

annual report 2005





2005, the year marked by plus

In 2005, Mobistar adjusted its commercial strategy and strengthened its position on a more mature, increasingly competitive and more convergent market. The emphasis was on winning the loyalty of its existing customers, as well as on services and products that meet every aspect of the needs of customers who have expressed their interest in simple, clear and attractive offers.

This new direction took concrete form in customised solutions such as Mobistar My Life, Tempo Essential and Simply by Mobistar. A new concept, Mobistar Plus, was developed to reward clients for their loyalty. Furthermore, by offering three different ADSL services Mobistar has taken a decisive step in its quest to become an integrated operator, active in the sector of mobile telephony, fixed telephony and ADSL .

••• More subscribers and an increase in ARPU

At the close of the 2005 period, Mobistar had 2.9 million active mobile customers, i.e. 67,044 more than the previous year. This trend was apparent both on the residential market and among business customers, the latter having grown in the SOHO (Small Office-Home Office) and SME segments in particular.

Thanks to its strengthened subscriber base, which now accounts for almost 44% of its customers (up 26.2% on the previous year), Mobistar made significant progress in terms of average revenue per user (ARPU), which rose to EUR 38.02 in 2005. Mobistar was thus able to boost its value share. In terms of customer numbers, its market share stands at 33.15%.

Despite the downturn in market growth, the service revenues generated by Mobistar rose 10% to EUR 1.404 billion in 2005. Thanks to the favourable development of the customer base (growing proportion of subscribers), the mobile phone activity grew 11.3% in 2005 with a turnover of EUR 1.314 billion. The turnover in mobile data activities rose by 16.1% to EUR 197.8 million. This was due to the increase in the average number of SMS per user, up from 52 to 55 SMS per month, and to the substantial rise in revenues generated by data transmission.

The consolidated turnover, which includes sales of mobile telephones, grew by 8.2% to EUR 1.451 billion.



••• Upturn in results and significant increase in net earnings

Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) stood at EUR 575.1 million at the close of the 2005 period, up 3.5% on the previous period. Consolidated net earnings increased by 11.2% reaching EUR 270.3 million, equivalent to net earnings per share of EUR 4.28.

At the Annual General Meeting of Shareholders of 3 May 2006, the Board of Directors will recommend payment of an amount of EUR 4 per share, EUR 2.4 as an ordinary dividend and EUR 1.6 as an exceptional payment in the form of a capital write down.

••• Investments: optimisation of 2G and deployment of 3G

The investments made by Mobistar in 2005 represented a net total cash expenditure of EUR 198.6 million, i.e. 14.1% of service revenues. Investments are up 16% on the 2004 figures, mostly earmarked for the renewal and optimisation of the radio infrastructure, both 2G (EDGE) and 3G (UMTS).



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highlights

Against the backdrop of a highly competitive market, focused on technology convergence, Mobistar not only managed to maintain its market share, but also registered an increase in its revenue share of the entire mobile market thanks to several customer-oriented initiatives.

••• Complete overhaul of the access network

In 2005, Mobistar put the finishing touches to a complete overhaul of the infrastructure of its 2G network, fitting out the base stations with brand new hi-tech equipment supplied by Nortel Networks. This modernisation gives the Mobistar network a very high quality of service, in terms of both voice and data transfer. At the end of 2005, almost 3,000 base stations guaranteed coverage for over 99% of the Belgian population.

Building on the possibilities offered by this new network, Mobistar was the first Belgian operator to deploy EDGE technology (Enhanced Data for Global Evolution) with national coverage (99%). The EDGE solution quadruples the data transmission speed compared to GPRS. EDGE allows customers to watch television live on their mobile phones, to download video sequences, games and music, and to surf faster on the Web, thus creating a truly multimedia environment.

At the same time, Mobistar continued with the deployment of 3G technology (UMTS) at the pace laid down by the legal provisions: 30% of the population were covered at the end of 2005.

••• Customised products and services

Thanks to its capacity for innovation, Mobistar launched new products and services that are perfectly adapted to the specific needs of its customers, in each market segment. They meet the three basic challenges that Mobistar has set itself: they must be reliable, simple and relevant. Mobistar My Life and Simply by Mobistar clearly reflect this approach. The same goes for the ADSL services and the mobile television access products.

> May: Mobistar My Life

Market research revealed that 50% of mobile phone users prefer to put together their own tariff plan. Mobistar has therefore launched a modular formula known as Mobistar My Life. It allows customers to combine basic tariff packages and options that best meet their consumption needs.

> July: watching television on your mobile phone, a first!

Over the summer, Mobistar was the first operator to launch Mobile TV. Under the agreement with Belgian Business Television, Mobistar customers who have an EDGE compatible mobile now have access to the Canal Z and Kanaal Z channels throughout the country. Customers also have the option of downloading video flashes on national and international news, sport, culture and offbeat subjects.

> October: surfing via ADSL

By launching a comprehensive range of ADSL services for the residential market, Mobistar has taken a decisive step in its drive to become an integrated operator. Mobistar is now active on the mobile and fixed telephony markets, as well as on the ADSL market. The operator offers its customers three different ways of taking advantage of its ADSL service:

- Mobistar ADSL is designed for customers who want to keep their fixed telephone subscription with the historical operator while accessing the Internet services developed by Mobistar.
- Mobistar ADSL Connect makes it possible to use ADSL without taking out a fixed telephony subscription.
- Mobistar ADSL Talk is for customers who want to access unlimited fixed telephony while keeping their fixed telephony subscription with the historical operator.

Jointly, Mobistar has launched the Livebox, developed by France Telecom. It allows wireless ADSL access to one or more computers, using Wi-Fi technology from one single connection thanks to its router function.

> November: Simply by Mobistar

In response to the demands of customers who want access to the basic mobile telephony services (calling and sending SMS) at rock bottom prices, Mobistar has come up with a simple product at a particularly attractive price. Simply by Mobistar is a cut-price prepaid telephone offer, sold under the Mobistar brand but only accessible via Internet. Naturally, the quality of the communications and of the coverage matches that of the Mobistar network. It still comes with added extras such as free voice mail or the activation of roaming abroad.



●●● Distribution: our very own points of sale

Rue Neuve, 54: here in the heart of Brussels, Mobistar has opened its very first point of sale under its own colours. New commercial showcases for Mobistar, these stores are inspired by a new concept, focusing on the immediate client experience and direct access to information. A new look, more clarity and simplicity and greater interactivity demonstrate the new approach to the customer. The concept was developed by the British agency Fitch. In 2005, five stores of this kind were opened in Brussels, Louvain-la-Neuve and Gent.

●●● A new organisation

In its quest for operational excellence and optimal quality of customer service, Mobistar has updated its technical organisation. A single department now covers the development

and operation of the fixed and mobile networks. This makes it possible to optimise the launches of new products and services on the market and to handle the growing convergence between IT and telecommunications.

Mobistar has also remodelled its commercial organisation with a view to greater simplification and integration. The “sales” and “customer support” departments, both for the residential and business segment, have been pooled. The aim, once again, is to present a coherent front to the market.

The other departments have also been reorganised in a bid for greater simplicity and coherence.

letter to the shareholders

2005 was a year of change for Mobistar.

On a mobile phone market that suffered a 50% downturn in growth on the previous year and came under increasing price pressure throughout the period, Mobistar nevertheless managed to increase its service revenues by over 10% and its net earnings by 11.2%. On the back of these excellent financial results, the Mobistar Board of Directors will be recommending a dividend of EUR 4 at the next annual general meeting.

As far as sales are concerned, all products, both prepaid and postpaid, were redefined in the course of the year to take on board a more finely adjusted segmentation and a simpler and more coherent pricing policy. The gradual introduction of a customer loyalty program, the stepping up of efforts to migrate prepaid customers to contract-based packages that are both better suited to their needs and more economical, as well as the excellent results generated in the business segment have tangibly improved the average revenue per user. This passed EUR 38, despite the continuous promotions reeled out by our competitors.

At the end of the year, Mobistar also launched its ADSL offer, paving the way to truly converged products for all its customers.

At the same time, in a bid to nurture even closer relations with its customers and offer them an optimal service along with substantial price reductions, Mobistar launched its own distribution network throughout Belgium. By the end of December, 5 of the 20 Mobistar owned shops scheduled under this program had opened their doors.

This sales policy was backed up by innovative and original advertising that is both simpler and more emotive, targeting a broader public than in the past.

At the same time, Mobistar replaced its entire radio network in order to offer its customers better coverage quality, mainly "indoor", and also high speed access via EDGE technology, which is accessible to the whole Belgian population. Mobistar also continued to develop the 3G network which, at the end of 2005, was accessible to 30% of the population, in compliance with the licence obligations.

Internally, Mobistar has optimised its organisation with the aim of improving both reactivity and efficiency in the face of a constantly changing market. Mobistar is now headed by a Management Committee of 8 persons.

All sales and after-sales activities have been pooled under the responsibility of a CCO (Chief Commercial Officer), a new post which will coordinate sales policy and better anticipate the expectations of our customers.

The technical and IT (Information Technology) department is now responsible for all matters relating to the network and information systems.

The residential and business products policy as well as new services such as ADSL come under the marketing department and a newly created post of Secretary General, combining human resources and the legal service, now heads up these two departments.

The work of this new team, with its clearly defined responsibilities, restored Mobistar to its leadership position in terms of product and service innovation and enabled it to make ongoing improvements in its performance throughout 2005.

Thanks to its motivated personnel, wide range of offers and the quality of its network, Mobistar's prospects for 2006 look reasonably positive, despite a more restricted telecommunications market and the counter-attack it is anticipating from all its competitors.



Bernard Moschéni
Chief Executive Officer



management and control

••• The Board of Directors

Jan Steyaert	Chairman of the Board
Bernard Moschéni (1)(2)	Director
Annemie Neyts (3)(6)	Independent Director
Sparaxis (3)(4)	Independent Director
Eric Dekeuleneer (3)	Independent Director
Philippe Delaunois (3)(7)	Independent Director
Bernard Ghillebaert (1)	Director
Sanjiv Ahuja (1)	Director
Brigitte Bourgoin (1)	Director
Tim Lowry (1)	Director
Michel Poirier (1)	Director
Wirefree Services Belgium (1)(5)	Director

••• The Audit Committee (since 25 July 2005)

Eric Dekeuleneer	Chairman
Philippe Delaunois	
Tim Lowry	
Michel Poirier	
Sparaxis - represented by Mr Eric Bauche	

••• The Remuneration and Nomination Committee

Brigitte Bourgoin	President
Annemie Neyts	
Jan Steyaert	
Eric Dekeuleneer	
Philippe Delaunois	

••• The Executive Committee (since 25 July 2005)

Jan Steyaert	Chairman
Brigitte Bourgoin	
Tim Lowry	
Philippe Delaunois	
Sparaxis - represented by Mr Eric Bauche	

••• The Governance Supervisory Committee

Eric Dekeuleneer	Chairman
Jan Steyaert	
Tim Lowry	
Wirefree Services Belgium - represented by Mr Aldo Cardoso	

(1) Directors representing the majority shareholder (Wirefree Services Belgium).
(2) Chief Executive Officer.
(3) The independent directors have signed a declaration stating that they will observe the independence criteria set out in article 524 §4 of the Companies Code.
(4) The Company Sparaxis is linked to SRIW (Société Régionale d'Investissement de Wallonie) and is represented by Mr Eric Bauche (Advisor Executive Committee at SRIW).
(5) The Company Wirefree Services Belgium is represented by Mr Aldo Cardoso (independent director of Orange SA).
(6) Ms Annemie Neyts has resigned from her position as (independent) director with effect from 1 January 2006.
(7) Mr Philippe Delaunois was appointed by the General Meeting on 4 May 2005.

management committee



Bernard Moschéni
Chief Executive Officer



Benoît Scheen
Chief Commercial Officer



Bernard Buyat
Head of Information Technology and Network



Chris Van Roey
Head of Communication



Erick Cuvelier
Head of Marketing



Martine Verluyten
Head of Finance, Quality and Supply Operations



Paul-Marie Dessart
General Secretary



Olivier Ysewijn
Head of Corporate Development and Strategy



the world of telecommunications

Against a background of increased competition, Mobistar has succeeded in increasing its market share in terms of revenue, while its market share in terms of number of customers stood at 33.15% at the end of 2005.

••• The regulatory framework

The transposition into Belgian law of several European directives relating to telecommunications has taken the liberalisation of the market a stage further. The “telecommunications law” adopted in July 2005 includes a series of provisions relating to tariffs, the market entry of new operators, joint sales and universal service. It also steps up the regulation process entrusted to the Institut Belge des Services Postaux et des Télécommunications (IBPT) with the aim of safeguarding healthy market competition. The impact of this new legislation will make itself felt in 2006, probably to the benefit of the consumer.

The telecommunications law makes provision for mobile operators to offer social tariffs to those who are eligible. Until now, the universal service was limited to fixed telephony. During 2005, Mobistar paved the way for the setting up of the universal service. It prepared suitable commercial offers and set up customer verification procedures to be totally operational as from 1 January 2006.

••• The competitive framework

In 2005, competition became even tougher compared with the previous year. Every day operators battled to keep or win customers, a situation which resulted in new offers, constant price pressure and the introduction of loyalty programmes. The launch of fixed offers (unlimited calls for a monthly fixed rate), in fixed and mobile telephony, and the development of web based basic offers focused consumer attention on the price of the products and services offered by the different operators. Mobistar took this new development on board by coming up with several new products, such as Simply by Mobistar and the Mobistar Plus concept.

Competitive pressure also became more aggressive following the eruption onto the market two years ago of mobile operators without their own network (“MVNO” or Mobile Virtual Network Operators). These newcomers use one of the networks currently deployed on national territory. Mobistar is considering making its network available to new mobile virtual network operators but no contracts were signed in this connection during 2005.

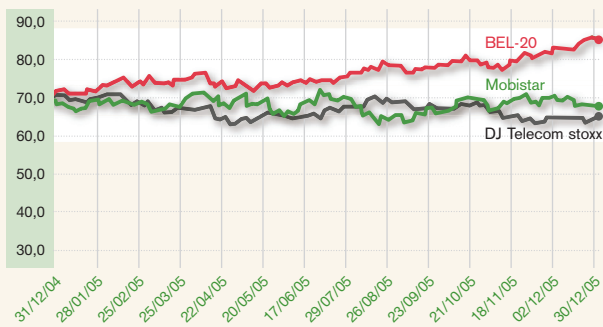
The significant trends of 2005 also included the development of bundled offers (fixed and mobile telephony, ADSL, television). “End to end” integration is more advanced in the business segment than in the residential segment, resulting in a movement towards consolidation via transversal acquisitions. This “mixing” of technologies is giving rise to new market opportunities. Mobistar made the most of these by launching three high speed Internet products in 2005 that do away with fixed telephony subscriptions or provide access to unlimited fixed telephony.

share information

••• Evolution of the share price

Mobistar's share price was affected in 2005 by the general sluggishness in the telecommunications sector on the European stock markets. This reflected investor doubt concerning development possibilities within the sector in the light of increasingly tough competition, the impact of regulations and the emergence of new players from outside the telecommunications industry. Of the 18 sectors in the Dow Jones Stoxx 600 index, the telecommunications sector was the only one to experience a slump, with the DJ Telecom stoxx index falling by 6% in 2005.

However, the Mobistar share outperformed the European telecommunications sector, closing the year at EUR 67, down 2.8% on the end of 2004. The price remained relatively stable throughout 2005, fluctuating by no more than 12%. The year's high of EUR 70.85 was reached on 29 June and the low of EUR 62.35 on 8 August.



••• Shareholder structure

Mobistar's shareholder structure remained largely unchanged in 2005. Bruficom sold its 4% stake in February, taking the float to over 45%.

Following an exercise of share options by Mobistar employees, the number of shares rose slightly from 63,035,789 at the end of 2004 to 63,273,655 at the end of 2005. Stock market capitalisation stood at EUR 4,239 million at 31 December 2005. The volume of shares exchanged rose sharply in 2005, climbing to a daily average of 187,167 shares (against 127,295 in 2004) and to a total of 47.9 million over the year as a whole.

Under the share option program offered to Mobistar personnel, the company bought 98,500 shares on the market in September 2005. Employees were given the opportunity to acquire them at a 16.66% discount in return for undertaking to keep them for a minimum of two years.

••• Payment to shareholders

On 6 February 2006, the Mobistar Board of Directors decided to recommend to the Annual General Meeting, scheduled for 3 May, payment of a dividend of EUR 4 per share, made up of a common dividend of EUR 2.40 and an exceptional payment of EUR 1.60 in the form of a capital write down.

The common dividend will be paid out as from 10 May 2006, the exceptional payment as from 2 August.





marketing strategy and the mobistar brand

Mobistar's marketing strategy hinges on the customer. It was adjusted in 2005 to take on board the demands of a more mature but also increasingly competitive market. Customer segmentation has been fine tuned and taken a step further. The emphasis is now placed on the loyalty of existing customers, on the development of applications and on converging offers.

Mobistar has chosen to stand out from its competitors by making its relationship with its customers an ongoing priority. This strategy is also reflected in the face-lift given to the brand in 2005. Our ability to listen is now the core message.

••• Residential market

In 2005, Mobistar set out to improve its assessment of the real needs of its customers based on their profile. This triggered the launch of products such as Mobistar My Life, Mobistar My Family and Simply by Mobistar, as well as the ADSL offers (Mobistar ADSL, Mobistar ADSL Connect and Mobistar ADSL Talk).

> Plus by Mobistar

In October 2005, Mobistar developed a new concept, rewarding customers for their loyalty. The temporary reductions that set out above all to attract new customers have been replaced by immediate, progressive and permanent offers. Mobistar Plus combines the acquisition of new customers with the consolidation of existing customers and the development of applications.

> more contacts with the customer

In 2005, Mobistar reinforced its direct channels of contact with the customer via its new points of sale chain, telephone and text messaging.

••• The business market

Mobistar's marketing strategy for its business customers was characterised in 2005 by reintegration of the "small office-home office" segment (the self-employed and liberal professions) into the business market, alongside SME and corporate accounts. The Mobistar offer took a customised approach, corresponding to the needs of its customers, particularly with regard to converging offers.

The network infrastructure is an essential part of the marketing strategy oriented towards the business customer. 2005 highlights included the reinforcement of "indoor" coverage, making it possible to achieve a level of service worthy of the best European networks, the implementation of the EDGE network with national coverage and the roll out of UMTS.

Mobistar also strengthened its position as an integrated operator, focusing on technology convergence. It launched the SDSL (Symetric Digital Subscribed Line) solution, offering very competitive solutions for connections between companies and the Mobistar network.

Offers were also optimised to meet Mobistar's three strategic demands: reliability, simplicity and relevance. Three products were launched along these lines: Business Exclusive (mobile/voice), Fixed Unlimited (fixed/voice) and BlackBerry® (mobile/Internet for the small office - home office). Mobistar also stepped up the performance of its agents in contact with companies.

••• Refocusing on the brand

Mobistar is still keen to build on its brand image. The initiatives undertaken in 2005 had one goal in mind: greater differentiation. Thanks to the Brand Tracker, Mobistar constantly analyses its brand and fine tunes its position in relation to its competitors.

••• The customer at the heart of its communication universe

The relationship that Mobistar nurtures with its clients is based on relevance, simplicity and trust. This positioning, which hinges more on the person than on the price or the product, comes through in the new personality of the Mobistar brand: mature, serene, reflecting a certain lifestyle.

> an even more emotional universe

A television campaign signalling this new philosophy was broadcast in July and August 2005. The ability to listen to the customer is at the heart of the message. The new brand image is reflected in the logo, range of colours, camera angles and music. An even more emotional, aesthetic and mature universe.

> illustration of the Mobistar Plus concept

In the same spirit, a multimedia campaign was launched in October 2005 to promote the Mobistar Plus concept and its range of offers. Mobistar Plus proposes immediate, progressive and permanent offers to all its customers, both new and existing. This concept is summed up by the campaign slogan, which puts the emphasis on the loyalty of its customers: "When Mobistar gives you more, it's for life".

••• Winner of three Effie awards

Mobistar emerged as the clear winner at the Effie Belgium awards ceremony in June 2005. This event rewards advertisements whose effectiveness has been proven. Mobistar came away with the Gold Effie and the Grand Effie, as well as the Measurement of Effectiveness Award (MEA), a special prize that rewards long term the most professional use of advertising campaign measurement techniques.



network and operations

Technological advances, in particular the development of broadband, have led Mobistar to switch from a network access logic to a service access logic. Having successfully made the leap to integrated operator status in 2005, it is Mobistar's declared aim to be able to offer services to customers anywhere and at any time, whatever the medium.

••• Excellent “deep indoor” coverage

In 2005, Mobistar invested substantially in the modernisation of its 2G network, which provides coverage for over 99% of the population. The 3,000 or so base stations that make up the Mobistar network have been fitted out with high-tech equipment supplied by Nortel Networks. Around 200 additional aerals have been installed throughout the country.

This complete overhaul of the access networks helps to further improve voice and data transfer quality, as well as network capacity and coverage. In particular, it guarantees Mobistar customers excellent deep indoor coverage, all over Belgium.

••• Deployment of the EDGE network

Mobistar was the first operator to offer national broadband coverage, which gave it a certain competitive advantage over the competition. Since June 2005, the EDGE network (Enhanced Data for Global Evolution) has been deployed throughout the country quickly and with a low investment. At the end of the year, coverage extended to 99% of the population.

EDGE is a key stage in the development of second generation mobile phone technology. This solution quadruples the transmission speed (170 kbps) compared to GPRS. It reinforces the use of the mobile data services and paves the way for new multimedia services. These are now accessible to all Mobistar customers equipped with a terminal that is compatible with this technology (GSM EDGE, lap top with a PC-EDGE card, EDGE compatible PDA). The speed and user-friendliness of EDGE technology are a definite step forward on both the business and residential markets.

••• Development of the 3G network

Parallel to the deployment of the EDGE network, Mobistar started to set up a 3G network (UMTS) that complies with the demands of the regulator. In 2005, coverage was concentrated on Brussels and Antwerp, i.e. 30% of the population. The 3G network guarantees a speed that is twice as fast as EDGE and allows new applications such as video telephony.

••• The new ITN department

Anticipating market trends, Mobistar has remodelled its technical organisation. The new ITN (Information Technology & Network) department pools the teams responsible for development and those that deal with the operational aspects of fixed and mobile telephony.

This reorganisation sets out to meet a threefold objective: to increase efficiency with the aim of better customer service, to reduce market access time and to ensure a better cost structure. Mobistar's aim is to become a truly integrated operator. This policy matches the growth strategy of the France Telecom Group, a strategy underpinned by innovation and integration.



new developments on the residential market

In 2005, Mobistar launched several new products and services that are simple, reliable and perfectly adapted to the specific needs of its customers, in each segment of the residential market.



... A range of innovative launches

> BlackBerry® for all

By launching the BlackBerry® Internet Edition accessible to individuals, Mobistar is keeping its promise of offering its customers permanent access to information, wherever they are. Mobistar was the first to launch the BlackBerry® Enterprise version in July 2004.

A solution developed by the Canadian company RIM (Research in Motion Ltd), BlackBerry® makes it possible to receive and send mails in real time. Customers can therefore read and send whole files or an abstract of the attachments to their e-mails (Microsoft® Word, Excel, PowerPoint, etc.) from their BlackBerry® compatible terminals.

> the first television channel on mobile

During the summer of 2005, Mobistar was the first operator to launch Mobile TV. Under the agreement with Belgian Business Television, Mobistar customers with an EDGE

compatible mobile can now access the financial channels Canal Z and Kanaal Z throughout Belgium. Customers can also download video flashes on national and international news, sport, culture and more offbeat subjects.

> flexibility thanks to Mobistar My Life

The modular package Mobistar My Life is a response to the demand expressed by several mobile phone users to put together their own tariff plan. It allows customers to combine basic tariff packages of 15, 25 or 35 euros per month with various options, including call credit modules and SMS packages. Mobistar My Life is tailored to the needs of each individual.

> three ways to surf

By launching a comprehensive range of ADSL services for the residential market, Mobistar has taken a decisive step in its drive to become an integrated operator. The operator's ADSL services are based on three specific offers:



- Mobistar ADSL is designed for customers who want to keep their fixed telephone subscription with the historical operator while accessing the Internet services developed by Mobistar.
- Mobistar ADSL Connect makes it possible to use ADSL without taking out a fixed telephone subscription. Access to the fixed network is paid by Mobistar and integrated into its offer, allowing the user to save the monthly subscription costs of fixed telephony. The customer also has the advantage of dealing with one single contact for mobile telephony and Internet access.
- Mobistar ADSL Talk is suitable for customers who want access to unlimited fixed telephony while keeping their fixed telephone subscription with the historical operator. This offer allows the user to call free of charge and without any limits from one fixed telephone to another via the Mobistar network, anywhere in Belgium

Jointly, Mobistar has launched the Livebox, developed by France Telecom. Wi-Fi and Bluetooth compatible, equipped with Ethernet and USB ports, it allows wireless connection

of one or more computers to ADSL. Thanks to its router function, the Livebox is the central access point, at the heart of the house, to all telecommunication services: fixed and mobile phones, PCs and laptops, cameras, video game consoles, etc.

> Simply by Mobistar: access to essential functions

Simply by Mobistar is a cut price, prepaid mobile phone offer sold under the Mobistar brand but accessible only via Internet. It is aimed at customers whose priority is access to basic mobile telephony services (calling and sending SMS) at rock bottom prices. Customers of Simply by Mobistar can call all national fixed and mobile networks, for a fixed price of EUR 0.19 per minute, with no connection costs per call. It still comes with added extras such as free voice mail or activation of roaming abroad.



sales and distribution



Mobistar distributes its products via its own points of sale chain (5 stores opened their doors in 2004), 128 Mobistar Center, and an open distribution network (independent agents, specialist chains and supermarkets). The highlights of 2005 included the creation of a new store concept focusing on the customer experience, direct access to information and simple, reliable and appropriate services.

... A world of discoveries

In 2005, Mobistar opened the first of its own points of sale on rue Neuve in Brussels. Four other stores followed in Brussels, Louvain-la-Neuve and Gent. New commercial showcases for Mobistar, these stores were designed to guide customers through the wide range of mobile phones and new services offered by Mobistar such as ADSL, fixed telephony, interactive services, logos, ringtones and the latest games. Customers are given personalised advice and clear information about all products and services, from the simplest to the most sophisticated. They can touch and test all the mobile phones and their accessories, which are displayed at the centre of the shop, and discover Mobistar's most comprehensive converging offers at their leisure. The aim is not to sell at any price, but to meet the needs of the customer.

This innovative concept was developed by the British agency Fitch. Mobistar is adopting the same concept for its own points of sale before applying it to its agents' sales outlets.

... Renovation of the Mobistar Center

The creation of new stores poses no threat to the development of the Mobistar Center, 128 of which were up and running at the end of 2005. Mobistar has however decided to give a face-lift to the points of sale operated by its authorised agents by making them more consistent. A complete renovation program was set up in 2005, focusing not only on the appearance and user-friendliness of the stores but also on the offers, quality of service and approach to the customer. Sales staff are trained to meet the needs of customers to the best of their ability and to offer them the solution best suited to their requirements and profile. Quality criteria and operating rules have been adopted. Regular evaluations will be carried out to ensure that sales staff comply with these criteria and rules, making part of their salary package performance-dependent.

mobistar

business solutions

The business market played a key role in Mobistar's growth in 2005, in terms of both market share (34.4% against 32.5% at the end of 2004) and number of cards. This is mainly due to the company's success with SME. In certain segments, the market share of Mobistar Business Solutions was even higher than Mobistar's average share.



••• Greater convergence

The multi-access solutions that make it possible to set up a connection wherever you are, from any terminal and via any type of network have become fundamental to business customers.

One of the many factors accounting for Mobistar's on-going success among businesses is the convergence of its offers. Mobistar is in fact the only operator in Belgium capable of offering products that combine fixed telephony, mobile (voice and data) and ADSL.

••• Mobile data transmission

The connection possibilities for the business customers were further expanded in 2005 thanks to the launch of several specific products.

> staying in touch

By launching BlackBerry® Internet Edition, dedicated to the SME and SOHO ("Small Office-Home Office") segments, Mobistar enables its customers to check and manipulate their e-mails in real time via their mobile phones. A solution

developed by the Canadian company RIM (Research in Motion Ltd), BlackBerry® automatically receives and sends e-mails and data from and to mobile phones. It offers users permanent access to information, wherever they may be. They can then read and send entire files or an abstract of files attached to their e-mails and data (Microsoft® Word, Excel, PowerPoint, etc.) from their BlackBerry® compatible terminals.

> on line everywhere

Mobistar has provided its customers with a Mobile Office Card that can be inserted into their laptops, allowing them to set up a connection at any time via the 3G, EDGE and GPRS networks. The Mobile Office Card automatically chooses the fastest available network. Laptop users can surf, send and receive e-mails, use company network applications and manage text messages without the need for telephone cables.

> Machine-to-Machine dialogue

Mobistar's innovative drive has made it the leader on the Machine-to-Machine or MaTMa communication market. In 2005, Mobistar passed the threshold of 50,000 SIM cards installed to allow machines to communicate. The applications of this technology are endless and growing continuously,



the biggest segments being telemetry, telematics and anti-theft protection.

For example, a SIM card inserted into a Bingo game allows the establishment to comply with the regulations. This telemetric application regularly sends a report to the relevant government department. The same process can be installed on a fleet of trucks: this telematic application improves the organisation of the goods dispatching process. The “track and trace” anti-theft systems installed in top of the range cars are also equipped with Mobistar SIM cards.

●●● Voice communication

> an innovative tariff plan

In 2005, Mobistar launched an innovative tariff plan that guarantees companies real transparency and better cost control. The Business Exclusive formula is based on an attractive price per minute that decreases according to the number of calls made. Its invoice Split system also makes it possible to distinguish between private and business calls, giving companies better control over communication costs. Business Exclusive can be easily combined with fixed telephony and data solutions.

> organising a conference call

The Conference Call service is another innovation for the business market. It allows several callers (a maximum of 6) to communicate via a mobile phone or a fixed line, in Belgium and abroad, regardless of their usual operator. Only the person setting up the conference call pays the communication costs per participant at the normal mobile tariff. This service is activated automatically at no extra cost.

●●● The mobile phone as a perk

In the hit parade of perks, the mobile phone and/or the subscription in the company's name has rapidly become a firm favourite, already accounting for 19% of all perks in Belgium. Employees appreciate it because they see it as a “bonus that creates a brand image”. For the company, it is an attractive bonus from a financial and fiscal point of view, as well as in terms of employee mobility. In 2005, Mobistar launched specific solutions for its business customers, in particular among key accounts, enabling them to include this benefit in their employees' salary packages.

human resources

In a competitive climate such as that of the telecommunications sector, human resources are the key factor in driving growth. In 2005, all Mobistar employees showed an excellent performance.



At the end of December 2005, the team members numbered 1,669, up 37 on the end of December 2004. This increase resulted from the replacement of more and more consultants by employees. 7% of Mobistar team members are of foreign origin (16 different nationalities), with women accounting for 35% of the total workforce. The average age of the team members is 36 and average seniority is up at 5.5 years.

••• Moving towards a performance culture

The Human Resources Department has introduced a performance-based remuneration system for all Mobistar team members. The variable salary percentage and the breakdown of the targets to be met (personal and corporate targets) differ according to the post held.

Several information sessions for employees and training programs for managers have eased the way for this new performance culture. The first evaluation sessions (Individual Evaluation Rewarding Process) were held in 2005 and are set to continue at a rate of two evaluations per year.

••• New initiatives to stimulate dialogue

> launch of Together

Together, Mobistar's new in-house magazine launched during summer 2005 and distributed quarterly to all employees, was given an enthusiastic reception. Building a bridge between the business and private lives of Mobistar team members, its dynamic format has won popular approval.

> informal meetings with the CEO

The culture of transparency encouraged by Mobistar is taking concrete shape thanks to a new monthly event: informal meetings with the CEO, Bernard Moschéni. The idea is to give the managers of each department the opportunity to discuss practical matters openly and constructively with top management, at least once a year.

> great value PCs

Launched in 2004, the « private PC » project went down very well in 2005, with over 300 computers being bought by Mobistar employees. This program offers each employee the opportunity to acquire IT equipment at attractive prices for both private and business use, without it being considered a benefit in kind.

••• An adapted organisation structure

Spurred on by a keen desire to forge a closer relationship with its customers Mobistar adjusted its technical and commercial organisation in 2005. By pooling, integrating and simplifying its structure, it hopes to present an even more united front to the market.

This new organisation led to changes within the Mobistar Management Committee, whose members have been cut from 11 to 8. Erick Cuvelier, Chris Van Roey and Olivier Ysewijn took up their seats on the Management Committee in March 2005 and are in charge of Marketing, Communication, Corporate Development & Strategy respectively. Benoît Scheen joined the Management Committee in November 2005, in the role of Chief Commercial Officer.



