Annual report **2009**

Corporate governance statement

1. Introduction

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

In 2009, the Board of Directors has drawn up, in collaboration with the Governance Supervisory Committee, a new Corporate Governance Charter which has been approved by the Board of Directors on 16 September 2009. This fifth version of the Corporate Governance Charter has entered into force on 1 November 2009 (date of publication on the company's website).

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

2. Internal control regarding the financial information – risk management systems

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

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

At least once a year, the Audit Committee reviews, with the Executive Management, the effectiveness of the internal control and risk management systems set up by the Executive Management. It must ensure that the principal risks are properly identified, managed and disclosed in accordance with the framework which was approved by the Board of Directors. The Audit Committee and its chairman also monitor, with the Corporate Quality & Audit department of the company, the follow-up of the risk management, the quality of the internal control, the compliance with the provisions and audits and possible correcting measures.

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

3. Composition and operation of the Board of Directors and the committees

The composition of the Board of Directors is determined on the basis of competency, experience and diversity. The Board of Directors must consist of a reasonable number of directors allowing its effective functioning while taking into account the specificities of the company.

On 31 December 2009, the Board of Directors consisted of twelve members of which one executive director and eleven non-executive directors (of which four independent directors). No age limit has been fixed within the Board of Directors.

Name	Function	Main function	Age	Nationality	End of mandate
Jan Steyaert	Chairman	Director of companies	64	Belgian	2011
Benoit Scheen(1) (2)	Executive director	CEO Mobistar	43	Belgian	2011
Sparaxis(3) (4)	Independent director		NA	Belgian	2011
Eric Dekeuleneer(3)	Independent director	CEO Credibe	57	Belgian	2011
		CEO University Foundation			
Philippe Delaunois(3)	Independent director	Director of companies	68	Belgian	2011
Christina von Wackerbarth(3)	Independent director	Director of companies	55	Belgian	2011
Vincent Brunet(1)	Director	VP Performance Support (FT)	45	French	2011
Olaf Swantee(1)	Director	EVP Europe (FT)	43	Dutch	2011
Brigitte Bourgoin(1)	Director	EVP Opérateurs France (FT)	56	French	2011
Bertrand du Boucher(1)	Director	VP Finance (FT)	56	French	2011
Gervais Pellissier(1)	Director	CFO (FT)	50	French	2011
Wirefree Services Belgium(1) (5)	Director		NA	Belgian	2011

(1) Directors who represent the majority shareholder (Atlas Services Belgium).
(2) Director in charge of the daily management.
(3) The independent directors have signed a declaration stating they comply with the criteria of independence mentioned in the Companies code.
(4) The company Sparaxis is linked to the SRIW (Société Régionale d'Investissement de Wallonie) and is represented by Mr. Eric Bauche (Advisor of the Direction Committee of SRIW).
(5) The company Wirefree Services Belgium is represented by Mr. Aldo Cardoso.

The Board of Directors meets at least four times a year. In 2009, the Board of Directors mainly discussed the following subjects:

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

The management of the company systematically provides to the directors, before each meeting, a file containing all necessary information with a view on the deliberation of the subjects mentioned in the agenda (the main ones of which are itemised here above).

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

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

Directors	4/02	10/03	23/04	22/07	16/09	22/10	17/11	17/12
Jan Steyaert	P	P	P	P	P	P	P	P
Benoit Scheen	P	P	P	P	P	P	P	P
Sparaxis	P	P	P	P	P	P	P	P
Eric Dekeuleneer	P	P	P	P	P	P	P	P
Philippe Delaunois	P	P	P	P	P	P	P	P
Christina von Wackerbarth	P	E	P	P	P	R	P	P
Vincent Brunet	P	P	P	P	P	P	P	R
Olaf Swantee	P	P	R	P	R	P	P	P
Brigitte Bourgoin	P	E	P	P	P	P	P	P
Bertrand du Boucher	P	P	P	P	P	P	P	P
Gervais Pellissier	P	E	R	R	R	R	R	R
WSB	P	P	P	P	P	R	R	P

P: present E: excused R: represented

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

The Audit Committee

In 2009, the Audit Committee consisted of five directors: Mr. Eric Dekeuleneer (Chairman), the company Sparaxis (represented by Mr. Eric Bauche), and Messrs. Philippe Delaunois, Gervais Pellissier and Bertrand du Boucher.

The Audit Committee's mission is to assist the Board of Directors in its responsibilities with respect to the integrity of the financial information of the company and in particular, the supervision of the financial reports, the internal and external audit and the financial relations between the company and its shareholders. The Audit Committee met six times in 2009.

Presence of the members at the meetings of the Audit Committee

Directors	03/02	21/04	20/05	22/07	20/10	15/12
Eric Dekeuleneer	P	P	P	P	P	P
Sparaxis	P	P	P	P	P	P
Philippe Delaunois	P	P	P	P	P	P
Gervais Pellissier	R	R	R	R	P	R
Bertrand du Boucher	P	P	P	P	E	P

P: present E: excused R: represented

The main subjects which have been discussed within the Audit Committee in 2009 are the following:

- the financial reporting and reporting of the activities;
- the internal control;
- the statutory audit;
- the missions and organization of the internal audit;
- the relations with the linked parties;
- the accounting standards;
- the Sarbanes Oxley procedures;
- the fraud prevention and "revenue assurance";
- the ethics;

• the files regarding investments and important projects;
• the financing of the company.

The Remuneration and Nomination Committee

In 2009, the Remuneration and Nomination Committee consisted of four directors: Messrs. Olaf Swantee (Chairman), Eric Dekeuleneer, Philippe Delaunois and Jan Steyaert.

The Remuneration and Nomination Committee has the mission to assist the Board of Directors in setting the remuneration of the members of the management of the Company as well as to assist the Board of Directors with the proposal of members of the Board of Directors for nomination or re-election.

In 2009, the Remuneration and Nomination Committee met one time. All members were present at the meeting of 4 February 2009.

In 2009, the Remuneration and Nomination Committee examined, among others, the remuneration of the members of the Executive Management and the remuneration policy of the company.

The Strategic Committee

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

In 2009, the Strategic Committee consisted of six directors: Mr. Jan Steyaert (Chairman), Mrs. Brigitte Bourgoin, Messrs. Vincent Brunet, Philippe Delaunois and Bertrand du Boucher, as well as the company Sparaxis (represented by Mr. Eric Bauche).

In 2009, the Strategic Committee met three times.

Presence of the members at the meetings of the Strategic Committee

Directors	14/01	20/05	26/06
Jan Steyaert	P	P	P
Brigitte Bourgoin	E	P	P
Vincent Brunet	P	E	P
Philippe Delaunois	P	P	P
Bertrand du Boucher	P	P	P
Sparaxis	P	P	E

P: present E: excused R: represented

In 2009, the Strategic Committee dealt in particular with the following subjects:

• the results of the company;
• the development and perspectives of the company;
• the convergence and new technologies;
• the new investments;
• the replacement of the network;
• the strategy regarding MVNO;
• the progression of the UMTS-project.

The Governance Supervisory Committee

The Governance Supervisory Committee is an ad-hoc committee which was set up on 14 December 2004, after the publication of the (first) Corporate Governance Code, in order to monitor developments in relations to corporate governance and to ensure their implementation within the company.

In 2009, the committee consisted of four directors: Messrs. Eric Dekeuleneer (Chairman) and Jan Steyaert, Mrs. Brigitte Bourgoin and the company Wirefree Services Belgium (represented by Mr. Aldo Cardoso).

In 2009, the Governance Supervisory Committee met four times. The subjects dealt with were, among others, the new Corporate Governance Code of 12 March 2009, the drafting of a new Corporate Governance Charter and the discussion of a "Strategic Partnership Agreement" with France Télécom.

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

Directors	27/01	03/03	25/06	16/12
Eric Dekeuleneer	P	P	P	P
Jan Steyaert	P	P	P	P
Brigitte Bourgoin	P	P	P	P
WSB	P	P	P	P

P: present E: excused R: represented

4. Composition and operation of the Executive Management

Mr. Benoit Scheen was appointed director with effect on 1 January 2008 and holds the position of CEO since that date.

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

In order to assist the CEO in the exercise of his day-to-day management responsibilities, a committee (the "Executive Committee") meets, in principle, on a weekly basis. Each member of the Executive Committee, except the CEO, heads a department of the organization.

The Executive Committee is composed of the following persons:

Benoit Scheen (Chief Executive Officer)
Pascal Koster (Chief Technology Officer)
Stephane Beauduin (Chief Marketing Officer) – replaces Eric Cuvelier as of 10 April 2009
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)

The members of the Executive Committee are considered as members of the Executive Management for the application of the relevant provisions of the Corporate Governance Code and the Corporate Governance Charter.

5. Contractual relations with directors, managers and companies of the group

Conclusion of any contract or transaction between a director or a member of the Executive Committee and the company is subject to the prior approval of the Board of Directors, who consults the Audit Committee in that respect. Such contracts or transactions should be concluded at arm's length under the market conditions prevailing at the time. The prior approval of the Board is required, even if article 523 of the Companies code is not applicable to the foreseen transaction or contract. Services delivered by the company within the general framework of its activities and at arms' length (i.e. a normal "customer" relationship) are not subject to such prior approval.

Between several companies within the France Télécom group and the company, there are agreements and/or invoicing arrangements relating to services provided by the staff members and/or delivery of services or goods. These contracts and invoicing schemes are reviewed by the Audit Committee of the company.

6. Evaluation procedure of the Board of Directors, the committees and each director

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

In this respect, the Board of Directors, under the lead of its Chairman, carries out an assessment as to the size, composition and performances of the Board of Directors and the different committees. This assessment has four objectives:

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

For more information, reference is made to the Corporate Governance Charter.

7. Information regarding the remuneration connected to shares

In 2009, no remuneration was paid out in the form of shares, options or other rights to acquire shares of the company. No proposal in this respect shall be made at the 2010 annual shareholders' meeting.

Furthermore, the company has not received any notification of the members of the Board of Directors and/or the members of the Executive Management with respect to transactions in 2009.

8. Remuneration report

Remuneration policy and setting of the remuneration level

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

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

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

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

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

Remuneration policy for the members of the Executive Committee

All the members of the Executive Committee have the statute of employees of the company. No particular notice conditions have been agreed between the company and the members of the Executive Committee.

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

1. Yearly basis remuneration
2. Variable remuneration
   a. Short-term variable remuneration called "performance bonus"
   b. Strategic Letter
3. Other elements of the remuneration
   a. LTI 2008-2010
   b. Group insurance consisting of four parts: life – death – invalidity and exemption of premiums
   c. Hospital insurance
   d. Employee participation plan
   e. Availability of /Disposal over a vehicle

The wage elements requiring additional explanation are described below.

1. The yearly basis remuneration

The yearly basis remuneration is intended to remunerate the nature and the extent of the individual responsibilities.

It is based on the yearly benchmark while taking into consideration the respect of the internal equity within the company.

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

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

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

The variable remuneration is separated in two parts:

- An individual part based on the evaluation of the relevant and neutral targets. An important part is based on the management qualities as well as on the personal implication in the transformation of the company.
- The collective part is based on financial indicators such as:
  1. The turnover
  2. The level of EBITDA (Earning before Interest, Taxes, Depreciation and Amortization)
  3. The organic cash flow

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

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

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

The individual performance of the CEO is determined by the Remuneration and Nomination Committee; the individual performance of the other members of the Executive Committee is fixed by the CEO after consultation with the Remuneration and Nomination Committee.

The variable part is evaluated and fixed every semester.

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

The performance bonus is granted in cash or in options on shares.

2.b. The Strategic Letter

The "Strategic Letter" is an exceptional and discretionary bonus proposed and evaluated by the Remuneration and Nomination Committee and approved by the Board of Directors.

The KPI's are mainly financial. In order for the bonus to be granted, fulfillment of a specific criterion is required, such as the evolution of the organic cash flow of the company. Once this criterion is attained, five other criteria are taken into account to determine the level of the payment. These concern, among others, the market presence, the innovation, the client satisfaction and the efficiency programs.

In case of a maximum positive evaluation, the amount granted to the members of the Executive Committee can be equal to the gross wage of the month of December.

With respect to the CEO, the annual maximum amount granted is fixed at approximately 4 months of wage.

The "Strategic Letter" is granted each year in March in cash or in options on shares.

3.a. LTI 2008-2010

The "LTI 2008-2010" is a withheld long-term bonus granted in 2008 in order to ensure the stability within the members of the Executive Committee for a period of three years.

It is connected to a condition of presence at the end of 2010 and shall be granted in March 2010 under the form of options on shares. These options shall be blocked during one year.

It is based on a percentage applicable to four performance bonus periods as well as on the same financial KPI's and this for the two semesters of 2008 and the two semesters of 2009.

3.b. Group insurance – additional pension plan

The additional pension plan is a plan with predefined contributions.

The acquired reserve consists of employers' and personal contributions.

The employers' contributions represent between 11 and 20 % of the yearly basis remuneration of the members of the Executive Committee.

3.d. Employee participation plan

In accordance with the law of 22 May 2001, a CBA has been executed in order to share 1 % of the net profit under certain circumstances with the members of the personnel including the members of the Executive Committee.

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

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

The remuneration of the directors

CEO

- basis remuneration:	EUR 369,769
- variable remuneration:	EUR 339,824
- pension:	EUR 73,893
- other components of the remuneration:	EUR 29,117

Executive Committee (except the CEO)

On a global basis:

- basis remuneration:	EUR 1,594,549
- variable remuneration:	EUR 707,817
- pension:	EUR 220,561
- other components of the remuneration:	EUR 183,387

No share, option or any other right to acquire shares of the company have been granted, exercised or have expired in 2009.

The remuneration of the directors

For 2009, the independent directors will receive a fixed annual remuneration of EUR 30,000 as well as an additional remuneration of EUR 2,000 per meeting of a statutory or ad-hoc committee they have attended.

These directors are:

- Eric Dekeuleneer
- Philippe Delaunois
- Christina von Wackerbarth
- Sparaxis (represented by Eric Bauche)

For 2009, the chairman of the Board of Directors, Mr. Jan Steyaert, will receive a fixed annual remuneration of EUR 60,000 as well as an additional remuneration of EUR 2,000 per meeting of a Board's Committee of which he is a member.

The following (non-executive) directors fulfill their mandate without remuneration:

- Olaf Swantee
- Brigitte Bourgoin
- Bertrand du Boucher
- Gervais Pelissier
- Wirefree Services Belgium (represented by Aldo Cardoso)
- Vincent Brunet

Benoit Scheen, the only executive director, does not receive any specific remuneration for the fulfillment of his mandate as director.

Management report for the 2009 financial year

(consolidated and non-consolidated)

1. Key events 2009

Market developments

Competition continued to intensify in 2009, as operators wage a commercial war to acquire and retain customers in a context of market saturation.

According to Mobistar's estimates, the number of active SIM cards on the Belgian market has reached 108 % of the population by the end of 2009.

Commercial offers and promotions are increasingly aggressive and tend to become permanent on the market. We also witness the development of convergent offers (triple or quadruple play).

MVNO (Mobile Virtual Network Operators) have consolidated their market shares on niche segments (chiefly the ethnic segment).

Mobistar ended the year with 3,746.5 thousand active mobile customers (including IEW & MVNO), which represents a +0.2 % year on year increase. Mobistar has maintained its position on the Belgian market, with a market share of 32 % and a value share above 35 %. These figures do not include the growth of "Machine-to-Machine" cards, which increased from 108,659 at the end of 2008 to 129,631 end of 2009.

As in the previous year, intense competition and market saturation have negatively impacted the churn rate (the proportion of customers leaving Mobistar in the course of the year compared with the average customer base). The average 2009 churn rate stands at 22.1 % to compare with 21.4 % in 2008.

The number of postpaid customers has reached 60.6 % of the total customer base (MVNOs excluded) at the end of 2009, as compared to 57.2 % in 2008 and 54.1 % in 2007. Despite the economic crisis and a tendency of B2B customers to downsize their mobile fleet , the proportion of business customers has increased from 20.2 % end of 2008 to 20.5 % in 2009 (excluding MVNO), reflecting the commercial success of our convergent strategy on the SoHo/small business market.

The average traffic per customer continued to grow in 2009 (YoY total AUPU excluding voice mail and visitor roaming +20.7 % vs. +16.7 % between 2007 and 2008), mainly spurred by SMS abundance offers and the pursuit in growth of the postpaid customer base.

The market also continued to consolidate with Mobistar acquiring the Belgian B2B and carrier activities from KPN, and Telenet buying out the retailer Belcompany.

Evolution of offers and services

Mobistar has pursued its convergence strategy, launching offers with mobile & fix telephony, internet (mobile and fix) and high definition mobile TV. This strategy is anchored around mobility, as symbolized by the company brand, centered around the three dimensions of "Love, Work and Play", which reflects a way of life that is increasingly mobile.

On the residential market, Mobistar's portfolio aims at creating maximum customer satisfaction while facilitating customer choice and long-lasting customer advantage; customer choice insofar as customers choose the services that deliver most value for them, whether that be voice or SMS. The long-lasting customer advantage means in practice that new customers are entitled to more traffic throughout the whole year (not only during promotions) and that they keep this advantage during the entire contract duration. This customer proposal remains unique on the market, our competitors offering only limited advantages (shorter than the contract duration).

Fix-mobile convergence remains the cornerstone of our value strategy. Our AtHome offer (launched in 2007) proposes unlimited calls from a mobile phone to landline numbers in Belgium and cheaper calls to fix lines abroad. The offer includes 3 different monthly bundles (€ 4, € 7 or € 10/month) in order to correspond to the real needs of customers (calls any time or not, from home or from anywhere in Belgium). Thanks to this offer, mobile customers no longer need a landline at home and can save money, while benefitting from increased convenience. At the end of 2009, AtHome has attracted 169,313 customers (vs. 124,582 at end 2008).

Customers can also subscribe to Mobistar ADSL offers. Our highly competitive offers propose customers an ADSL connection with VOIP or without depending on their needs. For an additional monthly fee of € 7, customers can make unlimited calls to fix lines in Belgium. At the end of 2009, 38,038 customers have subscribed to our ADSL services.

Mobile internet continues to grow rapidly. Customers can access the web with high speed internet (99 % coverage) using their mobile phone or PC. Mobistar was the first operator to launch a pack including a mobile subscription, AtHome and Internet everywhere for only € 15/month ("Home & Away"). Mobistar has also launched a prepaid service on mobile internet from a PC.

Orange World has continued to grow in 2009. The number of Orange World users has grown to 470,533 (vs. 327,707 end of 2008).

In the business market, Mobistar positions its commercial strategy around mobile-based convergent solutions in order to meet the growing needs of businesses in the area of mobility.

One Office Voice Pack combines landline and mobile telephony for the business market. This offer, which was the first true convergence package for the SoHo and small business markets, associates competitive rates with very flexible usage. Fifty percent 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 growth in the number of customers confirms the success of this strategy; the number of cards increased from 144 thousand (corresponding to 25.4 thousand customers) at the end of 2008 to 160 thousand at the end of 2009 (representing 26.6 thousand customers).

At the end of 2008, Mobistar also 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 2009, over 2.2 thousands customers have chosen Mobistar's triple play offer.

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

The MVNO partnerships were successfully continued in 2009 with Telenet and Lycamobile, the European leader in prepaid international traffic targeting ethnic communities. The MVNO customer base stands at 321,543 at the end of 2009.

Distribution

Mobistar continues to deploy a distribution strategy based on four main axes:

- Pervasive distribution, by increasing our presence via complementary channels, partnerships & regional implantations.
- Emphasis on exclusive distribution (Mobistar Centers, telesales, …) with a key focus on on-line sales.
- Defend our sales share in the open distribution.
- Segmentation of each point of sale according to its specific sales potential.

In 2009, Mobistar extended its Mobistar Center footprint to 158 shops, consolidating its role as the most important retail chain in Belgium. Forty-one of these points of sale are owned stores (compared with 31 at the end of 2008).

Mobistar remains Euphony's exclusive telecom supplier.

In the open distribution, the contracts with all main telecom distribution and retail chains were extended.

The web channel grew from 5 % of total sales in 2008 to 7 % in 2009. For ADSL, the web already accounts for more than 1 out of 4 sales. The novelty in 2009 was the availability of online postpaid contract extensions. Besides the shop activity of the web, the care and information sections have also been extended. The new e-support tool in the help section of the website improved the availability of information with our customers. Web-invoice is another area of growth (100,000 customers). It is an easy, free & environmentally friendly way to consult invoices.

In the business market, contact plans were optimized to remain in touch with our customers, either with our own direct sales force or via our 20 certified business agents. The B2B website has been modernized with new self-care functionalities for fleet managers.

Network development

In 2009, 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 2009, UMTS coverage reached 87.6 % 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 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.

At the end of 2009, Mobistar's network consists of 4,861 sites, including 608 shared sites. This represents 14,583 cells.

The migration of the core network to NGN (Next Generation Network) technology, in collaboration with Huawei, is complete since end of 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.

In 2009, Mobistar initiated a disruptive assessment on IT & service platform evolution towards modernization and simplification. This global evolution concerns all customer facing applications and value added services (e.g. SMS, VoiceMail) and will imply a profound transformation in terms of business and technical processes. This will allow to decrease time to market to launch new products & services, increase flexibility and further decrease costs.

Pursuit of regulatory pressure

Mobile termination rates (MTR) remain in Belgium an area of uncertainty, both in terms of the applicable legal framework and regarding the glide path of future cuts. From the legal viewpoint, on 30 June 2009 the Court of Appeal invalidated the 11 August 2006 decision by the Belgian Institute for Postal Services and Telecommunications (BIPT) which defined the MTR decreases for the years 2006 & 2007 and required a supplementary decision for the year 2008. By the same decision, the Court of Appeal also annulled the BIPT decision dated 18 December 2007, previously suspended by the Court and withdrawn by the BIPT, that imposed MTR decreases as from 1st February 2008.

Regarding the BIPT decision dated 29 April 2008 that imposed MTR decreases as from 1st May and 1st July 2008, Mobistar, as well as Belgacom Mobile and KPN Group Belgium (Base), has appealed that decision. This case is still pending.

No new MTR decrease has intervened in 2009. The BIPT has launched a cost modeling process that will serve as basis in order to define the target MTR for 2010 and beyond. The BIPT has made a draft proposal which has been submitted to the operators for consultation. A final decision is expected to be taken in the course of the second quarter 2010.

Moreover, a Royal decree dated 24 March 2009 & modifying Royal decree dated 27 April 2007 on numbering has substantially diminished the retail maximum price of calls to value added services (VAS) from mobile networks. As from 1st July 2009, maximum retail prices for calls to VAS from mobile networks are aligned with those from fixed networks.

Concerning roaming tariffs (tariffs applicable to calls made abroad in the footprint of the 27 countries of the European Union), the application of the EU Regulation has resulted in July 2009 in a new decrease of prices for retail and wholesale voice and SMS & for wholesale data.

Furthermore, by judgment of the Court of Appeal on 22 September 2009, the decision of the BIPT not to renew tacitly the 2G license of Mobistar for five additional years has been annulled (initial license has been granted until Nov 2010). The Court had adopted a similar decision regarding Belgacom Mobile 2G license on 20 July 2009. Consequently, the 2G license of Mobistar (and Belgacom Mobile) is tacitly re-conducted for the said period in the same conditions. However, the Parliament has voted a draft bill aiming to create a new renewal fee for those 5 additional years. The law will be published in the Belgian Gazette in the course of the first semester 2010.

Acquisition of Belgian B2B and carrier activities from KPN

On 25 November 2009, Mobistar announced the acquisition of the Belgian B2B and carrier activities from KPN. The agreement includes the purchase of the fiber network, the takeover of business customers and the wholesale activities from the former 'Versatel S.A.'. The transfer will be effective during the first quarter of 2010 after approval by the Competition Council. The 135 employees of the KPN Belgium Business S.A. entity will be integrated into the Mobistar Group.

With this takeover, Mobistar confirms its strategy, which is to continue to invest in the professional market with the objective to reinforce its position. The two combined entities will create a center of competences around fix products and create economies of scale to enter into true competition with the dominant competitor. Mobistar sees a particular strategic interest in:

- Expertise and high qualified staff in fix;
- Products for the high-end of the market;
- Fiber network with a national coverage (integration of both networks should result in costs optimization as Mobistar rents a major part of its network);
- The acquired customer base (9,000 B2B customers and 70 carrier customers) which creates opportunities to cross-sell Mobistar mobile products;
- Leveraging commercial agreements with commercial channels skilled in fix.

Subsequent events

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

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

The scope of consolidation includes Mobistar S.A., the Luxembourgian company, Orange S.A. (formerly VOXmobile S.A.), and 50 % of the temporary joint venture 'Irisnet'. On 2 July 2007, 90 % of the shares of Orange S.A. (formerly 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, Orange S.A. (formerly VOXmobile S.A.) was entered at 100 % in the scope of consolidation as from 2007. On 12 November 2008, the remaining 10 % of the Orange S.A. (formerly 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. The temporary joint venture 'Irisnet' had been set up for a duration of 10 years ending in April 2010. It is nevertheless highly probable that the life time of the joint venture will be extended with 2 years.

Income statement

In 2009, the group recorded a consolidated net profit of € 260.3 million, a decrease of 7.1 % on the figure of € 280.1 million recorded in the previous year.

Consolidated turnover increased by 2.3 % from € 1,532.7 million in 2008 to € 1,567.2 million in 2009. Service revenue remained stable from € 1,443.7 million to € 1,444.8 million. Revenue from the sale of equipment, in particular GSM terminals, showed an increase of 37.5 % to € 122.4 million against € 89.0 million in 2008.

In 2009, the total consolidated customer base of the Mobistar group grew by 0.2 % to reach 3,827,268 customers, for a consolidated turnover of € 1,567.2 million (+2.3 % vs. 2008).

At the end of 2009, the number of active customers for mobile telephony (excluding MVNO and Orange S.A. (formerly VOXmobile S.A.)) reached 3,424,972 which is an increase of 0.9 % compared to the 3,393,450 active customers one year earlier. Mainly postpaid customers opted for Mobistar, so the share of subscribers in the customer base rose to 60.6 % at the end of 2009, compared to 56.6 % at the end of 2008, 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 144 thousand cards at the end of 2008 to 160 thousand cards at the end of 2009).

The number of MVNO customers decreased by 6.8 %, from 345,154 active customers at the end of December 2008 to 321,543 active customers at the end of December 2009 as a result of the de-activation of unused SIM cards at MVNO partners.

The number of mobile Internet customers with a USB modem ('Internet Everywhere', 'Business Everywhere' and 'Internet Everywhere Ticket') increased, as did usage of mobile data. The number of mobile Internet customers grew by 82.1 % in 2009 to reach 85,281 by the end of the financial year, compared with 46,827 a year earlier. More and more customers are opting for a smartphone and use of mobile Internet. This is shown by the sales figures for mobile phones, which were up from 725,000 units in 2008 to 915,000 units in 2009, an increase of 26.2 %. This was due to sustained investment in distribution and the most extensive range of handsets in Belgium. The share of mobile data in service revenues reached 28.7 % at the end of December 2009, compared with 21.8 % one year earlier.

The operator's revenues were negatively influenced by the decrease in mobile termination rates (MTR) and roaming tariffs. The total impact of the decrease in the MTR and roaming tariffs for the 2009 financial year was € 36.6 million.

Again in 2009, the pressure on prices and the lowering of the MTR (Mobile Termination Rates) caused a decrease in the ARPU of 2.9 % over one year, from € 32.47 per month per active customer to € 31.54.

Other operating revenue totaled € 37.6 million in 2009, compared with € 34.1 million in 2008. This revenue comes predominantly from the cross-charging of services provided to the France Télécom group and from information supplied to the judicial authorities.

The rigorous policy implemented since 2007 has been maintained in 2009 in order to keep the evolution of overhead costs as close as possible to the level of the evolution in turnover. Efficient and continuous control of overhead costs made it possible to limit the increase of the operating expenses to 4.7 %, from € 1,148.3 million in 2008 to € 1,202.1 million in 2009.

Interconnection costs increased by 9 %, from € 328.7 million in 2008 to € 358.1 million in 2009.

Costs of equipment and goods sold recorded an increase of € 31.0 million reaching € 250.2 million at the end of 2009 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 € 7.4 million reaching € 271.5 million due to a decrease in expenses related to maintenance of hardware and softwares, consultancy and legal fees, utilities and office furniture and commercial expenses which has been compensated by increases in universal service costs and commissions paid to the dealers.

Despite the legal indexation of salaries (+4.51% as from January 2009), the employee benefits expenses remained stable at € 133.1 million at the end of the financial year 2009. The average number of employees, calculated in terms of full-time equivalents, decreased (-51.2 units). The main driver of this decrease has been a very strict control on headcount structure.

Depreciation, amortization and impairment on intangible and tangible assets decreased by 5.1 %, from € 173.1 million at the end of 2008 to € 164.3 million in 2009.

Other operating charges increased by € 8.7 million as the result of an increase in the bad debt reserves.
The group's result of operating activities went from € 418.5 million in 2008 to € 402.7 million for the year under review, a decrease of 3.8 %.

In 2009, finance income amounted to € 1.4 million, a decrease of € 0.5 million compared to the € 1.9 million recorded in 2008. Finance costs amounted to € 6.1 million in 2009, a decrease compared to 2008 (€ 7.4 million) due to the positive effect of the cost of financing.

For the year 2009, the operator posted a net profit of € 260.3 million, a decrease of 7.1 % after a tax expense of € 137.7 million. The basic earnings per share as well as the diluted earnings per share decreased by 4.4 % to reach € 4.34.

The General Shareholders' Meeting held on 6 May 2009 endorsed the proposal made by the Board of Directors to distribute a gross ordinary dividend of € 2.90 per ordinary share and a gross extraordinary dividend of € 1.65 per ordinary share.

For the 2009 financial year, the Board of Directors will propose, at the General Shareholders' Meeting to be held on 5 May 2010, the distribution of a gross ordinary dividend of € 2.90 per ordinary share and a gross extraordinary dividend of € 1.65 per ordinary share, equivalent to the distribution approved in 2009.

Balance sheet

The consolidated balance sheet total was € 1,153.1 million at the end of 2009, a decrease of € 47.2 million compared with € 1,200.3 million recorded at the end of the previous financial year.

Non-current assets amounted to € 882.5 million at the end of 2009 compared with € 898.0 million at the end of 2008 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 Orange S.A. (formerly VOXmobile S.A.) (€ 70.9 million) in 2007, adjusted by € 2.2 million (decrease) after the acquisition of the remaining shares of Orange S.A. (formerly 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 € 235.5 million at the end of 2009 compared with € 273.1 million at the end of 2008. The useful lives of intangible assets were reviewed during the year and remained

unchanged as compared to 2008.
- Tangible assets, totaling € 548.9 million at the end of the 2009 financial year compared with € 529.5 million recorded at the end of the 2008 financial year. The useful lives of tangible assets were also reviewed during the year and remained unchanged as compared to 2008.
- Other non current assets increased from € 11.2 million to € 11.5 million at the end of 2009. 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 Orange S.A. (formerly VOXmobile S.A.), amounted to € 7.3 million at the end of 2009, against € 4.9 million at the end of the previous year.

Current assets decreased year to year, going from a total of € 302.3 million at the end of 2008 to € 270.6 million at the end of 2009. They consist of the following items:

- Inventories of goods, amounting to € 10.1 million, a decrease of € 2.2 million compared with the end of 2008.
- Trade receivables (€ 204.4 million at the end of 2009 compared with € 217.2 million at the end of 2008).
- Other current assets and accrued revenues, decreasing from € 66.0 million at the end of 2008 to € 46.1 million at the end of 2009.
- Cash and cash equivalents amounting to € 10.0 million at the end of 2009, an increase of € 3.2 million since the end of the 2008 financial year. The cash flow statement gives details of the flows that gave rise to this trend.

Equity decreased by € 11.7 million during the 2009 financial year, from € 452.5 million to € 440.8 million:

- In total, the share capital and share premium remained equal to € 109.2 million.
- 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 was proposed at the shareholders meeting on 6 May 2009. Adjustment of the legal reserve will be proposed to the shareholders meeting on 5 May 2010 in order to incorporate € 22.5 million into the capital and to reduce the legal reserve to 10 % of the capital (after capital increase).
- The evolution of retained earnings, decreasing from € 307.6 million to € 295.9 million, is the result of the net profit of the period after appropriation to the legal reserve (€ 260.3 million), payment of the 2008 dividend (€ 273.1 million) and costs of equity transactions and other equity transactions (€ 1.1 million).

Non-current liabilities consist of loans payable after more than one year (€ 75 million in 2008 against 0 in 2009), long-term provisions intended to cover litigations (€ 4.6 million in 2009 against € 6.5 million in 2008) and the costs of dismantling network sites and refurbishing of rented buildings (€ 10.0 million in 2009 against € 8.6 million in 2008), and deferred taxes liabilities for € 1.7 million (2008).

Current liabilities increased by € 41.7 million, going from € 656.0 million at the end of 2008 to € 697.7 million at the end of 2009:

- Short-term borrowing, increased by € 54.7 million to € 298.0 million, due to the reclassification in short term of the part of the long term loan maturing in 2010 for € 50.0 million.
- Outstanding trade payables recorded a decrease of € 18.0 million at the end of the year.
- Liabilities resulting from employee benefits decreased by € 3.2 million, going from € 28.6 million at the end of 2008 to € 25.4 million at the end of 2009.
- The increase in current taxes payable is the result of the difference between the tax expense for the period, namely € 137.7 million, the anticipated tax payments amounting to € 114.0 million, the payments of previous year taxes for € 17.7 million and small tax adjustments recorded on previous years taxable periods.
- Deferred income increased by € 1.7 million to reach € 68.0 million at the end of the year.
- Other payables decreased by € 1.4 million to stand at € 2.5 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. Mobistar has also various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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

- **Interest rate risk:** As a result of the exceptionally high distribution to its shareholders paid-out in 2008 (€ 596.6 million), the Company showed a debt amounting to € 295.5 million on 31 December 2009. The Company didn't hedge the interest rate risk on the debt that bears interests based on EONIA + 40 Bps and Euribor + 30 Bps.

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

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

  Allowance for doubtful debtors is calculated based on different criteria depending on the type of customers.

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

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

3. Comments on Mobistar S.A.'s 2009 annual accounts prepared according to Belgian accounting standards

Income statement

Turnover for the year 2009 reached € 1,568.4 million, an increase of 3 % on the figure of € 1,523.9 million recorded in the previous year. This increase is largely supported by the sales of handsets.

Produced fixed assets, including IT development costs and research and design costs for the new sites required for network deployment, totaled € 3.6 million for the 2009 financial year, compared with € 3.5 million for the 2008 financial year.

Other operating income reached € 42.3 million, compared to the € 40.3 million posted in 2008. This income comes mainly from the revenues from the cross-charging of services provided to the France Télécom group, from the revenues from the cross-charging of sites shared with other operators and from the revenues generated from information supplied to the judicial authorities.

Operating charges remain well under control. These reached € 1,191.1 million, an increase of 3.1 % compared with the figure of € 1,155.8 million recorded in 2008, and can be broken down as follows:

- Purchases and supplies totaled € 618.2 million, mainly consisting of interconnection costs (56.2 % of the total, compared with 57.2 % in 2008). 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 € 264.1 million compared with € 276.3 million in the previous year. This decrease is essentially due to a decrease in expenses related to maintenance of hardware and softwares, consultancy and legal fees, utilities and office furniture and commercial expenses which have been compensated by increases in universal service costs and commissions paid to the dealers.
- Remuneration, social security costs and pensions collectively totaled € 129.0 million compared with € 127.1 million in the previous year. This increase has to be influenced by the end of the "Rosetta" plan which has resulted in an increase of the social security costs.
- Depreciation of and impairment on formation expenses, on intangible and tangible fixed assets, amounted to € 153.4 million for the 2009 year compared with € 178.4 million in 2008. The useful lives of intangible and tangible assets remained unchanged in 2009.
- Amounts written off of stocks and trade receivables increased to € 15.8 million in 2009, an increase of € 6.7 million, mainly as a consequence of the increase of the bad debt provision related to trade receivable.
- Provisions for liabilities and charges in relation to various disputes totaled € -1.8 million, compared with € 1.2 million in 2008 due to reversal of two important claims that have been either finalized in favor of the company or settled.
- Other operating charges totaled € 12.5 million in 2009, compared with € 6.4 million in 2008, 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 € 423.2 million, an increase of 2.7 % on the figure of € 411.9 million recorded in 2008.

Financial income generated during the year amounted to € 2.5 million, a decrease compared to the € 4.4 million realized in 2008 as a result of the equity restructuration performed mid 2008.

Financial expenses for the year amounted to € 7.4 million, an important decrease compared to the financial charges (€ 9.7 million) recorded during the previous financial year. This decrease is largely due to the variation of interests rate paid to finance the debts.

No extraordinary income and charges have been recorded in 2009.

At the end of the year, Mobistar S.A. declared a profit for the period before taxes of € 418.3 million, an increase of 2.9 % compared with the figure of € 406.6 million recorded in 2008. The estimated income tax expenses for the year 2009 and the adjustments of previous years' taxes totaled € 141.8 million, of which € 114.0 million had been paid through advance payments of tax for the year 2009.

Mobistar S.A. posted an after-tax profit for the period of € 276.5 million for the 2009 financial year compared with € 276.3 million for the previous year.

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

	€ million
• Profit for the period available for appropriation	276.5
• Prior year profit carried forward	36.9

- Profit to be appropriated 313.4
- Ordinary dividend 2009 - € 2.90 per share 174.1
- Extraordinary dividend 2009 - € 1.65 per share 99.0
- Employee profit sharing plan 2.6
- Profit to be carried forward 37.7

Balance sheet

The company's balance sheet total was € 1,140.6 million compared with € 1,176.9 million recorded in the 2008 financial year.

The capital expenditure in intangible and tangible assets, made during the year, amounts to € 136.9 million, after having invested a net amount of € 153.0 million in 2008, 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 € 226.6 million. These relate essentially to GSM and UMTS licenses and the related IT developments, and to the net value of goodwill fully amortized at the end of 2009 but which is broken down as follows:
  - o Goodwill of € 60.1 million resulting from the acquisition, in 2003, of all of the assets of Mobistar Corporate Solutions S.A., amortized over 5 years. This goodwill has been totally amortized at the end of 2008.
  - o Merger goodwill of € 1.4 million accounted for in accordance with Article 78, § 7 a of the Royal Decree of 30 January 2001 following the merger by absorption into Mobistar S.A. of its subsidiary Mobistar Affiliate S.A. on 4 May 2005, with retroactive effect from 1 January 2005. This goodwill has been totally amortized at the end of 2009.
- Tangible assets represented a total of € 519.9 million. These relate to network infrastructures, telephony equipment and added-value services.

Financial assets totaling € 87.0 million consist of investment in affiliated companies (Orange S.A. (formerly VOXmobile S.A.)) and long term loans to affiliated companies for € 30.0 million.

Current assets decreased by € 19.1 million to stand at € 277.0 million at the end of the 2009 financial year. This result is essentially due to a decrease in the level of stocks of goods (€ -1.8 million), a decrease in trade receivables (€ -10.1 million) and an increase in other receivables (€ +1.9 million). Cash and cash equivalents have slightly increased and deferred charges and accrued incomes, decreased due to a reclassification between accrued revenues and trade receivable (following billing runs generation).

As far as equity is concerned, the share capital remained the same at € 109.2 million. It is to be noted that the legal reserve reaching 10 % of the share capital at the end of 2008 has not been adjusted. The balance of the profit to be appropriated, after the 2009 dividend has been allocated (€ 273.0 million) was € 37.7 million.
At the end of 2009, equity totaled € 182.8 million and was made up of:

- share capital of € 109.2 million,
- legal reserve of € 35.7 million,
- profit carried forward of € 37.7 million,
- investment grants of € 0.2 million.

Provisions and liabilities at the end of 2009 amounted to € 957.8 million and are broken down as follows:

- provisions for liabilities and charges totaling € 7.1 million compared with € 8.9 million at the end of the previous year,
- long term financial liability recorded for € 75.0 million in 2008 resulting from the increased need of financing means required in order to finance the equity movements performed during 2008 was reclassified to short term debt for an amount of 50.0 million at the end of 2009, due to maturity of the loan,
- short-term liabilities amounting to € 887.8 million compared with € 852.5 million in 2008, broken down as follows:
  - o long term debt maturing in 2010 for € 50.0 million,
  - o short term interest-bearing borrowing for € 245.5 million,
  - o trade payables: € 252.3 million compared with € 275.7 million in 2008,
  - o taxes, remuneration and social security contributions: € 61.9 million compared with € 56.1 million in 2008,
  - o other liabilities: € 278.2 million (out of which € 273.1 million of dividends 2009) compared with € 279.8 million in 2008 (out of which € 273.1 million of dividend 2008),
- accrued charges and deferred income totaling € 62.9 million.

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 September 2005 that such taxes are not inconsistent with European law, provided they do not alter the conditions of competition between the historical operator and new operators on the market.

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

The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to

€ 35,0 million and is subject to a bad debt provision for the whole amount, of which € 6,9 million correspond to that financial year.

Terminating rates: Mobistar initiated, as did Belgacom Mobile and KPN Group Belgium, 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 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 KPN Group Belgium 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.

In its judgment dated 30 June 2009, the Court of Appeal has annulled the BIPT decision dated 11 August 2006 as far as it defined the MTR levels for the years 2006 & 2007 mainly for violation of the principle of legal security since it does not define the MTR levels for 2008. The BIPT is thinking about adopting a retroactive decision regarding the annulment of the BIPT decision dated 11 August 2006, power granted by the law dated 18 May 2009 on diverse provisions on electronic communications. In that same decision, the Court also annulled the BIPT decision dated 18 December 2007.

The last decision of 29 April 2008 was appealed by Mobistar, as well as by Belgacom Mobile and KPN Group Belgium. 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. This case is still pending.

The BIPT has made a draft proposal which has been submitted to the operators for consultation. A final decision is expected to be taken in the course of the second quarter 2010.

Abuse of Belgacom Mobile's dominant position: Mobistar intervened in a court case brought by KPN Group Belgium against Belgacom Mobile in which KPN Group Belgium claims punitive damages as compensation for abuse of dominant position practices. Mobistar also accuses Belgacom Mobile 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 Belgacom Mobile's dominant position between 1999 and 2004 and naming experts to decide on certain abuses and to calculate the damage suffered by Mobistar and KPN Group Belgium. A preliminary report has been communicated by the experts on 2 October 2009. It confirms the abuse of dominant position of Belgacom Mobile and estimates the damages suffered by both KPN Group Belgium and Mobistar to be € 1.18 billion. Once finalized and after having taken into account the parties' comments, the final report will be communicated to the Court that will settle the case.

Abuse of Belgacom Mobile's dominant position: In its decision dated 26 May 2009, the Competition Council has fined Belgacom Mobile € 66 million for abuse of its dominant position by adopting squeezing prices on mobile market during the years 2004 and 2005.

Mobistar intervened in that procedure and has appealed the decision. Mobistar requests the Court of Appeal to annul the Council decision mainly because it rejected the grounds of abuse against Belgacom Mobile for loyalty discounts and discrimination on net/off net during the years 2002-2005, and squeeze for the years 2002-2003. Belgacom Mobile and KPN Group Belgium have also appealed that decision.

Following the Council decision, Mobistar has also brought a claim before the Court for punitive damages as compensation against Belgacom Mobile.

Abuse of Belgacom's dominant position on broadband market: Mobistar, together with KPN Belgium, has launched a case before the European Commission in April 2009 against Belgacom for abuse of its dominant position in the broadband market.

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. In its decision dated 23 April 2009, the Court of Cassation has overruled the Court of Appeal decision and has confirmed that Mobistar was entitled to take legal actions in such hypothesis.

Finally, Mobistar, together with KPN Belgium, has lodged an appeal against the BIPT decisions dated 11 & 25 June 2008 on bitstream ADSL2+ tariffs. Hearing occurred end 2009 and decision should be adopted within Q1 2010.

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.

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 tacitly renewed. A similar decision was issued vis-à-vis Belgacom Mobile and KPN Group Belgium.

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.

After having annulled the BIPT decision regarding the 2G license of Belgacom Mobile by its decision dated 20 July 2009, the Court of Appeal has also annulled the BIPT decision not to renew tacitly the 2G license of Mobistar in its decision dated 22 September 2009. The Court of Appeal indicates that the power to adopt such decision rests within the BIPT and not the Minister but that in the present case, the BIPT decision is void for lack of motivation and disrespect of procedural rules. As a consequence, the 2G license of Mobistar is renewed for 5 years, until November 2015, in the same conditions. However, the Government has launched a consultation in November 2009 on a draft bill aiming to create a new renewal fee for the period 2010-2015. A law to be published in the Belgian Gazette in the course of the first semester of 2010 has finally been adopted. It sets up fees to be paid at the acquisition and subsequently at the potential renewal of licences. This law will apply on the day of its publication in the Belgian Gazette. The possibility to pay such acquiring or renewal fees in one shot or by installment is foreseen. In case of installment, interests equal to the legal interest will be also due.

Spectrum: A request introduced by KPN Group Belgium 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 KPN Group Belgium and Belgacom Mobile, 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. A judgment of 15 January 2009 rejects the claim lodged by the mobile operators and the federal government. The Court states that the power to adopt such rules rests within each Region and not within the Federal State, thus confirming the Brussels ordinance. Following that decision, the Council of States annulled the Royal decree dated 10 August 2005 that defined the norms to be implemented within the entire country.

In the Brussels Region, the Government is working on the secondary legislation regarding the implementation of the aforementioned ordinance, which imposes a 3V/m maximal norm for all sources of emission, excepting radio and TV signals. Two decrees have been published end 2009. However, their concrete implementation is not possible because of issues in terms of environment permits delivery.

4. Trends

Mobistar's future outlook takes account of the impact of the regulatory measures and its investment program. The hypotheses are based on the current data regarding the evolution of the Belgian economic situation and may be adapted if there are changes concerning handsets subsidies in Belgium, and if the economic situation should further worsen.

The decrease of the roaming and MTR tariffs, as announced today, and the investments for the launch of the 'quadruple play' and the value creation of the customer base will negatively impact turnover and EBITDA. These will be partially compensated by the organic growth of Mobistar and Orange S.A. and by the KPN Belgium Business integration for 9 months.

In this context, Mobistar expects an equal turnover as in 2009, a net result situated between € 210 and € 230 million and an investment level representing 10 % of service revenues. EBITDA will be in a range between € 500 and € 520 million and the organic cash-flow between € 260 and € 280 million. Mobistar expects that these investments will pay off after 2010 thanks to the positive growth in turnover and organic cash-flow.

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 2009, 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 2009 financial year

The procedure foreseen in article 524 of the Company Code has been applied during the 2009 financial year.

This was regarding the conclusion of a Corporate Framework agreement ("the Framework agreement") describing the general conditions of the supply of products and services by France Télécom in the field of the telecommunications and the technology of information industry. A first schedule has been added at the same time to this contract for some billing applications (the project "Octopus Billing").

The Board of Directors of 4 February 2009 has acknowledged receipt of the independent directors' report regarding this Framework agreement and its first schedule which concluded; "the undersigned independent directors are of the opinion that the proposed transaction related to the Framework agreement falls within Mobistar's interests and taking into account Mobistar's company policy, this Framework agreement is not prejudicial. Considering the business case (i.e. the first schedule) and Mobistar's needs, this contract may contribute positively to the cash flow of Mobistar in comparison with the usual market prices, the costs and delays of ownership or the development for such solutions, products, services and licences."

The Board resolution dated 4 February 2009 states: "it has taken knowledge of the positive opinion from the independent directors and approves the Corporate Framework agreement as well as the schedule "Octopus Billing". The Board states also that the article 524 of the Company code has been followed by Mobistar".

The chartered accountant Ernst & Young in its dedicated report dated 3 February 2010, states: "our missions have been the following:
- check that the data as mentioned in the committee of the independent directors' opinion dated 4 February 2009 correspond to the underlying documentation;
- check that the data as mentioned in the Board resolution dated 4 February 2009 correspond to the underlying documentation;
- check that the data exposed in the independent directors' opinion correspond to the instructions under the article 524 of the Company code.

On basis of our mission as described here above, we have no major remark to communicate. However, we have seen that the committee of the independent directors' opinion includes no budget of the financial consequences but concludes that the "Corporate Framework Agreement" and its schedule "Octopus Billing" will contribute positively to the cash flow of the company."

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

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

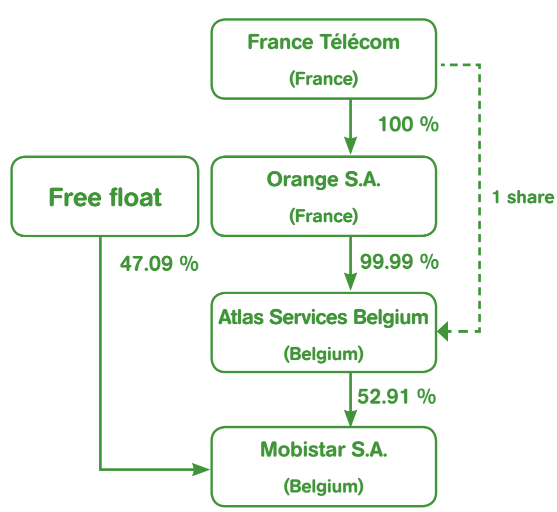
He has been appointed by the General Assembly and meets the independence criteria as described in the article 524 of the Company code.

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

8. Law on takeover bids

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

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



9. Information concerning the tasks entrusted to the auditors

In the course of the 2009 financial year, the statutory auditor and linked companies provided services at a total cost of € 406,000 broken down as follows:

• audit services	€ 399,000
• other related audit services	€ 7,000

Annual accounts Mobistar S.A. **2009**

Balance sheet after appropriation

Assets

	2009 in thousand €	2008 in thousand €
FIXED ASSETS	**863 536**	**880 780**
Intangible fixed assets (Note 5.2)	**226 589**	**260 399**
Tangible fixed assets (Note 5.3)	**519 859**	**503 794**
Land and buildings	274 142	259 989
Plant, machinery and equipment	210 876	214 233
Furniture and vehicles	24 330	27 181
Other tangible fixed assets	10 511	2 391
Financial fixed assets (Notes 5.4/5.5.1)	**117 088**	**116 587**
Affiliated enterprises (Note 5.14)	117 017	116 517
Participating interests	87 017	87 017
Amounts receivable	30 000	29 500
Other financial assets	71	70
Amounts receivable and cash guarantees	71	70
CURRENT ASSETS	**277 046**	**296 127**
Amounts receivable after more than one year	**11 289**	**11 064**
Trade debtors	2 067	4 135
Other amounts receivable	9 222	6 929
Stocks and contracts in progress	**9 332**	**11 106**
Stocks	9 332	11 106
Goods purchased for resale	9 332	11 106
Amounts receivable within one year	**213 201**	**221 393**
Trade debtors	204 357	214 542
Other amounts receivable	8 844	6 851
Current investments (Notes 5.5.1/5.6)	**1 210**	**246**
Other investments and deposits	1 210	246
Cash at bank and in hand	**7 570**	**5 190**
Deferred charges and accrued income (Note 5.6)	**34 444**	**47 128**
TOTAL ASSETS	**1 140 582**	**1 176 907**

Equity and liabilities

	2009 in thousand €	2008 in thousand €
EQUITY	**182 802**	**182 046**
Capital (Note 5.7)	**109 180**	**109 180**
Issued capital	109 180	109 180
Reserves	**35 713**	**35 713**
Legal reserve	35 713	35 713
Accumulated profits (losses) (+) (-)	**37 734**	**36 951**
Investment grants	**175**	**202**
PROVISIONS AND DEFERRED TAXES	**7 100**	**8 898**
Provisions for liabilities and charges	**7 100**	**8 898**
Other liabilities and charges (Note 5.8)	7 100	8 898
AMOUNTS PAYABLE	**950 680**	**985 963**
Amounts payable after more than one year (Note 5.9)		**75 000**
Financial debts		75 000
Other loans		75 000
Amounts payable within one year	**887 794**	**852 546**
Current portion of amounts payable after more than one year falling due within one year (Note 5.9)	50 000	
Financial debts	245 479	240 963
Other loans	245 479	240 963
Trade debts	252 276	275 705
Suppliers	252 276	275 705
Taxes, remuneration and social security (Note 5.9)	61 879	56 118
Taxes	37 034	29 444
Remuneration and social security	24 845	26 674
Other amounts payable	278 160	279 760
Deferred charges and accrued income (Note 5.9)	**62 886**	**58 417**
TOTAL EQUITY AND LIABILITIES	**1 140 582**	**1 176 907**

Income statement

	2009 in thousand €	2008 in thousand €
Operating income	**1 614 249**	**1 567 712**
Turnover (Note 5.10)	1 568 403	1 523 924
Own construction capitalised	3 552	3 459
Other operating income (Note 5.10)	42 294	40 329
Operating charges	**1 191 095**	**1 155 769**
Raw materials, consumables	618 191	557 195
Purchases	616 821	554 632
Decrease (increase) in stocks (+) (-)	1 370	2 563
Services and other goods	264 054	276 326
Remuneration, social security costs and pensions (+) (-) (Note 5.10)	128 951	127 116
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	153 408	178 425
Amounts written down stocks, contracts in progress and trade debtors - Appropriations (write-backs) (+) (-) (Note 5.10)	15 793	9 044
Provisions for risks and charges - Appropriations (uses and write-backs) (+) (-) (Note 5.10)	-1 798	1 219
Other operating charges (Note 5.10)	12 496	6 444
Operating profit (loss) (+) (-)	**423 154**	**411 943**
Financial income	**2 491**	**4 355**
Income from financial fixed assets	783	1 709
Income from current assets	690	1 639
Other financial income (Note 5.11)	1 018	1 007
Financial charges (Note 5.11)	**7 384**	**9 693**
Debt charges	3 689	6 317
Other financial charges	3 695	3 376
Profit (loss) for the period before taxes (+) (-)	**418 261**	**406 605**
Income taxes (+) (-) (Note 5.12)	**141 810**	**130 348**
Income taxes	141 810	132 729
Adjustment of income taxes and write-back of tax provisions		2 381
Profit (loss) for the period (+) (-)	**276 451**	**276 257**
Profit (loss) for the period available for appropriation (+) (-)	**276 451**	**276 257**

APPROPRIATIONS AND WITHDRAWINGS

	2009	2008
Profit (loss) to be appropriated (+) (-)	**313 402**	**487 784**
Profit (loss) to be appropriated (+) (-)	276 451	276 257
Profit (loss) to be carried forward (+) (-)	36 951	211 527
Transfers to capital and reserves		**174 966**
to other reserves		174 966
Profit (loss) to be carried forward (+) (-)	**37 734**	**36 951**
Profit to be distributed	**275 668**	**275 867**
Dividends	273 065	273 066
Other beneficiaries	2 603	2 801

STATEMENT OF INTANGIBLE ASSETS

	2009 in thousand €	2008 in thousand €
5.2.2 Concessions, patents, licences, knowhow, brands and similar rights		
Acquisition value at the end of the period		**842 583**
Movements during the period		
Acquisitions, including produced fixed assets	38 581	
Sales and disposals	8 216	
Acquisition value at the end of the period	**872 948**	
Depreciation and amounts written down at the end of the period		**582 468**
Movements during the period		
Recorded	71 868	
Cancelled owing to sales and disposals	7 977	
Depreciation and amounts written down at the end of the period	**646 359**	
Net book value at the end of the period	**226 589**	
5.2.3 Goodwill		
Acquisition value at the end of the period		**61 519**
Acquisition value at the end of the period	**61 519**	
Depreciation and amounts written down at the end of the period		**61 235**
Movements during the period		
Recorded	284	
Depreciation and amounts written down at the end of the period	**61 519**	
Net book value at the end of the period	**0**	

STATEMENT OF TANGIBLE FIXED ASSETS

	2009 in thousand €	2008 in thousand €
5.3.1 Land and buildings		
Acquisition value at the end of the period		**486 155**
Movements during the period		
Acquisitions, including produced fixed assets	34 775	
Sales and disposals	14 196	
Acquisition value at the end of the period	**506 734**	
Depreciation and amounts written down at the end of the period		**226 166**
Movements during the period		
Recorded	20 622	
Cancelled owing to sales and disposals	14 196	
Depreciation and amounts written down at the end of the period	**232 592**	
Net book value at the end of the period	**274 142**	
5.3.2 Plant, machinery and equipment		
Acquisition value at the end of the period		**586 070**
Movements during the period		
Acquisitions, including produced fixed assets	46 018	
Sales and disposals	48 726	
Acquisition value at the end of the period	**583 362**	
Depreciation and amounts written down at the end of the period		**371 837**
Movements during the period		
Recorded	48 397	
Cancelled owing to sales and disposals	47 748	

	2009 in thousand €	2008 in thousand €
Depreciation and amounts written down at the end of the period	**372 486**	
Net book value at the end of the period	**210 876**	
5.3.3 Furniture and vehicles		
Acquisition value at the end of the period		**119 958**
Movements during the period		
Acquisitions, including produced fixed assets	8 982	
Sales and disposals	4 517	
Acquisition value at the end of the period	**124 423**	
Depreciation and amounts written down at the end of the period		**92 777**
Movements during the period		
Recorded	11 832	
Cancelled owing to sales and disposals	4 516	
Depreciation and amounts written down at the end of the period	**100 093**	
Net book value at the end of the period	**24 330**	
5.3.5 Other tangible fixed assets		
Acquisition value at the end of the period		**16 535**
Movements during the period		
Acquisitions, including produced fixed assets	8 526	
Sales and disposals	5 237	
Acquisition value at the end of the period	**19 824**	
Depreciation and amounts written down at the end of the period		**14 144**
Movements during the period		
Recorded	406	
Cancelled owing to sales and disposals	5 237	
Depreciation and amounts written down at the end of the period	**9 313**	
Net book value at the end of the period	**10 511**	

STATEMENT OF FINANCIAL FIXED ASSETS

	2009 in thousand €	2008 in thousand €
5.4.1 Affiliated enterprises - participating interests and shares		
Acquisition value at the end of the period		**87 017**
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		**29 500**
Movements during the period		
Additions	500	
Net book value at the end of the period	**30 000**	
5.4.3 Other enterprises - amounts receivable		
Net book value at the end of the period		**70**
Movements during the period		
Additions	1	
Net book value at the end of the period	**71**	

	2009	2008
	in thousand €	in thousand €

INFORMATION RELATING TO THE SHARE IN CAPITAL

5.5.1 Share in capital and other rights in other companies

Name, full address of the registered office and for the enterprise governed by Belgian law, the company number	Shares held by		Information from the most recent period for which annual accounts are available			
	Number	%	Primary financial statement	Monetary unit	Capital and reserves in thousand €	Net result in thousand €
Orange S.A.						
Rue des Mérovingiens 8						
8070 Bertrange						
Luxembourg						
19749504						
Registered shares	1 506 350	100.00	31-12-08	EUR	-8 712	-5 619

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

	2009	2008
5.6 Investments: other investments and deposits		
Other investments not yet shown separately	**1 210**	**246**
Deferred charges and accrued income		
Allocation of heading 490/1 of assets if the amount is significant		
Accrued income	24 332	
Deferred charges	10 002	
Financial income	110	

STATEMENT OF CAPITAL AND STRUCTURE OF SHAREHOLDINGS

	2009	2008
5.7 Statement of capital		
Social capital		
Issued capital at the end of the period		109 180
Issued capital at the end of the period	109 180	

	2009	
	in thousand €	Number of shares
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 31/12/2009		
Atlas Services Belgium		31 753 100
Others (free float)		28 261 314
Total shares		**60 014 414**

Notes

		2009 in thousand €	2008 in thousand €

PROVISIONS FOR OTHER LIABILITIES AND CHARGES

		2009	2008
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	4 625	

STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED INCOME

		2009	2008
5.9	**Analysis by current portions of amounts initially payable after more than one year**		
	Amounts payable after more than one year, not more than one year		
	Financial debts	50 000	
	Other loans	50 000	
	Total amounts payable after more than one year, not more than one year	**50 000**	
	Amounts payable for taxes, remuneration and social security		
	Taxes (heading 450/3 of the liabilities)		
	Non expired taxes payable	32	
	Estimated taxes payable	37 002	
	Remuneration and social security (heading 454/9 of the liabilities)		
	Other amounts payable relating to remuneration and social security	24 845	
	Accrued charges and deferred income		
	Allocation of heading 492/3 of liabilities if the amount is considerable		
	Deferred income	61 783	
	Accrued charges	1 103	

OPERATING RESULTS

		2009	2008
5.10	**Operating income**		
	Net turnover		
	Broken down by categories of activity		
	Mobile activity	1 484 421	1 442 833
	Fix voice and data	83 982	81 091
	Operating costs		
	Employees recorded in the personnel register		
	Total number at the closing date (in units)	1 450	1 453
	Average number of employees calculated in full-time equivalents (in units)	1 408.4	1 459.6
	Number of actual worked hours (in units)	2 396 353	2 487 966
	Personnel costs		
	Remuneration and direct social benefits	91 836	91 997
	Employers' social security contributions	26 247	24 536
	Employers' premiums for extra statutory insurances	4 627	4 362
	Other personnel costs	6 241	6 221

	2009 in thousand €	2008 in thousand €
Amounts written off		
Stocks and contracts in progress		
Recorded	404	
Written back		582
Trade debtors		
Recorded	15 389	9 626
Provisions for risks and charges		
Additions	2 405	2 062
Uses and write-back	4 203	843
Other operating charges		
Taxes related to operation	2 326	1 506
Other charges	10 170	4 938
Hired temporary staff and persons placed at the enterprise's disposal		
Total number at the closing date (in units)	82	165
Average number calculated as full-time equivalents (in units)	91.0	124.3
Number of actual worked hours (in units)	181 184	248 425
Charges to the enterprise	6 138	9 366

FINANCIAL AND EXTRAORDINARY RESULTS

	2009	2008
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	280	808
Exchange gains	712	174
Other financial charges		
Amount of the discount borne by the enterprise, as a result of negociating amounts receivable	1 461	1 346
Allocation of other financial income		
Bank charges	1 582	1 579
Exchange losses	607	383
Other financial charges	45	68

INCOME TAXES AND OTHER TAXES

	2009	2008
5.12 Income taxes		
Income taxes on the result of the current period	**141 234**	
Income taxes paid and withholding taxes due or paid	114 016	
Estimated additional taxes	27 218	
Income taxes on previous periods	**576**	
Estimated additional taxes or provided for	576	
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	5 404	
Deductions for investments	3 332	
Notional interests	4 242	

Notes

	2009 in thousand €	2008 in thousand €
Status of deferred taxes		
Deferred taxes representing assets		
Other deferred taxes representing assets		
Deductions for investments	5 029	
Total amount of value added tax and taxes borne by third parties		
Total amount of value added tax charged		
To the enterprise (deductible)	229 505	222 079
By the enterprise	403 859	393 236
Amounts retained on behalf of third parties for		
Payroll withholding taxes	28 472	29 037
Withholding taxes on investment income	21 657	14 685

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

	2009	2008
5.13 Substantial commitments to acquire fixed assets		
Commitments to acquire fixed assets	**75 146**	

Information concerning important litigation and other commitments

1. Bank guarantees issued on behalf of the company: 10.3 million euro.
2. Obligations related to the rent of offices and the lease of the company cars: 410.8 million euro.
3. Obligations related to the purchase of equipment: 20 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 September 2005 that such taxes are not inconsistent with European law, provided they do not alter the conditions of competition between the historical operator and new operators on the market.
   The Council of State decided since 20 November 2007 in several arrests that a tax regulation violates the principle of equality if the motive appearing in the preamble of this tax regulation results from the financial situation of the municipality. In fact, such a motive does not explain at all the differentiation made between the mobile telephone network operators (which are taxed on the basis of this tax regulation) and the operators of other similar networks (which are not taxed on the basis of this same tax regulation). It is therefore not established that the difference in treatment is based on a criterion that can be objectively and logically justified.
   The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to 35.0 million euros and is subject to a bad debt provision for the whole amount, of which 6.9 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

		2009 in thousand €	2008 in thousand €
5.14	Affiliated enterprises		
	Financial fixed assets	**117 017**	**116 517**
	Investments	87 017	87 017
	Other amounts receivable	30 000	29 500
	Amounts receivable	**48 644**	**49 918**
	Within one year	48 644	49 918
	Amounts payable	**312 074**	**338 741**
	After one year		75 000
	Within one year	312 074	263 741
	Financial results		
	Income from financial fixed assets	783	1 709
	Income from current assets		395
	Debts charges	3 578	6 310
	Transactions with related parties outside normal market conditions		
	Mention of such operations if they are material, stating the amount of these transactions, the nature of the relationship with the related party and other information about the transactions necessary for the understanding of the financial position of the company	Nihil	Nihil

FINANCIAL RELATIONSHIPS WITH

		2009	2008
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	1 115	
	Auditors or people they are linked to		
	Auditor's fees	**312**	
	Fees for exceptional services or special missions executed in the company by the auditor		
	Other attestation missions	7	

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

	2009	2008

STATEMENT OF THE PERSONS EMPLOYED

Employees recorded in the staff register

	Full-time	Part-time	Total (T) or total in full-time equivalents (FTE)	Total (T) or total in full-time equivalents (FTE)
During the period and the previous period				
Average number of employees	1 297.0	150.0	1 408.4 (FTE)	1 459.6 (FTE)
Number of hours actually worked	2 210 085	186 268	2 396 353 (T)	2 487 966 (T)
Personnel costs (in thousand €)	118 928	10 023	128 951 (T)	127 116 (T)
Advantages in addition to wages (in thousand €)			1 543 (T)	1 492 (T)
At the closing date of the period				
Number of employees recorded in the personnel register	1 284	166	1 408.8	
By nature of the employment contract				
Contract for an indefinite period	1 275	163	1 398.3	
Contract for a definite period	9	3	10.5	
According to the gender and by level of education				
Male	895	37	921.8	
secondary education	226	13	235.9	
higher education (non-university)	409	8	414.6	
university education	260	16	271.3	
Female	389	129	487.0	
secondary education	119	36	145.5	
higher education (non-university)	162	59	203.7	
university education	108	34	137.8	
By professional category				
Employees	1 283	166	1 407.8	
Other	1		1.0	

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	85.6	5.4
Number of hours actually worked	170 514	10 670
Charges of the enterprise (in thousand €)	4 528	1 610

2009

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	**144**	**7**	**147.8**
By nature of the employment contract			
Contract for an indefinite period	137	3	138.7
Contract for a definite period	7	4	9.1
Departures			
Number of employees with a in the staff register listed date of termination of the contract during the period	**140**	**14**	**149.3**
By nature of the employment contract			
Contract for an indefinite period	137	13	145.7
Contract for a definite period	3	1	3.6
According to the reason for termination of the employment contract			
Retirement	1		1.0
Early retirement	3		3.0
Dismissal	86	9	91.5
Other reason	50	5	53.8

INFORMATION WITH REGARD TO TRAINING RECEIVED BY EMPLOYEES DURING THE PERIOD

	Male	Female
Total number of official advanced professional training projects received by employees at company expense		
Number of participating employees	**738**	**409**
Number of training hours	**19 782**	**9 302**
Costs for the company (in thousand €)	**2 428**	**1 141**
of which gross costs directly linked to the training	2 111	992
of which paid contributions and deposits in collective funds	382	179
of which received subsidies (to be deducted)	65	30
Total number of initial professional training projects at company expense		
Number of participating employees	**2**	**3**
Number of training hours	**532**	**1 078**
Costs for the company (in thousand €)	**2**	**7**

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 December 31, 2009

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 December 31, 2009 prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of € 1,140,582 thousand and a profit for the year of € 276,451 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 December 31, 2009 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, 31 March 2010

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

Herman Van den Abeele
Partner

IFRS consolidated financial statements **2009**

Consolidated income statement

Note		2009 in thousand €	2008 in thousand €
	Revenue		
	Service revenue	1 444 830	1 443 735
	Handsets sales	122 348	88 996
16	**Total turnover**	**1 567 178**	**1 532 731**
16	Other operating revenue	37 612	34 034
	Total revenue	**1 604 790**	**1 566 765**
	Operating expenses		
	Interconnection costs	-358 127	-328 682
16	Costs of equipment and goods sold	-250 187	-219 204
16	Services and other goods	-271 466	-278 930
16	Employee benefits expenses	-133 148	-132 183
2,3	Depreciation, amortisation and impairment	-164 313	-173 092
16	Other operating charges	-24 864	-16 160
	Total operating expenses	**-1 202 105**	**-1 148 251**
	Result of operating activities	**402 685**	**418 514**
16	Finance income	1 419	1 875
16	Finance costs	-6 128	-7 428
	Result of operating activities after net finance costs	**397 976**	**412 961**
5	Tax expense	-137 695	-132 875
	Net profit of the period (*)	**260 281**	**280 086**
	Profit or loss attributable to equity holders of the parent	**260 281**	**280 086**
	Consolidated statement of comprehensive income		
	Net profit for the period	**260 281**	**280 086**
	Other comprehensive income	0	0
	Total comprehensive income for the period	**260 281**	**280 086**
	Part of the total comprehensive income attributable to equity holders of the parent	**260 281**	**280 086**
10	Basic earnings per share (in €)	4.34	4.54
	Weighted average number of ordinary shares	60 014 414	61 754 776
10	Diluted earnings per share (in €)	4.34	4.54
	Diluted weighted average number of ordinary shares	60 014 414	61 754 776

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

Consolidated balance sheet

Note		31.12.2009 in thousand €	31.12.2008 in thousand €
	ASSETS		
	Non-current assets		
1, 2	Goodwill	79 287	79 287
2	Intangible assets	235 488	273 050
3	Tangible assets	548 914	529 526
4	Other non-current assets	11 451	11 182
5	Deferred taxes	7 303	4 866
	Total non-current assets	**882 443**	**897 911**
	Current assets		
6	Inventories	10 073	12 320
7	Trade receivables	204 444	217 225
8	Accrued revenue	29 287	50 663
8	Other current assets	16 817	15 329
9	Cash and cash equivalents	10 009	6 833
	Total current assets	**270 630**	**302 370**
	Total assets	**1 153 073**	**1 200 281**
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	109 180	109 180
11	Legal reserve	35 714	35 714
11	Retained earnings	295 933	307 589
	Total equity	**440 827**	**452 483**
	Non-current liabilities		
14	Long-term interests-bearing borrowings	0	75 000
13	Long-term provisions	14 641	15 106
5	Deferred taxes	0	1 678
	Total non-current liabilities	**14 641**	**91 784**
	Current liabilities		
14	Short-term interests-bearing borrowings	297 936	243 275
15	Trade payables	266 385	284 419
15	Employee benefits related liabilities	25 353	28 569
15	Current taxes payable	37 441	29 501
15	Deferred income	67 999	66 356
15	Other payables	2 491	3 894
	Total current liabilities	**697 605**	**656 014**
	Total liabilities	**712 246**	**747 798**
	Total equity and liabilities	**1 153 073**	**1 200 281**

Consolidated cash flow statement

Note		2009 in thousand €	2008 in thousand €
	Cash flows from operating activities		
	Result of operating activities after net finance costs	**397 976**	**412 961**
	Adjustments for:		
2,3	Depreciation, amortisation and impairment of fixed assets	164 313	173 092
12	Share-based payment expense	1 276	1 269
	Adjusted result of operating activities after net finance costs	**563 565**	**587 322**
6	Inventories (increase -, decrease +)	2 247	1 665
7	Trade receivables (increase -, decrease +)	12 781	-33 712
4	Other non-current assets (increase -, decrease +)	2 024	2 150
8	Accrued revenue (increase -, decrease +)	21 376	-15 864
8	Other current assets (increase -, decrease +)	-864	2 137
15	Trade payables (increase +, decrease -)	-18 034	15 681
15	Employee benefits related liabilities (increase +, decrease -)	-3 216	-1 868
15	Other current taxes payable (increase +, decrease -)	-2 154	2 476
5	Deferred tax liabilities (increase +, decrease -)		210
15	Deferred income (increase +, decrease -)	1 643	19 033
15	Dividends (increase +, decrease -)	64	957
15	Other current payables (increase +, decrease -)	-1 467	612
13	Long-term provisions and trade payables (increase +, decrease -)	-465	495
	Net changes in working capital	**13 935**	**-6 028**
5	**Tax paid**	**-131 716**	**-137 688**
	Net cash from operating activities *	**445 784**	**443 606**
	Cash flows from investing activities		
3	Purchase of intangible and tangible assets	-146 282	-159 862
1	Acquisition of subsidiary		-6 675
2,3	Proceeds from sale of equipment	143	14 644
4	Long-term loans and advances granted	-9 917	-6 929
4	Reimbursement long-term loans granted	7 000	0
	Net cash used in investing activities	**-149 056**	**-158 822**
	Cash flows from financing activities		
14	Flows from short-term borrowings	4 661	237 173
14	Flows from long-term borrowings - drawn	140 000	75 000
14	Flows from long-term borrowings - repaid	-165 000	0
11	Share capital and share premium - Capital reimbursement (GM May 7, 2008)	0	-248 000
11	Net purchase of treasury shares	0	-174 966
	Equity transaction costs	-147	-813
11	Dividends paid	-273 066	-173 600
	Net cash used in financing activities	**-293 552**	**-285 206**
	Net increase (+), decrease (-) in cash and cash equivalents	**3 176**	**-422**
	Cash and cash equivalents at beginning of period	**6 833**	**7 255**
	Cash and cash equivalents at end of period	**10 009**	**6 833**
	* Net cash from operating activities includes:		
	- paid interests	4 206	5 919
	- received interests	738	1 575

Consolidated statement of changes in equity

in thousand €

	Share Capital	Share Premium	Legal Reserve	Retained earnings	Total equity
Balance as at 1 January 2009	**109 180**	**0**	**35 714**	**307 589**	**452 483**
Net profit for the period				260 281	260 281
Total comprehensive income for the period				**260 281**	**260 281**
Incentive Plan on France Télécom shares				1 276	1 276
Dividends				-273 066	-273 066
Equity transaction costs				-147	-147
Balance as at 31 December 2009	**109 180**	**0**	**35 714**	**295 933**	**440 827**

	Share Capital	Share Premium	Legal Reserve	Retained earnings	Total equity
Balance as at 1 January 2008	**357 130**	**49**	**35 713**	**375 140**	**768 032**
Net profit for the period				280 086	280 086
Total comprehensive income for the period				**280 086**	**280 086**
Incentive Plan on France Télécom shares				1 269	1 269
Capital reimbursement	-248 000				-248 000
Dividends				-173 600	-173 600
Shares repurchase and 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
Other	1		1	-2	
Balance as 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
Avenue du Bourget 3
B - 1140 Brussels
Belgium
Company identification number: BE 0456 810 810

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

Orange S.A. formerly VOXmobile S.A.
100 % of the shares held by Mobistar (of which 10 % have been acquired on November 12, 2008)
8, rue des Mérovingiens
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 19 March 2010, the Board of Directors of Mobistar S.A. reviewed the 2009 consolidated financial statements and authorised them for issue.

The 2009 consolidated financial statements will be approved on 5 May 2010 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 2009 by using the following consolidation method:

Mobistar S.A.: 100 %	full consolidation
Temporary association Irisnet: 50 %	proportional consolidation
Orange S.A. (formerly 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.

Orange S.A. (formerly 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 Orange S.A. (formerly VOXmobile S.A.). The remaining 10 % of shares have been acquired on November 12, 2008. The company has consolidated the results of Orange S.A. (formerly VOXmobile S.A.) for 100 %, as of 2 July 2007. On 28 October 2009 VOXmobile S.A. has been rebranded into Orange S.A.

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

2. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the new and amended IFRS and IFRIC interpretations as of 1 January 2009. Adoption of these 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. IAS 23 - Borrowing costs

A revised IAS 23 Borrowing costs, that indicates that borrowings' interest and amortization are both components of 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. The Group has adopted this amendment effective 1 January 2009. The group's previous policy was to expense borrowing costs as they were incurred. Therefore, borrowing costs are capitalized on qualifying assets with a commencement date on or after 1 January 2009. In 2009, no borrowing costs have been capitalized.

2.2. 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 includes 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. This revised statement has been adopted in the current financial period, in two separate statements.

2.3. 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 has reviewed the segmentation used for presentation purpose. IFRS 8 disclosures are shown in note 19, including the related revised comparative information.

2.4. IFRS 7 - Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. Refer to note 14 for the related disclosures.

2.5. Improvements to IFRSs

In May 2008, the IASB issued a 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 amendments applicable to the Group and adopted are listed hereafter.

- IAS 1 Presentation of Financial Statements: Clarifies the classification of derivatives as current or non-current asset/liability. Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.

- IAS 16 Property, Plant and Equipment: Replaces the term “net selling price” with “fair value less costs to sell”. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- IAS 36 Impairment of Assets: Clarifies that when discounted cash flows are used to estimate ‘fair value less costs to sell’ additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’. This amendment had no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using ‘value in use’ or using ‘fair value less costs to sell’ based on market capitalization.

Furthermore, the amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. This amendment has no impact on the Group as the annual impairment test is performed before aggregation.

- Amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or the performance of the Group:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IAS 19 Employee Benefits
- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 31 Interests in Joint ventures
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 40 Investment Property
- IAS 41 Agriculture

Other new and amended IFRS, mandatorily applicable as of 1 January 2009, were not adopted since they are not applicable to the Group. They are listed hereafter:

- IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements – cost of an Investment in a Subsidiary, Joint Controlled Entity or an Associate
- IFRS 2 Share-based Payment - Vesting Conditions and Cancellations
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Reassessment of Embedded Derivatives
- IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

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 except for the deferred tax assets as described below.

Operating lease commitment – Group as a lessee

The Group has entered into property leases, network and cars leases. It has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Details are given in note 18.

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 dismantling network sites

The Group has recognised a provision for dismantling network sites obligations associated with the rented buildings situated at Rue Colonel Bourg, Boulevard Reyers and Avenue du Bourget and the various antennas sites. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove all plants from the sites. See note 13.

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

4.3. Intangible assets

Are included under this asset category, the intangible assets with a finite useful life such as the cost of the GSM 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 non financial 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 costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement in the operating expenses under the heading 'Depreciation, amortisation and impairment'.

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

4.6. Borrowing costs

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

4.7. Government grants

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

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

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

4.8. Taxes

Current income taxes

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

Deferred income tax

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

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

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

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

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

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

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

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

Sales tax

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

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

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

4.9. Inventories

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

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

4.10. Treasury shares

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

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

4.11. Cash and cash equivalents

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

4.12. Financial instruments

Recognition and derecognition

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

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

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

Financial assets

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

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

Upon initial recognition, financial assets are measured at fair value, plus, 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.

<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.

<u>Impairment of financial assets</u>

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

<u>Assets carried at amortised cost</u>

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 satisfies, provided that all other performance and/or service conditions are met.

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

4.14. Long-term provisions

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

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

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

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

4.15. Employee benefits

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

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

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

4.16. Revenue

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

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

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

Specific revenue streams and related recognition criteria are as follows:

Sales of equipment

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

Revenue from subscription contracts

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

Revenue from the sale of prepaid cards

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

Interconnection revenue

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

Revenue sharing

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

Revenue deferred until payment

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

Site sharing rental income

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

4.17. Leases

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

Determining whether an arrangement is or contains a lease requires assessment of whether the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

4.18. Loyalty commissions

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

4.19. Financial discounts

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

4.20. Dividend

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

4.21. Loyalty Programs

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

5. Future changes in accounting policies

New or amended standards and interpretations issued up to the date of issuance of the Group's financial statements, but not yet effective for 2009 financial statements, are listed below. The Group has elected not to adopt any Standards or Interpretations in advance of their effective dates.

- IFRS 1 First-time adoption of IFRS (Revised), effective 1 January 2010
- IFRS 1 First-time adoption of IFRS – Additional Exemptions for First-time Adopters 1, effective 1 January 2010
- IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Arrangements 2, effective 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended), effective 1 July 2009
- IFRS 9 Financial Instruments, not yet endorsed by EU as of 4 February 2010
- IAS 24 Related Party Disclosures (Revised) not yet endorsed by EU as of 4 February 2010
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues, effective 1 February 2010
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items, effective 1 July 2009
- IFRIC 12 Service Concession Arrangements, effective 29 March 2009
- IFRIC 15 Agreements for the Construction of Real Estate, effective 1 January 2010
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective 1 July 2009
- IFRIC 17 Distributions on Non-cash Assets to Owners, effective 1 November 2009
- IFRIC 18 Transfers of Assets from Customers, effective for transactions after 1 July 2009
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, not yet endorsed by EU as of 4 February 2010

5.1. IFRS 1 First-time adoption of IFRS (Revised)

Certain changes to the structure of the standard have been made. The substance of the standard has not been changed. As the Group is not a first-time adopter of IFRS, the revised standard is not applicable to the Group.

5.2. IFRS 1 First-time adoption of IFRS – Additional Exemptions for First-time Adopters

IFRS 1 has been amended to provide additional exemptions from full retrospective application of IFRS for the measurement of oil and gas assets and leases. As the Group is not a first-time adopter of IFRS, the amendment is not applicable to the Group.

5.3. IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Arrangements

The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. The Group has concluded that the amendment will have no impact on the financial position or the performance of the Group.

5.4. IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.
IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to 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 by IFRS 3 (Revised) and IAS 27 (Amended) will be applied prospectively and will affect future business combinations or loss of control of subsidiaries and transactions with non-controlling interests.

5.5. IFRS 9 Financial Instruments

The IASB has published phase 1 of IFRS 9 Financial Instruments, the accounting standard that will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. Phase 1 establishes a new classification and measurement framework for financial assets. At initial recognition, all financial assets are measured at fair value. For subsequent measurement, financial assets that are debt instruments are classified at amortised cost or fair value through profit and loss on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. All other debt instruments are subsequently measured at fair value through profit and loss. All financial assets that are equity investments are measured at fair value either through profit or loss or other comprehensive income. The Group does not expect to adopt this standard before 1 January 2013. The Group has studied the standard and is currently assessing its impact.

5.6. IAS 24 Related Party Disclosures (Revised)

The IASB has revised IAS 24 in response to concerns that the previous disclosure requirements and the definition of a 'related party' were too complex and difficult to apply in practice, especially in environments where government control is pervasive. The revised standard addresses these concerns by providing a partial exemption for government-related entities and a revised definition of a related party. The Group does not expect to adopt this standard before 1 January 2011. The Group has studied the standard and is currently assessing its impact, which will be limited to disclosures only.

5.7. IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

The amendment alters the definition of a financial liability in IAS 32 to classify rights issued and certain options or warrants (together, here termed rights) as equity instruments. The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met. The Group has concluded that the amendment will have no impact on the financial position or the performance of the Group, as the Group has not made foreign currency rights issues.

5.8. IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or the performance of the Group, as the Group has not entered into any such hedges.

5.9. IFRIC 12 Service Concession Arrangements

This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation will have no impact on the financial position or the performance of the Group.

5.10. IFRIC 15 Agreements for the Construction of Real Estate

The interpretation clarifies when and how revenue and related expenses from 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. Furthermore it provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. As such operations are not performed by the Group, the adoption of this interpretation will not have any impact on the financial position or the performance of the Group.

5.11. IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The adoption of this interpretation will have no impact on the financial position or the performance of the Group.

5.12. IFRIC 17 Distributions on Non-cash Assets to Owners

The Interpretation provides guidance on how to account for non-cash distributions to owners. It clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

5.13. IFRIC 18 Transfers of Assets from Customers

IFRIC 18 applies to all entities that receive from customers an item of property, plant and equipment or cash for the acquisition or construction of such items. These assets are then used to connect the customer to a network or to provide ongoing access to a supply of goods or services, or both. The interpretation provides guidance on when and how an entity should recognize such assets. The Group has concluded that the amendment will have no impact on the financial position or the performance of the Group.

5.14. IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments clarifies the requirements of International Financial Reporting Standards (IFRSs) when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies that:
- the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability
- the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.
- the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period.

The adoption of this interpretation will have no impact on the financial position or the performance of the Group.

5.15. Improvements to IFRSs

In April 2009, the IASB issued a second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 18 Revenue
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Group anticipates that these changes will have no material effect on the financial statements.

1. Business combinations

Acquisitions in 2007

Acquisition of Orange S.A. (formerly VOXmobile S.A.)

On 2 July 2007, the Group acquired 90 % of the voting shares of Orange S.A. (formerly 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 Orange S.A. (formerly VOXmobile S.A.) 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 Orange S.A. (formerly VOXmobile S.A.) has been measured at 8.9 million euros at the date of the combination and at 31 December 2007.

Changes in 2008

On 12 November 2008, Mobistar has acquired the remaining 10 % of the voting shares of Orange S.A. (formerly 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 Orange S.A. (formerly VOXmobile S.A.) acquisition of 2,245 thousand euros.

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

Below schedule indicates the fair value of the identifiable assets and liabilities of Orange S.A. (formerly VOXmobile S.A.) 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.

	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 2009	**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**	

Changes in 2009

No further changes have occurred in 2009 in terms of Business acquisition.

2. Intangible assets and goodwill (in 000 euros)

2009

	Goodwill	GSM and UMTS licences	Internally generated software development costs	Other intangible assets	Total intangible assets
Acquisition value					
As at 1 January 2009	**79 287**	**372 841**	**37 225**	**445 864**	**855 930**
Movements during the period:					
Acquisitions and consolidation differences			1 919	38 360	40 279
Sales and disposals				-8 216	-8 216
As at 31 December 2009	**79 287**	**372 841**	**39 144**	**476 008**	**887 993**
Amortisation and impairment					
As at 1 January 2009	**0**	**227 994**	**27 603**	**327 283**	**582 880**
Movements during the period:					
Additions		25 067	3 907	45 082	74 056
Impairment			318	3 228	3 546
Reversal - sales and disposals				-7 977	-7 977
As at 31 December 2009	**0**	**253 061**	**31 828**	**367 616**	**652 505**
Net carrying amount as at 31 December 2009	**79 287**	**119 780**	**7 316**	**108 392**	**235 488**

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				
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**

Goodwill

As no variation has occurred during 2009, Goodwill amount remained the same at the end of 2009.

The Goodwill 2008 and 2009 consists of:

Goodwill Mobistar Affiliate	10 558
Goodwill Orange S.A. (formerly 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 “Belgian” operations (See note 19). 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. Estimating the fair value less costs to sell has taken into account the Mobistar’s share price as quoted on the stock exchange.

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

Orange S.A. (formerly VOXmobile S.A.)

The acquisition of Orange S.A. (formerly 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 in 2008.

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. For 2009, cash flows have been estimated on a five years business plan (2010 to 2014) approved by the local management. For the following years, figures have been extrapolated based on a growth rate estimated at 2 % (estimated growth rate on the Luxemburgian market). Cash flow has been actualised. The after-tax discount rate applied to cash flow projections has been estimated at 8.5 %. Sensibility analysis of these parameters has been performed. The worst case scenario, based on a growth rate of 1% and a WACC of 9.5% would result in head room available amounting to 34.5 million euros.

For 2008, 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 bewteen 1 % and 2 % (estimated growth rate on the Luxemburgian market). Cash flow has been actualised. The after-tax discount rate applied to cash flow projections has been estimated between 7 and 9 %.

As the recoverable amount of the Luxembourgian 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 9,364 thousand euros on a full year basis.The 2G licence depreciation costs amount to 15,703 thousand euros.

Internally generated intangible assets and other intangible assets include software development and software licence costs. The useful lives of intangible assets applied in 2009 remain comparable to the one’s used in 2008.

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)

2009

	Land, buildings and network infrastructure	Plant, machinery, equipment	Furniture and vehicles	Other tangible assets	Total tangible assets
Acquisition value					
As at 1 January 2009	**491 516**	**606 954**	**120 290**	**18 128**	**1 236 888**
Movements during the period:					
Acquisitions, including self-constructed fixed assets	35 219	51 919	9 033	10 277	106 448
Dismantling asset	62				62
Sales and disposals	-14 740	-45 504	-4 632	-5 248	-70 124
As at 31 December 2009	**512 057**	**613 369**	**124 691**	**23 157**	**1 273 274**
Depreciation and impairment					
As at 1 January 2009	**225 224**	**374 121**	**93 022**	**14 995**	**707 362**
Movements during the period:					
Additions	18 699	46 432	11 328	664	77 123
Impairment	1 941	6 483	549	463	9 436
Dismantling asset	152				152
Reversal - sales and disposals	-14 547	-45 306	-4 610	-5 250	-69 713
As at 31 December 2009	**231 469**	**381 730**	**100 289**	**10 872**	**724 360**
Net carrying amount as at 31 December 2009	**280 588**	**231 639**	**24 402**	**12 285**	**548 914**

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**

Capital expenditure

During the 2009 financial year, Mobistar invested 146.7 million euros (40.2 million euros in intangible assets and 106.5 million euros in tangible assets), which represents 10.1 % of service revenues. Mobistar invested mainly in the development of its 3G/HSDPA network, in its new building and in the fixtures and fittings of that new building. During the 2009 financial year, 346 new sites were put into service, which brings the total coverage of the Belgian population to 87.2 %. At the end of March 2010, all Mobistar departments will be centralized in the new Sirius building in Evere.

Impairment on intangible and tangible assets

During 2009, impairment on both tangible and intangible assets has been recognised for an amount of 12,982 thousand euros (2008: 13,247 thousand euros) and shown as expense on the line ‘Depreciation, amortisation and impairment’ in the income statement.

The impairment loss of 12,982 thousand euros (3,546 thousand euros in intangible assets and 9,436 thousand euros in tangible assets) 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:

VOXmobile trademark	3 228
Software applications and developments	318
Obsolete network equipment	9 436
Total	**12 982**

VOXmobile has been rebranded in October 2009 into ‘Orange’ and the name of the company has been transformed into ‘Orange S.A.’. Impact of this rebranding on the intangible assets has been recorded by the impairment of the amount allocated to the VOXmobile trademark.

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

The 2008 and 2009 disposals relate to the renewal of the network. The year 2008 was importantly impacted by a technology swap. Sales of 2009 have been marginal.

Government grant

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

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

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

	2009	2008
Net carrying amount as at 1 January	**201**	**227**
Released to the income statement	-26	-26
Net carrying amount as at 31 December	**175**	**201**

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

2009	Cash guarantees	Long-term receivables	Total
Net carrying amount as at 1 January 2009	**118**	**11 064**	**11 182**
Additions	44	2 443	2 487
Reimbursements		-2 217	-2 217
Net carrying amount as at 31 December 2009	**162**	**11 289**	**11 451**

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**

The small increase in other non-current receivables in 2009 is mainly due to amendments in the agreements on long-term loans to specific partners (2,443 thousand euros) compensated by the repayment facilities attributed to Ericsson in relation to the outsourcing project in 2008 (2,068 thousand euros).

Since the end of the year 2009, a pledge collateral has been issued in favor of Mobistar on the assets of one of the partners to hedge the loan receivable (short- and long-term parts).

5. Current and deferred taxes (in 000 euros)

Deferred Tax Assets and liabilities

	Balance Sheet		Income Statement	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Deferred tax assets				
Recognized as from the date of the business combination:				
Orange S.A. (formerly VOXmobile S.A.)				
Carried forward tax losses beginning of the year	9 349	9 349		
Write-down carry forward tax losses	-975	-975		-975
Tax rate variance on Orange S.A. (formerly VOXmobile S.A.)	342	342		342
Investment tax credit				-151
DTA on Purchase Price Allocation	-4 894	-4 715		
Reverse DTA on Purchase Price Allocation	1 717	1 044	673	705
Reverse DTA on write-down Trade Name VOXmobile	997		997	
Tax rate variance on Purchase Price Allocation		-179		-179
Differences on useful lifes				-700
Others				-66
Total deferred tax assets from activities	**6 536**	**4 866**	**1 670**	**-1 024**
Deferred tax liabilities				
Investment tax credit	1 709	2 279	-570	-760
Revenue recognition for free airtime minutes	-1 684	-5 284	3 600	-1 356
Borrowing costs expensed as incurred	246	617	-371	537
Website development costs expensed as incurred	499	712	-213	-221
IFRIC 13 impact				229
Other items	-3	-2	-1	68
Total deferred tax liabilities from activities	**767**	**-1 678**	**2 445**	**-1 503**
Total net deferred tax assets	**7 303**	**3 188**	**4 115**	**-2 527**

IFRIC 13 Implementation: see note 11 'Equity'.

Major components of tax expense

	31.12.2009	31.12.2008
Current income tax	141 234	132 729
Current income tax of prior periods	576	-2 381
Deferred tax expense relating to the origination		
and reversal of temporary differences		
(variance in deferred tax assets from activities)	-4 115	2 527
Tax expense	**137 695**	**132 875**

At the end of 2009, the Group has unused tax losses arising from Orange S.A. (formerly VOXmobile S.A.) for 39,924 thousand euros. These losses are available indefinitely for offset against future taxable profits of the Company in which the losses arose. Although the Company has continued to accumulate tax losses during 2008 and 2009, deferred tax assets recognized have been limited to 28,261 thousand euros (tax basis) in order to consider the level of future taxable profits together with future tax planning.

Relationship between tax expense and accounting profit

	31.12.2009	31.12.2008
Consolidated accounting profit before taxes	397 976	412 961
Tax at the applicable rate of 33.99%	**135 272**	**140 365**
Tax effect of permanent differences:		
* Expenses that are not deductible in determining taxable profit	2 806	1 751
* Amortisation of goodwill Mobistar Corporate Solutions S.A.		-4 085
* Irisnet pre-tax loss not deductible	-32	35
Tax credit on investment	-563	-1 960
Tax deductible risk capital	-1 442	-4 438
Tax credits on business combination	1 078	3 588
Adjustment on prior years	576	-2 381
Current year tax expense	**137 695**	**132 875**
Effective tax rate	**34.60%**	**32.18%**

"Tax deductible risk capital" has been considerably influenced by the changes in equity's structure performed in 2008.

6. Inventories (in 000 euros)

	31.12.2009	31.12.2008
Finished goods (i.e. handsets and SIM cards)		
Inventories - Gross amount	11 486	13 427
Reserve for obsolete and slow moving items	-1 412	-1 107
Inventories - Net carrying amount	10 073	12 320
Inventories - Cost recognised as an expense during the period	**133 939**	**102 918**

The amount of provision for obsolete and slow moving items related to inventories has generated an increase of expense amounting to 306 thousand euros, which is recognised in cost of sales.

7. Trade receivables (in 000 euros)

	31.12.2009	31.12.2008
Trade receivables - Gross value	252 402	257 952
Allowance for doubtful debtors	-47 958	-40 727
Trade receivables - Net carrying amount	**204 444**	**217 225**

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: Allowance for doubtful debtors reconciliation

	Balance Sheet				Income Statement	
	31.12.2009	Accrual	Reversal	31.12.2008	31.12.2009	31.12.2008
Hardware Customers	-6 902			-5 377	1 525	647
Airtime Customers	-41 056			-35 350	5 706	4 486
Total allowance for doubtful debtors	**-47 958**	**-15 787**	**8 556**	**-40 727**	**7 231**	**5 133**

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
2009	204 444	121 630	51 996	10 477	20 372
2008	217 225	147 248	41 203	10 098	18 676

The increase of the allowance for doubtful debtors is related to an increased difficulty to collect the receivables mainly due to the economic circumstances. Impact is visible on residential and business customers.

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

	31.12.2009	31.12.2008
Local and regional taxes on pylons	34 991	28 061
Impairment on taxes on pylons	-34 991	-28 061
Prepayments	10 002	11 857
VAT to be recovered	1 506	0
Other current assets	5 309	3 472
Total other current assets	**16 817**	**15 329**
Accrued revenues	**29 287**	**50 663**
Total	**46 104**	**65 992**

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 September 2005 that such taxes are not inconsistent with European law, provided they do not alter the conditions of competition between the historical operator and new operators on the market.

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

The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to 35.0 million euros and is subject to a bad debt provision for the whole amount, of which 6.9 million euros correspond to the financial year. The provision is recorded under the “Other operating charges” heading in the profit and loss account.

Value added tax

The increase is due to the fact that value added tax accounts showed a payable situation at the end of 2008 and a receivable situation at the end of 2009.

Accrued revenues

Accrued revenues are made of two types of items: estimated amounts of revenues not billed and adjustments to revenues considered in context of some tariff plans including free advantages for which the allocation period is different from the loyalty period (for example). The decrease from 2008 to 2009 is related to the two types of accruals. For the estimated amounts, the decrease is linked to the fact that technical evolutions have allowed to include some bill cycles in the accounts receivable with the exact value to bill. The decrease of the adjusted revenues is linked to the changes in the tariffs structure occurred in 2009.

9. Cash and cash equivalents (in 000 euros)

	31.12.2009	31.12.2008
Total cash and cash equivalents	**10 009**	**6 833**

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

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash, short-term deposits and cash equivalents is 10,009 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.

	31.12.2009	31.12.2008
Net profit attributable to ordinary equity holders of the parent	260 281	280 086
Weighted average number of ordinary shares for basic earnings per share	60 014 414	61 754 776
Effect of dilution	NA	NA
Weighted average number of ordinary shares adjusted for the effect of dilution	60 014 414	61 754 776

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

Changes during 2008

The shareholders meeting has approved on 7 May 2008 a capital decrease of 248,000 thousand 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.

Changes during 2009

No changes have been performed during the year 2009.

	Share Capital	Share Premium	Number of ordinary shares
As at 1 January 2008	**357 130**	**49**	**63 291 752**
Capital reimbursement	-248 000		
Share premium incorporation in share capital	49	-49	
Other	1		
Share cancellation after buy-back			-3 277 338
As at 1 January 2009	**109 180**		**60 014 414**
As at 31 December 2009	**109 180**		**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 which took place on 6 May 2009.

A capital increase by legal reserve incorporation will be submitted to the shareholders meeting on 5 May 2010. If this change is voted, the capital of the company will be increased by 22,541 thousand euros to reach 131,721 thousand euros and the legal reserve will be decreased by the same amount. As this transaction is pending shareholders meeting approval, it has not been included in the current financial statements.

	2009	2008
As at 1 January	**35 714**	**35 713**
Transfer from retained earnings Orange S.A. (formerly VOXmobile S.A.)		1
As at 31 December	**35 714**	**35 714**

Reserves not available

During the year 2008, specific reserves not available in respect of treasury 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

	2009	2008
As at 1 January	**307 589**	**375 140**
Current year profit after taxes	260 281	280 086
Transfer to legal reserve Orange S.A. (formerly VOXmobile S.A.)		-1
Dividend paid	-273 066	-173 600
Share cancellation after buy-back		-174 966
Incentive plan on France Télécom shares	1 276	1 269
Equity transaction costs	-147	-813
Impact first time application of IFRIC 13 - Loyalty Programs		475
Other		-1
As at 31 December	**295 933**	**307 589**

Note that, in 2008, 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 5 May 2010, the Board of Directors will propose to approve the following shareholders’ remuneration scheme:

Dividend 2009

The number of shares receiving a dividend based on the distribution of the result 2009 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 2009 (000 euros)	174 042
Gross extraordinary dividend per ordinary share, in euros	1.65
Total extraordinary dividend 2009 (000 euros)	99 024

The dividend relating to the financial year 2009 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 2008

The number of shares receiving a dividend based on the distribution of the result 2008, has been 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

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 2009 and 31 December 2008. Capital management is based on the shareholder’s equity.

In line with the above described objective, Mobistar distributed 273.1 million euros to its shareholders during the 2009 financial year. This distribution took the form of an ordinary dividend of 2.90 euros per ordinary share and an extraordinary dividend of 1.65 euro per ordinary share.

12. Share-based payment

Incentive plan on France Télécom shares

2008

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. As such, the plan has been considered as an equity settled share-based payment plan for Mobistar.

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

- Share value as at 18 March 2008 (the grant date):	21.50 euros
- Risk free interest rate:	3.48 %
- Probability to get performance objectives:	100 %

- Dividend yield: 6.0 %
- Vesting period: 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.

2009

On 4 December 2009, all shares covered by the plan were vested. No cancellations or forfeitures occurred. An expense of 1.3 million euros has been recorded during the year to cover the costs related to the plan. Amounts have been paid in February 2010.

13. Long-term provisions (in 000 euros)

2009	01.01.2009	Additions	Utilisations	Reversal	Unwinding effect	31.12.2009
Outstanding litigations	6 453	1 977	-1 443	-2 332		4 655
Network sites dismantling costs	7 569	62	-372		279	7 538
Office refurbishment costs	1 084	1 364				2 448
Total	**15 106**	**3 403**	**-1 815**	**-2 332**	**279**	**14 641**

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**

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:

	31.12.2009	31.12.2008
Number of network sites Orange S.A. (formerly VOXmobile S.A.) incl.	4 313	4 203
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 refurbishment costs

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

Waste Electrical and Electronic Equipment

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

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

14. Financial instruments (in 000 euros)

Financial risk management objectives and policies

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

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

Interest rate risk

As a result of the exceptionally high distribution to its shareholders paid out in 2008 (596.6 million euros), the Company showed a debt amounting to 295.5 million euros on 31 December 2009. The Company did not hedge the interest rate risk on the debt that bears interests based on EONIA + 40 Bps and Euribor + 30 Bps.

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.

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

Liquidity risk

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

Interest-bearing loans and borrowings

	Nominal amount	Interest rate	Maturity	31.12.2009	31.12.2008
Unsecured revolving credit facility agreement with					
France Télécom Group	250 000	Euribor + 0.30	31.12.2010		75 000
Total long-term loans and borrowings					**75 000**
Unsecured revolving credit facility agreement with					
France Télécom Group (>1 year falling due <1 year)	250 000	Euribor + 0.30	31.12.2010	50 000	
Cash-pool related credit facility with France Télécom	250 000	EONIA + 0.40	on demand	245 479	240 963
Uncommitted credit lines with various banks	50 900	determined upon withdrawal	on demand		
Share of a joint venture loan (Irisnet)	2 727 maximum	determined upon withdrawal	on demand	2 457	2 312
Total short-term loans and borrowings				**297 936**	**243 275**

Fair values

	Carrying amount		Fair value	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Financial assets				
Cash and cash equivalent	10 009	6 833	10 009	6 833
Other financial assets (non-current)	162	118	162	118
Short-term receivables (1)	2 142	2 067	2 116 **	2 006 *
Long-term receivables (non-current) (1)	11 214	11 063	10 929 **	10 739 *
Trade receivable (1)	204 444	217 225	204 444	217 225
Other current assets (1)	16 817	15 329	16 817	15 329
Financial liabilities				
Long-term borrowing		75 000		73 044*
Short-term borrowing (>1 year falling due <1 year)	50 000		49 083 **	
Short-term borrowing	245 479	240 963	245 479	240 963
Share of a joint venture loan (Irisnet)	2 457	2 312	2 457	2 312
Total short-term borrowings	297 936	243 275	297 019	243 275
Trade payables	266 385	284 419	266 385	284 419
Other payables	2 491	3 894	2 491	3 894

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

** Discount rates (assumption) have been considered on the estimated period of repayment (1 year: 1.21%, 2 years: 1.8669%, 3 years: 2.274%, 4 years: 2.5838%, 5 years: 2.8404%)

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

As at 31 December 2009, the Group held no significant financial instruments measured at fair value.

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

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 2009	Amount	Within 1 year	Within 2-5 years	More than 5 years
Financial assets				
Cash and cash equivalent	10 009	10 009		
Other financial assets (non-current)	162			162
Long-term receivables (non-current)	13 356	2 142	3 038	8 176
Financial liabilities				
Short-term borrowing (>1 year falling due <1 year)	50 000	50 000		
Short-term borrowing	245 479	245 479		
Share of a joint venture loan (Irisnet)	2 457	2 457		

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		

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

	31.12.2009	31.12.2008
Trade payables	**266 385**	**284 419**
Employee benefits related liabilities		
Salaries and termination pay	2 139	3 794
Social security contributions	1 584	2 145
Holiday pay	12 947	13 554
Performance and Profit Sharing bonus	8 285	7 867
Other	398	1 209
Total	**25 353**	**28 569**
Current taxes payable		
Corporate taxes - 2006	763	113
Corporate taxes - 2007	3 857	13 763
Corporate taxes - 2008	5 309	13 193
Corporate taxes - 2009	27 234	
Value added tax & other taxes	278	2 432
Total	**37 441**	**29 501**
Deferred income	**67 999**	**66 356**
Other payables		
Dividend 2004	45	49
Dividend 2005	96	111
Dividend 2006	97	128
Dividend 2007	80	135
Reimbursement share capital 2008	207	534
Dividend 2008	496	
Other liabilities	1 470	2 937
Total	**2 491**	**3 894**

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

Variation with 2008 is mainly due to variation in the mix of invoices received, paid and accrued around the end of the year. Amounts recorded as tax payable for the year 2006 correspond to tax audit adjustments.

Deferred income relates to the portion of the upfront payments made under some tariff plans not used at closing date and to the amount of prepaid cards issued but not used.

16. Income statement (in 000 euros)

Turnover

	2009	2008
Revenue from subscription contracts	879 232	912 752
Revenue from prepaid subscription cards	206 876	219 410
Interconnection revenue	336 199	290 506
Site sharing rental income	2 584	1 595
Other services	19 939	19 472
Total service revenue	1 444 830	1 443 735
Sale of equipment	122 348	88 996
Total	**1 567 178**	**1 532 731**

The increase in turnover continues to be influenced by the handsets sales activities (increased by 33,352 thousand euros) which are still boosted by the sales of smartphones.

Other operating revenue

	2009	2008
Expenses recharged to France Télécom subsidiaries	11 637	11 514
Administrative costs recharged to customers and third-parties	14 434	13 740
Services rendered to judicial authorities	4 646	4 029
Other operating revenue	6 895	4 751
Total	**37 612**	**34 034**

Costs of equipment and goods sold

	2009	2008
Purchase of goods	143 619	113 595
Purchase of services	106 568	105 609
Total	**250 187**	**219 204**

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

	2009	2008
Rental costs	27 497	26 523
Maintenance	16 683	20 729
Professional fees	55 318	59 799
Administration costs	19 569	23 297
Commissions	101 947	94 044
Universal service	2 993	-1 795
Advertising and promotions	40 719	47 954
Other	6 740	8 379
Total	**271 466**	**278 930**

The decrease of the services and other goods is essentially due to the decrease of most of the costs covered by this section except to the commissions costs that have increased in order to support turnover evolution.

Employee benefits expenses

	2009	2008
Short-term employee benefits	99 269	100 042
Social Security contributions	26 846	25 125
Group insurance and medical care	5 866	5 522
Other personnel costs	1 167	1 494
Total	**133 148**	**132 183**

Short-term employee benefits are presented net of employee benefits expenses internally capitalised as intangible and tangible assets totalling 3,882 thousand euros in 2009 and 3,789 thousand euros in 2008. Expenses arising from the 'Incentive plan on France Télécom shares' have been recorded in this caption in 2008 and in 2009 for an amount of 1.3 million euros (See note 12).

The average full-time equivalent number of employees decreased from 1,569.6 in 2008 to 1,472.4 in 2009.

The amount paid as expenses related to the define contribution pension plan and included in the 'Group insurance and medical care" amounted to 4,637 thousand euros for 2009 and 4,396 thousand euros for 2008.

Other operating charges

	2009	2008
Inventories - obsolete and slow moving items	403	-582
Trade receivables - realized losses	8 556	4 930
Trade receivables - Accrual variation	7 231	5 133
Local taxes on GSM antennas and pylons	6 930	3 736
Property taxes	2 326	1 506
Long-term provisions	-2 130	808
Capital loss on assets sold	143	602
Other operating charges	1 405	27
Total	**24 864**	**16 160**

Local taxes on GSM masts and antennas impairment is accrued, as described in note 8, under 'Other current assets'.

Net financial costs

	2009	2008
Financial income		
Interest on deposits and current bank accounts	690	1 672
Other financial income	729	203
Total	**1 419**	**1 875**
Financial costs		
Interest on financial debts	3 761	6 494
Other financial charges	2 367	934
Total	**6 128**	**7 428**
Total net financial costs	**-4 709**	**-5 553**

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. The very low interests rates paid during the year 2009 have had a positive impact on the net financial charges.

17. Relationships with related parties (in 000 euros)

Relationships with affiliated enterprises

Balance sheet and income statement

	31.12.2009	31.12.2008
Assets and liabilities		
Short-term trade receivables	30 476	34 212
Liabilities		
Short-term interest-bearing loan	295 479	240 963
Long-term interest-bearing loan		75 000
Short-term trade payables	15 859	23 712
Income and charges		
Sales	59 243	61 049
Purchases	44 273	53 225

The consolidated financial statements include the financial statements of Mobistar S.A., 100 % of Orange S.A. (formerly VOXmobile S.A.), Moskito Productions S.A (up to 12 November 2008) 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 - 2009 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	44 517	34 437	22 661	13 935
France Télécom - Cash pooling		3 578		295 626
France Télécom subsidiaries				
Airtime traffic and services	14 726	6 258	7 815	1 777
Total	**59 243**	**44 273**	**30 476**	**311 338**

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	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**

Terms and conditions of transactions with related parties

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

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

Relationships with Board of Directors members and senior management

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

	2009	2008
Basic remuneration (gross annual salary)	1 964	1 796
Variable remuneration	1 048	836
Post employment benefits (defined contribution pension plan)	295	227
Other elements of remuneration	212	213
Total employee benefits	**3 519**	**3 072**

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:

	2009	2008
Total remuneration	**302**	**204**

18. Commitments and contingencies (in 000 euros)

Purchases

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2008	2009				
Intangible and tangible assets	80 826	76 845	76 845	0	0	0
Inventories	3 940	20 014	20 014	0	0	0

Operational leases costs

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2008	2009				
Offices	86 308	83 458	8 402	10 582	10 027	54 447
Network sites	316 412	325 217	23 017	35 363	35 096	231 741
Cars	9 757	11 843	959	5 734	5 150	0
Total	**412 477**	**420 518**	**32 378**	**51 679**	**50 273**	**286 188**

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

Guarantees granted

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2008	2009				
Total	**8 844**	**10 311**	**3 869**	**199**	**796**	**5 448**

Guarantees granted are related to various lease agreements (4,796 thousand euros in 2009) and to network performance commitment granted to some corporate customers (5,515 thousand euros in 2009). No other security (mortgage, pledge or other) has been granted on Mobistar assets as at 31 December 2009.

Purchase agreement

On 25 November 2009, Mobistar announced an agreement with KPN Mobile International B.V. covering the purchase of KPN Belgium Business S.A./N.V. (B2B and carrier activities in Belgium) for an amount of 65 million euros. The agreement includes the purchase of the fiber network, the takeover of business customers and the wholesale activities from the former 'Versatel S.A.'. This agreement will help Mobistar to provide better service to its existing professional clients and will support its other segments. The transfer will be effective during the first quarter of 2010 after approval of the Competition Council.

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.

19. Operating segment information (in 000 euros)

As a result of the implementation of the IFRS 8, the management has decided to slightly change the presentation of the segment information. The Group determined that the operating segments were slightly different than the business segments previously identified under IAS 14 'Segment Reporting'.

Adoption of this standard did not have any effect on the financial position or performance of the Group.

Segment information will be as from now structured by country. For the main countries, segmentation per business segment will be maintained. Countries involved are Belgium, country covered by Mobistar S.A. and Irisnet operations, and Luxembourg for the operations of Orange S.A. (formerly VOXmobile S.A.).

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

	31.12.2009 Belgium				31.12.2009 Luxembourg	Interco Elimination	Mobistar Group
	Mobile	Fix	Unallocated	Total			Total
Segment assets	915 520	123 643	117 972	1 157 135	117 542	-121 604	1 153 073
Segment liabilities	321 943	37 519	338 283	697 745	49 243	-34 742	712 246
Capital expenditure	112 512	25 607		138 119	8 163		146 282
Depreciation and amortisation	137 969	4 709		142 678	11 682		154 360
Impairment losses recognised in profit or loss	9 953			9 953			9 953
Non-cash expenses other than depreciation	1 023	253		1 276			1 276

	31.12.2009 Belgium			31.12.2009 Luxembourg	Interco Elimination	Mobistar Group
	Mobile	Fix	Total			Total
Revenue						
Total service revenue	1 323 650	86 302	1 409 952	37 742	-2 864	1 444 830
Handsets sales	119 230	37	119 267	7 834	-4 753	122 348
Total turnover	1 442 880	86 339	1 529 219	45 576	-7 617	1 567 178
Other operating revenue	34 188	3 289	37 476	293	-157	37 612
Total revenue	**1 477 068**	**89 628**	**1 566 695**	**45 869**	**-7 774**	**1 604 790**
Operating expenses						
Interconnection costs	-310 856	-36 589	-347 445	-13 330	2 648	-358 127
Costs of equipment and goods sold	-216 621	-24 538	-241 159	-13 982	4 954	-250 187
Services and other goods	-245 925	-17 624	-263 549	-8 071	154	-271 466
Employee benefits expenses	-102 544	-25 355	-127 899	-5 267	18	-133 148
Depreciation, amortisation and impairment	-147 922	-4 709	-152 631	-11 682		-164 313
Other operating charges	-22 422	-1 632	-24 054	-810		-24 864
Total operating expenses	**-1 046 290**	**-110 447**	**-1 156 737**	**-53 142**	**7 774**	**-1 202 105**
Result of operating activities	**430 778**	**-20 820**	**409 958**	**-7 273**		**402 685**
Net finance costs			-3 898	-811		-4 709
Result of operating activities after net finance costs			406 060	-8 084		397 976
Tax expense			-139 365	1 670		-137 695
Net profit or loss			266 695	-6 414		260 281

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

As far as balance sheet allocation is considered, unallocated amounts in the Belgian segment mainly correspond to the investments (87.0 million euros) and financial loans to affiliated companies (30.0 million euros) for the assets and to financial loans (297.9 million euros), taxes (37.0 million euros) and amounts payables for dividend and equity transactions (2.3 million euros) for the liabilities. Indeed, these various elements are managed at Group level.

The presentation of the 2008 data has been restated for comparison purpose.

	31.12.2008 Belgium				31.12.2008 Luxembourg	Interco Elimination	Mobistar Group
	Mobile	Fix	Unallocated	Total			Total
Segment assets	997 418	86 498	116 753	1 200 669	120 672	-121 060	1 200 281
Segment liabilities	354 107	33 013	348 916	736 036	45 958	-34 196	747 798
Capital expenditure	143 047	9 576		152 623	7 239		159 862
Depreciation and amortisation	149 139	2 766		151 905	7 940		159 845
Impairment losses recognised							
in profit or loss	13 247			13 247			13 247
Non-cash expenses other							
than depreciation	1 111	158		1 269			1 269

	31.12.2008 Belgium			31.12.2008 Luxembourg	Interco Elimination	Mobistar Group
	Mobile	Fix	Total			Total
Revenue						
Total service revenue	1 328 581	83 199	1 411 780	33 305	-1 350	1 443 735
Handsets sales	85 222	248	85 470	6 310	-2 784	88 996
Total turnover	1 413 803	83 447	1 497 250	39 615	-4 134	1 532 731
Other operating revenue	31 134	2 776	33 910	124		34 034
Total revenue	**1 444 937**	**86 223**	**1 531 160**	**39 739**	**-4 134**	**1 566 765**
Operating expenses						
Interconnection costs	-279 913	-38 035	-317 948	-11 894	1 160	-328 682
Costs of equipment and goods sold	-187 517	-21 396	-208 913	-13 265	2 974	-219 204
Services and other goods	-248 303	-24 812	-273 115	-5 815		-278 930
Employee benefits expenses	-110 822	-15 736	-126 558	-5 625		-132 183
Depreciation, amortisation and						
impairment	-162 386	-2 766	-165 152	-7 940		-173 092
Other operating charges	-14 325	-832	-15 157	-1 003		-16 160
Total operating expenses	**-1 003 266**	**-103 577**	**-1 106 843**	**-45 542**	**4 134**	**-1 148 251**
Result of operating activities	**441 671**	**-17 354**	**424 317**	**-5 803**		**418 514**
Net finance costs			-3 808	-1 745		-5 553
Result of operating activities after						
net finance costs			420 509	-7 548		412 961
Tax expense			-131 853	-1 022		-132 875
Net profit or loss			288 656	-8 570		280 086

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:

	31.12.2009	31.12.2008
Non-current assets	8	8
Current assets	5 688	4 016
Total assets	**5 696**	**4 024**
Equity	-11 453	-11 547
Current liabilities	17 149	15 571
Total equity and liabilities	**5 696**	**4 024**
Income	5 128	4 787
Expenses	5 238	5 317

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

	31.12.2009	31.12.2008
Assets and liabilities		
Current assets - trade receivables	18 719	16 824
Current liabilities - trade payables	7 047	6 331
Current liabilities - deferred income	11 672	10 493
Income and charges		
Sales	5 257	4 912
Purchases	5 257	4 912

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 2009

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 2009, 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 2009, and the consolidated statements of income, comprehensive 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 € 1,153,073 thousand and the consolidated statement of income shows a profit for the year, share of the Group, of € 260,281 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 2009 give a true and fair view of the Group's financial position as at 31 December 2009 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, 31 March 2010

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

Herman Van den Abeele
Partner

Notes

Notes

Notes