

Belgacom results presentation

Q1 2007 - 16 May 2007

belgacom

1. Fixed Line Services

belgacom

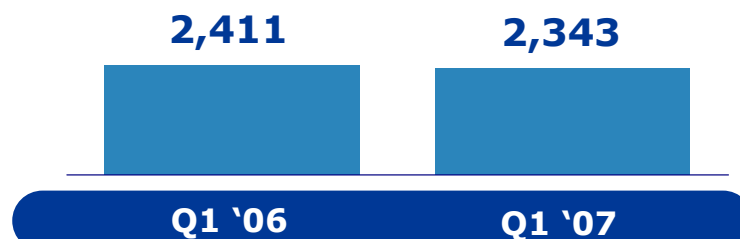
Voice

VOICE VOLUMES

'Flat rate offer' ongoing growth and international extension led to:

- Line loss Q1'07 (42k) at same level as previous year¹

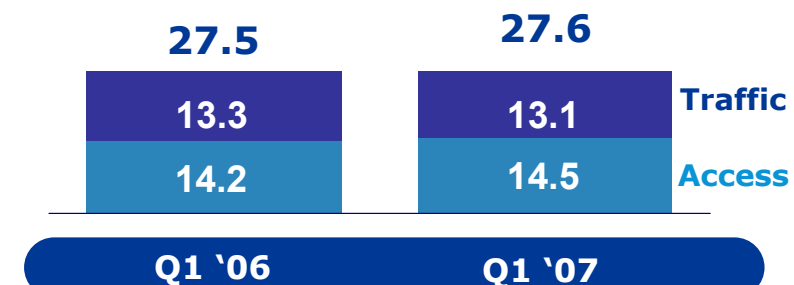
Traffic Volume (mio min)



VOICE PRICING

- **Voice access ARPU** up 1.7% due to indexation increases
- **Traffic ARPU** decrease (-1.3%) due to success of flat rates (free minutes) but limited thanks to indexation

Voice ARPU EUR/Month



Broadband

BROADBAND VOLUMES

Fierce competition from cable and mobile led to:

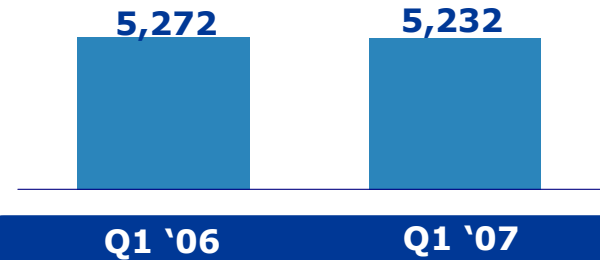
- lower growth, not fully offsetting voice access line loss
- launch of new products to support future volume growth (ADSL Only, Bundles, ...)

BROADBAND PRICING

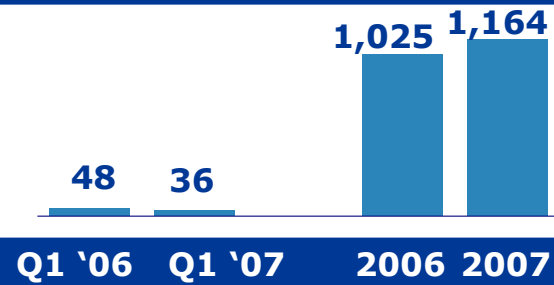
Despite growth "ADSL light" on total volume, overall ADSL ARPU increase thanks to:

- indexation
- growth indirect revenue

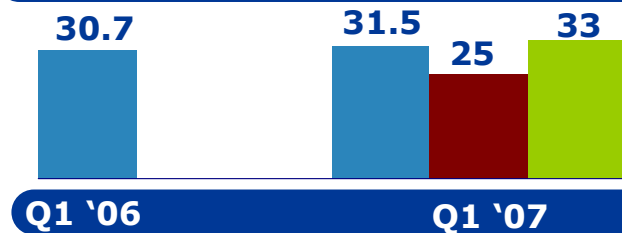
Total Access Channels¹ (000)



BB growth BB lines EOP



Residential ADSL ARPU/month (EUR)



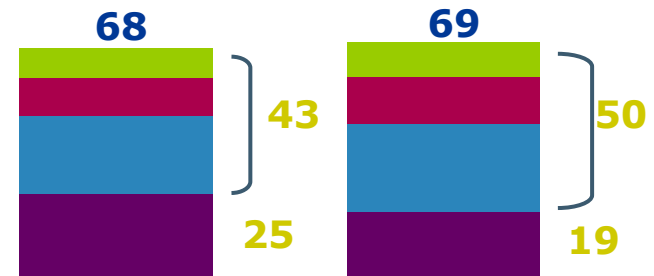
1: PSTN, ISDN, ADSL, VDSL (incl. BiLAN)

Data

DATA VOLUMES

- Ongoing migration from Leased Lines to DSL solutions
- Total number of business connections increased slightly YoY

FLS Business Connections EOP ('000)



Q1 '06

Q1 '07

Leased Lines ADSL POP ADSL BILAN SDSL

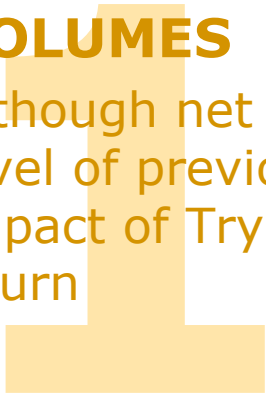
DATA PRICING

- Connectivity revenue almost flat as DSL solutions compensate lower Leased Lines
- Overall decline of data revenues (-12.7%) due to transfer of integration services from Belgacom to Telindus

Belgacom TV

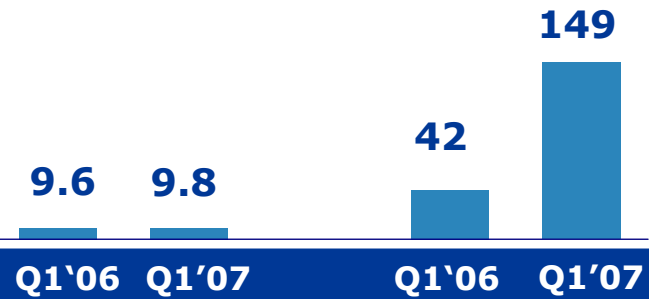
VOLUMES

Although net adds at same level of previous year, clear impact of Try&Buy and related churn

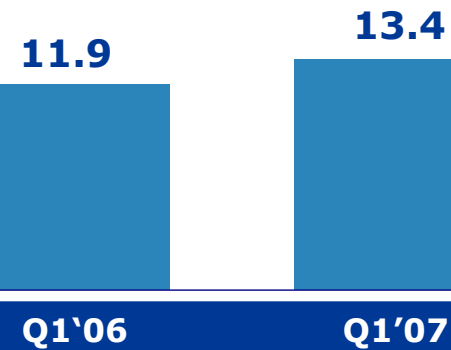


TV growth
(`000)

TV total EOP
(`000)



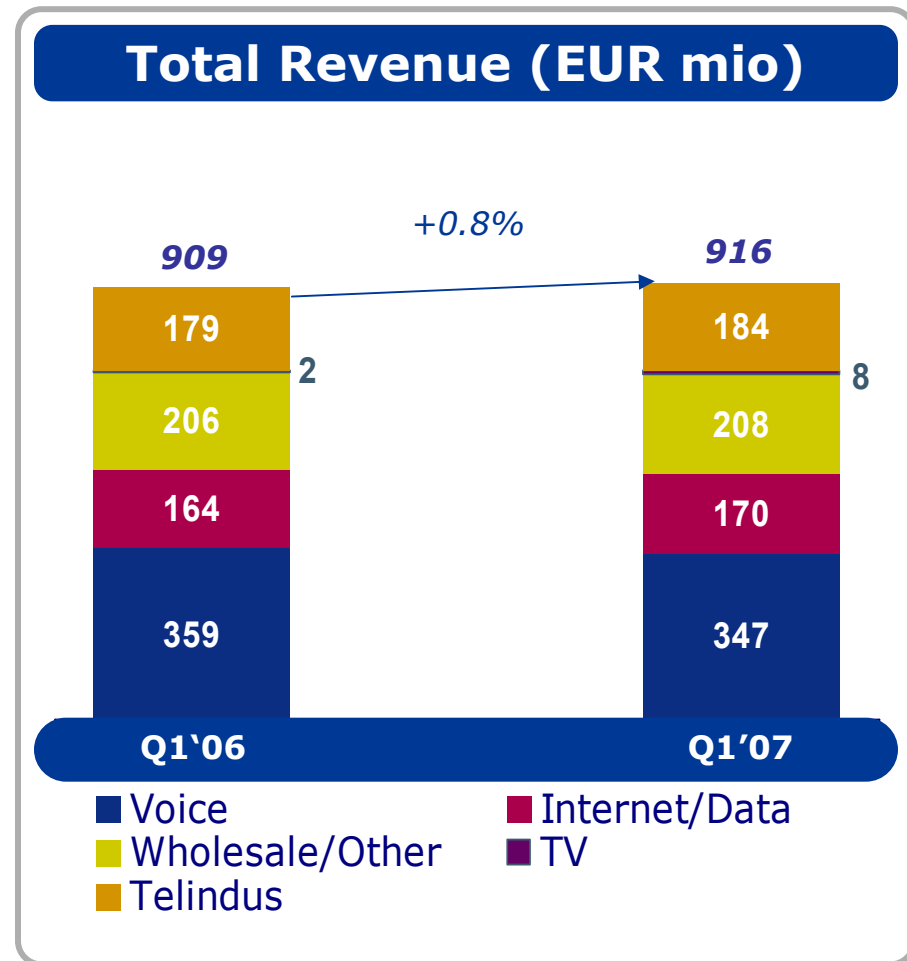
FLS TV ARPU
(EUR/month)



FLS Revenue evolution

Overall slight revenue increase of 0.8%:

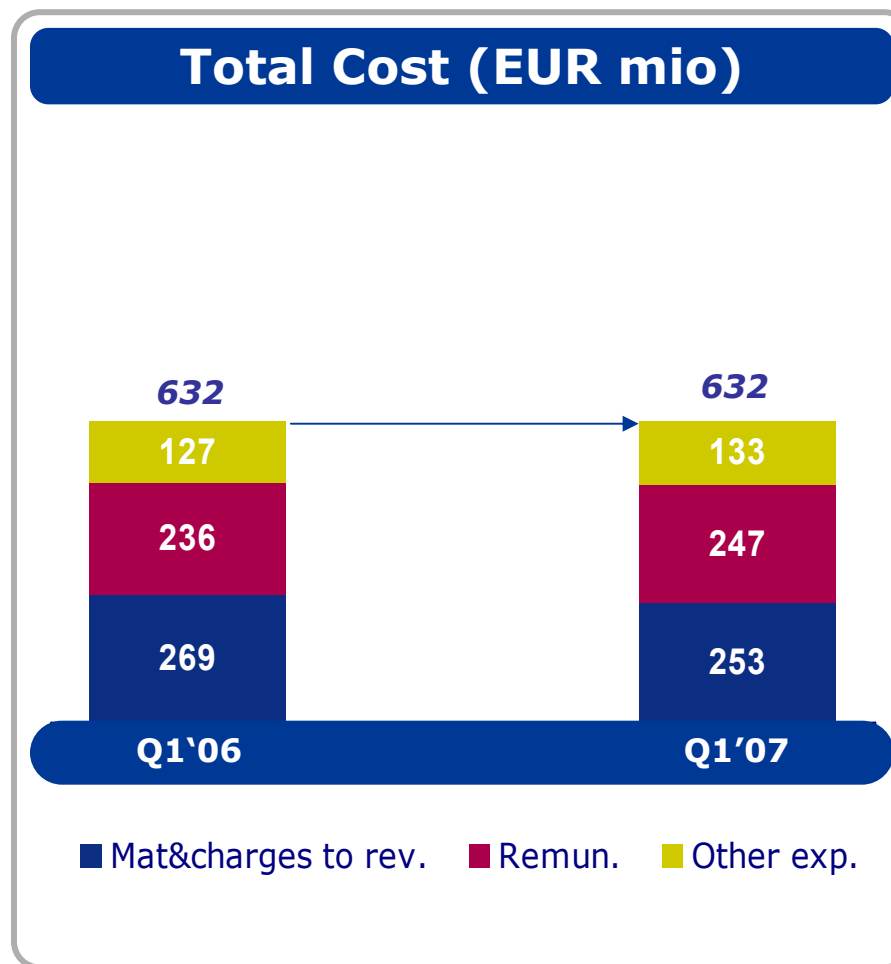
- Internet revenue growth (EUR +13 million) offsets the decline in traditional voice revenue (EUR -12 million)
- Higher volume and ARPU pushed Belgacom TV revenue to EUR 8 million
- Gains on disposal of buildings realized in the first quarter 2007, included in 'other' revenue (EUR +6 million)



FLS Cost evolution

Flat operating expenses:

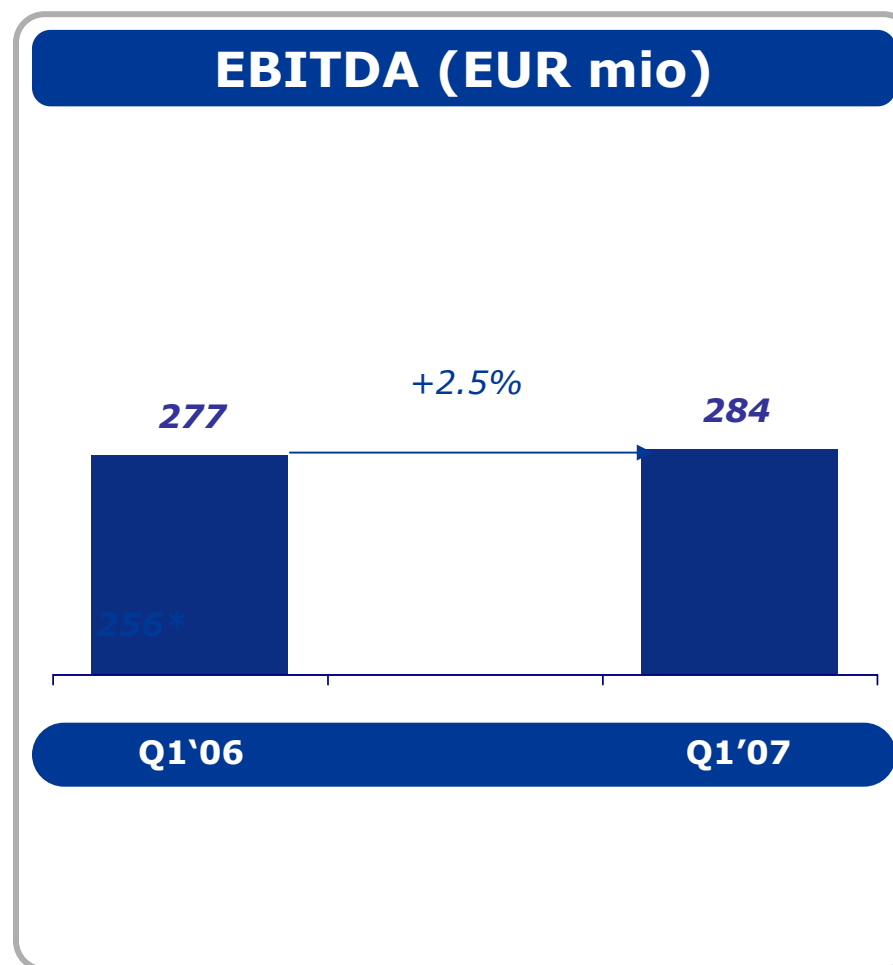
- Lower charges to revenue (-5.9%) due to lower MTR since 1 Nov '06
- Offset by
 - increased HR expenses (+4.7%) due to indexation and annual increase of wages, increase in termination benefits and profit distribution
 - Other expenses



EBITDA evolution

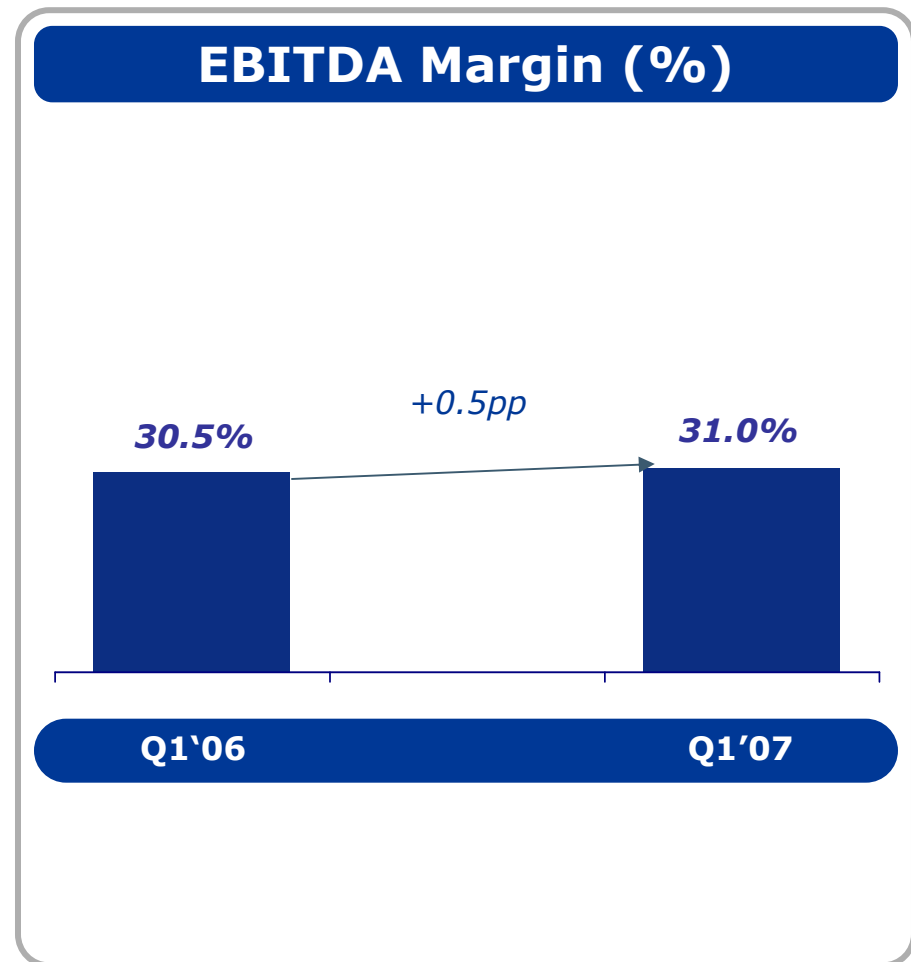
Total EBITDA increased +2.5%

- Due to revenue growth
- Flat operating expenses



EBITDA MARGIN overview

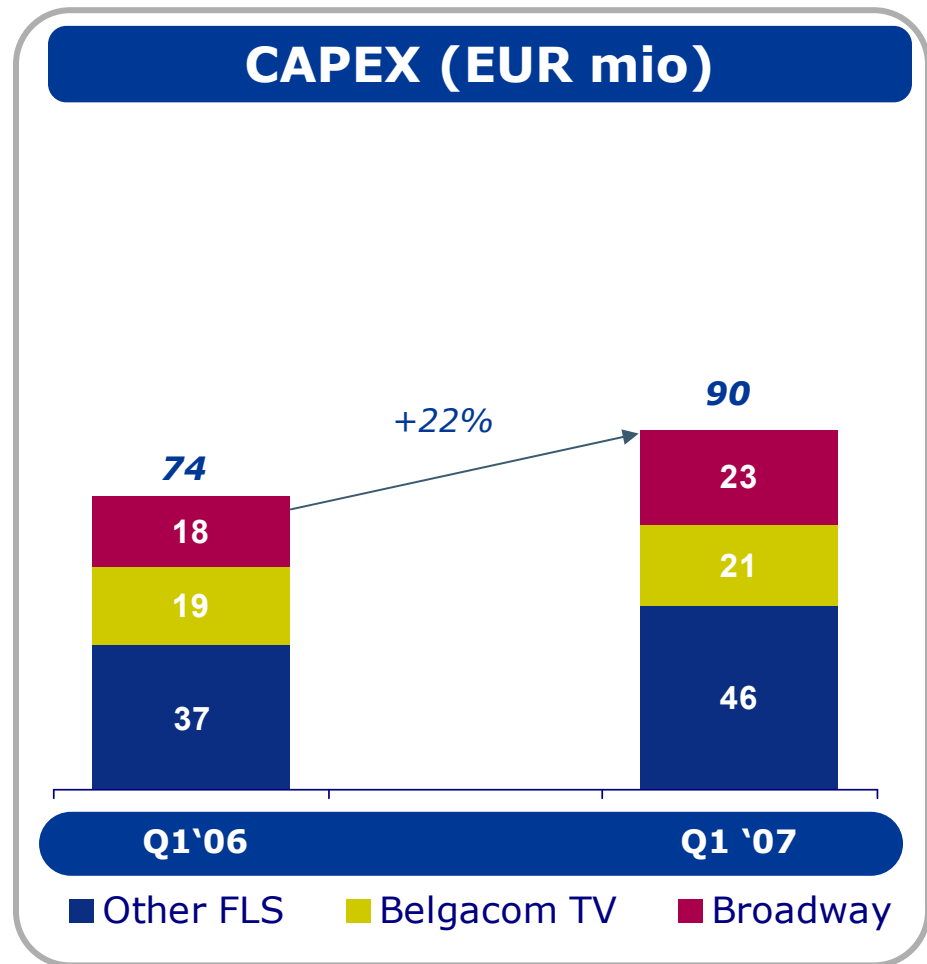
Stronger growth in EBITDA than in revenue leads to overall EBITDA margin increase.



CAPEX

Capex as % of sales increases from 8.1% in Q1'06 to 9.6% in Q1'07

- Timing difference in renewal IT systems
- Further roll-out Broadway used Eur 23 million
- EUR 21 million Belgacom TV capex
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Outlook 2007

FLS reiterates the full-year 2007 guidance

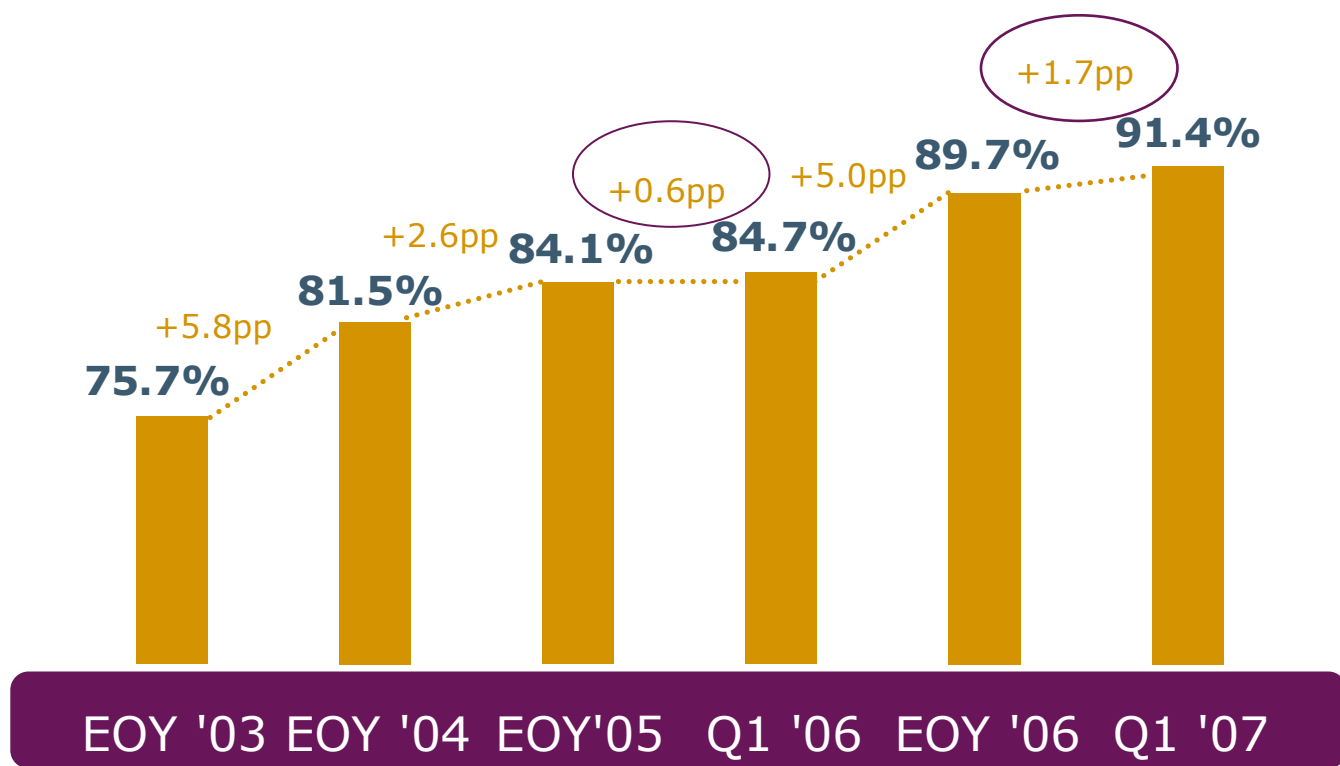
- a total revenue decline between -1% and -2%
- a fairly stable EBITDA margin compared to 2006
- to add Belgacom TV customers at the same pace as 2006 with an average monthly TV ARPU of EUR 15

2. Mobile Communications Services

belgacom

Active penetration reached 91.4%(*)

- In Q1 2007, active penetration increased 1.7 pp
- Total active customers in Belgian market : 9,668,019



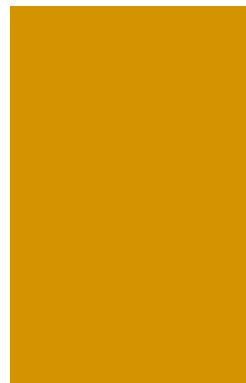
(*) BMB estimates

Blended churn rate kept at low level of 15.9%

- Proximus maintained a high brand loyalty index of 77

Blended Customer churn* (%)

15.6%



Q1 '06

15.9%



Q1 '07

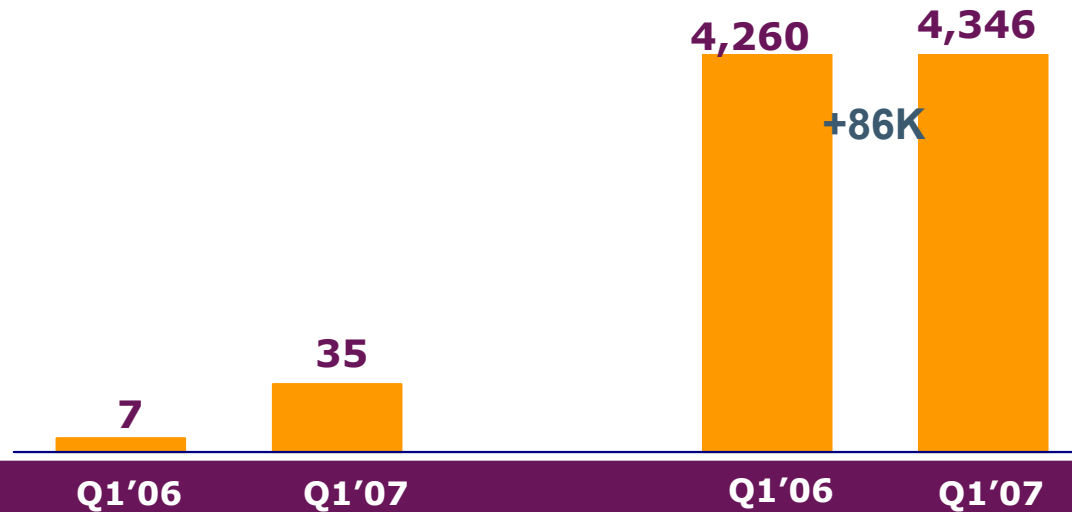
* Annualized blended churn rate of registered SIM cards

4,346K Proximus customers* at the end of Q1'07

- Year-on-Year Proximus added 86,000 customers and further improved its customer portfolio with 266,000 additional postpaid customers.
- During the first quarter, Proximus increased its customer base by 35,000 versus end 2006.

Quarterly customer growth ('000)

Total customers EOP ('000)

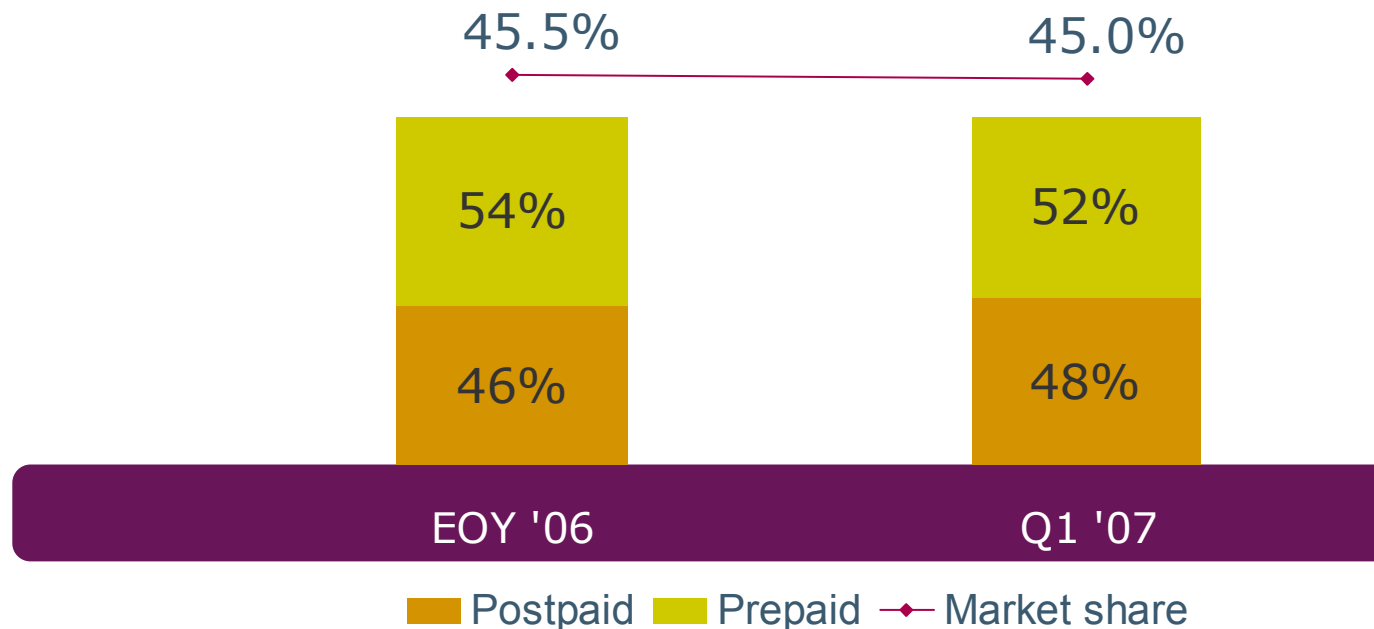


* 3-month active subscribers

Proximus' Market Share at 45.0%^(*)

- Proximus' active Market Share went down by 0.5pp since end 2006.
- Postpaid /prepaid ratio enhanced to 48/52.

Customer Base and Market Share* (%)



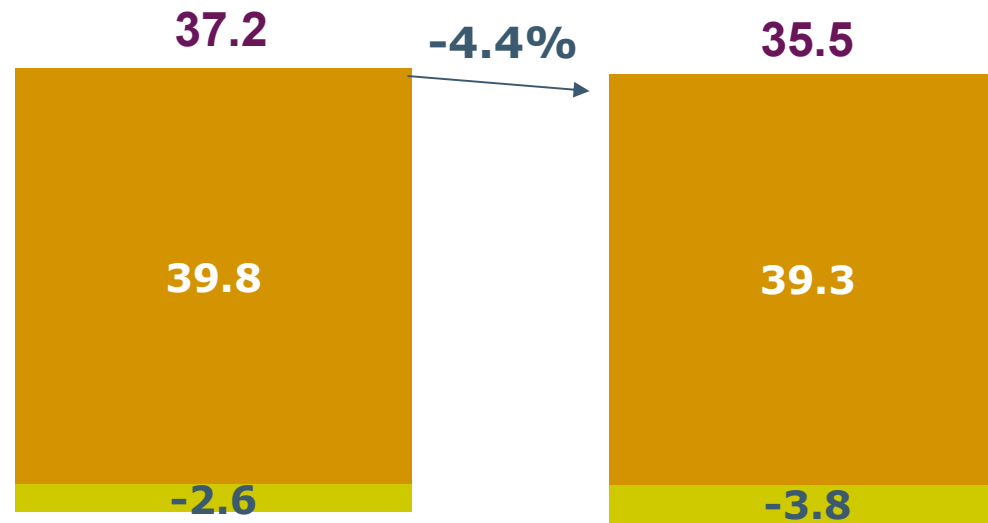
* 3-month active subscribers
(*) BMB estimates

MCS keeps leadership in blended net ARPU

Net ARPU went down 4.4%.

Excluding the impact of MTR cut in Nov '06, net ARPU decrease would be 1.7%; driven by the success of new bundled tariff plans.

Blended ARPU¹ (EUR/month)

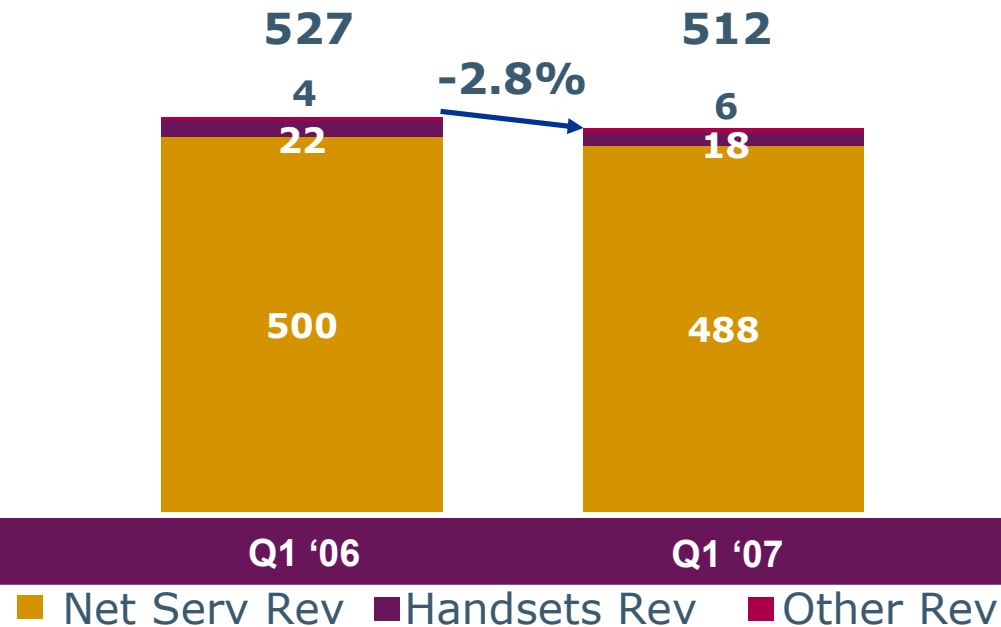


■ Gross ARPU ■ Credits & Discounts **Net ARPU**

Total revenue evolution

- Total revenue decline is primarily driven by the decrease in MTR.
- Excluding the MTR impact, total revenue decrease was 0.4%.
- The positive impact of an increased and improved customer base was offset by the success of bundled and cheaper pricing offers.

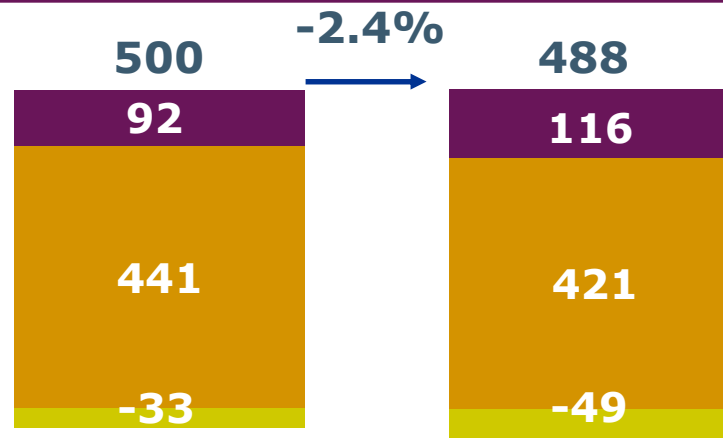
Total revenue (EUR Mio)



Net Service Revenue evolution

- Net service revenue decreased 2.4%. Excluding the MTR-cut impact, the revenue grows slightly with 0.2%.
- Gross Data revenue increased 26%, partly compensating the decline in gross voice revenue.
- The success of "Pay&Go generation" and "bonus for life" campaigns had a significant effect on the level of credits & discounts.

Net service revenue (EUR Mio)



Q1 '06

Q1 '07

■ C&D ■ Voice ■ Data

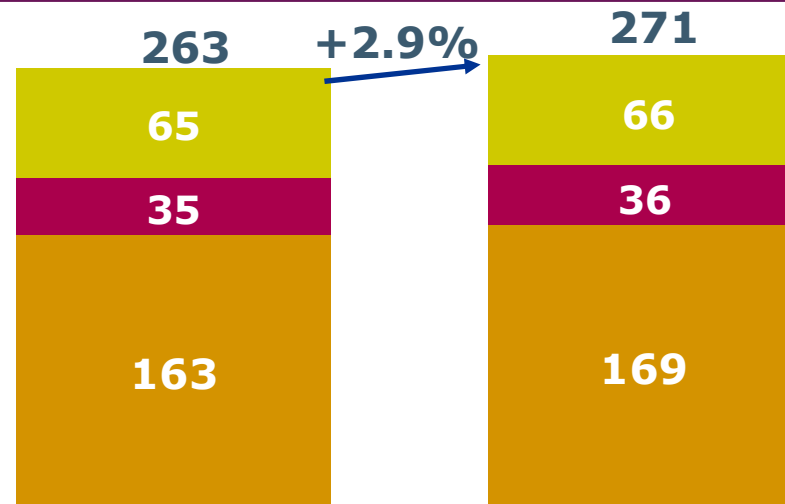
Costs increase primarily linked to customer acquisition.

3.8% increase of 'Material and charges to revenues' mainly driven by:

- higher commissions cost linked to higher acquisition versus last year
- increase in content fees for Network services (SMS voting, logo, ringtones,..)
- higher interconnection mainly linked to increased data traffic

Not compensated by the lower handset and roaming costs

Cost Structure (EUR Mio)



Q1'06

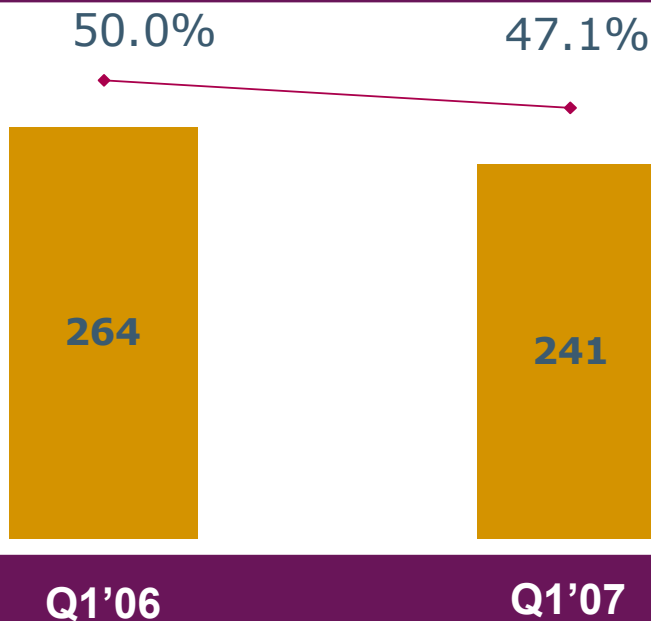
Q1'07

■ Materials and charges to revenues ■ Remuneration ■ Other Operating Expenses

EBITDA overview

- The cut in MTR and the acquisition strategy are the main drivers of the EBITDA decline.

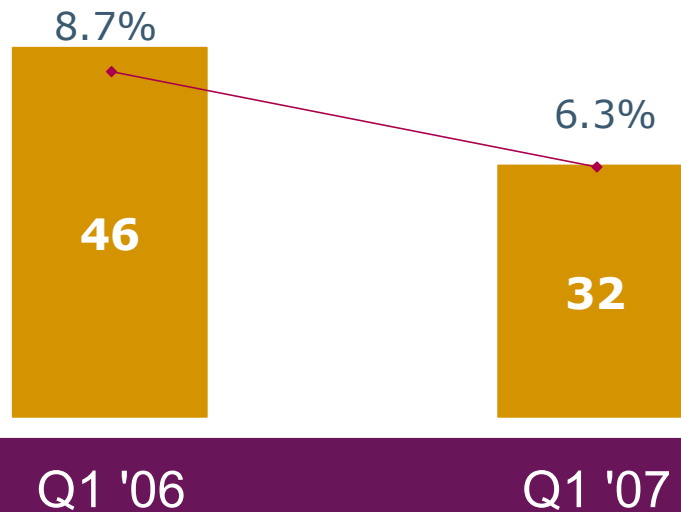
EBITDA (EUR Mio) & EBITDA Margin



Capex

- Capex 32% below investments in Q1 2006, mainly driven by phasing of projects and slow down of 3G investments
- UMTS Coverage EOY 2006 already far above legal obligations at 82% of the population.

CAPEX – CAPEX as % of total revenue



Outlook 2007

Proximus re-iterates its guidance for 2007:

- **Fierce competition and an increased effort** to maintain and support the Market share leadership program will cause **revenues to decline between 1% and 3%**
- **MTR decrease** will have an additional **negative revenue impact of 4%**
- MCS maintains assumption of no roaming retail regulation impact in 2007.

As a result of increasing regulatory and competition pressure we expect:

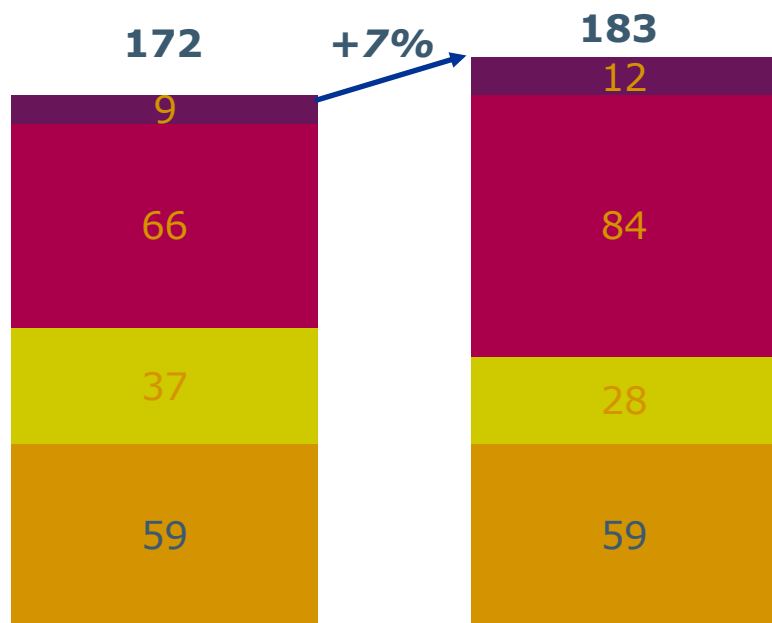
- The total revenue to decline between 5 and 7%.
- The EBITDA margin to decline to around 45%.

3. International Carrier Services

Revenue & Direct Margin Overview

- Voice revenue and direct margin increase thanks to Mobile, Middle East and African business
- Shift from Standard Quality to Premium Quality products (Higher price)
- Growth in mobile data products (signalling & SMS transit)

Revenues (EUR Mio)



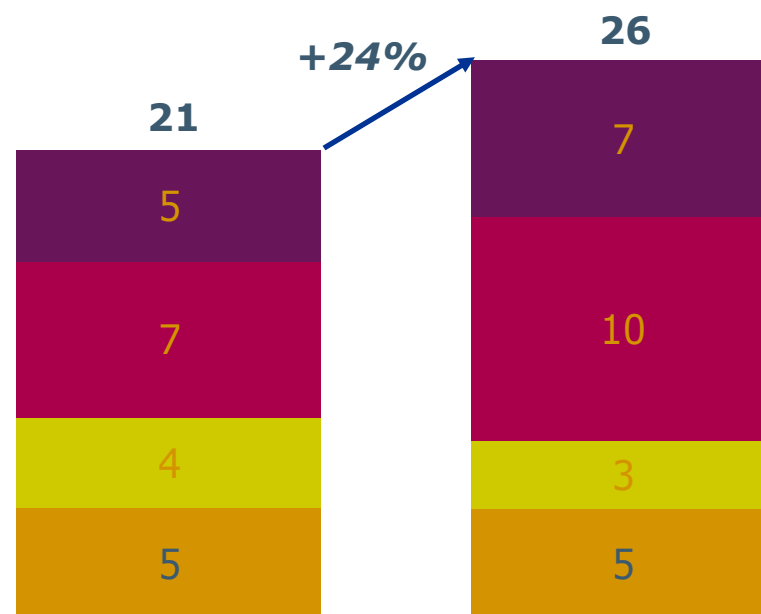
2006

Direct Routing
(Inbound + outbound)

2007

Standard Products
(Business Class)

Direct Margin (EUR Mio)



2006

Premium products
(First class, Quality
Mobile, Outsourcing)

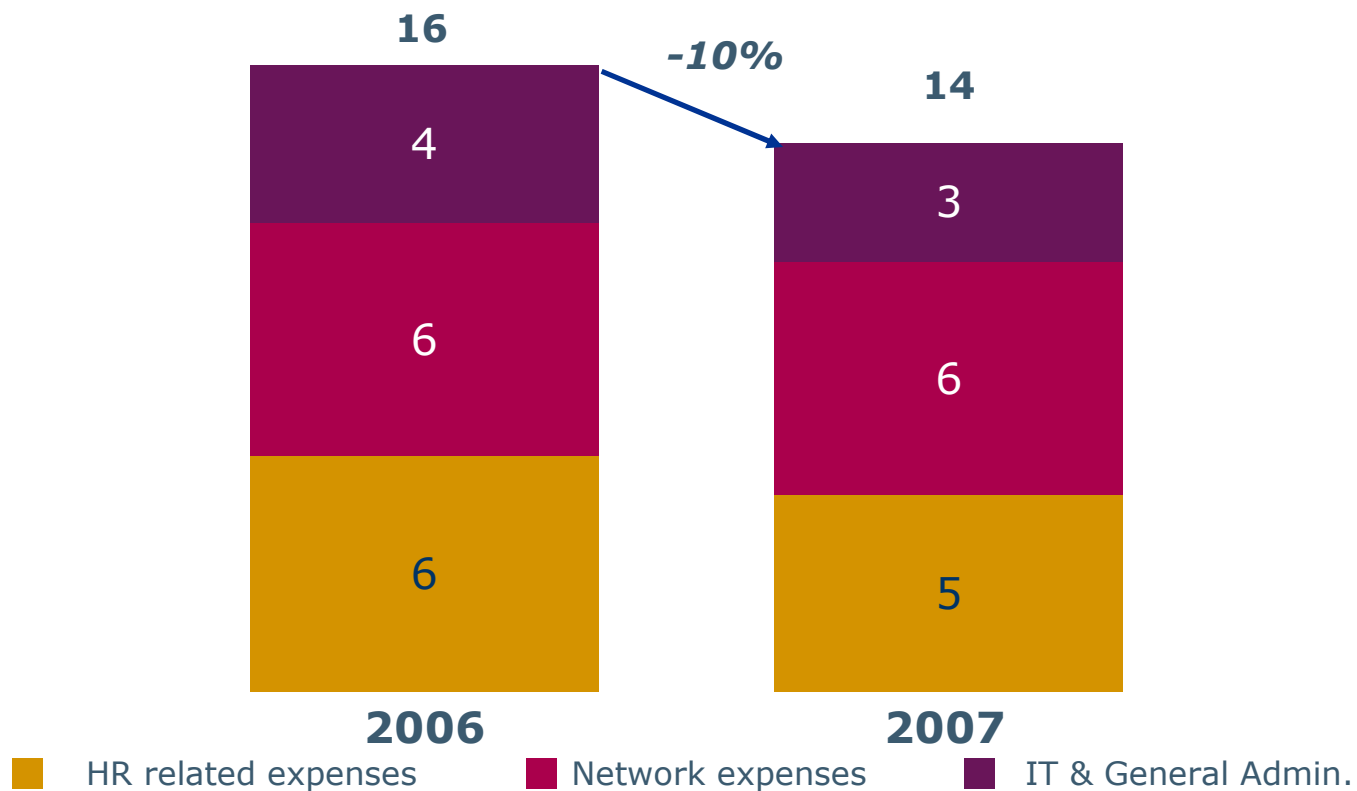
2007

Non-voice (mobile
data, capacity)

Other cost overview

- Overall OPEX reduction reflecting synergies of Swisscom integration

Cost structure (EUR Mio)



¹ HR related expenses includes Swiss Body Lease
27

Conclusion

- **Post Merger Integration completed successfully**
- **Outsourcing deals being implemented**
- **Overall positive performance for voice and strong growth in mobile data**

4. Group Financials

Consolidated income statement

EUR Mio	Q1 2006	Q1 2007	% change
Total Revenues	1,507	1,515	+0.5%
Cost of goods sold	-493	-496	+0.6%
HR expenses	-275	-287	+4.3%
Other operating expenses	-193	-196	+1.5%
Total Operating Expenses	-961	-979	+1.8%
EBITDA	545	536	-1.7%
Depreciations	-196	-189	-3.8%
EBIT	349	347	-0.5%
Financial Result	5	54	+1003.9%
Net Income (Group Share)	215	319	+48.3%
Basic earnings per share	0.63 EUR	0.95 EUR	

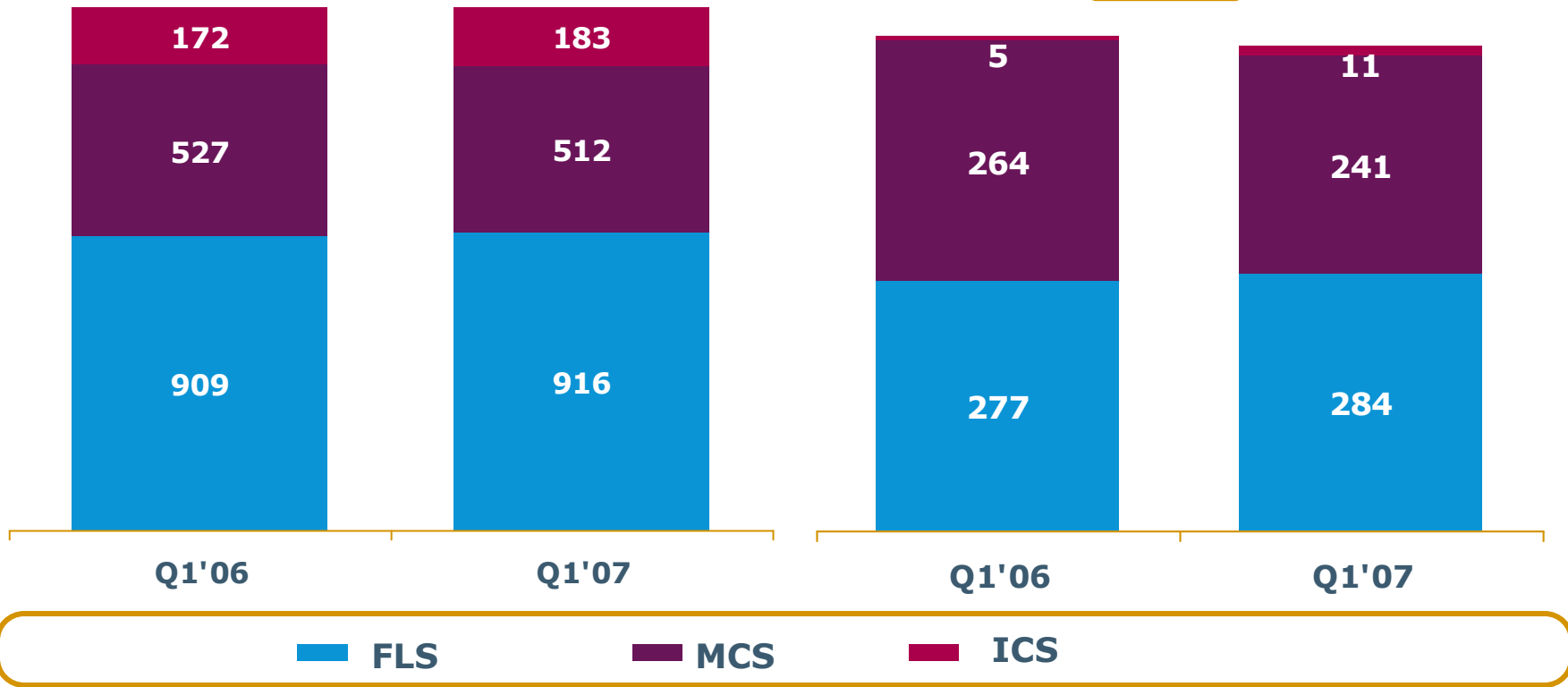
Result Segments

Revenues*(EUR Mio)

EBITDA (EUR Mio)

1,507 $\xrightarrow{+0.5\%}$ 1,515

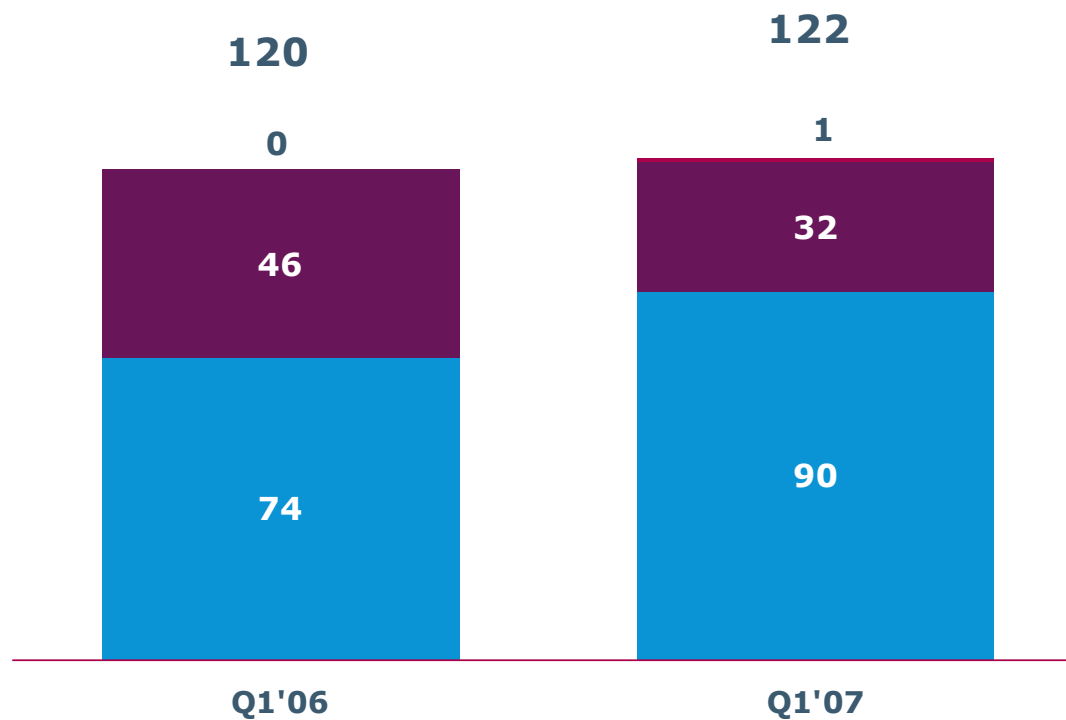
545 $\xrightarrow{-1.7\%}$ 536



* Total revenues as reported post inter-segment eliminations

Capex

(EUR Mio)



■ FLS

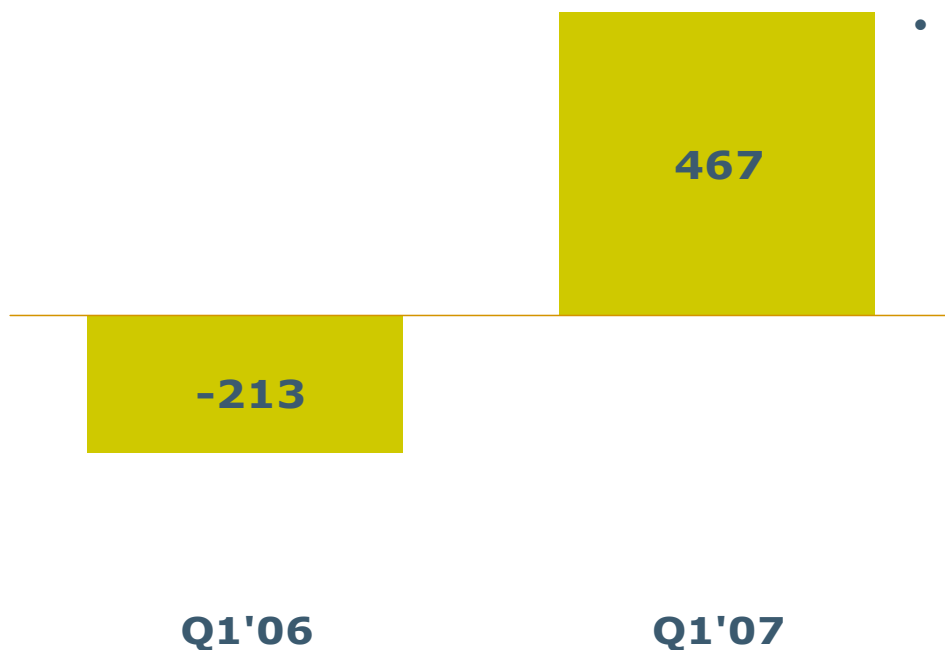
■ MCS

■ ICS

Free cash flow

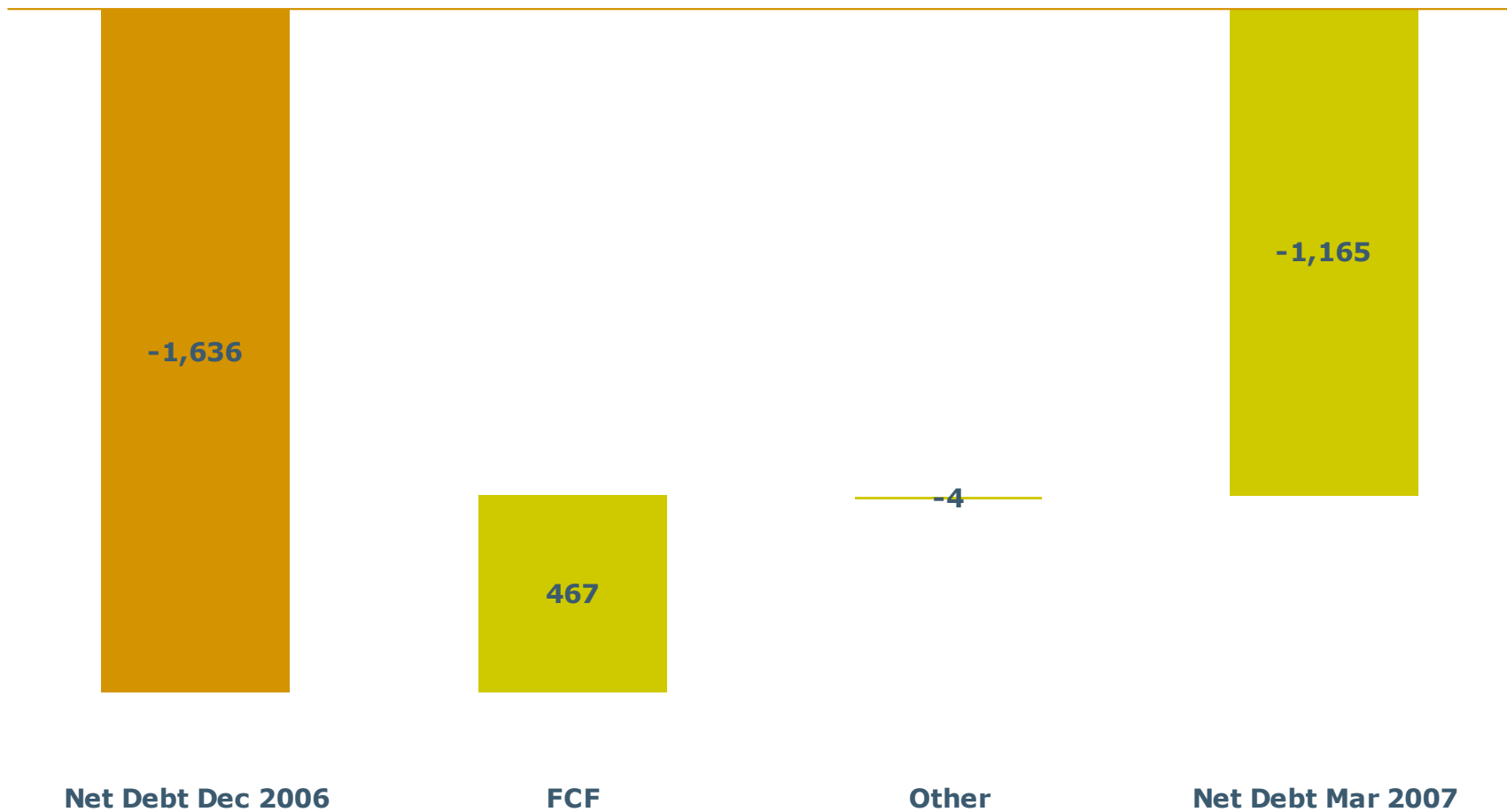
influenced by financial assets transactions

Free cash flow (EUR Mio)



- Lower operational cash flow mainly due to earlier payments income tax
- Transactions on financial assets
 - 2006 : acquisition of Telindus
 - 2007 : disposal of remaining Mobistar & Eutelsat participation

Net financial position (EUR Mio)



Balance Sheet

EUR Mio	YTD Dec 2006	YTD Mar 2007
TOTAL ASSETS	7,300	7,471
<u>Non-Current Assets</u>	5,504	5,181
Goodwill	1,760	1,760
Intangible Fixed Assets	590	556
Property, Plant and Equipment	2,527	2,489
Associates and Other Participating Interests	234	1
Deferred Income Tax Assets	351	338
Pension and Other Non-Current Assets	42	37
<u>Current Assets</u>	1,796	2,290
Inventories	83	103
Trade Receivables	1,207	1,188
Current Income Tax & Other Current Assets	179	204
Investments	91	93
Cash and Cash Equivalents	236	702
LIABILITIES AND SHAREHOLDERS' EQUITY	7,300	7,471
<u>Equity</u>	2,399	2,655
Shareholders' Equity	2,391	2,647
Minority Interests	8	8
<u>Non-Current Liabilities</u>	3,053	3,023
Interest-Bearing Liabilities	1,917	1,914
Pensions and Other Post Employment Benefits	886	860
Provisions	208	211
Deferred Tax Liabilities and Other Amounts Payable	42	39
<u>Current Liabilities</u>	1,848	1,793
Interest-Bearing Liabilities	71	69
Trade Payables	1,086	992
Income Tax Payable	189	168
Other Current Payables	502	564