> full-year report

FY 2008

belgacom

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Highlights

Solid operating and financial profile confirmed

2008 guidance met on all key metrics:

- ***Group revenue***[1] of EUR 5,978 million, i.e. year-over-year variance of ***-1.4%***
- EBITDA of EUR 1,990 million, i.e. ***EBITDA margin of 33.3%***
- Ratio ***capex***[2] ***on revenue of 11%***

Solid operational results[3]**:**

- 2008 was a ***successful year for Belgacom TV.*** With 201,000 new customers the customer growth of last year was exceeded. Strong fourth quarter with 63,000 net adds, brings the total TV customer base to 506,000 by end 2008.
- ***Belgacom added 296,000 Mobile customers in 2008***, including 237,000 postpaid customers. Strong fourth quarter with +96,000 mobile customers leads to a total mobile customer base of 4,916,000 by end 2008.
- ***Broadband customer growth of 108,000*** in 2008, including 30,000 in the fourth quarter, brings total Broadband customer base to 1,345,000.
- Belgacom managed to ***stabilize its voice access line loss*** due to VoIP offer.
- Continued ***success for converged product packs***: 149,000 packs sold in 2008, total of 302,000 by end 2008.
- ***Strong performance of International Carrier Services*** with increased volumes translated into full-year revenue growth of 8.9% with margin at 7.9%.

Belgacom ends the year 2008 with a sound financial position:

- Net debt position of EUR 1,835 million or 0.9 times EBITDA, with debt maturing in 2009 limited to EUR 300 million
- Free Cash Flow of EUR 409 million, including the acquisition cost of Tango and Scarlet

Shareholder return

- The Belgacom Board of Directors decided on 5 March 2009 to propose to the Annual Shareholder meeting of 8 April 2009 an ***ordinary dividend of EUR 1.68 per share*** (total amount of EUR 544 million), on top of the EUR 0.50 interim dividend paid in December 2008.

Outlook 2009

2009 is expected to be a challenging year with besides sharp competition and regulatory pressure an unfavorable economic climate of which the level of impact is difficult to predict.
So far, the Consumer Business Unit experienced no significant impact from the slowing economy while the Enterprise Business Unit noticed some early commercial indications.

At this point, Belgacom's best estimate for full-year 2009 is:

- Full year Group revenue decline of about -1%
- EBITDA margin between 32%-33%
- Capex levels will be managed between 10-11% of Group revenue

1 Group result excluding non-recurring items, including acquired companies
2 Capex excluding renewal broadcasting license for Belgian football
3 Operational results do not include Tango and Scarlet customers

Key figures

Income Statement (EUR million)	Year ended 31 December 2007	2008
Total revenue before non-recurring items	6,065	5,978
Total revenue	6,065	5,986
EBITDA (1) before non-recurring items	2,077	1,990
EBITDA (1)	2,031	1,905
Depreciation and amortization	-774	-743
Operating income (EBIT)	1,256	1,161
Net finance revenue / (costs)	1	-109
Income before taxes	1,258	1,053
Tax expense	-300	-254
Net income (Group share)	958	800

Cash flows and Capital Expenditures (EUR million)	Year ended 31 December 2007	2008
Cash flows from operating activities	1,581	1,552
Capital expenditures	-625	-764
Cash flows from / (used in) other investing activities	255	-380
Free cash flow (2)	**1,210**	**409**
Cash flows used in financing activities	-720	-570
Net increase / (decrease) of cash and cash equivalents	**490**	**-161**

Balance sheet (EUR million)	As of 31 December 2007	2008
Balance sheet total	7,325	7,782
Non-current assets	5,072	5,564
Investments, cash and cash equivalents	785	618
Shareholders' equity	2,520	2,271
Minority interests	6	5
Liabilities for pensions, other post-employment benefits and termination benefits	831	777
Net financial position	-1,167	-1,835

Data per share	Year ended 31 December 2007	2008
Basic earnings per share (EUR)	2.87	2.45
Diluted earnings per share (EUR)	2.87	2.45
Weighted average number of ordinary shares	334,017,553	326,179,820

Data on employees	Year ended 31 December 2007	2008
Number of employees (full-time equivalents)	17,833	17,371
Average number of employees over the period	17,920	17,465
Total revenue per employee (EUR)	338,441	342,752
EBITDA (1) per employee (EUR)	113,320	109,059

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

The Belgacom Management Committee declares that to the best of its knowledge, the condensed consolidated financial statements, established in accordance with International Financial Reporting Standards ("IFRS"), give a true and fair view of the assets, financial position and results of Belgacom and of the entities included in the consolidation. The financial report gives an accurate overview of the information that needs to be disclosed.

The Belgacom Management Committee is represented by Didier Bellens, President and CEO, Scott Alcott, Executive Vice-President Service Delivery Engine, Michel De Coster, Executive Vice-President Enterprise, Astrid De Lathauwer, Executive Vice-President Human Resources, Ray Stewart, Executive Vice-President Finance and CFO, Grégoire Dallemagne, Executive Vice-President Strategy and Michel Georgis, Executive Vice-President Consumer.

Business Update

Belgacom Group strategy

A rewarding consistent strategy

The consistent strategy of Belgacom over the past years enables the company not only to compete in an environment of strong competition but also to innovate and continuously improve product offerings. Ten years ago, Belgacom was one of the first operators in the world to launch ADSL. By the end of 2008, broadband coverage in Belgium reached 99.85% and Belgacom counted over 1.3 million broadband customers. Its decision in 2004 to start investing in the fiber network and VDSL, called the Broadway project, generated tremendous opportunities in terms of product development.

Innovation supported by a quality network

A real turning point was the launch of Belgacom TV over Broadband in 2005, when for the first time Belgian households were offered a true alternative to cable. The customer base, which exceeds half a million, testifies to its success. Belgacom even offers High Definition TV, thanks to the deployment of VDSL, which now covers over 66% of the Belgian population.

Belgacom's offering is continuously adapted to customer needs, which are increasingly mobile. During 2008, 296,000 mobile customers joined, mainly under its own brand Proximus, bringing the total number of mobile customers to 4.9 million by the end of 2008. True to its reputation as a high-quality network provider, Belgacom was the first operator in Belgium to invest in 3G, achieving 90% population coverage by the end of 2008. The upgraded mobile network allows for new mobile applications and supports the growing mobile data business. Professional customers in particular are very keen on advanced mobile applications such as Mobile Internet.

In addition, more and more Business customers are seeking complete end-to-end solutions that include fixed, mobile and ICT services. To shore up its ICT position in Belgium, Belgacom acquired Telindus in 2006, which became the ICT entity within the Group. To support future profitable growth, the international presence of Telindus was completely revised, and reduced to five core countries. All the other entities were divested by the end of 2008.

Belgacom sees convergence as the key to long-term success. With its nationwide fixed and mobile network, it is very well positioned in this regard. Convergence has become a distinct reality for both customer business units, and will continue to be their focal point in all their future undertakings. While Enterprise customers are offered flexible end-to-end telecom and IT solutions, consumers are given a wide choice of converged product packages. The success of these packs can be seen in the sales figures: an additional 149,000 packs were sold in 2008.

An increasingly converged product portfolio will be supported by the "Move to All IP" project. Belgacom launched this business transformation project in 2008 to deliver a superior customer experience, while striving to improve its own internal efficiency.The project will run over several years, with some first milestones achieved in 2008.

Belgium remains the core market

Belgacom's focus remains on Belgium, with continued investment in organic growth and a constant quest for new business. One example is the growing mobile payment business in which Belgacom wants to take part.

Belgacom also seeks to grow through attractive, value-creating M&A. Its acquisition of Scarlet and Mobile-for in 2008 tied in with this goal.

Opportunities outside Belgium are monitored in a disciplined way

As regards international M&As, Belgacom is adhering to its disciplined stance, monitoring growth opportunities outside Belgium while maintaining stringent valuation criteria. M&A deals are therefore only considered if they are in line with Belgacom's strategic rationale, satisfy strict financial criteria and synergy criteria, create shareholder value and are realizable. Belgacom's acquisition of Tango in Luxembourg fit in these strict criteria for international expansion.

Word class international carrier services

Belgacom's International Carrier Services business strengthened its position over the years, following the joint venture with Swisscom and the establishment of partnerships with a number of other operators. Belgacom ICS now ranks among the top ten worldwide and is even the world leader in mobile data services.

Each of the business units implemented the company's strategy throughout 2008. Their achievements are described in the following chapters.

Consumer Business Unit (CBU)

The Consumer Business Unit of Belgacom, oriented towards the residential customer, operates on a market totalling over 4.5 million households in Belgium or about 10.6 million individuals. In 2008, Belgacom's penetration level in the residential sector remained very strong with about 80% of households possessing one or more fixed or mobile Belgacom products. Even in a challenging market, Belgacom managed to remain the number one national player for most product lines and obtained a strong share in the Belgian Digital TV market.

~3.8 million residential mobile customers, growth of 195,000 in 2008

The Belgian ***mobile market*** remained fairly stable over 2008, with no change in the main mobile players and a mobile-only population of about 29% of households.
Unlike other mobile players, CBU managed to grow its customer base mainly under its own brand Proximus. In total, Belgacom CBU gained 195,000 mobile customers in 2008, including 136,000 new postpaid customers and 70,000 via its MVNO Mobisud, while the prepaid customer base slightly decreased by 10,000 customers. The year 2008 started with a good first quarter with 65,000 new customers and ended with an even better quarter with 72,000 net adds. This led to a total mobile customer base of 3,777,000 by year-end.

Whereas the blended mobile data ARPU (mainly SMS) is kept fairly stable at EUR 6.3, the ***Mobile Voice ARPU*** remains under pressure, mainly due to regulation combined with a low elasticity, and because of customers switching to lower priced offers. The blended net Voice ARPU, including credits and discounts for 2008 was EUR 23.0, compared to EUR 25.2 for 2007, or a decrease of 9%.

Flat rate pricing plans and VoIP stabilize the net line loss

Traditional ***fixed voice lines*** continued to be under pressure with a loss of 162,000 lines in 2008. However, the launch of successful flat rate plans in the past and the growing number of Voice over IP lines in 2008 have decelerated the net line loss over the last three quarters of 2008. In 2008, CBU sold 49,000 VoIP lines marketed under the name I-Talk. This brings the total VoIP customers to 54,000.

CBU added 85,000 new Internet customers in 2008

The ***Broadband market*** is marked by strong competition, especially from cable. Nevertheless, CBU kept its national Broadband market share fairly stable. Supported by a

strong first and last quarter, CBU[4] managed to add a total of 85,000 fixed broadband customers in 2008, an increase compared to the 77,000 net adds in 2007. Year-over-year, the broadband ARPU slightly decreased by 1.7% to EUR 30.0.
To maintain a high quality offering, Belgacom continuously seeks to improve its services. In July 2008, Belgacom enhanced its Broadband offer significantly by increasing its bandwidth to 12 Mbps for "Go" and "Plus" subscriptions and to 4 Mbps for ADSL Light. Volumes were increased to 25 gigabyte on ADSL Go and to 60 gigabyte on ADSL Plus.

Fixed-mobile convergence through new offers

Belgacom operates both a mobile and fixed network, putting CBU in an excellent position to offer residential customers a wide range of telecom products.
In March 2008, to underline its convergence strategy, Belgacom and Proximus launched the "Together" pricing plan. Belgacom fixed or mobile customers signing up for the Together option enjoy 600 minutes of free[5] calls per month on weekends. By end 2008, Belgacom had about 1 million customers signed up for the Together plan.

Another example of a converged product offering is the launch of "Mobile Internet Free Weekend", in which fixed Internet customers are offered free usage of Mobile Internet during the weekend.

Bundled products remain successful. By end 2008, a total of 302,000 packs were sold

CBU's objective is also to move customers from "single-play" to "multi-play". About 40% of its customers has more than one Belgacom product, a percentage that Belgacom wants to increase. This is supported by the launch of ***converged bundles***, enabling customers to choose a combination of several products, including fixed and mobile solutions. In 2008, 149,000 packs were added, including 44,000 in the fourth quarter, bringing the total to 302,000 packs by end 2008. CBU intends to further increase the number of multi-play customers through enhanced, simplified and innovative converged bundles.

+201,000 TV users in 2008; total TV customer base of 506,000

Since its launch in June 2005, ***Belgacom TV*** has proved very successful, with a rapidly growing customer base. In a period of three and a half years, Belgacom managed to increase its market share in the Digital TV domain to a strong 30% by end 2008. The population coverage also increased significantly over the years: at year-end 2008, over 86% of Belgian households could access Belgacom TV and more than 64% could watch in High Definition.

In 2008, Belgacom added 201,000 new TV users, a considerable rise compared to the 166,000 users in 2007. Customer growth peaked in the fourth quarter of 2008, with a total of 63,000 net adds, due to successful year-end promotions. By end 2008, Belgacom had a total of 506,000 Belgacom TV users, including the growing number of customers connecting a second TV set. Benefitting from the roll-out of VDSL2, Belgacom was able to further enhance its TV offer. The capacity was considerably raised, enabling an increasing number of customers to connect a second TV set. Over 2008, the take-up of second TV connections has therefore increased significantly to 65,000 customers.

Despite the year-end promotions which impacted the ARPU in the fourth quarter, the overall 2008 TV ARPU continued its positive evolution and grew 7% to EUR 17.2, compared to EUR 16.1 in 2007. An important driver of this continued improvement is the success of on-demand services.

[4] Excluding Scarlet
[5] For Belgacom customers to all landlines and to all mobile customers. For Proximus customers to all landlines and to Proximus numbers.

Position strengthened through non-organic growth

In 2008, Belgacom strengthened its position through non-organic growth via in-market deals such as the acquisition of Scarlet and by expanding its footprint outside Belgium via the acquisition of Tango:

- In June 2008, Belgacom announced the acquisition of ***Tango***, the second mobile market player in Luxembourg. Besides strengthening the residential mobile offer, it will enable Belgacom to strengthen its corporate market offering.
- In November 2008 Belgacom acquired ***Scarlet SA***, a no-frills provider offering fixed and mobile services to residential and business customers. This allows Belgacom to penetrate a new market segment and to reinforce its multiplay offering in Belgium.

Four strategic objectives as focus for coming years

In the coming years, Belgacom CBU will concentrate on four strategic priorities. Firstly, CBU will focus on customer satisfaction by delivering a superior end-to-end customer experience. Secondly, CBU will pursue profitable growth by increasing the number of services per customer. The third priority will be innovation and transformation, with the aim of offering solutions anywhere, any time, on any device. Lastly, CBU will strive for operational excellence by getting everything right the first time round and optimizing cost allocation.

Enterprise Business Unit (EBU)

Belgacom's Enterprise Business Unit meets the ICT needs of every category of professional customers, from the self-employed and SMEs to large corporations. Convergence is rapidly taking hold in the enterprise market, blurring the frontiers between telecommunications and IT, fixed and mobile, and voice and data. EBU is well-positioned to offer end-to-end solutions for all the merging telecom needs of its customers.

Convergence through "Explore" platform

EBU is committed to simplifying its ICT range by offering managed solutions with guaranteed quality, end to end. These solutions are provided over "**Explore**", an intelligent service platform that facilitates fixed-mobile convergence and that is easy to migrate to.

Explore indeed combines fixed and mobile networks into a single network infrastructure. All professional customers can smoothly move to this network and benefit from all the flexible, convergent, enterprise-grade services and applications it offers. This platform provides integrated teleworking and mobility services, monitoring applications, a service portal, quality of service and application performance management services. Explore also features new advanced security services and will be further enhanced with Managed IPTEL[6] services. By the end of 2008, the Explore platform already numbered some 25,000 enterprise-customer sites.

Via Belgacom's international presence with Telindus, Belgacom EBU intends to reinforce its international position by rolling out the Explore platform in the core countries and even extend this to other countries where it can serve its international customers. To achieve this, EBU will work with partners and exploit the global presence of Belgacom's International Carrier Service. This combined approach will give international customers access to all the Belgacom Group's services.

By linking the IP network to additional managed services and mobility, the Belgacom Group laid an important cornerstone for its next-generation network. The platform, which is part of the Move-to-all-IP program, will be the heart of all communication-centric applications and cater to all Voice-over-IP customers.

[6] Telephone services over the IP platform

Housing & Hosting growing datacenter services

Datacenter solutions are one of the growth areas in the Belgacom ICT solutions portfolio for both national as well as international customers, i.e. via the subsidiary ISIT in the Netherlands.
Significant growth was realised in the housing and hosting business through consolidation and virtualisation. Therefore Belgacom EBU disposes over different datacenters covering a surface area of more than 15,000 square meters. The main locations are in Evere and Machelen. The Belgacom datacenters were awarded the ISO 27001 certificate for security management at the end of 2008. Belgacom is the sole ICT player in Belgium and one of few ICT players in Europe to have obtained this certificate, which testifies to the quality of its services, processes and installations. The strong position in the datacenter business allows Belgacom to step into the XaaS (Anything as a Service) business with a secure and reliable service offer.

In the course of 2008, Belgacom demonstrated the quality of its hosting platform at several high-profile events including the *Tour de France*, the Olympic Games and local happenings such as "Music for Life".

66,000 customers on "Fusion", the convergence offer for SME's

To address the convergence needs of smaller enterprises in an innovative way, EBU launched **"Fusion"** in March 2008. This successful convergence offer designed for SMEs covers calls made from both fixed and mobile phones, and introduced a flat calling fee for in-company calls made between colleagues from fixed and mobile numbers alike, as well as unlimited calling to any national fixed number. By the end of 2008, Belgacom had some 66,000 subscribers for the Fusion offers.

In its quest for eco-friendly solutions Belgacom also invests in e-communication. One example is its e-billing service, which the company advocates as an alternative to paper billing. This service saves costs considerably, in addition to the environment.

Belgacom takes part in the growing mobile payment business

EBU also takes part in the growing mobile payment business, such as the SMS ticketing system which it test-pioneered in cooperation with *De Lijn* (the Flemish public transport company). Allowing passengers to pay for their fare with their mobile phones, the SMS ticketing service has been available in Antwerp and Ghent for all Proximus customers since the end of 2007. No less than 226,000 SMS tickets were sold in 2008.

To further reinforce this line of business, in July 2008, Belgacom acquired ***Mobile-for***, a company specialized in mobile payments for parking. *Mobile-for* introduced SMS parking in Antwerp, Hasselt, Tienen, Lokeren, Wetteren, Turnhout and Diest. In 2008 over 1.3 million parking transactions were recorded.

EBU not fully immune to economic downturn

Since the second half of 2008, the weakening economy has started to have some effect on the enterprise business, with especially ICT showing some exposure to the slowdown. Towards the end of 2008, other business areas too showed some evidence of sales projects being cut back and impeded decision-making processes. Although this did not have a material impact on the 2008 operations, EBU took the necessary precautions to strengthen its position, starting with a more simple and efficient internal organization and fully reviewing its ICT presence and product offering.

International Telindus presence reduced to support profitable growth

Fully in line with Telindus International's strategy to boost the profitability of its operations outside Belgium, the scope and focus were pared down to core ICT products and services and its international presence reduced to five main countries: the Netherlands, France, Luxembourg, Spain and the United Kingdom. The other international branches were divested as they lacked the necessary scale of Telindus activities to grow a profitable business: Hungary in the fourth quarter of 2007, Thailand in the first quarter of 2008, Germany in the third quarter of 2008, Hong Kong, China, Switzerland, Italy, Sweden and Portugal in the fourth quarter of 2008. With the focus on the key countries, EBU-Telindus has a lowered risk profile and improved its position to further grow a profitable business. The Telindus divestment program impacted the 2008 revenue and involved losses on disposal for an amount of EUR 34 million, included in the non-recurring expense recorded in the fourth quarter of 2008.

Advanced data revenue grew 33% year-over-year

Mobile data services have been increasingly successful, supported by a high-quality 3G network covering 90% of the population and supported by a new range of mobile solutions launched in June 2008: Business Sharepoint, Belgacom Communication Tools and BlackBerry option.

Mobile data has also been a source of revenue growth, generating EUR 32 million in 2008, which represents a 25% increase compared to the previous year. Advanced data products such as Mobile Internet and the BlackBerry surged by 33% since 2007.

The year 2008 saw a stabilization in the loss of fixed-voice lines, including VoIP lines. The number of voice lines declined by 33,000 in 2008, compared to the decrease of 35,000 in 2007. EBU closed the year 2008 with a total of 1,544,000 voice lines and a voice ARPU of EUR 31.7.

The mobile customer base rose by 101,000 new active customers in 2008 to a total of 1,139,000 mobile customers. The voice ARPU, which was already significantly impacted by regulation, underwent further pressure as customers moved to more advantageous rate plans in 2008, resulting in a total decrease of 16.1% to EUR 47.6.

Several large contracts highlight EBU's strong position

In 2008, EBU won some large contract deals, underlining its important position in the enterprise market. A few examples:

- Belgacom-EPT Luxemburg is granted a multi-year contract by the European Institutions for national and international voice traffic (EUR 55 million over 7 years)
- ICT contract for seven years between the Flemish government and the EDS-Telindus consortium for a total value of EUR 582 million
- Belgacom and Aeroscout integrated a revolutionary application for management of medical equipment, temperature monitoring and personnel protection at the Jan Yperman hospital in Ypres. Belgacom is responsible for the LAN network and a high-performance WiFi-network.
- A major retail chain integrating electronic payment services to ATOS Worldline in a fully secured way on top of its Explore network.
- AS Adventure's choice for Belgacom Explore International, including a Unified Communication solution, proves a successful cross-border offering for EBU.

EBU aims to become the preferred network-centric ICT service provider

Although competition on the professional market is expected to remain tough in all product areas in the coming years, EBU is uniquely positioned to become the preferred network-centric ICT service provider in Belgium and a reference on the European market.

In conclusion, to anticipate the needs of its SME and corporate customers, the Enterprise Business Unit will focus on the following strategic objectives: customer satisfaction, profitable growth, innovation and transformation, and operational excellence.

Service Delivery Engine (SDE)

Continued investments guarantee high-quality network

Belgacom's ability to offer its customers a wide range of high-quality products and services relies on the superior quality of both its Mobile and Fixed networks. Belgacom is the sole telecom provider in Belgium to operate a nationwide fixed and mobile network, together with the supporting IT systems, sales channels and work force. This unique position in the Belgian market allows for convergence to be used as an important differentiator vis-à-vis the competition.

To keep the customer business units on top of constant innovation and to respond to a growing need for bandwidth for both fixed and mobile, Service Delivery Engine continues to invest in the network and IT.

Over 66% VDSL coverage in four years time

Belgium ranks highly in terms of ***Broadband*** penetration, with about 99.85% of households covered. In 2004 Belgacom started to upgrade its Broadband network to VDSL via its ***Broadway*** project. In four years time, Belgacom has rolled out 13,337 km of fiber to the street cabinet and connected 16,193 remote platforms, reaching a population coverage level of 66.2% at the end of 2008. SDE aims to increase the VDSL2 coverage to 80%. The VDSL2 network delivers a capacity of up to 20 Mbps, easily allowing customers to watch two HD-TV channels and surf on the internet at the same time.

Belgium's favorable topology and high population density allow investments to be limited to very reasonable levels. To date, the whole Broadway project has required about EUR 470 million capex, of which EUR 91 million was spent in 2008.
The combined ADSL and VDSL network creates a footprint for Belgacom TV that extends to 86.6 % of the population.

Over 90% 3G coverage

Belgacom was also the first mobile operator in Belgium to invest in ***3G***, which it subsequently upgraded to HSDPA. It now has a population coverage of 90.2%. Since the launch of 3G, the total capex spending amounts to about EUR 446 million, including EUR 30 million in 2008.

"Move to all IP" project launched in 2008

In 2008, SDE also started its business transformation project "***Move to All IP***", entailing a full re-engineering of the network, IT systems and processes. This will allow Belgacom to deliver a continuously superior customer experience, offer an increasingly converged product portfolio and become more efficient as a company. So far, the capital invested in the MaIP-project amounts to EUR 11 million. The main accomplishments in 2008 are:

- Deployment of an IMS (IP multimedia subsystem) service platform offering voice over IP to professional customers. This platform will be further extended to offer similar services to residential customers.
- A package-based sales support tool is being gradually implemented in the different sales channels to support the sale of fixed and mobile products.
- The start of the implementation of a new tool to support the national and international ICT business.
- In the field of service assurance, SDE deployed a tool that partly automates the flow of service and repair tickets.

The MaIP investment program runs over several years. Required capex spending will however remain within Belgacom's normal capex run rate of 10-11%.

International Carrier Services (ICS)

International Carrier Services has been active in the international carrier's market since 1997 and provides voice, hubbing, Quality of Service (QoS), data connectivity and capacity services to over 500 wireline and wireless operators and service providers worldwide:

- Voice: collecting and terminating international voice traffic in Belgium, Switzerland and worldwide
- Hubbing: ensuring interoperability and continuity of services worldwide for mobile users (SMS, MMS, Roaming)
- QoS: enabling the testing, monitoring and troubleshooting of roaming traffic
- Data connectivity: transport of Signalling, Roaming GPRS (3GRX) and IPX
- Capacity: provisioning of tailored, high-quality bandwidth solutions

ICS scores high worldwide

Since 1 July 2005, Belgacom ICS has been a Joint Venture held by Belgacom for 72% and by Swisscom for the remaining 28%.
ICS is in the top 10 of largest operators worldwide in terms of voice traffic volume and is world leader in mobile data services, serving 200 mobile operators.
In November 2008, for the third time in five years, ICS was awarded the distinction of "Best Wholesale Carrier" at the World Communication Awards in London.

ICS operates a future proof European network, and four international switches and has participations in 70 submarine cables with over 90 points of presence (PoPs) in 55 cities and 33 countries and 9 metropolitan area networks (Amsterdam, Brussels, Düsseldorf, Frankfurt, Geneva, London, New York, Paris and Zurich). ICS has 5 offices worldwide (Bern, Brussels, Dubai, New York and Singapore).

Partnerships to strengthen the ICS business

To strengthen its business, ICS has over the years signed several partnerships with other operators. In February 2006, it signed an outsourcing agreement with the MTN group, a leading provider of cellular and communications services in Africa, covering MTN's international voice and data needs.
Since November 2006, ICS has been delivering a high-quality service to Omantel, carrying traffic between Oman and the rest of the world and vice versa.
The outsourcing agreements with both MTN and Omantel are successful and have generated more value than expected for each partner.
In May 2008 the partnership between Omantel and ICS was taken one step further with the joint investment in the Europe India Gateway (EIG) sea cable, the first direct high-bandwidth optical fibre submarine cable system from the United Kingdom to India. This system also serves the Middle East and Africa. The joint investment in the EIG enables both companies to optimize their cost structure while securing enough capacity to serve their future needs.
Furthermore, ICS has invested in the capacity upgrade of the submarine cables SAT-3/WASC/SAFE and SMW-3, which will help ICS to provide top-class services to its African and Asian customers.

Belgacom ICS' sales and marketing initiatives focus primarily on growing opportunities within the mobile segment while price pressure continues for fixed line products. Being actively involved in the GSM Association's Working groups, such as Open Connectivity initiative, ICS will be able to offer roaming hubbing services for mobile data, while expanding its business across the mobile value chain, with the development of new services such as IPX, QoS for Roaming and an international mobile remittance solution.

Growing volumes in a very competitive environment

ICS has posted positive results for voice in an extremely competitive environment, mainly driven by the continued growth in the mobile segment especially in Africa and Asia. Voice volume growth exceeded the market growth and compensated the declining margins. The volume growth is the major driver behind the growth in revenue. Traffic from VoIP providers has grown exponentially in the last quarter of 2008, partly explained by the acquisition of a pre-paid billing platform.
The excellent performance continued in the mobile data area, where ICS further strengthened its leadership position. This success explains the increase of the ICS EBITDA margin, which has increased from less than 3% to almost 8% in the last three years.

In 2008, ICS leveraged its sea-cable and terrestrial European network by increasing significantly its sales of capacity solutions to operators in Europe, Middle East and Asia.

ICS has successfully completed the reorganisation of its Service Delivery and Engineering department in 2008. A new project has been launched to replace the current TDM switching platform by a NGN solution by the end of 2009. This new platform will allow new advanced technical features to be developed and improve Belgacom ICS' operational efficiency while significantly reducing costs in terms of capital and operational expenditures. On-line customer reporting tools have been put into service for both voice and mobile data services.

Over 2008, ICS generated EUR 812 million revenues, which is EUR 66 million or 8.9% more than in 2007. The EBITDA margin increased from 7.2% in 2007 to 7.9% for 2008.

Focus in 2009 on 3 strategic objectives

For 2009, Belgacom's International Carrier Services business will be driven by 3 strategic objectives:

- Increase the value from organic growth by focusing on key growth regions such as Africa, Middle East and Asia; through new products reflecting the technological evolution (VoIP, IPX)
- Participate in the market consolidation by pursuing merger and acquisition opportunities and commercial outsourcing agreements
- Move up the value chain by offering mobile operators new products to help them rationalizing their roaming activities or develop new services

Regulatory update

Total regulation impact on 2009 revenue estimated at EUR 83 million

The telecom sector in general is subject to severe regulation and this situation is no different for Belgacom. For 2008, revenues were negatively impacted by EUR 138 million due to tariff regulation of Voice Roaming, Mobile termination rates and the pass-through to fixed-to-mobile tariffs.
In addition, Belgacom expects its 2009 result to be impact by regulation of SMS and Data roaming, wholesale leased lines and transport tariffs for bitstream. In total, the impact on 2009 revenues is estimated at EUR 83 million and for EUR 57 million on EBITDA level.

Belgian MTR marked by significant asymmetries

In December 2007, the BIPT made a decision on the future regulation of ***mobile termination rates (MTR)***. This decision, in compliance with the comments of the European Commission and the national competition authority, aimed to reduce the proportional differences between the termination rates applied by the three mobile operators. Following to the suspension of this decision by the Brussels Court of Appeal, the BIPT made a new decision on 29 April 2008 which reverts to the initial tariffs set in August 2006 for the year 2008, thereby reintroducing significant asymmetries (+25% with Mobistar and + 59% with Base).
In 2008, the BIPT started to review the mobile termination rates. It intends to notify new price levels for the period 2010-2012 by end 2009. The level will be influenced by a new European Commission recommendation expected early 2009. The Commission is pushing for tariff symmetry but also for lower rates.
As a consequence of the lowered MTRs, Belgacom reduced its tariffs for fixed-to-mobile traffic. For 2008, the revenue impact resulting from MTR cuts and the flow-through to fixed-to-mobile prices amounted to EUR 65 million.

Voice roaming regulation reduced 2008 revenue by EUR 73 million

In June 2007, the European Commission introduced a regulation setting retail and wholesale caps on prices of voice call roaming. This regulation entered into effect in September 2007, cutting the rates by half. The second cut took place in August 2008, reducing roaming rates further by between 6% and 8%. For 2008, the roaming regulation reduced the revenues by EUR 73 million.

On 23 September 2008, the European Commission adopted a proposal to amend the Regulation of June 2007. The Commission proposes additional reductions of voice roaming charges (retail and wholesale prices) between 2009 and 2012 and the introduction of per-second billing. The regulation would also impose maximum tariffs for SMS roaming charges (retail and wholesale) as from July 2009 and tariff transparency obligations for data roaming. At wholesale level, the amended regulation would set from 1 July 2009 a wholesale "safeguard" cap of EUR 1 per megabyte of data transmitted for the average charge the visited network can levy from the roaming customer's home network. Adoption of the amended regulation is expected before June 2009.

Fixed-line interconnection premium for other operators set at 15%

On 26 November 2008, the BIPT adopted a decision stabilizing Belgacom's ***fixed terminating*** charges until end 2010. The other operators are authorized to charge prices up to 15% higher than Belgacom's rates, except for Telenet and Versatel who were authorized to charge a supplementary charge of 370% in 2007. This price supplement has been lowered to 190% in 2008 and to 15% on 1 January 2009.

Wholesale leased lines price decrease of 50%

On 3 September 2008, the BIPT took a decision regarding the pricing of ***regulated wholesale leased lines***, leading to important price decreases as from January 2009.

New transport tariffs for broadband access services

As from November 2008, ***new transport tariffs for broadband access services*** (bitstream access) are applicable, substantially decreasing their price level - especially for higher bandwidths.

Financial report

Belgacom Group

Revenue

For full-year 2008, the Belgacom Group reports a revenue of EUR 5,986 million. Excluding the non-recurring revenue following the sale of Certipost, this is EUR 5,978 million or a 1.4% decline compared to 2007. The total revenue of 2008 includes the revenue generated by Tango and Scarlet, consolidated respectively as from August 2008 and December 2008, for a total amount of EUR 52 million.

The 2008 full-year revenue was significantly impacted by regulation of roaming rates, mobile termination rates and the flow-through to fixed-to-mobile tariffs. In total, these regulatory impacts lowered the 2008 revenue by EUR 138 million. This has been partly offset by the revenue growth in CBU and ICS, leading to a total Group revenue decline of EUR 87 million.

In the fourth quarter of 2008, the year-over-year revenue trend reversed from a decrease over the first three quarters to a 2.5% growth for the fourth quarter of 2008 when comparing to the same period of 2007. Besides the positive impact of the acquired companies, the impact on the fourth quarter of roaming regulation was reduced to only EUR 2 million whereas this was EUR 71 million for the first nine months of 2008.

	Year ended 31 December				
	2007		**2008**		**Variance 2008/2007**
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	2,231	37%	2,253	38%	1.0%
Enterprise Business Unit	2,775	46%	2,696	45%	-2.8%
Service Delivery Engine	516	9%	415	7%	-19.7%
Staff & Support	49	1%	34	1%	-29.8%
International Carrier Services	746	12%	812	14%	8.9%
Inter-segment eliminations	-252	-4%	-232	-4%	-7.7%
Total	**6,065**	**100%**	**5,978**	**100%**	**-1.4%**
Non-recurring revenue	0		8		-
Total	**6,065**		**5,986**		**-1.3%**

YoY Revenue variance ***(in milllion EUR)***	**CBU**	**EBU**	**SDE**	**S&S**	**ICS**	**Inter-segment**	**Group**
Total revenue variance	**22**	**-79**	**-101**	**-15**	**66**	**19**	**-87**
Roaming regulation impact	-18	-36	-18				-73
MTR regulation impact	-23	-14	-2			9	-30
Decrease of Fixed to Mobile tariffs	-13	-22					-35
One time gains				-15			-15
National transit traffic decrease			-34			22	-13
Remaining variance	77	-6	-47	0	66	-11	79

Operating expenses before depreciation and amortization

(EUR million)	Year ended 31 December 2007	2008	Variance 2008/2007
Costs of materials and charges to revenue	2,015	1,975	-2.0%
Personnel expenses and pensions	1,120	1,124	0.3%
Other operating expenses	853	890	4.3%
Total	**3,988**	**3,988**	**0.0%**
Non-recurring expenses	46	93	102.7%
Total	**4,034**	**4,081**	**1.2%**

The 2008 ***Costs of materials and charges to revenues*** were 2% lower than the previous year. Costs were positively impacted by regulation, lower transit traffic costs and Telindus divestments. This was for a large part offset by the increase of ICS costs, related to revenue growth.

Personnel expenses and pensions increased slightly by 0.3%. The headcount reduction in 2008 for a large part offset the increase in salaries driven by indexation and other wage increases.

In 2008 indexations increased the salary cost by an average of 2.8%. This was for a large part compensated by reduced headcount. By end 2008, the Belgacom Group employed 17,371 FTEs, or 462 FTEs less than a year ago. This is the net result of the acquisitions headcount increase (+419 FTEs) and employees leaving Belgacom through the ongoing restructuring program (-156 FTEs), external mobility (-111 FTEs), divestments (-425 FTE's) and natural attrition (-189 FTEs).

Other expenses increased by 4.3% amongst others due to one-time costs for Telindus International and other operating expenses from acquired companies.

In 2008, the Belgacom Group recorded a ***non-recurring expense*** for a total amount of EUR 93 million. This includes EUR 53 million termination and additional compensation benefits for voluntary departures of employees in restructuring programs and the external mobility offer with the Belgian State.
In 2008, the Group decided to divest the Telindus entities located in non-strategic countries. This divestment project led to the recognition of a non-recurring expense of EUR 34 million in the income statement of the fourth quarter of 2008.
The Group also decided to dispose all the assets and liabilities of Win SA to Tecteo. At year-end 2008, this transaction was subject to the approval of the Walloon Region, which was obtained in January 2009. Belgacom Group expects a loss of EUR 6 million from this transaction that has been recognised as non-recurring expense in the income statement of the year 2008.

Operating income before depreciation and amortization (EBITDA)

The Belgacom Group reports a total EBITDA before non-recurring items of EUR 1,990 million or a decrease of EUR 87 million or 4.2% compared to 2007. The Group EBITDA margin stands at 33.3%. Regulation had a negative impact of EUR 81 million on EBITDA level.

	Year ended 31 December				
	2007		2008		Variance 2008/2007
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	1,098	53%	1,093	55%	-0.5%
Enterprise Business Unit	1,291	62%	1,266	64%	-1.9%
Service Delivery Engine	-13	-1%	-67	-3%	-
Staff & Support	-354	-17%	-366	-18%	-3.5%
International Carrier Services	53	3%	64	3%	19.7%
Inter-segment eliminations	0	-0%	0	-0%	-
Total	**2,077**	**100%**	**1,990**	**100%**	**-4.2%**
Non-recurring revenue	0		8		
Non-recurring expenses	-46		-93		
Total	**2,031**		**1,905**		**-6.2%**

Depreciation and amortization

Depreciation and amortization decreased from EUR 774 million in 2007 to EUR 743 million for 2008. The decrease results from the lower depreciation of SDE and EBU, more than offsetting the higher depreciation of CBU.

Net finance result

The year-over-year variance in the net finance result, going from EUR 1 million in 2007 to EUR -109 million in 2008, is explained by the gains realized on the disposal of the remaining interests in Mobistar and Eutelsat Communications for an amount of EUR 74 million in 2007 and by re-measurements to fair value of financial instruments, along with additional interest expenses due to increased debt levels.

Tax expense

Tax expenses amounted to EUR 254 million for 2008, representing a fairly stable effective tax rate of 24.1% compared to 2007. The effective tax rate is based on the application of general principles of Belgian tax law.

Net income (Group Share)

As a result of the decreasing EBITDA and the capital gains realized in 2007, the net income decreased year-over-year from EUR 958 million to EUR 800 million.

Capital expenditure (Capex)

	Year ended 31 December				
(EUR million)	2007		2008		Variance 2008/2007
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	51	8%	195	25%	285.0%
Enterprise Business Unit	19	3%	19	3%	-0.4%
Service Delivery Engine	476	76%	477	62%	0.1%
Staff & Support	61	10%	54	7%	-11.3%
International Carrier Services	18	3%	19	2%	3.8%
Total	**625**	**100%**	**764**	**100%**	**22.2%**

The ***Belgacom Group*** invested EUR 764 million in 2008, including EUR 105 million for the renewal of the broadcasting rights for Belgian football. Excluding this, the full-year capex is 11% of total revenue.

Some important investment projects were partly delayed until the fourth quarter of 2008, explaining the increase compared to the first three quarters of 2008.

Besides the impact of the renewal of the broadcasting rights for Belgian football, the increase in ***Consumer Business Unit*** investments is mainly explained by the renewal of contracts for TV content and the capex of the acquired companies Scarlet and Tango.

Service Delivery Engine investments for 2008 were at similar levels as for 2007. This includes major projects such as the further roll-out of the Broadway project, further 3G deployment and investments needed for Belgacom TV.
In 2008, Belgacom invested EUR 91 million in the Broadway project (Fiber roll-out, VDSL, Remote optical platforms), bringing the population coverage to 66.2% by year-end.
SDE also further improved the 3G network through a EUR 30 million investment which led to a significant increase of indoor coverage and bringing the outdoor coverage to 90.2%.
Capex for TV includes investments in the TV platform and the rented set-top boxes. Therefore TV capex is partly driven by the customer growth. For full-year 2008, the total capex for TV amounted to EUR 85 million.
Furthermore, SDE launched the Move-to-all-IP project in 2008 although capex requirements for 2008 were limited to EUR 11 million.

Staff and Support investments for 2008 decreased by EUR 7 million as the investments related to the office renovation project (Active Office[7]) have been more than offset by less investments in other buildings. Capex for S&S amounted to EUR 54 million at year-end.

Cash flows

	Year ended 31 December	
(EUR million)	**2007**	**2008**
Cash flows from operating activities	1,581	1,552
Capital expenditures	-625	-764
Cash flows from / (used in) other investing activities	255	-380
Cash flow before financing activities or "free cash flow"	**1,210**	**409**
Cash flows used in financing activities	-720	-570
Net increase / (decrease) of cash and cash equivalents	**490**	**-161**

The ***cash flow from operating activities*** decreased from EUR 1,581 million in 2007 to EUR 1,552 million in 2008. The favorable evolution of the working capital, mainly driven by the acquired football broadcasting rights which are payable over three years, did not fully offset the unfavorable evolution of the EBITDA.

Over the year 2008, Belgacom generated a ***free cash flow*** of EUR 409 million.
Year-over-year, capital expenditures increased from EUR 625 million to EUR 764 million, including the renewal of football broadcasting rights.
Cash inflows linked to ***other investing activities*** decreased by EUR 634 million mainly due to the acquisition of Tango and Scarlet for an aggregate amount of EUR 380 million net of cash compared to a significant cash-inflow following the disposal of the remaining interests in Mobistar and Eutelsat Communications in 2007 which generated EUR 242 million.

The ***cash flow used in financing activities*** was mainly impacted by the completion in 2008 of the share buy-back program launched in October 2007, the higher dividend granted to the shareholders, the new share buy-back program launched on 4 August 2008 and the interim dividend paid in December 2008.
Belgacom's cash usage has been partly financed with new loans issued in the last quarter of 2008 for a total amount of EUR 500 million. This results in a cash and cash equivalents decrease of EUR 161 million.

[7] Office Renovation project to optimize office space usage by allowing about 2,000 additional employees in the headquarter building

Balance sheet and shareholders' equity

The ***goodwill*** increased by EUR 334 million to EUR 2,111 million as a result of the acquisitions of the year, mainly Tango and Scarlet, based on a provisional purchase price allocation. Intangible fixed assets and property, plant and equipment increased by EUR 102 million in 2008 as a result of these acquisitions and because of the renewed football broadcasting rights.

The ***shareholders' equity*** decreased from EUR 2,520 million at year-end 2007 to EUR 2,271 million in December 2008 as the net acquisition of treasury shares for an amount of EUR 340 million and the distribution of dividends and interim dividends to shareholders for an amount of EUR 710 million exceeded the net income of EUR 800 million. In the same period, Belgacom employees exercised 280,920 stock options.

As approved by the Board of Directors on 28 February 2008, Belgacom granted 795,197 stock options to its senior management in April 2008. The exercise price of EUR 29.14 is based on the closing price of 18 April 2008. 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 20 April 2015.

Belgacom continues to have a sound financial position. As of 31 December 2008, Belgacom had a net debt position amounting to EUR 1,835 million, corresponding to 0.9x EBITDA (before non-recurring items). The outstanding financial debt amounted to EUR 2.5 billion at the same date, most of it maturing in 2011 and 2016 except the floating rate note of EUR 300 million which will mature in November 2009.

In terms of ***future financing needs***, Belgacom has a strong cash flow generation to fund its organic growth and shareholder remuneration.
Belgacom recently updated the EMTN program to EUR 2.5 billion: the program was increased from USD 2.5 billion to EUR 2.5 billion (of which EUR 2,150 million was used on 31 December 2008) and the possibility of retail bond offering was added. Belgacom also has approximately EUR 1 billion of unused short-term and long-term bilateral agreements and a syndication facility and a EUR 1 billion Commercial Paper program (of which EUR 25 million was used on 31 December 2008).

Outlook

2009 is expected to be a challenging year with besides sharp competition and regulatory pressure an unfavorable economic climate of which the level of impact is difficult to predict.
So far, the Consumer Business Unit experienced no significant impact from the slowing economy while the Enterprise Business Unit noticed some early commercial indications.

At this point, Belgacom's best estimate for full-year 2009 is:

- Full year Group revenue decline of about -1%
- EBITDA margin between 32%-33%
- Capex levels will be managed between 10-11% of Group revenue

Consumer Business Unit - CBU

P&L Consumer Business Unit

(EUR million)	Year ended 31 December 2007	2008	Variance 2008/2007
TOTAL SEGMENT REVENUE	**2,231**	**2,253**	**1.0%**
Costs of materials and charges to revenue	-540	-553	2.4%
Personnel expenses and pensions	-316	-325	2.8%
Other operating expenses	-277	-282	2.0%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1,133**	**-1,160**	**2.4%**
TOTAL SEGMENT RESULT (1)	**1,098**	**1,093**	**-0.5%**
Segment contribution margin	*49.2%*	*48.5%*	
OPERATING INCOME before depreciation & amortization	**1,098**	**1,093**	**-0.5%**
Depreciation and amortization	-78	-105	35.1%
OPERATING INCOME	**1,021**	**988**	**-3.2%**

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

CBU revenue

For 2008, CBU reports a total revenue of EUR 2,253 million, an increase of EUR 22 million or 1.0% compared to 2007. This increase is driven by the growth in data and TV revenue and by the revenue contribution of acquired companies.

- In June 2008 Belgacom announced the acquisition of Tango, the second mobile operator in Luxembourg. The financial results have been consolidated as from August 2008.
- In November 2008 Belgacom announced the acquisition of Scarlet, a no-frills provider offering fixed and mobile voice, internet and data services for residential and business customers. The financial results have been consolidated as from December 2008.

In total, Scarlet and Tango contributed EUR 52 million to the 2008 revenue for CBU.

The 2008 revenue also includes a negative impact from regulation on Roaming, MTR and the flow-through to fixed-to-mobile tariffs for an amount of EUR 55 million. Excluding regulation the 2008 CBU revenue even increased 3.4%.

CBU Operating expenses before depreciation and amortization

CBU total operating expenses amounted to EUR 1,160 million at year-end, an increase of 2.4% or EUR 27 million. The consolidation of Tango and Scarlet fully explains the year-over-year increase and affects all the cost items. In total, Tango and Scarlet's cost contribution amounts to EUR 34 million for 2008.
Without Tango and Scarlet, the CBU operating expenses show a favorable evolution of 0.6% compared to 2007.

The year-over-year increase in ***personnel expenses*** of 2.8% or EUR 9 million is on the one hand driven by additional headcount following the acquisitions of Tango and Scarlet. On the other hand, CBU personnel expenses have been impacted by the salary indexations of Belgacom employees, which have been partly offset by lower headcount as a result of ongoing restructuring programs and natural attrition.

Cost of material and charges to revenue increased 2.4% to EUR 553 million. The increase driven by the cost contribution of Tango and Scarlet was partly compensated by the favorable impact from Roaming regulation.

Other operating expenses increased 2.0% to EUR 282 million. Without Tango and Scarlet, the other operating expenses were favorable by 1.4% compared to 2007 mainly as a result of continued cost management.

CBU operating income before depreciation and amortization (EBITDA)

The increase in operating expenses fully offsets the positive impact of the revenue increase. Compared to 2007, the EBITDA declined 0.5% to EUR 1,093 million. In total, Scarlet and Tango contributed EUR 18 million to the 2008 EBITDA.

For the full-year 2008, CBU reports an EBITDA contribution margin of 48.5%. Following the trend of previous years, the fourth quarter margin in 2008 is also lower than the other quarters due to the impact of the year-end promotions. For 2008 specifically, the fourth quarter margin of 43.6% was also influenced by Tango and Scarlet.

CBU operating income (EBIT)

The CBU operating income declined 3.2% to EUR 988 million year-over-year mainly as a result of higher depreciations for the year 2008 caused by the success of Belgacom TV (including rental of set-top boxes), higher depreciations linked to the renewal of football broadcasting rights and the consolidated depreciation from Scarlet and Tango.

CBU detailed revenue & operating review

DETAILED REVENUES	Year ended 31 December			
(EUR million)	**2007**	**2008**	**Variance 2008/2007**	**Variance % 2008/2007**
Revenues	**2,231**	**2,253**	**22**	**1.0%**
From Fixed	**1,134**	**1,148**	**14**	**1.3%**
Voice	654	599	-55	-8.5%
Data	292	313	21	7.3%
TV	43	86	43	99.5%
Terminals (excl. TV)	66	57	-9	-13.3%
Other	80	94	14	18.0%
From Mobile	**1,097**	**1,105**	**8**	**0.7%**
Voice	771	723	-48	-6.2%
Data	270	277	7	2.7%
Terminals	47	50	3	6.8%
Other	9	54	45	-

For quarterly results see page 34

CBU's fixed revenue increased 1.3% compared to the same period last year. While the growth in TV and Data more than offsets the decline in fixed voice, the revenue was also positively impacted by the acquisition of Scarlet, included in "Other revenues". Therefore, the revenue from fixed grows 2.4% when excluding the impact of regulation.

- CBU ***fixed voice revenue*** remained under pressure due to regulation and the loss of voice access lines. The price reductions for fix-to-mobile tariffs that Belgacom applied as a consequence of the MTR regulation (flow-through MTR cuts), impacted the 2008 revenue by EUR 13 million.
  In 2008, the CBU net line loss decelerated resulting in a loss of -162,000 lines for 2008 compared to -170,000 lines in 2007. In the fourth quarter of 2008, line loss even reached its lowest level of the last two years with a net loss of -36,000 lines, including 20,000 new VoIP lines. Year-over-year, the number of VoIP lines increased by 49,000. Nevertheless, the access line loss remains an important driver of the revenue decrease.

Both regulation and flat rate plans put a negative pressure on the fixed voice ARPU, which is EUR 21.6 for 2008 or a 1.7% year-over-year decrease. However in the fourth quarter 2008 the ARPU went up slightly up to EUR 22.2 as a result of the indexation of fixed voice prices in July and October 2008.

- Compared to 2007, the CBU ***fixed data revenue*** increased 7.3%. The main driver is the growing Broadband customer base. During the last quarter of 2008, CBU added 26,000 broadband customers leading to a total of 85,000 new broadband customers for the full-year 2008; an increase compared to the 77,000 net adds in 2007. These numbers do not include the broadband customers of Scarlet.
  Year-over-year, the broadband ARPU slightly decreased from EUR 30.6 to EUR 30.0 (or -1.7%) mainly driven by the packs including internet.
- Compared to the same period last year**, *Belgacom TV revenue*** doubled to EUR 86 million driven by a larger customer base and higher ARPU (from EUR 16.1 to EUR 17.2). During the fourth quarter, Belgacom added 63,000 new TV users due to the success of year-end promotions leading to a total increase of 201,000 new users for the year 2008 (versus 166,000 in 2007). This brings the total customer base to 506,000 customers of which 65,000 are second stream users.
  The TV- ARPU growth of 7.0% is driven by the success of on-demand services and lower impact of promotions on an increasing TV revenue base.
- The positive evolution of ***other fixed revenues*** is fully driven by the revenue contribution of Scarlet.

CBU Mobile revenue increased slightly by 0.7% or EUR 8 million year-over-year. The additional revenue generated by Tango was cancelled out by the negative impact by regulation on Roaming and MTR for a total amount of EUR 42 million. Excluding regulation, CBU revenue from mobile increased 4.5%.

- ***Mobile voice revenues*** for 2008, including credits and discounts, amounted to EUR 723 million which is a decrease of EUR 48 million or -6.2% compared to 2007. The revenue was impacted by Roaming and MTR regulation for a total amount of EUR 42 million. In addition, the positive revenue impact of the increasing mobile customer base and the higher portion of postpaid customers (39% postpaid compared to 37% in 2007) were offset by customers moving to more advantageous pricing plans.
  During 2008, CBU acquired 195,000 new mobile customers leading to a total of 3,777,000 active mobile customers at the end of 2008. This does not include the mobile customers of Tango.
  The year-over-year mobile churn rate increased from 17.7% in 2007 to 19.5% in 2008 as a consequence of the multi-card effect.
- ***SMS volumes*** increased significantly, mainly as a result of successful migrations to pricing plans offering free SMS to the users. Even without free usage, the SMS volumes are growing by 10.2% (monthly usage per customer from 54.7 SMS to 60.2 SMS) leading to a growth in data revenues. Including credits and discounts, the ***mobile data revenue*** increased by EUR 7 million year-over-year (+2.7%). Revenues from advanced data remained fairly flat, representing 24% of CBU data revenues.
- The ***blended net ARPU*****,** including mobile voice and SMS, and including the impact of the credits and discounts, decreased 9.0% to EUR 23.0, driven by the migration to lower pricing plans offering free SMS and/or free minutes, and by regulation. Excluding regulation, the net ARPU declined by 5.4%.
- The year-over-year revenues from ***terminals*** increased 6.8% to EUR 50 million. Especially the year-end “member gets member” campaigns had a significant impact on the fourth quarter revenue.
- The positive evolution of ***other mobile revenues*** is fully driven by the revenue contribution of Tango.

OPERATIONALS	Year ended 31 December			
	2007	2008	Variance 2008/2007	Variance % 2008/2007
FROM FIXED				
Number of access channels (thousands)	3,145	3,068	-77	-2.4%
PSTN	2,275	2,071	-204	-9.0%
ISDN	47	40	-7	-14.0%
IP	6	54	49	-
ADSL, VDSL	817	902	85	10.5%
Traffic (millions of minutes)	4,901	4,801	-100	-2.0%
National	4,149	3,996	-154	-3.7%
Fixed to Mobile	428	417	-11	-2.7%
International	323	388	66	20.3%
TV (thousands)	305	506	201	65.7%
Of which TV-second stream users	25	65	40	-
ARPU (EUR)				
ARPU Voice[1]	22.0	21.6	-0.4	-1.7%
ARPU broadband[2]	30.6	30.0	-0.5	-1.7%
ARPU Belgacom TV[3]	16.1	17.2	1.1	7.0%
FROM MOBILE				
Number of active customers[4] (thousands)	3,582	3,777	195	5.4%
Prepaid	2,246	2,235	-10	-0.5%
Postpaid	1,295	1,431	136	10.5%
MVNO	41	111	70	-
Annualized churn rate[5] (blended - variance in p.p.)	17.7%	19.5%		
Net ARPU[6] (EUR)				
Prepaid	15.8	14.4	-1.4	-8.6%
Postpaid	43.4	37.6	-5.8	-13.5%
Blended	25.2	23.0	-2.3	-9.0%
Blended voice	18.7	16.6	-2.1	-11.1%
Blended data	6.5	6.3	-0.2	-3.0%
UoU[7] (units)	196.6	225.8	29.2	14.8%
MoU[8] (min)	113.5	115.3	1.8	1.6%
SMS[9] (units)	83.7	111.4	27.7	33.0%

(1) ARPU Voice is equal to total voice revenue, excluding activation and payphone-related revenue, divided by the average voice access channels for the period considered, divided by the number of months in that same period.
(2) ARPU Broadband 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.
(3) ARPU Belgacom TV includes only customer-related revenue and takes into account promotional offers, divided by the total average customer base including second stream users.
(4) Active customers are customers who have made or received at least one call or sent or received at least one SMS message in the last three months.
(5) Annualized churn is the total annualized number of retail SIM cards (postpaid + prepaid) 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 retail customers for that period.
(6) ARPU has been calculated on the basis of monthly averages for the period indicated. Monthly net ARPU is equal to total mobile voice and mobile data revenues, divided by the average number of active mobile customers for that period.
(7) UoU (Units of Use): voice minutes of use + SMS (where one SMS equals one minute) per active customer per month.
(8) MoU (Minutes of Use): duration of all calls from or to Proximus, per active voice customer . per month.
(9) SMS: number of SMS per active customer per month.

Enterprise Business Unit - EBU

P&L Enterprise Business Unit

(EUR million)	Year ended 31 December 2007	2008	Variance 2008/2007
TOTAL SEGMENT REVENUE	**2,775**	**2,696**	**-2.8%**
Costs of materials and charges to revenue	-916	-844	-7.8%
Personnel expenses and pensions	-407	-408	0.1%
Other operating expenses	-161	-178	10.8%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1,484**	**-1,430**	**-3.6%**
TOTAL SEGMENT RESULT (1)	**1,291**	**1,266**	**-1.9%**
Segment contribution margin	*46.5%*	*47.0%*	
Non-recurring revenue	-	8	-
Non-recurring expenses	-	-39	-
OPERATING INCOME before depreciation & amortization	**1,291**	**1,235**	**-4.3%**
Depreciation and amortization	-45	-32	-29.6%
OPERATING INCOME	**1,246**	**1,203**	**-3.4%**

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

EBU revenue

For 2008, EBU reports a total revenue of EUR 2,696 million, a decline of EUR 79 million or 2.8% compared to 2007. The variance was mainly the result of regulatory impacts. The regulation of Roaming rates and MTR, together with the flow-through to Fixed-Mobile tariffs, impacted the 2008 revenue by EUR -73 million.
Excluding regulatory impacts, the EBU revenue decreased slightly by 0.2%. Growing revenues from mobile data did not fully offset the revenue decline driven by the disposal of satellite services (since November 2007), the divestment of Telindus' non-core International branches and the pressure on traditional voice revenue.

EBU operating expenses before depreciation and amortization

EBU total operating expenses amounted to EUR 1,430 million at year-end, a decrease of 3.6% or EUR 54 million.

The ***cost of material and charges to revenues*** for 2008 amounted to EUR 844 million, EUR 72 million or 7.8% lower than last year. The largest driver of this positive evolution are the lower roaming charges, less mobile termination rate costs and the disposal of satellite services.

Personnel expenses of EUR 408 million were fairly flat compared to last year. Increasing costs following salary indexations in the course of 2008, were compensated by headcount reductions. With 5,479 FTEs year-end, EBU counts 472 FTE less than end 2007, mainly as a consequence of the Telindus divestment program.

Other operating expenses increased 10.8% to EUR 178 million, including a one-time cost for Telindus International and provisions for legal cases booked in the second quarter of 2008.

EBU operating income before depreciation and amortization (EBITDA)

EBU reports a segment result of EUR 1,266 million or 1.9% lower than in 2007. The EUR 25 million EBITDA decrease is fully driven by the impact of regulation.

The result of EBU includes the following non-recurring items:

- a non-recurring revenue of EUR 8 million related to the gains realized on the sale of Certipost in the second quarter of 2008.
- a non-recurring expense of EUR 39 million recorded in the fourth quarter covering the losses on disposal related to the Telindus International divestment program and the sale of WIN

EBU operating income (EBIT)

EBIT decreased 3.4% following lower EBITDA, partly offset by a lower depreciation.

EBU detailed revenue & operating review

	Year ended 31 December			
(EUR million)	**2007**	**2008**	**Variance 2008/2007**	**Variance % 2008/2007**
Revenue	**2,775**	**2,696**	**-79**	**-2.8%**
From Fixed	**1,948**	**1,880**	**-68**	**-3.5%**
Voice	656	608	-48	-7.3%
Data	422	408	-15	-3.4%
ICT	767	756	-11	-1.5%
Terminals	76	77	1	1.3%
Other	27	32	5	17.2%
From Mobile	**827**	**816**	**-11**	**-1.3%**
Voice	667	624	-43	-6.5%
Data	130	162	32	25.0%
Terminals	22	20	-2	-10.0%
Other	8	10	2	23.7%

For quarterly results see page 34

The EBU **revenue from Fixed**, decreased EUR 68 million year-over-year or 3.5%, including a EUR 22 million negative impact resulting from lower fixed-to-mobile tariffs. Without this regulatory-linked impact, the decline in fixed revenue is limited to 2.3%.

- ***Fixed voice revenues*** decreased year-over-year by EUR 48 million or 7.3% with about half due to the flow through of MTR regulation to the fixed-to-mobile tariffs. Pursuant to the regulated lower Mobile Termination Rates, Belgacom lowered its fixed-to-mobile tariffs three times. The overall impact of the decreases in May 2007, in April 2008 and in July 2008 on the 2008 result amounted to EUR 22 million.
  EBU counted about 7,000 VoIP customers by end 2008, which limited the net voice lines loss. Despite a slowing fixed lines loss (-33,000 in 2008 versus -35,000 in 2007), the fixed voice revenue was impacted by the lower customer base and hence lower traffic volumes.
  A smaller impact came from the Royal Decree of April 2008 on Pay Services, including new rates and maximum calling time for 090x and 070 numbers (Business Value Added Services).
  The ***fixed voice ARPU*** for 2008 was EUR 31.7 or 5.6% lower than in 2007. However, the ARPU of the fourth quarter was positively impacted by the price indexation of July and October 2008.
- ***Fixed data revenues*** declined by EUR 15 million or 3.4%. Belgacom sold its Satellite service end 2007, impacting the 2008 revenue negatively with about EUR 18 million.

This fully offsets the growing revenue from internet services and integration services. In 2008, EBU added 22,000 Broadband customers, bringing the total Broadband customer base to 443,000. The volume growth is impacted by the progressive saturation of the low-end fixed internet market. The Broadband ARPU of 2008 is EUR 40.6 or 3.8% lower than for 2007, mainly as a result of extensive promotions and a change in product mix. The ARPU declined in the first quarter of 2008, after which it was fairly stable for the remainder of 2008.

- The ***ICT revenue*** declined by EUR 11 million or 1.5% compared to 2007. The revenue growth of Telindus Belgium and ICT solutions, was not sufficient to offset the weak performance of Telindus International and the revenue loss due to the divestment program. ICT revenue was also negatively impacted by the USD exchange rate for a total amount of EUR 22 million in 2008.
  To strengthen its ICT position, EBU decided in 2008 to narrow its international scope to five core countries. By end 2008 the Telindus presence in all non-core countries was divested. The divestments represent an annual revenue of about EUR 80 million but were not contributing to the EBITDA. In the five remaining core countries, Telindus has the critical mass to realize profitable growth. In 2008, they contributed to the EBU EBITDA with relative strong margins on a comparable basis with the sector.
- The ***other fixed revenue*** increased to EUR 32 million due to Group eliminations.

The EBU ***revenues from Mobile*** amounted to EUR 816 million for 2008, which is a decline of EUR 11 million or 1.3% compared to 2007. The revenue was however significantly impacted by regulation of MTR and Roaming rates, with a total negative effect for 2008 of EUR 50 million. Excluding regulation, the revenue from Mobile grew by 4.8%.

- The roaming and MTR regulation impact is fully reflected in the ***Mobile voice*** results. Excluding regulation, the underlying business grew year-on-year by 1.1%. Compared to end 2007, EBU added 101,000 new mobile subscribers and ended the year 2008 with a total mobile customer base of 1,139,000 customers. However, the positive impact of the mobile customer growth on revenue is for a large part offset by customers moving to advantageous pricing plans and lower usage. The MoU were 1.9% lower than last year. This evolution is driven by a behavior change with to some extend voice-SMS substitution and for a smaller part by roaming volumes not having the expected elasticity.
- The ***mobile Net Voice ARPU****,* including credits and discounts, evolved from EUR 56.8 in 2007 to EUR 47.6 for 2008 or a 16.1% decline. Excluding regulation, the ARPU decreases by 9.4% year-over-year, driven by migrations to more advantageous pricing plans.
- ***Mobile data*** revenues grew year-over-year by 25% to EUR 162 million. Especially advanced data products such as mobile data solutions continued their solid growth. ***Advanced data*** grew 32.6% year-over-year, and represents 65% of the total mobile data revenue. ***SMS*** represents the remaining 35% of Mobile data revenues. The growing mobile customer base and the increasing SMS usage per customer impacted the SMS revenue positively (+13.2% year-over-year), this despite the increase in the free SMS included in packages or price plans. Excluding free SMS the usage per customer is still growing by 10.2%.
- Revenue from ***Mobile terminals*** decreased by EUR 2 million mainly because of lower volumes sold and decreasing handset prices.
- ***Other mobile*** revenues increased year-over-year by EUR 2 million, including inquiries from the Ministry of Justice and reminder fees.

OPERATIONALS	Year ended 31 December			
	2007	**2008**	**Variance 2008/2007**	**Variance % 2008/2007**
FROM FIXED				
Number of access channels (thousands)	1,998	1,987	-11	-0.5%
PSTN	699	674	-25	-3.6%
ISDN	878	864	-14	-1.6%
IP	1	7	6	-
ADSL, VDSL	420	443	22	5.4%
Traffic (millions of minutes)	3,919	3,643	-276	-7.0%
National	2,721	2,499	-222	-8.2%
Fixed to Mobile	744	708	-36	-4.8%
International	454	436	-19	-4.1%
ARPU (EUR)				
ARPU Voice[1]	33.6	31.7	-1.9	-5.6%
ARPU Broadband[2]	42.2	40.6	-1.6	-3.8%
FROM MOBILE				
Number of active customers[3] (thousands)	1,038	1,139	101	9.7%
Pre-paid*	0	0		
Post-paid	1,038	1,139	101	9.7%
MVNO	0	0		
Annualized churn rate[4] (blended - variance in p.p.)	8.9%	10.1%		14.1%
Net ARPU[5] (EUR)				
Postpaid	67.9	60.0	-7.8	-11.6%
Postpaid voice	56.8	47.6	-9.2	-16.1%
Postpaid data	11.1	12.4	1.3	12.0%
UoU[6] (units)	400.5	394.8	-5.7	-1.4%
MoU[7] (min)	374.7	367.7	-7.0	-1.9%
SMS[8] (units)	47.6	55.4	7.8	16.4%

** Prepaid fully segmented as CBU*

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

(2) ARPU Broadband 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.

(3) 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.

(4) 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.

(5) ARPU has been calculated on the basis of monthly averages for the period indicated. Monthly net ARPU is equal to total mobile voice and mobile data revenues, divided by the average number of active mobile customers for that period.

(6) UoU (Units of Use): voice minutes of use + SMS (where one SMS equals one minute) per active customer per month.

(7) MoU (Minutes of Use): duration of all calls from or to Proximus, per active voice customer per month.

(8) SMS: number of SMS per active customer per month.

Service Delivery Engine - SDE

P&L Service Delivery Engine

	Year ended 31 December		
(EUR million)	**2007**	**2008**	**Variance 2008/2007**
TOTAL SEGMENT REVENUE	**516**	**415**	**-19.7%**
Costs of materials and charges to revenue	-147	-93	-36.9%
Personnel expenses and pensions	-215	-209	-2.6%
Other operating expenses	-166	-179	7.9%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-529**	**-482**	**-8.9%**
TOTAL SEGMENT RESULT (1)	**-13**	**-67**	**-**
Segment contribution margin	*-2.4%*	*-16.2%*	
OPERATING INCOME before depreciation & amortization	**-13**	**-67**	**-**
Depreciation and amortization	-545	-496	-9.1%
OPERATING LOSS	**-558**	**-563**	**0.9%**

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

SDE revenue

For 2008, SDE reports a total revenue of EUR 415 million, a decrease of EUR 101 million or 19.7% compared to 2007.

The full-year revenue has been impacted by:

- lower transit traffic due to the change in routing of Proximus-Base traffic (EUR 34 million, largely eliminated at Group Level)
- roaming-in regulation (EUR 18 million)
- lower interconnect traffic revenue from Pay Services (090x and 070 numbers) resulting from the Royal Decree applicable as from April 2008, including new rates and maximum calling time (EUR 17 million)
- lower revenue coming from regulated products because of a cut in wholesale broadband prices, a shift to lower-priced broadband products, a slowdown in broadband growth and lower traffic volumes account for the remainder.

SDE operating expenses before depreciation and amortization

SDE total operating costs amounted to EUR 482 million, a decrease of 8.9% compared to 2007.

Costs of materials and charges to revenue show a favorable evolution year-over-year of EUR 54 million or 36.9% driven by the decline in the low-margin transit traffic, which is largely eliminated at Group level, and by the lower interconnection traffic volumes from Pay services.

The year-over-year decrease in ***Personnel expenses*** of 2.6% or EUR 6 million is driven by the lower headcount (-179 FTE) which more than offset the annual wage increase and indexation.

Other operating expenses increased year-over-year by 7.9% mainly due to an exceptional credit note which was booked in the first quarter of 2007 and higher 2008 costs related to studies for IT applications and enhancements. Moreover, other operating expenses increased due to higher renting costs for leased sites and an increase in prices for electricity for ROP (Remote Optical Platform) powering.

SDE operating income before depreciation and amortization (EBITDA)

The favorable cost evolution was not able to offset the decline in SDE revenues. For 2008, SDE EBITDA amounts to EUR -67 million.

SDE operating income (EBIT)

Depreciation and amortization amounted to EUR 496 million, a decrease year-over-year by EUR 49 million. The decreasing amount is linked to older technologies gradually being written-off while replaced by new technologies of which some with a longer lifetime. (e.g. Broadway)
This resulted in a total operating loss of EUR 563 million or a decline of 0.9% compared to the previous year.

SDE revenue detail

	Year ended 31 December			
(EUR million)	**2007**	**2008**	**Variance 2008/2007**	**Variance % 2008/2007**
Revenues	**516**	**415**	**-101**	**-19.7%**
From Fixed	404	330	-74	-18.4%
From Mobile	112	85	-27	-24.1%

For quarterly results see page 34

Revenues from Fixed decreased EUR 74 million driven by the reduction of national transit traffic, the lower interconnection volumes from Pay services and the lower wholesale Broadband prices.

The 2008 ***revenues from mobile*** decreased EUR 27 million mainly as results from the negative impact of the roaming-in regulation (EUR 18 million). The remaining variance is due to one-time gains realized in 2007.

Staff & Support – S&S

P&L Staff and Support

	Year ended 31 December		
(EUR million)	**2007**	**2008**	**Variance 2008/2007**
TOTAL SEGMENT REVENUE	**49**	**34**	**-29.8%**
Costs of materials and charges to revenue	-4	-3	-22.0%
Personnel expenses and pensions	-162	-160	-1.1%
Other operating expenses	-237	-237	0.1%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-402**	**-400**	**-0.6%**
TOTAL SEGMENT RESULT (1)	**-354**	**-366**	**3.5%**
Segment contribution margin	-	-	
Non-recurring expenses	-46	-54	17.6%
OPERATING INCOME before depreciation & amortization	**-400**	**-420**	**5.1%**
Depreciation and amortization	-90	-92	2.2%
OPERATING LOSS	**-489**	**-512**	**4.6%**

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

S&S revenue

For 2008, S&S reports a total revenue of EUR 34 million, a decrease of EUR 15 million or -29.8% compared to 2007. The main driver for this variance are one-time gains realized in 2007.

S&S operating expenses before depreciation and amortization

S&S total operating expenses amounted to EUR 400 million at year-end, a slight decrease of 0.6% or EUR 2 million compared to 2007. This is mainly driven by the year-over-year decrease in personnel expenses as a result of lower headcount (-154 FTE) which has been partially offset by wage increases due to indexation.

In 2008, the Group recorded a ***non-recurring expense*** of EUR 54 million related to termination benefits and additional compensation benefits for voluntary departures of employees in restructuring programs and the external mobility offer with the Belgian State.

International Carrier Services - ICS

P&L International Carrier Services

	Year ended 31 December		
(EUR million)	**2007**	**2008**	**Variance 2008/2007**
TOTAL SEGMENT REVENUE	**746**	**812**	**8.9%**
Costs of materials and charges to revenue	-634	-685	8.1%
Personnel expenses and pensions	-20	-22	6.5%
Other operating expenses	-38	-41	8.1%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-692**	**-748**	**8.1%**
TOTAL SEGMENT RESULT (1)	**53**	**64**	**19.7%**
Segment result margin	*7.2%*	*7.9%*	
OPERATING INCOME before depreciation & amortization	**53**	**64**	**19.7%**
Depreciation and amortization	-17	-20	15.3%
OPERATING INCOME	**37**	**44**	**21.7%**

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

ICS revenue

Compared to 2007, ICS 2008 revenue increased by 8.9% to EUR 812 million. The main growth driver is the voice revenue which increased EUR 50 million or 7.3% due to a strong volume increase of 17.3% reflecting ICS' continuous effort to increase volumes (e.g. successful implementation of a new prepaid platform). This increase has been partly offset by the continued decrease of the mobile termination rates and a low dollar over the first three quarters of 2008. Over the last quarter however, the recovery of the dollar improved the competitive offer of ICS, leading to a voice volume growth of 26.8% compared to the fourth quarter 2007.

The non-voice revenue also contributed significantly to the revenue growth with an increase of EUR 16 million or 30.3% due to a signaling and SMS transit volume evolution.

ICS operating income before depreciation and amortization (EBITDA)

ICS EBITDA increased by 19.7% to EUR 64 million, with an EBITDA margin of 7.9%. The increase in personnel expenses reflects the headcount increase required to sustain the strong mobile data growth.
The other operating expenses increase is driven by bad debt provisions to cover for the potential impact of the current financial turmoil resulting in higher credit risk exposure.

ICS operating income (EBIT)

ICS operating income increased 21.7%, driven by the EBITDA increase, while depreciation and amortization only increased by 15.3%.

ICS detailed revenue & operating review

(EUR million)	Year ended 31 December 2007	2008	Variance 2008/2007	Variance % 2008/2007
Voice	693	743	50	7.3%
Non Voice	53	69	16	30.3%
Total revenues	**746**	**812**	**66**	8.9%

(Voice volumes in billion of minutes)	Year ended 31 December 2007	2008	Variance 2008/2007	Variance % 2008/2007
TOTAL	**13.84**	**16.23**	**2.4**	**17.3%**
Total to fixed destinations	6.46	6.88	0.4	6.6%
Total to mobile destinations	7.38	9.35	2.0	26.7%

BICS volumes included at 100%

For quarterly results see page 34

Acquisition of Tango

On 26 June 2008, the Belgacom Group announced the acquisition of Tango, the second mobile operator in Luxembourg.

The total acquisition costs amounted to EUR 213 million. No equity instruments were issued as part of the cost. After deduction of the cash acquired the net amount of cash paid for the acquisition is EUR 207 million.

The fair value of the identifiable assets and liabilities of Tango, at the acquisition date, has been determined provisionally for these financial statements and amounts to EUR 62 million for non-current assets, EUR 28 million for current assets, EUR 11 million for non-current liabilities, and EUR 31 million for current liabilities. Consequently, such provisional purchase price allocation led to the recognition of a goodwill of EUR 165 million. The Group has identified and included in the non-current assets, intangible assets that can be individually separated and reliably measured due to their nature. Those intangible assets consist of a customer base, for an amount of EUR 26 million and of a trade name for an amount of EUR 9 million. The Group has not identified intangible assets that can not be individually separated and reliably measured due to their nature. The goodwill includes synergies with the Belgacom Group.

The effective acquisition occurred in August, after approval by the appropriate antitrust authorities. Therefore, the revenue and expenses of Tango have been incorporated into the Belgacom Group financial statements from 1 August 2008, contributing EUR 43 million to the total revenue and EUR 19 million to the operating income before depreciation and amortization.

Acquisition of Scarlet

On 28 November 2008, Belgacom acquired all the shares of Scarlet SA, an infrastructure - based communication provider, for an amount of EUR 176 million, or EUR 173 million after deduction of the cash acquired. No equity instruments were issued as part of the cost.

The fair value of the identifiable assets and liabilities of Scarlet, at the acquisition date, has not been determined on 31 December 2008, even provisionally. The carrying amount of the identified net assets amounts to EUR 7 million, of which EUR 36 million for non-current assets, EUR 22 million for current assets, EUR 5 million for non-current liabilities, and EUR 46 million for current liabilities. Consequently, the goodwill amounts to EUR 170 million.

The revenue and expenses of Scarlet have been incorporated into the consolidated financial statements from 1 December 2008, contributing EUR 9 million to the total revenue and EUR -1 million to the operating income before depreciation and amortization.

Quarterly results

Group - Financials

(EUR million)	Q107	Q207	Q307	Q407	2007	Q108	Q208	Q308	Q408	2008
Revenues	**1,515**	**1,524**	**1,512**	**1,514**	**6,065**	**1,469**	**1,485**	**1,473**	**1,551**	**5,978**
Consumer Business Unit	555	562	560	554	2,231	548	553	560	593	2,253
Enterprise business unit	692	698	681	703	2,775	675	690	651	680	2,696
Service Delivery engine	142	136	116	123	516	110	103	102	99	415
Staff&Support	15	14	9	10	49	9	7	8	10	34
International Carrier Services	183	178	200	185	746	185	190	207	230	812
Intersegment eliminations	-73	-65	-53	-60	-252	-59	-58	-54	-61	-232
Costs of materials and charges to revenues	**-496**	**-495**	**-506**	**-519**	**-2,015**	**-469**	**-479**	**-487**	**-540**	**-1,975**
Personnel expenses and pensions	**-287**	**-284**	**-277**	**-272**	**-1,120**	**-280**	**-282**	**-281**	**-281**	**-1,124**
Other operating expenses	**-196**	**-202**	**-202**	**-253**	**-853**	**-202**	**-226**	**-202**	**-259**	**-890**
EBITDA	**536**	**543**	**528**	**470**	**2,077**	**518**	**498**	**503**	**471**	**1,990**
EBITDA margin*	**35.4%**	**35.6%**	**34.9%**	**31.0%**	**34.2%**	**35.3%**	**33.5%**	**34.1%**	**30.4%**	**33.3%**
Non recurring items	**0**	**0**	**0**	**-46**	**-46**	**0**	**8**	**0**	**-93**	**-85**
EBITDA	**536**	**543**	**528**	**424**	**2,031**	**518**	**506**	**503**	**378**	**1,905**

** before non-recurring items*

(EUR million)	Q107	Q207	Q307	Q407	2007	Q108	Q208	Q308	Q408	2008
Group Capex	**122**	**157**	**128**	**218**	**625**	**128**	**242**	**135**	**258**	**764**
Consumer Business Unit	14	11	11	14	51	10	117	29	39	195
Enterprise business unit	7	5	4	4	19	7	3	3	6	19
Service Delivery engine	96	128	100	153	476	105	108	90	174	477
Staff&Support	5	9	12	35	61	6	12	9	27	54
International Carrier Services	1	4	2	12	18	1	2	3	13	19

CBU - Financials

(EUR million)	Q107	Q207	Q307	Q407	2007	Q108	Q208	Q308	Q408	2008
Revenues	**555**	**562**	**560**	**554**	**2,231**	**548**	**553**	**560**	**593**	**2,253**
From Fixed	**284**	**283**	**281**	**286**	**1,134**	**283**	**283**	**282**	**301**	**1,148**
Voice	172	166	159	158	654	153	149	147	150	599
Data	69	72	75	75	292	76	80	78	80	313
TV	8	9	12	15	43	18	20	23	24	86
Terminals (excl. TV)	17	15	16	17	66	16	14	14	13	57
Other	18	21	19	22	80	20	19	21	34	94
From Mobile	**272**	**279**	**279**	**267**	**1,097**	**265**	**270**	**278**	**292**	**1,105**
Voice	194	198	198	181	771	183	185	180	176	723
Data	65	66	69	69	270	70	69	67	71	277
Terminals (excl. TV)	10	13	10	15	47	9	12	12	18	50
Other	2	2	2	3	9	3	4	19	28	54
Costs of materials and charges to revenues	**-127**	**-135**	**-137**	**-141**	**-540**	**-124**	**-127**	**-139**	**-164**	**-553**
Personnel expenses and pensions	**-80**	**-81**	**-77**	**-78**	**-316**	**-79**	**-80**	**-81**	**-85**	**-325**
Other operating expenses	**-64**	**-64**	**-64**	**-85**	**-277**	**-58**	**-71**	**-67**	**-86**	**-282**
Segment result	**284**	**282**	**283**	**250**	**1,098**	**287**	**275**	**273**	**258**	**1,093**
Segment Contribution margin	**51.1%**	**50.2%**	**50.5%**	**45.1%**	**49.2%**	**52.3%**	**49.8%**	**48.7%**	**43.6%**	**48.5%**

CBU – Operationals

	Q107	Q207	Q307	Q407	2007	Q108	Q208	Q308	Q408	2008
FROM FIXED										
Number of access channels (thousands)	**3,227**	**3,190**	**3,162**	**3,145**	**3,145**	**3,136**	**3,099**	**3,078**	**3,068**	**3,068**
PSTN	2,410	2,366	2,320	2,275	2,275	2,223	2,176	2,125	2,071	2,071
ISDN	53	51	49	47	47	45	43	42	40	40
IP	0	1	2	6	6	15	21	35	54	54
ADSL, VDSL	764	773	792	817	817	854	859	876	902	902
Traffic (millions of minutes)	**1,286**	**1,213**	**1,152**	**1,249**	**4,901**	**1,263**	**1,188**	**1,119**	**1,231**	**4,801**
National	1,110	1,020	968	1,052	4,149	1,063	983	927	1,023	3,996
Fixed to Mobile	111	112	102	103	428	101	109	100	107	417
International	66	81	83	94	323	99	97	91	102	388
TV (thousands)	**149**	**191**	**249**	**305**	**305**	**349**	**391**	**443**	**506**	**506**
of which second stream users	**7**	**12**	**19**	**25**	**25**	**37**	**42**	**54**	**65**	**65**
ARPU (EUR)										
ARPU Voice	22.5	22.0	21.5	21.8	22.0	21.5	21.3	21.3	22.2	21.6
ARPU broadband	29.8	30.7	31.3	30.5	30.6	29.8	31.0	29.7	29.7	30.0
ARPU Belgacom TV	13.4	15.7	17.5	16.6	16.1	17.4	17.6	17.9	16.2	17.2
FROM MOBILE										
Number of active customers (thousands)	**3,396**	**3,440**	**3,489**	**3,582**	**3,582**	**3,648**	**3,672**	**3,705**	**3,777**	**3,777**
Pre-paid	2,268	2,252	2,233	2,246	2,246	2,196	2,199	2,228	2,235	2,235
Post-paid	1,128	1,185	1,243	1,295	1,295	1,364	1,389	1,393	1,431	1,431
MVNO	0	3	13	41	41	87	84	84	111	111
Annualized churn rate (blended - variance in p.p.)*	**17.4%**	**16.7%**	**18.4%**	**18.8%**	**17.7%**	**19.6%**	**19.2%**	**20.4%**	**18.8%**	**19.5%**
ARPU (EUR)**										
Prepaid	19.8	20.6	20.9	21.6	20.7	24.2	22.5	21.4	22.9	22.8
Postpaid	46.7	46.8	45.9	41.8	45.2	40.8	40.3	39.8	39.2	40.0
Blended	28.5	29.5	29.6	28.8	29.1	30.0	28.9	28.1	28.7	28.9
Blended voice	20.6	21.1	20.9	19.7	20.6	20.7	19.5	18.8	18.6	19.4
Blended data	7.9	8.4	8.8	9.1	8.5	9.3	9.4	9.3	10.2	9.5
Net ARPU (EUR)**										
Prepaid	16.5	16.1	15.7	14.6	15.8	14.8	14.9	13.9	14.0	14.4
Postpaid	44.5	45.0	44.2	40.2	43.4	38.8	37.9	37.0	36.6	37.6
Blended	25.6	25.9	25.6	23.9	25.2	23.5	23.5	22.5	22.4	23.0
Blended voice	19.1	19.4	19.0	17.3	18.7	17.0	17.2	16.4	16.0	16.6
Blended data	6.4	6.5	6.6	6.6	6.5	6.5	6.3	6.1	6.4	6.3
UoU (units)	**182.0**	**198.3**	**196.8**	**209.0**	**196.6**	**218.5**	**224.6**	**214.4**	**244.8**	**225.8**
MoU (min)	**108.9**	**116.7**	**112.6**	**115.7**	**113.5**	**119.3**	**118.6**	**111.0**	**112.0**	**115.3**
SMS (units)	**73.5**	**82.1**	**84.9**	**94.1**	**83.7**	**100.1**	**106.9**	**104.3**	**133.7**	**111.4**

** Annualized churn is the total annualized number of retail SIM cards (postpaid + prepaid) 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 retail customers for that period.*
*** MVNO included*

EBU - Financials

(EUR million)	Q107	Q207	Q307	Q407	2007	Q108	Q208	Q308	Q408	2008
Revenue	**692**	**698**	**681**	**703**	**2,775**	**675**	**690**	**651**	**680**	**2,696**
From Fixed	486	489	469	504	1,948	470	479	449	482	1,880
Voice	175	165	157	160	656	157	155	146	150	608
Data	106	105	107	105	422	101	103	101	103	408
ICT	179	193	181	213	767	187	194	176	199	756
Terminals	20	19	18	19	76	18	19	19	20	77
Other	6	7	6	7	27	7	8	7	10	32
From Mobile	206	210	212	199	827	205	211	202	198	816
Voice	172	171	167	157	667	159	164	153	148	624
Data	28	30	38	34	130	39	40	41	42	162
Terminals	5	6	5	6	22	5	5	5	5	20
Other	2	2	2	2	8	2	3	2	3	10
Costs of materials and charges to revenues	**-231**	**-228**	**-216**	**-242**	**-916**	**-212**	**-220**	**-198**	**-215**	**-844**
Personnel expenses and pensions	**-102**	**-103**	**-102**	**-100**	**-407**	**-101**	**-103**	**-102**	**-102**	**-408**
Other operating expenses	**-38**	**-38**	**-35**	**-50**	**-161**	**-40**	**-48**	**-41**	**-50**	**-178**
Segment result	**321**	**330**	**329**	**311**	**1,291**	**324**	**320**	**310**	**313**	**1,266**
Segment Contribution margin	**46.3%**	**47.3%**	**48.3%**	**44.2%**	**46.5%**	**47.9%**	**46.3%**	**47.6%**	**46.1%**	**47.0%**

EBU – Operationals

	Q107	Q207	Q307	Q407	2007	Q108	Q208	Q308	Q408	2008
FROM FIXED										
Number of access channels (thousands)	**2,005**	**1,998**	**1,996**	**1,998**	**1,998**	**2,000**	**1,998**	**1,993**	**1,987**	**1,987**
PSTN	719	712	706	699	699	693	687	682	674	674
ISDN	887	882	880	878	878	874	872	868	864	864
IP	0	0	0	1	1	2	2	4	7	7
ADSL, VDSL	399	404	410	420	420	431	436	439	443	443
Traffic (millions of minutes)	**1,056**	**988**	**905**	**969**	**3,919**	**969**	**944**	**841**	**889**	**3,643**
National	741	684	624	672	2,721	672	645	572	610	2,499
Fixed to Mobile	196	190	173	185	744	183	186	165	175	708
International	120	114	108	112	454	114	114	104	105	436
ARPU (EUR)										
ARPU Voice	35.5	33.7	32.2	33.0	33.6	32.7	32.2	30.4	31.6	31.7
ARPU Broadband	42.0	41.9	42.9	41.8	42.2	40.4	41.2	40.4	40.2	40.6
FROM MOBILE										
Number of active customers (thousands)	**950**	**976**	**1,005**	**1,038**	**1,038**	**1,065**	**1,093**	**1,116**	**1,139**	**1,139**
Pre-paid*	0	0	0	0	0	0	0	0	0	0
Post-paid	950	976	1,005	1,038	1,038	1,065	1,093	1,116	1,139	1,139
MVNO	0	0	0	0	0	0	0	0	0	0
Annualized churn rate (blended - variance in p.p.)	**10.6%**	**8.2%**	**7.5%**	**9.3%**	**8.9%**	**10.2%**	**9.4%**	**9.4%**	**11.4%**	**10.1%**
ARPU (EUR)										
Postpaid	77.9	77.3	76.0	70.5	75.3	69.3	69.7	65.0	64.3	67.0
Postpaid voice	67.0	65.8	62.2	58.3	63.2	55.9	56.2	51.5	50.2	53.4
Postpaid data	10.8	11.5	13.8	12.2	12.1	13.4	13.5	13.5	14.1	13.6
Net ARPU (EUR)										
Postpaid	70.9	69.8	68.9	62.3	67.9	62.6	62.9	58.8	56.1	60.0
Postpaid voice	61.0	59.3	56.2	51.3	56.8	50.3	50.6	46.3	43.7	47.6
Postpaid data	9.9	10.5	12.7	11.0	11.1	12.4	12.3	12.5	12.5	12.4
UoU (units)	**407.9**	**410.9**	**379.0**	**405.0**	**400.5**	**397.2**	**411.0**	**372.7**	**397.2**	**394.8**
MoU (min)	**381.1**	**385.8**	**353.4**	**378.7**	**374.7**	**371.9**	**385.9**	**347.1**	**365.6**	**367.7**
SMS (units)	**45.6**	**46.3**	**47.0**	**51.4**	**47.6**	**52.0**	**53.8**	**53.1**	**62.2**	**55.4**

** Prepaid fully segmented as CBU*

SDE - Financials

(EUR million)	Q107	Q207	Q307	Q407	2007	Q108	Q208	Q308	Q408	2008
Revenues	**142**	**136**	**116**	**123**	**516**	**110**	**103**	**102**	**99**	**415**
From Fixed	113	105	92	95	404	90	81	81	78	330
From Mobile	29	31	24	28	112	20	22	21	21	85
Costs of materials and charges to revenues	**-48**	**-37**	**-30**	**-32**	**-147**	**-29**	**-23**	**-21**	**-19**	**-93**
Personnel expenses and pensions	**-57**	**-55**	**-53**	**-50**	**-215**	**-54**	**-53**	**-52**	**-50**	**-209**
Other operating expenses	**-39**	**-41**	**-45**	**-42**	**-166**	**-46**	**-45**	**-41**	**-48**	**-179**
Segment result	**-2**	**3**	**-12**	**-1**	**-13**	**-20**	**-18**	**-11**	**-18**	**-67**
Segment Contribution margin	**-1.7%**	**2.3%**	**-10.4%**	**-1.1%**	**-2.4%**	**-18.0%**	**-17.3%**	**-11.0%**	**-18.4%**	**-16.2%**

S&S - Financials

(EUR million)	Q107	Q207	Q307	Q407	2007	Q108	Q208	Q308	Q408	2008
Revenues	**15**	**14**	**9**	**10**	**49**	**9**	**7**	**8**	**10**	**34**
Costs of materials and charges to revenues	**0**	**-1**	**-1**	**-1**	**-4**	**-1**	**-1**	**-1**	**-1**	**-3**
Personnel expenses and pensions	**-42**	**-41**	**-39**	**-39**	**-162**	**-40**	**-41**	**-41**	**-39**	**-160**
Other operating expenses	**-51**	**-56**	**-55**	**-74**	**-237**	**-55**	**-59**	**-52**	**-71**	**-237**
Segment result	**-78**	**-84**	**-87**	**-104**	**-354**	**-86**	**-94**	**-86**	**-100**	**-366**

ICS - Financials

(EUR million)	Q107	Q207	Q307	Q407	2007	Q108	Q208	Q308	Q408	2008
Revenues	**183**	**178**	**200**	**185**	**746**	**185**	**190**	**207**	**230**	**812**
Costs of materials and charges to revenues	**-158**	**-152**	**-171**	**-154**	**-634**	**-157**	**-160**	**-174**	**-195**	**-685**
Personnel expenses and pensions	**-5**	**-5**	**-6**	**-5**	**-20**	**-5**	**-5**	**-6**	**-5**	**-22**
Other operating expenses	**-10**	**-9**	**-9**	**-10**	**-38**	**-9**	**-10**	**-10**	**-12**	**-41**
Segment result	**11**	**12**	**14**	**16**	**53**	**14**	**14**	**18**	**18**	**64**
Segment EBITDA margin	**6.1%**	**6.8%**	**7.2%**	**8.5%**	**7.2%**	**7.6%**	**7.5%**	**8.5%**	**7.8%**	**7.9%**

ICS – Operationals

Voice volume in billion of minutes	Q107	Q207	Q307	Q407	2007	Q108	Q208	Q308	Q408	2008
TOTAL	**3.30**	**3.34**	**3.62**	**3.58**	**13.84**	**3.71**	**3.85**	**4.15**	**4.52**	**16.23**
Total fixed	1.58	1.58	1.60	1.69	6.46	1.68	1.70	1.69	1.82	6.88
Total mobile	1.72	1.76	2.02	1.88	7.38	2.04	2.15	2.46	2.70	9.35

BICS volumes included at 100%

Financial statements

Consolidated income statements

(EUR million)	Three months ended 31 December 2007	2008	Year ended 31 December 2007	2008
Net revenue	1,495	1,531	5,987	5,911
Other operating revenue	18	21	77	67
Non-recurring revenue	0	0	0	8
TOTAL REVENUE	**1,514**	**1,551**	**6,065**	**5,986**
Costs of materials and charges to revenue	-519	-540	-2,015	-1,975
Personnel expenses and pensions	-272	-281	-1,120	-1,124
Other operating expenses	-254	-259	-853	-890
Non-recurring expenses	-46	-93	-46	-93
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1,090**	**-1,173**	**-4,034**	**-4,081**
OPERATING INCOME before depreciation & amortization	**424**	**378**	**2,031**	**1,905**
Depreciation and amortization	-193	-179	-774	-743
OPERATING INCOME	**230**	**199**	**1,256**	**1,161**
Finance revenue	12	6	112	29
Finance costs	-28	-51	-111	-137
Net finance revenue / (costs)	**-16**	**-45**	**1**	**-109**
INCOME BEFORE TAXES	**214**	**154**	**1,258**	**1,053**
Tax expense	-52	-40	-300	-254
NET INCOME	**162**	**114**	**958**	**799**
Minority interests	0	-1	0	-1
Net income (Group share)	162	114	958	800
Basic earnings per share	0.49 EUR	0.35 EUR	2.87 EUR	2.45 EUR
Diluted earnings per share	0.48 EUR	0.35 EUR	2.87 EUR	2.45 EUR
Weighted average number of ordinary shares	333,572,477	321,800,917	334,017,553	326,179,820
Weighted average number of ordinary shares for diluted earnings per share	333,915,214	321,872,902	334,343,683	326,287,237

Consolidated balance sheets

(EUR million)	As of 31 December 2007	As of 31 December 2008
ASSETS		
NON-CURRENT ASSETS	**5,072**	**5,564**
Goodwill	1,777	2,111
Intangible assets with finite useful life	482	552
Property, plant and equipment	2,470	2,501
Other participating interests	1	1
Deferred income tax assets	312	308
Pension assets	5	5
Other non-current assets	25	85
CURRENT ASSETS	**2,253**	**2,218**
Inventories	99	100
Trade receivables	1,158	1,205
Current income tax assets	117	144
Other current assets	92	151
Investments	59	53
Cash and cash equivalents	726	565
Assets classified as held for sale	2	0
TOTAL ASSETS	**7,325**	**7,782**
LIABILITIES AND EQUITY		
EQUITY	**2,525**	**2,276**
Shareholders' equity	**2,520**	**2,271**
Issued capital	1,000	1,000
Treasury shares	-178	-517
Restricted reserve	100	100
Remeasurement to fair value	4	4
Stock compensation	5	6
Retained earnings	1,586	1,675
Foreign currency translation	2	3
Minority interests	**6**	**5**
NON-CURRENT LIABILITIES	**2,990**	**3,182**
Interest-bearing liabilities	1,895	2,128
Liability for pensions, other post-employment benefits and termination benefits	831	777
Provisions	229	225
Deferred income tax liabilities	33	49
Other non-current payables	2	3
CURRENT LIABILITIES	**1,810**	**2,323**
Interest-bearing liabilities	69	393
Provisions for liabilities and charges	0	0
Trade payables	1,079	1,239
Income tax payables	165	165
Other current payables	495	527
Liabilities associated with assets classified as held for sale	2	0
TOTAL LIABILITIES AND EQUITY	**7,325**	**7,782**

Consolidated cash flow statements

(EUR million)	Year ended 31 December 2007	2008
Cash flow from operating activities		
Net income (group share)	958	800
Adjustments for:		
Depreciation and amortization on intangible assets and property, plant and equipment	774	743
Increase of impairment on intangible assets and property, plant and equipment	4	12
Increase of provisions	38	36
Deferred tax expense	32	9
Fair value adjustments on financial instruments	-7	18
Loss on disposal of consolidated companies	1	13
Gain on disposal of other participating interests and enterprises accounted for using the equity method	-74	0
Gain on disposal of property, plant and equipment	-11	-3
Other non-cash movements	4	5
Operating cash flow before working capital changes	**1,718**	**1,631**
Increase in inventories	-15	-2
Decrease / (increase) in trade receivables	51	-48
Increase in current income tax assets	-19	-27
Increase in other current assets	-9	-52
Decrease / (increase) in other non current assets	0	1
Increase / (decrease) in trade payables	-10	134
Decrease in income tax payables	-24	-5
Increase / (decrease) in other current payables	-38	14
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-55	-54
Decrease in other non-current payables and provisions	-19	-40
Increase in working capital, net of acquisitions and disposals of subsidiaries	**-138**	**-79**
Net cash flow provided by operating activities	**1,581**	**1,552**
Cash flow from investing activities		
Purchase of intangible assets and property, plant and equipment	-625	-764
Cash paid for consolidated companies, net of cash acquired	-14	-390
Cash received from sales of consolidated companies, net of cash disposed of	0	1
Cash received from sales of intangible assets and property, plant and equipment	28	13
Cash received from sales of other participating interests and enterprises accounted for using the equity method	242	0
Net cash received from / (paid for) other non-current assets	-2	-3
Net cash used in investing activities	**-371**	**-1,143**
Cash flow before financing activities	**1,210**	**409**
Cash flow from financing activities		
Dividends paid to shareholders	-682	-710
Dividends paid to minority interests	-2	-1
Net sale / (acquisition) of treasury shares	-67	-340
Net purchase of investments	33	4
Increase / (decrease) of shareholders' equity	2	-1
Issuance / (repayment) of long term debt	-2	459
Issuance / (repayment) of short term debt	-1	19
Net cash used in financing activities	**-720**	**-570**
Net increase / (decrease) of cash and cash equivalents	**490**	**-161**
Cash and cash equivalents at 1 January	236	726
Cash and cash equivalents at 31 December	726	565

Consolidated statements of changes in equity

(in EUR million)	Issued capital	Treasury shares	Restricted reserve	Remeas-urement to fair value	Foreign currency translation	Stock Compen-sation	Retained Earnings	Share - holders' Equity	Minority interests	Total Equity
Balance at 1 January 2007	**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*
Currency translation differences	*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	958	958	0	958
Total recognised income and expense	**0**	**0**	**0**	**-64**	**1**	**0**	**958**	**895**	**0**	**895**
Dividends to shareholders (relating to 2006)	0	0	0	0	0	0	-535	-535	0	-535
Interim dividends to shareholders (relating to 2007)	0	0	0	0	0	0	-166	-166	0	-166
Dividends of subsidiaries to minority interests	0	0	0	0	0	0	0	0	-2	-2
Treasury shares										
Exercise of stock options	0	7	0	0	0	0	0	6	0	6
Acquisition of treasury shares	0	-78	0	0	0	0	0	-78	0	-78
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	2	0	2	0	2
Exercise of stock options	0	0	0	0	0	-1	1	0	0	0
Total transactions with equity holders	**0**	**577**	**0**	**0**	**0**	**1**	**-1,344**	**-766**	**-2**	**-769**
Balance at 31 December 2007	**1,000**	**-178**	**100**	**4**	**2**	**5**	**1,586**	**2,520**	**6**	**2,525**
Fair value changes in cash flow hedges - acquired during the year	*0*	*0*	*0*	*1*	*0*	*0*	*0*	***1***	*0*	*1*
Currency translation differences	*0*	*0*	*0*	*0*	*1*	*0*	*0*	***1***	*0*	*1*
Equity changes not recognised in the income statement	0	0	0	1	1	0	0	**2**	0	2
Net income	0	0	0	0	0	0	800	**800**	0	799
Total recognised income and expense	**0**	**0**	**0**	**1**	**1**	**0**	**800**	**801**	**0**	**801**
Dividends to shareholders (relating to 2007)	0	0	0	0	0	0	-550	**-550**	0	-550
Interim dividends to shareholders (relating to 2008)	0	0	0	0	0	0	-160	**-160**	0	-160
Dividends of subsidiaries to minority interests	0	0	0	0	0	0	0	**0**	-1	-1
Treasury shares										
Exercise of stock options	0	9	0	0	0	0	-2	**7**	0	7
Acquisition of treasury shares	0	-352	0	0	0	0	0	**-352**	0	-352
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	3	0	**3**	0	3
Deferred stock compensation	0	0	0	0	0	-3	0	**-3**	0	-3
Amortization deferred stock compensation	0	0	0	0	0	2	0	**2**	0	2
Exercise of stock options	0	0	0	0	0	-1	1	**0**	0	0
Total transactions with equity holders	**0**	**-340**	**0**	**0**	**0**	**1**	**-711**	**-1,050**	**0**	**-1,050**
Balance at 31 December 2008	**1,000**	**-517**	**100**	**4**	**3**	**6**	**1,675**	**2,271**	**5**	**2,276**

Contingent liabilities

No changes occurred during the year 2008 in the contingent liabilities mentioned in note 34 of the consolidated financial statements for the year ended on 31 December 2007 except for the following cases.

On 22 April 2008, the Prosecutor with the Competition Council submitted its reasoned report where he alleges an abuse of a dominant position by Belgacom Mobile over the years 2002 to 2005. The case will be ruled upon by the Competition Council after having heard the defense arguments of Belgacom Mobile. The management has reassessed in 2008 the measurement principles of the contingent liability as a result of the above developments. If the Competition Authority would ultimately find that Belgacom Mobile committed an abuse of dominant position, it may be subject to a maximum fine of up to 10% of its annual turnover.

The Belgian tax authorities notified a foreign subsidiary of the Group in 2007 to be considered as a tax resident of Belgium rather than of Luxembourg and therefore to be subject to Belgian corporate income tax for the year 2004. In 2008, the Belgian tax authorities maintained their 2004 assessment and assessed the Belgian corporate income tax for the subsequent years 2005 and 2006. Belgacom has strong arguments to ward off the cumulative proposed tax assessment of EUR 69 million (years 2004, 2005 and 2006 together) and contests the assessment.

Since 2003, Belgacom considers its payments of immovable withholding tax on telecom equipment as undue and therefore recognizes an asset against the tax authorities in the ‘current income tax asset’ caption of the balance sheet for an amount of EUR 121 million at 31 December 2008.

Segment reporting

As from 1 January 2008 onwards, the Board of Directors, the Chief Executive Officer and the Belgacom Management Committee manage the operations of the Belgacom Group based on the new customer-oriented organization structured around the five following reportable operating segments:

- The **Consumer Business Unit** (CBU) sells voice products and services, internet and television, both on fixed and mobile networks, to residential customers, mainly on the Belgian market;
- The **Enterprise Business Unit** (EBU) sells ICT services and products to professional customers, whether they are self-employed persons, small companies or major corporations. These ICT solutions, including telephone services, are marketed mainly under the Belgacom, Proximus and Telindus brands, on both the Belgian and international markets;
- The **Service Delivery Engine** (SDE) centralizes all the network and IT services and costs (excluding costs related to customer operations and to the service delivery of ICT solutions), provides services to CBU and EBU and sells these services to other telecom and cable operators;
- **International Carrier Services**, a joint venture between Belgacom and Swisscom Fixnet, is responsible for international carrier activities;
- **Staff and Support** (S&S) brings together all the horizontal functions (human resources, finance, legal, strategy and corporate communication), internal services and real estate that support the Group’s activities.

No operating segments have been aggregated to form the above reportable operating segments.

The Group monitors the operating results of its reportable operating segments separately in order to make decisions relating to resource allocation and performance assessment. Segment performance is evaluated on the following basis:

- the operating income before depreciation and amortization and before non-recurring revenue and expenses; and
- the capital expenditures.

Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.
In order to allocate resources to reportable operating segments, the Group monitors segment assets for property, plant and equipment, intangible assets and goodwill. Other non-current assets and current assets are not allocated to operating segments.

The accounting policies of the operating segments are the same as the significant accounting policies of the Group. Segment results are therefore measured on a similar basis as the operating result in the consolidated financial statements.

Inter-company transactions between legal entities of the Group are invoiced on an arm's length basis.

The five new operating segments replace the three segments that were disclosed in the past. As required under IFRS, these interim financial statements also include revised comparative information for the five new operating segments.

Segment revenue and results

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
	Year ended 31 December 2007						
Net revenue	2,158	2,714	420	3	691		5,986
Other operating revenue	11	11	18	38	1		79
Intersegment revenue	61	50	79	8	54	-252	0
TOTAL SEGMENT REVENUE	**2,231**	**2,775**	**516**	**49**	**746**	**-252**	**6,065**
Costs of materials and charges to revenue	-540	-916	-147	-4	-634	225	-2,015
Personnel expenses and pensions	-316	-407	-215	-162	-20	0	-1,120
Other operating expenses	-277	-161	-166	-237	-38	26	-853
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1,133**	**-1,484**	**-529**	**-402**	**-692**	**251**	**-3,988**
TOTAL SEGMENT RESULT (1)	**1,098**	**1,291**	**-13**	**-354**	**53**	**-0**	**2,077**
Non-recurring expenses	-	-	-	-46	-	-	-46
OPERATING INCOME / (LOSS) before depreciation & amortization	**1,098**	**1,291**	**-13**	**-400**	**53**	**-0**	**2,031**
Depreciation and amortization	-78	-45	-545	-90	-17	-0	-774
OPERATING INCOME / (LOSS)	**1,021**	**1,246**	**-558**	**-489**	**37**	**-1**	**1,256**
Finance revenue (net)							1
INCOME BEFORE TAXES							**1,258**
Tax expense							-300
NET INCOME							**958**
Minority interests							-0
Net income (Group share)							958

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

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
	Year ended 31 December 2008						
Net revenue	2,187	2,628	339	1	756	-	5,911
Other operating revenue	15	15	14	21	2	-	67
Intersegment revenue	51	53	62	11	55	(232)	
TOTAL SEGMENT REVENUE	**2,253**	**2,696**	**415**	**34**	**812**	**-232**	**5,978**
Costs of materials and charges to revenue	-553	-844	-93	-3	-685	204	-1,975
Personnel expenses and pensions	-325	-408	-209	-160	-22	0	-1,124
Other operating expenses	-282	-178	-179	-237	-41	28	-890
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1,160**	**-1,430**	**-482**	**-400**	**-748**	**232**	**-3,988**
TOTAL SEGMENT RESULT (1)	**1,093**	**1,266**	**-67**	**-366**	**64**	**-0**	**1,990**
Non-recurring revenue	-	8	-	-	-	-	**8**
Non-recurring expenses	-	-39	-	-54	-	-	**-93**
OPERATING INCOME / (LOSS) before depreciation & amortization	**1,093**	**1,235**	**-67**	**-420**	**64**	**-0**	**1,905**
Depreciation and amortization	-105	-32	-496	-92	-20	0	-743
OPERATING INCOME / (LOSS)	**988**	**1,203**	**-563**	**-512**	**44**	**-0**	**1,161**
Finance revenue (net)							-109
INCOME BEFORE TAXES							**1,053**
Tax expense							-254
NET INCOME							**799**
Minority interests							-1
Net income (Group share)							800

Segment assets

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine	Staff & Support	International Carrier Services	Unallocated	Total
	As of 31 December 2007						
Goodwill	688	1,089	-	-	-	-	1,777
Segment assets	108	69	1,974	739	65	-3	2,952
Unallocated assets						2,596	2,596
Total assets	**796**	**1,158**	**1,974**	**739**	**65**	**2,593**	**7,325**

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine	Staff & Support	International Carrier Services	Unallocated	Total
	As of 31 December 2008						
Goodwill	1,026	1,085				-	2,111
Segment assets	286	52	1,956	698	64	-3	3,054
Unallocated assets						2,617	2,617
Total assets	**1,313**	**1,136**	**1,956**	**698**	**64**	**2,614**	**7,782**

Other segment information

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
	Year ended 31 December 2007						
Capital expenditure	51	19	476	61	18		625

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
	Year ended 31 December 2008						
Capital expenditure	195	19	477	54	19		**764**

Procedures of the auditor

The auditor has confirmed that his audit procedures in respect of the consolidated financial statements are substantially completed, and did not reveal significant corrections that should be incorporated in the accounting data included in the present document.

Belgacom share 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

Changes in the share capital and number of shares

At year-end 2008, Belgacom held 17,690,874 treasury shares, representing 5.2% of the total number of shares. This was a result of the following actions:

- In the course of 2008, 125,143 treasury shares were used in a Discount Share Purchase Plan for Belgacom management.
- In addition, 280,920 options were exercised during 2008.
- In 2008 Belgacom acquired a total of 12,143,578 shares through its share buyback programs:
  - Share buyback program launched on 13 November 2007: during the period of 1 January 2008 until 3 March 2008, Belgacom acquired 4,763,653 shares
  - Share buyback program launched on 4 August 2008: Belgacom acquired 7,379,925 shares through the buyback program of 4 August 2008 until 26 November 2008

Treasury shares evolution	
Status 31 December 2007	5,953,359
Options exercised during 2008	-280,920
Discount Purchase Plan employees	-125,143
Acquisition of treasury shares	12,143,578
Status 31 December 2008	**17,690,874**

The voting rights of the treasury shares are suspended by law. The dividend rights of the treasury shares acquired in 2004 are also suspended, whereas the dividend rights for shares acquired in 2005, 2006, 2007 and 2008 are cancelled.

Under Belgian law, companies are prohibited from owning more than 20% of their outstanding share capital.

Belgacom ownership structure

Ownership on 31 December 2008

Belgacom ownership	Shares	% of total shares	% voting rights	% Dividend rights	Dividend rights
Belgian State	180,887,569	53.5%	56.5%	55.9%	180,887,569
Belgacom	17,690,874	5.2%	0.0%	1.0%	3,180,891
Free-Float	139,446,692	41.3%	43.5%	43.1%	139,446,692
TOTAL	**338,025,135**	**100.0%**	**100.0%**	**100.0%**	**323,515,152**

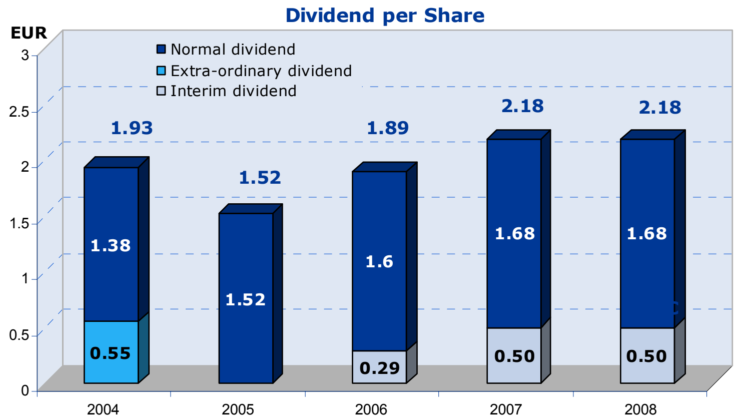
On 30 October 2008 Capital Research and Management notified that it had 18,876,300 Belgacom shares in its possession on 1 September 2008, a participation of 5.6% of the shares with voting rights emitted by Belgacom S.A.

Shareholder remuneration

Return to shareholders

A **share buyback**, approved by the Board of Directors on 24 July 2008 for a maximum amount of **EUR 200 million**, started on 4 August 2008 and was finalized on 26 November 2008.
The Board of Directors also approved on 11 December 2008 an **interim dividend** over the 2008 accounting year for a gross amount of **EUR 0.50 per share** (net amount of EUR 0.375 per share), corresponding to a total amount of EUR 162 million. The interim dividend was paid on 16 December 2008.

On 5 March 2009, the Board of Directors decided to propose an **ordinary dividend** of **EUR 1.68 gross per share** (total amount of EUR 544 million) to the Annual Shareholder Meeting of 8 April 2009.



Dividend policy

There are no changes in the dividend policy whereby Belgacom intends to declare and distribute an annual dividend of 50% to 60% of its annual net income. This amount may be adjusted to reflect one-time gains or losses, and the amount of dividends declared may vary from year to year. In determining the amount of any annual dividends to propose to the shareholders, the Board of Directors will take into account the dividend payment practices of other European telecommunications operators.

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

Financial Calendar

- 6 March 2009: Announcement 2008 Full year result
- 8 April 2009: Annual General Shareholder meeting
- 15 May 2009: Announcement Q1 2009 result
- 31 July 2009: Announcement H1 2009 result
- 30 October 2009: Announcement Q3 2009 result

General information

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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.