

Merrill Lynch TMT Conference

3 June 2009

Ray Stewart – CFO

belgacom

Strategic progress

Belgacom continues to execute its consistent strategy

Focus on:

- Organic growth through a high-quality network
- Convergence, key to long-term success
- Continued disciplined stance on M&A

Organic growth through a high-quality network – 1

- **Continuous investments in future-proof network**
- **Meet growing technological needs of customers**
- **Supporting innovation**

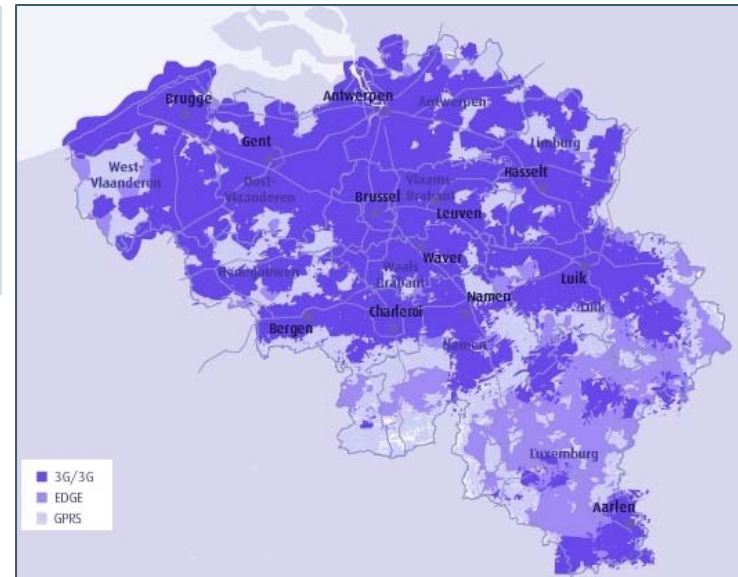
Best in class broadband coverage

- **High ranking in terms of Broadband penetration: 99.85% of households**
- **Belgacom in Top 5 worldwide for fiber coverage**
 - Launch of Broadway-project in 2004
 - VDSL-population coverage of 68.7% end Q109, capacity of up to 20 Mbps
 - Investments kept at reasonable levels: € ~480m spent to date
 - Belgacom aims to increase the VDSL2 coverage to 80% by mid 2011
 - ADSL & VDSL network creates footprint for Belgacom TV
 - Total TV population coverage of 86.6%
 - HDTV coverage of 65%

Organic growth through a high-quality network - 2

Over 90% 3G coverage

- Belgacom 1st operator in Belgium to invest in 3G and to upgrade to HSDPA
- Population coverage of 90.2% end 2008
- Ytd Q109, € 450m capex invested



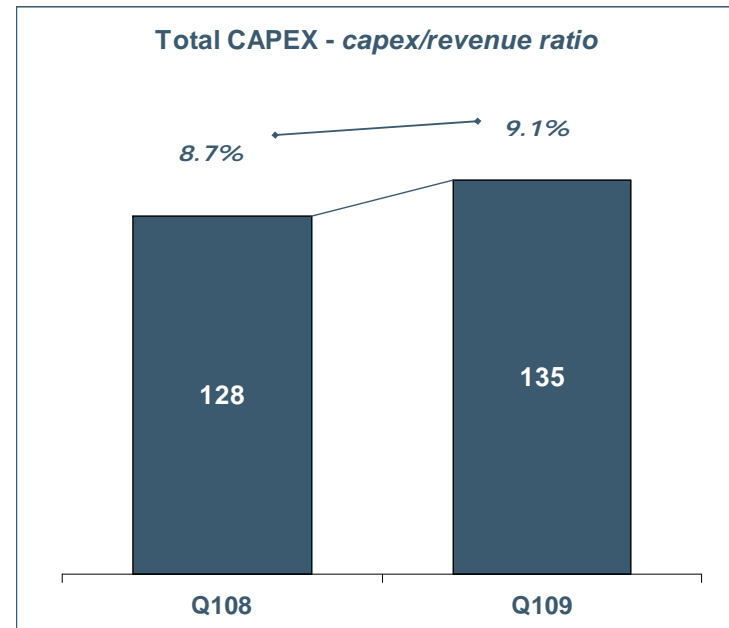
'Move to all IP' project launched in 2008

- Business transformation project: full re-engineering of network, IT systems & processes
- Estimated investment of € 400m over 2008-2012
- Capital invested to date: € 17m
- Enabler of continuing headcount reduction

Organic growth through a high-quality network - 3

- **Guidance for full-year 2009: Capex between 10%-11% of Group revenue**
- **Capex spent in Q109: €135m or 9% of total Group revenues**

- €27m invested in Belgacom TV: settop boxes, content and platform
- €13m Broadway leading to a total population coverage of 68.7%
- €4m in 3G for outdoor coverage of 90.7%
- €6m Move to all IP
- capex contribution Scarlet & Tango



Convergence as key for long term success

Leveraging nation-wide fixed & mobile network

⇒ new offers combining fixed & mobile calling and Internet use, e.g.:

- “Together” for consumers ~ 1.1 million customers
- “Fusion” for SME ~98,500 customers or +50% in 3 months time
- Mobile Internet Free Weekend
- All-in-One



Belgacom in unique position to offer flexible end-to-end telecom and IT solutions

Move consumers from single to multi-play offers through converged packages

- Q1 2009 record number of 52,000 packs sold. Total number of packs: 354,000
- CBU has customer relationships with 80% of the households in Belgium
- Over 40% of CBU customers has more than 1 product
- Significant potential to increase multi-play through innovative packs
- One billing and One customer management.

Continued disciplined stance on M&A

- **Growth through in-market acquisitions**

Belgacom also aims to grow through attractive in-market deals

- Mobile-for, Tunz:
 - Belgacom takes part in growing Mobile payment business
 - Launch of new brand together with our partners: PingPing
- Scarlet, no-frills provider of fixed and mobile services
Penetrate a new market segment and reinforce the Belgian multiplay offering

- **Disciplined stance on international M&A**

Monitor growth opportunities outside Belgium in a disciplined way

Tango as strategic fit:

- the 2nd mobile market player in Luxembourg
- maintain the residential mobile offer
- further penetrate the corporate segment by leveraging Telindus' presence

Q1 2009 result

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Group highlights - Financials

Solid performance Q1 2009

	Q108	Q109	var.
Key group financials			
Revenue	1,469	1,492	1.5%
<i>CoGS</i>	469	511	8.9%
<i>HR costs</i>	280	281	0.5%
<i>Non-HR costs</i>	202	207	2.7%
Costs	951	1,000	5.1%
EBITDA	518	492	-5.1%
<i>EBITDA margin</i>	35.3%	33.0%	
Capex	-128	-135	5.3%
FCF	222	288	29.8%

From reported to organic revenue:

million €	Q108	Q109	VAR
Reported revenue	1,469	1,492	1.5%
acquisitions		-48	
divestments	-21		
inter-segment elimination		8	
Organic revenue	1,448	1,452	0.3%

- Reported revenue +1.5% to €1,492m yoy
- Organic revenue growth of 0.3% as result of:
 - growing business drivers
 - continued strong performance of ICS
- Q109 EBITDA of €492m & EBITDA margin of 33%
- Mix in revenue growth causes sales related costs to increase
Cost efficiency program to mitigate pressure on direct margin
- Running headcount reduction programs keep personnel expenses flat yoy despite wage indexation
- Q109 capex €135m; capex/revenue ratio of 9%.
- FCF +30% yoy to €288m

Group highlights – 2009 FY Guidance reiterated

So far, the **residential segment** of the Belgacom Group did not experience a 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 especially in roaming.

Belgacom reiterates its full-year 2009 Group guidance:

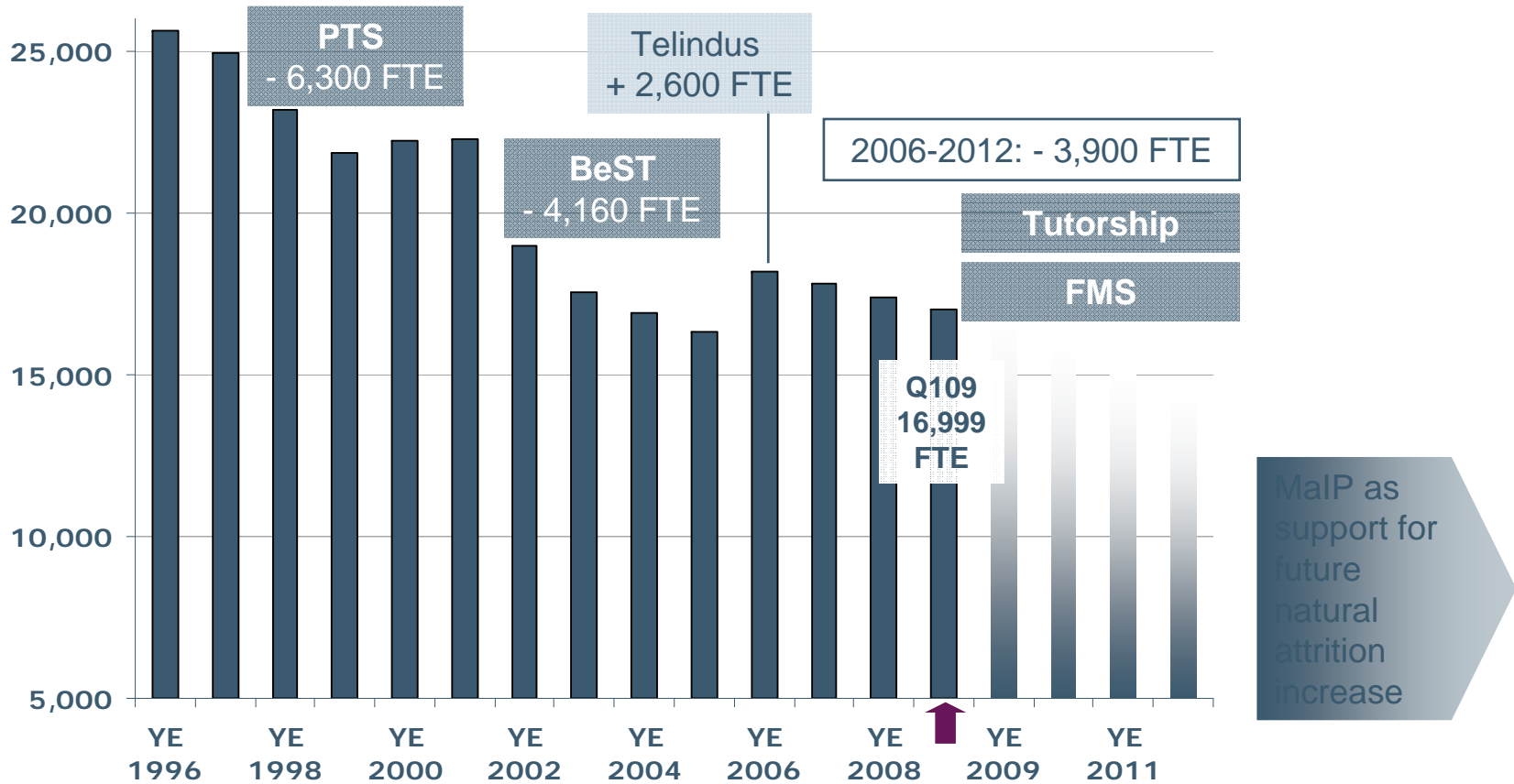
	Guided	Reported
Guidance 2009	FY09	Q109
Group revenue	decline of about 1%	1.5%
Group EBITDA margin	Between 32%-33%	33%
CAPEX/Revenue	Between 10%-11%	9%

- Guidance is on reported Group result
- FY guidance implies an organic revenue variance of -1.5% yoy
- To mitigate the impact from the revenue mix on costs, Belgacom takes following cost commitment for 2009:
 - Organic* Other operating costs: yoy reduction of 4%-5%
 - Reported personnel costs flat yoy despite 3% wage indexation impact

* *excl acquisitions, divestments & non-recurring*

Group highlights – Positive impact headcount programs

- Headcount significantly reduced over the years through HR programs
- Ongoing headcount reduction programs start to show positive effect on personnel costs



Consumer Business Unit

(CBU)

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CBU – Financial Highlights

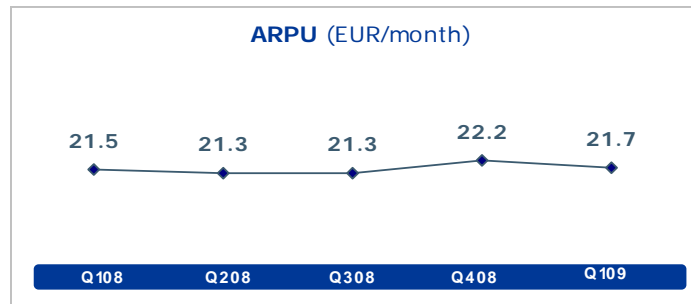
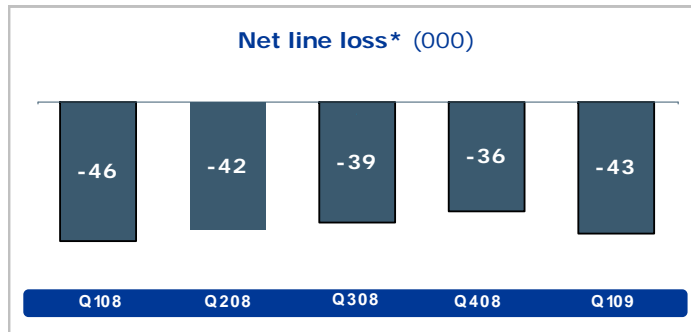
So far, no significant impact on financial performance from economic downturn

- **Revenue yoy + €43m or +7.9% incl. €48m contribution of acquisitions**
- **Organic revenue variance at -0.9%**
 - Positive impact from revenue growth TV, mobile terminals, SMS & internet
 - Offset by regulation impact (€-9m)
 - Underlying business growing 0.8% yoy
- **Higher operational costs (+ €62m) due to:**
 - €37m cost contribution Scarlet & Tango
 - higher Cost of Sales
 - remaining operating costs managed within cost efficiency program
- **Belgacom TV positively contributing to the EBITDA**
- **Contribution margin of 45.4%:**
 - lower margins generated by Tango and Scarlet
 - higher sales related costs

Financial result (in million €)	Q108	Q208	Q308	Q408	Q109	Var. YoY
Total Revenue	548	553	560	593	591	7.9%
Total Costs	-261	-277	-287	-335	-323	23.6%
Total result CBU	287	275	273	258	268	-6.4%
<i>Segment contribution margin</i>	52.3%	49.8%	48.7%	43.6%	45.4%	

CBU - Voice - Fixed

Q109 line loss impacted by intensified competition, fairly stable ARPU

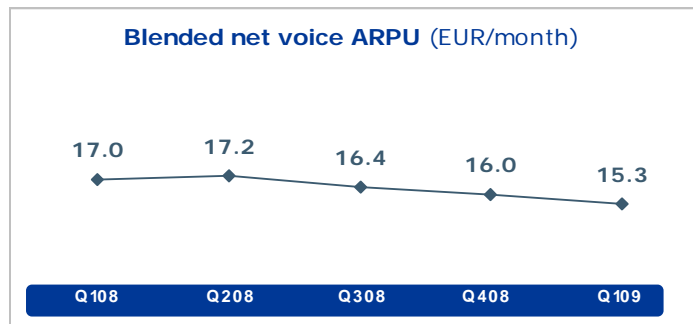
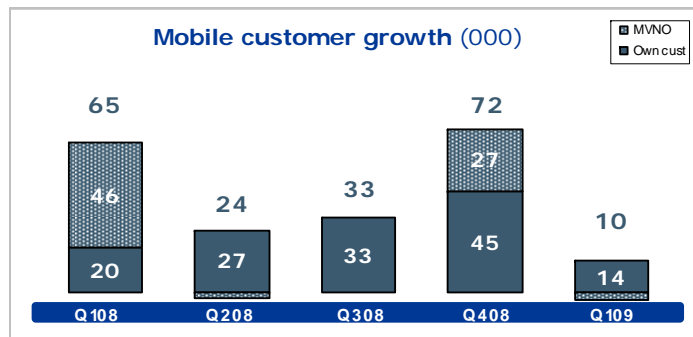


- Total customer base at 2,123k lines incl 71k VoIP
- Q109 net line loss at -43k; line loss impacted by intensified competition
- Q109 ARPU at €21.7:
 - Positive impact price indexations of 2008
 - Increase somewhat tempered by:
 - regulation (flow through MTR in fix-to-Mob tariffs)
 - lower tariffs for calls to Telenet/Versatel (decrease fixed termination rates)

* Including VoIP lines

CBU - Voice – Mobile

Value market share slightly increased to 48.6%

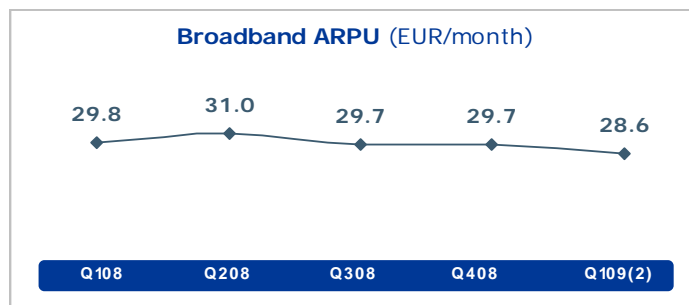
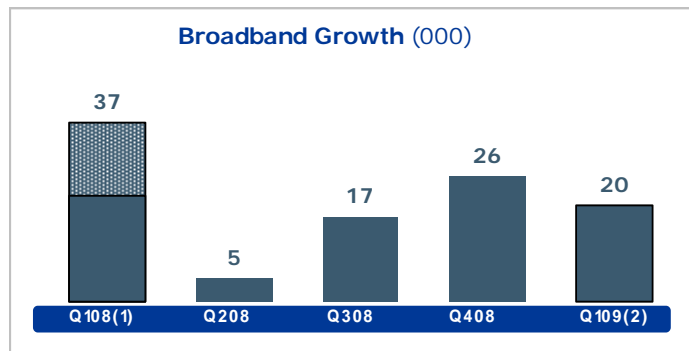


- End of Q109, Mobile customer base* at 3,787k
 - Q108 customer growth driven by MVNO
 - Q109 under own brands: +14k versus +20k in Q108
- Value market share slightly increased to 48.6%
- Q109 Mobile Voice ARPU at €15.3 impacted by:
 - regulation (Roaming & MTR)
 - customers swapping to pricing plans including free minutes/SMS
 - SMS substitution

* Excluding Tango customers

CBU - Data - Fixed

Stable net adds in competitive market



- **Total customer base of 1,042k, including Scarlet**
- **Stable broadband net adds in competitive market**
 - Q108 : incl. active migration dial-up to broadband
 - Q109 in line with normalized net adds Q108
 - Customer growth driven by success of packs incl internet
- **Broadband ARPU of €28.6** impacted by success of packs

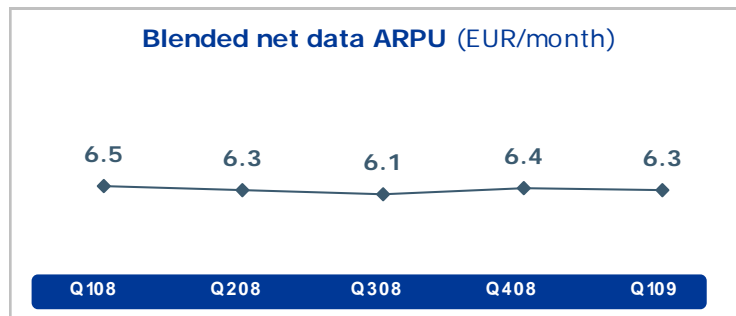
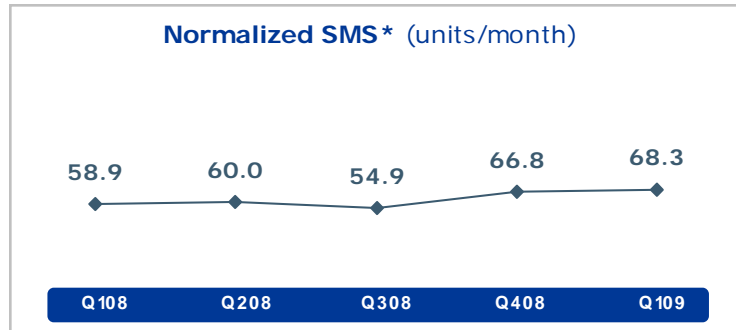
(1) Q108 net adds impacted by active migration dial-up customers

(2) Including Belgian residential customers of Scarlet

Slide 17

CBU - Data - Mobile

Continued increase in monthly SMS/user



- **Monthly SMS/user** + 56% going from 100 SMS to 156 SMS driven by free SMS as part of customers pricing offer

- Excluding free SMS, SMS traffic still grows 16.0% YoY from 58.9 SMS to 68.3 SMS.

- **Mobile Data ARPU**** slightly declined to €6.3 driven by:

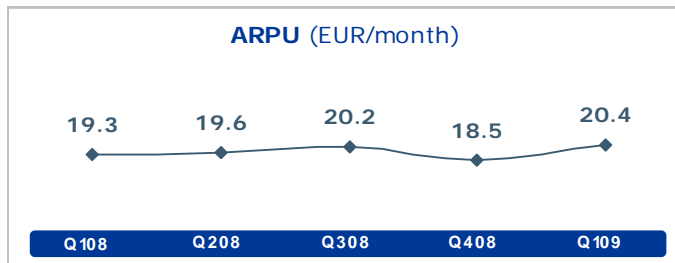
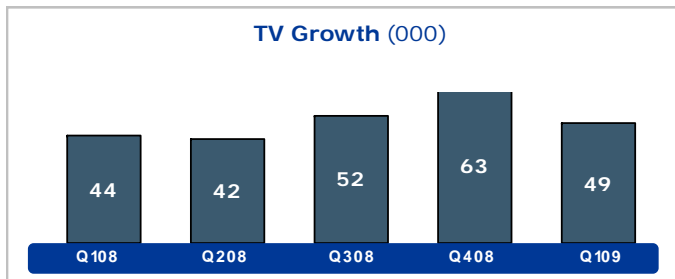
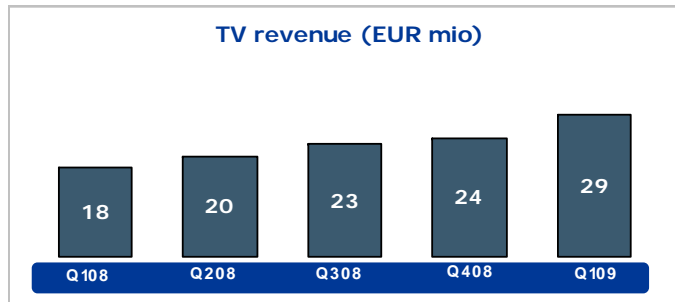
- stricter rules for voting and gaming laid down by Royal decree to ensure price transparency towards the customer

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

**blended postpaid/prepaid and including credits & discounts

CBU – Belgacom TV

Continued success for Belgacom TV; Digital TV market share at 30%



- **Growing revenue contributor:**
 - €29m in Q109 or + 60% yoy
- **TV positively contributing to EBITDA**
- **Broadway investments leading to:**
 - 87% TV coverage
 - 65% HD coverage
- **Total customer base amounting to 555k**
- **+49k TV net adds in Q109 driven by successful promotions & packs**
- **TV ARPU +5.7% yoy to €20.4 driven by:**
 - lower impact promotions on total revenue
 - success of on demand services

Enterprise Business Unit (EBU)

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EBU - Highlights

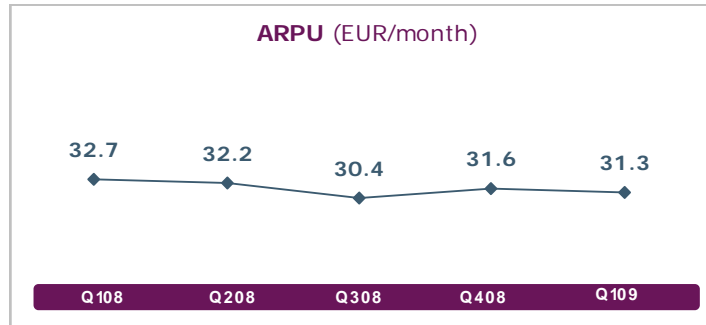
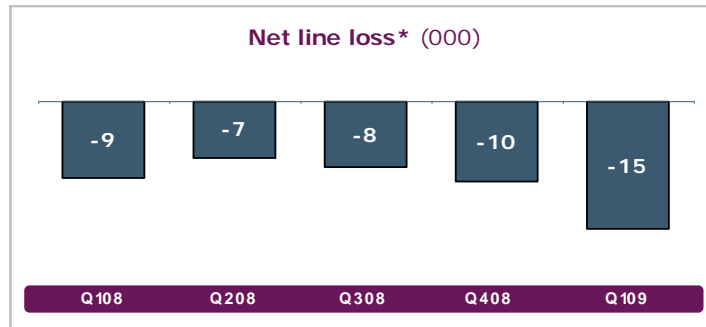
As expected, impact of economic downturn mainly in slowdown mobile usage & roaming

- **Reported revenue yoy -5.2%, incl. €-21m impact divestments**
- **Organic revenue at -2% yoy**
 - Positive impact from
 - growing mobile customer base
 - growing Advanced mobile subscribers
 - good Telindus International result
 - offset by:
 - lower mobile usage /roaming
 - regulation impact (€ -10m)
- **Lower operational costs, -4.9% yoy:**
 - Positive cost impact from divested non-core countries
 - Overall costs managed within cost efficiency program
 - Partly offset by salary indexation
- **Flat yoy contribution margin of 48%**

Financial result (in million €)	Q108	Q208	Q308	Q408	Q109	Var. YoY
Total Revenue	675	690	651	680	640	-5.2%
Total Costs	-352	-370	-341	-367	-335	-4.9%
Total result EBU	324	320	310	313	306	-5.5%
<i>Segment contribution margin</i>	47.9%	46.3%	47.6%	46.1%	47.7%	

EBU - Voice - Fixed

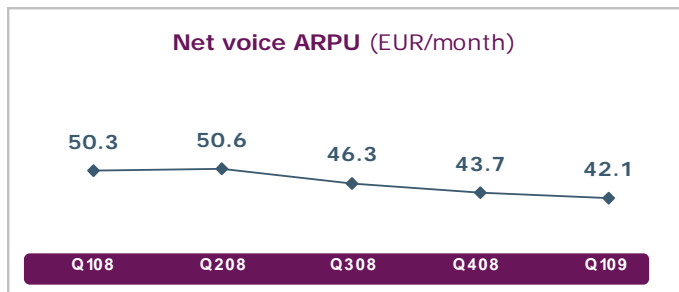
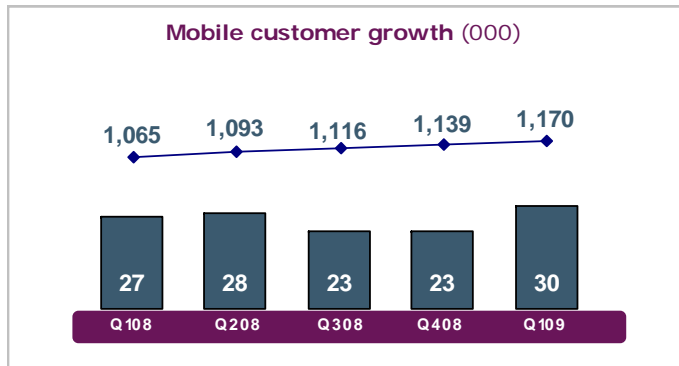
Some customers reviewing their installed base due to economic downturn



- Total fixed voice customer base at 1,529k lines
- Economic downturn leads to some customers reviewing their installed base of fixed voice lines
- Fixed Voice ARPU slightly declined to €31.3
 - positive impact from 2008 price indexation
 - offset by flow through MTR impact

EBU - Voice - Mobile

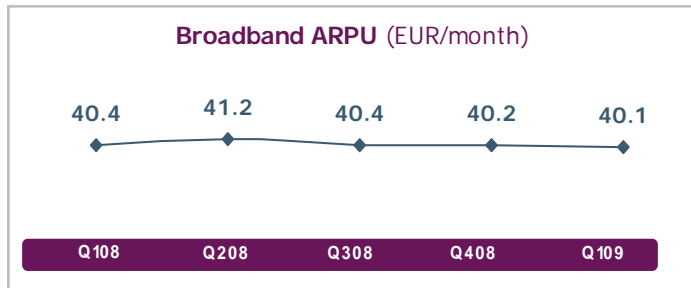
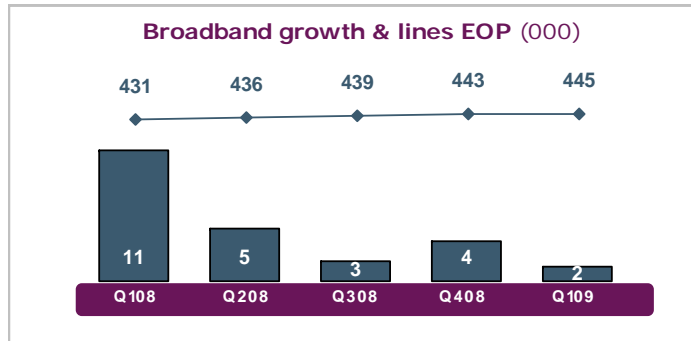
Strong quarter with 30k net adds, positively impacting the already strong market share



- Total customer base at 1,170k end Q109
- Strong Q109: 30k mobile customers added
- High focus on churn leads to lower churn rates in Q109 (10.7%)
- Net Voice ARPU at €42.1 driven by
 - carry-over impact from mobile regulation
 - SMS substitution
 - advantageous pricing plans (e.g. Fusion)
 - pricing plans including free minutes/SMS
- Economic downturn impacts roaming and outbound volumes

EBU - Data - Fixed

Strong growth in Managed Network Services



Broadband

- +14k customers added yoy
- BB customer gain impacted by progressive saturation of low-end fixed internet market
- Stable Broadband ARPU despite competitive environment

Other Fixed Data products:

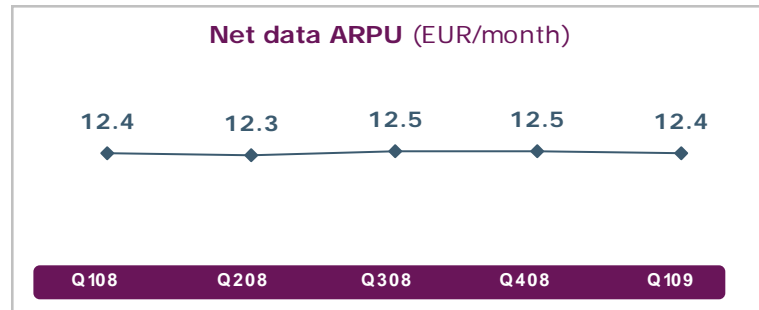
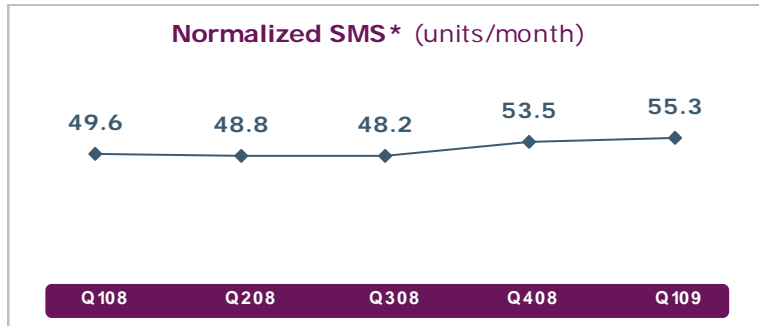
- Price pressure in connectivity services¹
- Compensated by strong growth in Managed Network Services² (Explore)
- Explore sites increased >10% versus Q408 to 28k

¹ Leased lines, Frame Relay, ATM

² Shared security, CoS, Back-up and Reporting Service

EBU - Data - Mobile

Strong subscriber growth for advanced data

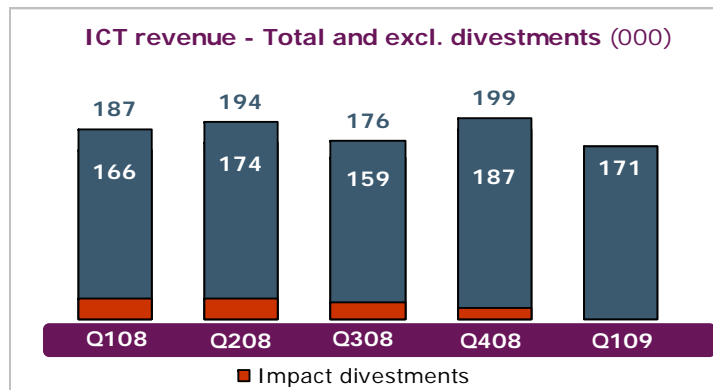


- **Strong subscriber growth Advanced Data**
 - Mobile internet, PDA and push e-mail subscribers doubled compared to last year;
 - Revenue growth partially offset by new price offers
- **... but crisis visibly decelerating growth of mobile data roaming**
- **Growing SMS trend continued, driven by “SMS-generation”**
- **Stable Mobile data ARPU, including credits and discounts**

* incl. Credits & discounts

EBU - ICT

EBU executing its ICT strategy to become Belgium's preferred ICT provider and be a reference in its European footprint



Divestment of non-core countries:

- revenue loss of €21m but
- exposure to economic downturn lowered
- positive impact on EBU remuneration cost for Q109: headcount -13% (379 FTE)
- positive EBITDA impact

3% organic growth YoY driven by

- strong growth Datacenter services (housing/hosting)
- increased revenue Telindus international

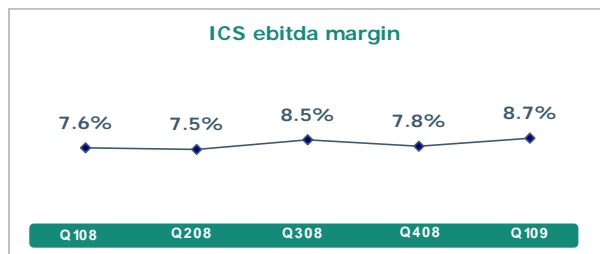
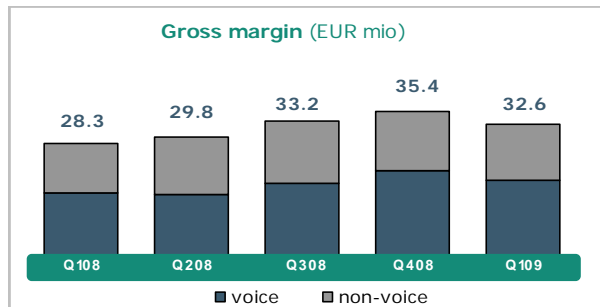
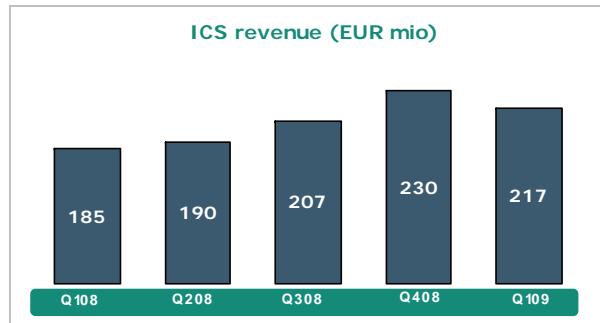
Impact from weak economy closely monitored – successful actions taken to mitigate impact

- increase share of wallet
- reduced working capital and strong focus on COGS

International Carrier Services (ICS)

ICS - Highlights

Positive impact of ICS revenue growth on Group results however at lower margins



- **Strong revenue increase continued in Q109**
 - +17% compared to Q108
 - driven by strong volume growth

- **Growth in voice gross margin thanks to higher volumes, partly offset by a slightly lower unit margin**

- **EBITDA margin increased yoy to 8.7%**

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