



> interim
report

Q1

2010

belgacom

Key figures

Income Statement (EUR million)	Three months ended 31 March	
	2009	2010
Total revenue before non-recurring items	1,492	1,641
Non-recurring revenue	0	436
Total revenue	1,492	2,077
EBITDA (1) before non-recurring items	492	495
EBITDA (1)	492	931
Depreciation and amortization	-174	-194
Operating income (EBIT)	318	737
Net finance costs	-37	-28
Income before taxes	281	709
Tax expense	-69	-68
Non-controlling interests	0	2
Net income (Group share)	212	638

Cash flows and Capital Expenditures (EUR million)	Three months ended 31 March	
	2009	2010
Cash flows from operating activities	426	457
Capital expenditures	-135	-154
Cash flows from / (used in) other investing activities	-3	60
Free cash flow (2)	288	363
Cash flows used in financing activities	-44	-56
Net increase / (decrease) of cash and cash equivalents	244	307

Balance sheet (EUR million)	As of 31 March	
	2009	2010
Balance sheet total	8,004	8,670
Non-current assets	5,515	6,180
Investments, cash and cash equivalents	862	704
Shareholders' equity	2,484	3,164
Non-controlling interests	5	227
Liabilities for pensions, other post-employment benefits and termination benefits	752	654
Net financial position	-1,572	-1,374

Data per share	Three months ended 31 March	
	2009	2010
Basic earnings per share (EUR)	0.66	1.99
Diluted earnings per share (EUR)	0.66	1.99
Weighted average number of ordinary shares	320,337,034	320,688,352

Data on employees	Three months ended 31 March	
	2009	2010
Number of employees (full-time equivalents)	16,999	16,351
Average number of employees over the period	17,011	16,339
Total revenue per employee (EUR)	87,703	127,108
EBITDA (1) per employee (EUR)	28,928	56,995

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

(2) Cash flow before financing activities.

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

The Belgacom Management Committee is represented by Didier Bellens, President and CEO, Scott Alcott, Executive Vice-President Service Delivery Engine & Wholesale, Michel De Coster, Executive Vice-President Enterprise, Astrid De Lathauwer, Executive Vice-President Human Resources, Ray Stewart, Executive Vice-President Finance and CFO, Grégoire Dallemagne, Executive Vice-President Strategy and Michel Georgis, Executive Vice-President Consumer.

Highlights

- *First quarter result in line with guidance*
 - *Solid revenue growth, driven by Belgacom International Carrier Services*
 - *Belgacom TV passed 800,000 customers milestone*
 - *Over 650,000 customers enjoy advantages of bundled offers*
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- Solid revenue growth in first quarter 2010 driven by full-consolidation of BICS. Group revenue grew 10% year-over-year to EUR 1,641 million, excluding the non-recurring capital gain of EUR 436 million.
 - On a comparable basis, the Group revenue slightly exceeds the first quarter of 2009 thanks to the strong upward trend of Belgacom TV revenue and the solid contribution of both fixed and mobile Internet.
 - Belgacom TV passes the 800,000 customer milestone, increasing its customer base almost 50% year-over-year and growing its market share in all cable zones. In the first quarter, an additional 62,000 TV-viewers chose the Belgacom TV-platform.
 - Continued successful uptake of bundled offers. An additional 92,000 Packs were sold in the first quarter. By end of March, a total of 653,000 Belgacom customers enjoyed the advantages of one of our Packs.
 - The Group EBITDA slightly increased by 0.7% to EUR 495 million, including the full-consolidation of BICS. The growing share of BICS revenue diluted the EBITDA margin to 30.2%. On a like-for-like basis, the EBITDA margin was 32.4%.
 - Non-HR expenses supported by strong focus on company-wide cost reduction. Strict cost control will be continued for the remainder of the year to preserve margins.
 - Investments amounted to EUR 154 million in first quarter 2010, or 9.4% of Group revenue.
 - Continued sound financial position with:
 - Free cash flow of EUR 363 million
 - Net debt level decreased to EUR 1,374 million

Comment by the CEO

“We are pleased to end the first quarter of the year with a solid revenue of EUR 1,641 million. This year-over-year growth of 10% is chiefly attributable to the full consolidation of the International Carrier business unit (BICS) and the contribution of MTN ICS. Excluding this impact, the turnover on a comparable basis was good as well, with our Group revenues slightly exceeding last year’s result. We achieved this thanks to a continued strong revenue growth from our Interactive Digital TV product and the substantial earnings from Fixed and Mobile data.

EBU, the segment servicing our professional customers, saw its topline being pressured by the weak economy, but this trend did not accelerate. ICT, the domain which showed clearly exposure to the crisis last year, is even seeing its first quarter revenue growing year-over-year. We believe, however, that the recovery is still fragile and hence it is too soon to draw any conclusions on a trend reversal.

From an operational perspective, we see the success of our multi-play products continued. Over the first quarter, an additional 92,000 customers subscribed to one of our convergent Packs, increasing the total number of customers enjoying the advantages of our Packs to 653,000. Especially our unique market positioning with “Free TV” is a success beyond our expectations. Over the first three months of 2010, an additional 62,000 customers swapped their cable connection for Belgacom TV. By end of March, i.e. less than five years after entering the Digital TV market, we passed the 800,000 customer milestone. This means that compared to one year ago we have grown our TV customer base by almost 50%, and, despite the fierce competition, have increased our market share in all cable zones.

We operate in a market which is still suffering from a subdued economic climate. At the same time, the competitive landscape is gradually changing, with competitors increasingly adopting a convergence strategy as well. But competition keeps us sharp and we have moved in the right direction by simplifying our product offering and making use of our advanced VDSL network, covering more than 74% of the Belgian population. As from March, our customers can enjoy a completely revamped Internet portfolio: Internet Start, Comfort, Favorite & Intense. To meet our customers’ needs even more effectively, this new Internet offer includes more speed – up- and downstream – and more

volume. We were also the first in the Belgian market to launch unlimited surfing via our high-end Internet offer. This new offer fits within our strategy to improve our competitive position against cable companies.

On the mobile side, we continue to focus on high value customers and we adapt to our customers' needs, becoming more and more mobile. In this area we are clearly benefitting from our high quality 3G-network to attract mobile internet customers, giving us a strong position in this market. In this domain convergence proves to be successful as well, with an important part of our Mobile data customers opting for our converged product "Internet One".

The mobile customer growth within our consumer segment, however, showed some weakness in the first quarter. This is primarily due to the rather volatile MVNO customer base, whose negative customer growth in the first quarter is mainly linked to the cancellation of unused cards. In addition, competition is becoming more intense in the already highly penetrated Belgian mobile market. However, the number of new mobile customers acquired by our professional segment remained stable.

For the remainder of the year, we will continue to focus on two main areas: Customer satisfaction and overall cost control.

The cost control is to preserve our margin within a changing revenue mix. In the first quarter we see the contribution of BICS growing to 23% of our Group turnover, impacting the Group margin of 30.2%. The first quarter revenue however was strong, and based on our current best estimate for the remainder of the year, we expect to end the full-year with a Group revenue growth in the upper-end of the guided range of 8% to 9%. Although, while we expect our topline to solidly grow, it is clear that the nature of this growth and the competitive pressure is challenging our full-year Group EBITDA margin. Even so, we will continue to focus for the remainder of the year in order to meet our full-year EBITDA margin guidance.

Capex levels for 2010 will be around 10% of the Group revenue.

Our other top priority for 2010, "Customer satisfaction", entails the implementation of structural changes to enhance the end-to-end customer experience and improve our reputation.

In the meantime, we also want to maintain a leading position in innovation. Belgacom was the first to introduce Interactive Digital Television in Belgium, and we have now, as partner of Belgian football, announced a first 3D live transmission of a football match early May. We also innovate in the e-health domain. With the launch of "Recip-e" in close cooperation with professional players in the health sector, we are demonstrating our leading role as an ICT player in the Belgian e-health market. Within the ICT domain, we are reinforcing our offer for the SME market as well. Through a network of ICT partners, we will be able to answer the very specific IT-needs of the SME customer segment."

Didier Bellens, CEO Belgacom

Reporting changes

Note that some changes in the reporting structure have an important impact on the results as of 1 January 2010. Consequently, the year-over-year comparisons in the tables of this press release do not always reflect the real business trend.

The first-quarter results include the changes as described below. Where relevant, the impact of the changes has been explained in the result analysis further in this press release. To provide you with a more relevant year-over-year evolution, references are made to restated results. Note however that the 2009 restated result is unaudited.

1- BICS consolidated at 100%, including MTN ICS

On 30 November 2009, MTN contributed its international carrier services to BICS in exchange for a 20% stake in BICS. As a result, Belgacom's interest in BICS was diluted from 72% to 57.6% while Swisscom now owns 22.4%.

Until year-end 2009, BICS was jointly controlled by Belgacom, Swisscom and MTN and therefore proportionally consolidated.

On 1 January 2010 Belgacom acquired control of BICS. As a result of this and in application of the revised IFRS 3, BICS is fully consolidated as from 1 January 2010, with the recognition of a non-recurring gain of EUR 436 million. A purchase price allocation leads to increased intangible assets for EUR 484 million and to a deferred tax liability for EUR 164 million. Goodwill increases by EUR 252 million and the non-controlling interests on BICS will amount to EUR 218 million.

The Group net income is corrected via the minority interests.

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

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

Although the impact on Belgacom Group level is neutral, it results in some shifts between segments, especially impacting segment revenue from mobile voice and mobile data. The reason for this is the disappearance of the intercompany flows between the merged legal entities. The intercompany flow impacted the most is the Fixed-to-Mobile interconnection traffic (Belgacom SA to Proximus). Before the merger Belgacom SA paid mobile termination costs to Belgacom Mobile SA (Proximus) to terminate fixed calls on the Proximus network. The same applies to Mobile-to-Fixed interconnection traffic, although the impact is much less.

Before the approval of the EGM on 4 January, Belgacom SA and Belgacom Mobile were separate legal entities, and therefore these interconnection traffic streams resulted in the recognition of revenue and sales-related costs. On a Belgacom Group level, these flows were eliminated via "inter-segment eliminations".

3- Fine-tuning of revenue and cost allocations

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

Financial report

Belgacom Group

- Solid Group revenue: +10% yoy; while flat on comparable basis
- HR-expenses down in first quarter; cost control persevered
- Changing revenue mix puts pressure on margin
- FCF up to EUR 363 million

✓ [Quarterly financials on group and segment level: page 19](#)

Revenue

	Three months ended 31 March				Variance 2010/2009
	2009		2010		
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	591	40%	590	36%	-0.1%
Enterprise Business Unit	640	43%	615	37%	-3.9%
Service Delivery Engine & Wholesale	98	7%	94	6%	-3.9%
Staff & Support	7	0%	10	1%	57.0%
International Carrier Services	217	15%	378	23%	74.5%
Inter-segment eliminations	-61	-4%	-47	-3%	-23.0%
Total	1,492	100%	1,641	100%	10.0%
Non-recurring revenue	0		436		
Total	1,492		2,077		39.2%

For the first quarter 2010, Belgacom reports a solid Group revenue¹ of EUR 1,641 million or a 10% increase compared to the same period last year. This includes the positive effect of the full consolidation of BICS as of 1 January 2010 and the contribution of MTN ICS.

A proportional consolidation of BICS at 57.6% results in a Group revenue slightly above the first quarter revenue of last year. The growing revenue from Belgacom TV, Fixed and Mobile data fully offsets the lower revenue from fixed and mobile voice.

Note that the year-over-year revenue variance of the business units is impacted by the merger of legal entities. Revenue generated between former legal entities is no longer included as of the first quarter 2010, per definition reducing the segment revenue. This has however no impact on the Group level.

As a result of the acquisition of control of BICS on 1 January 2010 and in application of the revised IFRS 3, the Group's previously held interest in BICS was re-measured to fair value, which led to the recognition of a non-recurring gain of EUR 436 million.

Operating expenses before depreciation and amortization

(EUR million)	Three months ended 31 March		
	2009	2010	Variance 2010/2009
Costs of materials and charges to revenue	511	662	29.4%
Personnel expenses and pensions	281	274	-2.6%
Other operating expenses	207	210	1.3%
Total	1,000	1,146	14.6%

The full-consolidation of BICS as of January 2010 affected each of the three costs lines. Since the international carrier service is a typical lower margin business, the additional BICS revenue has also caused a significant rise in the **sales-related costs** (+29.4%). On a comparable basis however, the sales-related costs of the Belgacom Group increased by 4.6% year-over-year, mainly driven by CBU due to the changing product and channel mix, higher interconnection costs and Scarlet migration costs.

The **Personnel expenses** over the first three months of 2010 were 2.6% lower compared to the same period of 2009, in spite of the cost contribution of the enlarged BICS. This favourable evolution is the result of the headcount decrease, mainly related to the ongoing 'Tutorship' restructuring program. The full impact of this program for 2010 falls within the first quarter.

By end of March 2010, the Belgacom Group counted 16,351 FTEs, which is 648 FTEs less than one year ago. Compared to year-end 2009, the number of FTEs decreased by 453. This is the net result of 556 FTEs leaving through

¹ Excluding non-recurring revenue

the restructuring program, a natural attrition of 73 FTEs, while the full-consolidation of BICS increased the headcount by 176 FTEs.

Number of FTE	March 2009	End 2009	March 2010	12 months variance	3 months variance
Consumer Business Unit	5,830	5,718	5,285	-544	-433
Enterprise Business Unit	5,484	5,328	5,204	-280	-124
Service Delivery Engine & Wholesale	3,260	3,303	3,363	103	60
Staff & Support	2,193	2,230	2,098	-94	-132
International Carrier Services	232	225	401	169	176
Total	16,999	16,804	16,351	-648	-453

The small increase in **non-HR expenses** by 1.3% compared to the first quarter of 2009, is entirely due to the full-consolidation of BICS. On an adjusted basis the Group non-HR expenses are slightly down thanks to the ongoing company-wide focus on cost-efficiencies.

Operating income before depreciation and amortization (EBITDA)

	Three months ended 31 March				Variance 2010/2009
	2009		2010		
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	268	55%	264	53%	-1.5%
Enterprise Business Unit	306	62%	306	62%	-0.1%
Service Delivery Engine & Wholesale	-16	-3%	-23	-5%	39.6%
Staff & Support	-84	-17%	-80	-16%	5.7%
International Carrier Services	19	4%	28	6%	49.2%
Inter-segment eliminations	0	-0%	0	-0%	-
Total	492	100%	495	100%	0.7%
Non-recurring revenue	0		436		
Total	492		931		89.2%

The Group EBITDA slightly increased by 0.7% to EUR 495 million. The EBITDA margin however was impacted by the changed revenue mix, with the contribution of BICS (at lower margin) becoming more important in the total of the Group. The EBITDA margin for the first quarter 2010 was 30.2% whereas this was 33% for the same period of 2009. On an adjusted basis, the first quarter 2010 EBITDA margin is 32.4%.

Depreciation and amortization

Depreciation and amortization increased from EUR 174 million in 2009 to EUR 194 million for 2010, mainly driven by ICS and SDE&W. The increase for ICS results on the one hand from the contribution of MTN-ICS in November 2009 and on the other hand from the acquisition of control of BICS on 1 January, leading to the full consolidation of BICS, and to the recognition of previously unrecognized intangible assets of BICS (trade-name and customer-base) as a result of the purchase price allocation.

The increase for SDE&W is mainly due to the shortened useful life of the currently used Mobile Radio Access Network as this will be gradually replaced by Huawei equipment, starting in 2010, within the previously announced framework agreement.

Net finance result

The year-over-year variance in the net finance result, going from EUR -37 million in 2009 to EUR -28 million in 2010, resulted mainly from the repayment in November 2009 of a EUR 300 million long-term bond and lower negative re-measurements to fair value.

Tax expense

The first quarter 2010 tax expense of EUR 68 million is at a similar level as for the same period last year. However, the realised non-taxable capital gain of EUR 436 million by acquiring control of BICS on 1 January 2010 results in a **9.6% effective tax rate**, whereas this was 24.5% in 2009. Excluding the capital gain, the effective tax rate of the first quarter 2010 is 25.01%, based on the application of general principles of Belgian tax law.

Net income (Group Share)

The Group net income increased year-over-year from EUR 212 million to **EUR 638 million** by end of March 2010, as a result of the EUR 436 million capital gain generated by the acquisition of control in BICS on 1 January 2010. Excluding the capital gain, the Group net income amounted to EUR 202 million, a slight decrease compared to 2009 mainly due to the year-over-year increase of the depreciation and amortization.

Capital expenditure (Capex)

(EUR million)	Three months ended 31 March				Variance 2010/2009
	2009		2010		
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	26	19%	49	32%	86.4%
Enterprise Business Unit	6	4%	2	2%	-56.1%
Service Delivery Engine & Wholesale	98	73%	96	62%	-2.7%
Staff & Support	3	2%	5	3%	80.3%
International Carrier Services	2	2%	2	1%	-18.7%
Total	135	100%	154	100%	13.6%

In the first quarter 2010 Belgacom invested a total of EUR 154 million, or 9.4% of the Group revenue. The increase compared to the same period of 2009, is mainly a timing difference and linked to the renewal of licenses for Belgacom TV within the CBU segment.

Cash flows

(EUR million)	Three months ended 31 March	
	2009	2010
Cash flows from operating activities	426	457
Capital expenditures	-135	-154
Cash flows from / (used in) other investing activities	-3	60
Cash flow before financing activities or "free cash flow"	288	363
Cash flows used in financing activities	-44	-56
Net increase / (decrease) of cash and cash equivalents	244	307

The **cash flow from operating activities** increased from EUR 426 million in 2009 to EUR 457 million in 2010, mainly due to a favourable evolution of the working capital.

Capital expenditures increased from EUR 135 million in 2009 to EUR 154 million in 2010.

The **cash flows from other investing activities** increased year-over-year by EUR 63 million, mainly as a consequence of the full-consolidation of BICS in Belgacom Group financial statements.

As a consequence, the **free cash flow** increased 26% to EUR 363 million in the first quarter of 2010.

The **cash flow used in financing activities** increased by EUR 12 million compared to the first quarter of 2009, mainly explained by higher reimbursements in 2010 of short-term debts and by the payment to the non-controlling interests of their share in BICS' capital reduction of 2009. These two impacts were partially offset by a decrease in the dividends paid during the first three months of the year and by higher sales of investments and treasury shares.

Balance sheet and shareholders' equity

Compared to year-end 2009, the **goodwill** increased by EUR 252 million to EUR 2,340 million as a result of the acquisition of control in BICS and the subsequent purchase price allocation performed by the Group. **Intangible fixed assets and property, plant and equipment** increased by EUR 533 million in 2010 compared to year-end 2009, mainly as a consequence of the purchase price allocation, the re-measurement to fair value of BICS net assets and the move from a proportional to a full-consolidation of BICS.

The **shareholders' equity** increased from EUR 2,521 million at year-end 2009 to EUR 3,164 million in March 2010, mainly reflecting the net income generated during the first quarter of 2010.

Belgacom continues to have a sound financial position. **The net financial debt** decreased by EUR 342 million for the first quarter of 2010 to EUR 1,374 million. The outstanding financial debt amounted to EUR 2.2 billion at the same date, most of it maturing in 2011 and 2016.

Regulation

For the full year, Belgacom estimates that its 2010 results will be impacted by:

MTR

On 1 February 2010, the Belgian regulator (BIPT) announced its draft decision on the 2010-2013 MTR glide path. The draft proposal foresees mid-2010 a decrease for all three mobile operators in Belgium. For Belgacom the MTR will be lowered from EUR 0.072¹ currently to EUR 0.0445, or a decrease of 38%, while for Mobistar the MTR is foreseen to decrease by 46% and for Base by 51%. As the proposed decrease for the other two mobile players is more important than for Proximus, there will be a reduction in the asymmetry. As of mid-2010, the asymmetry with Mobistar will be at 9% (coming from 25%) and with Base at 26% (coming from 59%).

The **EBITDA impact** of the proposed MTR-cut in 2010 is estimated to be **less than EUR 10 million** for 2010, whereas **the total revenue impact is estimated at about EUR 50 million**. These estimates include both the direct impact from lower MTRs as well as the flow-through to Fixed-to-Mobile tariffs.

We are awaiting the final decision which is expected by mid June 2010.

Roaming

The updated regulation on voice roaming (Roaming II) was formally adopted by the EU Council of Ministers on 8 June 2009. The voice roaming rates will therefore further decrease as of 1 July 2010: Retail Outgoing from EUR 0.43 to EUR 0.39; Retail Incoming from EUR 0.19 to EUR 0.15 and Wholesale Outgoing from EUR 0.26 to EUR 0.22.

Data roaming services are regulated at wholesale level based on a price cap, calculated on a kilobyte basis. On 1 July 2010, the data roaming prices will go down from EUR 1 per Mb to EUR 0.8 per Mb.

As a consequence of the voice and data roaming price regulation, **the revenue is expected to decrease by EUR 25 million, with about the same impact on EBITDA.**

Premium Rate Services

As from 1 April 2010, Belgacom moved, where appropriate, towards a collecting model for Premium Rate Services where Belgacom collects from customers on behalf of a third-party content provider. This is a consequence of the final circular issued end-2009 by the Ministry of Finance concerning the application of VAT on Premium Rate Services and Tax on Chance Games. As a result, the relevant revenues can no longer be considered as full Belgacom revenues.

This collecting model, together with the imposed alignment of Mobile tariffs with Fix tariffs for Premium services, is expected to **decrease the Group revenues by about EUR 45 million, without impacting the Group EBITDA.**

Legal – 2G license

A law amendment published on 25 March 2010 imposes mobile operators to pay for the tacit extension of 2G licenses. Due amounts are equal to the original 2G license fees proportionate to the spectrum quantity and duration. Operators can choose between a one-time upfront payment or recurrent annual payments. Belgacom maintains its standpoint that the tacit extension of its 2G license (as confirmed by a decision of the Court of Appeal of 20 July 2009) does not imply payment. Belgacom therefore intends to file an appeal. In the meantime, it will comply with the payment obligations with all due reserves and opt for annual payments.

¹ Including inflation.

Consumer Business Unit - CBU

- Reported revenue flat, +2% on a comparable basis¹
- Continued growth for TV and Data revenue
- Cost focus resulting in lower personnel & non-HR costs
- 800,000 milestone passed for TV customers; total of 653,000 Packs

P&L Consumer Business Unit

(EUR million)	Three months ended 31 March		
	2009	2010	Variance 2010/2009
TOTAL SEGMENT REVENUE	591	590	-0.1%
Costs of materials and charges to revenue	-166	-180	8.3%
Personnel expenses and pensions	-89	-81	-8.4%
Other operating expenses	-68	-65	-4.7%
TOTAL OPERATING EXPENSES before depreciation & amortization	-323	-326	1.0%
TOTAL SEGMENT RESULT (1)	268	264	-1.5%
<i>Segment contribution margin</i>	<i>45%</i>	<i>45%</i>	
OPERATING INCOME before depreciation & amortization	268	264	-1.5%
Depreciation and amortization	-34	-37	5.9%
OPERATING INCOME	234	228	-2.6%

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

✓ [CBU quarterly financial and operational results: page 19](#)

CBU revenue flat – excluding impact from legal entity merger revenue growing ~2%

CBU's reported first quarter revenue of EUR 590 million was flat compared to the same period of 2009. When adjusting 2009 revenues for the intercompany flows, CBU revenue grew 2% year-over-year. Growth was mainly driven by the strong performance of Belgacom TV and increasing fixed and mobile data revenues.

As most of the regulation impact for 2010 is expected in the coming quarters, the first three months of 2010 were just slightly impacted by the voice and data roaming regulation.

(EUR million)	Three months ended 31 March			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
Revenues	591	590	-1	-0,1%
From Fixed	290	291	1	0,2%
Voice	144	133	-12	-8,0%
Data	79	85	6	7,8%
TV	29	44	14	49,2%
Terminals (excl. TV)	13	8	-4	-32,4%
Scarlet	25	21	-4	-16,6%
From Mobile	278	279	1	0,5%
Voice	170	161	-9	-5,4%
Data	71	80	9	12,8%
Terminals	14	15	1	5,1%
Tango	23	24	1	3,8%
Other	24	21	-3	-12,4%

Fixed voice revenue pressured by line loss and discounts of Packs

With EUR 133 million, the first-quarter fixed voice revenue declined 8% year-over-year. The main drivers remained the year-over-year line loss, the discount on Packs and the success of flat-rate plans such as Together. In the first quarter, CBU lost 33,000 lines or an improvement compared to -43,000 a year ago. The first-quarter line loss is typically somewhat higher than previous quarters due to a seasonality effect. As from the first-quarter 2010, Scarlet VoIP customers are included in the total fixed customer base of 2,029,000 customers.

Compared to the first quarter of 2009, the fixed voice ARPU of EUR 21.2 slightly declined, driven by the discounts on Packs and the flat-rate offers.

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

Fixed data revenue +7.8%, driven by growing customer base

Year-over-year fixed data revenue rose 7.8% to EUR 85 million. This is fully driven by the increased customer base. Compared to a year ago, CBU gained 49,000 new Internet customers of which 16,000 in the first three months of 2010, mainly driven by the success of Packs. As from the first quarter 2010, Scarlet too contributed to the customer growth. Compared to the same period of 2009, the first-quarter 2010 ARPU of EUR 28.7 remained fairly stable.

Belgacom TV revenue up 49.2%; passing the milestone of 800,000 customers

Belgacom TV revenue continued its strong upward trend with revenue growing 49.2% year-over-year to EUR 44 million. In the first three months, Belgacom added 62,000 new customers resulting in a total customer base of 814,000 customers of which 100,000 second stream users. The success of the Packs and the “Free TV”-pack in particular continues to be the main driver for revenue and customer growth. Scarlet also positively contributed to revenue and customer growth. The TV ARPU of EUR 20.7 increased 1.5% year-over-year due to customers switching to the Comfort offer including high-definition.

Scarlet revenue impacted by migration of customers to Belgacom

The year-over-year revenue evolution is almost fully linked to the transfer of Scarlet B2B and wholesale customers to Belgacom.

Mobile voice revenue impacted by legal entity merger – adjusted revenue decline of 1.5%

For the first quarter 2010, the reported mobile voice revenue of EUR 161 million was 5.4% lower than the same period of 2009. This decline mainly results from the elimination of the intercompany revenues following the legal entity merger. When adjusting 2009 revenues for intercompany revenues, the revenue decline would be limited to 1.5%, driven by customers optimizing their mobile spending.

The eliminated intercompany flow relates to the Fixed-to-Mobile traffic and impacts CBU mobile inbound voice revenues. For calls from Belgacom to Proximus, Belgacom paid mobile termination rates to Proximus to terminate fixed calls on the mobile network. Since these revenue streams were between two different legal entities, the revenue was included in CBU.

As a consequence, Mobile ARPU has been impacted as well. On an adjusted base, the ARPU declined 2.5% year-over-year due to discounts, while the year-over-year paying MoU increased 1%.

In the first quarter of 2010, CBU lost 85,000 mobile customers. This is largely driven by a loss of 64,000 MVNO customers as cards are mainly used as calling cards leading to high churn rates. In addition, the growth in postpaid customers (8,000) did not compensate for the decline in prepaid customers (29,000).

Mobile data revenue impacted by reallocation of Credits & Discounts – adjusted advanced data revenue +11%

Mobile data revenue increased 12.8% compared to the first quarter of 2009. Within the mobile data group, the allocation of credits and discounts has been fine-tuned resulting in some shift from SMS to advanced data.

First-quarter 2010 SMS revenue increased 16.2%. When adjusting 2009 revenues for the lower credits and discounts, the increase amounted to 13%, driven by the continued success of pricing offers including free SMS, leading to an increase in inbound revenues. Paying SMS increased +24.8% year-over-year to 85.3 SMS per customer per month.

The reported increase in first-quarter 2010 advanced data revenues was limited to 1.8%. When adjusting 2009 advanced data revenue for credits and discounts, advanced data revenue grew 11% year-over-year driven by the success of Mobile internet.

	Three months ended 31 March		
(EUR million)	2009	2010	Variance % 2010/2009
Mobile DATA revenue	71	80	12.8%
Data - SMS	54	63	16.2%
Advanced data	17	17	1.8%
% in Mobile Data revenue			
Data SMS	76%	79%	
Advanced data	24%	21%	

CBU operating expenses before depreciation and amortization

CBU reported first-quarter operating expenses of EUR 326 million or an increase of 1.0%. Operating expenses and mainly cost of sales have been impacted by the legal entity merger with intercompany costs being eliminated. When adjusting 2009 costs, the year-over-year operating cost increase would amount to 4.8%.

Costs of materials and charges to revenue increased due to changing revenue mix

When adjusting 2009 cost of sales for intercompany flows, CBU first quarter 2010 sales-related costs increased 14%. This is driven by the higher commissions due to a change in channel mix, higher interconnect costs following pricing plans with free SMS or minutes and by the Scarlet migration costs.

Personnel expenses benefitting from ongoing headcount reduction programs

Personnel expenses are down 8.4% compared to a year ago, driven by the lower headcount. Year-over-year, CBU's number of FTEs decreased by 544. This results from the ongoing Tutorship Program, the Scarlet restructuring program and natural attrition.

Other operating expenses positively impacted by continued cost focus

Other operating expenses of EUR 65 million continued to decrease by 4.7% compared to the same period of 2009 and fully results from the continued company-wide focus on cost-efficiencies.

CBU operating income before depreciation and amortization (EBITDA)

The CBU reported EBITDA of EUR 264 million declined 1.5% year-over-year. On an adjusted basis the decline remained the same or -1.5%.

Margin wise, the CBU reported contribution margin of 44.7% declined 0.7ppt whereas on an adjusted basis the year-over-year decline amounted to 1.6ppt.

CBU operating result

OPERATIONALS	Three months ended 31 March			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
FROM FIXED				
Number of access channels (thousands)	3,164	3,120	-44	-1.4%
Voice (PSTN/ISDN)	2,051	1,936	-115	-5.6%
IP	71	93	22	31.0%
ADSL, VDSL	1,042	1,091	49	4.7%
Traffic (millions of minutes)	1,230	1,178	-51	-4.2%
National	1,022	976	-46	-4.5%
Fixed to Mobile	105	104	-1	-0.9%
International	102	98	-4	-4.0%
TV (thousands)	555	814	258	46.5%
TV - households	486	713	228	46.9%
Of which TV-second stream users	70	100	30	43.7%
ARPU (EUR)				
ARPU Voice	21.7	21.2	-0.5	-2.3%
ARPU broadband	28.6	28.7	0.1	0.5%
ARPU Belgacom TV	20.4	20.7	0.3	1.5%
FROM MOBILE				
Number of active customers (thousands)	3,787	3,739	-48	-1.3%
Prepaid	2,229	2,169	-59	-2.7%
Postpaid	1,451	1,538	87	6.0%
MVNO	107	31	-76	-70.7%
Annualized churn rate (blended - variance in p.p.)	19.6%	20.9%		
Net ARPU (EUR)				
Prepaid	13.3	14.3	1.0	7.8%
Postpaid	35.3	32.5	-2.9	-8.1%
Blended	21.6	21.5	0.0	-0.1%
Blended voice	15.3	14.5	-0.8	-5.1%
Blended data	6.3	7.0	0.7	11.9%
UoU (units)	262.9	318.0	55.1	21.0%
MoU (min)	107.9	104.0	-3.9	-3.6%
Normalized MoU (min)	93.6	86.1	-7.5	-8.0%
SMS (units)	156.0	215.2	59.2	38.0%
Normalized SMS (units)	68.3	85.3	17.0	24.8%

Tango

	Three months ended 31 March			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
Revenue ¹ (in EUR mio)	23	24	1	3.8%
Total active mobile customers (in '000)	245	262	17	6.9%
Blended net ARPU (EUR/month)	24.0	23.2	-0.8	-3.2%

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

Tango revenue increased year-over-year 3.8% to EUR 24 million. Compared to the same period of 2009, Tango gained 17,000 mobile customers leading to a total customer base end of March 2010 of 262,000 customers. Mobile net ARPU of the first quarter 2010 amounted to EUR 23.2.

Enterprise Business Unit - EBU

- Revenue downtrend continued, but slowing
- ICT showing revenue growth after a weak 2009
- Ongoing pressure on mobile voice
- Strict cost control lowers non-HR expenses

P&L Enterprise Business Unit

(EUR million)	Three months ended 31 March		
	2009	2010	Variance 2010/2009
TOTAL SEGMENT REVENUE	640	615	-3.9%
Costs of materials and charges to revenue	-198	-183	-7.6%
Personnel expenses and pensions	-95	-91	-4.7%
Other operating expenses	-41	-36	-13.2%
TOTAL OPERATING EXPENSES before depreciation & amortization	-335	-310	-7.5%
TOTAL SEGMENT RESULT (1)	306	306	-0.1%
<i>Segment contribution margin</i>	48%	50%	
OPERATING INCOME before depreciation & amortization	306	306	-0.1%
Depreciation and amortization	-7	-5	-23.6%
OPERATING INCOME	299	300	0.5%

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

✓ [EBU quarterly financial and operational results: page 20](#)

Limited revenue decline

EBU's reported first-quarter revenue of EUR 615 million is 3.9% lower than for the same period 2009. When **adjusting EBU's 2009 result for intersegment revenue, the revenue decline is limited to 2.9%**. This is a significant improvement compared to the trend over the previous three quarters. This is mainly due to ICT moving from a negative trend in 2009 to a topline growth in the first quarter. Mobile Voice revenue continued its downward trend but the revenue loss in the first quarter 2010 is less significant.

The EBU order intake remained healthy in the first quarter, with the total transaction value (TTVA¹) of EUR 250 million being slightly higher than last year.

(EUR million)	Three months ended 31 March			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
	Q109	Q110		
Revenues	640	615	-25	-3.9%
From Fixed	438	432	-7	-1.5%
Voice	148	141	-7	-5.0%
Data	101	99	-2	-2.1%
Terminals (excl. TV)	19	18	0	-0.7%
ICT	171	174	3	1.8%
From Mobile	193	177	-16	-8.1%
Voice	146	129	-17	-11.4%
Data	43	45	2	4.0%
Terminals	4	3	-1	-20.1%
Other	9	6	-3	-32.9%

Stabilized downward trend for Fixed Voice

Fixed Voice continued its downward trend, with a stable decline compared to the previous quarters. Over the first quarter 2010, EBU generated EUR 141 million of fixed voice revenue, which is 5.0% lower than for the same period of last year. The main driver remains the year-over-year line loss. In the first quarter 2010, EBU lost 14,000 fixed lines versus 15,000 one year ago. Compared to the same period last year, the first quarter ARPU of EUR 30.9 is 1.3% lower, but is flat in comparison with the preceding quarters.

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

Saturating and highly competitive broadband market

The revenue from Fixed Data remained fairly stable at EUR 99 million. In spite of fierce competition in the broadband market, EBU managed to keep its customer base stable at 445,000 customers, while the Broadband ARPU in the first quarter of EUR 39.4 is 1.7% lower than one year ago, it remained fairly stable compared to the previous quarter.

ICT revenue growing in first quarter, up from a negative trend in 2009

The revenue from ICT rose by 1.8% in the first quarter to EUR 174 million. With some metrics pointing in the right direction, it looks like the worst of the crisis is behind us. It is too early though to draw any conclusions on the short term growth potential.

Mobile voice revenue impacted by legal entity merger – adjusted revenue decline of 6.5%

The reported mobile voice revenue (EUR 129 million) for the first quarter 2010 is 11.4% lower than the reported result of 2009. This is in part due to the disappearance of intercompany revenue as of January 2010, resulting from the merger of legal entities. The disappearing intercompany flow as of 1 January 2010 is linked to mobile inbound revenue, i.e. fixed-to-mobile traffic but also mobile traffic revenue for calls originating from Belgacom employees. Until end of 2009, these revenue streams were between two different legal entities and were included in the EBU mobile voice revenue and eliminated at Group level.

On a comparable basis, the mobile voice revenue is 6.5% lower than for the same period of 2009, which is an improvement compared to the decline in the previous quarters. The year-over-year increase by 82,000 mobile customers could not offset the pressure put by price erosion and lower usage. By end March 2010, EBU counted 1,252,000 mobile customers. This is the result of 25,000 net customer additions in the first quarter, lowered by the cancellation of 8,000 internal mobile cards following the merger.

Mobile data revenue of EUR 45 million, up 7.4% on an adjusted basis

The 2009 Mobile data revenue of EUR 43 million included some intercompany revenue which is eliminated as from 2010. On a comparable basis, the revenue of mobile data increased 7.4%.

Within the product group of Mobile data, the allocation of credits and discounts to SMS and Advanced Data has been fine-tuned. This results in a transfer of credits and discounts from SMS to Advanced data, affecting the year-over-year comparison for both products.

On a like-for-like basis, SMS revenue in the first quarter increased slightly by 1.4% to EUR 18.3 million. The revenue from advanced data increased by 12% to EUR 26.6 million.

	Three months ended 31 March		
(EUR million)	2009	2010	Variance % 2010/2009
Mobile DATA revenue	43	45	4.0%
Data - SMS	15	18	20.6%
Advanced data	28	27	-4.9%
% in Mobile Data revenue			
Data SMS	35%	41%	
Advanced data	65%	59%	

EBU operating expenses before depreciation and amortization

Costs of materials and charges to revenue on like-for-like basis remain flat

EBU reported sales-related costs of EUR 183 million or 7.6% lower than for the same period of last year. The decrease, however, results entirely from the legal entity merger. As of 2010, the EBU sales related costs do no longer include cost streams to former legal entities. This mainly concerns Mobile termination costs which Belgacom SA paid to Proximus.

Positive evolution in HR-expenses

HR-expenses continued their downward trend in the first quarter as the EBU headcount decreased year-over-year by 280 FTEs resulting from the running headcount program and natural attrition.

Other operating expenses lowered significantly

The non-HR expenses decreased to EUR 36 million in the first quarter 2010. Compared to the reported result of last year, this is a 13% decrease thanks to the ongoing cost control and because the 2009 first quarter expenses included some restructuring costs related to the sale of WIN.

EBU operating income before depreciation and amortization (EBITDA)

EBU reports a EBITDA of EUR 306 million, flat to the 2009 first quarter result. Comparing to adjusted 2009 results, the EBITDA was however slightly down by 2.4%.

The contribution margin for the first quarter of 49.7% compares positively to the 47.7% reported last year, while staying flat to the adjusted margin of 2009, despite a changing revenue mix and increased competitive pressure.

EBU operating result

OPERATIONALS	Three months ended 31 March			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
FROM FIXED				
Number of access channels (thousands)	1,974	1,922	-52	-2.6%
Voice (PSTN/ISDN)	1,518	1,465	-53	-3.5%
IP	11	11	1	8.3%
ADSL, VDSL	445	445	0	0.0%
Traffic (millions of minutes)	901	848	-54	-5.9%
National	620	579	-41	-6.7%
Fixed to Mobile	176	173	-3	-1.6%
International	105	96	-9	-8.9%
ARPU (EUR)				
ARPU Voice	31.3	30.9	-0.4	-1.3%
ARPU Broadband	40.1	39.4	-0.7	-1.7%
FROM MOBILE				
Number of active customers (thousands)	1,170	1,252	82	7.0%
Post-paid	1,170	1,252	82	7.0%
Annualized churn rate (blended - variance in p.p.)	10.7%	10.6%		
Net ARPU (EUR)				
Postpaid	54.5	46.9	-7.6	-13.9%
Postpaid voice	42.1	34.8	-7.3	-17.4%
Postpaid data	12.4	12.1	-0.3	-2.4%
UoU (units)	388.5	360.7	-27.8	-7.1%
MoU (min)	355.4	319.7	-35.7	-10.0%
Normalized MoU (min)	337.9	287.4	-50.5	-15.0%
SMS (units)	64.7	74.6	9.9	15.3%
Normalized SMS (units)	53.3	59.1	5.8	10.9%

Service Delivery Engine & Wholesale – SDE&W

P&L Service Delivery Engine & Wholesale

(EUR million)	Three months ended 31 March		
	2009	2010	Variance 2010/2009
TOTAL SEGMENT REVENUE	98	94	-3.9%
Costs of materials and charges to revenue	-16	-15	-2.3%
Personnel expenses and pensions	-50	-51	1.1%
Other operating expenses	-48	-50	4.9%
TOTAL OPERATING EXPENSES before depreciation & amortization	-114	-117	2.2%
TOTAL SEGMENT RESULT (1)	-16	-23	-
Segment contribution margin	-16%	-24%	
OPERATING LOSS before depreciation & amortization	-16	-23	-
Depreciation and amortization	-107	-114	5.8%
OPERATING LOSS	-124	-136	10.2%

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

✓ [SDE&W quarterly financial and operational results: page 21](#)

SDE&W revenue

On a reported basis SDE&W revenue declined 3.9% year-over-year to EUR 94 million. **When adjusting 2009 revenues for the lower intercompany revenues, revenues were flat.** Intercompany flows that are eliminated mainly relate to the Mobile-to-fixed traffic as before the merger Proximus paid a fixed termination rate to Belgacom to terminate mobile calls on the fixed network. Another flow that has been eliminated is for national transit, the revenue generated by Belgacom to transit calls from Proximus to other networks.

First quarter 2010 SDE&W revenues were positively impacted by the migration of Scarlet customers. This was however offset by the impact from voice and data roaming regulation.

SDE&W operating expenses before depreciation and amortization

Cost of material and charges to revenue remained fairly stable at EUR 15 million.

Personnel expenses are slightly up by 1.1% to EUR 51 million as a result of a year-over-year increase of 103 FTEs. The favourable impact from the ongoing strong focus on costs, has been offset by costs related to the progressive upgrade of the Radio Access Network.

SDE&W operating income before depreciation and amortization (EBITDA)

The lower reported EBITDA of EUR -23 million, is fully due to the impact of the legal entity merger.

Staff & Support – S&S

P&L Staff and Support

(EUR million)	Three months ended 31 March		
	2009	2010	Variance 2010/2009
TOTAL SEGMENT REVENUE	7	10	57.0%
Costs of materials and charges to revenue	-0	1	>100%
Personnel expenses and pensions	-41	-41	0.6%
Other operating expenses	-50	-50	-0.0%
TOTAL OPERATING EXPENSES before depreciation & amortization	-91	-90	-1.2%
TOTAL SEGMENT RESULT (1)	-84	-80	-5.7%
Segment contribution margin	-	-	
OPERATING LOSS before depreciation & amortization	-84	-80	-5.7%
Depreciation and amortization	-20	-19	-6.9%
OPERATING LOSS	-104	-98	-5.9%

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

✓ [S&S quarterly financial and operational results: page 21](#)

First-quarter revenue of Staff and Support increased to EUR 10 million driven by some one-time items.

Overall operating expenses remained fairly flat at EUR 90 million. As a consequence the operating loss declined by 5.7% to EUR 80 million.

International Carrier Services - ICS

- Positive impact of full-consolidation and additional business MTN
- Strong growth in volumes
- EBITDA margin pressured: competition, integration costs and strong dollar

P&L International Carrier Services

(EUR million)	Three months ended 31 March		
	2009	2010	Variance 2010/2009
TOTAL SEGMENT REVENUE	217	378	74.5%
Costs of materials and charges to revenue	-184	-325	76.9%
<i>Gross margin (1)</i>	33	52	61.1%
Personnel expenses and pensions	-6	-10	64.5%
Other operating expenses	-8	-15	86.6%
TOTAL OPERATING EXPENSES before depreciation & amortization	-198	-350	76.9%
TOTAL SEGMENT RESULT (2)	19	28	49.2%
<i>Segment result margin</i>	8.7%	7.4%	
Non-recurring revenue	0	436	-
OPERATING INCOME before depreciation & amortization	19	464	>100%
Depreciation and amortization	-5	-21	>100%
OPERATING INCOME	13	443	>100%

(1) Total segment revenue net of costs of materials and charges to revenue

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

✓ [ICS quarterly financial and operational results: page 22](#)

ICS reported revenue significantly up: full consolidation, including MTN ICS

The revenue of BICS increased for the first quarter 2010 to EUR 378 million. This is mainly driven by the full-consolidation of BICS (compared to 72% in 2009) and by the additional revenue generated by MTN ICS (on top of the turnover MTN already generated under the outsourcing agreement of February 2006).

(EUR million)	Three months ended 31 March			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
Voice	199.7	347.7	148.0	74.1%
Non Voice	16.8	30.1	13.3	79.3%
Total revenues	216.5	377.9	161.4	74.5%

ICS detailed gross margin

(EUR million)	Three months ended 31 March			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
Voice	20.3	33.1	12.8	63.3%
Non Voice	12.3	19.4	7.1	57.5%
Total Gross Margin	32.6	52.5	19.9	61.1%

The total Gross margin was up by 61% or nearly EUR 20 million. The margin as percentage of revenue is however pressured by tough competition and as a result of the strong dollar.

ICS operating income before depreciation and amortization (EBITDA)

The positive impact on the EBITDA of the full-consolidation and contribution of MTN ICS is partly offset by some integration costs. These costs will gradually disappear over the rest of the year when the expected synergies will be realized.

The pressure on direct margin and the expenses related to the integration result in a EBITDA margin of 7.4% for the first quarter 2010.

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

The total voice volumes generated by BICS increased by 38% compared to 2009. About half of this volume increase is linked to the additional business of MTN. Non-voice volumes were up by 39%.

Volumes (in million)	Three months ended 31 March		Variance 2010/2009	Variance % 2010/2009
	2009	2010		
Voice	4,298	5,922	1,624	37.8%
Non-Voice (SMS/MMS)	117	164	46	39.3%

Quarterly results

Quarterly results as reported. 2009 does not include changes due to legal entity merger

Group – Financials

	Q109	Q209	Q309	Q409	2009	Q110
(EUR million)						
Revenues	1,492	1,504	1,476	1,518	5,990	1,641
Consumer Business Unit	591	604	602	617	2,414	590
Enterprise business unit	640	626	602	632	2,501	615
Service Delivery Engine & Wholesale	98	94	94	100	386	95
Staff&Support	7	12	6	8	33	11
International Carrier Services	217	227	228	221	892	378
Intersegment eliminations	-61	-60	-55	-60	-236	-47
Costs of materials and charges to revenues	-511	-511	-515	-550	-2,087	-662
Personnel expenses and pensions	-281	-280	-271	-277	-1,108	-274
Other operating expenses	-207	-211	-196	-225	-840	-210
Segment result	492	502	494	467	1,955	495
Segment EBITDA margin*	33.0%	33.4%	33.5%	30.8%	32.6%	30.2%
Non recurring items	0	-62	0	74	12	436
Ebitda	492	440	494	541	1,967	931

* before non-recurring items

Group – Capex

	Q109	Q209	Q309	Q409	2009	Q110
(EUR million)						
Group Capex	135	134	136	192	597	154
Consumer Business Unit	26	16	19	29	89	49
Enterprise business unit	6	4	4	6	20	2
Service Delivery Engine & Wholesale	98	106	100	118	422	96
Staff&Support	3	6	8	27	44	5
International Carrier Services	2	3	6	12	22	2

CBU - Financials

	Q109	Q209	Q309	Q409	2009	Q110
(EUR million)						
Revenues	591	604	602	617	2,414	590
From Fixed	290	285	290	298	1,163	291
Voice	144	141	138	138	561	133
Data	79	78	82	84	323	85
TV	29	30	34	40	134	44
Terminals (excl. TV)	13	12	13	14	51	8
Scarlet	25	24	22	23	95	21
From Mobile	278	297	291	296	1,161	279
Voice	170	178	179	176	704	161
Data	71	77	75	80	303	80
Terminals (excl. TV)	14	18	14	16	62	15
Tango	23	23	23	24	93	24
Other	24	22	21	23	90	21
Costs of materials and charges to revenues	-166	-174	-178	-205	-723	-180
Personnel expenses and pensions	-89	-88	-81	-87	-345	-81
Other operating expenses	-68	-75	-73	-81	-297	-65
Segment result	268	266	269	244	1,048	264
Segment Contribution margin	45.4%	44.1%	44.8%	39.6%	43.4%	44.7%

CBU – Operationals

	Q109	Q209	Q309	Q409	2009	Q110
FROM FIXED						
Number of access channels (thousands)	3,164	3,130	3,114	3,102	3,102	3,120
PSTN	2,013	1,979	1,956	1,934	1,934	1,904
ISDN	38	37	36	34	34	32
IP*	71	70	65	60	60	93
ADSL, VDSL	1,042	1,044	1,057	1,075	1,075	1,091
Traffic (millions of minutes)	1,230	1,124	1,060	1,181	4,594	1,178
National	1,022	918	869	973	3,781	976
Fixed to Mobile	105	109	101	108	423	104
International	102	97	90	100	390	98
TV (thousands)	555	589	663	752	752	814
TV - households	486	513	575	652	652	713
of which second stream users	70	75	88	100	100	100
ARPU (EUR)						
ARPU Voice	21.7	21.6	21.5	21.7	21.7	21.2
ARPU broadband	28.6	28.1	29.1	29.0	28.7	28.7
ARPU Belgacom TV	20.4	19.2	20.6	21.3	20.4	20.7
FROM MOBILE						
Number of active customers (thousands)	3,787	3,809	3,829	3,824	3,824	3,739
Pre-paid	2,229	2,224	2,235	2,199	2,199	2,169
Post-paid	1,451	1,488	1,510	1,530	1,530	1,538
MVNO	107	97	84	95	95	31
Annualized churn rate (blended - variance in p.p.)	19.6%	20.8%	21.5%	20.5%	20.7%	20.9%
Net ARPU (EUR)						
Prepaid	13.3	14.4	13.8	14.6	14.2	14.3
Postpaid	35.3	36.4	36.5	35.8	35.7	32.5
Blended	21.6	22.7	22.6	22.8	22.5	21.5
Blended voice	15.3	15.9	15.9	15.7	15.7	14.5
Blended data	6.3	6.8	6.7	7.1	6.7	7.0
UoU (units)	262.9	290.5	275.7	312.4	286.0	318.0
MoU (min)	107.9	112.9	108.9	111.8	110.5	104.0
Normalized MoU (min)	93.6	96.5	95.6	96.9	95.6	86.1
SMS (units)	156.0	178.7	167.8	201.8	176.5	215.2
Normalized SMS (units)	68.3	72.2	69.0	80.3	73.4	85.3

* As from Q1 2010 Scarlet VoIP customers are included

EBU - Financials

	Q109	Q209	Q309	Q409	2009	Q110
(EUR million)						
Revenue	640	626	602	632	2,501	615
From Fixed	438	429	411	442	1,719	432
Voice	148	144	139	142	574	141
Data	101	100	100	100	401	99
Terminals	19	18	18	19	74	18
ICT	171	166	153	181	670	174
From Mobile	193	194	186	186	759	177
Voice	146	144	135	135	560	129
Data	43	46	48	47	184	45
Terminals	4	4	3	4	15	3
Other	9	4	5	4	22	6
Costs of materials and charges to revenues	-198	-184	-174	-192	-748	-183
Personnel expenses and pensions	-95	-94	-94	-96	-379	-91
Other operating expenses	-41	-39	-33	-29	-142	-36
Segment result	306	310	301	315	1,231	306
Segment Contribution margin	47.7%	49.4%	50.0%	49.7%	49.2%	49.7%

EBU – Operationals

	Q109	Q209	Q309	Q409	2009	Q110
FROM FIXED						
Number of access channels (thousands)	1,974	1,958	1,946	1,937	1,937	1,922
PSTN	664	657	652	649	649	647
ISDN	854	847	840	830	830	818
IP	11	11	12	12	12	11
ADSL, VDSL	445	443	442	446	446	445
Traffic (millions of minutes)	901	837	770	828	3,336	848
National	620	569	522	567	2,278	579
Fixed to Mobile	176	171	157	169	672	173
International	105	97	91	92	386	96
ARPU (EUR)						
ARPU Voice	31.3	30.9	30.1	30.9	30.8	30.9
ARPU Broadband	40.1	39.8	40.1	39.7	39.9	39.4
FROM MOBILE						
Number of active customers (thousands)	1,170	1,190	1,211	1,235	1,235	1,252
Post-paid	1,170	1,190	1,211	1,235	1,235	1,252
Annualized churn rate (blended - variance in p.p.)	10.7%	11.0%	9.0%	9.9%	10.2%	10.6%
Net ARPU (EUR)						
Postpaid	54.5	53.6	51.1	50.1	52.4	46.9
Postpaid voice	42.1	40.7	37.6	37.2	39.5	34.8
Postpaid data	12.4	12.9	13.4	12.9	12.9	12.1
UoU (units)	388.5	389.2	365.4	387.8	382.4	360.7
MoU (min)	355.4	354.5	329.3	346.6	346.0	319.7
Normalized MoU (min)	337.9	338.9	313.5	327.7	327.7	287.4
SMS (units)	64.7	68.4	68.6	76.5	69.6	74.6
Normalized SMS (units)	53.3	54.3	53.8	57.6	54.5	59.1

SDE&W - Financials

	Q109	Q209	Q309	Q409	2009	Q110
(EUR million)						
Revenues	98	94	94	100	386	94
Costs of materials and charges to revenues	-16	-18	-18	-20	-72	-15
Personnel expenses and pensions	-50	-50	-47	-45	-193	-51
Other operating expenses	-48	-43	-42	-51	-185	-50
Segment result	-16	-18	-13	-18	-64	-23
Segment Contribution margin	-16.5%	-18.7%	-13.6%	-17.6%	-16.6%	-24.0%

S&S - Financials

	Q109	Q209	Q309	Q409	2009	Q110
(EUR million)						
Revenues	7	12	6	8	33	10
Costs of materials and charges to revenues	0	-1	-1	1	0	1
Personnel expenses and pensions	-41	-41	-42	-42	-166	-41
Other operating expenses	-50	-49	-43	-61	-204	-50
Segment result	-84	-79	-80	-94	-337	-80

ICS - Financials

	Q109	Q209	Q309	Q409	2009	Q110
(EUR million)						
Revenues	217	227	228	221	892	378
Costs of materials and charges to revenues	-184	-186	-193	-186	-749	-325
Personnel expenses and pensions	-6	-6	-6	-6	-24	-10
Other operating expenses	-8	-11	-11	-10	-40	-15
Segment result	19	23	17	20	78	28
Segment EBITDA margin	8.7%	10.0%	7.4%	8.8%	8.7%	7.4%

ICS – Operationals

	Q109	Q209	Q309	Q409	2009	Q110
Volumes (in million)						
Voice	4,498	4,707	4,805	5,324	19,334	5,922
Non-Voice (SMS/MMS)	117	119	149	164	549	164

Interim Financial statements

Interim condensed consolidated financial statements.

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

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted for use in the European Union, and with IAS 34, Interim Financial Reporting.

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

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

Consolidated income statements

(EUR million)	Three months ended	
	2009	2010
Net revenue	1,475	1,626
Other operating revenue	17	15
Non-recurring revenue	0	436
TOTAL REVENUE	1,492	2,077
Costs of materials and charges to revenue	-511	-662
Personnel expenses and pensions	-281	-274
Other operating expenses	-207	-210
Non-recurring expenses	0	0
TOTAL OPERATING EXPENSES before depreciation & amortization	-1,000	-1,146
OPERATING INCOME before depreciation & amortization	492	931
Depreciation and amortization	-174	-194
OPERATING INCOME	318	737
Finance revenue	0	3
Finance costs	-37	-31
Net finance costs	-37	-28
Gain / (loss) from enterprises accounted for using the equity method	0	0
INCOME BEFORE TAXES	281	709
Tax expense	-69	-68
NET INCOME	212	641
Non-controlling interests	0	2
Net income (Group share)	212	638
Basic earnings per share	0.66 EUR	1.99 EUR
Diluted earnings per share	0.66 EUR	1.99 EUR
Weighted average number of ordinary shares	320,337,034	320,688,352
Weighted average number of ordinary shares for diluted earnings per share	320,352,134	320,999,155

Consolidated statements of other comprehensive income

(EUR million)	Three months ended 31 March	
	2009	2010
Net income	212	641
Other comprehensive income:		
Available-for-sale investments:		
Valuation gain/(loss) taken to equity	0	-1
Other comprehensive income net of tax	0	-1
Total comprehensive income	213	640
<u>Attributable to:</u>		
Equity holders of the parent	212	637
Non-controlling interests	0	2

Consolidated balance sheets

(EUR million)	As of 31 December 2009	As of 31 March 2010
ASSETS		
NON-CURRENT ASSETS	5,505	6,180
Goodwill	2,088	2,340
Intangible assets with finite useful life	623	1,177
Property, plant and equipment	2,420	2,399
Enterprises accounted for under the equity method	2	2
Other participating interests	1	1
Deferred income tax assets	295	182
Pension assets	2	0
Other non-current assets	75	80
CURRENT ASSETS	1,945	2,490
Inventories	86	98
Trade receivables	1,089	1,309
Current income tax assets	169	172
Other current assets	194	207
Investments	76	65
Cash and cash equivalents	332	639
TOTAL ASSETS	7,450	8,670
LIABILITIES AND EQUITY		
EQUITY	2,528	3,391
Shareholders' equity	2,521	3,164
Issued capital	1,000	1,000
Treasury shares	-509	-503
Restricted reserve	100	100
Remeasurement to fair value	5	5
Stock compensation	10	10
Retained earnings	1,911	2,549
Foreign currency translation	4	3
Non-controlling interests	7	227
NON-CURRENT LIABILITIES	3,093	3,195
Interest-bearing liabilities	2,128	2,138
Liability for pensions, other post-employment benefits and termination benefits	677	654
Provisions	199	201
Deferred income tax liabilities	86	199
Other non-current payables	3	3
CURRENT LIABILITIES	1,830	2,084
Interest-bearing liabilities	59	10
Trade payables	1,123	1,310
Income tax payables	137	147
Other current payables	511	616
TOTAL LIABILITIES AND EQUITY	7,450	8,670

Consolidated cash flow statements

(EUR million)	Three months ended 31 March	
	2009	2010
Cash flow from operating activities		
Net income (group share)	212	638
<u>Adjustments for:</u>		
Non-controlling interests	0	2
Depreciation and amortization on intangible assets and property, plant and equipment	174	194
Increase of provisions	5	4
Deferred tax expense	19	62
Fair value adjustments on financial instruments	8	3
(Gain) / loss on disposal of consolidated companies	1	-436
Other non-cash movements	1	2
Operating cash flow before working capital changes	420	469
Decrease / (increase) in inventories	1	-12
Decrease / (increase) in trade receivables	5	-65
Decrease / (increase) in current income tax assets	2	-3
Increase in other current assets	-34	-9
Increase / (decrease) in trade payables	-78	10
Increase in income tax payables	43	7
Increase in other current payables	97	84
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-26	-21
Decrease in other non-current payables and provisions	-3	-3
Decrease / (increase) in working capital, net of acquisitions and disposals of subsidiaries	6	-12
Net cash flow provided by operating activities	426	457
Cash flow from investing activities		
Purchase of intangible assets and property, plant and equipment	-135	-154
Cash received for consolidated companies, net of cash acquired	0	51
Cash paid from sales of consolidated companies, net of cash disposed of	-3	0
Cash received from sales of intangible assets and property, plant and equipment	0	9
Net cash used in investing activities	-139	-94
Cash flow before financing activities	288	363
Cash flow from financing activities		
Dividends paid to shareholders	-18	-1
Dividends / capital paid to non-controlling interests	0	-21
Net sale of treasury shares	0	6
Sale of investments	0	10
Decrease of shareholders' equity	0	-1
Issuance of long term debt	1	1
Repayment of short term debt	-27	-49
Net cash used in financing activities	-44	-56
Net increase of cash and cash equivalents	244	307
Cash and cash equivalents at 1 January	565	332
Cash and cash equivalents at 31 March	809	639

Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Remeasurement to fair value	Foreign currency translation	Stock Compensation	Retained Earnings	Share'rs' Equity	Non-controlling interests	Total Equity
Balance at 31 December 2008	1,000	-517	100	4	3	6	1,675	2,271	5	2,276
Net income	0	0	0	0	0	0	212	212	0	212
Total comprehensive income and expense	0	0	0	0	0	0	212	212	0	213
Stock options										
Amortization deferred stock compensation	0	0	0	0	0	1	0	1	0	1
Total transactions with equity holders	0	0	0	0	0	1	0	1	0	1
Balance at 31 March 2009	1,000	-517	100	5	3	7	1,887	2,484	5	2,490
Balance at 31 December 2009	1,000	-509	100	5	4	10	1,911	2,521	7	2,528
Fair value changes in available-for-sale investments	0	0	0	-1	0	0	0	-1	0	-1
Equity changes not recognised in the income statement	0	0	0	-1	0	0	0	-1	0	-1
Net income	0	0	0	0	0	0	638	638	2	641
Total comprehensive income and expense	0	0	0	-1	0	0	638	637	2	640
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	218	218
Treasury shares	0									
Exercise of stock options	0	6	0	0	0	0	-1	5	0	5
Stock options										
Amortization deferred stock compensation	0	0	0	0	0	1	0	1	0	1
Total transactions with equity holders	0	6	0	0	0	0	0	6	218	224
Balance at 31 March 2010	1,000	-503	100	5	3	10	2,549	3,164	227	3,391

Segment reporting

Segment revenue and results

Three months ended 31 March 2009							
(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Net revenue	574	625	74	-0	203	-	1,475
Other operating revenue	4	6	3	4	0	-	17
Intersegment revenue	14	9	22	3	13	-61	-
TOTAL SEGMENT REVENUE	591	640	98	7	217	-61	1,492
Costs of materials and charges to revenue	-166	-198	-16	-0	-184	53	-511
Personnel expenses and pensions	-89	-95	-50	-41	-6	-	-281
Other operating expenses	-68	-41	-48	-50	-8	8	-207
TOTAL OPERATING EXPENSES before depreciation & amortization	-323	-335	-114	-91	-198	61	-1,000
TOTAL SEGMENT RESULT (1)	268	306	-16	-84	19	-0	492
OPERATING INCOME / (LOSS) before depreciation & amortization	268	306	-16	-84	19	-0	492
Depreciation and amortization	-34	-7	-107	-20	-5	0	-174
OPERATING INCOME / (LOSS)	234	299	-124	-104	13	0	318
Finance expense (net)							-37
INCOME BEFORE TAXES							281
Tax expense							-69
NET INCOME							212
Non-controlling interests							0
Net income (Group share)							212

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

Three months ended 31 March 2010							
(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Net revenue	583	610	69	2	361	-	1,626
Other operating revenue	4	1	4	5	0	-	15
Intersegment revenue	3	4	21	3	17	-47	-
TOTAL SEGMENT REVENUE	590	615	94	10	378	-47	1,641
Costs of materials and charges to revenue	-180	-183	-15	1	-325	41	-662
Personnel expenses and pensions	-81	-91	-51	-41	-10	0	-274
Other operating expenses	-65	-36	-50	-50	-15	6	-210
TOTAL OPERATING EXPENSES before depreciation & amortization	-326	-310	-117	-90	-350	47	-1,146
TOTAL SEGMENT RESULT (1)	264	306	-23	-80	28	-0	495
Non-recurring revenue	-	-	-	-	436	-	436
OPERATING INCOME / (LOSS) before depreciation & amortization	264	306	-23	-80	464	-0	931
Depreciation and amortization	-37	-5	-114	-19	-21	0	-194
OPERATING INCOME / (LOSS)	228	300	-136	-98	443	-	737
Finance expense (net)							-28
INCOME BEFORE TAXES							709
Tax expense							-68
NET INCOME							641
Non-controlling interests							2
Net income (Group share)							638

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

Segment assets

As of 31 March 2009							
(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Unallocated	Total
Goodwill	1,028	1,085	-	-	-	-	2,113
Segment assets	276	51	1,959	668	61	-	3,015
Unallocated assets						2,876	2,876
Total assets	1,304	1,135	1,959	668	61	2,876	8,004

As of 31 March 2010							
(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Unallocated	Total
Goodwill	1,003	1,085	-	-	252	-	2,340
Segment assets	268	47	1,926	641	698	-3	3,576
Unallocated assets	-	-	-	-	-	2,755	2,755
Total assets	1,271	1,132	1,926	641	949	2,752	8,670

Other segment information

Three months ended 31 March 2009							
(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Capital expenditure	26	6	98	3	2	0	135

Three months ended 31 March 2010							
(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Capital expenditure	49	2	96	5	2	0	154

Contingent liabilities

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

Definitions

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

Fixed Voice ARPU: total voice revenue, excluding activation and payphone-related revenue, divided by the average voice access channels for the period considered, divided by the number of months in that same period.

Broadband ARPU: total ADSL revenue, divided by the average number of ADSL lines for the period considered, divided by the number of months in that same period.

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

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

Annualized mobile churn rate: the total annualized number of SIM cards disconnected from the Belgacom Mobile network (including the total number of port-outs due to mobile number portability) during the given period, divided by the average number of customers for that same period.

Mobile net ARPU: calculated on the basis of monthly averages for the period indicated. Monthly net ARPU is equal to total mobile voice and mobile data revenues, divided by the average number of active mobile customers for that period.

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

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

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

SMS: number of SMS per active customer per month.

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

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