Annual report 2008

Corporate governance

Mobistar places great emphasis on good governance and confirms its intention to comply with the Code Belge de Gouvernance d'Entreprise (Belgian Corporate Governance Code). In this frame, Mobistar has published the forth version of its Corporate Governance Charter on the Company's website on 17 December 2008.

The Company considers that its Corporate Governance Charter and this Corporate Governance section reflect both the spirit and the letter of the Code Belge de Gouvernance d'Entreprise.

In the Corporate Governance Charter, the Company explains that, for the sake of clarity and consistency with Belgian law, it has decided not to depart from the legal definition of independent director set out in the Companies Code. The Company has therefore decided not to refer to the definition of "independent director" as set out in the Code Belge de Gouvernance d'Entreprise (section 2.3). The Company reserves a possibility to launch share plans in the beginning of the year and to submit them to the General Meeting a posteriori. Apart from this, there is no inconsistency with the Code.

Mobistar wants to encourage and facilitate the participation of shareholders at the Annual General Meeting. To that end, it has decided to use for the fifth time the registration date procedure that spares shareholders from obligation to have their shares blocked for several days (and this will be combined with the "traditional" deposit procedure).

1. Composition of the Board of Directors

The Board of Directors consists of a maximum of 18 directors pursuant to article 13 of the Articles of Association.

As at 31 December 2008, the Board consisted of 12 members, of whom 4 were independent directors. No age limit is imposed for being a member of the Board.

Name	Function	Main function	Age	Nationality	End of mandate
Jan Steyaert	Chairman of the Board	Company director	63	Belgian	2011
Benoit Scheen (1) (2) (6)	Director	CEO Mobistar	42	Belgian	2011
Sparaxis (3) (4)	Independent Director				2011
Eric Dekeuleneer (3)	Independent Director	CEO Credibe CEO University Foundation	56	Belgian	2011
Philippe Delaunois (3)	Independent Director	Company director	67	Belgian	2011
Christina von Wackerbarth (3)	Independent Director	Company director	54	Belgian	2011
Vincent Brunet (1)	Director	VP Performance Support (FT)	44	French	2011
Olaf Swantee (1)	Director	EVP Europe & Middle-East (FT)	42	Dutch	2011
Brigitte Bourgoin-Castagnet (1)	Director	EVP Personal (FT)	55	French	2011
Bertrand du Boucher (1)	Director	VP Finance (FT)	55	French	2011
Gervais Pellissier (1)	Director	CFO (FT)	49	French	2011
Wirefree Services Belgium (1) (5)	Director				2011

(1) Directors representing the majority shareholder (Atlas Services Belgium).

(2) Director responsible for day-to day management.

(3) The independent directors have signed a declaration stating that they meet the independence criteria set out in the Companies Code.

(4) The company Sparaxis is linked to SRIW (Société Régionale d'Investissement de Wallonie) and is represented by Mr Eric Bauche (Advisor Executive Committee at SRIW).

(5) The company Wirefree Services Belgium is represented by Mr Aldo Cardoso.

(6) Mr Benoit Scheen has been appointed by the General Meeting of 7 May 2008 (he had been co-opted by the Board of Directors of 6 December 2007, effective as from 1 January 2008).

Presentation of the directors appointed in 2008

Benoit Scheen, CEO Mobistar

Benoit Scheen joined Mobistar in November 2005 as Chief Commercial Officer and member of the Executive Committee. He was responsible for all commercial and customer related matters within the company, as well in the consumer as in the professional market. He became CEO of Mobistar since 1 January 2008.
He started his career in a research program at Siemens-Nixdorf in Germany. In 1991 he started with IBM as a systems analyst. One year later, he joined Compaq where he became soon the sales manager for the major accounts. In August 2000, he was appointed Enterprise Business Unit Director, an assignment he later on combined with the role of Marketing Director. When HP and Compaq merged in May 2002, Benoit was asked to take the international responsibility of the Personal Systems Group in Western and Northern Europe. In 2004 he was appointed Vice President and Managing Director of HP Belgium and Luxembourg.

For the 2008 financial year, independent directors will receive a fixed fee of € 30,000 as well as an additional fee of € 2,000 for each statutory or ad-hoc committee meeting in which they participate. For the 2008 financial year, the Chairman of the Board will receive a set remuneration/fee of € 60,000 as well as an additional fee of € 2,000 per meeting of a Board committee of which he is a member. Other directors' mandates will be carried out free of charge.

There are agreements and/or invoicing arrangements between the various companies within the France Télécom group and the Company, relating to services provided by staff members of companies within the France Télécom group in favour of the Company. Likewise, the services provided by the Company to the benefit of the group are also invoiced. These agreements and invoicing schemes are reviewed by the Audit Committee of the Company.

2. The operation of the Board of Directors

The Board is required to meet at least four times a year. The main subjects discussed by the Board in 2008 were:

- Company strategy;
- Company budget and finance;
- the operational and financial position;
- the activities and decisions of the committees set up by the board;
- the major projects and the technical developments;
- the cost structure;
- the development of the regulatory framework.

Prior to the Board meetings, the Company's management systematically provides Board members with files containing all the detailed information required for discussion and decision-making in relation to the matters listed in the agenda (the main ones of which are itemised here above).

The Company's Articles provide that resolutions of the Board of Directors are passed by a majority of votes taken.

The Board of Directors met 6 times in the course of 2008.

Attendance by Board members at meetings of the Board of Directors

Directors	4 February	11 March	15 April	22 July	21 October	9 December
Jan Steyaert	present	present	present	present	present	present
Benoit Scheen	present	present	present	present	present	present
Sparaxis	present	present	present	present	present	present
Eric Dekeuleneer	present	present	present	present	present	present
Philippe Delaunois	excused	present	present	present	present	present
Christina von Wackerbarth	present	present	present	present	present	present
Vincent Brunet	present	present	present	present	present	present
Olaf Swantee	present	excused	present	present	present	present
Brigitte Bourgoin-Castagnet	present	present	present	excused	present	present
Bertrand du Boucher	present	present	present	present	present	present
Gervais Pellissier	present	excused	present	excused	present	excused
Wirefree Services Belgium	present	present	present	excused	present	present

3. Committees formed by the Board of Directors

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 a non-statutory committee (the Governance Supervisory Committee).

The Audit Committee

The Audit Committee consisted of 5 Board members during 2008: Mr Eric Dekeuleneer (Chairman), the

Company Sparaxis (represented by Mr Eric Bauche), and Messrs Philippe Delaunois, Bertrand du Boucher and Gervais Pellissier (who replaced Mr Michel Poirier, resigning).

The mission of the Audit Committee is to assist the Board of Directors in carrying out its duties with regard to the integrity of the Company's financial information and, in particular, supervision of financial reports, internal audits, external audits and the financial relationship between the Company and its shareholders. The Audit Committee met 5 times in the course of 2008.

Attendance by members at meetings of the Audit Committee

Directors	31 January	9 April	17 July	16 October	4 December
Eric Dekeuleneer	present	present	present	present	present
Sparaxis	present	excused	present	excused	present
Philippe Delaunois	present	present	present	excused	present
Gervais Pellissier	/	excused	present	present	present
Bertrand du Boucher	present	present	present	present	present

The main topics discussed by the Audit Committee in 2008 were:

- financial reporting;
- the statutory audit;
- internal audit missions and organisation/structure;
- relationships with linked parties;
- accounting norms;
- the Sarbanes Oxley procedures;
- Company financing.

The Remuneration and Nomination Committee

In 2008, the Remuneration and Nomination Committee consisted of 4 directors: Messrs Olaf Swantee (President), Eric Dekeuleneer, Philippe Delaunois and Jan Steyaert.

The mission of the Remuneration and Nomination Committee is to assist the Board of Directors in setting the remuneration of the Company's senior management as well as assist the Board of Directors in relation to nominations for, or re-election of, members of the Board of Directors.

The Remuneration and Nomination Committee met 2 times in the course of 2008.

In 2008, the Remuneration and Nomination Committee examined the remuneration of members of the Executive Committee and the remuneration policy of the company.

Attendance by members at meetings of the Remuneration and Nomination Committee

Directors	27 May	22 July
Olaf Swantee	present	present
Eric Dekeuleneer	present	present
Philippe Delaunois	present	present
Jan Steyaert	present	present

The Strategic Committee

The Strategic Committee is charged with assisting the board in defining and evaluating the strategy of the company.

In the course of 2008, the Strategic Committee consisted of 6 directors: Mr Jan Steyaert (Chairman), Ms Brigitte Bourgoin-Castagnet, Messrs Vincent Brunet, Philippe Delaunois and Bertrand du Boucher (who has been appointed by the Board of Directors of 15 April 2008) as well as the Company Sparaxis (represented by Mr Eric Bauche).

The Strategic Committee met 5 times in the course of 2008.

Attendance by members at meetings of the Strategic Committee

Directors	15 January	11 March	6 May	11 June	30 September
Jan Steyaert	present	present	present	present	present
Brigitte Bourgoin-Castagnet	excused	present	present	present	present
Vincent Brunet	present	present	present	present	present
Philippe Delaunois	present	present	present	present	present
Bertrand du Boucher	/	/	present	excused	present
Sparaxis	present	present	present	present	present

In 2008, the Strategic Committee dealt in particular with the following matters:

• the Company's results;
• development and Company outlook;
• convergence and new technologies;
• new investments;
• the replacement of equipment;
• strategy in matters of MVNO;
• progress of the UMTS project.

The Governance Supervisory Committee

The Governance Supervisory Committee is an ad hoc committee set up end of December 2004, following the publication of the Code de Gouvernance d'Entreprise, in order to monitor developments in relation to corporate governance and to ensure their implementation within Mobistar.

This committee consisted of 4 directors in 2008: Messrs Eric Dekeuleneer (Chairman) and Jan Steyaert, Ms Brigitte Bourgoin-Castagnet and the Company Wirefree Services Belgium (represented by Mr Aldo Cardoso).

The Governance Supervisory Committee met 2 times in the course of 2008.

Directors	27 May	1 October
Eric Dekeuleneer	present	present
Jan Steyaert	present	present
Brigitte Bourgoin-Castagnet	present	present
Wirefree Services Belgium (Aldo Cardoso)	present	present

4. The remuneration of directors

As required by the Belgian Code de Gouvernance d'Entreprise, the Company has decided to publish the remuneration of the CEO and the (global) remuneration of the Executive Committee.

CEO

	2007[1]	2008[1]
- basic remuneration:	496,392 €	412,376 €
- variable remuneration:	297,835 €	343,160 €
- other elements of remuneration[2]:	326,397 €	100,169 €

Executive Committee (except for the CEO)

On a global basis:

- basic remuneration:	1,675,796 €	1,383,317 €
- variable remuneration:	707,377 €	493,310 €
- other elements of remuneration:	424,543 €	339,760 €

Neither the CEO nor the members of the Executive Committee have received Mobistar warrants or stock options in the course of 2008.

(1) Total real cost for the Company (employer's ONSS contribution included). The 2007 numbers have been restated in line with the total real cost approach implemented for the 2008 figures.
(2) The decrease in 'other elements of remuneration' for the CEO is subsequently due to the change of CEO as from January 1st, 2008.

5. Day-to-day management

Mr Benoit Scheen was appointed director with effect on 1 January 2008 and has occupied this function as from this date.

The Board decided not to take advantage of a possibility under the law and the Articles to delegate certain powers to a management committee.

In order to assist the Managing Director in the exercise of his day-to-day management responsibilities, a committee ("Executive Committee") meets in principle on a weekly basis. With the exception of the Managing Director, each member of the Executive Committee heads a department within the organisation.

The following are members of the Executive Committee:
Benoit Scheen (Chief Executive Officer)
Pascal Koster (Chief Technology Officer)
Erick Cuvelier (Chief Marketing Officer)
Paul-Marie Dessart (Secretary General)
Werner De Laet (Chief Financial Officer)
Olivier Ysewijn (Chief Strategy Officer)
Anne Cambier (Chief Procurement and Process Officer)
Paul Baeck (Chief Commercial Officer) since 1 August 2008

Members of the Executive Committee are considered as members of the executive management for the purposes of the Belgian Code de Gouvernance d'Entreprise.

The members of the Executive Committee perform their duties on the basis of employment contract signed with the Company. No notice period is agreed upon between the Company and the members of the Executive Committee.

6. Surplus allocation policy

The Company confirms that it intends to follow an attractive dividends policy while taking into account financial and legal constraints.

In this context, article 617 of the Companies Code is relevant. Specifically, it provides that "*no distribution may be made when, at closing of the previous financial year, net assets shown in the annual accounts are, or would become following such a distribution, less than the total paid-up capital or, if higher, called-up capital, plus all reserves that the law or the Articles do not allow to be distributed*". Apart from this provision, the Company is not subject to any restrictions with regard to its distribution policy.

7. Contractual relationships with directors and managers

Conclusion of any contract or transaction between a Board member or a member of the Executive Committee and the Company is subject to the prior approval of the Board after the Audit Committee has been informed and consulted. Such a contract or transaction must be concluded at arm's length under the market conditions prevailing at the time. Prior approval of the Board is required even where article 523 of the Companies Code is not applicable to the foreseen transaction or contract. However, services provided by the Company within the general framework of its activities under normal market conditions (i.e. a normal "customer" relationship) are not subject to such prior approval.

8. Transactions involving Company securities

The Board has drafted a set of rules relating to transactions involving shares or other financial instruments issued by the Company and effected by Board members, members of the Executive Committee and other specified individuals on their own account ("Code of Conduct").

The Board has appointed a *Compliance Officer* who ensures that the individuals referred to above apply these rules. Currently, Mr Paul-Marie Dessart has the role of *Compliance Officer*.

If a Board member or a member of the Executive Committee intends to acquire or assign financial instruments (whether directly or indirectly), he must inform the *Compliance Officer* in writing at least three working days prior to the foreseen transaction and in any event prior to completing the transaction. The concerned individual must confirm without delay that he or she does not possess any privileged information.

If the transaction proceeds, the Board member or member of the Executive Committee must inform the *Compliance Officer* immediately in writing and provide him with evidence of the transaction, which must include the number of financial instruments involved, the price and, where applicable, other terms applicable to the said transaction.

As at 31 December 2008, all directors held 300 shares, as compared to 31,808,400 shares on 31 December 2007. These amounts include shares held by legal entities directors and their permanent representatives. It is necessary to note that on 31 December 2008, 31,753,100 shares were held by Wirefree Services Belgium, the majority shareholder and director of the company. These shares have been transferred by Wirefree Services Belgium to her sister company Atlas Services Belgium.

All of the members of the Executive Committee (with the exception of the Managing Director who is also a director) held 1,460 shares on 31 December 2008, as compared to 44,142 shares on 31 December 2007.

Details of the share transactions (and securities actions attached to the shares) is published on the website of the CBFA (www.cbfa.be).

9. Relations with and between shareholders

Mobistar is not aware of existence of any shareholder agreements or any other agreements between shareholders.

Shareholders' structure as at 31 December 2008

Mobistar' shareholders	Number of shares	Capital Percentage
Atlas Services Belgium (1)	31,753,100	52.91 %
Free float	28,261,314	47.09 %
Total number of shares	**60,014,414**	**100 %**

(1) Figures based on the transparency declaration of 30 December 2003.

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1. Key events 2008

> Market developments

Competition further intensified in 2008. Operators waged an intense commercial battle to acquire new customers with aggressive promotions and increasing commercial expenses throughout the distribution channels. The market was also characterized by fast growth of the MVNO (Mobile Virtual Network Operators).

According to Mobistar's estimates, the number of active SIM cards on the Belgian market grew by 7.6 % in 2008, compared to 10.2 % in 2007. The market penetration exceeded 100 % during the year and is estimated to reach 105.7 % at the end of 2008 (to compare with 98.9 % at the end of 2007).

Mobistar has pursued its strategy of replacing landline with mobile in the residential market and pushing convergence in the business market. With 3,738,604 active customers at the end of 2008, as compared to 3,489,859 at the end of 2007 (+ 7.1 % year on year), Mobistar has maintained its position on the Belgian market, with a market share of 33 %. This growth does not include the contribution of "Machine-to-Machine" cards, the number of which increased from 84,339 at the end of 2007 to 108,659 at the end of 2008.

Intense competition and market saturation have impacted the churn rate (the proportion of customers leaving Mobistar in the course of the year compared with the average customer base) in 2008. Over the year, this rate reached 21.4 % as compared to 20.7 % in 2007. Mobistar registered a negative balance in terms of mobile number portability, with a net loss of -17,530 customers.

The number of postpaid customers reached 56.6 % of the total customer base (MVNOs excluded) at the end of 2008, as compared to 54.1 % at the end of 2007 and 51.4 % at the end of 2006. The proportion of business customers has also grown significantly from 18.9 % end of 2007 to 20.2 % end of 2008 (excluding MVNO), reflecting the commercial success of the One Office Voice Pack for the SoHo/Small Business market.

The average traffic per customer continued to grow in 2008, spurred by abundance offers and promotions and the pursuit in growth of the postpaid customer base.

> Evolution of offers and services

In 2008, Mobistar continued to strengthen its segmentation strategy. The Mobistar brand, centered on the three dimensions of "Love, Work and Play", symbolizes a way of life that is increasingly mobile.

On the residential market, Mobistar's portfolio is built around the principles of choice and long-lasting customer advantage. Choice insofar as the customer chooses the advantage that brings most value for her/him, either abundant voice on net or voice to all networks or SMS to all networks. The long-lasting customer advantage means that at Mobistar, the new customer is entitled to more traffic throughout the whole year (not only during promotions) and that he/she keeps this advantage during the entire contract duration.

In terms of fix-mobile convergence or substitution, Mobistar has enlarged the AtHome offer (launched in 2007), by introducing 3 bundles (€ 4, € 7 or € 10/month) in order to correspond to the real needs of customers (calls any time or not). This package offers calls from a mobile phone to landline numbers in Belgium and abroad at prices lower than those charged for calls between landline phones. Customers no longer need a landline number at home and also benefit from increased convenience. As for the mobile offer, the strategy is to give each customer the full choice. Indeed, the AtHome offer addresses alternatively fix-mobile substitution needs (drop your fix line and call from home with a mobile) or fix-mobile convergence, since the customer can chose to also subscribe to Mobistar ADSL and drop the Belgacom fix line (bundled with or without VoIP). At the end of 2008, AtHome has already attracted 124,582 customers (67,318 at end 2007).

The high expectations in mobile Internet were confirmed via the commercial success of Internet Everywhere (launched in Q4 2007). According to customer needs, several options allow to surf on mobile Internet. Mobistar was the first operator to launch a pack including a mobile subscription, AtHome and Internet Everywhere for only € 15/month ("Monster Pack").

Orange World has grown strongly in 2008, attracting new customers around an improved portal with a simpler and more user-friendly interface. The number of Orange World users has grown to 327,707 (+14 % year on year).

In the business market, Mobistar has refined its positioning as a mobile-based convergence player in order to meet the growing needs of businesses in the area of mobility. New innovative and competitive products have been added to back up this strategy.

One Office Voice Pack combines landline and mobile telephony for the business market. This offer, which is the first true convergence package for the SoHo and small business markets, provides the attraction of associating competitive rates with very flexible usage. Two thirds of sales on the mid and low business market segments are done via One Office Voice Pack, which confirms that this strategy addresses customer needs. The strong growth in the number of customers confirms the success of this strategy; the number of cards increased indeed from 45,297 at the end of 2007 to 143,748 (corresponding to 25.4 thousand customers) at the end of 2008.

As from Q4 2008, Mobistar has launched a new triple play offer (One Office Full Pack) for the low end business segment (SoHo and SMA) which provides mobile, fix voice and data over broadband access. By the end of 2008, over 468 customers have been convinced by Mobistar's triple play offer.

In the major accounts market, Mobistar has renewed contracts and also registered major new contracts.

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The partnership policy was successfully continued in 2008 with Telenet and Lycamobile, the European leader in prepaid international traffic targeting ethnic communities. The MVNO customer base reached 345 thousand customers end of 2008 to compare with 206 thousand one year earlier.

> Distribution

Mobistar continued its distribution strategy in 2008 based on four main principles:

- Increase emphasis on exclusive distribution (Mobistar Centers, telesales, on-line sales, ...),
- Dimension the distribution landscape in order to increase our presence (regional implantations and partnerships),
- Segment each point of sale according to its sales potential,
- Maintain our sales share in the open distribution.

In 2008, Mobistar opened 8 new Mobistar Centers to further increase its footprint (154 shops) as the most important retail chain in Belgium. Thirty-one of these points of sale are owned stores (compared with 27 at the end of 2007) emphasizing customer service and direct access to information.

The network of independent agents, representing Mobistar on the SoHo market (Small office-Home office, i.e. independent workers, professionals, very small companies and small business) continues to play a key role in our distribution strategy. Mobistar continues to rely on the privileged relationships it has built with rigorously chosen partners.

The web channel grew from 3.7 % of total sales in 2007 to 5.0 % in 2008. Online sales are not limited anymore to prepaid offers and the web is increasingly popular for postpaid, mobile data and ADSL connections.

The plan to outsource some operational and support activities, started in 2006, was also pursued this year. During 2008 Mobistar successfully transferred some call center activities to Rabat (Morocco) and launched a test with Orange Moldavia, which will be further deployed in 2009.

> Network development

In 2008, Mobistar continued its deployment strategy aimed at strengthening “deep indoor” coverage and enabling rapid and low-cost expansion of 3G, primarily HSDPA (High Speed Downlink Packet Access), an evolved version of UMTS with data rates that are three times higher. HSDPA technology is available everywhere on the Mobistar 3G network.

At the end of 2008, UMTS coverage reached 80% of the population, in compliance with the obligations imposed by the regulator. Mobistar remains the only operator able to offer high speed mobile access over its entire network, thanks to the complementary nature of its EDGE and its 3G networks, with more than 99 % of the population covered.

Since May 2007, Ericsson is in charge of the operational management of Mobistar’s entire network. The five-year contract covers daily management, supervision and deployment of infrastructure and access equipment.

In 2008, Mobistar continued to update and optimize certain technical platforms, including the IN (Intelligent Network) platform for prepaid packages and services and the SMS platform to keep in pace with increased traffic.

At the end of 2008, Mobistar’s network consists of 4,446 sites, including 588 shared sites. This represents 13,338 cells.

The migration of the core network to NGN (Next Generation Network) technology, in collaboration with Huawei, has continued in 2008 and will be completed at the end of Q1 2009. This technology is the first step towards fully convergent services (Full IP), allowing to sustain voice traffic growth in a cost effective way and to support site concentration strategy.

Mobistar’s IT architecture renewal strategy has been launched in 2008 through analysis of existing systems and possible target scenario’s. The main objective is to increase responsiveness to changing business priorities and requirements through an integrated, flexible, simplified service oriented architecture.

> Pursuit of regulatory pressure

In December 2007, the Belgian Institute for Postal Services and Telecommunications (BIPT) had defined the MTR (Mobile Terminating Rates) glide-path for the period February-June 2008. But the Institute’s decision was suspended by the Brussels’ Court of Appeal on April 4th 2008. Consequently, the Institute took a new decision on April 29 in the sense of an increased asymmetry of MTR’s in Belgium and the MTR of the three operators decreased in May and July 2008.

In the area of roaming tariffs (tariffs applicable to calls made abroad in the footprint of the 27 countries of the European Union), the application of the EU Commission’s decisions resulted in a new decrease of roaming voice tariffs in August 2008.

> Acquisition of VOXmobile S.A.

On July 2, 2007, Mobistar bought 90 % of the VOXmobile S.A. shares for an amount of 80.3 million euros. VOXmobile is a Luxembourgian telecom operator that supplies mobile and fixed services for telephony and ADSL. The company has a license for GSM 900/1800, UMTS and fix telephony and exploits its own network.

With this take-over Mobistar was looking for geographic expansion and extra growth. This entry to Mobistar creates a lot of opportunities for VOXmobile too, such as joint product development, optimising the 2G and 3G networks and economies of scale in network investments and purchase activities.

On November 12, 2008, Mobistar acquired the remaining 10 % of VOXmobile S.A. for an amount of 6.7 million euros and became the sole owner of its Luxembourgian subsidiary. In agreement with the VOXmobile shareholders, it was decided to exercise the option earlier than planned in order to ensure the full integration of the company sooner and to maximize all foreseen synergy opportunities.

> Subsequent events[1]

On March 1st 2007, the Parliament of the Brussels Region adopted an ordinance which introduced a very low norm for the emission of electromagnetic sources, including mobile radio antennae (3 v/m as compared to the applicable federal norm of 20.6 v/m). The 3 mobile operators, grouped in the framework of the GOF (GSM Operators Forum), as well as the federal government, lodged a request for annulment against the Brussels Ordinance before the Constitutional Court. The mobile operators and the federal government argued, among other things, that the Brussels ordinance was made in disrespect of the federal authorities' competence in the area of public health. In a judgment of 15 January 2009, the Constitutional Court rejected the claim for annulment of the operators and the federal government, inter alia considering that the regions are competent to legiferate in this area.

Since the Brussels decision foresees a maximum emission norm of 3V/m applicable to all electromagnetic sources excluding radio and TV, increased investments will in principle be required in the upcoming weeks/months to comply with the new norm while guaranteeing the quality of the network coverage as well as capacity needs. In practice, governmental implementation decrees need to be adopted to clarify in detail the scope and impact of the Brussels Ordinance.

Mobistar and Telenet have extended their strategic partnership for a period of at least 3 years. The new partnership has evolved into a full MVNO agreement (Mobile Virtual Network Operator).

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

The scope of consolidation includes Mobistar S.A., the Luxembourgian company, VOXmobile S.A., and 50 % of the temporary joint venture 'Irisnet'. On 2 July 2007, 90 % of the shares of VOXmobile S.A. were acquired, with an option to purchase the remaining 10 % by 2 July 2010 at the latest. By virtue of this option right, VOXmobile S.A. was entered at 100 % in the scope of consolidation as from 2007. On 12 November 2008, the remaining 10% of the VOXmobile S.A. voting shares have been acquired by Mobistar S.A. The temporary joint venture 'Irisnet' consists of equal shares held by France Télécom S.A. and Telindus S.A. Mobistar S.A. does not have formal voting rights in the joint venture but considers control to be jointly exercised with its partner Telindus S.A. and assumes the associated risks and rewards.

(1) As at 10 March 2009, date of the meeting of the Board of Directors authorising the publication of this report.

> Income statement

In 2008, the group recorded a consolidated net profit of € 280.1 million, a decrease of 3.4 % on the figure of € 289.8 million recorded in the previous year.

Consolidated turnover increased by 1.5 % from € 1,509.6 million in 2007 to € 1,532.7 million in 2008. Service revenue remained stable from € 1,445.3 million to € 1,443.7 million. Revenue from the sale of equipment, in particular GSM terminals, showed an increase of 38.4 % to € 89.0 million against € 64.3 million in 2007.

Turnover from mobile activity increased by 1.7 % from € 1,422.4 million to € 1,446.8 million, while the turnover from fixed activity decreased by 1.5 %, from € 87.2 million to € 85.9 million.

In 2008, the total consolidated customer base of the Mobistar group grew by 7.1 % to reach 3,818,291 customers, for a consolidated turnover of € 1,532.7 million (+1.5 % vs 2007).

At the end of 2008, the number of active customers for mobile telephony (excluding MVNO and VOXmobile) reached 3,393,450 which is an increase of 3.3 % compared to the 3,283,754 active customers one year earlier. Mainly postpaid customers opted for Mobistar, so the share of subscribers in the customer base rose to 57 % at the end of 2008, compared to 54 % at the end of 2007, thanks to the ´fix-to-mobile substitution´ strategy on the residential market and the convergence strategy on the professional market (One Office Voice Pack increased from 45,297 cards at the end of 2007 to 143,748 cards at the end of 2008).

The segmented approach via MVNOs was also successful in 2008. The number of MVNO customers increased by 67.5 %, from 206,105 active customers at the end of December 2007 to 345,154 active customers at the end of December 2008.

The good sales results on mobile phones as well as the increase in the voice and data traffic of postpaid customers contributed to the commercial success. iPhone3G and Internet Everywhere increased the share of mobile data in the service revenues from 18 % to 21.8 % over one year.

The negative impact of the MTR (reduction in May and July 2008) on service revenues in 2008 amounted to € 38 million. The negative impact of lowering the roaming rates in September 2007 and August 2008 on voice traffic amounted to € 53 million.

In 2007 and 2008, the pressure on prices and the lowering of the MTR (Mobile Terminating Rates) caused a decrease in the ARPU of 5.9 % over one year, from € 34.51 per month per active customer to € 32.47.

Other operating revenue totaled € 34.1 million in 2008, compared with € 30.3 million in 2007. This revenue comes predominantly from the cross-charging of services provided to the Orange group and from information supplied to the judicial authorities.

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The rigorous policy implemented in 2007 has been reinforced in 2008 in order to keep the evolution of overhead costs to a level equivalent to the evolution in turnover. Efficient and continuous control of overhead costs made it possible to limit the increase of the operating expenses to 3.3 %, from € 1,112.1 million in 2007 to € 1,148.3 million in 2008.

Interconnection costs increased by 1.1 %, from € 325.0 million in 2007 to € 328.7 million in 2008.

Costs of equipment and goods sold recorded an increase of € 46.2 million reaching € 219.2 million at the end of 2008 as a result of the growth in revenue from equipment sales, especially in the area of smartphones.

On the other hand, the cost of services and other goods sold decreased by € 20.9 million reaching € 278.9 million due to a decrease in the remuneration of the distribution channels and the adaptation of Mobistar's share in the cost of the universal service as calculated by the regulator. This drop is partially compensated by the rise in services delivered by third parties, following the outsourcing of the operations related to the network during the course of the year 2007.

Employee benefits expenses have slightly decreased at € 132.2 million at the end of the financial year 2008. The average number of employees, calculated in terms of full-time equivalents, decreased (-80.7 units). The main drivers of this decrease are the outsourcing of the operations related to the network and a very strict control on headcount structure.

Depreciation, amortisation and impairment on intangible and tangible assets increased by 5.4 %, from € 164.3 million at the end of 2007 to € 173.1 million in 2008.

Other operating charges increased by € 1.9 million as the result of an increase in the bad debt reserves and in the provisions for litigations compensated by a decrease in the write-off recorded during the year.

The group's result of operating activities went from € 427.9 million in 2007 to € 418.5 million for the year under review, a decrease of 2.2 %.

The performance for the year was reflected in an increase of 1.6 % in the operating income from mobile segment, which went from € 428.4 million in 2007 to € 435.2 million in 2008.

The contribution of the fix segment to the Mobistar group's result of operating activities was a loss of € 16.7 million in 2008, compared with a loss of € 0.5 million in the previous year. This deterioration in the result is driven by the start-up costs of the convergent products in the Business market.

In 2008, finance income amounted to € 1.9 million, a decrease of € 1.3 million compared to the € 3.2 million recorded in 2007. Finance costs amounted to € 7.4 million in 2008, an increase compared to 2007 (€ 3.3 million) as the result of the equity transactions performed during the year 2008 in order to optimize Mobistar's balance sheet structure.

For the year 2008, the operator posted a net profit of € 280.1 million, a decrease of 3.4 % after a tax expense of € 132.9 million. The basic earnings per share as well as the diluted earnings per share decreased by 0.9 % to reach € 4.54.

The General Shareholders' Meeting held on 7 May 2008 endorsed the proposal made by the Board of Directors to distribute a gross ordinary dividend of € 2.80 per ordinary share, a share capital reimbursement of € 4 per ordinary share and a share buy-back during 2008 up to a maximum amount of € 175 million.

For the 2008 financial year, the Board of Directors will propose, at the next General Shareholders' Meeting to be held on 6 May 2009, the distribution of an ordinary gross dividend of € 2.90 per ordinary share and an extraordinary gross dividend of € 1.65 per ordinary share.

> Balance sheet

The consolidated balance sheet total was € 1,200.3 million at the end of 2008, an increase of € 19.0 million compared with € 1,181.3 million recorded at the end of the previous financial year.

Non-current assets amounted to € 898.0 million at the end of 2008 compared with € 924.4 million at the end of 2007 and consisted of the following items:

- Goodwill of € 79.3 million, resulting from the acquisition of Mobistar Affiliate S.A. (€ 10.6 million) in 2001 and the acquisition of VOXmobile S.A. (€ 70.9 million) in 2007, adjusted by € 2.2 million (decrease) after the acquisition of the remaining shares of VOXmobile S.A. in 2008. 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 € 273.1 million at the end of 2008 compared with € 308.7 million at the end of 2007. The useful lives of intangible assets were reviewed during the year and remained unchanged as compared to 2007.
- Tangible assets, totaling € 529.5 million at the end of the 2008 financial year compared with € 521.8 million recorded at the end of the 2007 financial year. The useful lives of tangible assets were also reviewed during the year and remained unchanged as compared to 2007.
- Other non current assets increased from € 6.4 million to € 11.2 million at the end of 2008. They are mainly related to long term advances or invoiced amounts to specific partners.
- Net deferred tax assets, relating essentially to investments tax credits, to the temporary differences resulting from the consideration of borrowing costs and the development costs for intranet sites, to the income related to the free minutes of traffic granted to subscribed customers, as well as the integration of losses carried forward from VOXmobile S.A., amounted

to € 4.9 million at the end of 2008, against € 5.9 million at the end of the previous year.

Current assets increased year to year, going from a total of € 257.0 million at the end of 2007 to € 302.4 million at the end of 2008. They consist of the following items:

- Inventories of goods, amounting to € 12.3 million, a decrease of € 1.6 million compared with the end of 2007.
- Trade receivables (€ 217.2 million at the end of 2008 compared with € 183.5 million at the end of 2007).
- Other current assets and accrued revenues, increasing from € 52.3 million at the end of 2007 to € 66.0 million at the end of 2008, following a reclass of deferred charges that were in the past compensated in the other liabilities for an amount of € 15.6 million.
- Cash and cash equivalents amounting to € 6.8 million at the end of 2008, a decrease of € 0.4 million since the end of the 2007 financial year. The cash flow statement gives details of the flows that gave rise to this trend.

Equity decreased by € 315.5 million during the 2008 financial year, from € 768.0 million to € 452.5 million:

- In total, the share capital and share premium decreased by € 248.0 million in 2008 and amount to € 109.2 million, due to the capital reimbursement of € 4 per ordinary share decided by the shareholders' meeting on 7 May 2008.
- The legal reserve did not change as it was already at 10 % of the issued capital at the end of 2007. Although the capital has decreased in 2008, no adjustment of the legal reserve will be proposed at the shareholders meeting on the 6 May 2009.
- The evolution of retained earnings, decreasing from € 375.1 million to € 307.6 million, is the result of the net profit of the period after appropriation to the legal reserve (€ 280.1 million), payment of the 2007 dividend (€ 173.6 million), cancellation of shares following the share buy-back plans held in 2008 (€ 175.0 million) and costs of equity transactions and other equity transactions (€ 0.8 million).

Non-current liabilities consist of loans payable after more than one year (€ 75 million in 2008 against 0 in 2007), long-term provisions intended to cover litigations (€ 6.5 million in 2008 against € 5.2 million in 2007) and the costs of dismantling network sites and refurbishing of rented buildings (€ 8.6 million in 2008 against € 8.5 million in 2007), and deferred taxes liabilities for € 1.7 million (2008). At the end of 2008, no long term commercial debt was recorded anymore (€ 0.9 million in 2007).

Current liabilities increased by € 257.3 million, going from € 398.7 million at the end of 2007 to € 656.0 million at the end of 2008:

- Short-term borrowing, increased from € 6.1 million to € 243.3 million, due to the various equity transactions performed during the year.
- Outstanding trade payables recorded an increase of € 15.6 million at the end of the year.
- Liabilities resulting from employee benefits decreased by € 1.8 million, going from € 30.4 million at the end of 2007 to € 28.6 million at the end of 2008, linked to changes in the size of the workforce.
- The decrease in current taxes payable is the result of the difference between the tax expense for the period, namely € 132.9 million, the anticipated tax payments amounting to € 119.5 million and the payments of previous year taxes for € 18.2 million.
- Deferred income increased by € 18.6 million to reach € 66.4 million at the end of the year, mainly as a result of the reclass of deferred expenses as mentioned above.
- Other payables decreased by € 7.3 million to stand at € 3.9 million, mainly due to the fact that the obligation to purchase the VOXmobile S.A. shares has been realized in 2008 for € 6.7 million.

> Financial instruments, financial risk management objectives and policy

Mobistar's principal financial instruments comprise bank and inter-company loans, overdrafts, cash at bank and short-term bank and inter-company deposits. The main purpose of these financial instruments is to raise finance for Mobistar's operations. The operator 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 € 596.6 million distribution to its shareholders, the Company showed a debt amounting to € 318.0 million on 31 December 2008. The Company didn't hedge this debt amount.

- **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.

- **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 inter-company loans.

3. Comments on Mobistar S.A.'s 2008 annual accounts prepared according to Belgian accounting standards

> Income statement

Turnover for the year 2008 reached € 1,523.9 million, a decrease of 0.2 % on the figure of € 1,526.6 million recorded in the previous year. This decrease is marginal and should be put into perspective taking into account the factors cited above. Although turnover remained flat, the part of the sales of handsets in the total has increased by € 24.8 million.

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Produced fixed assets, including IT development costs and research and design costs for the new sites required for network deployment, totaled € 3.5 million for the 2008 financial year, compared with € 4.7 million for the 2007 financial year.

Other operating income reached € 40.3 million, compared to the € 33.7 million posted in 2007. This income comes mainly from the revenues from the cross-charging of services provided to the Orange group, from the revenues from the cross-charging of sites shared with other operators and from the revenues generated from information supplied to the judicial authorities. During the year 2008 some specific positive effects have been recorded as, for example, one shot penalties (€ 2.7 million).

Operating charges remain well under control. These reached € 1,155.8 million, an increase of 1.4 % compared with the figure of € 1,139.4 million recorded in 2007, and can be broken down as follows:

- Purchases and supplies totaled € 557.2 million, mainly consisting of interconnection costs (57.2 % of the total, compared with 61.3 % in 2007). The balance consists mainly of the costs associated with the operation of the technical network, leased lines and the cost of GSM and SIM cards sales. The latter increased importantly, but at the same speed than the sales of GSM.
- Services and other goods achieved a total of € 276.3 million compared with € 295.1 million in the previous year. This decrease is essentially due to the decrease in the commissions due to the distribution channels, the adaptation of Mobistar's share in the costs of the universal service as it was calculated by the regulator and the particular attention given to the commercial expenses. It is partially compensated by the rise in services delivered by third parties.
- Remuneration, social security costs and pensions collectively totaled € 127.1 million compared with € 133.6 million in the previous year. This decrease is the result of the reduction in the average workforce size (-77.7 full-time equivalents) in 2008.
- Depreciation of and impairment on formation expenses, on intangible and tangible fixed assets, amounted to € 178.4 million for the 2008 year compared with € 173.7 million in 2007. The useful lives of intangible and tangible assets remained unchanged in 2008.
- Amounts written off of stocks and trade receivables increased to € 9.0 million in 2008, an increase of € 3.6 million, mainly as a consequence of the increase of the bad debt provision related to trade receivable. The allowances to cover the debt in respect of municipal and provincial taxes charged and disputed (see paragraph on disputes) increased to € 28.1 million at the end of 2008 compared with € 24.3 million at the end of the previous year.
- Provisions for liabilities and charges in relation to various disputes totaled € 1.2 million, compared with € -0.1 million in 2007.
- Other operating charges totaled € 6.4 million in 2008, compared with € 9.8 million in 2007, a change resulting mainly from the write-off of trade receivables for which allowances for doubtful debts had been made in previous financial years.

Operating profit for the financial year was € 411.9 million, a decrease of 3.2 % on the figure of € 425.5 million recorded in 2007.

Financial income generated during the year amounted to € 4.4 million, stable compared to the € 4.2 million realised in 2007.

Financial expenses for the year amounted to € 9.7 million, an important increase compared to the financial charges (€ 4.6 million) recorded during the previous financial year. This increase is largely due to the need of financing generated by the equity transactions performed during the year.

No extraordinary income and charges have been recorded in 2008.

At the end of the year, Mobistar S.A. declared a profit for the period before taxes of € 406.6 million, a decrease of 4.4 % compared with the figure of € 425.1 million recorded in 2007. The estimated income tax expenses for the year 2008 and the adjustments of previous years' taxes totaled € 130.3 million, of which € 119.5 million had been paid through advance payments of tax for the year 2008.

Mobistar S.A. posted an after-tax profit for the period of € 276.2 million for the 2008 financial year compared with € 286.2 million for the previous year, a decrease of 3.5 %.

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

	€ million
• Profit for the period available for appropriation	276.3
• Prior year profit carried forward	211.5
• Profit to be appropriated	487.8
• Transfer to the other reserves	175.0
• Ordinary dividend - € 2.90 per share	174.0
• Extraordinary dividend - € 1.65 per share	99.0
• Employee profit sharing plan	2.8
• Profit to be carried forward	37.0

> Balance sheet

The company's balance sheet total was € 1,176.9 million compared with € 1,173.1 million recorded in the 2007 financial year.

The capital expenditure in intangible and tangible assets, made during the year, amounts to € 153.0 million, after having invested a net amount of € 143.3 million in 2007, mainly in updating the radio equipment and the other network technologies.

Intangible and tangible assets are broken down as follows:

- Intangible assets represented a total of € 260.4 million. These relate essentially to GSM and UMTS licenses and the related IT developments, and to the net value of goodwill of € 0.3 million which is broken down as follows:

- Goodwill of € 60.1 million resulting from the acquisition, in 2003, of all of the assets of Mobistar Corporate Solutions S.A., amortised over 5 years. This goodwill has been totally amortized at the end of 2008.
- Merger goodwill of € 1.4 million accounted for in accordance with Article 78, § 7 a of the Royal Decree of 30 January 2001 following the merger by absorption into Mobistar S.A. of its subsidiary Mobistar Affiliate S.A. on 4 May 2005, with retroactive effect from 1 January 2005. The net value of merger goodwill, amortised over 5 years, was € 0.3 million at the end of the year.

• Tangible assets represented a total of € 503.8 million. These relate to network infrastructures, telephony equipment and added-value services.

Financial assets totaling € 87.0 million consist of investment in affiliated companies (increased by € 6.7 million due to the acquisition of the remaining 10 % of VOXmobile S.A.) and long term loans to affiliated companies for € 29.5 million.

Current assets increased by € 27.7 million to stand at € 296.1 million at the end of the 2008 financial year. This result is essentially due to an increase in trade receivables payable after more than one year (€ +4.9 million), a decrease in the level of stocks of goods (€ -2.0 million), an increase in trade receivables (€ +26.6 million) and a decrease in other receivables (€ -2.4 million). Cash and cash equivalent and deferred charges and accrued incomes were stable.

As far as equity is concerned, the share capital has been reimbursed for 248.0 million euros. It is to be noted that the legal reserve reaching 10 % of the share capital at the end of 2007 has not been adjusted. The balance of the profit to be appropriated, after the 2008 dividend has been allocated (€ 273.0 million) and the transfer to the "unavailable reserve for own shares" (€ 175.0 million), was € 37.0 million.

Within the frame of its distribution program to its shareholders, in 2008, Mobistar proceeded to a share buy back. The Company has repurchased 3,277,338 shares for an amount of € 175.0 million. These shares have been cancelled during the year 2008.

Number of ordinary shares as at 1 January 2008	63,291,752
Repurchased and cancelled as at 7 May 2008	- 1,291,752
Repurchased and cancelled as at 9 December 2008	-1,985,586
Number of shares outstanding as at 31 December 2008	60,014,414

At the end of 2008, equity totaled € 182.1 million and was made up of:

• share capital of € 109.2 million,
• legal reserve of € 35.7 million,
• profit carried forward of € 37.0 million,
• investment grants of € 0.2 million.

Provisions and liabilities at the end of 2008 amounted to € 994.8 million and are broken down as follows:

• provisions for liabilities and charges totaling € 8.9 million compared with € 7.7 million at the end of the previous year,
• long term financial liability recorded for € 75.0 million resulting from the increased need of financing means required in order to finance the equity movements performed during 2008,
• short-term liabilities amounting to € 852.5 million compared with € 501.6 million in 2007, broken down as follows:
  - short term interest-bearing borrowing for € 240.9 million,
  - trade payables: € 275.7 million compared with € 261.5 million in 2007,
  - taxes, remuneration and social security contributions: € 56.1 million compared with € 61.9 million in 2007,
  - other liabilities: € 279.8 million (out of which € 273.0 million of dividends 2008) compared with € 178.2 million in 2007 (out of which € 173.6 million of dividend 2007),
• accrued charges and deferred income totaling € 58.4 million, as in 2007.

> Disputes

Masts: Since 1997, certain municipalities and three provinces have adopted local taxes, on an annual basis, on pylons, masts and antennae erected within their boundaries. These taxes are currently being contested before the Council of State and 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 December 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 total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to 28.1 million euros and is subject to a bad debt provision for the whole amount, of which 3.7 million euros correspond to that financial year.

Terminating rates: Mobistar initiated, as did Proximus and Base, an application for a quashing order against the regulator's decision of 11 August 2006, fixing the terminating rates (MTRs) of the three mobile operators for the 2006-2009 period. Mobistar contests, among other things, the fact that the MTR levels set in this decision do not take into account the 3G deployment

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costs and the fact that the decision imposes non-discrimination and separate accounting obligations on Mobistar.

Mobistar also initiated proceedings for cancellation of the regulator's decision of 18 December 2007 setting the terminating rates of the three mobile operators for the period from February to July 2008, and intervened in the motion launched by Base to suspend the reduction imposed by this same decision on February 1st 2008.

Following the latter action, the decision of 18 December 2007 was suspended by the Court of Appeal on 4 April 2008 for the 3 mobile operators. Subsequently, this decision was withdrawn by the regulator in its decision of 29 April 2008, which equally set termination rates for the period May-June 2008 respectively the period from July 2008 onwards.

This last decision of 29 April 2008 was appealed by Mobistar, as well as by Proximus and Base. As the decision re-applies the rates, updated with inflation, indicated in its previous decision dated 11 August 2006, Mobistar submits in appeal the same arguments as those put forward in the proceedings against the decision of 11 August 2006.

Abuse of Proximus' dominant position: Mobistar intervened in a court case brought by Base against Proximus in which Base claims punitive damages as compensation for abuse of dominant position practices. Mobistar also accuses Proximus of abuse of dominant position practices and asks for compensation for damage incurred as the result of these practices. In May 2007, the Commercial Court of Brussels rendered a decision confirming Proximus' dominant position between 1999 and 2004 and naming experts to decide on certain abuses and to calculate the damage suffered by Mobistar and Base. The experts' report should be delivered within short notice.

Portability cost: The three mobile network operators active in Belgium have challenged the BIPT's 2003 decision concerning the setting of 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 court 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 domestic litigation is still ongoing.

Brand: KPN Netherlands has sued Mobistar for the use of the colour green as a brand. The Dutch company is asking Mobistar to stop using this color as the main (brand) color in all its correspondence. Mobistar won against KPN which has lodged an appeal against the verdict returned in favour of Mobistar and can therefore continue to use the green color.

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, targeting more precisely the Royal decree which establishes the terms and conditions of the compensation system and the law of April 2007 modifying the principles of financial compensation planned for the supply of social tariffs. The operators are contesting the non-conformity of the system with the provisions of Community law, for which reason they also lodged a complaint with the European Commission, which announced in January 2008 that it was to start a legal action before the European Court of Justice against the Belgian State. Equally, in the annulment proceedings against the law of April 2007, the Constitutional Court decided in September 2008 to submit a request for a preliminary ruling to the European Court of Justices in relation to the conformity of the Belgian system with the provisions of Community law.

Non renewal of 2G licenses: On 25 November 2008, the BIPT and the Minister of Enterprise and Simplification adopted each a decision stating that Mobistar's 2G license ending on 27 November 2010 would not be automatically renewed. A similar decision was issued vis-à-vis Proximus and Base. Both decisions state equally that after November 2010, Mobistar is to receive a new 2G license against payment until July 2013 through a Royal decree to be adopted.

Mobistar appealed against the decision of the BIPT before the Court of Appeal, asking the suspension and the annulment of the decision, through an action lodged on 24 December 2008.

Mobistar appealed against the decision of the Minister before the Council of State asking the suspension and the annulment of the decision, through an action lodged on 24 December 2008.

Access to local loop and bit stream: Mobistar has brought two suits before the Competition Council to ask for reasonable access conditions: more specifically wholesale rates based on costs that are non-discriminatory with respect to Belgacom's Discovery Line retail package, and access to the bit stream so as to allow ADSL2+.

Mobistar also has a pending case before the Court of Cassation concerning Mobistar's right to take legal action against BIPT's decisions concerning Belgacom S.A. in relation to local loop unbundling.

Spectrum: A request introduced by Base for the purpose of obtaining the repeal of a Royal Decree of March 2007 allowing the use of 900 frequencies for 3G networks, was rejected by the Council of State in its decision dated 26 October 2007. The case on the merits is still pending.

Emissions/health: Together with Base and Proximus as well as the federal government, Mobistar introduced a request for annulment against a Brussels ordinance of March 2007 setting stricter emission standards than the federal standard contained in a Royal Decree of 2005. The mobile operators and the federal government argued, among other things, that the Brussels ordinance was made in ignorance of the competence of the federal authorities in the area of public health. A judgment of 15 January 2009 rejects the claim lodged by the mobile operators and the federal government.

4. Trends

Mobistar is convinced that the 'mobility approach' can offer a full-fledged alternative to the residential telecom market. Mobistar will pursue its strategy in 2009, in order to offer services adapted to the new customers needs, while securising cash flow generation and preservation of its competitive position. Growth potential exists with respect to both voice traffic and mobile data services.

In 2009, Mobistar expects a new MTR proposal from the BIPT and is taking this into consideration for future perspectives. The European Parliament also voted a further decrease of the roaming rates. As of July 2009, an SMS is allowed to cost 11 cents, without VAT, and voice traffic 43 cents per minute, without VAT. The expected negative impact of MTR and roaming regulations for 2009 on the turnover amounts to approximately € 60 million.

The year 2009 will be charecterised by increasing regulatory pressure, sharpened competition and an unfavourable financial and economic climate. Our hypotheses are based on the latest Belgian economic growth forecasts, but could be adapted if the economic situation would get worse. In this context, Mobistar expects to reach an equal level of turnover as in 2008 and to generate a telephone EBITDA margin close to 40 %. The investment level is expected to be in a range between 11 and 12 % of the service revenues. This increase is the result of the decision to invest in our own transmission network, as well as in the regrouping of the business activities into one new ecologically sound building with a view to future savings on operating costs. The net result is expected to be in a range between € 240 and € 260 million.

The potential impacts of other regulatory evolutions such as the extension of the 2G license and the new 3 v/m ordinance for the Bruxelles-Capitale Region, are not taken into account in the guidance.

5. 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 2008, the company is not subject to the application of article 96 (6°) of the Company Code relating to provision of evidence of the application of the going concern accounting rules.

6. Application of article 524 of the Company Code during the 2008 financial year

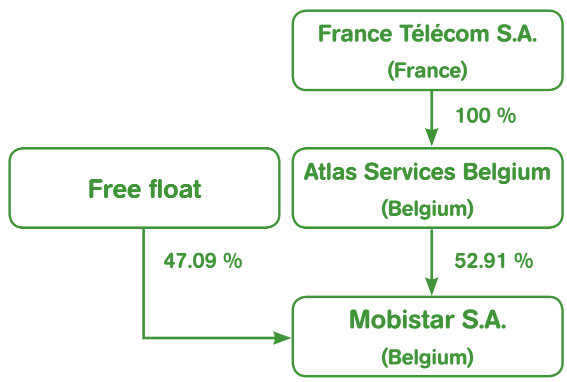
The procedure foreseen in article 524 of the Company Code has not been applied during the 2008 financial year.

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

7. Law on takeover bids

On 15 September 2008, Mobistar has received notification from its ultimate shareholder France Telecom S.A. on the basis of article 74 § 8 of the law of 1st April 2007 concerning takeover bids.

This notification detailed France Télécom S.A.'s participation in Mobistar S.A. As at 15 September 2008, France Télécom S.A. held indirectly 31,753,000 shares of Mobistar S.A. as per the below ownership chain:



* The ownership rates of 52.91 % and 47.09 % have been re-computed based on the number of shares outstanding as at 31 December 2008 (60,014,414 shares). As at 15 September 2008, the ownership rates were respectively 51.21 % and 48.79 %. Since then, Mobistar has cancelled 1,985,586 own shares.

8. Information concerning the tasks entrusted to the auditors

In the course of the 2008 financial year, the statutory auditor and linked companies provided services at a total cost of € 344,500 broken down as follows:

• audit services	€ 334,000
• other related audit services	€ 3,000
• other non-audit services	€ 7,500

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Balance sheet after appropriation

Assets

	2008 in thousand €	2007 in thousand €
FIXED ASSETS	**880 780**	**904 767**
Intangible fixed assets (Note 5.2)	**260 399**	**306 725**
Tangible fixed assets (Note 5.3)	**503 794**	**496 363**
Land and buildings	259 989	249 586
Plant, machinery and equipment	214 233	212 851
Furniture and vehicles	27 181	29 541
Other tangible fixed assets	2 391	4 385
Financial fixed assets (Notes 5.4/5.5.1)	**116 587**	**101 679**
Affiliated enterprises (Note 5.14)	116 517	101 492
Participating interests	87 017	80 342
Amounts receivable	29 500	21 150
Other financial assets	70	187
Amounts receivable and cash guarantees	70	187
CURRENT ASSETS	**296 127**	**268 378**
Amounts receivable after more than one year	**11 064**	**6 202**
Trade debtors	4 135	6 202
Other amounts receivable	6 929	
Stocks and contracts in progress	**11 106**	**13 087**
Stocks	11 106	13 087
Goods purchased for resale	11 106	13 087
Amounts receivable within one year	**221 393**	**197 272**
Trade debtors	214 542	187 960
Other amounts receivable	6 851	9 312
Current investments (Notes 5.5.1/5.6)	**246**	**900**
Other investments and deposits	246	900
Cash at bank and in hand	**5 190**	**4 376**
Deferred charges and accrued income (Note 5.6)	**47 128**	**46 541**
TOTAL ASSETS	1 176 907	1 173 145

Liabilities

	2008 in thousand €	2007 in thousand €
EQUITY	**182 046**	**604 647**
Capital (Note 5.7)	**109 180**	**357 130**
Issued capital	109 180	357 130
Share premium account		**49**
Reserves	**35 713**	**35 713**
Legal reserve	35 713	35 713
Accumulated profits (losses) (+) (-)	**36 951**	**211 527**
Investment grants	**202**	**228**
PROVISIONS AND DEFERRED TAXES	**8 898**	**7 679**
Provisions for liabilities and charges	**8 898**	**7 679**
Other liabilities and charges (Note 5.8)	8 898	7 679
AMOUNTS PAYABLE	**985 963**	**560 819**
Amounts payable after more than one year (Note 5.9)	**75 000**	**875**
Financial debts	75 000	
Other loans	75 000	
Trade debts		875
Suppliers		875
Amounts payable within one year	**852 546**	**501 595**
Financial debts	240 963	
Other loans	240 963	
Trade debts	275 705	261 536
Suppliers	275 705	261 536
Taxes, remuneration and social security (Note 5.9)	56 118	61 899
Taxes	29 444	34 325
Remuneration and social security	26 674	27 574
Other amounts payable	279 760	178 160
Deferred charges and accrued income (Note 5.9)	**58 417**	**58 349**
TOTAL LIABILITIES	1 176 907	1 173 145

Income statement

	2008 in thousand €	2007 in thousand €
Operating income	**1 567 712**	**1 564 917**
Turnover (Note 5.10)	1 523 924	1 526 561
Own construction capitalised	3 459	4 685
Other operating income (Note 5.10)	40 329	33 671
Operating charges	**1 155 769**	**1 139 434**
Raw materials, consumables	557 195	522 046
Purchases	554 632	527 194
Decrease (increase) in stocks (+) (-)	2 563	-5 148
Services and other goods	276 326	295 056
Remuneration, social security costs and pensions (+) (-) (Note 5.10)	127 116	133 611
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	178 425	173 682
Amounts written down stocks, contracts in progress and trade debtors - Appropriations (write-backs) (+) (-) (Note 5.10)	9 044	5 371
Provisions for risks and charges - Appropriations (uses and write-backs) (+) (-) (Note 5.10)	1 219	-90
Other operating charges (Note 5.10)	6 444	9 758
Operating profit (loss) (+) (-)	**411 943**	**425 483**
Financial income	**4 355**	**4 171**
Income from financial fixed assets	1 709	378
Income from current assets	1 639	2 879
Other financial income (Note 5.11)	1 007	914
Financial charges (Note 5.11)	**9 693**	**4 558**
Debt charges	6 317	1 301
Other financial charges	3 376	3 257
Profit (loss) for the period before taxes (+) (-)	**406 605**	**425 096**
Income taxes (+) (-) (Note 5.12)	**130 348**	**138 891**
Income taxes	132 729	139 187
Adjustment of income taxes and write-back of tax provisions	2 381	296
Profit (loss) for the period (+) (-)	**276 257**	**286 205**
Profit (loss) for the period available for appropriation (+) (-)	**276 257**	**286 205**

APPROPRIATIONS AND WITHDRAWINGS

	2008 in thousand €	2007 in thousand €
Profit (loss) to be appropriated (+) (-)	**487 784**	**388 672**
Profit (loss) to be appropriated (+) (-)	276 257	286 205
Profit (loss) to be carried forward (+) (-)	211 527	102 467
Transfers to capital and reserves	**174 966**	**675**
to the legal reserve		675
to other reserves	174 966	
Profit (loss) to be carried forward (+) (-)	**36 951**	**211 527**
Profit to be distributed	**275 867**	**176 470**
Dividends	273 066	173 608
Other beneficiaries	2 801	2 862

Notes

STATEMENT OF INTANGIBLE ASSETS

		2008 in thousand €	2007 in thousand €
5.2.2	**Concessions, patents, licences, knowhow, brands and similar rights**		
	Acquisition value at the end of the period		**814 687**
	Movements during the period		
	Acquisitions, including produced fixed assets	42 497	
	Sales and disposals	14 628	
	Transfers from one heading to another (+) (-)	27	
	Acquisition value at the end of the period	**842 583**	
	Depreciation and amounts written down at the end of the period		**520 550**
	Movements during the period		
	Recorded	76 048	
	Cancelled owing to sales and disposals	14 157	
	Transfers from one heading to another (+) (-)	27	
	Depreciation and amounts written down at the end of the period	**582 468**	
	Net book value at the end of the period	**260 115**	
5.2.3	**Goodwill**		
	Acquisition value at the end of the period		**61 519**
	Acquisition value at the end of the period	**61 519**	
	Depreciation and amounts written down at the end of the period		**48 931**
	Movements during the period		
	Recorded	12 304	
	Depreciation and amounts written down at the end of the period	**61 235**	
	Net book value at the end of the period	**284**	

STATEMENT OF TANGIBLE FIXED ASSETS

		2008 in thousand €	2007 in thousand €
5.3.1	**Land and buildings**		
	Acquisition value at the end of the period		**466 838**
	Movements during the period		
	Acquisitions, including produced fixed assets	34 728	
	Sales and disposals	15 411	
	Acquisition value at the end of the period	**486 155**	
	Depreciation and amounts written down at the end of the period		**217 252**
	Movements during the period		
	Recorded	24 609	
	Cancelled owing to sales and disposals	15 410	
	Transfers from one heading to another (+) (-)	-285	
	Depreciation and amounts written down at the end of the period	**226 166**	
	Net book value at the end of the period	**259 989**	

		2008 in thousand €	2007 in thousand €
5.3.2	**Plant, machinery and equipment**		
	Acquisition value at the end of the period		**546 566**
	Movements during the period		
	Acquisitions, including produced fixed assets	65 346	
	Sales and disposals	25 842	
	Acquisition value at the end of the period	**586 070**	
	Depreciation and amounts written down at the end of the period		**333 715**
	Movements during the period		
	Recorded	50 652	
	Cancelled owing to sales and disposals	12 815	
	Transfers from one heading to another (+) (-)	285	
	Depreciation and amounts written down at the end of the period	**371 837**	
	Net book value at the end of the period	**214 233**	
5.3.3	**Furniture and vehicles**		
	Acquisition value at the end of the period		**115 235**
	Movements during the period		
	Acquisitions, including produced fixed assets	8 733	
	Sales and disposals	4 010	
	Acquisition value at the end of the period	**119 958**	
	Depreciation and amounts written down at the end of the period		**85 694**
	Movements during the period		
	Recorded	11 094	
	Cancelled owing to sales and disposals	4 011	
	Depreciation and amounts written down at the end of the period	**92 777**	
	Net book value at the end of the period	**27 181**	
5.3.5	**Other tangible fixed assets**		
	Acquisition value at the end of the period		**19 565**
	Movements during the period		
	Acquisitions, including produced fixed assets	1 723	
	Sales and disposals	4 753	
	Acquisition value at the end of the period	**16 535**	
	Depreciation and amounts written down at the end of the period		**15 180**
	Movements during the period		
	Recorded	3 718	
	Cancelled owing to sales and disposals	4 754	
	Depreciation and amounts written down at the end of the period	**14 144**	
	Net book value at the end of the period	**2 391**	

Notes

STATEMENT OF FINANCIAL FIXED ASSETS

		2008 in thousand €	2007 in thousand €
5.4.1	**Affiliated enterprises - participating interests and shares**		
	Acquisition value at the end of the period		**80 342**
	Movements during the period		
	Acquisitions, including produced fixed assets	6 675	
	Acquisition value at the end of the period	**87 017**	
	Net book value at the end of the period	**87 017**	
	Affiliated enterprises - amounts receivable		
	Net book value at the end of the period		**21 150**
	Movements during the period		
	Additions	8 350	
	Net book value at the end of the period	**29 500**	
5.4.3	**Other enterprises - amounts receivable**		
	Net book value at the end of the period		**187**
	Movements during the period		
	Additions	8	
	Repayments	6	
	Other (+) (-)	-119	
	Net book value at the end of the period	**70**	

INFORMATION RELATING TO THE SHARE IN CAPITAL

5.5.1 Share in capital and other rights in other companies

	Shares held by		Information from the most recent period for which annual accounts are available			
Name, full address of the registered office and for the enterprise governed by Belgian law, the company number	Number	%	Primary financial statement	Monetary unit	Capital and reserves in thousand €	Net result in thousand €
VOXmobile SA						
Z.A.I Bourmicht 8						
8070 Bertrange						
Luxembourg						
19749504						
Registered shares	1 506 350	100.00	31-12-07	EUR	-3 093	-7 057

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

		2008 in thousand €	2007 in thousand €
5.6	**Investments: other investments and deposits**		
	Other investments not yet shown separately	**246**	**900**
	Deferred charges and accrued income		
	Allocation of heading 490/1 of assets if the amount is significant		
	Accrued income	35 116	
	Deferred charges	11 856	
	Financial income	156	

STATEMENT OF CAPITAL AND STRUCTURE OF SHAREHOLDINGS

		2008 in thousand €	2007 in thousand €
5.7	**Statement of capital**		
	Social capital		
	Issued capital at the end of the period		357 130
	Issued capital at the end of the period	109 180	

	2008 in thousand €	2008 Number of shares
Changes during the period		
Capital reduction paid in cash	-247 999	
Transfer of the share premium account to the capital	49	
Structure of the capital		
Different categories of shares		
Ordinary shares	109 180	60 014 414
Registered shares		31 753 214
Bearer shares		28 261 200
Shareholders' structure of the company as at 31/12/2008		
Atlas Services Belgium		31 753 100
Others (free float)		28 261 314
Total shares		**60 014 414**

PROVISIONS FOR OTHER LIABILITIES AND CHARGES

		2008 in thousand €	2007 in thousand €
5.8	**Allocation of heading 163/5 of liabilities if the amount is considerable**		
	Repayment guarantee to the amount of 50 % for a bank credit line granted for the temporary association IRISNET	2 475	
	Provisions for litigations	6 423	

Notes

STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED INCOME

		2008 in thousand €	2007 in thousand €
5.9	**Analysis by current portions of amounts initially payable after more than one year**		
	Amounts payable after more than one year, between one and five years		
	Financial debts	75 000	
	Other loans	75 000	
	Total amounts payable after more than one year, between one and five years	**75 000**	
	Amounts payable for taxes, remuneration and social security		
	Taxes (heading 450/3 of the liabilities)		
	Non expired taxes payable	2 520	
	Estimated taxes payable	26 924	
	Remuneration and social security (heading 454/9 of the liabilities)		
	Other amounts payable relating to remuneration and social security	26 674	
	Accrued charges and deferred income		
	Allocation of heading 492/3 of liabilities if the amount is considerable		
	Deferred income	57 669	
	Accrued charges	748	

OPERATING RESULTS

		2008 in thousand €	2007 in thousand €
5.10	**Operating income**		
	Net turnover		
	Broken down by categories of activity		
	Mobile activity	1 442 833	1 444 328
	Fix voice and data	81 091	82 233
	Operating costs		
	Employees recorded in the personnel register		
	Total number at the closing date (in units)	1 453	1 524
	Average number of employees calculated in full-time equivalents (in units)	1 459.6	1 537.3
	Number of actual worked hours (in units)	2 487 966	2 618 280
	Personnel costs		
	Remuneration and direct social benefits	91 997	96 241
	Employers' social security contributions	24 536	26 233
	Employers' premiums for extra statutory insurances	4 362	5 013
	Other personnel costs	6 221	6 124

	2008 in thousand €	2007 in thousand €
Amounts written off		
Stocks and contracts in progress		
Written back	582	947
Trade debtors		
Recorded	9 626	6 318
Provisions for risks and charges		
Additions	2 062	1 178
Uses and write-back	843	1 268
Other operating charges		
Taxes related to operation	1 506	2 332
Other charges	4 938	7 426
Hired temporary staff and persons placed at the enterprise's disposal		
Total number at the closing date (in units)	165	20
Average number calculated as full-time equivalents (in units)	124.3	49.0
Number of actual worked hours (in units)	248 425	96 848
Charges to the enterprise	9 366	5 169

FINANCIAL AND EXTRAORDINARY RESULTS

		2008 in thousand €	2007 in thousand €
5.11	**Financial results**		
	Other financial income		
	Amount of subsidies granted by public authorities, credited to income for the period		
	Capital subsidies	26	26
	Allocation of other financial income		
	Other financial income	808	819
	Exchange gains	174	69
	Other financial charges		
	Amount of the discount borne by the enterprise, as a result of negociating amounts receivable	1 346	1 282
	Allocation of other financial income		
	Bank charges	1 579	1 765
	Exchange losses	383	197
	Other financial charges	68	13

Notes

INCOME TAXES AND OTHER TAXES

		2008 in thousand €	2007 in thousand €
5.12	Income taxes		
	Income taxes on the result of the current period	**132 729**	
	Income taxes paid and withholding taxes due or paid	119 569	
	Estimated additional taxes	13 160	
	In so far as income taxes of the current period are materially affected by differences between the profit before taxes, as stated in the annual accounts, and the estimated taxable profit		
	Disallowed expenses	5 067	
	Deductions for investments	8 001	
	Notional interests	13 056	
	Status of deferred taxes		
	Deferred taxes representing assets		
	Other deferred taxes representing assets		
	Deductions for investments	6 705	
	Total amount of value added tax and taxes borne by third parties		
	Total amount of value added tax charged		
	To the enterprise (deductible)	222 079	216 686
	By the enterprise	393 236	395 320
	Amounts retained on behalf of third parties for		
	Payroll withholding taxes	29 037	33 038
	Withholding taxes on investment income	14 685	20 704

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

		2008 in thousand €	2007 in thousand €
5.13	Substantial commitments to acquire fixed assets		
	Commitments to acquire fixed assets	**74 749**	

Information concerning important litigation and other commitments

1. Bank guarantees issued on behalf of the company: 8.8 million euro.
2. Obligations related to the rent of offices and the lease of the company cars: 404 million euro.
3. Obligations related to the purchase of network equipment: 3.8 million euro.
4. Since 1997, certain municipalities and three provinces have adopted local taxes, on an annual basis, on pylons, masts and antennae erected within their boundaries. These taxes are currently being contested before the Council of State and 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 December 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 total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to 28.1 million euros and is subject to a bad debt provision for the whole amount, of which 3.7 million euros correspond to that financial year.

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

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

RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ENTERPRISES LINKED BY PARTICIPATING INTERESTS

		2008 in thousand €	2007 in thousand €
5.14	**Affiliated enterprises**		
	Financial fixed assets	**116 517**	**101 492**
	Investments	87 017	80 342
	Other amounts receivable	29 500	21 150
	Amounts receivable	**49 918**	**60 235**
	Within one year	49 918	60 235
	Current investments		**900**
	Amounts receivable		900
	Amounts payable	**338 741**	**24 709**
	After one year	75 000	
	Within one year	263 741	24 709
	Financial results		
	From financial fixed assets	1 709	
	From current assets	395	2 843
	From interest and debts	6 310	1 090

Notes

FINANCIAL RELATIONSHIPS WITH

		2008 in thousand €
5.15	Directors and managers	
	Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly the situation of a single identifiable person	
	To directors and managers	1 060
	Auditors or people they are linked to	
	Auditor's fees	**334**
	Fees for exceptional services or special missions executed in the company by the auditor	
	Other attestation missions	3
	Fees for exceptional services or special missions executed in the company by people they are linked to	
	Tax consultancy	8

INFORMATION RELATING TO CONSOLIDATED ACCOUNTS

5.17	Information that must be provided by each company that is subject to the provision of Company Law on the consolidated annual accounts of enterprises
	The enterprise has drawn up and published a consolidated annual statement of accounts and a management report.
	Information to disclose by the reporting enterprise being a subsidiary or a joint subsidiary
	Parent company
	France Télécom
	6, place d'Alleray
	75505 Paris Cedex 15
	France
	draws up consolidated annual accounts for the major part of the enterprise.
	The consolidated accounts can be obtained at the following address:
	France Télécom
	6, place d'Alleray
	75505 Paris Cedex 15
	France

Social report

STATEMENT OF THE PERSONS EMPLOYED

Employees recorded in the staff register

	Full-time	Part-time	2008 Total (T) or total in full-time equivalents (FTE)	2007 Total (T) or total in full-time equivalents (FTE)
During the period and the previous period				
Average number of employees	1 349.6	148.3	1 459.6 (FTE)	1 537.3 (FTE)
Number of hours actually worked	2 308 324	179 642	2 487 966 (T)	2 618 280 (T)
Personnel costs (in thousand €)	117 938	9 178	127 116 (T)	133 611 (T)
Advantages in addition to wages (in thousand €)			1 492 (T)	1 563 (T)
At the closing date of the period				
Number of employees recorded in the personnel register	1 305	148	1 415.1	
By nature of the employment contract				
Contract for an indefinite period	1 305	147	1 414.6	
Contract for a definite period		1	0.5	
According to gender				
Male	911	27	930.6	
Female	394	121	484.5	
By professional category				
Employees	1 304	147	1 413.6	
Other	1	1	1.5	

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

	Temporary staff	Personnel placed at the enterprise's disposal
During the period		
Average number of employees	112.3	12.0
Number of hours actually worked	224 713	23 712
Charges of the enterprise (in thousand €)	6 472	2 894

Social report

2008

TABLE OF PERSONNEL CHANGES DURING THE PERIOD

	Full-time	Part-time	Total in full-time equivalents
Entries			
Number of employees recorded on the personnel register during the period	**158**	**4**	**160.7**
By nature of the employment contract			
Contract for an indefinite period	158	3	160.2
Contract for a definite period		1	0.5
According to the gender and by level of education			
Male: secondary education	33		33.0
higher non-university education	27		27.0
university education	41		41.0
Female: secondary education	24	2	25.1
higher non-university education	14	1	14.8
university education	19	1	19.8
Departures			
Number of employees with a in the staff register listed date of termination of the contract during the period	**204**	**29**	**225.3**
By nature of the employment contract			
Contract for an indefinite period	204	28	224.7
Contract for an definite period		1	0.6
According to the gender and by level of education			
Male: secondary education	38	2	39.6
higher non-university education	56	3	58.5
university education	39	1	39.5
Female: secondary education	22	11	29.6
higher non-university education	24	6	28.6
university education	25	6	29.5
According to the reason for termination of the employment contract			
Retirement	1	1	1.8
Early retirement		1	0.8
Dismissal	57	11	65.0
Other reason	146	16	157.7

2008

STATEMENT CONCERNING THE USE OF EMPLOYMENT PROMOTION MEASURES DURING THE FINANCIAL YEAR

Employment promotion measures

	Number of employees involved: Number	Number of employees involved: Full-time equivalents	Amount of the financial advantage in thousand €
Measures comprising a financial profit[1]			
Structural reduction of the social security contributions	1 655	1 610.8	3 414
First job agreement	1	0.5	0
Other measures			
Reduction of personal social security contributions to poorly paid employees	220	215.7	
Number of employees who are subject to one or more measures in support of employment opportunities			
Total for the period	1 656	1 611.3	
Total for the preceding period	1 888	1 845.0	

[1] Financial advantage for the employer with regard to the entitled employee or his replacement.

Information with regard to training received by employees during the period

	Male	Female
Total number of training projects as at company expense		
Number of participating employees	833	478
Number of training hours	30 641	12 362
Costs for the company (in thousand €)	1 388	567

Accounting principles

Formation costs

The first formation costs are capitalised on the balance sheet at cost and amortised over five years on a linear basis, starting from the date of payment. The costs related to increases in the issued capital are expensed as incurred from the initial public offer in 1998 onwards.

Intangible assets

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

The GSM network licence has been granted for a duration of 15 years, and is amortised on a linear basis.

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

The goodwill generated during the acquisition of all of the assets of Mobistar Corporate Solutions S.A. are amortised over 5 years.

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

Tangible assets

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

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

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

Financial assets

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

Receivables

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

Stocks

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

Cash (and cash equivalents)

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

Deferred charges and accrued income

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

Pensions

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

Acknowledgement of income and expenses

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

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

Taxes on income

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

Foreign currency transactions

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

Statutory auditor's report

to the General Meeting of shareholders of Mobistar S.A. on the financial statements for the year ended 31 December 2008

In accordance with the legal and statutory requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the financial statements as well as the required additional comments and information.

Unqualified opinion on the financial statements

We have audited the financial statements for the year ended 31 December 2008 prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of € 1,176,907 thousand and a profit for the year of € 276,257 thousand.

Responsibility of the Board of directors for the preparation and fair presentation of the financial statements

The Board of directors is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the 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 company's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, we have obtained from the board of directors and the company's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2008 give a true and fair view of the company's financial position and the results of its operations in accordance with the financial reporting framework applicable in Belgium.

Additional comments and information

The preparation and the assessment of the information that should be included in the directors' report and the company's compliance with the requirements of the Company Code (Wetboek van vennootschappen/Code des sociétés) and its articles of association are the responsibility of the Board of directors.

Our responsibility is to include in our report the following additional comments, which do not modify the scope of our opinion on the financial statements:

- The directors' report deals with the information required by law and is consistent with the financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the company is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

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

- We do not have to report any transactions undertaken or decisions taken in violation of the company's articles of association or the Company Code. The appropriation of the results proposed to the shareholders' meeting complies with the legal and statutory provisions.

Diegem, 10 March 2009

Ernst & Young Reviseurs d'Entreprises SCCRL
Statutory auditor
represented by

Herman Van Den Abeele
Partner

IFRS consolidated financial statements 2008

Consolidated income statement

Note		2008 *** in thousand €	2007 ** in thousand €
	Revenue		
	Service revenue	1 443 735	1 445 377
	Handsets sales	88 996	64 228
16	**Total turnover**	**1 532 731**	**1 509 605**
16	Other operating revenue	34 034	30 334
	Total revenue	**1 566 765**	**1 539 939**
	Operating expenses		
	Interconnection costs	-328 682	-324 964
16	Costs of equipment and goods sold	-219 204	-172 967
16	Services and other goods	-278 930	-299 838
16	Employee benefits expenses	-132 183	-135 714
	Depreciation, amortisation and impairment	-173 092	-164 344
16	Other operating charges	-16 160	-14 234
	Total operating expenses	**-1 148 251**	**-1 112 061**
	Result of operating activities	**418 514**	**427 878**
16	Finance income	1 875	3 203
16	Finance costs	-7 428	-3 305
	Result of operating activities after net finance costs	**412 961**	**427 776**
5	Tax expense	-132 875	-137 941
	Net profit or loss *	**280 086**	**289 835**
	Profit or loss attributable to equity holders of the parent	**280 086**	**289 835**
10	Basic earnings per share (in €)	4.54	4.58
	Weighted average number of ordinary shares	61 754 776	63 290 941
10	Diluted earnings per share (in €)	4.54	4.58
	Diluted weighted average number of ordinary shares	61 754 776	63 290 941

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

** Consolidated figures with VOXmobile entering the consolidation perimeter as from July 2nd, 2007.

*** Consolidated figures with VOXmobile based on a full year of operations.

Consolidated balance sheet

Note		31.12.2008 in thousand €	31.12.2007 in thousand €
	ASSETS		
	Non-current assets		
1, 2	Goodwill	79 287	81 532
2	Intangible assets	273 050	308 708
3	Tangible assets	529 526	521 764
4	Other non-current assets	11 182	6 403
5	Deferred taxes	4 866	5 944
	Total non-current assets	**897 911**	**924 351**
	Current assets		
6	Inventories	12 320	13 943
7	Trade receivables	217 225	183 514
	Accrued revenue	50 663	35 433
8	Other current assets	15 329	16 832
9	Cash and cash equivalents	6 833	7 255
	Total current assets	**302 370**	**256 977**
	Total assets	**1 200 281**	**1 181 328**
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	109 180	357 130
11	Share premium	0	49
11	Legal reserve	35 714	35 713
11	Retained earnings	307 589	375 140
	Total equity	**452 483**	**768 032**
	Non-current liabilities		
14	Long-term interests-bearing borrowings	75 000	0
	Long-term trade payable	0	874
13	Long-term provisions	15 106	13 737
5	Deferred taxes	1 678	0
	Total non-current liabilities	**91 784**	**14 611**
	Current liabilities		
14	Short-term interests-bearing borrowingss	243 275	6 103
15	Trade payables	284 419	268 738
15	Employee benefits related liabilities	28 569	30 437
15	Current taxes payable	29 501	34 365
	Deferred income	66 356	47 798
15	Other payables	3 894	11 244
	Total current liabilities	**656 014**	**398 685**
	Total liabilities	**747 798**	**413 296**
	Total equity and liabilities	**1 200 281**	**1 181 328**

Consolidated cash flow statement

	2008 *** in thousand €	2007 ** in thousand €
Cash flows from operating activities		
Result of operating activities after net finance costs	**412 961**	**427 776**
Adjustments for:		
Depreciation, amortisation and impairment of fixed assets	173 092	164 344
Other not withdrawn expenses	1 269	0
Adjusted result of operating activities after net finance costs	**587 322**	**592 120**
Inventories (increase - , decrease +)	1 665	-5 689
Trade receivables (increase - , decrease +)	-33 712	-11 863
Other non-current assets (increase - , decrease +)	-4 779	-5 672
Deferred tax assets (increase -, decrease +)	1 059	-635
Accrued revenue (increase -, decrease +)	-15 864	-2 287
Other current assets (increase - , decrease +)	2 137	-736
Trade payables (increase +, decrease -)	15 681	14 536
Employee benefits related liabilities (increase +, decrease -)	-1 868	-2 431
Current taxes payable (increase +, decrease -)	-4 864	14 741
Deferred tax liabilities (increase +, decrease -)	1 678	0
Deferred income (increase +, decrease -)	19 033	3 055
Dividends (increase +, decrease -)	957	0
Other payables (increase +, decrease -)	612	10 264
Long-term provisions (increase +, decrease -)	495	-1 371
Net changes in working capital	**-17 770**	**11 912**
Tax expense	**-130 348**	**-138 891**
Deferred taxes	**-2 527**	**950**
Net cash from operating activities *	**436 677**	**466 091**
Cash flows from investing activities		
Purchase of intangible and tangible assets	-159 862	-146 684
Acquisition of subsidiary	-6 675	-80 342
Proceeds from sale of equipment	14 644	0
Net cash used in investing activities	**-151 893**	**-227 026**
Cash flows from financing activities		
Repayment long-term interests-bearing loans and borrowings	0	-19 046
Proceeds from short-term interests-bearing borrowings	237 173	3 800
Proceeds from new long-term interests-bearing borrowings	75 000	0
Share capital and premium - capital decrease (GM May 7, 2008)	-248 000	0
Share capital and premium - share options exercise	0	49
Net purchase of treasury shares	-174 966	0
Equity transaction costs	-813	-823
Dividend paid	-173 600	-284 813
Net cash used in financing activities	**-285 206**	**-300 833**
Net increase (+), decrease (-) in cash and cash equivalents	**-422**	**-61 768**
Cash and cash equivalents at beginning of period	**7 255**	**68 031**

	2008 in thousand €	2007 in thousand €
Cash received from Business Combinations	**0**	**992**
Cash and cash equivalents at end of period	**6 833**	**7 255**
* Net cash from operating activities includes:		
- paid interests	5 919	1 410
- received interests	1 575	2 879
- paid income taxes	137 716	124 111

** Consolidated figures with VOXmobile entering the consolidation perimeter as from July 2nd, 2007.

*** Consolidated figures with VOXmobile based on a full year of operations.

Consolidated statement of changes in equity

in thousand €

Note		Share Capital	Share Premium	Legal Reserve	Retained Earnings	Total Equity
	Balance at 1 January 2007	**356 680**	**440**	**35 038**	**371 617**	**763 775**
	Net income recognised directly in equity				**0**	**0**
	Profit for the period			675	289 160	289 835
	Total recognised income and expense for the period			**675**	**289 160**	**289 835**
	Dividends				-284 814	-284 814
	Exercise of share options	10	49			59
	Share capital reimbursement	440	-440			0
	Equity transaction costs				-823	-823
	Balance at 31 December 2007	**357 130**	**49**	**35 713**	**375 140**	**768 032**
	Incentive plan on France Télécom shares				1 269	1 269
	Net income recognised directly in equity				**1 269**	**1 269**
	Profit for the period				280 086	280 086
	Total recognised income and expense for the period			**0**	**281 355**	**281 355**
	Capital decrease	-248 000				-248 000
	Dividends				-173 600	-173 600
	Repurchase and shares cancellation				-174 966	-174 966
	Impact first time application of IFRIC 13 - Loyalty Programs				475	475
	Incorporation share premium in share capital	49	-49			0
	Equity transaction costs				-813	-813
	Transfer to legal reserve VOXmobile SA			1	-1	0
	Other	1			-1	0
11	**Balance at 31 December 2008**	**109 180**	**0**	**35 714**	**307 589**	**452 483**

Corporate information

Companies in the perimeter of consolidation

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

Mobistar S.A.
Parent company, incorporated under Belgian law
Limited company with publicly traded shares
Boulevard Auguste Reyers 70
B - 1030 Brussels
Belgium
Company identification number: BE 0456 810 810

Joint venture France Télécom - Telindus, denominated 'Irisnet'
Consolidated at 50 %, incorporated under Belgian law
Boulevard Auguste Reyers 70
B - 1030 Brussels
Belgium
Company identification number: BE 0545 698 541

VOXmobile S.A.
100 % of the shares held by Mobistar (of which 10 % have been acquired on November 12, 2008)
8, z.a.i. Bourmicht
L - 8070 Bertrange
Luxembourg
Company identification number: LU 19749504

The principal activities of the Group are described in Note 19 (segment information).

Date of authorisation for issue of the financial statements

On 10 March 2009, the Board of Directors of Mobistar S.A. reviewed the 2008 consolidated financial statements and authorised them for issue.

The 2008 consolidated financial statements will be approved on 6 May 2009 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 have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€ 000) except when otherwise indicated.

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 2008 by using the following consolidation method:

Mobistar S.A.: 100 %	full consolidation
Temporary association Irisnet: 50 %	proportional consolidation
VOXmobile S.A.: 100 %	full consolidation

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

VOXmobile 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 VOXmobile. The remaining 10 % of shares have been acquired on November 12, 2008. The company has consolidated the results of VOXmobile for 100 %, as of 2 July 2007.

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 Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions of the accounting policies.

2.1. IFRIC 13 - Customer Loyalty Programs

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. Such schemes exist in the Group and have been reviewed to ensure booking alignment. Implementation of the guidance has had a very limited impact on equity. This effect is indicated in the note 11 related to Equity.

2.2. IFRIC 14 / IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The Group has currently no defined benefit scheme and hence this Interpretation has no impact on the Group.

2.3. IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial instruments: Disclosures – Reclassification of Financial Assets

These amendments published on October 13th, 2008 allow reclassification of certain financial instruments from held for trading and available for sales categories. The Group has currently no held for trading and hence this amendment has had no impact on the Company's accounts.

2.4. IFRIC 11 / IFRS 2 - Group and Treasury Share Transactions

This interpretation requires that arrangements whereby an employee has right to entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity chooses or is required to buy those equity instruments from another party or a shareholder of the entity provides the equity instruments needed. The interpretation also sets out requirements as to how subsidiaries, in their separate financial statements, should account for schemes when their employees receive equity instruments of the parent. Arrangements have been reviewed in order to determine if they had to be accounted for as equity-settled arrangements. Details are given under note 12.

3. Significant accounting judgments, estimates and assumptions

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

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

Judgments

In the process of applying the Group's accounting policies, management has not made any significant judgments, apart from those involving estimations.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation 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 are discussed below.

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 5.

Provision for Decommissioning

The Group has recognised a provision for decommissioning obligations associated with the rented buildings situated at Rue Colonel Bourg 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.

Revenue recognition for customer loyalty program

Loyalty programs are based on points granted to customers in function of their behaviour. These points are considered as a separate part of the service 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.

4. Summary of significant accounting policies

4.1. Transactions in foreign currencies

The consolidated financial statements are presented in 000 euros, which is the Group's functional and presentation currency. Each entity in the Group applies this functional currency for its financial statements. On initial recognition in the functional currency, a foreign currency transaction is recorded by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At each balance sheet date, foreign monetary assets and liabilities are translated using the closing rate.

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

4.2. Business combinations and Goodwill

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

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

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

Estimating the fair value less cost to sell requires to take into account the Mobistar's share price as quoted on the stock exchange. Alternatively, an estimation of the value in use of the mobile activity cash-generating unit could be made. This method requires to make an estimate of the future cash flows from the mobile cash-generating

Accounting policies

unit and to choose a suitable discount rate to calculate the present value of those cash flows.

4.3. Intangible assets

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

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

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

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

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

The depreciable amount of an intangible asset with a finite useful life is allocated on a linear basis over its useful life. The depreciation of the mobile licenses starts when they are ready to operate. The GSM and UMTS licenses have been granted for a period of 15 years and 20 years respectively. However, the depreciation period is limited to 14 and 16 years, representing the remaining license terms at the date of availability for use.

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

The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Any change in the useful life or in the expected pattern of consumption of the future economic benefits embodied in the asset, is accounted for prospectively as a change in an accounting estimate.

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

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

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

4.4. Tangible assets

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

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

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

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

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

Building	20 years
Pylons and network constructions	20 years
Optical fibre	15 years
Network equipment	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 assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, Mobistar makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less cost 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 pre-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 recognised as an expense in the period in which they are incurred.

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 bases 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

Accounting policies

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 relating to items recognised directly in equity is recognised in equity and not in profit or loss.

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

Sales tax

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

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

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

4.9. Inventories

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

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

4.10. Treasury shares

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

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

4.11. Cash and cash equivalents

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

4.12. Financial instruments

Recognition and derecognition

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

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

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

Financial assets

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

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

Upon initial recognition, financial assets are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. 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.

<u>Financial assets at fair value through profit and loss</u>

Financial assets classified as held for trading and financial assets designated upon initial recognition as at fair value through profit and loss are classified under this category. 'Held-for-trading' financial assets are those acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments or a financial guarantee contract. Gains and losses on investments held for trading are recognised in income.

<u>Loans and receivables</u>

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

Financial liabilities

Interest-bearing loans and borrowings

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

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

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

Trade and other short-term payables

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

Offsetting a financial asset and a financial liability

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

4.13. Share-based payment

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

The cost of any equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of such equity-settled transactions will be measured based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted. If market prices are not available, appropriate pricing model, further details of which are given in note 12, will be used. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares, if applicable.

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

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

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

4.14. Long-term provisions

Provisions are recognised when Mobistar has a present obligation (legal or constructive) as a result of a past

Accounting policies

event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

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

4.15. Employee benefits

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

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

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

4.16. Revenue

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

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

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

Specific revenue streams and related recognition criteria are as follows:

Sales of equipment

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

Revenue from subscription contracts

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

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. The revenue is recognized upon usage.

Revenue sharing

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

Revenue deferred until payment

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

Site sharing rental income

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

4.17. Leases

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

Determining whether, in application of the interpretation IFRIC 4, an arrangement is or contains a lease requires assessment of whether the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

4.18. Loyalty commissions

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

4.19. Financial discounts

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

4.20. Dividend

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

4.21. Loyalty Programs

The accounting treatment of customer loyalty programs currently in use are corresponding with IFRIC 13. As such, 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

Standards issued but not yet effective. The Group has elected not to adopt any Standards or Interpretations in advance of their effective dates.

5.1. IAS 23 - Borrowing costs

A revised IAS23 Borrowing costs was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

5.2. IFRS 2 - Share-based payments - Vesting conditions and Cancellations

This amendment to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

5.3. IFRS 3R - Business Combinations and IAS 27R - Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

5.4. IAS 1 - Revised Presentation of Financial Statements

The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expenses, either in a single statement, or in two linked statements. The Group is evaluating whether it will have one or two statements.

5.5. Amendments to IAS 32 and IAS 1 - Puttable Financial Instruments

Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendments to IAS 1 require disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to impact the financial statements of the Group.

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5.6. IFRS 1 - First time Adoption of International Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly controlled Entity or Associate (Amendments)

Effective for the periods beginning on or after 1 January 2009, IFRS 1 is amended to allow an entity to determine the cost of investment in subsidiaries, jointly controlled or associated, as on of the following amount: costs determined in accordance with IAS 27, at the fair value of the investment at the date of transition to IFRS, determining in accordance with IAS 39 or the previous GAAP carrying amount for the investment at the date of transition to IFRS. As the Company is already publishing under IFRS standards, this amendment has no impact.

5.7. IFRS 8 - Operating Segments

IFRS 8 replaces IAS 14 'Segment Reporting' and adopts a full management approach to identifying, measuring and disclosing the results of its operational segments. The information reported is that which the chief operating decision maker uses internally for evaluating the performance of operating segments and allocating resources to those segments. The Company is currently evaluating the impact that the implementation of the IFRS 8 will have on disclosures made for the periods beginning on 1 January 2009.

5.8. IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

Effective for periods beginning on or after 1 October 2008, this Interpretation provides guidance in respect of foreign currency gains and losses on a net investment in a foreign operation. Currently the Company is not involved in such type of operations.

5.9. IFRIC 12 - Service Concession Arrangements

IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Group has reviewed the various contracts to verify the correct application of the IFRIC Interpretation.

5.10. IFRIC 15 - Agreement for the construction of real estate

IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses form the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. IFRIC 15 will not have an impact on the consolidated financial statement because the Group does not conduct such activity.

5.11. IAS 39 - Financial instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 January 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of the financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group.

5.12. Improvements to IFRS's

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The impact of drafts of standards or interpretations currently being studied by the IASB and the IFRIC was not anticipated in these financial statements and may not reasonably be estimated as at December 31, 2008.

Notes to the consolidated financial statements

1. Business combinations

Acquisitions in 2007

Acquisition of VOXmobile S.A.

On 2 July 2007, the Group acquired 90 % of the voting shares of VOXmobile S.A., an unlisted company based in Luxembourg, specialized as telecom operator.

Mobistar obtained a call option for the remaining 10 % of the shares exercisable before or at least on 2 July 2010. If not exercised by 2 July 2010, the call option was deemed to be exercised. As such, the company had a contingent consideration for the 10 % of the shares. The exercise price should be the Fair Market Value of the relevant Option Shares provided that the exercise price for the total remaining number of Option Shares should not exceed 13.4 million euros and not be lower than 2.2 million euros. The final exercise price would be dependent of the performance of the underlying company. If the targets were reached, the remaining 10 % of the shares would be valued at 8.9 million euros.

The Company has consolidated the results of VOXmobile for 100 %, as of 2 July 2007.

The total cost of the combination was 89,261 thousand euros and comprised cash paid and costs directly attributable to the combination. The contingent consideration for the 10 % shares in VOXmobile has been measured at 8.9 million euros at the date of the combination and at 31 December 2007.

At the date of initial acquisition, VOXmobile owned the majority of the shares of the following companies organised and existing under the laws of Luxembourg:

TopLine Distributions S.A.	an in-depth distribution network covering Luxembourg
Moskito Productions S.A.	a multi-media productions company

These companies were consolidated within the VOXmobile group for IFRS reporting.

Changes in 2008

On 12 November 2008, Mobistar has acquired the remaining 10 % of the voting shares of VOXmobile S.A. corresponding to 150,635 shares.

The cash outflow generated by this purchase amounted to 6,675 thousand euros, reducing the Purchase Price for the acquisition by 2,245 thousand euros compared to the estimate made in 2007 of the price to pay for exercising the option.

This situation has led to an adjustment of the goodwill related to VOXmobile acquisition of 2,245 thousand euros.

On 12 November 2008, VOXmobile has sold its shares in Moskito Production S.A. The deconsolidation of these shares is reflected in the VOXmobile group for IFRS reporting.

Below schedule indicates the fair value of the identifiable assets and liabilities of VOXmobile Group as at the date of acquisition and the corresponding amounts immediately before the acquisition and the evolution of the cash outflows and goodwill during the year 2008.

Notes to the consolidated financial statements

in thousand €

	Fair value recognised on acquisition	Previous carrying value
Goodwill	297	297
Intangible assets	16 556	645
Tangible assets	23 658	23 658
Financial fixed assets	4	4
Inventory	1 262	1 262
Trade receivables	5 881	5 881
Accrued revenue	510	510
Other receivables	9 638	9 638
Cash and cash equivalents	1 013	1 013
Trade payables	-13 829	-13 829
Other payables	-1 026	-1 026
Provisions	-1 150	-1 150
Accrued expenses	-317	-317
Deferred tax assets	-4 715	0
Financial debt	-19 189	-19 189
Net assets	**18 593**	**7 397**
Goodwill arising from acquisition 2 July 2007	70 668	
Adjustment to goodwill 12 November 2008	-2 245	
Goodwill as at 31 December 2008	**68 423**	
Total equity consideration	**87 016**	

Net Cash Outflow

Purchase of 90 % of shares, 2 July 2007	80 272
Cost associated with the acquisition	70
Total	80 342
Net Cash acquired with the subsidiary	-1 013
Net Cash Outflow 2007	**79 329**
Purchase of 10 % of shares, 12 November 2008	6 675
Total Net Cash Outflow after 100 % acquisition	**86 004**

2. Intangible assets and goodwill (in 000 euros)

2008

	Goodwill	GSM and UMTS licences	Internally generated software development costs	Other intangible assets	Total intangible assets
Acquisition value					
As at 1 January 2008	**81 532**	**373 441**	**37 772**	**414 230**	**825 443**
Movements during the period:					
Acquisitions of subsidiaries November, 12th	-2 245				0
Acquisitions and consolidation differences			693	42 612	43 305
Sales and disposals		-600	-1 240	-10 978	-12 818
As at 31 December 2008	**79 287**	**372 841**	**37 225**	**445 864**	**855 930**
Amortisation and impairment					
As at 1 January 2008	**0**	**203 528**	**22 466**	**290 741**	**516 735**
Movements during the period:					
Additions		12 534	6 377	58 797	77 708
Impairment				426	426
Transfer		12 532		-12 222	310
Reversal - sales and disposals		-600	-1 240	-10 459	-12 299
As at 31 December 2008	**0**	**227 994**	**27 603**	**327 283**	**582 880**
Net carrying amount as at 31 December 2008	**79 287**	**144 847**	**9 622**	**118 581**	**273 050**

2007

	Goodwill	GSM and UMTS licences	Internally generated software development costs	Other intangible assets	Total intangible assets
Acquisition value					
As at 1 January 2007	**10 558**	**373 441**	**33 087**	**375 207**	**781 735**
Movements during the period:					
Acquisitions of subsidiaries July, 2nd	70 668			16 556	16 556
Acquisitions and consolidation differences	306		4 685	49 466	54 151
Sales and disposals				-26 999	-26 999
As at 31 December 2007	**81 532**	**373 441**	**37 772**	**414 230**	**825 443**
Amortisation and impairment					
As at 1 January 2007	**0**	**178 462**	**15 531**	**262 445**	**456 438**
Movements during the period:					
Additions		25 066	5 366	48 785	79 217
Impairment			1 569	1 255	2 824
Reversal - sales and disposals				-21 744	-21 744
As at 31 December 2007	**0**	**203 528**	**22 466**	**290 741**	**516 735**
Net carrying amount as at 31 December 2007	**81 532**	**169 913**	**15 306**	**123 489**	**308 708**

Notes to the consolidated financial statements

Goodwill

The Goodwill 2007 consists of:

Goodwill Mobistar Affiliate	10 558
Goodwill VOXmobile	70 974
Total	**81 532**

The Goodwill 2008 consists of:

Goodwill Mobistar Affiliate	10 558
Goodwill VOXmobile	68 729
Total	**79 287**

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 cash-generating unit mobile activity. 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.

As the recoverable amount of the mobile cash-generating unit, including goodwill, exceeds its carrying value, no impairment loss has to be recognized.

VOXmobile S.A.

The acquisition of VOXmobile 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. As described in section 1 ("Business combination") the goodwill has been adjusted by 2,245 thousand euros.

The reported goodwill is fully allocated to the cash-generating unit Luxembourgian activity. 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. Cash flows have been estimated on a five years business plan (2009 to 2013) approved by the local management. For the following years, figures have been extrapolated based on a growth rate estimated between 1 % and 2 %. Cash flow has been actualised. The after-tax discount rate applied to cash flow projections has been estimated between 7 % and 9 %. Sensibility analysis of these parameters has been performed.

As the recoverable amount of the mobile cash-generating unit, including goodwill, exceeds its carrying value, no impairment loss has to be recognised.

Intangible assets

The UMTS licence has been depreciated from April 2005 onwards when the 3G network has been technically declared ready to operate in the region of Antwerp. The UMTS licence is depreciated over 16 years on a linear basis and the depreciation cost amounts to 9.4 million euros on a full year basis.

Internally generated intangible assets and other intangible assets include software development and software licence costs. The useful lives of intangible assets applied in 2008 remain comparable to the one's used in 2007.

Other intangible assets are mainly related to software acquired or developed by external suppliers. They are used for administrative purpose or in a very large part for the network applications. The "transfer" heading has been used in order to reclassify balances from one header to another, between "GSM and UMTS licences" and "Other intangible assets".

3. Tangible assets (in 000 euros)

2008

	Land, buildings and network infrastructure	Plant, machinery, equipment	Furniture and vehicles	Other tangible assets	Total tangible assets
Acquisition value					
As at 1 January 2008	**472 375**	**565 203**	**115 538**	**20 751**	**1 173 867**
Movements during the period:					
Acquisitions, including self-constructed fixed assets	34 744	70 378	8 770	2 417	116 309
Dismantling asset	248				248
Sales and disposals	-15 851	-28 627	-4 018	-5 040	-53 536
As at 31 December 2008	**491 516**	**606 954**	**120 290**	**18 128**	**1 236 888**
Depreciation and impairment					
As at 1 January 2008	**216 063**	**334 299**	**85 836**	**15 904**	**652 102**
Movements during the period:					
Additions	24 691	41 602	11 204	4 035	81 532
Impairment		12 821			12 821
Dismantling asset	605				605
Transfer from category	-284	-26			-310
Reversal - sales and disposals	-15 851	-14 575	-4 018	-4 944	-39 388
As at 31 December 2008	**225 224**	**374 121**	**93 022**	**14 995**	**707 362**
Net carrying amount as at 31 December 2008	**266 292**	**232 833**	**27 268**	**3 133**	**529 526**

2007

	Land, buildings and network infrastructure	Plant, machinery, equipment	Furniture and vehicles	Other tangible assets	Total tangible assets
Acquisition value					
As at 1 January 2007	**431 346**	**512 619**	**123 002**	**19 994**	**1 086 961**
Movements during the period:					
Acquisitions of subsidiaries July, 2nd	1 654	21 590	130	284	23 658
Acquisitions, including self-constructed fixed assets	41 456	40 411	10 297	495	92 659
Dismantling asset	-175				-175
Sales and disposals	-1 906	-9 417	-17 891	-22	-29 236
As at 31 December 2007	**472 375**	**565 203**	**115 538**	**20 751**	**1 173 867**
Depreciation and impairment					
As at 1 January 2007	**196 724**	**291 014**	**93 706**	**14 342**	**595 786**
Movements during the period:					
Additions	20 634	41 677	10 016	1 349	73 676
Impairment		7 760	0		7 760
Dismantling asset	631			235	866
Transfer from category	285	-285			0
Reversal - sales and disposals	-2 211	-5 867	-17 886	-22	-25 986
As at 31 December 2007	**216 063**	**334 299**	**85 836**	**15 904**	**652 102**
Net carrying amount as at 31 December 2007	**256 312**	**230 904**	**29 702**	**4 847**	**521 765**

Notes to the consolidated financial statements

Capital expenditure

In 2008 and 2007 the majority of the capital expenditure related to the continued deployment of the 3G radio equipment, including the deep-indoor activities, and to technologies capable to support the increasing demand in mobile data transmission.

Impairment on assets

During 2008, impairment on both tangible and intangible assets has been recognised for an amount of 13,247 thousand euros (2007: 10,584 thousand euros) and shown as expense on the line 'Depreciation, amortisation and impairment' in the income statement.

The impairment loss of 13,247 thousand euros recognised during the year has been determined on individual asset basis in order to consider obsolescence, dismantling or losses, and can be detailed as follows:

Software applications and developments	426
Obsolete network equipment	12 821
Total	**13 247**

Fair value less cost 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.

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

	2008	2007
Net carrying amount as at 1 January	**227**	**253**
Released to the income statement	-26	-26
Net carrying amount as at 31 December	**201**	**227**

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

2008	Cash guarantees	Long-term receivables	Total
Net carrying amount as at 1 January 2008	**201**	**6 202**	**6 403**
Additions	41	6 930	6 971
Reimbursements	-6	-2 068	-2 074
Others	-118	0	-118
Net carrying amount as at 31 December 2008	**118**	**11 064**	**11 182**

2007	Cash guarantees	Long-term receivables	Total
Net carrying amount as at 1 January 2007	**195**	**0**	**195**
Additions	7	6 202	6 209
Reimbursements	-1	0	-1
Net carrying amount as at 31 December 2007	**201**	**6 202**	**6 403**

The increase in other non-current receivables in 2008 is mainly due to new agreements on long-term loans to specific partners (6,930 thousand euros) compensated by the repayment of the annual part of the payment facilities attributed to Ericsson in relation to the outsourcing project in 2007 (2,068 thousand euros).

5. Current and deferred taxes (in 000 euros)

Deferred Tax Assets and liabilities

	Balance Sheet		Income Statement	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Deferred tax assets				
Recognized as at the date of the business combination:				
VOXmobile				
Carried forward tax losses per 2 July 2007		8 178		
Carried forward tax losses of the year		1 171		-1 171
Carried forward tax losses beginning of the year	9 349			
Write-down carry forward tax losses	-975		-975	
Tax rate variance on VOXmobile	342		342	
Investment tax credit		151	-151	
DTA on Purchase Price Allocation	-4 715	-4 715		
Reverse DTA on Purchase Price Allocation	1 044	339	705	-339
Tax rate variance on Purchase Price Allocation	-179		-179	
Differences on useful lifes		700	-700	
Others		66	-66	
Total deferred tax assets from activities	**4 866**	**5 890**	**-1 024**	**-1 510**
Deferred tax liabilities				
Investment tax credit	2 279	3 039	-760	1 013
Revenue recognition for free airtime minutes	-5 284	-3 928	-1 356	-998
Borrowing costs expensed as incurred	617	80	537	493
Web site development costs expensed as incurred	712	933	-221	89
IFRIC 13 impact			229	
Other items	-2	-70	68	-37
Total deferred tax liabilities from activities	**-1 678**	**54**	**-1 503**	**560**
Total net deferred tax assets	**3 188**	**5 944**	**-2 527**	**-950**

IFRIC 13 Implementation: see Note 11 ‘Equity’.

Major components of tax expense

	31.12.2008	31.12.2007
Current income tax	132 729	139 187
Current income tax of prior periods	-2 381	-296
Deferred tax expense relating to the origination		
and reversal of temporary differences		
(variance in deferred tax assets from activities)	2 527	-950
Tax expense	**132 875**	**137 941**

At the end of 2007, the Group had tax losses which arose in VOXmobile for an amount of 31,551 thousand euros. These losses are available indefinitely for offset against future taxable profits of the company in which the losses arose.

During the year 2008, although VOXmobile has continued to accumulate tax losses, the amount considered as recoverable in a reasonable future has been limited to 28,261 thousand euros.

Notes to the consolidated financial statements

Relationship between tax expense and accounting profit

	31.12.2008	31.12.2007
Consolidated accounting profit before taxes	412 961	427 776
Tax at the applicable rate of 33.99%	**140 365**	**145 401**
Tax effect of permanent differences:		
* Expenses that are not deductible in determining taxable profit	1 751	3 117
* Amortisation of goodwill Mobistar Corporate Solutions S.A.	-4 085	-4 086
* Irisnet pre-tax loss not deductible	35	74
Tax credit on investment	-1 960	-557
Tax deductible risk capital	-4 438	-5 933
Tax credits on business combination	3 588	221
Adjustment on prior years	-2 381	-296
Current year tax expense	**132 875**	**137 941**
Effective tax rate	**32.18%**	**32.25%**

6. Inventories (in 000 euros)

	31.12.2008	31.12.2007
Finished goods (i.e. handsets and SIM cards)		
Inventories - Gross amount	13 427	15 743
Reserve for obsolete and slow moving items	-1 107	-1 800
Inventories - Net carrying amount	12 320	13 943
Inventories - Cost recognised as an expense during the period	**102 918**	**71 614**

The amount of write-down provision of inventories recognised as a decrease of expense is 638 thousand euros, which is recognised in cost of sales.

7. Trade receivables (in 000 euros)

	31.12.2008	31.12.2007
Trade receivables - Gross value	257 952	219 108
Allowance for doubtful debtors	-40 727	-35 594
Trade receivables - Net carrying amount	**217 225**	**183 514**

For terms and conditions relating to related party receivables, refer to Note 17.

Trade receivables are non-interest bearing and are generally domiciliated or at terms: end of month 30 days.

Trade receivables: Ageing Balance

	Trade receivables - Net carrying amount	Not Past Due	Less than 180 days	Between 180 days and 360 days	More than 360 days
2008	217 225	147 248	41 203	10 098	18 676
2007	183 514	142 362	27 815	3 333	10 005

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

	31.12.2008	31.12.2007
Local and regional taxes on pylons	28 061	24 325
Impairment on dito	-28 061	-24 325
Prepayments	11 857	11 015
VAT to be recovered	0	2 677
Other current assets	3 472	3 140
Total	**15 329**	**16 832**

The increase of the accrued revenues is due to a reclassification of the amount related to Free Minutes granted adjustment that was presented in deduction of other short-term liabilities up to end of 2007 for an amount of 15.6 million euros; value included in liabilities at the end of 2007 was 11.1 million euros.

Local and regional taxes on GSM pylons, masts and antennae

Since 1997, certain municipalities and three provinces have adopted local taxes, on an annual basis, on pylons, masts and antennae erected within their boundaries. These taxes are currently being contested before the Council of State and 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 December 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 total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to 28.1 million euros and is subject to a bad debt provision for the whole amount, of which 3.7 million euros correspond to the financial year.

9. Cash and cash equivalents (in 000 euros)

	31.12.2008	31.12.2007
Current bank accounts	6 587	6 355
Short-term cash pool deposit with France Télécom	0	900
Others	246	0
Total cash and cash equivalents	**6 833**	**7 255**

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

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and short-term deposits is 6,833 thousand euros.

10. Earnings per share (in 000 euros)

Basic earnings per share amounts 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 amounts 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.

Notes to the consolidated financial statements

	31.12.2008	31.12.2007
Net profit attributable to ordinary equity holders of the parent	280 086	289 835
Weighted average number of ordinary shares for basic earnings per share	61 754 776	63 290 941
Effect of dilution - Share options	0	0
Weighted average number of ordinary shares adjusted for the effect of dilution	61 754 776	63 290 941

No other 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.

11. Equity (in 000 euros)

Share capital and share premium

In the frame of the share options plan granted in 2001 to the employees of Mobistar, a total of 1,831 share options have been exercised in 2007 at a unit price of 32.55 euros. No such type of transaction occurred in 2008.

The shareholders meeting has approved on 7 May 2008 a capital decrease of 248,000 million euros. Repayment of this amount has started on 8 August 2008.

During 2008, a share buy-back program has been performed by the company. The Company has repurchased 3,277,338 shares for an amount of 174,966 thousand euros.

Number of ordinary shares as at 1 January 2008	63 291 752
Repurchased and cancelled as at 7 May 2008	- 1 291 752
Repurchased and cancelled as at 9 December 2008	-1 985 586
Number of shares outstanding as at 31 December 2008	60 014 414

These shares have been cancelled against a specific ‘unavailable’ reserve set up during the year out of the retained earnings.

	Share Capital	Share Premium	Number of ordinary shares
As at 1 January 2007	356 680	440	63 289 921
Exercise of 1,831 share options	10	49	1 831
Share premium incorporation in share capital	440	-440	
As at 1 January 2008	357 130	49	63 291 752
Capital reimbursement	-248 000		
Share premium incorporation in share capital	49	-49	
Share cancellation after buy-back			-3 277 338
Other	1		
As at 31 December 2008	109 180	0	60 014 414

All ordinary shares are fully paid and have a par value of 1.819 euro.

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.

Although the capital has been decreased during the year 2008, no change in the legal reserve has been proposed to the annual General Assembly of shareholders to take place on 6 May 2009.

	2008	2007
As at 1 January	35 713	35 038
Allocation of 5 % of Mobistar S.A. net after tax current year profit	0	675
Transfer from retained earnings VOXmobile S.A.	1	
As at 31 December	35 714	35 713

Reserves not available

During the year 2008, specific reserves not available in respect of own shares have been set up to comply with article 623 of the Company Code. These reserves have been used to cancel the value of the shares bought back.

Retained earnings

	2008	2007
As at 1 January	375 140	371 617
Current year profit after taxes	280 086	289 835
Transfer to legal reserve VOXmobile S.A.	-1	-675
Dividend paid	-173 600	-284 813
Share cancellation after buy-back	-174 966	0
Incentive plan on France Télécom shares	1 269	0
Equity transaction costs	-813	-824
Impact first time application of IFRIC 13 - Loyalty Programs	475	0
Other	-1	0
As at 31 December	307 589	375 140

Note that the implementation of IFRIC 13 has had an impact on the retained earnings as the opening deferred income balance has been restated for a net amount of 475 thousand euros split into deferred income (704 thousand euros) and deferred taxes (229 thousand euros).

Shareholders' remuneration

At the annual General Assembly of shareholders to take place on 6 May 2009, the Board of Directors will propose to approve the following shareholders' remuneration scheme:

Dividend 2008

The number of shares receiving a dividend based on the distribution of the result 2008, will be limited to 60,014,414 shares.

Number of ordinary shares as at the date of dividend payment	60 014 414
Gross ordinary dividend per ordinary share, in euros	2.90
Total ordinary dividend 2008 (000 euros)	174 042
Gross extraordinary dividend per ordinary share, in euros	1.65
Total extraordinary dividend 2008 (000 euros)	99 024

The dividend relating to the financial year 2008 has not been recognised as a liability at the balance sheet date as the approval of the annual General Assembly of shareholders will take place after the balance sheet date.

Dividend 2007

The number of shares receiving a dividend based on the distribution of the result 2007, was limited to 62 million shares.

Number of ordinary shares as at the date of dividend payment	62 000 000
Gross ordinary dividend per ordinary share, in euros	2.80
Total ordinary dividend 2007 (000 euros)	173 600

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, buy back shares or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

In line with the above described objective, Mobistar distributed 596.6 million euros to its shareholders during the 2008 financial year. This distribution took the form of an ordinary dividend of 2.80 euros per ordinary share, a capital reduction paid in cash of 4.0 euros per ordinary share and a share buy-back program for a total amount of 175.0 million euros.

Notes to the consolidated financial statements

12. Share-based payment

2001 Stock Option Plan

On 20 November 2000, the Remuneration Committee authorised the issuance of a total of 1,977,608 share options to its employees, convertible to an equivalent number of shares upon exercise of the share options. The subscription period was from 1 December 2000 to 31 December 2000. The exercise price of the share options is amounting to 34.15 euros each and decreases to 32.55 euros after the share capital reduction decided by the General Assembly of shareholders held on 3 May 2006. There is no restriction associated to the share options offered in subscription. A total of 849,883 share options were eventually granted, the remaining 1,127,725 share options being cancelled. Initially, the share options were exercisable during the following periods:

January 2004	maximum 50 % of the total share options granted
September 2004	maximum 75 % of the total share options granted
July 2005	100 % of the total share options granted

The exercise period was further extended as follows: January 2006, September 2006, January 2007, September 2007 and July 2008. The other terms and conditions of the share options were not modified. Note that all options were exercised at the end of 2007.

	31.12.2008	31.12.2007
Outstanding share options at the beginning of the period	0	1 831
Exercised share options during the period	0	-1 831
Outstanding share options at the end of the period	0	0
Exercisable share options at the end of the period	0	0

Incentive plan on France Télécom shares

The Remuneration Committee of Mobistar approved at the end of 2007 the participation of Mobistar to the incentive plan issued by France Télécom on its own shares or on treasury equivalent. This plan includes retention conditions between 2007 and 2009 (last condition for the participants to be active on 4 December 2009) and France Télécom performance indicators related to cash flow generated during 2007 and 2008 (conditions which have been reached for both years). It applies to all Mobistar employees. Mobistar will be reimbursed in full by France Télécom.

The plan has been accounted for as at 31 December 2008 based on the following data:

- Share value as at 18 March 2008:	21.50 euros
- Share value as at 28 November 2008:	19.13 euros
- Risk free interest rate:	3.48 %
- Financing rate:	5.24 %
- Probability to get performance objectives:	100 %
- Dividend yield:	6.0 %
- Expected life:	from 18/03/08 to 4/12/09
- Number of treasury equivalent instruments used for calculation:	106 827

The fair value has been estimated using a binomial pricing model, taking into account the terms and conditions upon which the instruments are granted.

Expenses arising from the ‘Incentive plan on France Télécom shares’ have been recorded in 2008 for an amount of 1.3 million euros. No cost was recorded in 2007.

The terms and conditions of the plan were not modified during the year 2008.

13. Long-term provisions (in 000 euros)

2008	01.01.2008	Additions	Utilisations	Reversal	Unwinding effect	31.12.2008
Outstanding litigations	5 205	2 091		-843		6 453
Network sites dismantling costs	7 477	298	-490		284	7 569
Office refurbishment costs	1 055	209	-180			1 084
Total	**13 737**	**2 598**	**-670**	**-843**	**284**	**15 106**

2007	01.01.2007	Additions	Utilisations	Reversal	Unwinding effect	31.12.2007
Outstanding litigations	5 295	1 178	-303	-965		5 205
Network sites dismantling costs	6 879	800	-515		313	7 477
Office refurbishment costs	795	260				1 055
Total	**12 969**	**2 238**	**-818**	**-965**	**313**	**13 737**

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.

Network sites dismantling provision

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

	31.12.2008	31.12.2007
Number of network sites VOXmobile Incl.	4 203	4 175
Average dismantling cost per network site (000 euros)	11	11
Inflation rate	2.0%	2.0%
Discount rate	4.0%	4.0%

It is rather not practicable to estimate the timing of the cash outflows since, although it is assumed that all the network sites will be dismantled in the future, the provision is measured based on the known term of the existing rental contracts but with a high probability of renewal upon each renewal date.

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 dismantling 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.

Notes to the consolidated financial statements

14. Financial instruments (in 000 euros)

Financial risk management objectives and policies

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

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

Interest rate risk

As a result of its 596.6 million euros distribution to its shareholders, the Company showed a debt amounting to 318.0 million euros on 31 December 2008. The Company didn't hedge this debt amount.

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 7 & 8.

Liquidity risk

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

Interest-bearing loans and borrowings

	Nominal amount	Interest rate	Maturity	31.12.2008	31.12.2007
Unsecured revolving credit facility agreement					
with France Télécom Group	250 000	Euribor + 0.30	31.12.2010	75 000	0
Total long-term loans and borrowings				75 000	0
Cash-pool related credit facility with					
France Télécom	250 000	EONIA + 0.40	on demand	240 963	0
Uncommitted credit lines with various banks	50 900	determined upon	on demand	0	0
		withdrawal			
Share of a joint venture loan (Irisnet)	2 727	determined upon	on demand	2 312	2 303
	maximum	withdrawal			
VOXmobile: Credit facility with SNCI	3 800	4.75%	March 2008	0	3 800
Total short-term loans and borrowings				**243 275**	**6 103**

Fair values

	Carrying amount		Fair value	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Financial assets				
Cash and cash equivalent	6 833	6 355	6 833	6 355
Short-term deposit		899		899
Other financial assets (non-current)	118	201	118	201
Long-term receivables (non-current)	13 130	8 537	12 745**	7 926*
Financial liabilities				
Long-term borrowing	75 000		73 044**	
Short-term borrowing	240 963		240 963	
Share of a joint venture loan (Irisnet)	2 312	2 303	2 312	2 303
Loan SNCI		3 800		3 154*

* Discount rate (assumption) 4 %
** Discount rates (assumption) have been considered on the estimated period of repayment (1 year: 3.05%, 2 years: 2.6785%, 3 years: 3.0334%)

The carrying amount of cash and short-term deposit 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. The carrying amount of the joint venture loan overdraft is deemed to represent their fair value taking into account the associated short-term maturity.

Maturity

Year ended December 2008	Amount	Within 1 year	Within 2-5 years	More than 5 years
Financial assets				
Cash	6 833	6 833		
Other financial assets (non-current)	118			118
Long-term receivables (non-current)	13 130	2 067	11 063	
Financial liabilities				
Long-term borrowing	75 000		75 000	
Short-term borrowing	240 963	240 963		
Share of a joint venture loan (Irisnet)	2 312	2 312		

Year ended December 2007	Amount	Within 1 year	Within 2-5 years	More than 5 years
Financial assets				
Cash	6 355	6 355		
Short-term deposit	899	899		
Other financial assets (non-current)	201			201
Long-term receivables (non-current)	8 537	2 135	6 402	
Financial liabilities				
Share of a joint venture loan (Irisnet)	2 303	2 303		
Loan SNCI	3 800	3 800		

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

	31.12.2008	31.12.2007
Trade payables	**284 419**	**268 738**
Employee benefits related liabilities		
Salaries and termination pay	3 794	2 605
Social security contributions	2 145	4 408
Holiday pay	13 554	14 297
Performance and Profit Sharing bonus	7 867	6 435
Other	1 209	2 692
Total	**28 569**	**30 437**
Current taxes payable		
Corporate taxes - 2006		18 217
Corporate taxes - 2007	13 763	16 148
Corporate taxes - 2008	13 250	
Value added tax	2 488	
Total	**29 501**	**34 365**
Other payables		
Dividend 2004	49	65
Dividend 2005	111	167
Dividend 2006	128	381
Dividend 2007	135	0
Reimbursement share capital 2008	534	0
Other liabilities to other Shareholders VOXmobile *	0	8 919
Other liabilities	2 937	1 712
Total	**3 894**	**11 244**

* Contingent consideration see Note 1.

Notes to the consolidated financial statements

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Variation with 2007 is partially due to the reclassification of the amount related to Free Minutes granted to accrued revenues (see note 8); value included in deferred income at the end of 2007 was 11.1 million euros.

16. Income statement (in 000 euros)

Turnover

	2008	2007
Revenue from subscription contracts	912 752	910 389
Revenue from prepaid subscription cards	219 410	221 386
Interconnection revenue	290 506	292 967
Site sharing rental income	1 595	2 336
Other services	19 472	18 299
Total service revenue	1 443 735	1 445 377
Sale of equipment	88 996	64 228
Total	**1 532 731**	**1 509 605**

The increase in turnover has been influenced by the handsets sales activities (increased by 24,768 thousand euros) which have been boosted by the sales of smartphones.

Other operating revenue

	2008	2007
Expenses recharged to France Télécom subsidiaries	11 514	12 598
Administrative costs recharged to customers and third-parties	13 740	11 472
Services rendered to judicial authorities	4 029	2 648
Other operating revenue	4 751	3 616
Total	**34 034**	**30 334**

Costs of equipment and goods sold

	2008	2007
Purchase of goods	113 595	77 651
Purchase of services	105 609	95 316
Total	**219 204**	**172 967**

Cost of purchased goods increased in the same way as the sales of equipment, largely influenced by the sales of smartphones.

Services and other goods

	2008	2007
Rental costs	26 523	25 006
Maintenance	20 729	23 360
Professional fees	59 799	56 183
Administration costs	23 297	20 983
Commissions	94 044	110 892
Universal service	-1 795	6 528
Advertising and promotions	47 954	49 196
Other	8 379	7 690
Total	**278 930**	**299 838**

The decrease of the services and other goods is essentially due to the decrease of commissions paid to the distribution channels, the adaptation of Mobistar's share in the costs of the universal services and the control on commercial expenses. It has been partially compensated by the rise in services delivered by third parties.

Employee benefits expenses

	2008	2007
Short-term employee benefits	100 042	101 035
Social Security contributions	25 125	26 519
Group insurance and medical care	5 522	6 657
Other personnel costs	1 494	1 503
Total	**132 183**	**135 714**

Short-term employee benefits are presented net of employee benefits expenses internally capitalised as intangible and tangible assets totalling 3,789 thousand euros in 2008 and 3,748 thousand euros in 2007.

The average full-time equivalent number of employees decreased from 1,650.0 in 2007 to 1,569.6 in 2008.

Note that the split between the different categories of employee benefits expenses have been reviewed in 2008 in order to give a better view on these items. 2007 figures have been aligned to the new grouping. The total cost of 2007 has not been changed.

Other operating charges

	2008	2007
Inventories - obsolete and slow moving items	-582	-947
Trade receivables - allowance for doubtful debtors	10 063	9 010
Local taxes on GSM antennas and pylons	3 736	4 331
Property taxes	1 506	2 332
Long-term provisions	808	-585
Capital loss on assets sold	602	0
Other operating charges	27	93
Total	**16 160**	**14 234**

Local taxes on GSM masts and antennas are accrued as described in the note 8 'Other current assets'.

Net financial costs

	2008	2007
<u>Financial income</u>		
Interest on deposits and current bank accounts	1 672	2 879
Other financial income	203	324
Total	**1 875**	**3 203**
<u>Financial costs</u>		
Interest on financial debts	6 494	1 410
Other financial charges	934	1 895
Total	**7 428**	**3 305**
Total net financial costs	**-5 553**	**-102**

Net financial costs have been largely influenced by the operations managed in 2008 at equity level: capital reimbursement, share buy-back plan and dividend distribution.

Notes to the consolidated financial statements

17. Relationships with related parties (in 000 euros)

Relationships with affiliated enterprises

Balance sheet and income statement

	31.12.2008	31.12.2007
Assets and liabilities		
Short-term trade receivables	34 212	44 737
Short-term deposit	0	900
Liabilities		
Short-term interest-bearing loan	240 963	
Long-term interest-bearing loan	75 000	
Short-term trade payables	23 712	24 631
Income and charges		
Sales	61 049	63 184
Purchases	53 225	48 017

The consolidated financial statements include the financial statements of Mobistar S.A., 100 % of VOXmobile S.A., Moskito Productions S.A (up to 12 November 2008), Topline Distributions S.A (in 2007) and 50 % of the interests held by France Télécom in the joint venture Irisnet since Mobistar is actually controlling the joint venture with its partner Telindus and is assuming the risks and rewards relating to this activity instead of France Télécom.

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

Related party - 2008 transactions

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Ultimate parent company				
France Télécom - Traffic and services	46 340	38 372	24 909	18 924
France Télécom - Cash pooling and derivatives	395	6 310		316 555
France Télécom subsidiaries				
Airtime traffic and services	14 314	8 543	9 303	4 196
Total	**61 049**	**53 225**	**34 212**	**339 675**

Related party - 2007 transactions

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Ultimate parent company				
France Télécom - Traffic and services	45 299	32 307	32 810	15 995
France Télécom - Cash pooling and derivatives	2 465	1 090	974	0
France Télécom subsidiaries				
Airtime traffic and services	15 420	14 620	11 853	8 636
Total	**63 184**	**48 017**	**45 637**	**24 631**

Terms and conditions of transactions with related parties

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

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

Relationships with Board of Directors members and senior management

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

	2008	2007
Basic remuneration (gross annual salary)	1 796	2 172
Variable remuneration	836	1 005
Other elements of remuneration	440	751
Total employee benefits	**3 072**	**3 928**

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:

	2008	2007
Total remuneration	**204**	**284**

Senior management interests in an employee share incentive plan

2005 & 2006 Discounted Share Pay Plans

Members and former members of the Management Committee of Mobistar have purchased a total of 37,500 shares in 2005 and 105,000 in 2006 as per the terms and conditions described in the note 12 'Share-based payment'. The fair value of the purchased shares is amounting to 452 thousand euros (DSPP 2005) and 1,338 thousand euros (DSPP 2006). No new plan became effective in 2007, neither in 2008.

18. Commitments and contingencies (in 000 euros)

Purchases

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2007	2008				
Intangible and tangible assets	66 710	80 826	80 826	0	0	0
Inventories	8 916	3 940	3 940	0	0	0

Operational Leases Costs

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2007	2008				
Offices	19 894	86 308	5 210	11 172	9 997	59 929
Network sites	169 100	316 412	20 260	34 205	33 715	228 232
Cars	10 792	9 757	1 050	5 686	3 021	0
Total	**199 786**	**412 477**	**26 520**	**51 063**	**46 733**	**288 161**

Guarantees granted

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2007	2008				
Total	**9 278**	**8 844**	**997**	**3 868**	**195**	**3 784**

Guarantees granted are related to various lease agreements and to performance commitment granted to some corporate customers. No other security (mortgage, pledge or other) has been granted on Mobistar assets as at 31 December 2008.

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.

Notes to the consolidated financial statements

19. Segment reporting (in 000 euros)

Mobistar's internal management reporting to the Board of Directors and to the Chief Executive Officer is structured on a business segment basis.

The following primary business segments are identified:

• Mobile segment: delivers mobilephone equipment and services to residential and corporate customers.
• Fix segment: provides fix voice, data and internet services to residential and corporate customers.

No secondary geographical segment has been selected as no criteria determining this reportable segment is met.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third-parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

31.12.2008

in thousand €

	Mobile	Fix	Unallocated	Total
Segment assets	1 108 138	87 003	5 140	1 200 281
Segment liabilities	365 095	33 787	273 916	747 798
Capital expenditure	150 286	9 576	0	159 862
Depreciation and amortisation	157 079	2 766	0	159 845
Impairment losses recognised in profit or loss	13 247	0	0	13 247
Non-cash expenses other than depreciation	1 111	158	0	1 269

	Mobile	Fix	Total consolidated
Revenue			
Total service revenue	1 358 006	85 729	1 443 735
Handsets sales	88 748	248	88 996
Total turnover	1 446 754	85 977	1 532 731
Other operating revenue	31 258	2 776	34 034
Total revenue	**1 478 012**	**88 753**	**1 566 765**
Operating expenses			
Interconnection costs	-288 922	-39 760	-328 682
Costs of equipment and goods sold	-197 808	-21 396	-219 204
Services and other goods	-254 118	-24 812	-278 930
Employee benefits expenses	-116 447	-15 736	-132 183
Depreciation, amortisation and impairment	-170 326	-2 766	-173 092
Other operating charges	-15 328	-832	-16 160
Total operating expenses	**-1 042 949**	**-105 302**	**-1 148 251**
Result of operating activities	**435 063**	**-16 549**	**418 514**
Net finance costs			-5 553
Result of operating activities after net finance costs			412 961
Tax expense			-132 875
Net profit or loss			280 086

31.12.2007

in thousand €

	Mobile	Fix	Unallocated	Total
Segment assets	1 105 968	69 087	6 274	1 181 329
Segment liabilities	350 214	20 615	41 591	412 420
Capital expenditure	140 368	6 459	0	146 827
Depreciation and amortisation	151 749	2 011	0	153 760
Impairment losses recognised in profit or loss	10 584	0	0	10 584
Non-cash expenses other than depreciation	0	0	0	0

	Mobile	Fix	Total consolidated
Revenue			
Total service revenue	1 358 435	86 939	1 445 374
Handsets sales	63 915	312	64 227
Total turnover	1 422 350	87 251	1 509 601
Other operating revenue	28 518	1 820	30 338
Total revenue	**1 450 868**	**89 071**	**1 539 939**
Operating expenses			
Interconnection costs	-284 603	-40 360	-324 963
Costs of equipment and goods sold	-150 386	-22 460	-172 846
Services and other goods	-283 793	-16 033	-299 826
Employee benefits expenses	-127 015	-8 698	-135 713
Depreciation, amortisation and impairment	-162 333	-2 011	-164 344
Other operating charges	-14 370	0	-14 370
Total operating expenses	**-1 022 500**	**-89 562**	**-1 112 062**
Result of operating activities	**428 368**	**-491**	**427 877**
Net finance costs			-101
Result of operating activities after net finance costs			427 776
Tax expense			-137 941
Net profit or loss			289 835

Notes to the consolidated financial statements

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

The interests in the joint venture 'Irisnet' are recognised using the line-by-line reporting format in the proportionate consolidation method.

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

	31.12.2008	31.12.2007
Non-current assets	8	8
Current assets	4 016	2 491
Total assets	**4 024**	**2 499**
Equity	-11 547	-11 443
Current liabilities	15 571	13 942
Total equity and liabilities	**4 024**	**2 499**
Income	4 787	4 702
Expenses	5 621	4 920

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

	31.12.2008	31.12.2007
Assets and liabilities		
Current assets - trade receivables	16 824	21 076
Current liabilities - trade payables	6 331	11 645
Current liabilities - deferred income	10 493	9 431
Income and charges		
Sales	4 912	4 943
Purchases	4 912	4 943

Mobistar has not incurred any contingent liabilities on its behalf or jointly with its partner in the joint venture or with the joint venture itself.

In the frame of the joint venture activity, Mobistar and the joint venture did not commit to any capital commitment as at the balance sheet date.

Statutory auditor's report

to the General Meeting of shareholders of Mobistar S.A. on the consolidated financial statements for the year ended 31 December 2008

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the consolidated financial statements as well as the required additional comments.

Unqualified opinion on the consolidated financial statements

We have audited the consolidated financial statements of Mobistar S.A. and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2008, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, and the consolidated statements of income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of € 1,200,281 thousand and the consolidated statement of income shows a profit for the year, share of the Group, of € 280,086 thousand.

Responsibility of the Board of directors for the preparation and fair presentation of the consolidated financial statements

The Board of directors is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we have considered 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. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the Board of directors and the Group's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the Group's financial position as at 31 December 2008 and of the results of its operations and its cash flows in accordance with IFRS as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Additional comments

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the Board of directors.

Our responsibility is to include in our report the following additional comments, which do not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements deals with the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the entities included in the consolidation are facing, and on their financial situation, their foreseeable evolution or the significant influence of certain facts on their future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Diegem, 10 March 2009

Ernst & Young Réviseurs d'Entreprises SCCRL
Statutory auditor
represented by

Herman Van den Abeele
Partner

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