



> interim  
report

Q3

2006

belgacom

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# Highlights

- Over the first three quarters, the total revenue of the Belgacom Group increased 5.3% to EUR 4,567 million.
- The **Fixed Line Core revenue decrease** (traditional Fixed Line products and services) over the first nine months **was limited to -1.4%**. Based upon this result, FLS is reviewing its guidance, expecting the revenue decline to be limited to 2% by year-end, with a fairly stable EBITDA margin.
- By the end of September 2006, **Belgacom TV was ahead of full-year expectations** with **102,971 Belgacom TV customers**.
- **Proximus limited its year-over-year revenue decrease to -1.3%**, while the **EBITDA margin remained high at 48.7%**. By year-end, Proximus expects its total revenue to decline about 2%, with an EBITDA margin close to 47%.
- Belgacom **completed its share buyback 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 of 29.4869 per share.
- Due to the **Initial Public offering of Neuf Cegetel** Belgacom will **receive an additional payment of EUR 50.4 million** on 13 November 2006. This will increase the gain on disposal of other participating interests already recognized in the consolidated income statement.
- The **interim dividend** of EUR 0.29 per share will be **paid on 6 December 2006**, as decided by the Board of Directors on 12 October 2006.
- End October 2006, the **Belgian competition authorities approved the acquisition** of the remaining 25% of **Proximus**.
- Belgacom SA **plans to issue a EUR benchmark** bond in order to refinance its **EUR 1.8 billion** Bridge Loan following the acquisition by Belgacom SA's of the 25% Proximus stake held by Vodafone. The transaction launch is subject to market conditions.

# Key figures

<b>Income Statement (EUR million)</b>	<b>Nine months ended 30 September</b>	
	<b>2005</b>	<b>2006</b>
Total revenue before non-recurring items	4,097	4,567
Non-recurring revenue	238	0
Total revenue	4,335	4,567
EBITDA (1) before non-recurring items	1,711	1,646
EBITDA (1)	1,949	1,646
Depreciation and amortization	-530	-599
Operating income (EBIT)	1,419	1,048
Net finance revenue	55	63
Income before taxes	1,474	1,111
Tax expense	-362	-299
Minority interests	107	110
Net income (Group share)	1,004	702

<b>Cash Flow and Capital Expenditures (EUR million)</b>	<b>Nine months ended 30 September</b>	
	<b>2005</b>	<b>2006</b>
Cash flows from operating activities	1,385	1,167
Capital expenditures	-462	-444
Cash flows from / (used in) other investing activities	381	-367
Free cash flow (2)	1,304	355
Cash flows used in financing activities	-941	-693
Net increase / (decrease) of cash and cash equivalents	363	-338

<b>Balance sheet (EUR million)</b>	<b>As of 30 September</b>	
	<b>2005</b>	<b>2006</b>
Balance sheet total	5,528	6,080
Non-current assets	3,621	4,006
Investments, cash and cash equivalents	774	551
Shareholders' equity	2,206	2,265
Minority interests	338	487
Liabilities for pensions, other post-employment benefits and termination benefits	671	918
Net financial position	264	187

<b>Data per share</b>	<b>Nine months ended 30 September</b>	
	<b>2005</b>	<b>2006</b>
Basic earnings per share (EUR)	2.89	2.06
Diluted earnings per share (EUR)	2.89	2.06
Weighted average number of ordinary shares	347,095,082	340,189,788

<b>Data on employees</b>	<b>Nine months ended 30 September</b>	
	<b>2005</b>	<b>2006</b>
Number of employees (full-time equivalents) (3)	16,283	18,138
Average number of employees over the period	16,409	18,148
Total revenue before non-recurring items per employee (EUR)	249,686	251,649
Total revenue per employee (EUR)	264,211	251,649
EBITDA (1) before non-recurring items per employee (EUR)	104,255	90,720
EBITDA (1) per employee (EUR)	118,779	90,720

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.

(2) Cash flow before financing activities.

(3) 2006: Including 2,724 Telindus employees

# Financial report

## Belgacom Group

### Revenue

Total revenue per business segment (EUR million)	Nine months ended 30 September				
	2005		2006		Variance
Fixed Line Services	2,222	54.2%	2,704	59.2%	21.7%
Mobile Communications Services	1,638	40.0%	1,616	35.4%	-1.3%
International Carrier Services	533	13.0%	548	12.0%	2.8%
Inter-segment eliminations	-296	-7.2%	-302	-6.6%	1.8%
<b>Total</b>	<b>4,097</b>	<b>100.0%</b>	<b>4,567</b>	<b>100.0%</b>	<b>11.5%</b>
Non-recurring revenue	238		0		
<b>Total</b>	<b>4,335</b>		<b>4,567</b>		<b>5.3%</b>

Over the first three quarters, the total revenue of the Belgacom Group increased 5.3% to EUR 4,567 million. Excluding non-recurring revenue, and adjusted for the contribution of entities disposed of in 2005 and new entities acquired in 2006, the Belgacom Group revenue decreased 0.8% (EUR 33 million) to EUR 4,055 million.

### Operating income before depreciation and amortization (EBITDA)

EBITDA per business segment (EUR million)	Nine months ended 30 September				
	2005		2006		Variance
Fixed Line Services	891	52.1%	836	50.8%	-6.2%
Mobile Communications Services	796	46.6%	787	47.8%	-1.1%
International Carrier Services	24	1.4%	23	1.4%	-1.1%
<b>Total</b>	<b>1,711</b>	<b>100.0%</b>	<b>1,646</b>	<b>100.0%</b>	<b>-3.8%</b>
Non-recurring revenue	238		0		
<b>Total</b>	<b>1,949</b>		<b>1,646</b>		<b>-15.5%</b>

The Group EBITDA decreased 15.5% to EUR 1,646 million. However, excluding non-recurring items and adjusted for the contribution of disposed or new entities, the Group EBITDA decreased 4.7% (EUR 80 million) to EUR 1,625 million.

### Depreciation and amortization

The 13% increase of depreciation and amortization expenses during the first nine months of 2006 to EUR 599 million was mainly due to the acquisition of the Telindus Group and the amortization of football and broadcasting rights for Belgacom TV acquired in July 2005.

### Net finance revenue

The net finance revenue increased 16% with the sale of the participating interest in Neuf Cegetel during the third quarter of 2006, resulting in a capital gain of EUR 67 million.

### Tax expense

The increase of the effective tax rate from 24.6% end September 2005 to 26.9% end September 2006 was due to the non-taxation of the significant gains realized in 2005 on the disposal of consolidated and not consolidated entities.

## Net income (Group Share)

The Group net income decreased to EUR 702 million. The year-over-year decrease was mainly a result of the gains on the disposal of consolidated entities in 2005 and higher depreciation and amortization expenses during 2006.

## Capital expenditure

Capital expenditures per business segment (EUR million)	Nine months ended 30 September				Variance
	2005		2006		
Fixed Line Services	327	70.8%	296	66.7%	-9.5%
Mobile Communications Services	131	28.4%	141	31.7%	7.2%
International Carrier Services (1)	10	2.1%	7	1.6%	-27.0%
Inter-segment eliminations (1)	-6	-1.3%	0	0.0%	-100.0%
<b>Total</b>	<b>462</b>	<b>100%</b>	<b>444</b>	<b>100%</b>	<b>-3.9%</b>

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

Over the first nine months, capital expenditures of **Fixed Line Services** decreased 9.5% or EUR 31 million compared to the same period last year. 2005 was highly impacted by the acquisition of Belgacom TV broadcasting rights including Belgian soccer rights. The 2006 capital expenditures include a EUR 71 million investment related to Belgacom TV and a EUR 25 million capital expenditures of Telindus.

**Mobile Communications Services** capital expenditures grew by EUR 10 million or 7.2% in 2006, mainly driven by the increase of 3G-related investments (a total investment of EUR 59.5 million end September 2006).

The capital expenditures of **International Carrier Services** decreased year-over-year by EUR 2.7 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 million, capital expenditures increased EUR 3.5 million to EUR 7 million, mainly driven by new network investments.

## Cash flow

In the nine months ended 30 September 2006, other investing activities generated significant cash outflows, mainly due to the acquisition of the Telindus Group, which was not offset by the EUR 187 million cash received following the disposal of Neuf Cegetel shares at a preliminary price of EUR 17 per share.

During the same period in 2005, however, Belgacom generated significant cash inflows following the disposal of consolidated and non-consolidated interests.

Financing activities used significantly less cash in the first nine months of 2006 than in the same period last year since 2005 included minority interests, the payment of a EUR 194 million extraordinary dividend on top of the normal dividend, and the completed EUR 300 million share buyback.

## Balance sheet and shareholders' equity

The acquisition of the Telindus Group had a significant impact on the balance sheet of the Group for 2006 (see chapter on the Telindus acquisition). Other events which had a significant impact on the balance sheet of the Group for 2006 were the disposal of Belgacom's 5.8% stake in Neuf Cegetel in the third quarter of 2006 and the share buyback approved by the Board of Directors on 25 August 2006 for a maximum amount of EUR 200 million. The share buyback

started on 28 August 2006, and by 30 September 2006, Belgacom had acquired treasury shares for EUR 142 million.

The shareholders' equity as of 30 September 2006 shows a slight increase compared with 31 December 2005<sup>1</sup>, due to a higher net income for the period than the payment of dividends to Belgacom shareholders on the 2005 results and the above-mentioned share buyback. During the nine months ended 30 September 2006, Belgacom employees exercised 33,122 stock options with a strike price of EUR 24.50, bought 138,549 treasury shares under a discounted share purchase plan offering a discount of 16.67%, and received 608,928 stock options.

## **Headcount**

At the end of September 2006, the Belgacom Group's total headcount was 18,138 FTEs, an increase of 1,855 FTEs compared with the same period in 2005. This was mainly due to the acquisition of the Telindus Group which contributed 2,724 FTEs, more than offsetting headcount reductions following restructuring programs (-551 FTEs) and natural attrition.

## **Outlook**

The first 9 months of the year, FLS continued to compete and to answer the customers needs. These efforts proved to be worthwhile and therefore we believe that FLS will do slightly better than initially expected. We believe the revenue decline for our core business could be limited to 2% with a fairly stable EBITDA margin.

For Belgacom TV, we target over 100,000 customers by the end of 2006 with an estimated ARPU of EUR 13.

This will have a negative EBITDA impact of about EUR 30 to 40 million.

MCS continues to face intense competition and regulatory pressure which will have an impact on revenues and margin. MCS has however managed to defend itself and expects to end the year better than was foreseen at first. The total revenue decrease will probably be around 2% and the EBITDA margin will be close to 47%.

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<sup>1</sup> See chapter 'Interim Financial Statements'

## Fixed Line Services (FLS)

### Segment revenue

During the first nine months of 2006, the total FLS revenue before non-recurring items grew by 21.7% or EUR 482 million, compared with the same period last year.

The decline of FLS core business revenue (excluding revenue generated by disposed companies, Telindus and Belgacom TV) was limited to -1.4%. The drop in revenue from traditional voice business was partly offset by the revenue growth in Internet and National Wholesale.

The Telindus Group, consolidated from 1 January 2006 onwards, contributed EUR 512 million (43% from services and 57% from products) to the total FLS revenue.

### Segment operating income before depreciation and amortization (EBITDA)

The FLS EBITDA before non-recurring items for the first nine months was EUR 836 million, a decline of 6.2% compared with the same period last year.

The overall EBITDA margin for FLS amounted to 30.9%, impacted by both Belgacom TV and Telindus.

The FLS core EBITDA (excluding Telindus, disposed companies and Belgacom TV) showed a decline of 5.7%, mainly driven by the traditional voice revenue decrease and the product mix change generating higher charges to revenue. However, savings in HR expenses (-6%) resulting from a lower headcount partly offset increasing costs. The core EBITDA margin remained fairly stable at 38.6%

The EBITDA of Telindus Group was EUR 22 million with an EBITDA margin of 4.2%.

Belgacom TV, being a new business, had a dilutive EBITDA effect of EUR 29 million in the first nine months of 2006.

### Segment operating income (EBIT)

At the end of September 2006, FLS EBIT amounted to EUR 412 million, a decrease of EUR 118 million compared to 2005 excluding the effect of the non-recurring revenue recorded in the first half of 2005, driven by a declining EBITDA and higher depreciation and amortization cost. This increase of depreciation and amortization was mainly driven by the Telindus Group and the amortization of football and other broadcasting rights (Belgacom TV) acquired in July 2005.



## Fixed Line Services

(EUR million)	Nine months ended 30 September		
	2005	2006	Variance
<b>TOTAL SEGMENT REVENUE</b>	<b>2,222</b>	<b>2,704</b>	<b>21.7%</b>
Costs of materials and charges to revenue	-425	-770	81.1%
Personnel expenses and pensions	-608	-701	15.5%
Other operating expenses	-298	-396	33.0%
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-1,331</b>	<b>-1,868</b>	<b>40.4%</b>
<b>TOTAL SEGMENT RESULT (1)</b>	<b>891</b>	<b>836</b>	<b>-6.2%</b>
Segment result margin	40.1%	30.9%	-9.2 pp
Non-recurring revenue	238	0	
OPERATING INCOME before depreciation & amortization	1,130	836	
Depreciation and amortization	-361	-424	
<b>OPERATING INCOME</b>	<b>769</b>	<b>412</b>	

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

(EUR million)	Nine months ended 30 September			
	FLS Core	Belgacom TV	Telindus	FLS Total
Total Revenue	2,182	10	512	2,704
Operating Expenses before depreciation and amortization	-1,339	-39	-491	-1,868
EBITDA	843	-29	22	836
EBITDA margin	38.6%	-	4.2%	30.9%

## Segment revenue detail

EUR million	Nine months ended 30 September			
	2005	2006	Variance %	Variance
<b>FLS Core</b>	<b>2,214</b>	<b>2,182</b>	<b>-1.4%</b>	<b>-32</b>
Voice Access	589	557	-5.4%	-32
Voice Traffic	543	496	-8.7%	-47
Internet	320	344	7.6%	24
Data	158	156	-1.7%	-3
Terminals	120	113	-5.9%	-7
Other retail <sup>1</sup>	192	171	-10.6%	-20
National Wholesale	282	337	19.4%	55
Others	9	8	-14.6%	-1
<b>Disposed companies</b>	<b>8</b>	<b>0</b>	<b>-</b>	<b>-8</b>
<b>Telindus</b>	<b>0</b>	<b>512</b>	<b>-</b>	<b>512</b>
<b>Belgacom TV</b>	<b>1</b>	<b>10</b>	<b>-</b>	<b>9</b>
<b>Total revenue before non-recurring items<sup>2</sup></b>	<b>2,222</b>	<b>2,704</b>	<b>21.7%</b>	<b>482</b>

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

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

Competitive pressure and substitution were the main causes of the **voice access and traffic** revenue decline of 7.0%.

After nine months, in 2006, traffic market share on the Belgacom network was up 3.7 p.p. compared with an increase of 2.2 p.p. over the same period in 2005.

The decline in FLS voice access equivalent lines remained lower than last year (-125,805 equivalent lines compared to -130,205 in the first nine months of 2005). During the third quarter, however, FLS saw a loss of 40,498 equivalent lines, compared with a loss of 34,936 during the third quarter of 2005.

Voice Access ARPU decreased 1.6% year-over-year to EUR 14.3, driven by periodical customer promotional offers and changes in the product mix. Traffic Voice ARPU declined 5.1% due to new rate plans.

**Internet** revenues' 7.6% year-over-year improvement was mainly driven by the 17% growth in retail Broadband lines. On the other hand, over the same period, ADSL ARPU decreased almost 5% due to changes in the product mix (higher proportion of time-based and light ADSL lines) and promotional offers granted in the course of 2006.

Within the **Data** products category, Network Integration Services showed a 20.8% growth, almost offsetting the decline of national leased line revenues driven by substitution to DSL-solutions.

**Other retail** revenue decreased 10.6%, partly driven by lower e-ID (Certipost) related revenue but also by the revenue decline in the paging and satellite activities.

Revenue of **National Wholesale** grew 19.4%, thanks to increased national transit traffic to mobile operators as well as increased carrier broadband lines.

At the end of September 2006, **Belgacom TV** had 102,971 customers. The net ARPU for the first nine months of 2006 amounted to EUR 11.6. The ARPU for the third quarter (EUR 12.39) shows an improvement on the previous quarter thanks to new products such as TV on demand and channel packages.

## Fixed Line Services Operationals (retail)

	<b>Nine months ended 30 September</b>		
	<b>2005</b>	<b>2006</b>	<b>Variance</b>
<b>Number of access channels (thousands)</b>			
<i>Residential</i>			
PSTN	3,073	2,951	-4.0%
ISDN	372	363	-2.5%
ADSL, VDSL	813	948	16.6%
<b>Total</b>	<b>4,258</b>	<b>4,262</b>	<b>0.1%</b>
<i>Business</i>			
PSTN	259	249	-3.8%
ISDN	589	585	-0.8%
ADSL, VDSL	119	138	15.9%
<b>Total</b>	<b>967</b>	<b>972</b>	<b>0.4%</b>
<b>Traffic (millions of minutes)</b>			
<i>Residential</i>			
National	3,591	3,992	11.2%
Fixed to Mobile	601	588	-2.2%
International	263	259	-1.3%
<b>Total</b>	<b>4,454</b>	<b>4,839</b>	<b>8.6%</b>
<i>Business</i>			
National	1,490	1,359	-8.8%
Fixed to Mobile	380	363	-4.5%
International	302	278	-8.1%
<b>Total</b>	<b>2,172</b>	<b>2,000</b>	<b>-7.9%</b>
<b>ARPU (EUR)</b>			
ARPU Voice Access <sup>1</sup>	14.5	14.3	-1.6%
ARPU Voice Traffic <sup>2</sup>	13.6	12.9	-5.1%
ARPU ADSL Residential <sup>3</sup>	33.2	31.6	-4.8%
Net ARPU Belgacom TV <sup>4</sup>	-	11.6	-

- (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.

# Mobile Communications Services (MCS)

## Segment revenue

Over the first nine months of 2006, the MCS revenue decreased 1.3% to EUR 1,616 million compared with last year.

Service revenue slightly decreased 0.8% year-over-year, as the 2.2% decline in traditional voice services was partly offset by a 6.8% revenue growth from data services. The Voice revenue evolution was driven by the success of new, cheaper bundled pricing offers (such as 'Smile' and Business & SME packages), while the increase of data revenues was mainly due to a strong growth in advanced data services (+25%) such as mobile office applications.

Net Service revenue declined 1.7%, driven by the impact of credits and discounts granted over the first three quarters under the market share leadership program.

Revenue from handsets sales grew 3.8%, driven by a higher proportion of 3G handsets, having a higher average price.

Despite the fierce competition, Proximus increased its customer base year-over-year to 4.241 million end September 2006, while maintaining the churn at the outstanding level (15.8% end September 2006, down 0.9 p.p. compared with last year) and further improving the quality of the customer portfolio, with 45% of the total customer base being postpaid.

Proximus' blended ARPU decreased 1.2% due to the success of new rate plans, especially the Smile, Business and SME packages within the postpaid segment.

Blended Net ARPU declined 2.2%, driven by the impact of credits and discounts granted in light of the market leadership program.

## Segment operating income before depreciation and amortization (EBITDA)

With EUR 787 million, the EBITDA over the first nine months decreased 1.1% compared with the same period in 2005, while the EBITDA margin remained high at 48.7%.

Other Operating Expenses decreased 3.6% due to a strict cost discipline imposed by the operational excellence program. On the other hand, charges to revenue decreased 0.6%, driven by lower roaming-out costs partly offset by interconnection and leased lines costs.

## Segment operating income (EBIT)

Over the first three quarters, the MCS EBIT decreased 1.9% to EUR 627 million as a result of the EBITDA decrease and slightly higher depreciation and amortization costs.

## Mobile Communications Services

(EUR million)	Nine months ended 30 September		
	2005	2006	Variance
<b>TOTAL SEGMENT REVENUE</b>	<b>1,638</b>	<b>1,616</b>	<b>-1.3%</b>
Costs of materials and charges to revenue	-516	-512	-0.6%
Personnel expenses and pensions	-110	-108	-1.7%
Other operating expenses	-216	-209	-3.6%
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-842</b>	<b>-829</b>	<b>-1.5%</b>
<b>TOTAL SEGMENT RESULT (1)</b>	<b>796</b>	<b>787</b>	<b>-1.1%</b>
<i>Segment result margin</i>	<i>48.6%</i>	<i>48.7%</i>	<i>0.1 pp</i>
Depreciation and amortization	-157	-160	1.9%
<b>OPERATING INCOME</b>	<b>639</b>	<b>627</b>	<b>-1.9%</b>

(1) Operating income before depreciation and amortization

## Segment revenue detail

EUR million	Nine months ended 30 September			
	2005	2006	Variance %	Variance
Voice services (1)	1,389	1,358	-2.2%	-31
Data services (1)	272	291	6.8%	19
<b>Total Service revenue</b>	<b>1,661</b>	<b>1,649</b>	<b>-0.8%</b>	<b>-13</b>
Credits and discounts	-97	-111	-14.3%	-14
<b>Net Service revenue</b>	<b>1,564</b>	<b>1,537</b>	<b>-1.7%</b>	<b>-26</b>
Handsets	61	64	3.8%	2
Other revenue	13	15	15.7%	2
<b>Total revenue</b>	<b>1,638</b>	<b>1,616</b>	<b>-1.3%</b>	<b>-22</b>

(1) Including roaming-in

## Mobile Communication Services Operationals

	Nine months ended 30 September		Variance
	2005	2006	
Number of active customers <sup>(1)</sup> (in thousands)	4,228	4,241	0.3%
Prepaid	2,485	2,346	-5.6%
Postpaid	1,742	1,894	8.7%
Active customers as a percentage of total customers <sup>(2)</sup>	97.8%	98.0%	0.2 pp
Annualized churn rate <sup>3)</sup> (blended - variance in pp)	16.8%	15.8%	-0.9 pp
ARPU <sup>(4)</sup> (in EUR)			
Prepaid	20.2	19.5	-3.8%
Postpaid	72.5	69.6	-4.0%
Blended	41.6	41.1	-1.2%
Blended voice	34.6	33.8	-2.5%
Blended data	6.9	7.3	5.2%
Net ARPU <sup>(5)</sup> (in EUR)			
Prepaid	18.1	17.8	-1.9%
Postpaid	69.2	65.0	-6.1%
Blended	39.0	38.1	-2.2%
Market share of active customers <sup>(6)</sup>			
Prepaid	46.0%	45.2%	-0.8 pp
Postpaid	52.5%	47.9%	-4.5 pp
Total	48.5%	46.4%	-2.1 pp
UoU <sup>(7)</sup> (units)	213.6	213.2	-0.2%
MoU <sup>(8)</sup> (min)	165.9	163.2	-1.6%
SMS <sup>(9)</sup> (units)	47.7	50.0	4.9%

<sup>(1)</sup> 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.

<sup>(2)</sup> Percentage based on total number of Belgacom Mobile SIM cards in circulation.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> Net ARPU is equal to ARPU minus credits and discounts.

<sup>(6)</sup> 2006 figures are Belgacom Mobile estimates

<sup>(7)</sup> UoU (Units of Use): voice minutes of use + SMS (where 1 SMS equals 1 minute) per active customer per month

<sup>(8)</sup> MoU (Minutes of Use): duration of all calls from or to Proximus, per active customer and per month

<sup>(9)</sup> SMS: number of SMS per active customer per month.

# International Carrier Services (ICS)<sup>2</sup>

## Segment revenue

ICS revenue increased 2.8% during the first nine months of 2006 compared to the same period in the previous year.

The Voice revenue increase was mainly caused by 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.

In July 2005, ICS non-voice revenue included a gain (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. Excluding this effect, the non-voice revenue increased by 38%, mainly driven by mobile data revenues which have more than doubled (mainly signaling products and SMS).

## Segment operating income before depreciation and amortization (EBITDA)

At the end of September 2006, ICS EBITDA was EUR 23 million, a slight decrease compared with the previous year, which was, however, favorably impacted by settlements with foreign operators and a EUR 3.8 million gain. When this is excluded, ICS EBITDA shows an increase, thanks to the additional business from the Swiss partner and the outsourcing deal with the MTN Group.

## Segment operating income (EBIT)

ICS EBIT is approaching EUR 8 million, a decrease of EUR 2 million compared to 2005. On top of the EBITDA variance, depreciation and amortization costs are higher due to the reduction of the useful life of some network assets to reflect new technology investments. ICS has started replacing assets in order to add transmission capacity, improve reliability and generate future savings in operating expenses.

(EUR million)	Nine months ended 30 September		
	2005	2006	Variance
<b>TOTAL SEGMENT REVENUE</b>	<b>533</b>	<b>548</b>	<b>2.8%</b>
Costs of materials and charges to revenue	-462	-479	3.5%
Personnel expenses and pensions	-15	-15	3.3%
Other operating expenses	-33	-31	-4.5%
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-510</b>	<b>-525</b>	<b>3.0%</b>
<b>TOTAL SEGMENT RESULT (1)</b>	<b>24</b>	<b>23</b>	<b>-1.1%</b>
<i>Segment result margin</i>	<i>4.4%</i>	<i>4.2%</i>	<i>-0.2 pp</i>
Depreciation and amortization	-13	-15	16.5%
<b>OPERATING INCOME</b>	<b>10</b>	<b>8</b>	<b>-23.5%</b>

(1) Operating income before depreciation and amortization

<sup>2</sup> The year-over-year comparison of ICS results is affected by the contribution of Swisscom Fixnet AG's international carrier activities to Belgacom International Carrier Services SA (BICS), in exchange for a 28% ownership and joint control with the Belgacom Group, effective on 1 July 2005. Revenues and expenses of the ICS segment were proportionally consolidated at 72% from that date.

## Segment revenue detail

### International Carrier Services

EUR million	Nine months ended 30 September		
	2005	2006	Variance
Voice	506	517	2.1%
Non Voice	27	32	16.5%
<b>Total revenues</b>	<b>533</b>	<b>548</b>	<b>2.8%</b>

### Operational

in billion of minutes	Nine months ended 30 September		
	2005	2006 (1)	Variance
<b>TOTAL</b>	<b>6.65</b>	<b>8.97</b>	<b>34.9%</b>
Total to fixed destination	3.35	4.52	34.9%
Total to mobile destination	3.30	4.45	34.9%

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



## **Acquisition of Telindus**

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, of which EUR 601 million was paid to shareholders and warrant holders and EUR 4 million were costs directly attributable to the acquisition. 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 acquisition date, has been determined provisionally for these interim financial statements and amounts to EUR 447 million for non-current assets, EUR 318 million for current assets, EUR 8 million for minority interests, EUR 37 million for non-current liabilities, and EUR 263 million for current liabilities. Consequently, such provisional initial accounting led to the recognition of a goodwill of EUR 148 million in these interim financial statements. The Group has not identified intangible assets that cannot be individually separated and reliably measured due to their nature and should therefore be included in the goodwill. The goodwill mainly includes 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 512 million to the total revenue and EUR 22 million to the operating income before depreciation and amortization.

# Interim financial statements

Interim condensed consolidated financial statements.

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

The interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted for use in the European Union, and 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 also adopted the new standards, interpretations, revisions and improvements that are mandatory for the Belgacom Group from 1 January 2006.

During the first nine months of 2006, besides the acquisition of all shares and warrants of the Telindus Group, the Belgacom Group did not acquire or dispose of any significant subsidiary, joint venture or associated company.

# Consolidated income statements

( EUR million)	Three months ended 30 September		Nine months ended 30 September	
	2005	2006	2005	2006
Net revenue	1,363	1,519	4,035	4,509
Other operating revenue	25	16	63	58
Non-recurring revenue	0	0	238	0
<b>TOTAL REVENUE</b>	<b>1,388</b>	<b>1,535</b>	<b>4,335</b>	<b>4,567</b>
Costs of materials and charges to revenue	-423	-517	-1,146	-1,492
Personnel expenses and pensions	-232	-278	-732	-824
Other operating expenses	-175	-204	-509	-604
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-831</b>	<b>-999</b>	<b>-2,386</b>	<b>-2,921</b>
<b>OPERATING INCOME before depreciation &amp; amortization</b>	<b>557</b>	<b>536</b>	<b>1,949</b>	<b>1,646</b>
Depreciation and amortization	-189	-200	-530	-599
<b>OPERATING INCOME</b>	<b>369</b>	<b>337</b>	<b>1,419</b>	<b>1,048</b>
Finance revenue	5	69	78	93
Finance costs	-5	-9	-23	-30
<b>Net finance revenue / (costs)</b>	<b>0</b>	<b>60</b>	<b>55</b>	<b>63</b>
<b>INCOME BEFORE TAXES</b>	<b>369</b>	<b>396</b>	<b>1,474</b>	<b>1,111</b>
Tax expense	-112	-91	-362	-299
<b>NET INCOME</b>	<b>257</b>	<b>305</b>	<b>1,112</b>	<b>812</b>
Minority interests	33	37	107	110
Net income (Group share)	224	268	1,004	702
Basic earnings per share	0.85 EUR	0.79 EUR	2.89 EUR	2.06 EUR
Diluted earnings per share	0.85 EUR	0.79 EUR	2.89 EUR	2.06 EUR
Weighted average number of ordinary shares	341,297,775	339,697,546	347,095,082	340,189,788
Weighted average number of ordinary shares for diluted earnings per share	341,430,094	339,831,253	347,294,252	340,276,374

# Consolidated balance sheet

(EUR million)	As of 30 September 2005	As of 31 December 2005	As of 30 September 2006
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>	<b>3,621</b>	<b>3,808</b>	<b>4,006</b>
Goodwill	1	0	233
Intangible assets with finite useful life	586	602	612
Property, plant and equipment	2,478	2,497	2,490
Other participating interests	133	198	266
Deferred income tax assets	348	440	356
Pension assets	5	5	5
Other non-current assets	69	65	43
<b>CURRENT ASSETS</b>	<b>1,907</b>	<b>2,022</b>	<b>2,074</b>
Inventories	57	61	97
Trade receivables	915	947	1,226
Current income tax assets	67	67	94
Other current assets	94	64	106
Investments	86	86	91
Cash and cash equivalents	688	798	460
<b>TOTAL ASSETS</b>	<b>5,528</b>	<b>5,831</b>	<b>6,080</b>
<b>LIABILITIES AND EQUITY</b>			
<b>EQUITY</b>	<b>2,544</b>	<b>2,591</b>	<b>2,752</b>
<b>Shareholders' equity</b>	<b>2,206</b>	<b>2,221</b>	<b>2,265</b>
Issued capital	1,000	1,000	1,000
Treasury shares	-564	-564	-701
Restricted reserve	100	100	100
Remeasurement to fair value	7	68	62
Stock compensation	3	4	5
Retained earnings	1,659	1,614	1,799
<b>Minority interests</b>	<b>338</b>	<b>370</b>	<b>487</b>
<b>NON-CURRENT LIABILITIES</b>	<b>1,214</b>	<b>1,542</b>	<b>1,462</b>
Interest-bearing liabilities	305	296	295
Liability for pensions, other post-employment benefits and termination benefits	671	1,010	918
Provisions	196	193	204
Deferred income tax liabilities	41	42	41
Other non-current payables	1	1	5
<b>CURRENT LIABILITIES</b>	<b>1,770</b>	<b>1,698</b>	<b>1,866</b>
Interest-bearing liabilities	266	111	102
Trade payables	924	1,038	1,094
Income tax payables	137	202	130
Other current payables	443	347	540
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,528</b>	<b>5,831</b>	<b>6,080</b>

# Consolidated cash flow statements

(EUR million)	Nine months ended 30 September	
	2005	2006
<b>Cash flow from operating activities</b>		
Net income	1,004	702
<b>Adjustments for:</b>		
Minority interests	107	110
Depreciation and amortization on intangible assets and property, plant and equipment	530	599
Increase of impairment on intangible assets and property, plant and equipment	2	5
Increase of provisions	10	21
Deferred tax expense	129	74
Fair value adjustments on financial instruments	7	-8
Gain on disposal of consolidated companies	-246	0
Gain on disposal of other participating interests and enterprises accounted for using the equity method	-61	-70
Gain on disposal of property, plant and equipment	-10	-11
Other non-cash movements	2	2
<b>Operating cash flow before working capital changes</b>	<b>1,474</b>	<b>1,423</b>
Increase in inventories	-6	-1
Increase in trade receivables	-138	-43
Increase in current income tax assets	-17	-23
Increase in other current assets	-44	-20
Increase / (decrease) in trade payables	222	-62
Decrease in income tax payables	-83	-74
Increase in other current payables	74	76
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-89	-97
Decrease in other non-current payables and provisions	-8	-12
<b>Decrease in working capital, net of acquisitions and disposals of subsidiaries</b>	<b>-89</b>	<b>-257</b>
<b>Net cash flow provided by operating activities</b>	<b>1,385</b>	<b>1,167</b>
<b>Cash flow from investing activities</b>		
Cash paid for acquisitions of intangible assets and property, plant and equipment	-462	-444
Cash paid for acquisitions of other participating interests	-9	-7
Cash paid for consolidated companies, net of cash acquired	0	-586
Dividends received from non-consolidated companies	0	7
Cash received from sales of consolidated companies, net of cash disposed of	234	0
Cash received from sales of intangible assets and property, plant and equipment	22	22
Cash received from sales of other participating interests and enterprises accounted for using the equity method and from other non-current assets	134	196
<b>Net cash (used in) / provided by investing activities</b>	<b>-81</b>	<b>-811</b>
<b>Cash flow before financing activities</b>	<b>1,304</b>	<b>355</b>
<b>Cash flow from financing activities</b>		
Dividends paid to shareholders	-679	-517
Dividends paid to minority interests	-176	0
Net disposal / (acquisition) of treasury shares	-292	-137
Sale / (purchase) of investments	-3	-4
Increase of equity	1	0
Repayment of long term debt	-25	-2
Issuance / (repayment) of short term debt	234	-34
<b>Net cash used in financing activities</b>	<b>-941</b>	<b>-693</b>
<b>Net increase / (decrease) of cash and cash equivalents</b>	<b>363</b>	<b>-338</b>
Cash and cash equivalents at the beginning of the period	325	798
Cash and cash equivalents at the end of the period	688	460

# Consolidated statements of changes in equity

	Issued capital	Treasury shares	Restricted reserve	Remeasurement to fair value	Foreign currency translation	Stock Compensation	Retained Earnings	Shareholders' Equity	Minority interests	Total Equity
(in EUR million)										
<b>Balance at 31 December 2004</b>	<b>1,000</b>	<b>-271</b>	<b>100</b>	<b>59</b>	<b>0</b>	<b>2</b>	<b>1,332</b>	<b>2,223</b>	<b>407</b>	<b>2,630</b>
<i>Fair value changes in available-for-sale investments</i>	0	0	0	-52	0	0	0	-52	0	-52
Equity changes not recognised in the income statement	0	0	0	-52	0	0	0	-52	0	-52
Net income	0	0	0	0	0	0	1,004	1,004	107	1,111
<b>Total recognised income and expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-52</b>	<b>0</b>	<b>0</b>	<b>1,004</b>	<b>952</b>	<b>107</b>	<b>1,059</b>
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
<b>Total transactions with equity holders</b>	<b>0</b>	<b>-292</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>-677</b>	<b>-969</b>	<b>-176</b>	<b>-1,145</b>
<b>Balance at 30 September 2005</b>	<b>1,000</b>	<b>-564</b>	<b>100</b>	<b>7</b>	<b>0</b>	<b>3</b>	<b>1,659</b>	<b>2,206</b>	<b>338</b>	<b>2,544</b>
<b>Balance at 31 December 2005</b>	<b>1,000</b>	<b>-564</b>	<b>100</b>	<b>68</b>	<b>0</b>	<b>4</b>	<b>1,614</b>	<b>2,221</b>	<b>370</b>	<b>2,591</b>
<i>Fair value changes in available-for-sale investments</i>	0	0	0	-5	0	0	0	-5	0	-5
Equity changes not recognised in the income statement	0	0	0	-5	0	0	0	-5	0	-5
Net income	0	0	0	0	0	0	702	702	110	812
<b>Total recognised income and expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5</b>	<b>0</b>	<b>0</b>	<b>702</b>	<b>697</b>	<b>110</b>	<b>807</b>
Dividends to shareholders (relating to 2005)	0	0	0	0	0	0	-517	-517	0	-517
Acquisition of minority interests	0	0	0	0	0	0	0	0	8	8
Treasury shares										
Exercise of stock options	0	1	0	0	0	0	0	1	0	1
Acquisition of treasury shares	0	-142	0	0	0	0	0	-142	0	-142
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	1	0	1	0	1
<b>Total transactions with equity holders</b>	<b>0</b>	<b>-137</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>-517</b>	<b>-653</b>	<b>8</b>	<b>-646</b>
<b>Balance at 30 September 2006</b>	<b>1,000</b>	<b>-701</b>	<b>100</b>	<b>62</b>	<b>0</b>	<b>5</b>	<b>1,799</b>	<b>2,265</b>	<b>487</b>	<b>2,752</b>

## Contingent liabilities

No changes occurred during the first nine 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 following complaints.

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, claims that various Belgacom pricing plans for business customers constitute an infringement 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 rule on the objections raised against the Belgacom pricing schemes in question.

On 19 January 2006, the Belgian Competition Authority performed a dawn raid of Belgacom Mobile’s premises based on a complaint by Base dated 7 October 2005, alleging abusive pricing on the professional market. Several documents were seized during this office search. Since then, the Competition Authority has requested Belgacom Mobile to submit information and documentation on its activities in the professional market. If the Competition Authority ultimately finds that Belgacom Mobile has abused its dominant position, according to European Law it may be subject to a maximum fine of up to 10% of its annual turnover.

## Subsequent events

### Share buyback

The share buyback, approved by the Board of Directors on 25 August 2006 for a maximum amount of EUR 200 million, 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 of 29.4869 per share.

After the completion of the share buyback, Belgacom’s ownership is as indicated in the table below.

#### Situation 12 October 2006

Belgacom ownership	shares	% of total shares	% Voting rights	% Dividend rights
Belgian State	180,887,569	50.0%	54.2%	52.5%
Belgacom own shares	27,983,321	7.7%	0.0%	3.1%
Free-Float	152,904,245	42.3%	45.8%	44.4%
<b>TOTAL</b>	<b>361,775,135</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### **Disposal of Neuf Cegetel shares**

The initial public offering of Neuf Cegetel on 25 October 2006 resulted in an increase of the selling price of Neuf Cegetel shares to SFR, as foreseen in an agreement concluded on 24 August 2006 between Belgacom and SFR. As a result, Belgacom has received an additional payment of EUR 50.4 million on 13 November 2006 which will increase the gain on disposal of other participating interests that has already been recognized in the consolidated income statement.

### **Interim dividends**

On 25 August, the Belgacom Board of Directors approved an interim dividend to the shareholders of EUR 100 million. As decided by the Board on 12 October 2006, this represents an interim gross dividend of EUR 0.29 per share, payable on 6 December 2006.

### **25% Stake in Proximus**

End October 2006, the Belgian competition authorities approved the acquisition of the remaining 25% of Proximus.

Belgacom SA plans to issue a EUR benchmark bond in order to refinance its EUR 1.8 billion Bridge Loan following the acquisition by Belgacom SA's of the 25% Proximus stake held by Vodafone. The transaction launch is subject to market conditions.



# Segment reporting

Nine months ended 30 September 2005

(EUR million)	FLS	MCS	ICS	Inter-segment eliminations	Total
Net revenue	2,061	1,501	473		4,035
Other operating revenue	45	13	4		63
Intersegment revenue	116	124	57	-296	0
<b>TOTAL SEGMENT REVENUE</b>	<b>2,222</b>	<b>1,638</b>	<b>533</b>	<b>-296</b>	<b>4,097</b>
Costs of materials and charges to revenue	-425	-516	-462	258	-1,146
Personnel expenses and pensions	-608	-110	-15	0	-732
Other operating expenses	-298	-216	-33	38	-509
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-1,331</b>	<b>-842</b>	<b>-510</b>	<b>296</b>	<b>-2,386</b>
<b>TOTAL SEGMENT RESULT (1)</b>	<b>891</b>	<b>796</b>	<b>24</b>	<b>0</b>	<b>1,711</b>
Non-recurring revenue	238	0	0	0	238
<b>OPERATING INCOME before depreciation &amp; amortization</b>	<b>1,130</b>	<b>796</b>	<b>24</b>	<b>0</b>	<b>1,949</b>
Depreciation and amortization	-361	-157	-13	0	-530
<b>OPERATING INCOME</b>	<b>769</b>	<b>639</b>	<b>10</b>	<b>0</b>	<b>1,419</b>
Finance gains (net)					55
Tax expense					-362
<b>NET INCOME</b>					<b>1,111</b>
Minority interests					107
Net income (Group share)					1,004

Nine months ended 30 September 2006

(EUR million)	FLS	MCS	ICS	Inter-segment eliminations	Total
Net revenue	2,509	1,493	507		4,509
Other operating revenue	42	15	1		58
Intersegment revenue	153	108	41	-302	0
<b>TOTAL SEGMENT REVENUE</b>	<b>2,704</b>	<b>1,616</b>	<b>548</b>	<b>-302</b>	<b>4,567</b>
Costs of materials and charges to revenue	-770	-512	-479	270	-1,492
Personnel expenses and pensions	-701	-108	-15	0	-824
Other operating expenses	-396	-209	-31	32	-604
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-1,868</b>	<b>-829</b>	<b>-525</b>	<b>301</b>	<b>-2,921</b>
<b>TOTAL SEGMENT RESULT (1)</b>	<b>836</b>	<b>787</b>	<b>23</b>	<b>0</b>	<b>1,646</b>
<b>OPERATING INCOME before depreciation &amp; amortization</b>	<b>836</b>	<b>787</b>	<b>23</b>	<b>0</b>	<b>1,646</b>
Depreciation and amortization	-424	-160	-15	0	-599
<b>OPERATING INCOME</b>	<b>412</b>	<b>627</b>	<b>8</b>	<b>0</b>	<b>1,048</b>
Finance gains (net)					63
Tax expense					-299
<b>NET INCOME</b>					<b>812</b>
Minority interests					110
Net income (Group share)					702

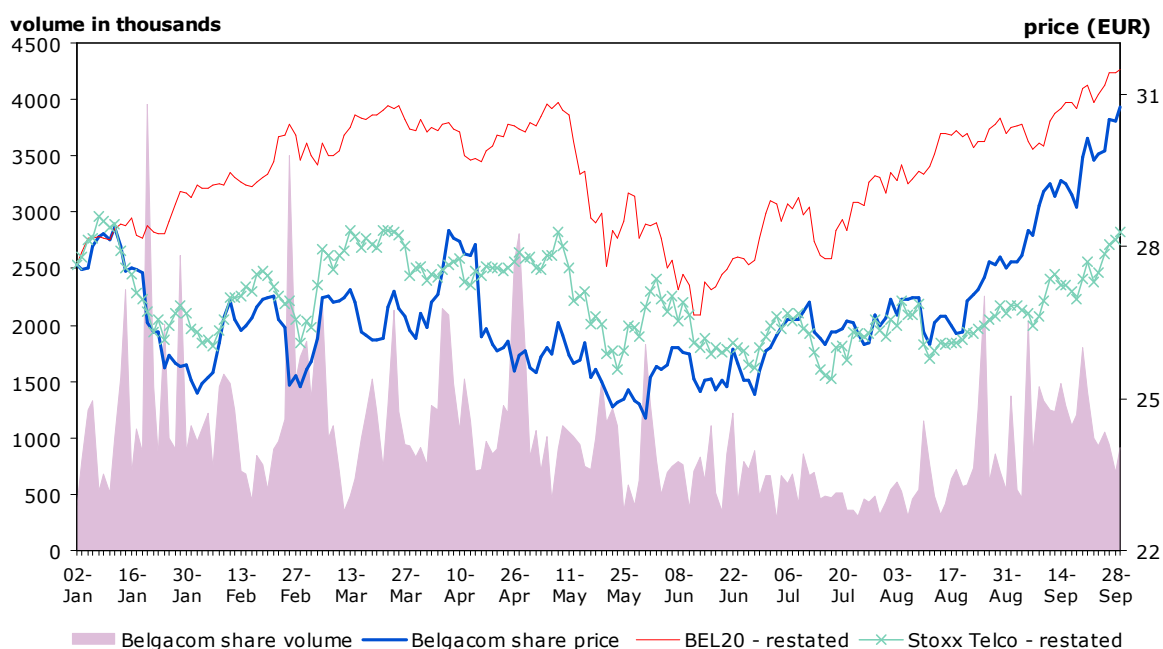
(1) Operating income before depreciation and amortization and before non-recurring revenue and expenses

# Shareholder information

## Belgacom shares on the stock market

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 evolution for the first nine months of 2006



The average daily trading volume in the first nine months of 2006 was 993,921 shares. The highest closing price was listed on the last trading day of the third quarter at EUR 30.74, which is 11.2% higher than EUR 27.64 listed on 2 January 2006.

## Treasury shares

On 25 August 2006, the Belgacom Board of Directors approved a share buyback for a maximum amount of EUR 200 million, within the limitations decided at the General Assembly of 13 April 2005. Therefore, the price paid for the shares could not be more than 5% above the highest closing price in the thirty-day trading period preceding the transaction, and no more than 10% below the lowest closing price in that same thirty-day period. The shares purchased in this share buyback program do not have dividend rights as long as they are in the possession of Belgacom.

By the end of September 2006, Belgacom had bought back 4,865,697 shares at an average trading price of EUR 29.1. Also, 22,386 options were exercised during the third quarter. This brings the total of treasury shares to 26,074,591 on 30 September 2006.

### Treasury shares evolution

#### Status 31 December 2005

Options exercised during the first six months	21,380,565
Discount Purchase Plan employees	-10,736

#### Status 30 June 2006

shares bought back in the third quarter	21,231,280
Options exercised during the third quarter	4,865,697

#### Status 30 September 2006

26,074,591

## Dividends

In addition to the share buyback of EUR 200 million, on 25 August 2006, the Board of Directors approved an **interim dividend** of EUR 100 million or EUR 0.29 gross per share. The payment date of the interim dividend is 6 December 2006.

Belgacom's dividend policy remains unchanged. The company intends to declare and distribute an annual dividend of 50% to 60% of its annual net income. This amount may be adjusted to reflect 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 proposed to 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 to pay dividends in any given year may be affected by a number of factors, including the Group's business prospects, cash requirements, financial performance, market conditions, the general economic climate, tax factors and other regulatory considerations.

## Ownership

### Situation 30 September 2006

Belgacom ownership	shares	% of total shares	% Voting rights	% Dividend rights
Belgian State	180,887,569	50.0%	53.9%	52.2%
Belgacom own shares	26,074,591	7.2%	0.0%	3.1%
Free-Float	154,812,975	42.8%	46.1%	44.7%
<b>TOTAL</b>	<b>361,775,135</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Timetable

10 November 2006	Belgacom investor & analyst day
6 December 2006	Payment of interim dividend
2 March 2007	Announcement of 2006 full-year results
26 March 2007	Publication Annual Report
11 April 2007	Annual General Meeting

# Quarterly overview

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

## FLS revenue

EUR million	Q1	Q2	Q3	Q4	2005	Q1	Q2	Q3	2006
	2005	2005	2005	2005		2006	2006	2006	
<b>FLS Core</b>	<b>750</b>	<b>741</b>	<b>723</b>	<b>737</b>	<b>2,951</b>	<b>728</b>	<b>741</b>	<b>712</b>	<b>2,182</b>
Voice Access	199	196	194	192	781	187	187	183	557
Voice Traffic	190	186	168	174	717	172	166	158	496
Internet	105	107	107	109	429	111	116	118	344
Data	52	53	53	57	215	53	54	48	156
Terminals	41	39	40	41	161	38	36	38	113
Other retail	65	61	65	52	244	53	66	52	171
National Wholesale	94	95	94	108	390	112	113	112	337
Others	3	4	2	5	15	3	3	3	8
<b>Disposed companies</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Telindus</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>179</b>	<b>160</b>	<b>173</b>	<b>512</b>
<b>Belgacom TV</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>10</b>
<b>Total revenue before non-recurring items</b>	<b>753</b>	<b>746</b>	<b>724</b>	<b>739</b>	<b>2,961</b>	<b>909</b>	<b>905</b>	<b>890</b>	<b>2,704</b>

## FLS operationals

	Q1 2005	Q2 2005	Q3 2005	Q4 2005	2005	Q1 2006	Q2 2006	Q3 2006	2006
<b>Number of access channels (thousands)</b>									
<i>Residential</i>									
PSTN	3,145	3,102	3,073	3,064	3,064	3,042	2,988	2,951	2,951
ISDN	375	374	372	370	370	368	366	363	363
ADSL, VDSL	759	785	813	852	852	895	922	948	948
<b>Total</b>	<b>4,279</b>	<b>4,261</b>	<b>4,258</b>	<b>4,287</b>	<b>4,287</b>	<b>4,305</b>	<b>4,276</b>	<b>4,262</b>	<b>4,262</b>
<i>Business</i>									
PSTN	263	261	259	254	254	252	250	249	249
ISDN	597	591	589	585	585	585	584	585	585
ADSL, VDSL	111	116	119	125	125	130	135	138	138
<b>Total</b>	<b>971</b>	<b>968</b>	<b>967</b>	<b>964</b>	<b>964</b>	<b>967</b>	<b>969</b>	<b>972</b>	<b>972</b>
<b>Traffic (millions of minutes)</b>									
<i>Residential</i>									
National	1,249	1,171	1,171	1,358	4,949	1,406	1,326	1,259	3,992
Fixed to Mobile	199	208	193	203	803	198	203	187	588
International	91	88	84	89	352	90	87	82	259
<b>Total</b>	<b>1,539</b>	<b>1,468</b>	<b>1,448</b>	<b>1,650</b>	<b>6,105</b>	<b>1,694</b>	<b>1,616</b>	<b>1,529</b>	<b>4,839</b>
<i>Business</i>									
National	531	510	449	476	1,966	492	454	414	1,359
Fixed to Mobile	130	132	119	125	505	127	123	113	363
International	104	105	93	94	397	98	93	87	278
<b>Total</b>	<b>765</b>	<b>747</b>	<b>661</b>	<b>695</b>	<b>2,868</b>	<b>717</b>	<b>670</b>	<b>614</b>	<b>2,000</b>
<b>ARPU (EUR)</b>									
ARPU Voice Access	14.6	14.5	14.5	14.5	14.5	14.2	14.3	14.2	14.3
ARPU Voice Traffic	14.2	13.9	12.7	13.3	13.5	13.3	13.0	12.5	12.9
ARPU ADSL Residential	33.3	33.4	32.7	31.9	32.7	30.7	31.8	31.8	31.6
ARPU Net Belgacom TV	-	-	n.r.	n.r.	n.r.	11.9	10.1	12.4	11.6

## MCS Revenues

EUR million	Quarter 1 2005	Quarter 2 2005	Quarter 3 2005	Quarter 4 2005	2005	Quarter 1 2006	Quarter 2 2006	Quarter 3 2006	2006
Voice services (1)	444	473	472	450	1,839	441	461	456	1,358
Data services (1)	85	91	96	92	364	92	96	103	291
<b>Total Service revenue</b>	<b>529</b>	<b>565</b>	<b>568</b>	<b>542</b>	<b>2,203</b>	<b>533</b>	<b>557</b>	<b>559</b>	<b>1,649</b>
Credits and discounts	-21	-34	-42	-29	-126	-33	-43	-35	-111
<b>Net Service revenue</b>	<b>508</b>	<b>530</b>	<b>525</b>	<b>513</b>	<b>2,077</b>	<b>500</b>	<b>514</b>	<b>523</b>	<b>1,537</b>
Handsets	18	20	23	26	87	22	23	18	64
Other revenue	4	4	5	4	17	4	5	6	15
<b>Total revenue</b>	<b>530</b>	<b>555</b>	<b>553</b>	<b>543</b>	<b>2,181</b>	<b>527</b>	<b>542</b>	<b>547</b>	<b>1,616</b>

(1) Including roaming-in

## MCS Operationals

	Q1 2005	Q2 2005	Q3 2005	Q4 2005	2005	Q1 2006	Q2 2006	Q3 2006	2006
Number of active customers (in thousands)	4,195	4,214	4,228	4,253	4,253	4,260	4,253	4,241	4,241
Prepaid	2,485	2,492	2,485	2,475	2,475	2,447	2,407	2,346	2,346
Postpaid	1,710	1,722	1,742	1,778	1,778	1,813	1,846	1,894	1,894
Active customers as a percentage of total customers	97.7%	97.8%	98.0%	98.2%	97.9%	98.2%	97.9%	97.9%	98.0%
Annualized churn rate (blended - variance in pp)	18.1%	16.1%	16.2%	16.2%	16.6%	15.6%	15.1%	16.7%	15.8%
ARPU (in EUR)									
Prepaid	19.3	20.3	21.1	19.1	19.9	18.3	20.2	20.0	19.5
Postpaid	69.1	74.8	73.5	70.3	71.9	69.3	69.7	69.7	69.6
Blended	39.6	42.5	42.5	40.3	41.2	39.8	41.5	41.9	41.1
Blended voice	33.1	35.5	35.3	33.4	34.3	32.9	34.3	34.1	33.8
Blended data	6.5	7.0	7.3	6.9	6.9	6.9	7.2	7.8	7.3
Net ARPU (in EUR)									
Prepaid	18.1	18.0	18.3	18.1	18.1	17.1	17.9	18.4	17.8
Postpaid	66.9	71.4	69.4	66.2	68.5	64.8	65.0	65.4	65.0
Blended	38.0	39.8	39.2	38.0	38.7	37.2	38.2	39.1	38.1
Market share of active customers									
Prepaid	45.9%	45.9%	46.0%	46.6%	46.6%	46.3%	46.0%	45.2%	45.2%
Postpaid	54.2%	53.3%	52.5%	51.1%	51.1%	50.1%	48.9%	47.9%	47.9%
Total	48.9%	48.7%	48.5%	48.4%	48.4%	47.9%	47.3%	46.4%	46.4%
UoU (units)	208.7	221.2	210.9	214.3	213.6	208.6	218.6	211.9	213.2
MoU (min)	162.6	172.7	162.3	165.6	165.8	160.6	169.1	160.3	163.2
SMS (units)	46.0	48.4	48.6	48.7	47.8	48.0	49.5	51.6	50.0

Remark on MCS operational results: Market share figures have been updated based on the final figures published by the competition, resulting in small changes of Q1 and Q2 market shares.

## ICS revenue

EUR million	Quarter 1 2005	Quarter 2 2005	Quarter 3 2005	Quarter 4 2005	2005	Quarter 1 2006	Quarter 2 2006	Quarter 3 2006	2006
Voice	151	169	186	169	675	163	167	187	517
Non Voice	7	6	14	10	38	9	10	12	32
<b>Total revenues</b>	<b>158</b>	<b>175</b>	<b>200</b>	<b>180</b>	<b>713</b>	<b>172</b>	<b>178</b>	<b>199</b>	<b>548</b>

## ICS operationals

in billion of minutes	Q1 2005	Q2 2005	Q3 2005	Q4 2005	2005	Q1 2006	Q2 2006	Q3 2006	2006
<b>TOTAL</b>	<b>1.72</b>	<b>1.86</b>	<b>3.07</b>	<b>2.93</b>	<b>9.57</b>	<b>2.87</b>	<b>2.92</b>	<b>3.18</b>	<b>8.97</b>
Total fixed	0.86	0.88	1.60	1.59	4.94	1.55	1.47	1.50	4.52
Total mobile	0.86	0.97	1.46	1.33	4.63	1.31	1.45	1.68	4.45

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

# General information

## Investor relations

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Brussels Register of Legal Entities

Brussels Trade Registry 587.163

Date of constitution – Legal form

The transformation of Belgacom into a “*société anonyme*” (limited liability company) under public law was implemented by the Royal Decree of 16 December 1994, which was published in the Official Gazette on 22 December 1994, and became effective that same day.