> quarterly report

Q2 2011

belgacom

Key figures

Income Statement (EUR million)	Year-to-date 2010	2011
Total income before non-recurring items	3,305	3,195
Non-recurring income	436	0
Total income	3,741	3,195
EBITDA (1) before non-recurring items	999	993
EBITDA (1)	1,435	974
Depreciation and amortization	-400	-393
Operating income (EBIT)	1,034	581
Net finance costs	-54	-50
Income before taxes	980	531
Tax expense	-132	-134
Non-controlling interests	6	4
Net income (Group share)	841	393

Cash flows and Capital Expenditures (EUR million)	2010	2011
Cash flows from operating activities	923	719
Capital expenditures	-376	-334
Cash flows from / (used in) other investing activities	51	2
Free cash flow (2)	**598**	**387**
Cash flows used in financing activities	-573	-475
Net increase / (decrease) of cash and cash equivalents	**25**	**-88**

Balance sheet (EUR million) - As of 30 June	2010	2011
Balance sheet total	8,389	8,388
Non-current assets	6,222	6,129
Investments, cash and cash equivalents	399	545
Shareholders' equity	2,838	2,935
Non-controlling interests	222	240
Liabilities for pensions, other post-employment benefits and termination benefits	629	513
Net financial position	-1,684	-1,627

Data per share	2010	2011
Basic earnings per share before non-recurring items (EUR)	1.26	1.28
Basic earnings per share (EUR)	2.62	1.22
Diluted earnings per share (EUR)	2.62	1.22
Weighted average number of outstanding shares	320,850,818	321,424,418

Data on employees	2010	2011
Number of employees (full-time equivalents)	16,158	15,765
Average number of employees over the period	16,284	15,740
Total income before non-recurring items per employee (EUR)	202,988	202,955
Total income per employee (EUR)	229,747	202,955
EBITDA (1) before non-recurring items per employee (EUR)	61,319	63,075
EBITDA (1) per employee (EUR)	88,117	61,900

Ratios (before non-recurring items)	2010	2011
Return on Equity (3)	16.9%	13.9%
Gross margin (4)	59.6%	61.5%

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.
(2) Cash flow before financing activities.
(3) The net income and the Shareholders' equity are adjusted to exclude the non-recurring income /expenses and the related
(4) The gross margin is adjusted to exclude non-recurring income.

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, Bruno Chauvat, Executive Vice-President Strategy and Content, Bart Van Den Meersche, Executive Vice-President Enterprise, Astrid De Lathauwer, Executive Vice-President Human Resources, Ray Stewart, Executive Vice-President Finance and CFO, and Michel Georgis, Executive Vice-President Consumer.

Highlights – Q2 2011

- *Revenue trend Consumer and Business segment improved*
- *Group revenue pressured by exchange rate effect in BICS, impact Gross margin marginal*
- *Solid customer growth over the second quarter*
- *EBITDA up 1.9% driven by one-off positive changes in provisions*
- *Revenue guidance reiterated, EBITDA expected to be closer to -4%*

For the second quarter 2011, the **Belgacom Group reports a revenue of EUR 1,612 million**, i.e. 3.2% lower than for the same period of 2010, including EUR 33 million negative impact from regulation (2%). Although Belgacom's customers segments showed improving revenue trends, the Group revenue was negatively impacted by a steep year-over-year revenue decline in BICS, which only marginally impacted Gross margin.

Favorable trend in Cost of Sales, declining by 7.9% to EUR 621 million in the second quarter, led to a stable Direct Margin for the Belgacom Group.

The **Belgacom Group EBITDA for the second quarter 2011 was up by 1.9% to EUR 512 million**, including one-off positive changes in litigation provisions for about EUR 20 million. Consequently, the EBITDA margin increased to 31.8% for the second quarter. These one-offs excluded, the EBITDA decreased by 2.5% versus the second quarter of 2010.

Belgacom Group invested EUR 161 million in the second quarter, including the continued upgrade of the mobile 3G-network and the further roll-out of VDSL2.

Over the second quarter 2011, the Belgacom Group generated **a Free Cash Flow of EUR 147 million**, compared to EUR 235 million last year, with 2010 favorably impacted by some one-offs, e.g. lower income tax payments due to the use of remaining tax losses carried forward.

Belgacom's **customer gain during the second quarter** came in strong for TV and Packs, and showed an improvement for Mobile, while the growth in Internet customers remained modest.

- **Belgacom TV** showed a good gross customer gain, net growth of 59,000[1], total end June at 1,087,000
- **Mobile postpaid** grew by 56,000, total Mobile customer base at 5,338,000 end June 2011[2]
- **Convergent Packs** grew by 50,000 to a total of 977,000
- **Fixed Internet** grew by 5,000 new customers to a total of 1,573,000 end June 2011
- **Mobile Internet**[3] grew by 12,000 customers to a total of 198,000

On 10 June 2011, the Belgian professional Football league communicated its decision on the granting of the broadcasting rights for the next three seasons. Belgacom was granted the live broadcasting of 5 out of 8 weekend matches, for which it paid EUR 1 million/year. Belgacom decided to offer these football matches for free to all its Belgacom TV customers, and expanded its football offer by adding Portuguese and Spanish (as of 2012) football and on an exclusive basis. From Belgacom's total TV customer base end of May 2011, about 70,000 had a football subscription ('All Foot' or 'My club'). In six weeks time, since the announcement of the football broadcasting rights, about 2,500 of our football customers churned with TV. Since it's still early, with the new football season just about to start, the churn in the coming months should give a better view of the real impact.

Comment by the CEO

We are pleased to see that our two core customer divisions, and especially the consumer segment, showed some improvement in revenue trends during the second quarter. In line with what we announced in the first quarter earnings release, we took various commercial actions and further enhanced our customer servicing with a view to stabilize and eventually reverse the downward trend we experienced over the last years. Although it's still early, we did see some encouraging positive signs in the second quarter operational results. For instance, our Mobile customer growth improved thanks to a pick-up in sales in the controlled distribution channels as well as in the indirect channels. We were pleased with the effect of our segmented marketing approach, leading to a pick-up of our "Fixed Voice + TV" Pack, oriented towards our senior customers. Furthermore, we see promising customer interest in our converged Pack combining fixed and mobile Internet with a Samsung Galaxy tablet. Finally, we could once again welcome many households on our TV-platform as we established a unique market position through our convergent offers that include "Free TV".
Encouraged by these good initial results, we will continue our efforts over the second half of this year to make further progress on our goal to regain market share.

Didier Bellens, CEO Belgacom

[1] Number of TV set-top boxes
[2] Mobile figures including customers from Tango
[3] Internet on laptop, excluding mobile internet on smartphone

Financial report

Belgacom Group

- **Revenue trend of customer divisions improved over second quarter**
- **Exchange rate fluctuation lowers BICS revenue; marginal impact on Gross margin**
- **Group EBITDA favorably impacted by one-off reduction in litigation provisions**
- **FCF second quarter at EUR 147 million, year-to-date at EUR 387 million**

✓ *Quarterly financials at group and segment level: page 19*

Revenue

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
Consumer Business Unit	592	579	-2.1%	1,182	1,144	-3.2%
Enterprise Business Unit	610	593	-2.8%	1,226	1,186	-3.3%
Service Delivery Engine & Wholesale	85	80	-6.1%	179	161	-10.2%
Staff & Support	7	7	-3.8%	18	15	-15.2%
International Carrier Services	414	388	-6.5%	792	760	-4.1%
Inter-segment eliminations	-45	-36	-20.8%	-92	-72	-22.2%
Total	**1,664**	**1,612**	**-3.2%**	**3,305**	**3,195**	**-3.4%**
Non-recurring income	0	0	-	436	0	-
Total	**1,664**	**1,612**	**-3.2%**	**3,741**	**3,195**	**-14.6%**

Belgacom's two customer divisions, Consumer and Enterprise, showed improving revenue trends in the second quarter. Group results, however, were negatively impacted by a steep year-over-year decline in International Carrier Services revenue. The second-quarter revenue from BICS included a significant negative exchange rate effect, unfavorable impacting the Group revenue (-1.3%). The exchange rate effect was largely nullified in Cost of Sales and therefore only marginally impacted the Gross margin.

The combined result of the progress made in the customer segments with the weaker revenue from BICS, led to a **Belgacom Group revenue of EUR 1,612 million for the second quarter 2011**, or a year-over-year revenue decline of 3.2%. This includes a negative impact from regulatory[1] measures for a total amount of EUR 33 million (-2%). Excluding the regulation impact, the Group's underlying business revenue was 1.2% lower year-over-year.

Belgacom Group ended the first six months of 2011 with EUR 3,195 million, i.e. a decline of 3.4% compared to the same period of 2010, including a negative impact from regulatory measures for a total of EUR 85 million (- 2.6%).

<u>Exhibit 1:</u> Revenue evolution in percentage

		Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
GROUP[1]	**YoY variance**	**-0.2%**	**-0.4%**	**-0.3%**	**-1.5%**	**-3.5%**	**-3.2%**
	YoY variance excl regulation	**0.2%**	**1.5%**	**2.2%**	**1.5%**	**-0.3%**	**-1.2%**
CBU[2]	YoY variance	1.9%	0.5%	-1.1%	-1.0%	-4.3%	-2.1%
	YoY variance excl regulation	2.5%	3.0%	2.1%	2.7%	-0.1%	0.4%
EBU[2]	YoY variance	-2.9%	-1.4%	-0.9%	-3.2%	-3.7%	-2.8%
	YoY variance excl regulation	-2.3%	-0.1%	1.1%	-0.8%	-0.8%	-0.4%
BICS[1]	YoY organic variance	0.5%	5.4%	5.0%	4.7%	-1.5%	-6.5%

1) 2010 variance on a like-for-like basis: BICS proportionally consolidated at 57.6%
2) 2010 variance on a like-for-like basis: adjusted for changes in intercompany revenues

Operating expenses

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
Costs of materials and services related to revenue	674	621	-7.9%	1,336	1,230	-8.0%
Personnel expenses and pensions	275	282	2.5%	549	556	1.4%
Other operating expenses	212	196	-7.5%	422	416	-1.5%
Total	**1,161**	**1,099**	**-5.4%**	**2,307**	**2,202**	**-4.6%**
Non-recurring expenses	-1	18	-	-1	18	-
Total	**1,161**	**1,118**	**-3.7%**	**2,306**	**2,220**	**-3.7%**

[1] Includes mainly lower Mobile Termination Rates and Roaming

Cost of Sales continued to decrease in the second quarter
For the **second quarter 2011**, Belgacom Group reports a total Cost of Sales of EUR 621 million, which is 7.9% or EUR 53 million lower than for the same period of the previous year. The decrease in Mobile Termination Rates impacted the Cost of Sales positively by EUR 26 million. Excluding the regulation impact, the Belgacom Group Cost of Sales improved by 4%, mainly as a result of the lower Cost of Sales from BICS and the Consumer segment.

Over the **first half of 2011**, the total amount of Cost of Sales decreased by 8% to EUR 1,230 million, including the lower Mobile Termination costs payable to Mobistar and Base and the collecting model for premium rate services. Belgacom's ongoing efforts in increasing its product profitability also contributed to the underlying positive evolution in Cost of Sales.

Positive impact of lower headcount offset by inflation-based salary indexations
The HR-expenses for the **second quarter 2011** were up by 2.5% compared to the same period of 2010 as the benefit from the lower headcount was more than offset by the year-over-year impact from inflation-based wage indexations. (Salaries were indexed by 2% on 1 October 2010 and 1 June 2011 for Belgacom SA, while salaries of non-Belgacom SA employees were adjusted on 1 January 2011).

Over the first half of 2011, the Belgacom Group's personnel base was lowered by 542 FTE's to 15,765 FTEs. Whereas in the first quarter 2011 the headcount decreased due to the yearly outflow related to the ongoing headcount reduction program, the personnel base over the second quarter remained fairly flat.

Number of FTE	June 2010	End 2010	June 2011	12 months variance	6 months variance
Consumer Business Unit	5,158	5,209	5,143	-14	-65
Enterprise Business Unit	5,172	5,263	5,190	18	-73
Service Delivery Engine & Wholesale	3,364	3,377	3,177	-187	-200
Staff & Support	2,071	2,074	1,864	-207	-210
International Carrier Services	393	385	391	-2	6
Total	**16,158**	**16,308**	**15,765**	**-393**	**-542**

Non-HR expenses 7.5% lower in second quarter, including positive one-off reductions in provisions
Over the second quarter 2011, Belgacom's non-HR expenses were 7.5% lower compared to the same period of 2010. The decrease is due to one-time reductions of provisions related to the settlement of litigations. Excluding this one-off reduction, second quarter non-HR expenses were up by nearly 3%.
The reported non-HR expenses year-to-date June 2011 were 1.5% down versus the first half of 2010.

Operating income before depreciation and amortization (EBITDA)

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
Consumer Business Unit	267	271	1.6%	531	535	0.7%
Enterprise Business Unit	308	298	-3.1%	613	598	-2.5%
Service Delivery Engine & Wholesale	-23	-12	-46.1%	-45	-41	-10.0%
Staff & Support	-80	-74	-8.5%	-160	-152	-4.9%
International Carrier Services	32	29	-8.3%	60	53	-10.9%
Total	**503**	**512**	**1.9%**	**999**	**993**	**-0.6%**
Non-recurring income	0	0	-	436	0	-
Non-recurring expenses	1	-18	-	1	-18	-
Total	**504**	**494**	**-1.9%**	**1,435**	**974**	**-32.1%**

The Belgacom Group EBITDA before non-recurring items for the **second quarter 2011** was up by 1.9% to EUR 512 million, including a positive effect of a one-time reduction in litigation provisions for about EUR 20 million. On the other hand, EBITDA included a EUR 7 million negative impact from regulation (-1.4%). This brings the EBITDA margin for the second quarter 2011 to 31.8%.
Excluding the one-off positive reversal in provisions, the Group EBITDA was 2.5% lower from the second quarter last year. The enhancement compared to the first quarter (-3%) was mainly the result of the improvement in Direct Margin.

The **Belgacom Group ends the first half of 2011 with an EBITDA of EUR 993 million**, or 0.6% lower than for the same period of 2010. This excludes the non-recurring expense related to the divestment of Telindus Spain.
On 30 June 2011, the Belgacom Group sold Telindus Spain and recognized a loss on disposal of EUR 18 million through the **non-recurring expenses**.

Depreciation and amortization

Depreciation and amortization decreased from EUR 400 million for the first six months of 2010 to EUR 393 million for the first six months of 2011. The 2010 depreciation was higher as a result of the shortened useful life of the Mobile Radio Access Network, of which the replacement started in 2010.

Net finance result

The year-over-year decrease in net finance costs, from EUR 54 million in 2010 to EUR 50 million in 2011, was mainly the result of the year-over-year improvement of the re-measurements to fair value of the financial instruments partly offset by an increase in net interest expense following the new bond issue (January 2011) and the premium granted in the context of the bond buy-back (March 2011).

Tax expense

Over the first half of 2011, the tax expenses slightly increased to EUR 134 million compared to EUR 132 million for the same period of 2010. The year-to-date June 2011 effective tax rate was 25.2%, whereas this was 13.5% in 2010 as a result of the realized non-taxable capital gain of EUR 436 million through acquiring control of BICS on 1 January 2010. Excluding the non-recurring items, the effective tax rate remained stable, with 24.3% for the first half of 2010 and 24.4% for 2011. The effective tax rate is based on the application of general principles of Belgian tax law.

Net income (Group Share)

The net income (Group share) over the first half of 2011 amounts to EUR 393 million, compared to EUR 841 million for the same period of 2010, which was favorably impacted by a non-recurring capital gain of EUR 436 million.

Capital expenditure (Capex)

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
Consumer Business Unit	19	27	45.1%	67	71	4.8%
Enterprise Business Unit	3	4	21.9%	6	8	31.7%
Service Delivery Engine & Wholesale	180	119	-33.6%	275	234	-15.0%
Staff & Support	13	9	-30.2%	17	16	-6.2%
International Carrier Services	8	2	-69.4%	10	6	-41.6%
Total	**222**	**161**	**-27.4%**	**376**	**334**	**-11.0%**

The level of Capex for the second quarter 2011, for an amount of EUR 161 million, is lower than the previous year as the latter included the renewal of the 2G- license for EUR 74 million. The 2011 Capex includes investments for 3G driven by the ongoing swap of the Radio Access Network and for Broadway, bringing fibre and VDSL2 closer to the customer. End of June 2011, VDSL2 penetration reached 78.9% of Belgian population, up by 3.5 ppt compared to one year ago.
Over the first six months of 2011, Belgacom invested a total amount of EUR 334 million, or 10.5% of the Group revenue.

Cash flows

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
Cash flows from operating activities	466	309	-34%	923	719	-22%
Capital expenditures	-222	-161	-27%	-376	-334	-11%
Cash flows from / (used in) other investing activities	-9	0	-98%	51	2	-97%
Cash flow before financing activities	**235**	**147**	**-37%**	**598**	**387**	**-35%**
Cash flows used in financing activities	-517	-572	11%	-573	-475	-17%
Net increase / (decrease) of cash and cash equivalents	**-282**	**-425**	**51%**	**-282**	**-425**	**51%**

Belgacom's **Free Cash Flow** at the end of June 2011 was EUR 387 million, compared to EUR 598 million in June 2010. In spite of fairly stable core working capital, i.e. receivables, payables and inventory, the overall **Cash Flow from Operating Activities** decreased from EUR 923 million in June 2010 to EUR 719 million in June 2011 due to higher income tax payments (in 2010 favorably impacted by the use of tax losses carried forward), and due to the deferral in 2010 of the payment of the greater part of the renewed 2G- license.
In addition, **other investing activities** included in 2010 the cash increase (EUR 51 million) as a result of the full consolidation of BICS.
These unfavourable year-over-year variances were partly offset by the lower **Capex** in 2011**,** for an amount of EUR 42 million compared to the first half of 2010, which included the renewal of the 2G- license for an amount of EUR 74 million.

The **Cash flow used in financing activities** decreased by EUR 98 million in the first half of 2011 as a result of the issuance in January 2011 of a seven-year subordinated bond of EUR 500 million under the Euro Medium Term Note program, partially offset by the early partial reimbursement of the loans maturing in November 2011 (bond buyback) and the launch of a share buyback (for an amount of EUR 35 million at end of June 2011).

Balance sheet and shareholders' equity

Compared to year-end 2010, the **goodwill** decreased by EUR 6 million to EUR 2,331 million mainly as a result of the disposal of Telindus Spain, partly offset by the acquisition of Eudasys SA.
Intangible fixed assets and property, plant and equipment decreased by EUR 61 million in 2011 compared to year-end 2010, mainly as a consequence of depreciation and amortization which was higher than invested Capex.

The shareholders' equity increased from EUR 3,108 million at year-end 2010 to EUR 3,174 million in June 2011, mainly reflecting the net income generated during the first half of 2011 and the dividend distribution as approved at the General Meeting of April.

During the first six months of 2011, the Group sold 277,474 treasury shares to its senior management under discounted share purchase plans with a discount of 16.67%.

During the same period, employees exercised 89,247 share options, for which treasury shares were used.

In 2011, the Group granted 1,036,061 new share options to its key management and senior management with an exercise price of EUR 25.015.

In the context of a share buy-back program, Belgacom acquired in June 2011 1,463,000 treasury shares for an amount of EUR 35 million.

Belgacom continues to have a sound financial position, with a **net financial debt of EUR 1,627 million** end June 2011. The EUR 176 million increase over the first half year of 2011 results from the shareholder return, including a dividend payment and a share buyback, for a total amount exceeding the Free Cash Flow. The outstanding financial debt amounted to EUR 2.3 billion at the same date, of which EUR 384 million will mature in 2011.

Regulation and legal update

		Estimated Impact		Actuals	
Regulation impacts (Decrease in EUR million)		*FY 2011*	Q1 2011	Q2 2011	*YTD 2011*
MTR & flow-through Fix-to-Mob	Revenue	*~ €80m*	€29m	€29m	***€58m***
	EBITDA	*< €15m*	€5m	€3m	***€8m***
Roaming	Revenue	*~ €10m*	€2m	€3m	***€5m***
	EBITDA	*~ €10m*	€2m	€3m	***€5m***
Collecting model for Premium Rate Services	Revenue	*~ €20m*	€20m	-	***€20m***
	EBITDA	*Neutral*	Neutral	-	***Neutral***
Other (a.o. new LLU & bitstream prices)	Revenue	*~ €5m*	€1m	€1m	***€2m***
	EBITDA	*~ €5m*	€1m	€1m	***€2m***
Total	**Revenue**	***~ €115m***	**€52m**	**€33m**	***€85m***
	Ebitda	***< €30m***	**€9m**	**€7m**	***€16m***

MTR: double decrease impacts first half 2011 year-over-year variance
On 29 June 2010, the Belgian regulator (BIPT) adopted its final decision on the 2010-2013 MTR glide path. Gradual MTR decreases are foreseen until 2013 for all operators. The first decrease occurred on 1 August 2010 and the second one on 1 January 2011 for all three mobile operators in Belgium. At the same time, the BIPT reduced the existing MTR asymmetry, which is why the decrease for the other two mobile players was greater than for Proximus. This brings the Belgian regulation more in line with the European context. Fully symmetric tariffs will be reached in 2013.
Any decrease in MTRs is reflected in Belgacom's fixed-to-mobile retail tariffs. Accordingly, Belgacom lowered its fixed-to-mobile tariffs on 1 August 2010 and on 1 January 2011.

MTR glide path	**Before***	**01-Aug-10***	**01-Jan-11***	**01-Jan-12**	**01-Jan-13**
In euro cent (excluding VAT)					
Proximus	*7.2*	4.62	3.94	2.46	1.08
Mobistar	*9.02*	5.05	4.29	2.62	1.08
Base	*11.43*	5.81	4.90	2.92	1.08
% change					
Proximus		-36%	-15%	-38%	-56%
Mobistar		-44%	-15%	-39%	-59%
Base		-49%	-16%	-40%	-63%
Asymmetry					
Mobistar-Prox	*25%*	9%	9%	7%	0%
Base-Prox	*59%*	26%	24%	19%	0%

* 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 Court of Appeal, both asking the Court to suspend and annul the decision (especially regarding their own MTR tariffs). Belgacom intervened in these appeals to protect its interests. On 15 February 2011, the Court took its decision in the suspensions procedure, rejecting all the claims of Mobistar and KPN Group. The annulment procedure, however, is still ongoing.

Lower Voice Roaming rates: carry-over impact of Voice Roaming rate cut on 1 July 2010
In application of the updated regulation on voice roaming that entered into force in July 2009, the voice roaming rates decreased on 1 July 2010, and were further lowered on 1 July 2011. Data roaming services are regulated at wholesale level based on a price cap, calculated on a kilobyte basis.

EU roaming regulation	Before	01-Jul-10	01-Jul-11
Voice roaming rates (euro cent per minute)			
Retail Outgoing	*43*	39	35
Retail Incoming	*19*	15	11
Wholesale	*26*	22	18
Data roaming rates (euro cent per Mb)			
Wholesale	*100*	80	50

In addition, measures aimed at preventing "bill shocks" for Mobile data roaming were also implemented and are affecting Mobile data revenue. As of 1 July 2010, all customers are by default on a maximum financial limit of EUR 49.85 (excl. VAT) per month for data roaming, unless they have opted out.

Financial collecting model for Premium Rate Services: carry-over impact on first quarter revenue
On 1 April 2010, Belgacom adopted, where appropriate, a financial collecting model for part of its Premium Rate Services in which Belgacom collects from customers on behalf of a third-party content provider. This was in 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.

Cable regulation
On 18 July 2011, the Belgian regulators (BIPT, CSA, Medienrat and VRM) published their final decisions on broadband and TV regulation. On the TV market, the dominant cable operators will be regulated in their respective coverage areas and are required to resell analog TV, to open up their Digital TV platform, and to resell broadband. Belgacom can only obtain access to analog TV. On the broadband market, Belgacom's broadband regulation is still based on the finding of sole dominance (cable not included in the market). Based on the new decision, Belgacom has to provide bitstream access for television (multicast) and VDSL2 prices are based on strict cost orientation. BIPT maintains strong focus on operational excellence for wholesale services.

On-net case: damage claim by Base/Mobistar
Following the dismissal by the Commercial Court on 17 March 2011 of Belgacom's motion requesting the recusal/replacement of the expert panel, Belgacom initiated an appeal procedure. In a preliminary ruling of 1 June 2011 the Court of Appeal has suspended the expertise (the experts can no longer act) until a decision is taken by the Court on Belgacom's request for the recusal/replacement of the experts.
The pleadings on the merits of Belgacom's motion are planned in the first quarter of 2012. Consequently, there is no longer a timetable for the filing of the final report and no predictable date for a final decision. In case the Court of Appeal accepts the recusal/replacement of the experts, a new expertise should start; in case the Court of Appeal rejects Belgacom's request, a new timetable for the final report should be determined.

Outlook

For the full-year 2011, Belgacom reconfirms its revenue outlook, which foresees the Group revenue to decline between 1% and 2% compared to the previous year, while for the absolute EBITDA Belgacom expects the decline to be closer to the -4% from the guided range "-4% to -5%" . This includes the positive effect from the one-off changes in provisions which were reported in the second quarter, and a negative impact from potential higher football customer churn in the second half of 2011 as result of the loss of exclusivity on the broadcasting rights of the top 3 Belgian football matches. The full-year Capex outlook remains unchanged, i.e. at the high-end of the range "10% to 12%" of Group revenue.

Metrics	Outlook 2011
Group revenue	Decline between 1% and 2%
Group EBITDA	Decline between 4% and 5%
Capex/Revenue	Upper-end of range 10%-12%

Consumer Business Unit - CBU

- **Second quarter revenue -2.1%; yoy trend improving**
- **Underlying revenue +0.4% driven by TV, mobile data and lower fixed line loss**
- **Yoy decline in mobile voice usage continued in the second quarter**
- **Step-up in operational results: +59k TV subscribers; fixed line loss limited to -26k and postpaid up by 24k**

P&L Consumer Business Unit

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
TOTAL SEGMENT INCOME	**592**	**579**	**-2.1%**	**1,182**	**1,144**	**-3.2%**
Costs of materials and services related to revenue	-171	-149	-13.0%	-351	-298	-15.2%
Personnel expenses and pensions	-81	-85	5.4%	-162	-168	3.3%
Other operating expenses	-73	-74	1.4%	-138	-144	4.5%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-325**	**-308**	**-5.2%**	**-651**	**-610**	**-6.4%**
TOTAL SEGMENT RESULT (1)	**267**	**271**	**1.6%**	**531**	**535**	**0.7%**
Non-recurring expenses	1	0	-	1	0	-
OPERATING INCOME before depreciation & amortization	**268**	**271**	**1.4%**	**532**	**535**	**0.6%**
Depreciation and amortization	-38	-41	9.2%	-74	-82	10.2%
OPERATING INCOME	**230**	**230**	**0.1%**	**458**	**453**	**-0.9%**

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

✓ *CBU quarterly financial and operational results: page 19*

Second-quarter revenue 2.1% lower; trend improved with underlying business up 0.4%

CBU second-quarter revenues were down 2.1% year-over-year which is a clear improvement compared to the first quarter which was down 4.3%. This mainly results from a lower revenue impact from regulation as the collecting model for Premium Rate Services no longer impacted the second-quarter year-over-year variance.
Nevertheless, regulation had a EUR 15 million (-2.5%) negative impact due to the double cut in Mobile Termination Rates (August 2010 and January 2011), the flow-through to Fixed-to-Mobile tariffs and, to a lesser extent, the decline in Roaming rates (July 2010).
Excluding regulation, CBU revenues were up 0.4% which is an improvement compared to the first quarter, mainly due to good results for Belgacom TV and lower loss in fixed voice.

CBU ends the first half of 2011 with EUR 1,144 million, a year-over-year decline of 3.2%, including a negative impact from regulatory measures for a total amount of EUR 40 million (-3.4%).

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
Revenues	**592**	**579**	**-2.1%**	**1,182**	**1,144**	**-3.2%**
From Fixed	**280**	**278**	**-0.8%**	**571**	**559**	**-2.1%**
Voice	125	115	-7.9%	258	233	-9.5%
Data	85	83	-1.7%	170	168	-0.9%
TV	43	53	23.6%	86	104	20.0%
Terminals (excl. TV)	7	6	-19.1%	16	13	-19.8%
Scarlet	20	21	1.3%	41	41	-0.3%
From Mobile	**288**	**279**	**-3.1%**	**567**	**544**	**-4.0%**
Voice	165	147	-11.2%	323	286	-11.5%
Data	82	92	11.8%	165	179	8.5%
Terminals	16	14	-8.5%	30	28	-7.0%
Tango	25	26	4.0%	49	51	4.6%
Other	**24**	**23**	**-5.0%**	**45**	**42**	**-6.9%**

Note that the 2010 revenue for Mobile Voice and Mobile Data has been restated for the allocation of access revenue related to pricing plans that bundle Voice, SMS and advanced data.

Targeted retention actions positively impacting fixed line erosion; revenues still pressured by F2M tariff decline
Second-quarter fixed voice revenue declined 7.9% year-over-year to EUR 115 million. As from the second quarter, the year-over-year variance is no longer impacted by the financial collecting model for Premium Rate Services; but the double cut in the Fixed-to-Mobile tariffs still had a negative impact. In addition, the recurring discounts on Packs and the loss in access lines continued to pressure second-quarter revenues. However, as a result of the targeted retention campaigns, the line loss of the second quarter improved significantly (-26,000 in the second quarter versus -37,000 the quarter before) with among others the “TV with fixed line” Pack contributing to the line loss improvement.

Second-quarter fixed voice ARPU declined 1.7% year-over-year to EUR 20.0. Excluding regulation, the ARPU was slightly up.
By end of June, the revenue from Fixed Voice totaled EUR 233 million, i.e. a decline of 9.5% compared to last year.

Persistent competition in an increasingly penetrated broadband market
For the second quarter of 2011, CBU broadband revenues declined -1.7% driven by slower customer growth and discounts on Packs. This brings the year-to-date June revenues to EUR 168 million, i.e. -0.9% year-over-year.
CBU continues to feel pressure from the strong cable competition in an increasingly penetrated broadband market, resulting in modest broadband net adds. CBU added 5,000 new customers bringing the total Internet customer base to 1,136,000 by the end of June. In the space of one year, CBU added 38,000 new customers including 11,000 customers that have been re-segmented from EBU to CBU in the first quarter of the year and a small loss of Scarlet Internet customers.
The Internet ARPU of EUR 27.0 declined 5.4% year-over-year, mainly driven by the recurring discounts on Packs and lower one-time revenues.

Strong second quarter for Belgacom TV: +59,000 subscribers; revenue up 23.6%
Second quarter TV revenues were up 23.6% year-over-year, fully driven by the customer growth. In the second quarter of 2011, CBU added 59,000 TV subscribers as a result of the ongoing success of bundled offers, especially “TV with fixed line” Pack. End of June, the Belgacom TV customer base of 1,087,000 customers included 162,000 multiple streams. Second-quarter ARPU of EUR 19.2 remained fairly stable compared to a year ago.
By end of June, the TV revenue amounted to EUR 104 million or an increase of 20% year-over-year. The impact of ‘free football’ on half-year results remained limited as soccer subscriptions were only stopped as of mid-June.

Regulation and lower usage continue to impact mobile voice revenues; clear improvement in net adds
The decline in second quarter mobile voice revenues of -11.2% is largely explained by regulatory measures; i.e. the double reduction in MTR and to a lesser extent the decline in Roaming tariffs. As from the second quarter, the financial collecting model no longer impacted the year-over-year revenue variance. The remaining drop in revenues is driven by a trend change in mobile usage since the beginning of 2011: in contrast to the increasing trend of 2010, first quarter 2011 MoU declined; this decline continued in the second quarter of 2011 (-3.6%). So far, there are no signs that this is due to a cannibalization towards mobile data solutions.
Second-quarter net adds showed a clear improvement compared to the quarter before: CBU added 24,000 postpaid customers driven by a pick-up in sales in the controlled distribution channels as well as in the indirect channels. The success of mobile Internet actions, such as the Pack which combines fixed and mobile Internet with a Samsung Galaxy Tab (tablet), contributed to the customer growth. CBU’s prepaid mobile customer base declined by 21,000 in the second quarter. This brings the total CBU mobile customer base to 3,726,000 end of June.
Blended voice ARPU declined to EUR 13.4 mainly due to regulation and to a lesser extent due to the decline in usage.
Year-to-date June 2011, Mobile voice revenue was down 11.5% to EUR 286 million.

Mobile data revenue trend improved driven by SMS
Mobile data revenues for the second quarter were up 11.8% driven by growing SMS and data revenues. Compared to the first quarter of 2011, the revenue trend improved driven by **SMS revenues**: the SMS-volume trend further improved, with monthly SMS usage per customer up by 12% in the second quarter of 2011. The volume increase led to a 10.7% increase in second quarter SMS revenue.
Revenue from **Advanced Mobile data** (non-SMS) grew by 21% in the second quarter driven by the continued success of mobile Internet solutions.
CBU ended the first six months of 2011 with mobile data revenue of EUR 179 million, or a year-over-year increase of 8.5%. Note that the first-quarter revenue variance was still impacted by the collecting model for Premium Rate Services.

Exhibit 2: Detail of mobile data revenue

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
Mobile DATA revenue	**82**	**92**	**11.8%**	**165**	**179**	**8.5%**
SMS - incl Premium SMS	73	80	10.7%	147	157	6.8%
Advanced data	9	11	20.8%	18	22	22.6%

Note that Premium SMSes have been re-allocated: as from 2011 they are no longer reported within 'Advanced Data'. The 2010 figures have been adapted accordingly.

CBU operating expenses

Cost of Sales continued positive evolution in second quarter
Cost of Sales for the second quarter improved 13% year-over-year, partly driven by the positive effect of the decrease in Mobile Termination rates. Excluding regulation, Cost of sales were still 6% lower as a result of lower commissions and because Cost of Sales in 2011 were no longer impacted by the Scarlet migration.
Year-to-date June, Cost of Sales improved 15% year-over-year to EUR 298 million.

HR expenses impacted by wage indexations & consolidation of Sahara Net LLC
The second-quarter HR expenses were up 5.4% to EUR 85 million driven by inflation based salary indexations (October 2010 and June 2011) and additional costs linked to the acquisition of Sahara Net LLC. Year-over-year, CBU's headcount declined by 14 FTE's and was impacted by the consolidation of Sahara Net LLC as of October 2010.

Second quarter non-HR expenses +1.4%
Second-quarter non-HR expenses were up slightly by 1.4% bringing the total to EUR 74 million. Year-to-date non-HR expenses increased 4.5% driven by more outsourcing following the customer centricity project.

CBU segment result

CBU's second-quarter segment result was up 1.6% to EUR 271 million while absorbing a EUR 3 million negative regulation impact. The contribution margin is up from 45.1% a year ago to 46.8% for the second quarter 2011.
For the first six months of 2011, CBU's segment result amounted to EUR 535 million, including a EUR 10 million regulation impact.

CBU operating result

	2nd Quarter		
	2010	**2011**	**Variance** (in abs. amount)
FROM FIXED			
Number of access channels (thousands)	3,098	3,006	-92
Voice (PSTN/ISDN)	1,907	1,782	-125
IP	92	88	-4
ADSL, VDSL	1,099	1,136	38
Traffic (millions of minutes)	1,052	977	-74
National	857	795	-63
Fixed to Mobile	103	96	-7
International	91	87	-4
TV (thousands)	868	1,087	219
TV - households	753	925	172
Of which multiple settop boxes	115	162	47
ARPU (EUR)			
ARPU Voice	20.3	20.0	-0.3
ARPU broadband	28.5	27.0	-1.5
ARPU Belgacom TV	19.1	19.2	0.1
FROM MOBILE			
Number of active customers (thousands)	3,745	3,726	-20
Prepaid[1]	2,188	2,096	-92
Postpaid	1,557	1,630	72
Annualized churn rate (blended - variance in p.p.)	20.1%	20.4%	
Net ARPU (EUR)[2]			
Prepaid	15.0	15.3	0.4
Postpaid	32.9	30.0	-2.9
Blended	22.3	21.6	-0.8
Blended voice	15.0	13.4	-1.6
Blended data	7.3	8.2	0.9
UoU (units)	335.1	357.5	22.4
MoU (min)[3]	110.5	106.6	-3.9
Normalized MoU (min)[3]	90.3	89.3	-0.9
SMS (units)	226.5	254.1	27.6
Normalized SMS (units)	87.3	102.3	15.1

[1] Prepaid includes Mobisud customers that were previously reported as MVNO customers
[2] Mobile ARPU's 2010 have been adapted to reflect the change in mobile access revenue allocation
[3] MoU reflect the duration of all calls from or to Proximus/voice customer/per month. In 2011 the definition of voice customers has been fine-tuned to exclude all data cards; 2010 MoU have been adapted accordingly.

Tango

	2nd Quarter			Year-to-date		
	2010	2011	% Change	2010	2011	% Change
Revenue[1] (in EUR mio)	25	26	4.0%	49	51	4.6%
Total active mobile customers (in '000)	260	256	-1.7%	260	256	-1.7%
Blended mobile net ARPU (EUR/month)	26.2	28.1	7.4%	24.8	27.3	10.0%

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

Tango reported EUR 26 million revenues for the second quarter of 2011, i.e. a year-over-year increase of 4% or in line with the growth trend of the first quarter of 2011. Growth is driven by continued strong sales of smartphones and the iPhone, the ongoing migration of prepaid towards postpaid offers and increased revenues from bundles. This led to an ARPU increase of 7.4% bringing the total to EUR 28.1. In the second quarter, Tango added 2,000 mobile customers to reach a total of 256,000 by end of June.

For the first half of 2011, revenues were up 4.6% bringing the total to EUR 51 million.

Enterprise Business Unit – EBU

- **Revenue trend improved; underlying revenue -0.4% yoy**
- **Growth from ICT and Mobile data increasingly offsetting Voice revenue decline**
- **Mobile shows solid customer growth but remains impacted by Regulation and price pressure**
- **Segment result impacted by increase in HR and Non-HR expenses**

P&L Enterprise Business Unit

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
TOTAL SEGMENT INCOME	**610**	**593**	**-2.8%**	**1,226**	**1,186**	**-3.3%**
Costs of materials and services related to revenue	-175	-160	-8.7%	-358	-321	-10.3%
Personnel expenses and pensions	-93	-98	5.4%	-184	-192	4.4%
Other operating expenses	-35	-37	7.2%	-70	-74	5.9%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-303**	**-295**	**-2.5%**	**-612**	**-588**	**-4.0%**
TOTAL SEGMENT RESULT (1)	**308**	**298**	**-3.1%**	**613**	**598**	**-2.5%**
Non-recurring expenses	0	-18	-	0	-18	-
OPERATING INCOME before depreciation & amortization	**308**	**280**	**-8.9%**	**613**	**580**	**-5.4%**
Depreciation and amortization	-4	-4	-2.7%	-9	-8	-14.2%
OPERATING INCOME	**303**	**276**	**-9.0%**	**604**	**572**	**-5.3%**

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

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

Second quarter 2.8% lower, trend slightly improving

EBU's revenue trend showed some improvement in the **second quarter 2011** with a year-over-year decline of 2.8% to EUR 593 million, whereas this was -3.7% for the first quarter.
Regulatory measures lowered the second quarter revenue by EUR 15 million (-2.4%), including a double year-over-year impact from lower Mobile Termination Rates (1 August 2010 and 1 January 2011), the resulting lower Fixed-to-Mobile rates and the cut of roaming rates (1 July 2010). Leaving aside the regulation impact, EBU's underlying revenue was slightly lower (-0.4%) compared to the previous year.

EBU ended the **first half of 2011** with EUR 1,186 million, a year-over-year decline of 3.3%, including a negative impact from regulatory measures for a total amount of EUR 33 million (-2.6%).

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
Revenues	**610**	**593**	**-2.8%**	**1,226**	**1,186**	**-3.3%**
From Fixed	**425**	**417**	**-1.8%**	**857**	**837**	**-2.3%**
Voice	136	125	-7.8%	277	253	-8.4%
Data	98	97	-0.9%	197	195	-0.9%
Terminals (excl. TV)	18	18	-2.6%	37	36	-1.3%
ICT	172	177	2.6%	346	352	1.7%
From Mobile	**180**	**171**	**-5.2%**	**358**	**340**	**-4.9%**
Voice	130	115	-11.0%	258	231	-10.6%
Data	48	53	11.0%	93	103	10.5%
Terminals	3	3	-7.9%	7	7	0.5%
Other	**5**	**5**	**-8.5%**	**11**	**9**	**-23.4%**

Note that the 2010 revenue for Mobile Voice and Mobile Data has been restated for the allocation of access revenue related to pricing plans that bundle Voice, SMS and advanced data.

Regulation and line erosion continue to pressure Fixed Voice revenue

The continued Fixed line erosion, lowering the Fixed Voice customer base by 13,000 lines in the second quarter, and especially the double decrease in Fixed-to-Mobile rates (1 August 2010 and 1 January 2011) explain the year-over-year revenue decrease of 7.8% to EUR 125 million.

In the second quarter, the Fixed Voice ARPU was EUR 28.9, or 4.3% lower than the previous year, driven by the lower Fixed-to-Mobile rates. Excluding the regulation impact, the Fixed Voice ARPU remained stable, as the lower usage per line was offset by the positive effect from price indexations on 1 August 2010 and 1 January 2011.

By end of June, the revenue from Fixed Voice was EUR 253 million, i.e. 8.4% lower compared to the previous year.

Revenue growth of data connectivity offset by migration of SME/SoHo to converged packages including Broadband

The slight downward revenue trend in Fixed Data continued in the second quarter, with EBU generating EUR 97 million, i.e. 0.9% lower than last year. This brings the year-to-date June revenue from Fixed Data products to EUR 195 million, -0.9%. The growth in data connectivity revenue was offset by less revenue from Broadband products. Although EBU managed to keep its customer base fairly stable in a highly competitive and saturated broadband market, the ARPU is impacted by SME and Soho customers migrating to more advantageous converged packages.

ICT growth trend continued over the second quarter

The growth pattern, which started last year, continued. ICT revenue grew 2.6% over the second quarter to EUR 177 million, somewhat of an improvement compared to the first quarter in which revenue grew slightly by 0.8%. Over the first six months, the total ICT revenue therefore totals EUR 352 million, up by 1.7% compared to the previous year.

The sales from ICT are in line with Belgacom’s strategic decision to focus on Services and Solutions, while slowing hardware box moving.

EBU continued to rationalize Telindus’ existing portfolio of international assets, and decided to divest Telindus’ Spanish subsidiary end of June 2011. Although the divestment will lower Belgacom’s ICT revenue as from July 2011 on, the impact on EBITDA will be minor.

Positive trend in Mobile usage and solid Mobile customer gain offset by pressure of regulatory measures

For the second quarter, EBU reported EUR 115 million Mobile voice revenue, which is 11% lower than the second-quarter revenue of 2010. The decrease is attributable to Regulatory measures (double impact from lower Mobile Termination rates and lower Roaming prices) and the continued mobile price erosion due to customers migrating to pricing packages that include free mobile minutes. This brings the second-quarter ARPU to EUR 28.7, i.e. a year-over-year decline of 16.7%.

The mobile usage over the second quarter increased slightly to a total of 328 minutes/user/month.

In spite of a very competitive mobile market, EBU saw its Mobile customer base further improving to a total of 1,357,000. Over the second quarter, EBU added 30,000 mobile cards[1], compared to 19,000 for the same period of the previous year, and 24,000 in the first quarter of 2011.

Over the first half of 2011, EBU reported EUR 231 million in revenue from Mobile Voice, or 10.6% lower versus the previous year.

Strong revenue growth for Mobile Data continued

Mobile Data revenues continued their upward trend and grew year-over-year by 11% to EUR 53 million for the second quarter 2011.

The **SMS**-volume trend further improved, with monthly SMS usage per customer up by 17% in the second quarter of 2011. The volume increase led to 11% higher SMS revenue.

Revenue from **Advanced Mobile data** (non-SMS) grew by 11% in the second quarter thanks the ongoing success of mobile Internet solutions.

The ARPU from Mobile Data grew to EUR 13.2 for the second quarter of 2011, i.e. up by 5.6% year-over-year.

Year-to-date June 2011, Mobile Data revenue was up 10.5% to EUR 103 million.

Exhibit 3: Detail mobile data revenue

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
Mobile DATA revenue	**48**	**53**	**11.0%**	**93**	**103**	**10.5%**
SMS - incl Premium SMS	22	24	11.0%	44	48	8.3%
Advanced data	26	28	10.9%	49	55	12.5%

Note that Premium SMS have been re-allocated: as from 2011 they are no longer reported within 'Advanced Data'. The 2010 figures have been adapted accordingly.

[1] Including Voice, Data and Machine-to-Machine

EBU operating expenses

Cost of Sales positively impacted by lower Mobile Termination Rates

In the second quarter of 2011, the EBU Cost of Sales fell by 8.7% to EUR 160 million. The EUR 15 million decrease was largely the result of the double impact from lower Mobile Termination Rates. Unlike the first quarter, the second quarter was no longer impacted by the move to the Collecting Model for Premium Rate services as of April 2010. Excluding the favorable regulation impact, EBU's Cost of Sales was still 1% lower year-over-year.

Over the first half of 2011, EBU reported EUR 321 million Cost of Sales, or 10.3% lower compared to the same period last year.

HR-expenses

On a year-over-year basis, EBU saw its HR-expenses increase by 5.4% to EUR 98 million in the second quarter. This increase is driven by inflation-based salary indexations (October 2010 and June 2011) and a year-over-year increase in headcount due to Bridging ICT.

Non-HR expenses

In the second quarter of 2011, EBU's non-HR expenses amounted to EUR 37 million, up EUR 3 million compared to the same period of 2010, though remained flat in relation to the expenses in the first quarter of 2011. As of 2011, the non-HR expenses include some additional sub-contracting related to Belgacom's International ICT business.

EBU segment result

The segment result of EBU for the second quarter 2011 of EUR 298 million was 3.1% lower than for the same period last year, driven by higher HR and non-HR expenses and a limited negative impact from Regulation.

This brings the year-to-date June 2011 segment result of EBU to EUR 598 million, or 2.5% lower year-over-year.

EBU operating result

	2nd Quarter		
	2010	2011	Variance (in abs. amount)
FROM FIXED			
Number of access channels (thousands)	1,912	1,849	-63
Voice (PSTN/ISDN)	1,454	1,398	-56
IP	12	14	2
ADSL, VDSL	446	436	-10
Traffic (millions of minutes)	790	732	-58
National	529	485	-43
Fixed to Mobile	168	160	-8
International	93	86	-6
ARPU (EUR)			
ARPU Voice	30.2	28.9	-1.3
ARPU Broadband	39.1	39.3	0.2
FROM MOBILE			
Number of active customers (thousands)	1,271	1,357	86
Post-paid	1,271	1,357	86
Annualized churn rate (blended - variance in p.p.)	10.9%	10.8%	
Net ARPU (EUR)[1]			
Postpaid	47.0	41.9	-5.1
Postpaid voice	34.4	28.7	-5.7
Postpaid data	12.6	13.2	0.6
UoU (units)	363.6	369.6	6.0
MoU (min)[2]	324.3	328.3	4.0
Normalized MoU (min)[2]	285.3	285.8	0.6
SMS (units)	77.0	90.1	13.1
Normalized SMS (units)	60.0	67.0	7.0

[1] *Mobile ARPU's 2010 have been adapted to reflect the change in mobile access revenue allocation*

[2] *MoU reflect the duration of all calls from or to Proximus/voice customer/per month. In 2011 the definition of voice customers has been fine-tuned to exclude all data cards; 2010 MoU have been adapted accordingly.*

Service Delivery Engine & Wholesale – SDE&W

P&L Service Delivery Engine & Wholesale

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
TOTAL SEGMENT INCOME	**85**	**80**	**-6.1%**	**179**	**161**	**-10.2%**
Costs of materials and services related to revenue	-10	-9	-5.2%	-25	-19	-26.8%
Personnel expenses and pensions	-48	-50	2.4%	-99	-98	-0.9%
Other operating expenses	-50	-33	-32.8%	-100	-85	-15.1%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-108**	**-92**	**-14.5%**	**-225**	**-202**	**-10.2%**
TOTAL SEGMENT RESULT (1)	**-23**	**-12**	-46.1%	**-45**	**-41**	-10.0%
Depreciation and amortization	-124	-115	-7.7%	-238	-227	-4.7%
OPERATING LOSS	**-147**	**-127**	**-13.7%**	**-283**	**-268**	**-5.6%**

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

✓ SDE&W quarterly financial and operational results: page 21

Second quarter revenues -6.1%, largely driven by regulation

Second quarter revenues declined 6.1% to EUR 80 million largely driven by regulation, i.e. the double decline in Mobile Termination Rates and lower LLU and bitstream prices (EUR 3 million or -3.2%).

Compared to the first quarter, the revenue trend improved as the second-quarter year-over-year variance was no longer impacted by the financial collecting model for Premium Rate Services.

SDE&W ended the first-half of 2011 with EUR 161 million, a year-over-year decline of 10.2%, including a negative impact from regulatory measures for a total amount of EUR 13 million (-6.9%).

Second quarter operating expenses down 14.5%, including one-time reduction in non-HR costs

Second quarter cost of sales were down 5.2% fully reflecting the positive impact of the lower MTRs. For the first half of 2011, costs were 26.8% lower following lower MTRs and the positive impact of the financial collecting model in the first quarter 2011.

On a year-over-year basis, SDE&W saw its HR-expenses increase by 2.4% to EUR 50 million in the second quarter. This increase is driven by a double impact from inflation based salary indexations (October 2010 and June 2011).

The reduction of the other operating expenses in the SDE segment reflects a one-time reduction of network costs as a result of the reversal of a provision due to the settlement of a litigation.

Staff & Support – S&S

P&L Staff and Support

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
TOTAL SEGMENT INCOME	**7**	**7**	**-3.8%**	**18**	**15**	**-15.2%**
Costs of materials and services related to revenue	0	-0	-111.0%	1	-0	>100%
Personnel expenses and pensions	-43	-40	-7.0%	-84	-79	-5.3%
Other operating expenses	-45	-41	-9.3%	-95	-88	-8.0%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-88**	**-81**	**-8.1%**	**-178**	**-167**	**-5.9%**
TOTAL SEGMENT RESULT (1)	**-80**	**-74**	**-8.5%**	**-160**	**-152**	**-4.9%**
Depreciation and amortization	-19	-18	-2.4%	-37	-37	-1.5%
OPERATING LOSS	**-99**	**-92**	**-7.3%**	**-197**	**-189**	**-4.2%**

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

✓ S&S quarterly financial and operational results: page 21

For the second quarter, Staff and Support reported EUR 7 million revenues, or -3.8% year-over-year. This brings the first-half revenues to EUR 15 million, or a decline of 15.2% year-over-year, mainly due to a one-time positive impact in the first quarter of 2010.

Second-quarter operating expenses were down 8.1% driven by an improvement in HR and non-HR costs. HR expenses were down 7% as the decline in headcount (-207 FTE's year-over-year) fully offset the impact of the wage indexation. Non-HR expenses were down 9.3% to EUR 41 million, mainly driven by a one-time positive in the second quarter 2011.

International Carrier Services – BICS

- **Revenue pressure from weaker dollar and lower MTRs largely offset in costs**
- **Gross margin impact remains limited to EUR -1.4 million**
- **Mobile data traffic continues strong growth**

P&L International Carrier Services

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
TOTAL SEGMENT INCOME	**414**	**388**	**-6.5%**	**792**	**760**	**-4.1%**
Costs of materials and services related to revenue	-359	-333	-7.1%	-684	-653	-4.5%
Gross margin (1)	*56*	*54*	*-2.5%*	*108*	*106*	*-1.9%*
Personnel expenses and pensions	-9	-9	-6.8%	-19	-18	-3.2%
Other operating expenses	-15	-17	12.8%	-30	-35	17.2%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-383**	**-358**	**-6.3%**	**-733**	**-707**	**-3.6%**
TOTAL SEGMENT RESULT (2)	**32**	**29**	**-8.3%**	**60**	**53**	**-10.9%**
Segment result margin	*7.7%*	*7.5%*	-	*7.5%*	*7.0%*	-
Non-recurring income	0	0	-	436	0	-
Non-recurring expenses	0	-1	-	0	-1	-
OPERATING INCOME before depreciation & amortization	**32**	**28**	**-10.5%**	**495**	**53**	**-89.4%**
Depreciation and amortization	-21	-20	-3.6%	-42	-40	-4.1%
OPERATING INCOME	**11**	**8**	**-24.0%**	**454**	**13**	**-97.2%**

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

✓ *ICS quarterly financial and operational results: page 22*

Pressure on revenue largely offset by lower costs, marginal gross margin impact

A significant part of BICS' revenue is dollar denominated. If the average dollar rate fluctuates, this is reflected in BICS revenue. For the **second quarter 2011,** the average dollar rate stood at 1.4566 USD/EUR, which was about 15% higher than the average rate for the same period of 2010 with 1.2631 USD/EUR. The year-over-year variance in average dollar rates for the first quarter was limited to about 2%. The significantly higher year-over-year variance in the dollar rate in large part explains the worsened revenue trend.

Furthermore, BICS revenue continued to be impacted by the European-wide reduction in Mobile Termination Rates, while the increase in Voice volumes by 12% did not fully offset the pressure on unit prices caused by the toughening competitive landscape.

The sustained solid growth from Mobile data products in the second quarter resulted in a strong non-Voice revenue growth of nearly 20% to EUR 39 million.

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
Voice	381.8	348.5	-8.7%	729.5	686.8	-5.8%
Non Voice	32.7	39.1	19.5%	62.8	73.0	16.1%
Total revenues	**414.4**	**387.5**	-6.5%	**792.3**	**759.8**	-4.1%

As the dollar denomination in BICS' Cost of Sales is comparable to the revenue, BICS' exposure to dollar fluctuations was for the most part nullified on the Gross margin level. Therefore, the Gross margin in the second quarter was only 2.5% or EUR 1.4 million down compared to the same period of last year.

	2nd Quarter			Year-to-date		
(EUR million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
Voice	32.7	28.6	-12.6%	65.8	57.2	-13.0%
Non Voice	23.1	25.8	11.8%	42.5	49.1	15.4%
Total Gross Margin	**55.8**	**54.4**	-2.5%	**108.3**	**106.3**	-1.9%

BICS ended **the first half of 2011** with EUR 760 million revenue, or 4.1% lower versus the previous year. The decrease in Gross margin, however, was limited to 1.9%. The strong performance in Mobile data, driven by signaling and SMS growth, did not fully cover for the pressure on unit margins due to intense competition and the negative currency effect.

EBITDA impacted by unfavorable currency effect and pressure on unit margins

Second-quarter HR-expenses remained fairly flat year-over-year, while non-HR expenses went up driven by exchange rate effects. In addition to lower Gross margin, this led to a year-over-year decrease in EBITDA by 8.3% or EUR 2.6 million. BICS' contribution margin of 7.5% improved compared with the first quarter but is still slightly below the previous year.

Over **the first half of 2011**, BICS reported EUR 53 million EBITDA, which is EUR 6.5 million less than for the same period in 2010, mainly resulting from unfavorable currency effects.

	2nd Quarter			Year-to-date		
Volumes (in million)	**2010**	**2011**	**% Change**	**2010**	**2011**	**% Change**
Voice	6,254	6,997	11.9%	12,177	13,571	11.4%
Non-Voice (SMS/MMS)	188	253	35.1%	356	483	35.9%

BICS volumes included at 100%

Quarterly results

Group – Financials

(EUR million)	Q110	Q210	Q310	Q410	YTD10	2010	Q111	Q211	YTD11
Revenues	**1,641**	**1,664**	**1,640**	**1,658**	**3,305**	**6,603**	**1,583**	**1,612**	**3,195**
Consumer Business Unit	590	592	585	600	1,182	2,368	565	579	1,144
Enterprise business unit	615	610	590	606	1,226	2,421	593	593	1,186
Service Delivery Engine & Wholesale	94	85	79	83	179	342	81	80	161
Staff&Support	10	7	10	7	18	35	8	7	15
International Carrier Services	378	414	415	402	792	1,610	372	388	760
Intersegment eliminations	-47	-45	-40	-39	-92	-172	-36	-36	-72
Costs of materials and charges to revenues	**-662**	**-674**	**-651**	**-655**	**-1,336**	**-2,642**	**-609**	**-621**	**-1,230**
Personnel expenses and pensions	**-274**	**-275**	**-281**	**-278**	**-549**	**-1,107**	**-274**	**-282**	**-556**
Other operating expenses	**-210**	**-212**	**-218**	**-230**	**-422**	**-870**	**-220**	**-196**	**-416**
Segment result	**495**	**503**	**490**	**495**	**999**	**1,984**	**480**	**512**	**993**
Segment EBITDA margin*	**30.2%**	**30.2%**	**29.9%**	**29.9%**	**30.2%**	**30.0%**	**30.3%**	**31.8%**	**31.1%**
Non recurring items	**436**	**1**	**0**	**8**	**436**	**444**	**0**	**-18**	**-18**
Ebitda	**931**	**504**	**490**	**503**	**1,435**	**2,428**	**480**	**494**	**974**

** before non-recurring items*

Group – Capex

(EUR million)	Q110	Q210	Q310	Q410	YTD10	2010	Q111	Q211	YTD11
Group Capex	**154**	**222**	**139**	**219**	**376**	**734**	**173**	**161**	**334**
Consumer Business Unit	49	19	11	54	67	132	44	27	71
Enterprise business unit	2	3	7	7	6	20	4	4	8
Service Delivery Engine & Wholesale	96	180	96	121	275	492	115	119	234
Staff&Support	5	13	19	26	17	62	7	9	16
International Carrier Services	2	8	6	11	10	27	3	2	6

CBU - Financials

(EUR million)	Q110	Q210	Q310	Q410	YTD10	2010	Q111	Q211	YTD11
Revenues	**590**	**592**	**585**	**600**	**1,182**	**2,368**	**565**	**579**	**1,144**
From Fixed	**291**	**280**	**281**	**288**	**571**	**1,139**	**281**	**278**	**559**
Voice	133	125	124	124	258	506	118	115	233
Data	85	85	84	83	170	337	85	83	168
TV	44	43	46	49	86	182	51	53	104
Terminals (excl. TV)	8	7	8	7	16	31	7	6	13
Scarlet	21	20	19	23	41	84	21	21	41
From Mobile	**279**	**288**	**285**	**290**	**567**	**1,142**	**265**	**279**	**544**
Voice	158	165	162	156	323	641	139	147	286
Data	83	82	82	88	165	334	87	92	179
Terminals (excl. TV)	15	16	17	21	30	68	14	14	28
Tango	24	25	25	25	49	99	25	26	51
Other	**21**	**24**	**19**	**23**	**45**	**87**	**19**	**23**	**42**
Costs of materials and charges to revenues	**-180**	**-171**	**-158**	**-169**	**-351**	**-678**	**-149**	**-149**	**-298**
Personnel expenses and pensions	**-81**	**-81**	**-82**	**-82**	**-162**	**-325**	**-83**	**-85**	**-168**
Other operating expenses	**-65**	**-73**	**-70**	**-83**	**-138**	**-291**	**-70**	**-74**	**-144**
Segment result	**264**	**267**	**276**	**266**	**531**	**1,073**	**264**	**271**	**535**
Segment Contribution margin	**44.7%**	**45.1%**	**47.1%**	**44.3%**	**44.9%**	**45.3%**	**46.7%**	**46.8%**	**46.7%**

CBU – Operationals

	Q110	Q210	Q310	Q410	YTD10	2010	Q111	Q211	YTD11
FROM FIXED									
Number of access channels (thousands)	**3,120**	**3,098**	**3,076**	**3,046**	**3,098**	**3,046**	**3,028**	**3,006**	**3,006**
PSTN	1,904	1,877	1,850	1,817	1,877	1,817	1,781	1,756	1,756
ISDN	32	31	30	28	31	28	27	26	26
IP	93	92	90	88	92	88	88	88	88
ADSL, VDSL	1,091	1,099	1,107	1,113	1,099	1,113	1,131	1,136	1,136
Traffic (millions of minutes)	**1,178**	**1,052**	**1,004**	**1,140**	**2,230**	**4,374**	**1,061**	**977**	**2,039**
National	976	857	824	942	1,833	3,599	875	795	1,670
Fixed to Mobile	104	103	94	102	207	404	95	96	191
International	98	91	86	96	190	371	91	87	178
TV (thousands)	**814**	**868**	**920**	**975**	**868**	**975**	**1,029**	**1,087**	**1,087**
TV - households	713	753	795	839	753	839	879	925	925
of which multiple settop boxes	100	115	125	135	115	135	149	162	162
ARPU (EUR)									
ARPU Voice	21.2	20.3	20.3	20.9	20.8	20.7	20.2	20.0	20.1
ARPU broadband	28.7	28.5	28.1	27.6	28.6	28.2	27.6	27.0	27.3
ARPU Belgacom TV	20.7	19.1	19.3	19.7	19.9	19.7	19.4	19.2	19.3
FROM MOBILE									
Number of active customers (thousands)	**3,739**	**3,745**	**3,773**	**3,769**	**3,745**	**3,769**	**3,723**	**3,726**	**3,726**
Pre-paid [1]	2,201	2,188	2,199	2,165	2,188	2,165	2,117	2,096	2,096
Post-paid	1,538	1,557	1,573	1,604	1,557	1,604	1,606	1,630	1,630
Annualized churn rate (blended - variance in p.p.)	**20.9%**	**20.1%**	**21.8%**	**22.8%**	**20.5%**	**21.4%**	**21.3%**	**20.4%**	**20.8%**
Net ARPU (EUR)[2]									
Prepaid	14.3	15.0	14.7	15.3	14.6	14.8	14.1	15.3	14.7
Postpaid	32.5	32.9	32.1	31.4	32.7	32.2	29.2	30.0	29.6
Blended	21.5	22.3	21.8	22.0	21.9	21.9	20.5	21.6	21.0
Blended voice	14.2	15.0	14.6	14.2	14.2	14.5	12.7	13.4	13.1
Blended data	7.3	7.3	7.2	7.8	7.3	7.4	7.8	8.2	8.0
UoU (units)	**318.0**	**335.1**	**307.1**	**345.3**	**326.5**	**326.5**	**338.0**	**357.5**	**346.9**
MoU (min)[3]	**104.4**	**110.5**	**105.9**	**107.5**	**107.3**	**107.0**	**102.2**	**106.6**	**103.5**
Normalized MoU (min)[3]	86.6	90.3	88.8	91.9	88.4	89.6	84.8	89.3	86.2
SMS (units)	**215.2**	**226.5**	**203.5**	**240.5**	**221.0**	**221.6**	**238.7**	**254.1**	**246.4**
Normalized SMS (units)	85.3	87.3	85.7	101.2	86.1	90.6	96.6	102.3	99.5

[1] Prepaid includes Mobisud customers that were previously reported as MVNO customers
[2] Mobile ARPU's 2010 have been adapted to reflect the change in mobile access revenue allocation
[3] MoU reflect the duration of all calls from or to Proximus/voice customer/per month. In 2011 the definition of voice customers has been fine-tuned to exclude all data cards. 2010 MoU have been adapted accordingly.

EBU - Financials

(EUR million)	Q110	Q210	Q310	Q410	YTD10	2010	Q111	Q211	YTD11
Revenue	**615**	**610**	**590**	**606**	**1,226**	**2,421**	**593**	**593**	**1,186**
From Fixed	432	425	413	427	857	1,697	420	417	837
Voice	141	136	130	132	277	539	128	125	253
Data	99	98	98	98	197	392	98	97	195
Terminals	18	18	19	18	37	74	18	18	36
ICT	174	172	166	179	346	692	175	177	352
From Mobile	177	180	174	170	358	702	169	171	340
Voice	129	130	123	119	258	500	115	115	231
Data	45	48	47	47	93	187	50	53	103
Terminals	3	3	3	5	7	15	4	3	7
Other	6	5	3	8	11	22	4	5	9
Costs of materials and charges to revenues	**-183**	**-175**	**-163**	**-164**	**-358**	**-685**	**-162**	**-160**	**-321**
Personnel expenses and pensions	**-91**	**-93**	**-96**	**-95**	**-184**	**-375**	**-94**	**-98**	**-192**
Other operating expenses	**-36**	**-35**	**-39**	**-40**	**-70**	**-149**	**-37**	**-37**	**-74**
Segment result	**306**	**308**	**292**	**306**	**613**	**1,212**	**300**	**298**	**598**
Segment Contribution margin	**49.7%**	**50.4%**	**49.5%**	**50.6%**	**50.0%**	**50.0%**	**50.6%**	**50.3%**	**50.4%**

EBU – Operationals

	Q110	Q210	Q310	Q410	YTD10	2010	Q111	Q211	YTD11
FROM FIXED									
Number of access channels (thousands)	**1,922**	**1,912**	**1,901**	**1,886**	**1,912**	**1,886**	**1,861**	**1,849**	**1,849**
PSTN	647	644	641	636	644	636	631	627	627
ISDN	818	810	801	791	810	791	781	771	771
IP	11	12	12	13	12	13	13	14	14
ADSL, VDSL	445	446	446	445	446	445	436	436	436
Traffic (millions of minutes)	**848**	**790**	**727**	**781**	**1,637**	**3,145**	**782**	**732**	**1,513**
National	579	529	487	529	1,107	2,123	526	485	1,012
Fixed to Mobile	173	168	153	165	341	660	165	160	325
International	96	93	86	87	189	362	90	86	176
ARPU (EUR)									
ARPU Voice	30.9	30.2	29.0	29.7	30.5	30.0	29.1	28.9	29.0
ARPU Broadband	39.4	39.1	39.0	38.7	39.2	39.1	39.6	39.3	39.5
FROM MOBILE									
Number of active customers (thousands)	**1,252**	**1,271**	**1,286**	**1,303**	**1,271**	**1,303**	**1,327**	**1,357**	**1,357**
Post-paid	1,252	1,271	1,286	1,303	1,271	1,303	1,327	1,357	1,357
Annualized churn rate (blended - variance in p.p.)	**10.6%**	**10.9%**	**10.0%**	**10.8%**	**10.8%**	**10.6%**	**11.1%**	**10.8%**	**10.9%**
Net ARPU (EUR)[1]									
Postpaid	46.9	47.0	44.7	42.8	46.9	45.3	41.8	41.9	41.9
Postpaid voice	34.7	34.4	32.3	30.8	34.6	33.0	29.2	28.7	29.0
Postpaid data	12.2	12.6	12.5	12.1	12.3	12.3	12.6	13.2	12.9
UoU (units)	**360.7**	**363.6**	**345.3**	**372.8**	**362.2**	**361.3**	**356.5**	**369.6**	**363.1**
MoU (min)[2]	**322.0**	**324.3**	**308.3**	**330.5**	**323.1**	**321.8**	**317.1**	**328.3**	**322.7**
Normalized MoU (min)[2]	289.7	285.3	268.5	291.4	287.0	282.5	275.5	285.8	281.1
SMS (units)	**74.6**	**77.0**	**74.7**	**85.5**	**75.9**	**78.1**	**83.7**	**90.1**	**86.9**
Normalized SMS (units)	59.1	60.0	59.2	66.9	59.3	61.4	63.5	67.0	65.3

[1] Mobile ARPU's 2010 have been adapted to reflect the change in mobile access revenue allocation
[2] MoU reflect the duration of all calls from or to Proximus/voice customer/per month. In 2011 the definition of voice customers has been fine-tuned to exclude all data cards. 2010 MoU have been adapted accordingly.

SDE&W - Financials

(EUR million)	Q110	Q210	Q310	Q410	YTD10	2010	Q111	Q211	YTD11
Revenues	**94**	**85**	**79**	**83**	**179**	**342**	**81**	**80**	**161**
Costs of materials and charges to revenues	**-15**	**-10**	**-10**	**-10**	**-25**	**-46**	**-9**	**-9**	**-19**
Personnel expenses and pensions	**-51**	**-48**	**-53**	**-50**	**-99**	**-203**	**-49**	**-50**	**-98**
Other operating expenses	**-50**	**-50**	**-52**	**-50**	**-100**	**-202**	**-52**	**-33**	**-85**
Segment result	**-23**	**-23**	**-36**	**-27**	**-45**	**-109**	**-29**	**-12**	**-41**
Segment Contribution margin	**-24.0%**	**-26.6%**	**-45.5%**	**-33.1%**	**-25.2%**	**-31.8%**	**-35.2%**	**-15.3%**	**-25.3%**

S&S - Financials

(EUR million)	Q110	Q210	Q310	Q410	YTD10	2010	Q111	Q211	YTD11
Revenues	**10**	**7**	**10**	**7**	**18**	**35**	**8**	**7**	**15**
Costs of materials and charges to revenues	**1**	**0**	**0**	**0**	**1**	**1**	**0**	**0**	**0**
Personnel expenses and pensions	**-41**	**-43**	**-41**	**-40**	**-84**	**-165**	**-39**	**-40**	**-79**
Other operating expenses	**-50**	**-45**	**-45**	**-52**	**-95**	**-192**	**-47**	**-41**	**-88**
Segment result	**-80**	**-80**	**-75**	**-85**	**-160**	**-320**	**-79**	**-74**	**-152**

BICS - Financials

(EUR million)	Q110	Q210	Q310	Q410	YTD10	2010	Q111	Q211	YTD11
Revenues	**378**	**414**	**415**	**402**	**792**	**1,610**	**372**	**388**	**760**
Costs of materials and charges to revenues	**-325**	**-359**	**-356**	**-344**	**-684**	**-1,383**	**-320**	**-333**	**-653**
Personnel expenses and pensions	**-10**	**-9**	**-9**	**-10**	**-19**	**-39**	**-10**	**-9**	**-18**
Other operating expenses	**-15**	**-15**	**-16**	**-12**	**-30**	**-58**	**-18**	**-17**	**-35**
Segment result	**28**	**32**	**34**	**36**	**60**	**129**	**24**	**29**	**53**
Segment EBITDA margin	**7.4%**	**7.7%**	**8.1%**	**8.9%**	**7.5%**	**8.0%**	**6.5%**	**7.5%**	**7.0%**

BICS – Operationals

Volumes (in million)	Q110	Q210	Q310	Q410	YTD10	2010	Q111	Q211	YTD11
Voice	**5,922**	**6,254**	**6,433**	**6,680**	**12,177**	**25,290**	**6,574**	**6,997**	**13,571**
Non-Voice (SMS/MMS)	**168**	**188**	**209**	**235**	**356**	**800**	**230**	**253**	**483**

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 2010 consolidated financial statements, with the exception that the Group adopted the new standards and interpretations that became mandatory for the Belgacom Group on 1 January 2011 and which are detailed in note 38 of the 31 December 2010 consolidated financial statements. The adoption of these new standards has only limited disclosure impacts on the consolidated financial statements. The Group doesn't anticipate on the application of standards and interpretations.

On 4th April 2011, the Group acquired, via its fully owned subsidiary Telindus France, 100% of the shares of Eudasys SAS, a data-storage market leader in France, for EUR 10 million, net of cash acquired. The purchase price allocation has not yet been performed as at 30 June 2011. Therefore, goodwill has been provisionally determined at EUR 11 million.

On 30th June 2011, the Belgacom Group sold its 100% Spanish subsidiary, Telindus SA, for EUR 10 million net of cash disposed and recognized a loss on disposal of EUR 18 million through the non-recurring expenses.

The Group doesn't make any significant judgments and estimates other than those mentioned here above or in the 31 December 2010 consolidated financial statements.

Consolidated income statements

(EUR million)	2nd Quarter 2010	2nd Quarter 2011	Year-to-date 2010	Year-to-date 2011
Net revenue	1,653	1,601	3,279	3,174
Other operating income	12	11	27	21
Non-recurring income	0	0	436	0
TOTAL INCOME	**1,664**	**1,612**	**3,741**	**3,195**
Costs of materials and services related to revenue	-674	-621	-1,336	-1,230
Personnel expenses and pensions	-275	-282	-549	-556
Other operating expenses	-212	-196	-422	-416
Non-recurring expenses	1	-18	1	-18
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1,161**	**-1,118**	**-2,306**	**-2,220**
OPERATING INCOME before depreciation & amortization	**504**	**494**	**1,435**	**974**
Depreciation and amortization	-206	-199	-400	-393
OPERATING INCOME	**298**	**295**	**1,034**	**581**
Finance income	7	14	10	18
Finance costs	-33	-35	-64	-68
Net finance costs	**-26**	**-21**	**-54**	**-50**
INCOME BEFORE TAXES	**271**	**275**	**980**	**531**
Tax expense	-64	-73	-132	-134
NET INCOME	**207**	**202**	**847**	**397**
Non-controlling interests	4	3	6	4
Net income (Group share)	203	199	841	393
Basic earnings per share	0.63 EUR	0.62 EUR	2.62 EUR	1.22 EUR
Diluted earnings per share	0.63 EUR	0.62 EUR	2.62 EUR	1.22 EUR
Weighted average number of ordinary shares	321,011,499	321,360,502	320,850,818	321,424,418
Weighted average number of ordinary shares for diluted earnings per share	321,313,495	321,963,511	321,200,587	322,105,382

Consolidated statements of other comprehensive income

(EUR million)	As of 30 June 2010	As of 30 June 2011
Net income	**847**	**397**
Other comprehensive income:		
Available-for-sale investments:		
Transfer to profit or loss on sale	-6	0
Exchange differences on translation of foreign operations	0	-1
Other comprehensive income before related tax effects	**-7**	**-1**
Related tax effects		
Available-for-sale investments:		
Transfer to profit or loss on sale	2	0
Total Related tax effects	**2**	**0**
Other comprehensive income net of related tax effects	**-5**	**-1**
Total comprehensive income	**843**	**396**
Attributable to:		
Equity holders of the parent	837	392
Non-controlling interests	6	4

Consolidated balance sheets

(EUR million)	As of 31 December 2010	As of 30 June 2011
ASSETS		
NON-CURRENT ASSETS	**6,185**	**6,129**
Goodwill	2,337	2,331
Intangible assets with finite useful life	1,190	1,151
Property, plant and equipment	2,348	2,326
Investments in associates	2	2
Other participating interests	26	26
Deferred income tax assets	158	140
Pension assets	2	2
Other non-current assets	122	151
CURRENT ASSETS	**2,326**	**2,259**
Inventories	114	112
Trade receivables	1,246	1,277
Current tax assets	198	137
Other current assets	142	188
Investments	43	49
Cash and cash equivalents	584	495
TOTAL ASSETS	**8,511**	**8,388**
LIABILITIES AND EQUITY		
EQUITY	**3,342**	**3,174**
Shareholders' equity	**3,108**	**2,935**
Issued capital	1,000	1,000
Treasury shares	-484	-508
Restricted reserve	100	100
Available for sale and hedge reserve	0	0
Stock compensation	11	12
Retained earnings	2,476	2,327
Foreign currency translation	4	3
Non-controlling interests	**235**	**240**
NON-CURRENT LIABILITIES	**2,364**	**2,736**
Interest-bearing liabilities	1,406	1,873
Liability for pensions, other post-employment benefits and termination benefits	565	513
Provisions	203	173
Deferred income tax liabilities	187	173
Other non-current payables	3	3
CURRENT LIABILITIES	**2,804**	**2,477**
Interest-bearing liabilities	783	386
Provisions for liabilities and charges	0	0
Trade payables	1,304	1,284
Tax payables	188	197
Other current payables	529	610
Liabilities associated with assets classified as held for sale	0	0
TOTAL LIABILITIES AND EQUITY	**8,511**	**8,388**

Consolidated cash flow statements

(EUR million)	2nd Quarter 2010	2nd Quarter 2011	Year-to-date 2010	Year-to-date 2011
Cash flow from operating activities				
Net income (group share)	203	199	841	393
Adjustments for:	0	0	0	0
Non-controlling interests	4	3	6	4
Depreciation and amortization on intangible assets and property, plant and equipment	206	199	400	393
Increase of impairment on intangible assets and property, plant and equipment	0	0	1	0
Increase / (decrease) in provisions	4	-25	8	-20
Deferred tax expense	29	1	90	4
Fair value adjustments on financial instruments	4	2	7	-5
Loans amortization	0	2	0	0
(Gain) / loss on disposal of consolidated companies and remeasurement of previously held interest	0	18	-436	18
Gain on disposal of property, plant and equipment	0	0	-1	-1
Other non-cash movements	5	3	6	5
Operating cash flow before working capital changes	**454**	**403**	**923**	**792**
Increase in inventories	-22	0	-34	-4
Decrease / (increase) in trade receivables	46	-53	-19	-51
Increase in current income tax assets	-5	-2	-8	-1
Decrease / (increase) in other current assets	0	84	-9	12
Increase in other non current assets	0	-53	0	-53
Increase / (decrease) in trade payables	60	14	70	-8
Increase / (decrease) in income tax payables	-11	-41	-3	11
Increase / (decrease) in other current payables	-31	-10	53	83
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-25	-26	-46	-51
Decrease in other non-current payables and provisions	-1	-7	-4	-10
Decrease / (increase) in working capital, net of acquisitions and disposals of subsidiaries	**11**	**-94**	**0**	**-73**
Net cash flow provided by operating activities (1)	**466**	**309**	**923**	**719**
Cash flow from investing activities				
Purchase of intangible assets and property, plant and equipment	-222	-161	-376	-334
Cash paid for acquisitions of other participating interests	-20	0	-20	0
Cash received from / (paid for) acquisition of consolidated companies, net of cash acquired	8	-10	59	-10
Cash received from sales of consolidated companies, net of cash disposed of	0	10	0	10
Cash received from sales of intangible assets and property, plant and equipment	3	0	12	2
Net cash received from other non-current assets	0	0	0	1
Net cash used in investing activities	**-231**	**-162**	**-325**	**-333**
Cash flow before financing activities	**235**	**147**	**598**	**387**
Cash flow from financing activities	**0**	**0**	**0**	**0**
Dividends paid to shareholders	-539	-540	-540	-541
Dividends / capital paid to non-controlling interests	-8	0	-30	0
Net sale of treasury shares	14	-25	20	-25
Sale / (purchase) of investments	18	-3	28	-6
Decrease of shareholders' equity	-2	-2	-3	-2
Issuance of long term debt	0	0	1	495
Repayment of long term debt	0	0	0	-397
Issuance / (repayment) of short term debt	0	0	-49	1
Net cash used in financing activities	**-517**	**-572**	**-573**	**-475**
Net increase / (decrease) of cash and cash equivalents	**-282**	**-425**	**25**	**-88**
Cash and cash equivalents at 1 January	0	0	332	584
Cash and cash equivalents at 30 June	-282	-425	357	495
(1) Net cash flow from operating activities includes the following cash movements :				
Interest paid	-5	-4	-7	-23
Interest received	2	10	4	14
Income taxes paid	-51	-114	-53	-120

Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Available for sale and hedge reserve	Foreign currency translation	Stock Compen-sation	Retained Earnings	Share'rs' Equity	Non-Controlling interests	Total Equity
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
Non-controlling interests arising in a business combination	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**
Balance at 31 December 2010	**1,000**	**-484**	**100**	**0**	**4**	**11**	**2,476**	**3,108**	**235**	**3,342**
Currency translation differences	*0*	*0*	*0*	*0*	*-1*	*0*	*0*	***-1***	*0*	*-1*
Equity changes not recognised in the income statement	0	0	0	0	-1	0	0	**-1**	0	-1
Net income	0	0	0	0	0	0	393	**393**	4	397
Total comprehensive income and expense	**0**	**0**	**0**	**0**	**-1**	**0**	**393**	**392**	**4**	**396**
Dividends to shareholders (relating to 2010)	0	0	0	0	0	0	-540	**-540**	0	-540
Treasury shares										
Exercise of stock options	0	3	0	0	0	0	0	**2**	0	2
Acquisition of treasury shares	0	-35	0	0	0	0	0	**-35**	0	-35
Sale of treasury shares under a discounted share purchase plan	0	8	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
Total transactions with equity holders	**0**	**-25**	**0**	**0**	**0**	**1**	**-541**	**-565**	**0**	**-564**
Balance at 30 June 2011	**1,000**	**-508**	**100**	**0**	**3**	**12**	**2,327**	**2,935**	**240**	**3,174**

Segment reporting

Segment revenue and results

	Six months ended 30 June 2010						
(EUR million)	**Consumer Business Unit**	**Enterprise Business Unit**	**Service Delivery Engine & Wholesale**	**Staff & Support**	**International Carrier Services**	**Inter-segment eliminations**	**Total**
Net revenue	1,167	1,215	137	3	756	0	3,279
Other operating income	10	3	2	10	2	0	27
Intersegment income	6	7	41	4	34	-92	**0**
TOTAL SEGMENT INCOME	**1,182**	**1,226**	**179**	**18**	**792**	**-92**	**3,305**
Costs of materials and services related 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 income	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
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 income and expenses

	Six months ended 30 June 2011						
(EUR million)	**Consumer Business Unit**	**Enterprise Business Unit**	**Service Delivery Engine & Wholesale**	**Staff & Support**	**International Carrier Services**	**Inter-segment eliminations**	**Total**
Net revenue	1,133	1,178	128	4	732	0	3,174
Other operating income	9	4	1	6	0	0	21
Intersegment income	3	4	32	5	28	-72	**0**
TOTAL SEGMENT INCOME	**1,144**	**1,186**	**161**	**15**	**760**	**-72**	**3,195**
Costs of materials and services related to revenue	-298	-321	-19	-0	-653	61	-1,230
Personnel expenses and pensions	-168	-192	-98	-79	-18	0	-556
Other operating expenses	-144	-74	-85	-88	-35	10	-416
TOTAL OPERATING EXPENSES before depreciation & amortization	**-610**	**-588**	**-202**	**-167**	**-707**	**71**	**-2,202**
TOTAL SEGMENT RESULT (1)	**535**	**598**	**-41**	**-152**	**53**	**-0**	**993**
Non-recurring income	0	0	0	0	0	0	**0**
Non-recurring expenses	0	-18	0	0	-1	0	**-18**
OPERATING INCOME / (LOSS) before depreciation & amortization	**535**	**580**	**-41**	**-152**	**53**	**-0**	**974**
Depreciation and amortization	-82	-8	-227	-37	-40	0	-393
OPERATING INCOME / (LOSS)	**453**	**572**	**-268**	**-189**	**13**	**0**	**581**
Finance expense (net)							-50
Share of gain/ (loss) on associates							-0
INCOME BEFORE TAXES							**531**
Tax expense							-134
NET INCOME							**397**
Non-controlling interests							4
Net income (Group share)							393

(1) Operating income before depreciation and amortization and before non-recurring income 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 2010						
Capital expenditure	67	6	275	17	10	0	376

(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 2011						
Capital expenditure	71	8	234	16	6	0	334

Contingent liabilities

Compared to the Consolidated Financial Statements of the year 2010, no changes occurred during the first six months of 2011 in the contingent liabilities except the Commercial Court's refusal of Belgacom's request to have the expert panel recused/replaced. Belgacom appealed against said refusal on 11 April 2011. In a preliminary ruling on 1 June 2011, the Court of Appeal i) ruled that the expertise has to come to a complete standstill pending the Court's ruling on the motion in which Belgacom requests the recusale/replacement of said panel of experts and ii) set the calendar leading to pleadings in the first quarter of 2012 on the said motion.

In April 2011, Belgacom concluded an agreement to acquire the company that owns the chain of The Phone House Belgium stores for an amount of EUR 22 million. This transaction is still subject to the on-going procedure of notification to the Belgian Competition Authority.

Post balance sheet events

On 11 July, Belgacom completed the first tranche of EUR 50 million of the share buy-back program announced in February 2011. Belgacom acquired 2,081,015 shares through this first tranche.

Limited Review Report

Limited review report on the interim condensed consolidated financial information for the six-month period ended 30 June 2011

To the shareholders and the board of directors

We have performed a limited review of the accompanying consolidated balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and selective notes (jointly the "interim financial information") of Belgacom NV van publiek recht / SA de droit public and its subsidiaries for the six-month period ended 30 June 2011. The board of directors of the company is responsible for the preparation and fair presentation of this interim financial information. Our responsibility is to express a conclusion on this interim financial information based on our review.

The interim financial information has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Our limited review of the interim financial information 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 management and applying analytical and other review procedures to the interim financial information 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 financial information for the six-month period ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Diegem, 28 July 2011

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: includes voice and data cards. Active customers are customers who have made or received at least one call or sent or received at least one SMS message in the last three months. Prepaid 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 message 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 SMSes per active customer per month.

Normalized SMS: number of SMSes per active customer per month, excluding free SMS

Financial Calendar 2011 -2012

28 October 2011	Announcement Q3 2011 results
2 March 2012	Announcement FY 2011 results
18 April 2012	Annual General Meeting of Shareholders
4 May 2012	Announcement Q1 2012 results
27 July 2012	Announcement Q2 2012 results
26 October 2012	Announcement Q3 2012 results

(2012 - Subject to Board approval)

For further information

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