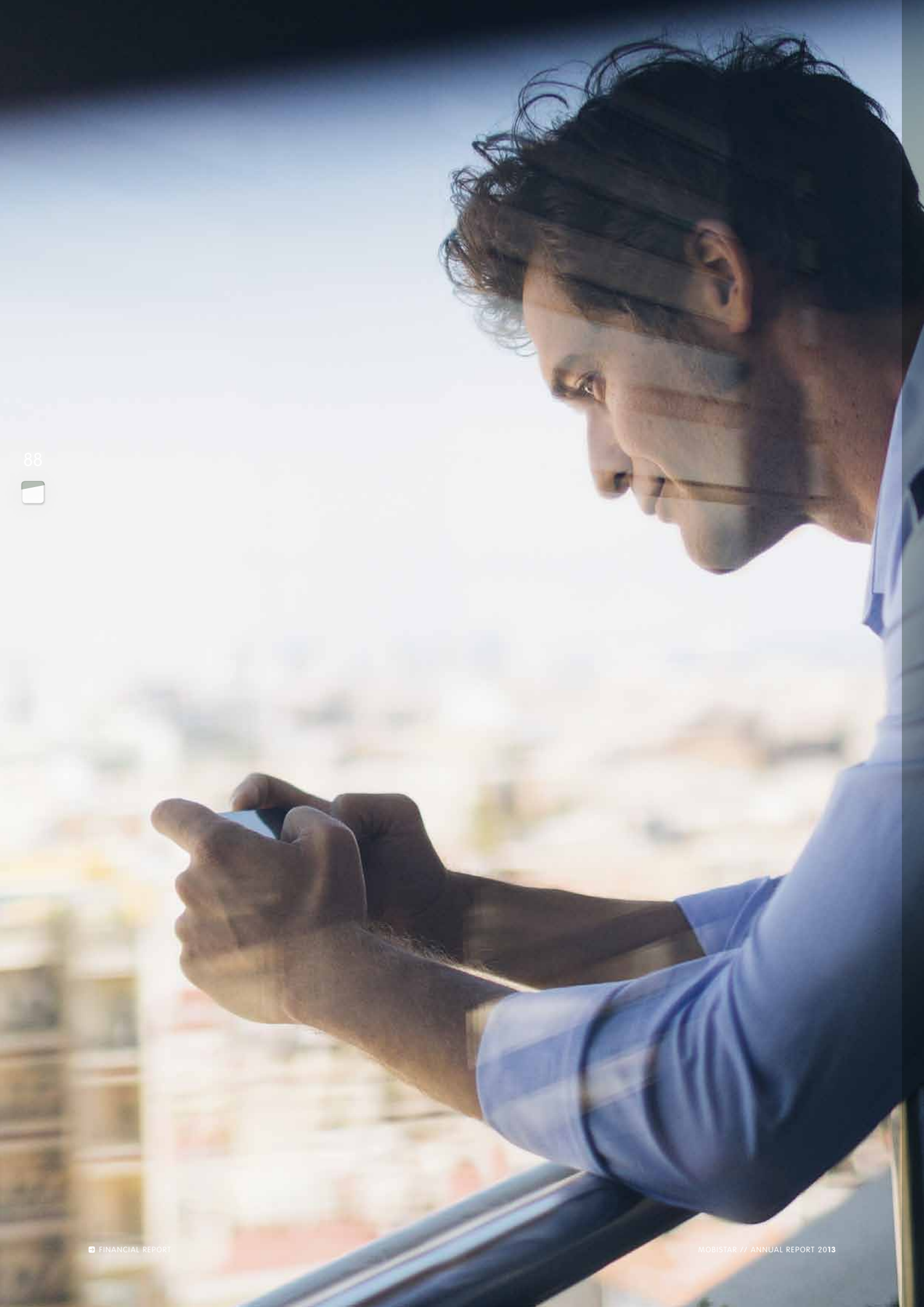




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Mobistar

1. Corporate Governance Statement

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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) on 28 June 2010 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 2013, 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 18 October 2013. This ninth version of the Corporate Governance Charter has entered into force on 1 December 2013. The Charter is available on the Mobistar website (http://corporate.mobistar.be/go/en/financial_information/corporate_governance.cf) and may be obtained on request from the Investor Relations Department.

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 Description of the five components of the internal control environment and risk management systems

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. The management and control of the company and the functioning of the management bodies are 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 Orange group.

Risk management process

The company has formalised a risk management charter. The "Mobistar Risk Management Charter" is 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 Committee", which comprises the members of the Executive Committee pursuant to the aforementioned charter. This information is also given to the Audit Committee.

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 Orange group, Mobistar Governance and Mobistar Financial Reporting are subject to the American Sarbanes-Oxley legislation. The control activities are carried out in the first place by the functional or operational managers under the supervision of their superiors. On top, the Sarbanes-Oxley framework is used for documenting the Financial Internal control of the most financially impacting activities. The whole documentation, including the Segregation of Duties matrices, is regularly reviewed and duly updated. Specific functions of assurance (i.e. "Fraud & Revenue Assurance"), compliance and audit (i.e. "Internal Audit") have also been set up and the budget control covers not only the budget aspects, but also key performance indicators. Indeed, in order to ensure adequate financial planning and follow-up, a financial planning procedure describing the planning, the quantification, the implementation and the review of the budget in alignment with the periodical forecasts, is closely followed. This process consists of the following 6 steps:

- ➊ Budget instructions: the budget instructions provide the operational translation of the strategic guidelines in budgets and objectives for the upcoming year.
- ➋ Quantification operational plan: translate the operational plans (budgets, revenues, throughput time) in one master planning.
- ➌ Budget validation: validation of the master budget by the Executive Management and the shareholders.

- ➍ Budget implementation and communication: communication of the validated budget to the different market units and departments.
- ➎ Budget review: review hypotheses and expectations used at budget development (from a cost and revenue perspective) and set objectives to outperform budget.
- ➏ Communicate forecast to shareholders: bi-annual communication to shareholders of revenue and cost actuals as well as forecasts.

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

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

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

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

Information and communication

The company maintains 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 "Learn Together").

An advanced electronic data processing and control processes (as described in the paragraph "Control activities" here 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 the paragraph "Risk management process" here above.

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





Mobistar aspires to be open and transparent in its disclosure to the public, customers, employees and other stakeholders. The Company publishes detailed quarterly financial reports providing a comprehensive set of key performance indicators and financial statements for each business segment (mobile and non-mobile operations in Belgium and in Luxembourg), accompanied by a breakdown of direct and indirect costs. These results are made available to the press four times a year and during two meetings and two conference calls/webcasts with the analysts. The provided information is accessible to all and available on the company's website (<http://corporate.mobistar.be>) in advance of the meetings.

Monitoring

As indicated in the paragraph "Risk management process" here above, in addition to the front-line control activities, specific functions of assurance, compliance and 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.

A corporate internal audit department, consisting of two members of the Institute of Internal Auditors, is organized in a way that ensures it can carry out its assignments with independence and impartiality. To this end, the internal audit manager reports to the Chief Executive Officer and the Audit Committee. The internal auditors respect the IIA's International Standards and are also submissive to the Mobistar corporate internal audit charter and ethics charter.

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

1.3 Relevant information as foreseen by the law of 2 May 2007 and the Royal Decree of 14 November 2007

On 31 December 2013, 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 %
Schroders	1 834 727	3.06 %
Free float (others)	26 426 587	44.03 %
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 a wholly owned subsidiary of Orange S.A.

In compliance with the transparency rules (article 15 of the law of 2 May 2007) on notifying the shareholders of companies listed on a regulated market, Mobistar maintains the notification thresholds of 3 %, 5 % and multiples of 5 %. During 2013 Schroders passed the threshold of 3 %.

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. All bearer shares should have been converted into registered or dematerialised shares by 1 January 2014. The bearer shares that have not been dematerialized by that date were transferred ipso iure to a securities account in the name of the company at Euroclear. All securities that have not been reclaimed by January 2015 shall be sold by the company pursuant to the provisions of the applicable legislation.

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 2013, the Board of Directors consisted of twelve members of which one executive director and eleven non-executive directors (of which four independent directors). No age limit has been fixed within the Board of Directors.

NAME	FUNCTION	MAIN FUNCTION	AGE	NATIONALITY	END OF MANDATE
Jan Steyaert	Chairman	Director of companies	68	Belgian	2014
Jean Marc Harion ⁽¹⁾ ⁽²⁾	Executive director	CEO Mobistar	52	French	2014
Conseils Gestion Organisation ⁽³⁾ ⁽⁴⁾	Independent director	Director of companies	NA	Belgian	2014
Eric Dekeuleneer ⁽³⁾	Independent director	CEO Credibe CEO University Foundation	61	Belgian	2014
Johan Deschuyffeleer ⁽³⁾	Independent director	Vice-President HP Technology Services	56	Belgian	2014
Société en Gestion, Conseil et Stratégie d'Entreprise ⁽³⁾ ⁽⁶⁾	Independent director	Director of companies	NA	Belgian	2014
Geneviève André ⁽¹⁾	Director	VP Governance & Performance (Orange)	58	French	2014
Benoît Scheen ⁽¹⁾	Director	EVP Europe (Orange)	47	Belgian	2014
Brigitte Bourgoin ⁽¹⁾	Director	Group Chief Compliance Officer (Orange)	60	French	2014
Bertrand du Boucher ⁽¹⁾	Director	VP Finance (Orange)	60	French	2014
Gérard Ries ⁽¹⁾	Director	Directeur des Participations Internationales (Orange)	59	French	2014
Wirefree Services Belgium ⁽¹⁾ ⁽⁵⁾	Director		NA	Belgian	2014

(1) Directors who represent the majority shareholder (Atlas Services Belgium S.A.).

(2) Director in charge of the daily management since 1 December 2011.

(3) The independent directors have signed a declaration stating they comply with the criteria of independence mentioned in the Belgian Companies Code.

(4) The company Conseils Gestion Organisation is represented by Mr Philippe Delaunois.

(5) The company Wirefree Services Belgium S.A. is a wholly owned subsidiary of Orange S.A. and is represented by Mr Aldo Cardoso.

(6) The company Société en Gestion, Conseil et Stratégie d'Entreprise (SOGESTRA) is represented by Mrs Nadine Lemaître-Rozencweig.





Board of Directors

Brigitte Bourgoin

Eric Dekeuleneer

Benoit Scheen

Bertrand du Boucher

Jean Marc Harion

Jan Steyaert



Geneviève André

Nadine Lemaître-Rozencweig

Johan Deschuyffeleer

Gérard Ries

Philippe Delaunois

The Board of Directors meets at least four times a year. In 2013, 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 follow-up of the strategic projects;
- the strategy with respect to fixed line activities, reports and access to cable;
- the status and evolution of the network including 4G roll-out and related licence(s);
- the functioning and resolutions of the committees set up by the Board of Directors;
- 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 association stipulate that the resolutions of the Board of Directors are taken by the majority of the votes cast.

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).

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

DIRECTORS	05/02	21/03	19/04	19/07	02/09	18/10	13/12
Jan Steyaert	P	P	P	P	P	P	P
Brigitte Bourgoin	P	P	P	R	P	P	P
WSB	P	P	P	P	R	E	P
Eric Dekeuleneer	P	R	P	P	P	P	P
Conseils Gestion Organisation	P	P	P	P	P	P	P
Bertrand du Boucher	P	P	P	P	P	P	P
Gérard Ries	P	E	E	P	E	P	P
Benoît Scheen	P	P	P	P	P	P	P
Johan Deschuyffeleer	P	P	P	P	P	P	P
SOGESTRA	P	P	P	P	E	P	P
Jean Marc Harion	P	P	P	P	P	P	P
Geneviève André	P	P	P	P	P	P	P

P: Present / E: Excused / R: Represented.



The Audit Committee

In 2013, the Audit Committee consisted of five directors: Mr Eric Dekeuleneer (Chairman), the companies Conseils Gestion Organisation (represented by Mr Philippe Delaunois) and Société en Gestion, Conseil et Stratégie d'Entreprise (SOGESTRA, represented by Mrs Nadine Lemaître-Rozencweig), and Messrs Bertrand du Boucher and 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 six times in 2013.

The principal subjects which have been discussed within the Audit Committee in 2013 are the following:

- the periodical financial, budget and activity reports;
- the internal control, including the quality aspects;
- the internal audit (plan, activities, reports and conclusions);
- the evaluation of the external audit and report of the statutory auditor;
- the risk management (cartography and important risks and events);
- the annual report concerning fraud prevention and "revenue assurance";

- the annual report concerning ethics;
- the annual report concerning the main disputes.

The Remuneration and Nomination Committee

In 2013, the Remuneration and Nomination Committee consisted of five directors: Messrs Benoit Scheen (Chairman), Eric Dekeuleneer and Jan Steyaert, and the companies Conseils Gestion Organisation (represented by Mr Philippe Delaunois) and Société en Gestion, Conseil et Stratégie d'Entreprise (SOGESTRA, represented by Mrs Nadine Lemaître-Rozencweig).

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 2013, the Remuneration and Nomination Committee met six times and examined, among others, the remuneration of the members of the Executive Management and the remuneration policy of the company. The committee reviewed the composition of the Executive Management and discussed the changes that occurred during the year 2013.

The Remuneration and Nomination Committee has also drafted the company's remuneration report and presented it to the Board of Directors.

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

DIRECTORS	04/02	18/04	18/07	17/10	15/11	12/12
Eric Dekeuleneer	P	P	P	P	P	P
SOGESTRA	P	P	P	P	P	P
Conseils Gestion Organisation	P	P	P	P	P	E
Bertrand du Boucher	P	P	P	P	P	P
Gérard Ries	P	E	E	E	E	P

P: Present / E: Excused.

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

DIRECTORS	05/02	05/03	19/04	24/05	18/07	24/10
Benoit Scheen	P	P	P	P	P	P
Jan Steyaert	P	P	P	P	P	P
Eric Dekeuleneer	P	E	P	P	P	P
SOGESTRA	P	P	P	P	P	P
Conseils Gestion Organisation	P	P	P	P	P	P

P: Present / E: Excused.



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 2013, the Strategic Committee consisted of eight directors: the company Conseils Gestion Organisation (represented by Mr Philippe Delaunois) (Chairman), Mrs Brigitte Bourgoin, Mrs Geneviève André, Messrs Johan Deschuyffeeler, Jan Steyaert, Gérard Ries, Benoît Scheen and Bertrand du Boucher.

In 2013, the Strategic Committee met six times and 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 strategy with regard to fixed lines and distribution;
- the quality and amelioration of the 3G network and the services;
- the follow-up of the opening of the cable;
- the follow-up of the auction for the 800 MHz licence;
- the trends of the market and the strategic positioning of the company;
- the auto-evaluation of the functioning of the Committee.

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 2013, the Governance Supervisory Committee consisted of five directors: Messrs Eric Dekeuleneer (Chairman) and Jan Steyaert, Mrs Geneviève André and the companies Wirefree Services Belgium (represented by Mr Aldo Cardoso) and Conseils Gestion Organisation (represented by Mr Philippe Delaunois).

In 2013, the Governance Supervisory Committee met twice.

The subjects dealt with in 2013 were, among others, the update of the Corporate Governance Charter, the evaluation of the committees, as well as the follow-up of the status of the dematerialization of the Mobistar shares.

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

DIRECTORS	18/01	26/03	28/06	18/07	20/09	15/11
Conseils Gestion Organisation	P	P	P	P	P	P
Brigitte Bourgoin	P	P	P	P	P	P
Jan Steyaert	P	P	P	P	P	P
Bertrand du Boucher	P	P	R	P	P	P
Gérard Ries	P	P	E	E	E	E
Benoît Scheen	P	P	P	P	P	P
Johan Deschuyffeeler	E	P	P	P	P	P
Geneviève André	P	P	P	P	P	P

P: Present / E: Excused / R: Represented.

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

DIRECTORS	05/02	17/07
Eric Dekeuleneer	P	P
WSB	P	P
Jan Steyaert	P	P
Conseils Gestion Organisation	P	P
Geneviève André	P	P

P: Present.



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

When replacing directors, one attempts as much as possible to appoint female candidates.

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

1.6 Composition and operation of the Executive Management

Mr Jean Marc Harion exercises the position of CEO since 1 December 2011.

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:

NAME	FUNCTION	
Jean Marc Harion	Chief Executive Officer	
Stéphane Beauduin	Chief Business Unit B2B Officer	
Paul-Marie Dessart	Secretary General	
Werner De Laet	Chief Financial Officer	until 2 May 2013
	Chief Executive Officer of Orange Communications Luxembourg S.A.	since 15 May 2013
Ludovic Pech	Chief Financial Officer	since 15 August 2013
Olivier Ysewijn	Chief Strategy Officer	until 30 November 2013
Anne Cambier	Chief People Officer	
Cristina Zanchi	Chief Customer Relationship Officer	until 30 November 2013
	Chief Consumer Officer	since 1 December 2013
Alain Oryn	Chief Customer Service Officer	since 1 December 2013
Bart De Groote	Chief Marketing Officer B2C	until 31 December 2013
Erick Cuvelier	Chief Information Officer	
Sven Bols	Chief Sales & Distribution Officer	
Gabriel Flichy	Chief Network Officer	





The Executive Management

Erick Cuvelier
Chief Information Officer

Ludovic Pech
Chief Financial Officer

Jean Marc Harion
Chief Executive Officer

Gabriel Flichy
Chief Network Officer

Paul-Marie Dessart
Secretary General



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Alain Ovin
Chief Customer Service Officer

Anne Cambier
Chief People Officer

Sven Bols
Chief Sales & Distribution Officer

Xavier Fortemps
Director Procurement & Efficiency

Werner De Laet
Chief Executive Officer of Orange
Communications Luxembourg S.A.

1.7 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 Orange 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.

1.8 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 the 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.

The Board of Directors and the committees were evaluated in February 2013. The results of this evaluation revealed no malfunction or evident lack of competence within the Board of Directors and the committees issuing from the latter.

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

1.9 Information regarding the remuneration connected to shares

In 2013, 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 2014 Annual Shareholders' meeting.

In the course of 2013, the company has not been informed of any transaction on the company's shares by a member of the Executive Management or by a member of the Board of Directors.

1.10 Remuneration report

Remuneration policy of Mobistar

Mobistar maintains a performance-oriented remuneration policy whose purpose is to motivate the employees to attain the company's objectives by encouraging individual performance. The remuneration policy fits within the framework of a more comprehensive "reward" strategy, including the involvement of the employees in the elaboration and implementation of the company's strategy, the work-life balance, the culture and values of the company.

This remuneration policy is constantly being re-evaluated in light of the markets, the collective stakes and Mobistar's objectives in order to motivate its employees, to promote personal commitment to the company's project and to present an attractive compensation on the job market. To do this, Mobistar works in collaboration with several universities in order to develop the best tools: classification of positions, elements composing the remuneration and remuneration levels for each type of position. The salary surveys used are chosen as a function of the sector, the size of the companies and the strategic stakes.



Components of the remuneration of the members of the Executive Management

In addition to the performance-oriented remuneration policy for all of its employees, Mobistar also has the ambition of compensating the members of the Executive Management in accordance with the short-term performance of the company and the attainment of the company's long-term strategic ambitions. All members of the Executive Management have the status of employee.

In the coming two years, the Remuneration and Nomination Committee foresees an evolution of the Executive Management's remuneration, in order to promote the achievement of a long-term ambition, while taking account of the very rapid evolution of the telecom world.

Structure of the remuneration of the members of the Executive Management

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

- ☉ Yearly basis remuneration
- ☉ Variable remuneration, based on the short- and long-term performance and encouraging the attainment of the company's objectives
 - a. Short-term variable remuneration called "performance bonus"
 - b. Short-term variable remuneration called "Strategic Letter"
 - c. Long-term variable remuneration called "Long-Term Retention Plan 2011-2013"

The General Assembly of May 2011 decided to apply the exception provided for in article 520ter of the Belgian Companies Code (combined with article 525) to take account of the competitive and constantly developing context that is intrinsic to the telecommunications sector. In 2013, the same remuneration policy as that of the previous years was applied for the members of the Executive Management concerning the performance bonus and the Strategic Letter.
- ☉ 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 and "éco-chèques"
 - f. Housing costs of the CEO and some members of the Executive Management

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

The remuneration policy concerning the Executive Management is assessed and discussed within the Remuneration and Nomination Committee that submits its propositions for approval to the Board of Directors.

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 benchmark while taking into consideration the respect of the internal equity within the company.

2. The variable short-term part – performance bonus

The short-term variable remuneration is a key element in the remuneration policy of the company. Based on salary surveys, the level of the target variable contractual remuneration lies between 35 % and 50 % of the yearly basis remuneration depending on the type of position. This variable remuneration consists of one part encouraging the attainment of the company's objectives and another part aimed to stimulate the individual performance.

- ☉ 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 achievement of the objectives of the company.
- ☉ The collective part which is based in 2013 on the financial indicators and the customer satisfaction, reflecting the company's strategic ambition to put its customers at the centre of its activity:
 - a. The consolidated turnover.
 - b. The EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization).
 - c. The Net Promotor Score (percentage of customers who are promoters - percentage of customers who are detractors).

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

The targets for the individual variable part are determined every semester. The targets for the collective variable part are fixed for the entire year, spread by semester based on the objectives of the company and validated by the Remuneration and Nomination Committee.

The result of the collective and individual 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 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.

3. The variable short-term part – 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 CEO benefits from a contractual “Strategic Letter”.

In 2013, a “Strategic Letter” has been granted to all the members of the Executive Management. This “Strategic Letter” is based on key operational performance indicators in the achievement of the company’s strategic ambitions.

The measured KPI’s are the following:

- Operating Cash-flow
- Churn
- Customer NPS Improvement
- Evolution of the indirect costs

4. Long-Term Retention Plan 2011-2013

The “Long-Term Retention Plan 2011-2013” is a withheld long-term bonus granted in 2011 in order to ensure the stability within the members of the Executive Management for a period of three years.

In 2013, the Long-Term Retention plan established in 2011 expired. The evaluation is based on a percentage applicable to the same financial KPI’s than the ones of the performance bonus and this for the two semesters of 2011 and the two semesters of 2012.

Granting of the Long-Term Retention plan launched in 2011 was linked to a condition of presence in March 2013 and has been granted under the form of options on shares which are not linked to the company.

These options shall be blocked during one year.

As the CEO started working for the company at the end of 2011, he does not participate to this plan, as it is the case for the members of the Executive Management who joined the Executive Management in the course of the 2011-2013 period.

This remuneration element will be reviewed for the 2014-2015 period, in order to stimulate the achievement of the long-term strategy of Mobistar.

5. Group insurance - additional pension plan

The additional pension plan is a plan with predefined contributions. The acquired reserve consists of employers’ and personal contributions.

6. Employee participation plan

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

In 2013, the Executive Management’s remuneration remained globally stable (subject to indexation) compared to 2012. Nevertheless, the total Executive Management’s remuneration shows in 2013 an increase due to certain exceptional elements:

- In 2012, the CEO’s remuneration included the variable remuneration for only half a year and no holiday pay due to the arrival of the CEO in December 2011.
- The maturity of the long-term retention plan 2011-2013 for the members of the Executive Management in place in 2011 and still in place in 2013; this long-term retention plan is not linked to the 2013 performance, but to the performance of the years 2011-2012.
- In 2013, more members of the Executive Management opted for the settlement of their performance bonus by way of options on shares which are not connected to the company, compared to 2012 (resulting in no additional cost for Mobistar).

It is also to be noted that the remuneration report 2013 stipulates the performance bonus for the periods S2 2012 and S1 2013 as a consequence of the timing difference. The S2 2013 bonus, linked to the results of the second semester 2013 will consequently be included in the remuneration report 2014.

THE DETAILED REMUNERATION OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT	2013	2012
CEO		
Gross basis remuneration	319 077	298 945
Gross variable remuneration (short-term) in cash and/or options on shares which are not connected to the company	213 011	76 240
Other components of the remuneration (excluding employers' contributions to the pension plan):	42 580	37 134
Risk insurance	9 356	9 866
Other components	33 224	27 268
Employers' contributions to the pension plan	64 547	70 961
Total	639 214	483 280
Gross variable remuneration (long-term) in cash and/or options on shares which are not connected to the company	-	-
Total	639 214	483 280
Executive Management (except the CEO)		
Gross basis remuneration	2 008 687	1 951 232
Gross variable remuneration (short-term) in cash and/or options on shares which are not connected to the company	1 077 196	885 465
Other components of the remuneration (excluding employers' contributions to the pension plan):	242 982	177 152
Risk insurance	53 395	47 766
Other components	189 587	129 385
Employers' contributions to the pension plan	350 353	287 614
Total	3 679 218	3 301 463
Gross variable remuneration (long-term) in cash and/or options on shares which are not connected to the company	1 105 010	-
Total	4 784 228	3 301 463
GLOBAL TOTAL	5 423 442	3 784 743

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

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

In 2013, the Executive Management (except the CEO) was composed of 9.8 full-time equivalents. In 2012, it was composed of 9.4 full-time equivalents. The members of the Executive Management who were not in service all year long are taken into account prorata temporis.

A redundancy payment corresponding to 13 months remuneration has been paid to Mr Bart De Groote (Chief Consumer Marketing Officer B2C) at the end of December 2013. A redundancy payment corresponding to 18 months remuneration has been paid to Mr Olivier Ysewijn (Chief Strategy Officer) at the end of November 2013.

No share, option or any other right to acquire shares of the company have been granted, exercised or have expired in 2013.

The remuneration policy for the directors

For 2013, the independent directors will receive a fixed annual remuneration of EUR 33,000 as well as an additional remuneration of EUR 2,200 per meeting of a statutory or ad hoc committee they have attended. These amounts have been determined on the basis of a benchmark realized on the BEL 20 companies. This remuneration will be paid (if necessary, prorata temporis) after the Annual General Meeting that approves the annual accounts of the financial year in question.

These directors are:

- Eric Dekeuleneer
- Conseils Gestion Organisation (represented by Philippe Delaunois)
- SOGESTRA (represented by Nadine Lemaître-Rozencweig)
- Johan Deschuyffeleer



For 2013, the Chairman of the Board of Directors, Mr Jan Steyaert, will receive a fixed annual remuneration of EUR 66,000 as well as an additional remuneration of EUR 2,200 per meeting of a Board of Directors' committee of which he is a member. As for the independent directors, these amounts have been determined on the basis of a benchmark realized on the BEL 20 companies. This remuneration will be paid (if necessary, prorata temporis) after the Annual General Meeting that approves the annual accounts of the financial year in question.

The following directors fulfil their mandate without remuneration:

- Jean Marc Harion ⁽¹⁾
- Brigitte Bourgoïn
- Bertrand du Boucher
- Gérard Ries
- Wirefree Services Belgium
(represented by Mr Aldo Cardoso)
- Geneviève André
- Benoît Scheen

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

The detailed remuneration of the directors:

in EUR

DIRECTORS	FIXED YEARLY REMUNERA- TION	AUDIT COMMITTEE	REMUNERA- TION AND NOMINATION COMMITTEE	STRATEGIC COMMITTEE	GOVERNANCE SUPERVISORY COMMITTEE	TOTAL
Jan Steyaert (Chairman of the Board of Directors)	66 000	0	13 200	13 200	4 400	96 800
Conseils Gestion Organisation (represented by Mr Philippe Delaunois) (independent director)	33 000	11 000	13 200	13 200	4 400	74 800
Eric Dekeuleneer (independent director)	33 000	13 200	11 000	0	4 400	61 600
SOGESTRA (represented by Mrs Nadine Lemaître- Rozencweig) (independent director)	33 000	13 200	13 200	0	0	59,400
Johan Deschuyffeleer (independent director)	33 000	0	0	11 000	0	44,000
Total	198 000	37 400	50 600	37 400	13 200	336 600



2. Key events 2013

2.1 Market developments

The structural market imbalance, between an extremely competitive and open mobile market on the one hand and a duopolistic and closed fixed market on the other hand, has been worsening in 2013. 2013 has to be seen as a watershed year for the mobile telephony market in Belgium with a substantial increase in the rotation of customers between operators driven by an intensified level of competition, and a significant downward repricing of the mobile tariffs.

The Mobistar group ended the year with 5,177.7 thousand active mobile customers (including mobile broadband and MVNOs), which represents a 4.7 % increase year on year. Mobistar has also maintained its position on the Belgian market, with a network market share of 38.4 %. These figures include the growth of "Machine-to-Machine" cards, which increased from 518.1 thousand at the end of 2012 to 695.7 thousand end of 2013.

The number of postpaid customers has reached 70.1 % of the total customer base at the end of 2013 (MVNOs excluded), as compared to 68.1 % in 2012.

The segmentation approach via MVNOs and partnerships remains for Mobistar the best strategy for conquering market share in specific segments where Mobistar itself is not active. In this way, Mobistar can surf on the success of its partners. The number of MVNO customers rose by 36.0 % in one year, from 889,540 active customers at the end of December 2012 to 1,209,732 active customers one year later.

2.2 Evolution of offers and services

The customers' rotation amongst the different operators increased driven by the entry into force of the new telecom law in October 2012. Since then, there is a stronger growth in the quantity of number portability. This trend has only been witnessed in the mobile market and not in the fixed market, although the new law applied to both markets. Due to the mobile market turmoil already alluded to here above, all mobile network operators including Mobistar had to repeatedly adjust the pricing of their postpaid tariff plans, as to remain relevant and competitive in the market. Besides the regulatory context, as the key driver of disruption in the mobile market, the advent of fixed network operators as mobile service providers also has to be taken into account.

2013 was the year in which mobile data traffic soared. Today, the usage of high speed mobile broadband internet finds itself at a critical tipping point. The rapid expansion in mobile broadband service and the rise of iconic smartphones and connected devices have combined to create an unprecedented level of demand for mobile data by the Belgian consumers. The rise in mobile data traffic in Belgium has been fuelled by a number of factors. Historically, Belgium has been lagging behind in terms of smartphone penetration as handset subsidisation was not a market practice prior to 2009 as it was forbidden by law. Since then mobile network operators have shied away from transforming the Belgian market into a structural subsidisation market, and the operators applied a more tactical approach to handset subsidisation. This implies that Belgian consumers are accustomed to primarily buying their own smartphones. In 2013 the adoption rate of smartphones finally kicked in in Belgium. In turn these devices boosted mobile data usage. Consumption of rich media and video increased substantially in 2013. They require significantly more bandwidth and consume greater capacity than traditional email or text-based messaging services.





Another important reason for the proliferation of mobile broadband is the strong improvement of the mobile network, following the continued investments to improve coverage, reliability of the services and speed.

For a more detailed view of our offers and services, we refer you to "The residential market" and "The B2B market" sections (pages 44-51) of this annual report.

2.3 Distribution

In the course of 2013 Mobistar has heavily scrutinized its distribution strategy and has laid a solid foundation for the future. This strategic review was triggered by the shorter contract duration imposed by the new telecom law in October 2012.

In 2013 Mobistar continued developing the fundamentals:

- Mobistar created the building blocks of its online real estate by launching a new B2C & B2B website, boosting its presence on social media and making sure that the back-end is robust;
- Mobistar further strengthened its IT footprint to leverage multichannel opportunities, allowing to address the customer with one tone of voice across all customer touch points, no matter whether the customer presents himself in a shop, online, through a phone contact and regardless whether it concerns a direct or indirect, exclusive touch point;
- Mobistar initiated a rationalization exercise of its direct distribution footprint with the ambition to close down 30 shops before the end of 2015 and to tighten the relationship with all distribution channels;
- Mobistar launched its first innovative store concept, named "@Mobistar", in the city of Liège, to meet new market trends. In the course of 2014 additional openings are planned. The concept stores are four times larger than the current Mobistar Centers with an extended portfolio of mobile devices and services. Mobistar developed these new concept stores, as a way "to make the story of high-speed mobile data come alive." The new store plans to do that by creating clear-cut "Lifestyle Zones" in the store, each dedicated to a unique purpose. The store also features an area dedicated to free workshops where customers can learn to use the advanced features on their smartphones. Consumers will also be able to test a wide range of devices and applications live, have their smartphone repaired and make an appointment for professional advice. Additionally, the company will integrate its online system with its retailing system to improve the customer experience.

2.4 Orange Communications Luxembourg S.A.

The market for mobile telephony in Luxembourg was subject to strong competition. Orange Communications Luxembourg S.A. occupied the third place in terms of mobile market share. After consultations, the Luxembourg regulator, under pressure from the European Commission, published its decision early 2014 that MTRs should be decreased to a temporarily level of EUR 0.98 in a one-step move as of end January 2014. After elaboration of a pure LRIC cost model, the charges would be further adjusted in the second semester of 2014. The fixed market in Luxembourg is, like in Belgium, a closed market with historically limited competition between the incumbent and the local cable operators.

At the end of December 2013, Orange Communications Luxembourg S.A. had a total of 102,179 active mobile telephony customers, a decline of 3.4 % compared to the 105,805 active customers recorded a year earlier. However, if compared to the weaker third quarter, the subscriber base rebounded slightly in the fourth quarter. In particular the postpaid residential customer base performed solidly towards the end of the year, driven by the commercial success of the enhanced tariff plans, all now including international calls, roaming and even 4G for the higher-end. The ARPU amounted to EUR 50.15 per month per active customer at the end of 2013, compared to EUR 51.88 during the same period a year earlier. The ARPU decline is largely explained by lower roaming revenues following the launch of "Hello Europe" (allowing roaming calls and SMS, within the subscriptions) and the introduction of SIM-only offers on the Luxembourg market.

Since October 2013, Orange Communications Luxembourg S.A. offers 4G to its customers within a set of tariff plans. 4G is included in "Hello Europe Flat Surf" and "Hello Europe All Inclusive" packages. Customers can also activate 4G with other packages. 4G is also available with "Internet Everywhere" packages which allows customers to use the Orange 4G network on their laptops or tablets.

In November 2013, Orange Communications Luxembourg S.A. started to commercially leverage the deal it has signed with the cable company Eltrona Telecom, to offer its customers convergent services combining mobile and fixed telephony, broadband internet access via mobile and cable and a completely new television offer. The preliminary results are very encouraging as almost 30 % of the customers opting for this quad-play offering are new customers without prior mobile subscriptions with Orange Communications Luxembourg S.A.

At the end of 2013, Orange Communications Luxembourg S.A. posted service revenues of EUR 65.3 million, compared to EUR 65.5 million a year earlier, a decrease of 0.3 %. The total turnover amounted to EUR 75.6 million at the end 2013, an increase of 0.1 % compared to the EUR 75.5 million recorded at the end of 2012.

The direct earnings came out at EUR 34.9 million at the end of December 2013 versus EUR 35.3 million at the end of 2012. The direct margin, as a percentage of the mobile service revenues of Orange Communications Luxembourg S.A., decreased 0.47 basis points in 2013 resulting in a margin of 53.4 % versus 53.9 % in 2012. The EBITDA of Orange Communications Luxembourg S.A. amounted to EUR 13.2 million at the end of 2013, compared to EUR 11.5 million a year earlier. The EBITDA margin improved from 17.6 % in 2012 to 20.3 % in 2013. This positive result was realized despite the start-up costs linked to the launch of its new converged offering following the deal it has signed with the cable company Eltrona Telecom.

2.5 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.



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

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The scope of consolidation includes Mobistar S.A., Mobistar Enterprise Services S.A. (hereafter MES), the Luxembourgian company Orange Communications Luxembourg S.A. (hereafter OLU), and as from 1 November 2012, 28.16 % of IRISnet S.C.R.L. (hereafter IRISnet). In 2012 the scope of consolidation included also 50 % of the temporary joint venture "Irisnet".

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

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

IRISnet has been constituted in July 2012 in order to take over the activities performed by the temporary association Irisnet which stopped its activities at the beginning of November 2012. The actual take-over of the activities took place on 1 November 2012. In this new legal structure, Mobistar has contributed in cash for EUR 3,450,000 representing 345,000 shares out of the 1,225,000 shares issued by the company. Due to the deal structure, IRISnet will be integrated in the consolidated accounts using the equity method.

Based on the fact that the temporary association stopped its activities, Mobistar decided to include in the 2012 closing all necessary provisions regarding the legal liquidation of the temporary association. This review has allowed the Group to record EUR 9.8 million of additional income in the fourth quarter of 2012.

3.1 Consolidated statement of comprehensive income

Revenues

The service revenues of the Mobistar group amounted to EUR 1,252.9 million in the year 2013 compared to EUR 1,450.0 million a year earlier, or a reduction of 13.6 %. The negative trend noted during the first half year continued its acceleration especially towards the end of the year due to the propagation of the repricing effect and the lower pre- and postpaid customer base. Pockets of growth were the service revenues coming from machine-to-machine and from MVNO, which grew respectively 20.7 % and 59.6 % in 2013. The fourth quarter service revenues of the Mobistar group amounted to EUR 290.2 million, a decline of 21.4 % versus the fourth quarter of 2012.

During the year 2013, the revenues of the Mobistar group were once again negatively influenced by the reduction of the MTR rates in January 2013 and of the roaming rates in July 2012 and July 2013. The impact of these reductions on service revenues of the Mobistar group amounted to in total EUR 57.1 million for 2013, i.e. EUR 33.7 million MTR-impact and EUR 23.4 million roaming-impact. The impact in the fourth quarter amounted to respectively EUR 8.8 million and EUR 3.6 million. Without regulatory impact, the consolidated service revenues would have been down 9.7 % for the full year 2013 and down 18.1 % for the fourth quarter.

The sales of handsets, mainly driven by the success of smartphone continued to progress during 2013 from EUR 200.5 million in 2012 to EUR 208.4 million, an increase of 3.9 %. However, the growth trend curbed off toward the second part of the year. The fourth quarter even recorded a decline of 17.8 % versus the same period last year, given the latter introduction of the new iPhone in Belgium compared to last year and given the gradually increasing volume of subsidized offers in the market.

The total consolidated turnover, which includes services revenues as well as the turnover coming from the sale of handsets, amounted to EUR 1,461.3 million at the end of December 2013, compared to EUR 1,650.5 million on December 2012. This implies a decline of 11.5 % year-over-year, excluding the impact of MTR- and roaming regulation the decline would have been -8.0 % year-over-year.

Operating expenses

The total operating expenses, excluding depreciations, amounted to EUR 1,177.0 million at the end of December 2013, compared to EUR 1,208.4 million at the end of December 2012. This implies a decline of only 2.6 % year-over-year, despite the decline in service revenues.

The interconnection costs decreased due to the effect of regulation for MTR and roaming, and the decline of some wholesale carrier DSL activities.

The 2013 cost of sales of equipment and goods sold were mainly impacted by the evolution in cost of sales of the handsets. The increase is in line with the revenue increase. The actions based on subsidized handsets have had a negative impact on the handset direct margin, but enabled to support the demand of smartphones and the sales of high end tariff plans. Mobistar executed its tactical approach towards handset subsidisation as planned, i.e. promotional campaigns limited in time and limited in volume. In 2013 Mobistar conducted three waves of subsidized handsets: in early January, June and November-December. This compares to only one wave in 2012. The introduction of tactical subsidised offers in November-December 2013 had a similar impact on the handsets margin as in the fourth quarter of 2012. The fourth quarter direct commercial expenses were up compared to the third quarter.

The indirect costs amounted to EUR 475.2 million at the end of December 2013 compared to EUR 465.0 million at the end of December 2012, an increase of 2.2 % year over year. It has to be noted that in 2012 "services and other goods costs" were positively impacted by the reversal of the provision for universal service costs for an amount of EUR 17.5 million. Commission expenses have globally increased by EUR 4.9 million in 2013. This increase results in a compensation of important decrease of the structural commission expense by EUR 7.5 million offset by provisions recorded in the context of the revamping of the distribution pattern. Two other notable changes in the costs structure are the decrease of the use of consultants and external supports (EUR -16.2 million) and a slight increase of the hardware repair costs (EUR 2.6 million).

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

Employee benefits remained stable despite a decrease in headcount which has been compensated by higher redundancy costs.

Result of operating activities before depreciation and other expenses

The 2013 EBITDA amounted to EUR 317.1 million, which compares to an EBITDA of EUR 494.1 million a year earlier. The EBITDA margin of the Mobistar group reached 25.3 % of the service revenues at the end of 2013, compared to 34.1 % in 2012. The 2013 EBITDA includes EUR 9.8 million of redundancy costs (EUR 6.2 million higher than those of 2012) and EUR 8.8 million of restructuring costs in the context of the reorganization of the indirect distribution.

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

in EUR millions			
EBITDA RESTATEMENTS	FY 2013	FY 2012	VARIATION
Restated EBITDA	335.7	449.0	-32.7 %
Redundancy costs	-9.8	-4.8	
Other restructuring costs	-8.8		
EBITDA	317.1	494.1	-35.8 %

The Mobistar group closed the year 2013 with a restated EBITDA of EUR 335.7 million, a decrease of 32.7 % compared to the same period in 2012. The restated EBITDA margin of the Mobistar group reached 26.8 % of the service revenues at the end of 2013, compared to 34.4 % in 2012. The year-on-year evolution is impacted by two positive elements booked in 2012: the reversal of the universal service provision and the release of previous years accumulated provisions for Irisnet for an amount of respectively EUR 17.5 and EUR 9.8 million.

On a comparable basis, without those one-offs impacts, the 2013 restated EBITDA of EUR 335.7 million would compare to a 2012 restated EBITDA of EUR 471.7 million, a decrease of 28.8 % year-over-year. The regulatory drag continued to be a burden on the 2013 restated EBITDA with a negative impact of respectively EUR 14.7 and EUR 17.1 million related to the reduction in mobile termination- and roaming rates.

in EUR millions			
EBITDA ONE-OFFS	FY 2013	FY 2012	VARIATION
Restated EBITDA excluding one-offs	335.7	471.7	-28.8 %
Universal service reversal		+17.5	
Irisnet previous years provisions release		+9.8	
Restated EBITDA	335.7	499.0	-32.7 %



Depreciation and other expenses

Depreciation charge as at 31 December 2013 totalling EUR 188.3 million is reduced by 13.3 % versus the one recorded for the same period in 2012. The depreciation of 2012 included the impact of the review of the useful life of the assets related to important projects in IT system and network renewal, i.e. an additional EUR 14.0 million for the first semester 2012 and an accelerated depreciation of EUR 15.0 million recorded to reflect a change in the IT strategy in the scope of software development in the second semester of 2012. In 2013 there has been no further impact related to the IT system and the impact related to the network renewal has been marginal. The decision to suspend the commercialisation of the fixed services to the residential market led the company to review the useful lives of the assets related to these activities. A negative impact of EUR 0.8 million has been booked during the first semester 2013. No major impacts have been recorded in the books in the second semester 2013.

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Financial results

The financial expenses have been influenced in 2013 by interests rate and exchange rate variance (EUR -2.5 million), and bank charges (EUR -0.3 million). The new credit line of EUR 120 million secured in December 2013, was drawn for an amount of EUR 100 million at the end of December to pay the 800 MHz spectrum licence. The impact of this credit facility extension on the 2013 financial results was very limited.

Taxes

The tax burden amounts to EUR 33.4 million in 2013. A positive impact on the taxable year 2012 has been recorded in December 2013 for an amount of EUR 6.2 million to record tax deduction for investments. In 2012 the impact was of EUR 7.0 million. Due to the fact that the taxable basis is lower in 2013 than in 2012, the adjustment has had an impact on the effective tax rate which shows a more favourable position in 2013 compared to 2012.

Net profit

At the end of the year 2013, the Mobistar group recorded consolidated net profit of EUR 87.4 million, a decrease of 52.9 % in comparison with the EUR 185.7 million at the end of December 2012.

Net profit per share decreased by 52.9 % from EUR 3.09 per share on 31 December 2012 to EUR 1.46 per share a year later.

The General Shareholders' Meeting held on 2 May 2013 endorsed the proposal made by the Board of Directors to distribute a gross ordinary dividend of EUR 1.80 per ordinary share on the results of the year 2012.

For the 2013 financial year, the Board of Directors will not propose dividend distribution at the General Shareholders' Meeting to be held on 7 May 2014.

3.2 Consolidated statement of financial position

The consolidated statement of financial position total reached EUR 1,449.9 million on 31 December 2013, compared to EUR 1,347.0 million at the end of the previous financial year.

Non-current assets amounted to EUR 1,171.1 million at the end of 2013 compared with EUR 1,045.8 million at the end of 2012 and consisted of the following items:

- Goodwill of EUR 80.1 million, resulting from:
 - a. the acquisition of Mobistar Affiliate S.A. (EUR 10.6 million) in 2001;
 - b. the acquisition of OLU (EUR 70.9 million) in 2007, adjusted by EUR 2.2 million (decrease) after the acquisition of the remaining shares of OLU in 2008;
 - c. the acquisition of MES in 2010 (EUR 0.8 million).The goodwill's have been reviewed for impairment during the year. As the recoverable values exceeded the carrying amount at the end of the year, no impairment loss was recorded.
- Intangible assets, posting a net value of EUR 380.2 million at the end of 2013 compared with EUR 286.5 million at the end of 2012. Values related to the licences are as follows (respectively acquisition value, net book value at the end of the period, remaining amortization period):
 - a. 2G (extension): EUR 74.4 million, EUR 28.5 million, 23 months;
 - b. 3G: EUR 149.0 million, EUR 67.9 million, 87 months;
 - c. 4G (2.6 GHz): EUR 20.0 million, EUR 20.0 million, as from technical readiness up to end of June 2027.
 - d. 800 MHz licence: EUR 120.0 million (acquired in November 2013), EUR 120.0 million, as from February 2014 up to November 2033.
- Property, plant and equipment of EUR 700.0 million at the end of the 2013 financial year to be compared with EUR 665.0 million recorded at the end of the 2012 financial year.
- In 2012, the Group invested in a new Belgian company (IRISnet S.C.R.L.) for an amount of EUR 3.5 million corresponding to 28.16 % of the equity. This company is treated as an associated company. IRISnet started its activities on 1 November 2012. Given the limited impact of the results generated in 2012, no impact has been included in the 2012 consolidated results. Variation of the year 2013 reflects the share in the result of IRISnet S.C.R.L. for the year 2013.
- Other non-current assets decreased from EUR 4.0 million at the end of 2012 to EUR 0.8 million at the end of 2013. The decrease is mainly due to the set-up of a provision to consider the risk on reimbursement on one specific advance for EUR 3.7 million.
- Net deferred tax assets, relating essentially to investments tax credits, to the temporary differences resulting from the development costs for intranet sites and to the dismantling assets depreciation, as well as the integration of losses carried forward from OLU to EUR 6.7 million at the end of 2013.

Current assets decreased year to year, going from a total of EUR 301.2 million at the end of 2012 to EUR 278.8 million at the end of 2013. They consist of the following items:

- Inventories of goods, amounting to EUR 20.7 million, remained stable.
- Trade receivables, amounting to EUR 215.1 million at the end of 2013, compared with EUR 230.2 million at the end of 2012. The decrease is mainly linked to the decrease in Services revenues (EUR -15.6 million on outstanding balance) and receivable related to handset distributors partly compensated by an increase in roaming and interconnect revenues, and revenue linked to the activities performed for the judicial authorities. The Group is not dependent from major customers' situation, none representing more than 10 % of the company's turnover. The customers risk is spread over more than 4 million customers.
- Other current assets and accrued revenues, decreasing from EUR 38.2 million at the end of 2012 to EUR 29.2 million at the end of 2013. This variance is mainly due to the decrease in the service revenues cut-off entries (EUR -4.2 million) and the reversal of gratuity related to previous years contracts (EUR -3.4 million) for which the balance is now nihil.
- Cash and cash equivalents amounting to EUR 13.8 million at the end of 2013, an increase of EUR 1.5 million since the end of the 2012 financial year. The cash flow statement gives details of the flows that gave rise to this trend.

Equity decreased by EUR 20.6 million during the 2013 financial year, from EUR 357.8 million to EUR 337.2 million:

- The share capital remained at EUR 131.7 million.
- The legal reserve corresponds to 10 % of the share capital.
- The evolution of retained earnings, decreasing from EUR 212.9 million to EUR 192.3 million, is the result of the net profit of the period (EUR 87.4 million), payment of the 2012 dividend (EUR 108.0 million) and costs of equity transactions and other equity transactions.

Non-current liabilities consist of:

- Loans payable after more than one year (EUR 548.8 million in 2013 against EUR 383.7 million in 2012); these amounts correspond to the use of the credit facility granted by the Orange group. The company signed in 2010 a long-term credit facility for an amount of EUR 450 million for a period of 5 years at EURIBOR + 65 Bps margin + 20 Bps utilization fee. A new long-term credit facility of EUR 120 million has been signed in December 2013 for a period of 3 years at EURIBOR + 110 Bps, in order to allow the payment of the 800 MHz licence.

- Non-current provisions intended to cover litigations and onerous contract (EUR 18.4 million in 2013 against EUR 14.9 million in 2012) mainly impacted by the release of provision for onerous contracts set up in 2010 and 2011 for which costs have been incurred in the 2013 operations (EUR 1.5 million) and the setup of new provision for litigation regarding application of contractual obligations with several suppliers for EUR 5.9 million.
- Costs of dismantling network sites and refurbishing of rented buildings (EUR 51.2 million in 2013 against EUR 52.5 million in 2012). The variance is due to the unwinding effect, the change in discount rate and the use of the provision during the year.
- Amount payable over one year was related to the renewal of the 2G licence, as the company has opted for the deferred payment approach for which the last instalment has to be paid end of 2014 (EUR 0.0 million end 2013, EUR 13.4 million end 2012).
- Deferred taxes liabilities increasing by EUR 1.3 million.

Current liabilities decreased by EUR 31.7 million, going from EUR 524.7 million at the end of 2012 to EUR 493.0 million at the end of 2013:

- Short-term borrowing remained stable at EUR 21.9 million.
- Outstanding trade payables slightly increased at EUR 352.1 million.
- Liabilities resulting from employee benefits decreased by EUR 2.9 million, going from EUR 34.4 million at the end of 2012 to EUR 31.5 million at the end of 2013. This decrease is partially linked to the decrease in headcount between the two closing dates.
- Variation of corporate tax payable is due to the fact that the tax bills 2012 has been paid during 2013 for EUR 32.7 million and positively adjusted for EUR 6.2 million. Prepayments of taxes for 2013 have been slightly lower than in 2012 due to the lower level of pre-tax result.
- 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. Decrease comes essentially in the postpaid activity from the continued migration in the tariff plans used by the end customers. Indeed the current tariff plans do not include anymore a roll-over period of the unused part of the fixed part billed, which resulted in the decrease of the deferred income. The decrease in prepaid customers has also resulted in a decrease in deferred revenues. Both evolution in pre- and postpaid have had an impact of EUR -11.3 million.



3.3 Financial instruments

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.

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 10 and 11).

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.

116 Interest rate risk

As a result of the exceptionally high distribution to its shareholders paid-out in 2008 (nearly EUR 600 million) and a EUR 120 million payment for the 800 MHz licence in December 2013, the Company has drawn for a total of EUR 571.9 million as at 31 December 2013. The Company didn't hedge the interest rate risk on the debt that bears interests based on EURIBOR + 65 Bps margin + 20 Bps utilization fee for a first tranche of EUR 450 million, EURIBOR + 110 Bps margin for a second tranche of EUR 100 million, and EONIA + 65 Bps margin for the short-term tranche of EUR 21.9 million.

The company decided not to hedge the long-term interest rate risk linked to its long-term debt in the light of the current low interest rates levels and the amount's fluctuations of the said long-term debt.

Foreign currency risk

The Company is not subject to significant foreign currency risks.

4. Comments on Mobistar S.A.'s 2013 annual accounts prepared according to Belgian accounting standards

4.1 Income statement and balance sheet

The statutory income statement and balance sheet are available at the end of this report (see page 183). As for the exhaustive annual accounts of Mobistar S.A., we refer you to the website of the Central Balance Sheet Office (http://www.nbb.be/pub/03_00_00_00_00/03_02_00_00_00/03_02_01_00_00.htm?l=en).

4.2 Disputes

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

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

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

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

The Court of Cassation has confirmed in its judgments of 30 March 2012 the interpretation of the Constitutional Court of article 98 of the Act of 21 March 1991.

The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to EUR 67.1 million and is subject to a bad debt provision for the whole amount, of which EUR 9.7 million correspond to the financial year 2013.

MTR tariffs: In its decision of 29 June 2010, the BIPT set up new MTR tariffs based on a pure long run incremental cost model (LRIC) to reach a symmetrical level of 1.08 cEUR/min as of 1st January 2013. KPN Group Belgium and Mobistar attacked the decision in suspension and in annulment. The suspension was rejected in 2011. The annulment grounds were dismissed in May 2012. The case on the merits has been definitively decided. Given open procedural matters, the case was however referred to the Constitutional Court who decided in December 2013. Based on this, the Court of appeal must issue a decision on the procedural matters in Q2-Q3 2014.





Abuse of dominant position by the Belgacom group: In May 2007, the Commercial Court of Brussels found Belgacom Mobile dominant on the mobile market between 1999 and 2004, and appointed experts to determine the abuses and the losses suffered. In December 2010 the experts confirmed the abuses and estimated damages to EUR 1.84 billion for Mobistar and KPN Group Belgium together. A final expert report was however never adopted as proceedings initiated by Belgacom in 2011 led to the replacement of the experts in March 2012. The replacement decision has been attacked before the Court of appeal by the dismissed experts and before the Supreme Court by Mobistar. Additionally, in January 2012, Belgacom filed an appeal against the initial judgment of the Commercial Court of May 2007. End 2012, new experts suggested by the parties refused the mission. In October 2013 the Commercial Court examined the opportunity to appoint new experts given the ongoing proceedings and decided end 2013 that new experts should be designated. The appointment process will take place in Q1 2014. Regarding the initial experts appeal, the Supreme Court rejected in October 2013 the ground for appeals and the Court of appeal should decide on this aspect in S2 2014. Regarding the appeal against the decision of May 2007, pleadings will be held in May 2014.

In another case for abuse of dominance on the mobile corporate market in 2004-2005, the Competition Council fined Belgacom Mobile EUR 66 million in May 2009. The decision was appealed by Mobistar requesting the court to include additional abuses (loyalty discounts and on-net/off-net discrimination) to the one withheld. The case was reactivated in March 2012. Mobistar and KPN Group Belgium asked an extended access to the file to the Court of appeal which refused it on 28 June 2013 and referred the case to the Supreme Court for a preliminary ruling on the scope of the judicial review. In December 2013, the Supreme Court delivered its decision. Based on this, parties should now organize further access to the file. Mobistar also referred the matter to the Commercial Court, seeking damages for the prejudice sustained. The damage claim proceedings before the Commercial Court are on hold until the adoption of a final decision on the abuses in appeal.

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

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

Social tariffs: On 26 January 2013, Mobistar and KPN Group Belgium attacked the law transposing the Telecom Directives before the Constitutional Court regarding the compensation system put in place and the retroactive effect relating to social tariffs. Belgacom decided to intervene in the proceedings. Pleadings took place in November 2013 and the Constitutional Court decided to refer to the European Court of Justice for a preliminary ruling.

On 22 July 2013, Mobistar, Telenet and Belgacom filed an annulment appeal before the Council of State against two Royal Decrees of 14 April 2013 regarding the validation of investment and maintenance costs of the social tariffs database for the period 2007-2013. The Royal Decrees violate the interdiction on retroactivity on taxes and article 30 §5, al. 2 of the law of 17 January 2003 because they set up costs which have not been validated in advance. No pleading date is determined yet.

Renewal of the 2G licence and licence renewal fee:

By a law of 15 March 2010, the possibility to ask a licence renewal fee for the 2G licence was introduced. The fee would amount to approximately EUR 15 million per year for a 5 years period. Belgacom Mobile, KPN Group Belgium and Mobistar challenged this law before the Constitutional Court, which submitted in June 2011 a number of questions to the European Court of Justice. On 21 March 2013 the European Court of Justice issued its decision based on which on 17 October 2013, the Constitutional Court rejected all appeals.

Regulation of broadband and cable: Mid-2011 the 4 media regulators (BIPT, CSA, Medienrat and VRM) decided to impose access and resale obligations on the cable operators (in particular the resale of analogue TV and the access to the digital TV platform). In addition, they must offer a resale-broadband service, but only in combination with a TV service. The cable operators are seeking the suspension and cancellation of the decisions relating to them. Mobistar, as an interested party, is intervening in the proceedings. The suspension requests have been rejected in September and November 2012. Coditel/Numéricable launched a cassation appeal against the decision of non-suspension which was rejected in March 2014. The proceedings on the merits were pursued in 2013. Pleadings are foreseen in Q1 2014 and a decision should be issued end S1 2014.

Furthermore, the media regulators adopted in September and December 2013 decisions on the qualitative and quantitative aspects of the cable network access. In December 2013 and February 2014, the cable operators launched annulment proceedings against these decisions. In February 2014, Mobistar attacked the quantitative decisions and decided to intervene in the cable operators appeals.

Emissions/health: The Brussels Parliament has voted in 2013 a new ordinance that is allowing the deployment of the 4G for the short-term. This new normative context will only be in place when this Ordinance and its secondary legislation will be published.

Belgacom's refusal to negotiate a commercial agreement:

In 2012, Mobistar and Belgacom entered into negotiations regarding a commercial agreement that would enable Mobistar to offer retail fixed services (internet, telephony and television). Despite the progress in the discussions, Belgacom stopped abruptly the negotiations. Mobistar attacked Belgacom in May 2013 for non-respect of the non-discrimination principle and for breach in the handling of the negotiations. Briefs have been exchanged in 2013. Pleadings are foreseen in September 2014.

KPN Mobile International B.V. / Mobistar S.A. Share

Purchase Agreement: On 10 November 2010, KPN Mobile International B.V. (KPN) 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 EUR 6.3 million to KPN instead of receiving between EUR 0.3 million and EUR 2.2 million based upon the independent accountant's report. Mobistar asked the tribunal to dismiss all the claims of KPN and to confirm the independent accountant's mission. The arbitration has been rendered on 5 July 2012 and confirms the scope of the mission of the expert but states that the independent expert's report contains manifest errors. As the Court is not competent to engage into further examination of the disputed items, it proposes that both parties would choose a new independent expert to review the disputed items. Mobistar started an annulment procedure against the arbitration award.

Agency agreement: A former agent has initiated a procedure before the Brussels Commercial Court to obtain compensation for the termination of his agency agreement. The agent claims damages for an amount of around EUR 16.9 million. Mobistar is convinced that the claim is, at least for the major part, unfounded. Mobistar has filed a counterclaim for a value of around EUR 14.6 million. The procedure has been initiated in July 2011. The pleadings of the case took place at the hearing of 14 January 2013. The Commercial Court of Brussels decided by judgement of 22 April 2013 that the claim of the former agent as well as the claim of Mobistar were both partially founded. In order to determine the amount of the damages to be paid by both parties, a judicial expert has been appointed by the court. The judicial expertise is currently ongoing.



5. Trends

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Mobistar is going through a period of rapid transformation in which it is adapting to the new needs and expectations of the Belgian consumer, and it is casting the fundamentals for its future growth.

Compared to 2013, 2014 presents itself with more visibility on the short- to mid-term, in particular with the gradual roll-out of Mobistar's high speed 4G network, and the advent of its re-entry in the TV and fixed broadband market via the wholesale cable regulation is highly encouraging. This does not imply that 2014 will not be a challenging year. In 2014 Mobistar will mainly focus on further reducing its costs structure and managing its mobile value by focusing on two main axes:

- Network and mobile data: all Mobistar's customers should be able to "discover high-speed mobile data". In order to achieve this, Mobistar will deploy an industry-reference mobile network. This will position Mobistar's 3G/4G network as a valid alternative for Wi-Fi and fixed broadband internet.
- Customer experience: given the explosion of mobile data usage, Mobistar wants to be more than just a network provider and wants to be a partner, a friend, a teacher, etc., helping its customers to discover this new utility. In terms of product offering Mobistar will stay loyal to its segmented, transparent and easy-to-understand tariffs. Its commitment to provide its customers proactive tariff advice through the well-known "Personal Check-up" applications remains valid. Mobistar will also increase itself through innovative mobility solutions, such as Mobile Cloud, Operator Billing, etc.

For the full financial year 2014 the Mobistar group aims to attain a restated EBITDA of between EUR 250 and EUR 280 million. This guidance range includes a provision of up to EUR 24 million linked to a new tax law on pylons in Wallonia that was voted at the end of 2013. Mobistar plans to file a request for annulment of this law before the Constitutional Court and to file fiscal objections before the competent courts, as Mobistar considers this tax to be discriminatory and disproportionate. However, the prudence concept requires us to account for it. The guidance range also includes the impact of the existing regulatory framework governing mobile interconnection and roaming rates, which will have a revenue and EBITDA impact of respectively EUR 23 and EUR 16 million for Mobistar in Belgium and EUR 13 and EUR 7 million for Orange in Luxembourg. The regulatory framework on MTR's in Luxembourg was only voted in January 2014. The provided guidance range is based on the current market and regulatory context and does not include any impact related to the cable opportunity.

The Mobistar group reconfirms the implementation of its efficiency programme ACE2. This programme aims at the review of all company processes in order to realize a structural net operating costs saving of EUR 50 million in 2014.

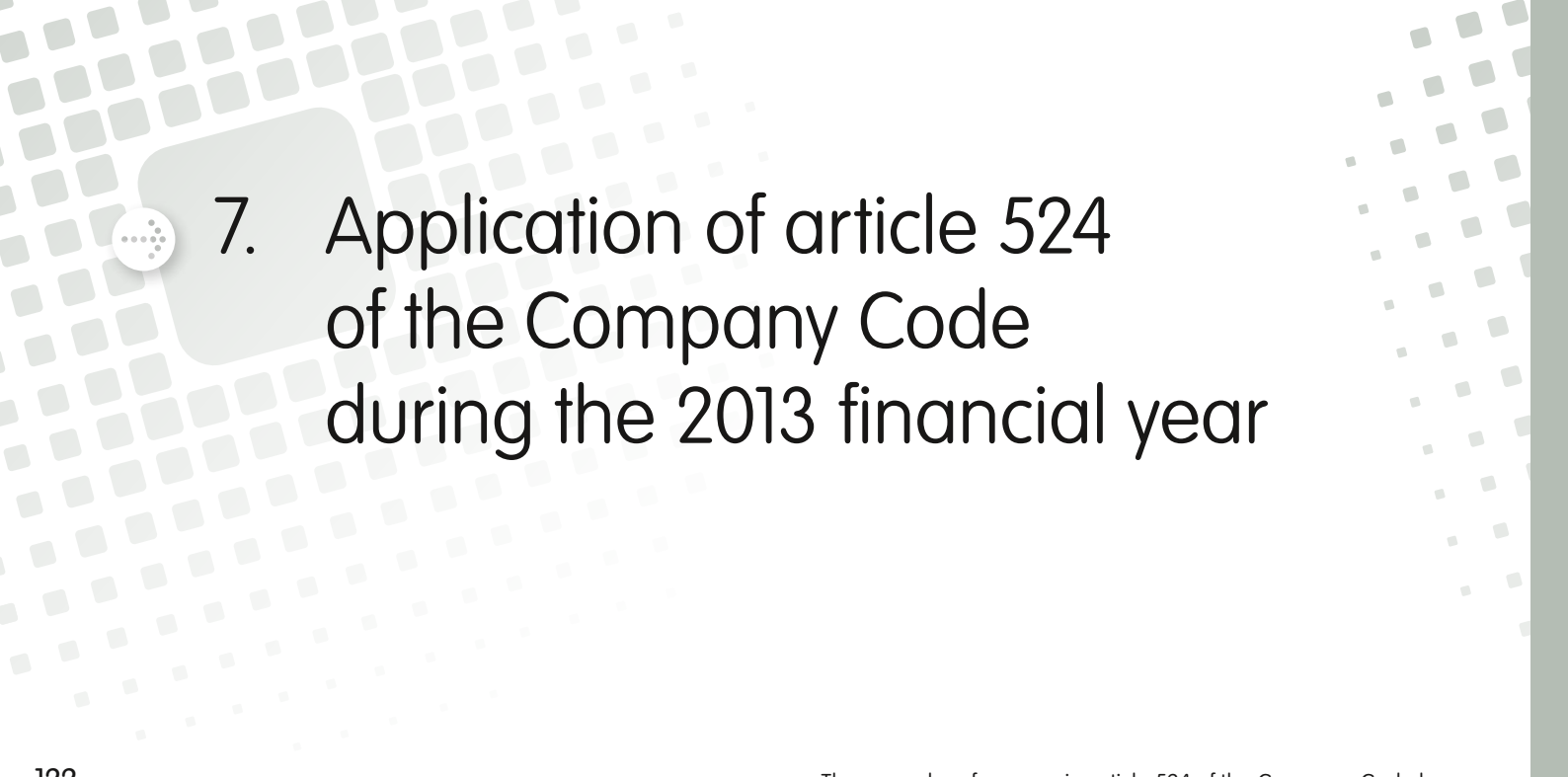
The strategic investments in its future and the decisive action aimed to transform the company have required an important financial outlay. The Board of Directors will therefore, as already announced in July 2013, propose to the Annual General Meeting to suspend the dividend for the financial year 2013.



6. 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 2013, the company is not subject to the application of article 96 §1 (6°) of the Company Code relating to provision of evidence of the application of the going concern accounting rules.





7. Application of article 524 of the Company Code during the 2013 financial year

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The procedure foreseen in article 524 of the Company Code has not been applied during the 2013 financial year.

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



8. Application of Article 96 §1 (9°) of the Company Code

As foreseen by the article 96 §1 (9°) of the Company code, the company justifies of the independence and the accounting and audit expertise of at least one member of the Audit Committee as follows: Mr Eric Dekeuleneer, Chairman of the Audit Committee, is an independent director since 18 November 2004.

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

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

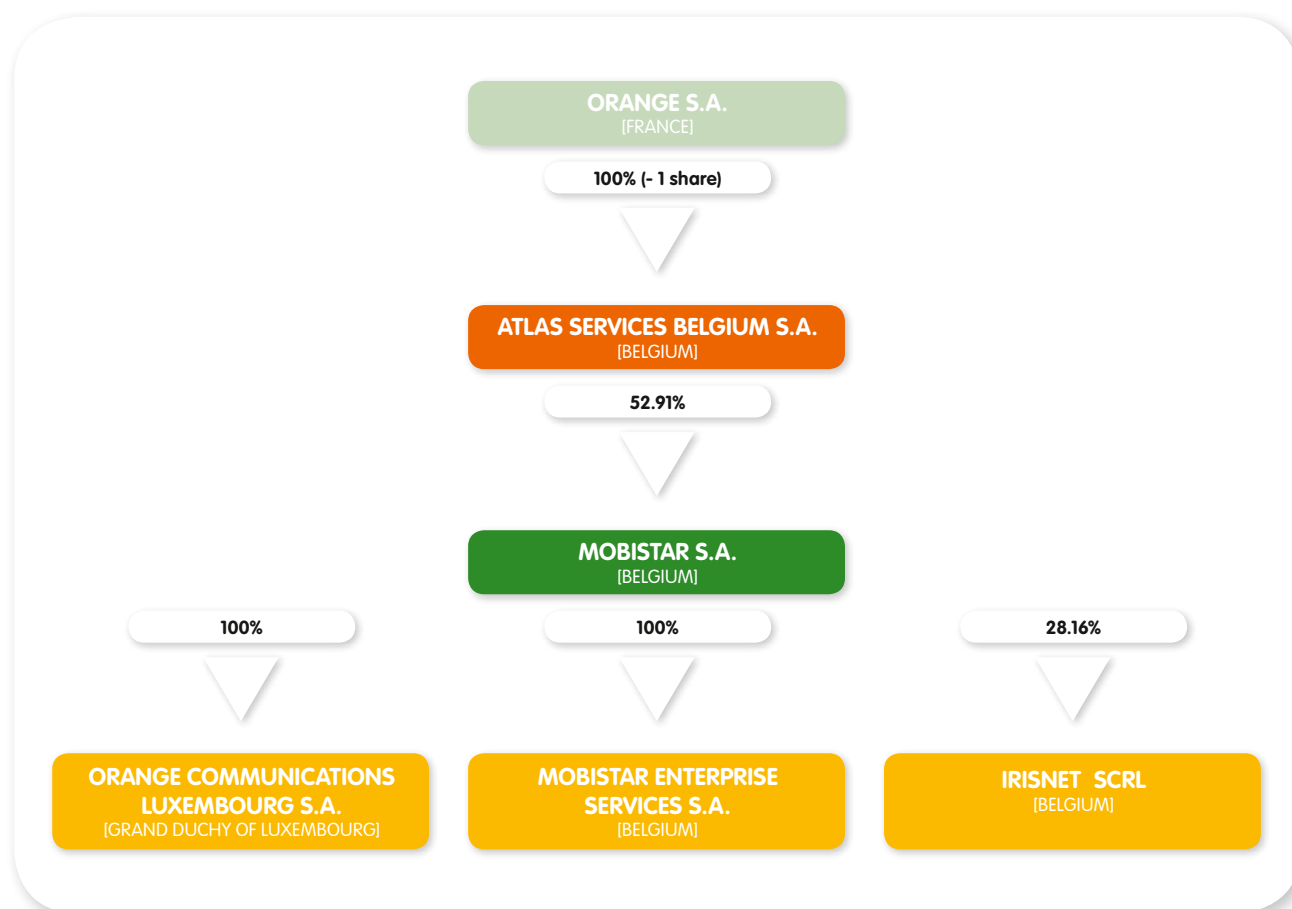


9. Law on takeover bids

124 On 24 August 2009, Mobistar has received notification from its ultimate shareholder Orange S.A. on the basis of article 74 §7 of the law of 1st April 2007 concerning takeover bids.

This notification detailed Orange S.A.'s participation in Mobistar S.A. As at 24 August 2009, Orange S.A. held indirectly 31,753,000 shares of Mobistar S.A.

The chain of control was reconfirmed on 1 July 2013 after an internal restructuring of the Orange group. The current organisation chart is depicted here below:



10. Information concerning the tasks entrusted to the auditors

In the course of the 2013 financial year, the statutory auditor and linked companies provided services at a total cost of EUR 467.0 thousand broken down as follows:

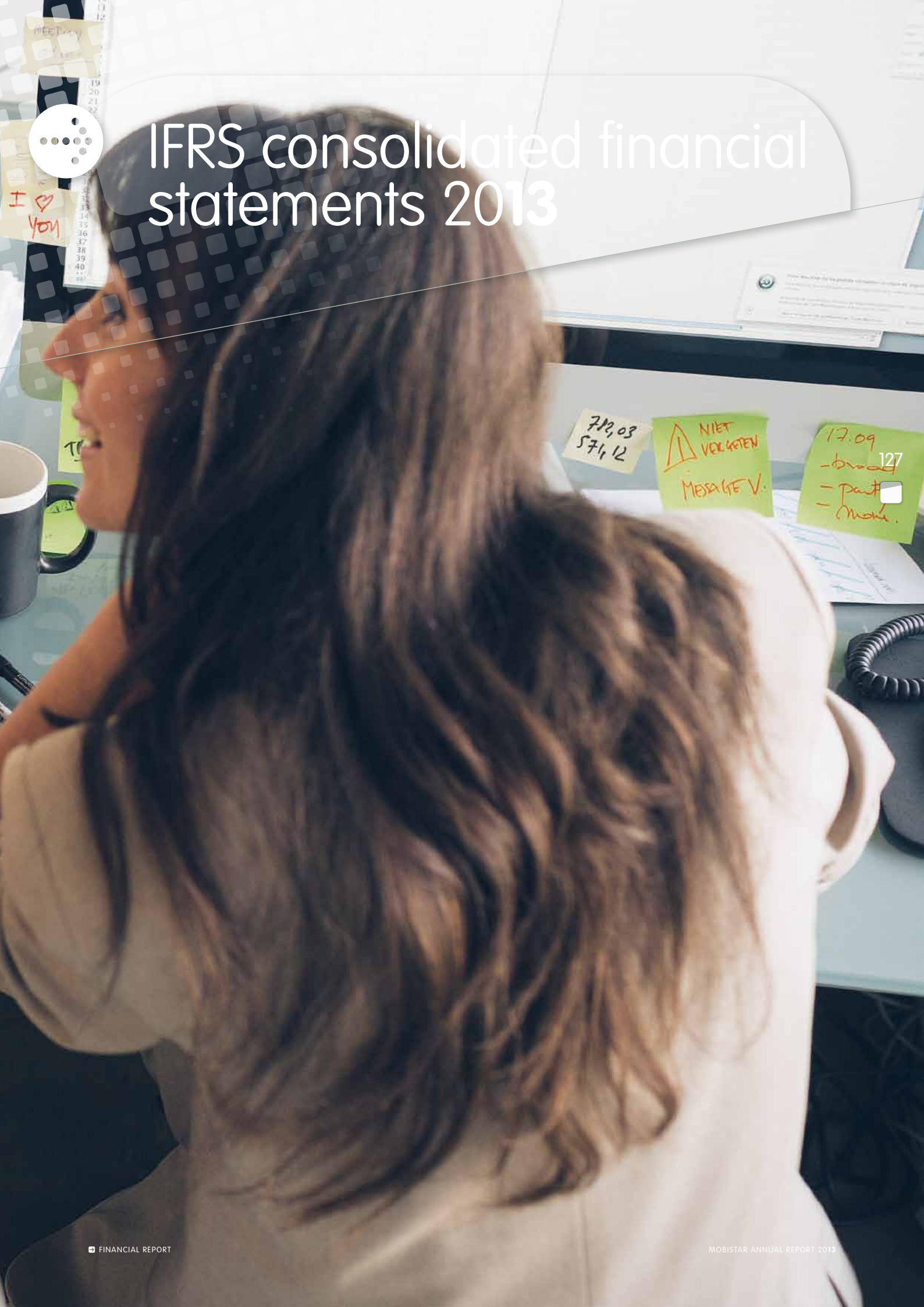
- audit services
EUR 458.0 thousand
- other non-audit services
EUR 9.0 thousand







IFRS consolidated financial statements 2013



Consolidated statement of comprehensive income

in thousand EUR

NOTE	2013	2012
Revenue		
Service revenue	1 252 852	1 450 027
Handsets sales	208 380	200 448
19 Total turnover	1 461 232	1 650 475
19 Other operating revenue	32 872	51 962
TOTAL REVENUE	1 494 104	1 702 437
Operating expenses		
Interconnection costs	-337 580	-390 494
19 Costs of equipment and goods sold	-364 251	-352 944
19 Services and other goods	-290 776	-281 828
19 Employee benefits expenses	-157 163	-156 083
3,4 Depreciation, amortisation and impairment	-188 304	-217 214
Amounts written down stocks, contracts in progress and trade debtors	-9 575	-20 420
Provisions for risks and charges	-3 068	2 561
19 Other operating charges	-14 630	-9 176
TOTAL OPERATING EXPENSES	-1 365 347	-1 425 598
Share of profits (losses) of associates	-117	
Result of operating activities	128 641	276 839
19 Finance income	473	497
19 Finance costs	-8 305	-11 186
Result of operating activities after net finance costs	120 809	266 150
8 Tax expense	-33 404	-80 465
Net profit of the period (*)	87 405	185 685
PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	87 405	185 685
Consolidated statement of comprehensive income		
Net profit for the period	87 405	185 685
Other comprehensive income	0	0
Total comprehensive income for the period	87 405	185 685
PART OF THE TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	87 405	185 685
13 Basic earnings per share (in €)	1.46	3.09
Weighted average number of ordinary shares	60 014 414	60 014 414
13 Diluted earnings per share (in €)	1.46	3.09
Diluted weighted average number of ordinary shares	60 014 414	60 014 414

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

Consolidated statement of financial position

in thousand EUR

NOTE		31.12.2013	31.12.2012
Assets			
Non-current assets			
2	Goodwill	80 080	80 080
3	Intangible assets	380 200	286 595
4	Property, plant and equipment	700 016	665 010
6	Interests in associates	3 333	3 450
7	Other non-current assets	792	3 965
8	Deferred taxes	6 715	6 669
	Total non-current assets	1 171 136	1 045 769
Current assets			
9	Inventories	20 666	20 594
10	Trade receivables	215 058	230 168
11	Accrued revenue	11 381	19 039
11	Other current assets	17 868	19 160
12	Cash and cash equivalents	13 781	12 266
	Total current assets	278 755	301 226
	TOTAL ASSETS	1 449 891	1 346 995
Equity and Liabilities			
Equity			
14	Share capital	131 721	131 721
14	Legal reserve	13 173	13 173
14	Retained earnings	192 284	212 905
	Total equity	337 178	357 799
Non-current liabilities			
16	Interests-bearing borrowings	548 750	383 650
17	Trade payables	0	13 447
15	Provisions	69 641	67 375
8	Deferred taxes	1 306	0
	Total non-current liabilities	619 696	464 472
Current liabilities			
16	Interests-bearing borrowings	21 879	22 580
18	Trade payables	352 088	344 563
18	Employee benefits related liabilities	31 524	34 385
18	Current taxes payable	15 585	42 709
18	Deferred income	66 145	77 451
18	Other payables	5 796	3 035
	Total current liabilities	493 017	524 723
	Total liabilities	1 112 713	989 196
	TOTAL EQUITY AND LIABILITIES	1 449 891	1 346 995



Consolidated cash flow statement

in thousand EUR

NOTE		2013	2012
Cash flows from operating activities			
	Profit before taxes	120 809	266 150
	Non-cash adjustments for:		
3,4	Depreciation, amortisation and impairment of fixed assets	188 304	217 214
	Changes in long-term provisions	269	649
	Changes in provision for bad debt	-3 917	13 320
	Other non-cash expenses	1 499	1 108
	Interest income	-473	-247
	Interest charges	5 978	7 331
	Adjusted result of operating activities before net finance costs	312 469	505 525
9	Inventories	-73	-4 092
10	Trade and other receivables	25 254	5 219
18	Trade and other payables	-4 682	-33 885
	Net changes in working capital	20 500	-32 758
8	Tax paid	-56 533	-154 893
	Interests paid	-5 066	-6 790
	Interests received	473	396
	NET CASH FROM OPERATING ACTIVITIES	271 844	311 480
Cash flows from investing activities			
3,4	Purchase of intangible and tangible assets	-319 048	-188 242
	Debt associated to purchase of assets (increase +, decrease -)	-14 248	7 985
1	Acquisition of subsidiary net of cash acquired		-3 450
3,4	Proceeds from sale of equipment	2 223	2 186
7	Reimbursement long-term loans granted	1 408	1 907
	NET CASH USED IN INVESTING ACTIVITIES	-329 665	-179 614
	Organic cash flow (*)	-59 080	133 198
Cash flows from financing activities			
16	Short-term borrowings - net	-701	4 137
16	Long-term borrowings - proceeds	196 900	135 000
16	Long-term borrowings - repayments	-31 700	-45 000
14	Transactions costs paid for long-term credit facility		450
14	Others	2 864	942
	Payment for equity transactions costs		195
14	Dividends paid	-108 026	-222 443
	NET CASH USED IN FINANCING ACTIVITIES	59 337	-126 719
	NET INCREASE (+), DECREASE (-) IN CASH AND CASH EQUIVALENTS	1 516	5 147
	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12 266	7 119
	CASH AND CASH EQUIVALENTS AT END OF PERIOD	13 781	12 266

* Net cash flow from operations less acquisitions of tangible and intangible assets plus proceeds from disposals of tangible and intangible assets.

Consolidated statement of changes in equity

in thousand EUR

	SHARE CAPITAL	LEGAL RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance as at 1 January 2013	131 721	13 173	212 905	357 799
Net profit for the period			87 405	87 405
Total comprehensive income for the period			87 405	87 405
Dividends			-108 026	-108 026
Payment for equity transactions costs				0
BALANCE AS AT 31 DECEMBER 2013	131 721	13 173	192 284	337 178

	SHARE CAPITAL	LEGAL RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance as at 1 January 2012	131 721	13 173	249 078	393 972
Net profit for the period			185 685	185 685
Total comprehensive income for the period			185 685	185 685
Dividends			-222 053	-222 053
Payment for equity transactions costs			195	195
BALANCE AS AT 31 DECEMBER 2012	131 721	13 173	212 905	357 799



Corporate information

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Companies in the perimeter of consolidation

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

As at 31.12.2013

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

Mobistar Enterprise Services S.A. (hereafter MES)

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

Orange Communications Luxembourg S.A. (formerly Orange S.A.)

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

IRISnet S.C.R.L.

28.16 % of the shares held by Mobistar S.A.
Accounted for by equity method
Avenue des Arts 21, B - 1000 Brussels, Belgium
Company identification number BE 0847 220 467

Up to 31.12.2012

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

The principal activities of the Group are described in note 22 (segment information).

Date of authorisation for issue of the financial statements

On 21 March 2014, the Board of Directors of Mobistar S.A. reviewed the 2013 consolidated financial statements and authorised them for issue.

The 2013 consolidated financial statements will be approved on 7 May 2014 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 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 2013 by using the following consolidation method:

- Mobistar S.A.: 100 % full consolidation
- Orange Communications Luxembourg S.A.: 100 % full consolidation
- Mobistar Enterprise Services S.A.: 100 % full consolidation
- IRISnet S.C.R.L.: 28.16 % equity method

As at 31 December 2012, the scope of consolidation included above mentioned companies but also:

Temporary association Irisnet: 50 % proportional consolidation

- Orange Communications Luxembourg S.A., a company organised and existing under the laws of Luxembourg, has been acquired as of 2 July 2007 by Mobistar S.A. The purchase concerned 90 % of the shares of Orange Communications Luxembourg S.A. The remaining 10 % of shares have been acquired on November 12, 2008. The company has consolidated the results of Orange Communications Luxembourg S.A. for 100 %, as of 2 July 2007.
- Mobistar Enterprise Services S.A., a company organised and existing under the laws of Belgium, has been acquired as of 31 March 2010 by Mobistar S.A. The purchase concerned 100 % of the shares of affiliated company. The company has consolidated the results of Mobistar Enterprise Services S.A. for 100 %, as of 1 April 2010.
- IRISnet S.C.R.L. is a company constituted in July 2012 in collaboration with the Brussels authorities in order to take over the activities performed by the temporary association Irisnet. The take-over of the activities took place on 1st November 2012. In this new legal structure, Mobistar has contributed in cash for 3,450,000 euros equivalent to 345,000 shares out of the 1,225,000 shares issued by the company. Due to the deal structure, IRISnet S.C.R.L. will be accounted for in the accounts using the equity method.

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 2012.

Although there has been no impact on the operations performed by the Group, following new amendments to IFRS have been considered in the preparation of the annual consolidated accounts:

- IFRS 13 *Fair Value Measurement* (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009-2011) (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2013)
- Amendment to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (applicable for annual periods beginning on or after 1 July 2012)
- Amendment to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 19 *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)

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.

Critical judgments in applying accounting policies

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 21.

Critical estimates and assumptions

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.

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 8.

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 15.



Universal service

Mobistar is involved, together with other alternative operators, in a number of legal actions regarding the planned financial compensation system in relation to the provision of social tariffs. Significant management judgment and assumptions have been required in order to assess the potential impact of the evolution of the regulation in that matter. See note 19.

Contract termination

In the context of the distribution footprint evolution, estimates related to distribution contracts termination have been required in order to assess the outcome of the negotiations and the valuation of the termination costs. See note 19.

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, Goodwill and Goodwill impairment

Business combinations are accounted for applying the acquisition method:

- the acquisition cost is measured at the acquisition date at the fair value of the consideration transferred, including all contingent consideration. Subsequent changes in contingent consideration are accounted for either through profit or loss or through other comprehensive income in accordance with the applicable standards;
- if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts

for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date;

- goodwill is the difference between the consideration transferred and the fair value of the identifiable assets and liabilities assumed at the acquisition date and is recognized as an asset in the statement of financial position.

For each business combination with ownership interest below 100 %, non-controlling interests are measured:

- either at fair value: in this case, goodwill relating to non-controlling interests is recognized; or
- at the non-controlling interest's proportionate share of the acquiree's identifiable net assets: in this case, goodwill is only recognized for the share acquired.

Acquisition related costs are directly recognized in operating income in the period in which they are incurred.

When a business combination is achieved in stages, the previously held equity interest is remeasured at fair value at the acquisition date through operating income. The attributable other comprehensive income, if any, is fully reclassified in operating income.

Goodwill is not amortised but tested for impairment at least annually or more frequently when there is an indication that it may be impaired. Therefore, the evolution of general economic and financial trends, the different levels of resilience of the telecommunication operators with respect to the decline of local economic environments, the changes in the market capitalization values of telecommunication companies, as well as actual economic performance compared to market expectations represent external indicators that are analysed by the Group, together with internal performance indicators, in order to assess whether an impairment test should be performed more than once a year.

IAS 36 requires these tests to be performed at the level of each Cash Generating Unit (CGU) or groups of CGUs likely to benefit from acquisition-related synergies. De facto, it generally corresponds to the operating segment. This allocation is reviewed if the Group changes the level at which it monitors return on investment for goodwill testing purposes.

To determine whether an impairment loss should be recognized, the carrying value of the assets and liabilities of the CGUs or groups of CGUs is compared to the recoverable amount. The recoverable amount of a CGU is its value in use.





Value in use is the present value of the future cash flows expected to be derived from the CGUs. Cash flow projections are based on economic and regulatory assumptions, license renewal assumptions and forecast trading conditions drawn up by the Group's management, as follows:

- cash flow projections are based on three to five-year business plans;
- cash flow projections beyond that timeframe may be extrapolated by applying a declining or flat growth rate over the next two years (for some CGUs), followed by a growth rate to perpetuity reflecting the expected long-term growth in the market;
- the cash flows obtained are discounted using appropriate rates for the type of business and the countries concerned.

Carrying values of CGUs tested include goodwill, intangible assets with indefinite useful life arising from business combinations and assets with finite useful life (property, plant and equipment, intangible assets and net working capital, including intragroup balances). Net book values are disclosed at the level of the CGUs and groups of CGUs, i.e. including accounting items related to transactions with other CGUs and groups of CGUs.

For a CGU partially owned by the Group, when it includes a portion relating to non-controlling interests, the impairment loss is allocated between the owners of the parent and the non-controlling interests on the same basis as that on which profit or loss is allocated (i.e. ownership interest).

Impairment loss for goodwill is recorded as a deduction from operating income and is never subsequently reversed.

4.3 Intangible assets

Are included under this asset category, the intangible assets with a finite useful life such as the cost of the telecommunication 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 amortisation of the mobile licences starts when they are ready to operate.

The GSM and UMTS licences have been granted for a period of 15 years (originally) and 20 years respectively and are fully amortised. The extension of the GSM licence, acquired in 2010, is amortised over a period of 5 years which corresponds to the licence term.

The 4G licence, acquired in 2011, has been granted for a period of 15 years, till the 1st of July 2027. The 800 MHz licence has been acquired in November 2013 and is valid for a period of 20 years. Amortisation of the licences should start when the asset is available for use, i.e. when it is in the location and technical condition necessary for it to be capable of operating in the manner intended by the management, even if the asset is actually not being used. The licence will be available for use when the first geographical zone will be declared 'ready to launch' by the technical team. The full amount will be amortised on a straight line basis over its remaining useful life of that date.

The useful life of acquired and internally generated software is 5 years (network software) or 4 years (non-network software) and their amortisation 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 amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

4.4 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

4.5 Impairment of tangible and intangible items other than goodwill

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

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



4.6 Borrowing costs

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

4.7 Government grants

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

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

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

4.8 Taxes

Current income taxes

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

Deferred income tax

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

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

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

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

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

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

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

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

Sales tax

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

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



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

4.9 Inventories

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

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

4.10 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.

4.11 Financial instruments

Recognition and derecognition

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

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

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

Financial assets

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

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

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

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

Trade and other short-term receivables with no stated interest rate are measured at the original invoice or nominal amount when the effect of discounting is immaterial. An impairment loss on trade and other short-term receivables is recognised in the profit and loss statement when their carrying amount is lower than the present value of estimated future cash flows. Impairment is valued 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 bad debt accrual 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.

4.12 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.

4.13 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 in Belgium is due to the legal framework to be technically considered as a defined benefit plan as a guaranteed return is imposed on the contributions to the plan. However, it is classified as a 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. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

4.14 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.

Separable components of bundled offers

Some service offers of the Group include two components: an equipment component (e.g. a mobile handset) and a service component (e.g. a talk plan).

For the sale of multiple products or services, the Group evaluates all deliverables in the arrangement to determine whether they represent separate units of accounting. A delivered item is considered a separate unit of accounting if (i) it has value to the customer on a stand-alone basis and (ii) there is objective and reliable evidence of the fair value of the undelivered item(s). The total fixed or determinable amount of the arrangement is allocated to the separate units of accounting based on its relative fair value. However, when an amount allocated to a delivered item is contingent upon the delivery of additional items or meeting specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount. This case arises in the mobile business for sales of bundled offers including a handset and a telecommunications service contract. The handset is considered to have value on a stand-alone basis to the customer, and there is objective and reliable evidence of fair value for the telecommunications service to be delivered. As the amount allocable to the handset generally exceeds the amount received from the customer at the date the handset is delivered, revenue recognized for the handset sale is generally limited to the amount of the arrangement that is not contingent upon the rendering of telecommunication services, i.e. the amount paid by the customer for the handset.

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.

4.15 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.

4.16 Loyalty commissions

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

4.17 Financial discounts

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



4.18 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.

4.19 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.

- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2013). IFRS 11 supersedes IAS 31 and SIC-13. This standard deals with the accounting for joint arrangements. The definition of joint control is based on the existence of an arrangement and the unanimous consent of the parties which share the control. There are two types of joint arrangements:
 - joint ventures: the joint venturer has rights to the net assets of the entity to be accounted for using the equity method, which is the method already applied by the Group, and
 - joint operations: the parties to joint operations have direct rights to the assets and direct obligations for the liabilities of the entities which should be accounted for as arising from the arrangement.
- The IFRS 11 application will have no significant effect on the Group's financial statements' presentation.

- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2013). IFRS 12 supersedes disclosures previously included in IAS 27, IAS 28 and IAS 31. This standard groups and develops all the disclosures related to subsidiaries, joint ventures, associates, consolidated and unconsolidated structured entities. The implementation of this standard should not substantially change the disclosures provided by the Group.

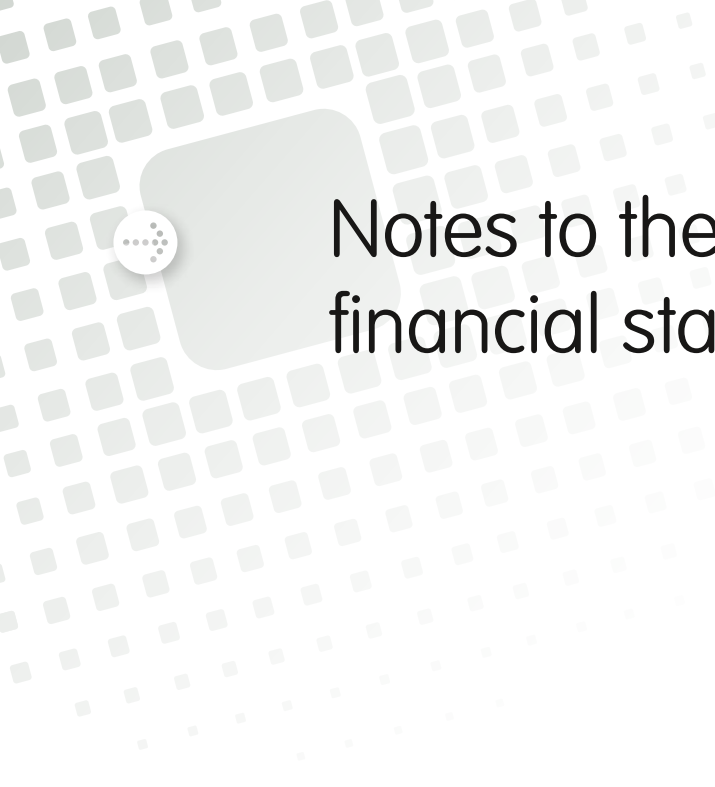
The following new Amendments and Standards are not applicable in view of the current operations performed by the Group:

- IFRS 9 *Financial Instruments*, effective 1 January 2015. The standard is the first part of the three-part project that will supersede IAS 39 *Financial Instruments: Recognition and Measurement*. This first part deals with the classification and the measurement of financial instruments. The effects of its application cannot be analysed separately from the two other parts not yet published and which should retrospectively address the impairment methodology for financial assets and hedge accounting.
- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2013). IFRS 10 supersedes SIC-12 and IAS 27 for the part relating to the consolidated financial statements. This standard deals with the consolidation of subsidiaries and structured entities, and redefines control which is the basis of consolidation. Based on the current reading of the standard's provisions, the retrospective application of this standard on the Group's consolidation scope has no effect on the Group's financial statements.
- Amendments to IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 19 *Employee Benefits – Employee Contributions* (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in EU)
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 *Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 21 *Levies* (applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)



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 2013 financial statements, are listed below. The Group has elected not to adopt any Standards or Interpretations in advance of their effective dates.



Notes to the consolidated financial statements

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1. Business combinations

Changes in 2013

No acquisition has been realised in 2013.

Changes in 2012

No acquisition has been realised in 2012.

However, as mentioned in the previous years' annual reports, the share purchase agreement between Mobistar and KPN, related to Mobistar Enterprise Services (MES) acquisition, foresees an adjustment of the purchase consideration based on the net debt and working capital as of 28 February 2010. The various legal procedures have not yet been finalized so no adjustment of the purchase price has been recorded.

in thousand EUR

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

2. Goodwill

in thousand EUR

2013	GOODWILL
Acquisition value	
As at 1 January 2013	80 080
As at 31 December 2013	80 080
Amortisation and impairment	
As at 1 January 2013	0
As at 31 December 2013	0
NET CARRYING AMOUNT AS AT 31 DECEMBER 2013	80 080
2012	GOODWILL
Acquisition value	
As at 1 January 2012	80 080
As at 31 December 2012	80 080
Amortisation and impairment	
As at 1 January 2012	0
As at 31 December 2012	0
NET CARRYING AMOUNT AS AT 31 DECEMBER 2012	80 080

The Goodwill did not change in 2013 and consists of:

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

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 22).

Mobistar Enterprise Services S.A.

The goodwill resulting from the acquisition of MES was recorded in two steps. First allocation on 1st April 2010 for 844 thousand euros, adjusted on 31st March 2011 for a final result of 793 thousand euros.

The reported goodwill is fully allocated to the segment 'Belgium' (see note 22).

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

Concerning the goodwill of the segment 'Belgium', when considering the relationship between the market capitalization and the net assets of the Group as at 31 December 2013, the market capitalization was significantly higher than the net book value.



Orange Communications Luxembourg S.A.

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

The reported goodwill is fully allocated to the segment 'Luxembourg'.

Impairment test on this goodwill is performed at least at the end of each financial year to assess as to whether its carrying amount does not exceed its recoverable amount.

The recoverable amount of this cash-generating unit has been estimated using a discounted cash flow method.

For 2013, same methodology has been used as in previous years. Cash flows have been estimated on a four years business plan (2014 to 2017) approved by the local management. This estimate includes the impact of the reinforcement on the market by extending the sales channels in both residential and business segments and the integration of a strong impact of the regulation in the next years (MTR and roaming). As Luxembourg population will continue to grow in the future, management assumes a long-term annual growth rate of 2 % for the years after 2017. Cash flows have been actualised at 7.5 % (post tax). Management uses a discount rate of 7.5 % which is based upon Mobistar weighted average cost of capital (WACC) increased with a risk premium relating to the relatively small size of the Luxembourg operations. Sensitivity analysis of these parameters has been performed, using a growth rate varying from 1 to 3 % and a discount rate varying from 6.5 to 8.5 %, and this even if the extremes are considered as very theoretical. The worst case scenario, based on a growth rate of 1 % and a WACC of 8.5 % would result in downgrade valuation of 22.9 million euros. Best case scenario envisaged in the sensitivity analysis would result in a positive amount of 48.4 million euros. Selected rate assumptions result in a breakeven status.

For 2012, same methodology has been used as in previous years. Cash flows were estimated on a five years business plan (2013 to 2017) approved by the local management. This estimate included the impact of the reinforcement on the market by extending the sales channels in both residential and business segments and the integration of a strong impact of the regulation in the next two years (MTR and roaming). As Luxembourg population will continue to grow in the future, management assumed a long-term annual growth rate of 2 % for the years after 2017. Cash flows were actualised at 8.5 % (post tax). In line with previous years, management used a discount rate of 8.5 % which was based upon Mobistar weighted average cost of capital (WACC) increased with a risk premium relating to the relatively small size of the Luxembourg operations. Sensitivity analysis of these parameters had been performed, using a growth rate varying from 1 to 3 % and a discount rate varying from 7.5 to 9.5 %, and this even if the extremes were considered as very theoretical. The worst case scenario, based on a growth rate of 1 % and a WACC of 9.5 % would have resulted in head room available amounting to 5.2 million euros. Best case scenario envisaged in the sensitivity analysis would have resulted in a positive amount of 89.8 million euros. Selected rate assumptions resulted in 34.1 million euros.

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



3. Intangible assets

in thousand EUR

2013	GSM AND UMTS LICENCES	INTERNALLY GENERATED SOFTWARE DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Acquisition value				
As at 1 January 2013	467 228	46 962	568 103	1 082 293
Movements during the period:				
Acquisitions and consolidation differences	120 000	5 271	47 197	172 468
Sales and disposals		-5 025	-12 310	-17 335
As at 31 December 2013	587 228	47 208	602 990	1 237 426
Amortisation and impairment				
As at 1 January 2013	326 426	40 999	428 273	795 698
Movements during the period:				
Additions	24 387	3 001	51 476	78 864
Sales and disposals		-4 887	-12 449	-17 336
As at 31 December 2013	350 813	39 113	467 300	857 226
NET CARRYING AMOUNT AS AT 31 DECEMBER 2013	236 415	8 095	135 690	380 200
2012	GSM AND UMTS LICENCES	INTERNALLY GENERATED SOFTWARE DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Acquisition value				
As at 1 January 2012	467 228	44 371	552 403	1 064 002
Movements during the period:				
Acquisitions and consolidation differences		3 784	63 227	67 011
Sales and disposals		-1 193	-47 527	-48 720
As at 31 December 2012	467 228	46 962	568 103	1 082 293
Amortisation and impairment				
As at 1 January 2012	302 143	39 377	410 456	751 976
Movements during the period:				
Additions	24 283	2 761	63 219	90 263
Sales and disposals		-1 139	-45 401	-46 540
As at 31 December 2012	326 426	40 999	428 273	795 698
NET CARRYING AMOUNT AS AT 31 DECEMBER 2012	140 802	5 963	139 830	286 595



Telecommunication licences

in thousand EUR

TYPE OF LICENCE	ACQUISITION COST	NET BOOK VALUE END 2013	NET BOOK VALUE END 2012	USEFUL LIFE IN MONTHS	REMAINING MONTHS	START DEPRECIATION PERIOD
GSM 2G	223 800	-	-	171	-	Aug-96
2G renewal 5 years	74 367	28 524	43 547	60	23	Nov-10
UMTS 3G	149 041	67 871	77 235	191	87	Apr-05
4G	20 020	20 020	20 020	Ended Jun-2027		not yet
800 MHz	120 000	120 000	-	Ended Nov-2035	238	Feb-14
TOTAL	587 228	236 415	140 802			

Internally generated intangible assets include software development costs generated by the Group staff.

Other intangible assets are mainly related to software acquired or developed by external suppliers. They are mainly used for the network applications or for administrative purpose.

The useful lives of intangible assets applied in 2013 remain comparable to the ones' used in 2012.

An important renewal program started in 2010 that aimed to review applications managing provisioning, mediation, billing and CRM for prepaid and postpaid activities. Due to the evolution of the IT strategy, an accelerated depreciation of 15.5 million euros has been recorded in the year 2012. No further major decisions have been taken in 2013 in this sense.

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

Intangible assets are not subject to title restriction or pledges as security for liabilities.



4. Property, plant and equipment

in thousand EUR

2013	LAND AND BUILDINGS	NETWORK INFRASTRUCTURE	PLANT, MACHINERY, EQUIPMENT	FURNITURE AND VEHICLES	OTHER TANGIBLE ASSETS	TOTAL PROPERTY, PLANT AND EQUIPMENT
Acquisition value						
As at 1 January 2013	1 966	633 712	706 882	127 361	20 425	1 490 345
Movements during the period:						
Acquisitions		38 665	101 135	6 052	1 156	147 008
Dismantling asset		-3 132				-3 132
Sales and disposals		-14 128	-112 055	-13 630	-108	-139 921
As at 31 December 2013	1 966	655 117	695 962	119 783	21 473	1 494 300
Depreciation and impairment						
As at 1 January 2013	258	286 034	425 436	108 287	5 320	825 335
Movements during the period:						
Additions	47	28 174	68 265	8 230	1 868	106 584
Dismantling asset		2 856				2 856
Sales and disposals		-14 732	-112 033	-13 631	-95	-140 491
As at 31 December 2013	305	302 332	381 668	102 886	7 093	794 284
NET CARRYING AMOUNT AS AT 31 DECEMBER 2013	1 661	352 784	314 294	16 897	14 380	700 016
2012	LAND AND BUILDINGS	NETWORK INFRASTRUCTURE	PLANT, MACHINERY, EQUIPMENT	FURNITURE AND VEHICLES	OTHER TANGIBLE ASSETS	TOTAL PROPERTY, PLANT AND EQUIPMENT
Acquisition value						
As at 1 January 2012	1 966	611 629	719 720	127 148	19 191	1 479 654
Movements during the period:						
Acquisitions		29 071	84 361	5 437	2 632	121 502
Dismantling asset		3 968				3 968
Sales and disposals		-10 956	-97 199	-5 225	-1 398	-114 778
As at 31 December 2012	1 966	633 712	706 882	127 361	20 425	1 490 345
Depreciation and impairment						
As at 1 January 2012	211	268 217	434 560	105 399	5 267	813 654
Movements during the period:						
Additions	47	25 940	88 126	8 114	1 392	123 618
Dismantling asset		3 332				3 332
Sales and disposals		-11 454	-97 249	-5 226	-1 339	-115 269
As at 31 December 2012	258	286 034	425 436	108 287	5 320	825 335
NET CARRYING AMOUNT AS AT 31 DECEMBER 2012	1 708	347 677	281 446	19 074	15 105	665 010

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

Property, plant and equipment assets are not subject to title restriction or pledges as security for liabilities.



5. Capital expenditure, change in useful life and government grant

Capital expenditure

During the year 2013, the Mobistar group invested 319.0 million euros, including 120.0 million euros for the acquisition of the 800 MHz license. Excluding the license costs, the investments amount to 15.9 % of service revenues, compared to 188.5 million euros a year earlier. The investments performed during the financial year 2013 are in line with the investment program 2013-2015, announced in February 2013. The focus of the second semester of 2013 was on the finalization of the swap of the 2G/3G network with more efficient infrastructure, in order to improve the deep indoor coverage, on the extension of the UMTS capacity, on the increase of the speed on the mobile data network, and finally on the deployment of new sites in order to improve the customer experience on mobile voice and data traffic. Towards the end of the year Mobistar ramped up the build out of its 4G network. End December 2013, Mobistar had a 3G/HSDPA coverage of 98.8 % of the population. The Mobistar network had 6,358 sites at the end of December 2013, of which 753 are shared with other operators. Mobistar continued to invest in the improvement of its network transmission by using extra microwaves and fiber.

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Change in useful life and impairment on intangible assets and property, plant and equipment

The changes recognised during the year have been determined on individual asset basis in order to consider technology and IT evolution. Obsolescence, dismantling or losses are also considered in the exercise.

During 2013, change in useful life on both intangible assets and property, plant and equipment has been recognised for an amount of 11.9 million euros (2012: 37.6 million euros) and shown as expense on the line 'Depreciation, amortisation and impairment' in the statement of comprehensive income.

Impact can be split as such:

For 2013:

- Software: 2.1 million euros;
- Network and other equipment: 9.8 million euros including the change in useful life of network material related to television stop (2.3 million euros), and impairment resulting from assets inventory procedures (3.2 million euros).

For 2012:

- Software: 15.5 million euros resulting from the write-off related to the change in IT strategy;
- Network and other equipment: 22.1 million euros including the change in useful life of the network material currently covered by the swap of technology (14.1 million euros), and impairment resulting from assets inventory procedures (6.3 million euros).

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

Government grant

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

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

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

in thousand EUR

	2013	2012
Net carrying amount as at 1 January	97	123
Released to the statement of comprehensive income	-26	-26
NET CARRYING AMOUNT AS AT 31 DECEMBER	71	97

6. Interests in associates

in thousand EUR

2013	INTERESTS IN ASSOCIATES	RESULT IN ASSOCIATED COMPANIES
Net carrying amount as at 1 January 2013	3 450	0
Acquisition	0	0
Result of the year	-117	-117
NET CARRYING AMOUNT AS AT 31 DECEMBER 2013	3 333	-117

2012	INTERESTS IN ASSOCIATES	RESULT IN ASSOCIATED COMPANIES
Net carrying amount as at 1 January 2012	0	0
Acquisition	3 450	0
Result of the year	0	0
NET CARRYING AMOUNT AS AT 31 DECEMBER 2012	3 450	0

In July 2012, the Group participated to the constitution of the company IRISnet S.C.R.L. The activity of IRISnet S.C.R.L. started on 1st November 2012. The share of the Group in the equity of IRISnet S.C.R.L. is 28.16 %. The Group is represented in the Board of Directors for 2 out of 7 seats. Therefore this company is accounted for via the equity method.

7. Other non-current assets

in thousand EUR

2013	CASH GUARANTEES	NON-CURRENT RECEIVABLES	TOTAL
Net carrying amount as at 1 January 2013	243	3 722	3 965
Additions		550	550
Reimbursements	-1		-1
Provision for collectability risk		-3 722	-3 722
NET CARRYING AMOUNT AS AT 31 DECEMBER 2013	242	550	792

2012	CASH GUARANTEES	NON-CURRENT RECEIVABLES	TOTAL
Net carrying amount as at 1 January 2012	262	5 556	5 818
Additions	8	0	8
Reimbursements	-27	-1 834	-1 861
NET CARRYING AMOUNT AS AT 31 DECEMBER 2012	243	3 722	3 965

The decrease in other non-current assets in 2013 is mainly due to the booking of a provision for non-collectability risk related to a specific loan.

8. Current and deferred income taxes

Amounts recognized in statement of comprehensive income

	in thousand EUR	
	31.12.2013	31.12.2012
Current tax expense		
Current year	38 488	89 010
Adjustment to prior years	-6 344	-7 101
Total current tax expense	32 144	81 909
Deferred taxes expense		
Originating and reversal of temporary differences	1 253	-1 444
Change in tax rate	7	0
Total deferred taxes expense	1 260	-1 444
TOTAL TAXES EXPENSE	33 404	80 465

Relationship between tax expense and accounting profit

	in thousand EUR	
	31.12.2013	31.12.2012
Consolidated accounting profit before taxes	120 809	266 150
Tax at the applicable rate of 33.99 %	41 063	90 464
Tax effect of permanent differences:		
Expenses that are not deductible in determining taxable profit	2 731	2 958
Tax on Irisnet result not considered	40	-3 217
Tax credit on investment	11	-21
Tax deductible risk capital	-408	-122
Tax credits on business combination	-3 689	-2 494
Adjustment on prior years	-6 344	-7 103
CURRENT YEAR TAX EXPENSE	33 404	80 465
EFFECTIVE TAX RATE	27.65 %	30.23 %

Movements in current tax balances

	in thousand EUR					
	NET BALANCE AS AT 1 JANUARY	CURRENT TAX YEAR RECOGNIZED IN STATEMENT OF COMPREHENSIVE INCOME	PREVIOUS TAX YEARS ADJUSTMENTS RECOGNIZED IN STATEMENT OF COMPREHENSIVE INCOME	PAYMENTS ON CURRENT TAX YEAR	PAYMENTS ON PREVIOUS TAX YEARS	NET BALANCE AS AT 31 DECEMBER
2013	39 020	38 488	-6 344	-24 000	-32 538	14 626
2012	112 010	89 010	-7 101	-50 000	-104 899	39 020



Movements in deferred tax balances

in thousand EUR

2013	NET BALANCE AS AT 1 JANUARY	CHANGE RECOGNIZED IN STATEMENT OF COMPREHENSIVE INCOME	NET BALANCE AS AT 31 DECEMBER
Orange Communications Luxembourg			
Carried forward tax loss	2 521	-1 118	1 403
Investment tax credits	311	1	312
Property, plant and equipment	902	92	994
Purchase Price Allocation	-496	223	-273
Total Orange Communications Luxembourg	3 238	-802	2 436
MES			
Carried forward tax loss	2 088	-2 088	0
Fixed assets	-1 012	-294	-1 306
Total MES	1 076	-2 382	-1 306
Mobistar			
Property, plant and equipment	205	-79	126
Non-current provisions	2 648	1 167	3 815
Deferred income	-1 160	1 160	0
Investment tax credit	662	-324	338
Total Mobistar	2 355	1 924	4 279
DEFERRED TAX ASSETS	6 669		6 715
DEFERRED TAX LIABILITIES	0		-1 306
TOTAL STATEMENT OF COMPREHENSIVE INCOME		-1 260	
2012	NET BALANCE AS AT 1 JANUARY	CHANGE RECOGNIZED IN STATEMENT OF COMPREHENSIVE INCOME	NET BALANCE AS AT 31 DECEMBER
Orange Communications Luxembourg			
Carried forward tax loss	3 502	-981	2 521
Investment tax credits	276	35	311
Property, plant and equipment	620	282	902
Purchase Price Allocation	-1 035	539	-496
Total Orange Communications Luxembourg	3 363	-125	3 238
MES			
Carried forward tax loss	3 918	-1 830	2 088
Fixed assets	-880	-132	-1 012
Total MES	3 038	-1 962	1 076
Mobistar			
Property, plant and equipment	301	-96	205
Non-current provisions	1 506	1 142	2 648
Deferred income	-3 944	2 784	-1 160
Investment tax credit	961	-299	662
Total Mobistar	-1 176	3 531	2 355
DEFERRED TAX ASSETS	6 401		6 669
DEFERRED TAX LIABILITIES	-1 176		0
TOTAL STATEMENT OF COMPREHENSIVE INCOME		1 444	



Orange Communications Luxembourg S.A.

The main component is related to the carried forward losses for 1,403 thousand euros and to temporary differences between LUX GAAP and IFRS.

Mobistar Enterprise Services S.A.

In 2011, following the finalization of the Purchase Price Accounting related to MES acquisition, a deferred tax asset has been recognized on MES tax losses. At the end of March 2011, the recoverable tax loss of MES amounted to 29,978 thousand euros. Due to the estimate of the future taxable profits together with the tax planning expected, the deferred tax amounts were capped on a tax loss of 11,510 thousand euros or an amount of deferred tax asset of 3,918 thousand euros. These losses have been recovered in 2013.

MES still totalizes carried forward tax losses for an amount of 13,524 thousand euros at the end of 2013. No deferred tax assets have been recorded on this remaining amount as the capability for MES to use these tax losses in the future has not been established.

Mobistar S.A.

Deferred taxes recorded on Mobistar's operations are essentially related to investments tax credits and to the temporary differences resulting from the consideration of borrowing costs (up to end 2012) and the development costs for intranet sites, and to the dismantling assets depreciation.

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

9. Inventories

in thousand EUR		
	31.12.2013	31.12.2012
Finished goods (i.e. handsets and SIM cards)		
Inventories - Gross amount	22 562	22 467
Reserve for obsolete and slow moving items	-1 896	-1 873
INVENTORIES - NET CARRYING AMOUNT	20 666	20 594
Inventories - Cost recognised as an expense during the period	233 005	225 290

The level of inventories recorded at the end of 2013 is in line with the one of 2012.

The amount of reserve for obsolete and slow moving items remained stable.

10. Trade receivables

in thousand EUR		
	31.12.2013	31.12.2012
Trade receivables - Gross value	274 288	293 314
Allowance for doubtful debtors	-59 230	-63 146
TRADE RECEIVABLES - NET CARRYING AMOUNT	215 058	230 168



For terms and conditions relating to related parties receivables, refer to note 20.

Trade receivables are non-interest bearing and are generally paid via direct debits (more than 60 % of the service revenues are collected by direct debit). Trade receivables which are not paid via direct debits bear mainly a payment term of 30 days end of month.

Trade receivables amount to 215.1 million euros at the end of 2013, compared with 230.2 million euros at the end of 2012. The decrease results mainly from the decrease in service revenues (- 15.6 million euros on outstanding balance) and receivables related to handset distributors partly compensated by an increase in roaming and interconnect revenues and revenues linked to the activities performed for the judicial authorities. The Group is not dependent from major customers' situation, none representing more than 10 % of the company's turnover. The customers risk is spread over more than 4 million customers.

Trade receivables: Allowance for doubtful debtor's reconciliation

in thousand EUR					
	BALANCE SHEET				STATEMENT OF COMPREHENSIVE INCOME
	31.12.2013	ACCRUAL	REVERSAL	31.12.2012	31.12.2013
Hardware customers	-1 761			-3 817	-2 056
Airtime customers	-57 469			-59 329	-1 860
TOTAL ALLOWANCE FOR DOUBTFUL DEBTORS	-59 230	-12 441	16 357	-63 146	-3 916
	31.12.2012	ACCRUAL	REVERSAL	31.12.2011	31.12.2012
Hardware customers	-3 817			-3 494	323
Airtime customers	-59 329			-46 615	12 714
TOTAL ALLOWANCE FOR DOUBTFUL DEBTORS	-63 146	-18 068	5 031	-50 109	13 037

Trade receivables: Ageing balance

in thousand EUR					
	TRADE RECEIVABLES - NET CARRYING AMOUNT	NOT PAST DUE	LESS THAN 180 DAYS	BETWEEN 180 DAYS AND 360 DAYS	MORE THAN 360 DAYS
2013	215 058	128 770	28 835	34 436	23 017
2012	230 168	172 111	22 699	17 191	18 167

Due to the evolution of the market conditions and the increasing difficulty of recovering the receivables, the percentage of bad debt provisions has been raised first in 2011 from 1.8 % to 2.0 % of the average billing for the residential market and once again in 2012 from 2.0 % to 2.1 % of the service revenues. Some more difficulties were noted in the 'small and medium enterprises' segment, resulting in an increase of the bad debt provision related to this segment in 2012.



After the increase in the bad debt provision rate in the last two years, the situation has been stabilized in 2013. Specific efforts performed in terms of cash collection have even allowed reducing the rate from 2.1 % of the revenues to 2.0 % in the residential segment. The decrease in service revenues has also resulted in a relative decrease of the expense of the year 2013.

11. Other current assets and accrued revenues

in thousand EUR		
	31.12.2013	31.12.2012
Local and regional taxes on pylons	67 079	57 332
Impairment on taxes on pylons	-67 079	-57 332
Prepayments	12 411	13 690
VAT to be recovered	2 657	0
Other current assets	2 799	5 470
Total other current assets	17 868	19 160
Accrued Revenues	11 381	19 039
TOTAL	29 249	38 199

Local and regional taxes on GSM pylons, masts and antennas

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

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

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

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



The Court of Cassation has confirmed in its judgments of 30 March 2012 the interpretation of the Constitutional Court of article 98 of the Act of 21 March 1991.

The total receivable amount of taxes charged, plus default interest calculated at the legal rate, amounts to 67.1 million euros and is subject to a bad debt provision for the whole amount, of which 9.7 million euros correspond to the financial year 2013. The provision is recorded under the 'Other operating charges' heading in the statement of comprehensive income.

Prepayments

Prepayments have decreased due to seasonality effect.

VAT to be recovered

VAT position moved from payable to receivable from December 2012 to December 2013.

Other current assets

Variation of other current assets is partially driven by the partial reimbursement of a partner's loan and the write-off on a specific short-term advance due to solvability risk for 3.7 million euros.

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). The decrease of service revenues and the changes in the offers content have reduced the amount of the revenue cut-off at year end by 4.2 million euros. The periods of free advantages have expired during the year 2013 with the impact of releasing the related accrued revenues for 3.4 million euros.

12. Cash and cash equivalents

in thousand EUR		
	31.12.2013	31.12.2012
TOTAL CASH AND CASH EQUIVALENTS	13 781	12 266

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 13,781 thousand euros at the end of 2013.



13. Earnings per share

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

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

in thousand EUR		
	31.12.2013	31.12.2012
Net profit attributable to ordinary equity holders of the parent	87 405	185 685
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.

14. Equity

Share capital

Changes

No changes have been performed during the years 2012 and 2013.

	SHARE CAPITAL (IN THOUSAND EUR)	NUMBER OF ORDINARY SHARES
As at end December 2012	131 721	60 014 414
As at 1 January 2013	131 721	60 014 414
As at 31 December 2013	131 721	60 014 414

All ordinary shares are fully paid and have a par value of 2.195 euros. As no changes occurred during 2013, the par value is the same for 2012 and 2013.



Legal reserve

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

No changes have occurred in 2013.

in thousand EUR		
	2013	2012
As at 1 January	13 173	13 173
As at 31 December	13 173	13 173

Retained earnings

in thousand EUR		
	2013	2012
As at 1 January	212 905	249 078
Current year profit after taxes	87 405	185 685
Dividend paid	-108 026	-222 053
Equity transactions costs		195
As at 31 December	192 284	212 905

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Shareholders' remuneration

At the Annual General Assembly of shareholders to take place on 7 May 2014, the Board of Directors will propose not to remunerate the shareholders for the year 2013.

Capital management

Since 2005, 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. To do so, the Group's capital management focuses on 'Issued Capital' and 'Retained Earnings', and in order to maintain or adjust its capital structure, the Group may adjust the dividend payment to its shareholders, return capital to its shareholders, buy back shares or issue new shares.

Nevertheless, it is to be noted that since the exceptionally high distribution scheme which has been implemented in 2008, the only axis on which the Group may act is its dividend policy. As a consequence, concomitant with the accelerated investments in the 4G network, the impact of the regulatory framework and the increased competition resulting from the entry into force of the new telecom law in October 2012 impacting the Group's results, instead of implementing the usual shareholders' remuneration policy (pay-out ratio close to 100 % of the net result), the Board of Directors of the company decided to adapt its dividend policy in order to preserve a sound balance sheet. This decision resulted in a lower distribution in 2013 compared to 2012 (108.0 million euros in 2013 vs 222.1 million euros in 2012) and a proposal of no distribution in 2014 on the 2013 results to the General Shareholders' Meeting to be held on 7 May 2014.

15. Non-current provisions

in thousand EUR

2013	01.01.2013	ADDITIONS	UTILISATIONS	REVERSAL	UNWINDING EFFECT	31.12.2013
Outstanding litigations	10 292	5 990	-354	-552		15 375
Onerous contracts	4 564		-1 548			3 016
Network sites dismantling costs	49 814	62	-362	-2 651	1 191	48 054
Office refurbishment costs	2 705	417			74	3 196
TOTAL	67 375	6 469	-2 264	-3 203	1 265	69 641

2012	01.01.2012	ADDITIONS	UTILISATIONS	REVERSAL	UNWINDING EFFECT	31.12.2012
Outstanding litigations	7 084	3 513	-229	-76		10 292
Onerous contracts	7 122		-2 558			4 564
Network sites dismantling costs	44 807	4 677	-571	-100	1 001	49 814
Office refurbishment costs	2 582	16			107	2 705
TOTAL	61 595	8 206	-3 358	-176	1 108	67 375

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 the consolidation of MES in 2010, the outstanding litigations include a liability relating to VAT claims and a provision for onerous contracts.

Variance of the provision is mainly due to new provisions for specific risks booked in Mobistar for 5,990 thousand euros and the use of the provision for onerous contracts set up in MES for 1,548 thousand euros, as losses have been incurred.



Network sites dismantling provision

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

in thousand EUR		
	31.12.2013	31.12.2012
Number of network sites Orange Communications Luxembourg S.A. incl. (in units)	4 500	4 436
Average dismantling cost per network site	11	11
Inflation rate	2.0 %	2.0 %
Discount rate	2.54 %	2.29 %

Although size and installation on site may slightly vary from site to site, the provision is calculated on an average dismantling cost which is based on the actual costs incurred in the past for similar activities. For sites of a bigger size, like MSC's (Mobile Switching Centre), the provision is calculated on the surface area of the sites rented and an average dismantling cost per m² based on past similar experience.

Although it is rather not practicable to estimate the timing of the cash outflows, it is assumed that all the network sites will be dismantled in the future. Since 2011, the duration of the rental contracts has been capped to 15 years, which is considered to be equivalent to a dismantling plan spread over a period close to 30 years. Before that change, the longest period considered was 99 years. The approach was maintained to evaluate the provision in 2013, leading to a net variation of the provision for -2,951 thousand euros. Unwinding effect has increased the provision for 1,191 thousand euros.

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

Office refurbishment costs

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

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.



16. Financial instruments

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) and a 120 million euros payment for the spectrum 800 MHz in December 2013, the Company has drawn for a total of 571.9 million euros as at 31 December 2013. The Company didn't hedge the interest rate risk on the debt that bears interests based on EURIBOR + 65 Bps margin + 20 Bps utilization fee for a first tranche of 450 million euros, EURIBOR + 110 Bps margin for a second tranche of 100 million euros and EONIA + 65 Bps margin for the short-term tranche of 21.9 million euros.

The company decided not to hedge the long-term interest rate risk linked to its long-term debt in the light of the current low interest rates levels and the amount's fluctuations of the said long-term debt.

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 on-going basis. See notes 10 & 11.

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 year's 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

in thousand EUR

	NOMINAL AMOUNT END 2013	INTEREST RATE	MATURITY	31.12.2013	31.12.2012
Unsecured revolving credit facility agreement with	450 000	EURIBOR + 0.65	31.12.2015	450 000	385 000
Atlas Services Belgium	120 000	EURIBOR + 1.10	10.12.2016	100 000	
Transactions costs on non-current loans				-1 250	-1 350
TOTAL NON-CURRENT LOANS AND BORROWINGS				548 750	383 650
Cash-pool related credit facility with Orange	50 000	EONIA + 0.65	on demand	21 879	22 580
Uncommitted credit lines with various banks	43 500	determined upon withdrawal	on demand	0	0
TOTAL CURRENT LOANS AND BORROWINGS				21 879	22 580

Fair values

in thousand EUR

	CARRYING AMOUNT		FAIR VALUE	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Financial assets				
Cash and cash equivalent	13 781	12 266	13 781	12 266
Other financial assets (non-current)	3 333	3 450	3 333	3 450
Current receivables ¹	4 222***	2 658	4 404 */***	2 526 **
Non-current receivables ¹	550	3 722	543 *	3 694 **
Trade receivable ¹	215 058	230 168	215 058	230 168
Other current assets ¹	17 868	16 502	17 168	16 502
Financial liabilities				
Non-current borrowing	550 000	385 000	547 019 *	383 207 **
Non-current trade payable	0	13 447	0	13 404 **
Current borrowing	21 879	22 580	21 879	22 580
Trade payables	352 088	344 563	352 088	344 563
Other payables	5 796	3 035	5 796	3 035

* Discount rates (assumption) have been considered on the estimated period of repayment (1 year: 0.414 %, 2 years: 0.5449 %, 3 years: 0.7715 %, 4 years: 1.0232 %, 5 years: 1.2879 %)

** Discount rates (assumption) have been considered on the estimated period of repayment (1 year: 0.367 %, 2 years: 1.3111 %, 3 years: 1.3803 %, 4 years: 1.5483 %, 5 years: 1.7443 %)

*** This value includes a loan to a partner for which an accrual for collection risk has been recorded for a value of 3,722 thousand euros. Net carrying amount is 700 thousand euros for which fair value is 698 thousand euros.

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

As at 31 December 2013, 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.



Maturity

in thousand EUR

YEAR ENDED DECEMBER 2013	AMOUNT	WITHIN 1 YEAR	WITHIN 2-5 YEARS	MORE THAN 5 YEARS
Financial assets				
Cash and cash equivalent	13 781	13 781		
Other financial assets (non-current)	3 333	3 333		
Current receivables (>1 year falling due <1 year)	4 422	4 422		
Non-current receivables	550			550
Financial liabilities				
Non-current borrowing	550 000		550 000	
Current borrowing	21 879	21 879		

YEAR ENDED DECEMBER 2012	AMOUNT	WITHIN 1 YEAR	WITHIN 2-5 YEARS	MORE THAN 5 YEARS
Financial assets				
Cash and cash equivalent	12 266	12 266		
Other financial assets (non-current)	3 450	3 450		
Non-current receivables	6 380	2 658	3 722	
Financial liabilities				
Non-current borrowing	385 000		385 000	
Current borrowing	22 580	22 580		

Sensitivity

As indicated above, the main risk area related to external variable elements is the cost of borrowing. Considering an average long-term indebtedness of 422 million euros for 2013, a variation of floating rate of 0.5 % would have meant an impact on financing costs of 2.1 million euros. Considering an average long-term indebtedness of 359 million euros for 2012, a variation of floating rate of 0.5 % would have meant an impact on financing costs of 1.8 million euros.

17. Non-current trade payable

in thousand EUR

	31.12.2013	31.12.2012
Payable on licence acquisition over 1 year	0	13 447
TOTAL NON-CURRENT TRADE PAYABLE	0	13 447

This amount represents the part payable over more than one year relating to the renewal of the 2G license. The company indeed opted for the deferred payment approach over 5 years. At the end of 2013, one installment remains to pay in 2014. Interests on this payable have been paid in advance for the year 2014 in December 2013. These interests have been calculated based on a provisional rate of 2.75 %.



18. Trade payables and other current liabilities

in thousand EUR		
	31.12.2013	31.12.2012
TRADE PAYABLES	352 088	344 563
Salaries and termination pay	4 515	2 258
Social security contributions	900	880
Holiday pay	17 918	18 744
Performance and Profit Sharing bonus	6 833	9 431
Other	1 357	3 072
TOTAL EMPLOYEE BENEFITS RELATED LIABILITIES	31 524	34 385
Corporate taxes	14 626	39 020
Value added tax & other taxes	959	3 689
TOTAL CURRENT TAXES PAYABLE	15 585	42 709
DEFERRED INCOME	66 145	77 451
TOTAL OTHER PAYABLES	5 796	3 035

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

Variation of trade payable of 7,525 thousand euros is mainly due to the increase of operational and fixed assets trade payable at the end of the year.

Variation of the employee benefits related liabilities is influenced by higher termination accruals compensated by an important decrease of the provisions related to bonus and profit sharing.

Variation of corporate tax payable is due to the payment of the tax bills for the accounting year 2012 for 32.5 million euros and the adjustment of 2012 tax provision. Prepayments of taxes for 2013 have been lower than in 2012 due to the lower level of pre-tax result.

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. Decrease comes essentially from the change in the tariff plans' structure in the portfolio. Indeed the 'Animals' tariff plans do not include anymore a roll-over period of the unused part of the fixed part billed, which resulted in the decrease of the deferred income. This effect has been reinforced in 2013 due to the massive migration of customers to 'Animals' tariff plans. The decrease in prepaid customers has also resulted in a decrease in deferred revenues. Both evolutions in pre- and postpaid have had an impact of -11.3 million euros.



19. Consolidated statement of comprehensive income

Turnover

	in thousand EUR	
	2013	2012
Revenue from subscription contracts	780 759	913 808
Revenue from prepaid subscription cards	120 299	144 908
Interconnection revenue	277 709	315 527
Site sharing rental income	2 552	3 018
Other services	71 534	72 766
Total service revenue	1 252 852	1 450 027
Sale of equipment	208 380	200 448
TOTAL	1 461 232	1 650 475

The service revenues of the Mobistar group amounted to 1,252.9 million euros in the year 2013 compared to 1,450.0 million euros a year earlier, or a reduction of 13.6 %. The negative trend noted during the first half year continued its acceleration especially towards the end of the year. The repricing essentially manifested itself by a contraction of the out-of-bundle domestic revenues, as the different bundles were enriched with more voice minutes and sms. This abundance resulted in a decrease of overage across most of the tariff plans. Pockets of growth were the service revenues coming from machine-to-machine and from MVNO, which grew respectively 20.7 % and 59.6 % in 2013. The fourth quarter service revenues of the Mobistar group amounted to 290.2 million euros, a decline of 21.4 % versus the fourth quarter of 2012.

During the year 2013, the revenues of the Mobistar group were once again negatively influenced by the reduction of the MTR rates in January 2013 and of the roaming rates in July 2012 and July 2013. The impact of these reductions on service revenues of the Mobistar group amounted to in total 57.1 million euros for 2013, i.e. 33.7 million euros MTR-impact and 23.4 million euros roaming-impact. The impact in the fourth quarter amounted to respectively 8.8 million euros and 3.6 million euros. Without regulatory impact, the consolidated service revenues would have been down 9.7 % for the full year 2013 and down 18.1 % for the fourth quarter.

The sales of handsets, mainly driven by the success of smartphone, progressed during 2013 from 200.5 million euros in 2012 to 208.4 million euros, an increase of 3.9 %. However, the growth trend curbed off toward the second part of the year. The fourth quarter even recorded a decline of 17.8 % versus the same period last year, given the latter introduction of the new iPhone in Belgium compared to last year and given the gradually increasing volume of subsidized offers in the market.

The total consolidated turnover, which includes service revenues as well as the turnover coming from the sale of handsets, amounted to 1,461.3 million euros at the end of December 2013, compared to 1,650.5 million euros in December 2012. This implies a decline of 11.5 % year-over-year, excluding the impact of MTR- and roaming regulation the decline would have been -8.0 % year-over-year.



Other operating revenue

in thousand EUR		
	2013	2012
Expenses recharged to Orange group entities	7 880	8 988
Administrative costs recharged to customers and third-parties	14 504	19 183
Services rendered to judicial authorities	0	3 389
Other operating revenue	10 488	20 403
TOTAL	32 872	51 962

Other operating revenue totaled 31,872 thousand euros in 2013, compared with 51,962 thousand euros in 2012. This revenue comes predominantly from the cross-charging of services provided to the Orange Group, administrative costs charged to end customers and from information supplied to the judicial authorities. Since 2013, Mobistar has decided to record revenues from the juridical authorities on a cash basis. This is why no revenues have been recorded for this year. Revenues not recognized in 2013 amount to 3,781 thousand euros. Same approach applied in 2012 would have resulted in a decrease of revenues of 3,389 thousand euros.

At the beginning of November 2012, the temporary association Irisnet stopped its activities. The activities of Irisnet have been taken over by a newly created company (IRISnet S.C.R.L.). Irisnet will just continue to collect its outstanding receivables balances open as of 31st of October 2012 and complete the legal liquidation of the temporary association. Based on the fact that the temporary association stopped its activities, Mobistar has decided to include in the 2012 closing all necessary provisions regarding the legal liquidation of the temporary association. This review allowed the Group to record 9.8 million euros of additional one time income in the fourth quarter of 2012, under the header 'other operating revenues'.

Interconnection costs

Interconnection costs have decreased by 14 % at 337,580 thousand euros.

Costs of equipment and goods sold

in thousand EUR		
	2013	2012
Purchase of goods	240 976	234 754
Purchase of services	123 275	118 190
TOTAL	364 251	352 944

Costs of equipment and goods sold recorded an increase as a result of the growth in revenue from equipment sales. Other service costs are related to leased lines and sites costs that have slightly increased.



Services and other goods

in thousand EUR

	2013	2012
Rental costs	26 864	26 630
Maintenance	20 099	17 493
Professional fees	62 004	78 203
Administration costs	18 904	19 874
Commissions	110 677	105 832
Universal service	770	-17 040
Advertising and promotions	39 248	37 730
Other	12 210	13 106
TOTAL	290 776	281 828

The cost of services and other goods has increased by 8.9 million euros reaching 290.8 million euros.

Professional fees, including mainly IT consultants and outsourced activities (for 52.6 million euros in 2013 vs 66.7 million euros in 2012) and honoraries (for 6.9 million euros in 2013 vs 7.6 million euros in 2012), have decreased over the year by 16.2 million euros due to a very strong control on interim and infrastructure contractors and the decrease of volume of CRM support linked to the suspension of the fix activities. Commercial expenses have been slightly increased by 1.5 million euros, influenced by the strong focus on this type of costs. Commissions costs have increased by 4.8 million euros, which results from the combination of provisions set up in the context of the distribution landscape reorganization compensated by an important decrease of the structural remunerations in both prepaid and postpaid segments.

In 2012, an important positive impact was related to the review of the provision for universal service compensation for 17.5 million euros. In light of the Court decision taken last year and the evolution of the regulation, Mobistar has reviewed its approach on the calculation of the provision from a 'loss of revenue' basis to a 'net charges' basis.

Employee benefits expenses

in thousand EUR

	2013	2012
Short-term employee benefits	114 190	116 468
Social Security contributions	34 062	32 642
Group insurance and medical care	6 981	4 919
Other personnel costs	1 930	2 054
TOTAL	157 163	156 083

Short-term employee benefits are presented net of employee benefits expenses internally capitalised as intangible assets and property, plant and equipment, totalling 9,316 thousand euros in 2013 and 6,463 thousand euros in 2012.

The average full-time equivalent number of employees decreased from 1,896 in 2012 to 1,741 in 2013. Despite this reduction in headcount, total cost of employees has increased partially due to the increase in redundancy costs incurred in 2013 compared to 2012.

The amount paid as expenses related to the defined contribution pension plan and included in the 'Group insurance' amounted to 5,193 thousand euros for 2013 compared to 5,099 thousand euros for 2012.



Depreciations

Depreciation charge as at 31 December 2013 totalling 188.3 million euros is reduced by 13.3 % versus the one recorded for the same period in 2012.

The depreciation of 2012 included the impact of non-recurring depreciations for an amount of 37.6 million euros (see note 4).

The depreciations of 2013 included the impact of non-recurring depreciations for an amount of 11.9 million euros (see note 4).

Amounts written down stocks, contracts in progress and trade debtors

Bad debt provision has decreased in the year 2013 mainly due to a return to better collection performance on all market segments. This has allowed to partially reverse accrual set up in the past and to reduce the percentage of current year accrual.

Other operating charges

in thousand EUR		
	2013	2012
Inventories - obsolete and slow moving items	-45	249
Trade receivables - realized losses	-3 916	13 037
Trade receivables - accrual variation	16 357	5 031
Impairment on local taxes on GSM antennas and pylons	9 747	7 591
Property taxes	2 138	2 912
Non-current provisions	3 068	-2 561
Loss on sales of assets	22	130
Other operating charges	-98	646
TOTAL	27 273	27 035

Local taxes on GSM masts and antennas impairment has increased in 2013 and is expected to very importantly increase again in 2014, mainly due to the new Walloon Region tax rule.

In 2013, the Group has recorded new claims for an amount of 5.9 million euros but has been positively influenced by the use of the provision for onerous contracts of -1.5 million euros in MES. Non-current provisions were positive in 2012 mainly due to the reversal of a part of the provision for onerous contracts booked in MES.



Financial result

	in thousand EUR	
	2013	2012
Financial income		
Interest on deposits and current bank accounts	232	308
Other financial income	241	189
Total	473	497
Financial costs		
Interest on financial debts	5 978	7 872
Other financial charges	2 326	3 314
Total	8 305	11 186
TOTAL NET FINANCIAL COSTS	-7 832	-10 689

The financial expenses have been influenced in 2013 by interest rates and exchange rate variance (-1.9 million euros), and bank charges (-0.3 million euros). The new credit line of 120 million euros secured in December 2013 was drawn at the end of December to pay the 800 MHz spectrum license. The impact of this new credit facility on the 2013 financial results was very limited.

Tax expense

The tax burden amounts to 33.4 million euros in 2013. A positive impact on the taxable year 2012 has been recorded in December 2013 for an amount of 6.3 million euros to record tax deduction for investments. In 2012 the impact was of 7.1 million euros. Due to the fact that the taxable basis is lower in 2013 than in 2012, the adjustment has had a more important relative effect on the effective tax rate which shows a more favourable position for 2013 compared to 2012.

20. Relationships with related parties

Relationships with affiliated enterprises

Balance sheet and income statement

	in thousand EUR	
	31.12.2013	31.12.2012
Assets and liabilities		
Current trade receivables	14 141	10 798
Liabilities		
Current interest-bearing loan	21 879	22 580
Non-current interest-bearing loan	548 300	383 200
Current trade payables	7 607	9 036
Income and charges		
Sales	29 052	38 961
Purchases	35 244	38 137



The consolidated financial statements include the financial statements of Mobistar S.A., 100 % of Orange Communications Luxembourg S.A. and 100 % of Mobistar Enterprise Services S.A. in 2013. At the end of 2012, 50 % of the interests held by Orange in the joint venture Irisnet were deconsolidated.

The ultimate parent entity of Mobistar S.A. is Orange S.A., rue Olivier de Serres 78, 75015 Paris, France.

Related party - 2013 transactions

in thousand EUR				
	SALES TO RELATED PARTIES	PURCHASES FROM RELATED PARTIES	AMOUNTS OWED BY RELATED PARTIES	AMOUNTS OWED TO RELATED PARTIES
Ultimate parent company				
Orange - Traffic and services	22 170	26 298	9 584	5 413
Orange - Financing activities	7	97		21 879
Orange Group subsidiaries				
Airtime traffic and services	6 875	3 783	4 557	2 194
Atlas Services Belgium - Borrowing		5 066		548 300
TOTAL	29 052	35 244	14 141	577 786

Related party - 2012 transactions

in thousand EUR				
	SALES TO RELATED PARTIES	PURCHASES FROM RELATED PARTIES	AMOUNTS OWED BY RELATED PARTIES	AMOUNTS OWED TO RELATED PARTIES
Ultimate parent company				
Orange - Traffic and services	28 337	26 254	6 136	6 815
Orange - Financing activities	50	0		22 580
Orange Group subsidiaries				
Airtime traffic and services	10 574	5 818	4 662	2 221
Atlas Services Belgium - Borrowing		6 065		383 200
TOTAL	38 961	38 137	10 798	414 816

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:

in thousand EUR		
	2013	2012
Short-term employee benefits	3 904	3 426
Post-employment benefits	415	359
Other long-term benefits	1 105	0
Termination benefits	756	237
TOTAL	6 179	4 022

Note that the presentation has been reworked in order to fully align with the requirements of IAS 19. Values of 2012 have been adjusted accordingly.

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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:

in thousand EUR		
	2013	2012
TOTAL REMUNERATION	330	319

21. Commitments and contingencies

Purchases

in thousand EUR						
	COMMITMENTS END OF		< 1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS
	2012	2013				
Intangible assets	14 089	7 486	7 486			
Property, plant and equipment	220 305	213 243	139 308	70 038	1 937	1 960
Inventories	74 871	82 333	82 333			
Other services	42 861	19 521	1 102	15 865	1 585	969

In 2013 Mobistar has adhered to an Orange group contract with some hardware producer regarding the purchasing of handsets with minimal commitments for the years 2013, 2014 and 2015. Due to the changes of the distribution strategy of the producer, Mobistar is currently negotiating the minimum commitments to a lower level than originally foreseen, however currently no new level has been agreed by the parties. The liability for breaches of these obligations is currently capped at 35 million euros for 2014 and 25 million euros for 2015.

Operational leases costs

in thousand EUR						
	COMMITMENTS END OF		< 1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS
	2012	2013				
Offices	65 101	68 973	5 985	12 302	12 759	37 927
Network sites	361 775	373 246	28 347	79 117	262 939	2 844
Cars	14 194	13 993	1 124	12 847	22	
TOTAL	441 069	456 212	35 455	104 267	275 720	40 771

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

in thousand EUR						
	COMMITMENTS END OF		< 1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS
	2012	2013				
TOTAL	50 000	50 000		50 000		

Guarantees granted

in thousand EUR						
	COMMITMENTS END OF		< 1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS
	2012	2013				
TOTAL	9 580	10 090	884	926	727	7 553

In 2013, guarantees granted are related to various lease agreements (2,067.4 thousand euros) and to network performance commitment granted to some corporate customers (7,011.0 thousand euros). No other security (mortgage, pledge or other) has been granted on Mobistar assets as at 31 December 2013.

In 2012, guarantees granted were related to various lease agreements (1,875.4 thousand euros) and to network performance commitment granted to some corporate customers (6,877.6 thousand euros). No other security (mortgage, pledge or other) had been granted on Mobistar assets as at 31 December 2012.

Purchase agreement

No purchase agreement has been signed in 2013.



22. Operating segment information

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., Mobistar Enterprise Services S.A. and IRISnet S.C.R.L., and Luxembourg for the operations of Orange Communications Luxembourg S.A.

The segment Belgium continues to be split between two operating units:

- Mobile segment: delivers mobile phone equipment and services to residential and corporate customers.
- Non-mobile segment: provides fix voice, data and Internet services to residential and corporate customers.

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

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

The non-mobile service revenues in Belgium declined respectively 9.7 % and 20.4 % during the year 2013 and the fourth quarter of 2013, mainly as a result of lower wholesale carrier service revenues and to a lesser extent due to lower residential fixed revenues. The remaining non-mobile service revenues, primarily within the perimeter of Mobistar B2B activities, remained rather solid.

The direct earnings of the non-mobile activity in Belgium registered an increase of 16.4 % to 85.0 million euros at the end of 2013 coming from 73.0 million euros at end of 2012. The direct margin, as a percentage of the non-mobile service revenues, improved from 45.5 % in 2012 to 58.7 % a year later, mainly due to a more favourable product mix. The progression is almost exclusively due to a reduction in the interconnection costs, both as a result of lower mobile termination rates and lower leased line charges related to wholesale carrier services. At the end of 2013, the EBITDA of the non-mobile activity in Belgium came out at 14.4 million euros compared to -9.7 million euros in 2012. Besides the improvement of the direct earnings, this progression was mainly linked to the suspension of the commercialization of the TV- and broadband product, which caused the EBITDA to improve due to lower interconnection costs, lower instalment costs, lower customer assistance related costs and lower marketing costs.

The decision to decommission the TV operations has had an impact on the level of depreciations of the year by requiring an acceleration of TV material depreciation.



in thousand EUR

2013	31.12.2013 BELGIUM			31.12.2013 LUXEMBOURG	INTERCO ELIMINATION	MOBISTAR GROUP
	MOBILE	NON-MOBILE	TOTAL	TOTAL	TOTAL	TOTAL
Operating revenues						
Network & other operating revenues (service revenues)	1 067 174	144 658	1 211 832	65 273	-24 253	1 252 852
Handsets sales	210 167	0	210 167	10 286	-12 073	208 380
Total turnover	1 277 341	144 658	1 421 999	75 559	-36 326	1 461 232
Other	0	0	0	0	0	0
TOTAL OPERATING REVENUES	1 277 341	144 658	1 421 999	75 559	-36 326	1 461 232
Operating charges						
Direct costs excl. direct commercial costs	-489 139	-57 513	-546 652	-39 642	20 325	-565 969
Direct commercial costs	-128 251	-2 243	-130 494	-1 039	0	-131 533
DIRECT COSTS	-617 390	-59 756	-677 146	-40 682	20 325	-697 503
Direct earnings	659 951	84 903	744 854	34 878	-16 001	763 730
% OPERATING REVENUES	61.8 %	58.7 %	61.5 %	53.4 %	66.0 %	61.0 %
Indirect production costs	-147 074	-41 723	-188 797	-8 400	16 001	-181 196
Information technology	-33 075	-2 987	-36 062	-640	0	-36 702
Communication, Marketing & Product development	-35 610	-7 245	-42 855	-2 600	0	-45 455
Indirect customer facing costs	-96 083	-14 907	-110 989	-6 600	0	-117 589
General and administration costs	-58 649	-3 654	-62 303	-3 423	0	-65 726
Indirect costs	-370 491	-70 516	-441 007	-21 663	16 001	-446 669
EBITDA	289 460	14 387	303 847	13 215	0	317 061
% EBITDA ON OPERATING REVENUES			25.1 %	20.2 %	0.0 %	25.3 %
Depreciations	-167 161	-14 349	-181 510	-6 794	0	-188 304
Share of profits (losses) of associates		-117	-117	0	0	-117
EBIT	122 299	-79	122 220	6 421	0	128 641
Financial income			473	0	0	473
Financial costs			-8 154	-151	0	-8 305
Profit before taxes			114 539	6 270	0	120 809
Tax expense			-32 602	-802	0	-33 404
Net profit of the period (*)			81 937	5 468	0	87 405
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			81 937	5 468	0	87 405

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



in thousand EUR

2012	31.12.2012 BELGIUM			31.12.2012 LUXEMBOURG	INTERCO ELIMINATION	MOBISTAR GROUP
	MOBILE	NON-MOBILE	TOTAL	TOTAL	TOTAL	TOTAL
Operating revenues						
Network & other operating revenues (service revenues)	1 240 052	160 303	1 400 355	65 453	-15 780	1 450 027
Handsets sales	204 954	0	204 954	10 009	-14 515	200 448
Total turnover	1 445 006	160 303	1 605 309	75 461	-30 295	1 650 475
Other	0	0	0	0	0	0
TOTAL OPERATING REVENUES	1 445 006	160 303	1 605 309	75 461	-30 295	1 650 475
Operating charges						
Direct costs excl. direct commercial costs	-533 994	-84 200	-618 194	-39 000	23 695	-633 494
Direct commercial costs	-120 500	-3 100	-123 600	-1 200	0	-124 800
DIRECT COSTS	-654 494	-87 300	-741 794	-40 200	23 695	-758 294
Direct earnings	790 512	73 003	863 515	35 261	-6 600	892 176
% OPERATING REVENUES	63.7 %	45.5 %	61.7 %	53.9 %	41.8 %	61.5 %
Indirect production costs	-109 000	-37 342	-146 342	-8 782	6 600	-148 524
Information technology	-41 700	-3 700	-45 400	-600	0	-46 000
Communication, Marketing & Product development	-29 000	-13 000	-42 000	-3 200	0	-45 200
Indirect customer facing costs	-87 700	-24 300	-112 000	-7 900	0	-119 900
General and administration costs	-30 800	-4 400	-35 200	-3 300	0	-38 500
Indirect costs	-298 200	-82 742	-380 942	-23 782	6 600	-398 124
EBITDA	492 312	-9 739	482 573	11 480	0	494 053
% EBITDA ON OPERATING REVENUES			34.5 %	17.6 %	-0.2 %	34.1 %
Depreciations	-193 889	-15 438	-209 327	-7 886	0	-217 214
EBIT	298 423	-25 177	273 246	3 593	0	276 839
Financial income			584	18	-105	497
Financial costs			-10 974	-317	105	-11 186
Profit before taxes			262 856	3 294	0	266 150
Tax expense			-80 339	-126	0	-80 465
Net profit of the period (*)			182 517	3 168	0	185 685
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			182 517	3 168	0	185 685

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



in thousand EUR

2013	31.12.2013 BELGIUM				31.12.2013 LUXEMBOURG	INTERCO ELIMINATION	MOBISTAR GROUP
	MOBILE	FIX	UNALLOCATED	TOTAL			TOTAL
Goodwill	11 351			11 351	68 574	155	80 080
Intangible assets and property, plant and equipment	1 021 380	34 277		1 055 656	24 560		1 080 216
Financial assets			87 017	87 017		-87 017	0
Interests in associates			3 333	3 333			3 333
Deferred taxes assets			4 279	4 279	2 435		6 715
Other non-current assets			633	633	158		792
Inventories	17 314	788		18 102	2 564		20 666
Trade receivable	161 626	43 386		205 012	13 421	-3 376	215 058
Other current assets	22 715	4 575	2 638	29 928	1 575	-2 254	29 250
Cash and cash equivalent	8 643			8 643	5 138		13 781
Segment assets	1 243 029	83 026	97 901	1 423 956	118 426	-92 491	1 449 891
Non-current interests- bearing borrowings			548 750	548 750			548 750
Non-current provisions	57 132	9 625		66 757	2 883		69 641
Non-current payable							0
Deferred taxes			1 306	1 306			1 306
Financial liabilities			21 879	21 879	2 236	-2 236	21 879
Trade payables	311 547	28 716		340 263	15 201	-3 376	352 088
Taxes			14 819	14 819	767		15 585
Salaries and social security	27 288	3 522		30 809	714		31 524
Deferred income	58 471	6 627	315	65 413	750	-18	66 145
Other current liabilities			5 796	5 796			5 796
Segment liabilities	454 438	48 490	592 864	1 095 792	22 550	-5 629	1 112 713
Capital expenditure	301 694	11 291		312 985	6 063		319 048
Depreciation and amortisation	167 161	14 349		181 510	6 794		188 304
Impairment losses recognised in profit or loss				0			0



in thousand EUR

2012	31.12.2012 BELGIUM				31.12.2012 LUXEMBOURG	INTERCO ELIMINATION	MOBISTAR GROUP
	MOBILE	FIX	UNALLOCATED	TOTAL			TOTAL
Goodwill	11 351			11 351	68 574	155	80 080
Intangible assets and property, plant and equipment	887 855	38 389		926 244	25 361		951 605
Financial assets			87 017	87 017		-87 017	0
Interests in associates			3 450	3 450			3 450
Deferred taxes assets			3 431	3 431	3 238		6 669
Other non-current assets	3 722		84	3 806	159		3 965
Inventories	17 472	1 324		18 796	1 798		20 594
Trade receivable	174 270	43 810		218 080	14 564	-2 475	230 168
Other current assets	30 708	5 529	6 330	42 567	764	-5 132	38 199
Cash and cash equivalent	10 900			10 900	1 366		12 266
Segment assets	1 136 277	89 051	100 313	1 325 641	115 823	-94 470	1 346 995
Non-current interests- bearing borrowings			383 650	383 650			383 650
Non-current provisions	53 196	11 223		64 419	2 956		67 375
Non-current payable	13 447			13 447			13 447
Deferred taxes							0
Financial liabilities			22 580	22 580	5 112	-5 112	22 580
Trade payables	287 657	47 957		335 614	11 424	-2 475	344 563
Taxes	2 508	215	39 020	41 742	967		42 709
Salaries and social security	29 084	4 620		33 705	680		34 385
Deferred income	68 365	7 618	205	76 188	1 283	-20	77 451
Other current liabilities	3		3 032	3 035			3 035
Segment liabilities	454 260	71 633	448 487	974 381	22 423	-7 608	989 196
Capital expenditure	168 456	14 138		182 594	5 648		188 242
Depreciation and amortisation	156 363	15 438		171 801	7 886		179 688
Impairment losses recognised in profit or loss	37 526			37 526			37 526



23. 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.





Statutory auditor's report

to the Shareholders' Meeting on the consolidated financial statements
for the year ended 31 December 2013

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To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Mobistar S.A. ("the company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of EUR 1.449.891 (000) and the consolidated income statement shows a consolidated profit (Group share) for the year then ended of EUR 87.405 (000).

Board of Directors' responsibility for the preparation of the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's 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, the statutory auditor considers 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the Group's officials and the Board of Directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Mobistar S.A. give a true and fair view of the Group's net equity and financial position as of 31 December 2013, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Diegem, 24 March 2014

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by

Rik Neckebroeck & Bernard De Meulemeester





Summary of the key elements of Mobistar S.A. annual accounts 2013

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Balance sheet after appropriation

in thousand EUR

ASSETS	2013	2012
FIXED ASSETS	1 129 693	997 794
Formation expenses	1 250	1 350
Intangible fixed assets	376 213	281 196
Tangible fixed assets	584 622	547 641
Land and buildings	314 480	301 262
Plant, machinery and equipment	243 903	217 347
Furniture and vehicles	16 665	19 015
Other tangible fixed assets	9 574	10 017
Financial fixed assets	167 608	167 607
Affiliated enterprises	164 077	164 077
Participating interests	164 077	164 077
Other enterprises linked by participating interests	3 450	3 450
Participating interests	3 450	3 450
Other financial assets	81	80
Amounts receivable and cash guarantees	81	80
CURRENT ASSETS	249 422	274 390
Amounts receivable after more than one year	550	3 722
Other amounts receivable	550	3 722
Stocks and contracts in progress	18 076	18 484
Stocks	18 076	18 484
Goods purchased for resale	18 076	18 484
Amounts receivable within one year	201 149	213 940
Trade debtors	195 473	205 358
Other amounts receivable	5 676	8 582
Current investments	5 274	2 460
Other investments and deposits	5 274	2 460
Cash at bank and in hand	3 260	8 340
Deferred charges and accrued income	21 113	27 444
TOTAL ASSETS	1 379 115	1 272 184



in thousand EUR		
EQUITY AND LIABILITIES	2013	2012
EQUITY	318 356	243 135
Capital	131 721	131 721
Issued capital	131 721	131 721
Reserves	13 172	13 172
Legal reserve	13 172	13 172
Accumulated profits (losses) (+) (-)	173 391	98 144
Investment grants	72	98
PROVISIONS AND DEFERRED TAXES	11 608	6 127
Provisions for liabilities and charges	11 608	6 127
Pensions and similar obligations	447	247
Other liabilities and charges	11 161	5 880
AMOUNTS PAYABLE	1 049 151	1 022 922
Amounts payable after more than one year	550 000	398 447
Financial debts	550 000	385 000
Other loans	550 000	385 000
Trade debts		13 447
Suppliers		13 447
Amounts payable within one year	442 778	559 821
Current portion of amounts payable after more than one year falling due within one year	13 447	14 873
Financial debts	52 368	43 811
Other loans	52 368	43 811
Trade debts	327 208	316 206
Suppliers	327 208	316 206
Taxes, remuneration and social security	43 086	72 013
Taxes	14 627	41 346
Remuneration and social security	28 459	30 667
Other amounts payable	6 669	112 918
Accrued charges and deferred income	56 373	64 654
TOTAL EQUITY AND LIABILITIES	1 379 115	1 272 184

Income statement

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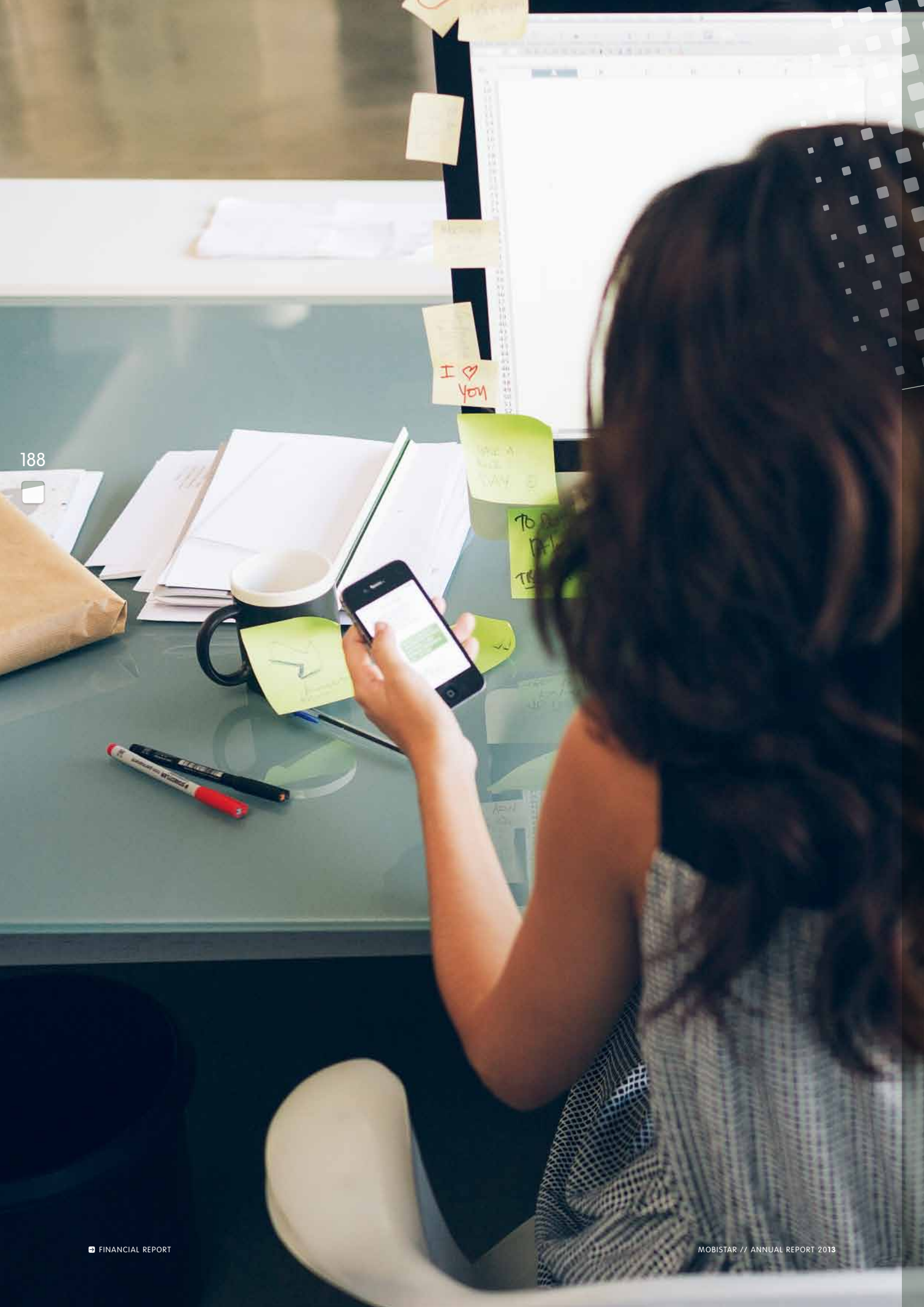


in thousand EUR

	2013	2012
Operating income	1 406 417	1 592 852
Turnover	1 356 481	1 533 122
Own construction capitalised	7 809	4 803
Other operating income	42 127	54 927
Operating charges	1 287 022	1 310 547
Raw materials, consumables	662 221	687 884
Purchases	661 738	691 428
Stocks: decrease (increase) (+) (-)	483	-3 544
Services and other goods	277 393	267 839
Remuneration, social security costs and pensions (+) (-)	154 482	151 478
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	165 366	175 843
Amounts written down stocks, contracts in progress and trade debtors - Appropriations (write-backs) (+) (-)	5 566	17 532
Provisions for risks and charges - Appropriations (uses and write-backs) (+) (-)	5 481	52
Other operating charges	16 513	9 919
Operating profit (loss) (+) (-)	119 395	282 305
Financial income	500	601
Income from current assets	261	383
Other financial income	239	218
Financial charges	7 912	10 842
Debt charges	5 956	7 851
Other financial charges	1 956	2 991
Gain (loss) on ordinary activities before taxes (+) (-)	111 983	272 064
Extraordinary charges	3 722	15 457
Extraordinary depreciation of and extraordinary amounts written off formation expenses, intangible and tangible fixed assets		15 457
Other extraordinary charges	3 722	
Profit (loss) for the period before taxes (+) (-)	108 261	256 607
Income taxes (+) (-)	32 140	81 907
Income taxes	38 488	89 010
Adjustment of income taxes and write-back of tax provisions	6 348	7 103
Profit (loss) for the period (+) (-)	76 121	174 700
Profit (loss) for the period available for appropriation (+) (-)	76 121	174 700

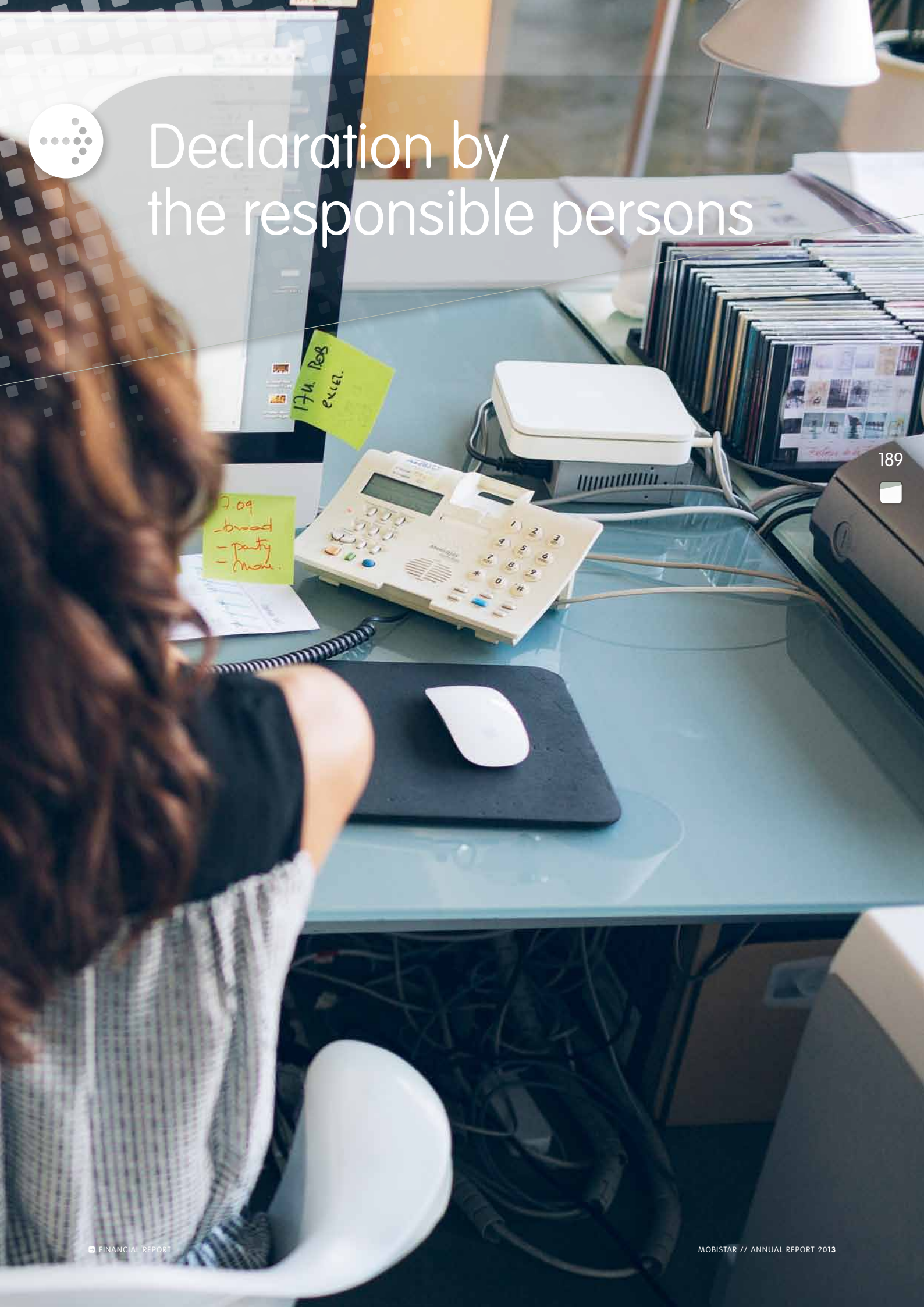
in thousand EUR		
APPROPRIATIONS AND WITHDRAWINGS	2013	2012
Profit (loss) to be appropriated (+) (-)	174 265	208 027
Profit (loss) to be appropriated (+) (-)	76 121	174 700
Profit (loss) to be carried forward (+) (-)	98 144	33 327
Profit (loss) to be carried forward (+) (-)	173 391	98 144
Profit to be distributed	874	109 883
Dividends		108 026
Other beneficiaries	874	1 857







Declaration by the responsible persons





Declaration by the responsible persons

We, the undersigned, Jean Marc Harion, CEO,
and Ludovic Pech, CFO, declare that to our knowledge:

- a. the financial statements drawn up in accordance with the prevailing accounting standards, give a true and fair view of the company's assets, liabilities, financial position and results of the issuer and the companies included within its consolidation;
- b. the management report contains an accurate overview of the business activities evolution, the results and the financial situation of the issuer and the companies included within its consolidation, and a description of the main risks and uncertainties they are confronted to.

Jean Marc Harion
CEO

Ludovic Pech
CFO