ANNUAL REPORT 2014

TRANSFORM DELIVER PERFORM

Love Work Play Mobistar

MOBISTAR:
THE NAME TO TRUST FOR CONNECTIVITY

€1 249.2M
MOBISTAR GROUP TURNOVER

Mobistar intends to set the industry standard for mobile broadband connectivity and to excel in the area of domestic and business fixed line services supported by superior quality data services.

Mobistar offers the widest possible range of devices and services to enable its customers to access content anywhere, anytime.

Mobistar intends to be an open operator, collaboratively developing ecosystems in conjunction with a range of partners.

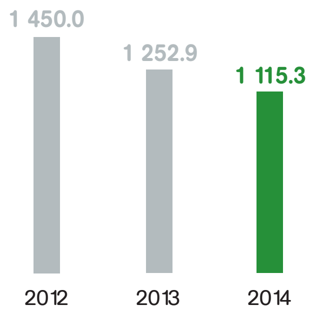
5.568M
CONNECTED SIM CARDS

1 562
EMPLOYEES

KEY FIGURES 2014

€1 115.3MIO

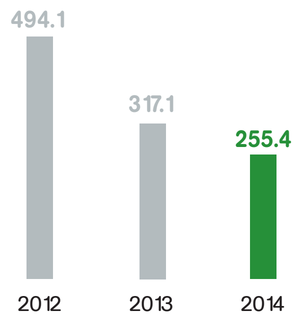
SERVICE REVENUE



Service revenue
(in mio €)

€255.4MIO

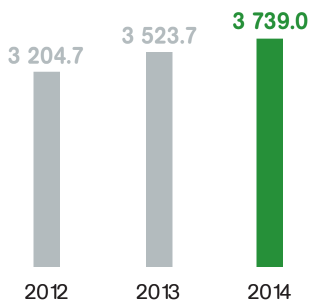
EBITDA



EBITDA
(in mio €)

€3 739MIO

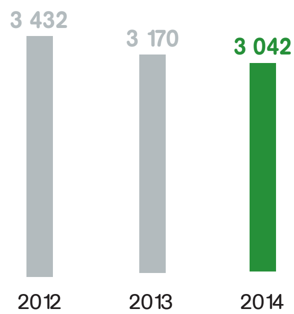
CUMULATED CAPITAL EXPENDITURES



Cumulated capital
expenditures (in mio €)

3 042 000

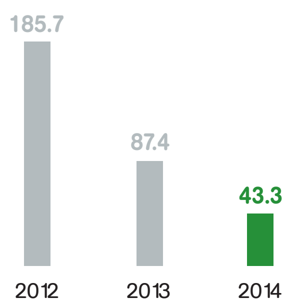
ACTIVE CUSTOMERS



Mobistar active customer
base evolution (x 000)

€43.3MIO

CONSOLIDATED NET INCOME



Consolidated net income
(in mio €)

MOBISTAR GROUP

Consolidated Statement of Comprehensive Income (in Mio €)	2014	2013	2012	2011	2010
Service revenue	1,115.3	1,252.9	1,450.0	1,505.8	1,523.5
Handsets sales	133.9	208.4	200.5	151.8	141.1
Total turnover	**1,249.2**	**1,461.3**	**1,650.5**	**1,657.6**	**1,664.6**
EBITDA	**255.4**	**317.1**	**494.1**	**530.1**	**548.7**
EBITDA margin in % of service revenue	**20.4 %**	**25.3 %**	**34.1 %**	**35.2 %**	**36.0 %**
EBIT	**60.9**	**128.7**	**276.9**	**339.7**	**378.0**
Finance income	0.2	0.4	0.5	0.9	0.6
Finance costs	-9.0	-8.3	-11.2	-11.8	-5.1
Result of operating activities after net finance costs	**52.1**	**120.8**	**266.2**	**328.8**	**373.5**
Tax expense	-8.8	-33.4	-80.5	-107.9	-109.9
Net profit of the period	**43.3**	**87.4**	**185.7**	**221.0**	**263.6**
Profit attributable to equity holders of the parent	**43.3**	**87.4**	**185.7**	**221.0**	**263.6**
Basic earnings per share (in €)	0.72	1.46	3.09	3.68	4.39
Weighted average number of ordinary shares	60,014,414	60,014,414	60,014,414	60,014,414	60,014,414
Diluted earnings per share (in €)	0.72	1.46	3.09	3.68	4.39
Diluted weighted average number of ordinary shares	60,014,414	60,014,414	60,014,414	60,014,414	60,014,414

Consolidated Balance Sheet (in Mio €)	31 DEC 2014	31 DEC 2013	31 DEC 2012	31 DEC 2011	31 DEC 2010
Non-current assets	1,200.5	1,171.1	1,045.8	1,070.3	1,020.0
Current assets	235.8	265.0	289.0	304.1	270.2
Cash and cash equivalents	7.6	13.8	12.3	7.1	13.0
Total assets	**1,443.9**	**1,449.9**	**1,347.1**	**1,381.5**	**1,303.2**
Equity	380.4	337.2	357.8	394.0	431.2
Long-term borrowings	94.3	548.8	383.7	293.2	267.9
Long-term trade payables	0.0	0.0	13.4	28.3	43.2
Long-term provisions	71.1	69.6	67.4	61.6	18.6
Deferred taxes	2.1	1.3	0.0	1.2	1.7
Short-term borrowings	450.0	21.9	22.6	18.4	32.9
Other payables	446.0	471.1	502.1	584.8	507.7
Total equity and liabilities	**1,443.9**	**1,449.9**	**1,347.0**	**1,381.5**	**1,303.2**

Consolidated Cash Flow Statement (in Mio €)	2014	2013	2012	2011	2010
Profit before taxes incl. non cash adj.	240.7	310.3	500.0	521.8	545.7
Change in working capital	17.3	20.5	-32.8	-8.0	23.1
Tax expense	-10.1	-56.9	-154.9	-79.4	-58.5
Net cash used in investing activities	-222.1	-329.6	-179.7	-192.8	-236.9
Loans and borrowings	-32.0	165.2	94.6	10.8	2.7
Share capital and share premium	0.0	0.0	0.2	-0.2	-0.1
Net purchase of treasury shares	0.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	-108.0	-222.4	-258.1	-273.1
Free Cash Flow	**-6,2**	**1,5**	**5,2**	**-5,9**	**2,9**

Consolidated Statement of Comprehensive Income - Segment reporting (in Mio €)	2014			2013		
	Belgium	Luxembourg	Mobistar Group	Belgium	Luxembourg	Mobistar Group
Service revenue	1,065.6	51.1	1,115.3	1,190.9	65.3	1,252.9
Handsets sales	132.5	11.2	133.9	210.2	10.3	208.4
Total turnover	**1,198.2**	**62.3**	**1,249.2**	**1,401.1**	**75.6**	**1,461.3**
EBITDA	**250.0**	**5.4**	**255.4**	**303.8**	**13.3**	**317.1**
EBITDA margin in % of service revenue	**23.5 %**	**10.6 %**	**22.9 %**	**25.5 %**	**20.3 %**	**25.3 %**
EBIT	**63.9**	**-3.1**	**60.9**	**122.2**	**6.5**	**128.7**

MOBISTAR READY FOR THE NEXT CHALLENGES

Meeting with Jan Steyaert and Jean Marc Harion

Jan Steyaert, Chairman of the Board of Directors, and Jean Marc Harion, CEO of Mobistar, review a year of change and look forward to future opportunities.

What have been the defining moments of 2014 for you?

Jan Steyaert: Mobistar took centre stage once again, particularly in the second half of the year... Right throughout the year, we took strong measures to improve our key financial indicators. The falling customer numbers we saw the previous year stabilised, and we are now regaining customers. Moreover, we have improved our average per-customer income. We achieved this through the hard work of our staff as well as an unfaltering investment policy. In order to maintain this momentum, we will propose to shareholders that we withhold dividend payment for 2014. This will enable us to continue to invest in our network and pursue our plan for change and continue to lay the foundations for our future development.

Jean Marc Harion: This was a second year of change, during which we saw positive business developments. Our investments in our network, particularly 4G, took us to a leading position in the market. Our strategy is beginning to yield results. Overall customer satisfaction has increased, as has the perceived quality of our network. More than ever, the skill and hard work of Mobistar's staff make the difference. We are ready for a comeback.

In a constantly evolving telecoms market, what is currently Mobistar's core business?

J.M.H.: Connectivity. Connecting people and things as effectively as possible, starting with the mobile phone or smartphone as a key communications tool which is both flexible and customisable, for both work and leisure purposes. Our main aim is to provide the most efficient, accessible and reliable channel for accessing content of all kinds, guided by a strategy of technological openness. We also want to play a leading role in facilitating new applications, whether for mobile payments or cloud data storage. Within less than a year of the launch of our 4G network, we are seeing an absolute boom in mobile communication usage.

What new steps have you taken to ensure you offer the best connectivity?

J.M.H.: We are now clearly leading the field in 4G coverage. At the same time, we want to help our customers discover the benefits of high-speed mobile connectivity, by helping them to choose the right devices, at the best prices, and by offering them innovative services. The results speak for themselves: there is a strongly improved perception of our network quality. An increasing number of our customers tell us that they prefer to access online services using their 4G mobile, rather than their fixed domestic connection.

Moreover, we have implemented the new Enterprise Mobility 3.0 strategy, which is designed to help business customers make the most of the opportunities that mobility can offer them. Machine-to-machine interactions (M2M) and human-machine interactions will play an increasing role. We have reinforced our leading position in this strong growth area.

Finally, we've updated our distribution channels to encourage more direct selling and face-to-face advice through our concept stores. Our ambition is to provide the best customer experience on the market. We like to thank our customers for their loyalty and confidence in us by awarding them with special gifts and surprises throughout the year.

What do you make of the major developments on the Belgian telecoms market over the last few months?

J.S.: The contrast is remarkable. In the mobile market, customers have 30 companies to choose from. The fixed line market on the other hand is a duopoly, with just 2 players in each region dividing up the so-called triple play market (i.e. telephony, internet and digital television). This is not good for either consumers or businesses. Unlike mobile phone prices, which have fallen considerably, Belgium's triple play tariffs are amongst the highest in Europe, showing that the opening up of the fixed line market has been a failure. Cable regulation is the first step towards encouraging competition, but further measures are needed.

What is Mobistar's key strategy?

J.M.H.: Just as we've already done for mobile data and 4G, we will continue to facilitate access to high-speed connectivity for as many businesses and individuals as possible. Once the wholesale service purchase prices relating to cable regulation have been clarified by the regulators, we will launch our ultra high-speed internet and digital television offer to the market. The opening up of the cable market will mean we can offer our customers convergent services.

What major challenges lie ahead in 2015?

J.S.: Mobistar's main strength is that it has renewed its focus on its core business, namely mobile connectivity, whilst paving the way to participation in the triple play market. With the cable market issue, the eyes of Europe are upon us: we are breaking new ground by challenging this historic monopoly, which has now become a duopoly. In short, Mobistar is seeing a return to form.

J.M.H.: We have been through a tricky time, which has affected all areas of the Company. These efforts combined with our investments in 4G have enabled us to gain the upper hand. Starting from this position of strength, we will continue our conquest of the marketplace. Moreover, the launch of our cable offer will be crucial to stimulating competition in this country. We will also be introducing attractive new services for businesses. Finally, we will continue to exercise tight cost control. The combination of our own strengths and the challenges we face make for exciting times for us.

"In 2015, Mobistar will be focusing on its core business, connectivity, whilst working to improve the customer experience."

MOBISTAR AT THE HEART OF CONNECTIVITY

Mobistar is one of the main actors on the telecommunications market in Belgium and Luxembourg. The company offers its residential customers prepaid and postpaid mobile subscriptions as well as innovative mobile telecom solutions. On the business market, Mobistar offers fixed line telecoms via the DSL network and broadband internet, acts as an integrated telecoms operator and offers a portfolio of mobility and connectivity services. Mobistar also acts as a wholesale operator, providing its partners with access to its infrastructure and service capacities.
Mobistar is continually investing in its premium quality mobile network, offering 2G, 3G and 4G technologies. Mobistar, whose majority shareholder is the Orange group, is listed on the Brussels Stock Exchange.

VALUES

Straightforward
We communicate openly and take responsibility for our behaviour.

Empowered
We focus on successful execution and take ownership for our work, life and passion.

Dynamic
We stimulate new ideas, encourage learning and try things differently.

Respectful
We pay attention to people and value differences in all our working relationships.

MISSION

Mobistar enables unique mobility experiences for individuals, communities and companies through relevant innovation.

VISION

Mobistar will be celebrated by its customers as the trusted leader in personal(ised) communication and service.

RENEWED GROWTH

Over the last few years, Mobistar's business model has evolved to keep pace with dramatically falling prices across the mobile telecoms market. Its dynamic adaptability has enabled the company to achieve an advantageous market position, allowing it to capitalise upon new opportunities.

Mobistar's plan for change, first implemented in mid-2013, is based on both sustainable changes to cost structures and accelerated investments. In 2014, these two parallel leverage strategies yielded their initial results, showing a slight increase to average per-customer income. Moreover, customer satisfaction increased appreciably.

Mobistar is set to continue this strategy throughout 2015 whilst continuing to seize new growth opportunities. The company has set five strategic priorities to ensure continued, sustainable growth:

Lead the Mobile Market

- Mobistar's mission is to provide the best quality mobile network and to offer the best 4G network. By the end of 2014, Mobistar was the top 4G supplier, covering 88 % of the Belgian population. It is aiming for 99 % coverage by the end of 2015.
- On the mobile contract market, Mobistar intends to see a return to sustainable growth by enticing new customers with attractive offers and innovative services.

Be the Number 1 Convergent Services Provider

- Mobistar aims to become both the market leader and its benchmark for convergent services based on cable regulation. On the retail market, the opening up of the cable market means Belgian consumers can look forward to benefiting from competitive services which meet their real needs.
- On the business market, Mobistar is expanding its convergent services offer by capitalising on VDSL fixed line solutions.

Offer the Best Customer Experience on the Market

- Mobistar intends to offer the best all-round customer experience in the telecoms sector. The provision of reliable networks is crucial here (necessitating both coverage and speed), as is impeccable customer service at every stage: before, during and after sales.
- The business puts its customers firmly at the heart of the business. Its core strength is its web platform as well as a cross-functional approach to distribution networks.

Manage Operating Costs As Efficiently As Possible

- Mobistar continues to exercise assiduous cost control. It intends to implement new business models with its partners.
- Improving service quality should help drive down operating costs. This operation will also be boosted by a company-wide process improvement scheme for business change.

Improve Staff Commitment

- Mobistar aims to create a work culture based on the quality, simplification and improvement of the customer experience. Digitisation of the business is crucial to the way we work.
- Employees will have meaningful career development opportunities as well as new opportunities in the company's growth areas, right across the board.

THE MOBISTAR SHARE

The aim of Mobistar's Investor Relations team is to create a trustful relationship with the financial markets by being a reliable source and provide relevant information that assists both investors and management in their decision-making.

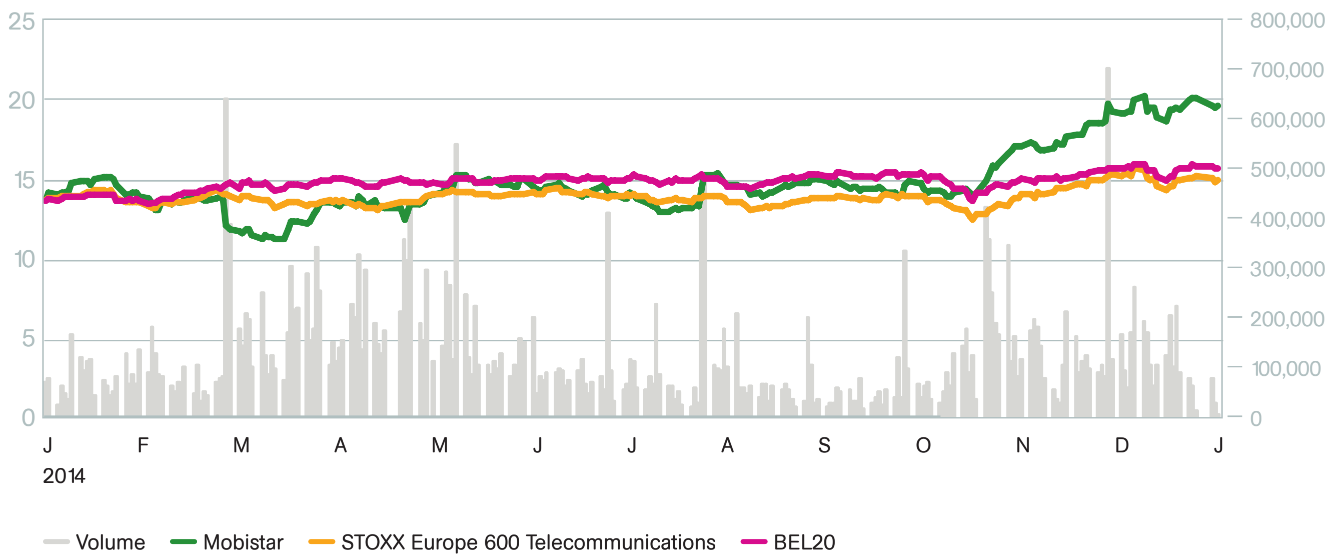
Share and share price

In 2014 Mobistar's shares (ISIN: BE0003735496) were listed on Compartment B of Euronext Brussels, which regroups the listed companies having a market capitalization between 150 million euros and 1 billion euros. Given the positive development of the Mobistar share in the course of 2014, the Mobistar security will be transferred from Compartment B to Compartment A of Euronext Brussels as of January 28, 2015. Compartment A comprises the listed companies with a market capitalization above 1 billion euros.

Following a solid stock market performance of the European telecommunications companies in 2013, mainly driven by the prospects of consolidation as a way to repair the market profitability, the sector continued to perform well in 2014. Mergers and acquisitions remained a key theme within the European telecom industry, but were increasingly complemented by an improvement of the key business fundamentals of the European telecommunications companies. The regulatory pressure started to further unwind, while at the same time the demand for high speed mobile data provided the necessary pricing relief and a tight cost management gave rise to a sector-wide recovery.

The Mobistar share also performed very strong in 2014 and ended the year with an increase of 42 %. The year started positive for Mobistar as the fear for a new downward repricing of the mobile market began to fade. Despite better than expected 2013 results the financial markets were disappointed with the provided 2014 guidance, which explains why Mobistar underperformed versus the BEL20 and the Telecom sector index in March and April. The first quarter report provided the necessary clarity for the market with a confirmation of both a recovering mobile market and solid cost management by Mobistar. From April onwards Mobistar's share price performance was closely linked to that of its main reference indexes. After already having published encouraging second

Mobistar vs. BEL20 vs. Stoxx Europe 600 Telco



quarter results, Mobistar again surprised the market positively in October with its third quarter results. The accelerated roll-out of Mobistar's 4G network started to bear fruit as more and more evidence showed that customers have a strong appetite for 4G smartphones and are extremely keen on using high speed mobile data. Given the rising mobile data demand of the Belgian population the financial markets appreciate more and more the value of mobile infrastructure. In October 2014, Mobistar raised its restated EBITDA guidance floor for the year, by narrowing its range to between 260 and 280 million euros from between 250 and 280 million euros previously. Towards the end of the year, thanks to Mobistar's saving initiatives in combination with more clarity on the cable regulation, the Mobistar share jumped swiftly higher in the last three months of the year, resulting in an outperformance versus the BEL20 and the STOXX Europe 600 Telecommunications.

+42 %

INCREASE OF MOBISTAR SHARE IN 2014

Mobistar share price evolution

	2014	2013	2012	2011	2010	2009
Key figures (en €)						
Number of shares end of year	60,014,414	60,014,414	60,014,414	60,014,414	60,014,414	60,014,414
Number of shares free float end of year	28,261,314	28,261,314	28,261,314	28,261,314	28,261,314	28,261,314
Mobistar stock market capitalisation end of year	1,176,582,586	828,198,913	1,163,679,487	2,385,572,957	2,911,299,223	2,874,390,359
Brussels Stock Exchange data						
Highest price	20.20	21.47	39.71	53.33	49.20	59.00
Lowest price	11.35	10.25	18.70	37.73	39.51	41.19
Price end of year	19.61	13.80	19.39	39.75	48.51	47.90
Total volume for the period (1)	33,101,429	42,573,640	45,047,410	45,717,610	42,058,634	53,685,388
Average daily trading volume (1)	130,015	166,955	175,966	177,890	163,018	209,709
Turnover of free float/year	1.17	1.51	1.59	1.62	1.49	1.90

(1) number of shares

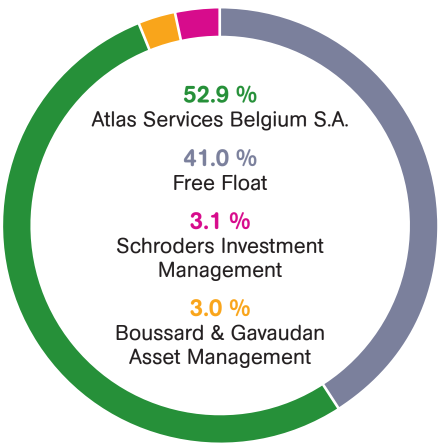
Shareholders' structure

According to Mobistar's bylaws, an increase above (or decrease below) the following thresholds requires a declaration to Mobistar on adporre@mail.mobistar.be and the Financial Services and Markets Authority (FSMA) on trp.fin@fsma.be:

- 3 % statutory threshold, as set out by the articles of association of the Company;
- 5 % or each multiple of 5 %, as set out by the Belgian law.

Orange S.A. (previously named 'France Télécom'), holds via its 100 % subsidiary Atlas Services Belgium S.A., 31,753,100 shares, representing 52.91 % of the total share capital of Mobistar S.A. The number of shares held by Orange (France Télécom) has not changed since 2009.

Shareholders' structure
(as at 31/12/2014)



On 17 December 2013, Mobistar received a transparency declaration from Schroders, stating that, as of 13 December 2013, Schroders Investment Management holds 1,834,727 shares, representing 3.06 % of the total share capital of Mobistar S.A.

On 9 May 2014, Mobistar received a transparency declaration from Boussard & Gavaudan, stating that, as of 18 April 2014, Boussard & Gavaudan Asset Management LP holds 1,810,714 shares, representing 3.02 % of the total share capital of the Company.

To Mobistar's knowledge, no other shareholder owned 3 % or more of Mobistar's outstanding shares as at 31 December 2014.

Liquidity contract

On July 31, 2014 Mobistar announced that from August 1, 2014 onwards, it has entered into a liquidity contract with a financial institution and provided them with the mandate to trade the Mobistar shares on a strictly discretionary basis on behalf and for account of Mobistar. Those transactions are executed on the central book orders of the regulated market of Euronext Brussels. The purpose of this contract is to foster regular and liquid trading. The trading of own shares was authorized by the ordinary Annual General Meeting of shareholders of Mobistar on May 7, 2014. In the framework of this liquidity contract Mobistar held 2,000 treasury shares on December 31, 2014.

Investor Relations

The aim of Mobistar's Investor Relations team is to create a trustful relationship with the financial markets by being a reliable source and provide relevant information that assists both investors and management in their decision-making.

In order to realize this objective, Mobistar's Investor Relations team has developed a year round communication program, entailing:

- formal presentations of the quarterly and full year results that can be followed live, through a webcast and/or via audio conference calls; regular investor meetings in Europe (Brussels, London, Paris, Frankfurt, Geneva, Amsterdam, Luxembourg, Copenhagen, Spain and Italy), the UK, the US and Canada, between institutional investors and analysts, and Mobistar's Chief Executive and Chief Financial Officer to discuss the results and outlook of Mobistar's business performance;
- hosting reversed roadshows and analyst visits at which senior management is present. In 2014 Mobistar also invited all analysts to the Cable Symposium on December 3 and to the 9th European Annual M2M Event on December 4;
- responding to enquiries from shareholders and analysts through our Investor Relations team; and http://corporate.mobistar.be/go/en/financial_information.cfm which is a section on our website dedicated to shareholders and analysts. The Investor Relations team in cooperation with the Corporate Communication team prepares the annual report that is presented in the framework of the Annual General Meeting.

Mobistar's Investor Relations efforts have not remained unnoticed as the team was elected as Winner of the Extel WeConvene – IR Awards 2014 for Belgium in the category "Best Corporate on IR" Small & Mid caps.

Investor Relations

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Analyst Coverage

Throughout 2014 the number of brokerage firms that have actively published equity research notes on Mobistar has increased to 26 from 24 the previous year. This analyst base shows a good mix of local (26 % from the Benelux) and international analyst coverage (respectively 67 % and 7 % from the United Kingdom and France).

Financial Calendar

12-Jan-2015	Start blackout period
4-Feb-15	Financial results Q4 & FY 2014: Press release Analyst & Investor Conference call
31-Mar-15	Publication Annual Report on the website
1-Apr-15	Start blackout period
23-Apr-15	Financial results Q1 2015: Press release Analyst & Investor Conference call
6-May-15	Annual General Meeting
1-Jul-15	Start blackout period
24-Jul-15	Financial results Q2 2015: Press release Analyst & Investor Conference call
1-Oct-15	Start blackout period
20-Oct-15	Financial results Q3 2015: Press release Analyst & Investor Conference call

* preliminary agenda still subject to potential changes

MANAGEMENT REPORT

The management report for the accounting period ending on December 31, 2014, consisting of pages 10 to 16, and 70 to 89 (Corporate Governance), has been prepared in accordance with Articles 96 and 119 of the Belgian Companies' Code and was approved by the Board of Directors on March 24, 2015. It covers both the consolidated accounts of the Mobistar group and the statutory accounts of Mobistar S.A.

1. Key events 2014

2014 has been the year in which Mobistar dynamically adapted itself to achieve an advantageous market position, allowing it to capitalise upon new opportunities. More concrete, Mobistar delivered on following strategic ambitions:

- Best network coverage with successful 4G roll-out
- #1 operator in terms of network market share
- Taking back control of distribution favoring direct / controlled channels
- Digitalization of distribution and end-to-end customer experience
- Achieving operational cost saving target and organizational efficiency
- Successful IT outsourcing to gain cost efficiency & accompanying technology evolution
- Strive for best tariffs / price transparency / best device portfolio
- Win customers trust and loyalty, postpaid customer growth
- Guidance achieved at the high-end of the range
- Pave the way for future cable market entrance

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

The scope of consolidation includes Mobistar S.A., the Luxembourgian company Orange Communications Luxembourg S.A., 28.16 % of IRISnet S.C.R.L. and as from 30 September 2014 Smart Services Network S.A. In 2013 the scope of consolidation included also Mobistar Enterprise Services S.A. The merger of Mobistar S.A. and Mobistar Enterprise Services S.A. occurred during 2014.

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 12 November 2008. The company has consolidated the results of Orange Communications Luxembourg S.A. for 100 % as of 2 July 2007.

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 1 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. is accounted for in the accounts using the equity method.

Smart Services Network S.A., a company organised and existing under the laws of Belgium, has been created as of 30 September 2014. Mobistar S.A. contributed in cash for 999,900 euros equivalent to 9,999 shares out of the 10,000 shares issued by the company. Atlas Services Belgium S.A. contributed in cash for 100 euros equivalent to 1 share.

2.1 Consolidated statement of comprehensive income

Mobistar group´s consolidated key figures	Full Year 2014	Full Year 2013	Variation
Total number of connected SIM cards (Mobistar S.A., Orange Communications Luxembourg S.A. and MVNOs)	5,568,137	5,177,658	+7.5 %
Consolidated turnover (million €)	1,249.2	1,461.3	-14.5 %
Service revenues (million €)	1,115.3	1,252.9	-11.0 %
Handsets revenues (million €)	133.9	208.4	-35.7 %
Restated EBITDA (million €)	274.9	335.7	-18.1 %
Restated EBITDA margin in % of service revenues	24.6 %	26.8 %	-8.0 %
EBITDA (million €)	255.4	317.1	-19.5 %
EBITDA margin in % of service revenues	22.9 %	25.3 %	-9.5 %
Consolidated net profit (million €)	43.3	87.4	-50.5 %
Net profit per ordinary share (€)	0.72	1.46	-50.5 %
Net investment (million €)	215.3	199.0	+8.2 %
Net investment/Service revenues	19.3 %	15.9 %	na
Operational cash flow (million €)	40.1	-1.9	na
Organic cash flow (million €)	29.7	-59.1	na
Net financial debt	536.7	556.9	-3.6 %

Revenues

Mobistar's total consolidated turnover, which includes service revenues as well as revenues from the sale of handsets, amounted to 1,249.2 million euros in 2014, compared to 1,461.3 million euros in 2013, down 14.5 %. Taking into account the regulatory MTR and EU roaming impact of 37.6 million euros, the total consolidated turnover recorded a year-on-year trend of -11.9 %.

Mobistar's service revenues amounted to 1,115.3 million euros in 2014 compared to 1,252.9 million euros a year earlier, a decline of 11.0 %. The impact of the market disruption, induced by the telecom law in late 2012, and the subsequent intense price competition in the Belgian mobile telecom market was largely digested by year end.

The regulatory impact on Mobistar's service revenues amounted to 37.6 million euros in 2014, i.e. an impact of 26.4 million euros from EU roaming and 11.2 million euros from MTR. Excluding regulatory impact, the 2014 consolidated service revenues would have declined by 8.0 % compared to the same period last year.

The consolidated handset sales in 2014 amounted to 133.9 million euros, compared to 208.4 million euros in 2013. The lower handset sales are the result of the phasing-out of the pure purchase/resale business as well as of a lower average selling price of the handsets, given a higher portion of low- and mid-end smartphones sold in 2014. The volume of devices sold via Mobistar's direct channels, especially brand banner stores and e-commerce websites, was supported by both the refitting and the digitalisation of Mobistar's shops, coupled with a new customer-oriented marketing approach.

Result of operating activities before depreciation and other expenses

In 2014, Mobistar's restated EBITDA reached 274.9 million euros, a decline of 18.1 % on 2013. The restated EBITDA margin amounted to 24.6 % of service revenues compared to 26.8 % in 2013.

Despite accounting for 25.5 million euros in 2014, the regulatory impact has reduced in comparison with recent years. However, the reduction in mobile termination rates in Luxembourg post-February 2014 and cuts to EU roaming rates in both Belgium and Luxembourg did have a negative impact on Mobistar's operating performance of 6.6 and 18.9 million euros respectively. Excluding the regulatory impact, there was a 10.5 % increase in the restated EBITDA in 2014.

The ACE2 efficiency program announced by Mobistar at the beginning of 2014 has fully delivered on its target. The program reviewed all company processes in order to realize a saving of 50 million euros in structural net operating costs, while at the same time accelerating Mobistar's transformation into a more efficient, digital company.

Mobistar's total direct costs fell by 20.9 % in 2014 to 564.4 million euros, compared to 713.2 million euros in 2013. In effect, Mobistar managed to reduce its direct cost-to-services revenue ratio in 2014. This was largely the result of the ACE2 program, and in particular, the overhaul of the distribution network with lower commissions. Mobistar succeeded in trimming customer acquisition costs while also reinforcing its commercial footprint. The fall in interconnection fees and the reduced handset volumes also contributed to the considerable decline of direct costs.

Labour costs fell by 6.5 % in 2014, to 135.9 million euros, compared to 145.3 million euros in 2013. This positive evolution can be put down to the concrete ACE2 actions taken to improve the organizational efficiency, as well as the outsourcing of IT activities, which led to a net headcount reduction of 243 employees over the past 12 months. Notably, employees have also been redeployed from legacy activities in favor of growth and innovation driven activities, such as the cable initiative.

Indirect costs increased by 2.6 % in 2014, amounting to 274.0 million euros, compared to 267.1 million euros in 2013. However, this cost inflation was the direct result of higher operational taxes, including the pylon tax and other fees of 45.1 million euros in 2014 compared to 23.7 million euros in 2013. Thus, the underlying evolution of the indirect costs shows a reduction of 5.2 %.

EBITDA restatement (million €)	Full Year 2014	Full Year 2013	Variation
Restated EBITDA	274.9	335.7	-18.1 %
- redundancy costs	-8.5	-9.8	-13.2 %
- other restructuring costs	-10.9	-8.8	24.8 %
EBITDA	255.4	317.1	-19.5 %

Mobistar's 2014 EBITDA of 255.4 million euros compares to an EBITDA of 317.1 million euros in the previous year. The EBITDA margin made up 22.9 % of service revenues, compared to 25.3 % a year ago.

Mobistar's 2014 EBITDA included: 1/ 8.5 million euros in redundancy costs to reduce the headcount, 2/ 6.5 million euros in restructuring costs related to the outsourcing of Mobistar's IT activities, including IT development and operations recorded in the third quarter, and 3/ 4.4 million euros in restructuring costs related to the termination of certain distribution contracts, mainly recorded in the fourth quarter of 2014.

Depreciation and other expenses

The 2014 figure for depreciation and other expenses stood at 194.5 million euros, up by 6.2 million euros on 2013. This can be attributed to the increased investment in the amortization of the 4G licence, the mobile radio network and network transmission.

EBIT

Consolidated EBIT totalled 60.9 million euros in 2014, compared to 128.7 million euros recorded the previous year. The consolidated EBIT margin in 2014 amounted to 5.5 % of service revenues, compared to 10.3 % in 2013.

Financial results

The net financial result amounted to -8.8 million euros in 2014, compared to -7.8 million euros a year ago. The increase in interest expenses was mainly the result of higher outstanding borrowings, following the 800 MHz spectrum payment at the end of 2013.

Taxes

Tax expenses amounted to 8.8 million euros in 2014 compared to 33.4 million euros in 2013. The effective tax rate came out at 16.9 %, 10.8 points below the effective tax rate of 27.7 % in 2013. Given the lower pre-tax earnings in 2014, the absolute amount of tax expenses has fallen considerably. In addition to this, and given Mobistar's high investment level, the company was able to benefit from an investment tax deduction of 12.5 million euros recorded in December 2014. The Walloon Region pylon tax has been considered as a non-tax deductible professional expense.

Net profit

Mobistar's consolidated net profit amounted to 43.3 million euros in 2014, compared to 87.4 million euros last year, largely due to a lower EBITDA and higher depreciations. The net profit over service revenue margin amounted to 3.9 % in 2014, compared to 7.0 % in 2013. The net profit per share stood at 0.72 euro in 2014, compared to 1.46 euro in the previous year.

2.2 Consolidated statement of financial position

The consolidated statement of financial position total reached 1,443.9 million euros on 31 December 2014, compared to 1,449.9 million euros at the end of the previous financial year.

Non-current assets amounted to 1,200.5 million euros at the end of 2014 compared with 1,171.1 million euros at the end of 2013 and consisted of the following items:

- Goodwill of 80.1 million euros, resulting from:
  - the acquisition of Mobistar Affiliate S.A. (10.6 million euros) in 2001;
  - the acquisition of OLU (70.9 million euros) in 2007, adjusted by 2.2 million euros (decrease) after the acquisition of the remaining shares of OLU in 2008;
  - the acquisition of MES in 2010 (0.8 million euros).

  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 345.2 million euros at the end of 2014 compared with 380.2 million euros at the end of 2013. Values related to the licences are as follows (respectively acquisition value, net book value at the end of the period, remaining amortization period):
  - 2G (extension): 74.4 million euros, 13.6 million euros, 11 months;
  - 3G: 149.0 million euros, 58.5 million euros, 75 months;
  - 4G (2.6 GHz): 20.0 million euros, 20.0 million euros, as from technical readiness up to end of June 2027;
  - 800 MHz licence: 120.0 million euros, 114.5 million euros, 227 months.
- Property, plant and equipment of 761.3 million euros at the end of the 2014 financial year to be compared with 700.0 million euros recorded at the end of the 2013 financial year.
- In 2012, the Group invested in a new Belgian company (IRISnet S.C.R.L.) for an amount of 3.5 million euros corresponding to 28.16 % of the equity. This company is treated as an associated company. IRISnet started its activities on 1 November 2012. Variation in the consolidated results of the year 2014 reflects the share in the result of IRISnet S.C.R.L. for the year 2014.
- Other non-current assets increased from 0.8 million euros at the end of 2013 to 1.8 million euros at the end of 2014. The increase is due to a caution paid related to the extension of the 2G license.
- 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, amounted to 8.7 million euros at the end of 2014.

Current assets decreased year to year, going from a total of 278.8 million euros at the end of 2013 to 243.4 million euros at the end of 2014. They consist of the following items:

- Inventories of goods, amounting to 18.2 million euros, i.e. a decrease of 2.5 million euros compared to 2013 due to a better inventory management and to lower average selling prices for handsets.
- Trade receivables, amounting to 193.4 million euros at the end of 2014, compared with 215.1 million euros at the end of 2013. This decrease is mainly linked to the decrease (21.7 million euros on outstanding balance) in service revenues as well as handset revenues (consolidated turnover effect of -11.9 %). 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 5 million customers.
- Other current assets and accrued revenues, decreasing from 29.2 million euros at the end of 2013 to 24.3 million euros at the end of 2014. This variance is due to a short-term deposit to Orange of 5 million euros; a reclass to trade receivables of -9.1 million euros; the decrease in the service revenues cut-off entries (- 2.3 million euros), partly offset by an increase of the recoverable VAT (+1.6 million euros).
- Cash and cash equivalents amounting to 7.6 million euros at the end of 2014, a decrease of 6.2 million euros since the end of the 2013 financial year. The cash flow statement gives details of the flows that gave rise to this trend.

Equity increased by 43.3 million euros during the 2014 financial year, from 337.2 million euros to 380.4 million euros:

- The share capital remained at 131.7 million euros.
- The legal reserve corresponds to 10 % of the share capital.
- The evolution of retained earnings is the result appropriation of the net profit of the period (43.3 million euros).

Non-current liabilities decreased from 619.7 million euros at the end of 2013 to 167.5 million euros at the end of 2014. This is mainly the result of the reclass of the long-term credit facility for an amount of 450 million euros that will mature at the end of 2015.

Current liabilities increased from 493.0 million euros at the end of 2013 to 896.0 million euros at the end of 2014. This 403 million euros variation can be explained by the rebalancing from long- to short-term debt (increase of 450 million euros) on one hand, and by a decrease on the other hand, which is mainly due to a decrease in trade payable, a reclass from trade payables (credit notes) to trade receivables of 7.0 million euros, the stop of the Topstar loyalty program (4.3 million euros) and the last payment for the 2G extension (13.5 million euros).

3. Events after the reporting period and outlook

Events after the reporting period

On February 26, 2015 the Court of Appeal confirmed that Proximus held a dominant position on the market for mobile telephony and might have abused this position. This judgment concerns a legal proceedings that Mobistar conducted together with the Base/KPN Group against Proximus concerning abusive pricing practices in the late 90s - early 2000s.

There were no other material events after the reporting period.

Trends

Mobistar is entering 2015 with renewed optimism as the fruits of past investments materialize, while opening-up new opportunities. Mobistar continues to commit to delivering the best mobile voice, broadband and customer experience, with the largest network coverage, in Belgium and Luxembourg. Mobistar will continue to invest in the roll-out of its 4G network. Before the end of 2015, Mobistar's accelerated 4G roll-out program should be completed and hence 2015 capital expenditure should come out well below the 2014 level.

In 2015 Mobistar aims at stabilizing its financials in spite of still very challenging market conditions and the dynamic reallocation of financial resources into new initiatives that will support future growth. Mobistar consequently reiterates the same guidance range as last year; i.e. a restated EBITDA of between 260 and 280 million euros excluding any expenses related to the cable opportunity.

The guidance range includes the revenue and EBITDA impact of the existing regulatory framework of 14.2 and 9.7 million euros respectively, i.e. the impact of lower EU roaming tariffs in the first half of 2015 for both Belgium (resp. 10.0 and 8.1 million euros revenue- and EBITDA impact) and Luxembourg (resp. 2.1 and 1.1 million euros revenue- and EBITDA impact) and the annualization in January 2015 of the lower mobile voice interconnection rates and the 50 % reduction in SMS interconnection rates in Luxembourg (resp. 2.1 and 0.5 million euros revenue- and EBITDA impact).

The provided guidance range is based on the current market, tax and regulatory context.

4. 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 800 MHz licence in December 2013, the Company has drawn for a total of 545 million euros as at 31 December 2014. 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 and EURIBOR + 110 Bps margin for a second tranche of 95 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 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.

5. Disputes

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

The Council of State decided since 20 November 2007 in several judgments 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 antennae 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 Supreme Court 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.

On 4 September 2014, the European Court of Justice held that the Directive on the authorization of electronic communications networks and services must be interpreted as not precluding operators providing electronic communications networks or services from being subject to a general tax on establishments, on account of the presence on public or private property of cellular telephone communication masts, pylons or antennae necessary for their activity.

The Court of Cassation confirmed in its judgments on 30 March 2012 the Constitutional Court´s interpretation of article 98 of the Act of 21 March 1991. The total amount of taxes charged, plus default interest calculated at the legal rate, amounts to 94.1 million euros, of which 27.1 million euros correspond to the financial year 2014. This aggregated amount is disputed in court.

Walloon tax on masts, pylons or antennas: The Walloon region has implemented by a Decree on December 11, 2013 a yearly tax on masts, pylons or antennas for mobile telecommunication as from 1 January 2014. This tax amounts to 8,000 euros per site (yearly indexed as from 2015). Moreover Walloon municipalities are entitled to establish additional surcharges of maximum 100 % of the above described tax. Mobistar introduced on June 20, 2014 a request for annulment at the Constitutional Court against the Decree. Mobistar has received tax bills for this tax dated 22 December 2014 and will introduce a fiscal objection within the legal period. The Walloon Decree of 12 December 2014, sustaining the above described Walloon tax for 2015 and following years, was published in the Belgian Official Gazette on 29 December 2014.

MTR tariffs: The Court of appeal decided on 30 September 2014 that the effects of the decision of 29 June 2010 are maintained until 30 June 2015. A corrective decision must be adopted by the regulator.

Abuse of dominant position by the Belgacom group: In March 2004, Mobistar joined an existing litigation in which KPN Group claims liquidated damages from Belgacom Mobile for abuses of its dominant position. In May 2007, the Commercial Court adopted an interlocutory judgment finding Belgacom dominant (1999- 2004) and appointed experts to assess the anticompetitive effects of margin squeeze and network effects and the damage suffered. After interim reports from these experts, proceedings initiated by Belgacom led to their replacement. The appeal against their dismissal was rejected on 19 September 2014 and the dismissed experts lodged a cassation appeal on 5 January 2015. In the meantime new experts were appointed and a new expertise started. In parallel, in the appeal launched by Belgacom against the 27 May 2007 judgment, pleadings took place end 2014 and a final decision is expected end February 2015.

In another case for abuse of dominance on the **mobile corporate market** in 2004-2005, the Belgian Competition Authority fined Belgacom Mobile 66 million euros in May 2009. The decision was appealed by Mobistar requesting the court to include additional abuses. Mobistar and KPN Group Belgium asked an extended access to the file to the Court of appeal which referred the case to the Supreme Court. In December 2013, the Court delivered its decision. Based on this, parties should organize further access to the file. Mobistar also initiated damage claim proceedings before the Commercial Court. These proceedings are on hold until the adoption of a final decision on the abuses in the 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. Begin 2014, KPN Group Belgium decided to withdraw its complaint.

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. The proceedings before the European Court of Justice took place in 2014 and a decision of this Court is expected in S1 2015.

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. The proceedings are ongoing.

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 sought the suspension and cancellation of the decisions. Mobistar, as an interested party, intervenes in the proceedings. The suspension requests have been rejected in 2012. Coditel/Numéricable launched a cassation appeal against the decision of non-suspension which was rejected in March 2014. On 12 November 2014, the Court of appeal rejected Telenet's attack on the merit of the market analysis decision. It confirmed the cable opening decision but annulled the clauses of the decision forbidding access to digital TV and internet for Belgacom. A decision on the comparable appeal by Tecteo, Brutélé and Numéricable is expected in S1 2015.

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. Pleadings are foreseen end 2015.

In parallel Mobistar started the implementation of the regulatory decisions with Telenet and Brutélé and Tecteo. Due to their lack of cooperation, Mobistar asked in March 2014 interim measures against Brutélé & Tecteo and attacked them on the merit for breach of their regulatory obligations. Mobistar decided to withdraw its request for interim measures given the collaboration of Brutélé and Tecteo. The proceedings on the merits are ongoing and pleadings are foreseen in 2015.

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 and the pleadings have been rescheduled to 2015.

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 6.3 million euros to KPN instead of receiving between 0.3 million euros and 2.2 million euros based upon the independent accountant's report. Mobistar asked the Arbitral 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 Arbitral Tribunal 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 arbitral award. The Brussels Court of First Instance decided by judgment of 24 March 2014 that there were no reasons for the annulment of the Arbitral Award of 5 July 2012. Mobistar's claim was rejected as unfounded. Mobistar decided to launch appeal against this judgment. The procedure has been initiated before the Court of Appeal in Brussels on 9 September 2014.

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 16.9 million euros. Mobistar is convinced that the claim is, at least for the major part, unfounded. Mobistar has filed a counterclaim for a value of around 14.6 million euros. 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.

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

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FINANCIALS STATEMENTS

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CORPORATE INFORMATION

Consolidated statement of comprehensive income

in thousand EUR

Ref.		2014	2013
	Mobile service revenues	1 024 928	1 129 134
	Non-mobile service revenues	90 353	123 718
	Handsets sales	133 911	208 380
18	**Total turnover**	**1 249 192**	**1 461 232**
	Purchase of material	-178 447	-231 454
	Other direct costs	-385 904	-481 692
18	**Direct costs**	**-564 351**	**-713 146**
18	**Labor costs**	**-135 931**	**-145 324**
	Commercial expenses	-43 147	-39 371
	Other IT & network expenses	-96 833	-97 515
	Property expenses	-50 938	-51 020
	General expenses	-63 371	-56 251
	Other indirect costs	-19 751	-22 948
18	**Indirect costs**	**-274 040**	**-267 105**
	of which operational taxes and fees	-45 095	-23 664
	Restated EBITDA	**274 870**	**335 657**
	Redundancy costs	-8 542	-9 841
	Other restructuring costs	-10 929	-8 754
18	**EBITDA**	**255 400**	**317 061**
	Depreciation, amortisation and impairment	-194 478	-188 304
	Share of profits (losses) of associates	-45	-117
	EBIT	**60 877**	**128 641**
18	Financial result	-8 788	-7 832
8	Tax expense	- 8 805	- 33 404
	Net profit of the period *	**43 284**	**87 405**
	Profit attributable to equity holders of the parent	**43 284**	**87 405**
	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
	Net profit for the period	**43 284**	**87 405**
	Other comprehensive income	0	0
	Total comprehensive income for the period	**43 284**	**87 405**
	Part of the total comprehensive income attributable to equity holders of the parent	**43 284**	**87 405**
13	Basic earnings per share (in EUR)	0,72	1,46
	Weighted average number of ordinary shares	60 014 414	60 014 414
13	Diluted earnings per share (in EUR)	0,72	1,46
	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

Ref.		31.12.2014	31.12.2013
	ASSETS		
	Non-current assets		
2	Goodwill	80 080	80 080
3	Intangible assets	345 204	380 200
4	Property, plant and equipment	761 295	700 016
6	Interests in associates	3 288	3 333
7	Other non-current assets	1 768	792
8	Deferred taxes	8 829	6 715
	Total non-current assets	**1 200 463**	**1 171 136**
	Current assets		
9	Inventories	18 196	20 666
10	Trade receivables	193 352	215 058
11	Accrued revenue	9 059	11 381
11	Other current assets	15 235	17 868
12	Cash and cash equivalents	7 603	13 781
	Total current assets	**243 446**	**278 755**
	Total assets	**1 443 909**	**1 449 891**
	EQUITY AND LIABILITIES		
	Equity		
14	Share capital	131 721	131 721
14	Legal reserve	13 173	13 173
14	Reserve for own shares	39	
14	Retained earnings	235 529	192 284
	Total equity	**380 462**	**337 178**
	Non-current liabilities		
16	Interests-bearing borrowings	94 267	548 750
15	Provisions	71 072	69 641
8	Deferred taxes	2 084	1 306
	Total non-current liabilities	**167 424**	**619 696**
	Current liabilities		
16	Interests-bearing borrowings	450 000	21 879
17	Trade payables	325 307	352 088
17	Employee benefits related liabilities	33 651	31 524
17	Current taxes payable	16 323	15 585
17	Deferred income	68 823	66 145
17	Other payables	1 920	5 796
	Total current liabilities	**896 024**	**493 017**
	Total liabilities	**1 063 447**	**1 112 713**
	Total equity and liabilities	**1 443 909**	**1 449 891**

Consolidated cash flow statement

in thousand EUR

Ref.		2014	2013
	Cash flows from operating activities		
	Profit before taxes	**52 089**	**120 809**
	Non-cash adjustments for:		
3,4	Depreciation, amortisation and impairment	194 478	188 304
	Changes in long-term provisions	-109	269
	Changes in provision for bad debt	-2 018	-3 917
	Other non-cash expenses	-43	1 499
	Interest income	-179	-473
	Interest charges	7 125	5 978
	Adjusted result of operating activities before net finance costs	**251 343**	**312 469**
9	Inventories	2 470	-73
10	Trade and other receivables	32 910	25 254
17	Trade and other payables	-18 163	-4 682
	Net changes in working capital	**17 217**	**20 500**
8	**Tax paid**	**-10 118**	**-56 533**
	Interests paid	**-6 840**	**-5 066**
	Interests received	**111**	**473**
	Net cash from operating activities	**251 713**	**271 844**
	Cash flows from investing activities		
3,4	Purchase of intangible and tangible assets	-215 256	-319 048
	Debt associated to purchase of assets (increase +, decrease -)	-6 831	-14 248
3,4	Proceeds from sale of equipment		2 223
7	Reimbursement long-term loans granted		1 408
	Net cash used in investing activities	**-222 087**	**-329 665**
	Organic cash flow*	**29 689**	**-59 080**
	Cash flows from financing activities		
16	Short-term borrowings - net	-27 441	-701
16	Long-term borrowings – proceeds		196 900
16	Long-term borrowings - repayments	-4 483	-31 700
14	Others	-3 881	2 864
14	Dividends paid		-108 026
	Net cash used in financing activities	**-35 804**	**59 337**
	Net increase (+), decrease (-) in cash and cash equivalents	**-6 178**	**1 516**
	Cash and cash equivalents at beginning of period	**13 781**	**12 266**
	Cash and cash equivalents at end of period	**7 603**	**13 781**

(*) 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

	Capital	Legal reserve	Own shares reserve	Retained earnings	Total equity
Balance as at 1 January 2014	**131 721**	**13 173**	**0**	**192 284**	**337 178**
Net profit for the period				43 284	43 284
Total comprehensive income for the period				**43 284**	**43 284**
Dividends					
Transfer own shares reserve in share capital			39	-39	
Balance as at 31 December 2014	**131 721**	**13 173**	**39**	**235 529**	**380 462**

in thousand EUR

	Capital	Legal reserve	Own shares reserve	Retained earnings	Total equity
Balance as at 1 January 2013	**131 721**	**13 173**	**0**	**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
Transfer own shares reserve in share capital					
Balance as at 31 December 2013	**131 721**	**13 173**	**0**	**192 284**	**337 178**

Corporate information

Companies in the perimeter of consolidation

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

As at 31.12.2014

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

Orange Communications Luxembourg 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

Smart Services Network S.A.

100 % of the shares held by Mobistar S.A.
Avenue du Bourget 3
B - 1140 Brussels
Belgium
Company identification number: BE 0563 470 723

Smart Services Network S.A., a company organised and existing under the laws of Belgium, has been created as of 30 September 2014.

Up to 31.12.2012

Mobistar Enterprise Services S.A.

Mobistar Enterprise Services S.A.
Consolidated at 100 %
Avenue du Bourget 3
B - 1140 Brussels
Company identification number: BE 0459 623 216

The simplified merger between Mobistar S.A. ("Mobistar") and Mobistar Enterprise Services S.A. ("MES") took place retroactively from an accounting and tax perspective as from 1 January 2014.

The principal activities of the Group are described in note 21 (segment information).

Date of authorisation for issue of the financial statements

On 24 March 2015, the Board of Directors of Mobistar S.A. reviewed the 2014 consolidated financial statements and authorised them for issue.

The 2014 consolidated financial statements will be approved on 6 May 2015 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 2014 by using the following consolidation method:

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

As at 31 December 2013, the scope of consolidation included above mentioned companies but also:

> Mobistar Enterprise Services S.A.:	100 %	full 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.

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.

Smart Services Network S.A., a company organised and existing under the laws of Belgium, has been created as of 30 September 2014. Mobistar S.A. contributed in cash for 999,900 euros equivalent to 9,999 shares out of the 10,000 shares issued by the company. Atlas Services Belgium S.A. contributed in cash for 100 euros equivalent to 1 share.

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 2013.

Although there has been limited 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 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities* (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 Assets* (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)

Basis of preparation

The accounting policies and methods of computation adopted in the preparation of the statement of comprehensive income have been modified compared to those followed in the preparation of the consolidated financial statements for the year ended 31 December 2013:

a. The presentation of the statement of comprehensive income has been aligned with the internal reporting format used by the management.
b. The segment presentation of the statement of comprehensive income is now structured only by country.

The major changes are as follows:

- concerning the operating revenues, the turnover is now split between mobile and non-mobile service revenues, and handset sales.
- the operating expenses are now reported in three main aggregates:
  - direct costs (including interconnection & customer access connectivity, expended inventories, commissions, content costs and bad debts);
  - labor costs;
  - indirect costs (including other commercial, IT and network, property and general expenses as well as other operating expenses and income).
- 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 between periods.

The following tables provide a comparison between the 2013 cost structure and the new cost presentation:

Nature of costs as reported per 31 December 2013	Classified to direct costs	Classified to indirect costs
Interconnection costs	x	
Costs of equipment and goods sold	x	
Services and other goods		x
Amounts written down stocks, contracts in progress and trade debtors	x	
Provisions for risks and charges		x
Other operating charges		x

Services and other goods as reported per 31 December 2013	Classified to direct costs	Classified to indirect costs
Rental costs		x
Maintenance		x
Professional fees		x
Administration costs		x
Commissions	x	
Universal service		x
Advertising and promotion		x

Other operating charges as reported per 31 December 2013	Classified to direct costs	Classified to indirect costs
Impairment on local taxes on GSM antennas and pylons		x
Property taxes		x
Non-current provisions		x
Loss on sales of assets		x
Other operating charges		x

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.

3.1. 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 20.

3.2. 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 18.

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 18.

Operational taxes: pylon

Since 1997, municipalities and provinces levy local taxes on an annual basis on masts, pylons and antennae. These taxes do not qualify as income taxes and are recorded as operational taxes, hence negatively impacting the profit before tax.

When a tax bill is received, the related cost is recorded. In case no tax bill is received, the cost will be based upon the tax bill of the previous year. The pylon tax liability expires when no assessment is received within three years.

As all tax bills are disputed, interests are calculated on the legal tax rate. When the case is closed at procedure level, basis and interests are reversed.

This procedure is still applicable in Flanders and for the Brussels Region.

Also for the Walloon region this method was applicable until 2013. As of 2014, the so-called ‘pylon tax’ is a regional tax, introduced by a decree of the Walloon region, and is subject to the rules implemented for the regional taxes.

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. Own Shares (liquidity contract)

The purchase of own (Mobistar) shares or obligations in the framework of a liquidity contract is recorded as a financial asset.

Gains or losses realized when selling own shares are recognized directly into profit and loss accounts (*financial result*). Revaluation of the shares at closing date is also recorded into profit and loss accounts.

4.12. Financial instruments

Recognition and derecognition

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

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

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

Financial assets

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

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

Upon initial recognition, financial assets are measured at fair value, plus 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 valuated on an individual basis or on a segmented category basis when individual impairment cannot be evaluated. Trade and other short-term receivables are presented on the face of the balance sheet net of any accumulated impairment losses.

Impairment of financial assets

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

Assets carried at amortised cost

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

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

In relation to trade receivables, a 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.

4.13. 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.

4.14. 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.

The Belgian defined contribution pension plans are by law subject to minimum guaranteed rates of return, currently 3.25 % on employer contributions and 3.75 % on employee contributions.

The latter rates, which apply as an average over the entire career, may be modified by Royal Decree in which case the new rate(s) apply to both the accumulated past contributions and the future contributions as from the date of modification.

Therefore, those plans were basically accounted for as defined contribution plans.

4.15. 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.

4.16. 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.

4.17. Loyalty commissions

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

4.18. Financial discounts

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

4.19. 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.

4.20. Loyalty programs

Loyalty program (“Have a nice day”) is based on customer’s fidelity. The longer the customer (prepaid or postpaid) stays with Mobistar, the more gifts will be granted. The costs related to this fidelity program are accounted into “commercial expenses” (opex) as incurred.

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 2014 financial statements, are listed below. The Group has elected not to adopt any Standards or Interpretations in advance of their effective dates.

- IFRS 9 *Financial Instruments* and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018 but not yet endorsed in the EU)
- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 15 *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2011-2013) (applicable for annual periods beginning on or after 1 January 2015)
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 1 *Presentation of Financial Statements – Disclosure Initiative* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 38 *Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 19 *Employee Benefits - Employee Contributions* (applicable for annual periods beginning on or after 1 February 2015)
- Amendments to IAS 27 *Separate Financial Statements - Equity Method* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRIC 21 *Levies* (applicable for annual periods beginning on or after 17 June 2014)

Notes to the consolidated financial statements

1. Business combinations

Changes in 2014

The simplified merger between Mobistar S.A. ("**Mobistar**") and Mobistar Enterprise Services S.A. ("**MES**") in accordance with Articles 676 and 719 and following of the Company Code took place retroactively from an accounting and tax perspective as from 1 January 2014. Following this simplified merger, all the assets of MES, including its rights and obligations, did, as a result of a dissolution without liquidation, transfer to Mobistar, holder of all the shares of MES. The simplified merger was based on the exception regime of Article 722 §6 of the Company Code, which provides that the approval of the General Meeting of shareholders of the public limited liability companies (naamloze vennootschappen/sociétés anonymes) involved in the merger is not required if following conditions are met:

1. Publication of the joint merger proposal by the companies involved in the merger at the latest 6 weeks prior to the entry into force of the merger;
2. The right of each shareholder of the companies involved in the merger to examine all the documents relating to the merger as provided in Article 720, §2 of the Company Code, and this at least one month prior to the entry into force of the merger;
3. One or more shareholders of Mobistar holding shares representing 5% of the subscribed capital have the right to convene the General Meeting of shareholders of Mobistar that has to decide on the merger proposal. Shares without voting rights are not taken into account for the calculation of this percentage.

Smart Services Network, a company organised and existing under the laws of Belgium, has been created as of 30 September 2014. Mobistar S.A. contributed in cash for 999,900 euros equivalent to 9,999 shares out of the 10,000 shares issued by the company. Atlas Services Belgium S.A. contributed in cash for 100 euros equivalent to 1 share.

Changes in 2013

No acquisition has been realised in 2013.

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.

2. Goodwill

in thousand EUR

2014	Goodwill
ACQUISITION VALUE	
As at 1 January 2014	80 080
As at 31 December 2014	80 080
DEPRECIATION, AMORTISATION AND IMPAIRMENT	
As at 1 January 2014	0
As at 31 December 2014	0
NET CARRYING AMOUNT AS AT 31 DECEMBER 2014	80 080

2013	Goodwill
ACQUISITION VALUE	
As at 1 January 2013	80 080
As at 31 December 2013	80 080
DEPRECIATION, 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**

in thousand EUR

The Goodwill did not change in 2014 and finds its origin in the acquisition 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**

The goodwill is allocated as follows:

> Belgian operations:	11 351
> Luxembourg operations:	68 729

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 21).

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 21).

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 2014, 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.

For 2014, same methodology has been used as in previous years. Cash flows have been estimated on a four years business plan (2015 to 2018) approved by the Strategic Committee. 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 1 % for the years after 2018. Cash flows have been actualised at 7.0 % (post tax). Sensitivity analysis of these parameters has been performed, using a growth rate varying from 0.5 % to 1.5 % and a discount rate varying from 6.5 % to 7.5 %, and this even if the extremes are considered as very theoretical. The worst case scenario, based on a growth rate of 0.5 % and a WACC of 7.5 % would result in downgrade valuation of 17 million euros. Best case scenario envisaged in the sensitivity analysis would result in a positive amount of 27 million euros. Selected rate assumptions result in a breakeven status.

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

2014	GSM and UMTS licences	Internally generated software development costs	Other intangible assets	Total intangible assets
ACQUISITION VALUE				
As at 1 January 2014	**587 228**	**47 208**	**602 990**	**1 237 426**
Movements during the period:				
- Acquisitions		4 974	50 188	55 162
- Sales and disposals			- 6 135	- 6 135
As at 31 December 2014	**587 228**	**52 182**	**647 043**	**1 286 453**
DEPRECIATION, AMORTISATION AND IMPAIRMENT				
As at 1 January 2014	**350 813**	**39 113**	**467 300**	**857 226**
Movements during the period:				
- Additions	29 774	4 018	57 000	90 792
- Sales and disposals			- 6 769	- 6 769
As at 31 December 2014	**380 587**	**43 131**	**517 531**	**941 249**
NET CARRYING AMOUNT AS AT 31 DECEMBER 2014	206 641	9 051	129 512	345 204

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	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**
DEPRECIATION, 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

Telecommunication licences

in thousand EUR

Type of licence	Acquisition cost	Net book value end 2014	Net book value end 2013	Useful life in months	Remaining months	Start depreciation period
GSM 2G	223 800			171		August 1996
2G renewal 5 years	74 367	13 651	28 524	60	11	November 2010
UMTS 3G	149 041	58 507	67 871	191	75	April 2005
4G	20 020	20 020	20 020	End June 2027		-
800 MHz	120 000	114 463	120 000	238	227	February 2014
TOTAL	587 228	206 641	236 415			

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 2014 remain comparable to the ones' used in 2013.

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

2014	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 2014	**1 966**	**655 117**	**695 962**	**119 783**	**21 473**	**1 494 300**
Movements during the period:						
- Acquisitions	84	52 286	237 882	15 840	37 116	343 208
- Dismantling asset		4 984	2 557			7 541
- Sales and disposals		- 6 606	- 52 790	- 10 221	- 2 148	- 71 765
As at 31 December 2014	**2 050**	**705 781**	**883 611**	**125 401**	**56 441**	**1 773 284**
DEPRECIATION, AMORTISATION AND IMPAIRMENT						
As at 1 January 2014	**305**	**302 332**	**381 668**	**102 886**	**7 093**	**794 284**
Movements during the period:						
- Additions	10	28 623	206 750	12 965	32 296	280 644
- Dismantling asset		2 443	539			2 982
- Sales and disposals		- 6 235	- 48 758	- 8 781	- 2 148	- 65 921
As at 31 December 2014	**315**	**327 164**	**540 200**	**107 070**	**37 241**	**1 011 989**
NET CARRYING AMOUNT AS AT 31 DECEMBER 2014	1 735	378 617	343 411	18 331	19 200	761 295

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, AMORTISATION 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

'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

Mobistar invested 215.3 million euros in 2014 (excluding MES ‘acquisition’ due to the merger), or 19.3 % of service revenues, compared to 199.0 million euros a year earlier (i.e. excluding the 120 million euros paid in 2013 for the 800 MHz spectrum).The higher 2014 capex is driven by the increase in 4G related network investments, but is also due to the purchase of materials needed for the shop refit. Nearly three quarter of the total 2014 capex was network related and, compared to last year - which was already a peak year for network investments - Mobistar invested 8 % more in 2014.

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 2014, change in useful life on both intangible assets and property, plant and equipment has been recognised for an amount of 8.5 million euros (2013: 11.9 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 2014:

- Software : 1.0 million euros;
- Network and other equipment : 7.5 million euros including impairments due to refitting shops (2.2 million euros) and impairments resulting from cancelled or moved sites (2.7 million euros).

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).

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

Government grant

A capital grant amounting to 3.1 million 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

	2014	2013
Net carrying amount as at 1 January	**71**	**97**
Released to the statement of comprehensive income	-16	-26
NET CARRYING AMOUNT AS AT 31 DECEMBER	**46**	**71**

6. Interests in associates

in thousand EUR

2014	Interests in associates	Result in associates
Net carrying amount as at 1 January 2014	**3 333**	**0**
Result of the year	-45	-45
NET CARRYING AMOUNT AS AT 31 DECEMBER 2014	3 288	-45

in thousand EUR

2013	Interests in associates	Result in associates
Net carrying amount as at 1 January 2013	**3 450**	**0**
Result of the year	-117	-117
NET CARRYING AMOUNT AS AT 31 DECEMBER 2013	3 333	-117

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

2014	Cash guarantees	Non-current receivables	Total
Net carrying amount as at 1 January 2014	**242**	**550**	**792**
Additions	1 002	1	1 003
Reimbursements	-27		-27
NET CARRYING AMOUNT AS AT 31 DECEMBER 2014	1 217	551	1 768

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

The increase in other non-current assets in 2014 is due to the payment of a deposit within the framework of the 2G licence renewal.

8. Current and deferred income taxes

Amounts recognized in statement of comprehensive income

in thousand EUR

	31.12.2014	31.12.2013
Current tax expense		
Current year	23 188	38 488
Adjustment to prior years	-13 184	-6 344
Total current tax expense	**10 004**	**32 144**
Deferred taxes expense		
Originating and reversal of temporary differences	-1 199	1 253
Change in tax rate		7
Total deferred taxes expense	**-1 199**	**1 260**
TOTAL TAXES EXPENSE	**8 805**	**33 404**

Relationship between tax expense and accounting profit

in thousand EUR

	31.12.2014	31.12.2013
Consolidated accounting profit before taxes	52 089	120 809
Tax at the applicable rate of 33.99 %	**17 705**	**41 063**
Tax effect of permanent differences:		
* Expenses that are not deductible in determining taxable profit	7 957	2 731
* Tax on Irisnet result not considered	15	40
Tax credit on investment	8	11
Tax deductible risk capital	-2 850	-408
Tax credits on business combination	-847	-3 689
Adjustment on prior years	-13 184	-6 344
CURRENT YEAR TAX EXPENSE	**8 805**	**33 404**
EFFECTIVE TAX RATE	**16.90%**	**27.65%**

Tax expenses amounted to 8.8 million euros in 2014 compared to 33.4 million euros in 2013. The effective tax rate came out at 16.9 %, 10.8 points below the effective tax rate of 27.7 % in 2013. Given the lower pre-tax earnings in 2014, the absolute amount of tax expenses has fallen considerably.

A positive impact on the taxable year 2013 has been recorded in December 2014 for an amount of 12.5 million euros to record tax deductions for investments. The regional pylon tax has been considered a non-tax deductible professional expense.

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 recognized in statement of comprehensive income	Payments on current tax year	Payments on previous tax years	Net balance as at 31 December
2014	14 626	23 188	-13 184	-9 000	-1 126	14 504
2013	39 020	38 488	-6 344	-24 000	-32 538	14 626

Movements in deferred tax balances

in thousand EUR

2014	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	1 403	1 393	2 796
Investment tax credits	312	12	324
Property, plant and equipment	994	-627	367
Purchase price allocation	-273	229	-44
Total Orange Communications Luxembourg	**2 436**	**1 007**	**3 443**
Other		-137	
MOBISTAR			
Property, plant and equipment	126	123	249
Non-current provisions	3 815	1 310	5 125
Investment tax credit	338	-326	12
Fixed assets	-1 306	-778	-2 084
Total Mobistar	**2 973**	**329**	**3 302**
DEFERRED TAX ASSETS	**6 715**		**8 829**
DEFERRED TAX LIABILITIES	**-1 306**		**-2 084**
TOTAL STATEMENT OF COMPREHENSIVE INCOME		**1 199**	

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**	

Orange Communications Luxembourg S.A.

The main component is related to the carried forward losses for 2,796 thousand euros.

Mobistar S.A.

Deferred taxes recorded on Mobistar's operations are essentially related to investments tax credits and the development costs for intranet sites, and to the dismantling assets depreciation.

Due to carried forward losses, Orange Communications Luxembourg S.A. has no current tax recorded.

No deferred tax assets are recorded related to carried forward tax losses (3 million euros) and carried forward notional interest deduction (3 million euros) of ex-Mobistar Enterprise Services S.A.

9. Inventories

in thousand EUR

	31.12.2014	31.12.2013
FINISHED GOODS (i.e. HANDSETS AND SIM CARDS)		
Inventories – Gross amount	19 911	22 562
Reserve for obsolete and slow moving items	- 1 715	- 1 896
INVENTORIES – NET CARRYING AMOUNT	18 196	20 666
Inventories – Cost recognised as an expense during the period	**178 348**	**233 005**

Due to a better inventory management and the lower level of handset sales, the level of inventories decreased with 3 million euros in 2014.

10. Trade receivables

in thousand EUR

	31.12.2014	31.12.2013
Trade receivables – Gross value	250 564	274 288
Allowance for doubtful debtors	- 57 212	- 59 230
TRADE RECEIVABLES – NET CARRYING AMOUNT	193 352	215 058

For terms and conditions relating to related parties receivables, refer to note 19.

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 193.4 million euros at the end of 2014, compared with 215.1 million euros at the end of 2013. This decrease is mainly linked to the decrease (21.7 million euros on outstanding balance) in service revenues as well as handset revenues (consolidated turnover effect of -11.9 %).

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 5 million customers.

Trade receivables : Allowance for doubtful debtor's reconciliation

in thousand EUR

	Balance sheet				Statement of comprehensive income
	31.12.2014	Accrual	Reversal	31.12.2013	31.12.2014
Hardware customers	-2 569			-1 761	808
Airtime customers	-54 643			-57 469	-2 826
TOTAL ALLOWANCE FOR DOUBTFUL DEBTORS	**-57 212**	**-9 389**	**11 407**	**-59 230**	**-2 018**

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**

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
2014	193 353	95 210	68 485	13 735	15 923
2013	215 058	128 770	28 835	34 436	23 017

After the increase in the bad debt provision rate in 2011 and 2012, the situation has been stabilized in 2013. For 2014, the rate is 2.0 % of the revenues in the residential segment. Specific efforts in terms of cash collection, especially for trade receivables due in more than 180 days, resulted in an improvement of the ageing balances.

11. Other current assets and accrued revenues

in thousand EUR

	31.12.2014	31.12.2013
Local and regional taxes on pylons	94 173	67 079
Impairment on taxes on pylons	-94 173	- 67 079
Prepayments	13 455	12 411
VAT to be recovered	4 316	2 657
Other current assets	-2 536	2 799
Total other current assets	**15 235**	**17 868**
Accrued revenues	**9 059**	**11 381**
TOTAL	**24 294**	**29 249**

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 or antennae erected within their boundaries. These taxes are currently being contested before the Civil Courts (Courts of First Instance - Tax Chamber and Courts of Appeal).

The Council of State decided since 20 November 2007 in several judgments 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 antennae 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 Supreme Court 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.

On 4 September 2014, the European Court of Justice held that the Directive on the authorization of electronic communications networks and services must be interpreted as not precluding operators providing electronic communications networks or services from being subject to a general tax on establishments, on account of the presence on public or private property of cellular telephone communication masts, pylons or antennae necessary for their activity.

The total amount of taxes charged, plus default interest calculated at the legal rate, amounts to 94.1 million euros, of which 27.1 million euros correspond to the financial year 2014. This aggregated amount is disputed in court. The provision is recorded under the 'Indirect Costs' charges' heading in the statement of comprehensive income.

The Walloon region has implemented by a Decree on December 11, 2013 a yearly tax on masts, pylons or antennas for mobile telecommunication as from 1 January 2014. This tax amounts to 8,000 euros per site (yearly indexed as from 2015). Moreover Walloon municipalities are entitled to establish additional surcharges of maximum 100 % of the above described tax. Mobistar introduced on June 20, 2014 a request for annulment at the Constitutional Court against the Decree. Mobistar has received tax bills for this tax dated 22 December 2014 and will introduce a fiscal objection within the legal period. The Walloon Decree of 12 December 2014, sustaining the above described Walloon tax for 2015 and following years, was published in the Belgian Official Gazette on 29 December 2014.

Other current assets

Variation of other current assets is driven by a short-term deposit to Orange Group of 5 million euros.

12. Cash and cash equivalents

in thousand EUR

	31.12.2014	31.12.2013
TOTAL CASH AND CASH EQUIVALENTS	7 603	13 781

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 7.6 million euros at the end of 2014.

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

	31.12.2014	31.12.2013
Net profit attributable to ordinary equity holders of the parent	43 284	87 405
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 2013 and 2014.

	Share capital (in units)	Number of ordinary shares (in thousand EUR)
As at 31 December 2013	**131 721**	**60 014 414**
As at 1 January 2014	**131 721**	**60 014 414**
As at 31 December 2014	**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 2014, the par value is the same for 2013 and 2014.

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 2014.

in thousand EUR

	2014	2013
As at 1 January	**13 173**	**13 173**
As at 31 December	**13 173**	**13 173**

Reserve for own shares

in thousand EUR

	2014	2013
As at 1 January	**0**	**0**
Transfer to share capital	39	
As at 31 December	**39**	**0**

The purchase of own (Mobistar) shares or obligations in the framework of a liquidity contract is presented as own shares.

Retained earnings

in thousand EUR

	2014	2013
As at 1 January	**192 284**	**212 905**
Current year profit after taxes	43 284	87 405
Dividend paid		- 108 026
Transfer own shares	-39	
As at 31 December	**235 529**	**192 284**

Shareholders' remuneration

At the Annual General Assembly of shareholders to take place on 6 May 2015, the Board of Directors will propose not to remunerate the shareholders for the year 2014.

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, and no distribution in 2014 on the 2013 results. The Board of Directors will also propose no distribution on the 2014 results to the General Shareholders' Meeting to be held on 6 May 2015.

15. Non-current provisions

in thousand EUR

2014	01.01.2014	Additions	Utilisations	Reversal	Unwinding effect	31.12.2014
Outstanding litigations	15 375	2 882	-62	-6 351		11 844
Onerous contracts	3 016		-774			2 242
Network sites dismantling costs	48 054	5 491	-459		704	53 790
Office refurbishment costs	3 196					3 196
TOTAL	**69 641**	**8 373**	**-1 295**	**-6 351**	**704**	**71 072**

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**

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.

Variance of the provision is mainly due to the reversal of the liability relating to VAT claims in MES (1.7 million euros) and the reversal of the Euphony claim (2.5 million euros) regarding close down of TV and ADSL services.

Network sites dismantling provision

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

in thousand EUR

	31.12.2014	31.12.2013
Number of network sites, Orange Communications Luxembourg S.A. incl. (in units)	4 329	4 500
Average dismantling cost per network site	11	11
Inflation rate	2.0%	2.0%
Discount rate	1.54%	2.54%

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 m^2 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 2014.The main explanation of the increase is the use of a lower discount rate (from 2.54 % to 1.54 %), leading to an increase of the liability of more than 5 million euros. Unwinding effect has also increased the provision for 0.7 million 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 545 million euros as at 31 December 2014. The Company didn't hedge the interest rate risk on the debt that bears interests based on EURIBOR (3 months) + 65 Bps margin + 20 Bps utilization fee for a first tranche of 450 million euros and EURIBOR (3 months) + 110 Bps margin for a second tranche of 95 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 2014	Interest rate	Maturity	31.12.2014	31.12.2013
Unsecured revolving credit facility agreement with Atlas Services Belgium	450 000	EURIBOR +0.65	31.12.2015	450 000	450 000
	95 000	EURIBOR +1.10	10.12.2016	95 000	100 000
Transactions costs on non-current loans				-733	-1 250
TOTAL NON-CURRENT LOANS AND BORROWINGS				**544 267**	**548 750**
Cash-pool related credit facility with Orange	50 000	EONIA +0.65	on demand		21 879
Uncommitted credit lines with various banks	43 500	determined upon withdrawal	on demand		
TOTAL CURRENT LOANS AND BORROWINGS					**21 879**

Fair values

in thousand EUR

	Carrying amount		Fair value	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
FINANCIAL ASSETS				
Cash and cash equivalents	7 603	13 781	7 603	13 781
Other financial assets (non-current)	3 288	3 333	3 288	3 333
Current receivables (*)	4 213 (4)	4 422(3)	4 206(1)(4)	4 404(2)(3)
Non-current receivables (*)	550	550	548(1)	543(2)
Trade receivables (*)	193 352	215 058	193 352	215 058
Other current assets (*)	11 022	13 446	11 022	13 446
FINANCIAL LIABILITIES				
Non-current borrowing	95 000	550 000	94 833(1)	547 019(2)
Current borrowing	450 000	21 879	450 000	21 879
Trade payables	325 050	352 088	325 050	352 088
Other payables	1 920	5 796	1 920	5 796

(1) Discount rates (assumption) have been considered on the estimated period of repayment (1 year: 0.1587%, 2 years: 0.1764%, 3 years: 0.2175%, 4 years: 0.2809%, 5 years: 0.3566%).
(2) 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%).
(3) 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.
(4) This value includes a loan to a partner for which an accrual for collection risk has been recorded for a value of 3,513 thousand euros. Net carrying amount is 700 thousand euros for which fair value is 699 thousand euros.
(*)See note 4.12 related to the accounting principles (loans and receivables).

As at 31 December 2014, 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

As at 31 December 2014	Amount	Within 1 year	Within 2-5 years	More than 5 years
FINANCIAL ASSETS				
Cash and cash equivalents	7 603	7 603		
Other financial assets (non-current)	3 288	3 288		
Current receivables	4 213	4 213		
Non-current receivables	550			550
FINANCIAL LIABILITIES				
Non-current borrowing	95 000		95 000	
Current borrowing	450 000	450 000		

in thousand EUR

As at 31 December 2013	Amount	Within 1 year	Within 2-5 years	More than 5 years
FINANCIAL ASSETS				
Cash and cash equivalents	13 781	13 781		
Other financial assets (non-current)	3 333	3 333		
Current receivables	4 422	4 422		
Non-current receivables	550			550
FINANCIAL LIABILITIES				
Non-current borrowing	550 000		550 000	
Current borrowing	21 879	21 879		

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 544 million euros for 2014, a variation of floating rate of 0.5 % would have meant an impact on financing costs of 2.7 million euros. 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.

17. Trade payables and other current liabilities

in thousand EUR

	31.12.2014	31.12.2013
TRADE PAYABLES	325 307	352 088
Salaries and termination pay	6 520	4 515
Social security contributions	1 397	900
Holiday pay	15 533	17 918
Performance and profit sharing bonus	6 250	6 833
Other	3 952	1 357
TOTAL EMPLOYEE BENEFITS RELATED LIABILITIES	33 651	31 524
Corporate taxes	14 502	14 626
Value added tax and other taxes	1 821	959
TOTAL CURRENT TAXES PAYABLE	16 323	15 585
DEFERRED INCOME	68 823	66 145
TOTAL OTHER PAYABLES	1 920	5 796

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.

The decrease in trade payables of 27 million euros is mainly due to a reclass from trade payables (credit notes) to trade receivables of 7.0 million euros, the stop of the Topstar loyalty program (4.3 million euros) and the last payment for the 2G extension (13.5 million euros).

The other payables include the options granted to management, which decreased with 3.8 million euros compared to last year.

18. Consolidated statement of comprehensive income

Turnover

in thousand EUR

	2014	2013
Mobile service revenues	1 024 928	1 129 134
Non-mobile service revenues	90 353	123 718
Handsets sales	133 911	208 380
TOTAL TURNOVER	1 249 192	1 461 232

Mobistar’s total consolidated turnover amounted to 1,249.2 million euros in 2014, compared to 1,461.3 million euros in 2013, down 14.5 %. Taking into account the regulatory MTR (26.4 million euros) and EU roaming impact (11.2 million euros), the total consolidated turnover recorded a year-on-year trend of -11.9 %.

Mobistar’s service revenues (both mobile and non-mobile) amounted to 1,115.3 million euros in 2014 compared to 1,252.9 million euros a year earlier, a decrease of 11.0 %, mainly due to the impact of price reductions implemented in 2013 and the lower customer base. The impact of the market disruption, induced by the telecom law in late 2012, and the subsequent intense price competition was largely digested by year end.

The consolidated handset sales in 2014 amounted to 133.9 million euros, compared to 208.8 million euros in 2013. The lower handset sales are the result of the phasing-out of the pure purchase/resale business as well as of a lower average selling price of the handsets, given a higher portion of low- and mid-end smartphones sold in 2014 and lower volumes sold through indirect distribution channels. The volume of devices sold via Mobistar's direct channels, especially brand banner stores and e-commerce websites, was supported by both the refitting and the digitalisation of Mobistar's shops, coupled with a new customer-oriented marketing approach.

Direct costs

in thousand EUR

	2014	2013
Purchase of material	-178 447	-231 454
Other direct costs	-385 904	-481 692
TOTAL DIRECT COSTS	-564 351	-713 146

The ACE2 transformation program announced by Mobistar at the beginning of 2014 has fully delivered on its target. The program reviewed all company processes in order to realize a saving of 50 million euros in structural net operating costs, while at the same time accelerating Mobistar's transformation into a more efficient, digital company.

Mobistar's total direct costs fell by 20.9 % in 2014 to 564.4 million euros, compared to 713.2 million euros in 2013. In effect, Mobistar managed to reduce its direct cost-to-services revenue ratio in 2014. This was largely the result of the ACE2 program, and in particular, the overhaul of the distribution network. Mobistar succeeded in trimming customer acquisition costs while also reinforcing its commercial footprint. The fall in interconnection fees and the lower cost of goods sold also contributed to the considerable decrease of direct costs.

Purchase of material

Due to the decrease in handset sales as well as the lower average sales price, the subsequent cost of equipment and goods sold decreased accordingly.

Other direct costs

The other direct costs consist of interconnection costs, commissions, content costs and bad debts.

Interconnection costs

Interconnection costs have decreased by 45 million euros at 309.2 million euros, primarily due to lower rates.

Other costs

The other costs decreased by almost 50 million euros in 2014, mainly due to the commissions. The huge decrease in commissions (44 million euros) can be explained by an important decrease of the structural remunerations in both prepaid and postpaid segments.

Labor costs (excluding termination benefits)

Labor costs fell by 6.5 % in 2014, to 135.9 million euros, compared to 145.3 million euros in 2013. This positive evolution can be put down to the concrete ACE2 actions taken to improve the organizational efficiency, as well as the outsourcing of IT activities, which led to a net headcount reduction of 243 employees over the past 12 months. Notably, employees have also been redeployed from legacy activities in favor of growth and innovation driven activities, such as the cable initiative. At the end of 2014, Mobistar's total headcount stood at 1,562 employees. (The average full-time equivalent number of employees was 1,741 in 2013).

The Belgian defined contribution pension plans are by law subject to minimum guaranteed rates of return, currently 3.25 % on employer contributions and 3.75 % on employee contributions. The latter rates, which apply as an average over the entire career, may be modified by Royal Decree in which case the new rate(s) apply to both the accumulated past contributions and the future contributions as from date of modification. Therefore, those plans were basically accounted for as defined contribution plans.

At 31 December 2014 no net liability was recognized in the balance sheet to reflect the difference between the minimum guaranteed reserves and the actual accumulated reserves.

The contributions paid during 2014 for those plans amounted to 5.5 million euros by the employer and 1.0 million euros by the employees.

The plan assets at 31 December 2014 consisted of 92.4 million euros individual insurance reserves, which benefit from a weighted average guaranteed interest rate of 3.77 %, and 5.0 million euros reserves in collective financing funds.

Indirect costs

in thousand EUR

	2014	2013
Commercial expenses	-43 147	-39 371
Other IT and network expenses	-96 833	-97 515
Property expenses	-50 938	-51 020
General expenses	-63 371	-56 251
Other indirect costs	-19 751	-22 948
TOTAL INDIRECT COSTS	-274 040	-267 105
of which operational taxes and fees	-45 095	-23 664

Indirect costs increased by 2.6 % in 2014, amounting to 274.0 million euros, compared to 267.1 million euros in 2013. However, this cost inflation was the direct result of higher operational taxes, such as pylon tax provisions of 45.1 million euros in 2014 compared to 23.7 million euros in 2013. Thus, the underlying evolution of the indirect costs shows a reduction of 5.2 %.

The commercial expenses increased with 3.8 million euros mainly due to higher advertising expenses (2.2 million euros) and promotions expenses (1.5 million euros).

General expenses: the rental costs decreased with 2.1 million euros due to savings in leasing costs of cars. The professional fees increased with 10.2 million euros mainly due to the outsourcing of the IT-operations and developments and the related increase in IT service costs.

Operational taxes and fees mainly consist of local taxes on GSM masts and antennas (27.1 million euros). The impairment has increased significantly (17.4 million euros compared to 2013) in 2014, mainly due to the new Walloon Region tax rule. Property and other taxes and write offs remained at the same level as in 2013.

Restructuring costs

in thousand EUR

	2014	2013
Redundancy costs	-8 542	-9 841
Other restructuring costs	-10 929	-8 754
EBITDA	255 400	317 061

The 2014 restructuring costs included: 1/ 8.5 million euros in redundancy costs to reduce the headcount, 2/ 6.5 million euros in restructuring costs related to the outsourcing of Mobistar's IT activities, including IT development and operations recorded in the third quarter, and 3/ 4.4 million euros in restructuring costs related to the termination of certain distribution contracts.

Depreciation, amortisation and impairment

The 2014 figure for depreciation, amortisation and impairment stood at 194.5 million euros, up by 6.2 million euros on 2013. This can be attributed to the increased investments of the 4G licence, the mobile radio network and network transmission.

In 2014, 8.5 million euros were recorded regarding impairments costs.

Financial result

in thousand EUR

	2014	2013
FINANCIAL INCOME		
Interest on deposits and current bank accounts	125	232
Other financial income	54	241
TOTAL	**179**	**473**
FINANCIAL COSTS		
Interest on financial debts	7 125	5 978
Other financial charges	1 843	2 326
TOTAL	**8 968**	**8 305**
TOTAL NET FINANCIAL COSTS	**-8 788**	**-7 832**

The net financial result amounted to -8.8 million euros in 2014, compared to -7.8 million euros a year ago. The increase in interest expenses was mainly the result of higher outstanding borrowings, following the 800 MHz spectrum payment at the end of 2013.

Tax expense

Tax expenses amounted to 8.8 million euros in 2014 compared to 33.4 million euros in 2013. The effective tax rate came out at 16.9 %, 10.8 points below the effective tax rate of 27.7 % in 2013. Given the lower pre-tax earnings in 2014, the absolute amount of tax expenses has fallen considerably. A positive impact on the taxable year 2013 has been recorded in December 2014 for an amount of 12.5 million euros to record tax deductions for investments. The Walloon Region pylon tax has been considered as a non-tax deductible professional expense.

19. Relationships with related parties

Relationships with affiliated enterprises

Balance sheet and income statement

in thousand EUR

	31.12.2014	31.12.2013
ASSETS AND LIABILITIES		
Current trade receivables	13 488	14 141
LIABILITIES		
Current interest-bearing loan	444 439	21 879
Non-current interest-bearing loan	94 267	548 300
Current trade payables	6 384	7 607
INCOME AND CHARGES		
Sales	23 102	29 052
Purchases	20 358	35 244
Interests	6 735	

The consolidation perimeter has evolved since 30 June 2014 and includes Mobistar S.A. (100 %), Orange Communications Luxembourg S.A. (100 %), Smart Services Network S.A. (100 %) and IRISnet S.C.R.L. (accounted for by equity method - 28.16 %).

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

Related parties – 2014 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	17 116	19 329	4 158	3 482
Orange – Financing activities	-1	18		-5 561
ORANGE GROUP SUBSIDIARIES				
Airtime traffic and services	5 986	1 010	9 330	2 901
Atlas Services Belgium - Borrowing		6 735		544 267
TOTAL	23 102	27 092	13 488	545 090

Related parties – 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

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

	2014	2013
Short-term employee benefits	3 827	3 904
Post-employment benefits	452	415
Other long-term benefits		1 105
Termination benefits		756
TOTAL	4 278	6 179

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

	2014	2013
TOTAL REMUNERATION	338	330

20. Commitments and contingencies

Purchases

in thousand EUR

	Commitments end of 2013	2014	< 1 year	1-3 years	3-5 years	> 5 years
Intangible assets	7 486	5 781	5 781			
Property, plant and equipment	213 243	294 335	98 460	99 048	72 479	24 348
Inventories	82 333	85 182	85 182			
Other services	19 521	13 350	494	10 581	1 869	406

In 2013 Mobistar has adhered to an Orange group contract with some device manufacturer 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 provider, 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 2013	2014	< 1 year	1-3 years	3-5 years	> 5 years
Offices	68 973	62 885	6 083	12 503	12 969	31 330
Network sites	373 246	395 077	30 201	51 600	37 535	275 741
Cars	13 993	8 480	1 023	7 426	22	
TOTAL	**456 212**	**466 442**	**37 307**	**71 530**	**50 525**	**307 080**

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 2013	2014	< 1 year	1-3 years	3-5 years	> 5 years
TOTAL	**50 000**					

Guarantees granted

in thousand EUR

	Commitments end of 2013	2014	< 1 year	1-3 years	3-5 years	> 5 years
TOTAL	**10 090**	**11 400**	**971**	**853**	**1 710**	**7 865**

In 2014, guarantees granted are related to various lease agreements (3,351.8 thousand euros) and to network performance commitment granted to some corporate customers (8,048.6 thousand euros). No other security (mortgage, pledge or other) has been granted on Mobistar assets as at 31 December 2014.

Purchase agreement

No purchase agreement has been signed in 2014.

21. Operating segment information

Segment information is structured by country, with no split between mobile and non-mobile costs. For the main countries, segmentation per business segment will be maintained. Countries involved are Belgium, country covered by Mobistar S.A., Smart Services Network S.A. and IRISnet S.C.R.L., and Luxembourg for the operations of Orange Communications Luxembourg S.A.

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.

in thousand EUR

2014	Belgium	Luxembourg	Interco elimination	Mobistar group
Mobile service revenues	975 293	51 106	-1 471	1 024 928
Non-mobile service revenues	90 353			90 353
Handsets sales	132 543	11 214	-9 846	133 911
Total turnover	**1 198 188**	**62 320**	**-11 316**	**1 249 192**
Direct costs	**-541 582**	**-34 085**	**11 316**	**-564 351**
Labor costs	**-126 796**	**-9 135**		**-135 931**
Indirect costs	**-260 351**	**-13 689**		**-274 040**
of which operational taxes and fees	-43 894	-1 201		-45 095
Restated EBITDA	**269 459**	**5 411**		**274 870**
EBITDA	**249 988**	**5 411**		**255 400**
Depreciation, amortisation and impairment	-186 004	-8 474		-194 478
Share of profits (losses) of associates	-45			-45
EBIT	**63 940**	**-3 063**		**60 877**
Financial result	-8 699	-90		-8 788
Taxes	-9 675	870		-8 805
Net profit of the period *	**45 567**	**-2 283**		**43 284**
Profit attributable to equity holders of the parent	**45 567**	**-2 283**		**43 284**

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

in thousand EUR

2013	Belgium	Luxembourg	Interco elimination	Mobistar group
Mobile service revenues	1 067 154	65 273	-3 293	1 129 134
Non-mobile service revenues	123 718			123 718
Handsets sales	210 167	10 286	-12 073	208 380
Total turnover	**1 401 039**	**75 559**	**-15 366**	**1 461 232**
Direct costs	**-689 826**	**-38 686**	**15 366**	**-713 146**
Labor costs	**-137 444**	**-7 882**		**-145 324**
Indirect costs	**-251 326**	**-15 776**		**-267 105**
of which operational taxes and fees	-21 505	-2 159		-23 664
Restated EBITDA	**322 443**	**13 215**		**335 657**
EBITDA	**303 847**	**13 215**		**317 061**
Depreciation, amortisation and impairment	-181 510	-6 794		-188 304
Share of profits (losses) of associates	-117			-117
EBIT	**122 220**	**6 421**		**128 641**
Financial result	-7 682	-151		-7 832
Taxes	-32 602	-802		-33 404
Net profit of the period *	**81 937**	**5 468**		**87 405**
Profit attributable to equity holders of the parent	**81 937**	**5 468**		**87 405**

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

in thousand EUR

2014	31.12.2014 Belgium	31.12.2014 Luxembourg	Interco elimination	Mobistar group
Goodwill	11 351	68 574	155	80 080
Intangible assets and property, plant and equipment	1 079 725	26 774		1 106 499
Financial assets	87 017		-87 017	
Interests in associates	3 288			3 288
Deferred taxes assets	5 386	3 443		8 829
Other non-current assets	1 634	134		1 768
Inventories	15 762	2 434		18 196
Trade receivable	193 125	3 399	-3 171	193 352
Other current assets	24 366	3 964	-4 036	24 293
Cash and cash equivalent	5 949	1 655		7 603
Segment assets	**1 427 603**	**110 376**	**-94 069**	**1 443 909**
Non-current interests-bearing borrowings	94 267			94 267
Non-current provisions	67 493	3 579		71 072
Deferred taxes	2 084			2 084
Financial liabilities	450 000	4 015	-4 015	450 000
Trade payables	318 321	10 157	-3 171	325 307
Taxes	15 351	972		16 323
Salaries and social security	32 904	748		33 651
Deferred income	67 875	969	-21	68 823
Other current liabilities	1 920			1 920
Segment liabilities	**1 050 215**	**20 439**	**-7 207**	**1 063 447**
Capital expenditure	205 149	10 107		215 256
Depreciation, amortisation and impairment	186 004	8 474		194 478

in thousand EUR

2013	31.12.2013 Belgium	31.12.2013 Luxembourg	Interco elimination	Mobistar group
Goodwill	11 351	68 574	155	80 080
Intangible assets and property, plant and equipment	1 055 656	24 560		1 080 216
Financial assets	87 017		-87 017	
Interests in associates	3 333			3 333
Deferred taxes assets	4 279	2 435		6 715
Other non-current assets	633	158		792
Inventories	18 102	2 564		20 666
Trade receivable	205 012	13 421	-3 376	215 058
Other current assets	29 928	1 575	-2 254	29 250
Cash and cash equivalent	8 643	5 138		13 781
Segment assets	**1 423 956**	**118 426**	**-92 491**	**1 449 891**
Non-current interests-bearing borrowings	548 750			548 750
Non-current provisions	66 757	2 883		69 641
Deferred taxes	1 306			1 306
Financial liabilities	21 879	2 236	-2 236	21 879
Trade payables	340 263	15 201	-3 376	352 088
Taxes	14 819	767		15 585
Salaries and social security	30 809	714		31 524
Deferred income	65 413	750	-18	66 145
Other current liabilities	5 796			5 796
Segment liabilities	**1 095 792**	**22 550**	**-5 629**	**1 112 713**
Capital expenditure	312 985	6 063		319 048
Depreciation, amortisation and impairment	181 510	6 794		188 304

22. 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.

MOBISTAR S.A. ANNUAL ACCOUNTS 2014

Comments on Mobistar S.A.'s 2014 annual accounts prepared according to Belgian accounting standards

The statutory income statement and balance sheet are presented hereafter. 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).

Balance sheet after appropriation

in thousand EUR

	2014	2013
ASSETS		
FIXED ASSETS	**1 138 078**	**1 129 693**
Formation expenses	733	1 250
Intangible fixed assets	343 007	376 213
Tangible fixed assets	697 126	584 622
Land and buildings	338 897	314 480
Plant, machinery and equipment	324 197	243 903
Furniture and vehicles	17 938	16 665
Other tangible fixed assets	16 094	9 574
Financial fixed assets	97 212	167 608
Affiliated enterprises	92 679	164 077
Participating interests	87 267	164 077
Amounts receivable	5 412	
Other enterprises linked by participating interests	3 450	3 450
Participating interests	3 450	3 450
Other financial assets	1 083	81
Amounts receivable and cash guarantees	1 083	81
CURRENT ASSETS	**270 445**	**249 422**
Amounts receivable after more than one year	550	550
Other amounts receivable	550	550
Stocks and contracts in progress	15 762	18 076
Stocks	15 762	18 076
Goods purchased for resale	15 762	18 076
Amounts receivable within one year	229 724	201 149
Trade debtors	214 914	195 473
Other amounts receivable	14 810	5 676
Current investments	4 206	5 274
Own shares	39	
Other investments and deposits	4 167	5 274
Cash at bank and in hand	1 640	3 260
Deferred charges and accrued income	18 563	21 113
TOTAL ASSETS	**1 408 523**	**1 379 115**

in thousand EUR

	2014	2013
EQUITY AND LIABILITIES		
EQUITY	**384 066**	**318 356**
Capital	131 721	131 721
Issued capital	131 721	131 721
Reserves	13 211	13 172
Legal reserve	13 172	13 172
Reserves not available	39	
In respect of own shares held	39	
Accumulated profits (losses) (+) (-)	239 088	173 391
Investment grants	46	72
PROVISIONS AND DEFERRED TAXES	**12 849**	**11 608**
Provisions for liabilities and charges	12 849	11 608
Pensions and similar obligations	1 161	447
Other liabilities and charges	11 688	11 161
AMOUNTS PAYABLE	**1 011 608**	**1 049 151**
Amounts payable after more than one year	95 000	550 000
Financial debts	95 000	550 000
Other loans	95 000	550 000
Amounts payable within one year	848 733	442 778
Current portion of amounts payable after more than one year falling due within one year	450 000	13 447
Financial debts		52 368
Other loans		52 368
Trade debts	351 080	327 208
Suppliers	351 080	327 208
Taxes, remuneration and social security	45 747	43 086
Taxes	14 501	14 627
Remuneration and social security	31 246	28 459
Other amounts payable	1 906	6 669
Accrued charges and deferred income	67 875	56 373
TOTAL EQUITY AND LIABILITIES	**1 408 523**	**1 379 115**

Income statement

in thousand EUR

	2014	2013
Operating income	1 241 623	1 406 417
Turnover	1 194 026	1 356 481
Own construction capitalised	7 817	7 809
Other operating income	39 780	42 127
Operating charges	1 175 637	1 287 022
Raw materials, consumables	571 514	662 221
Purchases	568 999	661 738
Stocks: decrease (increase) (+) (-)	2 515	483
Services and other goods	239 094	277 393
Remuneration, social security costs and pensions (+) (-)	144 046	154 482
Depreciation of and amounts written off formation expenses,		
intangible and tangible fixed assets	183 874	165 366
Amounts written down stocks, contracts in progress		
and trade debtors: appropriations (write-backs) (+) (-)	24 757	5 566
Provisions for risks and charges: appropriations (uses and write-backs) (+) (-)	-983	5 481
Other operating charges	13 335	16 513
Operating profit (loss) (+) (-)	65 986	119 395
Financial income	243	500
Income from current assets	148	261
Other financial income	95	239
Financial charges	9 054	7 912
Debt charges	7 127	5 956
Other financial charges	1 927	1 956
Gain (loss) on ordinary activities before taxes (+) (-)	57 175	111 983
Extraordinary income	18 560	
Gains on disposal of fixed assets	18 350	
Other extraordinary income	210	
Extraordinary charges		3 722
Other extraordinary charges		3 722
Profit (loss) for the period before taxes (+) (-)	75 735	108 261
Income taxes (+) (-)	9 999	32 140
Income taxes	23 188	38 488
Adjustment of income taxes and write-backs of tax provisions	13 189	6 348
Profit (loss) for the period (+) (-)	65 736	76 121
Profit (loss) for the period available for appropriation (+) (-)	65 736	76 121

Appropriations and withdrawings

in thousand EUR

	2014	2013
Profit (loss) to be appropriated (+) (-)	239 127	174 265
Profit (loss) to be appropriated (+) (-)	65 736	76 121
Profit (loss) to be carried forward (+) (-)	173 391	98 144
Transfers to capital and reserves	39	
To other reserves	39	
Profit (loss) to be carried forward (+) (-)	239 088	173 391
Profit to be distributed		874
Other beneficiaries		874

CORPORATE GOVERNANCE STATEMENT

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.

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 to the Investor Relations Department.

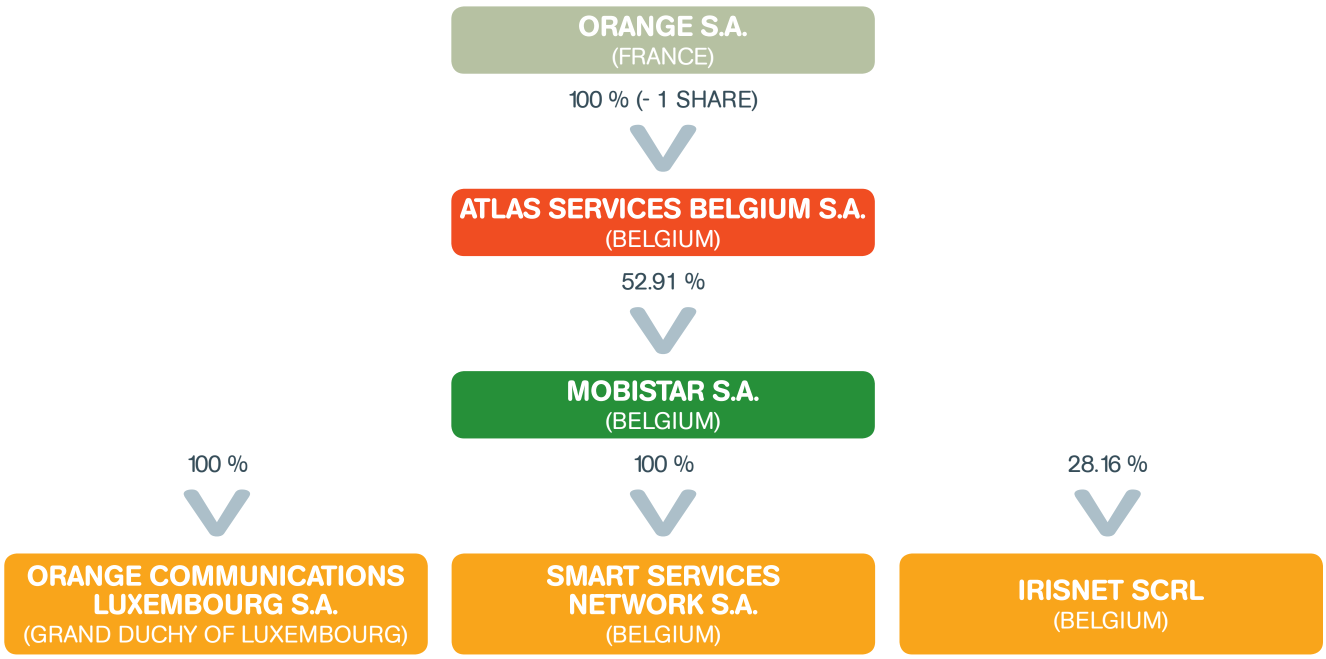
The company considers that its Corporate Governance Charter as well as this Corporate Governance Statement reflect not only the spirit but also the provisions of the Belgian Corporate Governance Code and the relevant provisions of the Belgian Companies Code.

2. Law on takeover bids

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 31,753,100 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:



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

On 31 December 2014, 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 %
Boussard & Gavaudan Asset Management	1,810,714	3.02 %
Schroders	1,834,727	3.06 %
Free float (others)	24,615,873	41.01 %
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 18 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 2014 Boussard & Gavaudan Asset Management 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. In accordance with legislation, all bearer shares which have not been dematerialised have been transferred into a Euroclear securities account under the company name. In accordance with the provisions of current legislation, these shares will be sold by the company in the course of 2015. This concerns only a very small number of shares (0.01 % of the capital).

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 7 May 2014, 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 115 % and must not be lower than 85 % 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 resell (within the frame of a liquidity contract) or to cancel the shares acquired by the company, and 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.

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 2014, the Board of Directors consisted of twelve members of which one executive director and eleven non-executive directors (of which four independent directors). No age limit has been fixed within the Board of Directors.

The mandates of Mr Eric Dekeuleneer, Mrs Brigitte Bourgoin and of the companies Conseils Gestion Organisation and Wirefree Services Belgium came to an end at the General Assembly of 2014, and Mr Benoit Scheen resigned on 1 September 2014.

Name	Function	Main function	Age	Nationality	End of mandate
J. Steyaert	Chairman	Director of companies	69	Belgian	2017
J.M. Harion (1)(2)	Executive director	CEO Mobistar	53	French	2017
J. Deschuyffeleer (3)	Independent director	VP HP Technology Services	57	Belgian	2017
Société de Conseil en Gestion et Stratégie d'Entreprises (3)(4)	Independent director	Director of companies	NA	Belgian	2017
G. André (1)	Director	VP Governance & Performance Orange	59	French	2017
G. Ries (1)	Director	Executive VP International Operations Orange	60	French	2017
B. du Boucher (1)	Director	VP Finance Orange	61	French	2017
P. Lambert-de Diesbach (1)	Director	Senior VP - Head of Investor Relations Orange	58	French	2017
B. Mettling (1)	Director	Deputy CEO Orange (HR / Internal Communication)	57	French	2017
G. Pellissier (1)(5)	Director	Deputy CEO Orange / Europe and Group operations	56	French	2015
M. De Rouck (3)	Independent director	Head of Fraud protection Office BNP Paribas	58	Belgian	2017
Leadership and Management Advisory Services (LMAS) (3)(6)	Independent director	Director of companies	NA	Belgian	2017

(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 Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA) is represented by Mrs Nadine Lemaître-Rozencweig.
(5) Mr Gervais Pellissier was coopted on 1 September 2014 following the resignation of Mr Benoit Scheen. His final appointment will be proposed during the General Shareholders' Meeting of 2015.
(6) The company Leadership and Management Advisory Services (LMAS) is represented by Mr Grégoire Dallemagne.

The Board of Directors meets at least four times a year. In 2014, 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 (including the mutualisation and the outsourcing of specific activities);
- the functioning and resolutions of the committees set up by the Board of Directors;
- the evolution of the regulatory framework;
- the distribution management and vehicles;
- the merger by absorption of Mobistar Enterprise Services S.A.;
- branding and communication;
- network licences and spectrum requirements.

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.

Presence of the directors at the meetings of the Board of Directors in 2014:

Members of the Board of Directors	Function	20.02	26.02	14.03	21.03	23.04	07.05	03.06	23.07	31.07	15.09	17.10	12.12
J. Steyaert	Chairman	P	P	P	P	P	P	P	P	R	P	P	P
B. Bourgoin	Director	P	P	P	P	P	R	NA	NA	NA	NA	NA	NA
WSB (A. Cardoso)	Director	P	P	P	R	P	R	NA	NA	NA	NA	NA	NA
E. Dekeuleneer	Independent director	P	P	P	P	P	P	NA	NA	NA	NA	NA	NA
Conseils Gestion Organisation (Ph. Delaunois)	Independent director	P	P	P	P	P	P	NA	NA	NA	NA	NA	NA
B. du Boucher	Director	P	P	P	P	P	P	P	P	R	P	P	P
G. Ries	Director	P	P	P	P	R	P	P	P	R	P	P	P
B. Scheen	Director	P	P	P	P	P	P	P	P	R	NA	NA	NA
J. Deschuyffeleer	Independent director	P	P	P	E	P	P	P	P	P	P	P	P
SOGESTRA (N. Lemaître-Rozencweig)	Independent director	P	P	P	E	P	P	P	P	R	P	P	P
J. M. Harion	Director	P	P	P	P	P	P	P	P	R	P	P	P
G. André	Director	P	P	P	P	P	P	P	P	R	P	P	P
M. De Rouck	Independent director	NA	NA	NA	NA	NA	NA	P	P	P	P	P	P
P. Lambert-de Diesbach	Director	NA	NA	NA	NA	NA	NA	P	P	R	P	R	P
B. Mettling	Director	NA	NA	NA	NA	NA	NA	P	R	R	E	P	P
Leadership and Management Advisory Services (G. Dallemagne)	Independent director	NA	NA	NA	NA	NA	NA	P	P	R	P	P	P
G. Pellissier	Director	NA	NA	NA	NA	NA	NA	NA	NA	NA	P	R	P

P: participated (in person or by call)
E: excused
R: validly represented
NA: not applicable

THE BOARD OF DIRECTORS

Jan Steyaert

Grégoire
Dallemagne

Geneviève André

Jean Marc
Harion

P. Lambert-de Diesbach

Nadine Lemaître-
Rozencweig

Martine De Rouck

Johan Deschuyffeleer

Bertrand du Boucher

Bruno Mettling

Gérard Ries

Gervais Pellissier

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

The Audit Committee

End 2014, the Audit Committee consisted of three directors. In 2014 the mandates of Messrs Eric Dekeuleneer and Gérard Ries, as well as of the company Conseils Gestion Organisation came to an end. Mrs Martine De Rouck was appointed during the meeting of the Board of Directors of 3 June 2014. As from that date, the Audit Committee consisted of three directors: Mr Bertrand du Boucher, Mrs Martine De Rouck and the company Société de Conseil en Gestion et Stratégie d'Entreprises (represented by Nadine Lemaître-Rozencweig) which took over the chairmanship from Mr Eric Dekeuleneer.

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 2014.

Presence of the members at the meetings of the Audit Committee in 2014:

Members of the Audit Comité	Function	25.02	22.04	22.07	16.10	14.11	11.12
E. Dekeuleneer	Chairman	P	P	NA	NA	NA	NA
SOGESTRA (N. Lemaître-Rozencweig)	Chairman	P	P	P	P	P	P
Conseils Gestion Organisation (Ph. Delaunois)	Independent director	P	P	NA	NA	NA	NA
B. du Boucher	Director	P	P	P	P	P	P
G. Ries	Director	E	E	NA	NA	NA	NA
M. De Rouck	Independent director	NA	NA	P	P	P	P

P: participated (in person or by call)
E: excused
NA: not applicable

The principal subjects which have been discussed within the Audit Committee in 2014 are the following:

- the annual evaluation of the Committee functioning;
- 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 2014, the Remuneration and Nomination Committee consisted of five directors: Messrs Bruno Mettling (Chairman), Jan Steyaert and Johan Deschuyffeleer, Mrs Martine De Rouck and the company Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Mrs Nadine Lemaître-Rozencweig).

The mandates of the company Conseils Gestion Organisation and of Messrs Benoit Scheen and Eric Dekeuleneer came to an end in the course of 2014.

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 2014, the Remuneration and Nomination Committee met five 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 Board of Directors and of the Executive Management and discussed the changes that occurred during the year 2014.

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 Remuneration and Nomination Committee in 2014:

Members of the Remuneration and Nomination Committee	Function	25.02	13.03	30.06	18.07	14.10
B. Scheen	Chairman	P	P	NA	NA	NA
J. Steyaert	Director	P	P	P	P	P
E. Dekeuleneer	Independent director	P	P	NA	NA	NA
SOGESTRA (N. Lemaître-Rozencweig)	Independent director	P	P	P	P	P
Conseils Gestion Organisation (Ph. Delaunois)	Independent director	P	P	NA	NA	NA
B. Mettling	Chairman	NA	NA	P	P	P
J. Deschuyffeleer	Independent director	NA	NA	P	P	E
M. De Rouck	Independent director	NA	NA	P	P	P

P: participated (in person or by call)
E: excused
NA: not applicable

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.

End 2014, the Strategic Committee consisted of eight directors: Mr Johan Deschuyffeleer (Chairman), the company Leadership and Management Advisory Services (LMAS, represented by Mr Grégoire Dallemagne), Messrs Jan Steyaert, Gérard Ries, Patrice Lambert-de Diesbach, Bertrand du Boucher and Gervais Pellissier, and Mrs Geneviève André.

The mandates of the company Conseils Gestion Organisation, and of Mr Benoit Scheen and Mrs Brigitte Bourgoin came to an end in the course of 2014.

In 2014, the Strategic Committee met five times and dealt with the following subjects:

- the results of the company;
- the development and prospects of the company;
- the outsourcing of specific IT activities;
- the convergence and new technologies;
- the new investments;
- the strategy with regard to fixed lines, cable distribution and network management;
- the trends of the market and the positioning of the company;
- the main disputes;
- the strategic plan of Orange Communications Luxembourg S.A.

Presence of the members at the meetings of the Strategic Committee in 2014:

Members of the Strategic Committee	Function	30.01	04.04	27.06	26.09	14.11
Conseils Gestion Organisation (Ph. Delaunois)	Chairman	P	P	NA	NA	NA
B. Bourgoin	Director	P	E	NA	NA	NA
J. Steyaert	Director	P	P	P	P	P
B. du Boucher	Director	P	P	E	P	P
G. Ries	Director	P	E	P	P	P
B. Scheen	Director	P	P	P	NA	NA
J. Deschuyffeleer	Chairman	P	P	P	P	P
G. André	Director	P	P	P	P	P
Leadership and Management Advisory Services (G.Dallemagne)	Independent director	NA	NA	P	P	P
G.Pellissier	Director	NA	NA	NA	E	E
P. Lambert-de Diesbach	Director	NA	NA	NA	P	P

P: participated (in person or by call)
E: excused
NA: not applicable

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.

End 2014, the Governance Supervisory Committee consisted of three directors: Mr Jan Steyaert, Mrs Geneviève André and the company Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Mrs Nadine Lemaître-Rozencweig).

The mandates of Mr Eric Dekeuleneer and of the companies Wirefree Services Belgium (WSB) and Conseils Gestion Organisation came to an end in the course of 2014.

In 2014, the Governance Supervisory Committee met twice.

The subjects dealt with in 2014 were, among others, the evolutions in terms of governance, the evaluation of the committees, as well as the follow-up of the status of the dematerialization of the company shares.

Presence of the members at the meetings of the Governance Supervisory Committee in 2014:

Members of the Governance Supervisory Committee	Function	26.02	23.07
E. Dekeuleneer	Chairman	P	NA
WSB (A. Cardoso)	Director	P	NA
J. Steyaert	Director	P	P
Conseils Gestion Organisation (Ph. Delaunois)	Independent director	P	NA
G. André	Director	P	P
SOGESTRA (N. Lemaître-Rozencweig)	Chairman	NA	P

P: participated (in person or by call)
NA: not applicable

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).

6. Composition and operation of the Executive Management

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

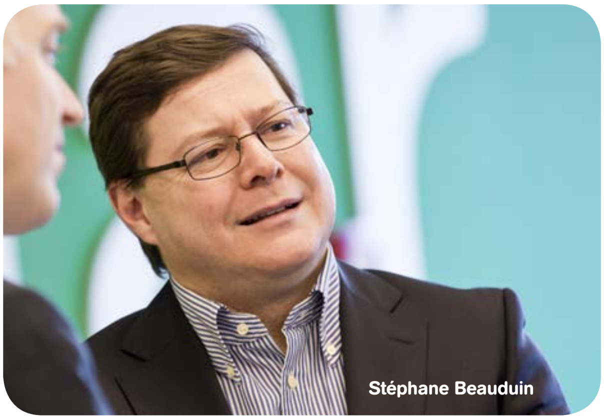
During the meeting of 24 July 2003, the Board of Directors resolved not to make use of the legal and statutory possibility of delegating specific powers to a management committee.

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:
- Jean Marc Harion (Chief Executive Officer)
- Stéphane Beauduin (Chief Enterprise and Wholesales Officer)
- Paul-Marie Dessart (Secretary General)
- Ludovic Pech (Chief Financial Officer)
- Anne Cambier (Chief People Officer)
- Cristina Zanchi (Chief Consumer Officer)
- Alain Ovyn (Chief Customer Service Officer)
- Erick Cuvelier (Chief Information Officer)
- Sven Bols (Chief Sales & Distribution Officer)
- Gabriel Flichy (Chief Network Officer)
- Jérémie Dutray (Chief Operating Officer) since 7 July 2014
- Werner De Laet (Chief Executive Officer of Orange Communications Luxembourg S.A.)


Jean Marc Harion


Gabriel Flichy


Stéphane Beauduin


Alain Ovyn


Anne Cambier


Jérémie Dutray


Erick Cuvelier


Sven Bols


Ludovic Pech


Cristina Zanchi


Paul-Marie Dessart

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.

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, are also 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 Audit Committee was evaluated in February 2015. The results of this evaluation revealed no malfunction or evident lack of competence within the Audit Committee.

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

9. Information regarding the remuneration connected to shares

In 2014, 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 2015 Annual Shareholders’ meeting.

In the course of 2014, 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.

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 remuneration strategy, including the involvement of the employees in the elaboration and implementation of the company´s strategy, the wellness and work-life balance, the culture and values of the company as well as the career development opportunities within 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.

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 2014, Mobistar began restructuring the remuneration of its Executive Management team, with a view to making remuneration more consistent with its long-term growth policy, in accordance with overall strategy. This initiative, initially implemented in 2014 for a period of 2 years, will continue into 2015 for a further 3 years, with a view to making structural changes which reflect readjusted short and long-term objectives.

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:

1. Yearly basis remuneration
2. 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. Strategic bonus (for the Chief Executive Officer)
   c. Long-term variable remuneration called "Long-term bonus 2014-2015"

   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.
3. Other elements of the remuneration
   a. Group insurance consisting of four parts: life – death – invalidity and exemption of premiums
   b. Hospital insurance
   c. Employee participation plan
   d. Availability of /Disposal over a vehicle
   e. Meal vouchers and "éco-chèques"
   f. Housing costs of the Chief Executive Officer and some members of the Executive Management

Components of the remuneration of the members of the Executive Management

The remuneration policies concerning the Executive Management are 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 remuneration

2.a. The 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 individual performance and another part aimed to attain the company's objectives.

> 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 targets for the individual variable part are determined every semester. The individual performance of the Chief Executive Officer is determined by the Remuneration and Nomination Committee; the individual performance of the other members of the Executive Management is proposed by the Chief Executive Officer to the Remuneration and Nomination Committee. The Remuneration and Nomination Committee resolves to accept the propositions or, as the case may be, rejects them.

> The collective part which is based in 2014 on the financial indicators and the customer satisfaction, reflecting the company's strategic ambition to put its customers at the centre of its activity:
- The consolidated service revenues (mobile and non-mobile)
- The restated EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)
- The Net Promotor Score (percentage of customers who are promoters - percentage of customers who are detractors)

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

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 results of the first semester are evaluated in July of the current year; the results of the second semester are evaluated in February of the year following the end of the financial year.

Performance bonuses for Executive Management members either joining or leaving the company in the course of a given semester shall be calculated on a prorata temporis basis.

2.b. The strategic bonus

The Chief Executive Officer is eligible for a contractual strategic bonus. This strategic bonus is based on key operational performance indicators in achieving strategic company goals:

- Restated EBITDA
- Customer's Net Promoter Score
- ARPU charged
- Indirect costs

Objectives are set for the year on the basis of company objectives and are approved by the Remuneration and Nomination Committee. These results are assessed by the Remuneration and Nomination Committee in the month of February following year end.

2.c. Long-term bonus 2014–2015

The 2014–2015 long-term bonus is a bonus which enables the evaluation of changes to the company over a two-year period with a view to ensuring remuneration is more consistent with long-term growth policy and to help bring company strategy to successful fruition. This long-term plan represents 20 % of basis annual remuneration. It is developed based on the market trend towards readjusting short and long-term corporate bonuses.

The long-term bonus is based:

- partly on the same indicators as the Chief Executive Officer's strategic bonus for the financial year 2014;
- partly on combined restated EBITDA indicators for the period 2014–2015 and service revenues growth (mobile and non-mobile) at the end of the 2014–2015 period.

This long-term plan will be evaluated for 25 % in 2015 and for 75 % in 2016.

The awarding of long-term bonuses is conditional upon being present in March 2015 and March 2016 (for full balance). This plan is paid in cash or in the form of non-company share options. In the case of payment in the form of options, these options are frozen for one year.

Members of the Executive Management who joined the company during the 2014–2015 period are not included in this long-term bonus scheme.

The Chief Executive Officer is not included in the long-term bonus scheme for 2014–2015.

3. Other elements of the remuneration

3.a. Group insurance - additional pension plan

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

3.c. 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 consolidated 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.

In 2014, the shareholders' meeting approved the awarding of a profit-sharing scheme.

The detailed remuneration of the members of the Executive Management

In 2014, the Executive Management's remuneration remained globally stable (subject to indexation) compared to 2013. Variations are largely a result of:

1. variable short-term remuneration being strongly affected by 2013 results; indeed, the amount in question covers second half 2013 and first half 2014 due to a timing difference.
2. variable long-term remuneration, which does not affect remuneration in 2014, in contrast to 2013. The 2014–2015 long-term bonus will affect Executive Management remuneration in 2015 and 2016.

2014 saw a number of reorganisations within the Executive Management, to capitalise upon the 2014 results, simplify the organisation and prepare it for 2015-2016. These changes will have an impact in 2015. A member of the Executive Management was given notice in 2014. Another member of the Executive Management was informed in December 2014 that his role will be made redundant, and consequently that his contract with Mobistar will be terminated during the first half of 2015. These redundancies are related to changes within the organisation and the seniority of these persons.

(in €)	2014	2013
CEO		
Gross basis remuneration	319,410	319,077
Gross variable remuneration in cash and/or options (short-term)	205,450	213,011
Gross variable remuneration in cash and/or options (long-term)		
Other components of the remuneration (excluding employers' contributions to the pension plan)	63,597	42,580
• risk insurance	16,772	9,356
• other components	46,825	33,224
Employers' contributions to the pension plan	65,219	64,547
Total	**653,676**	**639,214**
EXECUTIVE MANAGEMENT (EXCEPT THE CEO)		
Gross basis remuneration	2,029,022	2,008,687
Gross variable remuneration in cash and/or options (short-term)	932,364	1,077,196
Gross variable remuneration in cash and/or options (long-term)		1,105,010
Other components of the remuneration (excluding employers' contributions to the pension plan)	276,691	242,982
• risk insurance	62,195	53,395
• other components	214,496	189,587
Employers' contributions to the pension plan	386,634	350,353
Total	**3,624,711**	**4,784,228**
Global total	**4,278,387**	**5,423,442**

The Chief People Officer was given a notice period of 15 months and 7 weeks in 2014. In addition to the relevant redundancy benefits, she also received an additional payment of 68,175 euros. A severance payment corresponding to 13 months and 9 weeks was provided for the Chief Sales & Distribution Officer at the end of 2014, and a non-competition clause payment equivalent to 2 months and 4 weeks' salary was awarded to the Chief Sales & Distribution Officer and shall be paid on the Chief Sales & Distribution Officer departure date, to be agreed prior to 30th June 2015.

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 2014, the Executive Management (except the CEO) was composed of 10 members (9.3 full-time equivalents). In 2013, it was composed of 9.8 full-time equivalents. The members of the Executive Management who were not in service all year long are taken into account prorata temporis.

No share, option or any other right to acquire shares of the company have been granted, exercised or have expired in 2014.

The remuneration policy for the directors

For 2014, the independent directors will receive a fixed annual remuneration of 33,000 euros as well as an additional remuneration of 2,200 euros per meeting of a statutory or ad hoc committee they have attended. 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 Mr Philippe Delaunois)
- SOGESTRA (represented by Mrs Nadine Lemaître-Rozencweig)
- Johan Deschuyffeleer
- Martine De Rouck
- Leadership and Management Advisory Services (LMAS, represented by Mr Grégoire Dallemagne)

For 2014, the Chairman of the Board of Directors, Mr Jan Steyaert, will receive a fixed annual remuneration of 66,000 euros as well as an additional remuneration of 2,200 euros per meeting of a Board of Directors' committee of which he is a member. 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 (all belonging to the Orange group) fulfilled their mandate without remuneration in 2014:

- Jean Marc Harion (1)
- Brigitte Bourgoin
- Bertrand du Boucher
- Gérard Ries
- Wirefree Services Belgium (represented by Mr Aldo Cardoso)
- Geneviève André
- Benoit Scheen
- Gervais Pellissier
- Bruno Mettling
- Patrice Lambert-de Diesbach

The detailed remuneration of the directors (in €)

Directors	Basic Fee (pro rata)	Audit Committee	Remuneration and Nomination Committee	Strategic Committee	Governance Supervisory Committee	Committee Art. 524 Companies Code	TOTAL
J. Steyaert	66,000	NA	11,000	11,000	4,400	NA	92,400
Conseils Gestion Organisation (Ph. Delaunois)	13,750	4,400	4,400	4,400	2,200	2,200	31,350
E. Dekeuleneer	13,750	4,400	4,400	NA	2,200	2,200	26,950
SOGESTRA (N. Lemaître-Rozencweig)	33,000	13,200	11,000	NA	2,200	4,400	63,800
J. Deschuyffeleer	33,000	NA	4,400	11,000	NA	8,800	48,400
M. De Rouck	22,000	8,800	6,600	NA	NA	NA	37,400
Leadership and Management Advisory Services (G. Dallemagne)	22,000	NA	NA	6,600	NA	NA	28,600
TOTAL	**203,500**	**30,800**	**41,800**	**33,000**	**11,000**	**17,600**	**337,700**

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

11. 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. 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 corporate brochure 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 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, the communication and the corporate risk mapping. Bottom-up information on the risk management is assured via the "Risk Management Committee", which comprises members of the Executive Committee. 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:

> **1. Budget instructions:** the budget instructions provide the operational translation of the strategic guidelines in budgets and objectives for the upcoming year.

> **2. Quantification operational plan:** translate the operational plans (budgets, revenues, throughput time) in one master planning.

> **3. Budget validation:** validation of the master budget by the Executive Management and the shareholders.

> **4. Budget implementation and communication:** communication of the validated budget to the different market units and departments.

> **5. Budget review:** review hypotheses and expectations used at budget development (from a cost and revenue perspective) and set objectives to outperform budget.

> **6. 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 Chair 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.

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, accompanied by a breakdown of direct and indirect costs. These results are made available four times a year to the press and to the investors and analysts community during dedicated meetings (conference calls/webcasts/physical meetings). The provided information is accessible to all and available on the company's website (http://corporate.mobistar.be) in advance of the meetings. Mobistar's Investor Relations efforts have not remained unnoticed as it was elected as Winner of the Extel WeConvene – IR Awards 2014 for Belgium in the category "Best Corporate on IR" Small & Mid Caps.

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 is organized in a way that ensures it can carry out its assignments with independence and impartiality. To this end, the Mobistar corporate internal audit charter formalizes that internal audit department reports functionally to the Audit Committee.

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.

12. 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 2014, 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.

13. Application of article 524 of the Company Code during the 2014 financial year

The procedure described in Article 524 of the Company Code was applied in the financial year 2014.

This procedure was applied within the context of a service contract relating to telecommunications network optimisation and monitoring services carried out by Orange Poland, a company belonging to the same group as Mobistar.

The Board of Directors meeting of 7th May 2014 noted the independent directors' report, drawn up with the assistance of independent experts. This report, dated 4th May 2014, concluded as follows:

- *"The Contract covers the guarantee and optimisation of the quality of services currently provided by Mobistar's GNOC (Global Network Operations Center). The Committee believes that this improvement to service quality, which is of considerable importance to Mobistar's business, responds to a justifiable concern. This Contract is also intended to improve the cost effectiveness of this service, which is vital to Mobistar.*
- *With regard to its financial terms, the subcontracting of GNOC services for the Orange group through Orange Poland is both a financial and operational decision on Mobistar's part.*
- *…*
  Consequently the Committee concludes that the operation covered by the Contract offers Mobistar both quantifiable and non-quantifiable financial gains.
  It is the Committee's opinion that in its most recent version (…), the Contract presents no obviously excessive damages.
- *With regard to those aspects of the Contract which, without constituting obviously excessive damages, may nevertheless be to Mobistar's detriment, the Committee is of the opinion that the points outlined in section 4.2 of this report may constitute disadvantages for Mobistar but that they are offset by the benefits gained by Mobistar for outsourcing the management of its core network to an Orange group entity."*

Having noted this report and having discussed it, the Board of Directors meeting of 7th May 2014 entered in its meeting minutes the following:

"On the basis of the conclusions of the independent directors' committee, assisted by the aforementioned independent experts and noting that the procedure of Article 524 of the Company Code has been correctly followed, the Board approves the intragroup transaction in question and approves the conclusion of the contract with Orange Poland for a duration of three years, renewable twice for a further year."

In its dedicated report dated 24 March 2015, the statutory auditor Deloitte states:

"In accordance with Article 524 §3 of the Company Code, we acknowledge the receipt of following documents:

- The conclusions of the independent directors' committee in accordance with Article 524 §2 of the Company Code dated 7 May 2014;
- The minutes of the Board of Directors held on 7 May 2014.

In our opinion, the data contained in the conclusions of the independent directors' committee and the minutes of the Board of Directors is accurate.

Based upon the audit evidence obtained we have not become aware of any elements that would lead us to conclude that the data contained in the conclusions of the independent directors' committee or in the minutes of the Board of Directors would not be accurate."

14. 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: Mrs Martine De Rouck, member of the Audit Committee, is an independent director since 7 May 2014.

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

Her expertise in accounting and auditing is justified as well by her education than by the various positions she occupied across her career in the banking world.

15. Information concerning the tasks entrusted to the auditors

In the course of the 2014 financial year, the statutory auditor and linked companies provided services at a total cost of 467,947 euros broken down as follows:

- audit services 434,667 euros
- other non-audit services 33,280 euros

STATUTORY AUDITOR'S REPORT

to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2014

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 2014, 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 NV/SA ("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 1,443,909 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 43,284 (000) EUR.

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 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 NV/SA give a true and fair view of the group's net equity and financial position as of 31 December 2014, 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 2015

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by
Rik Neckebroeck and Bernard De Meulemeester

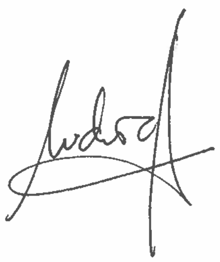
DECLARATION BY THE RESPONSIBLE PERSONS

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

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