quarterly report

Q2 2014

belgacom

Key figures

	2nd Quarter		Year-to-date	
Income Statement (EUR million)	**2013**	**2014**	**2013**	**2014**
Total income before non-recurring items	1,583	1,568	3,168	3,048
Total income	1,583	1,631	3,168	3,111
EBITDA (1) before non-recurring items	430	491	871	904
EBITDA (1)	430	556	871	968
Depreciation and amortization	-200	-207	-392	-403
Operating income (EBIT)	230	350	479	565
Net finance costs	-24	-20	-45	-43
Income before taxes	205	329	435	521
Tax expense	-44	-66	-97	-105
Non-controlling interests	6	12	11	16
Net income (Group share)	155	251	326	400

Cash flows (EUR million)	**2013**	**2014**	**2013**	**2014**
Capital expenditure	-177	-245	-370	-425
Cash flows from operating activities	224	300	495	600
Cash paid for acquisitions of intangible assets and property, plant and equipment	-177	-188	-370	-368
Cash flows from other investing activities	0	160	12	158
Free cash flow (2)	**47**	**272**	**136**	**391**
Net cash provided by financing activities	-192	-479	-119	-225
Net increase / (decrease) of cash and cash equivalents	**-145**	**-207**	**17**	**166**

Balance sheet (EUR million)	**As of 31 December 2013**	**As of 30 June 2014**
Balance sheet total	8,417	8,373
Non-current assets	6,254	6,222
Investments, cash and cash equivalents	415	530
Shareholders' equity	2,846	2,731
Non-controlling interests	196	178
Liabilities for pensions, other post-employment benefits and termination benefits	473	425
Net financial position	-1,815	-1,981

Data per share	**2013**	**2014**	**2013**	**2014**
Basic earnings per share before non-recurring items (EUR)	0.49	0.61	1.02	1.09
Basic earnings per share (EUR)	0.49	0.78	1.02	1.25
Weighted average number of outstanding shares	318,592,778	319,716,137	318,539,012	319,507,015

Data on employees	**2013**	**2014**
Number of employees (full-time equivalents)	15,778	14,398
Average number of employees over the period	15,787	15,233
Total income before non-recurring items per employee (EUR)	200,688	200,118
Total income per employee (EUR)	200,688	204,232
EBITDA (1) before non-recurring items per employee (EUR)	55,182	59,322
EBITDA (1) per employee (EUR)	55,182	63,531

Ratios (before non-recurring items)	**2013**	**2014**
Return on Equity	11.5%	12.7%
Gross margin	59.5%	60.8%
Net debt / EBITDA before non-recurring items	2.08	2.19

(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 financial report gives an accurate overview of the information that needs to be disclosed. The Belgacom Management Committee is represented by Dominique Leroy, Chief Executive Officer, Philip Vandervoort, Chief Consumer Market Officer, Bart Van Den Meersche, Chief Enterprise Market Officer, Ray Stewart, Chief Financial Officer, Geert Standaert, Chief Technology Officer, Renaud Tilmans, Chief Customer Operations Officer, Michel Georgis, Chief Human Resources Officer and Dirk Lybaert, Chief Corporate Affairs Officer.

Brussels, 1 August 2014 - 7:00 (CET)
Regulated Information as defined in the Royal Decree of 14 November 2007

Highlights – Q2 2014

- Firm commercial performance, continued trend improvement for Mobile services revenue
- Solid Group revenue through better Core revenue trend and BICS revenue recovery
- Like-for-like EBITDA variance improved to -0.9% year-on-year
- Raising full-year 2014 outlook for Group EBITDA to "-1% to -2%" versus 2013
- Capex outlook for 2014 raised for acquired Belgian football broadcasting rights

- In the second quarter of 2014, the Belgacom Group generated revenue of EUR 1,568 million, i.e. -0.9% versus the same period of 2013. On a like-for-like basis, i.e. excluding a EUR 46 million capital gain on building sales recorded in the second quarter 2014 and the impact from deconsolidated subsidiaries, **Belgacom's Group revenue ended -1.1% below that of the prior year**.

- Belgacom's like-for-like revenue variance showed a substantial improvement from the -6.0% in the first quarter 2014 as a result of a further trend improvement of Belgacom's core revenue (-1.7% year-on-year) and a revenue recovery from Belgacom's International Carrier Services (+0.5% year-on-year).

- Belgacom reported for the second quarter 2014 a Group EBITDA of EUR 491 million, i.e. a year-on-year increase of EUR 61 million or +14.3%. Excluding special items for a total amount of EUR 65 million, the Belgacom Group second-quarter **EBITDA declined by -0.9% on a like-for-like basis**. The improvement from the prior quarter, which showed a -5.0% decline on a like-for-like basis, resulted from the good progress in the Consumer and Business segment results driven by improved revenue trends and lower operating expenses.

- In the second quarter of 2014, **Belgacom invested EUR 245 million**, bringing its total capex to EUR 425 million over the first six months of 2014. This included the capitalisation of the three-year broadcasting rights of Belgian Jupiler Pro league football acquired in June 2014 and continued network and IT investments.

- In the second quarter 2014, **Belgacom generated EUR 272 million in Free Cash Flow (FCF)**, or EUR 225 million more than for the same period of 2013, mainly attributable to cash received from the sale of consolidated companies and buildings as well as to lower income tax payments, partly due to timing differences.

- Belgacom **continued its solid commercial performance in the second quarter 2014**, in spite of an elevated competitive intensity.
  - + 98,000 Mobile Postpaid cards (of which 35,000 free data cards and M2M); total of 3,957,000[1]
  - - 46,000 Mobile Prepaid cards (of which -11,000 Mobisud cards); total of 1,634,000
  - + 30,000[2] Belgacom TV subscriptions, increasing the total TV customer base to 1,525,000
  - + 12,000 Fixed Internet lines, with a total Internet customer base of 1,705,000
  - - 26,000 Fixed Voice lines, with a total Fixed Voice customer base of 2,876,000
  - Good progress in the convergence strategy, strengthening the customer base with 12,000 4-play households to a total of 368,000; +14% versus last year.

Dominique Leroy, CEO of Belgacom:
I'm proud to announce a solid set of results for the second quarter 2014. Thanks to our efforts to increase the overall customer experience and our successful commercial activities, we managed to keep a strong commercial momentum, in spite of an intense competitive environment. Our growing customer base for TV, Internet and especially mobile, combined with our disciplined pricing strategy, resulted in sound topline trends for both the Consumer and Enterprise segments. Furthermore, the implementation of our 'Fit for Growth' strategy is also showing in good cost control, leading to a solid underlying EBITDA for the second quarter. Encouragingly, some first structural cost benefits are being realized, bringing us a step closer to our EBITDA growth objectives in 2016.
An eventful second-half 2014 lies ahead in which we will continue our efforts on enhancing customer experience, network leadership and simplification; and bringing some new commercial opportunities through the acquired broadcasting rights of Jupiler Pro league matches, the partnership with Apple and especially our rebranding to Proximus. With Belgacom's sound business trends and some positive one-offs being higher than expected, we raise our full-year EBITDA expectations and estimate the year-on-year decline to be between '-1% to -2%' compared with 2013.

[1] 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.
[2] Corresponds to total number of set-top boxes: 19,000 new unique TV customers and 11,000 second-stream users.

Analyst conference call

Belgacom will host a conference call for institutional investors and analysts on Friday 1 August 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

- **Revenue trend improvement for Consumer and Business segment, substantial revenue recovery for BICS**
- **Positive evolution in Cost of Sales and Operating expenses**
- **Group EBITDA year-on-year variance improving to -0.9%, like-for-like**
- **Second-quarter Free Cash Flow of EUR 272 million**

Quarterly financials as of page 18

Revenue

	2nd Quarter			Year-to-date		
(EUR million)	**2013**	**2014**	**% Change**	**2013**	**2014**	**% Change**
Consumer Business Unit	567	553	-2.4%	1,120	1,089	-2.7%
Enterprise Business Unit	554	512	-7.6%	1,108	1,051	-5.1%
Service Delivery Engine & Wholesale*	66	60	-9.7%	133	124	-7.4%
Staff & Support	7	64	-	25	71	-
International Carrier Services	413	415	0.5%	829	772	-7.0%
Inter-segment eliminations*	-24	-35	45.0%	-48	-58	22.7%
Total	**1,583**	**1,568**	**-0.9%**	**3,168**	**3,048**	**-3.8%**
Non-recurring income	0	63	-	0	63	-
Total	**1,583**	**1,631**	**3.0%**	**3,168**	**3,111**	**-1.8%**

(*) The 2013 figures have been restated to reflect the allocation of Belgacom wholesale revenues invoiced to Scarlet to the Consumer Business Unit segment. See page 28 for more information.

The Belgacom Group generated in the ***second quarter of 2014*** revenue of EUR 1,568 million, i.e. -0.9% or EUR 15 million below that of the second quarter of 2013. The second-quarter 2014 revenue included a EUR 46 million capital gain on building sales in the framework of Belgacom's network simplification program. This positive impact was, however, nearly offset by the deconsolidation of subsidiaries[1], which reduced the year-on-year variance by EUR -42 million. **On a like-for-like basis, Belgacom's second-quarter Group revenue ended 1.1% lower** than the prior year. The substantial improvement from the previous quarter's[2] revenue variance resulted from a **revenue recovery from Belgacom's International Carrier Services** (BICS) and a further improvement of Belgacom's **core revenue variance to -1.7%[3], like-for-like**. This resulted from a combination of:

- A better **like-for-like second-quarter revenue variance for the Consumer segment of -1.8% year-over-year.** While revenue from Fixed continued to be fairly stable, the revenue variance from Mobile significantly improved, supported by a boost in terminal sales through promotional activities to enhance the Smartphone penetration and price tiering of customers. As anticipated, the Mobile service revenue trend remained stable versus the first quarter 2014, in spite of highly present competitive actions in the market.

- A solid second-quarter 2014 revenue for the **Enterprise segment, limiting its year-on-year decline to -0.6% on a like-for-like basis**. This resulted from a further strong trend improvement for Mobile services revenue, only slightly below that of the same period of 2013. Furthermore, organic revenue from ICT increased, while the revenue trend from Fixed Voice and Fixed Data remained fairly similar to the prior quarter.

- Additional pressure on Carrier Wholesale services revenue due to newly lowered Wholesale roaming tariffs, only partly compensated for by increased volumes. This pushed the year-on-year revenue variance **for Service Delivery Engine & Wholesale** down further to **-9.7%**.

[1] Aggregated impact on revenue from the disposal of Telindus France (May 2014); Scarlet Netherlands (March 2014) and Sahara Net (May 2014), which no longer contributed to the Group revenue.
[2] First-quarter 2014 total Group revenue was down 6% on a like-for-like basis
[3] Like-for-like, the first-quarter 2014 core year-on-year revenue decline was -3%.

Operating expenses

	2nd Quarter			Year-to-date		
(EUR million)	**2013**	**2014**	**% Change**	**2013**	**2014**	**% Change**
Costs of materials and services related to revenue	645	620	-3.8%	1,282	1,195	-6.8%
Personnel expenses and pensions	283	255	-9.6%	572	534	-6.7%
Other operating expenses	225	202	-10.6%	443	416	-6.0%
Total	**1,153**	**1,077**	**-6.6%**	**2,297**	**2,145**	**-6.6%**
Non-recurring expenses	0	-2	-	0	-1	-
Total	**1,153**	**1,074**	**-6.8%**	**2,297**	**2,143**	**-6.7%**

Cost of Sales 3.8% lower versus last year, positively impacted by Telindus France divestment
The Belgacom Group reported EUR 620 million Cost of Sales for the ***second quarter 2014***, 3.8% less compared with the same period of 2013. This was largely the consequence of the deconsolidation of Telindus France as of end April 2014. In addition, the second-quarter 2014 Consumer Cost of Sales continued its positive trend from the last quarters, favorably impacted by lower interconnection costs, the positive impact from the continued focus on cost efficiency, and lowered Mobile Termination Rates in Luxembourg. This was partly offset by higher Cost of Sales in the Enterprise segment and BICS.
Year-to-date June 2014, the Belgacom Group Cost of Sales totaled EUR 1,195 million, 6.8% less than for the comparable period of 2013.

HR expenses benefiting from divestures, special HR items, natural attrition, and the absence of a wage indexation
The Belgacom Group reported EUR 255 million HR expenses for the second quarter of 2014, EUR 27 million or 9.6% less compared with the previous year. The majority of this favorable variance was explained by a divesture-driven reduced headcount of -1,032 FTEs, and a positive net impact from special HR bookings for about EUR 11 million[1]. The above effects excluded, the **HR expenses for the second quarter 2014 decreased by 1.1%, on a like-for-like basis**. This positive evolution results from a natural attrition of -348 FTEs over the past 12 months. Unlike previous years, this was not offset by inflation-based salary indexations.
Over the ***first six months of 2014***, the Belgacom Group recorded EUR 534 million HR expenses, 6.7% lower than the prior year, or -2.2% if excluding specials and divestment impacts.

Number of FTE	**June 2013**	**March 2014**	**June 2014**	**3 months variance**	**12 months variance**
Total	**15,778**	**15,568**	**14,398**	**-1170**	**-1380**

Lower non-HR expenses
In the ***second quarter of 2014***, the Belgacom Group recorded EUR 202 million in non-HR expenses; this is 10.6% less than for the same period of 2013.
About half of the reduced expenses resulted from Belgacom's continued focus on cost efficiency. Additionally, the second quarter 2014 year-on-year variance benefitted from a net positive one-off effect from capitalized[2] outsourced manpower, lower expenses due to the Telindus France divestment and a one-off provision withdrawal following the settlement of a litigation provision. This was only in a limited way offset by additional expenses related to Belgacom's transformation and rebranding program.

Year-to-date June 2014, the non-HR expenses totaled EUR 416 million, 6.0% lower from the prior year.

Non-recurring items[3]

The **non-recurring revenue** of EUR 63 million recognized in the second quarter 2014 includes the gain on the disposal of Group Telindus France[4] (EUR 43 million) and of the mobile remittance activities[5] (EUR 20 million).

A positive **non-recurring expense** of EUR 2 million was recorded in the second quarter of 2014 mainly resulting from a partial settlement of a post-employment benefit plan.

[1] More information on page 24
[2] Year-on-year variance of non-HR expenses, more precisely expenses related to outsourced manpower, was 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] More information on page 19
[4] More information on page 24
[5] More information on page 24

Operating income before depreciation and amortization (EBITDA)

	2nd Quarter			Year-to-date		
(EUR million)	2013	2014	% Change	2013	2014	% Change
Consumer Business Unit*	248	257	3.7%	502	508	1.3%
Enterprise Business Unit	263	258	-1.8%	523	506	-3.3%
Service Delivery Engine & Wholesale*	-36	-27	24.6%	-72	-63	11.8%
Staff & Support	-82	-31	62.6%	-153	-111	27.9%
International Carrier Services	37	34	-8.9%	72	63	-11.7%
Total	**430**	**491**	**14.3%**	**871**	**904**	**3.7%**
Non-recurring income	0	63	-	0	63	-
Non-recurring expenses	0	2	-	0	1	-
Total	**430**	**556**	**29.4%**	**871**	**968**	**11.1%**

(*) 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 second quarter 2014 a **Group EBITDA of EUR 491 million**, before revenue and expenses that have been defined as non-recurring (see previous paragraph). The recurring EBITDA increased year-on-year by EUR 61 million or +14.3% including a net positive impact of EUR 65 million from special items: a EUR 46 million capital gain on building sales, a EUR 11 million net positive impact of HR-related special bookings, a EUR 6 million positive impact from the capitalization alignment on customer installation costs, and a EUR 6 million positive litigation settlement. This was partly offset by the impact from divestures and some additional expenses for the announced company transformation and rebranding, which reduced the EBITDA only in a limited way.

When excluding the above special items, the **Belgacom Group's second-quarter EBITDA declined by -0.9% on a like-for-like basis**. This implies a continued solid trend improvement from the prior quarter, for which a -5.0% EBITDA decline was reported on a like-for-like basis. This sequential enhancement was driven by the Consumer and the Business Segment whose segment results showed good progress in the second quarter, driven by improved revenue trends and lower operating expenses.

Regulatory measures reduced the 2014 second-quarter EBITDA by an estimated amount of EUR -9 million (-2.2%).[1]

Over **the first-half 2014**, the Belgacom Group recorded EUR 904 million EBITDA, before non-recurring items, or +3.7% year-on-year. On a like-for-like basis, the Group EBITDA was -3.0% below that of the same period of 2013.

Depreciation and amortization

The second-quarter 2014 depreciation and amortization totaled EUR 207 million, up by EUR 7 million from the previous year, mainly driven by a higher cumulative acquisition value and a review of the useful life of some assets. This brought the ***year-to-date June 2014*** depreciation and amortization to EUR 403 million.

Net finance cost

For the ***second quarter 2014***, the net finance cost was EUR 4 million down year-over-year to EUR 20 million mainly as a result of a claim-related interest income. Over the ***first half of 2014***, the finance cost of EUR 43 million was 4% below that of the same period of 2013.

Tax expense

The ***second-quarter 2014*** tax expenses of EUR 66 million brought the ***year-to-date June 2014*** total tax expenses to EUR 105 million, representing an effective tax rate of 20.2%. This is below the effective tax rate of 22.4% for the first half of 2013 as result of non-recurring items. 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 251 million for the ***second quarter of 2014***, a EUR 96 million increase compared to the second quarter of 2013 mainly as a result of higher EBITDA, driven by special bookings and non-recurring items, partly offset by higher depreciation and amortisation and higher tax expenses in the second quarter 2014. The net income (Group share) over the ***first six months of 2014*** **totaled EUR 400 million**.

Capital expenditure (capex)

	2nd Quarter			Year-to-date		
(EUR million)	2013	2014	% Change	2013	2014	% Change
Consumer Business Unit	30	77	158.7%	77	95	23.0%
Enterprise Business Unit	3	5	81.8%	6	11	79.1%
Service Delivery Engine & Wholesale	137	153	11.3%	272	301	10.8%
Staff & Support	5	6	15.9%	7	10	28.0%
International Carrier Services	2	4	89.4%	8	8	8.2%
Total	**177**	**245**	**38.3%**	**370**	**425**	**14.8%**

[1] Mainly related to reduced Voice and Data roaming prices since 1 July 2013.

In the second quarter of 2014, Belgacom invested EUR 245 million, bringing its total capex to EUR 425 million over the first six months of 2014. This includes the capitalization of the three-year broadcasting rights of the Belgian Jupiler Pro league football acquired in June 2014. Furthermore, in line with its announced strategy, Belgacom diligently continued its network and IT investments. Through these investments, Belgacom further enhanced the overall customer experience for mobile calling and surfing, across all technologies, maintaining a superior mobile-network quality. In addition, 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

	2nd Quarter			Year-to-date		
(EUR million)	**2013**	**2014**	**% Change**	**2013**	**2014**	**% Change**
Cash flows from operating activities	224	300	34%	495	600	21%
Cash paid for acquisitions of intangible assets and property, plant	-177	-188	-5.9%	-370	-368	-1%
Cash flows from other investing activities	0	160	>-100%	12	158	>100%
Cash flow before financing activities	**47**	**272**	**478%**	**136**	**391**	**187%**
Net cash used in financing activities	-192	-479	>-100%	-119	-225	88%
Net increase / (decrease) of cash and cash equivalents	**-145**	**-207**	**43%**	**17**	**166**	**878%**

In the ***second quarter 2014***, Belgacom generated EUR 272 million in Free Cash Flow (FCF), or EUR 225 million more than for the same period of 2013. Over the ***first six months of 2014*** the Group's Free Cash Flow amounted to EUR 391 million, which is EUR 255 million up versus last year. The higher FCF is mainly the result of lower income tax payments, partly due to timing differences, and higher cash received from the sale of consolidated companies and buildings. The cash paid so far in 2014 for the acquisition of intangible assets and property, plant and equipment was fairly stable to last year. The first payment for the acquired Jupiler Pro League football rights is due in the third quarter 2014.

Balance sheet and shareholders' equity

In April 2014, the Group disposed of Group Telindus France, impacting all balance sheet captions (see page 24 for more information).
Compared to year-end 2013, the goodwill decreased by EUR 28 million as a consequence of this sale.

Intangible fixed assets and property, plant and equipment decreased by EUR 13 million to EUR 3,730 million mainly as a consequence of the disposal of Group Telindus France and buildings partly offset by invested Capex which was higher than the depreciation and amortization.

The shareholders' equity decreased from EUR 2,846 million at year-end 2013 to EUR 2,731 million end-June 2014. This mainly results from the 2013 dividend of EUR 537 million as approved by the General Assembly of April 2014, typically exceeding the net income (Group share) generated over the first six months.

Compared to end-2013, the net financial debt increased by EUR 166 million to EUR 1,981 million per end of June 2014.
Outstanding long-term gross financial debt amounted to EUR 2.5 billion at the same date. In April 2014 a 10-year bond of EUR 600 million was issued .

Regulation and legal update

		Outlook	*Estimated impact*	
Regulation impacts (Decrease in EUR million)		***FY 2014***	**Q1 2014**	**Q2 2014**
MTR	Revenue	*~ € 13m*	€ 3m	€ 4m
	EBITDA	*~ € 6m*	€ 1m	€ 2m
Roaming (i.e. Voice, SMS and Data)	Revenue	*~ € 32m*	€ 5m	€ 7m
	EBITDA	*~ € 32m*	€ 5m	€ 7m
Total	**Revenue**	***~ € 45m***	**€ 8m**	**€ 11m**
	EBITDA	***~ € 38m***	**€ 7m**	**€ 9m**

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) 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 -13 million revenue and EUR -6 million EBITDA. Tango has decided to introduce an appeal against this decision.

International Roaming
The last decrease of the roaming rates under the Roaming III Regulation of 2012 entered into force on 1 July 2014.

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, the obligation on separate selling of roaming services from domestic mobile services entered into force on 1 July 2014. The Roaming III Regulation will expire in principle on 30 June 2022. However, in the meantime, in its package of measures to address the fragmentation of the EU telecoms sector, referred now to as "Connected Continent", the EU Commission has proposed 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 adopted a decree which provides for a tax on mobile telecom equipment of EUR 8,000 per 'site', applicable to all mobile operators for 2014 financial year. The total budget aim of the Walloon Region amounts to EUR 24 million. An additional risk of EUR 24 million exists as the communes have the possibility to levy an additional surcharge of max. EUR 8,000 per site.
Belgacom considers the legality of this tax to be questionable. End of June 2014, an annulment request was filed before the Constitutional Court by all three mobile operators. Belgacom intends to further safeguard its legal rights by disputing every individual enrolment.

Outlook 2014

Taking into account Belgacom's sound business trends, higher than expected positive one-offs recorded in the first-half of 2014, and the company's best estimate for the remainder of the year, the Belgacom Group raises its full-year 2014 EBITDA outlook and expects its **year-on-year EBITDA decline to be limited to '-1% to -2%' compared with 2013**.

The EBITDA guidance takes into account the positive impact from the accounting alignment on customer installation activities applicable as of January 2014, with a full-year impact of about EUR 20 million. By year-end, this will be offset by an exceptional spending for about the same amount related to the company's transformation project and rebranding. The vast majority of the rebranding budget will be spent in the second half of 2014.

For its International Carrier Segment, **BICS,** Belgacom believes the **2014 full-year revenue decline will be limited to '-5% to -10%',** based on the material win backs of voice traffic from key customers in the second quarter 2014. For its core revenue, i.e. BICS excluded, Belgacom reiterates its estimated revenue decline of '-1% to -2%' compared to 2013.

The **2014 full-year capex estimation increases to around EUR 960 million**, mainly reflecting the inclusion of the capitalized three-year broadcasting rights of the Belgian Jupiler Pro league football acquired in June 2014.

Metrics	Reported FY 2013	H1 2014	Initial Guidance FY 2014 (as presented on 28 February 2014)	New Guidance FY 2014 (revised on 1 August 2014)
Group revenue	**6,318**			
Core business (excl. BICS & Telindus FR)	*4,410*	***-0.8%***	*Decline between '-1% and -2%'*	***Decline between '-1% and -2%'***
Telindus France	*242*			
BICS	*1,666*	***-7.0%***	*Decline between '-10% and -15%'*	***Decline between '-5% and -10%'***
Group EBITDA	**1,713**			
Group EBITDA excl. Telindus FR	*1,702*	***4.2%***	*Decline between '-3% and -4%'*	***Decline between '-1% and -2%'***
Telindus France	*11*			
Capex	**972**	**425**	*Around EUR 900 million*	***Around EUR 960 million***

Consumer Business Unit – CBU

- **Continued revenue growth for TV & Internet; expected stable decline in Mobile service revenue**
- **Strong operational performance: further growth of Mobile, TV & Fixed Internet customer base**
- **Segment result trend improved further, driven by better Direct margin and lower costs**
- **Favorable evolution of 4-play households continued: for x-play household reporting detail, see page 12**

P&L Consumer Business Unit

	2nd Quarter			Year-to-date		
(EUR million)	**2013 Restated**	**2014**	**% Change**	**2013 Restated**	**2014**	**% Change**
TOTAL SEGMENT INCOME	**567**	**553**	**-2.4%**	**1,120**	**1,089**	**-2.7%**
Costs of materials and services related to revenue	-158	-146	-7.1%	-299	-280	-6.4%
Personnel expenses and pensions	-87	-82	-6.5%	-176	-168	-4.7%
Other operating expenses	-74	-68	-8.1%	-143	-133	-6.8%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-319**	**-296**	**-7.2%**	**-618**	**-581**	**-6.0%**
TOTAL SEGMENT RESULT (1)	**248**	**257**	**3.7%**	**502**	**508**	**1.3%**
Segment contribution margin	*43.8%*	*46.5%*		*44.8%*	*46.7%*	-
OPERATING INCOME before depreciation & amortization	**248**	**257**	**3.7%**	**502**	**508**	**1.3%**
Depreciation and amortization	-43	-35	-19.4%	-84	-68	-19.1%
OPERATING INCOME	**205**	**223**	**8.6%**	**418**	**441**	**5.4%**

(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 28 for more information.

CBU quarterly financial and operational results: page 20

Revenue

For the second quarter 2014, CBU reported **revenues of EUR 553 million, i.e. 2.4% lower** than for the same period of the previous year. Divestures[1] had a EUR -3 million negative impact on the second-quarter CBU revenue. This excluded, CBU's like-for-like second-quarter revenue showed a -1.8% year-over-year decline, supported by the success of the convergent Packs. Regulatory measures[2] impacted the second-quarter revenue further by an estimated amount of EUR -6 million (-1.0%).

The continued Fixed Voice revenue erosion was compensated for by growing TV and Fixed Internet revenue, resulting in a flat aggregated Fixed revenue.

The total revenue from Mobile, down -1.5%, was supported by higher terminal sales. These sales were driven by promotional activities to enhance the Smartphone penetration and price tiering of customers. Furthermore as expected, CBU's Mobile service revenue trend remained stable versus the first quarter at a -7% decline (this compares to a -14% decline for the same period last year) in spite of the competitive environment.

CBU ended the ***first half of 2014*** with EUR 1,089 million revenue, -2.7% versus the same period of 2013. The impact[1] of divestures excluded, the revenue was 2.4% lower compared to the prior year.

	2nd Quarter			Year-to-date		
(EUR million)	**2013**	**2014**	**% Change**	**2013**	**2014**	**% Change**
Revenues	**567**	**553**	**-2.4%**	**1,120**	**1,089**	**-2.7%**
From Fixed	**264**	**264**	**0.1%**	**526**	**527**	**0.3%**
Voice	103	98	-5.2%	208	197	-5.0%
Internet	89	91	2.3%	175	180	2.5%
TV	66	71	7.1%	131	140	7.5%
Terminals (excl. TV)	6	5	-18.2%	12	10	-20.0%
From Mobile	**230**	**227**	**-1.5%**	**456**	**436**	**-4.3%**
Mobile Services	205	190	-7.0%	402	374	-7.0%
Terminals	25	36	42.5%	54	62	15.4%
From Subsidiaries	**50**	**43**	**-13.9%**	**96**	**88**	**-8.3%**
Scarlet	17	14	-16.4%	34	31	-8.3%
Tango	32	28	-12.6%	62	56	-8.2%
Other	**24**	**20**	**-15.1%**	**43**	**38**	**-10.2%**

[1] Divestment of Scarlet Netherlands, closed in March 2014, and of Sahara Net, closed in May 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.

Line erosion pressured revenue, stable Fixed Voice ARPU; proactive churn management results in slowing customer loss

The second-quarter 2014 Fixed Voice revenue of EUR 98 million was down 5.2% year-over-year. The declining Fixed Voice revenue resulted from the year-on-year line loss and to a lesser extent from the substitution of fixed traffic to mobile. The second quarter ended with a Fixed line erosion of -13,000 lines, an improvement versus the prior quarters driven by lower churn. By end-June 2014, the CBU Fixed Voice customer base totaled 1,602,000 lines. The Fixed Voice ARPU, was stable year-over-year at EUR 20.2.

By ***end-June 2014***, the revenue from Fixed Voice totaled EUR 197 million, i.e. a 5.0% decline compared to last year.

Continued Fixed Internet revenue growth; +11,000 customers added in the quarter

CBU ended the second quarter 2014 with a Fixed Internet revenue of EUR 91 million, i.e. 2.3% higher compared to the same period of the year before. This was mainly driven by the growing customer base. The broadband customer base grew with 11,000 net adds in the traditionally slower second quarter. This brings the total CBU Fixed Internet customer base to 1,261,000 by end-June 2014. The second-quarter Broadband ARPU of EUR 26.3 was slightly down from the same period in 2013 (EUR 26.7) due to increased pack penetration.

Over the ***first six months of 2014***, CBU recorded EUR 180 million, up 2.5% versus the same period last year.

Growing TV revenue through larger TV customer base

The second-quarter 2014 TV revenue grew by 7.1% to EUR 71 million, as a result of the continued subscriber growth. In the second quarter 2014, Belgacom added a solid 30,000 TV subscriptions (i.e. including +11,000 multiple set-top boxes). CBU ended June 2014 with a total TV customer base of 1,525,000, of which 281,000 were multiple streams. The TV ARPU showed a 2.1% growth year-over-year to EUR 19.0.

CBU's TV revenue over the ***first half of 2014*** totaled EUR 140 million, i.e. 7.5% higher than that of the previous year.

Expected stable decline in Mobile service revenue; Mobile customer base growing

For the second quarter of 2014, CBU reported EUR 190 million revenue from Mobile services, down 7.0% year-over-year. This evolution was stable versus the trend seen in the prior quarter and compares to a -14% decline in the same quarter of last year.

Besides the regulatory impact, limited to the reduced Roaming rates (1 July 2013), the stable decline is mainly due to the lower ARPU and declining Prepaid customer base not being offset by the benefits of the growing Postpaid customer base.

Backed by a superior mobile network and attractive mobile pricing, CBU's Postpaid churn levels remained under control in spite of increased competitive pressure. Furthermore, the successful convergent Packs including mobile and the new unlimited Smart 50 offer led to a solid net addition of 48,000 Postpaid cards, of which 25,000 paying, i.e. stable to the prior quarter.

In line with the market evolution seen over the last quarters, the decline of Mobile Prepaid slowed further, especially for the Proximus brand. The total net loss of 45,000 prepaid cards during the second quarter was, however, negatively impacted by the promotion-sensitive Mobisud brand which lost 11,000 cards.

Accordingly, Prepaid and Postpaid combined, CBU's total Mobile customer base grew by 2,000 cards, ending June at a total of 3,566,000 cards.

CBU's mobile Postpaid ARPU[1] for the second quarter 2014 was EUR 26.7, 4.6% lower than the EUR 28.0 for the comparable period of 2013, slightly improving from the decline in the prior quarters.

CBU's mobile Prepaid ARPU for the second quarter 2014 was EUR 12.6, 10.3% lower than the EUR 14.0 for the comparable period of 2013, which is an improvement over the prior quarters as well.

For the ***first six months of 2014***, CBU's Mobile service revenue was EUR 374 million. This is 7.0% lower than for the same period in 2013.

Subsidiaries impacted by divesture and regulation

In the second quarter of 2014, impacted by the divesture of Scarlet Netherlands and Sahara Net, **Scarlet**'s revenue declined to EUR 14 million revenue. Excluding this EUR -3 million divestment impact, Scarlet's positive turnaround continued, backed by Belgacom's multi-brand strategy. This is driven by a good performance of Scarlet's new product portfolio containing a no-frills fixed triple-play offer and mobile postpaid.

For the second quarter of 2014, **Tango** posted a revenue of EUR 28 million, i.e. a 12.6% decline year over year, caused by the regulated MTR decrease. Tango continued to grow its customer base further by 2,500 customers. This growth is due in particular to Tango's successful customer-oriented offers, such as the introduction of 30 days of no-charge roaming included every summer in the Tango Smart and Tango iPhone subscriptions and the discount offers for families.

	2nd Quarter			Year-to-date		
Tango	**2013**	**2014**	**% Change**	**2013**	**2014**	**% Change**
Revenue (in EUR mio) (1)	32	28	-12.6%	62	56	-8.2%
Total active mobile customers (in '000)	274	283	3.2%	274	283	3.2%
Blended mobile net ARPU (EUR/month)	31.1	27.3	-12.0%	30.6	27.4	-10.6%

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

[1] 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 7.1% year-over-year

Second-quarter 2014 Cost of Sales continued the positive trend from the last quarters, ending 7.1% 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.

Cost of Sales decreased 6.4% over ***the first half of 2014*** to EUR 280 million.

HR expenses down 6.5%

HR expenses for the second quarter showed a decrease to EUR 82 million, -6.5 % year-over-year. This was due to the positive impact from a net one-off effect and an accounting alignment within the company for capitalization of network installation activities for customer connections.

Over the ***first six months of 2014***, the HR expenses decreased 4.7% year-over-year to EUR 168 million.

Non-HR expenses down 8.1%

CBU's second-quarter non-HR expenses of EUR 68 million were down 8.1%, 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.

Non-HR expenses over the ***first six months of 2014*** decreased by 6.8% to 133 million.

CBU segment result

For the ***second quarter 2014***, CBU reported a segment result of EUR 257 million, i.e. a year-over-year increase of 3.7%.

The favorable impact from the accounting alignment on capitalized manpower and the positive impact from the net HR one-off effect excluded, CBU's segment result ended on a like-for-like basis -0.6% below the prior year which compares to a -3.0% decline last quarter. This was driven by an improvement in Direct margin and further supported by cost reduction efforts. CBU's segment result included an estimated negative regulation impact of EUR -4 million (-1.5%)[1].

The segment contribution margin was 46.5%, up 2.7 p.p. versus the previous year.

Over the ***first half of 2014***, the reported segment result was EUR 508 million or 1.3 % higher versus 2013.

CBU operating result

	2nd Quarter		
	2013	**2014**	**YoY Variance** (in abs. amount)
FROM FIXED			
Number of access channels (thousands)	2,883	2,863	-20
Voice	1,673	1,602	-71
Broadband	1,210	1,261	52
Traffic (millions of minutes)	988	875	-112
National	696	611	-84
Fixed to Mobile	184	162	-23
International	108	102	-5
TV (thousands)	1,428	1,525	96
Unique customers	1,184	1,244	60
Of which multiple settop boxes	245	281	36
ARPU (EUR)			
ARPU Voice	20.2	20.2	0.0
ARPU broadband	26.7	26.3	-0.3
ARPU Belgacom TV	18.6	19.0	0.4
FROM MOBILE			
Number of active customers (thousands)	3,588	3,566	-22
Prepaid	1,753	1,535	-219
Postpaid	1,835	2,032	197
Among Which Paying cards	1,590	1,691	101
Among Which Free Data Cards	245	341	96
Annualized churn rate (blended - variance in p.p.)			
Prepaid	34.6%	34.3%	
Postpaid	14.8%	14.0%	
Blended	26.5%	25.7%	
Net ARPU (EUR)			
Prepaid	14.0	12.6	-1.4
Postpaid	28.0	26.7	-1.3
Blended	20.6	19.9	-0.7
MoU (min)	109.4	121.3	11.9
SMS (units)	283.0	259.4	-23.6

[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.

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-June 2014, CBU serviced 2,332,000 households, of which 55% are multi-play[3] households, up by 2.5 p.p. from one year ago.

Within the household mix, CBU's convergence success is especially visible in the continued progress it is making in the number of 4-play households, ending the second quarter of 2014 with 368,000 4-play households. This is an increase of 14% or 45,000 households compared to one year ago, of which 12,000 were added in the second 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 1.9% in the second quarter 2014. The average RGU progressed over all X-play households to 2.29 for the second quarter 2014, with the highest increase for 4-play, growing to 4.63 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 households, grew 3.4p.p. versus a year ago to 50.1%.

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 second quarter of 2014. CBU added 21,000 households with Packs; as such, the number of households with at least one Pack totaled 1,035,000 end-June 2014.

The number of single-play households on the other hand is gradually going down mainly as result of the Fixed Voice line erosion. The churn rate of single-play households showed an 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***		
	Q2 2013					***Q2 2014***					***Q2 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	515 *-19*	61	N/A(*)	576 *9*	1,153 *-10*	445 *-15*	66	N/A(*)	549 *-12*	1,060 *-27*	1.16 *0.01*	19.4% *-0.6p.p.*	
2-Play					408 *-8*					390 *-4*	2.04 *0.00*	9.7% *-1.4p.p.*	22.4% *-1.5p.p.*
3-Play					519 *-3*					514 *-1*	3.16 *0.03*	6.4% *-1.9p.p.*	35.5% *4.0p.p.*
4-Play					323 *16*					368 *12*	4.63 *0.08*	1.9% *0.6p.p.*	100.0%
Total					2,403 *-6*					2,332 *-20*	2.29 *0.11*	12.2% *-1.3p.p.*	50.1% *3.4p.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 second quarter 2014, CBU generated EUR 553 million revenue, of which a stable EUR 374 million[4] came from X-play households. Multi-play households contributed for 74% to this revenue, a favorable evolution of 3.2 p.p. from last year. The revenue from 4-play households showed continued growth, ending the second quarter with EUR 113 million, or up by 15.3% from the prior year. This results from the combined favorable evolution of the number of 4-play households together with an average revenue per 4-play household (ARPH) increasing to EUR 103.9.

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

	2nd quarter		**YoY change**	
	2013	2014	€ million	%
Total	**374**	**374**	-	**0.0%**
1-Play	108	96	-12	-11.2%
2-Play	59	56	-3	-5.6%
3-Play	109	109	-	0.4%
4-Play	98	113	15	15.3%

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

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

	2nd quarter		**YoY change**	
	2013	2014	€	%
Total	**51.9**	**53.3**	**1.4**	**2.7%**
1-Play	31.2	29.9	-1.3	-4.3%
2-Play	47.8	47.4	-0.4	-0.9%
3-Play	69.9	70.9	1.0	1.4%
4-Play	103.0	103.9	0.9	0.9%

[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

- **Reported financials impacted by divesture of Telindus France as of May 2014**
- **Like-for-like, revenue variance improved to -0.6% through better Mobile trend and growing organic ICT**
- **Strong Mobile commercial performance continued in second quarter with +45,000 net adds**
- **Segment result trend further improving on better direct margin and lower costs**

P&L Enterprise Business Unit

	2nd Quarter			Year-to-date		
(EUR million)	**2013**	**2014**	**% Change**	**2013**	**2014**	**% Change**
TOTAL SEGMENT INCOME	**554**	**512**	**-7.6%**	**1,108**	**1,051**	**-5.1%**
Costs of materials and services related to revenue	-149	-133	-10.8%	-298	-284	-4.5%
Personnel expenses and pensions	-105	-87	-17.8%	-212	-188	-11.2%
Other operating expenses	-37	-34	-7.2%	-75	-72	-3.8%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-291**	**-254**	**-12.9%**	**-585**	**-545**	**-6.8%**
TOTAL SEGMENT RESULT (1)	**263**	**258**	**-1.8%**	**523**	**506**	**-3.3%**
Segment contribution margin	*47.4%*	*50.4%*	-	*47.2%*	*48.2%*	-
Non-recurring income	-	43	-	0	43	-
Non-recurring expenses	-	0	-	0	-3	-
OPERATING INCOME before depreciation & amortization	**263**	**301**	**14.6%**	**523**	**546**	**4.4%**
Depreciation and amortization	-4	-7	87.3%	-7	-14	102.6%
OPERATING INCOME	**259**	**295**	**13.6%**	**516**	**532**	**3.1%**

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

EBU quarterly financial and operational results: page 22

Revenue

Belgacom's Business segment generated EUR 512 million revenue in the ***second quarter 2014***, 7.6% lower compared to the same period of 2013, largely due to the divestment of Telindus France. **On a like-for-like basis, EBU's revenue decline improved to -0.6%** from a -2.6% decline for the prior quarter. This resulted from better trends in Mobile services revenue, only slightly below that of the same period of 2013, and an increase in organic ICT revenue driven by solid revenue from Belux ICT. The revenue trend from Fixed Voice and Fixed Data remained fairly similar to the prior quarter. Regulatory measures reduced EBU's second-quarter 2014 revenue by an estimated amount of EUR 5 million (-1%).

Year-to-date June 2014, EBU reported EUR 1,051 million revenue, 5.1% lower than for the same period of 2013 or -1.7% on a like-for-like basis.

	2nd Quarter			Year-to-date		
(EUR million)	**2013**	**2014**	**% Change**	**2013**	**2014**	**% Change**
Revenues	**554**	**512**	**-7.6%**	**1,108**	**1,051**	**-5.1%**
From Fixed	**406**	**365**	**-10.1%**	**812**	**764**	**-5.9%**
Voice	116	113	-3.3%	234	226	-3.2%
Data (Internet & Data Connectivity)	96	94	-2.2%	191	188	-2.0%
Terminals (excl. TV)	6	6	-5.8%	12	11	-4.3%
ICT	188	153	-18.5%	375	339	-9.8%
of which Telindus France	*59*	*18*		*118*	*75*	
From Mobile	**144**	**143**	**-0.4%**	**287**	**280**	**-2.4%**
Mobile Services	142	140	-0.8%	283	275	-2.8%
Terminals	2	3	26.0%	4	5	26.5%
Other	**5**	**4**	**-13.1%**	**9**	**7**	**-19.5%**

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.

Stable Fixed Voice revenue decline

For the second quarter 2014, EBU reported EUR 113 million revenue in Fixed Voice, showing a fairly stable decline of 3.3% versus the same period of 2013. The key driver of the revenue decline is a continued Fixed Voice line erosion triggered by companies rationalizing on Fixed line connections. This effect was only partly compensated for by price indexations.

The Fixed Line erosion in the second quarter 2014 was limited to -13,000 lines, bringing the EBU total Fixed Voice Line customer base to 1,264,000 by end-June 2014, a 4.1% line loss on a yearly basis. This was partly compensated for by a somewhat higher second-quarter Fixed Voice ARPU of EUR 29.1, up 1.5% year-over-year, a result of the price indexation.
Year-to-date June 2014, EBU reported EUR 226 million Fixed Voice revenue, 3.2% below that of the preceding year.

Fixed Data revenue impacted by migrations to Explore platform

The second-quarter 2014 revenue from Fixed Data, consisting of Fixed Internet and data connectivity revenue, for a total of EUR 94 million, was 2.2% 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 stable year-on-year, supported by the somewhat higher ARPU of EUR 39.7 (+0.9%) driven by price indexations. In the second quarter 2014, EBU added a stable 1,000 Fixed Internet customers, leading to a total customer base of 443,000, or +0.3% year-on-year.

Year-to-date June 2014, EBU recorded EUR 188 million revenue in Fixed Data, 2.0% lower than for the same period of 2013.

Organic ICT revenue growth of 2.9%

EBU reported EUR 153[1] million ICT revenue, with Telindus France revenue excluded as from May 2014. On a like-for-like basis, EBU's revenue from ICT increased by 2.9%. This resulted from a solid revenue from the Belux ICT activities.

Over the ***first six months of 2014***, the revenue of ICT totaled EUR 339 million, which is 0.7% higher than for 2013, on a like-for-like basis.

Continued improvement in Mobile Service revenue trend: larger mobile customer base, higher roaming volumes and slowing ARPU decline

For the ***second quarter of 2014***, EBU reported EUR 140 million revenue from Mobile services, down 0.8% year-over-year, or EUR -1 million. This is another significant improvement from the first quarter, which showed a 4.7% 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 -5 million.

The continued trend improvement in EBU's Mobile service revenue is the result of a continuously growing mobile customer base, increasing data roaming usage and a general slow-down in the Mobile ARPU decline.

During the second quarter 2014, EBU added 45,000 new mobile cards, due to solid gross adds and a mobile churn level further improving to 9.8%. Of the total net added mobile cards, 32,000 were Mobile Voice and paying data cards, a stable number to the prior quarter (+31,000). Voice cards in particular continued to do 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 13,000 Machine-to-Machine and free Mobile Data cards to its total mobile base.

In aggregate, EBU ended June 2014 with a total of 1,724,000 mobile cards, 11.6% more than end June 2013.

EBU's blended net mobile ARPU[2] for the second quarter 2014 was EUR 33.6, 7.4% lower than for the comparable period of 2013, continuing the year-on-year trend improvement of the previous quarters. The ARPU trend improvement reflects the fading effect from mobile customer re-pricing, higher data roaming volumes, as well as a growing number of customers subscribing to mid- and high-end pricing plans in the installed base through successful acquisition actions in those price segments, and a better retention of high-value customers.

Year-to-date June 2014, EBU generated EUR 275 million revenue from Mobile services, 2.8% less than for the same period of 2013.

EBU operating expenses

Telindus France divesture lowering Cost of Sales

For the second quarter 2014, EBU reported EUR 133 million in Cost of Sales, i.e. 10.8% lower than for the same period of 2013 as a result of the divesture of Telindus France. This impact excluded, the Cost of Sales of EBU were up 4.3% reflecting higher organic ICT sales and Mobile subscriber acquisition costs which led to further strong net customer growth in the second quarter.

Over the ***first half of 2014***, EBU recorded EUR 284 million Cost of Sales, -4.5% compared to same period of 2013.

HR expenses positively impacted by lower headcount, partly linked to divesture, and net one-off effect

EBU's ***second-quarter of 2014*** HR expenses decreased year-on-year by 17.8% to EUR 87 million, including a favorable impact from the Telindus France divesture of as of May 2014. The divesture effect excluded, EBU's HR expenses were down year-on-year as a result of a restructuring in Telindus UK, lower headcount in general and a net one-off effect.

Over the ***first six months of 2014***, the HR expenses of EBU totaled EUR 188 million, -11.2% year-on-year.

Divesture of Telindus France drove lower non-HR expenses for second quarter

For the ***second quarter 2014***, EBU reported EUR 34 million non-HR expenses, 7.2% below that of the same period of 2013, driven by the favorable impact from the Telindus France divesture.

Over the ***first-half 2014***, non HR-expenses totaled EUR 72 million, -3.8% lower year-on-year.

[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.

EBU segment result

EBU's ***second-quarter 2014*** segment result of EUR 258 million was 1.8% lower versus the same period of 2013. On a like-for-like basis EBU's segment result ended 2.3% below that of the prior year. With this, EBU was able to continue its trend improvement from the previous quarters. Regulatory measures reduced EBU's segment result by an estimated amount of EUR 5 million (-2.1%). Regulation aside, EBU's segment result remained stable as the lower year-on-year Direct margin was nearly offset by lower expenses. The reported contribution margin was 50.4%, benefitting from the divesture of the lower-margin business of Telindus France.

The EBU segment result for the ***first half of 2014*** was EUR 506 million for EBU, a 3.3% decrease compared to the previous year.

EBU operating result

	2nd Quarter		
	2013	**2014**	**YoY Variance** (in abs. amount)
FROM FIXED			
Number of access channels (thousands)	1,760	1,707	-53
Voice	1,318	1,264	-55
Broadband	442	443	1
Traffic (millions of minutes)	654	602	-52
National	422	386	-37
Fixed to Mobile	156	149	-7
International	76	67	-8
ARPU (EUR)			
ARPU Voice	28.6	29.1	0.4
ARPU Broadband	39.3	39.7	0.4
FROM MOBILE			
Number of active customers (thousands)	1,545	1,724	179
Among which other than M2M and Free data	1,292	1,391	99
Among which M2M	188	244	56
Among which Free Data Cards	*64*	*89*	24
Annualized churn rate (blended - variance in p.p.)	13.6%	9.8%	
Net ARPU (EUR)			
Postpaid	36.3	33.6	-2.7
MoU (min)	315.8	316.0	0.2
SMS (units)	118.9	129.1	10.2

Service Delivery Engine & Wholesale – SDE&W

P&L Service Delivery Engine & Wholesale

(EUR million)	2nd Quarter 2013 Restated	2nd Quarter 2014	2nd Quarter % Change	Year-to-date 2013 Restated	Year-to-date 2014	Year-to-date % Change
TOTAL SEGMENT INCOME	**66**	**60**	**-9.7%**	**133**	**124**	**-7.4%**
Costs of materials and services related to revenue	-9	-9	-6.1%	-19	-18	-7.6%
Personnel expenses and pensions	-41	-40	-1.0%	-84	-82	-2.3%
Other operating expenses	-52	-38	-27.3%	-102	-87	-14.7%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-102**	**-87**	**-14.9%**	**-205**	**-187**	**-8.9%**
TOTAL SEGMENT RESULT (1)	**-36**	**-27**	**24.6%**	**-72**	**-63**	**11.8%**
Segment contribution margin	*-54.4%*	*-45.4%*	-	*-53.7%*	*-51.2%*	-
OPERATING LOSS before depreciation & amortization	**-36**	**-27**	**-24.6%**	**-72**	**-63**	**-11.8%**
Depreciation and amortization	-116	-127	9.7%	-228	-247	8.1%
OPERATING LOSS	**-152**	**-154**	**-1.6%**	**-300**	**-310**	**-3.3%**

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

Note: the 2013 figures have been restated to reflect the allocation of Belgacom wholesale revenues invoiced to Scarlet to the Consumer Business Unit segment. See page 28 for more information.

SDE&W quarterly financial and operational results: page 23

Revenue

For the second quarter of 2014, SDE&W reported EUR 60 million revenue, a 9.7% year-on-year decline driven by lower Carrier Wholesale Services revenue. The second-quarter 2014 revenue was negatively impacted by new lowered Wholesale roaming tariffs, only partly compensated for by the volume growth for roaming. This continued roaming revenue pressure came on top of the erosion of wholesale broadband lines, leased lines and traffic volumes.

Operating expenses

SDE&W reported EUR 40 million in ***HR expenses*** for the second quarter 2014, down 1% from the previous year on lower headcount. SDE&W's second-quarter 2014 ***non-HR expenses*** were down to EUR 38 million, mainly due to favorable one-off provision reversal. The remaining year-on-year decline resulted from lower external workforce costs and maintenance cost optimization.

Segment result

The segment result of SDE&W showed a favorable year-on-year evolution partly due to the positive impact of a one-off provision reversal. This excluded, SDE&W's segment result improved by 5.4% versus the second quarter of 2013, on like-for-like basis, despite increasingly pressured wholesale revenue.

Staff & Support – S&S

P&L Staff and Support

(EUR million)	2nd Quarter 2013	2nd Quarter 2014	2nd Quarter % Change	Year-to-date 2013	Year-to-date 2014	Year-to-date % Change
TOTAL SEGMENT INCOME	**7**	**64**	**806.1%**	**25**	**71**	**182.4%**
Costs of materials and services related to revenue	-0	1	663.6%	-0	1	954.7%
Personnel expenses and pensions	-38	-35	-9.8%	-78	-72	-8.3%
Other operating expenses	-50	-61	20.6%	-101	-111	10.6%
TOTAL OPERATING EXPENSES before depreciation & amortization	**-89**	**-95**	**6.1%**	**-179**	**-182**	**1.8%**
TOTAL SEGMENT RESULT (1)	**-82**	**-31**	**-62.6%**	**-153**	**-111**	**-27.9%**
Non-recurring expenses	-	2	-	0	5	-
OPERATING LOSS before depreciation & amortization	**-82**	**-28**	**65.6%**	**-153**	**-106**	**31.0%**
Depreciation and amortization	-18	-18	2.9%	-34	-35	3.5%
OPERATING LOSS	**-100**	**-46**	**53.5%**	**-187**	**-141**	**24.8%**

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

S&S quarterly financial results: page 23

For the ***second quarter 2014***, Staff and Support recorded EUR 64 million of revenue including a EUR 46 million capital gain following the completion of building sales planned for 2014 within the network simplification project, and litigation settlement (neutral on segment result). **Like-for-like, the revenue of S&S was stable year-on-year**.

The ***year-to-date June 2014*** revenue of S&S was EUR 71 million. This compares to a lower first-half 2013 revenue of EUR 25 million, because of lower building capital gains, which in 2013 were recorded in the first and last quarter of the year, and the second-quarter 2014 litigation settlement.

The ***HR expenses*** recorded for the second quarter 2014 were 9.8% below those for the comparable period of 2013 mainly as result of a lower personnel base. The ***non-HR expenses*** were impacted by a litigation settlement, which was however neutral on the segment result.

International Carrier Services – BICS

- **Second-quarter volume recovery in Voice traffic resulted in stable year-on-year revenue**
- **Continued growth of Mobile Data revenue**
- **Year-on-year gross margin impacted by loss of the temporary voice traffic to the Asian region**
- **Second-quarter segment result 8.9% lower, EBITDA margin stable at 8.1%**

P&L International Carrier Services

	2nd Quarter			Year-to-date		
(EUR million)	**2013**	**2014**	**% Change**	**2013**	**2014**	**% Change**
TOTAL SEGMENT INCOME	**413**	**415**	**0.5%**	**829**	**772**	**-7.0%**
Costs of materials and services related to revenue	-347	-352	1.4%	-702	-651	-7.4%
Gross margin (1)	*65*	*62*	*-4.4%*	*127*	*121*	*-4.8%*
Personnel expenses and pensions	-11	-12	12.3%	-22	-24	8.2%
Other operating expenses	-18	-17	-5.4%	-33	-34	1.5%
TOTAL SEGMENT RESULT (2)	**37**	**34**	**-8.9%**	**72**	**63**	**-11.7%**
Segment result margin	*8.9%*	*8.1%*	-	*8.6%*	*8.2%*	-
Non-recurring income	-	20	-	0	20	-
OPERATING INCOME before depreciation & amortization	**37**	**53**	**44.1%**	**72**	**83**	**15.6%**
Depreciation and amortization	-20	-20	0.1%	-40	-40	0.4%
OPERATING INCOME	**17**	**33**	**97.0%**	**32**	**43**	**34.7%**

(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 23

Revenue

Compared to the second quarter 2013, BICS reported stable revenue of EUR 415 million revenue. This is a significant trend improvement from the previous quarter (14% down year-on-year), underlining the volatility of part of BICS' business. The recovery from the prior quarter was driven by material win-backs of voice traffic of key customers. As a result, the Voice traffic was particularly high in the second quarter 2014 with Voice volumes up again to 7,259 million (+8.3%).

This positive evolution was, however, more than offset by the effect of EU-wide decreases in Mobile Termination rates, as well as a negative dollar effect. Revenue from Voice therefore totaled EUR 357 million for the second quarter 2014, 1.2% lower than for the comparable period of 2013.

Non-voice revenue continued to show solid growth, up by 13% year-on-year, resulting from a strong 26.4% volume growth.

Year-to-date June 2014, BICS generated EUR 772 million revenue, or 7% less than for the same period of 2013.

	2nd Quarter			Year-to-date		
(EUR million)	**2013**	**2014**	**% Change**	**2013**	**2014**	**% Change**
Voice	362	357	-1.2%	729	662	-9.3%
Non Voice	51	57	13.0%	100	110	9.8%
Total revenues	**413**	**415**	**0.5%**	**829**	**772**	**-7.0%**

Whereas the second quarter revenue remained fairly stable year-on-year, BICS reported 4.4% lower Gross margin versus last year. This mainly reflects the lower volume of higher-margin Voice traffic to the Asian region which BICS temporarily captured in 2013.

The lower Gross margin from Voice was only parly compensated for by the higher non-Voice Gross margin, which increased by 15.1% year-on-year.

	2nd Quarter			Year-to-date		
(EUR million)	**2013**	**2014**	**% Change**	**2013**	**2014**	**% Change**
Voice	38	31	-18.2%	72	59	-17.0%
Non Voice	27	31	15.1%	55	61	11.1%
Total Gross Margin	**65**	**62**	**-4.4%**	**127**	**121**	**-4.8%**

Segment result

BICS' second-quarter 2014 operating expenses slightly increased by 1.4% to EUR 30 million. This results from slightly lower **non-HR expenses** which were more than offset by higher **HR expenses** which amounted to EUR 12 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 and slightly higher operating expenses (HR/Non-HR), BICS' segment result for the second quarter 2014 was down by EUR 3 million (-8.9%), while the EBITDA margin remained stable at 8.1%.

	2nd Quarter			Year-to-date		
Volumes (in million)	**2013**	**2014**	**% Change**	**2013**	**2014**	**% Change**
Voice	6,701	7,259	8.3%	13,968	13,502	-3.3%
Non-Voice (SMS/MMS)	461	583	26.4%	912	1,082	18.6%

Quarterly results

Note that the 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	Q214
Revenues **	**1,586**	**1,583**	**1,568**	**1,582**	**6,318**	**1,480**	**1,568**
Consumer Business Unit	553	567	549	556	2,226	536	553
Enterprise business unit	554	554	533	557	2,198	539	512
Service Delivery Engine & Wholesale*	67	66	66	65	264	64	60
Staff&Support	18	7	10	25	60	7	64
International Carrier Services	417	413	437	401	1,666	357	415
*Intersegment eliminations**	-23	-24	-27	-22	-96	-23	-35
Costs of materials and charges to revenues	**-637**	**-645**	**-636**	**-643**	**-2,561**	**-575**	**-620**
Personnel expenses and pensions	**-290**	**-283**	**-288**	**-282**	**-1,142**	**-278**	**-255**
Other operating expenses	**-218**	**-225**	**-216**	**-244**	**-903**	**-215**	**-202**
EBITDA **	**441**	**430**	**428**	**413**	**1,713**	**412**	**491**
Segment EBITDA margin **	**27.8%**	**27.2%**	**27.3%**	**26.1%**	**27.1%**	**27.8%**	**31.3%**
Non recurring items	**0**	**0**	**1**	**-15**	**-14**	**-1**	**65**
Ebitda after non-recurring items	**441**	**430**	**430**	**398**	**1,699**	**411**	**556**

*Restated
**Before non-recurring items

Group – Capex

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214
Group Capex	**193**	**177**	**176**	**426**	**972**	**179**	**245**
Consumer Business Unit	48	30	26	61	164	18	77
Enterprise business unit	3	3	2	5	13	6	5
Service Delivery Engine & Wholesale	134	137	139	315	725	148	153
Staff&Support	2	5	7	18	33	3	6
International Carrier Services	6	2	3	26	37	4	4

From reported recurring revenue and EBITDA to underlying

	Q113	Q114	Var in %	Q213	Q214	Var in %	2013 Year-to-date	2014	Var in %
GROUP - REVENUE									
Reported	**1,586**	**1,480**	**-6.6%**	**1,583**	**1,568**	**-0.9%**	**3,168**	**3,048**	**-3.8%**
One-offs	-11	0		0	-46		-11	-46	
M&A	-1	0		-42	0		-43	0	
Like-for-like	**1,574**	**1,480**	**-6.0%**	**1,540**	**1,523**	**-1.1%**	**3,114**	**2,992**	**-3.6%**
Regulation		-8			-11			-19	
Underlying	**1,574**	**1,488**	**-5.4%**	**1,540**	**1,534**	**-0.4%**	**3,114**	**3,012**	**-3.3%**
GROUP - EBITDA									
Reported	**441**	**412**	**-6.6%**	**430**	**491**	**14.3%**	**871**	**904**	**3.7%**
One-offs	-5	2		6	-61		1	-59	
M&A	0	0		-2	0		-1	0	
Like-for-like	**436**	**414**	**-5.0%**	**434**	**430**	**-0.9%**	**870**	**845**	**-3.0%**
Regulation		-7			-9			-16	
Underlying	**436**	**421**	**-3.4%**	**434**	**439**	**1.3%**	**870**	**861**	**-1.1%**

- **One-offs impacting EBITDA**: items recorded in recurring revenue or expenses, though are unusual or not directly related to Belgacom's business operations, and which had a significant impact on the year-on-year variance on the Belgacom Group revenue or EBITDA. By excluding these, Belgacom provides a clearer view on the operational-driven trends of the business.

  Capital gains on building sales:
  Belgacom realized gains from the disposal of buildings within the framework of the Network Simplification project. Over the second quarter 2014, these gains amounted to EUR 46 million.

  Special bookings related to HR-expenses
  The second quarter 2014 HR-expenses included special HR-related bookings which had a combined net positive one-off effect of EUR 11 million.[1]

  Accounting alignment on customer installation activities
  The 2014 year-on-year variance of HR and non-HR expenses are positively impacted by an accounting alignment within the company for capitalization of network installation activities for customer connections, applicable as from 1 January 2014. The total impact for 2014 was estimated at about EUR 20 million.

  Exceptional spending over 2014 related to the company's transformation project and rebranding
  Over 2014, Belgacom foresees exceptional spending (mainly opex) of about EUR 20 million to strengthen its competitive position through transformation and boosting its brand image.

  Reversal of provisions related to litigation settlements; for about EUR 6 million in the second quarter 2014.

- **M&A**: aggregated impact on revenue and EBITDA from the disposal of Telindus France (May 2014); Scarlet Netherlands (March 2014) and Sahara Net (May 2014), which no longer contributed to the Group results.
  - The disposal of Telindus France had a EUR -39 million negative impact on EBU's second quarter ICT revenues.
  - The disposal of Scarlet Netherlands and Sahara Net had a combined negative revenue impact of EUR -3 million in the second quarter on CBU's subsidiary Scarlet. Year-to-date, CBU's subsidiary Scarlet had a EUR -4 million revenue impact from these disposals.

Non-recurring items

Belgacom defines income and expenses as non-recurring in the following cases: gains or losses on the disposal of consolidated companies exceeding individually EUR 5 million, fines and penalties imposed by competition authorities or by the regulator exceeding EUR 5 million, costs of employee restructuring programs including actuarial gains and losses, the effect of settlements of post-employment benefit plans with impacts for the beneficiaries.

- The non-recurring revenue of EUR 63 million recognized in the second quarter 2014 includes the gain on the disposal of Group Telindus France (EUR 43 million) and of the mobile remittance activities (EUR 20 million)
- A positive non-recurring expense of EUR 2 million was recorded in the second quarter of 2014 mainly resulting from a partial settlement of a post-employment benefit plan.

[1] For more information see page 24

CBU – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214
Revenues	**553**	**567**	**549**	**556**	**2,226**	**536**	**553**
From Fixed	**262**	**264**	**265**	**265**	**1,055**	**263**	**264**
Voice	104	103	102	101	411	99	98
Internet	87	89	90	89	354	89	91
TV	64	66	67	69	267	70	71
Terminals (excl. TV)	7	6	6	5	23	5	5
From Mobile	**226**	**230**	**218**	**219**	**893**	**209**	**227**
Mobile Services	197	205	193	190	784	183	190
Terminals (excl. TV)	29	25	25	29	109	26	36
Subsidiaries	**46**	**50**	**49**	**51**	**196**	**45**	**43**
Scarlet	17	17	17	18	69	17	14
Tango	29	32	32	33	127	28	28
Other	**19**	**24**	**17**	**22**	**82**	**18**	**20**
Costs of materials and charges to revenues*	**-142**	**-158**	**-132**	**-152**	**-583**	**-134**	**-146**
Personnel expenses and pensions	**-89**	**-87**	**-89**	**-89**	**-354**	**-86**	**-82**
Other operating expenses	**-69**	**-74**	**-65**	**-88**	**-296**	**-65**	**-68**
Segment result*	**254**	**248**	**263**	**227**	**992**	**251**	**257**
Segment Contribution margin*	**45.9%**	**43.8%**	**47.9%**	**40.9%**	**44.6%**	**46.8%**	**46.5%**

*Restated

CBU – Operationals

	Q113	Q213	Q313	Q413	2013	Q114	Q214
FROM FIXED							
Number of access channels (thousands)	**2,895**	**2,883**	**2,872**	**2,870**	**2,870**	**2,866**	**2,863**
Voice	1,693	1,673	1,653	1,634	1,634	1,615	1,602
Broadband	1,203	1,210	1,219	1,235	1,235	1,250	1,261
Traffic (millions of minutes)	**1,086**	**988**	**901**	**971**	**3,945**	**940**	**875**
National	787	696	639	689	2,810	666	611
Fixed to Mobile	190	184	164	174	712	166	162
International	110	108	98	108	423	107	102
TV (thousands)	**1,412**	**1,428**	**1,447**	**1,465 ****	**1,465 ****	**1,495**	**1,525**
Unique Customers	1,170	1,184	1,198	1,204	1,204	1,225	1,244
of which multiple settop boxes	242	245	249	260	260	269	281
ARPU (EUR)							
ARPU Voice	20.1	20.2	20.3	20.3	20.2	20.3	20.2
ARPU broadband	26.3	26.7	26.9	26.4	26.6	26.1	26.3
ARPU Belgacom TV	18.3	18.6	18.7	19.0	18.7	19.0	19.0
FROM MOBILE							
Number of active customers (thousands)***	**3,566**	**3,588**	**3,568**	**3,573**	**3,573**	**3,564**	**3,566**
Prepaid	1,824	1,753	1,695	1,648	1,648	1,580	1,535
Postpaid	1,742	1,835	1,872	1,926	1,926	1,984	2,032
Among Which Paying cards	1,531	1,590	1,608	1,641	1,641	1,665	1,691
Among Which Free Data Cards	211	245	264	285	285	318	341
Annualized churn rate (variance in p.p.)							
Prepaid	41.5%	34.6%	35.4%	35.4%	36.4%	33.4%	34.3%
Postpaid	20.6%	14.8%	13.1%	14.1%	15.7%	14.2%	14.0%
Blended	33.3%	26.5%	26.1%	26.5%	28.0%	25.3%	25.7%
Net ARPU (EUR) *							
Prepaid	13.3	14.0	12.6	12.5	13.1	11.8	12.6
Postpaid	27.2	28.0	27.3	26.6	27.3	25.9	26.7
Blended	19.5	20.6	19.7	19.4	19.8	19.0	19.9
MoU (min)	**102.2**	**109.4**	**108.1**	**110.4**	**107.6**	**112.5**	**121.3**
SMS (units)	**279.8**	**283.0**	**249.2**	**272.3**	**271.4**	**262.1**	**259.4**

*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	Q214
Households per Play - Total (thousands)	**2,409**	**2,403**	**2,378**	**2,359**	**2,359**	**2,352**	**2,332**
1 - Play	**1,163**	**1,153**	**1,124**	**1,099**	**1,099**	**1,087**	**1,060**
Fixed Voice	534	515	498	479	479	460	445
Fixed Internet	62	61	62	63	63	66	66
TV	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mobile Postpaid	567	576	563	556	556	561	549
2 - Play	**417**	**408**	**405**	**401**	**401**	**394**	**390**
3 - Play	**522**	**519**	**516**	**515**	**515**	**515**	**514**
4 - Play	**307**	**323**	**333**	**343**	**343**	**356**	**368**
Revenues per x - play (EUR million)	**366**	**374**	**375**	**369**	**1,484**	**367**	**374**
1 - Play	**108**	**108**	**105**	**100**	**421**	**96**	**96**
2 - Play	**60**	**59**	**59**	**57**	**235**	**56**	**56**
3 - Play	**108**	**109**	**110**	**108**	**434**	**108**	**109**
4 - Play	**91**	**98**	**102**	**104**	**394**	**107**	**113**
Average revenue per x - play household (ARPH) (in EUR)	**50.2 €**	**51.9 €**	**52.3 €**	**51.8 €**	**51.6 €**	**51.9 €**	**53.3 €**
1 - Play	**30.4 €**	**31.2 €**	**30.8 €**	**29.8 €**	**30.6 €**	**29.3 €**	**29.9 €**
2 - Play	**47.3 €**	**47.8 €**	**48.1 €**	**47.2 €**	**47.6 €**	**46.9 €**	**47.4 €**
3 - Play	**68.8 €**	**69.9 €**	**70.6 €**	**69.9 €**	**69.8 €**	**69.6 €**	**70.9 €**
4 - Play	**99.6 €**	**103.0 €**	**103.4 €**	**102.6 €**	**102.2 €**	**101.8 €**	**103.9 €**
Average #RGUs per househould - Total	**2.15**	**2.18**	**2.21**	**2.24**	**2.24**	**2.26**	**2.29**
1 - Play	**1.14**	**1.15**	**1.15**	**1.16**	**1.16**	**1.15**	**1.16**
2 - Play	**2.04**	**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**	**3.16**
4 - Play	**4.52**	**4.55**	**4.57**	**4.60**	**4.60**	**4.61**	**4.63**
Annualized full churn rate (household level) - Total	**16.4%**	**13.5%**	**13.7%**	**13.7%**	**14.3%**	**12.9%**	**12.2%**
1 - Play	**26.0%**	**19.9%**	**19.4%**	**20.3%**	**21.5%**	**20.4%**	**19.4%**
2 - Play	**11.3%**	**11.0%**	**12.3%**	**11.8%**	**11.6%**	**9.4%**	**9.7%**
3 - Play	**7.6%**	**8.3%**	**9.6%**	**8.7%**	**8.6%**	**6.9%**	**6.4%**
4 - Play	**1.2%**	**1.4%**	**1.7%**	**1.7%**	**1.5%**	**2.1%**	**1.9%**
% Convergent households - Total (i.e. % of HH having Mobile + Fixed component)	**45.3%**	**46.7%**	**47.5%**	**48.4%**	**48.4%**	**49.2%**	**50.1%**
1 - Play							
2 - Play	**23.9%**	**23.9%**	**23.6%**	**23.1%**	**23.1%**	**22.7%**	**22.4%**
3 - Play	**30.3%**	**31.5%**	**32.5%**	**33.6%**	**33.6%**	**34.4%**	**35.5%**
4 - Play	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

EBU – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214
Revenue*	**554**	**554**	**533**	**557**	**2,198**	**539**	**512**
From Fixed	**406**	**406**	**391**	**412**	**1,615**	**399**	**365**
Voice	117	116	113	113	460	114	113
Data (Internet & Data Connectivity)	96	96	94	95	380	94	94
Terminals	6	6	6	6	23	6	6
ICT	187	188	178	198	751	185	153
of which Telindus France	*59*	*59*	*59*	*64*	*242*	*57*	*18*
From Mobile	**143**	**144**	**137**	**141**	**565**	**137**	**143**
Mobile Services	141	142	135	137	555	135	140
Terminals	2	2	2	4	10	2	3
Other	**5**	**5**	**5**	**5**	**19**	**3**	**4**
Costs of materials and charges to revenues	**-148**	**-149**	**-146**	**-159**	**-603**	**-151**	**-133**
Personnel expenses and pensions	**-107**	**-105**	**-104**	**-102**	**-418**	**-102**	**-87**
Other operating expenses	**-38**	**-37**	**-38**	**-41**	**-154**	**-38**	**-34**
Segment result	**260**	**263**	**245**	**255**	**1,023**	**248**	**258**
Segment Contribution margin	**47.0%**	**47.4%**	**45.9%**	**45.7%**	**46.5%**	**46.0%**	**50.4%**

*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	Q214
FROM FIXED							
Number of access channels (thousands)	**1,781**	**1,760**	**1,746**	**1,732**	**1,732**	**1,719**	**1,707**
Voice	1,338	1,318	1,305	1,292	1,292	1,277	1,264
Broadband	444	442	441	441	441	442	443
Traffic (millions of minutes)	**695**	**654**	**592**	**630**	**2,571**	**641**	**602**
National	457	422	382	410	1,672	416	386
Fixed to Mobile	161	156	140	151	607	153	149
International	77	76	69	70	292	72	67
ARPU (EUR)							
ARPU Voice	28.5	28.6	28.2	28.5	28.5	29.1	29.1
ARPU Broadband	39.0	39.3	39.5	39.2	39.3	39.3	39.7
FROM MOBILE							
Number of active customers (thousands)*	**1,512**	**1,545**	**1,584**	**1,615**	**1,615**	**1,679**	**1,724**
Among which other than M2M and Free data	1,272	1,292	1,318	1,328	1,328	1,359	1,391
Among which M2M	184	188	196	211	211	236	244
Among which Free Data Cards	56	64	70	76	76	83	89
Annualized churn rate (blended - variance in p.p.)	**14.2%**	**13.6%**	**10.0%**	**10.4%**	**11.9%**	**11.4%**	**9.8%**
Net ARPU (EUR)**							
Postpaid	36.8	36.3	34.1	34.2	35.3	33.0	33.6
MoU (min)	**310.2**	**315.8**	**290.9**	**311.1**	**306.8**	**313.0**	**316.0**
SMS (units)	**117.7**	**118.9**	**113.1**	**125.3**	**119.0**	**126.8**	**129.1**

*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

**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	Q214
Revenues*	**67**	**66**	**66**	**65**	**264**	**64**	**60**
Costs of materials and charges to revenues*	**-10**	**-9**	**-9**	**-10**	**-38**	**-9**	**-9**
Personnel expenses and pensions	**-43**	**-41**	**-43**	**-40**	**-167**	**-42**	**-40**
Other operating expenses	**-50**	**-52**	**-51**	**-50**	**-202**	**-49**	**-38**
Segment result*	**-36**	**-36**	**-37**	**-34**	**-143**	**-36**	**-27**

*Restated

SDE&W – Retail Operationals and MVNO customers

	Q113	Q213	Q313	Q413	2013	Q114	Q214
FROM FIXED							
Number of access channels (thousands)							
Voice (1)	10	10	10	10	10	10	10
Broadband (1)	1	1	1	1	1	1	1
FROM MOBILE							
Number of active Mobile customers (thousands)							
Retail (1)	8	7	9	9	9	10	10
MVNO	5	7	7	6	6	6	7

(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	Q214
Revenues	**18**	**7**	**10**	**25**	**60**	**7**	**64**
Costs of materials and charges to revenues	**0**	**0**	**0**	**0**	**0**	**0**	**1**
Personnel expenses and pensions	**-40**	**-38**	**-40**	**-40**	**-157**	**-37**	**-35**
Other operating expenses	**-50**	**-50**	**-50**	**-50**	**-201**	**-50**	**-61**
Segment result	**-71**	**-82**	**-80**	**-65**	**-298**	**-80**	**-31**

ICS – Financials

(EUR million)	Q113	Q213	Q313	Q413	2013	Q114	Q214
Revenues	**417**	**413**	**437**	**401**	**1,666**	**357**	**415**
Costs of materials and charges to revenues	**-355**	**-347**	**-370**	**-340**	**-1,412**	**-298**	**-352**
Personnel expenses and pensions	**-11**	**-11**	**-12**	**-12**	**-45**	**-11**	**-12**
Other operating expenses	**-16**	**-18**	**-17**	**-18**	**-69**	**-17**	**-17**
Segment result	**35**	**37**	**38**	**31**	**140**	**30**	**34**
Segment EBITDA margin	**8.3%**	**8.9%**	**8.6%**	**7.7%**	**8.4%**	**8.3%**	**8.1%**

ICS – Operationals

Volumes (in million)	Q113	Q213	Q313	Q413	2013	Q114	Q214
Voice	**7,267**	**6,701**	**7,287**	**6,872**	**28,127**	**6,243**	**7,259**
Non-Voice (SMS/MMS)	**451**	**461**	**540**	**512**	**1,964**	**499**	**583**

Interim Condensed Consolidated Financial statements

These interim financial statements have been subject to a limited review by the independent auditor.

Basis of preparation

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.

Accounting policies

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 a very limited impact.

Judgments and estimates

The Group does not make any significant judgments and estimates other than those mentioned here under or in the 31 December 2013 consolidated financial statements.

Significant events or transactions

On 30 April 2014, Belgacom disposed 100% of the shares in the Group Telindus France to Vivendi for EUR 86 million net of cash disposed of and recognized a gain on disposal of EUR 43 million (through non-recurring income).

In April 2014, Belgacom International Carrier Services, a subsidiary controlled by the Group, contributed its mobile remittance activity into a new company,”HomeSend” and sold part of the acquired shares to MasterCard for a consideration of EUR 13 million. The Group recognized a gain of EUR 20 million (through non-recurring income) as a consequence of the sale and the re-measurement of the retained available-for-sale investment in HomeSend.

In May 2014, the Group acquired, via its fully owned subsidiary Belgacom Bridging ICT, 100% of the shares of Clearmedia. The purchase price allocation has not yet been performed as at 30 June 2014. Therefore, goodwill has been provisionally determined at EUR 2 million.

Over the second quarter 2014, the Group disposed property, plant and equipment (mainly buildings within the framework of the network simplification project) for EUR 63 million, leading to net gains amounting EUR 46 million (recorded in other operating income).

Over the second quarter 2014, the Group recognised a net positive one-off effect of EUR 11 million on the “personnel expenses and pensions” as a result of:

> <u>A positive EUR 11 million one-off liability release following a change in law on child allowance:</u>
> Belgacom had a legal obligation to pay child allowances to active and non-active civil servant beneficiaries. In the second quarter 2014, a law was published, transferring this obligation to the Belgian state, without any impact for the beneficiaries, and bringing the payment of child allowance for civil servants in line with contractual employees. Following the transfer of this obligation, Belgacom’s social security contribution for civil servants will increase by 1.4% as of 2015. In consequence of this settlement, Belgacom released the related liability in the second quarter 2014.
>
> <u>A positive EUR 10 million payment from the Belgian State with respect to retired statutory employees:</u>
> The transfer of the statutory pension liability to the Belgian State in 2003 was coupled with an increased employer social security contribution for civil servants as from 2004 and included an annual compensation mechanism. The latter did not generate material impacts until the second quarter 2014, when Belgacom received EUR 10 million with respect to 2013 retirees. The Group accounting policy is to recognize the income when it becomes virtually certain and can be reliably measured.
>
> <u>A negative EUR 10 million re-measurement of the liability component of the past long term incentive plans as a result of the recent Belgacom share price evolution.</u>

In April 2014, the Group issued a 10 year bond of EUR 600 million.

As decided by the General Assembly of April 2014, the Group distributed EUR 537 million dividends to its shareholders.

Consolidated income statements

(EUR million)	2nd Quarter 2013	2014	% Change	Year-to-date 2013	2014	% Change
Net revenue	1,570	1,512	-4%	3,135	2,981	-5%
Other operating income	12	56	357%	34	68	101%
Non-recurring income (*)	0	63	-	0	63	-
TOTAL INCOME	**1,583**	**1,631**	**3%**	**3,168**	**3,111**	**-2%**
Costs of materials and services related to revenue	-645	-620	-4%	-1,282	-1,195	-7%
Personnel expenses and pensions	-283	-255	-10%	-572	-534	-7%
Other operating expenses	-225	-202	-11%	-443	-416	-6%
Non-recurring expenses (*)	0	2	-	0	1	-
TOTAL OPERATING EXPENSES before depreciation & amortization	**-1,153**	**-1,074**	**-7%**	**-2,297**	**-2,143**	**-7%**
OPERATING INCOME before depreciation & amortization	**430**	**556**	**29%**	**871**	**968**	**11%**
Depreciation and amortization	-200	-207	3%	-392	-403	3%
OPERATING INCOME	**230**	**350**	**52%**	**479**	**565**	**18%**
Finance income	4	10	126%	9	14	44%
Finance costs	-29	-30	5%	-54	-57	5%
Net finance costs	**-24**	**-20**	**-17%**	**-45**	**-43**	**-4%**
Share of loss on associates	0	-1	-	0	-1	-
INCOME BEFORE TAXES	**205**	**329**	**60%**	**435**	**521**	**20%**
Tax expense	-44	-66	49%	-97	-105	8%
NET INCOME	**161**	**263**	**63%**	**337**	**416**	**23%**
Non-controlling interests	6	12	107%	11	16	44%
Net income (Group share)	155	251	62%	326	400	23%
Basic earnings per share	0.49 EUR	0.78 EUR	61%	1.02 EUR	1.25 EUR	22%
Diluted earnings per share	0.49 EUR	0.78 EUR	61%	1.02 EUR	1.25 EUR	22%
Weighted average number of ordinary shares	318,592,778	319,716,137	0%	318,539,012	319,507,015	0%
Weighted average number of ordinary shares for diluted earnings per share	318,770,870	320,515,575	1%	318,789,623	320,278,482	0%

*Belgacom defines income and expenses as non-recurring in the following cases: gains or losses on the disposal of consolidated companies exceeding individually EUR 5 million, fines and penalties imposed by competition authorities or by the regulator exceeding EUR 5 million, costs of employee restructuring programs including actuarial gains and losses, the effect of settlements of post-employment benefit plans with impacts for the beneficiaries.

Consolidated statements of other comprehensive income

(EUR million)	As of 30 June 2013	As of 30 June 2014
Net income	**337**	**416**
Other comprehensive income:		
Items that may be reclassified to profit and loss		
Cash flow hedges:		
Gain/(loss) taken to equity	-6	4
Total before related tax effects	**-6**	**3**
Related tax effects		
Cash flow hedges:		
Gain/(loss) taken to equity	2	-1
Income tax relating to items that may be reclassified	**2**	**-1**
Items that may be reclassified to profit and loss, net of related tax effects	**-4**	**2**
Total comprehensive income	**333**	**417**
Attributable to:		
Equity holders of the parent	322	402
Non-controlling interests	11	16

Consolidated balance sheets

	As of 31 December	As of 30 June
(EUR million)	**2013**	**2014**
ASSETS		
NON-CURRENT ASSETS	**6,254**	**6,222**
Goodwill	2,320	2,294
Intangible assets with finite useful life (*)	1,185	1,160
Property, plant and equipment	2,558	2,570
Investments in associates	6	3
Other participating interests	6	12
Deferred income tax assets	105	87
Other non-current assets	74	96
CURRENT ASSETS	**2,163**	**2,152**
Inventories	163	140
Trade receivables	1,289	1,200
Current tax assets	137	111
Other current assets	148	170
Investments	60	9
Cash and cash equivalents	355	521
Assets classified as held for sale	11	0
TOTAL ASSETS	**8,417**	**8,373**
LIABILITIES AND EQUITY		
EQUITY	**3,042**	**2,909**
Shareholders' equity	**2,846**	**2,731**
Issued capital	1,000	1,000
Treasury shares	-527	-506
Restricted reserve	100	100
Remeasurement reserve	-51	-49
Stock compensation	13	11
Retained earnings	2,310	2,174
Foreign currency translation	1	0
Non-controlling interests	**196**	**178**
NON-CURRENT LIABILITIES	**2,865**	**3,385**
Interest-bearing liabilities	1,950	2,549
Liability for pensions, other post-employment benefits and termination benefits	473	425
Provisions	204	184
Deferred income tax liabilities	128	118
Other non-current payables	111	109
CURRENT LIABILITIES	**2,511**	**2,079**
Interest-bearing liabilities	316	2
Trade payables	1,320	1,262
Tax payables	132	126
Other current payables	731	688
Liabilities associated with assets classified as held for sale	13	0
TOTAL LIABILITIES AND EQUITY	**8,417**	**8,373**

*This includes amongst others the capitalised amount reflecting the estimated cost of intangible assets acquired with different pricing structure over time, including the fixed and estimated variable consideration at acquisition date. When the carrying amount of the financial liability is subsequently re-measured the cost of the asset is adjusted. The cost of such intangible assets is amortized over the contract period.

Consolidated cash flow statements

(EUR million)	2nd Quarter 2013	2nd Quarter 2014	Year-to-date 2013	Year-to-date 2014
Cash flow from operating activities				
Net income	161	263	337	416
Adjustments for:				
Depreciation and amortization on intangible assets and property, plant and equipment	200	207	392	403
Increase of impairment on intangible assets and property, plant and equipment	0	0	1	0
Decrease of provisions	0	-18	0	-20
Deferred tax expense	7	9	14	8
Impairment on participating interests	1	0	1	0
Loss from investments accounted for using the equity method	0	1	0	1
Fair value adjustments on financial instruments	-3	-2	-6	-4
Loans amortization	1	2	3	3
Gain on disposal of consolidated companies and remeasurement of previously held interest	0	-62	0	-62
Gain on disposal of other participating interests and enterprises accounted for using the equity method	0	-1	0	-1
Gain on disposal of property, plant and equipment	0	-45	-11	-45
Other non-cash movements	-3	11	-1	12
Operating cash flow before working capital changes	**366**	**363**	**730**	**711**
Decrease / (increase) in inventories	0	-4	-13	8
Decrease in trade receivables	57	7	12	39
Decrease / (increase) in current income tax assets	-1	0	2	-1
Decrease / (increase) in other current assets	24	0	-35	-63
Increase / (decrease) in trade payables	-34	8	-50	-82
Decrease in income tax payables	-139	-41	-131	-6
Increase / (decrease) in other current payables	-29	-6	21	41
Decrease in net liability for pensions, other post-employment benefits and termination benefits	-21	-28	-42	-46
Decrease in working capital, net of acquisitions and disposals of subsidiaries	**-142**	**-64**	**-235**	**-111**
Net cash flow provided by operating activities	**224**	**300**	**495**	**600**
Cash flow from investing activities				
Cash paid for acquisitions of intangible assets and property, plant and equipment	-177	-188	-370	-368
Cash paid for acquisition of consolidated companies, net of cash acquired	0	-1	0	-1
Cash received from sales of consolidated companies, net of cash disposed of	0	98	0	96
Cash received from sales of intangible assets and property, plant and equipment	0	63	12	64
Net cash used in investing activities	**-177**	**-28**	**-359**	**-209**
Cash flow before financing activities	**47**	**272**	**136**	**391**
Cash flow from financing activities				
Dividends paid to shareholders	-536	-542	-538	-545
Dividends / capital paid to non-controlling interests	-38	0	-38	-33
Net sale of treasury shares	8	12	14	20
Net sale of investments	26	51	22	50
Decrease of shareholders' equity	-3	0	-4	0
Issuance of long term debt	100	597	249	597
Repayment of long term debt	-2	0	-3	0
Issuance of short term debt	253	-597	177	-314
Net cash used in financing activities	**-192**	**-479**	**-119**	**-225**
Net increase / (decrease) of cash and cash equivalents	**-145**	**-207**	**17**	**166**
Cash and cash equivalents at 1 January	202	355	202	355
Cash and cash equivalents at 30 June	219	521	219	521

Consolidated statements of changes in equity

(EUR million)	Issued capital	Share premium	Treasury shares	Restricted reserve	Available for sale and hedge reserve	Foreign currency translation	Stock Compen-sation	Retained Earnings	Share'rs' Equity	Non-controlling interests	Total Equity
Balance at 31 December 2012 - restated	**1,000**	**0**	**-551**	**100**	**0**	**1**	**14**	**2,317**	**2,881**	**211**	**3,093**
Fair value changes in cash flow hedges - acquired during the year	*0*	*0*	*0*	*0*	*-4*	*0*	*0*	*0*	*-4*	*0*	*-4*
Equity changes not recognised in the income statement	0	0	0	0	-4	0	0	0	-4	0	-4
Net income	0	0	0	0	0	0	0	326	326	11	337
Total comprehensive income and expense	**0**	**0**	**0**	**0**	**-4**	**0**	**0**	**326**	**322**	**11**	**333**
Dividends to shareholders (relating to 2012)	0	0	0	0	0	0	0	-535	-535	0	-535
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	0	-38	-38
Treasury shares											
Exercise of stock options	0	0	8	0	0	0	0	-1	7	0	7
Sale of treasury shares under a discounted share purchase plan	0	0	6	0	0	0	0	-2	4	0	4
Stock options											
Amortization deferred stock compensation	0	0	0	0	0	0	1	0	1	0	1
Exercise of stock options	0	0	0	0	0	0	-1	1	0	0	0
Total transactions with equity holders	**0**	**0**	**14**	**0**	**0**	**0**	**0**	**-538**	**-523**	**-38**	**-561**
Balance at 30 June 2013	**1,000**	**0**	**-537**	**100**	**-4**	**1**	**14**	**2,106**	**2,680**	**185**	**2,865**
Balance at 31 December 2013	**1,000**	**0**	**-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*	*0*	*2*	*0*	*0*	*0*	**2**	*0*	*2*
Equity changes not recognised in the income statement	0	0	0	0	2	0	0	0	**2**	0	2
Net income	0	0	0	0	0	0	0	400	**400**	16	416
Total comprehensive income and expense	**0**	**0**	**0**	**0**	**2**	**0**	**0**	**400**	**402**	**16**	**417**
Dividends to shareholders (relating to 2013)	0	0	0	0	0	0	0	-537	**-537**	0	-537
Dividends of subsidiaries to non-controlling interests	0	0	0	0	0	0	0	0	**0**	-33	-33
Treasury shares											
Exercise of stock options	0	0	20	0	0	0	0	-1	**20**	0	20
Stock options											
Amortization deferred stock compensation	0	0	0	0	0	0	1	0	**1**	0	1
Exercise of stock options	0	0	0	0	0	0	-2	2	**0**	0	0
Total transactions with equity holders	**0**	**0**	**20**	**0**	**0**	**0**	**-2**	**-535**	**-517**	**-33**	**-550**
Balance at 30 June 2014	**1,000**	**0**	**-506**	**100**	**-49**	**0**	**11**	**2,174**	**2,731**	**178**	**2,909**

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 are set out in the tables below:

2013 Reported

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
			Six months ended 30 June 2013				
Net revenue	1,107	1,102	115	3	807		3,135
Other operating income	11	4	2	16	1		34
Intersegment income	1	2	32	6	21	-63	-
TOTAL SEGMENT INCOME	**1,120**	**1,108**	**149**	**25**	**829**	**-63**	**3,168**
Costs of materials and services related to revenue	-313	-297	-20	-0	-702	52	-1,282
Personnel expenses and pensions	-174	-212	-87	-78	-22	-	-572
Other operating expenses	-142	-75	-103	-101	-33	11	-443
TOTAL OPERATING EXPENSES before depreciation & amortization	**-629**	**-584**	**-210**	**-179**	**-758**	**63**	**-2,297**
TOTAL SEGMENT RESULT (1)	**491**	**524**	**-61**	**-153**	**72**	**-0**	**871**
Depreciation and amortization	-84	-7	-228	-34	-40	0	-392
OPERATING INCOME / (LOSS)	**407**	**517**	**-289**	**-187**	**32**	**-0**	**479**
Finance expense (net)							-45
INCOME BEFORE TAXES							**435**
Tax expense							-97
NET INCOME							**337**
Non-controlling interests							11
Net income (Group share)							326

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

2013 Restated

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
			Six months ended 30 June 2013				
Net revenue	1,107	1,102	115	3	807	-	3,135
Other operating income	11	4	2	16	1	-	34
Intersegment income	1	2	16	6	21	-48	-
TOTAL SEGMENT INCOME	**1,120**	**1,108**	**133**	**25**	**829**	**-48**	**3,168**
Costs of materials and services related to revenue	-299	-298	-19	-0	-702	36	-1,282
Personnel expenses and pensions	-176	-212	-84	-78	-22	-	-572
Other operating expenses	-143	-75	-102	-101	-33	11	-443
TOTAL OPERATING EXPENSES before depreciation & amortization	**-618**	**-585**	**-205**	**-179**	**-758**	**47**	**-2,297**
TOTAL SEGMENT RESULT (1)	**502**	**523**	**-72**	**-153**	**72**	**-0**	**871**
Depreciation and amortization	-84	-7	-228	-34	-40	0	-392
OPERATING INCOME / (LOSS)	**418**	**516**	**-300**	**-187**	**32**	**-0**	**479**
Finance expense (net)							-45
INCOME BEFORE TAXES							**435**
Tax expense							-97
NET INCOME							**337**
Non-controlling interests							11
Net income (Group share)							326

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

(EUR million)	Consumer Business Unit	Enterprise Business Unit	Service Delivery Engine & Wholesale	Staff & Support	International Carrier Services	Inter-segment eliminations	Total
			Six months ended 30 June 2014				
Net revenue	1,078	1,044	104	3	751		2,981
Other operating income	9	4	2	51	1		68
Intersegment income	2	3	18	17	20	-58	-
TOTAL SEGMENT INCOME	**1,089**	**1,051**	**124**	**71**	**772**	**-58**	**3,048**
Costs of materials and services related to revenue	-280	-284	-18	1	-651	37	-1,195
Personnel expenses and pensions	-168	-188	-82	-72	-24	0	-534
Other operating expenses	-133	-72	-87	-111	-34	21	-416
TOTAL OPERATING EXPENSES before depreciation & amortization	**-581**	**-545**	**-187**	**-182**	**-708**	**58**	**-2,145**
TOTAL SEGMENT RESULT (1)	**508**	**506**	**-63**	**-111**	**63**	**-0**	**904**
Non-recurring income	-	43	-	-	20	-	**63**
Non-recurring expenses	-0	-3	-	5	-	-	**1**
OPERATING INCOME / (LOSS) before depreciation & amortization	**508**	**546**	**-63**	**-106**	**83**	**-0**	**968**
Depreciation and amortization	-68	-14	-247	-35	-40	0	-403
OPERATING INCOME / (LOSS)	**441**	**532**	**-310**	**-141**	**43**	**-0**	**565**
Finance expense (net)							-43
Share of gain/ (loss) on associates							-1
INCOME BEFORE TAXES							**521**
Tax expense							-105
NET INCOME							**416**
Non-controlling interests							16
Net income (Group share)							400

(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 30 June 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 30 June 2014 and the fair value hierarchy:

As of 30 June 2014 (EUR million)	**Category according to IAS 39 (1)**	**Carrying amount**	**Fair value**	**Level**
ASSETS				
Non-current assets				
Other participating interests	AFS	11.7	11.7	
Other non-current assets				
Derivatives held-for-hedging	HeAc	0.9	0.9	Level 1
Other derivatives	FVTPL	38.7	38.7	Level 2
Non-current investments	HTM	0.0	0.0	
Other financial assets	LaR	39.5	39.5	
Current assets				
Trade receivables	LaR	1,200.4	1,200.4	
Other current assets				
VAT and other receivables	LaR	62.4	62.4	
Derivatives held-for-hedging	HeAc	0.9	0.9	Level 1
Other derivatives	FVTPL	0.4	0.4	Level 1
Investments	AFS	4.1	4.1	Level 1
Investments	HTM	5.3	5.3	
Cash and cash equivalents				
Fixed income securities	HTM	310.0	310.0	
Short-term deposits	LaR	211.1	211.1	
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities				
Unsubordinated debentures not in a hedge relationship	OFL	2,513.9	2,692.6	Level 2
Leasing and similar obligations	OFL	3.3	3.3	
Other derivatives	FVTPL	31.5	31.5	Level 2
Non-interest-bearing liabilities				
Derivatives held-for-hedging	HeAc	0.8	0.8	Level 1
Other non-current payables	OFL	108.2	108.2	
Current liabilities				
Interest-bearing liabilities, current portion				
Leasing and similar obligations	OFL	2.0	2.0	
Interest-bearing liabilities				
Other loans	OFL	0.2	0.2	
Trade payables	OFL	1,262.4	1,262.4	
Other current payables				
Derivatives held-for-hedging	HeAc	1.7	1.7	Level 1
Other derivatives	FVTPL	0.4	0.4	Level 1
V.A.T. and other amounts payable	OFL	340.8	340.8	

(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 30 June 2014 for similar debentures with the same remaining maturities.

Contingent liabilities

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 October 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. Meetings between the experts and parties are taking place and documents are being exchanged as requested by the experts.
- Belgacom and Base Company (KPN Group) have agreed to terminate all the litigations in connection with the Happy Time tariff scheme. The case before the Court of Appeal was formally withdrawn through judgment of 27 May 2014. The procedure to withdraw the cases pending before the Commercial Court and the Court of Appeal is ongoing.
- In the (tax) litigation concerning the tax residence of a Luxembourg subsidiary for the amount of EUR 69 Mio excluding interests, the Court of Brussels decided in June 2014 in favor of Belgacom. The tax authorities have the right to appeal against this decision.
- In December 2013, the Walloon government adopted a decree which provides for a tax on mobile telecom equipment of EUR 8,000 per 'site', applicable to all mobile operators for the 2014 financial year. The total budget aim of the Walloon Region amounts to €24 mio. An additional risk of € 24 mio exists as the communes have the possibility to levy an additional surcharge of max. € 8,000 per site. Belgacom considers the legality of this tax to be questionable. An annulment request has been filed before the Constitutional Court by all three mobile operators, end of June 2014. Belgacom intends to further safeguard its legal rights by disputing every individual enrolment.
- Since 2003, Belgacom considers some enrolments of real estate tax on telecom equipment as undue and therefore recognizes an asset against the tax authorities in the 'current tax assets' caption for an amount of EUR 82 million at 30 June 2014 (with a related liability of EUR 20 million).

Post balance sheet events

There are no events that occurred after 30 June 2014 that have not been reflected in the interim financial statements.

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 (subject to change)

1 October 2014	Start of quiet period ahead of Q3 2014 results
24 October 2014	Announcement of Q3 2014 results
19 January 2015	Start of quiet period ahead of Q4 2014 results
27 February 2015	Announcement of Q4 2014 results
13 April 2015	Start of quiet period ahead of Q1 2015 results
8 May 2015	Announcement of Q1 2015 results
6 July 2015	Start of quiet period ahead of Q2 2015 results
31 July 2015	Announcement of Q2 2015 results
5 October 2015	Start of quiet period ahead of Q3 2015 results
30 October 2015	Announcement of Q3 2015 results

For further information

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