

# Belgacom Presentation

## Q2 2014 results

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# Cautionary Statement

"This communication might include some forward-looking statements, without limitation, regarding Belgacom's financial or operational results, certain strategic plans or objectives, macro-economic trends, regulation, future market conditions and other risk factors. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside Belgacom's control. Therefore the actual future results may differ materially from those expressed in or implied by the statements.

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# Group Financials

**Executive summary – slide 4**

**Group Revenue – slide 5**

**Mobile Service Revenue slide 6**

**Operating expenses – slide 7**

**EBITDA – slide 8**

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**FCF – slide 10**

**Financial Position – slide 11**

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**P&L – slide 13**

**Balance sheet – slide 14**



# Strong Q2 financials: solid business performance and positive special items

€ 1,568 m  
REVENUE\*

- Group revenue -0.9% versus Q2'13
- Excluding capital gain on building sales and divesture impacts -1.1% like-for-like:
  - better Core Group revenue to -1.7% YoY
  - BICS revenue recovery to +0.5% YoY

€ 491 m  
EBITDA\*

- Group EBITDA: +14.3% YoY
- Ex. Special items for € 65m, -0.9% like-for-like
- good progress in the Consumer and Business segment results driven by improved revenue trends and lower operating expenses

€ 245 m  
Capex

- capitalisation of the acquired 3-yr broadcasting rights of the Belgian Jupiler Pro League football
- Network and IT investments as foreseen in Belgacom's strategy

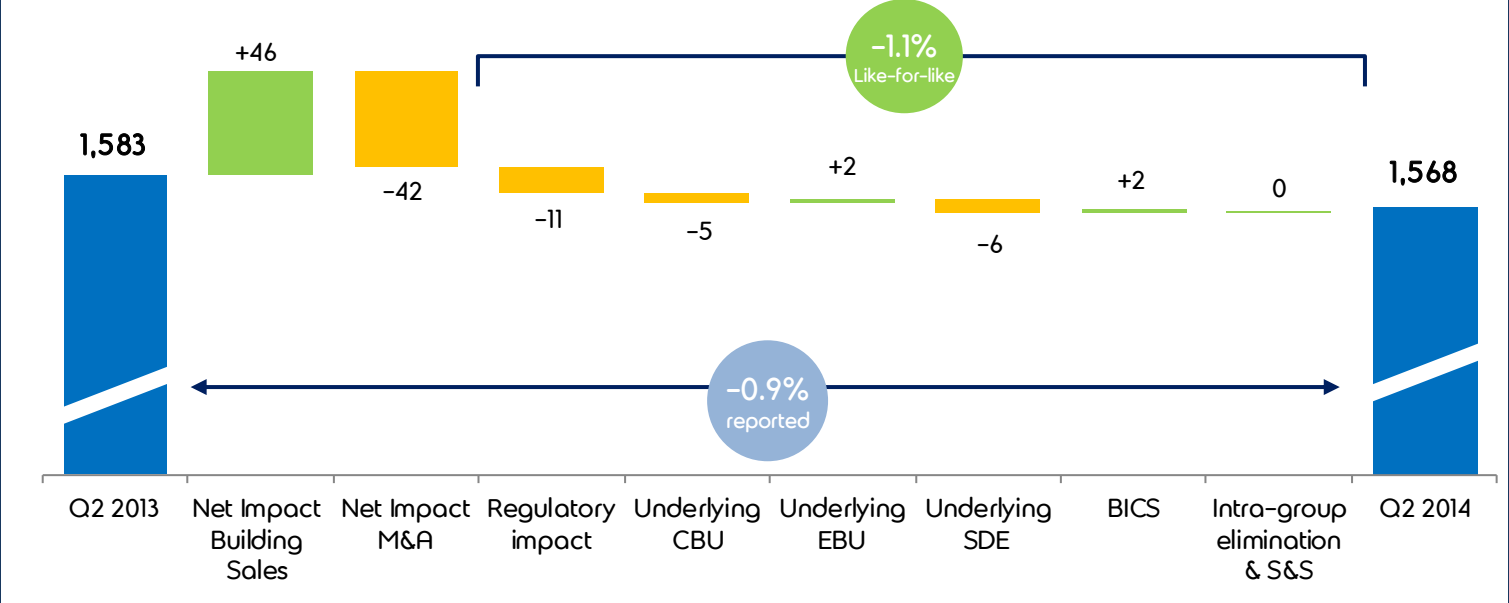
€ 272 m  
FCF

- € 225m more than for the same period of 2013
- mainly due to: sale of consolidated companies, building sales, lower income tax payments (timing differences).

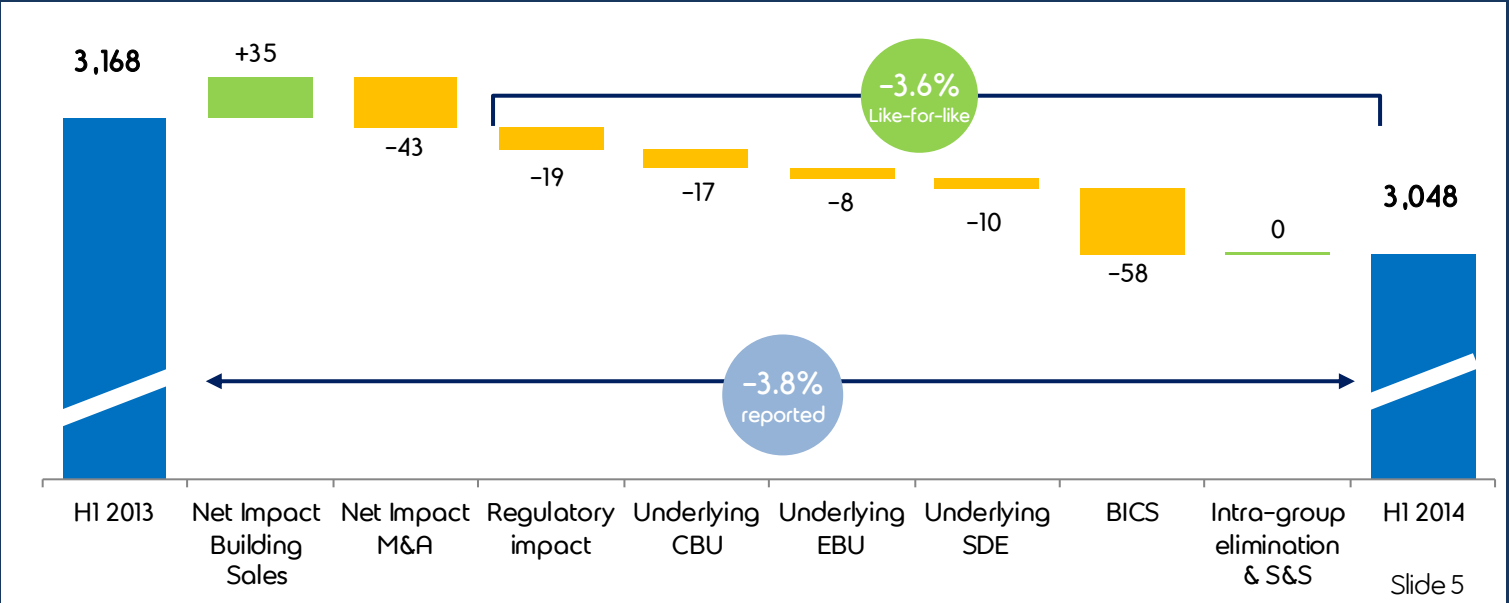
# Q2 Group revenue reflecting trend improvement for CBU & EBU, like-for-like. BICS revenue stable YoY



**Q2**  
**2014**  
(in mio €)



**H1**  
**2014**  
(in mio €)



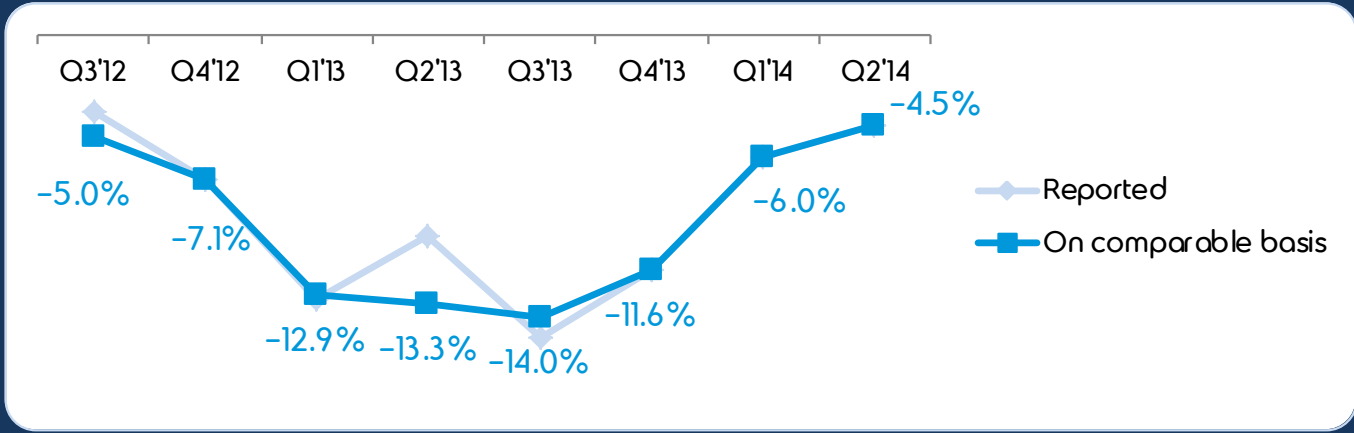
# Group mobile service revenue trend improving on continued Mobile recovery



- ✓ +169,000 Mobile customers added YoY in total
- ✓ Churn levels under control:
  - EBU Mobile churn @ 9.8% in Q2'14
  - CBU Mobile churn @ 25.7% in Q2'14, Postpaid @ 14.0%
- ✓ Increased data usage
- ✓ Improving customers tiering
- ✓ Fading impact from re-pricing continued

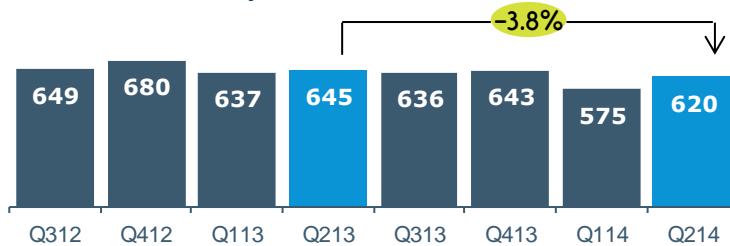


CBU  
&  
EBU



# Implementation of 'Fit for Growth' strategy showing in good cost control

Quarterly Cost of Sales (€ million)

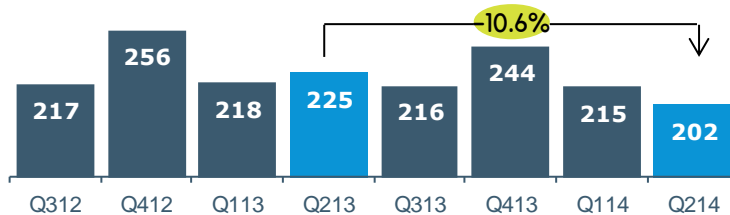


- Deconsolidation of Telindus France

Consumer Segment favorably impacted by :

- continued focus on cost efficiency
- lower interconnection costs
- lowered Mobile Termination Rates in Luxbrg
- Partly offset by higher CoS within EBU and BICS

Quarterly Non-HR expenses (€ million)

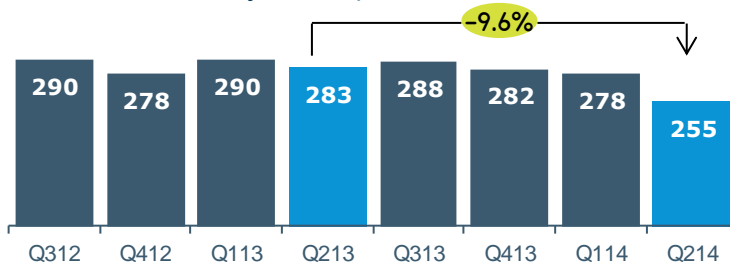


- About half of the decline comes from cost efficiency efforts

Additional support from:

- Telindus France divestment
- One-off provision withdrawal following the settlement of litigation provision

Quarterly HR expenses (€ million)



- HR expenses down -1.1% like-for-like in Q2'14

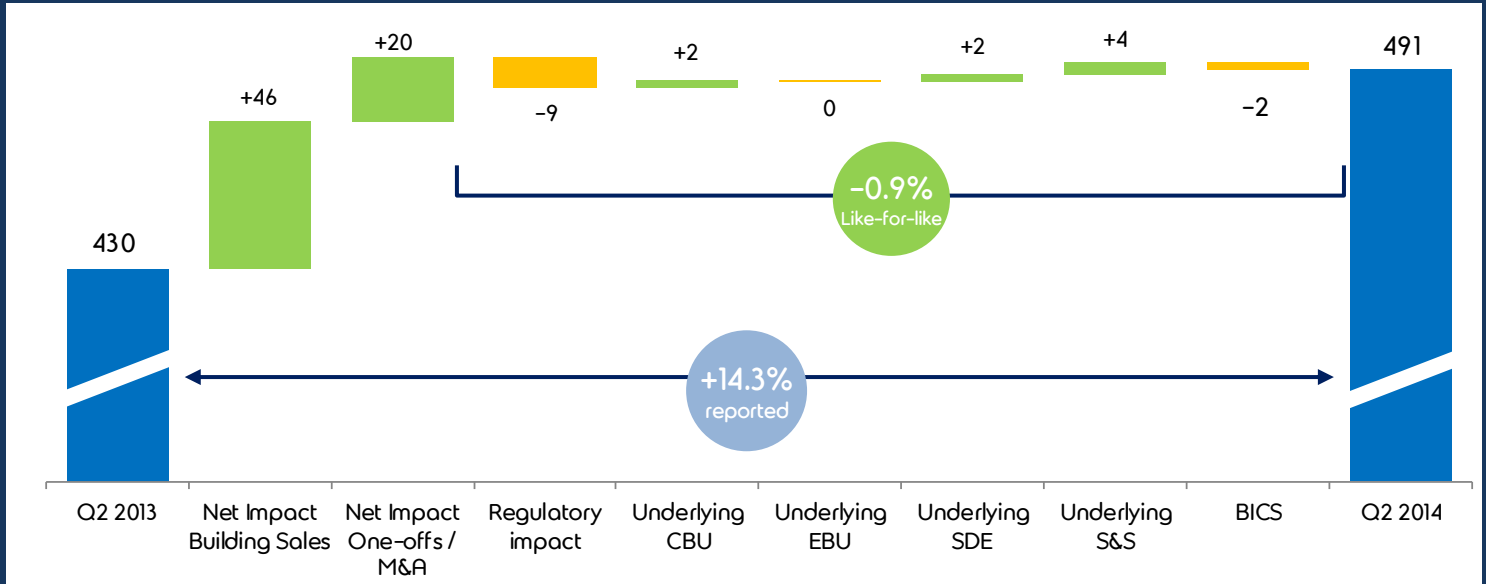
Additional support from:

- divesture-driven decline of -1,032 FTEs
- net positive HR one-off effect
- accounting alignment of capitalized manpower

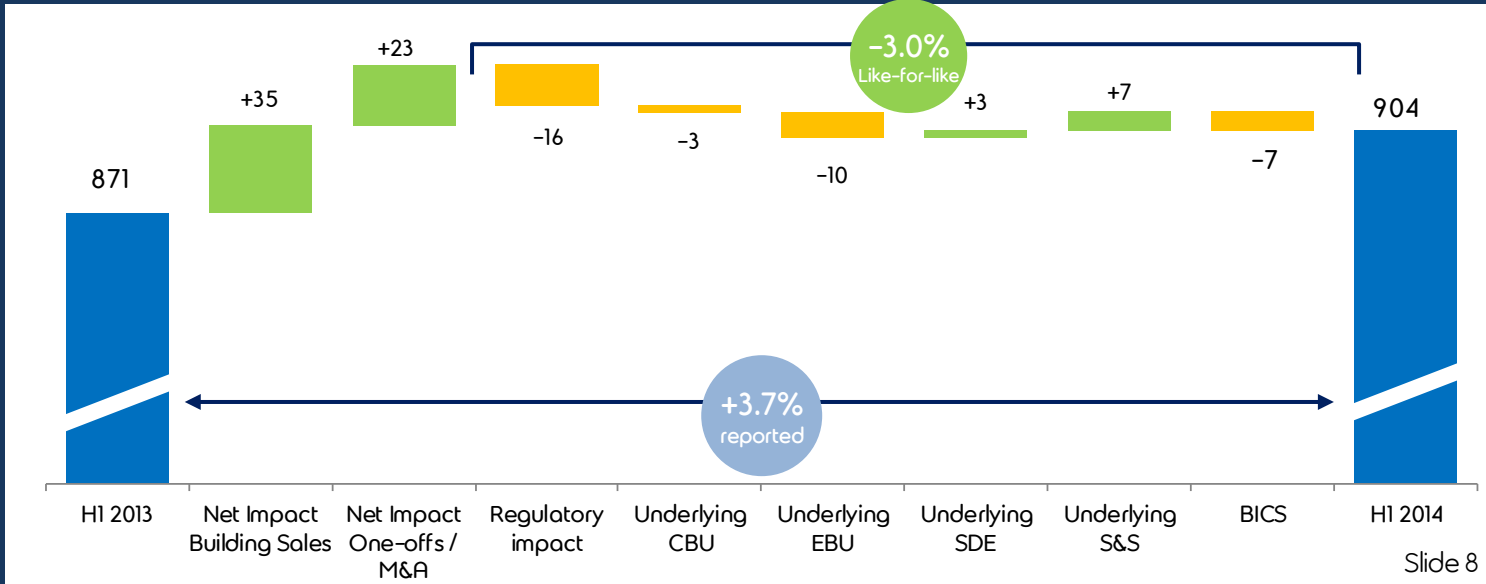
# Group Ebitda benefitting from building sales and improving underlying trend for CBU and EBU



**Q2**  
**2014**  
(in mio €)



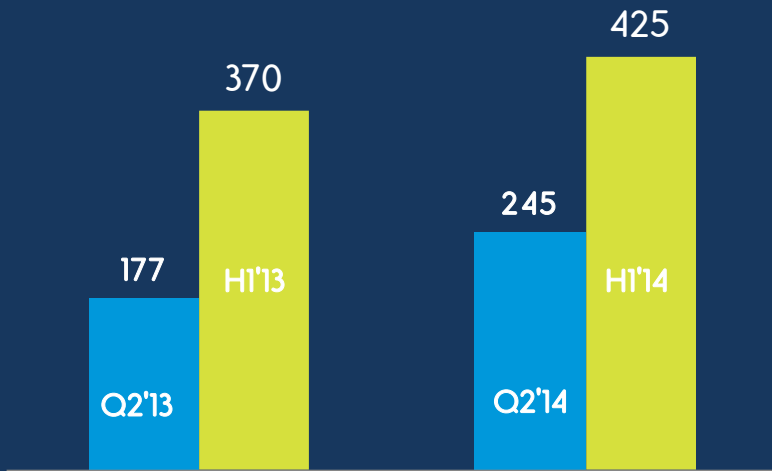
**H1**  
**2014**  
(in mio €)





# € 425 million invested so far in 2014

3-year Belgian football broadcasting rights recorded as capex in Q2



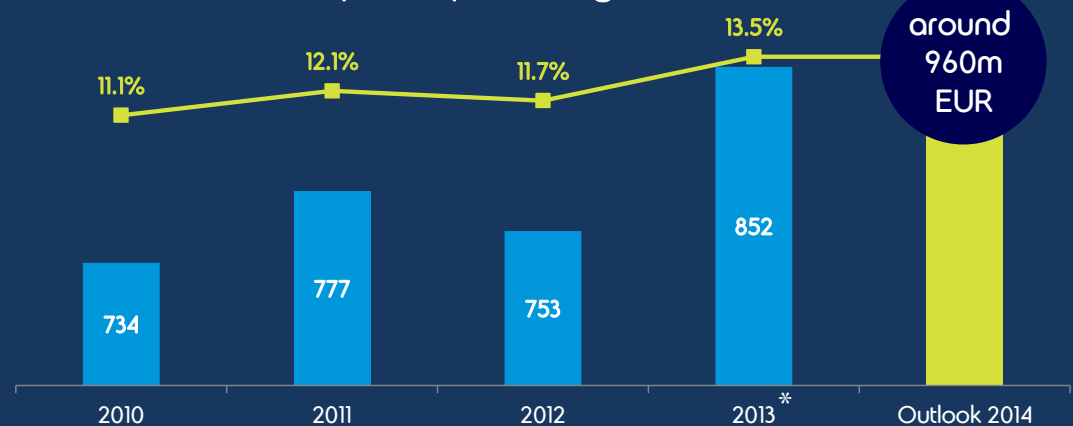
Q2'14 investments € 68m higher YoY :

- Accelerated network & IT investments in line with announced Network and Simplification strategy
- Capitalisation of the acquired 3-year broadcasting rights of the Belgian Jupiler Pro League football

FY 2014 capex to be around € 960m:

- Access networks
  - IT and systems
  - Convergence services
  - Brand image
- and includes Belgian Jupiler Pro League football

Group Capex (in € mio)  
capex as percentage of revenue



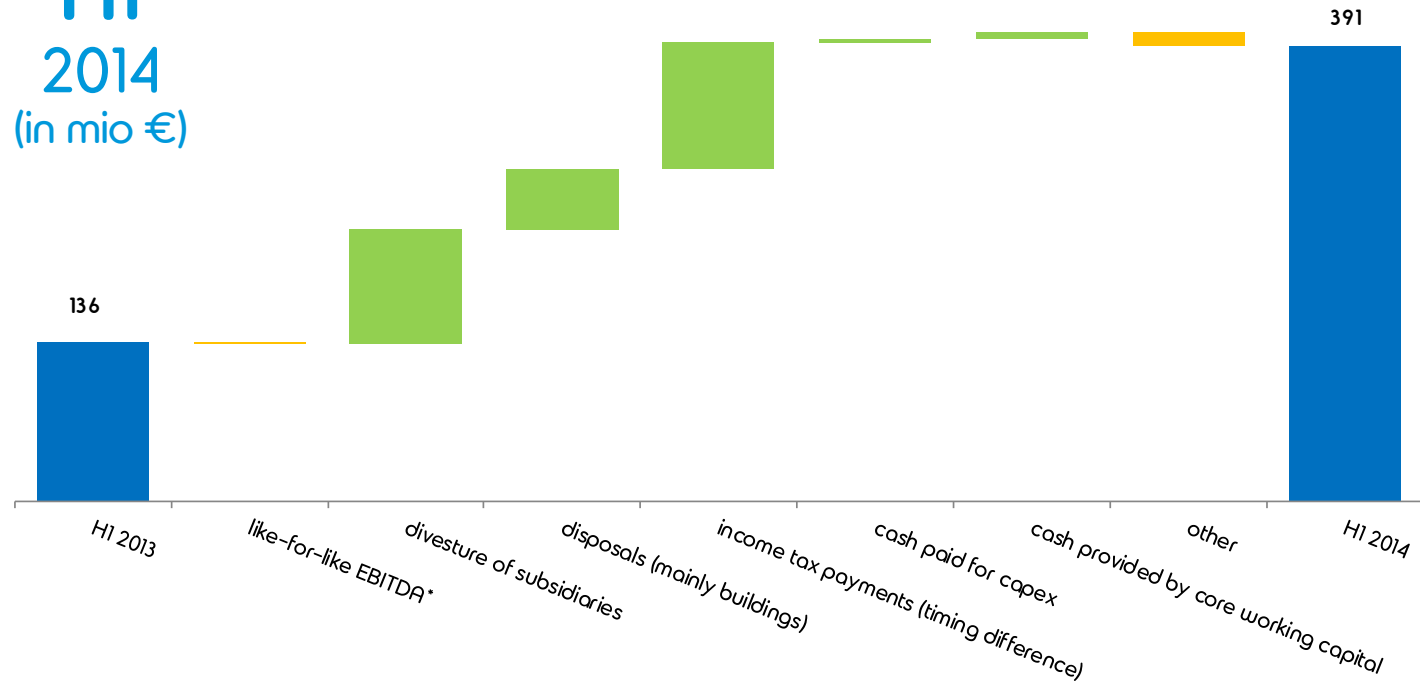
\*This does not include the € 120 mio capex paid for a 800 Mhz spectrum

# Q2'14 FCF of € 272m; bringing ytd June '14 FCF to € 391m

Belgacom generated € 391 m of FCF in H1'14, or € +255 m YoY. Main drivers for the FCF increase are :

- cash received from the sale of consolidated companies
- cash received from the sale of buildings
- lower income tax payments (including timing differences)

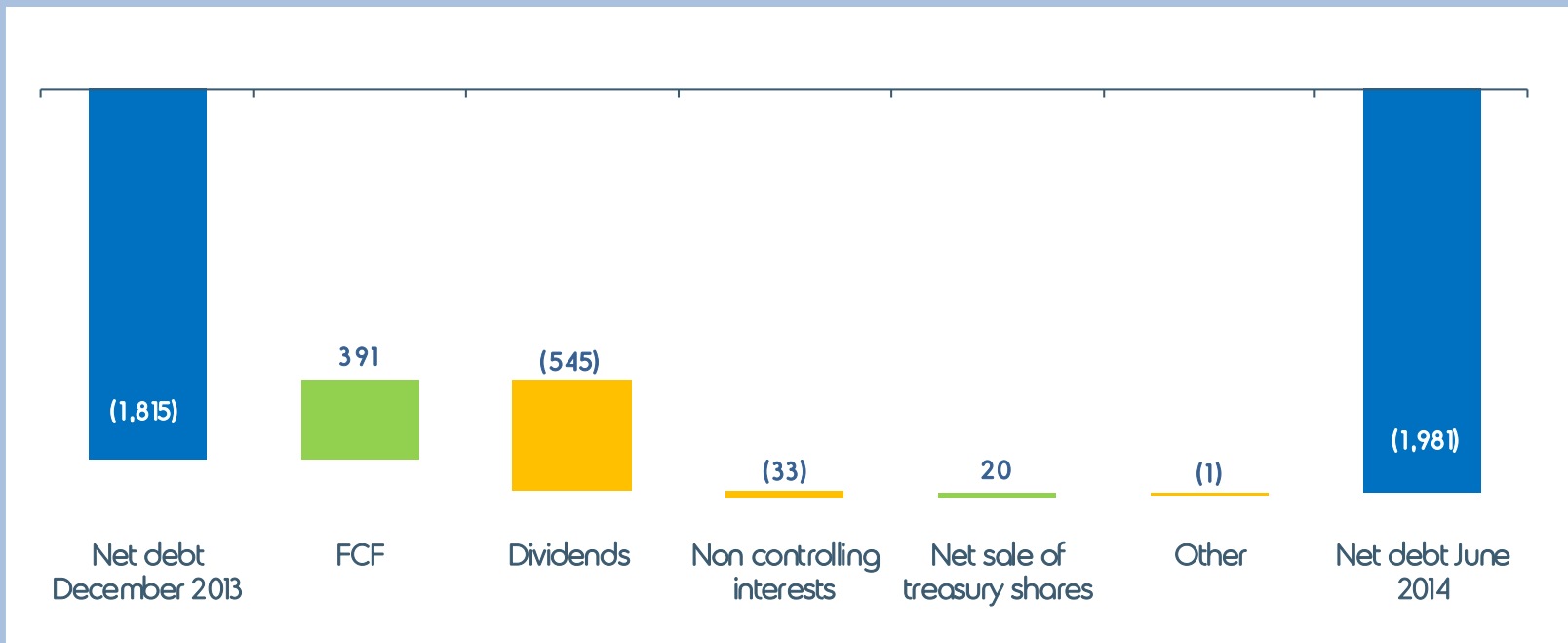
**H1**  
**2014**  
(in mio €)



\* Excluding non-recurring and non-cash related items

# Sound financial position

- Net financial debt at € 1,981m, € 166m higher versus end 2013
- The outstanding long term financial gross debt amounted to € 2.5Bio
- Credit ratings: Standard & Poor's A; Moody's A1 – both stable outlook



# FY'14 EBITDA expectations raised on sound business trends and some higher than expected positive one-offs in H1'14

	Reported FY '13	Reported H1 '14	Initial Guidance FY '14	New Guidance FY '14
<b>Group revenue</b>	<b>6,318</b>			
<i>Core business (excl. BICS &amp; Telindus FR)</i>	4,410	-0.8%	Decline between -1% and -2%	Decline between -1% and -2%
<i>Telindus France</i>	242			
<i>BICS</i>	1,666	-7.0%	Decline between -10% and -15%	Decline between -5% and -10%
<b>Group EBITDA</b>	<b>1,713</b>			
<i>Group EBITDA excl. Telindus FR</i>	1,702	+4.2%	Decline between -3% and -4%	Decline between -1% and -2%
<i>Telindus France</i>	11			
Capex		€ 425m	Around € 900 m	Around € 960 m

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.

# Group – quarterly P&L

in mio €	Q113	Q213	YTD- Jun	Q313	Q413	FY13	Q114	Q214	YTD- Jun	VAR Q2/Q2	VAR YTD	
	Restated											
<b>Revenues (1)</b>	<b>1,586</b>	<b>1,583</b>	<b>3,168</b>	<b>1,568</b>	<b>1,582</b>	<b>6,318</b>	<b>1,480</b>	<b>1,568</b>	<b>3,048</b>	<b>-0.9%</b>	<b>-3.8%</b>	
<b>Total OPEX</b>	-1,144	<b>-1,153</b>	-2,297	-1,140	-1,168	-4,605	-1,068	<b>-1,077</b>	-2,145	<b>-6.6%</b>	<b>-6.6%</b>	
Costs of materials and charges to revenues	-637	-645	-1,282	-636	-643	-2,561	-575	-620	-1,195	-3.8%	-6.8%	
Personnel expenses and pensions	-290	-283	-572	-288	-282	-1,142	-278	-255	-534	-9.6%	-6.7%	
Other operating expenses	-218	-225	-443	-216	-244	-903	-215	-202	-416	-10.6%	-6.0%	
<b>EBITDA (1)</b>	<b>441</b>	<b>430</b>	<b>871</b>	<b>428</b>	<b>413</b>	<b>1,713</b>	<b>412</b>	<b>491</b>	<b>904</b>	<b>14.3%</b>	<b>3.7%</b>	
EBITDA margin (1)	27.8%	27.2%	27.5%	27.3%	26.1%	27.1%	27.8%	31.3%	29.6%			
<b>Non recurring items</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>-15</b>	<b>-14</b>	<b>-1</b>	<b>65</b>	<b>64</b>	<b>-</b>	<b>-</b>	
Depreciation	-192	-200	-392	-197	-193	-782	-196	-207	-403	3.3%	2.8%	
<b>EBIT (incl. NR)</b>	<b>250</b>	<b>230</b>	<b>479</b>	<b>232</b>	<b>206</b>	<b>917</b>	<b>215</b>	<b>350</b>	<b>565</b>	<b>52.2%</b>	<b>17.9%</b>	
Financial result	-20	-24	-45	-27	-24	-96	-23	-20	-43	-16.6%	-3.7%	
Tax expense	-53	-44	-97	-44	-29	-170	-40	-66	-105	48.6%	8.2%	
<b>Net income (Group)</b>	<b>171</b>	<b>155</b>	<b>326</b>	<b>156</b>	<b>148</b>	<b>630</b>	<b>149</b>	<b>251</b>	<b>400</b>	<b>61.5%</b>	<b>22.5%</b>	
Non-controlling interest	5	6	11	6	4	22	4	12	16	-	-	
<b>Earnings/share in €</b>	<b>0.54</b>	<b>0.49</b>	<b>1.02</b>	<b>0.49</b>	<b>0.47</b>	<b>1.98</b>	<b>0.47</b>	<b>0.78</b>	<b>1.25</b>	<b>60.0%</b>	<b>22.2%</b>	
Earnings/share in € (excl. NR)	0.54	0.49	1.02	0.49	0.51	2.02	0.47	0.61	1.09	25.1%	6.1%	

(1) before non-recurring items

# Belgacom consolidated balance sheet

	As of 31 December	As of 30 June
(EUR million)	2013	2014
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>	<b>6,254</b>	<b>6,222</b>
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
<b>CURRENT ASSETS</b>	<b>2,163</b>	<b>2,152</b>
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
<b>TOTAL ASSETS</b>	<b>8,417</b>	<b>8,373</b>
<b>LIABILITIES AND EQUITY</b>		
<b>EQUITY</b>	<b>3,042</b>	<b>2,909</b>
<b>Shareholders' equity</b>	<b>2,846</b>	<b>2,731</b>
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
<b>Non-controlling interests</b>	<b>196</b>	<b>178</b>
<b>NON-CURRENT LIABILITIES</b>	<b>2,865</b>	<b>3,385</b>
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
<b>CURRENT LIABILITIES</b>	<b>2,511</b>	<b>2,079</b>
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
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,417</b>	<b>8,373</b>

All balance sheet captions impacted by disposal of Group Telindus France:

- Decrease of goodwill by € 28m
- Intangible fixed assets & property, plant & equipment decreased € 13m

Shareholders' equity decreased from € 2,846m end 2013 to € 2,731m end June 2014. This mainly results from the 2013 dividend payment of € 537m typically exceeding the net income generated over H1'14.



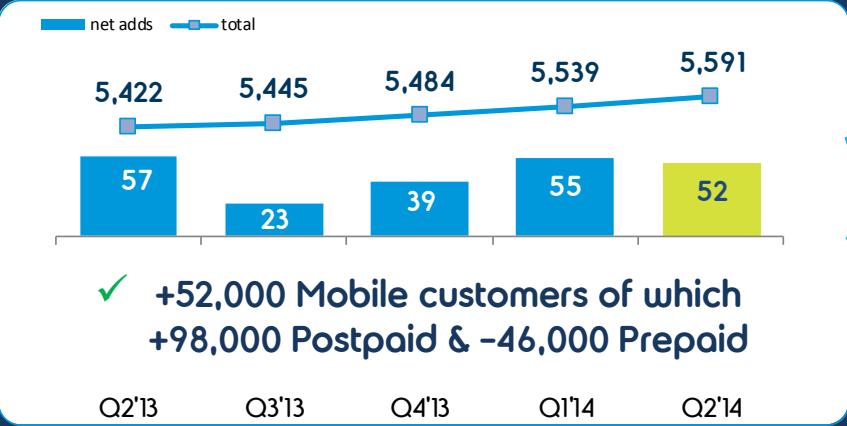
# Group Operationals Q2'14

Mobile & Fixed overview – slide 16  
Operational Household reporting – slide 17  
Financial Household reporting – slide 18

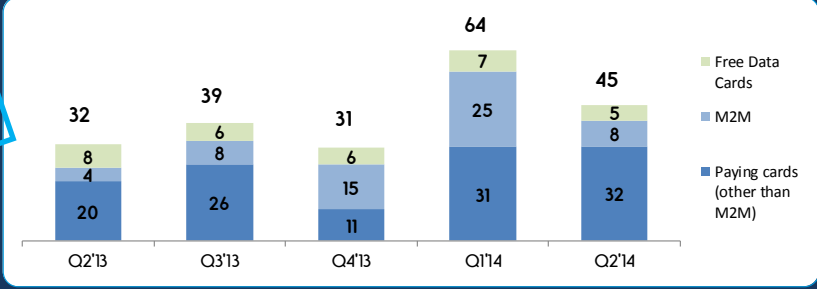
# Continued solid commercial traction

- Growing Mobile, TV and Fixed Internet customer base

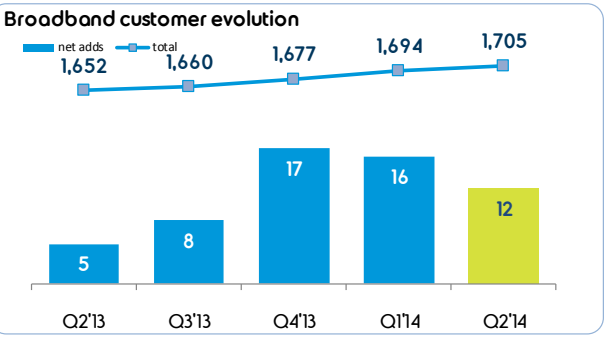
## Continued mobile customer growth



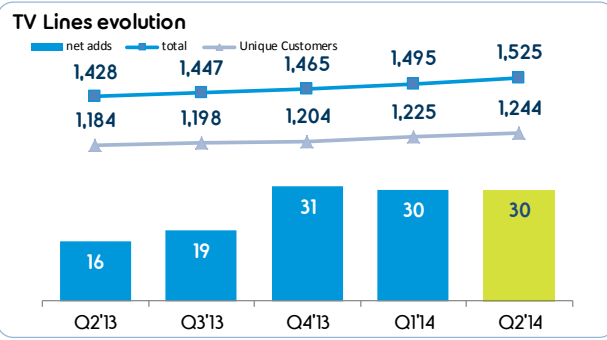
*+Targo*  
 CBU  
 EBU



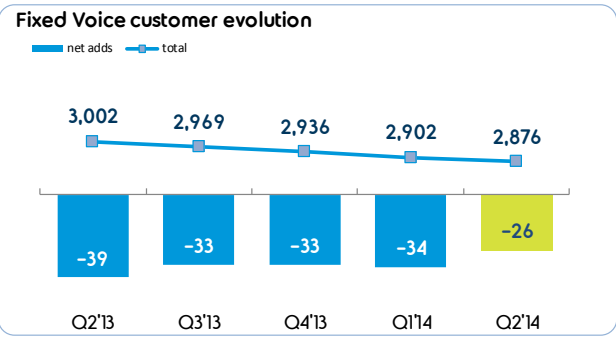
## Good Fixed Internet net adds in commercial slower quarter



## Solid TV net adds continued



## Successful retention actions reduced fixed voice line erosion

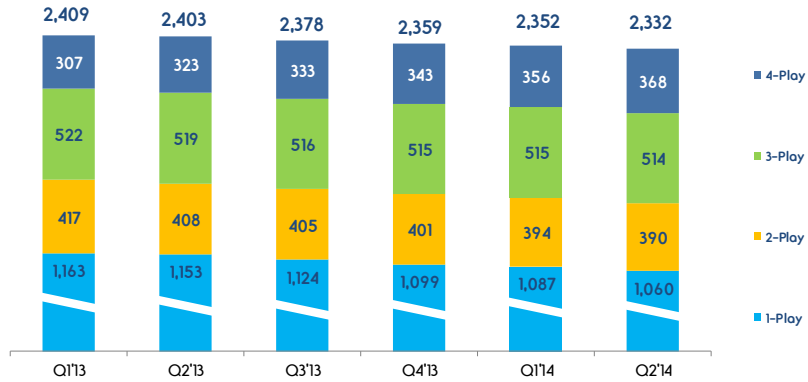




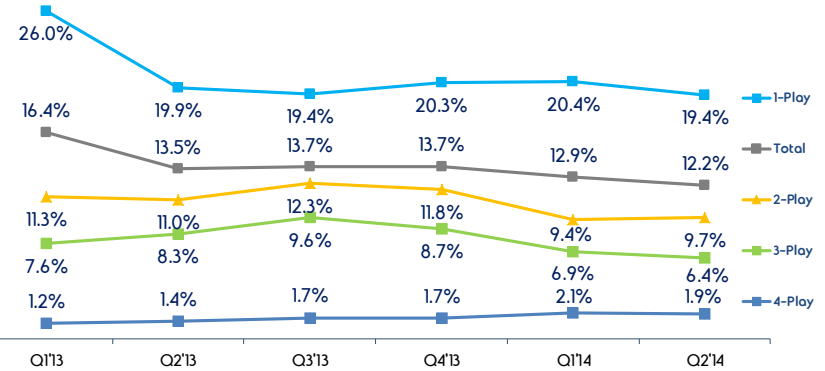
# Good progress in convergence strategy

## - Operational drivers x-play Household reporting

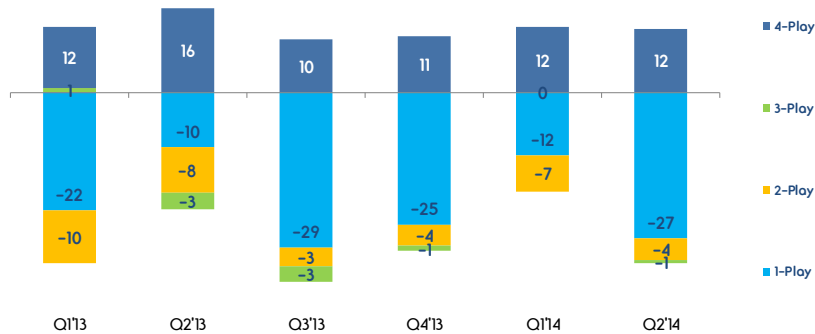
CBU Households per x-play (in '000)



Annualized full churn rate of a x-play Household



CBU Households per x-play: net adds of the quarter (in '000)

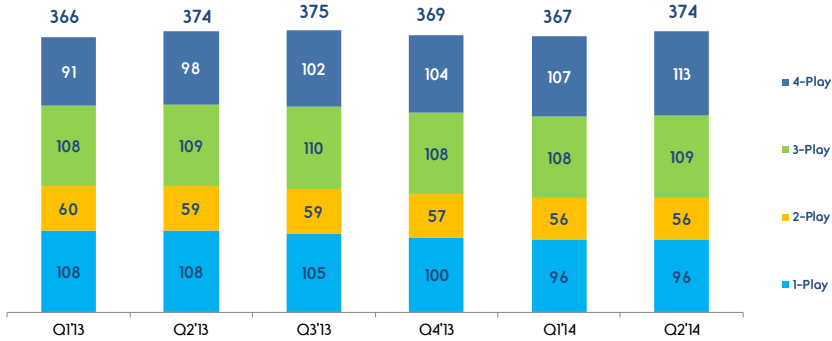


- 55% of HH are multi-play , +2.5 p.p. yoy
- convergence success especially showing in +14% 4-play HH , at very low churn
- multi-play convergent household, i.e. Fixed + Mobile, grew 3.4pp to 50.1%.
- 1-play HH going down as result of Fixed Voice line erosion

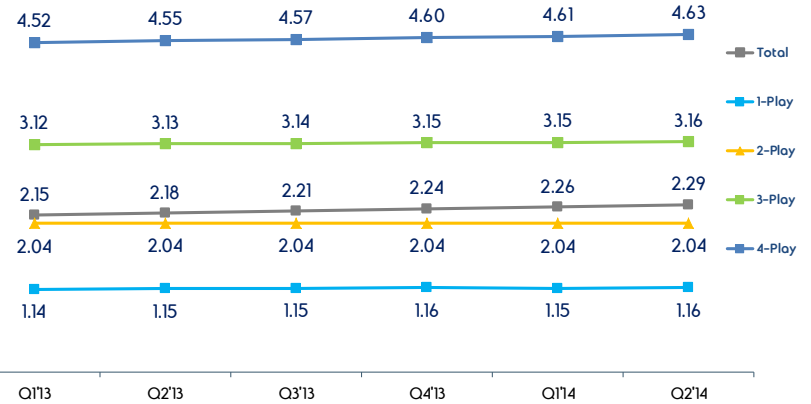
# Stable revenue from households

- higher ARPU & RGUs offsetting loss in 1-play

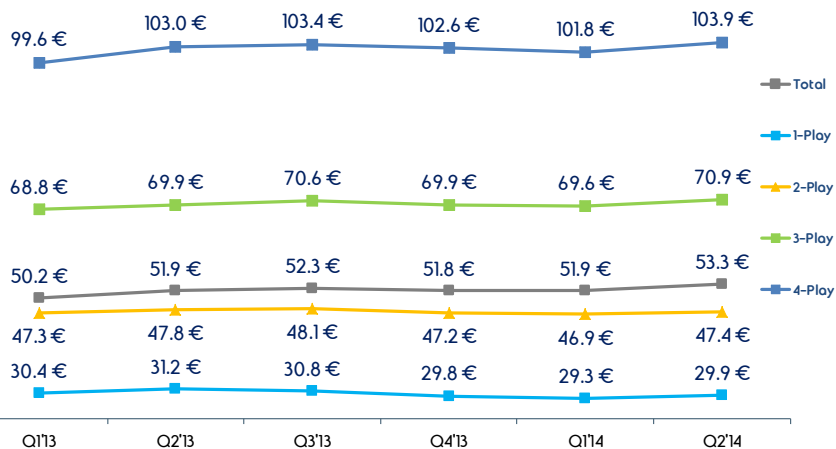
Revenues per x-play (in € million)



Average Revenue Generating Unit per x-play Household



Average Revenue per x-play Household (ARPH) in €



- € 374m came from X-play households
- 74% from multi-play HH +3.2 p.p. YoY
- RGU progressed for all X-play HH
- 4-play HH revenue +15.3% YoY due to growing number of 4-play HH and YoY increase in ARPH to € 103.9
- 4-play revenue growth offset by lower revenue from 1-play and 2-play

# Network

Mobile – slide 20  
Fixed – slide 21



# Proximus delivering on its brand

## Customer experience as TOP priority

belgacom

### Best Customer Experience...

PROXIMUS brings the overall **best speed experience in Belgium to its customers**

### ...where it matters...

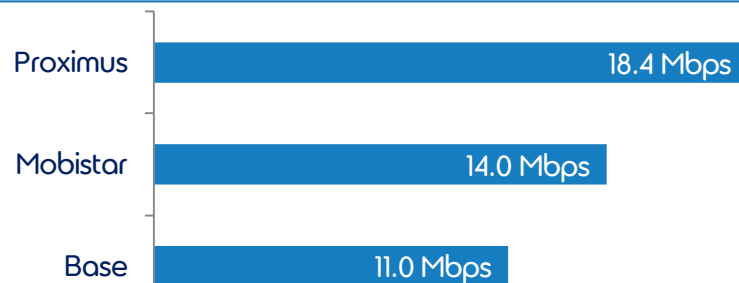
PROXIMUS brings the **best 4G experience there where it matters using the 1800 spectrum: *in the cities and at the coast***

### ...across technologies

PROXIMUS focuses on **bringing the best optimized experience cross 2G, 3G, 4G technologies and WiFi**

PROXIMUS focuses on bringing best overall average speed experience to its customers across sum of 2G, 3G, 4G technologies selected by devices. This approach mirrors best the true experience of customers.

### Average download speed on 4G capable device <sup>1</sup>



<sup>1</sup> Result based on Q2 2014 national drive test conducted by independent agency CommSquare

30% faster average download speed experience with a 4G capable device vs nearest competition



### Leverage mobile experience through wifi

- 930.000 WiFi hotspots available today for our customers all throughout Belgium (+90.000 vs Q1)
- 13.200.000 WiFi hotspots available abroad (e.g. NL, FR, UK, DE,...)
- By EO 2014, mobile devices of Proximus customers will **connect automatically to WiFi** when present, bringing true convergence

# Fixed Network

- Driving customer experience with new technologies



## Vectoring technology on VDSL

Through cancellation of crosstalk on a VDSL2 line, Vectoring enables up-to-70 Mbps speeds on copper

Mass roll-out well underway: in Q2 10% of remote optical platforms made vectoring-ready

## FTTB in Industrial Zonings

Go-to-market campaign launched to promote presence of FTTB in industrial zonings

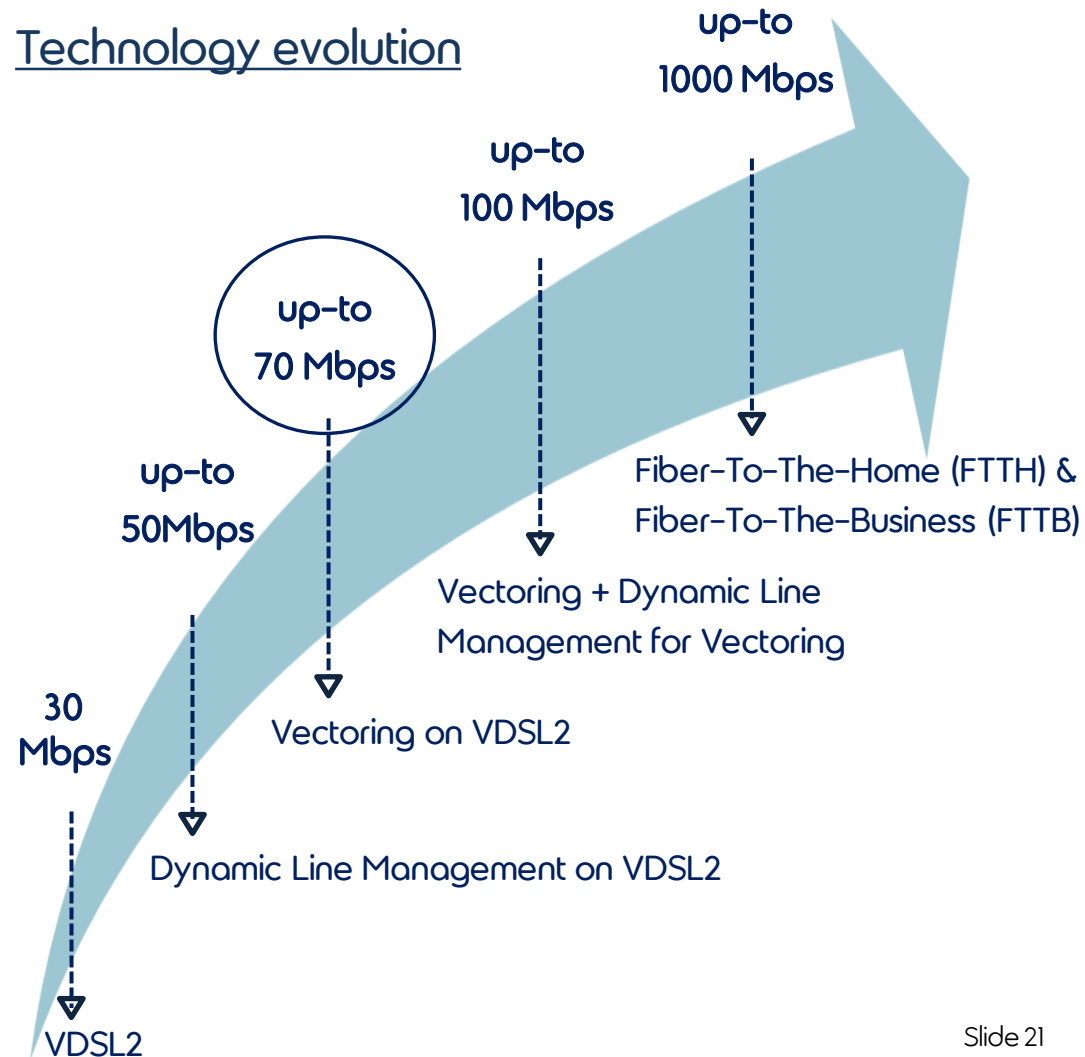
Majority of regional industrial zonings in Belgium are already equipped with Belgacom fiber

## FTTH in Greenfields

Deployment of FTTH in new residential zonings started in 2014 following successful trials last year

All new residential zonings that are sufficiently large are by default equipped with Belgacom fiber

## Technology evolution





## Q2 2014 results per business unit

Consumer Business Unit (CBU)

Enterprise Business Unit (EBU)

Service Delivery Engine & Wholesale (SDE&W)


Staff and Support (S&S)


Belgacom International Carries Services (BICS)

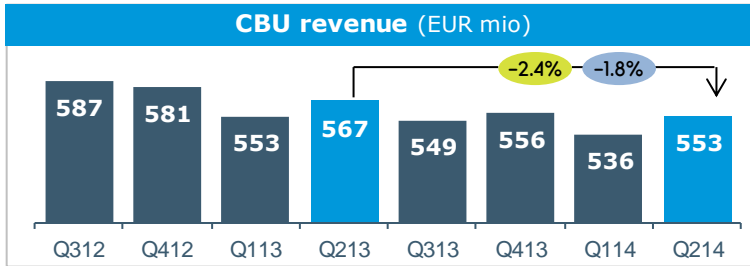
# Consumer Business Unit



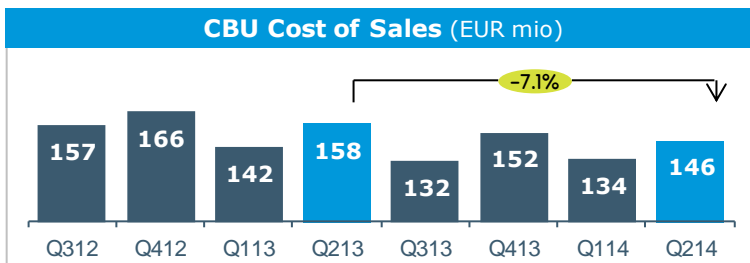
# Consumer - quarterly P&L

 Yoy variance on reported figures

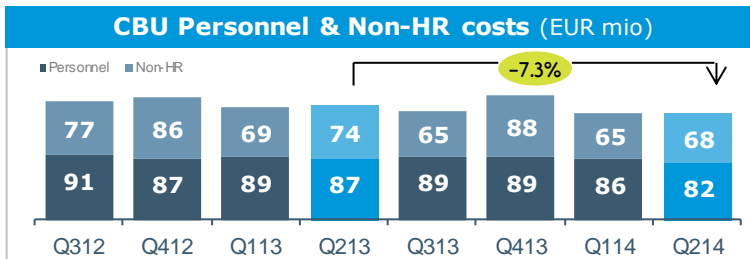
 Like-for-like yoy variance (excl. impact from divestures Scarlet NL & Sahara Net and one-offs)



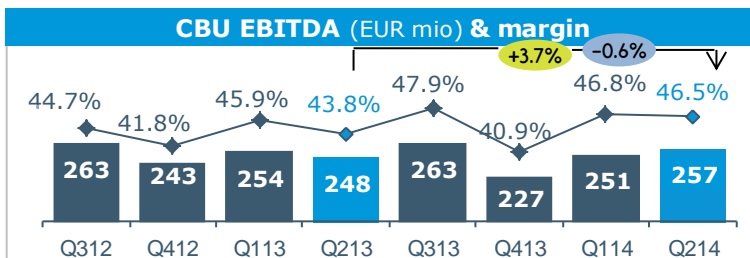
- Q2'14 Revenue -2.4% lower YoY or -1.8% like-for-like
  - Like-for-like is excl. € -3m impact from divestures of Scarlet NL & Sahara Net; in addition est. regulation impact of €-6m (-1.0%)
  - Continued fixed Internet and TV revenue growth, offset by lower Voice revenue
  - Mobile: Increased terminals sales & stable decline in service revenue



- Q2' 14 Cost of Sales 7.1% lower YoY
  - Positive trend from last quarters continued
  - Besides regulation (lower MTR in Luxembourg) , the positive impact comes from lower interconnection costs and focus on cost efficiency



- CBU expenses positively impacted by accounting alignment for capitalisation of network installation activities & net pos. impact from HR one-offs; and driven by continued cost optimisation:
  - Q2' 14 HR costs: -6.5% YoY
  - Q2' 14 non-HR costs: -8.1% YoY



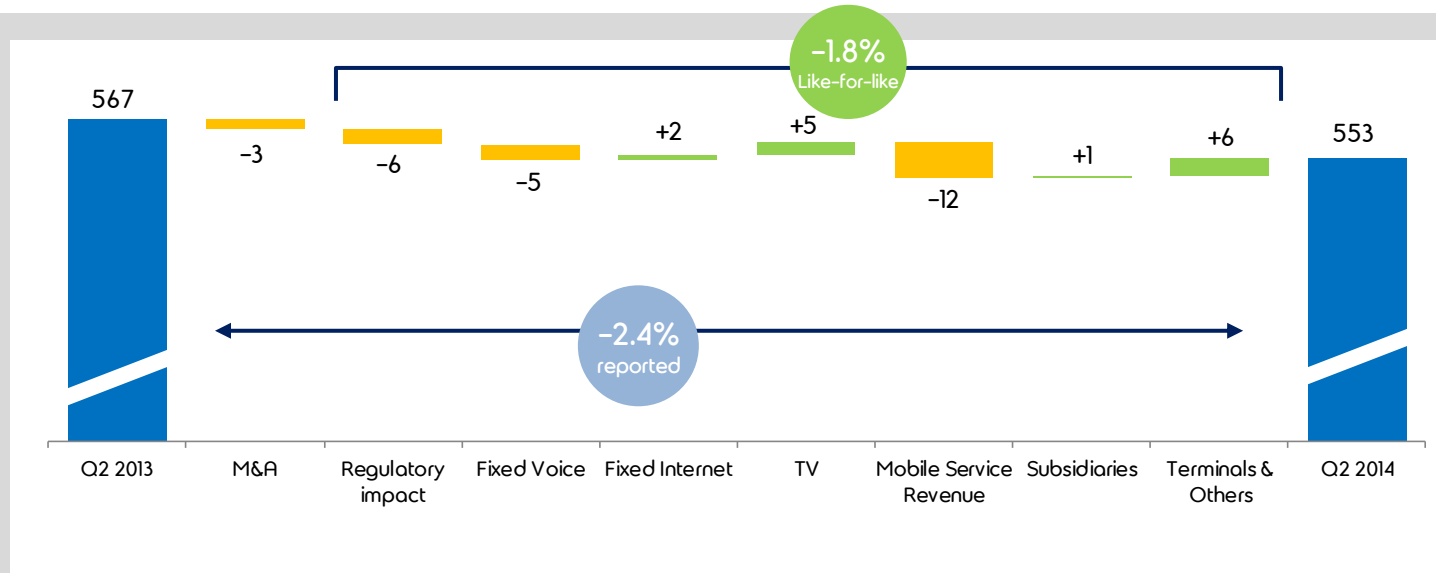
- Q2' 14 segment result +3.7% YoY or -0.6% like-for-like
  - Compared to a -3.0% like-for-like decline in Q1'14
  - Like-for-like is excl. accounting alignment for capitalisation of network installation activities & positive net impact from HR one-offs
  - Improvement in Direct Margin & Cost reduction efforts
  - Regulation impact estimated at € -4m (-1.5%)



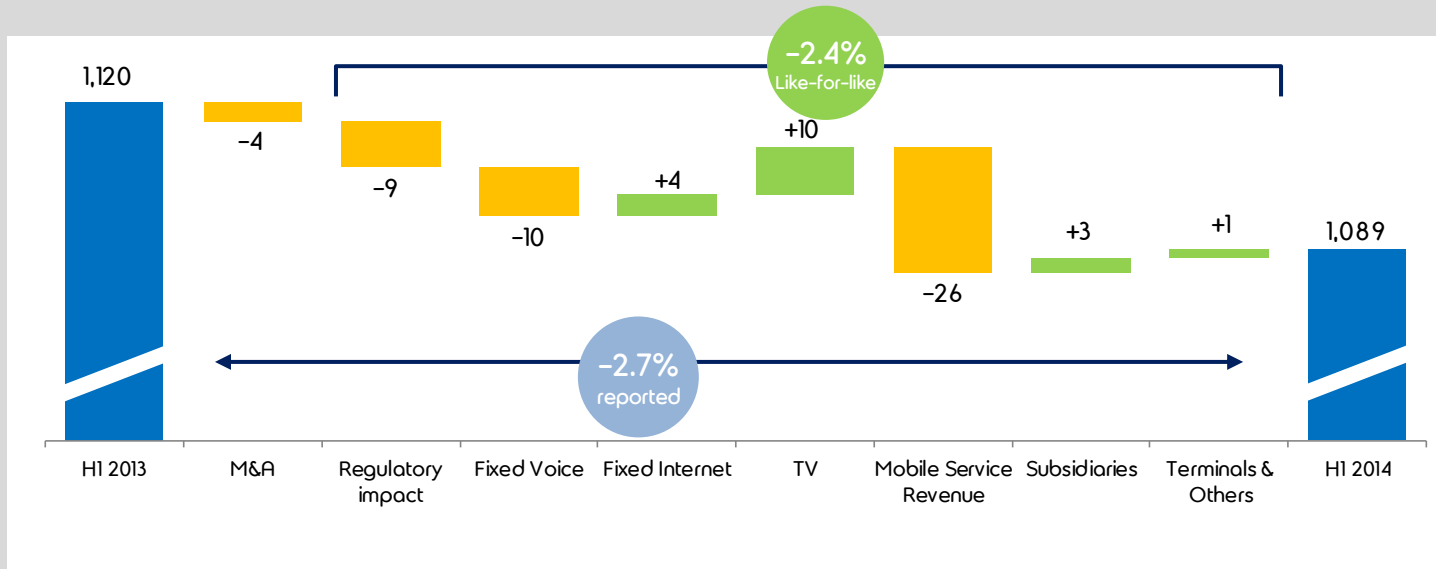
# CBU revenues per product group

- Q2'14 revenue -1.8% like-for-like; improving from -2.9% for Q1

**Q2**  
2014  
(in mio €)

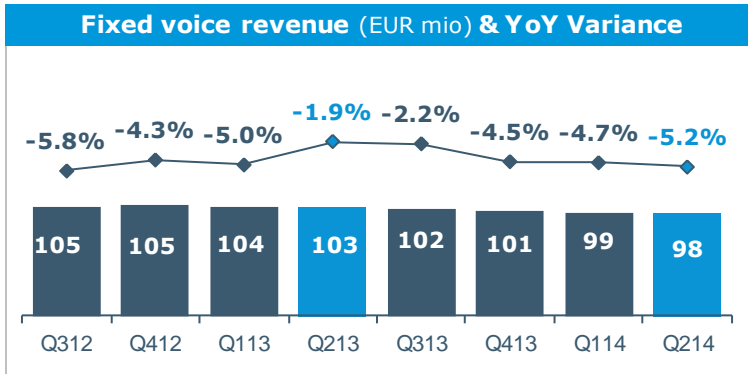


**H1**  
2014  
(in mio €)

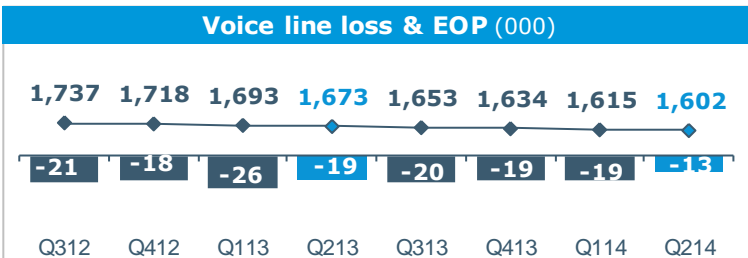


# Consumer – Fixed voice

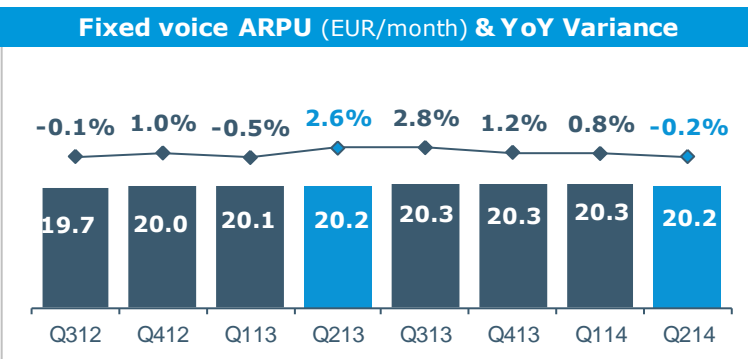
Line erosion pressured revenue, stable Fixed Voice ARPU; pro-active churn management results in slowing customer loss



- The declining Fixed Voice revenue resulted from the YoY line loss and to a lesser extent from the substitution of fixed traffic to mobile.



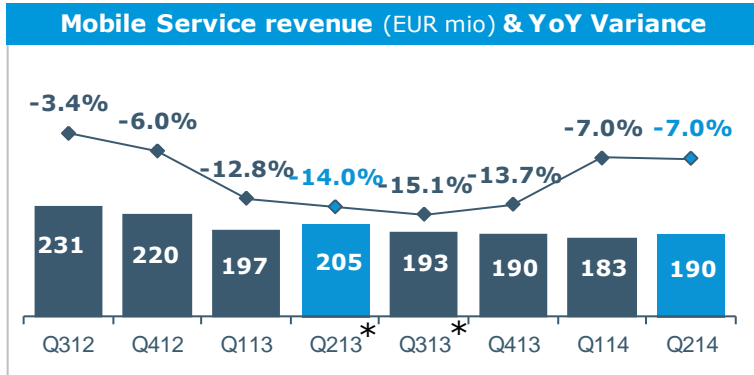
- Q2'14 Fixed line erosion of -13,000 lines, an improvement versus the prior quarters driven by pro-active churn mgmt.
- End June'14, the CBU Fixed Voice customer base totaled 1,602,000 lines, i.e. -4.3% yoy.



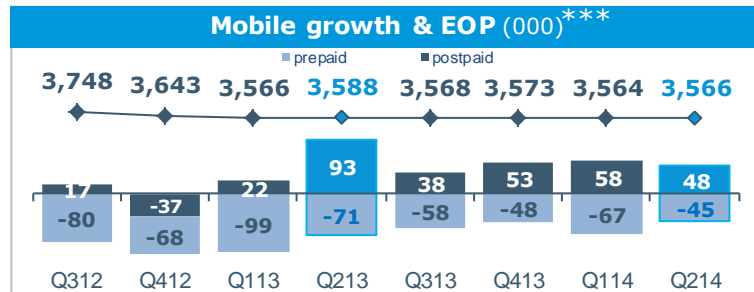
- Stable Fixed Voice ARPU

# Consumer – Mobile Service

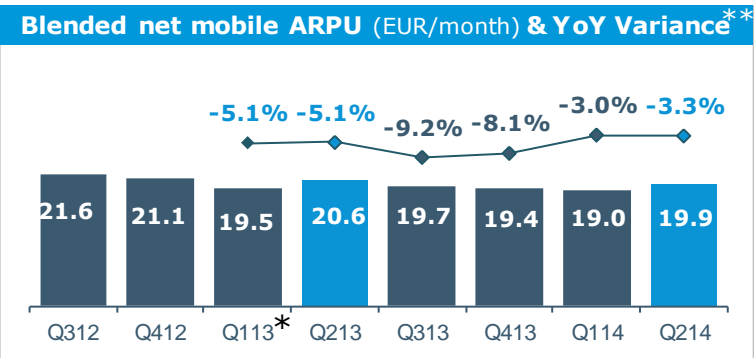
As expected stable decline in Mobile service revenue sustained; Mobile customer base growing



\* YoY variance adjusted for one-offs



\*\*\*As of 2014, the calculation of active customers is 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 adjusted accordingly



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

- Q2'14 revenue from Mobile Services down 7% YoY; as expected stable decline from previous quarter despite competitive intensity.

- Growing mobile postpaid customer base
- Lower mobile prepaid customer base
- Stabilized decline in ARPU

- CBU's total Mobile customer base end-June'14 numbered 3,566,000 cards

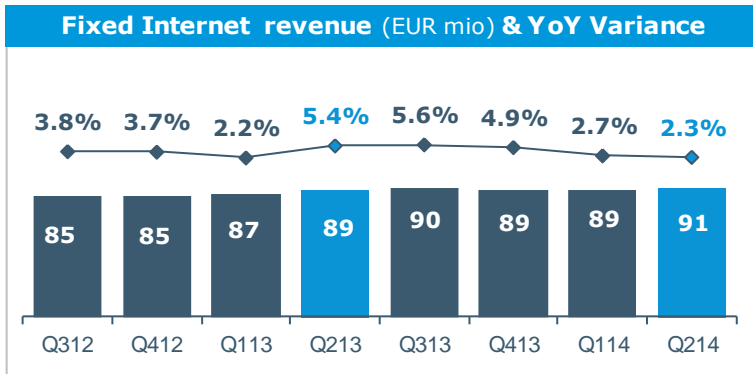
- Firm net addition of 48,000 postpaid cards ; of which 25,000 paying in line with prior quarter
- Mobile Prepaid decline of -45,000 during Q2, of which -11,000 from mvno Mobisud. Proximus prepaid customer losses further improving.

- ARPU erosion stabilized

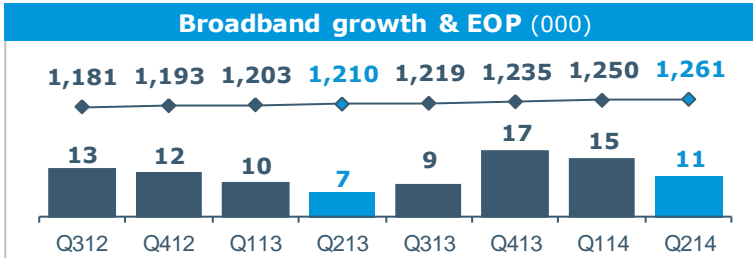
- Q2'14 Postpaid ARPU of € 26.7; -4.6% YoY; from -4.8% in Q1'14
- Q2'14 Prepaid ARPU of € 12.6; -10.3% YoY; from -11.1% in Q1'14

# Consumer – Fixed Internet

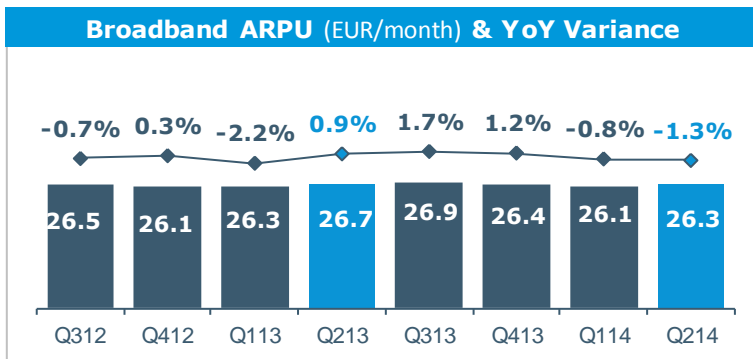
Continued Fixed Internet revenue growth; +11,000 customers added in the quarter



- Revenue growth driven by growing customer base and price changes.

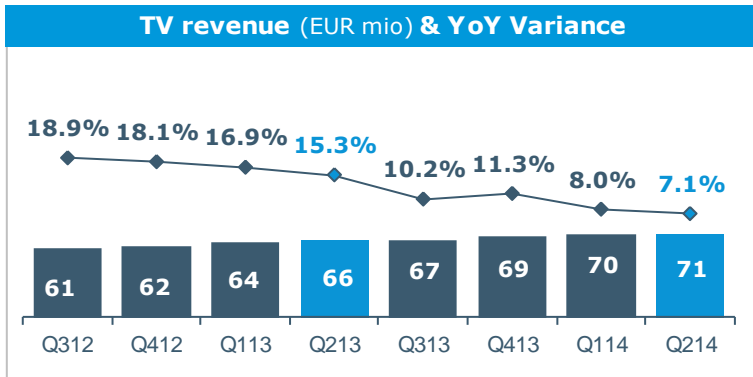


- Broadband customer base +11,000 in Q2'14, in a seasonally slower quarter
- Total CBU Fixed Internet customer base of 1,261,000 end-June'14.

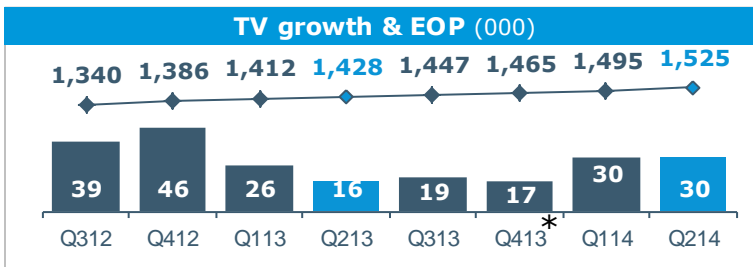


- Broadband ARPU of EUR 26.3, slightly down YoY due to increasing number of internet customers in Pack.

Growing TV revenue through larger TV customer base & slight YoY ARPU increase

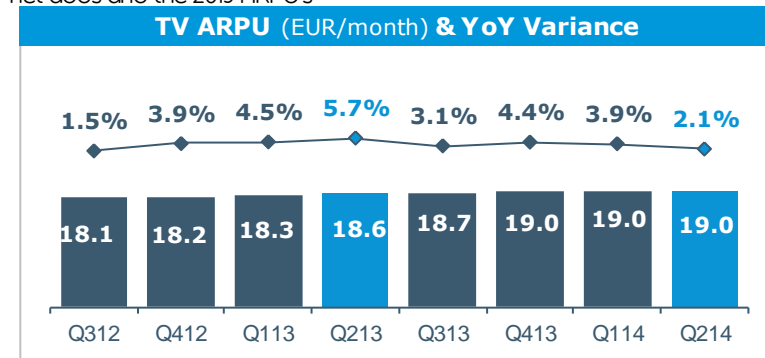


- TV revenue +7.1% YoY driven by continued growth of subscribers



- Continued customer growth
  - Total customer base of 1,525,000, including 281,000 multiple streams
  - 30,000 net adds: +19,000 new unique customers, 11,000 multiple streams

\*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



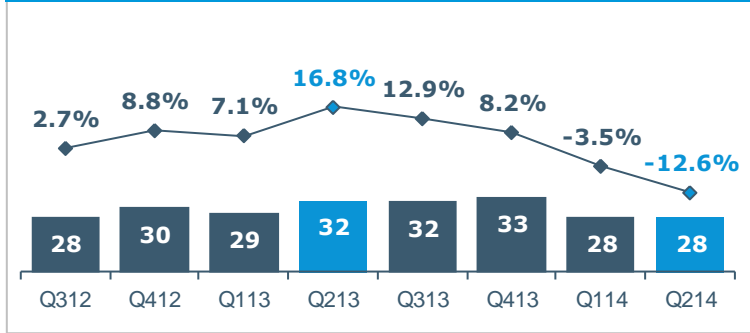
- Q2 TV ARPU of € 19 , i.e. +2.1% YoY

# Tango Luxembourg

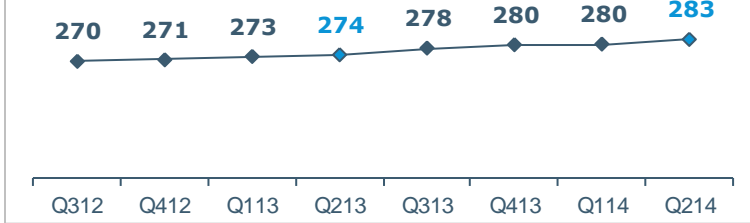
Impacted by regulated MTR reduction



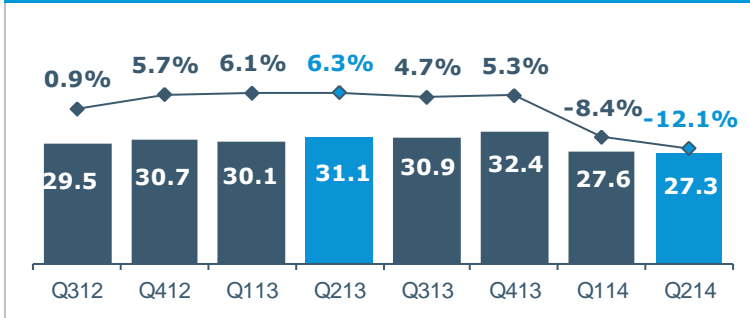
**Tango revenue (EUR mio) & YoY Variance**



**Tango mobile customers EOP (000)**



**Blended mobile net ARPU (EUR/month) & YoY Variance**



- Q2 '14 revenue -12.6% YoY, generating € 28m.
- The regulated MTR decrease in Luxembourg (from 8.2cts to 0.98cts) taking full effect in Q2'14 (€ 4m)
- Could not be offset by the continued growth of Mobile Postpaid and the developing TV & fixed Internet customer base.
- Belgacom extended its convergence strategy to Tango, which now also offers as well a TV and quadruple-play offer.

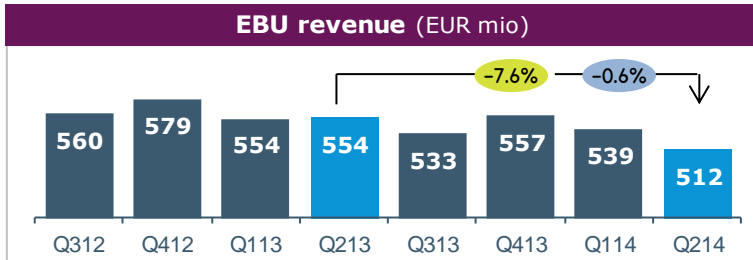
# Enterprise Business Unit



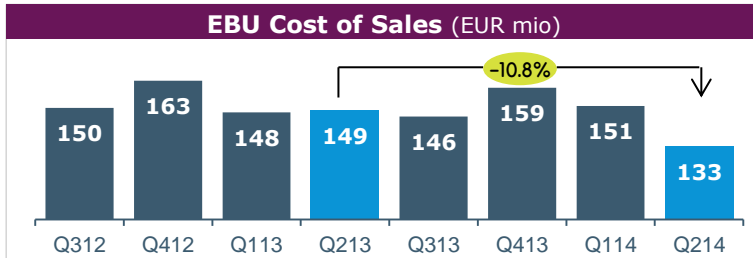
# Enterprise – quarterly P&L

● Yoy variance on reported figures

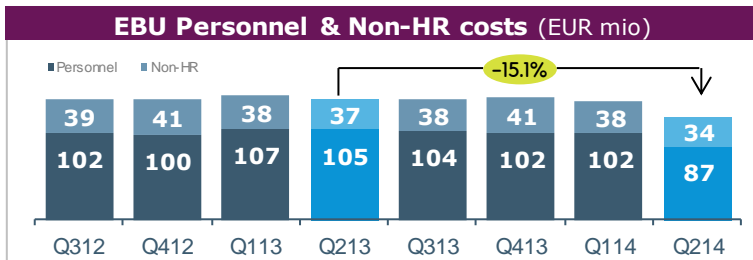
● Like-for-like yoy variance (excl. impact from Telindus France divesture and one-offs)



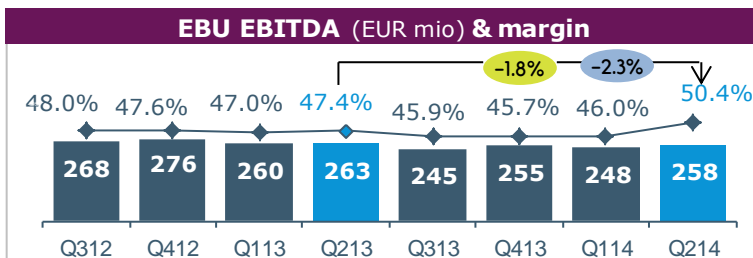
- Q2'14 revenue impacted by Telindus France divestment
  - Like-for-like EBU's revenue decline improved to -0.6%,
  - Mobile services only slightly below Q2'13 & organic ICT up yoy
  - Regulation impact estimated at € -5m (-1%)
- H1'14 € 1,051 m revenue, -5.1% YoY or -1.7% like-for-like



- Telindus France divesture lowered Cost of Sales
  - Divesture of Telindus France excluded, the Cost of Sales were up driven by higher organic ICT sales and Mobile subscriber acquisition costs, resulting in a strong net customer growth for Q2'14



- Lower expenses, supported by Telindus France divesture
  - Q2'14 HR- expenses -17.8% yoy to € 87m. The divesture effect excluded, HR expenses were down yoy on net positive one-off effects, restructuring of Telindus UK and lower headcount in general
  - Q2'14 non-HR expenses, -7.2% yoy to € 34m mainly because of the Telindus France divesture



- Q2'14 EBU segment result -1.8% yoy, or -2.3% like-for-like
  - Continued trend improvement from the previous quarters
  - Regulatory impact estimated at € -5 m (-2.1%).
  - Ex-regulation, segment result fairly stable: lower yoy Direct margin nearly offset by lower expenses
  - Q2'14 margin benefitted from divesture of lower-margin Telindus France

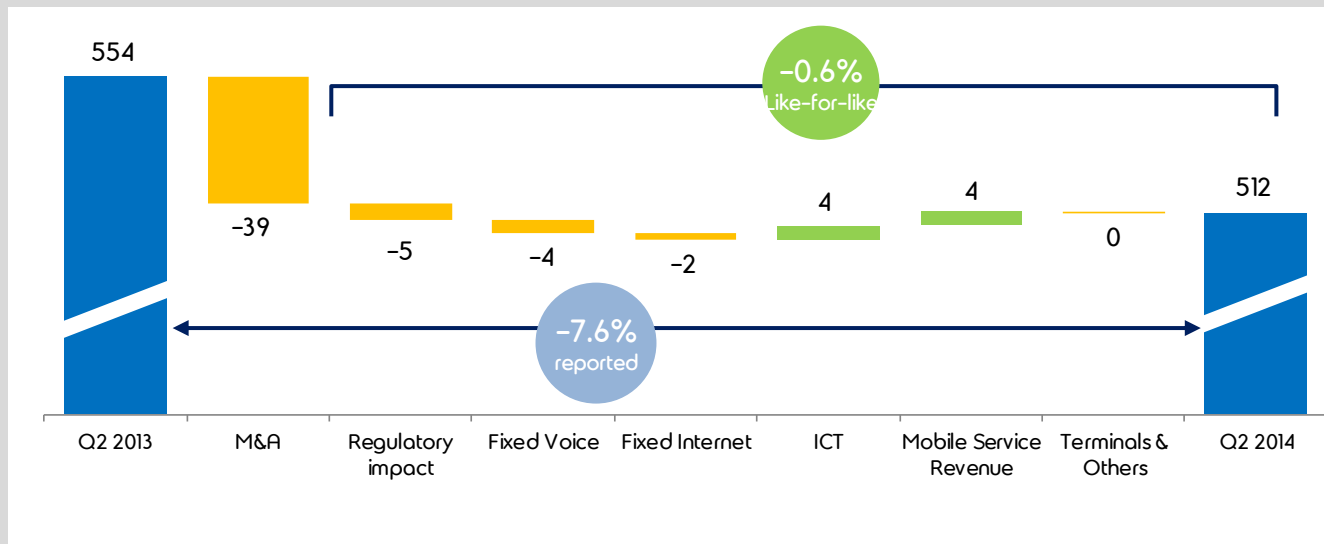


# Enterprise revenue evolution per product group

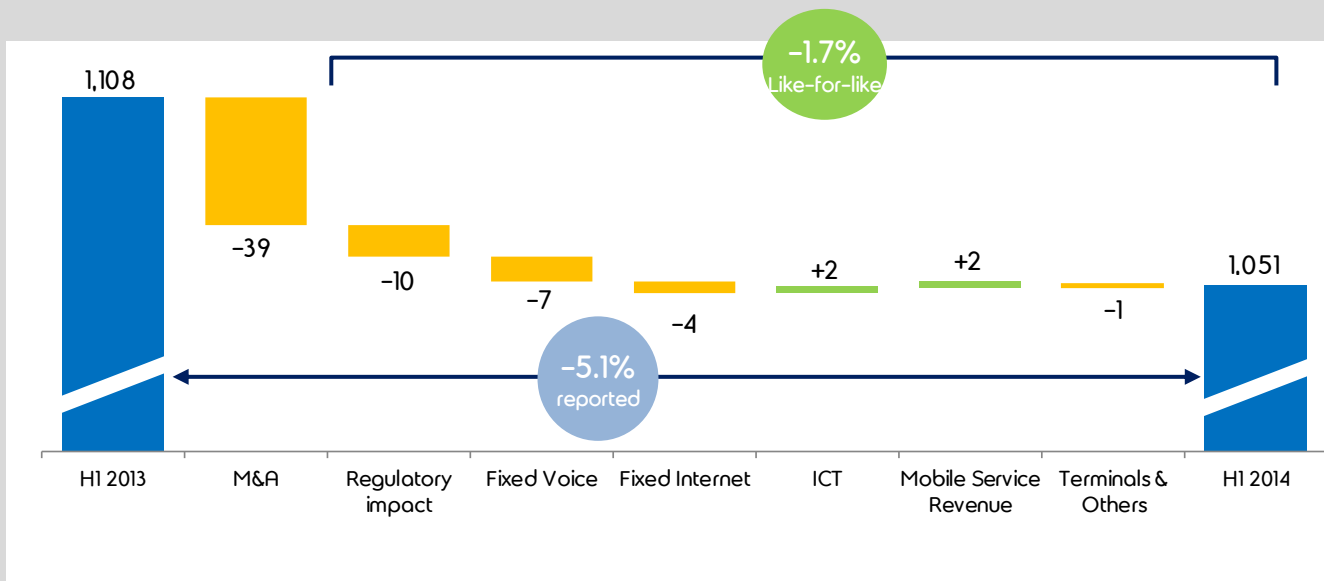
Reported variance impacted by divesture Telindus France  
Like-for-like variance improving on better mobile & organic ICT revenue

belgacom

Q2  
2014  
(in mio €)



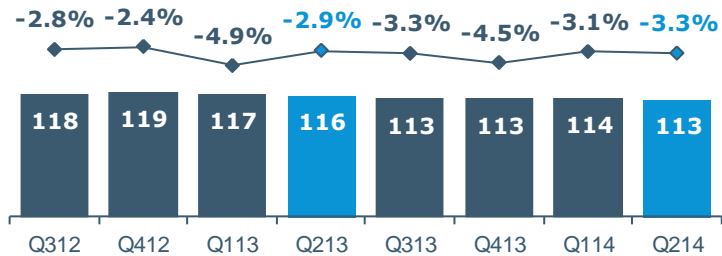
H1  
2014  
(in mio €)



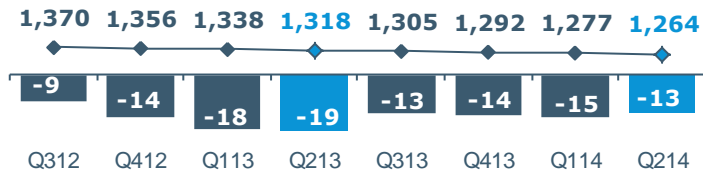
# Enterprise – Fixed Voice\*

Stable Fixed voice revenue decline

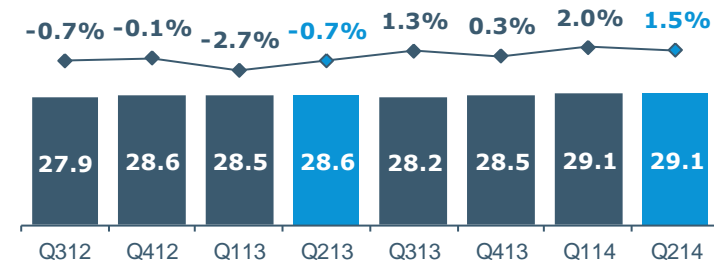
Fixed voice revenue (EUR mio) & YoY Variance



Voice line loss & EOP (000)



Fixed voice ARPU (EUR/month) & YoY Variance



- Fixed Voice line erosion triggered by companies rationalising on Fixed line connections continues to impact Fixed Voice revenue. This negative volume effect was only partly compensated for by price indexations.

- Year-to-date June '14, EBU reported € 226m Fixed Voice revenue, 3.2% below the preceding year

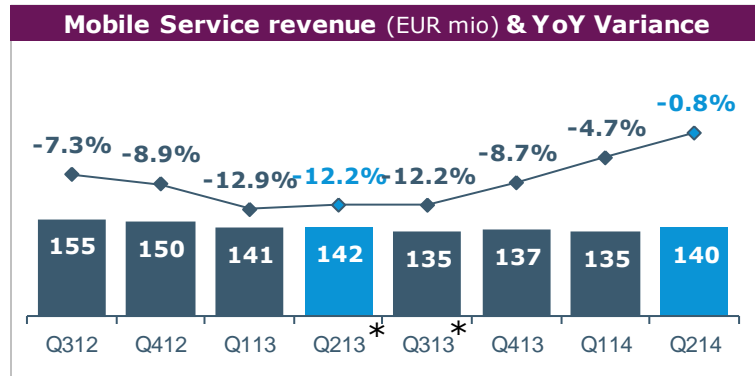
- The Fixed Line erosion in Q2'14 was limited to -13,000 lines, bringing the EBU total Fixed Voice Line customer base to 1,264,000 by end-June 2014, a 4.1% line loss on a yearly basis.

- Line loss was partly compensated for by a somewhat higher Fixed Voice ARPU of EUR 29.1, up 1.5% yoy a result of the price indexation.

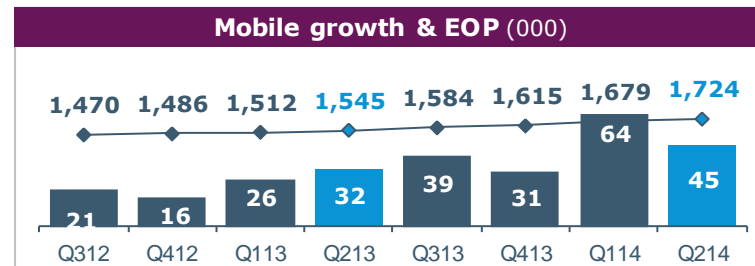
\*revenue from Belgacom Meeting Services (BMS) moved from Fixed Voice revenue to ICT, impacting both revenue and ARPU of Fixed Voice. 2013 figures have been restated.

# Enterprise – Mobile Service

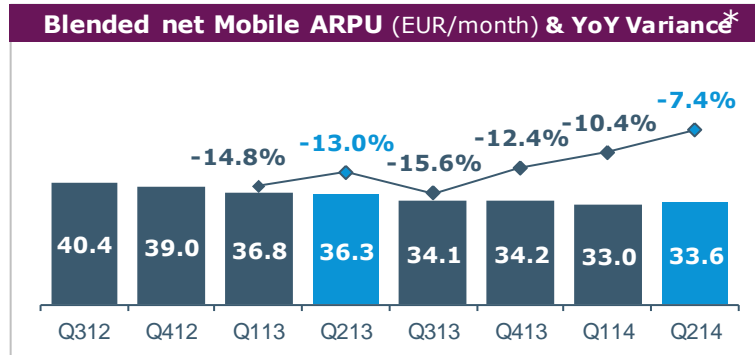
Mobile Service revenue trend significantly improved through larger customer base, growing mobile data volume and slowing ARPU decline



\* Yoy variance adjusted for one-offs



\*As of 2014, the calculation of active customers is 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.

- Q2'14 Mobile services revenue trend continued significant improvement

- Continuously growing mobile customer base and successful acquisitions in mid- and high-end pricing plans
- Higher Data roaming volumes
- Regulation impact, estimated at € -5 m

- Ytd June '14, € 275m mobile service revenue, -2.8% yoy

- Solid commercial performance continued in Q2'2014: net growth of +45,000 mobile cards

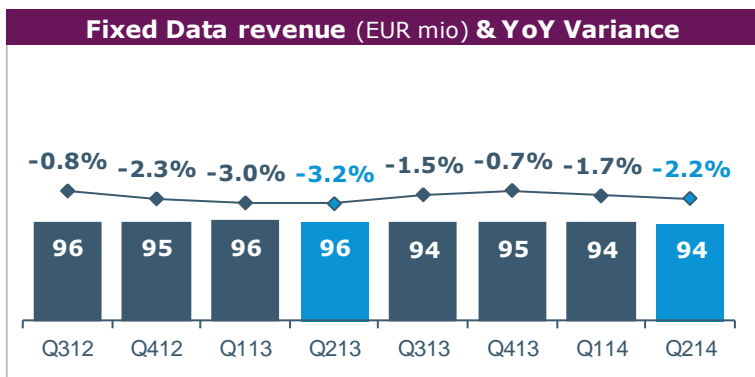
- +32,000 paying mobile voice and data cards (vs. +31,000 in Q1'14) driven by great mobile network experience for customers, successful Bizz Packs and launch mid-February of the Smart 50
- +13,000 Machine-to-Machine and free Mobile Data cards

- Mobile ARPU decline slowed to -7.4% YoY for Q2'14

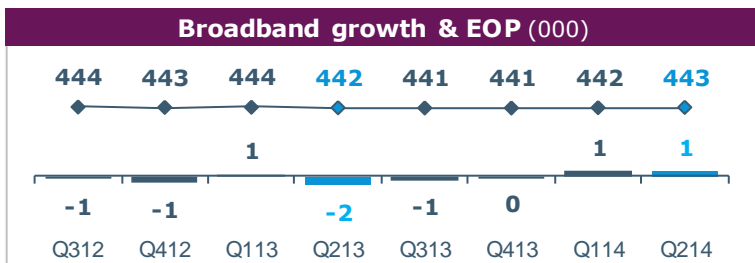
- showing further improvement from the prior quarter.
- effect from mobile customer re-pricing fading
- a growing number of high-end pricing plans in the installed base through successful acquisition actions in that price segment, as well as better retention of high-value customers.

# Enterprise – Fixed Data

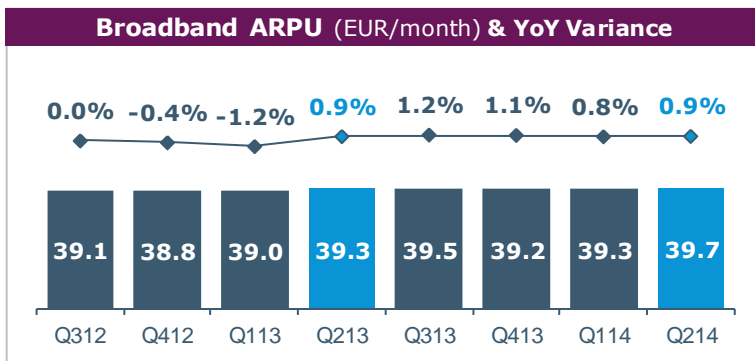
Fixed Data revenue continued to be impacted by migrations to Explore platform; Fixed Internet revenue stable supported by higher ARPU



- Fixed Data, consisting of Fixed Internet and data connectivity revenue, -2.2% YoY
  - 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
  - Revenue from Fixed Internet stable yoy on fairly stable customer base and slightly higher ARPU



- Customer base +0.3% compared with June 2013.
- EBU added a stable 1,000 Fixed Internet customers in Q2'14, leading to a total customer base of 443,000.



- ARPU of € 39.7 (+0.9%) driven by price indexations,
- partly offset by SME customers opting more and more for advantageous converged Packs including internet.

# Enterprise – ICT\*

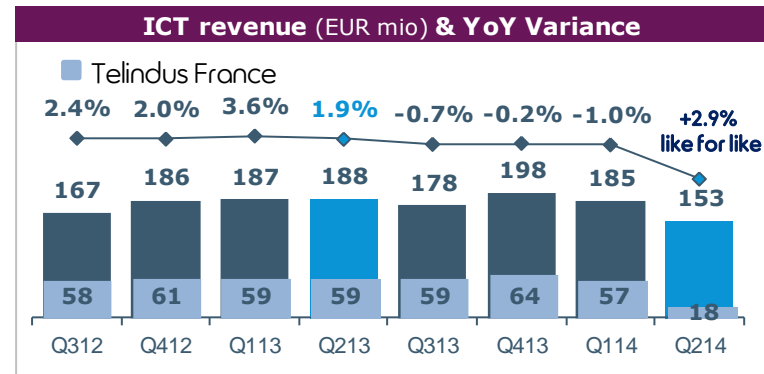
ICT revenue impacted by divestment of Telindus France  
Like-for-like, revenue up by 2.9% vs last year



together  
with



- EBU reported € 153m ICT revenue
  - Telindus France divestment impacted yoy variance
  - Organically ICT revenue grew by 2.9% yoy
  - Belux ICT revenue showed YoY growth



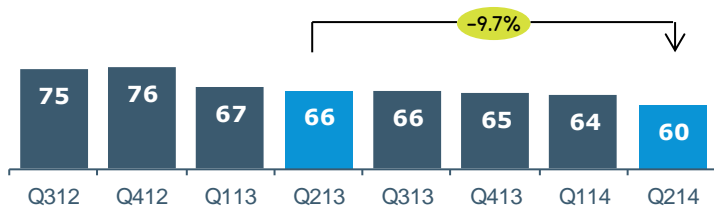
## On Telindus France:

- 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).
- The Group Telindus France generated pro-forma revenues of € 241m and EBITDA of € 11m in 2013.

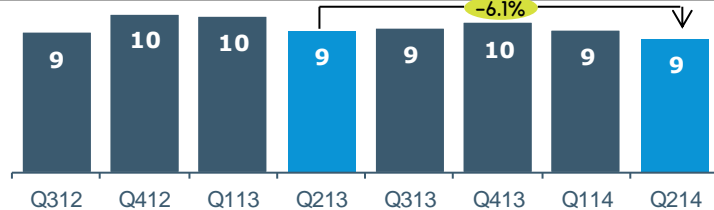
\*As of 1 January 2014, revenue from PABX is included in ICT. The 2013 figures have been restated accordingly. Previously PABX revenue was reported as part of Fixed Terminals.

# Service Delivery & Wholesale – P&L

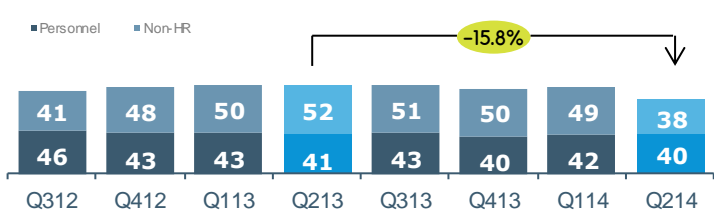
SDE&W revenue (EUR mio) \*



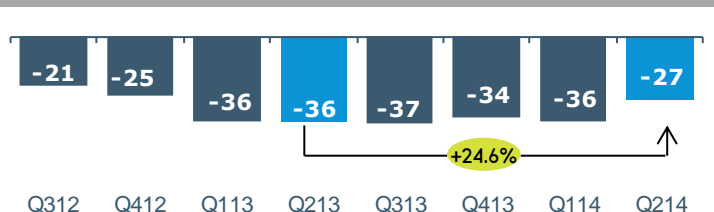
SDE&W Cost of Sales (EUR mio)



SDE&W Personnel & Non-HR costs (EUR mio)



SDE&W EBITDA (EUR mio) \*



- Lower Carrier Wholesale Services revenue

- new lowered Wholesale roaming tariffs
- only partly compensated for by the volume growth for roaming
- continued erosion of wholesale broadband lines, leased lines and traffic volumes

- CoS Q2'14 -6.1%

- € 40m HR expenses for Q2'14, -1.0% YoY on lower headcount

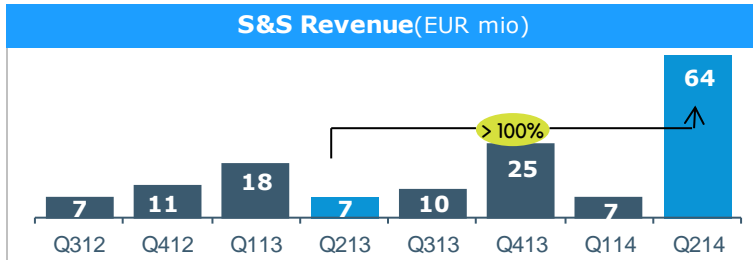
- € 38m non-HR expenses; down 27.3% YoY mainly due to a favorable one-off provision reversal; also lower external workforce costs, maintenance cost optimization

- Q2'14 segment result improved YoY partly due to positive one-off provision reversal.

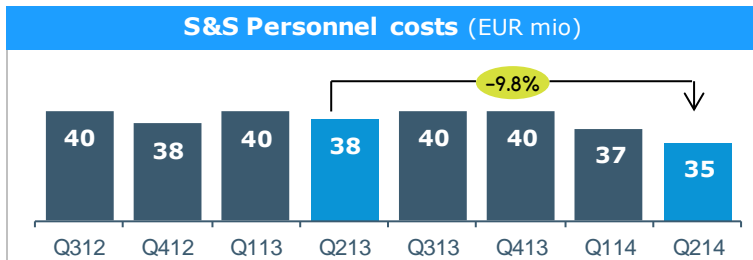
- Like-for-like segment result improved by 5.4% YoY in spite of increasing pressured wholesale revenue

\* 2013 figures have been restated to reflect the allocation of Belgacom wholesale revenues invoiced to Scarlet to the Consumer Business Unit segment.

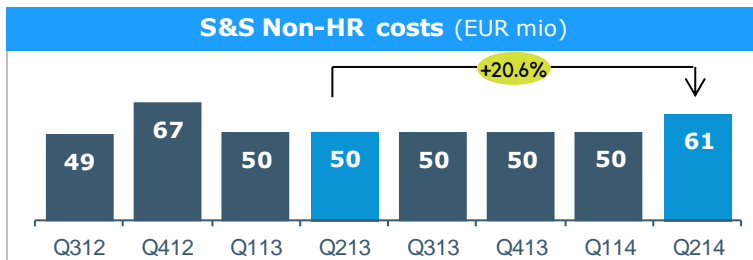
# Staff & Support – P&L



- Q2'14 revenue of € 64m, including a EUR 46 million capital gain following the completion of 2014 planned building sales within the network simplification project and a litigation settlement (EBITDA neutral).
- Like-for-like, the revenue of S&S was stable year-on-year.

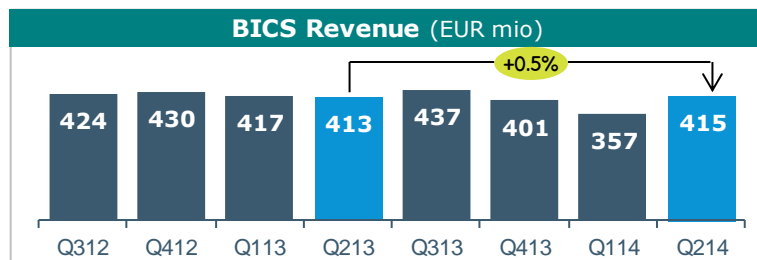


- HR-expenses lower as result of lower personnel base

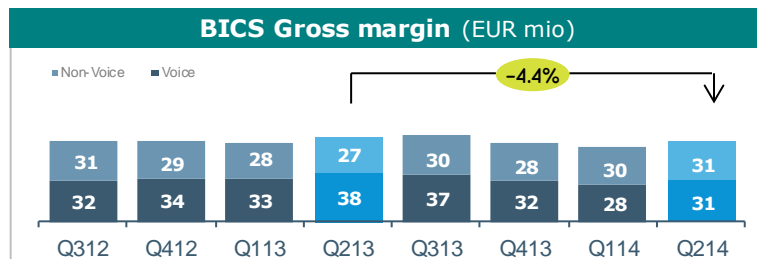


- Non-HR expenses impacted by litigation settlement (EBITDA neutral)

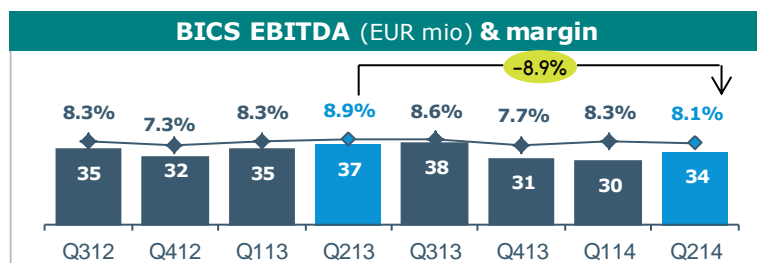
# International Carrier Services – P&L



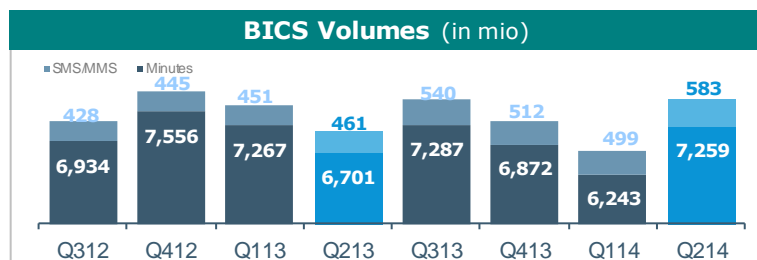
- Q2 BICS' revenue stable on recovery of voice traffic
  - trend improvement from the previous quarter (14% down year-on-year), underlining the volatility of part of BICS' business.
  - driven by material win backs of voice traffic from key customers
  - more than offset by the effect of EU-wide decreases in Mobile Termination rates, as well as a negative dollar effect



- -4.4% YoY decline in Gross margin
  - reflects the lower volume of higher-margin Voice traffic to the Asian region which BICS temporarily captured in 2013.



- As a consequence of the lower Direct margin & slightly higher operating expenses (HR/Non-HR), BICS' segment result for Q2'14 was down by EUR 3 million (-8.9%), while the EBITDA margin remained fairly stable at 8.1%.



- Voice volumes +8.3% YoY
- Non-Voice volumes +26.4% YoY



For further information:

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