Management report

2012

Management report for the 2012 financial year

consolidated and non-consolidated

1. Corporate Governance Statement

1.1 Introduction

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

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

In 2012, the Board of Directors has drawn up, in collaboration with the Governance Supervisory Committee, a new Corporate Governance Charter which has been approved by the Board of Directors on 19 October 2012. This eighth version of the Corporate Governance Charter has entered into force on 15 November 2012. The Charter is available on the Mobistar website (http://corporate.mobistar.be/go/en/financial_information/corporate_governance.cf) and may be obtained on request from the Investor Relations Department.

The company considers that its Corporate Governance Charter as well as this Corporate Governance Statement reflect not only the spirit but also the provisions of the Belgian Corporate Governance Code and the relevant provisions of the Belgian Companies Code.

1.2 Description of the five components of the internal control environment

> Control environment

Through its vision, its mission and its values, Mobistar defines its corporate culture and promotes ethical values that are reflected in all of its activities. There is a charter of professional ethics at the company level, and there are also specific ethical charters that supplement it and which also apply, in particular with respect to purchasing and auditing. A section of the company's intranet, accessible to all employees, is dedicated to ethics and to the company culture in general. An annual report is drawn up and presented to the audit committee.

The human resources management and the social responsibility of the company are described in the first part of the annual report, as are the management and control of the company. The functioning of the management bodies is detailed in the declaration of corporate governance contained in the second part of 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.

In addition, an internal control system has been deployed since several years at Mobistar and is regularly reviewed. It covers aspects such as governance, the delegations of powers and signatures, ethics, fraud, controls on data and tools, controls on processes and financial information, the human resources policies, etc. This internal control system participates to the conformity with the Sarbanes-Oxley requirements that must be complied with at the level of the France Télécom group.

> Risk management process

The company has formalised a risk management charter. The "Mobistar Risk Management Charter" is validated by the entire Executive Committee and approved by the Audit Committee. In essence, this document develops the framework and the process of risk management, as well as the organisation and the responsibilities relating to it. The "Area Risk Managers", who are key players in the different departments, are responsible for the identification, analysis, evaluation and treatment of the risks per area. A "corporate" layer is responsible, at the company scale, for designing and monitoring the framework, the deployment of common tools and techniques as well as communication. Bottom-up information on the risk management is assured via the "Risk Management Committee", which comprises the members of the Executive Committee pursuant to the aforementioned charter. This information is also given to the Audit Committee.

> Control activities

Mobistar is ISO 9001-certified. All of its major processes and the controls that they encompass are formalised and published on the company's intranet. As a result of belonging to the France Télécom group, Mobistar Governance and Mobistar Financial Reporting are subject to the American Sarbanes-Oxley legislation. The control activities are carried out in the first place by the functional or operational managers under the supervision of their superiors. On top, the Sarbanes-Oxley framework is used for documenting the Financial Internal control of the most financially impacting activities. The whole documentation, including the Segregation of Duties matrices, is regularly reviewed and duly updated. Specific functions of assurance (i.e. “Fraud & Revenue Assurance”), compliance and audit (i.e. “Internal Audit”) have also been set up and the budget control covers not only the budget aspects, but also key performance indicators. Indeed, in order to ensure adequate financial planning and follow-up, a financial planning procedure describing the planning, the quantification, the implementation and the review of the budget in alignment with the periodical forecasts, is closely followed. This process consists of the following 6 steps:

1. Budget instructions: the budget instructions provide the operational translation of the strategic guidelines in budgets and objectives for the upcoming year.
2. Quantification operational plan: translate the operational plans (budgets, revenues, throughput time) in one master planning.
3. Budget validation: validation of the master budget by the Executive Management and the shareholders.
4. Budget implementation and communication: communication of the validated budget to the different market units and departments.
5. Budget review: review hypotheses and expectations used at budget development (from a cost and revenue perspective) and set objectives to outperform budget.
6. Communicate forecast to shareholders: bi-annual communication to shareholders of revenue and cost actuals as well as forecasts.

The Audit Committee monitors and controls the reporting process of the financial information disclosed by the company and its reporting methods.

To this effect, the Audit Committee discusses all financial information with the Executive Management and with the external auditor and if required, examines specific issues with respect to this information.

At least once a year, the Audit Committee reviews with the Executive Management the effectiveness of the internal control and risk management systems set up by the Executive Management. It must ensure that the principal risks are properly identified, managed and disclosed in accordance with the framework which was approved by the Board of Directors. The Audit Committee and its Chairman also monitor the risk coverage, the risk management, the quality of the internal control, the compliance with the rules and audits and the follow-up of (corrective) action plans.

For more detailed information regarding these procedures and controls, reference is made to Appendix III, Title III of the Corporate Governance Charter.

> Information and communication

The company maintains transparent communication vis-à-vis its employees, in conformity with its values and based on a multiple system integrating in particular its intranet and the periodical presentations of the Executive Management at different levels (i.e. “Leaders Day” and “Learn Together”).

An advanced electronic data processing and control processes (as described in the paragraph “Control activities” here above) make it possible to circulate reliable information in due course, in particular for the production of the financial reporting. The “Mobistar Advanced Reporting System” gives, via the intranet, personalised access to the relevant operational and management data.

The system for information concerning risks is described in the paragraph “Risk management process” here above.

Within the framework of promoting ethical values, a professional warning system allows for reporting confidential information intended to strengthen the control environment. In addition, as far as communication and information to the Group are concerned, conformity with the rules of governance is controlled by a specific procedure and verified by the Audit Committee.

Mobistar 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 (mobile and non-mobile operations in Belgium and in Luxembourg), accompanied by a breakdown of direct and indirect costs. These results are made available to the press four times a year and during two meetings and two conference calls/webcasts with the analysts. The provided information is accessible to all and available on the company's website (http://corporate.mobistar.be) in advance of the meetings.

Mobistar's communication efforts are rewarded as 24 brokerage firms are actively publishing equity research notes on the company. This analyst base shows a good mix of a local (33 % from the Benelux) and international analyst coverage (respectively 50 %, 13 % and 4 % from the United Kingdom, France and Italy). Mobistar keeps also regular contacts with current and potential shareholders by organising each year roadshows in the main European and American financial centers. In December 2012, Siddy Jobe was appointed Director Investor Relations & Corporate Finance at Mobistar. In 2013 Mobistar plans to hold an Analyst & Investor Day, which will give the financial community the opportunity to gain more inside in the company's strategy and ambition for the coming years. In addition the Investor Relations' team is always available for questions and investor teachings.

> Monitoring

As indicated in the paragraph "Risk management process" here above, in addition to the front-line control activities, specific functions of assurance, compliance and audit are in place in order to ensure a constant evaluation of the internal control system. The segregation of duties receives specific attention, in particular within the framework of compliance with the Sarbanes-Oxley provisions.

The Audit Committee receives the conclusions of all internal audits. It also receives periodical reports from the "Fraud & Revenue Assurance", "Risk Management", "Ethics" and "Legal" functions.

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

On 31 December 2012, the shareholders' structure of the company was composed as follows:

Mobistar shareholders	Number of shares	Capital percentage
Atlas Services Belgium S.A.	31,753,100	52.91 %
Free float	28,261,314	47.09 %
Total number of shares	**60,014,414**	**100 %**

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

In compliance with the transparency rules (article 15 of the law of 2 May 2007) on notifying the shareholders of companies listed on a regulated market, Mobistar maintains the notification thresholds of 3 %, 5 % and multiples of 5 %. During 2012 none of the Mobistar shareholders passed the threshold of 3 %.

A study of Mobistar's global shareholdership at 31 December 2012 identified that next to the 52.91 % ownership of the company by France Télécom S.A., through its subsidiary Atlas Services Belgium S.A., 8.85 % of the shares of the company are held by identified institutional investors (256). The bulk of the identified institutional investors is located in France, United States, Canada, Belgium and the Netherlands. The most prevailing investment style that is categorizing the identified institutional investors is the 'Value Approach'.

For more detailed information on the main shareholders, reference is made to Appendix VII, Title I of the Corporate Governance Charter.

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

The articles of association provide that the company's shares are registered or dematerialised. A transitional provision is in place in relation to the existing bearer shares. All bearer shares will be converted into registered or dematerialised shares by 1 January 2014 at the latest.

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

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

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

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

At the General Meeting held on 6 May 2009, the shareholders authorised the Board of Directors to acquire (by purchase or exchange) the company's shares, up to a maximum of 20 % of the number of shares issued by the company. This authorisation is valid for a period of five years as from the above mentioned date of the General Meeting. The acquisition price of the shares must not be higher than 110 % and must not be lower than 90 % of the average closing price of the shares during the five working days preceding the acquisition. This authorisation shall also be valid for the acquisition of shares in the company by a direct subsidiary pursuant to article 627 of the Belgian Companies Code. The shareholders have authorised the Board of Directors to cancel the shares acquired by the company, to record this cancellation in a notarised deed and to amend and coordinate the articles of association in order to bring them in line with the relevant decisions.

1.4 Composition and operation mode of the Board of Directors and the committees

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

On 31 December 2012, the Board of Directors consisted of twelve members of which one executive director and eleven non-executive directors (of which four independent directors). No age limit has been fixed within the Board of Directors.

Name	Function	Main function	Age	Nationality	End of mandate
Jan Steyaert	Chairman	Director of companies	67	Belgian	2014
Jean Marc Harion (1) (2)	Executive director	CEO Mobistar	51	French	2014
Conseils Gestion Organisation (3) (4)	Independent director	Director of companies	NA	Belgian	2014
Eric Dekeuleneer (3)	Independent director	CEO Credibe	60	Belgian	2014
		CEO University Foundation			
Johan Deschuyffeler (3)	Independent director	Vice-President HP Technology Services	55	Belgian	2014
Société en Gestion, Conseil et Stratégie d'Entreprise (3) (6)	Independent director	Director of companies	NA	Belgian	2014
Geneviève André-Berliat (1)	Director	VP Governance & Performance (FT)	57	French	2014
Benoit Scheen (1)	Director	EVP Europe (FT)	46	Belgian	2014
Brigitte Bourgoin (1)	Director	Group Chief Compliance Officer (FT)	59	French	2014
Bertrand du Boucher (1)	Director	VP Finance (FT)	59	French	2014
Gérard Ries (1)	Director	Directeur des Participations Internationales (FT)	58	French	2014
Wirefree Services Belgium (1) (5)	Director		NA	Belgian	2014

The Board of Directors meets at least four times a year. In 2012, the Board of Directors mainly discussed the following subjects:

- the company's strategy and structure;
- the budget and financing of the company;
- the operational and financial situation;
- the follow-up of the strategic projects;
- the functioning and resolutions of the committees set up by the Board of Directors;
- the evolution of the regulatory framework.

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

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

(1) Directors who represent the majority shareholder (Atlas Services Belgium).
(2) Director in charge of the daily management since 1 December 2011.
(3) The independent directors have signed a declaration stating they comply with the criteria of independence mentioned in the Belgian Companies Code.
(4) The company Conseils Gestion Organisation is represented by Mr. Philippe Delaunois.
(5) The company Wirefree Services Belgium S.A. is a wholly owned subsidiary of France Télécom S.A. and is represented by Mr. Aldo Cardoso.
(6) The company Société en Gestion, Conseil et Stratégie d'Entreprise (SOGESTRA) is represented by Mrs. Nadine Lemaître-Rozencweig.

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

Directors	07/02	23/03	25/04	20/07	19/10	11/12
Jan Steyaert	P	P	P	P	P	P
Brigitte Bourgoin	P	P	P	P	P	P
WSB	P	P	P	P	P	R
Eric Dekeuleneer	P	R	P	P	P	P
Conseils Gestion Organisation	P	P	P	P	P	P
Bertrand du Boucher	P	P	P	P	P	P
Gérard Ries	P	P	E	P	P	R
Benoit Scheen	P	P	P	P	P	P
Johan Deschuyffeleer	P	P	P	P	P	P
SOGESTRA	P	P	P	P	P	P
Jean Marc Harion	P	P	P	P	P	P
Geneviève André-Berliat	P	P	P	P	P	P

P: present E: excused R: represented

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

> The Audit Committee

In 2012, the Audit Committee consisted of five directors: Mr. Eric Dekeuleneer (Chairman), the companies Conseils Gestion Organisation (represented by Mr. Philippe Delaunois) and Société en Gestion, Conseil et Stratégie d'Entreprise (SOGESTRA represented by Mrs. Nadine Lemaître-Rozencweig), and Messrs. Bertrand du Boucher and Gérard Ries.

The Audit Committee's mission is to assist the Board of Directors, among others, in its responsibilities with respect to the monitoring of the reporting process of the financial information disclosed by the company, the monitoring of the effectiveness of the internal control and risk management systems of the company, the monitoring of the internal audit and its effectiveness, the monitoring of the statutory audit of the financial reports, the review and the monitoring of the independence of the external auditor, the review of the budget proposals presented by the management and the monitoring of the financial relations between the company and its shareholders. The Audit Committee met six times in 2012.

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

Directors	06/02	24/04	19/07	18/10	21/11	10/12
Eric Dekeuleneer	P	P	P	P	p	P
SOGESTRA	P	P	P	P	P	P
Conseils Gestion Organisation	P	P	P	P	E	P
Bertrand du Boucher	P	P	P	P	P	P
Gérard Ries	P	E	P	P	E	E

P: present E: excused

The principal subjects which have been discussed within the Audit Committee in 2012 are the following:

- the periodical financial, budget and activity reports;
- the internal control, including the quality aspects;
- the internal audit (plan, activities and conclusions);
- the evaluation of the external audit and report of the statutory auditor;
- the risk management (cartography and important risks and events);
- the annual report concerning fraud prevention and "revenue assurance";
- the annual report concerning ethics;
- the annual report concerning the main disputes.

The Audit Committee also did a yearly review of its working processes and informed the Board of Directors about this review.

> The Remuneration and Nomination Committee

In 2012, the Remuneration and Nomination Committee consisted of five directors: Messrs. Benoit Scheen (Chairman), Eric Dekeuleneer and Jan Steyaert, and the companies Conseils Gestion Organisation (represented by Mr. Philippe Delaunois) and Société en Gestion, Conseil et Stratégie d'Entreprise (SOGESTRA represented by Mrs. Nadine Lemaître-Rozencweig).

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

In 2012, the Remuneration and Nomination Committee met twice.

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

Directors	07/02	20/07
Benoit Scheen	P	P
Jan Steyaert	P	P
Eric Dekeuleneer	P	P
SOGESTRA	P	P
Conseils Gestion Organisation	P	P

P: present

In 2012, the Remuneration and Nomination Committee examined, among others, the remuneration of the members of the Executive Management and the remuneration policy of the company. The Remuneration and Nomination Committee has also drafted the company's remuneration report and presented it to the Board of Directors.

> The Strategic Committee

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

In 2012, the Strategic Committee consisted of eight directors: the company Conseils Gestion Organisation (represented by Mr. Philippe Delaunois) (Chairman), Mrs. Brigitte Bourgoin, Mrs. Geneviève André-Berliat, Messrs. Johan Deschuyffeleer, Jan Steyaert, Gérard Ries, Benoit Scheen and Bertrand du Boucher.

In 2012, the Strategic Committee met seven times.

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

Directors	11/03	06/02	02/05	25/07	28/09	09/10	21/12
Conseils Gestion Organisation	P	P	P	P	P	P	P
Brigitte Bourgoin	P	E	P	P	P	E	P
Jan Steyaert	P	P	P	P	P	P	P
Bertrand du Boucher	P	P	P	P	P	P	P
Gérard Ries	E	P	P	P	E	P	P
Benoit Scheen	P	R	P	P	P	P	P
Johan Deschuyffeleer	P	P	E	P	P	P	P
Geneviève André-Berliat	P	P	P	P	P	P	P

P: present E: excused R: represented

In 2012, the Strategic Committee mainly dealt with the following subjects:

- the results of the company;
- the development and prospects of the company;
- the renewal of the IT systems;
- the convergence and new technologies;
- the new investments;
- the strategy with regard to fixed lines;
- the trends of the market and the strategic positioning of the company;
- the strategy regarding MVNO.

> The Governance Supervisory Committee

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

In 2012, the Governance Supervisory Committee consisted of five directors: Messrs. Eric Dekeuleneer (Chairman) and Jan Steyaert, Mrs. Geneviève André-Berliat and the companies Wirefree Services Belgium (represented by Mr. Aldo Cardoso) and Conseils Gestion Organisation (represented by Mr. Philippe Delaunois).

In 2012, the Governance Supervisory Committee met twice.

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

Directors	24/04	19/07
Eric Dekeuleneer	P	P
WSB	P	P
Jan Steyaert	P	P
Conseils Gestion Organisation	P	P
Geneviève André-Berliat	P	P

P: present

The subjects dealt with in 2012 were, among others, the update of the Corporate Governance Charter, the evaluation of the committees, as well as the follow-up of the decisions taken by the Board of Directors.

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

When replacing directors, one attempts as much as possible to appoint female candidates. In 2012 no director has been replaced. The cooptation of Mrs. Geneviève André-Berliat has been confirmed during the General Assembly of 2 May 2012.

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

1.6 Composition and operation of the Executive Management

Mr. Jean Marc Harion exercises the position of CEO since 1 December 2011.

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

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

The Executive Management is composed of the following persons:

- Jean Marc Harion (Chief Executive Officer)
- Stéphane Beauduin (Chief Business Unit B2B Officer) new position since 1 April 2012
- Paul-Marie Dessart (Secretary General)
- Werner De Laet (Chief Financial Officer)
- Olivier Ysewijn (Chief Strategy Officer)
- Anne Cambier (Chief People Officer) new position since 1 October 2012
- Cristina Zanchi (Chief Customer Relationship Officer)
- Bart De Groote (Chief Consumer Marketing Officer B2C) since 1 April 2012
- Erick Cuvelier (Chief Information Officer) since 1 June 2012
- Sven Bols (Chief Sales & Distribution Officer) since 22 October 2012
- Gabriel Flichy (Chief Network Officer) since 15 November 2012

Management

Gabriel Flichy,
Chief Network Officer

Sven Bols,
Chief Sales & Distribution Officer

Cristina Zanchi,
Chief Customer Relationship Officer

Paul-Marie Dessart,
Secretary General

Xavier Fortemps,
Director Procurement & Efficiency

Stéphane Beauduin
Chief BU B2B Officer

Erick Cuvelier, Chief Information Officer

Bart De Groote, Chief Consumer Marketing Officer B2C

Werner De Laet, Chief Financial Officer

Jean-Marc Harion, Chief Executive Officer

Anne Cambier, Chief People Officer

Olivier Ysewijn, Chief Strategy Officer

1.7 Contractual relations with directors, managers and companies of the Group

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

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

1.8 Evaluation procedure of the Board of Directors, the committees and each director

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

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

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

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

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

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

1.9 Information regarding the remuneration connected to shares

In 2012, 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 2013 Annual Shareholders' meeting.

In the course of 2012, the company has been informed of a transaction on the company's shares by a member of the Executive Management. The FSMA has been informed on this matter and published it on its website: Mr Werner De Laet (CFO) bought on 2 May 2012 1,000 shares of the company on Euronext Brussels for a total amount of € 28,725.

1.10 Remuneration report

> Remuneration policy for the members of the Executive Management

The remuneration policy of the company is based on the performance of the company and the individual performance of the members of the Executive Management.

The recommended level of remuneration within the company must suffice to attract, maintain and motivate the members of the Executive Management.

A benchmark is used as basis to determine the level of remuneration, the elements of which it is composed as well as the level of these elements.

The wage surveys used for this benchmark are chosen depending on the companies (IT, telecom) which participate to it and with which the company can best be compared. The company systematically works with two wage surveys. The analysis of the annual reports of the companies of the BEL 20 is only used as an indication.

The possible adaptations of the remuneration following the benchmark are discussed within the Remuneration and Nomination Committee that submits its propositions for approval to the Board of Directors.

The Remuneration and Nomination Committee does not foresee major changes with regard to salary policy during the next two years.

> Components of the remuneration of the members of the Executive Management

All the members of the Executive Management have the statute of employees of the company; some of them are remunerated directors in Luxembourg; others have the statute of part-time employees in Luxembourg depending on their local activity. The detailed remuneration, as reported in the present remuneration report, comprises the totality of these elements.

No particular notice conditions have been agreed between the company and the members of the Executive Management.

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

1. Yearly basis remuneration
2. Variable remuneration
   a. Short-term variable remuneration called "performance bonus"
   b. Strategic Letter
   c. LTR 2011-2013

   The General Assembly of May 2011 decided to apply the exception provided for in article 520ter of the Belgian Companies Code (combined with article 525) to take account of the competitive and constantly developing context that is intrinsic to the telecommunications sector. Thus the same remuneration policy as that of the previous years was applied for the members of the Executive Management concerning the short-term variable part ("performance bonus"), the Strategic Letter and the LTR.
3. Other elements of the remuneration
   a. Group insurance consisting of four parts: life – death – invalidity and exemption of premiums
   b. Hospital insurance
   c. Employee participation plan
   d. Availability of /Disposal over a vehicle
   e. Meal vouchers

The wage elements requiring additional explanation are described below.

1. 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.

2.a. The variable short-term part – performance bonus

The short-term variable remuneration is a key element in the remuneration policy of the company.

The level of the target variable contractual remuneration lies between 35 % and 50 % of the yearly basis remuneration depending on the type of position.

The calculation methodology, for the collective as well as for the individual part, is set out in an internal code.

The variable remuneration comprises two parts:

- An individual part based on the evaluation of the relevant and neutral targets. An important part is based on the management qualities as well as on the personal implication in the transformation of the company.
- The collective part which is based in 2012 on the following financial indicators:
  1. The consolidated turnover
  2. The EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)
  3. The Net Promoter Score (NPS = percentage of customers who are promoters - percentage of customers who are detractors)

The result of the collective part is submitted for review to the Remuneration and Nomination Committee each semester prior to it being granted.

In case of non-achievement of the financial targets, the collective part can be brought back to 0 %.

In case of insufficient personal performance, the financial individual part can also be reduced and even annulled.

The individual performance of the CEO is determined by the Remuneration and Nomination Committee; the individual performance of the other members of the Executive Management is proposed by the CEO to the Remuneration and Nomination Committee. The Board of Directors resolves to accept the propositions or, as the case may be, rejects them.

The variable part is evaluated and fixed every semester.

The results of the first semester are established in September of the current year; the results of the second semester are established in March of the year following the end of the financial year.

The performance bonus is granted in cash or in options on shares which are not connected to the company.

2.b. The Strategic Letter

The "Strategic Letter" is an exceptional bonus of which the eligibility and the grant are proposed and evaluated by the Remuneration and Nomination Committee in a discretionary manner and are approved by the Board of Directors.

In 2012, a 'Strategic Letter' has been granted to all the members of the Executive Management. The CEO benefits from a contractual 'Strategic Letter'.

The measured KPI's are the following:
- Operating Cash-flow
- Churn postpaid
- Customer NPS improvement

2.c. LTR 2011-2013

The "LTR 2011-2013" is a withheld long-term bonus granted in 2011 in order to ensure the stability within the members of the Executive Management for a period of three years.

It is linked to a condition of presence in March 2013 and shall be granted at that moment under the form of options on shares which are not linked to the company.

These options shall be blocked during one year.

It is based on a percentage applicable to four performance bonus periods as well as on the same financial KPI's and this for the two semesters of 2011 and the two semesters of 2012.

As the CEO started working for the company at the end of 2011, he does not participate to this plan.

3.a. Group insurance - additional pension plan

The additional pension plan is a plan with predefined contributions.

The acquired reserve consists of employers' and personal contributions.

3.c. Employee participation 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 profit under certain circumstances with the members of the personnel including the members of the Executive Management.

In case the conditions are not fulfilled, the participation in the profit is not granted.

The amount granted to each employee, herein included the members of the Executive Management, is identical no matter which position is held.

> The detailed remuneration of the members of the Executive Management

CEO	**2011**		**2012**
	B. Scheen	**JM. Harion**	
- gross basis remuneration:	€ 266,080	€ 23,333	€ 298,945
- gross variable remuneration in cash and/or options which are not connected to the company:	€ 534,835		€ 76,240
- other components of the remuneration (excluding employers' contributions to the pension plan):	€ 12,491	€ 291	€ 37,134
- risk insurance:	€ 7,622		€ 9,866
- other components:	€ 4,869	€ 291	€ 27,268
- employers' contributions to the pension plan:	€ 47,764	€ 6,604	€ 70,961
Total	**€ 861,170**	**€ 30,228**	**€ 483,280**

Executive Management (except the CEO)	**2011**	**2012**
- gross basis remuneration:	€ 1,721,246	€ 1,951,232
- gross variable remuneration in cash and/or options which are not connected to the company:	€ 1,107,543	€ 885,465
- other components of the remuneration (excluding employers' contributions to the pension plan):	€ 133,765	€ 177,152
- risk insurance:	€ 43,663	€ 47,766
- other components:	€ 90,102	€ 129,385
- employers' contributions to the pension plan:	€ 264,023	€ 287,614
Total	**€ 3,226,577**	**€ 3,301,463**
Global total	**€ 4,117,975**	**€ 3,784,743**

All the amounts are reported on the basis of a gross amount, excluding the social security of the employer and all taxes due by the employer, notably on the insurance premiums.

The variable remuneration taken into account is the variable remuneration which has been actually paid out over the period concerned 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 2012, the Executive Management (except the CEO) was composed of 9.4 full-time equivalents. In 2011, it was composed of 8.5 full-time equivalents. The members of the Executive Management who were not in service all year long are taken into account pro rata temporis.

All the remuneration amounts mentioned here below relate to the Belgian and Luxembourg activities. A redundancy payment corresponding to 8 months remuneration has been paid to Mr. Pascal Koster in 2012.

In 2012, the variable remuneration amount for the CEO represents only the variable remuneration for half a year due to the shift in time of the actual bonus payment and only one month of activity of the new CEO. In 2011, the variable remuneration amount for the CEO is linked to the anticipated payment of various bonuses due to his nomination in the France Télécom group in the course of 2011.

The amount “other components of the remuneration” for the CEO and the Executive Management includes the housing costs of the CEO and of some members of the Executive Management.

No share, option or any other right to acquire shares of the company have been granted, exercised or have expired in 2012.

> The remuneration policy for the directors

For 2012, the independent directors will receive a fixed annual remuneration of € 33,000 as well as an additional remuneration of € 2,200 per meeting of a statutory or ad hoc committee they have attended. These amounts have been determined on the basis of a benchmark realized on the BEL 20 companies. This remuneration will be paid (if necessary, pro rata) after the Annual General Meeting that approves the annual accounts of the financial year in question.

These directors are:

- Eric Dekeuleneer
- Conseils Gestion Organisation (represented by Mr. Philippe Delaunois)
- SOGESTRA (represented by Mrs. Nadine Lemaître-Rozencweig)
- Johan Deschuyffeleer

For 2012, the chairman of the Board of Directors, Mr. Jan Steyaert, will receive a fixed annual remuneration of € 66,000 as well as an additional remuneration of € 2,200 per meeting of a Board of Directors’ committee of which he is a member. As for the independent directors, these amounts have been determined on the basis of a benchmark realized on the BEL 20 companies. This remuneration will be paid (if necessary, pro rata) after the Annual General Meeting that approves the annual accounts of the financial year in question.

The following directors fulfil their mandate without remuneration:

- Jean Marc Harion (1)
- Brigitte Bourgoin
- Bertrand du Boucher
- Gérard Ries
- Wirefree Services Belgium (represented by Mr Aldo Cardoso)
- Geneviève André-Berliat
- Benoit Scheen

> The detailed remuneration of the directors

Directors	Fixed yearly remuneration	Audit Committee	Remuneration and Nomination Committee	Strategic Committee	Governance Supervisory Committee	Total
Jan Steyaert (chairman of the Board of Directors)	€ 66,000	€ 0	€ 4,400	€ 15,400	€ 4,400	€ 90,200
Conseils Gestion Organisation (represented by Mr Philippe Delaunois) (independent director)	€ 33,000	€ 11,000	€ 4,400	€ 15,400	€ 4,400	€ 68,200
Eric Dekeuleneer (independent director)	€ 33,000	€ 13,200	€ 4,400	€ 0	€ 4,400	€ 55,000
SOGESTRA (represented by Mrs Nadine Lemaître-Rozencweig) (independent director)	€ 33,000	€ 13,200	€ 4,400	€ 0	€ 0	€ 50,600
Johan Deschuyffeleer (independent director)	€ 33,000	€ 0	€ 0	€ 13,200	€ 0	€ 46,200
Total	**€ 198,000**	**€ 37,400**	**€ 17,600**	**€ 44,000**	**€ 13,200**	**€ 310,200**

(1) Mr. Jean Marc Harion (CEO) is remunerated under his statute of employee (see above).

2. Key events 2012

2.1 Market developments

Market competition further intensified in 2012, with all operators seeking to acquire and retain customers in a context of market saturation. According to Mobistar's estimates, the number of active SIM cards on the Belgian market has reached 114 % of the population by the end of 2012.

Mobistar ended the year with 4,321.6 thousand active mobile customers (including mobile broadband and MVNO's, excluding Luxembourg), which represents a 5.3 % increase year on year. Mobistar has maintained its position on the Belgian market, with a market share of 34.0 %. These figures do not include the growth of "Machine-to-Machine" cards, which increased from 417.0 thousand at the end of 2011 to 518.1 thousand end of 2012.

The number of postpaid customers has reached 68.1 % of the total customer base at the end of 2012 (MVNO's excluded), as compared to 66.3 % in 2011.

The segmentation approach via MVNOs and partnerships remains for Mobistar the best strategy for conquering market share in specific segments where Mobistar itself is not active. In this way, Mobistar can surf on the success of its partners. The number of MVNO customers rose by 50.8 % in one year, from 589,830 active customers at the end of December 2011 to 889,540 active customers one year later. The growth comes from both full and light MVNO partners.

2.2 Evolution of offers and services

The consequences of the new telecom law were well anticipated by the launch in April 2012 of the new 'Animals' subscriptions (Squirrel, Kangaroo, Dolphin and Panther), which can be concluded without a contract.

Mobistar also reacted to the intense competition and the increasing demand for mobile internet by lowering the price of the ´Kangaroo -´ and ´Panther unlimited´ subscriptions, and increasing the volume of mobile data included in the ´Dolphin´ subscriptions.

The changes made to the subscription formulas and the lower prices were well received by the consumers and at the end of December 2012, 43 % of the residential postpaid customers opted for an 'Animal' subscription.

For a more detailed view of our offers and services, we refer you to the 'Customer at the center' section (page 18) of this annual report.

2.3 Distribution

Mobistar continues to deploy a distribution strategy based on three main pillars:

- Emphasis on exclusive distribution (Mobistar centers, telesales, web sales, …).
- Presence via complementary channels, partnerships and regional implantations.
- Promotion of the Mobistar sales share in the open distribution.

End 2012, the chain of Mobistar centers included 161 shops. Forty-five of these points of sale are owned stores. The Mobistar chain continued to extend its focus on customer service and loyalty, alongside the traditional commercial objectives.

2.4 Mobistar Enterprise Services S.A.

Mobistar Enterprise Services S.A. (MES) is part of the Mobistar group since 1st April 2010. The synergies between both entities are obvious, especially in the professional market (consolidate the portfolio as a convergent telecom player) and in the network domain (internalize and reduce cash out to other market players).

On the fix voice market, MES continued to migrate the high value customers to Mobistar convergent solutions (mobile, fix and internet). All fix voice migrations should be finalized in 2013. Concerning fix data business, MES data portfolio is still increasingly cross-sold to existing Mobistar customers.

On the network side, 255 dark fibers replace Mobistar outsourced links by MES links. As such, Mobistar can send national traffic via MES' network, while MES international traffic is conveyed via Mobistar, in both cases at lower termination rates than before.

MES also continues to provide wholesale services to KPN Group Belgium for fix voice and internet products and services to their residential customers.

2.5 Orange Communications Luxembourg S.A.

Mobile market shares have remained stable in 2012. The incumbent operator (EPT-Luxgsm) represents 48.2 %, the other 51.8 % are shared between Tango (37.2 %) and Orange Communications Luxembourg S.A. (14.6 %).

At the end of December 2012, Orange Communications Luxembourg S.A. had 105,805 active mobile telephony customers, 6.6 % more than the year before. In the last quarter of 2012, the Luxembourg subsidiary of Mobistar was able to attract 2,626 new customers. Orange Communications Luxembourg S.A. closed its financial year 2012 with service revenues of 65.5 million euros, compared to 60.6 million euros at the end of December 2011, an increase of 8.1 %. The total turnover for the financial year 2012 amounted to 75.5 million euros, an increase of 14.9 % compared to 65.7 million euros one year earlier, thanks to the successful sale of mobile telephones. The turnover of mobile telephones doubled in the fourth quarter of 2012 compared to the same period a year earlier, from 5.0 million euros in 2011 to 9.9 million euros in 2012. The average revenue per user for the full year 2012 amounted to 51.88 euros/month/active customer, compared to 50.76 euros/month/active customer for the year 2011.

Orange Communications Luxembourg S.A. maintained its commercial footprint on the market with a total of 18 shops at the end of 2012.

On the network side, 254 GSM 2G sites, and 196 UMTS 3G sites are on air. In 2012, the company started the deployment of its LTE 4G network and end 2012, the company already counted 98 LTE 4G sites on air, covering 66.4 % of the population. As from October 2012, the company launched its first LTE offers (unlimited internet for € 39 per month).

The mobile termination rates (MTR) have remained unchanged in 2012. The Luxembourgian Regulator (ILR) has fixed MTR prices for the period from 2006 to 2008. They remained unchanged since then.

2.6 Evolution of the Mobistar share price

Mobistar's share price started the year 2012 on a downward trend that began after France Télécom finished its strategic review of its international assets portfolio in 2011. Pricing pressure stemming from both regulation and the fierce competition between the main telecom players has compounded this trend.

Up to February 2012, with the publication of the 2011 results, Mobistar's share price performance kept largely pace with the Dow Jones EURO STOXX Telecom index. Despite the 2011 results that were largely in line with the provided forecast, it was the 2012 outlook that disappointed the market. Mobistar referred to the new telecom law and aggressive fix-to-mobile offers of the incumbent operator to explain the provided wide forecast range. The general analyst feeling after Mobistar gave its 2012 EBITDA guidance back in February 2012 was that it seemed rather conservative.

In April 2012, Mobistar developed a new segmentation associated with user profiles that are represented by animals. These new offers enable the customers to keep control of their consumption and their usage, and to choose a subscription that really suits their needs. Backed by the launch of the Animals segmentation the share price performance won back some lost ground.

However with the publication of the first quarter results at the end of April 2012, it became clear for the investors community that the forecast provided in February 2012 was more realistic than they previously assumed. As of that moment Mobistar's share performance drifted away of the overall sector index. The renewal of the Full MVNO contract with Telenet early May 2012 was not a real share price mover.

In July 2012 Mobistar reported results in line with its forecast and reiterated its guidance for the full year 2012, however the inclusion of a positive one-off reversal of provision was seen by the market as an earnings downgrade of the underlying results forecast. Since August 2012, the relative underperformance versus the Dow Jones EURO STOXX Telecom index remained rather stable, but as the sector index was pressured, this also pressured the performance of the Mobistar share, making 2012 the worst year for Mobistar in terms of share price performance in the last 14 years.

2.7 Subsequent events

No adjusting events arose between the balance sheet date and the date at which the financial statements have been authorized for issue by the Board of Directors.

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

The scope of consolidation includes Mobistar S.A., Mobistar Enterprise Services S.A. (hereafter MES), the Luxembourgian company Orange Communications Luxembourg S.A. (hereafter OLU), 50 % of the temporary joint venture 'Irisnet' and as from 1 November 2012, 28.16 % of IRISnet S.C.R.L. (hereafter IRISnet).

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

MES, a company organised and existing under the laws of Belgium, has been acquired as of 31 March 2010 by Mobistar S.A. The purchase concerned 100 % of the shares of affiliated company. The company has consolidated the results of MES for 100 % as of 1 April 2010.

The temporary association Irisnet is a joint venture between France Télécom S.A. and Belgacom S.A. (the initial partner Telindus S.A. is since January 2010 an integral part of Belgacom S.A.). As such, Mobistar does not own directly or indirectly any voting power in Irisnet. However, in application of SIC 12, Mobistar concluded that Irisnet is actually controlled by Mobistar and its partner Belgacom. In addition, it is concluded that the risks and rewards are not born by France Télécom but by Mobistar.

At the beginning of November 2012, the temporary association Irisnet stopped its activities. The activities of Irisnet have been taken over by a newly created company named IRISnet S.C.R.L. Irisnet will just continue to collect its outstanding receivable balances open as of 31 October 2012 and complete the legal liquidation of the temporary association.

Based on the fact that the temporary association stopped its activities, Mobistar decided to include in the 2012 closing all necessary provisions regarding the legal liquidation of the temporary association. This review has allowed the Group to record € 9.8 million of additional income in the fourth quarter of 2012.

IRISnet has been constituted in July 2012 in order to take over the activities performed by the temporary association Irisnet. The take-over of the activities took place on 1 November 2012. In this new legal structure, Mobistar has contributed in cash for € 3,450,000 representing 345,000 shares out of the 1,225,000 shares issued by the company. Due to the deal structure, IRISnet will be integrated in the consolidated accounts using the equity method. Given the limited impact of the results generated in 2012, no impact has been included in the 2012 consolidated results.

3.1 Income statement

In 2012, the Group recorded a consolidated net profit of € 185.7 million, a decrease of 16.0 % on the figure of € 221.0 million recorded in the previous year.

Consolidated turnover decreased by 0.4 % from € 1,657.6 million in 2011 to € 1,650.5 million in 2012. Service revenues decreased from € 1,505.8 million in 2011 to € 1,450.0 million in 2012. Revenue from the sale of equipment, in particular handsets, showed an increase of 32.1 % to € 200.5 million against € 151.8 million in 2011.

In 2012, the total consolidated customer base of the Mobistar group grew by 5.3 % to reach 4,427,405 customers, for a consolidated turnover of € 1,650.5 million (-0.4 % vs. 2011).

At the end of 2012, the number of active customers for mobile telephony (excluding MVNO's and OLU) reached 3,432,060 which is a decrease of 2.4 % compared to the 3,515,593 active customers one year earlier. Mainly postpaid customers opted for Mobistar, so the share of subscribers in the customer base rose to 68.1 % at the end of 2012, compared to 66.3 % at the end of 2011.

The number of MVNO customers grew by 50.8 %, from 589,830 active customers at the end of December 2011 to 889,540 active customers at the end of December 2012 as a result of the success of Mobistar's MVNO partners.

The demand for mobile internet, driven by the use of smartphones and tablets, increased sharply in 2012. More and more Belgian consumers want to have access - everywhere and at all times - to the internet, Facebook and Twitter, as well as to be able to send and receive e-mails. Around 80 % of the ´Animals' subscriptions sold include mobile data, and consumers are also buying more smartphones. In the Mobistar centers, the share of smartphones in the sale of mobile telephones rose to 50 % in 2012. The number of customers with a smartphone on our network increased by 52 % in a single year, from 19 % in January 2012 to 26 % at the end of the year. The great success of the iPhone 5, the combined offer with the Samsung Galaxy S3 and the Samsung ´Gio´ action, a limited edition subsidised offer in the fourth quarter 2012, confirm this trend. The strongest increase in mobile data traffic was registered in the fourth quarter of 2012: it rose by 70 % compared to the third quarter of 2012. At the end of December 2012, the share of mobile data in the service revenues of Mobistar amounted to 41.4 %, compared to 37.1 % a year earlier.

In 2012, the revenues of the Mobistar group were once again negatively influenced by the reduction of the MTR rates in January 2012 and of the roaming rates in July 2011 and 2012. The impact of these reductions on the turnover amounted respectively to € 29.6 million and € 28.9 million for the year 2012.

Other operating revenue totalled € 52.0 million in 2012, compared with € 42.0 million in 2011. This revenue comes predominantly from the cross-charging of services provided to the France Télécom group and from information supplied to the judicial authorities.

At the beginning of November 2012, the temporary association Irisnet stopped its activities. The activities of Irisnet have been taken over by a newly created company named IRISnet S.C.R.L. Irisnet will just continue to collect its outstanding receivable balances open as of 31st of October 2012 and complete the legal liquidation of the temporary association. Based on the fact that the temporary association stopped its activities, Mobistar has decided to include in the 2012 closing all necessary provisions regarding the legal liquidation of the temporary association. This review has allowed the Group to record € 9.8 million of additional income in the fourth quarter of 2012.

Rigorous policy on expense control remained a focus for the Group in 2012. This has allowed the Group to maintain a controlled level of increase in the total operating expenses. These ones have been mainly influenced by the cost of equipment and goods sold (following the continued increase of handsets sales), payroll costs (related to the investments made in the sales department and the customer service in order to improve the customer relationship) and the depreciation (increased by the fact that the IT renewal and the network swap have generated an increase of the depreciation of fixed assets due to changes in useful life, and by the accelerated depreciations on software development due to IT strategy review). Finally compared to previous year, some important claims needed to be accrued in 2012. These elements resulted in an increase of the Group's operating expenses which went from € 1,359.9 million to € 1,425.6 million at the end of 2012.

Interconnection costs slightly decreased.

Costs of equipment and goods sold recorded an increase as a result of the growth in revenue from equipment sales, especially in the area of smartphones (€ 49.7 million).

The cost of services and other goods decreased by € 15.7 million reaching € 281.8 million. An important positive impact is related to the review of the provision for universal service compensation for € 17.5 million. In light of the Court decision taken last year and the evolution of the regulation, Mobistar has reviewed its approach on the calculation of the provision from a 'loss of revenue' basis to a 'net charges' basis. Professional fees, which include IT consultants and outsourced activities, have increased over the year by € 8.8 million, although commercial expenses have been reduced by € 7.8 million as well as the commissions paid by € 4.1 million.

The company is not involved in 'Research & Development' activities so that no expenses have been registered.

The payroll costs have increased in line with the variance of team members and the salaries indexation recorded beginning of 2012 for 3.47 %. The average full-time equivalent number of employees increased from 1,859.3 in 2011 to 1,896.0 in 2012. The increase has been focused on the sales force and on the customer service in order to largely improve the customer experience.

Depreciations and amortizations on intangible and tangible assets increased by 14.1 %, from € 190.3 million at the end of 2011 to € 217.2 million in 2012. Due to important projects related to technical swap of technology, the useful life of the assets related has been reviewed and shortened in order to consider the expected decommissioning dates. This change has resulted in an increase of the depreciation for a total amount of € 14.1 million in 2012. An exceptional accelerated depreciation has also been recorded on software development in order to reflect the impact of the change in the IT strategy. The cost for the company has reached € 15.5 million.

Bad debt provision increase is largely impacting this header as it increased by € 14.6 million. This increase is partially due to the fact that in 2012 a lower amount of write-offs was acted compared to 2011 and consequently the reverse of the provision has been lower (€ -10.4 million). The increase is also the consequence of the continued slowdown in cash collection due to economic circumstances (impacting Mobistar SA by € 5.0 million). Orange Communication Luxembourg S.A. had also to increase its bad debt provision in 2012 (€ 1.6 million) due to issues with its billing system that has generated a high level of contestations and risks on collectability of its receivables.

Other operating charges decreased by € 1.5 million.

In 2012, financial income amounted to € 0.5 million, a small decrease of € 0.4 million compared to the € 0.9 million recorded in 2011. Financial costs amounted to € 11.2 million in 2012, a small decrease compared to 2011 (€ 0.6 million). The main drivers of the financial expenses are the interests paid on borrowings which have been slightly lower than in 2011.

For the year 2012, the operator posted a net profit of € 185.7 million, a decrease of 16.0 % after a tax expense of € 80.5 million. The basic earnings per share as well as the diluted earnings per share decreased by 16.0 % to reach € 3.09.

The General Shareholders' Meeting held on 2 May 2012 endorsed the proposal made by the Board of Directors to distribute a gross ordinary dividend of € 2.90 per ordinary share and a gross extraordinary dividend of € 0.80 per ordinary share on the results of the year 2011.

For the 2012 financial year, the Board of Directors will propose at the General Shareholders' Meeting to be held on 2 May 2013 the distribution of a gross ordinary dividend of € 1.80 per ordinary share.

3.2 Balance sheet

The consolidated balance sheet total was € 1,347.0 million at the end of 2012 which represents a decrease of € 34.5 million compared with € 1,381.5 million recorded at the end of the previous financial year.

Non-current assets amounted to € 1,045.8 million at the end of 2012 compared with € 1,070.3 million at the end of 2011 and consisted of the following items:

- Goodwill of € 80.1 million, resulting from:
  - o the acquisition of Mobistar Affiliate S.A. (€ 10.6 million) in 2001;
  - o the acquisition of OLU (€ 70.9 million) in 2007, adjusted by € 2.2 million (decrease) after the acquisition of the remaining shares of OLU in 2008;
  - o the acquisition of MES in 2010 (€ 0.8 million).

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

- Intangible assets, posting a net value of € 286.5 million at the end of 2012 compared with € 312.0 million at the end of 2011. Values related to the licences are as follows (respectively acquisition value, net book value at the end of the period, remaining amortization period):
  - o 2G (extension): € 74.4 million, € 43.5 million, 35 months;
  - o 3G: € 149.0 million, € 77.2 million, 99 months;
  - o 4G (2.6 Ghz): € 20.0 million, € 20.0 million, as from technical readiness up to end of June 2027.
- An accelerated depreciation of € 15.5 million has been recorded on IT developments to consider the change in the IT strategy.
- Tangible assets of € 665.0 million at the end of the 2012 financial year to be compared with € 666.0 million recorded at the end of the 2011 financial year. During 2012, accelerated depreciation due to a change in useful life on tangible and intangible assets has been recognised for an amount of € 14.5 million (€ 12.4 million in 2011) and shown as expense on the line 'Depreciation, amortisation and impairment' in the income statement. The changes recognised during the year have been determined on individual asset basis in order to consider technology and IT evolution. Obsolescence, dismantling or losses are also considered in the exercise.
- In 2012, the Group invested in a new Belgian company (IRISnet S.C.R.L.) for an amount of € 3.5 million corresponding to 28.16 % of the equity. This company will be treated as an associated company. IRISnet started its activities on 1 November 2012. Given the limited impact of the results generated in 2012, no impact has been included in the 2012 consolidated results.
- Other non-current assets decreased from € 5.8 million at the end of 2011 to € 4.0 million at the end of 2012. The decrease is mainly due to the transfer to 'Other current assets' of the maturing part of the long-term loans to specific partners.
- Net deferred tax assets, relating essentially to investments tax credits, to the temporary differences resulting from the consideration of borrowing costs and the development costs for intranet sites, to the income related to the free minutes of traffic granted to subscribed customers and to the dismantling assets depreciation, as well as the integration of losses carried forward from OLU and from MES, amounted to € 6.7 million at the end of 2012.

Current assets decreased year to year, going from a total of € 311.2 million at the end of 2011 to € 301.2 million at the end of 2012. They consist of the following items:

- Inventories of goods, amounting to € 20.6 million at the end of 2012, compared to € 16.5 million at the end of 2011. The increase of the inventory level is partially due to the implementation of the bundle offers (combination of service plan and handset), which has postponed the de-recognition of the inventory transferred to the distribution channels from the transfer date to the distributor to the end customer received date (€ 2.8 million).
- Trade receivables, amounting to € 230.2 million at the end of 2012, compared with € 225.3 million at the end of 2011. The small increase results from a compensation of a small decrease in the 'Service Revenue' receivable, which is influenced by the reduction of service revenue itself, over compensated by the increase on receivable related to distributors, influenced by the very high level of handsets sales in the last quarter of the year. The slowdown in cash collection noted at the end of 2011 has been stabilized in the residential segment but required a small increase in the provision for bad debt (up to 2.1 %) again in 2012. Some more difficulties have been noted in the 'small and medium enterprises' segment, resulting in an increase of the bad debt provision related to this segment. The Group is not dependent from major customers' situation, none representing more than 10 % of the company's turnover. The customers risk is spread over more than 4 million customers.
- Other current assets and accrued revenues, decreasing from € 62.3 million at the end of 2011 to € 38.2 million at the end of 2012. This variance is mainly due to the change in the VAT situation at the end of 2012 compared to 2011 (switch from a receivable balance of € 5.5 million to a payable balance), the decrease in the service revenues cut-off entries (€ -4.6 million) and the impact of the new telecom law that has accelerated the reversal of gratuity related to previous years contracts (€ -8.2 million).
- Cash and cash equivalents amounting to € 12.3 million at the end of 2012, an increase of € 5.2 million since the end of the 2011 financial year. The cash flow statement gives details of the flows that gave rise to this trend.

Equity decreased by € 36.2 million during the 2012 financial year, from € 394.0 million to € 357.8 million:

- The share capital remained at € 131.7 million.
- The legal reserve corresponds to 10 % of the share capital.
- The evolution of retained earnings, decreasing from € 249.1 million to € 212.9 million, is the result of the net profit of the period (€ 185.7 million), payment of the 2011 dividend (€ 222.1 million) and costs of equity transactions and other equity transactions (€ -0.2 million).

Non-current liabilities consist of:

- loans payable after more than one year (€ 383.7 million in 2012 against € 293.2 in 2011); these amounts correspond to the use of the credit facility granted by the France Télécom group. The company signed in 2010 a new long-term credit facility for an amount of € 450 million for a period of 5 years at Euribor + 65 Bps margin + 20 Bps utilization fee;
- long-term provisions intended to cover litigations (€ 14.9

million in 2012 against € 14.2 million in 2011) mainly impacted by the release of provision for onerous contracts set up in 2010 and 2011 for which costs have been incurred in the 2012 operations;
- costs of dismantling network sites and refurbishing of rented buildings (€ 52.2 million in 2012 against € 47.4 million in 2011). The increase is due to the unwinding effect and the change in discount rate;
- amount payable over one year related to the renewal of the 2G licence, as the company has opted for the deferred payment approach (€ 28.3 million end 2011, € 13.4 million end 2012);
- deferred taxes liabilities decreasing by € 1.2 million; therefore there are no deferred taxes liabilities outstanding at the end of 2012.

Current liabilities decreased by € 78.5 million, going from € 603.2 million at the end of 2011 to € 524.7 million at the end of 2012:

- Short-term borrowing increased by € 4.1 million to € 22.6 million at the end of 2012.
- Outstanding trade payables remained stable at € 344.6 million.
- Liabilities resulting from employee benefits increased by € 1.5 million, going from € 32.9 million at the end of 2011 to € 34.4 million at the end of 2012.
- Variation of corporate tax payable is due to the fact that the tax bills 2010 and 2011 have been paid during 2012 (for a total of € 105.0 million). Prepayments of taxes for 2012 have been slightly lower than in 2011 due to the lower level of pre-tax result.
- Deferred income relates to the portion of the upfront payments made under some tariff plans not used at closing date and to the amount of prepaid cards issued but not used. Decrease comes essentially from the change in the tariff plans' structure in the portfolio. Indeed the 'Animals' tariff plans do not include anymore a roll-over period of the unused part of the fixed part billed, which resulted in the decrease of the deferred income. The decrease in prepaid customers has also resulted in a decrease in deferred revenues. Both evolution in pre- and postpaid have had an impact of € -11.7 million.

3.3 Financial instruments, financial risk management objectives and policy

Mobistar's principal financial instruments comprise bank and inter-company loans, overdrafts, cash at bank and short-term bank and inter-company deposits. The main purpose of these financial instruments is to raise finance for Mobistar's operations. Mobistar has also various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is to be noted that Mobistar's policy does not allow trading in financial instruments.

- **Interest rate risk:** As a result of the exceptionally high distribution to its shareholders paid-out in 2008 (nearly € 600 million), the Company showed a debt amounting to € 407.6 million on 31 December 2012. The Company didn't hedge the interest rate risk on the debt that bears interests based on Euribor + 65 Bps margin + 20 Bps utilization fee. The company decided not to hedge the long-term interest rate risk linked to its long-term debt in the light of the currently low interest rates levels and the amount's fluctuations of the said long-term debt.

- **Foreign currency risk:** The Company is not subject to significant foreign currency risks.

- **Credit risk:** Mobistar trades only with recognised, creditworthy third-parties. It is Mobistar's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivable balances are monitored on an ongoing basis. Allowance for doubtful debtors is calculated on the basis of different criteria depending on the type of customers. Hardware customers allowance is based on individual evaluation of the customer financial reliability on a case by case basis. In some circumstances, payment terms are defined as cash on delivery. For Airtime customers, allowance is based on a percentage of turnover generated combined with ageing of the open items. Percentages are defined based on customer segmentation, previous years recovery experience. Yearly review is made of all the indicators.

- **Liquidity risk:** Mobistar's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and intercompany loans. We refer to the table summarizing the maturity profile of the financial assets and liabilities.

4. Comments on Mobistar S.A.'s 2012 annual accounts prepared according to Belgian accounting standards

4.1 Income statement

Turnover for the year 2012 reached € 1,533.1 million, an increase of 0.6 % on the figure of € 1,524.5 million recorded in the previous year.

Produced fixed assets, including IT development costs and research and design costs for the new sites required for network deployment, have slightly increased to € 4.8 million.

Other operating income reached € 54.9 million, compared to the € 54.4 million posted in 2011. This income mainly comes from the revenues from the cross-charging of services provided to the France Télécom group, from the revenues from the cross-charging of sites shared with other operators and from the revenues generated from information supplied to the judicial authorities.

Operating charges have increased. These reached € 1,310.5 million, an increase of 5.9 % compared with the figure of € 1,238.0 million recorded in 2011, and can be broken down as follows:

- Purchases and supplies totalled € 687.9 million, mainly consisting of interconnection costs (50.8 % of the total, compared with 52.6 % in 2011). The balance mainly consists of the costs associated with the operation of the technical network, leased lines and the cost of GSM and SIM cards sales. This year, the increase is also largely due to the purchase of handsets for € 50.6 million. The business of handsets sales has indeed increased by 28 % in 2012 compared to 2011.
- The cost of services and other goods slightly decreased by € 15.9 million reaching € 267.8 million. An important positive impact is related to the review of the provision for universal service compensation for € 17.5 million. In light of the Court decision taken last year and the evolution of the regulation, Mobistar has reviewed its approach on the calculation of the provision from a 'loss of revenue' basis to a 'net charges' basis. Professional fees, which include IT consultants and outsourced activities, have increased over the year by € 3.7 million, although commercial expenses have been reduced by € 5.1 million as well as commissions paid by € 3.2 million.
- Remuneration, social security costs and pensions collectively totalled € 151.5 million compared with € 142.7 million in the previous year. Employee costs are influenced by the evolution of the number of employees and a 3.47 % salary increase as from 1 January 2012, following a wage indexation and a sector understanding. The comparison between 2011 and 2012 is also largely influenced by the efforts started during the second half of 2011 and continued in 2012 to reinforce sales and customer support teams. Despite these negative impacts, the increase of employee benefits cost has been limited to 6.2 %.
- Depreciation of and impairment on formation expenses, on intangible and tangible fixed assets, amounted to € 175.8 million for the 2012 year compared with € 161.4 million in 2011. The useful lives of intangible and tangible assets remained unchanged in 2012. Due to important projects related to technical swap of technology, the useful life of the assets related has been reviewed and shortened in order to consider the expected decommissioning dates. This change has resulted in an increase of the depreciation for a total amount of € 14.4 million in 2012.
- Provision for write-off on stocks and trade receivables increased to € 17.5 million in 2012, mainly as a consequence of the net increase of the bad debt provision related to trade receivables. This evolution has to be combined with the decrease in 'other operating charges'. In 2011, an amount of € 14.3 million of trade receivables has been written off, generating an usage of the provision. In 2012, write-offs for an amount of € 4.0 million have been booked.
- Provisions for liabilities and charges in relation to various disputes totalled € 0.1 million, compared with € 1.8 million in 2011. No major claims have been recorded in 2012, only small evolutions of the claims open at the end of 2011 were noted.
- Other operating charges totalled € 9.9 million in 2012, compared with € 15.1 million in 2011, a change mainly due to the write-off of trade receivables for which allowances for doubtful debts had been made in previous financial years. It is also to be noted that a correction of the building taxes 2010 has had a negative impact of € 0.9 million.

Operating profit for the financial year was € 282.3 million, a decrease of 18.1 % on the figure of € 344.6 million recorded in 2011.

Financial income generated during the year amounted to € 0.6 million, lower compared to previous year due to the reduction of the financial discounts obtained in 2012 compared to the one's received in 2011 and lower interest rates.

Financial expenses for the year amounted to € 10.8 million, a decrease compared to the financial charges (€ 12.7 million) recorded during the previous financial year. This decrease is mainly due to the interest level evolution.

In 2012, an exceptional write-off has been recorded on software development in order to reflect the impact of the change in the IT strategy. The cost for the company has reached € 15.5 million. The € 12.0 million extraordinary income booked in 2011 was related to the revaluation of a financial receivable on OLU.

At the end of the year, Mobistar S.A. declared a profit for the period before taxes of € 256.6 million, a decrease of 25.7 % compared with the figure of € 345.5 million recorded in 2011. The estimated income tax expenses for the year 2012 and the adjustments of previous years' taxes totalled € 81.9 million, of which € 50.1 million had been paid through advance payments of tax for the year 2012.

Mobistar S.A. posted an after-tax profit for the period of € 174.7 million for the 2012 financial year compared with € 236.3 million for the previous year.

The Board of Directors will recommend to the General Shareholders' Meeting that the profit be appropriated as follows:

	€ million
• Profit for the period available for appropriation	174.7
• Prior year profit carried forward	33.3
• Profit to be appropriated	208.0
• Ordinary dividend 2012 - € 1.80 per share	108.0
• Employee profit sharing plan	1.9
• Profit to be carried forward	98.1

4.2 Balance sheet

The company's balance sheet total was € 1,272.2 million compared with € 1,290.5 million recorded in the 2011 financial year.

The capital expenditure in intangible and tangible assets, made during the year, amounts to € 170.1 million, after having invested a net amount of € 189.9 million in 2011. The acquisition of the 4G licence has been recorded in 2011 for € 20.0 million while no licence has been acquired in 2012. The invested amount in 2012 corresponds to the continued update and deployment of the radio equipment and the other network technologies.

Intangible and tangible fixed assets are broken down as follows:

- Intangible fixed assets represented a total of € 281.2 million. These relate essentially to GSM, UMTS and 4G licences and the related IT developments, and to the net value of goodwill fully amortized at the end of 2012 but which is broken down as follows:
    - o Goodwill of € 60.1 million resulting from the acquisition, in 2003, of all of the assets of Mobistar Corporate Solutions S.A., amortized over 5 years. This goodwill has been totally amortized at the end of 2008.
    - o Merger goodwill of € 1.4 million accounted for in accordance with Article 78, § 7 a of the Royal Decree of 30 January 2001 following the merger by absorption into Mobistar S.A. of its subsidiary Mobistar Affiliate S.A. on 4 May 2005, with retroactive effect from 1 January 2005. This goodwill has been totally amortized at the end of 2009.
- Tangible fixed assets represented a total of € 547.6 million. These relate to network infrastructures, telephony equipment and added-value services.

Financial fixed assets totalling € 167.6 million consist of investments in affiliated enterprises. The financial fixed assets have evolved during the year 2012 due to the participation to the creation of IRISnet S.C.R.L., the company that has taken over the activities of the joint venture Irisnet, for an amount of € 3.5 million. At the end of 2012 the open amount was made of:

- OLU (100 %)	€ 87.0 million
- MES (100 %)	€ 77.0 million
- IRISnet (28.16 %)	€ 3.5 million

Current assets increased by € 1.1 million to stand at € 274.4 million at the end of the 2012 financial year. This result is essentially due to an increase in trade receivables (€ 9.0 million) resulting from a continued slowdown in cash collection, and in the level of stocks of goods (€ 3.9 million), and to a decrease in other receivables (€ -10.8 million) due to the intercompany loans granted to OLU and a switch to a VAT payable in the current year from a VAT receivable last year. Cash and cash equivalents increased by € 6.9 million and deferred charges and accrued incomes decreased by € 7.0 million.

As far as equity is concerned, the capital remained at € 131.7 million and the legal reserve at € 13.2 million.

At the end of 2012, equity totalled € 243.1 million and was made up of:

- issued capital of € 131.7 million,
- legal reserve of € 13.2 million,
- profit carried forward of € 98.1 million,
- investment grants of € 0.1 million.

Provisions and liabilities at the end of 2012 amounted to € 1,029.0 million and are broken down as follows:

- Provisions for liabilities and charges remained stable at € 6.1 million. No major evolution in the claims has been noted in 2012.
- Long-term liabilities recorded for € 398.4 million in 2012 consist of € 385.0 million of financial debt and € 13.4 million of long-term trade payable. The amount of € 13.4 million of other long-term debt corresponds to the amount payable over one year related to the renewal of the 2G licence.
- Short-term liabilities amounting to € 559.8 million compared with € 711.3 million in 2011, broken down as follows:
    - o long-term debt maturing in 2013 for 14.9 million, related to the renewal of the 2G licence,
    - o short-term interest-bearing borrowing for € 43.8 million,
    - o trade debts: € 316.2 million compared with € 302.9 million in 2011,
    - o taxes, remuneration and social security contributions: € 72.0 million compared with € 140.5 million in 2011, largely influenced by the fact that tax payments were higher in 2012 than in 2011 as the remaining tax payable amount of 2010 and 2011 was paid during 2012 for a total of € 105.0 million,
    - o other liabilities: € 112.9 million (out of which € 108.0 million of dividend 2012) compared with € 227.0 million in 2011 (out of which € 222.1 million of dividends 2011).
- Accrued charges and deferred income totalling € 64.7 million.

4.3 Disputes

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

Pursuant to a preliminary question raised by the Council of State to the European Court of Justice, the latter ruled in its decree dated 8 September 2005 that such taxes are not inconsistent with European law, provided they do not alter the conditions of competition between the historical operator and new operators on the market.

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

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

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

The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to € 57.3 million and is subject to a bad debt provision for the whole amount, of which € 7.6 million correspond to the financial year 2012.

MTR tariffs: In its decision of 29 June 2010, the BIPT concluded to impose new MTR tariffs based on a pure long run incremental cost model (LRIC). Tariffs will go down according to a glide to reach a symmetrical level of 1.08 c€/min (before indexation) as of 1st January 2013. KPN Group Belgium and Mobistar have filed an appeal in suspension and in annulment against this decision. On 15 February 2011, the suspension has been rejected. On 16 May 2012, the Court of appeal issued an interim decision in which it rejected the grounds for annulation and referred the matter on a procedural aspect to the Constitutional Court. Although the final decision has not yet been issued, the case on the merits has been definitively decided.

Abuse of dominant position by the Belgacom group: In May 2007, the Commercial Court of Brussels handed down a judgment confirming the dominant position of Belgacom Mobile between 1999 and 2004, and appointing experts with an assignment to determine any abuses and to calculate the loss sustained by Mobistar and KPN Group Belgium. A second intermediary report issued in December 2010 confirmed the abuses and increased the estimated damages to € 1.84 billion for Mobistar and KPN Group Belgium together. In 2011, Belgacom launched expert dismissal proceedings which led to the replacement of the experts in March 2012. New experts must be appointed. Furthermore, the replacement decision has been attacked before the Court of appeal by the dismissed experts and before the Supreme Court by Mobistar. Additionally, in January 2012, Belgacom has filed an appeal against the initial judgment of the Commercial Court. The appeal process is ongoing. The pleadings will take place in 2014.

In another case for abuse of dominant position identified during the years 2004 and 2005, the Competition Council fined Belgacom Mobile € 66 million in May 2009. The decision was appealed by Mobistar requesting the court to include additional abuses (loyalty discounts and on-net/off-net discrimination) to the one withheld. The case has been reactivated in March 2012 and pleadings will take place in Q1 2013 regarding the access of Mobistar and KPN Group Belgium to the administrative file. Mobistar also referred the matter to the Commercial Court, seeking damages for the prejudice sustained. The damage claim proceedings before the Commercial Court are on hold until the adoption of a final decision on the abuses in appeal.

Finally, Mobistar, acting jointly with KPN Group Belgium, filed a complaint with the European Commission against Belgacom for abuse of dominant position on the broadband market in April 2009. In the course of 2010 this complaint was withdrawn and introduced instead before the Belgian Competition Council. The investigation is ongoing.

Portability cost: The three mobile network operators active in Belgium have challenged the BIPT's 2003 decision concerning the portability cost for mobile numbers. Mobistar maintains that the price required for transferring several numbers is too high. The matter was referred to the European Court of Justice as an interlocutory question. The European Court of Justice decided in July 2006 that the regulator can set maximum prices on the basis of a theoretical cost model provided that these prices are set based on actual costs and that consumers are not dissuaded from using the portability feature. The litigation before the Court of Appeal is still pending.

Universal service: Mobistar is involved, together with other alternative operators, in a number of legal actions regarding the planned financial compensation system in relation to the provision of social tariffs. These actions can be regarded as concluded. On 26 January 2013, Mobistar and KPN Group Belgium attacked the law transposing the

Telecom Directives before the Constitutional Court regarding the compensation system put in place and the retroactive effect relating to social tariffs.

Renewal of the 2G licence and licence renewal fee: The Mobistar 2G licence was renewed for 5 years and it now runs until end 2015. By a new law dated 15 March 2010, the possibility to ask a licence renewal fee for the 2G licence was introduced. The fee would amount to approximately € 15 million per year for a 5 years period. Belgacom Mobile, KPN Group Belgium and Mobistar challenged this law before the Constitutional Court, which submitted in June 2011 a number of questions to the European Court of Justice. In its opinion of 25 October 2012 the Advocate General supports the Belgian State. The European Court of Justice should decide in 2013.

Regulation of broadband and cable: Mid-2011 the 4 media regulators (BIPT, CSA, Medienrat and VRM) decided to impose access and resale obligations on the cable operators (in particular the resale of analogue TV and the access to the digital TV platform). In addition, they must offer a resale-broadband service, but only in combination with a TV service. The cable operators are seeking the suspension and cancellation of the decisions relating to them. Mobistar, as an interested party, is intervening in the proceeding. The suspension requests of the cable operators have been rejected in September and November 2012. The proceedings on the merits are pursued in 2013.

Emissions/health: In the Brussels Capital Region, at the end of 2009 the Brussels government has issued two orders implementing the ordinance of March 2007, which sets a maximum cumulative standard of 3 volts/meter for all emission sources, except for radio and television signals. In 2012, Mobistar has fulfilled its first obligation by submitting to the administration the environment permit files for all outdoor sites.

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 to KPN instead of receiving between € 0.3 million and € 2.2 million based upon the independent accountant's report. Mobistar asked the 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 Court 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 arbitration award.

Agency agreement: A former agent has initiated a procedure before the Brussels Commercial Court to obtain compensation for the termination of his agency agreement. The agent claims damages for an amount of around € 16.9 million. Mobistar is convinced that the claim is, at least for the major part, unfounded. Mobistar has filed a counterclaim for a value of around € 14.6 million. The procedure has been initiated in July 2011. The hearing took place in January 2013. Mobistar is awaiting the judgment.

5. Trends

In order to anticipate the opportunities that will be presenting themselves on the Belgian market as of 2015, in particular the maturity in the 4G market and the regulation of the cable infrastructure, Mobistar decided to accelerate its investments in its four strategic programmes:

Strengthening its leadership in the mobile activities market:

- In order to preserve its commercial leadership in the mobile activities market, Mobistar today announces its ´SuperMobile 2013-2015´ investment programme. Along with the planned investments in the 3G/4G network, Mobistar will in the coming 3 years invest € 150 million so as to terminate the accelerated roll-out of its super-fast mobile data network. In 2013 Mobistar will more rapidly convert its 2G/3G network in order to meet the current needs of its customers. Driven by the increasing demand for mobile internet, Mobistar wishes to join the leading group of operators, which will more quickly roll out a 4G network in 1800 MHz or some other spectrum that is available in the future. Mobistar's objective is to provide 80 % of the population with 4G by 2015, even in Brussels if the emission standard is made less restrictive, and to offer its customers the best 4G network in the country.

Developing services that are available everywhere and at all times:

- In 2013 Mobistar will continue to offer fixed-line products in combination with mobile products and services. In the coming 12 to 24 months Mobistar will prepare itself in order to market offers via the regulated cable offer and to exploit all the new possibilities deriving from an accelerated roll-out of the 4G network.

- Mobistar will also invest in the development of services that permit the residential customers to be connected everywhere and at all times, whether it be to watch TV via the PC, tablets or smartphones, or to get access to 'cloud' services, for example. In the business market, Mobistar will make use of its growth in the 'machine-to-machine' sector and the company fleets, as well as its strategic partners in order to offer 'connectivity 3.0' services to companies that offer their employees the possibility of using their own mobile telephones at work and of having access to professional cloud services.

Offering the best customer experience on the market:

- Customer satisfaction remains a top priority in 2013 as well. In order to maintain this commitment to the customer, Mobistar is accelerating the investments in its on-line distribution and its stores, loyalty programmes and its customer test center. Mobistar continues to strive for the best customer experience on the market and wants to become the preferred telecommunications brand in Belgium.

Managing the costs of the company as efficiently as possible:

- Finally, Mobistar wishes to be a pioneer in terms of cost control of the company via its ACE programme (Agility – Cost – Efficiency). The preparations for the ACE programme began in the second half of 2012 and will achieve additional gross savings of at least € 100 million between 2013 and 2015. The first part of the ACE programme, aimed at tactical efficiency improvements, already generated major cost savings in 2012. The more strategic improvements that begin in January 2013 will deliver results in 2014-2015.

The impact of the roaming regulation is the result of the retail price reduction for voice, data and SMS traffic on 1st July 2012 and the future reduction on 1st July 2013. As of 2014 the national regulator will be focusing more on the fixed network operators, and Mobistar expects no further reduction in the MTR rates beside the decrease of 1st January 2013.

Based on the business strategy for 2013-2015, the Mobistar group foresees for the full financial year 2013:

- a reduction of the total turnover between -4 % and -6 %;
- an EBITDA between € 380 and 420 million;
- an operating cash-flow between € 175 and 215 million.

The forecasts of the Mobistar group for 2013 take account of the negative impact of the regulatory measures for around € 57 million on the turnover and € 32 million on the EBITDA for the financial year 2013.

The hypotheses are based on the current figures on the evolution of the Belgian economic situation. They could be modified as a function of the impact of the price adjustments on the customer base resulting from the competitive pressure and the economic situation in Belgium.

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

In view of Mobistar's financial results in the course of the financial year which closed on 31 December 2012, the company is not subject to the application of article 96 (6°) of the Company Code relating to provision of evidence of the application of the going concern accounting rules.

7. Application of article 524 of the Company Code during the 2012 financial year

The procedure foreseen in article 524 of the Company Code has not been applied during the 2012 financial year.

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

8. Application of Article 96, 9° of the Company Code

As foreseen by the article 96, 9° of the Company code, the company justifies of the independence and the accounting and audit expertise of at least one member of the Audit Committee as follows: Mr Eric Dekeuleneer, Chairman of the Audit Committee, is an independent director since 18 November 2004.

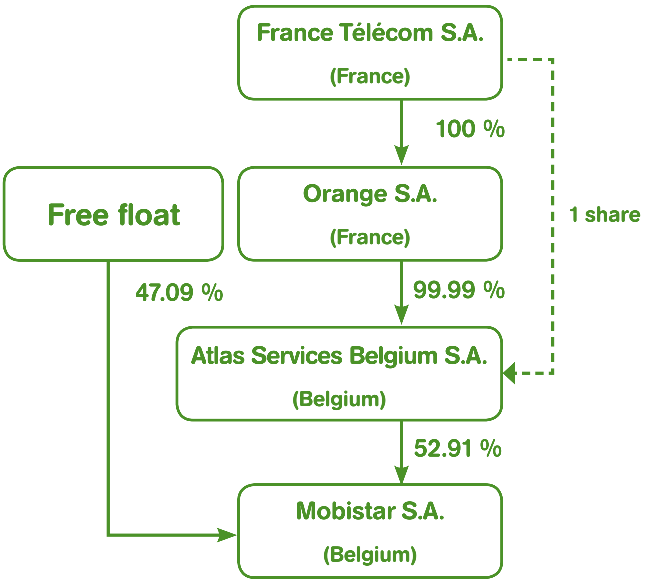
He has been appointed by the General Assembly and meets the independence criteria as described in the article 524 of the Company code.

His expertise in accounting and auditing is justified as well by his education than by his position as member or Chairman of various Audit Committees, and as teacher in Finance and Regulation at the 'Université Libre' of Brussels (Solvay Brussels School). During his career, he has also collaborated to and managed various private and public banks.

9. Law on takeover bids

On 24 August 2009, Mobistar has received notification from its ultimate shareholder France Télécom S.A. on the basis of article 74 § 8 of the law of 1st April 2007 concerning takeover bids.

This notification detailed France Télécom S.A.'s participation in Mobistar S.A. As at 24 August 2009, France Télécom S.A. held indirectly 31,753,000 shares of Mobistar S.A. as per below ownership chain:

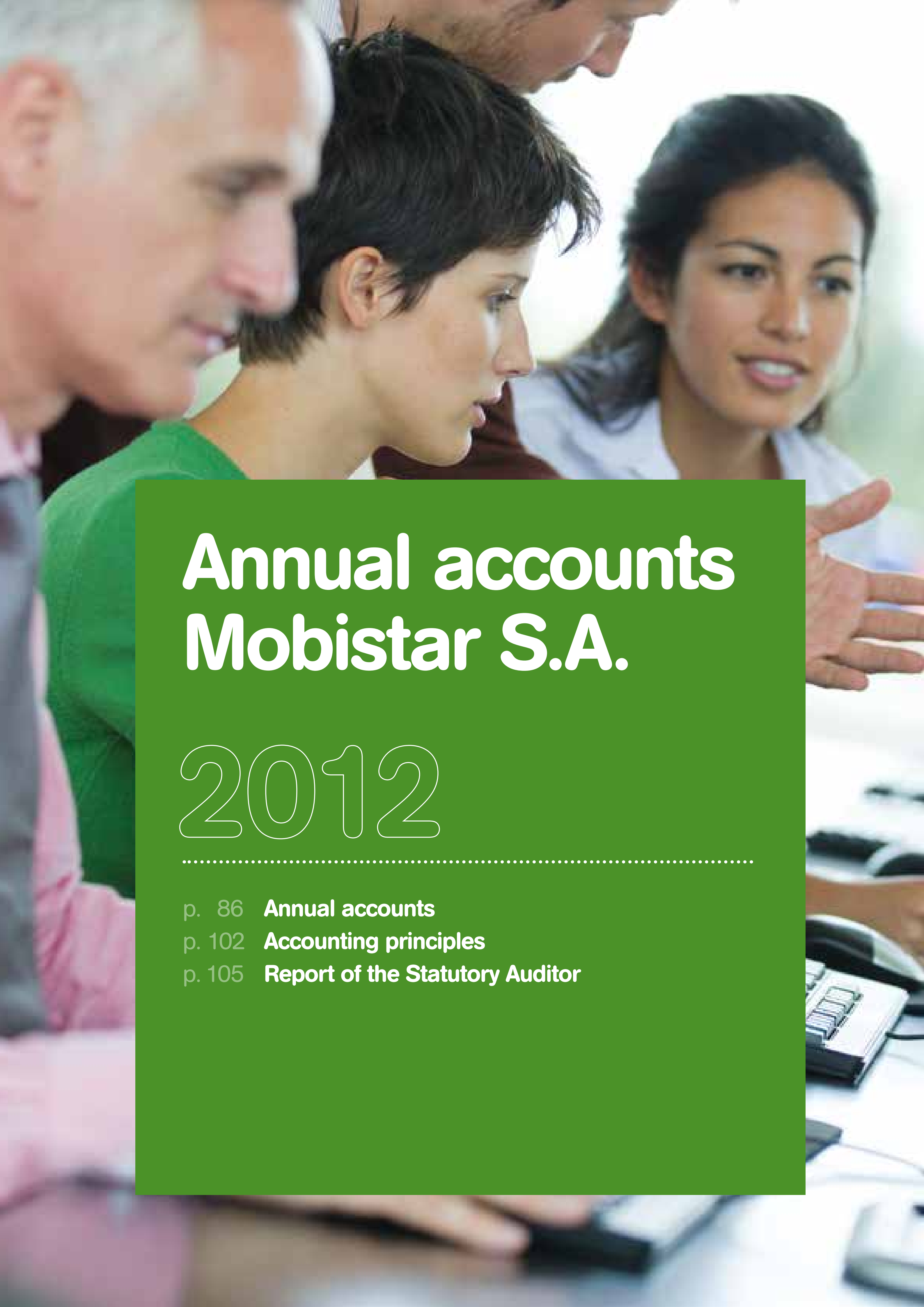


No change occurred in 2012.

10. Information concerning the tasks entrusted to the auditors

In the course of the 2012 financial year, the statutory auditor and linked companies provided services at a total cost of € 411.9 thousand broken down as follows:

• audit services	€ 406.9 thousand
• other audit services	€ 5.0 thousand



Annual accounts Mobistar S.A.

2012

Balance sheet after appropriation

ASSETS

	2012 in thousand €	2011 in thousand €
FIXED ASSETS	**997 794**	**1 017 279**
Formation expenses (Note 5.1)	1 350	1 800
Intangible fixed assets (Note 5.2)	281 196	305 088
Tangible fixed assets (Note 5.3)	547 641	546 242
Land and buildings	301 262	294 895
Plant, machinery and equipment	217 347	219 607
Furniture and vehicles	19 015	21 488
Other tangible fixed assets	10 017	10 252
Financial fixed assets (Notes 5.4/5.5.1)	167 607	164 149
Affiliated enterprises (Note 5.14)	164 077	164 077
Participating interests	164 077	164 077
Other enterprises linked by participating interests (Note 5.14)	3 450	
Participating interests	3 450	
Other financial assets	80	72
Amounts receivable and cash guarantees	80	72
CURRENT ASSETS	**274 390**	**273 253**
Amounts receivable after more than one year	3 722	5 556
Other amounts receivable	3 722	5 556
Stocks and contracts in progress	18 484	14 622
Stocks	18 484	14 622
Goods purchased for resale	18 484	14 622
Amounts receivable within one year	213 940	215 693
Trade debtors	205 358	196 329
Other amounts receivable	8 582	19 364
Current investments (Notes 5.5.1/5.6)	2 460	1 518
Other investments and deposits	2 460	1 518
Cash at bank and in hand	8 340	1 416
Deferred charges and accrued income (Note 5.6)	27 444	34 448
TOTAL ASSETS	**1 272 184**	**1 290 532**

EQUITY AND LIABILITIES

	2012 in thousand €	2011 in thousand €
EQUITY	**243 135**	**178 343**
Capital (Note 5.7)	**131 721**	**131 721**
Issued capital	**131 721**	**131 721**
Reserves	**13 172**	**13 172**
Legal reserve	**13 172**	**13 172**
Accumulated profits (losses) (+) (-)	**98 144**	**33 327**
Investment grants	**98**	**123**
PROVISIONS AND DEFERRED TAXES	**6 127**	**6 075**
Provisions for liabilities and charges	**6 127**	**6 075**
Pensions and similar obligations	**247**	
Other liabilities and charges (Note 5.8)	**5 880**	**6 075**
AMOUNTS PAYABLE	**1 022 922**	**1 106 114**
Amounts payable after more than one year (Note 5.9)	**398 447**	**323 321**
Financial debts	**385 000**	**295 000**
Other loans	385 000	295 000
Trade debts	**13 447**	**28 321**
Suppliers	13 447	28 321
Amounts payable within one year	**559 821**	**711 342**
Current portion of amounts payable after more than one year falling due within one year (Note 5.9)	**14 873**	**14 873**
Financial debts	**43 811**	**26 069**
Other loans	43 811	26 069
Trade debts	**316 206**	**302 915**
Suppliers	316 206	302 915
Taxes, remuneration and social security (Note 5.9)	**72 013**	**140 486**
Taxes	41 346	111 999
Remuneration and social security	30 667	28 487
Other amounts payable	**112 918**	**226 999**
Accrued charges and deferred income (Note 5.9)	**64 654**	**71 451**
TOTAL EQUITY AND LIABILITIES	**1 272 184**	**1 290 532**

Income statement

	2012 in thousand €	2011 in thousand €
Operating income	1 592 852	1 582 664
Turnover (Note 5.10)	1 533 122	1 524 493
Own construction capitalised	4 803	3 757
Other operating income (Note 5.10)	54 927	54 414
Operating charges	1 310 547	1 238 091
Raw materials, consumables	687 884	626 594
Purchases	691 428	633 948
Stocks: decrease (increase) (+) (-)	-3 544	-7 354
Services and other goods	267 839	283 731
Remuneration, social security costs and pensions (+) (-) (Note 5.10)	151 478	142 743
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	175 843	161 354
Amounts written down stocks, contracts in progress and trade debtors - Appropriations (write-backs) (+) (-) (Note 5.10)	17 532	6 760
Provisions for risks and charges - Appropriations (uses and write-backs) (+) (-) (Note 5.10)	52	1 784
Other operating charges (Note 5.10)	9 919	15 125
Operating profit (loss) (+) (-)	282 305	344 573
Financial income	601	1 583
Income from current assets	383	842
Other financial income (Note 5.11)	218	741
Financial charges (Note 5.11)	10 842	12 711
Debt charges	7 851	9 634
Other financial charges	2 991	3 077
Gain (loss) on ordinary activities before taxes (+) (-)	272 064	333 445
Extraordinary income		12 060
Write-back of amounts written down financial fixed assets		12 060
Extraordinary charges	15 457	
Extraordinary depreciation of and extraordinary amounts written off formation expenses, intangible and tangible fixed assets	15 457	
Profit (loss) for the period before taxes (+) (-)	256 607	345 505
Income taxes (+) (-) (Note 5.12)	81 907	109 199
Income taxes	89 010	119 017
Adjustment of income taxes and write-back of tax provisions	7 103	9 818
Profit (loss) for the period (+) (-)	174 700	236 306
Profit (loss) for the period available for appropriation (+) (-)	174 700	236 306

APPROPRIATIONS AND WITHDRAWINGS

	2012 in thousand €	2011 in thousand €
Profit (loss) to be appropriated (+) (-)	**208 027**	**257 590**
Profit (loss) to be appropriated (+) (-)	174 700	236 306
Profit (loss) to be carried forward (+) (-)	33 327	21 284
Profit (loss) to be carried forward (+) (-)	**98 144**	**33 327**
Profit to be distributed	**109 883**	**224 263**
Dividends	108 026	222 053
Other beneficiaries	1 857	2 210

Notes

		2012 in thousand €	2011 in thousand €

STATEMENT OF FORMATION EXPENSES

		2012	2011
5.1	**Net book value at the end of the period**		**1 800**
	Movements during the period		
	Other (+) (-)	-450	
	Net book value at the end of the period	**1 350**	
	Of which: restructuring costs	1 350	

STATEMENT OF INTANGIBLE FIXED ASSETS

		2012	2011
5.2.2	**Concessions, patents, licences, knowhow, brands and similar rights**		
	Acquisition value at the end of the period		**1 045 178**
	Movements during the period		
	Acquisitions, including produced fixed assets	64 949	
	Sales and disposals	45 851	
	Acquisition value at the end of the period	**1 064 276**	
	Depreciation and amounts written down at the end of the period		**740 090**
	Movements during the period		
	Recorded	86 655	
	Cancelled owing to sales and disposals	43 665	
	Depreciation and amounts written down at the end of the period	**783 080**	
	Net book value at the end of the period	**281 196**	
5.2.3	**Goodwill**		
	Acquisition value at the end of the period		**61 519**
	Acquisition value at the end of the period	**61 519**	
	Depreciation and amounts written down at the end of the period		**61 519**
	Depreciation and amounts written down at the end of the period	**61 519**	
	Net book value at the end of the period	**0**	

STATEMENT OF TANGIBLE FIXED ASSETS

		2012	2011
5.3.1	**Land and buildings**		
	Acquisition value at the end of the period		**554 752**
	Movements during the period		
	Acquisitions, including produced fixed assets	29 034	
	Sales and disposals	10 557	
	Acquisition value at the end of the period	**573 229**	

	2012 in thousand €	2011 in thousand €
Depreciation and amounts written down at the end of the period		**259 857**
Movements during the period		
Recorded	22 667	
Cancelled owing to sales and disposals	10 557	
Depreciation and amounts written down at the end of the period	**271 967**	
Net book value at the end of the period	**301 262**	

5.3.2 Plant, machinery and equipment

	2012	2011
Acquisition value at the end of the period		**623 080**
Movements during the period		
Acquisitions, including produced fixed assets	70 765	
Sales and disposals	87 164	
Acquisition value at the end of the period	**606 681**	
Depreciation and amounts written down at the end of the period		**403 473**
Movements during the period		
Recorded	73 025	
Cancelled owing to sales and disposals	87 164	
Depreciation and amounts written down at the end of the period	**389 334**	
Net book value at the end of the period	**217 347**	

5.3.3 Furniture and vehicles

	2012	2011
Acquisition value at the end of the period		**126 625**
Movements during the period		
Acquisitions, including produced fixed assets	5 403	
Sales and disposals	5 001	
Acquisition value at the end of the period	**127 027**	
Depreciation and amounts written down at the end of the period		**105 137**
Movements during the period		
Recorded	7 876	
Cancelled owing to sales and disposals	5 001	
Depreciation and amounts written down at the end of the period	**108 012**	
Net book value at the end of the period	**19 015**	

5.3.5 Other tangible fixed assets

	2012	2011
Acquisition value at the end of the period		**14 444**
Movements during the period		
Acquisitions, including produced fixed assets	844	
Sales and disposals	1 204	
Acquisition value at the end of the period	**14 084**	
Depreciation and amounts written down at the end of the period		**4 192**
Movements during the period		
Recorded	1 079	
Cancelled owing to sales and disposals	1 204	
Depreciation and amounts written down at the end of the period	**4 067**	
Net book value at the end of the period	**10 017**	

	2012 in thousand €	2011 in thousand €

STATEMENT OF FINANCIAL FIXED ASSETS

	2012	2011
5.4.1 Affiliated enterprises - participating interests and shares		
Acquisition value at the end of the period		**164 077**
Acquisition value at the end of the period	**164 077**	
Net book value at the end of the period	**164 077**	
5.4.2 Other enterprises linked by participating interests - participating interests and shares		
Acquisition value at the end of the period		**0**
Movements during the period		
Acquisitions, including produced fixed assets	3 450	
Acquisition value at the end of the period	**3 450**	
Net book value at the end of the period	**3 450**	
5.4.3 Other enterprises - amounts receivable		
Net book value at the end of the period		**72**
Movements during the period		
Additions	8	
Net book value at the end of the period	**80**	

INFORMATION RELATING TO THE SHARE IN CAPITAL

5.5.1 Share in capital and other rights in other companies

Name, full address of the registered office and for the enterprise governed by Belgian law, the company number	Shares held by		Information from the most recent period for which annual accounts are available			
	Number	%	Primary financial statement	Monetary unit	Capital and reserves in thousand €	Net result in thousand €
Orange Communications Luxembourg S.A. Rue des Mérovingiens 8 8070 Bertrange Luxembourg 19749504 Registered shares	1 506 350	100.00	31/12/11	EUR	17 052	-762
Mobistar Enterprise Services S.A. Avenue du Bourget 3 1140 Evere Belgium 0459 623 216 Registered shares	2 950	100.00	31/12/11	EUR	76 196	1 713
IRISnet S.C.R.L. Avenue des Arts 21 1000 Brussels Belgium 0847 220 467 Registered shares	345 000	28.16				

	2012 in thousand €	2011 in thousand €

OTHER INVESTMENTS AND DEPOSITS, DEFERRED CHARGES AND ACCRUED INCOME (ASSETS)

		2012 in thousand €	2011 in thousand €
5.6	**Investments: other investments and deposits**		
	Other investments not yet shown separately	**2 460**	**1 518**
	Deferred charges and accrued income		
	Allocation of heading 490/1 of assets if the amount is significant		
	Accrued income	15 626	
	Deferred charges	11 753	
	Financial income	65	

STATEMENT OF CAPITAL AND STRUCTURE OF SHAREHOLDINGS

		2012 in thousand €	2011 in thousand €
5.7	**Statement of capital**		
	Social capital		
	Issued capital at the end of the period		131 721
	Issued capital at the end of the period	131 721	

	2012 in thousand €	2012 number of shares
Structure of the capital		
Different categories of shares		
Ordinary shares	131 721	60 014 414
Registered shares		31 753 214
Bearer shares and/of dematerialized shares		28 261 200
Shareholders' structure of the company as at 31/12/2012		
Atlas Services Belgium		31 753 100
Others (free float)		28 261 314
Total shares		**60 014 414**

PROVISIONS FOR OTHER LIABILITIES AND CHARGES

		2012 in thousand €
5.8	**Allocation of heading 163/5 of liabilities if the amount is considerable**	
	Repayment guarantee to the amount of 50 % for a bank credit line granted for the temporary association IRISNET	2 475
	Provisions for litigations	3 405

STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED INCOME

	2012 in thousand €
5.9 Analysis by current portions of amounts initially payable after more than one year	
Amounts payable after more than one year, not more than one year	
Trade debts	14 873
Suppliers	14 873
Total amounts payable after more than one year, not more than one year	**14 873**
Amounts payable after more than one year, between one and five years	
Financial debts	385 000
Other loans	385 000
Trade debts	13 447
Suppliers	13 447
Total amounts payable after more than one year, between one and five years	**398 447**
Amounts payable for taxes, remuneration and social security	
Taxes (heading 450/3 of the liabilities)	
Non expired taxes payable	2 470
Estimated taxes payable	38 876
Remuneration and social security (heading 454/9 of the liabilities)	
Other amounts payable relating to remuneration and social security	30 667
Accrued charges and deferred income	
Allocation of heading 492/3 of liabilities if the amount is considerable	
Deferred income	64 271
Accrued charges	383

OPERATING RESULTS

	2012 in thousand €	2011 in thousand €
5.10 Operating income		
Net turnover		
Broken down by categories of activity		
Mobile activity	1 451 339	1 466 702
Fix voice and data	81 783	57 791
Operating costs		
Employees for whom the company has submitted a Dimona declaration or are recorded in the general personnel register		
Total number at the closing date (in units)	1 735	1 724
Average number of employees calculated in full-time equivalents (in units)	1 690.8	1 645.5
Number of actual worked hours (in units)	2 866 051	2 802 659

	2012 in thousand €	2011 in thousand €
Personnel costs		
Remuneration and direct social benefits	107 045	101 484
Employers' social security contributions	30 866	29 489
Employers' premiums for extra statutory insurances	5 556	4 565
Other personnel costs	8 011	7 205
Provisions for pensions		
Additions (uses and write-back) (+) (-)	247	
Amounts written off		
Stocks and contracts in progress		
Recorded		540
Written back	317	
Trade debtors		
Recorded	17 849	6 220
Provisions for risks and charges		
Additions	559	2 432
Uses and write-back	507	648
Other operating charges		
Taxes related to operation	2 912	715
Other charges	7 007	14 410
Hired temporary staff and persons placed at the enterprise's disposal		
Total number at the closing date (in units)	120	100
Average number calculated as full-time equivalents (in units)	87.5	89.3
Number of actual worked hours (in units)	176 400	179 495
Charges to the enterprise	6 819	7 320

FINANCIAL AND EXTRAORDINARY RESULTS

5.11 Financial results

	2012	2011
Other financial income		
Amount of subsidies granted by public authorities, credited to income for the period		
Capital subsidies	26	26
Allocation of other financial income		
Other financial income	40	562
Exchange gains	152	152
Other financial charges		
Amount of the discount borne by the enterprise, as a result of negociating amounts receivable	1 126	1 331
Allocation of other financial charges		
Bank charges	1 251	1 348
Exchange losses	581	318
Other financial charges	33	79

	2012 in thousand €	2011 in thousand €

INCOME TAXES AND OTHER TAXES

5.12 Income taxes

Income taxes on the result of the current period	**89 010**	
Income taxes paid and withholding taxes due or paid	50 134	
Estimated additional taxes	38 876	
In so far as income taxes of the current period are materially affected by differences between the profit before taxes, as stated in the annual accounts, and the estimated taxable profit		
Disallowed expenses	6 935	
Deductions for investments	-943	
Notional interests	-360	
Non taxable donations	-300	
Status of deferred taxes		
Deferred taxes representing assets		
Other deferred taxes representing assets		
Deductions for investments	1 921	

Total amount of value added tax and taxes borne by third parties

Total amount of value added tax charged		
To the enterprise (deductible)	157 804	148 494
By the enterprise	318 516	312 819
Amounts retained on behalf of third parties for		
Payroll withholding taxes	31 488	29 402
Withholding taxes on investment income	5 967	14 193

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

5.13 Substantial commitments to acquire fixed assets

Commitments to acquire fixed assets	**232 935**	

Information concerning important litigation and other commitments

Commitments

1. Bank guarantees issued on behalf of the company: 8.7 million euros.
2. Obligations related to the rent of offices and the lease of the company cars: 417.0 million euros.
3. Obligations related to the purchase of equipment and services: 116.9 million euros.
4. Since 1997, certain municipalities and three provinces have adopted local taxes, on an annual basis, on pylons, masts and antennas erected within their boundaries. These taxes are currently being contested before the Civil Courts (Courts of First Instance - Tax Chamber and Courts of Appeal).

   Pursuant to a preliminary question raised by the Council of State to the European Court of Justice, the latter ruled in its decree dated 8 September 2005 that such taxes are not inconsistent with European law, provided they do not alter the conditions of competition between the historical operator and new operators on the market.

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

	2012 in thousand €	2011 in thousand €

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

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

The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to 57.3 million euros and is subject to a bad debt provision for the whole amount, of which 7.6 million euros correspond to the financial year 2012.

Brief description of the supplementary retirement or survivors' pension plan in favour of the personnel or the executives of the enterprise and of the measures taken by the enterprise to cover the resulting charges

The company runs a retirement pension scheme based on a set contribution that provides a supplement to the statutory pension for employees. This pension scheme is covered and financed by an insurance company as required by the Belgian law.

RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ENTERPRISES LINKED BY PARTICIPATING INTERESTS

5.14 Affiliated enterprises

	2012	2011
Financial fixed assets	**164 077**	**164 077**
Investments	164 077	164 077
Amounts receivable	**16 919**	**28 191**
Within one year	16 919	28 191
Amounts payable	**442 204**	**333 768**
After one year	385 000	295 000
Within one year	57 204	38 768
Financial results		
Income from current assets	156	350
Debts charges	6 102	7 407

Enterprises linked by participating interests

	2012	2011
Financial fixed assets	**3 450**	
Investments	3 450	

Transactions with related parties outside normal market conditions

	2012	2011
Mention of such operations if they are material, stating the amount of these transactions, the nature of the relationship with the related party and other information about the transactions necessary for the understanding of the financial position of the company	**Nihil**	

Additional information

Due to the nature of its activities, the company carries out a number of transactions with subsidiaries in areas such as roaming, interconnection and delivery of services and goods. However, in the absence of legal criteria to inventory transactions with related parties, which would be made on terms other than market conditions, no transaction is included in the state XVIIIbis.

	2012 in thousand €

FINANCIAL RELATIONSHIPS WITH

5.15 Directors and managers

Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly the situation of a single identifiable person	
To directors and managers	802

Auditors or people they are linked to

Auditor's fees	**288**
Fees for exceptional services or special missions executed in the company by the auditor	
Other attestation missions	5

INFORMATION RELATING TO CONSOLIDATED ACCOUNTS

5.17 Information that must be provided by each company that is subject to the provisions of Company Law on the consolidated annual accounts of enterprises

The enterprise has drawn up and published a consolidated annual statement of accounts and a management report.

Information to disclose by the reporting enterprise being a subsidiary or a joint subsidiary

Parent company

France Télécom

6, place d'Alleray
75505 Paris Cedex 15
France

draws up consolidated annual accounts for the major part of the enterprise.
The consolidated accounts can be obtained at the following address:

France Télécom
6, place d'Alleray
75505 Paris Cedex 15
France

Social report

STATEMENT OF THE PERSONS EMPLOYED

Employees for whom the company has submitted a Dimona declaration or are recorded in the general pesonnel register

	Total	Men	Women
During the period			
Average number of employees			
Full-time	1 557.3	1 079.0	478.3
Part-time	171.5	37.7	133.8
Total in full-time equivalents (FTE)	1 690.8	1 108.0	582.8
Number of hours actually worked			
Full-time	2 644 797	1 875 183	769 614
Part-time	221 254	49 001	172 253
Total	2 866 051	1 924 184	941 867
Personnel costs (in thousand €)			
Full-time	139 792	104 508	35 283
Part-time	11 687	3 999	7 688
Total	151 478	108 507	42 971
Advantages in addition to wages (in thousand €)	2 068	1 380	688
During the previous period			
Average number of employees in full-time equivalents (FTE)	1 645.5	1 078.3	567.2
Number of hours actually worked	2 802 659	1 881 624	921 035
Personnel costs (in thousand €)	142 743	102 250	40 493
Advantages in addition to wages (in thousand €)	2 028	1 353	675

	Full-time	Part-time	Total in full-time equivalents
At the closing date of the period			
Number of employees	1 566	169	1 697.5
By nature of the employment contract			
Contract for an indefinite period	1 561	168	1 691.7
Contract for a definite period	5	1	5.8
According to the gender and by level of education			
Male	1 078	37	1 106.6
primary education	2		2.0
secondary education	263	17	276.1
higher education (non-university)	459	9	466.0
university education	354	11	362.5
Female	488	132	590.9
secondary education	142	36	170.1
higher education (non-university)	191	63	240.1
university education	155	33	180.7
By professional category			
Employees	1 566	169	1 697.5

Hired temporary staff and personnel placed at the enterprise's disposal

	Temporary staff	Personnel placed at the enterprise's disposal
During the period		
Average number of employees	73.7	13.8
Number of hours actually worked	148 579	27 821
Charges of the enterprise (in thousand €)	5 549	1 270

TABLE OF PERSONNEL CHANGES DURING THE PERIOD

	Full-time	Part-time	Total in full-time equivalents
Entries			
Number of employees for whom the company has submitted a Dimona declaration or are recorded in the general personnel register during the financial year	**220**	**1**	**220.8**
By nature of the employment contract			
Contract for an indefinite period	217	1	217.8
Contract for a definite period	3		3.0
Departures			
Number of employees with a in the Dimona declaration indicated or in the general personnel register listed date of termination of the contract during the financial year	**200**	**10**	**207.3**
By nature of the employment contract			
Contract for an indefinite period	195	10	202.3
Contract for a definite period	5		5.0
According to the reason for termination of the employment contract			
Unemployment with company allowance	2		2.0
Dismissal	91	3	93.4
Other reason	107	7	111.9

INFORMATION WITH REGARD TO TRAINING RECEIVED BY EMPLOYEES AT COMPANY EXPENSE DURING THE PERIOD

	Male	Female
Total number of official advanced professional training projects at company expense		
Number of participating employees	**1 143**	**628**
Number of training hours	**39 403**	**21 217**
Costs for the company (in thousand €)	**4 283**	**2 543**
of which gross costs directly linked to the training	4 249	2 475
of which paid contributions and deposits in collective funds	207	114
of which received subsidies (to be deducted)	173	46
Total number of less official and unofficial advanced professional training projects at company expense		
Number of participating employees	**48**	**22**
Number of training hours	**444**	**148**
Costs for the company (in thousand €)	**38**	**9**
Total number of initial professional training projects at company expense		
Number of participating employees	**1**	**1**
Number of training hours	**2 088**	**1 008**
Costs for the company (in thousand €)	**12**	**4**

Accounting principles

Formation costs

The first formation costs are capitalised on the balance sheet at cost and amortised over five years on a linear basis, starting from the date of payment. The costs related to increases in the issued capital are expensed as incurred from the initial public offer in 1998 onwards. Since 2010, the formation costs include the costs related to the negociation of a long-term credit facility. These costs are amortised over the validity period of the credit facility, i.e. 5 years as from 31 December 2010.

Intangible assets

The intangible assets are booked at cost value and are essentially comprised of the following capitalised costs and expenditures, including, if applicable, the fixed assets produced for use by the company: acquisition of the GSM network licence, acquisition of the UMTS licence, cost of the design and development of the network in execution of the GSM and UMTS licences, permits, software licences and related development cost and goodwill. In 2011, the acquisition cost of the 4G licence has been added in this section.

The GSM network licence has been granted for a duration of 15 years, and is amortised on a linear basis. The renewal of this licence has been granted in 2010 for a duration of 5 years, and is amortised on a linear basis over this period.

The UMTS licence has a duration of 20 years and is amortised on a linear basis over 16 years as from April 2005, when the first geographical area has been technically declared able to work.

The 4G licence acquired in 2011 will be depreciated as from the start of use up to the end of the right granted, which means over the period included between the launch date and the 1st July 2027. As the commercial launch has not yet been performed, the depreciation has not started yet.

The other intangible assets are amortised on a linear basis over a period of 4 to 5 years.

Tangible assets

The tangible assets are entered at cost value and are amortised on a linear basis pro rata temporis using the rates defined in the current Belgian tax law, which correspond to the life span of the assets concerned, as follows:

Buildings and constructions on sites	20 years
Optical fiber	15 years
Mobile telephone equipment	7-8 years
Messaging equipment	5 years
Computer hardware	4 and 5 years
Other tangible equipment	5 to 10 years

The amortisation period and amortisation method for assets 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 costs of regular maintenance and repairs are booked as expenses during the period in which they are incurred. Improvements to property are capitalised. The loan costs relating to the purchase of fixed assets, if any, are activated and amortised according to the same pattern as the fixed assets in question.

Financial assets

Shareholdings, stocks and shares are recorded at their acquisition value. Receivables are valued at their nominal value. Reductions in value on shareholdings, stocks and shares are booked in the case of long-term losses in value or depreciations. Receivables are reduced in value if their payment when due is wholly or partly uncertain or compromised.

Receivables

Receivables are recorded at their nominal value. Reductions in value on doubtful receivables are assessed taking into account the potential risk of non-recovery.

Stocks

Stocks include goods purchased for resale. Stock movements are recorded using the FIFO (First In – First Out) method. Inventories are recorded at the "lower of cost or market" value.

Impairment

The company assesses at each reporting 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, Mobistar 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 recognised in the income statement in the operating expenses under the heading 'Depreciation, amortisation and impairment'.

For impaired assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the income statement.

Cash (and cash equivalents)

Liquid assets and equivalents include cash deposits and fixed deposits of less than three months. They are booked at their nominal value. Foreign currencies are converted at the closing rate and profits and losses are recorded as operating income and expenses.

Deferred charges and accrued income

The deferred charges for assets include the expenses to be carried forward and the accrued income. The deferred charges for liabilities include accrued expenses and income to be carried forward.

Pensions

The company runs a retirement pension scheme based on a set contribution that provides a supplement to the statutory pension for employees. This pension scheme is covered and financed by an insurance company as required by Belgian law.

Provisions

Provisions are recognised when the company 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 the company expects some or all of the provision to be reimbursed, the reimbursement is recognised 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.

Acknowledgement of income and expenses

Income and expenses are registered at the moment they are generated, regardless of their payment or collection.

Income derived from services is declared when it is acquired. Invoices for these services are issued on a monthly basis throughout the entire month. Revenues not invoiced at the end of the month are estimated on the basis of traffic and recorded at the end of the month. Payments received in advance are carried forward and included on the balance sheet under deferred income.

Taxes on income

The company is subject to corporation tax in accordance with Belgian legislation governing income tax. Beneficial deferred taxes, which are the result of temporary differences in the declaration of income and expenses, are not acknowledged.

Foreign currency transactions

Foreign currency transactions are converted into euros at the rates in force at the time of the transaction. Receivables and debts booked in foreign currencies on the date of the balance sheet are adjusted in order to reflect the exchange rates effective at this time. These adjustments are acknowledged in the profit and loss account to the extent that Belgian accounting laws permit.

Judgments, estimates and assumptions

In the process of applying the accounting policies, management has not made any significant judgments, estimates and assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, except for 'Operating lease commitment – as a lessee'. The company has entered into property leases, network and cars leases. It has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Social report

Regarding the breakdown between men and women in the statement of the persons employed during the previous period, the ratios used are the same as those used for the current period. As this section is new, the social secretariat could only deliver data for the current year.

Statutory auditor's report

to the Shareholders' Meeting on the annual accounts for the year ended 31 December 2012

To the shareholders

As required by law and the company's articles of association, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the annual accounts as defined below together with our report on other legal and regulatory requirements.

Report on the annual accounts – Unqualified opinion

We have audited the annual accounts of Mobistar S.A. ("the company") for the year ended 31 December 2012 prepared in accordance with the financial reporting framework applicable in Belgium, which show total assets of 1,272,184 (000) EUR and a profit for the year of 174,700 (000) EUR.

Responsibility of the Board of Directors for the preparation of the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of annual accounts in accordance with the financial reporting framework applicable in Belgium, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts. We have obtained from the company's officials and the Board of Directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the annual accounts of Mobistar S.A. give a true and fair view of the company's net equity and financial position as of 31 December 2012 and of its financial performance for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the directors' report on the annual accounts, maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in Belgium and for the company's compliance with the Companies Code and the company's articles of association.

In the framework of our mandate, our responsibility is to verify, for all significant aspects, the compliance with some legal and regulatory requirements. On this basis, we provide the following additional comments which do not modify the scope of our opinion on the annual accounts:

- The directors' report includes the information required by law, is, for all significant aspects, in agreement with the annual accounts and is not in obvious contradiction with any information obtained in the performance of our mandate.

- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.

- The appropriation of the results proposed to the general meeting is in accordance with the requirements of the law and the company's articles of association.

- No transactions have been undertaken or decisions taken in violation of the company's articles of association or the Companies Code such as we would be obliged to report to you.

Diegem, 22 March 2013

The statutory auditor
DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Rik Neckebroeck

IFRS consolidated financial statements 2012

Consolidated statement of comprehensive income

Note		2012 in thousand €	2011 in thousand €
	Revenue		
	Service revenue	1 450 027	1 505 846
	Handsets sales	200 448	151 734
17	**Total turnover**	**1 650 475**	**1 657 580**
17	Other operating revenue	51 962	42 027
	Total revenue	**1 702 437**	**1 699 607**
	Operating expenses		
	Interconnection costs	-390 494	-393 327
17	Costs of equipment and goods sold	-352 944	-300 105
17	Services and other goods	-281 828	-297 498
17	Employee benefits expenses	-156 083	-150 027
2,3	Depreciation, amortisation and impairment	-217 214	-190 339
	Amounts written down stocks, contracts in progress and trade debtors	-20 420	-7 680
	Provisions for risks and charges	2 561	-4 931
17	Other operating charges	-9 176	-15 955
	Total operating expenses	**-1 425 598**	**-1 359 862**
	Result of operating activities	**276 839**	**339 745**
17	Finance income	497	914
17	Finance costs	-11 186	-11 786
	Result of operating activities after net finance costs	**266 150**	**328 873**
6	Tax expense	-80 465	-107 852
	Net profit of the period (*)	**185 685**	**221 021**
	Profit or loss attributable to equity holders of the parent	**185 685**	**221 021**
	Consolidated statement of comprehensive income		
	Net profit for the period	**185 685**	**221 021**
	Other comprehensive income	0	0
	Total comprehensive income for the period	**185 685**	**221 021**
	Part of the total comprehensive income attribuable to equity holders of the parent	**185 685**	**221 021**
11	Basic earnings per share (in €)	3,09	3,68
	Weighted average number of ordinary shares	60 014 414	60 014 414
11	Diluted earnings per share (in €)	3,09	3,68
	Diluted weighted average number of ordinary shares	60 014 414	60 014 414

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

Consolidated balance sheet

Note		31.12.2012 in thousand €	31.12.2011 in thousand €
	ASSETS		
	Non-current assets		
1, 2	Goodwill	80 080	80 080
2	Intangible assets	286 595	312 026
3	Tangible assets	665 010	666 000
4	Interests in associates	3 450	
5	Other non-current assets	3 965	5 818
6	Deferred taxes	6 669	6 401
	Total non-current assets	**1 045 769**	**1 070 325**
	Current assets		
7	Inventories	20 594	16 501
8	Trade receivables	230 168	225 250
9	Accrued revenue	19 039	31 812
9	Other current assets	19 160	30 496
10	Cash and cash equivalents	12 266	7 119
	Total current assets	**301 226**	**311 178**
	Total assets	**1 346 995**	**1 381 503**
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	131 721	131 721
12	Legal reserve	13 173	13 173
12	Retained earnings	212 905	249 078
	Total equity	**357 799**	**393 972**
	Non-current liabilities		
14	Long-term interests-bearing borrowings	383 650	293 200
15	Long-term trade payables	13 447	28 321
13	Long-term provisions	67 375	61 595
6	Deferred taxes	0	1 176
	Total non-current liabilities	**464 472**	**384 292**
	Current liabilities		
14	Short-term interests-bearing borrowings	22 580	18 444
16	Trade payables	344 563	347 635
16	Employee benefits related liabilities	34 385	32 855
16	Current taxes payable	42 709	113 737
16	Deferred income	77 451	87 833
16	Other payables	3 035	2 736
	Total current liabilities	**524 723**	**603 240**
	Total liabilities	**989 196**	**987 532**
	Total equity and liabilities	**1 346 995**	**1 381 503**

Consolidated cash flow statement

Note		2012 in thousand €	2011 in thousand €
	Cash flows from operating activities		
	Profit before taxes	**266 150**	**328 873**
	Non-cash adjustments for:		
2,3	Depreciation, amortisation and impairment of fixed assets	217 214	190 339
	Changes in long-term provisions	649	5 287
	Changes in provision for bad debt	13 320	-1 311
	Other non-cash expenses	1 108	
	Interest income	-247	-871
	Interest charges	7 331	9 902
	Adjusted result of operating activities before net finance costs	**505 525**	**532 219**
6	Inventories	-4 092	-6 202
15	Trade and other receivables	5 219	-25 736
	Trade and other payables	-33 885	23 928
	Net changes in working capital	**-32 758**	**-8 010**
5	**Tax paid**	**-154 893**	**-79 397**
	Interests paid	**-6 790**	**-9 793**
	Interests received	**396**	**980**
	Net cash from operating activities	**311 480**	**435 998**
	Cash flows from investing activities		
3	Purchase of intangible and tangible assets	-188 242	-203 739
	Debt associated to purchase of assets (increase +, decrease -)	7 985	9 970
1	Acquisition of subsidiary net of cash acquired	-3 450	0
2,3	Proceeds from sale of equipment	2 186	0
4	Reimbursement long-term loans granted	1 907	1 008
	Net cash used in investing activities	**-179 614**	**-192 761**
	Organic Cash Flow	**133 198**	**242 260**
	Cash flows from financing activities		
14	Short-term borrowings - net	4 137	-14 519
14	Long-term borrowings - proceeds	135 000	180 000
14	Long-term borrowings - repayments	-45 000	-155 161
11	Transactions costs paid for long-term credit facility	450	450
11	Others	942	-1 629
	Equity transactions costs	195	-157
11	Dividends paid	-222 443	-258 062
	Net cash used in financing activities	**-126 719**	**-249 078**
	Net increase (+), decrease (-) in cash and cash equivalents	**5 147**	**-5 841**
	Cash and cash equivalents at beginning of period	**7 119**	**12 959**
	Cash and cash equivalents at end of period	**12 266**	**7 119**

Consolidated statement of changes in equity

in thousand €

	Share capital	Legal reserve	Retained earnings	Total equity
Balance as at 1 January 2012	**131 721**	**13 173**	**249 078**	**393 972**
Net profit for the period			185 685	185 685
Total comprehensive income for the period			**185 685**	**185 685**
Dividends			-222 053	-222 053
Equity transaction costs			195	195
Balance as at 31 December 2012	**131 721**	**13 173**	**212 905**	**357 799**

	Share capital	Legal reserve	Retained earnings	Total equity
Balance as at 1 January 2011	**131 721**	**13 173**	**286 276**	**431 170**
Net profit for the period			221 021	221 021
Total comprehensive income for the period			**221 021**	**221 021**
Dividends			-258 062	-258 062
Equity transaction costs			-157	-157
Balance as at 31 December 2011	**131 721**	**13 173**	**249 078**	**393 972**

Corporate information

Companies in the perimeter of consolidation

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

Mobistar 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

Joint venture France Télécom - Belgacom, denominated 'Irisnet'
Consolidated at 50 %, incorporated under Belgian law
Avenue du Bourget 3
B - 1140 Brussels
Belgium
Company identification number: BE 0545 698 541

IRISnet S.C.R.L.
Accounted for by equity method
Avenue des Arts 21
B – 1000 Brussels
Belgium
Company identification number BE 0847 220 467

Mobistar Enterprise Services S.A. (hereafter MES)
100 % of the shares held by Mobistar S.A.
Avenue du Bourget 3
B - 1140 Brussels
Belgium
Company identification number: BE 0459 623 216

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

The principal activities of the Group are described in note 20 (segment information).

Date of authorisation for issue of the financial statements

On 21 March 2013, the Board of Directors of Mobistar S.A. reviewed the 2012 consolidated financial statements and authorised them for issue.

The 2012 consolidated financial statements will be approved on 2 May 2013 by the General Assembly of shareholders which has still the power to amend the financial statements after issue.

Accounting policies

1. Basis of preparation

The consolidated financial statements are presented in 000 Euros except when otherwise indicated. The Group's functional and presentation currency is Euro. Each entity in the Group applies this functional currency for its financial statements.

Statement of compliance

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

Basis for consolidation

The consolidated financial statements include the financial statements of Mobistar S.A. and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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.

The following entities are consolidated as at 31 December 2012 by using the following consolidation method:

Mobistar S.A.:	100 % full consolidation
Orange Communications Luxembourg S.A.:	100 % full consolidation
Mobistar Enterprise Services S.A.:	100 % full consolidation
Temporary association Irisnet:	50 % proportional consolidation
IRISnet S.C.R.L:	28.16 % equity method

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

- Mobistar Enterprise Services S.A., a company organised and existing under the laws of Belgium, has been acquired as of 31 March 2010 by Mobistar S.A. The purchase concerned 100 % of the shares of affiliated company. The company has consolidated the results of Mobistar Enterprise Services S.A. for 100 %, as of 1 April 2010.

- The temporary association Irisnet is a joint venture between France Télécom S.A. and Belgacom S.A. (the initial partner Telindus S.A. is since January 2010 an integral part of Belgacom S.A.). As such, Mobistar does not own directly or indirectly any voting power in Irisnet. However, in application of SIC 12, Mobistar concluded that Irisnet is actually controlled by Mobistar and its partner Belgacom. In addition, it is concluded that the risks and rewards are not born by France Télécom but by Mobistar. On 1st November 2012, the activities of the temporary association have been transferred to IRISnet S.C.R.L. Assets of the temporary association have been sold to the new company. Irisnet will just continue to collect its outstanding receivables balances open as of 31st October 2012 and complete the legal liquidation of the temporary association. Based on the fact that the temporary association stopped its activities, Mobistar has decided to include in the 2012 closing all necessary provisions regarding the legal liquidation of the temporary association.

- IRISnet S.C.R.L. is a company constituted in July 2012 in collaboration with the Brussels authorities in order to take over the activities performed by the temporary association Irisnet. The take-over of the activities took place on 1st November 2012. In this new legal structure, Mobistar 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. will be accounted for in the accounts using the equity method.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

2. Changes in accounting policy and disclosures

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2011, except for the following element:

- Universal Service provision: following the evolution of the regulation, Mobistar has reviewed its approach on the calculation of the provision from a 'loss of revenue' basis to a 'net charges' basis. This change has had a positive impact of 17.1 million euros recorded in the first half year 2012.

Although there has been no impact on the operations performed by the Group, following new amendments to IFRS have been considered in the preparation of the annual consolidated accounts:

- Amendment to IFRS 1 *First-Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters* (applicable for annual periods beginning on or after 1 July 2011)
- Amendment to IFRS 7 *Financial Instruments: Disclosures – Derecognition* (applicable for annual periods beginning on or after 1 July 2011)
- Amendment to IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (applicable for annual periods beginning on or after 1 July 2012)
- Amendment to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2012)

3. Significant accounting judgments, estimates and assumptions

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

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

Judgments, estimates and assumptions

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

Operating lease commitment – Group as a lessee

The Group has entered into property leases, network and cars leases. It has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Details are given in note 19.

Impairment of non-financial assets

The Group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget 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 2.

Deferred tax assets

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

Provision for dismantling network sites

The Group has recognised 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 13.

Universal service

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

4. Summary of significant accounting policies

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

4.2. Business combinations and Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. This goodwill is tested for impairment at the end of each financial year (31 December), or more frequently if events or change in circumstances indicate that its carrying amount may be impaired, by comparing the carrying amount of the cash-generating units with their fair value less costs to sell or with their value in use. When the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized and cannot be reversed in future periods.

Estimating the fair value less costs to sell requires taking into account the Mobistar's share price as quoted on the stock exchange. Alternatively, an estimation of the value in use of the mobile activity cash-generating unit could be made. This method requires to make an estimate of the future cash flows from the mobile cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

4.3. Intangible assets

Are included under this asset category, the intangible assets with a finite useful life such as the cost of the GSM, UMTS and 4G licences, 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 amortisation 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 amortised 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 depreciation of the mobile licences starts when they are ready to operate.

The GSM and UMTS licences have been granted for a period of 15 years (originally) and 20 years respectively. However, the depreciation period is limited to 14 and 16 years, representing the remaining licence terms at the date of availability for use. The extension of the GSM licence, acquired in 2010, is amortized over a period of 5 years which corresponds to the licence term.

The 4G licence, acquired in 2011, has been granted for a period of 15 years, till the 1st of July 2027. Depreciation of the licence 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 licence 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 depreciated on a straight line basis over its remaining useful life of that date.

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

The amortisation period and amortisation 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.

Amortisation and impairment losses are recorded in the income statement under the heading 'Depreciation, amortisation and impairment'.

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

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation 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.

4.4. Tangible assets

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 recognised as an asset when incurred and if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred. The cost includes also the estimated cost to dismantle the network sites and to refurbish the rented premises when such obligation exists.

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

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

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

Building	20 years
Pylons and network constructions	20 years
Optical fibre	15 years
Network equipment	7-8 years
Messaging equipment	5 years
IT servers	5 years
Personal computers	4 years
Office furniture	5 - 10 years
Leasehold improvements	9 years or rental period if shorter

The residual value and the useful life of a tangible asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate.

Depreciation and impairment losses are recorded in the income statement under the heading 'Depreciation, amortisation and impairment'.

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

The asset retirement obligation 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.

4.5. Impairment of non-financial assets

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, Mobistar 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 recognised in the income statement in the operating expenses under the heading 'Depreciation, amortisation and impairment'.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised 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 recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

4.6. 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 recognised as an expense in the period in which they occurred.

4.7. Government grants

A government grant is recognised 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 recognised 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.

4.8. 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 recognised 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 recognised 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 recognised 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. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised 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 recognised 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 recognised 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.

4.9. Inventories

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

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

4.10. Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of own equity instruments.

4.11. 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.

4.12. Financial instruments

Recognition and derecognition

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

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

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

Financial assets

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

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Financial liabilities

Interest-bearing loans and borrowings

Loans and borrowings are initially recognised 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 amortised cost using the effective interest method.

Gains and losses are recognised in income when the liabilities are derecognised as well as through the amortisation process.

Trade and other short-term payables

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

Offsetting a financial asset and a financial liability

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

4.13. Share-based payment

Employees of Mobistar may receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

The cost of any equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of such equity-settled transactions will be measured based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted. If market prices are not available, appropriate pricing model will be used. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which employees become fully entitled to the award (vesting date).

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition satisfies, provided that all other performance and/or service conditions are met.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of equity instruments that will ultimately vest.

4.14. Long-term provisions

Provisions are recognised when Mobistar 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 Mobistar expects some or all of the provision to be reimbursed, the reimbursement is recognised 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 recognised 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 recognised as an item of tangible asset. This estimate is also recognised as a provision that is measured by using appropriate inflation and discount rates.

4.15. 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 recognised 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.

Post-employment benefit plan is classified as defined contribution plan since the minimum return imposed by law is guaranteed by the current terms and conditions of the group insurance contract without additional cost for Mobistar.

4.16. Revenue

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

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

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

Specific revenue streams and related recognition criteria are as follows:

Sales of equipment

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

Revenue from subscription contracts

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

Separable components of bundled offers

As from the last weeks of the year 2012, some service offers of the Group include two components: an equipment component (e.g. a mobile handset) and a service component (e.g. a talk plan).

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

Revenue from the sale of prepaid cards

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

Interconnection revenue

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

Revenue sharing

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

Revenue deferred until payment

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

Site sharing rental income

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

4.17. Leases

A lease whereby all the risks and rewards incidental to ownership are not substantially transferred to the lessee is an operating lease and lease payments are recognised 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.

4.18. Loyalty commissions

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

4.19. Financial discounts

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

4.20. Dividend

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

4.21. Loyalty programs

Loyalty programs are based on points granted to customers in function of their behaviour. These points are considered as a separate part of the services invoiced but still to be delivered. Part of the revenues invoiced is thus allocated to these points and deferred up to the moment the points are transformed in advantage by the customers. The amount allocated to the points is based on the fair value of the equivalent advantage proposed (sales value) combined with an estimated usage rate of these points.

5. Future changes in accounting policies

New or amended standards and interpretations issued up to the date of issuance of the Group's financial statements, but not yet effective for 2012 financial statements, are listed below. The Group has elected not to adopt any Standards or Interpretations in advance of their effective dates.

- IFRS 9 *Financial Instruments*, effective 1 January 2015. The standard is the first part of the three-part project that will supersede IAS 39 Financial Instruments: Recognition and Measurement. This first part deals with the classification and the measurement of financial instruments. The effects of its application cannot be analyzed separately from the two other parts not yet published and which should retrospectively address the impairment methodology for financial assets and hedge accounting.

- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2013). IFRS 10 supersedes SIC-12 and IAS 27 for the part relating to the consolidated financial statements. This standard deals with the consolidation of subsidiaries and structured entities, and redefines control which is the basis of consolidation. Based on the current reading of the standard's provisions, the retrospective application of this standard on the Group's consolidation scope has no effect on the Group's financial statements.

- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2013). IFRS 11 supersedes IAS 31 and SIC-13. This standard deals with the accounting for joint arrangements. The definition of joint control is based on the existence of an arrangement and the unanimous consent of the parties which share the control. There are two types of joint arrangements:

- joint ventures: the joint venturer has rights to the net assets of the entity to be accounted for using the equity method, which is the method already applied by the Group, and
- joint operations: the parties to joint operations have direct rights to the assets and direct obligations for the liabilities of the entities which should be accounted for as arising from the arrangement.

The IFRS 11 application will have no significant effect on the Group's financial statements' presentation.

- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2013). IFRS 12 supersedes disclosures previously included in IAS 27, IAS 28 and IAS 31. This standard groups and develops all the disclosures related to subsidiaries, joint ventures, associates, consolidated and unconsolidated structured entities. The implementation of this standard should not substantially change the disclosures provided by the Group.

- IFRS 13 *Fair Value Measurement* (applicable for annual periods beginning on or after 1 January 2013). IFRS 13 is a single source of fair value measurement and disclosure requirements for use across IFRSs. It:
  - o defines fair value;
  - o sets out a framework for measuring fair value; and
  - o requires disclosures about fair value measurements, including the fair value hierarchy already set out in IFRS 7.

  This standard is applicable prospectively and has no effect on the fair value scope. The clarifications provided by the standard has no effect on the measurement at fair value.

- Amendments to IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2013). This standard relates to the accounting for joint ventures and associates under the equity method. Some clarifications have been included with respect to the accounting for changes in ownership interests (with or without loss of control) whereas disclosures are now covered by IFRS 12. This revision has no consequence on the Group's financial statements.

The following new Amendments and Standards are not applicable in view of the current operations performed by the Group:

- Improvements to IFRS (2009-2011) (normally applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Government Loans* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 19 *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (applicable for annual periods beginning on or after 1 January 2013)

Notes to the consolidated financial statements

1. Business combinations (in 000 euros)

Changes in 2012

No acquisition has been realised in 2012.

However, as mentioned in the annual reports 2010 and 2011, the share purchase agreement between Mobistar and KPN foresees an adjustment of the purchase consideration based on the net debt and working capital as of 28 February 2010. The final purchase price is still under review between Mobistar and the seller and the case has been submitted to an expert review. The outcome of the expert's report, i.e. that KPN should pay Mobistar an amount between 0.3 and 2.2 million euros, is disputed by KPN which states that this is not in agreement with the scope of the expert's mission. Therefore KPN has launched an arbitrage case regarding the expert's mission. On 5 July 2012, the Belgian Constitutional Court issued a ruling in which the scope of the expert´s mission was confirmed, but which also finds that the report of the independent expert contains manifest errors. Because the Court is not competent to engage in further examination of the disputed points, it proposes that the two parties choose a new independent expert to review the disputed points. Mobistar initiated a proceeding with a view to having this decision annulled.

Changes in 2011

At the end of December 2010, the fair value of the identified assets and liabilities was provisional in relation to the following assets and liabilities as no sufficient information was available for the determination of:
1) Deferred tax assets on losses carried forward
2) Fair value of onerous contracts
3) Final adjustment of the purchase price

Further analysis performed during the first quarter of 2011 led to two adjustments of the fair values of Deferred tax assets on losses carried forward for an amount of 3.9 million euros and of onerous contracts for an amount of 3.9 million euros. These entries have slightly modified the goodwill resulting from the transaction, but for which rounded value remains at 0.8 million euros.

The values related to the Purchase Price Accounting are shown in the below table:

	Final fair value recognized on acquisition as at 31.03.2011	Preliminary fair value recognized on acquisition as at 31.12.2010	MES contribution as at 31.12.2010 (before intercompany elimination)
ASSETS			
Non-current assets			
Goodwill	0	0	843
Intangible assets	2 257	2 257	2 072
Tangible assets	75 544	75 544	68 695
Financial assets	4	4	4
Other non-current assets	202	202	0
Deferred taxes	3 916	0	0
Total non-current assets	**81 923**	**78 007**	**71 614**
Current assets			
Inventories	1 340	1 340	1 095
Trade receivables	17 046	17 046	22 058
Other current assets and deferred expenses	3 734	3 734	2 450
Short-term loans intercompany	0	0	2 300
Cash and cash equivalents	1 922	1 922	732
Total current assets	**24 042**	**24 042**	**28 635**
Total assets	**105 965**	**102 049**	**100 249**
EQUITY and LIABILITIES			
Equity			
Retained earnings	0	0	-1 638
Total equity	**0**	**0**	**-1 638**
Non-current liabilities			
Long-term provisions	9 033	5 168	5 228
Deferred taxes	1 090	1 090	984
Total non-current liabilities	**10 123**	**6 258**	**6 212**
Current liabilities			
Financial lease	262	262	161
Trade payables	23 484	23 484	23 841
Employee benefits related liabilities	2 127	2 127	735
Current taxes payables	0	0	362
Deferred income	5 762	5 762	5 505
Other payables	0	0	71
Total current liabilities	**31 635**	**31 635**	**30 675**
Total liabilities	**41 758**	**37 893**	**36 887**
Total equity and liabilities	**41 758**	**37 893**	**35 249**
Total identifiable net assets at fair value	**64 207**	**64 156**	**65 000**
Goodwill arising on acquisition	**793**	**844**	
Purchase consideration transferred	**65 000**	**65 000**	
Net cash outflows (purchase consideration transferred less cash acquired)	**63 078**	**63 078**	

2. Intangible assets and goodwill (in 000 euros)

2012	Goodwill	GSM and UMTS licences	Internally generated software development costs	Other intangible assets	Total intangible assets
Acquisition value					
As at 1 January 2012	**80 080**	**467 228**	**44 371**	**552 403**	**1 064 002**
Movements during the period:					
Acquisitions and consolidation differences			3 784	63 227	67 011
Sales and disposals			-1 193	-47 527	-48 720
As at 31 December 2012	**80 080**	**467 228**	**46 962**	**568 103**	**1 082 293**
Amortisation and impairment					
As at 1 January 2012	**0**	**302 143**	**39 377**	**410 456**	**751 976**
Movements during the period:					
Additions		24 283	2 761	63 219	90 263
Sales and disposals			-1 139	-45 401	-46 540
As at 31 December 2012	**0**	**326 426**	**40 999**	**428 273**	**795 698**
Net carrying amount as at 31 December 2012	**80 080**	**140 802**	**5 963**	**139 830**	**286 595**

2011	Goodwill	GSM and UMTS licences	Internally generated software development costs	Other intangible assets	Total intangible assets
Acquisition value					
As at 1 January 2011	**80 131**	**447 208**	**41 559**	**526 412**	**1 015 179**
Movements during the period:					
Acquisitions and consolidation differences	-51	20 020	2 812	65 087	87 919
Sales and disposals				-39 096	-39 096
As at 31 December 2011	**80 080**	**467 228**	**44 371**	**552 403**	**1 064 002**
Amortisation and impairment					
As at 1 January 2011	**0**	**277 860**	**36 136**	**406 404**	**720 400**
Movements during the period:					
Additions		24 283	3 241	43 141	70 665
Sales and disposals				-39 089	-39 089
As at 31 December 2011	**0**	**302 143**	**39 377**	**410 456**	**751 976**
Net carrying amount as at 31 December 2011	**80 080**	**165 085**	**4 994**	**141 947**	**312 026**

Goodwill

The Goodwill end 2012 consists of:

Goodwill Mobistar Affiliate S.A.	10 558
Goodwill Mobistar Enterprise Services S.A.	793
Goodwill Orange Communications Luxembourg S.A.	68 729
Total	**80 080**

The Goodwill end 2011 consists of:

Goodwill Mobistar Affiliate S.A.	10 558
Goodwill Mobistar Enterprise Services S.A.	793
Goodwill Orange Communications Luxembourg S.A.	68 729
Total	**80 080**

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 note 20).

Mobistar Enterprise Services S.A.

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

The reported goodwill is fully allocated to the segment 'Belgium' (see note 20).

Impairment test on the goodwill allocated to the segment 'Belgium' is performed at least at the end of each financial year to assess as to whether its carrying amount does not exceed its recoverable amount. Estimating the fair value less costs to sell will take into account Mobistar'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 2012, the market capitalization was significantly higher than the net book value.

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 as to whether its carrying amount does not exceed its recoverable amount.

The recoverable amount of this cash-generating unit has been estimated using a discounted cash flow method.

For 2012, same methodology has been used as in previous years. Cash flows have been estimated on a five years business plan (2013 to 2017) approved by the local management. This estimate includes the impact of the reinforcement on the market by extending the sales channels in both residential and business segments and the integration of a strong impact of the regulation in the next two years (MTR and roaming). As Luxembourg population will continue to grow in the future, management assumes a long-term annual growth rate of 2 % for the years after 2017. Cash flows have been actualised at 8.5 % (post tax). In line with previous years, management uses a discount rate of 8.5 % which is based upon Mobistar weighted average cost of capital (WACC) increased with a risk premium relating to the relatively small size of the

Luxembourg operations. Sensitivity analysis of these parameters has been performed, using a growth rate varying from 1 to 3 % and a discount rate varying from 7.5 to 9.5 %, and this even if the extremes are considered as very theoretical. The worst case scenario, based on a growth rate of 1 % and a WACC of 9.5 % would result in head room available amounting to 5.2 million euros. Best case scenario envisaged in the sensitivity analysis would result in a positive amount of 89.8 million euros. Selected rate assumptions result in 34.1 million euros.

For 2011, cash flows have been estimated on a five years business plan (2012 to 2016) approved by the local management. For the following years, figures have been extrapolated based on a growth rate estimated at 2 % (estimated growth rate on the Luxembourgian market adjusted to consider Orange Communications Luxembourg S.A. strategy deployment). Cash flows have been actualised. The discount rate applied to cash flow projections has been estimated at 8.5 % (post tax). Sensitivity analysis of these parameters has been performed. The worst case scenario, based on a growth rate of 1 % and a WACC of 9.5 % would result in head room available amounting to 9.9 million euros. Best case scenario envisaged in the sensitivity analysis would result in a positive amount of 98.4 million euros. Selected rate assumptions resulted in 40.5 million euros.

As the recoverable amount of the segment 'Luxembourg', including goodwill, exceeds its carrying value, no impairment loss has to be recognised.

Intangible assets

The UMTS licence has been depreciated from April 2005 onwards when the 3G network has been technically declared ready to operate in the region of Antwerp. The UMTS licence is depreciated over 16 years on a linear basis and the depreciation cost amounts to 9,364 thousand euros on a full year basis. The 2G licence has been renewed at the end of 2010. The costs of this licence, 74,367 thousand euros, is amortized over a period of five years which corresponds to the duration of the licence. The amortization expense for the years 2011 and 2012 amounts to 14,920 thousand euros. The acquisition of the 4G licence (2.6 MHz) has been recorded in December 2011 for an amount of 20,020 thousand euros. The 4G licence will be depreciated as from the technical readiness up to the end of the right granted (at the end of June 2027). Currently the start date of the depreciation is not defined.

Internally generated intangible assets include software development and software licence costs. The useful lives of intangible assets applied in 2012 remain comparable to the one's used in 2011.

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

An important renewal program started in 2010 that aimed to review applications managing provisioning, mediation, billing and CRM for prepaid and postpaid activities. Due to the evolution of the IT strategy, an accelerated depreciation of 15.5 million euros has been recorded in the year 2012.

Some intangible assets are fully amortized however still in use. The main one is the original GSM licence that has been fully amortized at the end of 2011. Investments related to original software acquisition may be fully amortized as well but upgrades of these softwares, still in use, are not fully amortized. The same applies to original site's research costs.

3. Property, plant and equipment (in 000 euros)

2012	Land and buildings	Network infra-structure	Plant, machinery, equipment	Furniture and vehicles	Other intangible assets	Total intangible assets
Acquisition value						
As at 1 January 2012	**1 966**	**611 629**	**719 720**	**127 148**	**19 191**	**1 479 654**
Movements during the period:						
Acquisitions, including self-constructed fixed assets		29 071	84 361	5 437	2 632	121 502
Dismantling asset		3 968				3 968
Sales and disposals		-10 956	-97 199	-5 225	-1 398	-114 778
As at 31 December 2012	**1 966**	**633 712**	**706 882**	**127 361**	**20 425**	**1 490 345**
Depreciation and impairment						
As at 1 January 2012	**211**	**268 217**	**434 560**	**105 399**	**5 267**	**813 654**
Movements during the period:						
Additions	47	25 940	88 126	8 114	1 392	123 618
Dismantling asset		3 332				3 332
Sales and disposals		-11 454	-97 249	-5 226	-1 339	-115 269
As at 31 December 2012	**258**	**286 034**	**425 436**	**108 287**	**5 320**	**825 335**
Net carrying amount as at 31 December 2012	**1 708**	**347 677**	**281 446**	**19 074**	**15 105**	**665 010**

2011	Land and buildings	Network infra-structure	Plant, machinery, equipment	Furniture and vehicles	Other intangible assets	Total intangible assets
Acquisition value						
As at 1 January 2011	**1 966**	**553 625**	**723 803**	**125 715**	**17 231**	**1 422 340**
Movements during the period:						
Acquisitions, including self-constructed fixed assets		31 888	75 734	7 327	1 980	116 929
Dismantling asset		32 562				32 562
Sales and disposals		-6 446	-79 816	-5 894	-21	-92 177
As at 31 December 2011	**1 966**	**611 629**	**719 720**	**127 148**	**19 191**	**1 479 654**
Depreciation and impairment						
As at 1 January 2011	**164**	**248 170**	**432 211**	**101 452**	**4 416**	**786 413**
Movements during the period:						
Additions	47	22 899	81 837	9 841	872	115 496
Dismantling asset		4 178				4 178
Sales and disposals		-7 031	-79 487	-5 894	-21	-92 433
As at 31 December 2011	**211**	**268 217**	**434 560**	**105 399**	**5 267**	**813 654**
Net carrying amount as at 31 December 2011	**1 755**	**343 412**	**285 160**	**21 749**	**13 924**	**666 000**

“Land, buildings and network infrastructure” is mainly constituted of the network equipment and site installation costs. Own land and buildings related amounts are very limited.

Capital expenditure

During the 2012 financial year, Mobistar invested 188.5 million euros (67.0 million euros in intangible assets and 121.5 million euros in tangible assets), which represents 13.0 % of service revenues. The investments, which are in line with the investment programme foreseen for the financial year 2012, focused on IT projects and on extending the capacity and increasing the speed of the mobile data network. During the year 2012, Mobistar thus strove to replace its 2G equipment, which had arrived at the end of its service life, with more modern and higher-performance 2G/3G equipment, and deployed a first 4G mobile test network in the city of Antwerp. By the end of December 2012, the 3G/HSDPA coverage reached 97 % of the population. The Mobistar network had 5,762 sites at the end of December 2012, of which 730 are shared with other operators.

Change in useful life and impairment on intangible and tangible assets

The changes recognised during the year have been determined on individual asset basis in order to consider technology and IT evolution. Obsolescence, dismantling or losses are also considered in the exercise.

During 2012, change in useful life on both tangible and intangible assets has been recognised for an amount of 37.6 million euros (2011: 12.4 million euros) and shown as expense on the line 'Depreciation, amortisation and impairment' in the income statement.

Impact can be split as such:
- Software: 15.5 million euros resulting from the write-off related to the change in IT strategy
- Network and other equipment: 22.1 million euros including the change in useful life of the network material currently covered by the swap of technology (14.1 million euros), and impairment resulting from assets inventory procedures (6.3 million euros).

Fair value less costs to sell of both software applications and the obsolete network equipment is nil.

Government grant

A capital grant amounting to 3,148 thousand euros was received in 1997 from the government of the Walloon Region in order to contribute to the investment in an office building and its equipment.

The capital grants are deducted from the acquisition value of the related assets.

All the conditions and contingencies attached to the capital grant received are met.

	2012	2011
Net carrying amount as at 1 January	**123**	**149**
Released to the income statement	-26	-26
Net carrying amount as at 31 December	**97**	**123**

4. Interests in associates (in 000 euros)

	2012	
	Interests in associates	Result in associated companies
Net carrying amount as at 1 January 2012	**0**	
Acquisition	3 450	
Result of the year	0	0
Net carrying amount as at 31 December 2012	**3 450**	**0**

In July 2012, the Group participated to the constitution of the company IRISnet S.C.R.L. The objective of this new company is the takeover of the activities of the joint venture Irisnet. The activity of IRISnet S.C.R.L. started on 1st November 2012.

The share of the Group in the equity of IRISnet S.C.R.L. is 28.16 %. The Group is represented in the Board of Directors for 2 out of 7 seats. Therefore this company will be accounted for via the equity method.

IRISnet S.C.R.L. has taken over the activities of the joint venture Irisnet (a temporary association between Mobistar and Belgacom - formerly Telindus) as of November 2012. Given the limited impact of the results generated in 2012, no impact has been included in the 2012 consolidated results.

5. Other non-current assets (in 000 euros)

2012	Cash guarantees	Long-term receivables	Total
Net carrying amount as at 1 January 2012	**262**	**5 556**	**5 818**
Additions	8	0	8
Reimbursements	-27	-1 834	-1 861
Net carrying amount as at 31 December 2012	**243**	**3 722**	**3 965**

2011	Cash guarantees	Long-term receivables	Total
Net carrying amount as at 1 January 2011	**162**	**7 339**	**7 501**
Additions	100	0	100
Reimbursements	0	-1 783	-1 783
Net carrying amount as at 31 December 2011	**262**	**5 556**	**5 818**

The decrease in other non-current receivables in 2012 is mainly due to the transfer to 'other current assets' of the maturing part of the long-term loans to specific partners (1,834 thousand euros).

Since the end of 2009, a pledge collateral has been issued in favour of Mobistar on the assets of one of its partners in order to hedge the loan receivable toward this partner (short- and long-term parts).

6. Current and deferred taxes (in 000 euros)

Deferred tax assets and liabilities

	Balance sheet		Income statement	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Deferred tax assets				
Related to Orange Communications Services S.A. operations				
Carried forward tax losses beginning of the year	4 398	3 265	1 133	
Carried forward tax losses of the year	-664	1 133	-1 797	1 133
DTA on Purchase Price Allocation Orange Communications Services S.A.	-496	-1 035	539	580
Related to MES S.A.				
DTA on wholesale's agreement on MES Purchase Price Allocation	3 918	3 918		
Transfer from deferred tax liabilities	-1 115	-984		
Deferred tax liabilities on MES Purchase Price Allocation	103	-217		-217
Deferred tax liabilities MES of the year		321		321
Carried forward tax losses of the year	-1 830		-1 830	
Total deferred tax assets from activities	**4 314**	**6 401**	**-1 955**	**1 817**
Deferred tax liabilities				
Related to Mobistar S.A. operations				
Investment tax credit	662	961	-299	-321
Revenue recognition for free airtime minutes	-1 160	-3 944	2 784	-1 529
Borrowing costs expensed as incurred		24	-24	-129
Website development costs expensed as incurred	205	277	-72	
Assets dismantling obligations on sites	2 648	1 506	1 142	1 506
Other items				3
Related to MES S.A. operations				
Deferred tax liabilities on MES Purchase Price Allocation	-1 181	-963	-218	
Deferred tax liabilities MES of the year	66	-21	87	
Transfer in deferred tax assets	1 115	984		
Total deferred tax liabilities from activities	**2 355**	**-1 176**	**3 400**	**-470**
Total net deferred tax assets	**6 669**	**5 225**	**1 445**	**1 347**

Major components of tax expense

	31.12.2012	31.12.2011
Current income tax	89 010	119 017
Current income tax of prior periods	-7 103	-9 818
Deferred tax expense	-1 442	-1 347
Tax expense	**80 465**	**107 852**

Orange Communications Luxembourg S.A.
The main component is related to the carried forward losses for 3,238 thousand euros and to temporary differences between LUX GAAP and IFRS.

Mobistar Enterprise Services S.A.
In 2011, following the finalization of the Purchase Price Accounting related to MES acquisition, a deferred tax asset has been recognized on MES tax losses. At the end of March 2011, the recoverable tax loss of MES amounted to 29,978 thousand euros. Due to the estimate of the future taxable profits together with the tax planning expected, the deferred tax amounts were capped on a tax loss of 11,510 thousand euros or an amount of deferred tax asset of 3,918 thousand euros.

In 2012, in line with the taxable result of MES, an amount of 1,115 thousand euros of deferred tax assets has been used. However MES results perspectives do not allow to increase the level of deferred tax assets up to the amount of taxes calculated based on the total carried forward losses.

Mobistar S.A.
Deferred taxes recorded on Mobistar's operations are essentially related to investments tax credits and to the temporary differences resulting from the consideration of borrowing costs and the development costs for intranet sites, to the income related to the free minutes of traffic granted to subscribed customers and to the dismantling assets depreciation.

Due to carried forward losses, Orange Communications Luxembourg S.A. and Mobistar Enterprise Services S.A. have no current tax recorded.

Relationship between tax expense and accounting profit

	31.12.2012	31.12.2011
Consolidated accounting profit before taxes	266 150	328 873
Tax at the applicable rate of 33.99%	**90 464**	**111 784**
Tax effect of permanent differences:		
* Expenses that are not deductible in determining taxable profit	2 958	3 096
* Tax on debt waiver reevaluation	0	4 099
* Tax on Irisnet result not considered	-3 217	81
Tax credit on investment	-21	-321
Tax deductible risk capital	-122	-153
Tax credits on business combination	-2 494	-916
Adjustment on prior years	-7 103	-9 818
Current year tax expense	**80 465**	**107 852**
Effective tax rate	**30.23%**	**32.79%**

7. Inventories (in 000 euros)

	31.12.2012	31.12.2011
Finished goods (i.e. handsets and SIM cards)		
Inventories - Gross amount	22 467	18 820
Reserve for obsolete and slow moving items	-1 873	-2 319
Inventories - Net carrying amount	**20 594**	**16 501**
Inventories - Cost recognised as an expense during the period	225 290	179 327

The level of inventories recorded at the end of 2011 was lower compared to 2012. Increase of the inventory level is partially due to the implementation of the bundle offers (combination of service plan and handset), which has postponed the de-recognition of the inventory transferred to the distribution channels from the transfer date to the distributor to the end customer received date. The impact at year-end is 2.8 million euros.

The amount of reserve for obsolete and slow moving items related to inventories has generated a decrease of expense amounting to 448 thousand euros, which is recognised in ‘Costs of equipment and goods sold’.

8. Trade receivables (in 000 euros)

	31.12.2012	31.12.2011
Trade receivables - Gross value	293 314	275 359
Allowance for doubtful debtors	-63 146	-50 109
Trade receivables - Net carrying amount	**230 168**	**225 251**

For terms and conditions relating to related parties receivables, refer to note 18.

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

Trade receivables amount to 230.2 million euros at the end of 2012, compared with 225.3 million euros at the end of 2011. The small evolution results from a compensation of a small decrease in the ‘Service Revenue’ receivable, which is influenced by the reduction of Service Revenue itself, over compensated by the increase on receivable related to distributors, influenced by the very high level of handset sales in the last quarter of 2012.

Trade receivables: Allowance for doubtful debtor’s reconciliation

		Balance sheet			Income statement
	31.12.2012	Accrual	Reversal	31.12.2011	31.12.2012
Hardware customers	-3 817			-3 494	323
Airtime customers	-59 329			-46 615	12 714
Total allowance for doubtful debtors	**-63 146**	**-18 068**	**5 031**	**-50 109**	**13 037**
	31.12.2011	Accrual	Reversal	31.12.2010	31.12.2011
Hardware customers	-3 494			-5 875	-2 381
Airtime customers	-46 615			-45 575	1 040
Total allowance for doubtful debtors	**-50 109**	**-14 382**	**15 724**	**-51 450**	**-1 342**

Trade receivables: Ageing balance

	Trade receivables - Net carrying amount	Not past due	Less than 180 days	Between 180 days and 360 days	More than 360 days
2012	230 168	172 111	22 699	17 191	18 167
2011	225 251	171 947	30 192	13 982	9 130

Due to the evolution of the market conditions and the increasing difficulty of recovering the receivables, the percentage of bad debt provisions has been raised in 2011 from 1.8 % to 2.0 % of the average billing for the residential market. The slowdown in cash collection noted at the end of 2011 has been stabilized in the residential segment but required a small increase in the provision for bad debt (up to 2.1 %) again in 2012. Some more difficulties have been noted in the ‘small and medium enterprises’ segment, resulting in an increase of the bad debt provision related to this segment and an expense of 924 thousand euros.

The decrease of the allowance for doubtful debtors in 2011 was related to the write-offs performed during that year on old receivables. These write-offs were related to uncollectible amounts for which fiscal attests have been received. Impact on non-accrued losses has been immaterial. In 2012 a lower volume of write-offs has been recorded resulting in a net increase of the provision.

9. Other current assets and accrued revenues (in 000 euros)

	31.12.2012	31.12.2011
Local and regional taxes on pylons	57 332	49 741
Impairment on taxes on pylons	-57 332	-49 741
Prepayments	13 690	14 026
VAT to be recovered	0	5 453
Other current assets	5 470	11 017
Total other current assets	**19 160**	**30 496**
Accrued revenues	**19 039**	**31 812**
Total	**38 199**	**62 308**

Local and regional taxes on GSM pylons, masts and antennas

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

Pursuant to a preliminary question raised by the Council of State to the European Court of Justice, the latter ruled in its decree dated 8 September 2005 that such taxes are not inconsistent with European law, provided they do not alter the conditions of competition between the historical operator and new operators on the market.

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

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

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

The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to 57.3 million euros and is subject to a bad debt provision for the whole amount, of which 7.6 million euros correspond to the financial year 2012. The provision is recorded under the 'Other operating charges' heading in the profit and loss account.

Prepayments

Prepayments have decreased due to seasonality effect.

VAT to be recovered

Other current assets have decreased due to the VAT situation of Mobistar S.A. at the end of the year that shows a payable balance of 3,689 thousand euros in 2012 against a 5,453 thousand euros receivable balance end of 2011.

Other current assets

Variation of the other current assets is partially driven by the reinvoicing of costs incurred in the past by the joint venture Irisnet to IRISnet S.C.R.L. for 5,264 thousand euros.

Accrued revenues

Accrued revenues are made of two types of items: estimated amounts of revenues not billed and adjustments to revenues considered in context of some tariff plans including free advantages for which the allocation period is different from the loyalty period (for example). These accrued revenues have decreased essentially due to the second type of operations as the introduction of the new telecom law has accelerated the release of the amounts linked to gratuity related to previous plans. The introduction of the 'Animals' had also an impact on the level of deferred revenues as the possibility of carrying over unused part of the bundle has been removed from these new tariff models.

10. Cash and cash equivalents (in 000 euros)

	31.12.2012	31.12.2011
Total cash and cash equivalents	**12 266**	**7 119**

Short-term deposits with France Télécom have a maturity of 1 month and bear interests according to the market conditions.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash, short-term deposits and cash equivalents is 12,266 thousand euros at the end of 2012.

11. Earnings per share (in 000 euros)

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	31.12.2012	31.12.2011
Net profit attributable to ordinary equity holders of the parent	185 685	221 021
Weighted average number of ordinary shares for basic earnings per share	60 014 414	60 014 414
Effect of dilution	NA	NA
Weighted average number of ordinary shares adjusted for the effect of dilution	60 014 414	60 014 414

No transaction involving ordinary shares or potential ordinary shares has occurred after the balance sheet date which would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the financial year if those transactions had occurred before the end of the financial year.

12. Equity (in 000 euros)

Share capital

Changes during 2012

No changes have been performed during the year 2012.

	Share capital	Number of ordinary shares
As at end December 2011	**131 721**	**60 014 414**
As at 1 January 2012	**131 721**	**60 014 414**
As at 31 December 2012	**131 721**	**60 014 414**

All ordinary shares are fully paid and have a par value of 2.195 euros. As no changes occurred during 2012, the par value is the same for 2012 and 2011.

Legal reserve

In accordance with the Belgian accounting law, 5 % of the annual net after tax profit of Mobistar S.A. must be allocated to the legal reserve until it represents 10 % of the share capital. The current level of legal reserve has reached the 10 % required in the past.

No changes have occurred in 2012.

	2012	2011
As at 1 January	**13 173**	**13 173**
As at 31 December	**13 173**	**13 173**

Retained earnings

	2012	2011
As at 1 January	**249 078**	**286 276**
Current year profit after taxes	185 685	221 021
Dividend paid	-222 053	-258 062
Equity transaction costs	195	-157
As at 31 December	**212 905**	**249 078**

Shareholders' remuneration

At the Annual General Assembly of shareholders to take place on 2 May 2013, the Board of Directors will propose to approve the following shareholders' remuneration scheme:

Dividend 2012

The number of shares receiving a dividend based on the distribution of the result 2012 amounts to 60,014,414 shares.

Number of ordinary shares as at the date of dividend payment	60 014 414
Gross ordinary dividend per ordinary share, in euros	1.80
Total ordinary dividend 2012 (000 euros)	108 026

The dividend relating to the financial year 2012 has not been recognised as a liability at the balance sheet date as the approval of the Annual General Assembly of shareholders will take place after the balance sheet date.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Group may adjust the dividend payment to its shareholders, return capital to its shareholders, buy back shares or issue new shares. As a consequence, for 2013, concomitant with the accelerated investments in the 4G network and the provision of customer services, instead of implementing the usual shareholders' remuneration policy (pay-out ratio close to 100 % of the net result), the Board of Directors of the company decided to adapt its dividend policy in order to preserve a sound balance sheet.

In line with the usual remuneration scheme, Mobistar distributed 222.1 million euros to its shareholders during the 2012 financial year. This distribution took the form of an ordinary dividend of 2.90 euros per ordinary share and an extraordinary dividend of 0.80 euro per ordinary share.

External funding is negotiated on the market at maturity dates of the credit lines. Conditions of this external funding are described in note 14.

13. Long-term provisions (in 000 euros)

2012	01.01.2012	Additions	Utilisations	Reversal	Unwinding effect	31.12.2012
Outstanding litigations	14 206	3 513	-2 787	-76		14 856
Network sites dismantling costs	44 807	4 677	-571	-100	1 001	49 814
Office refurbishment costs	2 582	16			107	2 705
Total	**61 595**	**8 206**	**-3 358**	**-176**	**1 108**	**67 375**

2011	01.01.2011	Additions	Utilisations	Reversal	Unwinding effect	31.12.2011
Outstanding litigations	5 054	9 809	-198	-459		14 206
Network sites dismantling costs	11 327	34 617	-175	-1 206	244	44 807
Office refurbishment costs	2 192	411	-90		69	2 582
Total	**18 573**	**44 837**	**-463**	**-1 665**	**313**	**61 595**

Outstanding litigations

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

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

Since the consolidation of MES in 2010, the outstanding litigations include a liability relating to VAT claims and a provision for onerous contracts.

Variance of the provision is mainly due to new provisions for specific risks booked in Mobistar and MES for 3,513 thousand euros. Provision for onerous contracts booked in MES in the previous years for 7,122 thousand euros has been used for 2,558 thousand euros, as losses have been incurred.

Network sites dismantling provision

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

	31.12.2012	31.12.2011
Number of network sites Orange Communications Luxembourg S.A. incl. (in units)	4 436	4 373
Average dismantling cost per network site	11	11
Inflation rate	2.0%	2.0%
Discount rate	2.29%	2.98%

Although size and installation on site may slightly vary from site to site, the provision is calculated on an average dismantling cost which is based on the actual costs incurred in the past for similar activities. For sites of a bigger size, like MSC's (Mobile Switching Centre), the provision is calculated on the surface area of the sites rented and an average dismantling cost per m² based on past similar experience.

Although it is rather not practicable to estimate the timing of the cash outflows, it is assumed that all the network sites will be dismantled in the future. In 2011, the duration of the rental contracts has been capped to 15 years, which is considered to be equivalent to a dismantling plan spread over a period close to 30 years. Before that change, the longest period considered was 99 years. The same approach was maintained to evaluate the provision in 2012, leading to a net variation of the provision for 4,006 thousand euros. Unwinding effect has increased the provision for 1,001 thousand euros.

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

Office refurbishment costs

Office refurbishment provision arises from office rental contracts and is measured at the level of costs incurred in the past on similar transactions.

The increase in 2012 of the provision amounted to 123 thousand euros. This can be split as such:

- changes with impact in fixed assets	16 000
- changes with impact in Profit and Loss (financial expenses)	107 000

Waste Electrical and Electronic Equipment

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

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

14. Financial instruments (in 000 euros)

Financial risk management objectives and policies

Mobistar's principal financial instruments comprise bank and inter-company loans, overdrafts, cash at bank and short-term bank and inter-company deposits. The main purpose of these financial instruments is to raise finance for Mobistar's operations. Mobistar has also various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is to be noted that Mobistar's policy does not allow trading in financial instruments.

Interest rate risk

As a result of the exceptionally high distribution to its shareholders paid-out in 2008 (nearly 600 million euros), the Company showed a debt amounting to 407.6 million euros on 31 December 2012. The Company didn't hedge the interest rate risk on the debt that bears interests based on Euribor + 65 Bps margin + 20 Bps utilization fee.

The company decided not to hedge the long-term interest rate risk linked to its long-term debt in the light of the current low interest rates levels and the amount's fluctuations of the said long-term debt.

Foreign currency risk

The Company is not subject to significant foreign currency risks.

Credit risk

Mobistar trades only with recognised, creditworthy third-parties. It is Mobistar's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivable balances are monitored on an ongoing basis. See notes 8 & 9.

Allowance for doubtful debtors is calculated based on different criteria depending on the type of customers. Hardware customers allowance is based on individual evaluation of the customer financial reliability on a case by case basis. In some circumstances, payment terms are defined as cash on delivery. For Airtime customers, allowance is based on a percentage of turnover generated combined with ageing of the open items. Percentages are defined based on customer segmentation, previous years recovery experience. Yearly review is made of all the indicators.

Liquidity risk

Mobistar's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and intercompany loans. We refer to the table summarizing the maturity profile of the financial assets and liabilities.

Interest-bearing loans and borrowings

	Nominal amount end 2012	Interest rate	Maturity	31.12.2012	31.12.2011
Unsecured revolving credit facility agreement with Atlas Services Belgium	450 000	Euribor + 0.65	31.12.2015	385 000	295 000
Transaction costs on long-term loan				-1 350	-1 800
Total long-term loans and borrowings				**383 650**	**293 200**
Cash-pool related credit facility with France Télécom	50 000	EONIA + 0.65	on demand	22 580	16 234
Uncommitted credit lines with various banks	43 500	determined upon withdrawal	on demand	0	0
Share of a joint venture loan (Irisnet)	2 727 maximum	determined upon withdrawal	on demand	0	2 210
Total short-term loans and borrowings				**22 580**	**18 444**

Fair values

	Carrying amount		Fair value	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Financial assets				
Cash and cash equivalent	12 266	7 119	12 266	7 119
Other financial assets (non-current)	3 450	0	3 450	0
Short-term receivables(1)	2 658	2 583	2 526 **	2 265 *
Long-term receivables (non-current)(1)	3 722	5 556	3 694 **	5 461 *
Trade receivable(1)	230 168	225 251	230 168	225 251
Other current assets(1)	16 502	27 913	16 502	27 913
Financial liabilities				
Long-term borrowing	385 000	295 000	383 207 **	290 502*
Long-term trade payable	13 447	28 321	13 404 **	28 092 *
Short-term borrowing	22 580	16 234	22 580	16 234
Share of a joint venture loan (Irisnet)	0	2 210	0	2 210
Trade payables	344 563	347 635	344 563	347 635
Other payables	3 035	2 736	3 035	2 736

* Discount rates (assumption) have been considered on the estimated period of repayment (1 year: 0.367%, 2 years: 1.3111%, 3 years: 1.3803%, 4 years: 1.5483%, 5 years: 1.7443%)
** Discount rates (assumption) have been considered on the estimated period of repayment (1 year: 0.3224%, 2 years: 0.376%, 3 years: 0.4678%, 4 years: 0.6012%, 5 years: 0.7688%)
(1) See note 4.12 related to the accounting principles (loans and receivables).

As at 31 December 2012, the Group held no significant financial instruments measured at fair value.

The carrying amount of cash and cash equivalent, 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 amortised costs which are deemed to represent their fair value.

Maturity

Year ended December 2012	Amount	Within 1 year	Within 2-5 years	More than 5 years
Financial assets				
Cash and cash equivalent	12 266	12 266		
Long-term receivables (non-current)	6 380	2 658	3 722	
Financial liabilities				
Long-term borrowing	385 000		385 000	
Short-term borrowing	22 580	22 580		
Share of a joint venture loan (Irisnet)	0			

Year ended December 2011	Amount	Within 1 year	Within 2-5 years	More than 5 years
Financial assets				
Cash and cash equivalent	7 119	7 119		
Long-term receivables (non-current)	8 139	2 583	5 556	
Financial liabilities				
Long-term borrowing	295 000		295 000	
Short-term borrowing	18 444	18 444		
Share of a joint venture loan (Irisnet)	2 210	2 210		

Sensitivity

As indicated above, the main risk area related to external variable elements is the cost of borrowing. Considering an average long-term indebtedness of 359 million euros for 2012, a variation of floating rate of 0.5 % would have meant an impact on financing costs of 1.8 million euros.

15. Long-term trade payable (in 000 euros)

	31.12.2012	31.12.2011
Payable on licence acquisition over 1 year	13 447	28 321
Total long-term trade payable	**13 447**	**28 321**

This amount represents the part payable over more than one year relating to the renewal of the 2G licence. The company has indeed opted for the deferred payment approach over 5 years. At the end of 2012, 2 installments remain to pay, out of which 1 over one year. Interests on this payable have been paid in advance for the year 2013 in December 2012. These interests have been calculated based on a provisional rate of 4.25 %.

16. Trade payables and other current liabilities (in 000 euros)

	31.12.2012	31.12.2011
Trade payables	**344 563**	**347 635**
Salaries and termination pay	2 258	3 848
Social security contributions	880	1 087
Holiday pay	18 744	18 335
Performance and Profit Sharing bonus	9 431	7 884
Other	3 072	1 701
Total employee benefits related liabilities	**34 385**	**32 855**
Corporate taxes - 2010		51 009
Corporate taxes - 2011	14	61 001
Corporate taxes - 2012	39 006	
Value added tax & other taxes	3 689	1 727
Total current taxes payable	**42 709**	**113 737**
Deferred income	**77 451**	**87 833**
Dividend 2004	29	36
Dividend 2005	47	67
Dividend 2006	39	66
Dividend 2007	26	45
Reimbursement share capital 2008	51	93
Dividend 2008	78	132
Dividend 2009	46	146
Dividend 2010	52	224
Dividend 2011	52	
Other liabilities	2 615	1 927
Total other payables	**3 035**	**2 736**

Except for the short-term payable related to the 2G licence renewal, trade payables are non-interest bearing and are normally settled on 30 to 60-days terms.

Variation of trade payable of -3,072 thousand euros is mainly due to the combination of two main operations: the reversal of the amount related to universal service provision (-17,085 thousand euros) compensated by the increase of operational and fixed assets trade payable at the end of the year (14,395 thousand euros).

Variation of the employee benefits related liabilities is partially due to employee number increase and a higher global performance rate influencing the bonus level and the higher outstanding amount for group insurance to pay linked to different payment patterns at the end of each year.

Variation of corporate tax payable is due to the payment of the tax bills for the accounting years 2010 and 2011 for respectively 51 and 54 million euros and the adjustment of 2011 tax provision. Prepayments of taxes for 2012 have been slightly lower than in 2011 due to the lower level of pre-tax result.

Deferred income relates to the portion of the upfront payments made under some tariff plans not used at closing date and to the amount of prepaid cards issued but not used. Decrease comes essentially from the change in the tariff plans' structure in the portfolio. Indeed the 'Animals' tariff plans do not include anymore a roll-over period of the unused part of the fixed part billed, which resulted in the decrease of the deferred income. The decrease in prepaid customers has also resulted in a decrease in deferred revenues. Both evolutions in pre- and postpaid have had an impact of -11.7 million euros.

17. Consolidated income statement (in 000 euros)

Turnover

	2012	2011
Revenue from subscription contracts	913 808	963 185
Revenue from prepaid subscription cards	144 908	159 418
Interconnection revenue	315 527	311 451
Site sharing rental income	3 018	2 807
Other services	72 766	68 985
Total service revenue	1 450 027	1 505 846
Sale of equipment	200 448	151 734
Total	**1 650 475**	**1 657 580**

In 2012, the revenues of the Mobistar group were once again negatively influenced by the reduction of the MTR rates in January 2012 and of the roaming rates in July 2011 and 2012. The impact of these reductions on the turnover amounted to respectively 29.6 million euros and 28.9 million euros for the year 2012. Without regulatory impact, the consolidated service revenues would have been stable compared to last year (+0.2 %). The results were also negatively affected by a decrease in the revenues coming from voice traffic and roaming, as a result of price decreases.

Finally, the traffic revenues related to SMS abundance offers continued to increase (+33.3 million euros compared to 2011).

Driven by the success of smartphones, sales of mobile telephones rose from 151.8 million euros at the end of 2011 to 200.5 million euros at the end of 2012, a 32.1 % increase. The increase was primarily noticeable in the fourth quarter when the turnover from the handsets sales increased by 30 million euros compared to the average of the first 3 quarters of the year.

Other operating revenue

	2012	2011
Expenses recharged to France Télécom group entities	8 988	8 378
Administrative costs recharged to customers and third-parties	19 183	23 351
Services rendered to judicial authorities	3 389	4 659
Other operating revenue	20 403	5 639
Total	**51 962**	**42 027**

Other operating revenue totaled 51,962 thousand euros in 2012, compared with 42,027 thousand euros in 2011. This revenue comes predominantly from the cross-charging of services provided to the France Télécom group and from information supplied to the judicial authorities. At the beginning of November 2012, the temporary association Irisnet stopped its activities. The activities of Irisnet have been taken over by a newly created company (IRISnet S.C.R.L.). Irisnet will just continue to collect its outstanding receivables balances open as of 31st of October 2012 and complete the legal liquidation of the temporary association. Based on the fact that the temporary association stopped its activities, Mobistar has decided to include in the 2012 closing all necessary provisions regarding the legal liquidation of the temporary association. This review has allowed the Group to record 9.8 million euros of additional income in the fourth quarter of 2012.

Interconnection costs

Interconnection costs have slightly decreased by 0.7 % at 390,494 thousand euros.

Costs of equipment and goods sold

	2012	2011
Purchase of goods	234 754	185 000
Purchase of services	118 190	112 081
Total	**352 944**	**297 081**

Costs of equipment and goods sold recorded an increase as a result of the growth in revenue from equipment sales, especially in the area of smartphones (49,754 thousand euros). Other service costs are related to leased lines and sites costs that have slightly increased.

Services and other goods

	2012	2011
Rental costs	26 630	27 375
Maintenance	17 493	19 347
Professional fees	78 203	69 413
Administration costs	19 874	20 475
Commissions	105 832	109 950
Universal service	-17 040	-7 519
Advertising and promotions	37 730	45 539
Other	13 106	12 918
Total	**281 828**	**297 498**

The cost of services and other goods has decreased by 15.7 million euros reaching 281.8 million euros. An important positive impact is related to the review of the provision for universal service compensation for 17.5 million euros. In light of the Court decision taken last year and the evolution of the regulation, Mobistar has reviewed its approach on the calculation of the provision from a 'loss of revenue' basis to a 'net charges' basis. Professional fees, including IT consultants and outsourced activities, have increased over the year by 8.8 million euros, although commercial expenses have been reduced by 7.8 million euros as well as commissions paid by 4.1 million euros.

Employee benefits expenses

	2012	2011
Short-term employee benefits	116 468	112 424
Social Security contributions	32 642	31 553
Group insurance and medical care	4 919	4 426
Other personnel costs	2 054	1 624
Total	**156 083**	**150 027**

Short-term employee benefits are presented net of employee benefits expenses internally capitalised as intangible and tangible assets totalling 6,463 thousand euros in 2012 and 5,877 thousand euros in 2011.

The average full-time equivalent number of employees increased from 1,859.3 in 2011 to 1,896.0 in 2012.

The amount paid as expenses related to the defined contribution pension plan and included in the 'Group insurance' amounted to 5,099 thousand euros for 2012 compared to 4,769 thousand euros for 2011.

Depreciations

Depreciations and amortizations on intangible and tangible assets increased by 14.1 %, from 190.3 million euros at the end of 2011 to 217.2 million euros in 2012. Due to important projects related to technical swap of technology, the useful life of the assets related has been reviewed and shortened in order to consider the expected decommissioning dates. This change has resulted in an increase of the depreciation for a total amount of 14.1 million euros in 2012. In 2012 an exceptional accelerated depreciation has been recorded on software development in order to reflect the impact of the change in the IT strategy. The cost for the company has reached 15.5 million euros.

Amounts written down stocks, contracts in progress and trade debtors

Bad debt provision increase is largely impacting this header as it increased by 14.6 million euros. This increase is partially due to the fact that in 2012 a lower amount of write-offs was acted compared to 2011 and consequently the reverse of the provision has been lower (-10.4 million euros). The increase is also the consequence of the continued slowdown in cash collection due to economic circumstances (impacting Mobistar S.A. by 5.0 million euros). Orange Communications Luxembourg S.A. had also to increase its bad debt provision in 2012 (1.6 million euros) due to issues with its billing system that have generated a high level of contestations and risks on collectability of its receivables.

Other operating charges

	2012	2011
Inventories - obsolete and slow moving items	249	571
Trade receivables - realized losses	13 037	15 724
Trade receivables - Accrual variation	5 031	-1 342
Impairment on local taxes on GSM antennas and pylons	7 591	7 804
Property taxes	2 912	860
Long-term provisions	-2 561	4 931
Loss on sales of assets	130	0
Other operating charges	646	18
Total	**27 035**	**28 566**

As described in the note related to the trade receivables, the amount of write-offs related to previous years' invoices has been lower in 2012 compared to 2011.

Local taxes on GSM masts and antennas impairment remained at the same level.

Long-term provisions were positive in 2012 mainly due to the reversal of a part of the provision for onerous contracts booked in MES. In 2011, the Group has recorded new claims for an amount of 4.8 million euros including a risk for onerous contracts of 3.2 million euros in MES.

Note that a reclass has been made between the lines "Other operating charges" and "Impairment on local taxes on GSM antennas and pylons" due to the fine tuning of the cost allocation.

Financial result

	2012	2011
Financial income		
Interest on deposits and current bank accounts	308	708
Other financial income	189	206
Total	**497**	**914**
Financial costs		
Interest on financial debts	7 872	9 902
Other financial charges	3 314	1 884
Total	**11 186**	**11 786**
Total net financial costs	**-10 689**	**-10 872**

Net financial income is mainly influenced by the general evolution of the interest level, which has been favourable to the Group in 2012.

Tax expense

The tax burden for the year amounts to 80.5 million euros. A positive previous year impact on the taxable year 2011 was recorded in December 2012 for an amount of 7.0 million euros resulting from the confirmation of the investment deductibility, versus 9.6 million euros recorded in 2011.

18. Relationships with related parties (in 000 euros)

Relationships with affiliated enterprises

Balance sheet and income statement

	31.12.2012	31.12.2011
Assets and liabilities		
Short-term trade receivables	10 798	15 005
Liabilities		
Short-term interest-bearing loan	22 580	16 234
Long-term interest-bearing loan	383 200	293 200
Short-term trade payables	9 036	9 670
Income and charges		
Sales	38 961	42 542
Purchases	38 137	43 516

The consolidated financial statements include the financial statements of Mobistar S.A., 100 % of Orange Communications Luxembourg S.A., 100 % of Mobistar Enterprise Services S.A. and 50 % of the interests held by France Télécom in the joint venture Irisnet, since Mobistar is actually controlling the joint venture with its partner Belgacom (formerly Telindus) and is assuming the risks and rewards relating to this activity instead of France Télécom.

The ultimate parent entity of Mobistar S.A. is France Télécom S.A., place d'Alleray 6, 75505 Paris Cedex 15, France.

Related party - 2012 transactions

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Ultimate parent company				
France Télécom - Traffic and services	28 337	26 254	6 136	6 815
France Télécom - Cash pooling	50			22 580
France Télécom subsidiaries				
Airtime traffic and services	10 574	5 818	4 662	2 221
Atlas Services Belgium - Borrowing		6 065		383 200
Total	**38 961**	**38 137**	**10 798**	**414 816**

Related party - 2011 transactions

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Ultimate parent company				
France Télécom - Traffic and services	31 452	30 664	8 289	7 605
France Télécom - Cash pooling	176	14		16 234
France Télécom subsidiaries				
Airtime traffic and services	10 914	5 491	6 716	2 064
Atlas Services Belgium - Borrowing		7 347		293 200
Total	**42 542**	**43 516**	**15 005**	**319 103**

Terms and conditions of transactions with related parties

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

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

Relationships with Board of Directors members and senior management

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

	2012	2011
Basic remuneration (gross annual salary)	2 250	2 011
Variable remuneration	962	1 642
Other elements of remuneration	214	147
Post employment benefits (defined contribution pension plan)	359	318
Total employee benefits	**3 785**	**4 118**

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:

	2012	2011
Total remuneration	**319**	**242**

19. Commitments and contingencies (in 000 euros)

Purchases

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2011	2012				
Intangible assets	5 249	14 089	14 089			
Tangible assets	208 662	220 305	128 011	62 176	30 118	
Inventories	81 740	74 871	74 554	317		
Other services	62 791	42 861	27 954	13 967	376	564

Operational leases costs

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2011	2012				
Offices	70 117	65 101	5 108	10 260	10 601	39 132
Network sites	362 609	361 775	29 302	55 379	39 722	237 372
Cars	13 930	14 194	1 268	7 330	5 596	
Total	**446 656**	**441 069**	**35 678**	**72 969**	**55 919**	**276 504**

Operating leases for offices have a duration up to 15 years with renewal options. Operating leases for network sites have a duration from 1 to 99 years. The amounts indicated in the table represent the minimum rental payments.

Guarantees received

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2011	2012				
Total	**155 000**	**50 000**		**50 000**		

Guarantees granted

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2011	2012				
Total	**8 275**	**9 580**	**141**	**1 202**	**777**	**7 460**

Guarantees granted are related to various lease agreements (1,875.4 thousand euros in 2012) and to network performance commitment granted to some corporate customers (6,877.6 thousand euros in 2012). No other security (mortgage, pledge or other) has been granted on Mobistar assets as at 31 December 2012.

Purchase agreement

No purchase agreement has been signed in 2012.

Events after the balance sheet date

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

20. Operating segment information (in 000 euros)

Segment information is structured by country. For the main countries, segmentation per business segment will be maintained. Countries involved are Belgium, country covered by Mobistar S.A., Irisnet operations and Mobistar Enterprise Services S.A., and Luxembourg for the operations of Orange Communications Luxembourg S.A.

The segment Belgium continues to be split between two operating units:
- Mobile segment: delivers mobile phone equipment and services to residential and corporate customers.
- Non-mobile segment: provides fix voice, data and Internet services to residential and corporate customers.

Management monitors the operating results of its operating units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit & loss in the consolidated financial statements. No operating segment has been aggregated to form the above reportable segments.

As far as balance sheet allocation is considered, unallocated amounts in the Belgian segment mainly correspond to the investments in affiliated companies, deferred tax assets and loan to Orange Communications Luxembourg S.A. for the assets and to financial loans, deferred and current taxes and amounts payables for dividend and equity transactions for the liabilities. Indeed, these various elements are managed at Group level.

The presentation of the operating segment information has been refined in 2012 essentially in terms of fixed assets allocation to the different segments. The new allocation is based on the assets (and only to these assets) that are specifically needed in order to run the non-mobile segment: dedicated infrastructure, end customer specific connection or material,… In the past part of the assets that were used by the two segments, like transmission, MES backbone, were partially allocated to the non-mobile. In consequence of the revision of the allocation, figures presented in 2011 have been restated including the depreciation expenses (which are aligned to the assets allocated).

In February 2013, Mobistar's Board of Directors approved the 'SuperMobile' strategy. This strategy will increase the company's investment in its mobile network while significantly improving the profitability in its fix activities, preparing the company to have access to a regulated cable offer in 2014.

2012		31.12.2012 Belgium		31.12.2012 Luxembourg	Interco elimination	Mobistar Group
	Mobile	Non-Mobile	Total	Total	Total	Total
Operating revenues						
Network & other operating revenues (service revenues)	1 240 052	160 303	1 400 355	65 453	-15 780	1 450 027
Handsets sales	204 954	0	204 954	10 009	-14 515	200 448
Total turnover	**1 445 006**	**160 303**	**1 605 309**	**75 461**	**-30 295**	**1 650 475**
Other	0	0	0	0	0	0
Total operating revenues	**1 445 006**	**160 303**	**1 605 309**	**75 461**	**-30 295**	**1 650 475**
Operating charges						
Direct costs excl. direct commercial costs	**-533 994**	**-84 200**	**-618 194**	**-39 000**	**23 695**	**-633 494**
Direct commercial costs	-120 500	-3 100	-123 600	-1 200	0	-124 800
Direct costs	**-654 494**	**-87 300**	**-741 794**	**-40 200**	**23 695**	**-758 294**
Direct margin	**790 512**	**73 003**	**863 515**	**35 261**	**-6 600**	**892 176**
% Operating revenues	**63.8%**	**45.5%**	**61.7%**	**53.9%**	**41.8%**	**61.5%**
Indirect production costs	-109 000	-37 342	-146 342	-8 782	6 600	-148 524
Information technology	-41 700	-3 700	-45 400	-600	0	-46 000
Communication, Marketing & Product development	-29 000	-13 000	-42 000	-3 200	0	-45 200
Indirect customer facing costs	-87 700	-24 300	-112 000	-7 900	0	-119 900
General and administration costs	-30 800	-4 400	-35 200	-3 300	0	-38 500
Indirect costs	**-298 200**	**-82 742**	**-380 942**	**-23 782**	**6 600**	**-398 124**
EBITDA	**492 312**	**-9 739**	**482 573**	**11 480**	**0**	**494 053**
% EBITDA on operating revenues			**34.5%**	**17.6%**	**-0.2%**	**34.1%**
Depreciations	-193 889	-15 438	-209 327	-7 886	0	-217 214
EBIT	**298 423**	**-25 177**	**273 246**	**3 593**	**0**	**276 839**
Financial income			584	18	-105	497
Financial costs			-10 974	-317	105	-11 186
Profit before taxes			**262 856**	**3 294**	**0**	**266 150**
Tax expense			-80 339	-126	0	-80 465
Net profit of the period (*)			**182 517**	**3 168**	**0**	**185 685**
Profit attributable to equity holders of the parent			**182 517**	**3 168**	**0**	**185 685**

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

2011		31.12.2011 Belgium		31.12.2011 Luxembourg	Interco elimination	Mobistar Group
	Mobile	Non-Mobile	Total	Total	Total	Total
Operating revenues						
Network & other operating revenues (service revenues)	1 288 096	168 319	1 456 416	60 660	-11 229	1 505 846
Handsets sales	154 626	0	154 626	5 064	-7 956	151 734
Total turnover	**1 442 722**	**168 319**	**1 611 042**	**65 724**	**-19 186**	**1 657 580**
Other	0	0	0	0	0	0
Total operating revenues	**1 442 722**	**168 319**	**1 611 042**	**65 724**	**-19 186**	**1 657 580**
Operating charges						
Direct costs excl. direct commercial costs	**-480 623**	**-90 070**	**-570 693**	**-39 306**	**19 186**	**-590 813**
Direct commercial costs	-115 300	-10 000	-125 300	0	0	-125 300
Direct costs	**-595 923**	**-100 070**	**-695 993**	**-39 306**	**19 186**	**-716 113**
Direct margin	**846 799**	**68 249**	**915 048**	**26 419**	**0**	**941 467**
% Operating revenues	**65.7%**	**40.5%**	**62.8%**	**43.6%**	**0.0%**	**62.5%**
Indirect production costs	-106 299	-41 900	-148 199	-6 573	0	-154 772
Information technology	-35 400	-3 800	-39 200	-2 177	0	-41 377
Communication, Marketing & Product development	-28 400	-13 200	-41 600	-1 747	0	-43 347
Indirect customer facing costs	-88 300	-27 300	-115 600	-5 431	0	-121 031
General and administration costs	-42 400	-6 399	-48 799	-2 058	0	-50 857
Indirect costs	**-300 799**	**-92 599**	**-393 398**	**-17 985**	**0**	**-411 383**
EBITDA	**546 000**	**-24 350**	**521 650**	**8 434**	**0**	**530 084**
% EBITDA on operating revenues			**35.8%**	**14.0%**	**-0.4%**	**35.2%**
Depreciations	-168 784	-11 173	-179 957	-10 382	0	-190 339
EBIT	**377 216**	**-35 523**	**341 693**	**-1 948**	**0**	**339 745**
Financial income			1 077	8	-172	914
Financial costs			-11 553	-405	172	-11 786
Profit before taxes			**331 217**	**-2 345**	**0**	**328 873**
Tax expense			-109 565	1 713	0	-107 852
Net profit of the period (*)			**221 652**	**-631**	**0**	**221 021**
Profit attributable to equity holders of the parent			**221 652**	**-631**	**0**	**221 021**

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

2012		31.12.2012 Belgium			31.12.2012 Luxembourg	Interco elimination	Mobistar Group
	Mobile	Fix	Unallocated	Total			Total
Goodwill	11 351			11 351	68 574	155	80 080
Intangible and tangible assets	887 855	38 389		926 244	25 361		951 605
Financial assets			87 017	87 017		-87 017	0
Interests in associates			3 450	3 450			3 450
Deferred taxes assets			3 431	3 431	3 238		6 669
Other non-current assets	3 722		84	3 806	159		3 965
Inventories	17 472	1 324		18 796	1 798		20 594
Trade receivable	174 270	43 810		218 080	14 564	-2 475	230 168
Other current assets	30 708	5 529	6 330	42 567	764	-5 132	38 199
Cash and cash equivalent	10 900			10 900	1 366		12 266
Segment assets	**1 136 277**	**89 051**	**100 313**	**1 325 641**	**115 823**	**-94 470**	**1 346 995**
Long-term interests-bearing borrowings			383 650	383 650			383 650
Long-term provisions	53 196	11 223		64 419	2 956		67 375
Long-term payable	13 447			13 447			13 447
Financial liabilities			22 580	22 580	5 112	-5 112	22 580
Trade payables	287 657	47 957		335 614	11 424	-2 475	344 563
Taxes	2 508	215	39 020	41 742	967		42 709
Salaries and social security	29 084	4 620		33 705	680		34 385
Deferred income	68 365	7 618	205	76 188	1 283	-20	77 451
Other current liabilities	3		3 032	3 035			3 035
Segment liabilities	**454 260**	**71 633**	**448 487**	**974 381**	**22 423**	**-7 608**	**989 196**
Capital expenditure	168 456	14 138		182 594	5 648		188 242
Depreciation and amortisation	156 363	15 438		171 801	7 886		179 688
Impairment losses recognised in profit or loss	37 526			37 526			37 526

2011		31.12.2011 Belgium			31.12.2011 Luxembourg	Interco elimination	Mobistar Group
	Mobile	Fix	Unallocated	Total			Total
Goodwill	11 351			11 351	68 574	155	80 080
Intangible and tangible assets	911 168	39 412		950 580	27 445		978 026
Financial assets			87 017	87 017		-87 017	0
Deferred taxes assets			3 038	3 038	3 363		6 401
Other non-current assets	5 556		83	5 640	178		5 818
Inventories	12 595	2 243		14 838	1 663		16 501
Trade receivable	160 412	50 348		210 760	16 967	-2 477	225 251
Other current assets	49 242	10 897	12 999	73 138	433	-11 263	62 308
Cash and cash equivalent	3 825			3 825	3 294		7 119
Segment assets	**1 154 149**	**102 900**	**103 137**	**1 360 186**	**121 918**	**-100 602**	**1 381 503**
Long-term interests-bearing borrowings			293 200	293 200			293 200
Long-term provisions	46 343	12 668		59 011	2 584		61 595
Long-term payable	28 321			28 321			28 321
Deferred taxes			1 176	1 176			1 176
Financial liabilities			18 444	18 444	11 233	-11 233	18 444
Trade payables	268 384	66 880		335 263	14 848	-2 477	347 635
Taxes	7	807	111 999	112 813	924		113 737
Salaries and social security	26 910	4 967		31 877	978		32 855
Deferred income	77 518	8 874	352	86 744	1 120	-30	87 833
Other current liabilities	253		2 482	2 736			2 736
Segment liabilities	**447 735**	**94 196**	**427 653**	**969 584**	**31 687**	**-13 740**	**987 532**
Capital expenditure	175 021	22 326		197 347	6 392		203 739
Depreciation and amortisation	156 347	11 173		167 520	10 382		177 902
Impairment losses recognised in profit or loss	12 437			12 437			12 437

21. Interests in the joint venture 'Irisnet' (in 000 euros)

The interests in the joint venture 'Irisnet' have been recognised using the line-by-line reporting format in the proportionate consolidation method up to 31 December 2012 in the consolidated statement of comprehensive income.

At the beginning of November 2012, the temporary association Irisnet stopped its activities. The activities of Irisnet have been taken over by a newly created company (IRISnet S.C.R.L.). Irisnet will just continue to collect its outstanding receivables balances open as of 31st of October 2012 and complete the legal liquidation of the temporary association. Based on the fact that the temporary association stopped its activities, Mobistar has decided to include in the 2012 closing all necessary provisions regarding the legal liquidation of the temporary association. This review has allowed the Group to record 9.8 million euros of additional income in the fourth quarter of 2012.

Aggregate amounts, including intercompany transactions, related to the interests held in the joint venture are detailed as follows:

	31.12.2012	31.12.2011
Non-current assets		8
Current assets		7 371
Total assets	**0**	**7 379**
Equity		-11 941
Current liabilities		19 320
Total equity and liabilities	**0**	**7 379**
Income		5 018
Expenses		5 214

Related party relationships between Mobistar and the joint venture have been recognised in the financial statements as follows:

	31.12.2012	31.12.2011
Assets and liabilities		
Current assets - trade receivables		20 280
Current liabilities - trade payables		7 719
Current liabilities - deferred income		12 561
Income and charges		
Sales		5 123
Purchases		5 123

Statutory auditor's report

to the Shareholders' Meeting on the consolidated financial statements for the year ended 31 December 2012

To the shareholders

As required by law, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the consolidated financial statements as defined below together with our report on other legal and regulatory requirements.

Report on the consolidated financial statements – Unqualified opinion

We have audited the accompanying consolidated financial statements of Mobistar S.A. ("the company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of change in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated financial statements show total assets of 1,346,995 (000) EUR and the consolidated statement of comprehensive income shows a consolidated profit (Group share) for the year then ended of 185,685 (000) EUR.

Responsibility of the Board of Directors for the preparation of the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the company's officials and the Board of Directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Mobistar S.A. give a true and fair view of the Group's net equity and financial position as of 31 December 2012, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

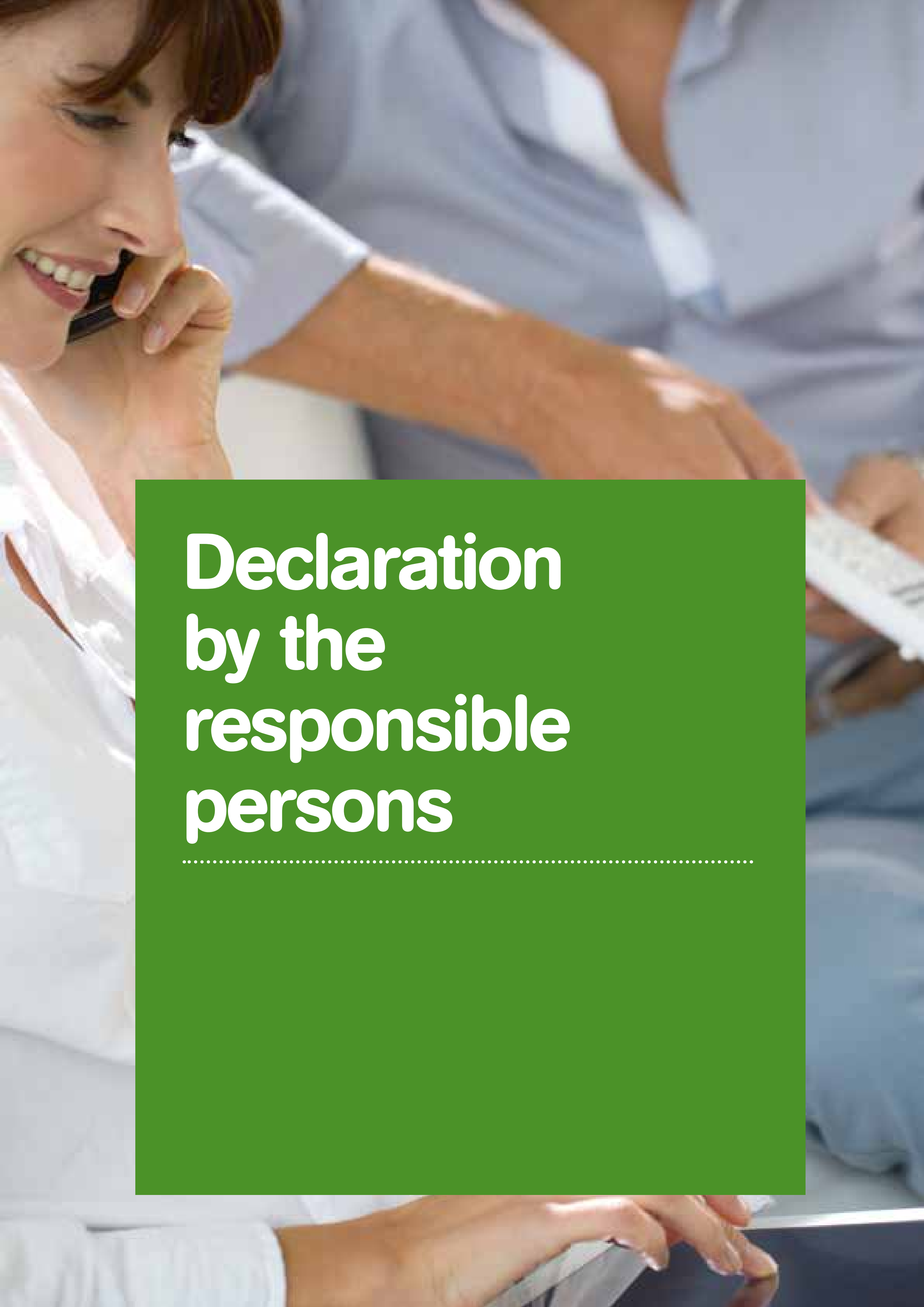
The Board of Directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the framework of our mandate, our responsibility is to verify, for all significant aspects, the compliance with some legal and regulatory requirements. On this basis, we provide the following additional comment which does not modify the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is, for all significant aspects, in agreement with the consolidated financial statements and is not in obvious contradiction with any information obtained in the performance of our mandate.

Diegem, 22 March 2013

The statutory auditor
DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Rik Neckebroeck



Declaration by the responsible persons

Declaration by the responsible persons

We, the undersigned, Jean Marc Harion, CEO, and Werner De Laet, 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.

Jean Marc Harion
CEO

Werner De Laet
CFO