Management report for the 2010 financial year

(consolidated and non-consolidated)

1. Corporate Governance Statement

1.1 Introduction

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

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

In 2010, the Board of Directors has drawn up, in collaboration with the Governance Supervisory Committee, a new Corporate Governance Charter which has been approved by the Board of Directors on 20 October 2010. This sixth version of the Corporate Governance Charter has entered into force on 1 November 2010 (date of publication on the company's website: http://corporate.mobistar.be/go/en/financial_information/corporate_governance.cf).

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

1.2 Systems of internal control regarding the financial information – risk management systems

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

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

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

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

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

On 31 December 2010, the shareholders' structure of the company was composed as follows:

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

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

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

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

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

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

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

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

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

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

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

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

On 31 December 2010, the Board of Directors consisted of twelve members of which one executive director and eleven non-executive directors (of which four independent directors). No age limit has been fixed within the Board of Directors.

The Board of Directors meets at least four times a year. In 2010, the Board of Directors mainly discussed the following subjects:

- the company's strategy and structure;
- the budget and financing of the company;
- the operational and financial situation;
- the functioning and resolutions of the committees set up by the Board of Directors;
- the acquisition of Mobistar Enterprise Services (formerly named KPN Business Belgium);
- the launch of Mobistar Digital TV;
- the conclusion of the Strategic Partnership Agreement with France Télécom S.A.;
- the evolution of the regulatory framework.

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

The articles of associations stipulate that the resolutions of the Board of Directors are taken by the majority of the votes cast.

Name	Function	Main function	Age	Nationality	End of mandate
Jan Steyaert	Chairman	Director of companies	65	Belgian	2011
Benoit Scheen (1) (2)	Executive director	CEO Mobistar	44	Belgian	2011
Sparaxis(3) (4)	Independent director		NA	Belgian	2011
Eric Dekeuleneer(3)	Independent director	CEO Credibe	58	Belgian	2011
		CEO University Foundation			
Philippe Delaunois(3)	Independent director	Director of companies	69	Belgian	2011
Christina von Wackerbarth(3)	Independent director	Director of companies	56	Belgian	2011
Nathalie Clere (1) (6)	Director	VP Governance &	50	French	2011
		Performance (FT)			
Olaf Swantee (1)	Director	EVP Europe (FT)	44	Dutch	2011
Brigitte Bourgoin (1)	Director	EVP Opérateurs France (FT)	57	French	2011
Bertrand du Boucher (1)	Director	VP Finance (FT)	57	French	2011
Gérard Ries (1) (7)	Director	Directeur des Participations	56	French	2011
		Internationales (FT)			
Wirefree Services Belgium(1) (5)	Director		NA	Belgian	2011

(1) Directors who represent the majority shareholder (Atlas Services Belgium).
(2) Director in charge of the daily management.
(3) The independent directors have signed a declaration stating they comply with the criteria of independence mentioned in the Belgian Companies Code.
(4) The company Sparaxis is connected with the SRIW (Société Régionale d'Investissement de Wallonie) and is represented by Mr. Eric Bauche (Advisor of the Executive Committee of SRIW).
(5) The company Wirefree Services Belgium is a wholly owned subsidiary of France Télécom and is represented by Mr. Aldo Cardoso.
(6) Mrs. Nathalie Clere was co-opted by the Board of Directors on 10 February 2010 in replacement of Mr. Vincent Brunet, resigning on the same date. Her final appointment has been confirmed by the General Shareholders' Meeting of 2010.
(7) Mr. Gérard Ries was co-opted by the Board of Directors on 15 December 2010 in replacement of Mr. Gervais Pellissier, resigning on the same date. His final appointment will be proposed during the Annual General Meeting of 2011.
(5) The company Wirefree Services Belgium is represented by Mr. Aldo Cardoso.

Presence of the directors at the meetings of the Board of Directors

Directors	19/01	10/02	19/03	21/04	20/07	20/10	15/12
Jan Steyaert	P	P	P	P	P	P	P
Benoit Scheen	P	P	P	P	P	P	P
Sparaxis	P	R	P	P	P	P	P
Eric Dekeuleneer	R	P	P	E	E	P	E
Philippe Delaunois	P	P	P	P	P	P	P
Christina von Wackerbarth	P	P	P	P	P	P	P
Vincent Brunet	P	P	NA	NA	NA	NA	NA
Nathalie Clere	NA	NA	P	P	P	P	P
Olaf Swantee	R	P	R	R	P	R	P
Brigitte Bourgoin	P	R	P	R	P	P	P
Bertrand du Boucher	P	P	P	P	P	P	P
Gervais Pellissier	R	R	R	R	P	R	NA
Gérard Ries	NA	NA	NA	NA	NA	NA	P
WSB	P	P	P	P	P	P	E

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

The Board of Directors has set up three statutory committees (the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee) as well as an extra-statutory committee (the Governance Supervisory Committee).

> The Audit Committee

In 2010, the Audit Committee consisted of five directors: Mr. Eric Dekeuleneer (Chairman), the company Sparaxis (represented by Mr. Eric Bauche), and Messrs. Philippe Delaunois, Gervais Pellissier and Bertrand du Boucher. Following his resignation on 15 December 2010, Mr. Gervais Pellissier was replaced in the Audit Committee by Mr. Gérard Ries.

The Audit Committee's mission is to assist the Board of Directors, among others, in its responsibilities with respect to the monitoring of the reporting process of the financial information disclosed by the company, the monitoring of the effectiveness of the internal control and risk management systems of the company, the monitoring of the internal audit and its effectiveness, the monitoring of the statutory audit of the financial reports, the review and the monitoring of the independence of the external auditor, the review of the budget proposals presented by the management and the monitoring of the financial relations between the company and its shareholders. The audit committee met five times in 2010.

Presence of the members at the meetings of the Audit Committee

Directors	09/02	20/04	19/07	19/10	14/12
Eric Dekeuleneer	P	P	P	P	P
Sparaxis	P	E	P	P	P
Philippe Delaunois	E	P	P	P	P
Gervais Pellissier	R	P	R	R	R
Bertrand du Boucher	P	P	P	P	P

P: present E: excused R: represented

The principal subjects which have been discussed within the Audit Committee in 2010 are the following:

- the periodical financial and activity reports;
- the internal control, including the quality aspects;
- the internal audit (plan, activities and conclusions);
- the external audit (plan, activities and conclusions);
- the risk management (framework, cartography and assessment reports);
- the fraud prevention and “revenue assurance”;
- the ethics;
- other special topics.

> The Remuneration and Nomination Committee

In 2010, the Remuneration and Nomination Committee consisted of four directors: Messrs. Olaf Swantee (Chairman), Eric Dekeuleneer, Philippe Delaunois and Jan Steyaert.

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

In 2010, the Remuneration and Nomination Committee met twice. All members were present at the meetings of 10 February 2010 and 20 July 2010.

In 2010, the Remuneration and Nomination Committee examined, among others, the remuneration of the members of the Executive Management and the remuneration policy of the company. The Remuneration and Nomination Committee also intervened in the selection of directors as well as in the appointment of two new members of the Executive Management.

> The Strategic Committee

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

In 2010, the Strategic Committee consisted of six directors: Mr. Jan Steyaert (Chairman), Mrs. Brigitte Bourgoin, Messrs. Vincent Brunet, Philippe Delaunois and Bertrand du Boucher, as well as the company Sparaxis (represented by Mr. Eric Bauche). Following his resignation as director on 10 February 2010, Mr. Vincent Brunet was replaced in the Strategic Committee by Mrs. Nathalie Clere.

In 2010, the strategic committee met three times.

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

Directors	22/01	26/05	23/11
Jan Steyaert	P	P	P
Brigitte Bourgoin	P	P	P
Vincent Brunet	E	NA	NA
Nathalie Clere	NA	P	P
Philippe Delaunois	P	P	P
Bertrand du Boucher	P	E	R
Sparaxis	P	P	P

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

In 2010, the Strategic Committee mainly dealt with the following subjects:

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

> The Governance Supervisory Committee

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

In 2010, the committee consisted of four directors: Messrs. Eric Dekeuleneer (Chairman) and Jan Steyaert, Mrs. Brigitte Bourgoin and the company Wirefree Services Belgium (represented by Mr. Aldo Cardoso).

In 2010, the Governance Supervisory Committee met once time. All members of the Governance Supervisory Committee were present at the meeting of 20 July 2010, except Mrs. Brigitte Bourgoin who was excused.

The subjects dealt with in 2010 were, among others, the new provisions inserted in the Belgian Companies Code regarding corporate governance, the update of the Corporate Governance Charter and the discussions regarding the "Strategic Partnership Agreement" with France Télécom.

1.5 Composition and operation of the Executive Management

Mr. Benoit Scheen was appointed director as of 1 January 2008 and holds the position of CEO since that date.

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

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

The Executive Management is composed of the following persons:

Benoit Scheen (Chief Executive Officer)
Pascal Koster (Chief Technology Officer)
Stephane Beauduin (Chief Marketing Officer)
Paul-Marie Dessart (Secretary General)
Werner De Laet (Chief Financial Officer)
Olivier Ysewijn (Chief Strategy Officer)
Anne Cambier (Chief Procurement and Process Officer)
Paul Baeck (Chief Commercial Officer)
Hendrik Fostier (Chief Business Transformation Officer) as of 1 March 2010
Cristina Zanchi (Chief Customer Loyalty Officer) as of 21 October 2010

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

Every contract and every transaction between a director or a member of the Executive Management and the company is subject to the prior approval of the Board of Directors, after informing and consulting with the Audit Committee in that respect. Such contracts or transactions should be concluded at commercial conditions, in accordance with the prevailing market circumstances. The prior approval of the Board of Directors is required, even if articles 523 and 524 of the Belgian Companies

Code are not applicable to the said transaction or the said contract. However, services delivered by the company in its normal course of business and at normal market conditions (i.e. a normal "customer relationship") are not subject to such prior approval requirement.

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

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

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

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

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

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

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

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

1.8 Information regarding the remuneration connected to shares

In 2010, no remuneration was paid out in the form of shares, options or other rights to acquire shares of the company. No proposal in this respect shall be made at the 2011 annual shareholders' meeting.

Furthermore, the company has not received any notification of the members of the Board of Directors and/or the members of the Executive Management with respect to transactions in 2010.

1.9 Remuneration report

> Remuneration policy for the members of the Executive Management

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

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

A yearly benchmark is used as basis to determine the level of remuneration, the elements of which it is composed as well as the level of these elements.

The wage surveys used for this benchmark are chosen depending on the companies (IT, telecom) which participate to it and with which the company can best be compared. The company systematically works with two wage surveys. The analysis of the annual reports of the companies of the BEL 20 is only used as an indication.

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

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

All the members of the Executive Management have the statute of employees of the company; some of them are remunerated directors in Luxembourg; other have the statute of part-time employees in Luxembourg depending on their local activity. The detailed remuneration, as reported in the present remuneration report, comprises the totality of these elements. No particular notice conditions have been agreed between the company and the members of the Executive Management.

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

1. Yearly basis remuneration
2. Variable remuneration
    a. Short-term variable remuneration called "performance bonus"
    b. Strategic Letter
    c. LTI 2008-2010
3. Other elements of the remuneration
    a. Group insurance consisting of four parts: life – death – invalidity and exemption of premiums
    b. Hospital insurance
    c. Employee participation plan
    d. Availability of /Disposal over a vehicle
    e. Meal vouchers

The wage elements requiring additional explanation are described below.

1. The yearly basis remuneration

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

It is based on the yearly benchmark while taking into consideration the respect of the internal equity within the company.

2.a. The variable short-term part – performance bonus

The short-term variable remuneration is a key element in the remuneration policy of the company.

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

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

The variable remuneration is separated in two parts:

- An individual part based on the evaluation of the relevant and neutral targets. An important part is based on the management qualities as well as on the personal implication in the transformation of the company.
- The collective part is based on the following financial indicators:
    1. The turnover
    2. The level of EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)
    3. The organic cash flow

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

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

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

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

The variable part is evaluated and fixed every semester.

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

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

2.b. The Strategic Letter

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

The KPI’s are mainly financial. In order for the bonus to be granted, fulfillment of a specific criterion is required, such as the evolution of the organic cash flow of the company. Once this criterion is attained, other criteria connected to the activity of the company complete these financial KPI’s. Thus in 2010, three other criteria are taken into account to determine the level of the payment. These concern, among others, the market presence, the “Customer Loyalty”, the “Best in class sales machine” and the efficiency programs.

In case of a maximum positive evaluation, the amount granted to the members of the Executive Management can be equal to the gross wage of the month of December.

With respect to the CEO, the annual maximum amount granted is fixed at approximately 4 months of wage.

The “Strategic Letter” is granted each year in March in cash or in options on shares which are not connected to the company.

2.c. LTI 2008-2010

The “LTI 2008-2010” is a withheld long-term bonus granted in 2008 in order to ensure the stability within the members of the Executive Management for a period of three years.

It is connected to a condition of presence in March 2010 and shall be granted at that moment under the form of options on shares which are not connected to the company.

These options shall be blocked during one year.

It is based on a percentage applicable to four performance bonus periods as well as on the same financial KPI’s and this for the two semesters of 2008 and the two semesters of 2009.

3.a. Group insurance - additional pension plan

The additional pension plan is a plan with predefined contributions.

The acquired reserve consists of employers’ and personal contributions.

The employers’ contributions represent between 11 and 20 % of the yearly basis remuneration of the members of the Executive Management.

3.c. Employee participation plan

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

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

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

> The detailed remuneration of the members of the Executive Management

CEO	**2009 (reviewed)**	**2010**
- gross basis remuneration:	€ 322,405	€ 340,000
- gross variable remuneration in cash and/or options which are not connected to the company:	€ 354,678	€ 727,079
- other components of the remuneration: (excluding employers' contributions to the pension plan)	€ 12,433	€ 19,731
- risk insurance:	€ 6,618	€ 12,252
- other components:	€ 5,814	€ 7,479
- employers' contributions to the pension plan:	€ 64,955	€ 64,575
Total	**€ 754,471**	**€ 1,151,385**
Executive Management (except the CEO)		
- gross basis remuneration:	€ 1,243,555	€ 1,419,637
- gross variable remuneration in cash and/or options which are not connected to the company:	€ 600,950	€ 1,892,278
- other components of the remuneration: (excluding employers' contributions to the pension plan)	€ 59,111	€ 98,014
- risk insurance:	€ 30,192	€ 38,066
- other components:	€ 28,919	€ 59,949
- employers' contributions to the pension plan:	€ 193,167	€ 219,990
Total	**€ 2,096,784**	**€ 3,629,920**
Global total	**€ 2,851,255**	**€ 4,781,305**

All the amounts are reported on the basis of a gross amount, excluding the social security of the employer and all taxes due by the employer, notably on the insurance premiums. The numbers of 2009 have been reviewed on this basis in order to ensure a comparison with the numbers of 2010.

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

The significant increase of the variable remuneration in 2010 is due to a grant of options which are not connected to the company (in this respect, reference is made to the LTI in the remuneration report of 2009-2010) covering the periods of 2008, 2009 and 2010.

The Executive Management (except the CEO) was composed of 7 members at the end of 2009; Messrs. Erick Cuvelier and Stéphane Beauduin are taken into account pro rata temporis.

At the end of 2010, the Executive Management (except the CEO) was composed of 9 members; Mr. Hendrik Fostier and Mrs. Cristina Zanchi are taken into account pro rata temporis.

No share, option or any other right to acquire shares of the company have been granted, exercised or have expired in 2010.

> The remuneration policy for the directors

For 2010, the independent directors will receive a fixed annual remuneration of € 30,000 as well as an additional remuneration of € 2,000 per meeting of a statutory or ad hoc committee they have attended.

These directors are:

• Eric Dekeuleneer
• Philippe Delaunois
• Christina von Wackerbarth
• Sparaxis (represented by Mr. Eric Bauche)

For 2010, the chairman of the Board of Directors, Mr. Jan Steyaert, will receive a fixed annual remuneration of € 60,000 as well as an additional remuneration of € 2,000 per meeting of a Board of Directors' committee of which he is a member.

The following directors fulfill their mandate without remuneration:

- Olaf Swantee
- Brigitte Bourgoin
- Bertrand du Boucher
- Gervais Pellissier
- Wirefree Services Belgium (represented by Mr. Aldo Cardoso)
- Nathalie Clere
- Benoit Scheen(1)

> The detailed remuneration of the directors

Directors	Fixed yearly remuneration	Audit Committee	Remuneration and Nomination Committee	Strategic Committee	Governance Supervisory Committee	Total
Jan Steyaert (chairman of the Board of Directors)	€ 60,000	€ 0	€ 4 ,000	€ 6,000	€ 2,000	€ 72,000
Sparaxis (represented by Mr. Eric Bauche) (independent director)	€ 30,000	€ 8,000	€ 0	€ 6,000	€ 0	€ 44,000
Philippe Delaunois (independent director)	€ 30,000	€ 8,000	€ 4,000	€ 6,000	€ 0	€ 48,000
Eric Dekeuleneer (independent director)	€ 30,000	€ 10,000	€ 4,000	€ 0	€ 2,000	€ 46,000
Christina von Wackerbarth (independent director)	€ 30,000	€ 0	€ 0	€ 0	€ 0	€ 30,000
Total	**€ 180.000**	**€ 26,000**	**€ 12,000**	**€ 18,000**	**€ 4,000**	**€ 240,000**

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

2.1 Control environment

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

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

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

2.2 Risk management process

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

2.3 Control activities

Mobistar is ISO 9001-certified. All of its major processes and the controls that they encompass are formalised and published on the company´s intranet. As a result of belonging to the France Telecom group, Mobistar is also partially subject to the American Sarbanes-Oxley legislation. The control activities are carried out in the first place by the functional or operational managers under the supervision of their superiors. Specific functions of assurance (i.e. “Fraud & Revenue Assurance”), compliance and audit (i.e. “Corporate Quality & Audit”) have also been set up. The budget control covers not only the budget aspects, but also key performance indicators.

(1) Mr. Benoit Scheen (CEO) is remunerated under his statute of employee (see above).

2.4 Information and communication

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

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

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

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

2.5 Monitoring

As indicated in point 2.2 above, in addition to the frontline control activities, specific functions of assurance, compliance and audit (i.e. "Corporate Quality & Audit") are in place in order to ensure a constant evaluation of the internal control system. The segregation of duties receives specific attention, in particular within the framework of compliance with the Sarbanes-Oxley provisions.

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

3. Key events 2010

3.1 Market developments

Market competition further intensified in 2010, with all operators seeking to acquire and retain customers in a context of market saturation. Commercial offers and promotions have become permanent on the market. According to Mobistar's estimates, the number of active SIM cards on the Belgian market has reached 111 % of the population by the end of 2010 to compare with 108 % at the end of 2009.

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

Mobistar ended the year with 3,950.5 thousand active mobile customers (including mobile broadband and MVNO's), which represents a +5.4 % year on year increase. Mobistar has maintained its position on the Belgian market, with a market share of 32 % and a value share above 35 %. These figures do not include the growth of "Machine-to-Machine" cards, which increased from 130 thousand at the end of 2009 to 191 thousand end of 2010.

Despite market saturation, as in the previous year, the churn rate (the proportion of customers leaving Mobistar in the course of the year compared with the average customer base, excluding MVNO's and mobile broadband) remained stable at 22.1 %.

The number of postpaid customers has reached 63.6 % of the total customer base at the end of 2010 (MVNO's excluded), as compared to 60.6 % in 2009. The proportion of business customers has increased from 20.5 % end of 2009 to 20.9 % in 2010 (excluding MVNO), reflecting the commercial success of our convergent strategy on the SoHo/small business market.

The average traffic per customer continued to grow in 2010 (year on year Average Usage Per User (AUPU) excluding voicemail and visitor roaming +12.7 %), mainly driven by SMS abundance offers and the pursuit in growth of the postpaid customer base.

3.2 Evolution of offers and services

Mobistar's portfolio of services remains centered around mobility, with an increasing focus on convergent services which address growing customer needs.

On the residential market, Mobistar services are designed to create maximum value for our customers, by taking into account their specific needs. In practice, customers can choose to benefit from additional traffic advantages for voice, SMS or mobile data, depending on their profile. They are entitled to such advantages during the entire contract duration and even after this duration for high-end tariff plans (My70 and My99).

For customers who wish to benefit from unlimited mobile communications to landline numbers in Belgium and cheaper calls to fix lines abroad, Mobistar proposes "AtHome" options. By the end of 2010, 130 thousand customers have chosen to subscribe to "AtHome" options.

Mobistar launched in March 2010 a new option called "Circle", targeting mainly households, allowing several customers who share one single invoice to communicate between each other with unlimited voice and SMS. This option is available for all customers on request and is free of charge during the 24 months contract duration. By the end of 2010, 79 thousand cards benefit from the "Circle" advantages.

Mobile internet has continued its rapid growth. Customers can access the web with high speed internet (99 % population outdoor coverage) using their mobile phone or laptop. In June 2010, Mobistar launched a full range of "Mail & Surf" handset-based solutions. By the end of the year, 73.6 thousand customers have chosen to subscribe to these options. Over the same period, the number of customers using mobile broadband services has reached 111.8 thousand (+31 % yearly growth).

Fix-mobile convergence remains the cornerstone of Mobistar's value strategy. In October 2010, Mobistar launched a new 3P offer ("Starpack"), combining unlimited Internet via ADSL, fix voice and satellite TV. This highly competitive pack (€ 55/month subscription) delivers digital TV with a very large choice of channels (over 500 channels as well as thematic bouquets). It is the first offer in Belgium that allows customers to use their mobile phone as a remote control over their TV, for instance to register a TV program at home while in the office or on the road. By the end of the year, almost 10 thousand customers have already subscribed to "Starpack". In parallel, Mobistar continues to sell stand-alone ADSL services. Highly competitive offers include an ADSL connection with VOIP, or not, depending on customer needs. For an additional monthly fee of € 7, customers can choose to make unlimited calls to fix lines in Belgium. By the end of 2010, 54.9 thousand customers have subscribed to Mobistar ADSL.

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

"One Office Voice Pack" combines landline and mobile telephony for the business market. This offer, which was the first real convergence package for the SoHo and small business markets, associates competitive rates with very flexible conditions. The number of "One Office Voice Pack" reached 28 thousand customers at the end of 2010 (+5 % versus 2009).

For the low-end business segment (SoHo and SMA), Mobistar proposes triple play offers ("One Office Full Pack") including mobile, fix voice and data over broadband access. By the end of 2010, over 4.3 thousand customers have chosen to subscribe to these offers (versus 2.2 thousand end of 2009).

In the small and medium business markets (SMA), a new convergent product "Business Pack" has been launched to address fix data and telephony needs via direct access line solutions (companies with several fix lines). By the end of 2010, 349 customers were active.

In 2010, the double and triple play products have allowed to increase the rate of convergent customers from 29 % to 35 % in the mid and low business market segments. These customers represent 248 thousand mobile cards (versus 195 thousand cards end of 2009).

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

In the "Machine-to-Machine" (M2M) segment, the domestic Belgian market continued to grow by 23 % (+30 thousand cards). In parallel, the growth of international business has continued via the International M2M Center (IMC), the France Télécom international center of competence, hosted by Mobistar. On behalf of the IMC, Mobistar has issued over 33 thousand cards, to reach an ending base of 191 thousand (versus 130 thousand in 2009).

MVNO partnerships were continued successfully in 2010 with Telenet and Lycamobile, the European leader in prepaid international traffic targeting ethnic communities, and a new MVNO partnership with Tellink was signed in June 2010. All this contributed to the growth of the MVNO customer base which stands at 456.1 thousand end of 2010 (+41.8 % yearly growth).

3.3 Distribution

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

- Emphasis on exclusive distribution (Mobistar Centers, telesales, …) with a key focus on web sales.
- Presence via complementary channels, partnerships and regional implantations.
- Consolidation of the sales share in the open distribution.
- Segmentation of each point of sale according to its specific sales potential.

In 2010, Mobistar extended its Mobistar Center footprint to 165 shops (versus 158 end of 2009), consolidating its role as the most important retail chain in Belgium. Forty-seven of these points of sale are owned stores (compared with 41 at the end of 2009). The Mobistar chain is now extending its portfolio of services to handset insurance (over 30 thousand insurance contracts were signed in 2010). Most of the Mobistar Centers were refitted in the 3rd and 4th quarters of 2010 in order to introduce the 'Starpack', i.e. digital TV, in the shops.

Mobistar remains Euphony's exclusive telecom supplier.

The web channel grew from 7 % of customer acquisitions in 2009 to 9 % in 2010. Web-invoicing is another area of growth. At year end, over 364 thousand customers are receiving electronic invoices, which means that more than 25 % of the postpaid customers are now benefiting from this easy, free and environmentally friendly way to consult invoices.

In the business market, a new contact plan has been put in place. Business customers are proactively contacted either with our own direct sales force, including 15 account managers from Mobistar Enterprise Services, or via our 21 certified business agents.

3.4 Network development

In 2010, Mobistar continued its deployment strategy aimed at strengthening "deep indoor" coverage and enabling rapid and low-cost expansion of 3G, primarily HSDPA (High Speed Downlink Packet Access), an upgraded version of UMTS with data rates that are three times higher. HSDPA technology is available everywhere on the Mobistar 3G network.

At the end of 2010, UMTS coverage reached 90.5 % of the population, in compliance with the obligations imposed by the regulator. Mobistar is able to offer high speed mobile access over its entire network, thanks to the complementary nature of its EDGE and 3G networks, covering more than 99 % of the population.

Since May 2007, Ericsson is in charge of the operational management of Mobistar's entire network. The five-year contract covers daily management, supervision and deployment of infrastructure and access equipment.

At the end of 2010, Mobistar's network consists of 5,123 sites, including 695 shared sites. This represents 15,369 cells. In addition, Mobistar has deployed 669 microwave links.

The evolution towards NGN (Next Generation Network) continued in 2010 with the migration of the core packet network towards a highly scalable and redundant platform. The path towards full IP convergence continued at a sustained pace, by a series of investments in the areas of transmission networks, IN (Intelligent Network) and messaging to support fix growth and new services (e.g. quadruple play).

Mobistar has officially launched in March 2010 a disruptive project on IT and service platforms. The objective is to replace the existing IT systems for billing, provisioning, customer care and value added services (voicemail, SMS, MMS, …) with a fully integrated, real-time, convergent system for postpaid and prepaid. This will allow to reduce the time to market and to react faster whether to satisfy new customer needs or to counter competitive moves. This project will continue in 2011 and 2012.

3.5 Pursuit of regulatory pressure

In its decision of 29 June 2010, the BIPT (Belgian Institute for Postal services and Telecommunications) imposed new Mobile Termination Rates (MTR) based on a pure long run incremental cost model (LRIC). Tariffs will go down according to a glidepath to reach a symmetrical level of 1.08 c€/minute as of 1st January 2013. KPN Group Belgium and Mobistar have filed an appeal in suspension and in annulment against this decision. On 15 February 2011, the Court of Appeal rejected the suspension for lack of imminent and irreparable damage. A decision on the annulment proceedings is unlikely to be announced before the 2nd half of 2012. Awaiting any future decisions, the MTR decreased drastically on August 2010: -44 % for Mobistar (from 9.1 c€ to 5.1 c€/minute) versus -36 % for Proximus (from 7.2 c€ to 4.6 c€/minute) and -49 % for Base (11.4 c€ to 5.8 c€/minute). An additional drop of -16 % is foreseen for all three operators on 1st January 2011.

In the area of international roaming tariffs, additional tariff decreases for retail (voice and SMS) and wholesale (voice, SMS and data) services were introduced in line with the EU regulation. Increased transparency mechanisms were implemented to prevent bill shocks. In December 2010, the EU Commission launched a consultation on the review of the roaming regulation. This may lead in the upcoming years to continued and/or extended roaming price regulation (e.g. for retail data services) and/or the introduction of new wholesale mechanisms.
Concerning the renewal of the 2G licence for 5 years until end 2015, the law of 15 March 2010 has foreseen a licence renewal fee. This fee amounts to approximately 15 million euros per year for the 5-years period. All mobile operators (Belgacom Mobile, KPN Group Belgium and Mobistar) are challenging this law before the Constitutional Court on the basis that it is contrary to the non retroactivity principle of laws (this law indeed retroactively changes the initially defined 2G licence renewal conditions). A decision of the Court is expected by the end of 2011 or the beginning of 2012.

3.6 Mobistar Enterprise Services S.A.

Following the approval of the Competition Council, the acquisition of KPN Belgium Business S.A. by Mobistar was finalised on 31 March 2010. As from 1st April 2010, the name was changed into Mobistar Enterprise Services S.A. (MES).

With this acquisition, Mobistar has taken over the fiber network as well as the B2B, wholesale and carrier activities from KPN. Mobistar confirms via this acquisition the strategy to reinforce its presence in the professional market and to consolidate its position as a convergent telecom player.

Strong synergies exist between both entities in terms of product portfolios. This allows to cross-sell products between the existing customers of each entity, as well as to propose integrated solutions to additional customers. For this purpose, the marketing and sales teams of both companies have been integrated into one team.

On the network side, synergies are also possible by integrating of both network infrastructures and eliminating of high costs with other operators, for instance by replacing Mobistar outsourced links by MES links or by establishing an interconnect link between Mobistar and MES, which allows to reduce termination costs paid to other carriers.

Most of these synergies, business as well as network, will only have an effect as from 2011 (2010 being a transition period to prepare and make such synergies achievable).

On the same day as the finalization of the acquisition, MES signed a wholesale agreement with KPN Group Belgium to deliver fix voice and Internet products and services to their residential customers. The corresponding revenues represent 45 % of total MES revenues for the consolidated period (April – December 2010).

3.7 Orange S.A. (Luxembourg)

Mobile market shares have remained stable in 2010. The incumbent operator (EPT-Luxgsm) represents approximately 50 %, the other 50 % are shared between Tango (34 %) and Orange (Luxembourg) (16 %).

The customer base of Orange (Luxembourg) continued to grow, reaching 88.9 thousand (10 % yearly increase). The growth is driven by postpaid segments, both business and residential. This confirms the long-lasting commercial impact of the rebranding from VOXmobile S.A. to Orange S.A. (effective in October 2009). It also reflects an increase of iPhone sales which continue to push sales on the market (42 % of total subscriptions).

In 2010, Orange (Luxembourg) has further increased its commercial footprint on the market, by opening two additional shops (Ettelbruck and Grevenmacher) as well as two "shop-in-the-shop"(Darty Bereldange and Saturn Gare) and counts a total of 19 shops at the end of 2010.

On the network side, 241 sites GSM 2G (of which 5 newly integrated in 2010) and 145 UMTS 3G sites are on air. All remaining Siemens 3G equipments were swapped to Huawei in Q1 2010. For microwaves, 129 links are now on air and the preparation for IP has begun.

Orange (Luxembourg) carried out LTE 4G tests in August and December 2010 and expects the Regulator to grant the LTE Licence in 2011.

The "Mobile Termination Rates" (MTR) have remained unchanged in 2010. The Luxembourgian Regulator (ILR) has fixed MTR prices for the period from 2006 to 2008. They remained unchanged since then.

In 2010, the Government announced "Le plan national pour l'ULTRA HAUT DEBIT POUR TOUS", with the objective to position Luxembourg in the group of the most advanced countries in Europe in terms of bandwidth and innovative services. It will bring to all Luxembourgian households high speed, according to the below planning:

- As from 2010: 2Mb's;
- As from 2015: 100 Mb's;
- As from 2020: 1 Gb's.

3.8 Subsequent events

No adjusting events arose between the balance sheet date and the date at which the financial statements have been authorized for issue by the Board of Directors.

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

The scope of consolidation includes Mobistar S.A., Mobistar Enterprise Services S.A., the Luxembourgian company, Orange S.A., and 50 % of the temporary joint venture 'Irisnet'.

On 2 July 2007, 90 % of the shares of Orange S.A. were acquired, with an option to purchase the remaining 10 % by 2 July 2010 at the latest. By virtue of this option right, Orange S.A. was entered at 100 % in the scope of consolidation as from 2007. On 12 November 2008, the remaining 10 % of the Orange S.A. voting shares have been acquired by Mobistar S.A.

The temporary joint venture 'Irisnet' consists of equal shares held by France Télécom S.A. and Belgacom S.A. (the initial partner Telindus S.A. is since 1st January 2010 an integral part of Belgacom S.A.). Mobistar S.A. does not have formal voting rights in the joint venture but considers control to be jointly exercised with its partner Belgacom S.A. and assumes the associated risks and rewards.

On 31 March 2010, Mobistar S.A. acquired 100 % of the shares of KPN Belgium Business S.A. The company was renamed into Mobistar Enterprise Services S.A. (MES) which has been consolidated as from 1 April 2010.

4.1 Income statement

In 2010, the group recorded a consolidated net profit of € 263.6 million, an increase of 1.3 % on the figure of € 260.3 million recorded in the previous year.

Consolidated turnover increased by 6.2 % from € 1,567.2 million in 2009 to € 1,664.6 million in 2010. Service revenues increased from € 1,444.8 million in 2009 to € 1,515.6 million in 2010. Revenue from the sale of equipment, in particular handsets, showed an increase of 21.8 % to € 148.9 million against € 122.4 million in 2009.

In 2010, the total consolidated customer base of the Mobistar group grew by 5.5 % to reach 4,039,372 customers, for a consolidated turnover of € 1,664.6 million (+6.2 % vs. 2009).

At the end of 2010, the number of active customers for mobile telephony (excluding MVNO's and Orange S.A.) reached 3,494,407 which is an increase of 2 % compared to the 3,424,972 active customers one year earlier. Mainly postpaid customers opted for Mobistar, so the share of subscribers in the customer base rose to 63.6 % at the end of 2010, compared to 60.6 % at the end of 2009.

The number of MVNO customers grew by 41.8 %, from 321,543 active customers at the end of December 2009 to 456,114 active customers at the end of December 2010 as a result of the success of Mobistar's MVNO partners, each in its segment, and the arrival of an extra partner: Tellink.

The 2010 figures prove that there is a keen interest in the use of mobile data. The number of customers for mobile Internet on tablets and PCs (Internet Everywhere prepaid and postpaid and Business Everywhere, iPad 15 and 25) grew by 31.1 %, from 85,281 at the end of December 2009 to 111,793 at the end of the 2010 financial year. The launch of the tariff plans for iPad in 2010, to meet the new trends, was a success. Mobistar remains the reference in terms of smartphone sales. In total Mobistar S.A. sold 946,246 handsets in 2010 compared with 915,000 handsets in 2009, an increase of 3.4 %. The growing number of postpaid customers with a mobile data bundle and the increasing use of mobile Internet via tablets raised the share of mobile data in the service revenues. The share of mobile data in service revenues reached 32.3 % at the end of December 2010, compared with 28.7 % one year earlier.

At the end of the 2010 financial year, Mobistar S.A. recorded service revenues of € 1,472.8 million, a 4.7 % increase compared to € 1,407.0 million a year earlier.

This increase is primarily due to the external growth with Mobistar Enterprise Services S.A. The operator's revenues were negatively influenced by the decrease in mobile termination rates (MTR) and roaming tariffs. The total impact of the decrease in the MTR and roaming tariffs for the 2010 financial year was € 57.8 million.

Again in 2010, the pressure on prices and the lowering of the MTR (Mobile Terminating Rates) caused a decrease in the ARPU of 0.9 % over one year, from € 31.54 per month per active customer to € 31.26.

Other operating revenue totaled € 33.2 million in 2010, compared with € 37.6 million in 2009. This revenue comes predominantly from the cross-charging of services provided to the France Télécom group and from information supplied to the judicial authorities.

Although the very rigorous policy implemented since 2007 has been maintained in 2010, the group has noted an increase of its operating expenses which went from € 1,202.1 million to € 1,319.8 million at the end of 2010. It is to be noted that € 63.2 million of the total of operating expenses increase are generated by the contribution of Mobistar Enterprise Services S.A. over the period 1st April 2010 to 31st December 2010.

Interconnection costs continue to increase (+6.6 %), from € 358.1 million in 2009 to € 381.8 million in 2010.

Costs of equipment and goods sold recorded an increase of € 49.8 million reaching € 300.0 million at the end of 2010 as a result of the growth in revenue from equipment sales, especially in the area of smartphones (€ 17.2 million) and the contribution of MES related to the sites costs (€ 25.8 million).

The cost of services and other goods sold increased by € 35.4 million reaching € 306.9 million due to an increase of the commissions (€ +10.9 million), in commercial expenses (€ +8.9 million), in management fees (€ +5.0 million), in honoraries and consultancy (€ +4.3 million), slightly compensated by a decrease in utilities costs (building and postage costs mainly) (€ -1.6 million). Orange S.A. costs remained stable. The company is not involved in 'Research & Development' activities so that no expenses have been registered under this header.

The payroll costs have increased in line with the variance of team members, including the MES contribution in terms of headcount (133 persons).

Depreciation, amortization and impairment on intangible and tangible assets increased by 3.9 %, from € 164.3 million at the end of 2009 to € 170.7 million in 2010.

Other operating charges decreased by € 5.3 million.

The group's result of operating activities went from € 402.7 million in 2009 to € 378.0 million for the year under review, a decrease of 6.1 %.

In 2010, finance income amounted to € 0.6 million, a decrease of € 0.8 million compared to the € 1.4 million recorded in 2009. Finance costs amounted to € 5.1 million in 2010, a decrease compared to 2009 (€ 6.1 million) due to the positive effect of the cost of financing.
For the year 2010, the operator posted a net profit of € 263.6 million, an increase of 1.3 % after a tax expense of € 109.9 million. The basic earnings per share as well as the diluted earnings per share increased by 1.3 % to reach € 4.39.

The General Shareholders' Meeting held on 5 May 2010 endorsed the proposal made by the Board of Directors to distribute a gross ordinary dividend of € 2.90 per ordinary share and a gross extraordinary dividend of € 1.65 per ordinary share.

For the 2010 financial year, the Board of Directors will propose, at the General Shareholders' Meeting to be held on 4 May 2011, the distribution of a gross ordinary dividend of € 2.90 per ordinary share and a gross extraordinary dividend of € 1.40 per ordinary share.

4.2 Balance sheet

The consolidated balance sheet total was € 1,303.2 million at the end of 2010, an increase of € 150.1 million compared with € 1,153.1 million recorded at the end of the previous financial year.

Non-current assets amounted to € 1,020.0 million at the end of 2010 compared with € 882.5 million at the end of 2009 and consisted of the following items:

- Goodwill of € 80.1 million, resulting from:
  - o the acquisition of Mobistar Affiliate S.A. (€ 10.6 million) in 2001;
  - o the acquisition of Orange S.A. (€ 70.9 million) in 2007, adjusted by € 2.2 million (decrease) after the acquisition of the remaining shares of Orange S.A. in 2008;
  - o the acquisition of Mobistar Enterprise Services S.A. on 31st March 2010 (€ 0.8 million). It is to be noted that some elements of the allocation of the purchase price that are still under negotiation (purchase price) or evaluation (deferred taxes assets and onerous contracts) may have an impact on the goodwill related to this acquisition. Last date for adjustment of the goodwill is 31 March 2011.

  The goodwill's have been reviewed for impairment during the year. As the recoverable values exceeded the carrying amount at the end of the year, no impairment loss was recorded.
- Intangible assets, posting a net value of € 294.8 million at the end of 2010 compared with € 235.5 million at the end of 2009. The important increase (€ 59.3 million) is due to the renewal of the 2G licence for an amount of € 74.4 million. The useful lives of intangible assets were reviewed during the year and remained unchanged as compared to 2009. The cost related to the renewal of the licence is amortized over a period of 5 years which corresponds to the maturity of the right granted.
- Tangible assets, totaling € 635.9 million at the end of the 2010 financial year compared with € 548.9 million recorded at the end of the 2009 financial year. MES has contributed for € 68.7 million to this increase. The useful lives of tangible assets were also reviewed

during the year and remained unchanged as compared to 2009.

- Other non-current assets decreased from € 11.5 million at the end of 2009 to € 7.5 million at the end of 2010. They are mainly related to long-term advances or invoiced amounts to specific partners. The decrease corresponds to the transfer in short-term receivables of the part maturing in 2011. The group has no investment in associated companies.
- Net deferred tax assets, relating essentially to investments tax credits, to the temporary differences resulting from the consideration of borrowing costs and the development costs for intranet sites, to the income related to the free minutes of traffic granted to subscribed customers, as well as the integration of losses carried forward from Orange S.A. amounted to € 1.7 million at the end of 2010, against € 7.3 million at the end of the previous year, a decrease essentially due to the usage made of the carry forwarded losses of Orange S.A. in 2010. Potential deferred tax assets on the carry forwarded losses of MES are still under analysis.

Current assets increased year to year, going from a total of € 270.6 million at the end of 2009 to € 283.2 million at the end of 2010. They consist of the following items:

- Inventories of goods, amounting to € 10.3 million at the end of 2010, compared to 10.1 million at the end of 2009.
- Trade receivables amounting to € 205.9 million at the end of 2010 compared with € 204.4 million at the end of 2009. MES contribution to this header amounted to € 21.0 million. The company is not dependant from major customers' situation, none representing more than 10 % of the company's turnover. The customer risk is spread over more than 4 million customers.
- Other current assets and accrued revenues, increasing from € 46.1 million at the end of 2009 to € 54.0 million at the end of 2010.
- Cash and cash equivalents amounting to € 13.0 million at the end of 2010, an increase of € 3.0 million since the end of the 2009 financial year. The cash flow statement gives details of the flows that gave rise to this trend.

Equity decreased by € 9.6 million during the 2010 financial year, from € 440.8 million to € 431.2 million:

- In total, the share capital and share premium increased to € 131.7 million due to the incorporation of a part of the legal reserve.
- The legal reserve has been adjusted to correspond to 10 % of the share capital, decreasing by € 22.5 million corresponding to the capital increase.
- The evolution of retained earnings, decreasing from € 295.9 million to € 286.3 million, is the result of the net profit of the period after appropriation to the legal reserve (€ 263.6 million), payment of the 2009 dividend (€ 273.1 million) and costs of equity transactions and other equity transactions (€ 0.1 million).

Non-current liabilities consist of loans payable after more than one year (€ 267.9 million in 2010 against € 0 in 2009), long-term provisions intended to cover litigations (€ 5.1 million in 2010 against € 4.6 million in 2009), costs of dismantling network sites and refurbishing of rented buildings (€ 13.5 million in 2010 against € 10.0 million in 2009), amount payable over one year related to the renewal of the 2G licence, as the company has opted for the deferred payment approach (€ 43.2 million end 2010), and deferred taxes liabilities for € 1.7 million (2010). The important increase of 'the loans payable after more than one year' is the result of a shift from the short-term to the long-term loans payable following the renewal of Mobistar's existing credit facility that matured on 31st December 2010. The company signed a new long-term credit facility for an amount of € 450 million for a period of 5 years at Euribor + 65 Bps.

Current liabilities decreased by € 157.1 million, going from € 697.7 million at the end of 2009 to € 540.6 million at the end of 2010:

- Short-term borrowing, decreased by € 265.0 million to € 32.9 million at the end of 2010, due to the reclassification in long-term of the part of the long-term loan maturing in 2015. As indicated, the long term credit facility ending 31 December 2010 has been renegotiated for a period of 5 years.
- Outstanding trade payables recorded an increase of € 44.5 million at the end of the year. MES contribution amounted to € 22.8 million.
- Liabilities resulting from employee benefits increased by € 6.0 million, going from € 25.4 million at the end of 2009 to € 31.4 million at the end of 2010, including MES for € 0.8 million.
- The increase in current taxes payable is the result of the difference between the tax expense for the period, namely € 118.4 million, the anticipated tax payments amounting to € 57.7 million and the reversal of previous year taxes accrual for € 15.0 million.
- Deferred income increased by € 9.7 million to reach € 77.7 million at the end of the year 2010.
- Other payables increased by € 2.0 million to stand at € 4.5 million.

4.3 Financial instruments, financial risk management objectives and policy

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

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

- **Interest rate risk:** As a result of the exceptionally high distribution to its shareholders paid-out in 2008 (nearly € 600 million), the Company showed a debt amounting to € 300.8 million on 31 December 2010. The Company didn't hedge the interest rate risk on the debt that bears interests based on EONIA + 65 Bps and Euribor + 65 Bps.

- **Foreign currency risk:** The Company is not subject to significant foreign currency risks.

- **Credit risk:** Mobistar trades only with recognised, creditworthy third-parties. It is Mobistar's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivable balances are monitored on an ongoing basis. Allowance for doubtful debtors is calculated on the basis of different criteria depending on the type of customers. Hardware customers allowance is based on individual evaluation of the customer financial reliability on a case by case basis. In some circumstances, payment terms are defined as cash on delivery. For Airtime customers, allowance is based on a percentage of turnover generated combined with ageing of the open items. Percentages are defined based on customer segmentation, previous years recovery experience. Yearly review is made of all the indicators.

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

5. Comments on Mobistar S.A.'s 2010 annual accounts prepared according to Belgian accounting standards

5.1 Income statement

Turnover for the year 2010 reached € 1,562.3 million, a decrease of 0.4 % on the figure of € 1,568.4 million recorded in the previous year.

Produced fixed assets, including IT development costs and research and design costs for the new sites required for network deployment, remained stable at € 3.4 million.

Other operating income reached € 38.5 million, compared to the € 42.3 million posted in 2009. This income mainly comes from the revenues from the cross-charging of services provided to the France Télécom group, from the revenues from the cross-charging of sites shared with other operators and from the revenues generated from information supplied to the judicial authorities.

Operating charges remain well under control. These reached € 1,222.0 million, an increase of 2.6 % compared with the figure of € 1,191.1 million recorded in 2009, and can be broken down as follows:

- Purchases and supplies totaled € 625.5 million, mainly consisting of interconnection costs (56.5 % of the total, compared with 56.2 % in 2009). The balance mainly consists of the costs associated with the operation of the technical network, leased lines and the cost of GSM and SIM cards sales. The latter increased importantly, but at the same speed as the sales of GSM.
- Services and other goods achieved a total of € 293.9 million compared with € 264.1 million in the previous year. This increase is essentially due to an increase of the commissions (€ +9.9 million), in commercial expenses (€ +8.7 million), in management fees (€ +5.0 million), in honoraries and consultancy (€ +4.3 million), slightly compensated by a decrease in utilities costs (building and postage costs mainly) (€ -1.6 million).
- Remuneration, social security costs and pensions collectively totaled € 132.9 million compared with € 129.0 million in the previous year. This increase has been influenced by the increase of the average staff employed during the year 2010.
- Depreciation of and impairment on formation expenses, on intangible and tangible fixed assets, amounted to € 150.7 million for the 2010 year compared with € 153.4 million in 2009. The useful lives of intangible and tangible assets remained unchanged in 2010.
- Amounts written off on stocks and trade receivables decreased to € 8.2 million in 2010, mainly as a consequence of the decrease of the bad debt provision related to trade receivable.
- Provisions for liabilities and charges in relation to various disputes totaled € -2.8 million, compared with € -1.8 million in 2009 due to the reversal of important claims that have been finalized in favor of the company.
- Other operating charges totaled € 13.6 million in 2010, compared with € 12.5 million in 2009, a change resulting mainly from the write-off of trade receivables for which allowances for doubtful debts had been made in previous financial years.

Operating profit for the financial year was € 382.2 million, a decrease of 9.7 % on the figure of € 423.2 million recorded in 2009.

Financial income generated during the year amounted to € 1.7 million, a decrease compared to the € 2.5 million realized in 2009. This decrease is due to the reduction of the interests incomes on financial assets and on other loan receivables.

Financial expenses for the year amounted to € 6.1 million, a decrease compared to the financial charges (€ 7.4 million) recorded during the previous financial year. This decrease is largely due to the variation of interest rates on financial debts.

In 2010, the conditional debt waiver granted to Orange S.A. has been recorded under 'extraordinary expenses' for € 30.0 million. No extraordinary income and charges had been recorded in 2009.

At the end of the year, Mobistar S.A. declared a profit for the period before taxes of € 347.7 million, a decrease of 16.9 % compared with the figure of € 418.3 million recorded in 2009. The estimated income tax expenses for the year 2010 and the adjustments of previous years' taxes totaled € 103.5 million, of which € 57.7 million had been paid through advance payments of tax for the year 2010.

Mobistar S.A. posted an after-tax profit for the period of € 244.3 million for the 2010 financial year compared with € 276.5 million for the previous year.

The Board of Directors will recommend to the General Shareholders' Meeting that the profit be appropriated as follows:

	€ million
• Profit for the period available for appropriation	244.3
• Prior year profit carried forward	37.7
• Profit to be appropriated	282.0
• Ordinary dividend 2010 - € 2.90 per share	174.1
• Extraordinary dividend 2010 - € 1.40 per share	84.0
• Employee profit sharing plan	2.6
• Profit to be carried forward	21.3

5.2 Balance sheet

The company's balance sheet total was € 1,233.7 million compared with € 1,140.6 million recorded in the 2009 financial year.

The capital expenditure in intangible and tangible assets, made during the year, amounts to € 227.1 million, after having invested a net amount of € 136.9 million in 2009. The important increase is linked to the renewal of the 2G licence for € 74.4 million and the continued update and deployment of the radio equipment and the other network technologies.

Intangible and tangible assets are broken down as follows:

- Intangible assets represented a total of € 285.5 million. These relate essentially to GSM and UMTS licences, out of which 74.4 million related to the renewal of the 2G licence recorded at the end of 2010, and the related IT developments, and to the net value of goodwill fully amortized at the end of 2010 but which is broken down as follows:
  - o Goodwill of € 60.1 million resulting from the acquisition, in 2003, of all of the assets of Mobistar Corporate Solutions S.A., amortized over 5 years. This goodwill has been totally amortized at the end of 2008.
  - o Merger goodwill of € 1.4 million accounted for in accordance with Article 78, § 7 a of the Royal Decree of 30 January 2001 following the merger by absorption into Mobistar S.A. of its subsidiary Mobistar Affiliate S.A. on 4 May 2005, with retroactive effect from 1 January 2005. This goodwill has been totally amortized at the end of 2009.
- Tangible assets represented a total of € 537.4 million. These relate to network infrastructures, telephony equipment and added-value services.

Financial assets totaling € 152.1 million consist of investment in affiliated companies. The financial assets have evolved during the year 2010 due to the acquisition of Mobistar Enterprise Services S.A. for an amount of € 65.0 million and the provision booked on the long-term loan of Orange S.A. for € 30.0 million. At the end of 2010 the open amount was made of:

- Orange S.A.	€ 87.0 million
- Mobistar Enterprise Services S.A.	€ 65.0 million
- Long-term loan to associated companies	€ 30.0 million
- Provision on long-term loan	€ -30.0 million

The provision results from the conditional debt waiver granted to Orange S.A. to support the financial structure of the affiliate. In case of positive results recorded by Orange S.A., associated to the generation of free cash flow, 50 % of the profit before taxes and before reimbursement of the loan, will have to be refund to Mobistar S.A. up to the amount of € 30 million.

Current assets decreased by € 20.5 million to stand at € 256.5 million at the end of the 2010 financial year. This result is essentially due to a decrease in trade receivables due over more than one year (€ -4.0 million), a decrease in the level of stocks of goods (€ -1.5 million), a decrease in trade receivables (€ -18.5 million) and a decrease in other receivables (€ -1.2 million). Cash and cash equivalents have slightly increased and deferred charges and accrued incomes increased

As far as equity is concerned, the share capital has increased from € 109.2 million to € 131.7 million due to the incorporation of € 22.5 million out of the legal reserve.

At the end of 2010, equity totaled € 166.3 million and was made up of:

- share capital of € 131.7 million,
- legal reserve of € 13.2 million,
- profit carried forward of € 21.3 million,
- investment grants of € 0.1 million.

Provisions and liabilities at the end of 2010 amounted to € 1,067.4 million and are broken down as follows:

- provisions for liabilities and charges totaling € 4.3 million compared with € 7.1 million at the end of the previous year, a decrease resulting from the closure in favor of the company of important claims,
- long-term financial liabilities recorded for € 313.2 million in 2010 split between € 270.0 million of financial debt and € 43.2 million of long-term trade payable. At the end of the year 2010, Mobistar has signed a new long-term credit facility with an affiliated company of the France Télécom group. The new credit facility runs up to 31st December 2015. As a consequence, the financial debts that were recorded at the end of 2009 in the short-term debts have been moved to the long-term debts section. The amount of € 43.2 million of other long-term payable relating to the amount payable over one year related to the renewal of the 2G licence, as the company has opted for the deferred payment approach.
- short-term liabilities amounting to € 684.7 million compared with € 887.8 million in 2009, broken down as follows:
  - o long-term debt maturing in 2011 for 14.9 million, related to the renewal of the 2G licence,
  - o short-term interest-bearing borrowing for € 32.9 million,
  - o trade payables: € 262.2 million compared with € 252.3 million in 2009,
  - o taxes, remuneration and social security contributions: € 109.7 million compared with € 61.9 million in 2009, largely influenced by the fact that tax prepayment were lower in 2010 than in 2009,
  - o other liabilities: € 265.1 million (out of which € 258.1 million of dividends 2010) compared with € 278.2 million in 2009 (out of which € 273.1 million of dividends 2009).

• accrued charges and deferred income totaling € 65.2 million.

5.3 Disputes

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

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

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

The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to € 41.9 million and is subject to a bad debt provision for the whole amount, of which € 6.9 million correspond to the financial year 2010.

MTR tariffs: *For the period 2006-2010*: On 30 June 2009, the Court of Appeal annulled the BIPT decisions concerning the level of mobile termination rates (MTRs) adopted in August 2006 and December 2007. On 10 August 2010, the IBPT adopted a new retroactive decision for the above mentioned period re-confirming the tariffs as defined in the earlier decisions.

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

European regulation on roaming services: In 2010 further decreases of the international roaming charges for retail (voice and SMS) and wholesale (voice, SMS and data) services were introduced in line with the EU regulation. Additional transparency mechanisms were implemented to prevent bill shocks.

In December 2010, the EU Commission launched a consultation on the review of the roaming regulation in order to identify how to further improve competition on the roaming market. This may lead to continued and/or extended roaming price regulation (e.g. for retail data services) and/or the introduction of new wholesale mechanisms. The new regulation should start mid 2012, when the current regulation period ends.

Abuse of dominant position by the Belgacom Group: In May 2007, the Commercial Court of Brussels handed down a judgment confirming the dominant position of Belgacom Mobile between 1999 and 2004, and appointing experts with an assignment to determine any abuses and to calculate the loss sustained by Mobistar and KPN Group Belgium. In a first preliminary report dated 2 October 2009, the experts confirmed the allegations against Belgacom Mobile and found a loss of 1.18 billion euros incurred by Mobistar and KPN Group Belgium. The second intermediary report issued in December 2010, confirmed the abuses and increased the estimated damages to 1.84 billion euros for Mobistar and KPN Group Belgium together. The final expert report is expected on 15 April 2011. The Commercial Court will decide afterwards.

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

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

Access to local loop and bit stream: Mobistar has brought two suits before the Competition Council to ask for reasonable access conditions: more specifically wholesale rates based on costs that are non-discriminatory with respect to Belgacom's Discovery Line retail package, and access to the bit stream so as to allow ADSL2+. The Competition Council dismissed Mobistar's claim on 22 July 2010.

Mobistar also has a pending case before the Court of Cassation concerning Mobistar's right to take legal action against BIPT's decisions concerning Belgacom S.A. in relation to local loop unbundling. In its decision dated 23 April 2009, the Court of Cassation has overruled the Court of Appeal decision and has confirmed that Mobistar was entitled to take legal actions in such hypothesis. As Belgacom submitted a bitstream reference offer including ADSL2+ in January 2008, the legal action has lost interest.

Finally, Mobistar, together with KPN Belgium, has lodged an appeal against the BIPT decisions dated 11 & 25 June 2008 on bitstream ADSL2+ tariffs. Hearing occurred end 2009 and decision have been adopted on 22 April 2010. The rental fee decision has been annulled for lack of motivation but the one time fees decision has been confirmed.

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

Universal service: Mobistar is involved, together with other alternative operators, in a number of legal actions regarding the planned financial compensation system in relation to the provision of social tariffs. On 27 January 2011 the Constitutional Court decided to annul the concerned articles of the law of 25 April 2007. This case is now closed. A last legal action before the Council of State, asking for annulment of some articles of the Royal Decree of 20 July 2006, remains open.

Renewal of the 2G licence and licence renewal fee: Following a judgment by the Court of Appeal in 2009, the initial BIPT decision to not tacitly renew Mobistar's 2G licence was overruled. As a consequence the Mobistar 2G licence was renewed for 5 years and it now runs until end 2015.

By a new law dated 15 March 2010, the possibility to ask a licence renewal fee for the 2G licence was introduced. The fee would amount to approximately 15 million euros per year for a 5 years period. All mobile operators (Belgacom Mobile, KPN Group Belgium and Mobistar) challenged this law before the Constitutional Court as it is contrary to the non retroactivity principle of laws (this law indeed retroactively changes the initially defined 2G licence renewal conditions). A decision of the Court may be expected by the end of 2011 or the beginning of 2012.

4G licences: The auctioning of 4G licences is defined by a Royal Decree published on 25 January 2011. The auction is planned to take place in the autumn of 2011 and will be open to all mobile operators. No coverage obligations will be imposed and 4G operators will not benefit from national roaming nor obtain 900 MHz spectrum. The duration of the 4G licences will be of 15 years renewable for 5 years.

Fourth entrant: The entry of a 4th entrant on the 2.1 GHz frequency band has been organized by a Royal Decree published on 25 January 2011. The auction process is first reserved to new entrants but if spectrum remains available, it could be open to all mobile operators. The 4th entrant will have access to national roaming and may get access to 2 x 4.8 MHz spectrum in the 900 MHz frequency bands as of 27 November 2015. In that case Mobistar's spectrum in these frequencies would be reduced to 2 x 10 MHz. The coverage obligations for the 4th operator will be the same as the ones imposed on other operators. The licence will be valid until 2021. The licence will be attributed via an auction process in June 2011.

Regulation of broadband and cable: In December 2010, the BIPT submitted its draft decisions on broadband markets (market 4: wholesale unbundled access; market 5: wholesale bitstream access) for consultation. These draft decisions provide mainly for the same obligations as the current ones. Obligations not used in practice (such as sub-local loop unbundling or fiber obligations) have been removed in market 4. The main change concerns the obligation to provide multicast on market 5, hereby allowing the provision of audiovisual services, and the obligation of equivalence of inputs whereby Belgacom, as operator with significant market power, must ensure the same wholesale service to other parties as the wholesale service it provides to its own retail branch. A decision is expected in the course of 2011.

The 4 media regulators (BIPT, CSA, Medienrat and VRM) launched consultations on draft decisions for their geographical area of competence (respectively Brussels, Wallonia, the German speaking area and Flanders). The draft decisions aim at imposing access and resale obligations on the cable operators (in particular the resale of analogue TV and the access to the digital TV platform). In addition, cable operators must provide a broadband resale offer but in combination with a TV-subscription only. A decision is expected in the course of 2011.

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

Emissions/health: In the Brussels Capital Region, at the end of 2009 the Brussels government has issued two orders implementing the ordinance of March 2007, which sets a maximum standard of 3 volts/meter for all emission sources, except for radio and television signals. However the concrete application of the ordinance via the issue of environmental licences was not possible until the publication on 1st September 2010 of a Ministerial order validating a simulation tool for calculating the electric field. By the end of 2010, Mobistar was able to resume introducing applications for building permits and environmental permits.

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

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

6. Trends

Mobistar will continue to invest in growth and customer satisfaction and thus strengthen its position as a convergent player on the telecoms market.

Mobistar will further expand its digital television offering during the course of 2011. The launch of new functionalities and services will offer customers an even better TV experience. Mobistar also welcomes the draft decision for the opening of cable distribution and the VDSL network. If this proposal comes to execution, these regulatory evolutions should have a positive impact on the further development of the Mobistar TV and ADSL offering, and should increase competition in these domains on the Belgian market. Mobistar will actively support the proposal. Mobistar aspires to acquire 50,000 additional customers in the digital television segment by the end of 2011.

The full integration of MES will allow Mobistar to develop new convergent products for the business market and to optimize its network via the purchased fiber network.

Mobistar has prepared an ambitious plan with regard to customer satisfaction and loyalty. New hirings and the implementation of efficient systems for customer service will make it possible to manage more efficiently the services provided to our customers. The implementation of the Odyssey 2011 transformation programmes for the modernisation of the IT and network infrastructure and the customer service will be continued in 2011. Mobistar expects that the implementation of Odyssey 2011 will generate gross savings of more than 40 million euros in 2011.

The Mobistar group foresees the following guidance for the full financial year 2011:
– an equal level of turnover as in 2010;
– an EBITDA between 505 and 535 million euros;
– a net result between 210 and 230 million euros;
– an investment level of 11 to 12 % of the service revenues;
– an organic cash-flow between 210 and 230 million euros.

Mobistar group's 2011 guidance takes account of the negative impact of regulatory measures for an amount of more than 74 million euros on the turnover for the full financial year 2011. However, the hypotheses are based on the current figures on the evolution of the Belgian economic situation, and could be modified if there is a change in the handsets subsidy file.

7. Justification of the application of the going concern accounting principles

In view of Mobistar's financial results in the course of the financial year which closed on 31 December 2010, the company is not subject to the application of article 96 (6°) of the Company Code relating to provision of evidence of the application of the going concern accounting rules.

8. Application of article 524 of the Company Code during the 2010 financial year

The procedure foreseen in article 524 of the Company Code has been applied during the 2010 financial year.

This procedure has been applied within the frame of a strategic partnership agreement describing the conditions under which France Télécom provides certain services to Mobistar.

The Board of Directors in its meeting of 10 February 2010 took note of the independent directors' report, drafted with the help of independent experts. The report concluded; "as for the elements of the contract which, without constituting manifestly abusive wrongs, can nevertheless harm Mobistar, the Committee is of the opinion that the points below constitute disadvantages for Mobistar, but that they are offset by the benefits derived by Mobistar from belonging to the France Télécom group. These disadvantages are the following:

i) the lack of precision of certain clauses;
ii) the lack of precision regarding Mobistar´s ability to negotiate locally;
iii) the uncertainty which reigns concerning the continuity of services in the event of early termination of the contract for a cause extraneous to Mobistar;
iv) the substance of the reciprocal commitments of Mobistar and France Télécom by making it explicit;
v) the absence of guarantee with regard to intellectual right."

The draft was amended by the parties to the contract in order to take into account certain comments of the report. The Board, in its resolution of 10 February 2010, indicated that "having taken note of this report, as well as of the new version of the amended contract, it approves the proposed contract, acknowledges that the procedure of article 524 of the Company Code was followed correctly and authorises Messrs. Steyaert and Scheen to sign the agreement as recently modified."

The chartered accountant Ernst & Young in its dedicated report dated 25 January 2011, states: "within the context of our mission, our tasks have been the following:
- check that the data as mentioned in the committee of the independent directors' opinion dated 10 February 2010 and in the report of the independent expert dated 5 January 2010 correspond to the underlying documentation;
- check that the data as mentioned in the Board resolution dated 10 February 2010 correspond to the underlying documentation;
- check that the data exposed in the independent directors' opinion and in the opinion of the independent

expert dated 5 January 2010 correspond to the instructions under the article 524 of the Company code.

On basis of our mission as described here above, we have no major remark to communicate."

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

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

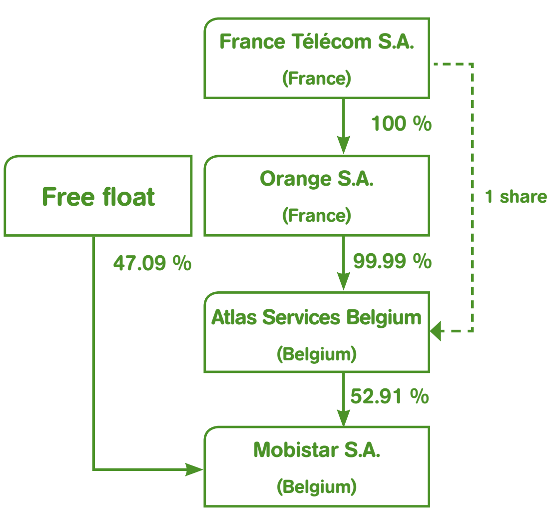
He has been appointed by the General Assembly and meets the independence criteria as described in the article 524 of the Company code.

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

10. Law on takeover bids

On 24 August 2009, Mobistar has received notification from its ultimate shareholder France Télécom S.A. on the basis of article 74 § 8 of the law of 1st April 2007 concerning takeover bids.

This notification detailed France Télécom S.A.'s participation in Mobistar S.A. As at 24 August 2009, France Télécom S.A. held indirectly 31,753,000 shares of Mobistar S.A. as per the below ownership chain:



No change occurred in 2010.

11. Information concerning the tasks entrusted to the auditors

In the course of the 2010 financial year, the statutory auditor and linked companies provided services at a total cost of € 526,282 broken down as follows:

• audit services	€ 461,000
• other audit services	€ 48,400
• other non-audit services	€ 16,882

Annual accounts Mobistar S.A. 2010

Balance sheet after appropriation

ASSETS

	2010 in thousand €	2009 in thousand €
FIXED ASSETS	**977 213**	**863 536**
Formation expenses (Note 5.1)	**2 250**	
Intangible fixed assets (Note 5.2)	**285 498**	**226 589**
Tangible fixed assets (Note 5.3)	**537 378**	**519 859**
Land and buildings	282 781	274 142
Plant, machinery and equipment	220 740	210 876
Furniture and vehicles	24 141	24 330
Other tangible fixed assets	9 716	10 511
Financial fixed assets (Notes 5.4/5.5.1)	**152 087**	**117 088**
Affiliated enterprises (Note 5.14)	152 017	117 017
Participating interests	152 017	87 017
Amounts receivable		30 000
Other financial assets	70	71
Amounts receivable and cash guarantees	70	71
CURRENT ASSETS	**256 514**	**277 046**
Amounts receivable after more than one year	**7 339**	**11 289**
Trade debtors		2 067
Other amounts receivable	7 339	9 222
Stocks and contracts in progress	**7 808**	**9 332**
Stocks	7 808	9 332
Goods purchased for resale	7 808	9 332
Amounts receivable within one year	**193 462**	**213 201**
Trade debtors	185 896	204 357
Other amounts receivable	7 566	8 844
Current investments (Notes 5.5.1/5.6)	**3 147**	**1 210**
Other investments and deposits	3 147	1 210
Cash at bank and in hand	**7 851**	**7 570**
Deferred charges and accrued income (Note 5.6)	**36 907**	**34 444**
TOTAL ASSETS	**1 233 727**	**1 140 582**

EQUITY AND LIABILITIES

	2010 in thousand €	2009 in thousand €
EQUITY	**166 327**	**182 802**
Capital (Note 5.7)	**131 721**	**109 180**
Issued capital	131 721	109 180
Reserves	**13 172**	**35 713**
Legal reserve	13 172	35 713
Accumulated profits (losses) (+) (-)	**21 284**	**37 734**
Investment grants	**150**	**175**
PROVISIONS AND DEFERRED TAXES	**4 291**	**7 100**
Provisions for liabilities and charges	**4 291**	**7 100**
Other liabilities and charges (Note 5.8)	4 291	7 100
AMOUNTS PAYABLE	**1 063 109**	**950 680**
Amounts payable after more than one year (Note 5.9)	**313 194**	
Financial debts	270 000	
Other loans	270 000	
Trade debts	43 194	
Suppliers	43 194	
Amounts payable within one year	**684 744**	**887 794**
Current portion of amounts payable after more than one year falling due within one year (Note 5.9)	14 874	50 000
Financial debts	32 909	245 479
Other loans	32 909	245 479
Trade debts	262 155	252 276
Suppliers	262 155	252 276
Taxes, remuneration and social security (Note 5.9)	109 707	61 879
Taxes	82 197	37 034
Remuneration and social security	27 510	24 845
Other amounts payable	265 099	278 160
Accrued charges and deferred income (Note 5.9)	**65 171**	**62 886**
TOTAL EQUITY AND LIABILITIES	**1 233 727**	**1 140 582**

Income statement

	2010 in thousand €	2009 in thousand €
Operating income	**1 604 139**	**1 614 249**
Turnover (Note 5.10)	1 562 282	1 568 403
Own construction capitalised	3 392	3 552
Other operating income (Note 5.10)	38 465	42 294
Operating charges	**1 221 974**	**1 191 095**
Raw materials, consumables	625 527	618 191
Purchases	624 153	616 821
Stocks: decrease (increase) (+) (-)	1 374	1 370
Services and other goods	293 889	264 054
Remuneration, social security costs and pensions (+) (-) (Note 5.10)	132 898	128 951
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	150 674	153 408
Amounts written down stocks, contracts in progress and trade debtors - Appropriations (write-backs) (+) (-) (Note 5.10)	8 235	15 793
Provisions for risks and charges - Appropriations (uses and write-backs) (+) (-) (Note 5.10)	-2 809	-1 798
Other operating charges (Note 5.10)	13 560	12 496
Operating profit (loss) (+) (-)	**382 165**	**423 154**
Financial income	**1 699**	**2 491**
Income from financial fixed assets	457	783
Income from current assets	588	690
Other financial income (Note 5.11)	654	1 018
Financial charges (Note 5.11)	**6 144**	**7 384**
Debt charges	2 841	3 689
Other financial charges	3 303	3 695
Gain (loss) on ordinary activities before taxes (+) (-)	**377 720**	**418 261**
Extraordinary charges	**30 000**	
Amounts written down financial fixed assets	30 000	
Profit (loss) for the period before taxes (+) (-)	**347 720**	**418 261**
Income taxes (+) (-) (Note 5.12)	**103 472**	**141 810**
Income taxes	118 432	141 810
Adjustment of income taxes and write-back of tax provisions	14 960	
Profit (loss) for the period (+) (-)	**244 248**	**276 451**
Profit (loss) for the period available for appropriation (+) (-)	**244 248**	**276 451**

APPROPRIATIONS AND WITHDRAWINGS

Profit (loss) to be appropriated (+) (-)	**281 982**	**313 402**
Profit (loss) to be appropriated (+) (-)	244 248	276 451
Profit (loss) to be carried forward (+) (-)	37 734	36 951
Profit (loss) to be carried forward (+) (-)	**21 284**	**37 734**
Profit to be distributed	**260 698**	**275 668**
Dividends	258 062	273 065
Other beneficiaries	2 636	2 603

	2010 in thousand €	2009 in thousand €

STATEMENT OF FORMATION EXPENSES

5.1 Net book value at the end of the period		**0**
Movements during the period		
New expenses incurred	2 250	
Net book value at the end of the period	**2 250**	
Of which: Formation or capital increase expenses, loan issue expenses and other formation expenses	2 250	

STATEMENT OF INTANGIBLE ASSETS

5.2.2 Concessions, patents, licences, knowhow, brands and similar rights

Acquisition value at the end of the period		**872 948**
Movements during the period		
Acquisitions, including produced fixed assets	135 899	
Sales and disposals	12 070	
Acquisition value at the end of the period	**996 777**	
Depreciation and amounts written down at the end of the period		**646 359**
Movements during the period		
Recorded	76 990	
Cancelled owing to sales and disposals	12 070	
Depreciation and amounts written down at the end of the period	**711 279**	
Net book value at the end of the period	**285 498**	

5.2.3 Goodwill

Acquisition value at the end of the period		**61 519**
Acquisition value at the end of the period	**61 519**	
Depreciation and amounts written down at the end of the period		**61 519**
Depreciation and amounts written down at the end of the period	**61 519**	
Net book value at the end of the period	**0**	

STATEMENT OF TANGIBLE FIXED ASSETS

5.3.1 Land and buildings

Acquisition value at the end of the period		**506 734**
Movements during the period		
Acquisitions, including produced fixed assets	26 203	
Sales and disposals	3 579	
Acquisition value at the end of the period	**529 358**	
Depreciation and amounts written down at the end of the period		**232 592**
Movements during the period		
Recorded	17 564	
Cancelled owing to sales and disposals	3 579	
Depreciation and amounts written down at the end of the period	**246 577**	
Net book value at the end of the period	**282 781**	

	2010 in thousand €	2009 in thousand €
5.3.2 Plant, machinery and equipment		
Acquisition value at the end of the period		**583 362**
Movements during the period		
Acquisitions, including produced fixed assets	54 402	
Sales and disposals	4 306	
Acquisition value at the end of the period	**633 458**	
Depreciation and amounts written down at the end of the period		**372 486**
Movements during the period		
Recorded	44 538	
Cancelled owing to sales and disposals	4 306	
Depreciation and amounts written down at the end of the period	**412 718**	
Net book value at the end of the period	**220 740**	
5.3.3 Furniture and vehicles		
Acquisition value at the end of the period		**124 423**
Movements during the period		
Acquisitions, including produced fixed assets	9 838	
Sales and disposals	8 876	
Acquisition value at the end of the period	**125 385**	
Depreciation and amounts written down at the end of the period		**100 093**
Movements during the period		
Recorded	10 027	
Cancelled owing to sales and disposals	8 876	
Depreciation and amounts written down at the end of the period	**101 244**	
Net book value at the end of the period	**24 141**	
5.3.5 Other tangible fixed assets		
Acquisition value at the end of the period		**19 824**
Movements during the period		
Acquisitions, including produced fixed assets	760	
Sales and disposals	7 155	
Acquisition value at the end of the period	**13 429**	
Depreciation and amounts written down at the end of the period		**9 313**
Movements during the period		
Recorded	1 555	
Cancelled owing to sales and disposals	7 155	
Depreciation and amounts written down at the end of the period	**3 713**	
Net book value at the end of the period	**9 716**	

STATEMENT OF FINANCIAL FIXED ASSETS

	2010 in thousand €	2009 in thousand €
5.4.1 Affiliated enterprises - participating interests and shares		
Acquisition value at the end of the period		**87 017**
Movements during the period		
Acquisitions	65 000	
Acquisition value at the end of the period	**152 017**	
Net book value at the end of the period	**152 017**	
Affiliated enterprises - amounts receivable		
Net book value at the end of the period		**30 000**
Movements during the period		
Amounts written down	30 000	
Net book value at the end of the period	**0**	
Accumulated amounts written off on amounts receivable at the end of the period	**30 000**	

	2010 in thousand €	2009 in thousand €
5.4.3 Other enterprises - amounts receivable		
Net book value at the end of the period		**71**
Movements during the period		
Repayments	1	
Net book value at the end of the period	**70**	

INFORMATION RELATING TO THE SHARE IN CAPITAL

5.5.1 Share in capital and other rights in other companies

	Shares held by		Information from the most recent period for which annual accounts are available			
Name, full address of the registered office and for the enterprise governed by Belgian law, the company number	Number	%	Primary financial statement	Monetary unit	Capital and reserves in thousand €	Net result in thousand €
Orange S.A.						
Rue des Mérovingiens 8						
8070 Bertrange						
Luxembourg						
19749504						
Registered shares	1 506 350	100.00	31/12/09	EUR	-11 586	-2 874
Mobistar Enterprise Services S.A.						
Avenue Reine Astrid 166						
1780 Wemmel						
Belgium						
0459 623 216						
Registered shares	2 501	100.00	31/12/09	EUR	63 971	-2 622

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

	2010	2009
5.6 Investments: other investments and deposits		
Other investments not yet shown separately	**3 147**	**1 210**
Deferred charges and accrued income		
Allocation of heading 490/1 of assets if the amount is significant		
Accrued income	22 984	
Deferred charges	13 818	
Financial income	105	

STATEMENT OF CAPITAL AND STRUCTURE OF SHAREHOLDINGS

	2010	2009
5.7 Statement of capital		
Social capital		
Issued capital at the end of the period		109 180
Issued capital at the end of the period	131 721	

	2010 in thousand €	2010 Number of shares
Changes during the period		
Capital increase by incorporation of legal reserve surplus	22 541	
Structure of the capital		
Different categories of shares		
Ordinary shares	131 721	60 014 414
Registered shares		31 753 214
Bearer shares and/of dematerialized shares		28 261 200
Shareholders' structure of the company as at 31/12/2010		
Atlas Services Belgium		31 753 100
Others (free float)		28 261 314
Total shares		**60 014 414**

PROVISIONS FOR OTHER LIABILITIES AND CHARGES

5.8 Allocation of heading 163/5 of liabilities if the amount is considerable		
Repayment guarantee to the amount of 50 % for a bank credit line granted for the temporary association IRISNET	2 475	
Provisions for litigations	1 816	

STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED INCOME

5.9 Analysis by current portions of amounts initially payable after more than one year		
Amounts payable after more than one year, not more than one year		
Trade debts	14 874	
Suppliers	14 874	
Total amounts payable after more than one year, not more than one year	**14 874**	
Amounts payable after more than one year, between one and five years		
Financial debts	270 000	
Other loans	270 000	
Trade debts	43 194	
Suppliers	43 194	
Total amounts payable after more than one year, between one and five years	**313 194**	
Amounts payable for taxes, remuneration and social security		
Taxes (heading 450/3 of the liabilities)		
Non expired taxes payable	43	
Estimated taxes payable	82 154	
Remuneration and social security (heading 454/9 of the liabilities)		
Other amounts payable relating to remuneration and social security	27 510	
Accrued charges and deferred income		
Allocation of heading 492/3 of liabilities if the amount is considerable		
Deferred income	64 964	
Accrued charges	207	

	2010 in thousand €	2009 in thousand €

OPERATING RESULTS

	2010 in thousand €	2009 in thousand €
5.10 Operating income		
Net turnover		
Broken down by categories of activity		
Mobile activity	1 480 674	1 484 421
Fix voice and data	81 608	83 982
Operating costs		
Employees recorded in the personnel register		
Total number at the closing date (in units)	1 583	1 450
Average number of employees calculated in full-time equivalents (in units)	1 475.1	1 408.4
Number of actual worked hours (in units)	2 529 011	2 396 353
Personnel costs		
Remuneration and direct social benefits	94 267	91 836
Employers' social security contributions	28 071	26 247
Employers' premiums for extra statutory insurances	4 045	4 627
Other personnel costs	6 515	6 241
Amounts written off		
Stocks and contracts in progress		
Recorded	150	404
Trade debtors		
Recorded	8 085	15 389
Provisions for risks and charges		
Additions	210	2 405
Uses and write-back	3 019	4 203
Other operating charges		
Taxes related to operation	2 347	2 326
Other charges	11 213	10 170
Hired temporary staff and persons placed at the enterprise's disposal		
Total number at the closing date (in units)	79	82
Average number calculated as full-time equivalents (in units)	70.4	91.0
Number of actual worked hours (in units)	139 739	181 184
Charges to the enterprise	6 426	6 138

FINANCIAL AND EXTRAORDINARY RESULTS

	2010 in thousand €	2009 in thousand €
5.11 Financial results		
Other financial income		
Amount of subsidies granted by public authorities, credited to income for the period		
Capital subsidies	26	26
Allocation of other financial income		
Other financial income	545	280
Exchange gains	83	712
Other financial charges		
Amount of the discount borne by the enterprise, as a result of negociating amounts receivable	1 277	1 461
Allocation of other financial income		
Bank charges	1 377	1 582
Exchange losses	597	607
Other financial charges	52	45

INCOME TAXES AND OTHER TAXES

		2010 in thousand €	2009 in thousand €
5.12	**Income taxes**		
	Income taxes on the result of the current period	**118 432**	
	Income taxes paid and withholding taxes due or paid	57 700	
	Estimated additional taxes	60 732	
	In so far as income taxes of the current period are materially affected by differences between the profit before taxes, as stated in the annual accounts, and the estimated taxable profit		
	Disallowed expenses	5 970	
	Deductions for investments	2 912	
	Notional interests	1 986	
	Status of deferred taxes		
	Deferred taxes representing assets		
	Other deferred taxes representing assets		
	Deductions for investments	3 772	
	Total amount of value added tax and taxes borne by third parties		
	Total amount of value added tax charged		
	To the enterprise (deductible)	255 380	229 505
	By the enterprise	425 660	403 859
	Amounts retained on behalf of third parties for		
	Payroll withholding taxes	28 255	28 472
	Withholding taxes on investment income	20 616	21 657

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

5.13	**Substantial commitments to acquire fixed assets**		
	Commitments to acquire fixed assets	**120 523**	

Information concerning important litigation and other commitments

Commitments

1. Bank guarantees issued on behalf of the company: 8.2 million euro.
2. Obligations related to the rent of offices and the lease of the company cars: 452.5 million euro.
3. Obligations related to the purchase of equipment and services: 51.7 million euro.
4. Since 1997, certain municipalities and three provinces have adopted local taxes, on an annual basis, on pylons, masts and antennae erected within their boundaries. These taxes are currently being contested before the Council of State and the Civil Courts (Courts of First Instance - Tax Chamber and Courts of Appeal). Pursuant to a preliminary question raised by the Council of State to the European Court of Justice, the latter ruled in its decree dated 8 September 2005 that such taxes are not inconsistent with European law, provided they do not alter the conditions of competition between the historical operator and new operators on the market. The Council of State decided since 20 November 2007 in several arrests that a tax regulation violates the principle of equality if the motive appearing in the preamble of this tax regulation results from the financial situation of the municipality. In fact, such a motive does not explain at all the differentiation made between the mobile telephone network operators (which are taxed on the basis of this tax regulation) and the operators of other similar networks (which are not taxed on the basis of this same tax regulation). It is therefore not established that the difference in treatment is based on a criterion that can be objectively and logically justified. The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to 41.9 million euros and is subject to a bad debt provision for the whole amount, of which 6.9 million euros correspond to that financial year.

	2010 in thousand €	2009 in thousand €

Rights

Right on receivable's reimbursement over Orange S.A.: in the course of 2010, a conditional debt waiver on Orange S.A.'s long-term debt has been granted by Mobistar S.A. This debt waiver foresees that in case of return to a better fortune, Orange S.A. will have to repay its debt. There will be a return to a better fortune if the company realizes a profit before taxes and amount related to the loan reimbursement, and generates a positive free cash flow. The potential reimbursement amount linked to the free cash flow generation is capped at 50 % of the profit before taxes and loan reimbursement. Mobistar S.A.'s right relates to the entire initial debt, i.e. 30 million euros.

Brief description of the supplementary retirement or survivors' pension plan in favour of the personnel or the executives of the enterprise and of the measures taken by the enterprise to cover the resulting charges

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

RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ENTERPRISES LINKED BY PARTICIPATING INTERESTS

		2010	2009
5.14	**Affiliated enterprises**		
	Financial fixed assets	**152 017**	**117 017**
	Investments	152 017	87 017
	Other amounts receivable		30 000
	Amounts receivable	**30 377**	**48 644**
	Within one year	30 377	48 644
	Amounts payable	**316 105**	**312 074**
	After one year	270 000	
	Within one year	46 105	312 074
	Financial results		
	Income from financial fixed assets	457	783
	Income from current assets	170	
	Debts charges	2 739	3 578
	Transactions with related parties outside normal market conditions		
	Mention of such operations if they are material, stating the amount of these transactions, the nature of the relationship with the related party and other information about the transactions necessary for the understanding of the financial position of the company	Nihil	

FINANCIAL RELATIONSHIPS WITH

		2010	2009
5.15	**Directors and managers**		
	Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly the situation of a single identifiable person		
	To directors and managers	1 513	
	Auditors or people they are linked to		
	Auditor's fees	**312**	
	Fees for exceptional services or special missions executed in the company by the auditor		
	Other attestation missions	48	
	Other missions external to the audit	17	

INFORMATION RELATING TO CONSOLIDATED ACCOUNTS

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

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

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

Parent company

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

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

The consolidated accounts can be obtained at the following address:

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

Social report

STATEMENT OF THE PERSONS EMPLOYED

Employees recorded in the staff register

	Full-time	Part-time	2010 Total (T) or total in full-time equivalents (FTE)	2009 Total (T) or total in full-time equivalents (FTE)
During the period and the previous period				
Average number of employees	1 352.0	163.4	1 475.1 (FTE)	1 408.4 (FTE)
Number of hours actually worked	2 320 590	208 421	2 529 011 (T)	2 396 353 (T)
Personnel costs (in thousand €)	121 947	10 951	132 898 (T)	128 951 (T)
Advantages in addition to wages (in thousand €)			1 841 (T)	1 543 (T)
At the closing date of the period				
Number of employees recorded in the personnel register	1 425	158	1 545.3	
By nature of the employment contract				
Contract for an indefinite period	1 425	158	1 545.3	
According to the gender and by level of education				
Male	996	33	1 021.5	
primary education	2		2.0	
secondary education	261	16	272.8	
higher education (non-university)	436	7	441.8	
university education	297	10	304.9	
Female	429	125	523.8	
primary education	1		1.0	
secondary education	124	39	152.9	
higher education (non-university)	179	55	220.8	
university education	125	31	149.1	
By professional category				
Employees	1 423	158	1 543.3	
Other	2		2.0	

Hired temporary staff and personnel placed at the enterprise's disposal

	Temporary staff	Personnel placed at the enterprise's disposal
During the period		
Average number of employees	61.6	8.8
Number of hours actually worked	122 350	17 389
Charges of the enterprise (in thousand €)	4 181	2 245

2010

TABLE OF PERSONNEL CHANGES DURING THE PERIOD

	Full-time	Part-time	Total in full-time equivalents
Entries			
Number of employees recorded on the personnel register during the period	**274**	**7**	**279.0**
By nature of the employment contract			
Contract for an indefinite period	274	7	279.0
Departures			
Number of employees with a in the staff register listed date of termination of the contract during the period	**130**	**18**	**141.4**
By nature of the employment contract			
Contract for an indefinite period	130	18	141.4
According to the reason for termination of the employment contract			
Early retirement	2	1	2.5
Dismissal	65	10	71.3
Other reason	63	7	67.6

INFORMATION WITH REGARD TO TRAINING RECEIVED BY EMPLOYEES DURING THE PERIOD

	Male	Female
Total number of official advanced professional training projects at company expense		
Number of participating employees	**959**	**442**
Number of training hours	**31 580**	**10 670**
Costs for the company (in thousand €)	**3 350**	**1 158**
of which gross costs directly linked to the training	3 238	1 087
of which paid contributions and deposits in collective funds	203	101
of which received subsidies (to be deducted)	91	30
Total number of less official and unofficial advanced professional training projects at company expense		
Number of participating employees	**113**	**29**
Number of training hours	**499**	**126**
Costs for the company (in thousand €)	**45**	**11**
Total number of initial professional training projects at company expense		
Number of participating employees	**4**	**4**
Number of training hours	**2 496**	**1 848**
Costs for the company (in thousand €)	**10**	**8**

Accounting principles

Formation costs

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

Intangible assets

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

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

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

The goodwill generated during the acquisition of all of the assets of Mobistar Corporate Solutions S.A. is amortised over 5 years.

The other intangible assets are amortised on a linear basis over a period of 4 to 5 years.

Tangible assets

The tangible assets are entered at cost value and are amortised on a linear basis pro rata temporis using the rates defined in the current Belgian tax law, which correspond to the life span of the assets concerned, as follows:

Buildings and constructions on sites	20 years
Optical fiber	15 years
Mobile telephone equipment	8 years
Messaging equipment	5 years
Computer hardware	4 and 5 years
Other tangible equipment	5 to 10 years

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

Financial assets

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

Receivables

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

Stocks

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

Cash (and cash equivalents)

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

Deferred charges and accrued income

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

Pensions

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

Acknowledgement of income and expenses

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

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

Taxes on income

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

Foreign currency transactions

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

Statutory auditor's report

to the General Meeting of shareholders of Mobistar S.A. on the financial statements for the year ended 31 December 2010

In accordance with the legal and statutory requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the financial statements as well as the required additional comments and information.

Unqualified opinion on the financial statements

We have audited the financial statements for the year ended December 31, 2010 prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of € 1,233,727 thousand and a profit for the year of € 244,248 thousand.

Responsibility of the Board of Directors for the preparation and fair presentation of the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, we have obtained from the Board of Directors and the company's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2010 give a true and fair view of the company's financial position and the results of its operations in accordance with the financial reporting framework applicable in Belgium.

Additional comments

The preparation and the assessment of the information that should be included in the directors' report and the company's compliance with the requirements of the Company Code (Wetboek van vennootschappen/Code des sociétés) and its articles of association are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comments, which do not modify the scope of our opinion on the financial statements:

- The directors' report deals with the information required by law and is consistent with the financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the company is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.

- We do not have to report any transactions undertaken or decisions taken in violation of the company's articles of association or the Company Code. The appropriation of the results proposed to the shareholders' meeting complies with the legal and statutory provisions.

Diegem, 30 March 2011

Ernst & Young Reviseurs d'Entreprises SCCRL
Statutory auditor
represented by

Herman Van den Abeele
Partner

IFRS consolidated financial statements 2010

Consolidated income statement

Note		2010 in thousand €	2009 in thousand €
	Revenue		
	Service revenue	1 515 643	1 444 830
	Handsets sales	148 977	122 348
17	**Total turnover**	**1 664 620**	**1 567 178**
17	Other operating revenue	33 192	37 612
	Total revenue	**1 697 812**	**1 604 790**
	Operating expenses		
	Interconnection costs	-381 779	-358 127
17	Costs of equipment and goods sold	-300 043	-250 187
17	Services and other goods	-306 934	-271 466
17	Employee benefits expenses	-140 803	-133 148
2,3	Depreciation, amortisation and impairment	-170 652	-164 313
17	Other operating charges	-19 563	-24 864
	Total operating expenses	**-1 319 774**	**-1 202 105**
	Result of operating activities	**378 038**	**402 685**
17	Finance income	619	1 419
17	Finance costs	-5 131	-6 128
	Result of operating activities after net finance costs	**373 526**	**397 976**
5	Tax expense	-109 975	-137 695
	Net profit of the period (*)	**263 551**	**260 281**
	Profit or loss attributable to equity holders of the parent	**263 551**	**260 281**
	Consolidated statement of comprehensive income		
	Net profit for the period	**263 551**	**260 281**
	Other comprehensive income	0	0
	Total comprehensive income for the period	**263 551**	**260 281**
	Part of the total comprehensive income attributable to equity holders of the parent	**263 551**	**260 281**
10	Basic earnings per share (in €)	4.39	4.34
	Weighted average number of ordinary shares	60 014 414	60 014 414
10	Diluted earnings per share (in €)	4.39	4.34
	Diluted weighted average number of ordinary shares	60 014 414	60 014 414

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

Consolidated balance sheet

Note		31.12.2010 in thousand €	31.12.2009 in thousand €
	ASSETS		
	Non-current assets		
1, 2	Goodwill	80 131	79 287
2	Intangible assets	294 779	235 488
3	Tangible assets	635 927	548 914
4	Other non-current assets	7 501	11 451
5	Deferred taxes	1 650	7 303
	Total non-current assets	**1 019 988**	**882 443**
	Current assets		
6	Inventories	10 299	10 073
7	Trade receivables	205 967	204 444
8	Accrued revenue	30 181	29 287
8	Other current assets	23 790	16 817
9	Cash and cash equivalents	12 959	10 009
	Total current assets	**283 196**	**270 630**
	Total assets	**1 303 184**	**1 153 073**
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	131 721	109 180
11	Legal reserve	13 173	35 714
11	Retained earnings	286 276	295 933
	Total equity	**431 170**	**440 827**
	Non-current liabilities		
14	Long-term interests-bearing borrowings	267 911	
15	Long-term trade payables	43 194	
13	Long-term provisions	18 573	14 641
5	Deferred taxes	1 690	
	Total non-current liabilities	**331 368**	**14 641**
	Current liabilities		
14	Short-term interests-bearing borrowings	32 893	297 936
16	Trade payables	310 943	266 385
16	Employee benefits related liabilities	31 411	25 353
16	Current taxes payable	83 242	37 441
16	Deferred income	77 684	67 999
16	Other payables	4 473	2 491
	Total current liabilities	**540 646**	**697 605**
	Total liabilities	**872 014**	**712 246**
	Total equity and liabilities	**1 303 184**	**1 153 073**

Consolidated cash flow statement

Note		2010 in thousand €	2009 in thousand €
	Cash flows from operating activities		
	Profit before taxes	**373 526**	**397 976**
	Non-cash adjustments for:		
2,3	Depreciation, amortisation and impairment of fixed assets	170 652	164 313
12	Other non-cash expenses		1 276
	Interest income	-593	-691
	Interest charges	2 922	3 761
	Adjusted result of operating activities before net finance costs	**546 507**	**566 635**
6	Inventories (increase -, decrease +)	1 141	2 247
15	Trade and other receivables	11 332	35 317
	Trade and other payables	11 419	-25 905
	Net changes in working capital	**23 892**	**11 659**
5	**Tax paid**	**-58 465**	**-131 716**
	Interests paid	**593**	**691**
	Interests received	**-2 922**	**-3 761**
	Net cash from operating activities	**509 605**	**443 508**
	Cash flows from investing activities		
3	Purchase of intangible and tangible assets	-239 811	-146 282
	Debt associated to purchase of assets (increase +, decrease -)	58 067	
1	Acquisition of subsidiary	-63 078	
2,3	Proceeds from sale of equipment	984	143
4	Long-term loans and advances granted		-9 917
4	Reimbursement long-term loans granted	4 201	7 000
	Net cash used in investing activities	**-239 637**	**-149 056**
	Cash flows from financing activities		
14	Short-term borrowings - net	-215 042	4 661
14	Long-term borrowings - proceeds	430 000	140 000
14	Long-term borrowings - repayments	-210 000	-165 000
11	Transactions costs paid for long-term credit facility	-2 250	
11	Others	3 481	2 276
	Equity transactions costs	-142	-147
11	Dividends paid	-273 066	-273 066
	Net cash used in financing activities	**-267 019**	**-291 276**
	Net increase (+), decrease (-) in cash and cash equivalents	**2 950**	**3 176**
	Cash and cash equivalents at beginning of period	**10 009**	**6 833**
	Cash and cash equivalents at end of period	**12 959**	**10 009**

Consolidated statement of changes in equity

in thousand €

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

	Share Capital	Legal Reserve	Retained earnings	Total equity
Balance as at 1 January 2009	**109 180**	**35 714**	**307 589**	**452 483**
Net profit for the period			260 281	260 281
Total comprehensive income for the period			**260 281**	**260 281**
Incentive Plan on France Télécom shares			1 276	1 276
Dividends			-273 066	-273 066
Equity transaction costs			-147	-147
Balance as at 31 December 2009	**109 180**	**35 714**	**295 933**	**440 827**

Corporate information

Companies in the perimeter of consolidation

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

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

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

Mobistar Enterprise Services S.A.
100 % of the shares held by Mobistar S.A.
Avenue Reine Astrid 166
B - 1780 Wemmel
Belgium
Company identification number: BE 0459 623 216

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

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

Date of authorisation for issue of the financial statements

On 25 March 2011, the Board of Directors of Mobistar S.A. reviewed the 2010 consolidated financial statements and authorised them for issue.

The 2010 consolidated financial statements will be approved on 4 May 2011 by the General Assembly of shareholders which has still the power to amend the financial statements after issue.

Accounting policies

1. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in 000 Euros except when otherwise indicated. The Group's functional and presentation currency is Euro. Each entity in the Group applies this functional currency for its financial statements.

Statement of compliance

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

Basis for consolidation

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

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

The following entities are consolidated as at 31 December 2010 by using the following consolidation method:

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

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

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

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

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

2. Changes in accounting policy and disclosures

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2009, except for the adoption of the new standards as of 1st January 2010 noted below:

IFRS 3 (revised): Business combinations and IAS 27 (amended): Consolidated and Separate Financial Statements, effective 1 July 2009.

IFRS 3 (revised) introduces significant changes in the accounting of business combinations occurring after that date. Changes affect the valuation of non-controlling interest, the accounting of transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (amended) requires that a change in ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore such transaction will no longer give rise to goodwill, nor will it give rise to a gain or a loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The change in accounting policy as applied prospectively as of 1 January 2010 does not have any material impact on earnings per share.

The adoption of the following new or amended standards and interpretations as of 1 January 2010 did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 Share-based Payments - Group cash-settled Share-based Payments Arrangements, effective 1 January 2010
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items, effective 1 July 2009.
- IFRIC 12 Service Concession Arrangements, effective 1 April 2009
- IFRIC 15 Agreements for the Construction of Real Estate, effective 1 January 2010
- IFRIC 16 Hedges of Net Investments in Foreign Operations, effective 1 July 2009.
- IFRIC 17 Distribution of Non-cash Assets to Owners, effective 1 November 2009.
- IFRIC 18 Transfers of Assets from Customers, effective 1 November 2009.

Improvements to IFRS Issued May 2008, effective 1 January 2010 and Issued April 2009, effective 1 January 2010: the second omnibus of amendments to the IFRS standards issued by the IASB did not have any impact on the accounting policies, financial position or performance of the Group.

3. Significant accounting judgments, estimates and assumptions

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

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

Judgments, estimates and assumptions

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

Operating lease commitment – Group as a lessee

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

Impairment of non-financial assets

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

Deferred Tax Assets

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

Provision for dismantling network sites

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

4. Summary of significant accounting policies

4.1. Transactions in foreign currencies

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

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

4.2. Business combinations and Goodwill

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. This goodwill is tested for impairment at the end of each financial year (31 December), or more frequently if events or change in circumstances indicate that its carrying amount may be impaired, by comparing the carrying amount of the cash-generating units with their fair value less costs to sell or with their value in use. When the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized and cannot be reversed in future periods.

Estimating the fair value less costs to sell requires taking into account the Mobistar's share price as quoted on the stock exchange. Alternatively, an estimation of the value in use of the mobile activity cash-generating unit could be made. This method requires to make an estimate of the future cash flows from the mobile cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

4.3. Intangible assets

Are included under this asset category, the intangible assets with a finite useful life such as the cost of the GSM and UMTS licences, the cost of network design and development, the cost of purchased and internally generated software.

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

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

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

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

The depreciable amount of an intangible asset with a finite useful life is allocated on a linear basis over its useful life. The depreciation of the mobile licences starts when they are ready to operate. The GSM and UMTS licences have been granted for a period of 15 years and 20 years respectively. However, the depreciation period is limited to 14 and 16 years, representing the remaining licence terms at the date of availability for use. The extension of the GSM licence is amortized over a period of 5 years which corresponds to the licence term.

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

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

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

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

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

4.4. Tangible assets

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

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

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

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

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

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

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

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

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

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

4.5. Impairment of non financial assets

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

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

4.6. Borrowing costs

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

4.7. Government grants

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

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

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

4.8. Taxes

Current income taxes

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

Deferred income tax

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

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

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

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that

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

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

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

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

Sales tax

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

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

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

4.9. Inventories

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

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

4.10. Treasury shares

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

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

4.11. Cash and cash equivalents

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

4.12. Financial instruments

Recognition and derecognition

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

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

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

Financial assets

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

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets has to be impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Financial liabilities

Interest-bearing loans and borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in income when the liabilities are derecognised as well as through the amortisation process.

Trade and other short-term payables

Trade and other short-term payables with no stated interest rate are measured at the original invoice or nominal amount when the effect of discounting is immaterial.

Offsetting a financial asset and a financial liability

Trade receivables and payables are offset and the net amount is presented on the face of the balance sheet when such amounts may legally be offset and a clear intention to settle them on a net basis exists.

4.13. Share-based payment

Employees of Mobistar may receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

The cost of any equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of such equity-settled transactions will be measured based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted. If market prices are not available, appropriate pricing model, further details of which are given in note 12, will be used. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which employees become fully entitled to the award (vesting date).

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition satisfies, provided that all other performance and/or service conditions are met.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of equity instruments that will ultimately vest.

4.14. Long-term provisions

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

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

The estimate of the dismantling costs regarding the network sites and of the refurbishment costs related to the rented premises is recognised as an item of tangible asset. This estimate is also recognised as a provision that is measured by using appropriate inflation and discount rates.

4.15. Employee benefits

Short-term employee benefits, such as wages, salaries, social security contributions, paid annual leave, profit-sharing and bonuses, medical care, company cars and others are recognised during the period in which the service has been rendered by the employee.

Short-term employee benefits are shown as liabilities as a result of a legal or constructive present obligation and when a reliable estimate of such liabilities can be made.

Post-employment benefit plan is classified as defined contribution plan since the minimum return imposed by law is guaranteed by the current terms and conditions of the group insurance contract without additional cost for Mobistar.

4.16. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Mobistar and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

Sale of goods is recognised as revenue when most of the risks and rewards of ownership of the goods and the control on them have been transferred to the buyer.

Revenue arising from rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date. Revenue is measured at the fair value of the consideration received or receivable. Different indicators are used to define the completion of the transaction depending on the service rendered. For prepaid services, revenues are recorded based on usage information (minutes used, sms issued). For postpaid services, revenues are recorded based either on usage (billed or accrued) or on percentages of estimated consumptions (for advanced billed services).

Specific revenue streams and related recognition criteria are as follows:

Sales of equipment

Sales of equipment to the distribution channels and to the final customers are recognised in revenue upon delivery. Consignment sales are recognised in revenue upon sale to the final customer.

Revenue from subscription contracts

Traffic revenue is recognised upon usage and non-used traffic rights are deferred when such right of deferral exists. Prepaid subscription amount is recognised over the subscription period on a linear basis.

Revenue from the sale of prepaid cards

Sales of prepaid cards are recognised at facial value as deferred income at the time of sale and released in the profit and loss statement as revenue upon usage.

Interconnection revenue

Traffic revenue paid by other telecommunication operators for use of our network is recognized upon usage.

Revenue sharing

Revenue arising from contracts with third-party content providers is recognized after deduction of the fees paid to them in remuneration of the product or service delivered.

Revenue deferred until payment

Revenue of which the collectability is not reasonably assured at the point of sale is deferred until the payment has been received.

Site sharing rental income

Regarding the agreements whereas Mobistar has the entire responsibility to respect the terms and conditions of sites rental contracts, the rental costs are shown in expenses. Revenue arising from sites sub-letting agreements entered with other operators is shown as revenue.

4.17. Leases

A lease whereby all the risks and rewards incidental to ownership are not substantially transferred to the lessee is an operating lease and lease payments are recognised as an expense on a straight-line basis over the lease term.

Determining whether an arrangement is or contains a lease requires assessment of whether the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

4.18. Loyalty commissions

Loyalty commissions earned by the distribution channels on postpaid contracts are recognised upfront upon contract subscription.

4.19. Financial discounts

Financial discounts granted to customers or received from suppliers for early payments are deducted from revenue and costs of sales as incurred.

4.20. Dividend

A dividend declared by the General Assembly of the shareholders after the balance sheet date is not recognised as a liability at that date.

4.21. Loyalty programs

Loyalty programs are based on points granted to customers in function of their behaviour. These points are considered as a separate part of the services invoiced but still to be delivered. Part of the revenues invoiced is thus allocated to these points and deferred up to the moment the points are transformed in advantage by the customers. The amount allocated to the points is based on the fair value of the equivalent advantage proposed (sales value) combined with an estimated usage rate of these points.

5. Future changes in accounting policies

New or amended standards and interpretations issued up to the date of issuance of the Group's financial statements, but not yet effective for 2010 financial statements, are listed below. The Group has elected not to adopt any Standards or Interpretations in advance of their effective dates.

- IFRS 7 Financial Instruments: Disclosures – Amendment to Disclosures, effective 1 July 2011
- IFRS 9 Financial Instruments, effective 1 January 2013
- IAS 12 Income Taxes – Recovery of Tax Assets, effective 1 January 2012
- IAS 24 Related Party Disclosures (Revised), effective 1 January 2011
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues, effective 1 February 2010
- IFRIC 14 Prepayments of a Minimum Funding Requirement, effective 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective 1 July 2010
- Improvements to IFRSs (Issued May 2010), effective 1 January 2011

IFRS 7 Financial Instruments: Disclosures
The amendments to IFRS 7 are effective for annual periods beginning on or after 1 July 2011 and will improve the understanding of transfer transactions of financial assets including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions is undertaken around the end of a reporting period. The Group does not expect any impact on its financial position or performance.

IFRS 9 Financial Instruments
IFRS 9 as issued reflects the first and second phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting, derecognition and asset and liability offsetting. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 12 Income Taxes
The amended standard is effective for annual periods beginning on or after 1 January 2012. The amendment provides a practical solution to the difficult and subjective assessment whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property, by introducing a presumption that recovery of the carrying amount will, normally, be through sale. The Group does not expect any impact on its financial position or performance.

IAS 24 Related Party Disclosures (Revised)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues
The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amends the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group.

IFRIC 14 – Prepayments of a Minimum Funding Requirement

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvements to IFRSs (Issued May 2010)

In May 2010, the IASB issued a third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard:

- IFRS 1 First-Time Adoption of IFRS
  - Accounting policy changes in the year of adoption
  - Revaluation basis as deemed cost
  - Use of deemed cost for operations subject to rate regulation
- IFRS 3 Business Combinations
  - Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
  - Measurement of non-controlling interests
- IFRS 7 Financial Instruments: Disclosures
  - Clarifications of disclosures
- IAS 1 Presentation of Financial Statements
  - Clarification of statement of changes in equity
- IAS 27 Consolidated and Separate Financial Statements
  - Transition requirements for amendments made as a result of amended IAS 27 to IAS 21, IAS 28 and IAS 31
- IAS 34 Interim Financial Reporting
  - Significant events and transactions
- IFRIC 13 Customer Loyalty Programmes
  - Fair value of award credit

The Group has studied the improvements and is currently assessing their impact.

Notes to the consolidated financial statements

1. Business combinations (in 000 euros)

Changes in 2010

In November 2009, Mobistar has signed a share purchase agreement to buy from KPN Belgium all the shares of the company, KPN Belgium Business ('acquiree'), hosting its B2B and carrier activities and owning a fiber network of 1800 km. With this takeover, the Group confirms its strategy which is to continue to invest in the professional market with the objective to reinforce its position. The Mobistar network has been extended with 1800 km of fibre network and 2 data centers. This will help the Group to provide better service to its existing clients and will support other segments.

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

The cash outflow generated by this transaction amounted to 65 million euros. The purchase consideration transferred solely consisted of cash. However, on 10 November 2010, KPN Mobile International B.V. filed a request for arbitration with the Cepani against Mobistar for a dispute regarding the Share Purchase Agreement (SPA) dated 24 November 2009, which foresees a price adjustment related to the net debt and working capital. Result of this arbitration will have an impact on the final cash outflow related to the transaction, and thus eventually on the related goodwill.

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

An independent expert has performed a valuation of the assets acquired. The fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition is as follows:

	Preliminary fair value recognized on acquisition	MES contribution as at 31.12.2010 (before intercom-pany elimination)
ASSETS		
Non-current assets		
Goodwill		843
Intangible assets	2 246	2 072
Tangible assets	75 555	68 695
Financial assets	4	4
Other non-current assets	202	
Deferred taxes	0	0
Total non-current assets	**78 007**	**71 614**
Current assets		
Inventories	1 340	1 095
Trade receivables	17 046	22 058
Other current assets and deferred expenses	3 734	2 450
Short-term intercompany loans		2 300
Cash and cash equivalents	1 932	732
Total current assets	**24 052**	**28 635**
Total assets	**102 059**	**100 249**
EQUITY and LIABILITIES		
Equity		
Retained earnings	0	-1 638
Total equity	**0**	**-1 638**
Non-current liabilities		
Long-term provisions	5 168	5 228
Deferred taxes	1 090	984
Total non-current liabilities	**6 258**	**6 212**
Current liabilities		
Financial lease	262	161
Trade payables	23 476	23 841
Employee benefits related liabilities	2 127	735
Current taxes payables	0	362
Deferred income	5 762	5 505
Other payables	0	71
Total current liabilities	**31 627**	**30 675**
Total liabilities	**37 885**	**36 887**
Total equity and liabilities	**37 885**	**35 249**
Total identifiable net assets at fair value	**64 175**	**65 000**
Goodwill arising on acquisition	**843**	
Purchase consideration transferred	**65 000**	
Net cash outflows (Purchase consideration transferred less cash acquired)	**63 068**	

As mentioned above, the share purchase agreement foresees an adjustment of the purchase consideration based on the net debt and working capital as of 28 February 2010. The price adjustment mechanism defined in the contract has not yet been included in the cash consideration paid at the current reporting date as it is being contested by KPN Mobile International B.V. which has launched an arbitration procedure. The final adjustment is estimated between -0.3 million euros and -2.2 million euros. The adjustment will be made in cash.

The fair value of the trade receivables is determined at 17 million euros. The gross amount of the trade receivables is 19.8 million euros, which are impaired by 2.8 million euros.

The goodwill of 0.8 million euros comprises the value of the sum of the expected synergies arising from the acquisition. The goodwill is not expected to be deductible for tax purposes.

Mobistar has recognized a contingent liability of 3.2 million euros related to the VAT payable on transactions to foreign resellers in the period 2004 to 2008. This liability is included in the 5.1 million euros displayed as 'outstanding litigations' in note 13. The company is not able to estimate the expected period of finalization. In relation to this contingent liability, Mobistar has recognized an indemnification asset of 1.5 million euros as the sales purchase agreement foresees that any cash outflow on this contingent liability in excess of 1.7 million euros is payable by the seller. No changes in the recognition of the contingent liability occurred between acquisition date of the Business Combination and balance sheet date.

The fair value of the identified assets and liabilities is provisional in relation to the following assets and liabilities as no sufficient information is currently available:

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

It is expected that accounting will be complete by the end of March 2011.

The contribution of MES for the 9 months operations that have been consolidated as at 31 december 2010 is detailed in the below table. For information purpose, the proforma impact of the P&L as from 1 January 2010 is mentioned. Note that this proforma does not include consolidation adjustments on the P&L for the first months of the year.

	From 1 April to 31 December 2010 before intercompany elimination	From 1 January to 31 December 2010 proforma excluding consolidation entries
Revenue		
Service revenue	62 532	86 419
Handsets sales	0	0
Total turnover	**62 532**	**86 419**
Other operating revenue	173	589
Total revenue	**62 704**	**87 008**
Results		
Result of operating activities before depreciation and amortization (EBITDA)	9 727	10 771
Result of operating activities (EBIT)	**-1 422**	**-3 131**
Net finance income	-72	-75
Tax expense	-144	2
Net profit or loss	**-1 638**	**-3 205**

2. Intangible assets and goodwill (in 000 euros)

2010

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

2009

	Goodwill	GSM and UMTS licences	Internally generated software development costs	Other intangible assets	Total intangible assets
Acquisition value					
As at 1 January 2009	**79 287**	**372 841**	**37 225**	**445 864**	**855 930**
Movements during the period:					
Acquisitions and consolidation differences			1 919	38 360	40 279
Sales and disposals				-8 216	-8 216
As at 31 December 2009	**79 287**	**372 841**	**39 144**	**476 008**	**887 993**
Amortisation and impairment					
As at 1 January 2009	**0**	**227 994**	**27 603**	**327 283**	**582 880**
Movements during the period:					
Additions		25 067	3 907	45 082	74 056
Impairment			318	3 228	3 546
Reversal - sales and disposals				-7 977	-7 977
As at 31 December 2009	**0**	**253 061**	**31 828**	**367 616**	**652 505**
Net carrying amount as at 31 December 2009	**79 287**	**119 780**	**7 316**	**108 392**	**235 488**

Goodwill

First consolidation entries related to Mobistar Enterprise Services S.A. (MES) acquisition have been recorded on 1st April 2010. These entries have resulted in an increase of goodwill of 844 thousand euros.

The Goodwill end 2009 consists of:

Goodwill Mobistar Affiliate S.A.	10 558
Goodwill Orange S.A.	68 729
Total	**79 287**

The Goodwill end 2010 consists of:

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

Mobistar Affiliate S.A.

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

The reported goodwill is fully allocated to the segment 'Belgium' (see note 20). Impairment test on this goodwill is performed at least at the end of each financial year to assess as to whether its carrying amount does not exceed its recoverable amount. Estimating the fair value less costs to sell has taken into account the Mobistar's share price as quoted on the stock exchange.

Concerning the goodwill of Mobistar Affiliate, when considering the relationship between the market capitalization and the net assets of the Group as at 31 December 2010, the market capitalization was significantly higher than the net book value.

Orange S.A.

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

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

The recoverable amount of this cash-generating unit has been estimated using a discounted cash flow method. For 2010, cash flows have been estimated on a four years business plan (2011 to 2014) approved by the local management. For the following years, figures have been extrapolated based on a growth rate estimated at 2 % (estimated growth rate on the Luxembourgian market). Cash flow has been actualised. The discount rate applied to cash flow projections has been estimated at 8.5 %. Sensibility analysis of these parameters has been performed. The worst case scenario, based on a growth rate of 1% and a WACC of 9.5% would result in head room available amounting to 5.0 million euros.

For 2009, cash flows have been estimated on a five years business plan (2010 to 2014) approved by the local management. For the following years, figures have been extrapolated based on a growth rate estimated at 2 % (estimated growth rate on the Luxembourgian market). Cash flow has been actualised. The discount rate applied to cash flow projections has been estimated at 8.5 %. Sensibility analysis of these parameters has been performed. The worst case scenario, based on a growth rate of 1% and a WACC of 9.5% would result in head room available amounting to 34.5 million euros.

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

Mobistar Enterprise Services S.A.

The acquisition of Mobistar Enterprise Services S.A. was achieved on 31 March 2010. A first allocation of the purchase price has been performed in June 2010. However some elements of this allocation are still under negociation (purchase price) or analysis (deferred tax assets level and potential onerous contracts). The finalization of this analysis may have an impact on the goodwill currently booked. Last date to perform goodwill adjustment is 31 March 2011.

The reported goodwill is fully allocated to the segment 'Belgium' (see note 20). Once fixed, impairment test on this goodwill will be performed at least at the end of each financial year, starting at the end of 2011, to assess as to whether its carrying amount does not exceed its recoverable amount. Estimating the fair value less costs to sell will take into account the Mobistar's share price as quoted on the stock exchange.

Intangible assets

The UMTS licence has been depreciated from April 2005 onwards when the 3G network has been technically declared ready to operate in the region of Antwerp. The UMTS licence is depreciated over 16 years on a linear basis and the depreciation cost amounts to 9,364 thousand euros on a full year basis. The 2G first licence depreciation costs amount to 14,212 thousand euros. The 2G licence has been renewed at the end of the year 2010. The costs of this licence, 74,367 thousand euros, is amortized over a period of five years which corresponds to the duration of the licence. The amortization expense for the year 2010 amounts to 1,222 thousand euros.

Internally generated intangible assets and other intangible assets include software development and software licence costs. The useful lives of intangible assets applied in 2010 remain comparable to the one's used in 2009.

Other intangible assets are mainly related to software acquired or developed by external suppliers. They are used for administrative purpose or in a very large part for the network applications. An important renewal program has started in 2010 that aims to review application managing provisioning, mediation, billing and CRM. This renewal program is spread over the next two years with the major impacts in 2011.

Some intangible assets are fully amortized however still in use. The main one is the original GSM licence that has been fully amortized at the end of 2010. Investments related to original software acquisition may be fully amortized as well but upgrades of these softwares, still in use, are not fully amortized. The same applies to original site's research costs.

3. Tangible assets (in 000 euros)

2010

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

2009

	Land, buildings and network infrastructure	Plant, machinery, equipment	Furniture and vehicles	Other tangible assets	Total tangible assets
Acquisition value					
As at 1 January 2009	**491 516**	**606 954**	**120 290**	**18 128**	**1 236 888**
Movements during the period:					
Acquisitions, including self-constructed fixed assets	35 219	51 919	9 033	10 277	106 448
Dismantling asset	62				62
Sales and disposals	-14 740	-45 504	-4 632	-5 248	-70 124
As at 31 December 2009	**512 057**	**613 369**	**124 691**	**23 157**	**1 273 274**
Depreciation and impairment					
As at 1 January 2009	**225 224**	**374 121**	**93 022**	**14 995**	**707 362**
Movements during the period:					
Additions	18 699	46 432	11 328	664	77 123
Impairment	1 941	6 483	549	463	9 436
Dismantling asset	152				152
Reversal - sales and disposals	-14 547	-45 306	-4 610	-5 250	-69 713
As at 31 December 2009	**231 469**	**381 730**	**100 289**	**10 872**	**724 360**
Net carrying amount as at 31 December 2009	**280 588**	**231 639**	**24 402**	**12 285**	**548 914**

Capital expenditure

During the 2010 financial year, Mobistar invested 239.4 million euros (74.4 million euros in the licence renewal, 62.1 million euros in intangible assets (excluding goodwill) and 102.9 million euros in tangible assets), which represents 15.8 % of service revenues.

Mobistar invested mainly in the development of its 3G/HSDPA network, in its new building and in the fixtures and fittings of that new building. During the 2010 financial year, 695 new sites were put into service, which brings the total coverage of the Belgian population to 90 %.

Impairment on intangible and tangible assets

During 2010, impairment on both tangible and intangible assets has been recognised for an amount of 9,662 thousand euros (2009: 12,982 thousand euros) and shown as expense on the line 'Depreciation, amortisation and impairment' in the income statement.

The impairment loss of 9,662 thousand euros (3,743 thousand euros in intangible assets and 5,919 thousand euros in tangible assets) recognised during the year has been determined on individual asset basis in order to consider obsolescence, dismantling or losses, and can be detailed as follows:

Software applications and developments	3 743
Obsolete network equipment	5 919
Total	**9 662**

Impairments are allocated to the Belgian segment.

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

The 2009 and 2010 disposals relate to the renewal of the network.

Government grant

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

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

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

	2010	2009
Net carrying amount as at 1 January	**175**	**201**
Released to the income statement	-26	-26
Net carrying amount as at 31 December	**149**	**175**

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

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

	2009		
	Cash guarantees	Long-term receivables	Total
Net carrying amount as at 1 January 2009	**118**	**11 064**	**11 182**
Additions	44	2 443	2 487
Reimbursements		-2 217	-2 217
Net carrying amount as at 31 December 2009	**162**	**11 289**	**11 451**

The decrease in other non-current receivables in 2010 is mainly due to transfer to 'other current assets' of the maturing part of the long-term loans to specific partners (1,881 thousand euros) and to the payment facility attributed to Ericsson in relation to the outsourcing project in 2008 (2,068 thousand euros).

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

5. Current and deferred taxes (in 000 euros)

Deferred Tax Assets and liabilities

	Balance Sheet		Income Statement	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Deferred tax assets				
Recognized as at the date of the business combination:				
Orange S.A				
Carried forward tax losses beginning of the year	9 349	9 349		
Write-down carry forward tax losses previous years	-975	-975		
Tax rate variance on Orange S.A.	342	342		
Usage carry forward tax losses of the year	-5 451		-5 451	
DTA on Purchase Price Allocation Orange S.A.	-4 894	-4 894		
Reverse DTA on Purchase Price Allocation Orange S.A.	2 297	1 717	580	673
Reverse DTA on write-down Trade Name Orange S.A.	997	997		997
Tax rate variance on Purchase Price Allocation Orange S.A.	-15		-15	
Total deferred tax assets from activities	**1 650**	**6 536**	**-4 886**	**1 670**
Deferred tax liabilities				
Recognized as at the date of the business combination: MES S.A.				
Deferred tax liabilities MES S.A. per 1st April 2010	-801			
DTL on Purchase Price Allocation MES S.A. 1st April 2010	-39			
Restated balance due to business combination	-840			
Investment tax credit	1 282	1 709	-427	-570
Revenue recognition for free airtime minutes	-2 415	-1 684	-731	3 600
Borrowing costs expensed as incurred	153	246	-93	-371
Website development costs expensed as incurred	277	499	-222	-213
Other items	-3	-3		-1
Deferred tax liabilities MES S.A. of the year	-21		-21	
Deferred tax liabilities on MES S.A. Purchase Price Allocation	-123		-123	
Total deferred tax liabilities from activities	**-850**	**767**	**-1 617**	**2 445**
Total net deferred tax assets	**-40**	**7 303**	**-6 503**	**4 115**

Major components of tax expense

	31.12.2010	31.12.2009
Current income tax	118 432	141 234
Current income tax of prior periods	-14 960	576
Deferred tax expense relating to the origination		
and reversal of temporary differences	6 503	-4 115
(variance in deferred tax assets from activities)		
Tax expense	**109 975**	**137 695**

At the end of 2009, the Group has unused tax losses arising from Orange S.A. for 39,924 thousand euros. These losses are available indefinitely for offset against future taxable profits of the Company in which the losses arose. However, due to the estimate of the future taxable profits together with the tax planning expected at the end of 2008, the deferred tax amounts were capped on a tax loss of 28,261 thousand euros.

In 2010, due to the positive result of Orange S.A. resulting from a conditional debt waiver, the capacity of recovering the carried forward taxable losses has been reviewed and adjusted to the remaining full amount of tax losses of the company.

Relationship between tax expense and accounting profit

	31.12.2010	31.12.2009
Consolidated accounting profit before taxes	373 526	397 976
Tax at the applicable rate of 33.99%	**126 961**	**135 272**
Tax effect of permanent differences:		
* Expenses that are not deductible in determining taxable profit	2 914	2 806
* Irisnet pre-tax loss not deductible	85	-32
Tax credit on investment	-557	-563
Tax deductible risk capital	-675	-1 442
Tax credits on business combination	-3 793	1 078
Adjustment on prior years	-14 960	576
Current year tax expense	**109 975**	**137 695**
Effective tax rate	**29.44%**	**34.60%**

6. Inventories (in 000 euros)

	31.12.2010	31.12.2009
Finished goods (i.e. handsets and SIM cards)		
Inventories - Gross amount	12 062	11 486
Reserve for obsolete and slow moving items	-1 763	-1 412
Inventories - Net carrying amount	10 299	10 073
Inventories - Cost recognised as an expense during the period	**158 782**	**133 939**

The amount of provision for obsolete and slow moving items related to inventories has generated an increase of expense amounting to 351 thousand euros, which is recognised in cost of sales.

7. Trade receivables (in 000 euros)

	31.12.2010	31.12.2009
Trade receivables - Gross value	257 417	252 402
Allowance for doubtful debtors	-51 450	-47 958
Trade receivables - Net carrying amount	**205 967**	**204 444**

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

Trade receivables are non-interest bearing and are generally paid via direct debits. Trade receivables which are not paid via direct debits mainly bear a payment term of 30 days end of month.

Trade receivables: Allowance for doubtful debtors reconciliation

	Balance Sheet					Income Statement	
	31.12.2010	Accrual	Reversal	MES entry in perimeter	31.12.2009	31.12.2010	31.12.2009
Hardware Customers	-5 875				-6 902	-1 027	1 525
Airtime Customers	-45 575				-41 056	1 768	5 706
Total allowance for doubtful debtors	**-51 450**	**-12 516**	**11 748**	**-2 751**	**-47 958**	**741**	**7 231**

Trade receivables: Ageing Balance

	Trade receivables - Net carrying amount	Not Past Due	Less than 180 days	Between 180 days and 360 days	More than 360 days
2010	205 967	133 802	48 171	14 935	9 059
2009	204 444	121 630	51 996	10 477	20 372

The increase of the allowance for doubtful debtors is related to the increase of open debtor position reinforced by an increased difficulty to collect the receivables.

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

	31.12.2010	31.12.2009
Local and regional taxes on pylons	41 937	34 991
Impairment on taxes on pylons	-41 937	-34 991
Prepayments	13 818	10 002
VAT to be recovered	86	1 506
Other current assets	9 886	5 309
Total other current assets	**23 790**	**16 817**
Accrued revenues	**30 181**	**29 287**
Total	**53 971**	**46 104**

Local and regional taxes on GSM pylons, masts and antennae

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

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

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

The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to 41.9 million euros and is subject to a bad debt provision for the whole amount, of which 6.9 million euros correspond to the 2010 financial year. The provision is recorded under the ‘Other operating charges’ heading in the profit and loss account.

Prepayments

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

Other current assets

Other current assets have increased due to the integration of the amounts to recover by MES from third parties in specific litigation (provisions related to these claims have been recorded in the liability section, amount in other current assets corresponds to the amount to recover from third parties in case of costs are incurred) and to the recording of prepaid interests on the licence renewal.

Accrued revenues

Accrued revenues are made of two types of items: estimated amounts of revenues not billed and adjustments to revenues considered in context of some tariff plans including free advantages for which the allocation period is different from the loyalty period (for example). These accrued revenues remained stable from one year to another.

9. Cash and cash equivalents (in 000 euros)

	31.12.2010	31.12.2009
Total cash and cash equivalents	**12 959**	**10 009**

Short-term deposits with France Télécom have a maturity of 1 month and bear interests according to the market conditions.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash, short-term deposits and cash equivalents is 12,959 thousand euros.

10. Earnings per share (in 000 euros)

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

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

	31.12.2010	31.12.2009
Net profit attributable to ordinary equity holders of the parent	263 551	260 281
Weighted average number of ordinary shares for basic earnings per share	60 014 414	60 014 414
Effect of dilution	NA	NA
Weighted average number of ordinary shares adjusted for the effect of dilution	60 014 414	60 014 414

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

11. Equity (in 000 euros)

Share capital

Changes during 2009

No changes have been performed during the year 2009.

Changes during 2010

A part of the legal reserve recorded as at the end of 2009 has been transferred to the share capital by the Shareholders' meeting decision on 5 May 2010 for an amount of 22,541 thousand euros.

	Share Capital	Number of ordinary shares
As at 31 December 2009	**109 180**	**60 014 414**
As at 1 January 2010	**109 180**	**60 014 414**
Transfer from Legal Reserve	22 541	
As at 31 December 2010	**131 721**	**60 014 414**

All ordinary shares are fully paid and have a par value of 2.195 euros (1.819 euro in 2009).

Legal reserve

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

A capital increase by legal reserve incorporation has been approved by the shareholders meeting on 5 May 2010.

	2010	2009
As at 1 January	**35 714**	**35 714**
Transfer to Share Capital	-22 541	
As at 31 December	**13 173**	**35 714**

Retained earnings

	2010	2009
As at 1 January	**295 933**	**307 589**
Current year profit after taxes	263 551	260 281
Dividend paid	-273 066	-273 066
Incentive plan on France Télécom shares		1 276
Equity transaction costs	-142	-147
As at 31 December	**286 276**	**295 933**

Shareholders' remuneration

At the annual General Assembly of shareholders to take place on 4 May 2011, the Board of Directors will propose to approve the following shareholders' remuneration scheme:

Dividend 2010

The number of shares receiving a dividend based on the distribution of the result 2010 amounts to 60,014,414 shares.

Number of ordinary shares as at the date of dividend payment	60 014 414
Gross ordinary dividend per ordinary share, in euros	2.90
Total ordinary dividend 2010 (000 euros)	174 042
Gross extraordinary dividend per ordinary share, in euros	1.40
Total extraordinary dividend 2010 (000 euros)	84 020

The dividend relating to the financial year 2010 has not been recognised as a liability at the balance sheet date as the approval of the annual General Assembly of shareholders will take place after the balance sheet date.

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, buy back shares or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009. Capital management is based on the shareholder's equity.

In line with the above described objective, Mobistar distributed 273.1 million euros to its shareholders during the 2010 financial year. This distribution took the form of an ordinary dividend of 2.90 euros per ordinary share and an extraordinary dividend of 1.65 euro per ordinary share.

12. Share-based payment

Incentive plan on France Télécom shares

2008

The Remuneration Committee of Mobistar approved at the end of 2007 the participation of Mobistar to the incentive plan issued by France Télécom on its own shares or on treasury equivalent. This plan includes retention conditions between 2007 and 2009 (last condition for the participants to be active on 4 December 2009) and France Télécom performance indicators related to cash flow generated during 2007 and 2008 (conditions which have been reached for both years). It applies to all Mobistar employees. Mobistar has been reimbursed in full by France Télécom. As such, the plan has been considered as an equity settled share-based payment plan for Mobistar.

The plan has been accounted for as at 31 December 2008 based on the following data:

- Share value as at 18 March 2008 (the grant date):	21.50 euros
- Risk free interest rate:	3.48 %
- Probability to get performance objectives:	100 %
- Dividend yield:	6.0 %
- Vesting period:	from 18/03/08 to 4/12/09
- Number of treasury equivalent instruments used for calculation:	106 827

The fair value has been estimated using a binomial pricing model, taking into account the terms and conditions upon which the instruments are granted.

Expenses arising from the 'Incentive plan on France Télécom shares' have been recorded in 2008 for an amount of 1.3 million euros.

2009

On 4 December 2009, all shares covered by the plan were vested. No cancellations or forfeitures occurred. An expense of 1.3 million euros has been recorded during the year to cover the costs related to the plan. Amounts have been paid in February 2010.

2010

No plans have been approved and managed during the year 2010.

13. Long-term provisions (in 000 euros)

2010	01.01.2010	Additions	Utilisations	Reversal	Unwinding effect	31.12.2010
Outstanding litigations	4 655	3 448		-3 049		5 054
Network sites dismantling costs	7 538	4 004	-187	-308	280	11 327
Office refurbishment costs	2 448	2 054	-2 257	-53		2 192
Total	**14 641**	**9 506**	**-2 444**	**-3 410**	**280**	**18 573**

2009	01.01.2009	Additions	Utilisations	Reversal	Unwinding effect	31.12.2009
Outstanding litigations	6 453	1 977	-1 443	-2 332		4 655
Network sites dismantling costs	7 569	62	-372		279	7 538
Office refurbishment costs	1 084	1 364				2 448
Total	**15 106**	**3 403**	**-1 815**	**-2 332**	**279**	**14 641**

Outstanding litigations

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

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

Since 2010 the outstanding litigations include a contingent liability relating to VAT claims of Mobistar Enterprise Services S.A. (see note 1 on Business Combinations).

Network sites dismantling provision

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

	31.12.2010	31.12.2009
Number of network sites Orange S.A. included (in units)	4 311	4 313
Average dismantling cost per network site	11	11
Inflation rate	2.0%	2.0%
Discount rate	4.0%	4.0%

Although size and installation on site may slightly vary from site to site, the provision is calculated on an average dismantling cost which is based on the actual costs incurred in the past for similar activities.

For sites of a bigger size, like POP's or MSC's and BSC's, the provision is calculated on the surface area of the sites rented and an average dismantling cost per m^2 based on past similar experience. The part of the provision related to this type of sites amounts to 3,866 thousand euros.

It is rather not practicable to estimate the timing of the cash outflows since, although it is assumed that all the network sites will be dismantled in the future, the provision is measured based on the known term of the existing rental contracts but with a high probability of renewal upon each renewal date.

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

Office refurbishment costs

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

Waste Electrical and Electronic Equipment

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

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

14. Financial instruments (in 000 euros)

Financial risk management objectives and policies

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

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

Interest rate risk

As a result of the exceptionally high distribution to its shareholders paid out in 2008 (nearly 600 million euros), the Company showed a debt amounting to 300.8 million euros on 31 December 2010. The Company didn't hedge the interest rate risk on the debt that bears interests based on EONIA + 65 Bps and Euribor + 65 Bps.

Foreign currency risk

The Company is not subject to significant foreign currency risks.

Credit risk

Mobistar trades only with recognised, creditworthy third-parties. It is Mobistar's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivable balances are monitored on an ongoing basis. See notes 7 & 8.

Allowance for doubtful debtors is calculated based on different criteria depending on the type of customers. Hardware customers allowance is based on individual evaluation of the customer financial reliability on a case by case basis. In some circumstances, payment terms are defined as cash on delivery. For Airtime customers, allowance is based on a percentage of turnover generated combined with ageing of the open items. Percentages are defined based on customer segmentation, previous years recovery experience. Yearly review is made of all the indicators.

Liquidity risk

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

Interest-bearing loans and borrowings

	Nominal amount end 2010	Interest rate	Maturity	31.12.2010	31.12.2009
Unsecured revolving credit facility agreement with					
Atlas Services Belgium	450 000	Euribor + 0.65	31.12.2015	270 000	
Transaction costs on long-term loan				-2 250	
Other financial debt				161	
Total long-term loans and borrowings				**267 911**	**0**
Unsecured revolving credit facility agreement with					
France Télécom					50 000
Cash-pool related credit facility with France Télécom	50 000	EONIA + 0.65	on demand	30 658	245 479
Uncommitted credit lines with various banks	50 900	determined upon	on demand		
		withdrawal			
Share of a joint venture loan (Irisnet)	2 727	determined upon	on demand	2 235	2 457
	maximum	withdrawal			
Total short-term loans and borrowings				**32 893**	**297 936**

Fair values

	Carrying amount		Fair value	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Financial assets				
Cash and cash equivalent	12 959	10 009	12 959	10 009
Other financial assets (non-current)	162	162	162	162
Short-term receivables (1)	1 808	2 142	1 782 **	2 116 *
Long-term receivables (non-current) (1)	7 338	11 214	7 121 **	10 929 *
Trade receivable (1)	205 967	204 444	205 967	204 444
Other current assets (1)	21 982	14 675 (2)	21 982	14 675 (2)
Financial liabilities				
Long-term borrowing	270 000		263 390**	
Long-term trade payable	43 195		42 491 **	
Short-term borrowing (>1 year falling due <1 year)		50 000		49 083 *
Short-term borrowing	30 658	245 479	30 658	245 479
Share of a joint venture loan (Irisnet)	2 235	2 457	2 235	2 457
Total short-term borrowings	32 893	297 936	32 893	297 019
Trade payables	310 943	266 385	310 943	266 385
Other payables	4 473	2 491	4 473	2 491

* Discount rates (assumption) have been considered on the estimated period of repayment (1 year: 1.21%, 2 years: 1.8669%, 3 years: 2.274%, 4 years: 2.5838%, 5 years: 2.8404%).

** Discount rates (assumption) have been considered on the estimated period of repayment (1 year: 1.48%, 2 years: 1.5615%, 3 years: 1.9529%, 4 years: 2.2217%, 5 years: 2.5094%).

(1) See note 4.12 related to the accounting principles (loans and receivables).

(2) Figure displayed under this header in the 2009 annual report was 16,817. It has been adapted to 14,675 in the 2010 report as the value displayed under the header 'short-term receivable' for an amount of 2,142 had been incorrectly included a second time in the 16,817.

As at 31 December 2010, the Group held no significant financial instruments measured at fair value.

The carrying amount of cash and cash equivalent, trade receivables and other assets, trade payables and other payables is deemed to represent their fair value considering the associated short-term maturity. Other non-current financial assets are measured at amortised costs which are deemed to represent their fair value.

The carrying amount of the joint venture loan overdraft is deemed to represent their fair value taking into account the associated short-term maturity.

Maturity

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

Year ended December 2009	Amount	Within 1 year	Within 2-5 years	More than 5 years
Financial assets				
Cash and cash equivalent	10 009	10 009		
Other financial assets (non-current)	162			162
Long-term receivables (non-current)	13 356	2 142	3 038	8 176
Financial liabilities				
Short-term borrowing (>1 year falling due <1 year)	50 000	50 000		
Short-term borrowing	245 479	245 479		
Share of a joint venture loan (Irisnet)	2 457	2 457		

Sensitivity

As indicated above, the main risk area related to external variable elements is the cost of borrowing. Considering an average indebtedness of 300 million euros for 2010, a variation of floating rate of 0.5 % would have meant an impact on financing costs of 1.5 million euros.

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

	31.12.2010	31.12.2009
Payable on licence acquisition over 1 year	43 194	0
Total long-term trade payable	**43 194**	**0**

This amount represents the part payable over more than one year relating to the renewal of the 2G licence. The company has indeed opted for the deferred payment approach (43.2 million euros as at 31 December 2010).

Interests on this payable have been paid in advance for the year 2011 in December 2010. These interests have been calculated based on a provisional rate of 3.25 %.

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

	31.12.2010	31.12.2009
Trade payables	**310 943**	**266 385**
Employee benefits related liabilities		
Salaries and termination pay	3 274	2 139
Social security contributions	934	1 584
Holiday pay	18 036	12 947
Performance and Profit Sharing bonus	7 121	8 285
Other	2 046	398
Total	**31 411**	**25 353**
Current taxes payable		
Corporate taxes - 2006		763
Corporate taxes - 2007	288	3 857
Corporate taxes - 2008		5 309
Corporate taxes - 2009	21 149	27 234
Corporate taxes - 2010	60 733	
Value added tax & other taxes	1 072	278
Total	**83 242**	**37 441**
Deferred income	**77 684**	**67 999**
Other payables		
Dividend 2004	41	45
Dividend 2005	84	96
Dividend 2006	79	97
Dividend 2007	55	80
Reimbursement share capital 2008	119	207
Dividend 2008	177	496
Dividend 2009	300	
Other liabilities	3 618	1 470
Total	**4 473**	**2 491**

Except for the short-term payable related to the 2G licence renewal, trade payables are non-interest bearing and are normally settled on 30 to 60-day terms. The impact of MES integration on the trade payable section is important and amounts to 23,841 thousand euros.

Variation of corporate tax payable is due to the reduction in tax prepayment for the year 2010 compared to the level of tax prepayment made in 2009.

Variation of the employee benefits related liabilities is mainly due to adjustment of the holiday pay accrual.

Deferred income relates to the portion of the upfront payments made under some tariff plans not used at closing date and to the amount of prepaid cards issued but not used.

17. Income statement (in 000 euros)

Turnover

	2010	2009
Revenue from subscription contracts	936 044	879 232
Revenue from prepaid subscription cards	179 216	206 876
Interconnection revenue	342 314	336 199
Site sharing rental income	2 516	2 584
Other services	55 553	19 939
Total service revenue	1 515 643	1 444 830
Sale of equipment	148 977	122 348
Total	**1 664 620**	**1 567 178**

The increase in turnover continues to be influenced by the handsets sales activities (increased by 26,629 thousand euros) which are still boosted by the sales of smartphones.

Other operating revenue

	2010	2009
Expenses recharged to France Télécom Group	9 923	11 637
Administrative costs recharged to customers and third-parties	15 498	14 434
Services rendered to judicial authorities	4 740	4 646
Other operating revenue	3 032	6 895
Total	**33 192**	**37 612**

Interconnection costs

Interconnection costs continues to increase (+6.6 %), from 358.1 million euros in 2009 to 381.8 million euros in 2010.

Costs of equipment and goods sold

	2010	2009
Purchase of goods	160 838	143 619
Purchase of services	139 205	106 568
Total	**300 043**	**250 187**

Costs of equipment and goods sold recorded an increase of 49.8 million euros reaching 300.0 million euros at the end of 2010 as a result of the growth in revenue from equipment sales, especially in the area of smartphones (17.2 million euros) and the contribution of MES related to the sites cost (25.8 million euros).

Services and other goods

	2010	2009
Rental costs	25 522	27 497
Maintenance	20 683	16 683
Professional fees	61 736	55 318
Administration costs	18 410	19 569
Commissions	112 900	101 947
Universal service	5 074	2 993
Advertising and promotions	49 698	40 719
Other	12 911	6 740
Total	**306 934**	**271 466**

The cost of services and other goods sold increased by 35.4 million euros reaching 306.9 million euros due to an increase of the commissions (+10.9 million euros), in commercial expenses (+8.9 million euros), in management fees (+5.0 million euros), in honoraries and consultancy (+4.3 million euros), slightly compensated by a decrease in utilities costs (building and postage costs mainly) (-1.6 million euros). Orange S.A. costs remained stable.

Employee benefits expenses

	2010	2009
Short-term employee benefits	104 442	99 269
Social Security contributions	29 627	26 846
Group insurance and medical care	5 471	5 866
Other personnel costs	1 263	1 167
Total	**140 803**	**133 148**

Short-term employee benefits are presented net of employee benefits expenses internally capitalised as intangible and tangible assets totalling 3,722 thousand euros in 2010 and 3,882 thousand euros in 2009. Expenses arising from the 'Incentive plan on France Télécom shares' have been recorded in this caption in 2009 for an amount of 1.3 million euros; there was no such plan held in 2010 (see note 12).

The average full-time equivalent number of employees increased from 1,472.4 in 2009 to 1,677.1 in 2010. The increase has been influenced by the acquisition of MES (+133 persons).

The amount paid as expenses related to the defined contribution pension plan and included in the 'Group insurance' amounted to 4,637 thousand euros for 2009 and 4,254 thousand euros for 2010.

Other operating charges

	2010	2009
Inventories - obsolete and slow moving items	340	403
Trade receivables - realized losses	11 748	8 556
Trade receivables - accrual variation	768	7 231
Impairment on local taxes on GSM antennas and pylons	6 946	6 930
Property taxes	3 210	2 326
Long-term provisions	-2 966	-2 130
Capital loss on assets sold		143
Other operating charges	-483	1 405
Total	**19 563**	**24 864**

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

Financial result

	2010	2009
Financial income		
Interest on deposits and current bank accounts	514	690
Other financial income	105	729
Total	**619**	**1 419**
Financial costs		
Interest on financial debts	2 853	3 761
Other financial charges	2 278	2 367
Total	**5 131**	**6 128**
Total net financial costs	**-4 512**	**-4 709**

Net financial incomes continued to be influenced by the low interests rates applied during the year. Other financial charges are mainly related to bank costs and foreign exchange losses on roaming transactions.

18. Relationships with related parties (in 000 euros)

Relationships with affiliated enterprises

Balance sheet and income statement

	31.12.2010	31.12.2009
Assets and liabilities		
Short-term trade receivables	22 568	30 476
Liabilities		
Short-term interest-bearing loan	30 810	295 479
Long-term interest-bearing loan	267 750	
Short-term trade payables	12 769	15 859
Income and charges		
Sales	53 113	59 243
Purchases	38 791	44 273

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

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

Related party - 2010 transactions

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Ultimate parent company				
France Télécom - Traffic and services	42 407	29 427	16 371	10 121
France Télécom - Borrowing		2 699		30 810
France Télécom subsidiaries				
Airtime traffic and services	10 706	6 665	6 197	2 648
Atlas Services Belgium - Borrowing				267 750
Total	**53 113**	**38 791**	**22 568**	**311 329**

Related party - 2009 transactions

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Ultimate parent company				
France Télécom - Traffic and services	44 517	34 437	22 661	13 935
France Télécom - Cash pooling		3 578		295 626
France Télécom subsidiaries				
Airtime traffic and services	14 726	6 258	7 815	1 777
Total	**59 243**	**44 273**	**30 476**	**311 338**

Terms and conditions of transactions with related parties

The terms and conditions applied to sales and purchases of traffic and services, to the centralised treasury management agreement and to the revolving credit facility agreement are determined at arm's length basis according to the normal market prices and conditions.

There is no outstanding guarantee provided to or received from any related parties at the balance sheet date. No allowance for doubtful debtors on amounts owed by related parties is outstanding at the balance sheet date.

Relationships with Board of Directors members and senior management

The total employee benefits and compensation, including employer social security contributions, attributed to the members of the Executive Committee of Mobistar, and recognized as an expense during the period, are as follows:

	2010	2009
Basic remuneration (gross annual salary)	1 760	1 566
Variable remuneration	2 619	956
Post employment benefits (defined contribution pension plan)	285	258
Other elements of remuneration	118	72
Total employee benefits	**4 781**	**2 851**

The total remuneration attributed to the Board of Directors (excluding the normal compensation of the CEO which is included in the table above) is as follows:

	2010	2009
Total remuneration	**362**	**302**

19. Commitments and contingencies (in 000 euros)

Purchases

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2009	2010				
Intangible and tangible assets	76 845	126 094	126 094	0	0	0
Inventories	20 014	45 754	45 754	0	0	0
Other services	0	6 500	6 500	0	0	0

Operational leases costs

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2009	2010				
Offices	83 458	76 156	6 103	10 080	10 239	49 733
Network sites	325 217	385 628	27 278	51 759	40 940	265 650
Cars	11 843	12 248	1 281	7 518	3 449	0
Total	**420 518**	**474 032**	**34 663**	**69 357**	**54 629**	**315 383**

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

Guarantees received

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2009	2010				
Total	**0**	**180 000**	**0**	**0**	**0**	**180 000**

Guarantees granted

	Commitments end of		< 1 year	1-3 years	3-5 years	> 5 years
	2009	2010				
Total	**10 311**	**8 744**	**1 045**	**218**	**1 133**	**6 348**

Guarantees granted are related to various lease agreements (2,552 thousand euros in 2010) and to network performance commitment granted to some corporate customers (6,192 thousand euros in 2010). No other security (mortgage, pledge or other) has been granted on Mobistar assets as at 31 December 2010.

Purchase agreement

No purchase agreement has been signed in 2010.

Events after the balance sheet date

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

20. Operating segment information (in 000 euros)

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

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

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

As far as balance sheet allocation is considered, unallocated amounts in the Belgian segment mainly correspond to the investments in affiliated companies (87.0 million euros in Orange S.A. and 65.0 million euros in Mobistar Enterprise Services S.A.), deferred tax assets (1.7 million euros) and loan to Orange S.A. (5.2 million euros) for the assets and to financial loans (300.8 million euros), deferred and current taxes (84.3 million euros) and amounts payables for dividend and equity transactions (4.2 million euros) for the liabilities. Indeed, these various elements are managed at Group level.

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

2009	31.12.2009 Belgium				31.12.2009 Luxembourg	Interco Elimination	Mobistar Group
	Mobile	Fix	Unallocated	Total			Total
Goodwill	10 558			10 558	68 574	155	79 287
Intangible and tangible assets	700 859	49 749		750 608	33 794		784 402
Financial assets			117 017	117 017		-117 017	
Deferred taxes assets			767	767	6 536		7 303
Other non-current assets	11 289		78	11 367	84		11 451
Inventories	9 332			9 332	741		10 073
Trade receivable	150 660	48 570		199 230	6 131	-917	204 444
Other current assets	42 627	6 362	110	49 099	830	-3 825	46 104
Cash and cash equivalent	9 157			9 157	852		10 009
Segment assets	**934 482**	**104 681**	**117 972**	**1 157 135**	**117 542**	**-121 604**	**1 153 073**
Long-term interests-bearing borrowings					30 000	-30 000	
Long-term provisions	13 908			13 908	733		14 641
Amount payable after more than one year falling due within one year			50 000	50 000			50 000
Financial liabilities			247 936	247 936	3 805	-3 805	247 936
Trade payables	225 030	29 259		254 289	13 013	-917	266 385
Taxes	9	31	37 034	37 074	367		37 441
Salaries and social security	19 964	4 935		24 899	454		25 353
Deferred income	62 771	3 294	1 083	67 148	871	-20	67 999
Other current liabilities	261		2 230	2 491			2 491
Segment liabilities	**321 943**	**37 519**	**338 283**	**697 745**	**49 243**	**-34 742**	**712 246**
Capital expenditure	112 512	25 607		138 119	8 163		146 282
Depreciation and amortisation	137 969	4 709		142 678	11 682		154 360
Impairment losses recognised in profit or loss	9 953			9 953			9 953
Non-cash expenses other than depreciation	1 023	253		1 276			1 276

2010	31.12.2010 Belgium				31.12.2010 Luxembourg			Mobistar Group
	Mobile	Fix	Interco Elimination	Total	Mobile	Interco Elimination	Total	Total
Revenue								
Total service revenue	1 330 847	146 030	-1 702	1 475 175	42 779	-2 311	40 468	1 515 643
Handsets sales	144 198	9	-7 577	136 630	12 607	-260	12 347	148 977
Total turnover	1 475 045	146 039	-9 279	1 611 805	55 386	-2 571	52 815	1 664 620
Other operating revenue	28 900	5 185	-872	33 213	441	-462	-21	33 192
Total revenue	**1 503 945**	**151 224**	**-10 151**	**1 645 018**	**55 827**	**-3 033**	**52 794**	**1 697 812**
Operating expenses								
Interconnection costs	-321 735	-47 185	2 114	-366 806	-16 567	1 594	-14 973	-381 779
Costs of equipment and goods sold	-230 848	-58 925	521	-289 252	-18 369	7 578	-10 791	-300 043
Services and other goods	-259 556	-40 679	555	-299 680	-7 254		-7 254	-306 934
Employee benefits expenses	-113 502	-20 897		-134 399	-6 404		-6 404	-140 803
Depreciation, amortisation and impairment	-145 212	-17 527		-162 739	-7 913		-7 913	-170 652
Other operating charges	-15 984	-3 090	822	-18 252	-1 311		-1 311	-19 563
Total operating expenses	**-1 086 837**	**-188 303**	**4 012**	**-1 271 128**	**-57 818**	**9 172**	**-48 646**	**-1 319 774**
Result of operating activities	**417 108**	**-37 079**	**-6 139**	**373 890**	**-1 991**	**6 139**	**4 148**	**378 038**
Net finance costs				-33 954	29 442		29 442	-4 512
Result of operating activities after net finance costs				339 936	27 451		33 590	373 526
Tax expense				-105 089	-4 886		-4 886	-109 975
Net profit or loss				234 847	22 565		28 704	263 551

2009	31.12.2009 Belgium				31.12.2009 Luxembourg			Mobistar Group
	Mobile	Fix	Interco Elimination	Total	Mobile	Interco Elimination	Total	Total
Revenue								
Total service revenue	1 323 650	86 302	-1 232	1 408 720	37 742	-1 632	36 110	1 444 830
Handsets sales	119 230	37	-4 753	114 514	7 834		7 834	122 348
Total turnover	1 442 880	86 339	-5 985	1 523 234	45 576	-1 632	43 944	1 567 178
Other operating revenue	34 188	3 289	-17	37 459	293	-140	153	37 612
Total revenue	**1 477 068**	**89 628**	**-6 002**	**1 560 693**	**45 869**	**-1 772**	**44 097**	**1 604 790**
Operating expenses								
Interconnection costs	-310 856	-36 589	1 374	-346 071	-13 330	1 274	-12 056	-358 127
Costs of equipment and goods sold	-216 621	-24 538		-241 159	-13 982	4 954	-9 028	-250 187
Services and other goods	-245 925	-17 624	154	-263 395	-8 071		-8 071	-271 466
Employee benefits expenses	-102 544	-25 355	5	-127 894	-5 267	13	-5 254	-133 148
Depreciation, amortisation and impairment	-147 922	-4 709		-152 631	-11 682		-11 682	-164 313
Other operating charges	-22 422	-1 632		-24 054	-810		-810	-24 864
Total operating expenses	**-1 046 290**	**-110 447**	**1 533**	**-1 155 204**	**-53 142**	**6 241**	**-46 901**	**-1 202 105**
Result of operating activities	**430 778**	**-20 820**	**-4 469**	**405 489**	**-7 273**	**4 469**	**-2 804**	**402 685**
Net finance costs				-3 898	-811		-811	-4 709
Result of operating activities after net finance costs				401 591	-8 084		-3 615	397 976
Tax expense				-139 365	1 670		1 670	-137 695
Net profit or loss				262 226	-6 414		-1 945	260 281

2010	31.12.2010 Belgium				31.12.2010 Luxembourg			Mobistar Group
	Mobile	Fix	Unallocated	Total	Mobile	Interco Elimination	Total	Total
Cash flows from operating activities								
Profit before taxes	**417 108**	**-37 079**	**-33 954**	**346 075**	**-1 991**	**29 442**	**27 451**	**373 526**
Non-cash adjustments for:								
Depreciation, amortisation and impairment of fixed assets	145 213	17 527		162 740	7 913		7 913	170 653
Interest income			-593	-593				-593
Interest charges			2 922	2 922				2 922
Adjusted result of operating activities before net finance costs	**562 321**	**-19 552**	**-31 625**	**511 143**	**5 922**	**29 442**	**35 364**	**546 507**
Trade and other receivables	9 915	6 778	-6 933	9 760	-1 020	2 592	1 572	11 332
Trade and other payables	12 940	325	-85	13 180	-480	-1 281	-1 761	11 419
Net changes in working capital	**24 406**	**7 349**	**-7 018**	**24 737**	**-2 155**	**1 311**	**-844**	**23 893**
Tax paid	**0**	**0**	**-58 465**	**-58 465**	**0**	**0**	**0**	**-58 465**
Interests paid	**0**	**0**	**593**	**593**	**0**	**0**	**0**	**593**
Interests received	**0**	**0**	**-2 922**	**-2 922**	**0**	**0**	**0**	**-2 922**
Net cash from operating activities	**586 726**	**-12 203**	**-99 437**	**475 086**	**3 767**	**30 753**	**34 520**	**509 606**
Cash flows from investing activities								
Purchase of intangible and tangible assets	-143 278	-33 284	-58 067	-234 629	-5 182		-5 182	-239 811
Debt associated to purchase of assets (increase +, decrease -)	58 067			58 067				58 067
Acquisition of subsidiary			-63 078	-63 078				-63 078
Proceeds from sale of equipment					984		984	984
Reimbursement long-term loans granted			4 201	4 201				4 201
Net cash used in investing activities	**-85 211**	**-33 284**	**-116 944**	**-235 439**	**-4 198**	**0**	**-4 198**	**-239 637**
Cash flows from financing activities								
Net cash used in financing activities	**0**	**0**	**-267 019**	**-267 019**	**0**	**0**	**0**	**-267 019**
Net increase (+), decrease (-) in cash and cash equivalents	**501 515**	**-45 487**	**-483 400**	**-27 372**	**-431**	**30 753**	**30 322**	**2 950**
Cash and cash equivalents at beginning of period	**9 157**	**0**	**0**	**9 157**	**852**	**0**	**852**	**10 009**
Cash and cash equivalents at end of period	**510 672**	**-45 487**	**-483 400**	**-18 215**	**421**	**30 753**	**31 174**	**12 959**

2009	31.12.2009 Belgium				31.12.2009 Luxembourg			Mobistar Group
	Mobile	Fix	Unallocated	Total	Mobile	Interco Elimination	Total	Total
Cash flows from operating activities								
Profit before taxes	**430 778**	**-20 820**	**-3 898**	**406 060**	**-7 273**	**-811**	**-8 084**	**397 976**
Non-cash adjustments for:								
Depreciation, amortisation and impairment of fixed assets	147 922	4 709		152 631	11 682		11 682	164 313
Other non-cash expenses			1 276	1 276				1 276
Interest income			-691	-691				-691
Interest charges			3 761	3 761				3 761
Adjusted result of operating activities before net finance costs	**578 700**	**-16 111**	**448**	**563 037**	**4 409**	**-811**	**3 598**	**566 635**
Trade and other receivables	40 882	-6 766		34 116	518	683	1 201	35 317
Trade and other payables	-34 514	4 506	1 364	-28 644	3 426	-687	2 739	-25 905
Net changes in working capital	**8 142**	**-2 260**	**1 364**	**7 246**	**4 417**	**-4**	**4 413**	**11 659**
Tax paid	**0**	**0**	**-131 716**	**-131 716**	**0**	**0**	**0**	**-131 716**
Interests paid	**0**	**0**	**691**	**691**	**0**	**0**	**0**	**691**
Interests received	**0**	**0**	**-3 761**	**-3 761**	**0**	**0**	**0**	**-3 761**
Net cash from operating activities	**586 842**	**-18 371**	**-132 974**	**435 497**	**8 826**	**-815**	**8 011**	**443 508**
Cash flows from investing activities								
Purchase of intangible and tangible assets	-112 512	-25 607		-138 119	-8 163		-8 163	-146 282
Proceeds from sale of equipment	143			143				143
Long-term loans and advances granted			-9 917	-9 917				-9 917
Reimbursement long-term loans granted			7 000	7 000				7 000
Net cash used in investing activities	**-112 369**	**-25 607**	**-2 917**	**-140 893**	**-8 163**	**0**	**-8 163**	**-149 056**
Cash flows from financing activities								
Net cash used in financing activities	**0**	**0**	**-291 276**	**-291 276**	**0**	**0**	**0**	**-291 276**
Net increase (+), decrease (-) in cash and cash equivalents	**474 473**	**-43 978**	**-427 167**	**3 328**	**663**	**-815**	**-152**	**3 176**
Cash and cash equivalents at beginning of period	**6 833**	**0**	**0**	**6 833**	**0**	**0**	**0**	**6 833**
Cash and cash equivalents at end of period	**481 306**	**-43 978**	**-427 167**	**10 161**	**663**	**-815**	**-152**	**10 009**

21. Interests in the joint venture ‘Irisnet’ (in 000 euros)

The interests in the joint venture ‘Irisnet’ are recognised using the line-by-line reporting format in the proportionate consolidation method.

Aggregate amounts, including intercompany transactions, related to the interests held in the joint venture are detailed as follows:

	31.12.2010	31.12.2009
Non-current assets	8	8
Current assets	6 185	5 688
Total assets	**6 193**	**5 696**
Equity	-11 704	-11 453
Current liabilities	17 897	17 149
Total equity and liabilities	**6 193**	**5 696**
Income	4 828	5 128
Expenses	5 159	5 238

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

	31.12.2010	31.12.2009
Assets and liabilities		
Current assets - trade receivables	20 062	18 719
Current liabilities - trade payables	7 448	7 047
Current liabilities - deferred income	12 614	11 672
Income and charges		
Sales	4 945	5 257
Purchases	4 945	5 257

Mobistar has not incurred any contingent liabilities on its behalf or jointly with its partner in the joint venture or with the joint venture itself.

In the frame of the joint venture activity, Mobistar and the joint venture did not commit to any capital commitment as at the balance sheet date.

Statutory auditor's report

to the General Meeting of shareholders of Mobistar S.A. on the consolidated financial statements for the year ended 31 December 2010

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the consolidated financial statements as well as the required additional comments.

Unqualified opinion on the consolidated financial statements

We have audited the consolidated financial statements of Mobistar S.A. and its subsidiaries (collectively referred to as 'the Group') for the year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of € 1,303,184 thousand and the consolidated statement of income shows a profit for the year, share of the Group, of € 263,551 thousand.

Responsibility of the Board of Directors for the preparation and fair presentation of the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the Board of Directors and the Group's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the Group's financial position as at 31 December 2010 and of the results of its operations and its cash flows in accordance with IFRS as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Additional comments

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comments, which do not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements deals with the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the entities included in the consolidation are facing, and on their financial situation, their foreseeable evolution or the significant influence of certain facts on their future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Diegem, 30 March 2011

Ernst & Young Réviseurs d'Entreprises SCCRL
Statutory auditor
represented by

Herman Van den Abeele
Partner

Declaration by the responsible persons

Declaration by the responsible persons

We, the undersigned, Benoit Scheen, CEO, and Werner De Laet, CFO, declare that to our knowledge:

a) the financial statements drawn up in accordance with the prevailing accounting standards, give a faithful image of the assets, financial situation and results of the issuer and the companies included within its consolidation;

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

Benoit Scheen
CEO

Werner De Laet
CFO