

Half-Year Results 2009

31 July 2009

Highlights

belgacom

Group highlights

- Group revenue of €2,996m, increasing by +1.4% year over year
- Organic revenue growing +0.4%
- Continued solid performance ICS (+18%)
- H109 EBITDA¹ at €994m, -2.2% year over year
- EBITDA margin at 33.2%
- **Belgacom has anticipated the crisis with successful cost reduction**
 - **Reported non-HR expenses** -2.3% year over year
Organic evolution at -4.4% & on track to meet commitment of 4% to 5% decrease
- €270m capex in the first 6 months of 2009; capex/revenue ratio of 9%

Group operational highlights

Sustained growing customer base in 1st half 2009:

- 5 million mobile customers: +83,000 in the first 6 months of 2009
- Belgacom TV: +82,000 customers leading to a total customer base of 589,000
- In total 1,487,000 broadband customers, or +142,000 compared to end 2008, incl. Scarlet broadband customers
- Continued success of converged offers: +83,000 packs in first half of 2009 leading to a total of 384,000 packs (new: All-in-One pack, pack including freeTV).

2009 guidance reiterated

So far, the residential segment of the Belgacom Group continued its resilient path, not experiencing any significant impact on its financial performance from the economic downturn. As expected, the enterprise business sees the impact mainly in the slowdown in mobile usage and large IT-projects.

Therefore, Belgacom reiterates its guidance for the full-year 2009, before non-recurring items, as follows:

- Full-year revenue decline of about 1%;
- EBITDA margin between 32% and 33%;
- Capex levels managed between 10% and 11% of Group revenue.

Consumer Business Unit (CBU)

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CBU - Highlights

Financial performance

- So far, no significant financial impact from weak economic climate
- Reported H109 revenue €1,195m, + €94m or +8.6% year over year (yoy):
 - €96m contribution of Scarlet & Tango, organic revenue flat yoy
 - €15m regulation impact
 - Underlying business +1.3% yoy
 - Continued growth in TV revenues (+53%), mobile data revenue (+5.7%) and steep growth mobile handset revenues (+55%)
- Higher operational costs, yoy + €122m:
 - €75m contribution of Scarlet & Tango; organic costs €+47m yoy
 - Higher Cost of Sales: higher terminal costs driven by increased sales, higher commissions & higher interconnection costs
 - Successful cost containment program: organic other operating expenses favourable evolution of 2%
- Contribution margin of 44.7%, impacted by:
 - Lower margins generated by Tango and Scarlet
 - Changing revenue mix caused sales related costs to increase
- Organic contribution margin at 46.7%

CBU - Highlights



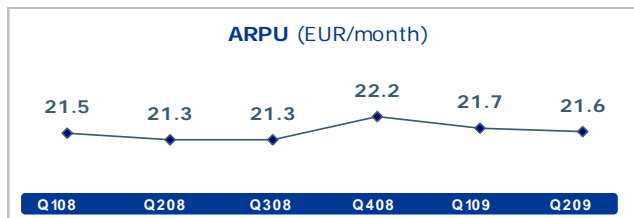
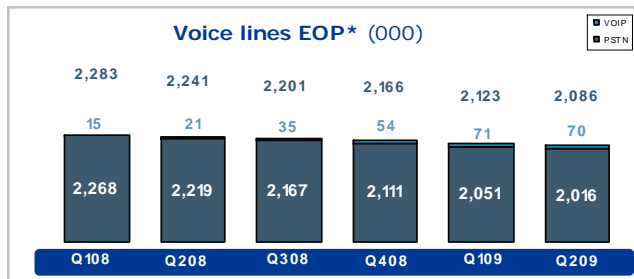
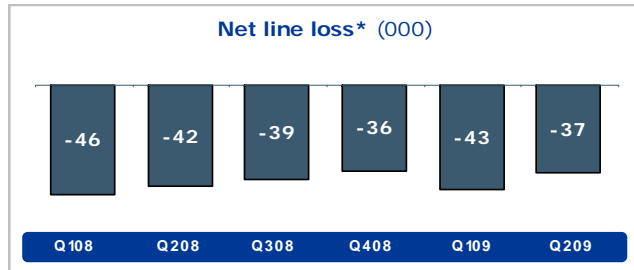
Business performance

- **TV +82k** new subscribers in H109, total customer base at 589k
ARPU per household¹ at €19.8
- **+23k broadband net adds** incl. small net loss Scarlet customers
Net adds in line with normalized² H108
Total customer base including Belgian residential customers of Scarlet at 1,044k
- **Fixed voice line -80k and slowed down in Q209 (-37k)**, total CBU access lines at 2,016k. ARPU of €21.7 slightly up yoy driven by price indexations
- H109 **Mobile net adds +32k** with a pick up in Q209; total customer base at 3,809k
Net adds via own brand in H109 at +46k and in line with H108 of +47k

¹ As from Q109 ARPU is based on households instead of total customer base. 2008 figures have been restated

² Q108 net adds impacted by active migration of dial-up customers

CBU - Voice - Fixed



- **Line loss improved in Q209**

- H109 line loss limited to 80k versus 88k for the same period in 2008
- Q209 loss at -37k due to the success of new converged packs including a fixed line and flat rate offers

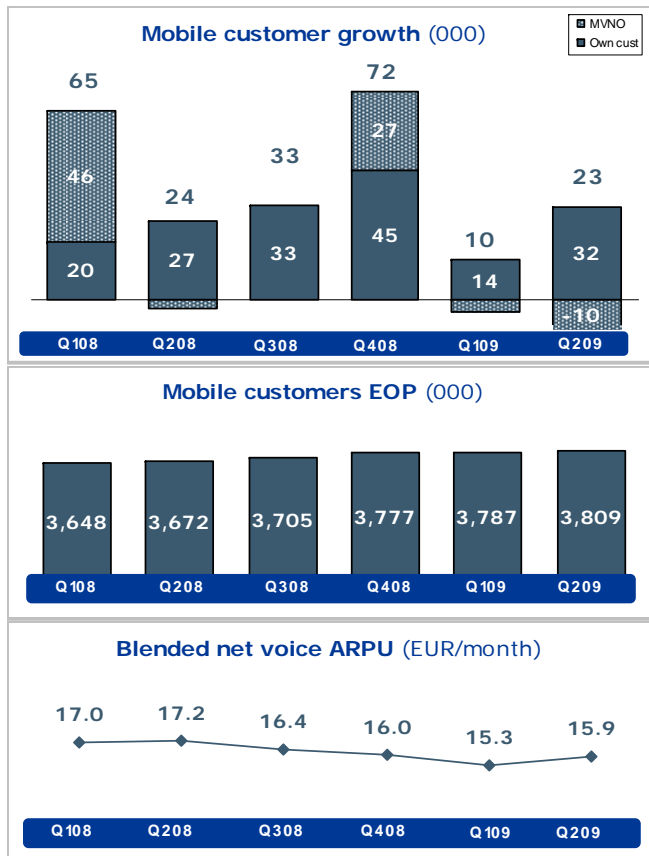
- **YoY ARPU increased to €21.6 in Q209**

- The positive impact from price indexations of 2008
- ... fully offsets the negative impact from regulation and lowered retail tariffs for calls to Telenet/Versatel (decrease fixed termination rates as from January 09)

- **Total traffic volume impacted by access line loss**

* Including VoIP lines

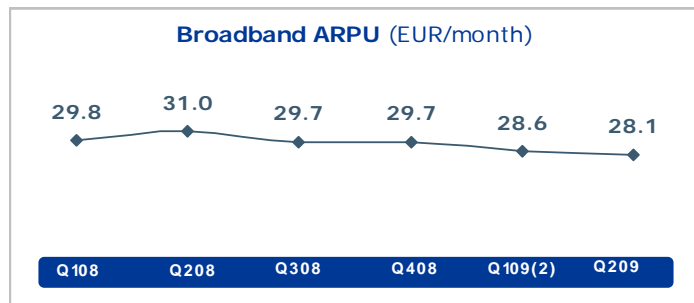
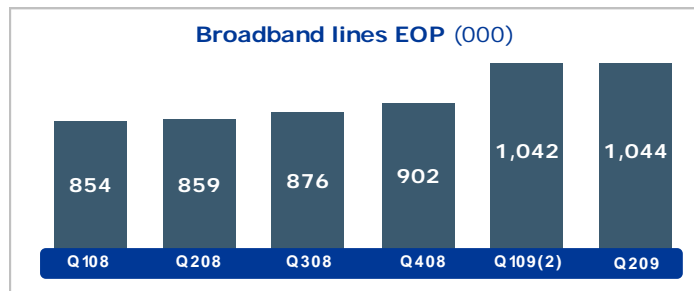
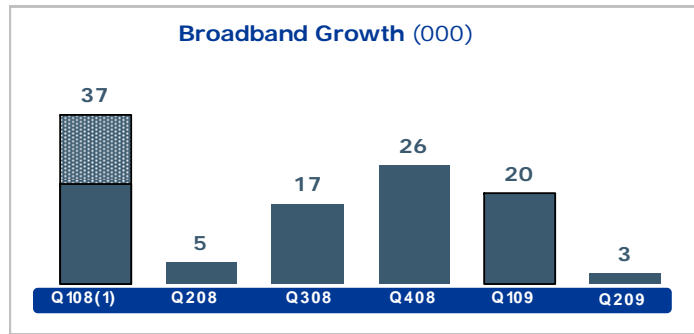
CBU - Voice – Mobile



- **+32k new customers in H109**
 - H109 +46k under own brands versus +47k in H108
 - Pick up of net adds in Q209 driven by a.o. the port-in of scarlet MVNO customers
 - Q108 customer growth driven by MVNO customers
 - retail churn rate increased to 20.3% driven by prepaid calling behaviour

- **Mobile Voice ARPU in Q209 at €15.9**
 - Increase in Q209 supported by price increases of May 2009
 - Yoy voice ARPU declined due to regulation impacts and customers moving to more attractive offers

CBU - Data - Fixed



- **+23k broadband net adds in H109**

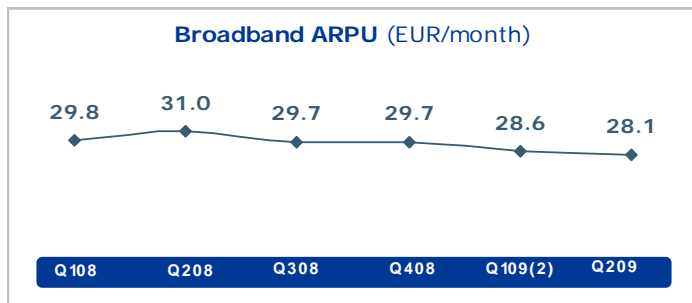
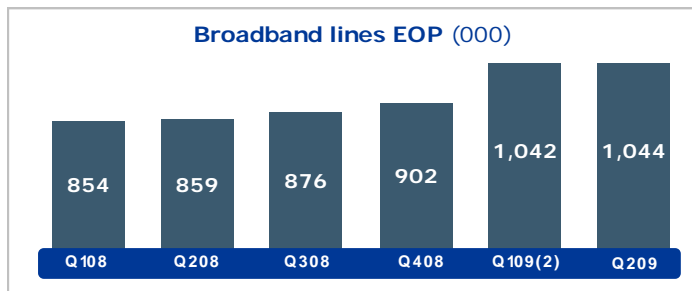
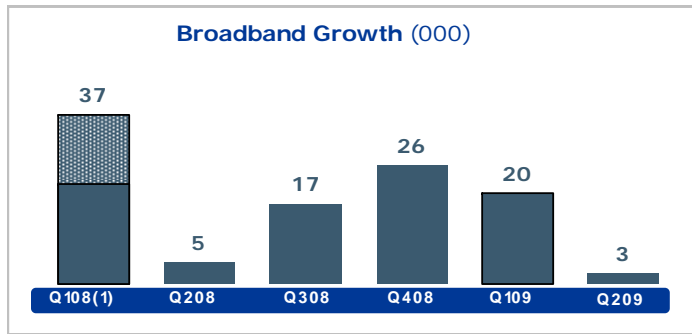
- net adds include a small loss in Scarlet broadband as customers are offered the possibility to end their contract free of charge
- net adds H109 in line with normalized H108
- Q108 net adds exceptionally high due to active migration of dial-up customers

- **Total customer base at 1,044k and includes Scarlet residential customers**

- **Broadband ARPU impacted by the success of packs including internet**

(1) Q108 net adds impacted by active migration dial-up customers
 (2) Including Belgian residential customers of Scarlet

CBU - Data - Fixed



- **+23k broadband net adds in H109**

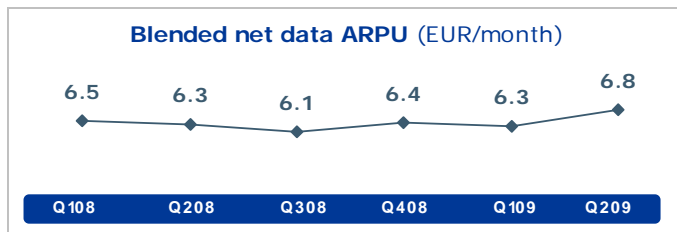
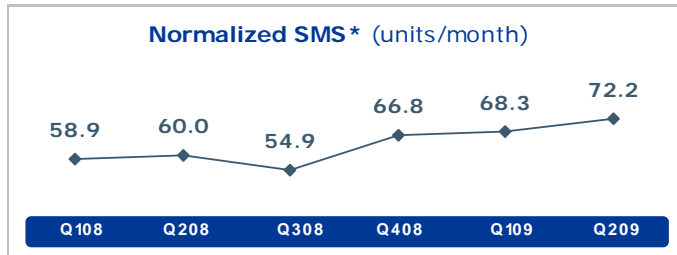
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CBU - Data - Mobile



- H109 **monthly SMS/user** increased 62% going from 103.5 SMS to 167.4 SMS driven by success of pricing plans incl. free SMS.
- **Paying SMS/user** continues strong growth, going up to 72 SMS/user for Q209
- **Data revenue** including advanced data: + 5.7% to €147m end H109
 - SMS revenue +7%, driven by increased inbound revenues due to success of pricing plans including free SMS on the Belgian market
 - Pick up in Q209 advanced data revenue +9% yoy due to increase in Televoting and no longer impact from stricter rules on voting & gaming (Royal decree April 2009)
- As a result, Q209 **blended net data ARPU**** increased to €6.8

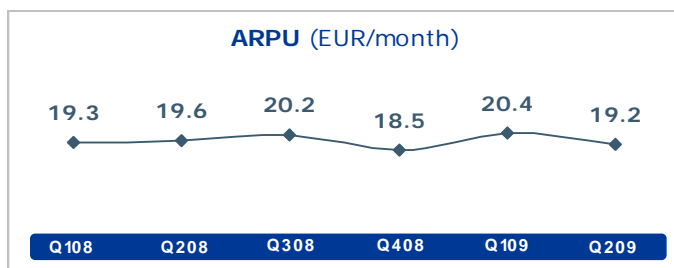
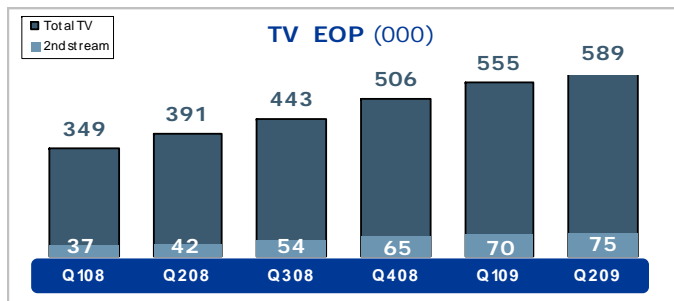
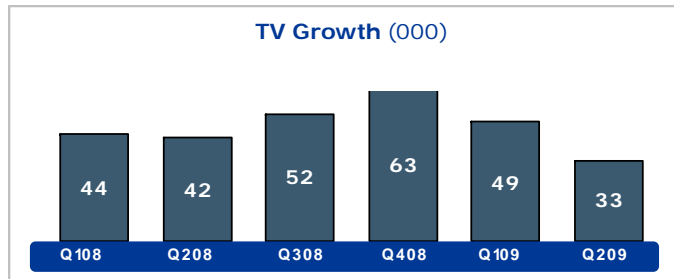
* Normalized SMS/per month per user: SMS excluding free usage

**blended postpaid/prepaid and including credits & discounts

Slide 13

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CBU - Belgacom TV



- **+82k new TV customers in H109**
 - TV revenue of €59m ytd June 09, up 53%
 - +33k net adds in Q209
 - 2nd quarter net adds driven by seasonality and less promotional activities

- **Total TV customer base at 589k, of which 75k second stream users**

- **TV ARPU* per household of €19.2 end Q209**
 - positively impacted by lower impact from promotions

* As from Q109 TV ARPU is reported on number of households instead of total subscriber base. Figures for 2008 have been restated.

Enterprise Business Unit (EBU)

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EBU - Highlights

Financial
performance

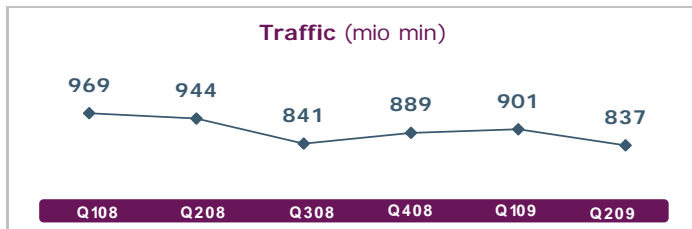
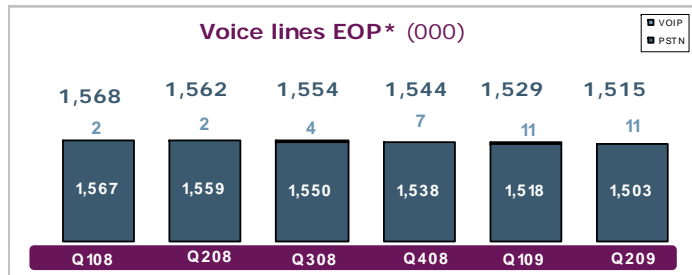
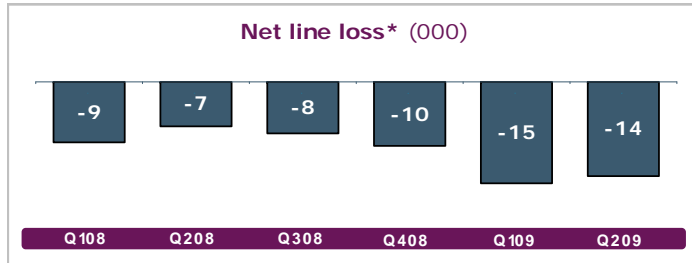
- Revenue impacted by economic crisis, but in line with expectations
- Reported H109 revenue €1,267m, €-99m or -7.2% yoy due to:
 - Impact divestment program Telindus International: € -48m
 - Organic revenue decline of €51m or -3.9% yoy
 - Regulation impact of € -18m
 - Underlying business: € -34m yoy or -2.6%
 - Positive impact growing mobile customer base and solid growth advanced mobile data offset by decline in traditional voice, less mobile usage and lower ICT revenue
- Significant cost reduction through divestment program: H109 Operating expenses yoy 9.8% lower
- Segment contribution margin increasing to 48.6% for H109

EBU - Highlights

Business
performance

- **As expected, impact of crisis mainly visible in:**
 - Mobile usage
 - ICT-domain, with customers delaying or spreading large IT-projectsHowever, business order intake remains healthy
- **Continued strong growth Mobile data subscriptions**
 - Paying SMS +9% yoy
 - Mobile internet subscribers up > 50% yoy
- **So far in 2009 51k new mobile customers added, in line with previous year**
- **Broadband growth marked by saturation and competition**

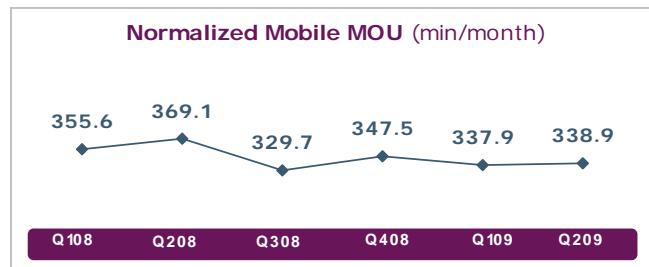
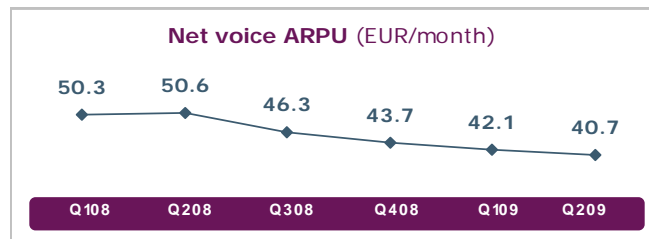
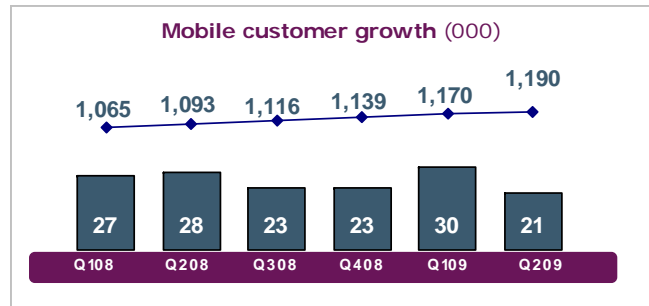
EBU - Voice - Fixed



- Some enterprises encouraged by crisis to lower fixed line park. Trend did not accelerate in Q209.

- Fixed voice traffic impacted by:
 - Seasonality - Easter holidays fully in Q209
 - Lower fixed line base

EBU - Voice - Mobile

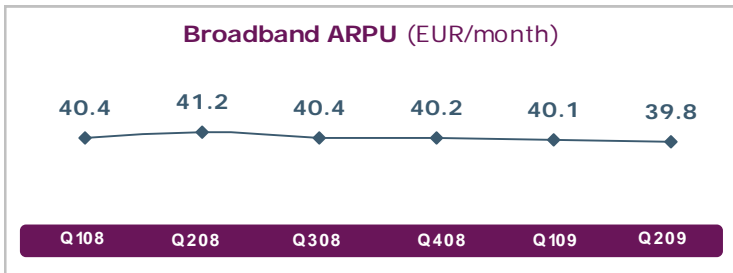
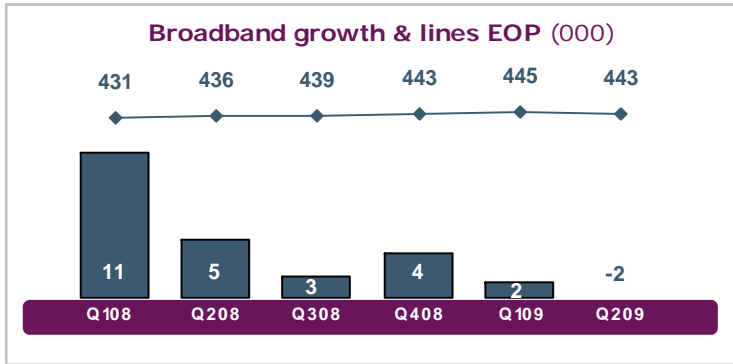


- **+51k new customers in H109**
 - Net adds H109 slightly below net adds H108
 - Total customer base at 1,190k

- **Net voice ARPU at €40.7**, yoy pressured by:
 - Regulation MTR & Roaming
 - Lower mobile usage
 - Continued substitution of voice by SMS
 - Customer moving to attractive pricing plans (e.g. Bizz Flex and Fusion)

- Economic downturn impacts level of MoU. Trend did not deteriorate over Q209
- Q209 negatively impacted by lower number of business days

EBU - Data - Fixed



Broadband:

- Saturated enterprise Broadband market
 - End of June 09, total broadband customer base at 443k
 - H109 customer base remained unchanged
- ARPU impacted by low acquisitions (lower connection fees) and promotions

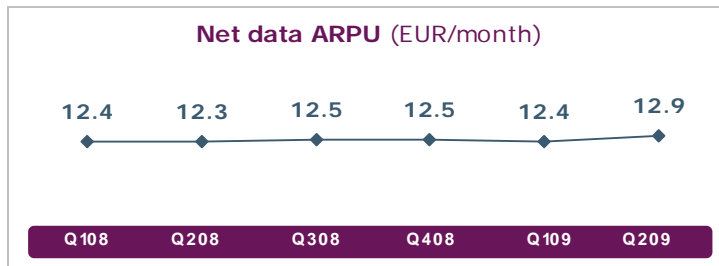
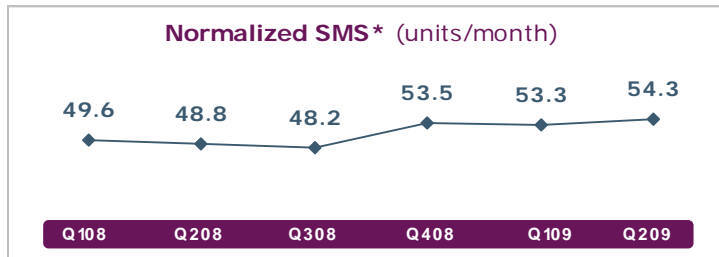
Other Fixed Data products:

- Ongoing migration to Managed Network Services¹ (Explore) from 'older' data connectivity products²
- Yoy, the number of Explore sites increased by >20% to more than 28k

¹ Shared security, CoS, Back-up and Reporting Service

² Leased lines, Frame Relay, ATM

EBU - Data - Mobile



- Continued positive trend in mobile data revenue +13% yoy
- **Advanced data revenue +15% yoy**
 - Representing 66% of mobile data revenue
 - Subscriptions mobile internet >50% yoy & continued strong growth PDA & push e-mail
 - Pick-up mobile data roaming due to Easter holidays
- **SMS revenue: +9% yoy**
 - Representing 34% of mobile data revenue
 - SMS/user grew 25% yoy to 66.5, driven by pricing plans including free SMS.
 - Paying SMS/users up by 9% compared to H108
- Growing importance of advanced data positively impacts **net data ARPU**

* incl. Credits & discounts

Slide 21

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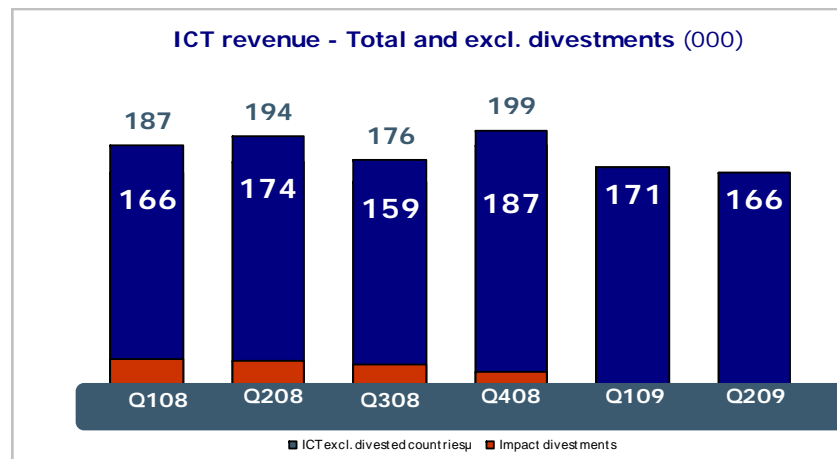
EBU – ICT

ICT feels pressure from economic crisis, but within expectation

- Large IT-projects delayed or spread in time
- Revenue preservation through increase “share of wallet”
- Impact on margins closely monitored with strong focus on cost of sales
- Order intake remains healthy

Organic ICT revenue €-4m or -1.2% lower than H108, but with very little impact on EBITDA

- Divestment project lowers ICT revenue by € 48m
- Organic revenue decline yoy limited to -1.2% or € -4m
 - Continued strong growth of Data Center Services (Housing/Hosting), benefitting from the crisis offset by:
 - Negative impact from exchange rate evolution for Telindus UK
 - Revenue pressure due to economic crisis



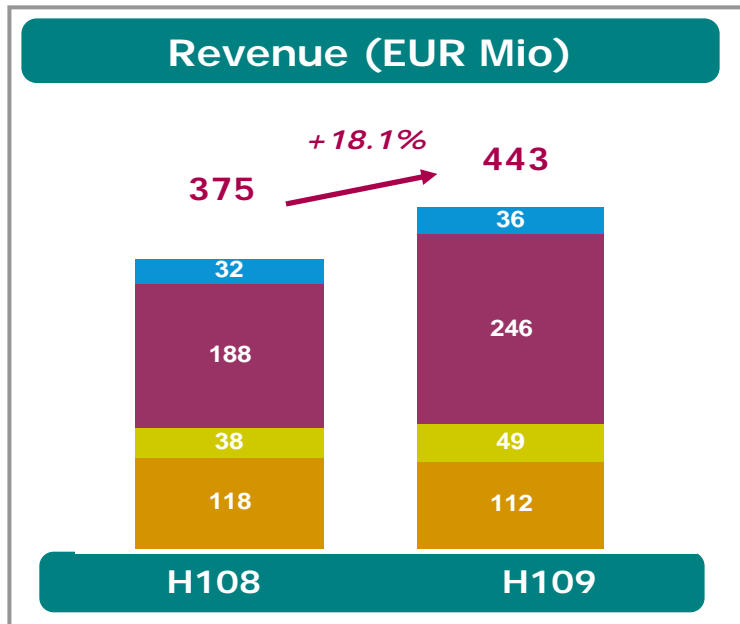
International Carrier Services (ICS)

Slide 23

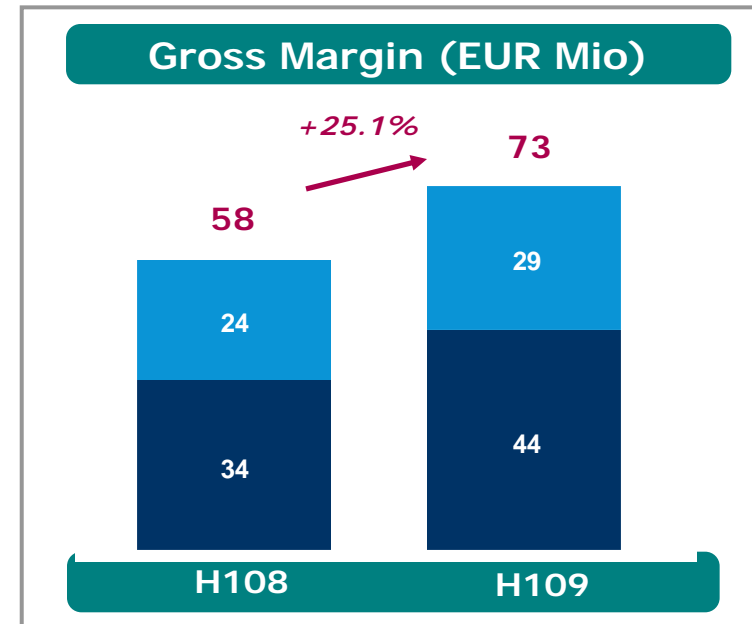
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Revenue & Gross Margin overview

- **Strong revenue increase continued in H109: +18% yoy**
 - Strong growth in Voice volumes (+22% yoy) mainly on premium products. This positive effect on voice revenue was partly offset by decrease in mobile termination rates
 - Volume driven revenue growth in non-voice (+13% yoy), mainly driven by higher SMS volume and growth in High Rate Bandwidth
- **Growth in voice gross margin due to higher volumes & slightly higher unit margin**



■ Direct Routing (Inbound + outbound)
 ■ Standard Products (Business Class)
 ■ Premium products (First class, Quality Mobile, Outsourcing)

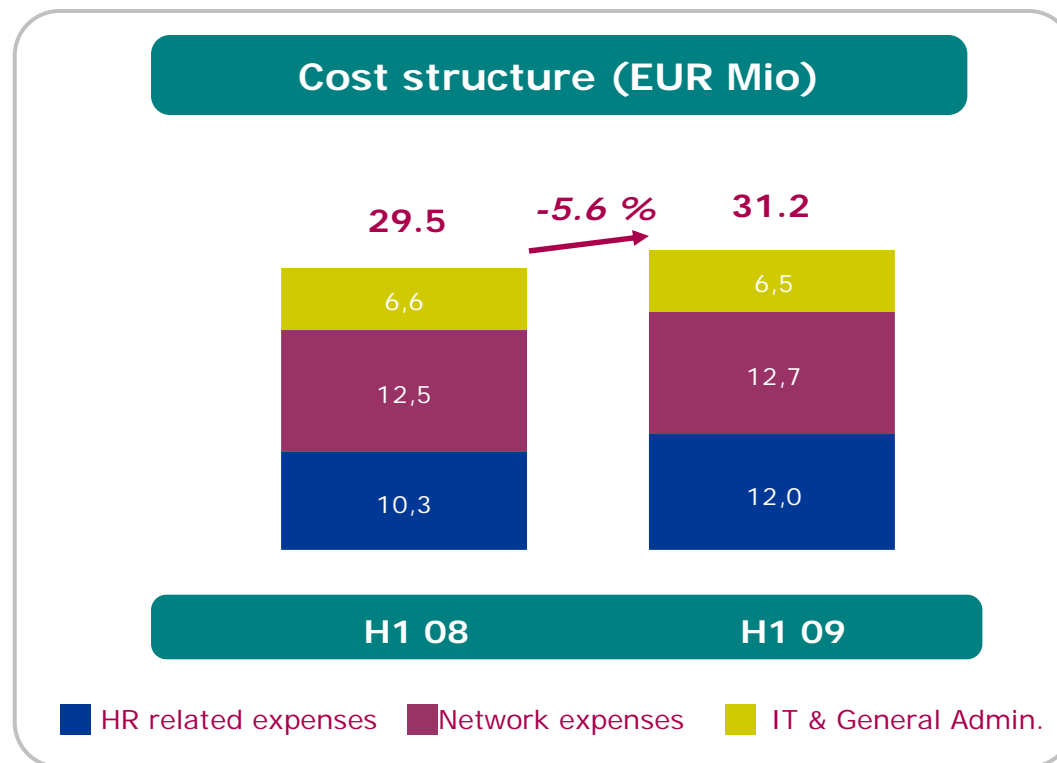


■ Non-voice (mobile data, capacity)
 ■ Voice*

* Voice revenue includes direct routing, standard products & premium products

Cost* overview

- Increase in HR related expenses reflecting the headcount increase required to sustain the mobile data growth
- Network, IT & General & Administrative expenses in line with last year



* Other than Costs of materials and charges to revenue

Slide 25

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Operational Overview

- MTN Transaction milestone in consolidation strategy
 - Belgacom ICS and the MTN Group, a multinational telecommunications group, have announced a next step in their strategic co-operation by combining their international carrier services, resulting in MTN holding an equity stake in Belgacom ICS. The transaction is expected to be completed during the fourth quarter of 2009 subject to, inter-alia, the approval of the relevant government, regulatory and competition authorities and the completion of certain statutory formalities. The current shareholders, Belgacom and Swisscom, will then respectively own 57.6 % and 22.4 % of Belgacom ICS, and MTN 20 %.
- Continued organic growth
 - The continuing growth in the mobile segment especially in Africa, Asia and the Middle East remains the main contributor to Belgacom ICS' positive voice results, while VOIP traffic is growing exponentially.
 - Numerous new customer acquisitions have further strengthened Belgacom ICS' leadership position in mobile data.

Group Financials

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Consolidated income statement

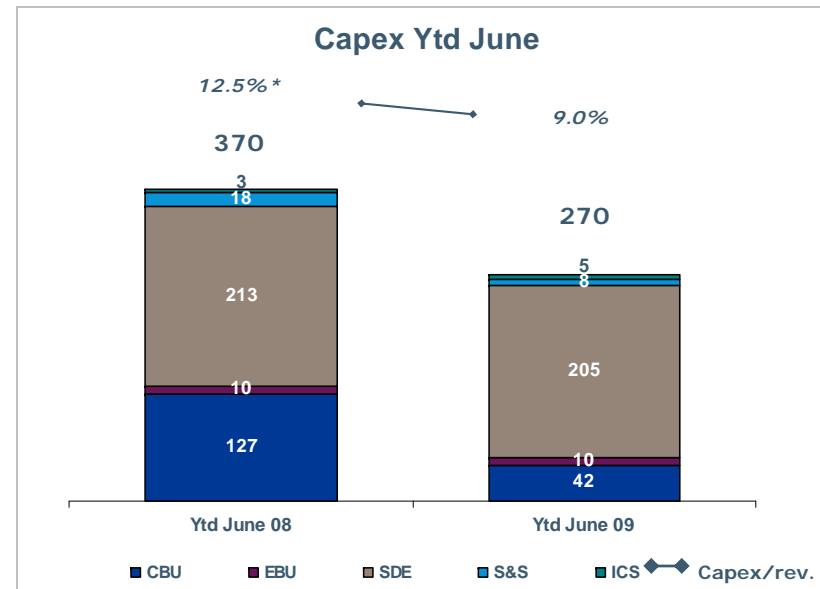
<i>(EUR million)</i>	H108	H109	% var
Total Revenue before non-recurring items	2,954	2,996	1.4%
Costs of materials and charges to revenue	-948	-1,023	7.8%
Personnel expenses and pensions	-562	-561	-0.1%
Other operating expenses	-428	-418	-2.3%
TOTAL OPERATING EXPENSES	-1,938	-2,002	3.3%
EBITDA before non-recurring items	1,016	994	-2.2%
Non-recurring items	8	-62	
Depreciation	-372	-352	-5.6%
EBIT	651	580	-10.9%
Financial Result	-37	-60	60.3%
NET INCOME	470	400	-14.9%
Basic earnings per share	1.43	1.25	-12.9%

Investments per Business Unit

Ytd June 09, €270m capex spent or 9% of total revenues

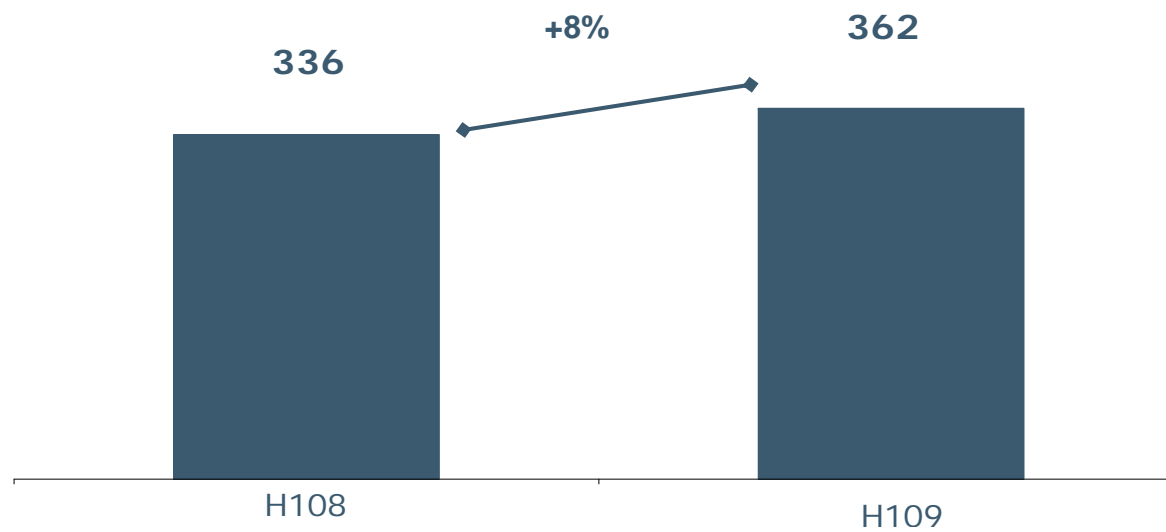
- €44m invested in Belgacom TV: settop boxes & content (CBU) and TV platform (SDE)
- SDE:
 - €25m Broadway leading to a total population coverage of 70%
 - €19m in 3G for outdoor coverage of 91%
 - €18m Move to all IP
 - TV platform

Q208 included the renewal of the football broadcasting rights (€105m for 3 seasons)



Free cash flow (in million €)

FCF YTD June '09 increased 8% to €362m, including the payment of the €66.3m fine to the Belgian Competition Authority.



Net financial position (in million €)

- Belgacom continues to have a sound financial position
- Increase in net debt driven by the dividend paid in H109 which exceeded the FCF

