MANAGEMENT REPORT FOR THE 2011 FINANCIAL YEAR

(consolidated and non-consolidated)

1. Corporate Governance Statement

1.1 Introduction

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

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

In 2011, 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 6 December 2011. This seventh version of the Corporate Governance Charter has entered into force on 1 January 2012 (http://corporate.mobistar.be/go/en/financial_information/corporate_governance.cf).

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

1.2 Relevant information as foreseen by the law of 20 May 2007 and the Royal Decree of 14 November 2007

On 31 December 2011, the shareholders' structure of the company was composed as follows:

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

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

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

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

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

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

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

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

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

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

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

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

On 31 December 2011, 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	66	Belgian	2014
Jean Marc Harion [(1) (2) (8)]	Executive director	CEO Mobistar	50	French	2012
Conseils Gestion Organisation [(3) (4)]	Independent director	Director of companies	NA	Belgian	2014
Eric Dekeuleneer [(3)]	Independent director	CEO Credibe CEO University Foundation	59	Belgian	2014
Johan Deschuyffeleer [(3)]	Independent director	Vice-president HP Technology Services	54	Belgian	2014
Société en Gestion, Conseil et Stratégie d'Entreprise [(3) (6)]	Independent director	Director of companies	NA	Belgian	2014
Geneviève André-Berliat [(1) (7)]	Director	VP Governance & Performance (FT)	56	French	2012
Benoit Scheen [(1)]	Director	EVP Europe (FT)	45	Belgian	2014
Brigitte Bourgoin [(1)]	Director	EVP Opérateurs France (FT)	58	French	2014
Bertrand du Boucher [(1)]	Director	VP Finance (FT)	58	French	2014
Gérard Ries [(1)]	Director	Directeur des Participations Internationales (FT)	57	French	2014
Wirefree Services Belgium [(1) (5)]	Director		NA	Belgian	2014

The Board of Directors meets at least four times a year. In 2011, the Board of Directors mainly discussed the following subjects:

- the company's strategy and structure;
- the budget and financing of the company;
- the operational and financial situation;
- the functioning and resolutions of the committees set up by the Board of Directors;
- the auctions for the 4G licence (Long-Term Evolution);
- the policy regarding the MVNO's;
- the big projects;
- the evolution of the regulatory framework.

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

The articles of 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	08/02	25/03	27/04	25/07	18/10	25/11	06/12
Jan Steyaert	P	P	P	P	P	P	P
Olaf Swantee	P	P	P	R	E	NA	NA
Sparaxis	P	P	P	NA	NA	NA	NA
Brigitte Bourgoin	P	P	E	P	E	E	P
Nathalie Clere	P	P	P	R	P	NA	NA
WSB	P	E	P	E	P	P	P
Eric Dekeuleneer	P	P	P	P	P	P	P
Philippe Delaunois	P	E	P	NA	NA	NA	NA
Conseils Gestion Organisation	NA	NA	NA	P	P	P	P
Bertrand du Boucher	P	R	P	P	P	P	P
Gérard Ries	P	E	P	P	P	P	P
Christina von Wackerbarth	P	P	P	NA	NA	NA	NA
Benoit Scheen	P	P	P	P	P	P	P
Johan Deschuyffeleer	NA	NA	NA	P	P	P	P
SOGESTRA	NA	NA	NA	P	R	P	P
Jean Marc Harion	NA	NA	NA	NA	NA	P	P
Geneviève André-Berliat	NA	NA	NA	NA	NA	P	P

P: present E: excused R: represented NA: not applicable to the person in question

(1) Directors who represent the majority shareholder (Atlas Services Belgium).
(2) Director in charge of the daily management since 1 December 2011.
(3) The independent directors have signed a declaration stating they comply with the criteria of independence mentioned in the Belgian Companies Code.
(4) The company Conseils Gestion Organisation is represented by Mr Philippe Delaunois.
(5) The company Wirefree Services Belgium is a wholly owned subsidiary of France Télécom and is represented by Mr Aldo Cardoso.
(6) The company Société en Gestion, Conseil et Stratégie d'Entreprise (SOGESTRA) is represented by Mrs Nadine Lemaître-Rozencweig.
(7) Mrs Geneviève André-Berliat was coopted by the Board of Directors on 18 October 2011 in replacement of Mrs Nathalie Clere. Her final appointment will be proposed during the General Shareholders' Meeting of 2012.
(8) Mr Jean Marc Harion was coopted by the Board of Directors on 18 October 2011 in replacement of Mr Olaf Swantee. His final appointment will be proposed during the Annual General Meeting of 2012.

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 2011, the Audit Committee consisted of five directors: Mr Eric Dekeuleneer (Chairman), the company Sparaxis (represented by Mr Eric Bauche), and Messrs Philippe Delaunois, Bertrand du Boucher and Gérard Ries. The mandate of Mr Philippe Delaunois came to an end at the General Assembly of May 2011. The company Conseils Gestion Organisation (represented by Mr Philippe Delaunois) was appointed in his place. The mandate of the company Sparaxis also expired during the General Assembly of May 2011 and has been replaced by the company Société en Gestion, Conseil et Stratégie d'Entreprise (SOGESTRA represented by Mrs Nadine Lemaître-Rozencweig).

The Audit Committee's mission is to assist the Board of Directors, among others, in its responsibilities with respect to the monitoring of the reporting process of the financial information disclosed by the company, the monitoring of the effectiveness of the internal control and risk management systems of the company, the monitoring of the internal audit and its effectiveness, the monitoring of the statutory audit of the financial reports, the review and the monitoring of the independence of the external auditor, the review of the budget proposals presented by the management and the monitoring of the financial relations between the company and its shareholders. The audit committee met six times in 2011.

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

Directors	07/02	26/04	19/07	17/10	25/11	05/12
Eric Dekeuleneer	P	P	P	P	P	P
SOGESTRA	NA	NA	NA	P	P	P
Sparaxis	P	P	NA	NA	NA	NA
Philippe Delaunois	P	P	NA	NA	NA	NA
Conseils Gestion Organisation	NA	NA	P	P	P	P
Bertrand du Boucher	P	P	P	P	P	P
Gérard Ries	P	P	P	P	P	P

P: present NA: not applicable to the person in question

The principal subjects which have been discussed within the Audit Committee in 2011 are the following:

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

> The Remuneration and Nomination Committee

In 2011, the Remuneration and Nomination Committee consisted of five directors: Messrs Olaf Swantee (Chairman), Eric Dekeuleneer, Philippe Delaunois and Jan Steyaert, and the company Société en Gestion, Conseil et Stratégie d'Entreprise (SOGESTRA). Mr Olaf Swantee has been replaced by Mr Benoit Scheen since 18 October 2011. The mandate of Mr Philippe Delaunois came to an end at the General Assembly of May 2011. The company Conseils Gestion Organisation (represented by Mr Philippe Delaunois) was appointed in his place. The company Société en Gestion, Conseil et Stratégie d'Entreprise, represented by Mrs Nadine Lemaître-Rozencweig, was also appointed.

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

In 2011, the Remuneration and Nomination Committee met three times. The independent directors also met 'informally' three additional times in September 2011 within the frame of the new CEO's appointment.

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

Directors	08/02	25/07	17/10
Olaf Swantee	P	E	P
Benoit Scheen	NA	NA	NA
Jan Steyaert	P	P	P
Eric Dekeuleneer	P	P	P
SOGESTRA	NA	P	P
Philippe Delaunois	P	NA	NA
Conseils Gestion Organisation	NA	P	P

P: present E: excused NA: not applicable to the person in question

In 2011, the Remuneration and Nomination Committee examined, among others, the remuneration of the members of the Executive Management and the remuneration policy of the company. The Remuneration and Nomination Committee also intervened in the selection of new directors as well as in the appointment of the new CEO.

> The Strategic Committee

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

In 2011, the Strategic Committee consisted of nine directors: Mr Jan Steyaert (Chairman), Mrs Brigitte Bourgoin, Mrs Nathalie Clere, Messrs Johan Deschuyffeleer, Olaf Swantee, Gérard Ries, Philippe Delaunois and Bertrand du Boucher, as well as the company Sparaxis (represented by Mr Eric Bauche). The company Conseils Gestion Organisation has taken over the mandate of Mr Philippe Delaunois after the General Assembly of 4 May 2011 while the mandate of the company Sparaxis has not been renewed. During the Board of Directors of 18 October 2011, Mr Olaf Swantee has been replaced by Mr Benoit Scheen and Mrs Nathalie Clere by Mrs Geneviève André-Berliat.

In 2011, the strategic committee met four times.

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

Directors	01/03	04/05	08/07	08/09
Jan Steyaert	P	P	P	P
Brigitte Bourgoin	P	P	E	P
Philippe Delaunois	P	NA	NA	NA
Conseils Gestion Organisation	NA	P	P	P
Bertrand du Boucher	P	P	P	R
Gérard Ries	NA	P	P	P
Olaf Swantee	E	E	E	R
Sparaxis	P	NA	NA	NA
Benoit Scheen	NA	NA	NA	NA
Nathalie Clere	P	P	P	P
Johan Deschuyffeleer	NA	P	P	P
Geneviève André-Berliat	NA	NA	NA	NA

P: present E: excused R: represented NA: not applicable to the person in question

In 2011, the Strategic Committee mainly dealt with the following subjects:

- the results of the company;
- the development and prospects of the company;
- the renewal of the IT systems;
- the convergence and new technologies;
- the new investments;
- the network replacement;
- the strategy regarding MVNO.

> The Governance Supervisory Committee

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

In 2011, the Governance Supervisory Committee consisted of five directors: Messrs Eric Dekeuleneer (Chairman) and Jan Steyaert, Mrs Geneviève André-Berliat and the companies Wirefree Services Belgium (represented by Mr Aldo Cardoso) and Conseils Gestion Organisation (represented by Mr Philippe Delaunois). In July 2011, Mrs Brigitte Bourgoin has been replaced by Mrs Nathalie Clere who has been replaced thereafter on 18 October 2011 by Mrs Geneviève André-Berliat.

In 2011, the Governance Supervisory Committee met once. All members of the Governance Supervisory Committee were present at the meeting of 6 December 2011.

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

Directors	06/12
Jan Steyaert	P
WSB	P
Eric Dekeuleneer	P
Conseils Gestion Organisation	P
Brigitte Bourgoin	NA
Nathalie Clere	NA
Geneviève André-Berliat	P

P: present NA: not applicable to the person in question

The subjects dealt with in 2011 were, among others, the update of the Corporate Governance Charter (for the approval of the Board of Directors), the evaluation of the committees, as well as the follow-up of the decision taken by the Board of Directors.

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

When replacing directors, one attempts as much as possible to appoint female candidates. Mrs Nadine Lemaître-Rozencweig (representative of the company SOGESTRA) replaced Mrs Christina von Wackerbarth during the General Assembly of 4 May 2011, and Mrs Geneviève André-Berliat replaced Mrs Nathalie Clere after her resignation on 18 October 2011.

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

1.5 Composition and operation of the Executive Management

Mr Benoit Scheen was appointed director as of 1 January 2008 and held the position of CEO till 31 August 2011. Mr Werner De Laet exercised the function of CEO ad interim till 1 December 2011, date of the arrival of the new CEO Mr Jean Marc Harion.

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

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

The Executive Management is composed of the following persons:

Benoit Scheen (Chief Executive Officer) till 31 August 2011
Jean Marc Harion (Chief Executive Officer) as from 1 December 2011
Pascal Koster (Chief Technology Officer and Chief Business Transformation Officer ad interim)
Stephane Beauduin (Chief Marketing Officer)
Paul-Marie Dessart (Secretary General)
Werner De Laet (Chief Financial Officer and Chief Executive Officer ad interim from 1 September 2011 till 30 November 2011)
Olivier Ysewijn (Chief Strategy Officer)
Anne Cambier (Chief Procurement and Process Officer)
Paul Baeck (Chief Commercial Officer)
Hendrik Fostier (Chief Business Transformation Officer) till 13 July 2011
Cristina Zanchi (Chief Customer Loyalty Officer)

1.6 Contractual relations with directors, managers and companies of the group

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

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

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

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

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

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

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

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

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

1.8 Information regarding the remuneration connected to shares

In 2011, 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 2012 Annual Shareholders' meeting.

Furthermore, the company has not received any notification from the members of the Board of Directors and/or the members of the Executive Management with respect to transactions in 2011.

1.9 Remuneration report

> Remuneration policy for the members of the Executive Management

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

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

A 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, telecom) which participate to it and with which the company can best be compared. The company systematically works with two wage surveys. The analysis of the annual reports of the companies of the BEL 20 is only used as an indication.

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

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

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

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

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

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

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

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

The wage elements requiring additional explanation are described below.

1. The yearly basis remuneration

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

It is based on the 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 variable remuneration is a key element in the remuneration policy of the company.

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

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

The variable remuneration comprises two parts:

- An individual part based on the evaluation of the relevant and neutral targets. An important part is based on the management qualities as well as on the personal implication in the transformation of the company.
- The collective part is based on the following financial indicators:
  1. The consolidated turnover
  2. The level of EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)
  3. The churn (proportion of customers leaving Mobistar in the course of the year compared with the average customer

base, excluding MVNO's and mobile broadband) for S1 2011 and the Net Promoter Score (NPS = percentage of customers who are promoters - percentage of customers who are detractors) for S2 2011

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

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

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

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

The variable part is evaluated and fixed every semester.

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

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

2.b. The Strategic Letter

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

The KPI's are mainly financial. Thus in 2011, three criteria are taken into account to determine the level of the payment:

1. Consolidated turnover
2. EBITDA margin
3. Postpaid churn including migration out (Mobistar only)

In case of a maximum positive evaluation, the amount granted to the members of the Executive Management 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 which are not connected to the company.

2.c. LTR 2011-2013

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

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

These options shall be blocked during one year.

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

3.a. Group insurance - additional pension plan

The additional pension plan is a plan with predefined contributions.

The acquired reserve consists of employers' and personal contributions.

The employers' contributions represent on an average basis 15 % of the yearly basis remuneration of the members of the Executive Management (CEO excluded).

3.c. Employee participation plan

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

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

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

> The detailed remuneration of the members of the Executive Management

CEO	2010	2011
- gross basis remuneration:	€ 340 000	€ 289 413
- gross variable remuneration in cash and/or options which are not connected to the company:	€ 727 079	€ 534 835
- other components of the remuneration: (excluding employers' contributions to the pension plan)	€ 19 731	€ 12 782
- risk insurance:	€ 12 252	€ 7 622
- other components:	€ 7 479	€ 5 160
- employers' contributions to the pension plan:	€ 64 575	€ 54 367
Total	**€ 1 151 385**	**€ 891 398**
Executive Management (except the CEO)		
- gross basis remuneration:	€ 1 419 637	€ 1 721 246
- gross variable remuneration in cash and/or options which are not connected to the company:	€ 1 892 278	€ 1 107 543
- other components of the remuneration: (excluding employers' contributions to the pension plan)	€ 98 014	€ 133 765
- risk insurance:	€ 38 066	€ 43 663
- other components:	€ 59 949	€ 90 102
- employers' contributions to the pension plan:	€ 219 990	€ 264 023
Total	**€ 3 629 920**	**€ 3 226 577**
Global total	**€ 4 781 305**	**€ 4 117 975**

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

The variable remuneration taken into account is the variable remuneration which has been actually paid out over the period concerned or, in the case of options which are not linked to the company, the options that were actually granted over the period concerned. The “Black & Scholes” formula is used for the valuation of the options.

The Executive Management (except the CEO) was composed of 8.5 full-time equivalents; Mr Hendrik Fostier is taken into account pro rata temporis.

The CEO is taken in consideration for 0.75 full-time equivalent; 8 months of work for Benoit Scheen and 1 month for Jean Marc Harion.

No share, option or any other right to acquire shares of the company have been granted, exercised or have expired in 2011.

> The remuneration policy for the directors

For 2011, the independent directors will receive a fixed annual remuneration of € 33,000 as well as an additional remuneration of € 2,200 per meeting of a statutory or ad hoc committee they have attended. These amounts have been determined on the basis of a benchmark realized on the BEL 20 companies. This remuneration will be paid (if necessary, pro rata) after the Annual General Meeting that approves the annual accounts of the financial year in question.

These directors are:

- Eric Dekeuleneer
- Philippe Delaunois
- Nadine Lemaître-Rozencweig
- Johan Deschuyffeleer

For 2011, the chairman of the Board of Directors, Mr Jan Steyaert, will receive a fixed annual remuneration of € 66,000 as well as an additional remuneration of € 2,200 per meeting of a Board of Directors' committee of which he is a member. As for the independent directors, these amounts have been determined on the basis of a benchmark realized on the BEL 20 companies. This remuneration will be paid (if necessary, pro rata) after the Annual General Meeting that approves the annual accounts of the financial year in question.

The following directors fulfil their mandate without remuneration:

- Olaf Swantee replaced by Jean Marc Harion [(1)]
- Brigitte Bourgoin
- Bertrand du Boucher
- Gérard Ries
- Wirefree Services Belgium (represented by Mr Aldo Cardoso)
- Nathalie Clere replaced by Geneviève André-Berliat
- Benoit Scheen

> The detailed remuneration of the directors

Directors	Fixed yearly remuneration	Audit Committee	Remuneration and Nomination Committee	Strategic Committee	Governance Supervisory Committee	Total
Jan Steyaert (chairman of the Board of Directors)	€ 66 000	€ 0	€ 6 600 + € 6 600	€ 8 800	€ 2 200	€ 90 200
Sparaxis (represented by Mr Eric Bauche) (independent director)	€ 11 000	€ 4 400	€ 0	€ 2 200	€ 0	€ 17 600
Philippe Delaunois (independent director)	€ 11 000	€ 4 400	€ 2 200	€ 0	€ 0	€ 17 600
Conseils Gestion Organisation (represented by Mr Philippe Delaunois) (independent director)	€ 22 000	€ 8 800	€ 4 400 + € 6 600	€ 8 800	€ 2 200	€ 52 800
Eric Dekeuleneer (independent director)	€ 33 000	€ 13 200	€ 6 600 + € 6 600	€ 0	€ 2 200	€ 61 600
Christina von Wackerbarth (independent director)	€ 11 000	€ 0	€ 0	€ 0	€ 0	€ 11 000
SOGESTRA (represented by Mrs Nadine Lemaître-Rozencweig) (independent director)	€ 22 000	€ 6 600	€ 4 400 + € 6 600	€ 0	€ 0	€ 39 600
Johan Deschuyffeleer (independent director)	€ 22 000	€ 0	€ 0	€ 6 600	€ 0	€ 28 600
Total	**€ 198 000**	**€ 37 400**	**€ 50 600**	**€ 26 400**	**€ 6 600**	**€ 319 000**

2. Description of the five components of the internal control environment

2.1 Control environment

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

The human resources management and the social responsibility of the company are described in the first part of the annual report, as are the management and control of the company. The functioning of the management bodies is detailed in the declaration of corporate governance contained in the second part of the annual report as well as in the company's articles of association. This corporate governance covers in particular the responsibilities of these bodies, their internal regulations as well as the main rules to be respected in the management of the company.

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

2.2 Risk management process

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

2.3 Control activities

Mobistar is ISO 9001-certified. All of its major processes and the controls that they encompass are formalised and published on the company´s intranet. As a result of belonging to the France Télécom group, Mobistar Governance and Mobistar Financial Reporting are subject to the American Sarbanes-Oxley legislation. The control activities are carried out in the first place by the functional or operational managers under

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

the supervision of their superiors. On top, the Sarbanes-Oxley framework is used for documenting the Financial Internal control of the most financially impacting activities. The whole documentation, including the Segregation of Duties matrices, is regularly reviewed and duly updated. Specific functions of assurance (i.e. “Fraud & Revenue Assurance”), compliance and audit (i.e. “GRC-A – Governance, Risk, Compliance - Audit”) have also been set up and the budget control covers not only the budget aspects, but also key performance indicators. Indeed, in order to ensure adequate financial planning and follow-up, a financial planning procedure describing the planning, the quantification, the implementation and the review of the budget in alignment with the periodical forecasts, is closely followed. This process consists of the following 6 steps:

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

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

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

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

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

2.4 Information and communication

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

An advanced electronic data processing and control processes (as described in point 2.3 above) make it possible to circulate reliable information in due course, in particular for the production of the financial reporting. The “Mobistar Advanced Reporting System” gives, via the intranet, personalised access to the relevant operational and management data.

The system for information concerning risks is described in point 2.2 above.

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

2.5 Monitoring

As indicated in point 2.2 above, in addition to the front-line control activities, specific functions of assurance, compliance and audit (i.e. “GRC-A – Governance, Risk, Compliance - Audit”) are in place in order to ensure a constant evaluation of the internal control system. The segregation of duties receives specific attention, in particular within the framework of compliance with the Sarbanes-Oxley provisions.

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

3. Key events 2011

3.1 Market developments

Market competition further intensified in 2011, with all operators seeking to acquire and retain customers in a context of market saturation. According to Mobistar’s estimates, the number of active SIM cards on the Belgian market has reached 114 % of the population by the end of 2011 to compare with 111 % at the end of 2010.

Mobistar ended the year with 4,105.4 thousand active mobile customers (including mobile broadband and MVNO's, excluding Luxembourg), which represents a 3.9 % increase year on year. Mobistar has maintained its position on the Belgian market, with a market share of 32.8 % and a value share of 35 %. These figures do not include the growth of "Machine-to-Machine" cards, which increased from 193 thousand at the end of 2010 to 417 thousand end of 2011.

The churn rate (the proportion of customers leaving Mobistar in the course of the year compared with the average customer base, excluding MVNO's and mobile broadband) increased from 22.1 % in 2010 to 22.7% in 2011.

The number of postpaid customers has reached 66.3 % of the total customer base at the end of 2011 (MVNO's excluded), as compared to 63.6 % in 2010.

The average traffic per customer continued to grow in 2011 (year on year Average Usage Per User (AUPU) excluding voicemail and visitor roaming + 6 %), mainly driven by SMS traffic. In parallel, mobile data traffic has increased with double-digit growth (+ 18 %), driven by increasing penetration of smartphones & mobile broadband enabled devices.

MVNO's (Mobile Virtual Network Operators) have maintained their market shares on niche segments (chiefly the ethnic segment). In the North of the country, Telenet pursues its aggressive commercial development on the mobile market.

3.2 Evolution of offers and services

Mobistar pursued its mobile & fix convergence strategy, centered around voice and data services (mobile and landline), as well as high definition satellite TV.

On the residential market, postpaid customers can choose, depending on their needs, between subscriptions from € 5 to € 99 per month. These offers include a standard number of voice minutes, SMS and in some cases data consumption, as well as the choice between additional advantages (additional minutes to all networks, SMS, extra data consumption, …).

For customers who wish to benefit from unlimited mobile communications to landline numbers in Belgium and cheaper calls to fix lines abroad, Mobistar proposes "AtHome" offers.

Mobistar also proposes since 2010 the "Circle" option, targeting mainly households, allowing several customers who share one single invoice to communicate between each other with unlimited voice and SMS. This option is available for all customers on request and is free of charge during the 24 months contract duration.

In April 2011, Mobistar launched with Red Bull a prepaid service "Red Bull Mobile", where customers are granted, for each reload of minimum € 10, 5,000 SMS and 600 voice minutes to other Red Bull Mobile customers, as well as mobile access to and content from the Red Bull internet portal.

In July 2011, Mobistar launched another commercial partnership for prepaid services "VT4 Mobile", conjointly with the Flemish TV channel VT4.

Mobile internet continued its rapid growth. Customers can access the web with high speed internet (99 % population outdoor coverage) using their mobile phone or laptop. Mobistar was the first operator to launch, in June 2011, shared bundles between a customer's smartphone and his/her laptop (as of € 15 per month). By the end of 2011, 134 thousand customers have chosen to benefit from mobile broadband connections.

Fix-mobile convergence remains the cornerstone of Mobistar's value strategy. 3P packs include digital TV, unlimited internet access and fix calls as well as free calls to the family mobile numbers. 4P customers are also granted, since May 2011, a lifetime 20 % reduction on their mobile subscription. Close to 35 thousand households were connected to Mobistar TV services by the end of 2011.

In the business market, Mobistar continues to position its commercial strategy around mobile-based convergent solutions.

"One Office Voice Pack" combines landline and mobile telephony for the business market. This offer, which was the first real convergence package for the SoHo and small business markets, associates competitive rates with very flexible conditions. The number of mobile cards benefitting from "One Office Voice Pack" continued to grow and reached 239 thousand cards at the end of 2011.

For the low-end business segment (SoHo and SMA), Mobistar proposes triple play offers ("One Office Full Pack") including mobile, fix voice and data over broadband access. By the end of 2011, over 6 thousand customers have chosen to subscribe to these offers (versus 4.3 thousand end of 2010).

In the small and medium business markets (SMA), the convergent product "Business Pack" addresses fix data and telephony needs via direct access line solutions (companies with several fix lines). By the end of 2011, 1.4 thousand customers were active.

In 2011, the double and triple play products have allowed to increase the rate of convergent cards from 45 % to 48 % in the mid and low business market segments (as % of the mobile ending base) representing 256 thousand mobile cards (versus 233 thousand cards end of 2010).

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

In the “Machine-to-Machine” (M2M) segment, Mobistar reinforced its number one position in the market. The number of “Machine-to-Machine” cards increased from 193 thousand at the end of 2010 to 417 thousand at the end of 2011. This growth is boosted by the international contracts registered via the International M2M Center (IMC), the France Télécom international center of competence, hosted by Mobistar.

MVNO partnerships continued to be successful in 2011 with Telenet and Lycamobile, the European leader in prepaid international traffic targeting ethnic communities. In November 2011, a new MVNO prepaid commercial offer was launched in partnership with the national distribution chain “Colruyt”. All this contributed to the growth of the MVNO customer base which stands at 589.8 thousand at the end of 2011 (+29.3 % yearly growth).

3.3 Distribution

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

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

End 2011, the chain of Mobistar Center included 165 shops. Forty-nine of these points of sale are owned stores (compared with 47 at the end of 2010). The Mobistar chain continued to extend its focus on customer service and loyalty, alongside the traditional commercial objectives.

In addition, Mobistar has launched a “traffic zone” concept in the Media Markt and Makro stores where Mobistar’s own sales force actively uses the shopping traffic of these stores.

Mobistar remains Euphony’s exclusive telecom supplier.

On the residential market, the web channel grew from 7 % to 8 % of commercial acts.

In the business market, the distribution is centered around our direct sales force, certified business agents and, to an increasing extent, the Mobistar Center (development of business corners).

3.4 Network development

In 2011, 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 upgraded 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 2011, UMTS coverage reached 97 % of the population, in compliance with the regulator’s imposed obligations. Mobistar is able to offer high speed mobile access over its entire network, thanks to the complementary nature of its EDGE and 3G networks, covering more than 99 % of the population.

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. The partnership has been renewed in 2011 for 5 additional years.

At the end of 2011, Mobistar’s network consists of 5,483 sites, including 730 shared sites. This represents 16,449 cells. In addition, Mobistar has deployed 1,100 microwave links.

The evolution towards NGN (Next Generation Network) continued in 2011 with the migration of the core packet network towards a highly scalable and redundant platform. The path towards full IP convergence continued at a sustained pace, with a series of investments in the areas of transmission networks, IN (Intelligent Network) and messaging to support fix growth and new services (e.g. quadruple play).

Mobistar launched in the second half of 2011 an ambitious network swap program that will extend over more than 2 years. Indeed, base station equipment is being migrated from Nortel to Huawei. The objective is to accelerate the 3G network roll-out (new equipment is also 4G compatible), while increasing in parallel the transmission capacity (from ATM to IP technology) and reducing network maintenance costs. Almost 500 sites were operationally swapped in 2011 (over 3.3 thousand sites will be swapped over the program period).

Mobistar has launched since March 2010 a disruptive project on IT and service platforms. The objective is to replace the existing IT systems for service delivery, billing and customer base management with a fully integrated, real-time, convergent system for postpaid and prepaid. This will allow to reduce our commercial “time to market” and to react faster whether to satisfy new customer needs or to counter competitive moves. This major project continued to progress in 2011 and will be pursued in 2012.

3.5 Pursuit of regulatory pressure

In its decision of 29 June 2010, the BIPT (Belgian Institute for Postal services and Telecommunications) imposed new mobile termination rates (MTR) based on a pure long run incremental cost model (LRIC). Tariffs will go down according to a glidepath to reach a symmetrical level of 1.08 c€/minute as of 1st January 2013. KPN Group Belgium and Mobistar have filed an appeal in suspension and in annulment against this decision. On 15 February 2011, the Court of Appeal rejected the suspension for lack of imminent and irreparable damage. A decision on the annulment proceedings is unlikely to be announced before the 2nd half of 2012. Awaiting any future decisions, the MTR decision applies. On 1 January 2012, the MTRs further decreased; from 3.83 c€/minute to 2.46 c€/minute for Belgacom Mobile, from 4.17 c€/minute to 2.62 c€/minute for Mobistar and from 4.76 c€/minute to 2.92 c€/minute for KPN Group Belgium.

In the area of international roaming tariffs, additional tariff decreases for retail (voice and SMS) and wholesale (voice, SMS and data) services were introduced in 2011 in line with the EU regulation and increased transparency mechanisms were implemented to prevent bill shocks. A new regulation to be adopted and implemented by 1 July 2012 is under discussion; most likely, further decreases of existing price caps, a new price cap for retail data services as well as structural measures to increase competitiveness in the international roaming market will be mandated.

Concerning the renewal of the 2G licence for 5 years until end 2015, the law of 15 March 2010 has foreseen a licence renewal fee of approximately € 15 million per year for the 5-years period. Belgacom Mobile, KPN Group Belgium and Mobistar challenged this law before the Constitutional Court on the basis that it is contrary to the non-retroactivity principle of laws (this law indeed retroactively changes the initially defined 2G licence renewal conditions). The Constitutional Court referred the case to the European Court of Justice for a preliminary ruling to the European Court of Justice mid-2011. A ruling is expected by early 2013 and afterwards the Constitutional Court can issue its final decision.

In November 2011, the BIPT has allocated 4G licences in the 2.5 and 2.6 GHz to Belgacom Mobile, BUCD, KPN Group Belgium and Mobistar. The usage rights related to this spectrum will be available for a period of 15 years as of 1 July 2012. Mobistar acquired 2x20 MHz FDD at the reserve price of € 20 million.

3.6 Mobistar Enterprise Services S.A.

Mobistar Enterprise Services S.A. (MES) is part of the Mobistar group since 1st April 2010. The synergies between both entities are obvious, especially in the professional markets (consolidate the portfolio as a convergent telecom player) and in the network domain (internalize and reduce cash out to other market players), and 2011 was the first year with a full effect of these synergies.

On the business side, by the end of 2011, all ex-KPN mobile customers have been migrated to Mobistar mobile solutions, representing 3 thousand mobile cards. On the fix voice market, MES has begun to migrate the high value customers to Mobistar convergent solutions (Mobile, fix and internet). All fix voice migrations will be finalized in 2012. Concerning fix data business, MES data portfolio is increasingly cross-sold to existing Mobistar customers.

On the network side, at the end of 2011, 200 dark fibers (1,258 km) were delivered, replacing Mobistar outsourced links by MES links. The interconnect link between Mobistar and MES was fully established by mid-2011, meaning that Mobistar can send national traffic via MES, while MES international traffic is conveyed via Mobistar, in both cases at lower termination rates than before.

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

3.7 Orange Communications Luxembourg S.A.

Mobile market shares have remained stable in 2011. The incumbent operator (EPT-Luxgsm) represents 49 %, the other 51 % are shared between Tango (37 %) and Orange Communications Luxembourg S.A. (14 %).

The customer base of Orange Communications Luxembourg S.A. continued to grow, reaching 99.2 thousand (11.7 % yearly increase). This growth is mainly driven by postpaid segments, both business and residential, which represented 78.9 % of the total customer base at the end of December 2010 and 79.8 % one year later. This confirms the long-lasting commercial impact of the rebranding of VOXmobile S.A. into Orange in October 2009). It also reflects an increase of iPhone sales which continue to boost subscriptions (37 % of total subscriptions). The average revenue per user rose by 4 % in one year, from € 47.7 at the end of December 2010 to € 49.8 one year later.

In 2011, Orange Communications Luxembourg S.A. further increased its commercial footprint on the market, by opening two additional shops (Mersch and Echternach) as well as a flagship in Luxembourg City and counts a total of 21 shops at the end of 2011.

In 2011, Orange Communications Luxembourg S.A. increased by 23 % its level of investments. Indeed, in June 2011, in accordance with the plans, the IT renewal was implemented for the billing and CRM tools of Orange Communications Luxembourg S.A. All customers were successfully migrated to the new platforms even if some issues, inherent to such a project, impacted negatively the customer invoicing (delays in invoices). But all operations are expected to be back to normal beginning 2012.

On the network side, 247 GSM 2G sites (of which 6 newly integrated in 2011) and 175 UMTS 3G sites are on air. All

Siemens 2G equipment has been swapped to Huawei in 2011. For microwaves, 130 links are now on air and most of them have been upgraded to IP.

The mobile termination rates (MTR) have remained unchanged in 2011. The Luxembourgian Regulator (ILR) has fixed MTR prices for the period from 2006 to 2008. They remained unchanged since then.

3.8 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.

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

The scope of consolidation includes Mobistar S.A., Mobistar Enterprise Services S.A. (hereafter MES), the Luxembourgian company, Orange Communications Luxembourg S.A. (hereafter OLU), and 50 % of the temporary joint venture 'Irisnet'.

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

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

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

4.1 Income statement

In 2011, the group recorded a consolidated net profit of € 221.0 million, a decrease of 16.2 % on the figure of € 263.6 million recorded in the previous year.

Consolidated turnover decreased by 0.4 % from € 1,664.6 million in 2010 to € 1,657.6 million in 2011. Service revenues decreased from € 1,523.5 million in 2010 to € 1,505.8 million in 2011. Revenue from the sale of equipment, in particular handsets, showed an increase of 26.8 % to € 151.8 million against € 141.1 million in 2010.

In 2011, the total consolidated customer base of the Mobistar group grew by 4.1 % to reach 4,204,656 customers, for a consolidated turnover of € 1,657.6 million (-0.4 % vs. 2010).

At the end of 2011, the number of active customers for mobile telephony (excluding MVNO's and OLU) reached 3,515,593 which is an increase of 0.6 % compared to the 3,494,407 active customers one year earlier. Mainly postpaid customers opted for Mobistar, so the share of subscribers in the customer base rose to 66.3 % at the end of 2011, compared to 63.6 % at the end of 2010.

The number of MVNO customers grew by 29.3 %, from 456,114 active customers at the end of December 2010 to 589,830 active customers at the end of December 2011 as a result of the success of Mobistar's MVNO partners, each in its segment, and the launch of a new partnership with 'Colruyt'.

Mobistar also recorded excellent results in the mobile internet segment. The number of customers for mobile internet on tablets and PCs (Internet Everywhere prepaid and postpaid and Business Everywhere, iPad 15 and 25) grew by 25.5 %, from 111,793 at the end of December 2010 to 140,296 at the end of the 2011 financial year. The growing number of postpaid customers with a mobile data bundle and the increasing use of mobile internet via tablets raised the share of mobile data in the service revenues. As a consequence, the share of mobile data in service revenues reached 37.1 % at the end of December 2011, compared with 32.3 % one year earlier.

Again in 2011, the pressure on prices and the lowering of the MTR (mobile terminating rates) and roaming tariffs caused a decrease in the ARPU of 5.5 % over one year, from € 31.26 per month per active customer to € 29.54.

Other operating revenue totalled € 42.0 million in 2011, compared with € 33.2 million in 2010. This revenue comes predominantly from the cross-charging of services provided to the France Télécom group and from information supplied to the judicial authorities.

Rigorous policy on expense control remained a focus for the group in 2011. This has allowed the group to maintain a controlled level of increase in the total operating expenses. These ones have been influenced mainly by the cost of equipment and goods sold (following the continued increase of handsets sales), payroll costs (related to the investments made in the sales department and the customer service in order to improve the customer relationship) and the depreciation (increased by the fact that the IT renewal and the network swap have generated an increase of the depreciation of fixed assets due to changes in useful life). Finally compared to previous year, some important claims needed to be accrued in 2011. These elements resulted in an increase of the group's operating expenses which went from € 1,319.8 million to € 1,359.9 million at the end of 2011.

Interconnection costs have slightly decreased by 4.8%. Note that in view of the changes of the operating segment information (see note 20), a reclassification from Cost of equipment and goods sold of € 34.6 million has been done on the figures as at 31 December 2010.

Costs of equipment and goods sold recorded an increase as a result of the growth in revenue from equipment sales, especially in the area of smartphones (€ 9.2 million), costs related to TV operations (as only 2 months of activities were included in 2010 compared to a full year in 2011) and the contribution of MES for site costs (€ 28.7 million in 2011 compared to € 25.8 million in 2010).

The cost of services and other goods slightly decreased by € 9.4 million reaching € 297.5 million. An important positive impact is related to the review of the provision for Universal Service compensation by € 12.5 million in light of the Court decision taken during the year. Professional fees include IT consultants and outsourced activities which have increased over the year. Maintenance related to IT has decreased. This decrease includes the impact of € 3.4 million received as specific discount negotiations.

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

The payroll costs have increased in line with the variance of team members. The average full-time equivalent number of employees increased from 1,677.1 in 2010 to 1,859.3 in 2011. The increase has been focused on the sales force and on the customer service in order to largely improve the customer experience.

Depreciations and amortizations on intangible and tangible assets increased by 11.5 %, from € 170.7 million at the end of 2010 to € 190.3 million in 2011. Due to important projects related to IT renewal and technical swap of technology, the useful life of the assets related has been reviewed and shortened in order to consider the expected decommissioning dates. This change has resulted in an increase of the depreciation for a total amount of € 12.4 million in 2011.

Other operating charges increased by € 1.9 million.

In 2011, finance income amounted to € 0.9 million, a small increase of € 0.3 million compared to the € 0.6 million recorded in 2010. Finance costs amounted to € 11.8 million in 2011, an increase compared to 2010 (€ 5.1 million) due to the negative effect of the cost of financing. These expenses have been largely influenced by the structure of the financing put in place at the end of 2010 (switch from short-term financing to long-term financing for the biggest part of Mobistar's debt) and to the general increase of interest level.

For the year 2011, the operator posted a net profit of € 221.0 million, a decrease of 16.2 % after a tax expense of € 107.9 million. The basic earnings per share as well as the diluted earnings per share decreased by 16.2 % to reach € 3.68.

The General Shareholders' Meeting held on 4 May 2011 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 € 1.40 per ordinary share on the results of the year 2010.

For the 2011 financial year, the Board of Directors will propose, at the General Shareholders' Meeting to be held on 2 May 2012, the distribution of a gross ordinary dividend of € 2.90 per ordinary share and a gross extraordinary dividend of € 0.80 per ordinary share.

4.2 Balance sheet

The consolidated balance sheet total was € 1,381.5 million at the end of 2011 which represents an increase of € 78.3 million compared with € 1,303.2 million recorded at the end of the previous financial year.

Non-current assets amounted to € 1,070.3 million at the end of 2011 compared with € 1,020.0 million at the end of 2010 and consisted of the following items:

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

  The goodwill's have been reviewed for impairment during the year. As the recoverable values exceeded the carrying amount at the end of the year, no impairment loss was recorded.
- Intangible assets, posting a net value of € 312.0 million at the end of 2011 compared with € 294.8 million at the end of 2010. The important increase (€ 17.2 million) is due to the acquisition of the 4G licence for an amount of € 20.0 million. The useful lives of intangible assets were reviewed during the year and remained unchanged as compared to 2010. The cost related to the 4G licence will be amortized as from usage and, due to the conditions of the acquisition, not before 1st July 2012. Values related to the licences are

as follows (respectively acquisition value, net book value at the end of the period, remaining amortization period):

  - o 2G (extension): € 74.4 million, € 58.3 million, 47 months;
  - o 3G: € 149.0 million, € 86.6 million, 111 months;
  - o 4G: € 20.0 million, € 20.0 million, 5 years as from start of use.

- Tangible assets of € 666.0 million at the end of the 2011 financial year to be compared with € 635.9 million recorded at the end of the 2010 financial year. During 2011, accelerated depreciation due to a change in useful life on tangible and intangible assets has been recognised for an amount of € 12,437 thousand (€ 9,662 thousand in 2010) and shown as expense on the line 'Depreciation, amortisation and impairment' in the income statement. The changes recognised during the year have been determined on individual asset basis in order to consider technology evolution or IT renewal project related to software. Obsolescence, dismantling or losses are also considered in the exercise, however not material during the year.
- Other non-current assets decreased from € 7.5 million at the end of 2010 to € 5.8 million at the end of 2011. They are mainly related to long-term advances to specific partners. The decrease corresponds to the transfer in short-term receivables of the part maturing in 2012. The group has no investment in associated companies.
- Net deferred tax assets, relating essentially to investments tax credits, to the temporary differences resulting from the consideration of borrowing costs and the development costs for intranet sites, to the income related to the free minutes of traffic granted to subscribed customers and to the dismantling assets depreciation, as well as the integration of losses carried forward from OLU and from MES, amounted to € 6.4 million at the end of 2011, against € 1.7 million at the end of the previous year, an increase essentially due to the considerations of the carry forward loss of MES (€ 3.9 million) booked at the finalization of the purchase price.

Current assets increased year to year, going from a total of € 283.2 million at the end of 2010 to € 311.2 million at the end of 2011. They consist of the following items:

- Inventories of goods, amounting to € 16.5 million at the end of 2011, compared to € 10.3 million at the end of 2010.
- Trade receivables, amounting to € 225.3 million at the end of 2011, compared with € 205.9 million at the end of 2010. Two main effects have influenced this evolution:
  - o Deterioration of the payment quality of the end customer regarding the 'Service Revenue'. Today more delays in payments are noted, requiring more cash collection efforts and impacting the bad debt provision as described below. This slow-down in the cash collection has created an increase of the receivable of € 11.0 million. This negative effect has been partially compensated by better performance in cash collections related to the other revenue streams (partners, intercompany, interconnect and roaming) for an amount of € 7.2 million.
  - o Technical issues that have been encountered in the implementation of the billing software in OLU, generating delay in issuing the invoices and by extension delay in cash collection have had an impact estimated around € 9.5 million.

  The rest of the increase is due to timing differences around the closing date regarding re-invoicing of operations, credit notes receptions and the settlement of old amount outstanding. The company is not dependent from major customers' situation, none representing more than 10 % of the company's turnover. The customers risk is spread over more than 4 million customers.
- Other current assets and accrued revenues, increasing from € 54.0 million at the end of 2010 to € 62.3 million at the end of 2011.
- Cash and cash equivalents amounting to € 7.1 million at the end of 2011, a decrease of € 5.9 million since the end of the 2010 financial year. The cash flow statement gives details of the flows that gave rise to this trend.

Equity decreased by € 37.2 million during the 2011 financial year, from € 431.2 million to € 394.0 million:

- In total, the share capital and share premium remained at € 131.7 million.
- The legal reserve corresponds to 10 % of the share capital.
- The evolution of retained earnings, decreasing from € 286.3 million to € 249.1 million, is the result of the net profit of the period (€ 221.0 million), payment of the 2010 dividend (€ 258.1 million) and costs of equity transactions and other equity transactions (€ 0.1 million).

Non-current liabilities consist of:

- loans payable after more than one year (€ 293.2 million in 2011 against € 267.9 in 2010), these amounts correspond to the use of the credit facility granted by the France Télécom group. The company signed in 2010 a new long-term credit facility for an amount of € 450 million for a period of 5 years at Euribor + 65 Bps;
- long-term provisions intended to cover litigations (€ 14.2 million in 2011 against € 5.1 million in 2010) mainly impacted by the consideration of a provision for onerous contracts;
- costs of dismantling network sites and refurbishing of rented buildings (€ 47.4 million in 2011 against € 13.5 million in 2010). Up to 2010, the provision was measured based on the known term of the existing rental contracts but with a high probability of renewal upon each renewal date. In 2011, the duration of the rental contracts has been capped to 15 years, which is considered to be equivalent to a dismantling plan spread over a period close to 30 years. This change,

combined to the review of the discount rate to consider the same period of time (15 years), has had an impact on the provision and the dismantling asset of € 32.0 million;
- amount payable over one year related to the renewal of the 2G licence, as the company has opted for the deferred payment approach (€ 43.2 million end 2010, € 28.3 million end 2011);
- deferred taxes liabilities for € 1.2 million (2011).

Current liabilities increased by € 62.6 million, going from € 540.6 million at the end of 2010 to € 603.2 million at the end of 2011:

- Short-term borrowing decreased by € 14.5 million to € 18.4 million at the end of 2011.
- Outstanding trade payables recorded an increase of € 36.7 million at the end of the year. This increase is due to the inclusion of the 4G licence debt (€ 19,020 thousand), local and regional taxes on pylons (€ 7,804 thousand) and other timing related impacts on credit notes to issue, mainly in roaming, and invoices to receive.
- Liabilities resulting from employee benefits increased by € 1.5 million, going from € 31.4 million at the end of 2010 to € 32.9 million at the end of 2011.Variation of corporate tax payable is due to the fact that the 2010 taxes have not been paid during 2011 for the remaining part. Prepayments of taxes for 2011 remain at comparable level of 2010.
- 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. Increase comes essentially from the change in the tariff plans' structure in the portfolio. The share of the tariff plans with higher upfront has increased during the year 2011 generating a higher level of unused amounts. Impact of these changes can be estimated around € 5.0 million.

4.3 Financial instruments, financial risk management objectives and policy

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

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

- **Interest rate risk:** As a result of the exceptionally high distribution to its shareholders paid-out in 2008 (nearly € 600 million), the Company showed a debt amounting to € 311.2 million on 31 December 2011. The Company didn't hedge the interest rate risk on the debt that bears interests based on Euribor + 65 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 on the basis of different criteria depending on the type of customers. Hardware customers allowance is based on individual evaluation of the customer financial reliability on a case by case basis. In some circumstances, payment terms are defined as cash on delivery. For Airtime customers, allowance is based on a percentage of turnover generated combined with ageing of the open items. Percentages are defined based on customer segmentation, previous years recovery experience. Yearly review is made of all the indicators.

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

5. Comments on Mobistar S.A.'s 2011 annual accounts prepared according to Belgian accounting standards

5.1 Income statement

Turnover for the year 2011 reached € 1,524.5 million, a decrease of 2.4 % on the figure of € 1,562.3 million recorded in the previous year.

Produced fixed assets, including IT development costs and research and design costs for the new sites required for network deployment, remained stable at € 3.7million.

Other operating income reached € 54.4 million, compared to the € 38.5 million posted in 2010. This income mainly comes from the revenues from the cross-charging of services provided to the France Télécom group, from the revenues from the cross-charging of sites shared with other operators and from the revenues generated from information supplied to the judicial authorities. This year an important amount of recoveries of old receivables has been booked for € 6.5 million, specific claims against partners have been recorded for € 3.0 million.

Operating charges remain well under control. These reached € 1,238.0 million, an increase of 1.3 % compared with the figure of € 1,222.0 million recorded in 2010, and can be broken down as follows:

- Purchases and supplies totalled € 626.6 million, mainly consisting of interconnection costs (52.2 % of the total, compared with 56.5 % in 2010). The balance mainly consists of the costs associated with the operation of the technical network, leased lines and the cost of GSM and SIM cards sales. The latter increased importantly, but at the same speed as the sales of GSM.

- The cost of services and other goods slightly decreased by € 10.0 million reaching € 283.7 million. An important positive impact is related to the review of the provision for Universal Service compensation for € 12.5 million in light of the Court decision taken during the year. Professional fees include IT consultants and outsourced activities which have increased over the year, although commercial expenses have been reduced by € 4.6 million as well as commissions paid by € 2.9 million.
- Remuneration, social security costs and pensions collectively totalled € 142.7 million compared with € 132.9 million in the previous year. This increase has been influenced by the increase of the staff employed during the year 2011, focused on the sales force and on the customer service in order to largely improve the customer experience.
- Depreciation of and impairment on formation expenses, on intangible and tangible fixed assets, amounted to € 161.4 million for the 2011 year compared with € 150.7 million in 2010. The useful lives of intangible and tangible assets remained unchanged in 2010. In 2011, due to important projects related to IT renewal and technical swap of technology, the useful life of the assets related has been reviewed and shortened in order to consider the expected decommissioning dates. This change has resulted in an increase of the depreciation for a total amount of € 12.4 million.
- Amounts written off on stocks and trade receivables decreased to € 6.8 million in 2011, mainly as a consequence of the net decrease of the bad debt provision related to trade receivables.
- Provisions for liabilities and charges in relation to various disputes totalled € 1.8 million, compared with € -2.8 million in 2010 due to the consideration of new claims.
- Other operating charges totalled € 15.1 million in 2011, compared with € 13.6 million in 2010, a change mainly due to 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 € 344.6 million, a decrease of 9.9 % on the figure of € 382.2 million recorded in 2010.

Financial income generated during the year amounted to € 1.6 million, stable compared to previous year. There is no income from financial investments anymore as the loan on OLU has been written off at the end of 2010.

Financial expenses for the year amounted to € 12.7 million, an increase compared to the financial charges (€ 6.1 million) recorded during the previous financial year. This increase is largely influenced by the structure of the financing put in place at the end of 2010 (switch from short-term financing to long-term credit facility) and to the general increase of interest level. In 2010, the conditional debt waiver granted to OLU has been recorded under ‘extraordinary expenses’ for € 30.0 million. In 2011, the receivable has been re-evaluated for € 12.0 million. This receivable was subject to a contribution in kind into the capital of MES.

At the end of the year, Mobistar S.A. declared a profit for the period before taxes of € 345.5 million, a decrease of 0.6 % compared with the figure of € 347.7 million recorded in 2010. The estimated income tax expenses for the year 2011 and the adjustments of previous years’ taxes totalled € 109.2 million, of which € 58.0 million had been paid through advance payments of tax for the year 2011.

Mobistar S.A. posted an after-tax profit for the period of € 236.3 million for the 2011 financial year compared with € 244.3 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	236.3
• Prior year profit carried forward	21.3
• Profit to be appropriated	257.6
• Ordinary dividend 2011 - € 2.90 per share	174.1
• Extraordinary dividend 2011 - € 0.80 per share	48.0
• Employee profit sharing plan	2.2
• Profit to be carried forward	33.3

5.2 Balance sheet

The company’s balance sheet total was € 1,290.5 million compared with € 1,233.7 million recorded in the 2010 financial year.

The capital expenditure in intangible and tangible assets, made during the year, amounts to € 189.9 million, after having invested a net amount of € 227.1 million in 2010. The important amount invested in 2010 is due to the renewal of the 2G licence for € 74.4 million. The acquisition of the 4G licence has been recorded in 2011 for € 20.0 million. The remaining invested amount corresponds to the continued update and deployment of the radio equipment and the other network technologies.

Intangible and tangible assets are broken down as follows:

- Intangible assets represented a total of € 305.1 million. These relate essentially to GSM, UMTS and 4G licences, out of which € 20.0 million related to the acquisition of the 4G licence recorded at the end of 2011, and the related IT developments, and to the net value of goodwill fully amortized at the end of 2011 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 € 546.2 million. These relate to network infrastructures, telephony equipment and added-value services.

Financial assets totalling € 164.1 million consist of investments in affiliated companies. The financial assets have evolved during the year 2011 due to the contribution in kind of the OLU receivable to the capital of MES for an amount of € 12.0 million. At the end of 2011 the open amount was made of:

- OLU	€ 87.0 million
- MES	€ 77.0 million

Current assets increased by € 16.8 million to stand at € 273.3 million at the end of the 2011 financial year. This result is essentially due to an increase in trade receivables (€ 10.4 million) resulting from a slowdown in cash collection, in the level of stocks of goods (€ 6.8 million), and in other receivables (€ 11.7 million) due to the intercompany loans granted to OLU and MES. Cash and cash equivalents decreased by € 8.1 million and deferred charges and accrued incomes remained stable.

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

At the end of 2011, equity totalled € 178.4 million and was made up of:

- share capital of € 131.7 million,
- legal reserve of € 13.2 million,
- profit carried forward of € 33.3 million,
- investment grants of € 0.1 million.

Provisions and liabilities at the end of 2011 amounted to € 1,112.1 million and are broken down as follows:

- Provisions for liabilities and charges totalling € 6.1 million compared with € 4.3 million at the end of the previous year, an increase resulting from the record of new important claims.
- Long-term financial liabilities recorded for € 323.3 million in 2011 consist of € 295.0 million of financial debt and € 28.3 million of long-term trade payable. At the end of the year 2010, Mobistar has signed a new long-term credit facility with an affiliated company of the France Télécom group. The new credit facility runs up to 31st December 2015. The amount of € 28.3 million of other long-term payable corresponds to the amount payable over one year related to the renewal of the 2G licence.
- Short-term liabilities amounting to € 711.3 million compared with € 684.7 million in 2010, broken down as follows:

o long-term debt maturing in 2012 for 14.9 million, related to the renewal of the 2G licence,

o short-term interest-bearing borrowing for € 26.1 million,

o trade payables: € 302.9 million compared with € 262.2 million in 2010, influenced for € 19.0 million payable related to the acquisition of the 4G licence,

o taxes, remuneration and social security contributions: € 140.5million compared with € 109.7 million in 2010, largely influenced by the fact that tax payment were lower in 2011 than in 2010 as the remaining tax payable amount of 2010 was paid beginning of 2012,

o other liabilities: € 227.0 million (out of which € 222.1 million of dividends 2011) compared with € 265.1 million in 2010 (out of which € 258.1 million of dividends 2010).

- Accrued charges and deferred income totalling € 71.5 million.

5.3 Disputes

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

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

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

The Constitutional Court decided in its judgment of

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

In the coming months, we expect a judgment on the same subject from the Supreme Court, to which a question of law touching on the interpretation of article 98 of the Act of 21 March 1991 was also submitted.

The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to € 49.7 million and is subject to a bad debt provision for the whole amount, of which € 7.8 million correspond to the financial year 2011.

MTR tariffs: In its decision of 29 June 2010, the BIPT concluded to impose new MTR tariffs based on a pure long run incremental cost model (LRIC). Tariffs will go down according to a glide to reach a symmetrical level of 1.08 c€/min (before indexation) as of 1st January 2013. KPN Group Belgium and Mobistar have filed an appeal in suspension and in annulment against this decision. On 15 February 2011, the Court of Appeal rejected the suspension for lack of imminent and irreparable damage. A decision on the annulment proceedings is unlikely before 2nd half 2012.

Abuse of dominant position by the Belgacom Group: In May 2007, the Commercial Court of Brussels handed down a judgment confirming the dominant position of Belgacom Mobile between 1999 and 2004, and appointing experts with an assignment to determine any abuses and to calculate the loss sustained by Mobistar and KPN Group Belgium. A second intermediary report issued in December 2010 confirmed the abuses and increased the estimated damages to € 1.84 billion for Mobistar and KPN Group Belgium together. Although Belgacom´s request for the experts to be recused was initially not approved, it later obtained a suspension of the experts' work while its request for recusal is considered on appeal. In January 2012, Belgacom has filed an appeal against the initial judgment of the Commercial Court of Brussels. Early March 2012, the Court of Appeal decided that the Belgacom's request to have the experts replaced was valid. As a consequence the parties (and the Court if there is no agreement between the parties) will have to decide on the new experts to be appointed.

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

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

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

Universal service: Mobistar is involved, together with other alternative operators, in a number of legal actions regarding the planned financial compensation system in relation to the provision of social tariffs. These actions can be regarded as concluded, but uncertainty remains about the possible retroactive application and interpretation of the adapted compensation mechanism that forms part of the draft laws for transposing the European Directives.

Renewal of the 2G licence and licence renewal fee: The Mobistar 2G licence was renewed for 5 years and it now runs until end 2015. By a new law dated 15 March 2010, the possibility to ask a licence renewal fee for the 2G licence was introduced. The fee would amount to approximately € 15 million per year for a 5 years period. Belgacom Mobile, KPN Group Belgium and Mobistar challenged this law before the Constitutional Court. In June 2011 the court decided to submit a number of questions on this subject to the European Court of Justice. This procedure is still on-going.

Regulation of broadband and cable: Mid-2011 the 4 media regulators (BIPT, CSA, Medienrat and VRM) decided to impose access and resale obligations on the cable operators (in particular the resale of analogue TV and the access to the digital TV platform). In addition, they must offer a resale-broadband service, but only in combination with a TV service. The cable operators are seeking the suspension and cancellation of the decisions relating to them. Mobistar, as an interested party, is intervening in the proceeding. A ruling on the suspension can be expected around mid-2012.

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

Emissions/health: In the Brussels Capital Region, at the end of 2009 the Brussels government has issued two orders implementing the ordinance of March 2007, which sets a maximum cumulative standard of 3 volts/meter for all emission sources, except for radio and television signals. In 2011, Mobistar fulfilled its first obligation by submitting to the administration the environment permit files for the sites with the highest power.

KPN Mobile International B.V. / Mobistar S.A. Share Purchase Agreement: On 10 November 2010, KPN Mobile International B.V. filed a request for arbitration with the Cepani against Mobistar for a dispute regarding their Share Purchase Agreement (SPA) dated 24 November 2009.

In its request, KPN asked the arbitral tribunal to rule that no adjustment to the financial statements should be allowed. In other words, that the independent accountant cannot decide on the items in dispute that were previously submitted to him by the parties in accordance with the SPA and that Mobistar should consequently be condemned to pay an amount of € 6.3 million to KPN instead of receiving between € 0.3 million and € 2.2 million based upon the independent accountant's report. Mobistar asked the tribunal to dismiss all the claims of KPN and to confirm the independent accountant's mission. The arbitration proceeding is currently ongoing.

Agency agreement: A former agent has initiated a procedure before the Brussels Commercial Court to obtain damages for the termination of his agency agreement. The agent claims damages for an amount of around € 15 million. Mobistar is convinced that the claim is, at least for the major part, unfounded. Mobistar has filed a counterclaim for a value of around € 14 million. The procedure has been initiated in July 2011. The hearing is scheduled for early 2013.

6. Trends

Mobistar reaffirms its strategic investment priorities for 2012: (1) strengthening its mobile networks to increase the transmission volume and the quality of its voice and data services, (2) developing the convergence of its services to give its customers mobile access to it from wherever they may be, and (3) continuing to improve the satisfaction of its customers in order to become a reference company in this field in Belgium. Despite an economic context that is likely to be very difficult in 2012, Mobistar thus confirms its intention to continue investing in order to strengthen its position on the telecom market.

The measures taken by the regulator to reduce the MTR and roaming tariffs weighted on the profitability of Mobistar´s mobile business in 2011. Mobistar takes note of this reality and hopes that the BIPT's decisions on opening up cable and the VDSL network, announced in 2010, will be implemented in full according to the announced schedule. These will make it possible to create on the Belgian fixed telephony and television markets the same conditions of sound competition as those that apply in the mobile market. In this perspective, Mobistar is convinced that the regulatory evolutions will have a positive impact on the development of its Mobistar TV and broadband internet offerings.

For the full financial year 2012 the Mobistar group foresees:

- a slight decrease of turnover, limited to 2 %, compared to 2011;
- an EBITDA between 460 and 500 million euros;
- a net result between 170 and 195 million euros;
- an investment level around 12 % of the service revenues;
- an organic cash-flow between 170 and 195 million euros.

The prospects for the Mobistar group in 2012 take account of the negative impact of the regulatory measures for an amount of € 51 million on the turnover and € 22 million on the EBITDA for the full 2012 financial year. However, the hypotheses are based on the current figures on the evolution of the Belgian economic situation. They could be modified in function of the evolution of handsets subsidy and the economic situation.

7. 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 2011, 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.

8. Application of article 524 of the Company Code during the 2011 financial year

The procedure foreseen in article 524 of the Company Code has not been applied during the 2011 financial year.

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

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

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

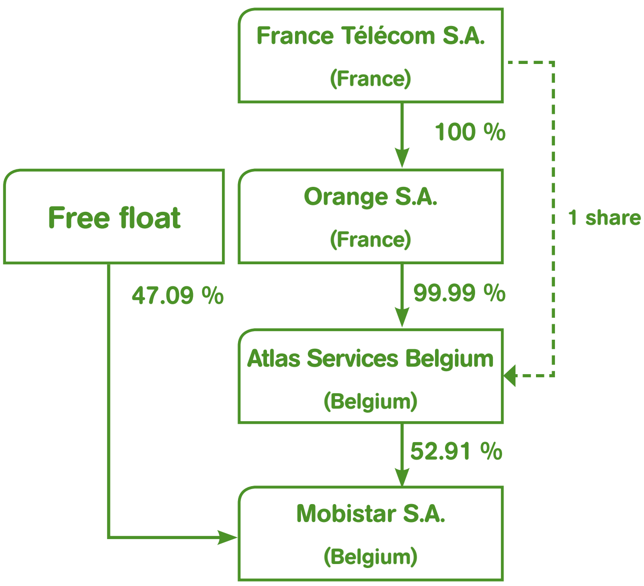
He has been appointed by the General Assembly and meets the independence criteria as described in the article 524 of the Company code.

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

10. 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:



No change occurred in 2011.

11. Information concerning the tasks entrusted to the auditors

In the course of the 2011 financial year, the statutory auditor and linked companies provided services at a total cost of € 361,818 broken down as follows:

• audit services	€ 276,000
• other audit services	€ 15,350
• other non-audit services	€ 70,468

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BALANCE SHEET
AFTER APPROPRIATION

ASSETS

	2011 in thousand €	2010 in thousand €
FIXED ASSETS	**1 017 279**	**977 213**
Formation expenses (Note 5.1)	**1 800**	**2 250**
Intangible fixed assets (Note 5.2)	**305 088**	**285 498**
Tangible fixed assets (Note 5.3)	**546 242**	**537 378**
Land and buildings	294 895	282 781
Plant, machinery and equipment	219 607	220 740
Furniture and vehicles	21 488	24 141
Other tangible fixed assets	10 252	9 716
Financial fixed assets (Notes 5.4/5.5.1)	**164 149**	**152 087**
Affiliated enterprises (Note 5.14)	164 077	152 017
Participating interests	164 077	152 017
Other financial assets	72	70
Amounts receivable and cash guarantees	72	70
CURRENT ASSETS	**273 253**	**256 514**
Amounts receivable after more than one year	**5 556**	**7 339**
Other amounts receivable	5 556	7 339
Stocks and contracts in progress	**14 622**	**7 808**
Stocks	14 622	7 808
Goods purchased for resale	14 622	7 808
Amounts receivable within one year	**215 693**	**193 462**
Trade debtors	196 329	185 896
Other amounts receivable	19 364	7 566
Current investments (Notes 5.5.1/5.6)	**1 518**	**3 147**
Other investments and deposits	1 518	3 147
Cash at bank and in hand	**1 416**	**7 851**
Deferred charges and accrued income (Note 5.6)	**34 448**	**36 907**
TOTAL ASSETS	**1 290 532**	**1 233 727**

EQUITY AND LIABILITIES

	2011 in thousand €	2010 in thousand €
EQUITY	**178 343**	**166 327**
Capital (Note 5.7)	**131 721**	**131 721**
Issued capital	131 721	131 721
Reserves	**13 172**	**13 172**
Legal reserve	13 172	13 172
Accumulated profits (losses) (+) (-)	**33 327**	**21 284**
Investment grants	**123**	**150**
PROVISIONS AND DEFERRED TAXES	**6 075**	**4 291**
Provisions for liabilities and charges	**6 075**	**4 291**
Other liabilities and charges (Note 5.8)	6 075	4 291
AMOUNTS PAYABLE	**1 106 114**	**1 063 109**
Amounts payable after more than one year (Note 5.9)	**323 321**	**313 194**
Financial debts	295 000	270 000
Other loans	295 000	270 000
Trade debts	28 321	43 194
Suppliers	28 321	43 194
Amounts payable within one year	**711 342**	**684 744**
Current portion of amounts payable after more than one year falling due within one year (Note 5.9)	14 873	14 874
Financial debts	26 069	32 909
Other loans	26 069	32 909
Trade debts	302 915	262 155
Suppliers	302 915	262 155
Taxes, remuneration and social security (Note 5.9)	140 486	109 707
Taxes	111 999	82 197
Remuneration and social security	28 487	27 510
Other amounts payable	226 999	265 099
Accrued charges and deferred income (Note 5.9)	**71 451**	**65 171**
TOTAL EQUITY AND LIABILITIES	**1 290 532**	**1 233 727**

INCOME STATEMENT

	2011 in thousand €	2010 in thousand €
Operating income	**1 582 664**	**1 604 139**
Turnover (Note 5.10)	1 524 493	1 562 282
Own construction capitalised	3 757	3 392
Other operating income (Note 5.10)	54 414	38 465
Operating charges	**1 238 091**	**1 221 974**
Raw materials, consumables	626 594	625 527
Purchases	633 948	624 153
Stocks: decrease (increase) (+) (-)	-7 354	1 374
Services and other goods	283 731	293 889
Remuneration, social security costs and pensions (+) (-) (Note 5.10)	142 743	132 898
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	161 354	150 674
Amounts written down stocks, contracts in progress and trade debtors - Appropriations (write-backs) (+) (-) (Note 5.10)	6 760	8 235
Provisions for risks and charges - Appropriations (uses and write-backs) (+) (-) (Note 5.10)	1 784	-2 809
Other operating charges (Note 5.10)	15 125	13 560
Operating profit (loss) (+) (-)	**344 573**	**382 165**
Financial income	**1 583**	**1 699**
Income from financial fixed assets		457
Income from current assets	842	588
Other financial income (Note 5.11)	741	654
Financial charges (Note 5.11)	**12 711**	**6 144**
Debt charges	9 634	2 841
Other financial charges	3 077	3 303
Gain (loss) on ordinary activities before taxes (+) (-)	**333 445**	**377 720**
Extraordinary income	**12 060**	
Write-back of amounts written down financial fixed assets	12 060	
Extraordinary charges		**30 000**
Amounts written down financial fixed assets		30 000
Profit (loss) for the period before taxes (+) (-)	**345 505**	**347 720**
Income taxes (+) (-) (Note 5.12)	**109 199**	**103 472**
Income taxes	119 017	118 432
Adjustment of income taxes and write-back of tax provisions	9 818	14 960
Profit (loss) for the period (+) (-)	**236 306**	**244 248**
Profit (loss) for the period available for appropriation (+) (-)	**236 306**	**244 248**

APPROPRIATIONS AND WITHDRAWINGS

Profit (loss) to be appropriated (+) (-)	**257 590**	**281 982**
Profit (loss) to be appropriated (+) (-)	236 306	244 248
Profit (loss) to be carried forward (+) (-)	21 284	37 734
Profit (loss) to be carried forward (+) (-)	**33 327**	**21 284**
Profit to be distributed	**224 263**	**260 698**
Dividends	222 053	258 062
Other beneficiaries	2 210	2 636

NOTES

STATEMENT OF FORMATION EXPENSES

		2011 in thousand €	2010 in thousand €
5.1	**Net book value at the end of the period**		**2 250**
	Movements during the period		
	Other (+) (-)	-450	
	Net book value at the end of the period	**1 800**	
	Of which: Formation or capital increase expenses, loan issue expenses and other formation expenses	1 800	

STATEMENT OF INTANGIBLE FIXED ASSETS

		2011 in thousand €	2010 in thousand €
5.2.2	**Concessions, patents, licences, knowhow, brands and similar rights**		
	Acquisition value at the end of the period		**996 777**
	Movements during the period		
	Acquisitions, including produced fixed assets	86 551	
	Sales and disposals	38 150	
	Acquisition value at the end of the period	**1 045 178**	
	Depreciation and amounts written down at the end of the period		**711 279**
	Movements during the period		
	Recorded	66 961	
	Cancelled owing to sales and disposals	38 150	
	Depreciation and amounts written down at the end of the period	**740 090**	
	Net book value at the end of the period	**305 088**	
5.2.3	**Goodwill**		
	Acquisition value at the end of the period		**61 519**
	Acquisition value at the end of the period	**61 519**	
	Depreciation and amounts written down at the end of the period		**61 519**
	Depreciation and amounts written down at the end of the period	**61 519**	
	Net book value at the end of the period	**0**	

STATEMENT OF TANGIBLE FIXED ASSETS

		2011 in thousand €	2010 in thousand €
5.3.1	**Land and buildings**		
	Acquisition value at the end of the period		**529 358**
	Movements during the period		
	Acquisitions, including produced fixed assets	31 840	
	Sales and disposals	6 446	
	Acquisition value at the end of the period	**554 752**	
	Depreciation and amounts written down at the end of the period		**246 577**
	Movements during the period		
	Recorded	19 726	
	Cancelled owing to sales and disposals	6 446	
	Depreciation and amounts written down at the end of the period	**259 857**	
	Net book value at the end of the period	**294 895**	

	2011 in thousand €	2010 in thousand €
5.3.2 Plant, machinery and equipment		
Acquisition value at the end of the period		**633 458**
Movements during the period		
Acquisitions, including produced fixed assets	63 265	
Sales and disposals	73 643	
Acquisition value at the end of the period	**623 080**	
Depreciation and amounts written down at the end of the period		**412 718**
Movements during the period		
Recorded	64 398	
Cancelled owing to sales and disposals	73 643	
Depreciation and amounts written down at the end of the period	**403 473**	
Net book value at the end of the period	**219 607**	
5.3.3 Furniture and vehicles		
Acquisition value at the end of the period		**125 385**
Movements during the period		
Acquisitions, including produced fixed assets	7 134	
Sales and disposals	5 894	
Acquisition value at the end of the period	**126 625**	
Depreciation and amounts written down at the end of the period		**101 244**
Movements during the period		
Recorded	9 787	
Cancelled owing to sales and disposals	5 894	
Depreciation and amounts written down at the end of the period	**105 137**	
Net book value at the end of the period	**21 488**	
5.3.5 Other tangible fixed assets		
Acquisition value at the end of the period		**13 429**
Movements during the period		
Acquisitions, including produced fixed assets	1 018	
Sales and disposals	3	
Acquisition value at the end of the period	**14 444**	
Depreciation and amounts written down at the end of the period		**3 713**
Movements during the period		
Recorded	482	
Cancelled owing to sales and disposals	3	
Depreciation and amounts written down at the end of the period	**4 192**	
Net book value at the end of the period	**10 252**	

STATEMENT OF FINANCIAL FIXED ASSETS

5.4.1 Affiliated enterprises - participating interests and shares		
Acquisition value at the end of the period		**152 017**
Movements during the period		
Acquisitions	12 060	
Acquisition value at the end of the period	**164 077**	
Net book value at the end of the period	**164 077**	
Affiliated enterprises - amounts receivable		
Net book value at the end of the period		**0**
Movements during the period		
Amounts written back	12 060	
Other (+) (-)	-12 060	
Net book value at the end of the period	**0**	

	2011 in thousand €	2010 in thousand €
5.4.3 Other enterprises - amounts receivable		
Net book value at the end of the period		**70**
Movements during the period		
Additions	2	
Net book value at the end of the period	**72**	

INFORMATION RELATING TO THE SHARE IN CAPITAL

5.5.1 Share in capital and other rights in other companies

	Shares held by		Information from the most recent period for which annual accounts are available			
Name, full address of the registered office and for the enterprise governed by Belgian law, the company number	Number	%	Primary financial statement	Monetary unit	Capital and reserves in thousand €	Net result in thousand €
Orange Communications Luxembourg S.A.						
Rue des Mérovingiens 8						
8070 Bertrange						
Luxembourg						
19749504						
Registered shares	1 506 350	100.00	31/12/10	EUR	17 814	29 400
Mobistar Enterprise Services S.A.						
Avenue du Bourget 3						
1140 Evere						
Belgium						
0459 623 216						
Registered shares	2 950	100.00	31/12/10	EUR	62 423	-1 547

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

	2011	2010
5.6 Investments: other investments and deposits		
Other investments not yet shown separately	**1 518**	**3 147**
Deferred charges and accrued income		
Allocation of heading 490/1 of assets if the amount is significant		
Accrued income	20 208	
Deferred charges	14 026	
Financial income	214	

STATEMENT OF CAPITAL AND STRUCTURE OF SHAREHOLDINGS

	2011	2010
5.7 Statement of capital		
Social capital		
Issued capital at the end of the period		131 721
Issued capital at the end of the period	131 721	

	2011 in thousand €	2011 Number of shares
Structure of the capital		
Different categories of shares		
Ordinary shares	131 721	60 014 414
Registered shares		31 753 214
Bearer shares and/of dematerialized shares		28 261 200
Shareholders' structure of the company as at 31/12/2011		
Atlas Services Belgium		31 753 100
Others (free float)		28 261 314
Total shares		**60 014 414**

PROVISIONS FOR OTHER LIABILITIES AND CHARGES

5.8	**Allocation of heading 163/5 of liabilities if the amount is considerable**	
	Repayment guarantee to the amount of 50 % for a bank credit line granted for the temporary association IRISNET	2 475
	Provisions for litigations	3 600

STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED INCOME

5.9	**Analysis by current portions of amounts initially payable after more than one year**	
	Amounts payable after more than one year, not more than one year	
	Trade debts	14 873
	Suppliers	14 873
	Total amounts payable after more than one year, not more than one year	**14 873**
	Amounts payable after more than one year, between one and five years	
	Financial debts	295 000
	Other loans	295 000
	Trade debts	28 321
	Suppliers	28 321
	Total amounts payable after more than one year, between one and five years	**323 321**
	Amounts payable for taxes, remuneration and social security	
	Taxes (heading 450/3 of the liabilities)	
	Non expired taxes payable	51 011
	Estimated taxes payable	60 988
	Remuneration and social security (heading 454/9 of the liabilities)	
	Other amounts payable relating to remuneration and social security	28 487
	Accrued charges and deferred income	
	Allocation of heading 492/3 of liabilities if the amount is considerable	
	Deferred income	70 713
	Accrued charges	738

	2011 in thousand €	2010 in thousand €

OPERATING RESULTS

	2011	2010
5.10 Operating income		
Net turnover		
Broken down by categories of activity		
Mobile activity	1 466 702	1 480 674
Fix voice and data	57 791	81 608
Operating costs		
Employees recorded in the personnel register		
Total number at the closing date (in units)	1 724	1 583
Average number of employees calculated in full-time equivalents (in units)	1 645.5	1 475.1
Number of actual worked hours (in units)	2 802 659	2 529 011
Personnel costs		
Remuneration and direct social benefits	101 484	94 267
Employers' social security contributions	29 489	28 071
Employers' premiums for extra statutory insurances	4 565	4 045
Other personnel costs	7 205	6 515
Amounts written off		
Stocks and contracts in progress		
Recorded	540	150
Trade debtors		
Recorded	6 220	8 085
Provisions for risks and charges		
Additions	2 432	210
Uses and write-back	648	3 019
Other operating charges		
Taxes related to operation	715	2 347
Other charges	14 410	11 213
Hired temporary staff and persons placed at the enterprise's disposal		
Total number at the closing date (in units)	100	79
Average number calculated as full-time equivalents (in units)	89.3	70.4
Number of actual worked hours (in units)	179 495	139 739
Charges to the enterprise	7 320	6 426

FINANCIAL AND EXTRAORDINARY RESULTS

	2011	2010
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	562	545
Exchange gains	152	83
Other financial charges		
Amount of the discount borne by the enterprise, as a result of negociating amounts receivable	1 331	1 277
Allocation of other financial charges		
Bank charges	1 348	1 377
Exchange losses	318	597
Other financial charges	79	52

	2011 in thousand €	2010 in thousand €

INCOME TAXES AND OTHER TAXES

	2011	2010
5.12 Income taxes		
Income taxes on the result of the current period	**119 017**	
Income taxes paid and withholding taxes due or paid	58 029	
Estimated additional taxes	60 988	
In so far as income taxes of the current period are materially affected by differences between the profit before taxes, as stated in the annual accounts, and the estimated taxable profit		
Disallowed expenses	6 488	
Deductions for investments	-943	
Notional interests	-451	
Non taxable donations	-300	
Status of deferred taxes		
Deferred taxes representing assets		
Other deferred taxes representing assets		
Deductions for investments	2 829	
Total amount of value added tax and taxes borne by third parties		
Total amount of value added tax charged		
To the enterprise (deductible)	261 423	255 380
By the enterprise	426 049	425 660
Amounts retained on behalf of third parties for		
Payroll withholding taxes	29 402	28 255
Withholding taxes on investment income	14 193	20 616

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

	2011	2010
5.13 Substantial commitments to acquire fixed assets		
Commitments to acquire fixed assets	**212 013**	

Information concerning important litigation and other commitments

Commitments

1. Bank guarantees issued on behalf of the company: 7.4 million euro.
2. Obligations related to the rent of offices and the lease of the company cars: 425.7 million euro.
3. Obligations related to the purchase of equipment and services: 143.7 million euro.
4. Since 1997, certain municipalities and three provinces have adopted local taxes, on an annual basis, on pylons, masts and antennas erected within their boundaries. These taxes are currently being contested before the 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 Constitutional Court has decided in its judgment of 15 December 2011 that article 98 §2 of the Act of 21 March 1991 on the reform of certain economical public companies doesn't prohibit municipalities to tax the economic activity of the telecom operators which is achieved in the territory of the municipality by the presence at public or private do-

	2011 in thousand €	2010 in thousand €

main of mobile phone masts, pylons or antennas that are used for that activity, for budgetary or other reasons. In this interpretation is the provision in question, according to the Constitutional Court, not inconsistent with Article 170 § 4 of the Constitution.
In the coming months we expect a judgment on the same subject of the Supreme Court where a similar case is pending concerning the interpretation of Article 98 of the Act of 21 March 1991.
The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to 49.7 million euros and is subject to a bad debt provision for the whole amount, of which 7.8 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

		2011	2010
5.14	Affiliated enterprises		
	Financial fixed assets	**164 077**	**152 017**
	Investments	164 077	152 017
	Amounts receivable	**28 191**	**30 377**
	Within one year	28 191	30 377
	Amounts payable	**333 768**	**316 105**
	After one year	295 000	270 000
	Within one year	38 768	46 105
	Financial results		
	Income from financial fixed assets		457
	Income from current assets	350	170
	Debts charges	7 407	2 739
	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	

Additional information

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

	2011 in thousand €
FINANCIAL RELATIONSHIPS WITH	
5.15 Directors and managers	
Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly the situation of a single identifiable person	
To directors and managers	942
Auditors or people they are linked to	
Auditor's fees	**276**
Fees for exceptional services or special missions executed in the company by the auditor	
Other attestation missions	15
Other missions external to the audit	70

INFORMATION RELATING TO CONSOLIDATED ACCOUNTS

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

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

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

Parent company

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

draws up consolidated annual accounts for the major part of the enterprise.

The consolidated accounts can be obtained at the following address:

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

SOCIAL REPORT

STATEMENT OF THE PERSONS EMPLOYED

Employees recorded in the staff register

	Full-time	Part-time	2011 Total (T) or total in full-time equivalents (FTE)	2010 Total (T) or total in full-time equivalents (FTE)
During the period and the previous period				
Average number of employees	1 519.3	163.0	1 645.5 (FTE)	1 475.1 (FTE)
Number of hours actually worked	2 590 398	212 261	2 802 659 (T)	2 529 011 (T)
Personnel costs (in thousand €)	131 932	10 811	142 743 (T)	132 898 (T)
Advantages in addition to wages (in thousand €)			2 029 (T)	1 841 (T)
At the closing date of the period				
Number of employees recorded in the personnel register	1 555	169	1 686.7	
By nature of the employment contract				
Contract for an indefinite period	1 543	169	1 674.7	
Contract for a definite period	12		12.0	
According to the gender and by level of education				
Male	1 074	38	1 103.2	
primary education	2		2.0	
secondary education	288	19	302.4	
higher education (non-university)	446	10	453.3	
university education	338	9	345.5	
Female	481	131	583.5	
secondary education	149	38	177.3	
higher education (non-university)	186	59	233.4	
university education	146	34	172.8	
By professional category				
Employees	1 555	169	1 686.7	

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	75.2	14.1
Number of hours actually worked	151 633	27 862
Charges of the enterprise (in thousand €)	4 880	2 440

2011

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	**349**	**2**	**350.6**
By nature of the employment contract			
Contract for an indefinite period	340	2	341.6
Contract for a definite period	9		9.0
Departures			
Number of employees with a in the staff register listed date of termination of the contract during the period	**193**	**17**	**206.1**
By nature of the employment contract			
Contract for an indefinite period	189	17	202.1
Contract for a definite period	4		4.0
According to the reason for termination of the employment contract			
Early retirement	1	1	1.8
Dismissal	97	4	100.2
Other reason	95	12	104.1

INFORMATION WITH REGARD TO TRAINING RECEIVED BY EMPLOYEES DURING THE PERIOD

	Male	Female
Total number of official advanced professional training projects at company expense		
Number of participating employees	**1 019**	**564**
Number of training hours	**37 197**	**19 434**
Costs for the company (in thousand €)	**3 837**	**2 134**
of which gross costs directly linked to the training	3 811	2 083
of which paid contributions and deposits in collective funds	184	93
of which received subsidies (to be deducted)	158	42
Total number of less official and unofficial advanced professional training projects at company expense		
Number of participating employees	**78**	**27**
Number of training hours	**913**	**222**
Costs for the company (in thousand €)	**95**	**18**
Total number of initial professional training projects at company expense		
Number of participating employees	**2**	**2**
Number of training hours	**1 376**	**592**
Costs for the company (in thousand €)	**7**	**3**

ACCOUNTING PRINCIPLES

Formation costs

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

Intangible assets

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

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

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

The 4G licence acquired in 2011 will be depreciated as from the start of use up to the end of the right granted, which means over a period no longer than 15 years. Currently the start date of the depreciation is not known but, due to the conditions of the acquisition, the depreciation will not start before 1st July 2012.

The goodwill generated during the acquisition of all of the assets of Mobistar Corporate Solutions S.A. is 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 fiber	15 years
Mobile telephone equipment	7-8 years
Messaging equipment	5 years
Computer hardware	4 and 5 years
Other tangible equipment	5 to 10 years

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

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

Financial assets

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

Receivables

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

Stocks

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

Impairment

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, Mobistar makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement in the operating expenses under the heading 'Depreciation, amortisation and impairment'.

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

Cash (and cash equivalents)

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

Deferred charges and accrued income

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

Pensions

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

Provisions

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

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

Acknowledgement of income and expenses

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

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

Taxes on income

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

Foreign currency transactions

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

Judgments, estimates and assumptions

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

STATUTORY AUDITOR'S REPORT

for the year ended 31 December 2011 to the Shareholders' Meeting

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the financial statements together with the required additional comments.

Unqualified audit opinion on the financial statements

We have audited the financial statements of Mobistar S.A. for the year ended 31 December 2011, prepared in accordance with the accounting principles applicable in Belgium, which show total assets of 1 290 532 (000) EUR and a profit for the year of 236 306 (000) EUR.

The board of directors of the company is responsible for the preparation of the financial statements. This responsibility includes among other things: 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.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "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 assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence that we have obtained provides a reasonable basis for our opinion.

In our opinion, the financial statements as of 31 December 2011 give a true and fair view of the company's assets, liabilities, financial position and results in accordance with the accounting principles applicable in Belgium.

Additional comments

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 Companies Code 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 change the scope of our audit opinion on the financial statements:

- The directors' report includes the information required by law and is in agreement with the financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the company, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- No transactions have been undertaken or decisions taken in violation of the company's articles of association or the Companies Code such as we would be obliged to report to you. The appropriation of the results proposed to the General Meeting is in accordance with the requirements of the law and the company's articles of association.

Diegem, 26th March 2012

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

IFRS consolidated financial statements 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note		2011 in thousand €	2010 in thousand €
	Revenue		
	Service revenue	1 505 846	1 523 528
	Handsets sales	151 734	141 092
17	**Total turnover**	**1 657 580**	**1 664 620**
17	Other operating revenue	42 027	33 192
	Total revenue	**1 699 607**	**1 697 812**
	Operating expenses		
	Interconnection costs	-396 351	-416 528
17	Costs of equipment and goods sold	-297 081	-265 294
17	Services and other goods	-297 498	-306 934
17	Employee benefits expenses	-150 027	-140 803
2,3	Depreciation, amortisation and impairment	-190 339	-170 652
	Amounts written down stocks, contracts in progress and trade debtors	-7 680	-8 483
	Provisions for risks and charges	-4 931	2 967
17	Other operating charges	-15 955	-14 047
	Total operating expenses	**-1 359 862**	**-1 319 774**
	Result of operating activities	**339 745**	**378 038**
17	Finance income	914	619
17	Finance costs	-11 786	-5 131
	Result of operating activities after net finance costs	**328 873**	**373 526**
5	Tax expense	-107 852	-109 975
	Net profit of the period (*)	**221 021**	**263 551**
	Profit or loss attributable to equity holders of the parent	**221 021**	**263 551**
	Consolidated statement of comprehensive income		
	Net profit for the period	**221 021**	**263 551**
	Other comprehensive income	0	0
	Total comprehensive income for the period	**221 021**	**263 551**
	Part of the total comprehensive income attributable to equity holders of the parent	**221 021**	**263 551**
10	Basic earnings per share (in €)	3,68	4,39
	Weighted average number of ordinary shares	60 014 414	60 014 414
10	Diluted earnings per share (in €)	3,68	4,39
	Diluted weighted average number of ordinary shares	60 014 414	60 014 414

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

CONSOLIDATED BALANCE SHEET

Note		31.12.2011 in thousand €	31.12.2010 in thousand €
	ASSETS		
	Non-current assets		
1, 2	Goodwill	80 080	80 131
2	Intangible assets	312 026	294 779
3	Tangible assets	666 000	635 927
4	Other non-current assets	5 818	7 501
5	Deferred taxes	6 401	1 650
	Total non-current assets	**1 070 325**	**1 019 988**
	Current assets		
6	Inventories	16 501	10 299
7	Trade receivables	225 250	205 967
8	Accrued revenue	31 812	30 181
8	Other current assets	30 496	23 790
9	Cash and cash equivalents	7 119	12 959
	Total current assets	**311 178**	**283 196**
	Total assets	**1 381 503**	**1 303 184**
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	131 721	131 721
11	Legal reserve	13 173	13 173
11	Retained earnings	249 078	286 276
	Total equity	**393 972**	**431 170**
	Non-current liabilities		
14	Long-term interests-bearing borrowings	293 200	267 911
15	Long-term trade payables	28 321	43 194
13	Long-term provisions	61 595	18 573
5	Deferred taxes	1 176	1 690
	Total non-current liabilities	**384 292**	**331 368**
	Current liabilities		
14	Short-term interests-bearing borrowings	18 444	32 893
16	Trade payables	347 635	310 943
16	Employee benefits related liabilities	32 855	31 411
16	Current taxes payable	113 737	83 242
16	Deferred income	87 833	77 684
16	Other payables	2 736	4 473
	Total current liabilities	**603 240**	**540 646**
	Total liabilities	**987 532**	**872 014**
	Total equity and liabilities	**1 381 503**	**1 303 184**

CONSOLIDATED CASH FLOW STATEMENT

Note		2011 in thousand €	2010 in thousand €
	Cash flows from operating activities		
	Profit before taxes	**328 873**	**373 526**
	Non-cash adjustments for:		
2,3	Depreciation, amortisation and impairment of fixed assets	190 339	170 652
	Changes in long-term provisions	5 287	-2 449
	Changes in provision for bad debt	-1 311	452
	Interest income	-871	-588
	Interest charges	9 902	5 131
	Adjusted result of operating activities before net finance costs	**532 219**	**546 724**
6	Inventories	-6 202	1 141
15	Trade and other receivables	-25 736	10 880
	Trade and other payables	23 928	11 111
	Net changes in working capital	**-8 010**	**23 132**
5	**Tax paid**	**-79 397**	**-58 465**
	Interests paid	**-9 793**	**-5 131**
	Interests received	**980**	**588**
	Net cash from operating activities	**435 998**	**506 848**
	Cash flows from investing activities		
3	Purchase of intangible and tangible assets	-203 739	-239 811
	Debt associated to purchase of assets (increase +, decrease -)	9 970	60 824
1	Acquisition of subsidiary net of cash acquired(1)	0	-63 078
2,3	Proceeds from sale of equipment	0	984
4	Reimbursement long-term loans granted	1 008	4 201
	Net cash used in investing activities	**-192 761**	**-236 880**
	Organic Cash Flow(2)	**242 260**	**329 346**
	Cash flows from financing activities		
14	Short-term borrowings - net	-14 519	-215 042
14	Long-term borrowings - proceeds	180 000	430 000
14	Long-term borrowings - repayments	-155 161	-210 000
11	Transactions costs paid for long-term credit facility	450	-2 250
11	Others	-1 629	3 481
	Equity transactions costs	-157	-142
11	Dividends paid	-258 062	-273 066
	Net cash used in financing activities	**-249 078**	**-267 019**
	Net increase (+), decrease (-) in cash and cash equivalents	**-5 841**	**2 950**
	Cash and cash equivalents at beginning of period	**12 959**	**10 009**
	Cash and cash equivalents at end of period	**7 118**	**12 959**

(1) Price paid for MES acquisition (65 MEUR) less cash available in MES at acquisition date (1.8 MEUR).
(2) Net cash flow from operations less acquisitions of tangible and intangible assets, plus proceeds from disposals of tangible and intangible assets. The organic cash flow excludes payments for the 2G license of 16.8 million euros in 2011 and 18.2 million euros in 2010.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousand €

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

	Share Capital	Legal Reserve	Retained earnings	Total equity
Balance as at 1 January 2010	**109 180**	**35 714**	**295 933**	**440 827**
Net profit for the period			263 551	263 551
Total comprehensive income for the period			**263 551**	**263 551**
Dividends			-273 066	-273 066
Equity transaction costs			-142	-142
Transfer Legal Reserve in Share Capital	22 541	-22 541		0
Balance as at 31 December 2010	**131 721**	**13 173**	**286 276**	**431 170**

CORPORATE INFORMATION

Companies in the perimeter of consolidation

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

Mobistar S.A.
Parent company, incorporated under Belgian law
Limited company with publicly traded shares
Avenue du Bourget 3
B - 1140 Brussels
Belgium
Company identification number: BE 0456 810 810

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

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

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

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

Date of authorisation for issue of the financial statements

On 23 March 2012, the Board of Directors of Mobistar S.A. reviewed the 2011 consolidated financial statements and authorised them for issue.

The 2011 consolidated financial statements will be approved on 2 May 2012 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 000 Euros except when otherwise indicated. The Group's functional and presentation currency is Euro. Each entity in the Group applies this functional currency for its financial statements.

Statement of compliance

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

Basis for consolidation

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

The following entities are consolidated as at 31 December 2011 by using the following consolidation method:

Mobistar S.A.:	100 % full consolidation
Orange Communications Luxembourg S.A.:	100 % full consolidation
Mobistar Enterprise Services S.A.:	100 % full consolidation
Temporary association Irisnet:	50 % proportional consolidation

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

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

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

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

2. Changes in accounting policy and disclosures

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2010, except for the following elements:

- Estimates related to the dismantling provision for the antennas sites have been reviewed. The approach for determining the calendar of the future dismantling has been modified during the year. This has had an impact on the fixed assets and on the provision of 31.9 million euros. This change has had an impact of 3.1 million euros on the results of the year.
- Depreciation rate related to the radio material has been reviewed in order to consider changes in technology and investment strategy. The duration of the depreciation period has been shortened from 8 to 7 years. This change has had an impact on the depreciation expense of 4.1 million euros over the result of the year.

Following new amendments to IFRS have been considered in the preparation of the annual consolidated accounts:

- Amendment to IFRS 1 First-Time Adoption of International Financial Reporting Standards – IFRS 7 Exemptions (applicable for annual periods beginning on or after 1 July 2010): this amendment has had no impact on the Group's account.
- Amendment to IAS 24 Related Party Disclosures (applicable for annual periods beginning on or after 1 January 2011). This Standard supersedes IAS 24 Related Party Disclosures as issued in 2003. The amended standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. This amendment has had no impact on the Group's financial position or performance.
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (applicable for annual

periods beginning on or after 1 February 2010). It amends the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment has had no impact on the Group.
- Amendment to IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual periods beginning on or after 1 July 2010). The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation has had no effect on the financial statements of the Group.
- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement (applicable for annual periods beginning on or after 1 January 2011). The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment has had no impact on the financial statements of the Group.

3. Significant accounting judgments, estimates and assumptions

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

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

Judgments, estimates and assumptions

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

Operating lease commitment – Group as a lessee

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

Impairment of non-financial assets

The Group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units are further explained in note 2.

Deferred Tax Assets

Deferred Tax Assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details on deferred tax assets are given in note 5.

Provision for dismantling network sites

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

Universal service

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

4. Summary of significant accounting policies

4.1. Transactions in foreign currencies

On initial recognition in the functional currency, a foreign currency transaction is recorded by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At each balance sheet date, foreign monetary assets and liabilities are translated using the closing rate.

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

4.2. Business combinations and Goodwill

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. This goodwill is tested for impairment at the end of each financial year (31 December), or more frequently if events or change in circumstances indicate that its carrying amount may be impaired, by comparing the carrying amount of the cash-generating units with their fair value less costs to sell or with their value in use. When the recoverable amount of the 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, UMTS and 4G licences, the cost of network design and development, the cost of purchased and internally generated software.

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

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

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

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

The depreciable amount of an intangible asset with a finite useful life is allocated on a linear basis over its useful life.

The depreciation of the mobile licences starts when they are ready to operate.

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

The 4G licence acquired in 2011 will be depreciated as from the start of use up to the end of the right granted, which means over a period no longer than 15 years. Currently the start date of the depreciation is not known but due to the conditions of the acquisition, the depreciation will not start before 1st July 2012.

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

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

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

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

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

4.4. Tangible assets

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

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

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

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

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

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

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

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

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

The asset retirement obligation relating to the network sites is measured based on the known term of sites rental contracts, assuming a high probability of renewal upon each renewal date, and considering that the entire sites park will be dismantled in the future. The dismantling asset is measured by using appropriate inflation and discount rates.

4.5. Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, Mobistar makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement in the operating expenses under the heading 'Depreciation, amortisation and impairment'.

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

4.6. Borrowing costs

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

4.7. Government grants

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

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

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

4.8. Taxes

Current income taxes

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

Deferred income tax

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

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

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

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

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

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

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

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

Sales tax

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

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

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

4.9. Inventories

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

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

4.10. Treasury shares

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

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

4.11. Cash and cash equivalents

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

4.12. Financial instruments

Recognition and derecognition

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

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

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

Financial assets

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

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

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

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

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

<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 statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

<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 have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

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

In relation to trade receivables, a 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 2011 financial statements, are listed below. The Group has elected not to adopt any Standards or Interpretations in advance of their effective dates.

- IFRS 9 Financial Instruments, effective 1 January 2013. The standard is the first part of the three-part project that will supersede IAS 39 Financial Instruments: Recognition and Measurement. This first part deals with the classification and the measurement of financial instruments. The effects of its application cannot be analyzed separately from the two other parts not yet published and which should retrospectively address the impairment methodology for financial assets and hedge accounting.

- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2013). IFRS 10 supersedes SIC-12 and IAS 27 for the part relating to the consolidated financial statements. This standard deals with the consolidation of subsidiaries and structured entities, and redefines control which is the basis of consolidation. The consequences of the retrospective application of this standard on the Group's consolidation scope will be finalized over the forthcoming financial reporting periods. No material effect on the Group's financial statements is expected.

- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2013). IFRS 11 supersedes IAS 31 and SIC-13. This standard deals with the accounting for joint arrangements. The definition of joint control is based on the existence of an arrangement and the unanimous consent of the parties which share the control. There are two types of joint arrangements:
  - joint ventures: the joint venturer has rights to the net assets of the entity to be accounted for using the equity method, which is the method already applied by the Group, and
  - joint operations: the parties to joint operations have direct rights to the assets and direct obligations for the liabilities of the entities which should be accounted for as arising from the arrangement.

  The consequences of the retrospective application of this standard are currently being analyzed, primarily in the context of share network infrastructures.

- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2013). IFRS 12 supersedes disclosures previously included in IAS 27, IAS 28 and IAS 31. This standard groups and develops all the disclosures related to subsidiaries, joint ventures, associates, consolidated and unconsolidated structured entities.

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

  This standard is applicable prospectively and has no effect on the fair value scope. The potential consequences of the clarifications provided with respect to the measurement at fair value will be analyzed in 2012.

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

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

- Amendment to IFRS 1 First-Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (applicable for annual periods beginning on or after 1 July 2011)
- Amendment to IFRS 7 Financial Instruments: Disclosures – Derecognition (applicable for annual periods beginning on or after 1 July 2011)
- Amendment to IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after 1 July 2012)
- Amendment to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2012)
- Amendments to IAS 19 Employee Benefits (applicable for annual periods beginning on or after 1 January 2013)

- Amendments to IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Business combinations (in 000 euros)

Changes in 2011

No acquisition has been realised in 2011. However some evolutions have been recorded in the context of the acquisition performed in 2010.

In November 2009, Mobistar has signed a Share Purchase Agreement to buy from KPN Belgium all the shares of the company KPN Belgium Business ("acquiree"), hosting its B2B and carrier activities and owning a fiber network of 1,800 km.

The acquisition was closed on 31 March 2010. Mobistar owns as from that date 100 % of the shares in the acquiree and consolidated the acquiree as from 1 April 2010. At that date the company has been renamed into Mobistar Enterprise Services S.A./N.V. (hereafter "MES").

Mobistar paid a cash consideration of 65 million euros at the closing date. The Share Purchase Agreement foresees a price adjustment related to the net debt and working capital. This price adjustment was not finally determined and may impact the total consideration paid in the future.

The analysis of the transaction based on IFRS 3 revised, concludes that the transaction is a Business Combination and has been treated as such. Based on the Share Purchase Agreement, Mobistar is clearly qualifying as "acquirer" and the acquisition date is determined on 31 March 2010.

An independent expert performed a valuation of the assets acquired. The fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition is shown in the below table.

At the end of December 2010, the fair value of the identified assets and liabilities was provisional in relation to the following assets and liabilities as no sufficient information was available for the determination of:

1) Deferred tax assets on losses carry forwarded
2) Fair value of onerous contracts
3) Final adjustment of the purchase price

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

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

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

As mentioned above, the Share Purchase Agreement foresees an adjustment of the purchase consideration based on the net debt and working capital as of 28 February 2010. The final purchase price is still under review between Mobistar and the seller and the case has been submitted to an expert review. The outcome of the expert's report, i.e. that KPN should pay Mobistar an amount between 0.3 and 2.2 million euros, is disputed by KPN which states that this is not in agreement with the scope of the expert's mission. Therefore KPN has launched an arbitrage case regarding the expert's mission. Claim is still in process at the end of 2011. Hearings are scheduled in the first quarter of 2012.

2. Intangible assets and goodwill (in 000 euros)

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

2010	Goodwill	GSM and UMTS licences	Internally generated software development costs	Other intangible assets	Total intangible assets
Acquisition value					
As at 1 January 2010	**79 287**	**372 841**	**39 144**	**476 008**	**887 993**
Movements during the period:					
Acquisitions of Subsidiaries April 1st				2 257	2 257
Acquisitions and consolidation differences	844	74 367	2 415	60 545	137 327
Sales and disposals				-12 398	-12 398
As at 31 December 2010	**80 131**	**447 208**	**41 559**	**526 412**	**1 015 179**
Amortisation and impairment					
As at 1 January 2010	**0**	**253 061**	**31 828**	**367 616**	**652 505**
Movements during the period:					
Additions		24 799	4 308	47 431	76 538
Impairment				3 743	3 743
Reversal - sales and disposals				-12 386	-12 386
As at 31 December 2010	**0**	**277 860**	**36 136**	**406 404**	**720 400**
Net carrying amount as at 31 December 2010	**80 131**	**169 348**	**5 423**	**120 008**	**294 779**

Goodwill

The Goodwill end 2011 consists of:

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

The Goodwill end 2010 consists of:

Goodwill Mobistar Affiliate S.A.	10 558
Goodwill Mobistar Enterprise Services S.A.	844
Goodwill Orange Communications Luxembourg S.A.	68 729
Total	**80 131**

Mobistar Affiliate S.A.

The acquisition of Mobistar Affiliate S.A. was achieved in two phases: initial purchase of 20 % shares in April 1999 and purchase of the remaining 80 % shares in May 2001.

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

Mobistar Enterprise Services S.A.

First consolidation entries related to Mobistar Enterprise Services S.A. (MES) acquisition have been recorded on 1st April 2010. These entries have resulted in an increase of goodwill of 844 thousand euros. Finalization of the purchase price accounting resulted in the final goodwill of 793 thousand euros, adjusted on 31st March 2011.

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

Impairment test on the goodwill allocated to the segment 'Belgium' is performed at least at the end of each financial year to assess as to whether its carrying amount does not exceed its recoverable amount. Estimating the fair value less costs to sell will take into account Mobistar's share price as quoted on the stock exchange.

Concerning the goodwill of the segment 'Belgium', when considering the relationship between the market capitalization and the net assets of the Group as at 31 December 2011, the market capitalization was significantly higher than the net book value.

Orange Communications Luxembourg S.A.

The acquisition of Orange Communications Luxembourg S.A. has been achieved in two phases. 90 % of the shares were acquired on 2 July 2007. The remaining 10 % have been acquired on 12 November 2008.

The reported goodwill is fully allocated to the segment 'Luxembourg'. Impairment test on this goodwill is performed at least at the end of each financial year to assess as to whether its carrying amount does not exceed its recoverable amount.

The recoverable amount of this cash-generating unit has been estimated using a discounted cash flow method. For 2011, cash flows have been estimated on a five years business plan (2012 to 2016) approved by the local management. For the following years, figures have been extrapolated based on a growth rate estimated at 2 % (estimated growth rate on the Luxembourgian market adjusted to consider Orange Communications Luxembourg S.A. strategy deployment). Cash flows have been actualised. The discount rate applied to cash flow projections has been estimated at 8.5 % (post tax). 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 9.9 million euros.

For 2010, cash flows have been estimated on a four years business plan (2011 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 Luxembourgian market). Cash flow has been actualised. The 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 5.0 million euros.

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

Intangible assets

The UMTS licence has been depreciated from April 2005 onwards when the 3G network has been technically declared ready to operate in the region of Antwerp. The UMTS licence is depreciated over 16 years on a linear basis and the depreciation cost amounts to 9,364 thousand euros on a full year basis. The 2G licence has been renewed at the end of the year 2010. The costs of this licence, 74,367 thousand euros, is amortized over a period of five years which corresponds to the duration of the licence. The amortization expense for the year 2010 amounts to 1,222 thousand euros and for the year 2011, to 14,920 thousand euros. The acquisition of the 4G licence has been recorded in December 2011 for an amount of 20,020 thousand euros. The 4G licence will be depreciated as from the start of use up to the end of the right granted, which means over a period no longer than 15 years. Currently the start date of the depreciation is not known but, due to the conditions of the acquisition, the depreciation will not start before 1st July 2012.

Internally generated intangible assets and other intangible assets include software development and software licence costs. The useful lives of intangible assets applied in 2011 remain comparable to the one's used in 2010.

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. An important renewal program has started in 2010 that aims to review application managing provisioning, mediation, billing and CRM. This renewal program will be spread over the next few years with important "go live" milestones in 2012 and 2013.

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

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

2011	Land, buildings and network infrastructure	Plant, machinery, equipment	Furniture and vehicles	Other tangible assets	Total tangible assets
Acquisition value					
As at 1 January 2011	**555 591**	**723 803**	**125 715**	**17 231**	**1 422 340**
Movements during the period:					
Acquisitions, including self-constructed fixed assets	31 888	75 734	7 327	1 980	116 929
Dismantling asset	32 562				32 562
Sales and disposals	-6 446	-79 816	-5 894	-21	-92 177
As at 31 December 2011	**613 595**	**719 720**	**127 148**	**19 191**	**1 479 654**
Depreciation and impairment					
As at 1 January 2011	**248 334**	**432 211**	**101 452**	**4 416**	**786 413**
Movements during the period:					
Additions	22 946	81 837	9 841	872	115 496
Dismantling asset	4 178				4 178
Reversal - sales and disposals	-7 031	-79 487	-5 894	-21	-92 433
As at 31 December 2011	**268 428**	**434 560**	**105 399**	**5 267**	**813 654**
Net carrying amount as at 31 December 2011	**345 167**	**285 160**	**21 749**	**13 924**	**666 000**

2010	Land, buildings and network infrastructure	Plant, machinery, equipment	Furniture and vehicles	Other tangible assets	Total tangible assets
Acquisition value					
As at 1 January 2010	**512 057**	**613 369**	**124 691**	**23 157**	**1 273 274**
Movements during the period:					
Acquisitions of Subsidiaries April 1st	19 120	55 694	25	705	75 544
Acquisitions, including self-constructed fixed assets	28 320	61 957	9 876	2 780	102 933
Dismantling asset	-327				-327
Sales and disposals	-3 579	-7 217	-8 877	-9 411	-29 084
As at 31 December 2010	**555 591**	**723 803**	**125 715**	**17 231**	**1 422 340**
Depreciation and impairment					
As at 1 January 2010	**231 469**	**381 730**	**100 289**	**10 872**	**724 360**
Movements during the period:					
Additions	20 031	54 358	7 435	2 781	84 605
Impairment	753	2 363	2 629	174	5 919
Dismantling asset	-153				-153
Reversal - sales and disposals	-3 766	-6 240	-8 901	-9 411	-28 318
As at 31 December 2010	**248 334**	**432 211**	**101 452**	**4 416**	**786 413**
Net carrying amount as at 31 December 2010	**307 257**	**291 592**	**24 263**	**12 815**	**635 927**

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

Capital expenditure

During the 2011 financial year, Mobistar invested 204.8 million euros (20.0 million euros in the 4G licence acquisition, 67.8 million euros in intangible assets (excluding goodwill) and 116.9 million euros in tangible assets), which represents 13.5 % of service revenues.

Mobistar continues to invest in its IT renewal program and in the development of its 3G/HSDPA network. In order to be leader in fast mobile data services, Mobistar has finalized a network swap to full hybrid network (2G/3G/4G) in Luxembourg and started in the second half of 2011 a similar program in Belgium. At the end of 2011, the Mobistar network had 5.483 antennas for a total coverage of the Belgian population of 97 % in 3G/HSDPA.

Assets related to dismantling costs have been influenced in 2011 by the change in the evaluation approach as described under note 13.

Change in useful life on intangible and tangible assets

During 2011, change in useful life on both tangible and intangible assets has been recognised for an amount of 12,437 thousand euros (2010: 9,662 thousand euros) and shown as expense on the line ‘Depreciation, amortisation and impairment’ in the income statement.

The changes recognised during the year have been determined on individual asset basis in order to consider technology evolution or IT renewal project related to software. Obsolescence, dismantling or losses are also considered in the exercise, however not material during the year.

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

Government grant

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

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

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

	2011	2010
Net carrying amount as at 1 January	**149**	**175**
Released to the income statement	-26	-26
Net carrying amount as at 31 December	**123**	**149**

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

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

2010	Cash guarantees	Long-term receivables	Total
Net carrying amount as at 1 January 2010	**162**	**11 289**	**11 451**
Additions	4	624	628
Reimbursements	-4	-4 573	-4 577
Net carrying amount as at 31 December 2010	**162**	**7 339**	**7 501**

The decrease in other non-current receivables in 2011 is mainly due to transfer to 'other current assets' of the maturing part of the long-term loans to specific partners (1,783 thousand euros).

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

5. Current and deferred taxes (in 000 euros)

Deferred Tax Assets and Liabilities

	Balance Sheet		Income Statement	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Deferred tax assets				
Related to Orange Communications Luxembourg S.A. operations				
Carried forward tax losses beginning of the year	3 265	3 265		-5 451
Carried forward tax losses of the year	1 133		1 133	
DTA on Purchase Price Allocation Orange Communications Luxembourg S.A.	-1 035	-1 615	580	565
Related to MES S.A.				
DTA on Wholesales agreement on MES Purchase Price Allocation	3 918			
Transfer from deferred tax liabilities	-984			
Deferred tax liabilities on MES Purchase Price Allocation	-217		-217	
Deferred tax liabilities MES of the year	321		321	
Total deferred tax assets from activities	**6 401**	**1 650**	**1 817**	**-4 886**
Deferred tax liabilities				
Related to Mobistar S.A. operations				
Investment tax credit	961	1 282	-321	-427
Revenue recognition for free airtime minutes	-3 944	-2 415	-1 529	-731
Borrowing costs expensed as incurred	24	153	-129	-93
Website development costs expensed as incurred	277	277		-222
Assets dismantling obligations on sites and POP's	1 506		1 506	
Other items		-3	3	
Related to MES S.A. operations				
Deferred tax liabilities on MES Purchase Price Allocation	-963	-963		-123
Deferred tax liabilities MES of the year	-21	-21		-21
Transfer in deferred tax assets	984			
Total deferred tax liabilities from activities	**-1 176**	**-1 690**	**-470**	**-1 617**
Total net deferred tax assets	**5 225**	**-40**	**1 347**	**-6 503**

Major components of tax expense

	31 12 2011	31 12 2010
Current income tax	119 017	118 432
Current income tax of prior periods	-9 818	-14 960
Deferred tax expense relating to the origination and reversal of temporary differences (variance in deferred tax assets from activities)	-1 347	6 503
Tax expense	**107 852**	**109 975**

Orange Communications Luxembourg S.A.
At the end of 2009, the Group has unused tax losses arising from Orange Communications Luxembourg 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. However, due to the estimate of the future taxable profits together with the tax planning expected at the end of 2008, the deferred tax amounts were capped on a tax loss of 28,261 thousand euros.

In 2010, due to the positive result of Orange Communications Luxembourg S.A. resulting from a conditional debt waiver, the capacity of recovering the carried forward taxable losses has been reviewed and adjusted to the remaining full amount of tax losses of the company. In 2011, the deferred tax assets related to Orange Communications Luxembourg S.A. have been partially used due to the taxable profit generated by that entity.

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

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

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

Relationship between tax expense and accounting profit

	31.12.2011	31.12.2010
Consolidated accounting profit before taxes	328 873	373 526
Tax at the applicable rate of 33.99%	**111 784**	**126 961**
Tax effect of permanent differences:		
* Expenses that are not deductible in determining taxable profit	3 096	2 914
* Tax on debt waiver reevaluation	4 099	
* Irisnet pre-tax loss not deductible	81	85
Tax credit on investment	-321	-557
Tax deductible risk capital	-153	-675
Tax credits on business combination	-916	-3 793
Adjustment on prior years	-9 818	-14 960
Current year tax expense	**107 852**	**109 975**
Effective tax rate	**32.79%**	**29.44%**

6. Inventories (in 000 euros)

	31.12.2011	31.12.2010
Finished goods (i.e. handsets and SIM cards)		
Inventories - Gross amount	18 820	12 062
Reserve for obsolete and slow moving items	-2 319	-1 763
Inventories - Net carrying amount	16 501	10 299
Inventories - Cost recognised as an expense during the period	**179 327**	**158 782**

The level of inventories recorded at the end of 2010 was particularly low compared to 2011 and to previous years. This was due to delivery issues from main handsets suppliers, for which few weeks delays were encountered.

The amount of provision for obsolete and slow moving items related to inventories has generated an increase of expense amounting to 556 thousand euros, which is recognised in cost of sales.

7. Trade receivables (in 000 euros)

	31.12.2011	31.12.2010
Trade receivables - Gross value	275 359	257 417
Allowance for doubtful debtors	-50 109	-51 450
Trade receivables - Net carrying amount	**225 251**	**205 967**

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

Trade receivables are non-interest bearing and are generally paid via direct debits (62 percent of the service revenues are collected by direct debit). Trade receivables which are not paid via direct debits bear mainly a payment term of 30 days end of month.

Trade receivable has significantly increased in 2011. Two main effects have influenced this evolution:
- Deterioration of the payment quality of the end-customer regarding the 'Service Revenues'. Today more delays in payments are noted, requiring more cash collection efforts and impacting the bad debt provision as described below. This slow-down in the cash collection has created an increase of the receivable of 11.0 million euros. This negative effect has been partially compensated by better performance in cash collections related to the other revenue streams (partners, intercompany, interconnect and roaming) for an amount of 7.2 million euros.
- Technical issues that have been encountered in the implementation of the billing software of Orange Communications Luxembourg S.A., generating delay in issuing the invoices and by extension delay in cash collection, have had an impact estimated around 9.5 million euros.

The rest of the increase is due to timing differences around the closing date regarding re-invoicing of operations, credit notes receptions and the settlement of old amounts outstanding.

Trade receivables: Allowance for doubtful debtors reconciliation

	Balance Sheet				Income Statement	
	31.12.2011	Accrual	Reversal	31.12.2010	31.12.2011	31.12.2010
Hardware Customers	-3 494			-5 875	-2 381	-1 027
Airtime Customers	-46 615			-45 575	1 040	1 768
Total allowance for doubtful debtors	**-50 109**	**-14 382**	**15 724**	**-51 450**	**-1 342**	**741**

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
2011	225 251	171 947	30 192	13 982	9 130
2010	205 967	133 802	48 171	14 935	9 059

Due to the evolution of the market conditions and the increasing difficulty of recovering the receivables, the percentage of bad debt provisions has been raised from 1.8 % to 2.0 % of the average billing for the residential market. This change has had a negative impact on the result of 2011 for an amount of 1,384 thousand euros.

The decrease of the allowance for doubtful debtors is related to the write offs performed during the year 2011 on old receivables. These write offs are related to uncollectible amounts for which fiscal attests have been received. Impact on non-accrued losses is immaterial.

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

	31.12.2011	31.12.2010
Local and regional taxes on pylons	49 741	41 937
Impairment on taxes on pylons	-49 741	-41 937
Prepayments	14 026	13 818
VAT to be recovered	5 453	86
Other current assets	11 017	9 886
Total other current assets	**30 496**	**23 790**
Accrued revenues	**31 812**	**30 181**
Total	**62 308**	**53 971**

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 Constitutional Court has decided in its judgment of 15 December 2011 that article 98 §2 of the Act of 21 March 1991 on the reform of certain economical public companies doesn't prohibit municipalities to tax the economic activity of the telecom operators which is achieved in the territory of the municipality by the presence at public or private domain of mobile phone masts, pylons or antennae that are used for that activity, for budgetary or other reasons. In this interpretation is the provision in question, according to the Constitutional Court, not inconsistent with Article 170 § 4 of the Constitution.

In the coming months we expect a judgment on the same subject of the Supreme Court where a similar case is pending concerning the interpretation of Article 98 of the Act of 21 March 1991.

The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to 49.7 million euros and is subject to a bad debt provision for the whole amount, of which 7.8 million euros correspond to the 2011 financial year. The provision is recorded under the 'Other operating charges' heading in the profit and loss account.

Prepayments

Prepayments have increased due to the reclassification from long-term receivable of the maturing part of the loans to partners and other prepaid expenses.

VAT to be recovered

Other current assets have increased due to the VAT situation of Mobistar S.A. at the end of the year that shows a receivable balance of 5,453 thousand euros in 2011 against a 86 thousand euros receivable balance end of 2010.

Other current assets

The main components of the other current assets are related to project costs incurred by Irisnet waiting agreement for reinvoicing (for 5,264 thousand euros at year-end) and the short-term part of the advances made to specific partners (for 2,582 thousand euros at year-end). Both components have increased during the year in relation to business operations.

Accrued revenues

Accrued revenues are made of two types of items: estimated amounts of revenues not billed and adjustments to revenues considered in context of some tariff plans including free advantages for which the allocation period is different from the loyalty period (for example). These accrued revenues have increased essentially due to the second type of operations.

9. Cash and cash equivalents (in 000 euros)

	31.12.2011	31.12.2010
Total cash and cash equivalents	**7 119**	**12 959**

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 7,119 thousand euros at the end of 2011.

10. Earnings per share (in 000 euros)

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

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

	31.12.2011	31.12.2010
Net profit attributable to ordinary equity holders of the parent	221 021	263 551
Weighted average number of ordinary shares for basic earnings per share	60 014 414	60 014 414
Effect of dilution	NA	NA
Weighted average number of ordinary shares adjusted for the effect of dilution	60 014 414	60 014 414

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

11. Equity (in 000 euros)

Share capital

Changes during 2011

No changes have been performed during the year 2011.

	Share Capital	Number of ordinary shares
As at end December 2010	**131 721**	**60 014 414**
As at 1 January 2011	**131 721**	**60 014 414**
As at 31 December 2011	**131 721**	**60 014 414**

All ordinary shares are fully paid and have a par value of 2.195 euros. As no changes occurred during 2011, the par value is the same for 2010 and 2011.

Legal reserve

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

No changes have occurred in 2011.

	2011	2010
As at 1 January	**13 173**	**35 714**
Transfer to Share capital		-22 541
As at 31 December	**13 173**	**13 173**

Retained earnings

	2011	2010
As at 1 January	**286 276**	**295 933**
Current year profit after taxes	221 021	263 551
Dividend paid	-258 062	-273 066
Equity transaction costs	-157	-142
As at 31 December	**249 078**	**286 276**

Shareholders' remuneration

At the Annual General Assembly of shareholders to take place on 2 May 2012, the Board of Directors will propose to approve the following shareholders' remuneration scheme:

Dividend 2011

The number of shares receiving a dividend based on the distribution of the result 2011 amounts to 60,014,414 shares.

Number of ordinary shares as at the date of dividend payment	60 014 414
Gross ordinary dividend per ordinary share, in euros	2.90
Total ordinary dividend 2011 (000 euros)	174 042
Gross extraordinary dividend per ordinary share, in euros	0.80
Total extraordinary dividend 2011 (000 euros)	48 012

The dividend relating to the financial year 2011 has not been recognised as a liability at the balance sheet date as the approval of the Annual General Assembly of shareholders will take place after the balance sheet date.

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In this respect, the company's objective in shareholders' remuneration is a pay-out ratio of close to 100 % of its net result. 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 2011 and 31 December 2010. Capital management is based on the shareholder's equity.

In line with the above described objective, Mobistar distributed 258.1 million euros to its shareholders during the 2011 financial year. This distribution took the form of an ordinary dividend of 2.90 euros per ordinary share and an extraordinary dividend of 1.40 euro per ordinary share.

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

12. Share-based payment

No plans have been approved by the management in 2011 and 2010.

13. Long-term provisions (in 000 euros)

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

2010	01.01.2010	Mes entry in the perimeter	Additions	Utilisations	Reversal	Unwinding effect	31.12.2010
Outstanding litigations	4 655	3 238	210		-3 049		5 054
Network sites dismantling costs	7 538	1 840	2 164	-187	-308	280	11 327
Office refurbishment costs	2 448	90	1 964	-2 257	-53		2 192
Total	**14 641**	**5 168**	**4 338**	**-2 444**	**-3 410**	**280**	**18 573**

Outstanding litigations

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

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

Since 2010, the outstanding litigations include a contingent liability relating to VAT claims of Mobistar Enterprise Services S.A. Since MES has been consolidated, a provision for onerous contracts has been recorded.

Variance of the provision is mainly due to new provisions for specific risks in Mobistar for 1,784 thousand euros and MES onerous contracts for 7,122 thousand euros. Note that the amount related to MES onerous contracts has been partially recorded during the purchase price accounting for an amount of 3,875 thousand euros and against the income statement at the end of the year for the difference.

Network sites dismantling provision

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

	31.12.2011	31.12.2010
Number of network sites Orange Communications Luxembourg. S.A. incl. (in units)	4 373	4 311
Average dismantling cost per network site	11	11
Inflation rate	2.0%	4.0%
Discount rate	2.98%	4.0%

Although size and installation on site may slightly vary from site to site, the provision is calculated on an average dismantling cost which is based on the actual costs incurred in the past for similar activities. For sites of a bigger size, like MSC's, the provision is calculated on the surface area of the sites rented and an average dismantling cost per m^2 based on past similar experience.

Although it is rather not practicable to estimate the timing of the cash outflows, it is assumed that all the network sites will be dismantled in the future. Up to 2010, the provision was measured based on the known term of the existing rental contracts but with a high probability of renewal upon each renewal date. In 2011, the duration of the rental contracts has been capped to 15 years, which is considered to be equivalent to a dismantling plan spread over a period close to 30 years. Before that change the longest period considered was 99 years. This change, combined to the review of the discount rate to consider the same period of time (15 years), has had an impact on the provision and the dismantling asset of 32.0 million euros.

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

Office refurbishment costs

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

The increase in 2011 of the provision amounted to 43,022 euros. This can be split as such:

- changes with impact in fixed assets	33 557
- changes generated by Purchase Price Accounting of MES	3 865
- changes with impact in Profit and Loss (provisions)	5 287
- changes with impact in Profit and Loss (financial expenses)	313

Waste Electrical and Electronic Equipment

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

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

14. Financial instruments (in 000 euros)

Financial risk management objectives and policies

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

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

Interest rate risk

As a result of the exceptionally high distribution to its shareholders paid out in 2008 (nearly 600 million euros), the Company showed a debt amounting to 311.2 million euros on 31 December 2011. The Company didn't hedge the interest rate risk on the debt that bears interests based on Euribor + 65 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 years recovery experience. Yearly review is made of all the indicators.

Liquidity risk

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

Interest-bearing loans and borrowings

	Nominal amount end 2011	Interest rate	Maturity	31.12.2011	31.12.2010
Unsecured revolving credit facility agreement with					
Atlas Services Belgium	450 000	Euribor + 0.65	31.12.2015	295 000	270 000
Transaction costs on long-term loan				-1 800	-2 250
Other financial debt					161
Total long-term loans and borrowings				**293 200**	**267 911**
Cash-pool related credit facility with France Télécom	50 000	EONIA + 0.65	on demand	16 234	30 658
Uncommitted credit lines with various banks	43 500	determined upon	on demand		
		withdrawal			
Share of a joint venture loan (Irisnet)	2 727	determined upon	on demand	2 210	2 235
	maximum	withdrawal			
Total short-term loans and borrowings				**18 444**	**32 893**

Fair values

	Carrying amount		Fair value	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Financial assets				
Cash and cash equivalent	7 119	12 959	7 119	12 959
Other financial assets (non-current)		162		162
Short-term receivables (1)	2 583	1 808	2 265 **	1 782 *
Long-term receivables (non-current) (1)	5 556	7 338	5 461 **	7 121 *
Trade receivable (1)	225 251	205 967	225 251	205 967
Other current assets (1)	27 913	21 982	27 913	21 982
Financial liabilities				
Long-term borrowing	295 000	270 000	289 943**	263 390 *
Long-term trade payable	28 321	43 195	28 092 **	42 491 *
Short-term borrowing	16 234	30 658	16 234	30 658
Share of a joint venture loan (Irisnet)	2 210	2 235	2 210	2 235
Total short-term borrowings	18 444	32 893	18 444	32 893
Trade payables	347 635	310 943	347 635	310 943
Other payables	2 736	4 473	2 736	4 473

* Discount rates (assumption) have been considered on the estimated period of repayment (1 year: 1.48%, 2 years: 1.5615%, 3 years: 1.9529%, 4 years: 2.2217%, 5 years: 2.5094%).
** Discount rates (assumption) have been considered on the estimated period of repayment (1 year: 0.367%, 2 years: 1.3111%, 3 years: 1.3803%, 4 years: 1.5483%, 5 years: 1.7443%).
(1) See note 4.12 related to the accounting principles (loans and receivables).

As at 31 December 2011, 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 Irisnet joint venture loan overdraft is deemed to represent its fair value taking into account the associated short-term maturity.

Maturity

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

Year ended December 2010	Amount	Within 1 year	Within 2-5 years	More than 5 years
Financial assets				
Cash and cash equivalent	12 959	12 959		
Other financial assets (non-current)	162			162
Long-term receivables (non-current)	9 146	1 808	7 338	
Financial liabilities				
Long-term borrowing	270 161		270 161	
Short-term borrowing	32 893	32 893		
Share of a joint venture loan (Irisnet)	2 235	2 235		

Sensitivity

As indicated above, the main risk area related to external variable elements is the cost of borrowing. Considering an average indebtedness of 304 million euros for 2011, a variation of floating rate of 0.5 % would have meant an impact on financing costs of 1.52 million euros.

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

	31.12.2011	31.12.2010
Payable on licence acquisition over 1 year	28 321	43 194
Total long-term trade payable	**28 321**	**43 194**

This amount represents the part payable over more than one year relating to the renewal of the 2G licence. The company has indeed opted for the deferred payment approach over 5 years. At the end of 2011, 3 installments remain to pay, out of which 2 over one year. Interests on this payable have been paid in advance for the year 2012 in December 2011. These interests have been calculated based on a provisional rate of 3.75%.

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

	31.12.2011	31.12.2010
Trade payables	**347 635**	**310 943**
Employee benefits related liabilities		
Salaries and termination pay	3 848	3 274
Social security contributions	1 087	934
Holiday pay	18 335	18 036
Performance and Profit Sharing bonus	7 884	7 121
Other	1 701	2 046
Total	**32 855**	**31 411**
Current taxes payable		
Corporate taxes - 2007		288
Corporate taxes - 2009		21 149
Corporate taxes - 2010	51 009	60 733
Corporate taxes - 2011	61 001	
Value added tax & other taxes	1 727	1 072
Total	**113 737**	**83 242**
Deferred income	**87 833**	**77 684**
Other payables		
Dividend 2004	36	41
Dividend 2005	67	84
Dividend 2006	66	79
Dividend 2007	45	55
Reimbursement share capital 2008	93	119
Dividend 2008	132	177
Dividend 2009	146	300
Dividend 2010	224	
Other liabilities	1 927	3 618
Total	**2 736**	**4 473**

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

Variation of trade payable of 36,692 thousand euros is due to inclusion of the 4G licence debt (19,020 thousand euros), local and regional taxes on pylons (7,804 thousand euros) and other timing related impacts on credit notes to issue, mainly in roaming and invoices to receive.

Variation of the employee benefits related liabilities is mainly due to employee volume increase.

Variation of corporate tax payable is due to the fact that the 2010 taxes have not been paid during 2011 for the remaining part. Prepayments of taxes for 2011 remain at a comparable level of 2010.

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. Increase comes essentially from the change in the tariff plans' structure in the portfolio. The share of the tariff plans with higher upfront has increased during the year 2011 generating a higher level of unused amounts. Impact of these changes can be estimated around 5.0 million euros.

17. Income statement (in 000 euros)

Turnover

	2011	2010
Revenue from subscription contracts	963 185	936 044
Revenue from prepaid subscription cards	159 418	179 216
Interconnection revenue	311 451	342 314
Site sharing rental income	2 807	2 516
Other services	68 985	55 553
Total service revenue	1 505 846	1 515 643
Sale of equipment	151 734	148 977
Total	**1 657 580**	**1 664 620**

Variation of the turnover is a direct consequence of the evolution of the consumption pattern of the customers. The trend of decreasing voice traffic is confirmed, SMS remains popular and is still rising, and there is an increase in mobile data usage. Nevertheless, without the regulatory impact the ARPU would have remained stable. The decrease in the roaming and MTR tariffs, however, once again had a negative impact on the average revenue per user, which fell by 5.5 %, from 31.26 euros at the end of 2010 to 29.54 euros at the end of 2011. The success of smartphones, especially in the fourth quarter of 2011, had a compensating positive effect on the total turnover of the Mobistar group.

Other operating revenue

	2011	2010
Expenses recharged to France Télécom group entities	8 378	9 923
Administrative costs recharged to customers and third-parties	23 351	15 498
Services rendered to judicial authorities	4 659	4 740
Other operating revenue	5 639	3 032
Total	**42 027**	**33 192**

Major increase of the other operating revenues is related to the amount recovered from customers as recharging of lawyers costs and interests that increased by 7,853 thousand euros in 2011.

Interconnection costs

Interconnection costs have slightly decreased by 4.8%. Note that in view of the changes of the operating segment information (see note 20), a reclassification from Cost of equipment and goods sold of 34.6 million euros has been done on the figures as at 31 December 2010.

Costs of equipment and goods sold

	2011	2010
Purchase of goods	185 000	160 381
Purchase of services	112 081	104 913
Total	**297 081**	**265 294**

Costs of equipment and goods sold recorded an increase as a result of the growth in revenue from equipment sales, especially in the area of smartphones (9.2 million euros), costs related to TV operations (as only 2 months of activities were included in 2010 compared to a full year in 2011) and the contribution of MES for site costs (28.7 million euros in 2011 compared to 25.8 million euros in 2010).

Services and other goods

	2011	2010
Rental costs	27 375	25 522
Maintenance	19 347	20 683
Professional fees	69 413	61 736
Administration costs	20 475	18 410
Commissions	109 950	112 900
Universal service	-7 519	5 074
Advertising and promotions	45 539	49 698
Other	12 918	12 911
Total	**297 498**	**306 934**

The cost of services and other goods slightly decreased by 9.4 million euros reaching 297.5 million euros. An important positive impact is related to the review of the provision for Universal Service compensation by 12.5 million euros in light of the Court decision taken during the year. Professional fees include IT consultants and outsourced activities which have increased over the year. Maintenance related to IT has decreased. This decrease includes an impact of 3.4 million euros received as specific discount negotiations.

Employee benefits expenses

	2011	2010
Short-term employee benefits	112 424	104 442
Social Security contributions	31 553	29 627
Group insurance and medical care	4 426	5 471
Other personnel costs	1 624	1 263
Total	**150 027**	**140 803**

Short-term employee benefits are presented net of employee benefits expenses internally capitalised as intangible and tangible assets totalling 5,877 thousand euros in 2011 and 3,722 thousand euros in 2010.

The average full-time equivalent number of employees increased from 1,677.1 in 2010 to 1,859.3 in 2011. The increase has been focused on the sales force and on the customer service in order to largely improve the customer experience.

The amount paid as expenses related to the defined contribution pension plan and included in the ‘Group insurance’ amounted to 4,769 thousand euros for 2011 and 4,254 thousand euros for 2010.

Depreciations

Depreciations increase is due to:
- continued investment efforts including the "go live" of the new IT system developed for Orange Communications Luxembourg S.A.,
- adjustment of the dismantling assets values and cap at 15 years for the calculation of depreciation,
- full year of MES activities compared to 9 months in 2010,
- review of the useful life of the assets related to important projects in IT system renewal and technical swap of technology. These useful lives have been shortened in order to consider the expected decommissioning dates.

Other operating charges

	2011	2010
Inventories - obsolete and slow moving items	571	340
Trade receivables - realized losses	15 724	11 748
Trade receivables - Accrual variation	-1 342	768
Impairment on local taxes on GSM antennas and pylons	8 451	6 946
Property taxes	860	3 210
Long-term provisions	4 931	-2 966
Other operating charges	-629	-483
Total	**28 566**	**19 563**

As described in the note related to the trade receivables, the amount of write off related to previous years invoices has been higher in 2011 compared to 2010.

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

Long-term provisions were positive in 2010 mainly due to the reversal of a specific claim provision for 2.0 million euros. In 2011, the Group has recorded new claims for an amount of 4.8 million euros including a risk for onerous contracts of 3.2 million euros in MES.

Financial result

	2011	2010
Financial income		
Interest on deposits and current bank accounts	708	514
Other financial income	206	105
Total	**914**	**619**
Financial costs		
Interest on financial debts	9 902	2 853
Other financial charges	1 884	2 278
Total	**11 786**	**5 131**
Total net financial costs	**-10 872**	**-4 512**

Net financial incomes have been largely influenced by the structure of the financing put in place at the end of 2010 (switch from short-term financing to long-term financing for the biggest part of Mobistar's debt) and to the general increase of interest level.

18. Relationships with related parties (in 000 euros)

Relationships with affiliated enterprises

Balance sheet and income statement

	31.12.2011	31.12.2010
Assets and liabilities		
Short-term trade receivables	15 005	22 568
Liabilities		
Short-term interest-bearing loan	16 234	30 810
Long-term interest-bearing loan	293 200	267 750
Short-term trade payables	9 670	12 769
Income and charges		
Sales	42 542	53 113
Purchases	43 516	38 791

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

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

Related party - 2011 transactions

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Ultimate parent company				
France Télécom - Traffic and services	31 452	30 664	8 289	7 605
France Télécom - Cash pooling	176	14		16 234
France Télécom subsidiaries				
Airtime traffic and services	10 914	12 838	6 716	2 064
Atlas Services Belgium - Borrowing				293 200
Total	**42 542**	**43 516**	**15 005**	**319 103**

Related party - 2010 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	42 407	29 427	16 371	10 121
France Télécom - Cash pooling		2 699		30 810
France Télécom subsidiaries				
Airtime traffic and services	10 706	6 665	6 197	2 648
Atlas Services Belgium - Borrowing				267 750
Total	**53 113**	**38 791**	**22 568**	**311 329**

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:

	2011	2010
Basic remuneration (gross annual salary)	2 011	1 760
Variable remuneration	1 642	2 619
Other elements of remuneration	147	118
Post employment benefits (defined contribution pension plan)	318	285
Total employee benefits	**4 118**	**4 781**

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:

	2011	2010
Total remuneration	**242**	**362**

19. Commitments and contingencies (in 000 euros)

Purchases

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2010	2011				
Intangible assets	21 566	5 249	5 249	0	0	0
Tangible assets	104 528	208 662	116 687	61 857	30 118	0
Inventories	45 754	81 740	81 580	160	0	0
Other services	6 500	62 791	28 636	28 582	5 573	0

Operational leases costs

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2010	2011				
Offices	76 156	70 117	5 018	10 202	10 418	44 478
Network sites	385 628	362 609	27 780	52 058	36 617	246 155
Cars	12 248	13 930	1 224	7 104	5 602	0
Total	**474 032**	**446 656**	**34 022**	**69 364**	**52 637**	**290 633**

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

Guarantees received

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2010	2011				
Total	**180 000**	**155 000**	**0**	**0**	**0**	**155 000**

Guarantees granted

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2010	2011				
Total	**8 744**	**8 275**	**859**	**1 209**	**537**	**5 670**

Guarantees granted are related to various lease agreements (1,783 thousand euros in 2011) and to network performance commitment granted to some corporate customers (5,569.1 thousand euros in 2011). No other security (mortgage, pledge or other) has been granted on Mobistar assets as at 31 December 2011.

Purchase agreement

No purchase agreement has been signed in 2011.

Events after the balance sheet date

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

20. Operating segment information (in 000 euros)

Segment information is structured by country. For the main countries, segmentation per business segment will be maintained. Countries involved are Belgium, country covered by Mobistar S.A., Irisnet operations and since April 2010 Mobistar Enterprise Services S.A., and Luxembourg for the operations of Orange Communications Luxembourg S.A.

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

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

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

The presentation of the operating segment information has been changed in 2011 in order to align this information with the one used by the management. The change does not impact the segmentation itself but only the split between the different costs elements in each segment. The allocation approach of costs and other revenues has also been adapted to align with management reporting. The allocation of these revenues and costs has been refined to consider more direct allocation of these items to the segment.

2011		31.12.2011 Belgium		31.12.2011 Luxembourg	Interco elimination	Mobistar Group
	Mobile	Non-Mobile	Total	Total	Total	Total
Operating revenues						
Network & other operating revenues (service revenues)	1 288 096	168 319	1 456 416	60 660	-11 229	1 505 846
Handsets sales	154 626	0	154 626	5 064	-7 956	151 734
Total turnover	**1 442 722**	**168 319**	**1 611 042**	**65 724**	**-19 186**	**1 657 580**
Other	0	0	0	0	0	0
Total operating revenues	**1 442 722**	**168 319**	**1 611 042**	**65 724**	**-19 186**	**1 657 580**
Operating charges						
Direct costs excl. direct commercial costs	**-480 623**	**-90 070**	**-570 693**	**-39 306**	**19 186**	**-590 813**
Direct commercial costs	-115 300	-10 000	-125 300	0	0	-125 300
Direct costs	**-595 923**	**-100 070**	**-695 993**	**-39 306**	**19 186**	**-716 113**
Direct margin	**846 799**	**68 249**	**915 048**	**26 419**	**0**	**941 467**
% Operating revenues	**65.7%**	**40.5%**	**62.8%**	**43.6%**	**0.0%**	**62.5%**
Indirect production costs	-106 299	-41 900	-148 199	-6 573	0	-154 772
Information technology	-35 400	-3 800	-39 200	-2 177	0	-41 377
Communication, Marketing & Product development	-28 400	-13 200	-41 600	-1 747	0	-43 347
Indirect customer facing costs	-88 300	-27 300	-115 600	-5 431	0	-121 031
General and administration costs	-42 400	-6 399	-48 799	-2 058	0	-50 857
Indirect costs	**-300 799**	**-92 599**	**-393 398**	**-17 985**	**0**	**-411 383**
EBITDA	**546 000**	**-24 350**	**521 650**	**8 434**	**0**	**530 084**
% EBITDA on operating revenues			**35.8%**	**14.0%**	**-0.4%**	**35.2%**
Depreciations	-157 657	-22 300	-179 957	-10 382		-190 339
EBIT	**388 343**	**-46 650**	**341 693**	**-1 948**	**0**	**339 745**
Financial income			1 077	8	-172	914
Financial costs			-11 553	-405	172	-11 786
Profit before taxes			**331 217**	**-2 345**	**0**	**328 873**
Tax expense			-109 565	1 713	0	-107 852
Net profit of the period (*)			**221 652**	**-631**	**0**	**221 021**
Profit attributable to equity holders of the parent			**221 652**	**-631**	**0**	**221 021**

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

2010	31.12.2010 Belgium			31.12.2010 Luxembourg	Interco elimination	Mobistar Group
	Mobile	Non-Mobile	Total	Total	Total	Total
Operating revenues						
Network & other operating revenues (service revenues)	1 332 244	144 570	1 476 814	50 579	-3 865	1 523 528
Handsets sales	144 198	8	144 207	4 807	-7 922	141 092
Total turnover	**1 476 443**	**144 578**	**1 621 021**	**55 386**	**-11 787**	**1 664 620**
Other	0	0	0	0	0	0
Total operating revenues	**1 476 443**	**144 578**	**1 621 021**	**55 386**	**-11 787**	**1 664 620**
Operating charges						
Direct costs excl. direct commercial costs	**-484 800**	**-84 000**	**-568 800**	**-34 964**	**11 786**	**-591 978**
Direct commercial costs	-115 800	-6 200	-122 000	0	0	-122 000
Direct costs	**-600 600**	**-90 200**	**-690 800**	**-34 964**	**11 786**	**-713 978**
Direct margin	**875 843**	**54 378**	**930 221**	**20 422**	**0**	**950 642**
% Operating revenues	**65.7%**	**37.6%**	**63.0%**	**40.4%**	**3.0%**	**62.4%**
Indirect production costs	-122 966	-28 886	-151 852	-5 798	0	-157 650
Information technology	-34 600	-4 000	-38 600	-1 634	0	-40 234
Communication, Marketing & Product development	-29 200	-13 000	-42 200	-1 379	0	-43 579
Indirect customer facing costs	-88 700	-18 400	-107 100	-4 188	0	-111 288
General and administration costs	-42 400	-5 300	-47 700	-1 502	0	-49 202
Indirect costs	**-317 866**	**-69 586**	**-387 452**	**-14 500**	**0**	**-401 952**
EBITDA	**557 977**	**-15 209**	**542 768**	**5 922**	**0**	**548 690**
% EBITDA on operating revenues			**36.8%**	**11.7%**	**-0.3%**	**36.0%**
Depreciations	-145 260	-17 479	-162 739	-7 913	0	-170 652
EBIT	**412 717**	**-32 688**	**380 029**	**-1 991**	**0**	**378 038**
Financial income			553	30 066	-30 000	619
Financial costs			-34 507	-624	30 000	-5 131
Profit before taxes			**346 075**	**27 451**	**0**	**373 526**
Tax expense			-105 089	-4 886	0	-109 975
Net profit of the period (*)			**240 986**	**22 565**	**0**	**263 551**
Profit attributable to equity holders of the parent			**240 986**	**22 565**	**0**	**263 551**

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

2011	31.12.2011 Belgium				31.12.2011 Luxembourg	Interco elimination	Mobistar Group
	Mobile	Fix	Unallocated	Total			Total
Goodwill	11 351			11 351	68 574	155	80 080
Intangible and tangible assets	785 012	165 568		950 580	27 445		978 026
Financial assets			87 017	87 017		-87 017	0
Deferred taxes assets			3 038	3 038	3 363		6 401
Other non-current assets	5 556		83	5 640	178		5 818
Inventories	12 595	2 243		14 838	1 663		16 501
Trade receivable	155 073	55 687		210 760	16 967	-2 477	225 251
Other current assets	46 789	13 350	12 999	73 138	433	-11 263	62 308
Cash and cash equivalent	3 825			3 825	3 294		7 119
Segment assets	**1 020 202**	**236 847**	**103 137**	**1 360 186**	**121 918**	**-100 602**	**1 381 503**
Long-term interests-bearing borrowings			293 200	293 200			293 200
Long-term provisions	46 343	12 668		59 011	2 584		61 595
Long-term payable	28 321			28 321			28 321
Deferred taxes			1 176	1 176			1 176
Financial liabilities			18 444	18 444	11 233	-11 233	18 444
Trade payables	260 618	74 645		335 263	14 848	-2 477	347 635
Taxes	7	807	111 999	112 813	924		113 737
Salaries and social security	25 301	6 576		31 877	978		32 855
Deferred income	76 228	10 164	352	86 744	1 120	-30	87 833
Other current liabilities	253		2 482	2 736			2 736
Segment liabilities	**437 070**	**104 861**	**427 653**	**969 584**	**31 687**	**-13 740**	**987 532**
Capital expenditure	151 637	45 710		197 347	6 392		203 739
Depreciation and amortisation	145 220	22 300		167 520	10 382		177 902
Impairment losses recognised							
in profit or loss	12 437			12 437			12 437

2010	31.12.2010 Belgium				31.12.2010 Luxembourg	Interco elimination	Mobistar Group
	Mobile	Fix	Unallocated	Total			Total
Goodwill	11 402			11 402	68 574	155	80 131
Intangible and tangible assets	755 684	144 943		900 627	30 079		930 706
Financial assets			87 017	87 017		-87 017	0
Deferred taxes assets					1 650		1 650
Other non-current assets	7 339		82	7 421	80		7 501
Inventories	7 808	1 095		8 903	1 396		10 299
Trade receivable	147 668	53 009		200 677	7 489	-2 198	205 968
Other current assets	35 647	15 925	7 043	58 615	492	-5 136	53 971
Cash and cash equivalent	11 772			11 772	1 186		12 958
Segment assets	**977 320**	**214 972**	**94 142**	**1 286 434**	**110 946**	**-94 196**	**1 303 184**
Long-term interests-bearing borrowings			267 911	267 911			267 911
Long-term provisions	12 642	5 228		17 870	703		18 573
Long-term payable	43 194			43 194			43 194
Deferred taxes			1 690	1 690			1 690
Financial liabilities			32 893	32 893	5 125	-5 125	32 893
Trade payables	250 687	50 200		300 887	12 254	-2 198	310 943
Taxes			82 560	82 560	682		83 242
Salaries and social security	26 083	4 762		30 845	566		31 411
Deferred income	68 318	8 419	205	76 942	753	-11	77 684
Other current liabilities	250	71	4 152	4 473			4 473
Segment liabilities	**401 174**	**68 680**	**389 411**	**859 265**	**20 083**	**-7 334**	**872 014**
Capital expenditure	143 278	33 284		176 562	5 182		181 744
Acquisitions of Subsidiaries April 1st			63 078	63 078			63 078
Depreciation and amortisation	135 550	17 527		153 077	7 913		160 990
Impairment losses recognised							
in profit or loss	9 662			9 662			9 662

21. 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:

	31.12.2011	31.12.2010
Non-current assets	8	8
Current assets	7 371	6 185
Total assets	**7 379**	**6 193**
Equity	-11 941	-11 704
Current liabilities	19 320	17 897
Total equity and liabilities	**7 379**	**6 193**
Income	5 018	4 828
Expenses	5 214	5 159

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

	31.12.2011	31.12.2010
Assets and liabilities		
Current assets - trade receivables	20 280	20 062
Current liabilities - trade payables	7 719	7 448
Current liabilities - deferred income	12 561	12 614
Income and charges		
Sales	5 123	4 945
Purchases	5 123	4 945

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

on the consolidated financial statements for the year ended 31 December 2011 to the Shareholders' Meeting

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Mobistar S.A. ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 1 381 503 (000) EUR and the consolidated income statement shows a consolidated profit for the year then ended of 221 021 (000) EUR.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: 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.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "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 consolidated 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 assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2011, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Additional comment

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 comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Diegem, 26th March 2012

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

Declaration by the responsible persons

DECLARATION BY THE RESPONSIBLE PERSONS

We, the undersigned, Jean Marc Harion, CEO, and Werner De Laet, CFO, declare that to our knowledge:

a) the financial statements drawn up in accordance with the prevailing accounting standards, give a true and fair view of the company's assets, liabilities, financial position and results of the issuer and the companies included within its consolidation;

b) the management report contains an accurate overview of the business activities evolution, the results and the financial situation of the issuer and the companies included within its consolidation, and a description of the main risks and uncertainties they are confronted to.

Jean Marc Harion
CEO

Werner De Laet
CFO