



Annual  
report  
2010





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# Highlights of 2010

## **45.4 million text messages on the Mobistar network on New Year's Eve**

On New Year's Eve, between 20.00 and 08.00 the next morning, the Mobistar network transmitted 45.4 million text messages, 24.2 million of which were sent by Mobistar customers. This represents an increase of 37.4 % compared with 2009. The capacity of the Mobistar network was more than sufficient to handle the volume of calls and text messages. At the moment of peak traffic, which occurred around 00h30, the SMS servers were processing 3,000 messages per second.

## **MaTMa cooperation agreement with Touring**

In January 2010, Mobistar signed a contract for Machine-to-Machine (MaTMa) applications with Touring within the framework of the Safe Drive project. Thanks to a device integrated into the vehicle and equipped with a microphone, a loudspeaker and two buttons (one for emergency calls and the other for technical calls in the event of a breakdown), drivers can automatically contact - in just a few seconds and throughout Europe - the assistance services in the event of theft, accident or breakdown. Safe Drive is one of the many possible applications of MaTMa technology, an area in which Mobistar is the undisputed leader in Belgium.

## **Mobile Internet for 2 euros a day**

On 24 February, Mobistar launched Travel Data Daily, a daily tariff for mobile Internet of 2 euros for 2 MB in Europe (plus Switzerland, the United States and China). A few weeks later, Mobistar activated, for all its residential

customers, the Smart Data Traveller option, an intelligent service which automatically blocks data consumption abroad after a certain amount has been reached.

## **Integration of KPN Belgium Business**

On 25 March, the Competition Council gave its approval for the acquisition of KPN Belgium Business (B2B and carrier activities in Belgium). The acquisition price for 100 % of the shares amounts to 65 million euros (on the basis of a valuation excluding liquidities and debts). The legal entity was renamed Mobistar Enterprise Services (MES). This acquisition enabled Mobistar to consolidate its position as a convergent player on the business market.

## **First successful tests on the LTE network**

Mobistar implemented its LTE (Long Term Evolution) experimental network in the Evere-Diegem zone after having received a test licence from the BIPT. The very first tests proved conclusive. Downloading speeds of more than 60 Mbps, 10 times higher than that of the current high-speed mobile network, were registered. However, Mobistar has not yet reached a final decision concerning the purchase of a 4G license.

## **Mobile communication platform for professionals**

On 17 June, Mobistar launched a new mobile communication platform for its business customers in the SME and corporate segments. This enables business customers to consult their Mobistar magazine and their e-newsletters on their mobile phone, in an adapted format. The archives of the earlier issues are also available.

### MVNO agreement with Tellink

Tellink, which offers telecommunications services to SMEs, concluded an MVNO contract with Mobistar. Between July and September, the 65,000 active SIM cards of Tellink were transferred to the Mobistar network. As a member of the France Telecom group, Mobistar has numerous roaming agreements with foreign operators, which allows Tellink to offer its customers unique Traveller services enabling them to make calls from abroad that are up to 80 % less expensive. The MVNO contract with Tellink was concluded for a term of three years.

### New contract with the SNCB group

In July, Mobistar signed the third extension of its contract with the SNCB group (Belgian Railways), a contract covering voice and data applications, both mobile and fixed. Over the past six years, Mobistar has invested in the development of a network infrastructure for a permanent connection of its own network to that of the railways, and developed solutions aimed at improving the safety and punctuality of public transports and the information provided to travellers and employees.

### Launch of the iPhone 4 in Belgium

On 30 July the iPhone 4 was launched in all of the Belgian Mobistar Centers. A special event was held on the occasion for Mobistar customers in 10 of Mobistar's own sales outlets. The success of the iPhone 4, coupled with the excellent sales of smartphones, boosted the revenues generated by mobile data transmission during 2010.

### The first with Mobile HD Voice technology

Mobistar was the first operator in Belgium to implement Mobile HD Voice technology on its 3G network. This technology offers better audio quality thanks to the use of a wider spectrum of frequencies (from 50 to 7000 Hz) compared to the current narrowband voice codec. In 2011, Mobistar will expand its offering of Mobile HD Voice-compatible mobile phones so as to offer this new free service to more customers.

### Mobistar TV: a new television experience

On 8 October Mobistar launched its digital television offering in the form of a Starpack costing 55 euros per month, which also gives access to mobile and fixed telephony, mobile Internet and unlimited fixed Internet. Mobistar TV immediately won customers over, thanks to a differentiated offering oriented on richness of content and a set of convergent functionalities that make it possible to personalise the viewer's television experience. With the launch of Mobistar TV, Mobistar has become a full-fledged "sextuple play" operator on the Belgian residential market.

### Mobistar sends Antoine Lesceux into space

On 18 October, Mobistar presented Antoine Lesceux, a 19-year old Walloon student, his boarding pass to be one of the first commercial travellers into space. He is the winner of the online competition that Mobistar organised when it launched its digital television offering. More than 130,000 internet users visited the site [www.regardezdemain.be](http://www.regardezdemain.be) and 9,600 people participated in the competition.

### m.mobistar.be: portal to mobile Internet

Launched in early December, Mobistar's new mobile portal is faster, more open, and can be extensively personalised, with many functionalities: access to social networks and e-mail platforms, cultural events, weather reports, Mobile TV... At the same time, Mobistar rethought its mobile advertising strategy and selected a new advertising sales house, Beweb.

### Payment by SMS on the De Lijn network

Since 16 December, Mobistar customers can pay for travelling on the De Lijn network using an SMS ticket. This solution is faster, but also less expensive (the SMS ticket is up to 28 % cheaper than a ticket purchased from the driver). The price of the SMS ticket is carried on the mobile phone invoice of the subscribers or deducted from the call credit of the prepaid cards. After two weeks of real-life testing, the system was officially launched on 1 January 2011.



## Letter from the Chairman

Despite serious economic and regulatory constraints, 2010 proved to be a “vintage year” for Mobistar. We outperformed the forecasts of the market, both in terms of turnover and net result. Each team member, each of the members of the Executive Committee, through his or her unfailing commitment, contributed to these excellent results, and I wish to thank them for their efforts personally. My gratitude also goes to Mobistar’s customers, who are ever more numerous and ever more loyal: in 2010, for the first time in our history, we passed the mark of 4 million active mobile telephony customers, including among them the contribution of our MVNO partners and our subsidiary Orange Luxembourg. This figure is more than a symbolic landmark: it confirms the relevance of the “customer centric” approach championed by our CEO, Benoit Scheen.

In 2010, Mobistar’s consolidated turnover rose by 6.2 % to reach 1,664.6 million euros at the close of the financial year. The EBITDA margin is equivalent to 36.2 % of the service revenues on 31 December 2010, which signifies a slight decline compared versus 2009. This decrease is due to the integration of Mobistar Enterprise Services, the growth of the offerings based on an unlimited volume and the commercial investments made in our new digital television offering and in the fixed activities. These are major strategic choices aimed at making Mobistar a convergent operator capable of meeting any challenge that the future might bring.

The development of our activities was accompanied by a large number of recruitments, particularly in the Mobistar Centers and in the contact center. Although the search for new talents sometimes proves difficult, we will continue our recruitment policy in 2011. We are perfectly aware that the customer service was not optimal during the past year. The arrival of Cristina Zanchi within the Executive Committee of Mobistar, as Chief Customer Loyalty Officer, demon-

strates our determination to move forward in the continuous improvement of customer service. Get to know our customers better and respond to their needs in a personalised way is a priority for Mobistar in 2011 and subsequent years.

This positive context explains why, once again this year, we will be distributing an attractive dividend to our shareholders. The Board of Directors will propose the distribution of an ordinary dividend of 2.90 euros per share on 20 May 2011 and an extraordinary dividend of 1.40 euro per share on 19 August 2011 and will submit it for approval to the General Meeting of Shareholders of 4 May 2011.

In 2011 Mobistar will continue its investments in the quality of its network, its IT infrastructure and its services to the clientele. Thanks to a coherent and innovative strategy, Mobistar seeks to be recognised by its customers as “the” trusted partner capable of offering personalised telecom solutions, but also to be seen by the society in which the company is evolving as a player who is sustainably contributing to progress and to environmental protection.

Jan Steyaert  
Chairman of the Board of Directors





## Letter from the CEO

For Mobistar, 2010 was a pivotal year. We passed the mark of 4 million mobile customers and entered the final stages leading us to becoming a full-fledged convergent telecoms operator. The capstone was placed with the launch of digital television. The ultimate objective of Mobistar TV is to respond to a need of our customers who are looking for an entire set of telecommunication services from a single operator. This stage completes the process. Mobistar is no longer a mobile operator, but a full-fledged convergent player, both on the business market and on the residential market. Today, we are in fact the only "sextuple play" operator in Belgium offering fixed and mobile telephony, fixed and mobile Internet and fixed and mobile television. This demonstrates our very strong capacity for innovation and transformation.

In addition to the Mobistar TV launch on 8 October, a number of other important milestones were achieved in 2010. Firstly I would mention the closing, on 1 April, of the acquisition of KPN Belgium Business (now renamed MES) for 65 million euros. We welcomed 135 new colleagues and more than 8,000 additional customers. This allowed us to also integrate a substantial amount of network infrastructure, reinforcing our position as a convergent operator on the business market.

Another landmark was the unification of all our employees in the Sirius building in Evere, inaugurated on 8 May. This site confirms our commitment in terms of social responsibility because it possesses environmental qualities that are unique in the Brussels region. I invite you to read our CSR report included in this annual report, where you will discover our commitments and our actions that attest to our determination to be a responsible operator. The move to our new HQ was also an occasion to introduce a new work organisation and to strengthen the collaborative spirit of the team members, reflecting Mobistar's identity.

I also would like point to the fact that Mobistar, having become the International Competence Centre of France Telecom for Machine-To-Machine (MaTma) solutions, saw its expertise recognised worldwide in 2010. Thanks to signing major contracts in Europe, the United States and Australia, we have practically doubled the number of MaTma cards sold on the market compared to last year.

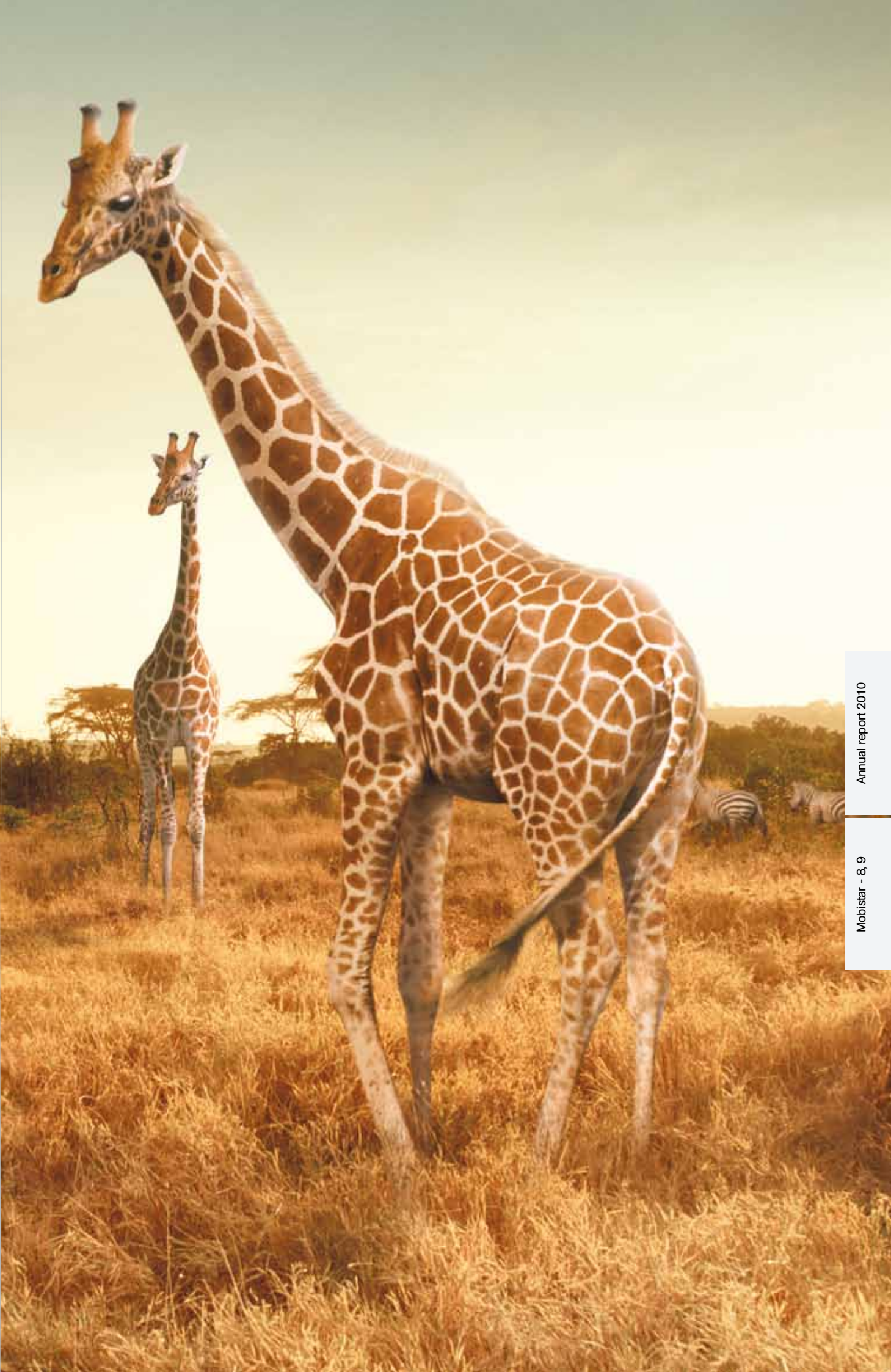
At the same time, we continued our internal transformation in line with the Odyssey 2011 programme, the objective of which is to improve the overall effectiveness of the organisation. It has 19 sub-programmes, including the complete modernisation of our IT infrastructure as well as the development of new products and market segments. Odyssey 2011 is generating a continuous stream of changes that allows us to constantly adapt ourselves to the demand of the market.

Mobistar performed very well during the 2010 financial year. Its mobile market value share went from 35.2 % at the end of 2009 to 35.6 % at the end of 2010. The proportion of postpaid customers in the total customer base went from 60.6 % at the end of 2009 to 63.6 % at the end of 2010, i.e. a growth of 145,677 postpaid customers in one year. Moreover, both MES and Orange Luxembourg added to the profitability of the turnover. Orange Luxembourg progressed by 21.8 %, while most of the operators in Western Europe posted growth on the order of only 3 % to 4 %. In the final analysis, we earned a net profit before tax of 263.6 million euros, i.e. 1.3 % more than in 2009 and exceeding our expectations. This result was attained despite the very negative impact of the European and Belgian regulations, amounting to tens of millions of euros. This demonstrates our ability to offset these imposed reductions thanks to our transformation plans and the launch of new products and activities. During 2010, we invested (around) 239.8 million euros.

Benoit Scheen  
Chief Executive Officer









# Telecommunications sector

In an ever more competitive and regulatory environment and a saturated conventional mobile telephony market, telecoms operators are promoting mobile data applications and convergent services.

## The competitive environment

### ■ A penetration rate of 111 %

Active SIM card penetration stabilised at around 111 % in 2010. In this context, it is not surprising that the market shares held by the three operators scarcely varied in 2010. Since the conventional mobile telephony market has reached maturity, the operators are focusing their growth efforts on mobile data and multimedia services.

### ■ Joint offerings have a limited success

Ever since joint offerings received a legal framework on 6 April 2010 with the Belgian law on market practices and consumer protection, only one telecom operator has resolutely opted for this mode of selling. Mobistar, however, stuck with its decision not to go down that route because this is not in the interest of the customers.

### ■ Convergence becomes the norm

On both the residential and business markets, convergence is an inescapable element of the marketing strategy of the telecoms operators. The formulas combining indissociable “triple/quadruple play” offerings for a single price are multi-

plying. Mobistar is responding to this trend, notably offering the Starpack “sextuple play”, for the price of 55 euros per month.

### ■ The television distribution market

In Belgium, the television distribution market differs from one Region to another. It is largely dominated by cable operators and IPTV in Flanders, Wallonia, and in Brussels. Similarly, the shift to digital television is not advancing at the same pace depending on whether one lives in Flanders (60 % of the customers receive a digitised signal), in Wallonia or in the Brussels-Capital Region (these two Regions have fewer than 50 % digital television subscribers).

## Regulatory framework

### ■ Renewal of the 2G license

Following the decision of the Court of Appeal of 22 September 2009, the initial decision of the BIPT (Belgian Postal and Telecommunications Services Institute) not to tacitly renew the 2G licence of Mobistar was canceled. The license was therefore renewed for five years, until November 2015.

The possibility of establishing a fee for the modernisation of the 2G licenses was introduced by a law of 15 March 2010. The amount of this fee would attain around 15 million euros per year over a period of five years. Mobistar, Belgacom Mobile and KPN Group Belgium challenged this law before the Constitutional Court for violating the principle of non-retroactivity of laws. A decision of the Court can be expected by the end of 2011 or early 2012.



## ■ Fourth mobile telephony operator and 4G license

Initially scheduled for 2010, the auctions of the fourth 3G license and of the 4G licenses have recently been announced for June and October of 2011 respectively. The auctions for the 4G licenses will be open to all existing mobile telephony operators.

## ■ Mobile Termination rates (MTR)

On 30 June 2009, the Court of Appeal canceled the decisions of the BIPT concerning the level of mobile termination rates (MTRs), taken in August 2006 and December 2007. On 10 August 2010, the BIPT adopted new rates with retroactive effect for the period 2006-2010, which in practice effectively reconfirm the previous rates.

However, in its decision of 29 June 2010, the BIPT decreed a new rate schedule for the period 2010-2013, basing itself on the long-run average incremental costs (LRAIC model). Concretely, the rates will progressively decrease to reach a symmetrical level of 1.08 eurocent/min as of 1 January 2013. KPN Group Belgium and Mobistar filed an appeal with the Court of Appeal seeking to have this decision suspended and set aside.

## ■ European regulation on roaming services

In 2010, new reductions in the rates for roaming services were introduced on both the retail market (voice, SMS) and wholesale market (voice, SMS and data) levels, in conformity with the European regulation. Additional transparency mechanisms were implemented in order to avoid bill chocs.

In December 2010, the European Commission launched a consultation on revision of the roaming services regulation with a view to improving competition in this market. The revised regulation should enter into effect in mid-2012.

## ■ Regulation on broadband and cable markets

In December 2010, the BIPT submitted for consultation its draft decision concerning the analysis of the broadband markets (markets 4 and 5). Similarly, the four media regulators (BIPT, CSA, Medienrat, VRM) launched consultations in their respective areas of competence on their plans to impose access and resale obligations on the cable operators. In both cases, a decision is expected during the course of 2011.

## ■ Abuse of dominant position by the Belgacom group

Following a judgement of the Commercial Court of Brussels confirming the dominant position of Belgacom Mobile between 1999 and 2004, a preliminary report of the experts (October 2009) had estimated the loss sustained by Mobistar and KPN Group Belgium to be 1.18 billion euros. A second interim report (December 2010) confirmed the abuses and estimated the damages of Mobistar and KPN Group Belgium at 1.84 billion euros. The final report will be sent on 15 April 2011 to the Commercial Court, which should then render its judgement.

In another case of abuse of dominant position for the period between 2005 and 2008, the Competition Council imposed a fine of 66 million euros on Belgacom Mobile in May 2009. Mobistar filed an appeal and asked that this decision be set aside because it had ignored the other charges (abuse in the loyalty discounts and discrimination between on-net and off-net calls). Mobistar also began a damages action before the Commercial Court for the harm it had sustained. The latter action is suspended while awaiting the adoption of a final decision by the Court of Appeal on the abuses during the 1999 to 2004 period.

Finally, Mobistar, acting together with KPN Group Belgium, had filed a complaint in April 2009 with the European Commission against Belgacom for abuse of dominant position on the broadband market. This complaint was ultimately withdrawn and reintroduced before the Belgian Competition Council on 22 March 2010. The investigation is on-going.

## ■ Law on social tariffs

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. On 27 January 2011 the Constitutional Court decided to annul the concerned articles of the law of 25 April 2007. This case is now closed. Remains a legal action before the Council of State, asking for annulment of some articles of the Royal Decree of 20 July 2006.

## ■ Regulation of the electromagnetic wave emission standards

The regulatory landscape of the three Regions stabilised in 2010.

In the Brussels-Capital Region, at the end of 2009, the government published two implementing orders for the ordinance of March 2007, which sets a cumulative standard of at most 3 volts/metre for all emission sources, except for radio and television signals. However, the application of the ordinance relating to the question of environmental permits was only possible as of 1 September, the date on which a Ministerial Decree was published validating a simulation tool intended for the calculation of the electrical field. Since then, all new masts must form the object of an environmental permit request. To respect the power of 3 volts/metre and compensate for the coverage reduction, a hundred new sites were initiated in Brussels.

In Wallonia, a decree dated 3 April 2009 imposes a maximum field of 3 volts/metre per mast, per technology and per operator. Installations of masts are subject to an environmental declaration. All of the technical files for masts were submitted by Mobistar to the Walloon supervisory agency, the ISSeP.

For its part, Flanders opted in mid-November 2010 for a combination of the earlier federal standard of 20.6 volts/metre applicable to the combined sources (radio, TV, Astrid, etc.) and 3 volts/metre per mast (depending on the frequency). All of the sites must be brought into conformity by December 2012.





# Mobistar's strategy

Confronted with a mobile telephony market which has reached full maturity, while at the same time being subject to intense regulatory pressure, Mobistar has endowed itself with the scope of a “sextuple player”, offering fixed and mobile telephony, Internet and television. It also draws profit from growth areas such as mobile data transmission or Machine-To-Machine applications.

## Policy of convergence and innovation

On both the residential market and the business market, Mobistar successfully continued its policy of convergence, based on innovations which are relevant for the customer.

The launch of Mobistar TV was very favourably received by the market, both for the wealth of its content and for its interactivity (organisation of programme offering according to the user's personal profile, possibility of unlimited recording thanks to a removable hard disk, the ability to use the iPhone as a remote control). New options will be launched in 2011, the first priority, alongside with a widget store, the app for Android, being video on demand. Digital television, to which today between 50 % and 60 % of Belgian households have access, offers an indisputable growth potential for Mobistar.

On the business market, the successful integration of KPN Belgium Business represents a considerable advantage for Mobistar. After receiving approval from the Competition Council to purchase the company, on 25 March 2010, the legal entity was renamed Mobistar Enterprise Services (MES). The entire offering of solutions for the business market of Mobistar and MES is now proposed under the Mobistar commercial brand. Besides the enrichment of its products portfolio, Mobistar has gained new competences - notably in fixed services -, taking over an optical fibre network which is 1,800 km long and two data centres, and integrating some 8,000 extra business customers.

## More than 4 million customers

In an extremely competitive market, the Mobistar group (including Orange Luxembourg and the MVNOs) passed the landmark of 4 million active mobile customers during 2010. The proportion of postpaid customers in the total customer base went from 60.6 % at the end of 2009 to 63.3 % at the end of 2010, i.e. a gain of 145,677 subscribers in one year.

Thanks to the proliferation of applications, the revenues generated by mobile data represented 32.2 % of the service revenues in 2010. The "mobile data" segment constitutes one of Mobistar's growth poles, as demonstrated by the increase in the number of users of Internet Everywhere and the spectacular rise in the number of active SIM cards in the Machine-To-Machine (MaTMa) segment. Thanks to its expertise in this area, Mobistar is positioning itself favourably within the framework of the Belgian eCall project. As of 2015 it will be obligatory to install this system, which automatically transfers emergency calls launched by a motorist in distress to the 112 alarm centre, into all new vehicles.

In 2010, Mobistar also surpassed the mark of 50,000 ADSL customers, thus confirming its ambitions in the fixed area.

## Strong growth of Orange Luxembourg

Orange Luxembourg also contributed to Mobistar's growth in 2010. As in Belgium, Orange Luxembourg has placed its emphasis on the value creation of the customer base, as a result of which the average revenue per user climbed to 39,72 euros, up 9.5 % compared with the previous year. The number of mobile telephony customers grew by 10 %, reaching 88,851 at the end of 2010.

The product portfolio of Orange Luxembourg was fleshed out, notably with the launch of a "bare" ADSL offering. The synergies between Mobistar and its Luxembourg subsidiary intensified in 2010, on both the commercial and technological levels. In November, Patrick Ittah was appointed managing director of Orange Luxembourg.

## Strategic alliances

Mobistar continued its strategy of forging alliances with strategic partners, generating added value and complementarity. In June, Mobistar signed a new MVNO contract

with Tellink, which enabled it to boost its market share in the SME segment. The agreement covers 65,000 SIM cards, which will progressively be transferred to the Mobistar network. Globally, the number of Mobistar's MVNO customers increased by 41.8 % within one year, to reach 456,114 customers at the end of 2010. In 2010, the products portfolio of Euphony, with which Mobistar concluded a partnership until 2015, was extended.

For the launch of Mobistar TV, Mobistar surrounded itself with many partners, experts in their respective fields of activity. From the launch of the project, it was notably associated with Sagem (for the set-top box) and Stream Group (for the TV platform).

## The first with Mobile HD Voice technology

Mobistar continued to invest in its mobile network so as to improve the telephone experience of its customers. Mobistar was the first operator in Belgium to implement Mobile HD Voice technology on its 3G network. This offers a better audio quality, thanks to the use of a wider spectrum of frequencies (from 50 to 7,000 Hz). To benefit from this technology, the customer needs a 3G compatible Mobile HD Voice handset. Mobistar customers enjoy this new service free of charge.

In 2011, Mobistar will expand its offering of Mobile HD Voice compatible handsets in order to be able to propose this innovation to a larger number of customers.

## Modernisation of the IT infrastructure

During the first quarter of 2010, Mobistar launched its IT modernisation programme, called Oxygen. This programme is intended to implement an integrated and convergent system, operating in real time, combining mobile and fixed, prepaid and postpaid, and this for the service to the clientele and the delivery service as well as for invoicing. Mobistar's objectives are to improve its customer services and the time-to-market.

## Conquests 2015: Mobistar's ambitions

In response to three major factors - an unprecedented social crisis in France, an ecosystem in full transformation, a tense competitive and regulatory environment -, the France Telecom Group, parent company of Mobistar, initiated the Conquests 2015 project, which simultaneously addresses its employees, its customers, its shareholders and, more broadly, the society in which the company is evolving.

Without affecting the structure of the Odyssey 2011 programmes, Mobistar translated the Group's ambitions into clear objectives. By 2015, it is seeking to:

- be recognised by its customers as the trusted partner capable of offering personalised telecom solutions;
- be perceived by the job market and its team members as the best ICT employer;
- be viewed by the community as a player which sustainably contributes to progress and environmental protection.

# Brand and marketing strategy

The launch of Mobistar TV strengthened Mobistar's profile as a "full convergent telecom operator". This is an important stage in the strategy for consolidating the brand, and one which will be further intensified in 2011 through actions focusing on the experience of customers.

## The Mobistar brand

The launch of Mobistar TV in October 2010 constituted an important step in the enrichment of the Mobistar brand, consolidating its profile as a "full convergent operator" on the national market. Having entered this market segment trailing in the wake of a number of competitors, Mobistar immediately succeeded in winning customers over thanks to a differentiated offering focused on wealth of content and a set of functionalities making it possible to personalise one's television experience.

The launch campaign, which extended over a period of three months, was very favourably received. It was preceded by an online competition ([www.regardezdemain.be](http://www.regardezdemain.be)) whose prize was a voyage into space. More than 130,000 internet users visited the site and 9,600 participated in the competition, which was won by a 19-year old Walloon student. This event made it possible to turn the spotlight on Starpack - the Mobistar TV launch offering - and to illustrate the technological choice of satellite, which is emerging as the access network of the future, thanks to its ability to deliver both HD and 3D.

A survey conducted in 2010 among Mobistar customers confirmed the solid basis of our brand and its credibility among consumers with regard to convergence. The ambition for 2011 is to further strengthen the Mobistar brand and to transform it into a "love brand" by putting even greater emphasis on the customer's experience.



## The Orange Luxembourg brand

The rebranding of VOXmobile to Orange made it possible to consolidate the positions of Orange Luxembourg as an all-round operator on the Luxembourg market. Its reputation on the business market has grown, notably due to cutting-edge offerings relating to international communications. Orange Luxembourg is the only mobile operator in the Grand Duchy to offer international calls in its Hello Europe tariff plans. In March 2010 it also launched an ADSL offering without fixed voice line.

## To the Antarctic...

In December 2010, Mobistar officially announced the partnership it has formed with Dixie Dansercoer and Sam Deltour within the framework of their Antarctic ICE expedition. From November 2011 to February 2012, this





duo will attempt to traverse 6,000 kilometres (in a totally ecological manner) in a still-unexplored area of the South Pole. Propelled by wind energy, they will not be emitting a single gram of CO<sub>2</sub>, which reflects Mobistar's own ambition of reducing its carbon footprint by 50 % between now and 2020.

The partnership between Mobistar and the two explorers goes beyond a simple financial commitment. It fits within the strategic programme for transforming the company and will kick off a series of major new challenges, both internal and external.

## Personnel development at the heart of the marketing strategy

The marketing campaigns implemented in 2010, both on the residential market and on the business market, reflect

Mobistar's determination to allow its customers to develop themselves thanks to high-quality, simple solutions which are relevant in terms of innovation.

In order to showcase the new applications that underlie the growth of mobile data communication, Mobistar launched a broad campaign in the traditional media in the spring of 2010, followed by a campaign in December. The emphasis was placed both on smartphones – whose sales increased sharply in the Mobistar Centers – and on laptops and mini-PCs.

In May, a campaign noted for its off-beat tone also accompanied the repositioning of the Tempo brand in the prepaid segment.

On the business market, the focus was placed on the "convergence of talents" via the media campaign that began on 24 November 2010 to announce the launch of "YOUR COMPANY & Mobistar", the new complete offering of convergent solutions for business customers. "People centric", this campaign highlighted the empathic and collaborative approach that Mobistar wants to develop with self-employed people, the liberal professions and companies.

## m.mobistar.be: a single portal to mobile Internet

Since December 2010, all Mobistar customers have had the same mobile Internet portal: m.mobistar.be. This new portal is more accessible, more personalisable and faster, with many new functionalities.

By entering his residence city and his date of birth, the user can receive custom-tailored information, such as the weather, the latest news (with Belga), the results of the most recent matches (with Sport.be), stock market prices, today's horos-cope or the latest Lottery drawing results... He has access to 22 TV channels, to trailers for the most recent films and to the "Best of web", a selection of the best-optimised sites for surfing on one's mobile phone. He can, in addition, synchronise his portal with the most popular social networks, as well as with the main e-mail platforms.

This launch led Mobistar to completely review its mobile advertising strategy, and to select a new advertising sales house: the Belgian company Beweb.

## Surrounding oneself with innovative partners

By forming strong partnerships, Mobistar is able to offer more complete solutions while reducing the time-to-market. This is true in the B2B segment, where Mobistar set up a network of external partners (TeleLinQ, Real Dolmen, Getronics, several mobile applications suppliers), but also in the B2C segment. Mobistar TV perfectly illustrates this approach to the market. To develop its television offering, Mobistar allied itself with Astra (satellite operator), Sagem (decoding equipment), Stream Group (interface and platform) and M7 (satellite aggregator). It also made use of the encryption method developed by Viaccess, a subsidiary of France Telecom.



## Distribution and customer services

In 2010, Mobistar continued its multi-channel distribution strategy. The operator was able to benefit from the contribution of the MES sales team in order to deploy its offerings more widely in the B2B market. Mobistar is thus able to propose a comprehensive offering of convergent services to all its customers on all of the markets.

## Consolidating the relationship of trust with the customer

In 2009, Mobistar Customer Service launched fifteen projects aimed at the improvement of its service to our clientele. In 2010, the operator decided to accentuate this policy even further by appointing Cristina Zanchi as its first Chief Customer Loyalty Officer. This new position fits perfectly into Mobistar's strategy, which seeks to establish and maintain a high-quality relationship of trust with its 4 million customers. Mobistar's ambition is to get to know its customers better, to accompany them and support them throughout their telecom experiences.

The quality of customer service improved in 2010. For example, Mobistar successfully launched a model of proactive contact with its business customers. For residential customers, a technical support dedicated to the television offering was introduced. However, the Mobistar Customer Service was occasionally confronted with accessibility problems. The underlying causes of this situation were identified, and structural measures were taken in order to remedy it in 2011.

Over the course of the past year, the Mobistar contact centers registered 3,222,130 incoming calls, 242,220 outgoing calls and 566,590 letters, faxes or e-mails.

## Multi-channel distribution strategy

With a market share in value of 38 %, Mobistar is the leader in the sales of mobile phones and smartphones sales. In 2010, Mobistar S.A. sold a total of 946,246 handsets, compared to 915,000 handsets in 2009, a growth of 3.4 %. The operator launched the iPhone 4 on July 30th, which gave added momentum to mobile data usage. The iPad 3G also enjoyed immediate success, thanks to the launch of specific iPad tariffs as soon as it was released. To support sales of mobile handsets and mobiles services generally, Mobistar continued its investments in its various distribution channels in 2010.

### ■ Mobistar Center

On 31 December 2010, the Mobistar Center chain had a total of 165 sales outlets, including 47 owned by Mobistar and 118 in franchise.

During the summer, the interiors of half the Mobistar Centers were renovated in order to favour a segmentation of the products that better corresponds to the needs of consumers. The new-style sales outlets also offer visitors a chance to test a range of handsets and to discover digital television, ADSL, and all of the possibilities offered by "mobile data", such as receiving e-mails on the mobile phone.

### ■ Online sales

Online sales of services continued to progress in 2010, increasing by more than 40 % compared with 2009.

Nearly 10 % of all commercial services are now performed via the site [www.mobistar.be](http://www.mobistar.be). This site receives an average of 2.4 million visitors per month, with peaks of 3 million visitors.

### ■ Open distribution

Mobistar distributes top-up cards via around 6,000 independent sales outlets. It is also developing its presence within major distribution channels. Thanks to agreements with MediaMarkt and Makro for the installation of store-in-store corners, Mobistar consultants can offer the full range of the operator's services to customers of these two chains. Mobistar also maintains privileged relations with chains such as The Phone House, Krëfel and Vanden Borre.

Mobistar has developed its collaboration with Euphony, both on the residential and the B2B markets. Euphony will also support the launch of the operator's television offering.

## Reorganisation of B2B sales

In 2010, all of the sales teams of MES (formerly KPN Business Belgium) joined those of Mobistar. This regrouping offered an occasion to organise sales on the business market in a new way. Henceforth, one team of sales representatives is dedicated to the "corporate" accounts while another focuses on the "large accounts" (in the business segment). The consolidation also made it possible to expand the knowledge of the sales teams about fixed products.

Sales of products for the SoHo segment (Small office-Home office) continued to develop in the Mobistar Centers in 2010 and will further intensify in 2011.

## Recruiting new talent

Together, all of Mobistar's projects made it possible to recruit in 2010 over one hundred new talents, for both the residential and the business markets.

## Tripling of electronic invoicing

In 2009, Mobistar launched the free Web Invoice service, which allows the operator to reduce its consumption of paper and the consumer to avoid the disadvantages that come with paper invoicing (archiving and recycling). On 31 December 2010, the number of residential customers who opted for electronic invoicing had tripled, rising from around 100,000 to more than 360,000.





# Residential market

In 2010, Mobistar continued to invest in a segmented approach to the residential market which, on the one hand, is evolving towards a “multiple play” approach while on the other hand, is constantly looking for innovative mobile Internet offerings on the other.

## The battle of convergent offerings

Major media campaigns focusing on convergence - Internet, telephony and television - were launched throughout the year 2010, making the competition between operators even more intense than it was in 2009.

Mobistar responded perfectly to the expectations of the market by launching the new Starpack in October 2010, which combines the Mobistar Digital TV offering (via satellite), an unlimited Internet connection at speeds reaching 16 Mbps, fixed and mobile telephony (with the Circle option making it possible to call family members free of charge) and the Mobile Internet Daily solution. The launch price was set at 55 euros per month, including the installation, the rent of the decoder and the Livebox modem. Sales figures for the last three months of 2010 exceeded the forecasts.

Mobistar TV offers access to content coming from multiple sources (including a number of social networks) and allows for permanent interactivity. Besides access to over 250 television and radio channels, Mobistar TV makes it possible to organise programmes according to one's personal profile and to record without limit, thanks to a removable hard disk – which can even be controlled remotely via a smartphone. New interactive services will be proposed during the first half of 2011, in particular video on demand.

With the marketing of the Starpack, a genuine “all in one” offering, Mobistar crossed the final threshold to becoming a fully convergent telecoms operator on the residential market.

## Postpaid constantly growing in the customer base

Because the mobile telephony market has now truly reached maturity, the weight of the prepaid segment (cards) is suffering slow erosion in favour of the postpaid (subscriptions) segment.

Capitalising on an attractive product portfolio and the privileged relationship that it maintains with its customers, Mobistar is the operator that is profiting most from this development. The proportion of subscribers in the total customer base rose from 60.6 % at the end of 2009 to 63.6 % on 31 December 2010. Moreover, the explosion in mobile data activations raised the average value of the subscriptions.

The Mobistar Circle option, launched in 2010, has proven to be a great success amongst postpaid customers. This option makes it possible to call and send text messages virtually without limit between members of a given circle (family and close friends), for a fixed charge of 6 euros per month.

Mobistar also launched MyWorld, a special tariff plan that incorporates within the fixed charge a certain volume of calls abroad: an ideal formula for expatriates or frequent travellers.

## Repositioning of the Tempo brand

In February, Mobistar launched Automatic Reload, a hybrid product combining characteristics of the prepaid formula and the postpaid formula, which makes it possible to top up automatically, on a monthly basis, the Tempo card, without any commitment over time.

In May, Mobistar repositioned TempoMusic via a media campaign with an off-beat tone. This campaign found a particular resonance amongst the younger public, which is the core target of the Tempo brand.

## Strong progression of mobile Internet

The mobile Internet segment represents an important growth axis on the Belgian market, which is why both the operators and the manufacturers of mobile phones adopted an offensive commercial strategy in 2010. In order to respond to the growing demands of customers for mobile data communication, Mobistar reviewed and expanded its portfolio of solutions for PC, mobile phone or iPad.

The Internet Everywhere offering (Internet access from any portable or desktop PC with a USB modem, from anywhere and at any time) was more extensively segmented, in order to better correspond to the different customer profiles. After the introduction, at the end of 2007, of Internet Everywhere Daily - a product which received strong approval from Mobistar customers - and of Internet Everywhere Max, during the course of 2010 Mobistar launched an intermediary offering at 15 euros per month for customers having more limited mobile Internet needs (downloading limited to 750 MB in Belgium). All formulas combined, Internet Everywhere (prepaid and postpaid), Business Everywhere

and iPad 15 and 25, had a total of 111,793 customers on 31 December 2010, an increase of 31.1 % year on year.

Mobile Internet bundles were incorporated into several mobile telephony tariff plans. Mobile Mail&Surf now comes in three variants - Basic, Relax and Max - as well as a formula without subscription (per session). Specific tariff plans are available for the iPhone, My30, My45 and My60 for iPhone.

Anticipating the commercial success of the iPad, launched on the Belgian market in July 2010, Mobistar also introduced two specific offerings for the iPad 3G, at 15 euros per month (data volume of 750 MB in Belgium) and 25 euros per month (1.5 GB in Belgium).

In addition, for all of its subscribers, the Tempo customers, Internet Everywhere and Internet Everywhere Ticket, Mobistar launched the solution Travel Data Daily, which makes it possible to surf and send e-mails abroad while achieving substantial savings compared to the standard tariff (2 euros per day for 2 MB in Europe). It also marketed Smart Data Traveller, a service which automatically blocks the consumption of data abroad as of a certain amount.

Via these multiple offerings, Mobistar is confirming its commitment to offer access to mobile multimedia services to more customers, whenever and wherever they wish.

## An expanded ADSL offering

In 2010, Mobistar expanded its portfolio of solutions in the field of fixed Internet and now offers three packs: Internet Basic, Internet Relax and Internet Max. Residential customers benefited from two major technological developments: increased speed (up to 16 Mbps) and the possibility of unlimited downloading via Internet Max.

This new portfolio responds to the needs and expectations of the various subgroups of customers, from the occasional surfer to the heavy user who downloads large quantities of music and films. Mobistar also offers Internet and fixed telephony packs.

The recasting of the ADSL offering was accompanied by a quality commitment vis-à-vis the customer, named Guarantee Zen. This is based on four postulates: transparent tariff, transparent activation, optimal quality and effective assistance. Mobistar's commitment to quality was received very favourably by both the customers and the distribution channels.

## Mobile payment on the De Lijn network

Since 16 December 2010, Mobistar customers can pay for their bus or tram travel with an SMS ticket. The last two weeks of the year served as a real-life test designed to identify and resolve any technical problems. The sale of SMS tickets by Mobistar has been launched on 1 January 2011.



# Business market

After the impacts triggered by the financial crisis on the business market, the latter regained a measure of stability in 2010. The take-over of KPN Belgium Business and its teams has bolstered Mobistar's position as a convergent player, profiling itself as a partner of choice for companies of every kind.

## Successful migration of MES

The acquisition of KPN Belgium Business - which has become Mobistar Enterprise Services (MES) - allowed Mobistar to strengthen its competitive position on the business market with more than 8,000 new customers and to offer a wider range of convergent products and services, particularly in the upper segment of the market. And the "cross-fertilisation" bore its fruits, because over the course of the last six months of 2010, major customers of the former KPN Belgium Business signed on with Mobistar for additional telecom services.

By integrating the 135 staff members of MES, Mobistar has gained human competencies and significantly beefed up its sales and marketing teams on the business market. The migration of the MES teams from Wemmel to Brussels will be completed by the end 2011, without having the slightest impact for the customers.

## Convergence of talents

In 2010, Mobistar continued its convergence strategy on the business market, something that is particularly important in the SoHo segment (Small office-Home office) where customers greatly appreciate the convenience of "one-stop shopping". The share of the average revenue per account generated by fixed activities - voice and data - grew significantly compared to 2009.

The complete offering of convergent solutions for business customers was brought together under the name 'YOUR COMPANY & Mobistar'. This rather symbolises the connection of people, teams, customers and suppliers than a regrouping of technologies, since Mobistar is focusing its business strategy on the convergence of talents.



## Growth of One Office Full Pack

Mobistar's convergent voice-data products recorded significant growth over the past year. One Office Voice Pack and One Office Full Pack, the convergent offerings that combine fixed and mobile, voice and data services at advantageous rates, continue to be successful. The number of business customers that opted for one of these solutions rose by 17.3 %, from 30,783 at the end of 2009 to 36,102 one year later.

One Office Full Pack today has 8 different offerings, responding by an adapted pricing to the specific needs of companies. New options were added in 2010. For example, the Office Zone Comfort formula - which had already made it possible from within the company to call a fixed number at an advantageous price from one's mobile phone - now offers the possibility of also calling international numbers (both fixed and mobile) at a tariff similar to the fixed voice tariffs.

In addition, the Cool Deals formula allows a business manager to offer advantageous conditions in the area of telephony to his employees and their families.

## A plethora of "mobile data" solutions

Various studies have highlighted the increased needs for mobile data transmission within companies and, at the same time, a lack of competition on the Belgian market. Since the penetration rate of smartphones is still relatively low in Belgium, considerable potential resides here.

To fulfil the expectations of the business market, Mobistar offers a complete range of solutions that can be implemented on tablets, laptops, notebooks and smartphones: Personal Information Management (management of e-mails, jobs, agenda, etc.), access to high-speed Internet, professional applications such as SFA (Sales Force Automation) or FFA (Field Force Automation) as well as wireless data transfer between machines (Machine-To-Machine). Thanks to a strategy of partnerships with cutting-edge players such as Mobile Token CodaSystem, Galateia and Mobila, Mobistar can play the flexibility card and offer its customers increasingly specialised applications.

## International recognition on the MaTMa market

As the International Competence Centre of France Telecom for Machine-To-Machine (MaTMa) solutions, Mobistar saw its expertise recognised worldwide in 2010. The department's teams were reinforced (around thirty people)

and major contracts were signed in Europe, the United States and Australia, in sectors ranging from health and automobiles to the manufacturing industry and "utilities". These contracts represent a total of 300,000 MaTMa cards to be supplied, of which 55,000 just for the Coyote company, which has developed an interactive fixed and mobile radar warning system for GPS, on the Benelux market. Basing itself on the international sales forces of its parent company, but also on external partners with a European or international dimension (suppliers of modems, IT integrators), Mobistar nearly doubled the number of MaTMa cards sold on the market, going from 130,000 active cards at the end of 2009 to some 250,000 one year later. From these cards, Mobistar reached the milestone of 190,000 active MaTMa cards in Belgium in 2010. It is thus capturing a market share of 70 % by volume and 70 % in value. The government of the Brussels-Capital Region recognised Mobistar as an "innovation centre" and awarded it a two-year subsidy to develop a portal making it possible to automate the activation of MaTMa cards. In January 2010, Mobistar signed a contract with Touring for MaTMa applications within the framework of the "Safe Drive" project.

An ever-increasing number of MaTMa applications are being developed in telematics, smart metering, health care and mobile payments. In the field of transport, since 2004 Mobistar has been equipping the locomotives of the SNCB, making them localisable and enabling them to "communicate". In June 2010, Mobistar signed the third extension of its contract with the SNCB holding company. The contract covers voice and data applications, both mobile and fixed. Six thousand SIM cards will be used to assure the monitoring and traceability of the fleet of locomotives; 16,500 other cards enable the voice traffic of all employees of the SNCB group, as well as the mobile data applications such as IBIS, the ticketing and payment service on board the trains.

## New mobile communication platform

In June 2010, Mobistar launched a new mobile communication platform for its business customers in the SME and corporate segments. Business customers can now consult their dedicated magazine (M) and their e-newsletters (MDirect) on their mobile phone in an adapted format. Mobistar today reaches more than 32,000 telecoms managers in the business segment. M Mobile was developed in collaboration with Walking Men and Cypres, two of Mobistar's communication partners.



# Network and operations

In 2010, Mobistar continued its strategy of investing in the network and successfully implemented a local experimental LTE network. In the first quarter, the IT infrastructure modernisation programme was launched, which seeks simultaneously to reduce costs and achieve greater effectiveness.

## Mobile telecommunications network

### ■ 2G and 3G networks

Over the past year, Mobistar continued to optimise its 2G\* network in order to even further reduce the number of interrupted calls. With an interrupted calls rate of 0.6 % at the end of 2010, Mobistar has positioned itself amongst the best operators in Europe. The 2G network covers virtually all of the country's population.

Mobistar has also pursued its strategy of developing its 3G network in urban centres, progressively expanding its coverage to medium-sized cities. At the end of 2010, the 3G/HSDPA network guaranteed coverage to more than 90.5 % of the population.

Mobistar's entire mobile telecommunication network had 5,123 sites on 31 December 2010, including 695 shared sites (with other operators). These sites correspond to a total of 15,369 cells. Mobistar also began implementing 4G compatible sites with a view to the auction of the 4G licences, which are based on the LTE standard (Long Term Evolution). This auction is planned for October 2011.

### ■ Management of the network

Within the framework of the partnership concluded with Ericsson for the management of its network, the efforts aimed at optimising the network's stability and reducing the response time necessary in case of incident were successfully continued. The Service Management Center (SMC) of Orange Luxembourg was modernised and integrated into Mobistar's SMC in Brussels so as to harmonise procedures. In 2011, Mobistar will continue its strategy of modernising its equipment for measuring and supervising the network.

### ■ New high-speed mobile generation

Mobistar made new investments in high-speed mobile applications in order to respond to the growing demands of its customers. The HSDPA+ technology, which is designed to progressively bring the data traffic from 7.2 Mbps to 14.4 Mbps, and then to 28.8 Mbps, was successfully tested. As of 2011, a number of cities will be equipped with this technology.

In addition, Mobistar implemented its experimental LTE network in the Evere-Diegem zone, after having received a test license from the BIPT. The first tests performed with specific 4G equipment already proved to be highly conclusive. By increasing the speed and the capacity of the

current mobile broadband network, Mobistar is giving itself the technical resources to evolve to the new high-speed mobile generation and thus to offer its customers Internet access of a quality similar to that of the fixed broadband network. However, Mobistar has not yet reached a decision about submitting an offer for one of the future 4G licenses. Orange Luxembourg followed the same technological evolution in 2010. Its LTE tests on an experimental network were also successful.

■ **Collaboration with KPN Group Belgium**

In 2010, Mobistar and KPN Group Belgium reaped the first fruits of the cooperation agreement signed in October 2009 to acquire and build new sites for their respective mobile telecommunication networks. This collaboration will be intensified in 2011.

**Technological investments**

■ **Backbone of the Belgian and Luxembourg network**

In 2010, Mobistar continued to modernise its core network in order to maximally fulfil the expectations of its customers.

The replacement of its core data network by a new Huawei infrastructure was successfully completed last year. Mobistar also finished installing the new-generation databases bringing together all of the information linked to the mobile numbers of postpaid customers and containing the positions of the mobile terminals on the network (HLR or Home Location Register). This was done without any negative impact on the customers.

The introduction of the new Huawei VoIP/IMS platform, which constituted the final stage in the homogenisation strategy of the Mobistar core network, continued in 2010 as planned and will be completed during the second quarter of 2011. This new-generation platform will make it possible to develop new services, notably LTE services.

For its part, Orange Luxembourg continued its technological investments, striving for a homogenisation of its equipment with that of Mobistar. This strategy will culminate in 2011 with the replacement of the Mobile Switching Center (MSC) by an MSC R4 from Huawei, like that used in Belgium.

■ **Regrouping and modernisation of the core sites**

After having migrated a part of its telecoms and IT equipment to the Bordet (Evere) core site, Mobistar in 2010 finalised the installation of a new site in Liège, as well as moving from its Luxembourg core site to the international hosting centre of Luxconnect (Luxembourg). The strategy of regrouping Mobistar's core sites was successfully completed on schedule. The modernisation of the secondary core sites, initiated in 2009, will be completed in 2011.

■ **Single services platform**

In 2010, Mobistar finished installing a new, fully integrated services platform, replacing the old SMSC, MMSC, VMS and IVR services platforms in both Belgium and Luxembourg.

From the start of 2011, Belgian and Luxembourg customers will be benefiting from this major technological evolution. The new services offered include Visual Voicemail

(VVM), which enables users to directly access their voice-mail without any longer having to go through the operator. Mobistar is the first operator to launch this service in Belgium. Available first on iPhone, it will progressively be made accessible on all smartphones.

■ **Transmission network**

In 2010, Mobistar continued to invest in the modernisation of its transmission network. After the deployment of a national network of new-generation optical fibres in Belgium and Luxembourg, Mobistar deployed this new infrastructure on the regional level and proceeded with the interconnection of the Belgian and Luxembourg networks.

At the same time, Mobistar deployed its network of new-generation microwave links. This Mobistar network reached a total number of 1,000 links in Belgium and Luxembourg at the end of 2010. The investments will be continued in 2011 in order to attain the objective of 1,500 links as quickly as possible. Simultaneously, this network will be entirely "upgraded" into an IP network in order to significantly improve the "mobile data" services.

Continuing the installation of its own IP-type DSLAMs (Digital Subscriber Line Access Multiplexers) in the Belgacom collocation centers, Mobistar will pass an important milestone in 2011 with the integration of the optical fibre network of Mobistar Enterprise Services (MES). This operation will make it possible to begin the migration of the ADSL customers of MES to the new IP DSLAMs.

Alongside the technologies in place (microwave links and DSLAM) aimed at connecting its radio sites, Mobistar is planning to massively connect its sites via its own optical fibres. Its objective is to have 800 sites connected by 2013.

**Oxygen 2011**

The ambitious programme of transforming Mobistar's organisation (Oxygen 2011 project) requires a modernisation of the IT infrastructure. The choice fell on a "best of suite" formula, i.e. a suite of integrated applications replacing the multiple existing applications. The partner selected is Comverse, whose solution began to be deployed in 2010.

The central database being introduced will make it possible for Mobistar's staff, customers and partners to dispose of all useful information in real time. Via Oxygen 2011, Mobistar is endowing itself with the IT technology that will enable it to keep playing a major role on the telecoms market.

\* For the definition of the technical terms, please consult the Glossary on page 30



# Human resources

Bringing the Mobistar staff together in the Sirius Building in Evere (Brussels-Capital Region) led to important changes in the work organisation. It also represents an important stage in Mobistar's sustainable development strategy. This new culture is being introduced while Mobistar is expanding its personnel in order to keep up with the development of its activities.

## Significant resumption of recruitments

On 31 December 2010, Mobistar employed 1,585 persons. After 2009, a year which saw the workforce stabilise, 2010 saw a very substantial resumption of recruiting, with a positive net balance of 9.3 % at the end of the financial year. The Mobistar Centers and Customer Service garnered the largest number of new employees. The workforce also doubled in the Machine-To-Machine (MaTMa) department, which is undergoing rapid development in Belgium and on the international stage. Mobistar will maintain an active policy of recruiting dynamic profiles in 2011.

In 2010, Mobistar also integrated the staff of KPN Belgium Business (today MES), thus giving itself complementary competences, primarily in fixed services. The acquisition of KPN Belgium Business, finalised in April 2010, made possible an enriching synergy of two different corporate cultures.

## New working environment

Over the course of 2010, the teams of Mobistar progressively installed themselves in the company's new headquarters in Evere (Brussels-Capital Region). The MES sales forces joined them there in July 2010; the rest of the MES staff will leave Wemmel for Evere in 2011.

This new environment entailed important changes in work habits, which are meant to reflect the "mobility experience" promoted by Mobistar on the commercial level. The "flex desk" policy - shared offices coupled with a teleworking policy - applies to 85 % of the team members. To maintain this dynamic, the human resources management implemented new communication tools aimed at facilitating communications between people (SharePoints, webcams, internal messaging system, etc.). Project-based working also favours the fluid movement of team members from one department to

the other, in accordance with the needs of their missions. Training sessions were organised in 2010 to ensure optimal integration of these new tools and working methods.

At the end of 2010, some 600 employees of Mobistar switched over to teleworking, either on a contractual or an occasional basis, which is in line with the objectives.

## "Greener" mobility

For several years now Mobistar has been developing an ambitious mobility policy. This is regarded within a global perspective, taking into account the flexibility offered to the team members, but also from the ecological and economic points of view. This policy implies the deployment of a programme with variable dimensions, including teleworking, public transportation, carpooling, two-wheeled vehicles





and company cars. The first electric cars, intended for use by team members when they travel within Brussels, will be delivered in 2011.

This proactive policy enabled Mobistar to win second place for the Fleet Green Award 2010, a trophy awarded by MMM Business Media to recognise companies or administrations that apply a fleet policy which respects the environment and successfully harmonises ecological values and economic interests.

### Sustainable development strategy

In 2010, Mobistar deepened and structured its approach to social responsibility and defined its commitments with regard to the four pillars on which its strategy is founded: its employees, its customers, the company and the planet.

These commitments are rendered specific through a series of actions and evaluated using performance indicators.

Installing all of Mobistar's teams in the Sirius Building generates substantial cost savings on transport and logistics. It also represents an important stage in Mobistar's overall sustainable development strategy. That strategy strives to cut the company's carbon footprint in half between now and 2020.

For the first time in 2010, Mobistar's CSR (Corporate Social Responsibility) policy forms the object of a separate report which is joined to this annual report.

### Improving Mobistar's image as an employer

In 2010, the HR management undertook a searching process of working on the new image strategy of Mobistar as an employer. Several working groups were given the task of consolidating the information and defining action plans in different areas: working environment, skills development, corporate social responsibility, communication vis-à-vis the job market, recognising talents within the company. The strategy introduced as of 2011 is intended to profile Mobistar as "the best ICT employer" by the year 2015.

### Appointments to Mobistar's Executive Committee and at Orange Luxembourg

In March 2010, Hendrik Fostier was appointed Chief Business Transformation Officer, thus joining the Executive Committee of Mobistar. He was entrusted with the direction of the Oxygen 2011 project, whose objective is to modernise the IT infrastructure. Hendrik Fostier began his career at Mobistar in 2000 and became Deputy Chief Technical Officer in 2008.

In October, Cristina Zanchi also joined the Executive Committee as Chief Customer Loyalty Officer, a new position within the company's management. This appointment reflects Mobistar's determination to differentiate itself from the competition by providing its customers "best in class" services. Of Italian nationality, Cristina Zanchi held the position of Director Marketing & Strategy - Payment & Loyalty in Shell's Amsterdam headquarters since 2006. Between 2002 and 2006, she was Director Loyalty & CRM of the Air France-KLM group.

Finally, on 15 November, Patrick Ittah took charge of the general management of Orange Luxembourg. This Frenchman residing in the Grand Duchy had directed the Luxembourg subsidiary of Dimension Data for eleven years and he has an excellent knowledge of the telecoms market.

# Management and control

## The Board of Directors

<b>Jan Steyaert</b>	Chairman
<b>Benoit Scheen</b> (2)	Director
<b>Christina von Wackerbarth</b> (3)	Independent director
<b>Sparaxis</b> (3) (4)	Independent director
<b>Eric Dekeuleneer</b> (3)	Independent director
<b>Philippe Delaunois</b> (3)	Independent director
<b>Bertrand du Boucher</b> (1)	Director
<b>Olaf Swantee</b> (1)	Director
<b>Brigitte Bourgoïn</b> (1)	Director
<b>Nathalie Clere</b> (1) (6)	Director
<b>Gérard Ries</b> (1) (7)	Director
<b>Wirefree Services Belgium</b> (1) (5)	Director

## The Audit Committee

<b>Eric Dekeuleneer</b>	Chairman
<b>Philippe Delaunois</b>	
<b>Bertrand du Boucher</b>	
<b>Gervais Pellissier</b>	
<b>Sparaxis</b>	

## The Remuneration and Nomination Committee

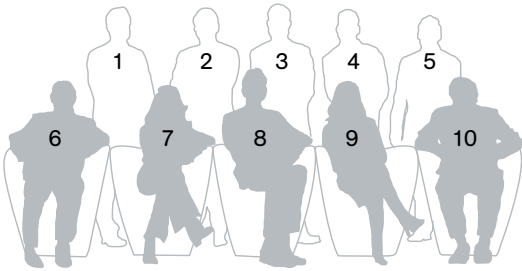
<b>Olaf Swantee</b>	Chairman
<b>Jan Steyaert</b>	
<b>Eric Dekeuleneer</b>	
<b>Philippe Delaunois</b>	

## The Strategic Committee

<b>Jan Steyaert</b>	Chairman
<b>Brigitte Bourgoïn</b>	
<b>Nathalie Clere</b>	
<b>Philippe Delaunois</b>	
<b>Sparaxis</b>	
<b>Bertrand du Boucher</b>	

## The Governance Supervisory Committee

<b>Eric Dekeuleneer</b>	Chairman
<b>Jan Steyaert</b>	
<b>Brigitte Bourgoïn</b>	
<b>Wirefree Services Belgium</b>	







### Executive committee

1	<b>Pascal Koster</b>	Chief Technology Officer
2	<b>Paul-Marie Dessart</b>	General Secretary
3	<b>Olivier Ysewijn</b>	Chief Strategy Officer
4	<b>Paul Baeck</b>	Chief Commercial Officer
5	<b>Werner De Laet</b>	Chief Financial Officer
6	<b>Stephane Beauduin</b>	Chief Marketing Officer
7	<b>Anne Cambier</b>	Chief Procurement & Process Officer
8	<b>Benoit Scheen</b>	Chief Executive Officer
9	<b>Cristina Zanchi</b> (8)	Chief Customer Loyalty Officer
10	<b>Hendrik Fostier</b> (9)	Chief Business Transformation Officer

(1) Directors representing the majority shareholder (Atlas Services Belgium).  
 (2) Director responsible for day-to-day management.  
 (3) The independent directors have signed a declaration stating that they will observe the independence criteria set out in article 524 §4 of the Companies Code.  
 (4) The company Sparaxis is linked to SRIW (Société Régionale d'Investissement de Wallonie) and is represented by Mr Eric Bauche (Advisor Executive Committee at SRIW).  
 (5) The company Wirefree Services Belgium is represented by Mr Aldo Cardoso (independent director of Orange SA).  
 (6) Mrs Nathalie Clere was co-opted by the board of directors on 10 February 2010 in replacement of Mr. Vincent Brunet, resigning on the same date. Her final appointment has been confirmed by the annual general meeting of 2010.  
 (7) Mr Gérard Ries was co-opted by the board of directors on 15 December 2010 in replacement of Mr. Gervais Pellissier, resigning on the same date. His final appointment will be proposed during the annual general meeting of 2011.  
 (8) On 21 October 2010, Cristina Zanchi has been appointed Chief Customer Loyalty Officer.  
 (9) On 1 March 2010, Hendrik Fostier has been appointed Chief Business Transformation Officer.



# Information to the shareholders

Mobistar maintains regular contacts with its shareholders via roadshows that are organised each year in the principal European and American financial centres. This is one of its commitments concerning good governance. In 2010, the gross total return of the Mobistar share – dividends included - attained 10.8 %.

## Corporate Governance

Ever since Mobistar was created, its Board of Directors has attached special importance to good governance. In 2009, it adopted the Belgian Code on Corporate Governance as a reference code (12 March 2009). Another illustration of this approach is the publication of the quarterly financial report, offering a wide range of key performance indicators (such as the customer base per type of product, the consumption, the average monthly revenues per user, the market share, etc.), as well as the detailed financial condition of each of Mobistar's sectors of activity.

This information is communicated to the press and during quarterly meetings with analysts as well as during half-yearly meetings with the press, and it can be accessed at any time via our site <http://corporate.mobistar.be>. Moreover, Mobistar maintains regular contacts with potential and existing shareholders via 25 roadshows that are organised each year in the principal European and American financial centres. In part thanks to this openness, Mobistar is actively followed by 26 sell-side analysts, of whom 28 % in the Benelux, 12 % in France and 60 % in the United Kingdom. Mobistar is convinced that this openness can only contribute to the full development of the worldwide reputation of the telecommunications company.

## Situation on the financial markets

2010 was a year of moderate growth for European shares, as shown by the increase of 2.6 % of the BEL20 in one year, which is partly explained by an underperformance of financial sector. The past year was also marked by strong pressures on the Member States of the European Union because of their high levels of debt. The massive aid to Greece, coming from all countries of the Union, led to a fall in the return on government bonds during the summer of 2010.

In this context, the Euro STOXX Telecom 600 Index (SXKP) recorded only 3 % growth in 2010. Under-performing during the first half of the year - a recurrent phenomenon for telecommunications shares -, the sector rebounded strongly in August 2010, in part supported by the weak yield of public securities, which made the high yields of telecom shares increasingly attractive, then went through another downward cycle due to the recovery of the price of shares and government bonds.

## Evolution of the Mobistar share price

The Mobistar share's performance tracked that of the index for the sector until the start of the month of February.





On 1 February, the Belgian regulator announced a drastic reduction in the MTR (mobile termination rates), causing the share to plunge -6.4 % on one day. From that time on the price was largely supported by the solid results for 2009, the announcement of a dividend of 4.55 euros per share, the announcement of the launch of a sextuple play offering for the residential market and the potential growth of the business segment following the green light for the acquisition of the activities of KPN Belgium Business.

This growth continued until the announcement of the first quarter results, after which the Mobistar share followed the downward movement of the sectoral index and the BEL20, to reach its lowest price of the year, at 40.04 euros per share, immediately after the distribution of the ordinary dividend in 2010. Subsequently, thanks to the defensive qualities of the share and the good results of the first half of the year, the Mobistar share price headed upwards. This trend was sustained thanks to a number of factors: distribution of the extraordinary dividend, new regulation of the VDSL network of the historical operator, launch of the Starpack, results of the third quarter higher than the analysts' forecasts. The Mobistar share price attained its highest level on 23 December, at 48.76 euros.

The share closed the year at 48.51 euros, which corresponds to a price increase of 1.3 % year on year. Taking account of the distribution of dividends, the gross total return attained 10.8 % (8.4 % net).

### Structure of the shareholding base

On 31 December 2010, the capital of Mobistar amounted to 109,200,000 euros, represented by 60,014,414 shares with voting rights.

Up to the present day, the reference shareholder, France Telecom SA, holds 52.91 % of the shares in circulation

via the intermediary of its 100 % subsidiary Atlas Services Belgium SA.

In conformity with the regulation on transparency (article 15 of the Law of 2 May 2007), concerning notification of the shareholders of companies listed on a regulated market, Mobistar makes the notifications that are to be given when the thresholds of 3 %, 5 % and multiples of 5 % are exceeded. Over the course of 2010, the following parties exceeded the 3 % notification threshold:

- MFS Investment Management (United States): 5.54 % (situation as of 28 January 2010);
- Blackrock Inc. (United States): 2.92 % (situation as of 20 January 2010).

### Dividends

For several years now, Mobistar's strategy has been oriented towards the creation of value via a consolidation of its position as a complete telecoms operator. This constant policy has made it possible for Mobistar to remunerate its shareholders since 2006 above market average, whether in the form of distribution of dividends, reduction of the capital or purchase of own shares.

In conformity with its decision of 8 February 2011, the Board of Directors of Mobistar decided to propose to the General Meeting of Shareholders of 4 May 2011 the distribution of a part of the profit for a total amount of 258,1 million euros. This distribution will be done in two tranches: the payment of an ordinary dividend of 2,90 euros per share on 20 May 2011 and the payment of an extraordinary dividend of 1,40 euros per share on 19 August 2011. This proposal is consistent with a policy of maximum payment of net profit.



# Glossary

## **2G**

Second generation of mobile telephony technology.

## **3G**

Third generation of mobile telephony technology, better known as UMTS.

## **4G**

Fourth generation of mobile telephony technology.

## **Active customers**

Sum of postpaid customers who receive a monthly invoice and of prepaid customers who have called or sent an SMS at least once during the last three months.

## **ADSL (Asymmetric Digital Subscriber Line)**

Technology which allows a high-speed digital connection and data transmission over a copper wire.

## **ARPU (Average Revenue Per User)**

Average revenue for telecom services generated per user and per month.

## **BEL20**

The acronym for the main share index of the stock exchange in Brussels, Belgium.

## **B2B**

Business-to-business; describes commerce transactions between businesses.

## **B2C**

Business-to-consumer; describes activities of businesses serving end consumers with products and/or services.

## **BSC (Base Station Controller)**

Network entity controlling a certain number of Base Transceiver Stations.

## **BTS (Base Transceiver Station)**

Basic element of the cellular mobile telephony network.

## **Carte SIM (Subscriber Identity Module)**

La carte SIM est une puce contenant un microcontrôleur et de la mémoire. Elle est utilisée en téléphonie mobile pour stocker les informations spécifiques à l'abonné d'un réseau mobile, en particulier pour les réseaux de type GSM ou UMTS.

## **Clients actifs**

Somme des clients postpaid qui reçoivent une facture mensuelle et des clients prepaid qui ont passé au minimum un appel ou envoyé un SMS au cours des trois derniers mois.

## **CRM (Customer Relationship Management)**

Strategy for managing a company's interactions with customers.

## **CSR (Corporate Social Responsibility)**

CSR is the contribution of a company or business to sustainable development issues.

## **DSLAM (Digital Subscriber Line Access Multiplexer)**

Multiplexer that assures a DSL service (such as ADSL or ADSL 2+) on telephone lines.

## **EDGE (Enhanced Data Rates for GSM Evolution)**

Technology for data transmission, an extension of GPRS.

## **GPRS (General Packet Radio Service)**

Mobile telecommunications system of the second generation, allowing data packets transmission, superior to GSM.

## **GPS (Global Positioning System)**

GPS is a geo localisation system operating at global level.



**GSM** (Global System for Mobile Communications)  
European norm of digital cellular telephony.

**HLR** (Home Location Register)  
Database that combines all useful information on the subscribers.

**HSDPA** (High Speed Downlink Packet Access)  
Telecommunication technology of the third generation for cellular telephones, sometimes called 3G+.

**HSUPA** (High Speed Uplink Packet Access)  
Telecommunication technology of the third generation for cellular telephones, sometimes called 3.75G or 3½G.

**IBPT** (Institut belge des services postaux et des télécommunications)  
A Belgian public agency whose mission is to regulate and control postal services and telecommunications.

**ICT** (Information and Communication Technologies)  
The ICT concept groups techniques used in processing and transmission of information, mainly information technology, internet and telecommunications.

**Interconnect**  
Link between at least two separately managed telecommunication networks, allowing the transfer or the transmission of traffic from one network segment to the other.

**IVR** (Interactive Voice Response)  
An interactive voice server.

**IP** (Internet Protocol)  
Part of the TCP/IP protocol family, a protocol used for data packets transmission. It is used for message transport over the internet.

**LTE** (Long Term Evolution)  
LTE is the fourth generation mobile telephony, the successor to 3G, also known as 4G.

**MaTMa** (Machine-To-Machine)  
Communication from machine to machine

**MMS** (Multimedia Messaging Service)  
Evolution of SMS, allowing the transmission of different multimedia contents, such as images, audio and video clips.

**MMSC** (Multimedia Message Service Center)  
Centre that manages the transfer of MMS between mobile phone users.

**Mobile Data**  
Wireless communication services comprising the transmission and/or reception of data, such as SMS, MMS, GPRS, EDGE, and HSDPA.

**Mobile Penetration Rate**  
Percentage of the total population owning a mobile telephone.

**MSC** (Mobile Switching Centre)  
Network switching centre for mobile telephony.

**MTR** (Mobile Terminating Rates)  
Rates charged by the GSM operator for ingoing communications from other companies' networks (fixed or mobile).

**MVNO** (Mobile Virtual Network Operator)  
Mobile services provider having agreements with Mobistar on reselling mobile rate plans.

**Roaming**  
Unique GSM service allowing users to call and to receive calls while they are situated outside the region served by their national operator, for instance while travelling abroad.

**Smartphone**  
A smartphone is a mobile phone that also has the functions of a PDA. It can also provide the functionality of calendar, web browsing, e-mail consultation, instant messaging, GPS, etc.

**SMS** (Short Messaging Service)  
Wireless service allowing the transmission of short text messages from and to a mobile phone.

**SMSC** (Short Message Service Center)  
Centre that manages the transfer of SMS between mobile phone users.

**SoHo** (Small office/Home office)  
Various small entrepreneurial activities and small business structures.

**UMTS** (Universal Mobile Telecommunication System)  
Mobile telecommunication service of the third generation allowing high-speed multimedia data transmission.

**VDSL** (Very High Bitrate Digital Subscriber Line)  
VDSL technology is based on the same technology as xDSL (VDSL signals are transported over a single copper pair, simultaneously and without interfering with voice calls); it can reach very high speeds.

**VMS** (Voice Messaging System)  
Computer system managing multiple voice mailboxes.

**VoIP** (Voice over Internet Protocol)  
Technology allowing the transmission of voice communications over the internet or other networks accepting TCP/IP protocols.



