> interim report

H1 2010

belgacom

Key figures

	Six months ended 30 June	
Income Statement (EUR million)	**2009**	**2010**
Total revenue before non-recurring items	2,996	3,305
Non-recurring revenue	0	436
Total revenue	2,996	3,741
EBITDA (1) before non-recurring items	994	999
EBITDA (1)	932	1,435
Depreciation and amortization	-352	-400
Operating income (EBIT)	580	1,034
Net finance costs	-60	-54
Income before taxes	520	980
Tax expense	-120	-132
Non-controlling interests	0	6
Net income (Group share)	400	841

	Six months ended 30 June	
Cash flows and Capital Expenditures (EUR million)	**2009**	**2010**
Cash flows from operating activities	625	923
Capital expenditures	-270	-376
Cash flows from / (used in) other investing activities	7	51
Free cash flow (2)	**362**	**598**
Cash flows used in financing activities	-620	-573
Net increase / (decrease) of cash and cash equivalents	**-257**	**25**

	As of 30 June	
Balance sheet (EUR million)	**2009**	**2010**
Balance sheet total	7,538	8,389
Non-current assets	5,497	6,222
Investments, cash and cash equivalents	390	399
Shareholders' equity	2,142	2,838
Non-controlling interests	5	222
Liabilities for pensions, other post-employment benefits and termination benefits	725	629
Net financial position	-2,021	-1,684

	Six months ended 30 June	
Data per share	**2009**	**2010**
Basic earnings per share (EUR)	1.25	2.62
Diluted earnings per share (EUR)	1.25	2.62
Weighted average number of ordinary shares	320,350,443	320,850,818

	Six months ended 30 June	
Data on employees	**2009**	**2010**
Number of employees (full-time equivalents)	16,861	16,158
Average number of employees over the period	16,950	16,284
Total revenue before non-recurring items per employee (EUR)	176,737	202,988
Total revenue per employee (EUR)	176,737	229,747
EBITDA (1) before non-recurring items per employee (EUR)	58,645	61,319
EBITDA (1) per employee (EUR)	54,986	88,117

(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 & Wholesale, 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.

Highlights

> ➢ *First-half 2010 ended with solid financial and operational results*
> ➢ *Strong revenue growth persisted in the second quarter*
> ➢ *EBITDA margin continued to be above 30%*

- Revenue trend further enhanced over the second quarter (+10.7%), leading to a Group revenue growth of 10.3% to EUR 3,305 million over first half of 2010, excluding non-recurring revenue. The growth is driven by the full-consolidation of BICS, including MTN ICS, and a solid underlying business trend.

- When normalizing for the impact of the full-consolidation of BICS, including the contribution of MTN ICS, the year-to-date June Group revenue is down by 0.3%. This results from the organic revenue growth of BICS, and the growing contribution from Belgacom TV, Fixed and Mobile internet, which almost entirely compensated for the negative regulation impact.

- Group EBITDA increased 0.5% to EUR 999 million, with EBITDA margin remaining stable at 30.2% as a result of a strong focus on overall costs efficiencies, including initiatives enhancing product profitability while maintaining a strict control on expenses.

- Group HR-expenses benefitting from ongoing headcount reduction programs. Compared to last year, personnel base lowered by 4% to 16,158 FTEs; resulting in a 2.2% decrease in HR- expenses; -3.6% on a comparable basis.

- Free-Cash-Flow increased to EUR 598 million, compared to EUR 362 million for June 2009. The year-over-year variance is positively influenced by timing differences related to working capital and one-off items.

- Over the first half of 2010, Belgacom's investments amount to EUR 376 million, including the capex for the 2G license renewal.

- Belgacom's unique market positioning continued to drive growth of its IPTV-offer and multi-play packages.
    - Despite a seasonally weaker second quarter, an additional 54,000 TV customers chose the Belgacom TV offer, increasing the TV-customer base to 868,000 by end of June, a year-over-year increase of 47%.
    - The number of multi-play customers increased to 741,000 by end of June, i.e. +88,000 Packs in the second quarter.

Comment by the CEO

I am pleased to announce that we have ended the first half of 2010 with a solid Group revenue of EUR 3,305 million, or a 10.3% increase compared with last year. We achieved this result through the growing contribution of our International Carrier Services (BICS), which we consolidate at 100% since the start of this year, and by our sound underlying business.

The growing revenue also contributed to our absolute EBITDA, which for the first half of 2010 was EUR 999 million, i.e. slightly up from last year. On a comparable basis, our EBITDA was 2.1% lower than for 2009, largely due to the negative impact from regulation. While our revenue growth is supporting the EBITDA, the changing mix of revenue, with an increasing contribution of BICS at typical lower margins, is having an impact on the Group EBITDA margin. Nevertheless, thanks to our initiatives on direct margin and a strict cost control, we managed to maintain the Group EBITDA margin to a level of 30.2% over the first half of 2010.

In an intensified competitive environment, we can be pleased with our operational results. Despite a seasonally weaker quarter, there was an improvement in the second quarter with regard to customer intake as compared with the previous year. We achieved this through our convergence strategy, the launch of simple and transparent product offers and greater flexibility in our sales and installations. Market research indicates that we are on the right track with regard to our customer satisfaction project, and there has been a positive evolution in the customer's perception of value for money.

To strengthen our position on the Fixed Internet market, we set the tone in the second quarter of 2010 by introducing a number of significant improvements for our Internet customers. Since 1 March, our Internet customers have been benefitting from boosted Internet speeds and higher volumes, and on 1 June, we increased volumes even more by introducing the "Unlimited Volume"-option. This vastly improved Internet experience led to lower churn rates and higher customer acquisitions for the residential segment, while the level of downward migrations remained limited.
Residential revenue from fixed Internet grew by 8.1% compared to a year ago, driven by the Internet customer growth of 55,000 over the last 12 months.
Today, we have a total Internet customer base of 1,545,000. Of these customers, over 90% have Internet products with speeds of at least 12 Mbps. This is possible thanks to our outstanding fixed network with fiber-to-the-curb coverage for over 75% of Belgian households, which puts us among the leaders worldwide.

We have also invested in a superior Mobile network, with today a 3G-coverage of 97%, allowing us to offer our customers high-quality mobile data services. By end of June 2010, nearly 140,000[1] customers subscribed to one of the mobile internet solutions of Belgacom; this is an increase of almost 60% compared to one year ago. Convergence of fixed and mobile is a driver for Mobile Internet, with many of our Fixed Internet customers subscribing to "Internet One".

Another growth driver is our IPTV-product. Despite operating in a country with high cable penetration, we continued to convince customers of the advantages of Belgacom TV. Supported by our unique market positioning and our regional approach, we have so far in 2010 attracted 116,000 new customers on the Belgacom TV platform, resulting in a total TV customer base of 868,000 by the end of June, which is a 47% increase in one year. As a result of our sustained customer take-up, we estimate to have further increased our share in the Belgian TV market, across all regions. Over the first half of this year, our IPTV-revenue grew by 46% to EUR 86 million, clearly contributing to our top-line growth and Group EBITDA.

Executing our convergence strategy, we continued to enhance our customer base by increasing the number of multi-play customers. By end of June, 741,000 customers enjoyed the advantages of one of our convergent Packs. This is an increase of 88,000 in the second quarter of 2010. Within our residential segment, about 44% of our customers have two Belgacom products or more, with a growing percentage of customers on a quadruple-play-offer.

Our multi-play bundles, together with our attractive flat-rate plans (e.g. Happy Time) also positively impacted the number of Fixed-line disconnections, which decelerated further in the second quarter.

Within the mobile domain, we stick to our strategy to focus on attracting and retaining high-value contract customers. For the second quarter, this led to an upgrade of our customer base by 39,000 Postpaid customers, while our Prepaid and MVNO customer base includes a net-loss of 12,000. We also saw an improvement in mobile usage for the residential segment while for the professional segment the downward mobile usage trend seems to be stabilizing.

Furthermore, in the professional segment, we see an upturn in the ICT-area. This strengthens our belief the worst of the economic downturn is behind us. The year-on-year ICT revenue growth, which started slowly in first quarter, accelerated in the second quarter to a growth of 4%.

Based on our solid result so far, and on our best estimate for the remainder of the year, we expect our full-year revenue growth (excluding non-recurring revenue) to be between 9% and 10%. Even though most of this additional revenue is coming from our lower margin business unit 'BICS', we are still targeting a full-year EBITDA margin of 30% as we will continue to focus on direct margin improvements and overall cost efficiencies. We estimate the capex to be around 10% of Group revenue, excluding the 2G license renewal.

Furthermore we remain committed to an attractive shareholder return, with the intention to return over the result of 2010 a dividend of EUR 2.18 per share, payable in two tranches: an interim dividend of EUR 0.5 per share and a normal dividend of EUR 1.68 per share.

Didier Bellens, CEO Belgacom

[1] Total of subscriptions for internet on laptop, excluding internet on GSM

Reporting changes

Note that some changes in the reporting structure have an important impact on the results as of 1 January 2010.
To aid the reader, the impact of the changes has been explained in the result analysis further in this press release and references are made to restated results. Note, however, that the 2009 restated result is unaudited.
The year-to-date June 2010 results include the changes as described below.

1- BICS consolidated at 100%, including MTN ICS

On 30 November 2009, MTN contributed its international carrier services to BICS in exchange for a 20% stake in BICS. As a result, Belgacom's interest in BICS was diluted from 72% to 57.6% while Swisscom now owns 22.4%.
Until year-end 2009, BICS was jointly controlled by Belgacom, Swisscom and MTN and therefore proportionally consolidated.
On 1 January 2010 Belgacom acquired control of BICS. As a result of this and in application of the revised IFRS 3, BICS is fully consolidated as from 1 January 2010, with the recognition of a non-recurring gain of EUR 436 million.
The Group net income is adjusted via the minority interests.

2- The integration of Belgacom and some of its subsidiaries into one legal entity

On 4 January 2010, an Extraordinary General Meeting (EGM) approved the further integration of the Belgian subsidiaries/activities of the Belgacom Group into Belgacom SA. This concerns Belgacom SA, Belgacom Mobile SA, Telindus NV, Telindus Sourcing SA and the activities of Belgacom Skynet SA and the national activities of Telindus Group NV. All other subsidiaries are excluded from the merger, and hence remain separate legal entities (e.g. BICS, Skynet iMotion Activities, Tango, Scarlet, the international subsidiaries of the Telindus Group, and all other smaller entities.).

Although this had a neutral impact on Belgacom Group level, it resulted in some shifts between segments, especially impacting segment revenue from mobile voice and mobile data. The reason for this is the disappearance of the intercompany flows between the merged legal entities. The intercompany flow impacted the most is the Fixed-to-Mobile interconnection traffic (Belgacom SA to Proximus). Before the merger Belgacom SA paid mobile termination costs to Belgacom Mobile SA (Proximus) to terminate fixed calls on the Proximus network. The same applies to Mobile-to-Fixed interconnection traffic, although the impact is much less significant.
Before the approval of the EGM on 4 January, Belgacom SA and Belgacom Mobile SA were separate legal entities, and therefore these interconnection traffic streams resulted in the recognition of revenue and sales-related costs. On a Belgacom Group level, these flows were eliminated via "inter-segment eliminations".

3- Fine-tuning of revenue and cost allocations

Within the revenue structure of the segments, the product allocation has been fine-tuned. This results in some minor shifts between the reported product groups. For the costs too, some minor adaptations have been made to realign the cost structure.

Financial report
Belgacom Group

- **Solid revenue growth +10.3% yoy**
- **Sound underlying business nearly offsetting regulation impact**
- **Focus on direct margin and expenses support EBITDA margin**
- **HR-expenses benefit from ongoing headcount programs**
- **Free Cash Flow of EUR 598 million**

✓ *Quarterly financials on group and segment level: page 20*

Revenue

	Six months ended 30 June				
	2009		**2010**		**Variance 2010/2009**
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	1,195	40%	1,182	36%	-1.1%
Enterprise Business Unit	1,267	42%	1,226	37%	-3.2%
Service Delivery Engine & Wholesale	192	6%	179	5%	-6.7%
Staff & Support	19	1%	18	1%	-6.6%
International Carrier Services	443	15%	792	24%	78.8%
Inter-segment eliminations	-121	-4%	-92	-3%	-23.7%
Total	**2,996**	**100%**	**3,305**	**100%**	**10.3%**
Non-recurring revenue	0		436		
Total	**2,996**		**3,741**		**24.9%**

For the first half of 2010, Belgacom **reports a solid Group revenue of EUR 3,305 million, or an increase of 10.3%** compared to June last year. Where for the first quarter the Group revenue increased year-over-year by 10%, this positive evolution improved to 10.7 % for the second quarter of 2010. The growing revenue is largely the result of the full-consolidation of Belgacom's International Carrier Services (BICS), including the contribution of MTN ICS.
On a like-for-like basis, i.e. when consolidating BICS' 2010 revenue proportionally at 57.6%, **the Belgacom Group revenue is only down by 0.3% against the previous year**. This is entirely due to regulatory impacts, which have reduced the Belgacom revenue by EUR 37 million (-1.2%) year-to-date June.
Excluding the regulation impact, Belgacom's underlying business is growing compared to the previous year, driven by the organic revenue growth of BICS and the growing revenue contribution of Belgacom TV, Fixed and Mobile internet.

Note that the year-over-year revenue variance of the Business Units is impacted by the legal entity merger. Revenue generated between former legal entities is no longer included as of 2010, by definition reducing the segment revenue. However, this has no impact on a Group level.

The Group year-to-date revenue also includes a non-recurring gain of EUR 436 million. This results from the acquisition of control of BICS on 1 January 2010, which in application of the revised IFRS 3 led to the remeasurement of the Group's previously held interest in BICS.

Operating expenses

	Six months ended 30 June		
(EUR million)	**2009**	**2010**	**Variance 2010/2009**
Costs of materials and charges to revenue	1,023	1,336	30.7%
Personnel expenses and pensions	561	549	-2.2%
Other operating expenses	418	422	1.0%
Total	**2,002**	**2,307**	**15.3%**
Non-recurring expenses	62	-1	-101.0%
Total	**2,064**	**2,306**	**11.8%**

Focus on direct margin improves the trend of Sales-related costs: like-for-like increase limited to 3.8%
Following the additional revenue of BICS, at typical lower margins, the Sales-related costs were impacted significantly (+30.7%). **On a comparable basis, i.e. consolidating BICS' Sales-related costs at 57.6%, the year-over-year increase is limited to EUR 35 million or +3.8%.** This increase is largely a consequence of the success of BICS, which is growing organically, and of the higher Sales-related costs within the Consumer business unit in the first half of 2010, impacted by the Scarlet migration costs, the higher commissions due to a change in the sales channel mix and by the higher interconnection costs following pricing plans with free SMS or minutes. The focus on direct margin to improve the profitability of products has, however, contributed to a trend improvement in the second quarter.

Ongoing headcount reduction positively impacting HR-expenses; 2.2% lower

Belgacom's HR-expenses clearly benefit from the past and ongoing efforts to reduce the headcount. Over the first six months, HR-expenses were reduced by 2.2%. Adjusting for the impact of the full-consolidation of BICS, the HR-expenses were down by 3.6%.

This results from the lower personnel base, which was 16,158 FTEs by end of June 2010. This is 703 FTEs or 4% less than one year ago.

Despite the higher headcount following the full-consolidation of BICS (+169 FTEs), Belgacom has so far in 2010 reduced its personnel base by 646 FTEs (mainly representing statutory employees). This is largely the result of the ongoing restructuring program (560 FTEs), which took full effect in the first quarter of 2010.

Number of FTE	June 2009	End 2009	June 2010	12 months variance	6 months variance
Consumer Business Unit	5,781	5,718	5,158	-623	-561
Enterprise Business Unit	5,445	5,328	5,172	-273	-156
Service Delivery Engine & Wholesale	3,223	3,303	3,364	141	61
Staff & Support	2,178	2,230	2,071	-107	-159
International Carrier Services	234	225	393	159	169
Total	**16,861**	**16,804**	**16,158**	**-703**	**-646**

Successfully controlling non-HR expenses

Belgacom continued its company-wide focus on cost-efficiencies. The slight increase of 1% in 'other operating expenses' is partly due to the full-consolidation of BICS. Both customer business units have kept the non-HR expenses well under control.

Higher costs in Service Delivery Engine & Wholesale due to the roll-out of the new Mobile Radio Access Network and Scarlet migration, were partly offset by cost reduction actions.

Operating income before depreciation and amortization (EBITDA)

	Six months ended 30 June				
	2009		2010		Variance 2010/2009
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	534	54%	531	53%	-0.6%
Enterprise Business Unit	615	62%	613	61%	-0.4%
Service Delivery Engine & Wholesale	-34	-3%	-45	-5%	34.0%
Staff & Support	-163	-16%	-160	-16%	1.9%
International Carrier Services	41	4%	60	6%	44.5%
Total	**994**	**100%**	**999**	**100%**	**0.5%**
Non-recurring revenue	0		436		
Non-recurring expenses	-62		1		
Total	**932**		**1,435**		**54.0%**

The Group EBITDA slightly increased over the first half of 2010 to EUR 999 million or +0.5% compared to the previous year. Adjusted for the impact of the full-consolidation of BICS in 2010, the EBITDA is 2.1% or EUR 21 million lower, mainly due to a negative impact from regulation for a total amount of EUR 16 million.

BICS lowered the Group EBITDA margin in two ways: (1) as a result of the full-consolidation and (2) because of the strong organic growth, at lower margin than CBU and EBU. Neither of these items are a negative but just mathematical lower the Group EBITDA margin.

As a result of the company-wide efforts to control the direct margin and expenses, the EBITDA margin was kept at a level of 30.2%. Excluding the full-consolidation effect of BICS, the EBITDA margin over the first half was 32.6%, compared to 33.2% for the same period of 2009. The slight erosion is caused by the organic growth of BICS.

Depreciation and amortization

Depreciation and amortization increased from EUR 352 million in 2009 to EUR 400 million for 2010, mainly driven by BICS and SDE&W. The increase for BICS results from the contribution of MTN-ICS in November 2009, the full consolidation of BICS, and the recognition of previously unrecognized intangible assets of BICS (trade-name and customer-base) as a result of the purchase price allocation.

Within SDE&W, depreciation and amortization increased as a result of the shortened useful life of the currently used Mobile Radio Access Network as this is gradually being replaced by Huawei equipment, starting in 2010.

Net finance result

The year-over-year variance in the net finance result, going from EUR -60 million in 2009 to EUR -54 million in 2010, resulted mainly from the improvement of the net financial position, lower discounting charges of long term liabilities and gains on disposal of available-for-sale investments, partly offset by higher negative re-measurements to fair value on financial instruments.

Tax expense

The tax expense for the first six months of 2010 amounts to EUR 132 million compared to EUR 120 million for the same period last year. The Group has an **effective tax rate of 13.5%,** whereas this was 23.1% in 2009, based on the application of general principles of Belgian tax law.
Excluding the capital gain, the effective tax rate of the first half-year 2010 is 24.3%.

Net income (Group Share)

The Group net income increased year-over-year from EUR 400 million to EUR 841 million by end of June 2010, including non-recurring items.

Capital expenditure (Capex)

(EUR million)	Six months ended 30 June 2009		2010		Variance 2010/2009
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	42	16%	67	18%	61.2%
Enterprise Business Unit	10	4%	6	2%	-41.3%
Service Delivery Engine & Wholesale	205	76%	275	73%	34.4%
Staff & Support	8	3%	17	5%	111.6%
International Carrier Services	5	2%	10	3%	101.6%
Total	**270**	**100%**	**376**	**100%**	**39.4%**

Excluding the capex for the 2G license, Belgacom invested 9.1% of its revenue in the first half of 2010.
The total Group capex of EUR 376 million end of June 2010 includes EUR 74 million for the renewal of the 2G license for the period 2010-2015. Although Belgacom maintains its standpoint that the tacit extension of its 2G license does not imply payment, the company complied with the payment obligations, with all due reserves. Belgacom has opted for annual payments and the first one of EUR 12 million was made in April 2010.
Within CBU, the renewal of content rights for Belgacom TV has increased the level of investments compared to last year.

Belgacom continued the roll-out of its “Move-to-all-IP”-project (MaIP), a business transformation project entailing a full re-engineering of its network, IT systems and processes. Since the launch of this project in 2008, a total of EUR 70 million was invested, including EUR 29 million over the first half of 2010. The largest portion of the 2010 MaIP-investments has been allocated to new IT-systems in order to further automate and control operational processes.

Belgacom also continued to invest in its Broadway-project, i.e. the further roll-out of fiber-to-the-curb and the installation of VDSL2. By end of June 2010, the coverage of Belgacom’s fiber network was extended to over 75% of Belgian households. This coverage has been achieved with a total investment of EUR 532 million since the project started end of 2003.

Cash flows

(EUR million)	Six months ended 30 June 2009	2010
Cash flows from operating activities	625	923
Capital expenditures	-270	-376
Cash flows from / (used in) other investing activities	7	51
Cash flow before financing activities or "free cash flow"	**362**	**598**
Cash flows used in financing activities	-620	-573
Net increase / (decrease) of cash and cash equivalents	**-257**	**25**

By end of June 2010, the **Free Cash Flow** was EUR 598 million, compared to EUR 362 million for the same period last year. The significant increase is impacted by some one-off items and timing differences. The Free Cash Flow for the first six months of 2009 included the payment of a EUR 66 million fine imposed by the Belgian Competitions Authority, while the Free Cash Flow for the first six months of 2010 included a EUR 51 million cash increase as a result of the full consolidation of BICS. In addition, year-over-year, income tax payments decreased as a result of timing differences and the full use of the Belgacom SA tax losses carried forward due to the legal entities merger.

The **cash flow used in financing activities** decreased by EUR 47 million due to higher net sales of financial investments and treasury shares (more exercises of stock options or discounted share purchase plans), and lower payment of interim dividends carried over from December previous year. These positive effects were partly offset by higher payments to non-controlling interests.

Balance sheet and shareholders' equity

Compared to year-end 2009, the **goodwill** increased by EUR 245 million to EUR 2,332 million mainly as a result of the acquisition of control in BICS and the subsequent purchase price allocation performed by the Group. **Intangible fixed assets and property, plant and equipment** increased by EUR 546 million in 2010 compared to year-end 2009, mainly as a consequence of the purchase price allocation, the remeasurement to fair value of BICS net assets, the move from a proportional to a full-consolidation of BICS and the 2G license renewal.

The shareholders' equity increased from EUR 2,521 million at year-end 2009 to EUR 2,838 million in June 2010, mainly reflecting the net income generated during the first six months of 2010 and the dividend distribution decided during the General Assembly of April 2010.

During the first six months of 2010, the Group sold 294,304 treasury shares to its senior management for EUR 6 million under discounted share purchase plans at a discount of 16.67%.

During the same period, employees exercised 401,971 share options, for which treasury shares are used.

In 2010, the Group granted 1,023,210 new share options to its key management and senior management with an exercise price of EUR 26.445.

Belgacom continues to have a sound financial position. **The net financial debt** decreased by EUR 32 million for the first half year of 2010 to EUR 1,684 million. The outstanding financial debt amounted to EUR 2.2 billion at the same date, most of it maturing in 2011 and 2016.

Regulatory and legal

Regulation impacts 2010 (EUR million)		**YTD June 2010**	**Estimated Impact FY 2010**
Roaming	Revenue	-18	About €25m
	EBITDA	-16	Slighly below €25m
MTR & flow-through Fix-to-Mob	Revenue	0	About €40m
	EBITDA	0	Less than €5m
Collecting model Premium Rate Services	Revenue	-19	About €50m
	EBITDA	0	Neutral
Total	**Revenue**	**-37**	**About €115m**
	Ebitda	**-16**	**Less than €30m**

Over the first half of 2010, the result of Belgacom was reduced by the carry-over impact from the lower Voice and SMS Roaming rates since 1 July 2009 and by the introduction of a collecting model for Premium rate services as of 1 April 2010. Year-to-date June 2010, these elements had a total negative impact on the Group revenue of EUR 37 million and EUR 16 million on EBITDA.

In addition to the impact from Roaming and the collecting model, the Group revenue and EBITDA will also be impacted by lower Mobile Termination Rates as of 1 August 2010.

New MTR glide path

On 29 June 2010, the Belgian regulator (BIPT) adopted its final decision on the 2010-2013 MTR glide path. The first decrease will occur on 1 August 2010 for all three mobile operators in Belgium. For Belgacom the MTR will be lowered from 7.2 euro-cents currently to 4.62 euro-cents or a decrease of 36%, while for Mobistar the MTR will be reduced by 44% to 5.05 euro-cents and for KPN Group (acting under the brand name Base) by 49% to 5.81 euro-cents[1]. As the decrease for the other two mobile players is greater than for Proximus, there will be a reduction in the asymmetry. As of August 2010, the asymmetry with Mobistar will be at 9.3% (down from 25.3%) and with Base at 25.7% (down from 58.8%). Gradual MTR decreases are foreseen until 2013 for all operators. For Proximus the new MTR will be 3.83 euro-cents on 1 January 2011, 2.46 euro-cents on 1 January 2012 and 1.08 euro-cents on 1 January 2013 (excluding inflation). The MTR of the two other operators will also be drastically reduced but a minor degree of asymmetry will be maintained until 2012. Full symmetry will be reached in 2013. Any decrease in MTRs will have to be reflected in Belgacom's fixed-to-mobile retail tariffs.

[1] Including inflation

On 14 July 2010, Mobistar and KPN Group each filed a separate appeal against the BIPT decision of 29 June before the Brussels Appeal Court. They both ask the Court to suspend and annul the decision (especially regarding their own MTR tariffs). KPN also asks that the application of the glide path for Belgacom and Mobistar be suspended and that the MTR foreseen in the last step of the glide path be imposed on them (1.08 euro-cents scheduled to apply as from 1 January 2013 in the decision) as early as from 1 August 2010. Belgacom will intervene in these appeals to protect its interests.

The impact on Belgacom results will fall entirely in the second half of 2010 and is estimated to be less than EUR 5 million on EBITDA, while the impact on revenue is estimated to be about EUR 40 million. These estimates include both the direct impact from lower MTRs as well as the flow-through to Fixed-to-Mobile tariffs.

Lower Roaming rates
Over the first half of 2010, the negative carry-over impact on revenue from lower Voice and SMS roaming rates since July 2009 was EUR 18 million, while the EBITDA decreased by EUR 16 million.

In application of the updated regulation on voice roaming (Roaming II) that entered into force in July 2009, the voice roaming rates were further decreased as of 1 July 2010: Retail Outgoing from 43 euro-cents to 39 euro-cents; Retail Incoming from 19 euro-cents to 15 euro-cents and Wholesale from 26 euro-cents to 22 euro-cents.

Data roaming services are regulated at wholesale level based on a price cap, calculated on a kilobyte basis. On 1 July 2010, the data roaming prices went down from EUR 1 per Mb to 80 euro-cents per Mb. Measures aimed at preventing "bill shocks" were also implemented. (setting of maximum financial limits).

As a consequence of the above mentioned changes, the 2010 full-year revenue is expected to decrease by EUR 25 million, with impact on EBITDA slightly less.

Collecting model for Premium Rate Services
As from 1 April 2010, Belgacom moved, where appropriate, towards a collecting model for Premium Rate Services where Belgacom collects from customers on behalf of a third-party content provider. This is a consequence of the final circulars issued end-2009 by the Ministry of Finance concerning the application of VAT on Premium Rate Services and Tax on Chance Games. As a result, the relevant revenues can no longer be considered as full Belgacom revenues.
Since its introduction on 1 April, the collecting model has reduced the Group revenue by EUR 19 million. For the full year, the Group revenue is expected to be reduced by a total amount of EUR 50 million, without impacting the Group EBITDA.

2G license

A law amendment published on 25 March 2010 requires mobile operators to pay for the tacit extension of 2G licenses. The amount of EUR 74 million for Belgacom corresponds to the original 2G license fees proportionate to the spectrum quantity and duration. Belgacom has opted for annual payments and the first one, for an amount of about EUR 12 million, was made in April.
Belgacom maintains its standpoint that the tacit extension of its 2G license (as confirmed by a decision of the Court of Appeal of 20 July 2009) does not imply payment. Belgacom will therefore file an appeal. In the meantime, it will comply with the payment obligations with all due reserves.

Fine for infringement of transparency of information to customers

On 28 June 2010, the BIPT decided to impose a fine of EUR 800,000 on Belgacom for providing incomplete information to its retail customers when it reviewed its broadband offers in March 2010.
Belgacom will challenge this decision before the Courts but the appeal does not suspend the payment of the fine.

Consumer Business Unit - CBU

- **Revenue like-for-like[1] +1.2% yoy; despite regulation impact**
- **TV and data driving revenue growth**
- **Customer growth supported by the success of Packs; +88,000 in Q2 2010**
- **Strict cost control: Sales-related costs improving, lower non-HR expenses**

P&L Consumer Business Unit

(EUR million)	Six months ended 30 June 2009	2010	Variance 2010/2009
TOTAL SEGMENT REVENUE	**1,195**	**1,182**	**-1.1%**
Costs of materials and charges to revenue	-340	-351	3.2%
Personnel expenses and pensions	-177	-162	-8.4%
Other operating expenses	-143	-138	-3.8%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-661**	**-651**	**-1.4%**
TOTAL SEGMENT RESULT (1)	**534**	**531**	**-0.6%**
Segment contribution margin	*44.7%*	*44.9%*	
Non-recurring expenses	-7	1	-
OPERATING INCOME before depreciation & amortization	**528**	**532**	**0.7%**
Depreciation and amortization	-75	-74	-1.2%
OPERATING INCOME	**453**	**458**	**1.1%**

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

✓ *CBU quarterly financial and operational results: page 20*

CBU revenue on a comparable basis growing 1.2%

For the first half of 2010, CBU reported revenues of EUR 1,182 million or a slight decline of 1.1% compared to a year ago. This decline fully results from the intercompany revenues that are no longer included as from 2010. **On a comparable basis, CBU revenues were up 1.2%, absorbing a EUR 18 million (-1.6%) negative regulation impact** from roaming and Premium Rate Services. As from 1 April 2010, Belgacom moved towards a collecting model for Premium Rate Services impacting fixed voice, mobile voice and mobile data second-quarter revenues.

Excluding the above-mentioned impacts, the **underlying CBU business grew 2.8% for the first six months of 2010**. This growth results from the continued strong performance of Belgacom TV and increasing fixed and mobile data revenues.

(EUR million)	Six months ended 30 June 2009	2010	Variance 2010/2009	Variance % 2010/2009
Revenues	**1,195**	**1,182**	**-13**	**-1.1%**
From Fixed	**575**	**571**	**-4**	**-0.7%**
Voice	285	258	-28	-9.6%
Data	157	170	13	8.1%
TV	59	86	28	46.7%
Terminals (excl. TV)	25	16	-9	-36.0%
Scarlet	50	41	-8	-16.4%
From Mobile	**574**	**567**	**-7**	**-1.3%**
Voice	348	329	-20	-5.7%
Data	147	159	12	7.9%
Terminals	32	30	-2	-6.6%
Tango	46	49	3	6.3%
Other	**46**	**45**	**-1**	**-2.6%**

Fixed voice revenue pressured by collecting model and discounts in Packs; line loss improved

For the first six months of 2010, fixed voice revenue declined 9.6% to EUR 258 million. Line loss remained one of the drivers although it improved going from a net loss of 80,000 lines in the first half of 2009 to a net loss of 63,000 lines in 2010. End of June 2010, CBU had 1,999,000 fixed lines, including Scarlet VoIP customers.

In addition, the fixed voice revenue was impacted by the discounts on Packs and the collecting model for Premium Rate Services, the latter also clearly impacting the second-quarter ARPU of EUR 20.3 (-5.9% year-over-year).

1 When adjusting 2009 figures for intercompany flows that are eliminated as from 2010

Growing customer base and revamped internet offer driving internet revenue growth
Year-over-year fixed data revenue was up 8.1% resulting from the increased customer base and the new internet offer including boosted speeds and volumes at a slightly higher price. Over the first six months of 2010, CBU added 24,000 new customers, driven by the success of the packs and the revamped internet offer. Scarlet too continued to contribute to the customer growth, resulting in a total customer base of 1,099,000 by the end of June 2010. Due to a seasonality effect, second-quarter net adds are traditionally lower, but nevertheless CBU added 8,000 customers compared to 3,000 a year ago.
First-half 2010 ARPU amounted to EUR 28.6, a slight increase (0.9%) compared to the same period last year as the positive impact of the new internet offer offset the discount impact from the Packs.

Belgacom TV revenue growth of 46.7% supported by strong net adds
Belgacom TV continues to be one of the growth drivers for CBU with a revenue increase of 46.7% year-over-year and an increase in the customer base of 116,000 subscribers for the first half of 2010. A seasonality effect impacts net adds for the second quarter but CBU performed strongly in 2010 with 54,000 net adds compared to 33,000 in the same period of last year. The success of the Packs and the Free TV Pack in particular continue to drive customer growth resulting in a TV customer base of 868,000 subscribers end of June 2010.
The ARPU for the second quarter was EUR 19.1, which showed some seasonality impact driven by lower On Demand usage and the end of the football season.

Scarlet revenue impacted by migration of customers to Belgacom
First-half 2010 revenue remained impacted by the transfer of Scarlet B2B and wholesale customers to Belgacom. This migration is however having a positive impact on the year-over-year revenue variance of EBU and SDE&W.

Mobile voice adjusted revenue -1.6%; growth of customer base and usage offset by regulation
Following the legal entity merger, CBU 2010 voice revenues no longer include intercompany traffic. The Fixed-to-Mobile intercompany traffic has been eliminated, impacting CBU mobile inbound voice revenues.
On a like-for-like basis, revenue was down 1.6% year-over-year. This decline is entirely due to the carry-over impact from the roaming tariff cut of July 2009 and the change in Premium Rate Services as from 1 April 2010.
After a weak first quarter 2010, CBU mobile net adds picked-up in the second quarter (+ 7,000). The postpaid segment in particular performed strongly with 20,000 net adds for the second quarter, driven by the successful conversion of prepaid customers to postpaid and by an increase in mobile internet customers.
On a like-for-like basis, net voice ARPU for the first half of 2010 was slightly down 2.1% due to regulation impacts. The year-over-year paying MoU were up 1.9% to 87.7 on a comparable basis.

Mobile data revenue up by 7.9%, impacted by regulation
As from 2010, the allocation of credits and discounts to SMS and advanced data has been fine-tuned. This has resulted in a shift of credits and discounts from SMS to advanced data, impacting the year-over-year variance.
On a like-for-like basis, **SMS revenue increased 10.6%** following the success of pricing plans including free SMS, more than offsetting the SMS roaming regulation impact. Paying SMS increased 20.4% year-over-year to 86.4 SMS per customer per month.
On a comparable basis, advanced data declined 2.4% year-over-year, driven by the impact from the collecting model for Premium Rate Services. Excluding this impact, **advanced data continued its upward trend with an increase of 12.4%** year-over-year, driven by the success of the Internet One offer.

	Six months ended 30 June		
(EUR million)	2009 Adjusted*	2010	Variance % 2010/2009
Mobile DATA revenue	**147**	**159**	**7.9%**
Data - SMS	116	128	10.6%
Advanced data	32	31	-2.4%

**2009 adjusted for the reallocation of credits & discounts*

CBU total expenses +3% on a like-for-like basis; trend improving

Over the first half of 2010, CBU reported operating expenses of EUR 651 million or an improvement of 1.4% compared to a year ago. The 2010 operating expenses are impacted by the legal entity merger with intercompany costs being eliminated. On a like-for-like basis costs were up 3.1%, fully driven by the higher cost of sales.

Costs of sales +8.5% on a comparable basis, trend improving in second quarter 2010
On a comparable basis, CBU's cost of sales increased 8.5% year-over-year, with a marked improvement in the second quarter of 2010 (+3.4%), driven by the lower costs following the Premium Rate Services collecting model and initiatives taken to improve the product profitability.
The Cost of Sales for the first half 2010 remained impacted by the Scarlet migration costs, the higher commissions due to the change in channel mix and by the higher interconnection costs following pricing plans with free SMS or minutes.

Personnel expenses benefitting from the ongoing restructuring programs
First-half 2010 personnel costs decreased, driven by the lower headcount. Compared to a year ago, CBU's headcount decreased by 623 FTEs following the ongoing tutorship program, the Scarlet restructuring program and natural attrition.

Lower non-HR costs resulting from ongoing cost control efforts
The ongoing cost control within CBU resulted in lower non-HR costs. For the first six months of 2010 these decreased 3.8% to EUR 138 million.

CBU reported contribution margin at 44.9%

The CBU reported EBITDA of EUR 531 million remained fairly stable (-0.6%) year-over-year, despite the negative impact from the Scarlet migration and the EUR 8 million regulation impact.
CBU reported a contribution margin of 44.9% or a slight increase of 0.2pp versus a year ago. On a comparable basis, the contribution margin declined 1pp.

CBU operating result

OPERATIONALS	Six months ended 30 June			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
FROM FIXED				
Number of access channels (thousands)	3,130	3,098	-32	-1.0%
Voice (PSTN/ISDN)	2,016	1,907	-109	-5.4%
IP	70	92	22	31.4%
ADSL, VDSL	1,044	1,099	55	5.2%
Traffic (millions of minutes)	2,353	2,230	-123	-5.2%
National	1,940	1,833	-107	-5.5%
Fixed to Mobile	214	207	-7	-3.3%
International	199	190	-10	-5.0%
TV (thousands)	589	868	280	47.5%
TV - households	513	753	240	46.7%
Of which TV-second stream users	75	115	40	52.8%
ARPU (EUR)				
ARPU Voice	21.7	20.8	-0.9	-4.1%
ARPU broadband	28.4	28.6	0.3	0.9%
ARPU Belgacom TV	19.8	19.9	0.1	0.4%
FROM MOBILE				
Number of active customers (thousands)	3,809	3,745	-64	-1.7%
Prepaid	2,224	2,159	-65	-2.9%
Postpaid	1,488	1,557	69	4.6%
MVNO	97	29	-68	-70.3%
Annualized churn rate (blended - variance in p.p.)	20.3%	20.5%		
Net ARPU (EUR)				
Prepaid	13.8	14.6	0.8	5.8%
Postpaid	35.9	32.7	-3.2	-8.9%
Blended	22.1	21.9	-0.2	-0.9%
Blended voice	15.6	14.9	-0.7	-4.5%
Blended data	6.6	7.1	0.5	7.8%
UoU (units)	276.8	327.0	50.2	18.1%
MoU (min)	110.5	106.9	-3.6	-3.3%
Normalized MoU (min)	94.5	87.7	-6.8	-7.2%
SMS (units)	167.4	221.3	54.0	32.2%
Normalized SMS (units)	71.8	86.4	14.6	20.4%

Tango

	Six months ended 30 June			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
Revenue[1] (in EUR mio)	46	49	3	6.3%
Total active mobile customers (in '000)	246	260	14	5.7%
Blended net ARPU (EUR/month)	23.6	24.8	1.3	5.5%

(1) Total Tango revenues, i.e. fixed and mobile revenues

Tango revenue was up 6.3% year-over-year driven by higher traffic, the success of the iPhone and some one-time effects like the "ash cloud"-effect. The number of mobile customers amounted to 260,000 end of June 2010 with an ARPU of EUR 24.8 or an increase year-over-year of EUR 1.3.

Enterprise Business Unit - EBU

- **Revenue like-for-like -2.2%, trend improving**
- **Revenue growth for ICT confirmed in Q2: +4.2% yoy**
- **Mobile usage trends stabilizing**
- **Focus on margin control and cost efficiencies: solid contribution margin of 50%**

P&L Enterprise Business Unit

	Six months ended 30 June		
(EUR million)	**2009**	**2010**	**Variance 2010/2009**
TOTAL SEGMENT REVENUE	**1,267**	**1,226**	**-3.2%**
Costs of materials and charges to revenue	-382	-358	-6.3%
Personnel expenses and pensions	-189	-184	-2.7%
Other operating expenses	-80	-70	-12.3%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-651**	**-612**	**-6.0%**
TOTAL SEGMENT RESULT (1)	**615**	**613**	**-0.4%**
Segment contribution margin	*48.6%*	*50.0%*	
Non-recurring expenses	-56	0	-
OPERATING INCOME before depreciation & amortization	**560**	**613**	**9.5%**
Depreciation and amortization	-13	-9	-30.4%
OPERATING INCOME	**546**	**604**	**10.5%**

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

✓ *EBU quarterly financial and operational results: page 21*

EBU revenue trend improving, on a comparable basis 2.2% lower

EBU's reported revenue of EUR 1,226 million for the first half of 2010 is 3.2% lower compared with the same period of the previous year. Part of that decline, however, is explained by the loss of intercompany revenue which is no longer included in the segment result as of 2010. The loss of intercompany revenue is mainly impacting turnover from Mobile.

On a **like-for-like basis, EBU's revenue was 2.2% lower** than the first half of 2009, with trends improving further in the second quarter with -1.4% year-over-year, **in spite of an increased pressure from regulation**.
Over the first half of 2010, EBU's revenues were impacted by regulation for a total amount of EUR 12 million (-0.9%), including the carry-over impact from roaming and, to a lesser extent, the move to the collecting model for Premium Rate Services as of 1 April 2010.
The ICT domain continued its recovery from the crisis, which started slowly with a 1.8% growth in the first quarter and improved further to a 4.2% growth in the second quarter of 2010.
Over the first half of 2010, the order intake remained healthy, with a total transaction value (TTVA[1]) of EUR 538 million, which is stable to the same period of last year (EUR 536 million).

	Six months ended 30 June			
(EUR million)	**2009 YTD**	**2010 YTD**	**Variance 2010/2009**	**Variance % 2010/2009**
Revenues	**1,267**	**1,226**	**-41**	**-3.2%**
From Fixed	**867**	**857**	**-10**	**-1.2%**
Voice	292	277	-16	-5.4%
Data	201	197	-4	-2.0%
Terminals (excl. TV)	37	37	0	-0.7%
ICT	336	346	10	3.0%
From Mobile	**387**	**358**	**-29**	**-7.5%**
Voice	290	259	-31	-10.6%
Data	89	92	3	3.4%
Terminals	8	7	-1	-14.2%
Other	**13**	**11**	**-2**	**-15.5%**

[1] Total Transaction Value: annualized value of new contracts signed during a specified period. This excludes renewals and retention of existing Voice (fixed-mobile) and Mobile Data contracts, and swaps of mobile pricing plans. TTVA is an indicator of the level of order intake in a specific period and is subject to seasonality. TTVA is not a projection of total revenue.

Fixed Voice continued its downward revenue trend; line erosion improved

Over the first half of 2010, the revenue from Fixed Voice declined by 5.4%, while this was -6.4% for the same period of last year.

The main driver of the lower Fixed Voice revenue remains the ongoing line erosion. So far in 2010, EBU has seen its fixed-line base reduced by 25,000, an improvement compared to the loss of 29,000 lines for the same period of last year. The trend during the first half of 2010 further improved from a loss of 14,000 lines in the first quarter to a loss of 11,000 in the second quarter. The main reason for the lower line erosion is fewer port-outs to the competition and fewer disconnections of customers looking for cost savings. The impact of bankruptcies, however, remained high.

Lower traffic and the collecting model for Premium Rate Services impacted fixed voice revenues, explaining the ARPU decline to EUR 30.2 in the second quarter.

Broadband customer base stable in saturated and competitive broadband market

Revenue from Fixed Data products has decreased slightly to EUR 197 million. This is partly due to the ongoing migration from older technologies (Leased Lines, Frame Relay, ATM) to the new and more advantageous "Explore"-platform (connectivity and managed services), while revenue from Broadband is stagnating.

Within a saturated and highly competitive market, EBU managed to keep its Internet customer base stable at 446,000, with an ARPU of EUR 39.2 for the first half of 2010. This is slightly lower than the previous year, as more EBU customers opted for converged Packs, including attractive discounts.

ICT revenue growth accelerated in the second quarter, confirming turning point

During the first half of 2010, revenue from ICT increased by 3% to EUR 346 million, with a 1.8% growth in the first quarter increasing to 4.2% in the second quarter. After a weak 2009, marked by the economic downturn, metrics are pointing in the right direction again. It looks like the turning point has been reached, with well-balanced sales of services and products.

Mobile Voice downward trend stabilized; adjusted revenue 5.7% lower

Historically, the turnover of Mobile Voice included intercompany revenue, mainly linked to mobile inbound revenue (Fixed-to-Mobile). As of January 2010, these intercompany flows disappeared with the merger of the legal entities.

On a like-for-like basis, i.e. excluding intercompany revenue in 2009, EBU's mobile voice revenue declined 5.7% compared to the previous year. This includes a carry-over impact from roaming regulation and some minor revenue loss due to the collecting model for Premium Rate Services. Over the first six months, the trend slightly improved from -6.5% in the first quarter to -4.8% in the second quarter. This is due to recovering revenue trends for both inbound and outbound traffic and especially for roaming, including a positive effect from the 'ash cloud' in April.

The MoU-trend shows some stabilization with a year-over-year decline limited to 3.4% in the second quarter 2010, compared to the 8.1% decline for the same period last year.

The positive impact from the year-over-year Mobile customer growth of 81,000 (+7%) did not offset the impact from the significant decline in Mobile ARPU to EUR 34.6 (-12.3% on like-for-like basis), driven by regulation, price erosion and lower usage. The ARPU, however, remained fairly stable over the first half of 2010, going from EUR 34.8 to EUR 34.5 in the second quarter.

Mobile data revenue like-for-like up by 6.6%

The 2009 Mobile Data revenue included some intercompany revenue, which is no longer the case in 2010 as result of the legal entity merger. When excluding the intercompany revenue from 2009, the total Mobile Data revenue increased by 6.6% year-to-date June.

Within the product group Mobile Data, the allocation of credits and discounts to SMS and Advanced data has been fine-tuned. This has resulted in Credits and Discounts being transferred from SMS to Advanced data, impacting the year-over-year variance.

On a like-for-like basis the revenue from Advanced data increased by 11.4% compared to the first half of the previous year, while the revenue from SMS remained flat at EUR 36.9 million. The growing trend in number of SMS continued, increasing by 14.4% compared to last year to 76.1 SMS per active customer per month.

	Six months ended 30 June		
(EUR million)	2009 Adjusted*	2010	Variance % 2010/2009
Mobile DATA revenue	**86**	**92**	**6.6%**
Data - SMS	37	37	0.2%
Advanced data	49	55	11.4%

**2009 adjusted for the reallocation of credits & discounts and the eliminated intercompany revenue*

EBU continues positive evolution of operating expenses

Costs of materials and charges to revenue decreased by 6.3%, entirely due to legal entity merger

Over the first half 2010, EBU reports Sales-related costs of EUR 358 million, i.e. 6.3% lower compared to last year. The decline results entirely from the merger of legal entities. As of 2010, EBU's Sales-related costs no longer include cost streams to the former separate legal entities. The cost stream mainly concerned Mobile termination costs which Belgacom SA paid to Proximus. On a like-for-like basis, the Sales-related costs increased slightly by 0.6%

EBU benefitting from headcount program: HR expenses decreased by 2.7% over first half of 2010

End June 2010, EBU had a total of 5,172 FTEs or 273 fewer FTEs than the previous year, due to the ongoing headcount program and natural attrition.

Rewarding cost reduction efforts: non-HR expenses down by 12.3%

EBU's ongoing cost control has resulted in a positive evolution of its non-HR costs. Over the first six months of 2010, the costs were reduced by 12.3%. The year-over-year variance is positively influenced by some restructuring costs related to the sale of WIN, which increased the 2009 first-quarter expenses.

Over the second quarter of 2010, EBU's expenses were lowered by 11.3%, owing to the strict company-wide cost control.

EBU contribution margin of 50%, stable on like-for-like basis

EBU reports an EBITDA of EUR 613 million, almost flat to the previous year. On a like-for-like basis, however, the segment result over the first half of 2010 was 2% lower compared to the previous year, including a regulation impact of EUR 6 million (-1%).

The contribution margin of EBU increased to 50%, up from 48.6% for year-to-date June 2009, while staying flat to the adjusted margin of 2009.

EBU operating result

OPERATIONALS	Six months ended 30 June			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
FROM FIXED				
Number of access channels (thousands)	1,958	1,912	-46	-2.3%
Voice (PSTN/ISDN)	1,503	1,454	-49	-3.3%
IP	11	12	1	4.5%
ADSL, VDSL	443	446	3	0.6%
Traffic (millions of minutes)	1,738	1,637	-101	-5.8%
National	1,189	1,107	-82	-6.9%
Fixed to Mobile	346	341	-5	-1.5%
International	203	189	-14	-6.8%
ARPU (EUR)				
ARPU Voice	31.1	30.5	-0.5	-1.7%
ARPU Broadband	39.9	39.2	-0.7	-1.7%
FROM MOBILE				
Number of active customers (thousands)	1,190	1,271	81	6.8%
Post-paid	1,190	1,271	81	6.8%
Annualized churn rate (blended - variance in p.p.)	10.9%	10.8%		
Net ARPU (EUR)				
Postpaid	54.0	46.9	-7.1	-13.1%
Postpaid voice	41.4	34.6	-6.8	-16.3%
Postpaid data	12.6	12.3	-0.3	-2.7%
UoU (units)	388.8	363.1	-25.8	-6.6%
MoU (min)	355.0	321.5	-33.5	-9.4%
Normalized MoU (min)	338.4	286.8	-51.7	-15.3%
SMS (units)	66.5	76.1	9.6	14.4%
Normalized SMS (units)	53.8	59.8	6.1	11.3%

Service Delivery Engine & Wholesale – SDE&W

P&L Service Delivery Engine & Wholesale

	Six months ended 30 June		
(EUR million)	**2009**	**2010**	**Variance 2010/2009**
TOTAL SEGMENT REVENUE	**192**	**179**	**-6.7%**
Costs of materials and charges to revenue	-34	-25	-26.1%
Personnel expenses and pensions	-101	-99	-1.4%
Other operating expenses	-91	-100	9.7%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-226**	**-225**	**-0.7%**
TOTAL SEGMENT RESULT (1)	**-34**	**-45**	**-**
Segment contribution margin	*-18%*	*-25%*	
Depreciation and amortization	-213	-238	11.7%
OPERATING LOSS	**-247**	**-283**	**14.7%**

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

✓ *SDE&W quarterly financial and operational results: page 22*

SDE&W like-for-like revenue slightly up

Over the first half of 2010, SDE&W reported revenue of EUR 179 million or 6.7% lower than a year ago. However, the SDE&W results of 2010 are impacted by the eliminated intercompany flows relating to Mobile-to-fixed and national transit traffic.

On a like-for-like basis, the half-year revenue was slightly up, driven by the positive impact of the migration of Scarlet wholesale customers to Belgacom. This was partly offset by the carry-over impact from the cut in roaming tariffs of July 2009 and the collecting model for Premium Rate Services applicable as from the second quarter of 2010, for a total amount of EUR 7 million.

SDE&W total operating expenses fairly stable

The reported 26.1% decline in cost of sales fully results from lower costs from moving toward a revenue collecting model for Premium Rate Services and from the eliminated intercompany flows.

HR costs slightly decreased by 1.4% year-over-year to EUR 99 million over the first six months of 2010. Non-HR costs increased almost 10% year-over-year due to higher costs related to the progressive upgrade of the Radio Access Network and the Scarlet migration.

Lower EBITDA due to legal entity merger

The lower reported EBITDA of EUR 45 million is entirely due to the impact of the legal entity merger.

Staff & Support – S&S

P&L Staff and Support

	Six months ended 30 June		
(EUR million)	**2009**	**2010**	**Variance 2010/2009**
TOTAL SEGMENT REVENUE	**19**	**18**	**-6.6%**
Costs of materials and charges to revenue	-1	1	>100%
Personnel expenses and pensions	-82	-84	2.7%
Other operating expenses	-100	-95	-4.7%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-182**	**-178**	**-2.4%**
TOTAL SEGMENT RESULT (1)	**-163**	**-160**	**-1.9%**
Depreciation and amortization	-40	-37	-5.3%
OPERATING LOSS	**-203**	**-197**	**-2.6%**

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

✓ *S&S quarterly financial and operational results: page 22*

End of June 2010 Staff & Support reported a revenue of EUR 18 million or a decline of 6.6% year-over-year since less capital gains on the sale of buildings were realised in the first half of 2010.

Non-HR costs for the first six months are 4.7% lower, mainly driven by the company-wide efforts to reduce costs. This was partly offset by a slight increase in HR costs of 2.7% year-over-year as the decline in headcount could not fully compensate for the slight increase in wages.

International Carrier Services - ICS

- **Positive effect from full consolidation and additional MTN-business**
- **Like-for-like, revenue growing 3%. Second quarter especially strong**
- **Solid volume growth**

P&L International Carrier Services

	Six months ended 30 June		
(EUR million)	**2009**	**2010**	**Variance 2010/2009**
TOTAL SEGMENT REVENUE	**443**	**792**	**78.8%**
Costs of materials and charges to revenue	-370	-684	84.7%
Gross margin (1)	*73*	*108*	*48.7%*
Personnel expenses and pensions	-12	-19	57.0%
Other operating expenses	-19	-30	52.6%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-402**	**-733**	**82.3%**
TOTAL SEGMENT RESULT (2)	**41**	**60**	**44.5%**
Segment result margin	*9.3%*	*7.5%*	
Non-recurring revenue	0	436	
OPERATING INCOME before depreciation & amortization	**41**	**495**	
Depreciation and amortization	-11	-42	
OPERATING INCOME	**31**	**454**	

(1) Total segment revenue net of costs of materials and charges to revenue
(2) Operating income before depreciation and amortization and before non-recurring revenue and expenses

✓ *ICS quarterly financial and operational results: page 23*

Strong ICS revenue, growing organically

The revenue of BICS increased to EUR 792 million for the first half of 2010. This includes the positive impact of the full-consolidation as of 2010 (BICS was proportionally consolidated at 72% in 2009) and the contribution of MTN ICS. On an adjusted basis, i.e. when proportionally consolidating BICS' 2010 revenue at 57.6%, its revenue grew by 3% year-over-year. The second quarter was especially strong, with organic revenue growing by 5.4%.

	Six months ended 30 June			
(EUR million)	**2009**	**2010**	**Variance 2010/2009**	**Variance % 2010/2009**
Voice	407.1	729.5	322.3	79.2%
Non Voice	36.0	62.8	26.9	74.7%
Total revenues	**443.1**	**792.3**	**349.2**	**78.8%**

ICS detailed gross margin

	Six months ended 30 June			
(EUR million)	**2009**	**2010**	**Variance 2010/2009**	**Variance % 2010/2009**
Voice	43.9	65.8	21.9	49.7%
Non Voice	28.9	42.5	13.6	47.2%
Total Gross Margin	**72.8**	**108.3**	**35.5**	**48.7%**

The total gross margin was up by 49% (about EUR 36 million) to EUR 108 million, driven by the positive impact of the full-consolidation. The margin as a percentage of revenue, however, is impacted by the low voice unit margins, feeling pressure from the competition and the high fluctuations in the EUR/USD exchange rate.

ICS operating income before depreciation and amortization (EBITDA)

The EBITDA of BICS amounted to EUR 60 million for the first half of 2010, positively impacted by the full-consolidation and the contribution of MTN ICS.
The EBITDA margin of BICS over the first half of 2010 was 7.5%, improving slightly from 7.4% in the first quarter to 7.7% in the second quarter thanks to the good performance in Non-voice business.

ICS operating review (volumes at 100% for both 2009-2010)

The additional business from MTN ICS positively impacted the volume growth. While Voice volumes continued their stable increase, the growth in Non-Voice volumes accelerated in the second quarter (+57%), mainly driven by SMS transit.

	Six months ended 30 June			
Volumes (in million)	**2009**	**2010**	**Variance 2010/2009**	**Variance % 2010/2009**
Voice	9,205	12,177	2,972	32.3%
Non-Voice (SMS/MMS)	237	356	119	50.3%

BICS volumes included at 100%

Quarterly results

Quarterly results as reported. 2009 does not include changes resulting from legal entity merger

Group – Financials

(EUR million)	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	YTD10
Revenues	**1,492**	**1,504**	**1,476**	**1,518**	**2,996**	**5,990**	**1,641**	**1,664**	**3,305**
Consumer Business Unit	591	604	602	617	1,195	2,414	590	592	1,182
Enterprise business unit	640	626	602	632	1,267	2,501	615	610	1,226
Service Delivery Engine & Wholesale	98	94	94	100	192	386	95	85	179
Staff&Support	7	12	6	8	19	33	11	7	18
International Carrier Services	217	227	228	221	443	892	378	414	792
Intersegment eliminations	-61	-60	-55	-60	-121	-236	-47	-45	-92
Costs of materials and charges to revenues	**-511**	**-511**	**-515**	**-550**	**-1,023**	**-2,087**	**-662**	**-674**	**-1,336**
Personnel expenses and pensions	**-281**	**-280**	**-271**	**-277**	**-561**	**-1,108**	**-274**	**-275**	**-549**
Other operating expenses	**-207**	**-211**	**-196**	**-225**	**-418**	**-840**	**-210**	**-212**	**-422**
Segment result	**492**	**502**	**494**	**467**	**994**	**1,955**	**495**	**503**	**999**
Segment EBITDA margin*	**33.0%**	**33.4%**	**33.5%**	**30.8%**	**33.2%**	**32.6%**	**30.2%**	**30.2%**	**30.2%**
Non recurring items	**0**	**-62**	**0**	**74**	**-62**	**12**	**436**	**1**	**436**
Ebitda	**492**	**440**	**494**	**541**	**932**	**1,967**	**931**	**504**	**1,435**

** before non-recurring items*

Group – Capex

(EUR million)	Q109	Q209	Q309	Q409	YTD 2009	2009	Q110	Q210	YTD 2010
Group Capex	**135**	**134**	**136**	**192**	**270**	**597**	**154**	**222**	**376**
Consumer Business Unit	26	16	19	29	42	89	49	19	67
Enterprise business unit	6	4	4	6	10	20	2	3	6
Service Delivery Engine & Wholesale	98	106	100	118	205	422	96	180	275
Staff&Support	3	6	8	27	8	44	5	13	17
International Carrier Services	2	3	6	12	5	22	2	8	10

CBU - Financials

(EUR million)	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	YTD10
Revenues	**591**	**604**	**602**	**617**	**1,195**	**2,414**	**590**	**592**	**1,182**
From Fixed	**290**	**285**	**290**	**298**	**575**	**1,163**	**291**	**280**	**571**
Voice	144	141	138	138	285	561	133	125	258
Data	79	78	82	84	157	323	85	85	170
TV	29	30	34	40	59	134	44	43	86
Terminals (excl. TV)	13	12	13	14	25	51	8	7	16
Scarlet	25	24	22	23	50	95	21	20	41
From Mobile	**278**	**297**	**291**	**296**	**574**	**1,161**	**279**	**288**	**567**
Voice	170	178	179	176	348	704	161	168	329
Data	71	77	75	80	147	303	80	79	159
Terminals (excl. TV)	14	18	14	16	32	62	15	16	30
Tango	23	23	23	24	46	93	24	25	49
Other	**24**	**22**	**21**	**23**	**46**	**90**	**21**	**24**	**45**
Costs of materials and charges to revenues	**-166**	**-174**	**-178**	**-205**	**-340**	**-723**	**-180**	**-171**	**-351**
Personnel expenses and pensions	**-89**	**-88**	**-81**	**-87**	**-177**	**-345**	**-81**	**-81**	**-162**
Other operating expenses	**-68**	**-75**	**-73**	**-81**	**-143**	**-297**	**-65**	**-73**	**-138**
Segment result	**268**	**266**	**269**	**244**	**534**	**1,048**	**264**	**267**	**531**
Segment Contribution margin	**45.4%**	**44.1%**	**44.8%**	**39.6%**	**44.7%**	**43.4%**	**44.7%**	**45.1%**	**44.9%**

CBU – Operationals

	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	YTD10
FROM FIXED									
Number of access channels (thousands)	**3,164**	**3,130**	**3,114**	**3,102**	**3,130**	**3,102**	**3,120**	**3,098**	**3,098**
PSTN	2,013	1,979	1,956	1,934	1,979	1,934	1,904	1,877	1,877
ISDN	38	37	36	34	37	34	32	31	31
IP*	71	70	65	60	70	60	93	92	92
ADSL, VDSL	1,042	1,044	1,057	1,075	1,044	1,075	1,091	1,099	1,099
Traffic (millions of minutes)	**1,230**	**1,124**	**1,060**	**1,181**	**2,353**	**4,594**	**1,178**	**1,052**	**2,230**
National	1,022	918	869	973	1,940	3,781	976	857	1,833
Fixed to Mobile	105	109	101	108	214	423	104	103	207
International	102	97	90	100	199	390	98	91	190
TV (thousands)	**555**	**589**	**663**	**752**	**589**	**752**	**814**	**868**	**868**
TV - households	486	513	575	652	513	652	713	753	753
of which second stream users	70	75	88	100	75	100	100	115	115
ARPU (EUR)									
ARPU Voice	21.7	21.6	21.5	21.7	21.7	21.7	21.2	20.3	20.8
ARPU broadband	28.6	28.1	29.1	29.0	28.4	28.7	28.7	28.5	28.6
ARPU Belgacom TV	20.4	19.2	20.6	21.3	19.8	20.4	20.7	19.1	19.9
FROM MOBILE									
Number of active customers (thousands)	**3,787**	**3,809**	**3,829**	**3,824**	**3,809**	**3,824**	**3,739**	**3,745**	**3,745**
Pre-paid	2,229	2,224	2,235	2,199	2,224	2,199	2,169	2,160	2,159
Post-paid	1,451	1,488	1,510	1,530	1,488	1,530	1,538	1,557	1,557
MVNO	107	97	84	95	97	95	31	29	29
Annualized churn rate (blended - variance in p.p.)	**19.6%**	**20.8%**	**21.5%**	**20.5%**	**20.3%**	**20.7%**	**20.9%**	**20.1%**	**20.5%**
Net ARPU (EUR)									
Prepaid	13.3	14.4	13.8	14.6	13.8	14.2	14.3	15.0	14.6
Postpaid	35.3	36.4	36.5	35.8	35.9	35.7	32.5	32.9	32.7
Blended	21.6	22.7	22.6	22.8	22.1	22.5	21.5	22.3	21.9
Blended voice	15.3	15.9	15.9	15.7	15.6	15.7	14.5	15.2	14.9
Blended data	6.3	6.8	6.7	7.1	6.6	6.7	7.0	7.1	7.1
UoU (units)	**262.9**	**290.5**	**275.7**	**312.4**	**276.8**	**286.0**	**318.0**	**335.1**	**327.0**
MoU (min)	**107.9**	**112.9**	**108.9**	**111.8**	**110.5**	**110.5**	**104.0**	**109.8**	**106.9**
Normalized MoU (min)	93.6	96.5	95.6	96.9	94.5	95.6	86.1	88.9	87.7
SMS (units)	**156.0**	**178.7**	**167.8**	**201.8**	**167.4**	**176.5**	**215.2**	**226.5**	**221.3**
Normalized SMS (units)	68.3	72.2	69.0	80.3	71.8	73.4	85.3	87.1	86.4

** As from Q1 2010 Scarlet VoIP customers are included*

EBU - Financials

(EUR million)	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	YTD10
Revenue	**640**	**626**	**602**	**632**	**1,267**	**2,501**	**615**	**610**	**1,226**
From Fixed	**438**	**429**	**411**	**442**	**867**	**1,719**	**432**	**425**	**857**
Voice	148	144	139	142	292	574	141	136	277
Data	101	100	100	100	201	401	99	98	197
Terminals	19	18	18	19	37	74	18	18	37
ICT	171	166	153	181	336	670	174	172	346
From Mobile	**193**	**194**	**186**	**186**	**387**	**759**	**177**	**180**	**358**
Voice	146	144	135	135	290	560	129	130	259
Data	43	46	48	47	89	184	45	47	92
Terminals	4	4	3	4	8	15	3	3	7
Other	**9**	**4**	**5**	**4**	**13**	**22**	**6**	**5**	**11**
Costs of materials and charges to revenues	**-198**	**-184**	**-174**	**-192**	**-382**	**-748**	**-183**	**-175**	**-358**
Personnel expenses and pensions	**-95**	**-94**	**-94**	**-96**	**-189**	**-379**	**-91**	**-93**	**-184**
Other operating expenses	**-41**	**-39**	**-33**	**-29**	**-80**	**-142**	**-36**	**-35**	**-70**
Segment result	**306**	**310**	**301**	**315**	**615**	**1,231**	**306**	**308**	**613**
Segment Contribution margin	**47.7%**	**49.4%**	**50.0%**	**49.7%**	**48.6%**	**49.2%**	**49.7%**	**50.4%**	**50.0%**

EBU – Operationals

	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	YTD10
FROM FIXED									
Number of access channels (thousands)	**1,974**	**1,958**	**1,946**	**1,937**	**1,958**	**1,937**	**1,922**	**1,912**	**1,912**
PSTN	664	657	652	649	657	649	647	644	644
ISDN	854	847	840	830	847	830	818	810	810
IP	11	11	12	12	11	12	11	12	12
ADSL, VDSL	445	443	442	446	443	446	445	446	446
Traffic (millions of minutes)	**901**	**837**	**770**	**828**	**1,738**	**3,336**	**848**	**790**	**1,637**
National	620	569	522	567	1,189	2,278	579	529	1,107
Fixed to Mobile	176	171	157	169	346	672	173	168	341
International	105	97	91	92	203	386	96	93	189
ARPU (EUR)									
ARPU Voice	31.3	30.9	30.1	30.9	31.1	30.8	30.9	30.2	30.5
ARPU Broadband	40.1	39.8	40.1	39.7	39.9	39.9	39.4	39.1	39.2
FROM MOBILE									
Number of active customers (thousands)	**1,170**	**1,190**	**1,211**	**1,235**	**1,190**	**1,235**	**1,252**	**1,271**	**1,271**
Post-paid	1,170	1,190	1,190	1,235	1,190	1,235	1,252	1,271	1,271
Annualized churn rate (blended - variance in p.p.)	**10.7%**	**11.0%**	**9.0%**	**9.9%**	**10.9%**	**10.2%**	**10.6%**	**10.9%**	**10.8%**
Net ARPU (EUR)									
Postpaid	54.5	53.6	51.1	50.1	54.0	52.4	46.9	47.0	46.9
Postpaid voice	42.1	40.7	37.6	37.2	41.4	39.5	34.8	34.5	34.6
Postpaid data	12.4	12.9	13.4	12.9	12.6	12.9	12.1	12.5	12.3
UoU (units)	**388.5**	**389.2**	**365.4**	**387.8**	**388.8**	**382.4**	**360.7**	**363.6**	**363.1**
MoU (min)	**355.4**	**354.5**	**329.3**	**346.6**	**355.0**	**346.0**	**319.7**	**321.8**	**321.5**
Normalized MoU (min)	337.9	338.9	313.5	327.7	338.4	327.7	287.4	282.7	286.8
SMS (units)	**64.7**	**68.4**	**68.6**	**76.5**	**66.5**	**69.6**	**74.6**	**77.0**	**76.1**
Normalized SMS (units)	53.3	54.3	53.8	57.6	53.8	54.5	59.1	60.0	59.8

SDE&W - Financials

(EUR million)	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	YTD10
Revenues	**98**	**94**	**94**	**100**	**192**	**386**	**94**	**85**	**179**
Costs of materials and charges to revenues	**-16**	**-18**	**-18**	**-20**	**-34**	**-72**	**-15**	**-10**	**-25**
Personnel expenses and pensions	**-50**	**-50**	**-47**	**-45**	**-101**	**-193**	**-51**	**-48**	**-99**
Other operating expenses	**-48**	**-43**	**-42**	**-51**	**-91**	**-185**	**-50**	**-50**	**-100**
Segment result	**-16**	**-18**	**-13**	**-18**	**-34**	**-64**	**-23**	**-23**	**-45**
Segment Contribution margin	**-16.5%**	**-18.7%**	**-13.6%**	**-17.6%**	**-17.6%**	**-16.6%**	**-24.0%**	**-26.6%**	**-25.2%**

S&S - Financials

(EUR million)	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	YTD10
Revenues	**7**	**12**	**6**	**8**	**19**	**33**	**10**	**7**	**18**
Costs of materials and charges to revenues	**0**	**-1**	**-1**	**1**	**-1**	**0**	**1**	**0**	**1**
Personnel expenses and pensions	**-41**	**-41**	**-42**	**-42**	**-82**	**-166**	**-41**	**-43**	**-84**
Other operating expenses	**-50**	**-49**	**-43**	**-61**	**-100**	**-204**	**-50**	**-45**	**-95**
Segment result	**-84**	**-79**	**-80**	**-94**	**-163**	**-337**	**-80**	**-80**	**-160**

ICS - Financials

(EUR million)	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	YTD10
Revenues	**217**	**227**	**228**	**221**	**443**	**892**	**378**	**414**	**792**
Costs of materials and charges to revenues	**-184**	**-186**	**-193**	**-186**	**-370**	**-749**	**-325**	**-359**	**-684**
Personnel expenses and pensions	**-6**	**-6**	**-6**	**-6**	**-12**	**-24**	**-10**	**-9**	**-19**
Other operating expenses	**-8**	**-11**	**-11**	**-10**	**-19**	**-40**	**-15**	**-15**	**-30**
Segment result	**19**	**23**	**17**	**20**	**41**	**78**	**28**	**32**	**60**
Segment EBITDA margin	**8.7%**	**10.0%**	**7.4%**	**8.8%**	**9.3%**	**8.7%**	**7.4%**	**7.7%**	**7.5%**

ICS – Operationals

Volumes (in million)	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	YTD10
Voice	4,498	4,707	4,805	5,306	9,205	19,316	5,923	6,254	12,177
Non-Voice (SMS/MMS)	117	119	149	164	237	549	168	188	356

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 2009 consolidated financial statements, with the exception that the Group adopted the new standards and interpretations that became mandatory for the Group on 1 January 2010 and which are detailed in note 38 of the 31 December 2009 consolidated financial statements. The adoption of these new standards and interpretations did not affect the financial statements of the Group, except for the application of the Revised IFRS 3 "Business Combinations" which required the re-measurement to fair value of the previous interest in BICS at the date of acquisition of control. The Group doesn't anticipate on the application of standards and interpretations.

The BICS shareholders' agreement foresees new decision-making rules and a deadlock procedure in force as from 1 January 2010 leading to the Group to consider that it controls BICS as from that date. As a result of this and in application of the revised IFRS 3, BICS is fully consolidated as from 1 January 2010 and the previously held interest is re-measured to fair value. The Group estimated the fair value of this interest to EUR 562 million using valuation methodologies, such as discounted cash flows with a terminal value, in order to estimate the fair value of this interest. The resulting non-recurring gain amounts to EUR 436 million. The fair value of the identifiable assets and liabilities of BICS on 1 January 2010 and the corresponding carrying amounts immediately prior to the acquisition were:

(EUR million)	Fair value recognised on acquisition	Carrying value
Non-current assets	717	233
Current assets	512	512
Total assets	**1,229**	**745**
Non-current liabilities	-173	-8
Current liabilities	-527	-527
Total liabilities	**-700**	**-536**
Net assets	**529**	**209**
Non-controlling interests	-218	-83
Net assets acquired	**310**	**127**
Goodwill arising on acquisition	252	
Previously held interest measured at fair value	**562**	

As a result of the full consolidation of BICS, the cash increased by EUR 51 million.

The Group doesn't make any significant judgments and estimates other than those mentioned here above or in the 31 December 2009 consolidated financial statements.

On 30 June, the Group acquired 100% of the shares of MBS Telecom SA, the Belgian operations of MobiSud Belgium, a mobile virtual network operator.

During the six first months of 2010, the Group did not acquire or dispose of any other significant subsidiary, joint venture or affiliate.

Consolidated income statements

(EUR million)	Three months ended 30 June 2009	Three months ended 30 June 2010	Six months ended 30 June 2009	Six months ended 30 June 2010
Net revenue	1,484	1,653	2,959	3,279
Other operating revenue	20	12	37	27
Non-recurring revenue	0	0	0	436
TOTAL REVENUE	**1,504**	**1,664**	**2,996**	**3,741**
Costs of materials and charges to revenue	-511	-674	-1,023	-1,336
Personnel expenses and pensions	-280	-275	-561	-549
Other operating expenses	-211	-212	-418	-422
Non-recurring expenses	-62	1	-62	1
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1,064**	**-1,161**	**-2,064**	**-2,306**
OPERATING INCOME before depreciation & amortization	**440**	**504**	**932**	**1,435**
Depreciation and amortization	-178	-206	-352	-400
OPERATING INCOME	**262**	**298**	**580**	**1,034**
Finance revenue	9	7	9	10
Finance costs	-32	-33	-69	-64
Net finance costs	**-23**	**-26**	**-60**	**-54**
INCOME BEFORE TAXES	**239**	**271**	**520**	**980**
Tax expense	-51	-64	-120	-132
NET INCOME	**188**	**207**	**400**	**847**
Non-controlling interests	0	4	0	6
Net income (Group share)	188	203	400	841
Basic earnings per share	0.59 EUR	0.63 EUR	1.25 EUR	2.62 EUR
Diluted earnings per share	0.59 EUR	0.63 EUR	1.25 EUR	2.62 EUR
Weighted average number of ordinary shares	320,363,705	321,011,499	320,350,443	320,850,818
Weighted average number of ordinary shares for diluted earnings per share	320,363,705	321,313,495	320,350,443	321,200,587

Consolidated statements of other comprehensive income

(EUR million)	Six months ended 30 June 2009	Six months ended 30 June 2010
Net income	**400**	**847**
Other comprehensive income:		
Available-for-sale investments:		
Transfer to profit or loss on sale	0	-5
Exchange differences on translation of foreign operations	1	0
Other comprehensive income net of tax	**2**	**-5**
Total comprehensive income	**402**	**843**
Attributable to:		
Equity holders of the parent	402	837
Non-controlling interests	0	6

Consolidated balance sheets

(EUR million)	As of 31 December 2009	As of 30 June 2010
ASSETS		
NON-CURRENT ASSETS	**5,505**	**6,222**
Goodwill	2,088	2,333
Intangible assets with finite useful life	623	1,223
Property, plant and equipment	2,420	2,366
Enterprises accounted for under the equity method	2	2
Other participating interests	1	20
Deferred income tax assets	295	151
Pension assets	2	0
Other non-current assets	75	127
CURRENT ASSETS	**1,945**	**2,167**
Inventories	86	120
Trade receivables	1,089	1,264
Current income tax assets	169	177
Other current assets	194	206
Investments	76	42
Cash and cash equivalents	332	357
TOTAL ASSETS	**7,450**	**8,389**
LIABILITIES AND EQUITY		
EQUITY	**2,528**	**3,060**
Shareholders' equity	**2,521**	**2,838**
Issued capital	1,000	1,000
Treasury shares	-509	-489
Restricted reserve	100	100
Remeasurement to fair value	5	1
Stock compensation	10	10
Retained earnings	1,911	2,212
Foreign currency translation	4	4
Non-controlling interests	**7**	**222**
NON-CURRENT LIABILITIES	**3,093**	**3,220**
Interest-bearing liabilities	2,128	2,188
Liability for pensions, other post-employment benefits and termination benefits	677	629
Provisions	199	203
Deferred income tax liabilities	86	195
Other non-current payables	3	4
CURRENT LIABILITIES	**1,830**	**2,109**
Interest-bearing liabilities	59	10
Trade payables	1,123	1,372
Income tax payables	137	137
Other current payables	511	590
TOTAL LIABILITIES AND EQUITY	**7,450**	**8,389**

Consolidated cash flow statements

(EUR million)	Six months ended 30 June 2009	2010
Cash flow from operating activities		
Net income (group share)	400	841
Adjustments for:		
Non-controlling interests	0	6
Depreciation and amortization on intangible assets and property, plant and equipment	352	400
Increase of impairment on intangible assets and property, plant and equipment	1	1
Increase of provisions	10	8
Deferred tax expense	27	90
Fair value adjustments on financial instruments	1	7
(Gain) / loss on disposal of consolidated companies	1	-436
Gain on disposal of property, plant and equipment	-3	-1
Other non-cash movements	2	6
Operating cash flow before working capital changes	**789**	**923**
Decrease / (increase) in inventories	3	-34
Decrease / (increase) in trade receivables	10	-19
Increase in current income tax assets	-43	-8
Increase in other current assets	-18	-9
Increase / (decrease) in trade payables	-95	70
Decrease in income tax payables	-66	-3
Increase in other current payables	118	53
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-49	-46
Decrease in other non-current payables and provisions	-24	-4
Decrease / (increase) in working capital, net of acquisitions and disposals of subsidiaries	**-164**	**0**
Net cash flow provided by operating activities (1)	**625**	**923**
Cash flow from investing activities		
Purchase of intangible assets and property, plant and equipment	-270	-376
Cash paid for acquisitions of other participating interests	0	-20
Cash received from / (paid for) acquisition of consolidated companies, net of cash acquired	-2	59
Cash received from sales of consolidated companies, net of cash disposed of	1	0
Cash received from sales of intangible assets and property, plant and equipment	5	12
Net cash received from other non-current assets	4	0
Net cash used in investing activities	**-262**	**-325**
Cash flow before financing activities	**362**	**598**
Cash flow from financing activities		
Dividends paid to shareholders	-555	-540
Dividends / capital paid to non-controlling interests	0	-30
Net sale of treasury shares	7	20
Sale / (purchase) of investments	-28	28
Decrease of shareholders' equity	-1	-3
Issuance of long term debt	0	1
Repayment of short term debt	-43	-49
Net cash used in financing activities	**-620**	**-573**
Net increase / (decrease) of cash and cash equivalents	**-257**	**25**
Cash and cash equivalents at 1 January	565	332
Cash and cash equivalents at 30 June	308	357
(1) Net cash flow from operating activities includes the following cash movements :		
Interest paid	-16	-7
Interest received	10	4
Income taxes paid	-203	-53

Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Remeasure-ment to fair value	Foreign currency translation	Stock Compen-sation	Retained Earnings	Share'rs' Equity	Non-Controlling interests	Total Equity
Balance at 31 December 2008	**1,000**	**-517**	**100**	**4**	**3**	**6**	**1,675**	**2,271**	**5**	**2,276**
Fair value changes in available-for-sale investments	*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	400	400	0	400
Total comprehensive income and expense	**0**	**0**	**0**	**1**	**1**	**0**	**400**	**402**	**0**	**402**
Dividends to shareholders (relating to 2008)	0	0	0	0	0	0	-538	-538	0	-538
Treasury shares										
Sale of treasury shares under a discounted share purchase plan	0	6	0	0	0	0	-1	5	0	5
Stock options										
Stock options granted and accepted	0	0	0	0	0	4	0	4	0	4
Deferred stock compensation	0	0	0	0	0	-4	0	-4	0	-4
Amortization deferred stock compensation	0	0	0	0	0	2	0	2	0	2
Total transactions with equity holders	**0**	**7**	**0**	**0**	**0**	**2**	**-540**	**-531**	**0**	**-531**
Balance at 30 June 2009	**1,000**	**-511**	**100**	**6**	**3**	**8**	**1,535**	**2,142**	**5**	**2,147**
Balance at 31 December 2009	**1,000**	**-509**	**100**	**5**	**4**	**10**	**1,911**	**2,521**	**7**	**2,528**
Fair value changes in available-for-sale investments	*0*	*0*	*0*	*-5*	*0*	*0*	*0*	***-5***	*0*	*-5*
Currency translation differences	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***	*-1*	*0*
Equity changes not recognised in the income statement	0	0	0	-5	0	0	0	**-4**	-1	-5
Net income	0	0	0	0	0	0	841	**841**	6	847
Total comprehensive income and expense	**0**	**0**	**0**	**-5**	**0**	**0**	**841**	**837**	**6**	**843**
Dividends to shareholders (relating to 2009)	0	0	0	0	0	0	-539	**-539**	0	-539
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	**0**	-9	-9
Acquisition of non-controlling interests	0	0	0	0	0	0	0	**0**	218	218
Treasury shares	0									
Exercise of stock options	0	12	0	0	0	0	-2	**10**	0	10
Sale of treasury shares under a discounted share purchase plan	0	9	0	0	0	0	-1	**7**	0	7
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**	**20**	**0**	**0**	**0**	**0**	**-541**	**-520**	**209**	**-310**
Balance at 30 June 2010	**1,000**	**-489**	**100**	**1**	**4**	**10**	**2,212**	**2,838**	**222**	**3,060**

Segment reporting

Segment revenue and results

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
	Six months ended 30 June 2009						
Net revenue	1,158	1,241	143	1	415	0	2,959
Other operating revenue	7	7	9	12	1	0	37
Intersegment revenue	30	19	40	6	27	-121	**0**
TOTAL SEGMENT REVENUE	**1,195**	**1,267**	**192**	**19**	**443**	**-121**	**2,996**
Costs of materials and charges to revenue	-340	-382	-34	-1	-370	105	-1,023
Personnel expenses and pensions	-177	-189	-101	-82	-12	0	-561
Other operating expenses	-143	-80	-91	-100	-19	16	-418
TOTAL OPERATING EXPENSES before depreciation & amortization	**-661**	**-651**	**-226**	**-182**	**-402**	**120**	**-2,002**
TOTAL SEGMENT RESULT (1)	**534**	**615**	**-34**	**-163**	**41**	**-0**	**994**
Non-recurring expenses	-7	-56	0	0	0	0	**-62**
OPERATING INCOME / (LOSS) before depreciation & amortization	**528**	**560**	**-34**	**-163**	**41**	**-0**	**932**
Depreciation and amortization	-75	-13	-213	-40	-11	0	-352
OPERATING INCOME / (LOSS)	**453**	**546**	**-247**	**-203**	**31**	**0**	**580**
Finance expense (net)							-60
INCOME BEFORE TAXES							**520**
Tax expense							-120
NET INCOME							**400**
Non-controlling interests							0
Net income (Group share)							400

(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 & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
	Six months ended 30 June 2010						
Net revenue	1,167	1,215	137	3	756	0	3,279
Other operating revenue	10	3	2	10	2	0	27
Intersegment revenue	6	7	41	4	34	-92	**0**
TOTAL SEGMENT REVENUE	**1,182**	**1,226**	**179**	**18**	**792**	**-92**	**3,305**
Costs of materials and charges to revenue	-351	-358	-25	1	-684	81	-1,336
Personnel expenses and pensions	-162	-184	-99	-84	-19	0	-549
Other operating expenses	-138	-70	-100	-95	-30	11	-422
TOTAL OPERATING EXPENSES before depreciation & amortization	**-651**	**-612**	**-225**	**-178**	**-733**	**92**	**-2,307**
TOTAL SEGMENT RESULT (1)	**531**	**613**	**-45**	**-160**	**60**	**-0**	**999**
Non-recurring revenue	0	0	0	0	436	0	**436**
Non-recurring expenses	1	0	0	0	0	0	**1**
OPERATING INCOME / (LOSS) before depreciation & amortization	**532**	**613**	**-45**	**-160**	**495**	**-0**	**1,435**
Depreciation and amortization	-74	-9	-238	-37	-42	0	-400
OPERATING INCOME / (LOSS)	**458**	**604**	**-283**	**-197**	**454**	**0**	**1,034**
Finance expense (net)							-54
Loss from enterprises accounted for using the equity method							-0
INCOME BEFORE TAXES							**980**
Tax expense							-132
NET INCOME							**847**
Non-controlling interests							6
Net income (Group share)							841

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

Other segment information

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
	Six months ended 30 June 2009						
Capital expenditure	42	10	205	8	5	0	270

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
	Six months ended 30 June 2010						
Capital expenditure	67	6	275	17	10	0	376

Contingent liabilities

No changes occurred during the first six months of 2010 in the contingent liabilities.

Limited review report

Belgacom sa de droit public /nv van publiek recht

Limited review report on the interim condensed consolidated financial statements for the six-month period ended 30 June 2010

We have performed a limited review of the accompanying interim condensed consolidated balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and selective notes (jointly the “interim condensed consolidated financial statements”) of Belgacom SA de droit public / NV van publiek recht and its subsidiaries for the six-month period ended 30 June 2010. The board of directors of the company is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union.

Our limited review of the interim condensed consolidated financial statements was conducted in accordance with the recommended auditing standards on limited reviews applicable in Belgium, as issued by the ”Institut des Réviseurs d’Entreprises/Instituut van de Bedrijfsrevisoren”. A limited review consists primarily of making inquiries of group management and applying analytical and other review procedures to the interim condensed consolidated financial statements and underlying financial data. A limited review is substantially less in scope than an audit performed in accordance with the auditing standards on consolidated annual accounts as issued by the ”Institut des Réviseurs d’Entreprises/Instituut van de Bedrijfsrevisoren”. Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements for the six-month period ended 30 June 2010 are not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union.

Diegem, 29 July 2010

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d’Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by

Geert Verstraeten

Luc Van Coppenolle

Definitions

Broadband lines CBU: include the Belgian residential lines of Scarlet as from Q1 2009.

Fixed Voice ARPU: 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.

Broadband ARPU: 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.

Belgacom TV ARPU: includes only customer-related revenue and takes into account promotional offers, divided by the number of households with Belgacom TV.

Mobile active customers: customers who have made or received at least one call or sent or received at least one SMS message in the last three months. Prepaid customers and MVNO customers are fully segmented as CBU customers.

Annualized mobile churn rate: 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.

Mobile net ARPU: 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.

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

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

Normalized MoU: duration of all calls from or to Proximus, per active voice customer, per month – excluding free minutes

SMS: number of SMS per active customer per month.

Normalized SMS: number of paying SMS per active customer per month (i.e. excluding free SMS).

For further information

Investor relations

Nancy Goossens: +32 2 202 82 41
Ann Maes: +32 2 202 26 18
E-mail: investor.relations@belgacom.be

Press relations

Frédérique Verbiest: +32 2 202 99 26
Jan Margot: +32 2 202 85 01
Haroun Fenaux: +32 2 202 48 67
Florence Coppenolle: +32 2 202 40 23

Belgacom website: www.belgacom.com