

Belgacom Presentation

Q1 2014 results

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Cautionary Statement

"This communication might include some forward-looking statements, without limitation, regarding Belgacom's financial or operational results, certain strategic plans or objectives, macro-economic trends, regulation, future market conditions and other risk factors. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside Belgacom's control. Therefore the actual future results may differ materially from those expressed in or implied by the statements.

Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

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Group Financials

Executive summary – slide 4

Outlook – slide 5

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Financial performance Q1 2014 in line with company expectations

€ 1,480m
REVENUE

- Group revenue: -6.6% YoY; with BICS revenue down by 14%, driven by lower Voice volumes
- Excluding BICS and capital gain impact, revenue -3% YoY

€ 412 m
EBITDA

- Group EBITDA: -6.6% YoY or -5.0% like-for-like

€ 179m
Capex

- Capex € 13 million less than in the same period of 2013
- Network and IT investments accelerated as foreseen in Belgacom's strategy, offset by a positive timing effect of TV-content renewal.



FY guidance reiterated

2014 Outlook reiterated

	Reported FY '13	Guidance FY '14	Q1 '14 reported
Group revenue	6,318		
<i>Core business (excl. BICS & Telindus FR)</i>	<i>4,410</i>	Decline between -1% and -2%	-3.9%
<i>Telindus France</i>	<i>242</i>		
<i>BICS</i>	<i>1,666</i>	Decline between -10% and -15%	-14.3%
Group EBITDA	1,713		
<i>Group EBITDA excl. Telindus FR</i>	<i>1,702</i>	Decline between -3% and -4%	-6.0%
<i>Telindus France</i>	<i>11</i>		
Capex		Around € 900 m	€ 179m

Guidance includes:

- Capital gains for about the same amount as in 2013
- About € 20m exceptional spending (mainly opex) on transformation & commercial brand image; offset by an accounting alignment within the company for capitalisation of network installation activities for customer connections as from of 1 January 2014.

Group revenue significantly impacted by lower BICS revenue, CBU and EBU improving from previous quarters

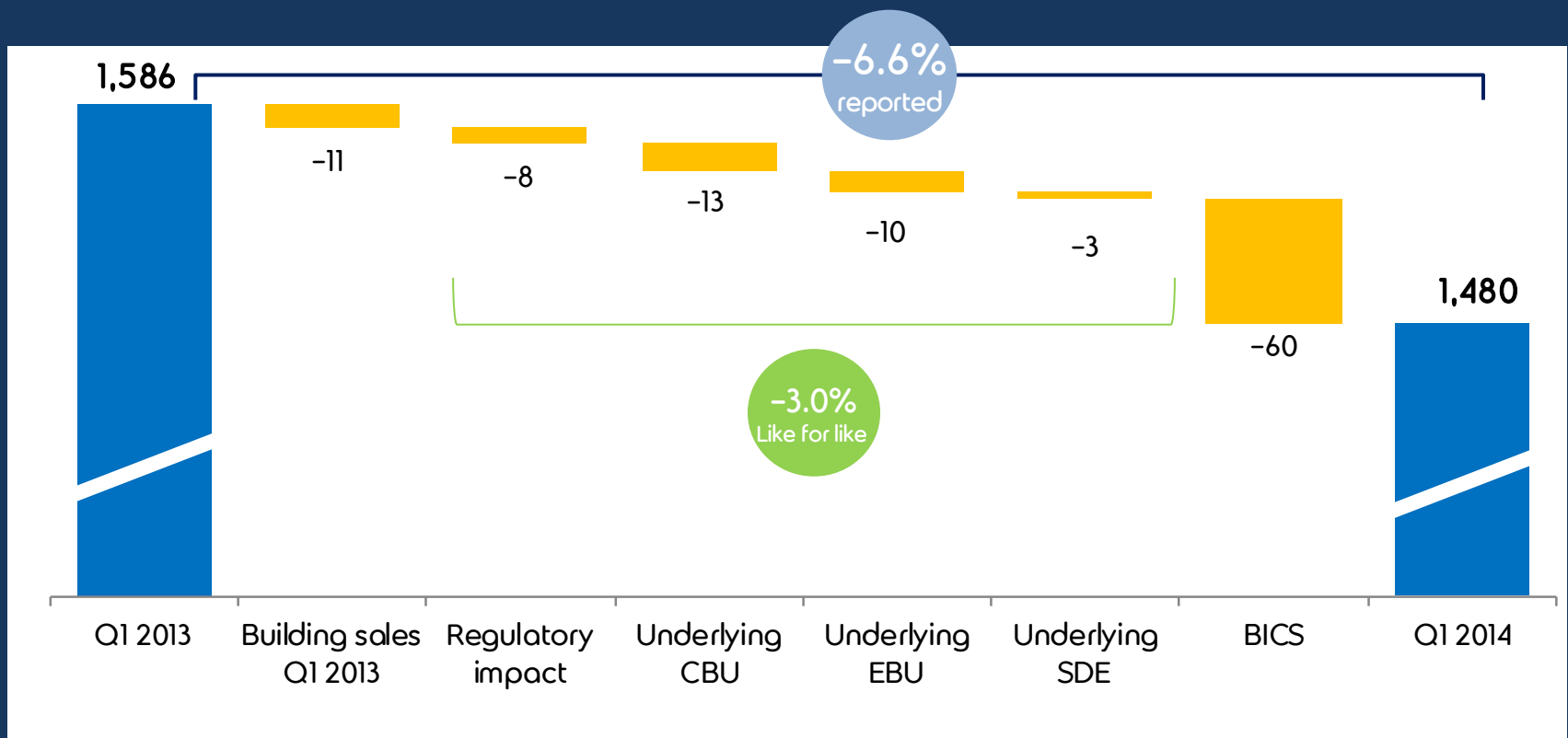
Q1'14 Group revenue € 105m lower than Q1 2013

€ -60m related to Bics due to drop in Voice volumes

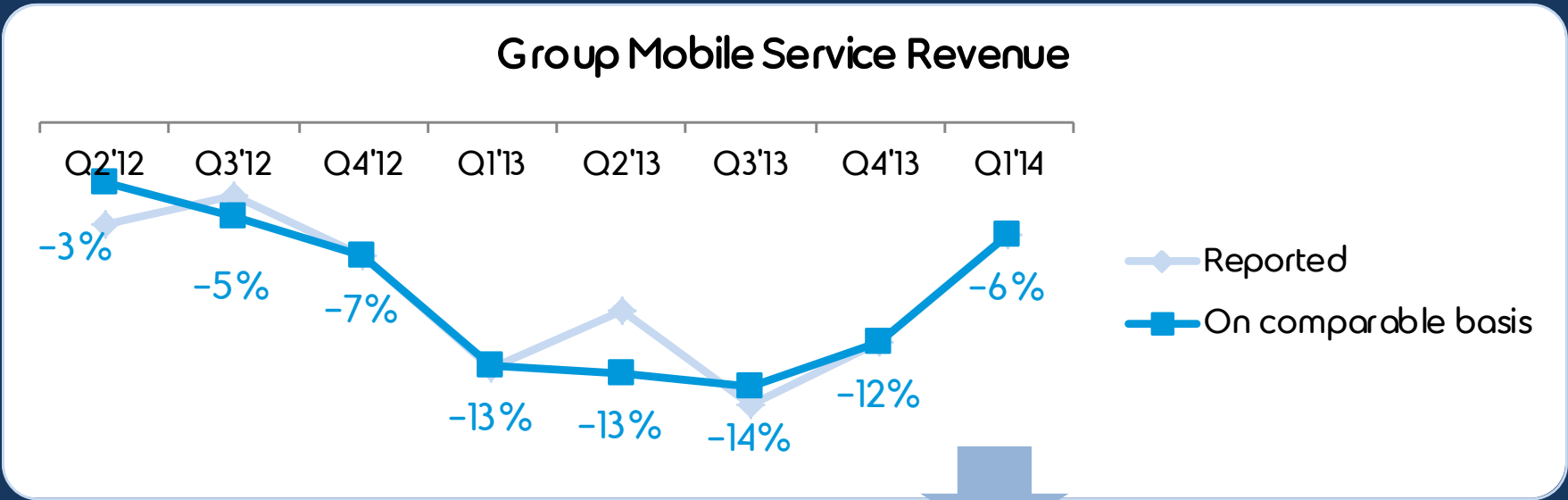
€ -11m due to building sales in Q1 2013

€ -8m regulation impact

€ -26m from CBU/EBU/Wholesale



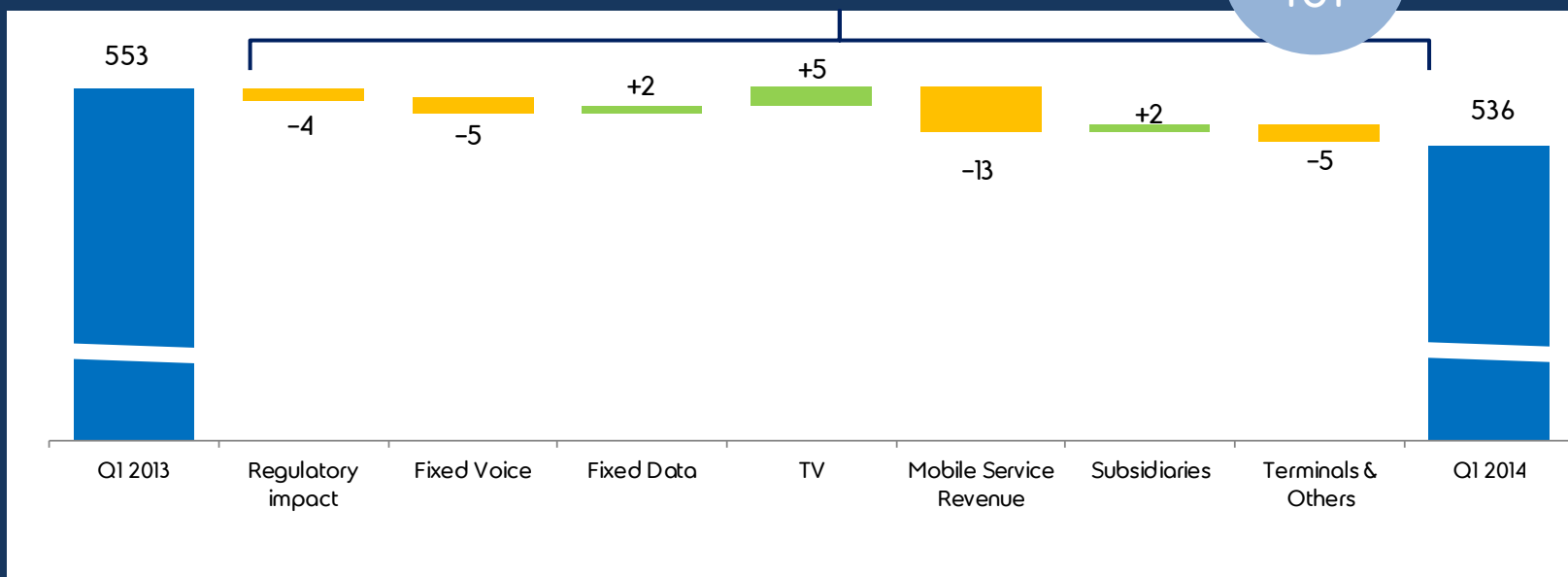
CBU and EBU revenue trend improving on Mobile recovery



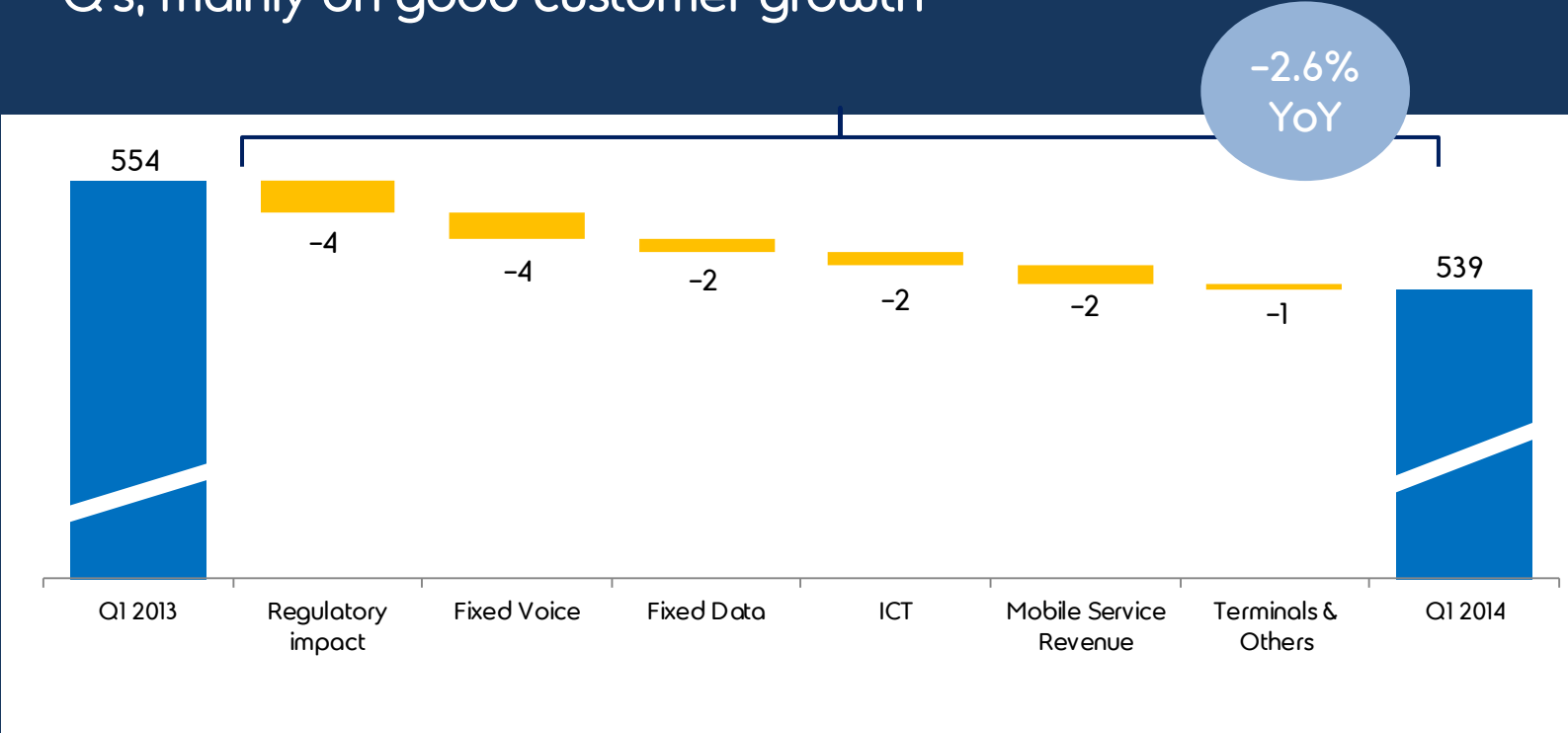
Trend improvement seen in Q4'13 continued on fading impact from Q4'12 mobile re-pricing

- Revenue from Fixed Internet & TV growing YoY;
- but not enough to compensate for the loss in Mobile
- Mobile service revenue trend showing improvement versus previous Q's:
 - Impact of lower mobile prices on YoY variance starting to fade
 - Good mobile customer growth

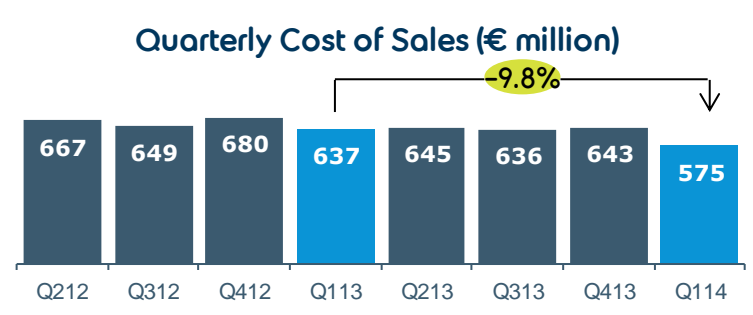
-3.0%
YoY



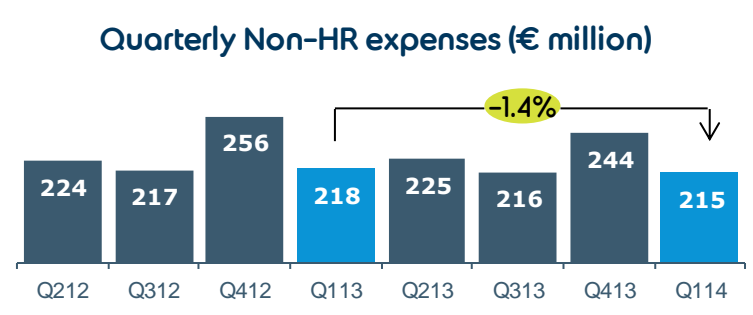
- Revenue pressure on Fixed and Mobile in unfavorable economy
- Total ICT revenue slightly down YoY, in spite of growth for Belux ICT
- Mobile service revenue trend showing improvement versus previous Q's, mainly on good customer growth



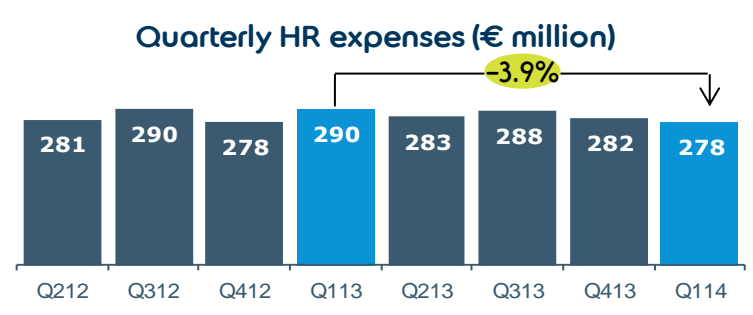
Favorable cost evolution



Lower costs for BICS and for CBU due to lower interconnection costs, focus on cost efficiency, and lowered MTRs in Luxembourg.

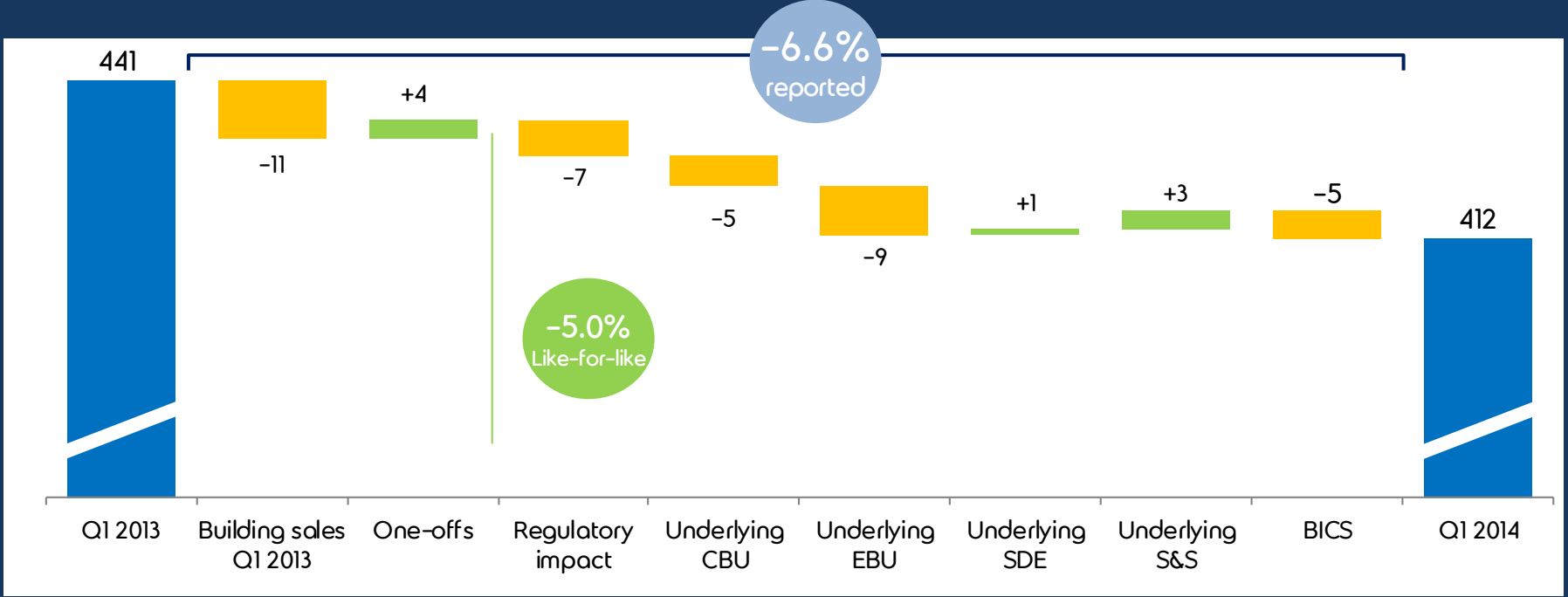


Focus on cost efficiency & limited net positive one-off effect (accounting alignment of capitalized manpower, partly offset by transformation and rebranding program)



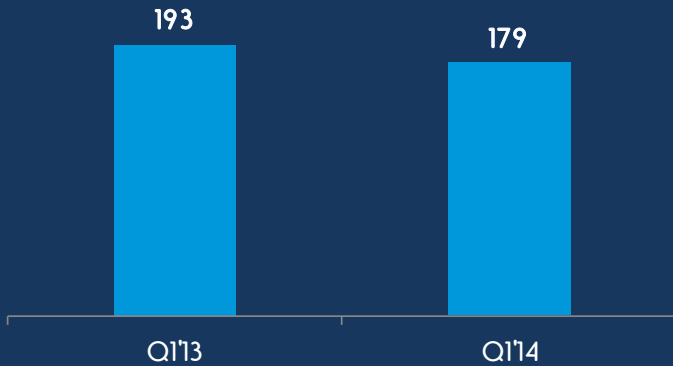
Lower headcount (- 222 FTEs) ; higher capitalized manpower (IT & Network investments) and accounting alignment of capitalized manpower (€ 2m). No wage indexation impact.

- Group EBITDA: -6.6% YoY or -5.0% like-for-like
 - improving from previous quarter (Q4 was -8.3% YoY like-for-like)
 - Pressure on Mobile margins softens, solid Fixed business and lower costs
 - Regulatory measures reduced the Group EBITDA by €7m (-1.5%)



EUR 179 million invested in Q1 '14

YoY decline driven by timing of TV-content renewal

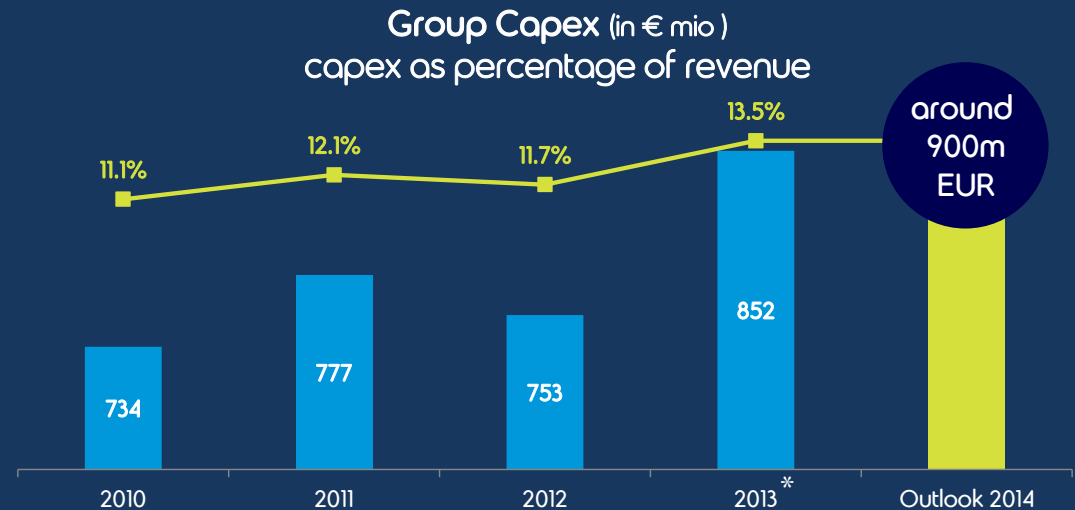


Q1'14 investments € 13m lower YoY :

- Due to timing of capex needs in CBU for TV-content renewal
- Amount invested in SDE accelerated in line with announced Network and Simplification strategy

FY 2014 capex to be around € 900m, Belgacom will be investing in:

- Access networks
- IT and systems
- Convergence services
- Brand image



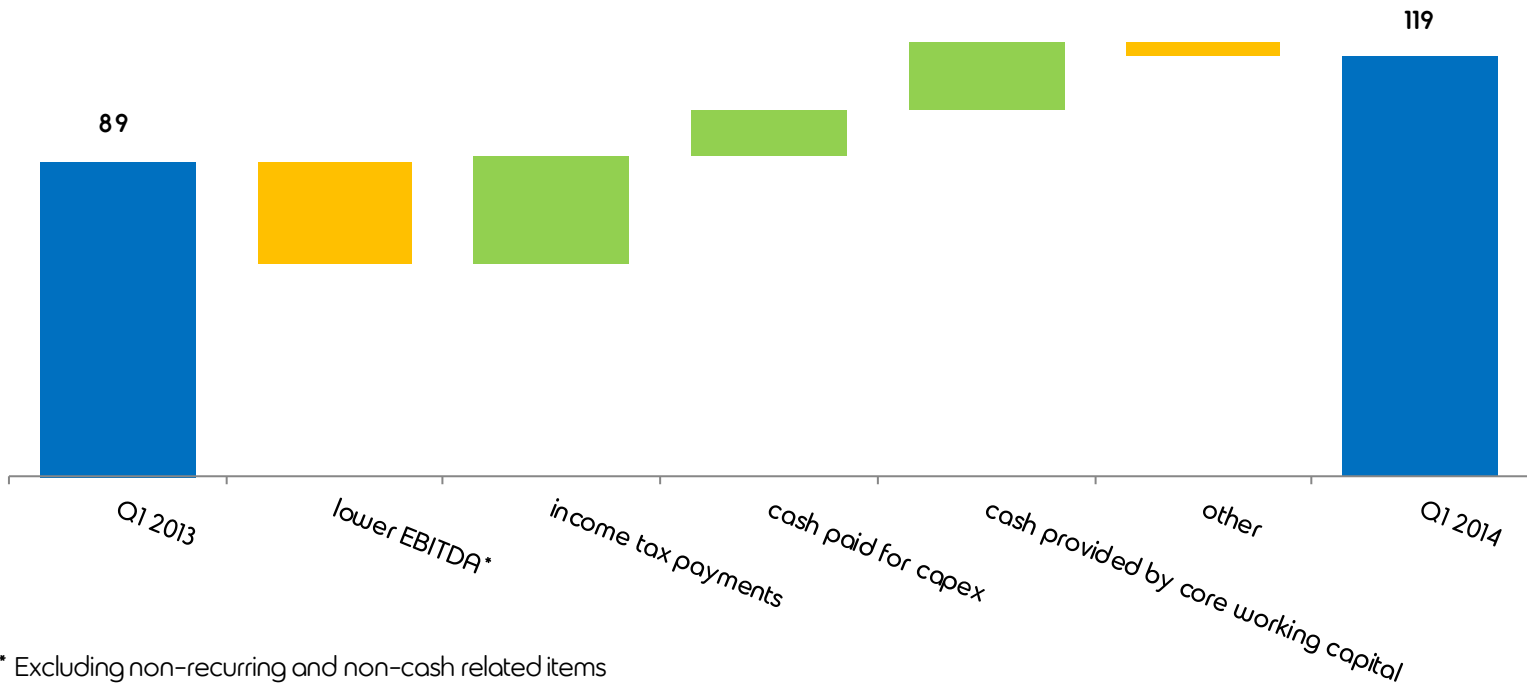
*This does not include the € 120 mio capex paid for a 800 Mhz spectrum

Q1 '14 Free Cash Flow of € 119 million



Belgacom generated € 119m of FCF in Q1'14, or € +30m YoY. Main drivers for the FCF increase are :

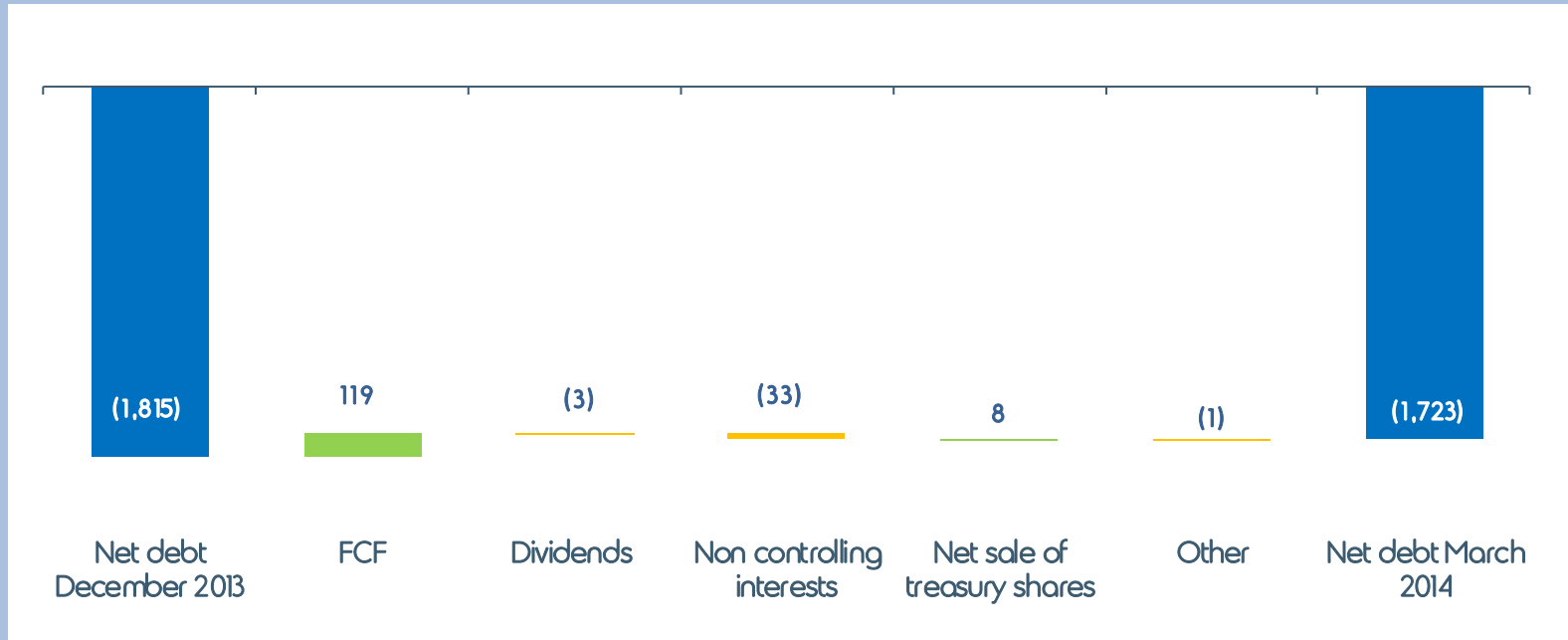
- lower income tax payments,
- less cash paid for capital expenditure and
- lower needs in terms of core working capital,
- partially offset by a lower EBITDA.



* Excluding non-recurring and non-cash related items

Sound financial position

- Net financial debt at € 1,723m, € 92m lower versus end 2013
- The outstanding long term financial gross debt amounted to € 1.9Bio
- Credit ratings: Standard & Poor's A; Moody's A1 – both stable outlook



Debt maturing

2015
€145m

2016
€950m

2018
€500m

2023
€100m

2026
€ 73m

2028
€ 150m

Group – quarterly P&L

in mio €	Q113	Q213	Q313	Q413	FY13	Q114	VAR Q1/Q1
Revenues (1)	1,586	1,583	1,568	1,582	6,318	1,480	-6.6%
Total OPEX (1)	-1,144	-1,153	-1,140	-1,168	-4,605	-1,068	-6.7%
Costs of materials and charges to revenues	-637	-645	-636	-643	-2,561	-575	-9.8%
Personnel expenses and pensions	-290	-283	-288	-282	-1,142	-278	-3.9%
Other operating expenses	-218	-225	-216	-244	-903	-215	-1.4%
EBITDA (1)	441	430	428	413	1,713	412	-6.6%
EBITDA margin (1)	27.8%	27.2%	27.3%	26.1%	27.1%	27.8%	-
Non recurring items	0	0	1	-15	-14	-1	-
Depreciation	-192	-200	-197	-193	-782	-196	2.3%
EBIT (incl. NR)	250	230	232	206	917	215	-13.7%
Financial result	-20	-24	-27	-24	-96	-23	11.8%
Tax expense	-53	-44	-44	-29	-170	-40	-25.3%
Net income (Group)	171	155	156	148	630	149	-13.0%
Non-controlling interest	5	6	6	4	22	4	-
Earnings/share in €	0.54	0.49	0.49	0.46	1.98	0.47	-13.2%

⁽¹⁾ before non-recurring items

Belgacom consolidated balance sheet

	As of 31 December	As of 31 March
(EUR million)	2013	2014
ASSETS		
NON-CURRENT ASSETS	6,254	6,187
Goodwill	2,320	2,292
Intangible assets with finite useful life	1,185	1,144
Property, plant and equipment	2,558	2,567
Investments in associates	6	6
Other participating interests	6	6
Deferred income tax assets	105	100
Other non-current assets	74	73
CURRENT ASSETS	2,163	2,604
Inventories	163	138
Trade receivables	1,289	1,203
Current tax assets	137	138
Other current assets	148	186
Investments	60	61
Cash and cash equivalents	355	728
Assets classified as held for sale	11	151
TOTAL ASSETS	8,417	8,791
LIABILITIES AND EQUITY		
EQUITY	3,042	3,170
Shareholders' equity	2,846	3,004
Issued capital	1,000	1,000
Treasury shares	-527	-518
Restricted reserve	100	100
Remeasurement reserve	-51	-50
Stock compensation	13	12
Retained earnings	2,310	2,459
Foreign currency translation	1	0
Non-controlling interests	196	166
NON-CURRENT LIABILITIES	2,865	2,836
Interest-bearing liabilities	1,950	1,950
Liability for pensions, other post-employment benefits and termination benefits	473	455
Provisions	204	199
Deferred income tax liabilities	128	122
Other non-current payables	111	110
CURRENT LIABILITIES	2,511	2,785
Interest-bearing liabilities	316	598
Trade payables	1,320	1,198
Tax payables	132	167
Other current payables	731	711
Liabilities associated with assets classified as held for sale	13	110
TOTAL LIABILITIES AND EQUITY	8,417	8,791

Shareholders' equity increased from € 2,846m end 2013 to € 3,004m end March 2014. This reflects mainly from the net income generated so far in 2014.



Group Operationals Q1'14

Mobile – slide 18

Fixed – slide 19

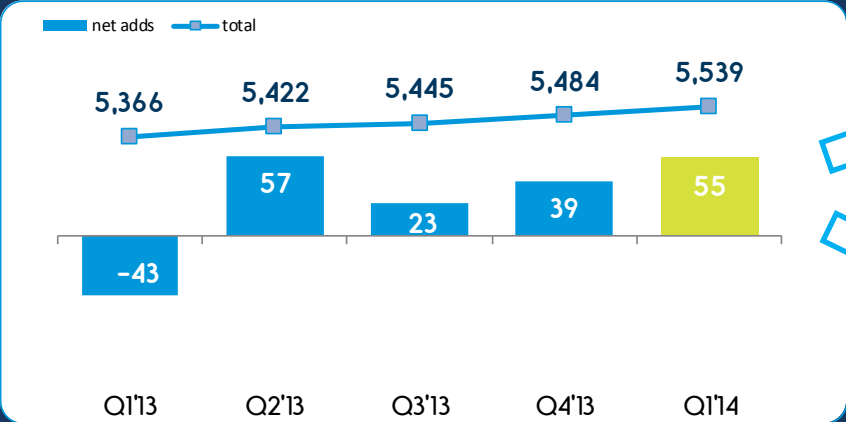
Operational Household reporting – slide 20

Financial Household reporting – slide 21

Good commercial performance for mobile...



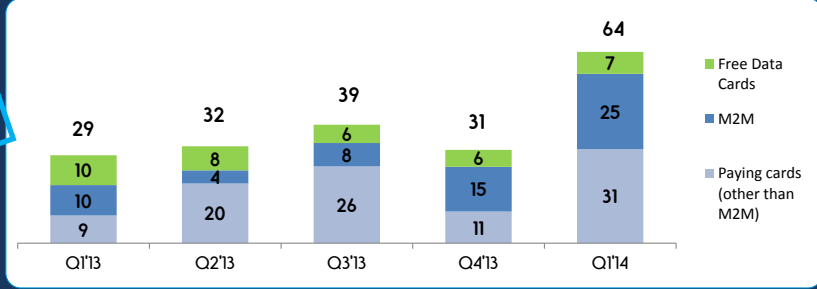
Continued mobile customer growth



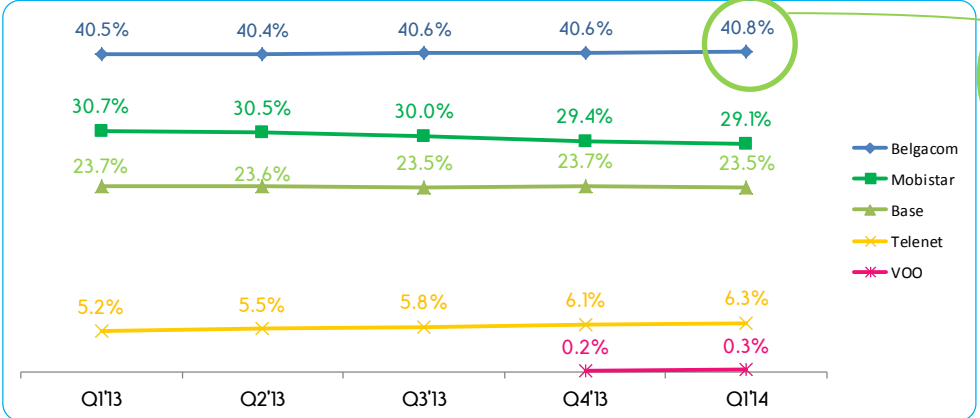
+Targo

CBU

EBU



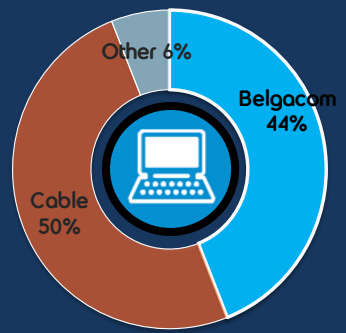
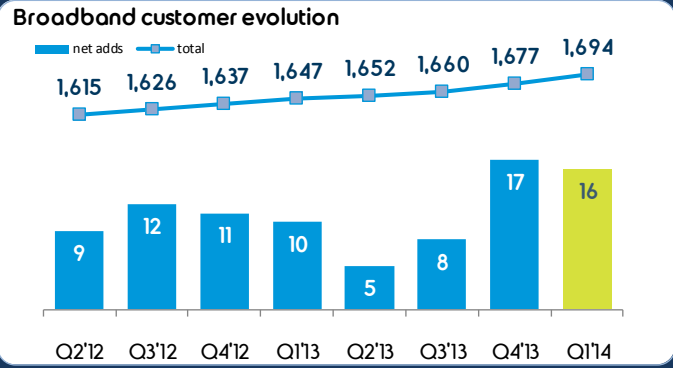
Total Mobile market share¹ slightly up



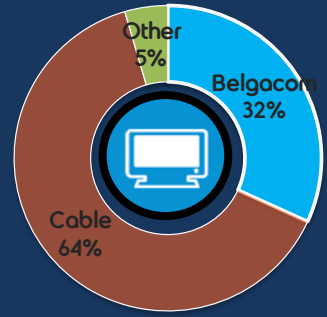
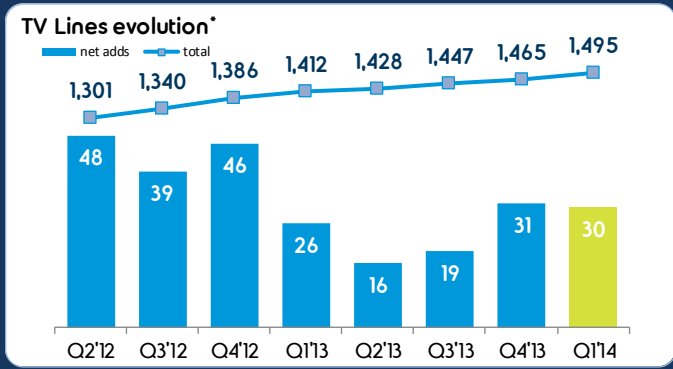
Market share growth driven by Postpaid

¹ Active mobile cards, Belgacom estimates

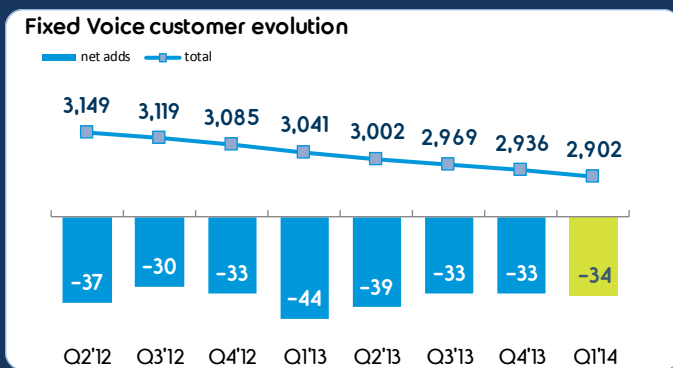
...and for Fixed Internet & TV



- Belgian Fixed internet market still growing, but at slower pace
- Internet penetration @ 79%
- Belgacom market share stable



- Belgian digital TV penetration @ 79%
- Stable DTV market share of 32%
- Continued growth of TV customer base
- Total TV market** share of 27% ; +1pp YoY

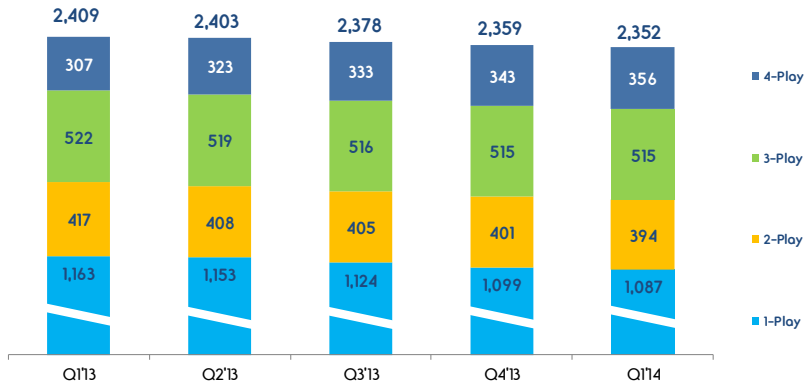


- Stable market, Fixed Voice penetration down 1pp to 71%
- Belgacom containing Fixed Voice line erosion
- Fixed Voice line "upgraded" via:
 - ✓ Flat rate calling "Happy Time XL" and "Happy Time International"
 - ✓ Multi-play packaging

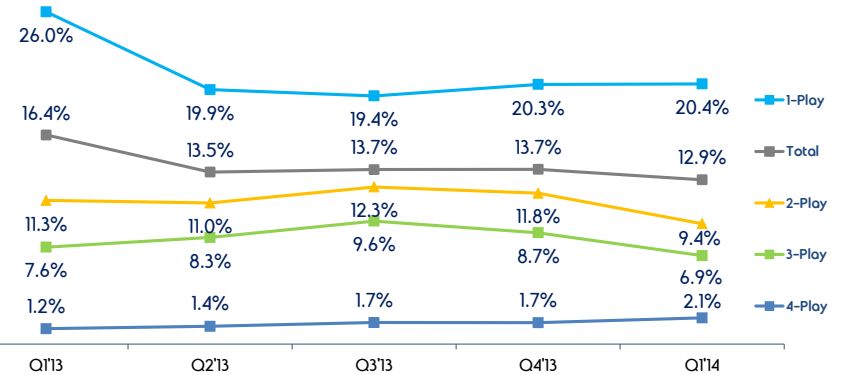
*Corresponds to the total settop boxes, including multi-stream
 ** Total TV market includes analog TV

Operational drivers x-play Household reporting

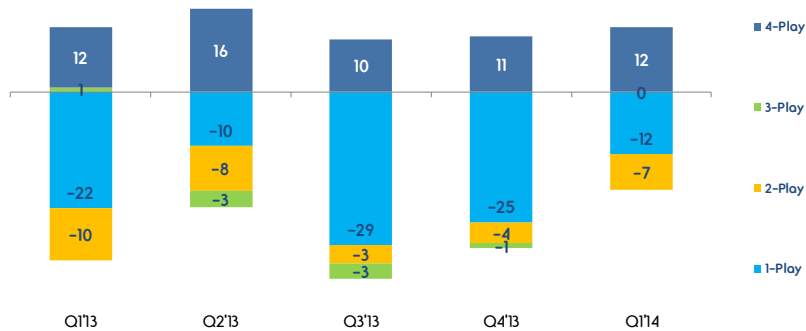
CBU Households per x-play (in '000)



Annualized full churn rate of a x-play Household



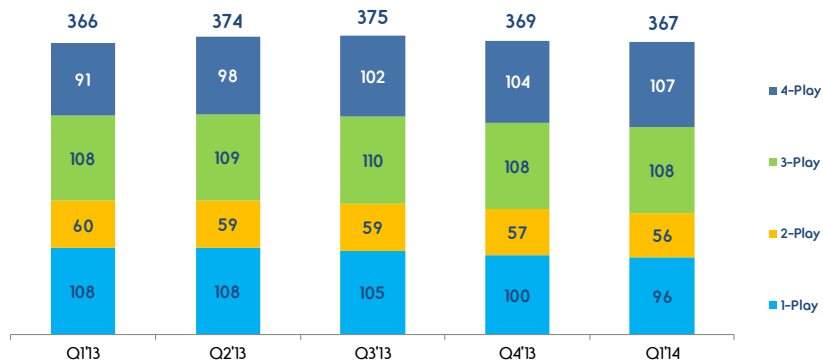
CBU Households per x-play: net adds of the quarter (in '000)



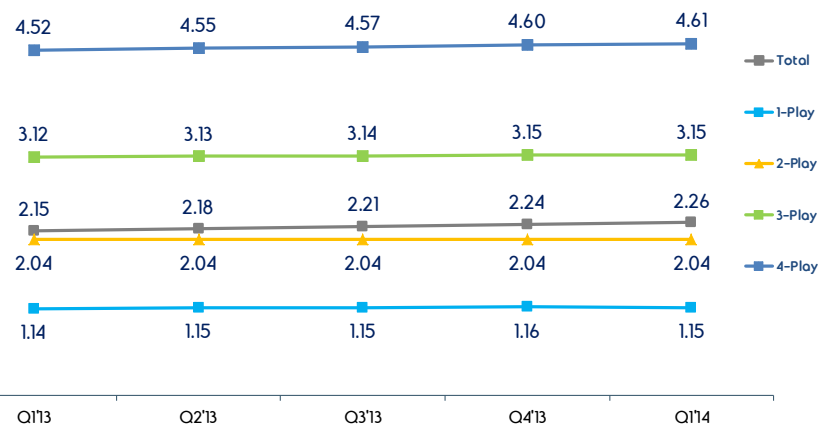
- 54% of HH are multi-play , +2.1 p.p. yoy
- convergence success especially showing in +16% 4-play HH , at very low churn
- multi-play convergent household, i.e. Fixed + Mobile, grew 3.9pp to 49.2%.
- 1-play HH going down as result of Fixed Voice line erosion

Financial drivers x-play Household reporting

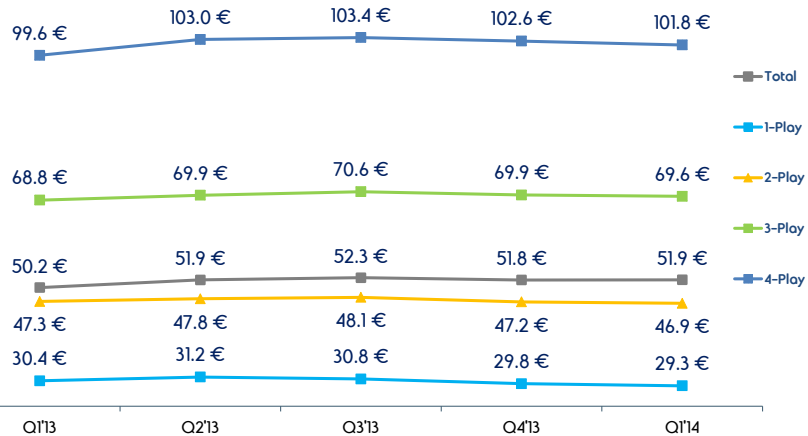
Revenues per x-play (in € million)



Average Revenue Generating Unit per x-play Household



Average Revenue per x-play Household (ARPH) in €



- € 367m came from X-play households
- 74% from multi-play HH +3 p.p. YoY
- RGU progressed for all X-play HH
- 4-play HH revenue +17.5% YoY due to growing number of 4-play HH and YoY increase in ARPH to € 101.8
- 4-play revenue growth offset by lower revenue from 1-play and 2-play

Strategic priorities

'Fit for Growth' overview – slide 23

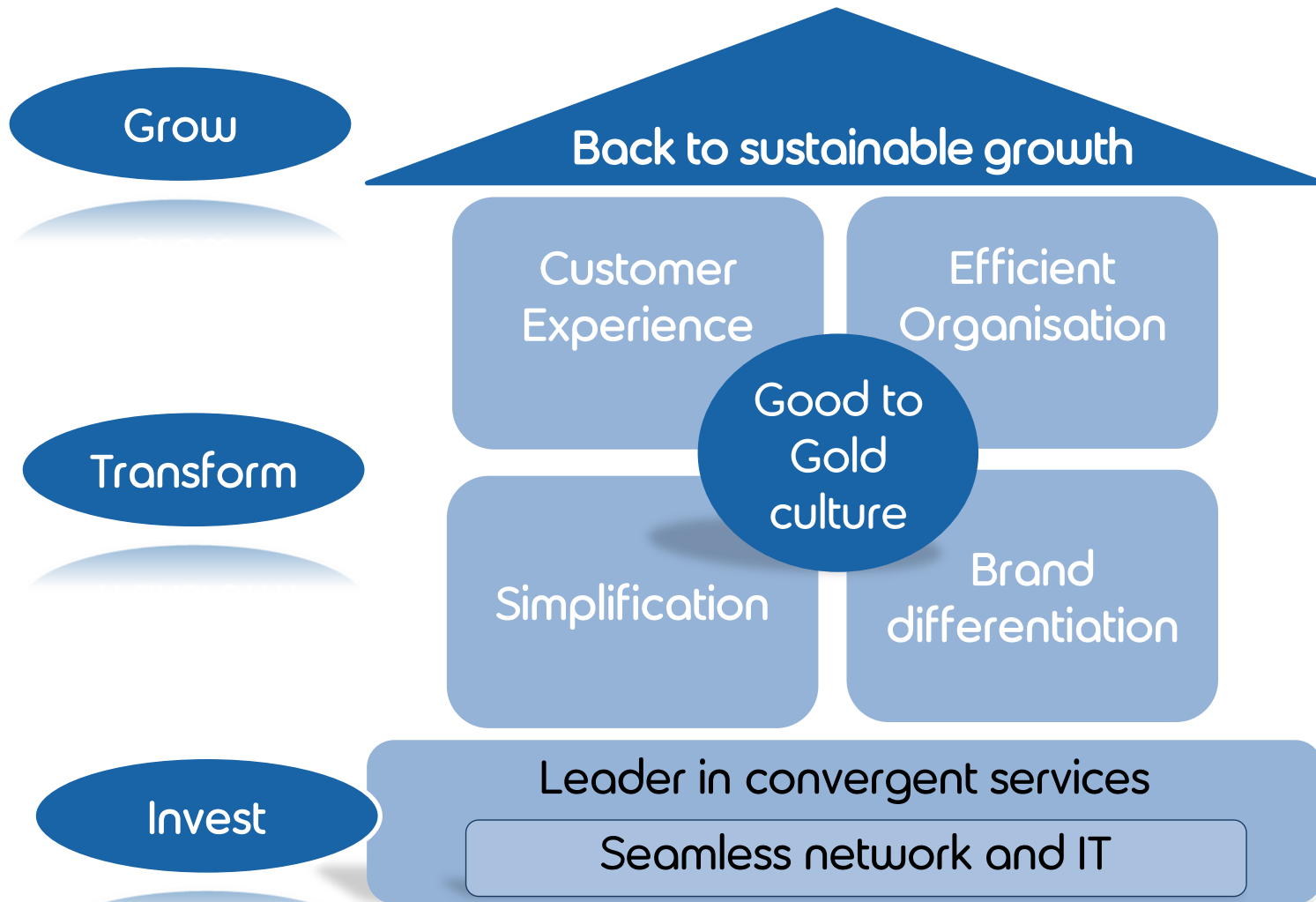
Invest – slide 24

Transform – slide 25

Growth – slide 26



Strategic Priorities : *'Fit for Growth'*



Access networks

To build the foundation of our next wave of growth

- Maintain mobile leadership and further deploy 4G
- Push legacy copper network to max capabilities (vectoring, DLM)
- Gradually introduce FTTH

IT and systems

- Push digital (e-sales, e-services)
- Renew selling and ordering
- Support end-to-end processes
- Improve systems stability and (cyber) security

Convergence services

- Build seamless fixed-mobile hand-over
- Push TV replay, TV everywhere
- Leverage cloud, unified communication and collaboration
- Develop ICT as a service and security

Brand image

- Enrich entertainment offer
- Introduce new CPE for better in-house experience

We estimate our annual investment needs to be around €900m over the coming years to cover network, convergence, new services and content needs

Develop superior customer experience

- Product usage experience (TV Everywhere, FON, ...)
- Touchpoints experience (call centers, technicians, ...)
- End-to-end process (first time right)
- 360° customer communication quality

Simplify to structurally reduce cost

- Products and services portfolio
- Network
- IT and platforms
- E sales and services

Build efficient organization

- Simpler and leaner organization for faster decision
- Reduction of resource costs leveraging pension wall
- Right talent at right place
- Real performance management

Improve brand differentiation

- Address different segments with differentiated offers (Scarlet)
- Push convergence via triple-play, quad-play and ICT services
- Reinforce brand investment

To support the transformation and commercial brand image, we foresee about € 20m exceptional spending (mainly opex) in 2014.

As from 2014, we ambition to keep workforce cost at least flat over the next 5 years, while pursuing additional cost savings building up to another €100m annually by 2018 (HR & non-HR opex)

Regain market shares

- Exploit mobile leadership
- Improved broadband experience
- Roll-out fiber in greenfield and gradually in brownfield to offer the ultimate broadband experience
- Superior customer experience (web, shops of the future, ...)

Leverage convergence value

- Deliver solution-centricity to unlock value in EBU
- Exploit upselling potential to quad-play
- Leverage seamless network integration and convergent applications

Capture new growth potential

- Pursue data monetization
- Leverage entertainment platform
- Seize the opportunities of cloud and security
- Be selective in development of new innovative services

We ambition to return to top line and EBITDA growth within 2 years

Network and Simplification

Overview – slide 28
Invest in Mobile – slide 29
Spectrum – slide 30
Invest in Fixed – slide 31 – 32



Network & simplification strategy

Invest and transform to return to growth



Strategic focus is to invest in our Access Networks, in Simplicity and in better Customer Service

Invest in Mobile

Maintain our mobile network leadership by using all our convergent assets while coping in an intelligent way with the strong mobile data growth



- Mobile Network Status and zoom-in on slide 29
- Spectrum overview on slide 20

Invest in Fixed

Push our legacy copper network to maximum capabilities while gradually introducing FTTH in function of copper network renewal



- Technology and speed roadmap on slide 31
- Fixed Network Status and zoom-in on slide 32

Transform to reduce cost

Accelerate simplification of networks to decrease operational costs and employ new IT enablers to simplify products & processes for better customer service & higher efficiency



- 800,000 lines migrated in preparation of out phasing of 30 buildings (i.e. 23% of technical space)



Invest in Mobile:



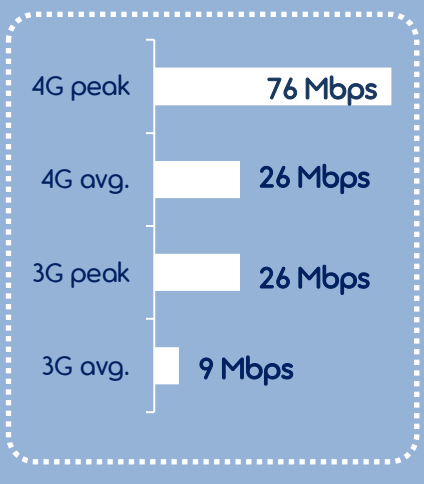
Offering the best overall mobile customer experience

Maintaining mobile leadership combining optimal coverage with speed

Mobile Network Status¹

> 99%
3G & 2G coverage

66%
4G coverage



Speed tiering with 4G for everyone



- Becoming technology agnostic while offering 2 different experience levels
 - TIER 1 to benefit from maximum 4G capabilities
 - TIER 2 enjoying a 4G experience capped at 20 Mbps

- 1 With emerging 4G need, **avoid over-investment in 3G capacity**
- 2 ~10% of 3G data traffic on 4G capable devices can be already **pushed to 4G in 2014**

Seamless convergence of network connectivity



~13 million Fon spots worldwide

- Employ our fixed assets for better mobile experience with our nationwide network of 800.000 WiFi hotspots
- Implement seamless handover of device-connectivity between fixed & mobile via intelligent steering and EAP-SIM technology

¹Source: As measured by independent agency CommSquare during Q1 2014 drive tests



Spectrum: The Belgian situation

900 MHz & 1800 MHz

- Used for 2G, 3G and 4G
- Belgian operators allowed to deploy UMTS in 900 MHz spectrum (more efficient in rural areas) & 4G in 1800 MHz
- Tacit extension: BGC pays €74m for '10-'15; via annual payments.

2100 MHz

- Used for 3G
- Proximus, Mobistar & Base each have a UMTS license since 2001 valid for 20 years
- BGC paid € 150m
- 2 Aug '11, BIPT awarded 4th license to Telenet/Voo for an amount of € 71.5m (2X 14.8 MHz)
- All licenses expire in 2021

2600 MHz

- Will be used for 4G
- Out of 5 candidates, 4 have obtained spectrum in 2.6 GHz band
- Belgacom acquired 2x20 MHz for an amount of € 20.22 Mio.
- License is valid for 15 years as from July 2012

800 MHz

- Will be used for 4G
- Belgacom acquired 2x10 MHz for an amount of € 120 Mio end November '13.
- License is valid for 20 years
- Belgacom opted for payment via annual installments

800 MHz

Base
2 x 10

Proximus
2 x 10

Mobistar
2 x 10

900 MHz

Proximus
2 x 12

Mobistar
2 x 12

Base
2 x 10

1800 MHz

Proximus
2 x 20.8

Mobistar
2 x 20.8

Base
2 x 22

Unallocated
2 x 11.4

2100 MHz

Proximus
2 x 15

1x
5.4

Mobistar
2 x 14.8

1x5

Base
2 x 14.8

1x5

Telenet / Voo
2 x 14.8

1x5

2600 MHz

Proximus
2 x 20

Mobistar
2 x 20

Base
2 x 15

Unallocated
2 x 15

BUCD
1 x 45



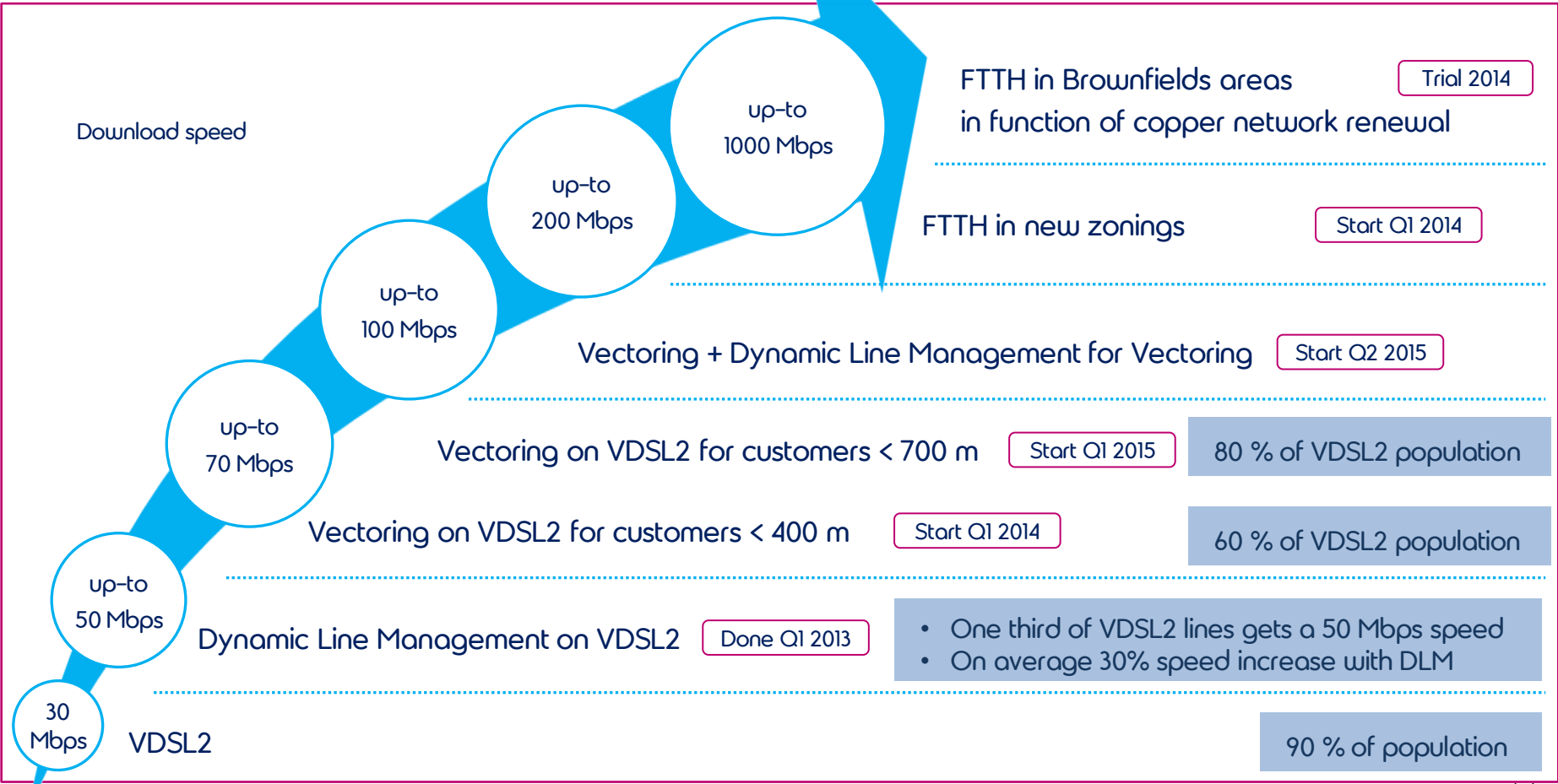
Invest in Fixed



Dynamic investment track ahead of us

Push our legacy copper network to maximum capabilities while gradually preparing for the introduction of Fiber-To-The-Home (FTTH) in Brownfield areas in function of copper network renewal

Speed evolution in Mbps 2014 to >2018





Invest in Fixed



Going further with FTTH in new zonings & in Brownfields

Fixed Network Status

99.85% DSL
(among world leaders)

~ 90% VDSL

> 93% TV coverage



On average, a customer gets 37 Mbps



Belgacom will deploy Fiber-To-The-Home (FTTH) deployment in new residential zonings and will gradually and selectively introduce FTTH in function of the step-by-step renewal of our copper network

FTTH in new zonings

START
Q1 2014

Fiber deployment costs are comparable to copper deployment for new residential zonings

1 FTTH in Greenfields – FTTH Greenfield development and pre-equipment of new residential zonings

FTTH in brownfields

TRIAL
2014

Prepare for FTTH in Brownfield areas to allow gradual replacement of the legacy copper network over time

2 FTTH in Brownfields – Small scale FTTH trial will be prepared and started

Q1 2014 results per business unit

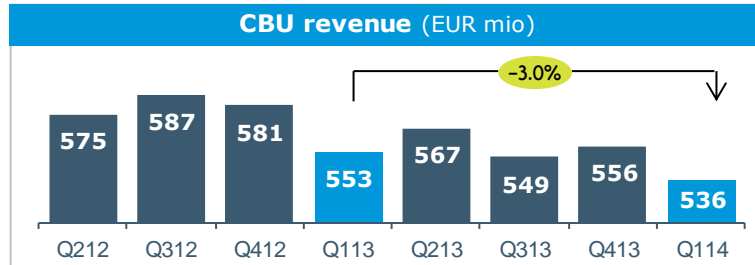
Consumer Business Unit (CBU)

Enterprise Business Unit (EBU)

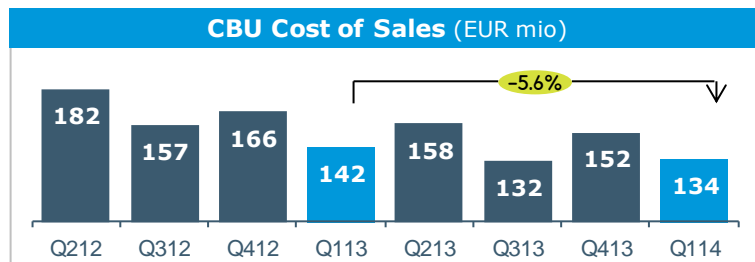
Service Delivery Engine & Wholesale (SDE&W)

Staff and Support (S&S)

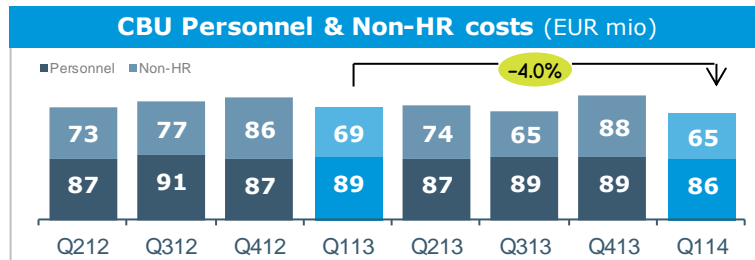
Belgacom International Carries Services (BICS)



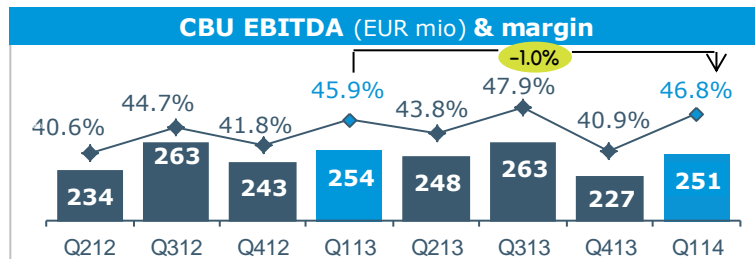
- Q1'14 Revenue -3% lower, reg. impact €-4m (-0.7%)
 - Revenue decline showing quarterly improvement supported by convergence strategy
 - Further recovery of mobile service revenue trend
 - Continued fixed Internet and TV growth, partly offset by lower Voice revenue



- Q1' 14 Cost of Sales -5.6% lower YoY
 - Positive trend from last quarters continued
 - Besides regulation (lower MTR in Luxembourg) , the positive impact comes from lower interconnection costs and focus on cost efficiency



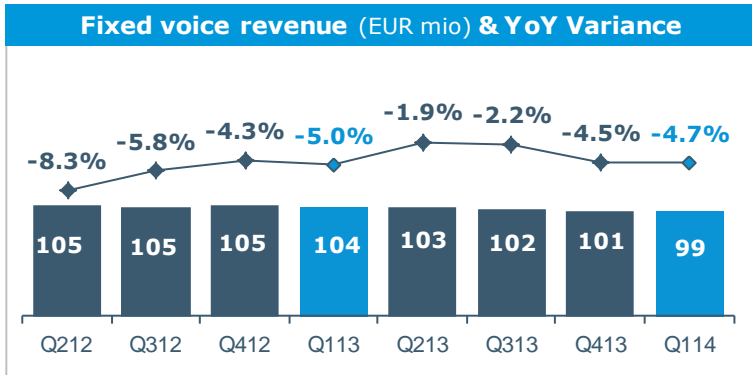
- CBU expenses were positively impacted by an accounting alignment for capitalisation of network installation activities, this in addition to:
 - no impact from salary indexation on Q1' 14 HR costs : -2.9 % YoY
 - continued cost optimization: Q1' 14 non-HR costs -5.4 YoY



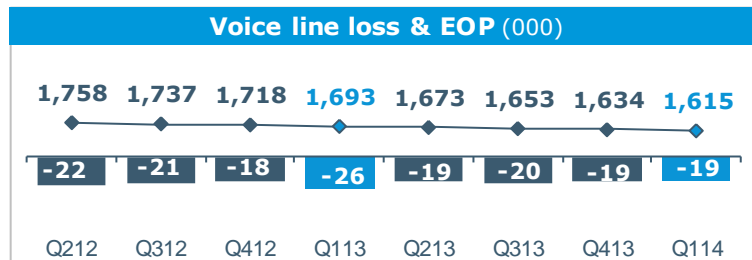
- Q1' 14 segment result -1%. yoy. Incl. € -2m (-0.9%) impact from regulation. Significant improvement from previous quarter due to:
 - accounting alignment for capitalisation of network installation activities
 - Improvement in Direct Margin
 - Cost reduction efforts

Consumer – Fixed voice

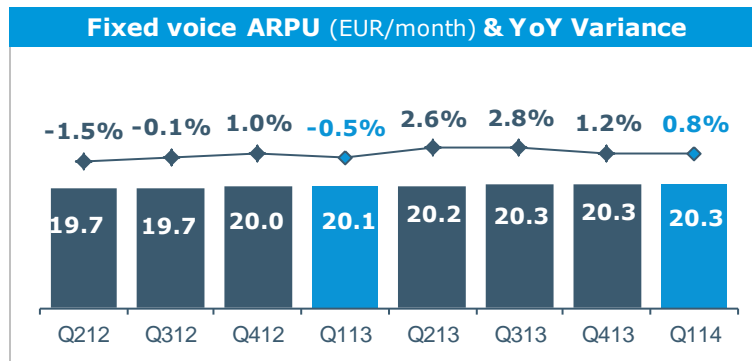
Fixed Voice price increases results in higher ARPU, line erosion and mobile traffic substitution explaining revenue decline



- Fixed Voice benefitted from price changes, bringing relief to the declining Voice revenue resulting from the yoy line loss and substitution effect of fixed traffic to mobile, with mobile offers becoming more abundant.



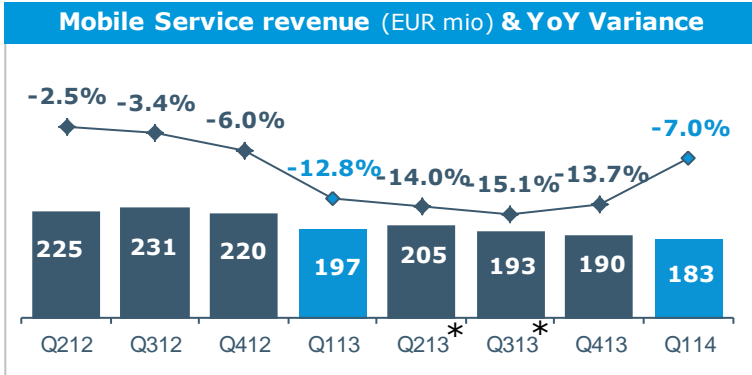
- Q1'14 Fixed line erosion of -19,000 lines, stable to previous quarters
- End March '14, the CBU Fixed Voice customer base totaled 1,615,000 lines, i.e. -4.6% yoy.



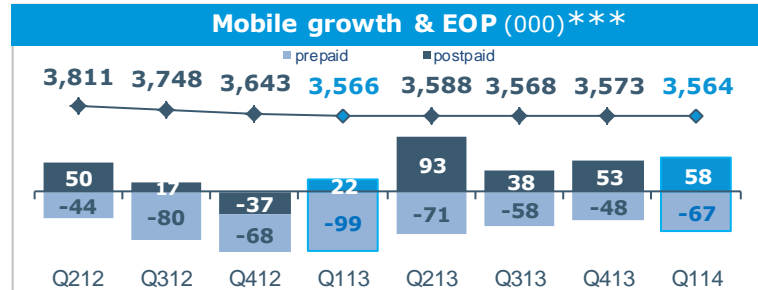
- Price increases reflected in the Fixed Voice ARPU, up 0.8%

Consumer – Mobile Service

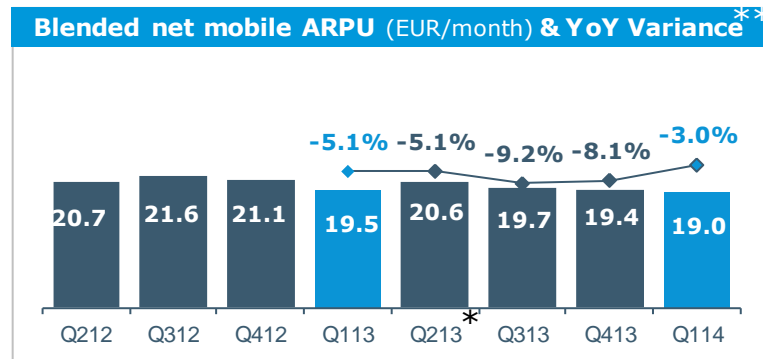
Significant improvement of Mobile service revenue trend; Postpaid customer base further growing



* Yoy variance adjusted for one-offs



***As of 2014, the calculation of active customers will be based on the monthly activity rate instead of a rolling average activity rate. The definition of an active customer remains unchanged. 2013 figures have been updated accordingly



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

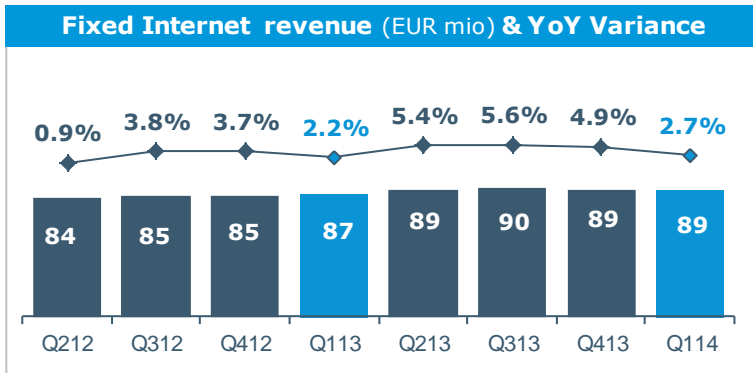
- Q1'14 revenue from Mobile Services down 7% YoY; significantly improving from previous quarters.
 - Growing mobile postpaid customer base
 - Fading impact of customers subscribing to more abundant mobile pricing plans since end-2012
 - Smaller regulation impact, limited to reduced roaming rates.

- CBU's total Mobile customer base end-March'14 numbered 3,564,000 cards
 - Firm net addition of 58,000 postpaid cards ; of which 33,000 free Mobile data cards
 - Mobile Prepaid decline of -67,000 during Q1, of which -24,000 from mvno Mobisud

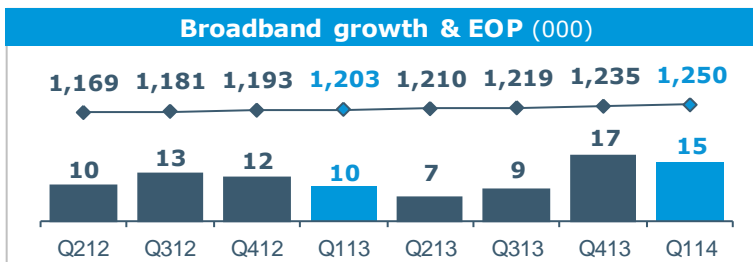
- ARPU trend further improving
 - Q1'14 Postpaid ARPU of € 25.9; -4.8% YoY; from -10.3% in Q4'13
 - Q1'14 Prepaid ARPU of € 11.8; -11.1% YoY; from -14.5% in Q4'13

Consumer – Fixed Data

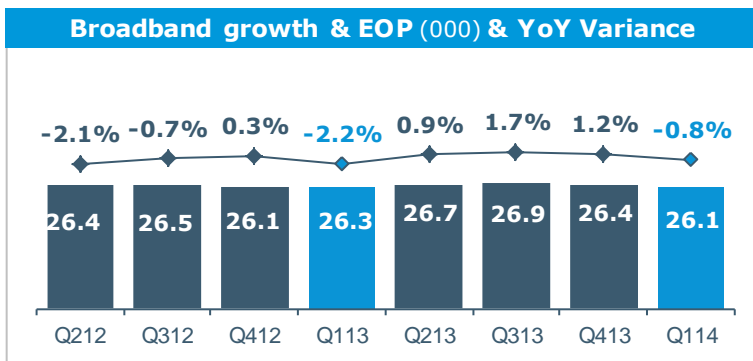
Continued Fixed Internet revenue growth, strong addition of 15,000 customers



- Revenue growth driven by growing customer base and price changes.

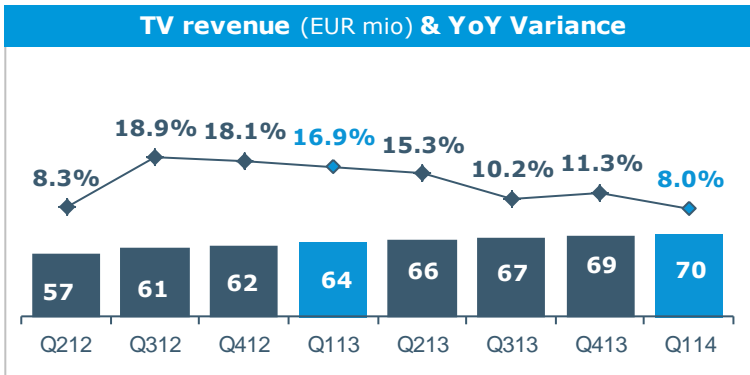


- Broadband customer base +15,000 in Q1'14, including another strong performance of the Scarlet brand
- Total CBU Fixed Internet customer base of 1,250,000 end-March '14.

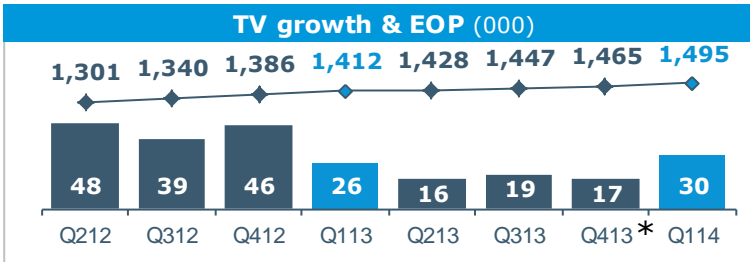


- Broadband ARPU of EUR 26.1, slightly down YoY due to increasing number of internet customers in Pack.

TV revenue growth through larger TV customer base and higher ARPU

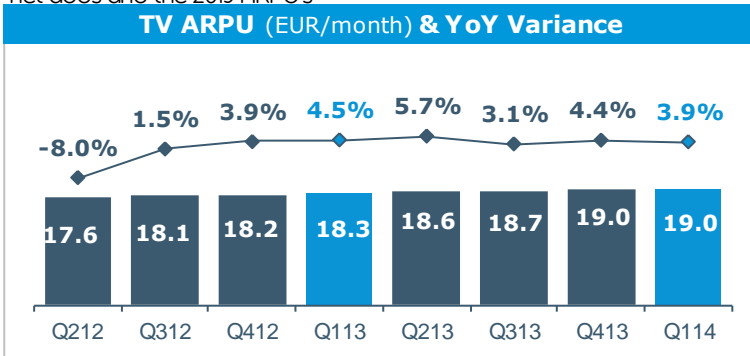


- TV revenue +8% YoY driven by continued growth of subscribers and higher ARPU



- Continued customer growth
 - Total customer base of 1,495,000, including 269,000 multiple streams
 - 30,000 net adds: +21,000 households, 9,000 multiple streams

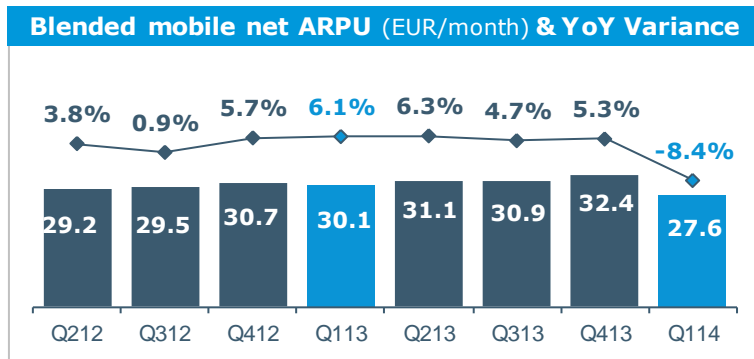
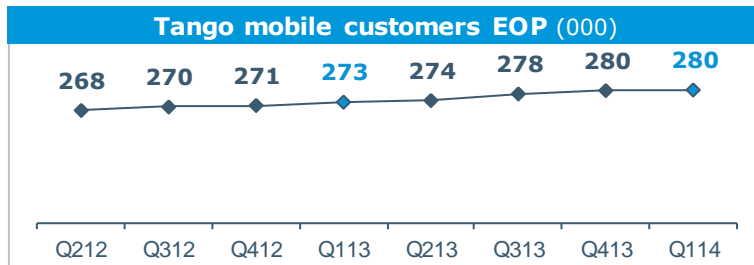
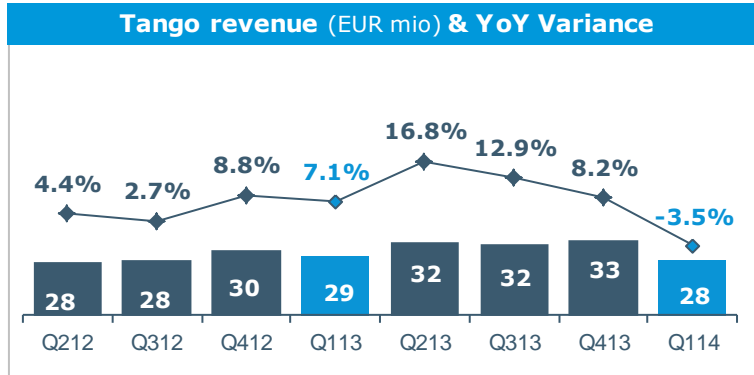
*As of 2014, pending orders are excluded from the total TV customer base. Q4 2013 TV customer figures have been restated accordingly. There is no impact on the 2013 quarterly net adds and the 2013 ARPU's



- Q1 TV ARPU of € 19 , a 3.9% growth YoY
 - Supported by TV Everywhere product option

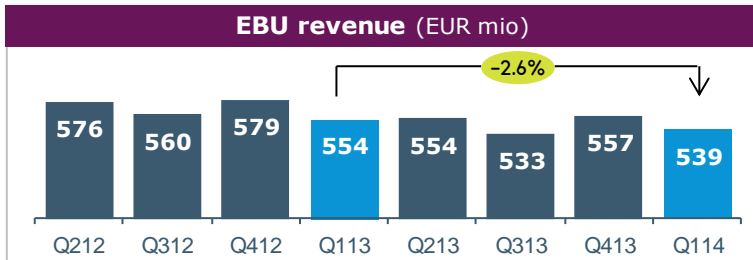
Tango Luxembourg

Impacted by MTR reduction

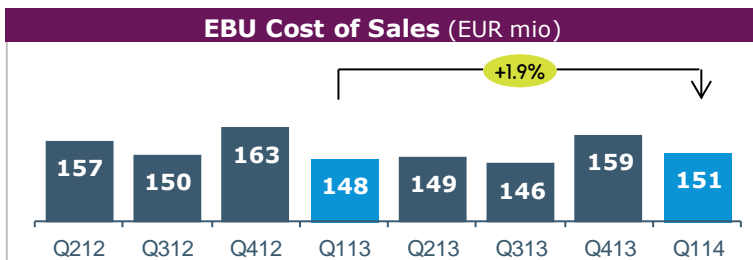


- Q1 '14 revenue -3.5% YoY, generating € 28m.
- Revenue impacted by the regulated MTR decrease in Luxembourg (from 8.2cts to 0.98cts).
- Could not be offset by the continued growth of Mobile Postpaid and the developing TV & fixed Internet customer base.
- Belgacom extended its convergence strategy to Tango, which now also offers as well a TV and quadruple-play offer.

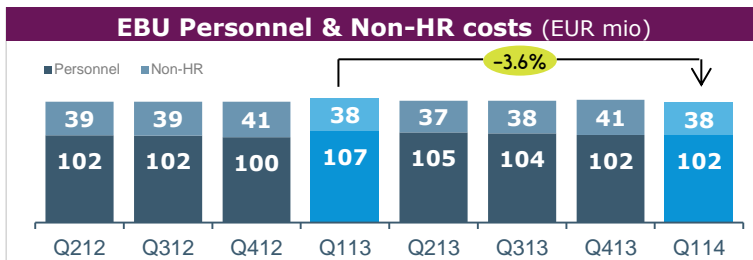
Enterprise – quarterly P&L



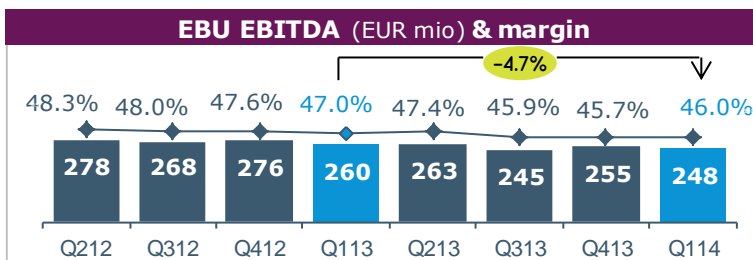
- Q1'14 revenue -2.6% YoY, improving from previous quarters
 - better Mobile service revenue trends
 - impact from regulatory measures limited to the lowered roaming tariffs ; € -4m (-0.8%).



- Cost of Sales slightly up YoY
 - higher Mobile subscriber acquisition costs driven by the strong net customer growth in Q1



- HR expenses -4.7% to € 102m for Q1'14, favorably impacted by cost efficiency efforts and by more capitalized manpower .
- Stable non-HR expenses for Q1'14 of € 38m

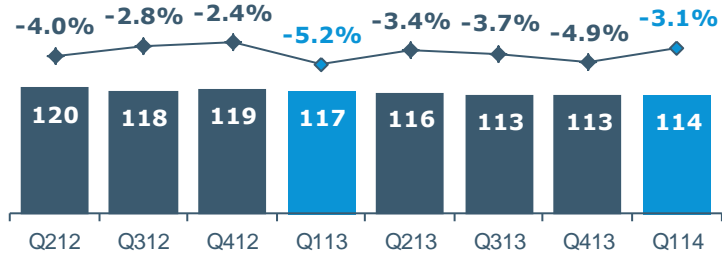


- Segment result -4.7% YoY, i.e. substantial trend improvement from the previous Q's.
 - Impact regulatory measures estimated at € 4m (-1.6%).
 - lower Direct margin resulting from the changing product mix, partly offset by lower expenses.

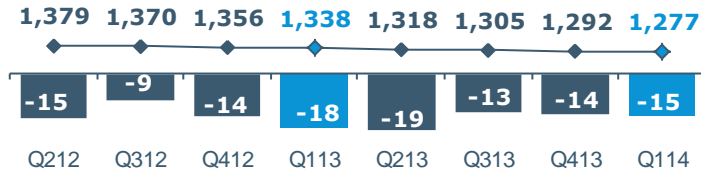
Enterprise – Fixed Voice*

Stable Fixed line erosion, while Fixed Voice ARPU is slightly up

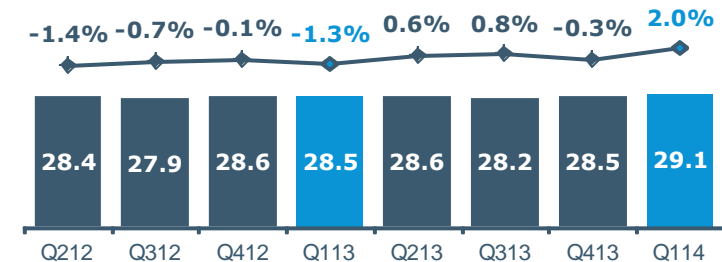
Fixed voice revenue (EUR mio) & YoY Variance



Voice line loss & EOP (000)



Fixed voice ARPU (EUR/month) & YoY Variance



- Q1'14 revenue in Fixed Voice -3.1% YoY, as a result of continued line erosion, partly compensated for by price indexations.

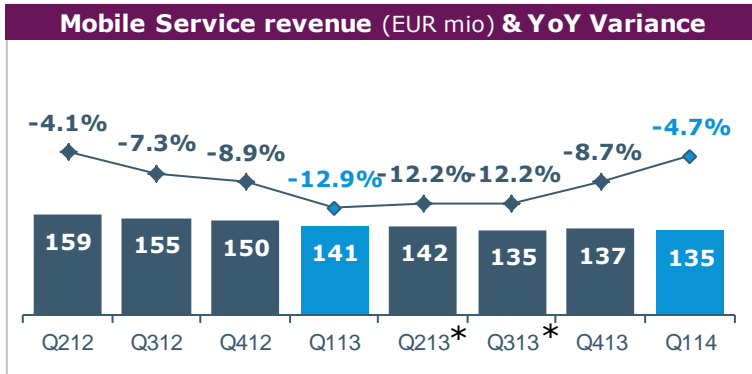
- Fixed Line erosion Q1'14 at -15,000 lines, in line with previous Q's, with enterprises continue to rationalize on their Fixed lines
- EBU total Fixed Line customer base of 1,277,000 by end-March '14, or -4.5% YoY.

- Higher Q1 Fixed Voice ARPU of EUR 29.1, + 2.0% YoY, a result of the price indexations

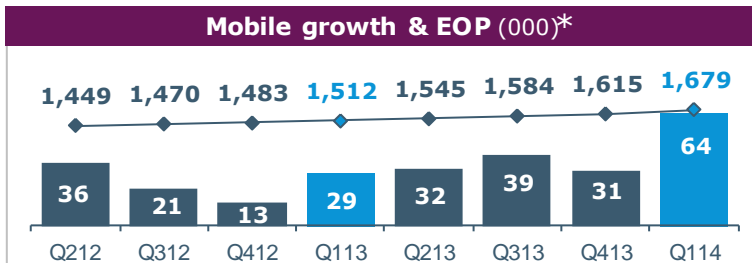
*2013 figures have been restated: revenue from Belgacom Meeting Services (BMS) moved from Fixed Voice revenue to ICT, impacting both revenue and ARPU of Fixed Voice

Enterprise – Mobile Service

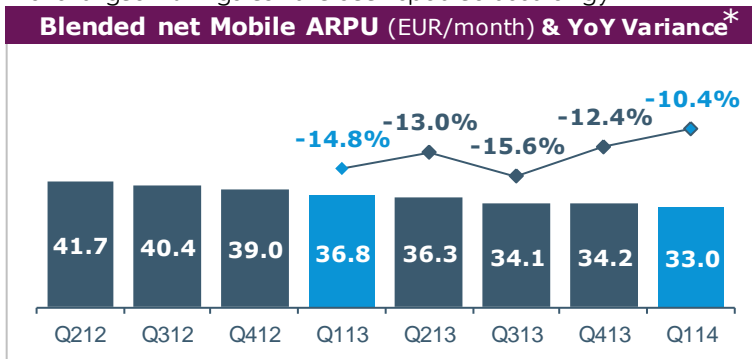
Mobile Service revenue trend significantly improved through continuously growing customer base



* YoY variance adjusted for one-offs



*As of 2014, the calculation of active customers will be based on the monthly activity rate instead of a rolling average activity rate. The definition of an active customer remains unchanged. 2013 figures have been updated accordingly



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

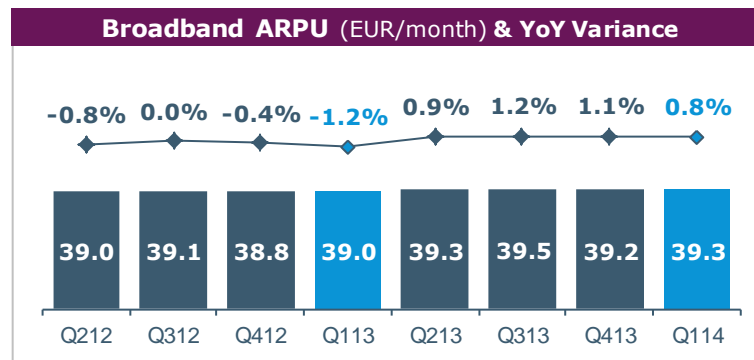
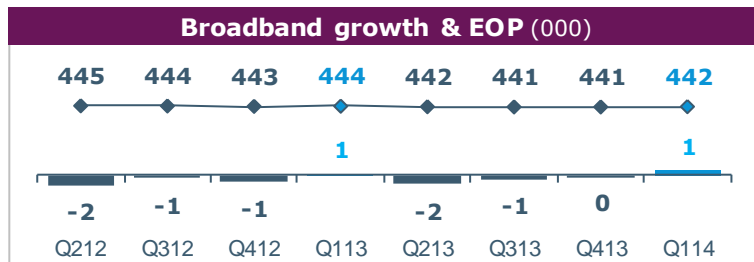
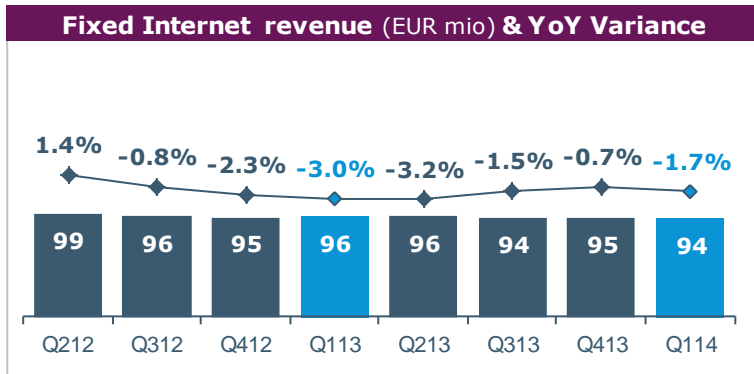
- Q1'14 Mobile services revenue -4.7% YoY, significant improvement from prior quarter
- Regulation impact, limited to lowered Roaming rates, estimated at € -4 m.
- Trend improvement versus the previous quarter results from continuously growing mobile customer base

- Q1'2014 net adds of 64,000 cards:
 - +31,000 paying mobile voice and data cards; thanks to great mobile network experience for customers, successful Bizz Packs and launch mid-February of the Smart 50.
 - +32,000 Machine-to-Machine and free Mobile Data cards, of which +11,000 M2M cards from new M2M platform.

- mobile ARPU Q1'14 at € 33.0, -10.4% YoY
 - showing some improvement from the prior quarter.
 - continued effect from mobile customer re-pricing,
 - partly offset by a growing number of high-end pricing plans in the installed base through successful acquisition actions in that price segment, as well as better retention of high-value customers.

Enterprise – Fixed Data

Fairly stable Fixed Data revenue in spite of migrations to Explore platform and uptake of converged Packs with Internet



- Fixed Data, consisting of Fixed Internet and data connectivity revenue, -1.7% YoY
 - 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.

- Slightly lower customer base (-0.4%) compared with March 2013.
- EBU added 1,000 Fixed Internet customers in Q1'14, leading to a total customer base of 442,000.

- ARPU of € 39.3 (+0.8%) driven by price indexations,
- partly offset by SME customers opting more and more for advantageous converged Packs including internet.

Enterprise – ICT*

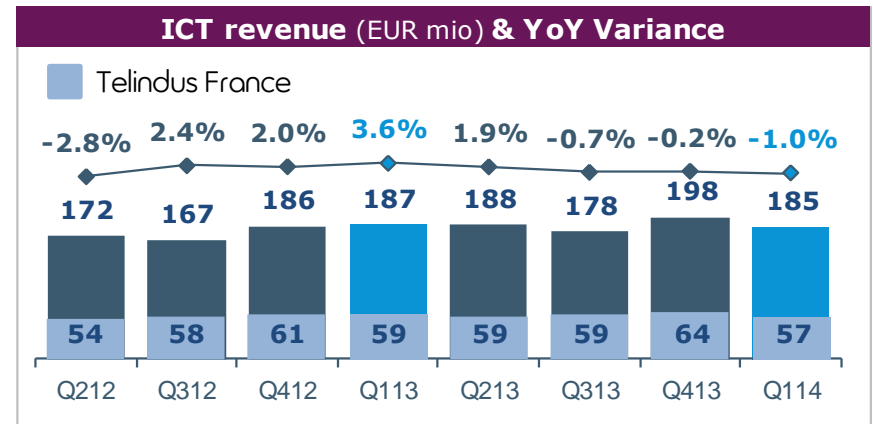
ICT revenue slightly down



together
with



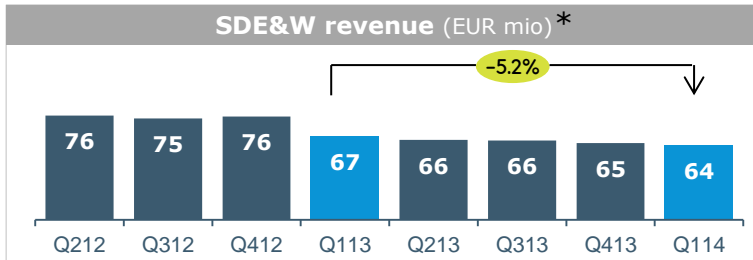
- In the context of an unfavorable economy, EBU reported € 185 m ICT revenue in a seasonally slow first quarter.
 - Belux ICT revenue showed YoY growth,
 - though continued delaying of IT projects by customers or the choice for private Cloud-based solutions, triggering a shift from one-time revenue to monthly services fees, resulted in slight YoY revenue decline



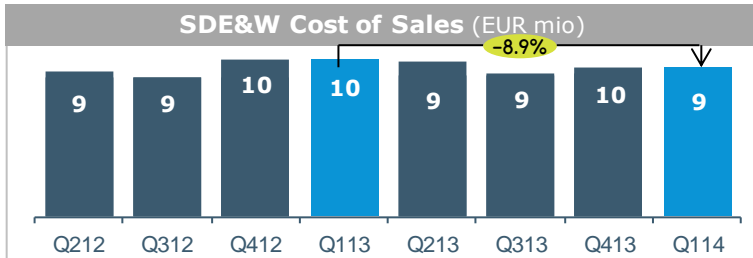
- Telindus France will be deconsolidated as from end April 2014, following the regulatory approval by the French Competition Authorities, on 30 April 2014, for Belgacom to dispose 100% of the shares in the Group Telindus France to Vivendi for a total consideration of € 95m on a cash and debt free basis.
- The Group Telindus France generated pro-forma revenues of € 241m and EBITDA of € 11m in 2013.

*As of 1 January 2014, revenue from PABX is included in ICT. The 2013 figures have been restated accordingly. Previously PABX revenue was reported as part of Fixed Terminals.

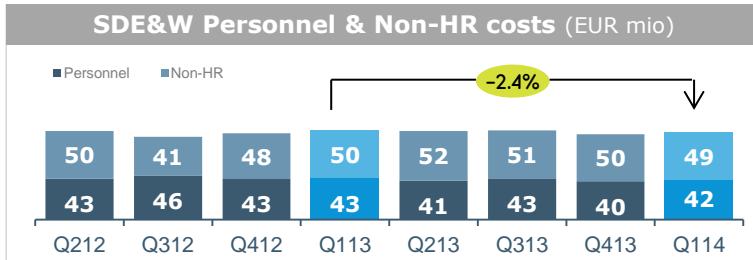
Service Delivery & Wholesale – P&L



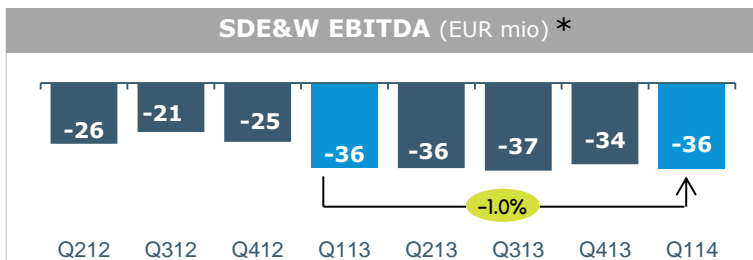
- Slowing wholesale revenue
 - lower connectivity ARPU's
 - declining traffic volumes and
 - lower wholesale broadband lines.
 - impact from roaming price regulation almost fully offset by higher volumes.



- CoS Q1'14 -8.9%



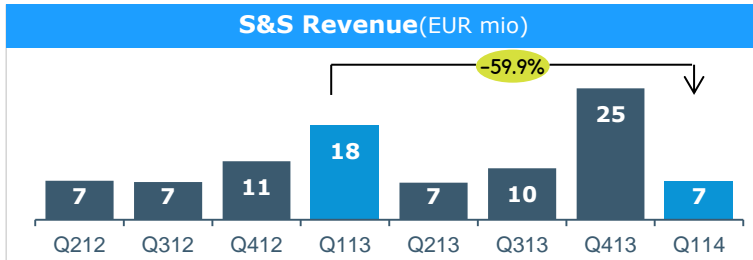
- € 42m HR expenses for Q1'14, -3.4% YoY: more capitalized manpower resulting from increased network investments and IT development in 2014, and lower headcount.
- € 49m non-HR expenses; down 1.5%.



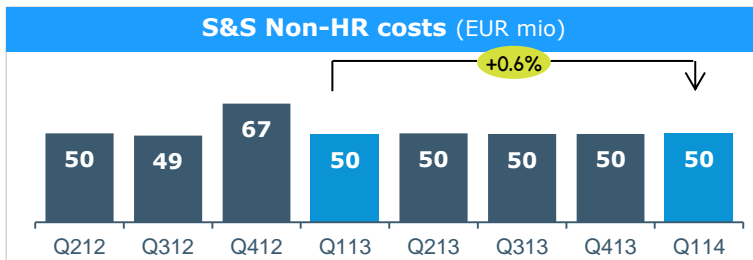
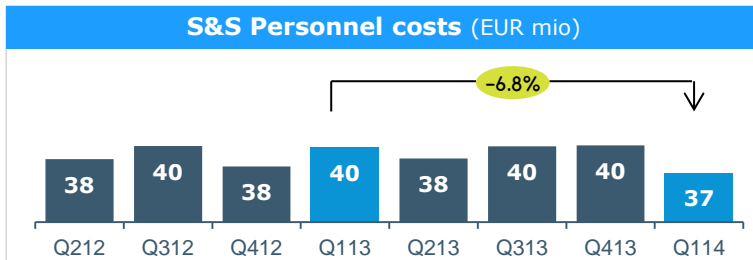
- Q1'14 segment result YoY fairly stable
- lower Direct margin partly offset by lower expenses

* 2013 figures have been restated to reflect the allocation of Belgacom wholesale revenues invoiced to Scarlet to the Consumer Business Unit segment.

Staff & Support – P&L



* Internal invoice; neutral on group level

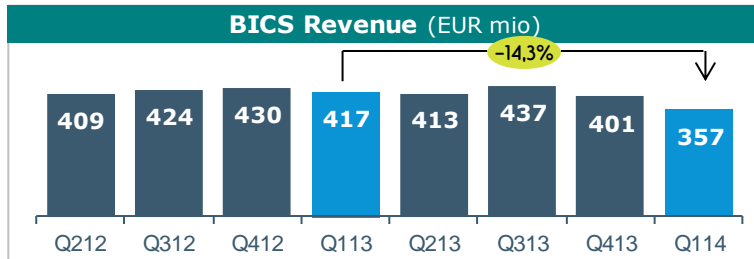


- Q1'14 revenue of € 7m, compares to Q1'13 which included a capital gain of € 11m realized by Belgacom through the sale of a technical building as part of Belgacom's ongoing network simplification plan.

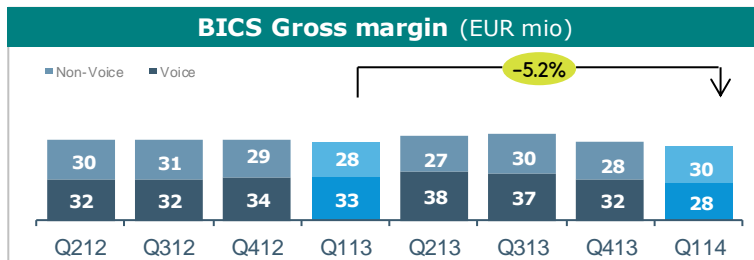
- HR-expenses lower as result of lower personnel base, while no impact from inflation-based wage indexations

- Non-HR expenses remained fairly stable YoY

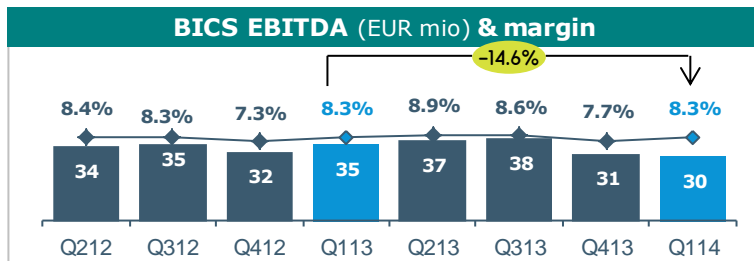
International Carrier Services – P&L



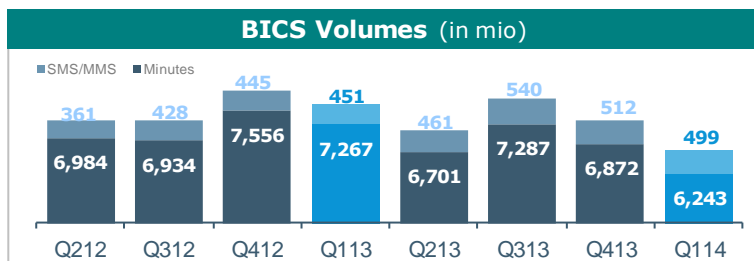
- Q1 BICS' revenue -14.3% YoY on lower voice traffic
 - expected lower traffic to the Asian region which was temporary
 - loss of material volumes from a few key customers, already partly recovered as of March 2014.
 - Negative dollar impact and EU-wide lowered MTRs.
 - Offset in a limited way by the continued uptake of Mobile data



- The lower revenue led to a limited decline in Gross margin
 - driven by a lower Voice gross margin (-15.5%), partly offset by a 7.2% growth in Gross margin for non-Voice traffic



- As a consequence of the lower Direct margin growth and higher operating expenses (HR/Non-HR), BICS' segment result for Q1'14 was down by € 5m (-14.6%), while the EBITDA margin remained stable at 8.3%.



- Voice volumes -14.1% YoY
- Non-Voice volumes +10.6% YoY

BICS Products and Services



<ul style="list-style-type: none"> • Voice 	<p>Collecting & terminating international voice traffic all over the world</p>
<ul style="list-style-type: none"> • Mobile Data 	<p>MESSAGING: Ensuring worldwide interoperability for SMS & MMS ROAMING: Transport: Signalling, 3G (data) roaming exchange (GRX), IPX Enabling / Processing: "plug & play", roaming hub, VAS</p>
<ul style="list-style-type: none"> • Capacity & Infra-structure 	<p>Terrestrial, submarine, satellite (managed) bandwidth</p>



Other topics

FTE Evolution – slide 50

Shareholder remuneration & structure – slide 51

Pricing – slide 52

Regulation & legal – slide 59

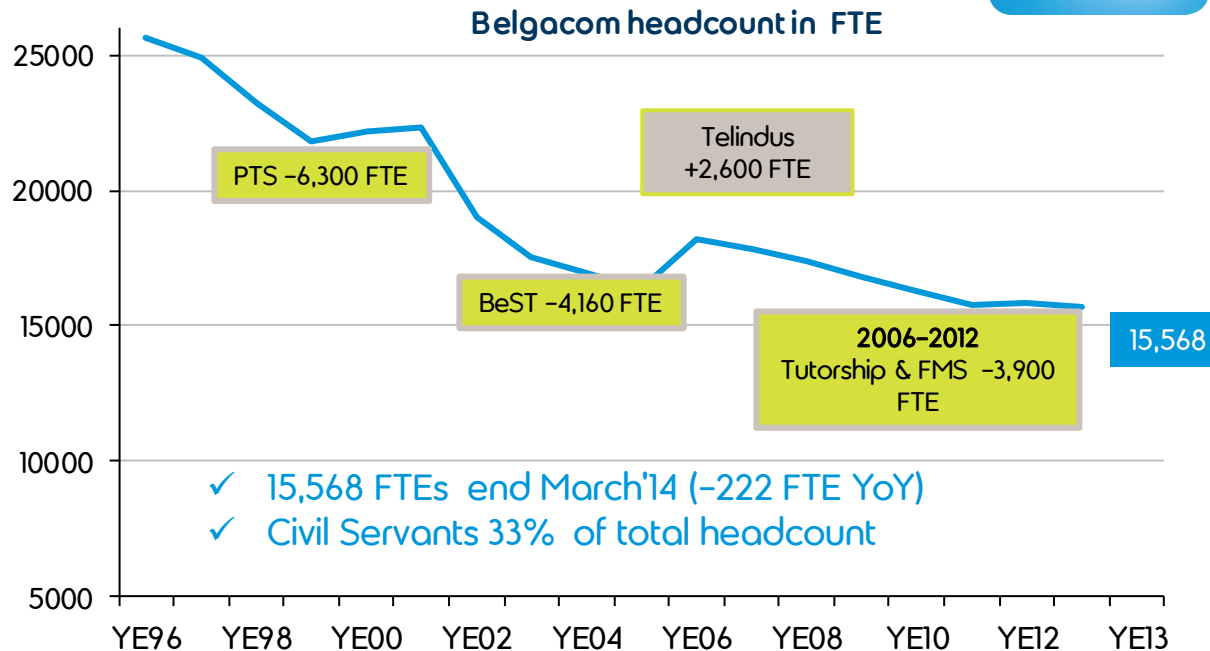
Belgian economy – slide 63

FTE evolution

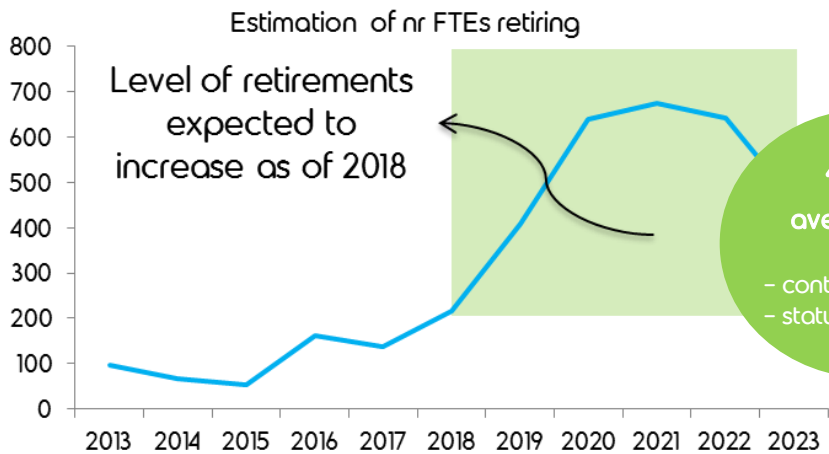


Estimated cash-out for termination benefits	
	€ million
2014	51
2015	21
2016	7
2017	6
2018-2033	21*

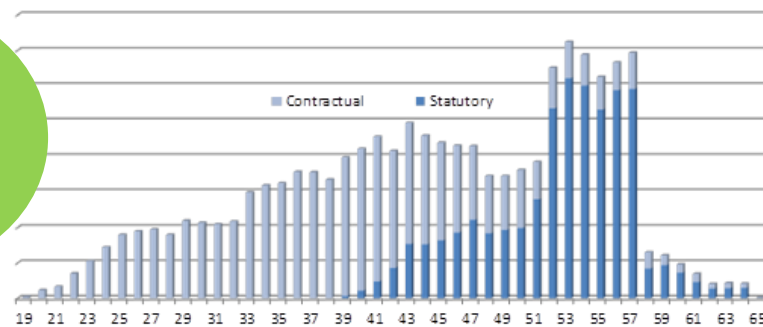
(* Cumulative for full period)



Current retirement regulation no longer allowing pension leave at 58 yr & past headcount programs causes gap in retirement level for '13-17.



Belgacom SA age pyramid

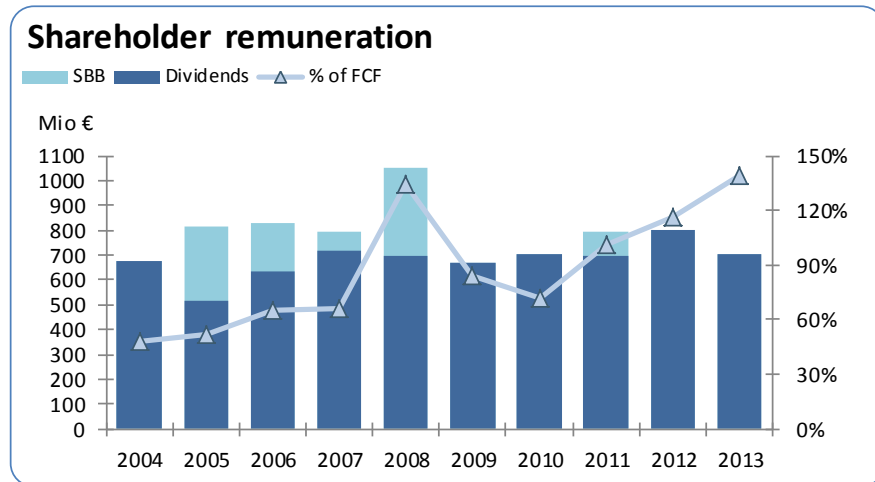
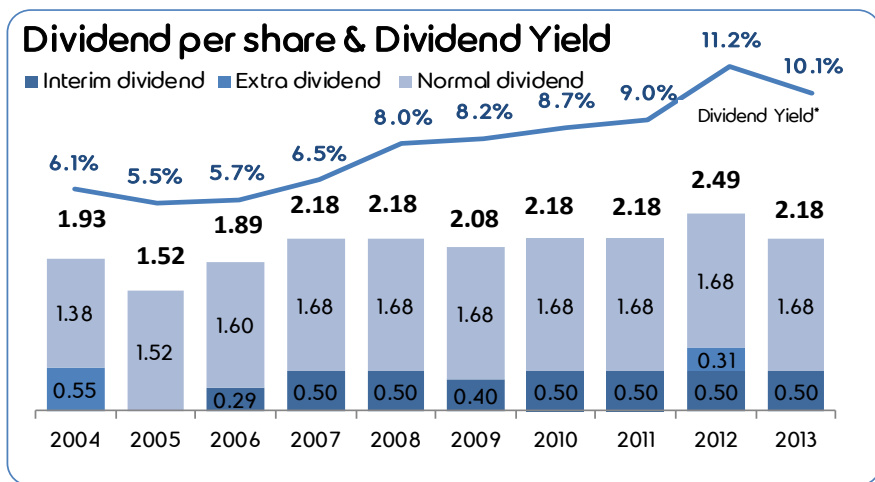


Shareholder remuneration & structure



For 2013: a total dividend of € 2.18 gross per share, of which € 0.50 per share was paid in December 2013 and € 1.68 per share in April 2014

For the 3 years to come: Board of Directors intends to pay out a stable yearly dividend of € 1.50 per share (interim dividend of € 0.50 and ordinary dividend of € 1.00), provided Belgacom's financial performance is in line with its expectations.



*Dividend yield based on annual dividend & share price end of year

Belgacom ownership	Status 31 Mar '14	Shares	% shares	% Voting	% Dividend
	Belgian state	180,887,569	53.5%	56.6%	55.9%
	Free float	138,615,259	41.0%	43.4%	42.9%
	Own shares	18,522,307	5.5%	-	1.2%

Pricing – Fixed products



Classic

€ 20.99 / month

Note:
Lower tariffs during peak compared to Happy Time

Peak: 8-19h

Happy Time XL

€ 20.99 / month

Free to FIX & to MOB during OffPeak & Weekend

Peak: 8-17h

No Limit National Anytime

€ 30.67 / month

Free to FIX Anytime

24/24

Happy time international

€ 21.99 / month

Free to FIX ,to MOB & to most European countries during OffPeak & Weekend

Peak: 8-17h



Internet Start

€ 25.50 / month

Volume incl: **100 GB**

Download speed: 30 Mbps*
1.5 mio lines already get up-to-50 Mbps

Upload speed: 2.5 Mbps
3G: 50 MB
Cloud: 10 GB

+ hotspot access

Internet Comfort

€ 36.95 / month

Volume incl: **150 GB**

Download speed: 30 Mbps*
1.5 mio lines already get up-to-50 Mbps

Upload speed: 3 Mbps
3G: 100 MB
Cloud: 10 GB

+ hotspot access

Internet Maxi

€ 46.20 / month

Volume incl: **Unlimited**

Download speed: 30 Mbps*
1.5 mio lines already get up-to-50 Mbps

Upload speed: 4 Mbps
3G: 250 MB
Cloud: 10 GB

+ unlimited hotspot access

*The indicated speeds of a home connection depend on such factors as the distance between the connection point and the telephone exchange, the computer system and the internal cabling. In order to attain these speeds, a customer must have a VDSL connection.
30 Mbps is the connection speed offered to the majority of new customers. Now, more than 1.2 million households and companies can order a line offering a connection speed of 50 Mbps.



TV

€ 21.5 / month

>70 channels
3 TV

Note:
Belgacom TV only available in pack, not as stand alone service:

Internet Start+TV: € 43.95
Tel+TV: € 35.75

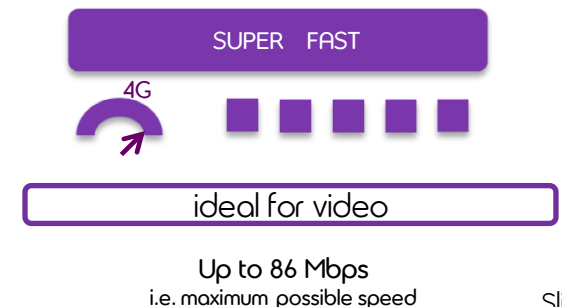
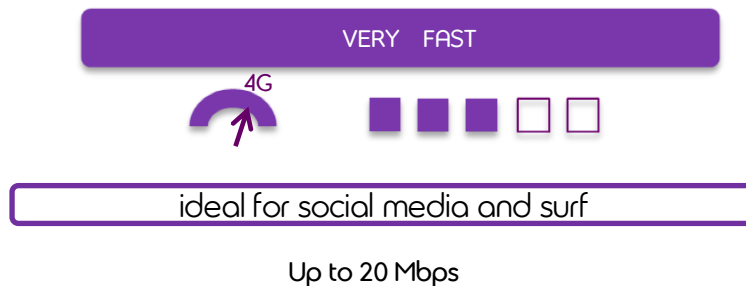
Pricing – Mobile Voice (Postpaid)

For non-Smartphone users

Easy+10	Easy+15	Easy+25	Easy+45
€ 10 / month	€ 15 / month € 10 / month PACK	€ 25 / month € 20 / month PACK	€ 45 / month € 35 / month PACK
20 min + unlimited SMS	150 min + unlimited SMS	240 min unlimited SMS	Unlimited min unlimited SMS
€ 0.25 / min € 0.25 / MMS € 0.85 / MB	€ 0.25 / min € 0.25 / MMS € 0.85 / MB	€ 0.25 / min € 0.25 / MMS € 0.85 / MB	Unlimited min € 0.25 / MMS € 0.85 / MB

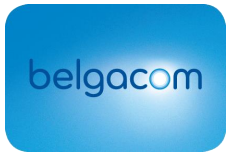
For Smartphone users

Smart+15	Smart+25	Smart+35	Smart+50 New	Smart+65
€ 15 / month € 10 / month PACK	€ 25 / month € 20 / month PACK	€ 35 / month € 30 / month PACK	€ 50 / month € 40 / month PACK	€ 65 / month € 55 / month PACK
120 min + Unlimited SMS +0.5GB incl	180 min + + Unlimited SMS + 1 GB incl	300 min + + Unlimited SMS + 2 GB incl	Unlimited voice + Unlimited SMS + 3 GB incl.	Unlimited voice + Unlimited SMS (also from Europe) 5 GB incl.
€ 0.25 / min € 0.25 / MMS € 0.10 / MB	€ 0.25 / min € 0.25 / MMS € 0.10 / MB	€ 0.25 / min € 0.25 / MMS € 0.10 / MB	Unlimited / min € 0.25 / MMS € 0.10 / MB	Unlimited / min € 0.25 / MMS € 0.10 / MB
4G Proximus included	4G Proximus included	4G Proximus included	4G Proximus included	4G Proximus included

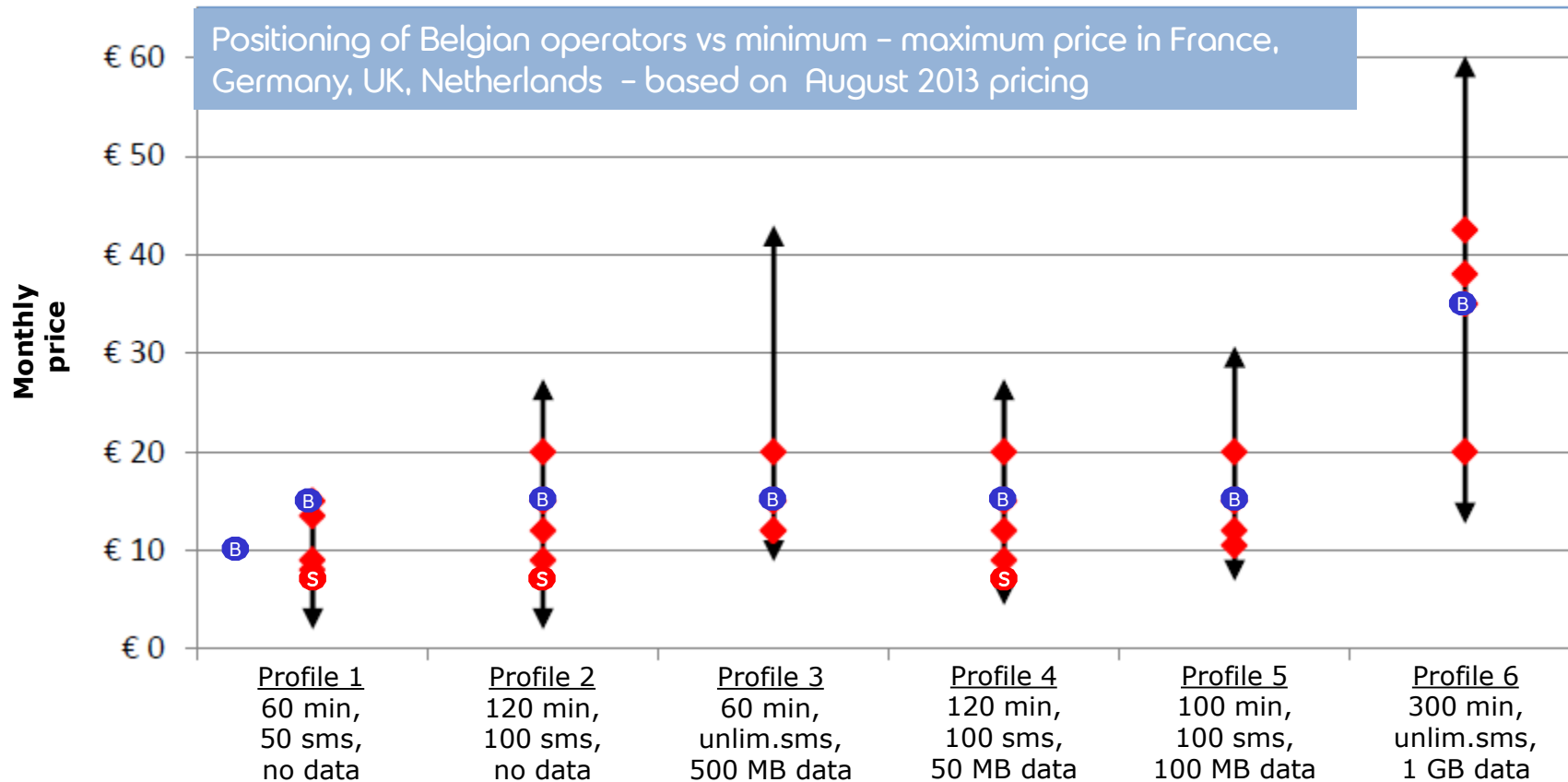


Mobile Postpaid pricing: Belgium vs. neighboring countries

BIPT study August 2013 (pricing changed in meantime)



- ↔ Lowest to highest price offer (BE, NL, FR, UK) for the indicated usage profile
- ◆ Belgian mobile providers (Mobistar, BASE or Telenet)
- ⓑ Belgacom pricing – mobile standalone. Pricing in Pack = €5 lower
- Ⓢ Scarlet pricing (was not taken into account in BIPT study)



Conclusion BIPT – "A Belgian consumer would pay slightly less in France or UK, though difference is minor. Netherlands and Germany are more expensive. Since mid-2012, pricing for Mobile data was lowered significantly in Belgium, improving Belgium's position versus its neighboring countries."

Pricing – Mobile Voice (Prepaid)

belgacom

For non-Smartphone users

Pay & Go Easy

€ 0.27 / min
€ 0.12 / SMS
€ 0.25 / MMS
€ 0.5 / MB

For Smartphone users

Pay & Go Smart

€ 0.50 / min Peak
€ 0.25 / min OffPeak
€ 0.12 / SMS Peak
€ 0.08 / SMS OffPeak
€ 0.25 / MMS
€ 0.5 / MB

New Offer & Concept as from 1 September '13

Pay & Go Max

€ 0.30 / min
€ 0.12 / SMS
€ 0.25 / MMS
€ 0.5 / MB

Reload bonus

For each reload within 31 days, with Pay&Go Easy you get :

- **Bonus 1 (towards fix and Mobile):** € 10 reload= 30min, € 15 reload= 60min, € 25 reload= 90min, € 50 reload= 200 min
OR Bonus 2 (towards fix): € 10 reload=150 min, € 15 reload=600 min, € 25 reload=unlimited min, € 50 reload=unlimited

Reload bonus

For each reload within 31 days, with Pay&Go Smart you get:

- **Bonus € 10 Reload:** unltd. SMS OffPeak + 10 MB Peak: 7 – 16h
- **Bonus € 15 Reload:** unltd. SMS + 150 MB
- **Bonus € 25 Reload:** unltd. SMS + 500 MB

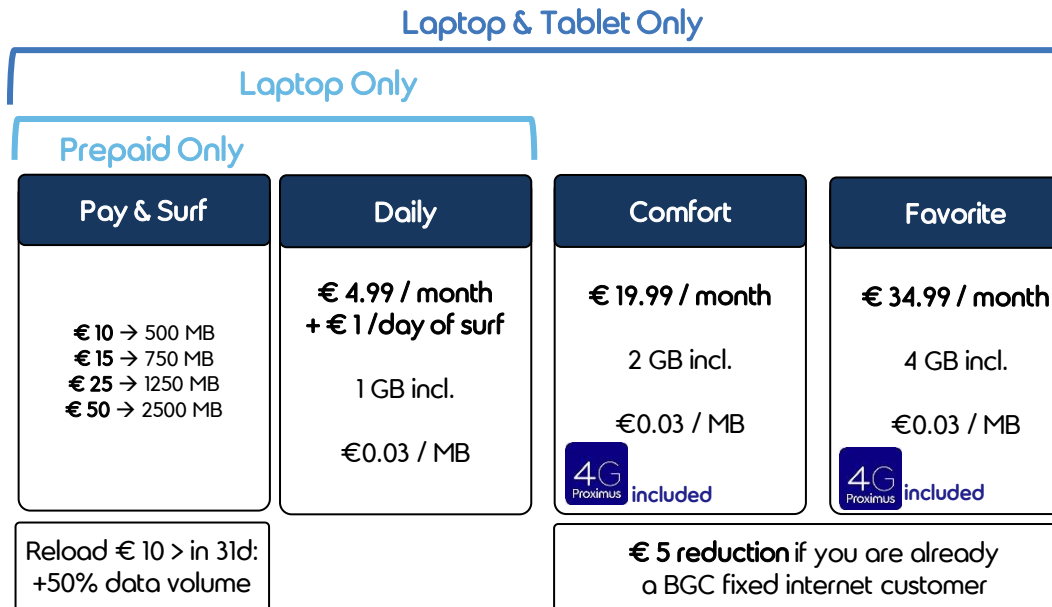
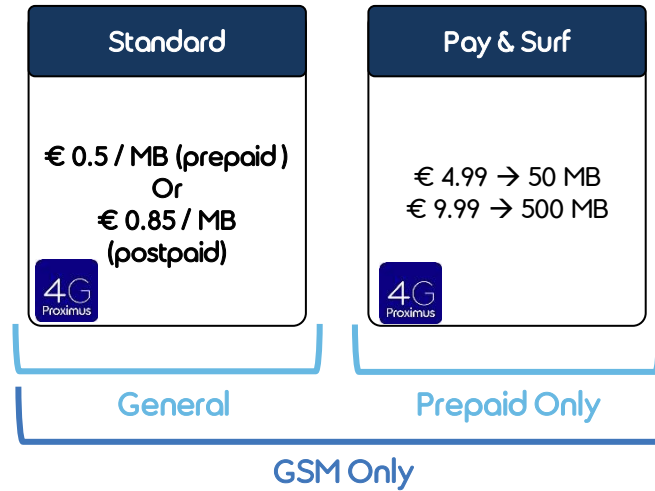
Reload bundles

For Pay&Go Max reload you get:

- **€ 15 Reload:** 90 min + unltd. SMS + 250 MB
- **€ 25 Reload:** 150 min + unltd. SMS + 500 MB
- **€ 50 Reload:** 360 min + unltd. SMS + 2 GB

- ✓ For each reload, you get a bundle and no more credit
- ✓ The bundle has a validity of 31 days
- ✓ Out of bundle usage is possible with additional reloads

Pricing – Mobile Data



Pricing converged PACKS

- examples of possible combinations

TV + Fix

€ 35.75 / month


TV
+
Classic (incl. Happy Time XL)



TV + Internet

€ 53.95 / month


TV
TV Everywhere
+
Internet Comfort
+Unlimited volume
+Unlimited hotspot access
+500 MB + 1 GB (Tv Everywhere) 3G/4G
10 GB cloud



Fix+ Internet

€ 53.95 / month


Classic (incl. Happy Time XL and Happy Time International)
+
Internet Comfort
+Unlimited volume
+Unlimited hotspot access
+500 MB 3G/4G
10 GB cloud



TV + Fix + Internet

€ 62.95 / month


TV
TV Everywhere
+
Classic (incl. Happy Time XL and Happy Time International)
+
Internet Comfort
+Unlimited volume
+Unlimited hotspot access
+500 MB + 1 GB (Tv Everywhere) 3G/4G
10 GB cloud



TV + Mobile + Internet

€ 63.95 / month


TV
TV Everywhere
+
Smart+/Easy+ 15
+
Internet Comfort
+Unlimited volume
+Unlimited hotspot access
+500 MB + 1 GB (Tv Everywhere) 3G/4G
10 GB cloud



TV + Fix + Mobile + Internet

€ 72.95 / month

TV
TV Everywhere
+
Classic (incl. Happy Time XL and Happy Time International)
+
Smart+/Easy+ 15
+
Internet Comfort
+Unlimited volume
+Unlimited hotspot access
+500 MB + 1 GB (Tv Everywhere) 3G/4G
10 GB cloud



At least € 5/month discount for each Proximus subscription (as of € 15 /month) added to your Pack (maximum of 6 Proximus subscriptions per pack)

Scarlet pricing

Positioning Scarlet as no frills brand, with very attractive pricing for 'price seekers'



scarlet postpaid 🖐️



€ 8	€ 18	€ 28
125 min + 250 SMS +50 MB incl	500 min + 500 SMS +250 MB incl	1000min + 1000 SMS +500 MB incl
€ 0.16 / min € 0.09 / SMS € 0.20 / MMS € 0.15 / MB	€ 0.16 / min € 0.09 / SMS € 0.20 / MMS € 0.15 / MB	€ 0.16 / min € 0.09 / SMS € 0.20 / MMS € 0.15 / MB

scarlet Trio 🖐️



TV + Fix + Internet
€ 39 / month TV: ~30 channels + Fixed Voice line: Free calls to fix Off Peak + Internet: Unlimited volume Down 30 Mbps Up 2.5 Mbps

Regulation

Overview financial impact

Regulation impacts (Decrease in EUR million)		Outlook	Estimated impact
		FY 2014	Q1 2014
MTR	Revenue	~ € 10m	€ 3m
	EBITDA	~ € 5m	€ 1m
Roaming (i.e. Voice, SMS and Data)	Revenue	~ € 25m	€ 5m
	EBITDA	~ € 25m	€ 5m
Total	Revenue	~ € 35m	€ 8m
	EBITDA	~ € 30m	€ 7m

- Over the **first quarter of 2014**, Belgacom's revenues were negatively impacted for a total amount of € 8 million by regulation measures. On the EBITDA level, this came down to an impact of € 7 million.
- For the **full year 2014**, the estimated total impact of regulatory measures on revenues is expected to be € -35 million. This would result in an EBITDA impact of € -30 million.

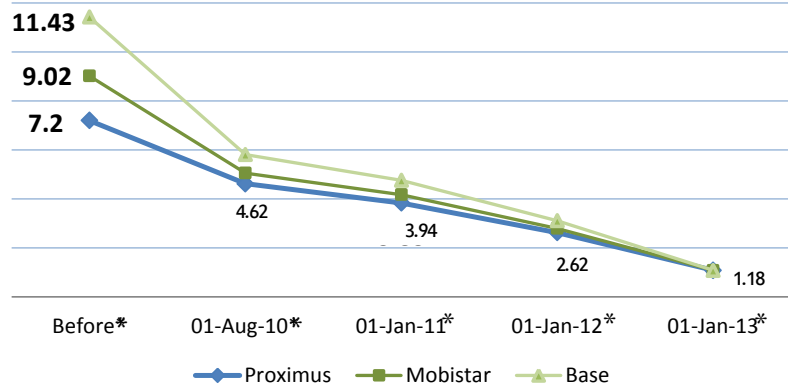
Regulation – MTR

- Luxembourg – Regulator implements symmetrical MTR at 0.98 €cts, down from 8.2 €cts

- On 16 January 2014, the Luxembourg regulator, ILR, published its final decision concerning its review of the MTR market analysis. The three mobile operators (EPT, Tango and Orange) are submitted a.o to an obligation of cost orientation for their MTR. ILR intends to define the MTR on basis of a pure bottom-up long run incremental cost (LRIC) cost model. Until the finalisation of this model, ILR sets symmetrical MTR at 0.98 €ct/min (based on a benchmarking) as from 1 February. MTR were previously at 8.2 €ct for EPT and Tango and 10.5 eurocents for Orange. Tango has decided to appeal the decision.
- The estimated impact on TANGO (reported in CBU) for 2014 is: € -10 m revenue, € -5m EBITDA

- Belgium

MTR-Glidepath in €ct



*excl VAT, including inflation

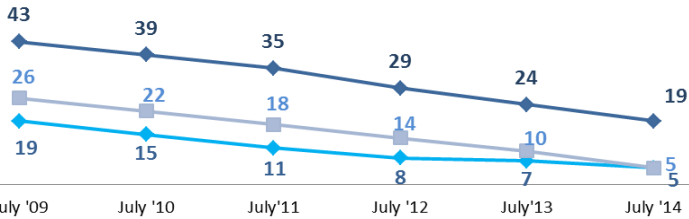
- In Belgium, the last MTR-cut was applied on 1 January 2013
- BIPT is developing a new cost model to set MTR for period '14-'17

Regulation – Roaming

Mobile voice and data-roaming: EU Roaming III Regulation regulation

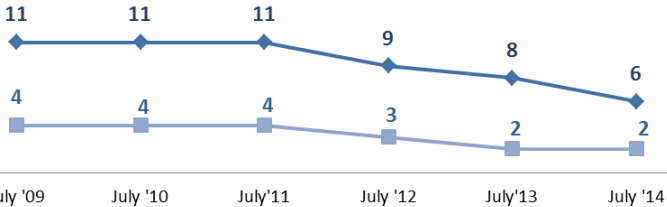
Voice Roaming (€ct per minute)

◆ Retail Outgoing ◆ Retail Incoming ■ Wholesale Outgoing



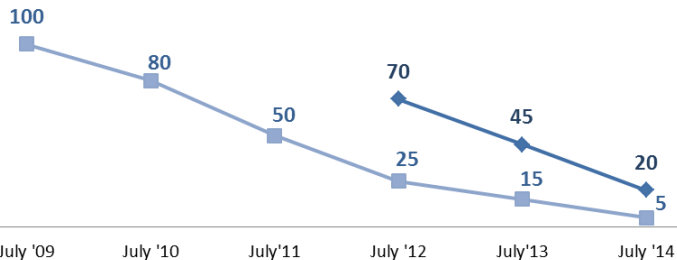
SMS Roaming (€ct per sms)

◆ Retail ■ Wholesale



Data Roaming (€ct per Mb)

◆ Retail ■ Wholesale



- Roaming III Regulation entered into force on 1 July 2012.
 - This regulation covers a ten-year period until 30 June 2022.
 - It imposed a further lowering of the existing regulated price caps, and extended the roaming regulation to retail data as from July 2012. It also imposed transparency measure to avoid bill shocks and has extended the transparency measures to roaming outside EU since July 2012.
 - Roaming III Regulation also foresees structural measures
 - Wholesale roaming access (1 July 2012)
 - Decoupling, i.e. separate selling of roaming services from domestic mobile services (1 July 2014)
 - Draft Strategic review of EU telecom regulation proposes to impose additional measures to abolish roaming in the coming years (European Parliament proposes abolition as from 15 Dec. 2015) . Adoption of the package not expected before end 2014
- Actual impact on Q1 2014 financials:
- Revenue: ~ € -5m
 - EBITDA: ~ € -5m
- Estimated impact on FY 14 financials:
- Revenue: ~ € -25m
 - EBITDA: ~ € -25m

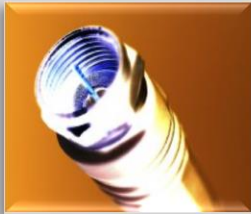
Decision to open-up the Belgian Cable Network

On 18 July 2011, the Belgian regulators published their final decision on broadband & broadcast regulation:



- On the broadcast Market
Each cable operator has 'Significant Market Power' (SMP) in its area and is submitted to the following obligations:
 - resell analog TV
 - open up Digital TV platform
 - resell broadband

-> Belgacom can only obtain access to analogue TV



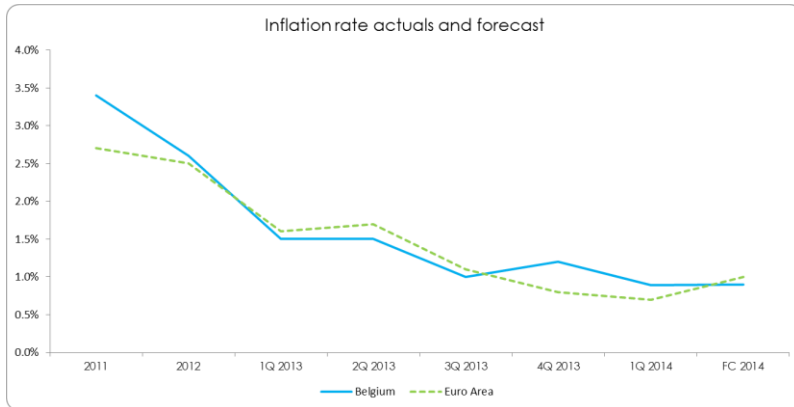
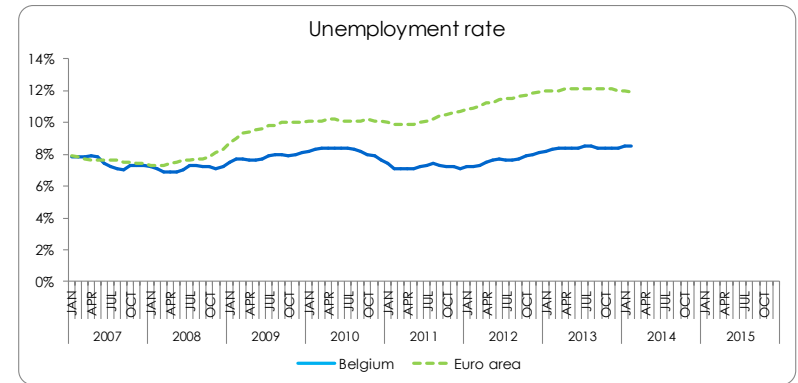
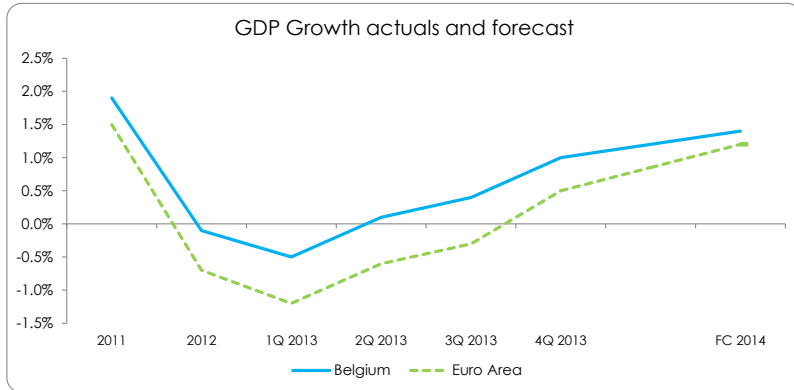
- On the broadband Market
Based on this decision, Belgacom is sole SMP (cable not included) and has to provide:
 - bitstream access for television (multicast) - Belgacom reference offer approved by BIPT on 4 Oct. 2012 - pricing decision still pending. Multicast implemented since April 2013
 - VDSL2 prices based on strict cost orientationThe BIPT maintains a strong focus on operational excellence for wholesale services

Implementation of cable regulation:

- Cable reference offers: published on 29 October 2013
- Wholesale prices for access to cable networks: decisions published on 12 December 2013 (retail minus 20 to 30% depending on the case)
- Six-month implementation period has started with the request made by Mobistar to Telenet and Tecteo on 17 January 2014
- BGC has decided not to resale analogue TV (old technology & opening too late). Belgacom has requested a fundamental revision of the market analysis and a full level playing field

Macro economic environment

Belgium & Euro area – prospects



Belgium:
 Budget deficit
 2.6% end '13
 2013 Gross public Debt
 101.5% of GDP

Source: National Bank, 17/04/2014

- 1 GDP – percentage change on preceding year
- 2 Number of unemployed as a percentage of total labour force
- 3 Index of consumer prices – percentage change on preceding year

For further information:

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