



> interim  
report

Q3

2010

belgacom

## Key figures

<b>Income Statement (EUR million)</b>	<b>Nine months ended 30 September</b>	
	<b>2009</b>	<b>2010</b>
Total revenue before non-recurring items	4,472	4,945
Non-recurring revenue	0	436
Total revenue	4,472	5,381
EBITDA (1) before non-recurring items	1,488	1,489
EBITDA (1)	1,426	1,925
Depreciation and amortization	-521	-604
Operating income (EBIT)	905	1,322
Net finance costs	-90	-80
Income before taxes	815	1,241
Tax expense	-199	-195
Non-controlling interests	-1	10
Net income (Group share)	617	1,036

  

<b>Cash flows and Capital Expenditures (EUR million)</b>	<b>Nine months ended 30 September</b>	
	<b>2009</b>	<b>2010</b>
Cash flows from operating activities	1,078	1,315
Capital expenditures	-405	-515
Cash flows from / (used in) other investing activities	8	49
<b>Free cash flow (2)</b>	<b>681</b>	<b>849</b>
Cash flows used in financing activities	-617	-566
<b>Net increase / (decrease) of cash and cash equivalents</b>	<b>64</b>	<b>283</b>

  

<b>Balance sheet (EUR million)</b>	<b>As of 30 September</b>	
	<b>2009</b>	<b>2010</b>
Balance sheet total	7,749	8,552
Non-current assets	5,439	6,155
Investments, cash and cash equivalents	719	660
Shareholders' equity	2,362	3,038
Non-controlling interests	7	229
Liabilities for pensions, other post-employment benefits and termination benefits	699	599
Net financial position	-1,700	-1,425

  

<b>Data per share</b>	<b>Nine months ended 30 September</b>	
	<b>2009</b>	<b>2010</b>
Basic earnings per share (EUR)	1.93	3.23
Diluted earnings per share (EUR)	1.93	3.22
Weighted average number of ordinary shares	320,428,700	321,025,771

  

<b>Data on employees</b>	<b>Nine months ended 30 September</b>	
	<b>2009</b>	<b>2010</b>
Number of employees (full-time equivalents)	16,802	16,214
Average number of employees over the period	16,897	16,253
Total revenue before non-recurring items per employee (EUR)	264,663	304,252
Total revenue per employee (EUR)	264,663	331,062
EBITDA (1) before non-recurring items per employee (EUR)	88,089	91,600
EBITDA (1) per employee (EUR)	84,419	118,449

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

(2) Cash flow before financing activities.

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

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

## Highlights

- *Solid revenue growth maintained in third quarter (+11.1%)*
- *Year-to-date EBITDA margin at 30.1%*
- *Interim dividend of EUR 0.50 per share, payable on 10 December 2010*
- Revenue variance to the prior year improved further in the third quarter (+11.1%). Year-to-date September, this led to a Group revenue growth of 10.6% to EUR 4,945 million, excluding non-recurring revenue. This growth was driven by the full-consolidation of BICS, including MTN ICS, and a solid underlying business trend.
- When normalizing for the impact of the full-consolidation of BICS, including the contribution of MTN ICS, the year-to-date Group revenue decreased by 0.3%. The negative impact of regulatory measures (EUR -75 million) was largely offset by the underlying business growth resulting from the organic revenue growth of BICS, Belgacom TV, Fixed and Mobile Internet, and the turnaround in ICT revenue.
- The year-to-date Group EBITDA, excluding non-recurring items, of EUR 1,489 million was flat compared with last year, with an EBITDA margin of 30.1%. On a like-for-like basis, the EBITDA was 2.6% lower than last year, including EUR 22 million negative impact of regulation.
- The Belgacom Group kept a strong focus on overall costs efficiencies, including initiatives aimed at enhancing product profitability. The trend of Sales-related costs improved further, limiting the year-to-date increase to 2% on a like-for-like basis, including the cost decrease following lower Mobile Termination Rates and the move to a collecting financial model for Premium Rate Services.
- At end September, the Free-Cash-Flow increased to EUR 849 million, compared with EUR 681 million for 2009. The year-over-year variance was positively influenced by timing differences related to working capital and one-off items.
- Over the first nine months of 2010, Belgacom invested EUR 515 million (including EUR 74 million for the renewal of the 2G license), compared to EUR 405 million last year.
- Belgacom Group further grew its customer base over the third quarter, leading at end September 2010 to:
  - 920,000 Belgacom TV customers, a year-over-year growth of 39%;
  - 1,552,000 Internet customers, up by 3.6 % compared to last year;
  - 807,000 multi-play Packs, nearly 78% more than one year ago;
  - 158,000 Mobile Internet customers, an increase of 58% versus the previous year;
  - and a total of 5,318,000 Mobile customers for the Belgacom Group, slightly up from last year.
- The Belgacom Board of Directors approved to return to the shareholders an interim dividend of EUR 0.50 gross per share, i.e. a net dividend of EUR 0.375 per share.
  - Ex-dividend date: 7 December 2010
  - Record date: 9 December 2010
  - Payment date: 10 December 2010

## Comment by the CEO

I am pleased to announce that we ended the first nine months of this year with a set of solid financial results. Year-to-date, our Group revenue grew by 10.6%, to a total of EUR 4,945 million, excluding non-recurring revenue. The growth trend started at the beginning of this year was maintained, and even rose in the third quarter to 11.1%. This is quite an achievement, since our business was hit harder by regulatory measures in the third quarter. Our strong top-line growth was largely driven by the full-consolidation of our International Carrier Business, BICS. But, more importantly, it was also the result of a sound evolution of our underlying business. Indeed, our Consumer Business Unit has reported an underlying business growth of 2.5%, mainly driven by the continued strong performance of our TV-product, the growth in fixed and mobile data reinforced by a solid performance of Tango, our mobile business in Luxembourg. These growth drivers more than offset CBU's loss of revenue due to regulation.

The improving revenue trend of our Enterprise Business Unit is also contributing to the Group result. Whereas last year, this part of our business clearly felt the impact of the economic downturn, it slowly began to recover at the start of this year, and has since improved its year-over-year growth.

Another contributor to our Group revenue has been the success of BICS, which besides from benefitting from the closed transaction with MTN, is also growing its revenue organically.

Our reported EBITDA of EUR 1,489 million is flat compared to last year, although 2.6% lower on a like-for-like basis, including the negative impact of regulation at EUR 22 million. At end September, this resulted in an EBITDA margin of 30.1%.

As mentioned, TV is an important growth driver for our Consumer Business Unit revenue. In spite of a more fierce competition from cable, we continue to book successes for our TV-product. At end September, no less than 920,000 customers had chosen Belgacom as a TV-provider- a growth of 39% in one year. In line with our multi-play strategy, Belgacom TV is often sold within a Pack. End of September, we have sold in total over 800,000 Packs.

Belgacom TV is a clear success story. But we have to go a step further and build on this success. As part of our objective to maintain our leadership position in innovation, and in accordance with our convergence strategy, we are developing our next-generation interactive platform “Belgacom Entertainment”, the customer experience as we see it for the near future. In our vision we see customers soon being able to view any content, on any device, anywhere and anytime. Three recent partnerships will support this vision. Earlier this year, we announced the investment in OnLive, which will provide instant-play, high-performance video games, delivered seamlessly through TV, PCs, phones and tablets to Belgacom Entertainment customers in Belgium and Luxembourg. More recently, we announced the exclusive strategic partnerships with Jinni and in3Depth systems. Jinni is an award winning search and recommendation engine, helping customers with the ever increasing choice in content and programs. The Belgian company in3Depth Systems has a unique, internationally recognized expertise in 3D-gesture recognition technology. This allows customers to manage and control user interfaces, applications and devices through simple human movement.

Another growth driver is Mobile Data. I believe Belgacom is very well positioned to seize future growth opportunities in this domain. We can rely on our high-quality 3G-network, which we started to deploy early on, and we continue to invest in the future by upgrading our Radio Access Network to a state-of-the-art, future proof mobile network. I want Belgacom to guarantee its customers the best possible user experience, and offer them innovative, user-friendly devices, through simple, competitive pricing. Belgacom is also well positioned to offer fixed-mobile converged Internet products, allowing customers to enjoy the best Internet experience at all times. Our “Internet One”- offer, for example, has proven to be very successful.

At end September, we had nearly 158,000 mobile Internet customers<sup>1</sup>, an increase of 58% compared with one year ago.

Based on the very solid third quarter revenue, we believe we will end the year 2010 with a total Group revenue growth in the upper-end of our revenue guidance as announced end of July 2010 (9%-10% growth from last year). For the EBITDA margin, our target is still 30% as we continue to focus on cost control by implementing overall cost efficiencies and concentrating on direct margin improvements.

Keeping our commitment to return to our shareholders an attractive shareholder remuneration, the Board of Directors has approved an interim dividend of EUR 0.50 gross per share.

Didier Bellens, CEO Belgacom

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<sup>1</sup> Total of subscriptions for internet on laptop, excluding internet on GSM

## Reporting changes

Note that certain changes in the reporting structure had a significant impact on the results as of 1 January 2010.

To aid the reader, the impact of the changes has been explained in the results analysis further in this press release and references are made to restated results. Note, however, that the 2009 restated result has not been audited.

The year-to-date September 2010 results include the changes described below.

### **1- BICS 100% consolidated, including MTN ICS**

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

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

On 1 January 2010 Belgacom acquired control of BICS. As a result of this and in application of the revised IFRS 3, BICS became fully consolidated on 1 January 2010, with the recognition of a non-recurring gain of EUR 436 million.

The Group net income is adjusted via the minority interests.

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

On 4 January 2010, an Extraordinary General Meeting (EGM) approved the further integration of the Belgian subsidiaries/activities of the Belgacom Group into Belgacom SA.

This concerns Belgacom SA, Belgacom Mobile SA, Telindus NV, Telindus Sourcing SA, the activities of Belgacom Skynet SA and the national activities of Telindus Group NV.

All other subsidiaries were excluded from the merger, and hence remain separate legal entities (e.g. BICS, Skynet iMotion Activities, Tango, Scarlet, the international subsidiaries of the Telindus Group, and all other smaller entities.).

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

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

### **3- Fine-tuning of revenue and cost allocations**

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

# Financial report

## Belgacom Group

- **Solid Group revenue up by 10.6% ytd, +11.1% in third quarter**
- **Underlying business more than offset the pressure from regulation**
- **Trend of Sales-related costs improving**
- **FCF of EUR 849 million**

✓ [Quarterly financials at group and segment level: page 23](#)

### Revenue

	Nine months ended 30 September				Variance 2010/2009
	2009		2010		
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	1,797	40%	1,768	36%	-1.6%
Enterprise Business Unit	1,868	42%	1,816	37%	-2.8%
Service Delivery Engine & Wholesale	286	6%	259	5%	-9.6%
Staff & Support	25	1%	28	1%	10.5%
International Carrier Services	671	15%	1,208	24%	80.0%
Inter-segment eliminations	-176	-4%	-132	-3%	-24.6%
<b>Total</b>	<b>4,472</b>	<b>100%</b>	<b>4,945</b>	<b>100%</b>	<b>10.6%</b>
Non-recurring revenue	0		436		
<b>Total</b>	<b>4,472</b>		<b>5,381</b>		<b>20.3%</b>

Belgacom ended the first nine months of 2010 with a **solid Group revenue<sup>1</sup> of EUR 4,945 million**, or an **increase of 10.6%** compared to the same period last year. The positive revenue trend since the start of this year further improved in the **third quarter, growing year-on-year by 11.1%**.

The positive evolution in turnover is largely the result of the full-consolidation of Belgacom's International Carrier Services (BICS), including the contribution of MTN ICS. On a **like-for-like basis**, i.e. when consolidating the 2010 revenue from BICS at 57.6%<sup>2</sup>, Belgacom Group revenue totals EUR 4,458 million, i.e. **slightly down (-0.3%) to last year**. This is entirely due to the negative impact on revenue of regulatory measures<sup>3</sup>, so far totalling EUR 75 million (-1.7%).

Excluding this negative impact from regulation, the **underlying business of Belgacom grew by 1.4% year-to-date September**. This is the result of BICS' organic growth, the sound underlying business of the Consumer Business Unit and the improving trend for the Enterprise Business Unit.

It should be noted that the year-over-year revenue variance of the Business Units is impacted by the legal entity merger. Revenue generated between former legal entities is no longer included as of 2010, by definition reducing the segment revenue. However, this has no impact on a Group level.

The Group year-to-date revenue also includes a non-recurring gain of EUR 436 million. This results from the acquisition of control of BICS on 1 January 2010, which in application of the revised IFRS 3 led to the remeasurement of the Group's previously held interest in BICS.

### Operating expenses

(EUR million)	Nine months ended 30 September		
	2009	2010	Variance 2010/2009
Costs of materials and charges to revenue	1,537	1,987	29.3%
Personnel expenses and pensions	831	829	-0.3%
Other operating expenses	615	640	4.1%
<b>Total</b>	<b>2,984</b>	<b>3,456</b>	<b>15.8%</b>
Non-recurring expenses	62	-1	-
<b>Total</b>	<b>3,046</b>	<b>3,456</b>	<b>13.5%</b>

<sup>1</sup> Before non-recurring items

<sup>2</sup> Shareholdership of Belgacom in BICS

<sup>3</sup> Lower MTR, the flow-through to Fixed-to-Mobile rates, lower Roaming rates, and the national directive on Premium Rate Services.

### Trend of Sales-related costs improved further, year-to-date increase limited to 2% on a like-for-like basis

The additional revenue from BICS since the start of the year, at typically lower margins, significantly impacted the level of “Costs of Materials and charges to revenue”, which increased year-on-year by 29.3% to EUR 1,987 million. Excluding the cost increase related to the full-consolidation of BICS and the contribution of MTN ICS, the year-to-date increase was limited to 2%. Moreover, **the trend showed an improvement**, moving from a 3.9% increase in Sales related costs for the first quarter, **to a 1.4 % decrease in the third quarter**.

This positive evolution is the consequence of regulatory measures which had a positive impact on the Sales-Related costs, and by the continued company-wide efforts to improve the profitability of products.

Since 1 August 2010, the three mobile operators have applied the new MTRs as foreseen in the new MTR-glide path following the final decision of the Belgian regulator. This first cut was also an important first step towards symmetry between the three Belgian mobile operators. As a consequence, the cost for Belgacom to terminate calls on the network of Mobistar and Base has significantly decreased.

Another positive impact on the Sales-related costs was the move to a collecting financial model for Premium Rate Services on 1 April 2010.

### Like-for-like HR-expenses 1.7% lower ytd September

The reported Personnel expenses and pensions are slightly down to last year. When adjusting 2010 for the full-consolidation of BICS and the contribution of MTN, the HR-costs were down by 1.7%. The lower headcount compared to a year ago continues to have a positive effect on the HR-expenses. In the third quarter, however, HR-expenses were like-for-like about 2% higher than for the same period last year. This is mainly driven by the upward revision of HR-related provisions, negatively impacting the HR-expenses of all business units.

At end September 2010, Belgacom’s personnel base counted 16,214 FTEs. Compared to one year ago, this is a net reduction of 590 FTEs, mainly statutory employees, or -3.5%. The year-to-date reduction in personnel is mainly the result of the ongoing restructuring programs which took already full effect in the first quarter. Compared to end-June 2010, the personnel base went slightly up by 55 FTEs, resulting from the consolidation of “Belgacom Bridging ICT”<sup>1</sup> and the hiring of new staff for business critical positions.

Number of FTE	September 2009	End 2009	September 2010	12 months variance	9 months variance
Consumer Business Unit	5,781	5,718	5,145	-636	-573
Enterprise Business Unit	5,445	5,328	5,227	-218	-101
Service Delivery Engine & Wholesale	3,223	3,303	3,369	146	65
Staff & Support	2,178	2,230	2,082	-96	-148
International Carrier Services	234	225	390	156	166
<b>Total</b>	<b>16,861</b>	<b>16,804</b>	<b>16,214</b>	<b>-648</b>	<b>-590</b>

### Like-for-like, non-HR expenses slightly increased by 1.4% year-to-date September

The reported non-HR expenses for 2010 were impacted by the full-consolidation of BICS and the contribution of MTN. Even though the company-wide focus on cost efficiencies continued, the year-to-date non-HR costs on an adjusted basis, slightly increased by 1.4%. This is fully driven by the third quarter year-over-year cost increase, including for 2010 a negative revaluation of foreign currency positions within the ICT-area, and additional costs within SDE&W related to the roll-out of the new Mobile Radio Access Network and the Scarlet migration to the Belgacom network.

## Operating income before depreciation and amortization (EBITDA)

	Nine months ended 30 September				Variance 2010/2009
	2009		2010		
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	804	54%	807	54%	0.4%
Enterprise Business Unit	916	62%	905	61%	-1.2%
Service Delivery Engine & Wholesale	-47	-3%	-81	-5%	74.7%
Staff & Support	-243	-16%	-235	-16%	3.3%
International Carrier Services	58	4%	94	6%	60.4%
<b>Total</b>	<b>1,488</b>	<b>100%</b>	<b>1,489</b>	<b>100%</b>	<b>0.0%</b>
Non-recurring revenue	0		436		
Non-recurring expenses	-62		1		
<b>Total</b>	<b>1,426</b>		<b>1,925</b>		<b>35.0%</b>

The reported Group EBITDA remained flat at EUR 1,489 million. Adjusted for the full-consolidation of BICS and contribution of MTN, the EBITDA was 2.6% or EUR 39 million below last year. The decline is partly explained by regulatory measures, lowering the EBITDA-level by EUR 22 million.

<sup>1</sup> As announced on 29 June 2010, Belgacom set up a new company “Belgacom Bridging ICT” to constitute the basis for a new and exclusive channel with ICT experts to address the SME-market.

Thanks to ongoing efforts to reduce expenses and increase product profitability, the EBITDA margin remained fairly stable during the first three quarters, resulting in a 30.1% EBITDA margin year-to-date September, and on track to meet the full year guidance, targeting 30%.

It should be noted that BICS lowered the Group EBITDA margin in two ways: (1) through the full-consolidation and (2) through strong organic growth at typically lower margins. Although neither of these items are a negative, they mathematically lower the Group EBITDA margin.

Excluding the effect of the full-consolidation of BICS, the EBITDA margin over the first nine months is 32.5%, which compares to 33.3% last year. The slight erosion is due to the revenue growth within domains at typically lower margins, such as ICT, and the organic growth of BICS.

## Depreciation and amortization

Depreciation and amortization increased from EUR 521 million in 2009 to EUR 604 million for 2010, mainly driven by BICS and SDE&W. The increase for BICS results from the contribution of MTN-ICS since November 2009, the full consolidation of BICS, and the recognition of previously unrecognized intangible assets of BICS (trade-name and customer-base) as a result of the purchase price allocation.

Within SDE&W, depreciation and amortization increased as a result of the shortened useful life of the current Mobile Radio Access Network which is gradually being replaced by Huawei equipment.

## Net finance result

The year-over-year variance in the net finance result, going from EUR -90 million in 2009 to EUR -80 million in 2010, resulted mainly from the improvement of the net financial position, lower discounting charges of long term liabilities and gains on disposal of available-for-sale investments, partly offset by higher negative re-measurements to fair value on financial instruments.

## Tax expense

The tax expense for the first nine months of 2010 amounts to EUR 195 million compared to EUR 199 million for the same period last year. The Group has an **effective tax rate of 15.7%**, compared to 24.4% in 2009, based on the application of the general principles of Belgian tax law.

**Excluding the non-recurring capital gain, the effective tax rate year-to-date September 2010 is 24.2%**, in line with 2009.

## Net income (Group Share)

The Group net income increased year-over-year from EUR 617 million to EUR 1,036 million at end September 2010, including non-recurring items.

## Capital expenditure (Capex)

(EUR million)	Nine months ended 30 September				Variance 2010/2009
	2009		2010		
	(EUR million)	(%)	(EUR million)	(%)	
Consumer Business Unit	61	15%	79	15%	29.6%
Enterprise Business Unit	14	3%	13	2%	-5.3%
Service Delivery Engine & Wholesale	304	75%	372	72%	22.1%
Staff & Support	16	4%	36	7%	120.8%
International Carrier Services	11	3%	16	3%	47.2%
<b>Total</b>	<b>405</b>	<b>100%</b>	<b>515</b>	<b>100%</b>	<b>26.9%</b>

### In total, EUR 515 million was invested, or 10.4% of Group revenue - including the 2G license renewal

Belgacom Group invested a total of EUR 515 million year-to-date September. This includes EUR 74 million for the renewal of the 2G license for the period 2010-2015, included in the capex of SDE&W.

Although Belgacom maintains its standpoint that the tacit extension of its 2G license does not require additional payments, the company complied with the payment obligations, with all due reserves. Belgacom has opted for annual payments and the first one of EUR 12 million was made in April 2010.

Within CBU, the renewal of content rights for Belgacom TV has increased the level of investments compared to last year.

Belgacom continued the roll-out of its "Move-to-all-IP"-project (MaIP), a business transformation project entailing a full re-engineering of its network, IT-systems and processes. Since the launch of this project in 2008, a total of EUR 77 million was invested, including EUR 37 million over the first nine months of 2010. The largest portion of the 2010 MaIP-investments has been allocated to new IT-systems in order to further automate and control operational processes.

Belgacom also continued to invest in its Broadway-project, i.e. the further roll-out of fiber-to-the-curb and the installation of VDSL2. By end of September 2010, the coverage of Belgacom's fiber network was extended to over 76% of Belgian households. This coverage has been achieved with a total investment of EUR 540 million since the project started end of 2003.

## Cash flows

(EUR million)	Nine months ended 30 September	
	2009	2010
Cash flows from operating activities	1,078	1,315
Capital expenditures	-405	-515
Cash flows from / (used in) other investing activities	8	49
<b>Cash flow before financing activities or "free cash flow"</b>	<b>681</b>	<b>849</b>
Cash flows used in financing activities	-617	-566
<b>Net increase / (decrease) of cash and cash equivalents</b>	<b>64</b>	<b>283</b>

By end of September 2010, the **Free Cash Flow** was EUR 849 million, compared to EUR 681 million for the same period last year. The positive year-over-year variance is mainly the consequence of some one-off items and timing differences. Indeed, the 2009 Free Cash Flow was negatively influenced by the payment of a EUR 66 million fine imposed by the Belgian Competitions Authority, while the 2010 Free Cash Flow included a EUR 51 million cash increase as a result of the full consolidation of BICS and lower income tax payments as a result of timing differences and the full use of the Belgacom SA tax losses carried forward due to the legal entities merger.

The **cash flow used in financing activities** decreased by EUR 51 million due to higher net sales of financial investments and treasury shares and lower payments of interim dividends carried over from December last year. These positive effects were partly offset by payments to non-controlling interests.

## Balance sheet and shareholders' equity

Compared to year-end 2009, the **goodwill** increased by EUR 245 million to EUR 2,332 million mainly as a result of the acquisition of control in BICS and the subsequent purchase price allocation performed by the Group. **Intangible fixed assets and property, plant and equipment** increased by EUR 480 million in 2010 compared to year-end 2009, mainly as a consequence of the purchase price allocation, the remeasurement to fair value of BICS net assets, the move from a proportional to a full-consolidation of BICS and the 2G license renewal.

The shareholders' equity increased from EUR 2,521 million at year-end 2009 to EUR 3,038 million in September 2010, mainly reflecting the net income generated during the first nine months of 2010 and the dividend distribution decided during the General Assembly of April 2010.

During the nine months of 2010, the Group sold 294,304 treasury shares to its senior management for EUR 6 million under discounted share purchase plans at a discount of 16.67%.

During the same period, employees exercised 551,768 share options, for which treasury shares are used.

In 2010, the Group granted 1,023,210 new share options to its key management and senior management with an exercise price of EUR 26.445.

Belgacom continues to have a sound financial position. **The net financial debt** decreased by EUR 291 million for the first nine months of 2010 to EUR 1,425 million. The outstanding financial debt amounted to EUR 2.1 billion (nominal value) at the same date, most of it maturing in 2011 and 2016.

## Regulatory and legal

Regulation impacts 2010 (EUR million)		YTD September 2010	Estimated Impact FY 2010
MTR & flow-through Fix-to-Mob	Revenue	15	About €40m
	EBITDA	1	Less than €5m
Roaming	Revenue	22	About €25m
	EBITDA	20	Slightly below €25m
Collecting model for Premium Rate Services	Revenue	37	About €50m
	EBITDA	0	Neutral
<b>Total</b>	<b>Revenue Ebitda</b>	<b>75 22</b>	<b>About €115m Less than €30m</b>

### New MTR glide path

On 29 June 2010, the Belgian regulator (BIPT) adopted its final decision on the 2010-2013 MTR glide path. The first decrease occurred on 1 August 2010 for all three mobile operators in Belgium. For Belgacom the MTR was lowered from 7.2 euro-cents to 4.62 euro-cents or a decrease of 36%, while for Mobistar the MTR was reduced by 44% to 5.05 euro-cents and for KPN Group (acting under the brand name Base) by 49% to 5.81 euro-cents<sup>1</sup>. The BIPT reduced the existing MTR asymmetry, which is why the decrease for the other two mobile players was greater than for Proximus. As of August 2010, the asymmetry with Mobistar is 9.3% (down from 25.3%) and with Base 25.7% (down from 58.8), thus bringing the Belgian regulation more in line with the European context. Gradual MTR decreases are foreseen until 2013 for all operators. According to BIPT's decision, the new MTR for Proximus will be 3.83 euro-cents on 1 January 2011, 2.46 euro-cents on 1 January 2012 and 1.08 euro-cents on 1 January 2013 (excluding inflation). The MTR of the two other operators will also be reduced further and only a minor degree of asymmetry will be maintained until the end of 2012. Fully symmetric tariffs will be reached in 2013. Any decrease in MTRs will have to be reflected in Belgacom's fixed-to-mobile retail tariffs. Therefore, Belgacom lowered its fixed-to-mobile tariffs as of 1 August 2010.

On 14 July 2010, Mobistar and KPN Group each filed a separate appeal against the BIPT decision of 29 June before the Brussels Appeal Court. They both asked the Court to suspend and annul the decision (especially regarding their own MTR tariffs). Belgacom intervened in these appeals to protect its interests.

The impact on Belgacom results is entirely in the second half of 2010 and is estimated for the full-year to be less than EUR 5 million on EBITDA, while the impact on revenue is estimated to be about EUR 40 million. These estimates include both the direct impact from lower MTRs as well as the flow-through to Fixed-to-Mobile tariffs.

### Lower Roaming rates

During the first nine months of 2010, the negative impact on revenue from lower Voice and SMS roaming rates was EUR 22 million, while the EBITDA decreased by EUR 20 million.

In application of the updated regulation on voice roaming (Roaming II) that entered into force in July 2009, the voice roaming rates were further decreased as of 1 July 2010: Retail Outgoing from 43 euro-cents to 39 euro-cents; Retail Incoming from 19 euro-cents to 15 euro-cents and Wholesale from 26 euro-cents to 22 euro-cents.

Data roaming services are regulated at wholesale level based on a price cap, calculated on a kilobyte basis. On 1 July 2010, the data roaming prices went down from EUR 1 per Mb to 80 euro-cents per Mb.

As a consequence of the above mentioned changes, the 2010 full-year revenue is expected to decrease by EUR 25 million, with impact on EBITDA slightly less.

In addition, measures aimed at preventing "bill shocks" for Mobile data roaming were also implemented and are affecting Mobile data revenue. As of 1 July 2010, all customers are per default on a maximum financial limit of EUR 49.85 (excl. VAT) per month for Data roaming, unless the customer opted-out. All mobile data customers are informed via SMS when reaching this limit, after which they can decide whether or not to continue their Data roaming session. If the customer does not respond to the notification message, his roaming data service is blocked until the next bill cycle or until he requests the continuation of the service.

### Collecting financial model for Premium Rate Services

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

<sup>1</sup> Including inflation

Since its introduction on 1 April, the collecting financial model has reduced the Group revenue by EUR 37 million. For the full year, the Group revenue is expected to be reduced by a total amount of EUR 50 million, without impacting the Group EBITDA.

#### **New LLU and bistream prices**

On 3 August 2010, the BIPT decreased by around 20% the monthly price for full unbundling (from EUR 9.29 to EUR 7.57) while keeping the price for shared access stable (from EUR 0.85 to EUR 0.87). The new price for full unbundling is at the low EU end. Belgacom disagrees with certain aspects of the BIPT pricing methodology and has decided to lodge an annulment procedure against the decision.

Early August 2010, the BIPT also set new monthly prices for ATM Bitstream (from EUR 14.31 to EUR 12.51) and took its final decisions on Ethernet Bitstream (EUR 11.27) and on VDSL2 Bitstream (EUR 13.85). For VDSL2, the BIPT applies a 15% mark-up on the fibre investments for the additional related business risks.

The impact on 2010 revenues is expected to be low due to current low volumes

#### **2G license**

A law amendment published on 25 March 2010 requires mobile operators to pay for the tacit extension of 2G licenses. The amount of EUR 74 million for Belgacom corresponds to the original 2G license fees proportionate to the spectrum quantity and duration. Belgacom has opted for annual payments and the first one, for the amount of about EUR 12 million, was made in April.

Belgacom maintains its standpoint that the tacit extension of its 2G license (as confirmed by a decision of the Court of Appeal of 20 July 2009) does not imply payment. Belgacom will therefore file an appeal. In the meantime, it will comply with the payment obligations with all due reserves.

## Consumer Business Unit - CBU

- Like-for-like<sup>1</sup> revenue grew by 0.4%, despite increased regulatory measures
- TV, data and Tango driving underlying business growth
- Operationals supported by sale of Packs; > 800,000 packs at end September 2010
- Focus on margin control: Q3 contribution margin of 47.1% (+0.8ppt on comparable basis)

### P&L Consumer Business Unit

(EUR million)	Nine months ended 30 September		
	2009	2010	Variance 2010/2009
<b>TOTAL SEGMENT REVENUE</b>	<b>1,797</b>	<b>1,768</b>	<b>-1.6%</b>
Costs of materials and charges to revenue	-519	-509	-1.9%
Personnel expenses and pensions	-258	-244	-5.6%
Other operating expenses	-216	-208	-3.9%
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-993</b>	<b>-961</b>	<b>-3.3%</b>
<b>TOTAL SEGMENT RESULT (1)</b>	<b>804</b>	<b>807</b>	<b>0.4%</b>
Segment contribution margin	44.7%	45.7%	
Non-recurring expenses	-7	1	-
<b>OPERATING INCOME before depreciation &amp; amortization</b>	<b>797</b>	<b>808</b>	<b>1.3%</b>
Depreciation and amortization	-108	-110	1.8%
<b>OPERATING INCOME</b>	<b>689</b>	<b>697</b>	<b>1.2%</b>

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

✓ [CBU quarterly financial and operational results: page 23](#)

### CBU revenue on a comparable basis up 0.4%; sound underlying business trend

CBU booked sound financial results with an underlying business that is growing for the third consecutive quarter in 2010. Over the first nine months of 2010, CBU reported revenues of EUR 1,768 million or 1.6% lower than the same period in 2009. This decline can be fully explained by the loss of intercompany revenues, which are no longer included in the segment result of 2010. **When adjusting 2009 figures for these eliminated intercompany flows, revenues were up 0.4%** year-over-year despite increased regulation pressure.

The first cut of the new glide path for Mobile Termination Rates was implemented in August 2010, and, as a consequence, Fixed-to-Mobile rates have been lowered. Roaming rates further decreased as from July 2010 and the collecting financial model for Premium Rate Services, applicable from 1 April 2010, continued to pressure revenues as well. Year-to-date September 2010, **regulation had a EUR 37 million negative impact on CBU revenues (-2.1%)**.

After excluding the impact from regulation, **the underlying business showed a sound growth of 2.5% year-over-year**. This is driven by the continued strong performance of TV, fixed and mobile data and reinforced by the solid results of the mobile business in Luxembourg (Tango).

(EUR million)	Nine months ended 30 September			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
<b>Revenues</b>	<b>1,797</b>	<b>1,768</b>	<b>-29</b>	<b>-1.6%</b>
<b>From Fixed</b>	<b>865</b>	<b>852</b>	<b>-13</b>	<b>-1.5%</b>
Voice	423	381	-42	-9.9%
Data	239	254	15	6.1%
TV	93	132	39	41.9%
Terminals (excl. TV)	37	24	-14	-37.0%
Scarlet	72	61	-11	-15.3%
<b>From Mobile</b>	<b>865</b>	<b>852</b>	<b>-13</b>	<b>-1.5%</b>
Voice	528	493	-34	-6.5%
Data	223	238	15	6.8%
Terminals	46	47	1	2.2%
Tango	69	74	5	7.3%
<b>Other</b>	<b>67</b>	<b>64</b>	<b>-3</b>	<b>-4.6%</b>

<sup>1</sup> When adjusting 2009 figures for intercompany flows that are eliminated as from 2010

### Fixed voice revenue impacted by line loss and regulation

Year-to-date 2010, CBU generated EUR 381 million from fixed voice, or 9.9% lower than last year. Line loss continued to be the main driver although it remained as stable as in previous quarters (-30,000 lines in third quarter 2010). This brings the total fixed line customer base to 1,970,000; including Scarlet VoIP customers. In addition, fixed voice revenue was impacted by the discounts on the Packs and regulatory measures (collecting financial model for Premium Rate Services and lower Fixed-to-Mobile rates following the MTR cut).

Year-to-date September ARPU amounted to EUR 20.6, a decline of 4.6% year-over-year driven by regulatory measures and discounts on the packs, although slightly compensated by the price increases of August. Compared to the second quarter of 2010, the fixed voice ARPU of the third quarter remained stable at EUR 20.3 despite increased regulation.

### Solid Internet revenue (+6.1%) in highly competitive Internet market

Over the first nine months of 2010, internet revenues grew 6.1% to EUR 254 million supported by an increased customer base (+ 50,000 compared to September 2009) and the revamped Internet portfolio offering higher speeds and volumes at a slightly higher price. The bundled offers and the new Internet offer, made the customer base grow by 8,000 in the third quarter to reach a total of 1,107,000 by the end of September. Third quarter net adds are somewhat below last year as the competition over the Internet customer is becoming more fierce.

The year-to-date ARPU of EUR 28.4 is slightly below the same period of last year (-0.6% year-over-year) as more and more customers benefit from the recurring monthly discount on packs which offset the positive impact of the price increases following the revamped offer.

### Solid growing Belgacom TV revenue (+42%); threshold of 900,000 customers passed

In the first nine months of 2010, CBU booked solid TV results showing a year-over-year revenue growth of almost 42% or EUR 39 million to reach a total of EUR 132 million. The main driver continued to be customer growth supported by the success of the Packs, although the year-over-year impact of the Free TV Pack is somewhat fading. During the third quarter of 2010, CBU added 52,000 new TV customers bringing the total customer base to 920,000 subscribers, including 125,000 second stream users.

The year-to-date 2010 ARPU of EUR 19.7 is somewhat lower than a year ago (EUR -0.4 or -2%) due to lower one time revenues from activation and installation.

### Scarlet revenue impacted by migration of customers to Belgacom

Since the start of this year, revenue was impacted by the transfer of Scarlet B2B and wholesale customers to Belgacom. However, this migration had a positive impact on the year-over-year revenue variance of EBU and SDE&W.

### Mobile voice adjusted revenue -2.7%; multi-brand strategy resulting in good third quarter net adds (+28,000)

Following the legal entity merger, the CBU mobile voice revenues as from 2010 no longer include intercompany traffic. The fixed-to-mobile intercompany traffic has been eliminated as from 2010, impacting CBU mobile inbound voice revenues. On a like-for-like basis the year-to-date September voice revenue fell by 2.7%. This is entirely driven by increasing regulatory pressure on revenues. On 1 August, the first MTR cut was implemented, roaming tariffs further decreased on 1 July and, in addition, revenue from Premium Rate Services disappeared due to moving to the collecting financial model.

In the third quarter of 2010, CBU acquired 28,000 new customers supported by the success of the multi-brand strategy. Postpaid continued to perform strongly (+17,000) driven by the success of the bundled offers combining fixed and mobile Internet as well as the Packs with mobile voice. In addition, the former MVNO Mobisud targeting the Moroccan population (now owned by Scarlet) acquired 18,000 mobile customers in this quarter.

On a like-for-like basis, the net voice ARPU of EUR 14.9 declined 2.9% year-over-year and is fully due to the regulation impacts. Year-over-year the total MoU were up 4.2% to 105.7 on a comparable basis.

### Mobile data revenue +6.8%, impacted by regulation

As from 2010, the allocation of credits and discounts to SMS and advanced data has been fine-tuned. This has resulted in a shift of credits and discounts from SMS to advanced data, impacting the year-over-year variance.

On a like-for-like basis, **SMS revenue increased 10.7%** year-over year driven by the success of the pricing plans including free SMS. Total SMS increased 28.5% year-over-year to 215.3 SMS per customer per month.

On a like-for-like basis, advanced data declined 7.3% year-over-year entirely driven by the impact of the collecting financial model for Premium Rate Services. Excluding this impact, **advanced data revenue increased by 11.2% year-over-year**. Growth is driven by an increase in mobile Internet customers as a result of the success of the offers bundling fixed and mobile Internet.

(EUR million)	Nine months ended 30 September		
	2009 Adjusted*	2010	Variance % 2010/2009
<b>Mobile DATA revenue</b>	<b>223</b>	<b>238</b>	<b>6.8%</b>
Data - SMS	173	191	10.7%
Advanced data	50	46	-7.3%

\*2009 adjusted for the reallocation of credits & discounts

### **CBU total expenses +1.2% on a like-for-like basis**

Over the first nine months of 2010, CBU reported operating expenses of EUR 961 million or an improvement of 3.3%. Although the 2010 operating costs had some positive effect of the eliminated intercompany costs following the legal entity merger, the year-over-year quarterly trend continued to improve. Third quarter costs were down 2.6% on a like-for-like basis as a result of the lower cost of sales.

### **Costs of sales +3.2% on a comparable basis, focus on direct margin paying-off**

On a like-for-like basis, the CBU cost of sales increased by 3.2% during the first nine months of 2010. The third quarter clearly showed an improvement and even a reverse trend, with costs down 7% year-over-year. This is partly driven by lower costs following the cut in MTR rates and the implementation of a collecting financial model for Premium Rate Services, and partly by initiatives taken to improve product profitability.

When excluding positive impacts from regulatory measures, third quarter cost of sales were fairly flat compared to 2009; a clear improvement compared to previous quarters.

### **Personnel expenses benefitting from the ongoing restructuring programs**

Personnel costs for the first nine months of 2010, were down 5.6% year-over-year driven by the decrease in headcount (-636 FTEs) following the ongoing tutorship program, the Scarlet restructuring program and natural attrition.

In the third quarter, however, the year-over-year variance was somewhat effected by the upward revision of HR-related provisions.

### **Non-HR costs declined 3.9% year-to-date**

Non-HR costs were down 3.9% year-over-year to EUR 208 million as a result of the ongoing cost focus.

### **CBU reported a contribution margin of 45.7%**

CBU reported an EBITDA of EUR 807 million or a slight increase of 0.4% compared to 2009 while still absorbing a negative impact of EUR 14 million from regulatory measures. CBU reported a contribution margin of 45.7% or slightly down (0.4ppt) on a like-for-like basis. The third quarter showed a strong performance with a contribution margin of 47.1%; or up 0.8ppt on a comparable basis.

## **Tango**

	Nine months ended 30 September		Variance 2010/2009	Variance % 2010/2009
	2009	2010		
Revenue <sup>1</sup> (in EUR mio)	69	74	5	7.3%
Total active mobile customers (in '000)	252	260	7	2.8%
Blended mobile net ARPU (EUR/month)	24.2	25.3	1.1	4.4%

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

Over the first nine months of 2010, Tango generated EUR 74 million revenues or an increase of 7.3% year-over-year. Growth is driven by the successful launch of the iPhone4 and strong sales of smart phones resulting in an increase in ARPU of EUR 1.1 or 4.4% year-over-year.

## CBU operating result

OPERATIONALS	Nine months ended 30 September			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
<b>FROM FIXED</b>				
Number of access channels (thousands)	3,114	3,076	-37	-1.2%
Voice (PSTN/ISDN)	1,992	1,880	-112	-5.6%
IP	65	90	25	38.5%
ADSL, VDSL	1,057	1,107	50	4.7%
Traffic (millions of minutes)	3,413	3,234	-179	-5.3%
National	2,808	2,657	-151	-5.4%
Fixed to Mobile	315	302	-13	-4.2%
International	290	275	-15	-5.0%
TV (thousands)	663	920	256	38.7%
TV - households	575	795	220	38.3%
Of which TV-second stream users	88	125	36	41.2%
ARPU (EUR)				
ARPU Voice	21.6	20.6	-1.0	-4.6%
ARPU broadband	28.6	28.4	-0.2	-0.6%
ARPU Belgacom TV	20.1	19.7	-0.4	-2.0%
<b>FROM MOBILE</b>				
Number of active customers (thousands)	3,829	3,773	-56	-1.5%
Prepaid	2,235	2,153	-82	-3.7%
Postpaid	1,510	1,573	64	4.2%
MVNO	84	47	-38	-44.9%
Annualized churn rate (blended - variance in p.p.)	20.7%	20.9%		
Net ARPU (EUR)				
Prepaid	13.8	14.6	0.8	5.9%
Postpaid	36.1	32.5	-3.6	-10.0%
Blended	22.3	21.9	-0.4	-1.7%
Blended voice	15.7	14.9	-0.8	-5.2%
Blended data	6.6	7.0	0.4	6.7%
UoU (units)	276.3	319.8	43.6	15.8%
MoU (min)	109.8	105.7	-4.1	-3.7%
Normalized MoU (min)	94.9	87.5	-7.4	-7.8%
SMS (units)	167.5	215.3	47.8	28.5%
Normalized SMS (units)	71.2	87.1	15.9	22.3%

## Enterprise Business Unit - EBU

- Revenue trend improved in Q3, in spite of higher regulation impact
- ICT revenue growth maintained, third quarter +9.1%
- Crisis impact on Mobile voice stabilizing
- Contribution margin remaining strong at 49.9%

### P&L Enterprise Business Unit

(EUR million)	Nine months ended 30 September		
	2009	2010	Variance 2010/2009
<b>TOTAL SEGMENT REVENUE</b>	<b>1,868</b>	<b>1,816</b>	<b>-2.8%</b>
Costs of materials and charges to revenue	-556	-521	-6.3%
Personnel expenses and pensions	-283	-280	-1.1%
Other operating expenses	-113	-109	-3.2%
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-952</b>	<b>-910</b>	<b>-4.4%</b>
<b>TOTAL SEGMENT RESULT (1)</b>	<b>916</b>	<b>905</b>	<b>-1.2%</b>
Segment contribution margin	49.1%	49.9%	
Non-recurring expenses	-56	0	-
<b>OPERATING INCOME before depreciation &amp; amortization</b>	<b>861</b>	<b>905</b>	<b>5.1%</b>
Depreciation and amortization	-20	-14	-29.7%
<b>OPERATING INCOME</b>	<b>841</b>	<b>891</b>	<b>6.0%</b>

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

✓ [EBU quarterly financial and operational results: page 24](#)

### Revenue trend continued to improve, EBU revenue -1.8% on a comparable basis

EBU managed to further improve its revenue trend. With EUR 1,816 million in revenue for the first nine months, the decline to last year further reduced to 2.8%. Part of this decline can be explained by the absence of intercompany revenue since the start of 2010 due to the legal entity merger. When adjusting 2009 numbers for the intercompany revenue, the **year-over-year revenue decline is limited to 1.8%**. Since the start of this year, the revenue evolution of **EBU has shown a significant improvement**, with the year-over-year negative growth slowing down from -2.9% in the first quarter, to just -0.9% in the third quarter, **in spite of increasing revenue pressure from regulation** (EUR 12 million).

Year-to-date September, **regulatory measures** have reduced the EBU revenue by **EUR 24 million (-1.3%)**. This includes the impact from lower Mobile Termination Rates and the flow-through to Fixed-to-Mobile rates (from 1 August 2010) and lower voice and data roaming rates. The revenue was impacted as well by the move to a collecting financial model for Premium Rate Services, introduced on 1 April 2010. **The underlying business revenue in the first nine months decreased only slightly compared to last year (-0.5%)** and made a solid recovery over the year.

This recovery is most visible in business domains which were hurt the most by the economic downturn. A domain showing a significant improvement since the start of the year is ICT, evolving from a modest 1.8% growth in the first quarter, to a 9.1% growth in the third quarter.

Adjusted for the impact from the legal entity merger, Mobile Voice revenue evolved from a 6.5% decline in the first quarter to a 2.3% decline in the third quarter, this despite a higher impact from regulation since 1 August 2010.

Nine months ended 30 September				
(EUR million)	2009	2010	Variance 2010/2009	Variance % 2010/2009
<b>Revenues</b>	<b>1,868</b>	<b>1,816</b>	<b>-53</b>	<b>-2.8%</b>
<b>From Fixed</b>	<b>1,278</b>	<b>1,270</b>	<b>-8</b>	<b>-0.6%</b>
Voice	432	407	-25	-5.8%
Data	301	295	-6	-2.2%
Terminals (excl. TV)	55	55	0	-0.1%
ICT	489	513	24	4.9%
<b>From Mobile</b>	<b>573</b>	<b>532</b>	<b>-41</b>	<b>-7.2%</b>
Voice	425	383	-42	-9.8%
Data	137	139	1	1.0%
Terminals	11	10	-1	-8.4%
<b>Other</b>	<b>18</b>	<b>14</b>	<b>-4</b>	<b>-21.1%</b>

#### **Fixed Voice line loss remaining stable, while revenue impacted by lower Fixed-to-Mobile tariffs**

Over the first nine months of 2010, EBU generated EUR 407 million revenue from Fixed Voice, or 5.8% lower than last year. In the third quarter, EBU saw its fixed-lines being reduced by a stable 11,000, resulting in a year-to-date line loss of 36,000 lines, which is an improvement on last year (-40,000). Line erosion was contained as fewer customers cancelled their fixed line as saving measure.

In addition to the lower traffic levels during the summer holiday season, the third quarter turnover from Fixed Voice was also significantly impacted by the lower Fixed-to-Mobile rates as of 1 August 2010 and by the collecting financial model for Premium Rate Services. These measures more than offset the positive contribution from the Fixed line price increases as of 1 August 2010, resulting in an ARPU decline to 29 EUR for the third quarter 2010.

#### **Broadband customer base stable in saturated, competitive market**

Over the first nine months, EBU generated EUR 295 million revenues from Fixed Data. Besides revenue from Fixed Internet, this includes Connectivity revenue for which the migration from older technologies (Leased Lines, Frame Relay, ATM) to the new and more advantageous "Explore"- platform (connectivity and managed services) continues.

Within a saturated and highly competitive Fixed Internet market for professional customers EBU managed to keep the Internet customer base stable over the last quarters at 446,000, which is nearly 1% higher than one year ago.

The Broadband ARPU slightly declined to EUR 39 for the third quarter as SME customers and independents are more and more signing up for advantageous solutions such as "Bizz Packs", "Bizz Internet" and convergent Packs launched in the CBU-segment.

#### **ICT continued its positive revenue trend, growing 9.1% yoy in the third quarter**

So far in 2010, EBU ICT generated EUR 513 million revenue, this is 4.9% more than the same period of 2009. The ICT-domain was hit the hardest by the economic crisis, but began to recover this year with a modest +1.8% growth in the first quarter. This positive evolution continued throughout the year, and resulted in a positive variance of 9.1% for the third quarter. This steep year-over-year increase for the third quarter 2010 was driven by a strong set of results from Telindus International, while comparing to last year's third quarter which was fully hit by the crisis, and by an unfavorable exchange rate effect.

Although the ICT-domain is rather volatile, it looks like the metrics are pointing in the right direction again and that the turning point is behind us.

#### **Revenue trend Mobile Voice improving to -2.3% for third quarter, in spite of increased regulatory effect**

The turnover from Mobile Voice used to include intercompany revenue, which was mainly linked to inbound revenue (Fixed-to-Mobile). The intercompany flows, however, disappeared with the merger of the legal entities at the start of 2010.

Year-to-date September, EBU generated EUR 383 million revenue from Mobile Voice. On a like-for-like basis, this is EUR 18.5 million or 4.6% lower than for the same period last year. In spite of an increasing revenue pressure from regulation<sup>1</sup>, the trend improved over the quarters, going from a 6.5% year-over-year decline in the first quarter to -2.3% for the third quarter. Excluding for the regulation impact, the underlying revenue variance in the third quarter was positive, showing the negative trend due to the economic crisis has at least stabilized. This is also visible in the MoU-trend, which is showing a normal seasonality effect in the third quarter and is only down by 1.3% to the third quarter of 2009, on an adjusted basis.

<sup>1</sup> Lower MTR and Roaming rates, and the collecting model for premium rate services since 1 April 2010

By end September 2010, EBU counted 1,286,000 mobile customers, up by 6.2 % from last year. So far in 2010, EBU gained 58,000 Mobile customers, including 14,000 net adds in the third quarter. This is somewhat lower compared to the previous quarters as a result of the strategic decision to focus on high-value customers.

The Mobile ARPU in the third quarter decreased to EUR 32.4, compared to EUR 35.6 for the previous year on adjusted basis. The ARPU erosion is partly explained by the impact of lower MTR and Roaming rates. Furthermore, the third quarter ARPU is impacted by lower usage in the summer holiday season.

#### **Adjusted for intercompany revenue, Mobile data revenue up by 3.8%, impacted by regulation**

The year-over-year variance of Mobile Data was impacted by intercompany traffic which since the start of 2010 is no longer included in the segment results. On a like-for-like basis, the year-to-date September revenue of Mobile data increased by 3.8%. The 2010 revenue was pressured by SMS-roaming and the collecting financial model for Premium Rate Services.

As from 2010, the allocation of credits and discounts to SMS and Advance data has been fine-tuned. This resulted in a shift of Credits and Discounts from SMS to Advanced Data, impacting the year-over-year variances.

Adjusting for these impacts, the year-to-date September revenue from SMS increased by 2.6% to a total of EUR 55.7 million. The year-over-year growth was significantly reduced by the carry-over impact from SMS-roaming regulation.

On a like-for-like basis, the revenue from **Advanced Data** grew year-to-date by 4.7%. The third quarter revenue was significantly impacted by the EU regulation on Data roaming to prevent 'bill shocks'. As of 1 July 2010, all customers are per default on a maximum financial limit of EUR 49.85 (excl. VAT) per month for Data roaming, unless the customer opted-out.

(EUR million)	Nine months ended 30 September		Variance % 2010/2009
	2009 Adjusted*	2010	
<b>Mobile DATA revenue</b>	<b>134</b>	<b>139</b>	<b>3.8%</b>
Data - SMS	54	56	2.6%
Advanced data	79	83	4.7%

\*2009 adjusted for the reallocation of credits & discounts and the eliminated intercompany revenue

#### **EBU continues positive evolution of operating expenses**

##### **Costs of materials and charges to revenue slightly up by 0.8% on an adjusted basis**

Over the first nine months of 2010, EBU reports EUR 521 million Sales related costs, or a 6.3% decline to the previous year. However, when adjusting 2009 for intercompany items, the Sales related costs were slightly up by 0.8%. This includes the positive effect from the lower MTRs and from the collecting financial model for Premium Rate Services, which were offset by the costs linked to ICT-projects which come at typically lower margins.

##### **EBU HR-costs benefitting from ongoing restructuring program, -1.1% year-to-date**

By end of September, EBU counted 5,227 FTEs, which is 218 FTEs lower than one year ago. This resulted in a decrease in HR-expenses over the first nine months of 2010. In the third quarter, however, the year-over-year variance was effected by the upward revision of HR-related provisions.

##### **Costs reduction efforts continued, ytd non-HR expenses -3.2%**

Within the framework of the company-wide cost reduction program, EBU managed to reduce its non-HR expenses by 3.2% over the first nine months. The positive evolution was tempered in the third quarter, mainly as the result of negative impacts resulting from the revaluation of foreign currency positions within the ICT-area.

#### **EBU contribution margin remained strong at 49.9%**

Over the first nine months, EBU reported a segment result of EUR 905 million, i.e. 1.2% below last year. On a like-for-like basis, i.e. when excluding intercompany items from 2009, the year-to-date September segment result was 3.4% lower, including a negative impact from regulation for EUR 5 million.

This brings the year-to-date September contribution margin to 49.9% compared to 50.7% on a comparable basis.

## EBU operating result

OPERATIONALS	Nine months ended 30 September			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
<b>FROM FIXED</b>				
Number of access channels (thousands)	1,946	1,901	-45	-2.3%
Voice (PSTN/ISDN)	1,492	1,443	-50	-3.3%
IP	12	12	1	4.5%
ADSL, VDSL	442	446	4	0.9%
Traffic (millions of minutes)	2,508	2,364	-144	-5.8%
National	1,711	1,594	-117	-6.8%
Fixed to Mobile	504	495	-9	-1.8%
International	293	275	-18	-6.3%
ARPU (EUR)				
ARPU Voice	30.8	30.0	-0.7	-2.4%
ARPU Broadband	40.0	39.2	-0.8	-2.0%
<b>FROM MOBILE</b>				
Number of active customers (thousands)	1,211	1,286	75	6.2%
Post-paid	1,211	1,286	75	6.2%
Annualized churn rate (blended - variance in p.p.)	10.2%	10.5%		
Net ARPU (EUR)				
Postpaid	53.0	46.2	-6.9	-12.9%
Postpaid voice	40.1	33.9	-6.2	-15.5%
Postpaid data	12.9	12.3	-0.6	-4.8%
UoU (units)	381.0	356.9	-24.1	-6.3%
MoU (min)	346.4	315.9	-30.5	-8.8%
Normalized MoU (min)	330.1	278.8	-51.3	-15.5%
SMS (units)	67.2	75.6	8.4	12.5%
Normalized SMS (units)	53.8	59.5	5.7	10.7%

# Service Delivery Engine & Wholesale – SDE&W

## P&L Service Delivery Engine & Wholesale

(EUR million)	Nine months ended 30 September		
	2009	2010	Variance 2010/2009
<b>TOTAL SEGMENT REVENUE</b>	<b>286</b>	<b>259</b>	<b>-9.6%</b>
Costs of materials and charges to revenue	-52	-36	-31.1%
Personnel expenses and pensions	-147	-152	3.2%
Other operating expenses	-133	-152	14.0%
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-333</b>	<b>-340</b>	<b>2.2%</b>
<b>TOTAL SEGMENT RESULT (1)</b>	<b>-47</b>	<b>-81</b>	<b>-</b>
Segment contribution margin	-16%	-31%	
Depreciation and amortization	-321	-361	12.7%
<b>OPERATING LOSS</b>	<b>-367</b>	<b>-443</b>	<b>20.5%</b>

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

✓ [SDE&W quarterly financial and operational results: page 25](#)

### SDE&W like-for-like revenue remained stable

During the first nine months of 2010, SDE&W generated EUR 259 million in revenues, a 9.6% decline compared to reported 2009 results. On a **like-for-like basis**, i.e. when adjusting 2009 numbers for the eliminated intercompany revenues, year-to-date **revenues remained flat**.

Year-to-date 2010, **regulation had a negative impact on SDE&W revenues of EUR 14 million** mainly from the implementation of the collecting financial model for Premium Rate Services and to a lesser extent from the cut in roaming wholesale tariffs and Mobile Termination Rates. **Excluding regulation, revenues increased** driven by the positive impact of the migration of Scarlet customers moving from BROBA to Carrier DSL solution.

### SDE&W total operating expenses impacted by the Radio Access Network upgrade

The improving trend in SDE&W Sales-related costs was caused by the positive impact of the collecting financial model and the eliminated intercompany flows.

HR costs were up 3.2% year-over-year, mainly driven by the upward revision of HR-related provisions in the third quarter of 2010.

Non-HR costs have been negatively impacted by the swap of the Radio Access Network with Huawei equipment and additional costs related to the Scarlet migration.

# Staff & Support – S&S

## P&L Staff and Support

(EUR million)	Nine months ended 30 September		
	2009	2010	Variance 2010/2009
<b>TOTAL SEGMENT REVENUE</b>	<b>25</b>	<b>28</b>	<b>10.5%</b>
Costs of materials and charges to revenue	-1	2	>100%
Personnel expenses and pensions	-124	-125	0.5%
Other operating expenses	-143	-140	-2.2%
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-268</b>	<b>-263</b>	<b>-2.0%</b>
<b>TOTAL SEGMENT RESULT (1)</b>	<b>-243</b>	<b>-235</b>	<b>-3.3%</b>
Depreciation and amortization	-56	-56	0.1%
<b>OPERATING LOSS</b>	<b>-299</b>	<b>-291</b>	<b>-2.7%</b>

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

✓ [S&S quarterly financial and operational results: page 25](#)

At end September, Staff and Support reported a revenue of EUR 28 million, an increase of 10.5%. This is mainly due to a positive year-over-year variance in the third quarter since more capital gains on the sale of buildings were realised. Staff and Support costs improved by 2% year-over-year mainly driven by the positive evolution of other operating expenses resulting from company-wide efforts to reduce costs.

## International Carrier Services - BICS

- Positive effect from full consolidation and MTN-ICS contribution
- Like-for-like revenue up 3.7%; organic growth persisted
- Solid volume growth

### P&L International Carrier Services

(EUR million)	Nine months ended 30 September		
	2009	2010	Variance 2010/2009
<b>TOTAL SEGMENT REVENUE</b>	<b>671</b>	<b>1,208</b>	<b>80.0%</b>
Costs of materials and charges to revenue	-564	-1,040	84.5%
<i>Gross margin (1)</i>	<i>108</i>	<i>168</i>	<i>56.2%</i>
Personnel expenses and pensions	-18	-28	53.9%
Other operating expenses	-31	-46	49.5%
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-613</b>	<b>-1,114</b>	<b>81.8%</b>
<b>TOTAL SEGMENT RESULT (2)</b>	<b>58</b>	<b>94</b>	<b>60.4%</b>
<i>Segment result margin</i>	<i>8.7%</i>	<i>7.7%</i>	
Non-recurring revenue	0	436	
<b>OPERATING INCOME before depreciation &amp; amortization</b>	<b>58</b>	<b>529</b>	
Depreciation and amortization	-16	-62	
<b>OPERATING INCOME</b>	<b>42</b>	<b>467</b>	

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

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

✓ [ICS quarterly financial and operational results: page 26](#)

### Strong BICS revenue, organic growth trend carried on in the third quarter

BICS showed a continued solid revenue growth with revenues growing to EUR 1,208 million for the first nine months of 2010. This includes the positive impact resulting from the full-consolidation as well as the contribution of MTN ICS. On an adjusted basis, i.e. when proportionally consolidating BICS' 2010 revenue at 57.6%, the year-to-date revenue increased 3.7%. The growth trend from the second quarter carried on with organic revenues growing 5% in the third quarter.

(EUR million)	Nine months ended 30 September			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
Voice	614.0	1,106.2	492.2	80.2%
Non Voice	57.1	101.5	44.5	77.9%
<b>Total revenues</b>	<b>671.1</b>	<b>1,207.7</b>	<b>536.7</b>	<b>80.0%</b>

### BICS detailed gross margin

The total gross margin of EUR 168 million increased 56% year-over-year driven by the positive impact of the full-consolidation. The margin as a percentage of revenue, however, is impacted by the low voice unit margins, feeling pressure from the competition and the high fluctuations in the EUR/USD exchange rate.

(EUR million)	Nine months ended 30 September			
	2009	2010	Variance 2010/2009	Variance % 2010/2009
Voice	63.5	97.5	34.0	53.5%
Non Voice	44.0	70.5	26.4	60.0%
<b>Total Gross Margin</b>	<b>107.5</b>	<b>168.0</b>	<b>60.4</b>	<b>56.2%</b>

### BICS operating income before depreciation and amortization (EBITDA)

Year-to-date 2010, the EBITDA of BICS amounted to EUR 94 million including the positive effect from the full consolidation and the additional contribution of MTN ICS.

The margin further improved going from 7.4% in the first quarter 2010 to 8.1% in the third quarter driven by the solid performance in the non-voice business.

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

The additional MTN-business positively contributed to the volume growth. Both voice and non-voice volumes continued their steady increase growing respectively almost 33% and 46.5% year-over-year.

<b>Volumes (in million)</b>	<b>Nine months ended 30 September</b>		<b>Variance 2010/2009</b>	<b>Variance % 2010/2009</b>
	<b>2009</b>	<b>2010</b>		
Voice	14,010	18,609	4,600	32.8%
Non-Voice (SMS/MMS)	386	565	179	46.5%

*BICS volumes included at 100%*

# Quarterly results as reported

2009 does not include changes resulting from legal entity merger

## Group – Financials

	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	Q310	YTD10
<b>(EUR million)</b>										
<b>Revenues</b>	<b>1,492</b>	<b>1,504</b>	<b>1,476</b>	<b>1,518</b>	<b>4,472</b>	<b>5,990</b>	<b>1,641</b>	<b>1,664</b>	<b>1,640</b>	<b>4,945</b>
Consumer Business Unit	591	604	602	617	1,797	2,414	590	592	585	1,768
Enterprise business unit	640	626	602	632	1,868	2,501	615	610	590	1,816
Service Delivery Engine & Wholesale	98	94	94	100	286	386	94	85	79	259
Staff&Support	7	12	6	8	25	33	10	7	10	28
International Carrier Services	217	227	228	221	671	892	378	414	415	1,208
Intersegment eliminations	-61	-60	-55	-60	-176	-236	-47	-45	-40	-132
<b>Costs of materials and charges to revenues</b>	<b>-511</b>	<b>-511</b>	<b>-515</b>	<b>-550</b>	<b>-1,537</b>	<b>-2,087</b>	<b>-662</b>	<b>-674</b>	<b>-651</b>	<b>-1,987</b>
<b>Personnel expenses and pensions</b>	<b>-281</b>	<b>-280</b>	<b>-271</b>	<b>-277</b>	<b>-831</b>	<b>-1,108</b>	<b>-274</b>	<b>-275</b>	<b>-281</b>	<b>-829</b>
<b>Other operating expenses</b>	<b>-207</b>	<b>-211</b>	<b>-196</b>	<b>-225</b>	<b>-615</b>	<b>-840</b>	<b>-210</b>	<b>-212</b>	<b>-218</b>	<b>-640</b>
<b>Segment result</b>	<b>492</b>	<b>502</b>	<b>494</b>	<b>467</b>	<b>1,488</b>	<b>1,955</b>	<b>495</b>	<b>503</b>	<b>490</b>	<b>1,489</b>
<b>Segment EBITDA margin*</b>	<b>33.0%</b>	<b>33.4%</b>	<b>33.5%</b>	<b>30.8%</b>	<b>33.3%</b>	<b>32.6%</b>	<b>30.2%</b>	<b>30.2%</b>	<b>29.9%</b>	<b>30.1%</b>
<b>Non recurring items</b>	<b>0</b>	<b>-62</b>	<b>0</b>	<b>74</b>	<b>-62</b>	<b>12</b>	<b>436</b>	<b>1</b>	<b>0</b>	<b>436</b>
<b>Ebitda</b>	<b>492</b>	<b>440</b>	<b>494</b>	<b>541</b>	<b>1,426</b>	<b>1,967</b>	<b>931</b>	<b>504</b>	<b>490</b>	<b>1,925</b>

\* before non-recurring items

## Group – Capex

	Q109	Q209	Q309	Q409	YTD 2009	2009	Q110	Q210	Q310	YTD 2010
<b>(EUR million)</b>										
<b>Group Capex</b>	<b>135</b>	<b>134</b>	<b>136</b>	<b>192</b>	<b>405</b>	<b>597</b>	<b>154</b>	<b>222</b>	<b>139</b>	<b>515</b>
Consumer Business Unit	26	16	19	29	61	89	49	19	11	79
Enterprise business unit	6	4	4	6	14	20	2	3	7	13
Service Delivery Engine & Wholesale	98	106	100	118	304	422	96	180	96	372
Staff&Support	3	6	8	27	16	44	5	13	19	36
International Carrier Services	2	3	6	12	11	22	2	8	6	16

## CBU - Financials

	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	Q310	YTD10
<b>(EUR million)</b>										
<b>Revenues</b>	<b>591</b>	<b>604</b>	<b>602</b>	<b>617</b>	<b>1,797</b>	<b>2,414</b>	<b>590</b>	<b>592</b>	<b>585</b>	<b>1,768</b>
<b>From Fixed</b>	<b>290</b>	<b>285</b>	<b>290</b>	<b>298</b>	<b>865</b>	<b>1,163</b>	<b>291</b>	<b>280</b>	<b>281</b>	<b>852</b>
Voice	144	141	138	138	423	561	133	125	124	381
Data	79	78	82	84	239	323	85	85	84	254
TV	29	30	34	40	93	134	44	43	46	132
Terminals (excl. TV)	13	12	13	14	37	51	8	7	8	24
Scarlet	25	24	22	23	72	95	21	20	19	61
<b>From Mobile</b>	<b>278</b>	<b>297</b>	<b>291</b>	<b>296</b>	<b>865</b>	<b>1,161</b>	<b>279</b>	<b>288</b>	<b>285</b>	<b>852</b>
Voice	170	178	179	176	528	704	161	168	165	493
Data	71	77	75	80	223	303	80	79	79	238
Terminals (excl. TV)	14	18	14	16	46	62	15	16	17	47
Tango	23	23	23	24	69	93	24	25	25	74
<b>Other</b>	<b>24</b>	<b>22</b>	<b>21</b>	<b>23</b>	<b>67</b>	<b>90</b>	<b>21</b>	<b>24</b>	<b>19</b>	<b>64</b>
<b>Costs of materials and charges to revenues</b>	<b>-166</b>	<b>-174</b>	<b>-178</b>	<b>-205</b>	<b>-519</b>	<b>-723</b>	<b>-180</b>	<b>-171</b>	<b>-158</b>	<b>-509</b>
<b>Personnel expenses and pensions</b>	<b>-89</b>	<b>-88</b>	<b>-81</b>	<b>-87</b>	<b>-258</b>	<b>-345</b>	<b>-81</b>	<b>-81</b>	<b>-82</b>	<b>-244</b>
<b>Other operating expenses</b>	<b>-68</b>	<b>-75</b>	<b>-73</b>	<b>-81</b>	<b>-216</b>	<b>-297</b>	<b>-65</b>	<b>-73</b>	<b>-70</b>	<b>-208</b>
<b>Segment result</b>	<b>268</b>	<b>266</b>	<b>269</b>	<b>244</b>	<b>804</b>	<b>1,048</b>	<b>264</b>	<b>267</b>	<b>276</b>	<b>807</b>
<b>Segment Contribution margin</b>	<b>45.4%</b>	<b>44.1%</b>	<b>44.8%</b>	<b>39.6%</b>	<b>44.7%</b>	<b>43.4%</b>	<b>44.7%</b>	<b>45.1%</b>	<b>47.1%</b>	<b>45.7%</b>

## CBU – Operationals

	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	Q310	YTD10
<b>FROM FIXED</b>										
<b>Number of access channels (thousands)</b>	<b>3,164</b>	<b>3,130</b>	<b>3,114</b>	<b>3,102</b>	<b>3,114</b>	<b>3,102</b>	<b>3,120</b>	<b>3,098</b>	<b>3,076</b>	<b>3,076</b>
PSTN	2,013	1,979	1,956	1,934	1,956	1,934	1,904	1,877	1,850	1,850
ISDN	38	37	36	34	36	34	32	31	30	30
IP*	71	70	65	60	65	60	93	92	90	90
ADSL, VDSL	1,042	1,044	1,057	1,075	1,057	1,075	1,091	1,099	1,107	1,107
<b>Traffic (millions of minutes)</b>	<b>1,230</b>	<b>1,124</b>	<b>1,060</b>	<b>1,181</b>	<b>3,413</b>	<b>4,594</b>	<b>1,178</b>	<b>1,052</b>	<b>1,004</b>	<b>3,234</b>
National	1,022	918	869	973	2,808	3,781	976	857	824	2,657
Fixed to Mobile	105	109	101	108	315	423	104	103	94	302
International	102	97	90	100	290	390	98	91	86	275
<b>TV (thousands)</b>	<b>555</b>	<b>589</b>	<b>663</b>	<b>752</b>	<b>663</b>	<b>752</b>	<b>814</b>	<b>868</b>	<b>920</b>	<b>920</b>
TV - households	486	513	575	652	575	652	713	753	795	795
of which second stream users	70	75	88	100	88	100	100	115	125	125
<b>ARPU (EUR)</b>										
ARPU Voice	21.7	21.6	21.5	21.7	21.6	21.7	21.2	20.3	20.3	20.6
ARPU broadband	28.6	28.1	29.1	29.0	28.6	28.7	28.7	28.5	28.1	28.4
ARPU Belgacom TV	20.4	19.2	20.6	21.3	20.1	20.4	20.7	19.1	19.3	19.7
<b>FROM MOBILE</b>										
<b>Number of active customers (thousands)</b>	<b>3,787</b>	<b>3,809</b>	<b>3,829</b>	<b>3,824</b>	<b>3,829</b>	<b>3,824</b>	<b>3,739</b>	<b>3,745</b>	<b>3,773</b>	<b>3,773</b>
Pre-paid	2,229	2,224	2,235	2,199	2,235	2,199	2,169	2,160	2,153	2,153
Post-paid	1,451	1,488	1,510	1,530	1,510	1,530	1,538	1,557	1,573	1,573
MVNO	107	97	84	95	84	95	31	29	47	47
<b>Annualized churn rate (blended - variance in p.p.)</b>	<b>19.6%</b>	<b>20.8%</b>	<b>21.5%</b>	<b>20.5%</b>	<b>20.7%</b>	<b>20.7%</b>	<b>20.9%</b>	<b>20.1%</b>	<b>21.8%</b>	<b>20.9%</b>
<b>Net ARPU (EUR)</b>										
Prepaid	13.3	14.4	13.8	14.6	13.8	14.2	14.3	15.0	14.7	14.6
Postpaid	35.3	36.4	36.5	35.8	36.1	35.7	32.5	32.9	32.1	32.5
Blended	21.6	22.7	22.6	22.8	22.3	22.5	21.5	22.3	21.8	21.9
Blended voice	15.3	15.9	15.9	15.7	15.7	15.7	14.5	15.2	14.9	14.9
Blended data	6.3	6.8	6.7	7.1	6.6	6.7	7.0	7.1	7.0	7.0
<b>UoU (units)</b>	<b>262.9</b>	<b>290.5</b>	<b>275.7</b>	<b>312.4</b>	<b>276.3</b>	<b>286.0</b>	<b>318.0</b>	<b>335.1</b>	<b>307.1</b>	<b>319.8</b>
<b>MoU (min)</b>	<b>107.9</b>	<b>112.9</b>	<b>108.9</b>	<b>111.8</b>	<b>109.8</b>	<b>110.5</b>	<b>104.0</b>	<b>109.8</b>	<b>104.8</b>	<b>105.7</b>
Normalized MoU (min)	93.6	96.5	95.6	96.9	94.9	95.6	86.1	88.9	87.6	87.5
<b>SMS (units)</b>	<b>156.0</b>	<b>178.7</b>	<b>167.8</b>	<b>201.8</b>	<b>167.5</b>	<b>176.5</b>	<b>215.2</b>	<b>226.5</b>	<b>203.5</b>	<b>215.3</b>
Normalized SMS (units)	68.3	72.2	69.0	80.3	71.2	73.4	85.3	87.1	85.7	87.1

## EBU - Financials

	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	Q310	YTD10
<b>(EUR million)</b>										
<b>Revenue</b>	<b>640</b>	<b>626</b>	<b>602</b>	<b>632</b>	<b>1,868</b>	<b>2,501</b>	<b>615</b>	<b>610</b>	<b>590</b>	<b>1,816</b>
<b>From Fixed</b>	<b>438</b>	<b>429</b>	<b>411</b>	<b>442</b>	<b>1,278</b>	<b>1,719</b>	<b>432</b>	<b>425</b>	<b>413</b>	<b>1,270</b>
Voice	148	144	139	142	432	574	141	136	130	407
Data	101	100	100	100	301	401	99	98	98	295
Terminals	19	18	18	19	55	74	18	18	19	55
ICT	171	166	153	181	489	670	174	172	167	513
<b>From Mobile</b>	<b>193</b>	<b>194</b>	<b>186</b>	<b>186</b>	<b>573</b>	<b>759</b>	<b>177</b>	<b>180</b>	<b>174</b>	<b>532</b>
Voice	146	144	135	135	425	560	129	130	124	383
Data	43	46	48	47	137	184	45	47	47	139
Terminals	4	4	3	4	11	15	3	3	3	10
<b>Other</b>	<b>9</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>18</b>	<b>22</b>	<b>6</b>	<b>5</b>	<b>3</b>	<b>14</b>
<b>Costs of materials and charges to revenues</b>	<b>-198</b>	<b>-184</b>	<b>-174</b>	<b>-192</b>	<b>-556</b>	<b>-748</b>	<b>-183</b>	<b>-175</b>	<b>-163</b>	<b>-521</b>
<b>Personnel expenses and pensions</b>	<b>-95</b>	<b>-94</b>	<b>-94</b>	<b>-96</b>	<b>-283</b>	<b>-379</b>	<b>-91</b>	<b>-93</b>	<b>-96</b>	<b>-280</b>
<b>Other operating expenses</b>	<b>-41</b>	<b>-39</b>	<b>-33</b>	<b>-29</b>	<b>-113</b>	<b>-142</b>	<b>-36</b>	<b>-35</b>	<b>-39</b>	<b>-109</b>
<b>Segment result</b>	<b>306</b>	<b>310</b>	<b>301</b>	<b>315</b>	<b>916</b>	<b>1,231</b>	<b>306</b>	<b>308</b>	<b>292</b>	<b>905</b>
<b>Segment Contribution margin</b>	<b>47.7%</b>	<b>49.4%</b>	<b>50.0%</b>	<b>49.7%</b>	<b>49.1%</b>	<b>49.2%</b>	<b>49.7%</b>	<b>50.4%</b>	<b>49.5%</b>	<b>49.9%</b>

## EBU – Operational

	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	Q310	YTD10
<b>FROM FIXED</b>										
<b>Number of access channels (thousands)</b>	<b>1,974</b>	<b>1,958</b>	<b>1,946</b>	<b>1,937</b>	<b>1,946</b>	<b>1,937</b>	<b>1,922</b>	<b>1,912</b>	<b>1,901</b>	<b>1,901</b>
PSTN	664	657	652	649	652	649	647	644	641	641
ISDN	854	847	840	830	840	830	818	810	801	801
IP	11	11	12	12	12	12	11	12	12	12
ADSL, VDSL	445	443	442	446	442	446	445	446	446	446
<b>Traffic (millions of minutes)</b>	<b>901</b>	<b>837</b>	<b>770</b>	<b>828</b>	<b>2,508</b>	<b>3,336</b>	<b>848</b>	<b>790</b>	<b>727</b>	<b>2,364</b>
National	620	569	522	567	1,711	2,278	579	529	487	1,594
Fixed to Mobile	176	171	157	169	504	672	173	168	153	495
International	105	97	91	92	293	386	96	93	86	275
<b>ARPU (EUR)</b>										
ARPU Voice	31.3	30.9	30.1	30.9	30.8	30.8	30.9	30.2	29.0	30.0
ARPU Broadband	40.1	39.8	40.1	39.7	40.0	39.9	39.4	39.1	39.0	39.2
<b>FROM MOBILE</b>										
<b>Number of active customers (thousands)</b>	<b>1,170</b>	<b>1,190</b>	<b>1,211</b>	<b>1,235</b>	<b>1,211</b>	<b>1,235</b>	<b>1,252</b>	<b>1,271</b>	<b>1,286</b>	<b>1,286</b>
Post-paid	1,170	1,190	1,211	1,235	1,211	1,235	1,252	1,271	1,286	1,286
<b>Annualized churn rate (blended - variance in p.p.)</b>	<b>10.7%</b>	<b>11.0%</b>	<b>9.0%</b>	<b>9.9%</b>	<b>10.2%</b>	<b>10.2%</b>	<b>10.6%</b>	<b>10.9%</b>	<b>10.0%</b>	<b>10.5%</b>
<b>Net ARPU (EUR)</b>										
Postpaid	54.5	53.6	51.1	50.1	53.0	52.4	46.9	47.0	44.7	46.2
Postpaid voice	42.1	40.7	37.6	37.2	40.1	39.5	34.8	34.5	32.4	33.9
Postpaid data	12.4	12.9	13.4	12.9	12.9	12.9	12.1	12.5	12.3	12.3
<b>JoU (units)</b>	<b>388.5</b>	<b>389.2</b>	<b>365.4</b>	<b>387.8</b>	<b>381.0</b>	<b>382.4</b>	<b>360.7</b>	<b>363.6</b>	<b>345.3</b>	<b>356.9</b>
<b>MoU (min)</b>	<b>355.4</b>	<b>354.5</b>	<b>329.3</b>	<b>346.6</b>	<b>346.4</b>	<b>346.0</b>	<b>319.7</b>	<b>321.8</b>	<b>305.6</b>	<b>315.9</b>
Normalized MoU (min)	337.9	338.9	313.5	327.7	330.1	327.7	287.4	282.7	265.8	278.8
<b>SMS (units)</b>	<b>64.7</b>	<b>68.4</b>	<b>68.6</b>	<b>76.5</b>	<b>67.2</b>	<b>69.6</b>	<b>74.6</b>	<b>77.0</b>	<b>74.7</b>	<b>75.6</b>
Normalized SMS (units)	53.3	54.3	53.8	57.6	53.8	54.5	59.1	60.0	59.2	59.5

## SDE&W - Financials

	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	Q310	YTD10
<b>(EUR million)</b>										
<b>Revenues</b>	<b>98</b>	<b>94</b>	<b>94</b>	<b>100</b>	<b>286</b>	<b>386</b>	<b>94</b>	<b>85</b>	<b>79</b>	<b>259</b>
<b>Costs of materials and charges to revenues</b>	<b>-16</b>	<b>-18</b>	<b>-18</b>	<b>-20</b>	<b>-52</b>	<b>-72</b>	<b>-15</b>	<b>-10</b>	<b>-10</b>	<b>-36</b>
<b>Personnel expenses and pensions</b>	<b>-50</b>	<b>-50</b>	<b>-47</b>	<b>-45</b>	<b>-147</b>	<b>-193</b>	<b>-51</b>	<b>-48</b>	<b>-53</b>	<b>-152</b>
<b>Other operating expenses</b>	<b>-48</b>	<b>-43</b>	<b>-42</b>	<b>-51</b>	<b>-133</b>	<b>-185</b>	<b>-50</b>	<b>-50</b>	<b>-52</b>	<b>-152</b>
<b>Segment result</b>	<b>-16</b>	<b>-18</b>	<b>-13</b>	<b>-18</b>	<b>-47</b>	<b>-64</b>	<b>-23</b>	<b>-23</b>	<b>-36</b>	<b>-81</b>
<b>Segment Contribution margin</b>	<b>-16.5%</b>	<b>-18.7%</b>	<b>-13.6%</b>	<b>-17.6%</b>	<b>-16.3%</b>	<b>-16.6%</b>	<b>-24.0%</b>	<b>-26.6%</b>	<b>-45.5%</b>	<b>-31.4%</b>

## S&S - Financials

	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	Q310	YTD10
<b>(EUR million)</b>										
<b>Revenues</b>	<b>7</b>	<b>12</b>	<b>6</b>	<b>8</b>	<b>25</b>	<b>33</b>	<b>10</b>	<b>7</b>	<b>10</b>	<b>28</b>
<b>Costs of materials and charges to revenues</b>	<b>0</b>	<b>-1</b>	<b>-1</b>	<b>1</b>	<b>-1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Personnel expenses and pensions</b>	<b>-41</b>	<b>-41</b>	<b>-42</b>	<b>-42</b>	<b>-124</b>	<b>-166</b>	<b>-41</b>	<b>-43</b>	<b>-41</b>	<b>-125</b>
<b>Other operating expenses</b>	<b>-50</b>	<b>-49</b>	<b>-43</b>	<b>-61</b>	<b>-143</b>	<b>-204</b>	<b>-50</b>	<b>-45</b>	<b>-45</b>	<b>-140</b>
<b>Segment result</b>	<b>-84</b>	<b>-79</b>	<b>-80</b>	<b>-94</b>	<b>-243</b>	<b>-337</b>	<b>-80</b>	<b>-80</b>	<b>-75</b>	<b>-235</b>

## BICS - Financials

	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	Q310	YTD10
<b>(EUR million)</b>										
Revenues	217	227	228	221	671	892	378	414	415	1,208
Costs of materials and charges to revenues	-184	-186	-193	-186	-564	-749	-325	-359	-356	-1,040
Personnel expenses and pensions	-6	-6	-6	-6	-18	-24	-10	-9	-9	-28
Other operating expenses	-8	-11	-11	-10	-31	-40	-15	-15	-16	-46
Segment result	19	23	17	20	58	78	28	32	34	94
Segment EBITDA margin	8.7%	10.0%	7.4%	8.8%	8.7%	8.7%	7.4%	7.7%	8.1%	7.7%

## BICS – Operationals

	Q109	Q209	Q309	Q409	YTD09	2009	Q110	Q210	Q310	YTD10
<b>Volumes (in million)</b>										
Voice	4,498	4,707	4,805	5,306	14,010	19,316	5,923	6,254	6,433	18,609
Non-Voice (SMS/MMS)	117	119	149	164	386	549	168	188	209	565

## Interim Condensed Consolidated Financial statements

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

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

The accounting policies and methods of the Group are consistent with those applied in the 31 December 2009 consolidated financial statements, with the exception that the Group adopted the new standards and interpretations that became mandatory for the Group on 1 January 2010 and which are detailed in note 38 of the 31 December 2009 consolidated financial statements.

The Group doesn't make any significant judgments and estimates other than those mentioned here above or in the 31 December 2009 consolidated financial statements.

The BICS shareholders' agreement foresees new decision-making rules and a deadlock procedure in force as from 1 January 2010 leading the Group to consider that it controls BICS as from that date.

On 30 June, the Group acquired 100% of the shares of MBS Telecom SA, the Belgian operations of MobiSud Belgium, a mobile virtual network operator.

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

## Consolidated income statements

( EUR million)	Three months ended 30 September		Nine months ended 30 September	
	2009	2010	2009	2010
Net revenue	1,461	1,627	4,420	4,905
Other operating revenue	15	13	52	40
Non-recurring revenue	0	0	0	436
<b>TOTAL REVENUE</b>	<b>1,476</b>	<b>1,640</b>	<b>4,472</b>	<b>5,381</b>
Costs of materials and charges to revenue	-515	-651	-1,537	-1,987
Personnel expenses and pensions	-271	-281	-831	-829
Other operating expenses	-196	-218	-615	-640
Non-recurring expenses	0	0	-62	1
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-982</b>	<b>-1,149</b>	<b>-3,046</b>	<b>-3,456</b>
<b>OPERATING INCOME before depreciation &amp; amortization</b>	<b>494</b>	<b>490</b>	<b>1,426</b>	<b>1,925</b>
Depreciation and amortization	-169	-203	-521	-604
<b>OPERATING INCOME</b>	<b>325</b>	<b>287</b>	<b>905</b>	<b>1,322</b>
Finance revenue	2	-4	11	6
Finance costs	-32	-22	-102	-86
<b>Net finance costs</b>	<b>-30</b>	<b>-26</b>	<b>-90</b>	<b>-80</b>
<b>INCOME BEFORE TAXES</b>	<b>295</b>	<b>261</b>	<b>815</b>	<b>1,241</b>
Tax expense	-79	-62	-199	-195
<b>NET INCOME</b>	<b>216</b>	<b>199</b>	<b>616</b>	<b>1,047</b>
Non-controlling interests	-1	4	-1	10
Net income (Group share)	217	195	617	1,036
Basic earnings per share	0.68 EUR	0.61 EUR	1.93 EUR	3.23 EUR
Diluted earnings per share	0.68 EUR	0.61 EUR	1.93 EUR	3.22 EUR
Weighted average number of ordinary shares	320,582,662	321,369,972	320,428,700	321,025,771
Weighted average number of ordinary shares for diluted earnings per share	320,753,994	321,774,345	320,563,775	321,397,386

## Consolidated statements of other comprehensive income

(EUR million)	Nine months ended 30 September	
	2009	2010
<b>Net income</b>	<b>616</b>	<b>1,047</b>
<b>Other comprehensive income:</b>		
Available-for-sale investments:		
Valuation gain/(loss) taken to equity	3	0
Transfer to profit or loss on sale	0	-5
<b>Other comprehensive income net of tax</b>	<b>3</b>	<b>-4</b>
<b>Total comprehensive income</b>	<b>619</b>	<b>1,043</b>
<u>Attributable to:</u>		
Equity holders of the parent	620	1,033
Non-controlling interests	-1	10

# Consolidated balance sheets

(EUR million)	As of 31 December 2009	As of 30 September 2010
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Goodwill	2,088	2,332
Intangible assets with finite useful life	623	1,188
Property, plant and equipment	2,420	2,335
Enterprises accounted for under the equity method	2	2
Other participating interests	1	30
Deferred income tax assets	295	154
Pension assets	2	0
Other non-current assets	75	113
<b>CURRENT ASSETS</b>	<b>1,945</b>	<b>2,397</b>
Inventories	86	129
Trade receivables	1,089	1,232
Current income tax assets	169	189
Other current assets	194	187
Investments	76	46
Cash and cash equivalents	332	615
<b>TOTAL ASSETS</b>	<b>7,450</b>	<b>8,552</b>
<b>LIABILITIES AND EQUITY</b>		
<b>EQUITY</b>		
<b>Shareholders' equity</b>	<b>2,528</b>	<b>3,267</b>
Issued capital	1,000	1,000
Treasury shares	-509	-484
Restricted reserve	100	100
Remeasurement to fair value	5	1
Stock compensation	10	10
Retained earnings	1,911	2,407
Foreign currency translation	4	4
<b>Non-controlling interests</b>	<b>7</b>	<b>229</b>
<b>NON-CURRENT LIABILITIES</b>	<b>3,093</b>	<b>3,175</b>
Interest-bearing liabilities	2,128	2,177
Liability for pensions, other post-employment benefits and termination benefits	677	599
Provisions	199	204
Deferred income tax liabilities	86	190
Other non-current payables	3	4
<b>CURRENT LIABILITIES</b>	<b>1,830</b>	<b>2,110</b>
Interest-bearing liabilities	59	11
Trade payables	1,123	1,317
Income tax payables	137	134
Other current payables	511	649
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>7,450</b>	<b>8,552</b>

# Consolidated cash flow statements

(EUR million)	Nine months ended 30 September	
	2009	2010
<b>Cash flow from operating activities</b>		
Net income (group share)	617	1,036
<b>Adjustments for:</b>		
Non-controlling interests	-1	10
Depreciation and amortization on intangible assets and property, plant and equipment	521	604
Increase of impairment on intangible assets and property, plant and equipment	1	1
Increase of provisions	14	11
Deferred tax expense	53	82
Fair value adjustments on financial instruments	2	6
(Gain) / loss on disposal of consolidated companies	1	-436
Gain on disposal of property, plant and equipment	-3	-4
Other non-cash movements	3	8
<b>Operating cash flow before working capital changes</b>	<b>1,208</b>	<b>1,318</b>
Decrease / (increase) in inventories	9	-43
Decrease in trade receivables	59	13
Increase in current income tax assets	-21	-20
Decrease / (increase) in other current assets	-36	11
Increase / (decrease) in trade payables	-130	15
Decrease in income tax payables	-64	-6
Increase in other current payables	156	110
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-74	-77
Decrease in other non-current payables and provisions	-29	-6
<b>Decrease in working capital, net of acquisitions and disposals of subsidiaries</b>	<b>-130</b>	<b>-3</b>
<b>Net cash flow provided by operating activities (1)</b>	<b>1,078</b>	<b>1,315</b>
<b>Cash flow from investing activities</b>		
Purchase of intangible assets and property, plant and equipment	-405	-515
Cash paid for acquisitions of other participating interests	0	-27
Cash received from / (paid for) acquisition of consolidated companies, net of cash acquired	-2	59
Cash received from sales of consolidated companies, net of cash disposed of	1	0
Cash received from sales of intangible assets and property, plant and equipment	7	17
Net cash received from other non-current assets	3	1
<b>Net cash used in investing activities</b>	<b>-397</b>	<b>-466</b>
<b>Cash flow before financing activities</b>	<b>681</b>	<b>849</b>
<b>Cash flow from financing activities</b>		
Dividends paid to shareholders	-556	-541
Dividends / capital paid to non-controlling interests	0	-30
Net sale of treasury shares	8	25
Sale / (purchase) of investments	-34	25
Increase / (decrease) of shareholders' equity	1	-1
Issuance of long term debt	2	5
Repayment of short term debt	-39	-49
<b>Net cash used in financing activities</b>	<b>-617</b>	<b>-566</b>
<b>Net increase of cash and cash equivalents</b>	<b>64</b>	<b>283</b>
Cash and cash equivalents at 1 January	565	332
Cash and cash equivalents at 30 September	629	615

# Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Remeasurement to fair value	Foreign currency translation	Stock Compensation	Retained Earnings	Share'rs' Equity	Minority interests	Total Equity
<b>Balance at 31 December 2008</b>	<b>1,000</b>	<b>-517</b>	<b>100</b>	<b>4</b>	<b>3</b>	<b>6</b>	<b>1,675</b>	<b>2,271</b>	<b>5</b>	<b>2,276</b>
<i>Fair value changes in available-for-sale investments</i>	0	0	0	3	0	0	0	3	0	3
Equity changes not recognised in the income statement	0	0	0	2	0	0	0	3	0	3
Net income	0	0	0	0	0	0	617	617	-1	616
<b>Total comprehensive income and expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>617</b>	<b>620</b>	<b>-1</b>	<b>619</b>
Dividends to shareholders (relating to 2007)	0	0	0	0	0	0	-538	-538	0	-538
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	2	2
Treasury shares										
Exercise of stock options	0	1	0	0	0	0	0	1	0	1
Sale of treasury shares under a discounted share purchase plan	0	6	0	0	0	0	-1	5	0	5
Stock options										
Stock options granted and accepted	0	0	0	0	0	4	0	4	0	4
Deferred stock compensation	0	0	0	0	0	-4	0	-4	0	-4
Amortization deferred stock compensation	0	0	0	0	0	3	0	3	0	3
<b>Total transactions with equity holders</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>-540</b>	<b>-529</b>	<b>2</b>	<b>-527</b>
<b>Balance at 30 September 2009</b>	<b>1,000</b>	<b>-509</b>	<b>100</b>	<b>7</b>	<b>3</b>	<b>9</b>	<b>1,752</b>	<b>2,362</b>	<b>7</b>	<b>2,369</b>
<b>Balance at 31 December 2009</b>	<b>1,000</b>	<b>-509</b>	<b>100</b>	<b>5</b>	<b>4</b>	<b>10</b>	<b>1,911</b>	<b>2,521</b>	<b>7</b>	<b>2,528</b>
<i>Fair value changes in available-for-sale investments</i>	0	0	0	-4	0	0	0	-4	0	-4
<i>Currency translation differences</i>	0	0	0	0	1	0	0	1	0	1
Equity changes not recognised in the income statement	0	0	0	-4	1	0	0	-3	0	-4
Net income	0	0	0	0	0	0	1,036	1,036	10	1,047
<b>Total comprehensive income and expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4</b>	<b>1</b>	<b>0</b>	<b>1,036</b>	<b>1,033</b>	<b>10</b>	<b>1,043</b>
Dividends to shareholders (relating to 2007)	0	0	0	0	0	0	-539	-539	0	-539
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	-9	-9
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	220	220
Treasury shares										
Exercise of stock options	0	16	0	0	0	0	-2	14	0	14
Sale of treasury shares under a discounted share purchase plan	0	9	0	0	0	0	-1	7	0	7
Stock options										
Stock options granted and accepted	0	0	0	0	0	3	0	3	0	3
Deferred stock compensation	0	0	0	0	0	-3	0	-3	0	-3
Amortization deferred stock compensation	0	0	0	0	0	3	0	3	0	3
Exercise of stock options	0	0	0	0	0	-2	2	0	0	0
<b>Total transactions with equity holders</b>	<b>0</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>-541</b>	<b>-515</b>	<b>212</b>	<b>-304</b>
<b>Balance at 30 September 2010</b>	<b>1,000</b>	<b>-484</b>	<b>100</b>	<b>1</b>	<b>4</b>	<b>10</b>	<b>2,407</b>	<b>3,038</b>	<b>229</b>	<b>3,267</b>

# Segment reporting

## Segment revenue and results

Nine months ended 30 September 2009							
(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Net revenue	1,744	1,831	214	1	629	0	4,420
Other operating revenue	10	10	14	16	2	0	52
Intersegment revenue	42	27	59	8	40	-176	0
<b>TOTAL SEGMENT REVENUE</b>	<b>1,797</b>	<b>1,868</b>	<b>286</b>	<b>25</b>	<b>671</b>	<b>-176</b>	<b>4,472</b>
Costs of materials and charges to revenue	-519	-556	-52	-1	-564	154	-1,537
Personnel expenses and pensions	-258	-283	-147	-124	-18	0	-831
Other operating expenses	-216	-113	-133	-143	-31	22	-615
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-993</b>	<b>-952</b>	<b>-333</b>	<b>-268</b>	<b>-613</b>	<b>175</b>	<b>-2,984</b>
<b>TOTAL SEGMENT RESULT (1)</b>	<b>804</b>	<b>916</b>	<b>-47</b>	<b>-243</b>	<b>58</b>	<b>-0</b>	<b>1,488</b>
Non-recurring expenses	-7	-56	0	0	0	0	-62
<b>OPERATING INCOME / (LOSS) before depreciation &amp; amortization</b>	<b>797</b>	<b>861</b>	<b>-47</b>	<b>-243</b>	<b>58</b>	<b>-0</b>	<b>1,426</b>
Depreciation and amortization	-108	-20	-321	-56	-16	0	-521
<b>OPERATING INCOME / (LOSS)</b>	<b>689</b>	<b>841</b>	<b>-367</b>	<b>-299</b>	<b>42</b>	<b>-0</b>	<b>905</b>
Finance expense (net)							-90
<b>INCOME BEFORE TAXES</b>							<b>815</b>
Tax expense							-199
<b>NET INCOME</b>							<b>616</b>
Non-controlling interests							-1
Net income (Group share)							617

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

Nine months ended 30 September 2010							
(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Net revenue	1,745	1,801	201	4	1,155	0	4,905
Other operating revenue	14	4	3	16	2	0	40
Intersegment revenue	9	11	55	7	51	-132	0
<b>TOTAL SEGMENT REVENUE</b>	<b>1,768</b>	<b>1,816</b>	<b>259</b>	<b>28</b>	<b>1,208</b>	<b>-132</b>	<b>4,945</b>
Costs of materials and charges to revenue	-509	-521	-36	2	-1,040	117	-1,987
Personnel expenses and pensions	-244	-280	-152	-125	-28	0	-829
Other operating expenses	-208	-109	-152	-140	-46	15	-640
<b>TOTAL OPERATING EXPENSES before depreciation &amp; amortization</b>	<b>-961</b>	<b>-910</b>	<b>-340</b>	<b>-263</b>	<b>-1,114</b>	<b>132</b>	<b>-3,456</b>
<b>TOTAL SEGMENT RESULT (1)</b>	<b>807</b>	<b>905</b>	<b>-81</b>	<b>-235</b>	<b>94</b>	<b>-0</b>	<b>1,489</b>
Non-recurring revenue	0	0	0	0	436	0	436
Non-recurring expenses	1	0	0	0	0	0	1
<b>OPERATING INCOME / (LOSS) before depreciation &amp; amortization</b>	<b>808</b>	<b>905</b>	<b>-81</b>	<b>-235</b>	<b>529</b>	<b>-0</b>	<b>1,925</b>
Depreciation and amortization	-110	-14	-361	-56	-62	0	-604
<b>OPERATING INCOME / (LOSS)</b>	<b>697</b>	<b>891</b>	<b>-443</b>	<b>-291</b>	<b>467</b>	<b>-0</b>	<b>1,322</b>
Finance expense (net)							-80
<b>INCOME BEFORE TAXES</b>							<b>1,241</b>
Tax expense							-195
<b>NET INCOME</b>							<b>1,047</b>
Non-controlling interests							10
Net income (Group share)							1,036

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

## Other segment information

Nine months ended 30 September 2009							
(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Capital expenditure	61	14	304	16	11	0	405

  

Nine months ended 30 September 2010							
(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Capital expenditure	79	13	372	36	16	0	515

## Contingent liabilities

No changes occurred during the first nine months of 2010 in the contingent liabilities, except that the Court in the case introduced in June 2003 by BASE, in which Mobistar intervened in March 2004, established a new calendar, which leads to the filing by April 15, 2011 of the final report by the panel of experts appointed by the Court.

## Definitions

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

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

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

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

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

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

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

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

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

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

**SMS:** number of SMS per active customer per month.

**Normalized SMS:** number of paying SMS per active customer per month (i.e. excluding SMS included in price plans).

## Financial Calendar

10 December 2010	Payment date interim dividend
25 February 2011	Announcement FY 2010 results
13 April 2011	Annual General Meeting of Shareholders
06 May 2011	Announcement Q1 2011 results
29 July 2011	Announcement HY 2011 results
28 October 2011	Announcement Q3 2011 results

## For further information

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