ANNUAL REPORT 2015

#ConnectedStories

@Mobistar

Mobistar: trusted partner for connectivity

Mobistar intends to set the industry standard for mobile broadband connectivity and to excel in the area of domestic and business convergent fixed-mobile services supported by superior quality data services.
Mobistar aims to provide the widest possible range of devices and services to enable its customers to access content anytime, anywhere.
Mobistar intends to operate on an open basis, developing innovative ecosystems in collaboration with a range of partners, whether established companies or start-ups.

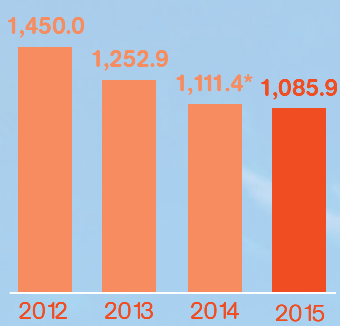
€1,235.4Mio
Turnover MOBISTAR Group

5,820Mio
Connected SIM cards

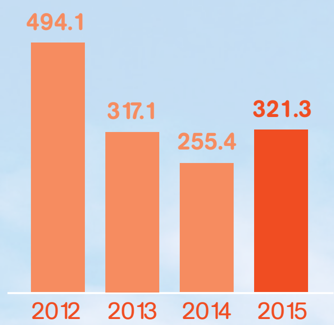
1,712
Employees

KEY FIGURES 2015

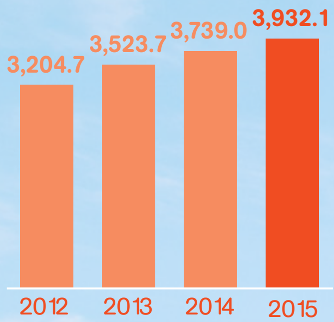
€1,085.9MIO
Service revenues
(in mio €)



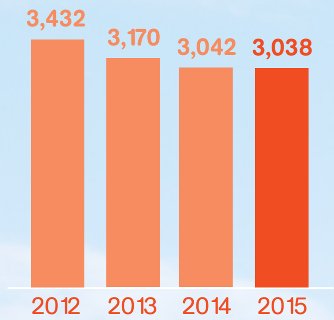
€321.3MIO
Ebitda
(in mio €)



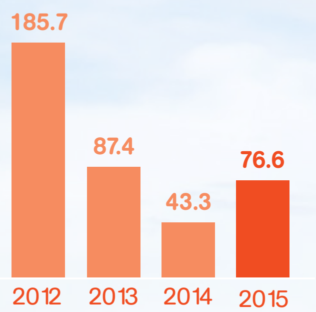
€3,932.1MIO
Cumulated capital expenditures
(in mio €)



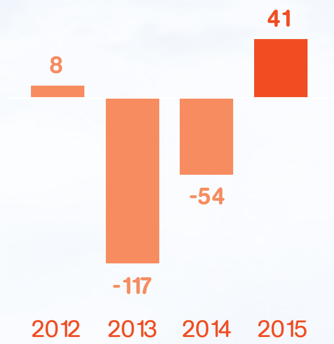
3,038,000
Active customers
(x000)



€76,6MIO
Consolidated net income
(in mio €)



41,000
Postpaid net adds
(x000)



* The presentation of the consolidated financial statements has been adjusted compared to the layout used for the year ended 31 December 2014.

Mobistar Group

Consolidated statement of comprehensive income (Mio €)	2015	2014 (*)
Mobile service revenues	1,006.2	1,019.1
Fixed service revenues	79.6	92.3
Other revenues	21.5	6.0
Mobile equipment sales	128.0	131.3
Total turnover	**1,235.4**	**1,248.7**
EBITDA	**321.3**	**255.4**
EBITDA margin in % of service revenues	**29.6%**	**23.0%**
EBIT	**119.1**	**60.9**
EBIT margin in % of service revenues	**11.0%**	**5.5%**
Financial result	-6.7	-8.8
Tax expense	-35.8	-8.8
Net profit of the period (**)	**76.6**	**43.3**
Profit attributable to equity holders of the parent	**76.6**	**43.3**
Basic earnings per share (in EUR)	1.28	0.72
Weighted average number of ordinary shares	60,014,414	60,014,414
Diluted earnings per share (in EUR)	1.28	0.72
Diluted weighted average number of ordinary shares	60,014,414	60,014,414

Consolidated statement of financial position (Mio €)	2015	2014 (*)
Non-current assets	1,280.5	1,201.6
Current assets	236.9	242.8
o/w cash and cash equivalents	9.7	6.1
Total assets	**1,517.4**	**1,444.4**
Equity	457.1	383.7
Non-current liabilities	484.1	161.5
Current liabilities	576.2	899.2
Total equity and liabilities	**1,517.4**	**1,444.4**

Consolidated cash flow statement (Mio €)	2015	2014 (*)
Consolidated net income incl. non cash adjustments	360.4	295.3
Changes in working capital requirements	14.8	8.3
Other net cash out	-33.3	-37.8
Net cash provided by operating activities	**341.8**	**265.8**
Net cash used in investing activities	**-205.6**	**-240.9**
Loans and borrowings	-132.7	-27.2
Net purchase of treasury shares	0.0	0.0
Dividend paid	0.0	-0.1
Net change in cash and cash equivalents	**3.6**	**-2.4**

Consolidated statement of comprehensive income - Segment reporting (Mio €)	2015			2014		
	Belgium	Luxembourg	Mobistar Group	Belgium	Luxembourg	Mobistar Group
Mobile service revenues	963.6	44.8	1.006.2	972.2	48.4	1019.1
Fixed service revenues	76.5	3.1	79.6	89.9	2.4	92.3
Other revenues	21.4	0.2	21.5	6.2	0.3	6.0
Mobile equipment sales	126.6	16.6	128.0	129.9	11.2	131.3
Total turnover	**1,188.1**	**64.8**	**1,235.4**	**1,198.2**	**62.3**	**1,248.7**
EBITDA	**317.1**	**4.2**	**321.3**	**250.0**	**5.4**	**255.4**
EBITDA margin in % of service revenues	**30.5%**	**8.9%**	**29.6%**	**23.5%**	**10.7%**	**23.0%**

* The presentation of the consolidated financial statements has been adjusted compared to the layout used for the year ended 31 December 2014.

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

CONTENT

Mobistar Full Force Ahead

After three years of transformation, Mobistar had seen by 2016 a return to positive growth, it was fighting fit and ready to face the future, with the opening-up of the cable market. A debrief with Jan Steyaert, Chairman of the Board of Directors, and Jean Marc Harion, Mobistar's CEO.

What were the defining moments of 2015?

Jan Steyaert: Mobistar continued and completed its 3-year transformation plan. A new phase can now begin. Having stabilised average income per user in 2014, by 2015 we had really started to reap the rewards of our sustainable growth strategy.

Jean Marc Harion: The success of our 4G offering, which is related to an explosion in data consumption, meant we saw renewed growth in both income and profit margins in 2015. What's more this continued exponentially throughout the year. Our return to a position of strength also translated into an increase in our postpaid customer base. This return to growth meant we could begin a recruitment drive in line with our business redeployment. So now we have around 100 people for example working on the cable project.

I would at this juncture like to thank all of our staff for having so enthusiastically contributed to Mobistar's return to growth.

Jan Steyaert: And if I may, I'd also like to take the opportunity to thank our shareholders for their support throughout this sometimes difficult transformation period.

JEAN MARC HARION :

"The quality of our 4G network and of our commercial offer, along with burgeoning data consumption levels, has enabled us to achieve renewed growth in 2015. 2016 sees us emerging as a new type of player on the convergence market, putting mobile services at the heart of consumer and business usage alike."

In this hyper-competitive telecom market, what makes you think that this level of growth is sustainable?

J.M.H.: Having taken the lead with 4G in 2014, we converted the test project into reality. We are seeing our investments in the quality of our 4G network, as well as in its coverage (geographically currently 99%), now bearing fruit. Our data traffic has more than doubled in a year, and the growing popularity of our subsidised offers for high-speed broadband-compatible smartphones, shows that a growing number of Belgians are embracing the mobile internet with increasing enthusiasm. The new generations, permanently connected via their smartphones, are now far higher consumers of data than call minutes. This trend continues thanks to the increasing number of innovative apps and mobile services.

Also, on the business market, the successful launch of our convergent fixed–mobile offer Shape and Pulse means we can respond to the needs of those small and medium-sized businesses that want to rationalise their telecoms services.

Your core business remains mobile connectivity, although this hasn't prevented you from preparing a 'triple play' deal which includes fixed-line internet and digital TV. What's happening with the opening of the cable market?

J.S.: The regulators have done their bit. Although we are still waiting for clarification on the cost of access to the cable networks for new entrants like us, the existing regulation is still in place, which means we can launch our internet and TV offer.

J.M.H.: It's been a tough process, but we began marketing our service on 1 March 2016. Over 4,000 people are already testing the service, enabling us to ensure that everything is working correctly, from decoders to modems, as well as activation and installation processes, etc. Our main priority is to ensure our service is as simple, transparent and as convenient as possible. And it comes, of course, at the best price: that is the real game changer. We are however in favour of bringing down wholesale prices so as to genuinely stimulate competition,

JAN STEYAERT :

"To take Mobistar to the next stage of its development, the Board of Directors took the unanimous decision to adopt the brand of our major shareholder, Orange, by the end of 2016."

which is also what the regulators want. We think it is far more reasonable to work to a model which takes real costs into account and which is more in line with practices in other countries.

How did the market situation in Belgium change?

J.S.: The mobile market remains extremely competitive, as there are dozens of mobile virtual network operators. For fixed-line internet and telephone services on the other hand, the recent consolidation can only further strengthen the regional duopolies, particularly in Flanders. Already predominant in the digital TV and fixed-line telephony sectors, the cable operators could well stand to further bolster that hegemony. This is neither good for consumers nor for Belgian businesses: convergent services in Belgium are still amongst the most expensive in Europe, which shows what a failure the liberalisation of the fixed-line market has been. It is about time we launched our internet and TV offering, to shake things up a bit!

What is the outlook for 2016?

J.M.H.: Mobistar is positioned as Belgium's no.1 high-speed connectivity supplier, whether for mobile, domestic or business, at home, at the office or anytime. It is up to the customer to decide to which apps, content or devices they wish to connect. We have no interest in pushing anything onto our customers: we simply want to make available to them all the devices and services (protection, security and payment for example) they might need to access the whole of the digital universe.

This is a strategy we want to deploy not just in Belgium, but right across Europe. The abolition of roaming costs across Europe has been a great opportunity for Mobistar. With the support of our major shareholder Orange's international network, we are going to sweep aside some of the barriers which have previously discouraged many users from fully engaging in cross-border communications.

Is the launch of your cable offer the start of this?

J.M.H.: Yes, it's a start. In 2016, we will become a new kind of player on the convergent market, making mobile technology the key to usage for consumers and businesses.

J.S.: In addition to its investment in the 4G/4G+ network, Mobistar is ready to (co-) invest in all regions of the country in order to stimulate the development of increased digital competition, particularly for the fibre-optic networks.

This will be under another name...

JS: Indeed. To take Mobistar to the next stage of its development, the Board of Directors took the unanimous decision to adopt the brand of our major shareholder, Orange, by the end of 2016.

J.M.H.: This change of branding to Orange is a unique opportunity to support our entry into the world of convergence and to bring Orange group innovations to Belgium. From a business point of view, this change in branding will help to consolidate our affiliation to a major international group and our leadership in the Machine-to-Machine, the Internet of Things and the Big Data markets. And indeed, in a changing and consolidating market, we are proud to become the only operator in Belgium to bear an internationally recognised brand name, with all of the commitments to quality and performance which that implies.

Mobistar: Adding Value to Mobile Services

Mobistar is a major player on the Belgian and Luxembourg telecom markets.

It provides its retail customers with innovative mobile telecom products and services, offered on either a contract or prepaid basis. Since recently, Mobistar also offers its mobile customers television and internet

On the business market, Mobistar provides broadband internet and fixed-line telephone services, as well as mobile and connectivity services, to help businesses get the most out of digital technology.

Mobistar is also a wholesale service provider, supplying companies with access to its infrastructure.

The company has a cutting-edge mobile network, which is subject to ongoing investment to ensure optimal coverage and connectivity via 2G, 3G, 4G and, recently, 4G+.

MISSION

By specialising in targeted innovation, Mobistar brings unique mobile service experiences to consumers, communities and businesses alike.

VALUES

OPENNESS
We communicate openly and take responsibility for our actions.

COMMITMENT
We are committed to carrying out our work impeccably and we make it our privileged position to listen to our customers.

DYNAMISM
We stimulate new ideas and we like to think “outside the box”, as well as encouraging apprenticeship and training.

RESPECT
We respect the values and diversity of all of our internal and external professional contacts.

VISION

Mobistar wants to become its customers’ trusted telecoms partner, as the market’s leading provider of reliable and customised communications services.

A Return to Sustainable Growth

In 2015, Mobistar successfully finalised its strategic 3-year plan, the aim of which was to put the company back on the road to profitability. The key financial, technical, commercial and human resources are now in place, paving the way to a new phase of growth.

2015 marked the end of a cycle. The vital economic and debt recovery goals, set out in the face of the plummeting mobile market telephony costs, were not only attained but even exceeded. Backed by solid financial planning, a new chapter began for Mobistar marked by the return of growth and profitability, boosted by burgeoning mobile data consumption levels.

The opening of the cable networks is now finalized. Mobistar launched its digital television and high-speed home broadband offer begin 2016.

Mobile technologies still remain at the heart of the company's strategy, as both business and retail customers alike are, quite simply, going increasingly mobile. Mobistar's strategy is based on the five following key priorities:

Lead the Mobile Market

Mobistar's mission is to provide the best quality mobile network, strategically taking a neutral stance with regard to content suppliers and creators. In 2015, Mobistar's 4G network provided 99% population coverage, making it one of the best in Europe.

On the mobile contract market, Mobistar is looking to maintain sustainable growth by providing both attractive products and innovative services, fit for tomorrow's market requirements.

The business is mapping out its mobile DNA, proposing credible alternatives to fixed-line technologies and which respond to the latest residential and business customer requirements.

Be the No.1 Convergent Services Provider

Mobistar's mission is to be the convergence market leader.

On the retail market, the opening up of the cable market will result in a new, competitive offering which meets customer needs.

On the business market, Mobistar is expanding its convergent services offering by capitalising on VDSL fixed-line solutions and offering integrated value-added services.

Offer the Best Customer Experience

Mobistar's mission is to be the trusted choice for telecom services by offering the best customer experience. This ambition can only be achieved through reliable networks (coverage, speed and voice quality) and a first-class customer experience.

Mobistar will continue to implement the loyalty scheme which was rolled out in 2014 and finalise the upgrade of its distribution network to enable it to give even its most demanding customers the best possible treatment. Its web platform will also be upgraded as part of its cross-functional approach to distribution networks.

Manage Operating Costs as Efficiently as Possible

Mobistar continues to exercise assiduous cost control. New IT and networks business models have been set up with their partners and are subject to ongoing improvement.

Driving down operating costs should provide the means to invest in new markets, not only in convergence but also connected objects, big data, etc.

Improve Staff Satisfaction and Commitment

Mobistar aims to be an attractive employer and one which is keen to see its staff fulfil their potential. New opportunities are opening up to them in growth areas of the business, in all areas of expertise.

The company intends to create a corporate culture based on the quality, simplification and improvement of the customer experience. Digitisation of the business is crucial to the way we work.

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 evolution in 2015

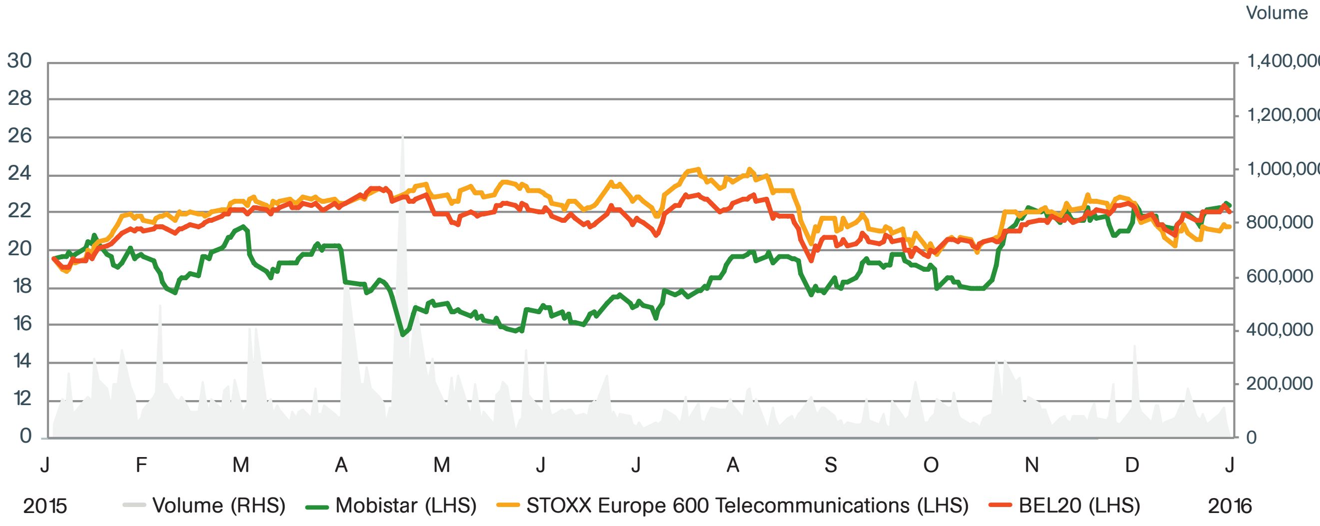
As of January 28, 2015 Mobistar's shares (ISIN: BE0003735496) were listed on Compartment A of Euronext Brussels. Compartment A comprises the listed companies with a market capitalization above EUR 1 billion.

2015 was a relative good year for the overall European stock market. The Stoxx Europe 600, a benchmark of major companies across the continent, was up 7 %. European stocks soared during the first half of 2015, powered by the European Central Bank's massive stimulus program, but by August, indexes were pulled down by worries over global growth and the commodity rout.

The European telecoms sector outperformed the overall stock market in 2015 by an inch with an increase of 8 %. The sector kicked off 2015 with a strong rally in January and further consolidated this positive momentum until July. This positive course was supported by the same trends identified in 2014 and 2015, i.e. the prospects of consolidation as a way to repair the market profitability, the demand for high speed mobile data curbing the downtrend in mobile service revenues, and a tight cost management providing the necessary ground for a sector-wide recovery. By the mid of the year the mood of investors turned as concerns about the industrial growth in China started to impact the global economic outlook, which led to a strong pull back of most of the European indexes. Consequently, trading in European telecom stocks was mixed as the hope for a continued European consolidation leveled off following a more restrictive stance of the European Commission in a Danish merger case.

The Mobistar share outperformed in 2015 for the second year in a row the overall stock market and the European telecom sector with an increase of close to 14 %, after the share price appreciation of 42 % in 2014. During the first three months of 2015 the stock traded between 18 and 21 euro. As of the end of March, Mobistar's share price started to be negatively impacted as rumors of consolidation between Telenet and BASE Company gradually materialized. Some investors had wrongfully speculated on a scenario that involved Mobistar as an acquisition target, moreover the Telenet/BASE deal casted some uncertainty on how Mobistar would compensate for the potential near term loss of wholesale MVNO revenues. Relatively quickly Mobistar was able to comfort the market it would be able to compensate for the future loss of revenues, predominantly by addressing its cost

Mobistar vs. BEL 20 vs. STOXX Europe 600 Telecommunications



basis and by securing future initiatives for growth. Moreover, the strong appetite for 4G smartphones and mobile data allowed for a progressive return in ARPU and mobile service revenue growth. Moreover, a draft consultation regarding the wholesale cable regulation provided more clarity on the potential of a convergent cable offer of Mobistar. 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.

+14%

increase of the Mobistar share in 2015

Evolution of the Mobistar share

	2015	2014	2013	2012	2011	2010	2009
Key figures (in €)							
Number of shares end of year	60,014,414	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	28,261,314
Mobistar stock market capitalisation end of year	1,340,121,865	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	22.54	20.20	21.47	39.71	53.33	49.20	59.00
Lowest price	15.50	11.35	10.25	18.70	37.73	39.51	41.19
Price end of year	22.33	19.61	13.80	19.39	39.75	48.51	47.90
Total volume for the period*	33,421,814	33,101,429	42,740,595	44,150,505	45,717,610	42,058,634	53,685,388
Average daily trading volume*	130,090	130,015	166,955	172,463	177,890	163,018	209,709
Turnover of free float/year	1.18	1.17	1.51	1.56	1.62	1.49	1.90

(*) number of shares

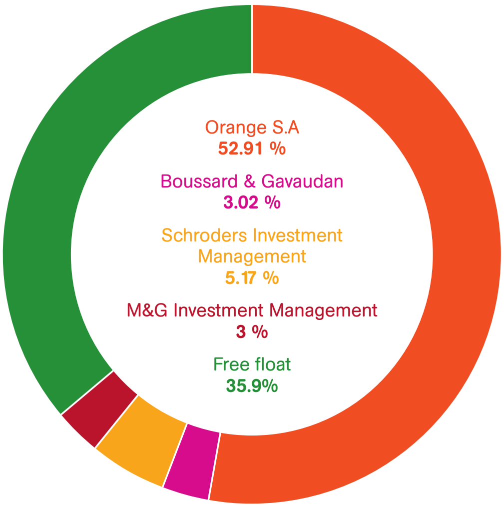
Shareholders’ structure

Mobistar ended 2015 with a fairly balanced shareholder structure in terms of institutional holding by region and style. Apart from the 52.91 % held by the Orange Group, the majority of the Mobistar share are held by investors from the UK, followed by investors from Continental Europe and from North America. Mobistar’s shareholder base is mainly driven by value-oriented investors. This is followed by growth investors holding. Low and medium turnover investors are the largest invested group within the institutional investor base, which is a positive signal for the Mobistar stock as these investors provide stability with average holding periods of 4+ years and 2-4 years, respectively.

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.

Shareholders’ structure
(situation in % on 31/12/2015)



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.

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.

On 19 January 2015, Mobistar received a transparency declaration from Schroders Plc, stating that, as of 15 January 2015, Schroders Investment Management holds 3,105,040 shares, representing 5.17 % of the total share capital of the Company.

On 26 August 2015, Mobistar received a transparency declaration from Prudential Plc, stating that, as of 21 August 2015, M&G Investment Management holds 1,801,397 shares, representing 3 % 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 2015.

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 no treasury shares on December 31, 2015.

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, Zurich, Amsterdam, Milan, Madrid, Dublin, Nice and Luxembourg), the UK, the US and Canada, between institutional investors and analysts, and Mobistar's Chief Executive, Chief Financial Officer and Investor Relations Director to discuss the results and outlook of Mobistar's business performance; Mobistar's management and investor relations team met more than 340 investors in one-to-one meetings and group meetings, spending in total 41 days to roadshows and industry conferences in 12 different countries.
- hosting reversed roadshows and analyst visits at which senior management is present;
- responding to enquiries from shareholders and analysts through our Investor Relations team; and http://corporate.mobistar.be/en/financial-information 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.

For the second year in a row Mobistar's Investor Relations efforts have been rewarded as Mobistar was elected as Winner of the Extel 2015 IR Awards for Belgium in the category "Best Corporate on IR" Mid- & Small caps. Mobistar's Director of Investor Relations Siddy Jobe was also elected as for the second year in a row as winner for Belgium in the category "Best IR Professional" Mid- & Small caps.

EXTEL
Best for Investor Relations
AWARD 2015

EXTEL
Best for Investor Relations
AWARD 2014

Analyst Coverage

The number of brokerage firms that have actively published equity research notes on Mobistar has remained relatively stable at 24 throughout 2015 and shows a good mix of local (21 % from the Benelux) and international analyst coverage (respectively 71 % and 8 % from the United Kingdom and France).

FINANCIAL CALENDAR

15 January 2016	Start blackout period
4 February 2016	Financial results Q4 2015 (7:00 am cet) – Press release
4 February 2016	Financial results Q4 2015 – Analyst & Investor meeting/Webcast (2.00 pm)
1 April 2016	Start blackout period
22 April 2016	Financial results Q1 2016 (7:00 am cet) – Press release
22 April 2016	Financial results Q1 2016 (10:00 am cet) – Audio Conference call
4 May 2016	Annual General Meeting
1 July 2016	Start blackout period
20 July 2016	Financial results Q2 2016 (7:00 am cet) – Press release
20 July 2016	Financial results Q2 2016 – Analyst & Investor meeting/Webcast (2.00 pm cet)
1 October 2016	Start blackout period
21 October 2016	Financial results Q3 2016 (7:00 am cet) – Press release
21 October 2016	Financial results Q3 2016 (10:00 am cet) – Audio Conference call

* Preliminary agenda still subject to potential changes

Investor Relations

T. +32 (0)2 745 80 92
E-mail ir@mail.mobistar.be

Management report

The management report for the accounting period ending on December 31, 2015, consisting of pages 10 to 17, and 66 to 85 (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 25, 2016. It covers both the consolidated accounts of the Mobistar group and the statutory accounts of Mobistar S.A.

1. KEY EVENTS 2015

2015 was the culmination of a three-year transformation period, which started in 2013 as a reaction to mobile disruption triggered by the new telecommunications law. Mobistar decided to accelerate the upgrade of its 3G network and the rollout of its 4G network. Further it took up the challenge to transform its distribution channels by leveraging up the importance of its direct distribution channels. At the same time Mobistar successfully lowered its cost base, and regained its commercial prowess allowing it to grow its postpaid customer base.
The final cornerstone of this three-year transformation plan was the preparation of the organization to become a convergent player. This 2013-2015 transformation program has successfully come to an end, laying a solid foundation for 2016 development plans. Following key achievements were realized in 2015:

- Official telecoms partner for the European Capital of Culture 2015
- A key shareholder in the Brussels-based business accelerator, Co.Station to support start-ups and to introduce open innovation in the organization
- 4G network coverage reached 99 % outdoor and 88 % indoor
- Progressive deployment of 4G+ technology, reaching a population coverage of 21 %
- Spurred innovation with the launch of new services, such as Easy Internet @Home (a 4G-based mobile internet solution for use at home or in a second home), iCoyote (real-time traffic and travel information)
- Active reinforcement of the loyalty program 'Have a Nice Day'
- Solid improvement in the net promoter score, a tool to measure overall customer satisfaction
- Important reduction in postpaid customer churn while keeping a solid level of customer acquisition
- Smartphone penetration boosted, in particular 4G, allowing to monetize increased data usage
- Integration of the consumer business unit and the sales & distribution division into a single department
- Refinancing of the long-term revolving credit facility
- Finalization of a strategic partnership with EDPNET for the delivery of fixed services (telephony and internet) in the SME market
- Reinforcement of the distribution network by the acquisition of Walcom, a retail telecom specialist with 20 stores and 70 employees including a dedicated sales team for the professional market
- Fruitful preparation of the 2016-2018 efficiency program ACE3
- Preparation of the organization (distribution, marketing, customer service, technical department) for the launch of convergent services using wholesale cable.

2. COMMENTS ON THE CONSOLIDATED ACCOUNTS PREPARED ACCORDING TO IFRS STANDARDS

The scope of consolidation includes Mobistar S.A. (100 %), the Luxembourgian company Orange Communications Luxembourg S.A. (100 %), IRISnet S.C.R.L. (28.16 %), Smart Services Network S.A. (100 %), Walcom S.A. (100 %) and Co.Station Brussels (25 %).

Orange Communications Luxembourg S.A., a company organized 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 organized 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.

Walcom S.A., a company organized and existing under the laws of Belgium, has been acquired as of 3 April 2015 by Mobistar S.A. The purchase concerned 100 % of the 1,250 shares of Walcom S.A. The company has consolidated the results of Walcom S.A. for 100 %, as of 3 April 2015.

Co.Station Brussels S.A. is a company organized and existing under the laws of Belgium. Mobistar has contributed in cash for 100,000 euros equivalent to 2,000 shares out of the 8,000 shares issued by the company (29 October 2015). Due to the deal structure, Co.Station Brussels will be accounted for in the accounts using the equity method.

2.1 Consolidated statement of comprehensive income

Mobistar consolidated key figures	FY 2015	FY 2014	Variation
Total number of connected SIM cards (Mobistar S.A., Orange Communications Luxembourg S.A. and MVNO's)	5,819.6	5,599.9	3.9 %
Consolidated turnover (mio €)	**1,235.4**	**1,248.7**	**-1.1 %**
Total service revenues (mio €)	1,085.9	1,111.4	-2.3 %
Mobile equipment sales (mio €)	128.0	131.3	-2.5 %
Restated EBITDA (mio €)	**276.0**	**274.9**	**0.4 %**
Restated EBITDA margin in % of total service revenues	25.4 %	24.7 %	
EBITDA (mio €)	321.3	255.4	25.8 %
EBITDA margin in % of total service revenues	29.6 %	23.0 %	
Consolidated net profit (mio €)	**76.6**	**43.3**	**76.9 %**
Net profit per ordinary share (€)	1.28	0.72	76.9 %
Net investment (mio €)	193.1	215.3	-10.3 %
Net investment / Total service revenues	17.8 %	19.4 %	
Operational cash flow (mio €)	**128.2**	**40.1**	**219.5 %**
Organic cash flow (mio €)	130.5	30.2	331.4 %
Net financial debt (mio €)	**407.5**	**538.1**	**-24.3 %**

Revenues

Mobistar's total consolidated turnover amounted to 1,235.4 million euros in 2015, compared to 1,248.7 million euros in 2014, a decline of 1.1 % year-on-year. Excluding the regulatory impact of 12.8 million euros incurred in the first half of 2015, i.e. 12.1 million euros due to EU roaming and 0.7 million euros to mobile termination rates, the total consolidated turnover would have been stable compared to 2014.

Mobistar's total service revenues amounted to 1,085.9 million euros in 2015 compared to 1,111.4 million euros in 2014, a decline of 2.3 % year-on-year. However, excluding the regulatory impact of 12.8 million euros, Mobistar's 2015 consolidated total service revenues erosion would have been limited to 1.2 % compared to the same period last year.

The consolidated mobile equipment sales in 2015 amounted to 128.0 million euros, compared to 131.3 million euros in the same period last year, a decrease of 2.5 % year-on-year. The full year 2015 mobile equipment sales is explained by the phasing-out of the low margin pure handset trading activities.

Result of operating activities before depreciation and other expenses

In 2015, Mobistar achieved a restated EBITDA of 276.0 million euros, representing an increase of 0.4 % compared to 2014 when Mobistar's restated EBITDA reached 274.9 million euros. The restated EBITDA margin amounted to 25.4 % of total service revenues in 2015 compared to 24.7 % in 2014. However, it should be noted that the company adopted a prudent approach on the pylon tax with an additional provision of 10 million euros in the fourth quarter of 2015 for the periods 2014 and 2015, triggered by a rectification notice received at the end of December 2015 from the Walloon administration. Hence, the total provision for this tax corresponding to 2014 and 2015 now amounts to 31.6 million euros. Excluding this additional Walloon pylon tax provision, which remains heavily contested by Mobistar and the other mobile operators, Mobistar would have realized a restated EBITDA in 2015 of 286.0 million euros.

The direct costs in 2015 decreased 3.6 % year-on-year to 544.4 million euros from 564.5 million euros a year earlier.

The labor costs decreased by 1.5 % year-on-year in 2015 to 133.9 million euros compared to 135.9 million euros in 2014 while the company has intensified the redeployment of its headcount toward customer facing and growth activities including the insourcing of 85 sales agents for the shop-in-shops in the Carrefour hypermarkets, the addition of 70 employees following the acquisition of the Walcom-shops and the progressive staffing related to the cable opportunity. All in all, the total number of employees at the end of 2015 amounted to 1,712, an increase of 133 employees compared to the end of 2014.

The indirect costs increased 2.8 % year-on-year to 281.1 million euros in 2015 compared to 273.4 million euros in 2014 corresponding to an increase of property expenses related to network site rental and of non-labor related IT expenses following the outsourcing of the IT activities in the fourth quarter of 2014.

The negative regulatory impact on the restated EBITDA amounted to 9.6 million euros, fully incurred in the first half of 2015. Excluding the regulatory impact, the restated EBITDA in 2015 would have increased 4.1 % compared to 2014.

The costs incurred to prepare the launch cable services amounted to 6.8 million euros in 2015, including content costs expensed in the last quarter in addition to recurring operating expenses.

EBITDA restatements (in million €)	FY 2015	FY 2014	Variation
Restated EBITDA	276.0	274.9	0.4 %
Restatements	45.3	-19.5	Na
o/w other restructuring costs	-8.7	-19.5	-55.5 %
o/w other operating income	54.0	0.0	Na
EBITDA	321.3	255.4	25.8 %

As communicated on October 21, 2015 Mobistar, KPN, BASE Company and Proximus agreed to settle all outstanding litigations related to the former practice of applying tariffs for mobile telecommunication services that were differentiating on-net and off-net voice communications. In the case of Mobistar, the settlement agreement involved a payment by Proximus to Mobistar of 54.0 million euros, positively impacting Mobistar's P&L below the restated EBITDA. Mobistar also booked restructuring charges of 8.7 million euros largely related to early termination of long-term distribution contracts. Hence, this results in a positive net restatement of 45.3 million euros for the full year 2015. Making abstraction of the settlement fee, the restatements would have likewise decreased in 2015, coming from 19.5 million a year ago to 8.7 million euros.

Consequently, Mobistar's full year 2015 EBITDA amounted to 321.3 million euros compared to 255.4 million euros, an increase of 25.8 % year-on-year. Hence, the EBITDA margin stood at 29.6 % of service revenues in 2015, compared to 23.0 % a year ago.

Depreciation and other expenses

The depreciation and other expenses in 2015 amounted to 202.3 million euros compared to 194.5 million euros in 2014, an increase of 4.0 %. This increase is largely a result of the higher asset base driven by the uptake in investment in the mobile radio and transmission network with a peak in 2014.

EBIT

Mobistar's EBIT in 2015 amounted to 119.1 million euros, compared to 60.9 million euros recorded the previous year. The EBIT margin in 2015 more than doubled to 11.0 % coming from 5.0 % in 2014. Obviously, the EBIT was positively impacted by the settlement fee paid by Proximus in the fourth quarter of 2015.

Financial results

The financial results improved from -8.8 million euros in 2014 to -6.7 million euros in 2015. This improvement was primarily due to lower financial costs as a result of the lower debt.

Taxes

The tax expenses increased in 2015, mainly explained by the contribution of the settlement fee to the taxable basis. In addition, Mobistar was able to benefit from an investment tax deduction in the fourth quarter of 2015 of 7.5 million euros, lower than the 12.5 million euros recorded in 2014. Both reasons largely explain Mobistar's 2015 tax expenses of 35.8 million euros, compared to 8.8 million euros in 2014. Mobistar's effective tax rate came out at 31.9 % in 2015 compared to an effective tax rate of 16.9 % in 2014.

Net profit

Mobistar's consolidated net profit amounted to 76.6 million euros in 2015, compared to 43.3 million euros in 2014, an increase of 76.9 % year-on-year. Consequently, the net profit per share stood at 1.28 euro in 2015, compared to 0.72 euro in 2014, representing an increase of 76.9 % year-on-year.

2.2 Consolidated statement of financial position

The consolidated statement of financial position total reached 1,517.4 million euros on 31 December 2015, compared to 1,444.4 million euros at the end of the previous financial year.

Non-current assets amounted to 1,280.5 million euros at the end of 2015 compared to 1,201.6 million euros at the end of 2014 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 347.4 million euros at the end of 2015 compared with 305.0 million euros at the end of 2014. Values related to the licenses are as follows (respectively acquisition value, net book value at the end of the period, remaining amortization period):
  - 2G (extension 900 & 1800 MHz): 76.8 million euros, 74.9 million euros, 62 months;
  - 3G (2.1 GHz): 149.0 million euros, 49.1 million euros, 63 months;
  - 4G (2.6 GHz): 20.0 million euros, 20.0 million euros, as from technical readiness up to end of June 2027;
  - 4G (800 MHz): 120.0 million euros, 108.4 million euros, 215 months.
- Property, plant and equipment of 840.4 million euros at the end of the 2015 financial year to be compared with 804.4 million euros recorded at the end of the 2014 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 2015 reflects the share in the result of IRISnet S.C.R.L. for the year 2015.
- In 2015, the Group acquired a Belgian company (Walcom S.A.) for an amount of 5 million euros. The purchase concerned 100 % of the 1,250 shares of Walcom S.A. The variation in the consolidated results of the year 2015 reflects the result of Walcom S.A.
- In 2015, the Group invested in a Belgian company (Co.Station Brussels) for an amount of 100 thousand euros, corresponding to 25 % of the equity. This company is treated as an associated company. The consolidated results of the year 2015 have not been materially impacted, as the result for Co.Station Brussels was not material.
- Other non-current assets decreased from 1.2 million euros at the end of 2014 to 0.3 million euros at the end of 2015. The decrease is due to a caution paid in 2014 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, to the dismantling assets depreciation and the depreciation on SIM cards, as well as the integration of losses carried forward from OLU, amounted to 8.4 million euros at the end of 2015.

Current assets slightly decreased year-on-year, going from a total of 242.8 million euros at the end of 2014 to 236.9 million euros at the end of 2015. They consist of the following items:

- Inventories of goods, amounting to 21.5 million euros, i.e. an increase of 3.3 million euros compared to 2014. This increase is mainly related to the fourth quarter 2015 mobile equipment sales, as the new iPhone became only available in the fourth quarter.
- Trade receivables, amounting to 184.4 million euros at the end of 2015, compared with 192.9 million euros at the end of 2014. This decrease is mainly linked to the decrease in service revenues of 2.3 % as well as handset revenues (2.5%). Due to the continued efforts in terms of cash collection, a significant decrease in all categories of outstanding receivables less than 360 days occurred. 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 prepaid expenses are increasing from 13.5 million euros at the end of 2014 to 17.2 million euros at the end of 2015. This increase is explained by an increase in prepaid expenses, related to prepayments of rent for buildings and more prepaid interest expenses, related to the extension of the 2G license.
- Operating taxes and levies are decreasing with 3.6 million euros (less recoverable VAT at year end).
- Cash and cash equivalents amounting to 9.7 million euros at the end of 2015, an increase of 3.6 million euros since the end of the 2014 financial year. The cash flow statement gives details of the flows that gave rise to this trend.

Equity increased by 73.5 million euros during the 2015 financial year, from 383.7 million euros to 457.1 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 (73.5 million euros) is the result appropriation of the net profit of the period (74.6 million euros), and the impact of the customers SIM cards capitalization as of this year (-1.1 million euros previous years' impact).

Non-current liabilities increased from 161.5 million euros at the end of 2014 to 484.1 million euros at the end of 2015. This is largely the result of the re-financing of short-term debt into long-term debt. As a reminder, in June 2015 Mobistar refinanced the 450 million euros long-term revolving credit facility by a new long-term revolving credit facility of 420 million euros with an average maturity of 5 years. In addition Mobistar has access to another 3-year amortizable revolving credit facility signed in December 2013 for an amount of 120 million euros, of which 70 million euros is still available at the beginning of 2016.

Current liabilities decreased to 576.2 million euros at the end of 2015 from 899.2 million euros at the end of 2014. This is the result of the debt rebalancing from short to long-term debt, the increase in current fixed assets payable linked to the payment of the remaining 900 MHz and 1,800 MHz licenses, the increase in operating taxes and levies payable driven by the Walloon pylon tax provisions and lastly, by the increase in current tax payables.

3. EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

Events after the reporting period

There were no material events after the reporting period.

Trends

The Board of Directors of Mobistar voted unanimously in favour of an adoption of the Orange brand in Belgium in order to support Mobistar's strategic ambitions. The rebranding into Orange will take place before the end of 2016. A more detailed planning will progressively be communicated to all our stakeholders in due course.

The increasing appetite of Mobistar's customers for mobile data triggered by an increasing penetration of 4G smartphones, the wide adoption of a variety of applications (music/video streaming, virtual reality, enhanced messaging, M2M/IoT) and a best-in-class network should act as strong support for the development of the ARPU. Mobistar's revitalised customer momentum, which has its roots in a stronger relative market positioning and a more loyal customer base, should continue in 2016.

While firmly expecting material improvements in the regulatory framework, convergence will become a reality for Mobistar in 2016 in all market segments. Consumer expectations regarding the benefits of true convergent competition in Belgium are high, and Mobistar is prepared to offer the products and services to meet those expectations. Mobistar's first objective is to establish a qualitative offer in the market with a high customer satisfaction level.

The ACE3 savings program - which involves the simplification and digitalization of a number of Mobistar's key processes, including ordering, billing, customer relations management, as well as the implementation of a new ERP – will start to materialize towards the end of 2016 with the full-year benefits as from 2017.

In October 2015 the European Parliament's plenary meeting voted in favour of ending roaming charges by 15 June 2017. In December 2015 the European Commission also adopted new implementing rules which set out the maximum charges that consumers can be charged for receiving phone calls when roaming abroad in the EU. The new cap is set at 1.14 eurocent per minute of call received, almost five times cheaper than the current cap of 5 eurocents per minute.

Mobistar estimates that the new roaming framework will have a gross negative impact of 19 million euros on both group service revenues and EBITDA in 2016, i.e. 17 million euros for Belgium and 2 million euros for Luxembourg. As indicated earlier, part of this gross impact is expected to be compensated by price elasticity of demand for roaming services, as lower roaming prices should drive additional volume. The expected increase in data volume should also be put in perspective with the rising demand from travellers for on-the-go connectivity.

In the second half of 2015 the IBPT published its draft decision on the fixed termination and consequently also on the mobile termination market. To determine prices for termination, the Belgian regulator used a bottom-up method in order to set a 'pure' LRIC for the theoretical efficient operator. Within the scope of these draft decisions the maximum fixed termination rates (FTR) could fall to 0.078 eurocents per minute in 2016 (a decline of 84 %), while the maximum mobile termination rates (MTR) could fall to 0.77 eurocents per minute in 2016 (a decline of 34 %). In both cases a public consultation has taken place. Consequently, the IBPT has not yet published its final decision. In case the draft decisions are confirmed Mobistar estimates that the net termination rates could have a negative impact of up to 12.1 million euros on Belgian service revenues and 0.9 million euros on its EBITDA in 2016.

Considering a progressive return to growth in service revenues and taking into account all of the elements above, Mobistar expects its restated EBITDA in 2016 to range between 270 and 290 million euros excluding cable costs, which compares to the 282.8 million euros achieved in 2015. Mobistar expects its 2016 capex to be reduced by about 25 % from 193 million euros in 2015. In addition, Mobistar will capitalize the variable customer equipment and installation costs related to its convergent offering. The guidance provided 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 at 31 December 2015, Mobistar has drawn for a total of 410 million euros under the available long-term credit facilities provided by Atlas Services Belgium S.A. and for a total of 8.2 million euros under the short-term credit facility provided by Orange S.A.

The debt is contracted at floating interest rates, EURIBOR on the long-term and EONIA on the short-term, allowing Mobistar to take advantage of low interest rates. To cover partially the risk of sudden hikes in these floating interest rates, Mobistar has hedged 200 million euros of its long-term debt at a fixed interest rate of 0.41 % up to and including 2020.

Foreign currency risk

Mobistar 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 note 2).

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 total liability amount of taxes charged, plus default interest calculated at the legal rate, amounts to 111.1 million euros.

Walloon tax on masts, pylons or antennas: The Walloon region has implemented by a Decree on 11 December 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 20 June 2014 a request for annulment at the Constitutional Court against the Decree. In its judgment of 16 July 2015 the Constitutional Court has annulled the articles regarding the tax on masts, pylons or antennas for mobile telecommunication in the Decree of 11 December 2013, but retains its effects definitely. This judgment has been published on 1 September 2015 in the Belgian Official Gazette.

Mobistar has received tax bills for this tax dated 22 December 2014. Mobistar consequently introduced a fiscal objection against the tax bills on 20 February 2015. On 14 July 2015 these tax bills are annulled for procedural errors by the Walloon administration. On 20 July 2015 the Walloon administration has sent a request for information on the masts, pylons or antennas of 2014 in order to continue the enrolment process. In December 2015 Mobistar has received a tax bill for an amount of 16,000 euros and a rectification notice from the Walloon administration announcing the enrolment of the concerned taxes for 2014 for an amount of 15.9 million euros. The rectification is predominantly driven by the taxation of a much larger amount of sites than the previous tax bills, based inter alia on the information of the Walloon antenna cadaster. The cadaster includes also sites that have never been constructed, or sites that have been moved from one location towards another, so it includes far more sites than there are sites actually on air. Mobistar will answer the Walloon tax administration within the statutory period to contest the rectification notice. Mobistar will also introduce a fiscal objection against the tax bill. The same arguments already used in the request for annulment will be included in Mobistar's contestation and moreover Mobistar will contest the taxation of non-existing or non-exploited sites.

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. Mobistar introduced on 26 June 2015 a request for annulment at the Constitutional Court against this Decree. The Walloon Decree of 17 December 2015 has been published in the Belgian Official Gazette on 30 December 2015. It provides a right for the municipalities to establish an additional tax to the regional tax on the masts, pylons or antennas mainly established on their territory. It is applicable as from1 January 2016.

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.

Abuse of dominant position by the Belgacom group: In March 2004, Mobistar joined an existing litigation in which Base claims liquidated damages from Proximus for abuses of dominant position, in particular Proximus practice to apply tariffs from the past for mobile telecommunication services that are differentiated between on-net and off-net communications. After numerous procedural steps, which lead to an interlocutory judgment of the Court of Appeal of Brussels of 26 February 2015, Proximus, Base and Mobistar decided to close, via a transactional agreement in October 2015, the claim as well as a series of pending proceedings. The settlement agreement involved a payment of an amount of 120 million euros of which 66 million euros has been paid to Base Company and 54 million euros to Mobistar. The settlement agreement is without any harmful recognition and translates the willingness of the parties to put an end to litigation proceedings initiated more than 10 years ago.

This agreement also contains the termination of the dispute regarding the abuse of dominant position by Proximus on the mobile business market.

Finally, Mobistar, acting jointly with Base, filed a complaint with the European Commission against Proximus 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. Begin 2014, BASE decided to withdraw its complaint. The investigation is ongoing.

Portability cost: The three mobile network operators active in Belgium (Proximus, Mobistar and Base) have challenged the IBPT'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 which 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. As there has not been any further evolution in the file and taking overall market developments into account the case can now be considered as closed.

Social tariffs: On 26 January 2013, Mobistar and Base 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. Proximus decided to intervene in the proceedings. The Constitutional Court referred the case to the European Court of Justice who delivered its judgment on 11 June 2015. The European Court found that mobile services cannot qualify for social tariffs and for the specific financing system by the sector. Based on this judgment and following the hearing which took place in November 2015 before the Constitutional Court, the Court must now deliver a final judgment.

On 22 July 2013, Mobistar, Telenet and Proximus 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 by the King. On 30 June 2015, the Council of State followed the plaintiffs arguments and annulled totally the RD covering the period of 2007-2011 and partially the RD covering the period 2012-2013.

Regulation of broadband and cable: Mid-2011 the 4 media regulators (IBPT, 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 relating to them. All suspension requests were dismissed in 2012.
On the merits, the Court of Appeal rejected on12 November 2014, Telenet's annulment request and on 13 May 2015 the comparable annulment request by Nethys, Brutélé and Coditel/AIESH. In these judgements, the Court confirms the decisions on the regulation of the cable networks opening while it also gives access to these cable networks to Proximus for digital television and internet. In December 2015 Telenet and Coditel/AIESH launched a cassation appeal against these judgments. Telenet limits its cassation appeal against the judgments to the extent they grant Proximus access to digital TV and broadband. Numéricable attacks the judgments in their entirety.

The media regulators adopted in September and December 2013 decisions on the qualitative and quantitative aspects of the cable network access.

Regarding the qualitative decisions on the technical reference offers, the cable operators initiated appeal proceedings end 2013-begin 2014. Mobistar intervened in these proceedings to support the regulators. After a temporary suspension in 2014, the proceedings were stopped by Brutélé, Nethys and Telenet in the second quarter of 2015.

Regarding the quantitative decisions, the cable operators and Mobistar launched appeal proceedings against the decisions of December 2013. These proceedings have been temporarily suspended until the judgment of 12 November 2014 on the market analysis. At this moment it appears that the last briefs will be submitted in the first or second quarter of 2016 by the regulators. A pleading date must still be fixed.

In parallel Mobistar started the implementation of the regulatory decisions with Telenet and Brutélé and Nethys. Due to their lack of cooperation, Mobistar asked in March 2014 interim measures against Brutélé & Nethys and attacked them on the merit for breach of their regulatory obligations. Given the change in the collaboration of Brutélé and Nethys, it was decided to suspend the proceedings on the merit with a 'renvoi au rôle/verwijzing naar de rol'.

Proximus's refusal to negotiate a commercial agreement:
In 2012, Mobistar and Proximus 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, Proximus stopped abruptly the negotiations. Mobistar attacked Proximus 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 2014. In view of the market evolution in 2015, the case was reopened for briefs exchange in the second quarter of 2015 and pleadings have been scheduled to the second quarter of 2016.

Telenet Full MVNO (Mobile Virtual Network Operator) Agreement: Mobistar has brought court proceedings against Telenet before the Commercial Court of Brussels for the judicial recovery of invoices under the Full MVNO (Mobile Virtual Network Operator) Agreement between Mobistar and Telenet, entered into on 27 April 2012. Telenet is wrongfully claiming a price reduction on invoices for services rendered by Mobistar in 2013 and 2014. Telenet has also made an erroneous use of wholesale tariff arrangements leading Mobistar to claim additional payment for the 2012-2015 period. As Telenet refused to pay these amounts voluntarily, Mobistar was left with no other option than to bring suit against Telenet for the recovery of the due amount.

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. In the meantime, parties have reached a settlement in this file. As a result, the case has been struck from the general docket at the hearing of 15 December 2015.

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 has been handled before the Brussels Court of First Instance at the hearing of 9 September 2015. By interim judgment of 14 October 2015, the court ordered the reopening of the proceedings at the hearing of 17 February 2016. In the meantime, parties are conducting settlement negotiations, which have already led to partial payments in 2015.

Consolidated financial statements 2015

19 CONSOLIDATED FINANCIAL STATEMENTS

27 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated financial statements

1.1 Consolidated statement of comprehensive income

in thousand EUR

Ref.		31.12.2015	31.12.2014*
2	Mobile service revenues	1 006 224	1 019 101
2	Fixed service revenues	79 629	92 326
2	Other revenues	21 543	6 030
2	Mobile equipment sales	127 978	131 258
2	Total turnover	1 235 374	1 248 715
3	Purchase of material	-185 601	-178 554
3	Other direct costs	-358 824	-385 939
3	Direct costs	-544 425	-564 493
3	Labor costs	-133 852	-135 928
3	Commercial expenses	-41 262	-43 262
3	Other IT & network expenses	-100 681	-96 747
3	Property expenses	-53 696	-50 939
3	General expenses	-57 547	-63 150
3	Other indirect income	21 644	32 310
3	Other indirect costs	-49 533	-51 631
3	Indirect costs	-281 075	-273 419
	Restated EBITDA	276 022	274 875
3	Restatements	45 327	-19 471
	o/w other restructuring costs**	-8 673	-19 471
	o/w other operating income	54 000	
	EBITDA	321 349	255 404
5	Depreciation and amortization	-202 224	-194 479
	Share of profits (losses) of associates	-51	-45
	EBIT	119 074	60 880
8	Financial result	-6 686	-8 789
8	Financial costs	-6 687	-9 006
8	Financial income	1	217
6	Tax expense	-35 797	-8 805
	Net profit of the period* **	**76 591**	**43 286**
	Profit attributable to equity holders of the parent	76 591	43 286
	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
	Net profit for the period	**76 591**	**43 286**
	Other comprehensive income (cash flow hedging)	-1 984	
	Total comprehensive income for the period	**74 607**	**43 286**
	Part of the total comprehensive income attributable to equity holders of the parent	74 607	43 286
	Basic earnings per share (in EUR)	1.28	0.72
	Weighted average number of ordinary shares	60 014 414	60 014 414
	Diluted earnings per share (in EUR)	1.28	0.72
	Diluted weighted average number of ordinary shares	60 014 414	60 014 414

* The presentation of the consolidated financial statements has been adjusted compared to the layout used for the year ended 31 December 2014 (see Note 1).
** Restructuring costs consist of contract termination costs and redundancy charges (see Note 3 - Expenses).
*** Since there are no discontinued operations, the profit or loss of the period corresponds to the result of continued operations.

1.2 Consolidated statement of financial position

in thousand EUR

Ref.		31.12.2015	31.12.2014
	ASSETS		
4	Goodwill	80 080	80 080
5	Other intangible assets	347 391	304 989
5	Property, plant and equipment	840 389	804 387
7	Interests in associates and joint ventures	3 237	3 288
8	Non-current financial assets	741	551
8	Non-current derivatives assets		1
2	Other non-current assets	254	1 218
6	Deferred tax assets	8 389	7 095
	Total non-current assets	**1 280 481**	**1 201 609**
3	Inventories	21 473	18 197
2	Trade receivables	184 366	192 894
8	Current financial assets	1 113	6 261
8	Current derivatives assets	2 160	1 393
2	Other current assets	575	3 510
6	Operating taxes and levies receivables	842	4 372
	Current tax assets		4
3	Prepaid expenses	16 633	10 028
8	Cash and cash equivalents	9 709	6 124
	Total current assets	**236 871**	**242 783**
	Total assets	**1 517 352**	**1 444 392**
	EQUITY AND LIABILITIES		
9	Share capital	131 721	131 721
	Legal reserve	13 172	13 172
	Retained earnings (excl. legal reserve)	312 214	238 721
	Treasury shares		39
	Equity attributable to the owners of the parent	**457 107**	**383 653**
	Total equity	**457 107**	**383 653**
8	Non-current financial liabilities	409 007	94 717
8	Non-current derivatives liabilities	1	
5/11	Non-current provisions for dismantling	60 125	56 439
	Non-current restructuring provisions	2 099	
11	Other non-current liabilities	10 823	10 352
6	Deferred tax liabilities	2 008	
	Total non-current liabilities	**484 063**	**161 508**
8	Current financial liabilities	8 165	449 489
8	Current derivatives liabilities	4 172	1 393
8	Current fixed assets payable	128 819	70 883
3/8	Trade payables	169 815	151 680
3	Current employee benefits	36 462	33 770
5	Current provisions for dismantling	924	488
3/11	Other current liabilities	10 176	12 294
8	Operating taxes and levies payables	114 230	95 604
6/8	Current tax payables	42 870	15 000
3	Deferred income	60 549	68 630
	Total current liabilities	**576 182**	**899 231**
	Total equity and liabilities	**1 517 352**	**1 444 392**

1.3 Consolidated cash flow statement

in thousand EUR

Ref.		31.12.2015	31.12.2014
	Operating activities		
	Consolidated net income	**76 591**	**43 286**
	Adjustments to reconcile net income (loss) to funds generated from operations		
6	Operating taxes and levies	38 809	45 095
5	Depreciation, amortization and impairment	202 224	194 479
	Change in provisions	-671	-5 234
7	Share of profits (losses) of associates and joint ventures	51	45
	Operational net foreign exchange and derivatives	865	71
8	Finance costs, net	6 686	8 789
6	Income tax	35 797	8 805
	Changes in working capital requirements		
3	Decrease (increase) in inventories, gross	-2 026	2 650
2	Decrease (increase) in trade receivables, gross	9 167	9 904
3	Increase (decrease) in trade payables	13 190	-7 826
2	Changes in other assets and liabilities	-5 540	3 538
	Other net cash out		
	Operating taxes and levies paid	-16 552	-20 437
	Interest paid and interest rates effects on derivatives, net	-6 470	-7 240
6	Income tax paid	-10 301	-10 128
	Net cash provided by operating activities	**341 820**	**265 797**
	Investing activities		
	Purchases (sales) of property, plant and equipment and intangible assets		
5	Purchases of property, plant and equipment and intangible assets	-269 273	-215 271
	Increase (decrease) in fixed assets payables	57 936	-20 278
	Organic cash flow*	**130 483**	**30 248**
	Cash paid for investment securities, net of cash acquired	-3 618	-10
	Decrease (increase) in securities and other financial assets	9 375	-5 352
	Net cash used in investing activities	**-205 580**	**-240 911**
	Financing activities		
8	Long-term debt issuances	540 000	20 000
	Long-term debt redemptions and repayments	-675 000	-25 000
	Increase (decrease) of bank overdrafts and short-term borrowings	2 344	-22 180
	Purchase of treasury shares	39	-39
	Dividends paid to owners of the parent company	-28	-50
	Net cash used in financing activities	**-132 645**	**-27 269**
	Net change in cash and cash equivalents	**3 595**	**-2 383**
8	**Cash and cash equivalents – opening balance**	**6 124**	**8 507**
	o/w cash	2 998	8 155
	o/w cash equivalents	3 126	352
	Cash change in cash and cash equivalents	**3 595**	**-2 383**
	Effect of exchange rates changes on cash and cash equivalents and other non-monetary effects	-10	0
8	**Cash and cash equivalents – closing balance**	**9 709**	**6 124**
	o/w cash	3 163	2 998
	o/w cash equivalents	6 546	3 126

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

1.4 Consolidated statement of changes in equity

in thousand EUR

	Share capital	Legal reserve	Retained earnings	Treasury shares	Total equity
Balance as at 1 January 2015	131 721	13 172	238 721	39	383 653
Impact of IAS 8 on SIM cards			-1 114		-1 114
Correction own shares				-39	-39
Net profit for the period			76 591		76 591
Other comprehensive income			-1 984		-1 984
Total comprehensive income for the period			74 607		74 607
Declared dividends					
Balance as at 31 December 2015	131 721	13 172	312 214	0	457 107

in thousand EUR

	Share capital	Legal reserve	Retained earnings	Treasury shares	Total equity
Balance as at 1 January 2014 (as published on 4 February 2015)	131 721	13 172	192 284		337 177
Mobistar Affiliate			2 805		2 805
Mobistar Enterprise Services			385		385
Balance as at 1 January 2014*	131 721	13 172	195 474		340 367
Net profit for the period			43 247	39	43 286
Total comprehensive income for the period			43 247	39	43 286
Declared dividends					
Balance as at 31 December 2014	131 721	13 172	238 721	39	383 653

* Mobistar Affiliate consolidation difference (2005) and Mobistar Enterprise Services purchase price allocation difference (2011) are both the effect of a correction of prior period unexplained differences booked in June 2015 as an adjustment to retained earnings.

1.5 Segment information

Consolidated statement of comprehensive income for the year ended December 31, 2015

in thousand EUR

31.12.2015	Belgium	Luxembourg	Interco elimination	Mobistar group
Mobile service revenues	963 606	44 798	-2 180	1 006 224
Fixed service revenues	76 490	3 139		79 629
Other revenues	21 417	198	-72	21 543
Mobile equipment sales	126 595	16 624	-15 241	127 978
Total turnover	1 188 108	64 759	-17 493	1 235 374
Direct costs	-525 667	-36 359	17 601	-544 425
Labor costs	-124 176	-9 676	0	-133 852
Indirect costs	-266 488	-14 479	-108	-281 075
Restated EBITDA	271 777	4 245	0	276 022
EBITDA	317 104	4 245	0	321 349

Consolidated statement of comprehensive income for the year ended December 31, 2014

in thousand EUR

31.12.2014	Belgium	Luxembourg	Interco elimination	Mobistar group
Mobile service revenues	972 199	48 378	-1 476	1 019 101
Fixed service revenues	89 941	2 385		92 326
Other revenues	6 180	343	-493	6 030
Mobile equipment sales	129 868	11 214	-9 824	131 258
Total turnover	1 198 188	62 320	-11 793	1 248 715
Direct costs	-541 628	-34 051	11 186	-564 493
Labor costs	-126 795	-9 133	0	-135 928
Indirect costs	-260 303	-13 723	607	-273 419
Restated EBITDA	269 462	5 413	0	274 875
EBITDA	249 991	5 413	0	255 404

Consolidated statement of financial position
for the year ended December 31, 2015

in thousand EUR

31.12.2015	Belgium	Luxembourg	Eliminations & unallocated items	Mobistar group
Goodwill	11 351	68 729		80 080
Other intangible assets	344 149	3 242		347 391
Property, plant and equipment	818 247	22 142		840 389
Interests in associates and joint ventures	3 237			3 237
Non-current assets included in the calculation of the net financial debt	741			741
Other	4 048	4 595		8 643
Total non-current assets	1 181 773	98 708	0	1 280 481
Inventories	18 753	2 720		21 473
Trade receivables	184 472	3 598	-3 704	184 366
Prepaid expenses	12 306	4 327		16 633
Current assets included in the calculation of the net financial debt	10 720	1 149		11 869
Other	2 149	381		2 530
Total current assets	228 400	12 175	-3 704	236 871
Total assets	1 410 173	110 883	-3 704	1 517 352
Total equity	0	0	457 107	457 107
Non-current liabilities included in the calculation of the net financial debt	410 001		-993	409 008
Other	71 048	4 007		75 055
Total non-current liabilities	481 049	4 007	-993	484 063
Current fixed assets payable	127 236	1 583		128 819
Trade payables	166 486	7 033	-3 704	169 815
Current employee benefits	35 580	882		36 462
Deferred income	59 996	553		60 549
Current assets included in the calculation of the net financial debt	12 342	7 732	-7 737	12 337
Other	167 002	1 198		168 200
Total current liabilities	568 642	18 981	-11 441	576 182
Total equity and liabilities	1 049 691	22 988	444 672	1 517 352

Consolidated statement of financial position for the year ended December 31, 2014

in thousand EUR

31.12.2014	Belgium	Luxembourg	Eliminations & unallocated items	Mobistar group
Goodwill	11 351	68 729		80 080
Other intangible assets	301 868	3 121		304 989
Property, plant and equipment	780 664	23 723		804 387
Interests in associates and joint ventures	3 288			3 288
Non-current assets included in the calculation of the net financial debt	552			552
Other	4 737	3 576		8 313
Total non-current assets	1 102 460	99 149	0	1 201 609
Inventories	15 761	2 436		18 197
Trade receivables	192 891	3 543	-3 540	192 894
Prepaid expenses	9 511	517		10 028
Current assets included in the calculation of the net financial debt	5 911	1 606		7 517
Other	5 090	3 496		14 147
Total current assets	229 164	11 598	-3 540	242 783
Total assets	1 331 624	110 747	-3 540	1 444 392
Total equity	0	0	383 653	383 653
Non-current liabilities included in the calculation of the net financial debt	94 717			94 717
Other	63 271	3 520		66 791
Total non-current liabilities	157 988	3 520	0	161 508
Current fixed assets payable	67 919	2 964		70 883
Trade payables	148 182	7 038	-3 540	151 680
Current employee benefits	33 022	748		33 770
Deferred income	67 631	999		68 630
Current assets included in the calculation of the net financial debt	452 181	4 021	-5 320	450 882
Other	122 091	1 295		123 386
Total current liabilities	891 026	17 065	-8 860	899 231
Total equity and liabilities	1 049 014	20 585	374 793	1 444 392

2. Notes to the consolidated financial statements

Note 1: Description of business and basis of preparation of the consolidated financial statements

1. Description of business

Mobistar S.A. (the company's ultimate majority shareholder is Orange S.A) 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.

Orange Communications Luxembourg S.A., a company organized 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.

Smart Services Network S.A. (SSN) is a Belgian company that distributes telecommunication and energy services including those of Mobistar and Luminus. SSN's route to market is based on the principle of multi-level marketing. SSN's network consists of more than 1,000 independent consultants.
Smart Services Network S.A., a company organized 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.

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, and is responsible for the operation of the Irisnet 2 optical fibre network and for the provision of fixed telephony, data transmission services (internet, e-mail) and other network-related services (video-conferencing, video surveillance, etc.).
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. IRISnet S.C.R.L. is consolidated using the equity method.

Walcom S.A. is a residential and professional distribution network located in Wallonia. Walcom specializes in the sale of telecommunications products and services for individuals through a network of 20 stores and a dedicated sales team for the professional market. The company has been a Mobistar exclusive agent for almost 20 years.
Walcom S.A., a company organized and existing under the laws of Belgium, has been acquired as of 3 April 2015 by Mobistar S.A. The purchase concerned 100 % of the 1,250 shares of Walcom S.A. The company has consolidated the results of Walcom S.A. for 100 %, as of 3 April 2015.

Co.Station Brussels S.A. is an accelerator with spacious infrastructure designed for digital sector start-ups and scaleups. It offers three formulae, which may be combined: Co.Station Village, a successful co-working space building a heterogeneous community for entrepreneurs; Co.Station Virtuology Academy, a specialised training center; and Co.Station Accelerator, a program designed for scaleups and fast-growing businesses that are moving towards international expansion and growth. Co.Station Brussels S.A. is a company organized and existing under the laws of Belgium. Mobistar has contributed in cash for 100,000 euros equivalent to 2,000 shares out of the 8,000 shares issued by the company (29 October 2015). Co.Station Brussels is consolidated using the equity method.

2. Perimeter of consolidation

The following parent company, subsidiaries and joint venture are included in the perimeter of consolidation as at 31.12.2015:

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

Walcom S.A.
100 % of the shares held by Mobistar S.A.
Fridderricht 10
B – 6700 Arlon
Belgium
Company identification number: BE 0424 071 231

Co.Station Brussels
25 % of the shares held by Mobistar S.A.
Accounted for by equity method
Parvis Sainte-Gudule 5
B – 1000 Brussels
Belgium
Company identification number: BE 0599 786 434

There are no significant restrictions on the assets and liabilities of the subsidiaries and joint ventures included in the scope of consolidation.

Date of authorisation for issue of the financial statements

On 25 March 2016, the Board of Directors of Mobistar S.A. reviewed the 2015 consolidated financial statements and authorised them for issue.

The 2015 consolidated financial statements will be approved on 4 May 2016 by the General Assembly of shareholders which has still the power to amend the financial statements after issue.

3. Basis of preparation

The consolidated financial statements are presented in thousand 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.

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.

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 2014.

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:

- Improvements to IFRS (2011-2013) (applicable for annual periods beginning on or after 1 January 2015)
- IFRIC 21 *Levies* (applicable for annual periods beginning on or after 17 June 2014)

Basis of preparation

The presentation of Orange S.A. Financial Statements changed in 2015 for the segment reporting: Mobistar Group, previously part of the "Rest of World" segment, is now reported in a dedicated segment for "Belgium and Luxembourg". In order to avoid differences in the information published by Mobistar and its majority shareholder for the perimeter of "Belgium and Luxembourg", Mobistar decided to adopt similar reporting format and standards than Orange.

Consequently, the presentation of the condensed consolidated financial statements has been adjusted compared to the layout used for the year ended 31 December 2014. It has led to some changes in the presentation of the Consolidated Statement of Financial position, Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flow.

The main changes between the Consolidated Statement of Financial Position published by Mobistar in 2014 and last year's figures presented in 2015 under Orange reporting format and standards are:

1. Software licenses, part of hardware assets, are now retrieved in Other Intangible Assets while previously retrieved in Property, Plant & Equipment, explaining the reclassification between Tangible and Intangible Assets.
2. In application of IAS18, the recoverability of receivables being considered more unlikely than not have been reclassified from Trade Receivables to Deferred Income explaining the increase in total Assets and Liability Balance sheet position as of end 31/12/2014.
3. The provisions for pylon tax have been reclassified from Trade Payables to Operating Taxes and Levies Payables.
4. The Trade Payables aggregate is now split between Current Fixed Assets Payables and Trade Payables.

Some differences also appear between the Consolidated Statement of Comprehensive Income published by Mobistar in 2014 and last year's figures presented in 2015 under Orange's reporting format and standards. To provide comparability of its financial statements on the same lay-out between the information published in 2014 and 2015, Mobistar has restated its previously disclosed financial statements. This information is available on the financial result section of the company corporate website.

4. Uses of estimates and judgments

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

Critical judgments in applying accounting policies

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

Operating lease commitment – Group as a lessee

The Group has entered into property leases, network and cars leases. It has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Details are given in Note 10.

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 financial projections 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 4.

Deferred tax assets

Deferred tax assets are recognized 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 recognized, 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 6.

Provision for dismantling network sites

The Group has recognized 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 11).

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 11).

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 3).

Operational taxes: pylon

Since 1997, municipalities and provinces levy local taxes on an annual basis on masts, pylons and antennas. 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 and the pylon tax liability expires when no tax bill 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 method is still used in Flanders and for the Brussels Region, and was also applicable for the Walloon region until 2013. Since 2014, this tax, introduced by a decree of the Walloon region, became a regional tax booked on the basis of the latest tax bill received.

Given the uncertainties surrounding the lawfulness (see Note 11 on litigations) and amount of the pylon taxes, and considering inter alia that this tax is not fully payable at the beginning of each fiscal year and actually not paid, Mobistar continues to account for this as a risk in accordance with IAS 37 (Provisions & contingent liabilities). However, the full year risk is estimated and recognized both as a liability and charge at the beginning of each year. Interest charges related to the non-payment of this tax continue being recorded monthly.

The provision for pylon tax is reassessed every quarter using prudent best estimate assumptions based on the evolution of the regional tax framework, of the different court cases and of the new tax bills received. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at December 31, 2015 may subsequently be changed.

Operational taxes: IFRIC 21

The IFRIC 21 interpretation has been adopted by the European Union in the course of the first semester 2014. This interpretation is applicable for annual periods beginning on or after 17 June 2014, thus on 1st January 2015 for the Mobistar Group. It defines the obligating event that gives rise to a liability to pay a levy (as the activity that triggers the levy) and refers to other standards to determine whether the recognized liability gives rise to an asset or expense.

Mobistar applies IFRIC 21 in the interim condensed consolidated financial statements of June 30, 2015 to a limited number of levies whose accounting is modified by the interpretation: property withholding tax, tax on offices' space, tax on class 1/2/3 sites (hazardous and/or insalubrious sites), sites tax and taxes on advertising boards, panels, etc. The full year liability related to these levies and the corresponding charges have been recorded in the consolidated financial statements of June 30, 2015. At year end, this liability remained unchanged compared to June 30, 2015.

Note 2: Sales and (trade) receivables

in thousand EUR

	31.12.2015	31.12.2014
Belgium	1 188 108	1 198 188
Mobile services	963 606	972 199
Fixed services	76 490	89 941
Other revenues	21 417	6 180
Mobile equipment sales	126 595	129 868
Luxembourg	64 759	62 320
Mobile services	44 798	48 378
Fixed services	3 139	2 385
Other revenues	198	343
Mobile equipment sales	16 624	11 214
Inter-segment eliminations	-17 493	-11 793
TOTAL	1 235 374	1 248 715

Mobistar's total consolidated turnover amounted to 1,235.4 million euros in 2015, compared to 1,248.7 million euros in 2014, a decline of 1.1 % year-on-year. Excluding the regulatory impact of 12.8 million euros incurred in the first half of 2015, i.e. 12.1 million euros due to EU roaming and 0.7 million euros to mobile termination rates, the total consolidated turnover would have been stable compared to 2014.

Mobistar's total service revenues (in casu mobile and fixed services) amounted to 1,085.9 million euros in 2015 compared to 1,111.4 million euros in 2014, a decline of 2.3 % year-on-year. However, excluding the regulatory impact of 12.8 million euros, Mobistar's 2015 consolidated total service revenues would have declined by 1.2 % compared to the same period last year. The year-on-year variance of Mobistar's total service revenues was negatively impacted in the fourth quarter of 2015, as the fourth quarter of 2014 benefited from a one-off effect, i.e. the reallocation from revenue previously booked in the line item 'Other revenues' versus the line item 'Fixed service revenues'. This explains the decrease by 15 % in fixed line service revenues in 2015 from 89.9 million euros in 2014 to 76.5 million euros in 2015.

The consolidated mobile equipment sales in 2015 amounted to 128.0 million euros, compared to 131.3 million euros in the same period last year, a decrease of 2.5 % year-on-year. While the full year 2015 mobile equipment sales is explained by the phasing-out of the low margin pure handset trading activities, the 2015 fourth quarter mobile equipment sales were on the contrary positively impacted by the sales of the new iPhone which became available in the fourth quarter of 2015, compared to the third quarter in 2014.

Apart from the mentioned reallocation in the fourth quarter of 2014 from revenues previously booked in the line item 'Other revenues' versus the line item 'Fixed service revenues', the year-on-year variance of Mobistar's other revenues, in 2015 and in particular in the fourth quarter of 2015, was further positively impacted by the recognition of accrued revenues following the payment of unpaid invoices for services provided by Mobistar to public prosecutors, courts, etc.

Trade receivables

in thousand EUR

	31.12.2015	31.12.2014
Trade receivables – Gross value	243 068	250 105
Allowance for doubtful debtors	-58 702	-57 211
TOTAL TRADE RECEIVABLES	184 366	192 894

Ageing Balance

in thousand EUR

	31.12.2015	31.12.2014
Not past due	130 407	96 488
Less than 180 days	22 737	66 749
Between 180 days and 360 days	4 676	13 734
More than 360 days	26 546	15 923
TOTAL TRADE RECEIVABLES	184 366	192 894

Change in provision for trade receivables

in thousand EUR

	31.12.2015	31.12.2014
Allowances on trade receivables – opening balance	-57 211	-59 229
Net addition with impact on income statement	-10 559	-9 948
Losses on trade receivables	9 068	11 966
Allowances on trade receivables – closing balance	-58 702	-57 211

For terms and conditions relating to related parties receivables, refer to Note 12.

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.

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 amount to 184.4 million euros at the end of 2015, compared with 192.9 million euros at the end of 2014. This decrease is mainly linked to the decrease in service revenues of 2.3 % as well as handset revenues (2.5 %). Due to the continued efforts in terms of cash collection, a significant decrease in all categories of outstanding receivables less than 360 days occurred.

When we exclude the 5.8 million euros provision on the Wholesale contract and the recovery of 2.1 million euros from IRISnet1 claim, there is a small decrease (2 %) in the allowance for doubtful debtors, perfectly aligned with the decrease in Current trade receivables.

Other assets

in thousand EUR

	31.12.2015	31.12.2014
Advances and downpayments	352	
Security deposits paid	254	
Other	223	4 728
TOTAL OTHER ASSETS	829	4 728
o/w other non-current assets	**254**	**1 218**
o/w other current assets	**575**	**3 510**

The decrease in other non-current assets is explained by the reversal of a 1 million euros guarantee, paid in 2014 regarding the 900/1800 MHz spectrum. This 2G license was renewed in December 2015.

The decrease in other current assets is mainly due to a reclassification of Deferred costs to Prepaid expenses for 3.4 million euros in Orange Communications Luxembourg (mainly deferred costs related to data - see Note 3 - Prepaid expenses).

Note 3: Expenses, prepaid and inventory

Direct costs

in thousand EUR

	31.12.2015	31.12.2014
Purchase of material	-185 601	-178 554
Other direct costs	-358 824	-385 939
TOTAL DIRECT COSTS	-544 425	-564 493

The direct costs in 2015 decreased by 3.6 % year-on-year to 544.4 million euros from 564.5 million euros a year earlier.

Purchase of material

The purchase of material increased by 4 %, mainly due to the increase in the fourth quarter of 2015 as a result of a higher volume of customers' acquisition and retention acts, with 40.7 thousand and 27.6 thousand net adds in 2015 and in the fourth quarter of 2015 respectively.

Due to the commercial programs and more specific the "GSM repair option", the costs related to repair and maintenance of mobile devices did also increase.

Other direct costs

The other direct costs, mainly consisting of interconnection costs, commissions, content costs and bad debts, decreased by 8 % year-on-year.

Interconnection costs

Interconnection costs have decreased with 21.6 million euros at 273.7 million euros, due to the lower termination rates in the first half of 2015, less traffic and to a reclassification of non-customer leased lines from Interconnection costs to IT and network expenses for 3.6 million euros.

Commissions

The costs related to commissions decreased with 7 million euros in 2015 at 53 million euros. This can be explained by the acquisition of the agent Walcom in April 2015 and by the decrease of other dealers' remunerations.

Content costs

The total costs incurred to prepare the cable services launch amounted to 6.8 million euros in 2015, of which 2.0 million euros were spent in the fourth quarter of 2015 regarding content costs (in addition to recurring operating expenses).

Bad debt

The bad debt cost amounts to 10.5 million euros (compared to 9.9 million euros in 2014).

Prepaid expenses

in thousand EUR

	31.12.2015	31.12.2014
Prepaid supplies and services	15 388	10 028
Prepaid spectrum fees	1 245	
TOTAL PREPAID EXPENSES	16 633	10 028

The increase in prepaid supplies is due to a reclassification from Other current assets of 3.4 million euros in Orange Communications Luxembourg (see Note 2 – Sales & Receivables) and to the 1.3 million euros prepayment of rent for buildings for the first quarter 2016. The 1.2 million euros prepaid interest expenses are related to the extension of the 2G license.

Inventories

in thousand EUR

	31.12.2015	31.12.2014
Gross inventories	23 280	19 912
Depreciation	-1 807	-1 715
TOTAL INVENTORIES	21 473	18 197
Inventories – Cost recognized as an expense during the period	**-181 935**	**-178 348**

The increase in inventories is mainly related to the Christmas campaign that was extended this year until January 2016. The reserve for obsolete and slow moving items is at the same level as in 2014 (1.8 million euros).

Trade payables and other current liabilities

in thousand EUR

	31.12.2015	31.12.2014
TRADE PAYABLES	169 815	151 680
Salaries and termination pay	5 491	5 358
Performance and profit sharing bonus, pensions	9 813	7 530
Social security contributions	7 336	5 349
Holiday pay	13 758	15 533
Other	64	
CURRENT EMPLOYEE BENEFITS	36 462	33 770
OTHER CURRENT LIABILITIES	10 176	12 294
CURRENT TAX PAYABLES	42 870	15 000
DEFERRED INCOME	60 549	68 630

Trade payables are non-interest bearing and are normally settled on 30 to 60-days terms. The increase in trade payables of 18 million euros is mainly due to less open credit notes to receive (6 million euros) compared to 2014 and more open invoices at year-end.

The increase in current employee benefits is related to the reclassification of advance wages to other current assets (1.3 million euros), and to higher profit sharing and performance bonuses in 2015.

As a consequence of the law of 18 December 2015, minimum returns are guaranteed by the employer as follows :

- for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75 % and a maximum of 3.75 %. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75 %.
- for the contributions paid until end December 2015, the previously applicable legal returns (3.25 % and 3.75 % respectively on the employer and employee contributions) continue to apply until retirement date of the participants.

In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans.

The Group was not in a position to receive a complete actuarial computation under the PUC (Projected Unit Credit) method due to the recent publication of the law. Based on an analysis of the plans and the limited difference between the legally guaranteed minimum returns and the interest guaranteed by the insurance company, the Group has concluded that the application of the PUC method would have an immaterial impact.

As a consequence, in view of the immaterial difference between the accumulated reserves and the minimum reserves as of 31 December 2015, no provision has been recognized.

The contributions paid during 2015 for those plans amounted to 4.8 million euros paid by the employer and 0.9 million euros paid by the employees.

The plan assets at 31 December 2015 consisted of 98.96 million euros individual insurance reserves, which benefit from a weighted average guaranteed interest rate of 3.73 % and 4.98 million euros reserves in collective financing funds.

The decrease in other current liabilities is mainly due to the decrease in provision for the mobile handset two years warranty.

The current tax payables are related to the tax calculation of the current year (see Note 6 - Operational taxes and levies).

The decrease in deferred income is related to the decrease in prepaid cards business and to the payment of unpaid invoices for services provided by Mobistar to public prosecutors, courts, etc.

Labor costs (excluding termination benefits)

Labor costs decreased by 1.5 % year-on-year in 2015 to 133.9 million euros compared to 135.9 million euros in 2014 while the company has intensified the redeployment of its headcount toward customer facing and growth activities including the insourcing of 85 sales agents for the shop-in-shops in the Carrefour hypermarkets, the addition of 70 employees in Mobistar's shops following the acquisition of Walcom and the progressive staffing related to the cable opportunity. All in all, the total number of employees at the end of 2015 amounted to 1,712, an increase of 133 employees compared to the end of 2014. As a result, labor costs increased by 8.6 % to 32.9 million euros in the fourth quarter of 2015 compared to 30.3 million euros in the fourth quarter of 2014.

This effect was offset by a lower average cost per employee, less pension costs and more capitalization of team members related to important business projects (ERP, CRM,…).

Indirect costs

in thousand EUR

	31.12.2015	31.12.2014
Commercial expenses	-41 262	-43 262
Other IT and network expenses	-100 681	-96 747
Property expenses	-53 696	-50 939
General expenses	-57 547	-63 150
Other indirect income	21 644	32 310
Other indirect costs	-49 533	-51 631
TOTAL INDIRECT COSTS	-281 075	-273 419

The indirect costs increased 2.8 % year-on-year to 281.1 million euros in 2015 compared to 273.4 million euros in 2014.

The commercial expenses decreased by 4.6 % due to less telesales and third-party salesforce activities. The increase of property expenses (5.4 %) relates to network site rental and to IT non labor expenses (4.1 %) following the outsourcing of this activity as from the fourth quarter of 2014. General expenses are decreasing by 8.9 %, mainly due to less temporary staff and less postage expenses.

The decrease in other indirect income is mainly due to the reclassification of rejected payments and payment reminders to Other revenues (10 million euros) and less re-invoicing of staff to the Orange Group.

The other indirect costs evolution is mainly due to the adjustment of the pylon taxes (reassessment of the total risk).

Restatements

Other operating income

Mobistar, KPN, BASE Company and Proximus agreed to settle all outstanding litigations related to the former practice of applying tariffs for mobile telecommunication services that were differentiating on-net and off-net voice communications. In the case of Mobistar, the settlement agreement involved a payment by Proximus to Mobistar of 54 million euros.

Other restructuring costs

Mobistar also booked restructuring charges of 5.1 million euros for early termination of long-term distribution contracts (in 2014: 4.4 million euros).

The redundancy costs amount to 3.6 million euros, a decrease of more than 11.4 million euros compared to 2014. Last year redundancy costs were related to the outsourcing of Mobistar's IT activities and the reduction in headcount.

Note 4: Goodwill

in thousand EUR

	31.12.2015			31.12.2014		
	Acquisition value	Accumulated impairment losses	Net carrying amount	Acquisition value	Accumulated impairment losses	Net carrying amount
Orange Communications Luxembourg S.A.	68 729		**68 729**	68 729		**68 729**
Other goodwill	11 351		**11 351**	11 351		**11 351**
TOTAL GOODWILL	80 080	0	80 080	80 080	0	80 080

The goodwill did not change in 2015 and finds its origin in the acquisition of:

Belgian operations:	11 351
Luxembourg operations:	68 729
Total:	**80 080**

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 whether its carrying amount does or does not exceed its recoverable amount.

For 2015, the same methodology has been used as in previous years. Cash flows have been estimated on a four-year business plan (2016 to 2019) approved by the Strategic Committee. The management of Orange Communications Luxembourg foresees a progressive increase of EBITDA over the period as the result of (i) a continuous and sustained top line growth coming both from an increase in market size and market share, and (ii) the continuation of its enhanced transformation program with a tight control of operating expenses. More precisely, the management ambitions a remarkable turnaround over this 4-year period with a 8 % and 23 % compounded annual growth rate (CAGR) of revenues and EBITDA respectively, while capital expenses are expected to remain relatively stable. The results achieved in 2015, and the budget approved for 2016, are in line with last year forecasts, making the management increasingly confident in its ability to reach those ambitious targets again in the future.

Considering a perpetuity growth rate of 1.25 % and a WACC of 6.5 %, those assumptions would result in a largely positive amount comparable to last year values.

Sensitivity of recoverable amounts

Sensitivity analysis on those 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. No impairment loss had to be recognized as the recoverable amount of the segment ‘Luxembourg’, including goodwill, exceeds its carrying value for any of those scenarios.

Because of the correlation between operating cash flow and investment capacity, sensitivity of net cash flow is used. Cash flow for the terminal year representing a significant portion of the recoverable amount, a change of plus or minus 10 % of this cash flow is presented in case sensitivity.

As at 31 December 2015, 100 % effect on the recoverable amount of a variation of:

- 10 % in cash flow of terminal year: 10.6 million euros
- 1 % in growth rate to perpetuity: 16.0 million euros
- 1 % in discount rate: 27.0 million euros

Other goodwill

This corresponds to:

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 Segment information).

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 Segment information).

Impairment test on the goodwill allocated to the segment 'Belgium' is performed at least at the end of each financial year to assess 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 2015, the market capitalization was significantly higher than the net book value.

Note 5: Other intangible assets and property, plant and equipment

Depreciation and amortization

The 2015 figure for depreciation and amortization stood at 202.2 million euros, up by 7.7 million euros compared to 2014. The level of historical depreciations remained stable, the increase is due to the accelerated depreciations of some fixed assets.

Accelerated depreciations of fixed assets

The changes in useful life on intangible assets and property, plant and equipment recognized 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 2015, change in useful life on both intangible assets and property, plant and equipment has been recognized for an amount of 9.8 million euros (compared with 8.5 million euros in 2014) and shown as expense on the line 'Depreciation and amortization' in the statement of comprehensive income.

Other intangible assets

in thousand EUR

	31.12.2015	31.12.2014
Net book value of other intangible assets in the opening balance	304 989	332 282
Acquisitions of other intangible assets	113 391	37 913
o/w licenses	76 143	
Additions through business combinations	6 616	
Depreciation and amortization	-70 439	-65 206
Reclassifications and other items	-7 166	
Net book value of other intangible assets in the closing balance	347 391	304 989

Acquisitions of other intangible assets are mainly related to the renewal of the 2G license.

in thousand EUR

2015	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value
Telecommunication licenses	365 900	-113 364		252 536
Brand	4 172		-4 172	
Subscriber bases	11 180	-11 180		
Software	377 825	-297 105		80 720
Other intangible assets	124 989	-110 854		14 135
TOTAL	884 066	-532 503	-4 172	347 391

in thousand EUR

2014	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value
Telecommunication licenses	587 228	-380 152		207 076
Brand	4 172		-4 172	
Subscriber bases	11 180	-11 180		
Software	375 815	-283 260		92 555
Other intangible assets	103 779	-98 421		5 358
TOTAL	1 082 174	-773 013	-4 172	304 989

Telecommunication licenses

in thousand EUR

Type of license	Acquisition cost	Net book value end 2015	Net book value end 2014	Useful life in months	Remaining months	Start depreciation period
2G renewal 5 years			13 651	60		November 2010
UMTS 3G	149 041	49 143	58 507	191	63	April 2005
4G	20 020	20 020	20 020	End June 2027		-
800 MHz	120 000	108 422	114 463	238	215	February 2014
2G renewal 5 years 3 months	76 840	74 951		63	62	December 2015
TOTAL	365 900	252 536	206 641			

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 2015 remain comparable to the ones' used in 2014.

The acquisition costs of other intangible assets are mainly related to the renewal of the 2G license. 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.

Property, plant and equipment

in thousand EUR

	31.12.2015	31.12.2014
Net book value of property, plant and equipment in the opening balance	804 387	750 812
Acquisitions of property, plant and equipment	155 882	181 806
Additions through business combinations	126	
Disposals and retirements		-4 448
Depreciation and amortization	-131 785	-129 273
Reclassifications and other items	11 779	5 490
Net book value of property, plant and equipment in the closing balance	840 389	804 387

in thousand EUR

2015	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value
Land and buildings	70 398	-41 628		28 770
Networks and terminals	1 616 270	-840 353		775 917
IT equipment	236 051	-216 510		19 541
Other property, plant and equipment	28 042	-11 881		16 161
TOTAL	1 950 761	-1 110 372	0	840 389

in thousand EUR

2014	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value
Land and buildings	67 871	-37 331		30 540
Networks and terminals	1 512 199	-783 415		728 784
IT equipment	241 732	-215 018		26 714
Other property, plant and equipment	50 304	-31 955		18 349
TOTAL	1 872 106	-1 067 720	0	804 387

Provision for dismantling

in thousand EUR

	31.12.2015	31.12.2014
Provision for dismantling in the opening balance	56 927	51 191
Reversals releases with impact on income statement	-1 696	-429
Discounting with impact on income statement	772	705
Utilizations without impact on income statement	-20	-30
Additions with impact on assets	5 066	5 490
Provision for dismantling in the closing balance	61 049	56 927
o/w non-current provisions	60 125	56 439
o/w current provisions	924	488

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

in thousand EUR

	31.12.2015	31.12.2014
Number of network sites, Orange Communications Luxembourg S.A. incl. (in units)	4 257	4 329
Average dismantling cost per network site	11.5	11.0
Inflation rate	2.0%	2.0%
Discount rate	1.135%	1.54%

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 2015 those costs are estimated at 11.5 thousand euros per site (in 2014 the average cost was 11 thousand euros). 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 2015.

The main explanation of the increase is the use of a lower discount rate (from 1.54 % to 1.13 %), leading to an increase of the liability of more than 2.8 million euros. Unwinding effect has also increased the provision for 0.6 thousand euros, and the increase in average dismantling costs explains 2.2 million euros. The lower number of sites (minus 72) decreased the provision of 1.7 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.

Note 6: Taxes and levies

Income tax in profit and loss statement

in thousand EUR

	31.12.2015	31.12.2014
Current income tax	-38 069	-10 141
Deferred tax expense arising to the origination and reversal of temporary differences	2 272	1 336
TOTAL TAX EXPENSE	-35 797	-8 805

Relationship between tax expense and accounting profit

in thousand EUR

	31.12.2015	31.12.2014
Earnings before income tax	112 388	52 091
Group income tax rate	33.99%	33.99%
Theoretical income tax	**-38 201**	**-17 706**
Effect of difference between local standard rate and Group rate*	254	157
Effect of permanent differences and other reconciling items**	-5 577	-4 283
Tax effect due to differences from standard rates	-340	-157
Effect of tax (without base) affecting current tax***	8 180	13 184
Effect of tax (without base) affecting deferred tax	-113	
INCOME TAX	-35 797	-8 805
EFFECTIVE TAX RATE	31.9%	16.9%

* Local rate (Orange Communications Luxembourg: 31.47%) and Group rate (33.99%).
** Consisting of non-deductible expenses and permanent differences.
*** Adjustments on prior years.

Tax expenses amounted to 35.8 million euros in 2015 compared to 8.8 million euros in 2014. The effective tax rate came out at 31.9 %, 15.0 points above the effective tax rate of 16.9 % in 2014. Given the higher pre-tax earnings in 2015, the absolute amount of tax expenses has increased considerably.

A positive impact on the taxable year 2014 has been recorded in December 2015 for an amount of 7.1 million euros to record tax deductions for investments. The regional pylon tax has been considered a non-tax deductible professional expense.

Tax position in the statement of financial position

Movements in current tax balances

in thousand EUR

	31.12.2015	31.12.2014
Net current tax - opening balance	14 996	14 987
Cash tax payments	-10 301	-10 128
Current income tax expense	38 069	10 141
Changes in consolidation scope, reclassification and translation adjustments	106	-4
Net current tax - closing balance	42 870	14 996

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

Movements in deferred tax balances

in thousand EUR

	31.12.2015	31.12.2014
Net deferred taxes - opening balance	7 095	1 843
Change in income statement	2 272	1 336
Changes in consolidation scope, reclassification and translation adjustments	-2 986	3 916
Net deferred taxes - closing balance	6 381	7 095

in thousand EUR

	31.12.2015			31.12.2014		
	Assets	Liabilities	Income statement	Assets	Liabilities	Income statement
Fixed assets		3 586	441		1 778	-163
Tax losses carryforward	4 044			2 796		
Other temporary differences	5 923		1 831	6 077		1 499
Deferred taxes	9 967	3 586	2 272	8 873	1 778	1 336
Netting	-1 578	-1 578		-1 778	-1 778	
TOTAL	8 389	2 008	2 272	7 095	0	1 336

Deferred taxes recorded on Mobistar's operations are essentially related to investments tax credits and the development costs for intranet sites, to the dismantling assets depreciation and to the depreciation of SIM cards. In Orange Communications Luxembourg the tax asset recorded is related to carried forward tax losses (4.0 million euros).

Operating taxes and levies receivables

The operating taxes and levies amounted to 0.8 million euros in 2015, compared to 4.4 million euros a year ago. This decrease is fully explained by the decrease of the recoverable VAT for 3.6 million euros.

Note 7: Interests in associates and joint ventures

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. This company is consolidated using the equity method. The net result of the year amounts to -51 thousand euros, resulting in a net carrying amount as at 31 December 2015 of 3,273 thousand euros.

In October 2015, the Group has contributed in cash for 100,000 euros equivalent to 2,000 shares out of the 8,000 shares issued by Co.Station Brussels (25 %). This company is consolidated using the equity method.

Note 8: Financial assets, liabilities and financial result

Financial result

in thousand EUR

	31.12.2015	31.12.2014
Financial costs	-6 687	-9 006
Financial income	1	217
TOTAL NET FINANCIAL COSTS	-6 686	-8 789

The net financial result amounted to -6.7 million euros in 2015, compared to -8.8 million euros a year ago. This improvement was primarily due to lower financial costs as a result of lower borrowed interest cost.

Cash and cash equivalents, financial liabilities

in thousand EUR

	31.12.2015	31.12.2014
Cash and cash equivalents		
Cash on hand	-9 709	-6 124
TOTAL CASH AND CASH EQUIVALENTS	-9 709	-6 124
Financial liabilities		
Intercompany short-term borrowing	10 177	449 489
Intercompany long-term borrowing	407 024	94 716
TOTAL BORROWINGS	417 201	544 205
Net financial debt	**407 492**	**538 081**

The net financial debt at the end of 2015 amounted to 407.5 million euros, a decrease of Mobistar's net financial debt position by 130.6 million euros compared to 538.1 million euros of net financial debt at the end of December 2014. Hence, Mobistar significantly strengthened its balance sheet in 2015 by securing its long-term financing, while reducing at the same time the absolute level of its net financial debt position.

The swing in intercompany borrowing is the result of the debt rebalancing from short- to long-term debt, through a credit facility agreement with Atlas Services Belgium for a total amount of 420 million euros. This new credit facility includes a single covenant linked to the 'Net Financial Debt to EBITDA' financial ratio of the company which shall at all times not exceed 2.75:1.

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 at 31 December 2015, Mobistar has drawn for a total of 410 million euros under the available long-term credit facilities provided by Atlas Services Belgium S.A. and for a total of 8.2 million euros under the short-term credit facility provided by Orange S.A.

The debt is contracted at floating interest rates, EURIBOR (3 months) on the long-term and EONIA on the short-term, allowing Mobistar to take advantage of low interest rates. To cover partially the risk of sudden hikes in these floating interest rates, Mobistar has hedged 200 million euros of its long-term debt at a fixed interest rate of 0.41 % up to and including 2020.

Foreign currency risk

Mobistar is not subject to significant foreign currency risks.

Credit risk

Mobistar trades only with recognized, 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 Note 2).

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 below summarizing the maturity profile of the financial assets and liabilities.

Interest-bearing loans and borrowings

in thousand EUR

	Nominal amount end 2015	Interest rate	Maturity	31.12.2015	31.12.2014
Unsecured revolving credit facility agreement with Atlas Services Belgium	70 000	EURIBOR +1.10	09.06.2017		95 000
	420 000	EURIBOR +1.25/1.05/0.95	15.06.2021	410 000	
Transactions costs on long-term loan				-993	-283
TOTAL LONG-TERM LOANS AND BORROWINGS				**409 007**	**94 717**
Unsecured revolving credit facility agreement with Atlas Services Belgium	410 000	EURIBOR +0.65	31.12.2015		450 000
Cash-pool related credit facility with Orange	50 000	EONIA +0.90	on demand	8 225	
Uncommitted credit lines with various banks	36 000	determined upon withdrawal	on demand		
Transactions costs on short-term loan					-511
TOTAL SHORT-TERM LOANS AND BORROWINGS				**8 225**	**449 489**

Fair values

in thousand EUR

	Carrying amount		Fair value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
FINANCIAL ASSETS				
Non-current financial assets*	741	551	738[1]	548[2]
Non-current derivatives assets		1		1
Trade receivables*	184 366	192 894	184 366	192 894
Current financial assets*	1 113[4]	6 261[3]	1 113[1/4]	6 261[2/3]
Current derivatives assets	2 160	1 393	2 160	1 393
Cash and cash equivalents	9 709	6 124	9 709	6 124
FINANCIAL LIABILITIES				
Non-current financial liabilities	409 007	94 717	407 652[1]	94 550[2]
Non-current derivatives liabilities	1		1	
Current financial liabilities	8 165	449 489	8 165	449 489
Current derivatives liabilities	4 172	1 393	4 172	1 393
Trade payables	169 815	151 680	169 815	151 680

[1] Discount rates (assumption) have been considered on the estimated period of repayment (1 year: -0.057015%, 2 years: -0.035%, 3 years: 0.06357%, 4 years: 0.194035%, 5 years: 0.33265%, 6 years: 0.48127%).
[2] 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%).
[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 699 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 700 thousand euros.
* See note related to the accounting principles (loans and receivables).

As at 31 December 2015, the Group held two hedging derivative financial instruments qualifying for hedge accounting. Mobistar uses derivative financial instruments, more particularly interest rate swaps, to hedge its exposure to interest rate risks arising from its financing activity. An interest rate swap (IRS) is an interest rate forward contract for which Mobistar exchanges a floating interest rate against a fixed interest rate. These IRS are valued, subsequent to their initial recognition, at their fair value. The fair value measurement is derived from data that are observable, either directly or indirectly, and is based on the discounted cash flow method by using a yield curve that is adapted to the duration of the instruments.

Summary of the hedging derivative financial instruments qualifying for hedge accounting:

in thousand EUR

Start date	End date	Option	Exercise price	Floating rate	Notional amount
31/01/2016	31/01/2021	IRS	0.4280%	EURIBOR 3 months	75 000
15/12/2015	15/12/2020	IRS	0.3995%	EURIBOR 3 months	125 000

Fair value of the hedging derivative financial instruments qualifying for hedge accounting:

in thousand EUR

	31.12.2015	31.12.2014
Current liabilities – effective part of the fair value of authorized cash flow hedging instruments	2 012	0

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 2015	Amount	Within 1 year	Within 2-5 years	More than 5 years
FINANCIAL ASSETS				
Non-current financial assets	741		90	651
Trade receivables	184 366	184 366		
Current financial assets	1 113	1 113		
Current derivatives assets	2 160	2 160		
Cash and cash equivalents	9 709	9 709		
FINANCIAL LIABILITIES				
Non-current financial liabilities	409 007		294 037	114 970
Non-current derivatives liabilities	1	1		
Current financial liabilities	8 165	8 165		
Current derivatives liabilities	4 172	2 160	1 251	761
Trade payables	169 815	169 815		

in thousand EUR

As at 31 December 2014	Amount	Within 1 year	Within 2-5 years	More than 5 years
FINANCIAL ASSETS				
Non-current financial assets	551			551
Non-current derivatives assets	1	1		
Trade receivables	192 894	192 894		
Current financial assets	6 261	6 261		
Current derivatives assets	1 393	1 393		
Cash and cash equivalents	6 124	6 124		
FINANCIAL LIABILITIES				
Non-current financial liabilities	94 717		94 717	
Current financial liabilities	449 489	449 489		
Current derivatives liabilities	1 393	1 393		
Trade payables	151 680	151 680		

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 488 million euros for 2015, a variation of floating rate of 0.5 % would have meant an impact on financing costs of 2.4 million euros. 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.

Summary of current and non-current liabilities

Mobistar's non-current liabilities increased to 484.1 million euros at the end of December 2015, from 161.5 million euros at the end of 2014. This is largely the result of the re-financing of short-term debt into long-term debt. As a reminder, in June 2015 Mobistar refinanced the 450 million euros long-term revolving credit facility by a new long-term revolving credit facility of 420 million euros with an average maturity of 5 years. In addition Mobistar has access to another 3-year amortizable revolving credit facility signed in December 2013 of 120 million euros, of which 70 million euros is still available at the beginning of 2016.

Current liabilities decreased to 576.2 million euros at the end of 2015 from 899.2 million euros at the end of 2014. This is the result of the debt rebalancing from short- to long-term debt, the increase in current fixed assets payable linked to the payment of the remaining 900 MHz and 1,800 MHz licenses, the increase in operating taxes and levies payable driven by the Walloon pylon tax provisions and lastly, by the increase in current tax payables.

Note 9: Shareholders' equity

Share capital

No changes have been performed during the years 2014 and 2015.

	Share capital (in thousand EUR)	Number of ordinary shares (in units)
As at 1 January 2015	131 721	60 014 414
As at 31 December 2015	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 2015, the par value is the same for 2014 and 2015.

Dividends

While having reduced its net financial debt/EBITDA ratio to 1.3x at the end of 2015, Mobistar will in 2016 prioritize the use of its cash for investing in convergence and future growth initiatives. Accordingly the Board of Directors will propose the General Assembly of 4 May 2016 not to pay a dividend for the financial year 2015. No dividend has been paid neither for the financial year 2014.

Note 10: Commitments and contingencies

Operational activities commitments

in thousand EUR

	Total	Less than one year	From one to five years	More than five years
Operating leases	8 423	1 024	7 399	
Handsets purchases	65 697	65 697		
Transmission capacity purchases	62	11	41	10
Other goods and services purchases	54 866	20 545	34 606	15
Investment commitments	213 182	112 631	100 551	
OPERATIONAL ACTIVITIES COMMITMENTS	342 230	199 908	142 297	25

Property lease commitments

in thousand EUR

	Discounted value of future lease payments	Minimum future lease payments
Technical activities	217 521	378 712
Shops / Offices activities	70 139	86 201
PROPERTY LEASE COMMITMENTS	287 660	464 913

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. Maturities are set forth below:

in thousand EUR

	Minimum future lease payments	Less than one year	1-2 years	2-3 years	3-4 years	4-5 years	More than five years
PROPERTY LEASE COMMITMENTS	464 913	38 334	34 053	30 693	27 431	24 396	310 006

Guarantees granted

in thousand EUR

	Total	Less than one year	From one to five years	More than five years
GUARANTEES GRANTED	12 109	506	3 298	8 305

In 2015, guarantees granted are related to various lease agreements and to network performance commitment granted to some corporate customers. No other security (mortgage, pledge or other) has been granted on Mobistar assets as at 31 December 2015.

Note 11: Non-current provisions

in thousand EUR

2015	31.12.2014	Additions	Utilizations	Reversal	Other effect	31.12.2015
Provisions for dismantling	56 927		-1 696	-20	5 838	61 049
Provisions for litigations	14 145	1 860	-3 654	-748	19	11 622
TOTAL PROVISIONS	71 072	1 860	-5 350	-768	5 857	72 671

in thousand EUR

2014	31.12.2013	Additions	Utilizations	Reversal	Other effect	31.12.2014
Provisions for dismantling	51 191		-429	-30	6 195	56 927
Provisions for litigations	18 450	3 657	-5 715	-309	-1 938	14 145
TOTAL PROVISIONS	69 641	3 657	-6 144	-339	4 257	71 072

Provisions for litigations are recorded in other (non) current liabilities.

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.

See Management report, section 5 for detailed information on the disputes.

Network sites dismantling provision

See Note 5 - Other intangible assets and property, plant and equipment.

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 recognized in this respect in the Mobistar financial statements.

Note 12: Related parties

Relationships with affiliated enterprises

Balance sheet and income statement

in thousand EUR

	31.12.2015	31.12.2014
ASSETS		
Current trade receivables	5 055	7 766
LIABILITIES		
Current interest-bearing loan	7 565	449 957
Non-current interest-bearing loan	409 589	94 550
Current trade payables	-6 526	-3 986
INCOME AND CHARGES		
Sales	21 689	23 986
Purchases	-17 051	-13 396
Interests	-5 852	-6 735

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

Related parties transactions

in thousand EUR

31.12.2015	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Orange - Traffic and services	16 127	-12 292		
Orange – Cash pool			4 106	9 365
Orange Affiliates - Traffic and services	5 562	-4 759	949	-7 333
Atlas Services Belgium - Loan		-5 852		408 596
TOTAL	21 689	-22 903	5 055	410 628

in thousand EUR

31.12.2014	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Orange - Traffic and services	16 906	-11 357	18	
Orange – Cash pool			6 944	3 523
Orange Affiliates - Traffic and services	7 080	-2 039	804	-7 269
Atlas Services Belgium - Loan		-6 735		544 267
TOTAL	23 986	-20 131	7 766	540 521

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

	31.12.2015	31.12.2014
Short-term employee benefits	488	448
Post-employment benefits	4 572	3 830
TOTAL	5 060	4 278

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

	31.12.2015	31.12.2014
TOTAL REMUNERATION	455	338

Note 13: Significant accounting policies

1. Summary of significant accounting policies

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

1.2. 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 recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized 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.

The values in use of the businesses, which are most of the recoverable amounts and which support the book values of long-term assets including are sensitive to the valuation method and the assumptions used in the models. They are also sensitive to any change in the business environment that is different from the assumptions used. Mobistar recognizes assets as impaired if events or circumstances occur that involve material adverse changes of a permanent nature affecting the economic climate or the assumptions and targets used at the time of the acquisition. New events or adverse circumstances could conduct Mobistar to review the present value of its assets and to recognize further substantial impairment losses that could have an adverse effect on its results.

1.3. Intangible assets

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

The GSM and UMTS licenses have been granted for a period of 15 years (originally) and 20 years respectively. The extension of the GSM license, acquired in 2015, is amortised over a period of 5 years which corresponds to the license term.

The 4G license, acquired in 2011, has been granted for a period of 15 years, till the 1st of July 2027. The 800 MHz license has been acquired in November 2013 and is valid for a period of 20 years. Amortization of the licenses 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 license 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 amortization starts when the software has been ready for use.

The amortization period and amortization 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. The changes in useful life on intangible assets recognized during the year are determined on individual asset basis. Obsolescence, dismantling or losses are also considered in the exercise.

Amortization costs are recorded in the income statement under the heading 'Depreciation and amortization'.

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 amortization and accumulated impairment losses. Amortization 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.

1.4. 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 recognized as an asset when incurred and if the recognition criteria are met. All other repair and maintenance costs are recognized 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. The changes in useful life on tangible assets recognized during the year are determined on individual asset basis. Obsolescence, dismantling or losses are also considered in the exercise.

Depreciation costs are recorded in the income statement under the heading 'Depreciation and amortization'.

An item of property, plant and equipment is derecognized 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 derecognized.

The asset retirement obligation (ARO) 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.

1.5. 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 recognized in the income statement in the operating expenses under the heading 'Impairment of fixed assets'.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized 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 recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

1.6. 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 recognized as an expense in the period in which they occurred.

1.7. Government grants

A government grant is recognized 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 recognized 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.

1.8. 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 recognized 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 recognized 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 recognized 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. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized 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 recognized 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 recognized 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.

1.9. 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.

1.10. 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.

1.11. 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.

1.12. Financial instruments

Recognition and derecognition

A financial asset or a financial liability is recognized 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 derecognized when the contractual rights to the cash flows from the financial asset expire.

A financial liability will be derecognized 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 recognized 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.

<u>Financial assets at fair value through profit or loss</u>

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.

<u>Loans and receivables</u>

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 recognized in income statement when the loans and receivables are derecognized or impaired, as well as through the amortization 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 recognized 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 recognized 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 recognized, the previously recognized 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 recognized 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 derecognized when they are assessed as uncollectible.

Financial liabilities

Interest-bearing loans and borrowings

Loans and borrowings are initially recognized 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 recognized in income when the liabilities are derecognized as well as through the amortization 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.

1.13. Long-term provisions

Provisions are recognized 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 recognized 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 recognized 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 recognized as an item of tangible asset. This estimate is also recognized as a provision that is measured by using appropriate inflation and discount rates.

1.14. 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 recognized 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.

As a consequence of the law of 18 December 2015, minimum returns are guaranteed by the employer as follows :

- for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75 % and a maximum of 3.75 %. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75 %.
- for the contributions paid until end December 2015, the previously applicable legal returns (3.25 % and 3.75 % respectively on the employer and employee contributions) continue to apply until retirement date of the participants.

In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans.

The Group was not in a position to receive a complete actuarial computation under the PUC method due to the recent publication of the law. Based on an analysis of the plans and the limited difference between the legally guaranteed minimum returns and the interest guaranteed by the insurance company, the Group has concluded that the application of the PUC method would have an immaterial impact.

As a consequence, in view of the immaterial difference between the accumulated reserves and the minimum reserves as of 31 December 2015, no provision has been recognized.

1.15. Revenue

Revenue is recognized 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 recognized 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 recognized 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 recognized in revenue upon delivery. Consignment sales are recognized in revenue upon sale to the final customer.

Revenue from subscription contracts

Traffic revenue is recognized upon usage and non-used traffic rights are deferred when such right of deferral exists. Prepaid subscription amount is recognized 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 recognized 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.

1.16. 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 recognized 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.

1.17. Loyalty commissions

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

1.18. Financial discounts

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

1.19. Dividend

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

1.20. 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.

2. 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 2015 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 2018, but not yet endorsed in EU)
- IFRS 16 *Leases* (applicable for annual periods beginning on or after 1 January 2019, 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 (2012-2014) (applicable for annual periods beginning on or after 1 January 2016)
- 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* (the effective date has been deferred indefinitely, but not yet endorsed in 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)
- Amendments to IAS 1 *Presentation of Financial Statements – Disclosure Initiative* (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 7 *Statement of Cash Flows – Disclosure Initiative* (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Amendments to IAS 12 *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (applicable for annual periods beginning on or after 1 January 2017, 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 Amortization* (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (applicable for annual periods beginning on or after 1 January 2016)
- 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)

Note 14: Subsequent events

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 2015

Comments on Mobistar S.A.'s 2015 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/en

Balance sheet after appropriation

in thousand EUR

	2015	2014
ASSETS		
FIXED ASSETS	1 217 787	1 138 078
Formation expenses	1 404	733
Intangible fixed assets	339 142	343 007
Tangible fixed assets	775 166	697 126
Land and buildings	357 743	338 897
Plant, machinery and equipment	386 100	324 197
Furniture and vehicles	17 171	17 938
Other tangible fixed assets	14 152	16 094
Financial fixed assets	102 075	97 212
Affiliated enterprises	98 429	92 679
Participating interests	93 017	87 267
Amounts receivable	5 412	5 412
Other enterprises linked by participating interests	3 550	3 450
Participating interests	3 550	3 450
Other financial assets	96	1 083
Amounts receivable and cash guarantees	96	1 083
CURRENT ASSETS	260 602	270 445
Amounts receivable after more than one year	701	550
Other amounts receivable	701	550
Stocks and contracts in progress	17 973	15 762
Stocks	17 973	15 762
Goods purchased for resale	17 973	15 762
Amounts receivable within one year	219 758	229 724
Trade debtors	210 575	214 914
Other amounts receivable	9 182	14 810
Current investments	8 706	4 206
Own shares		39
Other investments and deposits	8 706	4 167
Cash at bank and in hand	1 217	1 640
Deferred charges and accrued income	12 248	18 563
TOTAL ASSETS	1 478 389	1 408 523

in thousand EUR

	2015	2014
EQUITY AND LIABILITIES		
EQUITY	464 915	383 633
Capital	131 721	131 721
Issued capital	131 721	131 721
Reserves	13 172	13 211
Legal reserve	13 172	13 172
Reserves not available		39
In respect of own shares held		39
Accumulated profits (losses) (+) (-)	320 002	238 655
Investment grants	20	46
PROVISIONS AND DEFERRED TAXES	13 557	12 849
Provisions for liabilities and charges	13 557	12 849
Pensions and similar obligations	1 321	1 161
Other liabilities and charges	12 236	11 688
AMOUNTS PAYABLE	999 916	1 012 041
Amounts payable after more than one year	410 000	95 000
Financial debts	410 000	95 000
Other loans	410 000	95 000
Amounts payable within one year	529 520	849 166
Current portion of amounts payable after more than one year falling due within one year		450 000
Financial debts	8 225	
Other loans	8 225	
Trade debts	443 842	351 080
Suppliers	443 842	351 080
Taxes, remuneration and social security	74 026	45 747
Taxes	42 356	14 501
Remuneration and social security	31 670	31 246
Other amounts payable	3 427	2 339
Accrued charges and deferred income	60 396	67 875
TOTAL EQUITY AND LIABILITIES	1 478 389	1 408 523

Income statement

in thousand EUR

	2015	2014
Operating income	1 218 609	1 241 623
Turnover	1 161 959	1 194 026
Own construction capitalised	7 895	7 817
Other operating income	48 755	39 780
Operating charges	1 147 104	1 175 637
Raw materials, consumables	571 278	571 514
Purchases	573 201	568 999
Stocks: decrease (increase) (+) (-)	-1 923	2 515
Services and other goods	222 737	239 094
Remuneration, social security costs and pensions (+) (-)	134 504	144 046
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	188 673	183 874
Amounts written down stocks, contracts in progress and trade debtors: appropriations (write-backs) (+) (-)	16 785	24 757
Provisions for risks and charges: appropriations (uses and write-backs) (+) (-)	708	-983
Other operating charges	12 419	13 335
Operating profit (loss) (+) (-)	71 505	65 986
Financial income	382	243
Income from current assets	238	148
Other financial income	144	95
Financial charges	8 565	9 054
Debt charges	6 159	7 127
Other financial charges	2 406	1 927
Gain (loss) on ordinary activities before taxes (+) (-)	63 322	57 175
Extraordinary income	56 699	18 560
Gains on disposal of fixed assets		18 350
Other extraordinary income	56 699	210
Profit (loss) for the period before taxes (+) (-)	120 021	75 735
Income taxes (+) (-)	37 939	9 999
Income taxes	46 261	23 188
Adjustment of income taxes and write-backs of tax provisions	8 322	13 189
Profit (loss) for the period (+) (-)	82 082	65 736
Profit (loss) for the period available for appropriation (+) (-)	82 082	65 736

Appropriations and withdrawings

in thousand EUR

	2015	2014
Profit (loss) to be appropriated (+) (-)	320 737	239 127
Profit (loss) to be appropriated (+) (-)	82 082	65 736
Profit (loss) to be carried forward (+) (-)	238 655	173 391
Transfers from capital and reserves	39	
From reserves	39	
Transfers to capital and reserves		39
To other reserves		39
Profit (loss) to be carried forward (+) (-)	320 002	238 655
Profit to be distributed	774	433
Other beneficiaries	774	433

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 16 October 2015. This tenth version of the Corporate Governance Charter has entered into force on 1 November 2015. The Charter is available on the Mobistar website (https://corporate.mobistar.be/en/financial-information/corporate-governance) and may be obtained on request to the Investor Relations Department.

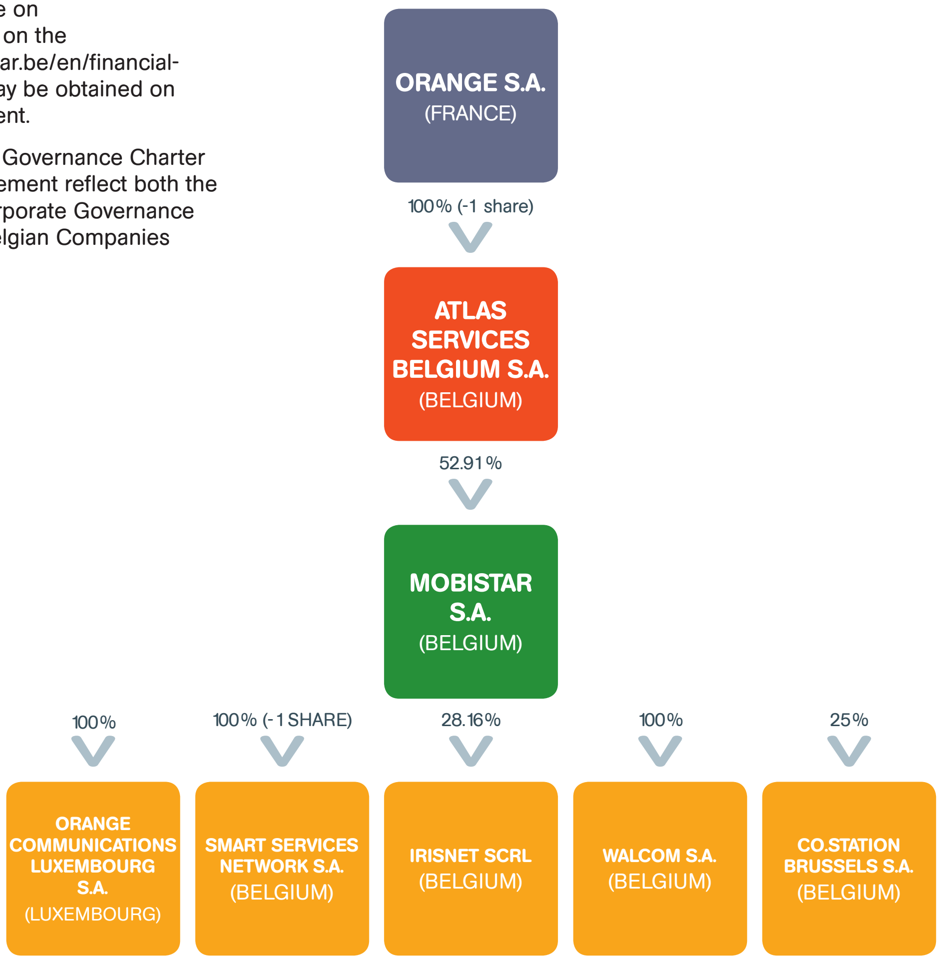
The company considers that its Corporate Governance Charter as well as this Corporate Governance Statement reflect both the spirit and the provisions of the Belgian Corporate Governance Code and the relevant provisions of the Belgian Companies Code.

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 1 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 2015, 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 %
Schroder Investment Management	3,105,040	5.17 %
M&G Investment Management Ltd	1,801,397	3.00 %
Free float (others)	21,544,163	35.90 %
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 notifcation thresholds of 3 %, 5 % and multiples of 5 %. In January 2015 Schroder Investment Management passed the threshold of 5 % and in August 2015 M&G Investment Management crossed 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.

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 is also 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 notarial 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 2015, 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.

In 2015, two directors resigned and were replaced: Mr Bertrand du Boucher resigned as from 30 June 2015 and was replaced by Mr Christophe Naulleau on 23 July 2015, and Ms Geneviève André resigned as from 1 December 2015 and was replaced by Mr Francis Gelibter on the same date.

Name	Function	Main function	Age	Nationality	End of mandate
J. Steyaert	Chairman	Director of companies	70	Belgian	2017
J.M. Harion (1)(2)	Executive director	CEO Mobistar	54	French	2017
J. Deschuyffeleer (3)	Independent director	Senior VP Technology Consulting HP	58	Belgian	2017
Société de Conseil en Gestion et Stratégie d'Entreprises (3)(4)	Independent director	Director of companies	NA	Belgian	2017
F. Gelibter (1)(7)	Director	Chief Finance & Strategy for Europe Orange	58	French	2016
G. Ries (1)	Director	Executive VP International Operations Orange	61	French	2017
Ch. Naulleau (1)(6)	Director	Senior VP Europe-Countries Governance Orange	56	French	2016
P. Lambert-de Diesbach (1)	Director	Senior VP - Head of Investor Relations Orange	59	French	2017
B. Mettling (1)	Director	Deputy CEO Orange (HR / Internal Communication)	58	French	2017
G. Pellissier (1)	Director	Deputy CEO Orange (Europe and Group operations)	57	French	2015
M. De Rouck (3)	Independent director	Head of Fraud protection Office BNP Paribas Fortis	59	Belgian	2017
Leadership and Management Advisory Services (LMAS) (3)(5)	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 that 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 Ms Nadine Lemaître-Rozencweig.
(5) The company Leadership and Management Advisory Services (LMAS) is represented by Mr Grégoire Dallemagne.
(6) Mr Christophe Naulleau was coopted on 23 July 2015 following the resignation of Mr Bertrand du Boucher. His final appointment will be proposed during the General Shareholders' Meeting of 2016.
(7) Mr Francis Gelibter was coopted with effect from 1 December 2015 following the resignation of Ms Geneviève André. His final appointment will be proposed during the General Shareholders' Meeting of 2016.

The Board of Directors meets at least four times a year. In 2015, the Board of Directors mainly discussed the following subjects:

- the company's strategy and structure;
- the budget and financing of the company;
- the operational and financial situation;
- the follow-up of the strategic projects;
- the 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 branding and communication;
- the 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:

Members of the Board of Directors	Function	03.02	24.03	26.03	22.04	11.06	23.07	16.10	25.11	08.12	11.12
J. Steyaert	Chairman	P	P	P	P	P	P	P	P	P	P
Ch. Naulleau	Director	NA	NA	NA	NA	NA	P	P	P	P	P
F. Gelibter	Director	NA	NA	NA	NA	NA	NA	NA	NA	R	R
B. du Boucher	Director	P	P	P	P	P	NA	NA	NA	NA	NA
G. Ries	Director	R	P	P	P	R	P	P	P	P	P
J. Deschuyffeleer	Independent director	E	P	P	P	P	P	P	P	P	P
SOGESTRA (N. Lemaître-Rozencweig)	Independent director	P	E	P	P	P	P	P	P	P	P
J. M. Harion	Director	P	P	P	P	P	P	P	P	P	P
G. André	Director	P	P	P	P	P	P	P	P	NA	NA
M. De Rouck	Independent director	P	P	P	P	P	P	P	P	P	P
P. Lambert-de Diesbach	Director	P	E	E	P	E	P	P	P	P	R
B. Mettling	Director	P	P	R	P	R	R	P	R	P	R
Leadership and Management Advisory Services (G. Dallemagne)	Independent director	P	P	P	P	P	P	P	P	P	P
G. Pellissier	Director	P	R	R	P	R	P	P	P	P	R

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

THE BOARD OF DIRECTORS

1 **Jan Steyaert** (Chairman)
2 **Jean Marc Harion** (Chief Executive Officer)
3 **Geneviève André**
4 **P. Lambert-de Diesbach**
5 **Grégoire Dallemagne**
6 **Nadine Lemaître-Rozencweig**
7 **Martine De Rouck**
8 **Bruno Mettling**
9 **Johan Deschuyffeleer**
10 **Gervais Pellissier**
11 **Bertrand du Boucher**
12 **Gérard Ries**

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

The Audit Committee

In 2015, the Audit Committee consisted of three directors: the company Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Ms Nadine Lemaître-Rozencweig), Ms Martine De Rouck and Mr Bertrand du Boucher. Mr du Boucher's mandate ended on 30 June 2015.
He was replaced by Ms Geneviève André who resigned on 1 December 2015. Mr Francis Gelibter took over as from the same date.

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 seven times in 2015.

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

Members of the Audit Committee	Function	02.02	20.04	08.06	22.07	15.10	25.11	08.12
SOGESTRA (N. Lemaître-Rozencweig)	Chairman	P	P	P	P	P	P	P
B. du Boucher	Director	P	P	P	NA	NA	NA	NA
G. André	Director	NA	NA	NA	P	P	P	NA
F. Gelibter	Director	NA	NA	NA	NA	NA	NA	E
M. De Rouck	Independent director	P	P	P	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 2015 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 'Fraud & Revenue Assurance';
- the Information Security;
- the annual report 'Compliance & Ethics';
- the annual report concerning the main disputes.

The Remuneration and Nomination Committee

In 2015, the Remuneration and Nomination Committee consisted of five directors: Messrs Bruno Mettling (Chairman), Jan Steyaert and Johan Deschuyffeleer, Ms Martine De Rouck and the company Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Ms Nadine Lemaître-Rozencweig).

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

In 2015, 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 2015.

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:

Members of the Remuneration and Nomination Committee	Function	03.02	06.05	22.07	15.10	08.12
B. Mettling	Chairman	P	P	P	P	P
J. Steyaert	Director	P	P	P	P	P
SOGESTRA (N. Lemaître-Rozencweig)	Independent director	P	P	P	P	P
J. Deschuyffeleer	Independent director	E	E	E	P	P
M. De Rouck	Independent director	P	P	P	P	P

P: participated (in person or by call)
E: excused

The Strategic Committee

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

End 2015, 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 Ms Geneviève André. Mr Bertrand du Boucher resigned in July 2015 and was replaced by Mr Christophe Naulleau in the Strategic Committee. Ms Geneviève André resigned in December 2015 and was replaced by Mr Francis Gelibter in the Strategic Committee.

In 2015, the Strategic Committee met six times and dealt with the following subjects:

- the results of the company;
- the development and prospects of the company;
- the convergence and new technologies;
- the major 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 branding and related matters.

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

Members of the Strategic Committee	Function	16.01	11.03	25.06	24.09	25.11	09.12
J. Deschuyffeleer	Chairman	P	P	P	P	P	P
J. Steyaert	Director	P	P	P	P	P	P
B. du Boucher	Director	P	P	P	NA	NA	NA
G. Ries	Director	E	P	P	P	P	P
G. André	Director	P	P	P	P	P	NA
Ch. Naulleau	Director	NA	NA	NA	P	P	P
Leadership and Management Advisory Services (G. Dallemagne)	Independent director	P	P	P	P	P	P
G. Pellissier	Director	E	E	P	P	E	P
F. Gelibter	Director	NA	NA	NA	NA	NA	NA
P. Lambert-de Diesbach	Director	E	E	E	E	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 in 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 2015, the Governance Supervisory Committee consisted of three directors: Mr Jan Steyaert, Ms Geneviève André and the company Société de Conseil en Gestion et Stratégie d'Entreprises (SOGESTRA, represented by Ms Nadine Lemaître-Rozencweig). In December 2015 Ms Geneviève André was replaced by Mr Christophe Naulleau.

In 2015, the Governance Supervisory Committee met once.

The subjects dealt with in 2015 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.

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

Members of the Governance Supervisory Committee	Function	22.12
SOGESTRA (N. Lemaître-Rozencweig)	Chairman	P
J. Steyaert	Director	P
G. André	Director	NA
Ch. Naulleau	Director	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, the company attempts as much as possible to propose the appointment of female candidates.

The Board of Directors has currently two 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 well 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:

- Mr Jean Marc Harion (Chief Executive Officer)
- Mr Stéphane Beauduin (Chief Enterprise and Wholesales Officer)
- Mr Paul-Marie Dessart (Secretary General)
- Mr Ludovic Pech (Chief Financial Officer)
- Ms Anne Cambier (Chief People Officer) until 30 June 2015
- Ms Cristina Zanchi (Chief Consumer Officer)
- Mr Alain Ovyn (Chief Customer Service Officer)
- Mr Erick Cuvelier (Chief Information Officer on Strategic Program)
- Mr Sven Bols (Chief Sales & Distribution Officer) until 30 June 2015
- Mr Gabriel Flichy (Chief Technology Officer)
- Mr Jérémie Dutray (Chief Operating Officer)
- Mr Werner De Laet (Chief Executive Officer of Orange Communications Luxembourg S.A.)
- Ms Isabel Carrion (Chief People Officer) as from 1 September 2015


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1 Jean Marc Harion
2 Stéphane Beauduin
3 Paul-Marie Dessart
4 Ludovic Pech
5 Cristina Zanchi
6 Alain Ovyn
7 Erick Cuvelier
8 Gabriel Flichy
9 Jérémie Dutray
10 Werner De Laet
11 Isabel Carrion

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 2016. 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 2015, 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 2016 Annual Shareholders' meeting.

In the course of 2015, the company has been informed of the sale of 1,000 Mobistar shares by a member of the Executive Management, Mr Werner De Laet.

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 two years, has continued into 2015 for a further three 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 (around 50 % of total remuneration)
2. Variable remuneration, based on the short- and long-term performance and encouraging the attainment of the company's objectives (around 33 % of total remuneration)
   a. Short-term variable remuneration called "performance bonus"
   b. Long-term variable remuneration called "Long-term bonus 2014-2015", "Long-term bonus 2015-2016" and "Long-term Incentive Plan 2015-2017"

   The General Assembly of May 2011 decided to apply the exception provided for in article 520ter of the Belgian Companies Code (combined with article 525) to take account of the competitive and constantly developing context that is intrinsic to the telecommunications sector. In 2015 there has been a re-balancing between short-term variable remuneration and long-term variable remuneration.
3. Other elements of the remuneration (around 17 % of total remuneration)
   a. Group insurance consisting of four parts: life – death – invalidity and exemption of premiums
   b. Hospital insurance
   c. Employee profit sharing plan
   d. Availability of /Disposal over a vehicle
   e. Meal vouchers
   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 30 % and 40 % of the yearly basis remuneration for the functions supporting the business, between 40 % and 50 % for the functions leading the business and 50 % for the CEO. 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 collective part which is based in 2015 on the financial indicators, the customer satisfaction and the employee engagement, reflecting the company's strategic ambition to put its customers and its employees at the centre of its activity:

  - The consolidated service revenues (mobile and fixed)
  - The restated EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)
  - The Net Promoter Score (percentage of customers who are promoters - percentage of customers who are detractors)
  - The Employee Net Promoter Score that measures to what extent the Mobistar employees would recommend Mobistar as a great place to work (percentage of employees who are promoters - percentage of employees 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 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. In 2015 there was one exception granted.

2.b. The long-term variable remuneration

A) Long-term bonus 2014-2015 and 2015-2016

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 bonus represents 20 % of annual gross remuneration. It was developed based on the market trend towards readjusting short- and long-term corporate bonuses.

As from 2015 the Chief Executive Officer and his Executive Management team can benefit contractually from a new recurring Long-term Incentive Plan over 3 years (see ii). In order to bridge the long-term bonus 2014-2015 and this new recurring Long-term Incentive Plan, an exceptional long-term bonus 2015-2016 was granted, to ensure continued focus on long-term growth.
This 2015-2016 long-term bonus represents 15 % of annual gross remuneration (30 % over the two-year period).

These two long-term bonuses are based on two KPI's: cumulative restated EBITDA indicators for the period 2014-2015, respectively 2015-2016 and incremental operating revenues (mobile and fixed) generated at the end of the 2014-2015 period, 2015-2016 period respectively (both having a weight of 50 %).

The 2014-2015 long-term bonus is evaluated for 25 % in 2015 and for 75 % in 2016. The 2015-2016 long-term bonus will be evaluated in March 2017.

The awarding of the long-term bonuses is conditional upon being present in March 2015 and March 2016 (for full balance of the 2014-2015 bonus) and in March 2017 for the 2015-2016 bonus. The executive members having an Orange contract will be entitled to a prorata temporis awarding in case they accept another mission in the Orange Group. 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 2015 period are included in the 2015-2016 long-term bonus scheme.

The Chief Executive Officer is not included in the long-term bonus scheme for 2014-2015 but he is included in the long-term bonus scheme 2015-2016.

B) Long-term Incentive Plan 2015-2017
The 2015-2017 Long-term Incentive Plan is the first award made by the Remuneration and Nomination Committee under a new three-year recurring Long-term Incentive Plan (" LTIP ") established by the company which aims to incentivize and retain executive members over the longer term by rewarding delivery of targets linked to the company's strategy and longer term value creation. This new LTIP represents 30 % of yearly fixed remuneration after three years and executive members have access to this LTIP on condition they have agreed to adapt their contractual terms and conditions to reflect the rebalance of short- and long-term mix in their package with a corresponding 5 % to 10 % reduction in annual bonus opportunity.

The LTIP is a "rolling plan" over three-year performance periods with awards considered and decided annually by the Remuneration and Nomination Committee. For new executive members, the LTIP is accessible as from the year following the entry date (i.e. the next annual LTIP award considered by the Remuneration and Nomination Committee). In 2015 an exception was granted. Executive members must still be employed on the payment date to remain eligible to the Incentive Bonus unless they are requested to move within the Orange Group and in which case they will retain a prorated entitlement up to the date of transfer, always subject to the approval of the Remuneration and Nomination Committee on a case by case basis.
Leavers under notice are not eligible for any further awards under consideration by the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee will decide on three company KPI's and targets to apply to each annual LTIP award for the three-year performance period at the beginning of the financial year. Company targets are weighted independently 50 %/50 %/50 %, with a maximum possible achievement for each LTIP award of 150 %. Performance will be assessed by the Remuneration and Nomination Committee at the end of each three-year performance period on a "Hit or Miss" principle (i.e. all or nothing), the objective is reached or not and must be reached to vest the respective percentage for each target. Subject to the achievement of at least one company target in any three-year performance period, individual contribution by the executive member can add an additional 25 % to the final result subject to an overall maximum LTIP potential of 175 % of the target award.

The Remuneration and Nomination Committee will assess and decide on individual contribution in each case considering the following criteria:

- above expectations in terms of individual contribution related to each executive member's strategic objectives (in his/her scope of work, costs and/or revenues driven)
- above expectations in terms of collaborative and transversal contribution
- personal achievement in the biannual bonus continuously above 100 % achievement during the whole of the three-year performance period
- any other exceptional element to be considered (Group contribution, outside Mobistar significant impact etc.)

For the 2015-2017 LTIP award the Remuneration and Nomination Committee has decided on the following company targets to reflect the company's strategic aims over the three-year performance period:

- Service revenues growth compared with 2014 strategic plan target
- Earnings per share growth
- Number of B2C convergent customers at end 2017 compared to strategic plan approved by the Board of Directors

LTIP awards will vest subject to company performance measured over each three-year period with plan payments 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.
The 2015-2017 LTIP is anticipated to vest and become payable in March 2018 subject to results.

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' contributions solely.

3.b. Employee profit sharing 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 2015, the shareholders' meeting approved the awarding of a profit-sharing scheme.

3.c. Pre-negotiated exit conditions

The new Chief People Officer who joined the company in September 2015 benefits from a 12 months exit guarantee. For the other members of the Executive Management, labor law applies and no specific severance clauses have been agreed.

The detailed remuneration of the members of the Executive Management

In 2015, the Executive Management's remuneration increased with 18 % compared to 2014. Variations are largely a result of:

1. a number of reorganizations within the Executive Management, to capitalize upon the 2014 results and prepare the organization for 2015-2016. This resulted in a number of salary package reviews.
2. variable short-term remuneration paid in 2014 being strongly affected by 2013 results; indeed, the amount in question covers second half 2013 and first half 2014 due to a timing difference.
3. variable long-term remuneration, which does not affect remuneration in 2014. The 2014-2015 long-term bonus will affect Executive Management remuneration in 2015 and 2016. The 2015-2016 long-term bonus will affect Executive Management remuneration only in 2017.

A severance payment corresponding to 10 months and 12 weeks was provided for the Chief Enterprise & Wholesales Officer at the end of 2015, and a non-competition clause payment equivalent to 3 month's salary was awarded and shall be paid on the departure date, agreed on 30 June 2016.

(in €)	2015	2014
CEO		
Gross base remuneration	330,952	319,410
Gross variable remuneration in cash and/or options (short-term)	284,680	205,450
Gross variable remuneration in cash and/or options (long-term)		
Other components of the remuneration (excluding employer's contributions to the pension plan)	91,819	63,597
• risk insurance	17,136	16,772
• other components	74,684	46,825
Employer's contributions to the pension plan	65,239	65,219
Total	**772,690**	**653,676**
EXECUTIVE MANAGEMENT (EXCEPT THE CEO)		
Gross base remuneration	2,150,323	2,029,022
Gross variable remuneration in cash and/or options (short-term)	1,180,304	932,364
Gross variable remuneration in cash and/or options (long-term)	210,739	
Other components of the remuneration (excluding employer's contributions to the pension plan)	325,223	276,691
• risk insurance	67,483	62,195
• other components	257,740	214,496
Employer's contributions to the pension plan	421,075	386,634
Total	**4,287,664**	**3,624,711**
Global total	**5,060,354**	**4,278,387**

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 in 2015 related to 2014 performance 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 2015 the Executive Management (except the CEO) was composed of 10 members, reduced to 9 (9.4 full-time equivalents). In 2014, it was composed of 9.3 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 2015.

The remuneration policy for the directors

The remuneration policy for the directors is determined by the Board of Directors, and has been fixed during the Board meeting of 7 May 2014 for a period of three years.

For 2015, 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:

- SOGESTRA (represented by Ms Nadine Lemaître-Rozencweig)
- Mr Johan Deschuyffeleer
- Ms Martine De Rouck
- Leadership and Management Advisory Services (LMAS, represented by Mr Grégoire Dallemagne)

For 2015, 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 2015:

- Mr Jean Marc Harion (1)
- Mr Bertrand du Boucher (until 30 June 2015)
- Mr Gérard Ries
- Ms Geneviève André (until 1 December 2015)
- Mr Gervais Pellissier
- Mr Bruno Mettling
- Mr Patrice Lambert-de Diesbach
- Mr Christophe Naulleau (from 23 July 2015)
- Mr Francis Gelibter (from 1 December 2015)

The detailed remuneration of the directors

Directors	Basic Fee (pro rata)	Audit Committee	Remuneration and Nomination Committee	Strategic Committee	Governance Supervisory Committee	Committee Art. 524 Companies Code (18 meetings)	TOTAL
J. Steyaert	66,000	NA	11,000	13,200	2,200	NA	92,400
SOGESTRA (N. Lemaître-Rozencweig)	33,000	15,400	11,000	NA	2,200	39,600	101,200
J. Deschuyffeleer	33,000	NA	4,400	13,200	NA	33,000	83,600
M. De Rouck	33,000	15,400	11,000	NA	NA	39,600	99,000
Leadership and Management Advisory Services (G. Dallemagne)	33,000	NA	NA	13,200	NA	39,600	85,800
TOTAL	**198,000**	**30,800**	**37,400**	**39,600**	**4,400**	**151,800**	**462,000**

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

11. DEMATERIALIZATION OF SHARES

Notification pursuant to article 11 §5 of the Law of 14 December 2005 on the dematerialization of bearer shares (hereinafter the 'Dematerialization Act').

On 10 April 2015, the company sold 8,110 shares on Euronext Brussels pursuant to article 11 of the Dematerialization Act. The sale concerned shares for which the owners had not showed up or raised any claims before the day of the sale. On 17 July 2015, the statutory auditor (acting pursuant to article 11 §5 of the Dematerialization Act) drafted a report in which he confirmed that the provisions of article 11 of the Dematerialization Act had been complied with. The company transferred the report of the statutory auditor to the Deposits and Consignment Fund on 4 August 2015.

12. 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 company level and a section of the company's intranet, accessible to all employees, is dedicated to compliance, ethics, corporate social responsibility and to the company culture in general. Within the framework of promoting ethical values, a professional warning system allows for reporting confidential information intended to strengthen the control environment. An annual report on compliance & ethics 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 business & operational 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 Committee', which comprises members of the Executive Committee. Twice a year, the Risk Committee reviews the framework monitoring and approves the company risk map. The results of this review and the approved risk map are then submitted to the Audit Committee for overall assessment of approach and methodology.

Control activities

For purposes of managing risks taken in its business, Mobistar has developed and implemented policies, processes, procedures and controls to ensure selected risk treatments (retain, reduce, transfer, avoid) are effectively carried out. The control activities are carried out in the first place by the functional or operational managers under the supervision of their superiors. All major processes and the controls that they encompass are formalised and published on the company´s intranet. Customer contact processes (customer service and points of sales) are ISO 9001 certified. Furthermore as a result of belonging to the Orange group, Mobistar Governance, internal controls framework and Financial Reporting are subject to the American Sarbanes-Oxley legislation. The whole documentation, including the Segregation of Duties matrices, is regularly reviewed and duly updated. Specific functions of assurance (i.e. 'Fraud & Revenue Assurance'; 'Data Privacy'), 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. 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.

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 Audit Committee. The Audit Committee also monitors the effectiveness of the risk treatments, the quality and effectiveness of the internal control, the compliance with the rules, the responsiveness to audits and the follow-up of (corrective) action plans.

For more detailed information regarding these procedures and controls, reference is made to Audit Committee Terms of Reference (Appendix III of the Corporate Governance Charter), specifically section III 'Duties'.

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.

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.

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 First Prize in the pan-European study Extel in the category Belgium - 'Corporate Best on IR Mid & Small Cap'; this for the 2nd year in a row.

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 compliance with the Sarbanes-Oxley provisions.

An 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', 'Compliance & Ethics' and 'Legal' functions.

13. 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 2015, 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.

14. APPLICATION OF ARTICLE 524 OF THE COMPANY CODE DURING THE 2015 FINANCIAL YEAR

The procedure described in Article 524 of the Company Code was applied in the financial year 2015.

This procedure was applied within the context of the rebranding of the company's name 'Mobistar' into 'Orange' according to a contract to be concluded between Orange Brand Services Ltd and Mobistar SA/NV.

The Board of Directors meeting of 8 December 2015 noted the independent directors' report dated 7 December 2015, drawn up with the assistance of independent experts. The conclusions of this report are contained in the Board report dated 8 December 2015, according to the following terms:

"The Chairman of the Article 524 Committee has announced the conclusions of their opinion dated 7 December 2015:

In summarising this report, we present the three following conclusions:

- *Financially, the Agreement and the Operation do not present any obviously excessive damages for Mobistar.*
- *Legally, the Agreement and the Operation may, overall, reasonably be considered not to incur any obviously excessive damages for Mobistar.*
- *Constraints and non-excessive damages arising from the Agreement may be reasonably considered justified in view of the economic and financial benefits which the Company might expect to gain from the change of branding.*

The conclusions of this report therefore indicate the absence of any obviously excessive damages.

The independent administrators' report is appended to this report.

(…)

On the basis of these aspects and noting that due process has been observed with regard to Article 524 of the Company Code, the Board unanimously approves (…) the proposed rebranding of Mobistar to Orange (Belgium). This decision has been taken subject to finalisation of all legal documentation between Orange and Mobistar services."

The finalization of the contractual documentation being completed afterwards, the Board of Directors meeting of 3rd February 2016 has given its final approval for the rebranding of Mobistar into Orange (Belgium).

In its dedicated report dated 25 march 2016, 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 dated 7 December 2015 in accordance with Article 524 § 2 of the Company Code;
- The minutes of the Board of Directors held on 8 December 2015.

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.”

15. 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.

16. INFORMATION CONCERNING THE TASKS ENTRUSTED TO THE AUDITORS

In the course of the 2015 financial year, the statutory auditor and linked companies provided services broken down as follows:

audit services	353,000 euros
other non-audit services	93,825 euros

The services provided by the other auditors in the course of 2015 could be broken down as follows:

audit services	123,550 euros
other non-audit services	7,170 euros

Statutory auditor's report

to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2015

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 2015, 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 1,517,352 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 76,591 (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 the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

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

Unqualified opinion

In our opinion, the consolidated financial statements of Mobistar NV/SA give a true and fair view of the group's net equity and financial position as of 31 December 2015, 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, 25 March 2016

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

Download our annual and activity report on corporate.mobistar.be

Ce rapport annuel est également disponible en français.
Dit jaarverslag is ook verkrijgbaar in het Nederlands.

For more information

Shareholders and investors relations
Siddy Jobe – ir@mail.mobistar.be

Press relations
Annelore Marynissen
annelore.marynissen@mail.mobistar.be

Responsible editor
Paul-Marie Dessart – Secretary General

Concept & layout
ChrisCom

Pictures
Jean-Michel Byl, Julien Dewilde

Mobistar S.A.
Avenue du Bourget, 3, BE-1140 Brussels – Belgium
T. +32 2 745 71 11 – www.mobistar.be
RCB 599 402 – TVA BE 0456 810 810

Mobistar S.A.
Avenue du Bourget 3
BE-1140 Brussels - Belgium
T. +32 2 745 71 11

corporate.mobistar.be
www.mobistar.be
business.mobistar.be

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