



> quarterly
report

Q2

2012

belgacom

Key figures

	Year-to-date	
	2011	2012
Income Statement (EUR million)		
Total income	3,195	3,198
EBITDA (1) before non-recurring items	993	900
EBITDA (1)	974	889
Depreciation and amortization	-393	-369
Operating income (EBIT)	581	520
Net finance costs	-50	-40
Share of loss on associates	0	0
Income before taxes	531	480
Tax expense	-134	-113
Non-controlling interests	4	8
Net income (Group share)	393	359
Cash flows and Capital Expenditures (EUR million)		
Capital expenditure	-334	-360
Cash flows from operating activities	719	670
Cash paid for acquisitions of intangible assets and property, plant and equipment	-334	-360
Cash flows from / (used in) other investing activities	2	-21
Free cash flow (2)	387	289
Net cash used in financing activities	-475	-348
Net decrease of cash and cash equivalents	-88	-59
Balance sheet (EUR million) - As of 30 June		
Balance sheet total	8,388	8,304
Non-current assets	6,129	6,192
Investments, cash and cash equivalents	545	287
Shareholders' equity	2,935	2,915
Non-controlling interests	240	233
Liabilities for pensions, other post-employment benefits and termination benefits	513	437
Net financial position	-1,627	-1,716
Data per share		
Basic earnings per share before non-recurring items (EUR)	1.28	1.19
Earnings per share (EUR) (3)	1.22	1.13
Weighted average number of outstanding shares	321,424,418	317,777,768
Data on employees		
Number of employees (full-time equivalents)	15,756	15,994
Average number of employees over the period	15,740	15,955
Total income per employee (EUR)	202,955	200,470
EBITDA (1) before non-recurring items per employee (EUR)	63,075	56,394
EBITDA (1) per employee (EUR)	61,900	55,742
Ratios (before non-recurring items)		
Return on Equity	13.9%	12.5%
Gross margin	61.5%	59.9%

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

(2) Cash flow before financing activities.

(3) For 2011 and 2012 basic and diluted earnings per share are equivalent.

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

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

Conference call

Belgacom will host a conference call for institutional investors and analysts on Friday 27 July 2012.

Time: 10:00am Brussels – 9:00 a.m. London

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- United Kingdom : +44 20 7136 6283
- United States : +1 646 254 3367

The following code will be requested : 2988149

Highlights – Q2 2012

- Full-year guidance reiterated
- Solid customer growth continued
- Sound underlying business performance
- Year-over-year variance in results impacted by one-off items

- For the second quarter 2012, the Belgacom Group reports a **virtually stable revenue of EUR 1,611 million** compared with the same period in 2011. Revenue for the quarter ended, was reduced by a EUR 12 million one-off accounting adjustment following the new Telecom Law. **On a like-for-like basis, the Group revenue was up 0.8%** versus the second quarter 2011.
- For the second-quarter 2012, **Belgacom reports EUR 434 million in Group EBITDA¹**, including a negative one-off accounting adjustment for EUR -34 million following the new Telecom Law. This compares to the 2011 second quarter EBITDA which benefitted from a significant one-off related to the reversal of litigation provisions. **On a like-for-like basis, the Group EBITDA was down 4.7%** year-over-year.
The reported EBITDA led to an EBITDA margin of 27% for the second quarter 2012, or 29.3% on adjusted basis.
- **Belgacom reiterates its 2012 full-year guidance, excluding the one-off accounting adjustment** on revenue and EBITDA following the passing of the new Telecom Law.
- Regulatory measures reduced the second quarter revenue by EUR 16 million (-1%), while reducing the EBITDA by EUR 7 million (-1.4%).
- Belgacom invested EUR 174 million in the second quarter 2012, or 10.8% of its Group revenue, including investments in speed and capacity for both its Fixed and Mobile network.
- In the second quarter 2012 Belgacom generated EUR 110 million Free Cash Flow. The year-over-year decrease of EUR 37 million results a.o. from the lower net cash flow provided by operating activities, and higher investments.
- Belgacom continues to have a sound financial position with its net financial debt at EUR 1,716 million end of June 2012, after the dividend payment of April 2012.
- Belgacom's customer base continued to solidly grow for most product lines in the second quarter of 2012. Mobile data cards in particular picked-up considerably following the launch of "Internet Everywhere" mid-April 2012 and the increased adoption of smartphones.
Customer evolution over the second quarter and total customer base at end June 2012:
 - + 48,000² Belgacom TV subscriptions, increasing the total TV-customer base to 1,301,000
 - + 9,000 Fixed Internet lines, total Internet customer base of 1,615,000
 - + 45,000 Mobile cards leading to a total of 5,543,000³ Mobile cards
 - + 34,000 multi-play Packs, with a total of 1,177,000 Packs
 - - 37,000 Fixed Voice lines, with a total Fixed Voice customer base of 3,149,000

Comment by the CEO

Belgacom's 2012 second-quarter results keep us well on track to deliver our full-year guidance. Once again, our business performance proves that we have built a resilient position in the Belgian market. For our customers, our strategy of convergence outlined over the years, is increasingly becoming an everyday reality. The launch mid-April of our new Internet offering "Internet Everywhere" is showing good uptake and customers are opting more and more for a multi-play package that includes a mobile component. These trends strengthen our belief in the advantage of being a converged player in this market.

Didier Bellens, CEO Belgacom

¹ EBITDA before non-recurring expenses

² Corresponds to total number of set-top boxes: 35,000 new households and 13,000 second stream users

³ Including Voice and Data mobile cards sold through CBU, EBU, Tango, MVNO and SDE&W segments

Financial report

Belgacom Group

- Reported year-over-year variances significantly impacted by one-off items
- Regulation reduced Group revenue by EUR 16 million, and EBITDA by EUR 7 million
- Solid underlying financial result: Group revenue +1.8% YoY; EBITDA -3.4% YoY
- Lower EBITDA and higher investments reflected in FCF

✓ [Quarterly financials and explanation 'underlying' results as of page 20](#)

Revenue

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
Consumer Business Unit	579	575	-0.7%	1,144	1,153	0.7%
Enterprise Business Unit	593	576	-2.9%	1,186	1,156	-2.5%
Service Delivery Engine & Wholesale	80	76	-4.9%	161	154	-4.6%
Staff & Support	7	7	4.7%	15	16	7.0%
International Carrier Services	388	409	5.5%	760	791	4.1%
Inter-segment eliminations	-36	-34	-5.3%	-72	-71	-1.5%
Total	1,612	1,611	-0.1%	3,195	3,198	0.1%

For the second quarter 2012, the Belgacom Group reports **nearly stable revenue** of EUR 1,611 million compared with the same period in 2011. The second quarter 2012 revenue was reduced by a one-off accounting adjustment on Credits and Discounts (EUR 12 million) following the new Telecom Law passed on 28 June 2012. On **like-for-like¹ basis, Belgacom's Group revenue for the second quarter 2012 was up 0.8% from 2011.**

The second quarter 2012 revenue incorporates a EUR 16 million negative impact from regulatory² measures (-1%). Excluding regulation, the Belgacom Group further improved its **underlying revenue trend, growing 1.8% year-over-year** for the second quarter 2012 as a combined result of:

- A solid revenue contribution from Mobile Data, Tango and TV in the **Consumer segment**, more than offsetting the Fixed and Mobile Voice revenue erosion, ex-regulation.
- Improved underlying revenue for the **Enterprise Business Unit** due to higher organic revenue from ICT. This, combined with the revenue contribution from Mobile data, more than compensated for the revenue decline from Fixed and Mobile Voice, ex-regulation.
- And, in particular, higher revenue from the **International Carrier Segment**. BICS benefitted from a positive currency effect, a favorable destination mix, and the continued growth of Mobile data and signaling.

The Belgacom Group ended the **first-half of 2012** with EUR 3,198 million revenue. This was slightly up (+0.1%) versus the same period in 2011, or up 0.5% on a like-for-like³ basis. Over the first six months regulatory measures reduced Belgacom's revenue by EUR 30 million (-0.9%). Excluding this impact, Belgacom's underlying revenue ended 1.4% higher versus the first six months of 2011.

Operating expenses

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
Costs of materials and services related to revenue	621	667	7.4%	1,230	1,282	4.2%
Personnel expenses and pensions	282	285	1.1%	556	566	1.8%
Other operating expenses	196	224	14.4%	416	451	8.4%
Total	1,099	1,176	7.0%	2,202	2,299	4.4%
Non-recurring expenses	18	10	-	18	10	-
Total	1,118	1,187	6.2%	2,220	2,309	4.0%

¹ At Group level, the net impact from acquisitions and divestments was nearly neutral

² See pages 7 and 8 for more details on impact from regulation.

³ Excluding the impact from acquisitions, divestments and the one-off accounting adjustment following the passing of the new Telecom Law

Second quarter Cost of Sales impacted by one-off accounting adjustment on mobile sales commissions

For *the second quarter 2012* the Belgacom Group reports EUR 667 million in Cost of Sales. This includes a one-off accounting adjustment¹ for EUR 22 million on mobile sales commissions. Excluding this one-off, the Cost-of-Sales was EUR 645 million or 3.9% higher than for the same period in 2011 mainly due to higher Cost of Sales from BICS and more interconnection costs.

Over the *first six months of 2012*, Cost of Sales amounted to EUR 1,282 million, or 4.2% higher versus the same period of the prior year. Excluding the one-off accounting adjustment recorded in the second quarter 2012, Cost of Sales was up 2.4%

Inflation-based wage indexations impacting HR-expenses

For the *second quarter 2012*, Belgacom reports EUR 285 million HR expenses, or 1.1% more than for the same period of 2011. The year-over-year increase was mainly driven by the inflation-based salary indexations (in June 2011 and March 2012) and to a lesser extent by a year-over-year increase in headcount (+229 FTEs). The higher headcount resulted from the acquisition of The Phone House (+518 FTEs) and business-critical hiring in the Enterprise segment, partly offset by divestments (Telindus Spain and Scarlet Curaçao) and by employees that left in the framework of the 'Tutorship' headcount restructuring program. By the end of June 2012, Belgacom's personnel base consisted of 15,994 FTEs, of which 34% were civil servants.

Over the *first-half of 2012*, the Belgacom Group reported EUR 566 million in HR-expenses, up 1.8% compared with the same period of 2011.

Number of FTE	June 2011	End 2011	June 2012	12 months variance	6 months variance
Consumer Business Unit	5,143	5,229	5,491	348	262
Enterprise Business Unit	5,190	5,144	5,245	55	101
Service Delivery Engine & Wholesale	3,177	3,193	3,096	-81	-97
Staff & Support	1,864	1,831	1,771	-93	-60
International Carrier Services	391	391	390	-1	-1
Total	15,765	15,788	15,994	229	206

Non-HR expenses up 3.8% on a comparable basis

Belgacom's non-HR expenses over *the second quarter 2012* amounted to EUR 224 million. This compares to EUR 196 million for the same period of 2011, which included a positive one-off following the reduction of litigation provisions for about EUR 20 million. Excluding this, the non-HR costs increased year-over-year by 3.8%. This is in part driven by non-HR costs related to The Phone House and costs in the framework of the cost-efficiency effort.

Over the *first six months*, non-HR expenses totaled EUR 451 million. This is 8.4% higher than for the first-half of 2011, or an increase of 3.4% on a comparable basis.

Second-quarter 2012 non-recurring expenses of EUR 10 million

As a result of changes in the legislation on pension age, Belgacom reviewed in the second quarter 2012 the related assumptions used for estimating the liability for an ongoing employee restructuring program. This review resulted in the recognition of a non-recurring expense of EUR 10 million.

Operating income before depreciation and amortization (EBITDA)

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
Consumer Business Unit	271	232	-14.4%	535	483	-9.7%
Enterprise Business Unit	298	277	-7.0%	598	567	-5.2%
Service Delivery Engine & Wholesale	-12	-26	115.8%	-41	-50	22.1%
Staff & Support	-74	-83	13.1%	-152	-162	6.7%
International Carrier Services	29	34	17.9%	53	62	17.0%
Inter-segment eliminations	0	0	-0.3%	0	0	0.3%
Total	512	434	-15.3%	993	900	-9.4%
Non-recurring expenses	-18	-10	-	-18	-10	-
Total	494	424	-14.2%	974	889	-8.7%

For the *second quarter 2012* Belgacom reports a Group EBITDA of EUR 434 million, before non-recurring expenses, and an EBITDA margin of 27%. The reported decline versus the previous year is mainly explained by opposite one-off effects on the EBITDA.

- The second quarter 2012 EBITDA includes a negative one-off accounting adjustment of EUR -34 million following the passing of the new Telecom Law. Excluded this impact, the second quarter 2012 EBITDA was EUR 468 million, or down 8.6% versus last year.
- The second quarter 2011 included a positive one-off of about EUR 20 million related to the reversal of litigation provisions.

¹ See page 19 for more information

- **Excluding both one-offs and a limited M&A effect, the EBITDA was EUR 471 million for the second quarter 2012 or 4.7% lower than the EUR 495 million recorded in the second quarter 2011.** Adjusted for these same items the 2012 second quarter EBITDA margin was 29.3%, compared to 31% last year.

Furthermore, regulatory measures reduced the second quarter EBITDA by EUR 7 million, leading to an underlying EBITDA of EUR 479 million, or -3.2% year-over-year.

Year-to-date June 2012, the reported Belgacom Group EBITDA was EUR 900 million, i.e. 9.4% lower than for the same period in 2011. On a like-for-like basis, the year-to-date June EBITDA was EUR 941 million, or down 4.2% year-over-year. This includes a EUR 14 million negative impact from regulatory measures.

Depreciation and amortization

Depreciation and amortization decreased from EUR 393 million for the first six months of 2011 to EUR 369 million for the first six months of 2012. The 2011 depreciation was higher as a result of the shortened useful life of the Mobile Radio Access Network and the amortization of the exclusive football rights of the 2008-2011 period.

Net finance cost

The year-over-year decrease in net finance costs, from EUR 50 million for the first six months of 2011 to EUR 40 million for the first half of 2012, was mainly due to lower interest expenses resulting from the year-over-year decrease of the Group's long-term debt and the premium granted in the context of the bond buy-back in 2011. This was partly offset by less favorable re-measurement to fair value of financial instruments in the first half of 2012 versus 2011.

Tax expense

Over the first half of 2012 the total income tax expense amounted to EUR 113 million, representing an effective tax rate of 23.5%, compared with 25.2% for the first half of 2011. Excluding non-recurring expenses, the effective tax rate amounted to 24.4% for the first half of 2011 and 23.7% for 2012. The effective tax rate is based on the application of general principles of Belgian tax law.

Net income (Group share)

The net income (Group share) over the first half of 2012 amounted to EUR 359 million, compared with EUR 393 million for the same period in 2011. This is EUR 33 million lower year-over-year since the EBITDA decrease exceeded the lower amount of depreciation and amortization and the lower net finance costs.

Capital expenditure (Capex)

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
Consumer Business Unit	27	33	21.1%	71	93	32.1%
Enterprise Business Unit	4	4	-9.5%	8	7	-2.9%
Service Delivery Engine & Wholesale	119	126	6.1%	234	242	3.6%
Staff & Support	9	8	-7.1%	16	13	-20.7%
International Carrier Services	2	3	18.2%	6	4	-36.2%
Total	161	174	7.7%	334	360	7.6%

In the **second quarter 2012**, Belgacom invested EUR 174 million. This included continued investments in Fixed and Mobile networks, further increasing speed and capacity. For instance, Belgacom extended its service coverage of FttC (fiber up to the street cabinet) to reach more than 82% of the Belgian population. Furthermore, Belgacom invested in its Network transformation program and some IT-renewal.

Capitalized¹ modems, for an amount of EUR 6 million, explain the year-over-year increase in Capex of the Consumer segment.

The total investments over the **first half of 2012** amounted to EUR 360 million or 11.2% of Group revenue.

Cash flows

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
Cash flows from operating activities	309	284	-8%	719	670	-7%
Cash paid for acquisitions of intangible assets and property, plant and equipment	-161	-174	8%	-334	-360	8%
Cash flows from / (used in) other investing activities	0	0	-90%	2	-21	<-100%
Cash flow before financing activities	147	110	-25%	387	289	-25%
Net cash used in financing activities	-572	-364	-36%	-475	-348	-27%
Net decrease of cash and cash equivalents	-425	-254	-40%	-88	-59	-33%

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

By *end of June 2012*, Belgacom generated a Free Cash Flow of EUR 289 million, i.e. EUR 97 million less than for the same period in 2011. This difference is partly explained by the lower EBITDA, adjusted for non-cash one-off impacts following the new Telecom Law. Furthermore, the Free Cash Flow was impacted by the acquisition of Wireless Technologies BVBA (owning the chain of The Phone House Belgium stores) for EUR 21 million, by higher cash paid for Capex investments and by an unfavorable evolution of cash used for working capital (mainly an increase of inventory).

Belgacom ended the first half of 2012 with EUR 348 million of Cash Flow used in financing activities, compared to EUR 475 million for the same period in 2011, the net issuance of short and long term debt and the net sale of investments being higher in 2012. Furthermore the first half of 2011 was impacted by the acquisition of Treasury Shares for an amount of EUR 35 million in the context of a share buy-back program.

Balance sheet and shareholders' equity

Compared to year-end 2011, the goodwill increased by EUR 15 million to EUR 2,338 million as a result of the acquisition of Wireless Technologies BVBA. The amount of goodwill related to this acquisition is provisional since the purchase price allocation has not been finalized.

Intangible fixed assets and property, plant and equipment decreased by EUR 5 million compared with year-end 2011, mainly as a consequence of the depreciation and amortization which were higher than the invested Capex and the fixed assets acquired in the business merger with Wireless Technologies BVBA.

The shareholders' equity decreased from EUR 3,078 million at year-end 2011 to EUR 2,915 million at June 2012. This results from the 2011 dividend of EUR 534 million as approved by the General Assembly of April 2012, that exceeded the net income (Group share) generated so far in 2012, which is normal with first-half reported results.

Belgacom continues to have a sound financial position with, at end of June 2012, a net financial debt of EUR 1,716 million. The observed increase of EUR 236 million compared to December 2011 results mainly from the 2011 dividend of EUR 534 million approved by the General Assembly of April 2012 being higher than the cash flow before financing activities.

Outstanding long term financial debt amounted to EUR 1.9 billion at the same date.

Regulation and legal update

Regulation impacts (Decrease in EUR million)		Estimated Impact		Actuals	
		FY 2012	Q1 2012	Q2 2012	YTD 2012
MTR & flow-through Fix-to-Mob	Revenue	~ €45m	€10m	€12m	€22m
	EBITDA	~ €10m	€2m	€3m	€5m
Roaming	Revenue	~ €26m	€2m	€3m	€5m
	EBITDA	~ €26m	€2m	€3m	€5m
Other	Revenue	~ €4m	€2m	€2m	€3m
	EBITDA	~ €4m	€2m	€2m	€3m
Total	Revenue	~ €75m	€14m	€16m	€30m
	EBITDA	~ €40m	€6m	€7m	€14m

Mobile Termination Rates

On 29 June 2010, the Belgian regulator (BIPT) adopted its final decision on the 2010-2013 Mobile Termination Rate (MTR) glide path. Gradual MTR decreases are foreseen until 2013, at which point symmetry will be reached for all operators. While the MTR cut reduced revenues, the asymmetry reduction positively impacted Belgacom's Cost of Sales. Any decrease in MTRs is reflected in Belgacom's fixed-to-mobile retail rates. Therefore, Belgacom lowered its fixed-to-mobile rates on 1 January 2012.

MTR glide path	Before*	01-Aug-10*	01-Jan-11*	01-Jan-12*	01-Jan-13
In euro cent (excluding VAT)					
Proximus	7.2	4.62	3.94	2.62	1.08
Mobistar	9.02	5.05	4.29	2.79	1.08
Base	11.43	5.81	4.90	3.11	1.08
% change					
Proximus		-36%	-15%	-34%	-55%
Mobistar		-44%	-15%	-35%	-58%
Base		-49%	-16%	-36%	-62%
Asymmetry					
Mobistar-Prox	25%	9%	9%	6%	0%
Base-Prox	59%	26%	24%	19%	0%

*Including inflation

On 14 July 2010, Mobistar and the KPN Group each filed a separate appeal against the BIPT decision of 29 June before the Brussels Court of Appeal, asking the Court to suspend and annul the decision (especially regarding their own MTRs). After rejecting the request for suspension on 15 February 2011, the Appeal Court also rejected the annulment on the merits (on

16 May 2012). For procedural reasons (no consultation of the regional media regulators), the BIPT decision will have to be re-adopted but this will have retro-active effect, and will thus be without prejudice to the current applicable MTRs.

Roaming rates

The Roaming III Regulation entered into force on 1 July 2012. This new Regulation covers a 10-year period until 30 June 2022. It imposes a further lowering of the existing regulated price caps and extends the roaming regulation to retail data as from July 2012.

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

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

4G Mobile license

On 28 November 2011, Belgacom acquired the license to use 2x20 MHz contiguous bandwidth in the lowest part of the 2.6 GHz frequencies for an amount of EUR 20.22 million. The authorization was formally granted to Belgacom on 1 July 2012. The concession fee was paid on 16 July 2012. Belgacom has decided to make the payment in one shot.

Broadband regulation

As regards broadband wholesale prices, the EC indicated on 12 July 2012 that copper prices should not be further lowered from the current EUR 9/month and that more pricing flexibility would be introduced for fiber-based networks. In the autumn, the EC will submit draft guidelines that will apply at least until 2020.

Consumer protection

The new law transposing the revised EU telecom framework was adopted on 28 June 2012. This law strengthens current consumer protection rules and introduces new measures related to contract regulation, imposing amongst others (i) a contract duration of up to 24 months for consumers and the obligation to offer a contract of not more than 12 months to all customers, (ii) the possibility of early termination of fixed-term contracts after six months (without any penalties, except the potential reimbursement of the residual value of a free device) for consumers and small enterprises, and (iii) specific conditions applicable to the replacement of an existing contract by a new fixed-term contract (in particular after distance selling). The law will enter into force 10 days after its publication in the Official Journal. A transitory period until 1 October has been foreseen for the measures related to early termination of fixed-term contracts. The new provisions will apply to new and existing contracts.

Outlook

Performance first six months versus outlook 2012

Metrics	Full Year Outlook 2012	Q1 2012 Reported	Q2 2012 On comparable basis	H1 2012 On comparable basis
Group revenue	Decline of about -1%	0.3%	0.7%	0.5%
Group EBITDA	Decline between '-5% and -6%'	-3.1%	-8.6%	-5.9%
Capex/Revenue	Upper-end of range 10%-12%	11.7%	10.7%	11.2%

Based on its performance over the first half of 2012 and its best estimate for the remainder of the year, Belgacom reiterates its full-year guidance, i.e. a revenue decline of about 1%, while the EBITDA is expected to decline between 5% and 6%. Capital expenditures are expected to be in the upper-end of “10% to 12%” of Group revenue.

The full-year guidance does not take into account the one-off accounting adjustment on revenue and EBITDA following the change of the new Telecom Law that was passed on 28 June 2012. More information can be found on page 19. The above table shows Belgacom’s year-to-date financial performance excluding this accounting adjustment, so that it can be placed on a comparable basis with the full-year guidance.

Consumer Business Unit – CBU

- Reported year-over-year variances impacted by one-off items
- Underlying revenue continues to grow in the second quarter, up 0.7% YoY
- Successful launch Internet Everywhere: Fixed Internet +10k; main driver Mobile Postpaid +50k (Voice + Data)

P&L Consumer Business Unit

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
TOTAL SEGMENT INCOME	579	575	-0.7%	1,144	1,153	0.7%
Costs of materials and services related to revenue	-149	-182	21.8%	-298	-344	15.5%
Personnel expenses and pensions	-85	-88	4.1%	-168	-179	6.6%
Other operating expenses	-74	-73	-1.3%	-144	-147	2.1%
TOTAL OPERATING EXPENSES before depreciation & amortization	-308	-343	11.4%	-610	-670	9.8%
TOTAL SEGMENT RESULT (1)	271	232	-14.4%	535	483	-9.7%
<i>Segment contribution margin</i>	<i>46.8%</i>	<i>40.4%</i>	-	<i>46.7%</i>	<i>41.9%</i>	-
Depreciation and amortization	-41	-36	-13.2%	-82	-68	-17.0%
OPERATING INCOME	230	196	-14.6%	453	415	-8.4%

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

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

Revenue

For the *second quarter 2012*, CBU reported revenue of EUR 575 million, i.e. 0.7% lower than for the same period of the previous year. This includes the one-off accounting adjustment on Mobile Credits and Discounts¹, offset by the positive net contribution from acquisitions and divestments².

Furthermore, the second quarter 2012 revenue fell by EUR 9 million (-1.5%) due to regulatory measures. This aside, CBU's underlying business grew by 0.7% compared with the second quarter of 2011. This was driven by the positive results of Mobile Data, Tango and TV, more than offsetting the decline in Fixed and Mobile Voice revenues.

CBU ends the *first-half of 2012* with EUR 1,153 million, up 0.7% year-over-year. Like-for-like, the revenue was almost flat (-0.2%), including a negative impact from regulatory measures for a total amount of EUR 16 million (1.4%). This excluded, CBU's underlying business showed a 1.2% growth compared with the first six months of 2011.

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
Revenues	579	575	-0.7%	1,144	1,153	0.7%
From Fixed	278	270	-2.6%	559	544	-2.6%
Voice	115	105	-8.3%	233	215	-7.9%
Data	83	84	0.9%	168	169	0.5%
TV	53	57	8.3%	104	113	8.5%
Terminals (excl. TV)	6	6	-0.7%	13	12	-4.9%
Scarlet	21	18	-14.4%	41	36	-12.3%
From Mobile	279	282	1.2%	544	564	3.6%
Voice	147	123	-16.1%	286	253	-11.6%
Data	92	102	11.6%	179	199	11.6%
Terminals	14	29	106.1%	28	57	100.9%
Tango	26	28	4.4%	51	55	7.3%
Other	23	23	0.5%	42	45	7.3%

Fixed Voice line erosion stable; contained declining revenue trend

Second-quarter 2012 Fixed Voice revenues fell by 8.3% year-over-year to EUR 105 million. The year-over-year Fixed Line erosion was the main driver of the revenue decline, offsetting the positive impact of the price indexation of January 2012. This, in addition to reduced fixed-to-mobile rates (in January 2012) and other regulatory measures, put pressure on the Fixed Voice revenue. The Happy Time XL pricing plan gave further relief to the Fixed line erosion with a loss of 22,000 lines in the second quarter 2012, compared with 26,000 in 2011. By end June 2012, the CBU Fixed Voice customer base totaled 1,758,000 lines, or a 5% decline on an annual basis. The Fixed Voice ARPU dropped to EUR 19.7, a 1.5% loss year-over-year, while the total Fixed Voice traffic rose by 5.1% year-over-year, driven by a continued strong uptake in Happy Time XL, allowing free Fixed-to-Mobile calls.

By *end June 2012*, the revenue from Fixed Voice totaled EUR 215 million, i.e. a 7.9% decline compared to last year.

¹ See page 19 for more information

² Acquisition of The Phone House (January 2012), the divestment of Scarlet Curaçao (October 2011)

Solid Fixed Internet net adds in seasonally low-quarter; revenue slightly up 0.9% year-over-year

CBU ended the *second quarter 2012* with a Fixed Data revenue of EUR 84 million, i.e. 0.9% higher compared with the same period last year. The broadband customer base grew by 10,000 in the second quarter of 2012, twice as much as during the same period in 2011, supported by the launch of the new ‘Internet Everywhere’ -Broadband offers. This brings the total CBU Fixed Internet customer base to 1,169,000 by end June 2012.

The price indexation of January 2012 provided some relief on the second-quarter Broadband ARPU of EUR 26.4, i.e. -2.1% year-over-year compared to a 5.4% decline for the same period of 2011.

Over the *first six months of 2012*, CBU recorded EUR 169 million, up 0.5% versus the same period last year.

Solid Belgacom TV customer growth: +48,000 subscriptions; revenue up 8.3%

Second-quarter TV revenue grew by 8.3% to EUR 57 million, fully driven by the continued sound subscriber growth. CBU’s net TV customer gain in the second quarter ended at +48,000 TV subscriptions, resulting in a total TV customer base of 1,301,000 (+20% year-over-year), of which 209,000 were multiple streams. The second quarter TV ARPU of EUR 17.6 remained fairly stable over the last quarters, but saw an 8% decline year-over-year driven by the free football offer since July 2011.

CBU’s TV revenue over the *first-half of 2012* totaled EUR 113 million, i.e. 8.5% higher than the previous year.

Mobile Voice revenue still under pressure; 50,000 Postpaid net adds, mainly driven by Internet Everywhere

The *second quarter 2012* Mobile Voice revenue was impacted by a EUR 10.1 million (-7.0%) one-off accounting adjustment following the new Telecom Law¹. This explains the sudden 16.1% drop to EUR 123 million. The one-off excluded, CBU’s Mobile Voice revenue was down 9.2% year-over-year. The revenue loss was partially driven by regulatory impacts, including the cut in MTR (January 2012) and Roaming (July 2011).

The blended Voice ARPU decreased to EUR 11.1, incorporating the one-off accounting effect. This excluded, the ARPU was EUR 12 (-10%), impacted by regulation and somewhat lower usage (MoU -1.7%) more than offsetting the relief from the partial price indexation.

In the second quarter 2012 CBU saw a strong growth in Mobile postpaid, adding 50,000 subscribers. This was mainly driven by the newly launched Internet Everywhere offer. The prepaid customer base, however, decreased by 44,000 during that same period, partly driven by the more promotion-sensitive Mobile brand “Mobisud”. Consequently, net Mobile customer growth was limited to 5,000 in the second quarter, resulting in a total consumer Mobile customer base of 3,811,000 by end June 2012.

For the *first six months of 2012*, CBU’s Mobile Voice revenue was EUR 253 million. This is 11.6% lower than for the same period in 2011, of which -2.6% was due to a one-off accounting adjustment.

Double-digit revenue growth Mobile Data: Advanced data revenue up 32%; continued growth in SMS usage

With a year-over-year revenue growth of 11.6% in the *second quarter of 2012*, the growth trend in Mobile Data continued. SMS revenue was up by 8.7% for the second quarter 2012 with the average monthly SMS usage increasing by 14.6% year-over-year to 291 text messages. This includes free SMS messages, resulting in growing inbound revenues. The “Generation” pricing plans remained particularly successful, offering unlimited SMS usage combined with a fixed amount of Voice and Mobile Data usage.

Advanced Mobile Data showed a strong year-over-year revenue growth of 32.2%, generating EUR 15 million in the second quarter of 2012.

The ARPU from Mobile Data increased year-over-year by 10.0% to EUR 9 for the second quarter 2012.

Over the *first-half of 2012*, the total CBU Mobile Data revenue rose to EUR 102 million, i.e. an 11.6% increase compared with the first-half of last year.

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
Mobile DATA revenue	92	102	11.6%	179	199	11.6%
SMS - incl Premium SMS	80	87	8.7%	157	172	9.6%
Advanced data	11	15	32.2%	22	27	25.9%

¹ More information on page 19

CBU operating expenses

Cost of Sales impacted by the one-off accounting adjustment and acquisition of The Phone House

Second-quarter Cost of Sales included a EUR 16 million one-off accounting adjustment on commissions (11%). Excluding this, the Cost of Sales followed the same trend as seen in the first quarter, ending 11% higher year-over-year mainly as result of higher interconnection costs and the cost contribution of The Phone House.

Cost of Sales increased 15.5% over *the first-half of 2012* to EUR 344 million, or by 10.1% excluding the accounting one-off on commissions.

HR-expenses up, driven by acquisition and wage indexations

HR expenses for the *second quarter* up 4.1% to EUR 88 million, driven by the integration of The Phone House (+518 FTEs).

Over the *first six months of 2012*, the HR-expenses increased 6.6% year-over-year to EUR 179 million.

Non-HR expenses down 1.3% in second quarter

CBU's *second-quarter* non-HR expenses of EUR 73 million were down 1.3%, in spite of the cost contribution from The Phone House.

Non-HR expenses over the *first six months of 2012* increased by 2.1% to 147 million.

CBU segment result

For the *second quarter 2012*, CBU reported a segment result of EUR 232 million, i.e. a year-over-year decline of 14.4%. This includes the EUR 26 million (-9.7%) one-off accounting adjustment following the new Telecom Law, as well as the negative impact from regulation of EUR 5 million (-1.7%). The contribution margin was 40.4%, i.e. 6.5 p.p. lower versus the previous year.

The underlying segment result was 3.2% lower versus the same period 2011, to a great extent driven by the free football offer since June 2011.

Over the *first-half of 2012*, the reported segment result was EUR 483 million or 9.7 % lower versus 2011, including EUR 8 million (1.6%) regulation impact.

CBU operating result

	2nd Quarter		
	2011	2012	YoY Variance
			(in abs. amount)
FROM FIXED			
Number of access channels (thousands)	3,006	2,926	-80
Voice	1,870	1,758	-112
Broadband	1,136	1,169	32
Traffic (millions of minutes)	977	1,027	49
National	795	754	-40
Fixed to Mobile	96	179	84
International	87	93	6
TV (thousands)	1,087	1,301	214
TV - households	925	1,093	167
Of which multiple settop boxes	162	209	47
ARPU (EUR)			
ARPU Voice	20.0	19.7	-0.3
ARPU broadband	27.0	26.4	-0.6
ARPU Belgacom TV	19.2	17.6	-1.5
FROM MOBILE			
Number of active customers (thousands)	3,726	3,811	85
Prepaid (1)	2,096	2,071	-24
Postpaid	1,630	1,739	109
Annualized churn rate (blended - variance in p.p.)	20.4%	19.9%	
Net ARPU (EUR)			
Prepaid	15.3	14.2	-1.2
Postpaid	30.0	27.3	-2.7
Blended	21.6	20.1	-1.5
Blended voice	13.4	11.1	-2.3
Blended data	8.2	9.0	0.8
UoU (units)	357.5	391.7	34.2
MoU (min)	106.6	104.7	-1.8
SMS (units)	254.1	291.3	37.2

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

Tango

	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
Revenue (in EUR mio) (1)	26	28	4.4%	51	55	7.3%
Total active mobile customers (in '000)	256	268	4.7%	256	268	4.7%
Blended mobile net ARPU (EUR/month)	28.1	29.2	3.8%	27.3	28.8	5.5%

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

In the *second quarter*, Tango's revenue increased 4.4% year-over-year to EUR 28 million. Although the iPhone offer annualized, the success of mobile subscriptions for iPhones together with the ongoing migration of prepaid towards postpaid offers, resulted in a continued revenue increase. The ARPU increased to EUR 29.2, i.e. 3.8% year-over-year. Tango acquired 1,000 new Mobile customers in the second quarter 2012.

Enterprise Business Unit – EBU

- Reported year-over-year variance impacted by one-offs and divestment
- Improved underlying revenue, up 0.8% YoY, in spite of competition and unfavorable economic climate
- Revenue growth organic ICT and Mobile data more than offset Voice revenue erosion, ex-regulation
- Change in product mix impacted Direct Margin

P&L Enterprise Business Unit

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
TOTAL SEGMENT INCOME	593	576	-2.9%	1,186	1,156	-2.5%
Costs of materials and services related to revenue	-160	-157	-1.8%	-321	-306	-4.7%
Personnel expenses and pensions	-98	-103	4.7%	-192	-203	5.6%
Other operating expenses	-37	-39	6.0%	-74	-80	7.3%
TOTAL OPERATING EXPENSES before depreciation & amortization	-295	-299	1.3%	-588	-589	0.2%
TOTAL SEGMENT RESULT (1)	298	277	-7.0%	598	567	-5.2%
Segment contribution margin	50.3%	48.1%	-	50.4%	49.0%	-
Non-recurring expenses	-18	0	-	-18	0	-
OPERATING INCOME before depreciation & amortization	280	277	-1.0%	580	567	-2.3%
Depreciation and amortization	-4	-4	-0.4%	-8	-8	-4.1%
OPERATING INCOME	276	273	-1.0%	572	559	-2.3%

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

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

Revenue

For *the second quarter 2012*, EBU reported revenue of EUR 576 million, EUR 17 million or 2.9% lower versus the same period of 2011. On a **like-for-like basis**, i.e. excluding the combined effect of the divestment of Telindus Spain, the customer re-segmentation¹ and the one-off accounting adjustment on Credits and Discounts², the **EBU revenue decline was limited to 0.3%**. This incorporates a EUR 6 million or 1.1% negative impact from regulatory measures. This impact set aside, EBU's second-quarter **underlying revenue was up 0.8%**, showing some improvement to the first quarter variance (+0.1%), in the context of an unfavorable economic climate. The organic revenue growth in ICT, combined with the revenue contribution from Mobile data more than compensated for the eroding revenue from Fixed and Mobile Voice, ex-regulation.

Over the *first six months of 2012*, EBU generated EUR 1,156 million revenue or 2.5% less than for the same period of 2011. Like-for-like, the revenue decline was limited to 0.7%. This includes a negative impact from regulatory measures for a total of EUR 13 million (-1.1%). Excluding this, EBU's underlying business showed a 0.4% growth compared with the first half of 2011.

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
Revenues	593	576	-2.9%	1,186	1,156	-2.5%
From Fixed	417	409	-2.1%	837	817	-2.4%
Voice	125	120	-4.0%	253	244	-3.6%
Data	97	99	1.4%	195	198	1.2%
Terminals (excl. TV)	18	18	0.0%	36	36	0.0%
ICT	177	172	-2.8%	352	339	-3.6%
From Mobile	171	162	-5.4%	340	327	-3.7%
Voice	115	102	-11.9%	231	208	-10.0%
Data	53	58	9.0%	103	114	10.9%
Terminals	3	3	-12.0%	7	6	-11.9%
Other	5	5	20.6%	9	11	25.1%

Fixed Voice price indexation giving some support, though offset by continued line erosion

For the *second quarter 2012*, EBU reported EUR 120 million in Fixed Voice revenue, i.e. a 4% decline year-over-year. The trend improvement on the previous year was the result of the price indexation at the start of 2012. This positive price effect was, however, more than offset by the continued Fixed line erosion (15,000 for second quarter 2012) combined with

¹ See page 19 for more information

² See page 19 for more information

lower Fixed-to-Mobile rates since 1 January 2012. EBU ended June 2012 with a total Fixed Voice customer base of 1,379,000 customers, with a Fixed Voice ARPU for the second quarter down 1.4% year-over-year to EUR 28.4.

Over the *first-half of 2012*, EBU generated EUR 244 million from Fixed Voice, down 3.6% from the same period in 2011.

Data connectivity revenue slightly up; Internet customer base remains fairly stable

The *second-quarter 2012 revenue* from Fixed Data, consisting of Fixed Internet and data connectivity revenue, for a total of EUR 99 million, was up 1.4% compared with the same period of 2011. The revenue from data connectivity showed some increase, offsetting the slight revenue decline for Fixed Internet. Despite operating in a saturated and highly competitive professional Fixed Internet market, EBU ended the second quarter 2012 with a fairly stable Fixed Internet customer base of 445,000 and ARPU of EUR 39.

EBU's Fixed Data revenue over the *first six months of 2012* amounted to EUR 198 million, up 1.2% versus the same period in 2011.

ICT revenue up 6.1% on like-for-like basis

EBU's *second-quarter* revenue from ICT was EUR 172 million, or down 2.8% year-over-year on a reported basis. The second quarter revenue of 2011, however, still included about EUR 15 million revenue from Telindus Spain which was divested end June 2011. With this impact normalized, the like-for-like ICT revenue was up 6.1% for the second quarter of 2012, an improvement on the seasonally lower first quarter (+1%) and on the same period in 2011 (+2.6%).

Over the *first-half of 2012*, EBU recorded EUR 339 million in ICT revenue, which was 3.6% lower than the previous year. On a like-for-like basis, however, ICT revenue grew by 3.5% compared with the first half of 2011.

Significant increase in Mobile cards; Mobile Voice revenue remains under pressure due to pricing and regulation

For the *second quarter of 2012* EBU reports EUR 102 million revenue from Mobile Voice, or down 11.9% year-over-year. This includes the one-off accounting adjustment on Credits and Discounts, reducing the EBU Voice revenue by EUR 2.1 million (-1.8%) and the year-over-year impact from reduced Mobile Termination and Roaming rates. Both impacts explain in part the decline in Mobile net ARPU to EUR 23.7. The one-off accounting adjustment excluded, the ARPU is EUR 24.2, or -15.8%.

In addition, the ARPU remains pressured by the continued uptake of pricing plans including free Voice usage, and by a competitive corporate and SME mobile market. These negative effects were partly offset by the indexation of some of the mobile price plans in January 2012 while the Mobile usage per customer remained fairly stable at 327 minutes/user/month. EBU stepped-up its Mobile customer growth in the second quarter 2012, with the addition of 36,000 mobile cards. This included Mobile Voice, Mobile data and Machine-to-Machine cards. By end of June 2012, EBU's total Mobile customer base amounted to 1,449,000 cards.

Over the *first six months*, Mobile Voice revenue totaled EUR 208 million. This is 10% below the comparable period of 2011, with about half of the decline driven by regulatory measures and the one-off accounting adjustment.

Second quarter Mobile data revenue up 9% year-over-year; strong SMS growth continued

The Mobile Data revenue grew year-over-year by 9% to EUR 58 million for the *second quarter of 2012*.

SMS continued its double digit revenue growth (+10.1%) versus the prior year as a consequence to the continued growth from SMS usage. Year-over-year, SMS usage went up by 24% to an average of 112 text messages per user per month as the success of MTV Generation pricing plans, including unlimited SMS, pushed the volume of both free and paying SMS. Revenue from Advanced Mobile Data grew by 8.1% to EUR 31 million for the second quarter, mainly driven by the continued success of Mobile Solutions and Internet on GSM subscribers. The Mobile Data ARPU increased 2.3% from last year to EUR 13.5.

Over the *first-half of 2012*, EBU's total Mobile Data revenue was EUR 114 million, up 10.9% versus the same period of 2011.

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
Mobile DATA revenue	53	58	9.0%	103	114	10.9%
SMS - incl Premium SMS	24	27	10.1%	48	53	11.9%
Advanced data	28	31	8.1%	55	61	10.2%

EBU operating expenses

One-off accounting adjustment on commissions impacts Cost of Sales

For the *second quarter 2012*, EBU reports EUR 157 million in Cost of Sales, i.e. 1.8% less than for the same period of 2011. Excluding the one-off EUR 6 million accounting adjustment on commissions¹, Cost of Sales was 5.5% lower year-over-year. This decrease is the result of the divestment of Telindus Spain and a positive effect from lower Mobile Termination Rates, more than offsetting the unfavorable evolution of EBU's product mix on the Cost of Sales.

Over the *first half of 2012*, the Cost of Sales decreased by 4.7% year-over-year to EUR 306 million, or by 6.2% when adjusting for the accounting one-off on commissions. The year-over-year decrease results from the Telindus Spain divestment since end June 2011 and lower Mobile Termination Rates.

HR-expenses up due to changes in allocation, salary indexation and headcount increase

Year-over-year the HR-expenses increased by 4.7% to EUR 103 million for the *second quarter 2012*. The benefit from the Telindus Spain divestment on HR-expenses was offset by the effect from a change in allocation of customer installation and overhead costs. The remaining increase was driven by the inflation-based salary indexation of June 2011 and March 2012 and by an increase in EBU headcount to 5,245 FTEs in order to support ICT growth.

The HR-expenses over the *first-half of 2012* increased year-over-year by 5.6% to EUR 203 million.

Higher non-HR expenses, including a change in cost-allocation

For the *second quarter 2012* EBU reports EUR 39 million non-HR expenses, 6% up versus the previous year. The positive impact from the Telindus Spain divestment was offset by a negative effect of the change in cost allocation (Group neutral).

The non-HR expenses over the *first six months of 2012* are EUR 80 million, a 7.3% increase to the same period of 2011, partially because of the change in cost allocation, not impacting the Group expenses.

EBU segment result

EBU's *second quarter 2012* segment result of EUR 277 million is 7% or EUR 21 million lower than for the same period of 2011. This includes EUR 8 million (-2.7%) one-off accounting adjustment following the new Telecom Law. Furthermore, the segment result was negatively impacted by regulation for EUR 2 million (-0.7%), and by some EBITDA loss related to the divestment of Telindus Spain and change in allocated costs.

EBU's underlying segment result was down 2.9% year-over-year, mainly because of a changing product mix with an unfavorable effect on Direct margin and due to higher HR-expenses.

The reported contribution margin was 48.1%, versus 50.3% for the same period of 2011.

The reported segment result over the *first half of 2012* was EUR 567 million, or 5.2% lower than for the prior year, including EUR 4 million (0.7%) impact from regulation.

EBU operating result

	2nd Quarter		
	2011	2012	YoY Variance
			(in abs. amount)
FROM FIXED			
Number of access channels (thousands)	1,849	1,824	-24
Voice	1,412	1,379	-33
Broadband	436	445	9
Traffic (millions of minutes)	732	699	-33
National	485	459	-26
Fixed to Mobile	160	161	0
International	86	79	-7
ARPU (EUR)			
ARPU Voice	28.9	28.4	-0.4
ARPU Broadband	39.3	39.0	-0.3
FROM MOBILE			
Number of active customers (thousands)	1,357	1,449	92
Postpaid	1,357	1,449	92
Annualized churn rate (blended - variance in p.p.)	10.8%	11.0%	
Net ARPU (EUR)			
Postpaid	41.9	37.2	-4.7
Postpaid voice	28.7	23.7	-5.0
Postpaid data	13.2	13.5	0.3
UoU (units)	369.6	377.0	7.3
MoU (min)	328.3	326.6	-1.8
SMS (units)	90.1	111.7	21.6

¹ More information on page 19

Service Delivery Engine & Wholesale – SDE&W

P&L Service Delivery Engine & Wholesale

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
TOTAL SEGMENT INCOME	80	76	-4.9%	161	154	-4.6%
Costs of materials and services related to revenue	-9	-9	-4.6%	-19	-18	-1.2%
Personnel expenses and pensions	-50	-44	-12.0%	-98	-87	-11.8%
Other operating expenses	-33	-50	49.6%	-85	-98	15.7%
TOTAL OPERATING EXPENSES before depreciation & amortization	-92	-103	11.0%	-202	-203	0.8%
TOTAL SEGMENT RESULT (1)	-12	-26	115.8%	-41	-50	22.1%
Segment contribution margin	-15.3%	-34.6%	-	-25.3%	-32.4%	-
Depreciation and amortization	-115	-110	-4.5%	-227	-217	-4.2%
OPERATING LOSS	-127	-136	7.1%	-268	-267	-0.2%

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

✓ [SDE&W quarterly financial and operational results: page 23](#)

Revenue

For the *second quarter of 2012*, SDE&W reported EUR 76 million revenue, or 4.9% less than for the same period last year, driven by Carrier Wholesale Services. This decline was mainly due to lower leased line volumes and lower roaming prices which was only partially offset by increased roaming volumes. Regulatory measures reduced the SDE&W revenue by 1.1%.

The revenue over the *first-half 2012* totaled EUR 154 million, a year-over-year decline of 4.6%, of which -1% related to regulatory measures.

Operating expenses

SDE&W's total operating expenses for the *second quarter 2012* were up by 12.8% versus the second quarter of 2011 which benefitted from a one-off reduction in non-HR expenses because of the reversal of a litigation provision.

Compared to end June 2011, SDE&W lowered its headcount by 81 FTEs to a total of 3,096. The benefit from the lower headcount combined with a limited positive effect of the changed cost allocation more than offset the inflation-based salary increases (June 2011 and March 2012). As a result, the second quarter HR-expenses were 12% lower versus the same period of 2011.

Over the *first-half of 2012*, the total of HR and non-HR expenses for SDE&W were up by 1% to EUR 185 million as the lower HR-expenses nearly compensated for the one-off provision reversal.

Staff & Support – S&S

P&L Staff and Support

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
TOTAL SEGMENT INCOME	7	7	4.7%	15	16	7.0%
Costs of materials and services related to revenue	-0	-1	>100%	-0	-0	>100%
Personnel expenses and pensions	-40	-39	-2.0%	-79	-77	-2.8%
Other operating expenses	-41	-50	24.4%	-88	-101	15.4%
TOTAL OPERATING EXPENSES before depreciation & amortization	-81	-91	12.4%	-167	-178	6.7%
TOTAL SEGMENT RESULT (1)	-74	-83	13.1%	-152	-162	6.7%
Segment contribution margin	-	-	-	-	-	-
Non-recurring expenses	0	-10	-	0	-10	-
OPERATING LOSS before depreciation & amortization	-74	-94	27.2%	-152	-173	13.5%
Depreciation and amortization	-18	-18	-2.0%	-37	-36	-1.5%
OPERATING LOSS	-92	-112	21.4%	-189	-209	10.6%

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

✓ [S&S quarterly financial results: page 24](#)

In the *second quarter 2012* Staff and Support recorded EUR 7 million revenues, fairly in line with the same period of 2011. This brings the total Staff and Support revenue recorded in the *first six months of 2012* to EUR 16 million.

The EUR 9 million increase in **non-HR expenses** for the *second quarter 2012* is due to the positive one-off recorded in the same period 2011 and due to certain costs in the framework of the cost efficiency program launched earlier this year. **HR expenses** in the second quarter 2012 were down 2% year-over-year as the decline in headcount (-93 FTEs) more than offset the impact of the wage indexations. Over the *first-half of 2012*, total operating expenses for Staff and Support increased by 6.7%, with lower HR-expenses only partially offsetting the higher non-HR expenses.

International Carrier Services – BICS

- Favorable currency effect and destination mix increased Q2'12 Voice revenue by 4.3% YoY
- Continued solid revenue growth of Data and Signaling, +16.9% YoY
- Strong Q2 2012 Gross margin of EUR 62 million, up 13.9% YoY
- Segment result margin of 8.4%

P&L International Carrier Services

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
TOTAL SEGMENT INCOME	388	409	5.5%	760	791	4.1%
Costs of materials and services related to revenue	-333	-347	4.2%	-653	-673	3.0%
<i>Gross margin (1)</i>	54	62	13.9%	106	118	11.1%
Personnel expenses and pensions	-9	-10	19.4%	-18	-20	11.9%
Other operating expenses	-17	-17	4.0%	-35	-35	1.5%
TOTAL OPERATING EXPENSES before depreciation & amortization	-358	-375	4.5%	-707	-729	3.1%
TOTAL SEGMENT RESULT (2)	29	34	17.9%	53	62	17.0%
<i>Segment result margin</i>	7.5%	8.4%	-	7.0%	7.9%	-
Non-recurring expenses	-1	0	-	-1	0	-
OPERATING INCOME before depreciation & amortization	28	34	20.8%	53	62	18.6%
Depreciation and amortization	-20	-20	-0.4%	-40	-40	0.4%
OPERATING INCOME	8	14	73.0%	13	22	75.4%

(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 24](#)

Revenue

Over the *second quarter 2012* BICS generated EUR 409 million in revenue, a EUR 22 million or 5.5% increase versus the same period of 2011.

BICS was able to further improve its revenue trend thanks to a strong growth in Voice revenue, supported by a positive currency effect as the dollar strengthened year-over-year, and because of a favorable destination mix with proportionally more traffic to Africa. In addition, Mobile data and signaling continued to solidly grow. These positive evolutions more than offset the negative impact of the European-wide MTR reduction.

For the *first-half of 2012*, BICS reports EUR 791 million revenue, 4.1% more than for the first six months of 2011.

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
Voice	348.5	363.4	4.3%	686.8	703.9	2.5%
Non Voice	39.1	45.7	16.9%	73.0	87.1	19.3%
Total revenues	387.5	409.0	5.5%	759.8	791.0	4.1%

The positive year-over-year revenue evolution results in an improved Gross Margin for the *second quarter 2012*, up 13.9% year-over-year, leading to a Gross Margin of EUR 62 million. This brings the Gross Margin of BICS *first-half year* to EUR 118 million, or an 11.1% improvement on last year.

(EUR million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
Voice	28.6	32.4	13.3%	57.2	63.3	10.5%
Non Voice	25.8	29.6	14.6%	49.1	54.8	11.7%
Total Gross Margin	54.4	62.0	13.9%	106.3	118.1	11.1%

Growing Gross Margin leads to higher EBITDA

The *second-quarter* segment result of BICS was up 17.9% year-over-year to EUR 34 million. This was driven by the higher Gross Margin, partly offset by higher HR-expenses including wage inflation and a slight increase in non-HR expenses. The EBITDA margin grew 0.9pp year-over-year to 8.4%.

Year-to-date June 2012, BICS increased its segment result by 17% to EUR 62 million, mainly as a result of a higher Gross Margin.

Volumes (in million)	2nd Quarter			Year-to-date		
	2011	2012	% Change	2011	2012	% Change
Voice	6,997	6,984	-0.2%	13,571	13,891	2.4%
Non-Voice (SMS/MMS)	253	361	42.5%	483	685	41.6%

Elements impacting reported results in the second quarter:

▪ New Telecom Law:

On Thursday 28 June 2012 the new Belgian Telecom Law was voted by all bodies. Since this law enters into force as from 1 October 2012 and applies retroactively to existing contracts, Belgacom accounted for the impact of this law in the second quarter 2012, affecting revenue and EBITDA, though without impacting the Free Cash Flow.

The accounting adjustment relates to Proximus mobile contracts, for which certain discount programs and sales commissions were deferred over time. As a result of the Law, the criteria allowing the deferral in time of such discounts and commissions are no longer met. Therefore, the accumulated deferred discounts (which would have been accounted for in the remainder of 2012 and in 2013), are recorded in deduction of the 2012 second quarter revenue. In anticipation of the law, Belgacom already decided to stop the “upfront” commercial discount model early 2012. Discounts granted to customers of mobile contracts are now equally spread over time instead of being concentrated during the first months.

The deferred sales commissions have been expensed in the second quarter as “cost of materials and services related to revenue”. The negative impacts on the reported second quarter numbers are listed in the table below.

		CBU	EBU	Group
REVENUES	Mobile Voice Credits & Discounts	-10	-2	-12
COST OF GOODS SOLD	Mobile commissions	-16	-6	-22
EBITDA		-26	-8	-34

▪ Capitalization of modems:

As a consequence of the gradual evolution to the current business model for Internet modems, new Belgacom modems rented to customers are capitalized as from 1 January 2012 and have an estimated useful life of 24 months. This resulted in a positive impact on Cost of Sales, while increasing the level of Capex.

▪ Fine-tuning cost allocation:

Allocation of a.o. customer installation and overhead costs was fine-tuned at the start of 2012 having some impact on the expenses of the Consumer, Business and Service Delivery Engine & Wholesale segments, though, not impacting Group results. Where applicable, a reference was made in the detailed segment results.

▪ Customer re-segmentation:

The full alignment at the start of 2012 of the Belgacom Fixed and Mobile customer base led to the re-segmentation of some customers. The first-quarter release of 2012 included an overview of the impact on the customer bases and net adds. This re-segmentation did not have an impact on calculation of net customer additions in the second quarter, though year-over-year, the revenue of the customer segments is still impacted in a very limited way for the products concerned, i.e. for Fixed Voice, Mobile Voice and Fixed Internet.

Quarterly results

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

Group – Financials

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

(1) before non-recurring items

Group from reported to underlying

	Q111	Q112	Var in %	Q211	Q212	Var in %
GROUP REVENUE						
Reported	1,583	1,588	0.3%	1,612	1,611	-0.1%
One-offs	0	0		0	12	
M&A	-16	-19		-17	-16	
Like-for-like	1,567	1,569	0.1%	1,595	1,607	0.8%
Regulation		14			16	
Underlying	1,567	1,583	1.0%	1,595	1,623	1.8%
GROUP EBITDA						
Reported	480	466	-3.1%	512	434	-15.3%
One-offs	6	0		-17	34	
M&A	1	4		-1	3	
Like-for-like	487	470	-3.6%	495	471	-4.7%
Regulation		6			7	
Underlying	487	476	-2.3%	495	479	-3.2%

One offs: Accounting impact new Telecom Law in Q2 2012, reversal of litigation provisions in Q2 2011, capitalization of modems as of 2012

M&A: acquisition of The Phone House, divesture of Telindus Spain and Scarlet Curaçao

Regulation: includes impact from lower Mobile Termination and Roaming rates, and other regulatory impacts

Revenue evolution in percentages

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

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

Group – Capex

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

CBU – Financials

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

CBU – Operationals

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

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

(2) Q4 2011 impacted by clean-up of inactive prepaid cards. This clean-up has no impact on the number of active customers & prepaid net adds.

EBU – Financials

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

EBU- Operationals

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

SDE&W – Financials

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

SDE&W – Retail Operationals and MVNO customers

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

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

S&S – Financials

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

ICS – Financials

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

ICS – Operationals

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

Interim Condensed Consolidated Financial statements

These interim financial statements were subject to a review by the independent auditor (see limited review report).

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

The accounting policies and methods of the Group are consistent with those applied in the 31 December 2011 consolidated financial statements, with the exception that the Group adopted the new standards and interpretations that became mandatory for the Belgacom Group on 1 January 2012 and which are set out in note 38 of the 31 December 2011 consolidated financial statements. The adoption of these new standards has only limited disclosure impacts on the consolidated financial statements. The Group does not anticipate on the application of standards and interpretations.

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

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

Acquisition of Wireless Technologies BVBA

Early January 2012, the Group acquired all outstanding shares of Wireless Technologies BVBA, the company owning the chain of The Phone House Belgium stores. A number of these points-of-sale will be subsequently divested. This process is currently ongoing.

The total acquisition price amounted to EUR 22 million before price adjustments, which have not been finalized.

The Group is still identifying assets and liabilities acquired and analysing their fair value. For this reason the fair value of the identified assets and liabilities of Wireless Technologies BVBA, as of the date of acquisition, has been determined provisionally for these interim financial statements and amounts to EUR 6 million for non-current assets, EUR 28 million for current assets, and EUR 27 million for current liabilities. Such provisional initial accounting led consequently to the recognition in these interim financial statements of EUR 15 million of goodwill.

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

Others

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

Consolidated income statements

(EUR million)	2nd Quarter		Year-to-date	
	2011	2012	2011	2012
Net revenue	1,601	1,600	3,174	3,176
Other operating income	11	10	21	23
TOTAL INCOME	1,612	1,611	3,195	3,198
Costs of materials and services related to revenue	-621	-667	-1,230	-1,282
Personnel expenses and pensions	-282	-285	-556	-566
Other operating expenses	-196	-224	-416	-451
Non-recurring expenses	-18	-10	-18	-10
TOTAL OPERATING EXPENSES before depreciation & amortization	-1,118	-1,187	-2,220	-2,309
OPERATING INCOME before depreciation & amortization	494	424	974	889
Depreciation and amortization	-199	-188	-393	-369
OPERATING INCOME	295	236	581	520
Finance income	14	2	18	5
Finance costs	-35	-25	-68	-45
Net finance costs	-21	-22	-50	-40
INCOME BEFORE TAXES	275	214	531	480
Tax expense	-73	-48	-134	-113
NET INCOME	202	166	397	368
Non-controlling interests	3	5	4	8
Net income (Group share)	199	161	393	359
Basic earnings per share	0.62 EUR	0.51 EUR	1.22 EUR	1.13 EUR
Diluted earnings per share	0.62 EUR	0.51 EUR	1.22 EUR	1.13 EUR
Weighted average number of ordinary shares	321,360,502	317,850,894	321,424,418	317,777,768
Weighted average number of ordinary shares for diluted earnings per share	321,963,511	318,203,376	322,105,382	318,264,168

Consolidated statements of other comprehensive income

(EUR million)	As of 30 June 2011	As of 30 June 2012
Net income	195	368
Total comprehensive income	194	367
Attributable to:		
Equity holders of the parent	193	359
Non-controlling interests	1	8

Consolidated balance sheets

(EUR million)	As of 31 December 2011	As of 30 June 2012
ASSETS		
NON-CURRENT ASSETS	6,217	6,192
Goodwill	2,323	2,338
Intangible assets with finite useful life	1,155	1,145
Property, plant and equipment	2,401	2,405
Investments in associates	3	3
Other participating interests	31	34
Deferred income tax assets	121	90
Pension assets	2	2
Other non-current assets	180	175
CURRENT ASSETS	2,095	2,112
Inventories	116	151
Trade receivables	1,328	1,366
Current tax assets	143	146
Other current assets	152	162
Investments	36	26
Cash and cash equivalents	320	261
TOTAL ASSETS	8,312	8,304
LIABILITIES AND EQUITY		
EQUITY	3,303	3,149
Shareholders' equity	3,078	2,915
Issued capital	1,000	1,000
Treasury shares	-570	-558
Restricted reserve	100	100
Stock compensation	13	14
Retained earnings	2,532	2,357
Foreign currency translation	2	2
Non-controlling interests	225	233
NON-CURRENT LIABILITIES	2,749	2,700
Interest-bearing liabilities	1,931	1,928
Liability for pensions, other post-employment benefits and termination benefits	479	437
Provisions	180	182
Deferred income tax liabilities	157	151
Other non-current payables	2	2
CURRENT LIABILITIES	2,260	2,455
Interest-bearing liabilities	41	205
Trade payables	1,343	1,322
Tax payables	229	213
Other current payables	647	715
TOTAL LIABILITIES AND EQUITY	8,312	8,304

Consolidated cash flow statements

(EUR million)	2nd Quarter		Year-to-date	
	2011	2012	2011	2012
Cash flow from operating activities				
Net income (group share)	199	161	393	359
Adjustments for:				
Non-controlling interests	3	5	4	8
Depreciation and amortization on intangible assets and property, plant and equipment	199	188	393	369
Increase of impairment on intangible assets and property, plant and equipment	0	0	0	1
Increase / (decrease) in provisions	-25	3	-20	7
Deferred tax expense	1	19	4	25
Fair value adjustments on financial instruments	2	1	-5	-2
Loans amortization	2	0	0	1
Loss on disposal of consolidated companies and remeasurement of previously held interest	18	0	18	0
Gain on disposal of property, plant and equipment	0	0	-1	-2
Other non-cash movements	3	3	5	4
Operating cash flow before working capital changes	403	379	792	770
Increase in inventories	0	-10	-4	-27
Increase in trade receivables	-53	-66	-51	-28
Increase in current income tax assets	-2	-2	-1	-1
Decrease / (increase) in other current assets	84	51	12	-3
Increase in other non current assets	-53	0	-53	0
Increase / (decrease) in trade payables	14	44	-8	-37
Increase / (decrease) in income tax payables	-41	-73	11	-16
Increase / (decrease) in other current payables	-10	-20	83	58
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-26	-16	-51	-42
Decrease in other non-current payables and provisions	-7	-3	-10	-5
Increase in working capital, net of acquisitions and disposals of subsidiaries	-94	-95	-73	-101
Net cash flow provided by operating activities	309	284	719	670
Cash flow from investing activities				
Cash paid for acquisitions of intangible assets and property, plant and equipment	-161	-174	-334	-360
Cash paid for acquisitions of other participating interests	0	0	0	-4
Cash paid for acquisition of consolidated companies, net of cash acquired	-10	0	-10	-21
Cash received from / (paid for) sales of consolidated companies, net of cash disposed of	10	0	10	0
Cash received from sales of intangible assets and property, plant and equipment	0	0	2	4
Net cash received from other non-current assets	0	0	1	0
Net cash used in investing activities	-162	-174	-333	-381
Cash flow before financing activities	147	110	387	289
Cash flow from financing activities				
Dividends paid to shareholders	-540	-535	-541	-538
Net sale / (acquisition) of treasury shares	-25	8	-25	13
Sale / (purchase) of investments	-3	-5	-6	14
Increase of shareholders' equity	-2	-1	-2	-1
Issuance of long term debt	0	1	495	1
Repayment of long term debt	0	0	-397	-2
Issuance of short term debt	0	170	1	165
Net cash used in financing activities	-572	-364	-475	-348
Net decrease of cash and cash equivalents	-425	-254	-88	-59
Cash and cash equivalents at 1 January			584	320
Cash and cash equivalents at 30 June			495	261

Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Foreign currency translation	Stock Compensation	Retained Earnings	Share's Equity	Non-Controlling interests	Total Equity
Balance at 31 December 2010	1,000	-484	100	4	11	2,476	3,108	235	3,342
<i>Currency translation differences</i>	0	0	0	-1	0	0	-1	0	-1
Equity changes not recognised in the income statement	0	0	0	-1	0	0	-1	0	-1
Net income	0	0	0	0	0	393	393	4	397
Total comprehensive income and expense	0	0	0	-1	0	393	392	4	396
Dividends to shareholders (relating to 2010)	0	0	0	0	0	-540	-540	0	-540
Treasury shares									
Exercise of stock options	0	3	0	0	0	0	2	0	2
Acquisition of treasury shares	0	-35	0	0	0	0	-35	0	-35
Sale of treasury shares under a discounted share purchase plan	0	8	0	0	0	-1	7	0	7
Stock options									
Stock options granted and accepted	0	0	0	0	3	0	3	0	3
Deferred stock compensation	0	0	0	0	-3	0	-3	0	-3
Amortization deferred stock compensation	0	0	0	0	2	0	2	0	2
Total transactions with equity holders	0	-25	0	0	1	-541	-565	0	-564
Balance at 31 June 2011	1,000	-508	100	3	12	2,327	2,935	240	3,174
Balance at 31 December 2011	1,000	-570	100	2	13	2,532	3,078	225	3,303
Net income	0	0	0	0	0	359	359	8	368
Total comprehensive income and expense	0	0	0	0	0	359	359	8	367
Dividends to shareholders (relating to 2011)	0	0	0	0	0	-534	-534	0	-534
Treasury shares									
Exercise of stock options	0	7	0	0	0	0	7	0	7
Sale of treasury shares under a discounted share purchase plan	0	6	0	0	0	-1	4	0	4
Stock options									
Stock options granted and accepted	0	0	0	0	1	0	1	0	1
Deferred stock compensation	0	0	0	0	-1	0	-1	0	-1
Amortization deferred stock compensation	0	0	0	0	1	0	1	0	1
Exercise of stock options	0	0	0	0	-1	1	0	0	0
Total transactions with equity holders	0	13	0	0	0	-534	-522	0	-522
Balance at 31 June 2012	1,000	-558	100	2	14	2,357	2,915	233	3,149

Segment reporting

Segment revenue and results

Six months ended 30 June 2011

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Net revenue	1,133	1,178	128	4	732	0	3,174
Other operating income	9	4	1	6	0	0	21
Intersegment income	3	4	32	5	28	-72	0
TOTAL SEGMENT INCOME	1,144	1,186	161	15	760	-72	3,195
Costs of materials and services related to revenue	-298	-321	-19	-0	-653	61	-1,230
Personnel expenses and pensions	-168	-192	-98	-79	-18	0	-556
Other operating expenses	-144	-74	-85	-88	-35	10	-416
TOTAL OPERATING EXPENSES before depreciation & amortization	-610	-588	-202	-167	-707	71	-2,202
TOTAL SEGMENT RESULT (1)	535	598	-41	-152	53	-0	993
Non-recurring expenses	0	-18	0	0	-1	0	-18
OPERATING INCOME / (LOSS) before depreciation & amortization	535	580	-41	-152	53	-0	974
Depreciation and amortization	-82	-8	-227	-37	-40	0	-393
OPERATING INCOME / (LOSS)	453	572	-268	-189	13	0	581
Finance cost (net)							-50
INCOME BEFORE TAXES							531
Tax expense							-134
NET INCOME							397
Non-controlling interests							4
Net income (Group share)							393

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

Six months ended 30 June 2012

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Net revenue	1,141	1,147	122	4	762	0	3,176
Other operating income	10	4	1	7	1	0	23
Intersegment income	2	5	30	5	28	-71	0
TOTAL SEGMENT INCOME	1,153	1,156	154	16	791	-71	3,198
Costs of materials and services related to revenue	-344	-306	-18	-0	-673	59	-1,282
Personnel expenses and pensions	-179	-203	-87	-77	-20	0	-566
Other operating expenses	-147	-80	-98	-101	-35	11	-451
TOTAL OPERATING EXPENSES before depreciation & amortization	-670	-589	-203	-178	-729	70	-2,299
TOTAL SEGMENT RESULT (1)	483	567	-50	-162	62	-0	900
Non-recurring expenses	0	0	0	-10	0	0	-10
OPERATING INCOME / (LOSS) before depreciation & amortization	483	567	-50	-173	62	-0	889
Depreciation and amortization	-68	-8	-217	-36	-40	0	-369
OPERATING INCOME / (LOSS)	415	559	-267	-209	22	0	520
Finance cost (net)							-40
INCOME BEFORE TAXES							480
Tax expense							-113
NET INCOME							368
Non-controlling interests							8
Net income (Group share)							359

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

Other segment information

Six months ended 30 June 2011

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Capital expenditure	71	8	234	16	6	0	334

Six months ended 30 June 2012

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Capital expenditure	93	7	242	13	4	0	360

Contingent liabilities

No changes versus the first quarter 2012 contingent liabilities.

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

Limited Review Report

Limited review report on the interim condensed consolidated financial information for the six-month period ended 30 June 2012

To the shareholders and the board of directors

We have performed a limited review of the accompanying consolidated balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and selective notes (jointly the “interim financial information”) of Belgacom NV van publiek recht / SA de droit public and its subsidiaries for the six-month period ended 30 June 2012.

The board of directors is responsible for the preparation and fair presentation of this interim financial information. Our responsibility is to express a conclusion on this interim financial information based on our review.

The interim financial information has been prepared in accordance with international financial reporting standard IAS 34 – Interim Financial Reporting as adopted by the European Union.

Our limited review of the interim financial information was conducted in accordance with the international standard ISRE 2410 – Review of interim financial information performed by the independent auditor of the entity. A limited review consists of making inquiries of group management and applying analytical and other review procedures to the interim financial information and underlying financial data. A limited review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the interim financial information for the six-month period ended 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

Diegem, 26 July 2012

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d’Entreprises

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by

Geert Verstraeten

Luc Van Coppenolle

Definitions

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

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

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

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

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

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

Mobile active customers: includes voice and data cards as well as Machine-to-Machine (EBU). Active customers are customers who have made or received at least one call, sent or received at least one SMS message or made at least one data connection in the last three months. Prepaid customers are fully segmented as CBU customers.

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

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

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

OLO: Other Licensed Operator

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

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

Financial Calendar

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

For further information

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