> quarterly report

Q1 2011

belgacom

Key figures

	Q1 2010	Q1 2011
Income Statement (EUR million)		
Total income before non-recurring items	1,641	1,583
Non-recurring income	436	0
Total income	2,077	1,583
EBITDA (1) before non-recurring items	495	480
EBITDA (1)	931	480
Depreciation and amortization	-194	-195
Operating income (EBIT)	737	286
Net finance costs	-28	-30
Income before taxes	709	256
Tax expense	-68	-61
Non-controlling interests	2	1
Net income (Group share)	638	194
Cash flows and Capital Expenditures (EUR million)		
Cash flows from operating activities	457	410
Capital expenditures	-154	-173
Cash flows from other investing activities	60	2
Free cash flow (2)	**363**	**239**
Cash flows used in financing activities	-56	98
Net increase of cash and cash equivalents	**307**	**337**
Balance sheet (EUR million) - As of 31 March		
Balance sheet total	8,670	8,869
Non-current assets	6,180	6,129
Investments, cash and cash equivalents	704	967
Shareholders' equity	3,164	3,302
Non-controlling interests	227	236
Liabilities for pensions, other post-employment benefits and termination benefits	654	540
Net financial position	-1,374	-1,204
Data per share		
Basic earnings per share (EUR)	1.99	0.60
Diluted earnings per share (EUR)	1.99	0.60
Weighted average number of ordinary shares	320,688,352	321,489,045
Data on employees		
Number of employees (full-time equivalents)	16,351	15,734
Average number of employees over the period	16,339	15,740
Total income before non-recurring items per employee (EUR)	100,439	100,571
EBITDA (1) before non-recurring items per employee (EUR)	30,326	30,522
Ratios (before non-recurring items)		
Return on Equity (3)	7.4%	5.9%
Gross margin (4)	59.7%	61.5%

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

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

Highlights

- *Consumer segment did not continue growth trend in underlying revenue*
- *Decision to strengthen focus on market share growth*
- *Outlook full-year 2011 revised downwards*

- The Belgacom Group reports revenue of EUR 1,583 million for the first quarter 2011, i.e. 3.5% lower than for the same period last year, including the negative impact from regulatory measures for a total amount of EUR 52 million (-3.2%).

- Excluding the negative impact of regulation, the underlying Group revenue was slightly down (-0.3%) to last year, not continuing the underlying growth seen in 2010, and below the company's expectations.

- Consumer segment sees Mobile Voice usage unexpectedly declining in the first quarter, while its Fixed line products feel the impact of an increasingly penetrated and highly competitive market.

- Lower revenue and an increase in expenses to further improve customer satisfaction impacted Group EBITDA, which decreased year-over-year by 3% to EUR 480 million, including the negative impact from regulation (-1.8%).

- EBITDA margin of 30.3%, remaining stable to last year.

- Belgacom invested a total amount of EUR 173 million, or 11% of the Group revenue.

- The first quarter 2011 ended with EUR 239 million of Free Cash Flow, compared to EUR 363 million for the same period last year, which included the EUR 51 million one-off cash increase as a result of the full consolidation of BICS.

- Belgacom Group grew its customer base over the first quarter for:
  - Belgacom TV by +54,000, leading to a total of 1,029,000[1] customers;
  - Fixed Internet by +10,000 to a total Internet customer base of 1,568,000;
  - Mobile Internet customers[2] +5,000 increasing the customer base to 186,000;
  - and multi-play Packs by +57,000, bringing the total to 927,000 Packs by end of March,

  while it saw its Fixed line erosion continued (-52,000) and its total Mobile[3] customer base decreasing by 28,000, entirely driven by prepaid customer loss, bringing the total mobile customer base to 5,304,000 by end March 2011.

Comment by the CEO

Our first-quarter financial results fell short of our expectations, especially for the Consumer segment, mainly driven by an unexpected slowing down of mobile voice usage over the first quarter. For Fixed line products, the gradual market share erosion, due to the persistent competition from cable in an increasingly penetrated market, continued to put pressure on our results. We therefore decided to further strengthen our focus on market share improvement with a view to stabilize and eventually reverse the downward trend we experienced over the last few years for both Fixed and Mobile. Measures that will be taken are consistent with our overall strategy of convergence, in which we will further leverage our leading position. We will revamp our product offering, revalorize the fixed voice line, and further improve the service to our customers.
Our reduced revenue expectation for the year, and the decision to further increase our focus on our share in net customer growth, require additional resources. We have therefore revised our full-year guidance accordingly. For the full year, Group revenue is expected to decline between 1% and 2%, while the absolute Group EBITDA is expected to be 4% to 5% lower than last year. Our capex expectations remain at the high-end of the range, at "10%-12%" of Group revenue.

Didier Bellens, CEO Belgacom

1 Number of Belgacom TV set-top boxes
2 Internet on laptop, excluding internet on smartphone
3 Including voice and data cards and mobile customers from Tango

Financial report

Belgacom Group

- **Group revenue -3.5% yoy, including regulation impact of -3.2%**
- **Lower mobile usage and highly competitive fixed market slowing down Consumer revenue**
- **Group EBITDA -3% yoy, including -1.8% regulation impact**
- **EBITDA margin remains stable at 30.3%**
- **FCF at EUR 239 million**

✓ *Quarterly financials at group and segment level: page 18*

Revenue

	Q1 2010		Q1 2011		Variance
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	590	36%	565	36%	-4.3%
Enterprise Business Unit	615	37%	593	37%	-3.7%
Service Delivery Engine & Wholesale	94	6%	81	5%	-13.9%
Staff & Support	10	1%	8	1%	-23.4%
International Carrier Services	378	23%	372	24%	-1.5%
Inter-segment eliminations	-47	-3%	-36	-2%	-23.5%
Total	**1,641**	**100%**	**1,583**	**100%**	**-3.5%**
Non-recurring income	436		0		
Total	**2,077**		**1,583**		**-23.8%**

Over the first quarter of 2011, the Belgacom Group reported revenue of EUR 1,583 million, i.e**. 3.5% or EUR 58 million lower than for the same period last year.**[1] This includes the negative impact of **regulatory measures which lowered the group revenue by a total amount of EUR 52 million (-3.2%)**. This is driven by the lower Mobile Termination Rates, which were cut on 1 August 2010 and again on 1 January 2011, the implementation of the financial collecting model for Premium Rate Services (April 2010) and, to a lesser extent, the lower Roaming rates (July 2010).
The regulation impact set aside, Belgacom Group did not continue its underlying growth trend seen in 2010. (see Exhibit 1) The **first quarter 2011 ended with underlying revenue slightly down to the previous year** (-0.3%); and below the company's expectations.

The first quarter Belgacom Group revenue is the combined result of:

- **Consumer segment** revenue being 4.3% below last year, including a EUR 25 million regulation impact (4.2%). The first quarter underlying revenue therefore remained fairly flat compared to last year, and did not continue its underlying growth trend of 2010. Mobile voice in particular showed negative year-over-year underlying growth while the revenue increase from TV and Mobile data did not offset this.
- **Enterprise segment** revenue 3.7% lower year-over-year, including EUR 18 million (2.9%) impact of regulation. Hence, the Enterprise segment continued last year's trend with slightly declining underlying revenues (0.8%), including a limited growth for ICT and an uptake in mobile data.
- **Service Delivery Engine & Wholesale** revenue decline of 13.9% was largely due to regulation (10.3%) and to no longer benefitting from the Scarlet migration.
- **BICS** reported a slight revenue decrease of 1.5%, including a significant negative effect from the European-wide decrease of Mobile Termination rates, whereas BICS grew organically in 2010.

Exhibit 1: Revenue evolution in percentage

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

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

[1] Excluding non-recurring income

Operating expenses

(EUR million)	Q1 2010	Q1 2011	Variance
Costs of materials and services related to revenue	662	609	-8.0%
Personnel expenses and pensions	274	274	0.2%
Other operating expenses	210	220	4.5%
Total	**1,146**	**1,103**	**-3.8%**

Cost of Sales continued its positive trend in the first quarter

Over the first quarter, Belgacom reported a Cost of Sales of EUR 609 million. The year-over-year decrease of 8% or EUR 53 million was largely driven by the positive effect of some regulatory measures. The lower Mobile Termination Rates to be paid to Mobistar and Base, and the financial collecting model for Premium Rate Services since April 2010, lowered the Cost of Sales by EUR 43 million.

Furthermore, the Cost of Sales was positively impacted by the decrease in BICS revenue, at typically lower margins, and by the company-wide focus on increasing product profitability.

The benefit from lower headcount offset by wage indexation

HR-expenses over the first quarter were EUR 274 million, i.e. fairly flat compared to the same period last year. Belgacom's personnel base at end March 2011 counted 15,734 FTEs, or 617 FTEs less than one year ago. The positive effect of the lower headcount, however, was offset by the inflation-based wage indexation of 1 October 2010 for Belgacom SA employees and 1 January 2011 for other Belgium-based Belgacom employees.

Over the first quarter of 2011, Belgacom's headcount decreased by a net number of 574 FTEs. This includes 589 FTEs who left in the ongoing headcount restructuring program 'Tutorship', of which the yearly outflow is on 1 January. The tutorship program runs until 2013.

Number of FTE	March 2010	End 2010	March 2011	12 months variance	3 months variance
Consumer Business Unit	5,285	5,209	5,123	-163	-86
Enterprise Business Unit	5,204	5,263	5,103	-101	-160
Service Delivery Engine & Wholesale	3,363	3,377	3,213	-150	-164
Staff & Support	2,098	2,074	1,915	-183	-159
International Carrier Services	401	385	381	-20	-4
Total	**16,351**	**16,308**	**15,734**	**-617**	**-574**

Measures to improve customer satisfaction impacted non-HR expenses

Non-HR expenses over the first quarter increased by 4.5% to EUR 220 million. Within the Consumer Business Unit, this was mainly driven by increased outsourcing to support the customer centricity project. Within the Enterprise Business Unit, additional recruitment of consultants for the international ICT business increased the expenses.

Operating income before depreciation and amortization (EBITDA)

	Q1 2010		Q1 2011		Variance
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	264	53%	264	55%	-0.2%
Enterprise Business Unit	306	62%	300	62%	-1.9%
Service Delivery Engine & Wholesale	-23	-5%	-29	-6%	26.3%
Staff & Support	-80	-16%	-79	-16%	1.2%
International Carrier Services	28	6%	24	5%	-13.8%
Inter-segment eliminations	0	-0%	0	-0%	-
Total	**495**	**100%**	**480**	**100%**	**-3.0%**
Non-recurring income	436		0		
Total	**931**		**480**		**-48.4%**

The Group EBITDA of EUR 480 million for the first three months of 2011 was 3% or EUR 15 million lower than the previous year. This was partly due to the negative impact of regulation, lowering the EBITDA by EUR 9 million (-1.8%). The EBITDA margin for the first quarter 2011 is 30.3%, i.e. stable to last year.

Net finance result

The slight year-over-year increase in net finance costs, from EUR 28 million in 2010 to EUR 30 million in 2011, was mainly the result of an increase in net interest expense following the new bond issued and the premium granted in the context of the bond buy-back. This was partly offset by the year-over-year improvement of the re-measurements to fair value of the financial instruments, consequently to the interest rate increase.

Tax expense

The first quarter 2011 tax expense amounted to EUR 61 million representing an effective tax rate of 23.9%, whereas this was 9.6% in 2010 as a result of the realised non-taxable capital gain of EUR 436 million by acquiring control of BICS on 1 January 2010. Excluding the capital gain, the effective tax rate of the first quarter of 2010 was 25%. The effective tax rate is based on the application of general principles of Belgian tax law.

Net income (Group Share)

Belgacom reported a Group net income (Group share) of EUR 194 million for the first quarter of 2011. The year-over-year evolution is explained by the EUR 436 million capital gain generated by the acquisition of control of BICS on 1 January 2010. Excluding the capital gain, the Group net income at end March 2010 amounted to EUR 202 million.

Capital expenditure (Capex)

(EUR million)	Q1 2010		Q1 2011		Variance
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	49	32%	44	25%	-10.5%
Enterprise Business Unit	2	2%	4	2%	44.4%
Service Delivery Engine & Wholesale	96	62%	115	66%	19.9%
Staff & Support	5	3%	7	4%	62.1%
International Carrier Services	2	1%	3	2%	76.7%
Total	**154**	**100%**	**173**	**100%**	**12.6%**

Over the first quarter of 2011, Belgacom invested a total amount of EUR 173 million, or 11% of the Group revenue. This amount includes investment in the continuation of the Broadway project (EUR 9 million) which extended the fibre coverage to 77.9%, the ongoing transformation project MaIP for an amount of EUR 9 million and investments in the 3G-network driven by the progressing swap of the Mobile Radio Access Network by Huawei equipment.

Cash flows

(EUR million)	Q1 2010	Q1 2011
Cash flows from operating activities	457	410
Capital expenditures	-154	-173
Cash flows from other investing activities	60	2
Cash flow before financing activities or "free cash flow"	**363**	**239**
Cash flows used in financing activities	-56	98
Net increase of cash and cash equivalents	**307**	**337**

Belgacom reports for the first quarter 2011 a Free Cash Flow of EUR 239 million, i.e. EUR 124 million lower than for the same period last year. This is explained by the unfavourable evolution of the EBITDA, the increase of the net interest expenses (excluding re-measurements) mainly related to the partial bond buy-back in March 2011, and by the higher level of capex. In addition, the Free Cash Flow of the first quarter 2010 was positively impacted by a cash increase (EUR 51 million) as a result of the full consolidation of BICS.

Cash flow from financing activities generated EUR 98 million in the first quarter of 2011 as a result of the issuance in January 2011 of a seven-year subordinated bond of EUR 500 million under the Euro Medium Term Note program, partially offset by the **anticipated partial reimbursement of the loans maturing in November 2011**.

Balance sheet and shareholders' equity

The **shareholders' equity** increased from EUR 3,108 million at year-end 2010 to EUR 3,302 million in March 2011, mainly reflecting the net income generated during the first quarter of 2011.

Belgacom continues to have a sound financial position. **Net financial debt** decreased by EUR 247 million in the first quarter of 2011 to EUR 1,204 million. Outstanding financial debt amounted to EUR 2.2 billion at the same date, of which EUR 376 million maturing in 2011.

Regulation

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

MTR: double decrease impacts first quarter year-over-year variance

On 29 June 2010, the Belgian regulator (BIPT) adopted its final decision on the 2010-2013 MTR glide path. Gradual MTR decreases are foreseen until 2013 for all operators. The first decrease occurred on 1 August 2010 and the second one on 1 January 2011 for all three mobile operators in Belgium. At the same time, the BIPT reduced the existing MTR asymmetry, which is why the decrease for the other two mobile players was greater than for Proximus. This brings the Belgian regulation more in line with the European context. Fully symmetric tariffs will be achieved in 2013.

Any decrease in MTRs is reflected in Belgacom's fixed-to-mobile retail tariffs. Accordingly, Belgacom lowered its fixed-to-mobile tariffs on 1 August 2010 and on 1 January 2011.

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

* Including inflation

Carry-over impact of Voice Roaming rate cut on 1 July 2010

In application of the updated regulation on voice roaming which entered into force in July 2009, voice roaming rates decreased on 1 July 2010. Data roaming services are regulated at wholesale level based on a price cap, calculated on a per kilobyte basis. On 1 July 2010, data roaming prices went down from EUR 1 per Mb to 80 euro cents per Mb.

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

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

Carry-over impact of Financial collecting model for Premium Rate Services, neutral at EBITDA level

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

On-net case: damage claim by Base/Mobistar

On 10 December 2010, the panel of two experts, appointed in 2007 by the Brussels Commercial court in the context of a proceeding between Belgacom (initially Belgacom Mobile), KPN Group Belgium (initially Base) and Mobistar, filed a second preliminary report. Still pursuing the same principles reflected in the first preliminary report, and thus, in particular based on the same unprecedented and prospective method, this second report states that it could be considered that the alleged impact on Mobistar and Base of the Proximus on-net tariffs during the years 1999-2004 amounts to EUR 1,840 million.

The panel considered that due to the alleged competition law infringements KPN Group Belgium and Mobistar underperformed as compared to the results and market shares that they would have achieved in an efficient market (starting from the assumption that in a perfectly competitive market, market shares are symmetrical). For its benchmark of an efficient market, the panel referred to the UK during the period 1999-2004. Moreover this second report introduces certain new elements that Belgacom finds to be highly contestable (in particular, those new elements leading to an increase of the alleged amount of damages as compared to the first preliminary report, a.o. the introduction of a constant profitability benchmark for the whole period based on the UK market for the period 1999-2004, during which the UK operators were in a different phase of development as compared to those on the Belgian market). Belgacom strongly disagrees to the reasoning and conclusions of the expert panel.

Following a thorough analysis, Belgacom noted moreover that in the second preliminary report the vast majority of the observations and criticisms that it expressed on the first preliminary report remain unanswered and that moreover Belgacom's own expert reports related to the different elements to be assessed by the panel of experts, being the questions of network effect of the on-net tariffs, of the existence of price squeeze, of their respective anti-competitive effects and of the respective damages that these practices would allegedly have caused, were largely disregarded.

For these and a number of other reasons, Belgacom decided to introduce a motion with the court in respect of the expert panel, requesting their recusal/replacement. On 17 March 2011, the court rejected this motion. Consequently, Belgacom has lodged an appeal procedure against this decision and requests the recusal/replacement and the suspension of the expert panels' mission until a decision on its appeal.

It is to be understood that it will always be upon the court (i) to decide whether anti-competitive practices have been committed that infringe the competition rules, (ii) to determine whether Belgacom is liable for such practices and (iii) to decide upon the amount of the possible damages to be paid, after having assessed the advice of the Expert panel and the parties' defence arguments.

Indeed, this matter does not only involve a debate on the possible damages that would have been caused, but first the existence of the alleged anti-competitive practices is to be demonstrated. If a final report should still be required, Belgacom considers that the experts will need to take the observations and criticisms of Belgacom into account.

Outlook

The first quarter revenue fell short of our expectations, with underlying revenue not continuing the growth trend we experienced in 2010.

Within our Consumer segment, we saw the sound, underlying growth trend of 2010 turn into flat year-over-year revenues, mainly driven by an unexpected decline in mobile voice usage, while revenue from traditional Fixed products (Voice & Internet) was pressured by gradual market-share erosion, due to the strong competition in an increasingly penetrated Fixed market.

Unlike in previous quarters, revenue growth from TV and Mobile Data was not sufficient to compensate for this decline.

BICS's first quarter revenue for 2011 did not fully meet our expectations either, by not continuing the organic growth seen in 2010.

The lower revenue in the Consumer segment and BICS, resulted for a large part in lower direct margin, which put pressure on our EBITDA.

Belgacom decided to further strengthen its focus on market share improvement, in order to stabilize and eventually reverse the downward trend it has experienced over the last few years, for both Fixed and Mobile products. Based on the results of the first quarter, and our best estimate for the remainder of the year, which will include additional targeted market share initiatives, we have revised our 2011 full-year guidance downwards.

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

Consumer Business Unit - CBU

- **Revenue decline of 4.3%, equaling regulation impact**
- **Growth trend did not continue with underlying revenue growth flat for Q1**
- **Continued growth in TV customer base: +54,000 subscribers in Q1 2011**
- **+57,000 multi-play Packs in Q1 2011; total base at 927,000**

P&L Consumer Business Unit

(EUR million)	Q1 2010	Q1 2011	Variance
TOTAL SEGMENT INCOME	**590**	**565**	**-4.3%**
Costs of materials and services related to revenue	-180	-149	-17.3%
Personnel expenses and pensions	-81	-83	1.4%
Other operating expenses	-65	-70	8.0%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-326**	**-301**	**-7.6%**
TOTAL SEGMENT RESULT (1)	**264**	**264**	**-0.2%**
Depreciation and amortization	-37	-41	11.2%
OPERATING INCOME	**228**	**223**	**-2.0%**

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

✓ *CBU quarterly financial and operational results: page 18*

CBU first quarter revenue 4.3% lower, equaling the impact of regulation

Over the first quarter of 2011, CBU reported revenues of EUR 565 million or 4.3% lower than the same period of 2010. The EUR 25 million decline was entirely due to regulatory measures (-4.2%); with first-quarter revenues being heavily hit by the double cut in Mobile Termination Rates (August 2010 and January 2011) and the lowered Fixed-to-Mobile tariffs as a consequence. In addition, the financial collecting model for Premium Rate Services, implemented since April 2010, negatively impacted first-quarter revenues.

Unlike the growth trend in 2010, CBU's first quarter 2011 underlying business remained fairly flat. Mainly mobile voice revenues underperformed and were not fully compensated by the growth in TV and mobile data revenues.

(EUR million)	Q1 2010	Q1 2011	Variance
Revenues	**590**	**565**	**-4.3%**
From Fixed	**291**	**281**	**-3.3%**
Voice	133	118	-10.9%
Data	85	85	-0.1%
TV	44	51	16.5%
Terminals (excl. TV)	8	7	-20.4%
Scarlet	21	21	-1.8%
From Mobile	**279**	**265**	**-5.0%**
Voice	158	140	-11.7%
Data	83	87	5.0%
Terminals	15	14	-5.4%
Tango	24	25	5.2%
Other	**21**	**19**	**-9.2%**

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

Double decline in Fixed-to-Mobile tariffs pressured first-quarter Fixed Voice revenues

First-quarter fixed voice revenues declined 10.9% year-over-year to EUR 118 million. About half of this decline was due to regulatory measures: following the cuts in Mobile Termination Rates, fixed-to-mobile tariffs were lowered twice (in August 2010 and January 2011) and a financial collecting model for Premium Rate Services was implemented in April 2010. In addition, fixed voice revenues continued to be impacted by the loss in access lines. In the first quarter of 2011, CBU lost 37,000 fixed lines - a slight acceleration compared to a year ago (-33,000 lines) but in line with the last quarter of 2010 (-36,000), which already showed signs of fiercer competition, mainly in the South of the country. Furthermore, the recurring discounts on Packs continued to pressure revenues.

First-quarter fixed voice ARPU declined 4.7% year-over-year to EUR 20.2. Excluding regulation, ARPU was flat.

Fixed Internet revenue impacted by strong competition in increasingly penetrated broadband market
Over the first quarter of 2011, CBU Internet revenues of EUR 85 million were flat year-over-year. During the first three months of 2011, the CBU Internet customer base increased by 19,000 customers to a total of 1,131,000. It should be noted that 11,000 are due to a re-segmentation from EBU towards CBU. The net result of 8,000 net adds for 2011 is below the 16,000 of the first quarter of 2010 but in line with the last three quarters of 2010 as competition for Internet customers increased. In addition, first-quarter customer growth was impacted by a small loss of Scarlet Internet customers.
Internet ARPU of EUR 27.6 declined 3.9% year-over-year driven by the recurring discount on Packs and lower one-time revenues.

Belgacom TV continues to grow: revenue +16% and customer base +26% year-over-year
First-quarter TV revenues were up 16% to EUR 51 million entirely driven by customer growth. Compared to a year ago, CBU added 215,000 subscribers (54,000 during the first quarter of 2011), driven by the continued success of bundled offers. End March 2011, the Belgacom TV subscriber base was 1,029,000, including 149,000 multiple set-top boxes. First-quarter ARPU of EUR 19.4 declined 6.6% year-over-year, mainly due to lower one-time revenues from activation and installation and lower on-demand usage.

Mobile voice revenue pressured by regulatory measures and unexpected lower usage
CBU's mobile voice revenues of EUR 140 million showed a year-over-year decline of 11.7% largely explained by an increased regulatory impact. First-quarter revenues were mainly pressured by the double reduction in Mobile Termination Rates and the financial collecting model for Premium Rate Services. Furthermore, the regulatory tariff cut for Roaming had a negative impact. The remaining variance was driven by lower incidental usage compared to the first quarter of 2010 and by the ongoing cannibalisation of voice by SMS. As a result, the increasing trend in MoU in 2010, reversed in the first quarter of 2011 showing a decline of 1.7% year-over-year to 102.2 minutes. End March 2011, CBU had 3,723,000 mobile customers, or 16,000 fewer than a year ago. In the first three months of 2011, CBU lost 47,000 customers driven by higher competition in the Indirect Sales Channel: CBU lost 48,000 prepaid customers and only added 1,000 postpaid customers in the first quarter of 2011.
Blended voice ARPU declined 10.4% year-over-year to EUR 12.7, mainly driven by regulation and, to a lesser extent, by a decline in usage.

Exhibit 2: MoU quarterly evolution in percentage

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011
MoU	4.6%	5.1%	3.8%	2.8%	-1.7%
Normalized MoU	1.1%	0.9%	0.0%	2.5%	-1.3%

2010 like-for-like variance: adjusted for change in intercompany traffic

Mobile data revenues + 5%; growth impacted by financial collecting model for Premium Rate Services
CBU's first-quarter mobile data revenues of EUR 87 million grew 5% year-over-year. This growth was somewhat tempered by the implementation of the financial collecting model for Premium Rate Services as of April 2010. After correcting for the Premium Rate Services revenues that are no longer included, **SMS revenues were up 8.5% year-over-year** driven by the ongoing success of pricing plans including free SMS. This is clearly reflected in the number of SMS, showing an increase of more than 10% to almost 239 SMS/customer/month. **Advanced data grew 24.4%** year-over-year driven by the continued success of mobile internet solutions.
As a result, CBU ended the first-quarter with a strong mobile data ARPU of EUR 7.8, i.e. up 6.2% compared to one year ago.

Exhibit 3: Detail mobile data revenue

(EUR million)	Q1 2010	Q1 2011	Variance
Mobile DATA revenue	**83**	**87**	**5,0%**
SMS - incl Premium SMS	74	77	2,8%
Advanced data	8	10	24,4%

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

CBU operating expenses

Cost of Sales positively impacted by regulation, lower commissions and product profitability measures
CBU's Cost of Sales decreased 17% year-over-year to EUR 149 million. This was for a large part driven by the positive effect of the decrease in MTRs and the implementation of the financial collecting model. After correcting for these measures, the cost of sales still showed a significant improvement compared to last year driven by lower commissions for mobile and by the product profitability initiatives implemented during the course of 2010.

HR expenses impacted by wage indexation & consolidation of Sahara Net LLC
Compared to the first quarter of 2010, CBU's HR expenses were up 1.4% to EUR 83 million. The positive impact from the decrease in headcount (- 163 FTE) was fully offset by the wage indexation of October 2010 and additional costs linked to the acquisition of Sahara Net LLC, which was consolidated in October 2010.

Non-HR expenses increase mainly driven by customer satisfaction project
First-quarter Non-HR costs were up 8% year-over-year to EUR 70 million driven by an increase in outsourcing to support the customer centricity project.

CBU segment result flat year-over-year

The favourable evolution of CBU's direct margin as a result of the severe decline in Cost of Sales, was offset by the increase in expenses. This led to a flat CBU segment result of EUR 264 million for the first quarter of 2011, including a negative impact of regulation of EUR 6 million. Underlying, CBU's segment contribution increased 2.2%

CBU operating result

	Q1 2010	Q1 2011	Variance (in abs. amount)
FROM FIXED			
Number of access channels (thousands)	3,120	3,028	-92
Voice (PSTN/ISDN)	1,936	1,808	-128
IP	93	88	-5
ADSL, VDSL	1,091	1,131	41
Traffic (millions of minutes)	1,178	1,061	-117
National	976	875	-101
Fixed to Mobile	104	95	-9
International	98	91	-7
TV (thousands)	814	1,029	215
TV - households	713	879	166
Of which multiple settop boxes	100	149	49
ARPU (EUR)			
ARPU Voice	21.2	20.2	-1.0
ARPU broadband	28.7	27.6	-1.1
ARPU Belgacom TV	20.7	19.4	-1.4
FROM MOBILE			
Number of active customers (thousands)	3,739	3,723	-16
Prepaid*	2,201	2,117	-84
Postpaid	1,538	1,606	68
Annualized churn rate (blended - variance in p.p.)	20.9%	21.3%	
Net ARPU (EUR)*			
Prepaid	14.3	14.1	-0.2
Postpaid	32.5	29.2	-3.2
Blended	21.5	20.5	-1.0
Blended voice	14.2	12.7	-1.5
Blended data	7.3	7.8	0.5
UoU (units)	318.0	338.0	20.0
MoU (min)	104.0	102.2	-1.8
Normalized MoU (min)	86.1	85.0	-1.1
SMS (units)	215.2	238.7	23.5
Normalized SMS (units)	85.3	96.8	11.5

** Prepaid includes Mobisud customers that were previously reported as MVNO customers*
** Mobile ARPU's 2010 have been adapted to reflect the change in mobile access revenue allocation*

Tango

	Q1 2010	Q1 2011	Variance
Revenue[1] (in EUR mio)	24	25	5.2%
Total active mobile customers (in '000)	262	254	-3.1%
Blended mobile net ARPU (EUR/month)	23.2	26.6	14.5%

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

For the first three months of 2011, Tango continued its growth trend of 2010, by reporting a revenue increase of 5.2% year-over-year to EUR 25 million. Main drivers remained the strong sales of smartphones and the iPhone, the ongoing migration of prepaid customers to postpaid offers and increased revenues from bundles. This led to an increase in ARPU of 14.5% year-over-year to EUR 26.6.

Enterprise Business Unit - EBU

- **Regulation pressured Voice revenue significantly in the first quarter**
- **Limited decline in underlying revenue**
- **ICT slightly growing (+0.8% yoy)**
- **Solid growth Mobile Advanced data (+14% yoy)**

P&L Enterprise Business Unit

(EUR million)	Q1 2010	Q1 2011	Variance
TOTAL SEGMENT INCOME	**615**	**593**	**-3.7%**
Costs of materials and services related to revenue	-183	-162	-11.8%
Personnel expenses and pensions	-91	-94	3.4%
Other operating expenses	-36	-37	4.7%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-310**	**-293**	**-5.5%**
TOTAL SEGMENT RESULT (1)	**306**	**300**	**-1.9%**
Depreciation and amortization	-5	-4	-23.6%
OPERATING INCOME	**300**	**296**	**-1.5%**

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

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

First quarter revenue 3.7% lower, mainly resulting from regulation

Over the first quarter of 2011, EBU reported **EUR 593 million of revenue, i.e. a year-over-year decline of 3.7%**. Out of the EUR 23 million revenue loss, **EUR 18 million was driven by regulatory measures (-2.9%).** Especially the double decrease in Mobile Termination Rates (August 2010 and January 2011), and consequently the reduced Fixed-to-Mobile rates, significantly lowered the revenue.
The growth of Mobile data and ICT was not sufficient to offset lower revenue from both fixed and mobile voice, leading to EBU's **underlying revenue decline of 0.8%**.

(EUR million)	Q1 2010	Q1 2011	Variance
Revenues	**615**	**593**	**-3.7%**
From Fixed	**432**	**420**	**-2.8%**
Voice	141	128	-8.9%
Data	99	98	-0.9%
Terminals (excl. TV)	18	18	0.0%
ICT	174	175	0.8%
From Mobile	**177**	**169**	**-4.7%**
Voice	129	115	-10.2%
Data	45	50	10.0%
Terminals	3	4	9.0%
Other	**6**	**4**	**-35.2%**

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

Fixed Voice revenue significantly impacted by the double decrease of Fixed-to-Mobile rates
The Fixed Voice revenue of EUR 128 million was 8.9% lower than for the same period last year. This was, however, largely the result of reduced Fixed-to-Mobile rates (on 1 August 2010 and 1 January 2011) as a consequence of the lower Mobile Termination Rates. Excluding the regulation impact, the Fixed Voice revenue decline was relatively stable and resulted from the continued fixed line erosion and the lower usage per line, partly offset by the positive effect of the price indexation on 1 August 2010 and 1 January 2011.
In the first quarter of 2011, EBU lost 15,000 fixed lines, compared to 14,000 for the same period last year, while regulation eroded the ARPU to EUR 29.1 for the first quarter 2011.

Saturated and highly competitive broadband market
With a total of EUR 98 million, the revenue from Fixed Data products and services was slightly lower than for the first quarter 2010. Besides revenue from Fixed Internet, this includes Connectivity revenue for which the migration from older

technologies (Leased Lines, Frame Relay, ATM) to the new and more advantageous "Explore" platform (connectivity and managed services) continues.
In a saturated and highly competitive Fixed Internet market, EBU added 2,000 new broadband customers during the first quarter, although the internal transfer of 11,000 Broadband customers to CBU (re-segmentation of tele-workers) led to a lower Enterprise broadband customer base of 436,000 by end March 2011. This mathematically impacted the Broadband ARPU, which increased for the first quarter to EUR 39.6. Underlying broadband ARPU, however, was still impacted by an increasing number of self-employed and SME customers signing up for advantageous converged Packs launched in the CBU segment.

Slight growth in ICT revenue
ICT generated in the first quarter 2011 EUR 175 million of revenues, which is slightly up compared to the same period last year, though somewhat down to last year's fourth quarter, which is positively impacted by seasonality. The Belgacom ICT business continues to be sound, following a slight growth pattern which already started last year.

Mobile voice revenue impacted by regulation and success of mobile pricing plans
EBU's Mobile Voice revenue of EUR 115 million was significantly impacted by regulatory measures. Especially the double reduction in Mobile Termination Rates, on 1 August 2010 and 1 January 2011, and to a lesser extent the lower Roaming rates and collecting model for Premium Rate Services, largely explain the 10.2% year-over-year revenue decrease. The positive impact of the year-over-year growth of 75,000 mobile customers to a total of 1,327,000, did not fully offset the revenue pressure from customers moving to more advantageous pricing plans.
In spite of the fierce competition on the mobile market, EBU saw an improved customer gain in the first quarter of 2011, adding 24,000 new customers.
The Mobile Voice ARPU for the first quarter 2011 declined to EUR 29.2.

SMS and Advanced Mobile data revenue up by 10%
Revenue from Mobile data increased to EUR 50 million, a 10% growth compared to the same period of 2010 and an improvement compared to the trend of previous quarters. SMS-revenue continued its growth-path, increasing 5.6% year-over-year, as the number of SMS grew further to 83.7 SMS per customer per month for the first quarter of 2011. The SMS revenue variance includes a negative impact from the Collecting model for Premium Rate Services.
Advanced mobile data (non-SMS) increased year-over-year by 14% to EUR 27 million, driven by a solid growth of mobile data solutions, e.g. mobile Internet on laptop or GSM.

Exhibit 4: Detail mobile data revenue

(EUR million)	Q1 2010	Q1 2011	Variance
Mobile DATA revenue	**45**	**50**	**10.0%**
SMS - incl Premium SMS	22	23	5.6%
Advanced data	23	27	14.1%

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

EBU operating expenses

Regulation positively impacted level of Cost of Sales
EBU's Cost of Sales decreased year-over-year by 11.8% to EUR 162 million. This was largely due to the double decrease in Mobile Termination Rates compared to the first quarter of 2010, and the move to a financial collecting model for Premium Rate Services.

Positive evolution headcount offset by wage indexation
Compared to the same period of 2010, the HR-expenses increased by 3.4% to EUR 94 million in spite of a reduction in headcount of 101 FTEs compared to end March 2010. The positive effect of a lower headcount was more than offset by the wage indexation on 1 October 2010.

Non-HR expenses relatively stable
Compared to the first quarter of 2010, non-HR expenses were EUR 1 million higher, including some additional consultancy expenses for Belgacom's international ICT business. Compared to the previous quarters, however, non-HR expenses showed some improvement.

EBU segment result

The segment result of the first quarter of 2011 of EUR 300 million was 1.9% lower than the same period last year, driven by higher HR and non-HR expenses. The impact of regulatory measures was neutral at EBITDA-level.

EBU operating result

	Q1 2010	Q1 2011	Variance (in abs. amount)
FROM FIXED			
Number of access channels (thousands)	1,922	1,861	-60
Voice (PSTN/ISDN)	1,465	1,412	-53
IP	11	13	2
ADSL, VDSL	445	436	-9
Traffic (millions of minutes)	848	782	-66
National	579	526	-52
Fixed to Mobile	173	165	-8
International	96	90	-6
ARPU (EUR)			
ARPU Voice	30.9	29.1	-1.8
ARPU Broadband	39.4	39.6	0.2
FROM MOBILE			
Number of active customers (thousands)	1,252	1,327	75
Post-paid	1,252	1,327	75
Annualized churn rate (blended - variance in p.p.)	10.6%	11.1%	
Net ARPU (EUR)*			
Postpaid	46.9	41.8	-5.1
Postpaid voice	34.7	29.2	-5.5
Postpaid data	12.2	12.6	0.4
UoU (units)	360.7	356.5	-4.2
MoU (min)	319.7	317.1	-2.6
Normalized MoU (min)	287.4	278.9	-8.5
SMS (units)	74.6	83.7	9.1
Normalized SMS (units)	59.1	63.3	4.3

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

Service Delivery Engine & Wholesale – SDE&W

P&L Service Delivery Engine & Wholesale

(EUR million)	Q1 2010	Q1 2011	Variance
TOTAL SEGMENT INCOME	**94**	**81**	**-13.9%**
Costs of materials and services related to revenue	-15	-9	-40.6%
Personnel expenses and pensions	-51	-49	-4.1%
Other operating expenses	-50	-52	2.4%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-117**	**-110**	**-6.2%**
TOTAL SEGMENT RESULT (1)	**-23**	**-29**	**-**
Depreciation and amortization	-114	-112	-1.4%
OPERATING LOSS	**-136**	**-141**	**3.2%**

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

✓ *SDE&W quarterly financial and operational results: page 20*

SDE&W revenues -13.9%, largely driven by regulation

Over the first three months of 2011, SDE&W reported EUR 81 million in revenues or a year-over-year decline of 13.9% largely explained by the increased pressure from regulation. In total, SDE&W revenues had a EUR 10 million (-10.3%) negative regulation impact from the financial collecting model for Premium Rate Services and the double decline in Mobile termination rates. In addition, the 2011 first-quarter revenues no longer benefitted from the migration of Scarlet customers which positively impacted the 2010 revenues.

SDE&W total operating expenses improved 6.2%, benefitting from regulation and lower headcount

SDE&W's Cost of Sales improved by more than 40% compared to one year ago, fully benefitting from the positive impact of regulatory measures (lower MTRs and the financial collecting model).
First quarter 2011 HR-costs improved 4.1% compared to the same period in 2010 as the decline in headcount (-150 FTE's) more than compensated for the negative impact of the wage indexation of October 2010.
Non-HR costs increased slightly by EUR 2 million year-over-year to EUR 52 million.

Staff & Support – S&S

P&L Staff and Support

(EUR million)	Q1 2010	Q1 2011	Variance
TOTAL SEGMENT INCOME	**10**	**8**	**-23.4%**
Costs of materials and services related to revenue	1	-0	>100%
Personnel expenses and pensions	-41	-39	-3.5%
Other operating expenses	-50	-47	-6.9%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-90**	**-87**	**-3.7%**
TOTAL SEGMENT RESULT (1)	**-80**	**-79**	**-1.2%**
Depreciation and amortization	-19	-18	-0.5%
OPERATING LOSS	**-98**	**-97**	**-1.1%**

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

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

Over the first quarter of 2011, S&S reported revenues of EUR 8 million, down 23.4% year-over-year as the first quarter of 2010 was positively influenced by some one-time items. Operating expenses were down 3.7% year-over-year driven by an improvement in personnel costs and non-HR costs. The personnel costs were positively impacted by the decrease in headcount (-183 FTE's) which more than compensated for the wage indexation of October 2010. Non-HR costs improved driven by ongoing cost initiatives.

International Carrier Services - BICS

- **Overall reduction in Mobile Termination Rates in Europe impacted BICS revenue**
- **Voice gross margin under intense pressure while volumes keep growing**
- **Segment result affected by negative currency effect**

P&L International Carrier Services

(EUR million)	Q1 2010	Q1 2011	Variance
TOTAL SEGMENT INCOME	**378**	**372**	**-1.5%**
Costs of materials and services related to revenue	-325	-320	-1.5%
Gross margin (1)	*52*	*52*	*-1.2%*
Personnel expenses and pensions	-10	-10	0.2%
Other operating expenses	-15	-18	21.6%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-350**	**-348**	**-0.5%**
TOTAL SEGMENT RESULT (2)	**28**	**24**	**-13.8%**
Segment result margin	*7.4%*	*6.5%*	
Non-recurring income	436	0	-
OPERATING INCOME before depreciation & amortization	**464**	**24**	
Depreciation and amortization	-21	-20	
OPERATING INCOME	**443**	**5**	

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

✓ *ICS quarterly financial and operational results: page 21*

BICS revenue

Over the first quarter of 2011, BICS **reported EUR 372 million revenues, a 1.5% decline year-over-year, fully driven by lower voice revenues (-2.7%).** Voice revenues were significantly pressured by the overall reduction in Mobile Termination Rates in Europe. The solid volume increase in Asia and Africa and the resulting revenue growth, was not sufficient to compensate for the MTR-impact.
Non-voice revenues continued to grow (+12.5%) to EUR 33.9 million.

(EUR million)	Q1 2010	Q1 2011	Variance
Voice	347.7	338.3	-2.7%
Non Voice	30.1	33.9	12.5%
Total revenues	**377.9**	**372.3**	**-1.5%**

BICS gross margin

BICS's first-quarter gross margin was down 1.2%, entirely driven by the continued intense pressure on voice unit margins. Non-voice gross margins, however, grew as a result of BICS' leadership in mobile data.

(EUR million)	Q1 2010	Q1 2011	Variance
Voice	33.1	28.6	-13.5%
Non Voice	19.4	23.3	19.8%
Total Gross Margin	**52.5**	**51.9**	**-1.2%**

BICS operating income before depreciation and amortization (EBITDA)

For the first quarter of 2011, BICS reported an EBITDA of EUR 24 million or a decline of 13.8% year-over-year. This was driven by higher non-HR costs, fully explained by a EUR 4 million negative exchange rate effect. (the first quarter of 2011 was negatively impacted, while the first quarter of 2010 included a positive currency effect). Excluding the negative currency effect, the first quarter EBITDA remained flat year-over-year. BICS ended the first quarter with an EBITDA margin of 6.5%.

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

Both voice and non-voice volumes continued to increase, growing 11% and almost 41% respectively year-over-year.

Volumes (in million)	Q1 2010	Q1 2011	Variance
Voice	5,922	6,574	11.0%
Non-Voice (SMS/MMS)	164	230	40.7%

Quarterly results

Group – Financials

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111
Revenues	**1,641**	**1,664**	**1,640**	**1,658**	**6,603**	**1,583**
Consumer Business Unit	590	592	585	600	2,368	565
Enterprise business unit	615	610	590	606	2,421	593
Service Delivery Engine & Wholesale	94	85	79	83	342	81
Staff&Support	10	7	10	7	35	8
International Carrier Services	378	414	415	402	1,610	372
Intersegment eliminations	-47	-45	-40	-39	-172	-36
Costs of materials and charges to revenues	**-662**	**-674**	**-651**	**-655**	**-2,642**	**-609**
Personnel expenses and pensions	**-274**	**-275**	**-281**	**-278**	**-1,107**	**-274**
Other operating expenses	**-210**	**-212**	**-218**	**-230**	**-870**	**-220**
Segment result	**495**	**503**	**490**	**495**	**1,984**	**480**
Segment EBITDA margin*	**30.2%**	**30.2%**	**29.9%**	**29.9%**	**30.0%**	**30.3%**
Non recurring items	**436**	**1**	**0**	**8**	**444**	**0**
Ebitda	**931**	**504**	**490**	**503**	**2,428**	**480**

** before non-recurring items*

Group – Capex

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111
Group Capex	**154**	**222**	**139**	**219**	**734**	**173**
Consumer Business Unit	49	19	11	54	132	44
Enterprise business unit	2	3	7	7	20	4
Service Delivery Engine & Wholesale	96	180	96	121	492	115
Staff&Support	5	13	19	26	62	7
International Carrier Services	2	8	6	11	27	3

CBU - Financials

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111
Revenues	**590**	**592**	**585**	**600**	**2,368**	**565**
From Fixed	**291**	**280**	**281**	**288**	**1,139**	**281**
Voice	133	125	124	124	506	118
Data	85	85	84	83	337	85
TV	44	43	46	49	182	51
Terminals (excl. TV)	8	7	8	7	31	7
Scarlet	21	20	19	23	84	21
From Mobile	**279**	**288**	**285**	**290**	**1,142**	**265**
Voice	158	165	162	156	641	140
Data	83	82	82	88	334	87
Terminals (excl. TV)	15	16	17	21	68	14
Tango	24	25	25	25	99	25
Other	**21**	**24**	**19**	**23**	**87**	**19**
Costs of materials and charges to revenues	**-180**	**-171**	**-158**	**-169**	**-678**	**-149**
Personnel expenses and pensions	**-81**	**-81**	**-82**	**-82**	**-325**	**-83**
Other operating expenses	**-65**	**-73**	**-70**	**-83**	**-291**	**-70**
Segment result	**264**	**267**	**276**	**266**	**1,073**	**264**
Segment Contribution margin	**44.7%**	**45.1%**	**47.1%**	**44.3%**	**45.3%**	**46.7%**

CBU – Operationals

	Q110	Q210	Q310	Q410	2010	Q111
FROM FIXED						
Number of access channels (thousands)	**3,120**	**3,098**	**3,076**	**3,046**	**3,046**	**3,028**
PSTN	1,904	1,877	1,850	1,817	1,817	1,781
ISDN	32	31	30	28	28	27
IP	93	92	90	88	88	88
ADSL, VDSL	1,091	1,099	1,107	1,113	1,113	1,131
Traffic (millions of minutes)	**1,178**	**1,052**	**1,004**	**1,140**	**4,374**	**1,061**
National	976	857	824	942	3,599	875
Fixed to Mobile	104	103	94	102	404	95
International	98	91	86	96	371	91
TV (thousands)	**814**	**868**	**920**	**975**	**975**	**1,029**
TV - households	713	753	795	839	839	879
of which multiple settop boxes	100	115	125	135	135	149
ARPU (EUR)						
ARPU Voice	21.2	20.3	20.3	20.9	20.7	20.2
ARPU broadband	28.7	28.5	28.1	27.6	28.2	27.6
ARPU Belgacom TV	20.7	19.1	19.3	19.7	19.7	19.4
FROM MOBILE						
Number of active customers (thousands)	**3,739**	**3,745**	**3,773**	**3,769**	**3,769**	**3,723**
Pre-paid*	2,232	2,217	2,246	2,207	2,207	2,117
Post-paid	1,538	1,557	1,573	1,604	1,604	1,606
Annualized churn rate (blended - variance in p.p.)	**20.9%**	**20.1%**	**21.8%**	**22.8%**	**21.4%**	**21.3%**
Net ARPU (EUR)*						
Prepaid	14.3	15.0	14.7	15.3	14.8	14.1
Postpaid	32.5	32.9	32.1	31.4	32.2	29.2
Blended	21.5	22.3	21.8	22.0	21.9	20.5
Blended voice	14.2	15.0	14.6	14.2	14.5	12.7
Blended data	7.3	7.3	7.2	7.8	7.4	7.8
UoU (units)	**318.0**	**335.1**	**307.1**	**345.3**	**326.5**	**338.0**
MoU (min)	**104.0**	**109.8**	**104.8**	**106.0**	**106.1**	**102.2**
Normalized MoU (min)	86.1	88.9	87.6	90.5	88.7	85.0
SMS (units)	**215.2**	**226.5**	**203.5**	**240.5**	**221.6**	**238.7**
Normalized SMS (units)	85.3	87.1	85.7	101.2	90.6	96.8

** Prepaid includes Mobisud customers that were previously reported as MVNO customers*
** Mobile ARPU's 2010 have been adapted to reflect the change in mobile access revenue allocation*

EBU - Financials

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111
Revenue	**615**	**610**	**590**	**606**	**2,421**	**593**
From Fixed	**432**	**425**	**413**	**427**	**1,697**	**420**
Voice	141	136	130	132	539	128
Data	99	98	98	98	392	98
Terminals	18	18	19	18	74	18
ICT	174	172	166	179	692	175
From Mobile	**177**	**180**	**174**	**170**	**702**	**169**
Voice	129	130	123	119	500	115
Data	45	48	47	47	187	50
Terminals	3	3	3	5	15	4
Other	**6**	**5**	**3**	**8**	**22**	**4**
Costs of materials and charges to revenues	**-183**	**-175**	**-163**	**-164**	**-685**	**-162**
Personnel expenses and pensions	**-91**	**-93**	**-96**	**-95**	**-375**	**-94**
Other operating expenses	**-36**	**-35**	**-39**	**-40**	**-149**	**-37**
Segment result	**306**	**308**	**292**	**306**	**1,212**	**300**
Segment Contribution margin	**49.7%**	**50.4%**	**49.5%**	**50.6%**	**50.0%**	**50.6%**

EBU – Operationals

	Q110	Q210	Q310	Q410	2010	Q111
FROM FIXED						
Number of access channels (thousands)	**1,922**	**1,912**	**1,901**	**1,886**	**1,886**	**1,861**
PSTN	647	644	641	636	636	631
ISDN	818	810	801	791	791	781
IP	11	12	12	13	13	13
ADSL, VDSL	445	446	446	445	445	436
Traffic (millions of minutes)	**848**	**790**	**727**	**781**	**3,145**	**782**
National	579	529	487	529	2,123	526
Fixed to Mobile	173	168	153	165	660	165
International	96	93	86	87	362	90
ARPU (EUR)						
ARPU Voice	30.9	30.2	29.0	29.7	30.0	29.1
ARPU Broadband	39.4	39.1	39.0	38.7	39.1	39.6
FROM MOBILE						
Number of active customers (thousands)	**1,252**	**1,271**	**1,286**	**1,303**	**1,303**	**1,327**
Post-paid	1,252	1,271	1,286	1,303	1,303	1,327
Annualized churn rate (blended - variance in p.p.)	**10.6%**	**10.9%**	**10.0%**	**10.8%**	**10.6%**	**11.1%**
Net ARPU (EUR)*						
Postpaid	46.9	47.0	44.7	42.8	45.3	41.8
Postpaid voice	34.7	34.4	32.3	30.8	33.0	29.2
Postpaid data	12.2	12.6	12.5	12.1	12.3	12.6
UoU (units)	**360.7**	**363.6**	**345.3**	**372.8**	**361.3**	**356.5**
MoU (min)	**319.7**	**321.8**	**305.6**	**327.3**	**319.2**	**317.1**
Normalized MoU (min)	287.4	282.7	265.8	281.7	279.8	278.9
SMS (units)	**74.6**	**77.0**	**74.7**	**85.5**	**78.1**	**83.7**
Normalized SMS (units)	59.1	60.0	59.2	66.9	61.4	63.3

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

SDE&W - Financials

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111
Revenues	**94**	**85**	**79**	**83**	**342**	**81**
Costs of materials and charges to revenues	**-15**	**-10**	**-10**	**-10**	**-46**	**-9**
Personnel expenses and pensions	**-51**	**-48**	**-53**	**-50**	**-203**	**-49**
Other operating expenses	**-50**	**-50**	**-52**	**-50**	**-202**	**-52**
Segment result	**-23**	**-23**	**-36**	**-27**	**-109**	**-29**
Segment Contribution margin	**-24.0%**	**-26.6%**	**-45.5%**	**-33.1%**	**-31.8%**	**-35.2%**

S&S - Financials

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111
Revenues	10	7	10	7	35	8
Costs of materials and charges to revenues	1	0	0	0	1	0
Personnel expenses and pensions	-41	-43	-41	-40	-165	-39
Other operating expenses	-50	-45	-45	-52	-192	-47
Segment result	-80	-80	-75	-85	-320	-79

BICS - Financials

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111
Revenues	378	414	415	402	1,610	372
Costs of materials and charges to revenues	-325	-359	-356	-344	-1,383	-320
Personnel expenses and pensions	-10	-9	-9	-10	-39	-10
Other operating expenses	-15	-15	-16	-12	-58	-18
Segment result	28	32	34	36	129	24
Segment EBITDA margin	7.4%	7.7%	8.1%	8.9%	8.0%	6.5%

BICS – Operationals

Volumes (in million)	Q110	Q210	Q310	Q410	2010	Q111
Voice	5,922	6,254	6,433	6,680	25,290	6,574
Non-Voice (SMS/MMS)	168	188	209	235	800	230

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

During the three first months of 2011, the Belgacom Group did not acquire or dispose of any significant subsidiary, joint venture or affiliate.

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

Consolidated income statements

(EUR million)	Three months ended 31 March 2010	2011
Net revenue	1.626	1.573
Other operating income	15	10
Non-recurring income	436	0
TOTAL INCOME	**2.077**	**1.583**
Costs of materials and services related to revenue	-662	-609
Personnel expenses and pensions	-274	-274
Other operating expenses	-210	-220
Non-recurring expenses	0	0
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1.146**	**-1.103**
OPERATING INCOME before depreciation & amortization	**931**	**480**
Depreciation and amortization	-194	-195
OPERATING INCOME	**737**	**286**
Finance income	3	4
Finance costs	-31	-34
Net finance costs	**-28**	**-30**
INCOME BEFORE TAXES	**709**	**256**
Tax expense	-68	-61
NET INCOME	**641**	**195**
Non-controlling interests	2	1
Net income (Group share)	638	194
Basic earnings per share	1,99 EUR	0,60 EUR
Diluted earnings per share	1,99 EUR	0,60 EUR
Weighted average number of ordinary shares	320.688.352	321.489.045
Weighted average number of ordinary shares for diluted earnings per share	320.999.155	322.063.026

Consolidated statements of other comprehensive income

(EUR million)	Three months ended 31 March 2010	2011
Net income	**641**	**195**
Other comprehensive income:		
Available-for-sale investments:		
Valuation gain/(loss) taken to equity	-1	0
Other comprehensive income net of tax	**-1**	**0**
Total comprehensive income	**640**	**194**
Attributable to:		
Equity holders of the parent	637	193
Non-controlling interests	2	1

Consolidated balance sheets

(EUR million)	As of 31 December 2010	As of 31 March 2011
ASSETS		
NON-CURRENT ASSETS	**6,185**	**6,129**
Goodwill	2,337	2,337
Intangible assets with finite useful life	1,190	1,181
Property, plant and equipment	2,348	2,335
Investments in associates	2	2
Other participating interests	26	26
Deferred income tax assets	158	151
Pension assets	2	2
Other non-current assets	122	95
CURRENT ASSETS	**2,326**	**2,741**
Inventories	114	118
Trade receivables	1,246	1,245
Current income tax assets	198	201
Other current assets	142	209
Investments	43	46
Cash and cash equivalents	584	921
TOTAL ASSETS	**8,511**	**8,869**
LIABILITIES AND EQUITY		
EQUITY	**3,342**	**3,538**
Shareholders' equity	**3,108**	**3,302**
Issued capital	1,000	1,000
Treasury shares	-484	-483
Restricted reserve	100	100
Available for sale and hedge reserve	0	0
Stock compensation	11	12
Retained earnings	2,476	2,670
Foreign currency translation	4	3
Non-controlling interests	**235**	**236**
NON-CURRENT LIABILITIES	**2,364**	**2,801**
Interest-bearing liabilities	1,406	1,869
Liability for pensions, other post-employment benefits and termination benefits	565	540
Provisions	203	205
Deferred income tax liabilities	187	183
Other non-current payables	3	3
CURRENT LIABILITIES	**2,804**	**2,531**
Interest-bearing liabilities	783	386
Trade payables	1,304	1,282
Income tax payables	188	239
Other current payables	529	623
TOTAL LIABILITIES AND EQUITY	**8,511**	**8,869**

Consolidated cash flow statements

	Three months ended 31 March	
(EUR million)	**2010**	**2011**
Cash flow from operating activities		
Net income (group share)	638	194
Adjustments for:		
Non-controlling interests	2	1
Depreciation and amortization on intangible assets and property, plant and equipment	194	195
Increase of provisions	4	5
Deferred tax expense	62	3
Fair value adjustments on financial instruments	3	-7
Loans amortization	0	-1
Gain on disposal of consolidated companies and remeasurement of previously held interest	-436	0
Gain on disposal of property, plant and equipment	0	-1
Other non-cash movements	2	2
Operating cash flow before working capital changes	**469**	**389**
Increase in inventories	-12	-4
Decrease / (increase) in trade receivables	-65	1
Increase in current income tax assets	-3	1
Increase in other current assets	-9	-72
Increase / (decrease) in trade payables	10	-23
Increase in income tax payables	7	51
Increase in other current payables	84	94
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-21	-25
Decrease in other non-current payables and provisions	-3	-2
Decrease / (increase) in working capital, net of acquisitions and disposals of subsidiaries	**-12**	**21**
Net cash flow provided by operating activities (1)	**457**	**410**
Cash flow from investing activities		
Purchase of intangible assets and property, plant and equipment	-154	-173
Cash received from / (paid for) acquisition of consolidated companies, net of cash acquired	51	0
Cash received from sales of intangible assets and property, plant and equipment	9	1
Net cash received from other non-current assets	0	1
Net cash used in investing activities	**-94**	**-171**
Cash flow before financing activities	**363**	**239**
Cash flow from financing activities		
Dividends paid to shareholders	-1	-1
Dividends / capital paid to non-controlling interests	-21	0
Net sale of treasury shares	6	1
Sale / (purchase) of investments	10	-3
Decrease of shareholders' equity	-1	0
Issuance of long term debt	1	495
Repayment of long term debt	0	-394
Repayment of short term debt	-49	1
Net cash used in financing activities	**-56**	**98**
Net increase / (decrease) of cash and cash equivalents	**307**	**337**
Cash and cash equivalents at 1 January	332	584
Cash and cash equivalents at 31 March	639	921

Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Remeasure-ment to fair value	Foreign currency translation	Stock Compen-sation	Retained Earnings	Share'rs' Equity	Non-controlling interests	Total Equity
Balance at 31 December 2009	**1,000**	**-509**	**100**	**5**	**4**	**10**	**1,911**	**2,521**	**7**	**2,528**
Fair value changes in available-for-sale investments	*0*	*0*	*0*	*-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**
Non-controlling interests arising in a business combination	0	0	0	0	0	0	0	**0**	218	218
Treasury shares	0									
Exercise of stock options	0	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**
Balance at 31 December 2010	**1,000**	**-484**	**100**	**0**	**4**	**11**	**2,476**	**3,108**	**235**	**3,342**
Currency translation differences	*0*	*0*	*0*	*0*	*-1*	*0*	*0*	***-1***	*0*	*0*
Equity changes not recognised in the income statement	0	0	0	0	-1	0	0	**-1**	0	0
Net income	0	0	0	0	0	0	194	**194**	1	195
Total comprehensive income and expense	**0**	**0**	**0**	**0**	**-1**	**0**	**194**	**193**	**1**	**194**
Non-controlling interests arising in a business combination	0	0	0	0	0	0	0	**0**	0	0
Treasury shares										
Exercise of stock options	0	1	0	0	0	0	0	**1**	0	1
Stock options										
Stock options granted and accepted	0	0	0	0	0	3	0	**3**	0	3
Deferred stock compensation	0	0	0	0	0	-3	0	**-3**	0	-3
Amortization deferred stock compensation	0	0	0	0	0	1	0	**1**	0	1
Total transactions with equity holders	**0**	**1**	**0**	**0**	**0**	**1**	**0**	**1**	**0**	**1**
Balance at 31 March 2011	**1,000**	**-483**	**100**	**0**	**3**	**12**	**2,670**	**3,302**	**236**	**3,538**

Segment reporting

Segment revenue and results

	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 income	4	1	4	5	0	-	15
Intersegment income	3	4	21	3	17	-47	-
TOTAL SEGMENT INCOME	**590**	**615**	**94**	**10**	**378**	**-47**	**1,641**
Costs of materials and services related 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 income	-	-	-	-	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 income and expenses

	Three months ended 31 March 2011						
(EUR million)	**Consumer Business Unit**	**Enterprise Business Unit**	**Service Delivery Engine & Wholesale**	**Staff & Support**	**International Carrier Services**	**Inter-segment eliminations**	**Total**
Net revenue	559	589	64	2	358	-	1,573
Other operating income	4	2	1	4	-0	-	10
Intersegment income	1	2	16	2	14	-36	-
TOTAL SEGMENT INCOME	**565**	**593**	**81**	**8**	**372**	**-36**	**1,583**
Costs of materials and services related to revenue	-149	-162	-9	-0	-320	31	-609
Personnel expenses and pensions	-83	-94	-49	-39	-10	-	-274
Other operating expenses	-70	-37	-52	-47	-18	5	-220
TOTAL OPERATING EXPENSES before depreciation & amortization	**-301**	**-293**	**-110**	**-87**	**-348**	**36**	**-1,103**
TOTAL SEGMENT RESULT (1)	**264**	**300**	**-29**	**-79**	**24**	**-0**	**480**
Depreciation and amortization	-41	-4	-112	-18	-20	0	-195
OPERATING INCOME / (LOSS)	**223**	**296**	**-141**	**-97**	**5**	**0**	**286**
Finance expense (net)							-30
INCOME BEFORE TAXES							**256**
Tax expense							-61
NET INCOME							**195**
Non-controlling interests							1
Net income (Group share)							194

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

Other segment information

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

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
	Three months ended 31 March 2011						
Capital expenditure	44	4	115	7	3	0	173

Contingent liabilities

Compared to the Consolidated Financial Statements of the year 2010, no changes occurred during the first quarter of 2011 in the contingent liabilities except for the refusal by the Commercial Court of Belgacom's request for the recusal/replacement of the expert panel. Belgacom appealed said refusal; the case is currently pending before the Court of Appeal.

Post balance sheet events

In April 2011, Belgacom concluded an agreement to acquire the company that owns the chain of The Phone House Belgium stores for an amount of EUR 22 million. To be finalized, this transaction is subject to the procedure of notification to the Belgian Competition Authority.

Also in April 2011, Telindus France, a fully owned subsidiary of Belgacom, acquired 100% of the shares of Eudasys SAS, a data-storage market leader in France, for EUR 12 million.

Definitions

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

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

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

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

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

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

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

UoU (Units of Use): voice minutes of use + SMS (where one SMS 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 SMS included in price plans).

Financial Calendar

29 June 2011	Investor/analyst meeting
29 July 2011	Announcement HY 2011 results
28 October 2011	Announcement Q3 2011 results

For further information

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