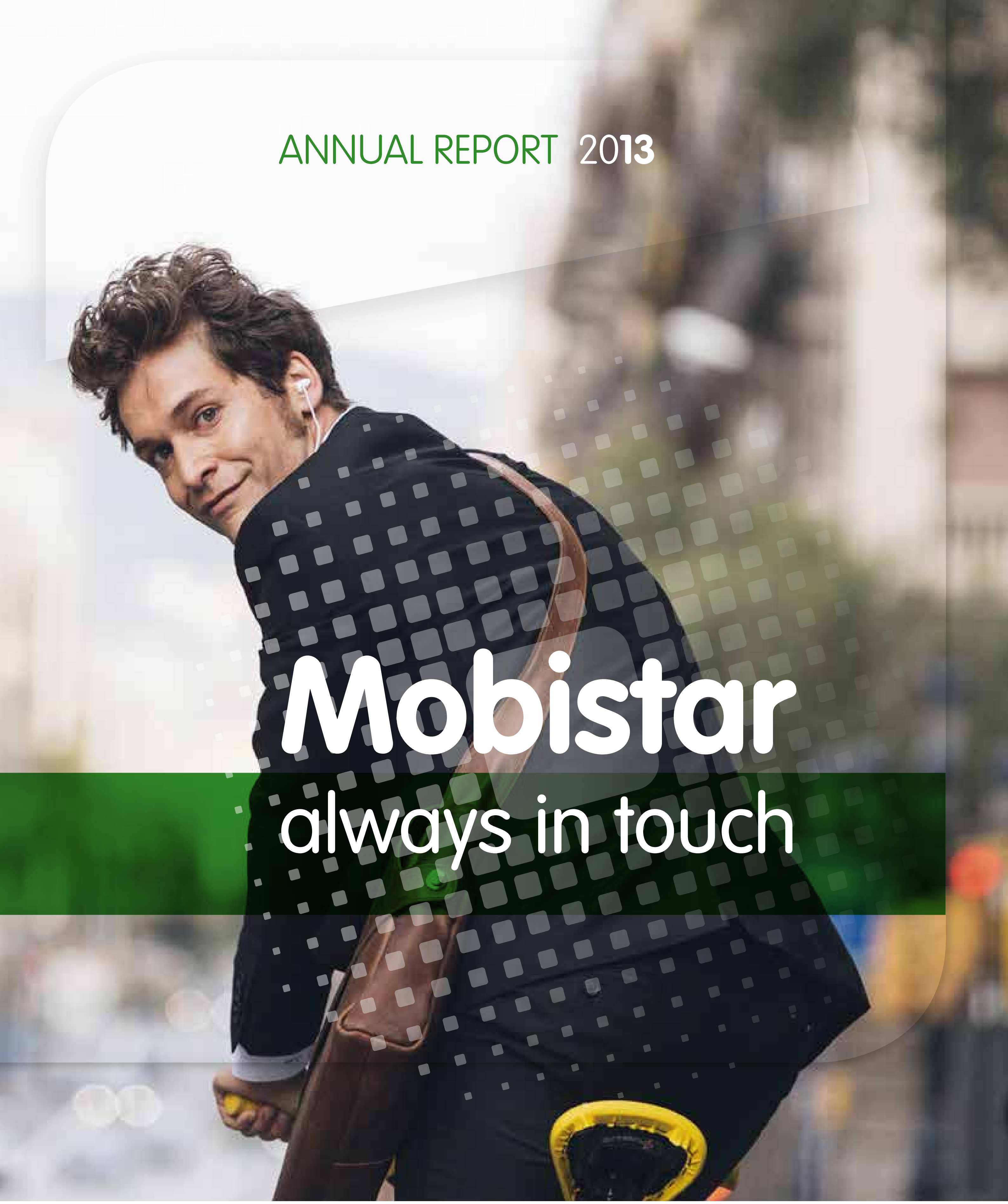
ANNUAL REPORT 2013

Mobistar

always in touch



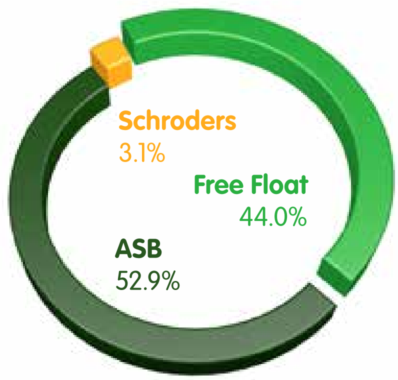
Information for **Mobistar** shareholders

FINANCIAL CALENDAR

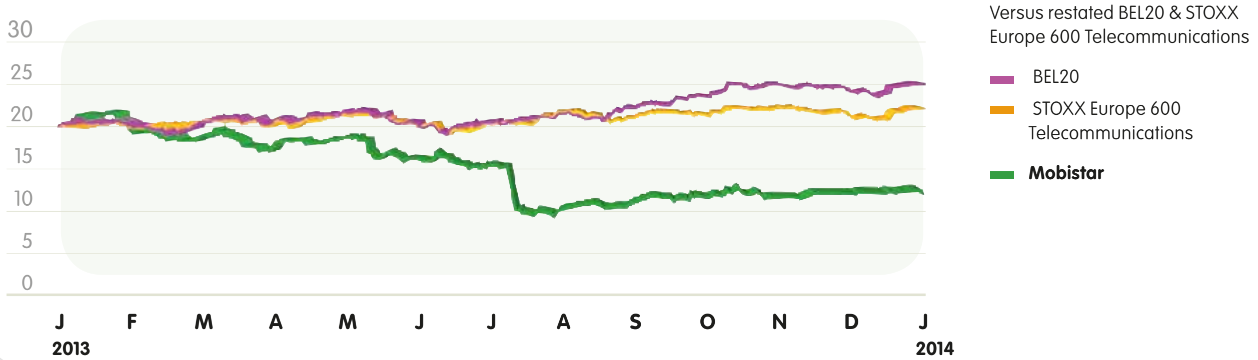
31/03/2014	Annual report 2013 available on the website
24/04/2014	Financial results Q1 2014 (7:00 am)
24/04/2014	Financial results Q1 2014 (10:00 am) - Conference call
07/05/2014	General Meeting of Shareholders (11:00 am)
24/07/2014	Financial results H1 2014 (7:00 am) – Press release
24/07/2014	Financial results H1 2014 (10:00 am) – Conference call
20/10/2014	Financial results Q3 2014 (7:00 am) – Press release
20/10/2014	Financial results Q3 2014 (10:00 am) - Conference call

SHAREHOLDERS' STRUCTURE

[situation on 31/12/2013]



SHARE PRICE EVOLUTION



KEY FIGURES	2013	2012	2011	2010	2009
Number of shares end of year	**60 014 414**	60 014 414	60 014 414	60 014 414	60 014 414
Number of shares free float end of year	**28 261 314**	28 261 314	28 261 314	28 261 314	28 261 314
Mobistar stock market capitalisation end of year (in EUR)	**828 198 913**	1 163 679 487	2 385 572 957	2 911 299 223	2 874 390 359

in EUR

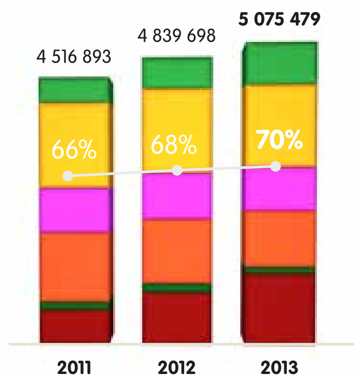
BRUSSELS STOCK EXCHANGE DATA					
Highest price	**21.47**	40.98	53.33	49.20	59.00
Lowest price	**10.25**	18.70	37.73	39.51	41.19
Price end of year	**13.80**	19.39	39.75	48.51	47.90
Total volume for the period*	**42 740 595**	44 150 505	45 717 610	42 058 634	53 685 388
Average daily trading volume*	**166 955**	172 463	177 890	163 018	209 709
Turnover of free float/year	**1.51**	1.56	1.62	1.49	1.90

* Number of shares

2013 Key Figures

	SERVICE REVENUE [in million EUR]	EBITDA [in million EUR]	CUMULATED CAPITAL EXPENDITURES [in million EUR]	MOBISTAR ACTIVE CUSTOMER BASE EVOLUTION - MVNO & MATMA EXCL. [x 1 000]	CONSOLIDATED NET INCOME [in million EUR]
2013	**1 252.9**	**317.1**	**3 226.7**	**3 170.0**	**87.4**
2012	1 450.0	494.1	3 204.7	3 432.0	185.7
2011	1 505.8	530.1	3 016.5	3 516.0	221.0
2010	1 523.5	548.7	2 812.8	3 494.0	263.6
2009	1 444.8	567.0	2 573.0	3 425.0	260.3
2008	1 443.7	591.6	2 426.9	3 393.0	280.1
2007	1 445.3	592.2	2 267.0	3 284.0	289.5
2006	1 496.1	614.6	2 120.2	3 139.0	299.5
2005	1 404.1	575.1	1 955.0	2 913.0	270.3
2004	1 276.3	555.5	1 756.4	2 846.0	243.0
2003	1 096.5	434.7	1 585.2	2 615.0	227.4
2002	946.1	316.8	1 449.2	2 305.0	102.4
2001	796.3	154.7	1 290.7	2 164.0	- 30.5
2000	563.3	77.9	921.0	1 800.0	- 56.4
1999	353.3	16.9	744.8	1 040.0	- 83.7

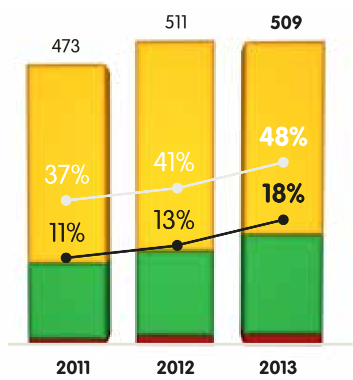
EVOLUTION CUSTOMER BASE MOBISTAR S.A.



MVNO
Data Cards
Prepaid Residential
Subscriptions Business
Subscriptions Residential
MaTMa
Subscriptions as % of retail customer Base

EVOLUTION MOBILE DATA

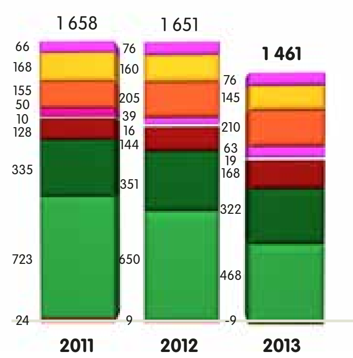
[in million EUR]



MATMA
Advanced mobile data
SMS
Data as % of Service Revenues
Advanced data as % of Service Revenues

DISTRIBUTION OF TURNOVER

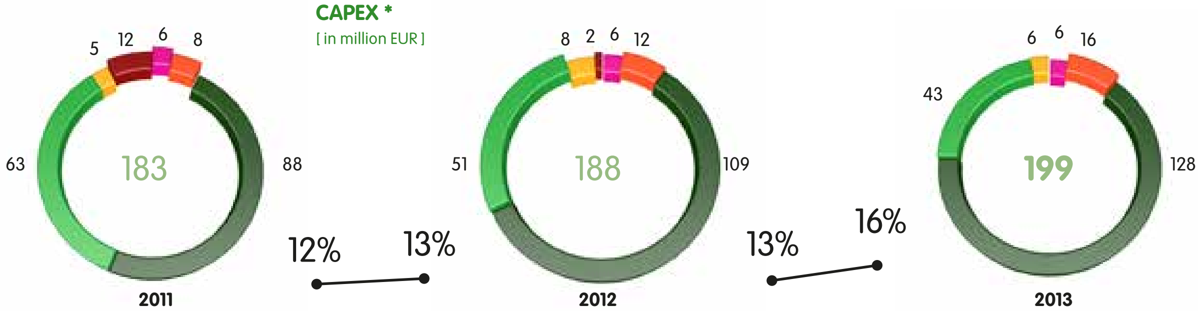
[in million EUR]



Mobile Voice
Mobile SMS
Mobile Data
MATMA
MVNO
Devices
Fixed Activities
Orange Com. Lux
Interco & others

CAPEX *

[in million EUR]



Network
IT Development & Operations
OLU
Devices
Sales & Real Estate
MES
CAPEX (excl. licences fee) / Service Revenues

* Excl. licences fee

Mobistar Group

in million EUR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2013	2012	2011	2010	2009
Service revenue	1 259.9	1 450.0	1 505.8	1 523.5	1 444.8
Handsets sales	208.4	200.5	151.8	141.1	122.4
Total turnover	**1 461.3**	**1 650.5**	**1 657.6**	**1 664.6**	**1 567.2**
Other operating revenue	32.9	52.0	42.0	33.2	37.6
TOTAL REVENUE	**1 494.1**	**1 702.5**	**1 699.6**	**1 697.8**	**1 604.8**
Interconnection costs	-337.6	-390.5	-396.4	-416.4	-358.1
Costs of equipment and goods sold	-364.3	-353.0	-297.1	-265.4	-250.2
Services and other goods	-290.8	-281.8	-297.5	-306.9	-271.5
Employee benefits expenses	-157.2	-156.1	-150.0	-140.8	-133.1
Depreciation, amortisation and impairment	-188.3	-217.2	-190.3	-170.7	-164.3
Other operating charges	-27.3	-27.0	-28.6	-19.6	-24.9
TOTAL OPERATING EXPENSES	**-1 365.5**	**-1 425.6**	**-1 359.9**	**-1 319.8**	**-1 202 1**
EBITDA	**317.1**	**494.1**	**530.1**	**548.7**	**567.0**
EBITDA margin in % of service revenue	**25.3%**	**34.1%**	**35.2%**	**36.0%**	**39.2%**
EBIT	**128.7**	**276.9**	**339.7**	**378.0**	**402.7**
Finance income	0.4	0.5	0.9	0.6	1.4
Finance costs	-8.3	-11.2	-11.8	-5.1	-6.1
Result of operating activities after net finance costs	**120.8**	**266.2**	**328.8**	**373.5**	**398.0**
Tax expense	-33.4	-80.5	-107.9	-109.9	-137.7
Net profit of the period	**87.4**	**185.7**	**221.0**	**263.6**	**260.3**
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**87.4**	**185.7**	**221.0**	**263.6**	**260.3**
Basic earnings per share (in EUR)	1.46	3.09	3.68	4.39	4.34
Weighted average number of ordinary shares	60 014 414	60 014 414	60 014 414	60 014 414	60 014 414
Diluted earnings per share (in EUR)	1.46	3.09	3.68	4.39	4.34
Diluted weighted average number of ordinary shares	60 014 414	60 014 414	60 014 414	60 014 414	60 014 414

in million EUR

CONSOLIDATED BALANCE SHEET	31 DEC 2013	31 DEC 2012	31 DEC 2011	31 DEC 2010	31 DEC 2009
Non-current assets	1 171.1	1 045.8	1 070.3	1 020.0	882.5
Current assets	265.0	289.0	304.1	270.2	260.6
Cash and cash equivalents	13.8	12.3	7.1	13.0	10.0
TOTAL ASSETS	**1 449.9**	**1 347.1**	**1 381.5**	**1 303.2**	**1 153.1**
Equity	337.2	357.8	394.0	431.2	440.8
Long-term borrowings	548.8	383.7	293.2	267.9	0.0
Long-term trade payables	0.0	13.4	28.3	43.2	0.0
Long-term provisions	69.6	67.4	61.6	18.6	14.6
Deferred taxes	1.3	0.0	1.2	1.7	0.0
Short term borrowings	21.9	22.6	18.4	32.9	298.0
Other payables	471.1	502.1	584.8	507.7	399.7
TOTAL EQUITY AND LIABILITIES	**1 449.9**	**1 347.0**	**1 381.5**	**1 303.2**	**1 153.1**

in million EUR

CONSOLIDATED CASH FLOW STATEMENT	2013	2012	2011	2010	2009
Profit before taxes incl. non cash adj.	310.3	500.0	521.8	545.7	563.6
Change in working capital	20.5	-32.8	-8.0	23.1	10.0
Tax expense	-56.9	-154.9	-79.4	-58.5	-137.7
Net cash used in investing activities	-329.6	-179.7	-192.8	-236.9	-139.1
Loans and borrowings	165.2	94.6	10.8	2.7	-20.3
Share capital and share premium	0.0	0.2	-0.2	-0.1	-0.2
Net purchase of treasury shares	0.0	0.0	0.0	0.0	0.0
Dividend paid	-108.0	-222.4	-258.1	-273.1	-273.1
FREE CASH FLOW	**1.5**	**5.2**	**-5.9**	**2.9**	**3.2**

in million EUR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - SEGMENT REPORTING	2013			2012		
	Belgium	Luxembourg	Mobistar Group	Belgium	Luxembourg	Mobistar Group
Service revenue	1 211.9	65.3	1 252.9	1 400.3	65.5	1 450.0
Handsets sales	210.2	10.3	208.4	205.0	10.0	200.5
Total operating revenues	**1 422.1**	**75.6**	**1 461.3**	**1 605.3**	**75.5**	**1 650.5**
EBITDA	**303.8**	**13.3**	**317.1**	**482.6**	**11.5**	**494.1**
EBITDA margin in % of service revenue	**25.1%**	**20.3%**	**25.3%**	**34.5%**	**17.6%**	**34.1%**
EBIT	**122.2**	**6.5**	**128.7**	**273.2**	**3.6**	**276.9**


ANNUAL REPORT 2013
Mobistar
always in touch *

*in touch /in tΔtʃ/ <idiom>

0.1 *Fig.* in communication with someone or a group.
0.2 *Fig.* having good contact or rapport with someone or something.
0.3 *Fig.* possessing up-to-date information.

Tapping into people's mobile DNA

Driving for innovation, Mobistar is determined to keep its finger firmly on the pulse of today's mobile market, enabling mobility experiences for individuals, communities and companies. Our motto? Empowering mobile solutions for different dynamic lifestyles, today.

Speed, flexibility and quality are essential attributes in the contemporary world of telecommunication. The quest for consumer knowledge has never been as extensive as it is now, for understanding what makes the customer tick - and click - is the key to gaining market share.

Mobistar, as a responsive and market-oriented company, takes its customers' questions and concerns to heart and aspires to provide an answer accordingly. Mobistar always keeps in touch with its customers' mobile DNA, at every level, across the board, and through every point of contact.

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Company profile

As a major telecom player in Belgium and Luxembourg, Mobistar is blazing a trail for a new digital and mobile customer experience.

Mobistar at a glance

€ 1.5 billion

38 % (B)

1,842

Mobistar is a major player on the telecom market in Belgium and Luxembourg. Its head office is in Brussels, the seat of the European Commission.

In 2013 Mobistar's turnover was EUR 1.5 billion and its network market share was 38 % in Belgium (based on the number of active SIM cards connected at the end of 2013).

In 2013 Mobistar's total investments amounted almost EUR 320 million, the majority of which financed the mobile network and the purchase of additional spectrum frequencies.

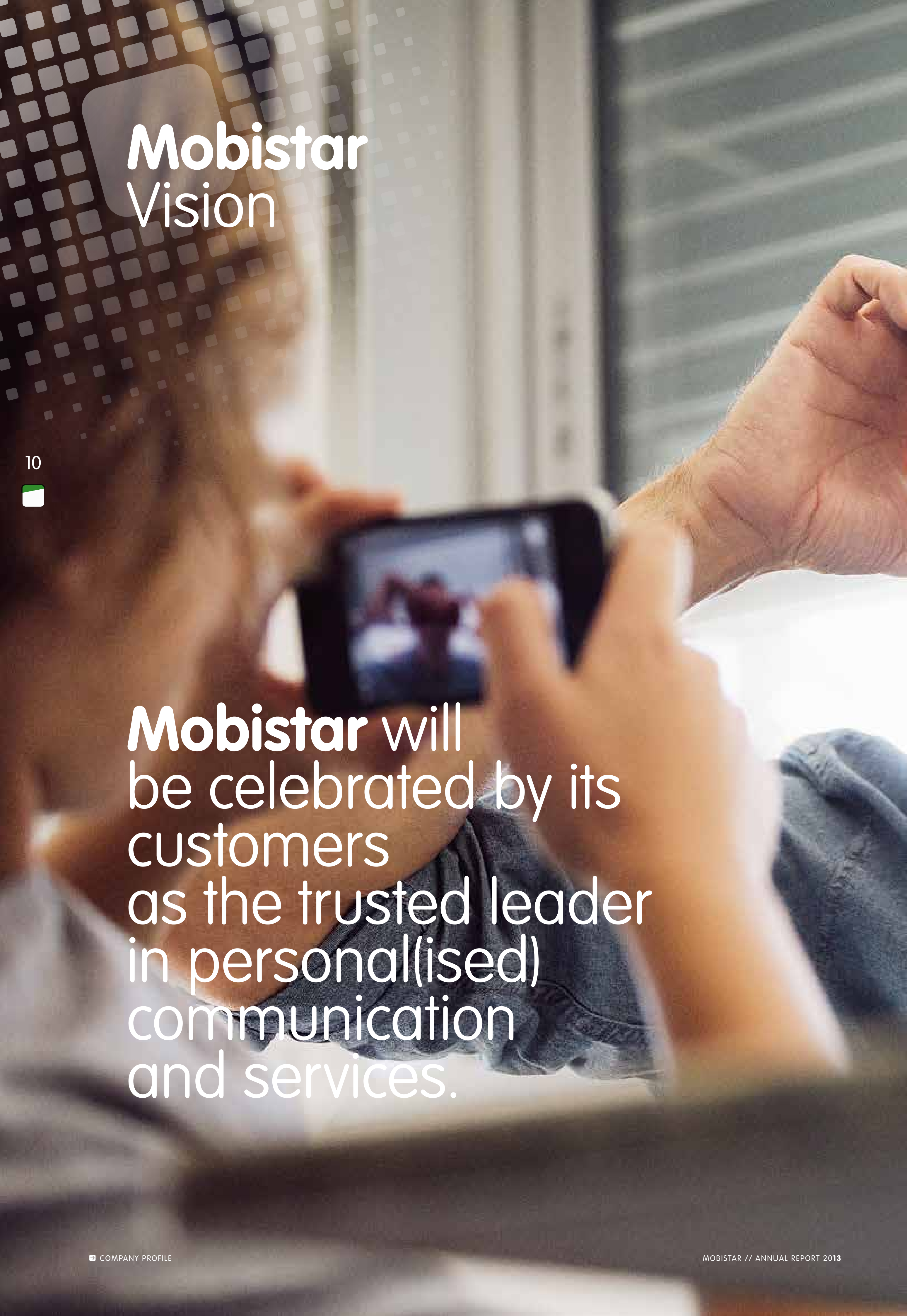
Mobistar employs 1,842 people.

The company offers innovative telecom products and services to residential and corporate customers. In the residential market Mobistar will in the near future broaden its mobile postpaid and prepaid product portfolio, among other things with a diverse range of cable services, including digital television and mobile broadband. On the corporate market, Mobistar offers fixed telephony and broadband internet through the DSL network, provides integrated communication solutions and markets a wide range of mobility and connectivity services. As a wholesale provider Mobistar also offers its customers access to its infrastructure and network services.

To ensure it can provide these services, Mobistar has an extensive mobile network and a strong spectrum position. The mobile network adheres to various technology standards, such as GSM, UMTS and more recently LTE. For its corporate services as well as the mobile network, Mobistar has a high-grade fibre-optic network stretching for over 2,700 km to provide lightning-fast broadband internet to business parks.

Mobistar offers all products through an integrated distribution platform that includes both direct and indirect sales channels. At the end of 2013 Mobistar had 161 stores, which are increasingly integrated with the respective residential and business websites. The indirect sales channels comprise exclusive and non-exclusive distribution channels.

Mobistar shares (ISIN: BE0003735496) have been listed on NYSE Euronext Brussels under the ticker symbol MOBB since 1998. Mobistar's majority shareholder is the Orange Group. The ties between the two companies date all the way back to Mobistar's formation in 1995.

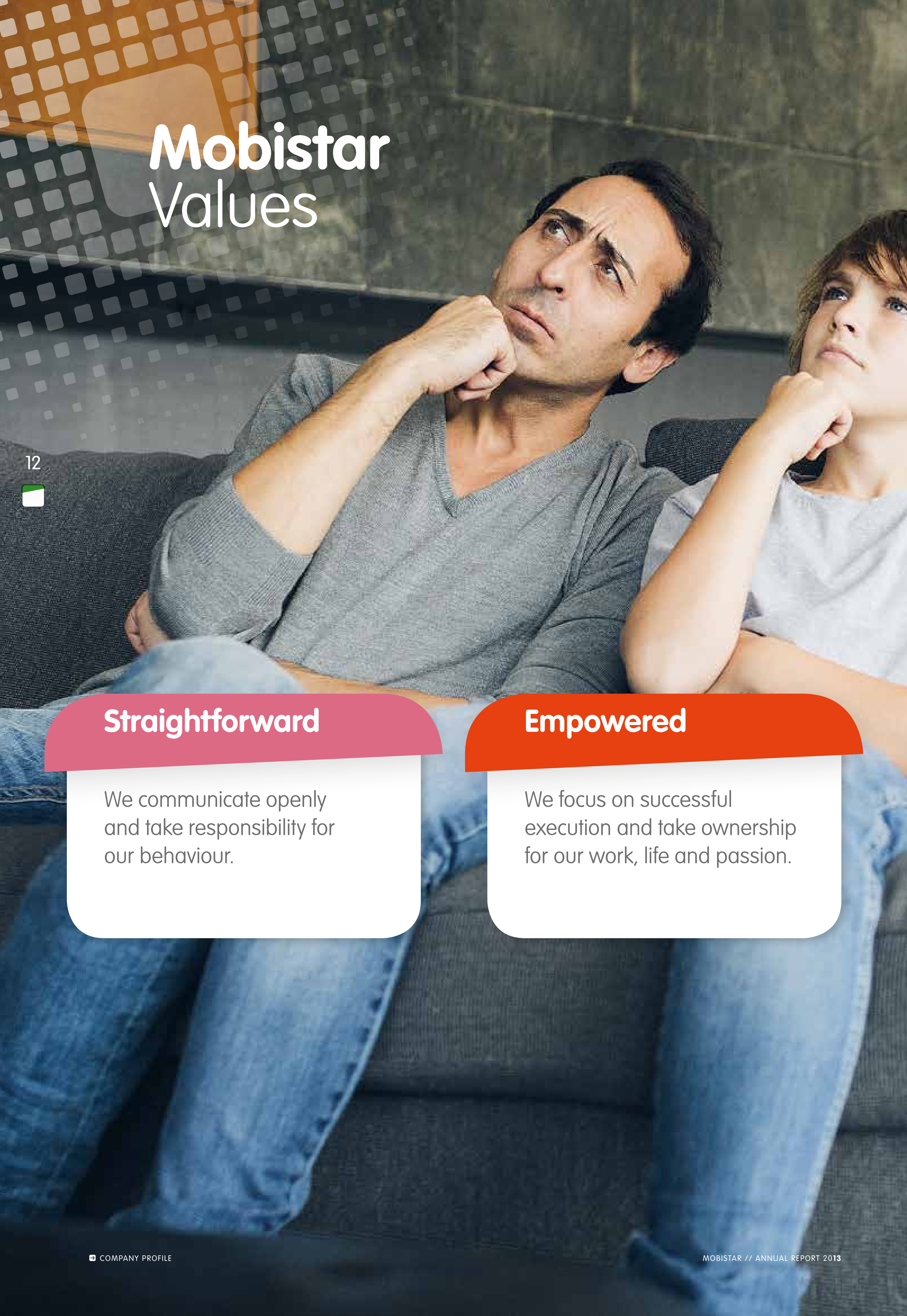


Mobistar Vision

Mobistar will be celebrated by its customers as the trusted leader in personal(ised) communication and services.

Mobistar Mission

Mobistar will enable mobility experiences for individuals, communities and companies through relevant innovation.



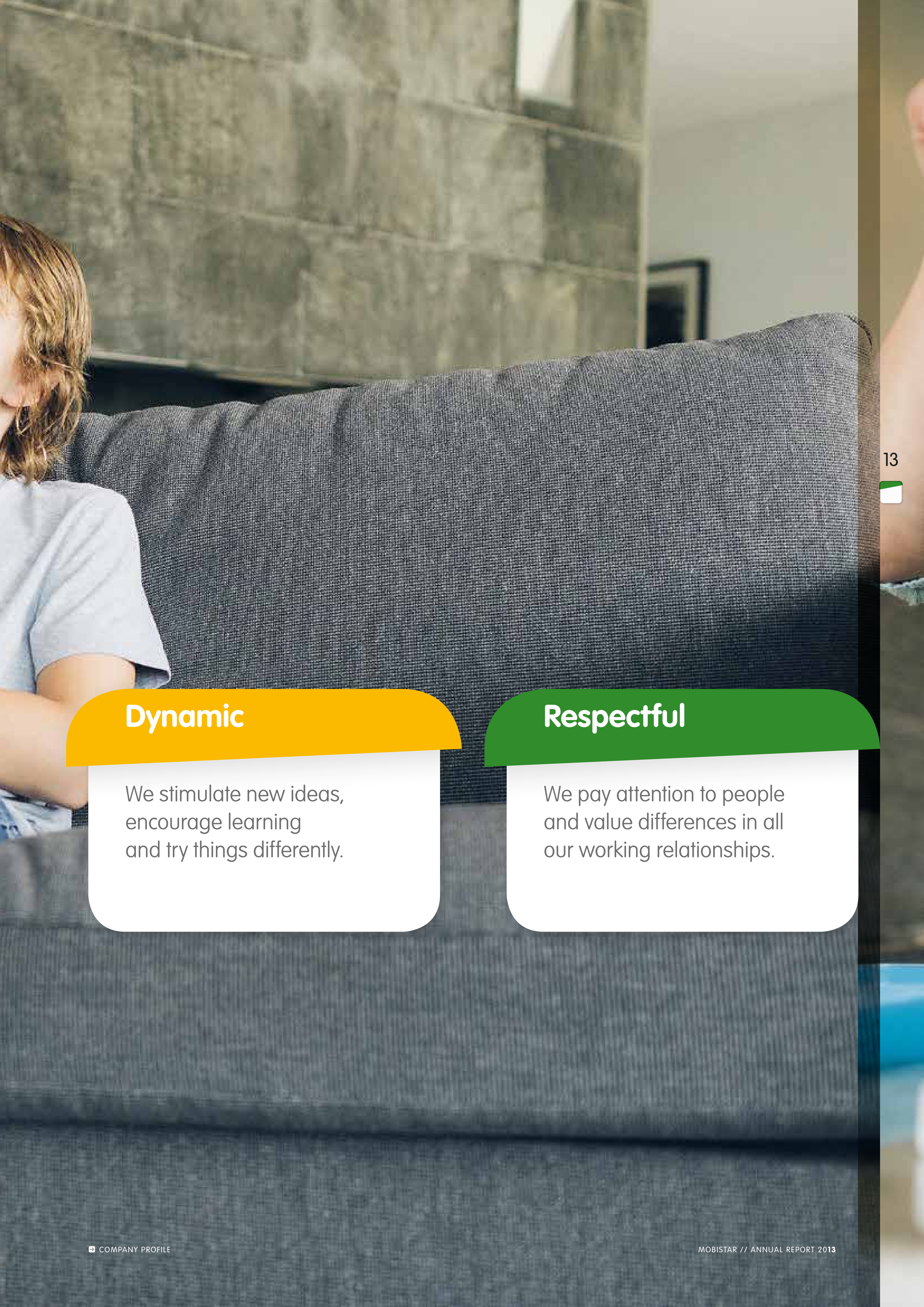
Mobistar Values

Straightforward

We communicate openly and take responsibility for our behaviour.

Empowered

We focus on successful execution and take ownership for our work, life and passion.



Dynamic

We stimulate new ideas,
encourage learning
and try things differently.

Respectful

We pay attention to people
and value differences in all
our working relationships.

Mobistar Strategy

Mobistar wants to bolster and develop its leadership position in the telecommunications sector and distinguishes **four strategic priorities** to that effect, resulting in **seven crystal-clear goals**:

Claim leadership of the market for mobile services.

Historically, the core business of Mobistar is in mobile telephone services. Over the past decades, Mobistar has moved from being the first company in Belgium to challenge the predominance of the historical operator to one of the premier and most pedigreed players in the segment. Mobistar aims to strengthen this position in the future by focusing on the quality of its network, the promotion of mobile data traffic and providing simple, transparent and exceedingly competitive post-paid tariff schemes. In this regard, the company has set two very distinct targets:

1. **To offer the best 4G network on the market.**

2. **To be the No.1 mobile operator in the residential postpaid segment.**

Play a pioneering role with a portfolio of innovative, convergent services.

Mobistar wants to assert itself as a benchmark company in the field of mobile data services. It aims to respond to the ongoing and proliferating trends in digital technology and the use of smartphones and tablets, both through its sales of mobile devices and through diversified access approaches.

3. **To be the first alternative provider of cable services.**

4. **To be the top supplier of Enterprise Mobility 3.0 Solutions.**

Offer the best customer service on the market.

Focusing its resources and attention on comprehensive means and modes of digital technology and communications, Mobistar wants to offer a truly unique customer experience that will set the company apart in the Belgian telecommunications market. To achieve this, Mobistar aspires to maximise the quality of its digital customer relations, thereby improving customer confidence and loyalty.

Manage its operating costs in the most efficient way.

Mobistar seeks to optimise its cost structure with efficient savings schemes that will be the mainspring of a sustainable profit which will create the opportunity for continued investment in the company's development and growth.

5

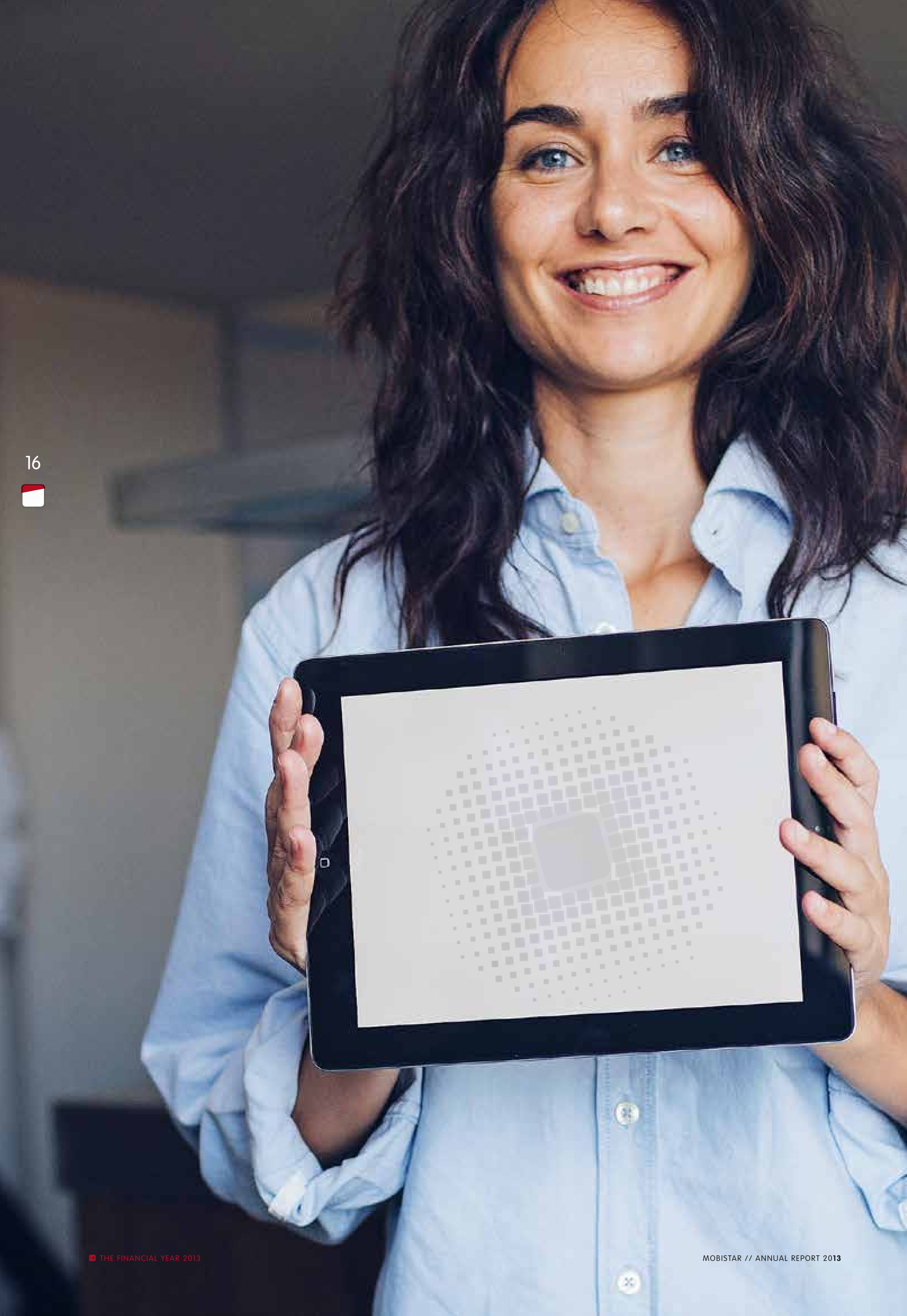
To be the telecom provider with the best customer experience.

6

To be the telecom operator with the most extensive range of services.

7

To achieve a EUR 50 million net reduction in operational expenses in 2014.



The financial year 2013

In a tough mobile telecom market, which has been transformed by a raft of measures, Mobistar has taken the opportunity to define its strategic priorities, invest in its mobile network, accelerate its transformation and prepare the ground for a sustainable recovery.

Mobistar was the first operator to move on the new cable regulation.

Thank you to everyone who has continued to trust **Mobistar** fully during this important period.

Message from the chairman

Laying the foundations for the future through transformation.

There is no denying that 2013 ranks among the toughest years in Mobistar's history. Many factors, both internal and external, have created an economic context that poses a set of new and very specific challenges. While the company is going through a momentous period of transition and transformation, we have been able to adapt to the new market needs and expectations, which has allowed us to cast new foundations on which to build and anchor Mobistar's future growth while sustaining its clear customer focus.

All the businesses in our sector have to some extent suffered the consequences of a fiercer competition and a sea change in the legal framework in which we operate. While the introduction of tauter tariff plans to cover a wide range of products and services has certainly benefited the consumer, the new situation continues to constrain the margins of the telecommunications sector.

These outside pressures on the profitability of our business were exacerbated by a difficult climate that frustrated the profitable growth of our digital satellite TV offer. This prompted Mobistar's decision to provisionally suspend these services, mainly in view of the opportunities new cable regulation will bring.

We have worked hard to safeguard our future and to take full advantage of the many opportunities that have presented themselves in the course of the year. Substantial investments improved our network, a hike in efficiency that became plainly evident in late 2013 and was immediately picked up on by our residential, business and MVNO customers. The procurement of the 4G license and the global launch of the network have cost the company and our shareholders considerable effort, but the cornerstones of our future success are now firmly cemented in place. Thanks to its attractive pricing politics and the launch of several exciting innovations, Mobistar has been able to successfully distinguish itself from its competitors. These exciting developments, then, demonstrate that Mobistar is by no means ready to relinquish its pioneering role in the Belgian telecom market.

However, the strategic investments in our future and all the far-reaching measures we have taken to turn our company around have come at a significant financial cost. For this reason, as already announced in July 2013, the Board of Directors will ask the General Assembly to withhold, as an exception to the general rule that occasioned the generous dispensations of the past, the payment of dividends for the financial year 2013. It goes without saying that this decision by no means implies that we mean to defer our intention to return, in the foreseeable future, to a healthy and equitable system of paying dividends to our shareholders, provided the circumstances are right.

At the end of this financial year, I wish to give my sincere thanks to Orange, our main shareholder. Not only for their enduring faith in our company, but also for the invaluable support they have shown us in the course of these turbulent times. I also extend my gratitude to the members of our Board of Directors, who provided an exceptional sounding board that helped us to parse and steer our executive decisions. Special thanks also to our departing Board members for their many years of service and commitment to the Mobistar cause. I am certain that the shining example they have set will be an inspiration to their successors, to whom I bid a warm welcome.

In conclusion, I would like to take the opportunity to express my sincerest appreciation for the people who have placed their confidence in Mobistar and who have stood by the company throughout this momentous phase in its history. Employees as well as customers, suppliers, shareholders and stakeholders: they, all of them, have earned my heartfelt thanks.

Jan Steyaert
Chairman

Broader basis for sustainable growth.

In a difficult telecom market, whose paradigm has radically shifted in the past year as a result of different extraneous measures taken, Mobistar has taken it upon itself to redefine its strategic priorities for the future and pave the way towards sustainable growth.

The road we have travelled so far was by no means easy-going, but thanks to a number of essential decisions that were taken, we have regained our focus. 2013 was the year, moreover, in which mobile data traffic soared. Today, the usage of high speed mobile broadband internet finds itself at a critical tipping point. The rapid expansion in mobile broadband service and the rise of iconic smartphone and connected devices have combined to create an unprecedented level of demand for mobile data by the Belgian consumers.

The foray into satellite television, whose technical complexity forestalled the success we had initially hoped for, was put on hold in anticipation of the new so-called 'wholesale cable law'. But we haven't been standing idle: on the contrary, with sizeable investments in the quality of our mobile network and range of services, we have fashioned and bolstered the mainstay for future growth. A renewed management team will oversee this development and steer it in the right direction.

The transformation period Mobistar is currently going through is by no means complete, however. On the technological front, the optimisation of our network continues apace. The license for the 800 MHz spectrum and other technological interventions will markedly improve our network's coverage. The first customer feedback on our 4G network has been extremely positive and the opportunities that have arrived with new Mobistar product offerings, such as iCloud, Enterprise Mobility 3.0, mobile operator billing, and many others, open up new and exciting perspectives for customer-oriented innovation. In effect, the performance boost we have given to our network is redefining the speed and ease of use of the mobile data traffic our telecom customers are experiencing.

In a continuously evolving landscape, moreover, Mobistar has also applied its energy and resources to substantially broaden the scope of its product range. The wholesale regulation of the cable networks presents new possibilities to create a convergent range of products, so that more extensive tariff schemes - with television, broadband internet and mobile communication services - are once more within our reach. This will enable Mobistar to make firm its relationship with its existing customers and reassume its role of challenger in an exceedingly competitive marketplace.
Our subsidiary in Luxembourg has shown, with the launch of its cable based quad-play offering in 2013, we have all what it takes to be successful.

The way of interacting with our customers is similarly undergoing a transformation. Mobistar is making great strides in its effort to position the company as a digital enterprise, relying on an integrated approach through its different sales channels to bolster and improve customer relations. Clean and accessible websites, clear and simple tariff plans, permanent monitoring of data usage and functional, innovative apps will facilitate the customer's switch to mobile data traffic and further increase the importance of our strategic assets. Our new concept store in Liège provides a striking case in point, spotlighting the unique and qualitative mobile experience we have envisioned for our customers, a forward-looking experience only Mobistar is able to offer them, today.

As we stand upon the threshold of a new financial year, I would like to take the opportunity to reflect back on our achievements and thank everyone who has helped navigate Mobistar through these challenging waters and stay the course: shareholders as well as co-workers, customers, suppliers, and other members of the Mobistar family. However, now is also the time, perhaps more so than ever, to train our sights on the future once more, to pick up the gauntlet and continue to work hard to safeguard the future and growth of our company.
I wish everyone success in their endeavours!

Jean Marc Harion
Chief Executive Officer

Mobistar is making great strides in its effort to position the company as a digital enterprise.

2013
Key events

4G Investment Programme 2013-2015

Mobistar introduces its ambitious EUR 150 million investment programme, intended to expedite the launch of its 4G network.

Top Employer and Eco-Dynamic Enterprise

For the second time, Mobistar is awarded the certificates of Top Employer in Belgium and Eco-Dynamic Enterprise.

JAN

FEB

First wave of subsidised mobile phones

With the subsidised Samsung Galaxy Gio, Mobistar is the first company in Belgium to offer an entry-level mobile phone for 1 EUR.

Website

Launch of the new integrated website for residential users.
Mobistar is named the most dedicated mobile network operator for social media.

CEO Orange Communications Luxembourg

The Board of Directors of Orange Communications Luxembourg appoints Mobistar CFO Werner De Laet as the new CEO. Orange Communications Luxembourg is a wholly-owned subsidiary of Mobistar.

Apple LTE certification

Mobistar is the first operator in Belgium to receive the official green light from Apple to offer LTE services on the iPhone 5.

ISO certification

Mobistar renews its ISO certification for the next three years. ISO is the international benchmark in quality management that proposes guidelines to boost efficiency and customer satisfaction.

MAR

APR

MAY

100,000 tariff check-ups

Mobistar reaches the milestone of 100,000 tariff check-ups. This personalised service reviews if the customer's current tariff plan and data usage still meet and match his or her individual requirements and expectations.

Animals portfolio

Mobistar launches its revamped Animals portfolio, which proposes new, clear-cut and optimum tariff plans geared to the consumer's lifestyle and needs. Prepaid customers are included in the new scheme.

MyMobistar app

Mobistar introduces the MyMobistar app for smartphones and tablets. This free application allows customers to keep a permanent and detailed overview of their data usage as well as the service charges on their personal bill.

MyMobistar

Termination TV-offer

Mobistar decides to stop offering satellite television as of September, due to technical and commercial reasons.

Chief Financial Officer

Ludovic Pech is appointed CFO of Mobistar, taking over from Werner De Laet who has been assigned to the position of CEO for Orange Communications Luxembourg.

New Call Center

Mobistar opens a brand-new digital call center in the city of Ghent. The new center will provide first-rate support to Mobistar customers.

Go Europe

Mobistar launches Go Europe, which allows Mobistar subscribers, for a minimal surcharge, to use their mobile phones abroad as they would in Belgium.

JUN

JUL

Second wave of subsidised mobile phones

Mobistar kicks off iWant, a subsidised campaign to promote the use of handsets and stimulate the market penetration of smartphones as a medium for mobile data traffic.

Business website

Mobistar brings online a new and improved website for professionals, offering a better and faster user experience.
This new business website was designed as a high-performance digital hub that provides business users all the information, product offers, support and services they could possibly need.

Network

Mobistar completes the transition from its 2G network to a hybrid 2G/3G/4G network. Simultaneously, 3G is deployed in the 900 MHz spectrum. The quality of the Mobistar network is tested and confirmed by an independent auditor, who ranks it amongst the two best networks in Belgium.

AUG

SEP

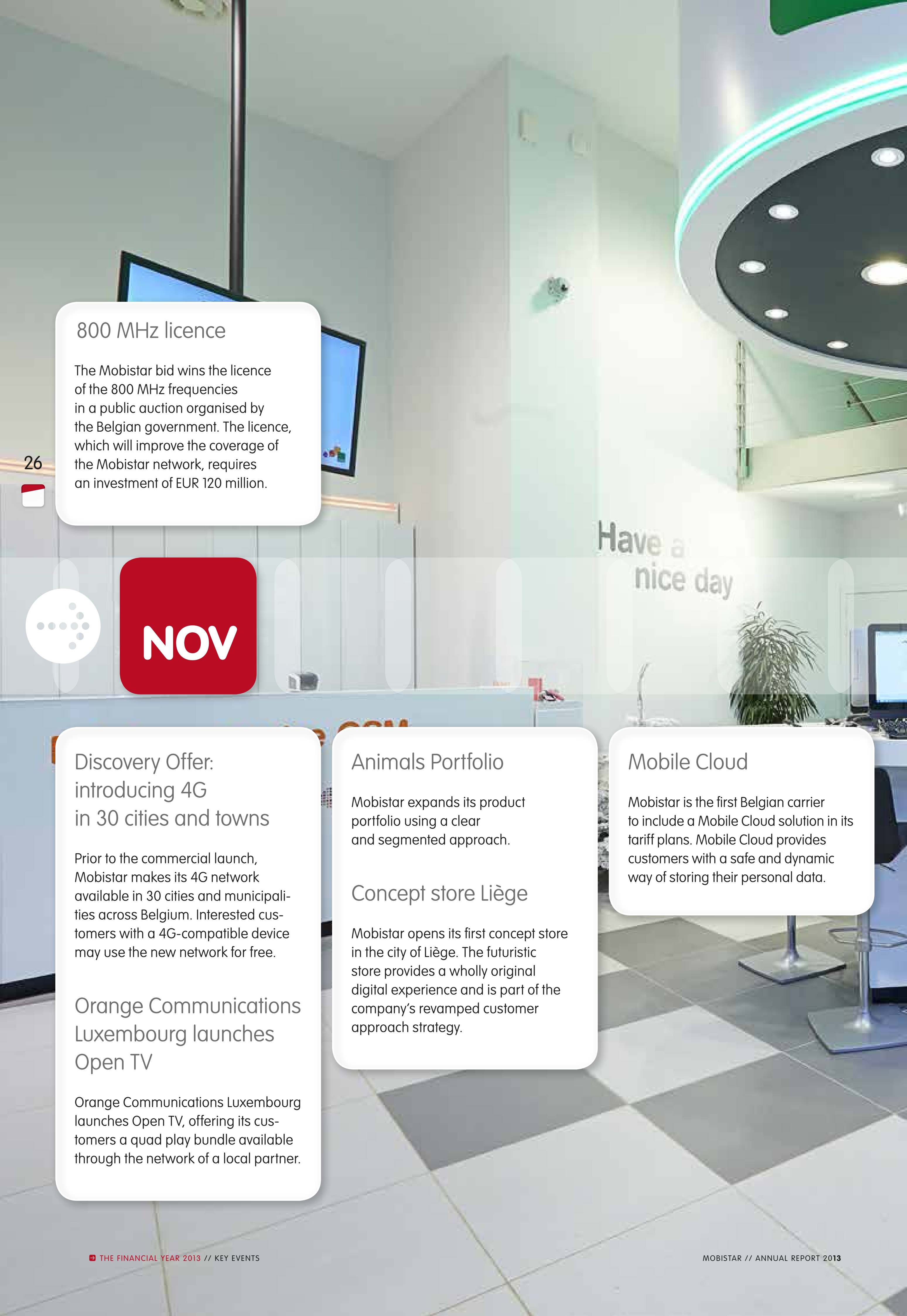
OCT

Mobile payments

Mobistar is the first Belgian operator who enables Android users to make mobile payments via their monthly bill or a prepaid card.

5,000,000th SIM card joins network

In September, Mobistar records more than 5 million SIM cards connected to its network: a milestone. The success of Mobistar's M2M services played a significant role in this historical achievement.



800 MHz licence

The Mobistar bid wins the licence of the 800 MHz frequencies in a public auction organised by the Belgian government. The licence, which will improve the coverage of the Mobistar network, requires an investment of EUR 120 million.

NOV

Discovery Offer: introducing 4G in 30 cities and towns

Prior to the commercial launch, Mobistar makes its 4G network available in 30 cities and municipalities across Belgium. Interested customers with a 4G-compatible device may use the new network for free.

Orange Communications Luxembourg launches Open TV

Orange Communications Luxembourg launches Open TV, offering its customers a quad play bundle available through the network of a local partner.

Animals Portfolio

Mobistar expands its product portfolio using a clear and segmented approach.

Concept store Liège

Mobistar opens its first concept store in the city of Liège. The futuristic store provides a wholly original digital experience and is part of the company's revamped customer approach strategy.

Mobile Cloud

Mobistar is the first Belgian carrier to include a Mobile Cloud solution in its tariff plans. Mobile Cloud provides customers with a safe and dynamic way of storing their personal data.

Cable regulation

CRC regulators stipulate the financial terms and conditions for the regulation of the cable network.
Operators are required to open up their networks to other companies, which effectively redefines the landscape of the Belgian telecommunications market as we know it.

Extra means of financing

Mobistar manages to secure a new credit line with Atlas Services Belgium S.A., worth EUR 120 million.
This additional outlay will cover the costs of Mobistar's purchase of the 800 MHz spectrum acquired in November.

DEC

Third wave of subsidised mobile phones

The third wave of subsidised mobile phones is launched, including the iPhone 5s.

New Year's Eve showcases mobile data boom

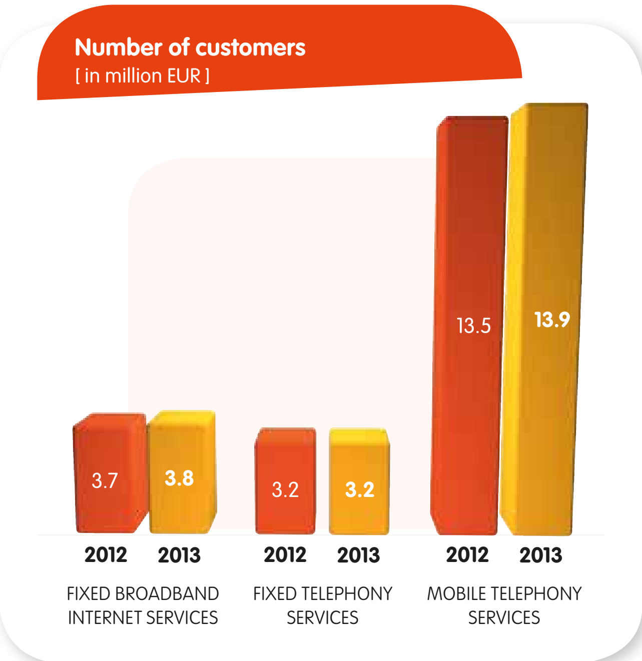
Mobistar ends 2013 on a high note: the recorded volume of mobile data traffic on New Year's Eve exceeds that of the previous year by more than 220 %.

The operational framework in 2013

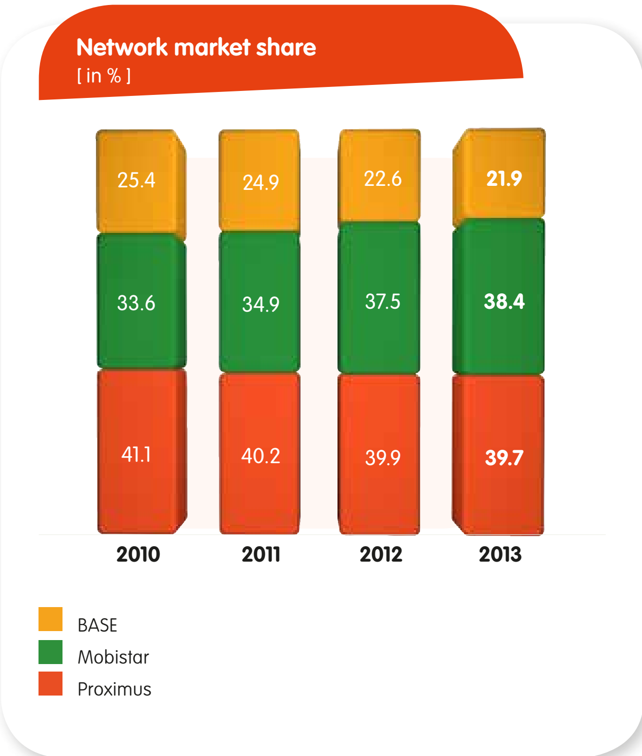
2013 has proved a pivotal year in the Belgian market of mobile telephone services, given the breakneck rate of customer attrition in the market, the introduction of new rules and regulations, and the downward trend in pricing policies as a consequence of increasingly stiff competition.

All mobile network operators, including Mobistar, were confronted with the mandatory revision of their existing tariff plans.

The Belgian Telecom market



Source: Mobistar estimates.



Source: Mobistar estimates.

For the past few years, the Belgian market for telecommunications was plagued by a structural imbalance. In the course of 2013, this state of affairs crystallised into the complicated context we know today.

On the one hand, there is Belgium's extremely competitive free market for mobile telecommunications. Blind spots in the legislative body and the process of political decision-making have resulted in a sharp price drop across the sector, while investments, taxes and operation costs have continued to climb regardless of this evolution.

On the other hand, there is the duopoly that exists in the padlocked market of fixed telecommunication services, where the historical operator and the cable companies, who together control the ambit of the triple play services, have succeeded in maintaining a high price point and even raising the fees for broadband internet, television and fixed-line telephone services - not even taking into account the combination of these products in bargain package deals. Mobistar regrets this situation as it poses a distinct disadvantage to the consumer, which goes against the spirit and original purpose of the new telecom laws. The current circumstances, moreover, have enabled the historical operator and the cable companies to offset their losses in the price war that is presently raging in the arena of mobile communications with revenues generated from their fixed telecom services.

Despite the decline of its overall market value, the volume of the Belgian telecom sector has grown, and more specifically its total aggregate of fixed-line telephone services, fixed broadband internet and mobile SIM cards. The driving force behind this growth emanated primarily from the mobile segment and Machine-to-Machine (M2M) technologies, which are becoming increasingly important. The market for fixed-line telecommunications, with 3.2 million customers, has remained relatively stable, while the volume of fixed internet services increased slightly.

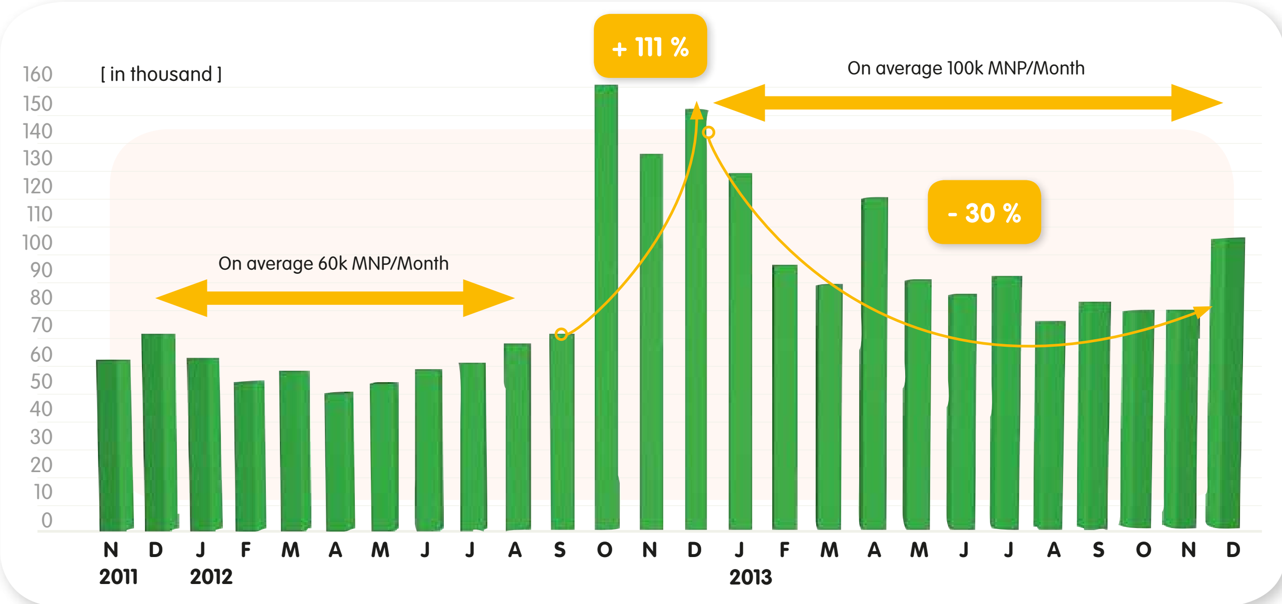
Source: Mobistar

On the one hand, there is Belgium's extremely competitive free market for mobile telecommunications.

On the other hand, the duopoly that exists in the padlocked market of fixed telecommunication services, where the historical operator and the cable companies, who together control the ambit of the triple play services, have succeeded in maintaining a high price point and even raising the fees for the Belgian consumers.

Market intensity is stabilising in H2 2013 *

But market portability is structurally higher than before the telecom law.



MNP: mobile number portability allows mobile customers to keep their mobile numbers when they change operators.
The donor operator deactivates the mobile number in its information system. The recipient operator activates the same mobile number in its own system.

Mobile telephone services

2013 has proved a pivotal year in the Belgian history and market of mobile telephone services, given the breakneck rate of customer attrition, the introduction of the new rules and regulations, and the downward trend in pricing policies as a consequence of increasingly stiff competition. All the mobile network operators, including Mobistar, were confronted with the mandatory and unremitting revision of their existing tariff plans.

On a more positive note, however, mobile data traffic took a huge leap forward. Mobile broadband internet has gained a crucial momentum to become one of the foremost means of communication in today's market. In part, this breakthrough is predicated on the increased market penetration of the smart-phone, which in turn benefited from the sales of subsidized mobile phones. Adding to the rising success of mobile data traffic, moreover, was the marked improvement of the 3G network and the launch of the 4G network, offering an even wider range, higher speeds and better reliability.

In 2013, following the upward trend in the volume and use of mobile data, the market share of the Mobistar network grew consistently, largely due to the surge in Machine-to-Machine technology and the growth of the number of MVNO-customers. The Mobistar network share rose primarily at the expense of BASE, while the Belgacom stake remained virtually unchanged.

* The chart shows the change in the total number of mobile SIM cards connected to the network of the three Belgian mobile network operators, Mobistar, Base and Belgacom. As well as the operators' own customers, the figures include MVNO customers and M2M customers.

Fixed telephone and internet services

In the marketplace for fixed telephone and internet services, the competition remained relatively weak. Mobistar's strategy was chiefly targeted at the expansion and improvement of its existing line of products and services. The marked lack of competition in the market set the scene for the historical operator and the cable operators to raise prices for landline telephone and fixed internet services.

In May 2013, motivated by technical and commercial reasons, Mobistar announced the termination of its residential fixed-line services. Since then, the company has played a prominent role in the debate concerning the regulation of cable, a strategic goal that was fleshed out and concluded by the end of December of the same year.

New legislation and regulation

Over the course of the past year, the changing legislation has galvanised the Belgian telecom market. In most cases, the revision involved the assimilation of European directives into the Belgian law, or the implementation of specific federal or regional measures with regard to consumer protection. The new directives not only impacted the use of network infrastructure, but also the core relationships between the different operators and between the carriers and the consumers respectively.

Impact on mobile services

The new telecom law, which came into effect on 1 October 2012, has made it easier for subscribers to terminate their current contract and switch to an alternative carrier without having to give up their telephone number. In line with the new European regulations, moreover, the minimum contract duration was shortened from 24 to 6 months. As a consequence, the penalty clause in case of a premature contract cancellation has all but lost its commercial clout.

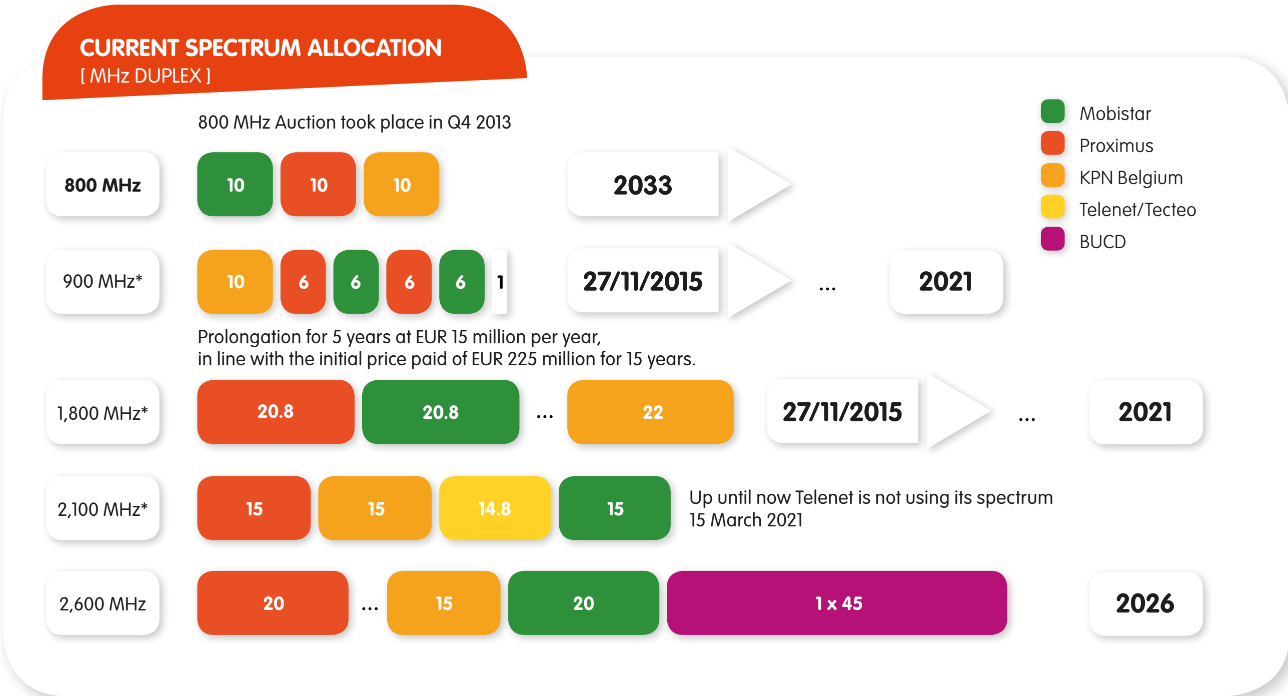
The new law has also raised public awareness of the market and its billing context, which in turn has emboldened the consumer to be more proactive and quicker to react. This is especially the case in the area of mobile telephone services, where the competition is strongest due to the large number of operators and the increasingly cut-rate tariff plans they propose. This had led to an exponential rise in the customer defection rates of the various players on the market. In 2013, no less than 1.5 million Belgians changed carriers, compelling proof of the new law's efficacy.

The new situation gave rise to an escalating price war between the different telecom operators, who have all marked down their tariff plans in an ongoing bid to win over the consumer. The fiercely competitive environment has had a negative effect on the business and exposed the profit margins to erosion.

Last year also saw the implementation in Belgium of the last decrease of the national regulations concerning Mobile Termination Rates (MTR) - the fees national operators have to pay each other to transfer calls from one network to another. Since these prices in Belgium rank among the lowest in Europe, Mobistar does not expect any significant impact in 2014.

The implementation of the existing European regulation similarly curtailed the international roaming fees. These prices have been in decline for some time, and this downward trend is expected to continue. The final goal of the EU is to completely erase the roaming surcharges of its member states by 2016.

Also within the European context, the European Commission launched a new regulatory initiative within the framework of a Digital Single Market. The draft proposal for the regulation prefigures changes in, inter alia, charges for international communications, international roaming, spectrum management, unified licensing and consumer protection.
Several revisions have been proposed and it is unclear at this stage whether or not, and if so when, the new requirements will come into effect.



* 900, 1,800 and 2,100 MHz technologically neutral.

Mobile network

In 2013 the federal government organised a public auction of additional frequencies, and more specifically the 800 MHz spectrum. At the conclusion of this auction in November 2013, it was announced that Mobistar had successfully acquired the licence for 2x10 MHz for a period of 20 years.
The importance of this licence lies in the geographical reach of the 800 MHz spectrum, which is likely to boost the Mobistar network for 4G services significantly. Mobistar acquired the lot with the most stringent stipulations in terms of coverage and in doing so, made firm its ambition to roll out the best 4G network Belgium has to offer.

Mobistar's purchase of the licence corresponded to an investment of EUR 120 million. The operators had to choose between two methods of payment for this unique spectrum-fee: a one-off remittance or a payment in annual instalments. Mobistar chose the former option in December 2013. In light of the fact that, at the end of 2013, Telenet-Tecteo Bidco formally waived its claim to the previously allotted 900 and 1800 MHz spectrum, there is a high likelihood that the proposed reorganisation of this spectrum, originally scheduled for 2015, will not happen.

Consumer protection

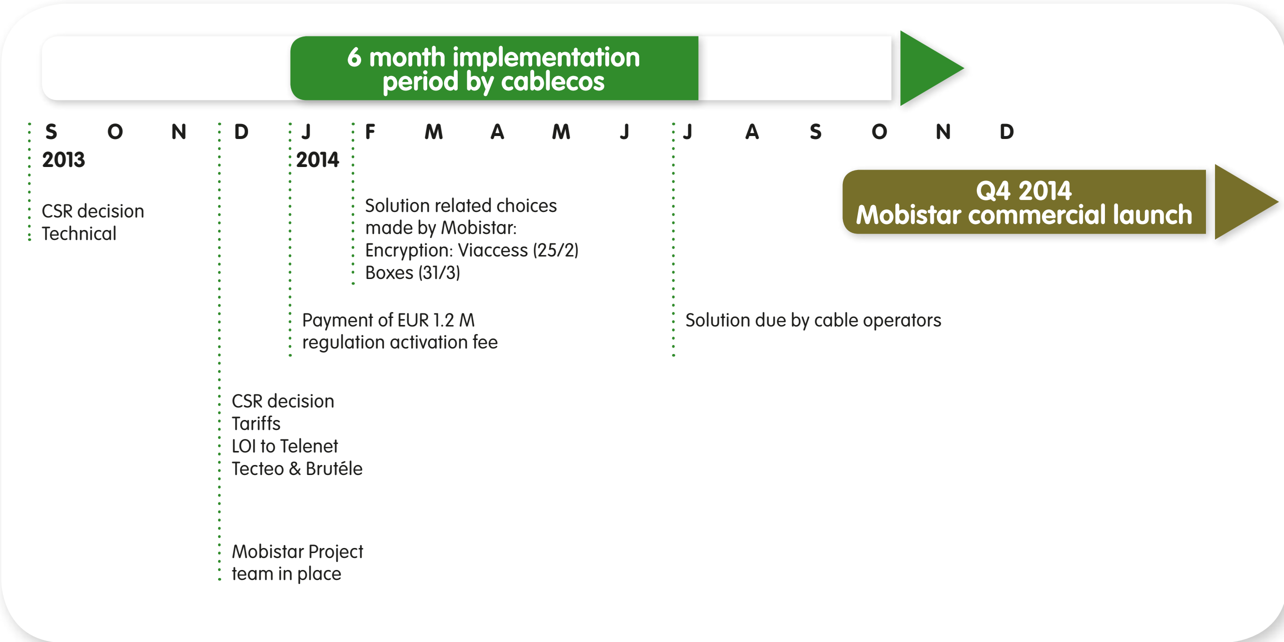
In today's telecom sector, Belgium remains one of the pioneers and trendsetters in the field of consumer protection. Compared to other countries, Belgium's range of telecom services is subject to much stricter codes and regulations. This current state of affairs is a direct result of the enduring aspiration to create an absolute transparency vis-à-vis the consumer, allowing for his almost unrestricted access to, and inspection of, data usage and billing, coupled with a host of other proactive measures.

For instance, operators are required, at regular intervals, to propose to the discerning consumer their most favourable tariff plan. The consumer's ability to switch to an alternative operator has also been facilitated and improved.
These rules naturally impel the operators to respond promptly and frequently to the demand for more competitive tariff schemes.

While Mobistar joins the consumer in welcoming new requirements that lead to a more transparent playing field, it regrets the fact that the erosion of the margins that these developments imply is further worsened by the impact of expensive licences and increasingly steep operating costs. The decision of the Walloon Region to allow the provincial and municipal authorities to levy, at their own discretion, additional taxes on the antennas of the operators, is a point in case.

Mobistar is on track to be the first to launch cable.

Regulated offers in Belgium before the end of 2014.



Regulation of cable

One of the most significant breakthroughs of 2013 was undoubtedly the regulation of cable, a process that was initiated in 2011 and finalised in late 2013, when the technical and financial specifications were defined by the regulators. The regulatory requirement to open up the cable network to alternative suppliers has effectively put an end to the historical monopoly of the current cable operators. It has also redefined the landscape and relationship between the different players in the telecommunications market. The emergence of alternative services and additional content is likely to create more leeway for free enterprise and competition, which will eventually benefit the consumer.

The cable regulation presents Mobistar with an attractive substitute for its earlier attempts to make inroads into satellite television, plans that were put to rest in September 2013 for technical and commercial reasons. Mobistar has every intention to capitalise on the opened cable network and to put forward a strategy of convergence in the course of 2014 that will see the company reconnect with a fully-fledged range of television and broadband internet services.

The Belgian government has been very consumer-oriented and remains ahead of the European Union curve in this regard. We believe the time has come to shift the focus to a more supportive vision on how technology may benefit the growth of the country.

Consumer trends

Mobile communication has already had a huge impact on our society and this is increasing day by day. Mobile technology has not only changed the daily lives of millions of people, it has also had a significant effect on numerous aspects of contemporary culture.

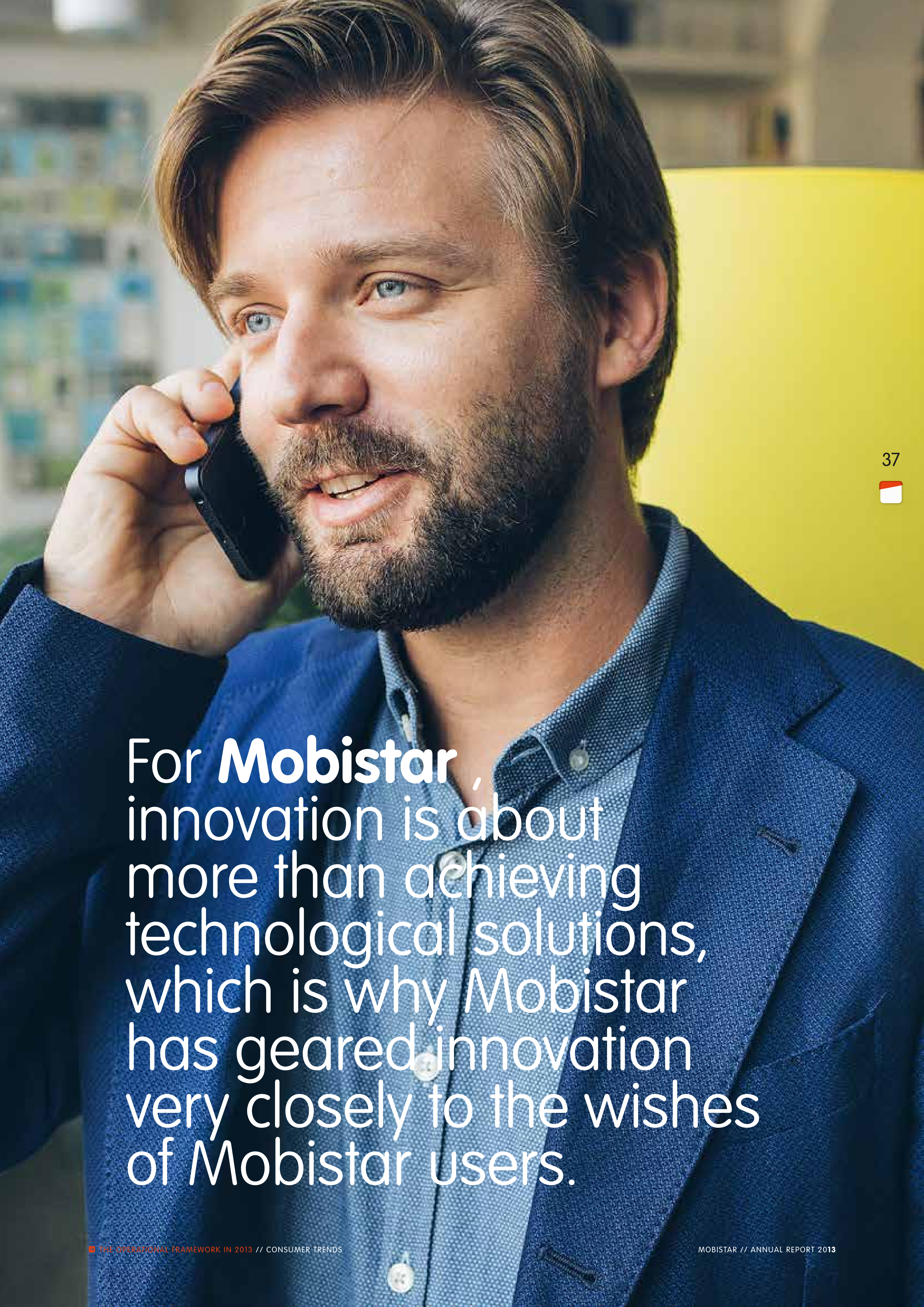
Mobile communication can facilitate new services and applications that provide innumerable opportunities to generate income for new and existing industries, which in turn impact the daily lives of millions of consumers. The increased accessibility of information and the innumerable possibilities of mobile communication lead to a rise in productivity and better informed consumers.

Integrated tariff plans

A large number of Mobistar customers have the same needs and interests. With this in mind, Mobistar has classified these customers into groups to be able to offer them a segmented range. Mobistar has put together a bespoke offering for each segment in terms of services and equipment, ranging from tariff plans tailored to consumption patterns, through specific service packages for young people, the working population and the retired to fully integrated communication solutions for businesses. Mobistar's strategy is focused on approaching customers with personalised offerings based on their specific needs and interests.

The use of mobile data is a trend that has only grown stronger in 2013, among both residential and business customers. More and more customers use mobile data every day. To meet that demand, in 2013 Mobistar worked hard to speed up the strategic switch from consumption-based tariff plans to tariff plans integrating mobile data. Such integrated tariff plans enable Mobistar to respond better to the growth of mobile data and offset the substitution of phone calls and text messages.

Smartphones are the key devices that give our customers access to mobile internet. The more customers that have a smartphone, the greater the opportunity for Mobistar to sell mobile data. Belgium reached a tipping point in 2013 in terms of smartphone sales. Historically, Belgium has lagged behind its European neighbours in smartphone penetration due to the low mobile phone subsidy level. The use of these devices is now widespread, which has resulted in the general Belgian public being won over. Additionally, there is a wider choice of smartphones and different price segments have been created – from high to low. The number of subsidised devices also increased in 2013. In 2012, there was only one subsidised smartphone campaign, which ran at the end of the year. In 2013 there were three.



For **Mobistar**, innovation is about more than achieving technological solutions, which is why Mobistar has geared innovation very closely to the wishes of Mobistar users.

Mobistar sees it as its duty to give customers intense support in the transition to further digitisation and mobile data traffic.

The subsidised mobile phone campaigns always have the same structure. Mobistar customers are given a substantial discount on the cost of a device when they sign up to an Animals tariff plan. If the contract is terminated early, that discount will have to be paid back in accordance with a depreciation table agreed when the contract is signed.

Now that the principle of tariff plans integrating mobile data is firmly established and the general public has finally accepted smartphones, there are no more restraints on mobile data use. Consequently, there has been a dramatic increase in the use of mobile data on the Mobistar network over the course of a single year.

Mobile devices versus desktops

The growth of mobile data has given telecom customers the gift of greater flexibility. To use broadband applications you no longer need to have access to a desktop computer. Mobile devices like smartphones, tablets and laptops have taken over some of these functions over the mobile network.

This trend will only grow in the future. At the end of 2013 some 54 % of the Belgian population could use their phone to go online. 37 % owned a smartphone, a considerable percentage in a scarcely subsidised market and a rise of 12 % compared to 2012.

- An improvement in coverage and network quality stimulates the use of smartphones and mobile data. The introduction of the 4G network is a promising, strategic development here. Mobistar launched the 4G network for a few thousand customers in several locations by way of a trial at the end of 2013. The initial results are particularly encouraging and will drive up customer confidence further.
- Whereas the existing 3G network is mostly used to download data, the new 4G network will also be very well suited to fulfilling upload needs. These additional possibilities will also stimulate use.

A key factor impacting the success of Mobistar's positioning in Belgium is the capacity to identify new trends and bring new technologies to market when consumers ask for them.

In this context, Mobistar takes innovation management very seriously. It puts this into practice by relying on the global innovation network of the Orange group on the one hand and by developing a local Belgian ecosystem of innovative agents on the other. For Mobistar, innovation is about more than finding technological solutions. With that in mind, Mobistar has geared innovation very closely to the wishes of Mobistar users. The Mobistar Consumer Test Centre studies products and services with a test group before launch. This enables Mobistar to improve everything in the design phase to ensure they are optimally tailored to the demands of consumers, with the ultimate goal of enhancing the user experience.

Mobile payments

In the past year Mobistar has claimed a pioneering role in the Belgian telecom market as mobile payment facilitator. Mobistar's strong position in the residential postpaid segment creates a valuable payment relationship with customers. Mobistar does its utmost to make its customers' lives easier.

Mobistar rolled out mobile payments for Windows Phone users in Belgium back in December 2012 and another Belgian first was realised in 2013 when Mobistar became the first operator in Belgium to allow mobile payments for Android users. All Mobistar customers can buy apps, games, music and e-books on Google Play and pay through their Mobistar invoice or with credit on their reload card.

At the end of 2013 Mobistar signed an agreement in principle with Sixdots, a new player on the market. In 2014 Sixdots will release a mobile app that among other things enables mobile payments. Customers will be able to register their existing credit and debit cards with this mobile app so they can make mobile payments conveniently. In the future Mobistar will allow customers to buy additional call time or data credit through the MyMobistar mobile application. That will make customers fully mobile, with the ability to top up their prepaid card anywhere through their smartphone. The Sixdots initiative is supported by Belgium's four major banks (BNP Paribas Fortis, Belfius, ING and KBC), creating the right conditions for its success.

Mobistar's Mobile Cloud

The secure storage of personal data is something users of telecom and other means of communication have traditionally found very important. For a long time, it was common to download data and save it locally, but the current trend is to give more weight to data accessibility than physical possession.

The cloud is playing an important role in this change of mindset, because it enables users to access all data stored there, however it is uploaded, and where desired share it with others with nothing but a network connection and a mobile device.

Mobistar is already meeting this growing demand by integrating the cloud into its tariff plans. Mobistar's Mobile Cloud offers consumers secure storage space with simple access at all times and features that make it easier to share content.

Access to Mobile Cloud and sending and receiving data is free in Belgium using Mobistar's Mobile Internet. This application can only gain in importance as 4G becomes more prevalent, bearing in mind that as well as much faster downloads this state-of-the-art network also offers considerably faster upload speeds to the cloud.

Unlimited Facebook and Twitter

Facebook and Twitter are committed to helping people share and create interconnections around the globe. The vast majority of users access Facebook and Twitter through their mobile phone. With that in mind, in 2010 Mobistar launched Facebook and Twitter Unlimited. This concept offers limitless access to the two social networks as an option within Mobistar's Animals packages. This really took off in 2013, with high use especially among young people.

Mobistar to Mobistar

For Mobistar, innovation is not only an expression of technological advancement, something that is clearly reflected in the range. For instance, in the course of 2013 Mobistar introduced 'free Mobistar to Mobistar', a unique offer to new and existing customers. On average, 50 % of all calls from Mobistar SIM cards are to Mobistar numbers. Thanks to this automatic service, those calls are now completely free.

Mobistar in 2013

Mobistar took a number of bold decisions in 2013, putting it in a unique position to shape the telecom landscape from 2014.

Towards a digital enterprise

Human interaction will always remain the cornerstone of our society, but we cannot deny that communication is becoming increasingly digital.

Building high-performance, user-friendly digital platforms is a priority if we want to be able to communicate with customers in a cost-efficient way.

Mobistar wishes to take on the role of guide and instructor in the ever-increasing digitisation of society.

Customer satisfaction

More than nine in every ten Mobistar customers are satisfied with the network. Mobistar recently commissioned market researchers iVOX to study customer perceptions of network quality. 1,500 Belgians were surveyed on behalf of the telecom operator in Brussels, Flemish Brabant, East Flanders, West Flanders, Hainault and Luxembourg. The results show that, on average, 93 % of Mobistar users in these parts of the country are very satisfied with the Mobistar network. Customers who note improvements mainly do so with regard to calling from home, sending and receiving messages, mobile internet quality and calling when travelling, in bus, tram or train.

The residential market

Mobistar approaches customers proactively, which has given it a big lead in customer relations and loyalty.

Mobile services

Operating under the 'Mobistar' brand, the company's residential business unit serves about 2.4 million mobile customers, offering a variety of both postpaid and prepaid services.

In an open mobile telecommunications market, operators can no longer rely on customers staying because they are contractually obliged to do so. Instead, they now aim to find customers who stay because they want to. But this requires some fundamental changes in the way tariff plans are conceived, positioned and communicated. At Mobistar, this insight resulted in a whole new breed of tariff plans, named after animals. Each one relates to a specific telco profile.

From a socially active Dolphin to a prudent Squirrel, or a family-oriented Kangaroo to an ever-hungry Panther, each Animals tariff plan is transparent and comes with specific promises from Mobistar that guarantee a better service, price, relevance and lifelong benefit.

Mobistar's postpaid offering is focused around the innovative concept of customer segmentation by type of usage (voice, text, web browsing), rather than by a standard segmentation by spending size. It allows us to make the best value proposal for the client, by adapting the offer's content (handset, bundles of minutes, SMS, data package) to the needs of our customer. It represents our strategy of competing by differentiation and quality, as opposed to a pure price competition.

Mobistar's prepaid offering has also followed the philosophy of our postpaid tariffs. Integrated under the same Mobistar brand name, it gives our customers the flexibility of allocating the recharge between voice minutes and SMS/data.

In the second half of the year, and increasingly so, mobile data traffic became the company's new cynosure. The rising sales of smartphones validated this timely shift in focus. Mobile data traffic on smartphones positively skyrocketed in the course of the year, going from 54 MB to 186 MB per user/month. Mobistar, anticipating this 2013 trend, was the only Belgian carrier on the market to launch specific multi-device plans, which grant customers easy access to the selfsame mobile data bundle on their smartphones, tablets and other devices.

Mobistar also continued to innovate with additional services for its current customer base:

- **Personal check-up**

  As far back as the end of 2012 Mobistar launched a service providing customers with a personal check of their tariff plans two times per year. Based on the results, customers are proactively offered a more suitable plan. The service brought Mobistar in compliance with the new telecom law (which provides for an annual review) but it also responds to the growing awareness of customers with regard to the content and costs of their contracts. In coming years Mobistar will continue to invest in customer relations to improve loyalty. The personal check together with the organic and automatic tariff adjustments led to almost a million customers switching to a more suitable tariff plan in 2013. Currently, 89 % of Mobistar's residential customers are on an Animals tariff plan that is less than two years old, which gives Mobistar a significant lead on the competition.

Dolphin
Burst up and share with your friends without ruining your budget

Kangaroo
A lot of texts and calls to manage your daily life

Panther
Unlimited enjoyment on your smartphone and tablet

Squirrel
Rechargeable card Simple to reach

B2C PRODUCT OFFERING

Type	Name	Main characteristics
Postpaid	**Kangaroo**	The Kangaroo tariff plans are suited for people who want voice and sms and do not want to have mobile data within their bundle, and hence do not want to pay for it.
	Dolphin	People eager for mobile data are served by the entry level of the Dolphin series.
	Panther	People eager for mobile data are either served by the abundance of the Panther series.
Prepaid	**Squirrel**	A rechargeable card allowing its users to call and text. Used for basic needs.
	Kangaroo	A rechargeable card allowing its users to call and text a lot to manage their daily life.
	Dolphin	A rechargeable card providing a complete formula with unlimited texting, Twitter and Facebook, but also plenty of surfing volume to enjoy mobile internet.
Mobile internet	**Surf Card Extra**	
	Internet Everywhere 15	Full-mobility Internet access via a 3G dongle, which can be used with a netbook or laptop.
	Internet Everywhere Unlimited	

MyMobistar

The launch of MyMobistar constituted a major advance in the digital interaction with customers. MyMobistar is an app that customers can use to check their usage and access their invoice 24/7. This makes MyMobistar an important tool for controlling the telecom invoice and stimulating customers to maximise the potential of their tariff plan. Customers can also use MyMobistar to find the nearest point of sale and to activate roaming and other options. Mobistar will activate additional MyMobistar functionalities in 2014.

New tariff plans

Mobistar's launch of the Animals tariff plans in April 2012 and the introduction of highly simplified tariff plans by competitors in response led to a chain reaction at other operators from the spring of 2013. Mobistar adjusted its tariff plans again in April 2013. But unlike competitors, Mobistar was unwilling to oversimplify its tariff plans. Mobistar is confident that a full but limited offering better meets the personal needs and usage of customers. Mobistar facilitates this by splitting customers into age categories and identifying how they use telecom services.

Go Europe

To meet the needs of customers that are more active internationally, Mobistar has developed Go Europe, a roaming option under the same conditions as the customer's domestic tariff plan for a limited charge of 3 euros per day. Go Europe is designed to help customers keep their telecom invoice under control, while stimulating telecom use abroad.

Non-mobile offering

While wishing to position itself as a mobile operator first and foremost, Mobistar is convinced of the importance of its non-mobile services. A major factor that cannot be ignored here is the demand of customers for straightforward solutions that enable them to purchase all their telecom services from a single operator.

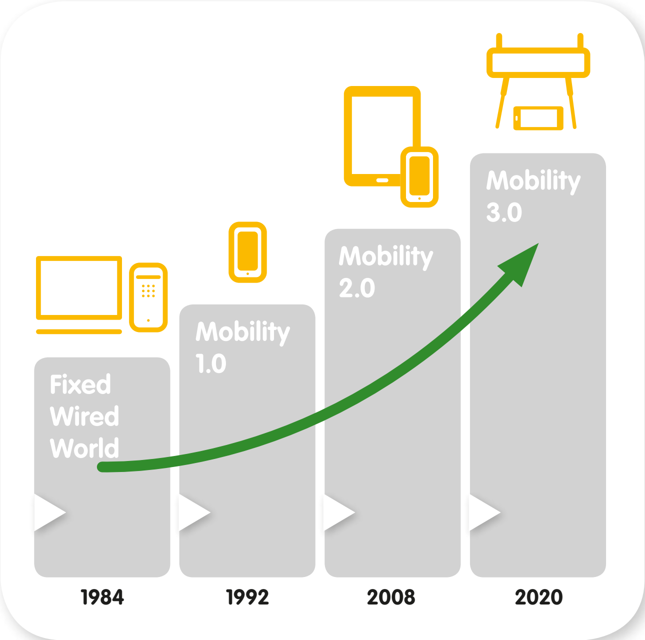
To gain a significant market share in this expanding segment, in 2010 Mobistar took the decision to offer additional telecom products, including TV, alongside the existing mobile telephony services. For TV, the only option at the time was a satellite-based system. But, given that a huge 98 % of the Belgian population has access to cable technology, satellite was not our customers' first choice. The high copyright fees, the more complicated installation and the hardware requirements made it difficult for Mobistar's TV offering to gain a foothold. In May 2013 Mobistar decided to gradually discontinue the TV offering. The decision was fully implemented by September 2013.

However, the opening of the cable market, first announced as early as 2011 with the technical and commercial arrangements established by the end of 2013, means that there is the possibility of a convergent offering in the future. Mobistar is determined to offer combined TV and telecom tariff plans and again challenge the convergent operators.

The B2B market

If you want to serve corporate customers, you have to respond to the changing needs of the business market.

Mobistar continues to gain market share as the biggest challenger on the B2B market in Belgium. It has a highly segmented focus on large corporate customers as well as small and mid-sized businesses. Mobistar's B2B unit has already made good progress in integrated mobile and non-mobile services, which puts it in an excellent position to respond to the global Mobile First trend. Mobility, cloud, open innovation and partnerships are therefore the most important aspects in the strategy pursued by Mobistar's B2B unit. Even more than in the residential market, Mobistar positions itself as an innovator that wishes to help and support customers in the digitisation of their organisation. In contrast, in the past mobile connectivity was not prioritised and all decisions were taken with the aim of protecting and growing the non-mobile services.



Corporate customers

Enterprise Mobility 3.0

To support business customers, Mobistar first and foremost markets telecom solutions for mobile telephony, fixed telephony, mobile internet and mobile data, and other carrier activities. These services are backed by a wide range of partnerships with independent ICT integrators. In 2013 Mobistar firmly committed to the new mobile players, suppliers of innovative mobile IT applications that supplement traditional IT systems and solutions.

This entire strategy combining connectivity, content and services has been branded as Enterprise Mobility 3.0. Its success is first and foremost dependent on a complete product offering that guarantees network and data security. It is true to say that Mobistar's connectivity product range is deeply entwined with mobile device management (MDM) and mobile app management (MAM). As such, Mobistar responds to the latent market demand, which is driven among other things by the 'bring your own device' (BYOD) trend and relates to both mobile devices and mobile apps that run on them.

To achieve this, Mobistar started building an open eco-system as early as 2013. In the course of 2014 Mobistar will continue to gather information on the possibilities of mobile apps, present proposals to potential partners and set up actual partnerships. A revamp of the B2B organisation in 2013 to streamline these processes and enable Mobistar to market one-stop solutions resulted in the merger of the Partnership and Machine-to-Machine departments.

B2B PRODUCT OFFERING

Type	Nature	Category	Name
Communication	Mobile telephony		
	Mobile internet	On smartphone	National Unlimited / Business Everywhere / Blackberry
		On your PC or tablet	Business Eveywhere Essential / Business Everywhere Intense
		On various devices	Business Everywhere Duo / Mobile Data Sum & Share
	Fixed telephony		Fix Corporate / One Office Voice Pack / One Office Full Pack
	Fixed data and internet		One Office Voice Pack / One Office Full Pack / Matrix Solution with IP VPN, Ethernet, Corporate internet
Devices	Catalogue of devices		
	Services		Mobile Device Management / Device Xpert Line / Device Business Insurance / GSM Clinic / Hardware Care
Mobility Management	Solution	BYOD Management	
		Mobistar Mobile Device Management	Standard / Advanced / Premium
Machine-to-Machine & Applications	Machine-to-Machine		M2M Essential / Customized M2M
	Applications		
Tailored Services			

B2B offering

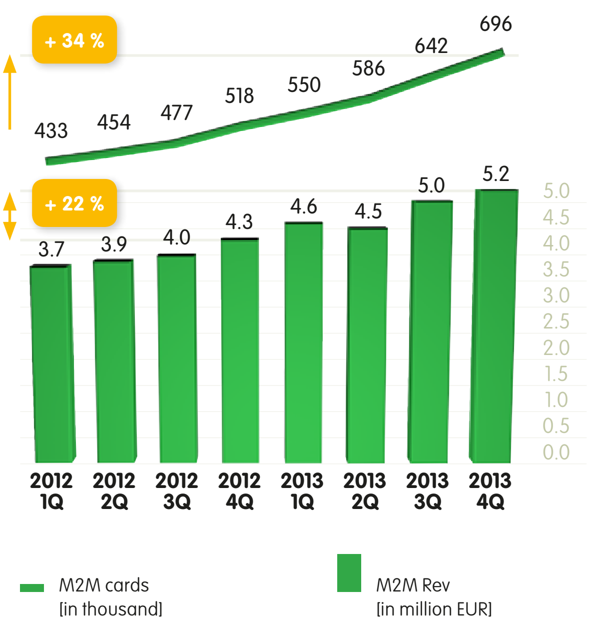
Mobistar launched a remodelled offering specially for business customers in September 2013. The focus is on Mobile Business, a formula for customers with 5 to 500 SIM cards. A new option is National Unlimited Traveller, which is especially attractive in the event of intensive roaming. Pro Inclusive supplements the Animals tariff plans for small businesses and SOHO customers with 1 to 5 SIM cards.

As with residential customers, Mobistar is committed to conducting a tariff plan review every six months to generate a more appropriate solution for business customers.

Customer relations

A dedicated Mobistar B2B website went live in 2013 to strengthen ties with business customers. The far-reaching digitisation of communication and the interaction with customers was extended to the Mobistar Centers, where B2B customers are welcomed at special reserved expert points. The direct sales department was also split into four regional teams, enabling them to respond faster to specific customer needs. The Mobistar centers increasingly serve as physical expert points for the professional market.

M2M



What is a Connected Thing?

Connected Vehicle includes machines that allow transport of passengers or goods, e.g. e-call, fleet management.

Connected People includes humans or animals, e.g. tracking of people´s geographical positions, measurement of bio markers.

Connected Consumer Gadget includes electronic equipment intended for entertainment, communications and/or leisure, e.g. cameras, TVs, white goods.

Connected Money includes devices for payment and related services, e.g. vending machines, point-of-sale.

Connected Building includes physical structures used as homes, offices or public facilities.

Connected Industrial Process is defined as part of a larger commercial process or procedure, e.g. manufacturing equipment.

Connected Infrastructure includes physical objects optimised for public needs or regulatory demands, e.g. Smart grid, Smart meters.

Machine-to-Machine (M2M)

Machine operation is no longer simply a question of human interaction or supervision. Much of the monitoring has already been automated, a trend that will continue in the future. The monitoring reports are automatically sent to a pre-programmed data centre. For instance, drinks machines report when they are running low on stocks, while technical systems report when they require servicing. But there are numerous existing or potential applications on the road (safety, route checks, pay-as-you-drive), in health care, in the gambling industry, in government services and in the home.

SIM cards connected to an operator's network are used for data transmission. Mobistar has a leading 70 % market share in this segment in Belgium, a position it is determined to consolidate and strengthen.

The number of SIM cards for Machine-to-Machine applications rose sharply in 2013, especially towards the end of the year. In total 695,691 SIM cards were active in Machine-to-Machine applications at the end of 2013, a 34.3 % increase compared to the end of 2012, when that figure was 518,098. The M2M connectivity and the growth potential of this segment are both promising. Furthermore, new contracts quickly involve a few thousand SIM cards and customer churn in this segment during the life of the systems in question is virtually ruled out.

By the end of 2014 Mobistar hopes to reach 1 million SIM cards for Machine-to-Machine applications. The expectation is that M2M will break through on a large scale in the future, going well beyond the scope of purely business applications and becoming a fundamental component in a huge number of applications used by every consumer on a daily basis.

MVNO

MVNO customers use Mobistar's network to offer products and services when they do not have the right technology in-house. Mobistar's best known MVNO relation is the one with Telenet, which offers its mobile services on Mobistar's network.

The advantage of MVNO contracts is that they allow costs to be spread over the largest possible customer base, reducing the average cost per user, focusing on partnerships that offer complementarity in terms of content or customer segment. In practice, Mobistar primarily targets MVNO partners that differentiate themselves in terms of content (through attractive roaming plans or the availability of competence centres in other languages, say) and low-cost providers.

The number of MVNO customers increased by 36 % in 2013, from 890,000 in December 2012 to 1,209,732 in December 2013. Mobistar will obviously examine every opportunity to consolidate its leadership in this segment in 2014.

Orange Communications Luxembourg

Orange Communications Luxembourg S.A. is a wholly owned subsidiary of Mobistar. For almost ten years, Orange Communications Luxembourg has been active in the Grand Duchy and serves a little over 100,000 customers out of a population of 537,000, supplemented by an estimated 157,000 foreign commuters on a daily basis.

The high penetration of smartphones in Luxembourg is striking – at almost 80 % significantly higher than the figure for Belgium – as is the success of all-in bundles, which has driven strong growth in mobile data consumption in the country. More than 90 % of the population is covered by the 2G/3G network, while 70 % have 4G coverage, so there is a lot of growth potential for Orange Communications Luxembourg.

4G-network

In October 2012 Orange Communications Luxembourg became the first operator in Luxembourg to offer mobile data on its 4G network. In October 2013 Orange Communications Luxembourg launched the 4G network for smartphones and automatically integrated 4G into most tariff plans, another innovation. Investments in 2013 exceeded EUR 6 million, primarily in new information systems and the expansion of the 4G network, which more than 90 % of the population will be able to access by the beginning of 2015.

Quadruple bundel

The strategic enrichment of the product portfolio was expressed in 'Open TV', a quadruple product combining mobile and fixed telephony, internet and TV services. To be able to offer this new product, which was launched in November 2013, Orange Communications Luxembourg partnered up with Eltrona Telecom, Luxembourg's biggest cable company. The initial results are very encouraging: almost 30 % of customers are new customers that have never had a mobile subscription with Orange Communications Luxembourg before. The experience we have acquired managing this process will be very useful in Belgium, especially now the wholesale cable regulation project has reached the implementation stage.

Roaming

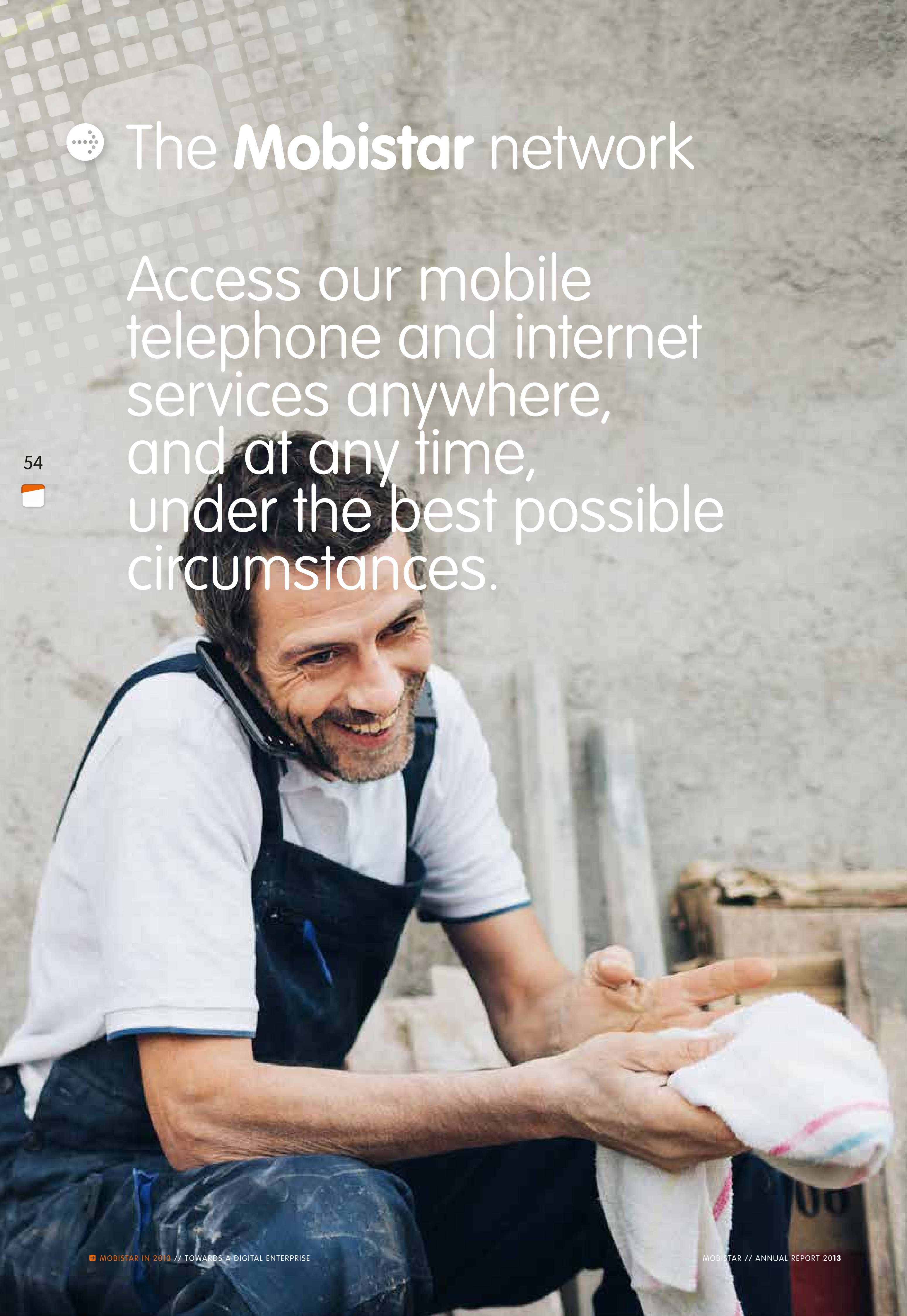
Cross-border calls are an important factor in a transit country like Luxembourg. So it's no surprise that Orange Communications Luxembourg responds to this demand proactively. Since September 2013 a roaming option has been integrated in most bundles marketed by Orange. While that does have a negative impact on turnover in the short term, it has greatly improved the attractiveness of the product portfolio. The growth of the residential customer base in the fourth quarter proves that Orange Communications Luxembourg's forward-looking approach and commercial lead is appreciated by Luxembourg consumers.

Orange Communications Luxembourg's turnover remained stable in 2013 compared to 2012. However, improved efficiency and greater cost awareness have had a very favourable impact on EBITDA. Orange Communications Luxembourg is targeting another dynamic year in 2014, when it plans to turn heads on the market with innovative applications to consolidate and improve its position in the Grand Duchy, in spite of the regulatory pressure that has driven down termination rates by 90 %.

B2B SOHOs

The all-in offer 'SmartPRO' targeting the SOHO segment has been launched in Luxembourg. Its specificity is that it is not only proposed by the direct B2B sales but also by the shops where 9 'Pro spaces' have been specially designed for this segment to meet the communication needs of entrepreneurs, small companies and liberal professions. First results are very encouraging on a segment not really considered so far by the competition.

The **Mobistar** network



Access our mobile telephone and internet services anywhere, and at any time, under the best possible circumstances.

Our basic principle is simple: all Mobistar customers have to be able to access our mobile telephone and internet services anywhere, and at any time, under the best possible circumstances. Mobistar's comprehensive mobile network covers voice and video calls and a high volume of mobile broadband internet: 99 % of the population outdoor and 88 % indoor. Indeed, the Mobistar network is the technological linchpin of Mobistar's entire enterprise. In Belgium alone, Mobistar has 3,938 radio sites with antennas at its disposal, spread across the entire country. 753 of these are shared with different operators.

(in % of Belgian population)

Network coverage	2013	2012	2011
GSM Voice / Edge	**99.7 %**	99.7 %	99.7 %
3G (UMTS) / HSDPA	**99 %**	97 %	96 %
Number of 2G radiosites *	**3,428**	3,352	3,335
Number of 3G radiosites *	**2,950**	2,412	2,148

* Including indoor & tunnels.

Source : Mobistar.

In order to improve the quality of its services and prepare the way for the company's ambitious strategy in the field of mobile data, Mobistar continues to invest in the development, performance and implementation of its state-of-the-art network. In 2013, the global investment in network infrastructure rose to EUR 260 million, which included the license fee for the 800 MHz spectrum. The latter should prove to be a pivotal investment, as it will markedly improve the 4G network coverage.

Another important step forward in terms of investment and innovation was the global upgrade of Mobistar's radio network, in which the older Nortel 2G equipment was replaced with new and more performance-oriented Huawei 2G/3G/4G infrastructure. The investment programme, from its inception in 2011 to its conclusion in 2013, has led to a noted improvement of the network's 'deep indoor coverage' (i.e. strong signal reception inside buildings), while reducing the energy consumption of the antennas with no less than 25 %, provided they have a constant perimeter. In the course of 2013, moreover, the download speed over the Mobistar network was double that of the previous year. The global update, which required a EUR 36 million investment, has laid the groundwork for Mobistar's introduction of cutting-edge 4G technology.

The company's expansion of UMTS in the 900 MHz frequency range, making use of added radio sites and the activation of ancillary 3G dual carrier technology, was completed by the end of the third quarter. These measures not only improve the network coverage, but also its overall quality and speed. Again, Mobistar has kept in mind the same basic principle: all its customers have to be able to access our mobile telephone and internet services anywhere, and at any time, under the best possible circumstances.

In November 2013, Mobistar opened up its 4G network to thousands of its customers in 30 cities and towns across Belgium. Already at the end of the year the number of 4G cities had nearly doubled, reaching 50. In the first half of 2014, coinciding with the launch of Mobistar's commercial offer, at least 80 more cities and municipalities will be included in the 4G network. Because Mobistar wants to guarantee a flawless 4G experience, a city or town is only declared open and operational when the local 4G functionality and coverage have been proven to meet the most stringent standards.

Mobistar's fully renewed network.

For 2014 the prime company focus is on maintaining the quality levels both in the 3G and 4G networks. Its ambition is to cover almost the entire country with 4G by the end of 2014.
In this respect, Mobistar hopes that the trammelled legislative context in the Brussels Capital Region will be resolved soon, as the region's present emission laws continue to frustrate the implementation of 4G.

Mobistar has set its future sights, moreover, on the operation of additional microwave-antennas and its own fibreglass network. This move would allow the company to improve the quality of its backhauling thanks to high-speed lines, which in turn will enhance the customer's digital experience.

Mobistar's 'Highway' project is also gaining speed.
This initiative aims to enhance the customer experience of the Mobistar network on the Belgian motorways. Extensive drive tests throughout the country have allowed Mobistar's engineers to identify meshed blind spots in the network.
Once these were detected, apposite actions were undertaken to assure a consistent user experience.

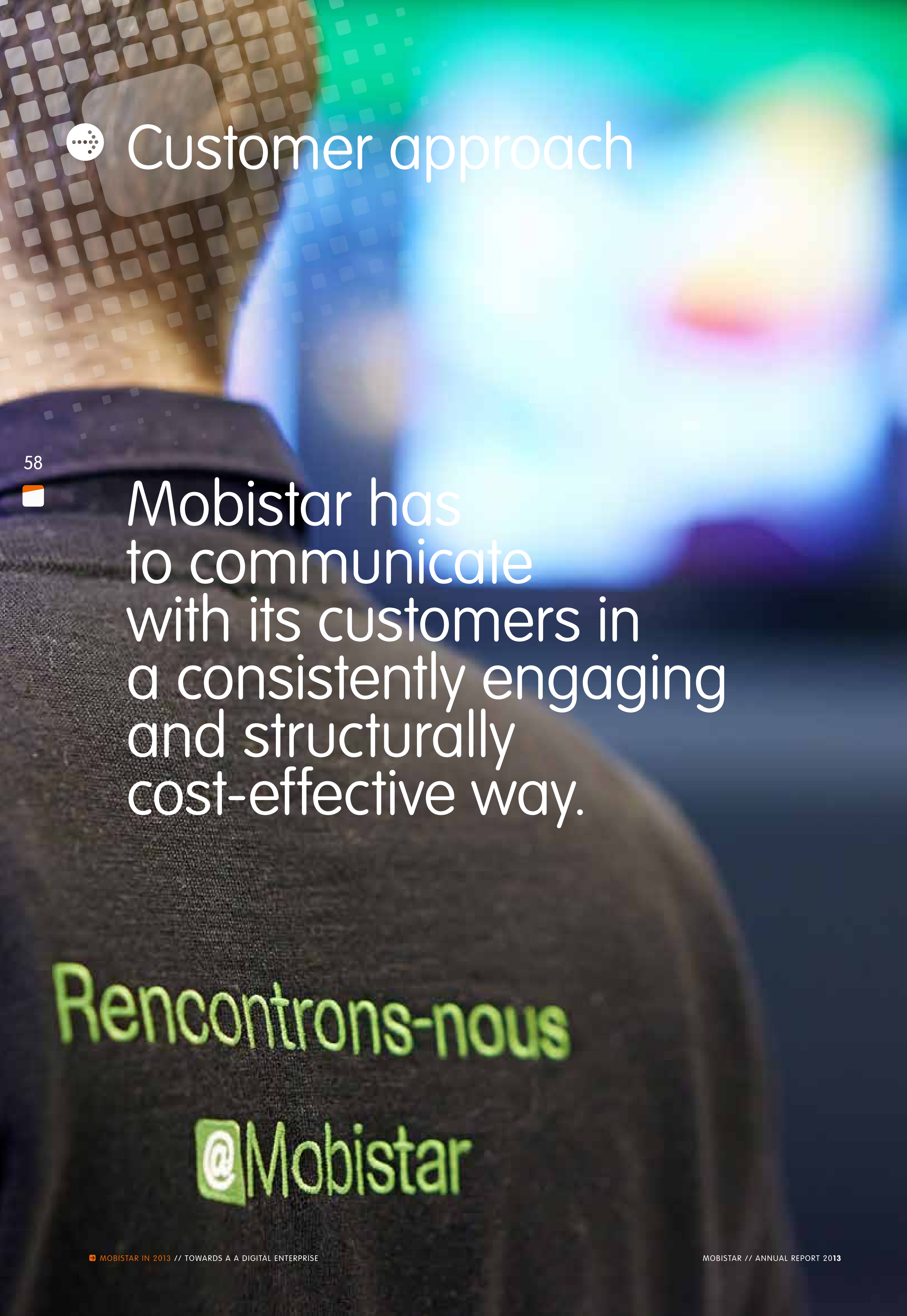
Mobistar has also stepped up its efforts to communicate to its customers, in a personalised and transparent fashion, the measures it is taking to ensure the smooth performance of the mobile network they are using.

Looking at the wider context, the security of personal data presents itself as one of the key challenges of tomorrow.
In light of mobile data's rise to prominence, the topical discussion about the ideal combination of network performance and security, both of the network and the data proper, has become more important than ever. As ever, and to the best of its abilities, Mobistar remains thoroughly committed to fulfilling its customers' expectations.

The network has to be predictably 'good', because if customers do not experience its quality in a very real way, it is effectively useless.

Customer approach

Mobistar has to communicate with its customers in a consistently engaging and structurally cost-effective way.



In a rapidly changing telecom market, where 'digital' is the new watchword, the conventional way of approaching customers has seen its day.

To an increasing extent, the traditional model with dedicated shops, franchising and multibrand retailers has left the door open for customer defection, a trend that is aggravated by the new telecom regulation.

Consolidating the existing customer base is vital in today's climate and requires a new and a more direct way of approaching, preferably through one's own channels, the people who use Mobistar's products and services.

In 2013, 161 points of sale made up the Mobistar distribution network, of which 45 were self-managed shops. At the end of 2013, 53.3 % of gross adds were concluded through Mobistar's direct sales channels, including self-managed stores, Mobistar Traffic Zones (a shop-in-shop concept), B2C and B2B websites and telesales. 46.7 % of gross adds derived from indirect channels, such as Mobistar shops operated by external agents, business partners, exclusive or non-exclusive distributors (telecom vendors, purchase groups,…).

The shorter contract span imposed by the new telecom law compelled Mobistar to completely revamp its distribution strategy over the course of 2013. Historically, the strategic priority of operators lay in the recruitment of new customers, who entered into a contract for a minimum period of 24 months. Today, the telecom consumer is only bound to a maximum term of 6 months – although on the current market, far more lenient contracts and deals (some as short as one month) are becoming more and more commonplace.

This tenor has shifted the main focus of the telecom players towards the consolidation, rather than the accretion, of their customer base. In this setting, the added value of customer experience, customer service and a hands-on customer approach has become readily apparent. As a consequence, Mobistar favours its controlled and exclusive distribution channels.

In a market that has suffered decreasing margins, the main challenge is to interact with the customer in a more direct, innovative, performance-driven and cost-effective way. Mobistar rose to this challenge in 2013 and has made great strides in the digitisation of its customer contracts. In addition to meeting the necessary legal requirements, the company has also responded to the market's call for advancement of online transactions, which is sweeping today's telecom sector. The launch of the new B2B and B2C websites has similarly bolstered Mobistar's novel approach to customer care. However, the customer's inherent need to interact with a salesperson directly and on a personal level cannot be underestimated and remains an important concern.

Customer experience to be enhanced through new concept stores, services in shops and cross-channel functionalities.

CONTROLLED DISTRIBUTION

- Strengthen the controlled network.
- Rationalize the footprint.
- Complement with other traffic streams not captured in our controlled channels.

WEB CENTRIC

- Develop online sales.
- Aggressively grow online sales and retention.
- Be at the forefront of online functionalities, social media, etc.

CUSTOMER EXPERIENCE

- Seamless cross-channel experience @ every customer touchpoint.
- Particular focus on shops and services.

An end to end approach across all the linked stages of our customer life cycle across all distribution channels.

Marketing & acquisition → Provisioning → Service usage → Billing → Customer management

Websites, contact centers, social media, forums, Mobistar Centers, …

Concept store

The brand-new concept store in Liège stands testament to Mobistar's redesigned digital approach to customer relations. The store not only broadcasts the Mobistar image, but also creates a welcoming, immersive and thoroughly modern setting that offers the customer a completely novel experience. With the opening of the cutting-edge concept store in November 2013, Mobistar has managed to meet and even surpass customer expectations. The concept also proved a real inspiration for the company retail, reflected both in terms of customer services and the escalating sale of smartphones, a key success that resulted in a sector-leading market share of 25 %.

The new concept store also volunteers its services to business customers, providing them with a dedicated point of contact. In the past, some of these business services were available exclusively by phone. The new and improved line of approach has gone down a storm with customers, as demonstrated by the 20 % jump in the Net Promoter Score for business generated from retail.

Innovation in Transformation

2014 heralds a number of sharply defined challenges. First, Mobistar will have to establish strategic partnerships to ensure the operation of its future concept stores. At the same time, it aims to streamline and optimise its operational costs by reducing the number of sales points by 20 % - without losing sight of customer needs.

In concert with the actions proposed, Mobistar has also made a priority of the smooth implementation of its integrated digital platform. It also aims to extrapolate the efficiency of its web-based communications to the shops. In order to achieve this, a competence model has been set up for the Mobistar salespeople, whose future task will extend far beyond the selling of mobile telephone products. In light of the cable regulation and the market's range of converging tariff plans, the salesperson of tomorrow will be more of a partner than a mere seller of goods, i.e. he or she will have to be qualified and ready to communicate with customers in a consistently engaging and structurally cost-effective way.

To support this new approach to its customers, Mobistar has put considerable effort in fine-tuning and elucidating its brand image. This return to essentials fits into Mobistar's marketing plan to establish a simple, clear and transparent system of communication that revolves around the dynamic concept of mobile lifestyles, showcased by real-life examples.

Corporate Social Responsibility

In 2013 Mobistar, convinced that a quality CSR strategy should be based on listening and dialogue, was keen to continue the dialogue with stakeholders begun in 2012.

It was with this in mind that Mobistar set up its CSR Advisory Board, made up of people from outside the company, who were chosen for their expertise in a range of social concerns.

Message from the chair of the CSR Advisory Board.

“As Chair of the CSR Advisory Board I am obviously able to follow Mobistar’s CSR policy very closely. We are actually Belgium’s first CSR Advisory Board. We have both internal and external members. Our primary task is to monitor Mobistar’s CSR strategy in a critical and constructive way, among other things by putting forward innovative suggestions informed by a different worldview. The company is represented by Jean Marc Harion, CEO of Mobistar, Paul-Marie Dessart, Secretary General, and Eric Dekeuleneer, professor at Solvay Business School and director of Mobistar. The CSR Advisory Board is also enriched by the experience of Mrs Patricia Zanoni, professor of diversity and social innovation at the Hasselt University, and Mr Eric Domb, CEO of Pairi Daiza, erstwhile chairman of Union Wallonne des Entreprises and author of the book “L’engagement sociétal de Pairi Daiza”. As Change Executive Officer at Business & Society Belgium, I am delighted to chair the CSR Advisory Board, while Sabine Desmette, CSR manager at Mobistar, acts as coordinator.

We meet twice per year to evaluate the CSR strategy. The external viewpoint of the experts enables Mobistar to continue along the path it has marked out. During the first year, we had the opportunity to exchange thoughts on Mobistar’s customer approach and their involvement in the corporate strategy with Mrs Cristina Zanchi, Chief Consumer Officer.

That shows a natural tendency towards openness and dialogue, which is too often lacking at large companies. I sincerely hope that Mobistar’s initiative is followed by other companies that are concerned about sustainable business.”

Sabine Denis
Chair of the CSR Advisory Board and
Change Executive Officer at Business & Society Belgium

Governance

We formed a CSR Advisory Board in September 2013, comprising two internal and four external members. The CSR Advisory Board's mission is, in particular, to:

- Keep Mobistar informed of innovations in the areas of social responsibility and sustainable development;
- Give advice and suggestions on Mobistar's CSR strategy and propose them to the CSR Committee;
- Give advice on internal awareness-raising about CSR.

The recommendations of the CSR Advisory Board are fleshed out by the CSR Committee, which comprises Mobistar's CEO and General Secretary as well as 3 members of the Executive Management of Mobistar. Special task forces can then flesh out the various points and transform them into concrete action plans.

Strategy

Consulting stakeholders has made it possible to identify their expectations and priorities and act on them.
As a result of this exercise, the CSR strategy is being adapted to reflect these priorities.
As such, the setting up of the Advisory Board provides a continuous link with the stakeholders.
Mobistar's CSR strategy is integrated with its business activity and its aims follow from its commitments:

- To ensure our employees are recognised for their contribution and enabled to develop their potential;
- To respect our clients and guarantee them quality, transparency and security when they access our services;
- To encourage the harmonious integration of our company within society, especially by promoting social and digital inclusion;
- To reduce our environmental impact.

Employees

Community

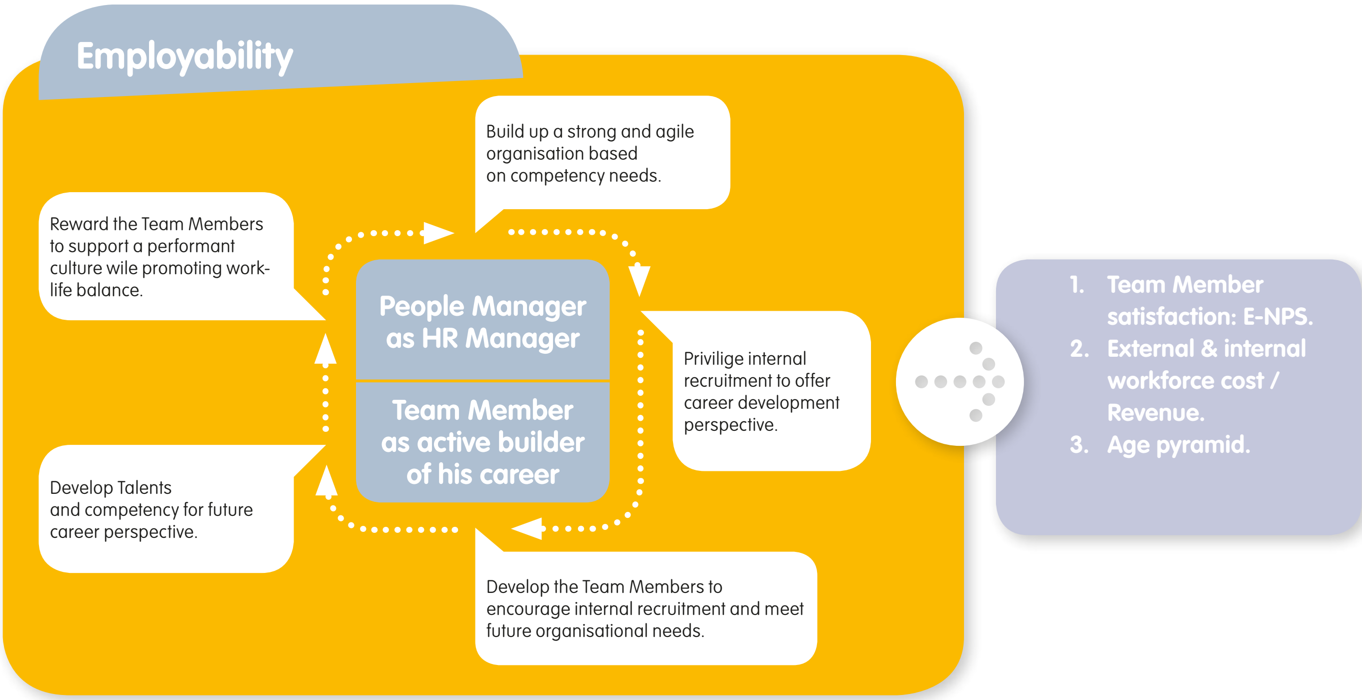
Customers

Environment

Employees

Mobistar perceives its human resources policy as a pivotal factor in putting the company strategy into practice. The HR Policy was reviewed in 2013.

The people of Mobistar constitute a key asset that Mobistar wants to develop to meet the organisational and business changes.



Provide a WOW Team Member experience.

Connecting People

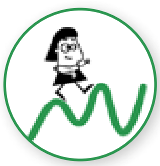
Building up a social dialogue.

The evolution of the competencies of the team members is carefully managed. Based on an analysis of the needs throughout the company, Mobistar has identified the key competencies of the future and geared its organisational structure to the company's 4 main strategic priorities:

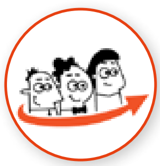
- be a leader in the mobile market,
- pioneer innovative mobile services,
- offer the best customer experience,
- and the greatest industry efficiency.

This was done in an agile way.

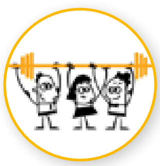
Individual team member development is harmonised with the required evolution of the competencies, and at the same time we have optimised the potential for career development within the company. An overall development plan has been set up for the whole company to create a common frame of competency evolution and a culture of continued development that cultivates people's potential.



Change management
transforming our organisation in a new challenging direction.

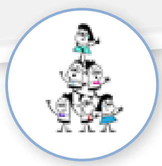


Transversal collaboration
creating a collaborative environment to boost business performance.

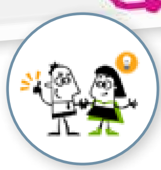


People development
developing our people's strengths to reach excellence.

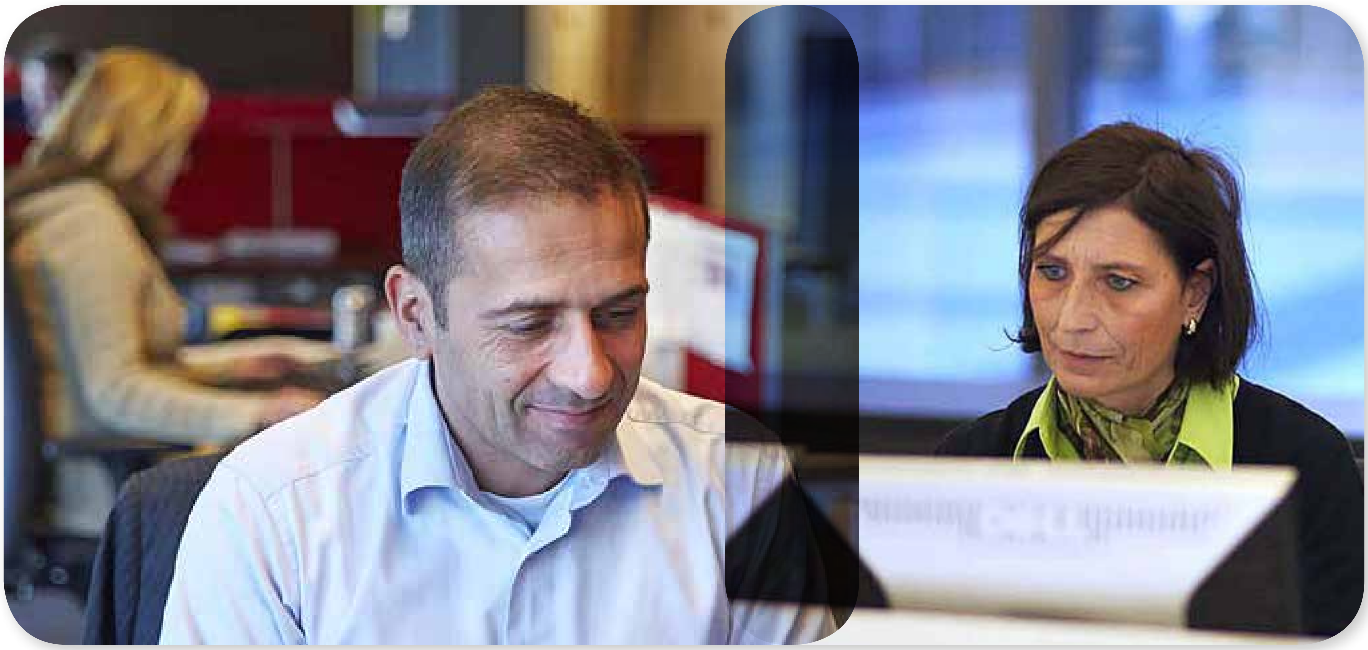
Customer orientation
creating a customer centric culture.



Team leadership
building a high performing team.



Partnership management
managing excellent creation and execution with others.



At the end of 2013, the Mobistar group workforce consisted of 1,842 team members, a reduction compared with the end of 2012. The reduction of the number of team members was achieved through natural attrition, combined with a strong boost for new career opportunities. All vacant positions are open to internal mobility, and team members are encouraged to discover new functions and to develop new proficiencies that will contribute to the Mobistar's collective skill set and talent pool and, in doing so, meet the company objectives.

Commitment

Mobistar encourages commitment from its team members and closely tracks 'net promotor scores' of its employees in order to continually re-evaluate their processes and their actions.

Mobistar pays a lot of attention to its strategy of rewards in the broadest sense of the term, including the involvement of employees in both the definition and execution of the company's strategy and actions, their wellbeing and work-life balance, and their personal commitment to the Mobistar culture and values. Our remuneration policy is continuously benchmarked against the Belgian market to offer competitive wages.

Mobistar, moreover, has shown itself to be a true innovator in terms of teleworking, which has improved the level of employee contentment and satisfaction. As a provider of mobile solutions, and in the spirit of promoting its mobility strategy, it wants to give its employees the opportunity to make the most of working in a quiet home environment, improving people's flexibility and creating a better balance between work and personal lives.

Mobistar also promotes various wellbeing and teambuilding activities, and provides its team members access to numerous benefits and facilities, such as holiday camps for the team members' children, dry-cleaning services, … .

In addition, 292 employees received a free flu vaccination and 316 employees were given a medical examination and/or took an eye test.

Number of employees

1,842

Number of distinct nationalities

22

Average age in years

39.2

Customers

Mobistar intensified the focus on the customer journey in 2013. The way in which customers are helped as they discover the digital world and its innovative applications is part of the company's strategy.

Data security

The Belgian telecom sector was rocked by reports of large-scale privacy violations at the end of 2013. With this in mind, the protection of personal data is a strategic issue for all operators.

For Mobistar it is especially important that employees handle the personal details of customers confidentially. The protection of personal data is an increasingly important issue as mobile data traffic continues to soar. The challenge will be to integrate these principles into new IT solutions. In doing so, we can no longer give exclusive preference to system performance. The security of personal data must carry exactly the same weight.

Net Promoter Score

The Net Promoter Score (NPS), which measures general customer satisfaction, is a significant indicator for customer relations. In 2013 the NPS saw a rise. Various actions have improved the quality and efficiency of customer interactions in spite of increasing activities as a consequence of the new telecom law:

- The quality of the work of external partners, who as first point of contact have a major impact on the NPS, is constantly evaluated. Mobistar makes sure that the contracts are fulfilled scrupulously and that waiting times are minimised.
- An individual customer check is conducted after every call and customers are offered an adjusted tariff plan tailored to their consumption where relevant. This proactive approach, which is usually advantageous to the customer, helps drive up the NPS.
- The development of effective self-care solutions on the website enhances the customer's ability to quickly find solutions to common problems. This approach not only speeds up response times, it also frees up time for other customers who cannot be helped through the self-care process.

Customer Test Center

Mobistar set up the Customer Test Center to gain optimal insight into the experience of customers. The company actively listens to customer experiences, suggestions and concerns during monthly meetings, which promotes interaction and enables the company to meet the expectations of users.

In 2014, Mobistar will put in place specially adapted solutions for customers who complain repeatedly.

Community

Mobistar seeks to integrate harmoniously into society. In practice, we do this by supporting a number of social initiatives, which especially benefit the more vulnerable groups in our society.

In 2013 **Mobistar** gave the following equipment to the **Close the Gap** association:

Mobile phones	70
Displays	43
Laptops	221
Desktops	103
Printers	96
Fax machines	1
HDDs	45
Routers	14

Participate! ASBL

The Participate! association was created at the initiative of Mobistar. Launched in 2006, this association aims to improve the quality of life for people with autism and those around them.

The main tool employed by Participate! is the interactive website (www.participate-autisme.be) that offers high-quality information to parents confronted with a diagnosis of autism. The site is subdivided into three main areas, which present theoretical information, videos and a practical guide.

In 2013, the association's website was improved and expanded with new content and the accent was placed on publicising the existence of the association and the tools made available to the public. Facebook and YouTube pages were opened under the association's name. Contacts with the specialist press led to the publication of several articles on the actions of Participate! A global mailing was launched to special schools, health and welfare centres, leisure services and associations, doctors, hospitals, rehabilitation centres, etc. In total, nearly 10,000 envelopes went out. Psychologists have also given around one hundred presentations across the whole country and appeared on a stand at events linked to autism.
As a result, it was noted that the number of visits to the Participate! website increased by 85 % compared to the previous year.

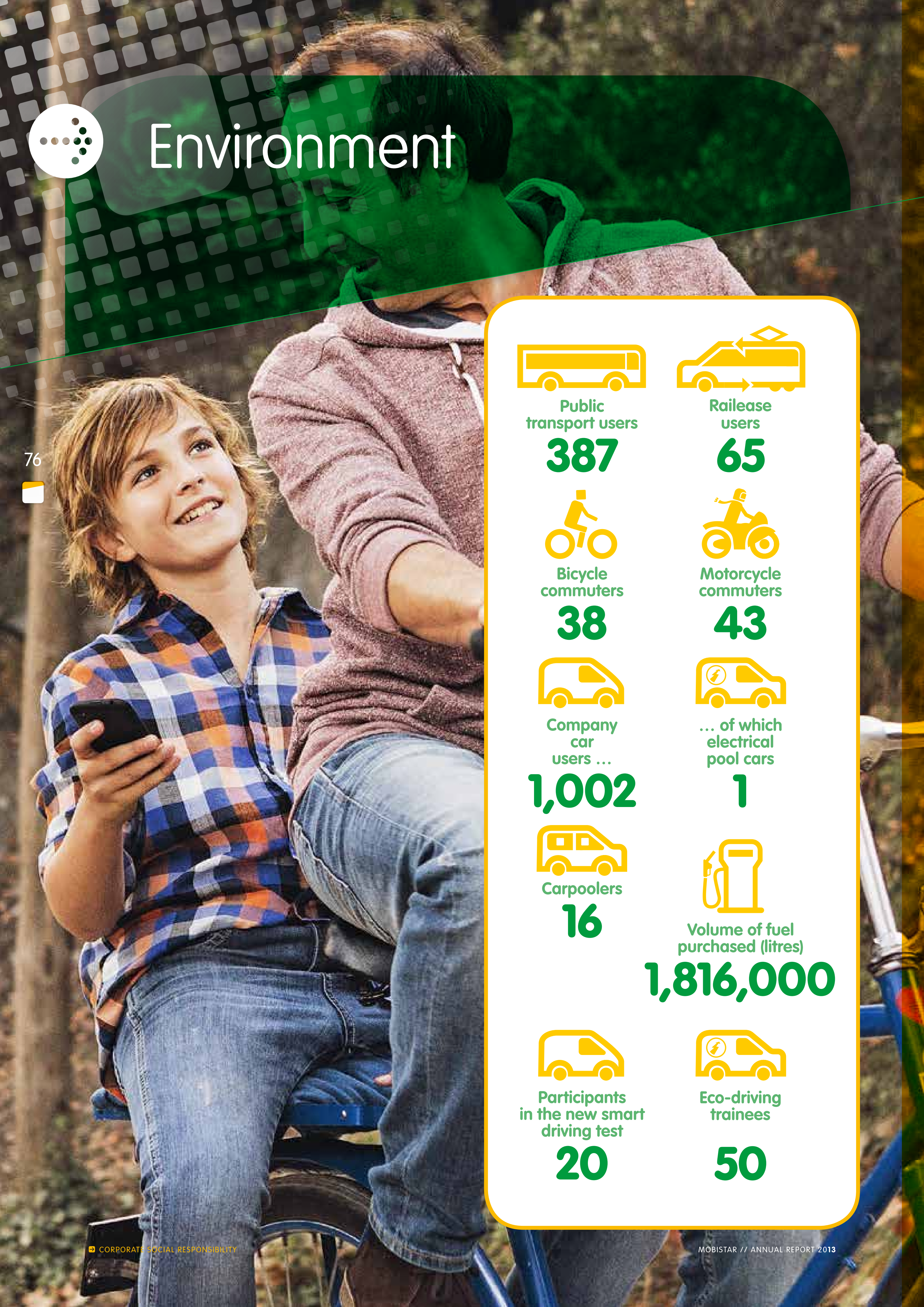
Close the Gap

Society is going digital at an ever-faster pace. This should be applauded, but there is a risk that certain socio-economic groups will be left behind. That can lead to exclusion from a number of social developments. To help bridge the digital divide, in 2013 Mobistar took the decision to reaffirm its commitment to the Close the Gap project. Mobistar IT equipment that reaches the end of its life is thoroughly checked before being made available to specific target groups.

In-house initiatives

As well as large-scale and recurring initiatives, every year Mobistar runs a number of smaller-scale campaigns, which are often instigated by employees or are characterised by sizable employee involvement. These included the following initiatives in 2013:

- 74 donations of blood by members of staff during special blood drives at the Mobistar offices in association with the Belgian Red Cross;
- 'Opérations Thermos': distribution of hot meals to homeless people at Brussels Central Station by Mobistar employees;
- Active participation in the 'Shoebox' campaign launched by the association 'Les Samaritains' to distribute food and sweets to people in need;
- Support for guide dog training for the benefit of blind and partially sighted people;
- Consent for every member of staff to do voluntary work during business hours one day per year;
- Organisation of an internal event raised nearly EUR 6,000 on behalf of the Sun Child ASBL, which works for the welfare of sick children.



Environment

Public transport users **387**	Railease users **65**
Bicycle commuters **38**	Motorcycle commuters **43**
Company car users … **1,002**	… of which electrical pool cars **1**
Carpoolers **16**	Volume of fuel purchased (litres) **1,816,000**
Participants in the new smart driving test **20**	Eco-driving trainees **50**

Mobistar has, out of respect for the environment, always worked to reduce its carbon footprint.

Mobility

Mobility is one of the most important action areas, in which Mobistar constantly strives to identify low-carbon alternatives. Impressive achievements in 2013 included:

- The introduction of the Railease concept with 65 participants.
- The availability of fully electric or hybrid cars for team members. The first two fully electric company cars are already on the road.
- The further reduction in the average emission of new additions to the fleet to 109 grams. The average emission for the whole fleet is 118 grams, compared to 141 grams in 2010.
- The organisation of mobility week in association with the neighbouring businesses at Da Vinci Park to promote bicycle use.
- A slight rise in public transport ridership.

Energy

Mobistar is committed to reducing its electricity, gas and diesel consumption, as part of a rational energy consumption drive focused on renewable energy.
Since 2008 Mobistar exclusively consumes green energy from 100 % certified renewable sources.

The 5 biggest consumers in descending order are:
GSM network; fixed network and internet; central telecom hubs and data centres; office buildings; and Mobistar Centers.

Waste policy

Mobistar runs campaigns throughout the year to drive down the volume of waste produced and encourage reuse. Any waste that is produced is sorted as much as possible. In 2013 Mobistar's waste management was assessed by parent company Orange.

The emphasis, among others, is on collecting old mobile phones. In 2013, some 35,118 handsets were collected to be re-used or recycled. This action is carried out in partnership with the company e-cops.

CSR-indicators 2013

ENVIRONMENT

GRI code	Indicators	Units	2010	2011	2012	2013
EN03	Volume of fuel (all buildings, all uses)	m^3	414	464	322	286
EN03	Volume of natural gas	m^3	229,206	144,729	238,140	172,980
EN03	CO_2 emissions due to use of fuel	tonnes CO_2	1,110	1,244	862	765
EN16	CO_2 emissions due to use of natural gas	tonnes CO_2	442	279	460	334
EN16	CO_2 emissions due to the combustion of all fuels in our establishments (excluding vehicles)	tonnes CO_2	1,552	1,523	1,322	1,099
EN04	Total amount of electricity used	GWh	83	108	110	108
EN16	CO_2 emissions related to the use of electricity	tonnes CO_2	0	0	0	0
EN03	Volume of diesel used for the vehicles	liter	1,818,498	1,888,664	1,862,598	1,861,572
EN16	CO_2 emissions as a result of vehicles	tonnes CO_2	5,001	5,194	5,122	5,119
EN 29	Distance travelled by airplane	km	1,179,835	1,253,189	1,169,243	729,686
EN16	CO_2 emissions related to travel by airplane	tonnes CO_2	212	226	210	131
EN29	Distance travelled by train	km	-	866,188	1,353,461	1,410,642
EN16	CO_2 emissions related to travel by train	tonnes CO_2	13.5	42	66	68
EN06	Amount of renewable energy used	GWh	83	108	110	105
EN16	Total CO_2 emissions saved by using green energy	tonnes CO_2	21,630	26,787	23,888	27,000
EN22	Mobile terminals collected from customers and valorised	pieces	-	-	34,924	35,118

EMPLOYEES

GRI code	Indicators	2010	2011	2012	2013
LA1	Total number of employees	1,635	1,771	1,787	1,661
LA1	Total number of fixed-term contracts	7	8	14	20
LA13	Number of male managers	441	459	467	441
LA13	Number of female managers	149	171	174	181
LA1	Average age of personnel	37.1	37.2	37.7	38.6
LA2	Number of redundancies	70	77	101	92
LA2	Number of external recruitments	213	342	239	84
LA2	Number of resignations	54	105	104	80
LA1	Total number of employees previous year	1,418	1,628	1,763	1,787
LA2	Number of departed male employees	81	153	153	134
LA2	Number of departed female employees	43	35	58	80
LA2	Number of departed employees < 30 years old	37	82	77	57
LA2	Number of departed employees between 30 and 50 years old	83	101	127	138
LA2	Number of departed employees > 50 years old	4	5	7	19
LA10	Total number of trained employees	1,369	1,692	1,992	1,436
LA10	Training hours	40,849	60,261	57,987	36,461

The Mobistar share

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

Share and share price

In 2013 Mobistar's shares were listed on Compartment A of Euronext Brussels (ISIN: BE0003735496). As of January 29, 2014 the Mobistar security will be transferred from Compartment A to Compartment B of Euronext Brussels. Compartment B regroups the listed companies having a market capitalization between EUR 150 million and EUR 1 billion. The average market capitalization of the security during the last 60 trading days of 2013 stood at EUR 803,512,984. Following a revision of the national reference index of Euronext Brussels in March 2013, Mobistar was no longer included in the list of the BEL20 companies.

Overall the European telecommunications companies performed well in 2013, almost exclusively supported by the prospects of consolidation as a way to repair the market profitability. Overall, the fundamental picture remained rather gloomy with, in general, a downward revision of the earnings.

In absence of any tangible consolidation potential in the Belgian market in 2013, investors focused mainly on the financial and operational performance of the Belgian telecom operators. The heavy price competition in the mobile market resulted in an accelerated decline of the earnings of the Belgian mobile operators. The culmination of these operational challenges was mirrored by the share price performance.

In the first months of 2013 Mobistar kept pace with its Belgian peers and the Belgian reference index BEL20. Mobistar opened the results seasons with 2012 results that were in line with the overall market expectations. The 2013 guidance on the other hand surprised on the downside.
Also, the first quarter results in April were in line with the market expectations, while the 2013 company guidance was left unchanged, resulting in a rather neutral market reaction.
By May 2013 the commercial intensity heated up in the mobile market, which resulted in a second downward repricing of the mobile prices. As a result, the published results of the second quarter did not meet market expectations.

In addition, Mobistar had to revise its 2013 guidance significantly downwards and decided to suspend its 2013 dividend. This in turn resulted in the largest daily drop of the Mobistar share price. By September the market had digested the reduced guidance. It also became clear that, after a very intense second quarter, mobile prices started to stabilize in the third quarter, which resulted in better than expected third-quarter results. Supported by this encouraging result, the Mobistar share continued its rebound and recuperated a fraction of the lost ground.

Since the start of the year 2013, the Mobistar share lost 48 % reaching its lowest point in July 2013, after which it rebounded by 34 % at the end of the year.

Shareholders' structure

According to Mobistar's bylaws, an increase above (or decrease below) the following thresholds requires a declaration to Mobistar on *adporre@mail.mobistar.be* and the Financial Services and Markets Authority (FSMA) on *trp.fin@fsma.be*:

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

On 30 June 2013, Orange Holding S.A. (previously named 'Orange') was merged into France Télécom S.A. On 1 July 2013, the corporate name of France Télécom S.A. was changed into 'Orange'. Following this merger by absorption, Mobistar received a transparency declaration from Orange S.A. (previously named 'France Télécom'), stating that, as of 30 June 2013, Orange S.A. via its 100 % subsidiary Atlas Services Belgium S.A., holds 31,753,100 shares, representing 52.91 % of the total share capital of Mobistar S.A. The number of shares held by France Télécom/Orange has not changed since 2009.

On 17 December 2013, Mobistar received a transparency declaration from Schroders, stating that, as of 13 December 2013, Schroders Investment Management holds 1,834,727 shares, representing 3.06 % of the total share capital of Mobistar S.A. To Mobistar's knowledge, no other shareholder owned 3 % or more of Mobistar's outstanding shares as at 31 December 2013. Mobistar holds no treasury shares.

Investor relations

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

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

- formal presentations of the quarterly and full year results that can be followed live, through a webcast and via audio conference calls;
- regular investor meetings in Continental Europe, the UK, the US and Canada between institutional investors and analysts, and Mobistar's Chief Executive and Chief Financial Officer to discuss the results and outlook of Mobistar's business performance;
- hosting reversed roadshows and analyst visits at which senior management is present;
- responding to enquiries from shareholders and analysts through our Investor Relations team; and *http://corporate.mobistar.be/go/en/financial_information.cfm* which is a section on our website dedicated to shareholders and analysts. The Investor Relations team also prepares the annual reports that are presented in the framework of the Annual General Meeting.

Investor Relations

T. +32 (0)2 745 80 92
E ir@mail.mobistar.be

Broker	Analyst
ABN AMRO	Marc Hesselink
Bank Degroof	Bart Jooris
Barclays	Michael Bishop
Berenberg Bank	Usman Ghazi
BofA Merrill Lynch	Sasu Ristimaki
Citigroup	Simon Weeden
Credit Suisse	Paul Sidney
Deutsche Bank	David-A Wright
Exane BNP Paribas	Antoine Pradayrol
Goldman Sachs	Joshua Mills
HSBC Securities	Nicolas Cote-Colisson
ING	Emmanuel Carlier
Jefferies	Nayam Amjad
JP Morgan	Akhil Dattani
KBC Securities	Ruben Devos
Kepler Cheuvreux	Matthijs Van Leijenhorst
Macquarie	Guy Peddy
New Street Research	Jakub Dubaniewicz
Nomura International	Nawar Cristini
Petercam	Stefaan Genoe
Rabo Securities	Frank Claassen
Raymond James	Stephane Beyazian
Société Générale	Stephane Schlatter
UBS	Polo Tang

Analyst coverage

In total 24 brokerage firms are actively publishing equity research notes on the company. This analyst base shows a good mix of a local (29 % from the Benelux) and international analyst coverage (respectively 58 % and 13 % from the United Kingdom and France).

Dividend payment

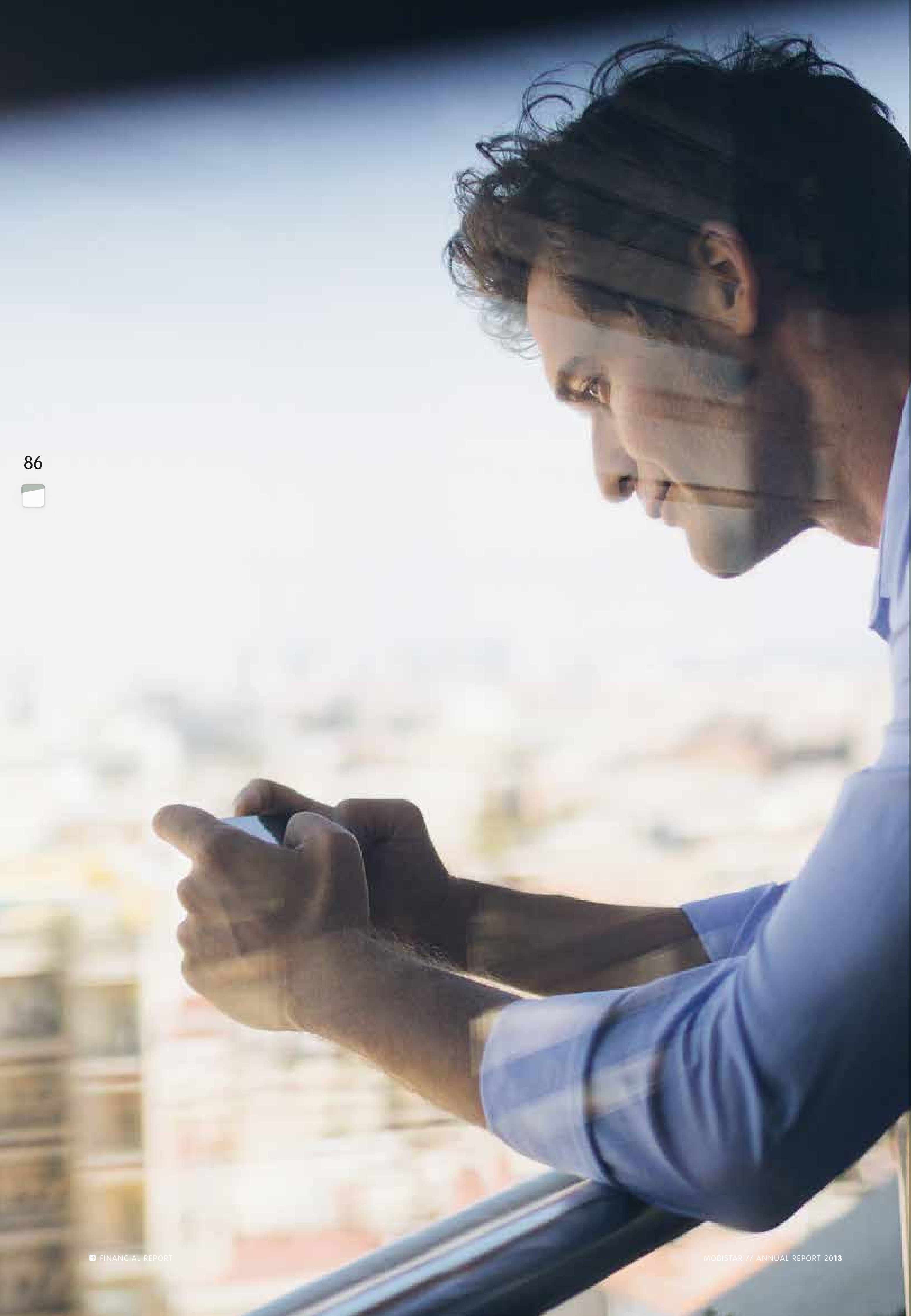
The strategic investments in its future and decisive action to transform the company have required an important financial outlay. The Board of Directors will therefore, as already announced in July 2013, propose to the Annual General Meeting to suspend the dividend for the financial year 2013.

Dividend policy

It is the policy of the Board of Directors to propose a profit appropriation to the Annual General Meeting. In doing so it will prioritize the maintenance of an adequate level of cash flow for investment and self-financing in order to support future growth. As such the payments of dividends, if any, and the amounts and timing thereof, depend on a number of factors, including future revenues, profits, financial conditions, general economic and business conditions, the company's future prospects, applicable legal and regulatory requirements and such other factors as the Board of Directors may deem relevant.

FINANCIAL CALENDAR

31 March 2014	Annual report 2013 available on the website
24 April 2014	Financial results Q1 2014 (7:00 am)
24 April 2014	Financial results Q1 2014 (10:00 am) - Conference call
7 May 2014	General Meeting of Shareholders (11:00 am)
24 July 2014	Financial results H1 2014 (7:00 am) – Press release
24 July 2014	Financial results H1 2014 (10:00 am) – Conference call
20 October 2014	Financial results Q3 2014 (7:00 am) – Press release
20 October 2014	Financial results Q3 2014 (10:00 am) - Conference call



Financial Report 2013


Play
Work
Love

Management report for the 2013 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) on 28 June 2010 as an annex to the Royal Decree of 6 June 2010 regarding the designation of the Corporate Governance Code to be complied with by listed companies.

In 2013, 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 18 October 2013. This ninth version of the Corporate Governance Charter has entered into force on 1 December 2013. The Charter is available on the Mobistar website (*http://corporate.mobistar.be/go/en/financial_information/corporate_governance.cfi*) 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 and risk management systems

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. The management and control of the company and the functioning of the management bodies are detailed in the declaration of corporate governance contained in the 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 Orange 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 Orange 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:

- Budget instructions: the budget instructions provide the operational translation of the strategic guidelines in budgets and objectives for the upcoming year.
- Quantification operational plan: translate the operational plans (budgets, revenues, throughput time) in one master planning.
- Budget validation: validation of the master budget by the Executive Management and the shareholders.
- Budget implementation and communication: communication of the validated budget to the different market units and departments.
- Budget review: review hypotheses and expectations used at budget development (from a cost and revenue perspective) and set objectives to outperform budget.
- 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 effectiveness of the risk coverage and 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.

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.

A corporate internal audit department, consisting of two members of the Institute of Internal Auditors, is organized in a way that ensures it can carry out its assignments with independence and impartiality. To this end, the internal audit manager reports to the Chief Executive Officer and the Audit Committee. The internal auditors respect the IIA's International Standards and are also submissive to the Mobistar corporate internal audit charter and ethics charter.

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 2013, 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 %
Schroders	1 834 727	3.06 %
Free float (others)	26 426 587	44.03 %
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 a wholly owned subsidiary of Orange 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 2013 Schroders passed the threshold of 3 %.

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. All bearer shares should have been converted into registered or dematerialised shares by 1 January 2014. The bearer shares that have not been dematerialized by that date were transferred ipso iure to a securities account in the name of the company at Euroclear. All securities that have not been reclaimed by January 2015 shall be sold by the company pursuant to the provisions of the applicable legislation.

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 2013, 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	68	Belgian	2014
Jean Marc Harion (1) (2)	Executive director	CEO Mobistar	52	French	2014
Conseils Gestion Organisation (3) (4)	Independent director	Director of companies	NA	Belgian	2014
Eric Dekeuleneer (3)	Independent director	CEO Credibe CEO University Foundation	61	Belgian	2014
Johan Deschuyffeleer (3)	Independent director	Vice-President HP Technology Services	56	Belgian	2014
Société en Gestion, Conseil et Stratégie d'Entreprise (3) (6)	Independent director	Director of companies	NA	Belgian	2014
Geneviève André (1)	Director	VP Governance & Performance (Orange)	58	French	2014
Benoit Scheen (1)	Director	EVP Europe (Orange)	47	Belgian	2014
Brigitte Bourgoin (1)	Director	Group Chief Compliance Officer (Orange)	60	French	2014
Bertrand du Boucher (1)	Director	VP Finance (Orange)	60	French	2014
Gérard Ries (1)	Director	Directeur des Participations Internationales (Orange)	59	French	2014
Wirefree Services Belgium (1) (5)	Director		NA	Belgian	2014

(1) Directors who represent the majority shareholder (Atlas Services Belgium S.A.).
(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 Orange 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.

Board of Directors

Brigitte Bourgoin

Eric Dekeuleneer

Benoit Scheen

Bertrand du Boucher

Jean Marc Harion

Jan Steyaert

Geneviève André
Nadine Lemaître-Rozencweig
Johan Deschuyffeleer
Gérard Ries
Philippe Delaunois

The Board of Directors meets at least four times a year. In 2013, 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 strategy with respect to fixed line activities, reports and access to cable;
- the status and evolution of the network including 4G roll-out and related licence(s);
- 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.

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).

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

DIRECTORS	05/02	21/03	19/04	19/07	02/09	18/10	13/12
Jan Steyaert	P	P	P	P	P	P	P
Brigitte Bourgoin	P	P	P	R	P	P	P
WSB	P	P	P	P	R	E	P
Eric Dekeuleneer	P	R	P	P	P	P	P
Conseils Gestion Organisation	P	P	P	P	P	P	P
Bertrand du Boucher	P	P	P	P	P	P	P
Gérard Ries	P	E	E	P	E	P	P
Benoit Scheen	P	P	P	P	P	P	P
Johan Deschuyffeleer	P	P	P	P	P	P	P
SOGESTRA	P	P	P	P	E	P	P
Jean Marc Harion	P	P	P	P	P	P	P
Geneviève André	P	P	P	P	P	P	P

P: Present / E: Excused / R: Represented.

The Audit Committee

In 2013, 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 2013.

The principal subjects which have been discussed within the Audit Committee in 2013 are the following:

- the periodical financial, budget and activity reports;
- the internal control, including the quality aspects;
- the internal audit (plan, activities, reports and conclusions);
- the evaluation of the external audit and report of the statutory auditor;
- the risk management (cartography 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 Remuneration and Nomination Committee

In 2013, 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 2013, the Remuneration and Nomination Committee met six times and examined, among others, the remuneration of the members of the Executive Management and the remuneration policy of the company. The committee reviewed the composition of the Executive Management and discussed the changes that occurred during the year 2013.

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

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

DIRECTORS	04/02	18/04	18/07	17/10	15/11	12/12
Eric Dekeuleneer	P	P	P	P	P	P
SOGESTRA	P	P	P	P	P	P
Conseils Gestion Organisation	P	P	P	P	P	E
Bertrand du Boucher	P	P	P	P	P	P
Gérard Ries	P	E	E	E	E	P

P: Present / E: Excused.

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

DIRECTORS	05/02	05/03	19/04	24/05	18/07	24/10
Benoit Scheen	P	P	P	P	P	P
Jan Steyaert	P	P	P	P	P	P
Eric Dekeuleneer	P	E	P	P	P	P
SOGESTRA	P	P	P	P	P	P
Conseils Gestion Organisation	P	P	P	P	P	P

P: Present / E: Excused.

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 2013, the Strategic Committee consisted of eight directors: the company Conseils Gestion Organisation (represented by Mr Philippe Delaunois) (Chairman), Mrs Brigitte Bourgoin, Mrs Geneviève André, Messrs Johan Deschuyffeleer, Jan Steyaert, Gérard Ries, Benoit Scheen and Bertrand du Boucher.

In 2013, the Strategic Committee met six times and 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 and distribution;
- the quality and amelioration of the 3G network and the services;
- the follow-up of the opening of the cable;
- the follow-up of the auction for the 800 MHz licence;
- the trends of the market and the strategic positioning of the company;
- the auto-evaluation of the functioning of the Committee.

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 2013, the Governance Supervisory Committee consisted of five directors: Messrs Eric Dekeuleneer (Chairman) and Jan Steyaert, Mrs Geneviève André and the companies Wirefree Services Belgium (represented by Mr Aldo Cardoso) and Conseils Gestion Organisation (represented by Mr Philippe Delaunois).

In 2013, the Governance Supervisory Committee met twice.

The subjects dealt with in 2013 were, among others, the update of the Corporate Governance Charter, the evaluation of the committees, as well as the follow-up of the status of the dematerialization of the Mobistar shares.

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

DIRECTORS	18/01	26/03	28/06	18/07	20/09	15/11
Conseils Gestion Organisation	P	P	P	P	P	P
Brigitte Bourgoin	P	P	P	P	P	P
Jan Steyaert	P	P	P	P	P	P
Bertrand du Boucher	P	P	R	P	P	P
Gérard Ries	P	P	E	E	E	E
Benoit Scheen	P	P	P	P	P	P
Johan Deschuyffeleer	E	P	P	P	P	P
Geneviève André	P	P	P	P	P	P

P: Present / E: Excused / R: Represented.

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

DIRECTORS	05/02	17/07
Eric Dekeuleneer	P	P
WSB	P	P
Jan Steyaert	P	P
Conseils Gestion Organisation	P	P
Geneviève André	P	P

P: Present.

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.

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:

NAME	FUNCTION	
Jean Marc Harion	Chief Executive Officer	
Stéphane Beauduin	Chief Business Unit B2B Officer	
Paul-Marie Dessart	Secretary General	
Werner De Laet	Chief Financial Officer Chief Executive Officer of Orange Communications Luxembourg S.A.	until 2 May 2013 since 15 May 2013
Ludovic Pech	Chief Financial Officer	since 15 August 2013
Olivier Ysewijn	Chief Strategy Officer	until 30 November 2013
Anne Cambier	Chief People Officer	
Cristina Zanchi	Chief Customer Relationship Officer Chief Consumer Officer	until 30 November 2013 since 1 December 2013
Alain Ovyn	Chief Customer Service Officer	since 1 December 2013
Bart De Groote	Chief Marketing Officer B2C	until 31 December 2013
Erick Cuvelier	Chief Information Officer	
Sven Bols	Chief Sales & Distribution Officer	
Gabriel Flichy	Chief Network Officer	

The Executive Management

Erick Cuvelier
Chief Information Officer

Ludovic Pech
Chief Financial Officer

Jean Marc Harion
Chief Executive Officer

Gabriel Flichy
Chief Network Officer

Paul-Marie Dessart
Secretary General

Alain Ovyn
Chief Customer Service Officer

Anne Cambier
Chief People Officer

Sven Bols
Chief Sales & Distribution Officer

Xavier Fortemps
Director Procurement & Efficiency

Werner De Laet
Chief Executive Officer of Orange Communications Luxembourg S.A.

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

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 the decision-making process;
- checking the current composition of the Board of Directors and the committees against its desired composition.

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

The Board of Directors and the committees were evaluated in February 2013. The results of this evaluation revealed no malfunction or evident lack of competence within the Board of Directors and the committees issuing from the latter.

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 2013, 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 2014 Annual Shareholders' meeting.

In the course of 2013, the company has not been informed of any transaction on the company's shares by a member of the Executive Management or by a member of the Board of Directors.

1.10 Remuneration report

Remuneration policy of Mobistar

Mobistar maintains a performance-oriented remuneration policy whose purpose is to motivate the employees to attain the company´s objectives by encouraging individual performance. The remuneration policy fits within the framework of a more comprehensive "reward" strategy, including the involvement of the employees in the elaboration and implementation of the company´s strategy, the work-life balance, the culture and values of the company.

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

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

In the coming two years, the Remuneration and Nomination Committee foresees an evolution of the Executive Management´s remuneration, in order to promote the achievement of a long-term ambition, while taking account of the very rapid evolution of the telecom world.

Structure of the remuneration of the members of the Executive Management

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

- Yearly basis remuneration
- Variable remuneration, based on the short- and long-term performance and encouraging the attainment of the company's objectives
  a. Short-term variable remuneration called "performance bonus"
  b. Short-term variable remuneration called "Strategic Letter"
  c. Long-term variable remuneration called "Long-Term Retention Plan 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. In 2013, the same remuneration policy as that of the previous years was applied for the members of the Executive Management concerning the performance bonus and the Strategic Letter.
- 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 and "éco-chèques"
  f. Housing costs of the CEO and some members of the Executive Management

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

Components of the remuneration of the members of the Executive Management

The remuneration policy concerning the Executive Management is assessed and discussed within the Remuneration and Nomination Committee that submits its propositions for approval to the Board of Directors.

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. The variable short-term part – performance bonus

The short-term variable remuneration is a key element in the remuneration policy of the company. Based on salary surveys, the level of the target variable contractual remuneration lies between 35 % and 50 % of the yearly basis remuneration depending on the type of position. This variable remuneration consists of one part encouraging the attainment of the company's objectives and another part aimed to stimulate the individual performance.

- 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 achievement of the objectives of the company.
- The collective part which is based in 2013 on the financial indicators and the customer satisfaction, reflecting the company's strategic ambition to put its customers at the centre of its activity:
  a. The consolidated turnover.
  b. The EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization).
  c. The Net Promotor Score (percentage of customers who are promoters - percentage of customers who are detractors).

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

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

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

In case of non-achievement of the 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 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.

3. The variable short-term part – 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. The CEO benefits from a contractual "Strategic Letter".

In 2013, a "Strategic Letter" has been granted to all the members of the Executive Management. This "Strategic Letter" is based on key operational performance indicators in the achievement of the company's strategic ambitions.

The measured KPI's are the following:

- Operating Cash-flow
- Churn
- Customer NPS Improvement
- Evolution of the indirect costs

4. Long-Term Retention Plan 2011-2013

The "Long-Term Retention Plan 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.

In 2013, the Long-Term Retention plan established in 2011 expired. The evaluation is based on a percentage applicable to the same financial KPI's than the ones of the performance bonus and this for the two semesters of 2011 and the two semesters of 2012.

Granting of the Long-Term Retention plan launched in 2011 was linked to a condition of presence in March 2013 and has been granted under the form of options on shares which are not linked to the company.

These options shall be blocked during one year.

As the CEO started working for the company at the end of 2011, he does not participate to this plan, as it is the case for the members of the Executive Management who joined the Executive Management in the course of the 2011-2013 period.

This remuneration element will be reviewed for the 2014-2015 period, in order to stimulate the achievement of the long-term strategy of Mobistar.

5. Group insurance - additional pension plan

The additional pension plan is a plan with predefined contributions. The acquired reserve consists of employers' and personal contributions.

6. 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 fulfilled, 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

In 2013, the Executive Management's remuneration remained globally stable (subject to indexation) compared to 2012. Nevertheless, the total Executive Management's remuneration shows in 2013 an increase due to certain exceptional elements:

- In 2012, the CEO's remuneration included the variable remuneration for only half a year and no holiday pay due to the arrival of the CEO in December 2011.
- The maturity of the long-term retention plan 2011-2013 for the members of the Executive Management in place in 2011 and still in place in 2013; this long-term retention plan is not linked to the 2013 performance, but to the performance of the years 2011-2012.
- In 2013, more members of the Executive Management opted for the settlement of their performance bonus by way of options on shares which are not connected to the company, compared to 2012 (resulting in no additional cost for Mobistar).

It is also to be noted that the remuneration report 2013 stipulates the performance bonus for the periods S2 2012 and S1 2013 as a consequence of the timing difference. The S2 2013 bonus, linked to the results of the second semester 2013 will consequently be included in the remuneration report 2014.

in EUR

THE DETAILED REMUNERATION OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT	2013	2012
CEO		
Gross basis remuneration	319 077	298 945
Gross variable remuneration (short-term) in cash and/or options on shares which are not connected to the company	213 011	76 240
Other components of the remuneration (excluding employers' contributions to the pension plan):	42 580	37 134
Risk insurance	9 356	9 866
Other components	33 224	27 268
Employers' contributions to the pension plan	64 547	70 961
Total	**639 214**	**483 280**
Gross variable remuneration (long-term) in cash and/or options on shares which are not connected to the company	-	-
Total	**639 214**	**483 280**
Executive Management (except the CEO)		
Gross basis remuneration	2 008 687	1 951 232
Gross variable remuneration (short-term) in cash and/or options on shares which are not connected to the company	1 077 196	885 465
Other components of the remuneration (excluding employers' contributions to the pension plan):	242 982	177 152
Risk insurance	53 395	47 766
Other components	189 587	129 385
Employers' contributions to the pension plan	350 353	287 614
Total	**3 679 218**	**3 301 463**
Gross variable remuneration (long-term) in cash and/or options on shares which are not connected to the company	1 105 010	-
Total	**4 784 228**	**3 301 463**
GLOBAL TOTAL	**5 423 442**	**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 2013, the Executive Management (except the CEO) was composed of 9.8 full-time equivalents. In 2012, it was composed of 9.4 full-time equivalents. The members of the Executive Management who were not in service all year long are taken into account prorata temporis.

A redundancy payment corresponding to 13 months remuneration has been paid to Mr Bart De Groote (Chief Consumer Marketing Officer B2C) at the end of December 2013.
A redundancy payment corresponding to 18 months remuneration has been paid to Mr Olivier Ysewijn (Chief Strategy Officer) at the end of November 2013.

No share, option or any other right to acquire shares of the company have been granted, exercised or have expired in 2013.

The remuneration policy for the directors

For 2013, the independent directors will receive a fixed annual remuneration of EUR 33,000 as well as an additional remuneration of EUR 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, prorata temporis) 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 Philippe Delaunois)
- SOGESTRA (represented by Nadine Lemaître-Rozencweig)
- Johan Deschuyffeleer

For 2013, the Chairman of the Board of Directors, Mr Jan Steyaert, will receive a fixed annual remuneration of EUR 66,000 as well as an additional remuneration of EUR 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, prorata temporis) 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
- Benoit Scheen

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

The detailed remuneration of the directors:

in EUR

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	13 200	13 200	4 400	96 800
Conseils Gestion Organisation (represented by Mr Philippe Delaunois) (independent director)	33 000	11 000	13 200	13 200	4 400	74 800
Eric Dekeuleneer (independent director)	33 000	13 200	11 000	0	4 400	61 600
SOGESTRA (represented by Mrs Nadine Lemaître-Rozencweig) (independent director)	33 000	13 200	13 200	0	0	59,400
Johan Deschuyffeleer (independent director)	33 000	0	0	11 000	0	44,000
Total	**198 000**	**37 400**	**50 600**	**37 400**	**13 200**	**336 600**

2. Key events 2013

2.1 Market developments

The structural market imbalance, between an extremely competitive and open mobile market on the one hand and a duopolistic and closed fixed market on the other hand, has been worsening in 2013. 2013 has to be seen as a watershed year for the mobile telephony market in Belgium with a substantial increase in the rotation of customers between operators driven by an intensified level of competition, and a significant downward repricing of the mobile tariffs.

The Mobistar group ended the year with 5,177.7 thousand active mobile customers (including mobile broadband and MVNOs), which represents a 4.7 % increase year on year. Mobistar has also maintained its position on the Belgian market, with a network market share of 38.4 %. These figures include the growth of "Machine-to-Machine" cards, which increased from 518.1 thousand at the end of 2012 to 695.7 thousand end of 2013.

The number of postpaid customers has reached 70.1 % of the total customer base at the end of 2013 (MVNOs excluded), as compared to 68.1 % in 2012.

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 36.0 % in one year, from 889,540 active customers at the end of December 2012 to 1,209,732 active customers one year later.

2.2 Evolution of offers and services

The customers' rotation amongst the different operators increased driven by the entry into force of the new telecom law in October 2012. Since then, there is a stronger growth in the quantity of number portability. This trend has only been witnessed in the mobile market and not in the fixed market, although the new law applied to both markets.
Due to the mobile market turmoil already alluded to here above, all mobile network operators including Mobistar had to repeatedly adjust the pricing of their postpaid tariff plans, as to remain relevant and competitive in the market.
Besides the regulatory context, as the key driver of disruption in the mobile market, the advent of fixed network operators as mobile service providers also has to be taken into account.

2013 was the year in which mobile data traffic soared. Today, the usage of high speed mobile broadband internet finds itself at a critical tipping point. The rapid expansion in mobile broadband service and the rise of iconic smartphones and connected devices have combined to create an unprecedented level of demand for mobile data by the Belgian consumers. The rise in mobile data traffic in Belgium has been fuelled by a number of factors. Historically, Belgium has been lagging behind in terms of smartphone penetration as handset subsidisation was not a market practice prior to 2009 as it was forbidden by law. Since then mobile network operators have shied away from transforming the Belgian market into a structural subsidisation market, and the operators applied a more tactical approach to handset subsidisation. This implies that Belgian consumers are accustomed to primarily buying their own smartphones. In 2013 the adoption rate of smartphones finally kicked in in Belgium. In turn these devices boosted mobile data usage. Consumption of rich media and video increased substantially in 2013. They require significantly more bandwidth and consume greater capacity than traditional email or text-based messaging services.

Another important reason for the proliferation of mobile broadband is the strong improvement of the mobile network, following the continued investments to improve coverage, reliability of the services and speed.

For a more detailed view of our offers and services, we refer you to "The residential market" and "The B2B market" sections (pages 44-51) of this annual report.

2.3 Distribution

In the course of 2013 Mobistar has heavily scrutinized its distribution strategy and has laid a solid foundation for the future. This strategic review was triggered by the shorter contract duration imposed by the new telecom law in October 2012.

In 2013 Mobistar continued developing the fundamentals:

- Mobistar created the building blocks of its online real estate by launching a new B2C & B2B website, boosting its presence on social media and making sure that the back-end is robust;
- Mobistar further strengthened its IT footprint to leverage multichannel opportunities, allowing to address the customer with one tone of voice across all customer touch points, no matter whether the customer presents himself in a shop, online, through a phone contact and regardless whether it concerns a direct or indirect, exclusive touch point;
- Mobistar initiated a rationalization exercise of its direct distribution footprint with the ambition to close down 30 shops before the end of 2015 and to tighten the relationship with all distribution channels;
- Mobistar launched its first innovative store concept, named "@Mobistar", in the city of Liège, to meet new market trends. In the course of 2014 additional openings are planned. The concept stores are four times larger than the current Mobistar Centers with an extended portfolio of mobile devices and services. Mobistar developed these new concept stores, as a way "to make the story of high-speed mobile data come alive." The new store plans to do that by creating clear-cut "Lifestyle Zones" in the store, each dedicated to a unique purpose. The store also features an area dedicated to free workshops where customers can learn to use the advanced features on their smartphones. Consumers will also be able to test a wide range of devices and applications live, have their smartphone repaired and make an appointment for professional advice. Additionally, the company will integrate its online system with its retailing system to improve the customer experience.

2.4 Orange Communications Luxembourg S.A.

The market for mobile telephony in Luxembourg was subject to strong competition. Orange Communications Luxembourg S.A. occupied the third place in terms of mobile market share. After consultations, the Luxembourg regulator, under pressure from the European Commission, published its decision early 2014 that MTRs should be decreased to a temporarily level of EUR 0.98 in a one-step move as of end January 2014. After elaboration of a pure LRIC cost model, the charges would be further adjusted in the second semester of 2014. The fixed market in Luxembourg is, like in Belgium, a closed market with historically limited competition between the incumbent and the local cable operators.

At the end of December 2013, Orange Communications Luxembourg S.A. had a total of 102,179 active mobile telephony customers, a decline of 3.4 % compared to the 105,805 active customers recorded a year earlier. However, if compared to the weaker third quarter, the subscriber base rebounded slightly in the fourth quarter. In particular the postpaid residential customer base performed solidly towards the end of the year, driven by the commercial success of the enhanced tariff plans, all now including international calls, roaming and even 4G for the higher-end. The ARPU amounted to EUR 50.15 per month per active customer at the end of 2013, compared to EUR 51.88 during the same period a year earlier. The ARPU decline is largely explained by lower roaming revenues following the launch of "Hello Europe" (allowing roaming calls and SMS, within the subscriptions) and the introduction of SIM-only offers on the Luxembourg market.

Since October 2013, Orange Communications Luxembourg S.A. offers 4G to its customers within a set of tariff plans. 4G is included in "Hello Europe Flat Surf" and "Hello Europe All Inclusive" packages. Customers can also activate 4G with other packages. 4G is also available with "Internet Everywhere" packages which allows customers to use the Orange 4G network on their laptops or tablets.

In November 2013, Orange Communications Luxembourg S.A. started to commercially leverage the deal it has signed with the cable company Eltrona Telecom, to offer its customers convergent services combining mobile and fixed telephony, broadband internet access via mobile and cable and a completely new television offer. The preliminary results are very encouraging as almost 30 % of the customers opting for this quad-play offering are new customers without prior mobile subscriptions with Orange Communications Luxembourg S.A.

At the end of 2013, Orange Communications Luxembourg S.A. posted service revenues of EUR 65.3 million, compared to EUR 65.5 million a year earlier, a decrease of 0.3 %. The total turnover amounted to EUR 75.6 million at the end 2013, an increase of 0.1 % compared to the EUR 75.5 million recorded at the end of 2012.

The direct earnings came out at EUR 34.9 million at the end of December 2013 versus EUR 35.3 million at the end of 2012. The direct margin, as a percentage of the mobile service revenues of Orange Communications Luxembourg S.A., decreased 0.47 basis points in 2013 resulting in a margin of 53.4 % versus 53.9 % in 2012. The EBITDA of Orange Communications Luxembourg S.A. amounted to EUR 13.2 million at the end of 2013, compared to EUR 11.5 million a year earlier. The EBITDA margin improved from 17.6 % in 2012 to 20.3 % in 2013. This positive result was realized despite the start-up costs linked to the launch of its new converged offering following the deal it has signed with the cable company Eltrona Telecom.

2.5 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), and as from 1 November 2012, 28.16 % of IRISnet S.C.R.L. (hereafter IRISnet). In 2012 the scope of consolidation included also 50 % of the temporary joint venture "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.

IRISnet has been constituted in July 2012 in order to take over the activities performed by the temporary association Irisnet which stopped its activities at the beginning of November 2012. The actual take-over of the activities took place on 1 November 2012. In this new legal structure, Mobistar has contributed in cash for EUR 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.

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 EUR 9.8 million of additional income in the fourth quarter of 2012.

3.1 Consolidated statement of comprehensive income

Revenues

The service revenues of the Mobistar group amounted to EUR 1,252.9 million in the year 2013 compared to EUR 1,450.0 million a year earlier, or a reduction of 13.6 %. The negative trend noted during the first half year continued its acceleration especially towards the end of the year due to the propagation of the repricing effect and the lower pre- and postpaid customer base. Pockets of growth were the service revenues coming from Machine-to-Machine and from MVNO, which grew respectively 20.7 % and 59.6 % in 2013. The fourth quarter service revenues of the Mobistar group amounted to EUR 290.2 million, a decline of 21.4 % versus the fourth quarter of 2012.

During the year 2013, the revenues of the Mobistar group were once again negatively influenced by the reduction of the MTR rates in January 2013 and of the roaming rates in July 2012 and July 2013. The impact of these reductions on service revenues of the Mobistar group amounted to in total EUR 57.1 million for 2013, i.e. EUR 33.7 million MTR-impact and EUR 23.4 million roaming-impact. The impact in the fourth quarter amounted to respectively EUR 8.8 million and EUR 3.6 million. Without regulatory impact, the consolidated service revenues would have been down 9.7 % for the full year 2013 and down 18.1 % for the fourth quarter.

The sales of handsets, mainly driven by the success of smartphone continued to progress during 2013 from EUR 200.5 million in 2012 to EUR 208.4 million, an increase of 3.9 %. However, the growth trend curbed off toward the second part of the year. The fourth quarter even recorded a decline of 17.8 % versus the same period last year, given the latter introduction of the new iPhone in Belgium compared to last year and given the gradually increasing volume of subsidized offers in the market.

The total consolidated turnover, which includes services revenues as well as the turnover coming from the sale of handsets, amounted to EUR 1,461.3 million at the end of December 2013, compared to EUR 1,650.5 million on December 2012. This implies a decline of 11.5 % year-over-year, excluding the impact of MTR- and roaming regulation the decline would have been -8.0 % year-over-year.

Operating expenses

The total operating expenses, excluding depreciations, amounted to EUR 1,177.0 million at the end of December 2013, compared to EUR 1,208.4 million at the end of December 2012. This implies a decline of only 2.6 % year-over-year, despite the decline in service revenues.

The interconnection costs decreased due to the effect of regulation for MTR and roaming, and the decline of some wholesale carrier DSL activities.

The 2013 cost of sales of equipment and goods sold were mainly impacted by the evolution in cost of sales of the handsets. The increase is in line with the revenue increase.
The actions based on subsidized handsets have had a negative impact on the handset direct margin, but enabled to support the demand of smartphones and the sales of high end tariff plans. Mobistar executed its tactical approach towards handset subsidisation as planned, i.e. promotional campaigns limited in time and limited in volume. In 2013 Mobistar conducted three waves of subsidized handsets: in early January, June and November-December. This compares to only one wave in 2012. The introduction of tactical subsidised offers in November-December 2013 had a similar impact on the handsets margin as in the fourth quarter of 2012. The fourth quarter direct commercial expenses were up compared to the third quarter.

The indirect costs amounted to EUR 475.2 million at the end of December 2013 compared to EUR 465.0 million at the end of December 2012, an increase of 2.2 % year over year. It has to be noted that in 2012 "services and other goods costs" were positively impacted by the reversal of the provision for universal service costs for an amount of EUR 17.5 million. Commission expenses have globally increased by EUR 4.9 million in 2013. This increase results in a compensation of important decrease of the structural commission expense by EUR 7.5 million offset by provisions recorded in the context of the revamping of the distribution pattern. Two other notable changes in the costs structure are the decrease of the use of consultants and external supports (EUR -16.2 million) and a slight increase of the hardware repair costs (EUR 2.6 million).

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

Employee benefits remained stable despite a decrease in headcount which has been compensated by higher redundancy costs.

Result of operating activities before depreciation and other expenses

The 2013 EBITDA amounted to EUR 317.1 million, which compares to an EBITDA of EUR 494.1 million a year earlier. The EBITDA margin of the Mobistar group reached 25.3 % of the service revenues at the end of 2013, compared to 34.1 % in 2012.
The 2013 EBITDA includes EUR 9.8 million of redundancy costs (EUR 6.2 million higher than those of 2012) and EUR 8.8 million of restructuring costs in the context of the reorganization of the indirect distribution.

Restated EBITDA does not constitute a financial aggregate defined by IFRS as an element of measurement of financial performance and cannot be compared with similarly titled indicators from other companies. Restated EBITDA represents supplementary information and should not be considered a substitute for operating income. The reason why Mobistar is using this presentation is to facilitate comparison of operational performance. The following table shows the transition from EBITDA to restated EBITDA.

in million EURs

EBITDA RESTATEMENTS	FY 2013	FY 2012	VARIATION
Restated EBITDA	335.7	449.0	-32.7 %
Redundancy costs	-9.8	-4.8	
Other restructuring costs	-8.8		
EBITDA	317.1	494.1	-35.8 %

The Mobistar group closed the year 2013 with a restated EBITDA of EUR 335.7 million, a decrease of 32.7 % compared to the same period in 2012. The restated EBITDA margin of the Mobistar group reached 26.8 % of the service revenues at the end of 2013, compared to 34.4 % in 2012. The year-on-year evolution is impacted by two positive elements booked in 2012: the reversal of the universal service provision and the release of previous years accumulated provisions for Irisnet for an amount of respectively EUR 17.5 and EUR 9.8 million.
On a comparable basis, without those one-offs impacts, the 2013 restated EBITDA of EUR 335.7 million would compare to a 2012 restated EBITDA of EUR 471.7 million, a decrease of 28.8 % year-over-year. The regulatory drag continued to be a burden on the 2013 restated EBITDA with a negative impact of respectively EUR 14.7 and EUR 17.1 million related to the reduction in mobile termination- and roaming rates.

in million EURs

EBITDA ONE-OFFS	FY 2013	FY 2012	VARIATION
Restated EBITDA excluding one-offs	335.7	471.7	-28.8 %
Universal service reversal		+17.5	
Irisnet previous years provisions release		+9.8	
Restated EBITDA	335.7	499.0	-32.7 %

Depreciation and other expenses

Depreciation charge as at 31 December 2013 totalling EUR 188.3 million is reduced by 13.3 % versus the one recorded for the same period in 2012. The depreciation of 2012 included the impact of the review of the useful life of the assets related to important projects in IT system and network renewal, i.e. an additional EUR 14.0 million for the first semester 2012 and an accelerated depreciation of EUR 15.0 million recorded to reflect a change in the IT strategy in the scope of software development in the second semester of 2012. In 2013 there has been no further impact related to the IT system and the impact related to the network renewal has been marginal. The decision to suspend the commercialisation of the fixed services to the residential market led the company to review the useful lives of the assets related to these activities. A negative impact of EUR 0.8 million has been booked during the first semester 2013. No major impacts have been recorded in the books in the second semester 2013.

Financial results

The financial expenses have been influenced in 2013 by interests rate and exchange rate variance (EUR -2.5 million), and bank charges (EUR -0.3 million). The new credit line of EUR 120 million secured in December 2013, was drawn for an amount of EUR 100 million at the end of December to pay the 800 MHz spectrum licence. The impact of this credit facility extension on the 2013 financial results was very limited.

Taxes

The tax burden amounts to EUR 33.4 million in 2013. A positive impact on the taxable year 2012 has been recorded in December 2013 for an amount of EUR 6.2 million to record tax deduction for investments. In 2012 the impact was of EUR 7.0 million. Due to the fact that the taxable basis is lower in 2013 than in 2012, the adjustment has had an impact on the effective tax rate which shows a more favourable position in 2013 compared to 2012.

Net profit

At the end of the year 2013, the Mobistar group recorded consolidated net profit of EUR 87.4 million, a decrease of 52.9 % in comparison with the EUR 185.7 million at the end of December 2012.

Net profit per share decreased by 52.9 % from EUR 3.09 per share on 31 December 2012 to EUR 1.46 per share a year later.

The General Shareholders' Meeting held on 2 May 2013 endorsed the proposal made by the Board of Directors to distribute a gross ordinary dividend of EUR 1.80 per ordinary share on the results of the year 2012.

For the 2013 financial year, the Board of Directors will not propose dividend distribution at the General Shareholders' Meeting to be held on 7 May 2014.

3.2 Consolidated statement of financial position

The consolidated statement of financial position total reached EUR 1,449.9 million on 31 December 2013, compared to EUR 1,347.0 million at the end of the previous financial year.

Non-current assets amounted to EUR 1,171.1 million at the end of 2013 compared with EUR 1,045.8 million at the end of 2012 and consisted of the following items:

- Goodwill of EUR 80.1 million, resulting from:
  a. the acquisition of Mobistar Affiliate S.A. (EUR 10.6 million) in 2001;
  b. the acquisition of OLU (EUR 70.9 million) in 2007, adjusted by EUR 2.2 million (decrease) after the acquisition of the remaining shares of OLU in 2008;
  c. the acquisition of MES in 2010 (EUR 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 EUR 380.2 million at the end of 2013 compared with EUR 286.5 million at the end of 2012. Values related to the licences are as follows (respectively acquisition value, net book value at the end of the period, remaining amortization period):
  a. 2G (extension): EUR 74.4 million, EUR 28.5 million, 23 months;
  b. 3G: EUR 149.0 million, EUR 67.9 million, 87 months;
  c. 4G (2.6 GHz): EUR 20.0 million, EUR 20.0 million, as from technical readiness up to end of June 2027.
  d. 800 MHz licence: EUR 120.0 million (acquired in November 2013), EUR 120.0 million, as from February 2014 up to November 2033.
- Property, plant and equipment of EUR 700.0 million at the end of the 2013 financial year to be compared with EUR 665.0 million recorded at the end of the 2012 financial year.
- In 2012, the Group invested in a new Belgian company (IRISnet S.C.R.L.) for an amount of EUR 3.5 million corresponding to 28.16 % of the equity. This company is 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. Variation of the year 2013 reflects the share in the result of IRISnet S.C.R.L. for the year 2013.
- Other non-current assets decreased from EUR 4.0 million at the end of 2012 to EUR 0.8 million at the end of 2013. The decrease is mainly due to the set-up of a provision to consider the risk on reimbursement on one specific advance for EUR 3.7 million.
- Net deferred tax assets, relating essentially to investments tax credits, to the temporary differences resulting from the development costs for intranet sites and to the dismantling assets depreciation, as well as the integration of losses carried forward from OLU to EUR 6.7 million at the end of 2013.

Current assets decreased year to year, going from a total of EUR 301.2 million at the end of 2012 to EUR 278.8 million at the end of 2013. They consist of the following items:

- Inventories of goods, amounting to EUR 20.7 million, remained stable.
- Trade receivables, amounting to EUR 215.1 million at the end of 2013, compared with EUR 230.2 million at the end of 2012. The decrease is mainly linked to the decrease in Services revenues (EUR -15.6 million on outstanding balance) and receivable related to handset distributors partly compensated by an increase in roaming and interconnect revenues, and revenue linked to the activities performed for the judicial authorities. 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 EUR 38.2 million at the end of 2012 to EUR 29.2 million at the end of 2013. This variance is mainly due to the decrease in the service revenues cut-off entries (EUR -4.2 million) and the reversal of gratuity related to previous years contracts (EUR -3.4 million) for which the balance is now nihil.
- Cash and cash equivalents amounting to EUR 13.8 million at the end of 2013, an increase of EUR 1.5 million since the end of the 2012 financial year. The cash flow statement gives details of the flows that gave rise to this trend.

Equity decreased by EUR 20.6 million during the 2013 financial year, from EUR 357.8 million to EUR 337.2 million:

- The share capital remained at EUR 131.7 million.
- The legal reserve corresponds to 10 % of the share capital.
- The evolution of retained earnings, decreasing from EUR 212.9 million to EUR 192.3 million, is the result of the net profit of the period (EUR 87.4 million), payment of the 2012 dividend (EUR 108.0 million) and costs of equity transactions and other equity transactions.

Non-current liabilities consist of:

- Loans payable after more than one year (EUR 548.8 million in 2013 against EUR 383.7 million in 2012); these amounts correspond to the use of the credit facility granted by the Orange group. The company signed in 2010 a long-term credit facility for an amount of EUR 450 million for a period of 5 years at EURIBOR + 65 Bps margin + 20 Bps utilization fee. A new long-term credit facility of EUR 120 million has been signed in December 2013 for a period of 3 years at EURIBOR + 110 Bps, in order to allow the payment of the 800 MHz licence.
- Non-current provisions intended to cover litigations and onerous contract (EUR 18.4 million in 2013 against EUR 14.9 million in 2012) mainly impacted by the release of provision for onerous contracts set up in 2010 and 2011 for which costs have been incurred in the 2013 operations (EUR 1.5 million) and the setup of new provision for litigation regarding application of contractual obligations with several suppliers for EUR 5.9 million.
- Costs of dismantling network sites and refurbishing of rented buildings (EUR 51.2 million in 2013 against EUR 52.5 million in 2012). The variance is due to the unwinding effect, the change in discount rate and the use of the provision during the year.
- Amount payable over one year was related to the renewal of the 2G licence, as the company has opted for the deferred payment approach for which the last instalment has to be paid end of 2014 (EUR 0.0 million end 2013, EUR 13.4 million end 2012).
- Deferred taxes liabilities increasing by EUR 1.3 million.

Current liabilities decreased by EUR 31.7 million, going from EUR 524.7 million at the end of 2012 to EUR 493.0 million at the end of 2013:

- Short-term borrowing remained stable at EUR 21.9 million.
- Outstanding trade payables slightly increased at EUR 352.1 million.
- Liabilities resulting from employee benefits decreased by EUR 2.9 million, going from EUR 34.4 million at the end of 2012 to EUR 31.5 million at the end of 2013. This decrease is partially linked to the decrease in headcount between the two closing dates.
- Variation of corporate tax payable is due to the fact that the tax bills 2012 has been paid during 2013 for EUR 32.7 million and positively adjusted for EUR 6.2 million. Prepayments of taxes for 2013 have been slightly lower than in 2012 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 in the postpaid activity from the continued migration in the tariff plans used by the end customers. Indeed the current 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 EUR -11.3 million.

3.3 Financial instruments

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 EUR 600 million) and a EUR 120 million payment for the 800 MHz licence in December 2013, the Company has drawn for a total of EUR 571.9 million as at 31 December 2013. 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 for a first tranche of EUR 450 million, EURIBOR + 110 Bps margin for a second tranche of EUR 100 million, and EONIA + 65 Bps margin for the short-term tranche of EUR 21.9 million.

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 10 and 11).

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.

4. Comments on Mobistar S.A.'s 2013 annual accounts prepared according to Belgian accounting standards

4.1 Income statement and balance sheet

The statutory income statement and balance sheet are available at the end of this report (see page 183). As for the exhaustive annual accounts of Mobistar S.A., we refer you to the website of the Central Balance Sheet Office (*http://www.nbb.be/pub/03_00_00_00_00/03_02_00_00_00/03_02_01_00_00.htm?l=en*).

4.2 Disputes

Masts: Since 1997, certain municipalities and four 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 Court of Cassation 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 EUR 67.1 million and is subject to a bad debt provision for the whole amount, of which EUR 9.7 million correspond to the financial year 2013.

MTR tariffs: In its decision of 29 June 2010, the BIPT set up new MTR tariffs based on a pure long run incremental cost model (LRIC) to reach a symmetrical level of 1.08 cEUR/min as of 1st January 2013. KPN Group Belgium and Mobistar attacked the decision in suspension and in annulment. The suspension was rejected in 2011. The annulment grounds were dismissed in May 2012. The case on the merits has been definitively decided. Given open procedural matters, the case was however referred to the Constitutional Court who decided in December 2013. Based on this, the Court of appeal must issue a decision on the procedural matters in Q2-Q3 2014.

Abuse of dominant position by the Belgacom group: In May 2007, the Commercial Court of Brussels found Belgacom Mobile dominant on the mobile market between 1999 and 2004, and appointed experts to determine the abuses and the losses suffered. In December 2010 the experts confirmed the abuses and estimated damages to EUR 1.84 billion for Mobistar and KPN Group Belgium together. A final expert report was however never adopted as proceedings initiated by Belgacom in 2011 led to the replacement of the experts in March 2012. 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 filed an appeal against the initial judgment of the Commercial Court of May 2007. End 2012, new experts suggested by the parties refused the mission. In October 2013 the Commercial Court examined the opportunity to appoint new experts given the ongoing proceedings and decided end 2013 that new experts should be designated. The appointment process will take place in Q1 2014. Regarding the initial experts appeal, the Supreme Court rejected in October 2013 the ground for appeals and the Court of appeal should decide on this aspect in S2 2014. Regarding the appeal against the decision of May 2007, pleadings will be held in May 2014.

In another case for abuse of dominance on the mobile corporate market in 2004-2005, the Competition Council fined Belgacom Mobile EUR 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 was reactivated in March 2012. Mobistar and KPN Group Belgium asked an extended access to the file to the Court of appeal which refused it on 28 June 2013 and referred the case to the Supreme Court for a preliminary ruling on the scope of the judicial review. In December 2013, the Supreme Court delivered its decision. Based on this, parties should now organize further access to the 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.

Social tariffs: 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. Belgacom decided to intervene in the proceedings. Pleadings took place in November 2013 and the Constitutional Court decided to refer to the European Court of Justice for a preliminary ruling.

On 22 July 2013, Mobistar, Telenet and Belgacom filed an annulment appeal before the Council of State against two Royal Decrees of 14 April 2013 regarding the validation of investment and maintenance costs of the social tariffs database for the period 2007-2013. The Royal Decrees violate the interdiction on retroactivity on taxes and article 30 §5, al. 2 of the law of 17 January 2003 because they set up costs which have not been validated in advance. No pleading date is determined yet.

Renewal of the 2G licence and licence renewal fee: By a law of 15 March 2010, the possibility to ask a licence renewal fee for the 2G licence was introduced. The fee would amount to approximately EUR 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. On 21 March 2013 the European Court of Justice issued its decision based on which on 17 October 2013, the Constitutional Court rejected all appeals.

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 proceedings. The suspension requests have been rejected in September and November 2012. Coditel/Numéricable launched a cassation appeal against the decision of non-suspension which was rejected in March 2014. The proceedings on the merits were pursued in 2013. Pleadings are foreseen in Q1 2014 and a decision should be issued end S1 2014.

Furthermore, the media regulators adopted in September and December 2013 decisions on the qualitative and quantitative aspects of the cable network access. In December 2013 and February 2014, the cable operators launched annulment proceedings against these decisions. In February 2014, Mobistar attacked the quantitative decisions and decided to intervene in the cable operators appeals.

Emissions/health: The Brussels Parliament has voted in 2013 a new ordinance that is allowing the deployment of the 4G for the short-term. This new normative context will only be in place when this Ordinance and its secondary legislation will be published.

Belgacom's refusal to negotiate a commercial agreement: In 2012, Mobistar and Belgacom entered into negotiations regarding a commercial agreement that would enable Mobistar to offer retail fixed services (internet, telephony and television). Despite the progress in the discussions, Belgacom stopped abruptly the negotiations. Mobistar attacked Belgacom in May 2013 for non-respect of the non-discrimination principle and for breach in the handling of the negotiations. Briefs have been exchanged in 2013. Pleadings are foreseen in September 2014.

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 EUR 6.3 million to KPN instead of receiving between EUR 0.3 million and EUR 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 EUR 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 EUR 14.6 million. The procedure has been initiated in July 2011. The pleadings of the case took place at the hearing of 14 January 2013. The Commercial Court of Brussels decided by judgement of 22 April 2013 that the claim of the former agent as well as the claim of Mobistar were both partially founded. In order to determine the amount of the damages to be paid by both parties, a judicial expert has been appointed by the court. The judicial expertise is currently ongoing.

5. Trends

Mobistar is going through a period of rapid transformation in which it is adapting to the new needs and expectations of the Belgian consumer, and it is casting the fundaments for its future growth.

Compared to 2013, 2014 presents itself with more visibility on the short- to mid-term, in particular with the gradual roll-out of Mobistar's high speed 4G network, and the advent of its re-entry in the TV and fixed broadband market via the wholesale cable regulation is highly encouraging. This does not imply that 2014 will not be a challenging year. In 2014 Mobistar will mainly focus on further reducing its costs structure and managing its mobile value by focusing on two main axes:

- Network and mobile data: all Mobistar's customers should be able to "discover high-speed mobile data". In order to achieve this, Mobistar will deploy an industry-reference mobile network. This will position Mobistar's 3G/4G network as a valid alternative for Wi-Fi and fixed broadband internet.
- Customer experience: given the explosion of mobile data usage, Mobistar wants to be more than just a network provider and wants to be a partner, a friend, a teacher, etc., helping its customers to discover this new utility. In terms of product offering Mobistar will stay loyal to its segmented, transparent and easy-to-understand tariffs. Its commitment to provide its customers proactive tariff advice through the well-known "Personal Check-up" applications remains valid. Mobistar will also increase itself through innovative mobility solutions, such as Mobile Cloud, Operator Billing, etc.

For the full financial year 2014 the Mobistar group aims to attain a restated EBITDA of between EUR 250 and EUR 280 million. This guidance range includes a provision of up to EUR 24 million linked to a new tax law on pylons in Wallonia that was voted at the end of 2013. Mobistar plans to file a request for annulment of this law before the Constitutional Court and to file fiscal objections before the competent courts, as Mobistar considers this tax to be discriminatory and disproportionate. However, the prudence concept requires us to account for it. The guidance range also includes the impact of the existing regulatory framework governing mobile interconnection and roaming rates, which will have a revenue and EBITDA impact of respectively EUR 23 and EUR 16 million for Mobistar in Belgium and EUR 13 and EUR 7 million for Orange in Luxembourg. The regulatory framework on MTR's in Luxembourg was only voted in January 2014. The provided guidance range is based on the current market and regulatory context and does not include any impact related to the cable opportunity.

The Mobistar group reconfirms the implementation of its efficiency programme ACE2. This programme aims at the review of all company processes in order to realize a structural net operating costs saving of EUR 50 million in 2014.

The strategic investments in its future and the decisive action aimed to transform the company have required an important financial outlay. The Board of Directors will therefore, as already announced in July 2013, propose to the Annual General Meeting to suspend the dividend for the financial year 2013.

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 2013, the company is not subject to the application of article 96 §1 (6°) of the Company Code relating to provision of evidence of the application of the going concern accounting rules.

7. Application of article 524 of the Company Code during the 2013 financial year

The procedure foreseen in article 524 of the Company Code has not been applied during the 2013 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 §1 (9°) of the Company Code

As foreseen by the article 96 §1 (9°) of the Company code, the company justifies of the independence and the accounting and audit expertise of at least one member of the Audit Committee as follows: 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.

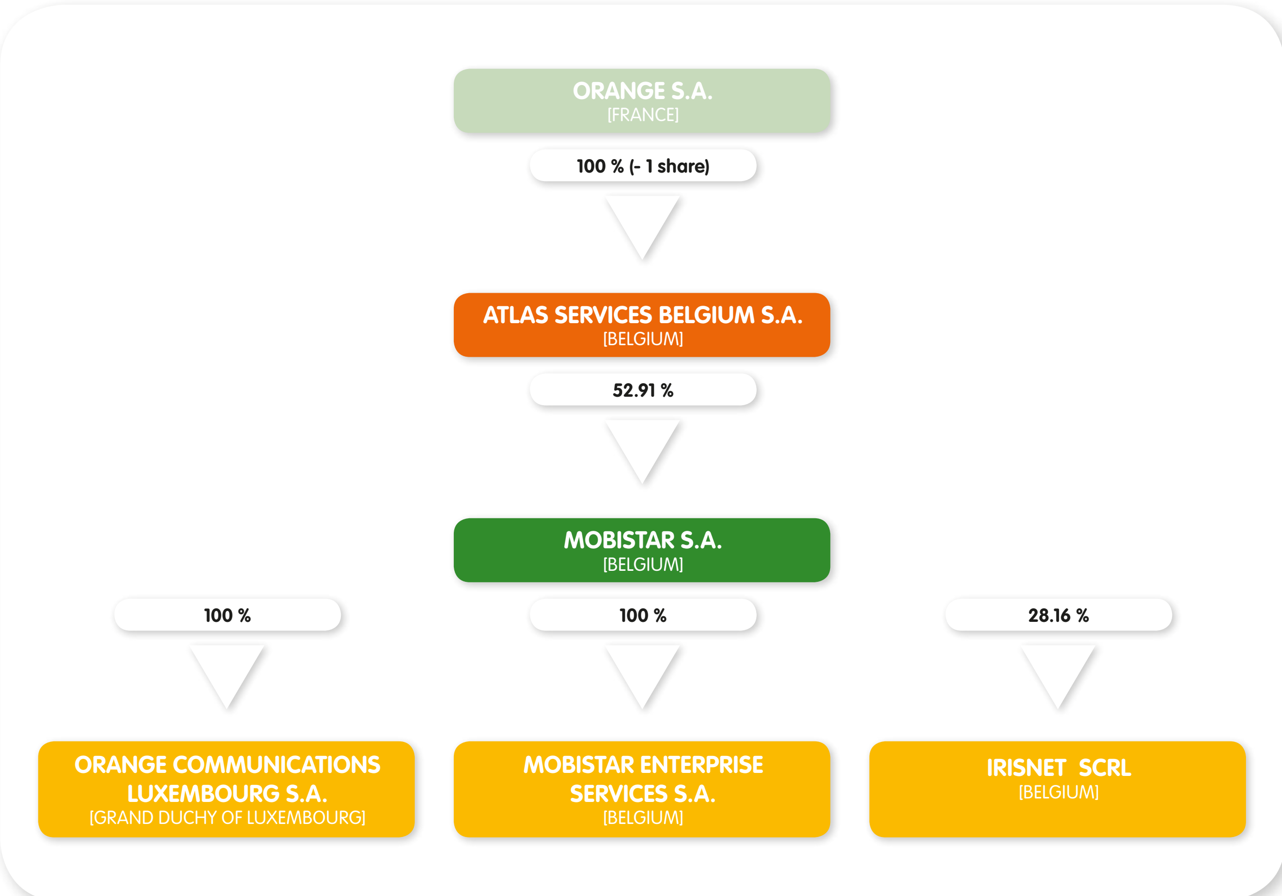
His expertise in accounting and auditing is justified as well by his education than by his position as member or Chairman of various Audit Committees, and as teacher in Finance and Regulation at the "Université Libre" of Brussels (Solvay Brussels School). During his career, he has also collaborated with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

9. Law on takeover bids

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

This notification detailed Orange S.A.'s participation in Mobistar S.A. As at 24 August 2009, Orange S.A. held indirectly 31,753,000 shares of Mobistar S.A.

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

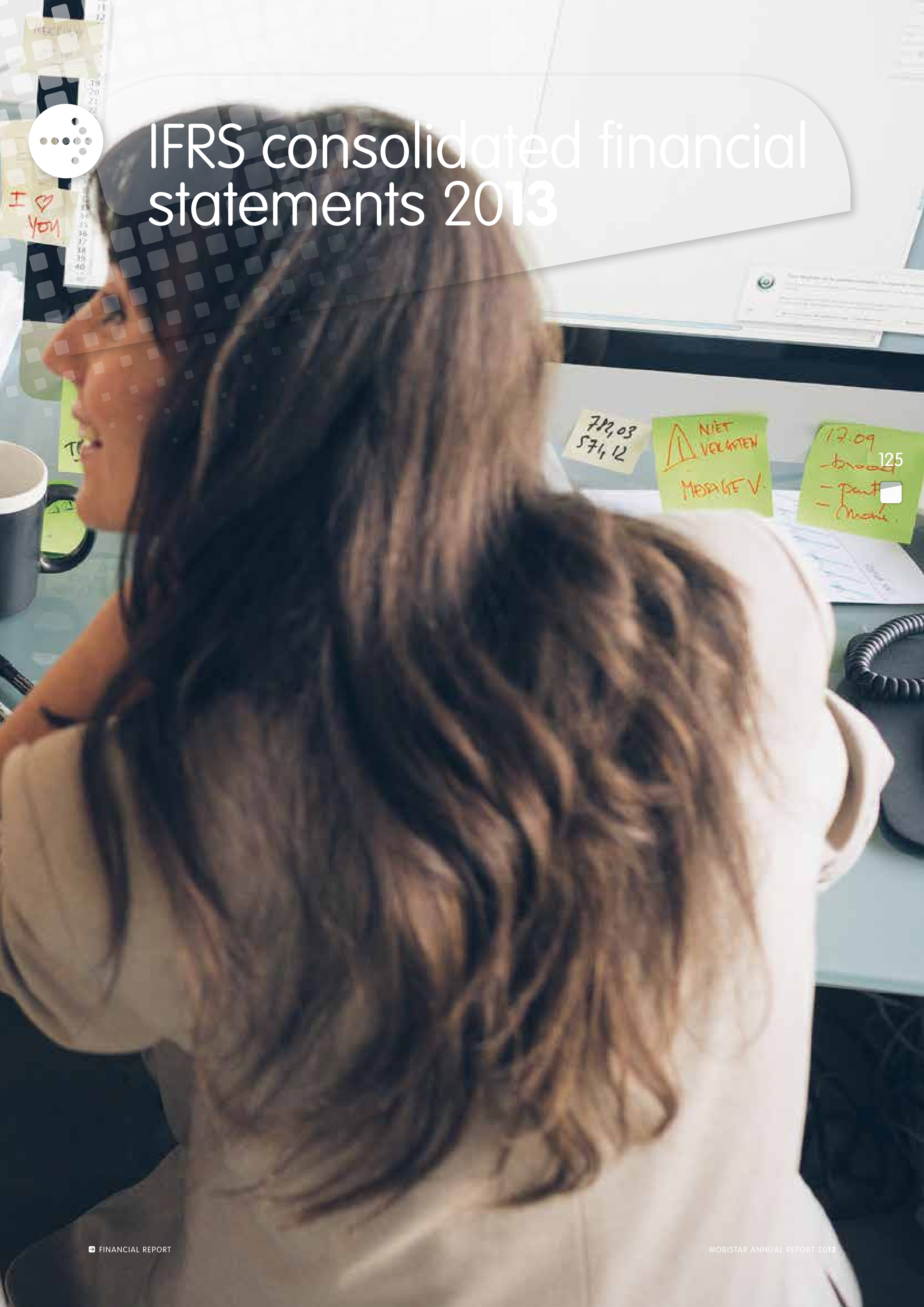


10. Information concerning the tasks entrusted to the auditors

In the course of the 2013 financial year, the statutory auditor and linked companies provided services at a total cost of EUR 467.0 thousand broken down as follows:

- audit services
  EUR 458.0 thousand
- other non-audit services
  EUR 9.0 thousand

IFRS consolidated financial statements 2013



Consolidated statement of comprehensive income

in thousand EUR

NOTE		2013	2012
	Revenue		
	Service revenue	1 252 852	1 450 027
	Handsets sales	208 380	200 448
19	**Total turnover**	**1 461 232**	**1 650 475**
19	Other operating revenue	32 872	51 962
	TOTAL REVENUE	**1 494 104**	**1 702 437**
	Operating expenses		
	Interconnection costs	-337 580	-390 494
19	Costs of equipment and goods sold	-364 251	-352 944
19	Services and other goods	-290 776	-281 828
19	Employee benefits expenses	-157 163	-156 083
3,4	Depreciation, amortisation and impairment	-188 304	-217 214
	Amounts written down stocks, contracts in progress and trade debtors	-9 575	-20 420
	Provisions for risks and charges	-3 068	2 561
19	Other operating charges	-14 630	-9 176
	TOTAL OPERATING EXPENSES	**-1 365 347**	**-1 425 598**
	Share of profits (losses) of associates	-117	
	Result of operating activities	**128 641**	**276 839**
19	Finance income	473	497
19	Finance costs	-8 305	-11 186
	Result of operating activities after net finance costs	**120 809**	**266 150**
8	Tax expense	-33 404	-80 465
	Net profit of the period (*)	**87 405**	**185 685**
	PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**87 405**	**185 685**
	Consolidated statement of comprehensive income		
	Net profit for the period	**87 405**	**185 685**
	Other comprehensive income	0	0
	Total comprehensive income for the period	**87 405**	**185 685**
	PART OF THE TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**87 405**	**185 685**
13	Basic earnings per share (in €)	1.46	3.09
	Weighted average number of ordinary shares	60 014 414	60 014 414
13	Diluted earnings per share (in €)	1.46	3.09
	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 statement of financial position

in thousand EUR

NOTE		31.12.2013	31.12.2012
	Assets		
	Non-current assets		
2	Goodwill	80 080	80 080
3	Intangible assets	380 200	286 595
4	Property, plant and equipment	700 016	665 010
6	Interests in associates	3 333	3 450
7	Other non-current assets	792	3 965
8	Deferred taxes	6 715	6 669
	Total non-current assets	**1 171 136**	**1 045 769**
	Current assets		
9	Inventories	20 666	20 594
10	Trade receivables	215 058	230 168
11	Accrued revenue	11 381	19 039
11	Other current assets	17 868	19 160
12	Cash and cash equivalents	13 781	12 266
	Total current assets	**278 755**	**301 226**
	TOTAL ASSETS	**1 449 891**	**1 346 995**
	Equity and Liabilities		
	Equity		
14	Share capital	131 721	131 721
14	Legal reserve	13 173	13 173
14	Retained earnings	192 284	212 905
	Total equity	**337 178**	**357 799**
	Non-current liabilities		
16	Interests-bearing borrowings	548 750	383 650
17	Trade payables	0	13 447
15	Provisions	69 641	67 375
8	Deferred taxes	1 306	0
	Total non-current liabilities	**619 696**	**464 472**
	Current liabilities		
16	Interests-bearing borrowings	21 879	22 580
18	Trade payables	352 088	344 563
18	Employee benefits related liabilities	31 524	34 385
18	Current taxes payable	15 585	42 709
18	Deferred income	66 145	77 451
18	Other payables	5 796	3 035
	Total current liabilities	**493 017**	**524 723**
	Total liabilities	**1 112 713**	**989 196**
	TOTAL EQUITY AND LIABILITIES	**1 449 891**	**1 346 995**

Consolidated cash flow statement

in thousand EUR

NOTE		2013	2012
	Cash flows from operating activities		
	Profit before taxes	**120 809**	**266 150**
	Non-cash adjustments for:		
3,4	Depreciation, amortisation and impairment of fixed assets	188 304	217 214
	Changes in long-term provisions	269	649
	Changes in provision for bad debt	-3 917	13 320
	Other non-cash expenses	1 499	1 108
	Interest income	-473	-247
	Interest charges	5 978	7 331
	Adjusted result of operating activities before net finance costs	**312 469**	**505 525**
9	Inventories	-73	-4 092
10	Trade and other receivables	25 254	5 219
18	Trade and other payables	-4 682	-33 885
	Net changes in working capital	**20 500**	**-32 758**
8	**Tax paid**	**-56 533**	**-154 893**
	Interests paid	**-5 066**	**-6 790**
	Interests received	**473**	**396**
	NET CASH FROM OPERATING ACTIVITIES	**271 844**	**311 480**
	Cash flows from investing activities		
3,4	Purchase of intangible and tangible assets	-319 048	-188 242
	Debt associated to purchase of assets (increase +, decrease -)	-14 248	7 985
1	Acquisition of subsidiary net of cash acquired		-3 450
3,4	Proceeds from sale of equipment	2 223	2 186
7	Reimbursement long-term loans granted	1 408	1 907
	NET CASH USED IN INVESTING ACTIVITIES	**-329 665**	**-179 614**
	Organic cash flow (*)	**-59 080**	**133 198**
	Cash flows from financing activities		
16	Short-term borrowings - net	-701	4 137
16	Long-term borrowings - proceeds	196 900	135 000
16	Long-term borrowings - repayments	-31 700	-45 000
14	Transactions costs paid for long-term credit facility		450
14	Others	2 864	942
	Payment for equity transactions costs		195
14	Dividends paid	-108 026	-222 443
	NET CASH USED IN FINANCING ACTIVITIES	**59 337**	**-126 719**
	NET INCREASE (+), DECREASE (-) IN CASH AND CASH EQUIVALENTS	**1 516**	**5 147**
	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**12 266**	**7 119**
	CASH AND CASH EQUIVALENTS AT END OF PERIOD	**13 781**	**12 266**

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

Consolidated statement of changes in equity

in thousand EUR

	SHARE CAPITAL	LEGAL RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance as at 1 January 2013	**131 721**	**13 173**	**212 905**	**357 799**
Net profit for the period			87 405	87 405
Total comprehensive income for the period			**87 405**	**87 405**
Dividends			-108 026	-108 026
Payment for equity transactions costs				0
BALANCE AS AT 31 DECEMBER 2013	**131 721**	**13 173**	**192 284**	**337 178**

	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
Payment for equity transactions costs			195	195
BALANCE AS AT 31 DECEMBER 2012	**131 721**	**13 173**	**212 905**	**357 799**

Corporate information

Companies in the perimeter of consolidation

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

As at 31.12.2013

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

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

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

Up to 31.12.2012

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

The principal activities of the Group are described in note 22 (segment information).

Date of authorisation for issue of the financial statements

On 21 March 2014, the Board of Directors of Mobistar S.A. reviewed the 2013 consolidated financial statements and authorised them for issue.

The 2013 consolidated financial statements will be approved on 7 May 2014 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 2013 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
- IRISnet S.C.R.L: 28.16 % equity method

As at 31 December 2012, the scope of consolidation included above mentioned companies but also:
Temporary association Irisnet: 50 % proportional consolidation

- 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.
- 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 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:

- IFRS 13 *Fair Value Measurement* (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009-2011) (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)
- 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 2013)
- Amendments to IAS 19 *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)

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.

Critical judgments in applying accounting policies

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

Operating lease commitment – Group as a lessee

The Group has entered into property leases, network and cars leases. It has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Details are given in note 21.

Critical estimates and assumptions

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

Impairment of non-financial assets

The Group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the 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 8.

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 15.

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. See note 19.

Contract termination

In the context of the distribution footprint evolution, estimates related to distribution contracts termination have been required in order to assess the outcome of the negotiations and the valuation of the termination costs. See note 19.

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, Goodwill and Goodwill impairment

Business combinations are accounted for applying the acquisition method:

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

For each business combination with ownership interest below 100 %, non-controlling interests are measured:

- either at fair value: in this case, goodwill relating to non-controlling interests is recognized; or
- at the non-controlling interest's proportionate share of the acquiree's identifiable net assets: in this case, goodwill is only recognized for the share acquired.

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

When a business combination is achieved in stages, the previously held equity interest is remeasured at fair value at the acquisition date through operating income. The attributable other comprehensive income, if any, is fully reclassified in operating income.

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

IAS 36 requires these tests to be performed at the level of each Cash Generating Unit (CGU) or groups of CGUs likely to benefit from acquisition-related synergies. De facto, it generally corresponds to the operating segment. This allocation is reviewed if the Group changes the level at which it monitors return on investment for goodwill testing purposes.

To determine whether an impairment loss should be recognized, the carrying value of the assets and liabilities of the CGUs or groups of CGUs is compared to the recoverable amount. The recoverable amount of a CGU is its value in use.

Value in use is the present value of the future cash flows expected to be derived from the CGUs. Cash flow projections are based on economic and regulatory assumptions, license renewal assumptions and forecast trading conditions drawn up by the Group's management, as follows:

- cash flow projections are based on three to five-year business plans;
- cash flow projections beyond that timeframe may be extrapolated by applying a declining or flat growth rate over the next two years (for some CGUs), followed by a growth rate to perpetuity reflecting the expected long-term growth in the market;
- the cash flows obtained are discounted using appropriate rates for the type of business and the countries concerned.

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

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

Impairment loss for goodwill is recorded as a deduction from operating income and is never subsequently reversed.

4.3 Intangible assets

Are included under this asset category, the intangible assets with a finite useful life such as the cost of the telecommunication 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 amortisation 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 and are fully amortised. The extension of the GSM licence, acquired in 2010, is amortised 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. The 800 MHz licence has been acquired in November 2013 and is valid for a period of 20 years. Amortisation of the licences 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 amortised 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 amortisation 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 amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

4.4 Property, plant and equipment

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

Upon recognition, tangible assets are measured at cost. The cost includes the purchase price, import duties and non-refundable purchase taxes, after deduction of trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition for it to be capable of operating in the expected manner. The cost of replacing part of an item of property, plant and equipment is 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 tangible and intangible items other than goodwill

The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, 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 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.

4.11 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.

4.12 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.

4.13 Employee benefits

Short-term employee benefits, such as wages, salaries, social security contributions, paid annual leave, profit-sharing and bonuses, medical care, company cars and others are 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 in Belgium is due to the legal framework to be technically considered as a defined benefit plan as a guaranteed return is imposed on the contributions to the plan. However, it is classified as a 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. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

4.14 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

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.

4.15 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.

4.16 Loyalty commissions

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

4.17 Financial discounts

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

4.18 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.

4.19 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 2013 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 analysed 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.

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

- Amendments to IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 19 *Employee Benefits – Employee Contributions* (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in EU)
- 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)
- Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 *Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 21 *Levies* (applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)

Notes to the consolidated financial statements

1. Business combinations

Changes in 2013

No acquisition has been realised in 2013.

Changes in 2012

No acquisition has been realised in 2012.

However, as mentioned in the previous years' annual reports, the share purchase agreement between Mobistar and KPN, related to Mobistar Enterprise Services (MES) acquisition, foresees an adjustment of the purchase consideration based on the net debt and working capital as of 28 February 2010. The various legal procedures have not yet been finalized so no adjustment of the purchase price has been recorded.

in thousand EUR

	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
Property, plant and equipment	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
Current 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			
Non-current 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. Goodwill

in thousand EUR

2013	GOODWILL
Acquisition value	
As at 1 January 2013	80 080
As at 31 December 2013	80 080
Amortisation and impairment	
As at 1 January 2013	0
As at 31 December 2013	0
NET CARRYING AMOUNT AS AT 31 DECEMBER 2013	**80 080**

2012	GOODWILL
Acquisition value	
As at 1 January 2012	80 080
As at 31 December 2012	80 080
Amortisation and impairment	
As at 1 January 2012	0
As at 31 December 2012	0
NET CARRYING AMOUNT AS AT 31 DECEMBER 2012	**80 080**

The Goodwill did not change in 2013 and 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 22).

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 22).

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 2013, 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 2013, same methodology has been used as in previous years. Cash flows have been estimated on a four years business plan (2014 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 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 7.5 % (post tax). Management uses a discount rate of 7.5 % 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 6.5 to 8.5 %, 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 8.5 % would result in downgrade valuation of 22.9 million euros. Best case scenario envisaged in the sensitivity analysis would result in a positive amount of 48.4 million euros. Selected rate assumptions result in a breakeven status.

For 2012, same methodology has been used as in previous years. Cash flows were estimated on a five years business plan (2013 to 2017) approved by the local management. This estimate included 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 assumed a long-term annual growth rate of 2 % for the years after 2017. Cash flows were actualised at 8.5 % (post tax). In line with previous years, management used a discount rate of 8.5 % which was 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 had 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 were considered as very theoretical. The worst case scenario, based on a growth rate of 1 % and a WACC of 9.5 % would have resulted in head room available amounting to 5.2 million euros. Best case scenario envisaged in the sensitivity analysis would have resulted in a positive amount of 89.8 million euros. Selected rate assumptions resulted in 34.1 million euros.

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

3. Intangible assets

in thousand EUR

2013	GSM AND UMTS LICENCES	INTERNALLY GENERATED SOFTWARE DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Acquisition value				
As at 1 January 2013	**467 228**	**46 962**	**568 103**	**1 082 293**
Movements during the period:				
Acquisitions and consolidation differences	120 000	5 271	47 197	172 468
Sales and disposals		-5 025	-12 310	-17 335
As at 31 December 2013	**587 228**	**47 208**	**602 990**	**1 237 426**
Amortisation and impairment				
As at 1 January 2013	**326 426**	**40 999**	**428 273**	**795 698**
Movements during the period:				
Additions	24 387	3 001	51 476	78 864
Sales and disposals		-4 887	-12 449	-17 336
As at 31 December 2013	**350 813**	**39 113**	**467 300**	**857 226**
NET CARRYING AMOUNT AS AT 31 DECEMBER 2013	236 415	8 095	135 690	380 200

2012	GSM AND UMTS LICENCES	INTERNALLY GENERATED SOFTWARE DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Acquisition value				
As at 1 January 2012	**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	**467 228**	**46 962**	**568 103**	**1 082 293**
Amortisation and impairment				
As at 1 January 2012	**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	**326 426**	**40 999**	**428 273**	**795 698**
NET CARRYING AMOUNT AS AT 31 DECEMBER 2012	**140 802**	**5 963**	**139 830**	**286 595**

Telecommunication licences

in thousand EUR

TYPE OF LICENCE	ACQUISITION COST	NET BOOK VALUE END 2013	NET BOOK VALUE END 2012	USEFUL LIFE IN MONTHS	REMAINING MONTHS	START DEPRECIATION PERIOD
GSM 2G	223 800	-	-	171	-	Aug-96
2G renewal 5 years	74 367	28 524	43 547	60	23	Nov-10
UMTS 3G	149 041	67 871	77 235	191	87	Apr-05
4G	20 020	20 020	20 020	Ended Jun-2027		not yet
800 MHz	120 000	120 000	-	Ended Nov-2035	238	Feb-14
TOTAL	**587 228**	**236 415**	**140 802**			

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

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

The useful lives of intangible assets applied in 2013 remain comparable to the ones' used in 2012.

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. No further major decisions have been taken in 2013 in this sense.

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.

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

4. Property, plant and equipment

in thousand EUR

2013	LAND AND BUILDINGS	NETWORK INFRASTRUC-TURE	PLANT, MACHINERY, EQUIPMENT	FURNITURE AND VEHICLES	OTHER TANGIBLE ASSETS	TOTAL PROPERTY, PLANT AND EQUIPMENT
Acquisition value						
As at 1 January 2013	**1 966**	**633 712**	**706 882**	**127 361**	**20 425**	**1 490 345**
Movements during the period:						
Acquisitions		38 665	101 135	6 052	1 156	147 008
Dismantling asset		-3 132				-3 132
Sales and disposals		-14 128	-112 055	-13 630	-108	-139 921
As at 31 December 2013	**1 966**	**655 117**	**695 962**	**119 783**	**21 473**	**1 494 300**
Depreciation and impairment						
As at 1 January 2013	**258**	**286 034**	**425 436**	**108 287**	**5 320**	**825 335**
Movements during the period:						
Additions	47	28 174	68 265	8 230	1 868	106 584
Dismantling asset		2 856				2 856
Sales and disposals		-14 732	-112 033	-13 631	-95	-140 491
As at 31 December 2013	**305**	**302 332**	**381 668**	**102 886**	**7 093**	**794 284**
NET CARRYING AMOUNT AS AT 31 DECEMBER 2013	**1 661**	**352 784**	**314 294**	**16 897**	**14 380**	**700 016**

2012	LAND AND BUILDINGS	NETWORK INFRASTRUC-TURE	PLANT, MACHINERY, EQUIPMENT	FURNITURE AND VEHICLES	OTHER TANGIBLE ASSETS	TOTAL PROPERTY, PLANT AND EQUIPMENT
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		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**

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

Property, plant and equipment assets are not subject to title restriction or pledges as security for liabilities.

5. Capital expenditure, change in useful life and government grant

Capital expenditure

During the year 2013, the Mobistar group invested 319.0 million euros, including 120.0 million euros for the acquisition of the 800 MHz license. Excluding the license costs, the investments amount to 15.9 % of service revenues, compared to 188.5 million euros a year earlier. The investments performed during the financial year 2013 are in line with the investment program 2013-2015, announced in February 2013. The focus of the second semester of 2013 was on the finalization of the swap of the 2G/3G network with more efficient infrastructure, in order to improve the deep indoor coverage, on the extension of the UMTS capacity, on the increase of the speed on the mobile data network, and finally on the deployment of new sites in order to improve the customer experience on mobile voice and data traffic. Towards the end of the year Mobistar ramped up the build out of its 4G network. End December 2013, Mobistar had a 3G/HSDPA coverage of 98.8 % of the population. The Mobistar network had 6,358 sites at the end of December 2013, of which 753 are shared with other operators. Mobistar continued to invest in the improvement of its network transmission by using extra microwaves and fiber.

Change in useful life and impairment on intangible assets and property, plant and equipment

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 2013, change in useful life on both intangible assets and property, plant and equipment has been recognised for an amount of 11.9 million euros (2012: 37.6 million euros) and shown as expense on the line 'Depreciation, amortisation and impairment' in the statement of comprehensive income.

Impact can be split as such:

For 2013:
- Software: 2.1 million euros;
- Network and other equipment: 9.8 million euros including the change in useful life of network material related to television stop (2.3 million euros), and impairment resulting from assets inventory procedures (3.2 million euros).

For 2012:
- 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.

in thousand EUR

	2013	2012
Net carrying amount as at 1 January	**97**	**123**
Released to the statement of comprehensive income	-26	-26
NET CARRYING AMOUNT AS AT 31 DECEMBER	**71**	**97**

6. Interests in associates

in thousand EUR

2013	INTERESTS IN ASSOCIATES	RESULT IN ASSOCIATED COMPANIES
Net carrying amount as at 1 January 2013	**3 450**	**0**
Acquisition	0	0
Result of the year	-117	-117
NET CARRYING AMOUNT AS AT 31 DECEMBER 2013	**3 333**	**-117**

2012	INTERESTS IN ASSOCIATES	RESULT IN ASSOCIATED COMPANIES
Net carrying amount as at 1 January 2012	**0**	**0**
Acquisition	3 450	0
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 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 is accounted for via the equity method.

7. Other non-current assets

in thousand EUR

2013	CASH GUARANTEES	NON-CURRENT RECEIVABLES	TOTAL
Net carrying amount as at 1 January 2013	**243**	**3 722**	**3 965**
Additions		550	550
Reimbursements	-1		-1
Provision for collectability risk		-3 722	-3 722
NET CARRYING AMOUNT AS AT 31 DECEMBER 2013	**242**	**550**	**792**

2012	CASH GUARANTEES	NON-CURRENT 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**

The decrease in other non-current assets in 2013 is mainly due to the booking of a provision for non-collectability risk related to a specific loan.

8. Current and deferred income taxes

Amounts recognized in statement of comprehensive income

in thousand EUR

	31.12.2013	31.12.2012
Current tax expense		
Current year	38 488	89 010
Adjustment to prior years	-6 344	-7 101
Total current tax expense	**32 144**	**81 909**
Deferred taxes expense		
Originating and reversal of temporary differences	1 253	-1 444
Change in tax rate	7	0
Total deferred taxes expense	**1 260**	**-1 444**
TOTAL TAXES EXPENSE	**33 404**	**80 465**

Relationship between tax expense and accounting profit

in thousand EUR

	31.12.2013	31.12.2012
Consolidated accounting profit before taxes	120 809	266 150
Tax at the applicable rate of 33.99 %	**41 063**	**90 464**
Tax effect of permanent differences:		
Expenses that are not deductible in determining taxable profit	2 731	2 958
Tax on Irisnet result not considered	40	-3 217
Tax credit on investment	11	-21
Tax deductible risk capital	-408	-122
Tax credits on business combination	-3 689	-2 494
Adjustment on prior years	-6 344	-7 103
CURRENT YEAR TAX EXPENSE	**33 404**	**80 465**
EFFECTIVE TAX RATE	**27.65 %**	**30.23 %**

Movements in current tax balances

in thousand EUR

	NET BALANCE AS AT 1 JANUARY	CURRENT TAX YEAR RECOGNIZED IN STATEMENT OF COMPREHENSIVE INCOME	PREVIOUS TAX YEARS ADJUSTMENTS RECOGNIZED IN STATEMENT OF COMPREHENSIVE INCOME	PAYMENTS ON CURRENT TAX YEAR	PAYMENTS ON PREVIOUS TAX YEARS	NET BALANCE AS AT 31 DECEMBER
2013	39 020	38 488	-6 344	-24 000	-32 538	14 626
2012	112 010	89 010	-7 101	-50 000	-104 899	39 020

Movements in deferred tax balances

in thousand EUR

2013	NET BALANCE AS AT 1 JANUARY	CHANGE RECOGNIZED IN STATEMENT OF COMPREHENSIVE INCOME	NET BALANCE AS AT 31 DECEMBER
Orange Communications Luxembourg			
Carried forward tax loss	2 521	-1 118	1 403
Investment tax credits	311	1	312
Property, plant and equipment	902	92	994
Purchase Price Allocation	-496	223	-273
Total Orange Communications Luxembourg	**3 238**	**-802**	**2 436**
MES			
Carried forward tax loss	2 088	-2 088	0
Fixed assets	-1 012	-294	-1 306
Total MES	**1 076**	**-2 382**	**-1 306**
Mobistar			
Property, plant and equipment	205	-79	126
Non-current provisions	2 648	1 167	3 815
Deferred income	-1 160	1 160	0
Investment tax credit	662	-324	338
Total Mobistar	**2 355**	**1 924**	**4 279**
DEFERRED TAX ASSETS	**6 669**		**6 715**
DEFERRED TAX LIABILITIES	**0**		**-1 306**
TOTAL STATEMENT OF COMPREHENSIVE INCOME		**-1 260**	

2012	NET BALANCE AS AT 1 JANUARY	CHANGE RECOGNIZED IN STATEMENT OF COMPREHENSIVE INCOME	NET BALANCE AS AT 31 DECEMBER
Orange Communications Luxembourg			
Carried forward tax loss	3 502	-981	2 521
Investment tax credits	276	35	311
Property, plant and equipment	620	282	902
Purchase Price Allocation	-1 035	539	-496
Total Orange Communications Luxembourg	**3 363**	**-125**	**3 238**
MES			
Carried forward tax loss	3 918	-1 830	2 088
Fixed assets	-880	-132	-1 012
Total MES	**3 038**	**-1 962**	**1 076**
Mobistar			
Property, plant and equipment	301	-96	205
Non-current provisions	1 506	1 142	2 648
Deferred income	-3 944	2 784	-1 160
Investment tax credit	961	-299	662
Total Mobistar	**-1 176**	**3 531**	**2 355**
DEFERRED TAX ASSETS	**6 401**		**6 669**
DEFERRED TAX LIABILITIES	**-1 176**		**0**
TOTAL STATEMENT OF COMPREHENSIVE INCOME		**1 444**	

Orange Communications Luxembourg S.A.
The main component is related to the carried forward losses for 1,403 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. These losses have been recovered in 2013.

MES still totalizes carried forward tax losses for an amount of 13,524 thousand euros at the end of 2013. No deferred tax assets have been recorded on this remaining amount as the capability for MES to use these tax losses in the future has not been established.

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 (up to end 2012) and the development costs for intranet sites, 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.

9. Inventories

in thousand EUR

	31.12.2013	31.12.2012
Finished goods (i.e. handsets and SIM cards)		
Inventories - Gross amount	22 562	22 467
Reserve for obsolete and slow moving items	-1 896	-1 873
INVENTORIES - NET CARRYING AMOUNT	**20 666**	**20 594**
Inventories - Cost recognised as an expense during the period	**233 005**	**225 290**

The level of inventories recorded at the end of 2013 is in line with the one of 2012.

The amount of reserve for obsolete and slow moving items remained stable.

10. Trade receivables

in thousand EUR

	31.12.2013	31.12.2012
Trade receivables - Gross value	274 288	293 314
Allowance for doubtful debtors	-59 230	-63 146
TRADE RECEIVABLES - NET CARRYING AMOUNT	**215 058**	**230 168**

For terms and conditions relating to related parties receivables, refer to note 20.

Trade receivables are non-interest bearing and are generally paid via direct debits (more than 60 % 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 215.1 million euros at the end of 2013, compared with 230.2 million euros at the end of 2012. The decrease results mainly from the decrease in service revenues (- 15.6 million euros on outstanding balance) and receivables related to handset distributors partly compensated by an increase in roaming and interconnect revenues and revenues linked to the activities performed for the judicial authorities. The Group is not dependent from major customers' situation, none representing more than 10 % of the company's turnover. The customers risk is spread over more than 4 million customers.

Trade receivables: Allowance for doubtful debtor's reconciliation

in thousand EUR

	BALANCE SHEET				STATEMENT OF COMPREHEN-SIVE INCOME
	31.12.2013	ACCRUAL	REVERSAL	31.12.2012	31.12.2013
Hardware customers	-1 761			-3 817	-2 056
Airtime customers	-57 469			-59 329	-1 860
TOTAL ALLOWANCE FOR DOUBTFUL DEBTORS	**-59 230**	**-12 441**	**16 357**	**-63 146**	**-3 916**
	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**

Trade receivables: Ageing balance

in thousand EUR

	TRADE RECEIVABLES - NET CARRYING AMOUNT	NOT PAST DUE	LESS THAN 180 DAYS	BETWEEN 180 DAYS AND 360 DAYS	MORE THAN 360 DAYS
2013	215 058	128 770	28 835	34 436	23 017
2012	230 168	172 111	22 699	17 191	18 167

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 first in 2011 from 1.8 % to 2.0 % of the average billing for the residential market and once again in 2012 from 2.0 % to 2.1 % of the service revenues. Some more difficulties were noted in the 'small and medium enterprises' segment, resulting in an increase of the bad debt provision related to this segment in 2012.

After the increase in the bad debt provision rate in the last two years, the situation has been stabilized in 2013. Specific efforts performed in terms of cash collection have even allowed reducing the rate from 2.1 % of the revenues to 2.0 % in the residential segment. The decrease in service revenues has also resulted in a relative decrease of the expense of the year 2013.

11. Other current assets and accrued revenues

in thousand EUR

	31.12.2013	31.12.2012
Local and regional taxes on pylons	67 079	57 332
Impairment on taxes on pylons	-67 079	-57 332
Prepayments	12 411	13 690
VAT to be recovered	2 657	0
Other current assets	2 799	5 470
Total other current assets	**17 868**	**19 160**
Accrued Revenues	**11 381**	**19 039**
TOTAL	**29 249**	**38 199**

Local and regional taxes on GSM pylons, masts and antennas

Since 1997, certain municipalities and four 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 Court of Cassation 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 67.1 million euros and is subject to a bad debt provision for the whole amount, of which 9.7 million euros correspond to the financial year 2013. The provision is recorded under the 'Other operating charges' heading in the statement of comprehensive income.

Prepayments

Prepayments have decreased due to seasonality effect.

VAT to be recovered

VAT position moved from payable to receivable from December 2012 to December 2013.

Other current assets

Variation of other current assets is partially driven by the partial reimbursement of a partner's loan and the write-off on a specific short-term advance due to solvability risk for 3.7 million 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). The decrease of service revenues and the changes in the offers content have reduced the amount of the revenue cut-off at year end by 4.2 million euros. The periods of free advantages have expired during the year 2013 with the impact of releasing the related accrued revenues for 3.4 million euros.

12. Cash and cash equivalents

in thousand EUR

	31.12.2013	31.12.2012
TOTAL CASH AND CASH EQUIVALENTS	13 781	12 266

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 13,781 thousand euros at the end of 2013.

13. Earnings per share

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.

in thousand EUR

	31.12.2013	31.12.2012
Net profit attributable to ordinary equity holders of the parent	87 405	185 685
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.

14. Equity

Share capital

Changes

No changes have been performed during the years 2012 and 2013.

	SHARE CAPITAL (IN THOUSAND EUR)	NUMBER OF ORDINARY SHARES
As at end December 2012	**131 721**	**60 014 414**
As at 1 January 2013	**131 721**	**60 014 414**
As at 31 December 2013	**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 2013, the par value is the same for 2012 and 2013.

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 2013.

in thousand EUR

	2013	2012
As at 1 January	**13 173**	**13 173**
As at 31 December	**13 173**	**13 173**

Retained earnings

in thousand EUR

	2013	2012
As at 1 January	**212 905**	**249 078**
Current year profit after taxes	87 405	185 685
Dividend paid	-108 026	-222 053
Equity transactions costs		195
As at 31 December	**192 284**	**212 905**

Shareholders' remuneration

At the Annual General Assembly of shareholders to take place on 7 May 2014, the Board of Directors will propose not to remunerate the shareholders for the year 2013.

Capital management

Since 2005, 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. To do so, the Group's capital management focuses on 'Issued Capital' and 'Retained Earnings', and 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.

Nevertheless, it is to be noted that since the exceptionally high distribution scheme which has been implemented in 2008, the only axis on which the Group may act is its dividend policy. As a consequence, concomitant with the accelerated investments in the 4G network, the impact of the regulatory framework and the increased competition resulting from the entry into force of the new telecom law in October 2012 impacting the Group's results, 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. This decision resulted in a lower distribution in 2013 compared to 2012 (108.0 million euros in 2013 vs 222.1 million euros in 2012) and a proposal of no distribution in 2014 on the 2013 results to the General Shareholders' Meeting to be held on 7 May 2014.

15. Non-current provisions

in thousand EUR

2013	01.01.2013	ADDITIONS	UTILISATIONS	REVERSAL	UNWINDING EFFECT	31.12.2013
Outstanding litigations	10 292	5 990	-354	-552		15 375
Onerous contracts	4 564		-1 548			3 016
Network sites dismantling costs	49 814	62	-362	-2 651	1 191	48 054
Office refurbishment costs	2 705	417			74	3 196
TOTAL	**67 375**	**6 469**	**-2 264**	**-3 203**	**1 265**	**69 641**

2012	01.01.2012	ADDITIONS	UTILISATIONS	REVERSAL	UNWINDING EFFECT	31.12.2012
Outstanding litigations	7 084	3 513	-229	-76		10 292
Onerous contracts	7 122		-2 558			4 564
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**

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 for 5,990 thousand euros and the use of the provision for onerous contracts set up in MES for 1,548 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:

in thousand EUR

	31.12.2013	31.12.2012
Number of network sites Orange Communications Luxembourg S.A. incl. (in units)	4 500	4 436
Average dismantling cost per network site	11	11
Inflation rate	2.0 %	2.0 %
Discount rate	2.54 %	2.29 %

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. Since 2011, the duration of the rental contracts has been capped to 15 years, which is considered to be equivalent to a dismantling plan spread over a period close to 30 years. Before that change, the longest period considered was 99 years. The approach was maintained to evaluate the provision in 2013, leading to a net variation of the provision for -2,951 thousand euros. Unwinding effect has increased the provision for 1,191 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.

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.

16. Financial instruments

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) and a 120 million euros payment for the spectrum 800 MHz in December 2013, the Company has drawn for a total of 571.9 million euros as at 31 December 2013. 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 for a first tranche of 450 million euros, EURIBOR + 110 Bps margin for a second tranche of 100 million euros and EONIA + 65 Bps margin for the short-term tranche of 21.9 million euros.

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 on-going basis. See notes 10 & 11.

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 year's 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

in thousand EUR

	NOMINAL AMOUNT END 2013	INTEREST RATE	MATURITY	31.12.2013	31.12.2012
Unsecured revolving credit facility agreement with	450 000	EURIBOR + 0.65	31.12.2015	450 000	385 000
Atlas Services Belgium	120 000	EURIBOR + 1.10	10.12.2016	100 000	
Transactions costs on non-current loans				-1 250	-1 350
TOTAL NON-CURRENT LOANS AND BORROWINGS				**548 750**	**383 650**
Cash-pool related credit facility with Orange	50 000	EONIA + 0.65	on demand	21 879	22 580
Uncommitted credit lines with various banks	43 500	determined upon withdrawal	on demand	0	0
TOTAL CURRENT LOANS AND BORROWINGS				**21 879**	**22 580**

Fair values

in thousand EUR

	CARRYING AMOUNT		FAIR VALUE	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Financial assets				
Cash and cash equivalent	13 781	12 266	13 781	12 266
Other financial assets (non-current)	3 333	3 450	3 333	3 450
Current receivables [1]	4 222***	2 658	4 404 */***	2 526 **
Non-current receivables [1]	550	3 722	543 *	3 694 **
Trade receivable [1]	215 058	230 168	215 058	230 168
Other current assets [1]	17 868	16 502	17 168	16 502
Financial liabilities				
Non-current borrowing	550 000	385 000	547 019 *	383 207 **
Non-current trade payable	0	13 447	0	13 404 **
Current borrowing	21 879	22 580	21 879	22 580
Trade payables	352 088	344 563	352 088	344 563
Other payables	5 796	3 035	5 796	3 035

* Discount rates (assumption) have been considered on the estimated period of repayment (1 year: 0.414 %, 2 years:0.5449 %, 3 years: 0.7715 %, 4 years: 1.0232 %, 5 years: 1.2879 %)

** 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 %)

*** This value includes a loan to a partner for which an accrual for collection risk has been recorded for a value of 3,722 thousand euros. 'Net carrying amount is 700 thousand euros for which fair value is 698 thousand euros.

1 See note 4.12 related to the accounting principles (loans and receivables).

As at 31 December 2013, 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

in thousand EUR

YEAR ENDED DECEMBER 2013	AMOUNT	WITHIN 1 YEAR	WITHIN 2-5 YEARS	MORE THAN 5 YEARS
Financial assets				
Cash and cash equivalent	13 781	13 781		
Other financial assets (non-current)	3 333	3 333		
Current receivables (>1 year falling due <1 year)	4 422	4 422		
Non-current receivables	550			550
Financial liabilities				
Non-current borrowing	550 000		550 000	
Current borrowing	21 879	21 879		

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		
Other financial assets (non-current)	3 450	3 450		
Non-current receivables	6 380	2 658	3 722	
Financial liabilities				
Non-current borrowing	385 000		385 000	
Current borrowing	22 580	22 580		

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 422 million euros for 2013, a variation of floating rate of 0.5 % would have meant an impact on financing costs of 2.1 million euros. 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.

17. Non-current trade payable

in thousand EUR

	31.12.2013	31.12.2012
Payable on licence acquisition over 1 year	0	13 447
TOTAL NON-CURRENT TRADE PAYABLE	**0**	**13 447**

This amount represents the part payable over more than one year relating to the renewal of the 2G license. The company indeed opted for the deferred payment approach over 5 years. At the end of 2013, one installment remains to pay in 2014. Interests on this payable have been paid in advance for the year 2014 in December 2013. These interests have been calculated based on a provisional rate of 2.75 %.

18. Trade payables and other current liabilities

in thousand EUR

	31.12.2013	31.12.2012
TRADE PAYABLES	**352 088**	**344 563**
Salaries and termination pay	4 515	2 258
Social security contributions	900	880
Holiday pay	17 918	18 744
Performance and Profit Sharing bonus	6 833	9 431
Other	1 357	3 072
TOTAL EMPLOYEE BENEFITS RELATED LIABILITIES	**31 524**	**34 385**
Corporate taxes	14 626	39 020
Value added tax & other taxes	959	3 689
TOTAL CURRENT TAXES PAYABLE	**15 585**	**42 709**
DEFERRED INCOME	**66 145**	**77 451**
TOTAL OTHER PAYABLES	**5 796**	**3 035**

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 7,525 thousand euros is mainly due to the increase of operational and fixed assets trade payable at the end of the year.

Variation of the employee benefits related liabilities is influenced by higher termination accruals compensated by an important decrease of the provisions related to bonus and profit sharing.

Variation of corporate tax payable is due to the payment of the tax bills for the accounting year 2012 for 32.5 million euros and the adjustment of 2012 tax provision. Prepayments of taxes for 2013 have been lower than in 2012 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. This effect has been reinforced in 2013 due to the massive migration of customers to 'Animals' tariff plans. 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 -11.3 million euros.

19. Consolidated statement of comprehensive income

Turnover

in thousand EUR

	2013	2012
Revenue from subscription contracts	780 759	913 808
Revenue from prepaid subscription cards	120 299	144 908
Interconnection revenue	277 709	315 527
Site sharing rental income	2 552	3 018
Other services	71 534	72 766
Total service revenue	1 252 852	1 450 027
Sale of equipment	208 380	200 448
TOTAL	**1 461 232**	**1 650 475**

The service revenues of the Mobistar group amounted to 1,252.9 million euros in the year 2013 compared to 1,450.0 million euros a year earlier, or a reduction of 13.6 %. The negative trend noted during the first half year continued its acceleration especially towards the end of the year. The repricing essentially manifested itself by a contraction of the out-of-bundle domestic revenues, as the different bundles were enriched with more voice minutes and sms. This abundance resulted in a decrease of overage across most of the tariff plans. Pockets of growth were the service revenues coming from Machine-to-Machine and from MVNO, which grew respectively 20.7 % and 59.6 % in 2013. The fourth quarter service revenues of the Mobistar group amounted to 290.2 million euros, a decline of 21.4 % versus the fourth quarter of 2012.

During the year 2013, the revenues of the Mobistar group were once again negatively influenced by the reduction of the MTR rates in January 2013 and of the roaming rates in July 2012 and July 2013. The impact of these reductions on service revenues of the Mobistar group amounted to in total 57.1 million euros for 2013, i.e. 33.7 million euros MTR-impact and 23.4 million euros roaming-impact. The impact in the fourth quarter amounted to respectively 8.8 million euros and 3.6 million euros. Without regulatory impact, the consolidated service revenues would have been down 9.7 % for the full year 2013 and down 18.1 % for the fourth quarter.

The sales of handsets, mainly driven by the success of smartphone, progressed during 2013 from 200.5 million euros in 2012 to 208.4 million euros, an increase of 3.9 %. However, the growth trend curbed off toward the second part of the year. The fourth quarter even recorded a decline of 17.8 % versus the same period last year, given the latter introduction of the new iPhone in Belgium compared to last year and given the gradually increasing volume of subsidized offers in the market.

The total consolidated turnover, which includes service revenues as well as the turnover coming from the sale of handsets, amounted to 1,461.3 million euros at the end of December 2013, compared to 1,650.5 million euros in December 2012. This implies a decline of 11.5 % year-over-year, excluding the impact of MTR- and roaming regulation the decline would have been -8.0 % year-over-year.

Other operating revenue

in thousand EUR

	2013	2012
Expenses recharged to Orange group entities	7 880	8 988
Administrative costs recharged to customers and third-parties	14 504	19 183
Services rendered to judicial authorities	0	3 389
Other operating revenue	10 488	20 403
TOTAL	**32 872**	**51 962**

Other operating revenue totaled 31,872 thousand euros in 2013, compared with 51,962 thousand euros in 2012. This revenue comes predominantly from the cross-charging of services provided to the Orange Group, administrative costs charged to end customers and from information supplied to the judicial authorities. Since 2013, Mobistar has decided to record revenues from the juridical authorities on a cash basis. This is why no revenues have been recorded for this year. Revenues not recognized in 2013 amount to 3,781 thousand euros. Same approach applied in 2012 would have resulted in a decrease of revenues of 3,389 thousand euros.

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 allowed the Group to record 9.8 million euros of additional one time income in the fourth quarter of 2012, under the header 'other operating revenues'.

Interconnection costs

Interconnection costs have decreased by 14 % at 337,580 thousand euros.

Costs of equipment and goods sold

in thousand EUR

	2013	2012
Purchase of goods	240 976	234 754
Purchase of services	123 275	118 190
TOTAL	**364 251**	**352 944**

Costs of equipment and goods sold recorded an increase as a result of the growth in revenue from equipment sales. Other service costs are related to leased lines and sites costs that have slightly increased.

Services and other goods

in thousand EUR

	2013	2012
Rental costs	26 864	26 630
Maintenance	20 099	17 493
Professional fees	62 004	78 203
Administration costs	18 904	19 874
Commissions	110 677	105 832
Universal service	770	-17 040
Advertising and promotions	39 248	37 730
Other	12 210	13 106
TOTAL	**290 776**	**281 828**

The cost of services and other goods has increased by 8.9 million euros reaching 290.8 million euros.

Professional fees, including mainly IT consultants and outsourced activities (for 52.6 million euros in 2013 vs 66.7 million euros in 2012) and honoraries (for 6.9 million euros in 2013 vs 7.6 million euros in 2012), have decreased over the year by 16.2 million euros due to a very strong control on interim and infrastructure contractors and the decrease of volume of CRM support linked to the suspension of the fix activities. Commercial expenses have been slightly increased by 1.5 million euros, influenced by the strong focus on this type of costs. Commissions costs have increased by 4.8 million euros, which results from the combination of provisions set up in the context of the distribution landscape reorganization compensated by an important decrease of the structural remunerations in both prepaid and postpaid segments.

In 2012, an important positive impact was 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.

Employee benefits expenses

in thousand EUR

	2013	2012
Short-term employee benefits	114 190	116 468
Social Security contributions	34 062	32 642
Group insurance and medical care	6 981	4 919
Other personnel costs	1 930	2 054
TOTAL	**157 163**	**156 083**

Short-term employee benefits are presented net of employee benefits expenses internally capitalised as intangible assets and property, plant and equipment, totalling 9,316 thousand euros in 2013 and 6,463 thousand euros in 2012.

The average full-time equivalent number of employees decreased from 1,896 in 2012 to 1,741 in 2013. Despite this reduction in headcount, total cost of employees has increased partially due to the increase in redundancy costs incurred in 2013 compared to 2012.

The amount paid as expenses related to the defined contribution pension plan and included in the 'Group insurance' amounted to 5,193 thousand euros for 2013 compared to 5,099 thousand euros for 2012.

Depreciations

Depreciation charge as at 31 December 2013 totalling 188.3 million euros is reduced by 13.3 % versus the one recorded for the same period in 2012.

The depreciation of 2012 included the impact of non-recurring depreciations for an amount of 37.6 million euros (see note 4).

The depreciations of 2013 included the impact of non-recurring depreciations for an amount of 11.9 million euros (see note 4).

Amounts written down stocks, contracts in progress and trade debtors

Bad debt provision has decreased in the year 2013 mainly due to a return to better collection performance on all market segments. This has allowed to partially reverse accrual set up in the past and to reduce the percentage of current year accrual.

Other operating charges

in thousand EUR

	2013	2012
Inventories - obsolete and slow moving items	-45	249
Trade receivables - realized losses	-3 916	13 037
Trade receivables - accrual variation	16 357	5 031
Impairment on local taxes on GSM antennas and pylons	9 747	7 591
Property taxes	2 138	2 912
Non-current provisions	3 068	-2 561
Loss on sales of assets	22	130
Other operating charges	-98	646
TOTAL	**27 273**	**27 035**

Local taxes on GSM masts and antennas impairment has increased in 2013 and is expected to very importantly increase again in 2014, mainly due to the new Walloon Region tax rule.

In 2013, the Group has recorded new claims for an amount of 5.9 million euros but has been positively influenced by the use of the provision for onerous contracts of -1.5 million euros in MES. Non-current provisions were positive in 2012 mainly due to the reversal of a part of the provision for onerous contracts booked in MES.

Financial result

in thousand EUR

	2013	2012
Financial income		
Interest on deposits and current bank accounts	232	308
Other financial income	241	189
Total	**473**	**497**
Financial costs		
Interest on financial debts	5 978	7 872
Other financial charges	2 326	3 314
Total	**8 305**	**11 186**
TOTAL NET FINANCIAL COSTS	**-7 832**	**-10 689**

The financial expenses have been influenced in 2013 by interest rates and exchange rate variance (-1.9 million euros), and bank charges (-0.3 million euros). The new credit line of 120 million euros secured in December 2013 was drawn at the end of December to pay the 800 MHz spectrum license. The impact of this new credit facility on the 2013 financial results was very limited.

Tax expense

The tax burden amounts to 33.4 million euros in 2013. A positive impact on the taxable year 2012 has been recorded in December 2013 for an amount of 6.3 million euros to record tax deduction for investments. In 2012 the impact was of 7.1 million euros. Due to the fact that the taxable basis is lower in 2013 than in 2012, the adjustment has had a more important relative effect on the effective tax rate which shows a more favourable position for 2013 compared to 2012.

20. Relationships with related parties

Relationships with affiliated enterprises

Balance sheet and income statement

in thousand EUR

	31.12.2013	31.12.2012
Assets and liabilities		
Current trade receivables	14 141	10 798
Liabilities		
Current interest-bearing loan	21 879	22 580
Non-current interest-bearing loan	548 300	383 200
Current trade payables	7 607	9 036
Income and charges		
Sales	29 052	38 961
Purchases	35 244	38 137

The consolidated financial statements include the financial statements of Mobistar S.A., 100 % of Orange Communications Luxembourg S.A. and 100 % of Mobistar Enterprise Services S.A. in 2013. At the end of 2012, 50 % of the interests held by Orange in the joint venture Irisnet were deconsolidated.

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

Related party - 2013 transactions

in thousand EUR

	SALES TO RELATED PARTIES	PURCHASES FROM RELATED PARTIES	AMOUNTS OWED BY RELATED PARTIES	AMOUNTS OWED TO RELATED PARTIES
Ultimate parent company				
Orange - Traffic and services	22 170	26 298	9 584	5 413
Orange - Financing activities	7	97		21 879
Orange Group subsidiaries				
Airtime traffic and services	6 875	3 783	4 557	2 194
Atlas Services Belgium - Borrowing		5 066		548 300
TOTAL	**29 052**	**35 244**	**14 141**	**577 786**

Related party - 2012 transactions

in thousand EUR

	SALES TO RELATED PARTIES	PURCHASES FROM RELATED PARTIES	AMOUNTS OWED BY RELATED PARTIES	AMOUNTS OWED TO RELATED PARTIES
Ultimate parent company				
Orange - Traffic and services	28 337	26 254	6 136	6 815
Orange - Financing activities	50	0		22 580
Orange Group 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**

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:

in thousand EUR

	2013	2012
Short-term employee benefits	3 904	3 426
Post-employment benefits	415	359
Other long-term benefits	1 105	0
Termination benefits	756	237
TOTAL	**6 179**	**4 022**

Note that the presentation has been reworked in order to fully align with the requirements of IAS 19. Values of 2012 have been adjusted accordingly.

The total remuneration attributed to the Board of Directors (excluding the normal compensation of the CEO which is included in the table above) is as follows:

in thousand EUR

	2013	2012
TOTAL REMUNERATION	**330**	**319**

21. Commitments and contingencies

Purchases

in thousand EUR

	COMMITMENTS END OF		< 1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS
	2012	2013				
Intangible assets	14 089	7 486	7 486			
Property, plant and equipment	220 305	213 243	139 308	70 038	1 937	1 960
Inventories	74 871	82 333	82 333			
Other services	42 861	19 521	1 102	15 865	1 585	969

In 2013 Mobistar has adhered to an Orange group contract with some hardware producer regarding the purchasing of handsets with minimal commitments for the years 2013, 2014 and 2015. Due to the changes of the distribution strategy of the producer, Mobistar is currently negotiating the minimum commitments to a lower level than originally foreseen, however currently no new level has been agreed by the parties. The liability for breaches of these obligations is currently capped at 35 million euros for 2014 and 25 million euros for 2015.

Operational leases costs

in thousand EUR

	COMMITMENTS END OF		< 1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS
	2012	2013				
Offices	65 101	68 973	5 985	12 302	12 759	37 927
Network sites	361 775	373 246	28 347	79 117	262 939	2 844
Cars	14 194	13 993	1 124	12 847	22	
TOTAL	**441 069**	**456 212**	**35 455**	**104 267**	**275 720**	**40 771**

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

in thousand EUR

	COMMITMENTS END OF		< 1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS
	2012	2013				
TOTAL	**50 000**	**50 000**		**50 000**		

Guarantees granted

in thousand EUR

	COMMITMENTS END OF		< 1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS
	2012	2013				
TOTAL	**9 580**	**10 090**	**884**	**926**	**727**	**7 553**

In 2013, guarantees granted are related to various lease agreements (2,067.4 thousand euros) and to network performance commitment granted to some corporate customers (7,011.0 thousand euros). No other security (mortgage, pledge or other) has been granted on Mobistar assets as at 31 December 2013.

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

Purchase agreement

No purchase agreement has been signed in 2013.

22. Operating segment information

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., Mobistar Enterprise Services S.A. and IRISnet S.C.R.L., 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 non-mobile service revenues in Belgium declined respectively 9.7 % and 20.4 % during the year 2013 and the fourth quarter of 2013, mainly as a result of lower wholesale carrier service revenues and to a lesser extent due to lower residential fixed revenues. The remaining non-mobile service revenues, primarily within the perimeter of Mobistar B2B activities, remained rather solid.

The direct earnings of the non-mobile activity in Belgium registered an increase of 16.4 % to 85.0 million euros at the end of 2013 coming from 73.0 million euros at end of 2012. The direct margin, as a percentage of the non-mobile service revenues, improved from 45.5 % in 2012 to 58.7 % a year later, mainly due to a more favourable product mix. The progression is almost exclusively due to a reduction in the interconnection costs, both as a result of lower mobile termination rates and lower leased line charges related to wholesale carrier services. At the end of 2013, the EBITDA of the non-mobile activity in Belgium came out at 14.4 million euros compared to -9.7 million euros in 2012. Besides the improvement of the direct earnings, this progression was mainly linked to the suspension of the commercialization of the TV- and broadband product, which caused the EBITDA to improve due to lower interconnection costs, lower instalment costs, lower customer assistance related costs and lower marketing costs.

The decision to decommission the TV operations has had an impact on the level of depreciations of the year by requiring an acceleration of TV material depreciation.

in thousand EUR

2013	31.12.2013 BELGIUM			31.12.2013 LUXEMBOURG	INTERCO ELIMINATION	MOBISTAR GROUP
	MOBILE	NON-MOBILE	TOTAL	TOTAL	TOTAL	TOTAL
Operating revenues						
Network & other operating revenues (service revenues)	1 067 174	144 658	1 211 832	65 273	-24 253	1 252 852
Handsets sales	210 167	0	210 167	10 286	-12 073	208 380
Total turnover	**1 277 341**	**144 658**	**1 421 999**	**75 559**	**-36 326**	**1 461 232**
Other	0	0	0	0	0	0
TOTAL OPERATING REVENUES	**1 277 341**	**144 658**	**1 421 999**	**75 559**	**-36 326**	**1 461 232**
Operating charges						
Direct costs excl. direct commercial costs	**-489 139**	**-57 513**	**-546 652**	**-39 642**	**20 325**	**-565 969**
Direct commercial costs	-128 251	-2 243	-130 494	-1 039	0	-131 533
DIRECT COSTS	**-617 390**	**-59 756**	**-677 146**	**-40 682**	**20 325**	**-697 503**
Direct earnings	**659 951**	**84 903**	**744 854**	**34 878**	**-16 001**	**763 730**
% OPERATING REVENUES	**61.8 %**	**58.7 %**	**61.5 %**	**53.4 %**	**66.0 %**	**61.0 %**
Indirect production costs	-147 074	-41 723	-188 797	-8 400	16 001	-181 196
Information technology	-33 075	-2 987	-36 062	-640	0	-36 702
Communication, Marketing & Product development	-35 610	-7 245	-42 855	-2 600	0	-45 455
Indirect customer facing costs	-96 083	-14 907	-110 989	-6 600	0	-117 589
General and administration costs	-58 649	-3 654	-62 303	-3 423	0	-65 726
Indirect costs	**-370 491**	**-70 516**	**-441 007**	**-21 663**	**16 001**	**-446 669**
EBITDA	**289 460**	**14 387**	**303 847**	**13 215**	**0**	**317 061**
% EBITDA ON OPERATING REVENUES			**25.1 %**	**20.2 %**	**0.0 %**	**25.3 %**
Depreciations	-167 161	-14 349	-181 510	-6 794	0	-188 304
Share of profits (losses) of associates		-117	-117	0	0	-117
EBIT	**122 299**	**-79**	**122 220**	**6 421**	**0**	**128 641**
Financial income			473	0	0	473
Financial costs			-8 154	-151	0	-8 305
Profit before taxes			**114 539**	**6 270**	**0**	**120 809**
Tax expense			-32 602	-802	0	-33 404
Net profit of the period (*)			**81 937**	**5 468**	**0**	**87 405**
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			**81 937**	**5 468**	**0**	**87 405**

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

in thousand EUR

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 earnings	**790 512**	**73 003**	**863 515**	**35 261**	**-6 600**	**892 176**
% OPERATING REVENUES	**63.7 %**	**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 results of continued operations.

in thousand EUR

2013	31.12.2013 BELGIUM				31.12.2013 LUXEMBOURG	INTERCO ELIMINATION	MOBISTAR GROUP
	MOBILE	FIX	UNALLOCATED	TOTAL			TOTAL
Goodwill	11 351			11 351	68 574	155	80 080
Intangible assets and property, plant and equipment	1 021 380	34 277		1 055 656	24 560		1 080 216
Financial assets			87 017	87 017		-87 017	0
Interests in associates			3 333	3 333			3 333
Deferred taxes assets			4 279	4 279	2 435		6 715
Other non-current assets			633	633	158		792
Inventories	17 314	788		18 102	2 564		20 666
Trade receivable	161 626	43 386		205 012	13 421	-3 376	215 058
Other current assets	22 715	4 575	2 638	29 928	1 575	-2 254	29 250
Cash and cash equivalent	8 643			8 643	5 138		13 781
Segment assets	**1 243 029**	**83 026**	**97 901**	**1 423 956**	**118 426**	**-92 491**	**1 449 891**
Non-current interests-bearing borrowings			548 750	548 750			548 750
Non-current provisions	57 132	9 625		66 757	2 883		69 641
Non-current payable							0
Deferred taxes			1 306	1 306			1 306
Financial liabilities			21 879	21 879	2 236	-2 236	21 879
Trade payables	311 547	28 716		340 263	15 201	-3 376	352 088
Taxes			14 819	14 819	767		15 585
Salaries and social security	27 288	3 522		30 809	714		31 524
Deferred income	58 471	6 627	315	65 413	750	-18	66 145
Other current liabilities			5 796	5 796			5 796
Segment liabilities	**454 438**	**48 490**	**592 864**	**1 095 792**	**22 550**	**-5 629**	**1 112 713**
Capital expenditure	301 694	11 291		312 985	6 063		319 048
Depreciation and amortisation	167 161	14 349		181 510	6 794		188 304
Impairment losses recognised in profit or loss				0			0

in thousand EUR

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 assets and property, plant and equipment	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**
Non-current interests-bearing borrowings			383 650	383 650			383 650
Non-current provisions	53 196	11 223		64 419	2 956		67 375
Non-current payable	13 447			13 447			13 447
Deferred taxes							0
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

23. 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.

Statutory auditor's report

to the Shareholders' Meeting on the consolidated financial statements for the year ended 31 December 2013

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes 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.

Report on the consolidated financial statements – Unqualified opinion

We have audited the 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. The consolidated statement of financial position shows total assets of EUR 1.449.891 (000) and the consolidated income statement shows a consolidated profit (Group share) for the year then ended of EUR 87.405 (000).

Board of Directors' responsibility 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 (IFRS) 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 (ISA). 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 statutory 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 Group'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 2013, 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.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

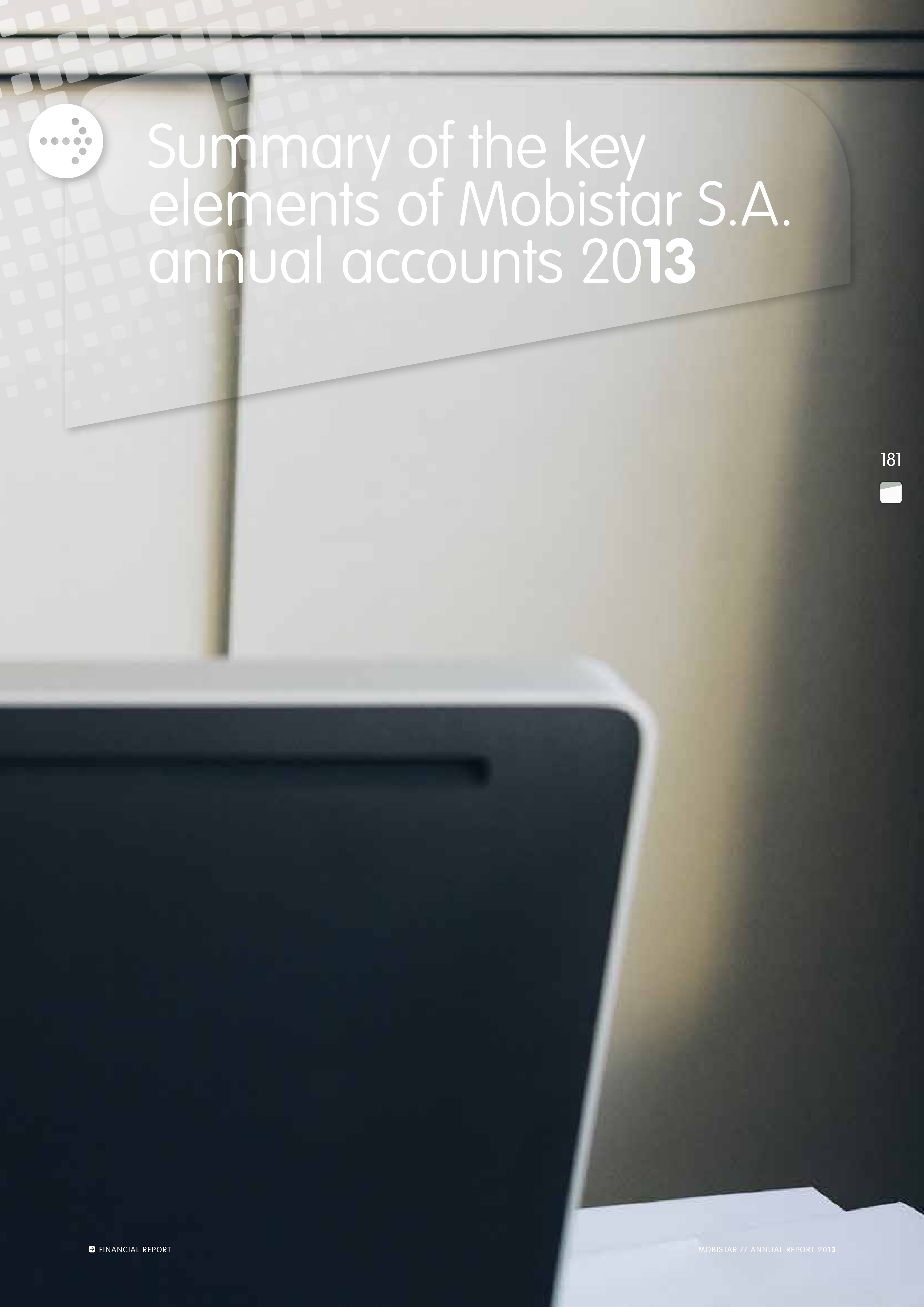
- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Diegem, 24 March 2014

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by
Rik Neckebroeck & Bernard De Meulemeester

Summary of the key elements of Mobistar S.A. annual accounts 2013



Balance sheet after appropriation

in thousand EUR

ASSETS	2013	2012
FIXED ASSETS	1 129 693	997 794
Formation expenses	**1 250**	**1 350**
Intangible fixed assets	**376 213**	**281 196**
Tangible fixed assets	**584 622**	**547 641**
Land and buildings	314 480	301 262
Plant, machinery and equipment	243 903	217 347
Furniture and vehicles	16 665	19 015
Other tangible fixed assets	9 574	10 017
Financial fixed assets	**167 608**	**167 607**
Affiliated enterprises	164 077	164 077
Participating interests	164 077	164 077
Other enterprises linked by participating interests	3 450	3 450
Participating interests	3 450	3 450
Other financial assets	81	80
Amounts receivable and cash guarantees	81	80
CURRENT ASSETS	249 422	274 390
Amounts receivable after more than one year	**550**	**3 722**
Other amounts receivable	550	3 722
Stocks and contracts in progress	**18 076**	**18 484**
Stocks	18 076	18 484
Goods purchased for resale	18 076	18 484
Amounts receivable within one year	**201 149**	**213 940**
Trade debtors	195 473	205 358
Other amounts receivable	5 676	8 582
Current investments	**5 274**	**2 460**
Other investments and deposits	5 274	2 460
Cash at bank and in hand	**3 260**	**8 340**
Deferred charges and accrued income	**21 113**	**27 444**
TOTAL ASSETS	1 379 115	1 272 184

in thousand EUR

EQUITY AND LIABILITIES	2013	2012
EQUITY	318 356	243 135
Capital	**131 721**	**131 721**
Issued capital	131 721	131 721
Reserves	**13 172**	**13 172**
Legal reserve	13 172	13 172
Accumulated profits (losses) (+) (-)	**173 391**	**98 144**
Investment grants	**72**	**98**
PROVISIONS AND DEFERRED TAXES	11 608	6 127
Provisions for liabilities and charges	**11 608**	**6 127**
Pensions and similar obligations	447	247
Other liabilities and charges	11 161	5 880
AMOUNTS PAYABLE	1 049 151	1 022 922
Amounts payable after more than one year	**550 000**	**398 447**
Financial debts	550 000	385 000
Other loans	550 000	385 000
Trade debts		13 447
Suppliers		13 447
Amounts payable within one year	**442 778**	**559 821**
Current portion of amounts payable after more than one year falling due within one year	13 447	14 873
Financial debts	52 368	43 811
Other loans	52 368	43 811
Trade debts	327 208	316 206
Suppliers	327 208	316 206
Taxes, remuneration and social security	43 086	72 013
Taxes	14 627	41 346
Remuneration and social security	28 459	30 667
Other amounts payable	6 669	112 918
Accrued charges and deferred income	**56 373**	**64 654**
TOTAL EQUITY AND LIABILITIES	1 379 115	1 272 184

Income statement

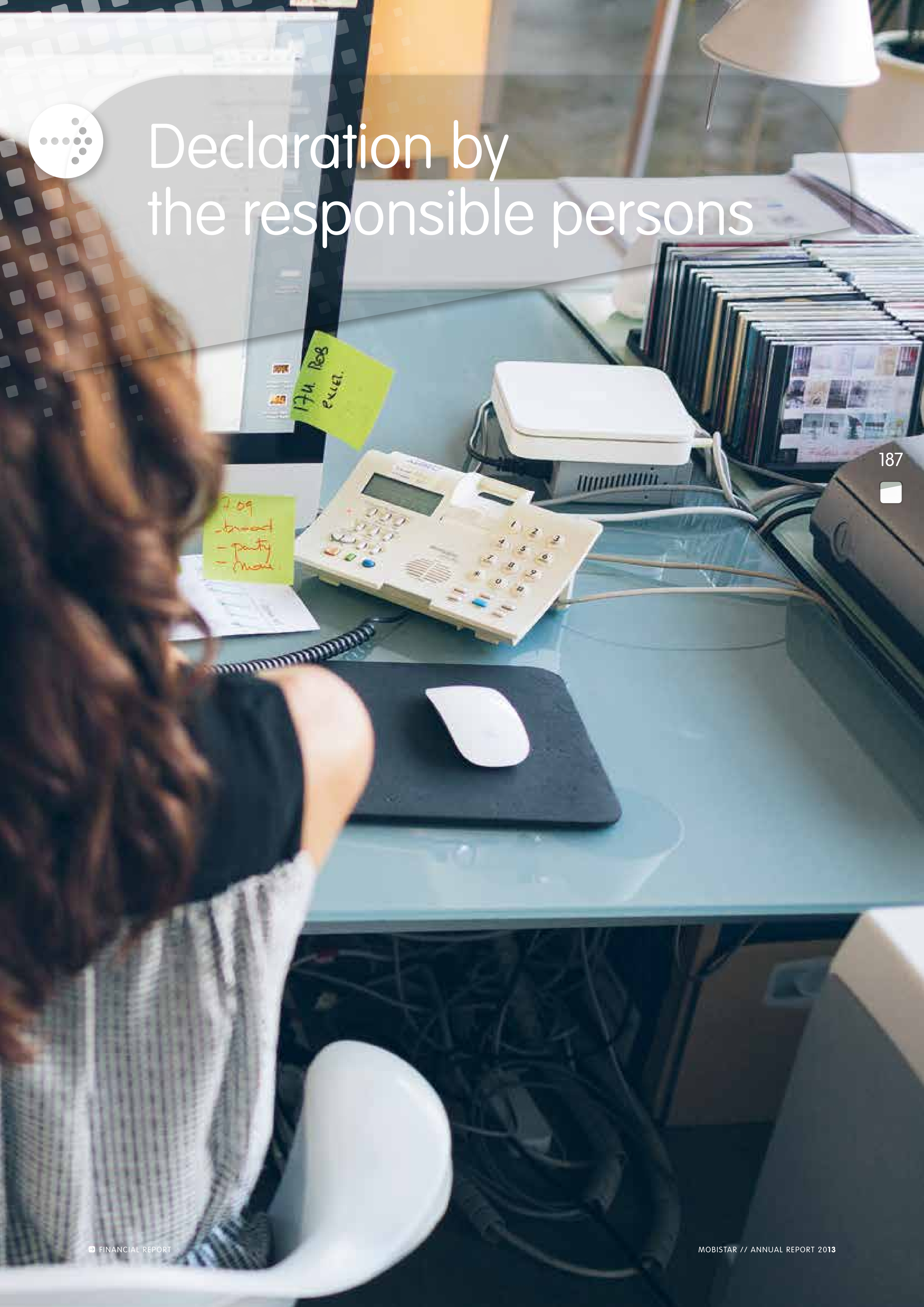
in thousand EUR

	2013	2012
Operating income	**1 406 417**	**1 592 852**
Turnover	1 356 481	1 533 122
Own construction capitalised	7 809	4 803
Other operating income	42 127	54 927
Operating charges	**1 287 022**	**1 310 547**
Raw materials, consumables	662 221	687 884
Purchases	661 738	691 428
Stocks: decrease (increase) (+) (-)	483	-3 544
Services and other goods	277 393	267 839
Remuneration, social security costs and pensions (+) (-)	154 482	151 478
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	165 366	175 843
Amounts written down stocks, contracts in progress and trade debtors - Appropriations (write-backs) (+) (-)	5 566	17 532
Provisions for risks and charges - Appropriations (uses and write-backs) (+) (-)	5 481	52
Other operating charges	16 513	9 919
Operating profit (loss) (+) (-)	**119 395**	**282 305**
Financial income	**500**	**601**
Income from current assets	261	383
Other financial income	239	218
Financial charges	**7 912**	**10 842**
Debt charges	5 956	7 851
Other financial charges	1 956	2 991
Gain (loss) on ordinary activities before taxes (+) (-)	**111 983**	**272 064**
Extraordinary charges	**3 722**	**15 457**
Extraordinary depreciation of and extraordinary amounts written off formation expenses, intangible and tangible fixed assets		15 457
Other extraordinary charges	3 722	
Profit (loss) for the period before taxes (+) (-)	**108 261**	**256 607**
Income taxes (+) (-)	**32 140**	**81 907**
Income taxes	38 488	89 010
Adjustment of income taxes and write-back of tax provisions	6 348	7 103
Profit (loss) for the period (+) (-)	**76 121**	**174 700**
Profit (loss) for the period available for appropriation (+) (-)	**76 121**	**174 700**

in thousand EUR

APPROPRIATIONS AND WITHDRAWINGS	2013	2012
Profit (loss) to be appropriated (+) (-)	**174 265**	**208 027**
Profit (loss) to be appropriated (+) (-)	76 121	174 700
Profit (loss) to be carried forward (+) (-)	98 144	33 327
Profit (loss) to be carried forward (+) (-)	**173 391**	**98 144**
Profit to be distributed	**874**	**109 883**
Dividends		108 026
Other beneficiaries	874	1 857

Declaration by the responsible persons



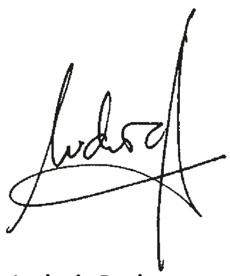
Declaration by the responsible persons

We, the undersigned, Jean Marc Harion, CEO,
and Ludovic Pech, 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



Ludovic Pech
CFO

For more information, please contact

Siddy Jobe
For the shareholders and analysts
e-mail: ir@mail.mobistar.be

Patti Verdoodt
For the press
e-mail: press@mail.mobistar.be

Financial director
Ludovic Pech

Responsible editor
Siddy Jobe

Coordination
Siddy Jobe
Nathalie Kervyn
Anne-Catherine Scuflaire
Michael Boschmans

Concept & layout
www.linknv.be

Pictures
Mobistar, Karel Duerinckx

Mobistar S.A.
Avenue du Bourget 3, BE-1140 Brussels
Belgium
T. +32 2 745 71 11
F. +32 2 745 70 00
www.mobistar.be

RCB 599 402
VAT BE 0456 810 810

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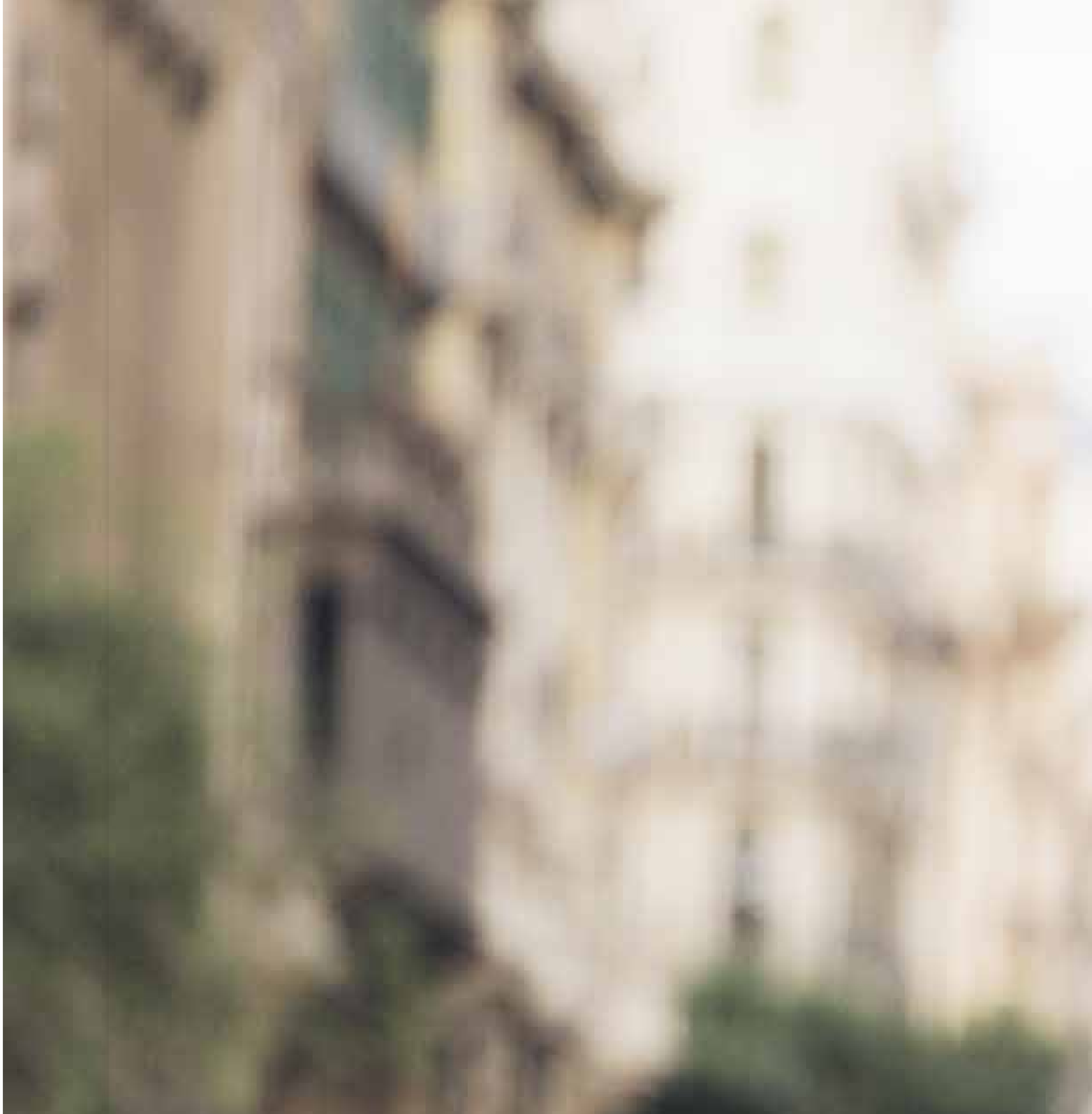

Mobistar S.A.
Avenue du Bourget 3, BE-1140 Brussels - Belgium
T. +32 2 745 71 11 - F. +32 2 745 70 00

info@mail.mobistar.be | **www.mobistar.be** | **business.mobistar.be** | **corporate.mobistar.be**