

2014

Q3

QUARTERLY REPORT

Key figures – as reported

Income Statement (EUR million)	3rd Quarter		Year-to-date	
	2013	2014	2013	2014
Total income	1,568	1,486	4,736	4,597
EBITDA (1)	430	433	1,301	1,400
Depreciation and amortization	-197	-207	-589	-610
Operating income (EBIT)	232	226	712	790
Net finance costs	-27	-28	-72	-71
Share of loss on associates	0	-1	0	-1
Income before taxes	205	197	640	718
Tax expense	-44	-34	-141	-139
Non-controlling interests	6	7	17	23
Net income (Group share)	156	156	482	556
Cash flows (EUR million)	2013	2014	2013	2014
Cash flows from operating activities	448	447	943	1,048
Cash paid for acquisitions of intangible assets and property, plant and equipment	-176	-209	-546	-577
Cash flows from other investing activities	2	0	13	158
Free cash flow (2)	274	238	410	629
Net cash provided by / (used in) financing activities	-260	14	-379	-211
Net increase of cash and cash equivalents	14	252	31	418
Balance sheet (EUR million)			As of 31 December 2013	As of 30 September 2014
Balance sheet total			8,417	8,646
Non-current assets			6,254	6,212
Investments, cash and cash equivalents			415	783
Shareholders' equity			2,846	2,914
Non-controlling interests			196	185
Net financial position			-1,815	-1,725
Data per share	2013	2014	2013	2014
Basic earnings per share (EUR)	0.49	0.49	1.51	1.74
Weighted average number of outstanding shares	318,860,002	320,389,032	318,647,185	319,804,251
Data on employees			2013	2014
Number of employees (full-time equivalents)			15,767	14,342
Average number of employees over the period			15,764	14,932
Total income per employee (EUR)			300,453	307,851
EBITDA (1) per employee (EUR)			82,509	93,784
Ratios (before non-recurring items)			2013	2014
Return on Equity			17.0%	17.3%
Gross margin			59.5%	60.6%
Net debt / EBITDA before non-recurring items			1.13	1.29

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.

(2) Cash flow before financing activities.

The Belgacom Management Committee declares that to the best of its knowledge, the interim condensed consolidated financial statements, established in accordance with International Financial Reporting Standards ("IFRS"), give a true and fair view of the assets, financial position and results of Belgacom and of the entities included in the consolidation. The financial report gives an accurate overview of the information that needs to be disclosed. The Belgacom Management Committee is represented by Dominique Leroy, Chief Executive Officer, Phillip Vandervoort, Chief Consumer Market Officer, Bart Van Den Meersche, Chief Enterprise Market Officer, Ray Stewart, Chief Financial Officer, Geert Standaert, Chief Technology Officer, Renaud Tilmans, Chief Customer Operations Officer, Michel Georgis, Chief Human Resources Officer and Dirk Lybaert, Chief Corporate Affairs Officer.

Brussels, 24 October 2014 - 7:00 (CET) -Regulated Information

Highlights – Q3 2014

- Growing underlying¹ revenue for both Consumer and Enterprise segment
 - Underlying EBITDA for third quarter up by 1.5% to EUR 431 million
 - Full-year EBITDA outlook raised to ‘slightly positive’ on Belgacom’s good operational trends
 - Belgacom to return EUR 0.50 interim dividend in December
- The third quarter 2014 underlying revenue for Belgacom Group totaled EUR 1,487million, i.e. 1.0% below that of the previous year. Belgacom’s core revenue increased by 1.1%, with both the Consumer and Business segment showing good improvement in their underlying revenue trend. Revenue from Belgacom’s International Carrier Services (BICS) was down 6.1% in the third quarter.
 - The Mobile Service revenue again showed a strong improvement for both the Consumer and Business segment, with third quarter variances of respectively -3% and +4% versus the prior year. The combined Mobile Service revenue therefore fully recovered to last year’s third quarter level.
 - Belgacom’s underlying EBITDA for the third quarter 2014 was EUR 431 million, up 1.5% from the previous year. This results mainly from the continued improvement in Mobile revenue and the favorable trends in both personnel and other expenses, decreasing by 3.0% and 3.4% respectively for the quarter.
 - In the third quarter of 2014, Belgacom invested EUR 198 million in its Fixed and Mobile networks, as well as in improving its IT systems. This brought the amount invested so far to EUR 623 million.
 - In third quarter 2014, Belgacom generated EUR 238 million in Free Cash Flow (FCF), bringing the total year-to-date September Free Cash Flow to EUR 629 million. This is EUR 219 million more than last year, including the proceeds from sold consolidated companies and buildings.
 - Belgacom’s operational performance under its brands Proximus and Scarlet was strong in the third quarter 2014, in spite of an elevated competitive intensity.
 - + 72,000 Mobile Postpaid cards (incl. 41,000 Internet Everywhere² cards and M2M); total of 4,029,000³
 - - 46,000 Mobile Prepaid cards (incl. -10,000 Mobisud cards); total of 1,588,000
 - + 33,000⁴ TV subscriptions, increasing the total TV customer base to 1,558,000
 - + 13,000 Fixed Internet lines, with a total Internet customer base of 1,718,000
 - - 25,000 Fixed Voice Lines, leading to a total of 2,850,000 lines
 - On 23 October 2014, Belgacom’s Board of Directors approved to return to the shareholders a total gross interim dividend of EUR 0.50 per share. The Board of Directors also confirmed their intention to pay a stable total gross dividend of EUR 1.50 per share over the result of 2014, 2015 and 2016.
 - Ex-coupon date: 10 December 2014
 - Record date: 11 December 2014
 - Payment date: 12 December 2014

Dominique Leroy, CEO of Belgacom:

“I’m proud to announce a strong set of financials for the third quarter 2014, continuing the positive underlying trend from the prior quarter. Both the Consumer and Enterprise segments performed well, with good progress in their underlying revenue. Revenue from Mobile services in particular showed a strong improvement thanks to the growing customer base and increased mobile data usage, which was supportive for the mobile ARPU. Our TV revenue too was solid, showing double-digit growth in the third quarter on a continuously growing customer base and good results from our entertainment offer and TV-replay option.

Supported by our convergence strategy, the operational results remained good in spite of intensified competitive pressure over the quarter. With all our products now grouped under the Proximus brand since end-September, and our focus on improving the customer experience, we will push convergence even further, and drive customer upselling.

The progress made in the underlying revenue trends as well as some structural cost reduction through simplification instill further confidence in our ‘Fit for Growth’-strategy and brings us another step closer to our underlying EBITDA growth objective in 2016.”

¹ Adjusted for incidentals to get a better view of the ongoing business performance. See page 18.

² Data cards included in a Proximus Fixed Internet subscription

³ Including Voice and Data mobile cards sold through CBU, as well as M2M cards in EBU. Mobile cards from the Tango, MVNO and SDE&W segment are included as well.

⁴ Corresponds to total number of set-top boxes: 20,000 new unique TV customers and 13,000 second-stream users.

Analyst conference call

Belgacom will host a conference call for institutional investors and analysts on Friday 24 October 2014.

Time: 2:00 p.m. Brussels – 1:00 p.m. London – 8:00 a.m. New York

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Financial report

Belgacom Group

- Group revenue of EUR 1.487 million, 1% lower versus last year on underlying⁵ basis
- Fit-for-Growth strategy reflected in growing core⁶ revenue and lower expenses
- Underlying Group EBITDA of EUR 431 million, up 1.5% year-on-year
- Third-quarter Free Cash Flow of EUR 238 million

Quarterly financials as of page 19

Revenue

(EUR million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
Group Reported	1,568	1,486	-5.2%	4,736	4,597	-2.9%
<i>Incidentals</i>	<i>-67</i>	<i>1</i>		<i>-206</i>	<i>-189</i>	
Underlying Group	1,502	1,487	-1.0%	4,531	4,408	-2.7%
Consumer Business Unit	544	557	2.2%	1,654	1,639	-0.9%
Enterprise Business Unit	474	479	1.2%	1,464	1,456	-0.5%
Service Delivery Engine & Wholesale	66	60	-9.6%	200	183	-8.3%
Staff & Support	7	7	-5.8%	22	22	1.1%
International Carrier Services	437	410	-6.1%	1,266	1,182	-6.7%
Inter-segment eliminations	-27	-26	3.0%	-74	-74	0.8%

Belgacom Group generated in the third quarter of 2014 underlying revenue of EUR 1,487 million, i.e. 1% below that of the third quarter of 2013. This includes a 1.1% growth in Belgacom's core revenue as both the Consumer and Business segment showed a good revenue trend improvement, turning to growth in the third quarter 2014. This was, however, more than offset by a 6.1% revenue decline in Belgacom's International Carrier Services (BICS) and the continued revenue erosion from Belgacom's Wholesale business.

More precisely the underlying Group revenue year-on-year variance for the third quarter was the result of:

- The Consumer segment posting 2.2% higher underlying revenues versus the previous year. The sequential quarterly improvement was driven by the strong growth of the TV revenue and by strong Mobile revenue.
- A 1.2% growth in underlying revenue from the Enterprise Business segment, posting strong Mobile services revenue, and growth in organic ICT revenue.
- The pressure on Carrier Wholesale Services revenue, with Service Delivery Engine & Wholesale reporting a 9.6% revenue erosion, in line with the previous quarter.
- BICS, posting a 6.1% or EUR 27 million revenue decline versus the same period of 2013 with growing non-voice revenue not fully covering for the lower Voice revenue.

Year-to-date September 2014, Belgacom's underlying revenue totaled EUR 4,408 million, or -2.7% lower than for the same period of 2013. The underlying core revenue was down 1.2% from the prior year, while that of BICS decreased 6.7%.

⁵ Adjusted for incidentals to get a better view of the ongoing business performance. See page 18 for more information

⁶ Belgacom Group, BICS excluded

Operating expenses

(EUR million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
Group Reported	1,139	1,053	-7.5%	3,436	3,196	-7.0%
<i>Incidentals</i>	<i>-62</i>	<i>2</i>		<i>-199</i>	<i>-64</i>	
Underlying Group	1,076	1,055	-2.0%	3,237	3,132	-3.2%
Costs of materials and services related to	598	592	-1.0%	1,807	1,743	-3.6%
Personnel expenses and pensions	268	260	-3.0%	799	777	-2.7%
Other operating expenses	210	203	-3.4%	631	612	-3.0%

Third quarter Cost of Sales lower on account of BICS

The Belgacom Group posted underlying Cost of Sales of EUR 592 million for the third quarter 2014, 1% less compared with the same period of 2013. The lower costs are due to BICS, which posted a 6.6% reduction versus the prior year. This was partly offset by higher Cost of Sales from the Consumer segment, including a timing difference of tactical handset joint-offers⁷ and other promotional costs.

The year-to-date September 2014 underlying Cost of Sales totaled EUR 1,743 million, or -3.6% versus the prior year.

Underlying HR expenses down 3%, benefiting from natural attrition

The Belgacom Group posted EUR 260 million underlying⁸ HR-expenses for the third quarter of 2014, 3.0% less versus the comparable cost of the prior year. This positive evolution results from a natural attrition of -374 FTEs over the past 12 months to a total headcount of 14,342 FTEs by end September 2014 with no impact from inflation-based salary indexations.

The remaining decline in FTEs from the 15,767 FTEs Belgacom counted one year ago was the result of divestures,

Over the first nine months of 2014, the Belgacom Group recorded EUR 777 million underlying HR expenses, 2.7% lower than the prior year.

Favorable evolution for underlying non-HR expenses continued

The implementation of the 'Fit-for-Growth' strategy continued to manifest itself in solid cost control. On an underlying⁹ basis, the Belgacom Group recorded EUR 203 million non-HR expenses in the third quarter of 2014, which is 3.4% less than for the same period of 2013.

Year-to-date September 2014, the underlying non-HR expenses totaled EUR 612 million, 3.0% lower than the prior year.

Operating income before depreciation and amortization (EBITDA)

(EUR million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
Group Reported	430	433	0.7%	1,301	1,400	7.7%
<i>Incidentals</i>	<i>-4</i>	<i>-1</i>		<i>-7</i>	<i>-125</i>	
Underlying Group	425	431	1.5%	1,294	1,276	-1.4%
Consumer Business Unit	265	262	-1.2%	780	767	-1.7%
Enterprise Business Unit	243	252	3.6%	763	755	-1.1%
Service Delivery Engine & Wholesale	-38	-38	0.0%	-112	-109	2.4%
Staff & Support	-82	-82	-0.3%	-246	-239	2.9%
International Carrier Services	38	39	2.6%	109	103	-5.9%

Belgacom's third-quarter 2014 underlying Group EBITDA totaled EUR 431 million, growing by 1.5% compared to the same period of 2013. The further enhancement from previous quarters was driven in particular by a strong segment result from the Enterprise business unit, showing a 3.6% year-on-year growth. BICS' segment result too was up by 2.6%. This was partly offset by a 1.2% decline for the Consumer segment.

Over the first three quarters of 2014, the Belgacom Group recorded EUR 1,276 million underlying EBITDA, or -1.4% year-on-year.

⁷ Mobile terminals sold in combination with specific monthly subscription

⁸ Adjusted for the impact of divestures (Telindus France, Scarlet Netherlands and Sahara net)

⁹ Adjusted for divesture-driven impacts on other incidentals. See page18 for more information.

Depreciation and amortization

The third-quarter 2014 depreciation and amortization totaled EUR 207 million, up by EUR 10 million compared to the previous year, mainly driven by a higher asset base to depreciate and a review of the useful life of some assets, partially offset by divestment of consolidated companies. This brought the year-to-date September 2014 depreciation and amortization to EUR 610 million compared to EUR 589 million for the first nine months of 2013.

Tax expense

The third-quarter 2014 tax expenses of EUR 34 million brought the year-to-date September 2014 total tax expenses to EUR 139 million, representing an effective tax rate of 19.4%. This is below the effective tax rate of 22.0% for the first nine months of 2013 mainly due to incidentals recorded in 2014 and the application of general principles of Belgian tax law.

Net income (Group share)

Belgacom reported a Group net income (Group share) of EUR 156 million for the third quarter of 2014, stable compared to the third quarter of 2013. The slightly higher reported EBITDA (incidentals included), and higher depreciation and amortization was offset by a lower tax expense. The year-to-date September 2014 income (Group share) totaled EUR 556 million versus EUR 482 million the year before.

Capital expenditure (capex)

In the third quarter of 2014, Belgacom invested EUR 198 million, bringing its total capex to EUR 623 million over the first nine months of 2014. As set out in Belgacom's network strategy earlier this year, Belgacom continued investing in its Fixed and Mobile networks, as well as in improving its IT systems. Through these investments, Belgacom ensures very high standards in customer experience for mobile calling and surfing, across all technologies, maintaining a superior mobile-network quality. Belgacom continued the roll-out of the vectoring technology on its VDSL2 network, increasing the dedicated Internet speeds offered to its customers to 70 Mbps. As part of Belgacom's transformation & simplification plans, SDE&W also continued to invest in both network and IT simplification. Furthermore, the capex amount includes the three-year broadcasting rights of Belgian Jupiler Pro league football acquired in June 2014 and capitalized the second quarter.

Cash flows

(EUR million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
Cash flows from operating activities	448	447	0%	943	1,048	11%
Cash paid for acquisitions of intangible assets and property, plant and equip	-176	-209	218.7%	-546	-577	6%
Cash flows from other investing activities	2	0	>-100%	13	158	>100%
Cash flow before financing activities (FCF)	274	238	-13%	410	629	53%
Net cash provided by / (used in) financing activities	-260	14	>-100%	-379	-211	-44%
Net increase of cash and cash equivalents	14	252	>-100%	31	418	>-100%

In the third quarter 2014, Belgacom generated EUR 238 million in Free Cash Flow (FCF), or EUR 35 million less than for the same period of 2013, mainly due to a higher cash-out related to investments. Over the first nine months of 2014 the Group's Free Cash Flow amounted to EUR 629 million, which is EUR 219 million up versus last year. The higher FCF is mainly the result of lower income tax payments, partly due to timing differences, and higher cash received from the sale of consolidated companies and buildings. This was partly offset by more cash paid in 2014 so far for the acquisition of intangible assets and property, plant and equipment.

Balance sheet and shareholders' equity

In April 2014, the Group disposed of Group Telindus France, impacting all balance sheet captions.

Compared to year-end 2013, the goodwill decreased by EUR 26 million as a consequence of this sale.

Intangible fixed assets and property, plant and equipment decreased by EUR 23 million to EUR 3,720 million mainly as a consequence of the disposal of Group Telindus France and buildings partly offset by invested Capex which was higher than the depreciation and amortization.

The shareholders' equity increased from EUR 2,846 million at year-end 2013 to EUR 2,914 million end-September 2014. This mainly results from the net income (Group share) generated over the first nine months exceeding the 2013 dividend of EUR 537 million as approved by the General Assembly of April 2014.

Compared to end-2013, the net financial debt decreased by EUR 90 million to EUR 1,725 million as per end of September 2014.

Outstanding long-term gross financial debt amounted to EUR 2.5 billion at the same date. In April 2014 a 10-year bond of EUR 600 million was issued.

Regulation and legal update

Regulation impacts (Decrease in EUR million)		Outlook	Estimated impact		
		FY 2014	Q1 2014	Q2 2014	Q3 2014
MTR	Revenue	€ 14m	€ 3m	€ 4m	€ 4m
	EBITDA	€ 7m	€ 1m	€ 2m	€ 2m
Roaming (i.e. Voice, SMS and Data)	Revenue	€ 36m	€ 5m	€ 7m	€ 14m
	EBITDA	€ 36m	€ 5m	€ 7m	€ 14m
Total	Revenue	€ 50m	€ 8m	€ 11m	€ 18m
	EBITDA	€ 43m	€ 7m	€ 9m	€ 17m

Mobile Termination Rates

On 16 January 2014, the Luxembourg regulator, ILR, published its decision concerning its review of the MTR market analysis. The three mobile operators (EPT, Tango and Orange) are considered as having significant market power. ILR intends to define the MTR on the basis of a pure bottom-up long-run incremental cost (LRIC) model. Until the finalization of this model, ILR has set symmetrical MTR at 0.98 eurocent/min as from 1 February 2014. MTRs were previously at 8.2 eurocents for EPT and Tango and 10.5 eurocents for Orange. For full-year 2014, the impact of the lower MTR for Tango, recorded within the Consumer segment, is estimated at EUR -14 million revenue and EUR -7 million EBITDA. In April 2014, Tango introduced an appeal against this decision.

International Roaming

The last decrease of the roaming rates under the Roaming III Regulation of 2012 entered into force on 1 July 2014.

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, the obligation on separate selling of roaming services from domestic mobile services entered into force on 1 July 2014. The Roaming III Regulation will expire in principle on 30 June 2022. However, in the meantime, in its package of measures to address the fragmentation of the EU telecoms sector, referred now to as “Connected Continent”, the EU Commission has proposed to impose additional measures to abolish roaming in the coming years. On 3 April 2014, the European Parliament voted on its first reading on the EC proposal and proposed to ban such charges as from 15 December 2015. The reform will now have to be discussed with the EU Council. Final adoption of the EU package is expected at the earliest end of 2014.

Spectrum

After Telenet-Tecteo Bidco announced their intention not to use the 900/1800MHz spectrum that they would have been able to obtain as from 27 November 2015 through their 2.1GHz spectrum license, the BIPT has decided to reallocate the released spectrum. On 3 October 2014, the BIPT notified the results of the attribution process, granting 12 channels to Proximus for EUR 15.8 million for the period 27 November 2015 till 15 March 2021. The concession fee will have to be paid in 2015. A reshuffling will be required between Mobistar and Proximus (in several steps to be presented to BIPT by 11 December 2014).

Tax on mobile sites

In December 2013, the Walloon government adopted a decree which provides for a tax on mobile telecom equipment of EUR 8,000 per ‘site’, applicable to all mobile operators for the 2014 financial year. The total budget aim of the Walloon Region amounts to EUR 24 million. An additional risk of EUR 24 million exists as the communes have the possibility to levy an additional surcharge of max. EUR 8,000 per site.

Belgacom considers the legality of this tax to be questionable. End of June 2014, an annulment request was filed before the Constitutional Court by all three mobile operators. In addition, the Belgian State intervened in the procedure stating that the Walloon Region unlawfully intervened in the (fiscal) competences of the communes.

Belgacom intends to further safeguard its legal rights by disputing every individual enrolment.

Outlook for 2014

Belgacom's full-year guidance as provided earlier this year is based on reported financials excluding non-recurring items¹⁰ (mainly capital gains on disposed companies).

In view of the good progress it is making in its business trends, Belgacom raises its full-year EBITDA outlook, estimating to end the year 2014 with EBITDA slightly positive on the comparable number of EUR 1,702 EBITDA in 2013.

For its International Carrier Segment, BICS, Belgacom believes the 2014 full-year revenue decline will be limited to '-5% to -10%', based on the material win backs of voice traffic from key customers since the second quarter 2014. For its core revenue, i.e. BICS excluded, Belgacom reiterates its estimated revenue decline of '-1% to -2%' compared to 2013.

The 2014 full-year capex estimation remains around EUR 960 million (including the capitalized three-year broadcasting rights of the Belgian Jupiler Pro league football acquired in June 2014).

Metrics	FY 2013	YtD 2013	YtD 2014	% Change YtD	Guidance FY 2014 (revised on 1 August 2014)	New Guidance FY 2014 (revised on 24 October 2014)
Reported Group revenue	6,318	4,736	4,597			
non-recurring	0	0	62			
Telindus France	242	177	75			
Core business*	4,410	3,293	3,279	-0.4%	Decline between '-1% and -2%'	Decline between '-1% and -2%'
BICS	1,666	1,266	1,182	-6.7%	Decline between '-5% and -10%'	Decline between '-5% and -10%'
Reported Group EBITDA	1,699	1,301	1,400			
non-recurring	-13	1	67			
Telindus France	11	6	-0.4			
EBITDA-base for guidance**	1,702	1,294	1,334	3.1%	Decline between '-1% and -2%'	Slightly positive
Capex	972	546	623		Around EUR 960 million	Around EUR 960 million

* i.e. Reported group revenue minus non-recurring & Telindus FR & BICS, including capital gain on building sales

** i.e. Reported group EBITDA minus non-recurring & Telindus FR

¹⁰ See page 18

Consumer Business Unit - CBU

- Solid Fixed and Mobile commercial performance from Proximus and Scarlet
- Strong recovery of Mobile service revenue and double digit Proximus TV revenue growth
- Segment result trend improvement sustained, in spite of higher terminal costs
- Favorable 4-play evolution continued; +12,000 households added, revenue +15.5% vs. prior year

P&L Consumer Business Unit (Underlying)

(EUR million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
TOTAL SEGMENT INCOME	544	557	2.2%	1,654	1,639	-0.9%
Costs of materials and services related to revenue	-128	-143	11.8%	-421	-420	-0.4%
Personnel expenses and pensions	-84	-85	0.9%	-250	-255	1.7%
Other operating expenses	-67	-67	-0.9%	-202	-198	-2.1%
TOTAL OPERATING EXPENSES before depreciation & amortization	-279	-295	5.5%	-874	-872	-0.2%
TOTAL SEGMENT RESULT	265	262	-1.2%	780	767	-1.7%
<i>Segment contribution margin</i>	<i>48.7%</i>	<i>47.1%</i>	<i>-1.6pp</i>	<i>47.2%</i>	<i>46.8%</i>	<i>-0.4pp</i>

CBU quarterly financial and operational results: page 19

Revenue

CBU's underlying revenues of EUR 557 million for the third quarter 2014 were up by 2.2% compared to the same period of the previous year. Regulatory measures¹¹ impacted the third-quarter revenue further by an estimated amount of EUR -8 million (-1.4%).

Supported by the success of the convergent Packs, the Fixed Voice revenue erosion was compensated for by strong growth of the TV revenue and further support of the Fixed Internet revenue. This resulted in a 1.3% growth of the Fixed revenue compared to the third-quarter of last year.

The total revenue from Mobile, up 3.0%, was supported by the recovering Mobile service revenue and higher terminal sales. These sales were partly driven by tactical joint-offers¹² to enhance the Smartphone penetration and price tiering of customers. Furthermore CBU's Mobile service revenue trend improved versus the previous quarters to a -2.9% decline (this compares to a -7% decline during the first half of the year) in spite of the competitive environment.

CBU ended the first three quarters of 2014 with EUR 1,639 million in underlying revenue, -0.9% versus the same period of 2013.

(EUR million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
Revenues	544	557	2.2%	1,654	1,639	-0.9%
From Fixed	265	269	1.3%	791	796	0.6%
Voice	102	99	-3.8%	310	296	-4.6%
Internet	90	91	1.4%	265	271	2.1%
TV	67	74	10.5%	197	214	8.5%
Terminals (excl. TV)	6	5	-15.8%	18	15	-18.7%
From Mobile	218	225	3.0%	674	661	-1.9%
Mobile Services	193	187	-2.9%	595	561	-5.7%
Terminals	25	38	48.7%	79	100	26.0%
From Subsidiaries	44	42	-3.7%	129	123	-4.8%
Scarlet	12	13	6.3%	36	37	3.5%
Tango	32	30	-7.4%	94	86	-8.0%
Other	17	21	20.6%	60	59	-0.9%

Stable Fixed Voice ARPU; slowing of customer loss continued

The third-quarter 2014 Fixed Voice revenue of EUR 99 million was down 3.8% year-over-year. The declining Fixed Voice revenue resulted from the year-on-year line loss and to a lesser extent from the substitution of fixed traffic to mobile. During the third quarter the Fixed line erosion was limited to -10,000 lines, an improvement versus the prior quarters through mitigated churn and good gross customer gain, driven by convergent offers. By end-September 2014, the CBU Fixed Voice customer base totaled 1,592,000 lines. The Fixed Voice ARPU, was up 0.8% year-over-year to EUR 20.4.

By end-September 2014, the revenue from Fixed Voice totaled EUR 296 million, i.e. a 4.6% decline compared to last year.

¹¹ The regulated price cut of 1 January 2014 on Mobile Termination Rates for Tango Luxembourg, as well as lower Voice, SMS and Data Roaming rates following the reduced regulated tariffs since 1 July 2014.

¹² Mobile device with specific monthly subscription

Fixed Internet revenue up 1.4%; Proximus and Scarlet adding +13,000 customers in the quarter

CBU ended the third quarter 2014 with a Fixed Internet revenue of EUR 91 million, i.e. 1.4% higher compared to the same period of the year before. This was mainly driven by the growing customer base. Supported by the September back-to-school campaign, the fixed Internet customer base grew with 13,000 Proximus and Scarlet customers, bringing the total to 1,274,000 by end-September 2014. The third-quarter Broadband ARPU of EUR 26.3 was slightly down from the same period in 2013 (EUR 26.9) due to increased convergent pack penetration, with more value for the customer.

Over the first nine months of 2014, CBU recorded EUR 271 million, up 2.1% versus the same period last year.

Double digit revenue growth for Proximus TV through larger customer base and options

The third-quarter 2014 TV revenue grew by 10.5% to EUR 74 million, as a result of the continued subscriber growth, and TV-options such as football subscriptions and TV-replay. Belgacom added a solid 33,000 TV subscriptions (i.e. including +13,000 multiple set-top boxes) in the quarter. CBU ended September 2014 with a total TV customer base of 1,558,000, of which 294,000 were multiple streams. The TV ARPU showed a 5.4% growth year-over-year to EUR 19.7 driven by more TV options.

Revenue from Proximus TV over the first nine months of 2014 totaled EUR 214 million, i.e. 8.5% higher than that of the previous year.

Solid further recovery of Mobile service revenue; Postpaid customer base growing

For the third quarter of 2014, CBU reported EUR 187 million revenue from Mobile services, down 2.9% year-over-year, including the impact from regulated roaming rate cuts. In spite of the additional roaming price cut on 1 July 2014, the revenue decline improved notably versus the -7% seen in the first half of the year.

The attractive convergent Packs including mobile and value-based Joint-Offers kept gross customer gains high in the third quarter with a focus on acquisition in the high-end tier. In contrast, increased competitive pressure resulted in somewhat higher Postpaid churn levels, though mitigated by Proximus' superior mobile experience. On the whole, this resulted in a net addition of 32,000 Postpaid cards, or +11,000 excluding Internet-Everywhere data cards.

The decline of Mobile Prepaid cards slowed further in the third quarter, especially for the Proximus brand, helped by a successful summer promotion and a strong take-up of Pay&Go Max. The total net loss was reduced to -39,000 prepaid cards, including a loss of 10,000 rather promo-sensitive Mobisud cards.

Accordingly, Prepaid and Postpaid combined, CBU's Mobile customer base ended September at a total of 3,559,000 cards, a decline of 7,000 cards versus the prior quarter.

CBU's mobile Postpaid ARPU¹³ for the third quarter 2014 was EUR 26.9, 1.3% lower than the EUR 27.3 for the comparable period of 2013. The strong improvement from the ~5% decline in the prior quarters resulted from the further fading of customer repricing and better tiering of customers through increased smartphone penetration and value-driving Joint-Offers.

CBU's mobile Prepaid ARPU for the third quarter 2014 was EUR 11.7, 6.9% lower than the EUR 12.6 for the comparable period of 2013, which is an improvement over the prior quarters as well.

For the first nine months of 2014, CBU's Mobile service revenue was EUR 561 million. This is 5.7% lower than for the same period in 2013.

Subsidiaries

In the third quarter of 2014, Scarlet's underlying revenue increased with 6.3% to EUR 13 million revenue. Scarlet's positive turnaround continued, backed by Belgacom's multi-brand strategy. This is driven by a good performance of Scarlet's new product portfolio containing a no-frills fixed triple-play offer and mobile postpaid.

For the third quarter of 2014, Tango posted a revenue of EUR 30 million, i.e. a 7.4% decline year over year, mainly caused by the regulated MTR decrease. This decline was partly offset by the revenue growth coming from the growing postpaid, triple and quadruple-play customer base. However, the prepaid customer base declined, due to a reduction in life-time of the prepaid offers.

Tango	Q313	Q314	% Change	Year-to-date		% Change
				2013	2014	
Revenue (in EUR mio) (1)	32	30	-7.4%	94	86	-8.0%
Total active mobile customers (in '000)	278	278	0.2%	278	278	0.2%
Blended mobile net ARPU (EUR/month)	30.9	28.1	-9.0%	30.7	27.8	-9.2%

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

CBU operating expenses

Higher Underlying Cost of Sales, up 11.8% year-over-year from a low comparable basis

Third-quarter 2014 Cost of Sales were 11.8% higher versus the same period of 2013, partly due to a different timing of tactical handset joint-offers and other promotional costs.

Over the first nine months of 2014, Cost of Sales remained fairly stable at EUR 420 million, -0.4% versus the previous year.

HR expenses slightly up

HR expenses for the third quarter showed a slight increase to EUR 85 million, +0.9 % year-over-year. This was due to a higher headcount in the consumer business to support the improvement in touchpoint experiences (call centers, home installations, etc...) for Proximus customers, in line with the company's Fit-for-Growth strategy.

Over the first nine months of 2014, the HR expenses increased 1.7% year-over-year to EUR 255 million.

Non-HR expenses down 0.9%

CBU's third-quarter non-HR expenses of EUR 67 million were slightly down by 0.9%, supported by a continued focus on cost efficiency.

Non-HR expenses over the first nine months of 2014 decreased by 2.1% to EUR 198 million.

CBU segment result

For the third quarter 2014, CBU posted an underlying segment result of EUR 262 million, i.e. a year-over-year decrease of 1.2%.

The increased revenue was offset by higher Cost of Goods sold versus a low comparable base, resulting from higher Terminal sales and the timing of Mobile joint-offer¹⁴ campaigns. The operational expenses for the quarter remained stable compared to the previous year. CBU's segment result included an estimated negative regulation impact of EUR -6 million (-2.3%)¹⁵.

The segment contribution margin was 47.1%, down 1.6 p.p. versus the previous year.

Over the first nine months of 2014, the underlying segment result was EUR 767 million or 1.7 % lower versus 2013.

CBU operating result

	Q313	Q314	Change (in abs. amount)
FROM FIXED			
Number of access channels (thousands)	2,872	2,866	-6
Voice	1,653	1,592	-61
Broadband	1,219	1,274	56
Traffic (millions of minutes)	901	827	-73
National	639	585	-53
Fixed to Mobile	164	149	-15
International	98	93	-4
TV (thousands)	1,447	1,558	111
Unique customers	1,198	1,264	66
Of which multiple settop boxes	249	294	45
ARPU (EUR)			
ARPU Voice	20.3	20.4	0.2
ARPU broadband	26.9	26.3	-0.6
ARPU Belgacom TV	18.7	19.7	1.0
FROM MOBILE			
Number of active customers (thousands)	3,568	3,559	-9
Prepaid	1,695	1,495	-200
Postpaid	1,872	2,064	191
Among Which Paying cards	1,608	1,702	93
Among Which Internet Everywhere cards	264	362	98
Annualized churn rate (blended - variance in p.p.)			
Prepaid	35.4%	35.9%	
Postpaid	13.1%	15.7%	
Blended	26.1%	27.4%	
Net ARPU (EUR)			
Prepaid	12.6	11.7	-0.9
Postpaid	27.3	26.9	-0.4
Blended	19.7	19.7	0.1
MoU (min)	108.1	121.5	13.4
SMS (units)	249.2	231.2	-18.1

As of 2014, pending orders are excluded from the total TV customer base. There is no impact on the 2013 quarterly net adds. Hence year-over-year TV net adds were 124,000 vs. 111,000 in the table.

¹⁴ Combining a Mobile device with a mobile subscription

¹⁵ The regulated price cut of 1 January 2014 on Mobile Termination Rates for Tango Luxembourg, as well as lower Voice, SMS and Data Roaming rates following the reduced regulated tariffs since 1 July 2013.

CBU X-play household reporting

This chapter explains CBU's operational and financial results through metrics that are better aligned with Proximus' long-term convergence and value strategy. In this strategy the focus is not on individual products but on the number of Plays¹⁶ and RGUs¹⁷ per household, with the aim to gradually move households up the value chain. Over time, Proximus intends to replace its usual product-based reporting by the below X-play approach on a household level.

Operational X-play performance

End-September 2014, CBU serviced 2,312,000 households, of which 55% are multi-play¹⁸ households, up by 2.7 p.p. from one year ago.

Within the household mix, CBU's convergence success is especially visible in the continued progress it is making in the number of 4-play households, ending the third quarter of 2014 with 379,000 4-play households. Compared to one year ago, this is an increase of 14% or 46,000 households, of which 12,000 were added in the third quarter of 2014. As a consequence, CBU strengthened its customer base with 4-play households having typically a very low churn, i.e. a full churn rate of 2.5% in the third quarter 2014. The average RGU progressed over all X-play households to 2.32 for the third quarter 2014, with the highest increase for 4-play, growing to 4.63 RGUs, mainly driven by mobile postpaid family offers. Furthermore, the number of multi-play households having both Belgacom Fixed and Mobile services, i.e. convergent households, grew to 51.0%, 3.5p.p. up versus a year ago.

An important enabler for CBU to increase the number of multi-play households and the number of plays per household is selling plays in a Pack. The success of bundling plays in a Pack, giving customers attractive pricing and value for money, is also evident in the third quarter of 2014. CBU added 22,000 households with Packs; as such, the number of households with at least one Pack totaled 1, 057,000 end-September 2014.

On the other hand, the number of single-play households is gradually going down mainly as a result of higher churn in this segment.

CBU Households per Play & Net adds of the Quarter											Variance YoY		
HH in ('000)	Q3 2013					Q3 2014					Q3 2014		
	Fixed Voice	Fixed Internet	TV	Mobile Postpaid	Sum #HH	Fixed Voice	Fixed Internet	TV	Mobile Postpaid	Sum #HH	Average #RGUs/HH	Annualized full churn rate of HH (**)	% Fixed + Mobile Postpaid (***)
1-Play	498 -17	62 1	N/A(*)	563 -13	1,124 -29	428 -17	67 1	N/A(*)	536 -13	1,031 -29	1.16 0.01	21.7% 2.2p.p.	
2-Play	○ — ○ — ○ — ○				405 -3	○ — ○ — ○ — ○				383 -7	2.04 0.00	13.0% 0.7p.p.	22.7% -0.9p.p.
3-Play	○ — ○ — ○ — ○				516 -3	○ — ○ — ○ — ○				518 4	3.16 0.02	8.1% -1.5p.p.	36.1% 3.5p.p.
4-Play	○ — ○ — ○ — ○				333 10	○ — ○ — ○ — ○				379 12	4.63 0.06	2.5% 0.8p.p.	100.0%
Total					2,378 -25					2,312 -20	2.32 0.11	14.1% 0.5p.p.	51.0% 3.5p.p.

(*) TV is not sold standalone, only in combination with Fixed Internet and/or Fixed Voice

(**) Cancellation is only taken into account when the household cancels all its plays

(***) % multi-play HH that have at least one Mobile component; i.e. a convergent household

Financial X-play performance

In the third quarter 2014, CBU generated EUR 557 million revenue, of which EUR 381 million¹⁹ came from X-play households.

Multi-play households contributed for 75% to this revenue, a favorable evolution of 2.7 p.p. from last year. The revenue from 4-play households showed continued growth, ending the third quarter with EUR 117 million, up by 15.5% from the prior year. This results from the combined favorable evolution of the number of 4-play households together with an average revenue per 4-play household (ARPH) increasing to EUR 105.0.

The 4-play revenue growth was offset by lower revenue from 1-play and 2-play households, while the 3-play revenue increased 1.2% due to a better product mix and increased RGU.

Revenues (*) per x-play in EUR million	3rd quarter				Average revenue in EUR per x-play household (ARPH)				
	2013		2014		2013		2014		
			YoY change		YoY change		YoY change		
	2013	2014	€ million	%	2013	2014	€	%	
Total	375	381	6	1.6%	Total	52.3	54.7	2.4	4.5%
1-Play	105	97	-8	-8.1%	1-Play	30.8	30.8	0.0	-0.1%
2-Play	59	56	-3	-4.7%	2-Play	48.1	48.1	-0.1	-0.1%
3-Play	110	111	1	1.2%	3-Play	70.6	71.8	1.2	1.8%
4-Play	102	117	16	15.5%	4-Play	103.4	105.0	1.6	1.5%

(*) unaudited revenue, might be subject to small changes

16 A Play is defined as a subscription to either Fixed Voice, Fixed Internet, Fixed TV or Mobile postpaid (paying mobile cards)

17 Revenue-Generating Unit. For example, a household with Fixed Internet and 2 Mobile postpaid cards is considered as a 2-Play household with 3 RGUs.

18 A multi-play household has two or more Plays, but not necessarily in a Pack.

19 The following are excluded from the X-Play revenue reporting: revenue from mobile prepaid, sales of terminals, TV revenue from small enterprise customers and revenue from Scarlet, Tango and other affiliates.

Enterprise Business Unit - EBU

- Underlying revenue growing 1.2% through strong Mobile trend and growing organic ICT revenue
- Underlying segment result up year-on-year by 3.6% on solid Direct Margin and lower HR-expenses
- Mobile service revenue +4.1% on larger and better tiered customer base; improving ARPU trend

P&L Enterprise Business Unit (Underlying)

(EUR million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
TOTAL SEGMENT INCOME	474	479	1.2%	1,464	1,456	-0.5%
Costs of materials and services related to revenue	-112	-115	2.4%	-343	-358	4.6%
Personnel expenses and pensions	-88	-82	-6.8%	-265	-249	-6.2%
Other operating expenses	-31	-31	0.1%	-93	-94	1.2%
TOTAL OPERATING EXPENSES before depreciation & amortization	-231	-228	-1.4%	-701	-701	0.0%
TOTAL SEGMENT RESULT	243	252	3.6%	763	755	-1.1%
<i>Segment contribution margin</i>	<i>51.2%</i>	<i>52.5%</i>	<i>1.2pp</i>	<i>52.1%</i>	<i>51.9%</i>	<i>-0.3pp</i>

EBU quarterly financial and operational results: page 22

Revenue

The Belgacom Enterprise segment's (EBU) underlying²⁰ revenue turned to growth in the third quarter 2014, generating EUR 479 million revenue, or up by 1.2% compared to the same period of 2013.

Regulatory measures²¹ impacted the third-quarter revenue by an estimated amount of EUR -10 million (-2.2%).

The trend improvement from prior quarters was mainly driven by the revenue from Mobile services, for which the third quarter showed a year-on-year growth of 4.1%. Furthermore, underlying ICT revenue was up by 5.2%, once more driven by solid revenue from Belux ICT. These favorable results more than offset the lower revenue from Fixed Voice and Fixed Data, which showed similar declines to the prior quarters.

Year-to-date September 2014, EBU posted EUR 1,456 million underlying revenue, 0.5% lower than for the same period of 2013.

(EUR million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
Revenues	474	479	1.2%	1,464	1,456	-0.5%
From Fixed	332	333	0.2%	1,026	1,022	-0.4%
Voice	113	110	-3.2%	347	336	-3.2%
Data (Internet & Data Connectivity)	94	93	-1.6%	286	280	-1.9%
Terminals (excl. TV)	6	5	-5.2%	17	17	-4.6%
ICT	119	125	5.2%	376	389	3.5%
From Mobile	137	143	4.0%	424	423	-0.3%
Mobile Services	135	141	4.1%	418	416	-0.5%
Terminals	2	2	-2.9%	6	7	14.7%
Other	5	4	-16.2%	14	11	-18.2%

Continued stable Fixed Voice revenue decline

For the third quarter 2014, EBU reported EUR 110 million revenue in Fixed Voice, showing a fairly stable decline of 3.2% versus the same period of 2013. The key driver of the revenue decline is a continued Fixed Voice line erosion triggered by companies rationalizing on Fixed line connections. This effect was only partly compensated for by price indexations²².

The third quarter 2014 Fixed Line erosion of -15,000 lines, brings the EBU total Fixed Voice Line customer base to 1,249,000 by end-September 2014, a 4.3% line loss on a yearly basis. This was partly compensated for by a somewhat higher third-quarter Fixed Voice ARPU of EUR 28.6, up 1.4% year-over-year, a result of the price indexation.

²⁰ 2013 and 2014 figures are adjusted for impact from the divestiture of Telindus France (May 2014). See page 18 for detailed information on all adjustments.

²¹ The regulated price cut of 1 January 2014 on Mobile Termination Rates for Tango Luxembourg, as well as lower Voice, SMS and Data Roaming rates following the reduced regulated tariffs since 1 July 2013.

²² February 2014

Year-to-date September 2014, EBU reported EUR 336 million Fixed Voice revenue, 3.2% below that of the preceding year.

Fixed Data revenue impacted by migrations to Explore platform, Fixed Internet revenue stable

The third-quarter 2014 revenue from Fixed Data, consisting of Fixed Internet and data connectivity revenue, for a total of EUR 93 million, was 1.6% below that of the same period of 2013. This is due to a continued migration from older technologies such as leased lines to the Belgacom Explore platform, for which pricing is more favorable for customers. Fixed Internet revenue remained stable year-on-year, with ARPU flattish at EUR 39.5. EBU ended September 2014 with 443,000 Fixed Internet customers, or +0.5% year-on-year.

Year-to-date September 2014, EBU recorded EUR 280 million revenue in Fixed Data, 1.9% lower than for the same period of 2013.

Underlying ICT revenue growth of 5.2%

EBU posted EUR 125²³ million underlying ICT revenue. This resulted from a solid revenue from the Belux ICT activities.

Over the first nine months of 2014, the organic ICT revenue totaled EUR 389 million, which is 3.5% higher than for 2013.

Mobile Service revenue showing 4.1% year-on-year growth on larger mobile customer base, better tiering and slowing ARPU decline

Mobile service revenue again showed a significant improvement over the previous quarter. For the third quarter of 2014, EBU reported EUR 141 million revenue from Mobile services, up year-over-year by 4.1%.

One of the main drivers of the strong Mobile service revenue is the continuously growing mobile customer base, and especially the strong improved customer tiering within the Business customer segment, growing its mid- and high end customer base firmly. This is achieved through an improved retention of high-value customers and some successful joint-offer²⁴ actions in those price segments.

In a commercially less intensive quarter for Proximus, EBU added 36,000 new mobile cards, of which 16,000 were Mobile Voice and paying data cards, supported by a low Mobile churn level of 8.8%. In aggregate, EBU ended September 2014 with a total of 1,760,000 mobile cards, 11.1% more than end September 2013.

Another reason for the improving Mobile Service revenue is the sharp uptake in mobile data usage, in part driven by a greater smartphone penetration and a growing number of 4G-users. In particular, a steep increase in data roaming volumes more than offset the lower regulated roaming prices.

The fading effect from mobile customer re-pricing, higher data volumes, and improved customer tiering is also reflected in EBU's blended net mobile ARPU²⁵. Whereas the year-on-year decline for the second quarter was still -7.4%, this improved to a -3.0% decline for the third quarter 2014, bringing the ARPU to EUR 33.1.

Year-to-date September 2014, EBU generated EUR 416 million revenue from Mobile services, limiting the decline versus the same period of 2013 to -0.5%.

EBU operating expenses

Underlying Cost of Sales 2.4% higher

For the third quarter 2014, EBU posted underlying Cost of Sales of EUR 115 million, i.e. 2.4% more than for the same period of 2013 mainly related to ICT.

Over the first nine months of 2014, EBU's underlying Cost of Sales were EUR 358 million, up by 4.6% compared to the same period of 2013.

Underlying HR expenses positively impacted by lower headcount

EBU's third-quarter 2014 HR expenses on underlying basis decreased year-on-year by 6.8% to EUR 82 million. The HR expenses were in general positively impacted by lower headcount, showing benefits from initiatives launched to improve efficiency.

Over the first nine months of 2014, the underlying HR expenses of EBU totaled EUR 249 million, -6.2% year-on-year.

Stable underlying non-HR expenses

For the third quarter 2014, EBU posted EUR 31 million non-HR expenses, stable compared to the same period of 2013.

Year-to-date September 2014, EBU's underlying non HR-expenses totaled EUR 94 million, up year-on-year by 1.2%.

²³ As of 1 January 2014 ICT, revenue includes revenue from PABX, previously reported as part of Fixed Terminals. The 2013 figures have been restated accordingly. Underlying figures exclude the impact from the deconsolidation of Telindus France.

²⁴ Mobile device with specific monthly subscription

²⁵ As of 2014, Belgacom calculates the Mobile ARPU without including Free Mobile data cards and M2M. The 2013 figures have been restated.

EBU segment result

EBU's third-quarter 2014 underlying segment result totaled EUR 252 million, up by 3.6% versus the same period of 2013. The strong improvement from previous quarters was driven by a better Direct Margin, especially for Mobile, and lower HR-expenses. As a result, the underlying contribution margin ended 1.3pp higher at 52.5%.

By end-September 2014, EBU's underlying segment result totaled EUR 755 million, 1.1% lower compared to the previous year.

EBU operating result

	Q313	Q314	Change (in abs. amount)
FROM FIXED			
Number of access channels (thousands)	1,746	1,692	-54
Voice	1,305	1,249	-56
Broadband	441	443	2
Traffic (millions of minutes)	592	564	-27
National	382	363	-19
Fixed to Mobile	140	138	-2
International	69	63	-6
ARPU (EUR)			
ARPU Voice	28.2	28.6	0.4
ARPU Broadband	39.5	39.4	-0.1
FROM MOBILE			
Number of active customers (thousands)	1,584	1,760	176
Among which other than M2M and Free data	1,318	1,407	89
Among which M2M	196	260	64
Among Which Internet Everywhere cards	70	93	23
Annualized churn rate (blended - variance in p.p.)	10.0%	8.8%	
Net ARPU (EUR)			
Postpaid	34.1	33.1	-1.0
MoU (min)	290.9	296.5	5.6
SMS (units)	113.1	123.1	10.1

Service Delivery Engine & Wholesale – SDE&W

P&L Service Delivery Engine & Wholesale (Underlying)

(EUR million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
TOTAL SEGMENT INCOME	66	60	-9.6%	200	183	-8.3%
Costs of materials and services related to revenue	-9	-9	-3.3%	-28	-27	-6.0%
Personnel expenses and pensions	-45	-44	-1.1%	-132	-128	-2.7%
Other operating expenses	-50	-45	-11.0%	-151	-137	-9.2%
TOTAL OPERATING EXPENSES before depreciation & amortization	-104	-98	-6.1%	-311	-292	-6.2%
TOTAL SEGMENT RESULT	-38	-38	0.0%	-112	-109	2.4%
<i>Segment contribution margin</i>	<i>-57.8%</i>	<i>-63.9%</i>	<i>-6.1pp</i>	<i>-55.9%</i>	<i>-59.5%</i>	<i>-3.6pp</i>

SDE&W quarterly financial and operational results: page 23

Revenue

In line with the previous quarter, SDE&W reported a 9.6% year-on-year revenue decline to EUR 60 million for the third quarter of 2014. The pressure comes from eroding Carrier Wholesale Services revenue, which is seeing a continued decline in wholesale broadband lines, leased lines and traffic volumes. Furthermore, the third-quarter 2014 revenue was negatively impacted by lowered Wholesale roaming tariffs, only partly compensated for by the roaming volume growth.

Operating expenses

In line with the company's strategy to optimize the overall workforce cost, SDE&W focused on lowering both its HR and non-HR-related operating expenses. SDE&W posted EUR 44 million in HR expenses for the third quarter 2014, down 1.1% from the previous year on lower headcount. In line with the previous quarter, non-HR expenses decreased to EUR 45 million, including the benefits from lower external workforce costs and maintenance cost optimization.

Segment result

The revenue erosion in the third quarter 2014 was fully offset by lower expenses, leading to a stable segment result of EUR -38 million. Year-to-date September, the segment result totaled EUR -109 million, or a 2.4% improvement over the same period of 2013.

Staff & Support – S&S

P&L Staff and Support (Underlying)

(EUR million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
TOTAL SEGMENT INCOME	7	7	-5.8%	22	22	1.1%
Costs of materials and services related to revenue	0	0	-	0	1	-5.5%
Personnel expenses and pensions	-40	-37	-6.4%	-118	-111	-5.5%
Other operating expenses	-50	-52	4.3%	-151	-151	0.3%
TOTAL OPERATING EXPENSES before depreciation & amortization	-89	-89	-0.2%	-268	-261	-2.6%
TOTAL SEGMENT RESULT	-82	-82	-0.3%	-246	-239	2.9%

S&S quarterly financial results: page 23

For the third quarter 2014, Staff and Support recorded fairly flat revenue of EUR 7 million. The year-to-date September 2014 revenue of S&S totaled EUR 22 million, on an underlying basis.

The HR expenses recorded for the third quarter 2014 were 6.4% below those for the comparable period of 2013 mainly as result of a lower personnel base. For the same reason, the year-to-date September HR expenses of EUR 111 million were 5.5% below those of the previous year. The non-HR expenses for the third quarter 2014 totaled EUR 52 million. Over the first three quarters of 2014 this was EUR 151 million, fairly stable compared to the year before.

International Carrier Services – BICS

- Continued strong performance for Mobile Data offset by lower Voice revenue
- Gross margin erosion limited to 3.3%
- Third-quarter segment result up by 2.6%; EBITDA margin at 9.4%

P&L International Carrier Services (Underlying)

(EUR million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
TOTAL SEGMENT INCOME	437	410	-6.1%	1,266	1,182	-6.7%
Costs of materials and services related to revenue	-370	-346	-6.6%	-1,073	-996	-7.1%
<i>Gross margin</i>	<i>67</i>	<i>64</i>	<i>-3.3%</i>	<i>193</i>	<i>185</i>	<i>-4.2%</i>
Personnel expenses and pensions	-12	-12	1.4%	-33	-34	3.0%
Other operating expenses	-17	-14	-19.1%	-51	-48	-5.6%
TOTAL SEGMENT RESULT	38	39	2.6%	109	103	-5.9%
<i>Segment contribution margin</i>	<i>8.6%</i>	<i>9.4%</i>	<i>0.8pp</i>	<i>8.6%</i>	<i>8.7%</i>	<i>0.1pp</i>

ICS quarterly financial and operational results: page 24

Revenue

The third quarter 2014 revenue from BICS totaled EUR 410 million, 6.1% or EUR 27 million lower than for the same period of 2013. This resulted from lower Voice revenue, down 8.7% on lower Voice traffic showing effect from the last temporary traffic BICS captured in 2013. In the third quarter 2014, BICS handled 6,981 million minutes, 4.2% below the level of the previous year. The continued growth in non-voice revenue, up by 11% in the third quarter 2014, could not fully offset the pressure on Voice revenue.

Year-to-date September 2014, BICS generated EUR 1,182 million revenue, or 6.7% less than for the same period of 2013.

(EUR million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
Voice	379	346	-8.7%	1,108	1,007	-9.1%
Non Voice	58	64	11.0%	158	174	10.2%
Total revenues	437	410	-6.1%	1,266	1,182	-6.7%

The non-Voice gross margin was up by 23% in the third quarter 2014, in part offsetting the pressure on the Voice gross margin. This mainly reflects the lower volume of higher-margin Voice traffic to the Asian region which BICS temporarily captured in 2013. Overall, BICS' gross margin erosion was limited to -3.3% or EUR -2 million versus last year.

(EUR million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
Voice	37	28	-24.8%	108	87	-17.0%
Non Voice	30	37	23.1%	85	98	11.1%
Total Gross Margin	67	64	-3.3%	193	185	-4.2%

Segment result

The lower Gross margin was more than offset by a favorable evolution in operating expenses, leading to a EUR 39 million segment result, 2.6% higher than for the previous year. The EBITDA margin rose to 9.4%, from 8.6% for the year before.

Volumes (in million)	3rd Quarter			Year-to-date		
	2013	2014	% Change	2013	2014	% Change
Voice	7,287	6,981	-4.2%	21,255	20,483	-3.6%
Non-Voice (SMS/MMS)	540	629	16.6%	1,452	1,711	17.8%

From reported to underlying Revenue and EBITDA (rounded numbers)

GROUP - Revenue incidentals					GROUP - EBITDA incidentals				
(EUR million)	Q313	Q314	ytd13	ytd14	(EUR million)	Q313	Q314	ytd13	ytd14
Reported	1,568	1,486	4,736	4,597	Reported	430	433	1,301	1,400
Underlying	1,502	1,487	4,531	4,408	Underlying	425	431	1,294	1,276
Incidentals - Total	-67	1	-206	-189	Incidentals - Total	-4	-1	-7	-125
Non Recurring Items	0	1	0	-62	Non Recurring Items	-1	-3	-1	-67
Other incidentals	-67	0	-206	-127	Other incidentals	-3	2	-6	-57

Incidental Elements Split	Revenue		EBITDA	
	ytd13	ytd14	ytd13	ytd14
Total of Incidental Elements	-206	-189	-7	-125
<i>Non-recurring items:</i>	0	-62	-1	-67
Gain/losses from disposals	0	-62	0	-59
<i>e.g. the non-recurring revenue of EUR 63 million recognized in the second quarter 2014 includes the gain on the disposal of Group Telindus France (EUR 43 million) and of the Homesend related transactions (EUR 20 million)</i>				
Other	0	0	-1	-8
<i>e.g. a positive non-recurring expense of EUR 2 million was recorded in the second quarter of 2014 mainly resulting from a partial settlement of a post-employment benefit plan.</i>				
<i>Other incidentals:</i>	-206	-127	-6	-57
Impact from disposed companies	-192	-82	-5	1
- CBU: Scarlet Netherlands (March 2014) and Sahara Net (May 2014), no longer contributing to the CBU result	-15	-7	1	0
- EBU: Divestiture of Telindus France in May 2014: no longer contributing to the EBU result	-177	-75	-6	0
Capitalization customer installations	0	0	17	0
- Accounting alignment within the company for capitalization of network installation activities for customer connections as from of 1 January 2014. This lowers the HR and non-HR expenses (about EUR 20 mio on annual basis for the Belgacom Group).				
Transformation & Rebranding	0	0	0	8
Capital gains on building sales within the framework of the Network Simplification project.	-11	-45	-11	-45
HR-items of transient nature	0	0	0	-8
Litigation provisions & reversals	-3	0	-8	-13

Quarterly results

Group – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314
REPORTED								
Revenues	1,586	1,583	1,568	1,582	6,318	1,480	1,631	1,486
EBITDA	441	430	430	398	1,699	411	556	433
UNDERLYING								
Revenues	1,511	1,518	1,502	1,491	6,022	1,419	1,503	1,487
Consumer Business Unit	548	562	544	550	2,204	532	551	557
Enterprise Business Unit	494	495	474	493	1,957	482	494	479
Service Delivery Engine & Wholesale	68	66	66	65	265	64	60	60
Staff & Support	7	7	7	5	26	7	8	7
International Carrier Services	417	413	437	401	1,666	357	415	410
Inter-segment eliminations	-23	-24	-27	-22	-96	-23	-25	-26
Costs of materials and charges to revenues	-600	-609	-598	-605	-2,412	-541	-610	-592
Personnel expenses and pensions	-269	-261	-268	-262	-1,060	-258	-259	-260
Other operating expenses	-207	-214	-210	-227	-858	-206	-204	-203
EBITDA	434	434	425	398	1,692	414	430	431
Segment EBITDA margin	28.7%	28.6%	28.3%	26.7%	28.1%	29.2%	28.6%	29.0%

CBU – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314
REPORTED								
Revenues	553	567	549	556	2,226	536	553	557
Segment Result	254	248	263	210	975	251	257	261
UNDERLYING								
Revenues	548	562	544	550	2,204	532	551	557
From Fixed	262	264	265	265	1,055	263	264	269
Voice	104	103	102	101	411	99	98	99
Internet	87	89	90	89	354	89	91	91
TV	64	66	67	69	267	70	71	74
Terminals (excl. TV)	7	6	6	5	23	5	5	5
From Mobile	226	230	218	219	893	209	227	225
Mobile Services	197	205	193	190	784	183	190	187
Terminals	29	25	25	29	109	26	36	38
Subsidiaries	41	44	44	45	175	41	40	42
Scarlet	12	12	12	12	48	13	12	13
Tango	29	32	32	33	127	28	28	30
Other	19	23	17	22	81	18	20	21
Costs of materials and charges to revenues	-139	-155	-128	-149	-570	-131	-145	-143
Personnel expenses and pensions	-84	-82	-84	-83	-334	-85	-85	-85
Other operating expenses	-65	-70	-67	-80	-282	-64	-67	-67
Segment result	260	255	265	238	1,018	251	254	262
Segment contribution margin	47.4%	45.5%	48.7%	43.2%	46.2%	47.3%	46.1%	47.1%

CBU – Operationals

	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314
FROM FIXED								
Number of access channels (thousands)	2,895	2,883	2,872	2,870	2,870	2,866	2,863	2,866
Voice	1,693	1,673	1,653	1,634	1,634	1,615	1,602	1,592
Broadband	1,203	1,210	1,219	1,235	1,235	1,250	1,261	1,274
Traffic (millions of minutes)	1,086	988	901	971	3,945	940	875	827
National	787	696	639	689	2,810	666	611	585
Fixed to Mobile	190	184	164	174	712	166	162	149
International	110	108	98	108	423	107	102	93
TV (thousands)	1,412	1,428	1,447	1,465 **	1,465 **	1,495	1,525	1,558
Unique Customers	1,170	1,184	1,198	1,204	1,204	1,225	1,244	1,264
of which multiple settop boxes	242	245	249	260	260	269	281	294
ARPU (EUR)								
ARPU Voice	20.1	20.2	20.3	20.3	20.2	20.3	20.2	20.4
ARPU broadband	26.3	26.7	26.9	26.4	26.6	26.1	26.3	26.3
ARPU Belgacom TV	18.3	18.6	18.7	19.0	18.7	19.0	19.0	19.7
FROM MOBILE								
Number of active customers (thousands)***	3,566	3,588	3,568	3,573	3,573	3,564	3,566	3,559
Prepaid	1,824	1,753	1,695	1,648	1,648	1,580	1,535	1,495
Postpaid	1,742	1,835	1,872	1,926	1,926	1,984	2,032	2,064
Among Which Paying cards	1,531	1,590	1,608	1,641	1,641	1,665	1,691	1,702
Among Which Internet Everywhere cards	211	245	264	285	285	318	341	362
Annualized churn rate (variance in p.p.)								
Prepaid	41.5%	34.6%	35.4%	35.4%	36.4%	33.4%	34.3%	35.9%
Postpaid	20.6%	14.8%	13.1%	14.1%	15.7%	14.2%	14.0%	15.7%
Blended	33.3%	26.5%	26.1%	26.5%	28.0%	25.3%	25.7%	27.4%
Net ARPU (EUR) *								
Prepaid	13.3	14.0	12.6	12.5	13.1	11.8	12.6	11.7
Postpaid	27.2	28.0	27.3	26.6	27.3	25.9	26.7	26.9
Blended	19.5	20.6	19.7	19.4	19.8	19.0	19.9	19.7
MoU (min)	102.2	109.4	108.1	110.4	107.6	112.5	121.3	121.5
SMS (units)	279.8	283.0	249.2	272.3	271.4	262.1	259.4	231.2

*As of 2014, Belgacom calculates the Mobile ARPU excluding Free Mobile data cards and excluding M2M. 2013 figures have been restated.

**As of 2014, pending orders are excluded from the total TV customer base. Q4 2013 TV customer figures have been restated accordingly. There is no impact on the 2013 quarterly net adds and the 2013 ARPU's

***As of 2014, The calculation of active customers is based on the monthly activity rate instead of a rolling avg activity rate. The definition of an active customer remains unchanged.

CBU – X-play reporting

	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314
Households per Play - Total (thousands)	2,409	2,403	2,378	2,359	2,359	2,352	2,332	2,312
1 - Play	1,163	1,153	1,124	1,099	1,099	1,087	1,060	1,031
Fixed Voice	534	515	498	479	479	460	445	428
Fixed Internet	62	61	62	63	63	66	66	67
TV	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mobile Postpaid	567	576	563	556	556	561	549	536
2 - Play	417	408	405	401	401	394	390	383
3 - Play	522	519	516	515	515	515	514	518
4 - Play	307	323	333	343	343	356	368	379
Revenues per x - play (EUR million)	366	374	375	369	1,484	367	374	381
1 - Play	108	108	105	100	421	96	96	97
2 - Play	60	59	59	57	235	56	56	56
3 - Play	108	109	110	108	434	108	109	111
4 - Play	91	98	102	104	394	107	113	117
Average revenue per x - play household (ARPH) (in EUR)	502 €	519 €	523 €	518 €	516 €	519 €	533 €	547 €
1 - Play	30.4 €	31.2 €	30.8 €	29.8 €	30.6 €	29.3 €	29.9 €	30.8 €
2 - Play	47.3 €	47.8 €	48.1 €	47.2 €	47.6 €	46.9 €	47.4 €	48.1 €
3 - Play	68.8 €	69.9 €	70.6 €	69.9 €	69.8 €	69.6 €	70.9 €	71.8 €
4 - Play	99.6 €	103.0 €	103.4 €	102.6 €	102.2 €	101.8 €	103.9 €	105.0 €
Average #RGUs per household - Total	2.15	2.18	2.21	2.24	2.24	2.26	2.29	2.32
1 - Play	1.14	1.15	1.15	1.16	1.16	1.15	1.16	1.16
2 - Play	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04
3 - Play	3.12	3.13	3.14	3.15	3.15	3.15	3.16	3.16
4 - Play	4.52	4.55	4.57	4.60	4.60	4.61	4.63	4.63
Annualized full churn rate (household level) - Total	16.4%	13.5%	13.7%	13.7%	14.3%	12.9%	12.2%	14.1%
1 - Play	26.0%	19.9%	19.4%	20.3%	21.5%	20.4%	19.4%	21.7%
2 - Play	11.3%	11.0%	12.3%	11.8%	11.6%	9.4%	9.7%	13.0%
3 - Play	7.6%	8.3%	9.6%	8.7%	8.6%	6.9%	6.4%	8.1%
4 - Play	1.2%	1.4%	1.7%	1.7%	1.5%	2.1%	1.9%	2.5%
% Convergent households - Total (i.e. % of HH having Mobile + Fixed component)	45.3%	46.7%	47.5%	48.4%	48.4%	49.2%	50.1%	51.0%
1 - Play								
2 - Play	23.9%	23.9%	23.6%	23.1%	23.1%	22.7%	22.4%	22.7%
3 - Play	30.3%	31.5%	32.5%	33.6%	33.6%	34.4%	35.5%	36.1%
4 - Play	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EBU – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314
REPORTED								
Revenues	554	554	533	557	2,198	539	555	479
Segment Result	260	263	245	256	1,024	245	301	250
UNDERLYING								
Revenues	494	495	474	493	1,957	482	494	479
From Fixed	347	347	332	347	1,373	342	347	333
Voice	117	116	113	113	460	114	113	110
Data (Internet & Data Connectivity)	96	96	94	95	380	94	94	93
Terminals (excl. TV)	6	6	6	6	23	6	6	5
ICT	128	129	119	134	510	128	136	125
From Mobile	143	144	137	141	565	137	143	143
Mobile Services	141	142	135	137	555	135	140	141
Terminals	2	2	2	4	10	2	3	2
Other	4	5	5	5	19	3	4	4
Costs of materials and charges to revenues	-114	-116	-112	-124	-467	-119	-124	-115
Personnel expenses and pensions	-89	-88	-88	-85	-350	-83	-84	-82
Other operating expenses	-32	-30	-31	-33	-126	-31	-32	-31
Segment result	259	261	243	251	1,013	248	255	252
Segment contribution margin	52.4%	52.7%	51.2%	50.8%	51.8%	51.5%	51.6%	52.5%

EBU- Operationals

	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314
FROM FIXED								
Number of access channels (thousands)	1,781	1,760	1,746	1,732	1,732	1,719	1,707	1,692
Voice	1,338	1,318	1,305	1,292	1,292	1,277	1,264	1,249
Broadband	444	442	441	441	441	442	443	443
Traffic (millions of minutes)	695	654	592	630	2,571	641	602	564
National	457	422	382	410	1,672	416	386	363
Fixed to Mobile	161	156	140	151	607	153	149	138
International	77	76	69	70	292	72	67	63
ARPU (EUR)								
ARPU Voice	28.5	28.6	28.2	28.5	28.5	29.1	29.1	28.6
ARPU Broadband	39.0	39.3	39.5	39.2	39.3	39.3	39.7	39.4
FROM MOBILE								
Number of active customers (thousands)*	1,512	1,545	1,584	1,615	1,615	1,679	1,724	1,760
Among which other than M2M and Free data	1,272	1,292	1,318	1,328	1,328	1,359	1,391	1,407
Among which M2M	184	188	196	211	211	236	244	260
Among which Internet Everywhere Cards	56	64	70	76	76	83	89	93
Annualized churn rate (blended - variance in p.p.)	14.2%	13.6%	10.0%	10.4%	11.9%	11.4%	9.8%	8.8%
Net ARPU (EUR)**								
Postpaid	36.8	36.3	34.1	34.2	35.3	33.0	33.6	33.1
MoU (min)	310.2	315.8	290.9	311.1	306.8	313.0	316.0	296.5
SMS (units)	117.7	118.9	113.1	125.3	119.0	126.8	129.1	123.1

*As of 2014, The calculation of active customers is based on the monthly activity rate instead of a rolling avg activity rate. The definition of an active customer remains unchanged.

**As of 2014, Belgacom calculates the Mobile ARPU excluding Free Mobile data cards and excluding M2M. 2013 figures have been restated.

SDE&W – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314
REPORTED								
Revenues	67	66	66	65	264	64	60	60
Segment Result	-36	-36	-37	-34	-143	-36	-27	-38
UNDERLYING								
Revenues	68	66	66	65	265	64	60	60
Costs of materials and charges to revenues	-10	-9	-9	-10	-38	-9	-9	-9
Personnel expenses and pensions	-45	-42	-45	-42	-174	-42	-42	-44
Other operating expenses	-50	-52	-50	-49	-200	-49	-44	-45
Segment result	-37	-37	-38	-36	-147	-36	-35	-38

SDE&W – Retail Operationals and MVNO customers

	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314
FROM FIXED								
Number of access channels (thousands)								
Voice (1)	10	10	10	10	10	10	10	9
Broadband (1)	1	1	1	1	1	1	1	1
FROM MOBILE								
Number of active Mobile customers (thousands)								
Retail (1)	8	7	9	9	9	10	10	10
MVNO	5	7	7	6	6	6	7	10

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

S&S – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314
REPORTED								
Revenues	18	7	10	25	60	7	64	7
Segment Result	-71	-82	-78	-64	-296	-78	-28	-79
UNDERLYING								
Revenues	7	7	7	5	26	7	8	7
Costs of materials and charges to revenues	0	0	0	0	0	0	1	0
Personnel expenses and pensions	-40	-38	-40	-40	-157	-37	-37	-37
Other operating expenses	-50	-50	-50	-50	-201	-49	-50	-52
Segment result	-82	-82	-82	-85	-332	-79	-78	-82

ICS – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314
REPORTED								
Revenues	417	413	437	401	1,666	357	434	410
Segment Result	35	37	38	31	140	30	53	38
UNDERLYING								
Revenues	417	413	437	401	1,666	357	415	410
Costs of materials and charges to revenues	-355	-347	-370	-340	-1,412	-298	-352	-346
Personnel expenses and pensions	-11	-11	-12	-12	-45	-11	-11	-12
Other operating expenses	-16	-18	-17	-18	-69	-17	-17	-14
Segment result	35	37	38	31	140	30	35	39
Segment contribution margin	8.3%	8.9%	8.6%	7.7%	8.4%	8.3%	8.3%	9.4%

ICS – Operational

Volumes (in million)	Q113	Q213	Q313	Q413	2013	Q114	Q214	Q314
Voice	7,267	6,701	7,287	6,872	28,127	6,243	7,259	6,981
Non-Voice (SMS/MMS)	451	461	540	512	1,964	499	583	629

Interim Condensed Consolidated Financial statements

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

Basis of preparation

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.

Accounting policies

The accounting policies and methods of the Group used as of 2014 are consistent with those applied in the 31 December 2013 consolidated financial statements, with the exception that the Group adopted the new standards, interpretations and revisions that became mandatory for the Belgacom Group on 1 January 2014. These are set out in note 39 of the 31 December 2013 consolidated financial statements and had only a very limited impact.

Judgments and estimates

The Group does not make any significant judgments and estimates other than those mentioned here under or in the 31 December 2013 consolidated financial statements.

Significant events or transactions

No major changes occurred during the third quarter 2014 in the significant events and transactions. Therefore those disclosed in the previous interim report remain valid.

Consolidated income statements

(EUR million)	3rd Quarter			Year-to-date	
	2013	2014	% Change	2013	2014
Net revenue	1,556	1,478	-5%	4,690	4,458
Other operating income	12	9	-26%	46	77
Non-recurring income	0	-1	-	0	62
TOTAL INCOME	1,568	1,486	-5%	4,736	4,597
Costs of materials and services related to revenue	-636	-592	-7%	-1,918	-1,787
Personnel expenses and pensions	-288	-263	-9%	-860	-797
Other operating expenses	-216	-202	-6%	-659	-618
Non-recurring expenses	1	4	-	1	5
TOTAL OPERATING EXPENSES before depreciation & amortization	-1,139	-1,053	-8%	-3,436	-3,196
OPERATING INCOME before depreciation & amortization	430	433	1%	1,301	1,400
Depreciation and amortization	-197	-207	5%	-589	-610
OPERATING INCOME	232	226	-3%	712	790
Finance income	4	3	-23%	13	16
Finance costs	-31	-31	1%	-85	-88
Net finance costs	-27	-28	5%	-72	-71
Share of loss on associates	0	-1	-	0	-1
INCOME BEFORE TAXES	205	197	-4%	640	718
Tax expense	-44	-34	-22%	-141	-139
NET INCOME	162	163	1%	499	578
Non-controlling interests	6	7	9%	17	23
Net income (Group share)	156	156	0%	482	556
Basic earnings per share	0.49 EUR	0.49 EUR	0%	1.51 EUR	1.74 EUR
Diluted earnings per share	0.49 EUR	0.49 EUR	0%	1.51 EUR	1.73 EUR
Weighted average number of ordinary shares	318,860,002	320,389,032	0%	318,647,185	319,804,251
Weighted average number of ordinary shares for diluted earnings per share	319,033,923	321,182,940	1%	318,871,476	320,617,046

*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 with impacts for the beneficiaries.

Consolidated statements of other comprehensive income

(EUR million)	As of 30 September	
	2013	2014
Net income	499	578
Other comprehensive income:		
Items that may be reclassified to profit and loss		
Cash flow hedges:		
Gain/(loss) taken to equity	-5	8
Exchange differences on translation of foreign operations	-1	-1
Other (describe)	0	1
Total before related tax effects	-5	9
Related tax effects		
Cash flow hedges:		
Gain/(loss) taken to equity	2	-3
Income tax relating to items that may be reclassified	2	-3
Items that may be reclassified to profit and loss, net of related tax effects	-4	6
Total comprehensive income	495	584
Attributable to:		
Equity holders of the parent	478	562
Non-controlling interests	17	22

Consolidated balance sheets

(EUR million)	As of 31 December	As of 30 September
	2013	2014
ASSETS		
NON-CURRENT ASSETS	6,254	6,212
Goodwill	2,320	2,294
Intangible assets with finite useful life (*)	1,185	1,121
Property, plant and equipment	2,558	2,600
Investments in associates	6	4
Other participating interests	6	12
Deferred income tax assets	105	81
Other non-current assets	74	100
CURRENT ASSETS	2,163	2,434
Inventories	163	138
Trade receivables	1,289	1,250
Current tax assets	137	94
Other current assets	148	170
Investments	60	9
Cash and cash equivalents	355	773
Assets classified as held for sale	11	0
TOTAL ASSETS	8,417	8,646
LIABILITIES AND EQUITY		
EQUITY	3,042	3,100
Shareholders' equity	2,846	2,914
Issued capital	1,000	1,000
Treasury shares	-527	-482
Restricted reserve	100	100
Remeasurement reserve	-51	-44
Stock compensation	13	9
Retained earnings	2,310	2,331
Foreign currency translation	1	0
Non-controlling interests	196	185
NON-CURRENT LIABILITIES	2,865	3,362
Interest-bearing liabilities	1,950	2,548
Liability for pensions, other post-employment benefits and termination benefits	473	411
Provisions	204	180
Deferred income tax liabilities	128	114
Other non-current payables	111	109
CURRENT LIABILITIES	2,511	2,184
Interest-bearing liabilities	316	2
Trade payables	1,320	1,290
Tax payables	132	158
Other current payables	731	734
Liabilities associated with assets classified as held for sale	13	0
TOTAL LIABILITIES AND EQUITY	8,417	8,646

*This includes amongst others the capitalized amount reflecting the estimated cost of intangible assets acquired with a different pricing structure over time, including the fixed and estimated variable consideration at acquisition date. When the carrying amount of the financial liability is subsequently re-measured the cost of the asset is underlying. The cost of such intangible assets is amortized over the contract period.

Consolidated cash flow statements

(EUR million)	3rd Quarter		Year-to-date	
	2013	2014	2013	2014
Cash flow from operating activities				
Net income	162	163	499	578
Adjustments for:				
Depreciation and amortization on intangible assets and property, plant and equipment	197	207	589	610
Increase of impairment on intangible assets and property, plant and equipment	0	0	1	0
Decrease of provisions	-1	-3	-1	-23
Deferred tax expense	2	0	16	8
Impairment on participating interests	0	0	1	0
Loss from investments accounted for using the equity method	0	1	0	1
Fair value adjustments on financial instruments	-2	-1	-8	-5
Loans amortization	1	2	4	5
Gain on disposal of consolidated companies and remeasurement of previously held interest	0	1	0	-61
Gain on disposal of other participating interests and enterprises accounted for using the equity method	0	0	0	-1
Gain on disposal of property, plant and equipment	0	0	-11	-46
Other non-cash movements	1	4	0	16
Operating cash flow before working capital changes	361	371	1,091	1,082
Decrease / (increase) in inventories	-15	2	-28	10
Decrease / (increase) in trade receivables	67	-49	79	-11
Decrease in current income tax assets	0	1	2	0
Decrease / (increase) in other current assets	-4	20	-38	-44
Increase / (decrease) in trade payables	-50	38	-100	-43
Increase / (decrease) in income tax payables	42	32	-89	26
Decrease in other current payables	66	46	88	87
Increase in net liability for pensions, other post-employment benefits and termination benefits	-19	-15	-61	-60
Decrease in other non-current payables and provisions	0	1	0	1
Decrease / (increase) in working capital, net of acquisitions and disposals of subsidiaries	87	76	-148	-35
Net cash flow provided by operating activities	448	447	943	1,048
Cash flow from investing activities				
Cash paid for acquisitions of intangible assets and property, plant and equipment	-176	-209	-546	-577
Cash paid for acquisition of consolidated companies, net of cash acquired	0	0	0	-1
Cash received from sales of consolidated companies, net of cash disposed of	0	-1	0	95
Cash received from sales of intangible assets and property, plant and equipment	1	0	13	65
Net cash received from other non-current assets	0	0	1	0
Net cash used in investing activities	-174	-209	-533	-418
Cash flow before financing activities (FCF)	274	238	410	629
Cash flow from financing activities				
Dividends paid to shareholders	-1	-9	-539	-553
Dividends / capital paid to non-controlling interests	0	0	-38	-33
Net sale of treasury shares	3	23	18	43
Net sale of investments	0	0	22	50
Decrease of shareholders' equity	-1	0	-5	-1
Issuance of long term debt	0	-1	249	596
Repayment of long term debt	0	0	-3	0
Repayment of short term debt	-262	0	-84	-314
Net cash provided by / (used in) financing activities	-260	14	-379	-211
Net increase of cash and cash equivalents	14	252	31	418
Cash and cash equivalents at 1 January			202	355
Cash and cash equivalents at 30 September			233	773

Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Available for sale and hedge reserve	Foreign currency translation	Stock Compensation	Retained Earnings	Share's Equity	Non-controlling interests	Total Equity
Balance at 31st December 2013	1,000	-551	100	0	1	14	2,317	2,881	211	3,093
<i>Fair value changes in cash flow hedges - acquired during the year</i>	0	0	0	-3	0	0	0	-3	0	-3
<i>Currency translation differences</i>	0	0	0	0	-1	0	0	-1	0	-1
<i>Remeasurment defined benefit obligations</i>	0	0	0	0	0	0	0	0	0	0
Equity changes not recognised in the income statement	0	0	0	-3	-1	0	0	-4	0	-4
Net income	0	0	0	0	0	0	482	482	17	499
Total comprehensive income and expense	0	0	0	-3	-1	0	482	478	17	495
Dividends to shareholders (relating to 2012)	0	0	0	0	0	0	-535	-535	0	-535
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	-38	-38
Treasury shares	0	0	0	0	0	0	0	0	0	0
Exercise of stock options	0	12	0	0	0	0	-2	10	0	10
Sale of treasury shares under a discounted share purchase plan	0	6	0	0	0	0	-2	4	0	4
Stock options	0	0	0	0	0	0	0	0	0	0
Amortization deferred stock compensation	0	0	0	0	0	1	0	1	0	1
Exercise of stock options	0	0	0	0	0	-2	2	0	0	0
Total transactions with equity holders	0	18	0	0	0	0	-538	-520	-38	-558
Balance at 30 September 2013	1,000	-533	100	-3	1	14	2,261	2,839	191	3,030
Balance at 31 December 2013	1,000	-527	100	-51	1	13	2,310	2,846	196	3,042
<i>Fair value changes in cash flow hedges - acquired during the year</i>	0	0	0	5	0	0	0	5	0	5
<i>Changes in ownership interest in investees</i>	0	0	0	1	0	0	0	1	0	1
<i>Currency translation differences</i>	0	0	0	0	-1	0	0	-1	0	-1
Equity changes not recognised in the income statement	0	0	0	7	-1	0	0	6	0	6
Net income	0	0	0	0	0	0	556	556	23	578
Total comprehensive income and expense	0	0	0	7	-1	0	556	562	22	584
Dividends to shareholders (relating to 2013)	0	0	0	0	0	0	-537	-537	0	-537
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	-33	-33
Treasury shares	0	0	0	0	0	0	0	0	0	0
Exercise of stock options	0	45	0	0	0	0	-2	43	0	43
Stock options	0	0	0	0	0	0	0	0	0	0
Amortization deferred stock compensation	0	0	0	0	0	1	0	1	0	1
Exercise of stock options	0	0	0	0	0	-5	5	0	0	0
Total transactions with equity holders	0	45	0	0	0	-4	-534	-493	-33	-526
Balance at 30 September 2014	1,000	-482	100	-44	0	9	2,331	2,914	185	3,100

Segment reporting

Belgacom wholesale revenues invoiced to Scarlet (Cost of Sales at Scarlet) is allocated to the CBU segment as from 1 January 2014. Until 2014 these Belgacom revenues were allocated in SDE&W while the equivalent Cost of Sales was allocated in the CBU segment (via Scarlet). By allocating Scarlet-related wholesale revenues and Cost of Sales in the same segment, the total Belgacom Group margin related to Scarlet activity is now allocated in the Consumer segment. In the 2014 reporting, the accounts of 2013 have been restated for comparable year-on-year variances, impacting only the segments SDE&W and the Consumer segment. Belgacom Group remains unchanged.

As from this quarter underlying segment measures are reported to the chief operating decision maker for the purposes of making decisions about allocating resources and assessing the performance. Therefore the segment reporting below is adapted accordingly with a reconciliation between the underlying figures and those reported in the Group financial statements. The 2013 segment reporting is presented accordingly.

Reported and restated figures are set out in the tables below:

(EUR million)	Nine months ended 30 September 2013								
	Reported		Adjusted for incidentals						
	Group	Incidentals	Group	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations
Net revenue	4,690	-191	4,499	1,636	1,455	169	5	1,233	0
Other operating income	46	-14	31	15	4	3	8	1	0
Intersegment income	0	0	0	2	4	27	9	32	-74
Non-recurring income	0	0	-	-	-	-	-	-	-
Total income	4,736	-206	4,531	1,654	1,464	200	22	1,266	-74
Costs of materials and services related to revenue	-1,918	111	-1,807	-421	-343	-28	0	-1,073	58
Personnel expenses and pensions	-860	61	-799	-250	-265	-132	-118	-33	0
Other operating expenses	-659	28	-631	-202	-93	-151	-151	-51	16
Non-recurring expenses	1	-1	-	-	-	-	-	-	-
Total operating expenses before depreciation & amortization	-3,436	199	-3,237	-874	-701	-311	-268	-1,157	74
OPERATING INCOME / (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	1,301	-7	1,294	780	763	-112	-246	109	0
Depreciation and amortization	-589	-	-589	-124	-11	-344	-51	-60	0
OPERATING INCOME / (LOSS)	712	-7	705	657	752	-456	-298	49	0
Finance expense (net)	-72	-	-	-	-	-	-	-	-
INCOME BEFORE TAXES	640	-	-	-	-	-	-	-	-
Tax expense	-141	-	-	-	-	-	-	-	-
NET INCOME	499	-	-	-	-	-	-	-	-
Non-controlling interests	17	-	-	-	-	-	-	-	-
Net income (Group share)	482	-	-	-	-	-	-	-	-

(EUR million)	Nine months ended 30 September 2014								
	Reported		Adjusted for incidentals						
	Group	Incidentals	Group	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations
Net revenue	4,458	-81	4,377	1,623	1,447	152	5	1,150	0
Other operating income	77	-46	30	13	5	3	8	1	0
Intersegment income	0	0	0	3	4	28	9	30	-74
Non-recurring income	62	-62	-	-	-	-	-	-	-
Total income	4,597	-189	4,408	1,639	1,456	183	22	1,182	-74
Costs of materials and services related to revenue	-1,787	44	-1,743	-420	-358	-27	1	-996	57
Personnel expenses and pensions	-797	19	-777	-255	-249	-128	-111	-34	0
Other operating expenses	-618	6	-612	-198	-94	-137	-151	-48	16
Non-recurring expenses	5	-5	-	-	-	-	-	-	-
Total operating expenses before depreciation & amortization	-3,196	64	-3,132	-872	-701	-292	-261	-1,079	73
OPERATING INCOME / (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	1,400	-125	1,276	767	755	-109	-239	103	0
Depreciation and amortization	-610	0	-610	-108	-20	-371	-52	-60	0
OPERATING INCOME / (LOSS)	790	-125	666	659	735	-480	-291	43	0
Finance expense (net)	-71	-	-	-	-	-	-	-	-
Share of gain/ (loss) on associates	-1	-	-	-	-	-	-	-	-
INCOME BEFORE TAXES	718	-	-	-	-	-	-	-	-
Tax expense	-139	-	-	-	-	-	-	-	-
NET INCOME	578	-	-	-	-	-	-	-	-
Non-controlling interests	23	-	-	-	-	-	-	-	-
Net income (Group share)	556	-	-	-	-	-	-	-	-

Financial instruments

IAS 34 16 A (j) requires the interim reporting to provide specific fair value disclosures and in particular the following information:

- The carrying amounts and fair values of the financial instruments at 30 September 2014;
- The categorization of the fair valued financial instruments within the fair value hierarchy;
- The fair valuation techniques used.

The Group's main financial instruments comprise unsubordinated debentures, trade receivables and trade payables. The Group has interest rate swaps (IRS) and interest rate and currency swaps (IRCS) to manage the exposure to interest rate risk and to foreign currency risk on its non-current interest bearing liabilities. The typical financial instruments used to hedge foreign currency risk are forward foreign exchange contracts and currency options.

Fair Value and Fair Value Hierarchy

Set out below is a comparison of the carrying amounts and fair value of financial instruments as at 30 September 2014 and the fair value hierarchy:

The financial instruments were categorized according to principles that are consistent with those applied for the preparation of Note 33.4 of the 2013 Financial Statements.

No transfer between Levels occurred during 2014.

As of 30 June 2014 (EUR million)	Category according to IAS 39 (1)	Carrying amount	Fair value	Level
ASSETS				
Non-current assets				
Other participating interests	AFS	117	117	
Other non-current assets				
Derivatives held-for-hedging	HeAc	09	09	Level 1
Other derivatives	FVTPL	38.7	38.7	Level 2
Non-current investments	HTM	0.0	0.0	
Other financial assets	LaR	39.5	39.5	
Current assets				
Trade receivables	LaR	1,200.4	1,200.4	
Other current assets				
VAT and other receivables	LaR	62.4	62.4	
Derivatives held-for-hedging	HeAc	0.9	0.9	Level 1
Other derivatives	FVTPL	0.4	0.4	Level 1
Investments	AFS	4.1	4.1	Level 1
Investments	HTM	5.3	5.3	
Cash and cash equivalents				
Fixed income securities	HTM	310.0	310.0	
Short-term deposits	LaR	211.1	211.1	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	OFL	2,513.9	2,692.6	Level 2
Leasing and similar obligations	OFL	3.3	3.3	
Other derivatives	FVTPL	31.5	31.5	Level 2
Non-interest-bearing liabilities				
Derivatives held-for-hedging	HeAc	0.8	0.8	Level 1
Other non-current payables	OFL	108.2	108.2	
Current liabilities				
Interest-bearing liabilities, current portion				
Leasing and similar obligations	OFL	2.0	2.0	
Interest-bearing liabilities				
Other loans	OFL	0.2	0.2	
Trade payables	OFL	1,262.4	1,262.4	
Other current payables				
Derivatives held-for-hedging	HeAc	1.7	1.7	Level 1
Other derivatives	FVTPL	0.4	0.4	Level 1
V.A.T. and other amounts payable	OFL	340.8	340.8	

(1) The categories according to IAS 39 are the following :

- AFS: Available-for-sale financial assets
- HTM: Financial assets held-to-maturity
- LaR: Loans and Receivables financial assets
- FVTPL: Financial assets/liabilities at fair value through profit and loss
- OFL: Other financial liabilities

Hedge activity

HeAc: Hedge accounting

The financial instruments were categorized according to principles that are consistent with those applied for the preparation of Note 33.4 of the 2013 Financial Statements.

No transfer between Levels occurred during 2014.

Valuation technique

The Group holds financial instruments classified in Level 1 or 2 only.

The valuation techniques for fair value measuring the Level 2 financial instruments are:

Other derivatives in Level 2

Other derivatives include the interest rate swaps (IRS) and interest rate and currency swaps (IRCS) the Group entered into to reduce the interest rate and currency fluctuations on some of its long-term debentures. The fair values of these instruments are determined by discounting the expected contractual cash flows using interest rate curves in the corresponding currencies and currency exchange rates, all observable on active markets.

Unsubordinated debentures

The unsubordinated debentures not in a hedge relationship are recognized at amortized costs. Their fair values, calculated for each debenture separately, were obtained by discounting the interest rates at which the Group could borrow at 30 June 2014 for similar debentures with the same remaining maturities.

Contingent liabilities

Compared to the Interim Condensed Consolidated Financial Statements of the second quarter 2014, no changes occurred during the third quarter 2014 in the contingent liabilities except that:

- In the (tax) litigation concerning the tax residence of a Luxembourg subsidiary for the amount of EUR 69 million excluding interest, the Court of Brussels decided in June 2014 in favor of Belgacom. The tax authorities filed an appeal against this decision in September 2014.
- In December 2013, the Walloon government adopted a decree which provides for a tax on mobile telecom equipment of EUR 8,000 per 'site', applicable to all mobile operators for the 2014 financial year. The total budget aim of the Walloon Region amounts to EUR 24 million. An additional risk of EUR 24 million exists as the communes have the possibility to levy an additional surcharge of max. EUR 8,000 per site. Belgacom considers the legality of this tax to be questionable. End of June 2014, an annulment request was filed before the Constitutional Court by all three mobile operators. In addition, the Belgian State intervened in September 2014 in the procedure stating that the Walloon Region unlawfully intervened in the (fiscal) competences of the communes. Belgacom intends to further safeguard its legal rights by disputing every individual enrolment.
- Mobistar launched on 3 May 2013 a claim for damages against Belgacom before the commercial court of Brussels for allegedly wrongful and/or abusive termination by Belgacom of negotiations with Mobistar on the conclusion of a commercial agreement on DSL-based services. Belgacom contests Mobistar's claims entirely, particularly as Mobistar has publicly expressed at several occasions its interest for and its intention to obtain wholesale access from the cable operators. The claims are scheduled to be heard by the commercial court. Pleadings shifted from October 2014 to June 2015.

Post balance sheet events

There are no events that occurred after 30 September 2014 that have not been reflected in the interim financial statements.

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

Product 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 (E2E). 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. This also includes MVNO but excludes free data cards and M2M.

MoU (Minutes of Use): duration of all calls from or to Proximus (corrected for intra-network double count), per active voice customer, per month, also including free minutes included in mobile pricing plans and including MVNO.

OLO: Other Licensed Operator

SMS: number of SMS messages sent or received (corrected for intra-network double count), per active customer per month, also including free SMS included in mobile pricing plans and including MVNO.

X-Play Household definitions:

A play is defined as a subscription to either Fixed Voice, Fixed Internet, Fixed dTV or Mobile Postpaid (paying Mobile cards).

X-play is the sum of single play (1-Play) and multi-play (2-Play + 3-Play + 4-Play).

A multi-play household has two or more Plays, but not necessarily in a Pack.

Revenue-Generating Unit. For example, a household with Fixed Internet and 2 Mobile postpaid cards is considered as a 2-Play household with 3 RGUs.

Annualized full churn rate: a cancellation of a household is only taken into account when the household cancels all its plays.

ARPH: average revenue per household.

Financial Calendar

19 January 2015	Start of quiet period ahead of Q4 2014 results
27 February 2015	Announcement of Q4 2014 results
13 April 2015	Start of quiet period ahead of Q1 2015 results
8 May 2015	Announcement of Q1 2015 results
6 July 2015	Start of quiet period ahead of Q2 2015 results
31 July 2015	Announcement of Q2 2015 results
5 October 2015	Start of quiet period ahead of Q3 2015 results
30 October 2015	Announcement of Q3 2015 results

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