Mobistar Third quarter 2015 results

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Regulated information

Return to growth achieved in Q3 2015
Full year 2015 guidance upgraded

Brussels, 20 October 2015 – Today, Mobistar (Euronext Brussels: MOBB) publishes its results for the third quarter and first nine months of 2015. Mobistar has delivered on its efficiency plan ahead of schedule and continues to demonstrate its ability to transform and generate additional leeway to fuel mobile customers net additions and fund upfront cable investments whilst restoring its overall margins. Mobistar's solid commercial and operational performance has led to positive year-on-year growth in both total service revenues and restated EBITDA:

- ✓ Mobistar's retail customer base in Belgium further increased sequentially in the third quarter of 2015, driven by the postpaid segment adding 8.3 thousand new customers, and a robust demand M2M/IoT (+22.6 thousand). Mobistar's segmented offering, its loyalty program and the quality of its network particularly contributed to the continuous improvement of customer churn since the beginning of the year. Similarly, Orange Luxembourg's customer base grew by 2.2 % this quarter compared to the previous quarter.

- ✓ In Belgium, Mobistar's postpaid ARPU increased by 3.6 % to 28.3 euros in the third quarter of 2015, from 27.4 euros a year ago. Mobistar's outdoor and indoor 4G coverage increased to 97 % and 83 %, respectively as of 30 September 2015. In the first nine months of 2015 Mobistar's total data traffic increased 106 % year-over-year with 4G traffic representing more than 50 % of the total monthly mobile data traffic in September 2015. Combined with a rapid market penetration of smartphones amongst its customer base, the data traffic increase, correlated to 4G services, supported the positive ARPU trend. Mobistar's ARPU also benefitted from a healthy demand and usage for data roaming services.

- ✓ Experiencing a solid commercial performance, Mobistar also delivered sound financial results in the first nine months of 2015:
  - Total service revenues of 813.9 million euros, -1.5 % yoy, (+0.9 % yoy in Q3 2015);
  - A restated EBITDA of 228.1 million euros, +4.8 % yoy (+11.3 % yoy in Q3 2015);
  - An operational cash flow of 112.5 million euros, +62.1 % yoy (+63.3 % yoy in Q3 2015).

- ✓ Mobistar is now only awaiting for the regulators to publish their final decision on the wholesale cable prices to launch its high speed broadband and digital TV services.

- ✓ Those solid results and the current operating trends, have led Mobistar to upgrade its full year guidance for 2015. Mobistar is now expecting to exceed the high-end of its initial guidance range of between 260 and 280 million euros restated EBITDA excluding cable costs.

Mobistar's Chief Executive Officer Jean Marc Harion commented: 'Our customers continue to respond positively to our engagement to place them at the centre of our attentions. Mobistar's premium 4G network, strong product portfolio and loyalty program HAND allow us to differentiate, drive loyalty and motivate new consumers to join the Mobistar community. We will continue to ride on the crest of this wave while awaiting to launch our high speed broadband internet and TV services pending the regulator's final decision regarding wholesale cable prices.'

Ludovic Pech, Mobistar's Chief Financial Officer, added: 'We are confident to reach at least the high-end of our initial guidance range of 260 to 280 million euros restated EBITDA excluding cable costs as we continue executing well on our transformation plan. We are also delivering excellent cash flow growth and remain committed to further improve efficiency and profitability. Importantly, this has been achieved without jeopardizing our return to customer and top line growth while absorbing the initial investments on cable'.

1. Key operational and financial highlights

- **Growing postpaid customer base on the back of healthy gross adds and continuous churn rate improvement**
  Mobistar continued to deliver positive retail customer growth and ended the third quarter of 2015 with 3,973.5 thousand customers on its network in Belgium and Luxembourg, an increase of 23.4 thousand quarter-on-quarter. In Belgium, **Mobistar performed well in the postpaid segment with an increase of 8.3 thousand customers** over the course of the third quarter of 2015 (+19.7 thousand net adds year-on-year). The **total postpaid customer base is now about 2,180.9 thousand customers**. This commercial momentum is **triggered both by a solid gross add performance, and by a remarkable churn improvement**. This evolution reflects Mobistar's ongoing advances in network quality, customer experience and services, and the overall positioning of its offerings in the marketplace. **Orange Luxembourg also performed well in the postpaid and M2M/IoT segment**, reaching a total of 87.0 thousand customers and 36.1 thousand cards, respectively.

- **4G traffic now represents more than 50 % of total monthly mobile data traffic**
  Mobistar Belgium's **4G network coverage stood at 97 % for outdoor coverage and 83 % for indoor coverage**. At the end of September 2015, **Mobistar counted nearly 800 thousand 4G subscribers**. Mobistar's ubiquitous 4G network provides high speed mobile broadband throughout the whole of Belgium with very promising performance results on advanced LTE.

- **Mobistar's postpaid ARPU continues its positive trend in the third quarter of 2015**
  Fuelled by the ongoing monetization of mobile data and by the solid uptake of both voice and data roaming services over the summer period, Mobistar's blended ARPU in Belgium increased to 23.9 euros in the third quarter of 2015, compared to 23.5 euros a year earlier, an increase of 1.5 % year-on-year. In particular **the postpaid ARPU developed well with an increase of 3.6 % year-on-year to 28.3 euros** in the third quarter of 2015 compared to 27.4 euros a year earlier.

- **Mobistar's service revenues showed renewed growth in the third quarter of 2015**
  Mobistar's service revenues for the first nine months of 2015 amounted 813.9 million euros, compared to 826.5 million euros a year earlier, a decline of 1.5 % year-on-year. However, excluding the regulatory impact of 12.8 million euros incurred in the first half of 2015, service revenues stabilized. In the third quarter, **Mobistar's service revenues showed renewed growth with an increase of 0.9 % year-on-year to 276.8 million euros coming from 274.5 million euros a year ago.**

- **Mobistar's nine-month 2015 restated EBITDA jumped by 4.8 % year-on-year**
  The positive revenue development and more favourable consumer economics, with a marked improvement in the churn rate, have resulted in a **4.8 % increase year-on-year in** Mobistar's **restated EBITDA in the first nine months of 2015,** to 228.1 million euros compared to 217.7 million euros the previous year. Mobistar's restated EBITDA, excluding the regulatory impact of 9.6 million euros incurred in the first half of 2015, would have increased by 9.6 % year-on-year. In the third quarter of 2015, **the restated EBITDA amounted to 86.0 million euros.** The 21.6 million euros provision for regional pylon tax in Wallonia have remained unchanged compared with the position as of 30 June 2015.

- **Improving profits, lower working capital needs and decreasing investments led to higher cash generation**
  Mobistar's operational cash flow totalled 112.5 million euros in the first nine months of 2015, compared to 69.4 million euros the same period last year, an increase of 62.1 %. In the third quarter of 2015, the **operational cash flow amounted to 41.4 million euros, an increase of 63.3 % year-on-year**. **The organic cash flow amounted to 81.0 million euros** in the first nine months of 2015, **more than double last year's level**, which stood at 38.9 million euros. Net investments amounted to 112.1 million euros or 13.8 % of total service revenues in the first nine months of 2015, compared to 138.3 million euros or 16.7 % in the same period last year.

2. Key facts

Mobistar's 2013-2015 transformation plan is running ahead of schedule:

Leadership in Mobile:

- **Customers enjoy the best-in-class coverage and quality of Mobistar's network**
  Mobistar's network strategy remains focused on providing the widest outdoor and indoor coverage in Belgium, while supporting high speed mobile data, and delivering a unique mobile data experience to all customers. Simultaneously, Mobistar continues to deliver high network quality for its voice services, particularly in terms of coverage and sound quality, and text services. The widespread deployment of Mobistar's 3G/4G(+) radio network and high capacity backhaul, allow Mobistar customers to enjoy a best-in-class mobile experience.

- **Extensive range of handsets at attractive prices**
  The third quarter is typically characterized by summer sales and the back-to-school period. In July, Mobistar offered its customers a wide range of standalone handsets, mostly 4G-enabled, at a reduced price. At the same time Mobistar launched M4GIC Summer-campaign with great success combining a fantastic line-up of 4G smartphones in combination with a Dolphin or Panther tariff plan. The Back-to-School campaign, launched in mid-August, was also a huge success.

- **Mobistar provides its customers with an ecological option for upgrading their devices**
  At the end of July, Mobistar launched together with CompaRecycle the new 'Buy Back Program': customers eager to buy a more recent smartphone in one of the Mobistar centers, can sell their old phones and tablets that will be refurbished or recycled.

Pioneer in Disruptive Convergence:

- **Mobistar is still waiting for the new cable wholesale price conditions**
  Mobistar understands that all regulators have still not finalized the adaptation of the wholesale price conditions for access to the cable networks following the market consultation. Once finalized, the decisions will be notified to the European Commission, which has one month to give its feedback. Once a final decision by the regulators will be made, it shall allow Mobistar to finally launch its high speed broadband and digital TV services.

- **Further improvement of operational conditions expected**
  The media regulators also ran a consultation on the review of a number of operational conditions associated with cable regulation. As a number of the changes put forward will contribute to more efficient processes and procedures, Mobistar supports most of the elements put forward.

- **Distribution being readied for convergent launch**
  In the past months, Mobistar's distribution channels have intensively worked to prepare the upcoming launch of its convergent offering. In addition to product and price, distribution will be an important part of the go-to-market of Mobistar's convergent product. An increasing part of the customer facing Mobistar team members are trained and exposed to Mobistar's convergent product, allowing them to get well acquainted with it.

- **Shape & Pulse, Mobistar's convergent offering for the SME market**
  Mobistar launched Shape & Pulse, a new offering for the SME market that provides a combination of mobile and fixed telephony and reliable mobile and fixed internet access. Shape provides SME's with a flexible offering for mobile telephony and mobile Internet, allowing SME's to choose which of the six Shape formulas best suits their employees' professional communication needs (voice, mobile Internet, SMS ...), while Pulse guarantees unlimited fixed telephony and internet access.

Best Customer Experience:

- **The 'Have a Nice Day' loyalty program has triggered a significant reduction in churn**
  Mobistar's loyalty program, Have A Nice Day, has been designed with the belief that satisfied and engaged customers stay longer, spend more, cost less to serve and recommend Mobistar to their friends and family. The program creates a personalized and specialized dialogue with the customer and allows for improved targeted marketing and communication. Now that the program has been running at full speed for almost a year, it has led to a significant reduction in churn while driving at the same time new customer acquisitions and referrals.

- **Toward a more engaged and loyal customer base**
  Mobistar's Have A Nice Day program also helps to digitalize Mobistar's customer more quickly as most of the communication occurs through the online Customer Zone and via the MyMobistar application. It allows for a more intimate, and cost efficient, relationship with Mobistar's customers and helps Mobistar getting a better understanding of their needs. The Personal Check-Up mechanism also gives comfort to Mobistar's customers that they are on the tariff plan that best fits their needs, therefore increasing transparency and reassuring customers about the usage of mobile data.

- **Mobistar is assisting its customers in discovering mobile data**
  Mobistar offers customers who have a smartphone, but don't have access to mobile data in their package, up to 1.25 GB of data to discover all the advantages of mobile Internet. This 'Surf Mobile' campaign was initiated by the Belgian telecom regulator BIPT to support the use of mobile internet in Belgium. To help customers in this process of discovery, Mobistar also organises information sessions in the Mobistar Concept Stores and deploys data coaches in Mobistar Centers.

Best Industry Efficiency:

- **Mobistar is set to accelerate its transformation into an even more customer-centric and digital company**
  A year ago, Mobistar outsourced a large part of its IT development and operations. The objective was to: 1/ Reduce IT costs (both opex and capex); 2/ Protect employment; and 3/ Increase Mobistar's agility through best-in-class processes and operations. The implementation phase being completed, it shall now allow Mobistar to accelerate its transformation toward an even more customer-centric and digital company.

- **Overhaul of distribution mostly completed**
  Mobistar's cross-channel integration, giving its customers a seamless experience, is increasingly becoming a competitive advantage in the marketplace. In the past 2 years Mobistar has taken back control over its distribution, favouring direct and controlled channels. The integration of the 20 points of sales of Walcom in Wallonia has been realized during the third quarter. At the end of this quarter Mobistar has also refitted and digitalized most of its shops.

- **Preparing ACE3, the 2016-2018 efficiency program**
  The 2014 ACE2 program continued generating savings in the first nine months of 2015 with new initiatives delivering ahead of schedule. On the heels of the ACE2 program, Mobistar is now preparing its 2016-2018 efficiency program (ACE3). Mobistar's track record over the previous quarters makes the management increasingly confident that it shall be able to mitigate the anticipated erosion of wholesale MVNO revenues in the mid-term while dynamically reallocating resources from legacy to growth related activities.

3. Comments on the financial situation

3.1 Mobistar consolidated figures

Mobistar consolidated key figures	9M 2015	9M 2014	Variation	Q3 2015	Q3 2014	Variation
Total number of connected SIM cards (Mobistar S.A., Orange Communications Luxembourg S.A. and MVNO's)	5 672.2	5 573.9	+1.8 %	5 672.2	5 573.9	+1.8 %
Consolidated turnover (mio €)	**912.8**	**933.4**	**-2.2 %**	**306.0**	**304.3**	**+0.6 %**
Total service revenues (mio €)	813.9	826.5	-1.5 %	276.8	274.5	+0.9 %
Mobile equipment sales	88.3	93.7	-5.7 %	25.7	27.0	-4.8 %
Restated EBITDA (mio €)	**228.1**	**217.7**	**+4.8 %**	**86.0**	**77.3**	**+11.3 %**
Restated EBITDA margin in % of total service revenues	28.0 %	26.3 %		31.1 %	28.2 %	
EBITDA (mio €)	224.6	207.7	+8.1 %	84.2	70.7	+19.0 %
EBITDA margin in % of total service revenues	27.6 %	25.1 %		30.4 %	25.8 %	
Consolidated net profit (mio €)	**47.8**	**36.5**	**+30.9 %**	**22.7**	**12.3**	**+84.2 %**
Net profit per ordinary share (€)	0.80	0.61	+30.9 %	0.38	0.21	+84.2 %
Net investment (mio €)	112.1	138.3	-19.0 %	42.8	45.4	-5.7 %
Net investment / Total service revenues	13.8 %	16.7 %		15.5 %	16.5 %	
Operational cash flow (mio €)	**112.5**	**69.4**	**+62.1 %**	**41.4**	**25.4**	**+63.3 %**
Organic cash flow (mio €)	81.0	38.9	+107.9 %	43.9	23.6	+85.7 %
Net financial debt (mio €)	**457.0**	**523.7**	**-12.7 %**	**457.0**	**523.7**	**-12.7 %**

3.2 Consolidated statement of comprehensive income

Revenues

Mobistar's total consolidated turnover amounted to 912.8 million euros in the first nine months of 2015, compared to 933.4 million euros in the first nine months of 2014, a decline of 2.2 % year-on-year. Excluding the regulatory impact of 12.8 million euros incurred in the first half of the year, i.e. 12.1 million euros due to EU roaming and 0.7 million euros to MTR, the total consolidated turnover would have only declined by 0.8 % in the first nine months of 2015. The total consolidated turnover in the third quarter of 2015 amounted to 306.0 million euros, compared to 304.2 million euros in the third quarter of 2014, an increase of 0.6 % year-on-year.

Mobistar's total service revenues amounted to 813.9 million euros in the first nine months of 2015 compared to 826.5 million euros in the same period last year, a decline of 1.5 % year-on-year. However, excluding the regulatory impact of 12.8 million euros, consolidated total service revenues would have been slightly higher in the first nine months of 2015 compared to the same period last year. The total service revenues in the third quarter of 2015 amounted to 276.8 million euros, compared to 274.5 million euros in the third quarter of 2014, an increase of 0.9 % year-on-year or 2.9 % quarter-on-quarter. This confirms the improving year-on-year growth trend of the past 18 months, which returned back to positive year-on-year growth in the third quarter of 2015, one quarter sooner than originally expected.

The consolidated mobile equipment sales in the first nine months of 2015 amounted to 88.3 million euros, compared to 93.7 million euros in the same period last year, a decrease of 5.7 % year-on-year. In the third quarter of 2015 the consolidated mobile equipment sales stood at 25.7 million euros, compared to 27.0 million euros, a decrease of 4.8 % from the same period last year. While the effect of the phasing-out of the pure purchase/resale business faded out and hence had a lower impact on the third quarter 2015 handset sales, the later launch date in 2015 in Belgium of the new iPhone made an impact on handset revenues.

Result of operating activities before depreciation and other expenses

For the first nine months of 2015, Mobistar achieved a restated EBITDA of 228.1 million euros, representing an increase of 4.8 % compared to the first nine months of 2014 when Mobistar's restated EBITDA reached 217.7 million euros. The restated EBITDA margin has developed in the good direction and amounted to 28.0 % of total service revenues in the first nine months of 2015 compared to 26.3 % in the first nine months of 2014. The restated EBITDA in the third quarter of 2015 amounted 86.0 million euros, compared to 77.3 million euros in the same period last year, an increase of 11.3 %. The restated EBITDA margin expanded to 31.1 % of service revenues in the third quarter of 2015 compared to 28.2 % in the third quarter of 2014.

The direct costs in the first nine months of 2015 decreased 7.0 % year-on-year to 382.4 million euros from 411.1 million euros a year earlier. This healthy decrease in direct costs is realized without jeopardizing the commercial performance, again proving the adequacy of the measures taken in the transformation of the distribution model. Labor cost have also further decreased by 4.4 % year-on-year in the first nine months of 2015, totaling to 100.9 million euros compared to 105.6 million euros. This reduced payroll has been achieved despite the insourcing of 85 sales agents of the shop-in-shops in the Carrefour hypermarkets and progressive staffing related to the cable opportunity. The indirect costs amounted to 201.3 million euros compared to 199.0 million euros.

In addition to the solid operational trend, the restated EBITDA benefitted from lower operational taxes and fees as the 21.6 million euros provision for regional pylon tax in Wallonia have remained unchanged compared with the position as of 30 June 2015.

The negative regulatory impact on the restated EBITDA amounted to 9.6 million euros, fully incurred in the first half of 2015, and had no impact on the third quarter 2015 results. Excluding the regulatory impact, the restated EBITDA in the first nine months of 2015 would have increased 9.6 % compared to the first nine months of 2014. The cable costs amounted to 3.8 million euros and 1.6 million euros, respectively in the first nine months and the third quarter of 2015.

EBITDA restatements (in million €)	9M 2015	9M 2014	Variation	Q3 2015	Q3 2014	Variation
Restated EBITDA	228.1	217.7	+4.8 %	86.0	77.3	+11.3 %
- Restatements	-3.6	-10.0	Na	-1.9	-6.6	Na
EBITDA	224.6	207.7	+8.1 %	84.2	70.7	+19.0 %

The EBITDA in the first nine months of 2015, respectively third quarter of 2015 amounted to 224.6 and 84.2 million euros compared to 207.7 and 70.7 million euros, an increase of respectively 8.1 % and 19.0 % year-on-year, a result of the improving profitability and the lower restatements booked in the current year as the costs related to redundancy and to the transformation of the distribution are now more limited. The EBITDA margin in the first nine months of 2015 stood at 27.6 % of service revenues, compared to 25.1 % a year ago, or 30.4 % in the third quarter of 2015, compared to 25.8 % a year ago.

Net profit

Mobistar's consolidated net profit amounted to 47.8 million euros in the first nine months of 2015, compared to 36.5 million euros in the first nine months of 2014, an increase of 30.9 % year-on-year. The net profit per share stood at 0.80 euro in the first nine months of 2015, compared to 0.61 euro in the first nine months of 2014, representing an increase of 30.9 % year-on-year. In the third quarter the consolidated net profit and net profit per share stood at respectively 22.7 million euros and 0.38 euro.

3.3 Consolidated statement of financial position

Mobistar reports a consolidated statement of financial position of 1,448.2 million euros as of 30 September 2015, compared to 1,456.2 million euros at the end of December 2014.

The net financial debt at the end of the first nine months of 2015 amounted to 457.0 million euros, a decrease of Mobistar's net financial debt position by 81.1 million euros compared to 538.1 million euros of net financial debt at the end of December 2014.

3.4 Consolidated cash flow

The operational cash flow in the first nine months of 2015 amounted to 112.5 million euros, compared to 69.4 million euros in the first nine months of 2014, an increase of 62.1 %. The organic cash flow amounted to 81.0 million euros in the first nine months of 2015, an increase of 107.9 % compared to the 38.9 million euros of organic cash flow generated in the first nine months of 2014. In the third quarter of 2015, the operational cash flow amounted to 41.4 million euros, an increase of 63.3 % year-on-year, while the organic cash flow amounted to 43.9 million euros, an increase of 85.7 % year-on-year.

3.5 Activities of Mobistar by segment

In greater detail, the breakdown of Mobistar's activities are the following:

3.5.1. Activities in Belgium

Key financial figures of Mobistar S.A.	9M 2015	9M 2014	Variation	Q3 2015	Q3 2014	Variation
Total service revenues (mio €)	779.5	789.0	-1.2 %	265.5	262.6	+1.1 %
of which mobile services	720.7	728.0	-1.0 %	246.9	243.5	+1.4 %
of which fixed services	58.8	60.9	-3.5 %	18.6	19.1	-2.7 %
Total turnover (mio €)	875.8	894.0	-2.0 %	293.3	291.7	+0.6 %

Key operating figures of Mobistar S.A.	Q3 2015	Q3 2014	Variation
ARPU (€/month/active customer)	23.9	23.5	+1.5 %
Mobile retail customers (excl. MVNO)	3 839.0	3 891.6	-1.4 %
Mobile customers (excl. M2M)	3 030.7	3 058.3	-0.9 %
M2M SIM cards	808.3	833.3	-3.0 %
Total number of MVNO customers (mobile telephony, incl. full MVNO)	1 696.6	1 552.4	+9.3 %
Fixed broadband internet and TV customers	25.3	34.9	-27.6 %
Fixed telephone lines	195.5	214.9	-9.0 %

Mobile activities

Market Review

The Belgian regulator BIPT has published its draft decision on the mobile termination market. The proposal is open for public comment until November 14. To determine prices for termination, the Belgian regulator used a bottom-up method in order to set a "pure" LRIC for the theoretical efficient operator. As a result, the maximum rate could fall to 0.77 cent per minute in 2016, a decline of 34 % on the tariff in effect since 2013.

Financial Review

Mobistar's blended ARPU in the third quarter of 2015 was 23.9 euros compared to 23.5 euros the previous year, an increase of 1.5 %. When compared to the previous quarter the blended ARPU also demonstrated an increase of 0.9 %. The postpaid ARPU in the third quarter of 2015 increased to 28.3 euros from 27.4 euros in the third quarter of 2014 or 27.9 euros in the previous quarter. The progressive improvement of the postpaid ARPU in a large part comes down the on-going smartphone penetration and mobile data development. The prepaid ARPU in the third quarter of 2015 declined 11.9 % year-on-year and 4.5 % sequentially to 12.7 euros.

Mobistar's mobile service revenues in Belgium amounted to 720.7 million euros in the first nine months of 2015, compared to 728.0 million euros in the first nine months of 2014, a decline of 1.0 % year-on-year. Excluding the regulatory impact of 10.0 million euros, the mobile service revenues in Belgium were up by 0.4 % compared to the same period last year. This positive mobile service revenues growth trend is partly due to the growth of Mobistar's postpaid business with a positive development of both the postpaid customer base and the postpaid ARPU. The wholesale MVNO revenues, which form part of the mobile service revenues, amounted to 60.8 million euros in the first nine months of 2015 compared to 58.7 million euros in the first nine months of the 2014. The mobile service revenues in Belgium showed a positive performance of +1.4 % to 246.9 million euros in the third quarter of 2015 compared to 243.5 million euros the previous year. The sprouting growth in the third quarter of 2015 was entirely driven by Mobistar's core mobile business, as the growth in the wholesale MVNO business was flat year-on-year in the third quarter of 2015.

Operational Review

At the end of September 2015, Mobistar's mobile customers (excl. MVNO) stood at 3,839.0 thousand, an increase of 20.6 thousand versus the previous quarter. Mobistar performed particularly strongly in the postpaid segment with an increase of 8.3 thousand additional customers over the course of the third quarter of 2015 (+19.7 thousand net adds year-on-year), resulting in a total postpaid customer base of 2,180.9 thousand customers. The positive progress in customer momentum is both triggered by a solid gross add performance, and by a remarkable improvement in churn. This evolution reflects Mobistar's ongoing improvements in the network, customer experience and service, and the overall value of its offerings in the marketplace. Prepaid net additions stood at -10.3 thousand versus the previous quarter. Overall this remains a good performance as the prepaid market continues to decline, partly driven by the ongoing pre- to postpaid migration. In the third quarter of 2015 Mobistar saw a healthy level of prepaid gross adds, while prepaid churn increased slightly. M2M/IoT net additions stood at +22.6 thousand versus the previous quarter. The MVNO customer base considerably contracted in the third quarter of 2015 with a total customer base of 1,696.6 thousand, a decline of 17.0 thousand quarter-on-quarter. At the end of September 2015, Mobistar's total customer base in Belgium stood at 5,812.0 thousand, a decrease of 293.8 thousand versus the previous quarter. This decline comes almost entirely on the back of the prepaid MVNO segment, which saw a peak churn following the strong growth earlier in the year while revenues are relatively stable.

Fixed and convergent activities

Market Review

In July 2015, the Belgian regulator BIPT published its draft decision on the fixed termination in Belgium. The public consultation on the proposed terms and rates for 2015-2018 was open until 25 August. To determine prices for termination, the Belgian regulator used a bottom-up method in order to set a "pure" LRIC for the theoretical efficient operator. As a result, the maximum rate would fall to 0.078 cent per minute in 2016, a decline of 84 % on the tariff in effect since 2013.

Financial Review

The fixed-line service revenues in the first nine months of 2015 in Belgium continued to decline to 58.8 million euros from 60.9 million euros in the first nine months of 2014, a decline of 3.5 % year-on-year. In the third quarter of 2015, the decline was limited to 2.7 % year-on-year totalling to 18.6 million euros, down from 19.1 million euros one year ago.

Operational Review

At the end of the first nine months of 2015, Mobistar had a total of 25.3 thousand ADSL customers, representing a decrease of 27.6 % from a total of 34.9 thousand customers the previous year. The number of fixed telephone lines declined by 19.4 thousand year-on-year from 214.9 thousand at the end of the first nine months of 2014 to 195.5 thousand at the end of the same period in 2015.

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

Key financial figures of Orange Communications Luxembourg S.A.	9M 2015	9M 2014	Variation	Q3 2015	Q3 2014	Variation
Total service revenues (mio €)	36.0	38.6	-6.8 %	11.9	12.3	-3.4 %
of which mobile services	33.8	37.4	-9.7 %	11.4	11.8	-3.9 %
of which fixed services	2.2	1.2	+82.7 %	0.5	0.5	+9.1 %
Total turnover (mio €)	46.3	45.5	+1.8 %	15.7	14.7	+6.4 %

Key operating figures of Orange Communications Luxembourg S.A.	Q3 2015	Q3 2014	Variation
ARPU (€/month/active customer)	38.1	43.0	-11.4 %
Mobile retail customers (excl. MVNO)	134.5	128.1	+5.0 %
Mobile customers (excl. M2M)	98.4	99.5	-1.1 %
M2M SIM cards	36.1	28.6	+26.3 %
Total number of MVNO customers (mobile telephony, incl. full MVNO)	2.0	1.9	+9.6 %

Market Review

The market environment in Luxembourg continued to be very competitive with a clear focus on convergence.

Financial Review

Orange delivered in the first nine months of 2015 a 1.8 % growth in total turnover. This increase was mainly linked to the continuous growth of the postpaid customer base, the success of convergence offers and device sales partly offset by the non-application of the VAT increase to the customers.

Operational Review

At the end of the first nine months of 2015, Orange had 134.5 thousand mobile customers (excl. MVNO), an increase of 2.9 thousand compared to the previous quarter or +6.4 thousand compared to the previous year. Orange performed in particularly well in the postpaid and M2M/IoT segment, reaching a total of 87.0 thousand customers and 36.1 thousand cards, respectively. On the convergent front Orange also progressed thanks to a successful back to school promotion and the signing of a partnership agreement with Telecom Luxembourg PO (TLPO) to create a set of powerful convergent offers for the business market. Orange will bundle its high speed broadband 4G and 4G+ services with TPLO's fixed product portfolio, including access to datacentres and high-speed connectivity networks, using their fibre-optic infrastructure. Orange had already signed a similar agreement with cable operator Eltrona Telecom, to offer its residential customers convergent services combining fixed and mobile telephony, ultra-high-speed fixed and mobile Internet access, and a new television service offering.

4. Financial instruments, financial risks management objective and policy

No change has occurred in comparison to the information contained in the 2014 annual report (p.14).

5. Disputes

The information relating to disputes contained in the 2014 annual report and in the first quarter and first semester 2015 report has been modified as follows:

Masts: The total amount of taxes charged, plus default interest calculated at the legal rate, amounts to 103.3 million euros, of which 9.1 million euros correspond to the first nine months of 2015. This aggregated amount is disputed in court.

Walloon tax on masts, pylons or antennas: The Walloon region has implemented by a Decree on December 11, 2013 a yearly tax on masts, pylons or antennas for mobile telecommunication as from 1 January 2014. This tax amounts to 8,000 euros per site (yearly indexed as from 2015). Moreover Walloon municipalities are entitled to establish additional surcharges of maximum 100 % of the above described tax. Mobistar introduced on June 20, 2014 a request for annulment at the Constitutional Court against the Decree.
In its judgment of 16 July 2015 the Constitutional Court has annulled the articles regarding the tax on masts, pylons or antennas for mobile telecommunication in the Decree of 11 December 2013, but retains its effects definitely. This judgment has been published on 1 September 2015 in the Belgian Official Gazette.
Mobistar has received tax bills for this tax dated 22 December 2014. Mobistar has introduced a fiscal objection against the tax bills on 20 February 2015. On 14 July 2015 these tax bills are annulled for procedural errors by the Walloon administration. On 20 July 2015 the Walloon administration has sent a request for information on the masts, pylons or antennas of 2014 in order to continue the enrolment process.

KPN Mobile International B.V. / Mobistar S.A. Share Purchase Agreement: On 10 November 2010, KPN Mobile International B.V. (KPN) filed a request for arbitration with the Cepani against Mobistar for a dispute regarding their Share Purchase Agreement (SPA) dated 24 November 2009.

In its request, KPN asked the Arbitral Tribunal to rule that no adjustment to the financial statements should be allowed. In other words, that the independent accountant cannot decide on the items in dispute that were previously submitted to him by the parties in accordance with the SPA and that Mobistar should consequently be condemned to pay an amount of 6.3 million euros to KPN instead of receiving between 0.3 million euros and 2.2 million euros based upon the independent accountant's report. Mobistar asked the Arbitral Tribunal to dismiss all the claims of KPN and to confirm the independent accountant's mission. The arbitration has been rendered on 5 July 2012 and confirms the scope of the mission of the expert but states that the independent expert's report contains manifest errors. As the Arbitral Tribunal is not competent to engage into further examination of the disputed items, it proposes that both parties would choose a new independent expert to review the disputed items. Mobistar started an annulment procedure against the arbitral award. The Brussels Court of First Instance decided by judgment of 24 March 2014 that there were no reasons for the annulment of the Arbitral Award of 5 July 2012. Mobistar's claim was rejected as unfounded. Mobistar decided to launch appeal against this judgment. The procedure has been initiated before the Court of Appeal in Brussels on 9 September 2014. Parties have exchanged trial briefs and are now awaiting a pleading date.

Unpaid invoices - Legal obligation to cooperate: As part of the Royal Decree of 9 January 2003 on the modalities for the legal obligation to cooperate in legal actions relating to electronic communications, Mobistar provides services to public prosecutor, courts, etc. The fees that Mobistar may charge for the services rendered are defined in the above Royal Decree. The Belgian

State, represented by its Minister of Justice, is debtor of these amounts. On 19 June 2014 Mobistar has summoned the Belgian State to pay its overdue amount. During the introductory hearing of 19 September 2014 a schedule for the filing of trial briefs has been set between the parties. The case has been handled before the Brussels Court of First Instance at the hearing of 9 September 2015. Mobistar is currently awaiting the judgment.

Abuse of dominant position by the Belgacom group: In July 2015, the Court of appeal rejected the request for replacement of the experts. A first meeting with the experts and the parties was held on 29 September 2015.

Social tariffs: On 11 June 2015, the European Court of Justice determined that mobile services (mobile broadband included) cannot qualify for social tariffs when supported by a financing system by the sector. Based on this judgment, the Belgian Constitutional Court will deliver a final judgment after the hearing planned in November 2015.

Regulation of broadband and cable: In the appeal against the quantitative decisions of December 2013, briefs will be exchanged in the second half of 2015. Pleadings will be held in the course of 2016, after the extension requested by the regulators to submit their last briefs in January 2016.

6. Significant events after the end of the first nine months of 2015

No other significant events occurred after the end of the first nine months of 2015.

7. Trends

Those solid results and the current operating trends, have led Mobistar to upgrade its full year guidance for 2015. Mobistar is now expecting to exceed the high-end of its initial guidance range of between 260 and 280 million euros restated EBITDA excluding cable costs.

Mobistar expects its full year 2015 cash capex of around 190 million euros, including the payment of the first license fee installment of the renewed 2G spectrum.

The guidance provided is based on the current market, tax and regulatory context. Mobistar is still currently analyzing the decision of the Constitutional Court dated July 14, 2015 on the Walloon pylon tax with its legal and tax advisors.

8. Financial calendar

15-Jan-16	Start blackout period
4-Feb-16	Financial results Q4 2015 (7:00 am cet) – Press release
4-Feb-16	Financial results Q4 2015 – Analyst & Investor meeting/Webcast (2.00 pm)
1-Apr-16	Start blackout period
22-Apr-16	Financial results Q1 2016 (7:00 am cet) – Press release
22-Apr-16	Financial results Q1 2016 (10:00 am cet) – Audio Conference call
4-May-16	Annual General Meeting
1-Jul-16	Start blackout period
22-Jul-16	Financial results Q2 2016 (7:00 am cet) – Press release
22-Jul-16	Financial results Q2 2016 – Analyst & Investor meeting/Webcast (2.00 pm cet)
1-Oct-16	Start blackout period
20-Oct-16	Financial results Q3 2016 (7:00 am cet) – Press release
20-Oct-16	Financial results Q3 2016 (10:00 am cet) – Audio Conference call

Preliminary agenda still subject to potential changes

9. Conference call & webcast details

Date:	20 October 2015
Time:	10:00 am (CET), 9:00 am (UK), 4:00 am (US/NY)
Conference call:	http://corporate.mobistar.be/go/en/financial_information.cfm

Please access the conference call and webcast ten minutes prior to the scheduled start time.

10. Shares

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

	9M 2015	9M 2014	Q3 2015	Q3 2014
Trading of shares				
Average closing share price (€)	18.39	14.03	18.66	14.36
Average daily volume	138 829	126 653	86 169	87 542
Average daily value (€)	2 523 640	1 753 517	1 615 988	1 267 756
Shares and market values				
Total number of shares	60 014 414	60 014 414	60 014 414	60 014 414
Treasury shares	0	500	0	500
Outstanding shares	60 014 414	60 014 414	60 014 414	60 014 414
Closing price (€)	19.26	14.79	19.26	14.79
Market capitalization (€)	1 155 877 614	887 613 183	1 155 877 614	887 613 183

11. Quarterly results

		Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
MOBISTAR GROUP							
Mobile services							
Mobile retail customers (excl. MVNO)	in thousand	3,973.5	3,950.1	3,890.7	4,040.8	4,019.7	3,963.9
Mobile customers (excl. M2M)	in thousand	3,129.1	3,130.4	3,118.4	3,137.3	3,157.8	3,139.1
Postpaid	in thousand	2,268.0	2,258.3	2,246.3	2,249.4	2,244.3	2,243.0
Prepaid	in thousand	861.2	872.1	872.1	887.9	913.5	896.1
M2M SIM cards	in thousand	844.4	819.6	772.3	903.5	861.9	824.8
MVNO customers	in thousand	1,698.7	1,992.4	1,711.9	1,559.2	1,554.3	1,549.9
Fixed services							
Fixed broadband internet and TV customers	in thousand	31.8	34.6	35.9	38.2	39.7	44.2
Fixed telephone lines	in thousand	196.0	199.4	205.3	217.6	217.8	224.2
BELGIUM							
Mobile services							
Mobile retail customers (excl. MVNO)	in thousand	3,839.0	3,818.4	3,762.3	3,915.2	3,891.6	3,836.3
Mobile customers (excl. M2M)	in thousand	3,030.7	3,032.8	3,022.5	3,041.7	3,058.3	3,038.4
Postpaid	in thousand	2,180.9	2,172.6	2,163.3	2,167.8	2,161.2	2,159.9
Prepaid	in thousand	849.8	860.1	859.2	873.8	897.1	878.5
Mobile blended ARPU, annual rolling (incl. visitor roaming)	in EUR/month	23.9	23.6	23.7	23.6	23.5	23.8
Postpaid ARPU, annual rolling (incl. visitor roaming)	in EUR/month	28.3	27.9	27.8	27.5	27.4	27.7
Prepaid ARPU, annual rolling (incl. visitor roaming)	in EUR/month	12.7	13.3	13.8	14.2	14.4	14.6
M2M SIM cards	in thousand	808.3	785.7	739.8	873.6	833.3	797.9
MVNO customers	in thousand	1,696.6	1,990.4	1,710.0	1,557.3	1,552.4	1,548.0
Fixed services							
Fixed broadband internet and TV customers	in thousand	25.3	28.3	29.9	32.4	34.9	39.3
Fixed telephone lines	in thousand	195.5	198.1	203.6	215.7	214.9	221.9
LUXEMBOURG							
Mobile services							
Mobile retail customers (excl. MVNO)	in thousand	134.5	131.6	128.4	125.5	128.1	127.6
Mobile customers (excl. M2M)	in thousand	98.4	97.7	95.9	95.6	99.5	100.7
Postpaid	in thousand	87.0	85.7	83.0	81.6	83.1	83.1
Prepaid	in thousand	11.4	12.0	12.9	14.1	16.4	17.6
Mobile blended ARPU, annual rolling (incl. visitor roaming)	in EUR/month	38.1	38.3	38.8	39.8	43.0	45.3
M2M SIM cards	in thousand	36.1	34.0	32.6	29.9	28.6	26.9
MVNO customers	in thousand	2.0	2.0	2.0	1.9	1.9	1.9
Fixed services							
Fixed broadband internet and TV customers	in thousand	6.5	6.4	6.0	5.9	4.8	4.9
Fixed telephone lines	in thousand	0.5	1.3	1.7	1.9	2.8	2.2

		Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014

MOBISTAR GROUP – Key financial figures

Total service revenues	**in mio EUR**	**276.8**	**268.9**	**268.2**	**284.9**	**274.5**	**278.8**
Mobile service revenues	in mio EUR	257.7	248.0	247.2	254.7	254.9	257.4
Fixed service revenues	in mio EUR	19.1	20.9	21.0	30.2	19.6	21.4
Restated EBITDA	**in mio EUR**	**86.0**	**72.2**	**69.9**	**57.2**	**77.3**	**74.3**
% of service revenues		31.1%	26.9%	26.0%	20.1%	28.2%	26.6%
EBITDA	**in mio EUR**	**84.2**	**71.5**	**68.8**	**47.7**	**70.7**	**72.5**
% of service revenues		30.4%	26.6%	25.7%	16.7%	25.8%	26.0%
CAPEX	**in mio EUR**	**42.8**	**42.5**	**26.8**	**76.9**	**45.4**	**55.6**
% of service revenues		15.5%	15.8%	10.0%	27.0%	16.5%	19.9%
Operational cash flow	**in mio EUR**	**41.4**	**29.0**	**42.1**	**-29.3**	**25.4**	**17.0**
% of service revenues		15.0%	10.8%	15.7%	-10.3%	9.2%	6.1%
Net financial debt	**in mio EUR**	**457.0**	**499.8**	**518.5**	**538.1**	**523.7**	**547.2**
Net financial debt / EBITDA		1.7	1.9	2.0	2.1	1.7	2.0

12. Glossary

Customers base (excl. MVNOs)	Number of customers with an active simcard, including business and internet everywhere and M2M.
Postpaid	Customer with whom Mobistar 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 Mobistar has a written contract, with the customer paying in advance any data or voice use e.g. by purchasing vouchers in retail outlets.
M2M/IoT (Machine to machine/Internet of things)	Exchange of information between machines that is established between the central control system (server) and any type of equipment, through one or several communication networks.
MVNO customers	Hosted MVNO customers on Mobistar's network.
ARPU (annual rolling)	Average annual revenues per user (ARPU) are calculated by dividing the revenues from mobile (outgoing and incoming) voice and non voice services and visitor roaming, generated over the past twelve months, excluding "machine to machine", by the weighted average number of customers over the same period, excluding "machine to machine" customers. The weighted average number of customers is the average of the monthly averages during the period in question. The monthly average is the arithmetic mean of the number of customers at the start and end of the month. Mobile ARPU is expressed as monthly revenues per customer.
Restatements	Restructuring/redundancy costs related to staff and other restructuring costs, net expenses for various disputes,...
EBITDA / restated EBITDA	Reported EBITDA corresponds to the operating income before depreciation and amortization, before impairment of goodwill and fixed assets, and before share of profits (losses) of associates. Restated EBITDA corresponds to the EBITDA restated for exceptional items.
Revenues by activity	Provide group revenues split into mobile services, fixed services, mobile equipment sales and other revenues.
Mobile service revenues	Customer billed revenues, incoming revenues, visitor roaming, domestic mobile interconnection (i.e. network sharing and domestic roaming agreement), machine-to-machine and MVNO.
Fixed service revenues	Include i) fixed narrowband services, excepting equipment sales and rentals, ii) fixed broadband, iii) data infrastructure & managed networks, and global services, iv) fixed carrier services.
Mobile equipment sales	Includes subsidized and non-subsidized equipment sales. It excludes accessory sales, according to future IFRS standards that only display equipment revenue directly linked to service.
Other revenues	Includes i) fixed equipment sales and rentals, ii) mobile accessories sales, and iii) other revenues.
Operational cash-flow	EBITDA – net investments.
Organic cash flow	Net cash flow from operations, minus acquisitions of tangible and intangible assets, plus proceeds from disposals of tangible and intangible assets.
Consolidation perimeter	The consolidation perimeter has changed since December 31, 2014 and includes now Mobistar S.A. (100 %), Orange Communications Luxembourg S.A. (100 %), Smart Services Network S.A. (100 %), IRISnet S.C.R.L. (accounted for by equity method - 28.16 %) and Walcom S.A. (100 %).

Mobistar

Play

Work

Love

Mobistar

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Mobistar (EURONEXT BRUSSELS: MOBB) is one of the main actors on the telecommunications market in Belgium and Luxembourg. The company offers its residential customers postpaid and prepaid innovative mobile telecom products and services. On the business market, Mobistar operates DSL fixed network telephony and high-speed internet, acts as an integrated communications provider and offers a portfolio of mobility and connectivity services. Mobistar is also a wholesale provider, offering access to its infrastructure and service capabilities to its wholesale partners. Mobistar, with the Orange group as major shareholder, is listed on the Brussels Stock Exchange.