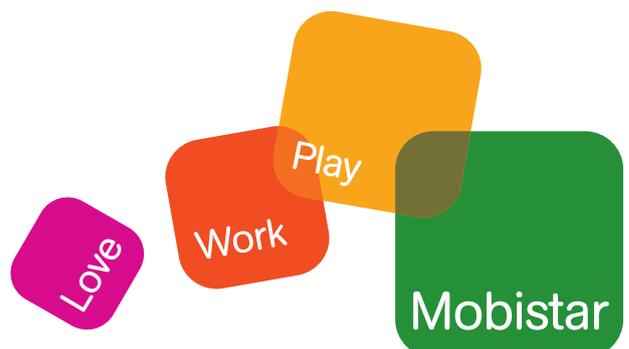


Results
third quarter 2014
Mobistar



Financial communication

Embargo until 20 October 2014 at 7 a.m.
Regulated information

Postpaid customer base back to growth in Q3 and full year restated EBITDA guidance floor raised

Brussels, 20 October 2014 – Today, Mobistar (Euronext Brussels: MOBB) publishes its results for the first nine months of 2014.

- ✓ Mobistar's retail customer base in Belgium increased sequentially by 55,267 in the third quarter, sustained by network quality and 4G launch. The postpaid net additions turned back positive in the third quarter with a particularly solid performance in the residential segment.
- ✓ Mobistar increased the number of connected SIM cards on its network in Belgium and Luxembourg by 413,927 year-on-year to reach a total of 5,543,486.
- ✓ The blended ARPU in Belgium in the third quarter amounted to 23.9 euros, confirming the stabilisation versus the previous quarters.
- ✓ The results of the first nine months of 2014 confirm the sequential improvement of its financial performance quarter after quarter, reaching:
 - a total turnover of 934 million euros.
 - a restated EBITDA of 218 million euros.
 - an operational cash flow of 69 million euros.
- ✓ Mobistar generated more than 43 million euros of net OPEX savings in the framework of its transformation program.
- ✓ Mobistar's decision to accelerate its investments in the LTE roll-out led to a confirmation of its number 1 position in terms of 4G coverage in Belgium.
- ✓ Mobistar is raising its restated EBITDA guidance floor for the full year 2014, by narrowing its range to between 260 and 280 million euros from between 250 and 280 million previously.
- ✓ Mobistar confirms it will have its first very high-speed broadband and digital TV cable users connected before the end of the year, as the first step of its progressive entry in the convergent market.

'We are increasingly seeing the positive results of the bold decisions we have taken, when launching our three-year transformation program 21 months ago. Our 4G network leadership is now undisputed and is increasingly being recognised by the Belgian consumers. Now that we have reengineered our distribution, our segmented product portfolio is delivering on its potential. In the third quarter of 2014 Mobistar is growing its retail postpaid customer base while not yet being a convergent player. The upcoming launch of Mobistar's own cable offerings will reinforce this newfound momentum' commented Jean-Marc Harion (CEO).

Ludovic Pech (CFO) added: 'We have demonstrated this quarter our ability to regain market momentum in a very competitive environment while continuing to adapt our operating model. Our 50 million euros cost reduction program is delivering savings ahead of schedule. It allows us to invest in mobile customer acquisition and future growth opportunities like cable while raising our restated EBITDA guidance floor. But our transformation program is not only about cost. The outsourcing of our IT operations is a clear example of that; not only will it enable us to achieve the necessary savings but it will also make Mobistar more agile through improved processes and even more customer-centric operations.'

At the end of the first nine months of 2014:

- **Mobistar's retail customer base⁽¹⁾ increased sequentially in the third quarter**, adding 55,267 retail customers in total. All major customer segments marked an improvement quarter-on-quarter. 1/ **Mobistar's postpaid customer base grew** by 1,336 customers in the third quarter. Net adds in the **residential postpaid** segment were positive. The net adds in the B2B postpaid segment also meaningfully improved despite remaining negative. 2/ The **residential prepaid** segment added **18,575 new customers** with the addition of the Colruyt Mobile prepaid customers that were taken over by Mobistar (previously MVNO wholesale customers). On an organic basis, the net additions in the third quarter also showed an improvement, following the launch of Mobistar's prepaid ethnic offer 1617 and the strengthening of the product portfolio. 3/ **The M2M segment performed well** with an increase of 35,356 active SIM cards in the third quarter.
- **Mobistar increased its lead over the other mobile network operators⁽²⁾** with the number of connected SIM cards on its network in Belgium reaching 5,444,006. In addition to the growing **retail customer base**, **Mobistar's MVNO customers also increased by 43,265 in the third quarter**. The number of connected SIM cards on the network in Belgium and Luxembourg jumped up 8.1 % year-on-year to reach **a total of 5,543,486**, an increase of 413,927.
- Mobistar group recorded **a total consolidated turnover of 933.6 million euros**, -15.5 % year-on-year. Taking into account the regulatory MTR and EU roaming impact of 27.7 million euros, the total consolidated turnover recorded a year-on-year trend of -13.0 %, the result of lower handset sales and service revenues.
- **Mobistar's service revenues amounted to 838.1 million euros**, compared to 962.7 million euros a year earlier, giving a year-on-year decline of 12.9 % (or -10.1 % before regulatory impact). The third quarter service revenues amounted to 276.7 million euros, a decline of 10.1 % or 6.2 % excluding the regulatory impact. This result confirms the sequential improvement of the year-on-year trend throughout 2014, with -10.1 % in the third quarter compared to -12.3 % in Q2 2014, -16.2 % in Q1 2014 and -21.4 % in Q3 2013.
- **The blended ARPU in Belgium in the third quarter amounted to 23.9 euros, stable versus the previous quarter**, but still declining 3.8 % year-on-year. Compared to the two previous quarters, in which the year-on-year decline of the ARPU amounted to 9.9 % and 6.8 %, respectively; this again marks a solid improvement. The foremost downward pressure still came from the backbook repricing in the business segment.
- **Mobile data** amounted to **50.3 %** of the service revenues in Belgium, while **advanced mobile data⁽³⁾** represented **19.8 %**, versus 47.2 % and 17.3 % respectively in the same period last year. In the third quarter, advanced mobile data revenues represented for the first time ever, **more than 20 % of the total service revenues, thanks to 4G**.
- Mobistar recorded **a restated EBITDA of 217.7 million euros**, -20.9 % versus the previous year. Mobistar group's restated EBITDA margin amounted to 26.0 % of service revenues. Without the regulatory MTR- and EU roaming impact of **18.9 million euros**, the restated EBITDA would have decreased by 14.1 %. Almost half of this decline can be explained by the inflation of operational taxes, such as the pylon tax provision, versus the previous year. For the second time this year **Mobistar's restated EBITDA increased sequentially in the third quarter of 2014 by 4.1 % to 77.3 million euros** from 66.1 million euros and 74.3 million euros in the first and second quarter of 2014. The restated EBITDA margin amounted to 27.9 % of service revenues in the third quarter.

(1) The retail customer base entails Mobistar's residential, business and M2M customers.

(2) Belgacom reported 5,297,000 active SIM cards in the second quarter of 2014, of which 430,000 were Free Data Cards that were given away to fixed customers, while KPN Belgium reported 2,932,120 active SIM cards.

(3) Mobile data excluding SMS.

- **The operational cash flow amounted to 69.4 million euros**, -55.0 % year-on-year, as a result of its decision to invest in the LTE roll out and the lower though improving evolution of the operational profit, including regulatory and tax pressure. Mobistar **invested 138.3 million euros, i.e. 16.5 % of service revenues**, in the first nine months of 2014 compared to 115.7 million euros in the previous year.

1. Key facts

Mobistar is continuing to execute on its global transformation plan thus creating levers for future growth. Mobistar made progress on its four strategic priorities in the course of the third quarter of 2014:

Leadership in Mobile:

- Mobistar's LTE roll out advanced at high speed, already reaching 81 % outdoor- and 53 % indoor coverage at the end of the third quarter of 2014, thus proving its network leadership.
- Mobistar was the first European operator to launch MySwap, a “guaranteed-price buy-back” option for 4G smartphones, priced at 3 euros per month.
- Mobistar's Back-to-School promotion, providing the widest range of subsidized 4G-enabled smartphone devices, accentuates the improving appetite in the residential market for Mobistar's tariff plans and for high speed mobile broadband.
- Mobistar was also the first operator in Belgium to launch Mobiline, a unique B2B solution for SMEs that replaces the conventional fixed phone equipment and fixed line with a virtual mobile switchboard in the cloud - retaining all the fixed line advantages, while cutting the overall cost of fixed telephony for companies by up to 50 %. Mobiline is a 'plug and play'-solution, with a SIM card and a web interface.
- Mobistar launched 1617, a new prepaid formula particularly well adapted to foreigners living in Belgium who often communicate with friends and families abroad. This new launch complements the actions taken in the second quarter of 2014 to strengthen the prepaid portfolio.
- Mobistar has entered into a partnership with the public transport company De Lijn to provide them with 3G/4G connectivity. Through the use of 3G/4G routers, wireless internet will be made available on trams in Flanders. Once registered, travellers with De Lijn will automatically connect to the wifi-hotspot via EAP and will benefit from 250 megabytes of data usage at their disposal per month.
- Mobistar entered into an agreement with Sony allowing all Mobistar customers to buy games, films or music on Sony Entertainment Network and in the PlayStation®Store on their mobile phone and pay for the purchased content via their mobile phone invoice or have the charges deducted from the balance on their prepaid card. For more than one year Mobistar customers have already been able to buy applications or games in the Google Play™- and Windows Phone Stores using their mobile phone invoice to pay. Since the launch more than 1,000,000 transactions were performed in this way.

Pioneer in Disruptive Convergence:

- Mobistar has entered into the final stage before the launch of its own cable offering. The technical implementation proceeds according to plan with the recent addition of three additional partners: Alpha Networks, Zappware and Siligence. Before the end of the year, Mobistar will have connected its first very high-speed broadband and digital TV cable users.

- Mobistar aims at a progressive and phased market entry from the end of 2014, and gradually in the course of 2015, to allow for a scalable roll-out across the main cable operators networks with high quality operations and processes.
- Mobistar reiterates its request to the regulators to proceed with the general review of the wholesale tariffs, amongst others by ensuring that the value/cost of features not available in the wholesale offer be all excluded from the wholesale charges (e.g. promotions, set-top boxes, supplementary services such as Wifi, e-mail, 2nd screen TV, etc...).

Best Customer Experience:

- In the past six months, following the launch, Mobistar's 4G traffic already reached more than one fifth of the total data traffic.
- Mobistar can also lay claim to the best 'performing LTE coverage', as it is best positioned to provide a homogeneous coverage using both 800 MHz and 1,800 MHz spectrum bands. This specific network dimensioning provides both the largest coverage and indoor capacity.
- Customers rank "network service quality" as an important part of the overall customer experience and a recent internal survey showed that the network perception amongst Mobistar customers improved materially after the significant investments the company made in its 2G/3G/4G networks. The vast majority of new residential mobile voice customers feel Mobistar has a network that is at least equal to and in most cases better than their previous provider.
- The premium connectivity Mobistar is offering, the launch of 4G services and Mobistar's broad 4G handset availability is changing user behavior in terms of mobile data consumption. The number of mobile data top-ups has increased 7-fold in the third quarter of 2014 compared to last year, while Mobistar's Personal Checkup solution is increasingly resulting in the upselling of more data rich offerings. The number and proportion of heavy data users is rapidly increasing.
- Mobistar's loyalty program, "Have a Nice Day" (HAND), designed to improve customer satisfaction and tenure, moved up a gear. In the course of the third quarter Mobistar offered the first series of exclusive events for its customers starring international artists such as Mika and Lady Gaga. Not only does this encourage a community feel amongst Mobistar customers, but it also acts as a key lever for the digitalization of its customer base by promoting the online customer zone.

Best Industry Efficiency:

- Mobistar began the implementation of outsourcing a large part of its IT development and operations. The objective is fourfold: 1/ Reduce IT costs (both opex and capex), 2/ Protect employment (using a 32BIS collective agreement for the nearly 140 employees in the scope), 3/ Increase Mobistar's agility through best in class processes and operations and 4/ Accelerate Mobistar's transformation into an even more customer-centric and digital company.
- Mobistar has set up a new distribution company, "Smart Services Network S.A.", leveraging on the acquisition of strategic assets of Euphony Benelux S.A. earlier this year. In recent months Mobistar has refined the fundamentals of what will become a powerful distribution channel based on network marketing. As such Mobistar shows that innovation can also come in the form of new distribution models.
- The transformation of Mobistar's distribution network has significantly advanced. Once completed, it will allow Mobistar to better meet its clients' expectations, whilst also reorienting itself to its controlled direct channels

with substantial cost savings as a result. The integration of the 35 extra points-of-sale within the Carrefour hypermarkets in Belgium has been completed and the operations are running at full speed.

- Mobistar is half way to its target of refitting and digitalizing 80 shops before the end of the year.

2. Comments on the financial situation

2.1 Consolidated figures for the Mobistar group

The Mobistar group's consolidated key figures ⁽⁴⁾	9 months to 30/09/2014	9 months to 30/09/2013	Variation
Total number of connected SIM cards (Mobistar S.A., Orange Communications Luxembourg S.A. and MVNOs)	5 543 486	5 129 559	+8.1 %
Consolidated turnover (million €)	933.6	1 104.4	-15.5 %
Service revenues (million €)	838.1	962.7	-12.9 %
Handsets revenues (million €)	95.5	141.7	-32.6 %
Restated EBITDA⁽⁵⁾ (million €)	217.7	275.3	-20.9 %
Restated EBITDA margin in % of service revenues	26.0 %	28.6 %	
EBITDA (million €)	207.7	270.0	-23.1 %
EBITDA margin in % of service revenues	24.8 %	28.1 %	
Consolidated net profit (million €)	36.5	83.6	-56.4 %
Net profit per ordinary share ⁽⁶⁾ (€)	0.61	1.39	-56.4 %
Net investment (million €)	138.3	115.7	+19.6 %
Net investment/Service revenues	16.5 %	12.0 %	
Operational cash flow⁽⁷⁾ (million €)	69.4	154.3	-55.0 %
Organic cash flow ⁽⁸⁾ (million €)	36.2	94.4	-61.7 %
Net financial debt	524.3	406.6	+29.0 %

2.2 Consolidated statement of comprehensive income

Revenues

Mobistar group's service revenues amounted to 838.1 million euros in the first nine months of 2014 compared to 962.7 million euros a year earlier, making a decline of 12.9 %. The service revenues in the third quarter of 2014 amounted to 276.7 million euros, a decline of 10.1 % year-on-year. Compared to previous quarters the year-on-year trend continues to show an improvement, despite the increased impact of EU roaming regulation in the third quarter.

(4) The consolidation perimeter has evolved since June 30, 2014 and includes Mobistar S.A. (100 %), Orange Communications Luxembourg S.A. (100 %), Smart Services Network S.A. (100 %) and IRISnet S.C.R.L. (accounted for by equity method - 28.16 %). For its quarterly results, Mobistar does not publish interim financial reports summarized and consolidated in accordance with International Financial Reporting Standards IAS 34, but instead opts for an interim statement concerning a series of key figures.

(5) EBITDA and restated EBITDA are financial aggregates not defined by IFRS. Restated EBITDA: EBITDA before restructuring and redundancy costs. For further information on the calculation of these aggregates and the reasons why Mobistar uses them, see next page.

(6) Weighted net profit per ordinary share (IFRS).

(7) Operational cash-flow = EBITDA – net investments

(8) Organic cash flow = net cash flow from operations, less acquisitions of tangible and intangible assets, plus proceeds from disposals of tangible and intangible assets.

The regulatory impact on the service revenues of the Mobistar group amounted to 27.7 million euros in the first nine months of 2014, i.e. a 19.7 million euro EU roaming-impact and an 8.0 million euro MTR-impact. On July 1, 2014 the new rates for the use of EU roaming mobile services entered into force. The regulatory glide path within the current Roaming III Regulation has therefore come to its end. Without regulatory impact, the consolidated service revenues in the first nine months of 2014 would have been down 10.1 % compared to the same period last year.

The consolidated handset sales in the first nine months of 2014 amounted to 95.5 million euros, compared to 141.7 million euros in the same period last year. The third quarter consolidated handset sales stood at 27.7 million euros, a decline of 30.3 % on the same period last year, but rather stable in comparison to the previous quarter.

The total consolidated turnover, which includes service revenues as well as turnover from the sale of handsets, amounted to 933.6 million euros for the first nine months of 2014, compared to 1,104.4 million euros in the same period a year ago, -15.5 %. Excluding the 27.7 million euro impact of MTR- and EU roaming regulation, the total consolidated turnover would have declined by 13.0 %. The total consolidated turnover amounted to 304.4 million euros in the third quarter of 2014, compared to 347.5 million euros in the same period a year ago, -12.4 % year-on-year.

Result of operating activities before depreciation and other expenses

Mobistar group achieved a restated EBITDA of 217.7 million euros in the first nine months of 2014, a decrease of 20.9 % compared to the same period in 2013. The restated EBITDA margin of Mobistar group amounted to 26.0 % of the service revenues in the first nine months of 2014, compared to 28.6 % in the first nine months of 2013. For the second time this year Mobistar group's restated EBITDA increased sequentially, by 4.1 % in the third quarter of 2014 to 77.3 million euros from 74.3 million euros in the second quarter of 2014. The restated EBITDA margin amounted to 27.9 % of service revenues in the third quarter.

The impact of regulatory measures was 18.9 million euros in the first nine months of 2014 with a negative impact of 4.7 and 14.2 million euros respectively related to the reduction in mobile termination rates in Luxembourg since February 2014 and the EU roaming rate cuts in both Belgium and Luxembourg. The EU roaming impact in the third quarter was bigger than in the previous two quarters given the additional rate cut that came into effect on July 1, 2014. Excluding this regulatory impact the restated EBITDA would have decreased by 14.1 %.

The direct costs decreased considerably in the first nine months of 2014. One third of this decline came from lower interconnection fees, another third came from lower cost of goods sold driven by the lower handset sales and the final third resulted from the transformation of the distribution channels. This transformation has reduced Mobistar's dependency on indirect sales, while also increasing the efficiency of its controlled direct channels, leading to savings in the commissions paid to dealers. The labor costs have declined in line with the lower headcount. Indirect costs have also declined substantially, but inflation of operational taxes, such as the pylon tax provision, balanced out this decline.

EBITDA restatements (in Mio €)	9 months to 30/09/2014	9 months to 30/09/2013	Variation
Restated EBITDA ⁽⁹⁾	217.7	275.3	-20.9 %
- redundancy costs	-2.6	-5.3	Na
- other restructuring costs	-7.4	0	Na
EBITDA	207.7	270.0	-23.1 %

Mobistar's group EBITDA in the first nine months of 2014 amounted to 207.7 million euros, which compares to an EBITDA of 270.0 million euros in the same period last year. The EBITDA margin in the first nine months of 2014 amounted to 24.8 % of the service revenues, compared to 28.1 % in the same period a year ago.

The EBITDA in the first nine months of 2014 included 2.6 million euros redundancy costs and 7.4 million euros restructuring costs related to the outsourcing of Mobistar's IT development and operations activities (6.5 million euros) booked in the third quarter and the termination of certain distribution contracts (0.8 million euros) booked earlier in the year. Mobistar decided to outsource its IT activities not only to significantly reduce costs, but also to be more agile and to accelerate its transformation into a more digital company. In the course of the third quarter Mobistar entered into the project's operational phase and booked the costs incurred in connection with the transfer of approximately 140 Mobistar's employees and the associated IT activities.

Net profit

The consolidated net profit in the first nine months of 2014 amounted to 36.5 million euros, compared to 83.6 million euros last year, a decline of 56.4 %.

2.3 Consolidated statement of financial position

The consolidated statement of financial position amounted to 1,409.4 million euros on 30 September 2014, compared to 1,449.9 million euros at the end of the previous financial year.

Non-current assets amounted to 1,166.3 million euros at the end of September 2014, compared to 1,171.1 million euros at the end of 2013. Current assets decreased from 278.8 million euros at the end of 2013 to 243.1 million euros at the end of September 2014, mainly due to a reduction in trade receivables. Non-current liabilities decreased from 619.7 million euros at the end of 2013 to 595.0 million euros at the end of September 2014. Current liabilities decreased from 493.0 million euros at the end of 2013 to 440.7 million euros at the end of the first nine months of 2014. This decrease is mainly due to a decrease in trade payable.

Compared to end-2013, the net financial debt decreased by 32.6 million euros to 524.3 million euros at the end of September 2014.

2.4 Consolidated cash flow

At the end of the first nine months of 2014 the operational cash flow amounted to 69.4 million euros, compared to 154.3 million euros for the same period one year before. The organic cash flow amounted to 36.2 million euros in the first nine months of 2014, compared to 94.4 million euros in the same period last year. The biggest variances are largely explained by the decrease in the operational profitability and the higher investment needs related to the national roll out of LTE, only partly compensated by an improvement in the working capital needs and lower paid income taxes.

⁽⁹⁾ Restated EBITDA does not constitute a financial aggregate defined by IFRS as an element of measurement of financial performance and cannot be compared with similarly titled indicators from other companies. Restated EBITDA represents supplementary information and should not be considered a substitute for operating income. The reason why Mobistar is using this presentation is to facilitate comparison of operational performance. The present table shows the transition from EBITDA to restated EBITDA.

2.5 Activities of the Mobistar group by segment

In greater detail, the breakdown of Mobistar group's activities is the following:

2.5.1. Activities in Belgium

Key financial figures of Mobistar S.A.	9 months to 30/09/2014	9 months to 30/09/2013	Variation
ARPU ⁽¹⁰⁾ (€/month/active customer)	23.9	24.9	-3.8 %
Service revenues ⁽¹¹⁾ (million €)	800.1	915.7	-12.6 %
Of which Mobile	730.2	818.5	-10.8 %
Of which Non-Mobile	69.9	97.2	-28.1 %
Total turnover (million €)	894.0	1 057.3	-15.4 %

Key operating figures of Mobistar S.A.	9 months to 30/09/2014	9 months to 30/09/2013	Variation
Total number of connected SIM cards	5 444 006	5 028 020	+8.3 %
Total number of active customers (mobile telephony, IEW)	3 058 314	3 244 256	-5.7 %
Total number of active M2M SIM cards	833 289	641 673	+29.9 %
Total number of MVNO customers (mobile telephony, incl. full MVNO)	1 552 403	1 142 091	+35.9 %
Total number of mobile Internet customers	108 870	121 070	-10.1 %
Total number of ADSL customers	34 905	60 137	-42.0 %
Total number of digital TV customers	0	118	na
Total number of active fixed telephone lines ⁽¹²⁾	214 936	247 535	-13.2 %

Mobile activities

Market Review

The overall pricing in the market continues to stabilize, despite some recent moves in the mid-range tariff plans that focus on offering more services creating upsell opportunities. Segmented subsidized offers are increasingly finding their way into the market. On July 1, 2014 the new rates for the use of EU roaming mobile services entered into force. After this latest rate cut, the regulatory glide path within the current Roaming III Regulation has come to an end.

Financial Review

The blended ARPU in the third quarter amounted to 23.9 euros, stable versus the previous quarter, but still declining 3.8 % year-on-year. Compared to the two previous quarters, in which the year-on-year decline of the ARPU amounted to 9.9 % and 6.8 % respectively, this again marks a solid improvement. The most important downward pressure came from the backbook repricing in the business segment. On the positive side, the increase in mobile data traffic continued at high speed with more people choosing for data rich tariff plans.

(10) Average Revenue Per User (excluding MVNOs and M2M cards). Note that since the first quarter of 2014 we have switched the calculation mode from a twelve month to a three month rolling basis.

(11) Note that the segmentation has changed since the first quarter of 2014 as the intercompany transactions between Mobistar S.A. and MES S.A. are now integrated at segment level instead of previously at the group level. The restatements for 2013 can be found at the end of the press release.

(12) Note that the definition of the number of active fixed telephone lines has changed since the first quarter of 2014.

The mobile service revenues in Belgium in the first nine months of 2014 declined 10.8 % to 730.2 million euros from 818.5 million euros a year ago. The relative portion of mobile data, i.e. SMS and advanced mobile data, within the mobile service revenues in Belgium continued to increase. In the first nine months of 2014 it amounted to 50.3 %, while advanced mobile data represented 19.8 % versus 47.2 % and 17.3 % respectively in the same period last year. In the third quarter, advanced mobile data revenues represented for the first time ever, more than 20 % of the total service revenues thanks to 4G.

Operational Review

At the end of the first nine months of 2014, Mobistar's retail customer base declined year-on-year. However, in the third quarter, Mobistar's retail customer base increased sequentially, adding 55,267 new customers. All major customer segments saw an improvement quarter-on-quarter.

Mobistar's postpaid customer base grew by 1,336 customers in the third quarter. Net adds in the residential postpaid segment were positive in the third quarter. The net adds in the B2B postpaid segment also significantly improved but still remain negative.

The residential prepaid segment added 18,575 new customers with the addition of the Colruyt Mobile prepaid customers that were taken over by Mobistar. On an organic basis, the launch of Mobistar's prepaid international offer 1617 along with the strengthening of its product portfolio sustained the positive net adds trend in the third quarter.

The improvement in Mobistar's commercial performance is attributable to several elements: 1/ The sustained improvements in the mobile network; 2/ The transformation of the distribution mix with a more important and more efficient go-to-market of Mobistar's direct channels; 3/ Mobistar's segmented product portfolio with the increasing success of the subsidy offers; and 4/ The launch of Mobistar's loyalty and churn reduction program HAND with the first series of exclusive events, with the concerts of Mika & Lady Gaga.

At the end of the first nine months of 2014, Mobistar recorded 833,289 active SIM cards in 'machine-to-machine' (M2M) applications, an increase of 29.9 % compared to the 641,673 active cards recorded at the end of the first nine months of 2013.

At the end of the first nine months of 2014, Mobistar S.A. had 1,552,403 MVNO customers, compared to 1,142,091 MVNO customers at the end of the first nine months of 2013, an increase of 35.9 %. Also in the third quarter of 2014, the MVNO customer base continued to grow despite the phasing out of Colruyt Mobile's prepaid MVNO customers which were taken over by Mobistar.

Fixed and convergent activities

Market Review

The competitive pricing environment in the fixed telecommunication market has remained unchanged. Broadband household penetration is close to 80 %, with the majority of households on cable, closely followed by xDSL. FTTH deployments are almost non-existent in Belgium. As cable operators are upgrading their network the speed differential between cable and xDSL is mounting in the residential market, in favour of the cable operators. The market share of alternative broadband providers is declining further. Meanwhile, the number of households that are subscribing to mobile services as part of a multiplay pack continues to grow.

Financial Review

The non-mobile service revenues amounted to 69.9 million euros at the end of the first nine months of 2014, compared to 97.2 million euros in the same period last year. The start-up costs incurred in connection with the launch of the cable amounted to 3.1 million euros, including the regulated fees.

Operational Review

At the end of the first nine months of 2014, Mobistar had a total of 34,905 ADSL customers, representing a decrease of 42.0 % compared to 60,137 a year earlier, as a consequence of the suspension of the commercial activities of its DSL services in 2013. The number of active fixed telephone lines is dwindling, falling from 247,535 at the end of September 2013 to 214,936 active lines one year later, a decrease of 13.2 %.

2.5.2 Activities in Luxembourg (Orange Communications Luxembourg S.A.)

Key financial figures of Orange Communications Luxembourg S.A.	9 months to 30/09/2014	9 months to 30/09/2013	Variation
Service revenues (million €)	38.9	49.5	-21.4 %
Total turnover (million €)	45.5	56.2	-19.2 %

Key operating figures of Orange Communications Luxembourg S.A.	9 months to 30/09/2014	9 months to 30/09/2013	Variation
Total number of active customers (mobile telephony)	99 480	101 539	-2.6 %
ARPU (€/month/active customer)	39.1	48.3	-19.1 %

Market Review

The competitive environment of the telecommunications market in Luxembourg has remained unchanged.

Financial Review

The service revenues of Orange Communications Luxembourg S.A. amounted to 38.9 million euros in the first nine months of 2014, a decline of 21.4 % year-on-year. Excluding the 8.0 million euros MTR impact and 3.0 million euros EU roaming impact, the service revenues in the first nine months of 2014 would have amounted to 49.9 million euros, an increase of 0.9 %. The total turnover for the first nine months of 2014 amounted to 45.5 million euros, a decrease of 19.2 % compared to 56.2 million euros a year earlier.

Operational Review

On 30 September 2014, Orange Communications Luxembourg S.A. had 99,480 active mobile telephone customers, a decrease of 2.6 % compared to last year. The ongoing development of the postpaid customer base was not enough to offset the decline in the prepaid market segment. Orange continues to drive innovation with the launch of Hello Europe intense, the first full cross border offer on the market.

3. Financial instruments, financial risks management objective and policy

No change has occurred in comparison to the information contained in the 2013 annual report (p. 114).

4. Disputes

The information relating to disputes contained in the 2013 annual report and in the first quarter and first semester 2014 reports has been modified as follows:

Masts: The Court of Cassation confirmed in its judgments of 30 March 2012 the Constitutional Court's interpretation of article 98 of the Act of 21 March 1991. The total amount of taxes charged, plus default interest calculated at the legal rate, amounts to 88.9 million euros, of which 21.8 million euros correspond to the first nine months of 2014. This aggregated amount is disputed in court.

Abuses of dominant position by the Belgacom Group: Regarding the abuse of dominance by Belgacom in the period from 1999 to 2004 on the mobile market, the new experts appointed in January 2014 started their work. In the appeal proceedings, pleadings have started end of September and will continue until end of November 2014. On 19 September 2014, the dismissed experts lost their appeal against the replacement decision.

Regulation of the cable networks: In the appeal cases against the market analysis decisions of July 2011, pleadings took place in January and February 2014. The final decision is expected before end November 2014.

In February 2014 Mobistar decided to appeal against the cable wholesale pricing decisions of the regulators of 11 December 2013. It also decided to intervene in the appeals launched by the cable operators against the same decisions, as well as to intervene in the appeal cases launched by the same cable operators against the decisions on the qualitative aspects of the cable wholesale reference offers of 3 September 2013. The next steps in these proceedings depend on the result of the appeal against the market analysis decisions.

Belgacom's refusal to negotiate a commercial agreement: Last briefs have been submitted in June 2014. Pleadings have been rescheduled to May 2015.

Telecom law – Social tariffs: The Constitutional Court referred the case to the European Court of Justice for a prejudicial ruling in December 2013. Mobistar submitted briefs and asked to be heard.

Unpaid invoices - Legal obligation to cooperate: As part of the Royal Decree of January 9, 2003 on the modalities for the legal obligation to cooperate in legal actions relating to electronic communications, Mobistar provides services to public prosecutor, courts etc. The fees that Mobistar may charge for the services rendered are defined in the above KB. The Belgian State, represented by its Minister of Justice, is debtor of these amounts. On June 19, 2014 Mobistar has summoned the Belgian State to pay its overdue amount. During the introductory hearing of 19 September 2014 a schedule for the filing of trial briefs has been set between the parties. The case will be handled before the Brussels Court of First Instance at the hearing of 9 September 2015.

5. Significant events after the first nine months of 2014

No significant events occurred after the end of the first nine months of 2014.

6. Trends

The results of the first quarters of 2014 and the progress of its transformation plan delivering ahead of schedule allow Mobistar to refine its 2014 guidance. Mobistar is now aiming at a restated EBITDA of between 260 and 280 million euros compared to the previously targeted 250-280 million euros range.

This guidance range includes a provision of up to 24 million euros linked to the disputed new tax law on pylons in Wallonia that was voted at the end of 2013.

The guidance range also includes the impact of the existing regulatory framework governing mobile interconnection and EU roaming rates, which will have a respective revenue and EBITDA impact of 23 and 16 million euros for Mobistar in Belgium and 15 and 9 million euros for Orange in Luxembourg.

The provided guidance range is based on the current market and regulatory context and does not include any impact related to the cable opportunity.

7. Financial calendar

20 October 2014 Financial results Q3 2014 (7:00 am cet) – Press release

20 October 2014 Financial results Q3 2014 (10:00 am cet) – Conference call

8. Shares

Share trading volumes and closing prices are based on trades made on NYSE Euronext Brussels.

	9 months to 30/09/2014	9 months to 30/09/2013
Trading of shares		
Average closing share price (€)	14.03	16.37
Average daily volume	126 653	181 608
Average daily value (€)	1 753 517	2 883 655
Shares and market values		
Total number of shares	60 014 414	60 014 414
Treasury shares	500	0
Outstanding shares	60 014 414	60 014 414
Closing price (€)	14.79	12.58
Market capitalisation (€)	887 613 183	754 981 328

Mobistar (EURONEXT BRUSSELS: MOBB) is one of the main actors on the telecommunications market in Belgium and Luxembourg. The company offers its residential customers postpaid and prepaid innovative mobile telecom products and services. On the business market, Mobistar operates DSL fixed network telephony and high-speed internet, acts as an integrated communications provider and offers a portfolio of mobility and connectivity services. Mobistar is also a wholesale provider, offering access to its infrastructure and service capabilities to its wholesale partners. Mobistar, with the Orange group as major shareholder, is listed on the Brussels Stock Exchange.

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Quarterly results

		Quarterly figures 2013				FY 2013
		Q1	Q2	Q3	Q4	
Subscriber base evolution						
Mobistar S.A. Mobile customers (excl. MVNO, MATMA)	in thousand	3 375.9	3 330.8	3 244.3	3 170.1	
of which Postpaid	in thousand	2 312.6	2 301.3	2 256.5	2 221.8	
of which Prepaid	in thousand	1 063.3	1 029.5	987.8	948.3	
Mobistar S.A. MATMA	in thousand	550.5	585.7	641.7	695.7	
MVNO customers	in thousand	973.9	1 073.2	1 142.1	1 209.7	
Orange Communications Luxembourg S.A. customers	in thousand	105.4	105.4	101.5	102.2	
Total Mobistar Group	in thousand	5 005.7	5 095.1	5 129.6	5 177.7	
ARPU evolution						
Blended quarterly ARPU (incl. visitor roaming)⁽¹⁾	in EUR/month	26.0	25.6	24.8	24.0	
Postpaid ARPU (excl. visitor roaming and IEW)	in EUR/month	30.1	29.7	29.0	27.7	
Prepaid ARPU (excl. visitor roaming and IEW)	in EUR/month	15.9	15.5	14.4	14.2	
P&L						
Service Revenues Mobistar Mobile	in Mio EUR	281.1	274.5	262.9	248.7	1 067.2
Service Revenues Mobistar/MES Fix/Data ⁽²⁾	in Mio EUR	35.2	31.9	30.1	26.5	123.7
Service Revenues Orange Communications Luxembourg S.A.	in Mio EUR	16.5	17.4	15.6	15.8	65.3
Total Mobistar consolidated service revenues⁽³⁾	in Mio EUR	332.0	322.9	307.8	290.2	1 252.9
Total Mobistar consolidated handsets sales	in Mio EUR	61.0	41.0	39.7	66.7	208.4
Total Mobistar consolidated turnover	in Mio EUR	393.0	363.9	347.5	356.9	1 461.3
Mobistar consolidated restated EBITDA	in Mio EUR	99.0	85.5	90.8	60.3	335.7
Mobistar consolidated EBITDA	in Mio EUR	98.7	82.2	89.1	47.1	317.1
	as a % of service revenues	29.7%	25.4%	29.0%	16.2%	25.3%
Total Mobistar consolidated net result	in Mio EUR	35.1	22.3	26.2	3.8	87.4
EPS calculated on the basis of the outstanding shares at the end of the quarter	in EUR/share	0.59	0.37	0.43	0.07	1.46
Diluted weighted average earnings per share	in EUR/share	0.59	0.37	0.43	0.07	1.46
Total Mobistar consolidated CAPEX	in Mio EUR	31.2	37.7	46.8	203.3	319.0
	as a % of service revenues	9.4%	12%	15%	70%	25%
Organic cash flow	in Mio EUR	0.2	27.4	66.8	-153.5	-59.1

(1) The calculation mode has been switched from a 12 month rolling average to a quarterly basis.

(2) The segmentation has changed as the intercompany transactions between Mobistar S.A. and MES S.A. are now integrated at segment level instead of previously at group level. 2013 figures have been restated accordingly.

(3) After elimination of intercompany transactions.

		Quarterly figures 2014				YTD 2014
		Q1	Q2	Q3	Q4	
Subscriber base evolution						
Mobistar S.A. Mobile customers (excl. MVNO, MATMA)	in thousand	3 091.1	3 038.4	3 058.3		
of which Postpaid	in thousand	2 180.2	2 159.9	2 161.2		
of which Prepaid	in thousand	910.9	878.5	897.1		
Mobistar S.A. MATMA	in thousand	749.1	797.9	833.3		
MVNO customers	in thousand	1 310.6	1 509.1	1 552.4		
Orange Communications Luxembourg S.A. customers	in thousand	102.7	100.7	99.5		
Total Mobistar Group	in thousand	5 253.5	5 446.2	5 543.5		
ARPU evolution						
Blended quarterly ARPU (incl. visitor roaming)⁽¹⁾	in EUR/month	23.4	23.9	23.9		
Postpaid ARPU (excl. visitor roaming and IEW)	in EUR/month	27.2	28.1	27.9		
Prepaid ARPU (excl. visitor roaming and IEW)	in EUR/month	13.8	14.1	13.6		
P&L						
Service Revenues Mobistar Mobile	in Mio EUR	240.3	246.2	243.7		730.2
Service Revenues Mobistar/MES Fix/Data ⁽²⁾	in Mio EUR	24.5	24.4	21.0		69.9
Service Revenues Orange Communications Luxembourg S.A.	in Mio EUR	13.5	13.0	12.4		38.9
Total Mobistar consolidated service revenues⁽³⁾	in Mio EUR	278.1	283.3	276.7		838.1
Total Mobistar consolidated handsets sales	in Mio EUR	38.9	28.9	27.7		95.5
Total Mobistar consolidated turnover	in Mio EUR	317.0	312.2	304.4		933.6
Mobistar consolidated restated EBITDA	in Mio EUR	66.1	74.3	77.3		217.7
Mobistar consolidated EBITDA	in Mio EUR	64.5	72.5	70.7		207.7
as a % of service revenues		23.2%	25.6%	25.6%		24.8%
Total Mobistar consolidated net result	in Mio EUR	9.2	15.0	12.3		36.5
EPS calculated on the basis of the outstanding shares at the end of the quarter	in EUR/share	0.15	0.25	0.21		0.61
Diluted weighted average earnings per share	in EUR/share	0.15	0.25	0.21		0.61
Total Mobistar consolidated CAPEX	in Mio EUR	37.4	55.6	45.3		138.3
as a % of service revenues		13.5%	19.7%	16.4%		16.5%
Organic cash flow	in Mio EUR	11.6	1.5	23.1		36.2

(1) The calculation mode has been switched from a 12 month rolling average to a quarterly basis.

(2) The segmentation has changed as the intercompany transactions between Mobistar S.A. and MES S.A. are now integrated at segment level instead of previously at group level. 2013 figures have been restated accordingly.

(3) After elimination of intercompany transactions.