



Q3

Interim Report
2007



belgacom

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Highlights

- Over the first three quarters of 2007, **the Belgacom Group revenue** slightly **decreased by 0.3%** to EUR 4,551 million, with an EBITDA margin of 35.3%.
- **Belgacom's Net Income increased 13%** to EUR 796 million for the nine months ended 30 September 2007. EPS was up from EUR 2.06 to EUR 2.38.
- End of September 2007, the Group generated a **positive Free Cash Flow¹ of EUR 989 million**.
- Year over year, the **revenue of Fixed Line Services decreased by 0.5%** to EUR 2,692 million while EBITDA increased with 1.9% to EUR 852 million, with an EBITDA margin of 31.6%.
- Over the first nine months, Belgacom added **109,769 new TV subscribers**, bringing its total Belgacom TV customer base to 249,434 customers.
- Year over year, **Mobile Communications Services revenue decreased 3.8%** to EUR 1,554 million. Excluding the impact of Mobile Termination Rate cuts and Wholesale Roaming, the revenue grew slightly by 0.2%
- Proximus added **182,498 new active customers over the first nine months** of 2007 with 78,110 in the third quarter. This brings the total customer base to 4,493,934 active customers at the end of September 2007.
- Year over year, the revenue of **International Carrier Services** increased 2.3% to EUR 561 million, the EBITDA increased to EUR 38 million.
- On 18 October 2007, the Belgacom Board approved an **additional shareholder return of EUR 400 million**, split into a share buyback for a maximum amount of EUR 230 million and an interim dividend of EUR 170 million.

¹ Cash flow before financing activities

Key figures

	Nine months ended 30 September	
	2006	2007
Income Statement (EUR million)		
Total revenue	4,567	4,551
EBITDA (1)	1,646	1,607
Depreciation and amortization	-599	-581
Operating income (EBIT)	1,048	1,026
Net finance revenue	63	17
Income before taxes	1,111	1,044
Tax expense	-299	-248
Minority interests	110	0
Net income (Group share)	702	796
Cash Flow and Capital Expenditures (EUR million)		
Nine months ended 30 September		
	2006	2007
Cash flows from operating activities	1,167	1,150
Capital expenditures	-444	-408
Cash flows from / (used in) other investing activities	-367	247
Free cash flow (2)	355	989
Cash flows used in financing activities	-693	-485
Net increase / (decrease) of cash and cash equivalents	-338	505
Balance sheet (EUR million)		
As of 30 September		
	2006	2007
Balance sheet total	6,080	7,362
Non-current assets	4,006	5,049
Investments, cash and cash equivalents	551	800
Shareholders' equity	2,265	2,601
Minority interests	487	6
Liabilities for pensions, other post-employment benefits and termination benefits	918	812
Net financial position	187	-1,161
Data per share		
Nine months ended 30 September		
	2006	2007
Basic earnings per share (EUR)	2.06	2.38
Diluted earnings per share (EUR)	2.06	2.38
Weighted average number of ordinary shares	340,189,788	334,167,542
Data on employees		
Nine months ended 30 September		
	2006	2007
Number of employees (full-time equivalents)	18,138	17,878
Average number of employees over the period	18,148	17,947
Total revenue per employee (EUR)	251,654	253,580
EBITDA (1) per employee (EUR)	90,722	89,542

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

(2) Cash flow before financing activities.

Financial report

Belgacom Group

Revenue

Over the first three quarters, the total revenue of the Belgacom Group slightly decreased by 0.3% to EUR 4,551 million, compared with the same period last year.

	Nine months ended 30 September				Variance
	2006		2007		
	(EUR million)	(%)	(EUR million)	(%)	
Fixed Line Services	2,704	59%	2,692	59%	-0.5%
Mobile Communications Services	1,616	35%	1,554	34%	-3.8%
International Carrier Services	548	12%	561	12%	2.3%
Inter-segment eliminations	-302	-7%	-256	-6%	-15.0%
Total	4,567	100%	4,551	100%	-0.3%

Operating income before depreciation and amortization (EBITDA)

Compared to 2006, the Group EBITDA decreased 2.4% to EUR 1,607 million.

	Nine months ended 30 September				Variance
	2006		2007		
	(EUR million)	(%)	(EUR million)	(%)	
Fixed Line Services	836	51%	852	53%	1.9%
Mobile Communications Services	787	48%	718	45%	-8.8%
International Carrier Services	23	1%	38	2%	62.0%
Total	1,646		1,607		-2.4%

Depreciation and amortization

Depreciation and amortization decreased from EUR 599 million for the first nine months of 2006 to EUR 581 million for the first nine months of 2007.

Net finance revenue

The net finance revenue decreased year over year from EUR 63 million to EUR 17 million in the first nine months of 2007 due to 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. The net finance revenue mainly includes gains realized on the disposal of other participating interests. Such gains increased from EUR 70 million in 2006 (mainly from the disposal of Neuf Cegetel) to EUR 74 million in 2007 (mainly from the disposal of the remaining interests in Mobistar and Eutelsat Communications).

Tax expense

Tax expenses amounted to EUR 248 million for the first nine months of 2007, representing an effective tax rate of 24%. Such an effective tax rate is a result of the realization of tax-free capital gains on the disposal of the shares in Mobistar and Eutelsat and the application of general principles of Belgian tax law.

Net income (Group Share)

Net income increased 13% to EUR 796 million for the nine months ended 30 September 2007, compared to EUR 702 million for the same period in 2006. This increase was mainly due to 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 nine months of 2006, the share for minority interests in the net income was still EUR 110 million.

Capital expenditure

(EUR million)	Nine months ended 30 September				
	2006		2007		Variance
Fixed Line Services	296.0	67%	296.0	73%	0.0%
Mobile Communications Services	140.9	32%	104.8	26%	-25.6%
International Carrier Services	7.2	2%	6.7	2%	-6.7%
Inter-segment eliminations	0.0	0%	0.0	0%	
Total	444.1	100%	407.6	100%	-8.2%

After the first nine months of 2007, **Fixed Line Services** capital expenditures amounted to EUR 296 million. Over this period EUR 77 million were spent on the deployment of fiber into the access network (Broadway project), and EUR 64 million were used for capital expenditure related to TV.

Mobile Communications Services capital expenditures are decreasing 25.6% to EUR 104.8 million, primarily driven by 3G investments and timing of IT projects. In 2007, 3G investments amounted to EUR 37 million compared to EUR 60 million for the same period in 2006, mainly driven by the already very high population coverage.

International Carrier Services investment figures are quite similar to last year. Capital expenditures in 2007 are mainly related to the European part of the transmission network to sustain the growth in voice (mobile operators), mobile data and capacity products.

Cash flow

	Nine months ended 30 September	
	2006	2007
Cash flows from operating activities	1,167	1,150
Capital expenditures	-444	-408
Cash flows from / (used in) other investing activities	-367	247
Cash flow before financing activities or "free cash flow"	355	989
Cash flows used in financing activities	-693	-485
Net increase / (decrease) of cash and cash equivalents	-338	505

The cash flow from operating activities decreased slightly to EUR 1,150 million in the first nine months of 2007 compared to EUR 1,167 million in the first nine months of 2006.

Year over year, capital expenditures decreased 8.2% to EUR 408 million.

Other investing activities consumed a significant amount of cash last year for a net amount of EUR 367 million, mainly due to the acquisition of Telindus Group not offset by the disposal of Neuf Cegetel. On the other hand, a considerable amount of cash (EUR 247 million) was generated in the first nine months of 2007, mainly due to the disposal of the remaining interests in Mobistar and Eutelsat Communications more than offsetting the EUR 13 million paid to acquire ISIT Group in April 2007. As a result, the Group has generated a positive cash flow before financing activities, or "free cash flow", evolving from EUR 355 million in the first nine months of 2006 to EUR 989 million in the first nine months 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 505 million. The net financial debt decreased EUR 475 million for the first nine months of 2007 to an amount of EUR 1,161 million.

Balance sheet and shareholders' equity

Goodwill increased by EUR 19 million during the first nine months 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 increased by EUR 210 million during the first nine months of 2007 resulting primarily from the net income of EUR 796 million, partly offset by the dividend distribution (EUR 535 million) and the reversal of positive remeasurements to fair value (EUR 64 million) following the disposal of Mobistar and Eutelsat Communications.

During the first nine months of 2007, Belgacom employees exercised 219,373 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 September 2007, the total staff of Belgacom Group was 17,878 full-time equivalents (FTE), showing a decrease of 260 FTE in comparison with the end of September 2006. This lower level of headcount is driven by restructuring programs (-71 FTE) and natural attrition (-189 FTE).

Outlook

Fixed Line Services

Based upon the financial results of Q3 2007 and taking into account the expected financial impact of the decreased fixed-to-mobile tariffs, Belgacom reiterates its full-year guidance, estimating that:

- full-year revenue will decline around -1%;
- full-year EBITDA margin will remain fairly stable compared to 2006.

For Belgacom TV, Belgacom expects:

- to add customers at a higher pace than in 2006;
- Belgacom TV ARPU of at least EUR 15.

Mobile Communications Services

End of August 2007, Belgacom updated the MCS full-year guidance because of the increased success of its commercial strategy and the estimated impact of regulation related to MTR and roaming.

Based upon the Q3 2007 results, Belgacom reiterates its full-year guidance for MCS, estimating:

- a full year revenue decline of around -4%;
- an EBITDA margin of around 44%.

Fixed Line Services (FLS)

Segment revenue

During the first nine months of 2007, FLS total revenue slightly decreased 0.5% to EUR 2,692 million compared with the same period in 2006. The decline is mainly driven by the decrease in national wholesale revenue as the unfavorable evolution of traditional voice revenue is more than offset by revenue growth from Internet, TV and ICT activities.

Segment operating income before depreciation and amortization (EBITDA)

Fixed Line Services' EBITDA increased year over year by 1.9% to EUR 852 million. Despite a negative evolution in personnel expenses due to the annual wage increase and indexation as well as an increase in severance payments, the total operating expenses are showing a decrease of 1.5%. This is mainly driven by the favorable evolution of the charges to revenue because of the lower Mobile Termination Rates and the lower costs of sales for national wholesale.

The overall EBITDA margin for FLS amounted to 31.6%, an increase of 0.7pp compared to the same period last year.

Segment operating income (EBIT)

As a result of higher EBITDA and lower depreciation and amortization costs the EBIT of FLS increased by EUR 31 million or 7.5%.

	Nine months ended 30 September		
(EUR million)	2006	2007	Variance
TOTAL SEGMENT REVENUE	2,704	2,692	-0.5%
Costs of materials and charges to revenue	-770	-724	-6.0%
Personnel expenses and pensions	-701	-724	3.3%
Other operating expenses	-396	-392	-1.1%
TOTAL OPERATING EXPENSES before depreciation & amortization	-1,868	-1,840	-1.5%
TOTAL SEGMENT RESULT (1)	836	852	1.9%
<i>Segment result margin</i>	30.9%	31.6%	0.7p.p.
Depreciation and amortization	-424	-409	-3.6%
OPERATING INCOME	412	443	7.5%

(1) Operating income before depreciation and amortization

Segment revenue detail²

EUR million	Nine months ended 30 September			
	2006	2007	Variance %	Variance
Voice Access	557	548	-1.7%	-10
Voice Traffic	496	445	-10.3%	-51
Internet	336	376	12.0%	40
Data Connectivity	131	124	-5.1%	-7
Terminals	111	105	-5.4%	-6
ICT	544	578	6.2%	34
Belgacom TV	10	29	187.9%	19
National Wholesale	337	305	-9.5%	-32
Other*	183	183	-0.1%	0
Total revenue	2,704	2,692	-0.5%	-12

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

Voice Access revenue decreased by 1.7% at the end of September 2007 compared to a decrease of 5.4% for the same period in 2006. This decline was due to the continued voice access line loss (-156,898 lines for the first 3 quarters of 2007) mainly driven by a migration to DSL-only solutions and competition. However this decline has been partially offset by an ARPU increase of 2% as a result of the price increase that occurred on 1 January 2007.

The **Voice Traffic revenue** shows a decline of 10.3% compared to 2006 mainly driven by the negative evolution of the Voice Traffic ARPU due to the success of the price packages (domestic and international) and the Fixed to Mobile retail tariff decrease which took place on 1 May 2007.

Year over year, **Internet revenue** increased 12.0%, as a result of volume growth (+11%) and the 2% price increase of ADSL tariffs. ADSL ARPU reached a level of EUR 32.3, an increase of 2%, mainly driven by the higher tariffs.

Over the first nine months of 2007, Belgacom FLS added 74,005 retail broadband lines to reach a total of 1,201,853 broadband lines at the end of September or a year-over-year growth of 10.7%.

The year-over-year **Data connectivity** revenue decrease of 5.1% is mainly driven by lower revenues from leased lines following the migration to BiLAN and Explore solutions.

ICT revenue is showing a positive evolution of 6.2% compared to the first three quarters of 2006. The "ICT" product group mainly consists 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 in part due to the contribution of the newly acquired Dutch subsidiary ISIT.

Belgacom TV revenue increased EUR 19 million compared to the same period last year, driven by improvements both in volumes (+142%) and ARPU (+36%).

Over the first nine months of 2007, Belgacom TV added 109,769 new subscriptions, of which 58,086 in the third quarter alone, sustained by the continuing success of the packs and extended offers.

At the end of September Belgacom TV reached 249,434 customers.

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

The **National Wholesale revenue** decline, compared to 2006, is mainly the result of lower MTR and lower Mobile transit traffic.

Operational (retail)

	<i>Nine months ended 30 September</i>		
	2006	2007	Variance
Number of access channels (thousands)			
<i>Residential</i>			
PSTN	2,951	2,785	-5.6%
ISDN	363	351	-3.3%
ADSL, VDSL	948	1,053	11.1%
Total	4,262	4,189	-1.7%
<i>Business</i>			
PSTN	249	240	-3.5%
ISDN	585	578	-1.2%
ADSL, VDSL	138	149	7.7%
Total	972	967	-0.5%
Traffic (millions of minutes)			
<i>Residential</i>			
National	3,992	3,764	-5.7%
Fixed to Mobile	588	540	-8.1%
International	259	305	17.8%
Total	4,839	4,609	-4.7%
<i>Business</i>			
National	1,359	1,244	-8.5%
Fixed to Mobile	363	344	-5.2%
International	278	266	-4.3%
Total	2,000	1,854	-7.3%
ARPU (EUR)			
ARPU Voice Access ¹	14.3	14.6	2.0%
ARPU Voice Traffic ²	12.9	12.1	-6.1%
ARPU ADSL Residential ³	31.6	32.3	2.0%
ARPU Net Belgacom TV ⁴	11.6	15.8	36.0%

(1) ARPU Voice Access is equal to total voice access revenue, excluding activation revenue, divided by the average voice access channels for the period considered, divided by the number of months in that same period.

(2) ARPU Voice Traffic is equal to total voice traffic revenue, excluding payphone traffic revenue, divided by the average voice access channels for the period considered, divided by the number of months in that same period.

(3) ARPU ADSL Residential is equal to total ADSL revenue divided by the average number of ADSL lines for the period considered, divided by the number of months in that same period, for the residential segment.

(4) Net ARPU Belgacom TV: includes only customer-related revenue and takes into account promotional offers.

Mobile Communications Services

Segment revenue

Over the first nine months of 2007, the total MCS revenue decreased to EUR 1,554 million, a decline of 3.8% compared to 2006. Excluding the impacts of regulation (November 2006 and May 2007 MTR cuts and Wholesale Roaming as of 1 September), the revenue slightly increased by 0.2%.

Net service revenue declined 3.7%. Despite the favorable impact of the higher customer base and a positive customer portfolio evolution, the impacts of regulation were the main reasons for the Voice services revenue decline (-6.5%). Excluding the impact of the MTR regulation and Wholesale Roaming regulation, net service revenue increased by 0.5%.

Thanks to strong market leadership initiatives, Proximus added 78,110 new **active customers** during the third quarter of 2007. At the end of September 2007, Proximus increased its active customer base to 4,493,934 active customers, a cumulative growth of 182,498 customers since the end of 2006, which includes 12,506 MVNO customers.

Despite the challenging competition in the Mobile market, Proximus was able to maintain the **churn ratio** at an outstanding level of 15.5%. During the third quarter the churn ratio dropped 0.8pp compared to the same period last year. Proximus also further improved the quality of the customer portfolio, reaching a postpaid/prepaid ratio of 50%.

Data revenue continues to grow, mainly thanks to the launch of new pricing offers having a positive impact on the SMS traffic and an increase of revenues from Mobile Solutions and Network Services. Data revenue, including advanced data services - before deduction of free traffic - grew 30.2% and represents about 24% of the total MCS revenue.

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 September 2007, the **blended ARPU** amounted to EUR 39.8 for the active customer base, compared to EUR 41.1 at the end of September 2006. The **blended net ARPU** (ARPU minus Credits and Discounts), reached EUR 35.5 at the end of September 2007 compared to EUR 38.1 a year ago. The November 2006 and May 2007 MTR cuts (impact of EUR 1.6) as well as the success of the new tariff plans are the main reasons for the decline in blended net ARPU.

The **revenue from handsets** is 8% lower than for the same period in 2006. This is mainly due to the lower average handset prices.

Segment operating income before depreciation and amortization (EBITDA)

At the end of September, MCS **EBITDA decreased** to EUR 718 million, an 8.8% decline compared to the first nine months of last year. This led to an EBITDA margin of 46.2%. Regulation impacts and the customer acquisition strategy are the main drivers of the EBITDA decline.

Charges to revenue slightly increased by 0.3%, 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)

As a consequence of the EBITDA decline MCS is showing a decrease of 11.1% at EBIT level.

(EUR million)	Nine months ended 30 September		
	2006	2007	Variance
TOTAL SEGMENT REVENUE	1,616	1,554	-3.8%
Costs of materials and charges to revenue	-512	-514	0.3%
Personnel expenses and pensions	-108	-109	1.0%
Other operating expenses	-209	-214	2.5%
TOTAL OPERATING EXPENSES before depreciation & amortization	-829	-836	0.9%
TOTAL SEGMENT RESULT (1)	787	718	-8.8%
<i>Segment result margin</i>	48.7%	46.2%	-2.5p.p.
Depreciation and amortization	-160	-160	0.0%
OPERATING INCOME	627	558	-11.1%

(1) Operating income before depreciation and amortization

Segment revenue detail

EUR million	Nine months ended 30 September			
	2006	2007	Variance %	Variance
Voice services (1)	1,358	1,270	-6.5%	-88
Data services (1)	291	379	30.2%	88
Other service revenue (2)	0	1		1
Credits and discounts	-111	-170	-52.8%	-59
Net Service revenue	1,537	1,480	-3.7%	-57
Handsets	64	58	-8.4%	-5
Other revenue	15	16	7.1%	1
Total revenue	1,616	1,554	-3.8%	-62

(1) Including roaming-in

(2) Including wholesale and subsidiaries

Operational

	Nine months ended 30 September		
	2006	2007	Variance
Number of active customers ⁽¹⁾ (in thousands)	4,240	4,494	6.0%
Prepaid	2,346	2,233	-4.8%
Postpaid	1,894	2,248	18.7%
MVNO	0	13	
Active customers as a percentage of total customers ⁽²⁾	98.0%	98.2%	0.2 pp
Annualized churn rate ⁽³⁾ (blended - variance in pp)	15.8%	15.5%	-0.3 pp
ARPU ⁽⁴⁾ (in EUR)			
Prepaid	19.5	20.4	4.9%
Postpaid	69.6	60.6	-12.9%
Blended	41.1	39.8	-3.0%
Blended voice	33.8	30.6	-9.4%
Blended data	7.3	9.2	26.4%
Net ARPU ⁽⁵⁾ (in EUR)			
Prepaid	17.8	16.1	-9.5%
Postpaid	65.0	56.3	-13.4%
Blended	38.1	35.5	-6.9%
Market share of active customers ⁽⁶⁾			
Prepaid	45.2%	39.6%	-5.6 pp
Postpaid	47.9%	49.7%	1.7 pp
Total	46.4%	44.2%	-2.2 pp
UoU ⁽⁷⁾ (units)	213.2	238.4	11.8%
MoU ⁽⁸⁾ (min)	163.2	164.8	1.0%
SMS ⁽⁹⁾ (units)	50.0	73.6	47.2%

⁽¹⁾ Active customers are customers who have made or received at least one call or sent or received at least one SMS in the last three months.

⁽²⁾ Percentage based on 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

Compared to the same period of 2006, ICS shows a revenue growth of 2.3 %. The voice revenue increase was mainly the result of a significant volume growth of transit traffic for mobile operators, with quality features offering higher unit margins and of the inbound traffic to Belgium, as well as the result of the agreement with MTN³. 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)

At the end of September 2007, ICS EBITDA showed an increase of 62% to reach EUR 37.7 million. Net of charges to revenue, the volume-driven growth as well as some favorable settlements with foreign operators amounted to EUR 11.6 million. Joint-venture synergies⁴ are materializing; this is reflected in a decline in personnel expenses (-0.6%) and a decline in other operating expenses (-9%).

The volume-driven growth, the favorable product mix and the reduction in operating expenses explain the EBITDA margin improving from 4.2% to 6.7%.

Segment operating income (EBIT)

ICS' operating income grew by EUR 17.3 million to EUR 25.2 million at the end of September 2007. Besides 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.

(EUR million)	Nine months ended 30 September		
	2006	2007	Variance
TOTAL SEGMENT REVENUE	548.4	561.2	2.3%
Costs of materials and charges to revenue	-478.6	-479.8	0.3%
Personnel expenses and pensions	-15.4	-15.3	-0.6%
Other operating expenses	-31.2	-28.4	-9.0%
TOTAL OPERATING EXPENSES before depreciation & amortization	-525.1	-523.5	-0.3%
TOTAL SEGMENT RESULT (1)	23.3	37.7	62.0%
<i>Segment result margin</i>	4.2%	6.7%	2.5p.p.
Depreciation and amortization	-15.4	-12.5	-18.7%
OPERATING INCOME	7.9	25.2	-

(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

EUR million	Nine months ended 30 September		
	2006	2007	Variance
Voice	517	524	1.4%
Non Voice	32	37	16.6%
Total revenues	548	561	2.3%

Operational

Voice volumes in billion of minutes	Nine months ended 30 September		
	2006	2007	Variance
TOTAL	9.0	10.3	14.5%
Total to fixed destinations	4.5	4.8	5.4%
Total to mobile destinations	4.4	5.5	23.7%

BICS volumes included at 100%

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, 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 nine 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. The consolidation of the ISIT Group started on 1 April 2007, but there has been no significant impact on the condensed consolidated interim financial statements at 30 September 2007. The provisional purchase price allocation resulted in the recognition of EUR 3.7 million of intangible assets and EUR 19 million of goodwill at acquisition date.

Consolidated income statements

(EUR million)	Three months ended 30 September		Nine months ended 30 September	
	2006	2007	2006	2007
Net revenue	1,519	1,496	4,509	4,492
Other operating revenue	16	16	58	59
Non-recurring revenue	0	0	0	0
TOTAL REVENUE	1,535	1,512	4,567	4,551
Costs of materials and charges to revenue	-517	-506	-1,492	-1,497
Personnel expenses and pensions	-278	-277	-824	-848
Other operating expenses	-204	-202	-604	-599
Non-recurring expenses	0	0	0	0
TOTAL OPERATING EXPENSES before depreciation & amortization	-999	-984	-2,921	-2,944
OPERATING INCOME before depreciation & amortization	536	528	1,646	1,607
Depreciation and amortization	-200	-197	-599	-581
OPERATING INCOME	337	331	1,048	1,026
Finance revenue	69	7	93	100
Finance costs	-9	-28	-30	-82
Net finance revenue / (costs)	60	-21	63	17
INCOME BEFORE TAXES	396	310	1,111	1,044
Tax expense	-91	-78	-299	-248
NET INCOME	305	232	812	796
Minority interests	37	0	110	0
Net income (Group share)	268	232	702	796
Basic earnings per share	0.79 EUR	0.70 EUR	2.06 EUR	2.38 EUR
Diluted earnings per share	0.79 EUR	0.69 EUR	2.06 EUR	2.38 EUR
Weighted average number of ordinary shares	339,697,546	334,315,191	340,189,788	334,167,542
Weighted average number of ordinary shares for diluted earnings per share	339,831,253	334,544,552	340,276,374	334,491,303

Consolidated balance sheets

(EUR million)	As of 30 September 2006	As of 31 December 2006	As of 30 September 2007
ASSETS			
NON-CURRENT ASSETS	4,006	5,504	5,049
Goodwill	233	1,760	1,779
Intangible assets with finite useful life	612	590	493
Property, plant and equipment	2,490	2,527	2,444
Other participating interests	266	234	1
Deferred income tax assets	356	351	306
Pension assets	5	5	5
Other non-current assets	43	36	20
CURRENT ASSETS	2,074	1,796	2,312
Inventories	97	83	81
Trade receivables	1,226	1,207	1,203
Current income tax assets	94	97	125
Other current assets	106	81	102
Investments	91	91	60
Cash and cash equivalents	460	236	741
TOTAL ASSETS	6,080	7,300	7,362
LIABILITIES AND EQUITY			
EQUITY	2,752	2,399	2,606
Shareholders' equity	2,265	2,391	2,601
Issued capital	1,000	1,000	1,000
Treasury shares	-701	-754	-101
Restricted reserve	100	100	100
Remeasurement to fair value	62	68	4
Stock compensation	5	5	5
Retained earnings	1,799	1,972	1,591
Foreign currency translation	0	1	1
Minority interests	487	8	6
NON-CURRENT LIABILITIES	1,462	3,053	2,959
Interest-bearing liabilities	295	1,917	1,896
Liability for pensions, other post-employment benefits and termination benefits	918	886	812
Provisions	204	208	216
Deferred income tax liabilities	41	38	34
Other non-current payables	5	4	2
CURRENT LIABILITIES	1,866	1,848	1,796
Interest-bearing liabilities	102	71	75
Trade payables	1,094	1,086	998
Income tax payables	130	189	142
Other current payables	540	502	580
TOTAL LIABILITIES AND EQUITY	6,080	7,300	7,362

Consolidated cash flow statements

(EUR million)	Nine months ended 30 September	
	2006	2007
Cash flow from operating activities		
Net income	702	796
Adjustments for:		
Minority interests	110	0
Depreciation and amortization on intangible assets and property, plant and equipment	599	581
Increase of impairment on intangible assets and property, plant and equipment	5	2
Increase of provisions	21	11
Deferred tax expense	74	38
Fair value adjustments on financial instruments	-8	-7
Gain on disposal of other participating interests and enterprises accounted for using the equity method	-70	-74
Gain on disposal of property, plant and equipment	-11	-8
Other non-cash movements	2	3
Operating cash flow before working capital changes	1,423	1,342
(Increase) / decrease in inventories	-1	3
(Increase) / decrease in trade receivables	-43	8
Increase in current income tax assets	-23	-28
Increase in other current assets	-20	-19
Decrease in trade payables	-62	-92
Decrease in income tax payables	-74	-47
Increase in other current payables	76	63
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-97	-74
Decrease in other non-current payables and provisions	-12	-6
Increase in working capital, net of acquisitions and disposals of subsidiaries	-257	-193
Net cash flow provided by operating activities	1,167	1,150
Cash flow from investing activities		
Purchase of intangible assets and property, plant and equipment	-444	-408
Cash paid for acquisitions of other participating interests	-7	0
Cash paid for consolidated companies, net of cash acquired	-586	-14
Dividends received from non-consolidated companies	7	0
Cash received from sales of intangible assets and property, plant and equipment	22	17
Cash received from sales of other participating interests and transactions on other non-current assets	196	244
Net cash used in investing activities	-811	-160
Cash flow before financing activities	355	989
Cash flow from financing activities		
Dividends paid to shareholders	-517	-534
Net disposal of treasury shares	-137	10
Net purchase of investments	-4	33
Increase of equity	0	1
Issuance / (repayment) of long term debt	-2	1
Issuance / (repayment) of short term debt	-34	4
Net cash used in financing activities	-693	-485
Net increase / (decrease) of cash and cash equivalents	-338	505
Cash and cash equivalents at the beginning of the period	798	236
Cash and cash equivalents at the end of the period	460	741

Consolidated statements of changes in equity

	Issued capital	Treasury shares	Restricted reserve	Remeasurement to fair value	Foreign currency translation	Stock Compensation	Retained Earnings	Shareholders' Equity	Minority interests	Total Equity
(in EUR million)										
Balance at 31 December 2005	1,000	-564	100	68	0	4	1,614	2,221	370	2,591
<i>Fair value changes in available-for-sale investments</i>	0	0	0	-5	0	0	0	-5	0	-5
Equity changes not recognised in the income statement	0	0	0	-5	0	0	0	-5	0	-5
Net income	0	0	0	0	0	0	702	702	110	812
Total recognised income and expense	0	0	0	-5	0	0	702	697	110	807
Dividends to shareholders (relating to 2005)	0	0	0	0	0	0	-517	-517	0	-517
Acquisition of minority interests	0	0	0	0	0	0	0	0	8	8
Treasury shares										
Exercise of stock options	0	1	0	0	0	0	0	1	0	1
Acquisition of treasury shares	0	-142	0	0	0	0	0	-142	0	-142
Sale of treasury shares under a discounted share purchase plan	0	4	0	0	0	0	0	4	0	4
Stock options										
Stock options granted and accepted	0	0	0	0	0	1	0	1	0	1
Deferred stock compensation	0	0	0	0	0	-1	0	-1	0	-1
Amortization deferred stock compensation	0	0	0	0	0	1	0	1	0	1
Total transactions with equity holders	0	-137	0	0	0	1	-517	-653	8	-646
Balance at 30 September 2006	1,000	-701	100	62	0	5	1,799	2,265	487	2,752
Balance at 31 December 2006	1,000	-754	100	68	1	5	1,972	2,391	8	2,399
<i>Fair value changes in available-for-sale investments</i>	0	0	0	-64	0	0	0	-64	0	-64
<i>Currency translation differences</i>	0	0	0	0	1	0	0	1	0	1
Equity changes not recognised in the income statement	0	0	0	-64	1	0	0	-63	0	-63
Net income	0	0	0	0	0	0	796	796	0	796
Total recognised income and expense	0	0	0	-64	1	0	796	733	0	733
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	-523	-2	-525
Balance at 30 September 2007	1,000	-101	100	4	1	5	1,591	2,601	6	2,606

Contingent liabilities

No changes occurred during the first nine 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 has not been dominant on the Belgian market since 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 constituted an abuse of that dominant position for the 1999-2004 period.

Subsequent events

Share buyback

On 18 October 2007, Belgacom's Board of Directors unanimously decided to approve a share buyback for a maximum amount of EUR 230 million. This share buyback will start on Monday 12 November 2007, and will be conducted within the limitations decided at the General Assembly of 11 April 2007, i.e., "the price paid for these shares must not be more than 5% above the highest closing price in the thirty-day trading period preceding the transaction and no more than 10% below the lowest closing price in that same thirty-day period". There will be no dividend rights for the shares thus purchased, as long as these shares are in Belgacom's possession.

Interim dividend

The Board also decided to approve an interim dividend over the 2007 accounting year for an amount of EUR 170 million to be paid on 6 December 2007.

Segment reporting

Nine months ended 30 September 2006					
(EUR million)	FLS	MCS	ICS	Inter-segment eliminations	Total
Net revenue	2,509	1,493	507		4,509
Other operating revenue	42	15	1		58
Intersegment revenue	153	108	41	-302	0
TOTAL SEGMENT REVENUE	2,704	1,616	548	-302	4,567
Costs of materials and charges to revenue	-770	-512	-479	270	-1,492
Personnel expenses and pensions	-701	-108	-15	0	-824
Other operating expenses	-396	-209	-31	32	-604
TOTAL OPERATING EXPENSES before depreciation & amortization	-1,868	-829	-525	301	-2,921
TOTAL SEGMENT RESULT (1)	836	787	23	0	1,646
OPERATING INCOME before depreciation & amortization	836	787	23	0	1,646
Depreciation and amortization	-424	-160	-15	0	-599
OPERATING INCOME	412	627	8	0	1,048
Net finance revenue					63
Tax expense					-299
NET INCOME					812
Minority interests					110
Net income (Group share)					702

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

Segment Reporting

Nine months ended 30 September 2007					
(EUR million)	FLS	MCS	ICS	Inter-segment eliminations	Total
Net revenue	2,517	1,454	521		4,492
Other operating revenue	43	16	0		59
Intersegment revenue	132	84	40	-256	0
TOTAL SEGMENT REVENUE	2,692	1,554	561	-256	4,551
Costs of materials and charges to revenue	-724	-514	-480	221	-1,497
Personnel expenses and pensions	-724	-109	-15	0	-848
Other operating expenses	-392	-214	-28	35	-599
TOTAL OPERATING EXPENSES before depreciation & amortization	-1,840	-836	-523	256	-2,944
TOTAL SEGMENT RESULT (1)	852	718	38	0	1,607
OPERATING INCOME before depreciation & amortization	852	718	38	0	1,607
Depreciation and amortization	-409	-160	-12	0	-581
OPERATING INCOME	443	558	25	0	1,026
Net finance revenue					17
Tax expense					-248
NET INCOME					796
Minority interests					0
Net income (Group share)					796

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

Shareholder information

Belgacom shares on the stock market

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

Treasury shares

At the end of September 2007, Belgacom owned 3,709,635 shares, representing 1.1% of the total shares. Treasury shares are kept by the company to cover existing and future employee incentive plans.

During the first nine months of 2007, Belgacom employees exercised 219,373 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	-219,373
Discount Purchase Plan employees	-134,649
Cancellation	-23,750,000
Status 30 September 2007	3,709,635

Ownership

Situation 30 September 2007

Belgacom ownership	Shares	% of total	
		shares	% voting rights
Belgian State	180,887,569	53.5%	54.1%
Belgacom treasury shares	3,709,635	1.1%	0.0%
Free-Float	153,427,931	45.4%	45.9%
TOTAL	338,025,135	100.0%	100.0%

Additional shareholder return

The Belgacom Board of Directors decided on 18 October 2007 to do an additional shareholder return of EUR 400 million, split into:

- a share buyback for a maximum amount of EUR 230 million;
- an interim dividend of EUR 170 million, to be paid on 6 December 2007.

Timetable

6 December 2007	Payment of interim dividend
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	Q3 2007	2007
Voice Access	187	187	183	182	739	184	183	180	548
Voice Traffic	172	166	158	163	659	162	147	135	445
Internet	108	113	115	118	454	122	125	129	376
Data Connectivity	44	43	44	43	174	43	41	40	124
Terminals	38	36	38	37	148	37	34	34	105
ICT	191	174	179	197	741	189	201	187	578
Belgacom TV	2	4	4	5	15	8	9	12	29
National Wholesale	112	113	112	113	449	108	104	93	305
Others	57	70	57	66	249	63	63	57	183
Total revenue	909	905	890	925	3,630	916	907	869	2,692

FLS operationals

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006	Q1 2007	Q2 2007	Q3 2007	2007
Number of access channels (thousands)									
<i>Residential</i>									
PSTN	3,042	2,988	2,951	2,920	2,920	2,883	2,835	2,785	2,785
ISDN	368	366	363	360	360	357	353	351	351
ADSL, VDSL	895	922	948	985	985	1,017	1,029	1,053	1,053
Total	4,305	4,276	4,262	4,265	4,265	4,257	4,218	4,189	4,189
<i>Business</i>									
PSTN	252	250	249	247	247	246	242	240	240
ISDN	585	584	585	584	584	583	580	578	578
ADSL, VDSL	130	135	138	142	142	147	147	149	149
Total	967	969	972	973	973	975	969	967	967
Traffic (millions of minutes)									
<i>Residential</i>									
National	1,406	1,326	1,259	1,382	5,374	1,399	1,289	1,076	3,764
Fixed to Mobile	198	203	187	190	778	185	186	169	540
International	90	87	82	85	344	91	107	107	305
Total	1,694	1,616	1,529	1,657	6,496	1,675	1,582	1,352	4,609
<i>Business</i>									
National	492	454	414	442	1,801	451	415	378	1,244
Fixed to Mobile	127	123	113	120	484	122	116	106	344
International	98	93	87	91	369	94	88	84	266
Total	717	670	614	653	2,654	667	619	567	1,854
ARPU (EUR)									
ARPU Voice Access	14.2	14.3	14.2	14.2	14.2	14.5	14.6	14.6	14.6
ARPU Voice Traffic	13.3	13.0	12.5	13.0	13.0	13.1	12.0	11.2	12.1
ARPU ADSL Residential	30.7	31.8	31.8	31.7	31.6	31.5	32.3	32.7	32.3
ARPU Net Belgacom TV	11.9	10.1	12.4	12.6	12.0	13.4	15.7	17.5	15.8

MCS Revenues

EUR million	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006	Q1 2007	Q2 2007	Q3 2007	2007
Voice services (1)	441	461	456	428	1,786	421	430	419	1,270
Data services (1)	92	96	103	116	406	116	125	138	379
Other service revenue (2)	0	0	0	0	0	0	1	1	1
Credits and discounts	-33	-43	-35	-50	-162	-49	-59	-63	-170
Net Service revenue	500	514	523	493	2,030	488	497	495	1,480
Handsets	22	23	18	22	86	18	22	19	58
Other revenue	4	5	6	5	20	6	5	5	16
Total revenue	527	542	547	520	2,136	512	524	519	1,554

(1) Including roaming-in

(2) Including wholesale and subsidiaries

MCS Operationals

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006	Q1 2007	Q2 2007	Q3 2007	2007
Number of active customers (in thousands)	4,260	4,253	4,240	4,311	4,311	4,346	4,416	4,494	4,494
Prepaid	2,447	2,407	2,346	2,327	2,327	2,268	2,252	2,233	2,233
Postpaid	1,813	1,846	1,894	1,985	1,985	2,079	2,161	2,248	2,248
MVNO	0	0	0	0	0	0	3	13	13
Active customers as a percentage of total customers	98.2%	97.9%	97.9%	98.7%	98.2%	98.2%	97.8%	98.2%	98.2%
Annualized churn rate (blended - variance in pp)	15.6%	15.1%	16.7%	16.2%	15.8%	15.9%	14.8%	15.9%	15.5%
ARPU (in EUR)									
Prepaid	18.3	20.2	20.0	20.0	19.6	19.8	20.6	20.9	20.4
Postpaid	69.3	69.7	69.7	65.1	68.4	61.4	60.9	59.6	60.6
Blended	39.8	41.5	41.9	40.3	40.9	39.3	40.2	40.0	39.8
Blended voice	32.9	34.3	34.1	31.7	33.2	30.7	31.0	30.0	30.6
Blended data	6.9	7.2	7.8	8.7	7.6	8.6	9.1	9.9	9.2
Net ARPU (in EUR)									
Prepaid	17.1	17.9	18.4	16.8	17.6	16.5	16.1	15.6	16.1
Postpaid	64.8	65.0	65.4	60.3	63.8	57.0	56.5	55.5	56.3
Blended	37.2	38.2	39.1	36.4	37.7	35.5	35.7	35.3	35.5
Market share of active customers									
Prepaid	46.3%	46.0%	45.2%	43.0%	43.0%	41.8%	41.1%	39.6%	39.6%
Postpaid	50.1%	48.9%	47.9%	48.8%	48.8%	49.0%	49.0%	49.7%	49.7%
Total	47.9%	47.3%	46.4%	45.5%	45.5%	45.0%	44.7%	44.2%	44.2%
UoU (units)	208.6	218.6	211.9	230.7	218.9	232.6	247.1	242.1	238.4
MoU (min)	160.6	169.1	160.3	164.3	164.1	163.2	171.5	163.4	164.8
SMS (units)	48.0	49.5	51.6	66.4	54.8	69.4	75.5	78.7	73.6

ICS revenue

EUR million	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006	Q1 2007	Q2 2007	Q3 2007	2007
Voice	163	167	187	176	693	171	167	186	524
Non Voice	9	10	12	11	43	12	11	14	37
Total revenues	172	178	199	187	736	183	178	200	561

ICS operationals

Voice volume in billion of minutes	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006	Q1 2007	Q2 2007	Q3 2007	2007
TOTAL	2.87	2.92	3.18	3.24	12.21	3.30	3.34	3.62	10.26
Total fixed	1.55	1.47	1.50	1.58	6.10	1.58	1.58	1.60	4.77
Total mobile	1.31	1.45	1.68	1.66	6.11	1.72	1.76	2.02	5.50

BICS volumes included at 100%

General information

Investor relations

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Brussels Register of Legal Entities

Brussels Trade Registry 587.163

Date of constitution – Legal form

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