



> interim
report

H1

2008

belgacom

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Highlights

Customer-centric strategy proves to be successful

- 78,000 packs sold in first half 2008, end June total of 231,000 packs
- 86,000 TV customers added, TV customer base end June 2008 of 391,000
- Mobile data revenue growth of 14.7% year-over-year

- The Board of Directors approved on 24 July 2008 a **share buyback program for EUR 200 million**.

Financial results

- **Belgacom Group** revenue for the first half of 2008 amounts to EUR 2,962 million, a decrease of 2.5% or EUR 77 million compared to the same period in 2007 including a negative impact of mobile regulation for a total amount of EUR 76 million. Belgacom Group EBITDA amounted to EUR 1,024 million, or a margin of 34.6%.
- **Consumer Business Unit (CBU)** growth in Broadband, TV and SMS revenue partially offset the revenue pressure from mobile regulation, resulting in a year-over-year revenue decrease of 1.5%. Excluding mobile regulation, CBU revenue grew 0.9%.
- **Enterprise Business Unit (EBU)** revenue showed a year-over-year decline of 1.8%, fully driven by mobile regulation. Excluding mobile regulation, EBU revenue grew 0.9%, mainly due to growing revenue from mobile data.
- **International Carrier Services (ICS)** revenue grew 3.8% compared to the first semester of 2007 while the EBITDA margin increased to 7.6%.
- By the end of June 2008, the Belgacom Group produced **Net Income** of EUR 471 million and **Free Cash Flow** of EUR 336 million.
- For the second time, Belgacom acquired the broadcasting rights to Belgian first-division football for the next three years. The price of EUR 105 million was capitalized in the second quarter of 2008.
- **Belgacom acquired Tele2 Luxembourg** for EUR 207 million on a debt and cash free basis, closing expected in the third quarter of 2008.

Operational results

- Strong growth of **Belgacom TV** customer base continued, adding 86,141 TV customers in the first half of 2008. By end of June, Belgacom had a TV customer base of 391,460, with an ARPU of EUR 17.5.
- By end of June 2008, CBU counted a total of 231,000 **packs** of which 27,000 were sold in the second quarter of 2008.
- During the first half of 2008, Belgacom added 144,959 **mobile customers**, 52,231 being added in the second quarter of 2008. By the end of June, the total Mobile customer base of Belgacom counts 4,765,191 active customers.

Outlook

- Belgacom has not been immune to the general economic pressure which is mainly reflected in its ICT performance. In spite of this Belgacom still expects to stay within the stated EBITDA margin range of 33%-34%. The weaker ICT performance and lower than expected roaming-out volumes in the course of the latter part of first half 2008 will however have an impact on the full-year Group revenue. Therefore Belgacom adjusts its full-year revenue guidance to an estimated decline for 2008 of around 2% compared to the previous stated guidance of 'revenue decline up to 1%'.

Commenting on the 2008 Results, Belgacom President and CEO Didier Bellens said: "We are currently operating in a very difficult market; apart from the economic downturn that has had its impact worldwide; we are also facing an extremely tough regulatory and competitive environment. I remain convinced that we are doing the right things to defend Belgacom's position as good as possible, but these facts do have an impact on our results.

Our strategy does however remain the same: we continue to believe in convergence and our customers remain our most important focus. We continue to bring new tailored products and services to the market that answer our clients demands as much as possible. We continue to develop packs that will enable our customers to benefit from our quadruple play offer at the best possible price and will ensure quality and service. We can see the positive results of our convergent products and we continue to follow that path.

In the enterprise arena, we feel more pressure of the economic situation and especially in ICT, we are seeing an impact on our performance. Both nationally and internationally, we see a slowdown of our business.

Everyone at Belgacom is committed to achieving good results and I am convinced that our strategy is the right one to face the current challenges.'

Key figures

Income Statement (EUR million)	Six months ended 30 June	
	2007	2008
Total revenue before non-recurring items	3,039	2,954
Total revenue	3,039	2,962
EBITDA (1) before non-recurring items	1,079	1,016
EBITDA (1)	1,079	1,024
Depreciation and amortization	-384	-372
Operating income (EBIT)	695	651
Net finance revenue / (costs)	39	-37
Income before taxes	734	614
Tax expense	-170	-144
Net income (Group share)	564	471

Cash flows and Capital Expenditures (EUR million)	Six months ended 30 June	
	2007	2008
Cash flows from operating activities	641	705
Capital expenditures	-279	-370
Cash flows from other investing activities	245	1
Free cash flow (2)	607	336
Cash flows used in financing activities	-518	-718
Net increase / (decrease) of cash and cash equivalents	89	-382

Balance sheet (EUR million)	As of 30 June	
	2007	2008
Balance sheet total	7,058	7,017
Non-current assets	5,134	5,045
Investments, cash and cash equivalents	418	400
Shareholders' equity	2,367	2,300
Minority interests	6	5
Liabilities for pensions, other post-employment benefits and termination benefits	832	781
Net financial position	-1,541	-1,537

Data per share	Six months ended 30 June	
	2007	2008
Basic earnings per share (EUR)	1.69	1.43
Diluted earnings per share (EUR)	1.69	1.43
Weighted average number of ordinary shares	334,092,494	328,325,259

Data on employees	Six months ended 30 June	
	2007	2008
Number of employees (full-time equivalents)	17,938	17,428
Average number of employees over the period	17,980	17,540
Total revenue per employee (EUR)	169,014	168,877
EBITDA (1) per employee (EUR)	60,001	58,379

- (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 interim 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 interim 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.

Financial report

Belgacom Group

Revenue

Year-over-year, the Belgacom Group revenue decreased by 2.5% to EUR 2,962 million, including a non-recurring revenue of EUR 8 million realized on the sale of Certipost. Excluding non-recurring revenue, the Group's revenue decreased 2.8% to EUR 2,954 million.

	Six months ended 30 June				Variance 2007/2008
	2007		2008		
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	1,117	37%	1,101	37%	-1.5%
Enterprise Business Unit	1,391	46%	1,365	46%	-1.8%
Service Delivery Engine	278	9%	213	7%	-23.4%
Staff & Support	29	1%	16	1%	-44.0%
International Carrier Services	361	12%	375	13%	3.8%
Inter-segment eliminations	-138	-5%	-117	-4%	-15.6%
Total	3,039	100%	2,954	100%	-2.8%
Non-recurring revenue	0		8		-
Total	3,039		2,962		-2.5%

The regulation on MTR¹ and the flow-through to fixed-to-mobile tariffs impacted for the largest part the second half of 2007 and roaming regulation hit mainly the last quarter of 2007. Therefore mobile regulation is the largest driver of the year-to-date revenue variance of EUR -77 million, with a total negative impact on the Belgacom Group revenue of EUR 76 million.

<i>year-over-year variance in million €</i>	CBU	EBU	SDE	S&S	ICS	Inter- segment recurring revenue	Non- recurring revenue	Group
Total revenue variance	-17	-26	-65	-13	14	22	8	-77
Roaming regulation impact	-9	-20	-15					-44
MTR regulation impact	-12	-8	-1			5		-16
Decrease of Fixed to Mobile tariffs	-6	-10						-16
One time gains				-13				-13
National transit traffic decrease			-25			21		-5
Disposal of Certipost							8	8
Remaining variance	10	12	-24	0	14	-4	0	8

Operating expenses before depreciation and amortization

The Group operating expenses decreased year-over-year by 12.2% to a total amount of EUR 1,938 million, including some one-time expenses in the second quarter of 2008. Mobile regulation impacted positively the cost of materials and charges to revenues (-4.3% compared to June 2007), despite the retro-active change of MTRs for both CBU and EBU. (which is still partly disputed)
For the first semester of 2008, personnel costs were 1.7% lower than last year as headcount reductions offset the pressure on wages by indexation and salary increases.

¹ Mobile Termination Rates

Other operating expenses increased by 7.7% mainly as a result of provisions for legal cases, a one-time cost for Telindus International, higher IT applications studies & enhancements and a provision for rental costs of the Proximus Boreal building

Operating income before depreciation and amortization (EBITDA)

Compared to 2007, the Group EBITDA decreased by 5.1% to EUR 1,024 million. However, excluding non-recurring revenues recorded in the second quarter of 2008 for the sale of Certipost, the Group's EBITDA decreased 5.8% to EUR 1,016 million.

	Six months ended 30 June				Variance 2007/2008
	2007		2008		
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	566	52%	562	55%	-0.7%
Enterprise Business Unit	651	60%	643	63%	-1.2%
Service Delivery Engine	1	0%	-38	-4%	-
Staff & Support	-162	-15%	-180	-18%	-10.8%
International Carrier Services	23	2%	28	3%	22.0%
Inter-segment eliminations	0	0%	0	-0%	-
Total	1,079	100%	1,016	100%	-5.8%
Non-recurring revenue	0		8		
Total	1,079		1,024		-5.1%

Depreciation and amortization

Depreciation and amortization decreased from EUR 384 million in the first semester of 2007 to EUR 372 million for the same period in 2008.

Net finance result

The net finance result decreased year-over-year from a revenue of EUR 39 million to a cost of EUR 37 million in the first six months of 2008. This was mainly due to the gains realized on the disposal of remaining interests in Mobistar and Eutelsat Communications for an amount of EUR 74 million in the first semester of 2007.

Tax expense

Tax expenses amounted to EUR 144 million for the first six months of 2008, representing an effective tax rate of 23.4%, compared to 23.2% for the same period in 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 the first semester of 2007, the net income decreased year-over-year from EUR 564 million to EUR 471 million.

Capital expenditure (Capex)

(EUR million)	Six months ended 30 June				Variance 2007/2008
	2007		2008		
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	25	9%	127	34%	400.1%
Enterprise Business Unit	11	4%	10	3%	-9.9%
Service Delivery Engine	224	80%	213	57%	-5.0%
Staff & Support	14	5%	18	5%	27.2%
International Carrier Services	5	2%	3	1%	-48.7%
Total	279	100%	370	100%	32.6%

For the second time, Belgacom acquired the broadcasting rights to Belgian first-division football for the next three seasons (2008-2011). A total amount of EUR 105 million has been capitalized in the second quarter of 2008 and reported in the Consumer Business Unit.

The year-over-year capex decrease within Service Delivery Engine is due to timing differences. During the first six months of 2008, EUR 59 million was spent on Broadway to reach 62.5% active VDSL coverage by the end of June 2008.

The Staff & Support capex increase is mainly linked to an extensive office renovation project (Dynamic Office), allowing additional employees having their workplace in the headquarter building.

Cash flows

(EUR million)	Six months ended 30 June	
	2007	2008
Cash flows from operating activities	641	705
Capital expenditures	-279	-370
Cash flows from other investing activities	245	1
Cash flow before financing activities or "free cash flow"	607	336
Cash flows used in financing activities	-518	-718
Net increase / (decrease) of cash and cash equivalents	89	-382

The cash flow from operating activities increased from EUR 641 million in the first semester of 2007 to EUR 705 million in the first six months of 2008 as the unfavorable evolution of the EBITDA was more than offset by the favorable evolution of the working capital, driven by the acquisition of the football broadcasting rights that will be paid during the next three years.

Year-over-year, capital expenditures increased from EUR 279 million to EUR 370 million, due to the acquisition of the football broadcasting rights. Cash inflows from other investing activities were almost nil in the first semester of 2008, while the disposal of the remaining interests in Mobistar and Eutelsat Communications in the first quarter of 2007 generated EUR 242 million.

As a result, the free cash flow decreased from EUR 607 million in the first semester of 2007 to EUR 336 million in the first semester of 2008.

After financing activities, the cash and cash equivalents decreased year-over-year by EUR 471 million. The increase in the cash flow used in financing activities resulted mainly from the completion in 2008 of the share buy-back program launched in October 2007 and the higher dividend granted to the shareholders.

Balance sheet and shareholders' equity

The shareholders' equity decreased from EUR 2,520 million at year-end 2007 to EUR 2,300 million in the first semester of 2008 as the acquisition of treasury shares for an amount of EUR 152 million and the distribution of dividends to shareholders for an amount of EUR 550 million exceeded the net income of EUR 471 million. In the same period, Belgacom employees also exercised 248,963 stock options, generating a net increase of the shareholders' equity of EUR 6 million.

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.

The net financial debt decreased by EUR 4 million during the first six months of 2008 to an amount of EUR 1,537 million.

Headcount

The Group's number of employees decreased year-over-year by 510 full-time equivalents (FTEs) to 17,428 FTEs. This headcount decrease was driven by restructuring programs and natural attrition (353 FTEs).

Outlook

Belgacom has not been immune to the general economic pressure which is mainly reflected in its ICT performance. In spite of this Belgacom still expects to stay within the stated EBITDA margin range of 33%-34%.

The weaker ICT performance and lower than expected roaming-out volumes in the course of the latter part of first half 2008 will however have an impact on the full-year Group revenue.

Therefore Belgacom adjusts its full-year revenue guidance to an estimated decline for 2008 of around 2% compared to the previous stated guidance of 'revenue decline up to 1%'.

The Belgacom group capex in percentage of revenue, is still expected to be 11%, excluding the renewal of the Belgian first division soccer rights.

Belgacom continues to perform solidly which is reflected in its free cash flow generation, allowing us to maintain an attractive shareholder return.

The Board of Directors approved on 24 July 2008 a share buyback program for EUR 200 million.

Consumer Business Unit - CBU

CBU revenue

Over the first half of 2008, CBU revenue decreased 1.5% to EUR 1,101 million and was a result of the negative impact from regulation of MTRs (cut on 1 May 2007 and 1 May 2008), the flow-through to fixed-to-mobile rates (May 2007), and roaming regulation (as of September and October 2007). Excluding the total impact from mobile regulation, CBU revenue increased 0.9%.

CBU Operating expenses before depreciation and amortization

The total operating expenses of CBU show a year-over-year decrease of 2.3%.

As a result of lower roaming charges, the costs of materials and charges to revenue showed a positive evolution of 4.5% to EUR 250 million, despite the retroactive change of MTRs increasing the costs by EUR 3.4 million in the second quarter of 2008. (of which part is still disputed)

Personnel expenses and pensions declined 1.2%, primarily driven by the lower number of FTEs and lower severance payments, offsetting the annual wage increase and indexation.

Other operating expenses slightly increased 0.7%, driven by a different timing in expenses.

CBU operating income before depreciation and amortization (EBITDA)

The positive variance of Operating Expenses did not fully compensate for the revenue pressure by regulation, resulting in a slight EBITDA decline of 0.7% to EUR 562 million compared to the first half of 2007.

CBU operating income (EBIT)

The operating income of CBU declined 2.2% to EUR 517 million year-over-year as a result of the lower EBITDA combined with a higher depreciation caused by the increased number of rented set-top boxes.

(Titel out)

Consumer Business Unit

(EUR million)	Six months ended 30 June		
	2007	2008	Variance 2007/2008
TOTAL SEGMENT REVENUE	1,117	1,101	-1.5%
Costs of materials and charges to revenue	-262	-250	-4.5%
Personnel expenses and pensions	-161	-159	-1.2%
Other operating expenses	-128	-129	0.7%
TOTAL OPERATING EXPENSES before depreciation & amortization	-552	-539	-2.3%
TOTAL SEGMENT RESULT (1)	566	562	-0.7%
<i>Segment contribution margin</i>	<i>51%</i>	<i>51%</i>	
Depreciation and amortization	-37	-45	21.8%
OPERATING INCOME	529	517	-2.2%

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

CBU revenue detail

Six months ended 30 June				
(EUR million)	2007	2008	Variance	Variance %
Revenues	1,117	1,101	-17	-1.5%
<u>From Fixed</u>	<u>566</u>	<u>565</u>	<u>-1</u>	<u>-0.2%</u>
Voice	337	302	-35	-10.4%
Data	142	156	14	9.8%
TV	16	39	22	137.2%
Terminals (excl. TV)	32	30	-3	-8.0%
Other	39	39	0	1.1%
<u>From Mobile</u>	<u>551</u>	<u>535</u>	<u>-16</u>	<u>-2.8%</u>
Voice	393	368	-24	-6.2%
Data	132	139	8	5.9%
Terminals	23	21	-2	-8.1%
Other	4	7	3	74.9%

The **CBU fixed revenue** remained fairly flat compared to the first semester of 2007 as the growth in data and TV offsets the decline in voice. Excluding regulation, CBU revenue from fixed increased 0.8%

- The continued access line loss and the fixed-to-mobile rate cut of May 2007 (flow-through of MTR cuts) were the main drivers of the **CBU fixed voice** revenue decrease of -10.4% compared to last year. During the first half of 2008, Belgacom CBU equilines declined by 102,899, while adding 15,290 VoIP lines.
- **Broadband** volumes increased by 85,823 lines or 11.1% compared to June 2007, resulting in a **fixed data** revenue growth of 9.8%. The Broadband volume growth in the first half of 2008 (+42,155) was positively impacted by the active migration from narrowband Internet access. During the second quarter the broadband growth showed a slow down. On top of a seasonality effect the net inflow was impacted by the concentration of narrowband migration in the first quarter. Compared to the first half of 2007, the broadband ARPU slightly increased from EUR 30.3 to EUR 30.4.
- Compared to June 2007, **Belgacom TV** showed a revenue growth of EUR 22 million or +137%. This was driven by a much larger customer base (year-over-year +200,112 customers or +105%) and by an improvement of the ARPU (from EUR 14.6 to EUR 17.5).
- Product enhancements and the launch of packs continued to have a positive impact on the number of net adds in the first half of 2008 (+86,141 subscribers). Compared to the same period last year, the TV ARPU grew by 19.6%, driven by an increase in services such as Comfort View and Video on Demand.

Mobile revenue was highly impacted by Roaming and MTR regulation, resulting in a total mobile revenue decrease of EUR 16 million or 2.8%. Excluding regulation, CBU revenue from mobile increased 0.9 %.

- **CBU mobile voice** revenue, including credits and discounts, decreased 6.2% compared to 2007. The positive impact from the larger customer base

and the more favorable customer portfolio (postpaid accounting for 38% of the customer base compared to 34% in 2007) partially offset the negative impact of the mobile regulation.

- CBU acquired 89,701 new **mobile customers** during the first half of 2008, reaching a total of 3,671,864 mobile residential customers at the end of June.
- The second quarter of 2008 shows a deceleration in customer growth, driven by a decrease in net additional customers coming from the MVNO activity. This was caused by a higher wholesale churn, driven by Ethnic MVNO market dynamics positioning these cards as calling cards.
- **SMS volumes** increased significantly, mainly as a result of successful migrations to pricing plans offering free SMS to the users. Excluding free usage, the growth of SMS was still 11.3% (from 53.4 SMSes to 59.4 SMSes), positively impacting the CBU **mobile data** revenue. Including credits and discounts, the mobile data revenue increased by EUR 8 million or 5.9%, partly offsetting the decline in mobile voice revenues.
- The mobile **blended net ARPU**, including the impact of the credits and discounts, decreased 8.7 % as a result of the migration to “cheaper” pricing plans and regulation. Excluding regulation, the net ARPU declined by 5.1%.

CBU operationals

	Six months ended 30 June			
	2007	2008	Variance	Variance %
FROM FIXED				
Number of access channels (thousands)	3,190	3,099	-90	-2.8%
PSTN	2,366	2,176	-189	-8.0%
ISDN	51	43	-8	-15.1%
IP	1	21	21	-
ADSL, VDSL	773	859	86	11.1%
Traffic (millions of minutes)	2,500	2,451	-48	-1.9%
National	2,130	2,045	-84	-4.0%
Fixed to Mobile	223	210	-14	-6.1%
International	147	196	49	33.5%
TV (thousands)	191	391	200	104.6%
ARPU (EUR)				
ARPU Voice ¹	22.2	21.4	-0.8	-3.7%
ARPU broadband ²	30.3	30.4	0.1	0.4%
ARPU Belgacom TV ³	14.6	17.5	2.9	19.6%
FROM MOBILE				
Number of active customers ⁴ (thousands)	3,440	3,672	232	6.7%
Prepaid	2,252	2,199	-53	-2.3%
Postpaid	1,185	1,389	203	17.2%
MVNO	3	84	81	-
Annualized churn rate ⁵ (blended - variance in p.p.)	17.0%	19.4%		
Net ARPU ⁶ (EUR)				
Prepaid	16.3	14.8	-1.5	-9.1%
Postpaid	44.7	38.3	-6.4	-14.3%
Blended	25.7	23.5	-2.2	-8.7%
Blended voice	19.3	17.1	-2.2	-11.4%
Blended data	6.5	6.4	0.0	-0.7%
UoU ⁷ (units)	190.0	221.6	31.6	16.6%
MoU ⁸ (min)	112.6	118.9	6.3	5.6%
SMS ⁹ (units)	77.8	103.5	25.7	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.
- (4) 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.
- (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 1 SMS equals 1 minute) per active customer per month.
- (8) MoU (Minutes of Use): duration of all calls from or to Proximus, per active voice customer . per month.
- (9) SMS: number of SMSes per active customer per month.

Enterprise Business Unit - EBU

EBU revenue

EBU year-over-year revenue showed a decline of -1.8%, explained by the negative impact of the mobile regulation for MTR and Roaming and the flow-through of the MTR cut to fixed-to-mobile tariffs. Excluding the total regulation impact, EBU revenue grew 0.9% compared to the first half of 2007 mainly because of growing mobile data revenues.

EBU operating expenses before depreciation and amortization

Compared to last year, the positive evolution in EBU costs of material and charges to revenue of 6.0% to EUR 431 million was mainly due to lower roaming charges, termination costs and the disposal of the Satellite services. The second quarter of 2008 has been negatively impacted by the retroactive change in MTRs for an amount of EUR 3.8 million. (of which part is still disputed)

Compared to the first half of 2007, the personnel expenses decreased 0.7% to EUR 204 million as a result of the lower number of FTEs and lower severance payments.

Other operating expenses increased 15.0%, including provisions for legal cases and a one-time cost concerning Telindus international.

EBU operating income before depreciation and amortization (EBITDA)

Compared to 2007, the EBU EBITDA declined by 1.2% to EUR 643 million, as the favorable cost evolution does not fully offset the revenue decline.

EBU operating income (EBIT)

Enterprise Business Unit			
(EUR million)	Six months ended 30 June		
	2007	2008	Variance 2007/2008
TOTAL SEGMENT REVENUE	1,391	1,365	-1.8%
Costs of materials and charges to revenue	-459	-431	-6.0%
Personnel expenses and pensions	-205	-204	-0.7%
Other operating expenses	-76	-87	15.0%
TOTAL OPERATING EXPENSES before depreciation & amortization	-740	-722	-2.4%
TOTAL SEGMENT RESULT (1)	651	643	-1.2%
<i>Segment contribution margin</i>	47%	47%	
Depreciation and amortization	-22	-18	-18.9%
OPERATING INCOME	629	634	0.6%

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

EBU revenue detail

Six months ended 30 June				
(EUR million)	2007	2008	Variance	Variance %
Revenue	1,391	1,365	-26	-1.8%
<u>From Fixed</u>	<u>975</u>	<u>949</u>	<u>-26</u>	<u>-2.6%</u>
Voice	340	312	-27	-8.1%
Data	211	203	-7	-3.5%
ICT	373	381	8	2.2%
Terminals	38	38	-1	-1.4%
Other	13	15	2	11.9%
<u>From Mobile</u>	<u>416</u>	<u>416</u>	<u>0</u>	<u>0.0%</u>
Voice	343	322	-20	-5.9%
Data	58	79	21	35.3%
Terminals	11	10	-1	-5.5%
Other	4	5	0	10.9%

EBU revenue from fixed declined 2.6%. Excluding regulation, EBU revenue from fixed decreased 1.6%.

- EBU **fixed voice** revenue declined 8.1% compared to June last year, driven by the fixed-to-mobile rate cut of May 2007 (flow-through of MTR cuts), the substitution to data and the year-over-year loss in access lines. Voice ARPU decreased 6.2% to EUR 32.5.
- During the first six months of 2008, EBU fixed voice line loss stabilized to -18,000 while adding 2,000 VoIP lines.
- The decrease of 3.5% in EBU **data** revenue is caused by the disposal of the Satellites activities in November 2007. Excluding this divestment the Data revenue would be slightly growing thanks to the growing Broadband customer base.
- Revenue from **ICT activities** grew by EUR 8 million or 2.2%, mainly due to the acquisition of ISIT in April 2007.

On the **mobile** side, revenue remained stable despite the negative impact of regulation. Excluding regulation, EBU revenue from mobile grew 6.8%.

- Compared to the same period last year, EBU **mobile voice** revenue, including credits and discounts, decreased by EUR 20 million or 5.9%. The positive impact of the customer growth was not sufficient to offset the negative impact of the MTR and Roaming regulation.
- During the first half of 2008, EBU acquired 55,000 new mobile customers, resulting in a total customer base of 1,093,327 active customers at the end of June 2008. Year-over-year this represents a growth of 118,000 customers.
- The main driver of the EBU **data revenue** increase (+35.3% or EUR 21 million) was advanced data (VMCC cards, Blackberry, 3G) which grew year-over-year by 47.7% and represents 64% of total mobile data revenue.
- During the first six months of 2008, the Net ARPU, including the impact of the credits and discounts, decreased 10.8%. This decrease mainly results

from the increased level of credits and discounts given to the customer and from pricing plan migrations. The net ARPU was also impacted by the MTR and Roaming regulation. Excluding the impact of regulation, the net ARPU declined by 4.8%.

EBU operationals

	Six months ended 30 June			
	2007	2008	Variance	Variance %
FROM FIXED				
Number of access channels (thousands)	1,998	1,998	0	0.0%
PSTN	712	687	-24	-3.4%
ISDN	882	872	-10	-1.2%
IP	0	2	2	-
ADSL, VDSL	404	436	33	8.1%
Traffic (millions of minutes)	2,045	1,913	-132	-6.4%
National	1,424	1,317	-108	-7.5%
Fixed to Mobile	386	369	-18	-4.6%
International	234	227	-6	-2.8%
ARPU (EUR)				
ARPU Voice ¹	34.6	32.5	-2.1	-6.2%
ARPU Broadband ²	42.0	40.8	-1.2	-2.8%
FROM MOBILE				
Number of active customers ³ (thousands)	976	1,093	118	12.1%
Pre-paid*	0	0		-
Post-paid	976	1,093	118	12.1%
MVNO	0	0		-
Annualized churn rate ⁴ (blended - variance in p.p.)	9.4%	9.8%		
Net ARPU ⁵ (EUR)				
Postpaid	70.4	62.8	-7.6	-10.8%
Postpaid voice	60.1	50.4	-9.7	-16.1%
Postpaid data	10.2	12.3	2.1	20.5%
UoU ⁶ (units)	408.9	404.3	-4.6	-1.1%
MoU ⁷ (min)	383.0	378.8	-4.1	-1.1%
SMS ⁸ (units)	45.9	52.9	7.0	15.2%

* 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 1 SMS equals 1 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 SMSes per active customer per month.

Service Delivery Engine - SDE

SDE revenue

Year-over-year, SDE revenue decreased 23.4% or EUR 65 million to reach a level of EUR 213 million.

The revenue of the first semester of 2008 was mainly impacted by:

- Change in routing of Proximus-Base traffic from Transit to direct interconnect (EUR -25 million, largely eliminated at Group level);
- regulation on roaming-in rates (EUR -15 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;
- Lower revenue from regulated products due to cut in broadband prices, shift to lower priced broadband products, slowdown in Broadband growth and lower traffic volumes.

SDE operating expenses before depreciation and amortization

Costs of materials and charges to revenue were EUR 32 million lower than the first six months of 2007 mainly due to a decrease in the low-margin national transit traffic and lower interconnection traffic volumes. Similarly to the revenues, most of the positive impact related to the transit traffic of Proximus was eliminated at Group level.

The **personnel-related costs** showed a decrease of EUR 4 million or -3.9% as the positive impact by the lower headcount more than offset the annual wage increase and indexation.

The negative variance in 2008 in **other expenses** mainly results from an exceptional credit note which was booked in the first quarter of 2007 and higher costs related to studies for IT applications and enhancements.

SDE operating income before depreciation and amortization (EBITDA)

The unfavorable evolution of SDE's EBITDA compared to the first six months of 2007 is apart from transit traffic revenue, driven by the declining revenues.

SDE operating income (EBIT)

Depreciation and amortization decreased by EUR 21 million as a result of a lower asset base. This resulted in a total operating income of EUR -289 million or a decline of 6.1% compared to last year.

Service Delivery Engine

(EUR million)	Six months ended 30 June		
	2007	2008	Variance 2007/2008
TOTAL SEGMENT REVENUE	278	213	-23.4%
Costs of materials and charges to revenue	-85	-53	-38.5%
Personnel expenses and pensions	-112	-108	-3.9%
Other operating expenses	-80	-90	13.3%
TOTAL OPERATING EXPENSES before depreciation & amortization	-277	-251	-9.6%
TOTAL SEGMENT RESULT (1)	1	-38	-
<i>Segment contribution margin</i>	<i>0%</i>	<i>-18%</i>	
Depreciation and amortization	-273	-252	-7.9%
OPERATING LOSS	-273	-289	6.1%

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

SDE revenue detail

(EUR million)	Six months ended 30 June			
	2007	2008	Variance	Variance %
Revenues	278	213	-65	-23.4%
From Fixed	218	171	-47	-21.5%
From Mobile	60	42	-18	-30.0%

The decrease in **revenue from fixed** of EUR 47 million, was mainly driven by the reduction of national transit traffic, the lower interconnection volumes from Pay services (Royal Decree applicable as from 1 April 2008) and the lower wholesale Broadband rental and connection prices.

On the **mobile** front, the revenue decrease was almost entirely the result of the negative impact of the roaming-in regulation.

Staff & Support – S&S

S&S revenue

The Staff and Support revenue decrease of EUR 13 million compared to last year was mainly driven by one-time gains realized in the first semester of 2007.

S&S operating expenses before depreciation and amortization

The increase in other operating expenses was mainly driven by the setting-up of a provision for rental costs of the Proximus Boreal building which is gradually being emptied before the official end of the rental contract. This cost increase has been partly offset by a decrease in personnel expenses resulting from a lower headcount and lower severance payments compared to 2007.

S&S operating income (EBIT)

Staff & Support

(EUR million)	Six months ended 30 June		
	2007	2008	Variance 2007/2008
TOTAL SEGMENT REVENUE	29	16	-44.0%
Costs of materials and charges to revenue	-1	-2	43.4%
Personnel expenses and pensions	-84	-81	-3.5%
Other operating expenses	-107	-114	6.4%
TOTAL OPERATING EXPENSES before depreciation & amortization	-192	-196	2.4%
TOTAL SEGMENT RESULT (1)	-162	-180	10.8%
<i>Segment contribution margin</i>	-	-	
Depreciation and amortization	-46	-49	6.4%
OPERATING LOSS	-209	-229	9.8%

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

International Carrier Services - ICS

ICS revenue

During the first six months of 2008, ICS revenue increased 3.8% compared to the same period last year.

Non-voice revenue increased 36.6% and was driven by signaling and SMS transit volume growth.

Voice revenue grew 1.6% due to a strong volume growth of 13.8%, partly offset by the continued decrease of the mobile termination rates and a weak dollar.

Net of charges to revenues, ICS showed a year-over-year growth of EUR 6.2 million or 12.0%, mainly driven by the favorable evolution of the product mix portfolio as non-voice business generated higher margins, while the pressure on the voice unit margin was not fully compensated by the volume increase. Settlements relating to prior years also contributed to the strong year-over-year increase.

ICS operating income before depreciation and amortization (EBITDA)

ICS EBITDA increased 22% to reach EUR 28 million, with an EBITDA margin of 7.6%. The increase in Personnel and Other operating expenses reflects the headcount increase required to sustain mobile data growth, partly offset by the suppression of technical support from Swisscom at the end of March last year.

ICS operating income (EBIT)

ICS operating income increased 25.2%, driven by the EBITDA increase, partly offset by a higher depreciation compared to last year. This depreciation increase was the result of investments in the transmission infrastructure carried out in 2007 and the shorter average economic life of the recently acquired assets.

International Carrier Services

(EUR million)	Six months ended 30 June		
	2007	2008	Variance 2007/2008
TOTAL SEGMENT REVENUE	361	375	3.8%
Costs of materials and charges to revenue	-309	-317	2.5%
Personnel expenses and pensions	-10	-10	7.1%
Other operating expenses	-19	-19	2.1%
TOTAL OPERATING EXPENSES before depreciation & amortization	-338	-347	2.6%
TOTAL SEGMENT RESULT (1)	23	28	22.0%
<i>Segment result margin</i>	6.5%	7.6%	
Depreciation and amortization	-8	-9	15.8%
OPERATING INCOME	15	19	25.2%

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

ICS revenue detail

EUR million	Six months ended 30 June			
	2007	2008	Variance	Variance %
Voice	338	343	5	1.6%
Non Voice	23	32	9	36.6%
Total revenues	361	375	14	3.8%

ICS operational

Voice volumes in billion of minutes	Six months ended 30 June		
	2007	2008	Variance
TOTAL	6.64	7.56	13.8%
Total to fixed destinations	3.17	3.37	6.5%
Total to mobile destinations	3.48	4.19	20.4%

BICS volumes included at 100%

Interim financial statements

Interim condensed consolidated financial statements.

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

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted for use in the European Union, and with IAS 34, Interim Financial Reporting.

The accounting policies and methods of the Group are consistent with those applied in the 31 December 2007 consolidated financial statements, with the exception that the Group adopted the new standards and interpretations that became mandatory for the Belgacom Group on 1 January 2008, notably IFRIC 11 (“IFRS 2 - Group and Treasury Share Transactions”). The adoption of these new standards and interpretations did not have any effects on the financial statements of the Group.

In order to reflect the gradual evolution as from 2007 towards more and longer fixed term contracts in excess of one year with mobile post-paid customers, the upfront dealer commissions relating to these contracts are expensed as from 2008 over the estimated contract period.

As a result of the new customer-oriented organization of the Group which became effective on 1 January 2008, the Group also early adopted IFRS 8 (“Operating Segments”), on 1 January 2008. This standard requires disclosure of information about the Group’s reportable operating segments under the new organization, and replaces the former IAS 14 requirement on segment reporting. Segment disclosures in these interim financial statements include revised comparative information for the new reportable operating segments.

During the first semester of 2008, the Belgacom Group did not acquire or dispose of any significant subsidiary, joint venture or affiliate, other than the disposal of Certipost.

On 26 June 2008, the Belgacom Group announced the acquisition of Tele2 Luxembourg, the second mobile operator in Luxembourg, operating under the brand name “Tango”, for a price of EUR 207 million on a debt and cash free basis. As part of the transaction, Belgacom also acquired Tele2’s Liechtenstein fixed and mobile operations. On 30 June 2008, the acquisition is subject to potential relevant approvals of the appropriate antitrust authorities and is therefore not accounted for in these interim financial statements.

Consolidated income statements

(EUR million)	Three months ended 30 June		Six months ended 30 June	
	2007	2008	2007	2008
Net revenue	1,504	1,470	2,996	2,923
Other operating revenue	20	15	43	31
Non-recurring revenue	0	8	0	8
TOTAL REVENUE	1,524	1,493	3,039	2,962
Costs of materials and charges to revenue	-495	-479	-991	-948
Personnel expenses and pensions	-285	-282	-572	-562
Other operating expenses	-202	-226	-397	-428
TOTAL OPERATING EXPENSES before depreciation & amortization	-981	-987	-1,960	-1,938
OPERATING INCOME before depreciation & amortization	543	506	1,079	1,024
Depreciation and amortization	-195	-189	-384	-372
OPERATING INCOME	348	317	695	651
Finance revenue	11	13	93	19
Finance costs	-27	-28	-54	-56
Net finance revenue / (costs)	-15	-15	39	-37
INCOME BEFORE TAXES	332	302	734	614
Tax expense	-87	-67	-170	-144
NET INCOME	245	235	564	470
Minority interests	0	0	0	0
Net income (Group share)	245	235	564	471
Basic earnings per share	0.73 EUR	0.72 EUR	1.69 EUR	1.43 EUR
Diluted earnings per share	0.73 EUR	0.72 EUR	1.69 EUR	1.43 EUR
Weighted average number of ordinary shares	334,190,267	327,596,775	334,092,494	328,325,259
Weighted average number of ordinary shares for diluted earnings per share	334,530,977	327,716,917	334,464,199	328,493,398

Consolidated balance sheets

(EUR million)	As of 30 June 2007	As of 31 December 2007	As of 30 June 2008
ASSETS			
NON-CURRENT ASSETS	5,134	5,072	5,045
Goodwill	1,780	1,777	1,780
Intangible assets with finite useful life	527	482	525
Property, plant and equipment	2,480	2,470	2,422
Other participating interests	1	1	1
Deferred income tax assets	319	312	291
Pension assets	5	5	4
Other non-current assets	23	25	22
CURRENT ASSETS	1,924	2,253	1,972
Inventories	86	99	95
Trade receivables	1,205	1,158	1,197
Current income tax assets	101	117	142
Other current assets	113	92	137
Investments	93	59	56
Cash and cash equivalents	325	726	344
Assets classified as held for sale	0	2	0
TOTAL ASSETS	7,058	7,325	7,017
LIABILITIES AND EQUITY			
EQUITY			
Shareholders' equity	2,367	2,520	2,300
Issued capital	1,000	1,000	1,000
Treasury shares	-101	-178	-318
Restricted reserve	100	100	100
Remeasurement to fair value	4	4	3
Stock compensation	5	5	5
Retained earnings	1,358	1,586	1,506
Foreign currency translation	1	2	4
Minority interests	6	6	5
NON-CURRENT LIABILITIES	2,981	2,990	2,931
Interest-bearing liabilities	1,899	1,895	1,891
Liability for pensions, other post-employment benefits and termination benefits	832	831	781
Provisions	212	229	222
Deferred income tax liabilities	35	33	34
Other non-current payables	3	2	3
CURRENT LIABILITIES	1,704	1,810	1,782
Interest-bearing liabilities	72	69	55
Trade payables	1,010	1,079	1,113
Income tax payables	77	165	95
Other current payables	545	495	519
Liabilities associated with assets classified as held for sale	0	2	0
TOTAL LIABILITIES AND EQUITY	7,058	7,325	7,017

Consolidated cash flow statements

(EUR million)	Six months ended 30	
	2007	2008
	June	
Cash flow from operating activities		
Net income (group share)	564	471
Adjustments for:		
Depreciation and amortization on intangible assets and property, plant and equipment	384	372
Increase of impairment on intangible assets and property, plant and equipment	2	0
Increase of provisions	7	15
Deferred tax expense	28	23
Fair value adjustments on financial instruments	-8	-3
Gain on disposal of consolidated companies	0	-9
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	-7	-2
Other non-cash movements	2	2
Operating cash flow before working capital changes	896	869
Decrease / (increase) in inventories	-3	4
Decrease / (increase) in trade receivables	6	-40
Increase in current income tax assets	-4	-26
Increase in other current assets	-30	-45
Increase / (decrease) in trade payables	-80	35
Decrease in income tax payables	-112	-71
Increase in other current payables	25	48
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-55	-49
Decrease in other non-current payables and provisions	-3	-21
Increase in working capital, net of acquisitions and disposals of subsidiaries	-255	-165
Net cash flow provided by operating activities	641	705
Cash flow from investing activities		
Purchase of intangible assets and property, plant and equipment	-279	-370
Cash paid for consolidated companies, net of cash acquired	-13	-9
Cash received from sales of consolidated companies, net of cash disposed of	0	6
Cash received from sales of intangible assets and property, plant and equipment	16	4
Cash received from sales of other participating interests and enterprises accounted for using the equity method and from other non-current assets	243	0
Net cash provided by / (used in) investing activities	-34	-369
Cash flow before financing activities	607	336
Cash flow from financing activities		
Dividends paid to shareholders	-532	-567
Dividends paid to minority interests	0	-1
Net sale / (acquisition) of treasury shares	10	-141
Sale / (purchase) of investments	0	2
Increase of shareholders' equity	1	0
Issuance of long term debt	1	3
Issuance / (repayment) of short term debt	3	-15
Net cash used in financing activities	-518	-718
Net increase / (decrease) of cash and cash equivalents	89	-382
Cash and cash equivalents at 1 January	236	726
Cash and cash equivalents at 30 June	325	344

Consolidated statements of changes in equity

(in EUR million)	Issued capital	Treasury shares	Restricted reserve	Remeasurement to fair value	Foreign currency translation	Stock Compensation	Retained Earnings	Shareholders' Equity	Minority interests	Total Equity
Balance at 31 December 2006	1,000	-754	100	68	1	5	1,972	2,391	8	2,399
<i>Fair value changes in available-for-sale investments</i>	0	0	0	-64	0	0	0	-64	0	-64
Equity changes not recognised in the income statement	0	0	0	-64	0	0	0	-64	0	-64
Net income	0	0	0	0	0	0	564	564	0	564
Total recognised income and expense	0	0	0	-64	0	0	564	499	0	499
Dividends to shareholders (relating to 2006)	0	0	0	0	0	0	-535	-535	0	-535
Dividends of subsidiaries to minority interests	0	0	0	0	0	0	0	0	-2	-2
Treasury shares										
Exercise of stock options	0	6	0	0	0	0	0	6	0	6
Sale of treasury shares under a discounted share purchase plan	0	4	0	0	0	0	1	4	0	4
Cancellation of treasury shares	0	644	0	0	0	0	-644	0	0	0
Stock options										
Stock options granted and accepted	0	0	0	0	0	2	0	2	0	2
Deferred stock compensation	0	0	0	0	0	-2	0	-2	0	-2
Amortization deferred stock compensation	0	0	0	0	0	1	0	1	0	1
Exercise of stock options	0	0	0	0	0	-1	1	0	0	0
Total transactions with equity holders	0	654	0	0	0	0	-1,178	-524	-2	-526
Balance at 30 June 2007	1,000	-101	100	4	1	5	1,358	2,367	6	2,373
Balance at 31 December 2007	1,000	-178	100	4	2	5	1,586	2,520	6	2,525
<i>Fair value changes in available-for-sale investments</i>	0	0	0	-1	0	0	0	-1	0	-1
<i>Currency translation differences</i>	0	0	0	0	2	0	0	2	0	2
Equity changes not recognised in the income statement	0	0	0	-1	2	0	0	1	0	1
Net income	0	0	0	0	0	0	471	471	0	470
Total recognised income and expense	0	0	0	-1	2	0	471	472	0	471
Dividends to shareholders (relating to 2007)	0	0	0	0	0	0	-550	-550	0	-550
Dividends of subsidiaries to minority interests	0	0	0	0	0	0	0	0	-1	-1
Treasury shares										
Exercise of stock options	0	8	0	0	0	0	-2	6	0	6
Acquisition of treasury shares	0	-152	0	0	0	0	0	-152	0	-152
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	1	0	1	0	1
Exercise of stock options	0	0	0	0	0	-1	1	0	0	0
Total transactions with equity holders	0	-141	0	0	0	0	-551	-692	-1	-692
Balance at 30 June 2008	1,000	-318	100	3	4	5	1,506	2,300	5	2,304

Contingent liabilities

No changes occurred during the first six months of 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.

In the case initiated by BASE in October 2005, alleging abusive pricing on the professional market and which led to the dawn raid performed by the Belgian Competition Authority on 19 January 2006, the Prosecutor with the Competition Council submitted its reasoned report on 22 April 2008. In his report the Prosecutor 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 the measurement principles of the contingent liability as a result of the above developments.

The Belgian tax authorities maintained their 2004 assessment of a foreign subsidiary of the Group as an alleged tax resident of Belgium rather than of Luxembourg and assessed in 2008 the Belgian corporate income tax for the subsequent years 2005 and 2006. Belgacom has strong arguments to ward off the tax assessments of EUR 69 million (years 2004, 2005 and 2006 included) and contests these assessments.

Subsequent events

Share buyback

On 24 July 2008, Belgacom's Board of Directors unanimously decided to approve a share buyback for a maximum amount of EUR 200 million. This share buyback will be conducted within the limitations decided at the General Assembly of 11 April 2007, i.e., "the price paid for these shares must not be more than 5% above the highest closing price in the thirty-day trading period preceding the transaction and no more than 10% below the lowest closing price in that same thirty-day period". There will be no dividend rights for the shares thus purchased, as long as these shares are in Belgacom's possession.

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)	Six months ended 30 June 2007						Total
	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine	Staff & Support	International Carrier Services	Inter-segment eliminations	
Net revenue	1,079	1,359	220	2	335	1	2,996
Other operating revenue	6	6	8	24	0	-1	43
Intersegment revenue	32	26	49	4	27	-138	0
TOTAL SEGMENT REVENUE	1,117	1,391	278	29	361	-138	3,039
Costs of materials and charges to revenue	-262	-459	-85	-1	-309	125	-991
Personnel expenses and pensions	-161	-205	-112	-84	-10	0	-571
Other operating expenses	-128	-76	-80	-107	-19	12	-398
TOTAL OPERATING EXPENSES before depreciation & amortization	-552	-740	-277	-192	-338	138	-1,960
TOTAL SEGMENT RESULT (1)	566	651	1	-162	23	0	1,079
OPERATING INCOME / (LOSS) before depreciation & amortization	566	651	1	-162	23	0	1,079
Depreciation and amortization	-37	-22	-273	-46	-8	2	-384
OPERATING INCOME / (LOSS)	529	629	-273	-209	15	2	695
Finance revenue (net)							39
INCOME BEFORE TAXES							733
Tax expense							-170
NET INCOME							564
Minority interests							0
Net income (Group share)							564

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

(EUR million)	Six months ended 30 June 2008						Total
	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine	Staff & Support	International Carrier Services	Inter-segment eliminations	
Net revenue	1,067	1,333	176	1	347	0	2,923
Other operating revenue	7	5	7	11	0	0	31
Intersegment revenue	26	27	30	5	28	-117	0
TOTAL SEGMENT REVENUE	1,101	1,365	213	16	375	-117	2,954
Costs of materials and charges to revenue	-250	-431	-53	-2	-317	104	-948
Personnel expenses and pensions	-159	-204	-108	-81	-10	0	-562
Other operating expenses	-129	-87	-90	-114	-19	12	-428
TOTAL OPERATING EXPENSES before depreciation & amortization	-539	-722	-251	-196	-347	116	-1,938
TOTAL SEGMENT RESULT (1)	562	643	-38	-180	28	0	1,016
Non-recurring revenue		8					8
OPERATING INCOME / (LOSS) before depreciation & amortization	562	651	-38	-180	28	0	1,024
Depreciation and amortization	-45	-18	-252	-49	-9	0	-372
OPERATING INCOME / (LOSS)	517	634	-289	-229	19	0	651
Finance revenue (net)							-37
INCOME BEFORE TAXES							614
Tax expense							-144
NET INCOME							470
Minority interests							0
Net income (Group share)							471

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

Segment assets

(EUR million)	As of 31 December 2007						Total
	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine	Staff & Support	International Carrier Services	Unallocated	
Goodwill	688	1,089	-	-	-	-	1,777
Segment assets	99	70	1,858	862	65	-3	2,952
Unallocated assets						2,596	2,596
Total assets	788	1,159	1,858	862	65	2,593	7,325

(EUR million)	As of 30 June 2008						Total
	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine	Staff & Support	International Carrier Services	Unallocated	
Goodwill	692	1,089	0	0	0	0	1,780
Segment assets	182	62	1,814	834	58	-3	2,947
Unallocated assets						2,289	2,289
Total assets	874	1,151	1,814	834	58	2,286	7,017

Other segment information

(EUR million)	Six months ended 30 June 2007						Total
	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine	Staff & Support	International Carrier Services	Inter-segment eliminations	
Capital expenditure	25	11	224	14	5	0	279

(EUR million)	Six months ended 30 June 2008						Total
	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine	Staff & Support	International Carrier Services	Inter-segment eliminations	
Capital expenditure	127	10	213	18	3	0	370

Limited review report

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF BELGACOM SA DE DROIT PUBLIC / NV VAN PUBLIEK RECHT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2008 AND FOR THE SIX MONTHS THEN ENDED

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Belgacom SA de droit public / NV van publiek recht (the “Company”) as at 30 June 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”) as adopted for use in the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Brussels, 24 July 2008

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

Marnix Van Dooren
Partner

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

Treasury shares

During the first six months of 2008, Belgacom acquired 4,763,653 shares through the finalization of the share buy-back program decided on 18 October 2007. In the same period, Belgacom employees exercised 248,963 stock options and bought 125,143 treasury shares under a discounted share purchase plan offering a discount of 16.67%.

At the end of June 2008, Belgacom owned 10,342,906 shares, representing 3.1% of the total shares. Treasury shares are kept by the company to cover existing and future employee incentive plans.

Treasury shares evolution	
Status 31 December 2007	5,953,359
Options exercised during 2008	-248,963
Discount Purchase Plan employees	-125,143
Acquisition of treasury shares	4,763,653
Status 30 June 2008	10,342,906

Ownership

Situation 30 June 2008

Belgacom ownership	Shares	% total shares
Belgian State	180,887,569	53.5%
Belgacom treasury shares	10,342,906	3.1%
Free-Float	146,794,660	43.4%
TOTAL	338,025,135	100.0%

Calendar

- Announcement result of third quarter 2008 on 7 November 2008

General information

Investor relations

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Ann Maes +32 2 202 26 18

Registered office information

Belgacom, Société Anonyme de droit public

Headquarters:

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B-1030 Brussels, Belgium

Tel.: + 32 2 202 41 11

VAT BE 202.239.951

Brussels Register of Legal Entities

Brussels Trade Registry 587.163

Date of constitution – Legal form

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