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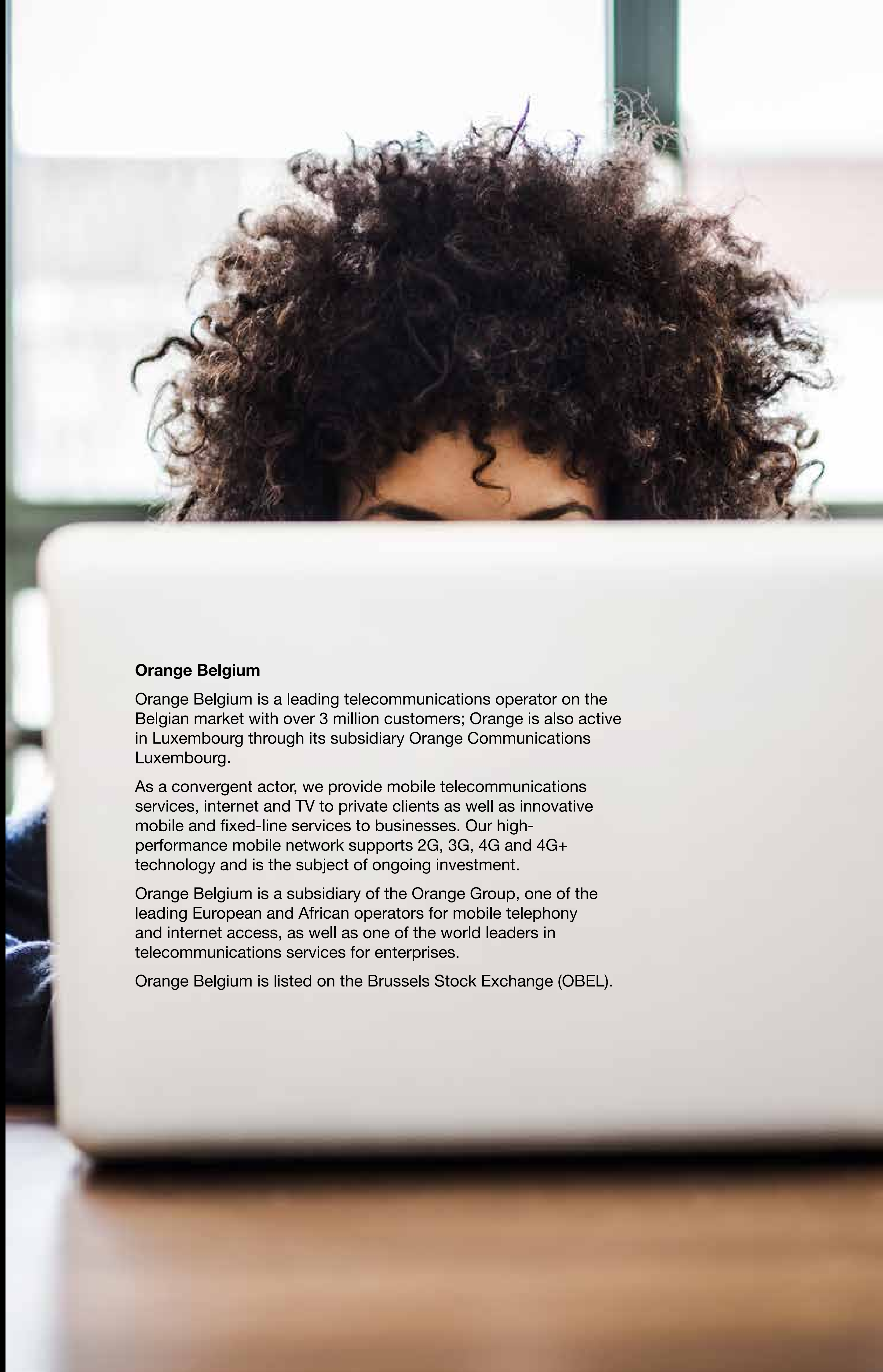
Orange Belgium Annual Report 2019

Annual Report
Orange Belgium
2019

Be Bold
Set the vibe



Orange Belgium

Orange Belgium is a leading telecommunications operator on the Belgian market with over 3 million customers; Orange is also active in Luxembourg through its subsidiary Orange Communications Luxembourg.

As a convergent actor, we provide mobile telecommunications services, internet and TV to private clients as well as innovative mobile and fixed-line services to businesses. Our high-performance mobile network supports 2G, 3G, 4G and 4G+ technology and is the subject of ongoing investment.

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

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

Key figures 2019

1,389
full-time equivalents

€ 1,340 MIO
total turnover

258,000
convergent Love customers

Love

0
price increase

€ 300 MIO
EBITDAaL

2.1 MIO
gifts offered to customers via Orange Thank You

5G
150 KM²
of 5G test zone

1.4 MIO
connected objects (M2M and IoT)

2.6 MIO
mobile customers

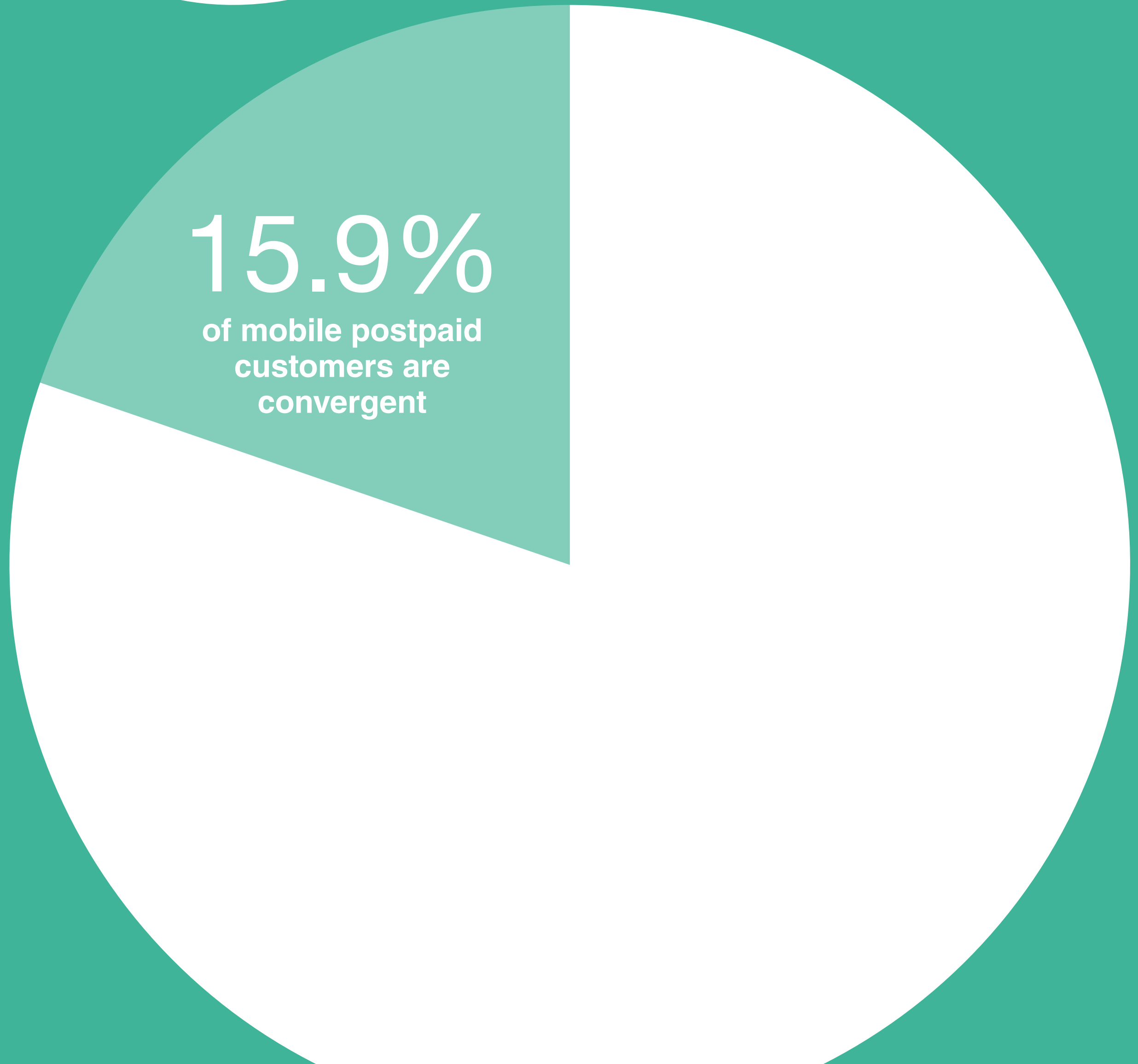


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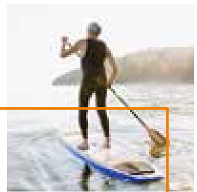
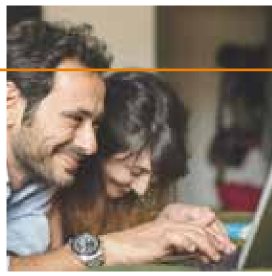
Table of contents





Our cardinal value: respect

"Respect for all of our stakeholders is our cardinal value, the core of our strategy."

Johan Deschuyffeleer

Dear colleagues, shareholders, partners and customers,

2019 was an intense year, and I would firstly like to address our employees. We are keenly aware that we ask a great deal from you, that we are working in a world that is evolving rapidly, one which requires a high degree of flexibility. So we wish to thank you for your work, the many efforts that you have made, the unfailing support that you have offered us. We wish to pursue the work that was initiated, together with you, and with a profound sense of respect. This particular attention to the notion of respect vis-à-vis our stakeholders is not something specific to the year 2019. It is a cardinal value that we integrate into everything we do: not raising our rates for the customers, not obliging them to pay for services they don´t use, is a form of respect as well.

All of our actions are guided by this sense of respect, the sole guarantor of a strategy that can be deployed over the long term. Above all, there is no contradiction between the interests of our different stakeholders: when we show respect for our employees, our partners and our customers, value is also created for our shareholders.

In terms of operational performances, 2019 was also a vintage year, with remarkable results in terms of our revenue growth. But we aren't merely improving what we have already been doing well - as attested by our determination to reinforce our position on the B2B market, strikingly demonstrated by our acquisition of the company BKM.

Employees, customers, shareholders, partners: we see Orange Belgium as an ecosystem, a community. And our objective is clear: to meet the expectations of all of the members of this community.

For 2020, we will maintain this course of action, while adding special attention for questions of social responsibility, by doing what is best for the planet as well.

Once again, I would like to thank our employees, our partners and the investors who support us.

Boldly yours,

Johan Deschuyffeleer

Affirmation of the bold challenger positioning

Dare. Act differently - but above all, fulfil the real expectations of the customers. In 2019 Orange Belgium once again set the tone with its bold offers, by investing in innovation and by preparing an ever more connected future. A look back at the accomplishments of the past year with Michaël Trabbia, CEO of Orange Belgium.

Michaël Trabbia

Flashback to 2019. Orange Belgium made three promises: no price increases, the launch of a high-speed offer without television, and the guarantee of top-quality mobile coverage at home. Promises kept?

Yes, in each of the three cases. None of our customers saw a price increase. On the contrary, it´s the data volumes that are growing for our customers. For example, we raised the download volume of our Cheetah subscriptions from 8 to 15 GB, and up to 30 GB for our Love customers. Once the regulations allowed it, we launched the Love duo pack in July 2019 for customers who don´t watch traditional television. Finally, thanks to our Voice over WiFi and Femtocell solutions, we provided an answer to the many requests from our customers concerning the quality of mobile coverage at home.

What were the strategic choices relating to the network?

Traffic on the networks is increasing sharply, from 50 to 70% a year, which poses a challenge. In November 2019, we signed an agreement with a view to sharing the mobile access network with the operator Proximus, and that agreement will be progressively implemented as of 2020. What will we get from it? An improvement of the overall mobile experience of our customers and a faster deployment of 5G in Belgium. All while at the same time preserving our challenger position and the differentiation between operators, notably by maintaining control of our frequencies and our core network.

Michaël Trabbia

“We have major ambitions for the B2B sector, where we believe we have great development potential.”

Orange Belgium also signed another key agreement for the professional market…

Indeed. We have major ambitions for the B2B sector, where we believe we have great development potential. In July 2019, we finalised the acquisition of BKM, a recognised specialist in Belgium for UC&C solutions (Unified Communications & Collaboration) in order to offer our B2B customers an ensemble of ICT services extending beyond our connectivity services. This is a strong signal of our commitment to the business market.

“We proved once again our ability to crack the codes of the Belgian telecom operators.”

Orange is also a leader in developing services for the Internet of Things (IoT) segment. Today we’re already simplifying the management of more than one million machine-to-machine SIM cards in Belgium and abroad. We’re also pioneers in the area of 5G for companies, with the launch of our Campus Industry 4.0 in the Port of Antwerp.

What is the strategy of Orange Belgium, faced with this ever more reactive and rapid market?

Our objective is to gain agility so as to continue to play our role of challenger and do an ever better job of meeting the expectations of our customers. We want to develop the digital contact points and new services more quickly, and give our teams greater manoeuvring room to respond to requests from our customers. That´s why in 2019 we launched the plan to evolve our operational model, Bold Inside, which is based on three key principles: simplification, digitalisation and empowerment.

As a bold challenger, how do you apply simplification, digitalisation and empowerment?

These concepts are perfectly in line with our values. For our customers, we want to simplify our offers as much as possible, give them ease of mind and spare them any unpleasant surprises. We also simplified the installation procedures for our Love customers with the single installer system.

Internally, we clarified the structures of our teams in order to give them end-to-end responsibility. We also lowered the decision-making levels as much as possible to give greater manoeuvring room to our teams, notably in relation to customer service.

What are the values that Orange employees championed in 2019?

Commitment, solidarity and pride. The quality of our services depends directly on the mobilisation of our teams. There is a genuine family spirit at Orange. The relations between colleagues are especially appreciated, and there’s a great pride in making the difference for our customers every day. Within the framework of our dynamic of empowerment, we’ve also reorganised our premises to even further facilitate working together.

Orange Belgium´s activities are also conditioned by the regulatory environment. Major evolutions to highlight in 2019?

The implementation of an important regulatory decision initiated in 2018 on wholesale access to the cable networks took more concrete form in 2019, particularly with the improvement of installation at our customers’ thanks to the Single Installer system and the possibility of launching Love Duo. Moreover, in 2019 the regulators worked on a costing model that will make it possible to define the definitive wholesale rates in 2020. An absolute necessity for guaranteeing fair competition, since today we’re still paying too high a price to access the cable infrastructures.

2018 was characterised as a “bold” year. How would you describe 2019?

It was an intense year! Orange Belgium continued to deploy its strategy with coherence and determination. We proved once again our ability to crack the codes of the Belgian telecom operators. And we launched a major improvement programme for our operational model: Bold Inside.

What do you see as the defining issues on the 2020 horizon?

The crucial issue for 2020 relates to the still-open questions regarding 5G. We launched the most ambitious tests in Belgium, with a very strong interest on the part of Belgian companies. However, we are dependent on the initiation of the regulatory procedures for granting frequencies, and in addition we need an update of the emission standards. Decisions on these points are becoming quite an urgent matter: some of our sites will begin to experience saturation phenomena as of 2021, and the 5G deployment will take time.

The year 2020 will also see continued implementation of decisions and agreements that were already made, in particular the sharing of the mobile access network with Proximus, and the possibility of going even further in our offers for companies by combining connectivity and ICT services as a result of the acquisition of BKM.

Finally, we decided, in phase with the Engage 2025 plan supported by the Orange Group, to assume a sustainable commitment for the planet. Like every company, we have a role to play in the environmental transition. We sincerely wish to assume that responsibility by working in three very concrete areas. Firstly, we will continue to reduce the environmental footprint of the products and services we offer to our customers. The opening of our new ultra-high performance data centre in 2019, but also the arrival of sharing the mobile access network and 5G constitute important levers of energy efficiency. We are also putting strong emphasis on the circular economy, by promoting the re-use or recycling of mobile phones, modems and decoders. In this regard, we are already working on the ecodesign of our next decoder in terms of its materials and energy consumption. Secondly, we are focusing on elaborating together with our employees an environmental action plan on the corporate level to make the way we work and our everyday practices evolve, including in terms of waste management and mobility. And thirdly, we decided to support the projects and initiatives of our employees, each of whom may thus have two days per year for devoting themselves, individually or together with colleagues, to concrete actions for the environment.

Highlights 2019

January

Orange Belgium makes 3 major promises for 2019 through a video of the CEO, Michaël Trabbia :

No price increase

Upcoming launch of an unbundled pack (mobile and fixed internet) without the TV service

Guaranteed indoor coverage

February

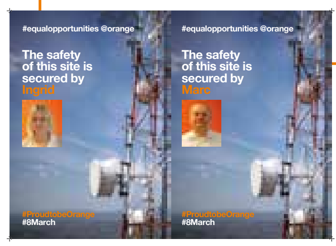
Launch of a new unlimited portfolio for B2B clients, with free cyber security services.

March

Renewed distribution agreement with sport TV channels Eleven 1, 2 and 3, accessible free of charge to every convergent client of Orange Belgium.

Broad internal campaign on gender equality, showing the work done by female/male employees of Orange Belgium.

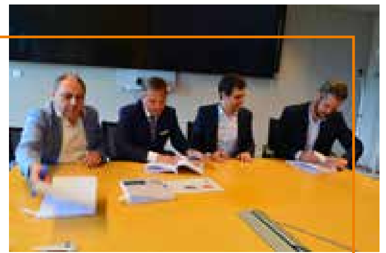
Opening of a brand new, highly secured and eco-efficient datacenter.



April

Orange Belgium reinforces its smart-mobility activities through an investment in the scale-up CommuniThings. A project that went through the Orange Fab accelerator program.

Neibo, the first Belgian mobile telephony cooperative as MVNO starts its activities on Orange Belgium's network.



May

Orange Belgium makes a massive move towards the B2B market through the acquisition of BKM, a leading Unified Communications & Collaboration and ICT solutions provider.

The final preparatory steps begin in Genk, to provide optic fiber services to residential customers, through a partnership with utility company Fluvius.

Orange Belgium breaks two more telco conventions by withdrawing the price discrimination between SMS and MMS, and by offering unlimited calls and data in Europe to its Eagle customers.

June

Orange Belgium launches a bold advertising campaign with world-famous actor Jean-Claude Van Damme: through a digital platform, the public can actually choose what will happen in Orange Belgium next TV ad, featuring Jean-Claude Van Damme.

The start-ups Condugo and Ovinto are selected to join the third season of the Orange Fab acceleration program.

July

Orange Belgium and Proximus announce the signature of a term sheet for the sharing of their mobile access networks. By sharing non-core parts of their infrastructure, the two operators aim for a faster and more comprehensive 5G roll-out, while improving the general mobile user experience, and reducing overall energy consumption.

The company launches the long awaited Love Duo, a brand new offer including a fixed broadband subscription on top of a mobile subscription, aimed at cord-cutters and other customers that do not wish to pay for TV services.

September

Orange Belgium wins the award for the best Belgian webshop of the year.

In the framework of the Orange group global awareness campaign about responsible usage of the digital, Orange Belgium organizes free workshops in its shops to give parents guidance on responsible screen usage for their children.

October

Orange Belgium extends its support for the esport ecosystem in Belgium, by renewing its sponsorship agreement with leading esport team Sector One and one of the main competition in the Benelux, the GameForce Masters, along with the launch of Arena, its own gaming platform.

November

The Orange Thank You loyalty program receives a prestigious World Communication Award for Best Customer Experience.

Thousands of Orange Belgium's customers get to see the new Frozen movie on the day of its release in Belgium.

Orange Belgium is the first operator to introduce RCS, the new standard for short messages, on the Belgian market.

December

Orange Belgium launches an ambitious 5G testing hub for businesses in the Port of Antwerp area, aimed at testing new business cases on a top notch standalone 5G network, the first of its kind in Belgium.

A straightforward and systematically demonstrated positioning

From the very first days of 2019, Orange Belgium once again set the tone and imposed the rhythm on the Belgian telecommunications market by making several major promises to its customers: no price increase, a guarantee to pay only for the desired services via the launch of an offer without television, and total ease of mind notably via the guarantee of coverage within their home. A strong positioning that left its imprint on the entire strategy in 2019.

Orange Belgium disrupts the market

In 2019, Orange Belgium never stopped disrupting the Belgian telecom market by responding as well as possible to consumer expectations. By simplifying its offers, notably on the business market, but above all by offering ever more to its customers for the same price. The high point of this strategy, however, remains the launch of the Love Duo offer in July, combining a mobile subscription with a fixed internet service, without television and at a particularly attractive price. An offer destined to disrupt the status quo on the convergent market, and one that immediately connected with its public. Throughout the year, the convergent customer base in its entirety continued to grow, validating the group´s decision and the efforts made to improve the regulations on wholesale access to the cable networks.

A few steps forward in terms of regulation

With regard to regulation, 2019 did not see any particularly significant evolution, but there was a certain continuity in the advances on the convergent market. That is how the Single Installer system, which enables Orange to handle the technical interventions for installing new customers without having to await a preliminary intervention by the cable operators, permits a much better customer experience and greater control over the process. Orange Belgium gave itself the means to profit from this new dynamic by training many technicians upstream. The fact remains that an evolution is necessary on the wholesale rates charged by the cable operators for access to their network: in this regard, a new rate proposal presented by the BIPT is clearly a step in the right direction, even if certain adjustments might produce further improvements. Orange Belgium responded to the consultation on the text and hopes for a rapid evolution of the framework in 2020. Notably in order to be able to launch a stand-alone fixed internet offer, something that is currently impossible to envisage from a financial perspective. However, 2019 was also marked by significant delay on the part of the Belgian authorities in the procedure for awarding and renewing the radio frequencies, notably for 5G. Orange Belgium would like to see real movement on this file in 2020, as well as on that of the emission standards for antenna sites, so that Belgium does not fall too far behind with regard to 5G.

A new dynamic on the B2B market

2019 was also marked by particular attention for the B2B market, with the key moment being the acquisition of the BKM company, an important Belgian player in unified communications, IT services and collaboration tools. An important investment that makes it possible to solidly reinforce Orange Belgium´s position on this market, with an increase of more than 50% of the staff dedicated to the business market and an expanded range of services to be proposed, in order to position Orange Belgium as a genuine one-stop-shop for IT services. Moreover, the telecom operator is investing big on innovation and partnerships, as attested by the interest taken, in March, in the scale-up CommuniThings, a nugget specialised in smart parking solutions that went through the Orange Fab acceleration programme.

With regard to innovation, in December Orange Belgium inaugurated an ambitious 5G test hub intended for companies in the zone of the Port of Antwerp, and recruited a series of important industrial players to participate in it. The test hub, characterised by the installation of a stand-alone 5G network (all of the infrastructure is in 5G, something unique in Belgium), should make it possible to pinpoint relevant business cases for developing industry 4.0.

An ambitious partnership was also concluded with Liège Airport, centred on developing solutions deriving from the Internet of Things and smart services for the logistics sector.

Audacious decisions

Aware of the importance of the coming 5G worksite and the responsibility of the operators with regard to operational and thus energy performances, in July Orange Belgium announced the establishment of a partnership with the operator Proximus, centred on sharing the mobile access network of their respective networks. An agreement taking the form of a joint venture held equally by the operators, and one which will assume responsibility for the deployment and maintenance of these infrastructures. A sharing of infrastructures that nevertheless does not touch the network core and by no means prevents the operators from remaining competitors and differentiating themselves on the basis of customer experience, strategy with regard to spectrum, etc. Objective: permit a faster and more extensive deployment of 5G in Belgium, improve the general mobile experience, the operational effectiveness and reduce the energy consumption of these infrastructures.

2020, the moment of realisation

2020 will above all be marked by the important steps to be taken with regard to regulation: new wholesale rates for access to the cable networks, organisation of the award procedure for telecom licences and potential evolution of the emission standards. All necessary steps for maintaining a positive dynamic on the market. Necessary steps, above all, for the commercial deployment of 5G and - this is a strong ambition for Orange Belgium - the launch of a stand-alone fixed internet offer at an attractive price, in order to respond even better to the evolutions of the Belgian market.

Orange Belgium inaugurated an ambitious 5G test hub intended for companies in the zone of the Port of Antwerp.

Looking after the customer experience

In 2019, bold challenger Orange Belgium consolidated its positioning in mobile, confirmed its importance on the convergent market, grew big on the B2B market and continued the transformation of its internal functioning.

Orange Belgium is focusing above all on respect for the customers to offer them the best.

By remaining faithful to the four foundational lines of its strategy, Orange Belgium is improving the experience of its customers, its position on the B2C and B2B markets, and its internal functioning.

Increasing convergence to support the value of mobile

In 2019, Orange Belgium accelerated its growth on the convergent market, a strategic priority. Thanks to regulatory evolutions, Orange Belgium was able to achieve two major objectives during the summer: the launch of Love Duo, a convergent offer without television, and the Single Installer system. The eagerly-awaited Love Duo offer immediately found its public, notably amongst the cord-cutters, those consumers who prefer online content to traditional television, to the extent of seeing the offer represent 10% of the convergent customer base by the end of the year. The Single Installer system enables Orange Belgium technicians to handle the installation of new customers all on their own, without any intervention by the cable operator, thus simplifying the process and improving the customer experience. At the end of 2019, Orange Belgium had no fewer than 258,000 convergent customers (+ 43.5% over a single year).

Claiming a No. 1 position on the mobile market

Orange Belgium fulfilled the promise it made at the start of the year: no price increase. However, the company does intend to offer its customers more for the same price. Which is why, just before the summer, it made MMS free for its postpaid customers and expanded its unlimited offers, henceforth valid throughout Europe. At the end of the year, the Cheetah subscription saw its downloading volume rise from 8 to 15 GB, automatically and without costs. Working on the price isn´t enough, so Orange Belgium optimised the functioning of its MyOrange app, while the Orange TV app saw its number of channels double, without extra cost. Innovation was also on the agenda, with the launch of Chat Messages, the new generation of SMS for Android smartphones, a first in Belgium.

Providing digital communication and collaboration services to every Belgian company

Orange Belgium invested heavily in the development of its services to companies and demonstrated this as of the month of February by launching new secure and unlimited subscriptions for Belgium and Europe. But the most important milestone of 2019 undoubtedly remains the acquisition of the BKM group, specialised in ICT and unified collaboration and communication solutions for companies. A major step forward that increases the workforce dedicated to the B2B services by more than 230 people and makes it possible to benefit from the rich experience and the expertise of this major player.

Implementing the digital and cultural transformation

In 2019, Orange Belgium continued its work of internal transformation structured around three fundamental principles: simplification, digitalisation and empowerment. A vast project that notably entailed simplification of the internal structure and decision-making processes, in order to improve operational effectiveness and prevent losses of information. Many internal processes were digitalised, especially on the administrative level for human resources. Moreover, Orange Belgium wagered heavily on empowering and responsibilising its teams, by trying as much as possible to offer its employees end-to-end responsibility for their activities, and by taking back control over certain aspects of its activity that had been outsourced. Final objective: accelerating and dynamising decision-making, collaboration and innovation. Major works that Orange Belgium undertakes to continue by honouring its promise to be a digital and human employer, with ever greater attention for the questions of social responsibility and respect for the environment.

A respected customer

By constantly improving the customer experience, by offering ever more service quality and innovation, by respecting, especially, the real needs of consumers, and by communicating simply and transparently, Orange Belgium is focusing above all on respect for the customers to offer them the best.

Focusing on simplicity and rationalisation

Simplify. Easy to say, but hard to do? Not for Orange Belgium, which pursued this essential objective throughout the year on both the external and internal levels. For greater effectiveness but also better adequacy, Orange Belgium dared to make audacious new offers while working in a more fluid and optimised manner.

> Orange Belgium´s promise to the B2B market: the possibility of becoming a connected employer.

Jean-Claude Van Damme flying on two cucumbers, a guinea pig in his arms, pursued by three dwarfs bent on revenge… A typically Belgian surrealist scenario developed for Orange Belgium's innovative commercial. Its particularity, apart from the script? It´s the company´s customers who came up with it! A fun and daring result, just like the offers that Orange Belgium proposes to its customers. Because the goal is clear: permit everyone, whether an individual or a company, to choose a solution that meets their real needs and consumption habits.

> The goal is clear: permit everyone, whether an individual or a company, to choose a solution that meets their real needs and consumption habits.

Breaking the shackles of the packs

Without a doubt, the flagship launch of 2019 is that of the Love Duo offer, a novel pack combining a mobile subscription à la carte and ultrafast and unlimited fixed internet access. A niche that Orange Belgium is exploring by addressing primarily cord-cutters, those ever more numerous consumers who have left classical television behind to consult audio-visual content available online, notably via streaming platforms. The break with the traditional offers of the telecom market is clear, and Orange Belgium is continuing in line with its credo: breaking telco conventions. To make the life of its customers easier, the range of commercial offers for both residential and B2B customers were substantially simplified. Moreover, the company broke two other firmly implanted conventions by offering unlimited calls and data in Europe as well as free MMS in Belgium, but also within the European Union for postpaid customers. Two firsts that took effect automatically, in the greatest simplicity, without customers having to lift a finger. The same applied for the revision of the Cheetah subscription: from one day to the next, and without the slightest action on the customer´s part, the subscription offered a monthly data volume of 15 GB instead of 8, still coupled with calls, texts and MMS messages for 30 euros per month. Increasing data without making rates explode is part of Orange Belgium´s DNA.

Services for professionals

The shelf of offers is filling up and simplifying for the residential but also for the business market. Orange Belgium thus proposed the first fully secure and unlimited Shape rate plans: from now on, unlimited mobile data, voice calls and text messages to be used in Belgium but also in thirty-nine other European countries and territories. Orange Belgium´s promise: permit its B2B customers to become connected employers by offering them traditional communication services, but also simple and effective tools for the day-to-day management of their communications and devices. And, to put the minds of the B2B customers even more at ease, Orange Belgium also added to its Shape subscriptions, free of charge, an additional security service that protects every 'smartphone client' against potential cyber threats. This integration of services offers ease of use and increasingly responds to the needs of B2B customers. The days of multiple and complex subscriptions are over: Orange Belgium is offering simple, complete services.

Objective: offer the teams as much end-to-end responsibility as possible.

Simplifying in order to work better

It takes a healthy dose of agility to simplify the functioning of work teams. An objective that didn´t slow down Orange Belgium in its transformation. Concretely, the objective was to make the teams as responsible as possible by offering them end-to-end responsibility. For example, certain teams, like those which handle customer service, have been integrated into the different divisions for greater effectiveness and above all to minimise losses of information. All of which notably improves the ability of these teams to solve customer problems on the very first call. Thanks to a clear simplification of the procedures and structures, project follow-up improved substantially. This evolution of operational processes was accompanied by the digitalisation of numerous internal administrative steps in order to simplify the life of the company´s employees. Gone the expense notes on paper, or the medical certificates sent in by post. From now on everything goes through digital channels that facilitate the processing of numerous aspects related to human resources. Each employee can also control a part of his or her remuneration via the introduction of a Flex Income Plan.

Determined to constantly improve its distribution network, Orange Belgium also internalised the staff of over twenty franchised stores.

Hello, Orange?

Although every effort is made to assure the satisfaction of its 3 million residential customers, no one is immune to a bad experience. Even at this stage, Orange Belgium deploys its services to ensure a high-quality, standardised and effective complaint follow-up. This state-of-the-art team training was initiated in 2018 in order to culminate in 2019 in an improvement and simplification of the procedures for responding to customers, a revision of the internal processes for security and protection of personal data. A process that has notably required identification of all of the internal databases and the persons having access to them, definition of the standards for responding to requests from customers relating to protection of personal data, a global mapping of all security questions around the activities of Orange Belgium, etc.

Going for simplicity of installation

Exit the cable operator's intervention during a change of contract for a customer wishing to benefit from Orange Belgium´s services. From now on the latter's installer can handle all of the steps in a single go. A savings of time and energy for the customers and the company. In 2019, the operational implementation of this Single Installer system could take place thanks to an evolution in the Belgian regulations that was broadly supported by Orange Belgium. Result: faster and more effective installation procedures for customers, and increased control and visibility for Orange Belgium.

The 2020 objectives

- Continuing to simplify the IT tools
- Continuing to simplify the commercial offers
- Revising the contracts with external partners
- Continuing to simplify the internal processes

A novel partnership with Proximus on the mobile access network

Deploying a mobile network naturally forms part of a telecom operator's core business, and Orange Belgium certainly needn´t blush about the investments made and the technologies deployed in Belgium ever since it began. Nevertheless, it remains true that the process of deployment can be further improved and optimised, notably in order to prevent reduplication of investments that do little to differentiate between operators, which has the effect of increasing overall energy consumption without generating real added value for the customers. This is one of the reasons that prompted Orange Belgium to announce, at the beginning of the summer of 2019, its intention to conclude a mobile access network sharing agreement with Proximus. Objective: set up a joint venture, held equally by the two companies, and entrusted with the maintenance and deployment of the mobile access network on the 2G, 3G, 4G and, in the future, 5G technologies. This section of the network, constituted primarily by antenna sites, offers few possibilities for differentiation on the service provided to the customer, since the veritable strategic and technological choices, which guarantee differentiation and competition, are introduced on the level of the network core.

Rationalising, reducing the environmental footprint and preparing for 5G

By putting their mobile access networks together, Orange Belgium and Proximus can improve the overall mobile experience of Belgian consumers, reduce the energy consumption of their networks by nearly 20% and, above all, facilitate a faster and more extensive deployment of the 5G technology in the future once the regulations allow it. However, this is a partnership that by no means prevents healthy competition between the two operators, which moreover retain the right to unilaterally deploy networks or technologies. In the final months of 2019, the preparatory works for the installation of the joint venture were progressing well. However, the Belgian Competition Authority, at the behest of the Telenet Group, suspended the actual implementation of the joint venture until 16 March 2020, in order to permit the national telecommunications regulator, the BIPT, to analyse in greater detail the guarantees offered by the two groups for the maintenance of sound competition between the two entities. Orange Belgium has full confidence that the partnership will become a reality, to the benefit of the customers and society as a whole.

Innovate, dare, reinvent yourself

Orange Belgium aims for excellence. Nothing more, nothing less. An audacious positioning which matches the profile of a bold challenger that dares to invest in and innovate the future. A bold challenger which is, above all, constantly breaking the existing conventions of the telecom market and plays the digital card to the max.

The sector's rapid evolution hasn´t stopped Orange Belgium from keeping a step ahead. That´s the key to the positioning of a bold challenger. Major tool: digital, which permeates every aspect of the company´s strategy.

At the cutting edge of its core business

An optimal network experience

A telecom operator has to be beyond reproach in its core business: the quality of the communications and the reliability of its infrastructures. A priority respected by Orange Belgium in 2019, the company having chosen a new development model for its network, shifting from a single supplier to several specialised partners. From the technological perspective as well, Orange Belgium is making choices and actively preparing for the deployment of 5G, as attested by the inauguration, at the end of the year, of a 5G test hub for companies in the Port of Antwerp (see boxed text). Orange Belgium was also the first to launch itself into the adventure of voice on 4G/LTE: today, and it´s a first, this technology has become dominant for assuring voice calls over the traditional 2G and 3G. Nearly 40% of traffic on the Orange Belgium network takes place by voice on 4G/LTE, which offers customers (both residential and business) a better service quality that is immediately perceptible. Something that also allows the network to record the country´s fastest mobile connections, according to the latest statistics of the BIPT.

Nor does Orange Belgium spare any efforts when it comes to the provision of fixed services, notably taking 2019 as an occasion to update the user interface and improve the functioning of its decoders for the Love customers.

> Orange Belgium is a bold challenger in its hiring processes as well.

A new ultra-secure and eco-designed data centre

Determined to rationalise its resources and optimise both its processes and its energy performances, Orange Belgium also inaugurated an entirely new and innovative data centre located in Hoboken (Antwerp) in 2019. These 1,000 m^2 of state-of-the-art equipment are intended to meet the growing demand from customers for mobile use by processing the billions of daily connections established for surfing, calling and sending text messages. Orange Belgium didn´t hesitate to spend over 14 million euros in this project, which is state-of-the-art in terms of sustainability, effectiveness and security.

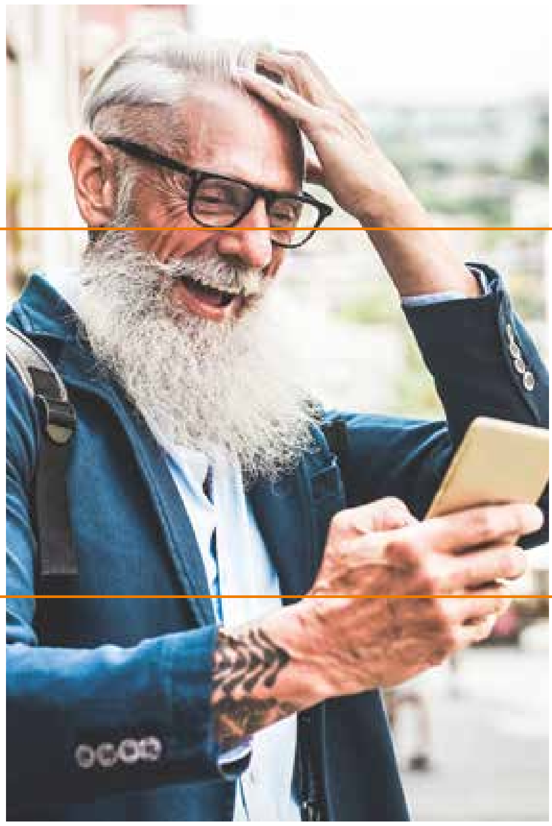
Teams that know digitalisation inside out

The importance given to digital is also reflected in the internal functioning and the tools provided to employees. 2019 thus saw the introduction of an ambitious Flex Income Plan, a platform on which each employee can manage his or her internal profile and the advantages they wish to enjoy. A budget is allocated to each employee, who can spend it according to his or her needs amongst the various remuneration opportunities that are supplemental to the salary (public transport, multimedia equipment, external training courses, additional leave days, etc.). To make things easier, many human resources-related procedures were digitalised as well. For example, it is no longer necessary to deliver a medical certificate in person or by post - digital transmission suffices. Moreover, Orange Belgium is a bold challenger in its hiring processes as well. The proof? A recruiting campaign disseminated via the social network Tinder. Several users were intrigued by this particular profile, that of Orange Belgium looking for digital natives. By clicking, those who were curious could begin a discussion with the company, consult the job offer and discover whether there was a match.

The audacious approach corresponds to Orange Belgium´s recruitment philosophy: attract new talents in a digital and innovative manner, and offer them a unique and original experience in a constantly-evolving telecom sector. In just a few days, over 650,000 clicks were registered.

This importance given to digitalisation was also translated by a clear evolution in the channels for marketing Orange Belgium´s products and services, with a notable jump in sales done remotely, online and even via the customer service.

> All calls made from one Orange number to another are 100% CO_2-neutral.



1.4 million professional devices are connected to the Orange Belgium network.

Investing in the future of the sector

A new turning point for optical fibre

It was a pilot project that Orange Belgium believed in immediately. In 2018, the company was the first Belgian telecom operator to partner with Fluvius, a public enterprise created to manage the energy networks in Flanders. Joined by other small operators, the three partners inaugurated the first local switch for optical fibre in Genk in 2019, a 'socket' that all providers can now connect to. The objective? Give the region's inhabitants direct access to optical fibre. In all, there are no fewer than 4,500 homes in Genk that can demand a connection. Thanks to this open model, Orange Belgium is accelerating the investments and sees in this project the stimulation of competition, because each operator can use its own active network equipment to distinguish itself in terms of services and technological innovations of the network. Started in Genk, the project is slated to expand to a series of other Flemish cities in 2020.

Bye-bye SMS, welcome Chat Messages

Is the SMS a has been? Orange Belgium took the lead by being the first Belgian operator to launch Chat Messages for eligible Android smartphone users. Based on RCS (Rich Communication Services), the new telecom standard for messaging services, the service offers much more than a traditional SMS. Photos, videos, documents, localisations or creation of groups are all possibilities, without the customer having to download a specific app. For the summer of 2020 Orange Belgium is envisaging a total deployment to all of its eligible users.

Even further into IoT

Leader in the Internet of Things (IoT), and possessing extensive experience in Machine-to-Machine communication, Orange Belgium continued to deploy the NB-IoT and LTE-M networks intended specifically for connected objects and recorded its first business cases. A reality that gave it the opportunity to launch Live Objects, a secure platform for objects and data, intended first and foremost for the business market. Via this tool, Orange Belgium allows its customers to manage a fleet of connected devices, to collect and store their data in total security. Based in the cloud, this interface proposes a complete services environment that evolves as a function of the needs to make it possible to exploit the data, transform them into useful and exploitable information in order to optimise a professional activity.

Reinventing yourself

More professional services

It´s signed… Upsize S.A. and its subsidiaries BKM S.A. and CC@PS now constitute an integral part of Orange Belgium. Price of the transaction: 52.4 million euros. Enough to enable Orange Belgium to bolster its B2B offer, for its customers and those of BKM, thanks to the company's unified collaboration and communications solutions and ICT. Orange Belgium wanted to meet the growing demand of its business customers for a one-stop-shop for ICT services and connectivity. As an ICT integrator, BKM has recognised expertise in four key areas: unified collaboration and communications (UCC) solutions, IT and security solutions, documentary and visual solutions as well as connectivity solutions. The Orange family thus grew by 230 employees and just as many talents. Newcomers whose entrepreneurial spirit perfectly matches Orange Belgium´s positioning as a bold challenger on the business market.

Determined to offer ever more to its business customers, Orange Belgium added - free of charge - a cybersecurity service to its Shape offers.

The 2020 objectives

- Maintaining the quality of mobile traffic by making the most relevant investments.
- Deploying 5G technology once the regulations allow it.
- Making sure to have strong internal profiles for developing new technologies.
- Continuing the digital transformation of HR processes.
- Accelerating the performance and collaboration with BKM > becoming a full ICT player.
- Developing the fixed offer even further, notably via the optical fibre with Fluvius.

A 5G test hub in the Port of Antwerp for industrial applications

It's certainly one of the most important milestones of 2019: at the end of the year, Orange Belgium inaugurated a 5G test hub in the zone of the Port of Antwerp, the Orange Industry 4.0 Campus. Objective: innovate together with industrial partners on the possibilities offered by 5G technology for the companies segment.

To do so, Orange Belgium installed several antenna sites to create Belgium´s first stand-alone 5G network, i.e. a network on which 5G capacities are not simply added to elements of 3G or 4G technologies, but an entirely 5G infrastructure, making it possible to exploit this technology´s full potential. Only this type of network can permit network slicing, i.e. the creation of sub-networks specifically allocated to one type of uses. An essential functionality for 5G business applications, since that allows indispensable connectivity guarantees for the critical services of companies, while maximising the other advantages of 5G: extremely high speeds, very low latency and better energy consumption performances.

A first wave of several major industrial players have already joined the test hub, such as Covestro, Borealis and the Port of Antwerp, while the Deloitte group is helping the stakeholders to define projects and their economic potential.

Amongst the applications already being envisaged:

- The process of towing ships by connected tug boats will be optimised thanks to the transmission in real time of high-definition images from on-board cameras and images from mobile radars to the control room as well as the real-time remote control of these cameras.
- Smart Field Operators, for cases where critical communications require a guaranteed pre-emption priority in order to increase the safety of workers in case of an alert. These field operators will also obtain enriched technical information in real time on the equipment to be used or maintained, permitting them to visualise a veritable digital twin of the infrastructure they are working on. The remote assistance of the control centre will also be facilitated by the real-time transfer of field images to increase the safety of the worker.

Another use case is the automated system for detecting contamination which uses the cloud to send images of suspicious production samples in complete security via a 5G connection to a specific user for a more in-depth analysis.

Several other industrial partners should be joining the test hub in 2020 - including the Katoen Natie group, which has already confirmed its interest.

Giving yourself the means to work **together,** create and attract

Orange Belgium is aiming for five training days per year per employee.

Giving the best of yourself. It's only possible if you feel supported and accompanied, and if you've been given real responsibility. Orange Belgium takes this process of valorisation to heart for everyone, whether employee, customer or partner. To be as close as possible to the needs, the company hasn't hesitated to invest in innovation and the human element. As a bold challenger, the company dares above all to act differently, even internally.

Power to the teams

An evolution befitting the audacity of a bold challenger. In 2019, Orange Belgium devoted a large share of its energy to its internal transformation plan. To ensure its success, a clear vision and strategy made it possible to define the objectives to be achieved. Their operational implementation is underway and continues by striving to valorise each employee. And the commitment of each and every one is essential. Orange Belgium nourishes a genuinely positive company culture.

Training yourself for the new

The development of competencies is an important vector of empowerment, so Orange Belgium doesn't hesitate to go beyond the standard of two days of training per year per person. If today the company already registers an average of three days, it is aiming for five in the future. It also stimulates internal mobility to keep everyone's motivation and commitment alive.

This dynamic of empowerment, like all structural evolution, is being progressively integrated into the mind-sets and the ways of being and acting. In order to facilitate this transition, Orange Belgium introduced a whole series of training courses that are addressed to both employees and managers. 'Directing in a time of transformation' and 'managing authentically in the digital era' are amongst the subjects proposed. Defining the framework for each individual, stimulating initiative-taking and encouraging individual fulfilment, those are the guiding principles of this will to rethink the overall functioning of the company.

Innovating in the arrangement of space

Flexibility, an essential criterion? At Orange Belgium, this reality is expressed notably by an in-depth restructuring of the work spaces. In 2019, a part of the offices was entirely rearranged so that the workplace can reflect the new dynamic being introduced. Alcoves, smaller rooms, large tables for exchanges and discussion… these 'pilot' adjustments offer diversified use possibilities. Certain zones are dedicated to calm and concentration. Others are provided for collaboration or socialisation. All of them correspond to the agility that is generated by the company's functioning and are a support for the empowerment of a dynamic team. This is the Orange way of working. A concept that is translated by the 3 B´s: bricks, bits and behaviours. Orange Belgium undertakes to offer an environment that is propitious for working, optimal internal digitalisation and encouragement of civility and synergy. Above all, this development is directly based on the 'Listen & Respond' approach of the company, which regularly surveys the needs and wishes of its employees in order to jointly reinvent our ways of living and working together.

Taking back control

As part of its review of internal processes, Orange Belgium attributed great importance to one particular element: enabling its teams, its employees, to enjoy end-to-end responsibility on their projects. It was determined to make changes within the structure of certain divisions and notably to revise the hierarchical structures. Offering increased control over the development or management of operations makes it possible to stimulate the employees, offer them a more fulfilling professional framework, while at the same time optimising the overall functioning of the company.

An approach that also entails, more concretely, Orange Belgium taking back control over certain operations that had been outsourced in the past. That is notably the case with respect to several IT services that were re-internalised, certain elements of management and deployment of infrastructures, as well as to the commercial distribution network, via the integration of several franchised stores.

Orange Thank You programme distributed more than 3 million GB of free data to its customers.

Power to the clients, partners and prospects

Orange Fab season 3

Previously on Orange Fab… The start-up CommuniThings, which focuses on Smart Parking and uses Orange´s NarrowBand-Internet of Things (NB-IoT) network for this purpose, was selected for Orange Fab 2018. One year later, it raises three million euros with several partners, including Orange Belgium, to develop its activities. A success story that derives in particular from the experience gathered during Orange Fab, the exclusive acceleration network for start-ups and scale-ups at the origin of innovative new products and services in sectors like the IoT, big data or artificial intelligence. For this 2019 episode, the goal remains the same. A total of 42 projects presented their products and services to a top-flight jury, notably including the Executive Committee of Orange Belgium. The prize: integration into the Orange Fab programme which offers, during a period of 6 to 9 months, an emulation between the start-ups and the Business Units

of Orange Belgium and Luxembourg, a boost to commercial development, initiation of partnerships and support for internationalisation thanks to Orange's global presence. Two starts-ups became the award winners of this 3rd edition:

- **Condugo** which is developing an innovative energy management platform for large industrial companies, and
- **Ovinto** which optimises freight transport thanks to a hardware and software solution based on big data and predictive analysis.

Showering customers with gifts

Elsa and Anna are back, and Orange Belgium didn´t miss the rendezvous. As part of its 'Orange Thank You' customer loyalty programme, 6,000 of its customers attended showings of Frozen 2. Over the entire year, Orange Belgium offered a total of nearly 190,000 free movie tickets to its customers. More broadly, no fewer than 2.1 million gifts were offered via the Orange Thank You programme, whose integration into the MyOrange app was optimised, enabling customers to do everything from this central app, e.g. see the badges that they have already won, participate in competitions, choose gifts, etc.

It should be noted that Orange Belgium is once again offering a choice to its customers, since they were able to choose from amongst a wide range of different gifts: beauty kits, magazines, books, discounts on concert tickets, shows or vacations. And, because Orange Belgium remains a telecom operator, the Orange Thank You programme distributed more than 3 million GB of free data to its customers.

Notable fact: the Orange Thank You programme is so innovative and complete that it was awarded the 'best customer experience prize' of the prestigious World Communication Awards. For more than 20 years, these prizes have crowned innovation and excellence amongst global telecommunications operators.

The 2020 objectives

- Offering a mobility budget and encouraging employees to adopt a multimodal approach
- Continuing the evolution of work spaces
- Continuing the re-internalisation of certain strategic processes
- Boosting interest in basketball in Belgium

Sponsoring

In 2019, Orange Belgium closely followed the adventures and exploits of the Belgian national basketball teams and particularly those of the Belgian Cats, the women´s team. The steadily improving results and reputation of the Belgian Cats are boosting public interest in this sport, which still receives too little attention in Belgium. Moreover, Belgian Cat Emma Meesseman attracted special interest in 2019 when she won the coveted title of Most Valuable Player in the finale of the Women´s NBA in the United States. The Belgian Cats also qualified for the Olympic Games of Tokyo, which is a first. Orange Belgium also continued its support for the national basketball league, whose activities are rapidly professionalising: the league introduced a new automated recording system for the games, as well as a streaming platform for them. In 2020 this support for the Belgian basketball ecosystem will also be translated by the launch of a campaign whose goal will be to give basketball the place it deserves in a country until now dominated by other sports.

Belgium also has athletes of a new type, prompt to play with the joystick and keyboard rather than in their high-tops and who caused traffic on the Orange Belgium networks to increase by 55% in a single day. How? By following the kick-off of the last season of the online game Fortnite. A phenomenon that demonstrates the constant rise of esports and gaming. An evolution supported by Orange Belgium, which is renewing its sponsorship of the Belgian elite team Sector One. The specialties of these players who challenge their global competitors? The games League of Legends, Counter Strike: Global Offensive and Hearthstone, for which they participate in competitions and place amongst the leaders in the Benelux.

Orange Belgium also supports the GameForce Masters tournament, the biggest esport event in the Benelux, organised within the framework of the largest Belgian gaming trade show, GameForce, and offering the winners cash prizes totalling 30,000 euros. In all, nearly 15,000 participants confronted one another or played in collaboration during this game meeting. Orange Belgium is also developing this market niche, often linked to the cord-cutters phenomenon, with the recent launch of its own gaming platform, Arena.

Boldly responsible…

Committed and responsible

Orange Belgium remains faithful to its commitment to act responsibly and sustainably for the benefit of Belgian society, without compromising on its operational excellence. The year 2019 was marked by efforts made concerning both respect for the environment and attention for employee well-being, as well as by initiatives relating to social and digital inclusion.

Our total CO_2 emissions have been reduced by nearly 80% since 2006.

… Vis-à-vis its customers and society

Innovative and responsible products and services

As a player in the development of the local economy, Orange Belgium guarantees its customers an irreproachable experience by offering them reliable and high-quality products and services. The responsible use of screens was one of the major themes of the year. A commitment translated notably by a broad awareness-raising campaign on the possibilities, but also the risks, posed by digital technology.

The commitment of Orange Belgium with regard to a responsible use of screens also prompted the organisation of free interactive workshops, intended for parents, in several shops, providing them with practical advice on accompanying their children in their digital lives. This initiative will be expanded to the national level in the spring of 2020.

Environmental impact and CO_2 neutrality

Carbon neutrality is one of Orange Belgium's priorities: our total CO_2 emissions have been reduced by nearly 80% since 2006.

For the fifth consecutive year, the company was certified and labelled 'CO_2 Neutral' by CO_2 Logic and Vinçotte. These two independent bodies issue a label based on the internationally recognised PAS 2060 standard: only companies that make substantial efforts receive it. This label certifies that Orange's buildings, network and shops are neutral in terms of CO_2 emissions.

Orange Belgium compensates the non-reducible emissions arising from its operational activities by investing in social projects in Africa, typically the construction of ecologically-responsible local public utility installations. In 2019, for example, Orange Belgium supported an electrification project in Senegal whose

Orange Belgium prompted the organisation of free interactive workshops, intended for parents, in several shops, providing them with practical advice on accompanying their children in their digital lives.

ultimate goal is to meet the needs of 50,000 people on an annual basis.

So far, Orange Belgium´s ambitious plan for significantly reducing its environmental impact has been translated by the move to a much more ecological building in Brussels, the installation of solar panels, the use of green energy, the sorting of waste as well as the management of paper and plastic.

With regard to network infrastructure, the company's objective is to henceforth assure a systematic traceability of its waste. In 2019, Orange Belgium eliminated 10,000 tonnes of batteries via networks that recycle them at a rate of 99.8%. Lead batteries have been preferred expressly for the quality of their recycling.

2019 also saw the inauguration of a brand-new data centre in Antwerp, particularly efficient in terms of energy consumption, to replace 4 smaller structures with an older design.

Solar panels will also be installed shortly on antenna sites in Belgium, so that they can have a direct energy source. Their additional needs will be covered by the purchase of green energy from accredited suppliers.

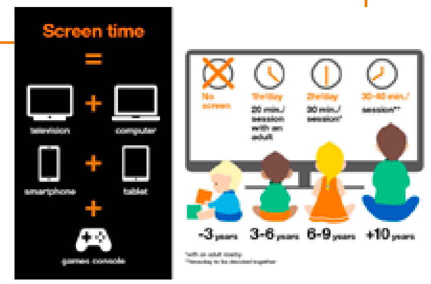
Finally, the Buyback process allows customers to bring their old mobile phone back to Orange Belgium, which pays €2 to Natagora/Natuurpunt to support environmental protection in Belgium. The customer is offered a purchase voucher corresponding to the residual value of his or her device. Mobile phones that no longer have any market value are recycled by Recupel. A large share of the materials can be recycled, the rest being melted down in order to recover up to 90% of the raw materials and give them a second life.

… Vis-à-vis its employees

Within the framework of its positioning as a digital and caring employer, Orange Belgium attributes great importance to the well-being of its employees. Employee satisfaction is one of the company´s major strategic priorities.

In 2019, special attention was paid to initiatives on mobility, waste management, the environment and improvement of work spaces, which were revised in accordance with the needs expressed by the employees so as to facilitate project-based working and social interactions, while at the same time reducing noise.

Orange Belgium is also concerned to offer a working environment that guarantees a proper work-life balance, as well as a healthy lifestyle, notably by proposing sports activities at lunchtime, free fruit baskets every week, a prevention programme against psychosocial risks and a mindfulness meditation cycle.



Also worth mentioning: in 2019, Benefits at Work was launched, a service offering a series of well-being advantages and discount vouchers in an app.

Diversity

Orange Belgium has turned diversity, sexual equality and equality of opportunity, during both recruiting and professional life, into an advantage for innovation and attractiveness. Moreover, Orange Belgium has been audited and received the European GEEIS certification (Gender Equality European & International Standard) for an additional two years, something it has held since 2011 in recognition of its practices with regard to diversity, professional equality and inclusion.

Orange Belgium promotes teleworking, which also permits a better work-life balance, and which already involves more than 1,000 employees out of 1,400.

At the end of 2019, Orange Belgium organised a dialogue with its many stakeholders – internal and external – in order to better understand their priority expectations in terms of diversity and to identify levers that will enable it to improve its performance.

In addition, Orange Belgium launched a broad internal campaign on the occasion of International Women´s Rights Day, March 8th, highlighting the fact that the company´s key operations are assured in the same way and with the same passion by men and women.

Mobility

Orange Belgium appreciates the importance of a responsible mobility policy and offers facilities to employees to encourage the use of bicycles and public transport (leasing of electric bikes, promotional actions and participation in mobility week). The company also offers its employees the possibility of opting for an electric or hybrid car, or a smaller vehicle in combination with a public transport subscription, thanks to an expanded list of company cars. The carbon footprint is thus declining progressively to the advantage of soft mobility alternatives.

Moreover, via the provision of adapted equipment Orange Belgium promotes teleworking, which also permits a better work-life balance, and which already involves more than 1,000 employees out of 1,400. In December 2019, Orange Belgium launched a survey amongst its employees to put together a mobility plan that is even better adapted to their situations.

Waste management

Environmental impact and waste management have been points of constant attention for Orange Belgium for several years now. In 2019, the company offered water bottles to its employees and eliminated the plastic cups that had been provided at the water fountains, thus saving nearly 60,000 cups per year. The plastic food containers used in the past were also entirely replaced in favour of 100% recyclable vegetal materials, while the floor covering of the renovated work zones is now also 100% recyclable.

Involved employees

In 2018, Orange Belgium launched Oz, a programme that stimulates innovation, creativity and entrepreneurship within the company. In 2019, the theme of the summer was the environment, in order to involve the employees in managing the company´s ecological footprint.

In 2020, the employees will participate in implementing 2 winning ideas, i.e. cleaning up the areas around the buildings and the creation of a bio-diversified garden.

2019 was also the year of the co-creation of solutions to rethink the working methods and ergonomics of the workplaces. Orange Belgium launched several pilot projects on these subjects: new types of individual or collaborative work spaces, new digital tools, … The efforts to improve the quality of the workplaces will continue in 2020.

… Vis-à-vis its local partners

BECODE

Orange Belgium is an active partner of BeCode, an initiative of three Belgian entrepreneurs who in 2016 decided to do something about the shortage of developers and inadequate digital inclusion. In addition to recurrent financial support, Orange Belgium is also represented in the management of this company, which addresses itself to people wishing to master the techniques of coding and enter the job market as a web developer. At BeCode, students can become junior developers in a mere 6 months. They then join companies as trainees in order to sharpen and apply their newly-developed skills. Since February 2018, BeCode has been training students who are ready to embrace the job market as soon as they graduate. Several hundred people now leave BeCode each year with skills matching the needs of companies.

https://becode.org/

ENTRA

In 2019, Orange Belgium celebrated its 20 years of partnership with ENTRA, an adapted work company (ETA) based in Belgium and created in 1968.

ENTRA´s mission is to propose high-quality, adapted and sustainable jobs to persons who have certain limitations due to illness or handicap. 79 jobs are covered by this partnership between the two companies, jobs that are useful, remunerative, stable, gratifying and capable of evolving.

https://www.entra.be/fr-fr/groupe-entra

Close the Gap

Orange Belgium was one of the first partners of the CLOSE THE GAP association when it was created in 2003. This non-profit association collects used IT equipment in companies and reconditions it into professional tools destined for educational, medical and entrepreneurial projects in Belgium or developing countries, notably schools. In 2019, Orange Belgium donated 2 tonnes of IT equipment such as PCs, mouses, keyboards, cables, etc.

https://www.close-the-gap.org/

The Orange Foundation

The Orange Foundation is at the heart of the group´s sponsorship and social responsibility.

It has adopted the goal of enabling everyone to access the possibilities offered by the new technologies and to contribute to the social and economic development of the countries where the Orange Group is present. It puts digital technology at the centre of its action.

In 2019, Orange Belgium financed the equipment of a digital carpentry shop at the heart of an art centre: iMAL. iMAL has been installed in the Brussels municipality of Molenbeek since 2007 and possesses a FabLab where local artists, contractors or teachers can use cutting-edge equipment. It´s the link between art, technology and inclusion.

https://www.imal.org/fr/fablab

Charitable actions

For many years, various charitable actions have been launched, in particular during the period of the end-of-year celebrations. This year, Orange Belgium once again supported the 'Pêcheur de lune' association and organised a collection of toys, either new or in good condition, to be offered to needy children. Nearly 500 toys were donated to the association. Throughout the year, the company participates in various sporting events for the benefit of charities. Each year many employees participate in the 'Run for Parkinson', for example.

https://www.pecheurdelune.be/

Engage 2025

…Vis-à-vis society, with its new 'Engage 2025' plan

In December 2019, Stéphane Richard, Chief Executive Officer of the Orange Group, presented the strategic plan 'Engage 2025', which reconciles economic performance and sustainable approach vis-à-vis everyone.

'Engage 2025' contains several action programmes on the environmental, social and technological levels which will begin to be implemented in 2020 in order to conclude in 2025, with in particular energy needs covered 50% by direct energy and 50% through the purchase of green energy, in each country where the group is active. Most importantly, each national entity of the Orange Group will have to have achieved carbon neutrality between now and 2040.

Cracking the codes and preparing for the arrival of 5G

Orange Luxembourg is counting on its Bold Challenger positioning and its agility to build the future. Objective: crack the codes of the telecom market in order to meet customer expectations.

Orange Luxembourg is the first player in the market not to impose a long-term commitment in its contracts.

2019 was a founding year for defining, affirming and deploying Orange Luxembourg´s strategy, a year that enabled it to give concrete form to its bold challenger position. This company, which has become a key player on the Luxembourg telecommunications market, wants to make the Belgian dynamic its own, crack the codes, dare to act differently, but above all strive for the satisfaction of its customers. A transformation and positioning plan was implemented over the course of 2019, shaping the bold strategy both outside the company and within. Its strength and its distinguishing characteristic vis-à-vis its competitors? Its small size, which makes it agile and responsive. The company positions itself quickly on strategic questions. An agility that is further reinforced by the increased digitalisation of internal processes performed during 2019, and which notably entailed an extensive upgrading of the company´s IT infrastructure.

Allocation of the 5G frequencies is anticipated for the first half of 2020. Orange Luxembourg already has 5 sites ready to be activated.

Dare the unheard-of for customers

Determined to ever more closely match the desires and needs of its customers, the company is the first not to impose a long-term commitment in its contracts. Something no one had ever seen before, just like the offers Be Unlimited, Move Unlimited, Love Essential Unlimited and Love Family Unlimited. No more limits on data, but rather the possibility to have a subscription that is tailored to your specific consumption habits. Orange Luxembourg is thus betting on the convergence and adaptation of its offers to the consumers' new needs.

5G ready to go on air

Orange Luxembourg is already prepared to fully activate the 5G technology. Laboratory tests were conducted this year, and this preliminary phase was crowned by successful first transmissions. The results were so encouraging that the company went ahead and installed five 5G sites on the territory. Ready to be activated, these antennas only await allocation of the frequencies, which is expected to take place in the first half of 2020, organised - a first in Luxembourg - via an auction system. Moreover, the company has submitted tenders on several projects together with industrial partners in response to calls for projects from the Luxembourg authorities, with the goal of offering specific services, notably to the B2B sector. The commercial roll-out of 5G will truly be the major challenge of 2020.

Focus on the employees

Being competitive is only possible with a top team. Orange Luxembourg devotes particular attention to the working conditions of its employees. In 2019 the company saw its Top Employer and GEEIS* certifications renewed in recognition of the efforts it has made in the areas of professional equality and well-being at work.

*GEEIS: "Gender Equality European & International Standard"

Orange Belgium's relationship with the investment community

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

Shares

There were no changes to the company's capital in 2019. It amounts to €131,720,619 and is represented by 60,014,414 shares with a par value of €2.195.

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

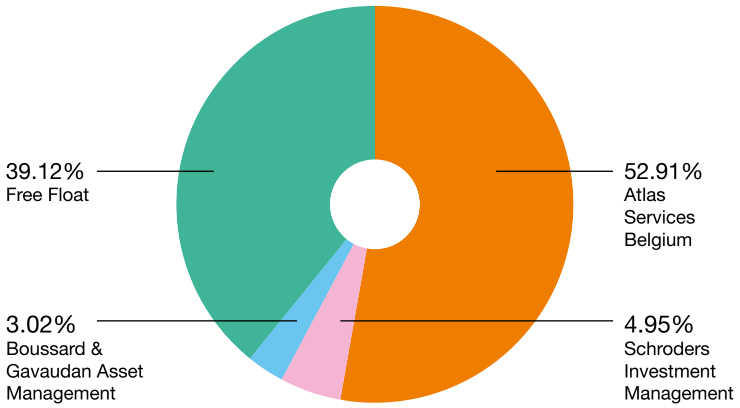
Shareholders

Major shareholder

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

Shareholder structure

The following table shows Orange Belgium's shareholder structure as at 31 December 2019. It is based on most recent notifications made to the company and to the Belgian Financial Services and Markets Authority ("FSMA") by the shareholders listed below.



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

- In November 2019, Schroders Investment Management gave notice it reduced its Orange Belgium stake from 5.17% to 4.95%.

Dividends

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

Considering the financial and commercial performance of 2019 and the mid-term outlook, the Board of Directors will propose to the Annual General Meeting of Shareholders on 6 May 2020 to distribute an ordinary gross dividend of €0.60 per share for the financial year 2019. If approved, the gross ordinary dividend of €0.60 will be paid on 14 May 2020 (ex-dividend date 12 May 2020; record date 13 May 2020).

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

Year	Ordinary in €
2015	0.00
2016	0.00
2017	0.50
2018	0.50
2019	0.60

Liquidity contract

Kepler Cheuvreux was appointed as Orange Belgium's liquidity provider on 23 July 2019 to ensure regular and liquid trading. The liquidity provider's mandate is on a strictly discretionary basis on behalf and for account of the company. Those transactions are executed on the central order book of Euronext Brussels' regulated market. The trading of own shares was authorised by the Annual General Meeting of 7 May 2014 and renewed for 5 years on 2 May 2019.

Relation with shareholders & investors

Share price performance

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

The company's shares traded in a €16.30-€21.15 range during the year. Average daily traded volume in 2019 was 49,078 shares compared to 65,702 shares in the previous year.

Year ended 31 December	Highest in €	Lowest in €	Period end in €	Average daily trading volume
2010	49.20	39.51	48.51	163,018
2011	53.33	37.73	39.75	177,890
2012	39.71	18.70	19.39	172,463
2013	21.47	10.25	13.80	166,955
2014	20.20	11.35	19.61	130,015
2015	22.54	15.50	22.33	130,090
2016	22.33	18.00	19.86	75,057
2017	22.10	17.03	17.50	55,848
2018	17.92	12.56	17.24	65,702
2019	21.15	16.30	20.70	49,078

Quarter ended	Highest in €	Lowest in €	Period end in €	Average daily trading volume
31-Mar-17	22.10	19.86	20.04	59,067
30-Jun-17	21.42	19.05	20.50	72,600
30-Sep-17	21.30	18.91	19.56	41,594
31-Dec-17	19.91	17.03	17.50	50,130
31-Mar-18	17.78	14.80	16.62	73,805
30-Jun-18	17.50	14.46	14.46	67,103
30-Sep-18	15.50	12.56	13.54	51,720
31-Dec-18	17.92	13.70	17.24	70,111
30-Sep-19	21.15	17.30	18.94	39,747
31-Dec-19	21.05	18.10	20.70	46,697

In the 1st quarter of 2019, Orange Belgium's share price closed at €19.20, increasing by 11.4% on a QTD basis. Several events had an impact on the share price during the quarter such as numerous media reports on a Voo sale, new Buy ratings on Orange Belgium as well as the failure of the federal and regional governments to agree on the allocation of proceeds from the 5G spectrum auction. As a result of the latter factor, the telecom law was not amended to allow a fourth mobile operator: this was a reassuring factor for investors.

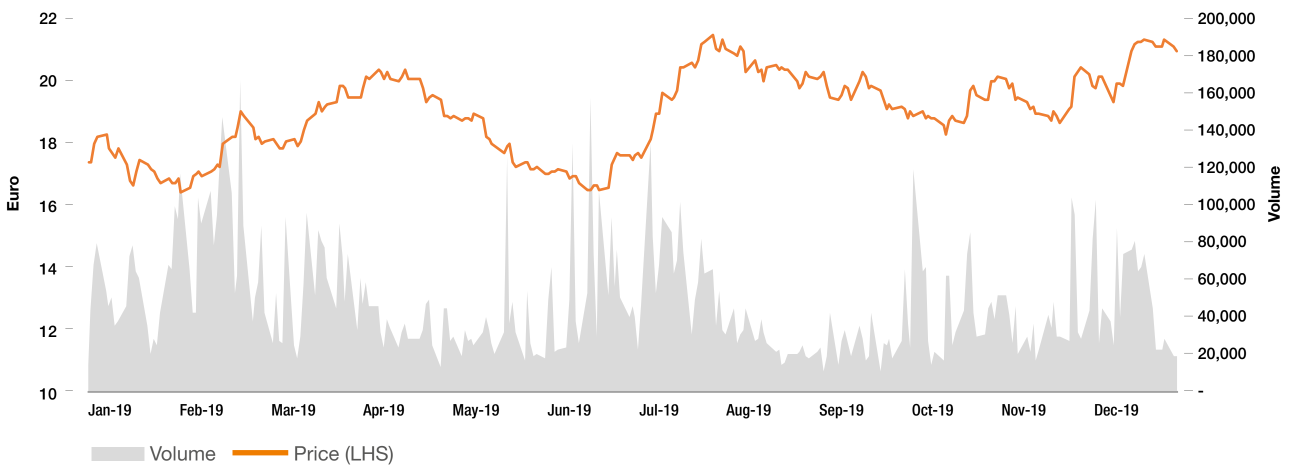
Orange Belgium's share price was under pressure during the 2nd quarter (-9.2% on a QTD basis). At the beginning of the quarter the following events had a positive impact on the share: Telenet announced price increases and Orange Belgium announced the acquisition of BKM. Nevertheless, the launch of Mobile Vikings' unlimited data plan on the 17 June 2019 had a negative impact on the share price performance. By the end of the quarter, the share price increased timidly due to two analysts upgrading the Orange Belgium share to Buy.

Orange Belgium share price rallied during the 3rd quarter (+8.6% on a QTD basis). Several factors supported the positive sentiment: Orange Belgium's launch of Love Duo, the completion of the BKM acquisition, the announcement of a RAN sharing agreement with Proximus and the publication by the BIPT of the cable wholesale tariff drafts with significantly lower prices. As a result, 3 brokers upgraded Orange Belgium to Buy. The agreement between Nethys and Providence regarding the sale of Voo to Providence Equity Partners took the market by surprise.

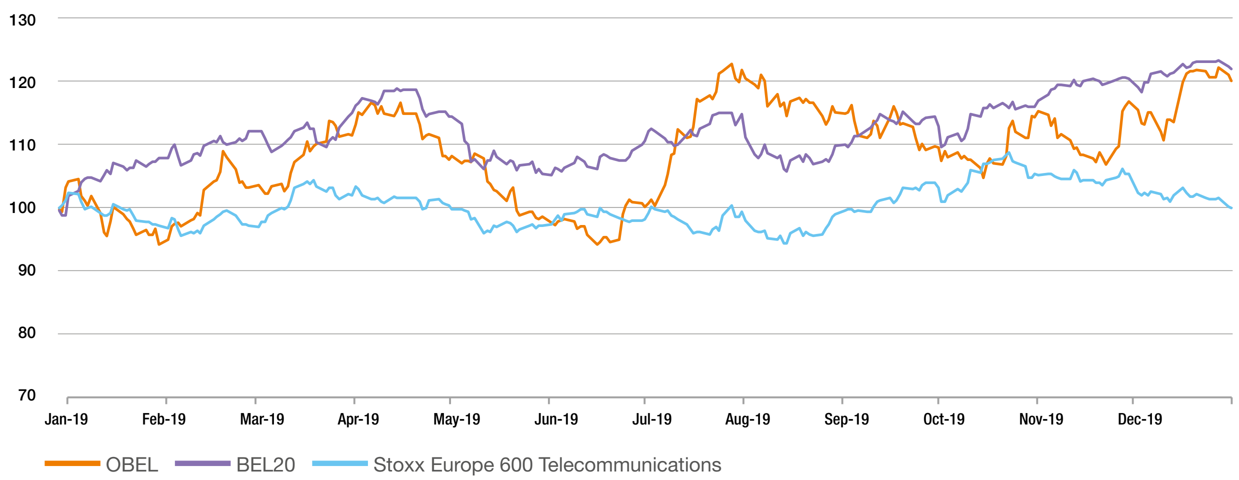
During the last quarter of 2019, Orange Belgium was up 9.3%. At the end of November, Orange Belgium finalised the RAN sharing agreement with Proximus. By mid-December, Orange Belgium was selected as 1 of 2 favourite shares for 2020 by De Tijd, a Belgian business newspaper. Before the year-end, the BIPT launched a consultation on various spectrum related matters, such as the means for the BIPT to prolong the 900 MHz, 1800 MHz and 2100 MHz licences beyond the current expiry date of March 2021, the proposal to increase the reserve price for the 3.6 GHz spectrum band, and the conditions for private 5G networks in the 3.8-4.2 GHz band.

By the end of the year, Orange Belgium had 14 Buy ratings, 7 Holds and 2 Sells.

Orange Belgium share price (in €) and trading volumes from 1 January 2019 to 31 December 2019



Orange Belgium share price compared (in €) to indices from 1 January 2019 to 31 December 2019



All indexes rebased on 100 as from 1 January 2019

Financial communications

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

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

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

Roadshows and meetings with institutional investors

The investor relation programme includes one-on-one meetings, roadshows and conferences. These events bring together institutional investors, sell-side analysts and Orange Belgium's management to discuss the results and outlook of Orange Belgium's business performance. In 2019, management met approximately 140 investors and spent 16 days on roadshows and industry conferences in 5 countries.

Analyst Coverage

Orange Belgium is actively covered by 23 brokerage firms. Each quarter, the company polls analysts for their estimates and recommendation to get a detailed overview of market expectations. This consensus is publicly available on Orange Belgium's website (https://corporate.orange.be/en/financial-information/résultats-financiers).

Firm	Analyst
ABN AMRO	Konrad Zomer
Arete Research	Hannah Kleiven
Bank Degroof Petercam	Stefaan Genoe
Barclays Capital	Simon Coles
Berenberg Bank	David Burns
BofA Merrill Lynch	David Wright
Citigroup	Nayab Amjad
Credit Suisse	Paul Sidney
Deutsche Bank	Roshan Ranjit
Goldman Sachs	Mike Bishop
HSBC Securities	Nicolas Cote-Colisson
ING	David Vagman
Jefferies	Ulrich Rathe
JP Morgan	Nawar Cristini
KBC Securities	Ruben Devos
Kempen	Emmanuel Carlier
Kepler CM	Matthijs Van Leijenhorst
New Street Research	Russell Waller
ODDO Securities	Alexandre Iatrides
Mainfirst AG	Stephane Beyazian
Royal Bank of Canada	Wilton Fry
SG Securities	Stéphane Schlatter
UBS	Polo Tang

The following table shows the expected announcement of results.

Financial calendar	
16 January	Start of quiet period
6 February	Financial results Q4 2019 (7:00 am CET) – Press release
6 February	Financial results Q4 2019 (2:00 pm CET) – Audio conference call
02 April	Start of quiet period
23 April	Financial results Q1 2020 (7:00 am CET) – Press release
23 April	Financial results Q1 2020 (10:00 am CET) – Audio conference call
06 May	Annual General Meeting of Shareholders
12 May	Ex-dividend date*
13 May	Record date dividend*
14 May	Payment date dividend*
03 July	Start of quiet period
24 July	Financial results Q2 2020 (7:00 am CET) – Press release
24 July	Financial results Q2 2020 (2:00 pm CET) – Audio conference call
02 October	Start of quiet period
23 October	Financial results Q3 2020 (7:00 am CET) – Press release
23 October	Financial results Q3 2020 (2:00 pm CET) – Audio conference call

(*) Subject to AGM approval

Management Report

Orange Belgium is one of the leading telecommunication operators on the Belgian market, with over 4 million customers, and in Luxembourg through its subsidiary Orange Luxembourg. As a convergent actor, we provide mobile telecommunication services, internet and TV to private clients, as well as innovative mobile and fixed line services to businesses. Our high-performance mobile network supports 2G, 3G, 4G and 4G+ technology and is the subject of ongoing investments.

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

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

The Management Report for the accounting year ended on 31 December 2019, consisting of pages 34 to 42, has been prepared in accordance with Articles 3:6 and 3:32 of the Belgian Code of Companies and Associations and was approved by the Board of Directors on 27 March 2020. 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 108 to 121 is an integral part of this Management Report.

1. Recent events

First quarter of 2019

Launch of the first fully secured and unlimited business plans to stay connected in Belgium and the EU

Since 4 March 2019, Shape Intense and Shape Traveller plans were upgraded offering unlimited mobile data and unlimited international voice calls for use in and to the EU.

Unlimited data in EU roaming

Orange Belgium improved the Eagle and Eagle Premium mobile plans by removing the 20GB data cap on EU roaming. Since the beginning of April 2019, these customers have unlimited data in the EU and in Belgium.

No Brexit for mobile customers

Orange Belgium confirmed that business and residential customers traveling to the UK will continue to "roam like home", regardless of the Brexit outcome.

Improvement of the Love experience

Orange Belgium and Eleven Sports signed a new distribution agreement for the 2019/20 and 2020/21 seasons for Eleven Sports 1, 2 and 3. Orange remains the only telecom operator in Belgium offering Eleven Sports on a standard tariff plan.

The Orange TV app is now compatible with Chromecast and allows customers to watch Live TV on another television set. Orange Belgium also improved its fast zapping experience, reducing the lag from 3 seconds to less than one when switching between channels. These extra features were added at no additional cost to customers.

Migration of Medialaan's mobile subscribers onto Orange Belgium's network

Medialaan operates a MVNO under the Mobile Vikings and JIM mobile brand.

Orange Belgium's network is number 1 for mobile voice, mobile web browsing and most reliable file transfer in Belgium according to LCC

In December 2018, LCC's European branch conducted an independent performance benchmark measurement, commissioned by Orange, in 22 metropolitan areas of Belgium. The experts at LCC International measured the 3 main voice service operators over 2G and 3G technologies and tested data services on smartphone devices in 2G, 3G, 4G and 4G+.

The results confirmed Orange Belgium as the operator with the best mobile voice experience (94.5% compared to 93.3% and 81.8%), Mobile Web Browsing (87.2% compared to 85.6% and 85%), and most reliable file transfer (up to 99.7% success rate compared to 98.7% and 97.9%) in Belgium.

Opening of a highly secured and eco-efficient data centre in Antwerp

On 18 March 2019, Philippe Muyters, Minister of Innovation in Flanders attended the opening of Orange Belgium's data centre in Antwerp.

Orange Belgium invested over €14 million to build this best-in-class facility. These premises use free cooling 98% of the year and are far more energy efficient than a standard data centre. The data centre is also highly secured and resilient thanks to systematic redundancy of all critical elements.

Revision of Broadband and TV distribution market analysis decisions – update

The Court of Appeal rejected the cable operators' request to suspend the decisions. Between December 2018 and 15 February 2019, the BIPT launched a consultation on the cost models for wholesale access to cable networks and Proximus' FTTH network.

In its response, Orange Belgium challenged a number of structuring assumptions used in the model - which leads to significantly overestimated costs to deliver services over a cable network. As a result, Orange Belgium asked that the key assumptions be reassessed to reflect the actual financial and technological situation and the most probable market evolutions, before using this as an input for the future decisions regarding regulated wholesale tariffs.

Electromagnetic fields standards in Brussels - update

The adoption of the Ordinance to increase the norm, necessary to deploy the 5G in Brussels, was postponed by the Brussels Government.

Second quarter of 2019

Continuous offering greater value to customers

During the second quarter, Orange Belgium introduced several features at no additional cost to customers. Firstly, the company became the only Belgian operator to include MMS allowance in retail postpaid tariff plans. Eagle customers also benefit from unlimited voice and data across the European Union. Lastly, Orange Belgium added more than 20 channels to its Orange TV app, available in both French and Dutch: Orange customers have access to over 40 TV channels on the Orange TV app.

Completion of the migration of Medialaan's customers towards Orange Belgium's network

In June, Orange Belgium welcomed 268k Medialaan customers who can now surf, call and text via the leading 4G network. This is the start of a 5-year wholesale partnership.

Acquisition of BKM N.V. to strengthen B2B activity

Orange Belgium announced an agreement to acquire Upsize N.V. and its subsidiaries BKM N.V. and CC@PS N.V. for an enterprise value of €52.4 million. This acquisition will serve to extend Orange Belgium's B2B offering and satisfy growing demand from B2B customers for a single connectivity and ICT provider. On 2 July 2019, the Belgian Competition Authority cleared the transaction without conditions.

Reinforcement of smart-mobility activities through an equity investment in the scale-up CommuniThings

Orange Belgium invested directly in one of its Orange-Fab scale-ups, CommuniThings, and embarked on a commercial partnership to market state-of-the-art smart parking solutions. Orange Belgium along with Finance.Brussels and Essex Innovation invested €3 million.

In line with Orange's support of IoT solutions over its IoT networks, this investment will be combined with a long-term partnership to commercialize CommuniThings' smart parking solutions across Belgium. In addition, the investment will serve CommuniThings' global expansion efforts as it spearheads the roll-out of its platform over IoT networks.

Invitation of tech scale-ups to enter third Orange Fab season to achieve growth ambitions

Orange Fab, Orange's exclusive international accelerator network, kicks off its third edition in Belgium and Luxembourg. This programme aims to foster excellence through mentorship between the start-ups and Orange Belgium and Luxembourg Business Units, boost business development, launch partnerships, and expand their international growth with the backing of Orange's worldwide footprint.

This year, the following two start-ups were selected to take part in the third Orange Fab BeLux season:

- Condugo, which has developed an innovative energy management platform for large industrial companies and;
- Ovinto, which optimises freight transport using a hardware and software solution based on big data and predictive analysis.

Launch of Fluvius' first fibre optic local exchange in Genk

Fluvius launched its first fibre optic local exchange in the Central North district of Genk. A local exchange brings together all the fibre optic cables from homes in the area and acts as a kind of "wall outlet" which all providers can connect to. The installation and configuration of this local exchange is in its final preparatory stages before making the services available to customers. 4,500 Genk homes are eligible for a connection.

Launch of Orange Luxembourg's unlimited data plan

Orange Luxembourg expanded its postpaid mobile range with two new tariff plans which offer unlimited data calls/texts. This is the first step to position itself as a Bold challenger in Luxembourg.

New spectrum allocation, renewal of existing spectrum attributions

The Royal Decrees regarding the allocation of the 700, 1400 and 3400-3800 MHz band and the renewal/reallocation conditions of the 900, 1800 and 2100 MHz bands were not finalised by the previous government. Given the lack of progress in the formation of a new government, it appears unlikely that an auction for any of the aforementioned spectrum will be organised within the next 12 months.

Electromagnetic fields standards in Brussels - update

The Brussels Government postponed the adoption of the Ordinance to increase electromagnetic fields standards, which is necessary to enable 5G deployment in Brussels.

Third quarter of 2019

Launch of Love Duo, the mobile and fixed broadband bundle for cord-cutters

Love Duo is Orange Belgium's 2P offer which allows consumers to combine a mobile postpaid plan with an unlimited fixed broadband connection.

Implementation of the single-installer regulation in July

Under the new regulation, Orange technicians can access customers' external and internal cable infrastructure. In practice, this means most installations will be completed in a single intervention. Customers will benefit from a reduced time-to-connection and improved customer experience.

Signature of term sheet between Proximus and Orange Belgium to develop the mobile access network of the future

On 11 July 2019, both operators signed a term sheet that provides the framework for a mobile access network sharing agreement. The objective is to meet customers' increasing demand for mobile network quality and deeper indoor coverage. The agreement will also allow a faster and more comprehensive 5G roll-out in Belgium. While sharing their mobile access networks, both companies will continue to have full control over their own spectrum assets.

Clearance of the Belgian Competition Authority for the acquisition of Upsize N.V.

On 2 July 2019, the Belgium Competition Authority announced it cleared without conditions Orange Belgium's acquisition of Upsize N.V.. The transaction was finalized at the end of July.

Revision of Broadband and TV distribution market analysis decisions

By its decision of 4 September 2019, the Court of Appeal rejected the cable operators' appeals against the market analysis decisions of June 2018. The cable operators may still appeal this decision before the Supreme Court.

The BIPT's market analysis decision of 2018 sets out a number of service and operational improvements, of which the single-installer approach and the possibility to offer fixed broadband without TV services. These improvements were implemented in July/August 2019.

On 5 July 2019, the BIPT and media regulators published their draft decision on wholesale tariffs for access to cable networks. Concurrently, the regulators launched a national consultation that ended on 6 September 2019. Orange Belgium expressed its view that an improved wholesale tariff is required to allow sustainable competition in the fixed broadband market. The company is pleased that the regulators have confirmed their intention to establish true and fair competition in the Broadband and TV markets. To establish the "fair tariffs", implied by the June 2018 market analysis decision, the regulators have applied the "Cost +" methodology which should lead to wholesale prices more in line with real infrastructure costs. Orange Belgium has sent its comments, focusing on avoiding unjustified wholesale price increases and ensuring that the cost base for some cable operators is not overestimated.

New spectrum allocation, renewal of existing spectrum attributions

The Royal Decrees regarding the allocation of the 700, 1400 and 3400-3800 MHz band and the renewal/reallocation conditions of the 900, 1800 and 2100 MHz bands were not finalised by the previous government. While regional governments were formed recently, an interim government remains in office until a federal government is formed. Consequently, the attribution of 5G spectrum and the renewal of the 900-1800 and 2100 MHz spectrum are not expected before H2 2020.

Fourth quarter of 2019

Increase of data consumption in Cheetah offer without any price increase

Orange Belgium continues to provide peace of mind to its customers through increasing data abundance. As of November 2019, the Cheetah offer increased from 8GB to 15GB for the same price of €30.

Announcement of unique partnership with Google for the launch of the Google Nest Hub and Mini

Orange Belgium was Google's exclusive telecom partner in Belgium for the launch of its new smart devices and offered them to new and existing clients at a reduced price. For Orange Belgium, it is important to invest where it matters to customers: in its network, its offers, but also in new-generation devices that make customers' lives easier. And thanks to an exclusive telco partnership, Orange customers can buy the brand new Google devices at an exceptionally low price of €9 for the Mini and €49 for the Nest Hub.

Prize winner of prestigious World Communication Awards for Best Customer Experience

For over two decades the World Communication Awards have recognised innovation and excellence in global telecoms and continue to be the most revered mark of achievement in the telecom industry. The Customer Experience award recognized Orange Belgium's successful engagement with Evolving Systems - for the continued management, enhancement and expansion of the "Orange Thank You" customer loyalty programme. With the "Orange Thank You" programme, the company can better understand its customer needs and preferences on an individual level, in line with its commitment to deliver an unmatched customer experience.

Signature between Orange Belgium and Proximus of the agreement to establish a mobile access network sharing collaboration

On 22 November 2019, Orange Belgium and Proximus signed the final agreement with the purpose of establishing a joint venture on mobile access network sharing covering 2G, 3G, 4G and 5G technologies. The agreement is still subject to a challenge lodged by Telenet with the Competition Authority, which communicated on its decision on 10 January 2020. The decision provides for an additional 2-month period (until 16 March 2020) during which the BIPT can assess the agreement further. Meanwhile, the parties are allowed to take further preparatory measures.

Launch of the first 5G testing hub for business in Belgium: the Orange Industry 4.0 Campus in the port of Antwerp

Orange Belgium is the first in Belgium to activate a 5G testing hub for business. By creating an open innovation hub, Orange Belgium will start using the full potential of 5G technology together with industrial partners on real-life applications. The Port of Antwerp, the chemical company Borealis, the high-tech polymer manufacturer Covestro and Deloitte Belgium are the first wave of industrial partners to join the Orange Industry 4.0 Campus.

Thanks to the 5G testing network deployed on the campus, the partners will benefit from a dedicated connectivity and guaranteed quality of services required for industrial use. Orange Belgium chose the region around the port of Antwerp because of its industry and wide variety of testing options.

Revision of Broadband and TV distribution market analysis decisions

On 5 July 2019, the BIPT and media regulators published their draft decision on wholesale tariffs for access to cable networks. The consultation closed on 6 September 2019. Orange Belgium sent its comments, focusing on avoiding unjustified wholesale price increases and ensuring that the cost base for some cable operators is not overestimated. A final price decision is now expected in Q2 2020, according to the BIPT's draft workplan for 2020.

New spectrum allocation, renewal of existing spectrum attributions

At the end of 2019, the BIPT launched a consultation regarding various spectrum related matters, such as the means for the BIPT to prolong the 900 MHz, 1800 MHz and 2100 MHz licenses beyond the current expiry date of March 2021, the proposal to increase the reserve price for the 3.6 GHz spectrum band, and the conditions for private 5G networks in the 3.8-4.2 GHz band.

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

The scope of consolidation includes the following companies: Orange Belgium S.A. (100%), the Luxembourgian company Orange Communications Luxembourg S.A. (100%), IRISnet S.C.R.L. (28.16%), Smart Services Network S.A. (100%), Walcom S.A. (100%), Walcom Liège S.A. (100%), Walcom Business Solutions S.A. (100%), A3COM S.A. (100%), A & S Partners S.A. (100%), Upsize N.V. (100%), BKM N.V. (100%), CCP@S B.V.B.A. (100%) and MWingz S.R.L. (50%)

Orange Belgium S.A. (the company's ultimate majority shareholder is Orange S.A.) is one of the main actors on the telecommunications market in Belgium and Luxembourg. Orange Belgium is listed on the Brussels Stock Exchange (OBEL).

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

IRISnet SCRL is a company constituted in July 2012 in collaboration with the Brussels authorities in order to take over the activities performed by the temporary association Irisnet, and is responsible for the operation of the Irisnet 2 optical fibre network and for the provision of fixed telephony, data transmission services (internet, e-mail) and other network-related services (video-conferencing, video surveillance, etc.).

The take-over of the activities took place on 1 November 2012. In this new legal structure, Orange Belgium S.A. has contributed in cash for 3,450,000 euros equivalent to 345,000 shares out of the 1,225,000 shares issued by the company. Due to the deal structure, IRISnet S.C.R.L. is accounted for in the accounts using the equity method.

Smart Services Network S.A. (SSN) is a Belgian company that distributes telecommunication and energy services including those of Orange Belgium and Luminus. SSN's route to market is based on the principle of multi-level marketing. SSN's network consists of more than 1,000 independent consultants. Smart Services Network S.A., a company organized and existing under the laws of Belgium, has been created as of 30 September 2014. Orange Belgium S.A. contributed in cash for 999,900 euros equivalent to 9,999 shares out of the 10,000 shares issued by the company. Atlas Services Belgium S.A. contributed in cash for 100 euros equivalent to 1 share. In 2016, Orange Belgium S.A. contributed in cash in the capital increase of Smart Services Network S.A. for 700,000 euros, equivalent to 7,000 shares.

Walcom S.A. is a residential distribution network located in Wallonia. Walcom S.A. 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.

Upsize N.V. is a holding company that was acquired on 31 July 2019 for an enterprise value of €52.4 million. The purchase concerned 100% of the 60,000 shares of Upsize N.V.. The company has consolidated the results for 100%, as of 1 August 2019.

BKM N.V. is a nationwide ICT integrator and a pioneer in cloud UCC solutions. Upsize N.V. owns 100% of the 2,329 shares of BKM N.V.. BKM N.V. has a solid track-record in the SME and CMA markets in Belgium. BKM N.V. has 220 specialist staff who work in four areas of expertise: Unified Communications & Collaboration (UCC) solutions; IT & security solutions; Document & Visual solutions; and Connectivity solutions.

CC@PS B.V.B.A. provides document and visual solutions to SME customers via a team of 13 professionals, mainly in West Flanders. BKM N.V. owns 100% of the 750 shares of CC@PS B.V.B.A..

MWingz S.R.L. is a joint venture between Orange Belgium and Proximus S.A., each owning 50% of the company, that will manage the unilateral and shared mobile radio access network of both shareholders. In 2019 both companies decided to build a shared mobile radio access network with the objective to meet customers' increasing demand for mobile network quality and deeper indoor coverage. The agreement will also allow a faster and more comprehensive 5G roll-out in Belgium. While sharing the common part of their mobile radio access networks, both companies will continue to have full control over their own core network and spectrum assets allowing to ensure differentiated services. No operational activities have been executed yet in this entity in 2019.

MWingz S.R.L., a company organized and created under the laws of Belgium, has been created as of 6 December 2019. Orange Belgium S.A. contributed in cash for 1 euro equivalent to 1 share out of the 2 shares issued by the Company. Proximus S.A contributed in cash for 1 euro equivalent to 1 share.

2.1 Consolidated statement of comprehensive income

in €m	reported FY 2018	comparable FY 2018	FY 2019	comparable change	reported change
Mobile customers (excl. MVNOs)	4,342		4,690		8.0%
Revenues	**1,279.8**	**1,298.1**	**1,340.8**	**3.3%**	**4.8%**
Retail service revenues	768.4	786.3	857.3	9.0%	11.6%
Equipment sales	125.0	125.0	144.1	15.3%	15.3%
Wholesale revenues	329.2	329.2	288.9	-12.2%	-12.2%
Other revenues	57.2	57.6	50.5	-12.4%	-11.8%
EBITDAaL		**285.6**	**300.1**	**5.1%**	
% of Revenues		22.0%	22.4%		
Net profit	**32.4**		**34.0**		**4.8%**
Earnings per share (€)	**0.54**		**0.57**		**5.6%**
eCapex		-179.7	-180.2	0.3%	
% of Revenues		13.8%	13.4%		
Operating cash flow		106.0	120.0	13.2%	
Organic cash flow	80.6		112.2		39.2%
Net financial debt	264.3	270.7	234.3	-13.5%	-11.4%
Net financial debt / Reported EBITDAaL		0.9	0.8		

Revenues

Group revenues reached €1,340.8 million in 2019, up 3.3% on a comparable basis mainly driven by higher retail service revenues (+9.0% yoy) and equipment sales revenues (+15.3% yoy) and despite lower MVNO revenues. Retail services revenues amounted to €857.3 million, increasing by 9.0% on a comparable basis, supported by convergent service revenues (+61.5% yoy). Equipment sales increased as a result of successful end-of-year offers.

Result of operating activities before depreciation and other expenses

EBITDAaL increased by 5.1% yoy to €300.1 million despite the effects of MVNO revenues, EU regulation, and brand fees. This strong performance was driven by higher retail service revenues, continuous improvements in the cable operations and cost efficiencies. This resulted in a margin improvement of 38bp. Orange Belgium started to benefit from its transformation plan, initiated in 2019 to improve its operational model.

For the third consecutive quarter, cable operations in Belgium generated positive EBITDAaL, reaching €6.8 million, on improved operational efficiency, churn reduction and increased ARPO. In July 2019 the single-installer was put in place, improving customer experience and a reduced time-to-connection for customers.

Total operational expenses for the full-year increased by 4.7% to €1,040.7 million. The following provides an overview of the different expenses:

Operating costs

in €m	reported FY 2018	comparable FY 2018	FY 2019	comparable change	reported change
Direct costs	-593.0	-602.4	-614.3	2.0%	3.6%
Labour costs	-139.5	-145.1	-148.2	2.1%	6.2%
Indirect costs including RouA and finance lease costs	-261.1	-264.9	-278.2	5.0%	6.5%
	-993.7	**1,012.4**	**1,040.7**	**2.8%**	**4.7%**

- **Direct costs** increased by 2.0% to €614.3 million on higher cable access and customer equipment costs.
- **Labour costs** increased by 2.1% to €148.2 million due to indexation and internalization of distribution channels.
- **Indirect costs** increased by 5.0% to €278.2 million mainly due to the payment of brand fees in Belgium. To highlight Orange Belgium's lower spend vs. last year in IT and network, advertising and promotion as well as in customer service.

Depreciation and other expenses

Depreciation and amortization increased from €235.7 million in 2018 to €243.4 million in 2019.

EBIT

EBIT increased from €43.2 million in 2018 to €46.9 million in 2019 due to higher EBITDAaL.

Financial result

Net financial expenses excluding the impact of finance lease costs decreased slightly from €4.9 million in 2018 to €4.1 million in 2019.

Taxes

Full-year tax expense increased from €5.9 million in 2018 to €6.7 million in 2019. The effective tax rate in 2019 was 16.4% compared to 15.3% in the previous year.

Net profit and earnings per share

The full-year net profit increased from €32.4 million in 2018 to €34.0 million in 2019 due to higher EBITDAaL. Earnings per share totalled €0.57 in 2019, compared to €0.54 for the previous year.

2.2 Consolidated statement of financial position

Assets

Goodwill increased from €67.0 million at the end of 2018 to €118.7 as at 31 December 2019. The variation is the result of the acquisition of BKM N.V..

Goodwill is tested for impairment each year. No impairment loss was recorded in 2019.

Intangible assets mainly relate to mobile licences and spectrum fees. The net carrying value at year-end was €258.6 million compared to €285.3 million at the previous year-end.

Property, plant and equipment mainly comprises network facilities and equipment. The net book value at year-end was €747.6 million compared with €772.3 million at 2018 year-end.

Rights-of-use of leased assets, related to the first-time application of IFRS 16 as of 1 January 2019, amount to €297.3 million.

Inventories increased by €4.3million to €32.0 million, mainly due to higher average value of devices and more shops.

Trade receivables increased from €194.3 million at the end of 2018 to €224.8 million as at 31 December 2019. This improvement results mainly from an increase in retail service revenues (+12%); the integration of the Trade Receivables of BKM (€9.0 million) and CC@PS (€1.1million) and more open MVNO invoices at year end.

Other current assets and prepaid expenses increased by €5.1 million to €19.2 million in 2019, driven mainly by other operational receivables with IRISnet.

Other assets related to contracts with customers totalled €64.8 million, up by €3 million compared to 2018. This variation is due to an increase in the number of subsidised contracts outstanding at year-end partially offset by lower contract acquisition costs.

Cash and cash equivalents decreased by €6.4 million to €20.2 million at the end of 2019. More details on cash flows can be found in the cash flow statement.

Total equity and liabilities

Total equity increased by €5.0 million to €592.1 million. The change in retained earnings (€5.2 million) results from the improvement in net profit for the period (€1.5 million) and the payment of the 2018 dividend (€30.0 million). Revenues of equity transactions and other equity transactions had a favourable impact of €1.0 million in 2019.

Non-current liabilities increased from €346.0 million at the end of 2018 to €575.9 million at the end of 2019, mainly due to the first-time application of IFRS 16 as of 1 January 2019 and the recording of non-current lease liabilities for €244.6 million.

Current liabilities increased to €629.6 million at the end of 2019 from €530.0 million at the end of 2018. This increase is a result of the first-time application of IFRS 16 as of 1 January 2019 (effect of current lease liabilities of €51.7 million) and also an increase in Trade Payables, with the integration of BKM. Gearing remained conservative with a net debt / reported EBITDAaL ratio of 0.8x at year-end.

Dividends

The Board is recommending a dividend per share of €0.60. The ex-dividend date is 12 May 2020 for ordinary shareholders, the record date is 13 May 2020 and the dividend is payable on 14 May 2020. Dividend payments will be paid directly into a nominated bank account.

2.3 Liquidity and capital resources

Cash flows

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

Operating cash flow is defined as EBITDAaL less eCapex. Operating cash flow increased by €13.3 million due to higher EBITDAaL.

Organic cash flow measures the net cash provided by operating activities, less eCapex and repayment of lease liabilities. Organic cash flow increased from €80.6 million to €112.4 million. The improvement is due to higher net cash.

Net debt

Net debt at year-end was €234.3 million, compared to €264.3 million at the end of 2018. It includes an Orange S.A. revolving credit facility and credit lines from banks.

As at 31 December 2019, gearing remained conservative with a net debt/ reported EBITDAaL ratio of 0.8x.

in €m	FY 2018	FY 2019
EBITDAaL		300.1
eCapex		-180.2
Operating cash flow		120.0
Adjusted EBITDA	286.1	
Capex	-179.4	
Operating cash flow	**106.7**	

in €m	FY 2018	FY 2019
Net cash provided by operating activities	**261.4**	**339.7**
eCapex	-179.4	-180.2
Increase (decrease) in fixed assets payables	-1.4	-0.4
Repayment of lease liabilities	0.0	-46.7
Organic cash flow	**80.6**	**112.4**

in €m, period ended	FY 2018	FY 2019
Cash & cash equivalents		
Cash	-6.7	-1.9
Cash equivalents	**-19.9**	**-18.3**
	-26.6	-20.2
Financial liabilities		
Intra-group long term loan	269.9	245.0
Intra-group short term loan	18.4	8.8
Third-party short term loan	2.6	0.6
	290.9	**254.4**
Net debt	**264.3**	**234.3**
Net debt/Reported EBITDAaL	N/M	0.8
Net debt/Reported EBITDA	0.9	N/M

3. Orange Belgium S.A.'s statutory accounts 2019

The statutory income statement and balance sheet are presented on pages 103 to 107. As for the exhaustive annual accounts of Orange Belgium S.A., please refer to the Central Balance Sheet Office website (http://www.nbb.be/en). Key changes in statutory income statement and balance sheet are essentially identical to those discussed in section 2 of this Management Report.

4. Events after the reporting period

- On 9 March 2020, Orange Belgium announced a new mobile data increase in its mobile offers to further support the evolution of consumer usages. The result is a completely revamped mobile portfolio, named GO. This simplified GO portfolio consists of no more than 4 mobile subscriptions at a competitive price point and offering even more abundant mobile data. Orange GO is extra interesting for families, with unseen family discounts, without having to share a collective data bundle.
- The Coronavirus (COVID-19) pandemic is affecting human health, as well as the company's business and financial situation.

  As of today, Orange Belgium has identified the following major points of attention:

  - Human health and safety: Orange Belgium is closely monitoring developments in terms of this pandemic and puts the health and safety of its staff at the forefront. Orange Belgium is taking all the necessary measures to protect its staff in addition to the health instructions given by national authorities, while ensuring the conditions required for business continuity. Orange Belgium has introduced preventive measures such as teleworking for its employees whenever the activity can be carried out remotely and the necessary equipment is available. In other cases, Orange Belgium has also promoted barrier gestures as soon as possible in its instructions to staff and has made suitable hygiene equipment available.
  - Business continuity: Orange Belgium must, as a provider of essential business services, ensure the continuity of its electronic communications services and in particular of its critical activities. In accordance with government directives, Orange Belgium has set up a business continuity plan, which mainly covers network and information systems supervision and operation teams, security teams, technical support, staff in data centres and intervention teams.

  In addition, the significant increase in traffic on Orange Belgium's networks poses a risk of congestion that could lead to a deterioration or even interruption of services. To avoid such degradation or even interruptions, Orange Belgium has increased the capacity of its networks. (This paragraph has to be more indented... in line with the previous one)

  The long-term effects of the containment measures taken by the public authorities and relayed by Orange Belgium are uncertain, and in particular the psychological impact on its employees of the isolation that it is likely to cause.

  The consequences of the pandemic on Orange Belgium's activities and financial situation are, at this stage, difficult to quantify; however, as of 27 March, 2020, the following consequences can be noted:

  - probable effects on revenues, mainly resulting from :
    - the closure of Orange stores;
    - a slowdown in business with certain business customers, while on the other hand other customers might be requesting extra capacity or new services ;
    - the decline in international roaming;
  - a risk of a slowdown in investments and related projects, particularly with regard to networks;
  - an increased risk of payment default by certain customers;

    Depending on how the situation evolves, other impacts not yet known could arise.

  Based on the information available as of 27 March, 2020, Orange Belgium has not modified its objectives for the financial year 2020 but remains attentive to the evolution of the situation.
- Proximus and Orange Belgium are fully resuming preparations with regard to the mobile access network sharing agreement. Beginning of January, the Belgian Competition Authority, in the procedure initiated by Telenet requesting interim measures, gave the telecom regulator until 16 March 2020 to further examine the sharing agreement. The Belgian Competition Authority confirmed on 17 March 2020 that these interim measures came to an end.

5. Outlook

For 2020, Orange Belgium expects low-single digit growth in revenues versus 2019 taking into account further uptake on its postpaid and convergent customer base.

For 2020, the Company expects EBITDAaL between €310 million and €330 million. This range takes into account the final decision on cable regulation in the second quarter of 2020 with an implementation in the third quarter. For the first time brand fees will be paid for a full year. MVNO revenues will also have a full year (positive) impact.

In addition, total eCapex is expected to remain stable in comparison to last year, excluding RAN sharing implementation that would only have a limited impact.

6. Legal disputes

The following section summarizes Orange Belgium's legal disputes.

Masts

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

On 22 December 2016 the three mobile operators and the Walloon government have concluded an agreement in principle on the issue of taxing mobile infrastructure in the Walloon region for the period 2016-2019 and agreed to settle the dispute on the Walloon regional taxes for 2014.

Orange Belgium 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 2018 and 2019 several Walloon municipalities and provinces have levied taxes on telecom infrastructure.

The operators are entitled to deduct such local taxes levied in 2016-2019 by Walloon municipalities or provinces from the 2019 settlement and investment amounts.

Regulation of broadband and cable

Mid-2011 the telecom and media regulators decided to impose access obligations on the cable operators, i.e. the resale of analogue TV, the access to digital TV platform and the resale of broadband in combination with TV. The cable operators attacked these decisions before the Court of appeal of Brussels (now: the Marketcourt) which dismissed these appeals. In December 2015 Telenet and Coditel/AIESH launched a cassation appeal against these judgments. Coditel/AIESH's appeal was rejected in April 2017. On 26 April 2018 the Supreme Court rejected Telenet's appeal and confirmed definitively the 2011 decision.

On 29 June 2018 the telecom and media regulators (CRC) adopted new decisions on the broadband and broadcast markets which maintain the access obligations on the historical operators of fixed networks, among which the cable operators, Telenet, Nethys and Brutélé. The decisions imply additional obligations compared to the ones imposed in the 2011 decision and foresee a reduction of the applicable wholesale charges. Telenet attacked the observations of the EC on the draft decision before the General Court of the European Union. The cable operators also attacked the market analysis decisions before the Marketcourt of Brussels. Orange Belgium intervenes in the national proceedings to support the CRC decisions. On 3 October 2018 the Marketcourt delivered an intermediary judgment deciding to put the national proceedings on hold until the judgment of the European Court while reserving its decision on maintaining or suspending the decisions in the intermediate period. A few weeks later Telenet withdrew the appeal at EU level. On 30 January 2019 the Marketcourt rejected the claim of Telenet, Nethys and Brutélé to suspend the decisions during the intermediate period. The appeal on the merits was also rejected by the Marketcourt on 4 September 2019.

It cannot be excluded yet that one of the cable operators will introduce an appeal against the judgment of the Marketcourt at the Supreme Court.

Access to Coditel Brabant (Telenet)'s cable network

After Orange Belgium paid the provision for the cable wholesale access set-up fees, Coditel Brabant (Telenet) failed to provide such access within the regulatory 6-month period. This, in combination with the lack of progress on the development of an effective wholesale service, prompted Orange Belgium to initiate legal action against Coditel/Telenet for breach of its regulatory obligations end of December 2016. Taking the implementation of a technical solution was still ongoing beginning 2018, the proceedings were put on hold. The case is reactivated and Telenet is to submit briefs by early March 2020.

Access to Telenet's cable network – own channel

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

Orange Belgium appealed this judgment. On 11 April 2019 the Court of appeal found Telenet in breach of its regulatory obligations as well as guilty of abusing its dominant position. The Court ordered Telenet to provide reasonable conditions within one month subject to penalty payment of € 2,500/day afterwards. Telenet appealed the decision of the Court of Appeal at the Supreme Court. Orange Belgium issued a claim of € 250,000 against Telenet for non-compliance with the decision of the Court of Appeal. This claim is attacked by Telenet with the judge of seizures. The pleadings take place on 9 April 2020.

Access to Telenet's cable network – own internet profile

Under the regulation of the access to the cable networks alternative operators have the right to commercialize internet profiles that are not commercialized by the regulated cable operator ("own internet profiles"), i.e. an internet profile with different upload/download speeds and/or volumes than the internet speeds and/or volumes offered by the cable operator to its own retail clients. Despite several requests made by Orange Belgium to Telenet since 2015, Telenet refused to grant such own profile until May 2018. In view of the damages incurred by Orange Belgium linked to the refusals, Orange Belgium filed a formal complaint against Telenet with the regulator in February 2018. On 22 October 2018 the regulator published its decision finding Telenet in breach with its regulatory obligation for not providing a own profile to Orange Belgium. Orange Belgium sent a formal notice to Telenet in January 2019 requesting a compensation for the damages incurred. Facing the refusal of Telenet to pay damages, Orange Belgium introduced a damage claim before the Enterprise Court. Briefs exchanges took place in 2019 and pleadings take place on 17 January 2020. The Enterprise Court decided that Telenet infringed its regulatory obligations and decided a damage of €400,000 was due. Parties may still appeal this outcome.

Lycamobile

On 19 February 2016, Lycamobile Belgium Limited and Lycamobile BVBA initiated legal proceedings against Orange Belgium (at that time Mobistar) before the Brussels Commercial Court claiming damages for the alleged belated commercial launch of Lycamobile's 4G services. The case has been handled before the court at the hearing of 10 March 2017. By judgement of 12 May 2017, the Commercial Court of Brussels has dismissed Lycamobile's claim and ordered it to pay to Orange Belgium an indemnity for procedural costs in the amount of 18,000 euros. The judgement has been served upon Lycamobile on 3 July 2017. Consequently, Lycamobile paid the amount of 18,000 euros to Orange Belgium. On 11 August 2017, Lycamobile filed an appeal against this judgement before the Brussels Court of Appeal. The introductory hearing took place on 21 September 2017. At that hearing, a calendar for the filing of trial briefs has been set. Parties have exchanged trial briefs. No pleading date is set yet.

Euphony Benelux S.A. in bankruptcy

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

By judgement of 17 April 2018, the claim of the bankruptcy receivers as to the eviction fee has been dismissed and as to the claim relating to the overdue commissions, an expert has been appointed. Orange Belgium has lodged an appeal against this judgement before the Brussels Court of Appeals. The introductory hearing has taken place and the Court of Appeals has set a calendar for the filing of trial briefs. Parties have exchanged trial briefs. No pleading date has been set.

Fixed Termination Rates (FTR) – 3Starsnet

On 20 November 2018, the BIPT adopted a new FTR decision. 3Starsnet attempted to get the decision annulled via the Market Court but this was rejected. 3Starsnet has turned to the Supreme Court to get the decisions of the Market Court annulled. Orange Belgium intervenes in the procedures to defend the BIPT position.

Joint Venture Orange Belgium and Proximus

Orange Belgium and Proximus signed on 22 November 2019 an agreement with the purpose of establishing a joint venture on mobile access network sharing. Telenet lodged a procedure to request interim measures to stop the further negotiation and implementation of the agreement, based on infringement of the competition law and rules regarding spectrum auctions. The Competition Authority decided on 8 January 2020 to suspend the execution of the agreement until 16 March 2020. In the meanwhile the parties can take further preparatory measures but they cannot transfer the personnel to the joint venture or conclude binding agreements. It does not prevent sending out RFPs (Request for Proposal) for the acquisition of network equipment and the selection of staff members to be transferred if it does not lead to the conclusion of binding agreements. Orange and Proximus had to inform the Competition College and the Investigation and Prosecution Service (Auditorat) by 9 March 2020 at the latest of their discussions with the BIPT and the BIPT's position. The Belgian Competition Authority confirmed on 17 March 2020 that the suspension on the execution of the agreement came to an end.

In parallel, a procedure on the merits is also started.

7. Other disclosures required in accordance with art. 3:6 and 3:32 of the Belgian Code of Companies and Associations

Art 3:6 §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 3:6 §1.7 – Treasury shares: reference should be made to note 9 of the IFRS financial statements.

Art 3:6 §1.7 – Use of financial instruments: reference should be made to note 8 of the IFRS financial statements.

Art 3:6 §4/ Art 3:32 §2 – Non-financial information disclosure: In accordance with Art 3:6 §4 and Art 3:32 §2, Orange Belgium S.A. is exempted from the obligation to prepare and disclose the non-financial information since it is also a subsidiary of Orange S.A. who prepares a consolidated board of directors' annual report in accordance with the applicable EU directive.

Consolidated financial statements 2019

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.		31.12.2019	31.12.2018 (*)
2	**Retail service revenues**	**857 260**	**768 383**
2	Convergent service revenues	171 626	106 297
2	Mobile only services revenues	613 601	616 242
2	Fixed only service revenues	50 545	41 341
2	IT & Integration Service	21 488	4 503
2	Equipment sales	144 138	124 997
2	Wholesale revenues	288 942	329 179
2	Other revenues	50 487	57 244
2	**Revenues**	**1 340 827**	**1 279 803**
3	Purchase of material	- 201 378	- 187 438
3	Other direct costs	- 408 473	- 399 229
3	Impairment loss on trade and other receivables, including contract assets	- 4 443	- 6 348
3	**Direct costs**	**- 614 294**	**- 593 015**
3	**Labor costs**	**- 148 185**	**- 139 515**
3	Commercial expenses	- 43 835	- 45 537
3	Other IT & Network expenses	- 88 785	- 90 757
3	Property expenses	- 12 748	- 56 908
3	General expenses	- 57 931	- 66 115
3	Other indirect income	23 791	19 617
3	Other indirect costs	- 47 243	- 21 440
3/14	Depreciation of right-of-use of leased assets	- 49 267	
3	**Indirect costs**	**- 276 018**	**- 261 140**
3	Other restructuring costs (**)	- 10 722	- 7 577
5	Depreciation and amortization of other intangible assets and property, plant and equipment	- 243 354	- 235 737
5	Impairment of fixed assets	- 2 264	
7	Share of profits (losses) of associates	948	337
	Operating Profit (EBIT)	**46 938**	**43 156**
8	**Financial result**	**- 6 277**	**- 4 855**
8	Financial costs	- 6 278	- 4 855
8	Financial income	1	
	Profit (loss) before taxation (PBT)	**40 661**	**38 301**
6	Tax expense	- 6 684	- 5 870
	Net profit (loss) for the period (***)	**33 977**	**32 431**
	Profit (loss) attributable to equity holders of the parent	33 977	32 431
	Consolidated Statement of Comprehensive Income		
	Net profit (loss) for the period	33 977	32 431
	Other comprehensive income (cash flow hedging net of tax)	946	- 449
	Total comprehensive income for the period	34 923	31 982
	Part of the total comprehensive income attributable to equity holders of the parent	**34 923**	**31 982**
	Basic earnings per share (in EUR)	**0.57**	**0.54**
	Weighted average number of ordinary shares (excl. treasury shares)	59 972 759	59 848 037
	Diluted earnings per share (in EUR)	**0.57**	**0.54**
	Diluted weighted average number of ordinary shares (excl. treasury shares)	59 972 759	59 848 037

* The Group has initially applied IFRS 16 on 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in retained earnings at the date of initial application.
** Restructuring costs consist of contract termination costs, redundancy charges and acquisition costs.
*** 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.		31.12.2019	31.12.2018 (*)
	ASSETS		
4	Goodwill	118 674	67 041
5	Other intangible assets	258 630	285 262
5	Property, plant and equipment	747 577	772 306
14	Rights of use of leased assets	297 290	
7	Interests in associates and joint ventures	5 306	4 359
8	Non-current financial assets	3 123	2 538
2	Other non-current assets	649	1 410
6	Deferred tax assets	2 599	3 330
	Total non-current assets	**1 433 848**	**1 136 246**
3	Inventories	31 957	27 710
2	Trade receivables	224 801	194 281
13	Other Assets related to contracts with customers	64 754	61 827
	Current financial assets	362	362
8	Current derivatives assets	501	202
2	Other current assets	5 199	2 652
6	Operating taxes and levies receivables	532	1 866
6	Current tax assets	1 507	70
3	Prepaid expenses	13 989	11 359
8	Cash and cash equivalents	20 175	26 591
	Total current assets	**363 777**	**326 920**
	Total Assets	**1 797 625**	**1 463 166**
	EQUITY AND LIABILITIES		
9	Share capital	131 721	131 721
	Legal reserve	13 172	13 172
	Retained earnings (excl. legal reserve)	447 399	442 246
9	Treasury shares	- 197	
	Equity attributable to the owners of the parent	**592 095**	**587 139**
	Total equity	**592 095**	**587 139**
8	Non-current financial liabilities	245 047	269 895
14	Non-current lease liabilities	244 562	
8	Non-current derivatives liabilities	775	2 777
	Non-current employee benefits	27	137
5/11	Non-current provisions for dismantling	75 333	63 228
11	Other non-current liabilities	2 610	1 866
6	Deferred tax liabilities	7 535	8 131
	Total non-current liabilities	**575 889**	**346 034**
5	Current fixed assets payable	52 904	53 295
3/8	Trade payables	313 995	266 575
3	Current financial liabilities	9 448	20 826
14	Current lease liabilities	51 667	
8	Current derivatives liabilities	1 498	202
3	Current employee benefits	35 777	30 839
5	Current provisions for dismantling	2 148	1 232
3	Current restructuring provisions	1 885	3 045
3	Other current liabilities	10 368	3 498
6	Operating taxes and levies payables	78 692	85 608
6	Current tax payables	3 502	3 133
13	Liabilities related to contracts with customers	65 745	59 415
	Deferred income	2 012	2 325
	Total current liabilities	**629 641**	**529 993**
	Total Equity and Liabilities	**1 797 625**	**1 463 166**

* The Group has initially applied IFRS 16 on 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in retained earnings at the date of initial application.

1.3 Consolidated cash flow statement

in thousand EUR

Ref.		31.12.2019	31.12.2018 (*)
	Operating Activities		
	Consolidated net profit	**33 977**	**32 431**
	Adjustments to reconcile net profit (loss) to cash generated from operations		
3/6	Operating taxes and levies	14 708	16 401
5	Depreciation, amortization and impairment of other intangible assets and property, plant and equipment	243 354	235 737
3/14	Depreciation of right-of-use assets	49 219	
5	Impairment of non-current assets	2 264	
	Gains (losses) on disposal	- 1 635	
	Changes in other provisions	- 1 836	- 986
7	Share of profits (losses) of associates and joint ventures	- 948	- 337
6	Income tax expense	6 684	5 870
8	Finance costs, net	6 277	4 855
	Operational net foreign exchange and derivatives	68	121
	Share-based compensation	400	732
2	Impairment loss on trade and other receivables, including contract assets	4 443	6 348
	Changes in working capital requirements		
3	Decrease (increase) in inventories, gross	- 47	- 3 044
2	Decrease (increase) in trade receivables, gross	- 27 455	- 17 145
3	Increase (decrease) in trade payables	42 384	42 262
	Change in other assets related to contracts with customers	- 2 968	7 984
13	Change in liabilities related to contracts with customers	3 888	- 1 838
13	Changes in other assets and liabilities	2 096	- 9 764
	Other net cash out		
	Operating taxes and levies paid	- 20 389	- 25 506
	Interest paid and interest rates effects on derivatives, net	- 5 840	- 3 738
6	Income tax paid	- 9 144	- 28 988
	Net cash provided by operating activities	**339 500**	**261 395**
	Investing Activities		
	Purchases of property, plant and equipment and intangible assets		
5	Purchases of property, plant and equipment and intangible assets	- 180 167	- 179 403
	Increase (decrease) in fixed assets payables	- 395	- 1 371
	Organic cash flow (**)	**112 199**	**80 621**
4	Cash paid for investments securities and acquired businesses, net of cash acquired	- 35 076	- 4 220
	Decrease (increase) in securities and other financial assets	147	110
	Net cash used in investing activities	**- 215 491**	**- 184 884**
	Financing Activities		
8	Long-term debt redemptions and repayments	- 31 679	- 50 054
	Repayment of lease liabilities	- 46 739	
	Increase (decrease) of bank overdrafts and short-term borrowings	- 21 803	14 653
	Purchase of treasury shares	- 197	2 476
9	Dividends paid to owners of the parent company	- 30 007	- 30 007
	Net cash used in financing activities	**- 130 425**	**- 62 932**
	Net change in cash and cash equivalents	**- 6 416**	**13 579**
8	**Cash and cash equivalents - opening balance**	**26 591**	**13 012**
	o/w cash	19 891	8 726
	o/w cash equivalents	6 700	4 286
	Cash change in cash and cash equivalents	- 6 416	13 579
8	**Cash and cash equivalents - closing balance**	**20 175**	**26 591**
	o/w cash	18 290	19 891
	o/w cash equivalents	1 885	6 700

* The Group has initially applied IFRS 16 on 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in retained earnings at the date of initial application.
** Net cash flow from operations less acquisitions of tangible and intangible assets plus proceeds from disposals of tangible and intangible assets minus repayment of lease liabilities.

1.4 Consolidated statement of changes in equity

in thousand EUR

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

in thousand EUR

Ref.		Share capital	Legal reserve	Retained earnings	Treasury shares	Total equity
	Balance at 31 December 2018 (*), as previously reported	**131 721**	**13 172**	**442 246**		**587 139**
1	Adjustment on initial application of IFRS 16 (net of tax)			- 162		- 162
	Adjusted balance at 1 January 2019	**131 721**	**13 172**	**442 084**		**586 977**
	Net profit for the period			33 977		33 977
	Other comprehensive income			946		946
	Total comprehensive income for the period			**34 923**		**34 923**
9	Treasury shares				- 197	- 197
	Employee - Share-based compensation			400		400
9	Declared dividends			- 30 007		- 30 007
	Balance as at 31 December 2019	**131 721**	**13 172**	**447 399**	**- 197**	**592 095**

* The Group has initially applied IFRS 16 on 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in retained earnings at the date of initial application.
** The Group has initially applied IFRS 15 and 9 at 1 January 2018. The Group applied IFRS 15 retrospectively on 1 January 2016 under which comparative information is restated.

1.5 Segment information

Consolidated statement of comprehensive income for the year ended 31 December 2019

in thousand EUR

31.12.2019	Orange Belgium	Orange Luxembourg	Interco elimination	Orange Belgium Group
Retail service revenues	**814 298**	**42 962**		**857 260**
Convergent service revenues	171 626			171 626
Mobile only service revenues	579 622	33 979		613 601
Fixed only service revenues	41 562	8 983		50 545
IT & Integration service revenues	21 488			21 488
Equipment sales	129 808	14 330		144 138
Wholesale revenues	279 911	12 309	- 3 278	288 942
Other revenues	64 228	218	- 13 959	50 487
Total revenues	**1 288 245**	**69 819**	**- 17 237**	**1 340 827**
Direct costs	**- 594 898**	**- 36 640**	**17 244**	**- 614 294**
Labor costs	**- 139 201**	**- 8 984**		**- 148 185**
Indirect costs, of which	**- 260 102**	**- 15 909**	**- 7**	**- 276 018**
Operational taxes and fees	- 12 401	- 2 307		- 14 708
Depreciation of right-of-use of leased assets	- 45 014	- 4 205		- 49 219
Other restructuring costs	- 10 632	- 90		- 10 722
Depreciation, amortization of other intangible assets and property, plant and equipment	- 235 602	- 7 752		- 243 354
Impairment of fixed assets	- 2 264			- 2 264
Share of profits (losses) of associates	948			948
Operating Profit (EBIT)	**46 494**	**444**		**46 938**
Net financial income (expense)	- 6 335	58		- 6 277
Profit before taxation (PBT)	**40 159**	**502**		**40 661**
Tax expense	- 5 888	- 796		- 6 684
Net profit of the period (*)	**34 271**	**- 294**		**33 977**

Reconciliation from operating profit to EBITDAaL for the year ended 31 December 2019

in thousand EUR

	Orange Belgium	Orange Luxembourg	Interco elimination	Orange Belgium Group
Operating profit	**46 494**	**444**		**46 938**
Add back/(deduct)				
Share of profits (losses) of associates	- 948			- 948
Impairment of fixed assets	2 264			2 264
Depreciation, amortization of other intangible assets and property, plant and equipment	235 602	7 752		243 354
Other restructuring costs	10 632	90		10 722
Finance lease costs	- 2 045	- 159		- 2 204
EBITDAaL	**291 999**	**8 127**		**300 126**

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

in thousand EUR

31.12.2018	Orange Belgium	Orange Luxembourg	Interco elimination	Orange Belgium Group
Retail service revenues	**727 641**	**40 742**		**768 383**
Convergent service revenues	106 297			106 297
Mobile only service revenues	583 288	32 954		616 242
Fixed only service revenues	33 553	7 788		41 341
IT & Integration service revenues	4 503			4 503
Equipment sales	110 407	14 590		124 997
Wholesale revenues	322 576	10 695	- 4 092	329 179
Other revenues	65 736	896	- 9 388	57 244
Total revenues	**1 226 360**	**66 923**	**- 13 480**	**1 279 803**
Direct costs	**- 570 156**	**- 36 339**	**13 480**	**- 593 015**
Labor costs	**- 129 757**	**- 9 758**		**- 139 515**
Indirect costs, of which	**- 246 530**	**- 14 610**		**- 261 140**
Operational taxes and fees	- 14 081	- 2 320		- 16 401
Other restructuring costs	- 7 493	- 84		- 7 577
Depreciation, amortization of other intangible assets and property, plant and equipment	- 228 429	- 7 308		- 235 737
Share of profits (losses) of associates	337			337
Operating Profit (EBIT)	**44 332**	**- 1 176**		**43 156**
Net financial income (expense)	- 4 931	76		- 4 855
Profit before taxation (PBT)	**39 401**	**- 1 100**		**38 301**
Tax expense	- 5 846	- 24		- 5 870
Net profit for the period	**33 555**	**- 1 124**		**32 431**

Consolidated statement of financial position for the year ended 31 December 2019

in thousand EUR

31.12.2019	Orange Belgium	Orange Luxembourg	Interco elimination	Orange Belgium Group
Goodwill	67 810	50 864		118 674
Other intangible assets	251 889	6 741		258 630
Property, plant and equipment	728 964	18 613		747 577
Rights of use of leased assets	267 941	29 349		297 290
Interests in associates and joint ventures	5 306			5 306
Non-current assets included in the calculation of the net financial debt	3 123			3 123
Other	479	2 769		3 248
Total non-current assets	**1 325 512**	**108 336**		**1 433 848**
Inventories	30 639	1 318		31 957
Trade receivables	204 879	25 035	- 5 113	224 801
Prepaid expenses	5 321	8 668		13 989
Current assets included in the calculation of the net financial debt	10 635	10 041		20 676
Other	76 740	2 645	- 7 031	72 354
Total current assets	**328 214**	**47 707**	**- 12 144**	**363 777**
Total assets	**1 653 726**	**156 043**	**- 12 144**	**1 797 625**
Total equity			**592 095**	**592 095**
Non-current employee benefits	27			27
Non-current liabilities included in the calculation of the net financial debt	245 822			245 822
Non-current lease liabilities	223 114	21 448		244 562
Other	80 826	4 652		85 478
Total non-current liabilities	**549 789**	**26 100**		**575 889**
Current fixed assets payable	50 289	2 615		52 904
Trade payables	285 126	33 982	- 5 113	313 995
Current employee benefits	34 314	1 463		35 777
Deferred income	2 012			2 012
Current lease liabilities	43 766	7 901		51 667
Current liabilities included in the calculation of the net financial debt	10 960	7 017	- 7 031	10 946
Others	158 126	4 214		162 340
Total current liabilities	**584 593**	**57 192**	**- 12 144**	**629 641**
Total equities and liabilities	**1 134 382**	**83 292**	**579 951**	**1 797 625**

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

in thousand EUR

31.12.2018	Orange Belgium	Orange Luxembourg	Interco elimination	Orange Belgium Group
Goodwill	16 177	50 864		67 041
Other intangible assets	279 424	5 838		285 262
Property, plant and equipment	753 185	19 121		772 306
Interests in associates and joint ventures	4 359			4 359
Non-current assets included in the calculation of the net financial debt	2 538			2 538
Other	1 253	3 487		4 740
Total non-current assets	**1 056 936**	**79 310**		**1 136 246**
Inventories	26 469	1 241		27 710
Trade receivables	180 665	17 032	- 3 416	194 281
Prepaid expenses	5 791	5 568		11 359
Current assets included in the calculation of the net financial debt	15 026	11 767		26 793
Other	73 529	5 221	- 11 973	66 777
Total current assets	**301 480**	**40 829**	**- 15 389**	**326 920**
Total assets	**1 358 416**	**120 139**	**- 15 389**	**1 463 166**
Total equity			**587 139**	**587 139**
Non-current employee benefits	137			137
Non-current liabilities included in the calculation of the net financial debt	272 672			272 672
Other	68 737	4 488		73 225
Total non-current liabilities	**341 546**	**4 488**		**346 034**
Current fixed assets payable	51 206	2 089		53 295
Trade payables	244 071	25 920	- 3 416	266 575
Current employee benefits	29 626	1 213		30 839
Deferred income	2 325			2 325
Current liabilities included in the calculation of the net financial debt	21 041	11 960	- 11 973	21 028
Other	153 722	2 209		155 931
Total current liabilities	**501 991**	**43 391**	**- 15 389**	**529 993**
Total equity and liabilities	**843 537**	**47 879**	**571 749**	**1 463 166**

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 12 November 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 1 November 2012. In this new legal structure, Orange Belgium S.A. has contributed in cash for 3,450,000 euros equivalent to 345,000 shares out of the 1,225,000 shares issued by the company.

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.

Upsize N.V. is a holding company that was acquired on 31 July 2019 for an enterprise value of €52.4 million. Upsize N.V. is 100% shareholder of BKM N.V. The company has consolidated the results of Upsize N.V. for 100%, as of 1 August 2019.

BKM N.V. is a nationwide ICT integrator and a pioneer in cloud UCC solutions. It has a solid track-record in the SME and CMA markets in Belgium. BKM N.V. has 220 specialist staff who work in four areas of expertise: Unified Communications & Collaboration (UCC) solutions; IT & security solutions; Document & Visual solutions; and Connectivity solutions. BKM N.V. is 100% shareholder of CC@PS B.V.B.A..

CC@PS B.V.B.A. provides document and visual solutions to low SME customers via a team of 13 professionals, mainly in West Flanders.

MWingz S.R.L. is a joint venture between Orange Belgium and Proximus S.A., each owning 50% of the company, that will manage the unilateral and shared mobile radio access network of both shareholders. In 2019 both companies decided to build a shared mobile radio access network with the objective to meet customers' increasing demand for mobile network quality and deeper indoor coverage. The agreement will also allow a faster and more comprehensive 5G roll-out in Belgium. While sharing the common part of their mobile radio access networks, both companies will continue to have full control over their own core network and spectrum assets allowing to ensure differentiated services. No operational activities have been executed yet in this entity in 2019.

MWingz S.R.L., a company organized and created under the laws of Belgium, has been created as of 6 December 2019. Orange Belgium S.A. contributed in cash for 1 euro equivalent to 1 share out of the 2 shares issued by the Company. Proximus S.A. contributed in cash for 1 euro equivalent to 1 share.

On 29 June 2016, Orange Belgium S.A. subscribed in the capital of **Belgian Mobile ID S.A.** (for 6.28% or 1,745,853.92 euros), with four banks and the two other mobile telecom operators of the country, to collaborate on the establishment of a mobile identification system for both private and professional users. With this mobile solution, Belgian Mobile ID S.A. wants to make it easier for anyone with a mobile phone and a bank account or an eID to digitally log in, confirm transactions and even sign documents. In April 2018, Orange Belgium S.A. further contributed in cash in the capital increase of Belgian Mobile ID S.A. for 1,846,294.43 euros (or 10% of the total shares).

In April 2019, Orange Belgium S.A. led the series B funding of **CommuniThings S.A.** through a €1.3m investment (for a stake of 10.45%). Orange Belgium S.A. did invest directly into one of its Orange-Fab scale-ups, CommuniThings, and embarks on a commercial partnership to market state-of-the-art smart parking solutions. Orange Belgium S.A., Finance.Brussels S.A. and Essex Innovation invested in total €3 million. In line with Orange's support of IoT solutions over its IoT networks, the investment will be combined with a long-term partnership to commercialize CommuniThings' smart parking solutions across Belgium. In addition, the investment will serve CommuniThings' global expansion efforts as it spearheads the roll-out of its platform over IoT networks.

Orange Belgium S.A. holds, directly or indirectly (e.g. through other subsidiaries), less than 20% of the voting power of Belgian Mobile ID S.A. and CommuniThings S.A. and as such, it is presumed that Orange Belgium S.A. does not have significant influence. Moreover, generating surplus value is not the main purpose of the investment in Belgian Mobile ID S.A. and CommuniThings S.A..

2. Scope of consolidation

The parent company and the subsidiaries listed below are included in the scope of consolidation as at 31.12.2019:

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

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

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

Smart Services Network S.A.
99.99% of the shares held by Orange Belgium S.A.
Avenue du Bourget 3
B - 1140 Brussels
Belgium
Company identification number: BE 0563 470 723

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

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

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

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

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

Upsize N.V.
100% of the shares held by Orange Belgium S.A.
Herkenrodesingel 37 A
B - 3500 Hasselt
Belgium
Company identification number: BE 0827 982 892

BKM N.V.
100% of the shares held by Upsize N.V.
Herkenrodesingel 37 A
B - 3500 Hasselt
Belgium
Company identification number: BE 0453 298 222

CC@PS B.V.B.A.
100% of the shares held by BKM N.V.
Ommegang Zuid 20
B – 8840 Westrozebeke
Belgium
Company identification number: BE 0867 295 509

MWINGZ S.R.L.
50% of the shares held by Orange Belgium S.A.
Accounted for by equity method
Simon Bolivarlaan 34
B - 1000 Brussel
Belgium
Company identification number: BE 0738 987 372

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

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

Date of authorization for issue of the financial statements

On 27 March 2020, the Board of Directors of Orange Belgium S.A. reviewed the 2019 consolidated financial statements and authorized them for issue.

The 2019 consolidated financial statements will be approved on 6 May 2020 by the General Assembly of Shareholders which has still the power to amend the consolidated financial statements after issue.

3. Basis of preparation

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

Statement of compliance

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

The principles applied to prepare financial data relating to the 2019 financial year are based on:
- all the standards and interpretations endorsed by the European Union compulsory as of 1 January 2019;
- the recognition and measurement alternatives allowed by the IFRS:

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

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

These are the first annual financial statements of the Group where IFRS 16 has been applied on 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in retained earnings at the date of initial application. Change to accounting policies are described below and in note 15 "Significant accounting policies".

Changes in accounting policy and disclosures

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements have been modified compared to those followed in the preparation of the consolidated financial statements for the year ended 31 December 2018. More specifically in relation to changes in operating performance indicators used in 2019.

The Group applies the new standard IFRS 16 "Leases" prospectively from 1 January 2019. The standard evolution has led the Group to change the key operating performance indicators used in 2019. EBITDAaL (for "EBITDA after Leases") and eCapex (for "economic Capex") are the new indicators used by Group's management.

Adjusted EBITDA, reported EBITDA and CAPEX remain the performance indicators used before 2019.

The new operating performance indicators are 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 relevant as it provides readers with the same management indicators as those used internally.

EBITDAaL corresponds to operating income before depreciation and amortization of fixed assets, effects resulting from business combinations, reclassification of cumulative translation adjustment from liquidated entities, impairment of goodwill and fixed assets, share of profits (losses) of associates and joint ventures, and after interests on debts related to financed assets and on lease liabilities, adjusted for:
- significant litigation;
- specific labor expenses;
- fixed assets, investments, and businesses portfolio review;
- restructuring program costs;
- acquisition and integration costs;
- and, where appropriate, other specific elements.

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

-significant litigation:

Significant litigation expenses correspond to risk reassessments regarding various litigations. Associated procedures are based on third-party decisions (regulatory authority, court, etc.) and occurring over a different period to the activities at the source of the litigation. By their very nature, costs are difficult to predict in terms of their source, amount and period;

- fixed assets, investments and businesses portfolio review:

The Group constantly reviews its fixed assets, investments and businesses portfolio: as part of this review, decisions to dispose or to sell assets are implemented, which by their very nature have an impact on the period during which it takes place.

-restructuring programs costs:

The adjustment of Group activities in line with changes in the business environment may also incur other types of transformation costs. They include restructuring costs. These actions may have a negative effect on the period during which they are announced and implemented. For illustrative purposes, and not limited to, this could include some of the transformation plans approved by the internal governance bodies;

-acquisition and integration costs:

The Group also incurs costs which are directly linked to the acquisition and integration of entities. These are primarily legal and advisory fees, registration fees and earn-outs;

-where applicable, other specific elements that are systematically specified in relation to income and/or expenses.

EBITDAaL is not a financial aggregate as defined by IFRS and is not comparable to similarly titled indicators used by other groups. It is provided as additional information only and should not be considered as a substitute for operating income or cash flow provided by operating activities.

eCapex relate to acquisitions of property, plant and equipment and intangible assets excluding telecommunications licenses and financed assets minus the price of disposal of fixed assets. They are used internally as an indicator to allocate resources. eCapex are not a financial aggregate defined by IFRS and may not be comparable to similarly-titled indicators used by other companies.

The Group uses organic cash flow from telecom activities as an operating performance measure for telecom activities as a whole. Organic cash flow from telecom activities corresponds to net cash provided by operating activities minus (i) lease liabilities repayments and debts related to financed assets repayments, (ii) purchases and sales of property, plant and equipment and intangible assets net of the change in fixed assets payables, (iii) excluding effect of telecommunications licenses paid and excluding effect of significant litigations paid (and received). Organic cash-flow from telecom activities is not a financial aggregate defined by IFRS and may not be comparable to similarly-titled indicators used by other companies.

Operating performance indicators used in 2018

Reported EBITDA corresponds to operating income before depreciation and amortization, effects resulting from business combinations, reclassification of cumulative translation adjustment from liquidated entities, impairment of goodwill and fixed assets and share of profits (losses) of associates and joint ventures.

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

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

-significant litigation:

Significant litigation expenses correspond to risk reassessments regarding various litigations. Associated procedures are based on third- party decisions (regulatory authority, court, etc.) and occurring over a different period to the activities at the source of the litigation. By their very nature, costs are difficult to predict in terms of their source, amount and period;

-investments and businesses portfolio review:

The Group constantly reviews its fixed assets, investments and businesses portfolio: as part of this review, decisions to dispose or to sell assets are implemented, which by their very nature have an impact on the period during which it takes place.

- restructuring and integration costs:

The adjustment of Group activities in line with changes in the business environment may also incur other types of transformation costs. These actions may have a negative effect on the period during which they are announced and implemented. For illustrative purposes, and not limited to, this could include some of the transformation plans approved by the internal governance bodies;

-where applicable, other specific elements that are systematically specified in relation to income and/or expenses.

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

CAPEX relate to the acquisition of tangible and intangible assets excluding telecommunications licenses and investments financed through finance leases and are used internally as an indicator to allocate resources. CAPEX are not a financial aggregate defined by IFRS and may not be comparable to similarly-titled indicators used by other companies.

New standards and interpretations applied from 1 January 2019

Initial application of IFRS 16 "Leases":

The new standard, IFRS 16 "Leases”, is of mandatory application since 1 January 2019.

The main effects of implementation of IFRS 16, compared with previously applied principles, concern the accounting of leases by lessees. Indeed, IFRS 16, which defines a lease as a contract that conveys to the lessee the right to control the use of an identified asset, significantly changes the recognition of these contracts in the financial statements.

The standard introduces a single lessee model for the recognition of leases, comprising the recognition in assets of a right-of-use asset, and in liabilities of a lease liability equal to the present value of future lease payments. The distinction between finance leases and operating leases under the former standard, IAS 17, is removed and replaced with this new model from 1 January 2019.

In addition to the effect on the presentation of the consolidated statement of financial position, the consolidated income statement is also affected. The current operating expense is replaced by a depreciation expense as well as an interest expense. In the consolidated statement of cash flows, interests continue to be recorded in operating flows. Investment flows are not modified, while the repayment of the lease liability impacts financing flows.

Lease recognition rules for lessors are unchanged compared with IAS 17.

Orange Belgium S.A. has defined four major lease contract categories:

- Land and buildings: these contracts mainly concern commercial (point of sale) or service activity (offices and head office) leases, as well as leases of technical buildings not owned by the Group. Real estate leases entered into in Belgium generally have long terms (between 7 and 11 years);
- Networks and terminals: the Group is required to lease a certain number of assets in connection with its mobile activities. This is notably the case of lands to be used to install antennas, mobile sites leased from a third-party operator and certain “TowerCos” contracts (companies operating telecom towers). Leases are also entered into as part of fixed wireline access network activities;
- IT (& network) equipment: this asset category primarily comprises leases of servers and hosting space in datacentres; and
- Other: this asset category primarily comprises leases of vehicles.

Leases are recognized in the consolidated statement of financial position via an asset reflecting the right to use the leased assets and a liability reflecting the related lease obligations. In the consolidated income statement, depreciation of the right-of-use asset is presented separately from the interest expense on the lease liability. In the consolidated statement of cash flows, cash outflows relating to interest impact operating flows, while repayments of the lease liability impact financing flows.

Finally, Orange Belgium S.A. applies the following authorized practical expedients:

- Exclusion of leases with a residual term expiring within 12 months of the first application data. This practical expedient is applied for all contracts, including those with a tacit renewal clause at the transition date. In applying this practical expedient, the Group calls on its judgment and experience gained in the previous years to determine whether it is reasonably certain to exercise a renewal option, taking account of the relevant facts and circumstances;
- Exclusion of leases of assets with a replacement value of less than approximately 5,000 euros;
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of first-time application; and
- The inclusion in the opening balance sheet of provisions for onerous contracts measured as of 31 December 2018 pursuant to IAS 37, as an alternative to impairment testing of right-of-use assets in the opening balance sheet.

In 2019, a number of questions were submitted to the IFRS IC seeking to clarify certain questions of interpretations of the standard. In November 2019, the Committee of IFRS IC decided to finalize the tentative agenda decision released in June 2019 regarding the determination of the lease term and the useful life of non-removable leasehold improvements, not considering useful to amend IFRS 16 standard in order to clarify the notion of enforceable period. With this decision, the Committee considers clarifying how to determine the lease term, by excluding the legal approach consisting of only taking into account the legal form of the contract between the lessor and the lessee in order to determine the enforceable period of the contract. The Committee rather considers that the contract is enforceable as long as the lessee or the lessor would have to bear more than insignificant penalty in case of termination of the contract. Therefore, even in the absence of option for the lessee to extend the lease at its discretion, the reasonably certain lease term shall be assessed in order to determine the corresponding lease liability and therefore, the amount

of the right-of-use. According to the Committee, the notion of “penalty” shall be considered broadly and should not be limited to contractual or monetary penalties.

In respect of the determination of the useful life of non-removable leasehold improvements, the Committee considers the following:

- The lease term of the contract shall be taken into account in the determination of the useful life of leasehold improvements ; and
- The presence of leasehold improvements which are not fully depreciated and which should be abandoned and dismantled in case of termination of the lease is an example of penalty to be taken into account in the assessment of the enforceable period of the lease contract.

At the date of preparation of these annual financial statements, the Group’s accounting positions and the terms implemented with regard to these issues were as follows:

- Regarding the assessment of the lease term, the Group adopted a legal approach in a number of cases. This is the case in quite a few countries where there are open-ended lease contracts with a notice period of less than 12 months for which the Group applied the short-term exemption, in particular for the lease of mobile sites.
- Regarding the useful life of leasehold improvements, the Group analysed the leases for which non-removable leasehold improvements were undertaken on the leased assets and considered that there were no economic benefits leading to reassessment of the enforceable lease term initially determined.
- The Group decided not to apply the deferred tax exemption from initial recognition provided in IAS 12 (paragraphs 15 and 24) to deferred tax generated by the recognition of a right-of-use asset and a lease liability.

In light of the final decision of the IFRS IC, the Group started the additional analysis of its leases in order to identify leases for which the treatment initially adopted during the implementation of IFRS 16 could be affected. Orange Belgium S.A. concluded that the initial method for determining the lease term is not significantly affected with this new IFRIC agenda decision.

The Group has chosen to apply IFRS 16 using the simplified retrospective method and accordingly the 2017 and 2018 comparative periods have not been restated.

The weighted average incremental borrowing rate as of 1 January 2019 for all the lease liabilities amounted to 2.01% based on the residual duration of leases at the transition date.

This option leads to the recognition of the cumulative impact of the restatements required by the standard in equity as of 1 January 2019 and is reflected by an decrease in consolidated reserves **of 0.2 million euros** in equity attributable to owners of the parent company, and mainly relating to the deferred taxes as presented in the table hereafter:

Impact on the consolidated financial statement

Adoption of IFRS 16 affected the statement of financial position as at 1 January 2019 as follows:

in thousand EUR

	31.12.2018	Impact of IFRS 16	01.01.2019
ASSETS			
Goodwill	67 041		67 041
Other intangible assets	285 262		285 262
Property, plant and equipment	772 306	- 1 188	771 118
Rights of use of leased assets		296 231	296 231
Interests in associates and joint ventures	4 359		4 359
Non-current financial assets	2 538		2 538
Other non-current assets	1 410		1 410
Deferred tax assets	3 330		3 330
Total non-current assets	**1 136 246**	**295 043**	**1 431 289**
Inventories	27 710		27 710
Trade receivables	194 281		194 281
Other Assets related to contracts with customers	61 827		61 827
Current financial assets	362		362
Current derivatives assets	202		202
Other current assets	2 652		2 652
Operating taxes and levies receivables	1 866		1 866
Current tax assets	70		70
Prepaid expenses	11 359	- 711	10 648
Cash and cash equivalents	26 591		26 591
Total current assets	**326 920**	**- 711**	**326 209**
Total Assets	**1 463 166**	**294 332**	**1 757 498**
EQUITY AND LIABILITIES			
Share capital	131 721		131 721
Legal reserve	13 172		13 172
Retained earnings (excl. legal reserve)	442 246	- 162	442 084
Treasury shares			
Equity attributable to the owners of the parent	**587 139**	**- 162**	**586 977**
Total equity	**587 139**	**- 162**	**586 977**
Non-current financial liabilities	269 895		269 895
Non-current lease liabilities		246 724	246 724
Non-current derivatives liabilities	2 777		2 777
Non-current employee benefits	137		137
Non-current provisions for dismantling obligations	63 228		63 228
Other non-current liabilities	1 866		1 866
Deferred tax liabilities	8 131	162	8 293
Total non-current liabilities	**346 034**	**246 886**	**592 920**
Current fixed assets payable	53 295		53 295
Trade payables	266 575		266 575
Current financial liabilities	20 826		20 826
Current lease liabilities		47 608	47 608
Current derivatives liabilities	202		202
Current employee benefits	30 839		30 839
Current provisions for dismantling obligations	1 232		1 232
Current restructuring provisions	3 045		3 045
Other current liabilities	3 498		3 498
Operating taxes and levies payables	85 608		85 608
Current tax payables	3 133		3 133
Liabilities related to contracts with customers	59 415		59 415
Deferred income	2 325		2 325
Total current liabilities	**529 993**	**47 608**	**577 601**
Total equity and liabilities	**1 463 166**	**294 332**	**1 757 498**

Reconciliation of operating lease off-balance sheet commitments presented according to IAS 17 as of 31 December 2018 and lease liabilities recognized to IFRS 16 as of 1 January 2019

Reconciling items mainly concern the application scope; the lease payment measurement method and other impacts presented below

in thousand EUR	1 January 2019
Operating lease commitments as of 31 December 2018	**340 301**
Commitments presented in other operating activities commitments as of December 31, 2018	21 765
Commitments relating to leases covered by an exception (1)	- 10 178
Commitments relating to leases where the underlying asset is available after January 1, 2019	
Measurement differences due to the determination of the lease term (2)	3 009
Lease payment measurement differences	
Finance lease liabilities as of 31 December 2018	
Other effects	1 034
Lease liabilities as of 1 January 2019 - before discounting	355 931
Discounting effect	- 61 599
Lease liabilities as of 1 January 2019 - after discounting	**294 332**

1. The Group excluded from lease liabilities, leases with a residual term expiring within 12 months of the application date and leases of assets with replacement value of less than approximately 5,000 euros.
2. Off-balance sheet commitments are based on the minimum term of contracts whereas according to IFRS 16, the determination of the duration takes into account extension options that the lessee is reasonably certain to exercise.

Disclosures regarding lease liabilities and right-of-use assets are presented in Note 14.

Application of IFRIC 23 "Uncertainty over Income Tax Treatments"

The interpretation IFRIC 23 “Uncertainty over Income Tax Treatments” is of mandatory application since 1 January 2019 and clarifies the identification, valuation and accounting treatment of uncertain tax positions in relation with the income tax.

This interpretation had no effect on the measurement of income tax liabilities, nor on their presentation in the consolidation financial statements of the Group.

Standards and interpretations compulsory after 31 December 2019, with no early application elected by the Group

New or amended standards and interpretations issued up to the date of issuance of the Group’s financial statements, but not yet effective for 2019 financial statements, are listed below. The Group has elected not to adopt any standards or interpretations in advance of their effective dates. None of those new or amended standards and interpretations are expected to have a material impact on the Group’s consolidated financial statements.

Amendment to IFRS 3 "Definition of a business" (Not yet endorsed in the EU)

This amendment clarifies the definition of a business and aims to help those preparing financial statements to determine whether an acquisition must be recognized as a business combination or an asset acquisition. This amendment will apply to all acquisitions made from 1 January 2020. The Group chose not to adopt this amendment early. These arrangements will be taken into consideration for future acquisitions to determine whether the transaction must be recognized as a business combination or an asset acquisition.

Amendments to IAS 1 and IAS 8 "Materiality" (Endorsed in the EU on November 29, 2019)

Amendments to IAS 1 and IAS 8 specify that material information is "obscured" if the way in which it is reported has the same effect as if the information had not been reported. This may be the case if the information is scattered in various notes to the financial statements or in the event of information being inappropriately aggregated. These amendments apply to consolidated financial statements for reporting periods beginning on or after 1 January 2020. The Group believes that these amendments will have no effect on the presentation of its consolidated financial statements.

Other amendments and IFRS standards

- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (applicable for annual periods beginning on or after 1 January 2020) (Endorsed in the EU on 15 January 2020)
- Amendments to references to the Conceptual Framework in IFRS standards (applicable for annual periods beginning on or after 1 January 2020) (Endorsed in the EU on 29 November 2020)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 20211, but not yet endorsed in the EU) (Not yet endorsed in the EU)

Basis of preparation

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

4. Uses of estimates and judgments

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

Judgments in applying accounting policies

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

Significant judgments with regard to the application of IFRS 15 – Revenue from contracts with customers

Significant judgment is required in the following areas:

a) Determination of the transaction price – more specifically the handset price in bundled offers:

The issue of the handset sales price at Orange Belgium S.A. is only applicable for bundled offers (equipment + service). For all other offers, the performance obligation is directly related to the specific sale price. Orange Belgium S.A. excluded the evaluation method based on market prices (IFRS 15.77) for the determination of the sales price of equipment in subsidized offers and more specifically the standalone selling price. The standalone selling price could indeed –according to IFRS 15- be considered as “the market price”. However, for Orange Belgium S.A. the standalone selling prices are impossible to identify as

- Extremely varying: at a certain time, the same standalone equipment can be sold at different prices. The sales strategy of our shops, the type of distribution channel,… are examples of circumstances that vary the sale price from one shop to another at a certain time.
- Volatility: Orange observes that the prices of certain handsets equipment do vary quickly, even within one month.

Therefore, Orange Belgium S.A. decided that the expected cost plus a margin approach method is the most pertinent calculation for the price per specific equipment, as also used to determine the price of the offers. The starting point for calculating the upfront amount of equipment at Orange Belgium S.A. is the cost of the equipment however this is not simply equal to the purchase price, other elements have to take into consideration and are part of the “margin”. These elements are mainly logistic costs, customs tariffs, taxes or supplier’s rebates.

b) Determination of the duration of the contract in order to allocate the transaction price to the different performance obligations:

The definition of the duration of a contract is only relevant for the subsidized bundled offers, the only contracts for which a revenue relocation between the performance obligations is necessary. The period of which both parties’ rights and obligations are enforceable never exceeds the nominal period in the contract. This is because, excluding modifications in the contract, enforceability of rights and obligations is a matter of law. Hence, the enforceable period cannot extend beyond the nominal period. On the other hand, enforceability of rights and obligations shall take into consideration business practices according to which one of the parties dismisses the other party of its obligation. For Orange, this is typically the case when the Group authorizes or encourages early renewals.

Early renewals are renewals before the end of the contract (contract duration mainly 24 months). Currently, Orange Belgium’s customer strategy is to give our clients the opportunity to renew with no penalty their contract after a duration of 22 months. The enforceable period has been set at 22 months, as a consequence, those contracts are closed after 22 months without further action to be taken.

c) Identification of performance obligations:

A contract as per IFRS15 is made of rights and obligations between the parties. The rights take the form of promises for Orange Belgium to transfer goods and/or services to a customer.

A contract generally explicitly states the promises to be transferred to a customer. However they may not be limited to the goods and services that are explicitly stated in that contract, some may also be implied by business practices which create valid customer expectations.

Access services and mobile equipment qualify as promised services and goods. The following services are however considered immaterial:

- hotline
- right for non-invoiced incoming calls
- access to customer care
- non-invoiced reserved numbers

Sim-cards do not have a stand-alone value and have as such no impact on the determination of the performance obligation. In addition, Orange Belgium might offer some additional services or goods, in line with specific commercial practices. We identify all rights granted to the customer in the terms of the contract and identify those that are material for the customer in the context of the contract.

Distinct goods and services

There are two criteria to determine whether goods and/or services are distinct:

- The customer can benefit from the goods or services on its own or together with resources that are readily available
- The entity’s promise to transfer the good or service is separately identifiable from other promises in the contract.

It is clear that the mobile equipment (handset) is distinct from the access service. Those two elements therefore qualify as distinct performance obligation within the contract.

The access service, which is made of voice, data and sms also includes distinct performance obligations. However, given that those promises are over the same period of time (right) and paid together (obligation), there is no need to consider that they are distinct.

Significant judgments with regard to the application of IFRS 16 – Leases

Significant judgment is required in the determination of non-cancellable lease term and the assessment of the exercise or not of termination, extension and purchase options.

Critical estimates and assumptions

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

Impairment of non-financial assets

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

Fixed assets – Useful life assessment

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

Provision for dismantling network sites

The Group has recognized a provision for dismantling network sites obligations as for the rented building situated at Avenue du Bourget and the various antennas sites. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove all plants from the sites (see Note 5).

Operational taxes: pylon

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

When a tax bill is received, the related cost is recorded. In the event no tax bill is received, the cost will be based upon the tax bill of the previous year and the pylon tax liability expires if the company does not receive a tax bill within three years. As all tax bills are disputed, interests are calculated on the legal tax rate. When the case is closed at procedure level, basis and interests are reversed.

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

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

The provision for pylon tax is reassessed every quarter (see also note 3 and 6) using prudent best estimate assumptions based on the evolution of the regional tax framework, of the different court cases and of the new tax bills received. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at 31 December 2019, may subsequently be changed.

Note 2: Sales and trade receivables

		in thousand EUR
	31.12.2019	**31.12.2018**
Belgium	**1 288 245**	**1 226 360**
Retail service revenues	814 298	727 641
Convergent service revenues	171 626	106 297
Mobile only service revenues	579 622	583 288
Fixed only service revenues	41 562	33 553
IT & Integration service revenues	21 488	4 503
Equipment sales	129 808	110 407
Wholesale revenues	279 911	322 576
Other revenues	64 228	65 736
Luxembourg	**69 819**	**66 923**
Retail service revenues	42 962	40 742
Convergent service revenues		
Mobile only service revenues	33 979	32 954
Fixed only service revenues	8 983	7 788
IT & Integration service revenues		
Equipment sales	14 330	14 590
Wholesale revenues	12 309	10 695
Other revenues	218	896
Inter-segment eliminations	**- 17 237**	**- 13 480**
Total	**1 340 827**	**1 279 803**

Orange Belgium's total consolidated turnover amounted to 1,340.8 million euros in 2019, compared to 1,279.8 million euros in 2018, a growth of 4.8% year-on-year. This is the result of the successful Bold challenger positioning: Orange Belgium has been drilling consistent messages around improving value proposition, delivering simple and generous tariffs, no bad surprises and no price increase. Even excluding the impact of the consolidation of the Upsize business in 2019 (positive impact of 18.3 million euros), the total consolidated turnover would have increased by 3.3% compared to 2018. Furthermore, the full year 2019 was negatively impacted by lower MVNO revenues (for 30.9 million euros).

Orange Belgium's total retail service revenues (i.e. mobile-only services, fixed-only services, convergent services and IT & Integration services) amounted to 857.3 million euros in 2019 compared to 768.4 million euros in 2018, an increase of 11.6% year-on-year. Even excluding the aforementioned BKM-impact, Orange Belgium's 2019 consolidated total service revenues would have increased by 9.0% compared to the same period last year.

Mobile postpaid customer base continues its steady growth, reaching 2.6 million subscribers. Orange Belgium's simplified mobile offering continued to attract customers towards mid and high-end tariffs. These plans include abundant voice/data allowances and have improved customer satisfaction and retention. On the other hand, Mobile only postpaid ARPO decreased as a result of lower out-of-bundle revenues due to the regulation on intra-EU calls and the unlimited offers. These two effects, combined with the continuous decline of the prepaid market, explain the slightly decrease in mobile only service revenues of 2.6 million euros. Convergent services revenues increased by 61.5% year-on-year, mainly due to the increase of the convergent customer base (43.5% year-on year).

Consolidated fixed only service revenues amounts to 50.5 million euros (compared to 41.3 million euros in 2018) illustrating the commercial success of the Shape & Fix offers. IT & Integration service revenues were positively impacted by the consolidation of Upsize, a nationwide ICT integrator and a pioneer in cloud UCC solutions.

Equipment sales grew by 15.3% year-on-year, up to 144.1 million euros (compared to 125.0 million euros in 2018) mainly as a result of successful year-end offers and high-end handsets.

The consolidated wholesale revenues of Orange Belgium amounted to 292.2 million euros for the full year 2019, compared to 333.3 million euros last year, a decrease of 14.1% year-on year, due to expected lower MVNO revenues as well as lower interconnection revenues.

Overall, other revenues slightly decreased compared to the preceding accounting year. (64.4 million euros in 2019 vs. 66.6 million euros in 2018).

Trade receivables

		in thousand EUR
	31.12.2019	**31.12.2018**
Trade receivables - Gross value	257 281	226 738
Allowance for doubtful debtors	- 32 480	- 32 457
Total trade receivables	**224 801**	**194 281**

Ageing Balance

		in thousand EUR
	31.12.2019	**31.12.2018**
Not past due	165 138	127 558
Less than 180 days	19 622	27 401
Between 180 days and 360 days	12 071	12 130
More than 360 days	27 970	27 192
Total trade receivables	**224 801**	**194 281**

Change in Provision for Trade receivables

		in thousand EUR
	2019	**2018**
Allowances on trade receivables - Opening balance	**- 32 457**	**- 44 377**
Net addition with impact on income statement	- 4 443	- 6 348
Losses on trade receivables	4 420	19 499
Adjustment IFRS 9		- 1 231
Allowances on trade receivables - Closing balance	**- 32 480**	**- 32 457**

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

Trade receivables are non-interest bearing and are generally paid via direct debits (56% of service revenues are collected by direct debit). Trade receivables which are not paid via direct debits bear mainly a payment term of 30 days end of month.

The Group is not dependent on any major customers, none representing more than 10% of the company's consolidated revenues. The customers risk is spread over more than 4 million customers.

Total Trade receivables amounted to 224.8 million euros at the end of 2019, compared with 194.3 million euros at the end of 2018. The increase in trade receivables –gross value can be explained by the integration of Upsize: outstanding receivables for BKM (€8.9 million) and CC@PS (€1.1million) for which the outstanding balances were mainly reflected in the caption "not past due". The increase is also due to more open MVNO- and judicial invoices at year end for 6.6 million euros. Finally, the significant higher service revenues (+11.6%) impacted also positively the trade receivables position-not past due- at year end 2019.

Allowance for doubtful debtors – closing balance at year end 2019 - remained stable at 32.5 million euros. In 2018 the Group sold some debt surveillance files to a credit management company for an amount of 19.3 million euros.

Impairment of trade receivables is based on three methods:

- A collective statistical method: this is based on historical losses and leads to a separate impairment rate for each aging balance category. This analysis is performed over a homogenous group of receivables with similar credit characteristics because they belong to a customer category (mass-market, small offices and home offices);
- A stand-alone method: the assessment of impairment probability and its amount are based on a set of relevant qualitative factors (ageing of late payment, other balances with the counterparty, rating from independent agencies,…). This method is used for carriers and operators (national and international), local, regional and national authorities; and
- A provisioning method based on anticipated loss: IFRS 9 requires recognition of expected losses on receivables immediately upon recognition of the financial instruments. In addition to the pre-existing provisioning system, the Group applies a simplified approach of anticipated impairment at the time the asset is recognized. The percentage applied depends on the maximum revenue non-recoverability rate.

The costs related to bad debts decreased to 4.4 million euros in 2019 (compared to 6.3 million euros in 2018). The income statement (see also Note 3 – Expenses, prepaid and inventory) was positively impacted by the continued efforts in terms of cash collection.

Since 2017, Orange Belgium S.A. entered into a factoring program with Belfius Commercial Finance. The eligible trade receivables were related to the top 400 B2B Airtime debtors (factored receivables around 2.3 million euros per 31 December 2019).

Other assets

in thousand EUR

	31.12.2019	31.12.2018
Advances and downpayments	126	627
Security deposits paid	649	1 410
Other	5 073	2 025
Total other assets	**5 848**	**4 062**
o/w other non-current assets	**649**	**1 410**
o/w other current assets	**5 199**	**2 652**

The decrease on other non-current assets is mainly due to security deposits cleared for 0.7 million euros related to a cash guarantee agreement. The increase on other current asset is mainly related to IRISnet.

Note 3: Expenses, prepaid and inventory

Direct costs

in thousand EUR

	31.12.2019	31.12.2018
Purchase of material	- 201 378	- 187 438
Other direct costs	- 408 473	- 399 229
Impairment loss on trade and other receivables, including contract assets	- 4 443	- 6 348
Total direct costs	**- 614 294**	**- 593 015**

The direct costs in 2019 increased by 3.6% year-on-year to 614.3 million euros from 593.0 million euros a year earlier.

Purchase of material

The costs related to the purchase of material increased by 201.4 million euros. The impact of the integration of Upsize explains 6.3 million euros. The costs related to the purchase of equipment (high end handsets) increased with almost 8 million euros compared to the preceding accounting year.

Other direct costs

The other direct costs, mainly consisting of interconnection costs, commissions, content and connectivity costs, increased by 2.3% year-on-year.

Interconnection costs

Interconnection expenses decreased by 11.3 million euros to 264.2 million euros, as higher roaming costs (5.1 million euros) were compensated by declining outgoing SMS costs (10.9 million euros) and lower interconnection costs with operators (5.5 million euros) due to the EU regulation effect.

Commissions

Commission expenses decreased by 4.2 million euros in 2019 to 36.9 million euros, due to less commissions paid to retail partners.

Content costs

Orange Belgium's television content strategy is primarily based on developing partnerships with rights holders and service publishers. Orange Belgium is mainly focused on its role of aggregating and distributing content to offer improved services to its customers. The costs regarding television content amount to 21.8 million euros in 2019 compared to 13.9 million euros in 2018. This increase is in line with the uptake of Orange Belgium's digital TV offer (Love) in 2019.

Connectivity

Connectivity costs increased by 12.5 million euros in 2019 to 73.3 million euros. This is mostly the result of the increase in wholesale access fees related to the convergent Love offer.

Impairment loss on trade and other receivables, including contract assets

The costs related to bad debts amounts to 4.4 million euros in 2019 compared to 6.4 million euros in 2018. The bad debt costs were positively impacted by the continued efforts in terms of cash collection (see also Note 2 – Trade receivables).

Prepaid expenses

in thousand EUR

	31.12.2019	31.12.2018
Prepaid supplies and services	12 553	10 010
Prepaid spectrum fees	1 436	1 349
Total Prepaid expenses	**13 989**	**11 359**

The prepaid services increased by 2.5 million euros, related to the boost of B2C installment in Orange Luxemburg (to compensate for the decrease in full subsidy amount).

Inventories

in thousand EUR

	31.12.2019	31.12.2018
Gross inventories	33 844	29 109
Depreciation	- 1 887	- 1 399
Total Inventories	31 957	27 710
Inventories - Cost recognized as an expense during the period	**- 198 920**	**- 184 811**

The increase in Gross inventories is explained by 3 extra shops in 2019, the average value of device that increased in 2019 compared to 2018 the during end of year campaign (side effect of the packs and success of iPhone 11) and finally, because of the launch of new products at the end of 2019: smart speakers (Google) and Love offer new accessories (Mesh Wifi).

The reserve for obsolete and slow moving items (1.9 million euros) is slightly higher in 2019 than in 2018 which is also explained by overall higher inventory levels held in current accounting year vs. the preceding accounting year.

Trade payables and other current liabilities

		in thousand EUR
	31.12.2019	31.12.2018
Trade payables	**313 995**	**266 575**
Salaries and termination pay	3 853	2 985
Performance and profit sharing bonus, pensions	11 122	7 777
Social security contributions	4 318	5 420
Holiday pay	16 083	14 511
Other	401	146
Current employee benefits	**35 777**	**30 839**
Current restructuring provisions	**1 885**	**3 045**
Other current liabilities	**10 368**	**3 498**
Current tax payables	**3 502**	**3 133**
Deferred income	**2 012**	**2 325**

Trade payables are non-interest bearing and are generally settled on 30 to 60-day terms. The trade payables increased by 47.4 million euros compared to 2018. The integration of Upsize had an effect of 5.5 million euros. This increase is also due to higher roaming payables as a result of much higher traffic with other telecom operators (more data and voice) for 13.9 million euros; by higher outstanding payables at year end for a number of suppliers (impact 11.0 million euros) and the start of a reverse factoring programme (impact of 17.5 million euros).

Reverse factoring is when a financial institution (BNP Paribas – factoring for Orange Belgium S.A.) interposes itself between Orange Belgium and its suppliers and commits to pay the company's invoices to the suppliers at an accelerated rate in exchange for a discount. This is a lower-cost form of financing that accelerates accounts receivable receipts for suppliers, while increases the payment terms for the company.

Current employee benefits increased by 4.9 million euros in 2019, and is mainly due to more provisions for salaries and termination pay (effect Upsize of 0.5 million euros) and more performance and profit sharing bonus for 3.3 million euros and more holiday pay (effect Upsize of 1.5 million euros).

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

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

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

In order to make sure that the defined contribution pension plan in force guarantees the participants the minimum return required by law at the date of the departure, 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 2019, no provision has been recognized. As Orange Belgium S.A. has no unconditional right to a refund or a reduction in future cash contributions no asset has been recognized neither.

Please find below a reconciliation of the opening to the closing balance of the net defined benefit asset for Orange Belgium S.A.:

Movement in net defined benefit (asset) liability

				in thousand EUR
	Defined benefit obligation	Fair value of plan assets	Effect of asset ceiling	Net defined (asset) liability
Balance at 1 January 2019	**140 633**	**- 144 296**	**-3 663**	**0**
Included in profit or loss				
Current service cost	539			
Past Service credit				
Interest cost (income)	2 727	-2 857		
Total				
Included in OCI				
Actual loss (gain)				
Return on plan assets excluding interest income	22 477			
Effect of movements in exchange rates		- 22 770		
Total				
Other				
Contributions paid by the employer	4 716	- 4 716		
Benefits paid	- 2 011	2 091		
Total				
Balance at 31 December 2019	**169 081**	**- 172 548**	**-3 467**	**0**

The contributions paid during 2019 for those plans amounted to 3.8 million euros paid by the employer and 1.0 million euros paid by the employees. The plan assets at 31 December 2019 consisted of 125.9 million euros individual insurance reserves, which benefit from a weighted average guaranteed interest rate of 3.53% and 4.6 million euros reserves in collective financing funds.

The current restructuring provisions decreased by 1.2 million euros in 2019 mainly as a result of the settlement for early termination of a long-term distribution contract.

The change in other current liabilities is mainly due to the increase in "other accounts payables" (4.4 million euros mainly related to Brand fees) and the earn-out fee related to Upsize (1.4 million euros).

The current tax payables are related to the tax calculation of the current year and remained nearly stable in 2019 (see also Note 6 – Operational taxes and levies).

Labor costs (excluding termination benefits)

Labor costs increased by 6.2% to 148.2 million euros in 2019, compared to 139.5 million euros a year ago. This increase can be explained by the consolidation of Upsize in 2019 (impact of 5.6 million euros) and the indexation of all salaries (2.16% as from January 2019 and 1.1% as from September 2019).

Indirect costs

		in thousand EUR
	31.12.2019	31.12.2018
Commercial expenses	- 43 835	- 45 537
Other IT and network expenses	- 88 785	- 90 757
Property expenses	- 12 748	- 56 908
General expenses	- 57 931	- 66 115
Other indirect income	23 791	19 617
Other indirect costs	- 47 243	- 21 440
Depreciation of right-of-use of leased assets	- 49 267	
Total indirect costs	**- 276 018**	**- 261 140**
of which operational taxes and fees	- 14 708	- 16 401

The indirect costs increased 5.7% year-on-year to 276 million euros in 2019 compared to 261.1 million euros in 2018.

The commercial expenses decreased by 1.7 million euros in 2019 due to lower advertising expenses (media buying) and marketing costs (contents production costs). Other IT and network expenses decreased by 2.2% year-on-year, mainly due to less maintenance costs.

Property expenses were positively affected by the new IFRS 16 accounting standard: costs regarding site rentals, shops- and buildings leased are now excluded. Neutralising this effect would bring the total property cost to 58.0 million euros. For the accounting year 2019, the depreciation of right-of-use of leased assets amounted up to 49.3 million euros.

Due to cost optimization (less temps and consultants) and the effect of leasing on vehicles (3.1 million euros), the total general expenses decreased by 8.2 million euros compared to 2018.

Other indirect income increased by 4.2 million euros year-on-year, mainly due to more re-invoicing of operational- and staff costs to the Orange Group.

Other indirect costs evolution can mainly be explained by the Brand fees to Orange Group, the increase in spectrum fees and by the reassessment of the provision for pylon taxes, using best estimate assumptions based on the evolution of the regional tax framework, of the different court cases and of the new tax bills received by Orange Belgium S.A.

Other restructuring costs

In 2019 Orange Belgium booked redundancy costs for 8.4 million euros. Acquisition costs amount to 2.3 million euros in 2019.

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

Note 4: Goodwill

Goodwill

in thousand EUR

	31.12.2019			31.12.2018		
	Acquisition Value	Accumulated impairment losses	Net carrying amount	Acquisition Value	Accumulated impairment losses	Net carrying amount
Orange Communications Luxembourg S.A.	68 729	- 17 865	50 864	68 729	- 17 865	50 864
Others goodwill	67 810		67 810	16 177		16 177
Total goodwill	**136 539**	**- 17 865**	**118 674**	**84 906**	**- 17 865**	**67 041**

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.
The key operating assumptions used to determine the value in use are common across Group's business segments. These assumptions include:

- key revenue assumptions, which reflect market level, penetration rate of the offerings and market share, positioning of the competition's offerings and their potential impact on market price levels and their transposition to the Group's offerings bases, regulatory authority decisions on pricing of services to customers and on access and pricing of inter-operator services, technology migration of networks, decisions of competition authorities in terms of concentration or regulation of adjacent sectors such as cable;
- key cost assumptions, on the level of marketing expenses required to renew product lines and keep up with competition, the ability to adjust costs to potential changes in revenues or the effects of natural attrition and committed employee departure plans;
- key assumptions on the level of capital expenditure, which may be affected by the roll-out of new technologies, by decisions of regulatory authorities relating to licenses and spectrum allocation, mobile network coverage, sharing of network elements or obligations to open up networks to competitors.

For Orange Communications Luxembourg S.A. cash flows have been estimated on a five-year business plan (2020 to 2024) approved by the Strategic Committee. The management of Orange Communications Luxembourg foresees a progressive increase

of adjusted EBITDA over the period as the result of (i) a continuous and sustained top line growth coming both from an increase in market size and market share, and (ii) the continuation of its enhanced transformation program with a tight control of operating expenses. More precisely, the management ambitions a turnaround over this 5-year period with a 7.14% (compared to 7.25% last year) and 18.89% (compared to 23.69% last year) compounded annual growth rate (CAGR) of revenues and adjusted EBITDA respectively, while capital expenses are expected to increase by 2.7% (compared to 9.6% last year).

Considering a perpetuity growth rate of 1.00% (compared to 1.50% last year) and a WACC of 5.50% (identical to 2018), those assumptions would result in a positive amount.

Sensitivity of recoverable amounts

A sensitivity analysis on those parameters was performed, using a growth rate varying from 0% to 2% and a discount rate varying from 4.5% to 6.5%.

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 2019:

- 100% margin of the recoverable amount over the carrying value tested: 146.4 million euros
- Effect on the recoverable amount of a variation of:
  - 10% (increase/decrease) in cash flow of terminal year: +/- 18.03 million euros
  - 1% increase in growth rate to perpetuity: + 52.0 million euros
  - 1% decrease in growth rate to perpetuity: - 36.0 million euros
  - 1% increase in discount rate: - 41.0 million euros
  - 1% decrease in discount rate: + 61.0 million euros

Other goodwill

This corresponds to:

Mobistar Affiliate S.A.

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

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

Mobistar Enterprise Services S.A.

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

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

A3Com S.A.

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

A&S Partners S.A.

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

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

Upsize N.V.

Upsize N.V. is a holding company that was acquired on 31 July 2019. Upsize N.V. includes BKM N.V. and CC@PS B.V.B.A. and is a nationwide ICT integrator and a pioneer in cloud UCC solutions. It has a solid track-record in the SME and CMA markets in Belgium and works in four areas of expertise: Unified Communications & Collaboration (UCC) solutions; IT & security solutions; Document & Visual solutions; and Connectivity solutions. The purchase concerned 100% of the 60,000 shares of Upsize N.V.. An amount of 51.6 million euros has been allocated to goodwill for the segment "Belgium". The purchase price allocation was not yet finalised as at 31 December 2019.

The amount of revenues and profit or loss of Upsize N.V. (and its affiliated entities) since the acquisition date as included in the consolidated statement of profit or loss and OCI amounts to 18,251 thousand euros and -288 thousand euros. The revenue and profit (or loss) of Upsize N.V. (and its affiliated entities) as from the beginning of the annual reporting period amounts to 40,528 thousand euros and -2,102 thousand euros.

Consideration transferred for this acquisition
The following table summarises the acquisition date fair value of each major class of consideration transferred for this business combination:

	in thousand EUR
Cash	35 100
Contingent consideration	1 350
Total consideration transferred	**36 450**

Contingent consideration
Orange Belgium has agreed to pay the selling shareholders in two years' time an additional consideration of 10.0 million euros which is linked to targets set in relation to the acquiree's revenue growth, EBITDA margin as well as a maximum churn percentage in key and operational people working for the acquiree. In this respect, Orange Belgium S.A. has included 1,350 thousand euros as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition. No change in its fair value as at 31 December 2019.

Acquisition-related costs
Orange Belgium incurred acquisition-related costs of 2.3 million euros on legal fees and due diligence costs. These costs have been included in restructuring expenses.

Identifiable assets acquired and liabilities assumed
The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	in thousand EUR
Intangible assets	749
Property, plant and equipment	508
Other financial assets	59
Right of use of leased assets	5 072
Inventories	4 938
Trade receivables	6 299
Other receivables	590
Cash and cash equivalents	1 238
Provisions	-132
Financial liabilities	-16 495
Lease liabilities	-4 680
Other payables	-4 068
Trade payables	-5 568
Current employee benefits	-3 693
Total identifiable net assets acquired	**-15 183**

Fair value measured on a provisional basis
The following amounts have been measured on a provisional basis:

- The fair value of Upsize's intangible assets (customer relationships) has been measured provisionally, pending confirmation of an independent valuation.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill
Goodwill arising from the acquisition has been recognised as follows:

	in thousand EUR
Consideration transferred	36 450
Fair value of identifiable net assets	-15 183
Resulting goodwill	**51 633**

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill is expected to be deductible for tax purposes.

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 2019, the market capitalization was higher than the net book value. For the purpose of this impairment test, we only considered the net assets of Orange Belgium and the Belgian subsidiaries and corrected the market capitalization of Orange Belgium S.A. with the calculated VIU value of Orange Communications Luxembourg S.A..

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

Depreciation and amortization

The depreciation and amortization charge (including impairment of fixed assets) for the year was 245.6 million euros, up by 9.9 million euros compared to 2018. The level of historical depreciations remained stable, the increase is mainly due to the depreciation of the activated customer premises equipment (such as the set-top boxes, modems and remotes used by customers), as well as the associated activation and installation costs of the Orange Internet + TV offering. The useful life of these types of assets is typically lower than the traditional network equipment.

Accelerated depreciations of fixed assets

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

During 2019, the change in useful life and/or recognized impairment charges on property, plant and equipment has been recognised for a total amount of 10.4 million euros (compared with 11.5 million euros in 2018) and shown as expense on the line "Depreciation and amortization" and "impairment of fixed assets" in the statement of comprehensive income.

Impact can be split as such:

- Impairments on capitalized projects under construction for an amount of 2.2 million euros;
- Network and other equipment for 4.4 million euros; and
- Cancelled and moved sites (3.4 million euros) and closing data center (0.4 million euros).

Other intangible assets

in thousand EUR

	31.12.2019	31.12.2018
Net book value of other intangible assets in the opening balance	**285 262**	**303 971**
Acquisitions of other intangible assets	53 105	54 905
Additions through business combinations	748	2 430
Depreciation and amortization	- 79 504	- 76 557
Reclassifications and other items	- 981	513
Net book value of other intangible assets in the closing balance	**258 630**	**285 262**

Acquisitions of other intangible assets are mainly software and internal generated software development costs. No telecommunication licenses were renewed in 2019 (see also overview below).

in thousand EUR

31.12.2019	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value
Telecommunication licenses	365 828	- 239 696		126 132
Brand	4 172		- 4 172	
Subscriber bases	11 180	- 11 180		
Software	543 153	- 424 691		118 462
Other intangible assets	132 446	- 118 410		14 036
Total	**1 056 779**	**- 793 977**	**-4 172**	**258 630**

in thousand EUR

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

Telecommunication licenses

Type of License	Acquisition cost	Net book value end 2019	Net book value end 2018	Useful life in months	Remaining months	Start depreciation period
UMTS 3G	149 040	11 614	21 045	191	15	April 2005
4G	20 020	13 492	15 316	End June 2027	89	June 2016
800 MHz	120 000	84 206	90 263	238	167	February 2014
2G renewal 5 years 3 months	76 143	16 820	31 430	63	14	December 2015
Total	**365 203**	**126 132**	**158 054**			

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

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

The useful lives of intangible assets applied in 2019 remain comparable to the ones' used in 2018.

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

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

Property, plant and equipment

in thousand EUR

	31.12.2019	31.12.2018
Net book value of property, plant and equipment in the opening balance	**772 306**	**809 934**
Acquisitions of property, plant and equipment	127 062	124 498
Additions through business combinations	482	
Disposals and retirements		
Depreciation and amortization	- 163 850	- 159 180
Impairment	- 2 264	
Reclassifications and other items	13 841	- 2 946
Net book value of property, plant and equipment in the closing balance	**747 577**	**772 306**

The amount of reclassifications for the accounting year 2019 is mainly related to the increase in the dismantling provision per 31 December 2019 as a result of the decreased discount rate compared to the preceding accounting year. Refer also to the key assumptions used in the section 'Provision for dismantling'.

in thousand EUR

31.12.2019	Gross value	Accumulated depreciation and amortization	Net book value
Land and buildings	89 551	- 59 001	30 550
Networks and terminals	1 915 140	-1 217 409	697 731
IT equipment	186 339	- 173 915	12 424
Other property, plant and equipment	33 347	- 26 475	6 872
Total	**2 224 377**	**-1 476 800**	**747 577**

in thousand EUR

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

Provision for dismantling

in thousand EUR

	31.12.2019	31.12.2018
Provisions for dismantling in the opening balance	**64 460**	**66 931**
Discounting with impact on income statement	198	826
Utilizations without impact on income statement	- 1 226	- 864
Changes in provision with impact on assets	14 049	- 2 433
Provisions for dismantling in the closing balance	**77 481**	**64 460**
o/w non-current provisions	75 333	63 228
o/w current provisions	2 148	1 232

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

	31.12.2019	31.12.2018
Number of network sites, Orange Communications Luxembourg S.A. incl. (in units)	4 777	4 537
Average dismantling cost per network site	12.1	11.6
Inflation rate	2.0%	2.0%
Discount rate	0.257%	1.257%

Although size and installation on site may slightly vary from site to site, the provision is calculated on an average dismantling cost based on the actual costs incurred in the past for similar activities. For 2019 those costs were estimated at 12,089 euros per site (2018 the average cost was 11,550 euros). For bigger sites, like MSC's (Mobile Switching Centre), the provision is calculated on the surface area of the sites rented and an average dismantling cost per m^2 based on past similar experience.

Although it is rather not practicable to estimate the timing of the cash outflows, all network sites are assumed to be dismantled in the future. Since 2011, the duration of the rental contracts are capped at 15 years, which is considered equivalent to a dismantling plan spread over a period close to 30 years. Prior to that change, the longest period considered was 99 years. The approach was maintained to evaluate the provision in 2019.

The dismantling provision increased by 13.0 million euros. This is a combined effect of higher average dismantling cost per site (from 11,550 to 12,089 euros per site) leading to an increase of the liability of 2.5 million euros; the increase in the number of sites (effect of 0.4 million euros) and a lower discount rate resulting in an increase of the provision of 10.1 million euros.

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

Besides network, the dismantling provision also includes 6.6 million euros of accruals related to buildings, Mobile Switching Centres (MSC's) and Point-of-Presence (POP's).

Current fixed assets payable

Current fixed assets payables are non-interesting bearing that are generally settled on 30 to 90 days term and are related to Property, Plant and Equipment investments and remained stable compared to last year (52.9 million euros in 2019, compared to 53.3 million euros a year ago).

Note 6: Taxes and levies

Income tax in profit and loss statement

in thousand EUR

	31.12.2019	31.12.2018
Current income tax	- 6 960	- 8 793
Deferred tax expense arising to the origination and reversal of temporary differences	276	2 923
Total tax expenses	**- 6 684**	**- 5 870**

Relationship between tax expense and accounting profit

in thousand EUR

	31.12.2019	31.12.2018
Earnings before income tax	40 661	38 301
Group income tax rate	29.58	29.58
Theoretical income tax	**- 12 028**	**- 11 330**
Effect of difference between local standard rate and Group rate (*)	- 7	- 15
Effect of permanent differences and other reconciling items (**)	- 298	- 691
Effect of tax (without base) affecting current tax (***)	4 673	6 152
Effect of tax (without base) affecting deferred tax	975	13
Income tax	**- 6 684**	**- 5 870**
Effective tax rate	**16.4%**	**15.3%**

* local rate (OLU = 31.47%) and Group rate (29.58%)
** consisting of non-deductible expenses, effect of application of patent income deduction and permanent differences
*** adjustments on prior years

Tax expenses amounted to 6.7 million euros in 2019 compared to 5.9 million euros in 2018. The effective tax rate came out at 16.4%, which is largely comparable to the effective tax rate of 15.3% in 2018. The theoretical amount of tax expenses increased by 0.7 million euros in 2019, given the higher earnings before income tax.

In 2019, the other non-deductible tax expenses, the permanent differences and the application of the patent income deduction had a small combined negative impact of -0.3 million euros (see **).

A positive impact on the taxable year 2018 has been recorded in 2019 for an amount of 4.2 million euros to record tax deductions for investments which have been approved by the Belgian tax authorities in 2019 (1.0 million euros decrease compared to 2018) (see ***).

Tax position in the statement of financial position

Movements in current tax balances

in thousand EUR

	31.12.2019	31.12.2018
Net current tax - opening balance	**3 063**	**23 258**
Cash tax payments	- 9 144	- 28 988
Current income tax expense	6 960	8 793
Changes in consolidation scope, reclassification and translation adjustments	1 116	
Net current tax - closing balance	**1 995**	**3 063**

Due to the recuperation of carried forward losses, Orange Communications Luxembourg S.A. had no significant current tax expense recorded.

Cash tax payments in 2019 include 8.0 million euros of prepayments for 2019.

The integration of Upsize explains mainly the increase in changes in consolidation scope.

Movements in deferred tax balances

in thousand EUR

	31.12.2019	31.12.2018
Net deferred taxes - opening balance	**- 4 801**	**- 7 444**
Change in income statement	276	2 923
Change in other comprehensive income	- 251	103
Changes in consolidation scope, reclassification and translation adjustments	- 160	- 383
Net deferred taxes - closing balance	**- 4 936**	**- 4 801**

in thousand EUR

	31.12.2019			31.12.2018		
	Assets	Liabilities	Income statement	Assets	Liabilities	Income statement
Fixed assets		2 117	730		2 847	694
Tax losses carryforward	4 125		- 212	4 337		- 400
Other temporary differences	83 024	89 968	- 242	8 295	14 586	2 629
Deferred taxes	**87 149**	**92 085**	**276**	**12 632**	**17 433**	**2 923**
Netting	- 84 550	- 84 550		- 9 302	- 9 302	
Total	**2 599**	**7 535**	**276**	**3 330**	**8 131**	**2 923**

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.

In Orange Communications Luxembourg the deferred tax asset recorded is related to carried forward tax losses (4.1 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 78.7 million euros in 2019 and consist of VAT payables (10.9 million euros); 63.2 million euros taxes charged to pylons and masts - plus default interests calculated at the legal rate; and of 4.5 million euros related to the 2016 settlement with the Walloon Region.

Operating taxes and levies receivables

The operating taxes and levies receivables amounted to 0.5 million euros in 2019, compared to 1.9 million euros a year ago and mainly consist of the recoverable VAT.

Note 7: Interests in associates and joint ventures

In July 2012, the Group participated to the constitution of the company IRISnet S.C.R.L.. The activity of IRISnet S.C.R.L. started on 1 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 948 thousand euros, resulting in a net carrying amount as at 31 December 2019 of 5,306 thousand euros.

Note 8: Financial assets, liabilities and financial result

Financial result

in thousand EUR

	31.12.2019	31.12.2018
Financial Costs	- 6 278	- 4 855
Financial Income	1	
Total Net Financial Costs	**- 6 277**	**- 4 855**

Net financial result decreased by 1.4 million to -6.3 million euros in 2019 which is mainly explained by the interest expenses in relation to IFRS 16. Total interest expenses as a result of the application of IFRS 16 amounted to 2.2 million for the accounting year 2019.

Cash and cash equivalents, financial liabilities

in thousand EUR

	31.12.2019	31.12.2018
Cash and cash equivalents		
Cash equivalents	- 1 885	- 6 700
Cash	- 18 290	- 19 891
Total cash and cash equivalents	**- 20 175**	**- 26 591**
Financial liabilities		
Intercompany short-term borrowing	8 807	18 321
Third parties short-term borrowing	576	2 505
Intercompany long-term borrowing	245 047	270 025
Total borrowings	**254 430**	**290 851**
Net debt (Financial liabilities- Cash and cash equivalents)	**234 255**	**264 260**

The net financial debt at the end of 2019 amounted to 234.3 million euros, a decrease of Orange Belgium's net financial debt position by 30.0 million euros compared to 264.3 million euros of net financial debt at the end of December 2018. 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 30.0 million euros. The cash and cash equivalents decreased also by 6.4 million euros compared to 2018 (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	31.12.2018	Cash Flows	Acquisition	Foreign exchange movement	Other	31.12.2019
Intercompany short-term borrowing	18 321	- 19 852	10 338			8 807
Intercompany long-term borrowing	269 847	- 31 679	6 157		722	245 047
Third party borrowing	2 505	- 1 951	22			576

Financial risks

Liquidity risk

Orange Belgium's results and outlook could be affected if the terms of access to funding becomes difficult
Orange Belgium is financed through long-term credit facilities granted by Orange Group entities and is thus not directly exposed to adverse changes in market conditions. Sufficient funding is ensured until mid-June 2021 and can reasonably be assumed also beyond. In addition, Orange Belgium could evoke other sources of funding such as bank loans or bonds should financing limitations be imposed by the Orange Group after mid-2021.

Interest rate risk

Orange Belgium's business activities could be adversely affected by interest rate fluctuations
Orange Belgium's long-term credit facilities bear interest at variable rates. To partially cover the risk of sudden hikes in market interest rates, Orange Belgium has hedged 200 million euros of its long-term debt at a fixed rate of 0.41% up to and including 2020. As of 31 December 2019, Orange Belgium has drawn 240 million euros from his facilities, thus leaving 40 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 mid-2021 included, which do not foresee rating-based funding adjustments. The funding agreement includes a financial covenant that Orange Belgium has to respect (Net debt / EBITDA ratio below 2.75x). As of 31 December 2019 the ratio stood at 0.8x and a breach of covenant may be considered as highly unlikely.

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

Counterparty risk on financial transactions

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

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

Credit risk

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

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

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

Foreign exchange risk

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

General risk management framework

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

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

Interest-bearing loans and borrowings

in thousand EUR

	Nominal amount end 2019	Interest rate	Maturity	31.12.2019	31.12.2018
Unsecured revolving credit facility agreement with Atlas Services Belgium	420 000	EURIBOR + 0.95	15.06.2021	240 000	270 000
Transactions costs on long-term loan				- 30	- 153
Long-term loans	10 620	2%	30.06.2024	5 077	
Total long-term loans and borrowings				**245 047**	**269 847**
Cash-pool related credit facility with Orange	50 000	EONIA + 0.65	on demand	6 712	18 296
Other Third parties Financial debt	7 500	0.1%	10.04.2019		2 505
Uncommitted credit lines with various banks	38 300	determined upon withdrawal	on demand		
Transactions costs on short-term loan					
Short-term loans	2 700		14.06.2020	2 621	
Transactions costs on short-term loan				115	25
Total short-term loans and borrowings				**9 448**	**20 826**

As at 31 December 2019, 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

	31.12.2019	31.12.2018
Non-current/Current liabilities/assets - effective part of the fair value of authorized cash flow hedging instruments	1 772	2 777

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

Maturity

in thousand EUR

Year ended December 2019	Amount	Within 1 year	Within 2-5 years	More than 5 years
Financial assets				
Non-current financial assets	3 123	114	110	3 021
Non-current derivatives assets				
Trade receivables	224 801	224 801		
Current financial assets	362	362		
Current derivatives assets	501	501		
Cash and cash equivalents	20 175	20 175		
Financial liabilities				
Non-current financial liabilities	245 047		253 757	1 148
Non-current derivatives liabilities	775		775	
Current financial liabilities	9 448	9 448		
Current derivatives liabilities	1 498	1 498		
Trade payables	313 995	313 995		

in thousand EUR

Year ended December 2018	Amount	Within 1 year	Within 2-5 years	More than 5 years
Financial assets				
Non-current financial assets	2 538		343	2 645
Non-current derivatives assets				
Trade receivables	194 281	194 281		
Current financial assets	362	362		
Current derivatives assets	202	202		
Cash and cash equivalents	26 591	26 591		
Financial liabilities				
Non-current financial liabilities	269 895		281 325	
Non-current derivatives liabilities	2 777		2 777	
Current financial liabilities	20 826	20 826		
Current derivatives liabilities	202	202		
Trade payables	266 575	266 575		

Sensitivity

As indicated above, the main risk area related to external variable elements is the cost of borrowing. Considering an average long-term debt of 272 million euros in 2019, a 0.5% variation of the floating rate would have a 0.4 million euros impact on financing costs. Considering an average long-term debt of 290 million euros in 2018, a 0.5% variation of the floating rate would have 0.5 million euros impact on financing costs.

Fair value of financial assets and liabilities

The table below is presented according to IFRS 9:

in thousand EUR

31.12.2019	Classification under IFRS 9 [1]	Book value	Estimated fair value	Level 1 and cash	Level 2	Level 3
Trade receivables	**AC**	**224 801**	**224 801**		**224 801**	
Financial assets		**3 485**	**3 485**		**3 485**	
Equity securities	FVR	3 123	3 123		3 123	
Financial assets at amortized cost	AC	362	362		362	
Cash and cash equivalents		**20 175**	**20 175**	**20 175**		
Cash	AC	1 885	1 885	1 885		
Cash equivalents	AC	18 290	18 290	18 290		
Trade payables	**AC**	**349 376**	**349 376**		**249 376**	
Financial debts	**AC**	**254 495**	**255 213**		**255 213**	
Derivatives (net amount) [2]		**1 772**	**1 772**		**1 772**	

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

in thousand EUR

31.12.2018	Classification under IFRS 9 [1]	Book value	Estimated fair value	Level 1 and cash	Level 2	Level 3
Trade receivables	**AC**	**194 281**	**194 281**		**194 281**	
Financial assets		**2 900**	**2 900**		**2 900**	
Equity securities	FVR	2 538	2 538		2 538	
Financial assets at amortized cost	AC	362	362		362	
Cash and cash equivalents		**26 591**	**26 591**	**26 591**		
Cash	AC	6 700	6 700	6 700		
Cash equivalents	AC	19 891	19 891	19 891		
Trade payables	**AC**	**319 870**	**319 870**		**319 870**	
Financial debts	**AC**	**290 721**	**291 074**		**291 074**	
Derivatives (net amount) [2]		**2 777**	**2 777**		**2 777**	

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

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

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

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

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

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

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

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

Note 9: Shareholders' equity

Share capital

No changes have been performed during the years 2018 and 2019.

	Share capital (in thousand EUR)	Number of ordinary shares (in units)
As at 1 January 2019	131 721	60 014 414
As at 31 December 2019	131 721	60 014 414

All ordinary shares are fully paid and have a par value of 2.195 euros. No changes occurred during 2019, the par value is the same for 2018 and 2019.

Dividends

in thousand EUR

	31.12.2019	31.12.2018
Dividends on ordinary shares (year 2018)	- 30 007	
Dividends on ordinary shares (year 2017)		- 30 007
Total	**- 30 007**	**- 30 007**

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 6 May 2020 to distribute a gross ordinary dividend of 0.60 euro per share for the financial year 2019. If approved, the gross ordinary dividend of 0.60 euro will be paid on 14 May 2020 (ex-dividend date 12 May 2019; record date 13 May 2019).

The Annual General Meeting of Shareholders approved on 2 May 2019 to distribute a gross ordinary dividend for the financial year 2018 of 0.50 euro per share. The gross ordinary dividend amounted to 30.0 million euro which has been paid on 16 May 2019.

Treasury shares

At 31 December 2019, the Group held 9.527 treasury shares. As at 31 December 2018, The Group held no treasury shares.

Note 10: Commitments and contingencies

Operational activities commitments

in thousand EUR

	Total	Less than one year	From one to five years	More than five years
Handsets purchases	55 002	55 002		
Other goods and services purchases	70 219	20 044	18 348	31 827
Investment commitments	82 455	81 492	955	8
Operational activities commitments	**207 676**	**156 538**	**19 303**	**31 835**

Guarantees granted

in thousand EUR

	Total	Less than one year	From one to five years	More than five years
Guarantees granted	**26 967**	**144**	**7 345**	**19 478**

In 2019, guarantees granted relate 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 2019.

Note 11: (Non)-current provisions

in thousand EUR

	31.12.2018	Additions	Utilisations	Reversal	Other effect	31.12.2019
Provisions for dismantling	64 460	59	- 1 226		14 188	77 481
Provisions for litigations	3 181	1 849	- 510	- 176	2	4 346
Total provisions	**67 641**	**1 908**	**- 1 736**	**- 176**	**14 190**	**81 827**

in thousand EUR

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

Accruals for dismantling consist of current (2.1 million euros) and non-current provisions (75.3 million euros) (see also Note 5 – Other intangible assets). Other effect is mainly explained by the decreased discount rate which resulted in an increased dismantling provision.

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

Outstanding litigations

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

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

See Management report, section 6 for detailed information on the disputes.

Network sites dismantling provision

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

Waste Electrical and Electronic Equipment

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

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

Note 12: Related parties

Relationships with affiliated enterprises

Balance sheet and income statement

in thousand EUR

	31.12.2019	31.12.2018
ASSETS		
Current trade receivables	- 16 476	- 8 627
LIABILITIES		
Current interest-bearing loan	8 807	18 218
Non-current interest-bearing loan	245 047	270 000
Current trade payables	9 667	- 1 538
INCOME AND CHARGES		
Sales	45 216	43 738
Purchases	- 59 362	- 43 168
Interests	- 2 422	- 2 680

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

During the year, Orange Belgium S.A. repaid 30.0 million euros of the long term-debt related to the unsecured revolving credit facility with Atlas Services Belgium.

At year end, the current account with Orange S.A. amounted to 6.9 million euros.

Related parties transactions

in thousand EUR

31.12.2019	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Orange - Traffic and services	32 365	- 36 349		
Orange - Cash pool		- 83	- 15 203	14 964
Orange Affiliates - Traffic and services	12 851	- 23 118	- 1 286	1 718
Atlas Services Belgium - Loan		- 2 234	13	239 848
Brand fees to Orange S.A.		-10 729		
Total	**45 216**	**- 72 513**	**- 16 476**	**256 530**

in thousand EUR

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

Terms and conditions of transactions with related parties

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

Following the rebranding exercise in 2016, Orange Belgium benefited a three year grace period. As from May 2019, a brand fee is charged on a yearly basis by the ultimate parent Orange S.A. which is mainly calculated as a percentage of retail service revenues.

There are no outstanding guarantees 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

in thousand EUR

	31.12.2019	31.12.2018
Short-term employees benefits	4 286	3 599
Post-employment benefits	436	483
Other long-term benefits	333	239
Termination benefits	749	173
Total	**5 805**	**4 494**

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

	31.12.2019	31.12.2018
Total Remuneration	**295**	**292**

Note 13: Liabilities related to contracts with customers and other assets related to contracts with customers

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

Customer contract net assets and liabilities

in thousand EUR

	31.12.2019	21.12.2018
Customer contract net assets	51 593	46 432
Costs of obtaining a contract	13 161	15 395
Costs to fulfill a contract		
Total customer contract net assets	**64 754**	**61 827**
Prepaid telephone cards	- 19 037	- 19 522
Connection fees	- 309	- 340
Loyalty programs		
Other deferred revenue	- 45 349	- 38 589
Other customer contract liabilities	- 1 050	- 964
Total deferred revenue related to customer contracts	**- 65 745**	**- 59 415**
Total customer contract net assets and liabilities	**- 991**	**2 412**

The following tables give an analysis of the balances of customer contract net assets:

in thousand EUR

	2019	2018
Customer contract net assets - in the opening balance [1]	46 432	50 149
Business related variations	5 160	- 3 717
Changes in the scope of consolidation		
Translation adjustment		
Reclassifications and other items		
Reclassification to assets held for sale		
Customer contract net assets - in the closing balance	**51 592**	**46 432**

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

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

in thousand EUR

	2019	2018
Deferred revenue related to customer contracts - in the opening balance	**59 415**	**61 253**
Business related variations	3 888	- 1 838
Changes in the scope of consolidation	2 442	
Translation adjustment		
Reclassifications and other items		
Reclassification to assets held for sale		
Deferred revenue related to customer contracts - in the closing balance	**65 745**	**59 415**

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

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

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

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

in thousand EUR

	2019	2018
Costs of obtaining a contract - in the opening balance	**15 395**	**19 630**
Business related variations	- 2 234	- 4 235
Changes in the scope of consolidation		
Translation adjustment		
Reclassifications and other items		
Reclassification to assets held for sale		
Costs of obtaining a contract - in the closing balance	**13 161**	**15 395**

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

The costs of obtaining fixed-period mobile service contracts are capitalized and released to profit or loss on a straight-line over the enforceable contract term, as these costs are generally incurred each time the customer renews the fixed-period.
There are no costs to fulfill a contract in Orange Belgium S.A..

The following table presents the transaction price assigned to unfulfilled performance obligations as at 31 December 2019. Unfulfilled performance obligations are the services that the Group is obliged to provide to customers during the remaining fixed term of the contract. As allowed by the simplification method procedure in IFRS 15, these disclosures are only related to performance obligations with an internal term greater than one year.

in thousand EUR

		Total 2019.12	Total 2018.12
Less than one year	Y01	64 691	62 797
Between 1 and 2 years	Y02	23 302	24 140
Between 2 and 3 years	Y03	144	241
Between 3 and 4 years	Y04	8	19
Between 4 and 5 years	Y05		
More than 5 years	Y99		
Total		**88 145**	**87 198**

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

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

Note 14: Lease agreements

In the course of its activities, the Group regularly enters into leases as a lessee. The leases concern the following asset categories:

- Land and buildings
- Network and terminals
- IT equipment; and
- Other

Lease liabilities

As of 31 December 2019, lease liabilities amount to 296.2 million euros, including non-current lease liabilities of 244.6 million euros and current lease liabilities of 51.7 million euros.

The following table details the undiscounted future cash flows of lease liabilities:

in thousand EUR

	31 December 2019	2020	2021	2022	2023	2024	2025 and beyond
Undiscounted lease liabilities	339 965	48 324	41 123	34 174	28 028	186 688	1 628

Right-of-use assets

in thousand EUR

	Gross value	Accumulated depreciation	Accumulated impairment	Net book value	January 1, 2019 Net book value
Land and buildings	328 565	-43 457		285 108	286 817
Networks and terminals	5 039	-1 315		3 724	4 916
IT equipment	3		-2	1	
Other right-of-use	12 338	-3 852	-29	8 457	4 498
Total right-of-use assets	**345 945**	**-48 624**	**-31**	**297 290**	**296 231**

Net book value of right-of-use assets -in the opening balance	**296 231**
Increase (new right-of-use assets	36 982
Impact of changes in the scope of consolidation	5 220
Depreciation	-48 624
Impairment	-31
Impact of changes in the assessments	7 512
Reclassifications and other items	
Net book value of right-of-use assets -in the closing balance	**297 290**

The total expenses relating to short-term leases for which the recognition exemption is applied amounted to 7.4 million euros for the accounting year 2019.

Note 15: Significant accounting policies

1. Summary of significant accounting policies

1.1. Transactions in foreign currencies

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

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

1.2. Business combinations, goodwill and goodwill impairment

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

For each business combination with ownership interest below 100%, non-controlling interests are measured:
- either at fair value: in this case, goodwill relating to non-controlling interests is recognized; or
- at the non-controlling interest's proportionate share of the acquiree's identifiable net assets: in this case, goodwill is only recognized for the share acquired.

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

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

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

IAS 36 requires these tests to be performed at the level of each Cash Generating Unit (CGU) or groups of CGUs likely to benefit from acquisition-related synergies. To determine whether an impairment loss should be recognized, the carrying value of the assets and liabilities of the CGUs or groups of CGUs is compared to the recoverable amount. The recoverable amount of a CGU is its value in use.

Value in use is the present value of the future cash flows expected to be derived from the CGUs. Cash flow projections are based on economic and regulatory assumptions, license renewal assumptions and forecast trading conditions drawn up by the Group's management, as follows:
- cash flow projections are based on five-year business plans;
- cash flow projections beyond that timeframe may be extrapolated by applying a declining or flat growth rate over the next two years (for some CGUs), followed by a growth rate to perpetuity reflecting the expected long-term growth in the market;
- the cash flows obtained are discounted using appropriate rates for the type of business and the countries concerned.

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

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

Impairment loss for goodwill is accounted for in the income statement and is never subsequently reversed.

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

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.

1.3. Intangible assets

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

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

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

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

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

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

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

Amortization of the licenses should start when the asset is available for use, i.e. when it is in the location and technical condition necessary for it to be capable of operating in the manner intended by the management, even if the asset is actually not being used. The license will be available for use when the first geographical zone will be declared "ready to launch" by the technical team. The full amount will be amortized on a straight line basis over its remaining useful life of that date.

The GSM and UMTS licenses have been granted for a period of 15 years (originally) and 20 years respectively. The extension of the GSM license, acquired in 2015, is amortized over a period of 5 years which corresponds to the license term.

The 4G license, acquired in 2011, has been granted for a period of 15 years, till the 1 of July 2027.

The 800 MHz license has been acquired in November 2013 and is valid for a period of 20 years.

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

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

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

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

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

1.4. Property, plant and equipment

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

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

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

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

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

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

- Building 20 years
- Pylons and network constructions 20 years
- Optical fiber 15 years
- Network equipment 5-10 years
- Messaging equipment 5 years
- IT servers 5 years
- Personal computers 4 years
- Office furniture 5-10 years
- Leasehold improvements 9 years or rental period if shorter
- Cable equipment 3-4 years

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

The costs related to the activation of the cable also includes the costs related to installation work performed at the customer's location to install the modem and are amortised over three years, based upon stable historical usage data available within the Orange Group.

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

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

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

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

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

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

1.5. Impairment of tangible and intangible items other than goodwill

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

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

1.6. Borrowing costs

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

1.7. Government grants

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

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

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

1.8. Taxes

Current income taxes

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

Deferred income tax

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

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

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

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

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

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

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

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

Sales tax

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

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

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

Operational taxes: IFRIC 21

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

Orange Belgium applies IFRIC 21 in the consolidated financial statements of 31 December 2019 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 is determined by the weighted average method. The weighted average unit cost is the total amount that has been paid for the inventory divided by the number of units in the inventory. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1.10. Cash and cash equivalents

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

1.11. Own shares (liquidity contract)

The purchase of own (Orange Belgium) shares or obligations in the framework of a liquidity contract are accounted for as a deduction from equity.

1.12. Long-term provisions

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

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

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

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

1.13. Employee benefits

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

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

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

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

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

In order to make sure that the defined contribution pension plan in force guarantees to participants the minimum return required by law at the date of departure regarding the access, Orange Belgium ordered a complete actuarial computation under the PUC method.

The actuary performed projections according to a pre-defined methodology and with certain assumptions. This report indicates that the accumulated reserves are sufficient to cover any deficit and this for all scenarios. As a consequence, as of 31 December 2019, no provision has been recognized. As Orange Belgium S.A. has no unconditional right to a refund or a reduction in future cash contributions no asset has been recognized neither.

1.14. Leases

Policy before 1 January 2019:

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.

Policy as from 1 January 2019:

The new standard, IFRS 16 "Leases", is of mandatory application since 1 January 2019.

Orange Belgium S.A. classifies as a lease, a contract that conveys to the lessee the right to control the use of an identified asset for a given period, including a service contract if it contains a lease component.

Orange Belgium S.A. has defined four major lease contract categories:

1. Land and buildings: these contracts mainly concern commercial (point of sale) or service activity (offices and head office) leases, as well as leases of technical buildings not owned by the Group. Real estate leases entered into in Belgium generally have long terms (between 7 and 11 years).
2. Networks and terminals: the Group is required to lease a certain number of assets in connection with its mobile activities. This is notably the case of lands to be used to install antennas, mobile sites leased from a third-party operator and certain "TowerCos" contracts (companies operating telecom towers). Leases are also entered into as part of fixed wireline access network activities.
3. IT (& network) equipment: this asset category primarily comprises leases of servers and hosting space in datacenters.
4. Other: this asset category primarily comprises leases of vehicles.

There are no real relevant differences in the four categories in the context of IFRS 16, the rules and calculation methods are identical.

Leases are recognized in the consolidated statement of financial position via an asset reflecting the right to use the leased assets and a liability reflecting the related lease obligations. In the consolidated income statement, amortization and depreciation of the right-of-use asset is presented separately from the interest expense on the lease liability. In the consolidated statement of cash flows, cash outflows relating to interest impact operating flows, while repayments of the lease liability impact financing flows.

Finally, Orange Belgium S.A. applies the following authorized practical expedients:

- Exclusion of leases with a residual term expiring within 12 months of the first application data. This practical expedient is applied for all contracts, including those with a tacit renewal clause at the transition date. In applying this practical expedient, the Group calls on its judgment and experience gained in the previous years to determine whether it is reasonably certain to exercise a renewal option, taking account of the relevant facts and circumstances.
- Exclusion of leases of assets with a replacement value of less than approximately 5,000 euros;
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of first-time application; and
- The inclusion in the opening balance sheet of provisions for onerous contracts measured as of 31 December 2018 pursuant to IAS 37, as an alternative to impairment testing of right-of-use assets in the opening balance sheet.

a) Accounting policies Lease Liabilities:

Orange Belgium S.A. recognizes a liability (i.e. a lease liability) at the date the underlying asset is made available. This lease liability is equal to the present value of fixed and fixed in-substance payments not paid at that date, plus any amounts that Orange is reasonably certain to pay at the end of the lease, such as the exercise price of a purchase option (where it is reasonably certain to be exercised), or penalties payable to the lessor for terminating the lease (where the termination option is reasonably certain to be exercised).

Orange Belgium S.A. only takes into account the lease component of lease when measuring the lease liability. For certain asset classes where the lease includes service and lease components, the Group may recognize a single contract classified as a lease (i.e. without distinction between the service and lease component).

Orange systematically determines the lease term as the period during which leases cannot be canceled, plus periods covered by any extension options that the lessee is reasonably certain to exercise and by any termination options that the lessee is reasonably certain not to exercise.

For open-ended leases, Orange Belgium S.A. generally adopts the notice period as the enforceable period. The Group nonetheless assesses, based on the circumstances of each lease, the enforceable period taking account of certain indicators such as the existence of non-insignificant penalties in the event of termination by the lessee. The Group considers in particular the economic importance of the leased asset when determining this enforceable period.

For each contract, Orange Belgium S.A. applies a discount rate determined based on the loan yield specific to each contract, according to its term plus the Group's credit spread if the interest rate can't be readily determined from the contract.

In order to determine the loan yield specific to each contract, Orange Belgium applies the following method:

- Determination of a risk-free rate curve according to the currency and maturity based on government bond yields.
- Application of Orange Belgium S.A.'s credit spread according to the currency and maturity.
- Selection of the applicable rate for each lease contract, corresponding to the average maturity of the contract.

After the lease commencement date, the amount of the lease liability may be reassessed to reflect changes introduced in the following main cases:

- A change in term resulting from a contract amendment or a change in assessment of the reasonable certainty that a renewal option will be exercised or a termination option will not be exercised;
- a change in the amount of lease payments, for example following application of a new index or rate in the case of variable payments; and
- any other contractual change, for example a change to the scope of the lease or the underlying asset.

b) Accounting policies ROU assets:

A right-of use is recognized as an asset, with a corresponding lease liability. This right-of-use asset is equal to the amount of the lease liability.

Work performed by the lessee and modifications to the leased asset, as well as guarantee deposits, are not components of the right-of-use asset and are recognized in accordance with other standards.
Finally, the right-of-use asset is depreciated in the consolidated income statement on a straight-line basis over the lease term adopted by the Group.

c) Accounting policies Identified assets:

- In certain circumstances, Orange Belgium rents a space to set up an antenna. Most often, the space is a piece of land or a part of a rooftop or balcony etc… The identified asset is the part of land which is rented per the terms of the lease contract. In most circumstances, the lease contract does not allow the owner of the space to substitute it by another one. Consequently, the contracts most often do not include a substitution right to the owner. All benefits from use of the part of the land rented are obtained by Orange Belgium. In certain circumstances, Orange Belgium rents a space on the tower and/or in the shelter from a third-party operator. This space can be defined as a dedicated space, volume or payload in the contract. The contract conveys the right to use an identified asset. The space in the tower and granted by the third-party operator is physically identifiable. Even in the case the space would not be explicitly specified in the contract, it will become identified at the time the spot is made available for Orange Belgium to install its equipment. When the contract allows the owner of the tower to substitute the space which is initially rented by Orange Belgium, this right either is generally exercisable only in very specific cases (security, heightening of the tower…) which cannot be anticipated at the beginning of the contract, or is subject to the pre-approval of Orange. Consequently, this substitution right is deemed not substantive for the supplier. All the economic benefits from use of the space are obtained by Orange Belgium.
- Fixed wireline: these leases mainly concern access to the local loop where Orange is a market challenger (total or partial unbundling), as well as the lease of land transmission cables.
  - Regarding the access to the local loop, the identified asset is the dedicated pair of copper wires installed from the telephone exchange / central office to the customer's premises. In most cases, the purchase order forms explicitly mention the specific pair of copper wires related to Orange. Even if the pair of copper wires is not explicitly specified in the purchase order form, it will become identified when the subscriber's access is granted to Orange by the incumbent. Then Orange is able to connect the pair of copper wires from its own DSLAM to the customer premises set-top box. The full unbundling contracts do not permit any substitution right. All the economic benefits from the use of the dedicated pairs of copper are obtained by Orange. Indeed, Orange has the exclusive use of the dedicated pair of copper wires to deliver retail telecommunication services (voice and broadband) to its final customer in exchange for a subscription fee, which is determined by Orange.

    However, as this is not material (only 10 lines are still in use representing a total yearly cost of approximately 2,000 euros) for Orange Belgium S.A., these contracts are not part of the IFRS16 calculation.

  - Regarding the lease of land transmission cables, Orange Belgium lease either a specific cable or a capacity portion of a cable.
    - In some cases, the supplier grants Orange Belgium the use of an identified and fully dedicated cable (for example dark fiber cable) for a determined period. Orange Belgium is responsible for directing and operating the dark fiber with its own active network equipment and resources. The identified asset is the dedicated dark fiber installed by the supplier from a point A to a point B. In most cases, the contracts or the purchase order forms explicitly mention the specific dark fiber involved (usually described by an identification number). Even in the case where the dark fiber is not explicitly specified in the purchase order form, it will become identified at the time the access is granted to Orange by the supplier. Then Orange is able to connect its own active equipment to the dedicated dark fiber. Unless a substantive substitution right is properly identified in a contract, Orange considers that the dedicated dark fibers are identified assets. Furthermore, all the economic benefits from the use of the dedicated dark fiber are obtained by Orange. Indeed, Orange has the exclusive use of the dedicated fiber cable used for core network operations purposes.
    - In some cases, the supplier grants Orange Belgium a high speed access link connecting two geographic points for a determined transmission capacity and period. The supplier is responsible for directing and operating the lines and their maintenance with its own active network equipment and resources. This form of capacity arrangement does not convey the right to use an identified asset. This form of leased lines arrangement (capacity arrangement) only conveys to Orange a right to access a capacity (i.e. a quantity) as mention in the offers. This kind of agreement does not fall within the scope of IFRS 16.

1.15. Loyalty commissions

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

1.16. Financial discounts

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

1.17. Dividend

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

1.18. TV content contracts

Expenses related to acquired TV distribution rights are recognized in the profit and loss statement as incurred and not capitalized as intangible asset and consequently amortized over the term of the contract. The Company believes that it only acquires the distribution right to air a certain channel and has no view or influence on future scheduling and content. As such, there is only a limited ability to predict significant audiences or revenues from future airings, which implies that the acquired TV distribution rights do not meet the requirements to be recognized as an intangible asset under IAS 38.

1.19 Segment reporting

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

The use of shared resources is taken into account in segmental results based either on contractual agreements terms between legal entities, or external benchmarks, or by allocating costs among all segments. The supply of shared resources is included in other revenues of the service provider, and the use of the resources is included in expenses taken into account for the calculation of the service user's EBITDAaL (as from accounting year 2019) and EBITDA (prior to accounting year 2019). 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.

1.20. Financial instruments

The standard IFRS 9 "Financial instruments" is of mandatory application since 1 January 2018.

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

<u>Classification and measurement of financial assets and liabilities</u>

The classification proposed by IFRS 9 determines the way assets are recognized and measured. The financial asset classification depends on the combination of the following two criteria:
- the Group's business model for managing financial assets; and
- the contractual cash flow characteristics of the financial asset (whether or not solely payments of principal and interest).

Based on the combined analysis of these two criteria, IFRS 9 identifies three business models:
- Financial assets measured at fair value through profit or loss (FVR)
  Certain investment securities which are not consolidated or equity-accounted, and cash investments such as negotiable debt securities and deposits, that are compliant with the Group's risk management policy or investment strategy, may be designated by Orange as being recognized at fair value through profit or loss. These assets are recognized at fair value at inception and subsequently. All changes in fair value are recorded in net financial expenses.
- Financial assets measured at fair value through other comprehensive income that may be reclassified (or not) to profit or loss (FVOCI)
  Investment securities which are not consolidated or equity-accounted are, subject to exceptions, recognized as assets at fair value through other comprehensive income that may not be reclassified to profit/loss. They are recognized at fair value at inception and subsequently. Temporary changes in value and gains (losses) on disposals are recorded in other comprehensive income that may not be reclassified to profit/loss.
- Financial assets measured at amortized cost (AC)
  This category mainly includes loans and receivables. These instruments are recognized at fair value at inception and are subsequently measured at amortized cost using the effective interest method. If there is any objective evidence of impairment of these assets, the value of the asset is reviewed at the end of each reporting period. An impairment loss is recognized in the income statement when impairment tests demonstrate that the financial asset carrying amount is higher than its recoverable amount. For trade receivables, the provisioning system also covers expected losses.

Assets previously classified as available-for-sale assets and held-to-maturity investments under IAS 39 are now presented in the following categories:
- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income;
- financial assets at fair value through other comprehensive income that may be reclassified to profit or loss; and
- financial assets at amortized cost.

<u>Impairment of financial assets</u>

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

Financial liabilities

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

<u>Interest-bearing loans and borrowings</u>

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.

<u>Trade and other short-term payables</u>

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.

<u>Offsetting a financial asset and a financial liability</u>

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.

<u>Hedge accounting</u>

Derivative instruments are measured at fair value in the statement of financial position and presented according to their maturity date regardless of whether they qualify for hedge accounting under IFRS 9.

1.21 Revenue from contracts with customers

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

Most revenue falls within the application scope of IFRS 15 “Revenue from contracts with customers”. Orange’s products and services are offered to customers under service contracts only and contracts combining the equipment used to access services and/or other service offers. Revenue is recognized net of VAT and other taxes collected on behalf of governments.

(1) Standalone service offers (mobile services only, fixed services only, convergent service)

Orange Belgium S.A. proposes to Mass market and Corporate markets customers a range of fixed and mobile telephone services, fixed and mobile Internet access services and content offers (TV). Some contracts are for a fixed term (generally 12 or 24 months), while others may be terminated at short notice (i.e. monthly arrangements or portions of services).

Service revenue is recognized when the service is provided, based on use (e.g. minutes of traffic or bytes of data processed) or the period (e.g. monthly service costs).

Postpaid mobile revenues are recognized without reference to actual data or voice usage/allowance. The voice or data allowance or the postpaid tariff plan does not have any impact on the calculation of the transaction price or enforceable period. For limited data offers however, any actual excess data usage is billed and recognized as revenue as incurred.

Under some content offers, Orange may act solely as an agent enabling the supply by a third-party of goods or services to the customer and not as a principal in the supply of the content. In such cases, revenue is recognized net of amounts transferred to the third-party.

Contracts with customers generally do not include a material right, as the price invoiced for contracts and the services purchased and consumed by the customer beyond the specific scope (e.g. additional consumption, options, etc.) generally reflect their standalone selling prices. Service obligations transferred to the customer at the same pace are treated as a single obligation.

When contracts include contractual clauses covering commercial discounts (initial discount on signature of the contract or conditional on attaining a consumption threshold) or free offers (e.g. three months of subscription free of charge), Orange Belgium SA defers these discounts or free offers over the enforceable period of the contract (period during which Orange Belgium S.A. and the customer have a firm commitment). Where applicable, the consideration payable to the customer is recognized as a deduction from revenue in accordance with the specific terms and conditions of each contract.

(2) Separate equipment sales

Orange Belgium S.A. proposes to Mass market and Corporate market customers several ways to buy their equipment (primarily mobile phones): equipment sales may be separate from or bundled with a service offer. When separate from a service offer, the amount invoiced is recognized in revenue on delivery and receivable immediately or in instalment over a period of up to 24 months. Where payments are received in instalments, the offer comprises a financial component and interest is calculated and deducted from the amount invoiced and recognized over the payment period in net finance costs. Such transactions are however limited.

When the equipment sale is combined with a service offer, the amount allocated to the equipment (bundled sale – see below) is recognized in revenue on delivery and received over the service contract.

Where Orange purchases and sells equipment to indirect channels, the Group generally considers that Orange maintains control until final resale to the end-customer (the distributor acts as an agent), even where ownership is transferred to the distributor. Sales proceeds are therefore recognized when the end-customer takes possession of the equipment (on activation).

(3) Bundled equipment and service offers

Orange proposes numerous offers to its Mass market and Corporate market customers comprising equipment and services (e.g. a communications contract).

Equipment revenue is recognized separately if the two components are distinct (i.e. if the customer can receive the services separately). Where one of the components in the offer is not at its separate selling price, revenue is allocated to each component in proportion to their individual selling prices. This is notably the case in offers combining the sale of a mobile phone at a reduced price, where the individual selling price of the mobile phone is considered equal to its purchase cost plus a commercial margin based on market practice.

The provision of Modems and decoders (For Internet / TV offers) is neither a separate component of the Cable access service nor a lease, as Orange maintains control of the box and modems.

(4) Service offers to carriers (wholesale)

We do have mainly the following possible types of commercial agreements entered into with Operator customers for domestic wholesale activities and International carrier offers:

- Pay-as-you-go model: contract generally applied to “legacy” regulated activities (roaming, data solution contracts,…), where contract services are not covered by a firm volume commitment. Revenue is recognized as the services are provided (which corresponds to transfer of control) over the contractual term; and
- Send-or-pay model: contract where the price, volume and term are defined. The customer has a commitment to pay the amount indicated in the contract irrespective of actual traffic consumed over the commitment period. This contract category notably includes certain MVNO contracts. The related revenue is recognized progressively based on actual traffic during the period, to reflect transfer of control to the customer. In case MVNO contracts are structured with a minimum commitment, minimum commitments are recognized as revenue unless usage exceeds the minimum commitment.

Specific revenue streams and related recognition criteria are as follows:

Sales of equipment

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

Revenue from the sale of prepaid cards

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

Interconnection revenue

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

Revenue sharing

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

Revenue deferred until payment for which collection is not considered probable

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

1.22 Earnings per share

The Group discloses both basic earnings per share and diluted earnings per share for continuing operations:

- **basic earnings per share** are calculated by dividing net income for the year attributable to the equity holders of the Group by the weighted average number of ordinary shares outstanding during the period;
- **diluted earnings per share** are calculated based on the same net income and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

When basic earnings per share are negative, diluted earnings per share are identical to basic earnings per share. In the event of an issuance of shares at a price lower than the market price, and in order to ensure comparability of the reporting period shown, the weighted average numbers of shares outstanding from current and previous periods are adjusted. Treasury shares owned, which deducted from the consolidated equity, do not enter into the calculation of earnings per share.

Note 16: Subsequent events

- On 9 March 2020, Orange Belgium announced a new mobile data increase in its mobile offers to further support the evolution of consumer usages. The result is a completely revamped mobile portfolio, named GO. This simplified GO portfolio consists of no more than 4 mobile subscriptions at a competitive price point and offering even more abundant mobile data. Orange GO is extra interesting for families, with unseen family discounts, without having to share a collective data bundle.

- The Coronavirus (COVID-19) pandemic is affecting human health, in particular the health of Orange Belgium employees, suppliers, subcontractors and customers, as well as the company's business and financial situation.

  As of today, Orange Belgium has identified the following major points of attention:

  - Human health and safety: Orange Belgium is closely monitoring developments in terms of this pandemic and puts the health and safety of its staff at the forefront. Orange Belgium is taking all the necessary measures to protect its staff in addition to the health instructions given by national authorities, while ensuring the conditions required for business continuity. Orange Belgium has introduced preventive measures such as teleworking for its employees whenever the activity can be carried out remotely and the necessary equipment is available. In other cases, Orange Belgium has also promoted barrier gestures as soon as possible in its instructions to staff and has made suitable hygiene equipment available.
  - Business continuity: Orange Belgium must, as a provider of essential business services, ensure the continuity of its electronic communications services and in particular of its critical activities. In accordance with government directives, Orange Belgium has set up a business continuity plan, which mainly covers network and information systems supervision and operation teams, security teams, technical support, staff in data centres and intervention teams.
    In addition, the significant increase in traffic on Orange Belgium's networks poses a risk of congestion that could lead to a deterioration or even interruption of services. To avoid such degradation or even interruptions, Orange Belgium has increased the capacity of its networks.

  The long-term effects of the containment measures taken by the public authorities and relayed by Orange Belgium are uncertain, and in particular the psychological impact on its employees of the isolation that it is likely to cause.

  The consequences of the pandemic on Orange Belgium's activities and financial situation are, at this stage, difficult to quantify; however, as of 27 March 2020, the following consequences can be noted:

  - probable effects on revenues, mainly resulting from :
    - the closure of Orange stores;
    - a slowdown in business with certain business customers, while on the other hand other customers might be requesting extra capacity or new services ;
    - the decline in international roaming;
  - a risk of a slowdown in investments and related projects, particularly with regard to networks;
  - an increased risk of payment default by certain customers;

  Depending on how the situation evolves, other impacts not yet known could arise.

  Based on the information available as of 27 March 2020, Orange Belgium has not modified its objectives for the financial year 2020 but remains attentive to the evolution of the situation.

- Proximus and Orange Belgium are fully resuming preparations with regard to the mobile access network sharing agreement. Beginning of January, the Belgian Competition Authority, in the procedure initiated by Telenet requesting interim measures, gave the telecom regulator until 16 March 2020 to further examine the sharing agreement. The Belgian Competition Authority confirmed on 17 March 2020 that these interim measures came to an end.

None of the above mentioned events were adjusting events and no other adjusting events arose between the balance sheet date and the date at which the financial statements have been authorised for issue.

Note 17: Glossary

Financial KPIs

Revenues

Revenues in line with the offer	Provide Group revenues split in convergent services, mobile only services, fixed only services, IT & integration services, wholesale, equipment sales and other revenues.
Retail service revenues	Revenue aggregation of revenues from convergent services, mobile only services, fixed only services, IT & integration services.
Convergent services	Revenues from convergent offers (excluding equipment sales). A convergent offer is defined as an offer combining at least a broadband access (xDSL, FTTx, cable or Fixed-4G (fLTE) with cell-lock) and a mobile voice contract (excluding MVNOs). Convergent services revenues do not include incoming and visitor roaming revenues.
Mobile only services	Revenues from mobile offers (excluding B2C convergent offers and equipment sales) and M2M connectivity, excluding incoming and visitors roaming revenues.
Fixed only services	Revenues from fixed offers (excluding B2C convergent offers and equipment sales) including (i) fixed broadband, (ii) fixed narrowband, and (iii) data infrastructure, managed networks, and incoming phone calls to customer relations call centers.
IT & integration services	Revenues from collaborative services (consulting, integration, messaging, project management), application services (customer relationship management and infrastructure applications), hosting, cloud computing services, security services, video-conferencing and M2M services. It also includes equipment sales associated with the supply of these services.
Wholesale	Revenues with third-party telecom operators for (i) mobile: incoming, visitor roaming, domestic mobile interconnection (i.e. network sharing and domestic roaming agreement) and MVNO, and for (ii) fixed carriers services.
Equipment sales	Revenues from all mobile and fixed equipment sales, excluding (i) equipment sales associated with the supply of IT & Integration services, and (ii) equipment sales to dealers and brokers.
Other revenues	Include (i) equipment sales to brokers and dealers, (ii) portal, on-line advertising revenues, (iii) corporate transversal business line activities, and (iv) other miscellaneous revenues.

Profit & Loss

Data on a comparable basis	Data based on comparable accounting principles, scope of consolidation and exchange rates are presented for previous periods. The transition from data on an historical basis to data on a comparable basis consists of keeping the results for the period ended and then restating the results for the corresponding period of the preceding year for the purpose of presenting, over comparable periods, financial data with comparable accounting principles, scope of consolidation and exchange rate. The method used is to apply to the data of the corresponding period of the preceding year, the accounting principles and scope of consolidation for the period just ended as well as the average exchange rate used for the income statement for the period ended. Changes in data on a comparable basis reflect organic business changes. Data on a comparable basis is not a financial aggregate as defined by IFRS and may not be comparable to similarly-named indicators used by other companies.
EBITDAaL (since 1 January 2019)	EBITDA after lease is not a financial measure as defined by IFRS. It corresponds to the net profit before: taxes; net interest expense excluding financial leases; share of profit/losses from associates; impairment of goodwill and fixed assets; effects resulting from business combinations; reclassification of cumulative translation adjustment from liquidated entities; depreciation and amortization (but including depreciation of RoU assets); the effects of significant litigation, specific labor expenses; review of the investments and business portfolio, restructuring costs.
Reported EBITDA (prior to 31 December 2018)	Reported EBITDA corresponds to the operating income before depreciation and amortization, before effects resulting from business combinations, before reclassification of cumulative translation adjustment from liquidated entities, before impairment of goodwill and fixed assets, and before share of profits (losses) of associates.
Adjusted EBITDA (prior to 31 December 2018)	Adjusted EBITDA (previously Restated EBITDA) corresponds to the reported EBITDA adjusted before the effects of significant litigation, specific labor expenses, review of the investments and business portfolio, restructuring costs and, where appropriate, other specific items.

Cash flow statement

Operating cash flow	EBITDAaL minus eCapex since 1 January 2019. Prior to 31 December 2018 it was defined as Adjusted EBITDA minus Capex.
Organic cash flow	Organic cash flows correspond to net cash provided by operating activities decreased by capex/eCapex and the repayment of lease liabilities, increased by proceeds from sale of property, plant and equipment and intangible assets and adjusted for the payments for acquisition of telecommunications licences
eCapex (since 1 January 2019)	Economic Capex is not a financial measure as defined by IFRS. It corresponds to capital expenditures on tangible and intangible assets excluding telecommunication licenses and excluding investments through financial leases less proceeds from the disposal of fixed and intangible assets.
Capex (prior to 31 December 2018)	Capital expenditures on tangible and intangible assets excluding telecommunication licenses and excluding investments through financial leases.
licences & spectrum	Cash out related to acquisitions of licences and spectrum.
Change in WCR	Change in net inventories, plus change in gross trade receivables, plus change in trade payables, plus change in other elements of WCR.
Other operational items	Mainly offset of non-cash items included in adjusted EBITDA, items not included in adjusted EBITDA but included in net cash provided by operating activities, and change in fixed asset payables.
Net debt variation	Variation of net debt level.

Operational KPIs

Convergent

B2Cconvergent customer base	Number of B2C customers holding an offer combining at least a broadband access (xDSL, FTTx, cable or Fixed-4G (fLTE) with cell-lock) and a mobile voice contract (excluding MVNOs).
B2C convergent ARPO	Average quarterly Revenues Per Offer (ARPO) of convergent services are calculated by dividing (a) the revenues from convergent offers billed to the B2C customers (excluding equipment sales) over the past three months, by (b) the weighted average number of convergent offers over the same period. The weighted average number of convergent offers is the average of the monthly averages during the period in question. The monthly average is the arithmetic mean of the number of convergent offers at the start and end of the month. Convergent ARPO is expressed as monthly revenues per convergent offer.

Mobile

Mobile customer base (excl. MVNOs)	Number of customers with active simcard, including (i) M2M and (ii) business and internet everywhere (excluding MVNOs).
Contract	Customer with whom Orange has a formal contractual agreement with the customer billed on a monthly basis for access fees and any additional voice or data use.
Prepaid	Customer with whom Orange has written contract with the customer paying in advance any data or voice use by purchasing vouchers in retail outlets for example.
M2M (machine-to-machine)	Exchange of information between machines that is established between the central control system (server) and any type of equipment, through one or several communication networks.
Mobile B2C convergent customers	Number of mobile lines of B2C convergent customers.
Mobile only customers	Number of mobile customers (see definition of this term) excluding mobile convergent customers (see definition of this term).
MVNO customers	Hosted MVNO customers on Orange networks.
Mobile only ARPO (quarterly)	Average quarterly Revenues Per Offer (ARPO) of mobile only services are calculated by dividing (a) the revenues of mobile only services billed to the customers, generated over the past three months, by (b) the weighted average number of mobile only customers (excluding M2M customers) over the same period. The weighted average number of customers is the average of the monthly averages during the period in question. The monthly average is the arithmetic mean of the number of customers at the start and end of the month. Mobile only ARPO is expressed as monthly revenues per customer.

Fixed

Number of lines (copper + FTTH)	Number of fixed lines operated by Orange.
B2C broadband convergent customers	Number of B2C customers holding an offer combining at least a broadband access (xDSL, FTTx, cable or Fixed-4G (fLTE) with cell-lock) and a mobile voice contract (excluding MVNOs).
Fixed broadband only customers	Number of fixed broadband customers excluding broadband convergent customers (see definition of this term).
Fixed only broadband ARPO (quarterly)	Average quarterly Revenues Per Offer (ARPO) of fixed only broadband services (xDSL, FTTH, Fixed-4G (fLTE), satellite and Wimax) are calculated by dividing (a) the revenues from consumer fixed only broadband services over the past three months, by (b) the weighted average number of accesses over the same period. The weighted average number of accesses is the average of the monthly averages during the period in question. The monthly average is the arithmetic mean of the number of accesses at the start and end of the month. ARPO is expressed as monthly revenues per access.

Orange Belgium S.A. annual accounts 2019

Comments on Orange Belgium S.A.'s 2019 annual accounts prepared according to Belgian accounting standards

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

Balance sheet after appropriation

in thousand EUR

	31.12.2019	31.12.2018
ASSETS		
Formation expenses	**152**	**390**
Fixed assets	**1 128 993**	**1 078 377**
Intangible fixed assets	219 094	250 664
Tangible fixed assets	785 075	739 723
Land and buildings	402 241	342 539
Plant, machinery and equipment	306 877	317 052
Furniture and vehicles	15 980	17 770
Other tangible fixed assets	8 604	8 461
Tangible assets under construction and advance payments made	51 373	53 901
Financial fixed assets	**124 824**	**87 990**
Affiliated enterprises	115 983	79 633
Participating interests	110 571	74 221
Amounts receivable	5 412	5 412
Other enterprises linked by participating interests	8 447	7 115
Participating interests	8 447	7 115
Other financial assets	395	1 243
Amounts receivable and cash guarantees	395	1 243
Current assets	**260 972**	**246 206**
Amounts receivable after more than one year	**221**	**331**
Other amounts receivable	221	331
Stocks and contracts in progress	24 503	**23 228**
Stocks	24 503	23 228
Goods purchased for resale	24 503	23 228
Amounts receivable within one year	227 840	**208 660**
Trade debtors	206 098	189 699
Other amounts receivable	21 743	18 961
Current investments	2 583	**6 900**
Own shares	197	0
Other investments and deposits	2 386	6 900
Cash at bank and in hand	319	**1 346**
Deferred charges and accrued income	**5 505**	**5 741**
Total Assets	**1 390 117**	**1 324 973**

in thousand EUR

	31.12.2019	31.12.2018
EQUITY AND LIABILITIES		
Equity	**517 237**	**526 848**
Capital	**131 721**	**131 721**
Issued capital	131 721	131 721
Reserves	13 369	**13 172**
Legal reserve	13 172	13 172
Reserves not available	197	0
In respect of own shares held	197	0
Accumulated profits (losses) (+) (-)	372 147	**381 956**
Investment grants	0	**0**
Provisions and deferred taxes	**75 659**	**3 332**
Provisions for liabilities and charges	**75 659**	**3 332**
Pensions and similar obligations	63	305
Other risks and costs	75 596	3 027
Amounts payable	**797 221**	**794 792**
Amounts payable after more than one year	**240 009**	**271 793**
Financial debts	240 000	270 000
Other loans	240 000	270 000
Other amounts payable	9	1 793
Amounts payable within one year	494 236	462 328
Financial debts	37 224	22 596
Credit institutions	0	2 500
Other loans	37 224	20 096
Trade debts	318 948	303 407
Suppliers	318 948	303 382
Bills of exchange payable	0	25
Taxes, remuneration and social security	97 612	102 837
Taxes	67 897	75 274
Remuneration and social security	29 715	27 563
Other amounts payable	40 453	33 488
Accrued charges and deferred income	**62 976**	**60 672**
Total Equity and Liabilities	**1 390 117**	**1 324 973**

Income statement

in thousand EUR

	31.12.2019	31.12.2018
Operating income	**1 296 275**	**1 259 363**
Turnover	1 252 680	1 217 821
Own construction capitalized	10 015	9 485
Other operating income	33 580	31 695
Non-recurring operating income	0	362
Operating charges	**1 258 713**	**1 210 306**
Raw materials, consumables	651 754	630 357
Purchases	653 343	634 606
Stocks: decrease (increase) (+) (-)	- 1 589	- 4 249
Services and other goods	225 760	214 174
Remuneration, social security costs and pensions	137 300	132 593
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	230 739	222 593
Amounts written off stocks, contracts in progress and trade debtors: appropriations (write-backs) (+) (-)	- 7 788	- 17 721
Provisions for risks and charges: appropriations (uses and write-backs) (+) (-)	109	- 1 554
Other operating charges	20 838	29 771
Non-recurring operating charges	0	93
Operating profit (loss) (+) (-)	37 562	**49 057**
Financial income	298	2 700
Recurring financial income	298	2 700
Income from financial fixed assets	56	2 526
Income from current assets	192	72
Other financial income	50	102
Non-recurring financial income	0	0
Financial charges	4 871	5 403
Recurring financial charges	4 871	5 403
Debt charges	3 991	4 202
Other financial charges	881	1 201
Non-recurring financial charges	0	0
Profit (loss) for the period before taxes (+) (-)	**32 989**	**46 355**
Income taxes (+) (-)	6 259	6 819
Income taxes	10 361	13 623
Adjustment of income taxes and write-backs of tax provisions	4 102	6 804
Profit (loss) for the period (+) (-)	26 730	39 536
Profit (loss) for the period available for appropriation (+) (-)	**26 730**	**39 536**

Appropriations and withdrawings

in thousand EUR

	31.12.2019	31.12.2018
Profit (loss) to be appropriated (+) (-)	**408 685**	**409 815**
Profit (loss) to be appropriated (+) (-)	26 730	39 536
Profit (loss) to be carried forward (+) (-)	381 956	370 279
Transfers from capital and reserves	0	**2 476**
From reserves	0	2 476
Transfers to capital and reserves	0	**0**
To other reserves	197	0
Profit (loss) to be carried forward (+) (-)	372 147	**381 956**
Profit to be distributed	36 342	**30 336**
Dividends	36 009	30 007
Other beneficiaries	333	328

Corporate Governance Statement*

1. Introduction

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

This code was published in the Belgian Official Gazette (Belgisch Staatsblad / Moniteur belge) on 28 June 2010 as an appendix to the Royal Decree of 6 June 2010 regarding the designation of the Corporate Governance Code to be complied with by listed companies. It is also available online (http://www.corporategovernancecommittee.be).

The Board of Directors approved the updated Corporate Governance Charter on 23 July 2019. This version of the Charter became effective on 1 September 2019. It is available on Orange Belgium's website (https://corporate.orange.be/en/financial-information/corporate-governance). The document describes the main aspects of the company's corporate governance, including its governance structure and the internal rules of the Board of Directors, the Executive Committee, and other committees set up by the Board of Directors.

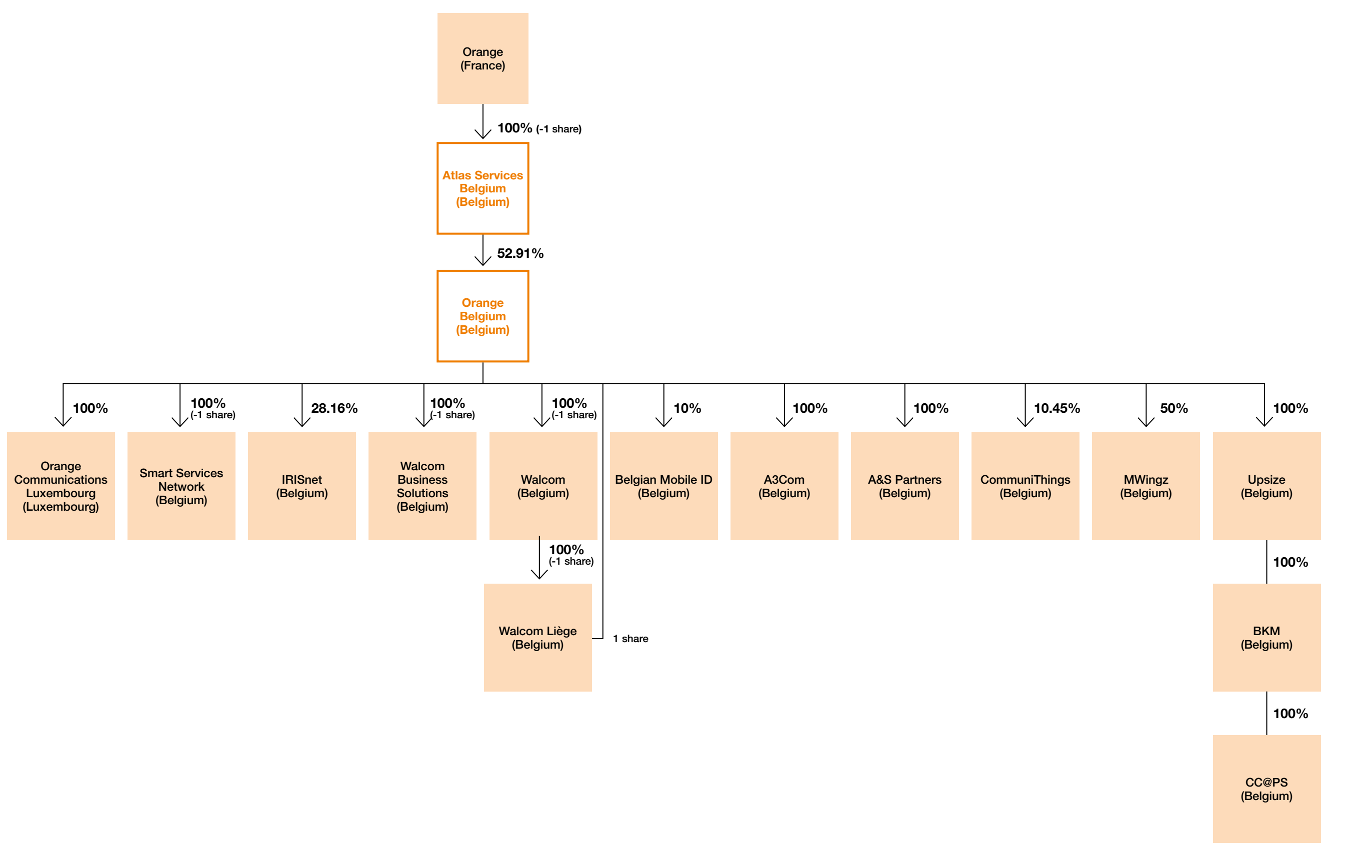
The company considers that its Corporate Governance Charter as well as this Corporate Governance Statement reflect both the spirit and the provisions of the Belgian Corporate Governance Code and the relevant provisions of the Belgian Companies and Associations Code.

2. Law on takeover bids

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

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

The chain of control was reconfirmed on 1 July 2013 after an internal restructuring of the Orange Group. The organisation chart below illustrates Orange Belgium's corporate structure as at 31 December 2019:



* This chapter contains more information than the minimum framework requires.

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

As at 31 December 2019, Orange Belgium's shareholder structure was as follows:

Shareholders	Shareholding	Number of shares
ASB	52.91%	31,753,100
Others	39.12%	23,478,888
Schroders Investment Management	4.95%	2,971,712
Boussard & Gavaudan Asset Management	3.02%	1,810,714
TOTAL	**100%**	**60,014,414**

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

Transfer of shares & shareholder arrangements

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

Restrictions on the exercise of voting rights

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

Appointment, renewal, resignation and dismissal of Directors

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

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

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

At the General Shareholders' Meeting held on 2 May 2019, the shareholders authorised the Board of Directors to acquire (by purchase or exchange) up to a maximum of 20% of its outstanding shares. This authorisation is valid for a period of five years from the said General Shareholders' Meeting. The shares' acquisition price must not be higher than 115% nor lower than 85% of Orange Belgium's average closing share price during the five working days preceding the purchase. This authorisation is also valid for the acquisition of shares in the company by a direct subsidiary pursuant to Article 7:221 of the Belgian Code of Companies and Associations.

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

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

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

Board of Directors

Structure and composition

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

On 31 December 2019, the Board of Directors consisted of twelve members of which one executive director and eleven non-executive directors. Four non-executive directors are independent directors. One third of directors are women. There is no age limit within the Board of Directors.

Name	Function	Main function	Born	Nationality	End of mandate
The House of Value - Advisory & Solutions (3)(6)	Director/ Chairman	Director of companies	NA	Belgian	AGM 2021
Michaël Trabbia (1)(2)	Executive director	CEO - Orange Belgium	1976	French	AGM 2021
K2A Management and Investment Services (3)(7)	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	Head of Finance & Strategy Europe - Orange S.A.	1958	French	AGM 2021
B. Mandine (1)	Director	Head of Communication and Brand - Orange S.A.	1968	French	AGM 2021
Ch. Naulleau (1)	Director	Senior VP Europe / Countries Governance - Orange S.A.	1960	French	AGM 2021
J.M. Vignolles (1)	Director	COO Europe - Orange S.A.	1953	French	AGM 2021
V. Le Boulanger (1)	Director	Head of HR - Orange S.A.	1962	French	AGM 2021
R. Fernandez (1)	Director	Deputy CEO / CFO - Orange S.A.	1967	French	AGM 2021
M. De Rouck (3)	Independent director	Director of companies	1956	Belgian	AGM 2021
Leadership and Management 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 and Associations Code.
(4) Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA) is represented by Mrs Nadine Lemaître-Rozencweig.
(5) Leadership and Management Advisory Services (LMAS) is represented by Mr Grégoire Dallemagne.
(6) The House of Value - Advisory & Solutions is represented by Mr Johan Deschuyffeleer.
(7) K2A Management and Investment Services is represented by Mr Wilfried Verstraete.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1. J. Deschuyffeleer
2. M. Trabbia
3. W. Verstraete
4. N. Lemaître-Rozencweig
5. F. Gelibter
6. B. Mandine
7. Ch. Naulleau
8. JM. Vignolles
9. V. Le Boulanger
10. R. Fernandez
11. M. De Rouck
12. G. Dallemagne

Role and function

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

During the year, the Board of Directors' discussions, reviews and decisions focused on the company's strategy and structure, budget and financing, operating and financial situation, commercial results, strategic projects, the functioning and resolutions of the committees set up by the Board of Directors, the evolution of the regulatory framework, the distribution management and vehicles, branding and communication, network licences and spectrum requirements.

The Board of Directors met nine times in 2019. Each director's attendance is shown in the table below.

There were no transactions or contractual relationships in 2019 between the company and its Board members giving rise to conflicts of interests.

Members of the Board of Directors	Function	12.02	04.03	27.03	23.04	13.05	10.07	23.07	22.10	27.11
The House of Value - Advisory & Solutions (J. Deschuyffeleer)	Director/ Chairman	P	P	P	P	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
V. Le Boulanger	Director	P	R	R	P	P	R	P	P	P
K2A Management and Investment Services (W. Verstraete)	Independent director	P	P	P	P	P	P	P	P	P
SOGESTRA (N. Lemaître-Rozencweig)	Independent director/Vice-chairman	P	P	R	P	P	R	P	P	P
M. Trabbia	Executive director	P	P	P	P	P	P	P	P	P
B. Mandine	Director	R	R	P	P	R	R	P	P	P
M. De Rouck	Independent director	P	P	P	P	P	P	P	P	P
J.M. Vignolles	Director	P	P	P	P	P	P	P	P	P
Leadership and Management Advisory Services (G. Dallemagne)	Independent director	P	P	R	P	P	P	P	P	P
R. Fernandez	Director	P	R	R	P	P	R	P	P	P

P: participated (in person or by call), R: validly represented.

Board Committees

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

The Audit committee

The Audit committee comprises three directors: Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Ms Nadine Lemaître-Rozencweig), Mrs Martine De Rouck and Mr Francis Gelibter. The Audit Committee met six times in 2019. The committee complies with the Belgian Companies and Associations Code which requires members to be exclusively non-executive directors and at least one independent director (Ms Nadine Lemaître-Rozencweig and Mrs Martine De Rouck).

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

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

Members of the Audit Committee	Function	11.02	23.04	22.07	21.10	27.11	04.12
SOGESTRA (N. Lemaître-Rozencweig)	Independent director/ Chairman	P	P	P	P	P	P
F. Gelibter	Director	P	P	P	P	P	P
M. De Rouck	Independent director	P	P	P	P	P	P

P: participated (in person or by call)

The main subjects discussed were:

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

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises three directors: Mrs Valérie Le Boulanger (Chairman), Mrs Martine De Rouck and Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Mrs Nadine Lemaître-Rozencweig). The committee complies with the Belgian Companies and Associations Code which requires members to be exclusively non-executive directors with a majority of independent directors (Mrs Nadine Lemaître-Rozencweig and Mrs Martine De Rouck).

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

The Remuneration and Nomination Committee met three times during 2019 and examined: the composition of the Board of Directors and the Executive Committee; remuneration of the Directors and of the Executive Committee as well as the company's remuneration policy.

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

Members of the Remuneration and Nomination Committee	Function	11.02	22.07	04.12
V. Le Boulanger	Director/ Chairman	P	P	P
SOGESTRA (N. Lemaître-Rozencweig)	Independent director	P	P	P
M. De Rouck	Independent director	P	P	P

P: participated (in person or by call)

The Strategic Committee

The role of the Strategic Committee is to assist the Board of Directors with determining and assessing the company's strategy. The Strategic Committee comprises five directors: The House of Value – Advisory & Solutions represented by Mr Johan Deschuyffeleer, Leadership and Management Advisory Services represented by Mr Grégoire Dallemagne, Mr Christophe Naulleau, K2A Management and Investment Services represented by Mr Wilfried Verstraete and Mr Jean-Marc Vignolles.

In 2019, the Strategic Committee met three times and dealt with the following subjects:

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

Members of the Strategic Committee	Function	14.03	04.07	13.11
Leadership and Management Advisory Services (G. Dallemagne)	Independent director/ Chairman	P	P	P
The House of Value - Advisory & Solutions (J. Deschuyffeleer)	Independent director	P	P	P
Ch. Naulleau	Director	P	P	P
K2A Management and Investment Services (W. Verstraete)	Independent director	P	P	P
J.M. Vignolles	Director	P	P	P

P: participated (in person or by call)

The Governance Supervisory Committee

The Governance Supervisory Committee is an ad hoc committee which was set up on 14 December 2004 following the publication of the first Corporate Governance Code. The committee's purpose is to follow the code's evolution and to ensure its application within the company.

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

The Governance Supervisory Committee met twice during the year and discussed notably the following:

- evaluation of the Board of Directors and the statutory committees;
- evolutions in the field of corporate governance;
- implementation of the 2020 Corporate Governance Code and the Code on Companies and Associations;
- draft of a new proposed Corporate Governance Charter.

Members of the Governance Supervisory Committee	Function	04.07	09.09
M. De Rouck	Independent director/ Chairman	P	P
SOGESTRA (N. Lemaître-Rozencweig)	Independent director	P	P
Ch. Naulleau	Director	P	P

P: participated (in person or by call)

5. Diversity policy

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

The composition of the Board of Directors and of the Executive Committee are determined on the basis of diverse and complementary competencies, experience and knowledge.

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

The Board of Directors currently has four female directors out of a total of 12.

In the framework of the legislation regarding the publication of information with respect to diversity, the company's diversity policy will be further developed and monitored by the Board of Directors.

During the year, Orange Belgium further aligned its diversity approach with Orange S.A.'s approach. During 2019 we:

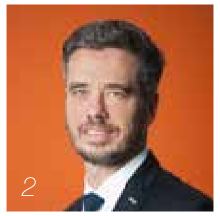
- Continued our focus on gender equity (Fierce ladies sponsoring, 8 March 2019 internal campaign on gender biases, intensified well-being approach, gender pay gap analysis…)
- Made Orange Belgium more attractive for millennials (employer branding, innovative campaigns…)
- Started regular monitoring & created awareness of HR & Exco
- Tested traineeships for people from underprivileged areas with Actiris
- Organised a Stakeholders dialogue on Diversity & inclusion (in September) to feed our D&I plans

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

- Creating a common culture through our Bold Inside transformation principles (simplification, digitalisation, empowerment);
- Offering a diverse and inclusive work environment that encourages all our employees to progress and to develop their talents for a unique experience;
- Focusing on diversity in the broad sense: promoting team diversity;
- Ensuring well-being as a key component of our equity and inclusion strategy.

On 17 July 2019, the Group signed a Global Agreement on workplace gender equality with the UNI global unions covering 3 main areas: gender equality in the workplace; work-life balance; combatting discrimination and violence. This agreement is applicable in all countries and will be implemented in 2020 with the nomination of a Diversity correspondent and a Diversity committee to monitor advancement.

In November we obtained our GEEIS (Gender Equality European & International Standard) re-certification for 2 years with a good improvement on most criteria.



6. Composition and operation of the Executive Committee

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

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

As at 31 December 2019, the Executive Committee was composed of the following eight members.

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

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

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

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

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

6 - Mr Javier Diaz Sagredo is Chief Transformation & Digital Officer since March 2019. He is responsible for digital transformation, operational excellence, as well as IT. Javier is a Telecommunications Engineer with more than 30 years of experience in IT gained working for consultancy firms, outsourcing companies and Telco operators in the Spanish market. He began his career at Price Waterhouse in 1988 as a Consultant in the IT Strategy practice. After four years working for Electronic Data Systems (EDS) leveraging his outsourcing knowledge, he joined Jazztel Telecommunications in 1999 as Head of IT Operations. In 2007 he became Chief Information Officer of ya.com (Deutsche Telekom Group) and joined Orange Spain in 2008. Javier is well known for his knowledge, commitment, leadership and spirit of change.

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

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

Consulting Group. She is a graduate of ICHEC Business Management School

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

Every contract and every transaction between a Director or a member of the Executive Committee and the company requires a prior approval from the Board of Directors, after informing and consulting with the Audit Committee in that respect. Such contracts or transactions should be concluded at commercial conditions, in accordance with the prevailing market circumstances. The prior approval of the Board of Directors is required, even if articles 7:96 and 7:97 of the Belgian Code of Companies and Associations are not applicable to the said transaction or the said contract. However, services delivered by the company in its normal course of business and at normal market conditions (i.e. a normal "customer relationship") are not subject to such prior approval.

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

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

The Board of Directors is responsible for a periodic evaluation of its effectiveness and that of the various committees. Every two to three years, the Chairman heads the Board of Directors as it assesses the size, composition and performance of the Board of Directors and the different committees.

This assessment has four objectives:

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

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

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

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

9. Information regarding the remuneration connected to shares

In 2019, 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 2020 General Shareholders' Meeting.

10. Remuneration report

Remuneration policy of Orange Belgium

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

Orange Belgium's remuneration policy fits within the framework of a more comprehensive remuneration strategy, aligned with our digital and caring promise. This strategy is based on three main priorities to ensure: the right skills for the future; collective agility; and commitment of our employees to our company success. With this in 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 market benchmarks, the collective stakes and Orange Belgium´s objectives in order to motivate employees, to promote personal commitment to the company's project and to present an attractive compensation on the job market. To do this, Orange Belgium works in collaboration with several universities in order to develop the best tools: classification of positions, elements composing the remuneration and remuneration levels for each type of position. The salary surveys used are chosen as a function of the sector, the size of the companies and the strategic stakes. In order to align the remuneration policy with market trends a Flex Income Plan was implemented in 2019 to provide employees (including members of the Executive Management) with possibilities to customize their remuneration package to their personal needs in compliance with the Belgian social legislative framework.

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 51% of total remuneration)
- Variable remuneration, based on short- and long-term performance and encouraging the attainment of the company's objectives (around 30% of total remuneration)
  - Short-term variable remuneration called "performance bonus"
  - Long-term variable remuneration called "Long-term Incentive Plan 2017-2019", "Long-term Incentive Plan 2018-2020" and "Long-term Incentive Plan 2019-2021.
- The General Shareholders Meeting of May 2011 decided to apply the exception provided for in article 520ter of the Belgian Companies Code (article 7:91 of the new Belgian Code of Companies and Associations) (combined with article 525 (article 7:121 of the new Belgian Code of Companies and Associations) to take account of the competitive and constantly developing context that is intrinsic to the telecommunications sector.
- Other elements of the remuneration (around 19% 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 Nomination and Remuneration 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 variable target 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 a proportion to encourage individual performance and another part aimed at attaining the company objectives.

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

  The targets for the individual variable part are determined every semester. The Chief Executive Officer's individual performance is determined by the Nomination and Remuneration Committee; the individual performance of the other members of the Executive Management is proposed by the Chief Executive Officer to the Nomination and Remuneration Committee.
- The collective part which is based in 2019 on financial indicators, customer satisfaction and employee engagement, reflecting the company's strategic ambition to place its customers and its employees at the heart of its activity, takes into account:
  - Consolidated total revenues
  - EBITDAaL (Earnings before Interest, Taxes, Depreciation and Amortization, after Lease)
  - Brand Net Promoter Score that measures the percentage of customers who are promoters minus percentage of customers who are detractors consolidated per main business line
  - Employee Net Promoter Score that measures to what extent Orange Belgium employees would recommend Orange Belgium as a good place to work (percentage of employees who are promoters minus percentage of employees who are detractors)

The targets for the collective variable part are set each semester based on company objectives and validated by the Nomination and Remuneration Committee. These have been integrated in the non-recurring bonus linked to the results, to which Exco members are also entitled as of 2019.

The performance bonus is granted in cash, in warrants, in options on shares which are not connected to the company or benefits available in the Flex Income Plan. For members of the Executive Management that enrolled in the framework of the FIP, the performance bonus is partially paid into a bonus pension plan.

The result of the collective and individual part is submitted for review to the Nomination and Remuneration Committee each semester prior to it being granted.

In the event the targets are not met, the collective part can be reduced to 0%. In the event 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.

At the closing of 2018, the Nomination and Remuneration Committee validated an exceptional incentive for all the Executive Committee members based on the company achievements resulting from the Bold Challenger position taken by Orange. This incentive represents 7% of the total Executive Committee package and was paid out in March 2019.

2. The long-term variable remuneration

Recurring Long-term Incentive Plans (2017-2019, 2018-2020 and 2019-2021)

The three-year recurring Long-term Incentive Plan ("LTIP") established by the company aims to incentivize and retain executive members over the longer term by rewarding delivery of targets linked to the company's strategy and longer term value creation. This LTIP represents 30% of yearly fixed remuneration of executive members after three years.

The LTIP is a "rolling plan" over three-year performance periods with awards considered and decided annually by the Nomination and Remuneration 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 Nomination and Remuneration 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 Nomination and Remuneration Committee on a case by case basis. Leavers under notice are not eligible for any further awards under consideration by the Nomination and Remuneration Committee.

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

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

In the event the long-term company targets are not met and of insufficient personal performance, the payout of the LTIP can be cancelled. If it appears 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 Nomination and Remuneration Committee has decided in 2019 for the 2019-2021 LTIP award reflect the company's strategy and long-term value creation over the three-year performance period:

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

LTIP awards will vest subject to company performance measured over each three-year period with plan payments paid in cash, in warrants 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 2017-2019 LTIP, the 2018-2020 LTIP and the 2019-2021 awards are anticipated to vest and become payable in respectively March 2020, March 2021 and March 2022 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 the event 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 2018, the Shareholders' Meeting approved the award 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-month exit guarantee. For the other members of the Executive Management, labour law applies and no specific severance clauses have been agreed.

4. Orange S.A. Share Plans

In 2019, in continuity of the Group's 2017-2019 Long Term Incentive Plan, the Board of Directors of Orange S.A. decided to implement a new share award for the 3 year period 2019-2021 approved pursuant to the provisions of the seventeenth resolution of the General Shareholders' Meeting of 2 May 2019.

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 24 July 2019 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 2019-2021 award. Beneficiaries will receive free Orange S.A. shares at the end of a three-year performance period (2019, 2020 and 2021), subject to the following conditions:

- **Presence conditions**: beneficiaries must be employed within the Orange Group (without interruption) up until the performance period end date of 31 December 2021
- **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 2022, subject to the presence conditions and achievement of the performance conditions as assessed by the Board of Directors of Orange S.A..

Detailed remuneration of the members of the Executive Management

In 2019, the Executive Management's remuneration remained overall stable. Variations are largely a result of:

- Mandatory indexations and variable long-term remuneration, which impacted remuneration in 2019 more than in 2018
- Offset by
  - a decreasing number of Exco members
  - changes in the staffing of the Executive Committee
  - variable short-term remuneration which impacted remuneration less in 2019 than in 2018

More severance payments were due in 2019 compared to 2018:

For the Chief Customer Experience Officer a severance payment corresponding to 18 months was paid end April 2019.

For the Chief Consumer Business Unit Officer a severance payment corresponding to 8 months was paid end December 2019.

All the amounts are reported on the basis of a gross amount, excluding employer social security contributions and all taxes due by the employer, notably on insurance premiums.

The variable remuneration taken into account is the variable remuneration which was actually paid out in 2019 related to 2019 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 2019, the Executive Management (except the CEO) was comprised of 7 members (7.5 full-time equivalents during the year). In 2018, it was comprised of 7.8 full-time equivalents. The members of the Executive Management who were not in service all year long are taken into account on a prorata temporis basis.

(in €)	2018	2019
CEO		
Gross base remuneration	310,604	324,584
Gross variable remuneration in cash and/or options (short-term)	201,560	210,672
Gross variable remuneration in cash and/or options (long-term)	0	56,498
Other components of the remuneration (excluding employer's contributions to the pension plan)	83,858	80,387
* risk insurance	9,613	9,849
* other components	74,245	70,537
Employer's contributions to the pension plan	66,736	68,178
Total	**662,758**	**740,319**
Executive Management (except the CEO)		
Gross base remuneration	1,831,495	1,921,617
Gross variable remuneration in cash and/or options (short-term)	848,090	691,385
Gross variable remuneration in cash and/or options (long-term)	239,053	276,895
Other components of the remuneration (excluding employer's contributions to the pension plan)	323,179	317,375
* risk insurance	71,884	80,236
* other components	251,295	237,139
Employer's contributions to the pension plan	416,410	367,378
Total	**3,658,226**	**3,574,649**
Global total	**4,320,984**	**4,314,968**

The detailed remuneration of the directors (in €)

Directors	Basic Fee	EXTRA €3000 for VP and Presidents committees	Audit Committee (6)	Remuneration and Nomination Committee (3)	Strategic Committee (3)	Governance Supervisory Committee (2)	TOTAL
The House of Value - Advisory & Solutions (President BOD)	72,000	NA	NA	NA	7,200	NA	79,200
SOGESTRA (N. Lemaître-Rozencweig) (VP BOD)	36,000	6,000	12,000	7,200	NA	4,800	66,000
M. De Rouck	36,000	NA	12,000	7,200	NA	4,800	60,000
Leadership and Management Advisory Services (G. Dallemagne)	36,000	3,000	NA	NA	7,200	NA	46,200
K2A Mangement and Investment Services (W. Verstraete)	36,000	NA	NA	NA	7,200	NA	43,200
TOTAL	**216,000**	**9,000**	**24,000**	**14,400**	**21,600**	**9,600**	**294,600**

NA: not applicable

11. Risk management

A comprehensive, consistent and integrated risk management approach is in place to capitalise on synergies between Audit, Control and Risk functions at all levels of the organisation. 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 formalised 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 carried out at least twice a year via the Risk Committee which comprises all members of the Executive Committee. 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
- Reputational damage
- Breach of availability, integrity or confidentiality of data or information
- Corruption, ethical breach and frauds
- Damage to property or other assets
- Destabilisation by a disruptive business model or innovation (sectorial risk)
- Inability to improve the business models on convergence
- Failure or malfunction of the profitability monitoring, decision process, the project mode or the strategy
- Failure to transform or simplify processes and systems
- Human health and safety
- Errors and financial prejudices
- Insufficient, costly, wrong or late infrastructure investment (sectorial risk)
- Loss of or difficulty to attract and retain key or rare skills
- Major business interruption
- Non-compliance with or increase of laws or regulations
- Key partnership underperformance

Internal control environment and control activities

For the purpose of managing risks, an internal control environment has been deployed for many years at Orange Belgium. It covers aspects such as governance, 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, 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 firstly by the functional or operational managers under the supervision of their supervisors. All major processes and the controls that they encompass are formalised. As part of the Orange Group, this internal control environment ensures conformity with the American Sarbanes-Oxley and Sapin II requirements that must be complied with at the Orange Group level.

All documentation is regularly reviewed and duly updated. Specific functions of assurance (i.e. fraud, revenue assurance, data privacy, security, business continuity and crisis management), compliance and audit (i.e. 'Internal Audit') have also been set up.

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

Information and communication

The company maintains transparent communication as regards its employees, in conformity with its values and based on a multiple system integrating in particular its intranet and periodical presentations by the Executive Committee at different levels.

Advanced data processing and control processes ensure reliable information is made available in a timely manner, in particular as regards financial reporting.

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 investor and analyst community during dedicated meetings (conference calls/webcasts/physical meetings). The provided information is accessible to all and available on the company's website (https://corporate.orange.be).

Monitoring

In addition to the front-line control activities, specific functions of assurance, compliance and audit are in place in order to ensure the internal control environment is constantly assessed. Internal Audit reports to the Audit Committee to ensure it can carry out its assignments with independence and impartiality. The Audit Committee monitors the responsiveness to audit engagements and the follow-up of (corrective) action plans.

The Audit Committee also monitors and controls the reporting process of the financial information disclosed by the company and its reporting methods. To this effect, the Audit Committee discusses all financial information with the Executive Committee and with the external auditor and if required, examines specific issues with respect to this information.

The Audit Committee of the Board of Directors monitors and reviews at least once a year with the Executive Committee the quality and effectiveness of the risk management and the internal control environment set up by the Executive Committee. It must monitor that the main risks, such as but not limited to fraud, revenue assurance, data protection, security, compliance & ethic, security and legal, are properly identified, managed and disclosed in accordance with the framework which was approved by the Board of Directors.

For more detailed information regarding this monitoring, reference is made to Audit Committee Terms of Reference (Appendix III of the Corporate Governance Charter).

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

In view of Orange Belgium Group's financial results in the course of the financial year ending December 31, 2019, the company is not subject to the application of article 3:6 §1 (6°) of the Belgian Code of Companies and Associations relating to provision of evidence of the application of the going concern accounting rules.

13. Application of article 7:97 of the Belgian Code of Companies and Associations during the 2019 financial year

The procedure foreseen in article 7:97 of the Belgian Code of Companies and Associations has not been applied during the 2019 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 3:6 §1 (9°) of the Belgian Code of Companies and Associations

According to Article 3:6 §1 (9°) of the Belgian Code of Companies and Associations, companies must certify the independence of at least one member of the Audit Committee and their required accounting and audit expertise.

Mrs Martine De Rouck, member of the Audit Committee, has been an independent director since 1 May 2014. Her appointment was ratified by the General Shareholders' Meeting. Mrs De Rouck meets the independence criteria as described in Article 7:97 of the Belgian Code of Companies and Associations. Her accounting and audit expertise is validated by her educational and extensive career in banking.

15. Information concerning the tasks entrusted to the auditors

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

During 2019, the statutory auditor and linked companies provided services for which the fees were as follows:

- Audit services €487,300
- Audit-related services € 10,500

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, 2019

In the context of the statutory audit of the consolidated financial statements of Orange Belgium SA/NV ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended December 31, 2019, as well as other legal and regulatory requirements. Our report is one and indivisible.

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

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the Group as of and for the year ended December 31, 2019, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2019, 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 1.797.625 and the consolidated statement of comprehensive income shows a net profit for the year of EUR'000 33.977 and total comprehensive income attributable to equity holders of the parent of EUR'000 34.923.

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, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Basis for our unqualified opinion

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

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – subsequent events – COVID 19

We draw attention to Note 16 of the consolidated financial statements, which describes the possible effects of the COVID-19 crisis on the operations and financial situation of the Group as well as the measures taken by the Group. Our opinion is not modified in respect of this matter.

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 15.1.21 'Revenue from contracts with customers', note 2 'Sales and trade receivables' and note 13 'Liabilities related to contracts with customers and other assets related to contracts with customers' of the consolidated financial statements.

- **Description**

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

- **Our audit procedures**

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

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

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

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

We have also assessed the appropriateness of the information presented in notes 2, 13 and 15.1.21 to the consolidated financial statements.

Goodwill valuation

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

- **Description**

At December 31, 2019, the total goodwill recognized in the consolidated statement of financial position amounts to EUR'000 118.674.

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 2019 cash flow forecasts with business plans from previous financial years;
- compared business plans from previous financial years with actual data over the financial periods in question;
- challenged the key assumptions made by management relating to revenue, EBITDA and capital expenditures with external data when available, such as market research or analysts' memos;
- assessed the method used to determine the weighted average cost of capital ('WACC') and the perpetual growth rate ('PGR') by comparing them to the market range and to data re-calculated with our own data sources;
- challenged the appropriateness of the sensitivity analysis performed by management by performing further sensitivity analyses, primarily focused on changes in operating cash flows; and

- tested the mathematical accuracy of the cash flow models.

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

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

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium. The scope of the statutory audit of the consolidated financial statements does not extend to providing assurance on the future viability of the Group nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Group.

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

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

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

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

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

Other legal and regulatory requirements

Responsibilities of the Board of directors

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

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing 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 3:32 of the Companies' and Associations' Code.

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

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 3:65 of the Companies' and Associations' 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 3:32 §2 of the Companies' and Associations' Code since the Company is a subsidiary of Orange SA, who prepares a consolidated board of directors' annual report, that includes the non-financial information, in accordance with the applicable EU directive.
- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Zaventem, April 3, 2020

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Alexis Palm
Réviseur d'Entreprises / Bedrijfsrevisor

Declaration by the responsible persons

We, the undersigned, Michaël Trabbia, CEO, and Arnaud Castille, CFO, declare that to our knowledge:

a) the financial statements drawn up in accordance with the prevailing accounting standards, give a true and fair view of the company's assets, liabilities, financial position and results of the issuer and the companies included within its consolidation;

b) the management report contains an accurate overview of the business activities evolution, the results and the financial situation of the issuer and the companies included within its consolidation, and a description of the main risks and uncertainties they are confronted to.

Michaël Trabbia
CEO

Arnaud Castille
CFO