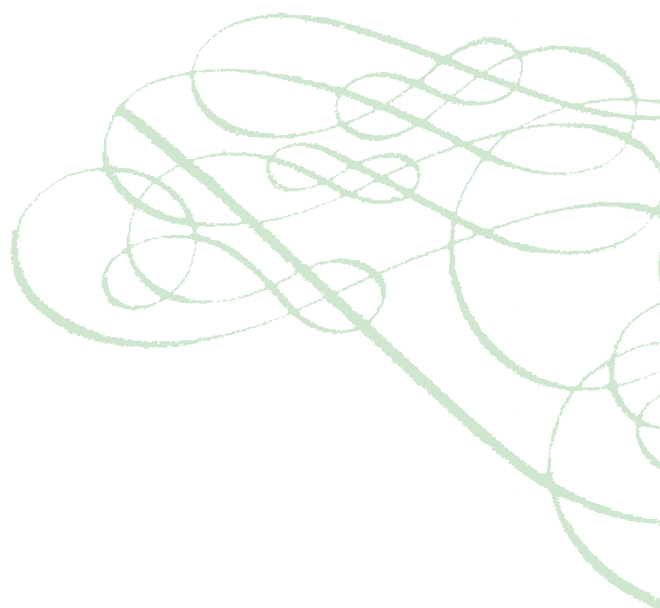




A N N U A L R E P O R T 1 9 9 8



MONSIEUR FLEUR
ALEGRÍA / CIRQUE DU SOLEIL

part 1

- 3 / Introduction
- 4 / Mobistar organisation
- 6 / Letter to the Shareholders
- 8 / The mobile telephony market in 1998
- 10 / Mobistar products and services
- 12 / Mobistar and fixed telephony
- 13 / Customer service
- 14 / Sales growth
- 15 / Mobistar Centers
- 16 / The network & roaming
- 18 / Interconnection and liberalization of telecommunications
- 19 / The environment
- 20 / Human resources at Mobistar
- 22 / Quality and communication
- 24 / The Initial Public Offering (IPO)

MONSIEUR FLEUR
ALEGRÍA / CIRQUE DU SOLEIL

An annual report full of Alegría...



This Summer, the European tour of the Cirque du Soleil made a stop in Belgium thanks to the support of Mobistar. For two months, clients and Team members could be the kings of that magical world called Alegría. Promising genuine amazement, this theatrical circus which hails from Canada made an unexpected(ly delightful) impression on those who were able to experience it.

Mobistar has engaged the energy and flexibility of these contemporary acrobats to illustrate its Annual Report. Full of colour, it shows the evolution of a company which has always relied on its youth and flexibility, its daring and agility.

Enjoy the show.



Mobistar organisation

Board of Directors

CHAIRMAN
John Cordier

DIRECTORS
Michel Allé
Jean-François Beaudouin
Claude Benmussa
Michel Bertinetto
Alex Brabers
François Comet ⁽¹⁾
Marc Dandelot
Jean-Baptiste Main de Boissière
Philippe de Vicq
Etienne Gaudissart
Bernard Ghillebaert
Jean-François Pontal
Jan Steyaert
Sparaxis N.V./S.A.
S.R.I.B./G.I.M.B
Telinfo N.V./S.A.
Louis-Henri Verbeke

⁽¹⁾ Mr François Comet
has replaced Mr Alain Lenoir
who resigned on 28 July 1998.

Executive Committee

Michel Allé
Jean-François Beaudouin
Michel Bertinetto
François Comet
John Cordier
Jean-Baptiste Main de Boissière
Bernard Ghillebaert
Jan Steyaert

Audit Committee

Jean-François Beaudouin
Alex Brabers
Jean-Baptiste Main de Boissière
Jan Steyaert
Sparaxis N.V./S.A. represented by:
Eric Bauche

Remuneration Committee

Jean-François Beaudouin
John Cordier
Philippe de Vicq
Etienne Gaudissart
Bernard Ghillebaert
Sparaxis N.V./S.A. represented by:
L. Tordeurs

Statutory Auditors

Klynveld Peat Marwick Goerdeler,
represented by:
Frans L. Theeuwes
Van Passel, Mazars & Guerard,
represented by:
Hugo Van Passel



LITTLE TAMIR
ALEGRÍA / CIRQUE DU SOLEIL

Management Committee

Bernard Ghillebaert / GENERAL MANAGER ⁷

Yves Bazin / OPERATIONS AND DEVELOPMENT DIRECTOR ⁶

Anne-Catherine De Decker / QUALITY MANAGER AND
MANAGER OF MAJOR PROGRAMS ²

Vincent Grivet / FIXED SERVICES PROGRAM DIRECTOR ¹

Jacques Recourdon / MARKETING DIRECTOR ⁵

Yves Cochet / CUSTOMER SERVICES DIRECTOR ³

Reggy-Charles Degen / HUMAN RESOURCES DIRECTOR ⁹

Jacques Robert / INFORMATION SYSTEMS DIRECTOR ⁴

Pol Vanbiervliet / SALES DIRECTOR ¹⁰

Wilfried Verstraete / FINANCIAL AND LEGAL AFFAIRS DIRECTOR ⁸





Letter to the shareholders



We have made innovation one of our company values. Barely two years after the creation of Mobistar, the year 1998 has confirmed this attachment to a value which is proving to be of essential importance in a sector such as telecommunications which is constantly evolving.

MOBILE TELEPHONY:

A LONG-TERM VIEW

In 1998, Mobistar greatly consolidated its position in mobile telephony with an 80% increase in the size of its customer base. We had 510,000 mobile telephone customers at the end of the year, a result which exceeded the target of 485,000 customers set at the time of the Initial Public Offering.

The growth that the Belgian market underwent in 1998 puts it in sixth place in Europe, ahead of Germany and Italy. However, the penetration remains somewhat below the European average: while certain Scandinavian countries are already showing penetration rates in excess of 50% of the population, some 1.7 million Belgians own a mobile telephone, or 17.5% of the population. Strong growth yet penetration which remains modest: this would all seem to indicate that the potential for the coming years is considerable and that the good results in 1998 have not been achieved at the cost of the future.

By constantly developing our network, we are investing in this future in order to continue to allow Mobistar to grow. In 1998, the density of the network was significantly increased in the major population centers, in order to offer our clients more comfort in use and to provide them with deeper indoor reception.



John Cordier



Bernard Ghillebaert



Distribution was also considerably reinforced with the establishment of some 50 Mobistar Centers and the creation of a sales force dedicated to the segment of small and medium-sized businesses.

In terms of products and services, Mobistar amply confirmed its role as market leader in terms of innovation. The launch of Optimum, the new tariff structure characterized by its novelty and simplicity, was a resounding success.

FIXED: AN OPPORTUNITY TO BE SEIZED

In 1998, the liberalization of telecommunications in Europe opened the door to fixed telephony for operators other than the historical monopolies. For its second anniversary in August 1998, Mobistar became a fixed telephony operator by launching its indirect access offer, the 1595, with extremely competitive interzonal and international rates.

The general idea is to develop new activities, based on the existing mobile activity, in high-potential segments in the telecommunications market. In the future we therefore intend to explore other fertile fields: naturally reinforcing our success in mobile telephony, pursuing developments initiated in 1998 in fixed telephony and services for fixed/mobile convergence, offering services with added value to companies and of course, taking part in the Internet explosion.

In order to do this, Mobistar is enlisting all its technical abilities: we are building our own high capacity transmission network, which will enable us

to reduce our costs and to offer new services. We are also participating in the European Backbone Network, a project with France Telecom, Deutsche Telekom and their partners, that will construct an integrated backbone throughout the whole of Europe.

THE INITIAL PUBLIC OFFERING

The events which punctuated the year 1998 have made it a particularly fruitful one for Mobistar, while what is at stake for the future has made it a turning point. It is a year which will also go down in history as the year that a significant part of the company's shares were floated on the Stock Exchange. This operation, which was the largest of the year on the Brussels Stock Exchange, met with great success, even though it took place at a particularly difficult time for the financial markets.

Since then, the promises made by the management have been kept, if not surpassed and the shares have undergone a very satisfactory evolution. Continuing to develop through the channels opened up in 1998 – the establishment of new Mobistar Centers, an ever increasing penetration in the business world, the deployment of the network, and, as always, innovation – and many more new developments to come should make this trend a lasting one.

John Cordier / CHAIRMAN OF THE BOARD OF DIRECTORS

Bernard Ghillebaert / MEMBER OF THE BOARD - GENERAL MANAGER



A market that keeps its promises



The year 1998 was marked by both continuity and change for mobile telephony. Continuity because the European market for mobile telephones underwent an increasingly exceptional growth so that by the end of the year, a penetration rate of 22% was recorded. At the end of 1998, there were some 305 million users of cellular telephones worldwide, which is more than twice as many as there were at the end of 1997. Market studies (EMC World Cellular Database) estimate that the number of cellular telephones could reach 500 million by the end of the year 2000.

However, 1998 was also a year of change. The liberalization of telecommunications in Europe, the last phase of which was enacted on January 1, 1998, and the explosion of the Internet in Europe have opened the door to new opportunities.

THE SINGER
ALEGRÍA / CIRQUE DU SOLEIL

A SUSTAINED RHYTHM IN BELGIUM

In Belgium, particularly as a result of Mobistar's innovative offers, the growth in 1998 was more rapid than in other countries in Europe, even if the number of mobile telephone users still remains below the European average. The rate of penetration went from 9.8% at the end of 1997 to 17.5% at the end of 1998. Given this relative delay compared with other countries in Europe – in Finland, mobile telephony has reached a penetration rate of 56% in 1998 - there is still excellent potential for the operators established in Belgium. In 1999, the rate of growth should thus be maintained, if not accelerated.

NEW OPPORTUNITIES The liberalization of telecommunications in Europe has allowed certain mobile operators such as Mobistar to extend their selection of services in order to respond to the needs expressed by customers. The convergence between fixed and mobile services has seen its first application. This starts with a single bill, and can extend to a range of products and services which make use of high technology.

Furthermore, in addition to voice communication, the transfer of data has played an increasingly important role in the traffic generated by mobile users. In the form of simple short messages (SMS) or more sophisticated ways, the transfer of data is becoming more and more a part of the customers' lifestyles. Moreover, the combination of voice and data opens the door to a series of added value services. Thus, the SIM Tool-kit allows the potential of the SIM card to be used to its fullest and offers a real service to the customers.



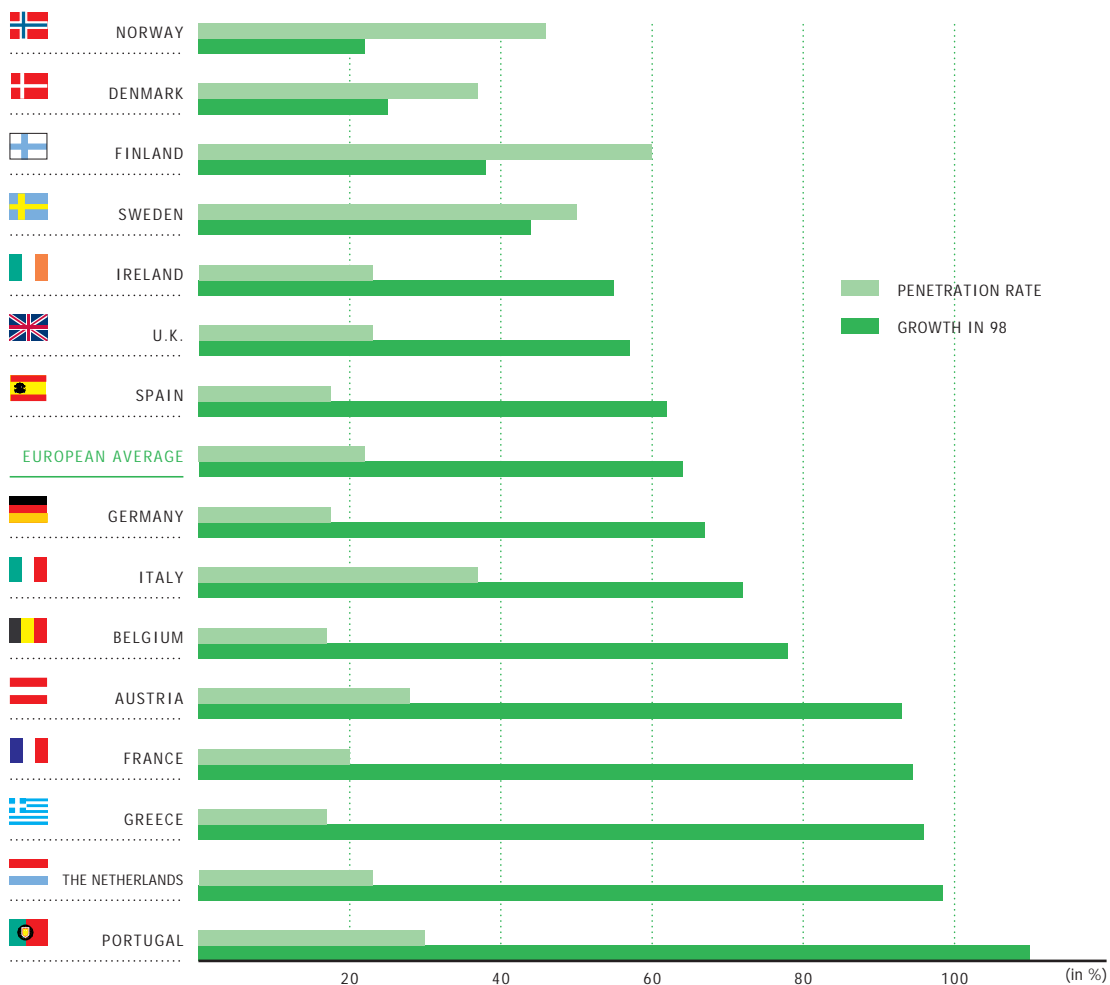
Other applications are being explored, such as the integration of technologies based on the Internet with those based on the mobile telephone. This also includes applications which implement other media such as images or video.

**MOBISTAR
AND INNOVATION**

At the same time that Mobistar has been extensively involved in the expansion of mobile telephony, the operator has always proved its great capacity to innovate and to

find the best solution for its customers. Take for example the pre-paid card. Mobistar was essentially a pioneer in Europe in this field. In 1998, Mobistar was constantly active in launching new services or original new formulas, taking part in trends which respond to customer needs such as convergence, or integrating new technologies with added value into its selection such as the ÖSIM Tool-kitÓ. The company is always on the lookout for ways to bring its capacity for innovation in line with the customers' actual desires.

EVOLUTION OF GSM MARKET



Source: FT Mobile Communications



Customized products and services



If Mobistar has significantly increased its number of subscribers in 1998, that is because the operator has been able to offer innovative products and services which are easy to use, have an excellent price/quality ratio, are adaptable and distinct, and respond directly to the specific requirements of private and business users. This has only been possible through setting up information technology systems and managing them effectively.

INNOVATIVE OFFERS

Already at the end of 1996, with the introduction of Tempo, the rechargeable pre-paid card, Mobistar was positioning itself as the operator which knowingly took the Belgian telephony market by storm. In 1998, fresh from the success of Tempo, Mobistar launched Tempo Freetime, an offer complementing the original offer which was renamed Tempo Classic. This constituted an ideal solution for mobile telephone use during leisure time.

Tempo.
La téléphonie mobile
sans l'abonnement,
sans la facture.



In the same way, the offer of Pronto Box, the Öready-to-useÓ system, which included a terminal, an SIM card and free calling minutes, made up an attractive new formula for new private users.

The launch of Optimum in September, 1998 was noteworthy because of its tariff structure. Offering numerous innovations which meet the needs of private and business users alike, Optimum immediately became the new market standard in terms of subscriptions.

COMPLETE RANGE OF SERVICES

Moreover, Mobistar has developed a complete range of products and services adapted to the needs of companies. This includes accessibility, cost control, simplification of the management of invoices, convergence with fixed telephony and user support. In 1998, Mobistar doubled its penetration in the business segment and intends to further develop this area by continuing to improve its offers.





The launch in September 1998 of Optimum made big waves in the Belgian mobile telephony market. A real price revolution for both private customers and companies alike, Optimum is an economical and exclusive formula which combines simplicity, flexibility and transparency. Its price/quality ratio has not yet been equaled.

NEW MARKET

STANDARD IN TARIFFS

If, since it was put onto the market, Optimum has become the new market standard in mobile telephony, it is not only because it offers a tariff scale which allows a subscription to be practically custom designed in accordance with the use, but also because the offer comes with a series of services and highly practical options which respond directly to the customers requirements. Thus, there is the "International Calls" option which allows mobile users to take advantage of the economical rates of the new fixed telephony service 1595, "Multi Line" which allows companies and families to share their calling time, "Minutes Transfer" which allows unused minutes to be carried over to the following month, "Free Change" which means that the tariff scale can be changed free of charge, or "Best Deal" which shows the customer the best tariff plan for his situation.

INCREASE IN THE NUMBER OF SUBSCRIBERS

Thanks to Optimum, Mobistar has considerably increased its number of customers. More than 80% of Optimum clients have chosen the Optimum Plus formula which allows them to take advantage of an average rate below 5 BEF per minute (between 2.78 and 4.16 BEF) for calls to any fixed or mobile telephone number. With Optimum, mobile telephony has never been so accessible and so well-adapted to the needs of so many users, and all in the context of a profitable scheme for expanding the market.

Optimum takes mobile telephony by storm



Mobistar sets the fixed telephone in motion



obistar is entering a new dimension. From a company specialized in mobile telephony services, it has become the provider of a vast array of telecommunication services, constantly striving to guarantee that its expansion be based on the major principles which have guided it since its creation: transparency, accessibility, user-friendliness and an excellent price/quality ratio.

1595 In 1998, this progress took the shape of the launch of a fixed telephony service with indirect access: 1595. This is the only alternative to the traditional operator which is accessible to all segments of customers throughout the entire Belgian territory. By dialing these four digits before the number they are calling, customers can enjoy reductions of 15 to 25% on interzonal calls and up to 50% on international calls. In order to make this service perfectly adapted to the needs of the users,

Mobistar has made the service available according to the customer segment: 1595 HOME for private customers and 1595 OFFICE for professionals and companies. Another major advantage for the customer is that he receives one detailed invoice for his interzonal and international calls, as well as for his mobile calls.

In addition, Mobistar has launched m*direct for companies. Economical and efficient, this professional service enables the rates to be adjusted automatically depending on the level of use.

CONVERGENCE

Since mobile and fixed telephony are two modes of communication which coexist by virtue of coherent and complementary offers, Mobistar has set up m*net. The principle is as follows: the company's local exchange (PABX) is directly connected, through a leased line, to the Mobistar network without passing through the public exchange network. This allows significant reductions in the costs of both fixed and mobile telephony, for national and international service. In 1999, Mobistar will continue to develop this trend by offering three new services for convergence between fixed and mobile telephony: m*follow me, m*call filtering and m*VPN. This package will form the m*personal assistant, a flexible solution for the optimal management of incoming telephone calls. In this way, all incoming calls to a mobile telephone can be diverted, for example, to one or several fixed or mobile telephone numbers.

Customer Service at the ready



Behind the toll free numbers listed in the various Mobistar brochures, there is a team which has been specially trained in the operator's products and services, ready and waiting, 24 hours a day, seven days a week, to answer the most diverse questions from users. Over the course of 1998, the Call Center which is the responsibility of the Customer Services Department (CSD), registered some 2 million calls, 70% of which were answered within eight seconds. The functioning of the Call Center was further improved in 1998 in order to increase the performance and user-friendliness even during peak periods.

UNFAILING Recently, a team of telemarketers has begun making direct sales for certain Mobistar products and services. This is the case for 1595. Thanks to its organization and advanced resources, the Call Center is capable of absorbing major peaks in calls such as occurred in the months of November and December as a result of the rapid increase in the number of customers generated by Optimum, the newly launched tariff structure which signified a major turning point in subscription-based mobile telephony.

ALWAYS CLOSER TO OUR CUSTOMERS

In a wider context, the Customer Care Department would like to bring Mobistar closer to both its private and business customers, and vice versa. It is involved in the actions carried out by Preventel, a non-profit organization created by the mobile operators and service providers. The objective is to reduce bad debts in the mobile telecommunications sector. By taking part in this initiative, Mobistar would like to further

refocus its energy, resources and time on the development of its basic activities in order to continue to raise the general quality of its services and the satisfaction of its customers.

With its customer service, Mobistar also wants to provide more satisfaction to its customers and reinforce their loyalty. That is why, during the course of 1998, the Mobistar Loyalty Program was launched. Various surveys carried out by external companies demonstrate that the general customer satisfaction rate among Mobistar customers is above the market average, particularly thanks to the expertise of the telephone operators, the short waiting time and the quality of the interaction.

APPROPRIATE SOLUTIONS For Mobistar, the goal is therefore to be ready to respond to any question from existing or potential users. Thanks to a well-structured, effective organization, the Customer Services Department truly supports the customers with the appropriate solutions.



TAMIR
ALEGRÍA / CIRQUE DU SOLEIL





THE NOSTALGIC BIRDS
ALEGRÍA / CIRQUE DU SOLEIL

Sales: growth by market segment and by distribution channel

The positive commercial trend which has been typical of Mobistar from the very beginning saw a considerable acceleration in 1998. The figures are the proof: the number of customers grew from 283,000 at the end of 1997 to 510,000 at the end of 1998. Sales underwent a spectacular evolution, especially in the second half of the year, to close the year with an increase of 80%. In addition, Mobistar's commercial activity was characterized by a certain number of structural developments which have already shown results in 1998 and which above all, guarantee a very solid position for Mobistar in the future.

SEGMENTATION AND STRENGTHENING OF LINKS WITH DISTRIBUTION

In terms of indirect sales, a segmentation phenomenon has begun to be observed. Major distribution and specialized channels on the mass market assumed greater importance, especially in the pre-paid segment, with the Tempo card.

In 1998, the Belgian market was also characterized by the advent of chains specialized in telephony, in addition to the traditional independent agents. At the same time, chains which had been focused on electronics, hi-fi or photography only, took up mobile telephony.

Since its launch, these indirect distribution channels have been of great importance to Mobistar and it has further consolidated its position with them in the past year.

At the same time, collaboration with independent agents has been intensified. Mobistar has made sure that each region has independent agents who are capable of giving professional advice to their customers. In the course of 1998, the amount of training support available to these independent agents more than doubled.

All of these developments were appreciated by Belgian distributors, who chose Mobistar as best operator (Agent Panel Survey – Significant – Nov. 1998).



THE MOBISTAR CENTERS

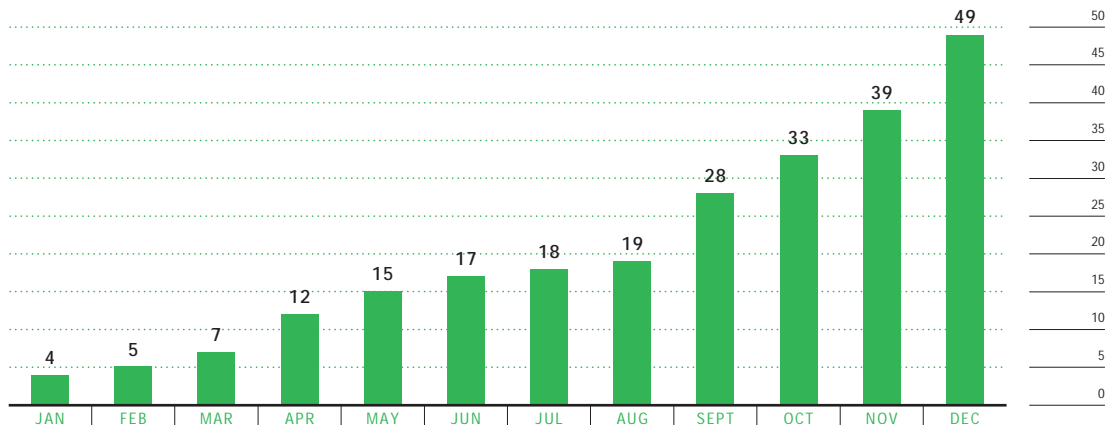
The Mobistar Centers were another strong point in our distribution in 1998: by the end of the year, there were some 50 of them. A Mobistar Center targets private customers and the self-employed, and is installed in a strategic location in the center of each major city in the country. They are run by highly competent staff who are given specific training. The great majority of Mobistar Centers are run by independent agents who work in very close collaboration with Mobistar. Today, Mobistar Centers make up the largest distribution chain specialized in mobile telephony.

At the end of 1998, Mobistar was distributing Optimum at over 3,000 points of sale, and Tempo at over 5,000.

DIRECT SALES TO COMPANIES

Already at the end of 1997, Mobistar was recording excellent results in sales to large companies (Corporate & Major Accounts) thanks to a specialized sales force, personalized solutions and its own customer service. This trend was confirmed in 1998: numerous companies chose Mobistar for their mobile operator. In the third quarter of 1998, Mobistar created a specialized sales force for small and medium-sized companies (SMA). These regionally based teams are organized by province. The direct contact with the operator and the offer of services adapted to the needs of these companies quickly allowed Mobistar to double its penetration in this SMA market segment in 1998.

OPENING OF MOBISTAR CENTERS



A network which is increasingly **dense** and **efficient**



Since it entered the market in 1996, Mobistar has been equipped with a high-performance 2-watt type network, which provides excellent communication quality and allows a significant amount of traffic. However, the number of customers and their needs are constantly growing and because they use their mobile telephones not only outside but also inside buildings, Mobistar has continued to invest in the development and the optimization of its network over these last two years.

DENSIFICATION

Today, coverage in terms of population has reached 98%. In 1998, the cellular network has been enhanced, since 845 cells have been added to the 1,955 existing ones. In total, 1.650 billion BEF has been invested in order to improve indoor reception. This expansion process has mainly been carried out in Brussels and Antwerp. It will be continued in all of the main urban areas, starting with Liège, Ghent, Kortrijk and Leuven.

EFR TECHNOLOGY

In order to offer an even higher reception quality for calls, Mobistar began installing Enhanced Full Rate (EFR) technology on its network in December 1998. Antwerp, Ghent, Brussels, Leuven, Charleroi, Kortrijk, Liège, Mechelen, and Namur are the first areas to benefit from this advanced technology. Eventually, the widespread implementation of EFR in urban areas will offer every user equipped with a new telephone vocal communication quality which is comparable with that of



RUSSIAN BARS
ALEGRÍA / CIRQUE DU SOLEIL



AERIAL CUBE
ALEGRÍA / CIRQUE DU SOLEIL

fixed telephones.

BACKBONE Furthermore, to support the increase in traffic on its network and, at the same time, to give itself the means to develop its services, which are adapted to meet customer demand, Mobistar has brought into service its own backbone, by basing itself on the fiber optics network which it rents from the SNCB (Belgian State Railways). In this way, Mobistar manages its high-bit rate transmission infrastructure more independently, while reducing costs at the same time. Always anxious to be autonomous and therefore flexible, Mobistar interconnected itself with the Global One telecommunications company (France Telecom - Deutsche Telekom - Sprint consortium), in 1998, for handling a part of international traffic, whether it is from a mobile telephone or a fixed telephone. It also took part in the setting up of the European Backbone Network, with a view to globally reducing the transport costs for telephone calls

on the European network.

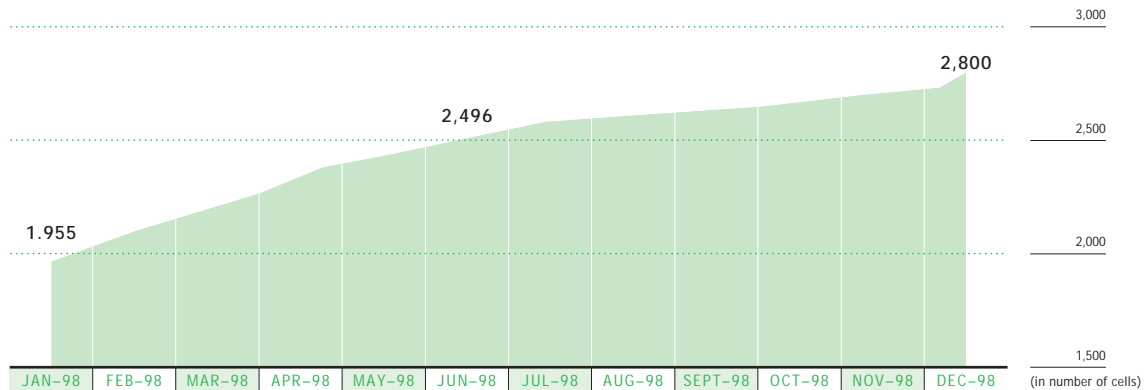
TOTAL AVAILABILITY 1999 will see the continuation and even the acceleration of the improvements that have been brought to the network to date. The aim is to achieve maximum availability and an infrastructure which is able to support the growth of the mobile telephone market. Adaptations made to the network for maximizing synergies for fixed and mobile services will enable easy transport of not only GSM calls, but also 1595, m*net and Internet activities, for which the influx is certain to increase rapidly.

Roaming:

USING MOBILE TELEPHONES ABROAD

The Mobistar network covers five continents through 'roaming'. This means that customers can use their mobile telephone in 77 different countries, thanks to agreements made between Mobistar and 124 telecommunications companies abroad. These partnerships put Mobistar in the top ten private telecommunications companies worldwide, in terms of the number of destinations and affiliated telecommunications companies. Mobistar is also one of the top five telecommunications companies worldwide to offer roaming with the United States.

NUMBER OF CELLS DEPLOYED



Interconnection



Interconnection still represents a significant part of Mobistar's costs (outgoing traffic), but also of its income (incoming traffic). Costs are largely determined by the conditions defined within the BRIO framework (Belgian Reference Interconnect Offer), which is Belgacom's interconnection offer. Even though some of the conditions offered within the BRIO 98 framework were better than those of the previous year, the Belgian interconnection system remains noticeably superior to the European average.

For calls from a fixed telephone to a mobile, the situation has also improved slightly. The European Commission has put pressure on the dominant telecommunications company, but this has not affected Mobistar's income.

For its international traffic, Mobistar has diversified its sources by signing a contract with Global One. This enables Mobistar to offer attractive rates for international calls from a fixed unit (015950) and from a mobile.

For its mobile-to-mobile interconnection, Mobistar has reached an agreement with Belgacom Mobile, thus creating a direct link between the two mobile telephone networks and thus avoiding having to go through Belgacom.



Liberalization of telecommunications



Since the liberalization of the telecommunications sector in Europe, Mobistar has always advocated the convergence of fixed and mobile telephony, as long as this develops with respect for the rules of fair competition. Liberalization has only completely fulfilled its purpose when all of the leading players have the same opportunities and when the historically dominant telecommunications company does not promote its dominant position to maintain or increase its market share in certain segments.

This is why, in the belief that Belgacom launched a convergence service taking advantage of its dominant position, Mobistar lodged a complaint at the European Commission and the Brussels Commercial Court. At the same time, Mobistar showed itself to be an innovator by launching a series of convergence services onto the market.

Mobistar is continuing its efforts to develop the framework of the regulations to encourage more equal competition. In the light of this, some important cases arose in 1998, for example, the issue of the transferability of geographic and non-geographic numbers, which is a process that will enable competition to develop in a calmer context and would, of course, be completely to the customer's advantage.

FAST-TRACK
ALEGRÍA / CIRQUE DU SOLEIL

Developing with respect for the environment



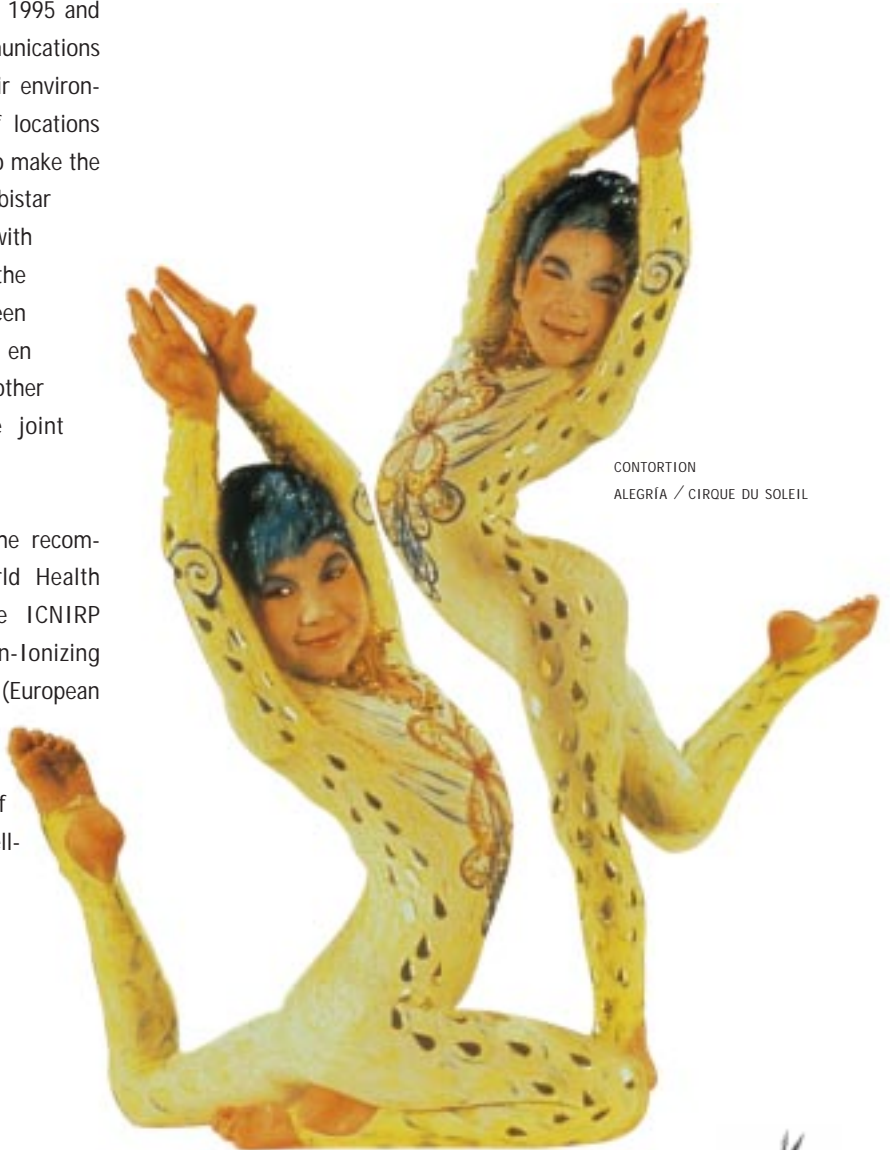
Today there are over 1,700,000 mobile telephone users in Belgium. Various external studies have indicated that over 60% of the Belgian population will be using a mobile telephone by 2006, that is to say 6,000,000 people. In this perspective, Mobistar is continuing to develop its network in a balanced fashion, rigorously respecting the standards and recommendations concerning the environment and health.

ENVIRONMENT

The deployment of Mobistar's base stations is being carried out within the framework of the digital mobile telephone license granted by the Royal Decree of March 7, 1995 and town planning regulations. The telecommunications company is integrating its sites into their environment harmoniously taking advantage of locations which are sufficiently elevated. In order to make the most of the existing infrastructures, Mobistar has made agreements to share the sites with other telecommunications operators. In the same way, a framework agreement has been signed with the Régie des Autoroutes en Flandre (Flanders Highway Board) and other telecommunications operators for the joint construction of pylons.

HEALTH

Mobistar strictly abides by the recommendations issued by the WHO (World Health Organization) and more precisely the ICNIRP (International Commission on Non-Ionizing Radiation Protection) and the CENELEC (European Committee for Electrotechnical Standardization). These are all measures which ensure the lasting development of mobile telephony while respecting the well-being of every individual.



CONTORTION
ALEGRÍA / CIRQUE DU SOLEIL



A quality employer



Everything that Mobistar has achieved in three years of existence would not have been possible without the dynamism of its "human resources".

STRONG COMPANY VALUES

Since the beginning, Mobistar has developed a human resources management policy around six fundamental values, including those of being an "open and transparent" company, which "revolves around its customers" and guarantees the same opportunities for men and women, whatever their origin. This is why there are no less than 14 different nationalities represented. The attachment to these company values is all the more important since Mobistar and its Team members are developing in a telecommunications market which is rapidly changing.

SOME KEY FIGURES

Despite being created barely three years ago, Mobistar did everything necessary to ensure the rapid integration of 251 new Team members into their work environment in 1998. At the end of the year, the total workforce was 684 people, increased by consultants and temporary workers. The average age was 31.5, which, despite its appearance, indicates greater maturity than at other comparable companies. In addition, the level of qualifications is noticeable: almost 38% of staff members have a university degree and 42% have higher education diplomas. The year 1998 was, without doubt, a turning point. A year when Mobistar achieved recognition as a national telecommunications company, for mobile telephony as well as fixed telephony. This reputation led to a flood of unsolicited applications which was three times higher than the previous year. In 1999, Mobistar wants to see a similar rate of growth in its workforce to that of 1998.



HOOPS
ALEGRÍA / CIRQUE DU SOLEIL

A PARTICIPATION STRATEGY

Mobistar's launch on the Stock Exchange was a part of Mobistar's recognition as a quality employer. It also had another virtue, which was allowing loyalty and motivation to be increased. Mobistar is one of the leading Belgian companies of this size quoted on the Stock Exchange to have opened up its capital to all its Team members. Moreover, 65% of them responded positively to the various participation offers which were made available.

TAKING CARE OF THE FUTURE BY INVESTING IN COMPETENCE

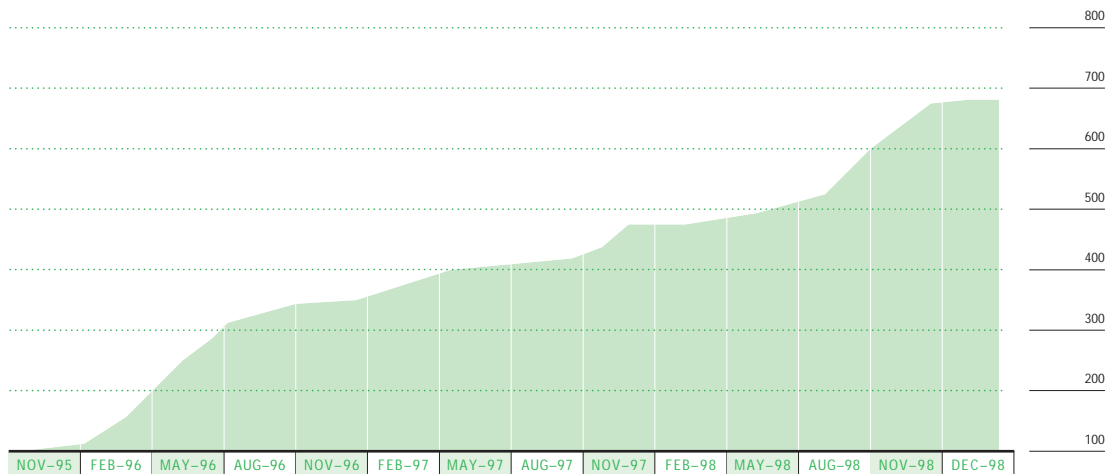
With the creation of its "Competencies Development Institute" and a veritable training library, Mobistar has heavily invested in the development of internal competencies. This also fulfills one of its other company values: employability and continuous improvement. For this reason, the integration program for all new Team members includes no less than 40 hours of training on their own.

RESEARCH INTO EMPLOYEE SATISFACTION

All of these factors, and many others as well, have been analyzed within the framework of a survey, carried out in June 1998 among the entire personnel. When asked a specific question on their general satisfaction with working at Mobistar, the Team members said that they were 19% more satisfied than the Belgian average. These good results are not preventing Mobistar from continuing its efforts in areas which need improving. Thus, the general satisfaction survey was extended into a dozen "Continuous Improvement Teams", that is to say working groups which aim to continuously bring new improvements to the company. However, this was already a part of the corporate culture. In fact, as far back as 1997, "Worklife Improvement Teams" enabled Team members to raise practical problems which they come across in their daily professional lives before the management in order to resolve them.

A human "architecture" centered on competencies rather than the "hierarchy" where the direct manager is the true manager of human resources, this is the accent on human resources management at Mobistar.

EVOLUTION IN THE NUMBER OF EMPLOYEES FROM 1995 TO 1998



Continuous improvement: a strategic priority



After a year of concrete actions encouraging quality, Mobistar received the ISO 9001 certification in April 1998.

Mobistar is the first Belgian telecommunications company to obtain the certificate for all its activities in Belgium. This official recognition crowned the internal work carried out by 25 Process Teams on 25 key processes. It represents an important step for the company in the pursuit of Excellence. Based on international standards, this label makes it possible for each link in the organization to be strengthened and, ultimately, to fully satisfy the customer.

year, external assessors from the agency Lloyd's Register, a renowned assessment company, carry out a monitoring visit. In October 1998, Mobistar passed this test with flying colours.

In 1999, the implementation of the Score Card will present the company's vision and mission in strategic objectives and then in operational plans, while ensuring perfect cohesion between customer expectations, the wishes of Team members and the interests of shareholders. The integration of new tools and information technology solutions will notably enable the quality procedures which have been introduced to be stabilized.



THE FLYING LEVS - ALEGRÍA / CIRQUE DU SOLEIL

CONTINUOUS IMPROVEMENT

However, the ISO 9001 is only the first step of a continuous improvement process. Mobistar subjects its procedures to 30 internal auditors once a year. Twice a

THE PURSUIT OF EXCELLENCE

Mobistar is also preparing for the transition to the year 2000. The introduction of the Euro in invoicing and the next stages in the widespread implementation of the new European currency are underway. The objective for Mobistar is to reach an increasingly high level of quality, as much in its customer service as within its area of work. And to advertise the fact.

MOBISTAR REWARDED FOR ITS QUALITY

- Mobistar came in second place for its equal opportunities policy in the E-Quality Award presented by the Centre Flamand pour la Qualité (VCK) (Flemish Quality Center).
- For its customer service, Mobistar was also one of the 10 companies who were finalists in the Customer Satisfaction Award presented by Arthur Andersen and the magazine Trends/Tendances

Dynamic communication



f Mobistar is now known and recognized as a reference telecommunications company in the field of mobile and fixed telephony after just two and a half years of activity, it is because the company adopts a dynamic and original communication policy. For mobile telephony, 1998 really was a year of greening.

ADVERTISER OF THE YEAR

The main events of the year, namely the introduction on the Brussels Stock Exchange, the launch of Optimum and 1595, the opening of 45 new Mobistar Centers, the advertising campaigns visualizing reference customers and the repositioning of the Tempo card, would not have experienced such repercussions without the support of well-considered and well-targeted communication according to the market segment. This earned Mobistar the title of Advertiser of the Year 1998, for the coherence and the consistency of its external communications. This prize was awarded by the magazine Média Marketing, and is the ultimate recognition for advertising professionals. Mobistar was also awarded the prestigious Business-to-Business Advertising Award (Bronze) presented by the FEB (Fédération des Entreprises de Belgique – Belgian Federation of Companies).

Moreover, Mobistar set up a series of communication tools with the intention of keeping its clientele informed, and therefore developing customer loyalty. Users of Tempo cards receive Tam Tam, other clients Mobinews and companies m*news; this represents three periodical customer information bulletins which convey the development of solutions proposed by Mobistar in a practical way.

REPUTATION

Market studies show that Mobistar is appreciated, first and foremost, for its originality, its professionalism and its innovative offers. An image that "Communications" certainly intends to maintain.

MOBISTAR ON THE WEB

Since May 1998, Mobistar has had its own Internet site which is complete and user-friendly. With successive screens illustrating products and services, tariffs, sales outlets, promotions and job offers, the Mobistar site also seeks to be interactive. Users can e-mail their Curriculum Vitae or any questions they may have or they can consult the latest press release. It's just another step towards the user who can also consult this Annual Report on the site:
<http://www.mobistar.be>



CLOWNS
ALEGRÍA / CIRQUE DU SOLEIL

The success of the initial public offering



The launch of a large part of Mobistar's capital on the Brussels Stock Exchange was one of the major events of 1998.

The decision to examine the appropriateness of this operation was taken in March 1998, and the green light was given by the Board of Directors in June 1998. The idea was to diversify the company's sources of financing, to enable other investors, including customers and personnel, to participate in the growth and to respect the promises made when Mobistar was formed: the "founding" shareholders were then committed to offering part of the capital to the public as soon as the market conditions and the company's development had the right characteristics to enable an introduction on the Stock Exchange.

THE TWO PARTS OF THE OFFER

The offer concerned 9,300,000 shares which were split into two parts: a "Belgian retail offer" and an "institutional offer". The first involved 2,512,480 shares intended for individuals in Belgium, while the second offered 5,862,453 shares to institutional investors from

Belgium and abroad. Moreover, 925,067 shares were offered within the framework of a global offer by means of a preferential allocation reserved for Telfin shareholders. The offer was mainly made up of existing shares which were put onto the market by Mobistar shareholders, but 3,500,000 shares were also issued within the framework of a capital increase.

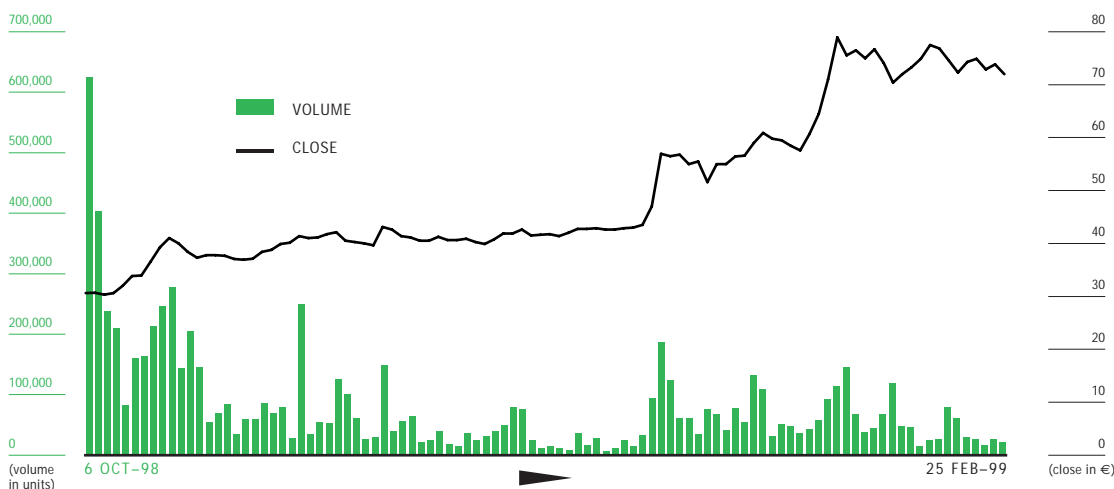
At the closing of bookbuilding, the introduction price of the shares was fixed at 1,235 BEF, which was in the middle of the bracket (1,160 BEF to 1,320 BEF) specified in the prospectus. In total, the operation represented an appeal to the market of 11.476 billion BEF. This amount made Mobistar's launch on the Stock Exchange the most significant on the Brussels Stock Exchange in 1998.

DIFFICULT CIRCUMSTANCES

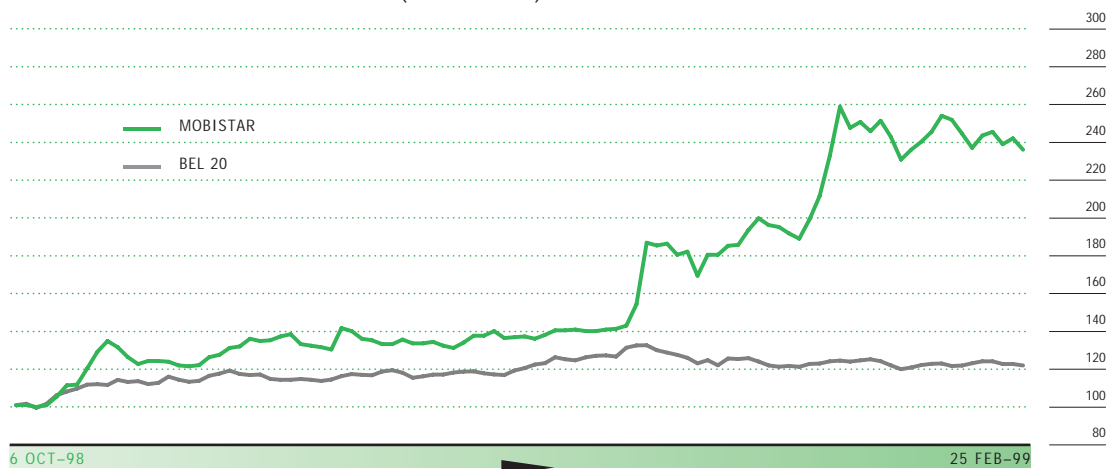
It should be noted that Mobistar's launch on the Stock Exchange was carried out during one of the less favorable periods experienced by the global financial centers in 1998. However, Mobistar managed to respect its commitments. The evolution of the shares since their introduction on the stock exchange indicates that the decision to undertake the operation at that moment was correct.

EVOLUTION OF THE MOBISTAR SHARE

The volume of 6/10/98 has been divided into two for more clarity



MOBISTAR SHARE VERSUS THE BEL 20 (6/10/98=100)



Furthermore, demand exceeded supply fairly considerably and the high interest from institutional investors was also seen by the management of Mobistar as a vote of confidence concerning the strategy that had been followed up until the launch on the Stock Exchange and the objectives stated at the time of the operation. Mobistar's customers also showed a positive interest, since they made up around 24% of the applications within the framework of the offer reserved for individuals. Last but not least, 107,264 shares were bought within the framework of the offer reserved for the company's personnel.

This interest from investors is much more significant given that the context of the Stock Exchange was not especially strong and the launch on the Stock Exchange was carried out barely two years after Mobistar's commercial activities began on August 27, 1996. Having made the considerable necessary investments for setting up the network and forming the company, the prospect of a dividend is still relatively distant. This did not prevent the shares from tempting many an investor.

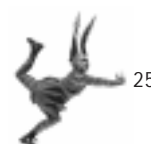
It should also be noted that the company's existing shareholders all wanted to retain a significant interest. While reducing their interest somewhat in order to enable the launch, FTMI (France Telecom Mobiles International) kept a majority interest of

51%, the Telfino group retained a significant interest of 6.8% and the financial consortium did not want to see its interest watered down too much. At the end of the public offer and the exercising of a greenshoe, which had been planned in the methods for the launch on the Stock Exchange, the floating" (the amount of shares offered to the public) reached 16%.

CONFIDENCE AND REPUTATION

As well as this sign of confidence from existing shareholders and investors, the launch on the Stock Exchange had other advantages for Mobistar. Of course, the capital increase which was linked to it was used to finance the expansion of the company. Also, in terms of image and reputation, the step onto the Stock Market was very significant. Not only concerning customers, but also in terms of recruiting and retaining personnel.

Finally, this operation corresponds with the values which Mobistar has defended since it was created, and notably, the notion of transparency. The fact that it is quoted on the Brussels Stock Exchange means that the company has new communication responsibilities concerning the public and the market. What other companies might have considered to be a restriction actually corresponds to a desire that Mobistar's management has always expressed.





ANNUAL REPORT 1998



MONSIEUR FLEUR
ALEGRÍA / CIRQUE DU SOLEIL

29 / Corporate Governance

32 / Management Report

38 / Annual accounts

54 / Assessment rules

56 / The Statutory Auditor's report

part 2

Corporate Governance

BOARD OF DIRECTORS

The Board of Directors is made up of 18 members, the composition of which is regulated by Mobistar's shareholders' agreement of September 17, 1998. The board does not apply an age limit.

FUNCTION	PRINCIPAL FUNCTION CARRIED OUT BY DIRECTORS outside of the company	END OF MANDATE
CHAIRMAN		
John Cordier ⁽²⁾	Chairman, Telfino	1999
DIRECTORS		
MICHEL ALL...	Director, COBEPA	1999
JEAN-FRANÇOIS BEAUDOUIN ⁽¹⁾	Financial Director, France Telecom Mobiles International	1999
CLAUDE BENMUSSA ⁽¹⁾	Director Management Control, France Telecom	2001
MICHEL BERTINETTO ⁽¹⁾	CEO, France Telecom Mobiles	1999
ALEX BRABERS	Senior Investment Manager, GIMV	1999
FRANÇOIS COMET ^{(*) (1)}	Director, France Cable et Radio SA	1999
MARC DANDELOT ⁽¹⁾	Director of International Development, France Telecom	1999
JEAN-BAPTISTE MAIN DE BOISSIÈRE ⁽¹⁾	Chairman, France Telecom Mobiles International	1999
PHILIPPE DE VICQ	Director, Gevaert SA	1999
ETIENNE GAUDISSERT ⁽¹⁾	General Manager, Global One Belgium SA	1999
BERNARD GHILLEBAERT ^{(2) (1)}	General Manager, Mobistar SA	1999
JEAN-FRANÇOIS PONTAL ⁽¹⁾	Executive Director, General Public Branch, France Telecom	1999
JAN STEYAERT	Executive Director Telfino SA	1999
SPARAXIS S.A.		1999
SRIB/GIMB S.A./N.V.		1999
TELINFO S.A.		1999
LOUIS-HENRI VERBEKE ⁽¹⁾	Lawyer	1999

(*) Mr. François Comet replaces Mr. Alain Lenoir who handed in his resignation on July 28, 1998.

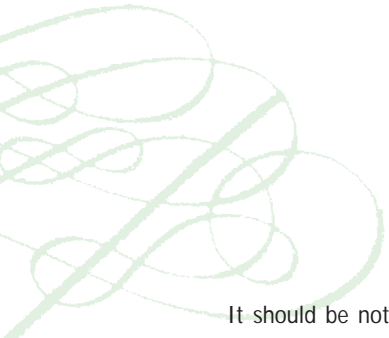
(1) Directors representing the majority shareholder

(2) Directors responsible for day-to-day management

The Sparaxis company is connected with the SRIW (the Regional Investment Company of Wallonia) and is represented by Mr. L. Tordeurs (Vice President of SRIW) or by Mr. E. Bauche (Senior Advisor SRIW).

The SRIB/GIMB (the Regional Investment Company of Brussels) is represented by Mr. S. Vilain (Chairman).

The Telfino company is represented by Mr. N. von Kunitzki (Director).



It should be noted that the shareholders' agreement of September 17, 1998 provides that "the parties undertake to refrain from nominating candidates for positions within the bodies and committees of the company if these persons already hold mandates which are incompatible with that which would be carried out within the company."

The mandate of Director is carried out without payment (except in the case of a decision to the contrary taken by the general assembly). The company provides its Directors with no remuneration or benefits in kind related to the financial year 1998. An agreement does exist between France Telecom and the company concerning the services of France Telecom staff (and this includes Mr. B. Gillebaert) to the benefit of the company. The company has also signed a management contract with Telfin for the services of Messrs. J. Cordier and J. Steyaert to the benefit of the company, in their capacities as Chairman and Director respectively.

FUNCTIONING OF THE BOARD OF DIRECTORS

The Board is to meet at least 6 times a year. The primary subjects discussed within the Board of Directors are :

- ▮ the company strategy;
- ▮ the budget and the long-term financial planning;
- ▮ the operational situation.

The articles of association provide that in principle, the resolutions of the Board of Directors are to be taken by majority vote. However, the shareholders' agreement of September 17, 1998 provides that certain decisions can only be approved if no more than one director votes in opposition; this agreement also includes additional rules on budget allocation.

COMMITTEES CREATED BY THE BOARD OF DIRECTORS

A. The Executive Committee The Board of Directors has established an Executive Committee. The extent of the powers and the functioning of the Executive Committee have been determined in a set of internal regulations. Certain important issues that are explicitly listed in these regulations (such as the drafting of the annual budget, decisions requiring a major modification of the budget, the nomination of board members and other such matters) require that the Executive Committee seek prior consultation with the Board of Directors. The members of the Executive Committee are: Messrs. Michel All", Michel Bertinotto, John Cordier, Jean-Baptiste Main de Boissi're, Bernard Gillebaert, Fran"ois Comet and Jan Steyaert. In 1998, the Executive Committee met eight times.

B. The Audit Committee The Audit Committee is made up of five directors (Messrs. Jean-Fran"ois Beaudouin, Alex Brabers, Jean-Baptiste Main de Boissi're, Jan Steyaert and the company Sparaxis SA, represented by Mr. Eric Bauche). Its job is to assist the Board of Directors in its responsibilities concerning the integrity of the company's financial information and particularly, the supervision of the financial reports, the internal audit, the external audit, the internal control and the financial relations between the company and its shareholders. In 1998, the Audit Committee met four times.

C. The Remuneration Committee The Remuneration Committee is made up of six directors. The job of this committee is to help the Board of Directors in establishing the remuneration for the company executives (Chairman, Executive Director, CEO and persons reporting directly to them). The members of the Remuneration Committee are Messrs. Jean-Fran"ois Beaudouin, John Cordier, Philippe de Vicq, Etienne Gaudissart, Bernard Gillebaert and the

company Sparaxis SA, represented by Mr. L. Tordeurs. The Remuneration Committee met three times in 1998.

DAY-TO-DAY MANAGEMENT The day-to-day management of the company has been entrusted to Mr. John Cordier (Chairman of the Board of Directors and CEO) and to Mr. Bernard Gillebaert (General Manager).

There is also a Management Committee within the company, the members of which have the power to lawfully commit the company, either by the signature of two of them, or by the signature of one of them together with that of a member of the board. With the exception of Mr. Bernard Gillebaert (General Manager of the company), each member of the Management Committee is the head of one of the organization's departments.

The members of the Management Committee are:

BERNARD GHILLEBAERT

General Manager

YVES BAZIN

Operations and Development Director

ANNE-CATHERINE DE DECKER

Quality Manager and Manager of Major Programs

VINCENT GRIVET

Fixed Services Program Director

JACQUES REOURDON

Marketing Director

YVES COCHET

Customer Services Director

REGGY-CHARLES DEGEN

Human Resources Director

JACQUES ROBERT

Information Systems Director

POL VANBIERVLIEET

Sales Director

WILFRIED VERSTRAETE

Financial and Legal Affairs Director

POLICY FOR ALLOCATION

OF RESULTS

The company confirms that it intends to pursue a policy of attractive dividends while taking into account the company's financial requirements.

It should, however, be pointed out that the company is subject to certain restrictions which affect its capacity to pay dividends within the framework of a credit agreement. Specifically, the consequence of this agreement is that, in any case, no payment of dividends can be made before January 1, 2000.

RELATIONS

BETWEEN SHAREHOLDERS

Prior to the constitution of the company, the company's founders (namely, the companies France Telecom Mobiles International Belgium and Telinfo) closed a contract with the aim of defining their cooperation once the company would be established (agreement of May 26, 1995 and codicil of December 18, 1995).

Furthermore, a shareholders' agreement was made on July 31, 1996 which has been modified and completed by a shareholders' agreement on September 17, 1998.





Management report

I. Significant factors in activity over the financial year

1

EVOLUTION OF THE MARKET

In 1998, the Belgian mobile telephone market again witnessed an extraordinary growth of over 78%. The total penetration rose from 9.8% at the end of 1997 to more than 17.5% at the end of 1998. Mobistar was able to reinforce its competitiveness with a market share of 29% despite the increase in competition, which included Mobistar's competitor also launching its pre-paid card onto the market at the beginning of 1998. The number of Mobistar customers, which stood at 283,000 at the beginning of 1998, rose to 510,000 at the end of this same year, representing a growth of over 80%.

2

DISTRIBUTION

Over the course of 1998, Mobistar's distribution policy was thoroughly revised. The decision was made to try to control retail better, in order to face up to the increased competition. Mobistar achieved this thanks to a strategy which was based on two concepts:

¥ First, the setting up of its own distribution chain, the Mobistar Centers. There were already about fifty at the end of the year, and this figure should reach 70 at the end of the first quarter of 1999. Six of these "Mobistar Centers" are more oriented towards business users (Mobistar Business Centers) and the others are mainly aimed at the general public.

¥ Second, the creation and redeployment of a direct sales force which already comprised around a hundred full-time salespeople at the end of 1998. This distribution channel is actually aimed exclusively at businesses, a market segment which is itself subdivided internally into large companies on the one hand and small and medium-sized companies on the other.

The setting up of these controlled distribution channels has borne fruit: during the year's last quarter, sales via these two channels had already reached 18% of the total number of cards sold.

3

PRODUCTS

AND SERVICES

Mobistar has also been able to confirm its innovative reputation in 1998 as far as the introduction of new products and services is concerned. Immediately after the competition launched a pre-paid card, Mobistar introduced a second version of the Tempo card onto the market - Tempo Freetime - for which the price structure varies according to when it is used (39 BEF/min. during peak hours and 9 BEF/min. during off-peak hours). This was clearly the right system, since the gross sales of Tempo have fully corresponded with the forecasts.

On September 15, 1998, Mobistar launched Optimum, a complete revision of the classic range of subscriptions which had been sold up until then. Optimum simplifies the offer made to the customer, reducing the number of different tariffs from seven to three. In addition to the basic tariff plans, Mobistar offers its customers a package of new

options which enable users to personalize the tariff according to their own choice. These options include: a fixed rate package including calls (Optimum +), "Best Deal" (guarantees choosing the best pricing system depending on the use of the telephone), "Multi Line" (several SIM cards in a single package), "International Calls" (calls to countries abroad at very attractive rates), etc.

In addition to its innovative side, Optimum offered a real reduction in the cost of telephone calls.

4

MARKET SHARE

Thanks to this distribution and product strategy, Mobistar's share of the market, in terms of new subscribers, has followed an upward trend since the second quarter of 1998, moving from 25.3% in the first quarter to 26% in the third and 33% in the fourth.

5

FIXED TELEPHONY

m*net was the first product launched by Mobistar to combine fixed telephony and mobile telephony. Launched in February 1998, it offers business users the chance to link their private branch exchanges directly onto the Mobistar network.

On August 27, 1998, the company launched a fixed telephony service (based on indirect access) for residential users, business users and small businesses throughout the whole zone. By dialing the 1595 access number, subscribers benefit from competitive prices for their interzonal and international telephone calls.

To meet current expectations and increase its share value for shareholders, Mobistar will continue with its fixed telephony initiatives in the future by making the most of the opportunities in the telecommunications market through its existing infrastructures.

6

DEVELOPMENT OF THE GSM NETWORK

In the course of 1998, Mobistar continued to invest in improving its GSM network. The "Wireless Dominance" strategy took as its starting point the belief that in the future, a large proportion of telephone calls will be made using mobiles. Consequently, it is important for mobile telephone calls to reach a level of quality which is comparable to that offered by the fixed telephone network. This is the reason why the total number of cells has risen from 1,955 at the beginning of 1998, to 2,800 last December 31. Mobistar has concentrated all of its efforts on improving reception inside buildings. Brussels and, subsequently, Antwerp have been equipped for achieving deep indoor reception. In the future, all major population centers will benefit from the same development.

In order to link up the different parts of its network, Mobistar mainly uses lines leased from Belgacom. In the first half of 1998, Mobistar reached an agreement with the SNCB (Belgian State Railways) for the long term rental of optical fibers. The company will use this agreement to increase its independence regarding Belgacom.

7

CREATION OF PREVENTEL

In 1998, Mobistar, along with the other telecommunications companies active on the Belgian market, made significant progress in the campaign against fraud and bad debtors. An independent non-profit association was set up in order to manage a specific database of subscribers who do not meet their financial obligations to one of the telecommunications companies. The aim is to no longer allow these subscribers access to the mobile telephone market while the disagreements with the telecommunications companies concerned remain unresolved. One of the results of this initiative has been a noticeable reduction in the percentage of dubious complaints.



QUALITY AND CERTIFICATION

As a service provider, Mobistar has always placed a very high emphasis on its concern for quality. This desire is translated into around 25 processes concerning, notably, customer relations, the network and the company's personnel. Closely linked to these processes is a series of continuous improvement programs which Mobistar has introduced and which are assessed on the basis of performance parameters.

The effectiveness of these measures has been regularly monitored by internal audits and discussed by the management. In April 1998, Mobistar was awarded ISO 9001, a certification subsequently reconfirmed in October 1998 by an external audit.

INTRODUCTION OF SHARES ONTO THE BRUSSELS STOCK EXCHANGE

In the fall of 1998, a significant part of the company's securities were introduced onto the Brussels Stock Exchange. In total, 9.3 million shares were put up for sale, including 5.8 million coming from existing shareholders and 3.5 million additional securities issued within the framework of a capital increase.

Within the context of this transaction, the existing shareholders approved an overallocation option on a maximum of 1,395,000 shares - an option which was eventually exercised for 615,196 shares.

In order to increase international diversification, the company decided to offer 65% of the shares to Belgian and foreign institutional investors, while the remaining 35% were intended for the Belgian public. It is important to note that within the framework of the attribution of this second block, a preferential allocation was reserved for the company's employees and certain clients. Likewise, Telfinfo shareholders had the possibility to subscribe, on a preferential basis, to the group of shares put up for sale by this strategic shareholder.

The introduction price of the shares was fixed at 1,235 BEF/share. In this way, Mobistar guaranteed itself a capital increase of 4.3 billion BEF, part of which covered the costs of the operation. The first share quotation took place on October 6, 1998.

After this operation, the total number of shares was 62,000,000 and, at the time of the transaction, the total percentage of shares which had been distributed among the public (free float) was around 16%. The company and the other existing shareholders are bound by what is known as a "Lock-up", a period of 180 days, starting from the day the underwriting agreement was signed, during which the signatories undertake not to sell or transfer shares or financial instruments which can be converted or exchanged into shares or to agree to any option to purchase or transfer.

The interest of the main shareholder, France Telecom, was reduced from 57% to 51% during this operation. This strategic shareholder in the company made it known that it wanted to retain the absolute share majority.

THE YEAR 2000 AND THE EURO

As a relatively young company, Mobistar has been able to anticipate a large number of the problems related to the introduction of the Euro and year 2000 compatibility. The smooth operation of information technology systems is in fact essential for the company. However, we cannot say with certainty that the company's systems or those of intervening third parties will work in a satisfactory manner or that possible problems will not have a negative impact on the company.

II. Comments on the annual accounts

1

INCOME STATEMENT

The turnover for the financial year which closed on December 31, 1998 amounted to 10,126.7 million BEF, which is an increase of 90% compared with the previous year. The structure of the turnover breaks down as follows (in million BEF):

▮ Activation and subscription fees	1,564.7
▮ Traffic-related income	7,691.7
▮ Sales of mobile telephones	810.8
▮ Other income	58.8

The operating costs for the financial year amounted to 12,987.6 million BEF, which is an increase of 40% compared to the 1997 financial year.

Expenditures were mainly made on the following items :

¥ purchases and supplies amounting to 3,998.8 million BEF. These purchases are related to interconnection charges, technical network-related expenditures (lines leased from Belgacom, network maintenance, technical assistance) and the cost of mobile telephone and SIM card sales.

¥ various services and goods amounting to 4,573.4 million BEF, and related mainly to :

- 1) commercial expenses and payment of indirect sales channels (2,573 million BEF)
- 2) fees paid to third parties, temporary staff and subcontractors (1,056 million BEF)
- 3) standard operating expenditures (806 million BEF)
- 4) various expenditures to be re-billed (97 million BEF).

¥ remuneration and social security costs amounting to 1,380.9 million BEF.

¥ amortization and reduction in value on stock and bad debts amounting to 2,480.1 and 207.1 million BEF respectively.

¥ other operating charges related mainly to expenses paid within the framework of the stock exchange launch, amounting to 401.8 million BEF.

The operating result for the financial year amounted to a loss of 3,412.2 million BEF.

2

BALANCE SHEET

The company's balance sheet total amounts to 24,676.9 million BEF.

The assets are made up of 79.3% of long-term assets and of 20.6% of short-term assets.

The long-term assets involve the following elements :

¥ Intangible assets amounting to 8,567.6 million BEF, mainly relating to the operating license.

¥ Tangible assets amounting to 10,945.4 million BEF, mainly linked to the network infrastructures, including both the construction of sites and radio equipment and added-value services. The total number of working sites on December 31, 1998 stood at 2,800.

The short-term assets consist of mainly commercial debts amounting to 3,294 million BEF.



The liabilities involve the following elements:

- ¥ Capital and reserves amounting to 5,391.1 million BEF, which is a capital of 17,309.1 million BEF minus the accumulated losses of 11,918 million BEF; as a result of the accumulated losses, the company fell under the application of Article 103 of the *ÔLois Coordonn es sur les Soci t s Commerciales* (Complementary Legislation for Trading Companies); the procedure stipulated in Article 103 has been followed.
- ¥ Long-term debts of 15,500 million BEF relating to long-term financing.
- ¥ Commercial, fiscal, employment-related and wage debts which amount to 2,982.1 and 402.4 million BEF respectively.

3

LAWSUITS

The company is involved in a number of lawsuits concerning the introduction of a tax on GSM antennae and masts by a certain number of municipalities and a province. Mobistar has contested each of these fiscal enrollments before the Council of State. So far, no decision has been taken. Although Mobistar believes that it has very strong arguments to contest these fiscal regulations and enrollments successfully, it is currently difficult to forecast the outcome of the various proceedings.



John Cordier / CHAIRMAN OF THE BOARD OF DIRECTORS

III. Justification of the application of the accounting continuity policy

In accordance with the provisions of Article 77 of the *ÔLois sur les Soci t s* (laws for companies) and as a result of the losses which resulted from launching the company, the Board of Directors must justify the application of the assessment rules based on the hypothesis of operational continuity.

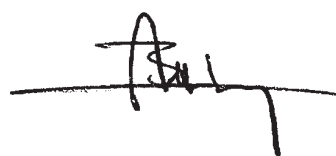
On the basis of the company's financial position, these forecasts and the possibilities for financing, the Board of Directors believes that this application of the assessment rules is justified.

IV. Information on the additional assignments entrusted to the board of auditors

(ART.64.TER/ LAWS FOR COMPANIES)

Additional assignments amounting to 14,576,230 BEF have been carried out by the board of auditors or people with whom the board came into professional contact through collaboration.

These assignments relate mainly to surveys and various work carried out at the time when the company was introduced onto the stock market.



Bernard Ghillebaert / CEO



ANNUAL ACCOUNTS



Balance Sheet

Assets

	1998		1997
	In thousand BEF	In thousand €	In thousand BEF
Fixed Assets	19,588,350	485,583	18,280,150
I Formation expenses ^{NOTE I}	71,289	1,767	101,429
II Intangible assets ^{NOTE II}	8,567,656	212,387	8,643,180
III Tangible assets ^{NOTE III}	10,945,447	271,331	9,533,032
A. Land and buildings	3,609,236	89,471	3,381,730
B. Plant, machinery and equipment	6,154,887	152,576	4,947,641
C. Furniture and vehicles	567,038	14,057	333,001
E. Other tangible assets	292,945	7,262	180,424
F. Assets under construction and advance payments	321,341	7,966	690,236
IV Financial assets ^{NOTE IV AND V}	3,958	98	2,509
C. Other financial assets	3,958	98	2,509
2. Accounts receivable and cash guarantees	3,958	98	2,509
Current Assets	5,088,646	126,144	2,927,170
VI Stocks and contracts in progress	142,052	3,521	57,359
A. Stocks	142,052	3,521	57,359
4. Goods purchased for resale	142,052	3,521	57,359
VII Amounts receivable within one year	3,294,361	81,665	2,265,101
A. Trade debtors	3,092,785	76,668	2,051,611
B. Other amounts receivable	201,576	4,997	213,490
VIII Investments ^{NOTE V AND VI}	693,000	17,179	
B. Other investments and deposits	693,000	17,179	
IX Cash at bank and in hand	205,682	5,099	69,695
X Deferred charges and accrued income ^{NOTE VII}	753,551	18,680	535,015
TOTAL ASSETS	24,676,996	611,727	21,207,320

Liabilities

1998

1997

	In thousand BEF	In thousand €	In thousand BEF
Capital and reserves	5,391,170	133,644	4,494,183
I Capital ^{NOTE VIII}	17,309,199	429,084	13,000,000
A. Issued capital	17,309,199	429,084	13,000,000
V Loss carried forward	(11,918,029)	(295,440)	(8,505,817)
Provisions and deferred taxation	48,000	1,190	
VII A. Provisions for liabilities and charges	48,000	1,190	
4. Other liabilities and charges ^{NOTE IX}	48,000	1,190	
Creditors	19,237,826	476,893	16,713,137
VIII Amounts payable after more than one year ^{NOTE X}	15,500,000	384,235	12,500,000
A. Financial debts	15,500,000	384,235	12,500,000
4. Credit institutions	15,500,000	384,235	12,500,000
IX Amounts payable within one year ^{NOTE X}	3,510,206	87,016	4,038,665
B. Financial debts	68,737	1,704	646,550
1. Credit institutions	68,737	1,704	646,550
C. Trade debts	2,982,176	73,926	3,045,448
1. Suppliers	2,982,176	73,926	3,045,448
E. Taxes, remuneration and social security	402,432	9,976	284,952
1. Taxes	51,456	1,276	33,514
2. Remuneration and social security	350,976	8,700	251,438
F. Other amounts payable	56,861	1,410	61,715
X Deferred charges ^{NOTE XI}	227,620	5,643	174,472
TOTAL LIABILITIES	24,676,996	611,727	21,207,320



Income Statement (presentation in vertical form)

	1998		1997
	In thousand BEF	In thousand €	In thousand BEF
I Operating income	10,319,848	255,822	5,433,905
A. Turnover <small>NOTE XII, A</small>	10,126,761	251,036	5,327,198
D. Other operating income <small>NOTE XII, B</small>	193,087	4,787	106,707
II Operating charges	(12,987,624)	(321,955)	(9,262,016)
A. Raw materials, consumables and goods for resale	3,885,146	96,310	3,096,774
1. Purchases	3,998,837	99,129	3,125,434
2. Increase (+); Decrease (-) in stocks	(113,691)	(2,818)	(28,660)
B. Services and other goods	4,573,447	113,373	2,940,508
C. Remuneration, social security costs and pensions <small>NOTE XII, C2</small>	1,380,914	34,232	912,137
D. Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	2,480,111	61,480	2,051,717
E. Increase (+); Decrease (-), in amounts written off stocks, contracts in progress and trade debtors <small>NOTE XII, D</small>	159,106	3,944	226,466
F. Increase (+); Decrease (-) provisions for liabilities and charges <small>NOTE XII, C3 AND E</small>	48,000	1,190	
G. Other operating charges <small>NOTE XII, F</small>	460,900	11,425	34,414
III Operating loss	(2,667,776)	(66,132)	(3,828,111)
IV Financial income	79,110	1,961	133,233
B. Income from current assets	75,270	1,866	90,070
C. Other financial income <small>NOTE XIII, A</small>	3,840	95	43,163

		1998		1997
		In thousand BEF	In thousand €	In thousand BEF
V	Financial charges	(823,547)	(20,415)	(620,587)
A.	Interest and other debt charges <small>NOTE XIII, B AND C</small>	769,190	19,068	535,469
C.	Other financial charges <small>NOTE XIII, E</small>	54,357	1,347	85,118
VI	Loss on ordinary activities before taxes	(3,412,213)	(84,587)	(4,315,465)
IX	Loss for the period before taxes	(3,412,213)	(84,587)	(4,315,465)
XI	Loss for the period	(3,412,213)	(84,587)	(4,315,465)
XIII	Loss for the period available for appropriation	(3,412,213)	(84,587)	(4,315,465)
Appropriation Account				
A.	Loss to be appropriated	(11,918,029)	(295,440)	(8,505,817)
	1. Loss for the period available for appropriation	(3,412,213)	(84,587)	(4,315,466)
	2. Loss brought forward	(8,505,817)	(210,854)	(4,190,351)
D.	Result to be carried forward			
	2. Loss to be carried forward	11,918,029	295,440	8,505,817



Notes

1998

In thousand BEF

I | Statement of Formation Expenses HEADING 20 OF ASSETS

Net book value as at the end of the preceding period	101,429
Movements during the period:	
‡ Depreciation (-)	(30,140)
Net book value at the end of the period detailing:	71,289
- Expenses of formation or capital increase, loan issue expenses and other formation expenses	71,289

II | Statement of Intangible Assets HEADING 21 OF ASSETS

	CONCESSIONS, PATENTS, LICENCES, A.O.	GOODWILL
a Acquisition costs		
At the end of the preceding period	9,876,043	70,230
Movements during the period:		
‡ Acquisitions, including produced fixed assets	765,641	
‡ Transfers from one heading to another (+) (-)	10,934	
At the end of the period	10,652,618	70,230
c Depreciation and amounts written down		
At the end of the preceding period	1,232,863	70,230
Movements during the period:		
‡ Recorded	852,544	
‡ Transfers from one heading to another (+) (-)	(445)	
At the end of the period	2,084,962	70,230
d Net book value at the end of the period (a) - (c)	8,567,656	

1998

In thousand BEF

III | Statement of Tangible Fixed Assets

	LAND AND BUILDINGS (HEADING 22)	PLANT, MACHINERY AND EQUIPMENT (HEADING 23)	FURNITURE AND VEHICLES (HEADING 24)	OTHER TANGIBLE ASSETS (HEADING 26)	ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS (HEADING 27)
a Acquisition cost					
At the end of the preceding period	3,930,969	5,670,000	478,010	273,676	690,236
Movements during the period:					
¥ Acquisitions including produced fixed assets	614,946	1,237,585	404,795	178,618	656,327
¥ Sales and disposals (-)	(18,902)	(1,301)	(106,310)		(150)
¥ Transfers from one heading to another (+) (-)	165,465	817,932	37,196	(6,456)	(1,025,072)
At the end of the period	4,692,478	7,724,216	813,691	445,838	321,341
c Depreciation and amounts written down					
At the end of the preceding period	549,238	722,359	145,009	93,252	
Movements during the period:					
¥ Recorded	534,365	846,887	156,850	59,325	
¥ Written down after sales and disposals (-)	(2,123)	(271)	(53,219)		
¥ Transfers from one heading to another (+) (-)	1,762	354	(1,987)	316	
At the end of the period	1,083,242	1,569,329	246,653	152,893	
d Net book value at the end of the period (a) - (c)	3,609,236	6,154,887	567,038	292,945	321,341

OTHER ENTERPRISES
(HEADING 285/8)

IV | Statement of Financial Fixed Assets

2 Amounts receivable	
Net book value at the end of the preceding period	2,509
Movements during the period:	
¥ Additions	1,449
Net book value at the end of the period	3,958



Notes

1998

1997

In thousand BEF

In thousand BEF

VI Investments : other investments and deposits (heading 51/53 of assets)

Term deposits	693 000	
with credit institutions falling due:		
¥ less or equal to one month	693 000	

VII Deferred charges and accrued income

Analysis of heading 490/1 of assets if the amount is significant		
¥ Prepaid expenses	313,152	
¥ Deferred charges	70,712	
¥ Accrued income	248,194	

AMOUNTS

NUMBER

VIII Statement of Capital

A Capital		
1. Issued capital (heading 100 of liabilities)		
At the end of the preceding period	13,000,000	
Changes during the period:		
¥ Division of shares		45,500,000
¥ Increase in capital	4,309,199	3,500,000
At the end of the period	17,309,199	
2. Structure of the capital		
2.1. Different categories of shares		
¥ Shares without nominal value	17,309,199	62,000,000
2.2. Registered shares and bearer shares		
¥ Registered		52,084,816
¥ Bearer		9,915,184
D Commitments to issue shares		
2. Following the exercising of subscription rights		
¥ Number of outstanding subscription rights		120,018
¥ Amount of capital to be issued	120,018	
¥ Maximum number of shares to be issued		540,081

1998

In thousand BEF

IX Provisions for other liabilities and charges

Provision for administrative litigation	48,000
---	--------

X Statement of amounts payable

	AMOUNTS PAYABLE CURRENT PORTION BETWEEN ONE AND FIVE YEARS (HEADING 17)	AMOUNTS PAYABLE CURRENT PORTION OVER FIVE YEARS (HEADING 17)
A Analysis by current portions of amounts initially payable after more than one year		
Financial debts	8,100,000	7,400,000
4. Credit institutions	8,100,000	7,400,000
TOTAL	8,100,000	7,400,000

	AMOUNT PAYABLE (OR PORTION THEREOF) GUARANTEED BY REAL GUARANTEES GIVEN OR IRREVOCABLY PROMISED BY THE ENTERPRISE
B Amounts payable (headings 17 et 42/48 of liabilities)	
Financial debts	15,500,000
4. Credit institutions	15,500,000
TOTAL	15,500,000

C Amounts payable for taxes, remuneration and social security	
1. Taxes (heading 450/3 of liabilities)	
b) Non expired taxes payable	51,456
2. Remuneration and social security (heading 454/9 of liabilities)	
b) Other amounts payable for remuneration and social security	350,976

XI Accrued charges and deferred income

Deferred income	82,420
Accrued charges (interest)	26,314
Deferred income (financial instruments)	107,178
Others	11,707



Notes

1998

1997

XII | Operating Results

	1998	1997
C.1 Employees recorded in the personnel register		
a) Total number at the closing date	684	433
b) Average number of employees in full-time equivalents	555.4	366.2
c) Number of actual working hours	945,356	639,535
C.2 Personnel charges (heading 62)(in thousand BEF)		
a) Remuneration and direct social benefits	993,050	659,180
b) Employer's contribution for social security	279,271	190,418
c) Employer's contribution for extra statutory insurance	35,714	29,949
d) Other personnel charges	72,879	32,590
D Amounts written off (heading 631/4) (in thousand BEF)		
1. Stocks and contracts in progress		
¥ recorded	28,998	10,000
2. Trade debtors		
¥ recorded	192,898	216,466
¥ write back (-)	(62,790)	
E Provisions for liabilities and charges (heading 635/7) (in thousand BEF)		
Increases	48,000	
F Other operating charges (heading 640/8)(in thousand BEF)		
Taxes related to operations	3,764	3,568
Other charges	457,136	30,846
G Temporary personnel and persons placed at the disposal of the enterprise		
1. Total number at the closing date	295	129
2. Average number of employees in full-time equivalents	295.0	127.7
Number of actual working hours	454,692	223,268
Charges to the enterprise (in thousand BEF)	1,070,024	772,307

1998

1997

In thousand BEF

In thousand BEF

XIII | Financial results

A	Other financial income (heading 752/9)		
	Detail of other financial income classified under this heading, if material		
	Other financial revenues		40,690
	Exchange differences	3,788	2,472
E	Other financial charges (heading 652/9)		
	Analysis of other charges under this heading, if material		
	Bank charges	50,551	39,716
	Other financial charges	1,287	42,082
	Exchange losses	2,519	3,319

XV | Income taxes

A	Analysis of heading 670/3		
	1. Income taxes of the current period		
	a. Taxes and withholding taxes due or paid	2,879	
	b. Excess of income tax prepayments and withholding taxes capitalized (-)	(2,879)	
D	Status of deferred taxes		
	1. Beneficial deferred taxes	11,786,328	
	¥ Accumulated tax losses deductible from future taxable profits	11,786,328	

XVI | Value added tax and taxes borne by third parties

A	Value added tax charged during the period:		
	1. to the enterprise (deductible)	2,007,142	1,953,608
	2. by the enterprise	2,062,381	1,732,923
B	Amounts retained on behalf of third parties for:		
	1. payroll withholding taxes	263,617	168,636



Notes

1998

1997

In thousand BEF

In thousand BEF

AS SECURITY OF DEBTS AND COMMITMENTS

XVII Rights and commitments not accrued in the balance sheet

Real guarantees, given or irrevocably promised by the enterprise on its own assets		
Mortgages:		
⌘ Book value of the immovable properties mortgaged	74 627	
⌘ Amount of the registration	100 000	
Pledges of business		
⌘ Amount of the registration	18 000 000	
Substantial commitments to acquire fixed assets		
Work in progress	1 026 677	

XVIII Relationships with affiliated enterprises linked by participating interests

AFFILIATED ENTERPRISES

2	Amounts receivable	170,099	108,762
	⌘ within one year	170,099	108,762
4	Amounts payable	561,348	189,506
	⌘ within one year	561,348	189,506

STATEMENT ON CONSOLIDATED ACCOUNTS

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

PARENT COMPANY

France Telecom / 20 avenue Rapp / 75 343 Paris ⌘ France

Prepares consolidated accounts at the highest level.

The consolidated accounts can be obtained at the following address:

France Telecom / 20 avenue Rapp / 75 343 Paris ⌘ France

Social report

1998

1997

I Statement of the persons employed

	FULL-TIME	PART-TIME	TOTAL (T) OR TOTAL FULL-TIME EQUIVALENTS (FTE)	TOTAL (T) OR TOTAL FULL-TIME EQUIVALENTS (FTE)
A Employees recorded in the personnel register				
1. During the financial period and preceding financial period				
Average number of employees	548.9	10.9	555.4 (FTE)	366.2 (FTE)
Number of actual working hours	935,106	10,250	945,356 (t)	639,535 (t)
Personnel charges (in thousand BEF)	1,370,184	10,730	1,380,914 (t)	912,437 (t)
2. As at the closing date of the financial period				
a. Number of employees recorded in the personnel register	671	13	678.7	
b. By nature of the employment contract				
Contract of unlimited duration	652	10	658.2	
Contract of limited duration	19	3	20.5	
c. By sex				
Male	464	5	466.6	
Female	207	8	212.1	
d. By professional category				
Employees	671	13	678.7	
B Temporary personnel and persons placed at the disposal of the enterprise		TEMPORARY PERSONNEL	PERSONS PLACED AT THE DISPOSAL OF THE ENTERPRISE	
During the financial period				
Average number of personnel employed		79.0	216.0	
Number of actual working hours		149,135	305,557	
Charges to the enterprise (in thousand BEF)		135,862	934,162	



II | List of personnel movements

	FULL-TIME	PART-TIME	TOTAL OF FULL-TIME EQUIVALENTS
A Entrants			
a. Number of employed persons recorded in the personnel register during the financial period	388	7	391.5
b. By nature of the employment contract			
Contract of unlimited duration	352	4	354.0
Contract of limited duration	36	3	37.5
c. By sex and level of education			
Male: secondary education	46	1	46.5
higher non-university education	107		107.0
university education	103	1	103.5
Female: secondary education	32	2	33.0
higher non-university education	55	1	55.5
university education	45	2	46.0
B Leavers			
a. Number of employed persons of which the date of termination of the contract has been recorded in the personnel register during the financial period	154	5	156.5
b. By nature of the employment contract			
Contract of unlimited duration	116	4	118.0
Contract of limited duration	38	1	38.5
c. By sex and level of education			
Male: secondary education	17		17.0
higher non-university education	47		47.0
university education	36		36.0
Female: secondary	17	3	18.5
higher non-university education	19	1	19.5
university education	18	1	18.5
d. By reason of termination of contract			
Dismissal	16	1	16.5
Other reason	138	4	140.0



Structure of shareholdings of the enterprise (number of shares)

France Telecom Mobile International Belgium	31,620,000
Cobema	2,939,132
Wallonie T*!communications	2,465,079
GIMV	2,465,079
CIPPAR	2,465,079
KBC Verzekeringen	1,137,728
Regio	970,102
Gevaert	948,107
KBC Bank	414,134
Bruficom	2,465,079
Telindus GSM	2,034,585
Telindus nv	2,160,700
Public	9,915,196



Structure of shareholdings of the enterprise (number of shares)

France Telecom Mobile International Belgium	31,620,000
Cobema	2,939,132
Wallonie T*!communications	2,465,079
GIMV	2,465,079
CIPPAR	2,465,079
KBC Verzekeringen	1,137,728
Regio	970,102
Gevaert	948,107
KBC Bank	414,134
Bruficom	2,465,079
Telindus GSM	2,034,585
Telindus nv	2,160,700
Public	9,915,196

Major lawsuits and other major commitments

- 1 Bank guarantees issued on behalf of the company : 85,351 (thousand BEF).
- 2 Bank guarantees received : 522,211 (thousand BEF)
- 3 Financial instruments: the contracts intended to protect the company against the risk connected with interest rate fluctuations associated with loans had a nominal fictitious capital of BEF 15,000 million on December 31, 1998. In 1998, the company had already concluded contracts worth BEF 7,000 million which take effect in 1999.
- 4 For the requirements of the financing project, the company has granted securities to syndicated banks in the form of :
 - a. pledge on the receivables and on the insurance policies
 - b. mortgage of BEF 100 million on the building in Charleroi
 - c. mortgage on the business of BEF 2,500 million
 - d. mortgage order allowing the financiers of the capital to take out a mortgage up to 110% of the market value on the buildings that the company may acquire
 - e. mortgage order on the business for the amount of BEF 15,500 million (reduced by reimbursement and early reimbursement carried out within the framework of the financing project.)
- 5 Since 1997, certain districts and one province in Belgium have approved local taxation measures which allow pylons, masts and antennae located on their territory to be taxed. All of these taxation measures are currently being contested before the Council of State and the tax authorities. The approval of such measures at the maximum taxation rate by all districts and provinces would result in considerable costs, the amount of which cannot be estimated at this time. In light of the uncertain character of this risk, no provisions have been budgeted on this matter.

Other important information

- 1 The rates of interconnection costs, costs for leased lines and Oairtime in O revenue are being renegotiated. The management, however, is convinced that the expenses and income are faithfully represented in the annual accounts.
- 2 The other operating expenses are essentially related to the costs of the Stock Exchange launch for an amount of BEF 401.8 million.



Valuation rules

The valuation rules have been established in accordance with the provisions of the Royal Decree of 08/10/76 and with the Belgian principles of accounting.

FORMATION COSTS

The first formation costs and the costs related to increases in issued capital are capitalized on the balance sheet at cost price and amortized over five years, starting from the date of payment, on a linear basis. Exceptionally, 100% of the costs of the capital increase within the framework of the Stock Exchange launch are borne.

INTANGIBLE ASSETS

The intangible assets are booked at cost price and are essentially comprised of the following capitalized costs and expenditures: acquisition of the license, cost of the design and development of the network, permits, cost of licenses and development of software and goodwill.

The capitalized costs included among the intangible assets related to the acquisition of the license are amortized on a linear basis over 15 years, for the duration of the license. The other intangible assets are amortized on a linear basis over a period of three to five years, with the exception of the cost of the original design and the original development of the network, which has been entered in the results.

TANGIBLE ASSETS

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

Construction and installation	
on rented sites	10 to 20 years
Installation at site level	10 years
Mobile telephony	
fittings for buildings	3 to 8 years
Network fittings	8 years
Information technology equipment	3 years
Other tangible fittings	3 to 15 years

The costs for regular maintenance and for repairs are booked as expenditures during the period in which they are incurred. Improvements to property are capitalized.

The loan costs related to the purchase of fixed assets are considered as operating expenses.

RECEIVABLES

Receivables are valued at nominal value. The provisions for bad debts are made at the moment considered necessary to cover the potential risks of recovering the balances of the receivables booked.

STOCKS

The stocks include the goods purchased for resale. The inventories are valued at the lowest cost price or at the market price. The cost is determined according to the FIFO method (first in first out).

CASH

(AND CASH EQUIVALENTS)

The liquid assets and the equivalents of liquid assets include the cash deposits and fixed deposits of less than three months. They are registered at nominal value. Foreign currencies are converted at the rate which is applicable at the end of the financial year and profits and losses are recorded as operating income and expenses.

DEFERRED CHARGES AND

ACCRUED INCOME

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

PENSIONS The company has a retirement system based on a defined fee which provides for a supplement to the legally required pension for employees. This retirement system is covered and financed by an insurance company as required by Belgian tax law.

FINANCIAL INSTRUMENTS The company engages in contracts intended to protect itself against the risk associated with fluctuations in the interest rates associated with its loans. The amounts which appear in the contracts are calculated on the basis of the fictitious registered capital of the financial instruments. The premiums paid or received and the related profits and losses are carried forward on the contract period and are registered as interest income and expenses.

The risk outside of the balance sheet for the outstanding financial instruments includes both the risk that a contractant will not respect the terms of the contract and the risk connected with fluctuations in the market price. The company controls its positions, the degree of solvency of the contractants and the level of contracts that it engages in with any party. The contractants for these contracts are major financial institutions. The company's policy is to conclude contracts with parties which meet rigorous qualification standards and, in light of the high level of solvency of its contractants, the company does not deem it necessary to obtain guarantees. The company is of the opinion that losses due to the failure on the part of contractants to respect the conditions of these transactions will not have a significant negative effect on the company's financial situation or operating results. In this regard, the company is in no way dependent on any individual contractant.

ACKNOWLEDGEMENT OF INCOME AND EXPENSES The income and expenses are registered at the moment that they are incurred, regardless of their payment or collection.

The income derived from mobile services is declared when it is acquired. The invoices for these services are carried out on a monthly basis, throughout the entire month. The bills which are not invoiced in the invoicing cycle at the end of each month are estimated on the basis of traffic and recorded at the end of the month. The payments received in advance are carried forward and included on the balance sheet under income carried forward. The discrepancies between the estimated income and the actual income are acknowledged in the following period. So far, these discrepancies have not proved significant.

TAXES ON INCOME The company is subject to company tax in accordance with the Belgian income tax law. The deferred taxes which are the result of the temporary differences in the declaration of the income and expenses are not acknowledged.

TRANSACTIONS IN FOREIGN CURRENCY The transactions in foreign currency are converted into BEF according to the exchange rates which apply at the time of the transaction. The receivables and liabilities which are booked in foreign currencies on the date of the balance sheet are adjusted in order to reflect the exchange rate effective at this time. These adjustments are acknowledged in the profit and loss account.



Report of the Statutory Auditor
for the year ended December 31,
1998 to the Shareholders' Meeting
of the company Mobistar s.a.

In accordance with legal and regulatory requirements we are pleased to report on the performance of the audit mandate which you have entrusted to us.

We have audited the financial statements as of and for the year ended December 31, 1998 which have been prepared under the responsibility of the Board of Directors which show a balance sheet total of 24,676,995,683 BEF and a loss for the year of 3,412,212,635 BEF. We have also carried out the specific additional audit procedures required by the law.

**UNQUALIFIED AUDIT OPINION
ON THE FINANCIAL STATEMENTS**

We conducted our audit in accordance with the standards of the Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement taking into account the legal and regulatory requirements applicable to the financial statements in Belgium.

In accordance with these standards we considered the company's administrative and accounting organisation, as well as its internal control procedures. Company officials have responded clearly to our requests for explanations and information. We examined, on a test basis, evidence supporting the amounts in the financial statements. We assessed

the accounting policies used, the significant estimates made by the company as well as the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, taking into account the legal and regulatory requirements, the financial statements present fairly the company's net worth and financial position as of December 31, 1998 and the results of its operations for the year then ended and the information given in the notes to the financial statements is properly presented.

**ADDITIONAL
CERTIFICATIONS**

We supplement our report with the following certifications and information which do not have any impact on our audit opinion on the financial statements :

- The Directors' Report includes the information required by the law and is consistent with the financial statements;
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained and the financial statements have been prepared in accordance with the legal and regulatory requirements applicable in Belgium;
- There are no transactions undertaken or decision taken in violation of the Company Law or the statutes which we have to report to you. The appropriation of results proposed to the general meeting complies with the legal and the statutory provisions.

Brussels, February 17, 1999

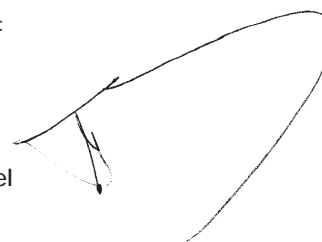
KLYNVELD PEAT MARWICK GOERDELER
Represented by :

F. Theeuwes



VAN PASSEL, MAZARS & GUERARD
Represented by :

H. Van Passel



Results of Operations

	1998		1997
	YEAR ENDED 31/12/1998		YEAR ENDED 31/12/1997
	In thousands of BEF	In thousands of €	In thousands of BEF
Operating Revenues			
Airtime (including roaming)	7,706,693	191,044	4,041,216
Connection and subscription	1,621,670	40,200	1,118,368
Equipment sales and other	798,398	19,792	167,614
Other revenue	193,087	4,786	106,707
Total Operating Revenues	10,319,848	255,822	5,433,905
Operating expenses			
Interconnection costs	(1,162,440)	(28,816)	(836,915)
Cost of equipment and goods sold	(2,722,706)	(67,494)	(2,259,859)
Services and other goods	(4,573,447)	(113,373)	(2,940,508)
Remuneration, social security and pensions	(1,380,914)	(34,232)	(912,137)
Depreciation and amortization	(2,480,111)	(61,481)	(2,051,717)
Bad debts, inventory and provisions for liabilities and charges	(207,106)	(5,134)	(226,466)
Other operating charges	(460,900)	(11,425)	(34,414)
Total operating expenses	(12,987,624)	(321,955)	(9,262,016)
EBITDA¹	(187 665) *	(4 651) *	(1 776 394) *
EBITDA/operating revenues	-1.8%	-1.8%	-32.7%
Net financial expenses	(744,437)	(18,454)	(487,354)
Net loss for the period	(3,412,213)	(84,587)	(4,315,465)
Balance Sheet Data			
Current assets	5,088,646	126,144	2,927,171
Tangible and intangible assets, net	19,588,350	485,583	18,280,150
Total assets	24,676,996	611,727	21,207,321
Current liabilities	3,737,826	92,658	4,213,138
Long term liabilities	15,548,000	385,425	12,500,000
Total liabilities	19,285,826	478,083	16,713,138
Shareholders' equity	5,391,170	133,644	4,494,183

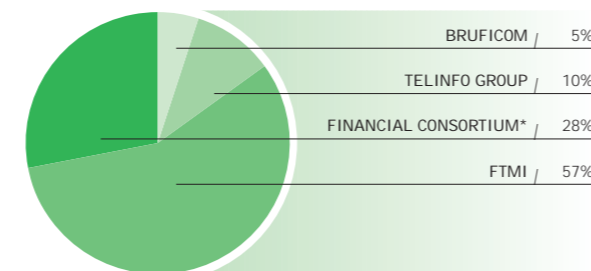
¹ EBITDA means Earnings Before Interest, Tax, Depreciation and Amortization.

* The 1998 EBITDA figure exceptionally includes the charges related to the IPO for a total amount of 401,835 KBEF, booked in other operating expenses.

Key figures of 1998

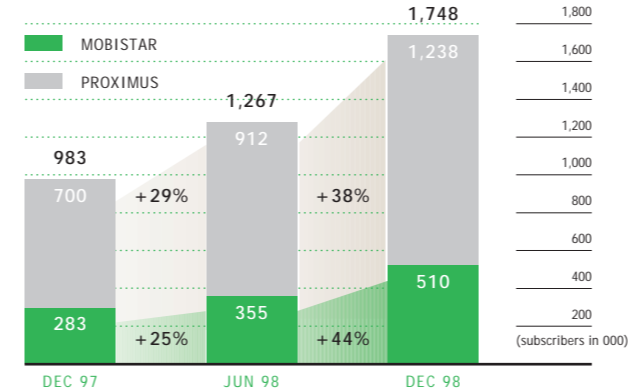
SHAREHOLDERS' STRUCTURE

BEFORE IPO*

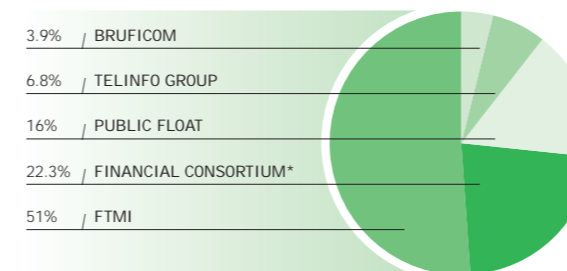


* COBEMA, MOSANE, IBEL, SRIW, GIMV, GEVAERT, KBC BANK, KBC VERZEKERINGEN

MOBISTAR'S MARKET SHARE EVOLUTION

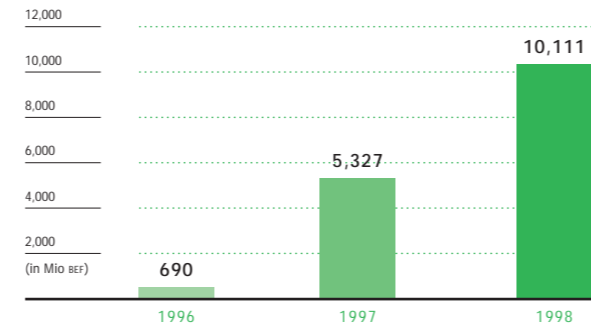


AFTER IPO*

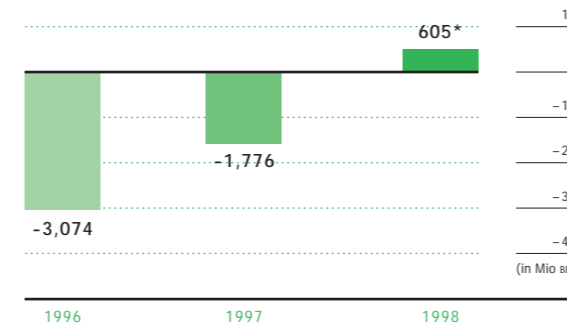


* COBEMA, WALLONIE TELECOMMUNICATIONS, GIMV, CIPPAR, KBC VERZEKERINGEN, REGIO, GEVAERT, KBC BANK

REVENUES MOBILE ACTIVITIES

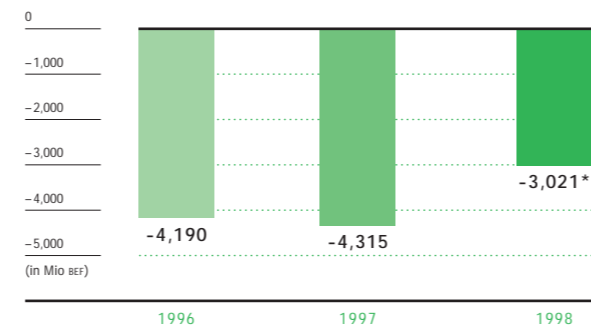


EBITDA FOR MOBILE ACTIVITIES



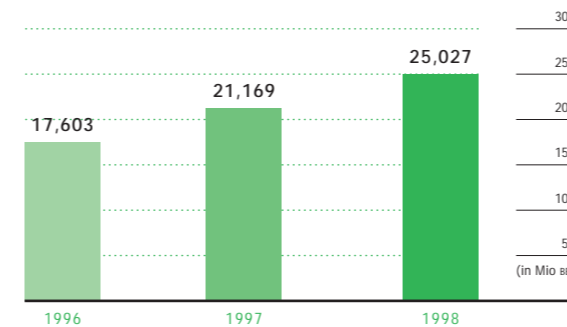
* Excluding IPO fees and expenses, for a total amount of 401,835 KBEF

EARNINGS AFTER TAXES FOR MOBILE ACTIVITIES



* Including IPO fees and expenses for a total amount of 401,835 KBEF.

CUMULATED CAPITAL EXPENDITURES 96-98



For more information,
please contact

Olivier Ysewijn / Manager Corporate Finance
For shareholders and analysts
e-mail: oysewijn@mail.mobistar.be

Thierry Bouckaert / Public Relations Manager
For the press
e-mail: tbouckae@mail.mobistar.be

Financial and Legal Director

Wilfried Verstraete

Responsible Publisher

Chris Van Roey / Associate Director – Communication

Coordination

Frédéric Goffin / Corporate Publications Coordinator

Photography

Al Seib / Le Cirque du Soleil

André Matthijssens

Concept & layout

SDC / Aplanos

Texts

Mot à Mot

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

Mobistar s.a.

Rue Colonel Bourg, 149

B-1140 Brussels

Belgium

Tel. +32 2/745 71 11

Fax +32 2/745 70 00

<http://www.mobistar.be>

Belgian Trade Register 599.402

VAT BE 456 810 810

