financial report

> key figures

Year ended 31 December	2004	2005	2006
Income Statement (in EUR million)			
Total revenue before non-recurring items	5,540	5,458	6,100
Non-recurring revenue	0	238	0
Total revenue	5,540	5,696	6,100
EBITDA (1) before non-recurring items	2,394	2,214	2,149
EBITDA (1)	2,353	2,098	2,149
Depreciation and amortization	-742	-726	-802
Operating income (EBIT)	1,611	1,372	1,347
Net finance revenue (costs)	-27	64	104
Income before taxes	1,584	1,436	1,451
Tax expense	-508	-339	-358
Minority interests	152	139	121
Net income (Group share)	922	959	973

Year ended 31 December	2004	2005	2006
Cash Flow and Capital Expenditures (in EUR million)			
Cash flows from operating activities	1,899	1,883	1,643
Capital expenditures	-556	-696	-676
Cash flows generated by / (used in) other investing activities	78	389	-2,279
Free cash flow (2)	1,421	1,575	-1,313
Cash flows used in financing activities	-1,658	-1,102	751
Net increase / (decrease) of cash and cash equivalents	-237	473	-562

As of 31 December	2004	2005	2006
Balance sheet (in EUR million)			
Balance sheet total	5,368	5,831	7,300
Non-current assets	3,963	3,808	5,504
Investments, cash and cash equivalents	406	884	327
Shareholders' equity	2,223	2,221	2,391
Minority interests	407	370	8
Liabilities for pensions, other post-employment benefits and termination benefits	760	1,010	886
Net financial position	110	534	-1,636

Year ended 31 December	2004	2005	2006
Data per share			
Basic earnings per share (EUR)	2.57	2.78	2.87
Diluted earnings per share (EUR)	2.57	2.77	2.87
Dividend per share, gross (in EUR) (3)	1.38	1.52	1.60
Interim/special dividend per share, gross (in EUR)	0.55	0.00	0.29
Weighted average number of ordinary shares	358,612,854	345,406,186	338,621,113

Year ended 31 December	2004	2005	2006
Data on employees			
Number of employees (full-time equivalents) (4)	16,933	16,335	18,180
Average number of employees over the period	17,108	16,388	18,163
Total revenue before non-recurring items per employee (EUR)	323,847	333,034	335,869
Total revenue per employee (EUR)	323,847	347,577	335,869
EBITDA (1) before non-recurring items per employee (EUR)	139,945	135,103	118,294
EBITDA (1) per employee (EUR)	137,549	128,010	118,294

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.
(2) Cash flow before financing activities.
(3) 2006 dividend to be approved by the Annual General Shareholder meeting.
(4) 2006: Including 2,753 Telindus employees

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Income statement

Total revenue of the Belgacom Group increased 7.1% year-over-year to EUR 6,100 million.

Excluding non-recurring revenue, and adjusted for the contribution of entities disposed of in 2005 and new entities acquired in 2006, the Group's revenue decreased 0.9% (EUR 51 million) to EUR 5,399 million.

The Group's operating income before depreciation and amortization increased 2.4% to EUR 2,149 million. However, excluding non-recurring items [(1)] recorded in 2005, and adjusted for the contribution of 2006 new entities, the Group EBITDA decreased 4.0% (EUR 88 million) to EUR 2,121 million.

Revenue per business segment

	Year ended 31 December						Variance 2006 versus 2005
	2004		2005		2006		
	(in EUR million)	(%)	(in EUR million)	(%)	(in EUR million)	(%)	(%)
Fixed Line Services	3,092	56	2,961	54	3,630	59	22.6
Mobile Communications Services	2,239	40	2,181	40	2,136	35	-2.0
International Carrier Services	645	12	713	13	736	12	3.2
Intersegment eliminations	-435	-8	-396	-7	-401	-7	1.1
Total	**5,540**	**100**	**5,458**	**100**	**6,100**	**100**	**11.8**
Non-recurring revenue	0		238		0		
Total	**5,540**		**5,696**		**6,100**		**7.1**

Fixed Line Services revenue increased 22.6%. 2005 however includes revenues from disposed companies, whereas the revenue of 2006 includes the revenue contribution of Telindus Group. When adjusted for these disposed companies in 2005 and the revenue contribution of Telindus in 2006, the FLS revenue decreased 0.8%. The revenue was mainly impacted by a decline in traditional voice services, partially offset by the growth in broadband and national wholesale products.

Mobile Communications Services total revenue evolution was impacted by new, cheaper pricing plans, but the decrease was limited to 2.0%. Net Service revenue declined 2.2%, mainly driven by higher credits and discounts granted within the framework of the Market Share Leadership Program, which resulted in positive customer indicators such as a net increase of customers, a higher percentage of active customers and a reduced churn rate.

International Carrier Services revenue increased 3.2%. This is the result of a significant volume increase following the joint venture with Swisscom Fixnet AG and the outsourcing deal with MTN, effective since July 2005 and February 2006 respectively.

Operating expenses before depreciation and amortization

	Year ended 31 December			Variance 2006 versus 2005
(in EUR million)	2004	2005	2006	
Costs of materials and charges to revenue	1,461	1,555	2,005	28.9%
Personnel expenses and pensions	993	957	1,106	15.5%
Other operating expenses	693	731	841	15.0%
Total	**3,146**	**3,244**	**3,952**	**21.8%**
Non-recurring expenses	41	355	0	-
Total	**3,187**	**3,598**	**3,952**	**9.8%**

(1) In the first half of 2005, a non-recurring revenue of EUR 238 million was booked related to the gain on the disposal of shares in Belgacom Directory Services SA. In the second half of 2005 a non-recurring expense of EUR 355 million was booked related to the termination benefits and other related costs in the frame of the collective agreement in respect of the work organisation.

Costs of materials and charges to revenue

Costs of materials and charges to revenue increased 28.9% (EUR 450 million), including the significant contribution of new entities acquired in 2006. Adjusted for the contribution of entities disposed of in 2005 and new entities acquired in 2006, the costs of materials increased 1.9% or EUR 30 million. This increase was partly driven by the costs related to the revenue growth in the **International Carrier Services** segment. In the **Mobile segment**, higher interconnection and commission expenses were offset by lower roaming-out and handset costs, while within the **Fixed Line segment**, costs of materials and charges to revenue increased despite the revenue decline, due to the product mix evolution (growth of transit traffic within National Wholesale, additional costs related to Belgacom TV, etc.).

Personnel expenses and pensions

	Year ended 31 December		
(in EUR million)	2004	2005	2006
Salaries and wages	746	717	832
Social security expenses	163	163	194
Pension costs	17	16	19
Post-employment benefits other than pensions and termination benefits	39	40	31
Other personnel expenses	27	21	29
Total	**993**	**957**	**1,106**
Number of employees at year end (full-time equivalents) (1)	**16,933**	**16,335**	**18,180**

(1) Number of full-time equivalents, calculated on the basis of the consolidation percentage of subsidiaries owned less than 100%.

Overall personnel expenses and pensions increased in 2006 by EUR 149 million or 15.5%. However, this increase was mainly driven by the acquisition of Telindus, employing 2,753 full-time equivalents at the end of 2006.

On the other hand, 908 full-time equivalents left Belgacom in the course of 2006 within the framework of restructuring programs (564 full-time equivalents, mainly linked to BeST and the 2005 labor agreement) and natural attrition (344 full-time equivalents).

Adjusted for the contribution of entities disposed of in 2005 and new entities acquired in 2006, personnel expenses and pensions decreased 2.9% (EUR 28 million).

Other operating expenses

Other operating expenses increased by 15.0% (EUR 110 million). When adjusted for the disposal of consolidated companies and the contribution of new entities acquired in 2006, other operating expenses increased 4.7% or EUR 35 million. The major driver of this increase is the cost related to the further development of Belgacom TV in 2006.

Operating income before depreciation and amortization (EBITDA)

	Year ended 31 December						
	2004		2005		2006		Variance 2006 versus 2005
	(in EUR million)	(%)	(in EUR million)	(%)	(in EUR million)	(%)	(%)
Fixed Line Services	1,257	53	1,147	52	1,116	52	-2.7
Mobile Communications Services	1,135	47	1,041	47	1,000	47	-3.9
International Carrier Services	2	0	27	1	33	2	23.1
Intersegment eliminations	0	0	-1	0	0	0	-16.2
Total	**2,394**	**100**	**2,214**	**100**	**2,149**	**100**	**-3.0**
Non-recurring revenue	0		238		0		
Non-recurring expenses	-41		-355		0		-100.0
Total	**2,353**		**2,098**		**2,149**		**2.4**

The EBITDA of **Fixed Line Services**, excluding non-recurring items, decreased 2.7% compared to 2005. When adjusted for the disposal of consolidated companies and the contribution of new entities, the FLS EBITDA decreased 4.7%.

Mobile Communications Services EBITDA decreased 3.9% year-over-year, driven by higher credits and discounts granted to customers, partly compensated by strict cost control through operational excellence.

International Carrier Services EBITDA increased by EUR 6 million year-over-year as a consequence of increased volume and cost synergies resulting from the joint venture with Swisscom, combined with a better transit margin.

Operating income (EBIT)

The operating income of the group decreased 1.8% to EUR 1,347 million, driven by the EBITDA evolution. When excluding non-recurring items, the Group operating income decreased 9.5% (EUR 141 million).

Net finance revenue/cost

The improvement of the net finance revenue from EUR 64 million in 2005 to EUR 104 million in 2006 is the result of the increase of gains realized on the disposal of associates and other participating interests.

Indeed, in 2005 Belgacom disposed of its interests in satellite companies and its minority stake in Alert Services Holding following the exercise of its put option, resulting in a total gain of EUR 62 million. In 2006, gains on disposal amounted to EUR 122 million, including a gain of EUR 118 million on the disposal of Neuf Cégétel shares.

Tax expense

The effective tax rate of the years 2005 and 2006, 23.57% and 24.65% respectively, is lower than the tax rate applicable in Belgium, 33.99%, due to non-taxable income from the disposals of consolidated and non-consolidated companies.

Minority interest

The Group's main minority interest was Vodafone's 25% stake in Belgacom Mobile, until this interest was acquired early November 2006.

Net income (Group share)

Net income (Group share) increased from EUR 959 million in 2005 to EUR 973 million in 2006, favorably impacted by a positive evolution of the financial result and lower minority interests in 2006.

Balance sheet

The acquisition of Telindus Group and the Vodafone share in Belgacom Mobile in 2006 have had a significant influence on the evolution of the Group's balance sheet.

Goodwill was recognized on the 2006 balance sheet primarily due to the above mentioned acquisitions.

Intangible assets and property, plant and equipment are the Group's main assets. Year-over-year, despite the acquisition of Telindus Group, intangible assets are decreasing, and property, plant and equipment are increasing very slightly due to depreciation and amortization being higher than capital expenditures. In 2005 and 2006, the capital expenditures principally concerned investments in the "Broadway project" (infrastructure enabling VDSL services to be offered), Belgacom TV and the 3G mobile network. The increase in intangible assets for 2005 was due to the acquisition of Belgacom TV broadcasting rights, including the soccer rights from the Belgian Football League.

Deferred income tax assets relate mainly to tax losses carried forward that Belgacom SA has accumulated, amongst others, as a result of the non-recurring expenses related to the BeST restructuring program launched in 2002, the transfer of the pension obligations for statutory employees in 2003 and the provision recorded in 2005 resulting from the collective agreement in respect of the work organization. Based on Belgacom's current business plan, such tax losses will be utilized during the coming years.

Trade receivables increased significantly in 2006 due to the acquisition of Telindus Group.

Year-over-year, the evolution of cash and cash equivalents results from a different evolution of the cash provided by operating activities and the cash used for investing and financing activities. In 2006, the Group realized significant acquisitions only partly financed through debt. This evolution is presented in the consolidated cash flow statement of the consolidated financial statements.

Shareholders' equity increased in 2006 primarily due to net income being higher than decreases resulting from the dividends payments and the share buy-back. The decrease of minority interests is a result of the acquisition of Vodafone's shares in Belgacom Mobile. These impacts are presented in the consolidated statement of changes in equity of the consolidated financial statements.

In order to finance the purchase of Vodafone's 25% stake in Belgacom Mobile for an amount of EUR 2 billion, Belgacom issued a EUR 1,650 million bond.

In 2004 and 2006, the liability for pensions, other post-retirement benefits and termination benefits decreased, due to the fact that payments exceeded the costs incurred for the year. This liability increased in 2005 following the establishment of a liability to cover the commitments made by the Group in a collective agreement which far exceeded the pension payments, other post-employment benefits and termination benefits for the year.

Trade payables increased in 2005 principally due to the acquisition of soccer and broadcasting rights, with an installment schedule extending beyond one year. The increase of trade payables in 2006 resulted from the acquisition of Telindus Group.

Liquidity and capital resources

Cash Flow

(in EUR million)	2004	2005	2006
	As of 31 December		
Cash flows from operating activities	1,899	1,883	1,643
Capital expenditures	-556	-696	-676
Cash flows from/(used in) other investing activities	78	389	-2,279
Cash flow before financing activities or "Free cash flow"	1,421	1,575	-1,313
Cash flows used in financing activities	-1,658	-1,102	751
Net increase/(decrease) of cash and cash equivalents	-237	473	-562

Cash inflows from operating activities generated in 2006 (EUR 1,643 million) were lower than in the previous year (EUR 1,883 million) as a result of a lower EBITDA and the acquisition in 2005 of Belgacom TV broadcasting rights, including Belgian soccer rights, payable in three years.

Exceptionally in 2006, the cash inflows were not sufficient to finance the other investing activities of the year as the Group made some significant acquisitions: Telindus Group for EUR 584 million and Vodafone's share in Belgacom Mobile for EUR 2 billion.

Cash received from the disposal of consolidated and other participating interests decreased from EUR 373 million in 2005 to EUR 272 million in 2006.

The Group financed the 2006 net cash needs by decreasing the net cash position and by issuing a EUR 1,650 million bond.

Capital expenditures

	Year ended 31 December						
	2004		2005		2006		Variance 2006 versus 2005
	(in EUR million)	(%)	(in EUR million)	(%)	(in EUR million)	(%)	(%)
Fixed Line Services	338	61	488	70	448	66	-8.2
Mobile Communications Services	205	37	195	28	214	32	9.4
International Carrier Services (1)	13	2	19	3	15	2	-22.1
Intersegment eliminations (1)	0	0	-6	-1	0	0	-100.0
Total	**556**	**100**	**696**	**100**	**676**	**100**	**-2.9**

(1) 2005 includes IRU - Irrevocable right of use of the Belgacom network.

The 2006 capital expenditures of **Fixed Line Services** decreased 8.2% year-over-year (EUR 40 million) as 2005 was highly impacted by the acquisition of Belgacom TV broadcasting rights, including Belgian soccer rights. Capital expenditures in 2006 include EUR 99 million investment related to Belgacom TV, EUR 33.5 million capital expenditure for Telindus and EUR 103 million for Broadway investments.

Mobile Communications Services capital expenditures grew 9.4% year-over-year (EUR 18 million), mainly driven by higher 3G-related investments to increase the population coverage (a total investment of EUR 79.5 million in 2006).

International Carrier Services capital expenditures decreased year-over-year by EUR 4.2 million. However, the 2005 capital expenditures were impacted by the right to use the Belgacom network (IRU) after the transfer of ICS activities to the subsidiary Belgacom International Carrier Services. Excluding the IRU of EUR 6.2 million, capital expenditures increased EUR 2.0 million to EUR 15 million, mainly driven by new network investments.

Capital resources

As a rule, the Group mainly finances its development with the cash flows from its operations. The Group also has a USD 2.5 billion Euro Medium Term Note ("EMTN") program and a EUR 1 billion Commercial Paper ("CP") program. At 31 December 2006, there was an outstanding balance of EUR 1,650 million under the EMTN program, corresponding to the unsubordinated debentures newly issued in 2006 to finance the acquisition of minority interests in Belgacom Mobile, with an average remaining maturity of 7 years. At 31 December 2006, there was no outstanding balance under the CP Program. The Group is also backed by long-term credit facilities of EUR 586 million and short-term credit facilities of EUR 518 million. These facilities are provided by a diversified group of banks. At 31 December 2006, there was no outstanding balance under the long-term facilities and an outstanding balance of EUR 43 million under the short-term facilities.

> comments on business segment figures

Fixed Line Services (FLS)

(in EUR million)	Year ended 31 December 2005	2006	Variance
Total segment revenue	**2,961**	**3,630**	**22.6%**
Costs of materials and charges to revenue	-591	-1,038	75.7%
Personnel expenses and pensions	-788	-938	19.0%
Other operating expenses	-435	-538	23.7%
Total operating expenses before depreciation and amortization	**-1,814**	**-2,514**	**38.6%**
Total segment result (1)	**1,147**	**1,116**	**-2.7%**
Segment result margin	*38.7%*	*30.7%*	*-8.0 p.p.*
Non-recurring revenue	238	0	
Non-recurring expense	-355	0	
Operating income before depreciation and amortization	**1,031**	**1,116**	**8.3%**
Depreciation and amortization	-492	-568	15.5%
Operating income	**538**	**547**	**1.7%**

(1) Operating income before depreciation and amortization and before non-recurring revenue and expenses.

(in EUR million)	Year ended 31 December 2006 FLS Core	Belgacom TV	Telindus	FLS Total
Total Revenue	2,912	15	702	3,630
Operating Expenses before depreciation and amortization	-1,786	-53	-675	-2,514
EBITDA	1,127	-38	27	1,116
EBITDA margin (in %)	*38.7*	-	*3.9*	*30.7*

(in EUR million)	Year ended 31 December 2005	2006	Variance (%)	Variance
FLS Core	**2,951**	**2,912**	**-1.3**	**-38**
Voice Access	781	739	-5.3	-42
Voice Traffic	717	659	-8.0	-58
Internet	429	464	8.3	35
Data	215	203	-5.7	-12
Terminals	161	148	-7.6	-12
Other retail (1)	244	239	-2.2	-5
National Wholesale	390	449	15.3	60
Others	15	11	-27.7	-4
Disposed companies	**8**	**0**	**-**	**-8**
Telindus	**0**	**702**	**-**	**702**
Belgacom TV	**2**	**15**	**-**	**13**
Total revenue before non-recurring items (2)	**2,961**	**3,630**	**22.6**	**669**

(1) Other retail mainly includes revenues from international activities and fixed business subsidiaries.
(2) Some minor product definitions were changed in 2005. Figures of the previous year have been restated accordingly.

Segment revenue

Total FLS revenue before non-recurring items increased 22.6% year-over-year (EUR 669 million). However, this includes the contribution of Telindus acquired in January 2006. The Telindus Group revenue contribution amounted to EUR 702 million, which represents 19.3% of the total FLS revenue.

When adjusted for the disposal of consolidated companies in 2005 and the contribution of new entities in 2006, FLS revenue decreased 0.8% (EUR 27 million).

The **FLS core** revenue decrease was limited to 1.3% (EUR 38 million).

Although traditional fixed **voice access and traffic** services continued to be impacted by competitive pressure and substitution, the year-over-year revenue decline was reduced from 7.3% last year to 6.6% in 2006 thanks to the launch mid-2005 of flat rates and unlimited calling offers.

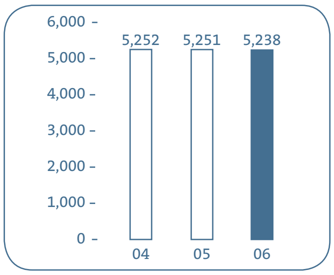
Internet revenues (dial-up and broadband access and connectivity) grew 8.3% year-over-year, primarily as a result of the broadband retail line increase which showed a growth of 150,618 lines in 2006.

On the **data** revenue side, the 5.7% year-over-year decline was mainly driven by the decrease of leased line revenue due to the switch to DSL-solutions.

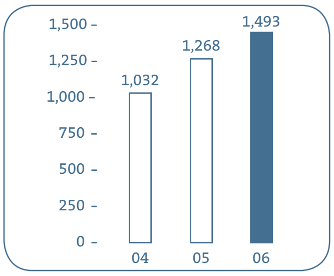
National Wholesale revenue increased 15.3% year-over-year thanks to the growth of carrier broadband lines as well as increased transit traffic.

The decrease in **Other** revenue was mainly driven by declining satellite activities.

Total access channels (in thousands)



Total retail and wholesale ADSL access channels (in thousands) (1)



(1) Including National Wholesale unbundled lines.

Operating expenses before depreciation and amortization

Adjusted for the contribution of new entities acquired in 2006, FLS operating expenses before depreciation and amortization increased 1.6% year-over-year (EUR 29 million).

Despite the revenue decline, the costs of materials and charges to revenue grew due to the product mix evolution (transit traffic growth within National Wholesale, additional costs related to Belgacom TV, etc.).

As regards the other costs, the reduction of personnel expenses and pensions (EUR 26 million, positively influenced by headcount reductions but negatively impacted by the annual increases in salary levels) was offset by increasing other operating expenses (EUR 28 million, mainly costs related to the further development of Belgacom TV in 2006).

Operating income before depreciation and amortization (EBITDA)

Total FLS EBITDA increased 8.3% year-over-year to EUR 1,116 million. Excluding non-recurring items recorded in 2005, and adjusted for the disposal of consolidated companies and new entities acquired in 2006, FLS EBITDA decreased 4.7% (EUR 54 million).

With 38.7%, the EBITDA margin of **FLS' core** business was kept stable compared to the 38.7% margin of 2005.

Although the number of **Belgacom TV** customers by the end of 2006 was far above expectations, Belgacom managed to keep costs under control. During 2006, Belgacom TV had a dilutive impact of EUR 38 million on the FLS EBITDA, fully in line with the higher end of the range given as guidance to the market.

Telindus contributed EUR 27 million to the FLS EBITDA, with a yearly EBITDA margin of 3.9%.

Operating income (EBIT)

FLS operating income increased 1.7% year-over-year to EUR 547 million. Excluding non-recurring items recorded in 2005, and adjusted for the disposal of consolidated companies and new entities acquired in 2006, the FLS EBIT decreased 11.2% (EUR 73 million). In addition to the EBITDA decline as compared with 2005, the adjusted depreciation increased 4%, mainly driven by the amortization of soccer and other broadcasting rights acquired for Belgacom TV since July 2005.

Operationals

Flat rate plans for voice traffic launched mid-2005 enabled FLS to increase its **voice traffic market share** on the Belgacom network by 4.6 p.p. in 2006, a higher growth than the gain of 3.5 p.p. in 2005.

However, despite the success of flat-rate offers, yearly **voice access line** loss increased compared to last year. In 2006, Belgacom lost 162,931 lines compared to 149,888 equivalent lines in 2005. The line losses mostly affected the residential segment.

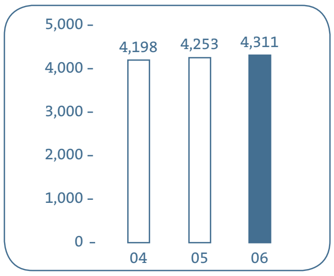
Voice access ARPU decreased 1.6% to EUR 14.2, driven by periodical customer promotions and changes in the product mix, while the traffic ARPU year-over-year showed a 4.2% decline, mainly as a result of the new rate plans, including 'free' calling during off-peak hours. The traffic ARPU year-over-year decrease slowed down over the last two quarters.

During 2006, FLS signed up 139,665 **Belgacom TV** customers with an ARPU of EUR 12 over the full year. Thanks to an increasing paying customer base and the usage of 'on demand' services, the ARPU increased from EUR 11.9 in the first quarter of 2006 to EUR 12.6 in the last quarter.

	Year ended 31 December		
	2005	2006	Variance
Number of access channels (in thousands)			
Residential			
PSTN	3,064	2,920	-4.7%
ISDN	370	360	-2.7%
ADSL, VDSL	852	985	15.6%
Total	**4,287**	**4,265**	**-0.5%**
Business			
PSTN	254	247	-2.7%
ISDN	585	584	-0.2%
ADSL, VDSL	125	142	14.1%
Total	**964**	**973**	**1.0%**
Traffic (in millions of minutes)			
Residential			
National	4,949	5,374	8.6%
Fixed to Mobile	803	778	-3.2%
International	352	344	-2.3%
Total	**6,105**	**6,496**	**6.4%**
Business			
National	1,966	1,801	-8.4%
Fixed to Mobile	505	484	-4.2%
International	397	369	-7.0%
Total	**2,868**	**2,654**	**-7.5%**
ARPU (in EUR)			
ARPU Voice Access (1)	14.5	14.2	-1.6%
ARPU Voice Traffic (2)	13.5	13.0	-4.2%
ARPU ADSL Residential (3)	32.7	31.6	-3.6%
ARPU Net Belgacom TV (4)	-	12.0	-

(1) ARPU Voice Access is equal to total voice access revenue, excluding activation revenue, divided by the average voice access channels for the period considered, divided by the number of months in that same period.
(2) ARPU Voice Traffic is equal to total voice traffic revenue, excluding payphone traffic revenue, divided by the average voice access channels for the period considered, divided by the number of months in that same period.
(3) ARPU ADSL Residential is equal to total ADSL revenue divided by the average number of ADSL lines for the period considered, divided by the number of months in that same period, for the residential segment.
(4) Net ARPU Belgacom TV includes only customer-related revenue and takes into account promotional offers.

Active mobile customers
(in thousands)



Mobile Communications Services (MCS)

(in EUR million)	Year ended 31 December 2005	2006	Variance
Total segment revenue	**2,181**	**2,136**	**-2.0%**
Costs of materials and charges to revenue	-688	-683	-0.6%
Personnel expenses and pensions	-149	-147	-0.9%
Other operating expenses	-304	-305	0.6%
Total operating expenses before depreciation and amortization	**-1,140**	**-1,136**	**-0.3%**
Total segment result (1)	**1,041**	**1,000**	**-3.9%**
Segment result margin	*47.7%*	*46.8%*	*-0.9 p.p.*
Depreciation and amortization	-214	-214	-0.1%
Operating income	**827**	**786**	**-4.9%**

(1) Operating income before depreciation and amortization.

(in EUR million)	Year ended 31 December 2005	2006	Variance (%)	Variance
Voice services (1)	1,839	1,786	-2.9%	-53
Data services (1)	364	406	11.7%	42
Total Service revenue	**2,203**	**2,192**	**-0.5%**	**-11**
Credits and discounts	-126	-162	-27.9%	-35
Net Service revenue	**2,077**	**2,030**	**-2.2%**	**-46**
Handsets	87	86	-1.6%	-1
Other revenue	17	20	17.2%	3
Total revenue	**2,181**	**2,136**	**-2.0%**	**-44**

(1) Including roaming-in.

Segment revenue

With EUR 2,136 million, the year-over-year decrease of MCS' **total revenue** was limited to 2.0%, in line with the full year guidance.

Total service revenue decreased only slightly year-over-year thanks to the growing data services revenue, driven by higher advanced data revenue. In 2006, data, including advanced data services, represented 20.0% of the Net Service revenue, 2.5 p.p. ahead compared to last year.

Voice services revenue decreased 2.9% year-over-year, mainly explained by lower access revenue due to the shift to new bundled pricing plans, lower roaming-in revenue and the impact of lower termination rates as of November.

The additional negative impact of credits and discounts granted in 2006 in the framework of the Market Share Leadership Program, led to a Net Service revenue decline of 2.2%.

Handset revenue slightly declined compared to 2005 as the higher prices for 3G-related handsets did not fully offset the lower volumes.

Operating expenses before depreciation and amortization

MCS operating expenses before depreciation and amortization decreased 0.3% year-over-year. Within the section "cost of materials and charges to revenue", higher interconnection and commission costs were offset by lower roaming-out and handset costs.

Despite increases related to the Universal Service Obligation contribution and higher external fees, the overall level of costs was contained thanks to the operational excellence program.

Operating income before depreciation and amortization (EBITDA)

MCS EBITDA decreased 3.9% year-over-year (EUR 41 million), mainly caused by the revenue decline.

Thanks to efficient cost control, Proximus limited the year-over-year EBITDA margin decline to under 1 p.p., i.e. 46.8%.

Operating income (EBIT)

MCS operating income decreased 4.9% year-over-year to EUR 786 million.

Operationals

Continued efforts in the Market share leadership program led to an overall positive impact on the main customer performance indicators.

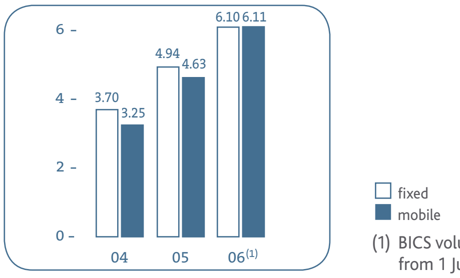
Despite the competitive pressure, Proximus was able to improve its customer base by 58,077 active customers, which is even more than the 55,606 active customers added during 2005.

Besides an increased customer activity rate reaching 98.2% in 2006, Proximus also enhanced the quality of its customer portfolio.
The postpaid/prepaid ratio was improved to 46/54 from 42/58 in 2005.
Proximus also succeeded in lowering churn from 16.6% in 2005 to 15.8% in 2006.

	Year ended 31 December		
	2005	2006	Variance
Number of active customers [(1)] (in thousands)	**4,253**	**4,311**	**1.4%**
Prepaid	2,475	2,327	-6.0%
Postpaid	1,778	1,985	11.6%
Active customers as a percentage of total customers [(2)]	**97.9%**	**98.2%**	**0.2 p.p.**
Annualized churn rate [(3)] (blended - variance in p.p.)	**16.6%**	**15.8%**	**-0.8 p.p.**
ARPU [(4)] (in EUR)			
Prepaid	19.9	19.6	-1.8%
Postpaid	71.9	68.4	-4.9%
Blended	41.2	40.9	-0.9%
Blended voice	34.3	33.2	-3.1%
Blended data	6.9	7.6	10.2%
Net ARPU [(5)] (in EUR)			
Prepaid	18.1	17.6	-3.1%
Postpaid	68.5	63.8	-6.8%
Blended	38.7	37.7	-2.7%
Market share of active customers [(6)]			
Prepaid	46.6%	43.0%	-3.5 p.p.
Postpaid	51.1%	48.8%	-2.4 p.p.
Total	48.4%	45.5%	-2.9 p.p.
UoU [(7)] (units)	**213.6**	**218.9**	**2.5%**
MoU [(8)] (min)	**165.8**	**164.1**	**-1.0%**
SMS [(9)] (units)	**47.8**	**54.8**	**14.7%**

(1) Active customers are customers who have made or received at least one call or sent or received at least one SMS in the last three months.
(2) Percentage based on total number of Belgacom Mobile SIM cards in circulation.
(3) Annualized churn is the total annualized number of SIM cards disconnected from the Belgacom Mobile network (including the total number of port-outs due to mobile number portability) during the given period, divided by the average number of customers for that same period.
(4) ARPU has been calculated on the basis of monthly averages for the period indicated. Monthly blended ARPU is total service revenues, excluding roaming-in and activation revenues, divided by Belgacom Mobile's active postpaid and prepaid customer base for that period.
(5) Net ARPU is equal to ARPU minus credits and discounts.
(6) 2005 Belgacom Mobile estimate replaced by actual figure.
(7) UoU (Units of use): voice minutes of use + SMS (where 1 SMS equals 1 minute) per active customer per month.
(8) MoU (Minutes of Use): duration of all calls from or to Proximus, per active customer and per month.
(9) SMS: number of SMS messages per active customer per month.

Minutes transported by ICS
(in billions)



(1) BICS volumes included at 100%, from 1 July 2005 on, for the comparison.

International Carrier Services (ICS) (2)

	Year ended 31 December		
(in EUR million)	2005	2006	Variance
Total segment revenue	**713**	**736**	**3.2%**
Costs of materials and charges to revenue	-621	-641	3.2%
Personnel expenses and pensions	-20	-20	0.3%
Other operating expenses	-44	-41	-7.3%
Total operating expenses before depreciation and amortization	**-686**	**-703**	**2.4%**
Total segment result (3)	**27**	**33**	**23.1%**
Segment result margin	*3.8%*	*4.5%*	*0.7 p.p.*
Depreciation and amortization	-20	-20	0.1%
Operating income	**7**	**13**	**90.9%**

(3) Operating income before depreciation and amortization.

Segment revenue

	Year ended 31 December		
(in EUR million)	2005	2006	Variance
Voice	675	693	2.6%
Non Voice	38	43	14.4%
Total revenues	**713**	**736**	**3.2%**

	Year ended 31 December		
(in billion of minutes)	2005	2006	Variance
Total	**9.57**	**12.21**	**27.5%**
Total to fixed destination	4.94	6.10	23.4%
Total to mobile destination	4.63	6.11	31.9%

BICS volumes included at 100%, for the comparison.

In 2006, ICS revenue increased 3.2% compared to the previous year.

Voice revenue growth was mainly the result of higher fixed inbound/outbound volumes generated by the Swiss partner and the outsourcing agreement signed in February 2006 with the MTN Group, a leading provider of cellular and communications services in Africa.

Non-voice revenue increased 14.4%. However, in 2005 it included a gain of EUR 3.8 million resulting from Swisscom Fixnet AG's contribution of assets measured at fair value, which was higher than the share of assets disposed of and measured at historical cost. Independently of this, non-voice revenue increased 28% thanks to a significant increase of mobile data revenues, mainly driven by SMS and signaling products.

Operating expenses before depreciation and amortization

ICS operating expenses before depreciation and amortization increased year-over-year 2.4%, primarily due to higher charges to revenue following the revenue growth. Other operating expenses decreased 7% mainly due to cost synergies resulting from the joint venture.

Operating income before depreciation and amortization (EBITDA)

In 2006, ICS EBITDA amounted to EUR 33 million, an increase of 23% compared with the previous year. 2005 however, was favorably impacted by settlements with foreign operators and a EUR 3.8 million gain. Independently of this, the ICS EBITDA showed an increase of 67%, thanks to the additional business from the Swiss partner, the outsourcing deal with the MTN Group, the stronger transit unit margin and the increase in mobile data.

Depreciation and amortization

As was the case in 2005, depreciation in 2006 was also impacted by the review of the useful lifetime of some assets to reflect new technologies. The level of depreciation and amortization costs in 2006 therefore remained stable compared to previous year.

Operating income (EBIT)

The ICS EBIT was EUR 13 million, an increase of EUR 6 million compared to 2005.

(2) The year-over-year comparison of ICS results is affected by Swisscom Fixnet AG's contribution of its international carrier activities to Belgacom International Carrier Services SA (BICS), in exchange for 28% ownership and joint control with the Belgacom Group, effective since 1 July 2005. Since that date, revenues and expenses of the ICS segment have been proportionally consolidated at 72%.

> quarterly results

Belgacom Group Financials

(in EUR million)	Quarters 2005 1	2	3	4	Quarters 2006 1	2	3	4
Group financials								
Total revenue before non-recurring items	1,339	1,370	1,388	1,361	1,507	1,525	1,535	1,533
Non-recurring revenue	238	0	0	0	0	0	0	0
Total revenue	1,577	1,370	1,388	1,361	1,507	1,525	1,535	1,533
EBITDA before non-recurring items	575	578	557	503	545	565	536	502
EBITDA	814	578	557	149	545	565	536	502
Depreciation and amortization	-168	-174	-189	-195	-196	-203	-200	-203
Operating income (EBIT)	646	404	369	-47	349	362	337	299
Net finance revenue (costs)	13	42	0	9	5	-1	60	41
Income before taxes	659	446	369	-37	354	361	396	340
Tax expense	-128	-122	-112	23	-103	-104	-91	-59
Net Income	532	323	257	-14	251	257	305	281
Minority interests	38	37	33	32	36	37	37	11
Net income (Group share)	494	286	224	-45	215	219	268	270
Total revenue per business segment								
Fixed Line Services	753	746	724	739	909	905	890	925
Mobile Communications Services	530	555	553	543	527	542	547	520
International Carrier Services	158	175	200	180	172	178	199	187
Intersegment eliminations	-102	-106	-89	-100	-101	-100	-101	-99
Total	**1,339**	**1,370**	**1,388**	**1,361**	**1,507**	**1,525**	**1,535**	**1,533**
EBITDA per business segment								
Fixed Line Services	300	298	294	256	277	292	267	280
Mobile Communications Services	272	272	253	244	264	266	258	213
International Carrier Services	4	9	11	3	5	7	12	10
Intersegment eliminations	0	0	0	0	0	0	0	0
Total	**575**	**578**	**557**	**503**	**545**	**565**	**536**	**502**
Capital expenditures per business segment								
Fixed Line Services	53	74	200	161	74	117	105	152
Mobile Communications Services	47	49	35	64	46	47	48	73
International Carrier Services	7	2	2	9	0	2	5	7
Intersegment eliminations	-6	0	0	0	0	0	0	0
Total	**101**	**125**	**237**	**234**	**120**	**166**	**158**	**232**

Fixed line Services – financials

(in EUR million)	Q1 2005	Q2 2005	Q3 2005	Q4 2005	2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006
FLS Core	**750**	**741**	**723**	**737**	**2,951**	**728**	**742**	**713**	**729**	**2,912**
Voice Access	199	196	194	192	781	187	187	183	182	739
Voice Traffic	190	186	168	174	717	172	166	158	163	659
Internet	105	107	107	109	429	111	116	118	120	464
Data	52	53	53	57	215	53	54	48	47	203
Terminals	41	39	40	41	161	38	36	38	39	151
Other retail	65	61	65	52	244	53	67	53	63	236
National Wholesale	94	95	94	108	390	112	113	112	113	449
Others	3	4	2	5	15	3	3	3	2	11
Disposed companies	**3**	**5**	**0**	**0**	**8**	**0**	**0**	**0**	**0**	**0**
Telindus	**0**	**0**	**0**	**0**	**0**	**179**	**160**	**172**	**191**	**702**
Belgacom TV	**0**	**0**	**1**	**2**	**2**	**2**	**4**	**4**	**5**	**15**
Total revenue before non-recurring items	**753**	**746**	**724**	**739**	**2,961**	**909**	**905**	**890**	**925**	**3,630**

(in EUR million)	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006
Total FLS (without recurring items)					
Revenue	909	905	890	925	3,630
Operating Expenses before depreciation and amortization	-632	-614	-623	-646	-2,514
EBITDA	277	292	267	280	1,116
EBITDA margin (in %)	30.5	32.2	30.0	30.2	30.7
FLS Core					
Revenue	728	742	713	729	2,912
Operating Expenses before depreciation and amortization	-447	-450	-443	-446	-1,786
EBITDA	282	292	271	283	1,127
EBITDA margin (in %)	38.7	39.4	37.9	38.8	38.7
Belgacom TV					
Revenue	2	4	4	5	15
Operating Expenses before depreciation and amortization	-13	-15	-11	-15	-53
EBITDA	-11	-11	-7	-9	-38
EBITDA margin (in %)	-	-	-	-	-
Telindus					
Revenue	179	160	172	191	702
Operating Expenses before depreciation and amortization	-172	-149	-169	-185	-675
EBITDA	6	11	3	7	27
EBITDA margin (in %)	3.5	6.9	1.9	3.4	3.9

Fixed line Services – operationals

	Q1 2005	Q2 2005	Q3 2005	Q4 2005	2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006
Number of access channels (in thousands)										
Residential										
PSTN	3,145	3,102	3,073	3,064	3,064	3,042	2,988	2,951	2,920	2,920
ISDN	375	374	372	370	370	368	366	363	360	360
ADSL, VDSL	759	785	813	852	852	895	922	948	985	985
Total	**4,279**	**4,261**	**4,258**	**4,287**	**4,287**	**4,305**	**4,276**	**4,262**	**4,265**	**4,265**
Business										
PSTN	263	261	259	254	254	252	250	249	247	247
ISDN	597	591	589	585	585	585	584	585	584	584
ADSL, VDSL	111	116	119	125	125	130	135	138	142	142
Total	**971**	**968**	**967**	**964**	**964**	**967**	**969**	**972**	**973**	**973**
Traffic (in millions of minutes)										
Residential										
National	1,249	1,171	1,171	1,358	4,949	1,406	1,326	1,259	1,382	5,374
Fixed to Mobile	199	208	193	203	803	198	203	187	190	778
International	91	88	84	89	352	90	87	82	85	344
Total	**1,539**	**1,468**	**1,448**	**1,650**	**6,105**	**1,694**	**1,616**	**1,529**	**1,657**	**6,496**
Business										
National	531	510	449	476	1,966	492	454	414	442	1,801
Fixed to Mobile	130	132	119	125	505	127	123	113	120	484
International	104	105	93	94	397	98	93	87	91	369
Total	**765**	**747**	**661**	**695**	**2,868**	**717**	**670**	**614**	**653**	**2,654**
ARPU (in EUR)										
ARPU Voice Access	14.6	14.5	14.5	14.5	14.5	14.2	14.3	14.2	14.2	14.2
ARPU Voice Traffic	14.2	13.9	12.7	13.3	13.5	13.3	13.0	12.5	13.0	13.0
ARPU ADSL Residential	33.3	33.4	32.7	31.9	32.7	30.7	31.8	31.8	31.7	31.6
ARPU Net Belgacom TV	-	-	n.r.	n.r.	n.r.	11.9	10.1	12.4	12.6	12.0

Mobile communications services – financials

(in EUR million)	Q1 2005	Q2 2005	Q3 2005	Q4 2005	2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006
Voice services (1)	444	473	472	450	1,839	441	461	456	428	1,786
Data services (1)	85	91	96	92	364	92	96	103	116	406
Total Service revenue	**529**	**565**	**568**	**542**	**2,203**	**533**	**557**	**559**	**543**	**2,192**
Credits and discounts	-21	-34	-42	-29	-126	-33	-43	-35	-50	-162
Net Service revenue	**508**	**530**	**525**	**513**	**2,077**	**500**	**514**	**523**	**493**	**2,030**
Handsets	18	20	23	26	87	22	23	18	22	86
Other revenue	4	4	5	4	17	4	5	6	5	20
Total revenue	**530**	**555**	**553**	**543**	**2,181**	**527**	**542**	**547**	**520**	**2,136**

(1) Including roaming-in

Mobile communications services – operationals

	Q1 2005	Q2 2005	Q3 2005	Q4 2005	2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006
Number of active customers (in thousands)	**4,195**	**4,214**	**4,228**	**4,253**	**4,253**	**4,260**	**4,253**	**4,240**	**4,311**	**4,311**
Prepaid	2,485	2,492	2,485	2,475	2,475	2,447	2,407	2,346	2,327	2,327
Postpaid	1,710	1,722	1,742	1,778	1,778	1,813	1,846	1,894	1,985	1,985
Percentage active customers on total customers	**97.7%**	**97.8%**	**98.0%**	**98.2%**	**97.9%**	**98.2%**	**97.9%**	**97.9%**	**98.7%**	**98.2%**
Annualized churn rate (blended - variance in p.p.)	**18.1%**	**16.1%**	**16.2%**	**16.2%**	**16.6%**	**15.6%**	**15.1%**	**16.7%**	**16.2%**	**15.8%**
ARPU (in EUR)										
Prepaid	19.3	20.3	21.1	19.1	19.9	18.3	20.2	20.0	20.0	19.6
Postpaid	69.1	74.8	73.5	70.3	71.9	69.3	69.7	69.7	65.1	68.4
Blended	39.6	42.5	42.5	40.3	41.2	39.8	41.5	41.9	40.3	40.9
Blended voice	33.1	35.5	35.3	33.4	34.3	32.9	34.3	34.1	31.7	33.2
Blended data	6.5	7.0	7.3	6.9	6.9	6.9	7.2	7.8	8.7	7.6
Net ARPU (in EUR)										
Prepaid	18.1	18.0	18.3	18.1	18.1	17.1	17.9	18.4	16.8	17.6
Postpaid	66.9	71.4	69.4	66.2	68.5	64.8	65.0	65.4	60.3	63.8
Blended	38.0	39.8	39.2	38.0	38.7	37.2	38.2	39.1	36.4	37.7
Market share of active customers *										
Prepaid	45.9%	45.9%	46.0%	46.6%	46.6%	46.3%	46.0%	45.2%	43.0%	43.0%
Postpaid	54.2%	53.3%	52.5%	51.1%	51.1%	50.1%	48.9%	47.9%	48.8%	48.8%
Total	48.9%	48.7%	48.5%	48.4%	48.4%	47.9%	47.3%	46.4%	45.5%	45.5%
UoU (units)	**208.7**	**221.2**	**210.9**	**214.3**	**213.6**	**208.6**	**218.6**	**211.9**	**230.7**	**218.9**
MoU (min)	**162.6**	**172.7**	**162.3**	**165.6**	**165.8**	**160.6**	**169.1**	**160.3**	**164.3**	**164.1**
SMS (units)	**46.0**	**48.4**	**48.6**	**48.7**	**47.8**	**48.0**	**49.5**	**51.6**	**64.4**	**54.8**

(1) Estimation based on quarterly results as communicated by competition.

International carrier services - financials

(in EUR million)	Q1 2005	Q2 2005	Q3 2005	Q4 2005	2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006
Voice	151	169	186	169	675	163	167	187	176	693
Non Voice	7	6	14	10	38	9	10	12	11	43
Total revenues	**158**	**175**	**200**	**180**	**713**	**172**	**178**	**199**	**187**	**736**

International carrier services – operationals

(in billion of minutes)	Q1 2005	Q2 2005	Q3 2005	Q4 2005	2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006 (1)
Total	**1.72**	**1.86**	**3.07**	**2.93**	**9.57**	**2.87**	**2.92**	**3.18**	**3.24**	**12.21**
Total fixed	0.86	0.88	1.60	1.59	4.94	1.55	1.47	1.50	1.58	6.10
Total mobile	0.86	0.97	1.46	1.33	4.63	1.31	1.45	1.68	1.66	6.11

(1) BICS volumes included at 100%, for the comparison.

> other information

Rights, commitments and contingencies as of 31 December 2006

Disclosures related to rights, commitments and contingencies are reported in note 35 of the consolidated financial statements.

Use of financial instruments

Disclosures related to the use of financial instruments are reported in note 22 of the consolidated financial statements.

Research and development activities

In 2006, the research and development activities were mainly focused on:

- Improving existing services such as fast Internet and television over IP in terms of providing additional functionalities and solutions without internal cabling;
- Creating new services such as Voice over IP, Fixed and Mobile convergence;
- Improving communication and sales channels towards customers (Belgacom website, TV content, etc.)
- Introducing new technologies (such as Ethernet) throughout the whole network, new xDSL developments, DWDM, and SOA architecture.

The Group is working together with universities and industrial partners on a new Multimedia Content Distribution Platform and a number of other projects in the fields of video, multimedia and home networking.

Finally, the Group is participating in various projects at the I.B.B.T. (Interdisciplinair Instituut voor Breedband Technologie – Interdisciplinary Institute for Broadband Technology). This institute was set up by the Flemish government with the aim of developing information and communication technology (ICT), with special emphasis on broadband access applications.

Treasury shares

Disclosures related to treasury shares are reported in note 16 of the consolidated financial statements.

Major risks and uncertainties

The Group's future revenues and profits depend on market growth, technology evolution as well as the continuing strong competition in Belgium reinforced by the presence of MVNO's. This competition could lead to further tariff reductions with possible supplementary promotions.

The Group will continue to build a superior offer for its customers through servicing management and through the development of new products and services. This will be done through additional investments.

Moreover, thanks to the acquisition of the Vodafone 25% stake in Belgacom Mobile SA, the Group will be able to offer fully integrated solutions, to develop joint products and services to respond to market evolution towards convergence.

Some of the tariffs are subject to approval by or are determined by the B.I.P.T. (Belgian telecom regulator) and the European Commission, which may have an influence on pricing, revenues and profits.

Post-balance sheet events

Disclosures related to post-balance sheet events are reported in note 43 of the consolidated financial statements.

> consolidated financial statements

contents

> consolidated income statement

(year ended 31 December)

(in EUR million)	Note	2004	2005	2006
Net revenue	23	5,415	5,384	6,022
Other operating revenue	24	125	74	78
Non-recurring revenue	25	0	238	0
Total revenue		**5,540**	**5,696**	**6,100**
Costs of materials and charges to revenue	26	-1,461	-1,555	-2,005
Personnel expenses and pensions	27	-993	-957	-1,106
Other operating expenses	28	-693	-731	-841
Non-recurring expenses	29	-41	-355	0
Total operating expenses before depreciation and amortization		**-3,187**	**-3,598**	**-3,952**
Operating income before depreciation and amortization		**2,353**	**2,098**	**2,149**
Depreciation and amortization	30	-742	-726	-802
Operating income		**1,611**	**1,372**	**1,347**
Finance revenue		37	90	154
Finance costs		-64	-26	-50
Net finance revenue/(costs)	**31**	**-27**	**64**	**104**
Loss from enterprises accounted for using the equity method	7	-1	0	0
Income before taxes		**1,583**	**1,436**	**1,451**
Tax expense	9	-508	-339	-358
Net income		**1,075**	**1,098**	**1,093**
Minority interests	16	152	139	121
Net income (group share)		922	959	973
Basic earnings per share (in EUR)	32	2.57	2.78	2.87
Diluted earnings per share (in EUR)	32	2.57	2.77	2.87
Weighted average number of ordinary shares	32	358,612,854	345,406,186	338,621,113
Weighted average number of ordinary shares for diluted earnings per share	32	358,698,931	345,572,258	338,774,209

consolidated balance sheet
(as of 31 December)

(in EUR million)	Note	2004	2005	2006
ASSETS				
Non-current assets		**3,963**	**3,808**	**5,504**
Goodwill	3	30	0	1,760
Intangible assets with finite useful life	4	471	602	590
Property, plant and equipment	5	2,658	2,497	2,527
Enterprises accounted for under the equity method	7	26	0	0
Other participating interests	8	211	198	234
Deferred income tax assets	9	476	440	351
Pension assets	10	6	5	5
Other non-current assets	11	86	65	36
Current assets		**1,405**	**2,022**	**1,796**
Inventories		53	61	83
Trade receivables	12	844	947	1,207
Current income tax assets	9	50	67	97
Other current assets	13	52	64	81
Investments	14	81	86	91
Cash and cash equivalents	15	325	798	236
Total assets		**5,368**	**5,831**	**7,300**
LIABILITIES AND EQUITY				
Equity	**16**	**2,630**	**2,591**	**2,399**
Shareholders' equity	**16**	**2,223**	**2,221**	**2,391**
Issued capital		1,000	1,000	1,000
Treasury shares		-271	-564	-754
Restricted reserve		100	100	100
Remeasurement to fair value		59	68	68
Stock compensation		2	4	5
Retained earnings		1,332	1,614	1,972
Foreign currency translation		0	0	1
Minority interests	**16**	**407**	**370**	**8**
Non-current liabilities		**1,294**	**1,542**	**3,053**
Interest-bearing liabilities	17	303	296	1,917
Liability for pensions, other post-employment benefits and termination benefits	10	760	1,010	886
Provisions	18	191	193	208
Deferred income tax liabilities	9	38	42	38
Other non-current payables	19	2	1	4
Current liabilities		**1,445**	**1,698**	**1,848**
Interest-bearing liabilities	17	58	111	71
Trade payables		782	1,038	1,086
Income tax payables	9	224	202	189
Other current payables	20	381	347	502
Total liabilities and equity		**5,368**	**5,831**	**7,300**

> consolidated cash flow statement

(year ended 31 December)

(in EUR million)	Note	2004	2005	2006
Cash flow from operating activities				
Net income (group share)		922	959	973
Adjustments for:				
• Minority interests	16	152	139	121
• Depreciation and amortization on intangible assets and property, plant and equipment	4, 5	742	726	802
• Increase of impairment on intangible assets and property, plant and equipment	4, 5	20	5	16
• Increase of provisions		9	21	36
• Deferred tax expense	9	162	39	75
• Increase of impairment on participating interests		22	0	0
• Loss from investments accounted for using the equity method	7	1	0	0
• Fair value adjustments on financial instruments		7	3	-12
• Gain on disposal of consolidated companies	6	0	-249	0
• Gain on disposal of other participating interests and enterprises accounted for using the equity method	31	-1	-63	-122
• Gain on disposal of property, plant and equipment		-37	-12	-15
• Other non-cash movements		-13	3	2
Operating cash flow before working capital changes		**1,988**	**1,570**	**1,876**
Decrease/(increase) in inventories		-4	-10	12
Decrease/(increase) in trade receivables		29	-169	-22
Increase in current income tax assets		-15	-17	-26
Decrease/(increase) in other current assets		0	-13	5
Increase/(decrease) in trade payables		-28	336	-70
Increase/(decrease) in income tax payables		26	-18	-16
Increase/(decrease) in other current payables		11	-23	36
Increase/(decrease) in net liability for pensions, other post-employment benefits and termination benefits	10	-79	249	-128
Decrease in other non-current payables and provisions		-30	-22	-24
Decrease/(increase) in working capital, net of acquisitions and disposals of subsidiaries		**-88**	**313**	**-234**
Net cash flow provided by operating activities (1)		**1,899**	**1,883**	**1,643**
Cash flow from investing activities				
Purchase of intangible assets and property, plant and equipment	3, 4, 5	-556	-696	-676
Cash paid for acquisitions of other participating interests		0	-9	0
Cash paid for consolidated companies, net of cash acquired		0	0	-2,592
Dividends received from non-consolidated companies	31	15	0	7
Cash received from sales of consolidated companies, net of cash disposed of	6	0	237	0
Cash received from sales of intangible assets and property, plant and equipment		60	26	34
Cash received from sales of other participating interests and enterprises accounted for using the equity method and from other non-current assets		4	136	272
Net cash used in investing activities		**-478**	**-308**	**-2,955**
Cash flow before financing activities		**1,421**	**1,575**	**-1,313**
Cash flow from financing activities				
Dividends paid to shareholders	33	-395	-679	-614
Dividends paid to minority interests	16	-192	-176	-8
Net acquisition of treasury shares		-883	-292	-191
Purchase of investments		-43	-9	-4
Increase of shareholders' equity		0	1	0
Issuance/(repayment) of long term debt		-142	-56	1,635
Issuance/(repayment) of short term debt		-3	110	-67
Net cash provided by/(used in) financing activities		**-1,658**	**-1,102**	**751**
Net increase/(decrease) of cash and cash equivalents		**-237**	**473**	**-562**
Cash and cash equivalents at 1 January		562	325	798
Cash and cash equivalents at 31 December	15	325	798	236

(1) Net cash flow from operating activities includes the following cash movements:

		2004	2005	2006
Interest paid		-34	-21	-23
Interest received		17	22	18
Income taxes paid		-239	-316	-313

> consolidated statement of changes in equity

(in EUR million)	Issued capital	Treasury shares	Restricted reserve	Foreign currency translation	Remeasu-rement to fair value	Stock Compen-sation	Retained Earnings	Share-holders' Equity	Minority interests	Total Equity
Balance at 31 December 2003	**1,000**	**-325**	**100**	**32**	**0**	**0**	**1,742**	**2,548**	**446**	**2,995**
Fair value changes in available-for-sale investments	*0*	*0*	*0*	*28*	*0*	*0*	*0*	*28*	*0*	*28*
Equity changes not recognised in the income statement	0	0	0	28	0	0	0	28	0	28
Net income	0	0	0	0	0	0	922	922	152	1,075
Total recognised income and expense	**0**	**0**	**0**	**28**	**0**	**0**	**922**	**950**	**152**	**1,102**
Dividends to shareholders (relating to 2003)	0	0	0	0	0	0	-395	-395	0	-395
Dividends of subsidiaries to minority interests	0	0	0	0	0	0	0	0	-192	-192
Treasury shares										
• Price adjustment on treasury shares acquired in 2003	0	22	0	0	0	0	0	22	0	22
• Cancellation of treasury shares acquired in 2003	0	303	0	0	0	0	-303	0	0	0
• Acquisition of treasury shares	0	-950	0	0	0	0	0	-950	0	-950
• Sale of treasury shares under a discounted share purchase plan	0	45	0	0	0	0	0	45	0	45
• Cancellation of treasury shares acquired in 2004	0	633	0	0	0	0	-633	0	0	0
Stock options										
• Stock options granted and accepted	0	0	0	0	0	5	0	5	0	5
• Deferred stock compensation	0	0	0	0	0	-5	0	-5	0	-5
• Amortization deferred stock compensation	0	0	0	0	0	2	0	2	0	2
Total transactions with equity holders	**0**	**54**	**0**	**0**	**0**	**2**	**-1,332**	**-1,276**	**-192**	**-1,468**
Balance at 31 December 2004	**1,000**	**-271**	**100**	**59**	**0**	**2**	**1,332**	**2,223**	**407**	**2,630**
Fair value changes in available-for-sale investments	*0*	*0*	*0*	*8*	*0*	*0*	*0*	*8*	*0*	*8*
Equity changes not recognised in the income statement	0	0	0	8	0	0	0	8	0	8
Net income	0	0	0	0	0	0	959	959	139	1,098
Total recognised income and expense	**0**	**0**	**0**	**8**	**0**	**0**	**959**	**967**	**139**	**1,106**
Dividends to shareholders (relating to 2004)	0	0	0	0	0	0	-679	-679	0	-679
Dividends of subsidiaries to minority interests	0	0	0	0	0	0	0	0	-176	-176
Treasury shares										
• Exercise of stock options	0	4	0	0	0	0	0	4	0	4
• Acquisition of treasury shares	0	-300	0	0	0	0	0	-300	0	-300
• Sale of treasury shares under a discounted share purchase plan	0	3	0	0	0	0	1	4	0	4
Stock options										
• Stock options granted and accepted	0	0	0	0	0	1	0	1	0	1
• Deferred stock compensation	0	0	0	0	0	-1	0	-1	0	-1
• Amortization deferred stock compensation	0	0	0	0	0	2	0	2	0	2
• Exercise of stock options	0	0	0	0	0	-1	1	0	0	0
Total transactions with equity holders	**0**	**-292**	**0**	**0**	**0**	**1**	**-677**	**-968**	**-176**	**-1,145**
Balance at 31 December 2005	**1,000**	**-564**	**100**	**68**	**0**	**4**	**1,614**	**2,221**	**370**	**2,591**
Fair value changes in available-for-sale investments	*0*	*0*	*0*	*1*	*0*	*0*	*0*	*1*	*0*	*1*
Currency translation differences	*0*	*0*	*0*	*0*	*1*	*0*	*0*	*1*	*0*	*1*
Equity changes not recognised in the income statement	0	0	0	1	1	0	0	1	0	1
Net income	0	0	0	0	0	0	973	973	121	1,093
Total recognised income and expense	**0**	**0**	**0**	**1**	**1**	**0**	**973**	**974**	**121**	**1,095**
Dividends to shareholders (relating to 2005)	0	0	0	0	0	0	-517	-517	0	-517
Interim dividends to shareholders (relating to 2006)	0	0	0	0	0	0	-97	-97	0	-97
Dividends of subsidiaries to minority interests	0	0	0	0	0	0	0	0	-8	-8
Acquisition of minority interests	0	0	0	0	0	0	0	0	-474	-474
Treasury shares										
• Exercise of stock options	0	6	0	0	0	0	0	5	0	5
• Acquisition of treasury shares	0	-200	0	0	0	0	0	-200	0	-200
• Sale of treasury shares under a discounted share purchase plan	0	4	0	0	0	0	0	4	0	4
Stock options										
• Stock options granted and accepted	0	0	0	0	0	1	0	1	0	1
• Deferred stock compensation	0	0	0	0	0	-1	0	-1	0	-1
• Amortization deferred stock compensation	0	0	0	0	0	2	0	2	0	2
• Exercise of stock options	0	0	0	0	0	-1	1	0	0	0
Total transactions with equity holders	**0**	**-191**	**0**	**0**	**0**	**1**	**-614**	**-804**	**-482**	**-1,286**
Balance at 31 December 2006	**1,000**	**-754**	**100**	**68**	**1**	**5**	**1,972**	**2,391**	**8**	**2,399**

notes to the consolidated financial statements

Note 1. Corporate information

The consolidated financial statements of Belgacom SA (hereafter "the Group") at 31 December 2006, 2005 and 2004 were approved by the Board of Directors on 1 March 2007.

Belgacom SA is a "Limited Liability Company of Public Law" registered in Belgium. The transformation of Belgacom SA from "Autonomous State Company" into a "Limited Liability Company of Public Law" was implemented by the Royal Decree of 16 December, 1994. Belgacom SA headquarters are located at Boulevard du Roi Albert II, 27 1030 Brussels, Belgium.

The main activities of the Group are: Fixed Line Services, Mobile Communications Services and International Carrier Services. Further information concerning the business segments is included under note 41.

The number of employees of the Group (in full time equivalents) amounted to 18,180 at 31 December 2006, 16,335 at 31 December 2005 and 16,933 at 31 December 2004. For the year 2006, the average number of headcount of the Group was 113 management personnel, 15,559 employees, 2,702 workers and 13 of other categories.

Note 2. Significant accounting policies

Basis of preparation

The accompanying consolidated financial statements as of 31 December 2006 and for the year then ended have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. In addition, the Group has early adopted IFRS 2 "Share-Based Payment" in 2004. The Group did not early adopt any other IASB standards or interpretations.

The consolidated financial statements have been prepared on an historical cost basis, except for the measurement at fair value of derivatives and available-for-sale financial assets. The carrying values of assets and liabilities that are hedged with fair-value hedges are adjusted to record the change in the fair value attributable to the risks that are being hedged.

Changes in accounting policies

The accounting policies applied are consistent with those of the previous financial years except that the Group applied the new or revised IFRS standards and interpretations as adopted by the European Union that became mandatory on or after 1 January 2006. Some minor changes in accounting policies resulted from the revised IAS 19 ("Employee Benefits"), IAS 21 ("Effects of Changes in Foreign Exchange Rates"), IAS 39 ("Financial Instruments: Recognition and Measurement") and the new interpretations, IFRIC 4 ("Determining whether an Arrangement Contains a Lease") and IFRIC 6 ("Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment"). The initial application of these revised or new interpretations did not have an effect on the financial statements for the current period or each other period presented. They did however give rise to additional disclosures.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Belgacom SA and its subsidiaries and joint ventures as well as the Group's share of results in associates. Notes 6 and 7 list the Group's subsidiaries, joint ventures and associates.

Subsidiaries are those entities controlled by the Group. Control exists when Belgacom has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The investments in subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Inter-company balances and transactions, and resulting unrealized profits or losses between Group companies are eliminated in consolidation. When necessary, accounting policies of subsidiaries are adjusted to ensure that the consolidated financial statements are prepared using uniform accounting policies.

Companies that are jointly controlled (defined as those entities in which the Group has joint control through a contractual arrangement requiring unanimous consent of the parties sharing control) are included using the proportionate consolidation method, from the date on which joint control is established and until the date on which the Group ceases to have joint control over the joint venture. The Group's share of the assets, liabilities, expenses, income and cash-flow of joint ventures are combined on a line-by-line basis with similar items in the consolidated financial statements. The Group's proportionate share of the inter-company balance and transactions and resulting unrealized profits or losses between Group companies and jointly controlled entities are eliminated in consolidation.

Associated companies in which the Group has a significant influence, defined as an investee in which Belgacom has the power to participate in its financial and operating policy decisions (but not to control the investee), are accounted for using the equity method. Under that method, the investments held in associates are initially recorded at cost and the carrying amount is subsequently adjusted to recognize the Group's share in the profit or losses of the associate as from the date of acquisition. These investments and the equity share of results for the period are shown in the balance sheet and income statement as investments in enterprises accounted for under the equity method and share in the result of the enterprises accounted for using the equity method, respectively.

Subsidiaries and joint ventures acquired and held exclusively with a view of disposal within twelve months are consolidated and presented in the balance sheet as assets and liabilities held for sale.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Cross-border lease arrangements

The Group holds several cross-border lease arrangements with foreign investors relating to part of its fixed and mobile switches equipment. The Group determined that these arrangements in substance do not involve a lease and that the related lease debts and deposits must not be recognized in the financial statements because they do not meet the definition of an asset and a liability under IFRS. More details are given in note 36.

Acquisition of minority interests in Belgacom Mobile
The Group acquired the remaining minority interests in Belgacom Mobile SA. The Group elected to record the excess of the acquisition price over the balance of minority interests at acquisition date as goodwill in the balance sheet.

Estimation uncertainty

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed in note 3 (Goodwill), note 8 (Other participating interests) and note 10 (Assets and liabilities for pensions, other post-employment benefits and termination benefits).

Foreign currency translation

Foreign currency transactions
The presentation currency for the Group is the Euro. Foreign currency transactions are translated, on initial recognition, at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity at the balance sheet date using the exchange rate at that date. Net exchange differences on the translation of monetary assets and liabilities are classified in "other operating expenses" in the income statement in the period in which they arise.

Foreign operations
Some foreign subsidiaries and joint-ventures operating in non-EURO countries are considered as foreign operations that are integral to the operations of the reporting enterprise. Therefore, monetary assets and liabilities are translated using the exchange rate at balance sheet date, non-monetary assets and liabilities are translated at the historical exchange rate, except for non-monetary items that are measured at fair value in the domestic currency that are translated at the exchange rate when the fair value was determined. Revenue and expenses of these entities are translated at the weighted average exchange rate. The resulting exchange differences are classified in "other operating expenses" in the income statement.

For other foreign subsidiaries and joint-ventures operating in non-EURO countries, assets and liabilities are translated using the exchange rate at balance sheet date. Revenue and expenses of these entities are translated at the weighted average exchange rate. The resulting exchange differences are taken directly to a separate component of equity. On disposal of such entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

All exchange differences arising from a monetary item that forms part of the Group's net investment in such entity are recognized in the same separate component of equity.

Goodwill

The excess of consideration paid over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired in business combinations ("Goodwill") is recognized as an asset. Goodwill arising from business combinations that occurred prior to 31 March 2004 have been amortized until 31 December 2004 over their estimated lifetime varying from 5 years to 15 years. Such goodwill is stated at cost less accumulated amortization and impairment losses. The amortization of goodwill until 31 December 2004 is classified in "depreciation and amortization" in the income statement. As of 2005, this goodwill is no longer amortized but is subject to an annual impairment test.

Goodwill arising from business combinations that occurred after 31 March 2004 is stated at cost less accumulated impairment losses.

Intangible assets with finite useful life

Intangible assets consist primarily of the Global System for Mobile communication ("GSM") license, the Universal Mobile Telecommunication System ("UMTS") license, internally developed software, customer bases and trade names acquired in business combinations and other intangible assets such as football rights and broadcasting rights and externally developed software.

The Group capitalizes certain costs incurred in connection with developing or purchasing software for internal use when they meet the criteria set out in IAS 38. Capitalized software costs are included in internally generated and other intangible assets and are amortized over three to five years.

Intangible assets with finite life acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Intangible assets with finite useful life are stated at cost less accumulated amortization and impairment losses. The residual value of such intangible assets is assumed to be zero. Customer bases and trade names acquired in business combinations are amortized on the basis of the expected pattern of economic benefits over their estimated useful life. GSM and UMTS licences, other intangible assets and internally generated assets with finite useful life are amortized on a straight-line basis over their estimated useful life. Amortization commences when the intangible asset is ready for its intended use.

The useful life of the GSM and UMTS intangible assets has been determined based on the license terms.

The useful life of football rights and broadcasting rights has been determined based on the term of the individual underlying contracts.

The useful lives are assigned as follows:

(in years)	Useful life
GSM/UMTS licenses	15 to 20
Customer bases and trade names acquired	3 to 5
Other intangible assets and internally generated assets, including software	3 to 20

The amortization period and the amortization method for an intangible asset with finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of additions and substantial improvements to property, plant and equipment is capitalized. The cost of maintenance and repairs of property, plant and equipment is charged to operating expenses when they do not extend the life of the asset or do not significantly increase its capacity to generate revenue. The cost of an item of property, plant and equipment includes the costs of its dismantlement, removal or restoration, the obligation for which the Group incurs as a consequence of installing the item.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Depreciation of an asset begins when the asset is ready for its intended use. Depreciation is calculated using the straight-line method over the estimated useful life of the asset.

The useful lives are assigned as follows:

(in years)	Useful life
Land and buildings	
• Land	indefinite
• Buildings and constructions	5 to 33
Technical and network equipment	
• Switches	3 to 10
• Cables and Operational support systems	4 to 20
• Transmission	4 to 10
• Equipment installed at client premises	2 to 5
• Equipment for data transfer business and for commercial use	3 to 5
• Mobile antennas	6
Furniture and vehicles	
• Furniture and office equipment	3 to 10
• Vehicles	4 to 5
Other tangible assets	2 to 33

Leasehold improvements are depreciated over the shorter of their estimated useful life or the remaining term of the lease.

The asset's residual values, useful life and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Costs of material, personnel expenses and other operating expenses are shown net of work performed by the enterprise that is capitalized in respect of network construction.

Interests incurred during the construction process of assets are not capitalised but immediately expensed.

Impairment of assets

The Group reviews its assets at each balance sheet date for any indication of impairment.

The Group compares at least once a year the carrying value with the estimated recoverable amount of intangible assets under construction and cash generating units including goodwill. The Group performs this annual impairment test during the fourth quarter of each year.

When indication of impairment exists or when annual impairment testing for an asset or a cash generating unit is required, an impairment loss is recognized when the carrying value of the asset or cash generating unit exceeds the estimated recoverable amount, being the higher of the asset's or cash generating unit's fair value less costs to sell and its value in use for the Group.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

Impairment losses on goodwill, intangible assets and property, plant and equipment are recorded in operating expenses. An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, impairment losses in respect of assets other than goodwill are reversed in order to increase the carrying amount of the asset to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement in operating expenses.

Deferred taxation

Deferred taxation is provided for all temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and their respective taxation bases. Deferred taxation is not provided on differences relating to goodwill for which amortization is not deductible for taxation purposes.

Deferred tax assets associated to deductible temporary differences and unused tax losses carried forward are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference or the unused tax losses can be utilized.

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

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

Provision for taxation that could arise if undistributed retained profit of certain subsidiaries is remitted to the parent company, is only made where a decision has been taken to remit such retained profit, i.e., where the subsidiary intends to distribute a dividend.

Pensions, other post-employment benefits and termination benefits

The Group operates several defined benefit pension plans to which the contributions are made through separately managed funds. The Group also agreed to provide additional post-employment benefits to certain employees. The cost of providing benefits under the plans is determined separately for each plan using the projected credit unit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized gains or losses for an individual plan at the end of the previous reporting period exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at the beginning of the year. This excess is recognized over the average remaining service life of the employees participating in the individual plan.

The Group operates several restructuring programs that involve termination benefits or other forms of additional compensation. The actuarial gains and losses on these liabilities are recognized in the income statement when incurred.

The total expense recognized in the income statement is classified in personnel expenses and pensions, except the interest cost of the liability for termination benefits and additional compensations resulting from the collective labour agreement of 2005 that is classified as finance cost.

Short term and long term employee benefits

The cost of all short-term and long-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognized during the period in which the employee renders the related service. The Group recognizes those costs only when it has a present legal or constructive obligation to make such payment and a reliable estimate of the liability can be made.

Financial instruments

Fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of financial instruments:

- for investments in quoted companies and mutual funds, the fair value is their quoted price;
- for investments in non-quoted companies, fair value is estimated by reference to recent sale transactions on the shares of these non-quoted companies and, in the absence of such transactions, by using different valuation techniques such as discounted future cash flow models and multiples methods;
- for investments in non-quoted companies for which no fair value can be reliably determined, fair value is based on the historical acquisition cost, adjusted for impairment losses, if any;

- for long term debts carrying a floating interest rate, the amortized cost is assumed to approximate fair value;
- for long term debts carrying a fixed interest rate, the fair value is determined based on the market value when available or otherwise based on the discounted future cash flows;
- for trade receivables, trade payables, other current assets and current liabilities, the carrying amounts reported in the balance sheet approximate their fair value considering their short maturity;
- for cash and cash equivalents, the carrying amounts reported in the balance sheet approximate their fair value considering their short maturity;
- for derivatives, fair values have been estimated by using different valuation techniques, in particular the discounting of future cash flows.

Criteria for initial recognition and for de-recognition of financial assets and liabilities

Financial instruments are initially recognized when the Group becomes party to the contractual terms of the instruments. Normal purchases and sales of financial assets are accounted for at their settlement dates.

Financial assets (or a portion thereof) are de-recognized when the Group realizes the rights to the benefits specified in the contract, the rights expire or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. Financial liabilities (or a portion thereof) are de-recognized when the obligation specified in the contract is discharged, cancelled or expires.

Criteria for offsetting financial assets and liabilities

Where a legally enforceable right of offset exists for recognized financial assets and liabilities, and there is an intention to settle the liability and realize the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Criteria for classifying financial instruments as held to maturity

Some financial instruments are classified as held to maturity based on the ability and the intention of the Group to keep these instruments until maturity. The Group has already a large experience of respecting that statement. This is reinforced by the fact that the financial instruments classified as held to maturity are very short term.

Other participating interests

Other participating interests are equity instruments in entities that are not subsidiaries, joint ventures or associates. They are initially recognized at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. These interests are classified as available-for-sale financial assets in the balance sheet.

After initial recognition, other participating interests are carried at fair value, with recognition of the changes in fair value directly in equity, until the financial asset is sold, collected or otherwise disposed of, or until the asset is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in financial income or expenses. Impairment losses are classified in financial expenses.

Other non-current financial assets

Other non-current financial assets include derivatives (see below), long-term interest-bearing receivables such as loans to joint-ventures, personnel and cash guarantees and long-term investments such as notes and purchased bonds. Long-term receivables are accounted for as loans and receivables originated by the Group and are carried at amortized cost. Long-term investments are classified as held-to-maturity and are carried at amortized cost. An impairment loss is recorded when the carrying amount is greater than the estimated recoverable amount, and is classified in financial expenses.

Trade receivables and other current assets

Trade receivables and other current assets are shown on the balance sheet at nominal value (generally, the original invoice amount) less the allowance for doubtful debts. Such allowance is recorded in operating expenses when it is probable that the company will not be able to collect all amounts due. Allowances are calculated on an individual basis, and on a portfolio basis for groups of receivables that are not individually identified as impaired.

Investments

Investments include shares, fixed income securities and deposits with a maturity greater than three months but less than one year.

Shares are initially recognized at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. After initial recognition, shares are treated as available-for-sale, with re-measurement to fair value recorded directly in equity until the investment is sold, collected or otherwise disposed of or until the asset is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in financial income or expenses. Impairment losses are classified in financial expenses.

Fixed income securities are initially recognized at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. After initial recognition, fixed income securities that are classified as available-for-sale, are measured at fair value, with gains and losses on re-measurement recognized in equity until the investment is sold, collected or otherwise disposed of or until the asset is determined to be impaired, at which time the cumulative gain or loss reported in equity is included in financial income or expenses. Impairment losses are classified in financial expenses. Fixed income securities that are intended to be held-to-maturity are measured at amortized cost, using the effective interest rate method.

Deposits are considered as held-to-maturity and measured at amortized cost.

Cash and cash equivalents

Cash and cash equivalents include cash, current bank accounts and investments with an original maturity of less than three months, and that are highly liquid.

Cash and cash equivalents are carried at amortized cost. An impairment loss is recorded in financial expense when the recoverable amount at the balance sheet date is lower than the carrying amount.

Interest-bearing liabilities

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received, net of issuance costs associated with the borrowings.

After initial recognition, debts not hedged are measured at amortized cost using the effective interest rate method, with amortization of discounts or premiums through the income statement.

Debts that are hedged with interest rate swaps (IRS) and interest rate and currency swaps (IRCS) for fair value hedge purposes are re-measured to the extent of the risk being hedged. The gain or loss attributable to the hedged risk resulting from re-measurement to fair value is recognized in financial income or expense.

Derivatives

The Group makes use of derivatives such as IRS, IRCS, forward foreign exchange contracts and currency options to reduce its risks associated with interest rate and foreign currency fluctuations on underlying assets, liabilities and anticipated transactions. The derivatives are carried at fair value under the captions other assets (non-current and current), interest-bearing liabilities (non-current and current) and other payables (non-current and current).

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement.

The Group uses IRS and IRCS to reduce its exposure to interest rate and foreign currency fluctuations on long-term debts. The interest coupons receivable and payable under the terms of these swaps are accrued over the period to which the coupon relates.

The table below summarizes the relationship between hedged items and hedging instruments:

Hedging instrument	Hedged item	Type of hedge relationship	Risk(s) being hedged
Interest rate and currency swap	Fixed rate debt in foreign currency	Fair value	Currency and interest rate risk
Interest rate swap	Fixed rate debt	Fair value	Interest rate risk
Interest rate swap	Future issuance of fixed rate debt	Cash flow	Interest rate risk

Most of these swaps qualify as fair value hedges and remain within the effectiveness limits of 80% - 125%, so their revaluation matches the revaluation of the hedged items that both are recorded via the income statement.

Some IRS qualify as cash flow hedge. In this case, the effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while any ineffective portion is recognized immediately in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement.

The Group does not hold or issue derivative financial instruments for trading purposes but some of its derivative contracts do not meet the criteria set by IAS 39 to be considered as hedges and are therefore treated as derivatives held-for-trading, with changes in fair value recorded in the income statement.

The Group uses currency options and forward foreign exchange contracts to manage its foreign currency exposure arising from operational contracts. Nevertheless, since the matching between these instruments and the underlying exposure is not sufficiently effective, or the effectiveness cannot be easily demonstrated, these instruments are not accounted for as hedges and are consequently carried at fair value, with changes in fair value recognized in the income statement.

Some debts issued by the Group include embedded derivatives. Such derivatives are separated from their host contract and carried at fair value with changes in fair value recognized in the income statement. The mark-to-market effects on these embedded derivatives is neutralised by those on other derivatives.

Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost is determined based on the weighted average cost method except for IT equipments (FIFO method) and goods purchased for resale as part of specific construction contracts (individual purchase price).

For construction contracts, the percentage of completion method is applied. The stage of completion is measured by reference to the amount of contract costs incurred for work performed at balance sheet date in proportion to the estimated total costs for the contract. Contract cost includes all expenditures directly related to the specific contract and an allocation of fixed and variable overheads incurred in connection with contract activities based on normal operating capacity.

Leases

Leases through which the Group acquires the right to use assets and the leasing company retains substantially all the risks and the benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation resulting from past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. A past event is deemed to give rise to a present obligation if, taking into account the available evidence, it is more likely than not that a present obligation exists at the balance sheet date.

Certain assets and improvements that are situated on property owned by third parties must eventually be dismantled, and the property must be restored to its original condition. The estimated costs associated with dismantling and restorations are recorded under property, plant and equipment and depreciated over the useful life of the asset. The total estimated cost required for dismantling and restoration, discounted to its present value, is recorded under provisions. Where discounting is used, the increase in the provision due to the passage in time is recognized in financial expense in the income statement.

Assets held for sale

Non-current assets held for sale are recorded at the lower of their carrying value or fair value less costs to sell, and are classified as current assets.

Share based payments

The fair value of share options issued under the Group's Employee Stock Option Plans is determined at grant date taking into account the terms and conditions upon which the options are granted, and by using a valuation technique that is consistent with generally accepted valuation methodologies for pricing financial instruments, and that incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price. The fair value of the share options is recognized in personnel expenses over their vesting period, together with an increase of the caption "stock compensation" of the shareholders' equity for the equity part and an increase of a dividend liability for the dividend part. When the share options give right to dividends declared after granting the options, the fair value of this right is re-measured annually.

Revenue and operating expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Specific revenue streams and related recognition criteria are as follows:

- Revenue from wireline, carrier and mobile traffic is recognized on usage.
- Revenue from connection fees and installation fees is recognized in income at the time of connection or installation.
- Revenue from sales of communication equipment is recognized upon delivery to the third party distributors or upon delivery by the own Belgacom shops to the end-customer.
- Revenues relating to the monthly rent or access fees, which are applicable to wireline and mobile revenues are recognized in the period in which the services are provided.
- Subscription fees are recognized as revenue over the subscription period on a pro-rata basis.
- Prepaid revenue such as revenue from pre-paid fixed and mobile phone cards is deferred and recognized based on usage of the cards.
- Revenue is recognised net of expenses when the Group acts as an agent.
- The cost of loyalty programs in respect of third party products granted is recorded in the income statement on the line item "cost of materials and charges to revenue". Accruals for loyalty programs are recorded at cost at balance sheet date.

The Group's consolidated income statement presents operating expenses by nature. Operating expenses are reported net of work performed by the enterprise that is capitalized.

The costs of materials and charges to revenues include the costs for purchases of materials and services directly related to revenue.

Costs for commissions to dealers, advertising costs and other marketing costs are expensed as incurred.

Non-recurring revenues and operating expenses include gains or losses on the disposal of consolidated companies exceeding individually EUR 5 million in a particular year and costs of restructuring programs.

Note 3. Goodwill

(in EUR million)	Goodwill
As of 1 January 2004	
net of accumulated amortization and impairment	**38**
Amortization charge for the year	-8
As of 31 December 2004	
net of accumulated amortization and impairment	**30**
Disposal of subsidiary	-19
Reclassifications	-11
As of 31 December 2005	
net of accumulated amortization and impairment	**0**
Acquisition of Telindus Group	231
Acquisition of Infrasystems	4
Acquisition of Extenseo	1
Acquisition of minority stake in Belgacom Mobile	1,519
Acquisition of Euremis	5
As of 31 December 2006	
net of accumulated amortization and impairment	**1,760**

(in EUR million)	Goodwill
As of 31 December 2004	
Cost	109
Accumulated amortization and impairment	-78
Net carrying amount	**30**
As of 31 December 2005	
Cost	10
Accumulated amortization and impairment	-10
Net carrying amount	**0**
As of 31 December 2006	
Cost	1,770
Accumulated amortization and impairment	-10
Net carrying amount	**1,760**

Goodwill decreased in 2005 due to the disposal of 100% of the shares of Belgacom Directory Services SA to Promedia Comm.V. (see note 6.3), and due to reclassifications to intangible assets with finite useful life.

The purchase of the 25% minority stake of Vodafone BV in Belgacom Mobile SA led to a significant increase of goodwill in 2006 resulting from the difference between the acquisition cost (EUR 2,001 million) and the minority interests in the balance sheet at acquisition date (EUR 482 million).

The acquisition of Telindus Group and some other entities in 2006 also resulted in an increase of goodwill of respectively EUR 231 million and EUR 10 million (see note 6.3).

Goodwill has been tested for impairment at the segment level because the performance, financial position (including goodwill) and capital expenditures within the Group are only monitored at segment level.

The carrying amount of goodwill is allocated to the segments as follows:

(in EUR million - as of 31 December)	2004	2005	2006
Fixed Line Services	30	0	236
Mobile Communication Services	0	0	1,524
International Carrier Services	0	0	0
Total	**30**	**0**	**1,760**

The recoverable amount at segment level (including goodwill) is based on the value in use estimated through a discounted cash flow model. For the years 2007 till 2011, the free cash flows are based on the Five Year Plan as approved by the management and Board of Directors. For subsequent years, the data of the Five Year Plan are extrapolated based on the estimated consumer price indices evolution of 2% per year. Free cash flows of each segment are discounted at a specific post-tax weighted average cost of capital comprised between 7.50% and 9.00%. Pre-tax weighted average cost of capital was between 7.60% and 9.30%. The results of this analysis led to the conclusion that none of the goodwill is impaired at 31 December 2006.

Sensitivity analysis demonstrates that the value in use exceeds the net carrying value of the cash generating units (segments) if key assumptions (discount rate, long term growth rate and five year business plan assumptions) would change significantly.

Note 4. Intangible assets with finite useful life

(in EUR million)	GSM and UMTS licenses	Internally generated assets	Customer bases and trade names acquired	Other intangible assets	Total
As of 1 January 2004 net of accumulated amortization and impairment	**243**	**115**	**0**	**138**	**496**
Additions	0	53	0	56	109
Reclassifications	0	-51	0	60	10
Impairment charge	0	0	0	-5	-5
Amortization charge for the year	-20	-21	0	-98	-139
As of 31 December 2004 net of accumulated amortization and impairment	**223**	**96**	**0**	**151**	**471**
Additions	0	44	0	211	255
Acquisition of subsidiary	0	0	0	20	20
Disposals	0	0	0	-2	-3
Disposal of subsidiary	0	0	0	-4	-4
Reclassifications	0	0	0	20	20
Impairment charge	0	0	0	-4	-4
Amortization charge for the year	-24	-27	0	-102	-153
As of 31 December 2005 net of accumulated amortization and impairment	**199**	**113**	**0**	**290**	**602**
Additions	0	41	0	90	130
Acquisition of subsidiary	0	6	73	9	88
Disposals	0	0	0	-1	-1
Reclassifications	0	0	0	3	3
Impairment charge	0	0	0	-14	-14
Amortization charge for the year	-24	-55	-28	-113	-220
As of 31 December 2006 net of accumulated amortization and impairment	**175**	**105**	**45**	**265**	**590**

(in EUR million)	GSM and UMTS licenses	Internally generated assets	Customer bases and trade names acquired	Other intangible assets	Total
As of 31 December 2004					
Cost	377	240	0	538	1,155
Accumulated amortization and impairment	-154	-144	0	-387	-684
Net carrying amount	**223**	**96**	**0**	**151**	**471**
As of 31 December 2005					
Cost	377	283	0	810	1,470
Accumulated amortization and impairment	-177	-170	0	-520	-867
Net carrying amount	**199**	**113**	**0**	**290**	**602**
As of 31 December 2006					
Cost	377	320	73	921	1,690
Accumulated amortization and impairment	-201	-215	-28	-656	-1,100
Net carrying amount	**175**	**105**	**45**	**265**	**590**

The license fees relate to the Global System for Mobile communication ("GSM") and Universal Mobile Telecommunication System ("UMTS"). In 1994, the Group acquired a GSM license in Belgium for an amount of EUR 226 million. Amortization started in 1995 over the useful life of the license (15 years). In March 2001, the Group acquired an UMTS license in Belgium for an amount of EUR 150 million. Amortization started in June 2004 over the useful life of the license, that is scheduled to end in 2020.

Customer bases and trade names acquired include intangible assets recognized as part of business combinations that occurred in 2006 (see note 6.3).

Other intangible assets mainly include football rights and broadcasting rights acquired, purchased software and rights of use for cables.

Most of the acquisitions and additions of the three years presented have been realized in Western Europe.

Note 5. Property, plant and equipment

(in EUR million)	Land and buildings	Technical and network equipment	Furniture and vehicles	Other tangible assets	Assets under construction	Total
As of 1 January 2004 net of accumulated depreciation and impairment	**640**	**1,988**	**41**	**137**	**50**	**2,854**
Additions	16	241	12	13	164	447
Disposals	-19	-1	0	-4	0	-24
Reclassifications	0	95	0	7	-111	-10
Impairment	0	-15	0	0	0	-15
Depreciation charge for the year	-40	-511	-19	-26	0	-595
As of 31 December 2004 net of accumulated depreciation and impairment	**596**	**1,797**	**35**	**128**	**102**	**2,658**
Additions	14	292	8	10	117	441
Acquisition of subsidiary	0	6	0	0	0	6
Disposals	-11	0	0	0	0	-11
Disposal of subsidiary	0	-13	0	0	0	-13
Reclassifications	0	78	0	10	-97	-9
Impairment	0	-1	0	0	0	-1
Depreciation charge for the year	-40	-489	-15	-29	0	-573
As of 31 December 2005 net of accumulated depreciation and impairment	**560**	**1,669**	**27**	**119**	**122**	**2,497**
Additions	12	355	13	6	160	546
Acquisition of subsidiary	56	26	3	3	2	89
Disposals	-7	-5	0	-4	-1	-18
Reclassifications	0	148	0	-64	-87	-3
Impairment	0	-1	0	-1	0	-2
Depreciation charge for the year	-41	-512	-13	-15	0	-582
As of 31 December 2006 net of accumulated depreciation and impairment	**580**	**1,680**	**30**	**43**	**195**	**2,527**

(in EUR million)	Land and buildings	Technical and network equipment	Furniture and vehicles	Other tangible assets	Assets under construction	Total
As of 31 December 2004						
Cost	775	8,722	152	259	102	10,011
Accumulated depreciation and impairment	-179	-6,925	-117	-132	0	-7,353
Net carrying amount	**596**	**1,797**	**35**	**128**	**102**	**2,658**
As of 31 December 2005						
Cost	756	8,963	140	272	122	10,253
Accumulated depreciation and impairment	-196	-7,294	-113	-153	0	-7,756
Net carrying amount	**560**	**1,669**	**27**	**119**	**122**	**2,497**
As of 31 December 2006						
Cost	812	9,516	162	99	195	10,783
Accumulated depreciation and impairment	-232	-7,835	-132	-57	0	-8,256
Net carrying amount	**580**	**1,680**	**30**	**43**	**195**	**2,527**

An impairment loss was recorded in 2004 on the intangible assets and technical and network equipment of the International Carrier Services segment for an amount of EUR 5 million (see note 4) and EUR 15 million respectively.

The increase in 2006 resulting from acquisition of subsidiary relates primarily to the acquisition of Telindus Group, Infrasystems Group and Euremis SA (see note 6.3).

During the period from 1996 through 2001, the Group entered into several cross-border lease arrangements of technical and network equipment (see note 36). Such arrangements are still operational.

Most of the acquisitions and additions of the three years presented have been realized in Western Europe.

Note 6. Investments in subsidiaries and joint ventures

Note 6.1. Investments in subsidiaries

The consolidated financial statements include the financial statements of Belgacom SA and the subsidiaries listed in the following table.

Name	Registered office	Country of incorporation	Group's participating interests 2004	2005	2006
Belgacom SA under Public Law	Bld du Roi Albert II 27 1030 Bruxelles VAT BE 0202.239.951	Belgium		Mother company	
Belgacom Mobile SA	Rue du Progrès 55 1210 Bruxelles VAT BE 0453.918.428	Belgium	75%	75%	100%
Belgacom Finance SA	Rue de Merl 74 2146 Luxembourg	Luxemburg	100%	100%	100%
Belgacom Group International Services SA	Geldenaaksebaan 335 3001 Heverlee VAT BE 0466.917.220	Belgium	100%	100%	100%
Finbel Re SA	Rue de Merl 74 2146 Luxembourg	Luxemburg	100%	100%	100%
Connectimmo SA	Bld du Roi Albert II 27 1030 Bruxelles VAT BE 0477.931.965	Belgium	100%	100%	100%
Citius Belgium SA	Bld du Roi Albert II 27 1030 Bruxelles VAT BE 0458.333.512	Belgium	100%	100%	100%
Belgacom Skynet SA	Rue Carli 2 1140 Evere VAT BE 0460.102.672	Belgium	100%	100%	100%
Skynet iMotion Activities SA	Rue Carli 2 1140 Evere VAT BE 0875.092.626	Belgium	-	100%	100%
WIN SA	Rue Marie-Henriette 60 5000 Namur VAT BE 0464.163.014	Belgium	100%	100%	100%
Belgacom Invest SARL	Rue de Merl 74 2146 Luxembourg	Luxemburg	100%	100%	100%
Extenseo SPRL	Rue Louis Marcx 23 1160 Bruxelles VAT BE 0464.699.779	Belgium	-	-	100%
Telindus Group NV	Geldenaaksebaan 335 3001 Heverlee VAT BE 0422.674.035	Belgium	-	-	100%
Telindus NV (4)	Geldenaaksebaan 335 3001 Heverlee VAT BE 0442.257.642	Belgium	-	-	100%
Telindus Sourcing SA (4)	Parc Scientifique - Bld Initialis 1 7000 Mons VAT BE 0457.839.802	Belgium	-	-	100%
Telindus BV (4)	Savannahweg 19 3542 AW Utrecht	The Netherlands	-	-	100%
Telindus International BV (4)	Savannahweg 19 3542 AW Utrecht	The Netherlands	-	-	100%
Telindus Networks SA (4)	Chemin des Primevères 45 1701 Fribourg	Switzerland	-	-	100%
Telindus SA (4)	Chemin des Primevères 45 1701 Fribourg	Switzerland	-	-	100%
Telindus SPA (4)	Via della Maglianella 65/D 00166 Roma	Italy	-	-	100%
Telindus G.m.b.H. (4)	Sylvesterallee 2 22525 Hamburg	Germany	-	-	100%
Netconcept G.m.b.H (4)	Wilhelm-Theodor-Römheld-Strasse 14 55130 Mainz	Germany	-	-	100%
Telindus SA (4)	Plaza Ciudad de Viena 6 28040 Madrid	Spain	-	-	100%
Telindus SA (4)	Route d'Arlon 81– 83 8009 Strassen	Luxemburg	-	-	65%
Telectronics SA (4)	Rue de l'Industrie 1 4823 Rodange	Luxemburg	-	-	65%

Name	Registered office	Country of incorporation	Group's participating interests 2004	2005	2006
Beim Weissenkreuz SA (4)	Alleé Marconi 16 2120 Luxemburg	Luxemburg	-	-	65%
Telindus PSF SA (4)	2 Rue des Mines 4244 Esch sur Alzette	Luxemburg	-	-	65%
Telindus Ltd (4)	Hatchwood Place - Farnham Road Odiham, Hants RG29 1AB	United Kingdom	-	-	100%
Telindus Surveillance Solutions Ltd (4)	Brookmount Court, Unit D - Kirkwood Road CB4 2QH Cambridge	United Kingdom	-	-	100%
Telindus France SA (4)	ZA de Courtaboeuf- 10, Avenue de Norvège 91962 Les Ulis	France	-	-	100%
Groupe Telindus France SA (4)	ZA de Courtaboeuf- 10, Avenue de Norvège 91962 Les Ulis	France	-	-	100%
Telindus Ltd (Thailand) (4)	Bond Street 473 - Muang Thong Thani 3 Pakkred, Nonthaburi 11120 Bangkok	Thailand	-	-	100%
Telindus Comunicacoes e Servicos SA (4)	Torre de Monsanto - Rua Alfonso Praça 30 1495-061 Algés	Portugal	-	-	100%
Telindus Ltd (4)	Three Exchange Square 9th floor Central Hong Kong	China	-	-	100%
Yunnan Telindus Technology Co Ltd (4)	Room C22-23 Innovation Park - Jinkai Road 3 Kunming Nation-class Economic & Technological Development Zone Kunming, Yunnan	China	-	-	100%
Telindus Hungary Ltd (4)	Záhony U. 7 - Graphisoft Park 1031 Budapest	Hungary	-	-	75%
Infrasystems Sverige AB	Svetsarvägen 8 171 41 Solna	Sweden	-	-	100%
Infrasystems Solutions Stockholm AB	Svetsarvägen 8 171 41 Solna	Sweden	-	-	100%
Infrasystems Solutions Väst AB	Ringögatan 12 417 07 Göteborg	Sweden	-	-	100%
Euremis SA	Chaussée de Nivelles 81 1420 Braine-l'Alleud VAT BE 0477.133.397	Belgium	-	-	56%
Belgacom Directory Services SA	-	Belgium	100%	-	-
Expercom SA	-	Belgium	100%	-	-
Digital Age Design SA	-	Belgium	85%	-	-
Streamcase SA	-	Belgium	100%	-	-
Infosources SA and subsidiaries (1)	-	(2)	100%	-	-
Belgacom International Carrier Services SA (3)	-	Belgium	100%	-	-
Belgacom Deutschland G.m.b.H. (3)	-	Germany	100%	-	-
Belgacom UK Ltd (3)	-	United Kingdom	100%	-	-
Belgacom International Carrier Services Nederland BV (3)	-	The Netherlands	100%	-	-
Belgacom Incorporated (3)	-	United States	100%	-	-
Belgacom International Carrier Services Asia Pte Ltd (3)	-	Singapore	100%	-	-
Belgacom International Carrier Services (Portugal) SA (3)	-	Portugal	100%	-	-
Belgacom International Carrier Services Italia Srl (3)	-	Italy	100%	-	-
Belgacom International Carrier Services Spain SL (3)	-	Spain	100%	-	-
Belgacom International Carrier Services Switzerland AG (3)	-	Switzerland	100%	-	-
Belgacom International Carrier Services Austria G.m.b.H (3)	-	Austria	100%	-	-
Belgacom International Carrier Services Sweden AB (3)	-	Sweden	100%	-	-
Belgacom International Carrier Services Japan KK (3)	-	Japan	100%	-	-
Belgacom International Carrier Services China Ltd (3)	-	China	100%	-	-
Belgacom Présence SA (3)	-	France	100%	-	-

(1) Hereafter "Group Infosources".
(2) Belgium, France, Germany and Switzerland.
(3) These subsidiaries qualify as joint-venture interests starting mid 2005 (see note 6.2 and 6.3).
(4) Subsidiaries of the Group Telindus that has been acquired early January 2006.

Note 6.2. Investments in joint ventures

The Group has a joint-venture interest in the following companies.

Name	Registered office	Country of incorporation	Group's participating interests 2004	2005	2006
Certipost SA	Centre Monnaie 1000 Brussels VAT BE 0475.396.406	Belgium	50%	50%	50%
Certipost BV	Siriusdreef 10 2132 WT Hoofddorp	The Netherlands	50%	50%	50%
Allo Bottin SA	101/109, rue Jean-Jurès 92300 Levalloi-Perret	France	-	50%	50%
Belgacom International Carrier Services SA (1)	Rue Lebeau 4 1000 Brussels VAT BE 0866.977.981	Belgium	-	72%	72%
Belgacom International Carrier Services Deutschland G.m.b.H	Albert Einsteinstrasse 34 63322 Rödermark	Germany	-	72%	72%
Belgacom Deutschland G.m.b.H. (1)	Albert Einsteinstrasse 34 63322 Rödermark	Germany	-	72%	72%
Belgacom International Carrier Services UK Ltd	Great Bridgewaterstreet 70 M15ES Manchester	United Kingdom	-	72%	72%
Belgacom UK Ltd (1)	1,City Square Leeds - LS1 2 DP	United Kingdom	-	72%	72%
Belgacom International Carrier Services Nederland BV (1)	Stationsplein 8 C NL-6221 BT Maastricht	The Netherlands	-	72%	72%
Belgacom International Carrier Services North America Inc	2001 l street suite 750 20036 Washington	United States	-	72%	72%
Belgacom Incorporated (1)	Corporation trust center - 1209 Orange street USA - 19801 Willington Delaware	United States	-	72%	72%
Belgacom International Carrier Services Asia Pte Ltd (1)	8 Cross Street - # 11-00 PWC Building Singapore 048624	Singapore	-	72%	72%
Belgacom International Carrier Services (Portugal) SA (1)	Edificio Monumental Avenida Praia da Vitoria n° 71 A - 11° P-1069-006 Lisboa	Portugal	-	72%	72%
Belgacom International Carrier Services Italia Srl (1)	Via San Vito 7 20123 Milano	Italy	-	72%	72%
Belgacom International Carrier Services Spain SL (1)	Plaza Pablo Ruiz Picasso Torre Picasso s/n - Planta 4a 28020 Madrid	Spain	-	72%	72%
Belgacom International Carrier Services Switzerland AG (1)	Papiermülhestrasse 69 3014 Bern	Switzerland	-	72%	72%
Belgacom International Carrier Services Austria G.m.b.H (1)	Wagramer Strasse 19 1010 Wien	Austria	-	72%	72%
Belgacom International Carrier Services Sweden AB (1)	Drottninggaton 30 41114 Goteborg	Sweden	-	72%	72%
Belgacom International Carrier Services Japan KK (1)	9th Floor, Prudential Tower 13-10 Nagata-cho 2-chrome Chiyoda-ku - Tokyo 100-0014	Japan	-	72%	72%
Belgacom International Carrier Services China Ltd (1)	Three Pacific Place - Level 28 1, Queen's road East Kowloon - Hong Kong	China	-	72%	72%
Belgacom International Carrier Services France SAS	Rue du Colonel Moll 3 75817 Paris	France	-	72%	72%
E-Port Communications Systems SA (4)	Slijkensesteenweg 2 8400 Oostende VAT BE 0864.818.940	Belgium	-	-	50%
Belgacom Présence SA (1)(2)		France	-	72%	-
Belgacom International Carrier Services Italia Srl (3)		Italy	-	72%	-

(1) These joint venture interests qualified as subsidiaries in 2004 (see notes 6.1 and 6.3).
(2) Merged in 2006 with Belgacom International Carrier Services France SAS.
(3) Merged in 2006 with Belgacom International Carrier Services Italia Srl.
(4) Joint ventures of the Group Telindus that has been acquired early January 2006.

The share of the assets, liabilities, income and expenses of the jointly controlled entities which are included in the consolidated financial statements, are detailed as follows:

(in EUR million - as of 31 December)	2004	2005	2006
Non-current assets	-	70	62
Current assets	-	277	229
Total assets	**-**	**348**	**292**
Non-current liabilities	-	4	4
Current liabilities	-	278	272
Total liabilities	**-**	**282**	**276**

(in EUR million - year ended 31 December)	2004	2005	2006
Total revenue	-	713	686
Total operating expenses before depreciation and amortization	-	-686	-669
Depreciation and amortization	-	-20	-20
Net finance revenue	-	1	0
Income/(loss) before taxes	-	8	-3
Tax expense	-	-2	-3
Net income/(loss)	**-**	**6**	**-6**

Note 6.3. Acquisitions and disposal of subsidiaries and joint ventures and increases and decrease in participating interests

In the first half of 2005, Belgacom and Swisscom Fixnet AG ("Swisscom") agreed to combine their respective international carrier businesses effective 1 July 2005 into Belgacom International Carrier Services ("BICS") SA that would carry on the combined business.

To this purpose, Belgacom transferred on 1 January 2005 its international carrier branch of activity at historical book value to its 100% subsidiary BICS. Effective 1 July 2005, Swisscom contributed its international carrier assets to BICS in exchange for a 28% ownership in BICS and subsidiaries. These assets were contributed by Swisscom at fair value and comprised mainly non-current assets notably its international carrier customer base and indefeasible rights of use and technical network equipment in Switzerland and other countries. No cash was contributed and no goodwill was recognized as a result of this transaction. The dilution of the Group's interest in BICS from 100% to 72% resulted in the disposal of net assets for an amount of EUR 18 million and the recognition of a dilution gain of EUR 4 million (disclosed as other operating revenue).

Prior to 1 July 2005, BICS was a 100% subsidiary of Belgacom and hence fully consolidated. Effective 1 July 2005, BICS is proportionally consolidated because Belgacom and Swisscom established joint control.

In January 2005, the Group sold 100% of its shares of Belgacom Directory Services SA to Promedia Comm.V. which resulted in the recognition of a gain of EUR 238 million classified as non-recurring revenue in the income statement.

The disposal of net assets in respect of these transactions of the year 2005 amounted to approximately EUR 34 million summarised as follows:

(in EUR million)	2005
Non-current assets disposed of	38
Current assets disposed of, excluding cash and cash equivalents	72
Cash and cash equivalents disposed of	28
Non-current liabilities disposed of	-1
Current liabilities disposed of	-103
Net assets disposed of	**34**
Consideration received	**282**
Gain on disposal (including non-recurring revenue)	**249**

The net cash inflow on disposal is as follows:

(in EUR million)	2005
Cash received	264
Cash and cash equivalents disposed of with the subsidiaries	-28
Net cash inflow	**237**

In early January 2006, the Group acquired all outstanding shares and warrants of the Telindus Group, a leading provider of network-based ICT solutions and services, with its headquarters in Belgium and quoted on Euronext Brussels. On 14 March 2006, Belgacom asked the Brussels Euronext stock-market authority to delist the Telindus Group share.

The total acquisition costs amounted to EUR 605 million. No equity instruments were or can be issued as part of the cost. The net amount of cash paid for the acquisition is EUR 584 million (after the deduction of cash acquired).

The fair value of the identifiable assets and liabilities of the Telindus Group at the date of acquisition and the corresponding carrying amounts immediately prior to the acquisition were:

(in EUR million)	Fair value recognised on acquisition	Carrying value
Goodwill acquired (see note 3)	0	83
Intangible assets with finite useful life (see note 4)	84	20
Property, plant and equipment (see note 5)	89	85
Other participating interests (see note 8)	196	196
Deferred income tax assets (see note 9)	22	22
Other non-current assets	1	1
Inventories	35	35
Trade receivables (see note 12)	236	236
Current income tax assets	4	4
Other current assets (see note 13)	22	22
Investments and cash and cash equivalents (see note 14)	21	21
	710	**726**
Minority interests (see note 16)	-8	-6
Non-current interest-bearing liabilities (see note 17)	-29	-29
Liability for pensions and termination benefits (see note 10)	-5	-3
Provisions and contingent liabilities	-2	-2
Deferred income tax liabilities (see note 9)	-31	-2
Current interest-bearing liabilities	-26	-26
Trade payables	-118	-118
Income tax payables	-3	-3
Other current payables (see note 20)	-117	-115
	-337	**-302**
Net assets acquired	**373**	**424**
Goodwill arising on acquisition (see note 3)	231	
Consideration	**605**	

The consideration is detailed as follows:

(in EUR million)	
Cash paid to shareholders	601
Costs associated with the acquisition	4
Consideration	**605**

The cash outflow on acquisition is as follows:

(in EUR million)	
Consideration paid	605
Net cash acquired of the subisidary	-21
Net cash outflow	**584**

The goodwill mainly represents the future synergies with the Belgacom Group, the know-how of Telindus Group employees, and revenue protection.

The acquisition took place early in January 2006. Therefore, the revenue and expenses of the Telindus Group have been incorporated into the Belgacom Group financial statements from 1 January 2006, contributing EUR 708 million to the total revenue and EUR 31 million to the operating income before depreciation and amortization.

On 5 July 2006, Telindus acquired InfraSystems Group, a network and systems specialist established in Sweden, enabling Telindus to gain unique skills in the unified communication sector and a geographical presence in this country.

On 29 September 2006, Belgacom Mobile acquired the control of Euremis SA, the leading Belgian provider of mobile sales force solutions to the mid-market segment. This acquisition enables Belgacom Mobile to answer to the evolution of its customers' needs and expand its product offering towards end-to-end mobile solutions.

The fair value of the identifiable assets and liabilities of Infrasystems Group and Euremis at the date of acquisition and the corresponding carrying amounts immediately prior to the acquisition were:

(in EUR million)	Fair value recognised on acquisition	Carrying value
Total assets	7	4
Total minority interests and liabilities	-6	-4
Net assets acquired	**1**	**0**
Goodwill arising on acquisition (see note 3)	10	
Consideration	**11**	

The consideration is detailed as follows:

(in EUR million)	
Cash paid to shareholders	7
Cash to be paid to shareholders	4
Costs associated with the acquisition	0
Consideration	**11**

The cash outflow on acquisition is as follows:

(in EUR million)	
Consideration paid	11
Net cash acquired of the subisidary	0
Net cash outflow	**11**

No other significant acquisitions, disposals or changes in participating interests of subsidiaries or joint ventures occurred in the three years presented.

Note 7. Enterprises accounted for under the equity method

The investments in enterprises accounted for under the equity method are summarized as follows:

(in EUR million - as of 31 December)	2004	2005	2006
Alert Services Holding and subsidiaries	26	-	-
Total	**26**	**0**	**0**

Loss from these enterprises accounted for using the equity method is summarized as follows:

(in EUR million - year ended 31 December)	2004	2005	2006
Alert Services Holding and subsidiaries	-1	-	-
Total	**-1**	**0**	**0**

In January 2005, Belgacom divested its minority interest in Alert Services Holding through the exercise of its put option towards Securitas Direct International in exchange of EUR 50 million cash. The divestment resulted in a gain of EUR 11 million recognized as finance revenue in the income statement (see notes 11 and 31).

Note 8. Other participating interests

(in EUR million - as of 31 December)	2004	2005	2006
Neuf Cégétel	*120*	*138*	*-*
Other unlisted shares	*91*	*1*	*1*
Unlisted shares	211	138	1
Eutelsat Communication SA	*-*	*57*	*68*
Mobistar SA	*-*	*-*	*165*
Other listed shares	*-*	*2*	*-*
Listed shares	0	59	233
Total	**211**	**198**	**234**

In 2003 and 2004, the Group recorded impairment losses on its participating interest in neuf telecom SA, a French telecommunications provider, for EUR 47 million and EUR 20 million respectively in order to reduce the carrying amount to its recoverable amount, estimated to EUR 140 million and EUR 120 million respectively. The recoverable amount was determined based on EBITDA and sales multiples, business metrics (including cash flow valuation using a discount rate of 11%) and publicly available information on neuf telecom SA. These impairment losses are recorded as financial expenses (see note 31).

In May 2005, neuf telecom SA and Cégétel SA merged into Neuf Cégétel SA, which became the primary alternative operator in the fixed line business in France. This merger diluted the participating interests of the Group to 5.8% of the combined entity Neuf Cégétel. This merger increased the recoverable value of the participating interest taking into account "EBITDA", sales multiples, business metrics (including cash flow valuation using a 10.5% discount rate), and publicly available information of the combined entity. Based on these elements, the fair value of this participating interest was determined to be in the range between EUR 130 million and EUR 165 million at 31 December 2005, compared to a range between EUR 110 million and EUR 130 million at 31 December 2004. As a result, impairment losses for EUR 18 million have been reversed directly through equity in 2005, as re-measurement to fair value.

In the second half of 2006, the Group disposed its interest in Neuf Cégétel for EUR 237 million resulting in a finance revenue of EUR 118 million (see note 31) after reversal of the remaining cumulative re-measurement to fair value.

Through the acquisition of Telindus Group in 2006, the Group holds shares in its mobile competitor Mobistar SA for EUR 165 million (see note 6.3).

In 2005, the Group divested several participating interests resulting in a gain of EUR 52 million recorded in finance revenue (see note 31). The re-measurements to fair value of the divested participating interests that had been recorded directly through equity in previous years are also included in the gain of EUR 52 million. The primary divested interest included therein was Eutelsat, which was sold in exchange for EUR 69 million cash and a 3% minority interest in the acquirer, Eutelsat Communications SA. This company was listed for the first time on the Paris stock exchange on the 2d December 2005, leading to a re-measurement to fair value recorded directly through equity of EUR 47 million as of 31 December 2005 that increased to EUR 61 million as of 31 December 2006.

Total re-measurements to fair value of participating interests resulted in increases of the carrying values for EUR 25 million in 2004, EUR 66 million in 2005 and in a decrease of EUR 1 million in 2006. These amounts are recorded directly through equity.

Note 9. Income taxes

Gross deferred income tax assets/(liabilities) relate to the following:

(in EUR million - as of 31 December)	2004	2005	2006
Deferred income tax liabilities			
Accelerated depreciation for tax purposes	-30	-25	-30
Remeasurement of financial instruments to fair value	-1	-1	-1
Deferred taxation on sales of property, plant and equipment	-6	-6	-6
Other	-25	-30	-20
Gross deferred income tax liabilities	**-63**	**-62**	**-57**
Deferred income tax assets			
Accelerated depreciation for tax purposes	0	0	4
Remeasurement of financial instruments to fair value	9	10	5
Post-employment and termination benefits	23	28	22
Tax losses carried forward	380	404	315
Capital losses on investments in subsidiaries	69	2	2
Other	20	16	21
Gross deferred income tax assets	**501**	**460**	**370**

Net deferred income tax assets/(liabilities), when grouped per taxable entity, are as follows:

(in EUR million - as of 31 December)	2004	2005	2006
Net deferred income tax liability	-38	-42	-38
Net deferred income tax asset	476	440	351

The Group has tax losses carried forward arising in Belgium that are available indefinitely to offset future taxable profits of the companies in which these losses arose.

At 31 December 2006, Belgacom SA's accumulated tax losses amount to EUR 982 million amongst others as a result of the non-recurring expenses related to the BeST restructuring program in 2002, the non-recurring expenses related to the transfer of the pension obligations for statutory employees in 2003 and the non-recurring expenses related to the collective labour agreement of 2005 (see note 10.1). Based on the current business plan of Belgacom SA, future taxable profit will be available against which the tax losses can be further utilized.

Deferred tax assets have not been recognized in respect of the losses of subsidiaries that have been loss-making for several years. Cumulative tax losses carried forward and tax credits available for such companies amounted to EUR 43 million at 31 December 2004, EUR 42 million at 31 December 2005 and EUR 160 million at 31 December 2006.

Belgacom's share in the undistributed retained profit of subsidiaries amounts to EUR 2,753 million at 31 December 2006 and is taxable at an effective tax rate of 1.7% upon remittance to the parent company. No deferred tax liability is recorded for such undistributed earnings since they are not intended to be distributed to the parent company in the foreseeable future.

In the income statement, deferred tax income/(expense) relate to the following:

(in EUR million - year ended 31 December)	2004	2005	2006
Relating to deferred income tax liabilities			
Accelerated depreciation for tax purposes	8	6	27
Deferred taxation on sales of property, plant and equipment	-6	0	0
Other	-1	-4	12
Relating to deferred income tax assets			
Accelerated depreciation for tax purposes	0	0	-1
Remeasurement of financial instruments to fair value	2	1	-5
Post-employment and termination benefits	10	5	-6
Tax losses carried forward	-173	24	-107
Capital losses on investments in subsidiaries	0	-67	0
Other	-3	-4	5
Deferred tax expense of the year	**-162**	**-39**	**-75**

The consolidated income statement includes the following tax expense:

(in EUR million - year ended 31 December)	2004	2005	2006
Current income tax			
Current income tax expense	-346	-301	-284
Adjustments in respect of current income tax of previous periods	1	2	2
Deferred income tax			
Expense resulting from changes in temporary differences	-162	-39	-76
Income resulting from a reduction in income tax rates	-	-	1
Income tax expense reported in consolidated income statement	**-508**	**-339**	**-358**

The reconciliation of income tax expense applicable to income before taxes at the statutory income tax rate to income tax expense at the group's effective income tax rate for the years ended 31 December is as follows:

(in EUR million - year ended 31 December)	2004	2005	2006
Income before taxes	**1,583**	**1,436**	**1,451**
At Belgian statutory income tax rate of 33.99%	538	488	493
Effect of reduction in income tax rates on closing balance of deferred income tax	0	0	-1
Income tax consequences of disposal of subsidiaries and other participating interests	0	-105	-42
Non-taxable income from subsidiaries	-51	-58	-95
Non-deductible expenditures for income tax purposes	26	17	18
Other	-6	-3	-16
Income tax expense	**508**	**339**	**358**
Effective income tax rate (in %)	**32.09**	**23.57**	**24.65**

In 2005, the income tax consequences of the disposal of subsidiaries and other participating interests mainly relate to the gain on the sale of Belgacom Directory Services' shares and of the Group's interests in satellite companies. In 2006, the income tax consequences of the disposal of other participating interests mainly relate to the gain on the sale of Neuf Cégétel shares.

The non-taxable income from subsidiaries primarily relates to the income of Belgacom Group International Services, which is subject to a tax regime that is not based on taxable income, and to the notional interest deduction applicable in Belgium as from 2006.

Non-deductible expenditures for income tax purposes primarily relate to various expenses that are disallowed for tax purposes and unrecognized tax losses carried forward.

Note 10. Assets and liabilities for pensions, other post-employment benefits and termination benefits

The Group has several plans that are summarized below:

(in EUR million - as of 31 December)	2004	2005	2006
Termination benefits and additional compensations in respect of restructuring programs	580	810	687
Defined benefit plans for complementary pension plans (net liability)	8	13	5
Post-employment benefits other than pensions	155	165	172
Other liabilities	17	21	22
Net liability recognized in the balance sheet	**760**	**1,010**	**886**
Defined benefit plans for complementary pension plans (net asset)	-5	-5	-5
Net asset recognized in the balance sheet	**-5**	**-5**	**-5**

The calculation of the net liability is based on the assumptions established at the balance sheet date. The assumptions for the various plans have been determined based on both macro-economic factors and the specific terms of each plan relating to the duration and the beneficiary population, in order to apply the most relevant measure of estimated outflow of resources.

Note 10.1. Termination benefits and additional compensations in respect of restructuring programs

Termination benefits and additional compensations included in this chapter relate to the BeST and PTS restructuring programs, the external mobility offer and other restructuring programs. No plan assets are accumulated for these benefits.

Belgacom implemented the People, Teams and Skills ("PTS") restructuring program in the years 1997 and 1998. This program consisted of a voluntary early retirement program accepted by 6,290 employees. Under the terms of the plan, the Group will pay bridge pension amounts until the year 2007.

During the first quarter of 2002, Belgacom SA implemented the Belgacom E-Strategic Transformation ("BeST") restructuring program. The program offered all statutory employees aged 50 years and older, and having 20 or more service years in the company, the option to voluntarily early leave the company in return for a guaranteed monthly payment of a percentage of their base salary. The program allows the employees to receive full pension benefits and provides them with additional years of service towards their pension benefits. Under the terms of the plan, the Group will pay guaranteed salary allowances until the year 2012. The number of employees that accepted the offer was 4,157.

In 2004, the Group implemented an external mobility offer whereby statutory employees can voluntarily apply for permanent or temporary outplacement to the e-ID cards and emergency call centre projects of the Ministry of Internal Affairs. At 31 December 2004, 507 people that applied for the outplacement jobs, have been assigned to both projects.

As a result, the Group incurred in 2004 termination benefits and additional compensation costs for temporary leave for an amount of EUR 41 million. These restructuring expenses are disclosed as non-recurring expenses in the income statement (see note 29).

In 2005, a new collective agreement was approved by Belgacom.

Through this agreement, 362 employees who could not be redeployed, left the company in accordance with agreed upon provisions as of 31 December 2005. Under the terms of this agreement, statutory employees became immediately inactive, until they officially retire (at 60 years), in return for a guaranteed minimum monthly payment and continued entitlement on all post-employment benefits. Contractual employees were dismissed prior to 31 December 2005 in return for a leave package.

The agreement also included an innovative career outphasing program (tutorship), allowing the oldest and most experienced employees to gradually build of their career, whilst transferring their experience and knowledge to the younger employees. 2,792 employees, or 84% of the target population, signed up irrevocably for the program prior to 31 December 2005. Statutory employees gradually reduce their work time to zero from the age of 55 until 58 and stop working at the age of 58 until they officially retire at 60 years. During the tutorship period between 55 and 60, the statutory employees are entitled to the pro-rata portion of their salary and a complementary payment for inactivity if the pro-rata salary becomes lower than a guaranteed minimum. Contractual employees also gradually reduce their working time and leave definitively the company at 58 years.

In order to cover the financial obligations of the Group under the terms of this collective agreement, the Group recognised in 2005 a liability for termination benefits, additional compensation and other post-employment benefits for an amount of EUR 350 million. This amount, together with the related impacts on other employee benefit accruals (EUR 5 million) is disclosed as non-recurring expenses in the income statement (see note 29).

Any subsequent re-measurement of the liability for termination benefits and additional compensations is recognized immediately in the income statement.

The funded status of the plans for termination benefits and additional compensations is as follows:

(in EUR million - as of 31 December)	2004	2005	2006
Defined Benefit Obligation	580	810	687
Plan assets at fair value	0	0	0
Benefit obligation in excess of plan assets	**580**	**810**	**687**

The components of the expense recognized in the income statement are as follows:

(in EUR million - year ended 31 December)	2004	2005	2006
Interest cost	22	18	28
Actuarial loss recognized	4	8	-2
Expense recognized in the income statement, before curtailment, settlement and special termination benefits	**26**	**25**	**26**
Special termination benefits	41	346	0
Expense recognized in the income statement	**67**	**372**	**26**

The movement in the net liability recognized in the balance sheet is as follows:

(in EUR million - as of 31 December)	2004	2005	2006
At the beginning of the year	665	580	810
Expense for the period	67	372	26
Actual employer contribution	-153	-141	-149
At the end of the year	**580**	**810**	**687**

Change in plan assets:

(in EUR million - as of 31 December)	2004	2005	2006
At the beginning of the year	6	0	0
Actual employer contribution	153	141	149
Distributions to beneficiaries	-158	-141	-149
At the end of the year	**0**	**0**	**0**

Change in the defined benefit obligation:

(in EUR million - as of 31 December)	2004	2005	2006
At the beginning of the year	671	580	810
Interest cost	22	18	28
Actuarial loss recognized	4	8	-2
Special termination benefits	41	346	0
Distributions to beneficiaries	-158	-141	-149
At the end of the year	**580**	**810**	**687**

The liability for termination benefits and additional compensations was determined using the following assumptions:

(in % - as of 31 December)	2004	2005	2006
Discount rate	2.69 - 3.70	3.8 - 4.50	3.8 - 4.50
Future price inflation	1.33 - 1.40	1.8 - 2.00	1.8 - 2.00

Sensitivity analysis

An increase or decrease of 0.5% in the effective discount rate involves a fluctuation of the liability by approximately EUR 11 million.

The Group expects to pay an amount of EUR 120 million for termination benefits and additional compensations in 2007.

Note 10.2. Defined benefit plans for complementary pensions

Belgacom SA and some subsidiaries have a joint complementary defined benefit pension plan for their employees. This plan provides pension benefits for services as of 1 January 1997. The related separately administrated pension fund was created in 1998.

Belgacom Mobile, a subsidiary of Belgacom, has a complementary defined benefit pension plan for its employees. The related separately administered fund was created in 2001.

Telindus BV, a subsidiary of Telindus Group established in the Netherlands, has also a complementary defined benefit pension plan for its employees financed through an insurance company.

The funded status of the pension plans is as follows:

(in EUR million - as of 31 December)	2004	2005	2006
Defined Benefit Obligation	82	101	128
Plan assets at fair value	-67	-92	-132
Deficit/(surplus)	**15**	**9**	**-4**
Unrecognized actuarial gain/(loss)	-12	-2	4
Deficit/(surplus) after unrecognized actuarial gain/(loss) composed of:	**3**	**7**	**0**
Net liability recognized in the balance sheet	8	13	5
Net assets recognized in the balance sheet	-5	-5	-5

The history of the experience adjustments is as follows:

(in EUR million - as of 31 December)	2004	2005	2006
Defined Benefit Obligation	82	101	128
Plan assets at fair value	-67	-92	-132
Deficit/(surplus)	**15**	**9**	**-4**
Experience adjustment on plan liabilities: gain/(loss)	-1	2	5
Experience adjustments on plan assets: gain	0	7	1

The components of the expense recognized in the income statement are as follows:

(in EUR million - year ended 31 December)	2004	2005	2006
Current service cost - employer	17	17	22
Interest cost	4	5	6
Expected return on plan assets	-5	-6	-8
Past service cost recognized	1	0	0
Expense recognized in the income statement	**17**	**16**	**19**

The movement in the net liability/(assets) recognized in the balance sheet is as follows:

(in EUR million - as of 31 December)	2004	2005	2006
At the beginning of the year	-4	3	7
Expense for the period	17	16	19
Acquisition of subsidiary	0	0	2
Actual employer contribution	-11	-12	-29
Deficit/(surplus) after unrecognized actuarial gain/(loss) composed of:	**3**	**7**	**0**
Net liability at the end of the year	8	13	5
Net assets at the end of the year	-5	-5	-5

Change in plan assets:

(in EUR million - as of 31 December)	2004	2005	2006
At the beginning of the year	53	67	92
Expected return on plan assets	5	6	8
Actuarial gains on plan assets	0	7	1
Actual employer contribution	11	12	29
Acquisition of subsidiary	0	0	4
Benefits payments and expenses	-1	-1	-2
At the end of the year	**67**	**92**	**132**

Change in the defined benefit obligation:

(in EUR million - as of 31 December)	2004	2005	2006
At the beginning of the year	61	82	101
Service cost	17	17	22
Interest cost	4	5	6
Plan amendments	1	0	0
Acquisition of subsidiary	0	0	6
Benefits payments and expenses	-1	-1	-2
Actuarial loss/(gain)	1	-2	-5
At the end of the year	**82**	**101**	**128**

The pension liability was determined using the following assumptions:

(in % - as of 31 December)	2004	2005	2006
Discount rate	6.10	5.50	4.25 - 5.50
Expected rate of return on plan assets	8.00	7.70	4.25 - 7.70
Future price inflation	2.30	2.00	2.00
Nominal future salary increase	4.80 - 5.30	4.50 - 4.75	4.00 - 4.75
Nominal future baremic salary increase	4.25	3.95	3.95

The expected return on plan assets is an assumption based on market data, historical returns of other Belgian pension plans and future long term expectations. It takes into account the asset allocation of the respective pension plans that may evolve over the time depending on achieved and future expected returns.

The assets of the pension plans are detailed as follows:

(in % - as of 31 December)	2004	2005	2006
Equities	61	60	55
Bonds	39	40	43
Insurance deposits (for the plan of Telindus BV)	-	-	3

The actual return on plan assets is as follows:

(in % - as of 31 December)	2004	2005	2006
Actual return on plan assets	5	13	9

The Group expects to contribute an amount of EUR 20 million to these pension plans in 2007.

Note 10.3. Post-employment benefits other than pensions

Historically, the Group grants to its retirees post-employment benefits other than pensions in the form of train ticket discounts, hospitalization insurance, reimbursement of medical expenses and a socio-cultural aid premium. All post-employment benefits other than pensions are directly paid by the Group to the retirees and therefore no plan assets are accumulated for such benefits. In 2005, the employer cost assumptions in respect of hospitalization insurance premiums have significantly increased, which resulted in additional unrecognized actuarial losses for an amount of EUR 45 million.

The funded status of the plans is as follows:

(in EUR million - as of 31 December)	2004	2005	2006
Defined Benefit Obligation	161	222	226
Plan assets at fair value	0	0	0
Benefit obligation in excess of plan assets	161	222	226
Unrecognized actuarial loss	-3	-54	-52
Unrecognized past service cost	-3	-3	-3
Net liability recognized in the balance sheet	**155**	**165**	**172**

The history of the experience adjustments is as follows:

(in EUR million - as of 31 December)	2004	2005	2006
Defined Benefit Obligation	161	222	226
Plan assets at fair value	0	0	0
Benefit obligation in excess of plan assets	**161**	**222**	**226**
Experience adjustment on plan liabilities: gain/(loss)	1	-50	-1

The components of the expense recognized in the income statement are as follows:

(in EUR million - year ended 31 December)	2004	2005	2006
Current service cost - employer	2	2	2
Interest cost	9	10	12
Actuarial gain recognized	0	0	2
Expense recognized in the income statement, before curtailment, settlement and special termination benefits	**11**	**11**	**17**
Special termination benefits	0	7	0
Expense recognized in the income statement	**11**	**19**	**17**

The movement in the net liability recognized in the balance sheet is as follows:

(in EUR million - as of 31 December)	2004	2005	2006
At the beginning of the year	153	155	165
Expense for the period	11	19	17
Actual employer contribution	-9	-8	-10
At the end of the year	**155**	**165**	**172**

Change in plan assets:

(in EUR million - as of 31 December)	2004	2005	2006
At the beginning of the year	0	0	0
Actual employer contribution	-9	-8	-10
Distributions to beneficiaries	9	8	10
At the end of the year	**0**	**0**	**0**

Change in the defined benefit obligation:

(in EUR million - as of 31 December)	2004	2005	2006
At the beginning of the year	160	161	222
Service cost	2	2	2
Interest cost	9	10	12
Special termination benefits	0	7	0
Distributions to beneficiaries	-9	-8	-10
Actuarial (gain)/loss	-1	50	1
At the end of the year	**161**	**222**	**226**

The liability for post-employment benefits other than pensions was determined using the following assumptions:

(in % - as of 31 December)	2004	2005	2006
Discount rate	6.10	5.50	5.50
Future cost trend	3.10	3.04	3.04
Future price inflation	2.30	2.00	2.00

The liability for post-employment benefits other than pensions is determined using the Belgian official mortality tables, adjusted for mortality experience of the statutory retirees.

Sensitivity analysis

An increase or decrease of 1% in the medical cost trend would result in an increase of EUR 17 million respectively a decrease of EUR 14 million of the defined benefit obligation, and in an increase or decrease of the expense (service and interest cost) of the year of EUR 1 million.

The Group expects to contribute an amount of EUR 10 million to these plans in 2007.

Note 10.4. Other liabilities

The Group has a legal obligation to pay child allowance benefits to a limited number of statutory retirees and to the BeST, PTS and beneficiaries of the restructuring program of 2005.

Telindus Group has a legal obligation to pay a one-time post-employment benefit in accordance with local law in France and in Italy.

Those amounts are directly paid by the Group and therefore no plan assets are accumulated for such benefits. Any subsequent re-measurement of the liability is recognized immediately in the income statement.

The funded status is as follows:

(in EUR million - as of 31 December)	2004	2005	2006
Defined Benefit Obligation	17	21	22
Plan assets at fair value	0	0	0
Net liability recognized in the balance sheet	**17**	**21**	**22**

The liability was determined using the following assumptions:

(in % - as of 31 December)	2004	2005	2006
Discount rate	5.00	5.00	4.00 - 5.00
Future price inflation	1.80	1.80	1.80 - 2.00

Note 11. Other non-current assets

(in EUR million - as of 31 December)	Note	2004	2005	2006
Derivatives held-for-hedging	21	59	49	16
Other derivatives	21	1	1	1
Put option related to Alert Services Holding	7	13	0	0
Non-current investments		6	7	7
Other financial assets		7	8	12
Total		**86**	**65**	**36**

Note 12. Trade receivables

(in EUR million - as of 31 December)	2004	2005	2006
Gross receivables	984	1,066	1,340
Allowance for doubtful debtors	-140	-119	-133
Total	**844**	**947**	**1,207**

Note 13. Other current assets

(in EUR million - as of 31 December)	2004	2005	2006
VAT receivables	21	14	15
Prepaid expenses and accrued income	25	32	53
Other receivables	6	17	13
Total	**52**	**64**	**81**

Note 14. Investments

(in EUR million - as of 31 December)	2004	2005	2006
Shares	81	86	91
Total	**81**	**86**	**91**

Shares include sicavs and funds invested mainly in money markets instruments, euro-bonds and equity instruments. The shares are classified as available-for-sale and are measured at fair value, being their quoted price.

Note 15. Cash and cash equivalents

(in EUR million - as of 31 December)	2004	2005	2006
Fixed income securities	245	137	154
Short-term deposits	61	18	26
Cash at bank and in hand	18	643	56
Total	**325**	**798**	**236**

The Group invests part of its liquidities in commercial paper or treasury certificates held-to-maturity and carried at amortized cost. Short-term deposits are made for periods varying between one month and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Cash at bank earns interest at floating rates based on daily bank deposit rates.

Note 16. Equity

Note 16.1. Shareholders' equity

At 31 December 2006, the share capital of Belgacom SA amounted to EUR 1 billion (fully paid up), represented by 361,775,135 shares, with no par value and all having the same rights, provided such rights are not suspended or cancelled in the case of treasury shares. The Board of Directors of Belgacom SA is entitled to increase the capital for a maximum amount of EUR 200 million.

Distribution of retained earnings of Belgacom SA, the parent company, is limited by a restricted reserve built up in prior years in accordance with Belgian Company Law up to 10% of Belgacom's issued capital.

Belgacom SA has a statutory obligation to distribute 5% of the parent company income before taxes to its employees. In the accompanying consolidated financial statements, this profit distribution is accounted for as personnel expenses.

On 30 December 2003, Belgacom SA purchased 12,380,950 treasury shares from its shareholder at that time, ADSB Telecommunications BV, for an amount of EUR 325 million or EUR 26.25 per share. In accordance with the Protocol Agreement concluded on 2 October 2003 between Belgacom and its shareholders at that time, the purchase price of that transaction would subsequently be adjusted to the share price in case of the initial public offering. This price adjustment has resulted in March 2004 in the reimbursement to Belgacom of EUR 22 million by ADSB Telecommunications. On 20 March 2004, the own shares acquired in December 2003 (EUR 303 million) were cancelled.

Under the Protocol Agreement concluded on 2 October 2003, a second purchase of treasury shares from the shareholder at that time, ADSB Telecommunications BV, was carried out on 20 March 2004 for a total number of shares of 38,761,905 and for a total amount of EUR 950 million.

In March 2004, Belgacom sold treasury shares for an amount of EUR 45 million to its employees, under a discounted share purchase plan (see note 39).

On 19 March 2004, Belgacom launched an Employee Stock Option plan whereby 1,128,500 share options were granted to the key management and senior management of the Group (see note 39).

On 14 September 2004, Belgacom cancelled 25,843,915 treasury shares acquired in March 2004 (EUR 633 million) in execution of a decision of the Board of Directors taken on 26 August 2004.

On 24 February 2005, the Board of Directors decided to conduct a share buy-back for a maximum amount of EUR 300 million and for a share purchase price that must not be more than 5% above the highest and 10% below the lowest closing price in the thirty-day trading period preceding the transaction. The program was launched in May 2005 and completed on 17 August 2005. In total Belgacom bought 10,613,234 shares on the stock exchange at an average price per share of EUR 28.27.

On 25 August 2006, the Board of Directors decided to conduct a share buy-back for a maximum amount of EUR 200 million that started on 28 August 2006 and was completed on 11 October 2006. In total

6,782,656 shares were bought back for a total amount of EUR 200 million at an average price per share of EUR 29.49.

The voting and dividend rights in respect of treasury shares acquired in 2003 and 2004 are suspended while the voting and dividend rights in respect of treasury shares acquired in 2005 and 2006 are cancelled. Dividends allocated to treasury shares for which the dividend rights are suspended are accounted for under the caption “Reserves not available for distribution” in the statutory financial statements of Belgacom SA.

In 2005 and 2006, Belgacom sold 139,198 respectively 138,549 treasury shares to its senior management for EUR 3 million respectively EUR 4 million under discounted share purchase plans at a discount of 16.67% (see note 39).

During the years 2005 and 2006, Belgacom employees exercised 169,435 respectively 211,015 share options. In order to honour its obligation in respect of this exercise, Belgacom used treasury shares (see note 39).

In 2005, Belgacom granted 538,541 share options to its key management and senior management with an exercise price of EUR 29.92. In 2006, Belgacom granted 608,928 share options to its key management and senior management with an exercise price of EUR 25.94 (see note 39).

Number of shares:

	2004[1]	2005	2006
As of 1 January	**400,000,000**	**361,775,135**	**361,775,135**
Cancellation	-38,224,865	0	0
As of 31 December	**361,775,135**	**361,775,135**	**361,775,135**

(1) Number restated to take into account the share split, from one to ten shares, that occurred on 19 February 2004.

Number of treasury shares:

	2004	2005	2006
As of 1 January	**12,380,950**	**11,075,964**	**21,380,565**
Acquisition	38,761,905	10,613,234	6,782,656
Sale under a discounted share purchase plan	-1,842,026	-139,198	-138,549
Exercice of stock option	0	-169,435	-211,015
Cancellation	-38,224,865	0	0
As of 31 December	**11,075,964**	**21,380,565**	**27,813,657**

Note 16.2. Minority interests

Until October 2006, minority interests included primarily the 25% stake of the minority shareholder Vodafone BV in the equity, net income and dividend payments of Belgacom Mobile SA. As agreed on 24 August 2006 between Belgacom and Vodafone, Belgacom acquired the remaining 25% shares of Belgacom Mobile in early November 2006 following the approval by the Belgian competition authorities end October 2006 (see note 3).

Note 17. Interest-bearing liabilities

Note 17.1. Non-current interest-bearing liabilities

(in EUR million - as of 31 December)	Note	2004	2005	2006
Unsubordinated debentures		273	263	1,871
Credit institutions		0	0	24
Other derivatives	21	30	33	21
Total		**303**	**296**	**1,917**

In November 2006, the Group issued three non-current unsubordinated debentures for a total nominal amount of EUR 1,650 million, to finance the acquisition of Vodafone’s minority stake in Belgacom Mobile SA. These debentures are measured at amortized costs and have a carrying amount of EUR 1,639 million at 31 December 2006.

Non-current interest-bearing liabilities, by year of maturity, are summarized as follows (state of borrowings at 31 December 2006):

(in EUR million)	Nominal interest rate (1)	As of 31 December 2004	2005	2006	Maturity date(2) 2008	2009	2010-26
Unsubordinated debentures							
• Floating rate borrowings							
EUR	3.73%	0	0	300	0	300	0
• Fixed rate borrowings							
JPY	4.63% to 4.74%(3)	217	217	217	-	-	217
EUR	4.125% to 4.375%	0	0	1,350	-	-	1,350
Credit institutions							
• Fixed rate borrowings							
EUR	3.78%	0	0	24	-	-	24
Total		**217**	**217**	**1,891**	**0**	**300**	**1,591**
Fair value remeasurement - loans hedged		56	46	14			
Fair value remeasurement - derivatives		30	33	21			
Unsubordinated debentures - measurement at amortized cost		0	0	-10			
Total		**303**	**296**	**1,917**			

(1) Interest rate for the year 2006 (for floating rate borrowings, average interest rate).
(2) State of non-current interest-bearing liabilities per maturity date at 31 December 2006.
(3) Has been converted by means of an interest rate and currency swap into a EUR loan with floating rate.

All long term debt is unsecured.

The state of long-term borrowings at 31 December 2006 before any derivatives is as follows:

3.73% unsubordinated debentures in EUR:
These are bonds issued by Belgacom SA at floating rate (Euribor 3m+13bps) for which interests are payable quarterly, and the capital is repayable in full on the maturity date.

4.63% to 4.74 % unsubordinated debentures in JPY:
These are bonds issued by Belgacom SA for which interests are payable annually, and the capital is repayable in full on the maturity date.

4.125% to 4.375% unsubordinated debentures in EUR:
These are bonds issued by Belgacom SA for which interests are payable annually, and the capital is repayable in full on the maturity date.

3.78% credit institutions in EUR:
This is a long term bank loan issued by Telindus NV for which interests are payable semi-annually and the capital is amortized semi-annually.

The interest rates on the long term debts after effect of derivatives on long term debts hedged, and after effect of measurement at amortized costs on long term debts not hedged, are presented in note 22.

Note 17.2. Current interest-bearing liabilities

(in EUR million - as of 31 December)	Note	2004	2005	2006
Unsubordinated debentures - current portion		56	0	0
Credit institutions - current portion		0	0	5
Derivatives held-for-hedging - current portion	20	3	0	0
Other derivatives	20	1	0	0
Other current financial debt		1	111	66
Total		**62**	**111**	**71**
Fair value remeasurement - loans hedged		-3	0	0
Total		**58**	**111**	**71**

Bank credit facilities at 31 December 2006
In addition to the interest-bearing liabilities disclosed in notes 17.1 and 17.2, the Group is backed by long term credit facilities of EUR 586 million and short term credit facilities of EUR 518 million. These facilities are provided by a diversified group of banks. At 31 December 2006, there is no outstanding balance under the long term facilities and there is an outstanding balance of EUR 43 million under the short term facilities, with an average remaining maturity of less than one month.

The Group has also established a USD 2.5 billion Euro Medium Term Note ("EMTN") Program and a EUR 1 billion Commercial Paper ("CP") Program. At 31 December 2006, there is an outstanding balance under the EMTN Program of EUR 1,650 million, corresponding to the unsubordinated debentures newly issued in 2006 to finance the acquisition of the Vodafone's stake in Belgacom Mobile SA, with an average remaining maturity of 7 years. At 31 December 2006, there is no outstanding balance under the CP Program.

Note 18. Provisions

(in EUR million)	Worker's accidents	Litigation	Illness days	Other risks	Total
As of 1 January 2004	**49**	**71**	**38**	**51**	**210**
Additions	3	33	11	6	53
Utilisations	-3	-9	-11	-6	-28
Withdrawals	-1	-35	0	-8	-44
As of 31 December 2004	**49**	**59**	**39**	**43**	**191**
Additions	2	16	11	12	42
Utilisations	-3	-4	-11	-5	-23
Withdrawals	0	-3	-6	-6	-16
As of 31 December 2005	**48**	**68**	**32**	**45**	**193**
Additions	2	27	11	9	49
Utilisations	-3	-5	-10	-5	-24
Withdrawals	0	-8	0	-2	-11
As of 31 December 2006	**47**	**82**	**32**	**46**	**208**

The provision for workers' accidents relates to compensation that Belgacom SA could pay to members of personnel injured (including professional illness) when performing their job and on their way to work. Until 31 December 2002, according to the law of 1967 (public sector) on labor accidents, compensation was funded and paid directly by Belgacom. This provision (annuities part) is based on actuarial data including mortality tables, compensation ratios, interest rates and other factors defined by the law of 1967 and calculated with the support of a professional insurer. Taking into account the mortality table, it is expected that most of these costs will be paid out until 31 December 2053.

As from 1 January 2003, contractual employees are subject to the law of 1971 (private sector) and statutory employees remain subject to the law of 1967 (public sector). For both the contractual and statutory employees, Belgacom is covered as from 1 January 2003 by insurance policies for workers' accidents and therefore will not pay directly members of personnel.

The provision for litigation represents management's best estimate for probable losses due to pending litigation where the Group has been sued by a third party or is subject to a judicial or tax dispute. The expected timing of the related cash outflows depends on the progress and duration of the underlying judicial procedures.

The provision for illness days represents management's best estimate of probable charges related to the granting by Belgacom of accumulating non-vesting illness days to its statutory employees. The provision has been determined based on statistical data.

The provision for other risks primarily includes the provision for the incurred risks from the re-insurance company, the expected costs for dismantling and restoration of mobile antenna sites and buildings, environmental risks and sundry risks. It is expected that most of these costs will be paid during the period 2006-2018. The provision for restoration costs is estimated at current prices and discounted using a discount rate that varies between 2.62% and 5.52%, depending when the expenditures are expected to be required to settle the obligation.

Note 19. Other non-current payables

(in EUR million - as of 31 December)	2004	2005	2006
Other amounts payable	2	1	4
Total	**2**	**1**	**4**

Note 20. Other current payables

(in EUR million - as of 31 December)	2004	2005	2006
VAT payables	7	8	40
Payables to employees	87	77	93
Accrual for holiday pay	60	63	78
Accrual for social security contributions	33	35	48
Taxes withheld on remuneration	20	19	18
Deferred income	144	128	169
Accrued expenses	24	11	22
Other amounts payable	6	5	34
Total	**381**	**347**	**502**

Note 21. Derivatives

(in EUR million - as of 31 December)	Note	2004	2005	2006
Non-current assets				
Derivatives held-for-hedging	11	59	49	16
Other derivatives	11	1	1	1
Total		**59**	**50**	**17**
Non-current liabilities				
Other derivatives - interest-bearing liabilities	17	30	33	21
Current liabilities				
Derivatives held-for-hedging - interest-bearing liabilities	17	3	0	0
Other derivatives - interest-bearing liabilities	17	1	0	0
Total		**35**	**33**	**21**

The Group makes use of derivatives such as interest rate swaps (IRS), interest rate and currency swaps (IRCS), forward foreign exchange contracts and currency options.

Belgacom owns mainly derivatives for hedge purposes. Hedges are fair value hedges, with re-measurement to fair value of both hedged items and hedging derivatives recorded in the income statement. Belgacom does not hold or issue derivatives for trading purposes but, when the relationship between hedging instrument and hedged item does not meet criteria for hedge accounting set by IAS 39, derivatives are accounted for as held-for-trading with re-measurement to fair value recorded into the income statement.

The table below shows the positive and negative fair value of derivatives, included in the balance sheet respectively as current/non-current assets or liabilities, together with the notional amounts presented by the term of maturity.

	Fair value		Notional amount				
(in EUR million - as of 31 December 2004)	Positive	Negative	Within 2 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate and currency swaps	59	-3		25		217	242
Derivatives held as fair value hedges	**59**	**-3**	**0**	**25**	**0**	**217**	**242**
Interest rate swaps	0	-31	-	86	-	144	230
Equity options	1	-	-	-	-	1	1
Derivatives not qualifying as hedges	**1**	**-31**	**0**	**86**	**0**	**145**	**231**
Total	**59**	**-35**	**0**	**112**	**0**	**362**	**473**

	Fair value		Notional amount				
(in EUR million - as of 31 December 2005)	Positive	Negative	Within 2 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate and currency swaps	49	-	-	-	-	217	217
Derivatives held as fair value hedges	**49**	**0**	**0**	**0**	**0**	**217**	**217**
Interest rate swaps	-	-33	-	-	-	144	144
Forward foreign exchange contracts	0	-	12	-	-	-	12
Equity options	1	-	-	-	-	1	1
Derivatives not qualifying as hedges	**1**	**-33**	**12**	**0**	**0**	**145**	**157**
Total	**50**	**-33**	**12**	**0**	**0**	**362**	**374**

	Fair value		Notional amount				
(in EUR million - as of 31 December 2006)	Positive	Negative	Within 2 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate and currency swaps	16	-	-	-	-	217	217
Derivatives held as fair value hedges	**16**	**0**	**0**	**0**	**0**	**217**	**217**
Interest rate swaps	-	-21	-	-	-	144	144
Forward foreign exchange contracts	0	0	36	-	-	-	36
Equity options	1	-	-	-	-	1	1
Derivatives not qualifying as hedges	**1**	**-21**	**36**	**0**	**0**	**145**	**181**
Total	**17**	**-21**	**36**	**0**	**0**	**362**	**398**

Note 22. Financial risk management objectives and policies

The Group is exposed to market risks, including interest rates and foreign currency exchange rates risks, associated with underlying assets, liabilities and anticipated transactions. Based on the analysis of these exposures, Belgacom selectively enters into derivatives to manage the related risk exposures.

Belgacom has established internal guidelines such that it will not reach a level of gearing that would cause its ratings to fall below certain levels.

Interest rate risk

The Group manages its exposure to changes in interest rates and its overall cost of financing by using mainly interest rate swaps (IRS), interest rate and currency swaps (IRCS) and forward rate agreements. The main interest rate instruments used are IRS and IRCS. They are used to transform the interest rate exposure on the underlying assets or liabilities from a fixed interest rate to a floating interest rate or vice versa.

Foreign currency risk

The Group's currency exposure relates to foreign currencies in which debts have to be paid and to operational activities in foreign currencies that are not "naturally" hedged. In order to hedge the currency exposure, the Group uses derivatives such as interest rate and currency swaps (IRCS), currency options and forward foreign exchange contracts.

Credit risk and significant concentrations of credit risk

Concentration of credit risk relating to local accounts receivable is limited due to the large number of customers. For accounts receivables from foreign telecommunication companies, the concentration of credit risk is also limited due to the netting agreements with accounts payable to these companies, prepayment obligations, bank guarantees and credit limits of credit insurers.

Credit risk arising from the inability of a counterpart to meet the terms of the Group's financial instruments is generally limited to the amount, if any, by which the counterpart's obligations exceed the obligations of the Group.

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterpart fail to perform their obligations in relation to each class of recognized financial assets, including derivatives, is the carrying amount of those assets in the balance sheet.

The Group is exposed to credit loss in the event of non-performance by a counterpart on derivatives, but does not anticipate non-performance by any of these counterparts, given their very good credit rating. The amount of such exposure equals the market value of such contracts. The Group generally does not require collateral or other security from the counterpart as these are highly rated financial institutions.

The tables below summarize the borrowings' portfolio, the interest rate and currency swap agreements (IRCS), the interest rate swap agreements (IRS) and the net currency obligations of the Group at 31 December 2004, 2005 and 2006.

	Direct borrowing			IRCS agreements			IRS agreements			Net currency obligations		
(as of 31 December 2004)	Notional amount (in EUR million)	Weighted average interest rate(1) (in %)	Average time to maturity (in years)	Amount payable (receivable) (in EUR million)	Weighted average interest rate (in %)	Average time to maturity (in years)	Amount payable (receivable) (in EUR million)	Weighted average interest rate (in %)	Average time to maturity (in years)	Amount payable (receivable) (in EUR million)	Weighted average interest rate (in %)	Average time to maturity (in years)
EUR												
• Fixed	-	-	-	-	-	-	200	5.34	8.0	200	5.34	8.0
• Variable	31	2.65	0.9	242	2.13	13.1	(200)	2.26	7.1	73	2.22	21.8
JPY												
• Fixed	242	4.58	13.1	(242)	4.58	13.1	-	-	-	0	-	-
• Variable	-	-	-	-	-	-	-	-	-	-	-	-
Total	**273**	**4.37**	**11.7**	**0**	**-**	**-**	**0**	**-**	**-**	**273**	**4.81**	**11.7**

	Direct borrowing			IRCS agreements			IRS agreements			Net currency obligations		
(as of 31 December 2005)	Notional amount (in EUR million)	Weighted average interest rate(1) (in %)	Average time to maturity (in years)	Amount payable (receivable) (in EUR million)	Weighted average interest rate (in %)	Average time to maturity (in years)	Amount payable (receivable) (in EUR million)	Weighted average interest rate (in %)	Average time to maturity (in years)	Amount payable (receivable) (in EUR million)	Weighted average interest rate (in %)	Average time to maturity (in years)
EUR												
• Fixed	-	-	-	-	-	-	144	6.20	9.9	144	6.20	9.9
• Variable	-	-	-	217	2.08	13.6	(144)	2.22	9.9	73	2.14	20.9
JPY												
• Fixed	217	4.62	13.6	(217)	4.62	13.6	-	-	-	0	-	-
• Variable	-	-	-	-	-	-	-	-	-	-	-	-
Total	**217**	**4.62**	**13.6**	**0**	**-**	**-**	**0**	**-**	**-**	**217**	**4.72**	**13.6**

	Direct borrowing			IRCS agreements			IRS agreements			Net currency obligations		
(as of 31 December 2006)	Notional amount (in EUR million)	Weighted average interest rate(1) (in %)	Average time to maturity (in years)	Amount payable (receivable) (in EUR million)	Weighted average interest rate (in %)	Average time to maturity (in years)	Amount payable (receivable) (in EUR million)	Weighted average interest rate (in %)	Average time to maturity (in years)	Amount payable (receivable) (in EUR million)	Weighted average interest rate (in %)	Average time to maturity (in years)
EUR												
• Fixed	1,379	4.37	7.7	-	-	-	144	6.20	8.9	1,523	4.54	7.8
• Variable	300	3.76	2.9	217	2.83	12.6	(144)	2.96	8.9	373	3.53	6.2
JPY												
• Fixed	217	4.26	12.6	(217)	4.26	12.6	-	-	-	0	-	-
• Variable	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1,896**	**4.26**	**7.5**	**0**	**-**	**-**	**0**	**-**	**-**	**1,896**	**4.34**	**7.5**

(1) Weighted average interest rate taking into account amortization of transactions costs and issue premiums (if any) for borrowings measured at amortized costs and taking into account last recent exchange rates for borrowings where interests can be paid in various foreign currencies.

The table below summarizes the interest rate swap agreements (IRS) of the Group at 31 December 2004, 2005 and 2006.

(as of 31 December)	2004	2005 Notional amount (in EUR million)	2006	2006 Weighted average payable interest rate (in %)	2006 Average time to maturity (in years)
Fixed rate to fixed rate	0	0	0	-	-
Fixed rate to variable rate	0	0	0	-	-
Variable rate to variable rate	31	0	0	-	-
Variable rate to fixed rate	200	144	144	6.20	8.9
Total	**230**	**144**	**144**	**-**	**-**

Note 23. Net revenue

(in EUR million - year ended 31 December)	2004	2005	2006
Sales of goods	230	218	597
Rendering of services	5,185	5,166	5,425
Total	**5,415**	**5,384**	**6,022**

Note 24. Other operating revenue

(in EUR million - year ended 31 December)	2004	2005	2006
Income from directory business	28	0	0
Gain on disposal of intangible assets and property, plant and equipment	37	13	17
Gain on disposal of consolidated companies	0	10	0
Other income	61	50	61
Total	**125**	**74**	**78**

Note 25. Non-recurring revenue

(in EUR million - year ended 31 December)	2004	2005	2006
Gain on sale of Belgacom Directory Services	-	238	-
Total	**0**	**238**	**0**

Gains on the disposal of subsidiaries and joint-ventures are reported as non-recurring revenue when they individually exceed EUR 5 million.

In January 2005, the Group sold 100% of the shares of Belgacom Directory Services SA to Promedia Comm.V. resulting in the recognition of a gain of EUR 238 million (see note 6.3).

Note 26. Costs of materials and charges to revenue

(in EUR million - year ended 31 December)	2004	2005	2006
Purchases of materials	151	147	459
Purchases of services	1,310	1,408	1,546
Total	**1,461**	**1,555**	**2,005**

Purchases of materials are shown net of work performed by the enterprise that is capitalized for an amount of EUR 12 million in 2004, EUR 12 million in 2005 and EUR 48 million in 2006.

Note 27. Personnel expenses and pensions

(in EUR million - year ended 31 December)	2004	2005	2006
Salaries and wages	746	717	832
Social security expenses	163	163	194
Pension costs	17	16	19
Post-employment benefits other than pensions and termination benefits	39	40	31
Other personnel expenses	27	21	29
Total	**993**	**957**	**1,106**

Salaries and wages and social security expenses are shown net of work performed by the enterprise that is capitalized for an amount of EUR 36 million in 2004, EUR 37 million in 2005 and EUR 45 million in 2006.

Note 28. Other operating expenses

(in EUR million - year ended 31 December)	2004	2005	2006
Rent expense	87	85	107
Maintenance and utilities	167	164	171
Advertising and public relations	110	127	135
Consultancy	118	150	172
Administration and training	66	61	55
Telecommunications, postage costs and office equipment	30	34	37
Outsourcing	36	38	55
Allowances on trade debtors	19	6	16
Impairment on intangible assets and property, plant and equipment	20	5	16
Taxes other than income taxes	49	38	56
Other operating charges(1)	-9	24	21
Total	**693**	**731**	**841**

(1) Including unrealized and realized net exchange losses amounting to EUR 2 million in 2004; and unrealized and realized net exchange gains amounting to EUR 1 million in 2005 and to EUR 4 million in 2006. This line item also includes a net decrease of provisions of EUR 30 million in 2004.

Other operating expenses are shown net of work performed by the enterprise that is capitalized for an amount of EUR 96 million in 2004, EUR 106 million in 2005 and EUR 112 million in 2006.

Note 29. Non-recurring expenses

(in EUR million - year ended 31 December)	2004	2005	2006
Termination benefits and additional compensation	41	355	-
Total	**41**	**355**	**-**

Losses on the disposal of subsidiaries and joint-ventures that individually exceed EUR 5 million and costs of restructuring programs are recorded as non-recurring expenses.

The Group recorded in 2004 termination benefits and additional compensation benefits for temporary leaves for an amount of EUR 41 million in respect of the external mobility offer for the e-ID cards and emergency call centre projects of the Ministry of Internal Affairs (see note 10.1).

The Group recorded in 2005 termination benefits, additional compensation benefits and other post-employment benefits in respect of the collective labor agreement concluded between Belgacom and the Unions in November 2005 for an amount of EUR 355 million (see note 10.1).

Note 30. Depreciation and amortization

(in EUR million - year ended 31 December)	2004	2005	2006
Amortization of goodwill	8	-	-
Amortization of licenses and other intangible assets	139	153	220
Depreciation of property, plant and equipment	595	573	582
Total	**742**	**726**	**802**

Note 31. Net finance income/(costs)

(in EUR million - year ended 31 December)	Note	2004	2005	2006
Finance income				
Dividends received from other participating interests		15	0	0
Gain on disposal of other participating interests and enterprises accounted for using the equity method	7-8	1	63	122
Interest income		21	27	21
Fair value measurement of put option on Alert Services Holding		1	0	0
Fair value adjustments		-	-	10
Finance costs				
Interests and charges on debts		-34	-22	-35
Discounting charges on provisions		-1	-1	-1
Discounting charges on termination benefits		-	-	-13
Impairment losses on other participating interests	8	-20	0	0
Fair value adjustments of financial instruments		-9	-2	-
Total		**-27**	**64**	**104**

In 2004, the Group obtained a dividend of EUR 15 million from its investments in satellites.

In 2005, Belgacom disposed of its interests in certain satellite companies resulting in a gain of EUR 52 million (see note 8) and its minority interests in Alert Services Holding resulting in a gain of EUR 11 million (see note 7).

In 2006, Belgacom disposed of its interest in Neuf Cégétel resulting in a gain of EUR 118 million (see note 8).

Note 32. Earnings per share

Basic earnings per share are calculated by dividing the net income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net income for the year attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the year, both adjusted for the effects of dilutive potential ordinary shares.

The following table reflects the income and share data used in the computation of basic and diluted earnings per share.

(year ended 31 December)	2004	2005	2006
Net income attributable to ordinary shareholders (in EUR million)	922	959	973
Adjustments for dilutive potential ordinary shares (in EUR million)	0	0	0
Adjusted net income for calculating diluted earnings per share (in EUR million)	922	959	973
Weighted average number of ordinary shares	358,612,854	345,406,186	338,621,113
Adjustment for share options	86,076	166,072	153,096
Weighted average number of ordinary shares for diluted earnings per share	358,698,931	345,572,258	338,774,209
Basic earnings per share (in EUR)	2.57	2.78	2.87
Diluted earnings per share (in EUR)	2.57	2.77	2.87

On 19 February 2004, the shareholders have decided to split each existing ordinary share into ten new shares.

The 538,541 stock options granted in 2005 are anti-dilutive for the periods presented and hence not included in the calculation of diluted earnings per shares, while the options granted in 2004 and 2006 are dilutive.

Note 33. Dividends paid and proposed

(year ended 31 December)	2004	2005	2006
Dividends on ordinary shares: Dividends proposed to the shareholders' meeting (in EUR million)	500	534	552
Number of shares with dividend rights	361,775,135	351,161,901	344,713,982
Dividend per share (in EUR)	**1.38**	**1.52**	**1.60**
Special dividend proposed to the shareholders' meeting (in EUR million)	200	-	-
Special dividend per share (in EUR)	**0.55**	**-**	**-**
Interim dividend paid to the shareholders (in EUR)	-	-	100
Interim dividend per share (in EUR)	**-**	**-**	**0.29**

The proposed dividends for 2004 and 2005 have been effectively paid in April 2005 and April 2006 respectively. The interim dividend of 2006 has been paid in December 2006.

Note 34. Related party disclosures

Note 34.1. Consolidated companies

Subsidiaries and joint-ventures are listed in note 6.

Enterprises accounted for under the equity method are listed in note 7.

Commercial terms and market prices apply for the supply of goods and services between Group companies.

Joint-ventures

Belgacom International Carrier Services SA and subsidiaries

Effective 1 July 2005, the Group holds a joint venture interest of 72% in Belgacom International Carrier Services SA and subsidiaries (hereafter "BICS"); the remaining 28% shares being held by Swisscom Fixnet AG (see note 6.3). BICS is involved in international carrier activities towards Belgacom SA and subsidiaries, Swisscom Fixnet AG and subsidiaries and other telecom operators.

For the period from 1 July 2005 until 31 December 2005, sales and purchases from BICS to the Group amounted to EUR 27 million and EUR 22 million respectively. At 31 December 2005, BICS had trade receivables of EUR 4 million, trade payables of EUR 5 million and short-term loans of EUR 11 million towards the Group.

For the year 2006, sales and purchases from BICS to the Group amounted to EUR 21 million and EUR 16 million respectively. At 31 December 2006, BICS had trade receivables of EUR 4 million, trade payables of EUR 3 million and short-term deposits of EUR 21 million towards the Group.

Enterprises accounted for under the equity method

Alert Services Holding and subsidiaries

Until January 2005, the Group held a 28% stake in Alert Services Holding and subsidiaries but the Group had no significant transactions with this minority participation during 2003 and 2004. In January 2005, the Group sold its 28% stake to Securitas Direct International (see note 7).

Tritone

The Group holds a majority stake in Tritone Telecom BV whose operating activities ceased in July 2002. Belgacom granted loans until end 2002 to finance the unwinding of the operations of Tritone. Loans receivable from Tritone, net of the related allowance, are nil at 31 December 2006.

The Group sells no goods or services anymore to Tritone since July 2002. Trade receivables from Tritone, net of the related allowance for doubtful debtors, are nil at 31 December 2006.

Note 34.2. Relationship with shareholders

The Belgian State is the majority shareholder of the Group, with a stake of 50% plus 1 share. The Group holds treasury shares for 7.7%. The remaining 42.3% are traded on the First Market of Euronext Brussels since the March 2004 public offering initiated by the consortium ADSB Telecommunications BV (hereafter "ADSB").

Relationship with the Belgian State

The Group supplies telecommunication services to the Belgian State and various administrations of the Belgian State. All such transactions are made within normal customer/supplier relationships on terms and conditions that are not more favourable than those available to other customers and suppliers. The services provided to those administrations do not represent a significant component of the Group's net revenue..

Commercial relationship with the former shareholder ADSB and the shareholders of ADSB until the Initial Public Offering

The few transactions of the Group with ADSB and ADSB's shareholders (SBC Communications Inc, Singapore Telecommunications Limited and TDC A/S) until March 2004 related to international traffic termination and international network renting, and were carried out at arm's length.

In 2004, until the date of the IPO, the Group sold services to ADSB and ADSB's shareholders companies for EUR 3 million. In the same period, purchases of the Group to ADSB and ADSB's shareholders companies amounted to EUR 1 million.

Other relationship with the former shareholder ADSB

As decided in the Protocol Agreement dated 2 October 2003 between Belgacom and its shareholders at that time, the Group purchased 12,380,950 of its own shares from ADSB on 30 December 2003, for a total price of EUR 325 million. The purchase value has been adjusted downwards by EUR 22 million, at the time of the pricing of the initial public offering, based on the initial offer price per share (see note 16).

In accordance with the same Protocol Agreement, the Group purchased on 20 March 2004 38,761,905 ordinary shares from ADSB at the initial offer price per share for an amount of EUR 950 million.

Relationship with the minority shareholders of Belgacom Mobile

Until early November 2006, Vodafone BV and subsidiaries (hereafter "Vodafone") held a 25% stake in Belgacom Mobile (see note 16.2).

The Group enters into transactions with Vodafone in the framework of its mobile telephony activity (roaming-in revenues and roaming-out costs). Vodafone also charges consultancy fees to Belgacom Mobile. These transactions are done at normal customer/supplier relationships on terms and conditions that are not more favourable than those available to other customers/suppliers.

The Group sold services to Vodafone for EUR 76 million in 2004, EUR 72 million in 2005 and EUR 84 million until end of October 2006, when Vodafone ceased to be a related party to the Group. Vodafone sold services to the Group for EUR 89 million in 2004, EUR 91 million in 2005 and EUR 86 million until end of October 2006.

Accounts receivable from Vodafone, net of the related allowance for doubtful debtors, amounted to EUR 10 million at 31 December 2004 and EUR 35 million at 31 December 2005. Trade payables to Vodafone amounted to EUR 6 million at 31 December 2004 and EUR 27 million at 31 December 2005.

Relationship with the minority shareholders of Belgacom International Carrier Services SA and subsidiaries

Swisscom Fixnet AG (hereafter "Swisscom") holds a 28% stake in BICS since 1 July 2005.

The Group enters into transactions with Swisscom and its subsidiaries in the framework of its international carrier activities. Swisscom is using BICS's network to handle their outgoing international voice and data traffic while BICS is using Swisscom's national network to terminate international voice and data traffic to Switzerland. These transactions are done at normal customer/supplier relationships on terms and conditions that are not more favourable than those available to other customers/suppliers.

During the second half of 2005, the Group sold services to Swisscom for EUR 44 million and Swisscom sold services to the Group for EUR 43 million. In 2006, the Group sold services to Swisscom for EUR(78 million and Swisscom sold services to the Group for EUR 75 million.

Accounts receivable from Swisscom, net of the related allowance for doubtful debtors, amounted to EUR 11 million at 31 December 2005 and EUR 14 million at 31 December 2006. Trade payables to Swisscom amounted to EUR 14 million at 31 December 2005 and EUR 25 million at 31 December 2006.

Note 34.3. Relationship with other State-controlled enterprises

The Group supplies telecommunication services to various State-controlled enterprises. All such transactions are made within normal customer/supplier relationships on terms and conditions that are not more favourable than those available to other customers and suppliers. The services provided to State-controlled enterprises do not represent a significant component of the Group's net revenue.

Note 34.4. Relationship with key management personnel

Prior to the Initial Public Offering of 22 March 2004, by virtue of a decision by the General Meeting of 12 April 1995, the members of the Board of Directors who represented the Belgian State, with the exception of the Chief Executive Officer (CEO), had the right to a directors' fee that amounted to 619.73 EUR per meeting with a maximum of 9,915.74 EUR per year. They also had the right to directors' emoluments for an amount equivalent to that of the directors' fee. The Chairman of the Board of Directors had, in pursuance of that same decision, also the right to a directors' fee and directors' emoluments for an amount that corresponded to the double of the amounts granted to the above mentioned members of the Board of Directors.

Compensation of the directors was revised subsequent to the Initial Public Offering. Since then the calculation of this compensation is as follows: an annual fixed compensation of 50,000 EUR for the Chairman of the Board of Directors and of 25,000 EUR for the other members of the Board of Directors, with the exception of the President and Chief Executive Officer. All members of the Board of Directors, with the exception of the President and Chief Executive Officer, have the right to an attendance fee of 5,000 EUR per attended meeting of the Board of Directors. Attendance fees of 2,500 EUR per meeting are granted to each member of an advising committee to the Board of Directors, with the exception of the President and Chief Executive Officer. For the Chairman these attendance fees are doubled. The total remuneration for the directors amounts to EUR 1,011,000 for 2004, EUR 1,404,375 for 2005 and EUR 1,104,000 for 2006. The directors have not received any loan or advance from the Group.

The number of meetings of the Board of Directors and advising committees are detailed as follows:

	2004	2005	2006
Number of meetings			
Board of Directors	6	9	6
Audit and Compliance Committee	4	4	5
Nomination and Remuneration Committee	13	8	6
Strategic and Business Development Committee	3	6	4

For the year ended 31 December 2004, a total amount of EUR 9,039,714 was paid in aggregate to the members of the "Belgacom Management Committee" (BMC), Chief Executive Officer included. In 2004, the members of the Belgacom Management Committee were B. Cosgrave, A. De Lathauwer, D. Bellens, R. Stewart, Ph. Vander Putten, W. Mosseray, S. Alcott, J.-C. Vandenbosch (1 month) and M. Vermaerke (3 months).

For the year ended 31 December 2005, a total amount of EUR 6,961,434 was paid in aggregate to the members of the "Belgacom Management Committee" (BMC), Chief Executive Officer included. In 2005, the members of the Belgacom Management Committee were B. Cosgrave, A. De Lathauwer, D. Bellens, R. Stewart, W. Mosseray, S. Alcott, Ph. Vander Putten (4 months), and M. Georgis (8 months).

For the year ended 31 December 2006, a total amount of EUR 8,316,554 was paid in aggregate to the members of the "Belgacom Management Committee" (BMC), Chief Executive Officer included. In 2006, the members of the Belgacom Management Committee are B. Cosgrave, A. De Lathauwer, D. Bellens, R. Stewart, W. Mosseray, S. Alcott, M. Georgis and R. Everaert.

These total amounts of key management compensation include the following components:

- short-term employee benefits: annual salary (base and variable) as well as other short-term employee benefits such as medical insurance, private use of management cars, luncheon vouchers, and including social security contributions paid on these benefits.
- post-employment benefits: insurance premiums paid by the Group in the name of members of the BMC. The premiums cover mainly a post-retirement complementary pension plan.
- termination benefits paid out.

(in EUR)	2004	2005	2006
Short-term employee benefits	7,388,615	5,927,742	7,009,718
Post-employment benefits	491,892	1,033,692	1,306,836
Termination benefits	1,159,207	0	0
Total	**9,039,714**	**6,961,434**	**8,316,554**

In addition to these pecuniary advantages, equity compensation benefits have been granted to the BMC members through a discounted share purchase plan in 2004 and employee stock option plans in 2004, 2005 and 2006. In 2004, the BMC members had the opportunity to participate in a discounted share purchase plan whereby they purchased 510,410 shares at a 16.67% discount compared to the issuance price of the initial public offering (24.50 EUR per share). The same year, the BMC members also had the opportunity to participate to an Employee Stock Option Plan whereby they were granted 356,581 share options. In 2005, the BMC members had the opportunity to participate to an Employee Stock Option Plan whereby they were granted 340,389 share options. In 2006, the BMC members had the opportunity to participate to an Employee Stock Option Plan whereby they were granted 138,786 share options.

Note 34.5. Regulations

The telecommunications sector is regulated through the legislation adopted in the Belgian parliament, through a series of Royal and Ministerial Decrees, and also through decisions of the Belgian Institute for Postal services and Telecommunications, commonly referred to as the "BIPT/IBPT". The Belgian licensing regime provides for individual licenses for the provision of public fixed voice telephony services, public network infrastructure services and mobile telecommunications services.

The company is also governed by certain provisions and principles of Belgian public and administrative law whereby Belgacom has obligations such as the delivery of regulated services and public services.

Note 35. Rights, commitments and contingent liabilities

Operating lease commitments

The Group rents sites for its telecom infrastructure and leases buildings, technical and network equipment, as well as furniture and vehicles under operating leases with terms of one year or more. Rental expenses in respect of these operating leases amounted to EUR 124 million in 2004, EUR 124 million in 2005 and EUR 146 million in 2006.

Future minimum rentals payable under the non-cancellable operating leases are as follows at 31 December 2006:

(in EUR million)	Within one year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Buildings	26	38	8	3	76
Sites	11	31	10	0	51
Technical and network equipment	38	33	10	17	98
Furniture	2	2	1	0	4
Vehicles	33	36	1	0	70
Total	**109**	**140**	**30**	**20**	**299**

Claims and legal proceedings

From time to time Belgacom has been, and expects to continue to be, subject to legal, regulatory and tax proceedings and claims arising in the ordinary course of its business. The Group is currently involved in various judicial and regulatory proceedings, including those for which a provision has been made (see note 18) and those described below, in the jurisdictions in which it operates concerning matters arising in connection with the conduct of its business. These include also proceedings before the Belgian Institute for Postal services and Telecommunications ("BIPT"), appeals against decisions taken by the BIPT on the one hand, and proceedings with the Belgian tax administrations with respect to real estate withholding taxes on the other hand.

In September 2002, Codenet, Versatel, Colt and Worldcom filed a complaint with the Belgian Competition Council alleging that Belgacom's "Benefit Excellence Program" constitutes an abuse of an alleged dominant position in the market through pricing and loyalty rebates. The complainants also filed a request for interim relief measures with the President of the Competition Council requesting, among other things, the suspension of the program. Belgacom's "Benefit Excellence Program", which was launched in March 2002, is a voice telephony tariff plan aimed at large corporate users offering specific base rates for national telephony and for fixed-to-mobile calls as well as an additional discount scheme. On 22 December 2004, the President of the Competition Council rejected the complainant's request for interim relief measures because Belgacom had clarified the way the volume discounts are applied, and stated that there was, in his opinion, no serious risk that other licensed operators would disappear because of the 'Benefit Excellence' tariffs (and especially the volume discount). The issue of interim relief measures having been closed successfully for Belgacom, the case on the merits with respect to the alleged infringement is still pending and no calendar for the proceedings has been set. On 7 March 2006, Belgacom received a "statement of objections" from the Corps des Rapporteurs (College of Examiners), which is conducting the ongoing investigation for the "Benefit Excellence" complaint. The statement of objections, to which Belgacom responded on 23 May 2006, considers that various Belgacom pricing plans for business customers involve infringements of the competition rules. These infringements allegedly date back to October 2000, and some of them, in particular the loyalty rebates and the so-called discriminatory pricing conditions, are considered to be still in place to date. The Corps des Rapporteurs heard Belgacom on this matter on 6 June 2006. Once the investigation is completed, the Corps des Rapporteurs will submit a reasoned report to the Belgian Competition Council, which will then have to rule on the objections raised against the Belgacom pricing schemes in question. Belgacom may be subject to an obligation to increase the retail tariffs that are the subject of the claim and if it would ultimately be found to have committed an abuse of dominant position, it may be subject to a maximum fine of up to 10% of the Group's annual turnover. Based on this, Belgacom has provided for a portion of the claim.

In June 2003, BASE filed an action against Belgacom Mobile before the Commercial Court of Brussels. BASE alleges that Belgacom Mobile's termination rates since 1 October 2000 are not in accordance with the official telecommunications regulations requiring cost oriented pricing and that Belgacom Mobile's Proximus-to-Proximus tariffs constitute an abuse of Belgacom Mobile's alleged dominant position in the Belgian market. BASE's provisional estimate of the claim for compensation, based upon BASE's briefs in August 2004, amounts to approximately EUR 700 million in reimbursement and damages, representing the amount of lost revenue that BASE allegedly suffered as a result of these practices, and is subject to increase. On 1 March 2004, Mobistar filed a request to intervene voluntarily in the action brought by BASE against Belgacom Mobile. Mobistar alleges that if the Commercial Court of Brussels were to find that Belgacom Mobile's termination rates were not in accordance with the obligation of cost-oriented pricing, Mobistar should be awarded damages provisionally estimated by Mobistar to range between EUR 967,000 and EUR 56,000,000 depending on the termination rates upheld by the Court. Furthermore, Mobistar alleges that in addition to the Proximus-to-Proximus tariffs, certain tariff schemes offered by Belgacom Mobile to business and corporate customers constitute an abuse of Belgacom Mobile's allegedly dominant position. Mobistar requests the Court to appoint a court expert to calculate the amount of alleged damages and seeks compensation for such damages, provisionally estimated at a minimum of EUR 50,000,000. As with the action filed by BASE, Belgacom Mobile is contesting the claim made by Mobistar. The pleadings in this case are ongoing. Belgacom believes that its mobile termination rates are in line with the rulings of the BIPT. Accordingly, no provision was recorded in the financial statements.

In February 2005, BASE filed an additional action against Belgacom Mobile before the President of the Commercial Court of Brussels. This action is intimately linked with the existing file which opposes Belgacom Mobile against BASE and Mobistar: BASE alleges that Belgacom Mobile's Proximus-to-Proximus tariffs in certain tariff plans constitute an abuse of Belgacom Mobile's alleged dominant position in the Belgian market, these tariffs being lower than for calls to the other mobile networks and the tariff difference not being justified by a difference in underlying termination costs. On the basis of these allegations, BASE this time requested a cease-and-desist order of certain tariff plans. On 12 December 2005, the President of the Brussels Commercial Court ruled that there is no possible abuse of dominant position by Belgacom Mobile as the latter is considered not dominant on the mobile market. Consequently the request for a cease-and-desist order of certain Proximus–to-Proximus tariff schemes is rejected.

On 19 January 2006, the Belgian Competition Authority performed a dawn raid at Belgacom Mobile's premises based upon a complaint of Base dated 7 October 2005, alleging abusive pricing on the professional market. Several documents have been seized during this office search. Since then, the Competition Authority requested Belgacom Mobile to submit information and documentation as to its activities on the professional market. If the Competition Authority would ultimately find that Belgacom Mobile committed an abuse of dominant position, it may be subject to a maximum fine of up to 10% its annual turnover.

Capital expenditure commitments

At 31 December 2006, the Group has contracted commitments of EUR 59 million, mainly for the acquisition of intangible assets and technical and network equipment.

Other rights and commitments

At 31 December 2006, the Group has the following other rights and commitments:

- The Group received bank guarantees from its suppliers and other third parties to guarantee the completion of contracts or works ordered by the Group for an amount of EUR 19 million;
- The Group granted bank guarantees for an amount of EUR 37 million to its customers and other third parties to guarantee, among others, the completion of contracts, works ordered by its clients and the payment of rental expenses for renting of sites for antennas installation;
- Belgacom has a right, established by Belgian legislation with respect to Universal Services, to receive a compensation from the Universal Services Obligation fund for offering Social Tariffs for the years 2005 and 2006. Since this right is contested by some operators and is under investigation by the European Commission, the Group qualifies the compensation receivable as a contingent asset;
- The Group grante uarantees for EUR 4 million to the Walloon Region of Belgium to guarantee execution by Wallonie Intranet SA (hereafter "WIN SA") of all obligations provided for in WIN SA's contractual agreement with the Walloon Region. The commitment, which is renewable, amounts to EUR 7 million.

Note 36. Cross-border lease arrangements

During the period 1996 through 2001, the Group entered into several cross-border lease arrangements with foreign investors relating to part of its fixed and mobile switches equipment. Under the terms of these agreements, which range in duration from 13 to 16 years, the Group received at the inception date of the arrangements a total amount of USD 681 million and placed a total amount of USD 652 million on deposit. The Group entered, in respect of the deposits, into non-refundable payment undertaking agreements with highly rated banks.

In respect of these arrangements, the Group received fees from the foreign investors or realized gains for a total amount of EUR 23 million. These fees or gains are recognized in the income statement under the caption "other operating revenue" over the lifetime of the respective agreements. The fees effectively recognized in income amount to EUR 1.6 million in 2004 and 2005 and EUR 1.4 million in 2006.

On 25 September 2002, the Group sold its investment in Ben Nederland Group but agreed it will continue to guarantee the payment of leasing debts amounting at 31 December 2006 to USD 47 million (EUR 36 million), in case the payment undertakers on the related cross-border lease arrangement would become insolvent. The risk that this guarantee will result in a payment by the Group is mitigated by the fact that the deposit institutions involved are rated AAA or AA by Standard & Poors. The term of the related leasing debt expires in 2012.

Early buy-out have been exercised by the Group with effect in January 2005 (for an arrangement of 1996 amounting to USD 71 million at inception), in January 2006 (for the second arrangement of 1996 amounting to USD 87 million at inception) and in January 2007 (for part of an arrangement of 1997 amounting to USD 67 million at inception).

Note 37. Net financial position of the Group

The Group defines net financial position as the net amount of investments, cash and cash equivalents, interest-bearing liabilities and related derivatives (including re-measurement to fair value).

(in EUR million - as of 31 December)	Note	2004	2005	2006
Assets				
Non-current investments (1)	11	6	7	7
Current investments (1)	14	81	86	91
Cash and cash equivalents (1)	15	325	798	236
Non-current derivatives	11	59	50	17
Liabilities				
Non-current interest-bearing liabilities (1)	17	-303	-296	-1,917
Current interest-bearing liabilities (1)	17	-58	-111	-71
Net financial position		**110**	**534**	**-1,636**

(1) After remeasurement to fair value, if applicable.

Non-current interest-bearing liabilities include non-current derivatives at fair value amounting to EUR 30 million in 2004, EUR 33 million in 2005 and EUR 21 million in 2006 (see note 17).

Note 38. Fair value of financial instruments

The estimated fair values of financial assets and liabilities which are not carried at fair value in the balance sheet are presented in the following tables:

(in EUR million - as of 31 December 2004)	Note	Carrying amount	Estimated fair value	Difference
Financial assets				
Other non-current assets	11	14	14	0
Trade receivables	12	844	844	0
Current income tax asset		50	50	0
Other current assets	13	31	31	0
Cash and cash equivalents	15	325	325	0
Financial liabilities				
Interest-bearing liabilities, non-current and current	17	-32	-33	0
Other non-current payables	19	-2	-2	0
Trade payables		-782	-782	0
Income tax payable		-224	-224	0
Other current payables	20	-237	-237	0
Net difference between recorded amount and estimated fair value				**0**

(in EUR million - as of 31 December 2005)	Note	Carrying amount	Estimated fair value	Difference
Financial assets				
Other non-current assets	11	15	15	0
Trade receivables	12	947	947	0
Current income tax asset		67	67	0
Other current assets	13	41	41	0
Cash and cash equivalents	15	798	798	0
Financial liabilities				
Interest-bearing liabilities, non-current and current	17	-111	-111	0
Other non-current payables	19	-1	-1	0
Trade payables		-1,038	-1,038	0
Income tax payable		-202	-202	0
Other current payables	20	-219	-219	0
Net difference between recorded amount and estimated fair value				**0**

(in EUR million - as of 31 December 2006)	Note	Carrying amount	Estimated fair value	Difference
Financial assets				
Other non-current assets	11	19	19	0
Trade receivables	12	1,207	1,207	0
Current income tax asset		97	97	0
Other current assets	13	39	39	0
Cash and cash equivalents	15	236	236	0
Financial liabilities				
Interest-bearing liabilities, non-current and current	17	-1,735	-1,725	9
Other non-current payables	19	-4	-4	0
Trade payables		-1,086	-1,086	0
Income tax payable		-189	-189	0
Other current payables	20	-333	-333	0
Net difference between recorded amount and estimated fair value				**9**

Note 39. Share-based Payment

Discounted Share Purchase Plans

In 2004, 2005 and 2006, the Group launched Discounted Share Purchase Plans (hereafter "DSPP").

Under the 2004 plan, Belgacom sold 1,842,026 shares to all employees with a discount of 16.67% compared to the issuance price of the initial public offering (24.50 EUR per share). Under the 2005 and 2006 plans, Belgacom sold respectively 139,198 shares and 138,549 shares to the senior management of the Group at a discount of 16.67% compared to the market price (respectively 29.92 EUR and 25.94 EUR per share). The cost of the discount amounted to EUR 8 million in 2004, EUR 0.7 million in 2005 and EUR 0.6 million in 2006 and was recorded in the income statement as personnel expenses (see note 27).

Employee Stock Option Plans

In 2004, 2005 and 2006, Belgacom launched Employee Stock Option Plans (hereafter "ESOP") whereby respectively 1,128,500, 538,541 and 608,928 share options were granted to the key management and senior management of the Group.

The Group has early adopted IFRS 2 ("Share-based Payments") in 2004, as issued on 19 February 2004 by recognizing the fair value of the share options at inception date over their vesting period (three years) in accordance with the graded vesting method. Such fair value amounts to EUR 5 million for the plan of 2004, EUR 2 million for the 2005 plan and EUR 2 million for the 2006 plan. The annual charge of the graded vesting is recognized in the income statement as personnel expenses and amounts to EUR 2 million in 2004, EUR 3 million in 2005 and EUR 2 million in 2006.

At the moment of exercise, the employee will pay the exercise price of 24.50 EUR per share for the 2004 plan, 29.92 EUR per share for the 2005 plan and 25.94 EUR per share for the 2006 plan, with physical delivery of the share. The share options are exercisable until 22 March 2011 for the 2004 plan, 21 April 2012 for the 2005 plan and 24 April 2013 for the 2006 plan at the latest, except for the 2004 plan where the share options of the President and Chief Executive Officer are exercisable until 2012 at the latest.

Only the 2005 and 2006 plans provide the beneficiaries with a right to the dividends declared after granting the options.

The three plans have slightly different specific vesting conditions and exercise periods for the share options in case of voluntary or involuntary leave of a plan participant. For the 2004 plan, in case of voluntary leave of the employee, all unvested options forfeit except during the first year, for which the first third of the options vests immediately and must be exercised within two years as from the date of leave. In case of involuntary leave of the employee, all unvested options vest immediately and must be exercised within two years as from the date of leave. For the 2005 and 2006 plans, in case of voluntary leave of the employee, all unvested options forfeit except during the first year, for which the first third of the options vests immediately and must be exercised within two years as from the date of leave. In case of involuntary leave of the employee, all unvested options vest immediately and must be exercised within two years as from the date of leave or as a minimum 3 years as from 1 January of the year following the grant date.

The evolution of the stock option plans is as follows:

	Number of stock options		
	Plan 2004	Plan 2005	Plan 2006
Outstanding at 1 January 2004	**0**	**-**	**-**
Movements during the period:	0	-	-
• Granted	1,128,500	-	-
• Forfeited	0	-	-
• Exercised	0	-	-
• Expired	0	-	-
Outstanding at 31 December 2004	**1,128,500**	**-**	**-**
Exercisable at 31 December 2004	**0**	**-**	**-**
Movements during the year			
• Granted	-	538,541	-
• Forfeited	-21,114	-	-
• Exercised	-169,435	-	-
• Expired	-	-	-
Total	-190,549	538,541	-
Outstanding at 31 December 2005	**937,951**	**538,541**	**-**
Exercisable at 31 December 2005	**210,255**	**0**	**-**
Movements during the year			
• Granted	-	-	608,928
• Forfeited	-5,583	-1,600	-
• Exercised	-196,188	-5,562	-9,265
• Expired	-	-	-
Total	-201,771	-7,162	599,663
Outstanding at 31 December 2006	**736,180**	**531,379**	**599,663**
Exercisable at 31 December 2006	**386,879**	**177,562**	**31,722**

The following assumptions were applied for determining the weighted average fair value of the stock options at grant date:

	Plan 2004	Plan 2005	Plan 2006
Option pricing model	Binomial	Black Scholes	Black Scholes
Contractual life of the options	7 years	7 years	7 years
Expected life	5 (to 6) years	6 years	6 years
Exercise price	EUR 24.50	EUR 29.92	EUR 25.94
Expected volatility (compared to peer group volatility)	27.50%	18.00%	21.00%
Expected dividend pay-out ratio	50% - 60%	50% - 60%	50% - 60%
Risk free interest rate	Euro swap annual rate	Euro swap annual rate	Zero coupon derived from IRS yield cruve
Fair value of options granted	EUR 4.29	EUR 4.15	EUR 4.02
Weighted average share price at exercise during the year 2005	EUR 32.96	-	-
Weighted average share price at exercise during the year 2006	EUR 31.87	EUR 32.67	EUR 31.98
Weighted average remaining contractual life (years)	4	5	6

The volatility has been estimated based on the actual trading statistics of the share and taking into account alignment to certain peers, comparable in terms of risk profile.

Note 40. Relationship with the auditors

The Group expensed during the year 2006 an amount of EUR 298,169 for non-mandate fees for the Group's auditors. This amount is detailed as follows:

(in EUR)	Auditor	Network of auditor
Other mandatory audit missions	91,341	54,044
Tax advice	4,375	26,661
Other missions	119,464	2,284
Total	**215,180**	**82,989**

Note 41. Segment reporting

The Board of Directors and the Chief Executive Officer manage the operations of Belgacom Group by business segments. These business segments are the primary segments and are described as follows:

- **Fixed Line Services.** This segment provides retail voice, data, Internet and network integration services, to residential and business customers in Belgium, as well as regulated and commercial wholesale services to other carriers and service providers in Belgium.
- **Mobile Communications Services.** This segment provides retail mobile telephony services to residential and business customers in Belgium and provides wholesale data services to third parties.
- **International Carrier Services.** This segment provides voice, data and capacity and infrastructure services to telecommunications operators worldwide.

The Group's head office and central functions are included for financial reporting purposes within the Fixed Line Services segment.

When a legal entity includes more than one segment, adjustments for intersegment pricing are determined on an arm's length basis. Segment results, assets and liabilities include items attributable to a segment as well as those that can be allocated on a reasonable basis.

(in EUR million - year ended 31 December 2004)	Fixed Line Services	Mobile Communi-cations Services	International Carrier Services	Inter-segment eliminations	Total
Net revenue	2,837	2,022	556	0	5,415
Other operating revenue	101	24	0	0	125
Intersegment revenue	154	193	88	-435	0
Total segment revenue	**3,092**	**2,239**	**645**	**-435**	**5,540**
Total segment result(1)	**1,257**	**1,135**	**2**	**0**	**2,394**
Non-recurring expense	-41	0	0	0	-41
Operating income before depreciation and amortization	**1,216**	**1,135**	**2**	**0**	**2,353**
Depreciation and amortization	-500	-227	-15	0	-742
Operating income/(loss)	**717**	**907**	**-13**	**0**	**1,611**
Finance costs (net)	-	-	-	-	-27
Loss from enterprises accounted for using the equity method	-1	-	-	-	-1
Income before taxes	**-**	**-**	**-**	**-**	**1,583**
Tax expense	-	-	-	-	-508
Net income	**-**	**-**	**-**	**-**	**1,075**
Minority interests	-	-	-	-	152
Net income (group share)	-	-	-	-	922

(1) Operating income before depreciation and amortization and before non-recurring expenses.

(in EUR million - as of 31 December 2004)	Fixed Line Services	Mobile Communi-cation Services	International Carrier Services	Unallocated	Total
Enterprises accounted for under the equity method	26	-	-	-	26
Segment assets	2,807	1,130	242	1,189	5,368
Segment liabilities	-794	-406	-226	-1,721	-3,145
Capital expenditure	338	205	13	-	556
Impairment losses recorded in the income statement					
• on intangible assets, property, plant & equipment (into segment result)	0	0	-20	-	-20
• on consolidated companies (into segment result)	-1	-	-	-	-1
• on other participating interests (into finance costs)	-20	-	-	-	-20

(in EUR million - year ended 31 December 2005)	Fixed Line Services	Mobile Communi-cations Services	International Carrier Services	Inter-Segment Eliminations	Total
Net revenue	2,745	2,001	637	0	5,384
Other operating revenue	52	17	5	0	74
Intersegment revenue	163	163	70	-396	0
Total segment revenue	**2,961**	**2,181**	**713**	**-396**	**5,458**
Total segment result (1)	**1,147**	**1,041**	**27**	**-1**	**2,214**
Non-recurring revenue	238	0	0	0	238
Non-recurring expense	-355	0	0	0	-355
Operating income before depreciation and amortization	**1,031**	**1,041**	**27**	**-1**	**2,098**
Depreciation and amortization	-492	-214	-20	1	-726
Operating income	**538**	**827**	**7**	**0**	**1,372**
Finance revenue (net)	-	-	-	-	64
Income before taxes	**-**	**-**	**-**	**-**	**1,436**
Tax expense	-	-	-	-	-339
Net income	**-**	**-**	**-**	**-**	**1,098**
Minority interests	-	-	-	-	139
Net income (group share)	-	-	-	-	959

(1) Operating income before depreciation and amortization and before non-recurring revenue and expenses.

(in EUR million - as of 31 December 2005)	Fixed Line Services	Mobile Communi-cation Services	International Carrier Services	Unallocated	Total
Segment assets	2,874	1,155	335	1,467	5,831
Segment liabilities	952	655	279	1,354	3,240
Capital expenditure	488	195	19	-6	696
Impairment losses recorded in the income statement					
• on intangible assets, property, plant & equipment (into segment result)	-2	-2	-1	-	-5

(in EUR million - year ended 31 December 2006)	Fixed Line Services	Mobile Communi-cations Services	International Carrier Services	Inter-Segment Eliminations	Total
Net revenue	3,367	1,975	680	0	6,022
Other operating revenue	57	20	1	0	78
Intersegment revenue	206	141	54	-401	0
Total segment revenue	**3,630**	**2,136**	**736**	**-401**	**6,100**
Total segment result (1)	**1,116**	**1,000**	**33**	**0**	**2,149**
Operating income before depreciation and amortization	**1,116**	**1,000**	**33**	**0**	**2,149**
Depreciation and amortization	-568	-214	-20	0	-802
Operating income	**547**	**786**	**13**	**0**	**1,347**
Finance revenue (net)	-	-	-	-	104
Income before taxes	**-**	**-**	**-**	**-**	**1,451**
Tax expense	-	-	-	-	-358
Net income	**-**	**-**	**-**	**-**	**1,093**
Minority interests	-	-	-	-	121
Net income (group share)	-	-	-	-	973

(1) Operating income before depreciation and amortization and before non-recurring revenue and expenses.

(in EUR million - as of 31 December 2006)	Fixed Line Services	Mobile Communi-cation Services	International Carrier Services	Unallocated	Total
Segment assets	3,450	2,694	292	863	7,300
Segment liabilities	1,144	653	274	2,828	4,900
Capital expenditure	448	214	15	-	676
Impairment losses recorded in the income statement					
• on intangible assets, property, plant & equipment (into segment result)	-6	-10	-	-	-16

For secondary segment reporting purposes, the Group has defined groups of countries characterized by similar economic environment and risks and returns.

The group of countries "Western Europe" represents more than 90% of total revenue and total assets of the Group. As a consequence, the company concluded that it must not present secondary segment information.

Note 42. Recent IFRS pronouncements

The Group does not early apply any standards or interpretations that are adopted for use in the European Union but not yet effective at 31 December 2006. The Group will investigate the possible impact of the application of such new standards or interpretations on the Group's financial statements in the course of 2007.

Note 43. Post balance sheet events

Shareholder return

The Belgacom Board of Directors decided on 1 March 2007 to propose to the Annual General Meeting of 11 April 2007 an ordinary dividend of EUR 552 million (EUR 1.6 dividend per share), on top of the interim dividend paid in December 2006.

Furthermore, the Board of Directors feels that the current level of net financial debt is acceptable and at this time sees no need to further reduce this position.

Cancellation of shares

The Board of Directors decided on 1 March 2007 to propose to the Extraordinary General Meeting of 11 April 2007 a cancellation of 23,750,000 treasury shares.

Mobistar stake

In January and February 2007, Belgacom sold its remaining stake in Mobistar for a total amount of EUR 166 million. The last tranche of 2,274,043 shares was sold on 22 February 2007 for a price of EUR 65 per share or a total amount of EUR 148 million.

Restructuring following acquisition of the Vodafone stake in Belgacom Mobile

Following the acquisition of the Vodafone 25% stake in Belgacom Mobile, Belgacom continues to pursue a full convergence strategy offering integrated solutions to its customers. To continue the transformation process, the Belgacom Management Committee has redefined the senior management structure and has appointed the people who will be in charge of the new key positions within the Group. This is only a first step in the redefinition of the organization. In the coming weeks and months, Belgacom will continue to fine-tune and implement its new structure.

For Staff and Support services, Belgacom is working towards an integration of all functions at Group level. The other Business Units will operate in a matrix structure whereby most senior managers will get a hierarchical and a matrix (Fixed/Mobile convergence) responsibility.

For the above mentioned restructuring, the Belgacom Management Committee will work closely together with the social partners.

Belgacom is convinced that its workforce can be optimized through natural attrition, further external mobility projects and voluntary leaves . Expectation is that the Group's headcount will be reduced by about 1,500 people between now and 2011, on top of the "Collective Agreement" of 2005.

> report of the auditor

ERNST & YOUNG

Ernst & Young
Reviseurs d'Entreprises
Bedrijfsrevisoren
Avenue Marcel Thiry 204
Marcel Thirylaan 204
B-1200 Bruxelles - Brussel

Tel: +32 (0)2 774 91 11
Fax: +32 (0)2 774 90 90

REPORT OF THE AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS OF BELGACOM SA DE DROIT PUBLIC/NV VAN PUBLIEK RECHT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

In accordance with legal requirements, we report to you on the performance of the audit mandate that has been entrusted to us. This report contains our opinion on the consolidated financial statements as well as the required additional comments and information.

Unqualified opinion on the consolidated financial statements

We have audited the consolidated financial statements of Belgacom SA de droit public/NV van publiek recht and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2006, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, and the consolidated statement of income, changes in equity and cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of EUR 7,300 millions and the consolidated income statement shows a profit for the year, share of the Group, of EUR 973 millions.

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

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

Responsibility of the auditor

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2006 give a true and fair view of the Group's financial position as at 31 December 2006 and of the results of its operations and its cash flows in accordance with IFRS as adopted for use by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Additional comments and information

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

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

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

Brussels, 12 March 2007

Ernst & Young Reviseurs d'Entreprises SCCRL/
Bedrijfsrevisoren BCVBA represented by

Marnix Van Dooren
Partner

> extract from the Belgian GAAP non-consolidated financial statements of Belgacom SA under public law

contents

The financial information presented in this caption is an extract of the non-consolidated financial statements of Belgacom SA under public law as approved by the General Assembly on 11 April 2007 and as communicated to the National Bank of Belgium (in Dutch and French) in the month following the General Assembly. These financial statements were prepared in conformity with the accounting and reporting laws and regulations applicable in Belgium ("Belgian GAAP"). The Joint Auditors of Belgacom SA de droit public/ Belgacom NV van publiek recht have issued an unqualified opinion with respect to such non-consolidated financial statements.

A full set of the financial statements of Belgacom SA under Public Law is available on the Belgacom web site (www.belgacom.be/investor/en) as soon as they will be filed at the National Bank of Belgium.

> income statement

(in EUR million - year ended 31 December)		2004	2005	2006
I.	**Operating income**	**3,713**	**3,041**	**3,045**
	A. Turnover	3,525	2,856	2,828
	B. Increase (+); Decrease (-) in stocks of finished goods, work and contracts in progress	0	0	2
	C. Own construction capitalised	124	134	169
	D. Other operating income	65	51	46
II.	**Operating charges**	**-2,971**	**-2,337**	**-2,410**
	A. Raw materials, consumables and goods for resale	165	173	203
	1. Purchases	*170*	*179*	*207*
	2. Increase (-); Decrease (+) in stocks	*-5*	*-6*	*-4*
	B. Services and other goods	1,522	994	1,070
	C. Remuneration, social security costs and pensions	784	730	710
	D. Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	495	425	399
	E. Increase (+); Decrease (-) in amounts written off stocks, contracts in progress and trade debtor	-2	-4	-7
	F. Increase (+); Decrease (-) in provisions for liabilities and charge	-21	2	12
	G. Other operating charges	28	17	21
	H. Operating charges capitalised as reorganization costs	0	0	0
III.	**Operating profit**	**743**	**703**	**635**
IV.	**Financial income**	**88**	**11**	**14**
	A. Income from financial fixed assets	61	0	0
	B. Income from current assets	3	4	8
	C. Other financial income	24	7	6
V.	**Financial Charges**	**-219**	**-208**	**-280**
	A. Interest and other debt charges	185	192	266
	B. Increase (+); Decrease (-) in amounts written off current assets other than mentioned under II.E.	0	0	0
	C. Other financial charges	35	15	14
VI.	**Profit on ordinary activities before taxes**	**612**	**507**	**369**

(in EUR million - year ended 31 December)		2004	2005	2006
VI.	**Profit on ordinary activities before taxes**	**612**	**507**	**369**
VII.	**Extraordinary income**	**32**	**351**	**68**
	A. Adjustments to depreciation of and to other amounts written off intangible and tangible fixed assets	0	0	0
	B. Adjustments to amounts written off financial fixed assets	0	18	66
	C. Adjustments to provisions for extraordinary liabilities and charges	5	0	0
	D. Gain on disposal of fixed assets	26	333	1
	E. Other extraordinary income	0	0	0
VIII.	**Extraordinary charges**	**-95**	**-466**	**-45**
	A. Extraordinary depreciation of and extraordinary amounts written off formation expenses, intangible and tangible fixed assets	0	0	1
	B. Amounts written off financial fixed assets	22	4	5
	C. Provisions for extraordinary liabilities and charges (increase+, decrease -)	-84	306	-130
	D. Loss on disposal of fixed assets	0	0	0
	E. Other extraordinary charges	157	155	168
	F. Extraordinary charges capitalised as reorganization costs	0	0	0
IX.	**Profit for the period before taxes**	**549**	**392**	**392**
IXbis.	A. Transfer from deferred taxation	0	0	0
	B. Transfer to deferred taxation	-6	0	0
X.	**Income taxes**	**2**	**0**	**0**
	A. Income taxes	0	0	0
	B. Adjustment of income taxes and write-back of tax provisions	2	0	0
XI.	**Profit for the period**	**544**	**392**	**392**
XII.	**Transfer from untaxed reserve**	**0**	**0**	**1**
	Transfer to untaxed reserve	**-12**	**0**	**0**
XIII.	**Profit for the period available for appropriation**	**532**	**392**	**393**

> balance sheet after appropriation

(in EUR million - as of 31 December)	2004	2005	2006
ASSETS			
FIXED ASSETS	**11,809**	**11,853**	**14,889**
I. Formation expenses	**0**	**0**	**0**
II. Intangible assets	**137**	**105**	**83**
III. Tangible assets	**1,680**	**1,566**	**1,567**
A. Land and buildings	234	225	215
B. Plant, machinery and equipment	1,254	1,175	1,152
C. Furniture and vehicles	29	25	24
D. Leasing and other similar rights	74	52	41
E. Other tangible assets	34	28	21
F. Assets under construction and advance payments	55	63	113
IV. Financial assets	**9,991**	**10,182**	**13,239**
A. Affiliated enterprises	9,911	10,170	13,232
1. Participating interests	*9,911*	*10,170*	*13,232*
2. Amounts receivable	*0*	*0*	*0*
B. Other enterprises linked by participating interests	45	0	0
1. Participating interests	*45*	*0*	*0*
2. Amounts receivable	*0*	*0*	*0*
C. Other financial assets	35	12	7
1. Shares	*34*	*11*	*7*
2. Amounts receivable and cash guarantees	*1*	*1*	*0*
CURRENT ASSETS	**1,005**	**1,787**	**1,401**
V. Amounts receivable after more than one year	**3**	**3**	**2**
A. Trade debtors	0	0	0
B. Other amounts receivable	3	3	2
VI. Inventories and contracts in progress	**40**	**45**	**49**
A. Inventories	40	44	49
1. Raw materials and consumables	*25*	*24*	*22*
2. Work in progress	*0*	*0*	*0*
4. Goods purchased for resale	*15*	*20*	*27*
B. Contracts in progress	0	1	0
VII. Amounts receivable within one year	**661**	**539**	**553**
A. Trade debtors	643	514	534
B. Other amounts receivable	18	25	19
VIII. Investments	**279**	**570**	**762**
A. Own shares	271	564	754
B. Other investments and deposits	8	6	8
IX. Cash at bank and in hand	**10**	**618**	**17**
X. Deferred charges and accrued income	**12**	**13**	**17**
Total assets	**12,813**	**13,640**	**16,290**

(in EUR million - as of 31 December)	2004	2005	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY	**4,964**	**4,819**	**4,560**
I. Capital	**1,000**	**1,000**	**1,000**
II. Share premium account	**0**	**0**	**0**
III. Revaluation surplus	**0**	**0**	**0**
IV. Reserves	**3,964**	**3,818**	**3,560**
A. Legal reserve	100	100	100
B. Reserve not available for distribution	293	601	812
C. Untaxed Reserves	17	17	17
D. Reserves available for distribution	3,554	3,100	2,631
V. Profit (loss) carried forward	**0**	**0**	**0**
VI. Investment grants	**0**	**0**	**0**
PROVISION AND DEFERRED TAXATION	**859**	**1,170**	**1,052**
VII. A. Provisions for liabilities and charges	**852**	**1,164**	**1,046**
1. Pensions and similar obligations	*0*	*0*	*0*
2. Taxation	*0*	*0*	*0*
3. Major repairs and maintenance	*0*	*0*	*0*
4. Other liabilities and charges	*852*	*1,164*	*1,046*
B. Deferred taxation	**7**	**6**	**6**
LIABILITIES	**6,991**	**7,652**	**10,678**
VIII. Amounts payable after more than one year	**3,612**	**3,997**	**5,817**
A. Financial debts	3,611	3,997	5,817
1. Subordinated debentures	*0*	*0*	*0*
2. Unsubordinated debentures	*217*	*217*	*1,867*
3. Leasing and similar obligations	*0*	*0*	*0*
4. Credit institutions	*3,036*	*3,421*	*3,591*
5. Other loans	*359*	*359*	*359*
D. Other amounts payable	1	0	0
IX. Amounts payable within one year	**3,214**	**3,514**	**4,712**
A. Current portion of amounts payable after more than 1 year	870	815	826
B. Financial debts	849	1,572	2,764
1. Credit institutions	*849*	*1,572*	*2,764*
2. Other loans	*0*	*0*	*0*
C. Trade creditors	619	427	374
1. Suppliers	*619*	*427*	*374*
2. Suppliers bills	*0*	*0*	*0*
D. Advances received on contracts in progress	24	17	14
E. Taxes, remuneration and social security	140	140	167
1. Taxes	*19*	*18*	*47*
2. Remuneration and social security	*122*	*122*	*119*
F. Other amounts payable	712	544	567
X. Accrued charges and deferred income	**164**	**140**	**149**
Total libabilities and shareholders' equity	**12,813**	**13,640**	**16,290**

> appropriation statement

(in EUR million - year ended 31 December)		2004	2005	2006
A.	**Profit to be appropriated**	**532**	**392**	**393**
B.	**Transfers from capital and reserves**	**196**	**162**	**278**
C.	**Transfers to capital and reserves**	**-21**	**-16**	**-20**
F.	**Distribution of profit**	**-706**	**-537**	**-651**

> glossary

3G Third-generation mobile telephony, better known as UMTS (Universal Mobile Telecommunications System).

ADSL (Asymmetric Digital Subscriber Line): Technology which allows a high-speed, point-to-point digital connection over a copper pair.

ADSL2+ Advanced version of ADSL, which allows a bandwidth of up to 15 Mbps.

ARPU (Average Revenue Per Unit): An indicator for determining a customer's profitability.

ATM (Asynchronous Transfer Mode): A technique enabling high-speed transfer of digital data. It consists in dividing information flow (voice, data and image) into fixed-size packets, known as "cells".

BACKBONE A high bandwidth line which acts as the mainstay linking access providers to the world network.

BILAN (Belgacom Interconnection of LAN): A total telecom solution based on the Internet Protocol (IP), Frame Relay and ATM networks.

BLOG A website on which one or several persons express their views on a regular basis.

BROADBAND A high bandwidth network capable of transmitting large data flows.

BROBA (Belgacom Reference Offer for Bitstream Access): Belgacom's reference offer for binary rate access.

BRUO (Belgacom Reference Unbundling Offer): Belgacom's reference offer for local loop unbundling.

CDMA (Code Division Multiple Access): A digital technique in which different conversations can be transmitted simultaneously and are differentiated by being tagged with a code.

DVB-H (Digital Video Broadcasting - Handheld): Digital, microwave radio broadcasting system intended for reception on handheld devices.

DVB-T (Digital Video Broadcast - Terrestrial): Broadcasting standard (signal transmission) of digital television via radio waves.

EPG (Electronic Program Guide): Standard enabling the broadcasting, in teletext mode, of scheduled television programs in the form of an on-screen interactive guide.

FRAME RELAY Data transmission protocol that divides a physical communications line into several virtual channels.

GPRS (General Packet Radio Service): A second-generation mobile telephony standard. It enables direct Internet access and data exchange at speeds 18 times faster than those of the GSM protocol and allows volume-based pricing.

GSM (Global System for Mobile Communications): An abbreviation which is often synonymous, in common parlance, with the mobile telephone or terminal. It is actually a European standard for a common digital cellular telephony system.

HDTV (High Definition Television): High-resolution television, a sound and image quality standard which is still in development.

HSDPA (High Speed Downlink Packet Access): A protocol for mobile telephony, sometimes called 3.5 G or even 3 G+.

IP (Internet Protocol): A protocol for transmitting data packets, used for routing and transporting messages via the Internet.

IP VPN (IP Virtual Private Network): A VPN offers the advantages of a private network (security, etc.) while using public infrastructures. The user thereby saves on network management and infrastructure costs.

ISDN (Integrated Services Digital Network): A fully digitized fiber-optic network enabling simultaneous, high-speed transmission of voice, text, data and images (still or animated).

ISP (Internet Service Provider): An organization that offers a connection to the Internet computer network.

MMS (Multimedia Messaging Service): A technology for illustrating text messages (displayed on a mobile telephone) with photos, video and/or audio clips.

MOBLOG Content posted to the Internet from a mobile device, such as a cellular telephone or personal assistant (PDA).

MPEG-2/MPEG-4 (Moving Picture Experts Group): Standard for video compression. MPEG-4, which is more powerful (delivers the same quality as MPEG-2 with smaller packets of data), is the standard of the future for digital television applications.

PABX (Private Automatic Branch eXchange): A company exchange around which the company's internal telephone network is organized. It also enables data transmission.

QUADRUPLE-PLAY A combined offer consisting of fixed and mobile telephony, Internet and television services from a high-speed access.

SDSL (Symmetric Digital Subscriber Line): Technology that transports data at speeds of up to 2.3 Mbps, upstream and downstream.

STREAMING A technique for downloading multimedia files enabling surfers to read the file in real-time, without waiting for full download. This is the case, for example, with sound or video on the Internet.

TCP-IP (Transmission Control Protocol - Internet Protocol): A protocol used in conjunction with Internet Protocol (IP) to transmit data in billing units (datagrams or packets) between computers via the Internet. IP processes the actual delivery of data, whereas TCP ensures the follow-up of individual units of data to ensure they are routed efficiently over the Internet.

TRIPLE-PLAY A combined offer consisting of fixed telephony, Internet and television from a high-speed access.

UMTS (Universal Mobile Telecommunication System): A third-generation mobile telecommunications system capable of providing multimedia services at a very high speed.

VDSL (Very High Rate Digital Subscriber Line): An advanced version of ADSL, which allows a bandwidth of up to 20 Mbps.

VOD (Video On Demand): An interactive video system, with the same functionalities as a VCR, which allows users to order films or television programs remotely and against payment.

VOIP (Voice over Internet Protocol): A technique for transmitting voice conversations over the Internet or any other network supporting the TCP/IP protocol.

VPN (Virtual Private Network): A private network whose architecture is based on the use of the TCP-IP protocol.

WDM ([Dense] Wavelength Division Multiplexing): A technique enabling several independent flows of digital information to coexist on the same optical fiber.

WIFI Stands for "Wireless fidelity". WiFi technology enables short-range, wireless, high-speed surfing via a hotspot.

> general information

Additional Information

Corporate name and legal form

The autonomous public-sector company Belgacom is a Société anonyme de droit public/Naamloze vennootschap van publiek recht (limited liability company under public law) as defined by the Law of 21 March 1991 on the reform of certain public-sector commercial undertakings and organized under the laws of Belgium.

The Company is subject to the statutory and regulatory provisions of commercial law applicable to companies limited by shares in all matters not expressly determined by (or by virtue of) the Law of 21 March 1991 or specific legislation of any kind.

Registered Office

Boulevard du Roi Albert II/Koning Albert II-laan, 27
1030 Brussels Belgium
VAT BE 0202.239.951
Brussels Register of Legal Entities
Brussels Trade Registry 587.163

Consultation of the issuer's documents

The public documents concerning the issuer can be consulted at the registered office.

Date of constitution

The company was established as an autonomous public sector company, governed by the Law of 19 July 1930 setting up the Belgian National Telephone and Telegraph Company, the RTT *(Régie des Téléphones et Télégraphes/Regie van telegraaf en telefoon)*.

The transformation of Belgacom into a SA of public law was implemented by the Royal Decree of 16 December 1994, which was published in the Belgian Official Gazette on 22 December 1994, and went into effect on the same day.

Objects of the Company

As described in the Article 3 of the Articles of Association, the Company's objects are:

1. to develop services within the field of telecommunications in Belgium or elsewhere;
2. to take all actions aimed at promoting, directly or indirectly, its activities or ensuring optimal use of its infrastructure;
3. to acquire participating interests in bodies, companies or associations – whether existing or to be created, Belgian, foreign or international, and public or private sector – that may contribute, directly or indirectly, to the achievement of its corporate objects;
4. to provide radio and television broadcasting services.

Editor-in-chief:
Thierry Bouckaert
Bd du Roi Albert II/Koning Albert II-laan, 27 – B - 1030 Brussels
Conception and coordination:
Frédéric Herzeele - Corporate Communication Manager
Nancy Goossens - Investor Relations Officer
Franck Vanbelle - Corporate Content & Publication Manager
Graphics: Chris Communications - www.chriscom.be
Prepress: Snel Grafics
Printing: Massoz
Pictures: Belgacom, Jean-Michel Byl, Getty Images and Corbis

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For financial information, please contact

Ingvild Van Lysebetten
Head of Investor Relations
Bd du Roi Albert II/Koning Albert II-laan, 27
B - 1030 Brussels
Tel: + 32 2 202 40 23
Fax: + 32 2 201 54 94
E-Mail: investor.relations@belgacom.be

For further information, please contact

Thierry Bouckaert
Press and External Communication Director
Bd du Roi Albert II/Koning Albert II-laan, 27
B - 1030 Brussels
Tel: + 32 2 202 82 50
Fax: + 32 2 203 65 93
E-Mail: about@belgacom.be

Visit Belgacom's website: www.belgacom.be
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