Q1

quarterly report 2007

belgacom

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Highlights

- Year-over-year, the **Belgacom Group revenue increased 0.5%** to an amount of EUR 1,515 million, with an EBITDA margin of 35.4%
- Belgacom's **Net Income increased 27%** to EUR 319 million driven by the capital gain on the disposal of participating interests, **EPS up** from EUR 0.63 **to EUR 0.95**.
- The **Free Cash Flow**[1] evolved from a negative balance in the first quarter of 2006 because of the Telindus acquisition, to a **positive balance of EUR 467 million** in the first quarter of 2007.
- Within the **Fixed Line Services** the revenue decline of traditional voice products was offset by the revenue growth of Internet products.
- Overall, the FLS revenue **grew slightly year-over-year with 0.8%** and the EBITDA increased 2.5% to EUR 284 million.
- Belgacom added **9,826 new TV customers**, impacted by the end of the "Try & Buy" offer, but still at a level comparable with the first quarter of last year, leading to a total of 149,491 Belgacom TV customers.
- **Revenue of Mobile Communications Services** went **down 2.8%**. Excluding the impact of the Mobile Termination Rate cut last November, this would have been limited to 0.4%. The decline of the Mobile Termination Rates and the customer acquisition strategy are the main drivers of the EBITDA evolution (EUR 241 Million).
- Proximus counted 4,346,000 active customers at the end of March 2007 with a year-on-year customer growth of 86,000. The customer portfolio improved with 266,000 additional postpaid customers.
- **Revenues** of **International Carrier Services increased 6.7%** compared to the first quarter of 2006 and the EBITDA margin increased from 2.7% to 6.1%.
- In its draft decision of 6 April 2007, the Belgian regulator proposes a **new Mobile Termination Rate glide-path** which, as of mid 2008, would lead to full symmetry with Mobistar and reduce the difference with BASE to 10%.
- The Annual General Meeting of 11 April 2007 approved **a normal dividend of EUR 1.6** which was paid on 17 April 2007, on top of the EUR 0.29 interim dividend
- The Extraordinary General Meeting of 11 April 2007 approved the **cancellation of 23,750,000 treasury shares and renewed the mandate to buyback own shares to a maximum of 10%** .

[1] Cash flow before financing activities

Key figures

	Three months ended 31 March	
Income Statement (EUR million)	**2006**	**2007**
Total revenue	1,507	1,515
EBITDA (1)	545	536
Depreciation and amortization	-196	-189
Operating income (EBIT)	349	347
Net finance revenue (costs)	5	54
Income before taxes	354	401
Tax expense	-103	-83
Minority interests	36	0
Net income (Group share)	215	319

	Three months ended 31 March	
Cash Flow and Capital Expenditures (EUR million)	**2006**	**2007**
Cash flows from operating activities	495	333
Capital expenditures	-120	-122
Cash flows generated by / (used in) other investing activities	-589	256
Free cash flow (2)	-213	467
Cash flows used in financing activities	-62	-1
Net increase / (decrease) of cash and cash equivalents	-275	465

	As of 31 March	
Balance sheet (EUR million)	**2006**	**2007**
Balance sheet total	6,308	7,471
Non-current assets	4,264	5,181
Investments, cash and cash equivalents	612	795
Shareholders' equity	2,416	2,647
Minority interests	413	8
Liabilities for pensions, other post-employment benefits and termination benefits	976	860
Net financial position	274	-1,165

	Three months ended 31 March	
Data per share	**2006**	**2007**
Basic earnings per share (EUR)	0.63	0.95
Diluted earnings per share (EUR)	0.63	0.95
Weighted average number of ordinary shares	340,394,570	333,993,634

	Three months ended 31 March	
Data on employees	**2006**	**2007**
Number of employees (full-time equivalents)	18,193	17,942
Average number of employees over the period	18,231	17,995
Total revenue per employee (EUR)	82,647	84,192
EBITDA (1) per employee (EUR)	29,912	29,787

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

Financial report

Belgacom Group

Revenue

Compared to the first quarter 2006, the Belgacom Group's total revenue slightly increased with 0.5% to EUR 1,515 million.
In the total revenue, other operating revenue increased from EUR 16 million to EUR 23 million as a result of the disposal of buildings.

	Three months ended 31 March				
	2006		**2007**		**Variance**
	(EUR million)	*(%)*	*(EUR million)*	*(%)*	
Fixed Line Services	909	60%	916	60%	0.8%
Mobile Communications Services	527	35%	512	34%	-2.8%
International Carrier Services	172	11%	183	12%	6.7%
Inter-segment eliminations	-101	-7%	-96	-6%	-4.7%
Total	**1,507**	**100%**	**1,515**	**100%**	**0.5%**

Operating income before depreciation and amortization (EBITDA)

The Group EBITDA decreased year-over-year by 1.7% to EUR 536 million.

	Three months ended 31 March				
	2006		**2007**		**Variance**
	(EUR million)	*(%)*	*(EUR million)*	*(%)*	
Fixed Line Services	277	51%	284	53%	2.5%
Mobile Communications Services	264	48%	241	45%	-8.6%
International Carrier Services	5	1%	11	2%	139.8%
Total	**545**		**536**		**-1.7%**

Depreciation and amortization

Depreciation and amortization decreased from EUR 196 million for the first quarter of 2006 to EUR 189 million for the first quarter of 2007.

Net finance revenue

The net finance revenue increased year-over-year from EUR 5 million to 54 million in the first quarter of 2007 thanks to the gains realized on the disposal of remaining interests in Mobistar and Eutelsat Communications. These gains more than compensate the higher interest expenses resulting from the increase of the net financial debt.

Tax expense

Tax expenses went down to EUR 83 million for the first quarter of 2007, representing an effective tax rate of 21% compared to an effective tax rate of 29% for the first quarter of 2006. The decrease of the effective tax rate is mainly due to the tax free capital gain as a result of the disposals of participating interests realized in the first quarter of 2007.

Net income (Group Share)

Following the acquisition of the Vodafone minority stake in Belgacom Mobile end of 2006, minority interests for Mobile Communications Services are eliminated in 2007, whereas the share for minority interests in the net income was still EUR 36 million in the first quarter of 2006.
Net income increased to an amount of EUR 319 million, 27% higher compared to the first quarter of last year.

Capital expenditure

	Three months ended 31 March				
(EUR million)	2006		2007		Variance
Fixed Line Services	74	61%	90	74%	22.4%
Mobile Communications Services	46	39%	32	26%	-31.9%
International Carrier Services	0	0%	1	0%	164.7%
Total	**120**	**100%**	**122**	**100%**	**1.6%**

Compared to the same period of last year, capital expenditures of **Fixed Lines Services** increased 22.4% to EUR 90 million during the first three months of 2007. The increase is mainly due to a timing difference in IT-related investments. Furthermore, the FLS capital expenditures include a EUR 23 million investment related to Broadway and a EUR 21 million capital expenditure related to TV.

Mobile Communications Services' capital expenditures decreased 32% mainly because of decreasing UMTS (3G) investments due to the already very high population coverage. For the first quarter 2007, 3G investments were good for EUR 11.2 million whereas for the same period of last year this was EUR 21.5 million.

Cash flow

	Three months ended 31 March	
	2006	2007
Cash flows from operating activities	495	333
Capital expenditures	-120	-122
Cash flows generated by / (used in) other investing activities	-589	256
Cash flow before financing activities or "free cash flow"	-213	467
Cash flows used in financing activities	-62	-1
Net increase / (decrease) of cash and cash equivalents	-275	465

The cash flow from operating activities decreased from EUR 495 million in the first quarter of 2006 to EUR 333 million in the first quarter of 2007 as a result of earlier payments of income taxes (January this year versus July last year) and other timing differences of working capital.
Year–over-year, capital expenditures remained fairly stable while other investing activities consumed a significant amount of cash last year due to the acquisition of Telindus Group whereas a significant amount of cash was generated in the first quarter of 2007 due to the disposal of the remaining interests in Mobistar and Eutelsat Communications.
As a result, the cash flow before financing activities or "free cash flow" evolved from a negative balance of EUR 213 million in the first quarter 2006 to a positive balance of EUR 467 million in the first quarter 2007.

Balance sheet and shareholders' equity

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 increased in the first quarter 2007 thanks to a net income of EUR 319 million, which is higher than the reversal of remeasurement to fair value (EUR 65 million) following the disposal of Mobistar and Eutelsat Communications.

Headcount

Year-over-year, the Group's number of employees decreased with 251 full-time equivalents (FTE) to 17,942 FTE. The headcount decrease is driven by restructuring programs (-109 FTE) and natural attrition (-142 FTE).

Outlook

Fixed Line Services

Financial results for the first quarter evolved positively influenced by real estate disposals and lower costs of goods sold.

Therefore, **Belgacom reiterates its full-year guidance** for FLS where it expects a revenue decline between 1% and 2% with a fairly stable EBITDA margin.

For Belgacom TV, Belgacom expects to add a similar number of new customers on a yearly basis as in 2006, with an ARPU of EUR 15.

Mobile Communications Services

The revenue decline in the first quarter of 2007 includes the November 2006 MTR-cut. The draft decision of the Belgian regulator on 6 April 2007 foresees another cut of 20% on 1 May 2007. The same proposal foresees that the asymmetry between Proximus and Mobistar will disappear as of mid 2008, while it will be reduced to a 10% difference with BASE.

Fierce competition and an increased effort to maintain and support the market leadership program will cause revenues to decline between 1 and 3%.

Therefore, **Belgacom reiterates its full-year guidance** for MCS where total mobile revenue is expected to decline between 5% and 7%, including a -4% impact of Mobile Termination Rate cuts, and an EBITDA margin of about 45%.

Proximus maintains the assumption of no roaming retail regulation impact in 2007.

Fixed Line Services (FLS)

Segment revenue

During the first three months of 2007, FLS total revenue increased 0.8% to EUR 916 million compared with the same quarter last year. The revenue growth from Internet products and services offset for the first time the decline in traditional voice revenue.
The real estate disposals contributed positively to the overall revenue (EUR 6 million).

Segment operating income before depreciation and amortization (EBITDA)

Fixed Lines Services' EBITDA increased year-on-year 2.5% to EUR 284 million. This improvement was driven by charges to revenue including a favorable evolution of Mobile Termination Rates since November 2006.
The total operational costs were flat year-on-year in spite of higher personnel expenses due to the annual wage increase and indexation as well as the increase in collective bonus.

The increased EBITDA results in a slight increase of the FLS EBITDA margin to 31%.

Segment operating income (EBIT)

The EBIT of FLS increased by EUR 9 million or 6%, mainly driven by higher year-over-year EBITDA.

Fixed Line Services (FLS)

	Three months ended 31 March		
(EUR million)	**2006**	**2007**	**Variance**
TOTAL SEGMENT REVENUE	**909**	**916**	**0.8%**
Costs of materials and charges to revenue	-269	-253	**-5.9%**
Personnel expenses and pensions	-236	-247	**4.7%**
Other operating expenses	-127	-133	**4.0%**
TOTAL OPERATING EXPENSES before depreciation & amortization	**-632**	**-632**	**0.0%**
TOTAL SEGMENT RESULT (1)	**277**	**284**	**2.5%**
Segment result margin	*30.5%*	*31.0%*	0.5p.p.
Depreciation and amortization	-135	-133	**-1.4%**
OPERATING INCOME	**142**	**151**	**6.1%**

(1) Operating income before depreciation and amortization

Segment revenue detail

	Three months ended 31 March			
EUR million	**2006**	**2007**	**Variance %**	**Variance**
Voice Acces	*187*	*184*	-1.6%	*-3*
Voice Traffic	*172*	*162*	-5.5%	*-9*
Internet	*111*	*123*	11.6%	*13*
Data	*53*	*46*	-12.7%	*-7*
Terminals	*38*	*37*	-3.3%	*-1*
Telindus	*179*	*184*	3.3%	*6*
Belgacom TV	*2*	*8*	290.9%	*6*
National Wholesale	*112*	*108*	-3.0%	*-3*
Other*	*57*	*63*	11.0%	*6*
Total revenue	**909**	**916**	**0.8%**	***7***

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

Voice access & traffic revenue decline improved to -3.4% versus -7.7% for the same period last year. This improvement was mainly driven by the positive impact of the price indexation of voice access and traffic and a higher take up of flat rates in 2006.

Voice access ARPU increased 1.7% to EUR 14.5 as a result of indexation since 1 January 2007. The resulting revenue increase however does not fully offset the decrease following the voice access line loss (-41,939 equilines Q1 '07).
Voice traffic ARPU declined due to the broader adoption of price packages, domestic and international. The ARPU decline remained however limited, reflecting indexation.

Internet revenue growth reached 11.6%, driven by both higher volumes and an ADSL ARPU increase to EUR 31.5 (+2.8%). The revenue is also favorably impacted by indexation of tariffs and an increase of indirect revenue.
Despite the fierce competition within the Broadband market from both cable and mobile operators, FLS added 35,519 **retail Broadband** lines in the first quarter of 2007, resulting in a total of 1,164,000 Broadband lines at the end of March 2007, which is a year-over-year increase of 13%.

Non-internet **Data** revenue declined 12.7% compared to last year, mainly because of the shift of activities from Belgacom to Telindus.
Telindus' service revenue evolved positively thanks to the transfer of integration services.
On connectivity level, data revenues remained almost flat as mainly the growth of DSL solutions compensated for the decline in Leased lines.

Other revenue increased mainly thanks to higher gains realized on disposals of buildings in the first quarter of 2007 whereas similar gains were realized later in 2006.

Belgacom TV added 9,826 customers during the first quarter of 2007, reflecting the same pace as last year (9,597 customers in the first quarter of 2006). Net new TV customers were impacted by an increased churn level following the "Try & Buy" offer which ran from April 2006 to end of January 2007. At the end of March 2007, Belgacom had 149,491 TV customers, generating an ARPU of EUR 13.4.
The total Belgacom TV revenue increased EUR 6 million, driven by both higher volumes (+107,040 compared to end Q1 2006) and higher ARPU.

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

Fixed Line Services Operationals (retail)

	Three months ended 31 March		
	2006	**2007**	**Variance**
Number of access channels (thousands)			
Residential			
PSTN	3,042	2,883	-5.2%
ISDN	368	357	-3.1%
ADSL, VDSL	895	1,017	13.6%
Total	**4,305**	**4,257**	**-1.1%**
Business			
PSTN	252	246	-2.7%
ISDN	585	583	-0.3%
ADSL, VDSL	130	147	12.5%
Total	**967**	**975**	**0.8%**
Traffic (millions of minutes)			
Residential			
National	1,406	1,399	-0.5%
Fixed to Mobile	198	185	-6.3%
International	90	91	1.4%
Total	**1,694**	**1,675**	**-1.1%**
Business			
National	492	451	-8.3%
Fixed to Mobile	127	122	-4.1%
International	98	94	-3.9%
Total	**717**	**667**	**-6.9%**
ARPU (EUR)			
ARPU Voice Access[1]	14.2	14.5	1.7%
ARPU Voice Traffic[2]	13.3	13.1	-1.3%
ARPU ADSL Residential[3]	30.7	31.5	2.8%
ARPU Net Belgacom TV[4]	11.9	13.4	12.3%

(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

Compared to the first quarter of 2006, the total revenue of MCS decreased 2.8%. Excluding the impact of the Mobile Termination Rates (MTR) cut that took effect on 1 November 2006, the revenue decrease was limited to 0.4%

Net service revenue declined 2.4%. The MTR cut is an important factor in the Voice services revenue evolution (-4.6%), fully offsetting the positive impact of the increased customer base and the improved customer portfolio.
Data services -before deduction of free traffic- are growing with almost 26% and represent about 23% of the total MCS revenue. The SMS traffic volume increased significantly since the launch of price plans such as “Pay&Go Generation” and the “Bonus for Life” campaign.
The growth in data services is also explained by the success of advanced data in the postpaid segment, especially Mobile solutions (Mobile intranet/internet, Mobile connect card, Blackberry, etc.) and Network services (SMS voting, logo, ringing tones, etc.).

The success of the new pricing plans, both in the postpaid and prepaid segments, is significantly affecting the level of credits and discounts granted on voice and data services.

Revenue from handsets is 20% below that of the first quarter 2006. This is related to lower volumes and average prices.

During the first quarter, Proximus continued its acquisition strategy and further increased its active customer base by 34,824 customers to a total of 4.346 million customers, while enhancing its postpaid/prepaid ratio to 48/52 and maintaining a low churn level of 15.9%.

MCS Blended ARPU decreased 1.2% to EUR 39.3 as a consequence of the MTR decline and the success of new rate plans within the postpaid segment. The Net ARPU, including the impact of higher credits and discounts, declined 4.4% to EUR 35.5.

Segment operating income before depreciation and amortization (EBITDA)

The **EBITDA** of MCS decreased to an amount of EUR 241 million, a decrease of 8.6% compared to the first quarter of last year. This leads to an EBITDA margin of 47.1%.

The **charges to revenue** increased 3.8%, mainly driven by higher commissions, content fees and termination costs, partly offset by lower roaming charges and handset costs. The slight increase of **other expenses** is mainly explained by higher personnel expenses related to normal salary indexing.

Segment operating income (EBIT)

MCS’s operating income decreased 9.6% to EUR 189 million as a result of the EBITDA decline, partly compensated by the favorable evolution of the depreciation and amortization costs.

Mobile Communications Services (MCS)

(EUR million)	Three months ended 31 March 2006	2007	Variance
TOTAL SEGMENT REVENUE	**527**	**512**	**-2.8%**
Costs of materials and charges to revenue	-163	-169	**3.8%**
Personnel expenses and pensions	-35	-36	**2.7%**
Other operating expenses	-65	-66	**1.0%**
TOTAL OPERATING EXPENSES before depreciation & amortization	**-263**	**-271**	**2.9%**
TOTAL SEGMENT RESULT (1)	**264**	**241**	**-8.6%**
Segment result margin	*50.0%*	*47.1%*	-3.0p.p.
Depreciation and amortization	-55	-52	**-4.9%**
OPERATING INCOME	**209**	**189**	**-9.6%**

(1) Operating income before depreciation and amortization

Segment revenue detail

EUR million	Three months ended 31 March 2006	2007	Variance %	Variance
Voice services (1)	441	421	-4.6%	-21
Data services (1)	92	116	25.9%	24
Credits and discounts	-33	-49	-46.4%	-16
Net Service revenue	**500**	**488**	**-2.4%**	**-12**
Handsets	22	18	-20.1%	-4
Other revenue	4	6	36.9%	2
Total revenue	**527**	**512**	**-2.8%**	**-15**

(1) Including roaming-in

Mobile Communications Services Operationals

	Three months ended 31 March		
	2006	**2007**	**Variance**
Number of active customers[1] (in thousands)	4,260	4,346	2.0%
Prepaid	2,447	2,268	-7.3%
Postpaid	1,813	2,079	14.7%
Active customers as a percentage of total customers[2]	98.2%	98.2%	0.0 pp
Annualized churn rate 3) (blended - variance in pp)	15.6%	15.9%	0.3 pp
ARPU[4] (in EUR)			
Prepaid	18.3	19.8	8.1%
Postpaid	69.3	61.4	-11.4%
Blended	39.8	39.3	-1.2%
Blended voice	32.9	30.7	-6.5%
Blended data	6.9	8.6	24.2%
Net ARPU[5] (in EUR)			
Prepaid	17.1	16.5	-3.2%
Postpaid	64.8	57.0	-12.0%
Blended	37.2	35.5	-4.4%
Market share of active customers [6]			
Prepaid	46.3%	41.8%	-4.5 pp
Postpaid	50.1%	49.0%	-1.1 pp
Total	47.9%	45.0%	-2.9 pp
UoU[7] (units)	208.6	232.6	11.5%
MoU[8] (min)	160.6	163.2	1.6%
SMS[9] (units)	48.0	69.4	44.6%

(1) Active customers are customers who have made or received at least one call or sent or received at least one SMS in the last three months.
(2) Percentage based on total number of Belgacom Mobile SIM cards in circulation.
(3) Annualized churn is the total annualized number of SIM cards disconnected from the Belgacom Mobile network (including the total number of port-outs due to mobile number portability), during the given period, divided by the average number of customers for that same period.
(4) ARPU has been calculated on the basis of monthly averages for the period indicated.
Monthly blended ARPU is total services revenues, excluding roaming-in and activation revenues, divided by Belgacom Mobile's active postpaid and prepaid customer base for that period.
(5) Net ARPU is equal to ARPU minus credits and discounts.
(6) 2007 figures are Belgacom Mobile estimates
(7) UoU (Units of Use): voice minutes of use + SMS (where 1 SMS equals 1 minute) per active customer per month
(8) MoU (Minutes of Use): duration of all calls from or to Proximus, per active customer and per month
(9) SMS: number of SMS per active customer per month.

International Carrier Services (ICS)

Segment revenue

ICS' revenue increased 6.7 % compared to the first quarter of last year. The ICS voice revenue growth is mainly coming from a significant volume increase of transit traffic for mobile operators, with quality features offering higher unit margins, and as a result of the agreement with MTN[2]. Data revenue growth is related to revenues from mobile data products (mainly signalling products and SMS transit traffic).

Segment operating income before depreciation and amortization (EBITDA)

At the end of March 2007, ICS EBITDA showed an increase of EUR 6.5 million. Net of charges to revenue, the volume-driven revenue growth has contributed EUR 4.9 million to the year-over-year growth. Personnel expenses and other operating expenses have decreased by EUR 1.6 million year-over-year as the joint-venture synergies[3] are materializing.

The EBITDA margin improved to 6.1% as a result of the favorable product mix evolution between voice and non-voice products.

Segment operating income (EBIT)

ICS' operating income is growing by EUR 9 million to EUR 7 million compared to EUR -2 million last year. In addition to the better EBITDA performance, depreciation is lower, as the depreciation in 2006 was impacted by the useful life review of some assets to reflect new technologies.

International Carrier Services (ICS)

	Three months ended 31 March		
(EUR million)	**2006**	**2007**	**Variance**
TOTAL SEGMENT REVENUE	**172**	**183**	**6.7%**
Costs of materials and charges to revenue	-151	-158	**4.3%**
Personnel expenses and pensions	-5	-5	**0.2%**
Other operating expenses	-11	-10	**-14.2%**
TOTAL OPERATING EXPENSES before depreciation & amortization	**-167**	**-172**	**3.0%**
TOTAL SEGMENT RESULT (1)	**5**	**11**	**139.8%**
Segment result margin	*2.7%*	*6.1%*	3.4p.p.
Depreciation and amortization	-7	-4	**-41.2%**
OPERATING INCOME	**-2**	**7**	**-**

(1) Operating income before depreciation and amortization

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

[3] 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

	Three months ended 31 March		
EUR million	**2006**	**2007**	**Variance**
Voice	163	171	5.3%
Non Voice	9	12	30.5%
Total revenues	**172**	**183**	**6.7%**

Operationals

	Three months ended 31 March		
in billion of minutes	**2006**	**2007**	**Variance**
TOTAL	**2.87**	**3.30**	**14.9%**
Total to fixed destination	1.55	1.58	1.8%
Total to mobile destination	1.31	1.72	31.0%

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 2006 consolidated financial statements, except that the Group also adopted the new standards, interpretations, revisions and improvements that became mandatory for the Belgacom Group on 1 January 2007.

During the first three months of 2007, the Belgacom Group did not acquire or dispose of any significant subsidiary, joint venture or associated company.

Consolidated income statements

	Three months ended 31 March	
(EUR million)	2006	2007
Net revenue	1,490	1,492
Other operating revenue	16	23
TOTAL REVENUE	**1,507**	**1,515**
Costs of materials and charges to revenue	-493	-496
Personnel expenses and pensions	-275	-287
Other operating expenses	-193	-196
TOTAL OPERATING EXPENSES before depreciation & amortization	**-961**	**-979**
OPERATING INCOME before depreciation & amortization	**545**	**536**
Depreciation and amortization	-196	-189
OPERATING INCOME	**349**	**347**
Finance revenue	15	81
Finance costs	-10	-27
Net finance revenue / (costs)	**5**	**54**
INCOME BEFORE TAXES	**354**	**401**
Tax expense	-103	-83
NET INCOME	**251**	**319**
Minority interests	36	0
Net income (Group share)	215	319
Basic earnings per share	0.63 EUR	0.95 EUR
Diluted earnings per share	0.63 EUR	0.95 EUR
Weighted average number of ordinary shares	340,394,570	333,993,634
Weighted average number of ordinary shares for diluted earnings per share	340,468,394	334,396,953

Consolidated balance sheet

(EUR million)	As of 31 March 2006	As of 31 December 2006	As of 31 March 2007
ASSETS			
NON-CURRENT ASSETS	**4,264**	**5,504**	**5,181**
Goodwill	243	1,760	1,760
Intangible assets with finite useful life	642	590	556
Property, plant and equipment	2,529	2,527	2,489
Other participating interests	370	234	1
Deferred income tax assets	410	351	338
Pension assets	5	5	5
Other non-current assets	64	36	32
CURRENT ASSETS	**2,044**	**1,796**	**2,290**
Inventories	96	83	103
Trade receivables	1,158	1,207	1,188
Current income tax assets	63	97	96
Other current assets	115	81	107
Investments	89	91	93
Cash and cash equivalents	523	236	702
TOTAL ASSETS	**6,308**	**7,300**	**7,471**
LIABILITIES AND EQUITY			
EQUITY	**2,829**	**2,399**	**2,655**
Shareholders' equity	**2,416**	**2,391**	**2,647**
Issued capital	1,000	1,000	1,000
Treasury shares	-564	-754	-753
Restricted reserve	100	100	100
Remeasurement to fair value	47	68	4
Stock compensation	4	5	5
Retained earnings	1,829	1,972	2,291
Foreign currency translation	0	1	1
Minority interests	**413**	**8**	**8**
NON-CURRENT LIABILITIES	**1,518**	**3,053**	**3,023**
Interest-bearing liabilities	305	1,917	1,914
Liability for pensions, other post-employment benefits and termination benefits	976	886	860
Provisions	195	208	211
Deferred income tax liabilities	41	38	36
Other non-current payables	1	4	3
CURRENT LIABILITIES	**1,961**	**1,848**	**1,793**
Interest-bearing liabilities	77	71	69
Trade payables	1,082	1,086	992
Income tax payables	277	189	168
Other current payables	526	502	564
TOTAL LIABILITIES AND EQUITY	**6,308**	**7,300**	**7,471**

Consolidated cash flow statements

(EUR million)	Three months ended 31 March 2006	2007
Cash flow from operating activities		
Net income	215	319
Adjustments for:		
Minority interests	36	0
Depreciation and amortization on intangible assets and property, plant and equipment	196	189
Increase of impairment on intangible assets and property, plant and equipment	1	0
Increase of provisions	4	4
Deferred tax expense	28	10
Fair value adjustments on financial instruments	-8	-2
Gain on disposal of other participating interests and enterprises accounted for using the equity method	-1	-74
Gain on disposal of property, plant and equipment	-1	-6
Other non-cash movements	1	1
Operating cash flow before working capital changes	**472**	**441**
Increase in inventories	0	-20
Decrease in trade receivables	25	18
Decrease in current income tax assets	8	1
Increase in other current assets	-29	-26
Decrease in trade payables	-74	-94
Increase / (decrease) in income tax payables	72	-21
Increase in other current payables	62	62
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-36	-27
Decrease in other non-current payables and provisions	-4	-2
Decrease / (increase) in working capital, net of acquisitions and disposals of subsidiaries	**23**	**-107**
Net cash flow provided by operating activities	**495**	**333**
Cash flow from investing activities		
Purchase of intangible assets and property, plant and equipment	-120	-122
Cash paid for consolidated companies, net of cash acquired	-584	-1
Cash received from sales of intangible assets and property, plant and equipment	3	12
Cash received from sales of other participating interests and enterprises accounted for using the equity method and transaction on other non-current assets	-7	245
Net cash (used in) / provided by investing activities	**-709**	**133**
Cash flow before financing activities	**-213**	**467**
Cash flow from financing activities		
Net disposal of treasury shares	0	1
Purchase of investments	-2	-1
Net repayment of short term debt	-60	-2
Net cash provided used in financing activities	**-62**	**-1**
Net increase / (decrease) of cash and cash equivalents	**-275**	**465**
Cash and cash equivalents at the beginning of the period	798	236
Cash and cash equivalents at the end of the period	523	702

Consolidated statements of changes in equity

(in EUR million)	Issued capital	Treasury shares	Restricted reserve	Re-measure-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*	*-21*	*0*	*0*	*0*	*-21*	*0*	*-21*
Equity changes not recognised in the income statement	0	0	0	-21	0	0	0	-21	0	-21
Net income	0	0	0	0	0	0	215	215	36	251
Total recognised income and expense	**0**	**0**	**0**	**-21**	**0**	**0**	**215**	**194**	**36**	**230**
Acquisition of minority interests	0	0	0	0	0	0	0	0	8	8
Stock options										
Amortization deferred stock compensation	0	0	0	0	0	1	0	1	0	1
Total transactions with equity holders	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**1**	**8**	**8**
Balance at 31 March 2006	**1,000**	**-564**	**100**	**47**	**0**	**4**	**1,829**	**2,416**	**413**	**2,829**
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*	*-65*	*0*	*0*	*0*	*-65*	*0*	*-65*
Equity changes not recognised in the income statement	0	0	0	-65	0	0	0	-64	0	-64
Net income	0	0	0	0	0	0	319	319	0	319
Total recognised income and expense	**0**	**0**	**0**	**-65**	**0**	**0**	**319**	**254**	**0**	**254**
Treasury shares										
Exercise of stock options	0	1	0	0	0	0	0	1	0	1
Stock options										
Amortization deferred stock compensation	0	0	0	0	0	1	0	1	0	1
Total transactions with equity holders	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**2**	**0**	**2**
Balance at 31 March 2007	**1,000**	**-753**	**100**	**4**	**1**	**5**	**2,291**	**2,647**	**8**	**2,655**

Contingent liabilities

No changes occurred during the first three months of 2007 in the contingent liabilities mentioned in note 35 of the consolidated financial statements for the year ended on 31 December 2006.

Subsequent events

On 11 April 2007, the Annual General Meeting of shareholders approved the distribution of an ordinary dividend of EUR 1.6 per share, on top of the interim dividend paid in December 2006.

On 11 April 2007, the Extraordinary General Meeting of shareholders approved the cancellation of 23,750,000 treasury shares and renewed the mandate to buyback own shares to a maximum of 10%.
Following this cancellation of own shares and a number of options exercised until 11 April 2007, Belgacom's ownership breaks down as follows.

Belgacom ownership	**shares**	**% of total shares**
Belgian State	180,887,569	53.5%
Belgacom own shares	3,917,191	1.2%
Free-Float	153,220,375	45.3%
TOTAL	**338,025,135**	**100.0%**

Segment reporting

(EUR million)	Fixed Line Services	Mobile Communications Services	International Carrier Services	Inter-segment eliminations	Total
	Three months ended 31 March 2006				
Net revenue	847	485	158		1,490
Other operating revenue	12	5	0		16
Intersegment revenue	50	37	13	-101	0
TOTAL SEGMENT REVENUE	**909**	**527**	**172**	**-101**	**1,507**
Costs of materials and charges to revenue	-269	-163	-151	90	-493
Personnel expenses and pensions	-236	-35	-5	0	-275
Other operating expenses	-127	-65	-11	11	-193
TOTAL OPERATING EXPENSES before depreciation & amortization	**-632**	**-263**	**-167**	**101**	**-961**
TOTAL SEGMENT RESULT (1)	**277**	**264**	**5**	**0**	**545**
OPERATING INCOME before depreciation & amortization	**277**	**264**	**5**	**0**	**545**
Depreciation and amortization	-135	-55	-7	0	-196
OPERATING INCOME	**142**	**209**	**-2**	**0**	**349**
Finance revenue (net)					5
Tax expense					-103
NET INCOME					**251**
Minority interests					36
Net income (Group share)					215

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

Segment Reporting

(EUR million)	Fixed Line Services	Mobile Communications Services	International Carrier Services	Inter-segment eliminations	Total
	Three months ended 31 March 2007				
Net revenue	847	475	170		1,492
Other operating revenue	17	6	0		23
Intersegment revenue	52	31	13	-96	0
TOTAL SEGMENT REVENUE	**916**	**512**	**183**	**-96**	**1,515**
Costs of materials and charges to revenue	-253	-169	-158	84	-496
Personnel expenses and pensions	-247	-36	-5	0	-287
Other operating expenses	-133	-66	-10	12	-196
TOTAL OPERATING EXPENSES before depreciation & amortization	**-632**	**-271**	**-172**	**96**	**-979**
TOTAL SEGMENT RESULT (1)	**284**	**241**	**11**	**0**	**536**
OPERATING INCOME before depreciation & amortization	**284**	**241**	**11**	**0**	**536**
Depreciation and amortization	-133	-52	-4	0	-189
OPERATING INCOME	**151**	**189**	**7**	**0**	**347**
Finance revenue (net)					54
Tax expense					-83
NET INCOME					**319**
Minority interests					0
Net income (Group share)					319

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

Quarterly overview

FLS revenue

EUR million	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006	Q1 2007	2007
Voice Access	187	187	183	182	739	184	184
Voice Traffic	172	166	158	163	659	162	162
Internet	111	116	118	120	464	123	123
Data	53	54	48	47	203	46	46
Terminals	38	36	38	37	148	37	37
Telindus	179	160	172	191	702	184	184
Belgacom TV	2	4	4	5	15	8	8
National Wholesale	112	113	112	113	449	108	108
Others	57	70	57	66	249	63	63
Total revenue	**909**	**905**	**890**	**925**	**3,630**	**916**	**916**

FLS operationals

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

MCS Revenues

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

(1) Including roaming-in

MCS Operationals

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006	Q1 2007	2007
Number of active customers (in thousands)	4,260	4,253	4,240	4,311	4,311	4,346	4,346
Prepaid	2,447	2,407	2,346	2,327	2,327	2,268	2,268
Postpaid	1,813	1,846	1,894	1,985	1,985	2,079	2,079
Active customers as a percentage of total customers	98.2%	97.9%	97.9%	98.7%	98.2%	98.2%	98.2%
Annualized churn rate (blended - variance in pp)	15.6%	15.1%	16.7%	16.2%	15.8%	15.9%	15.9%
ARPU (in EUR)							
Prepaid	18.3	20.2	20.0	20.0	19.6	19.8	19.8
Postpaid	69.3	69.7	69.7	65.1	68.4	61.4	61.4
Blended	39.8	41.5	41.9	40.3	40.9	39.3	39.3
Blended voice	32.9	34.3	34.1	31.7	33.2	30.7	30.7
Blended data	6.9	7.2	7.8	8.7	7.6	8.6	8.6
Net ARPU (in EUR)							
Prepaid	17.1	17.9	18.4	16.8	17.6	16.5	16.5
Postpaid	64.8	65.0	65.4	60.3	63.8	57.0	57.0
Blended	37.2	38.2	39.1	36.4	37.7	35.5	35.5
Market share of active customers							
Prepaid	46.3%	46.0%	45.2%	43.0%	43.0%	41.8%	41.8%
Postpaid	50.1%	48.9%	47.9%	48.8%	48.8%	49.0%	49.0%
Total	47.9%	47.3%	46.4%	45.5%	45.5%	45.0%	45.0%
UoU (units)	208.6	218.6	211.9	230.7	218.9	233	232.6
MoU (min)	160.6	169.1	160.3	164.3	164.1	163.2	163.2
SMS (units)	48.0	49.5	51.6	66.4	54.8	69.4	69.4

ICS revenue

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

ICS operationals

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

General information

Investor relations

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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 Belgian Official Gazette on 22 December 1994, and became effective that same day.