> interim report

Q1

2006

belgacom

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Highlights

Fixed Line Services (FLS)

- Flat fees and bundled offers continue to have a positive impact on operational results but lead to lower revenues out of traditional voice products. This decline is however partially off-set by other revenue lines, leading to a revenue result of FLS' core business of -2.8% (total FLS revenue excluding Belgacom TV, Telindus and disposed companies).
- Belgacom TV passed the 50,000 mark at the end of April (vs. 42,000 at the end of March). An accelerated growth at the beginning of the second quarter was largely due to the increasingly attractive offer: Belgacom TV launched thematic channel packages and made it possible to watch TV broadcasts on demand. An aggressive marketing campaign, that was launched at the end of the first quarter, and the improved coverage contributed to the success as well.
- Telindus, included in Belgacom's consolidated accounts since 1 January 2006, has contributed EUR 179 million to Belgacom's turnover. Given the synergies between the two organizations, the aim is to develop a unique combined offering that responds to the various business opportunities of the 21st century. So far, the alignment between Belgacom and Telindus proves to be successful. Two recently won projects in Belgium (ING and Belnet) clearly demonstrate the customers' faith in the Belgacom and Telindus partnership.

Mobile Communications Services (MCS)

- 65,000 active customers were added year-over-year, arriving at a total of 4,260,000 active customers at the end of March 2006. In the first quarter of 2006, almost 7,000 active customers were added. Proximus was able to increase its active customers mainly by introducing new bundled tariff and loyalty offers for both residential and business customers.
- At the end of March 2006 the blended ARPU rose to EUR 39.8 for the active customer base compared with EUR 39.6 at the end of March 2005. Including credits and discounts, the ARPU for the first quarter of 2006 was EUR 37.2.
- MCS' revenue decreased 0.6% (EUR 3 million), compared with the same period in 2005, whereas the service revenue increased 0.8%, due to the growth of data services (mainly advanced data services such as mobile office applications).
- The number of 3G customers is increasing in line with expectations, as is the use of the 3G services. This summer, Proximus will upgrade the 3G network with HSDPA technology in seven cities, enabling broadband mobile internet to its customers.

Belgacom International Carrier Services (ICS)

- ICS' revenue increased 9% compared to the first quarter of 2005. Voice revenue increase was mainly related to fixed inbound/outbound volumes generated by the Swiss partner in the joint venture. Data revenue growth relates to mobile data (mainly signaling products and SMS). Thanks to the revenue growth, the EBITDA increased 10% year-over-year.
- ICS has progressed on the strategic objectives in the first quarter. With respect to the consolidation of international carriers services, in February 2006, MTN Group, a leading provider of cellular and communications services in Africa, signed an outsourcing agreement with Belgacom International Carrier Services covering MTN's international voice and data traffic. In the area of "all-IP" infrastructure and services, a Next Generation Network compliant soft switch has been commissioned with first customers connected over internet protocol, this platform will allow further commercial efforts in the internet service provider segment.

Key figures

Income Statement (EUR million)	Three months ended 31 March 2005	2006
Total revenue before non-recurring items	1,339	1,507
Non-recurring revenue	238	0
Total revenue	1,577	1,507
EBITDA (1) before non-recurring items	575	545
EBITDA (1)	814	545
Depreciation and amortization	-168	-196
Operating income (EBIT)	646	349
Net finance revenue	13	5
Income before taxes and minority interests	659	354
Tax expense	-128	-103
Minority interests	38	36
Net income (Group share)	494	215

Cash Flow and Capital Expenditures (EUR million)	Three months ended 31 March 2005	2006
Cash flows from operating activities	509	495
Capital expenditures	-101	-120
Cash flows from / (used in) other investing activities	328	-589
Free cash flow (2)	736	-213
Cash flows used in financing activities	-164	-62
Net increase / (decrease) of cash and cash equivalents	572	-275

Balance sheet (EUR million)	As of 31 March 2005	2006
Balance sheet total	5,805	6,308
Non-current assets	3,763	4,264
Investments, cash and cash equivalents	978	612
Shareholders' equity	2,711	2,416
Minority interests	268	413
Liabilities for pensions, other post-employment benefits and termination benefits	726	976
Net financial position	670	274

Data per share	Three months ended 31 March 2005	2006
Basic earnings per share (EUR)	1.41	0.63
Diluted earnings per share (EUR)	1.41	0.63
Weighted average number of ordinary shares	350,701,252	340,394,570

Data on employees	Three months ended 31 March 2005	2006
Number of employees (full-time equivalents) (3)	16,518	18,193
Average number of employees over the period	16,570	18,231
Total revenue before non-recurring items per employee (EUR)	80,799	82,646
Total revenue per employee (EUR)	95,183	82,646
EBITDA (1) before non-recurring items per employee (EUR)	34,720	29,911
EBITDA (1) per employee (EUR)	49,103	29,911

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.
(2) Cash flow before financing activities.
(3) 2006: Including Telindus employees

Financial Results

Belgacom Group

Revenue

During the first quarter of 2006, the total revenue of the Belgacom Group decreased 4.5% to EUR 1,507 million. Excluding non-recurring revenue and adjusted for the contribution of entities disposed of in 2005 and of new entities acquired in 2006 (Telindus Group), the Group's revenue decreased 0.6% (EUR 8 million).

Total revenue per business segment	**Three months ended 31 March**				
(EUR million)	**2005**		**2006**		**Variance**
Fixed Line Services	753	56.2%	909	60.3%	20.8%
Mobile Communications Services	530	39.6%	527	35.0%	-0.6%
International Carrier Services	158	11.8%	172	11.4%	9.0%
Inter-segment eliminations	-102	-7.6%	-101	-6.7%	-0.7%
Total	**1,339**	**100.0%**	**1,507**	**100.0%**	**12.5%**
Non-recurring revenue	238		0		
Total	**1,577**		**1,507**		**-4.5%**

Operating income before depreciation and amortization (EBITDA)

The Group's operating income before depreciation and amortization decreased 33% to EUR 545 million. Excluding non-recurring items and adjusted for the contribution of disposed or new entities, the Group's EBITDA decreased 6.2% (EUR 36 million).

EBITDA per business segment	**Three months ended 31 March**				
(EUR million)	**2005**		**2006**		**Variance**
Fixed Line Services	300	52.1%	277	50.8%	-7.5%
Mobile Communications Services	272	47.2%	264	48.3%	-3.0%
International Carrier Services	4	0.7%	5	0.9%	10.0%
Inter-segment eliminations	0	0.0%	0	0.0%	-28.0%
Total	**575**	**100.0%**	**545**	**100.0%**	**-5.2%**
Non-recurring revenue	238		0		
Total	**814**		**545**		**-33.0%**

Capital expenditure

The capital expenditures of the **Fixed Line Services** grew 37.9% year-over-year, mainly attributable to Belgacom TV investments (up to a total amount of EUR 19 million in the first quarter of 2006) and to Telindus' capital expenditures (EUR 6 million).

Mobile Communications Services' capital expenditures slightly decreased year-over-year (-1.7%), primarily explained by a timing difference in IT-investments, partly offset by higher network investments. 3G-related investments amounted to EUR 21 million in the first quarter of 2006.

The capital expenditures of **International Carrier Services** decreased by EUR 6.4 million. In 2005, capital expenditures included an amount of EUR 6 million related to the right of use of the Belgacom network (IRU) after the transfer of the ICS activities into the subsidiary Belgacom International Carrier Services. Excluding IRU, ICS capital expenditures slightly decreased to EUR 0.2 million.

Capital expenditures per business segment	**Three months ended 31 March**				
(EUR million)	**2005**		**2006**		**Variance**
Fixed Line Services	53	52.8%	74	61.2%	37.9%
Mobile Communications Services	47	46.8%	46	38.7%	-1.7%
International Carrier Services (1)	7	6.5%	0	0.2%	-97.1%
Inter-segment eliminations (1)	-6	-6.1%	0	0.0%	-100.0%
Total	**101**	**100%**	**120**	**100%**	**19.0%**

(1) In 2005, includes the irrevocable right of use (IRU) of the Belgacom network.

Cash flow

Most of the cash flows from other investing activities for the first quarter of 2005 relates to the disposals of Belgacom Directory Services SA and Alert Services Holding SA. Most of the cash flows used in other investing activities for the first quarter of 2006 relates to the acquisition of Telindus Group. Cash flows used in financing activities primarily relate to dividends paid to minority interests in 2005 and to the reimbursement of short term debts in 2006.

	Three months ended 31 March	
(in EUR million)	**2005**	**2006**
Cash flows from operating activities	509	495
Capital expenditures	-101	-120
Cash flows from / (used in) other investing activities	328	-589
Cash flow before financing activities or "free cash flow"	736	-213
Cash flows used in financing activities	-164	-62
Net increase / (decrease) of cash and cash equivalents	572	-275

Headcount evolution

Year-over-year, the number of employees of the Group has increased with 1,675 full-time equivalents (FTE) to 18,193 FTE. This increase is driven by the acquisition of Telindus Group (2,523 FTE), partly offset by headcount reductions following the disposal of consolidated companies (-62 FTE), restructuring programs (-605 FTE) and natural attrition.

Fixed Line Services (FLS)

Segment revenue

During the first quarter of 2006, FLS' total revenue before non-recurring items increased 20.8% (EUR 156 million), compared to the same period of the previous year. The revenues generated by FLS' core business (total revenue excluding the results of disposed companies, Telindus and Belgacom TV) decreased 2.8%. The revenue growth from internet, network integration services and National Wholesale could not fully offset the decline of traditional voice services, impacted by fierce competition and substitution, terminals and other retail revenues.

Telindus Group, consolidated from 1 January 2006 on, contributed EUR 179 million to the total revenue of FLS. Services generated 40% of the Telindus revenue, products 60%.

Segment operating income before depreciation and amortization (EBITDA)

Fixed Line Services' EBITDA before non-recurring items decreased 7.5% (EUR 22 million). When additionally adjusted for disposed or new entities, FLS' EBITDA decreased 9.3% (EUR 28 million).

This decrease is driven by a change in product mix, generating higher charges to revenue, voice revenues decline and by higher operational costs of Belgacom TV. These cost increases are partially offset by lower personnel expenses, related to a lower number of full-time equivalents (excluding the impact of Telindus Group).

For its core business, i.e. without Belgacom TV and the impact of Telindus' results, FLS managed to keep the EBITDA margin stable (38.7%) compared to the overall 2005 margin.

Both Belgacom TV and Telindus significantly influenced the EBITDA margin of the first quarter. Belgacom TV, being a new business and therefore consuming resources, had a negative EBITDA contribution of EUR 11 million.

Telindus Group, although having a positive EBITDA contribution of EUR 6 million, has a 3.5% EBITDA margin, far lower than the core business of FLS.

Segment operating income (EBIT)

FLS' EBIT decreased to EUR 142 million, driven by lower EBITDA and higher depreciation cost due to the acquisition of soccer and other broadcasting rights with a relatively short depreciation period and due to the Telindus Group depreciation.

SEGMENT REPORTING	Three months ended 31 March		
(EUR million)	2005	2006	Variance
TOTAL SEGMENT REVENUE	**753**	**909**	**20.8%**
Costs of materials and charges to revenue	-142	-269	89.3%
Personnel expenses and pensions	-213	-236	10.5%
Other operating expenses	-98	-127	30.2%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-453**	**-632**	**39.4%**
TOTAL SEGMENT RESULT (1)	**300**	**277**	**-7.5%**
Segment result margin	*39.8%*	*30.5%*	*-9.3 pp*
Non-recurring revenue	238	0	
OPERATING INCOME before depreciation & amortization	538	277	
Depreciation and amortization	-115	-135	
OPERATING INCOME	**423**	**142**	

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

	Three months ended 31 March 2006			
(EUR million)	Core	Belgacom TV	Telindus	Total
Total REVENUE	**728**	**2**	**179**	**909**
OPERATING EXPENSES before depreciation & amortization	**-447**	**-13**	**-172**	**-632**
EBITDA	**282**	**-11**	**6**	**277**
EBITDA margin	*38.7%*	-	*3.5%*	*30.5%*

Segment revenue detail

	Three months ended 31 March			
EUR million	**2005**	**2006**	**Variance %**	**Variance**
FLS Core	***750***	***728***	***-2.8%***	***-21***
Voice Access	199	187	-5.8%	-12
Voice Traffic	190	172	-9.7%	-18
Internet	105	111	5.0%	5
Data	52	53	1.6%	1
Terminals	41	38	-7.7%	-3
Other retail (1)	65	53	-18.3%	-12
National Wholesale	94	112	19.2%	18
Others	3	3	-7.6%	0
Disposed companies	***3***	***0***	**-**	***-3***
Telindus	***0***	***179***	**-**	***179***
Belgacom TV	***0***	***2***	**-**	***2***
Total revenue before non-recurring items (2)	**753**	**909**	**20.8%**	**156**

(1) *Other retail includes mainly revenues from international activities and other fixed business subsidiaries.*

(2) *Some product definitions were changed in 2006. In particular, voice terminals revenue that was previously part of access revenue is now identified separately with other terminals revenue. Figures of the previous year have been restated accordingly.*

Voice access and traffic revenue declined 7.7% compared to the first quarter of 2005. However, with its innovative price package plans, FLS was able to improve customer retention trends, mainly in the residential segment.

FLS' market share on the Belgacom network increased 1.9 pp during the first three months of 2006, whereas it was nearly stable during the same period of last year. Voice access line loss slowed down (-26,351 equivalent lines compared to -43,122 in the first quarter of 2005).

Voice Access ARPU decreased by 2.3% to EUR 14.2, driven by promotions and the change in product mix. Voice Traffic ARPU decreased by 6.4% to EUR 13.3, mainly explained by new rate plans.

Internet revenues increased 5%, thanks to an 18% growth of xDSL lines. ADSL ARPU decreased 7% at the same time because of the changing product mix in ADSL lines (proportion of time-based and light ADSL increased versus 2005) and as a result of promotions given in 2006.

Data connectivity revenue slightly increased by 1.6%, thanks to the growth of network integration services (+61%), more than offsetting the decline of national leased lines revenue, impacted by substitution.

Telindus, included in Belgacom's consolidated accounts since 1 January 2006, has contributed EUR 179 million to Belgacom's turnover. Given the synergies between the two organizations, the aim is to develop a unique combined offering that responds to the various business opportunities of the 21st century. The two companies follow a step-by-step approach that will lead to the development of new and comprehensive converged ICT. The first joint proposals are planned for the summer of 2006. So far, the alignment between Belgacom and Telindus proves to be successful. Two projects won recently in Belgium (with ING and Belnet) clearly demonstrate customers' faith in the Belgacom and Telindus partnership.

The decrease in **other retail** revenue is mainly caused by a lower gain on the sale of buildings recorded in 2006.

At the end of March, more than 42,000 subscriptions to **Belgacom TV** were sold. By the end of April this amounted to 50,000 thanks to an accelerating growth at the start of the second quarter as the result of coverage improvement, an increasingly attractive offer and aggressive marketing campaigns. Belgacom TV launched thematic channel packages and made it possible to watch TV broadcasts on demand.

National Wholesale revenue increased year-over-year by 19.2%, thanks to the growth of both national transit traffic (+16.8%) and carrier broadband lines (+37.1%).

Operationals (retail)

	Three months ended 31 March		
	2005	**2006**	**Variance**
Number of access channels (thousands)			
Residential			
PSTN	3,145	3,042	-3.3%
ISDN	375	368	-1.9%
ADSL, VDSL	759	895	17.9%
Total	**4,279**	**4,305**	**0.6%**
Business			
PSTN	263	252	-4,2%
ISDN	597	585	-2.0%
ADSL, VDSL	111	130	17.3%
Total	**971**	**967**	**-0.4%**
Traffic (millions of minutes)			
Residential			
National	1.249	1.406	12.6%
Fixed to Mobile	199	198	-0.8%
International	91	90	-1.0%
Total	**1,539**	**1,694**	**10.1%**
Business			
National	531	492	-7.3%
Fixed to Mobile	130	127	-1.8%
International	104	98	-6.2%
Total	**765**	**717**	**-6.2%**
ARPU (EUR)			
ARPU Voice Access (1)	14.6	14.2	-2.3%
ARPU Voice Traffic (2)	14.2	13.3	-6.4%
ARPU ADSL Residential (3)	33.3	30.7	-7.9%
Net ARPU Belgacom TV (4)	-	11.9	-

(1) *ARPU Voice Access is equal to total voice access revenue, excluding activation revenue, divided by 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 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 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 includes promotions.*

Outlook

The Fixed Line Services unit expects the same trends to continue and confirms its guidance for the year 2006.
For its core business, FLS could see a revenue decline of up to 3% while it will work hard to keep the EBITDA margin flat for the year 2006.
For Belgacom TV, there will be an estimated negative EBITDA impact of about EUR 30 to 40 million with a target of more than 100,000 customers for Belgacom TV by the end of the year and an estimated ARPU of EUR 13.
Telindus expects to continue the current growth trend and to continue to improve the profitability.

Mobile Communications Services (MCS)

Segment revenue

During the first quarter of 2006, MCS' total revenue decreased 0.6% (EUR 3 million), compared to the same period of last year.

Service revenue increased 0.8% thanks to the growth of data services (mainly advanced data services such as mobile office applications) and was favourably impacted by a higher number of business days in 2006 compared to the same period of last year. Data services represent 17.5% of total revenue, a year-over-year increase of 1.4 pp.

Proximus successfully introduced its 3G-services for the residential market. The number of 3G customers (over 41,000 3G customers detected on the network at the end of the first quarter), as well as the use of the 3G services is increasing in line with expectations. Proximus will keep up its position as innovator by launching new initiatives and services. This summer the 3G network will be upgraded with HSDPA technology in 7 cities, enabling broadband mobile internet to Proximus' customers.

Net Service revenue decreased 1.6%, related to higher credits and discounts granted in the frame of the Market Share Leadership Program.

The growth in handsets revenue (+23.8%) is related to higher volumes sold.

With 4,260,000 active customers at the end of March 2006, Proximus increased its number of active customers with more than 65,000 compared to a year ago, significantly improving its customer base as 43% of the total is now postpaid. Proximus estimates its market share at 47.9%.
During the first quarter of 2006, Proximus realized a net increase in active customers of almost 7,000 and was also able to further reduce its churn rate to 15.6%. The churn rate declined with 2.5pp compared to the same period of 2005.

Proximus was able to realize the increase of active customers and to improve the customer mix thanks to the introduction of new bundled tariffs and loyalty offers for both residential and business customers.

At the end of March 2006 the blended ARPU rose to 39.8 EUR for the active customer base versus 39.6 EUR at the end of March 2005. Net ARPU declined to 37.2 EUR compared to 38.0 EUR in the first quarter of 2005, primarily driven by the impact of credits and discounts granted in the frame of the Market Share Leadership program.

Segment operating income before depreciation and amortization (EBITDA)

MCS' EBITDA declined 3.0% (EUR 8 million) as a result of the revenue decrease, combined with higher charges to revenue (higher interconnect and leased lines cost), higher cost of handsets (related to volume growth), higher other operating expenses (mainly Vodafone fee increase, Universal Service Obligation contribution and Market Share Leadership Program expenses).
Compared to the first quarter of 2005, the EBITDA margin dropped with 1.2 pp but remains high at 50%.

Segment operating income (EBIT)

MCS' operating income decreased 6% to EUR 209 million. This evolution is explained by lower EBITDA and higher depreciation and amortization cost.

	Three months ended 31 March		
(EUR million)	2005	2006	Variance
TOTAL SEGMENT REVENUE	**530**	**527**	**-0.6%**
Costs of materials and charges to revenue	-162	-163	1.0%
Personnel expenses and pensions	-36	-35	-2.4%
Other operating expenses	-61	-65	6.5%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-259**	**-263**	**1.8%**
TOTAL SEGMENT RESULT (1)	**272**	**264**	**-3.0%**
Segment result margin	*51.2%*	*50.0%*	*-1.2 ppt*
Depreciation and amortization	-49	-55	10.6%
OPERATING INCOME	**222**	**209**	**-6.0%**

(1) Operating income before depreciation and amortization

Segment revenue detail

	First quarter ended 31 March			
EUR million	**2005**	**2006**	**Variance %**	**Variance**
Voice services (1)	444	441	-0.5%	-2
Data services (1)	85	92	8.0%	7
Total Service revenue	**529**	**533**	**0.8%**	**4**
Credits and discounts	-21	-33	-59.1%	-12
Net Service revenue	**508**	**500**	**-1.6%**	**-8**
Handsets	18	22	23.8%	4
Other revenue	4	4	7.1%	0
Total revenue	**530**	**527**	**-0.6%**	**-3**

(1) Including roaming-in

Operationals

	Three months ended 31 March		
	2005	2006	Variance
Number of active customers[1] (in thousands)	4,195	4,260	1.6%
Prepaid	2,485	2,447	-1.5%
Postpaid	1,710	1,813	6.1%
Active customers as a percentage of total customers[2]	97.7%	98.2%	0.5 pp
Annualized churn rate [3] (blended - variance in pp)	18.1%	15.6%	-2.5 pp
ARPU[4] (in EUR)			
Prepaid	19.3	18.3	-5.5%
Postpaid	69.1	69.3	0.3%
Blended	39.6	39.8	0.4%
Blended voice	33.1	32.9	-0.7%
Blended data	6.5	6.9	5.5%
Net ARPU[5] (in EUR)			
Prepaid	18.1	17.1	-5.4%
Postpaid	66.9	64.8	-3.2%
Blended	38.0	37.2	-2.1%
Market share of active customers [6]			
Prepaid	45.9%	46.1%	0.2 pp
Postpaid	54.2%	50.5%	-3.7 pp
Total	48.9%	47.9%	-1.0 pp
UoU[7] (units)	208.7	208.6	-0.0%
MoU[8] (min)	162.6	160.6	-1.2%
SMS[9] (units)	46.0	48.0	4.2%

[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 services 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] 2006 figures are Belgacom Mobile estimates
[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 per active customer per month

Outlook

Even though the first quarter was above expectations, MCS believes that the forthcoming initiatives of Proximus, the increasingly competitive environment, the possibility of price declines of interconnection rates will place additional pressure on revenues and EBITDA margin.
Therefore MCS reiterates its guidance for the full year. MCS will continue to apply its Market Leadership program. This together with the announced reduction of the mobile termination rates will cause revenues to decline about 3 percent.
In addition competition continues with a number of very aggressive pricing actions. If MCS has to respond to these actions to defend its market share this could lead to a further decline of up to 2 percent in MCS revenues in 2006.
There will be continued pressure on the EBITDA margin, but the decline should be limited to a level of 46% because cost control.

International Carrier Services (ICS)

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

Segment revenue

ICS' revenue increased 9% compared to the first quarter of last year. ICS' voice revenue increase is mainly related to fixed inbound/outbound volumes generated by the Swiss partner. Data revenue growth relates to revenues from mobile data products (mainly signalling products and SMS).

In February 2006, MTN Group, a leading provider of cellular and communications services in Africa signed an outsourcing agreement with BICS covering MTN's international voice and data traffic.

Segment operating income before depreciation and amortization (EBITDA)

Thanks to the revenue growth, not fully offset by higher charges to revenue, the EBITDA of International Carrier Services increased 10.0% year-over-year.

Segment operating income (EBIT)

ICS' operating income decreased by EUR 3 million to EUR -2 million, despite the EBITDA growth. The reduction of the useful life of some network assets to reflect new technology evolution increased the depreciation and amortization charges and brought ICS' EBIT to EUR -2 million. These network assets will be replaced in the course of 2006 and will result in additional transmission capacity, improved reliability and savings in operating expenses in the coming years.

	Three months ended 31 March		
(EUR million)	**2005**	**2006**	**Variance**
TOTAL SEGMENT REVENUE	**158**	**172**	**9.0%**
Costs of materials and charges to revenue	-138	-151	9.9%
Personnel expenses and pensions	-5	-5	-0.9%
Other operating expenses	-11	-11	1.6%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-153**	**-167**	**9.0%**
TOTAL SEGMENT RESULT (1)	**4**	**5**	**10.0%**
Segment result margin	*2.7%*	*2.7%*	*0.0 ppt*
Depreciation and amortization	-3	-7	**114.8%**
OPERATING INCOME	**1**	**-2**	**-**

(1) Operating income before depreciation and amortization

Segment revenue detail

	Three months ended 31 March		
EUR million	**2005**	**2006**	**Variance**
Voice	151	163	8.0%
Data	1	4	156.0%
Capacity, infrastructure and others (1)	6	6	-2.5%
Total revenues	**158**	**172**	**9.0%**

(1) others include primarily revenues from telegraphy and telex.

	Three months ended 31 March		
in billion of minutes	**2005**	**2006** (*)	**Variance**
TOTAL	**1.72**	**2.87**	**66.3%**
Total fixed	0.86	1.55	79.5%
Total mobile	0.86	1.31	53.0%

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

Acquisition of Telindus

During the fourth quarter of 2005, the Group announced a public take-over bid on all outstanding shares and warrants of Telindus Group, a leading provider of network based ICT solutions and services, headquartered in Belgium and quoted on Euronext Brussels. The first public offer launched by Belgacom for the shares and warrants of Telindus Group was successfully closed on 6 January 2006 since Belgacom acquired 90.86% of the shares. After the second public offer that was closed on 15 February 2006, Belgacom owned 98.31% of the shares of Telindus Group enabling a squeeze-out that was closed on 14 March 2006. Consequently, on 14 March 2006, Belgacom asked the Brussels Euronext stock market authority to delist the Telindus Group share.

The total acquisition cost amounts to EUR 605 million, EUR 601 million paid to share- and warrant-holders and EUR 4 million paid as costs directly attributable to the acquisition. No equity instruments have been issued or are issuable as part of the cost.

The Group is still analysing the fair value of all identified assets and liabilities acquired. For this reason, the fair value of the identifiable assets and liabilities of Telindus Group as at the date of acquisition has been determined provisionally for these interim financial statements and amounts to EUR 433 million for non-current assets, EUR 318 million for current assets, EUR 8 million for minority interests, EUR 35 million for non-current liabilities and EUR 263 million for current liabilities. Consequently, such provisional initial accounting led to the recognition in these interim financial statements of a goodwill of EUR 159 million.

The combination took place early in January 2006 and therefore, the revenue and expenses of Telindus Group have been integrated in Belgacom Group financial statements as from 1 January 2006 and have contributed EUR 179 million to the total revenue, EUR 6 million to the operating income before depreciation and amortization and EUR 2 million loss to the net profit of the Group for the three months ended 31 March 2006.

The Group has decided not to terminate any Telindus Group operations.

The Group has not identified intangible assets that can not be individually separated and reliably measured due to their nature and therefore should be included in the goodwill. The goodwill includes mainly future synergies with Belgacom Group, the know-how of Telindus Group employees, and revenue protection.

Interim Financial Statements

Condensed consolidated interim financial statements

These interim financial statements have not been subject to an independent review by the statutory auditor.

These condensed interim financial statements are established under International Financial Reporting Standards (IFRS) as adopted for use in the European Union and are drawn up in accordance with IAS 34, Interim Financial Reporting.

The accounting policies and methods adopted are consistent with those applied in the 31 December 2005 consolidated financial statements, except that the Group adopted all new standards, interpretations, revisions and improvements that are mandatory for the Belgacom Group as from 1 January 2006.

During the first three months of the year 2006, aside from the acquisition of all the shares and warrants of Telindus Group, Belgacom Group did not acquire or dispose of any significant subsidiary, joint venture or affiliate.

Consolidated Income Statements

(EUR million)	Three months ended 31 March 2005	2006
Net revenue	1,319	1,490
Other operating revenue	20	16
Non-recurring revenue	238	0
TOTAL REVENUE	**1,577**	**1,507**
Costs of materials and charges to revenue	-353	-493
Personnel expenses and pensions	-254	-275
Other operating expenses	-157	-193
TOTAL OPERATING EXPENSES before depreciation & amortization	**-764**	**-961**
OPERATING INCOME before depreciation & amortization	**814**	**545**
Depreciation and amortization	-168	-196
OPERATING INCOME	**646**	**349**
Finance revenue	19	15
Finance costs	-6	-10
Net finance revenue	**13**	**5**
INCOME BEFORE TAXES	**659**	**354**
Tax expense	-128	-103
NET INCOME	**532**	**251**
Minority interests	38	36
Net income (Group share)	494	215
Basic earnings per share	EUR 1.41	EUR 0.63
Diluted earnings per share	EUR 1.41	EUR 0.63
Weighted average number of ordinary shares	350,701,252	340,394,570
Weighted average number of ordinary shares for diluted earnings per share	350,952,927	340,468,394

Consolidated Balance Sheet

(EUR million)	As of 31 March 2005	As of 31 December 2005	As of 31 March 2006
ASSETS			
NON-CURRENT ASSETS	**3,763**	**3,808**	**4,264**
Goodwill	0	0	243
Intangible assets with finite useful life	484	602	642
Property, plant and equipment	2,583	2,497	2,529
Other participating interests	200	198	370
Deferred income tax assets	430	440	410
Pension assets	5	5	5
Other non-current assets	60	65	64
CURRENT ASSETS	**2,043**	**2,022**	**2,044**
Inventories	57	61	96
Trade receivables	864	947	1,158
Current income tax assets	50	67	63
Other current assets	92	64	115
Investments	81	86	89
Cash and cash equivalents	897	798	523
TOTAL ASSETS	**5,805**	**5,831**	**6,308**
LIABILITIES AND EQUITY			
EQUITY	**2,979**	**2,591**	**2,829**
Shareholders' equity	**2,711**	**2,221**	**2,416**
Issued capital	1,000	1,000	1,000
Treasury shares	-271	-564	-564
Restricted reserve	100	100	100
Remeasurement to fair value	53	68	47
Stock compensation	3	4	4
Retained earnings	1,826	1,614	1,829
Minority interests	**268**	**370**	**413**
NON-CURRENT LIABILITIES	**1,255**	**1,542**	**1,518**
Interest-bearing liabilities	291	296	305
Liability for pensions, other post-employment benefits and termination benefits	726	1,010	976
Provisions	198	193	195
Deferred income tax liabilities	38	42	41
Other non-current payables	2	1	1
CURRENT LIABILITIES	**1,571**	**1,698**	**1,961**
Interest-bearing liabilities	71	111	77
Trade payables	744	1,038	1,082
Income tax payables	298	202	277
Other current payables	458	347	526
TOTAL LIABILITIES AND EQUITY	**5,805**	**5,831**	**6,308**

Consolidated Cash Flow Statements

(EUR million)	Three months ended 31 March 2005	2006
Cash flow from operating activities		
Net income	494	215
Adjustments for:		
Minority interests	38	36
Depreciation and amortization on intangible assets and property, plant and equipment	168	196
Increase of impairment on intangible assets and property, plant and equipment	0	1
Increase of provisions	5	4
Deferred tax expense	46	28
Fair value adjustments on financial instruments	2	-8
Gain on disposal of consolidated companies	-238	0
Gain on disposal of other participating interests and enterprises accounted for using the equity method	-13	-1
Gain on disposal of property, plant and equipment	-8	-1
Other non-cash movements	1	1
Operating cash flow before working capital changes	**493**	**472**
Increase in inventories	-4	0
Decrease / (increase) in trade receivables	-21	25
Decrease in current income tax assets	0	8
Increase in other current assets	-40	-29
Decrease in trade payables	-38	-74
Increase in income tax payables	79	72
Increase in other current payables	76	62
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-34	-36
Decrease in other non-current payables and provisions	-3	-4
Decrease in working capital, net of acquisitions and disposals of subsidiaries	**15**	**23**
Net cash flow provided by operating activities	**509**	**495**
Cash flow from investing activities		
Cash paid for acquisitions of intangible assets and property, plant and equipment	-101	-120
Cash paid for consolidated companies, net of cash acquired	0	-584
Cash received from sales of consolidated companies, net of cash disposed of	258	0
Cash received from sales of intangible assets and property, plant and equipment	13	3
Cash received from sales of other participating interests and enterprises accounted for using the equity method and from other non-current assets	57	-7
Net cash (used in) / provided by investing activities	**227**	**-709**
Cash flow before financing activities	**736**	**-213**
Cash flow from financing activities		
Dividends paid to minority interests	-176	0
Sale / (purchase) of investments	0	-2
Issuance / (repayment) of short term debt	13	-60
Net cash used in financing activities	**-164**	**-62**
Net increase / (decrease) of cash and cash equivalents	**572**	**-275**
Cash and cash equivalents at the beginning of the period	325	798
Cash and cash equivalents at the end of the period	897	523

Segment Reporting

(EUR million)	Fixed Line Services	Mobile Communications Services	International Carrier Services	Inter-segment eliminations	Total
		Three months ended 31 March 2005			
Net revenue	698	484	137		1.319
Other operating revenue	15	4	0		20
Intersegment revenue	39	42	20	-102	0
TOTAL SEGMENT REVENUE	**753**	**530**	**158**	**-102**	**1.339**
Costs of materials and charges to revenue	-142	-162	-138	88	-353
Personnel expenses and pensions	-213	-36	-5	0	-254
Other operating expenses	-98	-61	-11	13	-157
TOTAL OPERATING EXPENSES before depreciation & amortization	**-453**	**-259**	**-153**	**101**	**-764**
TOTAL SEGMENT RESULT (1)	**300**	**272**	**4**	**0**	**575**
Non-recurring revenue	238	0	0	0	238
OPERATING INCOME before depreciation & amortization	**538**	**272**	**4**	**0**	**814**
Depreciation and amortization	-115	-49	-3	0	-168
OPERATING INCOME	**423**	**222**	**1**	**0**	**646**
Finance revenue (net)					13
Tax expense					-128
NET INCOME					**532**
Minority interests					38
Net income (Group share)					494

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

(EUR million)	Fixed Line Services	Mobile Communications Services	International Carrier Services	Inter-segment eliminations	Total
		Three months ended 31 March 2006			
Net revenue	847	485	158		1.490
Other operating revenue	12	5	0		16
Intersegment revenue	50	37	13	-101	0
TOTAL SEGMENT REVENUE	**909**	**527**	**172**	**-101**	**1.507**
Costs of materials and charges to revenue	-269	-163	-151	90	-493
Personnel expenses and pensions	-236	-35	-5	0	-275
Other operating expenses	-127	-65	-11	11	-193
TOTAL OPERATING EXPENSES before depreciation & amortization	**-632**	**-263**	**-167**	**101**	**-961**
TOTAL SEGMENT RESULT (1)	**277**	**264**	**5**	**0**	**545**
OPERATING INCOME before depreciation & amortization	**277**	**264**	**5**	**0**	**545**
Depreciation and amortization	-135	-55	-7	0	-196
OPERATING INCOME	**142**	**209**	**-2**	**0**	**349**
Finance revenue (net)					5
Tax expense					-103
NET INCOME					**251**
Minority interests					36
Net income (Group share)					215

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

Consolidated Statements of Changes in Equity

(in EUR million)	Issued capital	Treasury shares	Restricted reserve	Re-measure-ment to fair value	Stock Compen-sation	Retained Earnings	Sharehol-ders' Equity	Minority intrests	Total Equity
Balance at 31 December 2004	**1,000**	**-271**	**100**	**59**	**2**	**1,332**	**2,223**	**407**	**2,630**
Fair value changes in available-for-sale investments	*0*	*0*	*0*	*-6*	*0*	*0*	*-6*	*0*	*-6*
Equity changes not recognised in the income statement	0	0	0	-6	0	0	-6	0	-6
Net income	0	0	0	0	0	494	494	38	532
Total recognised income and expense	**0**	**0**	**0**	**-6**	**0**	**494**	**488**	**38**	**525**
Dividends of subsidiaries to minority interests	0	0	0	0	0	0	0	-176	-176
Total transactions with equity holders	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-176**	**-176**
Balance at 31 March 2005	**1,000**	**-271**	**100**	**53**	**2**	**1,826**	**2,711**	**268**	**2,979**
Balance at 31 December 2005	**1,000**	**-564**	**100**	**68**	**4**	**1,614**	**2,221**	**370**	**2,591**
Fair value changes in available-for-sale investments	*0*	*0*	*0*	*-21*	*0*	*0*	*-21*	*0*	*-21*
Currency translation differences	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Equity changes not recognised in the income statement	0	0	0	-21	0	0	-21	0	-21
Net income	0	0	0	0	0	215	215	36	251
Total recognised income and expense	**0**	**0**	**0**	**-21**	**0**	**215**	**194**	**36**	**230**
Acquisition of minority interests	0	0	0	0	0	0	0	8	8
Stock options									
Amortization deferred stock compensation	0	0	0	0	1	0	1	0	1
Total transactions with equity holders	**0**	**0**	**0**	**0**	**1**	**0**	**1**	**8**	**8**
Balance at 31 March 2006	**1,000**	**-564**	**100**	**47**	**4**	**1,829**	**2,416**	**413**	**2,829**

Contingent Liabilities

No changes occurred during the first three months of 2006 in the contingent liabilities mentioned in note 35 of the consolidated financial statements for the year ended on 31 December 2005, except for the ‘Benefit Excellence’ complaint.

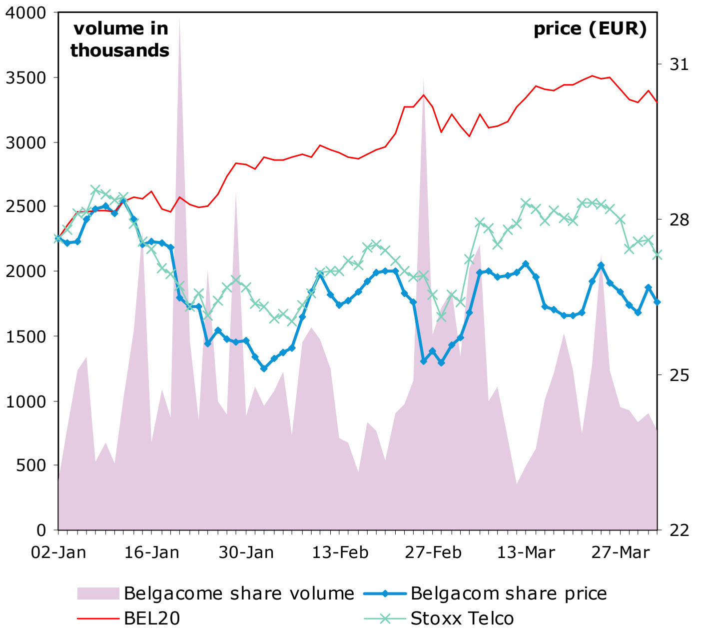
The ‘Corps des rapporteurs’ which is conducting the continuing investigation, issued on 7 March 2006 a 'statement of objections', considering that various Belgacom pricing plans for business customers involve infringements of the competition rules.

The infringements are alleged to date back to October 2000, and some of them, including in particular the loyalty rebates and the allegedly discriminatory pricing conditions, are considered to be still in place to date.

After the Corps des rapporteurs has heard Belgacom in this matter on 6 June 2006, it can file a reasoned report with the Belgian Competition Council, which will then have to rule on the complaint.

Shareholder information

Evolution of share price up to end of March 2006



Source: Bloomberg

Belgacom shares

Stock market:	First Market of Euronext Brussels
Ticker:	BELG
ISIN:	BE0003810273
National SVM code:	3810.27
Bloomberg code:	BELG BB
Reuters code:	BCOM

Belgacom share information first quarter	2005	2006
Closing prices (in EUR)		
Closing price last trading day of quarter	*31.90*	*26.39*
Quarter high	*32.93*	*28.38*
Quarter low	*30.06*	*25.10*
Quarterly trading volume (thousand shares)	51,477	77,593
Average trading volume per day (thousand shares)	830	1,194
Market Capitalization 31 March (billion EUR)	10.86	8.98

Belgacom's ownership structure

On 31 March 2006, the distribution and ownership of Belgacom SA shares was as follows:

	31 March 2006	
Belgian government	180,887,569	50.0%
Belgacom (own shares)	21,380,565	5.9%
Free-float	159,507,001	44.1%
Total	**361,775,135**	**100.0%**

Dividends

The General Assembly of 12 April 2006 has approved the Belgacom Board of Directors' proposal to distribute a normal dividend of EUR 1.52 gross per share (EUR 1.14 net). This dividend was paid on 18 April 2006.

Dividend policy

There is no change in the company's dividend policy.

This means that Belgacom still intends to declare and distribute an annual dividend of 50% to 60% of its annual net income. This amount may be adjusted for the effect of one-time gains or losses and the amount of dividends declared may vary from year to year. In determining the amount of any annual dividends to propose to the shareholders, the Board of Directors will take into account the dividend payment practices of other European telecommunications operators.

The amount of any annual dividends and the decision of whether to pay dividends in any year may be affected by a number of factors, including the Group's business prospects, cash requirements, financial performance, the condition of the market and the general economic climate, and other factors, including tax and other regulatory considerations.

Timetable

25 August 2006	Announcement half-yearly results 2006
10 November 2006	Announcement of the results for the third quarter 2006

General Information

- Shares listed on Euronext Brussels
- Web site address www.belgacom.be/investor
- Investor Relations:

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Disclaimer

This communication contains forward-looking statements, including statements about the Company's beliefs and expectations. These statements are based on the Company's current plans, estimates and projections, as well as its expectations of external conditions and events. Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. The Company undertakes no duty to and will not necessarily update any of them in light of new information or future events, except to the extent required by Belgian law. The Company cautions investors that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements.