quarterly report

Q1 2014

belgacom

Key figures

	Year-to-date	
Income Statement (EUR million)	**2013**	**2014**
Total income	1,586	1,480
EBITDA (1) before non-recurring items	441	412
EBITDA (1)	441	411
Depreciation and amortization	-192	-196
Operating income (EBIT)	250	215
Net finance costs	-20	-23
Income before taxes	229	192
Tax expense	-53	-40
Non-controlling interests	5	4
Net income (Group share)	171	149

Cash flows (EUR million)	**2013**	**2014**
Capital expenditure	-193	-179
Cash flows from operating activities	271	301
Cash paid for acquisitions of intangible assets and property, plant and equipment	-193	-180
Cash flows from / (used in) other investing activities	11	-2
Free cash flow (2)	**89**	**119**
Net cash provided by financing activities	73	254
Net increase / (decrease) of cash and cash equivalents	**162**	**373**

Balance sheet (EUR million)	**As of 31 December 2013**	**As of 31 March 2014**
Balance sheet total	8,417	8,791
Non-current assets	6,254	6,187
Investments, cash and cash equivalents	415	789
Shareholders' equity	2,846	3,004
Non-controlling interests	196	166
Liabilities for pensions, other post-employment benefits and termination benefits	473	455
Net financial position	-1,815	-1,723

Data per share	**2013**	**2014**
Earnings per share (EUR) (3)	0.54	0.47
Weighted average number of outstanding shares	318,484,649	319,295,569

Data on employees	**2013**	**2014**
Number of employees (full-time equivalents)	15,790	15,568
Average number of employees over the period	15,778	15,627
Total income per employee (EUR)	100,496	94,726
EBITDA (1) before non-recurring items per employee (EUR)	27,961	26,381
EBITDA (1) per employee (EUR)	27,961	26,318

Ratios (before non-recurring items)	**2013**	**2014**
Return on Equity	6.0%	5.0%
Gross margin	59.8%	61.2%

(1) Earnings Before Interests, Taxes, Depreciation and Amortization.
(2) Cash flow before financing activities.
(3) For 2013 and 2014 basic and diluted earnings per share are equivalent.

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 financial report gives an accurate overview of the information that needs to be disclosed. The Belgacom Management Committee is represented by Dominique Leroy, CEO, Philip Vandervoort, Executive Vice-President Consumer, Bart Van Den Meersche, Executive Vice-President Enterprise, Ray Stewart, Executive Vice-President Finance and CFO, Geert Standaert, Executive Vice-President Service Delivery Engine, Michel Georgis, Executive Vice-President Human Resources and Dirk Lybaert, Executive Vice-President Corporate Affairs.

Brussels, 9 May 2014 - 7:00 (CET)

Highlights – Q1 2014

- Financial performance in line with company expectations, full-year guidance reiterated
- Mobile service revenue trend further improving
- Solid operational performance: Mobile Postpaid, TV & Fixed Internet customer base further growing

- The Belgacom Group generated in the first quarter of 2014 revenue of EUR 1,480 million, i.e. -6.6% year-on-year. As expected, the revenue of Belgacom's International Carrier Services, BICS, came in significantly below the level of the comparable period in 2013. Excluding BICS, Belgacom's core revenue was down 3.9% from the prior year, or -3% when excluding the EUR 11 million capital gain recorded in the first quarter of 2013.

- The year-on-year trend in Mobile service revenue[1] for the Consumer and Enterprise business units further improved. Over the first quarter 2014, the aggregated Mobile Service revenue was EUR 318 million, or 6.0% lower year-on-year, whereas this was -11.6% for the fourth quarter of 2013.

- Belgacom reported for the first quarter 2014 a Group EBITDA[2] of EUR 412 million, 6.6% lower than for the same period of 2013. Excluding one-off effects, this was -5.0%, improving from the prior quarter, which was showing a 8.3% EBITDA decline on a like-for-like basis.

- In the first quarter of 2014, Belgacom invested EUR 179 million, EUR 13 million less than in the same period of 2013. Network and IT investments accelerated as foreseen in Belgacom's strategy, though they were offset by a positive timing effect of TV-content renewal.

- In the first quarter 2014, Belgacom generated EUR 119 million in Free Cash Flow, or EUR 30 million more than for the same period of 2013. This mainly resulted from lower income tax payments, less cash paid for capital expenditure and lower needs in terms of core working capital, partially offset by a lower EBITDA.

- Belgacom closed a commercially strong quarter, solidly growing its customer base for mobile postpaid, Belgacom TV and Fixed Internet.

    - + 124,000 Mobile Postpaid cards (of which 66,000 free data cards and M2M); total of 3,859,000[3]
    - - 69,000 Mobile Prepaid cards (of which -24,000 Mobisud cards); total of 1,680,000
    - + 30,000[4] Belgacom TV subscriptions, increasing the total TV customer base to 1,495,000
    - + 16,000 Fixed Internet lines, with a total Internet customer base of 1,694,000
    - - 34,000 Fixed Voice lines, with a total Fixed Voice customer base of 2,902,000

- Belgacom introduced a new reporting structure for the Consumer segment, aligning reported metrics with Belgacom's long-term convergence and value strategy (see page 12):
  In the first quarter 2014, CBU generated EUR 367 million from X-play households, i.e. stable compared to the first quarter 2013. This is especially due to the continued traction of 4-play households, growing by 12,000 households in the first quarter of 2014 to 356,000. This, combined with an increased average revenue per 4-play household, led to a 17.5% revenue growth from 4-play households. This was offset by lower revenue from 1-play and 2-play households, while the 3-play revenue remained stable as a result of a better product mix and increased RGU[5].

Dominique Leroy, CEO of Belgacom:

I'm proud to announce a satisfactory first quarter 2014, with a very strong commercial performance and financials in line with our expectations. The solid operational result is thanks to our focusing on Belgacom's strength: convergent mobile and fixed services, underpinned by high-quality networks. The benefit from this convergence strategy becomes even more apparent in our new household reporting for the consumer segment: compared to one year ago, an increasing number of households have both fixed and mobile Belgacom products; the overall average revenue per household increased by 3.3%, and the number of 4-play households grew by 16%.

[1] Combined revenue from Mobile Voice and Mobile Data.
[2] Before non-recurring items
[3] Including Voice and Data mobile cards sold through CBU, as well as M2M cards in EBU. Mobile cards from Tango, MVNO and SDE&W segment are included as well.
[4] Corresponds to total number of set-top boxes: 21,000 new households and 9,000 second-stream users. Due to a one-off clean-up of pending orders, the total TV customer base as reported end 2013 was reduced by 14,000 TV subscriptions.
[5] Revenue-Generating Unit.

We continued to have good growth in our Internet and TV customer base, leading to a slightly increasing TV market share in all regions. In mobile too we confirm our resilience in a challenging market. With solid Postpaid net adds for both the Consumer and Business segments, we continued to slightly grow our market share for mobile postpaid. Belgacom's prepaid base, on the other hand, declined further, in line with market trends. Within the mix, however, the rate of decline for our Proximus pre-paid brand continued to improve.
The financial performance of our Consumer and Enterprise segments showed an impact from a shrinking fixed voice business and from the mobile disruption since end-2012, though we are making encouraging progress in the mobile service revenue trend. We therefore reiterate our revenue and ebitda expectations for the full year 2014, where Telindus France is now separated from our core activities following its divesture.

Analyst conference call

Belgacom will host a conference call for institutional investors and analysts on Friday 9 May 2014.
Time: 02:00 p.m. Brussels – 01:00 p.m. London – 08:00 a.m. New York

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Financial report

Belgacom Group

- **Belgacom's core revenue -3%, excluding EUR 11 million capital gain on building sales recorded in 2013**
- **Lower Voice volumes driving lower BICS revenue**
- **EBITDA -5%, one-off effects[1] excluded, supported by cost management**
- **Belgacom generated EUR 119 million in Free Cash Flow**

Quarterly financials as of page 18

Revenue

	1st Quarter		
(EUR million)	**2013**	**2014**	**% Change**
Consumer Business Unit	553	536	-3.0%
Enterprise Business Unit	554	539	-2.6%
Service Delivery Engine & Wholesale*	67	64	-5.2%
Staff & Support	18	7	-59.9%
International Carrier Services	417	357	-14.3%
Inter-segment eliminations*	-23	-23	-0.8%
Total	**1,586**	**1,480**	**-6.6%**

(*) 2013 figures have been restated to reflect the allocation of Belgacom wholesale revenues invoiced to Scarlet to the Consumer Business Unit segment. See page 27 for more information.

The Belgacom Group generated in the first quarter of 2014 revenue of EUR 1,480 million, i.e. -6.6% or EUR 105 million below that of the first quarter of 2013. This includes the impact from regulatory measures[2], reducing the first-quarter revenue by an estimated amount of EUR 8 million. The revenue of Belgacom's International Carrier Services**, BICS**, came in **significantly below the level of the comparable period of 2013** driven by lower Voice volumes. Excluding

[1] Excluding impact from 2013 capital gain on building sales, accounting alignment on capitalisation of network installation activities; expenses for Belgacom's announced transformation and rebranding program
[2] Impact of regulatory reduction of Mobile Termination Rates for Belgacom's Luxembourg subsidiary Tango, and lower voice and data roaming rates

BICS, **Belgacom's core revenue** was down 3.9% from the prior year, or **-3% when excluding the EUR 11 million capital gain** on building sales recorded in the first quarter of 2013.

The 2013 capital gain aside, the **lower core revenue was driven by** a combination of:

- The **Consumer Business Unit** reporting a **3.0% year-on-year revenue decline** due to lower revenue from Mobile. The CBU revenue trend, however, showed further improvement over previous quarters, driven by fading re-pricing effects on the Mobile service revenue. Furthermore, the revenue from TV and Fixed Data grew further, supported by the success of Belgacom's convergent Packs.
- **The Enterprise Business segment** reporting **2.6% lower revenue** for the first quarter 2014, showing a sequential quarterly improvement as well. This is mainly the result of its larger mobile customer base which increasingly offset the mobile price pressure. Furthermore, as of 1 January 2014, the impact from regulatory measures was limited to the lowered roaming tariffs[1].

Operating expenses

	1st Quarter		
(EUR million)	**2013**	**2014**	**% Change**
Costs of materials and services related to revenue	637	575	-9.8%
Personnel expenses and pensions	290	278	-3.9%
Other operating expenses	218	215	-1.4%
Total	**1,144**	**1,068**	**-6.7%**
Non-recurring expenses	0	1	-
Total	**1,144**	**1,069**	**-6.6%**

Lower Cost of Sales mainly driven by lower costs for BICS
The Belgacom Group reported EUR 575 million Cost of Sales for the first quarter 2014, or 9.8% less compared with the same period of 2013. This was largely the consequence of significant lower BICS revenue, driving lower Cost of Sales. Cost of Sales from the Consumer segment was down too by 5.6% as a result of lower interconnection costs, the positive impact from the continued focus on cost efficiency, and lowered Mobile Termination Rates in Luxembourg.

First-quarter HR expenses 3.9% below those of 2013
The Belgacom Group reported EUR 278 million HR expenses for the first quarter of 2014, EUR 11 million or 3.9% less compared with the previous year. This favorable variance was explained by a reduced headcount compared to the same period one year ago (- 222 FTEs) and higher capitalized manpower in the framework of Belgacom's IT and Network investment projects. Contrary to previous quarters, favorable impacts were not offset by inflation-based wage indexations with the latest indexation dating back to 1 January 2013. Also, the first-quarter 2014 HR expenses were positively impacted by an accounting alignment of capitalized manpower[2], for an amount of EUR 2 million.

Number of FTE	March 2013	December 2013	March 2014	3 months variance	12 months variance
Total	15,790	15,699	15,568	**-131**	**-222**

Lower non-HR expenses
In the first ***quarter of 2014***, the Belgacom Group recorded EUR 215 million in non-HR expenses; this is 1.4% less than for the same period of 2013. Besides a positive impact from Belgacom's continued focus on cost efficiency, the year-on-year variance benefitted from a limited net positive one-off effect, with lower costs due to capitalized[3] outsourced manpower being partly offset by additional expenses related to Belgacom's transformation and rebranding program.

Non-recurring expenses
A non-recurring expense of EUR 1 million was recorded in the first quarter of 2014 mainly resulting from an estimated liability for employee restructuring in Telindus UK, partially offset by an update of the provision for termination benefits.

[1] As of January 2014, the revenue variance for the Enterprise Business Unit is no longer impacted by the lowered Mobile Termination Rates
[2] Year-on-year variance of HR expenses is positively impacted by an accounting alignment within the company for capitalization of network installation activities for customer connections, applicable as from 1 January 2014.
[3] Year-on-year variance of non-HR expenses, more precisely expenses related to outsourced manpower, is positively impacted by an accounting alignment within the company for capitalization of network installation activities for customer connections, applicable as from 1 January 2014.

Operating income before depreciation and amortization (EBITDA)

(EUR million)	1st Quarter 2013	2014	% Change
Consumer Business Unit*	254	251	-1.0%
Enterprise Business Unit	260	248	-4.7%
Service Delivery Engine & Wholesale*	-36	-36	-1.0%
Staff & Support	-71	-80	-12.0%
International Carrier Services	35	30	-14.6%
Inter-segment eliminations	0	0	-0.0%
Total	**441**	**412**	**-6.6%**
Non-recurring expenses	0	-1	-
Total	**441**	**411**	**-6.8%**

(*) 2013 figures have been restated to reflect the allocation of Belgacom wholesale revenues invoiced to Scarlet to the Consumer Business Unit segment. See page 27 for more information.

Belgacom reported for the first quarter 2014 a **Group EBITDA of EUR 412 million**, before non-recurring expenses, 6.6% lower than for the same period of 2013. Like-for-like, i.e. excluding the 2013 capital gain for EUR 11 million on building sales, the capitalisation alignment on installation costs (EUR 6 million) as of 2014, and limited additional expenses for the previously announced company transformation and rebranding, the EBITDA declined by 5.0%. This implies a good trend improvement for the first quarter 2014 from the prior quarter, for which a 8.3% EBITDA decline was reported on a like-for-like basis.

The 2014 first-quarter EBITDA continued to be impacted by some regulatory measures, which reduced the EBITDA by an estimated amount of EUR -7 million (-1.5%).[1] The remaining EBITDA decline was driven by the pressure on Direct margin in both the Consumer and the Business Segment, though both showed further improvement from the previous quarter. The margin decline was in part offset by lower operating expenses.

Depreciation and amortization

The first-quarter 2014 depreciation and amortization totaled EUR 196 million, up by EUR 4 million from the previous year, mainly driven by a higher capitalized base, partially offset by an increase in the useful life of modems and decoders.

Net finance cost

The net finance cost was EUR 2 million, up year-over-year to EUR 23 million in 2014 mainly as a result of higher net interest costs.

Tax expense

The first-quarter 2014 tax expenses amounted to EUR 40 million, representing an effective tax rate of 20%. This is below the effective tax rate of 23.2% for the first quarter of 2013 and is a result of lower earnings before tax with fairly stable adjustments of the tax base. The effective tax rate is based on the application of general principles of Belgian tax law.

Net income (Group share)

Belgacom reported a Group net income (Group share) of EUR 149 million for the first quarter of 2014, a EUR 22 million decrease compared to the first quarter of 2013, as a result of the EBITDA decrease.

Capital expenditure (Capex)

(EUR million)	1st Quarter 2013	2014	% Change
Consumer Business Unit	48	18	-62.3%
Enterprise Business Unit	3	6	76.7%
Service Delivery Engine & Wholesale	134	148	10.4%
Staff & Support	2	3	57.6%
International Carrier Services	6	4	-22.3%
Total	**193**	**179**	**-6.9%**

In the ***first quarter of 2014***, Belgacom invested EUR 179 million, EUR 13 million less than in the same period of 2013 due to the timing of capex needs in the Consumer segment for TV-content renewal. However, the amount invested by the SDE&W segment, accelerated in line with Belgacom's announced Network and Simplification strategy.

In the first three months of 2014 Belgacom further improved the quality of its 4G-network, increasing the throughput with 50% and expanding 4G outdoor coverage to 66%[2]. Thanks to a profound combination of speed and coverage, Proximus continued to provide its customers with the best available 4G experience on the market.

[1] Mainly related to reduced Voice and Data roaming prices since 1 July 2013.
[2] 4G outdoor area coverage as measured by Commsquare in the first-quarter 2014 drive test

Furthermore, Belgacom continued the roll-out of the vectoring technology on its VDSL2 network, increasing the dedicated internet speeds offered to its customers to 70 Mbps. As part of Belgacom's transformation & simplification plans, SDE&W also continued to invest in both Network and IT simplification.

Cash flows

	1st Quarter		
(EUR million)	**2013**	**2014**	**% Change**
Cash flows from operating activities	271	301	11%
Cash paid for acquisitions of intangible assets and property, plant and equipment	-193	-180	6.8%
Cash flows from / (used in) other investing activities	11	-2	>-100%
Cash flow before financing activities	**89**	**119**	**33%**
Net cash provided by financing activities	73	254	-248.4%
Net increase / (decrease) of cash and cash equivalents	**162**	**373**	**130%**

In the ***first quarter 2014***, Belgacom generated EUR 119 million in Free Cash Flow (FCF), or EUR 30 million more than for the same period of 2013. The higher FCF is mainly the result of lower income tax payments, less cash paid for capital expenditure and lower needs in terms of core working capital, partially offset by a lower EBITDA.

The EUR 254 million of Cash Flow provided by financing activities for the first quarter 2014 is EUR 181 million higher compared to 2013, as a result of the increase of short-term treasury notes (commercial paper) in 2014, partially offset by dividends paid to non-controlling interests in the first quarter 2014. In the first quarter 2013, a Private Placement of EUR 150 million was issued.

Balance sheet and shareholders' equity

On 28 March 2014, Belgacom and Vivendi signed a binding agreement for the divestment of 100% of the shares in Group Telindus France. As at 31 March 2014, assets and associated liabilities of the Group Telindus France entities were classified as held for sale (see page 29 for more information). Compared to year-end 2013, the goodwill decreased by EUR 28 million as a consequence of this classification.

Intangible fixed assets and property, plant and equipment decreased with EUR 32 million to EUR 3,711 million as a consequence of the invested Capex which was lower than the depreciation and amortization and the classification of the Telindus Group entities fixed assets as 'held for sale'.

The shareholders' equity increased from EUR 2,846 million at year-end 2013 to EUR 3,004 million end March 2014, mainly reflecting the net income generated so far in 2014.

Compared to end-2013, the net financial debt decreased by EUR 92 million to EUR 1,723 million as at end of March 2014. Outstanding long-term gross financial debt amounted to EUR 1.9 billion on the same date. Belgacom continues to have a sound financial position, with one of the lowest debt positions in the European telecom sector.

Regulation and legal update

		Outlook	*Estimated impact*
Regulation impacts (Decrease in EUR million)		***FY 2014***	**Q1 2014**
MTR	Revenue EBITDA	*~ € 10m* *~ € 5m*	€ 3m € 1m
Roaming (i.e. Voice, SMS and Data)	Revenue EBITDA	*~ € 25m* *~ € 25m*	€ 5m € 5m
Total	**Revenue** **EBITDA**	***~ € 35m*** ***~ € 30m***	**€ 8m** **€ 7m**

Mobile Termination Rates
On 16 January 2014, the Luxembourg regulator, ILR, published its decision concerning its review of the MTR market analysis. The three mobile operators (EPT, Tango and Orange) are considered as having significant market power. ILR intends to define the MTR on the basis of a pure bottom-up long-run incremental cost (LRIC) cost model. Until the finalization of this model, ILR has set symmetrical MTR at 0.98 eurocent/min as from 1 February 2014. MTRs were previously at 8.2 eurocents for EPT and Tango and 10.5 eurocents for Orange. For full-year 2014, the impact of the lower MTR for Tango, recorded within the Consumer segment, is estimated at EUR -10 million revenue and EUR -5 million EBITDA. Tango has decided to introduce an appeal against this decision.

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

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

In addition, two structural measures to encourage competition have been taken: (i) MVNO wholesale access from 1 July 2012 and (ii) decoupling, i.e. separate selling of roaming services from domestic mobile services, from 1 July 2014. The regulation also lays down rules aimed at increasing price transparency and improving the provision of information on charges to roaming customers.
The Roaming III Regulation will expire in principle on 30 June 2022. However, in the meantime, the EU Commission has proposed in its package of measures to address the fragmentation of the EU telecoms sector, referred now to as “Connected continent”, to impose additional measures to abolish roaming in the coming years. On 3 April 2014, the European Parliament voted on its first reading on the EC proposal and proposed to ban such charges as from 15 December 2015. The reform will now have to be discussed with the EU Council. Final adoption of the EU package is expected at the earliest end of 2014.

Tax on mobile sites
In December 2013, the Walloon government decided to levy, as of 2014, a tax on mobile telecom equipment of EUR 8,000 per ‘site’. Belgacom intends to safeguard its legal right to contest this legislation. Belgacom considers it has a high probability to successfully challenge the legality of this tax.

Outlook 2014

Based on the performance so far and Belgacom’s best estimate for the remainder of the year, Belgacom reiterates its 2014 full-year guidance. To keep a comparable base following the Telindus France divestment, the revenue and EBITDA from Group Telindus France is reported separately from Belgacom’s core business and BICS.

Metrics	Reported FY 2013	Guidance FY 2014	Q1 2014
Group revenue	**6,318**		
Core business (excl. BICS & Telindus FR)	*4,410*	*Decline between '-1% and -2%'*	*-3.9%*
Telindus France	*242*		
BICS	*1,666*	*Decline between '-10% and -15%'*	*-14.3%*
Group EBITDA	**1,713**		
Group EBITDA excl. Telindus FR	*1,702*	*Decline between '-3% and -4%'*	*-6.0%*
Telindus France	*11*		
Capex	972	*Around EUR 900 million*	179

The deviation between quarterly reported figures and the full-year guidance is largely due to the timing of:

- network building sales in the framework of Belgacom’s network simplification project;
- positive effects from an accounting alignment within the company for capitalisation of network installation activities for customer connections as from of 1 January 2014; on full-year offset by
- exceptional spending (mainly opex) of about EUR 20 million to strengthen Belgacom’s competitive position through transformation and boosting its brand image.

Consumer Business Unit – CBU

- **Strong improvement in Mobile service revenue trend & continued growth for Internet and TV**
- **Solid operational performance: Mobile Postpaid, TV & Fixed Internet customer base further growing**
- **Stable segment result, excluding regulation, driven by better Direct margin and capitalized manpower**[1]
- **Success of convergence strategy showing in favourable evolution of 4-play households: x-play household reporting, see page 12**

P&L Consumer Business Unit

	1st Quarter		
(EUR million)	**2013 Restated**	**2014**	**% Change**
TOTAL SEGMENT INCOME	**553**	**536**	**-3.0%**
Costs of materials and services related to revenue	-142	-134	-5.6%
Personnel expenses and pensions	-89	-86	-2.9%
Other operating expenses	-69	-65	-5.4%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-299**	**-285**	**-4.7%**
TOTAL SEGMENT RESULT (1)	**254**	**251**	**-1.0%**
Segment contribution margin	*45.9%*	*46.8%*	
Depreciation and amortization	-41	-33	-18.7%
OPERATING INCOME	**213**	**218**	**2.3%**

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

Note: 2013 figures have been restated to reflect the allocation of Belgacom wholesale revenues invoiced to Scarlet to the Consumer Business Unit segment. See page 27 for more information.

CBU quarterly financial and operational results: page 19

Revenue

For the first quarter 2014, CBU reported **revenues of EUR 536 million, i.e. 3.0% lower** than for the same period of the previous year. Regulatory measures[2] impacted the first-quarter revenue by an estimated amount of EUR -4 million (-0.7%). Accordingly, supported by the success of the convergent Packs, the CBU revenue continued its quarterly improvement.
The Mobile service revenue trend further recovered to -7% in the first quarter of 2014 (versus -14% for the previous quarter) in spite of the competitive environment. In addition, notwithstanding the continued Fixed Voice revenue erosion, the aggregated Fixed revenue was slightly up, driven by TV and Fixed Internet.

	1st Quarter		
(EUR million)	**2013**	**2014**	**% Change**
Revenues	**553**	**536**	**-3.0%**
From Fixed	**262**	**263**	**0.5%**
Voice	104	99	-4.7%
Internet	87	89	2.7%
TV	64	70	8.0%
Terminals (excl. TV)	7	5	-21.6%
From Mobile	**226**	**209**	**-7.2%**
Mobile Services	197	183	-7.0%
Terminals	29	26	-8.7%
From Subsidiaries	**46**	**45**	**-2.2%**
Scarlet	17	17	0.0%
Tango	29	28	-3.5%
Other	**19**	**18**	**-4.2%**

[1] Year-on-year variance of HR expenses and non-HR expenses, more precisely expenses related to outsourced manpower, is positively impacted by an accounting alignment within the company for capitalization of network installation activities for customer connections, applicable as from 1 January 2014.
[2] The regulated price cut of 1 January 2014 on Mobile Termination Rates for Tango Luxembourg, as well as lower Voice, SMS and Data Roaming rates following the reduced regulated tariffs since 1 July 2013.

Fixed Voice ARPU up through price increases, line erosion & mobile traffic substitution explaining revenue decline
The first-quarter 2014 Fixed Voice revenue of EUR 99 million was down 4.7% year-over-year. The quarter benefitted from price increases, which was reflected in the Fixed Voice ARPU, up 0.8% year-over-year to EUR 20.3. This brought some relief to the declining Voice revenue resulting from the year-on-year line loss and substitution of fixed traffic to mobile. The first quarter ended with a Fixed line erosion of -19,000 lines. By end-March 2014, the CBU Fixed Voice customer base totaled 1,615,000 lines.

Continued Fixed Internet revenue growth; strong addition of +15,000 customers in the quarter
CBU ended the first quarter 2014 with a Fixed Internet revenue of EUR 89 million, i.e. 2.7% higher compared with the same period of the year before. This was mainly driven by the growing customer base and by price increases. The broadband customer base grew solidly with 15,000 net adds in the first quarter of 2014, including another strong performance of the Scarlet brand. This brings the total CBU Fixed Internet customer base to 1,250,000 by end-March 2014. The first-quarter Broadband ARPU of EUR 26.1 was slightly down from the same period in 2013 (EUR 26.3) due to increased pack penetration.

Firm TV revenue growth through larger TV customer base and higher ARPU
The first-quarter 2014 TV revenue grew by 8.0% to EUR 70 million, as a result of the continued subscriber growth. In the first quarter 2014, Belgacom added a solid 30,000 TV subscriptions (i.e. including +9,000 multiple set-top boxes), slightly increasing Belgacom's TV market share in all regions[1]. CBU ended March 2014 with a total TV customer base of 1,495,000, of which 269,000 were multiple streams[2]. The TV ARPU showed a 3.9% growth year-over-year to EUR 19.0 driven by the TV Everywhere product option.

Significant improvement of Mobile service revenue trend; Postpaid customer base further growing
For the first quarter of 2014, CBU reports EUR 183 million revenue from Mobile services, down 7.0% year-over-year. This is a significant improvement from the prior quarter which showed a 13.7% decline.
Besides a smaller regulatory impact, limited to the reduced Roaming rates (1 July 2013), the trend improvement is mainly due to CBU's growing Postpaid customer base and the fading impact of customers subscribing to more abundant mobile pricing plans since CBU's first significant re-pricing at the end of 2012.
Backed by a superior mobile network and attractive mobile pricing, CBU further controlled its Mobile churn levels since the peak seen in October 2012 when the new Telecom law came into force. Furthermore, the successful convergent Packs including mobile and the launch of the unlimited Smart 50 offer led to a solid net addition of 58,000 postpaid cards, of which 33,000 were free Mobile Data cards.
In line with the market evolution seen over the last quarters, the decline of Mobile Prepaid further slowed, especially for the Proximus brand. The total net loss of 67,000 prepaid cards during the first quarter was however negatively impacted by the promotion-sensitive Mobisud brand which lost 24,000 cards.
Accordingly, Prepaid and Postpaid combined, CBU's total Mobile customer base end-March 2014 numbered 3,564,000 cards.
CBU's mobile Postpaid ARPU[3] for the first quarter 2014 was EUR 25.9, 4.8% lower than the EUR 27.2 for the comparable period of 2013, sequentially improving from the 10.3% decline in the prior quarter.
CBU's mobile Prepaid ARPU for the first quarter 2014 was EUR 11.8, 11.1% lower than the EUR 13.3 for the comparable period of 2013, which is an improvement as well from the 13.2% decline in the prior quarter.

Subsidiaries
In the first quarter of 2014, **Scarlet**'s revenue remained stable at EUR 17 million revenue versus the prior year, despite the divestment of Scarlet Netherlands since March 2014. As was already seen in the last quarter of 2013, backed by Belgacom's multi-brand strategy, the Scarlet brand is seeing a positive turnaround. This is driven by a good traction of Scarlet's new product portfolio containing a no-frills fixed triple-play offer and mobile postpaid.
For **Tango**, the first-quarter 2014 revenue decreased 3.5% year-over-year, generating EUR 28 million. The revenue was impacted by the regulated MTR decrease in Luxembourg (from 8.2cts to 0.98cts). This could not be offset by the continued growth of Postpaid and the developing TV & fixed Internet customer base. Belgacom extended its convergence strategy to Tango, which now also offers as well a TV and quadruple-play offer.

	1st Quarter		
Tango	**2013**	**2014**	**% Change**
Revenue (in EUR mio) (1)	29	28	-3.5%
Total active mobile customers (in '000)	273	280	2.5%
Blended mobile net ARPU (EUR/month)	30.1	27.6	-8.4%

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

[1] Based on competitor published results and company estimations
[2] As of 2014, pending orders are excluded from the total TV customer base. Q4 2013 TV customer figures have been restated accordingly.
[3] As of 2014, Belgacom calculates the Mobile ARPU by excluding Free Mobile data cards. The figures for 2013 have been restated.

CBU operating expenses

Lower Cost of Sales, down 5.6% year-over-year
First-quarter 2014 Cost of Sales continued the positive trend from the last quarters, ending 5.6% lower year-over-year. The favorable year-on-year evolution results from lower interconnection costs, the positive impact from the continued focus on cost efficiency, and lowered Mobile Termination Rates in Luxembourg.

HR expenses down 2.9%
HR expenses for the first quarter showed a decrease to EUR 86 million, -2.9 % year-over-year. This was mainly due to an accounting alignment within the company for capitalization of network installation activities for customer connections, while, in addition, the first-quarter variance was no longer impacted by the inflation-based salary indexation of January 2013.

Non-HR expenses down 5.4%
CBU's first-quarter non-HR expenses of EUR 65 million were down 5.4%, supported by a continued focus on cost efficiency and an accounting alignment within the company for capitalization of network installation activities for customer connections, more precisely expenses related to outsourced manpower.

CBU segment result

For the ***first quarter 2014***, CBU reported a segment result of EUR 251 million, i.e. a year-over-year decline of 1.0%, including a negative regulation impact of EUR -2 million (-0.9%)[1].

The favorable impact from the accounting alignment on capitalized manpower excluded, CBU's segment result still shows a significant improvement compared to the previous quarter[2], driven by an improvement in Direct margin and further supported by cost reduction efforts.

The segment contribution margin was 46.8%, up 0.9 p.p. versus the previous year.

CBU operating result

	1st Quarter		
	2013	**2014**	**YoY Variance** (in abs. amount)
FROM FIXED			
Number of access channels (thousands)	2,895	2,866	-30
Voice	1,693	1,615	-77
Broadband	1,203	1,250	48
Traffic (millions of minutes)	1,086	940	-147
National	787	666	-121
Fixed to Mobile	190	166	-23
International	110	107	-3
TV (thousands)	1,412	1,495	82
TV - households	1,170	1,225	55
Of which multiple settop boxes	242	269	27
ARPU (EUR)			
ARPU Voice	20.1	20.3	0.2
ARPU broadband	26.3	26.1	-0.2
ARPU Belgacom TV	18.3	19.0	0.7
FROM MOBILE			
Number of active customers (thousands)	3,566	3,564	-2
Prepaid	1,824	1,580	-244
Postpaid	1,742	1,984	242
Among Which Paying cards	1,531	1,665	135
Among Which Free Data Cards	211	318	107
Annualized churn rate (blended - variance in p.p.)			
Prepaid	41.5%	33.4%	
Postpaid	20.6%	14.2%	
Blended	33.3%	25.3%	
Net ARPU (EUR)			
Prepaid	13.3	11.8	-1.5
Postpaid	27.2	25.9	-1.3
Blended	19.5	19.0	-0.6
MoU (min)	102.2	112.5	10.3
SMS (units)	279.8	262.1	-17.6

[1] The regulated price cut of 1 January 2014 on Mobile Termination Rates for Tango Luxembourg, as well as lower Voice, SMS and Data Roaming rates following the reduced regulated tariffs since 1 July 2013.
[2] CBUs fourth-quarter segment result was down 7.4% on a like-for-like basis

This chapter explains CBU's operational and financial results through metrics that are better aligned with Belgacom's long-term convergence and value strategy. In this strategy the focus is not on individual products but on the number of Plays[1] and RGUs[2] per household, with the aim to gradually move households up the value chain. Over time, Belgacom intends to replace its usual product-based reporting by the below X-play approach on a household level.

Operational X-play performance

End March 2014, CBU serviced 2,352,000 households, of which 54% are multi-play[3] households, up by 2.1 p.p. from one year ago.

Within the mix, CBU's convergence success is especially showing in the continued progress it is making in the number of 4-play households, ending the first quarter of 2014 with 356,000. This is an increase of 16% or 49,000 households compared to one year ago, of which 12,000 were added in the first quarter of 2014. As a consequence, CBU strengthened its customer base with 4-play households having typically a very low churn, i.e. a full churn rate of 2.1%. The average RGU progressed for all X-play households, with the highest increase for 4-play, growing to 4.61 RGUs, mainly driven by mobile postpaid family offers. Furthermore, the number of multi-play households having both Belgacom Fixed and Mobile services, i.e. a convergent household, grew 3.9pp to 49.2%.

An important enabler for CBU to increase the number of multi-play households and the number of plays per household is selling plays in a Pack. The success of bundling plays in a Pack, giving customers attractive pricing and value for money, is also evident in the first quarter of 2014. CBU added 23,000 households with Packs, as such the number of households with at least one Pack totaled 1,013,000 end-March 2014.

The number of single-play households on the other hand is gradually going down as result of the Fixed Voice line erosion. This was partly offset by a net growth in standalone Mobile postpaid and Fixed Internet, though these were limited in volume as both services are mainly sold together with other plays, in line with CBUs strategy. The churn rate of single-play households showed a significant improvement compared to one year ago mainly because of single-play mobile customers, for which churn has fallen back to normalized levels since the introduction of the new telecom law.

	CBU Households per Play & *Net adds of the Quarter*										***Variance YoY***		
	Q1 2013					***Q1 2014***					***Q1 2014***		
HH in ('000)	**Fixed Voice**	**Fixed Internet**	**TV**	**Mobile Postpaid**	**Sum #HH**	**Fixed Voice**	**Fixed Internet**	**TV**	**Mobile Postpaid**	**Sum #HH**	Average **#RGUs/ HH**	Annualized full **churn** rate of HH (**)	% Fixed + **Mobile Postpaid** (***)
1-Play	534 *-25*	62 *1*	N/A(*)	567 *3*	1,163 *-22*	460 *-19*	66 *2*	N/A(*)	561 *5*	1,087 *-12*	1.15 *0.02*	20.4% *-5.6p.p.*	
2-Play					417 *-10*					394 *-7*	2.04 *0.00*	9.4% *-1.8p.p.*	22.7% *-1.2p.p.*
3-Play					522 *1*					515 *-*	3.15 *0.03*	6.9% *-0.7p.p.*	34.4% *4.1p.p.*
4-Play					307 *12*					356 *12*	4.61 *0.09*	2.1% *0.8p.p.*	100.0%
Total					2,409 *-20*					2,352 *-7*	2.26 *0.11*	12.9% *-3.5p.p.*	49.2% *3.9p.p.*

(*) TV is not sold standalone, only in combination with Fixed Internet and/or Fixed Voice
(**) Cancellation is only taken into account when the household cancels all its plays
(***) % multi-play HH that have at least one Mobile component; i.e. a convergent household

Financial X-play performance

In the first quarter 2014, CBU generated EUR 536 million revenue, of which a stable EUR 367 million[4] came from X-play households. Multi-play households contributed for 74% to this revenue, a favorable evolution of 3 p.p. from last year. The revenue from 4-play households showed continued growth, ending the first quarter with EUR 107 million, or up by 17.5% from the prior year. This results from the combined favorable evolution of the number of 4-play households combined with an average revenue per 4-play household (ARPH) increasing to EUR 101.8.
The 4-play revenue growth was offset by lower revenue from 1-play and 2-play households, while the 3-play revenue remained stable due to a better product mix and increased RGU.

Revenues (*) per x-play in EUR million

	1st quarter		**YoY change**	
	2013	2014	€ million	%
Total	**366**	**367**	**1**	**0.2%**
1-Play	108	96	-12	-10.7%
2-Play	60	56	-4	-6.2%
3-Play	108	108	0	0.1%
4-Play	91	107	16	17.5%

(*) unaudited revenue, might be subject to small changes

Average revenue per x-play household (ARPH) in EUR

	1st quarter		**YoY change**	
	2013	2014	€	%
Total	**50.2**	**51.9**	**1.6**	**3.3%**
1-Play	30.4	29.3	-1.0	-3.5%
2-Play	47.3	46.9	-0.4	-0.8%
3-Play	68.8	69.6	0.8	1.2%
4-Play	99.6	101.8	2.2	2.2%

[1] A Play is defined as a subscription to either Fixed Voice, Fixed Internet, Fixed TV or Mobile postpaid (paying mobile cards)
[2] Revenue-Generating Unit. For example, a household with Fixed Internet and 2 Mobile postpaid cards is considered as a 2-Play household with 3 RGUs.
[3] A multi-play household has two or more Plays, but not necessarily in a Pack.
[4] The following are excluded from the X-Play revenue reporting: revenue from mobile prepaid, sales of terminals, TV revenue from small enterprise customers and revenue from Scarlet, Tango and other affiliates.

Enterprise Business Unit – EBU

- **Revenue variance improving based on better Mobile service revenue trend**
- **Continued strong mobile Voice net adds**
- **Seasonally lower ICT revenue, slightly down from previous year**
- **Segment result trend further improving**

P&L Enterprise Business Unit

	1st Quarter		
(EUR million)	**2013**	**2014**	**% Change**
TOTAL SEGMENT INCOME	**554**	**539**	**-2.6%**
Costs of materials and services related to revenue	-148	-151	1.9%
Personnel expenses and pensions	-107	-102	-4.7%
Other operating expenses	-38	-38	-0.5%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-293**	**-291**	**-0.8%**
TOTAL SEGMENT RESULT (1)	**260**	**248**	**-4.7%**
Segment contribution margin	*47.0%*	*46.0%*	-
Non-recurring expenses	-	-3	-
OPERATING INCOME before depreciation & amortization	**260**	**245**	**-5.9%**
Depreciation and amortization	-3	-7	119.1%
OPERATING INCOME	**257**	**238**	**-7.5%**

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

EBU quarterly financial and operational results: page 21

Revenue

Belgacom's Business segment generated EUR 539 million revenue in the first quarter 2014, **a year-on-year decline of 2.6%.** This is an improvement from previous quarters as a result of better Mobile service revenue trends, driven by a growing customer base which partly offset the impact of the mobile re-pricing. Furthermore, as of January 2014, the impact from regulatory measures is limited to the lowered roaming tariffs, which reduced EBU's first-quarter revenue by EUR 4 million (-0.8%).

	1st Quarter		
(EUR million)	**2013**	**2014**	**% Change**
Revenues	**554**	**539**	**-2.6%**
From Fixed	**406**	**399**	**-1.8%**
Voice	117	114	-3.1%
Internet	96	94	-1.7%
Terminals (excl. TV)	6	6	-2.8%
ICT	187	185	-1.0%
of which Telindus France	*59*	*57*	
From Mobile	**143**	**137**	**-4.4%**
Mobile Services	141	135	-4.7%
Terminals	2	2	27.1%
Other	**5**	**3**	**-26.2%**

Note – As of 1 January 2014, revenue from PABX and Belgacom Meeting Services (BMS) is included in ICT. The 2013 figures have been restated accordingly. Previously PABX revenue was reported as part of Fixed Terminals, BMS revenue was part of Fixed Voice.

Fixed Voice revenue in first quarter 2014 impacted by line erosion

For the first quarter 2014, EBU reported EUR 114 million revenue in Fixed Voice, 3.1% lower versus the same period of 2013, as a result of continued line erosion, partly compensated for by price indexations.

In line with the previous quarter, the Fixed Line erosion in the first quarter 2014 was -15,000 lines. Enterprises continue to rationalize on their Fixed lines, bringing the EBU total Fixed Line customer base to 1,277,000 by end-March 2014, a 4.5% line loss on a yearly basis. This was partly compensated for by a higher first-quarter Fixed Voice ARPU of EUR 29.1, up 2.0% year-over-year, a result of the price indexation.

Fixed Data revenue impacted by migrations to Explore platform

The first-quarter 2014 revenue from Fixed Data, consisting of Fixed Internet and data connectivity revenue, for a total of EUR 94 million, was 1.7% below that of the same period of 2013. This is due to a continued migration from older technologies such as leased lines to the Belgacom Explore platform, for which pricing is more favorable for customers. Fixed Internet revenue remained fairly stable year-on-year as the somewhat higher ARPU of EUR 39.3 (+0.8%) driven by price indexations, offset the impact from a slightly lower customer base (-0.4%) compared with March 2013. In the first quarter 2014, EBU added 1,000 Fixed Internet customers, leading to a total customer base of 442,000.

ICT revenue slightly down
In the context of an unfavorable economy, EBU reported EUR 185[1] million ICT revenue in a seasonally slow first quarter. While the Belux ICT revenue showed a year-on-year growth, EBU saw its total ICT revenue declining by 1%. This results from continued delaying of IT projects by customers or opting for private Cloud-based solutions, triggering a shift from one-time revenue to monthly services fees.

Mobile Service revenue trend significantly improved through continuously growing customer base
For the first quarter of 2014, EBU reports EUR 135 million revenue from Mobile services, down 4.7% year-over-year, or EUR -7 million. This is a significant improvement from the prior quarter which showed a 8.7% decline.
Regulation, as of 2014 limited to the lowered Roaming rates (1 July 2013), impacted the Mobile service revenue by an estimated amount of EUR -4 million.
The trend improvement in Mobile service revenue versus the previous quarter is a result of EBU's continuously growing mobile customer base due to solid gross adds and a low mobile churn level, at 11.4% in the first quarter 2014.The sound net mobile card growth continued in the first quarter of 2014, in which EBU added 31,000 paying mobile voice and data cards. Voice cards in particular did well, backed by a great mobile network experience for its customers, successful Bizz Packs and the launch in mid-February of the Smart 50. Furthermore, EBU added 32,000 Machine-to-Machine and free Mobile Data cards to its total mobile base, of which +11,000 M2M cards came from the reporting of a new M2M platform. In aggregate, EBU ended March 2014 with a total of 1,679,000 mobile cards.
EBU's mobile ARPU[2] for the first quarter 2014 was EUR 33.0, 10.4% lower than the EUR 36.8 for the comparable period of 2013, showing some improvement from the 12.3% decline in the prior quarter. The lower ARPU is showing the continued effect from mobile customer re-pricing, partly offset by a growing number of high-end pricing plans in the installed base through successful acquisition actions in that price segment, as well as better retention of high-value customers.

EBU operating expenses

Cost of Sales slightly up year-on-year
For the first quarter 2014, EBU reported EUR 151 million in Cost of Sales, i.e. 2.0% more than for the same period of 2013. This includes higher Mobile subscriber acquisition costs driven by the strong net customer growth in the first quarter.

Lower HR expenses year-on-year
Year-over-year, the HR expenses decreased by 4.7% to EUR 102 million for the first quarter of 2014, with HR expenses favorably impacted by cost efficiency efforts and by more capitalized manpower[3].

Stable non-HR expenses
For the first quarter 2014, EBU reports EUR 38 million non-HR expenses, stable compared to the first three months of 2013.

EBU segment result

EBU's first-quarter 2014 segment result of EUR 248 million is 4.7% lower versus the same period of 2013, a substantial improvement from the previous quarters. Regulatory measures reduced EBU's segment result by an estimated amount of EUR 4 million (-1.6%). Regulation aside, EBU's segment result was down from the previous year due to a lower Direct margin resulting from the changing product mix, partly offset by lower expenses. The reported contribution margin was 46.0%, versus 47.0% for the same period of 2013.

[1] As of 1 January 2014 ICT, revenue includes revenue from PABX, previously reported as part of Fixed Terminals. The 2013 figures have been restated accordingly.
[2] As of 2014, Belgacom calculates the Mobile ARPU without including Free Mobile data cards and M2M. The 2013 figures have been restated.
[3] Accounting alignment on capitalization of installation costs

EBU operating result

	1st Quarter		
	2013	2014	YoY Variance (in abs. amount)
FROM FIXED			
Number of access channels (thousands)	1,781	1,719	-62
Voice	1,338	1,277	-61
Broadband	444	442	-2
Traffic (millions of minutes)	695	641	-55
National	457	416	-41
Fixed to Mobile	161	153	-8
International	77	72	-5
ARPU (EUR)			
ARPU Voice	28.5	29.1	0.6
ARPU Broadband	39.0	39.3	0.3
FROM MOBILE			
Number of active customers (thousands)	1,512	1,679	166
Among which other than M2M and Free data	1,272	1,359	87
Among which M2M	184	236	52
Among which Free Data Cards	*56*	*83*	27
Annualized churn rate (blended - variance in p.p.)	14.2%	11.4%	
Net ARPU (EUR)			
Postpaid	36.8	33.0	-3.8
MoU (min)	310.2	313.0	2.8
SMS (units)	117.7	126.8	9.1

Service Delivery Engine & Wholesale – SDE&W

P&L Service Delivery Engine & Wholesale

(EUR million)	1st Quarter 2013 Restated	1st Quarter 2014	% Change
TOTAL SEGMENT INCOME	**67**	**64**	**-5.2%**
Costs of materials and services related to revenue	-10	-9	-8.9%
Personnel expenses and pensions	-43	-42	-3.4%
Other operating expenses	-50	-49	-1.5%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-103**	**-100**	**-3.0%**
TOTAL SEGMENT RESULT (1)	**-36**	**-36**	**-1.0%**
Depreciation and amortization	-112	-119	6.5%
OPERATING LOSS	**-148**	**-155**	**-5.1%**

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

Note: 2013 figures have been restated to reflect the allocation of Belgacom wholesale revenues invoiced to Scarlet to the Consumer Business Unit segment. See page 27 for more information.

SDE&W quarterly financial and operational results: page 22

Revenue

For the first quarter of 2014, SDE&W reported EUR 64 million revenue, a 5.2% year-on-year decline driven by lower Carrier Wholesale Services revenue. This resulted mainly from lower connectivity ARPU's, declining traffic volumes and lower wholesale broadband lines. The impact from roaming price regulation was almost fully offset by higher volumes.

Operating expenses

SDE&W reported EUR 42 million ***HR expenses*** for the first quarter 2014, down 3.4% from the previous year as a result of more capitalized manpower resulting from increased network investments and IT development in 2014, and lower headcount. SDE&W's first-quarter 2014 ***non-HR expenses*** were down 1.5%.

Staff & Support – S&S

P&L Staff and Support

(EUR million)	1st Quarter 2013	1st Quarter 2014	% Change
TOTAL SEGMENT INCOME	**18**	**7**	**-59.9%**
Personnel expenses and pensions	-40	-37	-6.8%
Other operating expenses	-50	-50	0.6%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-90**	**-87**	**-2.6%**
TOTAL SEGMENT RESULT (1)	**-71**	**-80**	**12.0%**
Non-recurring expenses	-	2	-
OPERATING LOSS before depreciation & amortization	**-71**	**-78**	**-8.8%**
Depreciation and amortization	-16	-17	4.1%
OPERATING LOSS	**-88**	**-95**	**-7.9%**

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

S&S quarterly financial results: page 22

For the first quarter 2014, Staff and Support recorded EUR 7 million of revenue. This compares to a first quarter of 2013 which included a capital gain of EUR 11 million realized by Belgacom through the sale of a technical building as part of Belgacom's ongoing network simplification plan.

The HR expenses recorded for the first quarter 2014 were 6.7% below the comparable period of 2013 as result of a lower personnel base.

International Carrier Services – BICS

- **Significant drop in Voice traffic resulting in lower revenue**
- **Continued growth of Mobile Data revenue**
- **Revenue loss having limited impact on gross margin**
- **First-quarter segment result 14.6% lower, EBITDA margin stable at 8.3%**

P&L International Carrier Services

	1st Quarter		
(EUR million)	**2013**	**2014**	**% Change**
TOTAL SEGMENT INCOME	**417**	**357**	**-14.3%**
Costs of materials and services related to revenue	-355	-298	-15.9%
Gross margin (1)	*62*	*58*	-5.2%
Personnel expenses and pensions	-11	-11	4.1%
Other operating expenses	-16	-17	9.0%
TOTAL SEGMENT RESULT (2)	**35**	**30**	**-14.6%**
Segment result margin	*8.3%*	*8.3%*	-
Depreciation and amortization	-20	-20	0.8%
OPERATING INCOME	**15**	**10**	**-34.8%**

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

ICS quarterly financial and operational results: page 22

Revenue

With voice traffic in the first quarter 2014 significantly lower than the previous year, BICS' revenue dropped to EUR 357 million, 14% down from a strong comparable base. The voice traffic decrease was in part to due to the expected lower traffic to the Asian region which BICS captured in the previous year on a temporary basis. In the first quarter 2014, this traffic reduction took full effect. Additional volatility led to the loss of material volumes of voice traffic from a few key customers, already partly recovered as of March 2014.
Furthermore, the year-on-year revenue variance was negatively impacted by dollar fluctuations and EU-wide lowered MTRs. This was only offset in a limited way by the continued uptake of Mobile data volumes (+11%), leading to a 6.5% non-voice revenue increase.

	1st Quarter		
(EUR million)	**2013**	**2014**	**% Change**
Voice	367	304	-17.1%
Non Voice	50	53	6.5%
Total revenues	**417**	**357**	**-14.3%**

The lower first-quarter 2014 revenue, however, only led to a limited decline in Gross margin, down 5.2% from the previous year to EUR 58 million. This was driven by a lower Voice gross margin (-15%), partly offset by a 7.2% growth in Gross margin for non-Voice traffic.

	1st Quarter		
(EUR million)	**2013**	**2014**	**% Change**
Voice	33	28	-15.5%
Non Voice	28	30	7.2%
Total Gross Margin	**62**	**58**	**-5.2%**

Segment result

First-quarter 2014 **non-HR expenses** for BICS totaled EUR 17 million, i.e. EUR 1 million higher than for the same period of 2013. **HR expenses** for the first quarter 2014 amounted to EUR 11 million, showing an effect from a somewhat increased personnel base to support the development of mobile data. As a consequence of the lower Direct margin growth and higher operating expenses (HR/Non-HR), BICS' segment result for the first quarter 2014 was down by EUR 5 million (-14.6%), while the EBITDA margin remained stable at 8.3%.

	1st Quarter		
Volumes (in million)	**2013**	**2014**	**% Change**
Voice	7,267	6,243	-14.1%
Non-Voice (SMS/MMS)	451	499	10.6%

Quarterly results

Note that 2013 figures published in this report have been restated to reflect the allocation of Belgacom wholesale revenues invoiced to Scarlet to the Consumer Business Unit segment.

Group – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114
Revenues **	**1,586**	**1,583**	**1,568**	**1,582**	**6,318**	**1,480**
Consumer Business Unit	553	567	549	556	2,226	536
Enterprise business unit	554	554	533	557	2,198	539
Service Delivery Engine & Wholesale*	67	66	66	65	264	64
Staff&Support	18	7	10	25	60	7
International Carrier Services	417	413	437	401	1,666	357
*Intersegment eliminations**	-23	-24	-27	-22	-96	-23
Costs of materials and charges to revenues	**-637**	**-645**	**-636**	**-643**	**-2,561**	**-575**
Personnel expenses and pensions	**-290**	**-283**	**-288**	**-282**	**-1,142**	**-278**
Other operating expenses	**-218**	**-225**	**-216**	**-244**	**-903**	**-215**
EBITDA **	**441**	**430**	**428**	**413**	**1,713**	**412**
Segment EBITDA margin **	**27.8%**	**27.2%**	**27.3%**	**26.1%**	**27.1%**	**27.8%**
Non recurring items	**0**	**0**	**1**	**-15**	**-14**	**-1**
Ebitda after non-recurring items	**441**	**430**	**430**	**398**	**1,699**	**411**

*Restated
**Before non-recurring items

Group – Capex

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114
Group Capex	**193**	**177**	**176**	**426**	**972**	**179**
Consumer Business Unit	48	30	26	61	164	18
Enterprise business unit	3	3	2	5	13	6
Service Delivery Engine & Wholesale	134	137	139	315	725	148
Staff&Support	2	5	7	18	33	3
International Carrier Services	6	2	3	26	37	4

CBU – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114
Revenues	**553**	**567**	**549**	**556**	**2,226**	**536**
From Fixed	**262**	**264**	**265**	**265**	**1,055**	**263**
Voice	104	103	102	101	411	99
Internet	87	89	90	89	354	89
TV	64	66	67	69	267	70
Terminals (excl. TV)	7	6	6	5	23	5
From Mobile	**226**	**230**	**218**	**219**	**893**	**209**
Mobile Services	197	205	193	190	784	183
Terminals (excl. TV)	29	25	25	29	109	26
Subsidiaries	**46**	**50**	**49**	**51**	**196**	**45**
Scarlet	17	17	17	18	69	17
Tango	29	32	32	33	127	28
Other	**19**	**24**	**17**	**22**	**82**	**18**
Costs of materials and charges to revenues*	**-142**	**-158**	**-132**	**-152**	**-583**	**-134**
Personnel expenses and pensions	**-89**	**-87**	**-89**	**-89**	**-354**	**-86**
Other operating expenses	**-69**	**-74**	**-65**	**-88**	**-296**	**-65**
Segment result*	**254**	**248**	**263**	**227**	**992**	**251**
Segment Contribution margin*	**45.9%**	**43.8%**	**47.9%**	**40.9%**	**44.6%**	**46.8%**

*Restated

CBU – Operationals

	Q113	Q213	Q313	Q413	2013	Q114
FROM FIXED						
Number of access channels (thousands)	**2,895**	**2,883**	**2,872**	**2,870**	**2,870**	**2,866**
Voice	1,693	1,673	1,653	1,634	1,634	1,615
Broadband	1,203	1,210	1,219	1,235	1,235	1,250
Traffic (millions of minutes)	**1,086**	**988**	**901**	**971**	**3,945**	**940**
National	787	696	639	689	2,810	666
Fixed to Mobile	190	184	164	174	712	166
International	110	108	98	108	423	107
TV (thousands)	**1,412**	**1,428**	**1,447**	**1,465 ****	**1,465 ****	**1,495**
TV - households	1,170	1,184	1,198	1,204	1,204	1,225
of which multiple settop boxes	242	245	249	260	260	269
ARPU (EUR)						
ARPU Voice	20.1	20.2	20.3	20.3	20.2	20.3
ARPU broadband	26.3	26.7	26.9	26.4	26.6	26.1
ARPU Belgacom TV	18.3	18.6	18.7	19.0	18.7	19.0
FROM MOBILE						
Number of active customers (thousands)*	**3,566**	**3,588**	**3,568**	**3,573**	**3,573**	**3,564**
Prepaid	1,824	1,753	1,695	1,648	1,648	1,580
Postpaid	1,742	1,835	1,872	1,926	1,926	1,984
Among Which Paying cards	1,531	1,590	1,608	1,641	1,641	1,665
Among Which Free Data Cards	211	245	264	285	285	318
Annualized churn rate (variance in p.p.)						
Prepaid	41.5%	34.6%	35.4%	35.4%	36.4%	33.4%
Postpaid	20.6%	14.8%	13.1%	14.1%	15.7%	14.2%
Blended	33.3%	26.5%	26.1%	26.5%	28.0%	25.3%
Net ARPU (EUR) *						
Prepaid	13.3	14.0	12.6	12.5	13.1	11.8
Postpaid	27.2	28.0	27.3	26.6	27.3	25.9
Blended	19.5	20.6	19.7	19.4	19.8	19.0
MoU (min)	**102.2**	**109.4**	**108.1**	**110.4**	**107.6**	**112.5**
SMS (units)	**279.8**	**283.0**	**249.2**	**272.3**	**271.4**	**262.1**

*As of 2014, Belgacom calculates the Mobile ARPU excluding Free Mobile data cards and excluding M2M. 2013 figures have been restated.

**As of 2014, pending orders are excluded from the total TV customer base. Q4 2013 TV customer figures have been restated accordingly. There is no impact on the 2013 quarterly net adds and the 2013 ARPU's

***As of 2014, the calculation of active customers will be based on the monthly activity rate instead of a rolling average activity rate. The definition of an active customer remains unchanged. 2013 figures have been updated accordingly

CBU – X-play reporting

	Q113	Q213	Q313	Q413	2013	Q114
Households per Play - Total (thousands)	**2,409**	**2,403**	**2,378**	**2,359**	**2,359**	**2,352**
1 - Play	**1,163**	**1,153**	**1,124**	**1,099**	**1,099**	**1,087**
Fixed Voice	534	515	498	479	479	460
Fixed Internet	62	61	62	63	63	66
TV	N/A	N/A	N/A	N/A	N/A	N/A
Mobile Postpaid	567	576	563	556	556	561
2 - Play	**417**	**408**	**405**	**401**	**401**	**394**
3 - Play	**522**	**519**	**516**	**515**	**515**	**515**
4 - Play	**307**	**323**	**333**	**343**	**343**	**356**
Revenues per x - play (EUR million)	**366**	**374**	**375**	**369**	**1,484**	**367**
1 - Play	**108**	**108**	**105**	**100**	**421**	**96**
2 - Play	**60**	**59**	**59**	**57**	**235**	**56**
3 - Play	**108**	**109**	**110**	**108**	**434**	**108**
4 - Play	**91**	**98**	**102**	**104**	**394**	**107**
Average revenue per x - play household (ARPH) (in EUR)	**50.2 €**	**51.9 €**	**52.3 €**	**51.8 €**	**51.6 €**	**51.9 €**
1 - Play	**30.4 €**	**31.2 €**	**30.8 €**	**29.8 €**	**30.6 €**	**29.3 €**
2 - Play	**47.3 €**	**47.8 €**	**48.1 €**	**47.2 €**	**47.6 €**	**46.9 €**
3 - Play	**68.8 €**	**69.9 €**	**70.6 €**	**69.9 €**	**69.8 €**	**69.6 €**
4 - Play	**99.6 €**	**103.0 €**	**103.4 €**	**102.6 €**	**102.2 €**	**101.8 €**
Average #RGUs per househould - Total	**2.15**	**2.18**	**2.21**	**2.24**	**2.24**	**2.26**
1 - Play	**1.14**	**1.15**	**1.15**	**1.16**	**1.16**	**1.15**
2 - Play	**2.04**	**2.04**	**2.04**	**2.04**	**2.04**	**2.04**
3 - Play	**3.12**	**3.13**	**3.14**	**3.15**	**3.15**	**3.15**
4 - Play	**4.52**	**4.55**	**4.57**	**4.60**	**4.60**	**4.61**
Annualized full churn rate (household level) - Total	**16.4%**	**13.5%**	**13.7%**	**13.7%**	**14.3%**	**12.9%**
1 - Play	**26.0%**	**19.9%**	**19.4%**	**20.3%**	**21.5%**	**20.4%**
2 - Play	**11.3%**	**11.0%**	**12.3%**	**11.8%**	**11.6%**	**9.4%**
3 - Play	**7.6%**	**8.3%**	**9.6%**	**8.7%**	**8.6%**	**6.9%**
4 - Play	**1.2%**	**1.4%**	**1.7%**	**1.7%**	**1.5%**	**2.1%**
% Convergent households - Total (i.e. % of HH having Mobile + Fixed component)	**45.3%**	**46.7%**	**47.5%**	**48.4%**	**48.4%**	**49.2%**
1 - Play						
2 - Play	**23.9%**	**23.9%**	**23.6%**	**23.1%**	**23.1%**	**22.7%**
3 - Play	**30.3%**	**31.5%**	**32.5%**	**33.6%**	**33.6%**	**34.4%**
4 - Play	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

EBU – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114
Revenue*	**554**	**554**	**533**	**557**	**2,198**	**539**
From Fixed	**406**	**406**	**391**	**412**	**1,615**	**399**
Voice	117	116	113	113	460	114
Internet	96	96	94	95	380	94
Terminals	6	6	6	6	23	6
ICT	187	188	178	198	751	185
of which Telindus France	*59*	*59*	*59*	*64*	*242*	*57*
From Mobile	**143**	**144**	**137**	**141**	**565**	**137**
Mobile Services	141	142	135	137	555	135
Terminals	2	2	2	4	10	2
Other	**5**	**5**	**5**	**5**	**19**	**3**
Costs of materials and charges to revenues	**-148**	**-149**	**-146**	**-159**	**-603**	**-151**
Personnel expenses and pensions	**-107**	**-105**	**-104**	**-102**	**-418**	**-102**
Other operating expenses	**-38**	**-37**	**-38**	**-41**	**-154**	**-38**
Segment result	**260**	**263**	**245**	**255**	**1,023**	**248**
Segment Contribution margin	**47.0%**	**47.4%**	**45.9%**	**45.7%**	**46.5%**	**46.0%**

*As of 1 January 2014, revenue from PABX and Belgacom Meeting Services (BMS) is included in ICT. 2013 figures have been restated accordingly. Previously PABX revenue was reported as part of Fixed Terminals, BMS revenue was part of Fixed Voice

EBU- Operationals

	Q113	Q213	Q313	Q413	2013	Q114
FROM FIXED						
Number of access channels (thousands)	**1,781**	**1,760**	**1,746**	**1,732**	**1,732**	**1,719**
Voice	1,338	1,318	1,305	1,292	1,292	1,277
Broadband	444	442	441	441	441	442
Traffic (millions of minutes)	**695**	**654**	**592**	**630**	**2,571**	**641**
National	457	422	382	410	1,672	416
Fixed to Mobile	161	156	140	151	607	153
International	77	76	69	70	292	72
ARPU (EUR)						
ARPU Voice	28.5	28.6	28.2	28.5	28.5	29.1
ARPU Broadband	39.0	39.3	39.5	39.2	39.3	39.3
FROM MOBILE						
Number of active customers (thousands)*	**1,512**	**1,545**	**1,584**	**1,615**	**1,615**	**1,679**
Among which other than M2M and Free data	1,272	1,292	1,318	1,328	1,328	1,359
Among which M2M	184	188	196	211	211	236
Among which Free Data Cards	56	64	70	76	76	83
Annualized churn rate (blended - variance in p.p.)	**14.2%**	**13.6%**	**10.0%**	**10.4%**	**11.9%**	**11.4%**
Net ARPU (EUR)**						
Postpaid	36.8	36.3	34.1	34.2	35.3	33.0
MoU (min)	**310.2**	**315.8**	**290.9**	**311.1**	**306.8**	**313.0**
SMS (units)	**117.7**	**118.9**	**113.1**	**125.3**	**119.0**	**126.8**

*As of 2014, The calculation of active customers will be based on the monthly activity rate instead of a rolling avg activity rate. The definition of an active customer remains unchanged.

**As of 2014, Belgacom calculates the Mobile ARPU excluding Free Mobile data cards and excluding M2M. 2013 figures have been restated.

SDE&W – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114
Revenues*	**67**	**66**	**66**	**65**	**264**	**64**
Costs of materials and charges to revenues*	**-10**	**-9**	**-9**	**-10**	**-38**	**-9**
Personnel expenses and pensions	**-43**	**-41**	**-43**	**-40**	**-167**	**-42**
Other operating expenses	**-50**	**-52**	**-51**	**-50**	**-202**	**-49**
Segment result*	**-36**	**-36**	**-37**	**-34**	**-143**	**-36**

*Restated

SDE&W – Retail Operationals and MVNO customers

	Q113	Q213	Q313	Q413	2013	Q114
FROM FIXED						
Number of access channels (thousands)						
Voice (1)	10	10	10	10	10	10
Broadband (1)	1	1	1	1	1	1
FROM MOBILE						
Number of active Mobile customers (thousands)						
Retail (1)	8	7	9	9	9	10
MVNO	5	7	7	6	6	6

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

S&S – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114
Revenues	**18**	**7**	**10**	**25**	**60**	**7**
Costs of materials and charges to revenues	**0**	**0**	**0**	**0**	**0**	**0**
Personnel expenses and pensions	**-40**	**-38**	**-40**	**-40**	**-157**	**-37**
Other operating expenses	**-50**	**-50**	**-50**	**-50**	**-201**	**-50**
Segment result	**-71**	**-82**	**-80**	**-65**	**-298**	**-80**

ICS – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114
Revenues	**417**	**413**	**437**	**401**	**1,666**	**357**
Costs of materials and charges to revenues	**-355**	**-347**	**-370**	**-340**	**-1,412**	**-298**
Personnel expenses and pensions	**-11**	**-11**	**-12**	**-12**	**-45**	**-11**
Other operating expenses	**-16**	**-18**	**-17**	**-18**	**-69**	**-17**
Segment result	**35**	**37**	**38**	**31**	**140**	**30**
Segment EBITDA margin	**8.3%**	**8.9%**	**8.6%**	**7.7%**	**8.4%**	**8.3%**

ICS – Operationals

Volumes (in million)	Q113	Q213	Q313	Q413	2013	Q114
Voice	**7,267**	**6,701**	**7,287**	**6,872**	**28,127**	**6,243**
Non-Voice (SMS/MMS)	**451**	**461**	**540**	**512**	**1,964**	**499**

Interim Condensed Consolidated Financial statements

These interim financial statements have not been subject to 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 used as of 2014 are consistent with those applied in the 31 December 2013 consolidated financial statements, with the exception that the Group adopted the new standards, interpretations and revisions that became mandatory for the Belgacom Group on 1 January 2014. These are set out in note 39 of the 31 December 2013 consolidated financial statements and had only very limited impact.

At 31 March 2014, assets and associated liabilities of the Group Telindus France entities were classified as held for sale (see page 29 for more information). During the first quarter of 2014, the Belgacom Group did not acquire or dispose of any significant subsidiary, joint venture or affiliate. The Group does not make any significant judgments and estimates other than those mentioned here above or in the 31 December 2013 consolidated financial statements.

Consolidated income statements

(EUR million)	1st Quarter 2013	2014	% Change
Net revenue	1,564	1,469	-6%
Other operating income	21	12	-46%
TOTAL INCOME	**1,586**	**1,480**	**-7%**
Costs of materials and services related to revenue	-637	-575	-10%
Personnel expenses and pensions	-290	-278	-4%
Other operating expenses	-218	-215	-1%
Non-recurring expenses	0	-1	-
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1,144**	**-1,069**	**-7%**
OPERATING INCOME before depreciation & amortization	**441**	**411**	**-7%**
Depreciation and amortization	-192	-196	2%
OPERATING INCOME	**250**	**215**	**-14%**
Finance income	5	4	-28%
Finance costs	-25	-26	4%
Net finance costs	**-20**	**-23**	**12%**
INCOME BEFORE TAXES	**229**	**192**	**-16%**
Tax expense	-53	-40	-25%
NET INCOME	**176**	**152**	**-13%**
Non-controlling interests	5	4	-28%
Net income (Group share)	171	149	-13%
Basic earnings per share	0.54 EUR	0.47 EUR	-13%
Diluted earnings per share	0.54 EUR	0.47 EUR	-13%
Weighted average number of ordinary shares	318,484,649	319,295,569	0%
Weighted average number of ordinary shares for diluted earnings per share	318,745,309	319,711,794	0%

Consolidated statements of other comprehensive income

(EUR million)	As of 31 March 2013	As of 31 March 2014
Net income	**176**	**152**
Other comprehensive income:		
Items that may be reclassified to profit and loss		
Cash flow hedges:		
Gain/(loss) taken to equity	-1	1
Total before related tax effects	**-1**	**1**
Related tax effects		
Items that may be reclassified to profit and loss, net of related tax effects	**-1**	**1**
Items that will not be reclassified to profit and loss	**0**	**0**
Total comprehensive income	**175**	**153**
Attributable to:		
Equity holders of the parent	170	149
Non-controlling interests	5	4

Consolidated balance sheets

	As of 31 December	As of 31 March
(EUR million)	**2013**	**2014**
ASSETS		
NON-CURRENT ASSETS	**6,254**	**6,187**
Goodwill	2,320	2,292
Intangible assets with finite useful life	1,185	1,144
Property, plant and equipment	2,558	2,567
Investments in associates	6	6
Other participating interests	6	6
Deferred income tax assets	105	100
Other non-current assets	74	73
CURRENT ASSETS	**2,163**	**2,604**
Inventories	163	138
Trade receivables	1,289	1,203
Current tax assets	137	138
Other current assets	148	186
Investments	60	61
Cash and cash equivalents	355	728
Assets classified as held for sale	11	151
TOTAL ASSETS	**8,417**	**8,791**
LIABILITIES AND EQUITY		
EQUITY	**3,042**	**3,170**
Shareholders' equity	**2,846**	**3,004**
Issued capital	1,000	1,000
Treasury shares	-527	-518
Restricted reserve	100	100
Remeasurement reserve	-51	-50
Stock compensation	13	12
Retained earnings	2,310	2,459
Foreign currency translation	1	0
Non-controlling interests	**196**	**166**
NON-CURRENT LIABILITIES	**2,865**	**2,836**
Interest-bearing liabilities	1,950	1,950
Liability for pensions, other post-employment benefits and termination benefits	473	455
Provisions	204	199
Deferred income tax liabilities	128	122
Other non-current payables	111	110
CURRENT LIABILITIES	**2,511**	**2,785**
Interest-bearing liabilities	316	598
Trade payables	1,320	1,198
Tax payables	132	167
Other current payables	731	711
Liabilities associated with assets classified as held for sale	13	110
TOTAL LIABILITIES AND EQUITY	**8,417**	**8,791**

Consolidated cash flow statements

(EUR million)	1st Quarter 2013	2014
Cash flow from operating activities		
Net income	176	152
Adjustments for:		
Depreciation and amortization on intangible assets and property, plant and equipment	192	196
Decrease of provisions	0	-2
Deferred tax expense	7	-1
Fair value adjustments on financial instruments	-3	-2
Loans amortization	1	2
Loss on disposal of consolidated companies and remeasurement of previously held interest	0	1
Gain on disposal of property, plant and equipment	-11	0
Other non-cash movements	2	1
Operating cash flow before working capital changes	**364**	**347**
Decrease / (increase) in inventories	-14	12
Decrease / (increase) in trade receivables	-44	31
Decrease / (increase) in current income tax assets	3	-1
Increase in other current assets	-59	-63
Decrease in trade payables	-16	-90
Increase in income tax payables	8	35
Increase in other current payables	50	46
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-21	-17
Increase in working capital, net of acquisitions and disposals of subsidiaries	**-94**	**-47**
Net cash flow provided by operating activities	**271**	**301**
Cash flow from investing activities		
Cash paid for acquisitions of intangible assets and property, plant and equipment	-193	-180
Cash paid for sales of consolidated companies, net of cash disposed of	0	-2
Cash received from sales of intangible assets and property, plant and equipment	11	1
Net cash used in investing activities	**-181**	**-182**
Cash flow before financing activities	**89**	**119**
Cash flow from financing activities		
Dividends paid to shareholders	-2	-3
Dividends / capital paid to non-controlling interests	0	-33
Net sale of treasury shares	6	8
Net purchase of investments	-4	-1
Issuance of long term debt	149	0
Issuance of short term debt	-76	282
Net cash provided by financing activities	**73**	**254**
Net increase of cash and cash equivalents	**162**	**373**
Cash and cash equivalents at 1 January	202	355
Cash and cash equivalents at 31 March	365	728

Consolidated statements of changes in equity

(EUR million)	Issued capital	Treasury shares	Restricted reserve	Remea-surement reserve	Foreign currency translation	Stock Compen-sation	Retained Earnings	Share'rs' Equity	Minority interests	Total Equity
Balance at 31 December 2012 - restated	**1,000**	**-551**	**100**	**-60**	**1**	**14**	**2,377**	**2,881**	**211**	**3,093**
Fair value changes in cash flow hedges - acquired during the year	*0*	*0*	*0*	*-1*	*0*	*0*	*0*	***-1***	*0*	*-1*
Equity changes not recognised in the income statement	0	0	0	-1	0	0	0	**-1**	0	-1
Net income	0	0	0	0	0	0	171	**171**	5	176
Total comprehensive income and expense	**0**	**0**	**0**	**-1**	**0**	**0**	**171**	**170**	**5**	**175**
Treasury shares										
Exercise of stock options	0	7	0	0	0	0	-1	**6**	0	6
Stock options										
Amortization deferred stock compensation	0	0	0	0	0	1	0	**1**	0	1
Exercise of stock options	0	0	0	0	0	-1	1	**0**	0	0
Total transactions with equity holders	**0**	**7**	**0**	**0**	**0**	**0**	**0**	**6**	**0**	**6**
Balance at 31 March 2013	**1,000**	**-545**	**100**	**-61**	**1**	**14**	**2,548**	**3,058**	**217**	**3,275**
Balance at 31 December 2013	**1,000**	**-527**	**100**	**-51**	**1**	**13**	**2,310**	**2,846**	**196**	**3,042**
Fair value changes in cash flow hedges - acquired during the year	*0*	*0*	*0*	*1*	*0*	*0*	*0*	***1***	*0*	*1*
Equity changes not recognised in the income statement	0	0	0	1	0	0	0	**1**	0	1
Net income	0	0	0	0	0	0	149	**149**	4	152
Total comprehensive income and expense	**0**	**0**	**0**	**1**	**0**	**0**	**149**	**149**	**4**	**153**
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	**0**	-33	-33
Treasury shares										
Exercise of stock options	0	8	0	0	0	0	0	**8**	0	8
Stock options										
Exercise of stock options	0	0	0	0	0	-1	1	**0**	0	0
Total transactions with equity holders	**0**	**8**	**0**	**0**	**0**	**-1**	**1**	**8**	**-33**	**-25**
Balance at 31 March 2014	**1,000**	**-518**	**100**	**-50**	**0**	**12**	**2,459**	**3,004**	**166**	**3,170**

Segment reporting

Belgacom wholesale revenues invoiced to Scarlet (Cost of Sales at Scarlet) is allocated to the CBU segment as from 1 January 2014. Until 2014 these Belgacom revenues were allocated in SDE&W while the equivalent Cost of Sales was allocated in the CBU segment (via Scarlet). By allocating Scarlet-related wholesale revenues and Cost of Sales in the same segment, the total Belgacom group margin related to Scarlet activity is now allocated in the Consumer segment. In the 2014 reporting, the accounts of 2013 have been restated for comparable year-on-year variances, impacting only the segments SDE&W and the Consumer segment. Belgacom Group remains unchanged.

Reported and restated figures in the tables below:

(EUR million) 2013 Reported	Three months ended 31 March 2013						
	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Net revenue	547	551	59	2	406	-	1,564
Other operating income	5	2	1	14	0	-	21
Intersegment income	1	1	16	3	11	-31	-
TOTAL SEGMENT INCOME	**553**	**554**	**75**	**18**	**417**	**-31**	**1,586**
Costs of materials and services related to revenue	-149	-148	-11	0	-355	25	-637
Personnel expenses and pensions	-88	-107	-45	-40	-11	0	-290
Other operating expenses	-68	-38	-50	-50	-16	5	-218
TOTAL OPERATING EXPENSES before depreciation & amortization	**-305**	**-293**	**-106**	**-90**	**-382**	**31**	**-1,144**
OPERATING INCOME / (LOSS) before depreciation & amortization	**248**	**260**	**-30**	**-71**	**35**	**-0**	**441**
Depreciation and amortization	-41	-3	-112	-16	-20	0	-192
OPERATING INCOME / (LOSS)	**208**	**257**	**-142**	**-88**	**15**	**-0**	**250**
Finance expense (net)							-20
INCOME BEFORE TAXES							**229**
Tax expense							-53
NET INCOME							**176**
Non-controlling interests							5
Net income (Group share)							171

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

(EUR million) 2013 Restated	Three months ended 31 March 2013 (restated)						
	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Net revenue	547	551	59	2	406	-	1,564
Other operating income	5	2	1	14	0	-	21
Intersegment income	1	1	8	3	11	-23	-
TOTAL SEGMENT INCOME	**553**	**554**	**67**	**18**	**417**	**-23**	**1,586**
Costs of materials and services related to revenue	-142	-148	-10	0	-355	18	-637
Personnel expenses and pensions	-89	-107	-43	-40	-11	0	-290
Other operating expenses	-69	-38	-50	-50	-16	5	-218
TOTAL OPERATING EXPENSES before depreciation & amortization	**-299**	**-293**	**-103**	**-90**	**-382**	**23**	**-1,144**
OPERATING INCOME / (LOSS) before depreciation & amortization	**254**	**260**	**-36**	**-71**	**35**	**-0**	**441**
Depreciation and amortization	-41	-3	-112	-16	-20	0	-192
OPERATING INCOME / (LOSS)	**213**	**257**	**-148**	**-88**	**15**	**-0**	**250**
Finance expense (net)							-20
INCOME BEFORE TAXES							**229**
Tax expense							-53
NET INCOME							**176**
Non-controlling interests							5
Net income (Group share)							171

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

(EUR million)	Three months ended 31 March 2014						
	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
Net revenue	530	536	55	2	347		1,469
Other operating income	5	2	1	3	0		12
Intersegment income	1	1	8	3	10	-23	-
TOTAL SEGMENT INCOME	**536**	**539**	**64**	**7**	**357**	**-23**	**1,480**
Costs of materials and services related to revenue	-134	-151	-9	-0	-298	17	-575
Personnel expenses and pensions	-86	-102	-42	-37	-11	0	-278
Other operating expenses	-65	-38	-49	-50	-17	5	-215
TOTAL OPERATING EXPENSES before depreciation & amortization	**-285**	**-291**	**-100**	**-87**	**-327**	**23**	**-1,068**
TOTAL SEGMENT RESULT (1)	**251**	**248**	**-36**	**-80**	**30**	**-0**	**412**
Non-recurring income	-	-	-	-	-	-	**-**
Non-recurring expenses	-0	-3	-	2	-	-	**-1**
OPERATING INCOME / (LOSS) before depreciation & amortization	**251**	**245**	**-36**	**-78**	**30**	**-0**	**411**
Depreciation and amortization	-33	-7	-119	-17	-20	0	-196
OPERATING INCOME / (LOSS)	**218**	**238**	**-155**	**-95**	**10**	**0**	**215**
Finance expense (net)							-23
Share of gain/ (loss) on associates							-0
INCOME BEFORE TAXES							**192**
Tax expense							-40
NET INCOME							**152**
Non-controlling interests							4
Net income (Group share)							149

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

Financial instruments

In conformity with IAS 34 §16 A (j) that requires the interim reporting to provide specific fair value disclosures, this **chapter discloses the following information:**

- The carrying amounts and fair values of the financial instruments at 31 March 2014;
- The categorization of the fair valued financial instruments within the fair value hierarchy;
- The fair valuation techniques used.

The Group's main financial instruments comprise unsubordinated debentures, trade receivables and trade payables. The Group has interest rate swaps (IRS) and interest rate and currency swaps (IRCS) to manage the exposure to interest rate risk and to foreign currency risk on its non-current interest bearing liabilities. The typical financial instruments used to hedge foreign currency risk are forward foreign exchange contracts and currency options.

Fair Value and Fair Value Hierarchy

Set out below is a comparison of the carrying amounts and fair value of financial instruments as at 31 March 2014 and the fair value hierarchy:

As of 31 March 2014 (EUR million)	**Category according to IAS 39 (1)**	**Carrying amount**	**Fair value**	**Level**
ASSETS				
Non-current assets				
Other participating interests	AFS	6	6	
Other non-current assets				
Other derivatives	FVTPL	36	36	Level 2
Other financial assets	LaR	37	37	
Current assets				
Trade receivables	LaR	1,203	1,203	
Other current assets				
VAT and other receivables	LaR	59	59	
Investments	AFS	16	16	Level 1
Investments	HTM	45	45	
Cash and cash equivalents				
Fixed income securities	HTM	585	585	
Short-term deposits	LaR	143	143	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	OFL	1,919	2,092	Level 2
Leasing and similar obligations	OFL	2	2	
Other derivatives	FVTPL	29	29	Level 2
Non-interest-bearing liabilities				
Derivatives held-for-hedging	HeAc	2	2	Level 1
Other non-current payables	OFL	108	108	
Current liabilities				
Interest-bearing liabilities, current portion				
Leasing and similar obligations	OFL	2	2	
Interest-bearing liabilities				
Other loans	OFL	597	597	
Trade payables	OFL	1,198	1,198	
Other current payables				
Derivatives held-for-hedging	HeAc	2	2	Level 1
Other derivatives	FVTPL	1	1	Level 1
V.A.T. and other amounts payable	OFL	361	361	

(1) The categories according to IAS 39 are the following :
AFS: Available-for-sale financial assets
HTM: Financial assets held-to-maturity
LaR: Loans and Receivables financial assets
FVTPL: Financial assets/liabilities at fair value through profit and loss
OFL: Other financial liabilities
Hedge activity
HeAc: Hedge accounting

The financial instruments were categorized according to principles that are consistent with those applied for the preparation of Note 33.4 of the 2013 Financial Statements.

No transfer between Levels occurred during 2014.

Valuation technique

The Group holds financial instruments classified in Level 1 or 2 only.

The valuation techniques for fair value measuring the Level 2 financial instruments are:

Other derivatives in Level 2

Other derivatives include the interest rate swaps (IRS) and interest rate and currency swaps (IRCS) the Group entered into to reduce the interest rate and currency fluctuations on some of its long-term debentures. The fair values of these instruments are determined by discounting the expected contractual cash flows using interest rate curves in the corresponding currencies and currency exchange rates, all observable on active markets.

Unsubordinated debentures

The unsubordinated debentures not in a hedge relationship are recognized at amortized costs. Their fair values, calculated for each debenture separately, were obtained by discounting the interest rates at which the Group could borrow at 31 March 2013 for similar debentures with the same remaining maturities.

Contingent liabilities to come

Compared to the Consolidated Financial Statements of the year 2013, no changes occurred during 2014 in the contingent liabilities except that:

- Mobistar launched on 3 May 2013 a claim for damages against Belgacom before the commercial court of Brussels for allegedly wrongful and/or abusive termination by Belgacom of negotiations with Mobistar on the conclusion of a commercial agreement on DSL-based services. Belgacom contests Mobistar’s claims entirely, particularly as Mobistar has publicly expressed at several occasions its interest for and its intention to obtain wholesale access from the cable operators. The claims are scheduled to be heard by the commercial court in the second half of 2014.
- For the Claims and legal proceedings part (p.82 of the 2013 Consolidated financial statements) in the litigation related to the on-net tariffs, on 14 October 2013, the Court of Cassation rejected the request in cassation of Base Company (KPN Group) and Mobistar (France Telecom Group) against the Court of Appeal of Brussels of 6 March 2012 ordering the replacement of two experts appointed in 2007 by the Commercial Court of Brussels. On 23 January 2014, the Court of Appeal appointed two new experts, jointly proposed by parties. The experts have accepted the mission and meetings between the experts and parties will take place in the coming months.
- Belgacom and Base Company (KPN Group) have agreed to terminate all the litigations in connection with the Happy Time tariff scheme. The procedure to withdraw the cases pending before the Commercial Court and the Court of Appeal is ongoing.

Post balance sheet events

The Annual General meeting of 16 April 2014 approved the dividend distribution for the year 2013 which will impact the cash flow of the Group in the second quarter of 2014 for EUR 537 million.

On 4 April 2014, Belgacom SA received the proceeds of a EUR 600 million institutional bond it had issued on 26 March, taking advantage of extremely favorable debt capital market conditions. The senior unsecured notes, issued under Belgacom’s EMTN program, have a tenor of 10 years (due April 2024) and carry a coupon of 2.375%. Proceeds will be used for general corporate purposes, including replacement of outstanding short-term debt.

Following the regulatory approval by the French Competition Authorities, on 30 April 2014 Belgacom disposed 100% of the shares in the Group Telindus France to Vivendi for a total consideration of EUR 95 million on a cash and debt free basis.
The Group Telindus France is a leading IT services company and generated pro-forma revenues of EUR 241 million and an EBITDA of EUR 11 million in 2013.

Others

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

Definitions

Product definitions:

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

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

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

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

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

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

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

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

Mobile net ARPU: calculated on the basis of monthly averages for the period indicated.
Monthly net ARPU is equal to total mobile voice and mobile data revenues, divided by the average number of active mobile customers for that period, divided by the number of months of that same period. This also includes MVNO but excludes free data cards and M2M.

MoU (Minutes of Use): duration of all calls from or to Proximus (corrected for intra-network double count), per active voice customer, per month, also including free minutes included in mobile pricing plans and including MVNO.

OLO: Other Licensed Operator

SMS: number of SMS messages sent or received (corrected for intra-network double count), per active customer per month, also including free SMS included in mobile pricing plans and including MVNO.

X-Play Household definitions:

A play is defined as a subscription to either Fixed Voice, Fixed Internet, Fixed dTV or Mobile Postpaid (paying Mobile cards).

X-play is the sum of single play (1-Play) and multi-play (2-Play + 3-Play + 4-Play).
A multi-play household has two or more Plays, but not necessarily in a Pack.

Revenue-Generating Unit. For example, a household with Fixed Internet and 2 Mobile postpaid cards is considered as a 2-Play household with 3 RGUs.

Annualized full churn rate: a cancellation of a household is only taken into account when the household cancels all its plays.

ARPH: average revenue per household.

Financial Calendar

07 July 2014	Start of quiet period ahead of Q2 2014 results
01 August 2014	Announcement of Q2 2014 results
29 September 2014	Start of quiet period ahead of Q3 2014 results
24 October 2014	Announcement of Q3 2014 results

For further information

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