H1 interim report 2007

belgacom

Table of contents

Highlights

- Year-over-year, Belgacom's **Net Income** increased 30% to EUR 564 million.
- End of June 2007, Belgacom had a **Free Cash Flow** of EUR 607 million compared to EUR -50 million a year ago.
- **Belgacom Group revenue** increased slightly by 0.2% to EUR 3,039 million while the EBITDA decreased 2.8% to EUR 1,079 million.
- Year-over-year, the revenues from **Fixed Line Services** increased by 0.5% over the first six months of 2007 with an EBITDA margin of 31.5%.
- **Belgacom added 51,683 new TV subscribers in the first half of 2007.** Acquisition of Belgacom TV customers **accelerated considerably in the second quarter of 2007**, with 41,857 new customers. Belgacom exceeds expectations by bringing its total Belgacom TV customer base to 191.348 at the end of June.
- Year-over-year, the **Mobile Communications Services' revenue decline was limited** to 3.1% with an EBITDA margin of 46.5%. Excluding the impact of Mobile Termination Rate cuts, the revenue increased slightly by 0.2%.
- **Proximus** achieved a very **solid customer gain**, adding 104,388 new active customers in the first half of 2007 of which 69,564 in the second quarter. This brings the total number of active customers to 4,415,824 at the end of June 2007.
- **International Carrier Services**' revenue increased 3.3% while Operating expenses were kept flat, resulting in nearly twice the EBITDA as for the same period of 2006.

- Based upon the strong set of results for the first half of 2007, and taking into account the expected challenges that lay ahead for the remaining of the year, **Belgacom feels comfortable in upgrading its 2007 Full-Year guidance**.

  - **For its Fixed Line Services:**
    Belgacom expects that the 2007 full year **revenue decline will be around -1%** and that the full year **EBITDA margin will be fairly stable** compared to 2006.
    Related to **Belgacom TV**, Belgacom expects to **add new customers at a higher rate than in 2006**, with a Belgacom TV ARPU of EUR 15.

  - **For its Mobile Communications Services:**
    Proximus expects its total 2007 **revenue to decline around 4%** and its **EBITDA margin to be around 44%**.
    This includes the expected financial impact from a continued customer acquisition strategy as well as imposed regulatory requirements (cuts in Mobile Termination Rates, Wholesale and Retail Roaming rates).

Key figures

	Six months ended 30 June	
Income Statement (EUR million)	**2006**	**2007**
Total revenue	3,032	3,039
EBITDA (1)	1,110	1,079
Depreciation and amortization	-399	-384
Operating income (EBIT)	711	695
Net finance revenue	4	39
Income before taxes	715	734
Tax expense	-207	-170
Minority interests	73	0
Net income (Group share)	434	564

	Six months ended 30 June	
Cash Flow and Capital Expenditures (EUR million)	**2006**	**2007**
Cash flows from operating activities	788	641
Capital expenditures	-286	-279
Cash flows from / (used in) other investing activities	-552	245
Free cash flow (2)	-50	607
Cash flows used in financing activities	-455	-518
Net increase / (decrease) of cash and cash equivalents	-505	89

	As of 30 June	
Balance sheet (EUR million)	**2006**	**2007**
Balance sheet total	6,060	7,058
Non-current assets	4,224	5,134
Investments, cash and cash equivalents	382	418
Shareholders' equity	2,185	2,367
Minority interests	451	6
Liabilities for pensions, other post-employment benefits and termination benefits	950	832
Net financial position	-74	-1,541

	Six months ended 30 June	
Data per share	**2006**	**2007**
Basic earnings per share (EUR)	1.28	1.69
Diluted earnings per share (EUR)	1.28	1.69
Weighted average number of ordinary shares	340,439,989	334,092,494

	Six months ended 30 June	
Data on employees	**2006**	**2007**
Number of employees (full-time equivalents)	18,100	17,938
Average number of employees over the period	18,179	17,980
Total revenue per employee (EUR)	166,772	169,016
EBITDA (1) per employee (EUR)	61,056	60,002

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.
(2) Cash flow before financing activities.

Business update

Belgacom Group

In response to a growing demand from its customers, and as a first step towards convergence, the Belgacom Group launched a number of "bundles" in the first half of 2007. This enables residential customers to purchase a combination of several products or services and thus obtain attractive rate reductions. The first bundles launched were "Internet + TV Pack" and "Internet + TV + Mobile Pack", both coming in two versions: with ADSL Light -for which a voice line is needed- or with ADSL Go - for which no voice line required.
Building on the success of the bundles, Belgacom launched in June the "Internet + Mobile Pack", combining internet services and mobile telephony and for which a fixed line is an option. First results are promising and prove that bundled services are a successful driver for growth in Fixed and Mobile services.

Fixed Line Services (FLS)

The market today

Multiple play in the residential market.

Since early 2007, all major fixed players on the Belgian market offer **bundled** solutions. These packages are offered in various combinations of Voice, Internet, TV and Mobile services.

In an effort to increase market share, **Fixed Voice** market challengers continue to launch aggressive offers while mobile players continue to push for substitution through new offers.

In the **Internet** market, where over 90% of the users have a broadband connection, the growth continues as Internet offers are at the basis of many bundles and as new low-end offers come on the market.

Digital TV (DTV) is finding its way to the Belgian consumer. At the end of June 2007 DTV penetration was 16% whereas this was still 12% six months ago. The inclusion of DTV in bundled offers is a clear catalyst.
Belgacom is one of two players that offer Interactive DTV, including services such as Video and TV On Demand.
High Definition TV has just begun to be introduced in Belgium and the main TV players are taking necessary steps to be HDTV-ready for future customer demand.

Consolidation in the cable market is materializing in 2007 as VOO and the 8 other Walloon cable companies also agreed to unite forces in Brussels and Wallonia.

Further integration and convergence in the professional market.

An **integrated approach** towards business customers remains a key success factor on the Belgian ICT market, through convergence of voice and data solutions and through the integration of IT and telecom.

Telenet launched a mobile data card while Mobistar introduced a new tariff plan combining fixed and mobile telephony, mainly aimed at self-employed and **small and medium-sized enterprises** (SMEs).

Augmenting the operators that adopt a segmented approach towards SMEs in Belgium, international players like BT, Verizon and COLT focus more on **multinational companies**.

Belgacom's results

Traditional voice products

On 1 January 2007, Belgacom applied a 2% price increase on its voice access lines subscription fee (PSTN and ISDN) and traffic rates which were not covered by traffic plans. This price increase limited the year-on-year ARPU decrease to 1.5%, reaching EUR 27.1 for the first six months of 2007.

Building on the success of its existing flat rates, Belgacom launched a new tariff plan for International traffic on 1 February 2007 to support customer retention and thus its traffic market share. The new flat rate tariff plan allows free fixed line calling after 5pm and during weekends to a chosen country (France, UK, the Netherlands, USA, Italy, Spain, Germany or Luxemburg).

On 15 March, Belgacom launched its residential Voice-over-IP service "I-Talk", together with an ADSL-without-fixed-line offer. For customers having both a PSTN and ADSL line, the VoIP offer increases the value proposition whereas the I-Talk product is offered as a first voice line for customers having ADSL-without-fixed-line. I-Talk customers can choose between a flat rate tariff plan or a pay-as-you-go tariff.
The I-Talk offer permits Belgacom to proactively retain customers as well as gain new ones, as proven by the first encouraging results.

Following the decreases of Mobile Termination Rates on 1 November 2006 and 1 May 2007, Belgacom lowered its traffic rates for fixed-to-mobile calls up to 20% on 1 May 2007, impacting second quarter revenue of 2007.

Broadband

Year-on-year, Belgacom added 119,929 ADSL customers, of which 48,436 in the first six months of 2007. This led to a total number of ADSL customers of 1,176,284 at end June 2007. The launch, by alternative operators, of "internet with voice" bundles and cheap internet offers increased the pressure on Belgacom's net adds. However, with 51%[1], Belgacom was able to keep its share of the overall Broadband connections in Belgium stable.

The ADSL ARPU of the first semester 2007 was EUR 32.1, or a 2.1% increase compared to the same period of last year. The main positive impact comes from the price increase of 1 January 2007 and to a smaller extent increased indirect ADSL revenues.

Belgacom launched ADSL without-fixed-line ("Naked ADSL") in March 2007 to address a clear customer demand from Mobile-only customers. Another initiative to respond to the demand of ADSL customers is selling ADSL in a bundle of services. Therefore the packs "ADSL+ TV" and "ADSL+mobile voice" were launched respectively in April and June of 2007.

[1] Latest available status: end March 2007

Belgacom TV

The growth of Belgacom TV accelerated in the second quarter of 2007. Belgacom TV had 191,348 customers at the end of June 2007, an increase of 51,683 customers compared to end 2006.
Whereas the first quarter was still negatively impacted by the stop of the "try & buy" promotion, the second quarter (+41,857 customers) showed a clear positive effect of different product, content and pricing actions such as:

- Launch of Comfort View (Pause TV, instant Rewinding, PVR) in February
- Launch of Belgacom TV over ADSL Time in March
- Additional channels (MTV, Nickelodeon) in Classic+ offer in April
- An extended video-on-demand offering -including concerts-, increasing the VoD usage
- Launch of 'Internet +TV' packs at EUR 40 (ADSL Light) and EUR 50 (ADSL GO) in April, with option to include Mobile services (Smile 10)
- Launch of Walled Garden applications (yellow/white pages, railway schedules, holidays, news etc) in May

Especially the "Internet +TV" packs proved to be a successful volume driver, confirming Belgacom's strong position on triple/quadruple play services.

The "try & buy" related churn was completely absorbed by mid-May. The end of the “try & buy” promotion positively impacted the Belgacom TV ARPU, which grew to EUR 14.6 over the first six months of 2007, equal to a year-on-year increase of 34%.

ICT services and solutions

- Launch of Belgacom Explore

In many areas, Belgacom-Proximus-Telindus led the way in Europe, implementing new technologies ahead of other players. Belgacom Explore illustrates the forward-looking, innovative drive where technology no longer hampers progress. As the focus of Belgacom Explore is on services and not on connectivity, it will be based on IP and Ethernet without making a distinction between point-to-point and multi-site solutions. A company gets access to the platform (fixed or mobile, one or many) and chooses the required services (internet access, security, voice, video).

On 3 May 2007, the Belgacom Explore initiative won the “European service provider innovation award” from Lightreading at the Ethernet expo event in London. This innovation award is given to the service provider that has demonstrated the greatest sales, marketing and product innovation. Moreover, Belgacom impressed the jury by showing that Fixed, Mobile and IT can be integrated and translated into a unique proposition.

- ICT services are growing

    - Through launching new solutions:

IT Governance consultancy: provides guidance to customers on how business goals can be realized through a measurable contribution of ICT. Customers are offered clear and sound guidance towards a contributive build-out of their ICT environments and management.
Telepresence: remote live communication solution offering higher video and sound-quality giving participants a face-to-face-like experience.

    - Through winning significant contracts:

Eandis signed an outsourcing contract with Belgacom for an amount of EUR 55.4 million which includes the future development of their IT department (laptops, printers, servers, storage, connectivity, etc) for a period of 5 years and 7 months.

- Through growing outside of Belgium:

In April 2007, Telindus-Belgacom ICT acquired all shares of the privately owned Dutch storage specialist ISIT B.V. ISIT is specialized in network attached storage solutions, storage area networks, centralised back up/restore solutions and archiving. ISIT's portfolio is complemented with a 24/7 support organisation and a training institute.

Continued investments in network and innovation

Belgacom continues its step by step approach in deploying its fibre network, also called the 'Broadway project'. As a pro-active answer to the increasing need for speed, Belgacom started to install fibre-to-the-street-cabinet (FTTSC) and the roll-out of the VDSL platform back in 2003. The VDSL technology provides the necessary bandwidth for the current and visible future needs of households.
By the end of June 2007, Belgacom installed 9,351 km of fibre and 11,487 Remote Optical Platforms, bringing the VDSL population coverage over six months time from 45% to 52 %. The Broadway investment also enables short term advantages through increasing the potential access to Belgacom TV which is at a level of 80% of Belgian households.

FLS (Fixed Line Services) started the deployment of an IP aggregation backbone network in February 2007, supporting the huge capacities that are required by the new entertainment services (iDTV and VoD).

Further innovative realisations in the first half of 2007 are:

- Comfort view services on the Belgacom TV platform
- Commercial deployment of the VoIP platform
- National deployed new order management system

Regulatory aspects

BIPT reduced Belgacom's **fixed interconnection** tariffs by 3.5% as from June 2007. Alternative operators are allowed to charge a 15% price premium versus the Belgacom rates except for Telenet and Versatel who are allowed to charge a 370% price premium as of 1 January 2007 (this price premium will be reduced to 190% as of January 2008 and 15% as of January 2009). Belgacom considers that tariff asymmetries are unjustified.

Updated outlook

Based upon the strong financial results of the first half of 2007 and taking into account the expected financial impact following the lowered Fixed-to-Mobile prices since 1 May 2007, Belgacom estimates that:

- the 2007 full year revenue decline will be around -1%
- Full year EBITDA margin will be fairly flat compared to 2006

Related to Belgacom TV:

- Belgacom expects to add new customers at a higher rate than in 2006
- Belgacom TV ARPU of EUR 15

Mobile Communications Services (MCS)

Challenging market

During the first half of 2007 the **market conditions remained challenging** due to intense competition from existing mobile operators and from new market entrants. The regulatory pressure increased with a new additional imposed decrease of mobile termination rates and with the EU decision to introduce regulation on wholesale and retail roaming prices with effect in the second half of 2007. The **trend of prepaid to postpaid migration continues** as a result of attractive postpaid offers with low commitment level. As a consequence, pricing pressure is expected to remain strong in both residential and professional segments.

End June 2007, the **active penetration rate** of Belgium's mobile telephony reached an estimated 93.2 % (compared with 89.7 % at the end of 2006), with an estimated 9.9 million users.

Proximus' strategy is paying off

The slow down in market share loss (-0.3ppt in second quarter 2007) indicates that Proximus' permanent effort of retaining and gaining customers through a strong customer-oriented approach is delivering results. Proximus retained its leadership position in terms of **active market share** with an estimated 44.7% at the end of June 2007.

As a result of sustained acquisition initiatives and refreshed rate plans, Proximus has achieved a solid customer gain. 104,388 new **active customers** were added compared to end 2006, of which 69,564 in the second quarter, whereas Proximus still lost 7,000 customers in the same period of last year. This brings the **total number of active customers** to **4,415,824**, including 3,000 MVNO customers.

The increased customer gain and high-quality customer portfolio is translated in very sound financial results for the first half of 2007.

High-quality customer portfolio

Proximus still holds a very high-quality customer portfolio. Its **active rate** is the highest on the market with a stable percentage of active customers of 97.9% at the end of June 2007.

Despite the competitive market, Proximus continues to deliver outstanding **churn** results, reducing it to a level of 15.3% for the first six months of 2007.
The number of **postpaid customers** increased with 315,000 year-over-year, resulting in a postpaid/prepaid ratio of 49/51 at the end of June 2007, compared to 43/57 a year ago.

At the end of June 2007, the blended net **ARPU** (ARPU minus Credits and Discounts), is EUR 35.6 compared to EUR 37.7 a year ago. The decrease is primarily driven by the impact of the MTR cuts in November 2006 and May 2007 (impact of EUR 1.4) as well as by the success of the new Pay&Go and Smile tariffs plans.

Create superior value for the customers

Proximus continues to innovate and to deliver products and services that address the customers' total communication needs and to differentiate through servicing quality, innovative services and its brand.

In a very competitive mobile telephony market, Proximus continues to launch initiatives aimed at attracting new customers and strengthening the loyalty of its existing customers. Proximus keeps focusing on delivering an excellent customer experience for its residential and business customers and to improve customer satisfaction and service excellence.

Customers demand simplicity and value for money. In addition they want greater personalisation, faster data speed and richer applications. To address these needs Proximus introduced innovative and segmented tariff plans, new services, offers made with partners and delivered richer applications using technologies such as HSDPA. Proximus is the Belgian leader in 3G, covering more than 80% of the population. The 3G network coverage is far above legal deployment obligations and Proximus will continue to invest in the roll out of its network.

Partnerships

In May Proximus welcomed the **first mobile virtual network** (MVNO) on its network. Maroc Telecom, the leader in the Moroccan telecom industry, launched MobiSud, a mobile telephony offer designed for people from the Maghreb communities (Morocco, Algeria, Tunisia) in Belgium with attractive prices for local calls and calls to their country of origin.

On 1 June, Proximus launched a partnership offer in collaboration with MTV Networks. The new prepaid offering **TMF Mobile** is aimed primarily at young people in the 14-to-24 age group. This is the second brand licensing agreement after the RTL-TVI partnership last year for the launch of Plug Mobile.

Innovative and convergent offers

Since the beginning of this year Proximus' customers benefit from lower roaming pricing through **Vodafone Passport**. Vodafone Passport is an innovative roaming price model on the Belgian market and offers simple and cheaper rates for mobile calls while abroad.

After the successful introduction of Smile in 2005, "Pay&Go Classic" and "Pay&Go Generation" in 2006, Proximus continued to renew its rate plans for both prepaid and postpaid customers in the first half of this year. In March Proximus introduced the new prepaid rate plan Pay&Go Freetime. Customers can call for free during the weekend to other Proximus customers for 1 month each time they reload by at least EUR 10.

In April Proximus launched Smile Freetime. From then on the Smile bundles are not just valid for calls, but also for sending SMS messages. Moreover, the offering is being extended by an extra EUR 10 bundle and customers can make free calls or send free SMS to Proximus numbers in the evening and during the weekend. The business market has seen the introduction in April of Business Easy & Business Intense, two new attractive rate plans adapted to the needs of the self-employed and those in the liberal professions. In June Proximus introduced a significant tariff repositioning for mobile internet abroad.

Secure payments via mobile were introduced by Banksys and the three mobile operators earlier this year. This service is accessible to anyone having a Bancontact/Mister Cash bank card and a mobile phone operating on one of the three Belgian mobile telephone networks. This is a new step forward in the development of GSM technology: mobile users can carry out secure financial transactions as if they were using their bank cards.

Proximus offers both its residential and business customers the Vodafone Mobile Connect data card and the Vodafone Mobile Connect USB modem for a quick and secure wireless connection to the Internet, e-mail and business applications. In addition, Proximus was the first mobile operator in Belgium to launch in collaboration with Fujitsu Siemens Computers and HP the first laptops with integrated UMTS/HSDPA technology. Thanks to the embedded 3G broadband modem and sim card, these laptops are ready straight away for high speed mobile access to e-mail, Internet and corporate applications using the Proximus 3G network while on the move.

Proximus is constantly looking for innovative mobile applications that can offer genuine added value to its users. Proximus signed an agreement with the public transport company De Lijn to launch a mobile ticketing trial in which passengers can pay their fares by mobile phone.

Proximus also formed an exclusive partnership with Be-Mobile, a joint venture with Touring, the Belgian motoring organization. The aim of this collaboration is to provide fast, accurate, precise and high-quality traffic information based on the innovative use of mobile technology, which will have a positive impact on the flow of traffic on Belgium's road network.

Regulatory aspects

Current

The MTR decision of August 2006 of the BIPT was further implemented via an additional price decrease as of 1 May for all 3 operators. Combined with 1 November 2006 decrease the MTRs decreased around 36% versus 1 January 2006 tariffs. Today, the MTR are still highly asymmetric.

The **EU regulation on international roaming** entered into force on 30 June. This Regulation imposes:

- price caps on **wholesale and retail tariffs** for roaming voice calls across the EU
- price transparency obligations towards retail customers
- SMS/data roaming services pricing follow-up on the national regulators

The entry into force of the regulation is phased over third quarter 2007. Key timings are (tariffs excl. VAT):

- wholesale price caps : as of 1 September a (de facto) price cap of 30 EURct/min.
- retail price cap : as of 1 October the retail prices must be lower than 49 EURct/min for roaming calls made within the EU and 24 EURct/min for calls received.

Additional decreases of wholesale and retail tariffs are scheduled for mid 2008 and 2009.

Future

In its draft decision for future MTRs, notified to the EC end July, the BIPT puts forward to eliminate the tariff asymmetry (today at 26%) with Mobistar by July 2008, and to reduce the difference with Base (today at 58%) to 10% by the same date. For Proximus, the tariff level would stay, after correction for inflation, about flat at the current rate of 8.46 €ct/min. A final decision on this is expected around September 2007.

Updated outlook

- Thanks to the success of its commercial strategy, Proximus estimates its overall business revenue to increase around +1%
- However, regulation of MTR and Roaming will impact 2007 results negatively:
  - MTR
    EUR -83 million on revenue (-4%)
    EUR -33 million on EBITDA
  - Roaming (Wholesale (Sept 1st) and retail (Oct 1st))
    EUR -23 million on revenue (-1%)
    EUR -14 million on EBITDA

Therefore Proximus updates its **overall 2007 estimates,** including the impact of MTR cuts as well as Wholesale and Retail roaming regulation, to:

- a total revenue decline to around -4%
- an EBITDA margin of around 44%

International Carrier Services (ICS)

The market today

The growth in wholesale carrier services is driven by the strong economic growth in China, India and the Asia-Pacific, generating an increasing demand for retail voice and data services. The other emerging regions are the Middle East and parts of Africa. As mobile telephony continues its progress an increasingly larger share of the ICS expenses are generated by mobile operators, while broadband penetration fosters the development of retail VoIP.

The fierce competition on the retail market continues to create pressure on the wholesale margins. This trend, combined with flat operational expenses and the need to develop new services for the XSP and mobile segments, creates a propitious climate for partnerships.

Many carriers aim to diversify away from the commodity voice market with higher value services. IP based voice and data services as well as white label and co-branded services are expected to be both a new source of revenues and a differentiator.

The successful integration of the Belgacom and Swisscom carrier operations

The merger of the respective carrier operations of Belgacom and Swisscom Fixnet into Belgacom ICS was the first consolidation agreement in Europe, providing Belgacom ICS the economies of scale to enter the league of large players and to generate multiple synergies. The post merger integration was successfully completed during the first quarter of 2007 with the full integration of both networks through the deployment of a next generation transmission network and switching platform.

Building on this accomplishment, a re-engineering program has been launched to ensure that the Service Delivery and Engineering department operates as efficiently as possible and is provided with the right tools and processes to enable innovation as the telecom world gradually migrates to IP.

Belgacom ICS business achievements

In a very competitive market Belgacom ICS has posted overall positive results for voice in the first half of 2007, thanks mainly to the continued growth in the mobile segment and to the MTN outsourcing agreement, under which Belgacom ICS provides the international connectivity to this African group of mobile operators.

The strategic partnership with Omantel is now in the implementation phase, the first step being the capacity extension needed to support the aggregation of the traffic to and from Oman.

The excellent performance continues in the mobile data area. Belgacom ICS has concluded an important agreement with another hub that enhances its SMS Transit service, which now offers the best value proposition in the market.

Finally, several major capacity contracts have recently been won by Belgacom ICS.

Outlook

The 2007 results will reflect the full impact of the synergies generated by the merger of the Belgacom and Swisscom Fixnet carrier operations.

Belgacom ICS expects to be able to consolidate its position in the voice market in the coming months while the exponential growth in mobile data services will continue.

The further extension of the Belgacom ICS network footprint through the creation of new points of presence and capacity increases will support further growth across the product portfolio.

Financial report

Belgacom Group

Revenue

Compared to the first half of 2006, the Belgacom Group's total revenue slightly increased 0.2% to EUR 3,039 million.

	Six months ended 30 June				
	2006		2007		Variance
	(EUR million)	*(%)*	*(EUR million)*	*(%)*	
Fixed Line Services	1,814	60%	1,823	60%	0.5%
Mobile Communications Services	1,069	35%	1,035	34%	-3.1%
International Carrier Services	350	12%	361	12%	3.3%
Inter-segment eliminations	-201	-7%	-181	-6%	-10.1%
Total	**3,032**	**100%**	**3,039**	**100%**	**0.2%**

Operating income before depreciation and amortization (EBITDA)

The Group EBITDA decreased 2.8% year-over-year to EUR 1,079 million.

	Six months ended 30 June				
	2006		2007		Variance
	(EUR million)	*(%)*	*(EUR million)*	*(%)*	
Fixed Line Services	569	51%	574	53%	0.9%
Mobile Communications Services	530	48%	482	45%	-9.1%
International Carrier Services	12	1%	23	2%	99.9%
Total	**1,110**		**1,079**		**-2.8%**

Depreciation and amortization

Depreciation and amortization decreased from EUR 399 million for the first half of 2006 to EUR 384 million for the first half of 2007.

Net finance revenue

The net finance revenue increased year-over-year from EUR 4 million to EUR 39 million in the first half of 2007, thanks to the gains realized on the disposal of the remaining interests in Mobistar and Eutelsat Communications for a combined amount of EUR 74 million. These gains more than compensate the higher interest expenses as a result of the increased net financial debt following the acquisition of the Vodafone minority stake in Belgacom Mobile in November 2006.

Tax expense

Tax expenses declined to EUR 170 million for the first half of 2007, representing an effective tax rate of 23% compared to 29% for the first half of 2006. The decrease of the effective tax rate is mainly due to the tax-free capital gains realized on the disposal of participating interests in the first months of 2007. These tax-free gains were higher compared to those realized in the first half of 2006.

Net income (Group Share)

Net income increased 30% to EUR 564 million for the six months ended 30 June 2007, compared to EUR 434 million for the same period in 2006. This increase was mainly due to the capital gains realized on the disposal of other participating interests and the elimination in 2007 of the minority interests in Mobile Communications Services, following the acquisition of the Vodafone minority stake in Belgacom Mobile at the end of 2006. In the first half of 2006, the share for minority interests in the net income was still EUR 73 million.

Capital expenditure

	Six months ended 30 June				
(EUR million)	2006		2007		Variance
Fixed Line Services	191	67%	198	71%	3.9%
Mobile Communications Services	93	33%	76	27%	-18.0%
International Carrier Services	2	1%	5	2%	148.4%
Inter-segment eliminations	0	0%	0	0%	
Total	**286**	**100%**	**279**	**100%**	**-2.2%**

Year over year, the capital expenditures of **Fixed Lines Services** slightly increased with 3.9% to EUR 198 million during the first half of 2007. This includes a EUR 53 million investment related to the deployment of fiber into the access network (Broadway project) and a EUR 45 million capital expenditure related to TV.

Mobile Communications Services' capital expenditures are showing a decrease of 18%, mainly driven by lower UMTS (3G) investments due to the already very high population coverage. For the first six months of 2007, 3G investments amounted to EUR 27.5 million compared to EUR 41.9 million for the same period in 2006.

Investments of **International Carrier Services** increased year-over-year by EUR 3 million in the European part of the transmission network to sustain the growth in voice (mobile operators), mobile data and capacity products.

Cash flow

	Six months ended 30 June	
	2006	2007
Cash flows from operating activities	788	641
Capital expenditures	-286	-279
Cash flows from / (used in) other investing activities	-552	245
Cash flow before financing activities or "free cash flow"	-50	607
Cash flows used in financing activities	-455	-518
Net increase / (decrease) of cash and cash equivalents	-505	89

The cash flow from operating activities decreased from EUR 788 million in the first half of 2006 to EUR 641 million in the first half of 2007 due to a lower operating income before depreciation and amortization, earlier payments of income taxes (January this year versus July last year) and other timing differences of working capital.
Year–over-year, capital expenditures slightly decreased. Other investing activities consumed a significant amount of cash last year due to the acquisition of Telindus Group whereas a

considerable amount of cash was generated in the first half of 2007 due to the disposal of the remaining interests in Mobistar and Eutelsat Communications. During the first half of 2007, the Group acquired ISIT Group, a Dutch data storage company, for an amount of EUR 13 million, net of cash acquired. Another amount of EUR 4.5 million will be paid to the previous shareholders of ISIT Group next year.

As a result, the cash flow before financing activities, or “free cash flow”, evolved from a negative balance of EUR 50 million in the first half of 2006 to a positive balance of EUR 607 million in the first half of 2007.

After financing activities and mainly after the payment of a dividend of EUR 1.60 per share, the cash and cash equivalents increased by EUR 89 million. The net financial debt decreased EUR 95 million for the first six months of 2007.

Balance sheet and shareholders’ equity

Goodwill increased by EUR 20 million during the first half of 2007, following the acquisition of ISIT Group, provisionally determined for these interim financial statements.

Other participating interests in the balance sheet decreased from EUR 234 million on 31 December 2006 to EUR 1 million following the disposal of the stake in Mobistar and in Eutelsat Communications.

The shareholders’ equity decreased by EUR 24 million during the first half 2007 resulting primarily from the dividend distribution (EUR 535 million) and the reversal of positive remeasurement to fair value (EUR 65 million) following the disposal of Mobistar and Eutelsat Communications, partly offset by the net income of EUR 564 million.

During the first six months of 2007, Belgacom employees exercised 219,039 stock options and bought 134,649 treasury shares under a discounted share purchase plan offering a discount of 16.67%.

As approved by the Board of Directors on 1 March 2007, Belgacom offered 475,516 stock options to its senior management in April 2007. The exercise price of EUR 32.71 is based on the closing price of 20 April 2007. These options become one-third vested after one year, two-thirds vested after two years and fully vested after three years, and are exercisable until 22 April 2014.

On 11 April 2007, the Extraordinary General Meeting of shareholders approved the cancellation of 23,750,000 treasury shares.

Headcount

At the end of the first half of 2007, the total staff of the Belgacom Group was 17,938 full-time equivalents (FTE), a decrease of 162 FTE compared to the same period in 2006. This headcount decrease was driven by restructuring programs (- 58 FTE) and natural attrition (-104 FTE).

Fixed Line Services (FLS)

Segment revenue

During the first six months of 2007, FLS total revenue increased 0.5% to EUR 1,823 million compared with the same period last year. The traditional voice revenue decline was offset by revenue growth from Internet, TV and ICT activities.

Segment operating income before depreciation and amortization (EBITDA)

Fixed Lines Services' EBITDA increased year-over-year 0.9 % to EUR 574 million.
On top of the revenue growth, the charges to revenue are showing a positive evolution mainly driven by the favorable evolution of MTR. This is partially offset, however, by an increase in personnel expenses due to the annual wage increase and indexation as well as an increase in severance payments.

As a result of the increase in EBITDA, the FLS EBITDA margin grew to 31.5%.

Segment operating income (EBIT)

The EBIT of FLS increased by EUR 15 million or 5.1%, mainly driven by higher year-over-year EBITDA and lower depreciation and amortization costs.

	Six months ended 30 June		
(EUR million)	**2006**	**2007**	**Variance**
TOTAL SEGMENT REVENUE	**1,814.2**	**1,823.0**	**0.5%**
Costs of materials and charges to revenue	-516.3	-497.0	**-3.7%**
Personnel expenses and pensions	-465.4	-489.9	**5.3%**
Other operating expenses	-263.7	-262.1	**-0.6%**
TOTAL OPERATING EXPENSES before depreciation & amortizatic	**-1,245.4**	**-1,248.9**	**0.3%**
TOTAL SEGMENT RESULT (1)	**568.9**	**574.1**	**0.9%**
Segment result margin	*31.4%*	*31.5%*	0.1p.p.
Depreciation and amortization	-280.5	-271.2	**-3.3%**
OPERATING INCOME	**288.3**	**302.9**	**5.1%**

(1) Operating income before depreciation and amortization

Segment revenue detail[2]

			Six months ended 30 June	
EUR million	2006	2007	Variance %	Variance
Voice Acces	*374*	*368*	-1.7%	*-6*
Voice Traffic	*338*	*310*	-8.4%	*-28*
Internet	*221*	*247*	12.0%	*26*
Data Connectivity	*87*	*84*	-3.7%	*-3*
Terminals	*73*	*71*	-3.8%	*-3*
ICT	*364*	*391*	7.2%	*26*
Belgacom TV	*6*	*16*	186.8%	*11*
National Wholesale	*225*	*212*	-5.8%	*-13*
Other*	*126*	*125*	-0.7%	*-1*
Total revenue	**1,814**	**1,823**	**0.5%**	**9**

* Other: turnover from international activities, directory services, other fixed business subsidiaries and other operating income from all fixed entitities

Voice access revenues' evolution improved from -5.3% mid 2006 to -1.7% this year. The decline was mainly driven by the voice access line loss (-100,277 equilines in first half of 2007) but has been partially offset by an ARPU increase of 1.8% to EUR 14.5, as a result of the price increase that occurred on 1 January 2007.
The **Voice traffic revenue** shows a decline of 8.4% mainly driven by the negative voice traffic ARPU evolution due to the broader adoption of price packages (domestic and international) and the Fixed to Mobile retail tariff decrease which took place on 1 May 2007.

Internet revenue growth reached 12.0%, driven by both higher volumes (+11%) and the 2% price increase of ADSL tariffs. This was also the main driver for the 2.1% growth in ARPU, reaching EUR 32.1.
Belgacom FLS managed to add 48,436 retail broadband lines during the first half of 2007, resulting in a total of 1,176,284 broadband lines, a year-over-year increase of 11%.

Data connectivity revenue decreased 3.7% compared to the same period last year, mainly due to the decline in leased lines following the migration to BiLAN and Explore solutions.

ICT revenue evolved positively, adding 7.2% compared to the first six months of 2006. The product group ICT consists for a very large part of revenue generated by Telindus Group, but also contains Belgacom ICT products such as Security, Housing, Hosting etc.
The year-over-year revenue increase is amongst others due to the contribution of the newly acquired Dutch subsidiary ISIT.

Belgacom TV added 51,683 new subscriptions during the first half of 2007 reaching a total of 191,348 customers at the end of June 2007. Because of the growing number of customers and an increasing ARPU (EUR 14.6), Belgacom TV revenue increased EUR 11 million compared to the same period last year.

The **National Wholesale revenue** decline, compared to 2006, was mainly driven by lower MTR, which impacted the revenue from the transit of Mobile traffic.

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[2] The revenue detail has been restructured to reflect the business reality in which Telindus is fully integrated in the Belgacom Group. The product group "ICT" includes mainly revenue generated by Telindus-Belgacom ICT as well as Belgacom Integration services transferred from the product group "Data" and Security & Application services from the Internet-group. What remains in the product group "Data Connectivity" are Belgacom connectivity services such as Frame Relay, ATM, IP, Leased Lines.

Operationals (retail)

		Six months ended 30 June	
	2006	**2007**	**Variance**
Number of access channels (thousands)			
Residential			
PSTN	2,988	2,835	-5.1%
ISDN	366	353	-3.4%
ADSL, VDSL	922	1,029	11.7%
Total	**4,276**	**4,218**	**-1.4%**
Business			
PSTN	250	242	-3.2%
ISDN	584	580	-0.7%
ADSL, VDSL	135	147	9.2%
Total	**969**	**969**	**0.0%**
Traffic (millions of minutes)			
Residential			
National	2,732	2,688	-1.6%
Fixed to Mobile	401	371	-7.3%
International	177	198	12.1%
Total	**3,310**	**3,258**	**-1.6%**
Business			
National	945	866	-8.4%
Fixed to Mobile	250	238	-4.9%
International	191	183	-4.5%
Total	**1,387**	**1,286**	**-7.2%**
ARPU (EUR)			
ARPU Voice Access[1]	14.3	14.5	1.8%
ARPU Voice Traffic[2]	13.2	12.6	-4.3%
ARPU ADSL Residential[3]	31.4	32.1	2.1%
ARPU Net Belgacom TV[4]	10.9	14.6	33.8%

(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

Segment revenue

At the end of June 2007, the total revenue decrease of MCS was limited to 3.1% compared to 2006. Excluding the impact of the MTR cuts, which took effect on 1 November 2006 and 1 May 2007, the revenue increased slightly by 0.2%.

Net service revenue declined 2.9%. The MTR cuts were the main drivers of the Voice services revenue evolution (-5.7%), fully offsetting the positive impact of the increased customer base and the improved customer portfolio. Excluding the impact of the MTR cuts of November 2006 and May 2007, net service revenue increased by 0.6%. This trend is clearly visible in the second quarter (+1%) and is significantly higher than in the first quarter (+0.2%). The revenues increase was driven by a higher postpaid customer base and various segmented acquisition initiatives.
Data revenue, including advanced data services -before deduction of free traffic- grew 28% and represents about 23% of the total MCS revenue. The success of pricing offers such as “Freetime” (launched in March 2007) and “Bonus for Live” campaign (launched in May 2006) had a significant effect on the SMS traffic, while the growth in services such as Mobile Solutions and Network Services were the main drivers of the advanced data evolution.
The credits and discounts on voice and data services increased as a result of the success of the new pricing plans, both in the postpaid and prepaid segments.

At the end of June 2007, the blended **ARPU** was EUR 39.7 for the active customer base, compared to EUR 40.7 at the end of June 2006. This represents an average of EUR 61.2 for a postpaid customer (compared to EUR 69.5 at the end of June 2006), and EUR 20.2 for a prepaid customer (compared to EUR 19.2 at the end of June 2006). The blended net ARPU (ARPU minus Credits and Discounts), reaches at the end of June 2007 EUR 35.6 compared to EUR 37.7 a year ago. The decrease in blended net ARPU is primarily driven by the impact of the MTR cuts in November 2006 and May 2007 (impact of EUR 1.4) as well as by the success of the new Pay&Go and Smile tariffs plans.

The revenue from handsets is 13% lower than the same period in 2006. This is due to the lower volumes and lower average prices.

Segment operating income before depreciation and amortization (EBITDA)

The **EBITDA** of MCS decreased to EUR 482 million, a decrease of 9.1% compared to the first six months of last year. The impact of MTR cuts and to a larger extend the acquisition of new customers were drivers of the EBITDA decline.
This led to an EBITDA margin of 46.5%.

Charges to revenue increased 2.9%, mainly driven by higher commissions and content fees, and partly offset by lower roaming charges and termination and handset costs. The slight increase in **other expenses** was mainly caused by higher renting costs linked to the network roll-out.

Segment operating income (EBIT)

MCS’s operating income decreased 10.9% to EUR 377 million as a result of the EBITDA decline, partly compensated by the favorable evolution of depreciation and amortization costs.

	Six months ended 30 June		
(EUR million)	2006	2007	Variance
TOTAL SEGMENT REVENUE	**1,068.9**	**1,035.4**	**-3.1%**
Costs of materials and charges to revenue	-331.3	-341.1	**2.9%**
Personnel expenses and pensions	-71.6	-72.3	**1.0%**
Other operating expenses	-136.4	-140.4	**2.9%**
TOTAL OPERATING EXPENSES before depreciation & amortizatic	**-539.3**	**-553.8**	**2.7%**
TOTAL SEGMENT RESULT (1)	**529.6**	**481.6**	**-9.1%**
Segment result margin	*49.5%*	*46.5%*	-3.0p.p.
Depreciation and amortization	-106.8	-104.7	**-1.9%**
OPERATING INCOME	**422.8**	**376.9**	**-10.9%**

(1) Operating income before depreciation and amortization

Segment revenue detail

	Six months ended 30 June			
EUR million	2006	2007	Variance %	Variance
Voice services (1)	902	851	-5.7%	-51
Data services (1)	188	241	28.0%	53
Other service revenue (2)	0	1		
Credits and discounts	-76	-107	-41.2%	-31
Net Service revenue	**1,014**	**985**	**-2.9%**	**-29**
Handsets	45	40	-12.7%	-6
Other revenue	9	11	15.0%	1
Total revenue	**1,069**	**1,035**	**-3.1%**	**-34**

(1) Including roaming-in

(2) Including wholesale and subsidiaries

Operationals

	Six months ended 30 June		
	2006	2007	Variance
Number of active customers[(1)] (in thousands)	4,253	4,416	3.8%
Prepaid	2,407	2,252	-6.4%
Postpaid	1,846	2,161	17.1%
MVNO	0	3	
Active customers as a percentage of total customers[(2)]	98.0%	97.9%	-0.1 pp
Annualized churn rate [3)] (blended - variance in pp)	15.4%	15.3%	0.0 pp
ARPU[(4)] (in EUR)			
Prepaid	19.2	20.2	5.0%
Postpaid	69.5	61.2	-12.0%
Blended	40.7	39.7	-2.2%
Blended voice	33.6	30.9	-8.1%
Blended data	7.1	8.9	25.4%
Net ARPU[(5)] (in EUR)			
Prepaid	17.5	16.3	-6.7%
Postpaid	64.9	56.8	-12.5%
Blended	37.7	35.6	-5.5%
Market share of active customers [(6)]			
Prepaid	46.0%	41.1%	-4.9 pp
Postpaid	48.9%	49.0%	0.1 pp
Total	47.3%	44.7%	-2.6 pp
UoU[(7)] (units)	213.6	238.9	11.8%
MoU[(8)] (min)	164.9	167.1	1.3%
SMS[(9)] (units)	48.7	71.8	47.4%

[(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 the 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 the total services revenue, excluding roaming-in and activation revenues, divided by Belgacom Mobile's active postpaid,prepaid and MVNO customer base for that period
[(5)] Net ARPU is equal to the ARPU minus credits and discounts.
[(6)] These figures are Belgacom Mobile estimates and include MVNO
[(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 per month
[(9)] SMS: number of SMSes per active customer per month.

International Carrier Services

Segment revenue

The ICS revenue increased 3.3 % compared to the first half of 2006. The voice revenue increase was mainly the result of a significant growth in the volume of transit traffic for mobile operators, with quality features offering higher unit margins, and the result of the agreement with MTN[3]. Non-voice revenue growth was driven by the mobile data portfolio (mainly signaling products and SMS transit traffic).

Segment operating income before depreciation and amortization (EBITDA)

After the first six months of 2007, ICS shows an EBITDA of EUR 23 million, an increase of almost 100% since June 2006. Net of charges to revenue, the volume-driven revenue growth has contributed EUR 8.9 million to this year-over-year growth. Personnel expenses and other operating expenses have decreased EUR 2.7 million, going from EUR 31.3 million to EUR 28.6 million as the joint-venture synergies[4] begin to materialize.

The favorable product mix evolution between voice and data products was the main contributor to the improvement of the EBITDA margin to 6.5%, along with the other operating expenses reduction.

Segment operating income (EBIT)

ICS's operating income grew from EUR -0.1 million to EUR 15.2 million. On top of the year-over-year improvement in EBITDA performance, depreciation was lower, as depreciation in 2006 was impacted by the useful life review of some assets to reflect new technologies.

	Six months ended 30 June		
(EUR million)	**2006**	**2007**	**Variance**
TOTAL SEGMENT REVENUE	**349.6**	**361.3**	**3.3%**
Costs of materials and charges to revenue	-306.6	-309.3	**0.9%**
Personnel expenses and pensions	-9.9	-9.7	**-2.1%**
Other operating expenses	-21.4	-18.9	**-11.7%**
TOTAL OPERATING EXPENSES before depreciation & amortization	**-337.9**	**-337.9**	**0.0%**
TOTAL SEGMENT RESULT (1)	**11.7**	**23.3**	**99.9%**
Segment result margin	*3.3%*	*6.5%*	3.1p.p.
Depreciation and amortization	-11.8	-8.1	**-31.1%**
OPERATING INCOME	**-0.1**	**15.2**	**-**

(1) Operating income before depreciation and amortization

[3] In February 2006, the 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.

[4] Effective 1 July 2005, Swisscom Fixnet AG contributed its international carrier activities to Belgacom International Carrier Services SA (BICS), in exchange for a 28% ownership stake and joint control with the Belgacom Group. Since that date, revenues and expenses of the ICS segment have been proportionally consolidated at 72%.

Segment revenue detail

	Six months ended 30 June		
EUR million	**2006**	**2007**	**Variance**
Voice	330	338	2.4%
Non Voice	20	23	19.0%
Total revenues	**350**	**361**	**3.3%**

Operationals

	Six months ended 30 June		
in billion of minutes	**2006**	**2007**	**Variance**
TOTAL	**5.79**	**6.64**	**14.8%**
Total to fixed destinations	3.02	3.17	4.9%
Total to mobile destinations	2.77	3.48	25.6%

BICS volumes included at 100%

Interim financial statements

Interim condensed consolidated financial statements

These half-yearly financial statements have been subject to a review by the independent auditor (see limited review report).

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 2006 consolidated financial statements, with the exception that the Group also adopted the new standards and interpretations that became mandatory for the Belgacom Group on 1 January 2007, notably IFRIC 9 ("Reassessment of Embedded Derivatives") and IFRIC 10 ("Interim Financial Reporting and Impairment"). The adoption of these new standards and interpretations did not have any effect on the financial statements of the Group.

During the first six months of 2007, aside from the acquisition of all shares of the ISIT Group (established in the Netherlands), the Belgacom Group did not acquire or dispose of any significant subsidiary, joint venture or affiliate. ISIT Group is consolidated starting 1 April 2007 but there is no significant impact on the condensed consolidated interim financial statements at 30 June 2007. The provisional purchase price allocation resulted in the recognition of EUR 3.7 million intangible assets and EUR 20 million of goodwill at acquisition date.

Consolidated income statements

(EUR million)	Three months ended 30 June 2006	2007	Six months ended 30 June 2006	2007
Net revenue	1,499	1,504	2,990	2,996
Other operating revenue	26	20	42	43
Non-recurring revenue	0	0	0	0
TOTAL REVENUE	**1,525**	**1,524**	**3,032**	**3,039**
Costs of materials and charges to revenue	-482	-495	-975	-991
Personnel expenses and pensions	-272	-285	-547	-572
Other operating expenses	-207	-202	-400	-397
Non-recurring expenses	0	0	0	0
TOTAL OPERATING EXPENSES before depreciation & amortization	**-960**	**-981**	**-1,922**	**-1,960**
OPERATING INCOME before depreciation & amortization	**565**	**543**	**1,110**	**1,079**
Depreciation and amortization	-203	-195	-399	-384
OPERATING INCOME	**362**	**348**	**711**	**695**
Finance revenue	10	11	25	93
Finance costs	-11	-27	-21	-54
Net finance revenue / (costs)	**-1**	**-15**	**4**	**39**
INCOME BEFORE TAXES	**361**	**332**	**715**	**734**
Tax expense	-104	-87	-207	-170
NET INCOME	**257**	**245**	**507**	**564**
Minority interests	37	0	73	0
Net income (Group share)	219	245	434	564
Basic earnings per share	0.64 EUR	0.73 EUR	1.28 EUR	1.69 EUR
Diluted earnings per share	0.64 EUR	0.73 EUR	1.28 EUR	1.69 EUR
Weighted average number of ordinary shares	340,484,909	334,190,267	340,439,989	334,092,494
Weighted average number of ordinary shares for diluted earnings per share	340,535,437	334,530,977	340,502,520	334,464,199

Consolidated balance sheets

(EUR million)	As of 30 June 2006	As of 31 December 2006	As of 30 June 2007
ASSETS			
NON-CURRENT ASSETS	**4,224**	**5,504**	**5,134**
Goodwill	232	1,760	1,780
Intangible assets with finite useful life	643	590	527
Property, plant and equipment	2,505	2,527	2,480
Other participating interests	426	234	1
Deferred income tax assets	375	351	319
Pension assets	5	5	5
Other non-current assets	38	36	23
CURRENT ASSETS	**1,836**	**1,796**	**1,924**
Inventories	100	83	86
Trade receivables	1,165	1,207	1,205
Current income tax assets	79	97	101
Other current assets	111	81	113
Investments	89	91	93
Cash and cash equivalents	293	236	325
TOTAL ASSETS	**6,060**	**7,300**	**7,058**
LIABILITIES AND EQUITY			
EQUITY	**2,635**	**2,399**	**2,373**
Shareholders' equity	**2,185**	**2,391**	**2,367**
Issued capital	1,000	1,000	1,000
Treasury shares	-560	-754	-101
Restricted reserve	100	100	100
Remeasurement to fair value	109	68	4
Stock compensation	5	5	5
Retained earnings	1,531	1,972	1,358
Foreign currency translation	1	1	1
Minority interests	**451**	**8**	**6**
NON-CURRENT LIABILITIES	**1,476**	**3,053**	**2,981**
Interest-bearing liabilities	286	1,917	1,899
Liability for pensions, other post-employment benefits and termination benefits	950	886	832
Provisions	199	208	212
Deferred income tax liabilities	40	38	35
Other non-current payables	1	4	3
CURRENT LIABILITIES	**1,949**	**1,848**	**1,704**
Interest-bearing liabilities	198	71	72
Trade payables	1,103	1,086	1,010
Income tax payables	157	189	77
Other current payables	491	502	545
TOTAL LIABILITIES AND EQUITY	**6,060**	**7,300**	**7,058**

Consolidated cash flow statements

(EUR million)	Six months ended 30 June 2006	2007
Cash flow from operating activities		
Net income	434	564
Adjustments for:		
Minority interests	73	0
Depreciation and amortization on intangible assets and property, plant and equipment	399	384
Increase of impairment on intangible assets and property, plant and equipment	1	2
Increase of provisions	12	7
Deferred tax expense	54	28
Fair value adjustments on financial instruments	-11	-8
Gain on disposal of other participating interests and enterprises accounted for using the equity method	-2	-74
Gain on disposal of property, plant and equipment	-11	-7
Other non-cash movements	1	2
Operating cash flow before working capital changes	**951**	**896**
Increase in inventories	-4	-3
Decrease in trade receivables	18	6
Increase in current income tax assets	-8	-4
Increase in other current assets	-25	-30
Decrease in trade payables	-53	-80
Decrease in income tax payables	-48	-112
Increase in other current payables	28	25
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-64	-55
Decrease in other non-current payables and provisions	-8	-3
Increase in working capital, net of acquisitions and disposals of subsidiaries	**-163**	**-255**
Net cash flow provided by operating activities	**788**	**641**
Cash flow from investing activities		
Purchase of intangible assets and property, plant and equipment	-286	-279
Cash paid for consolidated companies, net of cash acquired	-584	-13
Dividends received from non-consolidated companies	7	0
Cash received from sales of intangible assets and property, plant and equipment	21	16
Cash received from sales of other participating interests and transactions on other non-current assets	4	243
Net cash (used in) / provided by investing activities	**-838**	**-34**
Cash flow before financing activities	**-50**	**607**
Cash flow from financing activities		
Dividends paid to shareholders	-517	-532
Net disposal of treasury shares	4	10
Net purchase of investments	-3	0
Increase of equity	1	1
Issuance / (repayment) of long term debt	-2	1
Issuance of short term debt	63	3
Net cash used in financing activities	**-455**	**-518**
Net increase / (decrease) of cash and cash equivalents	**-505**	**89**
Cash and cash equivalents at the beginning of the period	798	236
Cash and cash equivalents at the end of the period	293	325

Consolidated statements of changes in equity

(in EUR million)	Issued capital	Treasury shares	Restricted reserve	Remeasure-ment to fair value	Foreign currency translation	Stock Compen-sation	Retained Earnings	Sharehol-ders' Equity	Minority interests	Total Equity
Balance at 31 December 2005	**1,000**	**-564**	**100**	**68**	**0**	**4**	**1,614**	**2,221**	**370**	**2,591**
Fair value changes in available-for-sale investments	*0*	*0*	*0*	*41*	*0*	*0*	*0*	*41*	*0*	*41*
Currency translation differences	*0*	*0*	*0*	*0*	*1*	*0*	*0*	*1*	*0*	*1*
Equity changes not recognised in the income statement	0	0	0	41	1	0	0	42	0	42
Net income	0	0	0	0	0	0	434	434	73	507
Total recognised income and expense	**0**	**0**	**0**	**41**	**1**	**0**	**434**	**476**	**73**	**549**
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										
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
Total transactions with equity holders	**0**	**4**	**0**	**0**	**0**	**1**	**-517**	**-513**	**8**	**-505**
Balance at 30 June 2006	**1,000**	**-560**	**100**	**109**	**1**	**5**	**1,531**	**2,185**	**451**	**2,635**
Balance at 31 December 2006	**1,000**	**-754**	**100**	**68**	**1**	**5**	**1,972**	**2,391**	**8**	**2,399**
Fair value changes in available-for-sale investments	*0*	*0*	*0*	*-64*	*0*	*0*	*0*	*-64*	*0*	*-64*
Equity changes not recognised in the income statement	0	0	0	-64	0	0	0	-64	0	-64
Net income	0	0	0	0	0	0	564	564	0	564
Total recognised income and expense	**0**	**0**	**0**	**-64**	**0**	**0**	**564**	**499**	**0**	**499**
Dividends to shareholders (relating to 2006)	0	0	0	0	0	0	-535	-535	0	-535
Dividends of subsidiaries to minority interests	0	0	0	0	0	0	0	0	-2	-2
Treasury shares										
Exercise of stock options	0	6	0	0	0	0	0	6	0	6
Sale of treasury shares under a discounted share purchase plan	0	4	0	0	0	0	1	4	0	4
Cancellation of treasury shares	0	644	0	0	0	0	-644	0	0	0
Stock options										
Stock options granted and accepted	0	0	0	0	0	2	0	2	0	2
Deferred stock compensation	0	0	0	0	0	-2	0	-2	0	-2
Amortization deferred stock compensation	0	0	0	0	0	1	0	1	0	1
Exercise of stock options	0	0	0	0	0	-1	1	0	0	0
Total transactions with equity holders	**0**	**654**	**0**	**0**	**0**	**0**	**-1,178**	**-524**	**-2**	**-526**
Balance at 30 June 2007	**1,000**	**-101**	**100**	**4**	**1**	**5**	**1,358**	**2,367**	**6**	**2,373**

Contingent liabilities

No changes occurred during the first six months of 2007 in the contingent liabilities mentioned in note 35 of the consolidated financial statements for the year ended on 31 December 2006, except for the BASE complaint case of June 2003. In this case, BASE alleges that Belgacom Mobile's termination rates since 1 October 2000 are not in accordance with the official telecommunications regulations requiring cost oriented pricing, and that Belgacom Mobile's Proximus-to-Proximus rates constitute an abuse of Belgacom Mobile's alleged dominant position on the Belgian market. On 29 May 2007 the Commercial Court of Brussels ruled in an intermediate judgment that (i) Belgacom Mobile's termination rates are in accordance with the official telecommunications regulations, (ii) Belgacom Mobile is not dominant on the Belgian market as of 2005, and (iii) Belgacom Mobile was dominant in the 1999-2004 period. For the latter, the Commercial Court of Brussels appointed experts in order to determine whether the Proximus-to-Proximus rates constitute an abuse of that dominant position for the 1999-2004 period.

Segment reporting

(EUR million)	Fixed Line Services	Mobile Communications Services	International Carrier Services	Inter-segment eliminations	Total
	Six months ended 30 June 2006				
Net revenue	1,681	986	322		2,990
Other operating revenue	32	9	1		42
Intersegment revenue	101	73	27	-201	0
TOTAL SEGMENT REVENUE	**1,814**	**1,069**	**350**	**-201**	**3,032**
Costs of materials and charges to revenue	-516	-331	-307	179	-975
Personnel expenses and pensions	-465	-72	-10	0	-547
Other operating expenses	-264	-136	-21	22	-400
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1,245**	**-539**	**-338**	**201**	**-1,922**
TOTAL SEGMENT RESULT (1)	**569**	**530**	**12**	**0**	**1,110**
OPERATING INCOME before depreciation & amortization	**569**	**530**	**12**	**0**	**1,110**
Depreciation and amortization	-281	-107	-12	0	-399
OPERATING INCOME	**288**	**423**	**0**	**0**	**711**
Net finance revenue/(cost)					4
Tax expense					-207
NET INCOME					**507**
Minority interests					73
Net income (Group share)					434

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

Segment Reporting

(EUR million)	Fixed Line Services	Mobile Communications Services	International Carrier Services	Inter-segment eliminations	Total
	Six months ended 30 June 2007				
Net revenue	1,695	967	335		2,996
Other operating revenue	32	11	0		43
Intersegment revenue	96	58	27	-181	0
TOTAL SEGMENT REVENUE	**1,823**	**1,035**	**361**	**-181**	**3,039**
Costs of materials and charges to revenue	-497	-341	-309	156	-991
Personnel expenses and pensions	-490	-72	-10	0	-572
Other operating expenses	-262	-140	-19	24	-397
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1,249**	**-554**	**-338**	**181**	**-1,960**
TOTAL SEGMENT RESULT (1)	**574**	**482**	**23**	**0**	**1,079**
OPERATING INCOME before depreciation & amortization	**574**	**482**	**23**	**0**	**1,079**
Depreciation and amortization	-271	-105	-8	0	-384
OPERATING INCOME	**303**	**377**	**15**	**0**	**695**
Net finance revenue/(cost)					39
Tax expense					-170
NET INCOME					**564**
Minority interests					0
Net income (Group share)					564

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

Limited review report

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF BELGACOM SA DE DROIT PUBLIC / NV VAN PUBLIEK RECHT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2007 AND FOR THE SIX MONTHS THEN ENDED

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Belgacom SA de droit public / NV van publiek recht (the "Company") as at 30 June 2007 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of our Review

We conducted our review ("revue limitée/beperkt nazicht" as defined by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren") in accordance with the recommendation of the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing or with auditing standards of the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren" and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted for use in the European Union.

Brussels, 23 August 2007

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

Marnix Van Dooren
Partner

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

Treasury shares

At the end of June 2007, Belgacom owned 3,709,969 shares, representing 1.1% of the share capital. Treasury shares are kept by the company to cover existing and future employee incentive plans.

During the first six months of 2007, Belgacom employees exercised 219,039 stock options and bought 134,649 treasury shares under a discounted share purchase plan offering a discount of 16.67%.

Treasury shares evolution	
Status 31 December 2006	27,813,657
Options exercised during the first semester 2007	-219,039
Discount Purchase Plan employees	-134,649
Cancellation	-23,750,000
Status 30 June 2007	**3,709,969**

Ownership

Belgacom ownership	Shares	% of total shares	% voting rights
Belgian State	180,887,569	53.5%	54.1%
Belgacom treasury shares	3,709,969	1.1%	0.0%
Free-Float	153,427,597	45.4%	45.9%
TOTAL	**338,025,135**	**100.0%**	**100.0%**

Time table

9 November 2007	Announcement of Q3 2007 results
29 February 2008	Announcement of 2007 full year results
9 April 2008	Annual Shareholder meeting

Quarterly overview

FLS revenue

EUR million	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006	Q1 2007	Q2 2007	2007
Voice Access	187	187	183	182	739	184	183	368
Voice Traffic	172	166	158	163	659	162	147	310
Internet	108	113	115	118	454	122	125	247
Data Connectivity	44	43	44	43	174	43	41	84
Terminals	38	36	38	37	148	37	34	71
ICT	191	174	179	197	*741*	*189*	201	*391*
Belgacom TV	2	4	4	5	*15*	*8*	9	*16*
National Wholesale	112	113	112	113	449	108	104	212
Others	57	70	57	66	249	63	63	125
Total revenue	**909**	**905**	**890**	**925**	***3,630***	***916***	***907***	***1,823***

FLS operationals

Number of access channels (thousands)	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006	Q1 2007	Q2 2007	2007
Residential								
PSTN	3,042	2,988	2,951	2,920	2,920	2,883	2,835	2,835
ISDN	368	366	363	360	360	357	353	353
ADSL, VDSL	895	922	948	985	985	1,017	1,029	1,029
Total	**4,305**	**4,276**	**4,262**	**4,265**	**4,265**	**4,257**	**4,218**	**4,218**
Business								
PSTN	252	250	249	247	247	246	242	242
ISDN	585	584	585	584	584	583	580	580
ADSL, VDSL	130	135	138	142	142	147	147	147
Total	**967**	**969**	**972**	**973**	**973**	**975**	**969**	**969**
Traffic (millions of minutes)								
Residential								
National	1,406	1,326	1,259	1,382	5,374	1,399	1,289	2,688
Fixed to Mobile	198	203	187	190	778	185	186	371
International	90	87	82	85	344	91	107	198
Total	**1,694**	**1,616**	**1,529**	**1,657**	**6,496**	**1,675**	**1,582**	**3,258**
Business								
National	492	454	414	442	1,801	451	415	866
Fixed to Mobile	127	123	113	120	484	122	116	238
International	98	93	87	91	369	94	88	183
Total	**717**	**670**	**614**	**653**	**2,654**	**667**	**619**	**1,286**
ARPU (EUR)								
ARPU Voice Access	14.2	14.3	14.2	14.2	14.2	14.5	14.6	14.5
ARPU Voice Traffic	13.3	13.0	12.5	13.0	13.0	13.1	12.0	12.6
ARPU ADSL Residential	30.7	31.8	31.8	31.7	31.6	31.5	32.3	32.1
ARPU Net Belgacom TV	11.9	10.1	12.4	12.6	12.0	13.4	15.7	14.6

MCS Revenues

EUR million	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006	Q1 2007	Q2 2007	2007
Voice services (1)	441	461	456	428	1,786	421	430	851
Data services (1)	92	96	103	116	406	116	125	241
Other service revenue (2)	0	0	0	0	0	0	1	1
Credits and discounts	-33	-43	-35	-50	-162	-49	-59	-107
Net Service revenue	**500**	**514**	**523**	**493**	**2,030**	**488**	**497**	**985**
Handsets	22	23	18	22	86	18	22	40
Other revenue	4	5	6	5	20	6	5	11
Total revenue	**527**	**542**	**547**	**520**	**2,136**	**512**	**524**	**1,035**

(1) Including roaming-in
(2) Including wholesale and subsidiaries

MCS Operationals

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006	Q1 2007	Q2 2007	2007
Number of active customers (in thousands)	4,260	4,253	4,240	4,311	4,311	4,346	4,416	4,416
Prepaid	2,447	2,407	2,346	2,327	2,327	2,268	2,252	2,252
Postpaid	1,813	1,846	1,894	1,985	1,985	2,079	2,161	2,161
MVNO	0	0	0	0	0	0	3	3
Active customers as a percentage of total customers	98.2%	97.9%	97.9%	98.7%	98.2%	98.2%	97.8%	97.9%
Annualized churn rate (blended - variance in pp)	15.6%	15.1%	16.7%	16.2%	15.8%	15.9%	14.8%	15.3%
ARPU (in EUR)								
Prepaid	18.3	20.2	20.0	20.0	19.6	19.8	20.6	20.2
Postpaid	69.3	69.7	69.7	65.1	68.4	61.4	60.9	61.2
Blended	39.8	41.5	41.9	40.3	40.9	39.3	40.2	39.7
Blended voice	32.9	34.3	34.1	31.7	33.2	30.7	31.0	30.9
Blended data	6.9	7.2	7.8	8.7	7.6	8.6	9.1	8.9
Net ARPU (in EUR)								
Prepaid	17.1	17.9	18.4	16.8	17.6	16.5	16.1	16.3
Postpaid	64.8	65.0	65.4	60.3	63.8	57.0	56.5	56.8
Blended	37.2	38.2	39.1	36.4	37.7	35.5	35.7	35.6
Market share of active customers								
Prepaid	46.3%	46.0%	45.2%	43.0%	43.0%	41.8%	41.1%	41.1%
Postpaid	50.1%	48.9%	47.9%	48.8%	48.8%	49.0%	49.0%	49.0%
Total	47.9%	47.3%	46.4%	45.5%	45.5%	45.0%	44.7%	44.7%
UoU (units)	208.6	218.6	211.9	230.7	218.9	232.6	247.1	238.9
MoU (min)	160.6	169.1	160.3	164.3	164.1	163.2	171.5	167.1
SMS (units)	48.0	49.5	51.6	66.4	54.8	69.4	75.5	71.8

ICS revenue

EUR million	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006	Q1 2007	Q2 2007	2007
Voice	163	167	187	176	693	171	167	338
Non Voice	9	10	12	11	43	12	11	23
Total revenues	**172**	**178**	**199**	**187**	**736**	**183**	**178**	**361**

ICS operationals

in billion of minutes	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006	Q1 2007	Q2 2007	2007
TOTAL	**2.87**	**2.92**	**3.18**	**3.24**	**12.21**	**3.30**	**3.34**	**6.64**
Total fixed	1.55	1.47	1.50	1.58	6.10	1.58	1.58	3.17
Total mobile	1.31	1.45	1.68	1.66	6.11	1.72	1.76	3.48

BICS volumes included at 100%

General information

Investor relations

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VAT BE 202.239.951
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.