

Annual report 2007





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Key events in 2007

Launch of Mobistar AtHome

AtHome is a leading product in Mobistar's replacement strategy of fixed telephony by mobile telephony on the residential market. This unique offer on the Belgian market proposes communications from a mobile phone at home to fixed lines in Belgium and abroad at lower rates than those applied for communications with a fixed line.

Secure payment by GSM

Banksys and three national mobile telephone operators have joined forces to launch a secure payment system by GSM. Mobistar's customers wishing to pay by mobile telephone need a SIM card with m-banxafe technology, available in all Mobistar Centers.

Partnership with Lycamobile

In the scope of its partnership policy with mobile virtual network operators (MVNO), Mobistar has entered into an important agreement with Lycamobile that targets as a priority the ethnic community living in Belgium, which communicates regularly with their families and friends in their home country.

Launch of Mobistar One Office Voice Pack

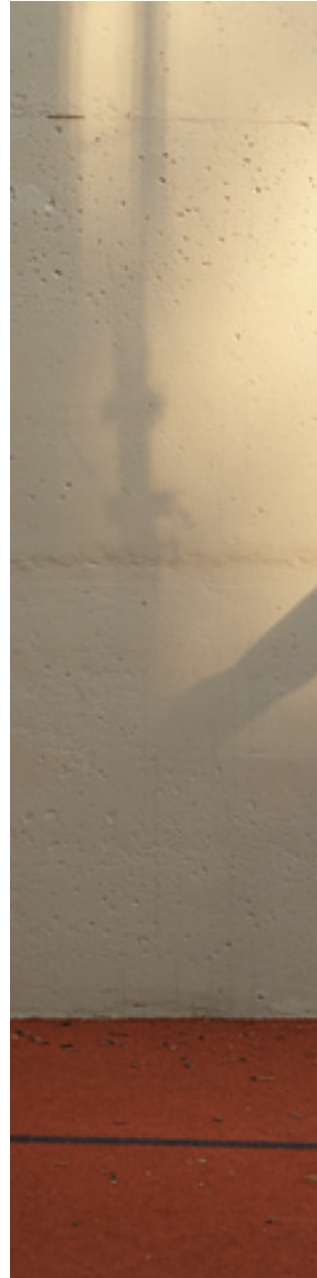
Mobistar launched the first fixed-mobile convergence offer on the professional market. With One Office Voice Pack, the rate per minute is more advantageous and the company's internal communication costs and call transfers from each user's fixed line to his/her mobile are free of charge. This is the first step towards total voice and data traffic convergence.

Acquisition of VOXmobile

Mobistar has entered into an acquisition agreement with the Luxembourgian operator VOXmobile for 90 % of the share capital for 80.3 million euro. The implementation of synergies between these two operators started with cross-border offers for large companies in Belgium and Luxembourg.

Renewal of the agreement with the Belgian railways

For three years already, Mobistar is the partner and supplier of the Belgian Railways (SNCB/NMBS) for mobile technology. The agreement has been renewed for a similar term. This agreement relates to activating cards for vocal communications and mobile data transmission, to activating fixed telephone applications and to activating permanent lines for data communication.





Launch of Mobistar ADSL Voice

ADSL Voice grants access to high speed internet (4 Mbps) and fixed telephony via Voice over IP (VoIP) technology. This innovative offer forms part of the new internet solutions proposed by Mobistar, without any subscription costs for the fixed line with the historic operator.

Mobistar Internet Everywhere for low usage

Internet Everywhere, which uses Mobistar's EDGE/HSDPA networks, is the first mobile internet solution whose use can be paid for per day (1 euro per day on the internet, with a monthly subscription of 5 euro). It is mainly targeted at professionals who travel frequently but also at students and other customers who are often away from home.



Letter from the chairman

As chairman of the Board of Directors and on behalf of the Executive committee, I would first of all like to thank all our customers and shareholders for their loyalty and support of our strategy. In particular I also want to thank our employees for their excellent work over the past year.

Following the outsourcing of the technical management and the maintenance of our network, Ericsson has taken over 150 team members. However, the Board of Directors is aware that this outsourcing was not easy for everyone, but we are convinced that the decision for outsourcing will prove to be right in the future.

2007 was another successful year for Mobistar although the conditions were not ideal. The government-imposed reduction of the mobile termination rates and the European Union regulated roaming prices have had a clear impact on the turnover. Moreover, the market is becoming increasingly mature and the competition fiercer. In spite of these difficult external factors Mobistar has managed to close another successful year.

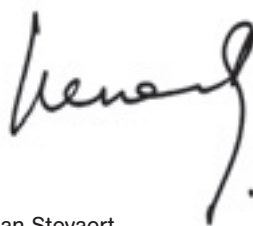
Thanks to this performance, the Board of Directors will propose at the General Shareholder's Meeting of 7 May 2008 the payment of a gross dividend of 2.80 euro per share, a reduction of capital of 4 euro per share, and a buy-back of own share amounting to a maximum of 175 million euro. This means that in 2007 approximately 600 million euro is finding its way back to our shareholders. It will be paid out as from 14 May 2008.

This year, a special word of thanks goes to Bernard Moschéni, Mobistar's CEO over the past three years, who transformed the business from a more technology-oriented company to a highly customer-oriented company. He decided to seek a new challenge abroad.

His successor, Benoit Scheen, was unanimously elected by the Board of Directors as our new CEO. Thanks to his many years' experience in the ICT sector and his role as CCO these past years, he is the ideal person to meet the strategic challenges facing the business. He has achieved major commercial successes and has an excellent understanding of the specific needs of the Belgian residential and business markets.

And the challenges for 2008 are considerable. The reduced mobile termination rates will be entering a second phase and the saturation of the telecommunication market will become an increasingly important factor.

Mobistar's intention is to turn 2008 into another excellent year thanks to a recognisable market approach, the right policy plans and the drive of all our employees.



Jan Steyaert
Chairman of the Board of Directors



Letter from the CEO

In an increasingly strong Belgian market, in which competition remains fierce, Mobistar continued to show strong growth in 2007, thanks to its commercial dynamism and its policy of innovation.

In a mobile phone market which has reached full maturity and with a penetration rate of 99 % by the end of 2007, it is Mobistar's proactive segmentation policy which has set it apart from the crowd. As part of its commitment to understanding and meeting the expectations of every type of customer, the operator has released a targeted range of new products and services. TempoMusic in particular has been a great success, with the formula having been extended to postpaid customers. By the end of 2007, the total number of TempoMusic customers had increased to 579,306.

This portfolio optimisation exercise has been accompanied by the emergence of a new personality for the Mobistar brand. Customers identify closely with the triple-faceted Love, Work, Play logo, the recognition rating for which is already considerable.

Moving to a mobile centric approach

The success of Mobistar's innovative AtHome and One Office Voice Pack packages are a testament to Mobistar's cogent strategic planning. For the residential market, the operator has promoted substitutions (migration from fixed lines to mobiles) and a segmented offer which is now much simpler and more transparent. For the business market, Mobistar is focussing more closely on voice and data convergence, to meet the growing demand for business mobility.

Growing customer numbers are evidence of the success of this commercial strategy. On December 31 2007, Mobistar had a total of 3,489,859 active customers (including MVNO's), representing a 10.7 % increase over the last year. During 2007, Mobistar attracted 144,530 new customers, to which MNVO partner services should also be added. The proportion of contract customers reached 54 % of the total customer base, as compared with 51.4 % at the end of 2006.

Mobistar has also developed a complete range of internet solutions (principally ADSL Voice and Internet Everywhere) which no longer require subscription to the historic operator. The development of mobile data transmission owes a lot to the new Orange World services whose portal has been relaunched, and to the success of BlackBerry® and Business Everywhere in the business market. By the end of 2007, revenue from mobile data solutions represented 18 % of mobile phone turnover, as compared with 15.4 % the previous year.

A partnership strategy

To meet all of its objectives, Mobistar has pursued a partnership policy, strengthening existing agreements and signing new deals, with Lycamobile and Transatel in particular. By the end of 2007, the number of MNVO customers increased to 206,105, i.e. a fifteen-fold increase on 2006.

Moreover, Mobistar has acquired a 90 % stake in the Luxembourgian operator VOXmobile. Implementation of synergies between the two operators began with cross-border deals for big companies in Belgium and in the Grand Duchy of Luxembourg.

High-performing distribution channels

To optimise the distribution of its offers, Mobistar has been able to capitalise on previous changes to its business structure, and on the opening of new sales outlets. The distribution network has been completely updated and now comprises 27 wholly-owned sales outlets and 119 franchises. In 2007, Mobistar, which is behind Belgium's largest telecoms distribution network, celebrated the 10th anniversary of the first Mobistar Center.

The expansion of online sales is also worth celebrating: from its launch in 2006, these sales saw spectacular growth over the last year, accounting for almost 6 % of sales by the end of the year.

In 2007, the sale of mobile phones in Mobistar's network has increased by 20 %. This growth follows on from the policy of expanding the range of available devices, particularly at the high end of the market (e.g. EDGE/3G).

Strong corporate commitment

Mobistar has strengthened its specific corporate commitment to autism. The non-profit organisation Participate! which has organised this initiative has recruited experienced psychologists, who have created the content for the first section of the website www.participate-autism.be. The website is designed to be a useful resource for anyone wanting reliable information on autism.

Reinforcing its positions in 2008

Thanks to excellent results garnered in 2007, Mobistar started 2008 in good shape. In a highly competitive market with strict regulatory restraints, the aim of management is to continue to improve Mobistar's commercial position, adapting its products and services in an innovative way in order to keep up with customer demands and expectations. This policy goes hand-in-hand with a strict control of costs.

To ensure this strategy is successful, Mobistar relies on the unstinting commitment and skills of all of its colleagues, within a business environment which we want to be stimulating.

In my new role as CEO, I am keen to tackle head-on the challenges which 2008 throws at us.



Benoit Scheen
Chief Executive Officer



The telecommunications sector



The consolidation movement which marked the Belgian market in 2007 and the heightened regulatory pressure has not hindered Mobistar's growth. As a result of its commercial dynamism, the operator could attract 338,000 new customers and has continued to increase its market share.

Competitive environment

■ Optimal penetration rate

Competitive pressure remained very high in 2007. As the penetration rate was already high, reaching 99 % of the population, the operators engaged in a fierce commercial battle to win new customers: increasingly aggressive promotions, more and more frequent launches of new products, etc.

■ Market consolidation

A vast consolidation movement was initiated in 2007 by the major market players. These operations enabled some operators to gain a foothold in new market segments, which further increased the competitive environment.

■ Success for some MVNO's

A huge number of MVNO's (Mobile Virtual Network Operator) have arrived on the Belgian market during recent years. Some of them have introduced new services and consolidated their positions in 2007. Mobistar negotiated a partnership with Telenet in 2006. Mobistar continued this partnership strategy in 2007, entering into new agreements with Lycamobile and Transatel. On the one hand, Transatel is a MVNE (Mobile Virtual Network Enabler), i.e., an intermediary, which provides services to MVNO's but has no contacts with the end customers. On the other hand, Transatel has its own 15,000 customers.

■ Mobistar consolidated its positions

Given this extremely difficult market situation, Mobistar saw to consolidating its positions by choosing a replacement strategy (fixed to mobile migration) on the residential market and by placing more emphasis on convergence in the professional segment. The success of AtHome and One Office Voice Pack, two of its leading products in 2007, confirms the validity of its strategic choices.

On 31 December 2007, the Mobistar customer base counted 3,489,859, including the MVNO customers. This represents an increase of 10.7 % compared to 3,152,455 customers at the end of 2006. The number of Mobistar ADSL customers remained stable, with 23,774 customers at the end of 2007.

Regulatory pressure

■ New reduction in MTR rates

In August 2006, the Belgian Institute of Postal Services and Telecommunications (*Institut Belge des Services Postaux et des Télécommunications or IBPT*) fixed the mobile termination rates (MTR) for the three national networks. After a reduction in MTR rates by 16.5 % in November 2006, a second 20 % reduction was implemented in May 2007.

At the end of 2007, IBPT adopted an additional decision setting the mobile termination rates for the three operators for the period from February to July 2008.

■ Maximum rates in the European Union

As from 30 July 2007, Mobistar implemented the European regulation relating to roaming rates (rates applicable to incoming and outgoing calls abroad and wholesales services invoiced between operators) in the 27 European Union countries and some additional countries. Mobistar's customers were first personally informed regarding these rate changes.

■ Standards relating to emission of electromagnetic waves in Brussels

Mobistar and the other mobile telephone network operators, grouped together within the GOF (GSM Operators Forum), contested the order approved by the Brussels Parliament before the Constitutional Court on 16 February 2007 and published in the Belgian Gazette on 14 March 2007. This order plans to highly limit the power of electromagnetic waves emitted by GSM operators' relay antennae since it introduced a maximum standard of 3 volts/metre, where the current federal standard – which is already four times more severe than applicable European standards – is 20.6 volts/metre. The three Belgian operators consider that the Brussels Parliament has exceeded its powers by adopting this measure. Moreover, this measure undermines the service to the customers who require an optimal availability.



Satisfying the market's needs

■ Application of the universal service

Since January 2006, Mobistar proposes a social rate to low-income individuals. This financial support is granted to certain people in a precarious situation according to specific conditions laid down by the Telecommunications Act of 13 June 2005.

■ 3G on the same frequencies as 2G

New legal provisions (royal decree of 28 March 2007 published in the Belgian Gazette on 11 May) authorising mobile telephone network operators to use 2G frequencies (GSM) for the deployment of 3G (UTMS). These provisions will be applied as from July 2008 as operator Base was unable to obtain the suspension of the royal decree before the Council of State.

The extension of frequencies will increase the zone covered in the countryside and on transport routes (road, train) and also improve the quality of coverage in towns at

lower costs for Mobistar and the other operators. Existing sites can be reused (among which a few still have to be built) will also have a positive impact on the environment

Healthy competition

■ Abuse of a dominant position

In May 2007, the Brussels Commercial Court appointed two experts in the scope of proceedings relating to abuse of Proximus' dominant position opposing Mobistar and Base. The experts are in charge of examining whether Proximus actually abused its dominant position between 1999 and 2004, and determining the related damage. The results of this expert assessment are expected in 2008.

The Mobistar brand and marketing strategy

During the course of 2007, Mobistar intensified its segmentation policy. The core of its marketing strategy was to meet the needs of each consumer type by responding with adapted products and services. This proactive approach was successful on the residential and business markets. The operator also conveyed this positioning with a refresh of the Mobistar brand.

Mobistar brand

■ Love, Work, Play

Mobistar aims to be the mobile telephone brand preferred by Belgians. In a context of increasingly heightened competition, where differentiation is required, Mobistar stands out by placing the consumer at the centre of its concerns on a constant basis. This positioning materialised in the new personality of the Mobistar brand, whose logo changed in 2007.

Today's consumer wants mobile solutions and experiences which help him to obtain more from his life: Mobistar anticipates by launching products and services which help the consumer to *love*, *work* and *play* as he wants. All important things in life are situated within these three domains.

At the same time, we leave the consumer the choice, he himself takes the power and wants to participate. This participation expresses itself in the way we communicate, and in the different possibilities which we offer the consumers.

The change of the Mobistar brand's visual identity was successful: in December 2007, awareness of the new logo already reached 75 %.



Meeting customers' needs

One of Mobistar's strategic objectives is to better meet its customers' individual needs. A proof of this intention is TempoMusicMonthly, one of the leading products introduced as part of a segmented approach. It targets specifically postpaid customers whom music and SMS are also important. On 31 December 2007, TempoMusic had a total of 579,306 customers.

■ A new product portfolio

In 2007, Mobistar optimised its product portfolio to make it more attractive and also more effective. This development increased synergies between prepaid offers and postpaid offers, making the decision relating to migration towards subscriptions simpler for Tempo customers. This resulted in a further increase in the share of postpaid customers who are more loyal and who consume more. This share increased by 54 % at the end of 2007.

Through this new portfolio, very innovative offers, such as AtHome on the residential market and One Office Voice Pack on the professional market, have also been introduced.

AtHome corresponds to the needs of residential customers, who increasingly wish to switch to a completely mobile package. One Office Voice Pack combines fixed and mobile telephony for the professional market. The increase in the number of customers in 2007





confirms the success of this business strategy.

Among the other significant innovations, we highlight ADSL Voice, which offers fixed telephony and internet access via the Livebox, and Internet Everywhere, a product designed for professionals who travel frequently but also for students and other customers who are often away from home.

The Orange World portal, which celebrated three years of existence in 2007, was revamped. The new simple and user-friendly interface was adapted to each customer's needs and individualised according to usage.

■ Adapted mobile phones

In 2007, Mobistar prepared its customers for the services that they will be proposed in the future by adapting its offer of mobile phones. They are increasingly focused on multimedia. In 2007, Mobistar's mobile phones sales increased with 20 % from 50.6 million euro at the end of 2006 to 60.7 million euro on 31 December 2007.

■ Partners with Lycamobile and Transatel

In order to increase its market share in mobile telephony, Mobistar decided to enter into partnership agreements with mobile virtual network operators (MVNO's) or other players wishing to launch into mobile telephony. In 2007, Mobistar continued this policy with its partners Telenet, Euphony and Delhaize.

In April 2007, a new agreement was concluded with Lycamobile, Lycatel's pioneer brand for international mobile telephone traffic. Lycatel has over seven million Pan-European users, who generate more than 1.4 billion minutes of vocal traffic per month. Lycamobile is the leader on the European market for prepaid calling cards for international telecommunications and mainly targets foreigners staying in Belgium and communicating with their friends and families in their home countries. By using the Mobistar network, Lycamobile proposes a specific offer and customer service specific to this target-group at 1,000 points of sale in Belgium.

In November, Mobistar also entered into a partnership agreement with the French company Transatel. Transatel offers, next to its own mobile offer, services enabling MVNO's to launch their own mobile operator activities.

Sales, distribution and customer service

Throughout 2007, the commercial organisation has been adapted. It was a year for consolidation and also for new solutions, with the significant success of online sales.



Increase in online sales

Online sales, launched by Mobistar in 2006, saw spectacular growth during the previous year. In the online shop, customers can buy mobile phones, choose from the mobile offer and activate ADSL. Mobistar wants to guarantee secure transactions and therefore uses the SSL encryption system (Secure Sockets Layer).

The first Mobistar Center celebrates its 10th anniversary

■ Mass retail distribution: improving efficiency

After significant stabilisation of its point of sale network, which mainly sells prepaid SIM cards, Mobistar continued to improve the efficiency of 6,000 points of sale in 2007. Their number remained stable throughout the previous year.

■ Exclusive distribution: completed shop revamp

Throughout the year, Mobistar continued to modernise the Mobistar Centers: this two-year project has come to an end, with 125 revamped stores at the end of 2007. The renovation of approximately ten Mobistar Centers was put on hold given the prospect of relocation in the near future.

Mobistar celebrated the 10th anniversary of the first Mobistar Center in 2007. With 146 points of sale owned by the company or run as franchises, Mobistar has the largest telecommunications distribution chain in Belgium.

Mobistar opened more and more owned points of sale, increasing from 12 stores at the end of 2006 to 27 stores at the end of 2007. These “discovery areas” focus on customer service and direct access to information and contribute to Mobistar’s dynamic commercial approach.

■ Certification of independent agents

The network of independent agents selling Mobistar products and services on the SoHo (Small office-Home office) market – i.e. self-employed workers, the liberal professionals and very small companies – and on the small and medium-sized enterprise market increased further in 2007. These agents are strictly selected partners and Mobistar wants to establish a long-term relationship with them.

Mobistar launched a certification procedure for these independent agents in 2007. The objective is to increase their efficiency and the quality of their services as the marketed solutions are proving to be more and more complex

Strengthened relations with key accounts

The team responsible for commercial relations with key accounts was divided into two in 2007 in order to further optimise customer service. One team is now in charge of canvassing and initial contacts with new customers and the second team is responsible for monitoring the consolidation of relations with existing customers.

Significant agreements were renewed in 2007 and several large organisations have shown their trust in Mobistar for fixed and mobile telephony, in particular the Flemish Community.

Continued improvement of customer service

■ Optimising relations with external partners

The outsourcing plan of certain operational and support activities launched in 2006 continued during the previous year. More than 400 persons now work for different partners in the scope of customer services (Sitel, TechCity, Call-It, Orange Romania). In 2007, Mobistar endeavoured to optimise relations with these subcontractors, including some subcontractors who work for Mobistar on an exclusive basis.

■ An award for the ADSL call center

In October 2007, Mobistar won the TechCity Mystery Contact Challenge Award granted by TechCity Solutions after examining the quality of the assistance provided by 90 contact centers of large technological companies, irrespective of whether they are customers or not of this company. According to this study, the support provided by Mobistar to its ADSL customers largely exceeds the average of the 12 Internet suppliers covered by the study (75.75 %, compared to 59.32 % on average).

■ Figures that make your head turn

The intense activity linked to the customer service was materialised in 2007 by 4.2 million incoming calls, 3.5 million outgoing calls, 1.6 million e-mails and letters and 14.1 million invoices.



Residential market



On the residential market, Mobistar chooses a substitution strategy. Its challenge is to convince individuals to terminate their fixed lines in favour of mobile solutions. To support this evolution, a new segmentation of the offer was introduced in September 2007.

Competitive and innovative range

Mobistar has continued its innovation policy by proposing solutions adapted to its customers' specific needs. These solutions are accompanied by a new tariff schedule since September 2007, which are marked by increased simplicity and transparency. On its website targeted at the residential market, which was revamped in 2007, Mobistar also offers its customers the possibility of configuring the most economically attractive offer for them, corresponding to their profile.

■ Mobistar AtHome

AtHome, launched in March 2007, is a leading product in the chosen substitution policy. This unique offer on the Belgian market proposes communications at home from a GSM to fixed numbers in Belgium and abroad. Customers consequently no longer need a fixed line at home. They save 17,50 euro subscription fee and also benefit from improved user comfort.

■ New offer portfolio

Abandoning the traditional segmentation between prepaid and postpaid customers, Mobistar segmented its offers into four categories corresponding to different user profiles: *MyComfort* (mostly calling and sending SMS), *Music* (free SMS and music), *Friends* (call for hours with your friends), *MyTime* (call with everyone). This new offer portfolio was implemented in September 2007. Specific options, such as AtHome (including ADSL Connect), Family (including ADSL Voice) or some internet options continue to be reserved for postpaid customers.

Revised internet offers

Mobistar aims to increase revenue linked to mobile data communication: the revamped Orange World portal, mobile internet or even mobile TV result in the use of GSM for applications other than classical voice traffic and encourage wireless internet access or as an occasional alternative to ADSL.

A full range of internet solutions which do not require a subscription to the historical operator was developed by Mobistar. Alongside the classic ADSL Connect offer, Mobistar launched ADSL Voice in September 2007: this offer gives access to high speed internet (4 Mbps) and fixed telephony via Voice over IP (VoIP) technology. And in November 2007, Mobistar launched Internet Everywhere. It is the first mobile internet solution for a regular use by people who are mostly on the road or not at home, such as sales people, students, ...

Secure payment by GSM

Banksys and the three national telephone operators joined forces in May 2007 to launch a secure payment system by GSM. This service is available to any Bancontact-MisterCash cardholder via a GSM operating on the Mobistar, Base or Proximus network. Mobistar's customers who wish to pay by GSM must have a SIM card with m-banxafe technology, available in all Mobistar Centers.

Saving contacts

Mobistar is the first operator to launch ContactSave in Belgium. This innovative service was developed by Gemalto, the worldwide leader in digital security and supplier of Mobistar SIM cards since 1996. It enables all contacts on the SIM card to be saved onto a dedicated server for this purpose. As a result of the new 128k SIM card, which is available free of charge in all Mobistar Centers, Mobistar prepaid and postpaid customers can accordingly save and retrieve their contacts in the event of loss or theft of their mobile telephone.

Best roaming terms

■ Reduced rates

On 1 February 2007, Mobistar aligned its Tempo roaming rates with the postpaid package rates, resulting in a 40 % reduction for incoming calls, outgoing calls and SMS sent.

Another rate-related benefit results from the fact that Mobistar divided the world into five regions, with one fixed rate per region, irrespective of the operator used by the customer when calling abroad.

In September 2007, the roaming tariffs in the European Union have again been modified. Calls from a European country are charged with a maximum price of 49 cents per minute.

■ Controlling roaming costs

Mobistar has developed its Voice Mail platform so that unanswered calls are not diverted abroad, but are immediately transferred in Belgium, which represents a financial saving for the user. As a result of the Free Voice Mail Deposit, receiving vocal messages abroad is now free. Mobistar's customers can chose whether to reply to incoming calls abroad or redirect the call for no charge to their voice mail.

Other adaptations to the technical platform have resulted in the possibility of offering users, throughout the world, the same user comfort and personalised assistance as available in Belgium.



Mobistar Business Solutions

For professional users, Mobistar wants to offer convergent solutions based on a mobile-centric vision. By doing so, Mobistar replies to the heightened needs of companies with regard to mobility. New innovative and competitive products have been added to support this strategy.



Tailor-made convergent services

■ Mobistar One Office Voice Pack

In May 2007, Mobistar launched the first convergent fixed-mobile offer on the professional market: One Office Voice Pack. As a result of this solution, the rate per minute is more advantageous, internal communication costs are free of charge for the company from fixed lines to mobile phones, in the same way as call transfers from the fixed line to the mobile of each user. One Office Voice Pack has been very successful with existing customers and new customers. In addition to its flexibility of use, it allows the budget to be controlled and facilitates administrative management (only one fixed-mobile invoice).

■ Mobistar Wirefree Office

Among the tailor-made services offered in the scope of One Office Voice Pack, Mobistar has implemented the Wirefree Office option, which targets employees who are moving frequently within the company as a priority. Wirefree Office enables the user to call all Belgian fixed lines from his/her GSM and within his company (up to 40 hours per month) at a preferential fixed monthly rate.

Additional options are reserved for small and medium-sized enterprises and the SoHo (Small office - Home office) market. An example is Invoice Split, which fixes a maximum amount of communications per user, where any surcharges are paid by the user.



■ Connect Mail/Mail&Surf

Connect Mail/Mail&Surf is a solution developed by Mobistar enabling wireless access to e-mail and the internet. This is advantageous for companies which do not have their own e-mail server as it enables e-mails to be automatically downloaded or where necessary, attachments to be downloaded and edited using the mobile phone without being connected, e-mails to be sent at any time, as well as meetings and contacts to be synchronised. This speedy and efficient solution, which is accessible by a large range of telephones, also can access Orange World.

■ Mobistar Internet Everywhere

Mobistar is gradually moving towards complete voice and data traffic convergence for its professional customers. Amongst other innovations, we highlight Internet Everywhere, an EDGE/HSDPA offer launched in November 2007. This extra connection whose use is paid for on a daily basis (1 euro per day on the internet, with a monthly subscription of 5 euro) targets SoHo customers as a priority, who travel regularly. Internet Everywhere is a typical example of professional products aimed at meeting the specific needs of self-employed workers and the liberal professions, which Mobistar pays particular attention to.

Key accounts' trust

As a result of the consolidation of its commercial team dedicated to key accounts and the optimisation of its sales channels, which have become specialists in convergence, Mobistar continued its growth strategy in 2007 with large companies and institutions with regard to mobile and fixed telephony.

■ The Belgian Railways have extended their collaboration

In June 2007, Mobistar renewed its agreement with the Belgian Railways (SNCB/NMBS) for three years. This concerns the activation of cards for voice traffic and data communication, the activation of fixed telephone applications and the activation of permanent lines for data transfers. At the end of 2007, 19,550 SIM cards were

activated for SNCB. The specific applications developed by Mobistar are intended to optimise security, train punctuality and the service quality provided to travellers. The operator has the necessary expertise to continue developing this growing area of activity

■ New agreement with the Flemish Community

In July 2007, a large-scale agreement was entered into with the Flemish Community for fixed and mobile telephony. As regards mobile telephony, this agreement includes the extension of the fleet and added-value services focused on managing call costs. The fixed telephony section includes the connection to several buildings of the Flemish government – large sites and smaller local offices – and porting several 0800 type numbers.

Leader on the MaTma market

Mobility also relates to machines, which need to remain connected, generally referred to as MaTma (Machine-To-Machine), which recorded more than 35 % growth in 2007. The threshold of 85,000 cards installed was exceeded, confirming Mobistar's leadership on this market segment. Many applications of this type of technology exist and are constantly growing. The year 2007 was marked by strong growth in demand, first, for mobile payment terminals and, second, by the breakthrough of applications enabling vehicles, lorries and other automotive equipment to be monitored.

A new B2B website

The website aimed at the business market (<http://business.mobistar.be>) was completely revamped in 2007 and now offers more functionalities. As a result of its online catalogue, Mobistar acts as an advisor for mobile telephone purchases, taking into account the user's profile and specific needs.

Network and operations

Mobistar has continued its strategic partnership with different technology partners in view to offer mobile high technology and optimal services to its customers, whilst controlling costs. The simplification and rationalisation of the network and the IT architecture directed the technical department's strategy in 2007.



On-going improvement in the high speed offer

Mobistar has continued the deployment of its HSDPA (3G+) network in 2007. The transition to a faster HSDPA network, started in Brussels in January 2008, marks an important stage in the implementation of the HSUPA (High Speed Uplink Packet Access), an upgraded 3G version, which opens the way to high speed wireless internet.

Mobistar has also ensured the optimisation of deep-indoor coverage for its 2G network. This network had a total of 3,201 base stations at the end of 2007 and now covers 99,9 % of the population.

Unlimited capacity network

■ Gradual migration to Next Generation Network architecture

The agreement signed at the end of 2006 with the Chinese company Huawei took shape in 2007, involving the first stages of the change in configuration of the network core. Mobistar started the renewal of its MSC (Mobile Switching Centre) infrastructure, which will be reduced from ten to two units: Huawei's first MSC unit was set up at the Bordet site in Brussels during summer 2007. The second unit will be operational in Antwerp (Titan site) in the course of 2008.

The implantation of a network core for the new generation (NGN architecture, Next Generation Network) supports the high increase in traffic on the 2G/3G networks, whilst ensuring better cost control. This migration is being carried out in several stages with the objective of a complete network changeover in 2008.

■ Outsourcing at Ericsson

Mobistar has selected Ericsson to manage its entire technical network. This five-year agreement covers daily management, supervision and deployment of the infrastructures required for the network core, service platforms and access equipment (transmission and relay stations).

■ Renewal and extension of the network architecture

In 2007, Mobistar continued the renewal of its service platforms: in particular, the performance of the prepaid platform and the SMS management platform has highly improved.

Mobistar has also developed its STP servers (interface between Mobistar and the outside world for incoming and outgoing traffic) to enable the integration of TCP/IP protocols. It is a key stage in Mobistar's network migration plan to complete IP.

Entirely renovated IT architecture

■ Launch of a three-year modernisation plan

Mobistar launched a three-year plan in 2007 to renew its IT architecture with the main objectives of increasing the efficiency of the IT architecture and reducing maintenance costs. The agreement entered into with Interxion for hosting Mobistar's data centres marks the first important decision in the scope of this plan. It must mainly enable a 20 % reduction in the number of servers used by the operator and substantial cost-savings, in particular with regard to the space used.

The first of Mobistar's two data centres will be transferred to Zaventem at the beginning of 2008. The location of the second has not yet been decided.

■ Implementation of the VoIP platform

The implementation of the VoIP platform (Voice-over-IP), which represented a real technical challenge, enabled Mobistar to propose its first commercial offer (ADSL Voice) in September 2007.

■ Improvement of the performance of Mobistar's portal

Furthermore, the technical department actively worked together with the marketing department with a view to improving the performance of Mobistar's portal. It also worked with the financial department in order to significantly reduce access times to statistical data and increase invoicing turnaround times.

■ Outsourcing of IT support activities

Mobistar launched a call for tenders at the end of 2007 in the scope of the outsourcing of its IT support activities (applications development and server management). This operation forms part of its partnership rationalisation policy. The final selection of the partner shall be made in 2008.

Human resources



Given a competitive framework where change is constant, Mobistar intends to stand out as an innovative employer, which stimulates the strength of its human resources. Internal mobility and each team member's personal development are the key points of Mobistar's human resources policy.



Proactive management tools

■ Job classification

In the first quarter of 2007, the HR department completed drawing up the new job classification launched during the previous year. It now has a coherent vision of the company's jobs and profiles. This classification facilitates the recruitment process and ensures better internal mobility, whilst being closer to the market. It also enables human resources to be constantly adapted.

■ Personal development

A new skills map was drawn up in 2007. This new overview is based on IT developments introduced in 2006. The results of the line managers' six-monthly appraisals of

their team members are encoded in a central database. The tool enables extremely precise management of team members' personal development plans according to the company's requirements.

■ Process efficiency

New applications are being developed relating to human resources. They are intended to facilitate line managers' work and improve process efficiency. Data management is becoming increasingly important since it enables proactive management of the skills offer and demand.



Successful outsourcing

The outsourcing of Mobistar's technical management and network management was completed in May 2007. This skills transfer affected approximately 150 Mobistar team members, who were taken over by Ericsson. Mobistar achieved a number of expected savings. As regards the transferred employees, who maintained their employee benefits, the majority of them state that they are satisfied as they have better development perspectives in their new environment.

Mobistar plans that the company's organisation will change further in the future with the objective of adapting the structures to changes in the telecommunications sector.

Mobility and new premises

Mobistar launched a pilot home working project in 2007 in the commercial department. The experience will gradually be extended to the whole company.

Moreover, it was decided in 2007 that Mobistar would leave its current premises at Boulevard Auguste Reyers and Rue Colonel Bourg to move to the Da Vinci park, Rue du Bourget in Evere (Brussels) in 2009. The new location will enable all members of staff to be based at one site and will accordingly increase efficiency.

Changes in the Executive Committee

Since 1 October 2007, Anne Cambier, Chief Procurement and Process Officer, is in charge of procurement, supply chain and process optimisation activities and Mobistar's internal organisation. Anne Cambier previously worked for eight years in the Commercial Department, where she held various positions covering programme management, business engineering and distribution strategy.

Chris Van Roey, Chief Communication Officer, left Mobistar on 1 October 2007. He has not been replaced in the Executive Committee. In order to operate more efficiently and closer to the market, it was decided to incorporate the commercial communication activities and brand management in the Marketing department. Press Relations, Events, Corporate Social Responsibility and Internal Communication were categorised at Corporate Strategy & Communication.

On 6 December 2007, Mobistar's Board of Directors decided to appoint Benoit Scheen as CEO of the company with effect from 1 January 2008. He replaced Bernard Moschéni, who left the company at the end of 2007. Benoit Scheen started his career at Mobistar in November 2005 as Chief Commercial Officer and member of the Executive Committee. He is responsible for all commercial and customer-focused activities in the company.

Corporate social responsibility

Mobistar seeks to be a responsible player in Belgian society, whilst remaining coherent with its corporate image and objects. It continued its social commitment focused on autism.

Mobilising projects

■ Participate!

The meeting between Mobistar, seven autism diagnosis centers and two major associations for parents concerned by this problem (Vlaamse Vereniging voor Autisme and Association des Parents pour l'Epanouissement des Personnes Autistes) resulted in the creation of a unique national project. This project is aimed at improving the quality of life of autistic persons and their families through the development of information and awareness tools. Mobistar contributed approximately 300,000 euro in 2007.

Asbl Participate!, located in Mobistar's premises, organises this initiative. In 2007, it hired experienced psychologists, who were assigned temporarily from the University of Ghent and the University of Mons. They drew up the first module of the website www.participate-autism.be, which seeks to be a reference for all persons looking for quality information on autism. This website initially replies to three types of questions: what is autism, how to live with autism and how to gain a better understanding of the diagnosis? The responses in understandable terms have been approved by a scientific committee supporting this project. The website has been made more dynamic by a series of videos showing the daily life of the families, by means of accounts given by parents together with experts' opinion.

This initial module was put on line in July 2007. It shall be followed by two others: the first module will be focused on recommended development strategies to encourage the child's independence and the second module will form a practical guide intended for the autistic person's entourage.

Parents involved in this project, scientists and Mobistar's team members have been invited to assess the new website. It was globally given a very good rating. The navigation has been further improved and the wording has been refined.

■ Membership of Business & Society Belgium

In 2007, Mobistar became a member of asbl Business & Society Belgium, a network of companies and associations wishing to incorporate corporate social responsibility into their management and their activities.

■ Participation in Orange's projects

In addition to its own initiatives with regard to corporate social responsibility, Mobistar is also involved in projects linked to the Orange Group's corporate social responsibility. In particular, it participated in a seminar on this commitment, preparing the annual report on corporate social responsibility and the "Caring for the Future" operation.







Management and control

The Board of Directors

Jan Steyaert	Chairman
Bernard Moschéni (1)(2)	Director
Christina von Wackerbarth (3)	Independent director
Sparaxis (3)(4)	Independent director
Eric Dekeuleneer (3)	Independent director
Philippe Delaunois (3)	Independent director
Bertrand du Boucher (1)(7)	Director
Olaf Swantee (1)(8)	Director
Brigitte Bourgoïn (1)	Director
Vincent Brunet (1)(6)	Director
Gervais Pellissier (1)(9)	Director
Wirefree Services Belgium (1)(5)	Director

Executive Committee



Bernard Moschéni (10)
Chief Executive Officer



Paul-Marie Dessart
General Secretary



Erick Cuvelier
Chief Marketing Officer



Olivier Ysewijn
Chief Strategy Officer

(1) Directors representing the majority shareholder (Wirefree Services Belgium).
(2) Director responsible for day-to-day management.
(3) The independent directors have signed a declaration stating that they will observe the independence criteria set out in article 524 §4 of the Companies Code.
(4) The company Sparaxis is linked to SRIW (Société Régionale d'Investissement de Wallonie) and is represented by Mr Eric Bauche (Advisor Executive Committee at SRIW).
(5) The company Wirefree Services Belgium is represented by Mr Aldo Cardoso (independent director of Orange SA).
(6) Mr Vincent Brunet has been appointed by the General Meeting of 2 May 2007 (he had been co-opted by the Board of Directors of 6 February 2007).

The Audit Committee

Eric Dekeuleneer Chairman
Philippe Delaunois
Bertrand du Boucher
Gervais Pellissier
Sparaxis

The Remuneration and Nomination Committee

Olaf Swantee Chairman
Jan Steyaert
Erik Dekeuleneer
Philippe Delaunois

The Strategic Committee

Jan Steyaert Chairman
Brigitte Bourgoïn
Bertrand du Boucher
Philippe Delaunois
Sparaxis

The Governance Supervisory Committee

Eric Dekeuleneer Chairman
Jan Steyaert
Brigitte Bourgoïn
Wirefree Services Belgium ⁽⁵⁾



Benoit Scheen ⁽¹¹⁾
Chief Commercial Officer



Bernard Buyat ⁽¹²⁾
Chief Technology Officer



Werner De Laet
Chief Financial Officer



Anne Cambier
Chief Procurement
& Processes Officer

(7) Mr Bertrand du Boucher has been appointed by the General Meeting of 2 May 2007 (he had been co-opted by the Board of Directors of 9 March 2007).
(8) Mr Olaf Swantee has been co-opted by the Board of Directors of 23 October 2007.
(9) Mr Gervais Pellissier has been co-opted by the Board of Directors of 6 December 2007.
(10) Bernard Moschéni has been Chief Executive Officer until 31 December 2007.
Chris Van Roey has been Chief Communication Officer until 1 October 2007. He has not been replaced in the Executive Committee.
(11) Since 1 January 2008, Benoit Scheen has been appointed Chief Executive Officer.
(12) Since 1 January 2008, Pascal Koster has been appointed Chief Technology Officer and member of Mobistar's Executive Committee.

Share information

Throughout 2007, Mobistar's share did not perform as well as the whole telecommunications sector in Europe but performed better than the BEL20, whose index fell by 5.9 % over the year. The acquisition of the Luxembourgian mobile telephone operator, VOXmobile, on 22 May 2007, saw a slight increase in the share price.

As from August, right in the middle of the subprime crisis, shares in the telecommunications sector nevertheless increased since investors started to overweight these shares in their portfolios, attracted by their high returns, stable cash flow forecasts and healthy balance sheet structures.

As a result, the Dow Jones EURO STOXX Telecom index increased by 16.7 % in 2007, whereas the EURO STOXX 50 index closed down 0.4 % at the end of the year.

Changes in Mobistar's share price performance

Until mid-April 2007, Mobistar's share price performance fell in line with the trend of MSCI Europe Telecom index. However, in the second half of the year, the concrete effects of the European Commission's decision relating to roaming had a negative impact on the share price performance. This situation is a result of the fact that the impact of roaming on Mobistar's returns is higher than the European average. The same applies with regard to the decrease of the mobile terminating rates imposed on the three national operators.

Mobistar's share price slightly increased following the announcement of the acquisition of the Luxembourgian mobile telephone operator VOXmobile on 22 May 2007. However, the final decision on retail and wholesale roaming rates as well as the consolidation movement on the Belgian market, pushed the share price downwards and an average price of 56.07 euro was recorded on 16 August 2007.

From this point onwards, Mobistar has completely followed the upward trend of telecommunications shares, closing with a share price of 62.25 euro at the end of the year as a result of its high-return profile, practically zero debt and stable cash flow forecasts.

Therefore, throughout 2007, Mobistar's share did not perform as well as the whole telecommunications sector in Europe, showing 3.7 % annual sub-performance but they performed better than the BEL20, whose index fell by 5.9 % over the year.

If the payment of the ordinary dividend of 2.7 euro and the exceptional dividend of 1.8 euro are taken into account, the return on Mobistar's share price was nevertheless positive (+2.2 % after tax), whereas the return on the BEL20 index was negative (-3.9 % over the year).

European context

In 2007, the stock exchanges showed higher volatility than during previous years. The share recorded significant gains during the first six months, but the impact of the subprime crisis (high-risk mortgage credits) in the United States drove investors to reduce their portfolio risk.

Investors have also questioned the impact of European regulations on roaming and the increase in competition resulting from the arrival of new players (MVNO) in the sector. Given these circumstances, the return on telecommunications shares in Europe was relatively low compared to other sectors during the first half of 2007.





Shareholding structure

In February 2007, Belgacom decided to sell its remaining shares in Mobistar. When the historical operator acquired the Telindus Group, it specified that the latter's holding in Mobistar was not a strategic asset. The 2,274,043 Mobistar shares held were sold at a price of 65 euro per share, for a total amount of 147,812,795 euro. This sale resulted in an increase of the free float, which rose to 49.83 % for shares in circulation.

The exercise of options by Mobistar employees slightly increased the total number of shares from 63,289,921 at the end of 2006 to 63,291,752 at the end of 2007. Based on a share price of 62.25 euro, the market capitalisation amounted to 3,939 million euro on 31 December 2007. During the previous year, almost 70 million shares were traded (a 47 % increase compared to 2006), which corresponds to 2.2 times the free float. Slightly more than 271,000 Mobistar shares were traded daily on Euronext.

Shareholder remuneration

Mobistar's Board of Directors proposes a total cash return of about 600 million euro to its shareholders. This payout would comprise an ordinary gross dividend of 2.80 euro per share (payable as from 14 May 2008), a reduction in capital of 4 euro per share (payable as from 6 August 2008), and a buy-back of own shares during 2008 for the purpose of their destruction, amounting to a maximum of 175 million euro. The ordinary dividend, the reduction in capital and the renewal of authorisation for buying back shares will be submitted for the approval of the General Shareholders' Meeting on 7 May 2008.



Glossary

3G

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

Active customers

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

ADSL (Asymmetric Digital Subscriber Line)

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

ARPU (Average Revenue Per User)

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

BSC (Base Station Controller)

Network entity controlling a certain number of Base Transceiver Stations.

BSS (Base Station System/Subsystem)

Unit consisting of BSC and connected BTS.

BTS (Base Transceiver Station)

Basic element of the cellular mobile telephony network.

Churn

Percentage of active customers who have been disconnected from the Mobistar network versus the average number of active customers of the same period (a month, a year).

GPRS (General Packet Radio Service)

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

GSM (Global System for Mobile Communications)

European norm of digital cellular telephony.

HSDPA (High Speed Downlink Packet Access)

Telecommunication technology of the third generation for cellular telephones, sometimes called 3G+.

Interconnect

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

IP (Internet Protocol)

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

MatMa (Machine-to-Machine)

Communication from machine to machine.

MMS (Multimedia Messaging Service)

Evolution of SMS, allowing the transmission of different multimedia contents, such as images, audio and video clips.

MNP (Mobile Number Portability)

Possibility for individuals, companies and organisations to keep their existing phone number(s) when changing their service provider.

Mobile Data

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

Mobile Penetration Rate

Percentage of the total population owning a mobile telephone.

MOU (Minutes Of Use)

Total number of calls from and to the Mobistar network, per active customer and per month.

MSC (Mobile Switching Centre)

Network switching center for mobile telephony.

MTR (Mobile Terminating Rates)

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

MVNO (Mobile Virtual Network Operator)

Mobile services provider having agreements with Mobistar on reselling mobile rate plans.

Roaming

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

SMS (Short Messaging Service)

Wireless service allowing the transmission of short text messages from and to a mobile phone.

SoHo (Small office/Home office)

Various small entrepreneurial activities and small business structures.

Subscription

Billed product or service available for the customer.

TCP/IP (Transmission Control Protocol/Internet Protocol/Internet Protocol)

Basic communication language or protocol of the internet.

UMTS (Universal Mobile Telecommunication System)

Mobile telecommunication service of the third generation allowing high-speed multimedia data transmission.

VoIP (Voice over Internet Protocol)

Technology allowing the transmission of voice communications over the internet or other networks accepting TCP/IP protocols.



