# quarterly report

# Q3 2012

belgacom

# Key figures

| | Year-to-date | |
|---|---|---|
| **Income Statement (EUR million)** | **2011** | **2012** |
| Total income | 4,790 | 4,818 |
| EBITDA (1) before non-recurring items | 1,465 | 1,359 |
| EBITDA (1) | 1,447 | 1,346 |
| Depreciation and amortization | -573 | -554 |
| Operating income (EBIT) | 874 | 791 |
| Net finance costs | -81 | -87 |
| Income before taxes | 792 | 704 |
| Tax expense | -193 | -147 |
| Non-controlling interests | 12 | 14 |
| Net income (Group share) | 587 | 543 |
| **Cash flows and Capital Expenditures (EUR million)** | **2011** | **2012** |
| Capital expenditure | -498 | -520 |
| Cash flows from operating activities | 1,260 | 1,101 |
| Cash paid for acquisitions of intangible assets and property, plant and equipment | -498 | -540 |
| Cash flows used in other investing activities | -1 | -24 |
| **Free cash flow (2)** | **761** | **537** |
| Net cash used in financing activities | -530 | -492 |
| **Net increase of cash and cash equivalents** | **231** | **45** |
| **Balance sheet (EUR million) - As of 30 September** | **2011** | **2012** |
| Balance sheet total | 8,729 | 8,357 |
| Non-current assets | 6,152 | 6,160 |
| Investments, cash and cash equivalents | 855 | 391 |
| Shareholders' equity | 3,064 | 3,105 |
| Non-controlling interests | 248 | 239 |
| Liabilities for pensions, other post-employment benefits and termination benefits | 491 | 420 |
| Net financial position | -1,325 | -1,467 |
| **Data per share** | **2011** | **2012** |
| Basic earnings per share before non-recurring items (EUR) | 1.89 | 1.76 |
| Earnings per share (EUR) (3) | 1.83 | 1.71 |
| Weighted average number of outstanding shares | 320,762,452 | 317,918,983 |
| **Data on employees** | **2011** | **2012** |
| Number of employees (full-time equivalents) | 15,676 | 16,015 |
| Average number of employees over the period | 15,687 | 15,961 |
| Total income per employee (EUR) | 305,367 | 301,873 |
| EBITDA (1) before non-recurring items per employee (EUR) | 93,406 | 85,175 |
| EBITDA (1) per employee (EUR) | 92,227 | 84,306 |
| **Ratios (before non-recurring items)** | **2011** | **2012** |
| Return on Equity | 19.6% | 17.7% |
| Gross margin | 61.1% | 59.9% |

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.
(2) Cash flow before financing activities.
(3) For 2011 and 2012 basic and diluted earnings per share are equivalent.
(4) The net income and the Shareholders' equity are adjusted to exclude the non-recurring income /expenses and the related tax impacts.
(5) The gross margin is adjusted to exclude non-recurring income.

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

**The Belgacom Management Committee is represented by Didier Bellens, President and CEO, Dominique Leroy, Executive Vice-President Consumer, Bruno Chauvat, Executive Vice-President Strategy and Content, Bart Van Den Meersche, Executive Vice-President Enterprise, Ray Stewart, Executive Vice-President Finance and CFO, Geert Standaert, Executive Vice-President Service Delivery Engine and Michel Georgis, Executive Vice-President Human Resources.**

# Conference call

Belgacom will host a conference call for institutional investors and analysts on Friday 26 October 2012.
Time: 01:30 p.m. Brussels – 12:30 p.m. London -- 07:30 a.m. New York

- Europe : +32 2 400 3463
- United Kingdom : +44 20 7136 2050
- United States : +1 646 254 3360

The following code will be requested: 7131641

# Highlights – Q3 2012

- Belgacom upgrades its full-year guidance
- Solid third quarter: revenue up 1.5%; EBITDA decline limited to 2.7%
- Interim dividend of EUR 0.81 per share

- Belgacom improved its **Group revenue** trend in the third quarter 2012, reporting EUR 1,620 million revenue or a **1.5% increase** compared to the same period of 2011, this in spite of significant additional pressure from regulatory measures since 1 July 2012.

- Belgacom reports for the third quarter 2012 a **Group EBITDA** of EUR 460 million, before non-recurring expenses, or **2.7% lower** than for the same period of 2011. The higher pressure from regulation did not prevent the Group EBITDA from showing an improved trend versus the first half of 2012, mainly due to a very solid result for the Consumer segment.

- **Belgacom revises its 2012 full-year guidance upwards**. The full-year revenue is expected to grow up to 1%, while the EBITDA decline is expected to be limited between '-4% and -5%'. This guidance does not include the second-quarter one-off accounting adjustment on revenue (EUR -12 million) and EBITDA (EUR -34 million) following the passing of the new Telecom Law.

- In the third quarter 2012, **Belgacom invested EUR 160 million**. This brings the total amount invested over the first nine months of 2012 to EUR 520 million or 10.8% of Group revenue.

- Belgacom generated **EUR 248 million Free Cash Flow** in the third quarter 2012. The lower FCF versus the same period of 2011 was mainly the result of higher income tax payments, an unfavorable evolution in working capital and the payment of the 4G spectrum license.

- Belgacom continues to have a **sound financial position**. Net financial debt amounted to EUR 1,467 million by end September 2012, one of the lowest debt positions in the European telecom sector.

- On 25 October 2012, Belgacom's Board of Directors approved to return to the shareholders a **total gross interim dividend of EUR 0.81 per share**. This is the combination of the normal interim dividend of EUR 0.50 gross per share and a one-time extra interim dividend of EUR 0.31 per share since Belgacom opted for an extra dividend instead of returning the EUR 100 million outstanding as a share buyback. As a result, Belgacom expects to exceptionally increase its dividend to EUR 2.49 gross per share for the 2012 full-year results. For the interim dividend:
  - Ex-dividend date: 11 December 2012
  - Record date: 13 December 2012
  - Payment date: 14 December 2012

- In the third quarter 2012, Belgacom's customer base continued to grow solidly for Belgacom TV and Fixed Internet, mainly sold within a multi-play offer, while the Fixed Voice erosion remained contained. Competitive moves on the Belgian Mobile Market had no major impact on Mobile churn levels. Mobile postpaid continued to grow, pushed by the "Internet Everywhere" offer and increasing success of Mobile in a Pack. Mobile pre-paid was exceptionally impacted in the third quarter by expired cards and by a net loss of Mobisud customers.
  Belgacom's customer base evolution over the third quarter and total customer base at end September 2012:
  - + 39,000[1] Belgacom TV subscriptions, increasing the total TV customer base to 1,340,000
  - + 12,000 Fixed Internet lines, with a total Internet customer base of 1,626,000
  - - 39,000 Mobile cards (+41,000 postpaid, -80,000 prepaid); total of 5,504,000[2] Mobile cards.
  - + 37,000 multi-play Packs, with a total of 1,214,000 Packs
  - - 30,000 Fixed Voice lines, with a total Fixed Voice customer base of 3,119,000

## Comment by the CEO

*I'm pleased to announce a set of solid financials for the third quarter 2012, which is proof of our resilient position in the Belgian market. In spite of competitive pressure, along with economic and regulatory headwinds, we saw our revenue trend improve further, while our EBITDA decline remained limited.*
*Once again, our strategy of convergence provided support to our business drivers. Customers clearly appreciate our multi-play offers, with one in three Packs added in the third quarter including a mobile solution. With the good performance so far and our expectations for the last quarter, we are comfortable in raising our full-year guidance.*

*Didier Bellens, CEO Belgacom*

[1] Corresponds to total number of set-top boxes: 32,000 new households and 7,000 second-stream users
[2] Including Voice and Data mobile cards sold through CBU, EBU, Tango, MVNO and SDE&W segments

# Belgacom Group

- **Q3 showed an improved revenue trend in spite of additional regulatory pressure**
- **Solid revenue contribution from the Consumer segment and BICS**
- **EBITDA decline limited to -2.7% year-on-year**
- **Q3 2012 Free Cash Flow of EUR 248 million, year-to-date September EUR 537 million**

*Quarterly financials and explanation 'underlying' results as of page 19*

## Revenue

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| **(EUR million)** | **2011** | **2012** | **% Change** | **2011** | **2012** | **% Change** |
| Consumer Business Unit | 571 | 587 | 2.8% | 1,716 | 1,740 | 1.4% |
| Enterprise Business Unit | 572 | 560 | -2.2% | 1,758 | 1,715 | -2.4% |
| Service Delivery Engine & Wholesale | 77 | 75 | -3.2% | 239 | 229 | -4.2% |
| Staff & Support | 25 | 7 | -70.7% | 40 | 23 | -41.2% |
| International Carrier Services | 401 | 424 | 5.7% | 1,161 | 1,215 | 4.6% |
| Inter-segment eliminations | -51 | -33 | -34.5% | -123 | -104 | -15.2% |
| **Total** | **1,596** | **1,620** | **1.5%** | **4,790** | **4,818** | **0.6%** |

Belgacom improved its revenue trend in the ***third quarter 2012***, reporting EUR 1,620 million revenue or a **1.5% increase** compared to the same period of 2011, this in spite of significant additional pressure from regulatory measures since July 2012. The solid third-quarter Group revenue is the combined result of:

- A strong contribution from the **Consumer segment**, showing an improved revenue variance versus the previous quarters, supported by the success of convergent Packs. CBU recorded strong year-on-year TV revenue growth since this was no longer impacted by the free football offer, good Fixed Internet results and some improvement in the Fixed Voice revenue trend, while Mobile data growth was subdued by regulation.
- The repeated solid revenue growth from the **International Carrier Services** segment. BICS benefitted further from an improved Voice destination mix, the strengthening of the dollar year-over-year and strong uptake of Mobile data.
- A stable, limited revenue erosion in the **Business segment,** in spite of operating in an unfavorable economic climate and significant additional revenue pressure from the regulated price caps on retail Data roaming.

The reported revenue included a net positive impact from acquisitions and divestures[1]. Adjusted for this, Belgacom Group revenue still showed a slight growth with **like-for-like[2] Group revenue up 0.4%** from the same period of 2011, in spite of significant additional regulatory pressure.
**Regulatory measures reduced the third-quarter Group revenue by EUR -36 million or -2.3%.** This is the combined year-over-year effect from lowered Mobile Termination Rates, regulated price caps on Voice and SMS roaming, and, in particular, the capping of retail Data roaming prices since 1 July 2012. The latter seriously trimmed the growth pattern of Mobile data revenue in the Consumer segment, while reversing the growth trend for Mobile data in the Business segment.
The revenue from Belgacom's underlying business, i.e. excluding M&A and regulation effects, improved versus the first half of 2012, achieving a **2.7% underlying growth** for the third quarter.

Over the ***first nine months of 2012***, the Belgacom Group generated EUR 4,818 million revenue, up by 0.6% versus the same period of 2011. On a like-for-like basis the revenue grew 0.5%, including a EUR 66 million (-1.4%) negative impact from regulation.

[1] Net impact of the acquisition of The Phone House sales channel in January 2012 and divesture of Scarlet Curaçao in October 2011 along with Telindus Spain end of June 2011 for year-to-date September impact
[2] Overview of reported, like-for-like and underlying Group variance on page 19

## Operating expenses

| (EUR million) | 3rd Quarter 2011 | 3rd Quarter 2012 | % Change | Year-to-date 2011 | Year-to-date 2012 | % Change |
|---|---|---|---|---|---|---|
| Costs of materials and services related to revenue | 633 | 649 | 2.6% | 1,862 | 1,930 | 3.7% |
| Personnel expenses and pensions | 278 | 294 | 5.6% | 834 | 860 | 3.1% |
| Other operating expenses | 213 | 218 | 2.3% | 629 | 668 | 6.3% |
| **Total** | **1,123** | **1,160** | **3.3%** | **3,325** | **3,459** | **4.0%** |
| Non-recurring expenses | 0 | 3 | - | 18 | 14 | - |
| **Total** | **1,123** | **1,163** | **3.6%** | **3,344** | **3,473** | **3.9%** |

**BICS main driver of increase in Cost of Sales, trend improvement for Consumer**
Cost of Sales for the ***third quarter 2012*** was EUR 649 million, or 2.6% higher versus the same period of 2011. This is mainly due to higher Cost of Sales from BICS, partly offset by lower Cost of Sales in the Enterprise business unit and a significant trend improvement in the Consumer segment versus previous quarters, showing benefit from the increased focus on value management.

Over the ***first nine months of 2012***, Belgacom reported EUR 1,930 million in Cost of Sales, an increase of 3.7% compared with the previous year. This includes a EUR 22 million one-off increase following an accounting adjustment recorded in the second quarter 2012 due to the new Telecom Law.

**HR expenses impacted by salary indexation and acquisition-related headcount**
HR expenses for ***the third quarter 2012*** for an amount of EUR 294 million were 5.6% up versus the previous year. The year-on-year increase is mainly the consequence of the inflation-based salary indexation of March 2012 and the increase in headcount due to the acquisition of The Phone House (+519 FTEs) in January 2012. This while the third quarter year-over-year variance no longer benefitted from the Telindus Spain divestment (Q2 2011). Furthermore, the third quarter 2012 was impacted by the timing of an HR-related provision update, generally scheduled at year-end.

Belgacom ended September 2012 with 16,015 FTEs, which is 339 FTEs more than one year ago. The higher headcount resulted from the acquisition of The Phone House and business-critical hiring in the Enterprise segment, partly offset by employees that left in the framework of the 'Tutorship' headcount restructuring program at the start of the year.

Over the ***first nine months of 2012***, the Belgacom Group reported EUR 860 million in HR expenses, up 3.1% compared with the same period of 2011.

| Number of FTE | September 2011 | End 2011 | September 2012 | 12 months variance | 9 months variance |
|---|---|---|---|---|---|
| Consumer Business Unit | 5,182 | 5,229 | 5,475 | 293 | 246 |
| Enterprise Business Unit | 5,098 | 5,144 | 5,274 | 177 | 130 |
| Service Delivery Engine & Wholesale | 3,174 | 3,193 | 3,104 | -70 | -88 |
| Staff & Support | 1,831 | 1,831 | 1,776 | -56 | -56 |
| International Carrier Services | 390 | 391 | 385 | -5 | -5 |
| **Total** | **15,676** | **15,788** | **16,015** | **339** | **227** |

**Non-HR expenses up 2.3%**
In the ***third quarter 2012***, the Belgacom Group recorded EUR 218 million in non-HR expenses, 2.3% more than for the same period of 2011. This is mainly driven by costs related to The Phone House, a negative year-over-year foreign currency impact, some costs linked to Belgacom's efficiency effort, partly offset by a limited net positive impact from changes in litigation provisions.
Over the ***first nine months of 2012***, non-HR expenses totaled EUR 668 million. This is 6.3% higher than for the same period of 2011.

**Third-quarter 2012 non-recurring[1] expenses of EUR 3 million**
Non-recurring expenses recorded in the third quarter 2012 for a total of EUR 3 million mainly result from changes in discount rates on long-term employee-related liabilities.

[1] Belgacom defines income and expenses as non-recurring in the following cases: gains or losses on the disposal of consolidated companies exceeding individually EUR 5 million, fines and penalties imposed by competition authorities or by the regulator exceeding EUR 5 million, costs of employee restructuring programs including actuarial gains and losses, the effect of settlements of post-employment benefit plans and the impacts of changes in discount rates on long-term employee-related liabilities.

## Operating income before depreciation and amortization (EBITDA)

| (EUR million) | 3rd Quarter 2011 | 3rd Quarter 2012 | 3rd Quarter % Change | Year-to-date 2011 | Year-to-date 2012 | Year-to-date % Change |
|---|---|---|---|---|---|---|
| Consumer Business Unit | 257 | 261 | 1.6% | 792 | 745 | -6.0% |
| Enterprise Business Unit | 291 | 267 | -8.3% | 889 | 834 | -6.2% |
| Service Delivery Engine & Wholesale | -30 | -21 | -27.7% | -70 | -71 | 1.1% |
| Staff & Support | -81 | -82 | 1.6% | -233 | -245 | 4.9% |
| International Carrier Services | 35 | 35 | 0.4% | 88 | 97 | 10.4% |
| Inter-segment eliminations | 0 | 0 | -0.3% | 0 | 0 | 0.1% |
| **Total** | **472** | **460** | **-2.7%** | **1,465** | **1,359** | **-7.2%** |
| Non-recurring expenses | 0 | -3 | - | -18 | -14 | - |
| **Total** | **472** | **456** | **-3.4%** | **1,447** | **1,346** | **-7.0%** |

Belgacom reports for the ***third quarter 2012*** a Group EBITDA of EUR 460 million, before non-recurring expenses, or 2.7% lower than for the same period of 2011. In spite of an increased impact from regulation (EUR -27 million or -5.7%), including the capping of Data roaming prices since 1 July 2012, the Group EBITDA is showing an improvement to the trend seen in the first half of 2012. This was due to a significant improvement of the Consumer segment result, as the CBU revenue growth, combined with actions to improve cost of sales resulted in better Direct Margin. Furthermore, the Group result included a limited positive net effect from updated litigation provisions (EUR 2 million), positively impacting the Service Delivery Engine & Wholesale result, while negatively impacting the Consumer segment.

***Year-to-date September 2012***, the reported Belgacom Group EBITDA was EUR 1,359 million, i.e. 7.2% lower than for the same period in 2011. On a like-for-like basis, the year-to-date September EBITDA was EUR 1,402 million, down 4% year-over-year. This includes a EUR 41 million negative impact from regulatory measures.

## Depreciation and amortization

Year-to-date September depreciation and amortization decreased from EUR 573 million in 2011 to EUR 554 million in 2012. The 2011 depreciation was higher as a result of the shortened useful life of the Mobile Radio Access Network and the amortization of the exclusive football rights of the 2008-2011 period.

## Net finance cost

Year-to-date September 2012, Belgacom recorded EUR 87 million in net finance costs. The increase versus the EUR 81 million for the same period of 2011 was due to the impairment loss recorded on other participating interests for EUR 25 million, mainly on the investment in Onlive. This negative effect was partly offset by lower net interest expenses in 2012, while 2011 included higher long term debts and the premium granted in the context of the bond buy-back.

## Tax expense

Year-to-date September 2012, the total income tax expense amounted to EUR 147 million. Year-over-year, the effective tax rate decreased from 24.3% to 20.9%, as a result of the one-off accelerated use of tax deductions.
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 nine months of 2012 amounted to EUR 543 million. The EUR 44 million year-over-year decrease is mainly driven by the lower EBITDA, partly offset by a lower amount of depreciation and amortization and a lower tax expense.

## Capital expenditure (Capex)

| (EUR million) | 3rd Quarter 2011 | 3rd Quarter 2012 | 3rd Quarter % Change | Year-to-date 2011 | Year-to-date 2012 | Year-to-date % Change |
|---|---|---|---|---|---|---|
| Consumer Business Unit | 24 | 30 | 26.7% | 94 | 123 | 30.7% |
| Enterprise Business Unit | 3 | 3 | 6.1% | 10 | 10 | -0.4% |
| Service Delivery Engine & Wholesale | 125 | 114 | -9.0% | 359 | 356 | -0.8% |
| Staff & Support | 9 | 8 | -5.0% | 25 | 21 | -15.2% |
| International Carrier Services | 3 | 5 | 60.1% | 9 | 8 | -4.5% |
| **Total** | **163** | **160** | **-2.1%** | **498** | **520** | **4.4%** |

In the ***third quarter 2012***, Belgacom invested EUR 160 million. This brings the total invested amount over the ***first nine months of 2012*** to EUR 520 million or 10.8% of Group revenue.
The year-to-date investments a.o. included the further extension of Belgacom's FttC (fiber up to the street cabinet) coverage, to reach more than 83% of the Belgian population by end-September 2012. Furthermore, Belgacom invested in its Network transformation program and some IT renewal.
Capitalized[1] modems, for an amount of EUR 6 million, explain the year-over-year increase in Capex of the Consumer segment.

[1] As a consequence of the gradual evolution to the current business model for modems, new Belgacom modems rented to customers are capitalized as from 1 January 2012 and have an estimated useful life time of 24 months.

## Cash flows

| (EUR million) | 3rd Quarter 2011 | 3rd Quarter 2012 | 3rd Quarter % Change | Year-to-date 2011 | Year-to-date 2012 | Year-to-date % Change |
|---|---|---|---|---|---|---|
| Cash flows from operating activities | 541 | 431 | -20% | 1,260 | 1,101 | -13% |
| Cash paid for acquisitions of intangible assets and property, plant and equipment | -163 | -180 | 10% | -498 | -540 | 8% |
| Cash flows from / (used in) other investing activities | -3 | -3 | 4% | -1 | -24 | >100% |
| **Cash flow before financing activities** | **375** | **248** | **-34%** | **761** | **537** | **-29%** |
| Net cash used in financing activities | -55 | -144 | 159% | -530 | -492 | -7% |
| **Net increase of cash and cash equivalents** | **319** | **105** | **-67%** | **231** | **45** | **-80%** |

In the third quarter 2012, Belgacom generated EUR 248 million in Free Cash Flow, bringing the total FCF by ***end of September 2012*** to EUR 537 million, i.e. EUR 224 million less than for the same period in 2011.
The ***year-to-date*** difference is partly explained by the lower EBITDA (adjusted for non-cash one-off impacts following the new Telecom Law), the acquisition of Wireless Technologies BVBA for EUR 24 million, higher Capex investments and the payment of the 4G spectrum license for EUR 20 million, higher income tax payments for EUR 47 million and by an unfavorable evolution of cash used for working capital (mainly a decrease of trade payables).

Belgacom ended September 2012 with EUR 492 million of Cash Flow used in financing activities, compared to EUR 530 million for the same period in 2011, which was impacted by the acquisition of Treasury shares for an amount of EUR 100 million in the context of a share buy-back program. This was partially offset by a higher net issuance of short- and long-term debt and the net sale of investments in 2011.

## Balance sheet and shareholders' equity

Compared to year-end 2011, the goodwill increased by EUR 17 million to EUR 2,340 million as a result of the acquisition of Wireless Technologies BVBA. The amount of goodwill related to this acquisition is provisional since the purchase price allocation has not been finalized.

Intangible fixed assets and property, plant and equipment decreased by EUR 32 million compared with year-end 2011, mainly as a consequence of the depreciation and amortization which were higher than the new investments.

The shareholders' equity increased from EUR 3,078 million at year-end 2011 to EUR 3,105 million at September 2012 as the net income (Group share) generated so far in 2012 exceeds the 2011 dividend of EUR 534 million as approved by the General Assembly of April 2012.

Belgacom continues to have a sound financial position, with one of the lowest debt positions in the European telecom sector. Compared to end-2011, the net financial debt decreased by EUR 13 million to EUR 1,467 million by end September 2012. Outstanding long-term gross financial debt amounted to EUR 1.9 billion at the same date.

## Regulation and legal update

| **Regulation impacts** (Decrease in EUR million) | | *Estimated Impact* *FY 2012* | *Actuals* Q1 2012 | Q2 2012 | Q3 2012 | YTD 2012 |
|---|---|---|---|---|---|---|
| MTR & flow-through Fix-to-Mob | Revenue | *~ €45m* | €10m | €12m | €13m | €34m |
| | EBITDA | *~ €10m* | €2m | €3m | €3m | €9m |
| Roaming (i.e. Voice, SMS and Data) | Revenue | *~ €45m* | €2m | €3m | €24m | €29m |
| | EBITDA | *~ €45m* | €2m | €3m | €24m | €29m |
| Other | Revenue | *~ €4m* | €2m | €2m | - | €4m |
| | EBITDA | *~ €4m* | €2m | €2m | - | €3m |
| **Total** | **Revenue** | ***~ €94m*** | **€14m** | **€16m** | **€36m** | **€66m** |
| | **EBITDA** | ***~ €59m*** | **€6m** | **€7m** | **€27m** | **€41m** |

### Mobile Termination Rates

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, at which point symmetry will be reached for all operators. While the MTR cut reduced revenues, the asymmetry reduction positively impacted Belgacom's Cost of Sales.
Any decrease in MTRs is reflected in Belgacom's fixed-to-mobile retail tariffs. Accordingly, Belgacom lowered its fixed-to-mobile tariffs on 1 January 2012.

| **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 | 2.62 | 1.08 |
| Mobistar | *9.02* | 5.05 | 4.29 | 2.79 | 1.08 |
| Base | *11.43* | 5.81 | 4.90 | 3.11 | 1.08 |
| **% change** | | | | | |
| Proximus | | -36% | -15% | -34% | -55% |
| Mobistar | | -44% | -15% | -35% | -58% |
| Base | | -49% | -16% | -36% | -62% |
| **Asymmetry** | | | | | |
| Mobistar-Prox | *25%* | 9% | 9% | 6% | 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). After rejecting the request for suspension on 15 February 2011, the Appeal Court also rejected on 16 May 2012 the "on the merits" arguments. However, the Court accepted the argument that the BIPT failed to consult the regional regulators on the matter. Having no other choice than to annul the decision, the Court decided to ask the Constitutional Court whether it has the powers to temporarily maintain the current regulation in place while the BIPT consults the regional regulators and re-adopts its decision. Pending the judgment of the Constitutional Court, the current MTR rates remain fully valid.

**4G Mobile license**

On 28 November 2011, Belgacom acquired 2x20 MHz contiguous in the lowest part of the 2.6 GHz frequencies for an amount of EUR 20.22 million. Belgacom made a one-shot payment in July 2012. Authorization was formally granted to Belgacom on 1 July 2012.

**Roaming rates**

The Roaming III Regulation entered into force on 1 July 2012. This new regulation covers a ten-year period until 30 June 2022. It imposes a further lowering of the existing regulated price caps and extended the roaming regulation to retail data as from July 2012.

| EU roaming regulation | 01-Jul-11 | 01-Jul-12 | 01-Jul-13 | 01-Jul-14 |
|---|---|---|---|---|
| **Voice roaming rates (in euro cent per minute)** | | | | |
| Retail Outgoing | 35 | 29 | 24 | 19 |
| Retail Incoming | 11 | 8 | 7 | 5 |
| Wholesale | 18 | 14 | 10 | 5 |
| **SMS roaming rates (in euro cent per SMS)** | | | | |
| Retail SMS | 11 | 9 | 8 | 6 |
| Wholesale SMS | 4 | 3 | 2 | 2 |
| **Data roaming rates (in euro cent per MB)** | | | | |
| Retail data | - | 70 | 45 | 20 |
| Wholesale data | 50 | 25 | 15 | 5 |

In addition, two structural measures to encourage competition will be introduced: (i) MVNO wholesale access from 1 July 2012 and (ii) decoupling, i.e. separate selling of roaming services from domestic mobile services, from 1 July 2014. The regulation also lays down rules aimed at increasing price transparency and improving the provision of information on charges to roaming customers.

**Cable and Broadband regulation**

In September 2011, all cable operators filed a procedure for suspension and annulment before the Court of Appeal against the Belgian regulators' decision of 1 July 2011 to open the cable. On 4 September 2012, the Court rejected Telenet's request for suspension. The BIPT has indicated that it intends to take a final decision on the wholesale terms by the end of the year so that the cable wholesale services will be available as from mid-2013.

Concerning the broadband wholesale prices, the EC has indicated that prices for copper local loop unbundling should stabilize around the current EU average level of EUR 9 per month in real price terms and that more pricing flexibility will be introduced for fiber-based networks. In the autumn 2012, the EC will submit draft guidelines that will apply at least until 2020.

The market analysis decision of BIPT on wholesale broadband of 1 July 2011 obliges Belgacom to provide a "multicast" functionality in the bitstream offer (to be used for broadcasting). Belgacom submitted to the BIPT a proposal for a shared multicast solution (wholesale customers can use the multicast channels that are already on the Belgacom network if they acquire the corresponding content rights). This alternative to a full multicast was approved by the BIPT in January 2012. Belgacom's detailed reference offer for multicast (non-pricing aspects) was approved on 4 October 2012. It must be implemented by April 2013. Belgacom has appealed the broadband decision to challenge the multicast obligation.

**Consumer protection**

The new law transposing the revised EU telecom framework strengthened the consumer protection rules and introduced new measures related to contract regulation imposing (i) a contract duration of 24 months maximum for consumers and an obligation to propose a 12-month maximum contract to all customers, (ii) possibility of early termination of fixed-term contracts after 6 months (without any penalty except potential reimbursement of the residual value of a free device) for consumers and small enterprises and (iii) specific conditions applicable to the replacement of an existing contract by a new fixed-term contract (in particular after distance selling). The new provisions are applicable on both new and existing contracts.

## Outlook

### Performance of first nine months versus outlook for 2012

| Metrics | Initial Guidance 2012 (excl. accounting changes Telco Law) | Revised Guidance 2012 (excl. accounting changes Telco Law) | Q1 2012 Reported | Q2 2012 (excl. accounting changes Telco Law) | Q3 2012 Reported | YTD 2012 (excl. accounting changes Telco Law) |
|---|---|---|---|---|---|---|
| Group revenue | Decline of about -1% | Growing up to 1% | 0.3% | 0.7% | 1.5% | 0.8% |
| Group EBITDA | Decline between '-5% and -6%' | Decline between '-4% and -5%' | -3.1% | -8.6% | -2.7% | -4.9% |
| Capex/Revenue | Upper-end of range 10%-12% | Upper-end of range 10%-12% | 11.7% | 10.7% | 9.9% | 10.8% |

Based on the solid performance so far in 2012, and its best estimate for the last quarter of 2012, Belgacom upgrades its full-year guidance. Belgacom expects to end the year 2012 with a positive revenue evolution, growing the Group revenue up to 1% compared with 2011. Furthermore, Belgacom expects to limit the full-year EBITDA decline to between "-4% and -5%". Capital expenditures are expected to be in the upper-end of "10% to 12%" of Group revenue.

In line with the initial guidance provided for 2012, the above revised outlook does not take into account the one-off accounting adjustment on revenue (EUR -12 million) and EBITDA (EUR -34 million) recorded in the second quarter 2012 following the new Telecom Law that was passed on 28 June 2012.
The above table shows Belgacom's year-to-date financial performance excluding this accounting adjustment, so that it can be placed on a comparable basis with the full-year guidance.

# Consumer Business Unit – CBU

- **Solid third quarter revenue, up 2.8% YoY**
- **Positive customer trend continued: TV and Fixed Internet growing, Fixed Voice erosion stable**
- **Intensified competition on mobile market had limited impact on Mobile churn**
- **Higher revenue and focus on value creation improved Direct margin**

## P&L Consumer Business Unit

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| **(EUR million)** | **2011** | **2012** | **% Change** | **2011** | **2012** | **% Change** |
| **TOTAL SEGMENT INCOME** | **571** | **587** | **2.8%** | **1,716** | **1,740** | **1.4%** |
| Costs of materials and services related to revenue | -158 | -157 | -0.9% | -456 | -501 | 9.8% |
| Personnel expenses and pensions | -86 | -92 | 8.1% | -253 | -271 | 7.1% |
| Other operating expenses | -71 | -77 | 8.7% | -215 | -224 | 4.3% |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-314** | **-326** | **3.7%** | **-924** | **-996** | **7.8%** |
| **TOTAL SEGMENT RESULT (1)** | **257** | **261** | **1.6%** | **792** | **745** | **-6.0%** |
| *Segment contribution margin* | *45.0%* | *44.5%* | - | *46.2%* | *42.8%* | - |
| Depreciation and amortization | -28 | -33 | 19.7% | -110 | -101 | -7.7% |
| **OPERATING INCOME** | **229** | **228** | **-0.5%** | **683** | **643** | **-5.7%** |

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

*CBU quarterly financial and operational results: page 20*

## Revenue

For the ***third quarter 2012***, CBU reported revenue of EUR 587 million, i.e. 2.8% higher than for the same period of the previous year. The positive net contribution from acquisitions and divestments[1] more than offset the revenue shift from the customer re-segmentation[2] at the start of 2012. Excluding this, on a **like-for-like basis the CBU revenue grew 0.3%** in spite of additional regulatory pressure**.**
These regulatory measures had a combined impact of EUR -14 million (-2.4%) in the third quarter, including lowered regulated price caps for Mobile Termination Rates, Voice and SMS Roaming rates, and especially the capping of retail Data roaming tariffs since 1 July 2012. This excluded, CBU's **underlying business growth accelerated, up 2.8%** compared with the third quarter of 2011. The improvement was driven by the strong growth of TV, growing Fixed Data revenues and increasing adoption of Mobile Data usage. These growth drivers, supported by the success of the convergent Packs, more than offset the erosion of Fixed and Mobile Voice revenues, ex-regulation.

CBU ends the ***first nine months of 2012*** with EUR 1,740 million, up 1.4% year-over-year. Like-for-like, the revenue was flat, including a negative impact from regulatory measures for a total amount of EUR -30 million (-1.7%). This excluded, CBU's underlying business showed a 1.7% growth compared with the first nine months of 2011.

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| **(EUR million)** | **2011** | **2012** | **% Change** | **2011** | **2012** | **% Change** |
| **Revenues** | **571** | **587** | **2.8%** | **1,716** | **1,740** | **1.4%** |
| **From Fixed** | **271** | **274** | **1.1%** | **830** | **818** | **-1.4%** |
| Voice | 111 | 105 | -5.8% | 344 | 319 | -7.2% |
| Data | 82 | 85 | 3.3% | 250 | 254 | 1.4% |
| TV | 51 | 61 | 18.9% | 155 | 173 | 11.9% |
| Terminals (excl. TV) | 7 | 7 | -0.8% | 19 | 19 | -3.5% |
| Scarlet | 20 | 17 | -14.4% | 61 | 53 | -13.0% |
| **From Mobile** | **279** | **292** | **4.5%** | **823** | **855** | **3.9%** |
| Voice | 143 | 133 | -6.9% | 429 | 386 | -10.0% |
| Data | 93 | 98 | 6.1% | 271 | 298 | 9.7% |
| Terminals | 16 | 32 | 98.5% | 44 | 89 | 100.0% |
| Tango | 28 | 28 | 2.7% | 79 | 83 | 5.7% |
| **Other** | **21** | **22** | **2.0%** | **63** | **66** | **5.5%** |

**Fixed Voice line erosion stable; declining revenue trend slowed**
***Third-quarter 2012*** Fixed Voice revenues were down 5.8% year-over-year to EUR 105 million which is a smaller decline compared to last quarters. Though the year-on-year line loss reduced the Voice revenue, the maintained lower level of line erosion started to show its benefit. Furthermore, the positive impact of the price indexation of January 2012 nearly offset the cut in fixed-to-mobile rates (January 2012).
The Happy Time XL pricing plan continued to do well: combined with the support of the bundled Packs, this gave further relief to the Fixed line erosion with a loss of 21,000 lines in the third quarter 2012, compared with 31,000 in 2011. By end September 2012, the CBU Fixed Voice customer base totaled 1,737,000 lines. Year-over-year, the Fixed Voice ARPU was

[1] Acquisition of The Phone House (January 2012) , the divestment of Scarlet Curaçao (October 2011)
[2] At the start of 2012, 18,000 Fixed Voice and 12,000 Fixed Data customers were re-segmented to EBU

stable at EUR 19.7, while the total Fixed Voice traffic rose by 3.1% year-over-year, driven by a continued strong uptake in Happy Time XL, allowing free Fixed-to-Mobile calls.

By ***end September 2012***, the revenue from Fixed Voice totaled EUR 319 million, i.e. a 7.2% decline compared to last year.

**Strong Fixed Internet revenue (+3.3% year-over-year) and net adds (+13,000 customers)**
CBU ended the ***third quarter 2012*** with a Fixed Data revenue of EUR 85 million, i.e. 3.3% higher compared with the same period last year. This was driven by the growing customer base and the price indexation of January 2012. Supported by the launch of the new 'Internet Everywhere' broadband offers, mainly bought in a Pack, the broadband customer base grew soundly by 13,000 in the third quarter of 2012, compared to +1,000 in the same period in 2011. This brings the total CBU Fixed Internet customer base to 1,181,000 by end September 2012. The third-quarter Broadband ARPU was at EUR 26.5, i.e. -0.7% year-over-year compared to a -5.1% decline for the same period of 2011.

Over the ***first nine months of 2012***, CBU recorded EUR 254 million, up 1.4% versus the same period last year.

**TV revenue up 18.9%; Belgacom TV customer growth of +39,000 subscriptions**
With the free football offer annualizing, the ***third-quarter*** TV revenue grew by 18.9% to EUR 61 million, driven by the continued sound subscriber growth. CBU's net TV customer gain in the third quarter of +39,000 TV subscriptions, resulted in a total TV customer base of 1,340,000 (+18% year-over-year), of which 216,000 were multiple streams. The third-quarter TV ARPU of EUR 18.1 saw a 1.5% growth year-over-year supported by the free football offer annualizing and a price increase for rented settop boxes.

CBU's TV revenue over the ***first nine months of 2012*** totaled EUR 173 million, i.e. 11.9% higher than the previous year.

**Pressure remains on Mobile Voice revenue; Postpaid +17,000 driven by Internet Everywhere and Mobile in Pack**
The ***third-quarter 2012*** Mobile Voice revenue was down 6.9% year-over-year. Over half of this decline was driven by regulatory impacts, including the cut in MTR (January 2012) and Voice Roaming rates (July 2012), this in addition to somewhat lower usage and a lower customer base. This was in part offset by the positive impact of a change in bundle carry-over[1] in the third quarter and by lower Credits & Discounts. This also explains the slowed decrease in blended Voice ARPU, 6.5% lower year-on-year, versus the 11.8% decline for the same period of 2011.
In spite of the increased mobile competition, CBU saw a growth in Mobile Postpaid, adding 17,000 subscribers in the third quarter 2012. This was driven by the convergent Packs including mobile and by the new Internet Everywhere offer. Mobile Prepaid was in the third quarter 2012 mainly impacted by expired non-active prepaid cards, and by a net customer loss for the more promotion-sensitive Mobile brand 'Mobisud'. This resulted in a net loss of 80,000 prepaid cards during the quarter. Consequently, the Mobile customer base end September 2012 counted 3,748,000 cards.

For the ***first nine months of 2012***, CBU's Mobile Voice revenue was EUR 386 million. This is 10.0% lower than for the same period in 2011, of which -2.3% was due to a one-off accounting adjustment in the second quarter 2012 following the passing of the new telecom law.

**Mobile data revenue growth trend impacted by regulation; continued growth in SMS usage**
With a year-over-year revenue growth of 6.1% in the ***third quarter of 2012***, the Mobile Data revenue continued to grow, though the growth was slowed by regulation. SMS revenue was up by 6.3% for the third quarter 2012 with average monthly SMS usage increasing by 11.5% year-over-year to 262 text messages. This includes free SMS messages, resulting in growing inbound revenues. Advanced Mobile Data showed a limited revenue growth of 4.8%, generating EUR 15 million in the third quarter of 2012. This growth drop compared to the previous quarters is fully explained by the regulated price cap on retail Data roaming.
The ARPU from Mobile Data increased year-over-year by 6.3% to EUR 8.7 for the third quarter 2012.

Over the ***first nine months of 2012***, the total CBU Mobile Data revenue rose to EUR 298 million, i.e. a 9.7% increase compared with the first nine months of last year.

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| **(EUR million)** | **2011** | **2012** | **% Change** | **2011** | **2012** | **% Change** |
| **Mobile DATA revenue** | **93** | **98** | **6.1%** | **271** | **298** | **9.7%** |
| SMS - incl Premium SMS | 79 | 84 | 6.3% | 236 | 256 | 8.5% |
| Advanced data | 14 | 15 | 4.8% | 36 | 42 | 17.6% |

[1] Unused minutes from Mobile bundles were previously carried over using the FIFO method. During the third quarter 2012, the carry-over method was changed according to the LIFO method, having a positive impact which will fade out over time.

## CBU operating expenses

**Lower Cost of Sales**
***Third-quarter*** Cost of Sales showed a positive reversal compared to the previous quarters, ending 0.9% lower year-over-year. The cost increase due to The Phone House was more than offset by the positive impact of the capitalization of modems and an improved sales channel mix, resulting in lower acquisition costs.

Cost of Sales increased 9.8% over ***the first nine months of 2012*** to EUR 501 million, or by 6.3% excluding the accounting one-off on commissions in the second quarter 2012 following the passing of the new telecom law.

**HR expenses up, driven by The Phone House acquisition and wage indexations**
HR expenses for the ***third quarter*** were up 8.1% to EUR 92 million, driven by the integration of The Phone House (+519 FTEs) and the inflation-based salary indexation of March 2012. Furthermore, the third quarter 2012 was impacted by the timing of an HR-related provision update, generally scheduled at year-end.

Over the ***first nine months of 2012***, the HR expenses increased 7.1% year-over-year to EUR 271 million.

**Non-HR expenses up in third quarter**
CBU's ***third-quarter*** non-HR expenses of EUR 77 million were up 8.7%, mainly driven by litigation provisions next to the cost contribution from The Phone House.

Non-HR expenses over the ***first nine months of 2012*** increased by 4.3% to 224 million.

## CBU segment result

For the ***third quarter 2012***, CBU reported a segment result of EUR 261 million, i.e. a year-over-year growth of 1.6%. This positive result includes a negative impact from regulation of EUR -9 million (-3.2%) mainly due to Voice and Data Roaming price caps. The contribution margin was 44.5%, i.e. a limited decline of 0.5 p.p. versus the previous year.
CBU's solid segment result was driven by its improved revenue trend, supported by the annualizing free football offer, while Cost of Sales were controlled as part of the focus on value management, leading to better Gross Margin.

Over the ***first nine months of 2012***, the reported segment result was EUR 745 million or 6% lower versus 2011, including a EUR 17 million (2.2%) regulation impact. Furthermore, CBU's segment result included a EUR 26 million one-off accounting adjustment following the new Telecom Law, recorded in the second quarter of 2012.

## CBU operating result

| | 3rd Quarter | | |
|---|---|---|---|
| | 2011 | 2012 | YoY Variance (in abs. amount) |
| **FROM FIXED** | | | |
| Number of access channels (thousands) | 2,977 | 2,918 | -59 |
| Voice | 1,839 | 1,737 | -102 |
| Broadband | 1,138 | 1,181 | 43 |
| Traffic (millions of minutes) | 936 | 965 | 29 |
| National | 765 | 703 | -62 |
| Fixed to Mobile | 89 | 170 | 81 |
| International | 82 | 92 | 10 |
| TV (thousands) | 1,139 | 1,340 | 202 |
| TV - households | 963 | 1,125 | 162 |
| Of which multiple settop boxes | 176 | 216 | 40 |
| ARPU (EUR) | | | |
| ARPU Voice | 19.7 | 19.7 | 0.0 |
| ARPU broadband | 26.7 | 26.5 | -0.2 |
| ARPU Belgacom TV | 17.8 | 18.1 | 0.3 |
| **FROM MOBILE** | | | |
| Number of active customers (thousands) | 3,774 | 3,748 | -26 |
| Prepaid (1) | 2,111 | 1,992 | -119 |
| Postpaid | 1,663 | 1,756 | 94 |
| Annualized churn rate (blended - variance in p.p.) | 20.4% | 25.8% | |
| Net ARPU (EUR) | | | |
| Prepaid | 14.4 | 13.6 | -0.7 |
| Postpaid | 30.0 | 28.9 | -1.1 |
| Blended | 21.1 | 20.8 | -0.3 |
| Blended voice | 12.9 | 12.0 | -0.8 |
| Blended data | 8.2 | 8.7 | 0.5 |
| UoU (units) | 335.4 | 357.5 | 22.1 |
| MoU (min) | 103.6 | 100.5 | -3.1 |
| SMS (units) | 235.1 | 262.1 | 27.0 |

(1) Prepaid includes Mobisud customers that were previously reported as MVNO customers

## Tango

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| | 2011 | 2012 | % Change | 2011 | 2012 | % Change |
| Revenue (in EUR mio) (1) | 28 | 28 | 2.7% | 79 | 83 | 5.6% |
| Total active mobile customers (in '000) | 260 | 270 | 4.0% | 260 | 270 | 4.0% |
| Blended mobile net ARPU (EUR/month) | 29.3 | 29.5 | 0.7% | 28.1 | 29.0 | 3.4% |

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

In the ***third quarter***, Tango's revenue increased 2.7% year-over-year, generating EUR 28 million revenue. The growth was built on the success of the iPhone offer, the success of mobile subscriptions for smartphones and the ongoing migration of prepaid towards postpaid offers. The ARPU increased to EUR 29.5, i.e. 0.7% year-over-year. Tango acquired 2,000 new Mobile customers in the third quarter 2012.

# Enterprise Business Unit – EBU

- **Limited revenue erosion in adverse economy, while regulatory pressure increasing**
- **Regulated price caps on Data roaming reversed the Mobile Data growth trend**
- **Underlying business revenue up 1.3% YoY; ICT continued to show growth**
- **Lower segment result due to regulation, revised cost allocation and higher HR expenses**

## P&L Enterprise Business Unit

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| **(EUR million)** | **2011** | **2012** | **% Change** | **2011** | **2012** | **% Change** |
| **TOTAL SEGMENT INCOME** | **572** | **560** | **-2.2%** | **1,758** | **1,715** | **-2.4%** |
| Costs of materials and services related to revenue | -154 | -150 | -2.2% | -475 | -456 | -3.9% |
| Personnel expenses and pensions | -93 | -103 | 10.5% | -285 | -306 | 7.2% |
| Other operating expenses | -34 | -39 | 15.4% | -108 | -119 | 9.8% |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-281** | **-292** | **4.1%** | **-868** | **-881** | **1.5%** |
| **TOTAL SEGMENT RESULT (1)** | **291** | **267** | **-8.3%** | **889** | **834** | **-6.2%** |
| *Segment contribution margin* | *50.9%* | *47.8%* | - | *50.6%* | *48.6%* | - |
| Non-recurring expenses | 0 | 0 | - | -18 | 0 | - |
| **OPERATING INCOME before depreciation & amortization** | **291** | **267** | **-8.3%** | **871** | **834** | **-4.3%** |
| Depreciation and amortization | -4 | -4 | -13.2% | -12 | -11 | -7.2% |
| **OPERATING INCOME** | **287** | **264** | **-8.2%** | **859** | **823** | **-4.2%** |

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

*EBU quarterly financial and operational results: page 21*

## Revenue

For the ***third quarter 2012,*** EBU reported revenue of EUR 560 million, EUR 12 million or 2.2% less than for the same period of 2011. On a **like-for-like basis**, i.e. excluding a limited impact from the customer re-segmentation at the start of 2012, the **EBU revenue decline was 2.5%**. Regulatory measures, including lowered regulated price caps for Mobile Termination Rates, Voice and SMS Roaming rates, and especially the capping of retail Data roaming tariffs since 1 July 2012, have reduced EBU's third-quarter revenue by EUR 22 million (-3.8%).
This impact aside, EBU's third-quarter **underlying revenue was up 1.3%**, in the context of an unfavorable economic climate. The noticeable improvement versus the prior two quarters was due to an accelerated use of Mobile data roaming in the summer holiday period. This seasonal trend was reinforced in 2012 by a higher adoption of smartphones and tablets versus last year. Combined with the revenue contribution of ICT, this more than compensated for the eroding revenue from Fixed and Mobile Voice, ex-regulation.

Over the ***first nine months of 2012***, EBU generated EUR 1,715 million revenue or 2.4% less than for the same period of 2011. Like-for-like, the revenue decline was limited to -1.3%[1]. This includes a negative impact from regulatory measures for a total of EUR 34 million (-1.9%). Excluding this, EBU's underlying business showed a 0.7% growth compared with the first nine months of 2011.

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| **(EUR million)** | **2011** | **2012** | **% Change** | **2011** | **2012** | **% Change** |
| **Revenues** | **572** | **560** | **-2.2%** | **1,758** | **1,715** | **-2.4%** |
| **From Fixed** | **398** | **398** | **-0.2%** | **1,235** | **1,215** | **-1.6%** |
| Voice | 121 | 118 | -2.8% | 374 | 362 | -3.4% |
| Data | 96 | 96 | -0.8% | 292 | 293 | 0.5% |
| Terminals (excl. TV) | 18 | 18 | -2.5% | 54 | 54 | -0.8% |
| ICT | 163 | 167 | 2.4% | 515 | 506 | -1.7% |
| **From Mobile** | **169** | **158** | **-6.8%** | **509** | **485** | **-4.7%** |
| Voice | 110 | 100 | -9.0% | 341 | 308 | -9.7% |
| Data | 56 | 55 | -2.3% | 159 | 169 | 6.3% |
| Terminals | 3 | 3 | -9.1% | 10 | 9 | -11.0% |
| **Other** | **5** | **4** | **-6.6%** | **13** | **15** | **13.9%** |

**Fixed Voice price indexation giving further support; third-quarter line erosion limited to 9,000 lines**
For the ***third quarter 2012***, EBU reported EUR 118 million revenue in Fixed Voice. The price indexation at the start of 2012 gave further relief, limiting the year-over-year revenue decline to 2.8%. The third-quarter 2012 Fixed Line erosion was limited to 9,000 lines, as a result of significant Voice over IP projects implemented for some large customers. This brought the EBU total Fixed Line customer base to 1,370,000 by end September. On a yearly basis, this is a 2% drop,

[1] Excluding the impact from acquisitions, divestments and customer re-segmentation

while the Fixed Voice ARPU for the third quarter decreased 0.7% year-over-year to EUR 27.9. This includes the effect from reduced Fixed-to-Mobile rates since 1 January 2012.

Over the ***first nine months of 2012***, EBU generated EUR 362 million from Fixed Voice, down 3.4% from the same period in 2011.

**Migrations to Explore platform slightly erodes Fixed Data revenue, while Internet ARPU remains stable**

The ***third-quarter 2012 revenue*** from Fixed Data, consisting of Fixed Internet and data connectivity revenue, for a total of EUR 96 million, was 0.8% below the same period of 2011. This is mainly due to a continued migration from older technologies to the Belgacom Explore platform, for which pricing is more favorable. Despite operating in a saturated and increasingly competitive professional Fixed Internet market, EBU ended September 2012 with a fairly stable Fixed Internet customer base of 444,000, while maintaining ARPU flat at EUR 39.1.

EBU's Fixed Data revenue over the ***first nine months of 2012*** amounted to EUR 293 million, 0.5% above the same period in 2011.

**ICT revenue showing 2.4% growth in challenging economic context**

In the context of an unfavorable economy, EBU increased its ICT revenue by 2.4% to EUR 167 million. In line with the strategy to focus on higher-margin ICT business, EBU's split of Services versus Products further improved, positively impacting the ICT margin.

Over the ***nine months of 2012***, EBU recorded EUR 506 million revenue in ICT, which was 1.7% lower than the previous year. On a like-for-like[1] basis, however, EBU saw its ICT revenue growing by 3.2% compared with the first nine months of 2011.

**Continued pressure on Mobile Voice revenue; growing Mobile customer base**

For the ***third quarter of 2012,*** EBU reports EUR 100 million revenue from Mobile Voice, down 9% year-over-year. This includes an impact from reduced rates for both Mobile Termination and Voice Roaming. These impacts explain in part the decline in Mobile net ARPU to 22.9 EUR. Usage per customer for the third quarter 2012 was 293 minutes/month, or 3.8% lower than for the same period of 2011. In addition, the ARPU remained pressured by the continued uptake of pricing plans including free Voice usage, and by an increasingly competitive corporate and SME mobile market. These negative effects were partly offset by the indexation of some of the mobile price plans in January 2012.

EBU continued its solid Mobile customer growth in the third quarter 2012, with the addition of 21,000 mobile cards, including Mobile Voice, Mobile Data and Machine-to-Machine cards. By the end of September 2012, EBU's total Mobile customer base amounted to 1,470,000 cards.

Over the ***first nine months***, Mobile Voice revenue totalled EUR 308 million, or 9.7% below the comparable period of 2011. A substantial part of the decline is driven by regulatory measures, while a one-off accounting adjustment following the passing of the new Telecom law, reduced EBU's Voice revenue by EUR 2.1 million in the second quarter 2012.

**Mobile data revenue impacted by capping of retail Data roaming, more than offsetting seasonally higher usage**

The ***third-quarter*** Mobile Data revenue of EUR 55 million was significantly impacted by regulatory price caps on SMS roaming, and especially by the capping of tariffs for retail Data roaming. This led to a 2.3% year-over-year revenue decline, in spite of solid volume growth.

Notwithstanding some impact from regulated SMS roaming rates, SMS continued its double-digit revenue growth (+10.4%) versus the prior year. This resulted from the continued uptake in SMS usage, growing nearly 20% year-on-year to 105 text messages per user per month as the success of MTV Generation pricing plans, including unlimited SMS, continued to push the volume of both free and paying SMS.

In contrast, the introduction of retail Data roaming price caps since 1 July 2012, reversed the previous revenue growth trend. The significant uptake of Data roaming, seasonally high in the third quarter and boosted by a higher adoption of smartphones and tablets versus one year ago, did not fully offset the negative price impact. As a result, non-SMS Data revenue for the third quarter 2012 was EUR 28 million, 11.9% lower year-over-year.

For the same reason, the Mobile Data ARPU was down 8.5% year-over-year to EUR 12.6.

Over the ***first nine months of 2012***, EBU's total Mobile Data revenue was EUR 169 million, up 6.3% versus the same period of 2011.

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| **(EUR million)** | **2011** | **2012** | **% Change** | **2011** | **2012** | **% Change** |
| **Mobile DATA revenue** | **56** | **55** | **-2.3%** | **159** | **169** | **6.3%** |
| SMS - incl Premium SMS | 24 | 27 | 10.4% | 72 | 80 | 11.4% |
| Advanced data | 32 | 28 | -11.9% | 87 | 89 | 2.0% |

[1] Excluding the impact from the divesture of Telindus Spain since end June 2011 and the acquisition of Eudasys by Telindus France.

## EBU operating expenses

**Lower Cost of Sales**
For the ***third quarter 2012***, EBU reports EUR 150 million in Cost of Sales, i.e. 2.2% less than for the same period of 2011. This decrease is the result of lower Mobile Termination Rates, more than offsetting the unfavorable evolution of EBU's overall product mix on the Cost of Sales.

Over the ***first nine months of 2012***, the Cost of Sales decreased by 3.9% year-over-year to EUR 456 million, including a EUR 6 million accounting adjustment on commission recorded in the second quarter following the passing of the new Telecom law. The year-to-date September decreased results from the Telindus Spain divestment since end June 2011 and lower Mobile Termination Rates.

**HR expenses up due to salary indexation and higher headcount**
Year-over-year the HR expenses increased by 10.5% to EUR 103 million for the ***third quarter 2012***, including the effect from a change in allocation of customer installation and overhead costs. The remaining increase was driven by the inflation-based salary indexation of March 2012 and by an increase in EBU headcount in order to support ICT growth and by a one-off HR-related provision.

The HR-expenses over the ***first nine months of 2012*** increased year-over-year by 7.2% to EUR 306 million.

**Higher non-HR expenses driven by foreign exchange and a change in cost allocation**
For the ***third quarter 2012,*** EBU reports EUR 39 million non-HR expenses, in line with the previous two quarters of 2012. The year-on-year increase is driven by the negative impact on EBU of the revised cost allocation (Group-neutral) and an adverse year-over-year foreign exchange effect.

The non-HR expenses over the ***first nine months of 2012*** are EUR 119 million, a 9.8% increase compared to the same period of 2011. Nearly half of the increased expenses resulted from an adverse currency effect while the remainder of the difference was mainly explained by the change in cost allocation, without impacting the Group expenses.

## EBU segment result

EBU's ***third-quarter 2012*** segment result of EUR 267 million is 8.3% or EUR 24 million lower than for the same period of 2011. In addition to some EBITDA loss related to the change in allocated costs, EBU was significantly impacted by regulation, reducing the segment result by EUR 18 million (-6%). This was mainly the consequence of the capping of retail data Roaming prices. The reported contribution margin was 47.8%, versus 50.9% for the same period of 2011.

The reported segment result over the ***first nine months of 2012*** was EUR 834 million, or 6.2% lower than for the prior year, including a EUR 22 million (-2.4%) impact from regulation. Furthermore, EBU's segment result included a EUR 8 million one-off accounting adjustment following the new Telecom Law, recorded in the second quarter 2012.

## EBU operating result

| | 3rd Quarter | | |
|---|---|---|---|
| | **2011** | **2012** | **YoY Variance** (in abs. amount) |
| **FROM FIXED** | | | |
| Number of access channels (thousands) | 1,834 | 1,815 | -19 |
| Voice | 1,400 | 1,370 | -29 |
| Broadband | 434 | 444 | 10 |
| Traffic (millions of minutes) | 672 | 636 | -36 |
| National | 445 | 416 | -29 |
| Fixed to Mobile | 147 | 147 | 0 |
| International | 80 | 73 | -7 |
| ARPU (EUR) | | | |
| ARPU Voice | 28.1 | 27.9 | -0.2 |
| ARPU Broadband | 39.1 | 39.1 | 0.0 |
| **FROM MOBILE** | | | |
| Number of active customers (thousands) | 1,380 | 1,470 | 90 |
| Postpaid | 1,380 | 1,470 | 90 |
| Annualized churn rate (blended - variance in p.p.) | 9.4% | 10.8% | |
| Net ARPU (EUR) | | | |
| Postpaid | 40.6 | 35.5 | -5.2 |
| Postpaid voice | 26.9 | 22.9 | -4.0 |
| Postpaid data | 13.8 | 12.6 | -1.2 |
| UoU (units) | 343.3 | 339.9 | -3.4 |
| MoU (min) | 305.0 | 293.3 | -11.7 |
| SMS (units) | 87.3 | 104.7 | 17.4 |

# Service Delivery Engine & Wholesale – SDE&W

## P&L Service Delivery Engine & Wholesale

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| **(EUR million)** | **2011** | **2012** | **% Change** | **2011** | **2012** | **% Change** |
| **TOTAL SEGMENT INCOME** | **77** | **75** | **-3.2%** | **239** | **229** | **-4.2%** |
| Costs of materials and services related to revenue | -9 | -9 | 4.5% | -27 | -27 | 0.6% |
| Personnel expenses and pensions | -50 | -47 | -6.6% | -149 | -134 | -10.0% |
| Other operating expenses | -48 | -41 | -16.0% | -133 | -139 | 4.2% |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-107** | **-96** | **-10.0%** | **-309** | **-300** | **-3.0%** |
| **TOTAL SEGMENT RESULT (1)** | **-30** | **-21** | -27.7% | **-70** | **-71** | 1.1% |
| *Segment contribution margin* | *-38.3%* | *-28.6%* | - | *-29.5%* | *-31.1%* | - |
| Depreciation and amortization | -109 | -110 | 0.9% | -336 | -328 | -2.6% |
| **OPERATING LOSS** | **-139** | **-132** | **-5.2%** | **-407** | **-399** | **-1.9%** |

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

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

### Revenue

For the ***third quarter of 2012***, SDE&W reported EUR 75 million revenue, a 3.2% year-on-year decline. The lower revenue is mainly driven by Carrier Wholesale Services due to lower leased line volumes, while the impact from decreasing Roaming prices was only partially offset by higher Roaming volumes. Regulatory measures reduced the SDE&W revenue by about 1%.

The revenue ***year-to-date September 2012*** totaled EUR 229 million, a year-over-year decline of 4.2%, of which about 1% related to regulatory measures.

### Operating expenses

SDE&W's operating expenses (HR and non-HR) for the ***third quarter 2012*** were 11.2% lower versus the comparable period of 2011. Third-quarter 2012 non-HR expenses benefitted from a one-off provision reversal, explaining the 16% year-on-year decrease. HR expenses, too, were lower versus last year, down 6.6% as the lower headcount combined with a limited positive effect of the changed cost allocation more than offset the inflation-based salary increase of March 2012.

Over the ***first nine months of 2012***, the total of HR and non-HR expenses for SDE&W were down 3.3% to EUR 273 million.

# Staff & Support – S&S

## P&L Staff and Support

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| **(EUR million)** | **2011** | **2012** | **% Change** | **2011** | **2012** | **% Change** |
| **TOTAL SEGMENT INCOME** | **25** | **7** | **-70.7%** | **40** | **23** | **-41.2%** |
| Costs of materials and services related to revenue | 0 | 0 | >100% | 0 | 0 | >100% |
| Personnel expenses and pensions | -40 | -41 | 2.1% | -119 | -118 | -1.2% |
| Other operating expenses | -66 | -49 | -25.7% | -154 | -150 | -2.3% |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-106** | **-90** | **-15.2%** | **-273** | **-268** | **-1.8%** |
| **TOTAL SEGMENT RESULT (1)** | **-81** | **-82** | **1.6%** | **-233** | **-245** | **4.9%** |
| *Segment contribution margin* | - | - | - | - | - | - |
| Non-recurring expenses | 0 | -3 | - | 0 | -14 | - |
| **OPERATING LOSS before depreciation & amortization** | **-81** | **-86** | **5.9%** | **-233** | **-259** | **10.8%** |
| Depreciation and amortization | -19 | -18 | -2.3% | -56 | -55 | -1.8% |
| **OPERATING LOSS** | **-100** | **-104** | **4.3%** | **-289** | **-313** | **8.4%** |

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

*S&S quarterly financial results: page 23*

In the ***third quarter 2012,*** Staff and Support recorded EUR 7 million revenues. The year-over-year difference is explained by the Group-neutral one-off booked under Staff and Support in the third quarter of last year. The total Staff and Support revenue recorded in the ***first nine months of 2012*** is EUR 23 million.

In addition, the drop in **non-HR expenses** for the ***third quarter 2012*** is due to a negative one-off recorded in the same period 2011. **HR expenses** in the third quarter 2012 were up 2.1% year-over-year as the decline in headcount (-56 FTEs) was more than offset by the impact of the wage indexations and by the timing of an HR-related provision update, generally scheduled at year-end. Over the ***first nine months of 2012,*** total operating expenses for Staff and Support were down -1.8%.

# International Carrier Services – BICS

- **Sequential revenue growth continued in third quarter 2012**
- **Voice growth driven by favorable destination mix, while positive currency effect offset MTR impact**
- **Mobile Data driving strong non-Voice revenue growth**
- **Third-quarter Gross Margin up 7.3% YoY**
- **Segment result stable year-on-year; segment margin at 8.3%**

## P&L International Carrier Services

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| **(EUR million)** | **2011** | **2012** | **% Change** | **2011** | **2012** | **% Change** |
| **TOTAL SEGMENT INCOME** | **401** | **424** | **5.7%** | **1,161** | **1,215** | **4.6%** |
| Costs of materials and services related to revenue | -342 | -361 | 5.4% | -996 | -1,033 | 3.8% |
| *Gross margin (1)* | *59* | *63* | *7.3%* | *165* | *181* | *9.7%* |
| Personnel expenses and pensions | -9 | -11 | 16.0% | -28 | -31 | 13.3% |
| Other operating expenses | -15 | -17 | 18.4% | -49 | -53 | 6.5% |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-366** | **-389** | **6.2%** | **-1,073** | **-1,117** | **4.2%** |
| **TOTAL SEGMENT RESULT (2)** | **35** | **35** | **0.4%** | **88** | **97** | **10.4%** |
| *Segment result margin* | *8.7%* | *8.3%* | - | *7.6%* | *8.0%* | - |
| Non-recurring expenses | 0 | 0 | - | -1 | 0 | - |
| **OPERATING INCOME before depreciation & amortization** | **35** | **35** | **0.4%** | **88** | **97** | **11.3%** |
| Depreciation and amortization | -20 | -20 | -0.7% | -60 | -60 | 0.1% |
| **OPERATING INCOME** | **15** | **15** | **1.9%** | **27** | **37** | **35.8%** |

(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 23*

## Revenue

Over the ***third quarter 2012,*** BICS continued its growth trend, with revenue up 5.7% year-over-year to EUR 424 million. BICS Voice revenue benefitted from increased traffic to the African region and was positively impacted by the strengthening dollar year-over-year. These positive evolutions more than offset the negative impact of the European-wide MTR reduction, resulting in a 3.6% increase in Voice revenue, or nearly EUR 13 million more than for the same period of 2011. Non-Voice likewise continued to show a solid growth trend, with revenue up 24.1% year-on-year, with especially Mobile data showing strong uptake.

For the ***first nine months of 2012***, BICS reported EUR 1,215 million revenue, an increase of 4.6% versus the same period of 2011.

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| **(EUR million)** | **2011** | **2012** | **% Change** | **2011** | **2012** | **% Change** |
| Voice | 360.6 | 373.5 | 3.6% | 1,047.4 | 1,077.4 | 2.9% |
| Non Voice | 40.6 | 50.4 | 24.1% | 113.6 | 137.5 | 21.1% |
| **Total revenues** | **401.2** | **423.9** | **5.7%** | **1,161.0** | **1,214.9** | **4.6%** |

The positive year-over-year revenue evolution results in an improved Gross Margin for the ***third quarter 2012***, up 7.3% year-over-year to EUR 63 million. This brings the Gross Margin of BICS year-to-date September 2012 to EUR 181 million, a 9.7% improvement on last year.

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| **(EUR million)** | **2011** | **2012** | **% Change** | **2011** | **2012** | **% Change** |
| Voice | 31.4 | 32.5 | 3.5% | 88.6 | 95.7 | 8.1% |
| Non Voice | 27.6 | 30.9 | 11.7% | 76.7 | 85.7 | 11.7% |
| **Total Gross Margin** | **59.0** | **63.3** | **7.3%** | **165.3** | **181.4** | **9.7%** |

## Segment result

***Third-quarter 2012*** operating expenses for BICS were EUR 4 million higher than for the same period of 2011. This was mainly driven by a negative year-over-year currency effect, while HR expenses were impacted by inflation-based wage indexation. Consequently, BICS' segment result remained stable at EUR 35 million, with the EBITDA margin at 8.3%.
***Year-to-date September 2012***, BICS increased its segment result by 10.4% to EUR 97 million, as a result of a higher Gross Margin.

| | 3rd Quarter | | | Year-to-date | | |
|---|---|---|---|---|---|---|
| **Volumes (in million)** | **2011** | **2012** | **% Change** | **2011** | **2012** | **% Change** |
| Voice | 6,853 | 6,934 | 1.2% | 20,424 | 20,826 | 2.0% |
| Non-Voice (SMS/MMS) | 276 | 428 | 55.5% | 759 | 1,112 | 46.6% |

# Quarterly results

***Note that reported results are impacted by one-off effects.***

## Group – Financials

| (EUR million) | Q111 | Q211 | Q311 | Q411 | 2011 | Q112 | Q212 | Q312 |
|---|---|---|---|---|---|---|---|---|
| **Revenues (1)** | **1,583** | **1,612** | **1,596** | **1,616** | **6,406** | **1,588** | **1,611** | **1,620** |
| Consumer Business Unit | 565 | 579 | 571 | 572 | 2,288 | 577 | 575 | 587 |
| Enterprise business unit | 593 | 593 | 572 | 591 | 2,349 | 579 | 576 | 560 |
| Service Delivery Engine & Wholesale | 81 | 80 | 77 | 80 | 318 | 78 | 76 | 75 |
| Staff&Support | 8 | 7 | 25 | 8 | 47 | 9 | 7 | 7 |
| International Carrier Services | 372 | 388 | 401 | 401 | 1,562 | 382 | 409 | 424 |
| *Intersegment eliminations* | -36 | -36 | -51 | -36 | -159 | -37 | -34 | -33 |
| **Costs of materials and charges to revenues** | **-609** | **-621** | **-633** | **-655** | **-2,517** | **-614** | **-667** | **-649** |
| **Personnel expenses and pensions** | **-274** | **-282** | **-278** | **-283** | **-1,117** | **-282** | **-285** | **-294** |
| **Other operating expenses** | **-220** | **-196** | **-213** | **-232** | **-860** | **-226** | **-224** | **-218** |
| **EBITDA (1)** | **480** | **512** | **472** | **446** | **1,912** | **466** | **434** | **460** |
| **Segment EBITDA margin (1)** | **30.3%** | **31.8%** | **29.6%** | **27.6%** | **29.8%** | **29.3%** | **27.0%** | **28.4%** |
| **Non recurring items** | **0** | **-18** | **0** | **4** | **-15** | **0** | **-10** | **-3** |
| **Ebitda after non-recurring items** | **480** | **494** | **472** | **450** | **1,897** | **466** | **424** | **456** |

(1) before non-recurring items

## Group from reported to underlying

| | Q111 | Q112 | Var in % | Q211 | Q212 | Var in % | Q311 | Q312 | Var in % |
|---|---|---|---|---|---|---|---|---|---|
| **GROUP - REVENUE** | | | | | | | | | |
| **Reported** | **1,583** | **1,588** | **0.3%** | **1,612** | **1,611** | **-0.1%** | **1,596** | **1,620** | **1.5%** |
| One-offs | 0 | 0 | | 0 | 12 | | 0 | 0 | |
| M&A | -16 | -19 | | -17 | -16 | | -2 | -19 | |
| **Like-for-like** | **1,567** | **1,569** | **0.1%** | **1,595** | **1,607** | **0.8%** | **1,594** | **1,601** | **0.4%** |
| Regulation | | 14 | | | 16 | | | 36 | |
| **Underlying** | **1,567** | **1,583** | **1.0%** | **1,595** | **1,623** | **1.8%** | **1,594** | **1,637** | **2.7%** |
| **GROUP - EBITDA** | | | | | | | | | |
| **Reported** | **480** | **466** | **-3.1%** | **512** | **434** | **-15.3%** | **472** | **460** | **-2.7%** |
| One-offs | 6 | 0 | | -17 | 34 | | 6 | -2 | |
| M&A | 1 | 4 | | -1 | 3 | | -1 | 3 | |
| **Like-for-like** | **487** | **470** | **-3.6%** | **495** | **471** | **-4.7%** | **478** | **461** | **-3.5%** |
| Regulation | | 6 | | | 7 | | | 27 | |
| **Underlying** | **487** | **476** | **-2.3%** | **495** | **479** | **-3.2%** | **478** | **488** | **2.1%** |

One offs: Accounting impact new Telecom Law in Q2 2012, net impact provisions, capitalization of modems as of 2012
M&A: acquisiton of The Phone House, divesture of Telindus Spain and Scarlet Curaçao
Regulation: includes impact from lower Mobile Termination and Roaming rates, and other regulatory impacts

## Revenue evolution in percentages

| | Q111 | Q211 | Q311 | Q411 | 2011 | Q112 | Q212 | Q312 |
|---|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | | |
| Reported YoY variance | **-3.5%** | **-3.2%** | **-2.7%** | **-2.6%** | **-3.0%** | **0.3%** | **-0.1%** | **1.5%** |
| Like-for-like YoY variance | -3.5% | -3.3% | -2.0% | -1.6% | -2.6% | 0.1% | 0.8% | 0.4% |
| Underlying YoY variance | -0.4% | -1.3% | -0.9% | -1.0% | -0.9% | 1.0% | 1.8% | 2.7% |
| **CBU** | | | | | | | | |
| Reported YoY variance | **-4.3%** | **-2.1%** | **-2.3%** | **-4.6%** | **-3.3%** | **2.1%** | **-0.7%** | **2.8%** |
| Like-for-like YoY variance | -4.3% | -2.1% | -2.3% | -4.0% | -3.2% | 0.5% | -0.8% | 0.3% |
| Underlying YoY variance | -0.1% | 0.4% | -0.8% | -3.2% | -0.9% | 1.7% | 0.7% | 2.8% |
| **EBU** | | | | | | | | |
| Reported YoY variance | **-3.7%** | **-2.8%** | **-3.1%** | **-2.4%** | **-3.0%** | **-2.2%** | **-2.9%** | **-2.2%** |
| Like-for-like YoY variance | -3.7% | -3.1% | -1.1% | -0.2% | -2.1% | -1.0% | -0.3% | -2.5% |
| Underlying YoY variance | -0.8% | -0.7% | 0.3% | 0.6% | -0.2% | 0.1% | 0.8% | 1.3% |
| **SDE&W** | | | | | | | | |
| Reported YoY variance | **-13.9%** | **-6.1%** | **-2.3%** | **-3.9%** | **-6.9%** | **-4.3%** | **-4.9%** | **-3.2%** |
| Like-for-like YoY variance | -13.9% | -6.1% | -2.3% | -3.9% | -6.9% | -5.1% | -6.1% | -4.5% |
| Underlying YoY variance | -3.6% | -2.9% | -0.8% | -3.4% | -2.7% | -4.3% | -4.9% | -3.3% |
| **BICS** | | | | | | | | |
| Reported YoY variance | **-1.5%** | **-6.5%** | **-3.4%** | **-0.3%** | **-3.0%** | **2.6%** | **5.5%** | **5.7%** |

Like-for-like: i.e. excluding impact from M&A, the re-segmentation and the new Telco Law accounting adjustments
Underlying: i.e. like-for-like excluding impact from regulatory measures

## Group – Capex

| (EUR million) | Q111 | Q211 | Q311 | Q411 | 2011 | Q112 | Q212 | Q312 |
|---|---|---|---|---|---|---|---|---|
| **Group Capex** | **173** | **161** | **163** | **279** | **777** | **186** | **174** | **160** |
| Consumer Business Unit | 44 | 27 | 24 | 40 | 134 | 61 | 33 | 30 |
| Enterprise business unit | 4 | 4 | 3 | 8 | 18 | 4 | 4 | 3 |
| Service Delivery Engine & Wholesale | 115 | 119 | 125 | 193 | 552 | 116 | 126 | 114 |
| Staff&Support | 7 | 9 | 9 | 26 | 51 | 5 | 8 | 8 |
| International Carrier Services | 3 | 2 | 3 | 14 | 22 | 1 | 3 | 5 |

## CBU – Financials

| (EUR million) | Q111 | Q211 | Q311 | Q411 | 2011 | Q112 | Q212 | Q312 |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | **565** | **579** | **571** | **572** | **2,288** | **577** | **575** | **587** |
| **From Fixed** | **281** | **278** | **271** | **269** | **1,099** | **274** | **270** | **274** |
| Voice | 118 | 115 | 111 | 110 | 454 | 110 | 105 | 105 |
| Data | 85 | 83 | 82 | 82 | 332 | 85 | 84 | 85 |
| TV | 51 | 53 | 51 | 53 | 208 | 55 | 57 | 61 |
| Terminals (excl. TV) | 7 | 6 | 7 | 7 | 26 | 6 | 6 | 7 |
| Scarlet | 21 | 21 | 20 | 18 | 79 | 19 | 18 | 17 |
| **From Mobile** | **265** | **279** | **279** | **280** | **1,142** | **281** | **282** | **292** |
| Voice | 139 | 147 | 143 | 136 | 565 | 130 | 123 | 133 |
| Data | 87 | 92 | 93 | 97 | 369 | 97 | 102 | 98 |
| Terminals (excl. TV) | 14 | 14 | 16 | 19 | 63 | 27 | 29 | 32 |
| Tango | 25 | 26 | 28 | 28 | 107 | 27 | 28 | 28 |
| **Other** | **19** | **23** | **21** | **23** | **86** | **22** | **23** | **22** |
| **Costs of materials and charges to revenues** | **-149** | **-149** | **-158** | **-168** | **-624** | **-162** | **-182** | **-157** |
| **Personnel expenses and pensions** | **-83** | **-85** | **-86** | **-87** | **-340** | **-90** | **-88** | **-92** |
| **Other operating expenses** | **-70** | **-74** | **-71** | **-84** | **-299** | **-74** | **-73** | **-77** |
| **Segment result** | **264** | **271** | **257** | **233** | **1,025** | **251** | **232** | **261** |
| **Segment Contribution margin** | **46.7%** | **46.8%** | **45.0%** | **40.8%** | **44.8%** | **43.5%** | **40.4%** | **44.5%** |

## CBU – Operationals

| | Q111 | Q211 | Q311 | Q411 | 2011 | Q112 | Q212 | Q312 |
|---|---|---|---|---|---|---|---|---|
| **FROM FIXED** | | | | | | | | |
| **Number of access channels (thousands)** | **3,028** | **3,006** | **2,977** | **2,974** | **2,974** | **2,938** | **2,926** | **2,918** |
| Voice | 1,896 | 1,870 | 1,839 | 1,818 | 1,818 | 1,780 | 1,758 | 1,737 |
| Broadband | 1,131 | 1,136 | 1,138 | 1,156 | 1,156 | 1,159 | 1,169 | 1,181 |
| **Traffic (millions of minutes)** | **1,061** | **977** | **936** | **1,036** | **4,011** | **1,086** | **1,027** | **965** |
| National | 875 | 795 | 765 | 821 | 3,256 | 828 | 754 | 703 |
| Fixed to Mobile | 95 | 96 | 89 | 123 | 402 | 164 | 179 | 170 |
| International | 91 | 87 | 82 | 92 | 352 | 94 | 93 | 92 |
| **TV (thousands)** | **1,029** | **1,087** | **1,139** | **1,211** | **1,211** | **1,254** | **1,301** | **1,340** |
| TV - households | 879 | 925 | 963 | 1,021 | 1,021 | 1,057 | 1,093 | 1,125 |
| of which multiple settop boxes | 149 | 162 | 176 | 190 | 190 | 196 | 209 | 216 |
| **ARPU (EUR)** | | | | | | | | |
| ARPU Voice | 20.2 | 20.0 | 19.7 | 19.8 | 19.9 | 20.2 | 19.7 | 19.7 |
| ARPU broadband | 27.6 | 27.0 | 26.7 | 26.1 | 26.8 | 26.9 | 26.4 | 26.5 |
| ARPU Belgacom TV | 19.4 | 19.2 | 17.8 | 17.5 | 18.4 | 17.6 | 17.6 | 18.1 |
| **FROM MOBILE** | | | | | | | | |
| **Number of active customers (thousands)** | **3,723** | **3,726** | **3,774** | **3,805** | **3,805** | **3,805** | **3,811** | **3,748** |
| Prepaid (1) | 2,117 | 2,096 | 2,111 | 2,116 | 2,116 | 2,116 | 2,071 | 1,992 |
| Postpaid | 1,606 | 1,630 | 1,663 | 1,690 | 1,690 | 1,690 | 1,739 | 1,756 |
| **Annualized churn rate (blended - variance in p.p.) (2)** | **21.3%** | **20.4%** | **20.4%** | **25.2%** | **21.8%** | **20.4%** | **19.9%** | **25.8%** |
| **Net ARPU (EUR)** | | | | | | | | |
| Prepaid | 14.1 | 15.3 | 14.4 | 14.9 | 14.7 | 14.0 | 14.2 | 13.6 |
| Postpaid | 29.2 | 30.0 | 30.0 | 28.6 | 29.5 | 27.9 | 27.3 | 28.9 |
| Blended | 20.5 | 21.6 | 21.1 | 20.7 | 21.0 | 20.1 | 20.1 | 20.8 |
| Blended voice | 12.7 | 13.4 | 12.9 | 12.2 | 12.8 | 11.6 | 11.1 | 12.0 |
| Blended data | 7.8 | 8.2 | 8.2 | 8.5 | 8.2 | 8.5 | 9.0 | 8.7 |
| **UoU (units)** | **338.0** | **357.5** | **335.4** | **373.3** | **351.6** | **377.9** | **391.7** | **357.5** |
| **MoU (min)** | **102.2** | **106.6** | **103.6** | **103.8** | **104.3** | **101.5** | **104.7** | **100.5** |
| **SMS (units)** | **238.7** | **254.1** | **235.1** | **273.0** | **250.5** | **279.8** | **291.3** | **262.1** |

(1) Prepaid includes Mobisud customers that were previously reported as MVNO customers
(2) Q4 2011 impacted by clean-up of inactive prepaid cards. This clean-up has no impact on the number of active customers & prepaid net adds.

## EBU – Financials

| (EUR million) | Q111 | Q211 | Q311 | Q411 | 2011 | Q112 | Q212 | Q312 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **593** | **593** | **572** | **591** | **2,349** | **579** | **576** | **560** |
| **From Fixed** | **420** | **417** | **398** | **420** | **1,655** | **408** | **409** | **398** |
| Voice | 128 | 125 | 121 | 122 | 496 | 124 | 120 | 118 |
| Data | 98 | 97 | 96 | 97 | 389 | 99 | 99 | 96 |
| Terminals | 18 | 18 | 18 | 18 | 72 | 18 | 18 | 18 |
| ICT | 175 | 177 | 163 | 182 | 697 | 167 | 172 | 167 |
| **From Mobile** | **169** | **171** | **169** | **168** | **677** | **166** | **162** | **158** |
| Voice | 115 | 115 | 110 | 108 | 448 | 106 | 102 | 100 |
| Data | 50 | 53 | 56 | 57 | 216 | 56 | 58 | 55 |
| Terminals | 4 | 3 | 3 | 3 | 13 | 3 | 3 | 3 |
| **Other** | **4** | **5** | **5** | **4** | **23** | **5** | **5** | **4** |
| **Costs of materials and charges to revenues** | **-162** | **-160** | **-154** | **-164** | **-639** | **-149** | **-157** | **-150** |
| **Personnel expenses and pensions** | **-94** | **-98** | **-93** | **-96** | **-381** | **-100** | **-103** | **-103** |
| **Other operating expenses** | **-37** | **-37** | **-34** | **-36** | **-144** | **-40** | **-39** | **-39** |
| **Segment result** | **300** | **298** | **291** | **296** | **1,185** | **289** | **277** | **267** |
| **Segment Contribution margin** | **50.6%** | **50.3%** | **50.9%** | **50.0%** | **50.4%** | **50.0%** | **48.1%** | **47.8%** |

## EBU- Operationals

| | Q111 | Q211 | Q311 | Q411 | 2011 | Q112 | Q212 | Q312 |
|---|---|---|---|---|---|---|---|---|
| **FROM FIXED** | | | | | | | | |
| **Number of access channels (thousands)** | **1,861** | **1,849** | **1,834** | **1,820** | **1,820** | **1,841** | **1,824** | **1,815** |
| Voice | 1,425 | 1,412 | 1,400 | 1,385 | 1,385 | 1,394 | 1,379 | 1,370 |
| Broadband | 436 | 436 | 434 | 434 | 434 | 446 | 445 | 444 |
| **Traffic (millions of minutes)** | **782** | **732** | **672** | **716** | **2,901** | **754** | **699** | **636** |
| National | 526 | 485 | 445 | 476 | 1,932 | 502 | 459 | 416 |
| Fixed to Mobile | 165 | 160 | 147 | 160 | 633 | 167 | 161 | 147 |
| International | 90 | 86 | 80 | 80 | 336 | 84 | 79 | 73 |
| **ARPU (EUR)** | | | | | | | | |
| ARPU Voice | 29.1 | 28.9 | 28.1 | 28.6 | 28.7 | 28.9 | 28.4 | 27.9 |
| ARPU Broadband | 39.6 | 39.3 | 39.1 | 38.9 | 39.2 | 39.5 | 39.0 | 39.1 |
| **FROM MOBILE** | | | | | | | | |
| **Number of active customers (thousands)** | **1,327** | **1,357** | **1,380** | **1,408** | **1,408** | **1,413** | **1,449** | **1,470** |
| Postpaid | 1,327 | 1,357 | 1,380 | 1,408 | 1,408 | 1,413 | 1,449 | 1,470 |
| **Annualized churn rate (blended - variance in p.p.)** | **11.1%** | **10.8%** | **9.4%** | **10.2%** | **10.3%** | **11.7%** | **11.0%** | **10.8%** |
| **Net ARPU (EUR)** | | | | | | | | |
| Postpaid | 41.8 | 41.9 | 40.6 | 39.5 | 41.0 | 38.7 | 37.2 | 35.5 |
| Postpaid voice | 29.2 | 28.7 | 26.9 | 25.9 | 27.6 | 25.3 | 23.7 | 22.9 |
| Postpaid data | 12.6 | 13.2 | 13.8 | 13.7 | 13.3 | 13.5 | 13.5 | 12.6 |
| **UoU (units)** | **356.5** | **369.6** | **343.3** | **363.4** | **358.8** | **375.8** | **377.0** | **339.9** |
| **MoU (min)** | **317.1** | **328.3** | **305.0** | **322.8** | **318.9** | **327.8** | **326.6** | **293.3** |
| **SMS (units)** | **83.7** | **90.1** | **87.3** | **95.6** | **89.4** | **106.6** | **111.7** | **104.7** |

## SDE&W – Financials

| (EUR million) | Q111 | Q211 | Q311 | Q411 | 2011 | Q112 | Q212 | Q312 |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | **81** | **80** | **77** | **80** | **318** | **78** | **76** | **75** |
| **Costs of materials and charges to revenues** | **-9** | **-9** | **-9** | **-9** | **-36** | **-9** | **-9** | **-9** |
| **Personnel expenses and pensions** | **-49** | **-50** | **-50** | **-50** | **-199** | **-43** | **-44** | **-47** |
| **Other operating expenses** | **-52** | **-33** | **-48** | **-42** | **-175** | **-48** | **-50** | **-41** |
| **Segment result** | **-29** | **-12** | **-30** | **-21** | **-92** | **-23** | **-26** | **-21** |

## SDE&W – Retail Operationals and MVNO customers

| | Q111 | Q211 | Q311 | Q411 | 2011 | Q112 | Q212 | Q312 |
|---|---|---|---|---|---|---|---|---|
| **FROM FIXED** | | | | | | | | |
| **Number of access channels (thousands)** | | | | | | | | |
| Voice (1) | - | - | - | - | 12 | 12 | 11 | 11 |
| Broadband (1) | - | - | - | - | 1 | 1 | 1 | 1 |
| **FROM MOBILE** | | | | | | | | |
| **Number of active Mobile customers (thousands)** | | | | | | | | |
| Retail (1) | - | - | - | - | 8 | 8 | 9 | 8 |
| MVNO | - | - | - | - | - | 5 | 7 | 8 |

(1) i.e. Belgacom retail products sold via SDE&W (OLO's own usage and reselling)

## S&S – Financials

| (EUR million) | Q111 | Q211 | Q311 | Q411 | 2011 | Q112 | Q212 | Q312 |
|---|---|---|---|---|---|---|---|---|
| Revenues | 8 | 7 | 25 | 8 | 47 | 9 | 7 | 7 |
| Costs of materials and charges to revenues | 0 | 0 | 0 | -1 | -1 | 1 | -1 | 0 |
| Personnel expenses and pensions | -39 | -40 | -40 | -40 | -160 | -38 | -39 | -41 |
| Other operating expenses | -47 | -41 | -66 | -61 | -215 | -51 | -50 | -49 |
| Segment result | -79 | -74 | -81 | -95 | -328 | -79 | -83 | -82 |

## ICS – Financials

| (EUR million) | Q111 | Q211 | Q311 | Q411 | 2011 | Q112 | Q212 | Q312 |
|---|---|---|---|---|---|---|---|---|
| Revenues | 372 | 388 | 401 | 401 | 1,562 | 382 | 409 | 424 |
| Costs of materials and charges to revenues | -320 | -333 | -342 | -342 | -1,338 | -326 | -347 | -361 |
| Personnel expenses and pensions | -10 | -9 | -9 | -9 | -37 | -10 | -10 | -11 |
| Other operating expenses | -18 | -17 | -15 | -16 | -65 | -18 | -17 | -17 |
| Segment result | 24 | 29 | 35 | 33 | 122 | 28 | 34 | 35 |
| Segment EBITDA margin | 6.5% | 7.5% | 8.7% | 8.3% | 7.8% | 7.3% | 8.4% | 8.3% |

## ICS – Operationals

| Volumes (in million) | Q111 | Q211 | Q311 | Q411 | 2011 | Q112 | Q212 | Q312 |
|---|---|---|---|---|---|---|---|---|
| Voice | 6,574 | 6,997 | 6,853 | 7,018 | 27,442 | 6,907 | 6,984 | 6,934 |
| Non-Voice (SMS/MMS) | 230 | 253 | 276 | 315 | 1,074 | 323 | 361 | 428 |

# Interim Condensed Consolidated Financial statements

These interim financial statements have not been subject to review by the independent auditor.

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 2011 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 2012 and which are set out in note 38 of the 31 December 2011 consolidated financial statements. The adoption of these new standards has only limited disclosure impacts on the consolidated financial statements. The Group does not anticipate on the application of standards and interpretations.

During the first nine months of 2012, aside from the acquisition of all shares of Wireless Technologies BVBA, the Belgacom Group did not acquire or dispose of any significant subsidiary, joint venture or affiliate.

The Group does not make any significant judgments and estimates other than those mentioned here above or in the 31 December 2011 consolidated financial statements.

# Acquisition of Wireless Technologies BVBA

Early January 2012, the Group acquired all outstanding shares of Wireless Technologies BVBA, the company owning the chain of The Phone House Belgium stores. Upon Competition Council request, a number of these points-of-sale will be subsequently divested. This process is currently ongoing. Wireless Technologies agreed to the sale and transfer of the points-of-sale and activity to YourCall, a newly created company. Wireless Technologies and YourCall intend to close the transaction still this year subject to a number of conditions precedents to be fulfilled.

The total acquisition price amounted to EUR 25 million including price adjustments, which have not been finalized. The Group is still identifying assets and liabilities acquired and analyzing their fair value. For this reason the fair value of the identified assets and liabilities of Wireless Technologies BVBA, as of the date of acquisition, has been determined provisionally for these interim financial statements and amounts to EUR 6 million for non-current assets, EUR 28 million for current assets, and EUR 26 million for current liabilities. Such provisional initial accounting led consequently to the recognition in these interim financial statements of EUR 17 million of goodwill.

As a result of this acquisition, early January 2012, the revenues and expenses of Wireless Technologies BVBA have been incorporated into the Belgacom Group financial statements starting 1 January 2012.

# Consolidated income statements

| ( EUR million) | 3rd Quarter 2011 | 3rd Quarter 2012 | Year-to-date 2011 | Year-to-date 2012 |
|---|---|---|---|---|
| Net revenue | 1,583 | 1,611 | 4,756 | 4,787 |
| Other operating income | 13 | 9 | 34 | 31 |
| **TOTAL INCOME** | **1,596** | **1,620** | **4,790** | **4,818** |
| Costs of materials and services related to revenue | -633 | -649 | -1,862 | -1,930 |
| Personnel expenses and pensions | -278 | -294 | -834 | -860 |
| Other operating expenses | -213 | -218 | -629 | -668 |
| Non-recurring expenses | 0 | -3 | -18 | -14 |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-1,123** | **-1,163** | **-3,344** | **-3,473** |
| **OPERATING INCOME before depreciation & amortization** | **472** | **456** | **1,447** | **1,346** |
| Depreciation and amortization | -180 | -185 | -573 | -554 |
| **OPERATING INCOME** | **292** | **271** | **874** | **791** |
| Finance income | -1 | 2 | 17 | 7 |
| Finance costs | -30 | -49 | -98 | -94 |
| **Net finance costs** | **-31** | **-47** | **-81** | **-87** |
| **INCOME BEFORE TAXES** | **262** | **223** | **792** | **704** |
| Tax expense | -59 | -34 | -193 | -147 |
| **NET INCOME** | **203** | **189** | **599** | **557** |
| Non-controlling interests | 8 | 5 | 12 | 14 |
| Net income (Group share) | 195 | 184 | 587 | 543 |
| Basic earnings per share | 0.61 EUR | 0.58 EUR | 1.83 EUR | 1.71 EUR |
| Diluted earnings per share | 0.61 EUR | 0.58 EUR | 1.83 EUR | 1.70 EUR |
| Weighted average number of ordinary shares | 319,460,105 | 318,198,344 | 320,762,452 | 317,918,983 |
| Weighted average number of ordinary shares for diluted earnings per share | 319,905,609 | 319,147,779 | 321,411,724 | 318,829,755 |

# Consolidated statements of other comprehensive income

| (EUR million) | As of 30 September 2011 | As of 30 September 2012 |
|---|---|---|
| **Net income** | **599** | **557** |
| **Other comprehensive income:** | | |
| Cash flow hedges: | | |
| Gain/(loss) taken to equity | 1 | 1 |
| **Other comprehensive income before related tax effects** | **-1** | **1** |
| **Total comprehensive income** | **598** | **557** |
| Attributable to: | | |
| Equity holders of the parent | 585 | 543 |
| Non-controlling interests | 12 | 14 |

# Consolidated balance sheets

| (EUR million) | As of 31 December 2011 | As of 30 September 2012 |
|---|---|---|
| **ASSETS** | | |
| **NON-CURRENT ASSETS** | **6,217** | **6,160** |
| Goodwill | 2,323 | 2,340 |
| Intangible assets with finite useful life | 1,155 | 1,108 |
| Property, plant and equipment | 2,401 | 2,416 |
| Investments in associates | 3 | 2 |
| Other participating interests | 31 | 10 |
| Deferred income tax assets | 121 | 107 |
| Pension assets | 2 | 2 |
| Other non-current assets | 180 | 175 |
| **CURRENT ASSETS** | **2,095** | **2,197** |
| Inventories | 116 | 140 |
| Trade receivables | 1,328 | 1,376 |
| Current tax assets | 143 | 148 |
| Other current assets | 152 | 142 |
| Investments | 36 | 26 |
| Cash and cash equivalents | 320 | 365 |
| **TOTAL ASSETS** | **8,312** | **8,357** |
| **LIABILITIES AND EQUITY** | | |
| **EQUITY** | **3,303** | **3,344** |
| **Shareholders' equity** | **3,078** | **3,105** |
| Issued capital | 1,000 | 1,000 |
| Treasury shares | -570 | -553 |
| Restricted reserve | 100 | 100 |
| Available for sale and hedge reserve | 0 | 1 |
| Stock compensation | 13 | 14 |
| Retained earnings | 2,532 | 2,541 |
| Foreign currency translation | 2 | 2 |
| **Non-controlling interests** | **225** | **239** |
| **NON-CURRENT LIABILITIES** | **2,749** | **2,691** |
| Interest-bearing liabilities | 1,931 | 1,928 |
| Liability for pensions, other post-employment benefits and termination benefits | 479 | 420 |
| Provisions | 180 | 194 |
| Deferred income tax liabilities | 157 | 147 |
| Other non-current payables | 2 | 2 |
| **CURRENT LIABILITIES** | **2,260** | **2,322** |
| Interest-bearing liabilities | 41 | 61 |
| Trade payables | 1,343 | 1,289 |
| Tax payables | 229 | 203 |
| Other current payables | 647 | 769 |
| **TOTAL LIABILITIES AND EQUITY** | **8,312** | **8,357** |

# Consolidated cash flow statements

| (EUR million) | 3rd Quarter 2011 | 3rd Quarter 2012 | Year-to-date 2011 | Year-to-date 2012 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Net income (group share) | 195 | 184 | 587 | 543 |
| Adjustments for: | | | | |
| Non-controlling interests | 8 | 5 | 12 | 14 |
| Depreciation and amortization on intangible assets and property, plant and equipment | 180 | 185 | 573 | 554 |
| Increase of impairment on intangible assets and property, plant and equipment | 0 | 1 | 1 | 2 |
| Increase / (decrease) in provisions | 5 | 14 | -15 | 20 |
| Deferred tax expense | 2 | -21 | 6 | 4 |
| Impairment on participating interests | 0 | 25 | 0 | 25 |
| Fair value adjustments on financial instruments | 6 | -1 | 2 | -3 |
| Loans amortization | 2 | 3 | 2 | 4 |
| Loss on disposal of consolidated companies and remeasurement of previously held interest | 0 | 0 | 18 | 0 |
| Gain on disposal of property, plant and equipment | -3 | 0 | -4 | -2 |
| Other non-cash movements | 2 | 2 | 7 | 7 |
| **Operating cash flow before working capital changes** | **397** | **397** | **1,190** | **1,167** |
| Decrease / (increase) in inventories | -9 | 11 | -13 | -16 |
| Increase in trade receivables | -16 | -10 | -67 | -38 |
| Decrease in current income tax assets | 2 | 0 | 1 | 0 |
| Decrease in other current assets | 16 | 19 | 28 | 15 |
| Decrease / (increase) in other non current assets | 2 | 0 | -52 | 0 |
| Increase / (decrease) in trade payables | 58 | -13 | 50 | -50 |
| Increase / (decrease) in income tax payables | 53 | -10 | 63 | -26 |
| Increase in other current payables | 64 | 57 | 147 | 115 |
| Decrease in net liability for pensions, other post-employment benefits and termination benefits | -23 | -18 | -73 | -59 |
| Decrease in other non-current payables and provisions | -3 | -2 | -13 | -6 |
| **Decrease / (increase) in working capital, net of acquisitions and disposals of subsidiaries** | **143** | **34** | **70** | **-66** |
| **Net cash flow provided by operating activities** | **541** | **431** | **1,260** | **1,101** |
| **Cash flow from investing activities** | | | | |
| Cash paid for acquisitions of intangible assets and property, plant and equipment | -163 | -180 | -498 | -540 |
| Cash paid for acquisitions of other participating interests | -6 | 0 | -6 | -4 |
| Cash paid for acquisition of consolidated companies, net of cash acquired | 0 | -3 | -10 | -24 |
| Cash received from / (paid for) sales of consolidated companies, net of cash disposed of | 0 | 0 | 10 | 0 |
| Cash received from sales of intangible assets and property, plant and equipment | 6 | 0 | 7 | 4 |
| Net cash paid for other non-current assets | -3 | 0 | -2 | 0 |
| **Net cash used in investing activities** | **-166** | **-183** | **-499** | **-563** |
| **Cash flow before financing activities** | **375** | **248** | **761** | **537** |
| **Cash flow from financing activities** | | | | |
| Dividends paid to shareholders | -1 | -3 | -541 | -540 |
| Net sale / (acquisition) of treasury shares | -64 | 5 | -89 | 17 |
| Sale of investments | 9 | 0 | 3 | 15 |
| Increase of shareholders' equity | 0 | 0 | -2 | -1 |
| Issuance of long term debt | 1 | 0 | 496 | 0 |
| Repayment of long term debt | 0 | -1 | -398 | -3 |
| Issuance / (repayment) of short term debt | 1 | -144 | 2 | 21 |
| **Net cash used in financing activities** | **-55** | **-144** | **-530** | **-492** |
| **Net increase of cash and cash equivalents** | **319** | **105** | **231** | **45** |
| Cash and cash equivalents at 1 January | | | 584 | 320 |
| Cash and cash equivalents at 30 September | | | 815 | 365 |

# 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 | Minority interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2010** | **1,000** | **-484** | **100** | **0** | **4** | **11** | **2,476** | **3,108** | **235** | **3,342** |
| *Fair value changes in cash flow hedges - acquired during the year* | *0* | *0* | *0* | *-1* | *0* | *0* | *0* | ***-1*** | *0* | *-1* |
| *Currency translation differences* | *0* | *0* | *0* | *0* | *-2* | *0* | *0* | ***-2*** | *0* | *-2* |
| Equity changes not recognised in the income statement | 0 | 0 | 0 | -1 | -2 | 0 | 0 | **-2** | 0 | -2 |
| Net income | 0 | 0 | 0 | 0 | 0 | 0 | 587 | **587** | 12 | 599 |
| **Total comprehensive income and expense** | **0** | **0** | **0** | **-1** | **-2** | **0** | **587** | **585** | **12** | **597** |
| 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 | **3** | 0 | 3 |
| Acquisition of treasury shares | 0 | -100 | 0 | 0 | 0 | 0 | 0 | **-100** | 0 | -100 |
| 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** | **-89** | **0** | **0** | **0** | **2** | **-541** | **-628** | **0** | **-628** |
| **Balance at 30 September 2011** | **1,000** | **-573** | **100** | **-1** | **2** | **13** | **2,522** | **3,064** | **248** | **3,312** |
| **Balance at 31 December 2011** | **1,000** | **-570** | **100** | **0** | **2** | **13** | **2,532** | **3,078** | **225** | **3,303** |
| *Fair value changes in cash flow hedges - acquired during the year* | *0* | *0* | *0* | *1* | *0* | *0* | *0* | ***1*** | *0* | *1* |
| Equity changes not recognised in the income statement | 0 | 0 | 0 | 1 | 0 | 0 | 0 | **1** | 0 | 1 |
| Net income | 0 | 0 | 0 | 0 | 0 | 0 | 543 | **543** | 14 | 557 |
| **Total comprehensive income and expense** | **0** | **0** | **0** | **1** | **0** | **0** | **543** | **543** | **14** | **557** |
| Dividends to shareholders (relating to 2011) | 0 | 0 | 0 | 0 | 0 | 0 | -534 | **-534** | 0 | -534 |
| Treasury shares | | | | | | | | | | |
| Exercise of stock options | 0 | 12 | 0 | 0 | 0 | 0 | 0 | **12** | 0 | 12 |
| Sale of treasury shares under a discounted share purchase plan | 0 | 6 | 0 | 0 | 0 | 0 | -1 | **4** | 0 | 4 |
| Stock options | | | | | | | | | | |
| Stock options granted and accepted | 0 | 0 | 0 | 0 | 0 | 1 | 0 | **1** | 0 | 1 |
| Deferred stock compensation | 0 | 0 | 0 | 0 | 0 | -1 | 0 | **-1** | 0 | -1 |
| 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** | **17** | **0** | **0** | **0** | **0** | **-534** | **-516** | **0** | **-516** |
| **Balance at 30 September 2012** | **1,000** | **-553** | **100** | **1** | **2** | **14** | **2,541** | **3,105** | **239** | **3,344** |

# 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 |
|---|---|---|---|---|---|---|---|
| | Nine months ended 30 September 2011 | | | | | | |
| Net revenue | 1,696 | 1,746 | 189 | 6 | 1,119 | 0 | 4,756 |
| Other operating income | 15 | 5 | 2 | 11 | 1 | 0 | 34 |
| Intersegment income | 4 | 6 | 48 | 23 | 41 | -123 | **0** |
| **TOTAL SEGMENT INCOME** | **1,716** | **1,758** | **239** | **40** | **1,161** | **-123** | **4,790** |
| Costs of materials and services related to revenue | -456 | -475 | -27 | 0 | -996 | 91 | -1,862 |
| Personnel expenses and pensions | -253 | -285 | -149 | -119 | -28 | 0 | -834 |
| Other operating expenses | -215 | -108 | -133 | -154 | -49 | 31 | -629 |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-924** | **-868** | **-309** | **-273** | **-1,073** | **122** | **-3,325** |
| **TOTAL SEGMENT RESULT (1)** | **792** | **889** | **-70** | **-233** | **88** | **-0** | **1,465** |
| Non-recurring expenses | 0 | -18 | 0 | 0 | -1 | 0 | **-18** |
| **OPERATING INCOME / (LOSS) before depreciation & amortization** | **792** | **871** | **-70** | **-233** | **88** | **-0** | **1,447** |
| Depreciation and amortization | -110 | -12 | -336 | -56 | -60 | 0 | -573 |
| **OPERATING INCOME / (LOSS)** | **683** | **859** | **-407** | **-289** | **27** | **-0** | **874** |
| Finance cost (net) | | | | | | | -81 |
| **INCOME BEFORE TAXES** | | | | | | | **792** |
| Tax expense | | | | | | | -193 |
| **NET INCOME** | | | | | | | **599** |
| Non-controlling interests | | | | | | | 12 |
| Net income (Group share) | | | | | | | 587 |

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

| (EUR million) | Consumer Business Unit | Enterprise Business Unit | Service Delivery Engine & Wholesale | Staff & Support | International Carrier Services | Inter-segment eliminations | Total |
|---|---|---|---|---|---|---|---|
| | Nine months ended 30 September 2012 | | | | | | |
| Net revenue | 1,723 | 1,703 | 181 | 6 | 1,174 | 0 | 4,787 |
| Other operating income | 13 | 6 | 2 | 9 | 1 | 0 | 31 |
| Intersegment income | 4 | 6 | 46 | 8 | 40 | -104 | **0** |
| **TOTAL SEGMENT INCOME** | **1,740** | **1,715** | **229** | **23** | **1,215** | **-104** | **4,818** |
| Costs of materials and services related to revenue | -501 | -456 | -27 | 0 | -1,033 | 87 | -1,930 |
| Personnel expenses and pensions | -271 | -306 | -134 | -118 | -31 | 0 | -860 |
| Other operating expenses | -224 | -119 | -139 | -150 | -53 | 16 | -668 |
| **TOTAL OPERATING EXPENSES before depreciation & amortization** | **-996** | **-881** | **-300** | **-268** | **-1,117** | **104** | **-3,459** |
| **TOTAL SEGMENT RESULT (1)** | **745** | **834** | **-71** | **-245** | **97** | **-0** | **1,359** |
| Non-recurring expenses | 0 | 0 | 0 | -14 | 0 | 0 | **-14** |
| **OPERATING INCOME / (LOSS) before depreciation & amortization** | **745** | **834** | **-71** | **-259** | **97** | **-0** | **1,346** |
| Depreciation and amortization | -101 | -11 | -328 | -55 | -60 | 0 | -554 |
| **OPERATING INCOME / (LOSS)** | **643** | **823** | **-399** | **-313** | **37** | **-0** | **791** |
| Finance cost (net) | | | | | | | -87 |
| **INCOME BEFORE TAXES** | | | | | | | **704** |
| Tax expense | | | | | | | -147 |
| **NET INCOME** | | | | | | | **557** |
| Non-controlling interests | | | | | | | 14 |
| Net income (Group share) | | | | | | | 543 |

(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 |
|---|---|---|---|---|---|---|---|
| | Nine months ended 30 September 2011 | | | | | | |
| Capital expenditure | 94 | 10 | 359 | 25 | 9 | 0 | 498 |

| (EUR million) | Consumer Business Unit | Enterprise Business Unit | Service Delivery Engine & Wholesale | Staff & Support | International Carrier Services | Inter-segment eliminations | Total |
|---|---|---|---|---|---|---|---|
| | Nine months ended 30 September 2012 | | | | | | |
| Capital expenditure | 123 | 10 | 356 | 21 | 8 | 0 | 520 |

## Contingent liabilities

Compared to the Consolidated Financial Statements of the year 2011, no changes occurred during 2012 in the contingent liabilities except the Court of Appeal decision dated 6 March 2012 stating that the experts committed several errors and refrained systematically from replying appropriately to Belgacom's observations, thus affecting the rights of defense. The Court thus decided that the experts should be replaced. On 1 October 2012 the Court appointed two new experts who have to restart the expertise from the beginning.

## Post balance sheet events

In order to cover the outstanding stock options granted in 2012, the Board of 25 October 2012 approved the conversion of up to 840,732 treasury shares without dividend rights into treasury shares entitled to dividend rights.

## Others

There has been no material change to the information disclosed in the most recent annual consolidated financial statements in connection with related parties that would require disclosure under the Financial Reporting Framework.

# Definitions

**Fixed Voice access channels:** total Fixed Voice access channels containing PSTN, ISDN and IP lines. For EBU specifically, this also contains the number of Business Trunking lines.

**Trunking lines:** Business Trunking offers a solution for the integration of voice and data traffic on one single data network. At the same time, it allows communication with the traditional switched-voice network (PSTN/ISDN).

**Broadband access channels:** total Broadband access channels containing both ADSL and VDSL lines. For CBU specifically, this also contains the Belgian residential lines of Scarlet.

**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, including activation fees, 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 as well as Machine-to-Machine (EBU). Active customers are customers who have made or received at least one call, sent or received at least one SMS message or made at least one data connection 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, divided by the number of months of that same period.

**MoU** (Minutes of Use): duration of all calls from or to Proximus, per active voice customer, per month, also including free minutes included in mobile pricing plans

**OLO**: Other Licensed Operator

**SMS**: number of SMS messages per active customer per month, also including free SMS included in mobile pricing plans

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

# Financial Calendar

| | |
|---|---|
| 1 March 2013 | Announcement of Q4 2012 results |
| 17 April 2013 | Annual General Shareholder meeting |
| 3 May 2013 | Announcement of Q1 2013 results |
| 26 July 2013 | Announcement of Q2 2013 results |
| 25 October 2013 | Announcement of Q3 2013 results |

# For further information

## Investor relations

Nancy Goossens: +32 2 202 82 41
Ben Vandermeulen: +32 2 202 16 95
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
Belgacom website: www.belgacom.com