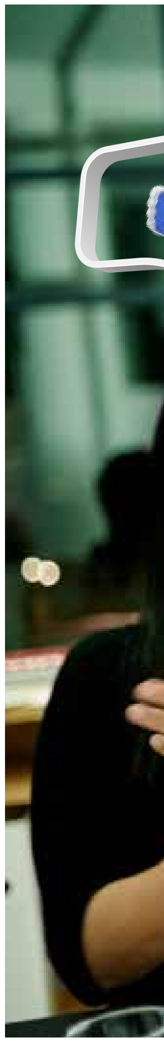
New momentum and dynamism

With the successful launch of its convergent Love offer, Orange Belgium is now a full convergent player on the Belgian market. And the new momentum and dynamism that this generated have compelled the company to embrace a new way of working.

HR approached this challenge from a grassroots, rather than a top-down, perspective – asking the workforce 'What is our new identity, and how can we work smarter in the future?'

'How we work together'

2017 was a year of raising awareness of a new way of working at Orange Belgium and integrating forward-looking processes into the company culture. A key caring message is communicated by not only evaluating what is delivered but also how it is delivered. Therefore, 'How we work together' has far-reaching consequences for the enlightened combination of being a digital and caring employer. A sign that Orange Belgium is on the right track: external auditors have renewed Orange Belgium's Top Employer certification for 2018.



Listening & responding to team members' needs

To ensure that Orange Belgium remains a caring employer as it transforms rapidly into a digital employer, legacy HR processes were reviewed and new digital solutions began to be implemented that will facilitate the employment journey from end-to-end.

The goal is to adopt the best, future-proof technology in order to offer efficient, user-friendly HR processes via everyone's mobile phone. A prime example is the new 'Workday' mobile app.

Workday – All major HR tools combined in just one single tool

2017 saw the launch of HR's 'Workday' tool, which gathers the majority of HR-related topics onto a single easy-to-use platform. For instance, via the tool team members can access their colleagues' contact details, implement their objectives, manage their requests for holidays, and much more… Workday is always available to team members – and, thanks to an app, it's accessible on their mobile!

A new L&D approach

In 2017, the HR team changed the internal Learning & Development training offer substantially. A first step was to conduct a survey to identify gaps in the current offer and to define new programmes that would be applicable not only today but in the future as well. A notable change in approach was moving from predominantly classroom-based learning to a blended offer that helps Orange team members grow their skills flexibly. In our journey towards social or community learning, we enriched our offer with digital content-focused on mobile access.

850

e-learnings

Learning at Orange has become more easily accessible and engaging with the introduction of Cornerstone Mobile™, an online learning platform. Cornerstone enables everyone to complete one of the 850 e-learnings via their mobile or tablet. As nearly half of the e-learnings are as brief as a coffee break, sharpening competences has never been easier!

85%

Satisfaction

One measure of the success of these HR initiatives: the latest e-NPS People factor shows a steady rise in manager satisfaction: 85% of all respondents are very satisfied with their manager when it comes to coaching, caring and communicating.

'How we lead' – empowering a LeaderShift programme

Because they communicate between the executive and staff levels of the organisation, line managers are a crucial conduit for cultural change. In this context, HR has called upon them to serve as role models. As the company evolves towards a sense of purpose culture, 2017 saw the birth of the innovative LeaderShift programme to create the necessary shifts in mindset.

The goal of the LeaderShift is to help managers contribute to the company's cultural change by integrating a new style of leadership while at the same time accompanying teams - and more broadly the entire organisation - to integrate the Principles of Action so that an unmatched experience can be delivered to Orange customers. The programme is composed of 4 modules articulated around the 6 Principles of Action: Kick-off (Whyse), Empowerment (Comact), Collaboration (Empulse and Talentify) and Agility (Quimple and Pionate).

The empowerment continues…

To ensure that the company can quickly adapt to changes in the market, everyone needs to work in a more flexible way. So, to become more agile, Orange reworked its project management structure whereby multifunctional teams work on 1 project in a dedicated workspace (as opposed to the classical silo structure). That dedicated workspace is also organised to promote intensive collaboration – another requirement for agility.

Acting in a sustainable way for the Belgian society

Orange has always been acting in a sustainable way. Today the efforts are focused on responsible products and services, social inclusion and the limitation of the 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 an impeccable service, which means supplying high-quality, reliable and trustworthy goods and services. It also means the company must constantly remain vigilant to data protection and child protection issues in relation to certain content.

In 2017, the company's ongoing Corporate Social Responsibility (CSR) efforts focused on the following key areas:

Boosting digital skills with 'be<\code>'

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

www.becode.org

Social dialogue contributes to inclusive togetherness

Orange supports Circles – We have the Choice, a Belgian not-for-profit organisation founded in 2016 by Kristin Verellen – who lost her life partner in the Maelbeek Metro attacks – and a circle of friends. By organising moments of meaningful gathering in various Circle formats, they are contributing to building a culture of inclusive togetherness and dialogue.

A Carbon-Neutral Company

After having decreased its CO_2 emissions by more than 75 % since 2006, Orange compensates for incompressible emissions from its operating activities. Today, the buildings, network and Orange stores are neutral in terms of CO_2 emissions. Specifically, when customers use the various Orange services they are certain not to release any CO_2 through their use.

The domains covered by CO_2 neutrality are electricity, gas, fuel, paper, waste, business trips by plane and by train, as well as refrigerants in air conditioning systems.

In collaboration with the independent bureau CO_2Logic, Orange calculates and reduces its CO_2 footprint and then compensates for its incompressible CO_2 emissions by contributing to a civil project in Africa. The objective of this project is to decrease CO_2 emissions, and to improve living conditions for local populations.

Since 2014, Orange proudly wears the “CO_2-Neutral” label of CO_2logic and independent 3rd party Vinçotte. The label is based on the internationally recognised PAS 2060 standard. This label can only be achieved through serious climate efforts. It guarantees that labelled organisations are actively calculating, reducing and compensating their local and global climate impact.

Listening to Employees’ Needs and Well-Being

Employee satisfaction is one of the company’s major strategic priorities. In 2017, to ensure that Orange Belgium remains a caring employer as it transforms rapidly into a digital employer, legacy HR processes were reviewed and new digital solutions began to be implemented that will facilitate the employment journey from end-to-end.

For some years now, team members have been specially trained to serve as trusted confidants for their colleagues, able to listen to any problems they may have and assume a mediation role where appropriate. In addition, grassroots initiatives to combat stress and prevent burnout are bearing fruit.

In the same vein, Orange is also keen to provide a working environment that ensures a good work–life balance. Regular initiatives to promote healthy minds and bodies include: lunch time sports classes, free fruit at work, subsidising the cost of smoking cessation treatment, flu vaccinations, and more.

Investing in innovation

Orange positions itself as a real innovator. In 2017, the focus on practical innovation served essential needs of Orange customers.

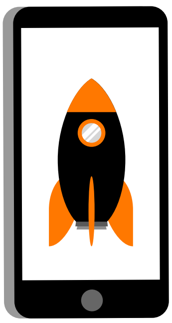
In 2017, the company invested in the following practical innovation:

- SIM-centricity, leveraging the SIM card as a strategic and secure asset,
- the launch of the first national Internet-of-Things network in Belgium and the introduction of smart home services in Luxembourg,
- the launch of Orange Fab accelerator programme,
- and various mobile services such as the relaunch of a visual voicemail service for iPhone and the launch of visual voicemail for Android users.

Orange introduces handy visual voicemail service for Android users

In 2011 Orange was the first to offer a visual voicemail service for iPhone. In December 2017 Orange Belgium became the 5th operator in the world to make this handy service available for all its customers as it introduced visual voicemail to Android users.

Visual Voicemail is a service that allows voicemail message management directly on the smartphone. Voicemails appear as an audio recording, making it easy to listen to them and go back, pause, fast forward or send on to others. All voicemails appear in a list that customers can easily manage. The customer sees who called him, when and how long the voice message is. He can of course call back the person who left the message, or reply by mail or SMS. The service is entirely free at Orange and can be used within the EU (it uses mobile data, free of charge at Orange). The messages remain accessible even without network access.



By the end of 2017 450,000 Orange customers with an iPhone use visual voicemail thanks to Orange. Now that Android users have access to this handy service, many more will follow.

Helping start-ups grow

On 1 September 2017, the exclusive international accelerator network Orange Fab opened its doors to Belgian and Luxembourgian start-ups that are developing new products and innovative services – in sectors such as Big Data, Artificial Intelligence, the Internet of Things, mobile video content, networks, and more – that will change the way we live and work tomorrow.

Orange Fab's main objective is to create a commercial partnership between the start-ups and the Business Units of Orange. Thanks to Orange Fab, the selected start-ups will be offered specific support to accelerate their development in Belgium and Luxembourg, as well as internationally, leveraging the worldwide presence of the Orange group in 29 countries and with more than 250 million customers.

60 start-ups submitted an application to participate. In early November 2017, 20 start-ups presented their innovative products and services to a jury of professionals who selected 10 for the final round.

The winning start-ups - Communithings, Zembro and Charlie24 - will officially participate in this first season of Orange Fab in Belgium and Luxembourg. They blew the jury away with powerful speeches and strong arguments on how their innovative products and services can complete Orange's portfolio. By entering the Orange Fab programme they will now benefit from business acceleration in Belgium and Luxembourg with the support of amongst others, the sales, marketing and communication departments from mid-January until mid-April 2018.

An increasingly digital society needs a digital ID - itsme

In 2016, Belfius, BNP Paribas Fortis, ING, KBC, Orange, Proximus and Telenet (together Belgian Mobile ID) signed a joint agreement to offer all Belgian citizens the most secure means of electronic identification currently available. Together they worked on a trusted mobile solution to make it easier for anyone with a mobile phone and a Belgian eID to digitally log in, register, confirm transactions and even sign documents.

In 2017, Belgian Mobile ID launched 'itsme': a single digital ID that can be used for all digital interactions:, from logging on or signing up to various websites, to making secure payments and validating contracts to booking a holiday. Orange customers can easily download the itsme application and use it on every platform that has integrated the app.

Orange Luxembourg – building momentum as an innovative market leader

'Boost' was a keyword for Orange Luxembourg in 2017, as it built momentum in everything from its leading mobile services, to the newly launched Love offering, to innovation for the future.

In 2017, the Luxembourg market remained very competitive. Convergence-related activities (including mobile, Internet, TV and fixed-line offerings), fibre and postpaid customers supported the growth of the customer base.

To boost its convergent offer, Orange Luxembourg introduced Love at the end of 1Q 2017, quickly followed by the introduction of new services such as mobile TV with 80 channels available on the move or the internet on the first day for all of its Love offers (TV / Internet / Mobile / Fixed). At the same time, the company simplified the customer journey by, for example, including installation in the package, which quickly caught the customers' attention. In addition, the fibre product was relaunched – boosting broadband connections 5-fold.

As the Luxembourg customer looks for a fair price-quality ratio – but with the emphasis on quality – the Orange mobile offering is in high demand. Orange Luxembourg entered 2017 as the leader in mobile number portability and thus gained market share through the year.

Moreover, Orange Luxembourg's instalment payment plans are being very well-received – notably for luxury items and accessories. For example, the Christmas campaign which featured drones and 4K TVs as special gift choices proved to be quite popular as the instalment plan made them available at a nominal cost.

First Orange Smart Store in Luxembourg

The end of October 2017 saw the opening of Luxembourg's first Orange Smart Store. With a friendly and customised approach, and a very high level of service, the Orange Smart Store is a complete transformation of the traditional point-of-sale. The welcoming atmosphere allows customers to feel at home as they are encouraged to discover new products, services and technologies and find the ones that are best for them. More Smart Stores are coming in 2018!

Smart Security solutions

In 2017, Orange Luxembourg launched Smart Security, the tele-monitoring surveillance solution for a house or an apartment. Smart Security – the result of a partnership between Orange and G4S, a world leader in security solutions – offers a comprehensive and flexible solution that combines security and a connected home. The interactive mobile app provides peace of mind by keeping the customer's home connected to his smartphone and if necessary the remote surveillance centre (and professional intervention) 24/7.

Looking ahead…

In 2018, Orange Luxembourg is ready to continue its upward path in the market. Already distinguished for providing the 'best quality mobile services' in Luxembourg (by the independent benchmarking and testing organisation, Systemics-PAB), one goal is to further develop the network so that it has the lowest CO_2 footprint of the networks in the country. To this end, Orange is building a wind- and solar-powered antenna that is energy neutral – a premiere in Luxembourg.

96.7%
4G coverage

86.1%
4G+ coverage

In 2017, Orange was recognised as the best mobile network in Luxembourg.

Orange Belgium's relation with the investor and analyst community

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

Share

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

Share price evolution in 2017

The euro area economy recovered strongly in 2017 with solid GDP growth and falling unemployment rates across the region, which in turn positively boosted household consumption. Furthermore, the headwinds from tighter fiscal policy dissipated. Against this positive macroeconomic background, a number of political events, such as the elections in France and Germany and the ongoing Brexit discussion, caused some uncertainty, that, in retrospect, have not really had an impact on the course of the solid economic trajectory.

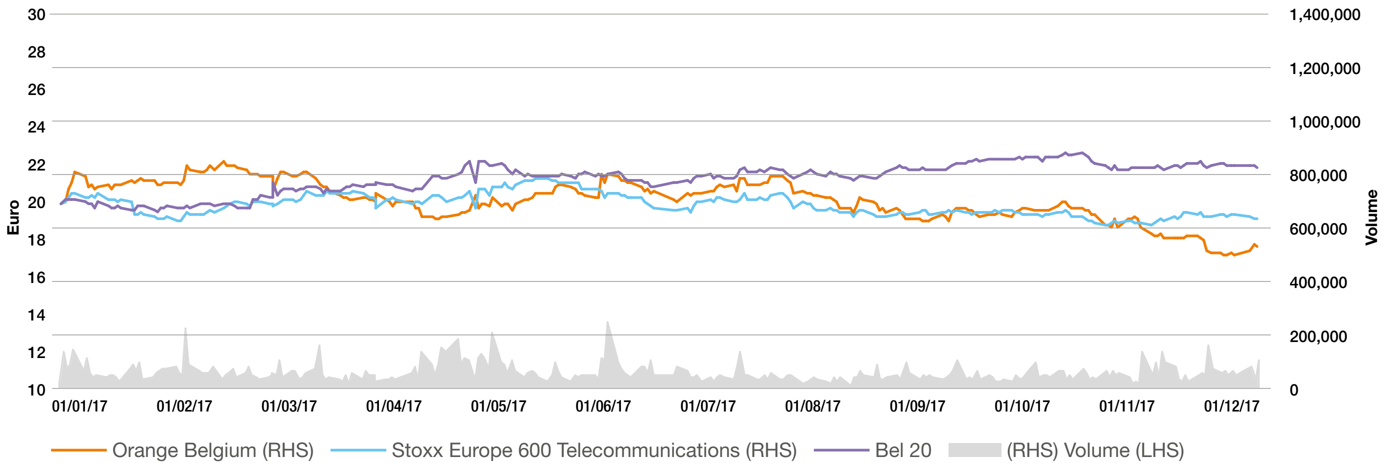
This explains why the Stoxx Europe 600, a benchmark of major companies across the EU continent, was up 7.7 % all through 2017. However, the European telecom stocks ended 2017 as one of the worst-performing sectors in Europe with a 3.6 % price decline of the Euro Stoxx 600 telecom index. This has been the second year in a row the telecom sector stands among the worst performing sectors in Europe. While European telecom companies have been meeting consensus revenue and EBITDA expectations, this has not been sufficiently compelling to offset concerns about rising investments needs and uncertainty about the regulatory framework.

Key figures (in €)	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of shares end of year	60,014,414	60,014,414	60,014,414	60,014,414	60,014,414	60,014,414	60,014,414	60,014,414	60,014,414
Number of shares free float end of year	28,261,314	28,261,314	28,261,314	28,261,314	28,261,314	28,261,314	28,261,314	28,261,314	28,261,314
Stock market capi-talisation end of year	1,050,252,245	1,191,586,190	1,340,121,865	1,176,582,586	828,198,913	1,163,679,487	2,385,572,957	2,911,299,223	2,874,390,359
Brussels Stock Exchange data									
Highest price	22.10	22.33	22.54	20.20	21.47	39.71	53.33	49.20	59.00
Lowest price	17.03	18.00	15.50	11.35	10.25	18.70	37.73	39.51	41.19
Price end of year	17.50	19.86	22.33	19.61	13.80	19.39	39.75	48.51	47.90
Total volume for the period*	14,233,647	19,357,147	33,421,814	33,101,429	42,740,595	44,150,505	45,717,610	42,058,634	53,685,388
Average daily trading volume*	55,818	75,057	130,090	130,015	166,955	172,463	177,890	163,018	209,709
Turnover of free float/ year	0.24	0.69	1.18	1.17	1.51	1.56	1.62	1.49	1.9

* number of shares

At the end of 2017, Orange Belgium's share price stood at 17.50 euros, implying a decline of 11.9 % year-on-year, thereby underperforming both the wider market as well as its European telecom peers. The year 2017 started nevertheless positively on the back of investor optimism on the outcome of the wholesale cable regulation and on corporate tax cuts in Belgium. The publication of the full year 2016 results was positively welcomed by the financial market community with in particular the resumption of the dividend. The loss of the MVNO contract with Lycamobile negatively impacted investor sentiment. The results' publication in April was labeled as in line with expectations, but the lack of news flow on the cable regulation dwindled Orange Belgium' share price. As such the publication of the consultation document by the Belgian regulators was welcomed early July, but while investors hoped this consultation would provide some clarity it still left several scenarios open. Towards the end of 2017, the market increasingly started to focus on the prospects for 2018, balancing a strong commercial momentum of both the mobile and fixed services with the anticipated impact of lower MVNO revenues, the final impact of roaming regulation and lack of profitability of the regulated cable wholesale model.

Orange Belgium vs. STOXX Europe 600 Telecommunications vs BEL 20



Shareholders' structure

Orange Belgium's shareholders' structure in terms of institutional holding by region and style remained balanced in 2017. The Orange Group, indirectly via its 100 % subsidiary Atlas Services Belgium, remained the largest shareholder with a stake of 52.91 %. In 2017, institutional investors from the UK remained the majority holders of the Orange Belgium share, closely followed by investors from Continental Europe (excl. Belgium), North America, Belgium and the rest of the world. In 2017 investors from the UK and the rest of the world reduced their position in favor of investors based in North America and Belgium. Deep Value, Value and Index investors dominate Orange Belgium's investment style landscape. The portion of Yield investors has increased in 2017. The vast majority of Orange Belgium's institutional ownership is held by Low and Medium turnover investors.

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

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

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

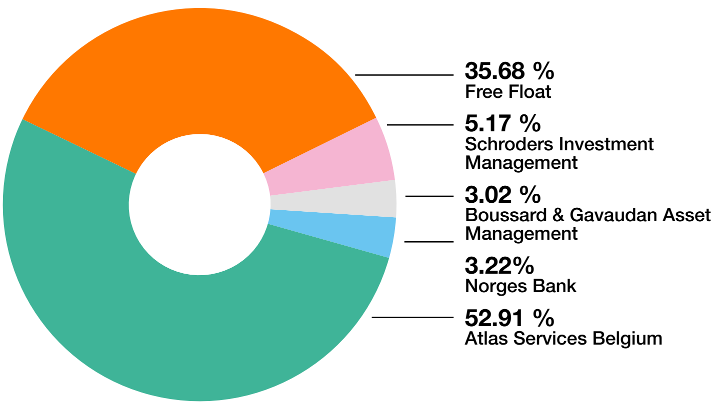
On 9 May 2014, Orange Belgium received a transparency declaration from Boussard & Gavaudan, stating that, as of 18 April 2014, Boussard & Gavaudan Asset Management LP holds 1,810,714 shares, representing 3.02 % of the total share capital of the Company. No other notification was received since then.

On 19 January 2015, Orange Belgium received a transparency declaration from Schroders Plc, stating that, as of 15 January 2015, Schroders Investment Management holds 3,105,040 shares, representing 5.17 % of the total share capital of the Company. No other notification was received since then.

Throughout 2017 Orange Belgium received several transparency declarations from Norges Bank (the Central Bank of Norway), stating that it has crossed up and down the 3 % statutory threshold. The latest notification in 2017 occurred on 4 December 2017, informing that, as of 1 December 2017, Norges Bank held 1,933,395 shares (previous declaration: 1,778,764 shares), representing 3.22 % of the total share capital of the Company (previous declaration: 2.96 %). A new notification notice was received on 3 January 2018 stating that, as of 2 January 2018, Norges Bank held 1,650,514 shares (previous declaration: 1,933,395 shares), representing 2.75 % of the total share capital of the Company (previous declaration: 3.22 %).

To Orange Belgium's knowledge, no other shareholder owned 3 % or more of Orange Belgium's outstanding shares as at 31 December 2017.

Shareholders' structure as at 31/12/2017



Shareholder remuneration

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

Considering the financial and commercial performance of 2017 and the mid-term outlook, the Board of Directors will propose the Annual General Meeting of Shareholders on 2 May 2018 to distribute an ordinary gross dividend for the financial year 2017 of 0.50 euro per share. If approved, the payment of the gross ordinary dividend of 0.50 euro will be done on 16 May 2018 (ex-dividend date 14 May 2018; record date 15 May 2018).

Liquidity contract

On July 31, 2014 Orange Belgium announced that from August 1, 2014 onwards, it has entered into a liquidity contract with a financial institution and provided them with the mandate to trade the Orange Belgium shares on a strictly discretionary basis on behalf and for account of Orange Belgium. Those transactions are executed on the central book orders of the regulated market of Euronext Brussels. The purpose of this contract is to foster regular and liquid trading. The trading of own shares was authorized by the ordinary Annual General Meeting of shareholders of Orange Belgium on May 7, 2014. In the framework of this liquidity contract Orange Belgium held 141,500 treasury shares on December 29, 2017.

Investor Relations

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

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

- formal management and investor relations presentations of the quarterly and full year results that can be followed live, through a webcast and/or via audio conference calls;
- regular investor meetings in Europe (Brussels, Paris, Geneva, Barcelona, Milan, Frankfurt and Luxembourg), the UK, the US and Canada. These investor meetings allow to bring together institutional investors and analysts, and Orange Belgium's Chief Executive, Chief Financial Officer and Investor Relations & Treasury Director to discuss the results and outlook of Orange Belgium's business performance. In 2017 Orange Belgium's management and investor relations team met close to 200 investors in one-to-one meetings and group meetings, spending in total 25 days to roadshows and industry conferences in 9 different countries.
- hosting reversed roadshows and analyst visits where top management is present;
- responding to enquiries from shareholders and analysts through our Investor Relations team; and through our website section dedicated to shareholders and analysts: https://corporate.orange.be/en/financial-information. The Investor Relations team in cooperation with the Corporate Communication team prepares the annual report that is presented in the framework of the Annual General Meeting.

For the fourth year in a row Orange Belgium's Investor Relations efforts have been rewarded as Orange Belgium was elected as Winner of the Extel 2017 IR Awards for Belgium in the category "Best Corporate on IR" Mid- & Small caps. Orange Belgium's Director of Investor Relations & Treasury Siddy Jobe was also elected for the fourth year in a row as winner for Belgium in the category "Best IR Professional" Mid- & Small caps.

Investor Relations

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Analyst Coverage

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

Financial Calendar	
07-Feb-18	Financial results Q4 2017 (7:00 am CET) – Press release
07-Feb-18	Financial results Q4 2017 (2:00 pm CET) – Audio conference call/webcast
30-Mar-18	Start quiet period
20-Apr-18	Financial results Q1 2018 (7:00 am CET) – Press release
20-Apr-18	Financial results Q1 2018 (10:00 am CET) – Audio conference call
02-May-18	Annual General Meeting of Shareholders
14-May-18	Ex-dividend date*
15-May-18	Record date dividend*
16-May-18	Payment date dividend*
29-Jun-18	Start quiet period
20-Jul-18	Financial results Q2 2018 (7:00 am CET) – Press release
20-Jul-18	Financial results Q2 2018 (2:00 pm CET) – Audio conference call/webcast
28-Sep-18	Start quiet period
24-Oct-18	Financial results Q3 2018 (7:00 am CET) – Press release
24-Oct-18	Financial results Q3 2018 (10:00 am CET) – Audio conference call

* Subject to AGM approval

Management report

The management report for the accounting period ending on 31 December 2017, consisting of pages 38 to 46, and 98 to 115 (Corporate Governance), has been prepared in accordance with Articles 96 and 119 of the Belgian Companies' Code and was approved by the Board of Directors on 22 March 2018.
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 98 to 115 is an integral part of the report.

1. Key events 2017

The Orange Belgium Group made sound progress in 2017 with its transformation to become a convergent operator, offering mobile services, fixed broadband and digital TV, data network services, and global IoT solutions. Its DNA of an innovative mobile challenger is now reinforced with the progressive uptake of its convergent LOVE and Shape & Fix offers. The growth of the convergent customer base increasingly acted as a lever to secure associated mobile cards.

At the same time, 4G smartphone penetration, mobile data consumption and the continuous increase in network performance developed strongly throughout 2017, providing a strong support for Orange Belgium's mobile strategy. This strategy aimed also in 2017 at optimizing the value creation from mobile data, while putting the customer at its center of attention by offering the best experience possible and a range of flexible and attractive data plans to meet customer demands. Fixed wholesale access regulation and digital transformation have been two very important key domains on which a lot of time and attention was dedicated throughout 2017, and of which the fruits of the hard work will be enjoyed in the coming years. From a financial point of view the Orange Belgium Group delivered sound key financials (mobile service revenues, adjusted EBITDA and net financial debt) and commercial indicators (postpaid ARPU and postpaid and cable customer base), in particular in view of the impact of the EU roaming regulation, the lower wholesale MVNO revenues and of an unfavorable wholesale cable regulation. The following key achievements were realized in 2017:

First quarter of 2017

- Orange Belgium announced a partnership with Fiat to show a connected version of its Tipo Hatchback at the Brussels Motor Show;
- Orange Belgium communicated it is not planning to increase prices of its fixed broadband and digital TV offering in 2017;
- Orange Belgium opened its 5th Smart Store in Belgium;
- Orange Luxembourg was proud to be a partner of the Luxembourg City Film Festival;
- Orange Belgium confirms the departure of Lycamobile as a MVNO on its mobile network;
- Orange Belgium has been elected for the sixth year in a row as Top Employer;
- Orange Belgium asked Proximus to cooperate on the roll-out of a Fiber-to-the-Home network in Belgium, including co-investment scenarios, or dividing the roll-out in respective zones, with reciprocal network access in each area;
- Orange Belgium and Ingenico Payment Services announced the launch of a mobile payments platform for businesses;
- Orange Belgium rebranded its convergent package with the launch of a new integrated offer 'LOVE': a mobile, Internet and digital TV tailor made bundle, that answers all customers' connectivity needs on the go and at home, with an abundance of data at the best price;
- Orange Belgium rolled out a new identification process in 1,700 Orange prepaid card points of sales to facilitate the obligatory identification of its prepaid customer base;

- Orange Belgium launched ZEN: a fixed budget mobile subscription that guarantees a 100% budget control;
- Orange Belgium announced the expansion of its network coverage in the Brussels metro;
- Orange Luxembourg introduced its version of LOVE: a convergent offer with TV, mobile plan, fiber broadband and landline, with unmatched customer support.

Second quarter of 2017

- Orange Belgium reached the milestone of 50,000 LOVE customers;
- Orange Belgium appointed Johan Deschuyffeleer as the new chairman of its board of directors;
- Orange Belgium launched 'Roam-Like-at-Home' for all customers in the EU, Norway, Iceland, Liechtenstein and 8 other destinations;
- Orange Belgium celebrated its first rebranding anniversary by giving all consumers 1GB for free, via its Orange Thank You loyalty program;
- Orange Belgium upgraded its 4G network to provide more capacity at festivals and other events during the summer;
- Orange Fab, the international accelerator network for start-ups of Orange, expanded to Belgium and Luxembourg;
- Belgian regulator BIPT started a consultation on royal decrees covering mobile spectrum licenses with the aim of holding an auction for new frequencies;
- Belgian regulator BIPT presented a new strategic plan for the period 2017-2019 focusing on stimulating competition, which is defined as the main driver for innovation and investment;
- Orange Belgium introduced a new offer for business customers to trade-in old smartphones and tablets;
- Orange Belgium launched its own-brand smartphone 'Dive72';
- Orange Belgium extended its cooperation with and remains the proud main sponsor of the national basketball teams and of the Pro Basketball League;
- Orange Belgium welcomed Easy Switch, an initiative of Minister Alexander De Croo to make the life of Belgian consumers easier when switching to a new Internet & TV provider and to stimulate competition.

Third quarter of 2017

- The Belgian telecom and media regulators published their draft decision regarding the analysis of the broadband and television broadcasting markets for consultation;
- Orange Belgium launched the 'Panther Limited Edition' providing unlimited calls and SMS and 5GB of mobile data at the sharpest price of the market;
- Orange Belgium invited, within the framework of its Orange Thank You' program, 6,000 customers to an exclusive concert of Dimitri Vegas and Like Mike;
- Orange Belgium doubled the amount of mobile data integrated within all its LOVE subscription tariff plans;
- Orange Belgium launched a new attractive prepaid offer for customers travelling to Morocco;
- Orange Luxembourg launched a new 'Click and Collect' service for smartphone purchases;
- The BIPT's service quality barometer again confirmed Orange Belgium's network and service quality.

Fourth quarter of 2017

- Orange Luxembourg launched its first Smart Store promoting new offers, services and technologies;
- Orange Belgium acquired its Brussels long-standing distribution partners A3Com and A&S Partners;
- Orange Belgium introduced the distribution of Eleven Sports 3 channel in its standard digital TV package;
- Orange Belgium's new IoT network reached 100% coverage to support massive Internet of Things solutions;
- Orange Luxembourg launched Smart Security, a tele-monitoring service;
- Orange Belgium officially selected start-ups Communithings, Zembro and Charlie24 to enter the first Orange Fab season of Belgium and Luxembourg.

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

The scope of consolidation includes Orange Belgium S.A. (100 %), the Luxembourgian company Orange Communications Luxembourg S.A. (100 %), IRISnet S.C.R.L. (accounted for by the equity method - 28.16 %), Smart Services Network S.A. (100 %), Walcom S.A. (100 %), Walcom Business Solutions S.A. (100%), Walcom Liège S.A. (100 %), A3Com S.A. (100%) and A&S Partners S.A. (100 %).

Orange Communications Luxembourg S.A., a company organized and existing under the laws of Luxembourg, has been acquired as of 2 July 2007 by Orange Belgium S.A. The purchase concerned 90 % of the shares of Orange Communications Luxembourg S.A. The remaining 10 % of shares have been acquired on 12 November 2008. The company has consolidated the results of Orange Communications Luxembourg S.A. for 100 % as of 2 July 2007, IRISnet S.C.R.L. is a company constituted in July 2012 in collaboration with the Brussels authorities in order to take over the activities performed by the temporary association Irisnet. The take-over of the activities took place on 1 November 2012. In this new legal structure, Orange Belgium has contributed in cash for 3,450,000 euros equivalent to 345,000 shares out of the 1,225,000 shares issued by the company. Due to the deal structure, IRISnet S.C.R.L. is accounted for in the accounts using the equity method.

Smart Services Network S.A., a company organized and existing under the laws of Belgium, has been created as of 30 September 2014. Orange Belgium S.A. contributed in cash for 999,900 euros equivalent to 9,999 shares out of the 10,000 shares issued by the company. Atlas Services Belgium S.A. contributed in cash for 100 euros equivalent to 1 share. 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., 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. 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., 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., 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 7 April 2017 Orange Belgium S.A. sold all the shares held in Co.Station Brussels. As a consequence, Co.Station Brussels is no longer part of the consolidation perimeter.

2.1 Consolidated statement of comprehensive income

Orange Belgium group's consolidated key figures	FY 2017	FY 2016	Variation
Total number of connected SIM cards (Orange Belgium, Orange Luxembourg and MVNO's)	4,562.4	5,998.7	-23.9 %
Mobile retail customers (excl. MVNO)	**4,037.9**	**3,955.8**	**+2.1 %**
Consolidated revenues (mio €)	**1,251.2**	**1,241.6**	**+0.8 %**
Total service revenues (mio €)	1,110.1	1,093.3	+1.5 %
Mobile equipment sales (mio €)	117.2	121.6	-3.6 %
Adjusted EBITDA (mio €)	**302.2**	**315.7**	**-4.3 %**
Adjusted EBITDA margin in % of total service revenues	27.2 %	28.9 %	
Reported EBITDA (mio €)	312.0	317.1	-1.6 %
Reported EBITDA margin in % of total service revenues	28.1 %	29.0 %	
Consolidated net profit (mio €)	**41.0**	**76.6**	**-46.5 %**
Net profit per ordinary share (€)	0.68	1.28	-46.5 %
Net investment (mio €)	188.4	167.6	+12.4 %
Net investment / Total service revenues	17.0 %	15.3 %	
Operational cash flow (mio €)	**123.6**	**149.4**	**-17.3 %**
Organic cash flow (mio €)	65.9	71.2	-7.4 %
Net financial debt (mio €)	**312.8**	**338.0**	**-7.4 %**

Revenues

The Orange Belgium Group's total consolidated revenues stood at 1,251.2 million euros in full year 2017, compared to 1,241.6 million euros in full year 2016, an increase of 0.8 % year-on-year.

The total service revenues amounted to 1,110.1 million euros in full year 2017, compared to 1,093.3 million euros in full year 2016, an increase of 1.5 % year-on-year. This result was achieved as follows:

- **Consolidated mobile service revenues** stood at 1,021.4 million euros in full year 2017, compared to 1,020.5 in full year 2016, a slight increase of 0.1 % year-on-year. The contribution of MVNO revenues stood at 71.1 million euros, compared to 80.3 million euros in 2016, a decline of 9.1 million euros year-on-year. Excluding the impact of the lower MVNO revenues, the 2017 consolidated mobile service revenues would have increased by 1.1 % year-on-year, illustrating the successful value management of the company's product portfolio and customer mix. Furthermore, in addition to the MVNO effect, the full year 2017 was impacted negatively by 36.4 million euros gross revenue impact of the implementation of the Roam-Like-at-Home regulation. When also taking this into account, the resulting underlying growth was even bigger, reaching 5.1 % year-on-year in full year 2017, thereby further highlighting the true growth character of the mobile business.
- **Consolidated fixed service revenues** increased strongly by 21.8 % year-on-year in full year 2017 to reach 88.7 million euros. This result was achieved thanks to the strong uptake of the LOVE customer base and despite the lower revenues coming from legacy DSL related products.

The consolidated mobile equipment sales of the Orange Belgium Group amounted to 117.2 million euros for the full year 2017, compared to 121.6 million euros last year, a decrease of 3.6 % year-on-year for the full year 2017.

Result of operating activities before depreciation and other expenses

Orange Belgium Group's adjusted EBITDA amounted to 302.2 million euros in full year 2017, compared to 315.7 million euros in full year 2016, a decrease of 4.3 % year-on-year respectively. The adjusted EBITDA margin amounted to 27.2 % of total service revenues in full year 2017 compared to 28.9 % a year ago.

At the adjusted EBITDA level, three external elements need to be taken into account when assessing the evolution of the profitability in full year 2017:

- Following the agreement signed with the Walloon government in December 2016, the net positive impact of this agreement in full year 2016 amounted to 15.5 million euros. Adjusting the 2016 results for this impact, the adjusted EBITDA growth would amount to 0.7 % year-on-year in full year 2017.
- The gross EBITDA impact of EU-roaming amounted to 31.9 million euros in full year 2017. Therefore, excluding the positive impact of the agreement signed with the Walloon government and the negative regulatory EU roaming impact, the adjusted EBITDA in full year 2017 would have increased by 12.7 % year-on-year, compared to the same period last year.
- The MVNO revenues in full year 2017 amounted to 71.1 million euros, compared to 80.3 million euros in 2016, a decline of 9.1 million euros year-on-year. In the absence of any subscriber acquisition and marketing costs, the wholesale MVNO revenues generally come with a higher margin than the retail revenues, implying that the lower MVNO revenues also had a considerable impact on the adjusted EBITDA.

Reported EBITDA adjustments (in million €)	FY 2017	FY 2016	Variation
Adjusted EBITDA	**302.2**	**315.7**	**-4.3%**
Adjustments	+9.8	+1.4	Na
- o/w other restructuring costs	+9.8	-15.7	Na
- o/w other operating income	+0.1	+17.1	Na
Reported EBITDA	**312.0**	**317.1**	**-1.6%**

The total operational expenses amounted to 949.0 million euros in full year 2017 compared to 926.0 million euros in full year 2016. The operational expenses related to the Internet + TV offering, including the monthly cable wholesale fee paid to the cable operators, amounted to 47.0 million euros in full year 2017, compared to 20.4 million euros in full year 2016.

The analysis of the different expenses by nature provides the following overview:

- Direct costs amounted to 565.8 million euros in full year 2017, compared to 530.4 million euros in the same period a year ago, an increase of 35.4 million euros. The purchase of materials declined in 2017 due to lower standalone handset sales and a lower subsidy budget. The other direct costs increased substantially in full year 2017, mostly as a result of the increase in both wholesale access fees and in TV content related to the uptake of the convergent LOVE offer. Interconnection costs remained relatively stable as lower outgoing SMS costs were compensated by higher roaming costs.
- Labour costs amounted to 131.0 million euros in full year 2017 compared to 130.6 million euros a year ago, an increase of 0.3 % year-on-year.
- The indirect costs amounted to 252.3 million euros in full year 2017, compared to 264.9 million euros in the same period last year, a decrease of 4.8 %. This was mainly the result of lower commercial expenses and lower IT & network expenses in full year 2017.

The reported EBITDA of the Orange Belgium Group amounted to 312.0 million euros in full year 2017 compared to 317.1 million euros a year ago. The reported EBITDA margin stood at 28.1 % of total service revenues in full year 2017, compared to 29.0 % a year ago. The adjustments of the EBITDA amounted to +9.8 million euros in full year 2017, compared to +1.4 million euros a year ago. The positive adjustments in full year 2017 were largely due to a change in provision as a result of the mutual termination of a long-term partner contract.

Depreciation and other expenses

The depreciation and other expenses of the Orange Belgium Group amounted to 230.1 million euros in full year 2017, compared to 210.3 million euros in 2016, implying an increase of 9.4 % year-on-year. The 19.8 million euro increase in depreciations for full year 2017 was mostly related 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 this kind of assets is typically lower than the traditional network investments which have a greater useful life.

The Orange Belgium Group performs each year a goodwill impairment test, based on the calculated value using a discounted cash flow model. At the end of December 2017, a goodwill impairment of 17.9 million euros has been recognized related to Orange Luxembourg. A year ago, a turnaround for the 2016-2020 period was aimed for with a 9 % and 32 % compounded annual growth rate (CAGR) of revenues and adjusted EBITDA respectively, while capital expenses were expected to remain relatively stable. Although the commercial and financial performance of Orange Luxembourg in 2017 has improved remarkably, it is undeniable that competition and regulation have impacted the projected cash flows.

EBIT

The consolidated EBIT of the Orange Belgium Group amounted to 64.6 million euros in full year 2017, compared to 107.2 million euros recorded in the same period last year. The EBIT margin in full year 2017 stood at 5.8 % of service revenues, compared to 9.8 % last year. The decline can be explained by the lower reported EBITDA, the higher depreciation charges and the effect of the recognition of a 17.9 million euro goodwill impairment charge related to Orange Luxembourg.

Financial result

The financial result in full year 2017 amounted to -4.9 million euros, a slight improvement versus the -6.5 million euros achieved in 2016. This can be explained by the lower costs of the gross financial debt in line with the lower outstanding debt.

Taxes

The tax expenses for the full year 2017 amounted to 18.6 million euros, compared to 24.1 million euros in 2016. Orange Belgium's full year 2017 effective tax rate came out at 31.2 % compared to 23.9 % for full year 2016, the difference is mainly due to the impact of the non-deductible impairment of the participation in Orange Luxembourg.

Net profit

The consolidated net profit of the Orange Belgium Group amounted to 41 million euros in full year 2017, including the 17.9 million euro goodwill impairment related to Orange Luxembourg, compared to 76.6 million euros a year ago. Consequently, the net profit per share amounted to 0.68 euro in full year 2017, compared to 1.28 euro in the same period last year.

2.2 Consolidated statement of financial position

Summary consolidated statement of financial position (in million €)	FY 2017	FY 2016	Variation
Goodwill	66.4	80.1	-13.6
Other intangible assets	304.0	320.8	-16.8
Property, plant and equipment	809.9	830.0	-20.0
Total assets	**1,436.3**	**1,524.2**	**-88.0**
Net financial debt	312.8	338.0	-25.2
Total equity	**542.0**	**532.4**	**9.6**

The consolidated statement of financial position total reached 1,436.3 million euros on 31 December 2017, compared to 1,524.2 million euros at the end of the previous financial year.

Non-current assets amounted to 1,197.9 million euros at the end of 2017 compared to 1,249.1 million euros at the end of 2016 and consisted of the following items:

- Goodwill of 66.4 million euros, resulting from:
  - the acquisition of Mobistar Affiliate S.A. (10.6 million euros) in 2001;
  - the acquisition of Orange Communications Luxembourg (70.9 million euros) in 2007, adjusted by 2.2 million euros (decrease) after the acquisition of the remaining shares of Orange Communications Luxembourg in 2008;
  - the acquisition of MES in 2010 (0.8 million euros);
  - the acquisition of A3Com (4.2 million euros) in 2017;
  - the goodwills have been reviewed for impairment during the year. For Orange Communications Luxembourg, as the recoverable value did not exceed the carrying amount, an impairment of 17.9 million euros was recorded at year end. Other goodwills remained unchanged.
- Intangible assets, posting a net value of 304.0 million euros at the end of 2017 compared with 320.8 million euros at the end of 2016. Values related to the licenses are as follows (respectively acquisition value, net book value at the end of the period, remaining amortization period):
  - 2G (extension 900 & 1800 MHz): 76.8 million euros, 45.9 million euros, 38 months;
  - 3G (2.1 GHz): 149.0 million euros, 30.4 million euros, 39 months;
  - 4G (2.6 GHz): 20.0 million euros, 17.1 million euros, 113 months;
  - 4G (800 MHz): 120.0 million euros, 96.3 million euros, 191 months.
- Property, plant and equipment, mainly comprised of network facilities and equipment, amounting to 809.9 million euros at the end of the 2017 financial year to be compared with 830.0 million euros recorded at the end of the 2016 financial year.
- In 2012, the Group invested in a new Belgian company (IRISnet S.C.R.L.) for an amount of 3.5 million euros corresponding to 28.16 % of the equity. This company is treated as an associated company. IRISnet started its activities on 1 November 2012. Variation in the consolidated results of the year 2017 reflects the share in the result of IRISnet S.C.R.L. for the year 2017.
- In 2015, the Group acquired a Belgian company (Walcom S.A.) for an amount of 5 million euros. The purchase concerned 99.92 % of the 1,250 shares of Walcom S.A. (1 share is held by ASB). The variation in the consolidated results of the year 2017 reflects the result of Walcom S.A.
- In 2016, the Group invested in a Belgian company (Belgian Mobile ID S.A.) for an amount of 1.7 million euros. Orange Belgium S.A. holds, directly or indirectly, less than 20 per cent of the voting power and does not have significant influence. Consequently, Belgian Mobile Wallet S.A. will not be part of the consolidation perimeter.
- On 1 June 2017, Orange Belgium acquired 7 shops from Easy Phone S.A. The activities of this company and some activities of Walcom S.A. have been integrated in 2 new companies: Walcom Liège S.A and Walcom Business Solutions S.A. The variation in the consolidated results of the year 2017 reflects the result of Walcom Liège S.A. and Walcom Business Solutions S.A.
- In October 2017, the Group invested in two Belgian companies: A3Com S.A. for an amount of 4.7 million euros and A&S Partners S.A. for an amount of 5.0 million euros. Orange Belgium holds 100% of the shares of both companies. The variation in consolidated results of the year 2017 reflects the result of A3Com S.A. and A&S Partners S.A.

Net deferred tax assets, relating essentially to investments tax credits, to the temporary differences resulting from the development costs for intranet sites, to the dismantling assets depreciation and the depreciation on SIM cards, as well as the integration of losses carried forward from Orange Communications Luxembourg, amounted to 11.3 million euros at the end of 2017.

Current assets increased year-on-year, going from a total of 275.1 million euros at the end of 2016 to 238.4 million euros at the end of 2017. They consist of the following items:

- Inventories of goods, amounting to 24.9 million euros, i.e. a decrease of 5.7 million euros compared to 2016. This decrease can mainly be explained by lower inventories at year end related to mobile equipment (Smartphones).
- Trade receivables, amounting to 184.8 million euros at the end of 2017, compared to 175.7 million euros at the end of 2016. This increase results mainly from an increase in roaming and interconnect revenues. The higher service revenues did also impact the Trade Receivables position at year end.
- Other current assets and prepaid expenses remain almost at the same level: from 13.1 million euros at the end of 2016 to 13.7 million euros at the end of 2017.
- Cash and cash equivalents amounting to 13.0 million euros at the end of 2017, a decrease of 38.4 million euros since the end of the 2016 financial year. The cash flow statement gives details of the flows that gave rise to this trend.

Total equity increased by 9.6 million euros during the 2017 financial year, from 532.4 million euros to 542.0 million euros:

- The share capital remained at 131.7 million euros.
- The legal reserve corresponds to 10 % of the share capital.
- The evolution of retained earnings (11.8 million euros) is the result of the total comprehensive income of the period (41.7 million euros), payment of the 2016 dividend (30.0 million euros).
- Costs of equity transactions and other equity transactions (2.5 million euros).

Non-current liabilities decreased from 465.4 million euros at the end of 2016 to 394.0 million euros at the end of 2017, mainly a result of the 70.1 million euros repayment of the long-term debt related to the unsecured revolving credit facility, which matures in 2021.

Current liabilities decreased to 500.2 million euros at the end of 2017 from 526.4 million euros at the end of 2016. The net financial debt/adjusted EBITDA ratio at the end of December 2017 amounted to 1.0x compared to 1.1x at the end of December 2016.

3. Orange Belgium S.A's statutory accounts 2017

The statutory income statement and balance sheet are presented on pages 94 to 97. As for the exhaustive annual accounts of Orange Belgium S.A., we refer 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 and outlook

Events after the reporting period

There were no material events after the reporting period.

Trends

The Orange Belgium Group expects its mobile commercial momentum to continue in 2018, resulting in a further increase of the postpaid customer base, in addition to the further uptake of the convergent LOVE customer base. Regarding its convergent position, Orange Belgium reiterates its commercial mid-term target of 10 % market share. Furthermore, to achieve a break-even of its cable business, Orange Belgium is actively working on gaining operational efficiency, but clearly also appeals on the reasonableness of the regulators to substantially improve the current financial and operational conditions for cable wholesale access in Belgium. Advances in both of these components are required to ensure fair and true competition in the fixed market in Belgium.

The Orange Belgium Group has set itself an ambitious target for 2018. It expects its total service revenues to grow in 2018 for the third year in a row and aims at an adjusted EBITDA between 280 and 300 million euros in 2018. This takes into account that the 2018 financial performance will be strongly affected by the loss of close to 30 million euros of MVNO revenues and the final adverse gross revenue and EBITDA impact of EU roaming regulation of 26 and 17 million euros respectively. This adjusted EBITDA target highlights that the Orange Belgium Group's retail business is expected to grow substantially thanks to the ongoing monetization of its mobile network and the sustained focus on operational efficiency. In addition, the Orange Belgium Group expects its 2018 core investment (i.e. total investments excluding all cable related investments) to remain fairly stable compared to 2017.

To support this ambition, Orange Belgium adopts as of 2018 a bold challenger positioning, focusing on what's essential for its customers.

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

In turn, the Walloon Region undertakes to no longer levy taxes on telecom infrastructure and to implement a legislative, regulatory and administrative framework designed to facilitate the deployment of this infrastructure. Also the Walloon Region will discourage taxation by municipalities and provinces on telecom infrastructure.

In 2017 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.

Social tariffs: On 26 January 2013, Orange Belgium and Base attacked the law transposing the Telecom Directives before the Constitutional Court regarding the compensation system put in place and the retroactive effect relating to social tariffs. The Constitutional Court decided early February 2016, based on the judgment of the European Court of Justice, that mobile services cannot qualify for social tariffs and for the specific financing system by the sector. A review of the legal framework is expected in 2018 taking into account a recent report of the BIPT referring to the needed adaptations for the universal service legal framework.

Regulation of broadband and cable: Mid-2011 the 4 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, while that of Telenet is ongoing.

In December 2013, the media regulators adopted decisions on the pricing of the cable wholesale services. In February 2016, the regulators adopted additional price decisions building on the decisions of December 2013. Appeals against all decisions were introduced by the cable operators and Orange Belgium before the Court of appeal. On 25 October 2017 the Court of appeal annulled all price decisions for various reasons amongst which lack of adequate motivation while the Court maintained the effects of the decisions until 30 April 2018.

Fixed termination rates (FTR): On 25 August 2016 the BIPT published its decision on the wholesale tariffs applicable to the termination of calls on fixed networks ("the FTR-decision"). 3StarsNet and Proximus attacked the FTR-decision criticizing i.a. the outdated market analysis (2012), the procedural defaults and errors in the cost model. In March 2017 the Court of Appeal annulled the "FTR" decision for a procedural reason, i.e. the lack of consultation of the Belgian competition authority.

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. Briefs have been exchanged in 2017 and pleadings are planned for mid- 2018.

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.

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 are currently exchanging 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. We are currently awaiting the formal termination of the ongoing proceedings by the court.

6. 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., that prepares a consolidated board of directors' annual report in accordance with the applicable EU directive.

Consolidated financial statements 2017

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.		31.12.2017	31.12.2016
2	Mobile service revenues	1 021 445	1 020 519
2	Fixed service revenues	88 667	72 784
2	Other revenues	23 886	26 783
2	Mobile equipment sales	117 217	121 558
2	Total revenues	1 251 215	1 241 644
3	Purchase of material	-187 208	-190 730
3	Other direct costs	-378 564	-339 671
3	Direct costs	-565 772	-530 401
3	Labor costs	-130 980	-130 644
3	Commercial expenses	-43 083	-52 810
3	Other IT & network expenses	-86 641	-93 453
3	Property expenses	-57 679	-55 295
3	General expenses	-67 093	-58 676
3	Other indirect income	21 559	24 308
3	Other indirect costs	-19 345	-29 013
3	Indirect costs	-252 282	-264 939
	Adjusted EBITDA	302 181	315 660
3	Adjustements	9 823	1 394
	o/w other restructing costs*	9 766	-15 695
	o/w other operating income	57	17 089
	Reported EBITDA	312 004	317 054
5	Depreciation and amortization	-230 066	-210 270
4	Impairment of goodwill	-17 865	
	Share of profits (losses) of associates	349	410
	Operating Profit (EBIT)	64 422	107 194
8	Financial result	-4 880	-6 457
8	Financial costs	-4 880	-6 457
6	Tax expense	-18 590	-24 126
	Net profit of the period**	**40 952**	**76 611**
	Profit attributable to equity holders of the parent	40 952	76 611
	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
	Net profit for the period	**40 952**	**76 611**
	Other comprehensive income (cash flow hedging net of tax)	745	-1 286
	Total comprehensive income for the period	**41 697**	**75 325**
	Part of the total comprehensive income attributable to equity holders of the parent	41 697	75 325
	Basic earnings per share (in EUR)	0.68	1.28
	Weighted average number of ordinary shares (excl. treasury shares)	59 872 914	60 000 345
	Diluted earnings per share (in EUR)	0.68	1.28
	Diluted weighted average number of ordinary shares (excl. treasury shares)	59 872 914	60 000 345

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

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

1.2 Consolidated statement of financial position

in thousand EUR

Ref.		31.12.2017	31.12.2016
	ASSETS		
4	Goodwill	66 438	80 080
5	Other intangible assets	303 971	320 789
5	Property, plant and equipment	809 934	829 971
7	Interests in associates and joint ventures	4 021	3 722
8	Non-current financial assets	1 542	2 024
2	Other non-current assets	729	255
6	Deferred tax assets	11 264	12 263
	Total non-current assets	1 197 899	1 249 104
3	Inventories	24 930	30 632
2	Trade receivables	184 836	175 677
8	Current financial assets	469	452
8	Current derivatives assets	68	3 131
2	Other current assets	2 670	994
6	Operating taxes and levies receivables	1 370	652
	Current tax assets	1	
3	Prepaid expenses	11 003	12 131
8	Cash and cash equivalents	13 012	51 444
	Total current assets	238 359	275 113
	Total assets	1 436 258	1 524 217
	EQUITY AND LIABILITIES		
9	Share capital	131 721	131 721
	Legal reserve	13 172	13 172
	Retained earnings (excl. legal reserve)	399 607	387 804
	Treasury shares	-2 476	-279
	Equity attributable to the owners of the parent	542 024	532 418
	Total equity	542 024	532 418
8	Non-current financial liabilities	319 615	389 043
8	Non-current derivatives liabilities	2 973	4 659
	Non-current employee benefits	274	638
5/11	Non-current provisions for dismantling	65 891	65 596
11	Other non-current liabilities	2 820	3 759
6	Deferred tax liabilities	2 475	1 687
	Total non-current liabilities	394 048	465 382
8	Current financial liabilities	6 066	236
8	Current derivatives liabilities	68	3 131
8	Current fixed assets payable	56 210	68 757
3/8	Trade payables	212 562	167 695
3	Current employee benefits	30 017	31 788
5	Current provisions for dismantling	1 040	1 023
3	Current restructuring provisions	1 812	16 772
3/11	Other current liabilities	12 667	11 409
6	Operating taxes and levies payables	94 217	110 000
6	Current tax payables	23 259	56 923
3	Deferred income	62 268	58 683
	Total current liabilities	500 186	526 417
	Total equity and liabilities	1 436 258	1 524 217

1.3 Consolidated cash flow statement

in thousand EUR

Ref.		31.12.2017	31.12.2016
	Operating activities		
	Consolidated net income	**40 952**	**76 611**
	Adjustments to reconcile net income (loss) to cash generated from operations		
6	Operating taxes and levies	8 451	18 203
	Gains (losses) on disposal	-1 607	
5	Depreciation, amortization and impairment	230 066	210 270
	Change in provisions	-17 826	-7 842
	Impairment of goodwill	17 865	
7	Share of profits (losses) of associates and joint ventures	-349	-410
	Operational net foreign exchange and derivatives	-238	-269
8	Finance costs, net	4 880	6 457
6	Income tax	18 590	24 126
	Share-based compensation	120	314
	Changes in working capital requirements		
3	Decrease (increase) in inventories, gross	5 731	-8 440
2	Decrease (increase) in trade receivables, gross	-7 173	32 658
3	Increase (decrease) in trade payables	44 513	470
	Changes in other assets and liabilities	3 709	-12 852
	Other net cash out		
3	Operating taxes and levies paid	-24 714	-22 243
	Interest paid and interest rates effects on derivatives, net	-3 831	-5 405
6	Income tax paid	-52 365	-12 760
	Net cash provided by operating activities	**266 774**	**298 888**
	Investing activities		
	Purchases (sales) of property, plant and equipment and intangible assets		
5	Purchases of property, plant and equipment and intangible assets	-188 377	-167 643
	Increase (decrease) in fixed assets payables	-12 547	-60 062
	Organic cash flow *	**65 912**	**71 183**
	Cash paid for investment securities, net of cash acquired	-8 196	-2 067
	Investments in associates and joint ventures, net of cash acquired		-20
	Other proceeds from sales of investment securities, net of cash transferred	100	1
	Decrease (increase) in securities and other financial assets	96	1 062
	Net cash used in investing activities	**-208 924**	**-228 729**
	Financing activities		
8	Long-term debt redemptions and repayments	-70 070	-19 940
	Increase (decrease) of bank overdrafts and short-term borrowings	5 948	-8 210
	Purchase of treasury shares	-2 197	-279
	Capital increase (decrease) – owners of the parent company		20
9	Dividends paid to owners of the parent company	-30 025	-15
	Net cash used in financing activities	**-96 344**	**-28 424**
	Net change in cash and cash equivalents	**-38 494**	**41 735**
8	**Cash and cash equivalents – opening balance**	**51 444**	**9 709**
	o/w cash	4 125	3 163
	o/w cash equivalents	47 319	6 546
	Cash change in cash and cash equivalents	**-38 494**	**41 735**
	Effect of exchange rates changes on cash and cash equivalents and other non-monetary effects		
8	**Cash and cash equivalents – closing balance**	**13 012**	**51 444**
	o/w cash	8 726	4 125
	o/w cash equivalents	4 286	47 319

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

1.4 Consolidated statement of changes in equity

in thousand EUR

	Share capital	Legal reserve	Retained earnings	Treasury shares	Total equity
Balance as at 1 January 2017	131 721	13 172	387 804	-279	532 418
Net profit for the period			40 952		40 952
Other comprehensive income			745		745
Total comprehensive income for the period			41 697		41 697
Other			113		113
Own shares				-2 197	-2 197
Declared dividends			-30 007		-30 007
Balance as at 31 December 2017	131 721	13 172	399 607	-2 476	542 024

in thousand EUR

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

1.5 Segment information

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

in thousand EUR

31.12.2017	Belgium	Luxembourg	Interco elimination	Orange Belgium group
Mobile service revenues	978 268	46 458	-3 281	1 021 445
Fixed service revenues	82 703	5 964		88 667
Other revenues	21 868	2 029	-11	23 886
Mobile equipment sales	114 647	10 805	-8 235	117 217
Total revenues	1 197 486	65 256	-11 527	1 251 215
Direct costs	-540 814	-36 484	11 526	-565 772
Labor costs	-121 331	-9 649	0	-130 980
Indirect costs	-241 170	-11 113	1	-252 282
Adjusted EBITDA	294 171	8 010	0	302 181
Reported EBITDA	304 035	7 969	0	312 004

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

in thousand EUR

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

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

in thousand EUR

31.12.2017	Belgium	Luxembourg	Eliminations	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	7 099	4 894		11 993
Total non-current assets	1 117 591	80 308	0	1 197 899
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	13 781	577	-9 848	4 510
Total current assets	236 745	13 830	-12 216	238 359
Total assets	1 354 336	94 138	-12 216	1 436 258
Total equity	0	0	542 024	542 024
Non-current employee benefits	274			274
Non-current liabilities included in the calculation of the net financial debt	322 588			322 588
Other	66 624	4 562		71 186
Total non-current liabilities	389 486	4 562	0	394 048
Current fixed assets payable	52 379	3 831		56 210
Trade payables	209 929	5 001	-2 368	212 562
Current employee benefits	28 990	1 027		30 017
Deferred income	62 062	206		62 268
Current liabilities included in the calculation of the net financial debt	6 134	9 848	-9 848	6 134
Other	131 423	1 572		132 995
Total current liabilities	490 917	21 485	-12 216	500 186
Total equity and liabilities	985 124	6 243	529 807	1 436 258

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

in thousand EUR

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

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.
Orange Belgium S.A. holds, directly or indirectly (e.g. through other subsidiaries), less than 20 per cent of the voting power of Belgian Mobile 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 SA. Consequently, Belgian Mobile ID S.A. will not be part of the consolidation perimeter and this participation is considered as an Available-For-Sale (AFS) financial asset and recognized at fair value.

On 7 April 2017, Orange Belgium S.A. sold all the shares held in Co.Station Brussels. As a consequence, Co.Station Brussels is no longer part of the consolidation perimeter.

2. Perimeter of consolidation

The following parent company, subsidiaries, associates and joint ventures are included in the perimeter of consolidation as at 31.12.2017 :

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.
Fridderricht 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.
Fridderricht 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 22 March 2018, the Board of Directors of Orange Belgium S.A. reviewed the 2017 consolidated financial statements and authorized them for issue.

The 2017 consolidated financial statements will be approved on 2 May 2018 by the General Assembly of Shareholders which has still the power to amend the financial statements after issue.

3. Basis of preparation

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

Statement of compliance

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

The principles applied to prepare financial data relating to the 2017 financial year are based on:
- all the standards and interpretations endorsed by the European Union compulsory as of 1 January 2017;
- 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.

Changes in accounting policy and disclosures

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2016.

Although there has been limited impact on the operations performed by the Group, following new amendments to IFRS have been considered in the preparation of the annual consolidated accounts :
- Annual improvements to IFRS Standards 2014-2016 Cycle : Amendments to IFRS 12 (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed by the EU)
- Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual periods beginning on or after 1 January 2017)

Standards and interpretations compulsory after 31 December 2017, 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 9, IFRS 15 and IFRS 16. They are subject to dedicated projects within the Group :

IFRS 9
Financial Instruments
(January 1, 2018)

- IFRS 9 modifies the recognition criteria for hedging transactions and main financial assets and liabilities categories : given the nature of the Group's transactions, no major change is expected.
- IFRS 9 also modifies the recognition of credit risk related to financial assets, moving from the incurred loss approach to an expected loss approach : for the telecom activities, this means that impairment will be recognized on trade receivables not yet due. The first application of this method will not affect materially the Group equity on 1 January 2018.

IFRS 15
Revenue from Contracts with Customers
(January 1, 2018)

IFRS 15 implementation has been subject to a dedicated project within the Group. Work completion confirms the expected effects of IFRS 15 first application. The effects on Group's accounts primarily relate to the mobile phone market and notably to :

- the accounting for arrangements which bundle the sale of a handset sold with a discounted price and with customer subscription to a communication service for a defined period of time: the cumulative revenue will not change but the allocation between the handset sold and the communication service will change (higher equipment revenues, with the exact same decrease in service revenues);
- the accelerated recognition of revenues, when the equipment is sold, offset from the supply of the service during the enforceable period, will lead to the recognition of a contract asset in the statement of financial position which would be settled against an asset receivable as the communication service is provided;
- the accounting treatment of non-monetary transactions between telecom operators;
- some incremental subscriber acquisition and retention costs (i.e. payments to retailers directly attributable to the contract, excluding subsidies) will be recognized over the duration of the contractual relationship.

The Group also paid particular attention to the concepts specified or introduced by IFRS 15 that will not change the principles currently applied:

- Gross or net revenue recognition depending on whether the Group acts as principal or as agent. This clarification should not have a significant impact on the Group's financial statements;
- The accounting treatment of material rights granted to customers under contracts in which the Group provides the customer additional optional goods or services;
- The timing of revenue recognition related to services of which the Group operates in the build and run of IT platforms.

The Group will retrospectively apply IFRS 15 on 1 January 2016, which means the restatement of 2016 and 2017 reported comparative periods. Based on evaluation, IFRS 15 first application will affect the net equity as at 1 January 2016 of approximately 40.7 million euros which mainly results from the recognition of contract assets.

Overview of the main differences between the two accounting standards:

In MEUR	IAS 18 FY 2017	IFRS 15 FY 2017	Variance in standard	IAS 18 FY 2016	IFRS 15 FY 2016	Variance in standard
Revenue	**1 251.2**	**1 246.4**	**-4.8**	**1 241.6**	**1 249.1**	**7.5**
o/w equipment revenues	117.2	175.4	58.2	121.6	187.4	65.8
o/w service revenues	1 134.0	1 071.0	-63.0	1 120.1	1 061.8	-58.3
Direct costs	-565.8	-567.2	-1.4	-530.4	-530.0	0.4
Indirect costs	-383.3	-383.3		-395.6	-395.6	
Adjusted EBITDA	302.2	296.0	-6.1	315.6	323.5	7.9

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. In addition to the effect on the statement of financial position, the income statement (depreciation and interest expense instead of operating expense) and the statement of cash flows (interest expense will continue to affect the operating cash flows, investment cash flows will not be impacted, financing cash flows will be impacted by the repayment of the debt) will also be affected. The financial reporting will be sensitive to: ▪ the judgment required in applying the new qualification criteria for a lease; ▪ the choice of whether to recognize certain capacity arrangements as intangible assets; ▪ the legislation and practices applicable to each jurisdiction or line of business with regard to the non-cancellable lease term granted by lessors and the combination of fixed and variable contractual payments; ▪ the policy used by each lessee when assessing the reasonably certain lease term; ▪ the simplified alternatives elected for a retrospective application. The application of this standard will also affect the scope and the amount of the unrecognized contractual commitments. The group is currently in the process of analyzing the impact as of 1 January 2019. The Group will apply IFRS 16 with a retrospective application on 1 January 2019, but with no restatement of comparative periods.

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 that management makes certain judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Critical judgments in applying accounting policies

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

Operating lease commitment – Group as a lessee

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

Critical estimates and assumptions

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

Impairment of non-financial assets

The Group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the financial projections for the next 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.

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).

Universal service

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

Contract termination

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

Operational taxes: pylon

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

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

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

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

The provision for pylon tax is reassessed every quarter using prudent best estimate assumptions based on the evolution of the regional tax framework, of the different court cases and of the new tax bills received. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at 31 December 2017, may subsequently be changed.

Note 2: Sales and (trade) receivables

Sales

in thousand EUR

	31.12.2017	31.12.2016
Belgium	1 197 486	1 196 061
Mobile services	978 268	980 270
Fixed services	82 703	68 400
Other revenues	21 868	25 455
Mobile equipment sales	114 647	121 936
Luxembourg	65 256	61 638
Mobile services	46 458	44 319
Fixed services	5 964	4 384
Other revenues	2 029	1 361
Mobile equipment sales	10 805	11 574
Inter-segment eliminations	-11 527	-16 055
TOTAL	1 251 215	1 241 644

Orange Belgium's total consolidated turnover amounted to 1,251.2 million euros in 2017, compared to 1,241.6 million euros in 2016, a growth of 0.8 % year-on-year. Excluding the regulatory impact of 36.4 million euros incurred in 2017 (Roam-like-at-Home regulation), the total consolidated turnover would have increased by 3.7 % compared to 2016.

Orange Belgium's total service revenues (in casu mobile and fixed services) amounted to 1,110.1 million euros in 2017 compared to 1,093.3 million euros in 2016, an increase of 1.5 % year-on-year. However, excluding the aforementioned regulatory impact, Orange Belgium's 2017 consolidated total service revenues would have increased by 4.9 % compared to the same period last year, illustrating the successful value management of the company's product portfolio and customer mix. Furthermore, in addition to the Roaming effect, the full year 2017 was also negatively impacted by lower MVNO revenues (for 9.1 million euros). When also taking this into account, the resulting underlying growth of the mobile business is even bigger, reaching 5.7% year-on-year. Consolidated fixed service revenues increased strongly by 21.8% year-on-year, to reach 88.7 million euros, thanks to the strong uptake of the LOVE customer base and despite the lower revenues coming from legacy DSL related products.

The year-on-year variance of Orange Belgium's other revenues in 2017 was negatively impacted by lower tariffs for services provided by Orange Belgium to public prosecutors, courts, etc.

The consolidated mobile equipment sales of Orange Belgium amounted to 117.2 million euros in the full year 2017, compared to 121.6 million euros last year, a decrease of 3.6 % year-on-year, mainly due to lower handset sales and a lower subsidy level.

Trade receivables

in thousand EUR

	31.12.2017	31.12.2016
Trade receivables – Gross value	229 213	220 576
Allowance for doubtful debtors	-44 377	-44 899
TOTAL TRADE RECEIVABLES	184 836	175 677

Ageing Balance

in thousand EUR

	31.12.2017	31.12.2016
Not past due	131 323	133 775
Less than 180 days	24 146	18 561
Between 180 days and 360 days	15 047	14 655
More than 360 days	14 320	8 686
TOTAL TRADE RECEIVABLES	184 836	175 677

Change in Provision for Trade receivables

in thousand EUR

	31.12.2017	31.12.2016
Allowances on trade receivables – opening balance	-44 899	-58 702
Net addition with impact on income statement	-7 382	6 979
Losses on trade receivables	7 904	6 824
Allowances on trade receivables – closing balance	-44 377	-44 899

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 the service revenues are collected by direct debit). Trade receivables which are not paid via direct debits bear mainly a payment term of 30 days end of month.

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

Trade receivables amounted to 184.8 million euros at the end of 2017, compared with 175.7 million euros at the end of 2016. The increase in trade receivables – gross value can be explained by an increase in receivables of less than 180 days of 5.5 million euros mainly due to an increase in interconnect revenues (impact of 3.5 million euros). The increase in receivables of more than 360 days is due to some open roaming related invoices with two big Telco operators (4 million euros). Finally the higher service revenues impacted also positively the Trade receivables position at year end 2017.

The allowance for doubtful debtors remained stable at 44.4 million euros.

End 2017, Orange Belgium S.A. entered into a factoring program with Belfius Commercial Finance. The Trade receivables eligible were related to the top 400 B2B Airtime debtors (factored receivables around 2 million euros per 31 December 2017). IAS 39 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 derecognition may consequently be achieved.

Other assets

in thousand EUR

	31.12.2017	31.12.2016
Advances and downpayments	583	599
Security deposits paid	729	255
Other	2 087	395
TOTAL OTHER ASSETS	3 399	1 249
o/w other non-current assets	**729**	**255**
o/w other current assets	**2 670**	**994**

The increase in other current assets is due to the prepayment related to the sale of the Mermoz building in Charleroi. Security deposits paid increased with 0.5 million euros related to a cash guarantee agreement.

Note 3: Expenses, prepaid and inventory

Direct costs

in thousand EUR

	31.12.2017	31.12.2016
Purchase of material	-187 208	-190 730
Other direct costs	-378 564	-339 671
TOTAL DIRECT COSTS	-565 772	-530 401

The direct costs in 2017 increased by 6.6 % year-on-year to 565.8 million euros from 530.4 million euros a year earlier.

Purchase of material

The purchase of material decreased by 1.9 %, mainly due to lower handset sales and a lower subsidy budget.

Other direct costs

The other direct costs, mainly consisting of interconnection costs, commissions, content costs and bad debts, increased substantially by 11.5 % year-on-year.

Interconnection costs

Interconnection costs remained stable and amounted to 268.6 million euros, an increase of 1.3 million euros, as outgoing SMS costs were compensated by higher roaming costs.

Commissions

The costs related to commissions decreased with 4.1 million euros in 2017 to 47.6 million euros, due to the internalization of some agents (A3Com and A&S Partners).

Content costs

Orange Belgium's content strategy is primarily based on developing partnerships with rights holders and service publishers. Orange Belgium is mainly focused on its role of aggregating and distributing content to offer improved services to its customers. The costs regarding content amount to 8.2 million euros in 2017 compared to 4.6 million euros in 2016. This increase is in line with the uptake of Orange Belgium's digital TV offer (LOVE) in 2017.

Bad debt

In 2016, the bad debt cost was positively impacted by the recovery from old Irisnet invoices and amounted to -6.7 million euros, compared to a normal level of 7.4 million euros in 2017 (see also Note 2 – Trade receivables).

Connectivity

The Connectivity costs increased substantially with 16.2 million euros in 2017 at 41.5 million euros, mostly as a result of the increase in wholesale access fees related to the convergent LOVE offer.

Prepaid expenses

in thousand EUR

	31.12.2017	31.12.2016
Prepaid supplies and services	9 662	10 767
Prepaid spectrum fees	1 341	1 364
TOTAL PREPAID EXPENSES	11 003	12 131

The decrease in prepaid expenses is due to lower prepayments regarding rentals for buildings & shops; leased lines and the "Play station contract". The prepaid amount regarding spectrum fees remained at the same level compared to 2016.

Inventories

in thousand EUR

	31.12.2017	31.12.2016
Gross inventories	26 065	31 720
Depreciation	-1 135	-1 088
TOTAL INVENTORIES	24 930	30 632
Inventories – Cost recognized as an expense during the period	**-184 871**	**-187 984**

The decrease in gross inventories can mainly be explained by lower inventories at year end due to the very successful year-end campaign. The reserve for obsolete and slow moving items (1.1 million euros) was slightly higher in 2017 than in 2016.

Trade payables and other current liabilities

in thousand EUR

	31.12.2017	31.12.2016
TRADE PAYABLES	212 562	167 695
Salaries and termination pay	2 641	3 976
Performance and profit sharing bonus, pensions	8 421	7 990
Social security contributions	4 901	6 280
Holiday pay	13 967	13 397
Other	87	145
CURRENT EMPLOYEE BENEFITS	30 017	31 788
CURRENT RESTRUCTURING PROVISIONS	1 812	16 772
OTHER CURRENT LIABILITIES	12 667	11 409
CURRENT TAX PAYABLES	23 259	56 923
DEFERRED INCOME	62 268	58 683

Trade payables are non-interest bearing and are normally settled on 30 to 60-days terms. The trade payables in 2017 increased with 44.9 million euros compared to 2016. This is due to higher roaming payables as a result of much higher traffic with other telecom operators (more data and voice) for 28 million euros and this increase can also be explained by higher outstanding payables at year end for a number of suppliers (impact 17 million euros).

The current employee benefits decreased with 1.7 million euros in 2017, mainly due to a timing difference in the payment of 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, no provision has been recognized.
The contributions paid during 2017 for those plans amounted to 4.2 million euros paid by the employer and 1.0 million euros paid by the employees. The plan assets at 31 December 2017 consisted of 113.5 million euros individual insurance reserves, which benefit from a weighted average guaranteed interest rate of 3.63 % and 4.2 million euros reserves in collective financing funds.

The increase in other current liabilities is due to the increase in provision for outstanding litigations mainly related to some legal cases and a higher accrual for social tariffs (see note 11: (Non)-current provisions and see also the management report, section 5 for detailed information on the disputes).

The current restructuring provisions decreased with almost 15 million euros in 2017 mainly as a result of the mutual termination of a number of long-term partner contracts.

The current tax payables are related to outstanding tax accruals for the accounting years 2016 and 2017 (see Note 6 – Operational taxes and levies).

The increase in deferred income is related to more deferred revenues from bundles and more deferred revenues related to the MVNO agreement with Telenet. The deferred income related to prepaid revenues decreased in line with the decrease in the prepaid card business.

Labor costs (excluding termination benefits)

Labor costs remained stable at 131.0 million euros in 2017, compared to 130.6 million euros a year ago.
The increase in headcounts due to the internalization of some agents, was compensated by the capitalization of internal team member costs related to cable, IT and digitalization projects.

Indirect costs

in thousand EUR

	31.12.2017	31.12.2016
Commercial expenses	-43 083	-52 810
Other IT and network expenses	-86 641	-93 453
Property expenses	-57 679	-55 295
General expenses	-67 093	-58 676
Other indirect income	21 559	24 308
Other indirect costs	-19 345	-29 013
TOTAL INDIRECT COSTS	-252 282	-264 939
of which operational taxes and fees	-8 451	-18 203

The indirect costs decreased 4.9 % year-on-year to 252.3 million euros in 2017 compared to 264.9 million euros in 2016.

The commercial expenses decreased by 18.4 %. In 2016, due to costs related to the rebranding and the commercial launch of the Orange Internet + TV offer, the commercial expenses amounted to 52.8 million euros. The decrease in other IT and network expenses (-7.3 %) can be explained by less maintenance costs for IT infrastructure and for network. The increase of property expenses (4.3 %) relates to network site rentals. The increase in general expenses (14.3%) is due to more subcontractor services and to more use of temporary staff and contracted labor.

Other indirect income decreased with 11.4% year-on-year, due to less re-invoicing of operational costs to the Orange Group. Other indirect income consists also of re-invoicing of rental costs to sublessors (mainly related to the Sirius building) and re-invoicing of staff costs to the Orange Group.

The other indirect costs evolution is mainly due to the corrections of the balance sheet position related to the pylon taxes. These corrections were the result of a reassessment, 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.

Adjustments

Other operating income

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

Other restructuring costs

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, compared to 4.9 million euros in 2016.

Note 4: Goodwill

Goodwill

in thousand EUR

	31.12.2017			31.12.2016		
	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		**68 729**
Other goodwill	15 574		**15 574**	11 351		**11 351**
TOTAL GOODWILL	84 303	-17 865	66 438	80 080	0	80 080

Orange Communications Luxembourg S.A.

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

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

Cash flows have been estimated on a five-year business plan (2018 to 2022) 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 6.23 % (compared to 9% last year) and 23.2 % (compared to 32% last year) compounded annual growth rate (CAGR) of revenues and adjusted EBITDA respectively, while capital expenses are expected to increase with 15.9% .

Considering a perpetuity growth rate of 1.50 % (compared to 1.25% in 2016) and a WACC of 6.25 % (compared to 6.0 % last year), those assumptions resulted in an impairment of the Orange Communication Luxembourg’s goodwill of 17.9 million euros.

Sensitivity of recoverable amounts

Sensitivity analysis on those parameters has been performed, using a growth rate varying from 0.5 % to 1.5 % and a discount rate varying from 6.0 % to 7.0 %, and this even if the extremes are considered as very theoretical.

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 2017 :

- 100 % margin of the recoverable amount over the carrying value tested: 10.5 million euros
- 100% effect on the recoverable amount of a variation of :
  - 10 % in cash flow of terminal year : 7.7 million euros
  - 1 % in growth rate to perpetuity : 14.8 million euros
  - 1 % in discount rate : 11.7 million euros

Finally, the impact of a variation of 2% in the EBITDA annual margin growth rate has been estimated at 3.6 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 goodwill for the segment “Belgium”. The amount of revenues and profit or loss of A3Com S.A. since the acquisition date as included in the consolidated statement of profit or loss and OCI amounts to 459 thousand euros and 128 thousand euros. The revenue and profit or loss of A3Com S.A. as from the beginning of the annual reporting period amount to 6.5 million euros and 1.2 million euros.

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 other intangible assets as part of the purchase price allocation. The amount of revenues and profit or loss of A&S Partners S.A. since the acquisition date as included in the consolidated statement of profit or loss and OCI amounts to 954 thousand euros and 55 thousand euros. The revenue and profit or loss of A&S Partners S.A. as from the beginning of the annual reporting period amount to 5.1 million euros and 558 thousand euros.

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 2017, the market capitalization was significantly higher than the net book value.

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

Depreciation and amortization

The 2017 figure for depreciation and amortization stood at 230.1 million euros, up by 19.8 million euros compared to 2016. The level of historical depreciations remained stable, the increase is due to the change in useful life in 2016 for radio equipment (impact in 2017 of 10.0 million euros) and to the depreciation of the activated customer premises equipment (such as the set-up boxes, modems and remotes used by customers), as well as the associated activation and installation costs of the Orange Internet + TV offering. The useful life of these kinds of assets is typically lower than the traditional network investments which have a greater useful life.

Accelerated depreciations of fixed assets

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

During 2017, as a result of the change in useful life on equipment in 2016, a cost has been recognized for a total amount of 17.5 million euros (compared with 13.1 million euros in 2016) and shown as expense on the line “Depreciation and amortization” in the statement of comprehensive income.
The increase of 4.4 million euros can be explained by the decision taken in 2016 to reduce the estimated economic lives for radio-, transcoders - and base station equipment with one year and to reduce some useful lives of radio network equipment (related to 2G, 3G & 4G) with two years. In 2017 this decision had a full year impact. These changes in useful lives are necessary to cope with the accelerated technologic evolution.

Other intangible assets

in thousand EUR

	31.12.2017	31.12.2016
Net book value of other intangible assets in the opening balance	320 789	347 391
Acquisitions of other intangible assets	53 864	46 824
Additions through business combinations	4 206	
Depreciation and amortization	-74 888	-73 427
Reclassifications and other items		1
Net book value of other intangible assets in the closing balance	303 971	320 789

Acquisitions of other intangible assets are mainly related to software and internal generated software development costs. No telecommunication licenses had to be renewed in 2017 (see also overview below).

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

in thousand EUR

31.12.2016	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value
Telecommunication licenses	365 203	-143 659		221 544
Brand	4 172		-4 172	
Subscriber bases	11 180	-11 180		
Software	407 148	-319 178		87 970
Other intangible assets	123 158	-111 883		11 275
TOTAL	910 861	-585 900	-4 172	320 789

Telecommunication licenses

Type of license	Acquisition cost	Net book value end 2017	Net book value end 2016	Useful life in months	Remaining months	Start depreciation period
UMTS 3G	149 040	30 415	39 779	191	39	April 2005
4G	20 020	17 136	18 956	End June 2027	113	June 2016
800 MHz	120 000	96 312	102 362	238	191	February 2014
2G renewal 5 years 3 months	76 143	45 943	60 447	63	38	December 2015
TOTAL	365 203	189 806	221 544			

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

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

The useful lives of intangible assets applied in 2017 remain comparable to the ones' used in 2016.
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 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

	31.12.2017	31.12.2016
Net book value of property, plant and equipment in the opening balance	829 971	840 389
Acquisitions of property, plant and equipment	134 513	120 819
Additions through business combinations	279	
Depreciation and amortization	-155 178	-136 843
Reclassifications and other items	349	5 606
Net book value of property, plant and equipment in the closing balance	809 934	829 971

in thousand EUR

31.12.2017	Gross value	Accumulated depreciation and amortization	Accumulated impairment	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	0	809 934

in thousand EUR

31.12.2016	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value
Land and buildings	71 527	-45 013		26 514
Networks and terminals	1 689 217	-915 645		773 572
IT equipment	195 854	-182 270		13 584
Other property, plant and equipment	29 895	-13 594		16 301
TOTAL	1 986 493	-1 156 523	0	829 971

Provision for dismantling

in thousand EUR

	31.12.2017	31.12.2016
Provision for dismantling in the opening balance	66 619	61 049
Discounting with impact on income statement	692	690
Utilizations without impact on income statement	-729	-727
Additions with impact on assets	349	5 607
Provision for dismantling in the closing balance	66 931	66 619
o/w non-current provisions	**65 891**	**65 596**
o/w current provisions	**1 040**	**1 023**

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

in thousand EUR

	31.12.2017	31.12.2016
Number of network sites, Orange Communications Luxembourg S.A. incl. (in units)	4 483	4 417
Average dismantling cost per network site	11.8	12.1
Inflation rate	2.0 %	2.0 %
Discount rate	1.044 %	1.143 %

Although size and installation on site may slightly vary from site to site, the provision is calculated on an average dismantling cost which is based on the actual costs incurred in the past for similar activities. For 2017 those costs are estimated at 11,782 euros per site (in 2016 the average cost was 12,087 euros). For sites of a bigger size, like MSC's (Mobile Switching Centre), the provision is calculated on the surface area of the sites rented and an average dismantling cost per m^2 based on past similar experience.

Although it is rather not practicable to estimate the timing of the cash outflows, it is assumed that all the network sites will be dismantled in the future. Since 2011, the duration of the rental contracts has been capped to 15 years, which is considered to be equivalent to a dismantling plan spread over a period close to 30 years. Before that change, the longest period considered was 99 years. The approach was maintained to evaluate the provision in 2017.

The dismantling provision remains stable. The lower average dismantling cost per site (from 12,087 to 11,782 euros per site) leading to a decrease of the liability of 1.4 million euros was offset by the increase in the number of sites (effect of 0.5 million euros) and the decrease in discount rate resulting in an increase of the provision of 0.7 million euros.

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

Besides network, the dismantling provision consists also of accruals related to buildings, Mobile Switching Centres (MSC's) and Point-of-Presence (POP's) for 6.2 million euros.

Note 6: Taxes and levies

Income tax in profit and loss statement

in thousand EUR

	31.12.2017	31.12.2016
Current income tax	-18 509	-26 813
Deferred tax expense arising to the origination and reversal of temporary differences	-81	2 687
TOTAL TAX EXPENSE	-18 590	-24 126

Relationship between tax expense and accounting profit

In thousand EUR

	31.12.2017	31.12.2016
Earnings before income tax	59 542	100 737
Group income tax rate	33.99 %	33.99 %
Theoretical income tax	**-20 238**	**-34 241**
Effect of difference between local standard rate and Group rate*	21	-61
Effect of permanent differences and other reconciling items**	-8 881	599
Tax effect due to differences from standard rates		-370
Effect of tax (without base) affecting current tax***	11 906	9 915
Effect of tax (without base) affecting deferred tax	-1 398	33
INCOME TAX	-18 590	-24 126
EFFECTIVE TAX RATE	31.2%	23.9 %

* Local rate (Orange Communications Luxembourg: 31.47 %) and Group rate (33.99 %).
** Consisting of non-deductible expenses and permanent differences.
*** Adjustments on prior years.

Tax expenses amounted to 18.6 million euros in 2017 compared to 24.1 million euros in 2016. The effective tax rate came out at 31.2 %, 7.3 points above the effective tax rate of 23.9 % in 2016. Given the significant lower pre-tax earnings in 2017, the theoretical amount of tax expenses has decreased in 2017 with 14.0 million euros. The regional pylon tax has been considered in the past as a non-tax deductible professional expense. The permanent differences (see **) were positive in 2016 (0.6 million euros), mainly due to the settlement with the Walloon region which has been initially considered as a non-deductible expense, generating a positive impact of 6.1 million euros. In 2017, Orange Belgium recorded no net (positive) impact of provisions related to the Walloon pylon tax but in contrary, the decrease of the participation of Orange Communications Luxembourg – tax wise not deductible - had a negative impact of approximately 6 million euros.

A positive impact on the taxable year 2016 has been recorded in December 2017 for an amount of 6.3 million euros to record tax deductions for investments (3.2 million euros decrease compared to 2016). In addition, as a result of the annulment of Walloon Decree of December 2013, which took place on 12 July 2017 (with retroactive effect as from 1 January 2017), a release of prior year income tax accruals of 5.4 million euros has been accounted for (see ***).

This largely explains the variation in income tax and effective tax rate between 2017 and 2016.

Tax position in the statement of financial position

Movements in current tax balances

in thousand EUR

	31.12.2017	31.12.2016
Net current tax - opening balance	56 923	42 870
Cash tax payments	-52 365	-12 760
Current income tax expense	18 509	26 813
Changes in consolidation scope, reclassification and translation adjustments	191	
Net current tax - closing balance	23 258	56 923

Due to carried forward losses, Orange Communications Luxembourg S.A. has no current tax recorded.
Cash tax payments 2017 include the prepayments for 2017 (25 million euros) and the final payment related to 2016 income taxes.

Movements in deferred tax balances

in thousand EUR

	31.12.2017	31.12.2016
Net deferred taxes - opening balance	10 576	6 381
Change in income statement	-81	2 687
Change in other comprehensive income	-573	864
Changes in consolidation scope, reclassification and translation adjustments	-1 133	644
Net deferred taxes - closing balance	8 789	10 576

in thousand EUR

	31.12.2017			31.12.2016		
	Assets	Liabilities	Income statement	Assets	Liabilities	Income statement
Fixed assets		2 881	1 244		2 992	594
Tax losses carryforward	4 698		-439	5 176		711
Other temporary differences	6 972		-886	8 392		1 382
Deferred taxes	11 670	2 881	-81	13 568	2 992	2 687
Netting	-406	-406		-1 305	-1 305	
TOTAL	11 264	2 475	-81	12 263	1 687	2 687

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 tax asset recorded is related to carried forward tax losses (4.7 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 94.2 million euros in 2017 and consist of VAT payables (8 million euros); 77.2 million euros taxes charged to pylons and masts - plus default interests calculated at the legal rate; and of 8.5 million euros related to the settlement 2016 with the Walloon Region.

Operating taxes and levies receivables

The operating taxes and levies receivables amounted to 1.4 million euros in 2017, compared to 0.7 million euros a year ago and consist of the recoverable VAT.

Note 7: Interests in associates and joint ventures

In July 2012, the Group participated to the constitution of the company IRISnet S.C.R.L. The activity of IRISnet S.C.R.L. started on 1st November 2012. The share of the Group in the equity of IRISnet S.C.R.L. is 28.16 %. The Group is represented in the Board of Directors for 2 out of 7 seats. This company is consolidated using the equity method. The net result of the year amounts to 349 thousand euros, resulting in a net carrying amount as at 31 December 2017 of 4,021 thousand euros.

Note 8: Financial assets, liabilities and financial result

Financial result

in thousand EUR

	31.12.2017	31.12.2016
Financial costs	-4 880	-6 457
Financial income		
TOTAL NET FINANCIAL COSTS	-4 880	-6 457

The net financial result amounted to -4.9 million euros in 2017, compared to -6.5 million euros a year ago. This improvement is due to lower interest charges in line with the lower outstanding debt (intercompany borrowing – see below).

Cash and cash equivalents, financial liabilities

in thousand EUR

	31.12.2017	31.12.2016
Cash and cash equivalents		
Cash	8 726	4 125
Cash equivalents	4 286	47 319
TOTAL CASH AND CASH EQUIVALENTS	13 012	51 444
Financial liabilities		
Intercompany short-term borrowing	6 066	236
Intercompany long-term borrowing	319 753	389 177
TOTAL BORROWINGS	325 819	389 413
Net debt (Financial liabilities - Cash and cash equivalents)	**312 807**	**337 969**

The net financial debt at the end of 2017 amounted to 312.8 million euros, a decrease of Orange Belgium's net financial debt position by 25.2 million euros compared to 338.0 million euros of net financial debt at the end of December 2016. 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 70.0 million euros. On the other hand, the cash and cash equivalents decreased with 38.4 million euros compared to 2016 (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			
	31.12.2016	Cash Flows	Acquisition	Foreign exchange movement	Other	31.12.2017
Intercompany long-term borrowing	236	5 830				6 066
Intercompany short-term borrowing	389 177	-70 070			646 (1)	319 753

(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 2020 included and can reasonably be assumed also beyond. In addition, Orange Belgium could evoke other sources of funding such as bank loans or bonds should financing limitations be imposed by the Orange Group after 2020.

Interest rate risk

Orange Belgium's business activities could be adversely affected by interest rate fluctuations
Orange Belgium's long-term credit facilities bear interest at variable rates. To cover partially the risk of sudden hikes in market interest rates, Orange Belgium has hedged 200 million euros of its long-term debt at a fixed rate of 0.41% up to and including 2020. As of 31 December 2017, Orange Belgium has drawn for a total of 320 million euros, thus leaving 120 million euros exposed to interest rate risk.

Credit rating risk

Downgrades of Orange Belgium's credit rating or rating outlook could increase its borrowing costs and/or limit its financing capacity
Orange Belgium is financed through long-term credit facilities granted by Orange Group entities until 2020 included which do not foresee rating-based funding adjustments. The funding agreement includes a financial covenant that Orange Belgium has to respect (Net debt / EBITDA ratio of < 2.75x). As of 31 December 2017 the ratio stood at 1.0x and a breach of covenant can be considered as highly unlikely.

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

Counterparty risk on financial transactions

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

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

Credit risk

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

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

Foreign exchange risk

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

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 2017	Interest rate	Maturity	31.12.2017	31.12.2016
Unsecured revolving credit facility agreement with Atlas Services Belgium	420 000	EURIBOR +0.95	15.06.2021	320 000	390 000
Transactions costs on long-term loan				-390	-993
TOTAL LONG-TERM LOANS AND BORROWINGS				319 610	389 007
Cash-pool related credit facility with Orange	50 000	EONIA +0.65	on demand	5 890	
Uncommitted credit lines with various banks	38 300	determined upon withdrawal	on demand		
TOTAL SHORT-TERM LOANS AND BORROWINGS				5 890	

in thousand EUR

	Carrying amount		Fair value	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
FINANCIAL ASSETS				
Non-current financial assets(1)	1 542	2 024	1537*	2 006**
Non-current derivatives assets				
Trade receivables(1)	184 836	175 677	184 836	175 677
Current financial assets(1)	469	452	469	452**/***
Current derivatives assets	68	3 131	68	3 131
Cash and cash equivalents	13 012	51 444	13 012	51 444
FINANCIAL LIABILITIES				
Non-current financial liabilities	319 615	389 043	319 481*	386 915**
Non-current derivatives liabilities	2 973	4 659	2 973*	4 617**
Current financial liabilities	6 066	236	6 066	236
Current derivatives liabilities	68	3 131	68	3 131
Trade payables	212 562	167 695	212 562	167 695

* Discount rates (assumption) have been considered on the estimated period of repayment (1 year: -0.26181%, 2 years:-0.15454%, 3 years: 0.00108%, 4 years: 0.16937%, 5 years: 0.31458%, 6 years: 0.44456%).
**Discount rates (assumption) have been considered on the estimated period of repayment (1 year: -0.2650%, 2 years:-0.1850%, 3 years: -0.0250%, 4 years: 0.2300%, 5 years: 0,5500%, 6 years: 0.9050%).
*** This value includes a loan to a partner for which an accrual for collection risk has been recorded for a value of 3,513 thousand euros.
(1) See note related to the accounting principles (loans and receivables)

As at 31 December 2017, 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

	31.12.2017	31.12.2016
Current liabilities – effective part of the fair value of authorized cash flow hedging instruments	2 973	4 658

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

Maturity

in thousand EUR

As at 31 December 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	212 562	212 562		

in thousand EUR

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

Sensitivity

As indicated above, the main risk area related to external variable elements is the cost of borrowing. Considering an average long-term indebtedness of 324 million euros for 2017, a variation of floating rate of 0.5 % would have meant an impact on financing costs of 0.7 million euros, 200 million euros are hedged. Considering an average long-term indebtedness of 375 million euros for 2016, a variation of floating rate of 0.5 % would have meant an impact on financing costs of 1.0 million euros, 200 million euros are hedged.

Note 9: Shareholders' equity

Share capital

No changes have been performed during the years 2016 and 2017.

	Share capital (in thousand EUR)	Number of ordinary shares (in units)
As at 1 January 2017	131 721	60 014 414
As at 31 December 2017	131 721	60 014 414

All ordinary shares are fully paid and have a par value of 2.195 euros. As no changes occurred during 2017, the par value is the same for 2016 and 2017.

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 2018 to distribute a gross ordinary dividend for the financial year 2017 of 0.50 euro per share. If approved, the payment of the gross ordinary dividend of 0.50 euro will be done on 16 May 2018 (ex-dividend date 14 May 2018; record date 15 May 2018).

The Annual General Meeting of Shareholders approved on 3 May 2017 to distribute a gross ordinary dividend for the financial year 2016 of 0.50 euro per share. The gross ordinary dividend amounted to 30.0 million euro which has been paid on 15 May 2017.

Treasury shares

At 31 December 2017, the Group held 141,500 treasury shares compared to 14,069 treasury shares as at 31 December 2016.

Note 10: Commitments and contingencies

Operational activities commitments

in thousand EUR

	Total	Less than one year	From one to five years	More than five years
Operating leases	8 940	3 876	5 064	
Handsets purchases	233 729	134 223	99 506	
Other goods and services purchases	35 756	21 530	14 226	
Investment commitments	131 400	103 399	28 001	
OPERATIONAL ACTIVITIES COMMITMENTS	409 825	263 028	146 797	0

Property lease commitments

in thousand EUR

	Discounted value of future lease payments	Minimum future lease payments
o/w technical activities	226 773	445 684
o/w shops / offices activities	74 457	99 969
PROPERTY LEASE COMMITMENTS	301 229	545 653

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	545 653	38 067	35 069	31 330	27 833	26 183	387 171

Guarantees granted

in thousand EUR

	Total	Less than one year	From one to five years	More than five years
GUARANTEES GRANTED	10 808	2 629	1 030	7 149

In 2017, guarantees granted are related to various lease agreements and to network performance commitment granted to some corporate customers. No other security (mortgage, pledge or other) has been granted on Orange Belgium assets as at 31 December 2017.

Note 11: (Non)-current provisions

in thousand EUR

2017	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

in thousand EUR

2016	31.12.2015	Additions	Utilisations	Reversal	Other effect	31.12.2016
Provisions for dismantling	61 049	458		-727	5 839	66 619
Provisions for litigations	11 622	2 090	-2 197	-4 481	-2 080	4 954
TOTAL PROVISIONS	72 671	2 548	-2 197	-5 208	3 759	71 573

Accruals for dismantling consist of current (1.0 million euros) and non-current provisions (65.9 million euros) (see also Note 5 – Other intangible assets).

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

Outstanding litigations

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

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

See Management report, section 5 for detailed information on the disputes.

Network sites dismantling provision

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

Waste Electrical and Electronic Equipment

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

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

Note 12: Related parties

Relationships with affiliated enterprises

Balance sheet and income statement

in thousand EUR

	31.12.2017	31.12.2016
ASSETS		
Current trade receivables	-28 999	-11 672
LIABILITIES		
Current interest-bearing loan	5 491	-815
Non-current interest-bearing loan	320 000	390 000
Current trade payables	-12 245	-10 703
INCOME AND CHARGES		
Sales	32 282	34 662
Purchases	-30 231	-24 336
Interests	-2 887	-3 548

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

Orange Belgium S.A. did a repayment of the long term-debt related to the unsecured revolving credit facility with Atlas Services Belgium of 70.0 million euros.
At year end, the current account with Orange S.A. amounted to 5.8 million euros.

Related parties transactions

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

in thousand EUR

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

Terms and conditions of transactions with related parties

The terms and conditions applied to sales and purchases of traffic and services, to the centralised treasury management agreement and to the revolving credit facility agreement are determined on an arm's length basis according to the normal market prices and conditions.

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

Relationships with Board of Directors members and senior management

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

in thousand EUR

	31.12.2017	31.12.2016
Short-term employees benefits	3 571	4 537
Post-employment benefits	385	463
Other long-term benefits	824	875
Termination benefits	548	634
TOTAL	5 328	6 509

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

	31.12.2017	31.12.2016
TOTAL REMUNERATION	291	326

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 profit or loss in 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 profit or loss 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

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

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

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

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

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

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

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

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

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

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

Research costs are 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 liability to measure reliably the expenditure during development.

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

1.4. Property, plant and equipment

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

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

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

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

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

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

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

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on 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.

1.5. Impairment of tangible and intangible items other than goodwill

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

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

1.6. Borrowing costs

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

1.7. Government grants

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

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

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

1.8. Taxes

Current income taxes

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

Deferred income tax

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

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

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

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

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

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

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

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

Sales tax

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

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

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

Operational taxes: IFRIC 21

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

Orange Belgium applies IFRIC 21 in the consolidated financial statements of 31 December 2017 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. Financial instruments

Recognition and de-recognition

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

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

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

Financial assets

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

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

Impairment of financial assets

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

Assets carried at amortized cost

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

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

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

Financial liabilities

Interest-bearing loans and borrowings

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

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

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

Trade and other short-term payables

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

Offsetting a financial asset and a financial liability

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

1.13. Long-term provisions

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

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

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

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

1.14. Employee benefits

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

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

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

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

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

In order to make sure that the defined contribution pension plan in force guarantees to the participants the minimum interest return at the date of leaving required by law, Orange Belgium ordered a complete actuarial computation under the PUC method.
The actuary performed projections according to a pre-defined methodology and with certain assumptions. This report indicates that the accumulated reserves are sufficient to cover any deficit for all scenarios. As a consequence, as of 31 December 2017, no provision has been recognized.

1.15. Revenue

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

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

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

Specific revenue streams and related recognition criteria are as follows:

Sales of equipment

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

Revenue from subscription contracts

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

Separable components of bundled offers

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

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

Revenue from the sale of prepaid cards

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

Interconnection revenue

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

Revenue sharing

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

Revenue deferred until payment

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

Site sharing rental income

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

1.16. Leases

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

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

1.17. Loyalty commissions

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

1.18. Financial discounts

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

1.19. Dividend

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

1.20. 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.

1.21 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 the geographical locations. Thus, the operating segments are:

- Belgium; and
- Luxembourg.

The use of shared resources is taken into account in segment results based either on the terms of contractual agreements between legal entities, or external benchmarks, or by allocating costs among all the 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.

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 2017 financial statements, are listed below. The Group has elected not to adopt any standards or interpretations in advance of their effective dates.

- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 1 and IAS 28 (applicable for annual periods beginning on or after 1 January 2018, endorsed beginning of February 2018)
- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018). See also Note 1
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2018). See also Note 1
- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019). See also Note 1
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, and therefore the endorsement in the EU has been postponed)
- Amendments to IAS 28 Long term interests in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 40 Transfers of Investment Property (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRIC 23 Uncertainty over Income Tax Treatments (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)

Note 14: Subsequent events

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

Orange Belgium S.A. annual accounts 2017

Comments on Orange Belgium S.A.'s 2017 annual accounts prepared according to Belgian accounting standards

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

Balance sheet after appropriation

in thousand EUR

	2017	2016
ASSETS		
Formation expenses	691	992
Fixed assets	1 124 847	1 182 728
Intangible fixed assets	**279 172**	**312 910**
Tangible fixed assets	**762 686**	**764 986**
Land and buildings	352 328	362 041
Plant, machinery and equipment	338 274	364 093
Furniture and vehicles	24 143	27 494
Other tangible fixed assets	9 320	11 358
Tangible assets under construction and advance payments made	38 621	
Financial fixed assets	**82 989**	**104 832**
Affiliated enterprises	77 220	99 428
Participating interests	71 809	94 016
Amounts receivable	5 411	5 412
Other enterprises linked by participating interests	5 207	5 307
Participating interests	5 207	5 307
Other financial assets	562	97
Amounts receivable and cash guarantees	562	97
Current assets	240 384	282 261
Amounts receivable after more than one year	**534**	**649**
Other amounts receivable	534	649
Stocks and contracts in progress	**19 192**	**26 757**
Stocks	19 192	26 757
Goods purchased for resale	19 192	26 757
Amounts receivable within one year	**206 176**	**236 179**
Trade debtors	195 363	183 462
Other amounts receivable	10 813	52 717
Current investments	**6 830**	**9 802**
Own shares	2 476	279
Other investments and deposits	4 354	9 522
Cash at bank and in hand	**553**	**963**
Deferred charges and accrued income	**7 099**	**7 911**
TOTAL ASSETS	1 365 922	1 465 981

in thousand EUR

	2017	2016
EQUITY AND LIABILITIES		
Equity	517 655	516 163
Capital	**131 721**	**131 721**
Issued capital	131 721	131 721
Reserves	**15 648**	**13 452**
Legal reserve	13 172	13 172
Reserves not available	2 476	280
In respect of own shares held	2 476	280
Accumulated profits (losses) (+) (-)	**370 279**	**370 983**
Investment grants	**7**	**7**
Provisions and deferred taxes	4 886	4 766
Provisions for liabilities and charges	**4 886**	**4 766**
Pensions and similar obligations	818	1 149
Other risks and costs	4 068	3 617
Amounts payable	843 381	945 052
Amounts payable after more than one year	**324 466**	**398 486**
Financial debts	320 000	390 000
Other loans	320 000	390 000
Other amounts payable	4 466	8 486
Amounts payable within one year	**456 540**	**487 968**
Financial debts	8 061	434
Other loans	8 061	434
Trade debts	287 812	273 045
Suppliers	287 812	273 044
Taxes, remuneration and social security	125 789	176 086
Taxes	99 479	147 264
Remuneration and social security	26 310	28 822
Other amounts payable	34 878	38 403
Accrued charges and deferred income	**62 375**	**58 598**
TOTAL EQUITY AND LIABILITIES	1 365 922	1 465 981

Income statement

in thousand EUR

	2017	2016
Operating income	**1 228 888**	**1 235 085**
Turnover	1 180 536	1 167 773
Own construction capitalized	10 221	7 644
Other operating income	38 131	59 668
Operating charges	**1 142 306**	**1 124 931**
Raw materials, consumables	596 011	592 287
Purchases	588 522	600 034
Stocks: decrease (increase) (+) (-)	7 489	-7 747
Services and other goods	201 613	235 952
Remuneration, social security costs and pensions (+) (-)	128 214	127 831
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	216 051	196 406
Amounts written off stocks, contracts in progress and trade debtors: appropriations (write-backs) (+) (-)	-13 566	-44 811
Provisions for risks and charges: appropriations (uses and write-backs) (+) (-)	119	-8 791
Other operating charges	13 864	26 057
Operating profit (loss) (+) (-)	86 582	110 154
Financial income	**500**	**5 477**
Recurring financial income	500	584
Income from current assets	207	292
Other financial income	293	292
Non-recurring financial income		4 893
Financial charges	**37 514**	**7 273**
Recurring financial charges	5 498	7 273
Debt charges	4 553	6 034
Other financial charges	945	1 239
Non-recurring financial charges	32 016	
Profit (loss) for the period before taxes (+) (-)	49 568	108 358
Income taxes (+) (-)	**17 741**	**26 316**
Income taxes	29 540	36 267
Adjustment of income taxes and write-backs of tax provisions	11 799	9 951
Profit (loss) for the period (+) (-)	31 827	82 042
Profit (loss) for the period available for appropriation (+) (-)	**31 827**	**82 042**

Appropriations and withdrawings

in thousand EUR

	2017	2016
Profit (loss) to be appropriated (+) (-)	**402 810**	**402 045**
Profit (loss) to be appropriated (+) (-)	31 827	82 042
Profit (loss) to be carried forward (+) (-)	370 983	320 003
Transfers from capital and reserves	**279**	
From reserves	279	
Transfers to capital and reserves	**2 476**	**280**
To other reserves	2 476	280
Profit (loss) to be carried forward (+) (-)	**370 279**	**370 983**
Profit to be distributed	**30 334**	**30 782**
Dividends	30 007	30 007
Other beneficiaries	327	775

Corporate Governance Statement

1. Introduction

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

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

The Board of Directors has drawn up, in collaboration with the Governance Supervisory Committee, an updated Corporate Governance Charter which has been approved by the Board of Directors on 25 July 2017. This version of the Corporate Governance Charter has entered into force on 1 September 2017. The Charter is available on the Orange Belgium website and may be obtained on request to the Investor Relations Department.

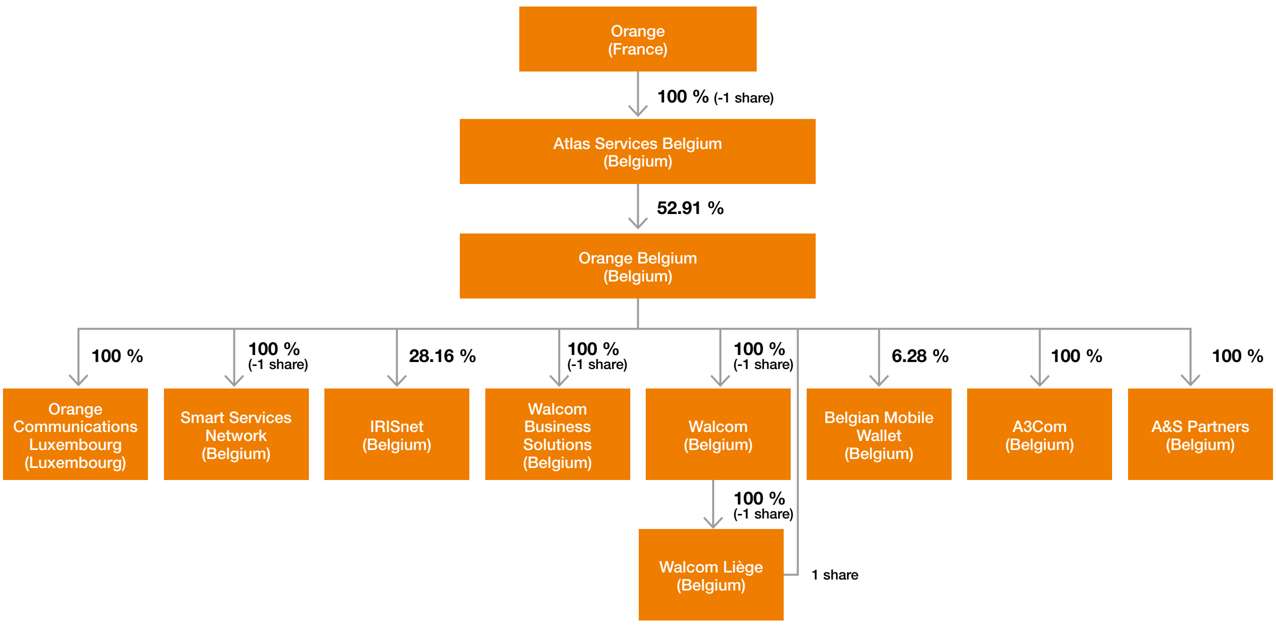
The company considers that its Corporate Governance Charter as well as this Corporate Governance Statement reflect both the spirit and the provisions of the Belgian Corporate Governance Code and the relevant provisions of the Belgian Companies Code.

2. Law on takeover bids

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

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

The chain of control was reconfirmed on 1 July 2013 after an internal restructuring of the Orange group. The organisation chart as at 31 December 2017 is depicted here below:



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

On 31 December 2017, the shareholders' structure of the company was composed as follows:

	stake %	Number of shares
ASB	52.91%	31,753,100
Others	35.68%	21,412,165
Schroders	5.17%	3,105,040
Boussard & Gavaudan Asset Management	3.02%	1,810,714
Norges Bank	3.22%	1,933,395
TOTAL	**100.00%**	**60,014,414**

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

In compliance with the transparency rules (article 18 of the law of 2 May 2007) on notifying the shareholders of companies listed on a regulated market, Orange Belgium maintains the notification thresholds of 3 %, 5 % and multiples of 5 %.

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

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

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

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

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

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

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

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

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

On 31 December 2017, the Board of Directors consisted of twelve members of which one executive director and eleven non-executive directors (of which four independent directors). No age limit has been fixed within the Board of Directors.

In 2017, all directors mandates have come to an end. Beside the Chairman of the Board, Mr Jan Steyaert, who decided not to ask for the renewal of its mandate, all other mandates have been renewed. In the case of Mr Johan Deschuyffeleer, the appointment (renewal) was made in his capacity of representative of the company The House of Value – Advisory & Solutions.

Consequently, the mandate of Mr Jan Steyaert (director and Chairman of the Board) came to an end on 3 May 2017. The House of Value – Advisory & Solutions (represented by Mr Johan Deschuyffeleer) and K2A Management and Investment Services (K2A Services, represented by Mr Wilfried Verstraete) have been appointed as director as from 3 May 2017 for a period of 4 years. The directors' mandates of Société de Conseil en Gestion et Stratégie d'Entreprise (SOGESTRA, represented by Ms Nadine Lemaître-Rozencweig), Mr Patrice Lambert de Diesbach de Belleroche, Mr Gervais Pellissier, Ms Martine De Rouck, Leadership and Management Advisory Services (LMAS, represented by Mr Grégoire Dallemagne), Mr Christophe Naulleau, Mr Francis Gelibter and Mr Jérôme Barré have been renewed as from 3 May 2017 for a period of 4 years. The directors' mandates of Ms Béatrice Mandine (coopted on 22 April 2016) and Mr Michaël Trabbia (coopted on 1 September 2016) have been confirmed by the general meeting of shareholders of 3 May 2017 for a period of 4 years.

On 3 May 2017, the Board of Directors has appointed Mr Johan Deschuyffeleer as Chairman of the Board and Ms Nadine Lemaître- Rozencweig as Vice-Chairman of the Board.

Name	Function	Main function	Age	Nationality	End of mandate
J. Steyaert	Director/ Chairman (till AGM 2017)	Director of companies	1945	Belgian	AGM 2017
The House of Value Advisory & Solutions (3)(8)	Director/ Chairman (as from AGM 2017)	Director of companies	NA	Belgian	AGM 2021
Michaël Trabbia (1)(2)(7)	Executive director	CEO - Orange Belgium	1976	French	AGM 2021
J. Deschuyffeleer (3)	Independent director	Director of companies	1958	Belgian	AGM 2017
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
F. Gelibter (1)	Director	Chief Finance & Strategy for Europe - Orange SA	1958	French	AGM 2021
B. Mandine (1)(6)	Director	Head of Communication and Brand - Orange SA	1968	French	AGM 2021
Ch. Naulleau (1)	Director	Senior VP Europe / Countries Governance - Orange SA	1960	French	AGM 2021
P. Lambert-de Diesbach (1)	Director	Senior VP / Head of Investor Relations - Orange SA	1956	French	AGM 2021
J. Barré (1)	Director	Head of HR Group - Orange SA	1972	French	AGM 2021
G. Pellissier (1)	Director	Deputy CEO - Orange SA (Europe and Group operations)	1959	French	AGM 2021
M. 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

(1) Directors who represent the majority shareholder (Atlas Services Belgium).
(2) Director in charge of the daily management since 1 September 2016.
(3) The independent directors have signed a declaration stating that they comply with the criteria of independence mentioned in the Belgian Companies Code.
(4) The company Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA) is represented by Ms Nadine Lemaître-Rozencweig.
(5) The company Leadership and Management Advisory Services (LMAS) is represented by Mr Grégoire Dallemagne.
(6) The mandate of Ms Béatrice Mandine who was coopted with effect from 22 April 2016 was confirmed during the General Shareholders' Meeting of 2017.
(7) The mandate of Mr Michaël Trabbia who was coopted with effect from 1 September was confirmed during the General Shareholders' Meeting of 2017.
(8) The company The House of Value - Advisory & Solutions is represented by Mr Johan Deschuyffeleer.
(9) The company K2A Management and Investment Services is represented by Mr Wilfried Verstraete.

J. Deschuyffeleer

M. Trabbia

W. Verstraete

N. Lemaître-Rozencweig

F. Gelibter

B. Mandine

Ch. Naulleau

P. Lambert-de Diesbach

J. Barré

G. Pellissier

M. De Rouck

G. Dallemagne

The Board of Directors meets at least four times a year. In 2017, the Board of Directors met nine times and mainly discussed the following subjects:

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

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

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

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

Members of the Board of Directors	Function	08.02	02.03	23.03	18.04	03.05	25.07	28.08	20.10	30.11
J. Steyaert	Director/ Chairman	P	P	P	P	NA	NA	NA	NA	NA
The House of Value - Advisory & Solutions (J. Deschuyffeleer)	Independent director/ Chairman	NA	NA	NA	NA	P	P	P	P	P
Ch. Naulleau	Director	P	P	P	P	P	P	P	P	P
F. Gelibter	Director	P	P	P	P	P	P	P	P	P
J. Barré	Director	P	P	P	P	P	P	P	P	P
J. Deschuyffeleer	Independent director	P	P	P	P	NA	NA	NA	NA	NA
K2A Management and Investment Services (W. Verstraete)	Independent director	NA	NA	NA	NA	P	P	P	P	P
SOGESTRA (N. Lemaître-Rozencweig)	Independent director/Vice-chairman	P	P	P	P	P	P	P	P	P
M. Trabbia	Director	P	P	P	P	P	P	P	P	P
B. Mandine	Director	P	P	P	P	P	P	P	P	P
M. De Rouck	Independent director	P	P	P	P	P	P	P	P	P
P. Lambert-de Diesbach	Director	P	P	P	P	P	P	P	P	P
Leadership and Management Advisory Services (G. Dallemagne)	Independent director	P	P	P	P	P	P	P	P	P
G. Pellissier	Director	P	P	P	P	P	P	P	P	P

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

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

The Audit Committee

In 2017, the Audit Committee consisted of three directors: the company Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Ms Nadine Lemaître-Rozencweig), Ms Martine De Rouck and Mr Francis Gelibter.

The Audit Committee's mission is to assist the Board of Directors, among others, in its responsibilities with respect to the monitoring of the reporting process of the financial information disclosed by the company, the monitoring of the effectiveness of the internal control and risk management systems of the company, the monitoring of the internal audit and its effectiveness, the monitoring of the statutory audit of the financial reports, the review and the monitoring of the independence of the external auditor, the review of the budget proposals presented by the management and the monitoring of the financial relations between the company and its shareholders. The Audit Committee met six times in 2017.

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

Members of the Audit Committee	Function	07.02	18.04	17.05	24.07	19.10	28.11
SOGESTRA (N. Lemaître-Rozencweig)	Independent director/ Chairman	P	P	P	P	P	P
F. Gelibter	Director	P	P	E	P	P	P
M. De Rouck	Independent director	P	P	P	P	P	P

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

The main subjects which have been discussed within the Audit Committee in 2017 are the following:

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

The Remuneration and Nomination Committee

End 2017, the Remuneration and Nomination Committee consisted of three directors: Mr Jérôme Barré (Chairman), Ms Martine De Rouck and the company Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Ms Nadine Lemaître-Rozencweig). The mandates of Messrs Jan Steyaert and Johan Deschuyffeleer came to an end on 3 May 2017.

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

In 2017, the Remuneration and Nomination Committee met five times and examined, among others, the composition of the Board of Directors since all mandates came to an end in 2017 and looked at certain changes in particular (notably the appointment of a new independent Director and the new Chairman and Vice-Chairman of the Board of Directors), the remuneration of the members of the Board of Directors, the remuneration of the members of the Executive Management and the remuneration policy of the company.

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

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

Members of the Remuneration and Nomination Committee	Function	01.02	27.02	24.07	01.09	28.11
J. Barré	Director/ Chairman	P	P	P	P	P
J. Steyaert	Director	P	P	NA	NA	NA
SOGESTRA (N. Lemaître-Rozencweig)	Independent director	P	P	P	P	P
J. Deschuyffeleer	Independent director	P	P	NA	NA	NA
M. De Rouck	Independent director	P	P	P	P	P

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

The Strategic Committee

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

End 2017, the Strategic Committee consisted of five directors: the company The House of Value – Advisory & Solutions (represented by Mr Johan Deschuyffeleer), the company Leadership and Management Advisory Services (LMAS, represented by Mr Grégoire Dallemagne), Mr Christophe Naulleau, Mr Gervais Pellissier and the company K2A Management and Investment Services (K2A Services, represented by Wilfried Verstraete). The mandates of Messrs Jan Steyaert, Patrice Lambert de Diesbach, Francis Gelibter and Ms Béatrice Mandine came to an end on 3 May 2017. K2A Services's mandate started officially on 3 May 2017.

In 2017, 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;
- the rebranding and related matters.

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

Members of the Strategic Committee	Function	23.03	07.09	23.11
Leadership and Management Advisory Services (G. Dallemagne)	Independent director/ Chairman	P	P	P
J. Deschuyffeleer	Independent director	P	NA	NA
J. Steyaert	Director	P	NA	NA
The House of Value - Advisory & Solutions (J. Deschuyffeleer)	Independent director	NA	P	P
Ch. Naulleau	Director	P	P	P
F. Gelibter	Director	P	NA	NA
P. Lambert-de Diesbach	Director	P	NA	NA
K2A Management and Investment Services (W. Verstraete)	Independent director	NA	P	E
G. Pellissier	Director	E	P	P

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

The Governance Supervisory Committee

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

End 2017, the Governance Supervisory Committee consisted of three directors: Mr Christophe Naulleau, Ms Martine De Rouck and the company Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Ms Nadine Lemaître-Rozencweig). The mandate of Mr Jan Steyaert came to an end on 3 May 2017. Ms Martine De Rouck's mandate started officially on 3 May 2017.

In 2017, the Governance Supervisory Committee met once.

The subjects dealt with in 2017 were, among others, the evolutions in terms of governance, the evaluation of the Board of Directors, the follow-up of the KPI's of the rebranding and the diversity within the Board of Directors.

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

Members of the Governance Supervisory Committee	Function	30.11
M. De Rouck	Independent director/ Chairman	P
SOGESTRA (N. Lemaître-Rozencweig)	Independent director	P
J. Steyaert	Director	NA
Ch. Naulleau	Director	P

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

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

The composition of the Board of Directors and the Executive Committee are determined on the basis of diverse and complementary competencies, experience and knowledge, as well as on the basis of gender diversity and diversity in general.

Indeed, the Company is concerned by diversity and the diversity in general is and will be further implemented in the selection processes, taking into account aspects such as age, gender, educational background as well as professional experience.

With respect to the gender diversity, when replacing directors, the company attempts as much as possible to propose the appointment of female candidates.

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

In the framework of the new legislation regarding the publication of information with respect to diversity in general (Law of 3 September 2017), the diversity policy within the company will be further developed and monitored by the Board of Directors.

6. Composition and operation of the Executive Management

Mr Michaël Trabbia exercises the position of CEO since 1 September 2016.

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

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

The Executive Management is composed of the following persons:

- Mr Michaël Trabbia (Chief Executive Officer)
- Ms Ingrid Gonnissen (Chief Enterprise Officer)
- Mr Paul-Marie Dessart (Secretary General)
- Mr Arnaud Castille (Chief Financial Officer)
- Ms Cristina Zanchi (Chief Consumer Officer)
- Mr Alain Ovyn (Chief Transformation and Digital Officer)
- Mr Gabriel Flichy (Chief Technology Officer)
- Mr Werner De Laet (Chief Executive Officer Orange Communications Luxembourg SA / Chief Wholesale and Innovation Officer)
- Ms Isabel Carrion (Chief People Officer)
- Mr Stéphane Janssens (Chief Customer Experience Officer)


M. Trabbia


I. Gonnissen


P. Dessart


A. Castille


C. Zanchi


A. Ovyn


G. Flichy


W. De Laet


I. Carrion


S. Janssens

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

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

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

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

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

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

- assessing the operation;
- checking that the important issues are thoroughly prepared and discussed;
- evaluating the actual contribution of each director to the work of the Board of Directors and the committees, his/her attendance at the Board of Directors and committee meetings and his/her constructive involvement in discussions and the decision-making process;
- checking the current composition of the Board of Directors and the committees against its desired composition.

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

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

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

9. Information regarding the remuneration connected to shares

In 2017, 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 2018 Annual Shareholders' meeting.

10. Remuneration report

Remuneration policy of Orange Belgium

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

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

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

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

Structure of the remuneration of the members of the Executive Management

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

- Yearly basis remuneration (around 46 % of total remuneration)
- Variable remuneration, based on short- and long-term performance and encouraging the attainment of the company's objectives (around 37 % of total remuneration)
  - Short-term variable remuneration called "performance bonus"
  - Long-term variable remuneration called "Long-term Incentive Plan 2015-2017","Long-term Incentive Plan 2016-2018" and "Long-term Incentive Plan 2017-2019".

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

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

Components of the remuneration of the members of the Executive Management

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

The yearly basis remuneration

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

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

The variable remuneration

1. The performance bonus

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

- An individual part based on the evaluation of the relevant and neutral targets. An important part is based on the management qualities as well as personal contribution to the achievement of the strategic priorities of the company.

  The targets for the individual variable part are determined every semester. The individual performance of the Chief Executive Officer is determined by the Remuneration and Nomination Committee; the individual performance of the other members of the Executive Management is proposed by the Chief Executive Officer to the Remuneration and Nomination Committee.
- The collective part which is based in 2017 on the financial indicators, the customer satisfaction and the employee engagement, reflecting the company's strategic ambition to put its customers and its employees at the centre of its activity:
  - The consolidated service revenues (mobile and fixed)
  - The adjusted EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)
  - The Net Promoter Score (percentage of customers who are promoters minus percentage of customers who are detractors)
  - The Employee Net Promoter Score that measures to what extent the Orange Belgium employees would recommend Orange Belgium as a great place to work (percentage of employees who are promoters minus percentage of employees who are detractors)

The targets for the collective variable part are fixed for the entire year, spread by semester based on the objectives of the company and validated by the Remuneration and Nomination Committee.

The performance bonus is granted in cash, 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 of non-achievement of the targets, the collective part can be brought back to 0 %. In case of insufficient personal performance, the financial individual part of the short-term bonus can also be reduced and even annulled. If it should appear that variable remuneration has been awarded based on incorrect financial information, the company can seek reimbursement based on the general rules on undue payments, within 12 months following the payment date.

The results of the first semester are evaluated in July of the current year; the results of the second semester are evaluated in February of the year following the end of the financial year.

Performance bonuses for Executive Management members either joining or leaving the company in the course of a given semester shall be calculated on a prorata temporis basis.

In 2017, an exceptional incentive was granted to the Executive Committee members including the CEO, linked to the achievement of important milestones in the company digital transformation program. Results have been evaluated by the end of 2017 and paid in March 2018.

2. The long-term variable remuneration

Recurring Long-term Incentive Plans (2015-2017, 2016-2018 and 2017-2019)

The 2015-2017 Long-term Incentive Plan was the first award made by the Remuneration and Nomination Committee under a new three-year recurring Long-term Incentive Plan ("LTIP") established by the company which aims to incentivize and retain executive members over the longer term by rewarding delivery of targets linked to the company's strategy and longer term value creation. This new LTIP represents 30 % of yearly fixed remuneration of executive members after three years.

The LTIP is a "rolling plan" over three-year performance periods with awards considered and decided annually by the Remuneration and Nomination Committee. For new executive members, the LTIP is accessible as from the year following the entry date (i.e. the next annual LTIP award considered by the Remuneration and Nomination Committee). Executive members must still be employed on the payment date to remain eligible to the Incentive Bonus unless they are requested to move within the Orange Group and in which case they will retain a prorated entitlement up to the date of transfer, always subject to the approval of the Remuneration and Nomination Committee on a case by case basis. Leavers under notice are not eligible for any further awards under consideration by the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee will decide on three company KPI's and targets to apply to each annual LTIP award for the three-year performance period at the beginning of the financial year. Company targets are weighted independently 50%/50%/50%, with a maximum possible achievement for each LTIP award of 150 %. Performance will be assessed by the Remuneration and Nomination Committee at the end of each three-year performance period on a "Hit or Miss" principle (i.e. all or nothing), the objective is reached or not and must be reached to vest the respective percentage for each target. Subject to the achievement of at least one company target in any three-year performance period, individual contribution by the executive member can add an additional 25 % to the final result subject to an overall maximum LTIP potential of 175 % of the target award.

The Remuneration and Nomination Committee will assess and decide on individual contribution in each case considering the following criteria:

- above expectations in terms of individual contribution related to each executive member's strategic objectives (in his/her scope of work, costs and/or revenues driven)
- above expectations in terms of collaborative and transversal contribution
- personal achievement in the biannual bonus continuously above 100 % achievement during the whole of the three-year performance period
- any other exceptional element to be considered (Group contribution, outside Orange Belgium significant impact etc.)

In case of non-achievement of the long-term company targets and insufficient personal performance, the payout of the LTIP can be annulled. If it should appear that variable remuneration has been awarded based on incorrect financial information, the company can seek reimbursement based on the general rules on undue payments, within 12 months following the payment date.

The company targets that the Remuneration and Nomination Committee has decided in 2016 for the 2016-2018 LTIP award, have been re-elected in 2017 for the 2017-2019 LTIP award that reflect the company's strategic aims over the three-year performance period:

- adjusted EBITDA margin as % of total revenues
- postpaid market share
- number of B2C convergent 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 plan payments paid in cash or in the form of non-company share options. In the case of payment in the form of options, these options are frozen for one year. The 2016-2018 LTIP and the 2017-2019 LTIP awards are anticipated to vest and become payable in respectively March 2019 and March 2020 subject to results.

Other elements of the remuneration

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

2. Employee profit sharing plan
In accordance with the law of 22 May 2001, a Collective Labour Agreement has been executed in order to share 1 % of the net consolidated profit under certain circumstances with the members of the personnel including the members of the Executive Management. In case the conditions are fulfilled, the amount granted to each employee, herein included the members of the Executive Management, is identical no matter which position is held.

In 2017, the shareholders' meeting approved the awarding of a profit-sharing scheme.

3. Pre-negotiated exit conditions
The Chief People Officer who joined the company in September 2015 benefits from a 12 months exit guarantee. For the other members of the Executive Management, labor law applies and no specific severance clauses have been agreed.

4. Orange S.A. Share Plans
In 2017, the Board of Directors of Orange S.A. has decided to modify the Group's Long-term Incentive Plan policy since 2014, in line with very widespread market practices to be based on performance share allocation and to extend participation in the Orange S.A. 2017-2019 Long-term Incentive Plan award to certain employees holding key positions comprising the network of "Executives" and "Leaders" of the Group on 15 July 2017 pursuant to the provisions of the 29th resolution of the Ordinary and Extraordinary General Meeting of 1st June 2017 of Orange S.A. The aim of the Orange S.A. Long-term Incentive Plan is to develop corporate loyalty amongst employees who occupy senior positions in the Group and to align the interests of beneficiaries, the Group and shareholders.

The Board of Directors of Orange S.A. decided on 26 July 2017 to award to eligible executive members of the company and certain other key employees rights to 2,000 Orange S.A. shares for "Executives" and 1,000 Orange S.A. shares for "Leaders", subject to the terms and conditions of the Plan. Beneficiaries will receive free Orange S.A. shares at the end of a three-year performance period (2017, 2018 and 2019), subject to presence and Orange Group performance conditions as follows:

- Presence conditions: beneficiaries must be employed within the Orange Group (without interruption) up until the performance period end date of 31 December 2019
- Performance conditions: annual Organic Cash Flow versus budget (50%) and Total Shareholder Return (TSR) over 3 years (50%).

Shares will only vest at the end of the vesting period for the award on or after 31 March 2020, subject to the presence conditions and achievement of the performance conditions as assessed by the Board of Directors of Orange S.A.

In parallel to the above, the Board of Directors of Orange S.A. has also decided to implement a Free Share Allocation Plan ("Orange Vision") with the objective of involving all employees of Orange group companies in the success of the Group's Essentials2020 strategic plan pursuant to the provisions of the 30th resolution of the Ordinary and Extraordinary General Meeting of 1st June 2017 of Orange S.A. The Board of Directors of Orange S.A. has decided on 25 October 2017 to award rights over Orange S.A. shares to eligible employees of the company, subject to the terms and conditions of the Plan. Beneficiaries will each receive 73 free Orange S.A. shares at the end of a three-year performance period (2017, 2018 and 2019), subject to presence and Orange Group performance conditions as follows:

- Presence conditions: beneficiaries must be registered as an employee of the Orange Group on 1 September 2017 and 31 December 2019
- Performance conditions: annual adjusted Group EBITDA versus budget (50%) and annual Group Organic Cash Flow versus budget (50%).

Shares will only vest at the end of the vesting period on or after 31 March 2020, subject to the presence conditions and achievement of the performance conditions as assessed by the Board of Directors of Orange S.A. In the event performance conditions are not reached, nevertheless 50% of the shares awarded to employees will vest, subject to the presence condition.

The detailed remuneration of the members of the Executive Management

In 2017, the Executive Management's remuneration decreased by 19% compared to 2016. Variations are largely a result of:

- variable long-term remuneration, which impacted remuneration in 2016 more than in 2017. Three new executive members have joined the company since end 2016 and whose eligibility to long-term remuneration is in ramp up.
- Long-term plan payments made for intra-group departure of the previous CEO and of two other EXCO members during 2016
- Lower second (out of 3 parts) on-boarding premium for Chief People Officer in 2017.

For the Chief Information Officer a severance payment corresponding to 12 months was paid end June 2017.

(in €)	2017	2016
CEO		
Gross base remuneration	283,309	334,240
Gross variable remuneration in cash and/or options (short-term)	165,590	275,535
Gross variable remuneration in cash and/or options (long-term)	0	80,384
Other components of the remuneration (excluding employer's contributions to the pension plan)	80,240	138,543
- risk insurance	4,401	14,210
- other components	75,839	124,333
Employer's contributions to the pension plan	42,266	61,505
Total	**571,405**	**890,208**
Executive Management (except the CEO)		
Gross base remuneration	1,894,704	2,137,340
Gross variable remuneration in cash and/or options (short-term)	793,222	1,177,734
Gross variable remuneration in cash and/or options (long-term)	824,152	874,693
Other components of the remuneration (excluding employer's contributions to the pension plan)	353,954	392,927
- risk insurance	59,616	66,566
- other components	294,338	326,360
Employer's contributions to the pension plan	342,760	401,505
Total	**4,208,792**	**4,984,199**
Global total	**4,780,197**	**5,874,406**

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 2017 related to 2016 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 2017 the Executive Management (except the CEO) was composed of 8 members (8.5 full-time equivalents during the year). In 2016, it was composed of 8.8 full-time equivalents. The members of the Executive Management who were not in service all year long are taken into account prorata temporis.

The remuneration policy for the directors

The remuneration policy for the directors is determined by the Board of Directors, and has been fixed during the Board meeting of 3 May 2017 for a period of four years.

For 2017, the independent directors will receive 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 Annual General 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 2017, 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 Annual General 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 2017:

- Mr Michaël Trabbia (as from 1 September 2016) is remunerated under his statute of employee
- Mrs Béatrice Mandine (as from 22 April 2016)
- Mr Gervais Pellissier (as from 1 September 2014)
- Mr Jérôme Barré (as from 1 March 2016)
- Mr Patrice Lambert-de Diesbach (as from 7 May 2014)
- Mr Christophe Naulleau (as from 23 July 2015)
- Mr Francis Gelibter (as from 1 December 2015)

The detailed remuneration of the directors

Directors	Basic FORMER Fee (pro rata) Jan to AGM May 2017	Basic NEW Fee (pro rata) AGM May to Dec 2017	Additional fee for (Vice) President (pro rata)	Audit Committee (6)	Remuneration and Nomination Committee (5)	Strategic Committee (3)	Governance Supervisory Committee (1)	TOTAL
J. Steyaert	22 000	NA	NA	NA	4 400	2 200	NA	28 600
J. Deschuyffeleer (President)	NA	48 000	NA	NA	NA	4 800	NA	52 800
J. Deschuyffeleer (Board Member)	11 000	NA	NA	NA	NA	2 200	NA	13 200
SOGESTRA (N. Lemaître-Rozencweig)	11 000	24 000	4 000	12 000	11 600	NA	2 400	65 000
M. De Rouck	11 000	24 000	NA	12 000	11 600	NA	2 400	61 000
Leadership and Management Advisory Services (G. Dallemagne)	11 000	24 000	2 000	NA	NA	7 000	NA	44 000
W. Verstraete	NA	24 000	NA	NA	NA	2 400	NA	26 400
TOTAL	**66 000**	**144 000**	**6 000**	**24 000**	**27 600**	**18 600**	**4 800**	**291 000**

11. Risk management

A comprehensive, consistent and integrated risk management approach is in place to capitalize on synergies between Audit, Control and Risk functions at all levels of the organization. This approach is intended to provide reasonable assurance that operating and strategic targets are met, that current laws and regulations are complied with, and that the financial information is reliable.

Risk management

The framework and the process of risk management, as well as the organisation and the responsibilities relating to it are formalized in a charter, validated by the Executive Committee and approved by the Board of Directors. Business and operational key players in the different departments are responsible for the identification, analysis, evaluation and treatment of their risks. Bottom-up information on the risk management is also assured at least twice a year via the Risk Committee which comprises all members of the Executive Committee. Also, the company risk map is approved at least once a year by the Executive Committee and submitted to the Audit Committee for overall assessment of approach and methodology.

Today, this risk map includes, but is not limited to:

- Geopolitical instability, liquidity and macro-economic crisis
- Image attack or incident
- Breach of sensitive data or information confidentiality
- Corruption, ethical breach and frauds
- Damage to assets
- Emerging or disruptive offers
- Inability to sustain the business models on convergence
- Failure or malfunction of the profitability monitoring, decision process, the project mode or the strategy
- Failure to transform or simplify processes and systems
- Human health and safety
- Human errors
- Insufficient, wrong or late investments
- Loss of key or rare skills
- Loss of the relationship with the customers
- Major business interruption
- Non-compliance with or increase of laws or regulations
- Key partnership underperformance

Internal control environment and control activities

For purposes of managing risks taken in its business, an internal control environment has been deployed since many years at Orange Belgium. It covers aspects such as governance, the delegations of powers and signatures, policies, processes, procedures, segregation of duties and controls to ensure selected risk treatments (retain, reduce, transfer, avoid) are effectively carried out.

Through its vision, its mission and its values, the Orange Belgium Group defines its corporate culture and promotes ethical values that are reflected in all of its activities. There is a charter of professional ethics at company level and a section of the company's intranet, accessible to all employees, is dedicated to compliance, ethics, corporate social responsibility and to the company culture in general. Within the framework of promoting ethical values, a professional warning system allows for reporting confidential information intended to strengthen the control environment.

The human resources management and the social responsibility of the company are described in the corporate brochure of the annual report. The management and control of the company and the functioning of the management bodies are detailed in the declaration of corporate governance contained in the annual report as well as in the company's articles of association. This corporate governance covers in particular the responsibilities of these bodies, their internal regulations as well as the main rules to be respected in the management of the company.

The control activities are carried out in the first place by the functional or operational managers under the supervision of their superiors. All major processes and the controls that they encompass are formalised.

Furthermore as a result of belonging to the Orange Group, this internal control environment participates to the conformity with the American Sarbanes-Oxley requirements that must be complied with at the level of the Orange group.

The whole documentation is regularly reviewed and duly updated. Specific functions of assurance (i.e. 'Fraud & Revenue Assurance'; 'Data Privacy'), compliance and audit (i.e. 'Internal Audit') have also been set up.

The budget control covers not only the budget aspects, but also key performance indicators. In order to ensure adequate financial planning and follow-up, a financial planning procedure describing the planning, the quantification, the implementation and the review of the budget in alignment with the periodical forecasts, is closely followed.

Information and communication

The company maintains transparent communication vis-à-vis its employees, in conformity with its values and based on a multiple system integrating in particular its intranet and the periodical presentations of the Executive Management at different levels.

Advanced data processing and control processes make it possible to circulate reliable information in due course, in particular for the production of the financial reporting.

The Orange Belgium Group aspires to be open and transparent in its disclosure to the public, customers, employees and other stakeholders. The company publishes detailed quarterly financial reports providing a comprehensive set of key performance indicators and financial statements for each business segment. These results are made available four times a year to the press and to the investors and analysts community during dedicated meetings (conference calls/webcasts/physical meetings). The provided information is accessible to all and available on the company's website (https://corporate.orange.be) in advance of the meetings. Orange Belgium's Investor Relations efforts have not remained unnoticed as it was elected as First Prize in the pan-European study Extel in the category Belgium - 'Corporate Best on IR Mid & Small Cap'; this for the 4th year in a row.

Monitoring

In addition to the front-line control activities, specific functions of assurance, compliance and audit are in place in order to ensure a constant evaluation of the internal control environment.

An internal audit department reports functionally to the Audit Committee to 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 Management and with the external auditor and if required, examines specific issues with respect to this information.

The Audit Committee of the Board of Directors monitors and reviews at least once a year with the Executive Management the quality and effectiveness of the risk management and the internal control environment set up by the Executive Management. It must monitor that the principal risks, such as but not limited to fraud, revenue assurance, compliance & ethic, security and legal, are properly identified, managed and disclosed in accordance with the framework which was approved by the Board of Directors.
For more detailed information regarding this monitoring, reference is made to Audit Committee Terms of Reference (Appendix III of the Corporate Governance Charter).

12. Justification of the application of the going concern accounting principles

In view of Orange Belgium Group's financial results in the course of the financial year which closed on 31 December 2017, 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 2017 financial year

The procedure foreseen in article 524 of the Company Code has not been applied during the 2017 financial year.

Nevertheless, the Board of Directors entrusted the independent directors asking them to track inter-group transactions in which Orange Belgium is involved.

14. Application of Article 96 §1 (9°) of the Company Code

As foreseen by the article 96 §1 (9°) of the Company code, the company justifies of the independence and the accounting and audit expertise of at least one member of the Audit Committee as follows: Mrs Martine De Rouck, member of the Audit Committee, is an independent director since 1 May 2014.

She has been appointed by the General Assembly and meets the independence criteria as described in the article 524 of the Company code.

Her expertise in accounting and auditing is justified as well by her education than by the various positions she occupied across her career in the banking world.

15. Information concerning the tasks entrusted to the auditors

In the course of the 2017 financial year, the statutory auditor and linked companies provided services broken down as follows:

▪ audit services	458,900 euros
▪ other non-audit services	53,000 euros

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, 2017

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 audit of the consolidated financial statements for the year ended December 31, 2017, as well as our report on other legal, regulatory and professional requirements. These reports are 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 ended December 31, 2019. This is the first year we performed the statutory audit of the consolidated financial statements of Orange Belgium SA/NV.

Report on the audit of 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, 2017, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), 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, 2017, 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 1.436.258 and the consolidated statement of comprehensive income shows a net profit for the year of EUR'000 40.952 and total comprehensive income attributable to equity holders of the parent of EUR'000 41.697.

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, 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS as adopted by the EU, 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). 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 1.15 'Revenue recognition principles' 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 note 2 to the consolidated financial statements

Goodwill valuation

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

- Description

  At December 31, 2017, the total goodwill recognized in the consolidated statement of financial position amounts to EUR'000 66.438. The goodwill impairment loss recognized for the year 2017 amounts to EUR'000 17.865.

  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 2017 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 IFRS as adopted by the EU, 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.

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.

Report on the other legal, regulatory and professional 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 which is complementary to the ISA's 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. We do not express any form of assurance on the board of directors' annual report on the consolidated financial statements.

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 and our network 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 S.A., 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 26, 2018

KPMG Bedrijfsrevisoren / Réviseurs d'Entreprises
Statutory auditor
represented by

Jos Briers
Erik Clinck

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

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Dit jaarverslag is ook verkrijgbaar in het Nederlands.

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