

# Belgacom Presentation

## Q2 2013 results

### Roadshow September 2013

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# Executive summary– financials Q2 2013

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Financial results  
Q2 on track to  
meet FY  
guidance

- Group revenue: € 1,583m; -1.7%\* YoY
- Group ebitda: € 430m, -1.9%\* YoY
- Group capex: € 177m, +2.1% YoY

Well positioned  
to face  
challenging  
market  
dynamics

- Pressure on Mobile revenue fairly stable to Q1
- Successful mobile retention/acquisition actions
- Solid performance of Belgacom's Fixed business
- Good cost containment

Regulatory  
measures  
significantly  
impacting  
financials

- Regulation impact on Group revenue estimated at € -30m (-1.8%), EBITDA by € -20m (-4.6%), for larger part within EBU due to data roaming price cap.

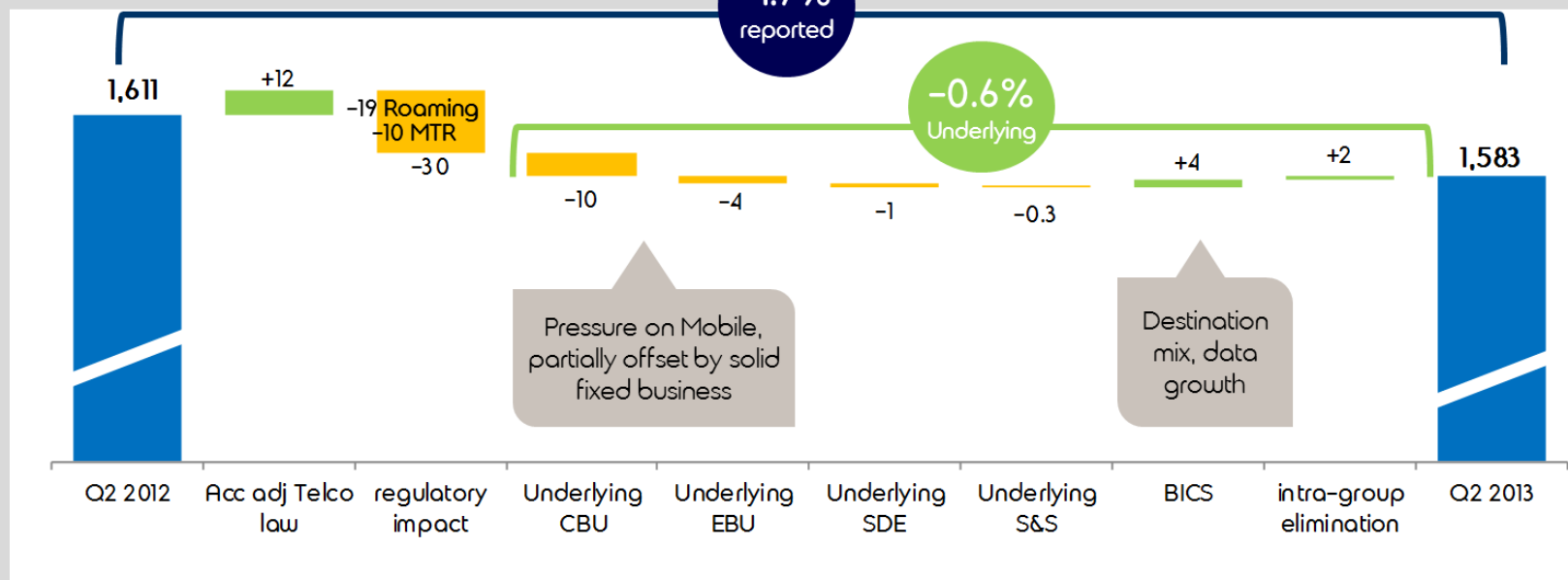
\*Including a one-off accounting adjustment recorded in Q2 2012 which reduced the revenue by € 12 million and EBITDA by € 34 million in 2012

# FY 2013 guidance reiterated

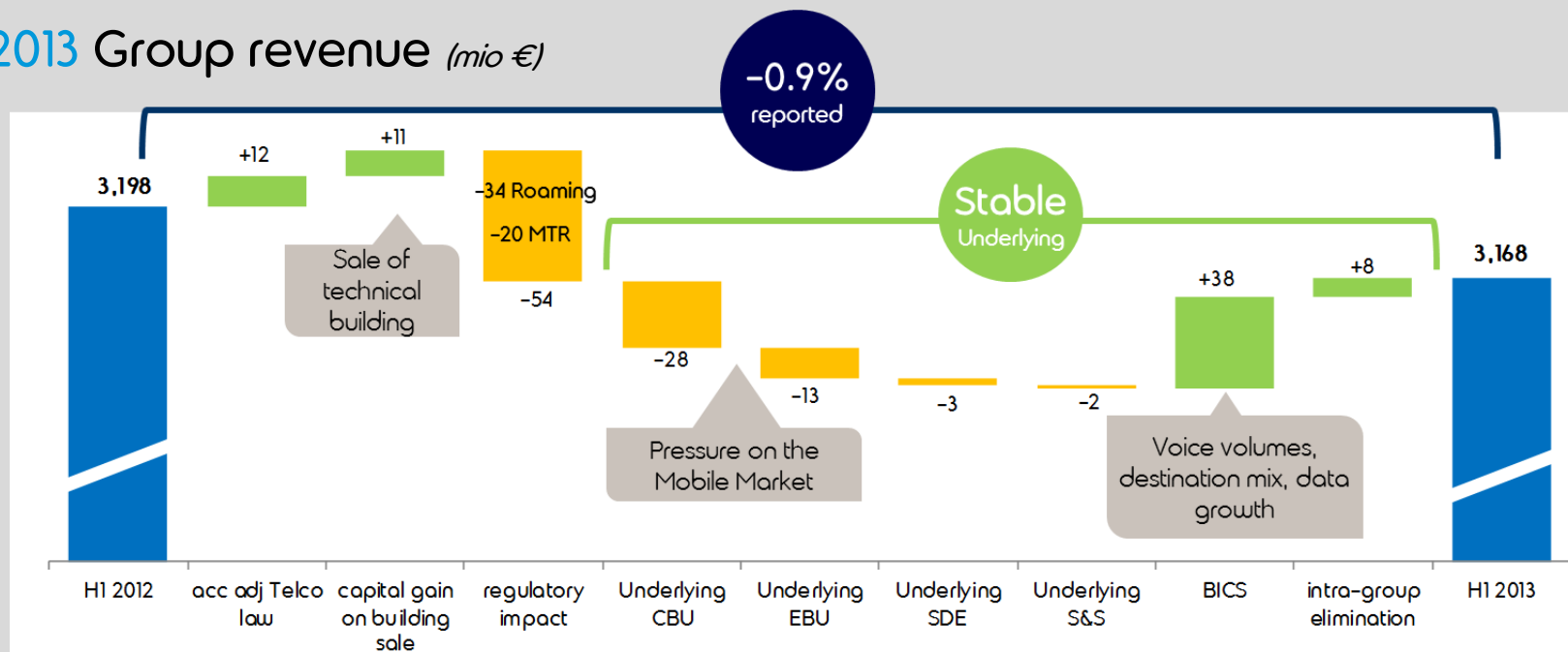
Metrics	FY 2013 outlook	H1 2013 reported
Group revenue	Decline between -1% and -2%	-0.9%
Group EBITDA*	Decline between -4% and -6%	-4.1%
Capex/Revenue	Between 13% and 14%	11.7%

\* Compared to the restated 2012 EBITDA of € 1,801 m, following the retrospective application of IAS19R

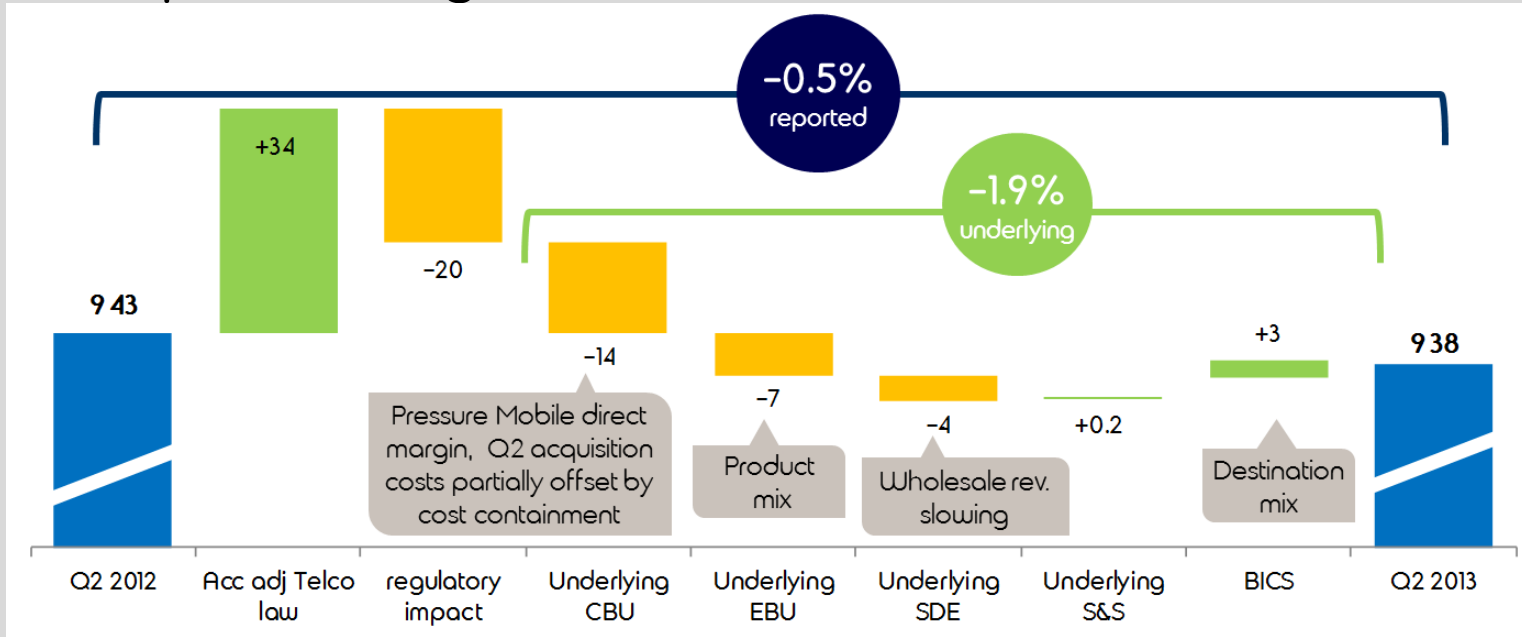
## Q2 2013 Group revenue (mio €)



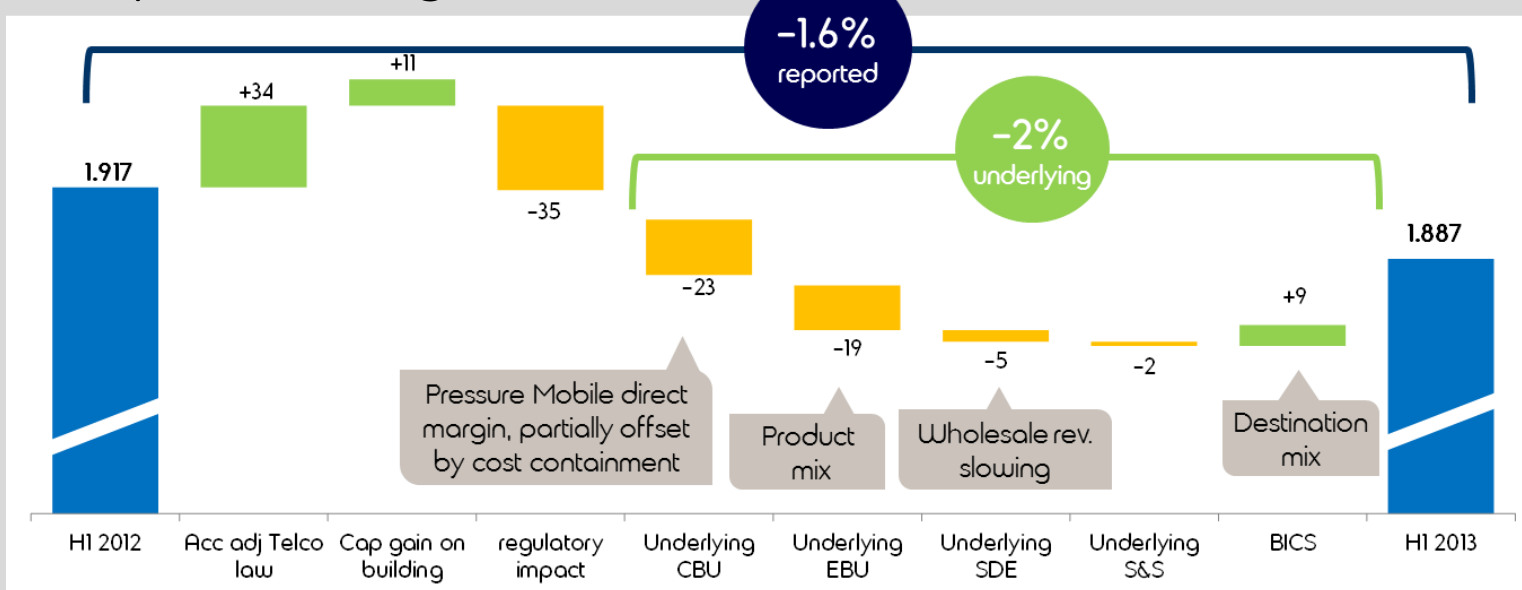
## H1 2013 Group revenue (mio €)



## Q2 2013 Group direct margin (mio €)



## H1 2013 Group direct margin (mio €)

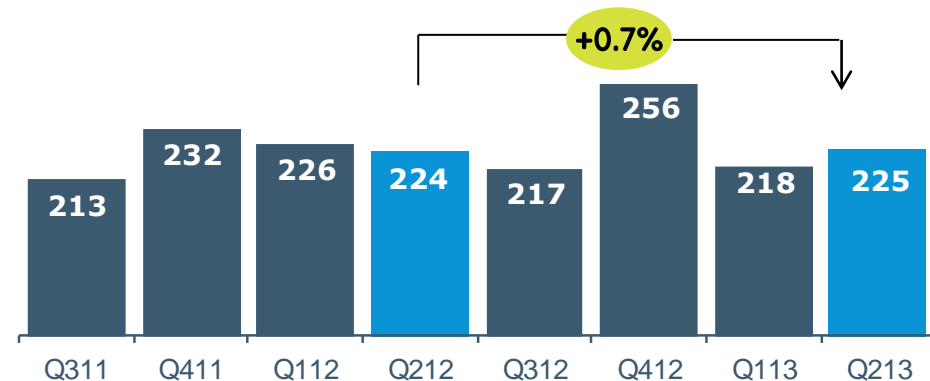


# Non-HR expenses

## Cost management limiting impact of commercial push

- Q2'13 non-HR expenses of € 225m
- Company-wide cost containment nearly offset the impact from the increased commercial activity in the second quarter 2013.

Quarterly Non-HR expenses ( € million)



### Consumer Business Unit

Q2'13 non-HR expenses of € 74 m, up 1.0% mainly driven by the focus on Mobile acquisition, partly offset by cost management

### Enterprise Business Unit

Q2'13 non-HR expenses of € 37m, 5.9% lower compared to the same period of 2012 showing effect from solid cost containment.

### SDE & W

5.2% higher non-HR YoY to €52m including resources to support simplification projects

# HR expenses

Salary indexation partly offset by one-off provision reversal and lower headcount

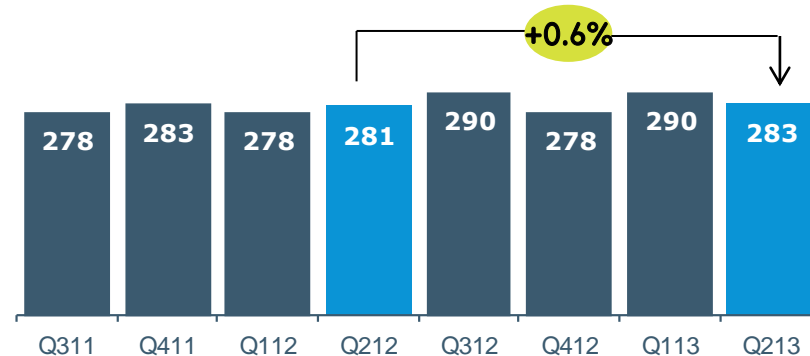
Mach 2012 &  
Jan 2013:  
2% inflation  
based salary  
indexation

## Estimated cash-out for termination benefits

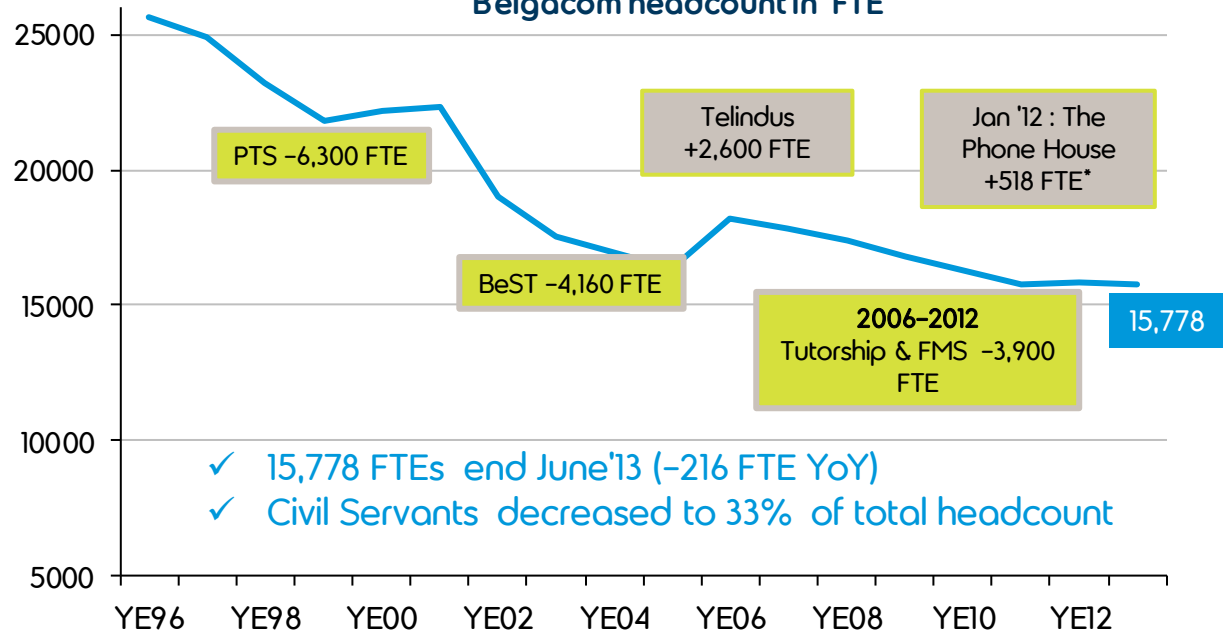
	EUR million
2013	80
2014	49
2015	21
2016	6
2017	6
2018-2033	21*

(\* Cumulative for  
full period)

Quarterly HR-expenses (€ million)



Belgacom headcount in FTE

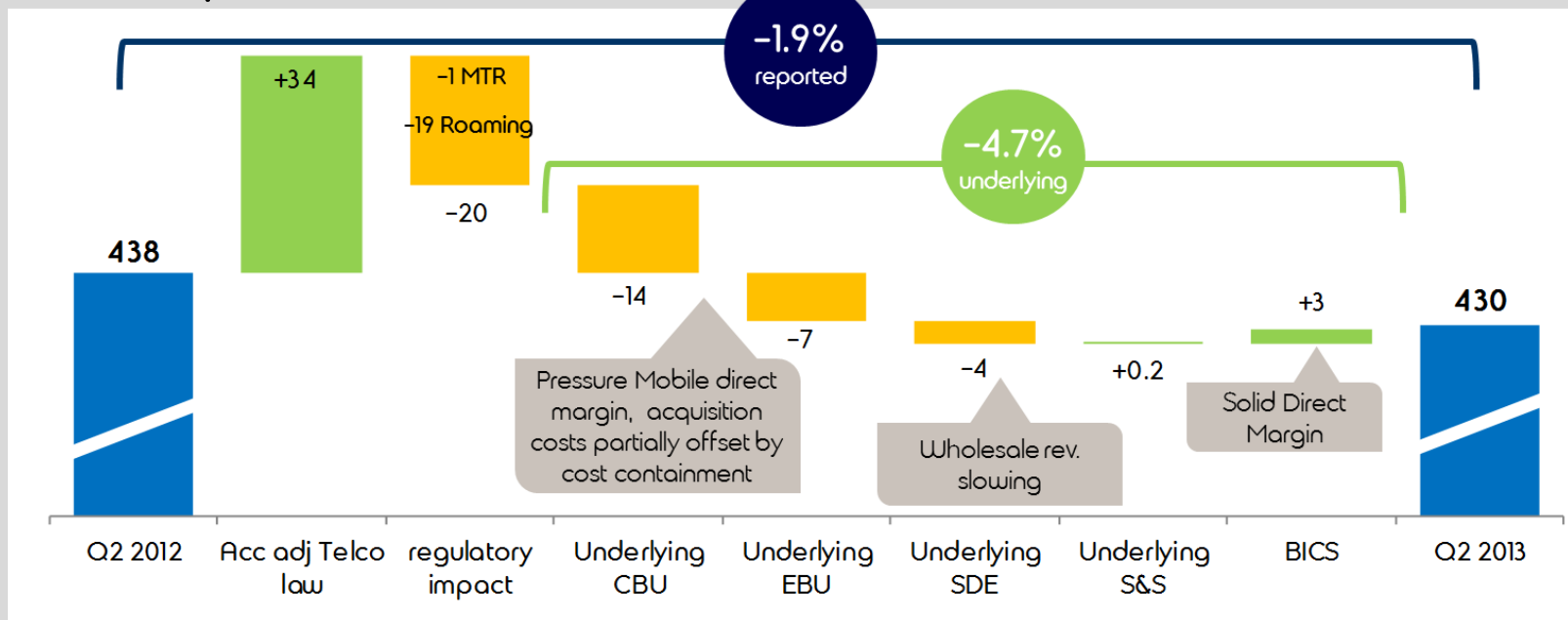


- ✓ 15,778 FTEs end June'13 (-216 FTE YoY)
- ✓ Civil Servants decreased to 33% of total headcount

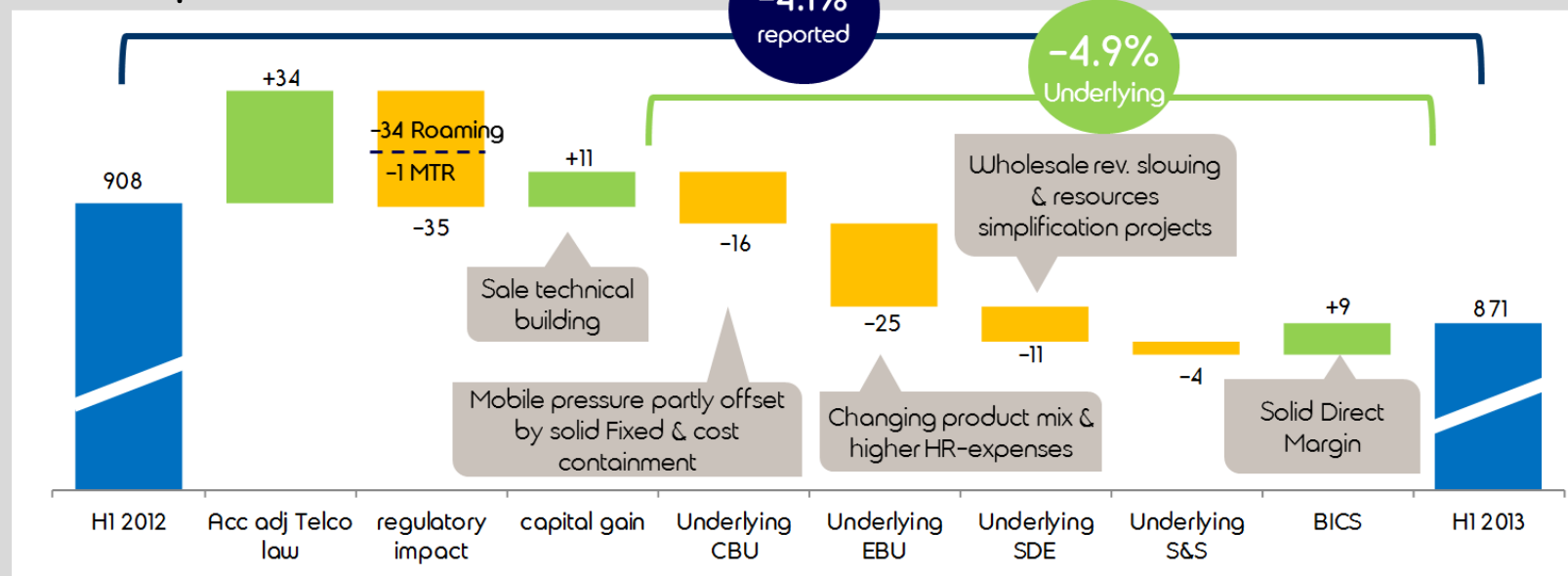
\*As part of the agreement with the Competition Council, Belgacom sold some of the Phone House shops in Nov'12, which lowered the headcount accordingly.



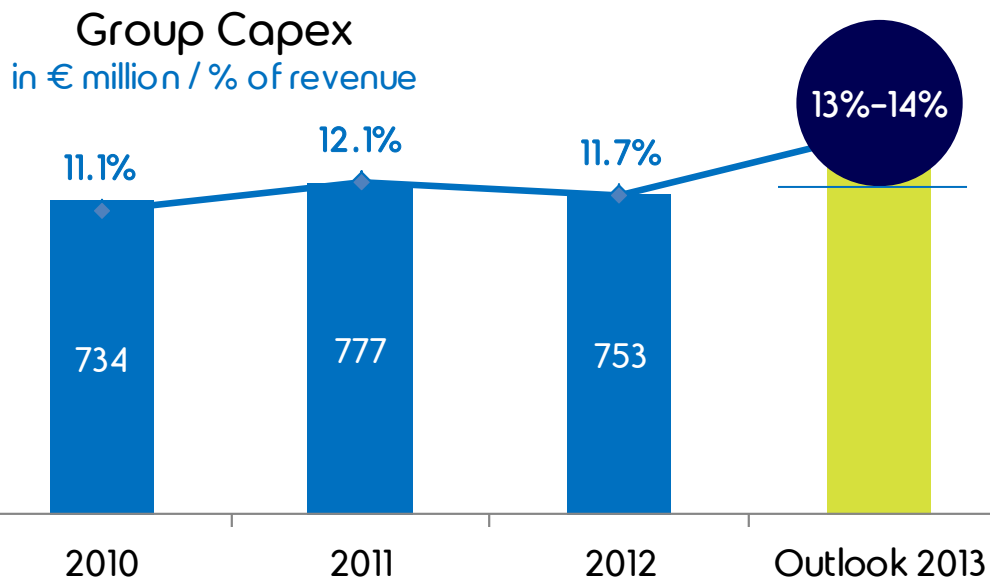
## Q2 2013 Group Ebitda (mio €)



## H1 2013 Group Ebitda (mio €)



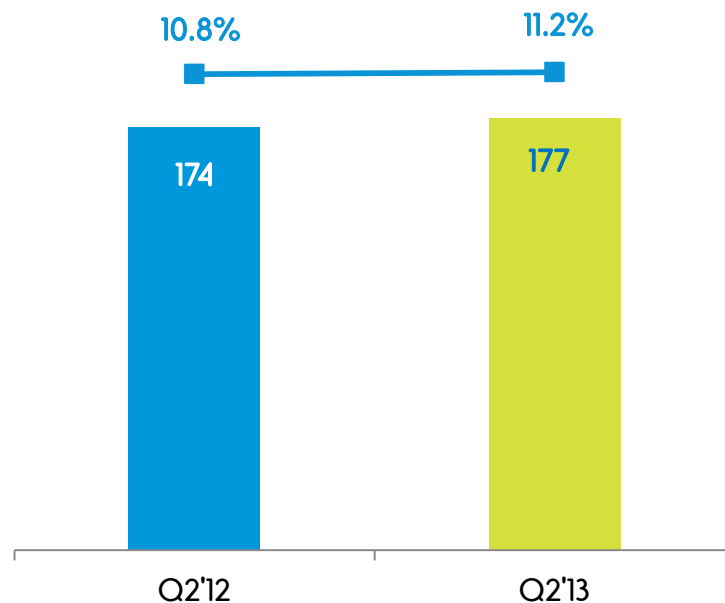
# Invest in high-quality fixed & mobile network to maintain leadership in convergence



\*This does not include capex for a potential bidding in the 800 Mhz spectrum auction that is planned before year-end

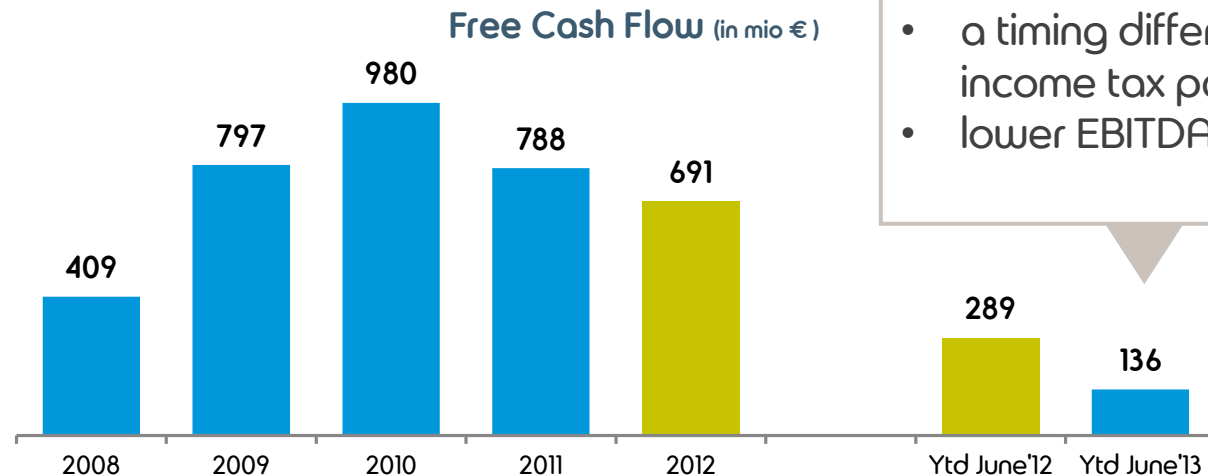
## Accelerated network investments

- maintain network superiority on **mobile speed and coverage**,
- substantially increase the bandwidth on fixed network via dlm and **vectoring** technology
- make operations leaner through a **simplified network**



# Q2'13 Free Cash Flow of € 47 million, impacted by income tax payments and lower ebitda

(in mio € )	Q2			H1		
	2012	2013	var.	2012	2013	var.
	IAS Restated			IAS Restated		
Operating CF before working capital changes	379	366	-13	771	730	-41
CF for Working capital	-95	-142	-47	-101	-235	-134
Net cash used in investing activities	-174	-177	-3	-381	-359	22
<b>Free Cash Flow</b>	<b>110</b>	<b>47</b>	<b>-63</b>	<b>289</b>	<b>136</b>	<b>-153</b>



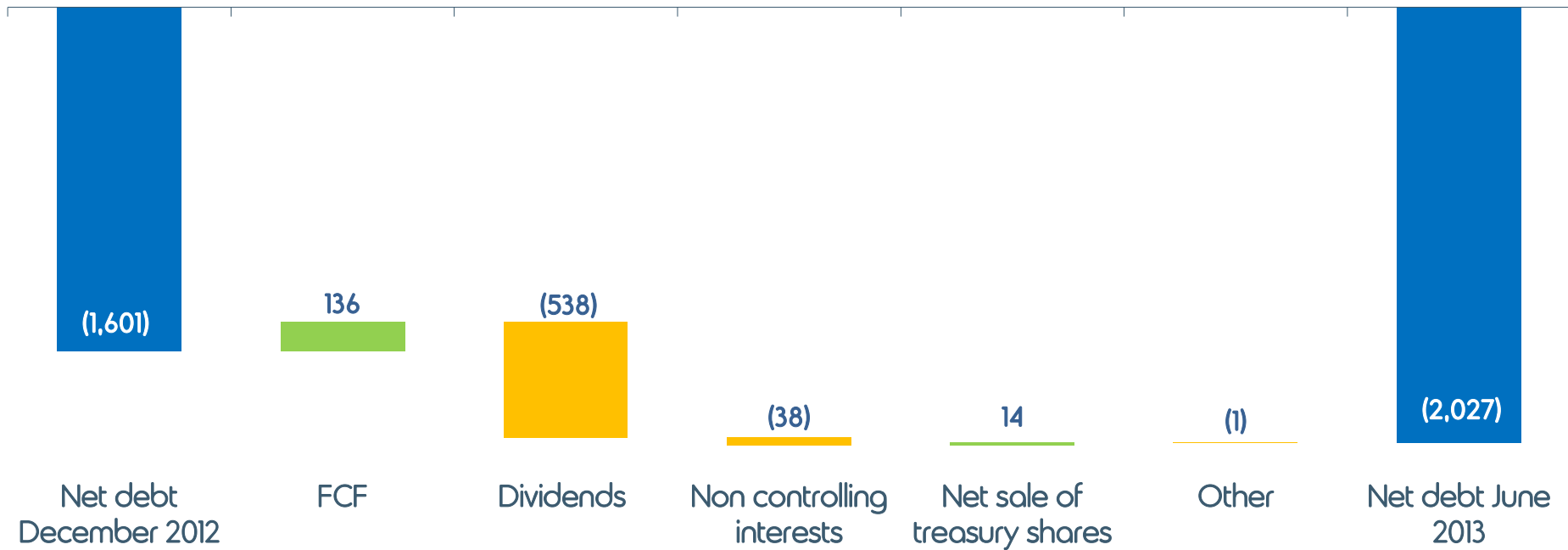
## Lower FCF result of:

- a timing difference in income tax payments
- lower EBITDA

# Sound financial position

belgacom

- Net financial debt at € 2,027m, € 426m higher versus end 2012
- The outstanding long term financial gross debt amounted to € 2.1Bio
- Credit ratings: Standard & Poor's A; Moody's A1 – both stable outlook



- Belgacom has an € 2,500m Bonds EMTN Program with an outstanding amount of € 1,825m.



# Belgacom consolidated balance sheet

	31-Dec	30-Jun
(EUR million)	2012	2013
<b>TOTAL ASSETS</b>	<b>8,243</b>	<b>8,196</b>
<b>Non-recurrent assets</b>	<b>6,192</b>	<b>6,116</b>
Goodwill	2,339	2,339
Intangible assets with finite useful life	1,097	1,067
Property, plant and equipment	2,467	2,475
Investments in associates	1	1
Other participating interests	7	6
Deferred income tax assets	147	128
Pension and other non-current assets	134	101
<b>Current assets</b>	<b>2,051</b>	<b>2,080</b>
Inventories	133	147
Trade receivables	1,341	1,329
Current income tax assets & other current assets	292	324
Investments	83	61
Cash and cash equivalents	202	219
<b>LIABILITIES AND EQUITY</b>	<b>8,243</b>	<b>8,196</b>
<b>Equity</b>	<b>3,093</b>	<b>2,865</b>
Shareholders' equity	2,881	2,680
Minority interests	211	185
<b>Non-current liabilities</b>	<b>2,678</b>	<b>2,846</b>
Interest-bearing liabilities	1,761	1,974
Pensions and other post-employment benefits	570	528
Provisions	203	203
Deferred tax liabilities and other amounts payable	144	141
<b>Current liabilities</b>	<b>2,472</b>	<b>2,485</b>
Interest-bearing liabilities	215	391
Trade payables	1,310	1,260
Income tax payable	236	105
Other current payables	711	730

- Shareholders' equity decreased from € 2,881m end 2012 to € 2,680m in June. This results from the 2012 dividend payment, typically exceeding the net income generated over the first six months of the year.

# Group – quarterly P&L



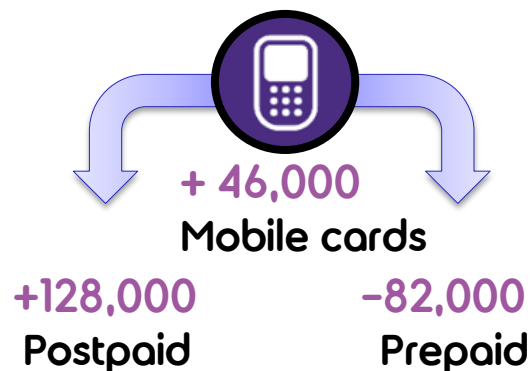
\* The 2012 financial figures have been **restated** after the adoption of the IAS 19R revision

in mio €	Q112	Q212	Q312	Q412	FY 2012	Q113	Q212	VAR Q2/Q2
	Restated							
<b>Revenues (1)</b>	1,588	1,611	1,620	1,644	6,462	1,586	1,583	-1.7%
<b>Total OPEX</b>	-1,118	-1,172	-1,156	-1,215	-4,661	-1,144	-1,153	-1.7%
Costs of materials and char	-614	-667	-649	-680	-2,611	-637	-645	-3.4%
Personnel expenses and p	-278	-281	-290	-278	-1,126	-290	-283	0.6%
Other operating expenses	-226	-224	-217	-256	-924	-218	-225	0.7%
<b>EBITDA (1)</b>	470	438	464	429	1,801	441	430	-1.9%
EBITDA margin (1)	29.6%	27.2%	28.6%	26.1%	27.9%	27.8%	27.2%	0.0 pp
<b>Non recurring items</b>	0	-10	-1	-4	-15	0	0	-
Depreciation	-181	-188	-185	-194	-748	-192	-200	6.8%
<b>EBIT (incl. NR)</b>	289	240	278	231	1,038	250	230	-4.4%
Financial result	-22	-26	-54	-28	-131	-20	-24	-7.0%
Tax expense	-65	-48	-34	-30	-177	-53	-44	-8.1%
<b>Net income (Group)</b>	199	161	184	168	712	171	155	-3.5%
Non-controlling interest	3	5	5	5	19	5	6	-
<b>Earnings/share in €</b>	0.63	0.51	0.58	0.53	2.24	0.54	0.49	-3.6%
Earnings/share in € (excl. NR)	0.63	0.53	0.58	0.54	2.27	0.54	0.49	-7.7%

(1) before non-recurring items

# Executive summary– operational Q2 2013

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- Total Group mobile customer base of **5,410,000**
- Strong Mobile Postpaid net adds, growing Belgacom's postpaid customer base to 3,570,000.
- Prepaid customer base lower, in **shrinking prepaid** market, reaching 1,837,000 prepaid cards end June'13



- TV customer base grew by 16,000 in Q1, of which 14,000 HH, in line with previous quarter. Total TV customer base of **1,428,000**



- BB customer base end June '13 at **1,652,000**



- Packs continued to grow. Total end June'13 at **1,278,000**



- Fixed voice customer base end June '13 at **3,002,000**

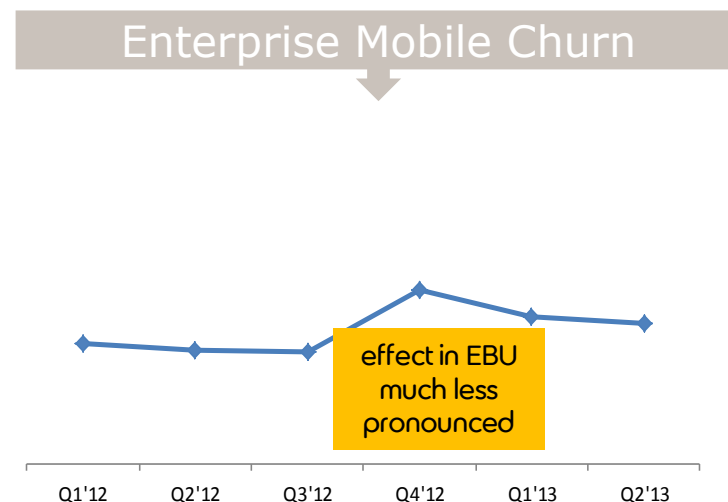
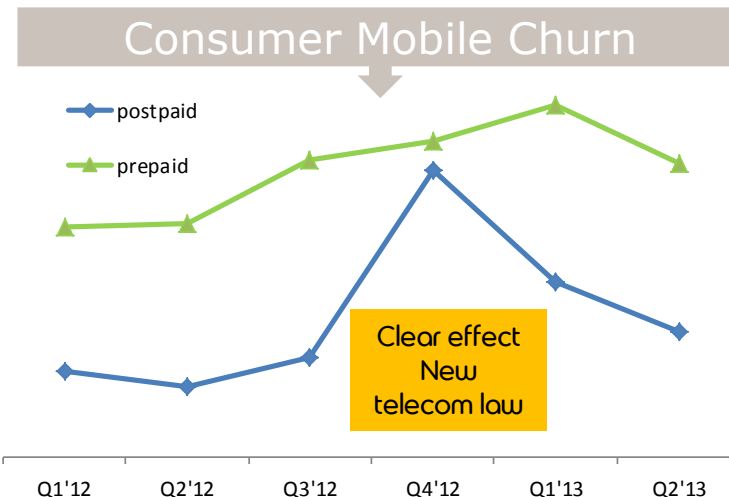
# Retention actions stabilised mobile churn, positive trend seen in Q1 continued

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Focus on mobile in H1 through positioning of Proximus network quality, proactive retention and acquisition actions

> 60%  
postpaid  
customers  
on new  
mobile tariff  
plan



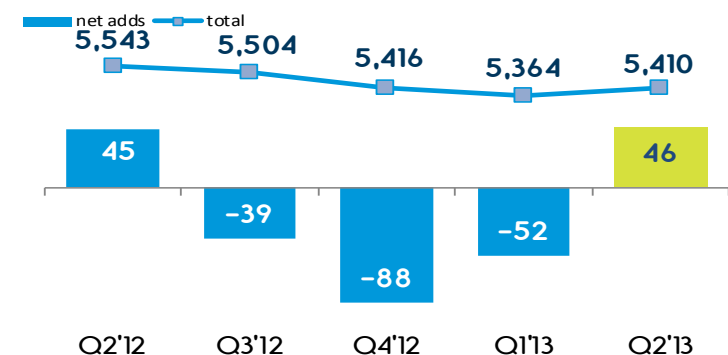


# Q2'13 Focus on Mobile acquisition

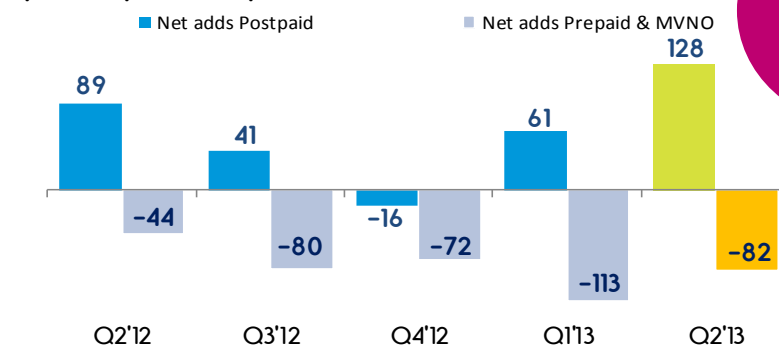


- Belgacom Group added 46,000 mobile customers in Q2'13, with Postpaid growing by 128,000

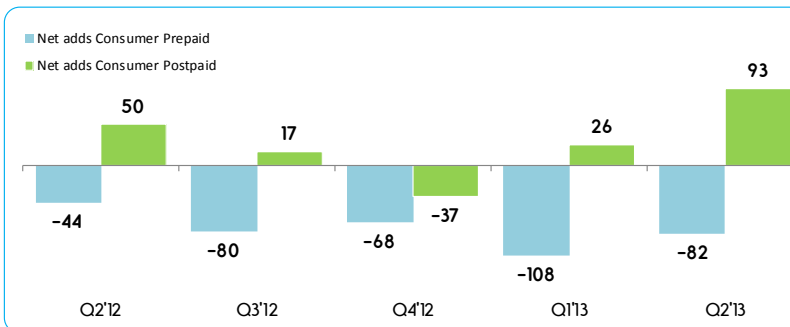
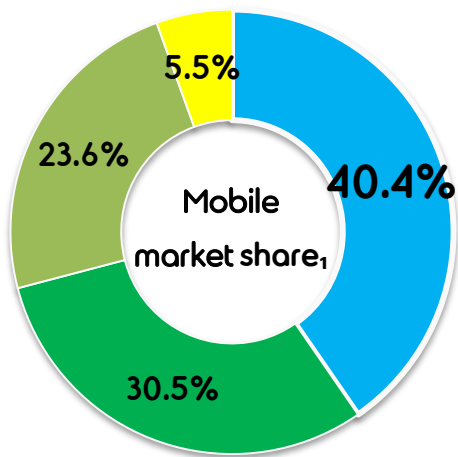
Mobile customer evolution<sup>2</sup>



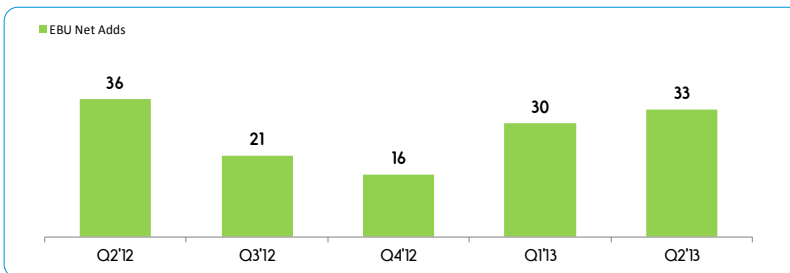
Split Postpaid - Prepaid



Supported by tactical joint offers & strong marketing actions



+Tango



<sup>1</sup> Active mobile cards

<sup>2</sup> Mobile active customers including mobile customers Luxembourg, and including mobile data cards.

# Mobile offers became more abundant and have been simplified

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Evolution of comparable offers

	Low end			Mid end			High end		
	Generation MTV 15	Generation MTV 15	Smart 15	Comfort 25	Smart 20	Smart 25	Comfort 90	Smart 75	Smart 65
	Q4-11	Dec'12	Apr'13	Q4-11	Dec'12	Apr'13	Q4-11	Dec'12	Apr'13
Voice :	60 Min	100 Min	120 Min	120 Min	120 Min	180 Min	Unlimited	Unlimited	Unlimited
SMS :	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Data :	/	500 Mb	500 Mb	250 Mb	1 Gb	1 Gb	1 Gb	5 Gb	5 Gb
Tariffs : stand-alone (in pack)	15€ (10€)	15€ (10€)	15€ (10€)	25€ (20€)	20€ (15€)	25€ (20€)	90€ (75€)	75€ (60€)	65€ (55€)
	+40 Min Data included			-5 € Data x 4 + (4G option)			-15 € Data x 5 + (4G included)		
	+20 Min			+5€ +60 Min			-10 €		
	Min x 2 Data included			+60 Min Data x 4 + (4G option)			-25 € Data x 5 + (4G included)		



Positioning Scarlet as no frills brand, with very attractive pricing for 'price seekers'

3 raisons de choisir **scarlet** pour votre GSM



Feb-13

Launch prepaid offer

June-13

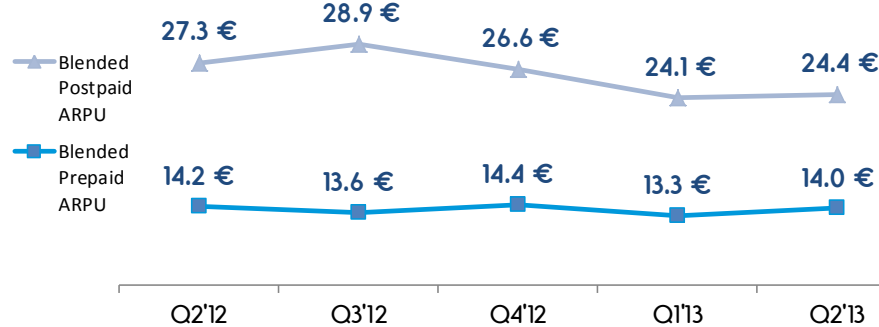
Launch postpaid offer

Aug-13

Launch 3-play offer

# Clear Postpaid ARPU impact, while Prepaid ARPU remains fairly stable

**Consumer** blended ARPU: Split Prepaid - Postpaid

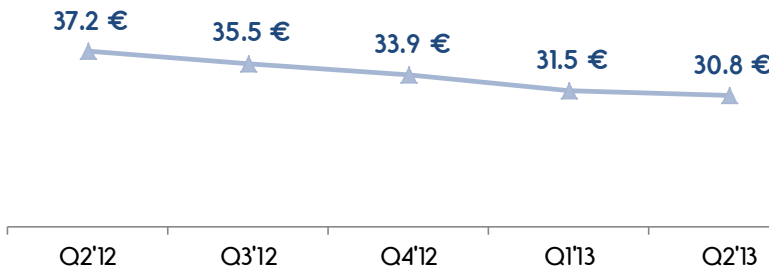


Since the Telco law came into force, the **Consumer Postpaid ARPU decline clearly accelerated.**

- Initial loss high-value postpaid customers
- Re-pricing effect ( ~60% of the Postpaid customer base has been re-priced to new tariffs)
- Prepaid (lower ARPU) moving to Postpaid

In contrary, the **Prepaid ARPU was not impacted** by the new Telco Law.

**Enterprise** blended ARPU



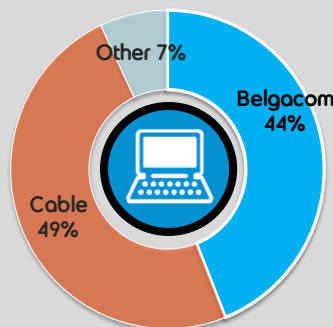
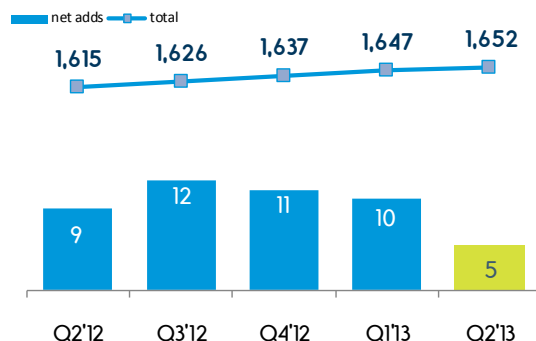
The **Enterprise Business** experiences a more general ARPU decline driven by:

- Regulation
- More abundant offers
- Churn of high-usage customers in the last quarter of '12

# Solid performance of fixed products

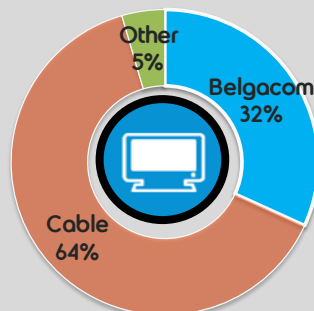
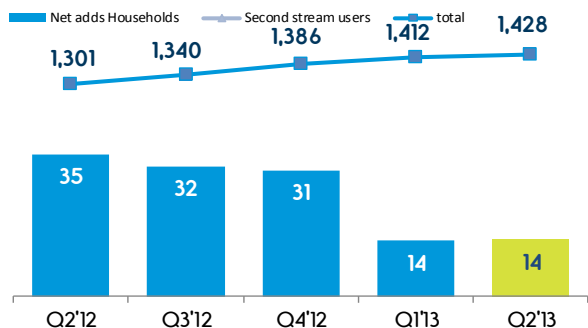
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## Broadband customer evolution



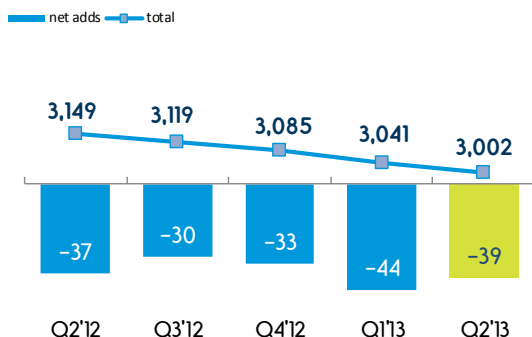
- Belgian Fixed internet market still growing, but at slower pace
- Internet penetration @ 78%
- Belgacom market share erosion limited to -0.5% YoY

## TV Lines evolution\*



- Belgian digital TV penetration @ 78%
- Stable DTV market share of 32%
- Growth households stable to Q1'13
- Total TV market\*\* share of 26% ; +2pp YoY

## Fixed Voice customer evolution



- Stable market, Fixed Voice penetration @ 72%
- Belgacom containing Fixed Voice line erosion
- Fixed Voice line "upgraded" via:
  - ✓ Flat rate calling "Happy Time XL" and "Happy Time International"
  - ✓ Multi-play packaging

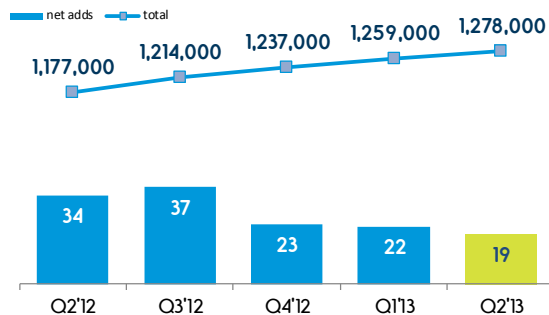
\*Corresponds to the total settop boxes, including multi-stream

\*\* Total TV market includes analog TV

# Convergence strategy – key advantage in challenging market

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Packs evolution



- Continued uptake of multi-play packs
- End June 2013; 21% of PACKS included mobile (from 13% previous year)

21% of  
Packs with  
Mobile

Sustain growth in convergence  
through more value from mobile components

All Packs contain 3G  
mobile internet  
volume

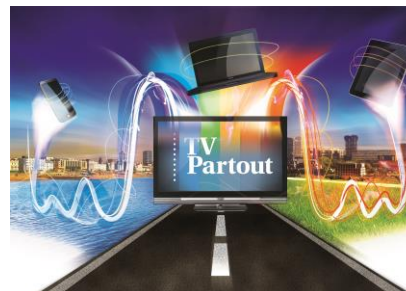
All mid-end Packs include  
TV Everywhere  
(as of 1<sup>st</sup> July)

Up to 6 mobile  
subscriptions in a  
Pack

Supported by tablet joint offer



On 3G, 4G and Wi-Fi



More value



FON  
log-in

at least  
a € 5  
reduction  
per  
mobile

# Belgacom brings connectivity anywhere, anytime and on any device

belgacom

together  
with

proximus

## Fixed Network

 **99.85% DSL**

(among world leaders)

 **> 86% VDSL**

(2nd in Europe)

 **~ 93% TV coverage**


All download speeds are up to 50 Mbps<sup>1</sup>

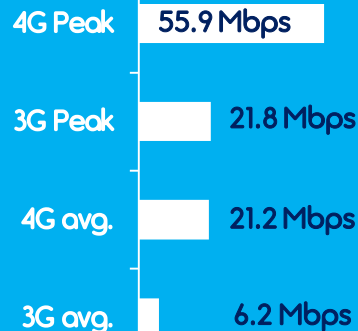
On average, a customer gets 33 Mbps



## Mobile Network<sup>2</sup>

 **> 99% 3G & 2G**

 **~ 36% 4G coverage**



## Wi-fi Hot Spots

 **700,000 FON spots in Belgium**



>11 million worldwide (UK, France, the Netherlands, Portugal ...)

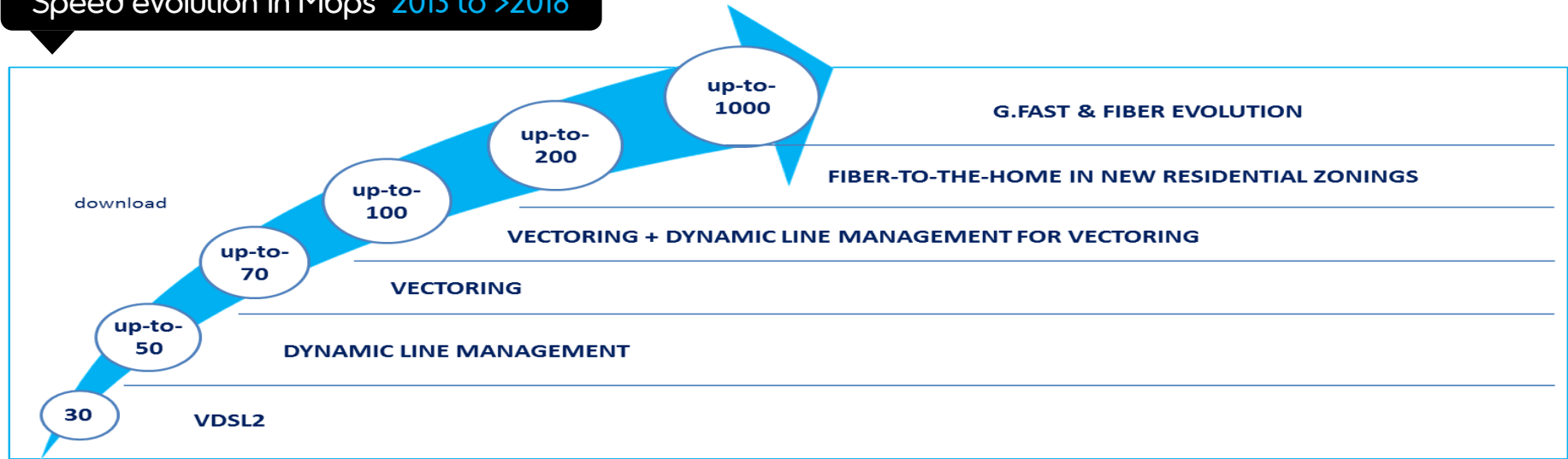


<sup>1</sup>Speeds depend on such factors as the distance between the connection point & the local exchange, the computer system & the internal cabling.

<sup>2</sup>Source: As measured by independent agency CommSquare during Q2 2013 drive tests



## Speed evolution in Mbps 2013 to >2018



## Launch of Dynamic Line Management

Launched  
Q1 2013

DLM monitors line stability and dynamically applies max possible speed when a line is sufficiently stable

- To up-to-50 Mbps speeds – One third of our VDSL2 lines already receives a 50 Mbps speed
- 30% higher average speed experience – Thanks to DLM, the average speed experience increased with 30%

## Preparation for Vectoring roll-out

Planned  
Q1 2014

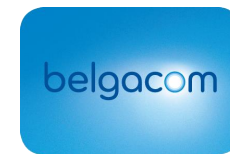
Vectoring cancels crosstalk in the copper cables resulting in a significant bit rate increase of copper lines

- Start of Field Trial – Large technical field trial started to prepare Vectoring for massive roll-out
- Strong regulatory framework was negotiated, disentangling all blocking points

Next step:  
DLM on  
Vectoring



# Mobile network



## Mobile data evolution

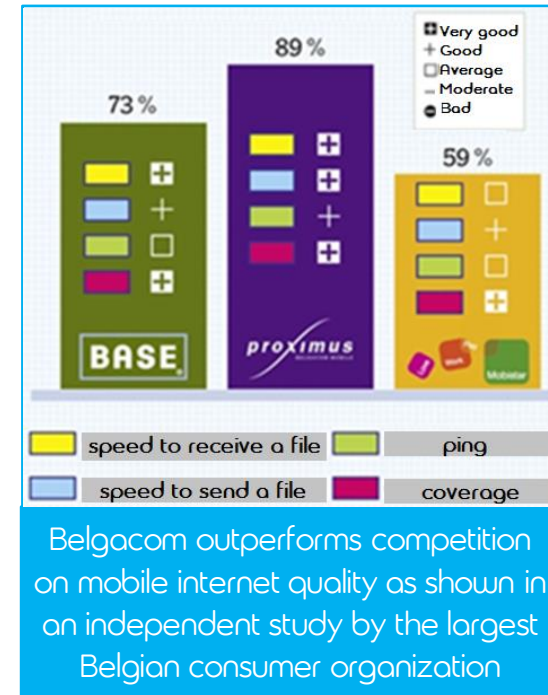
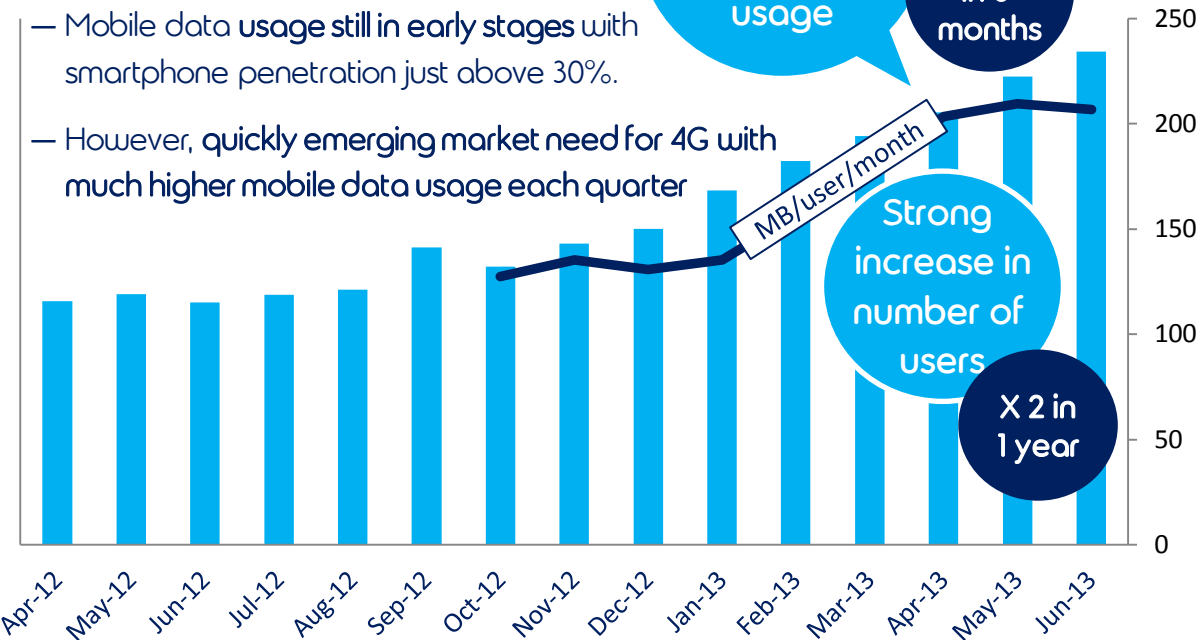
- Mobile data usage still in early stages with smartphone penetration just above 30%.
- However, quickly emerging market need for 4G with much higher mobile data usage each quarter

Steep increase in mobile data usage

+60% in 6 months

Strong increase in number of users

X 2 in 1 year



Belgacom outperforms competition on mobile internet quality as shown in an independent study by the largest Belgian consumer organization

## 3G+ mobile data experience acceleration

- 1 Avg. 3G speed increase from 3.2 Mbps to 6.2 Mbps
- 2 70% increase of network capacity for data
- 3 > 80% of mobile sites have high-speed backhauling



## 4G roll-out continued

- 1 Belgacom is only Belgian operator offering 4G
- 2 ~36% 4G outdoor coverage end Q2 2013
- 3 4G available in 146 Belgian cities

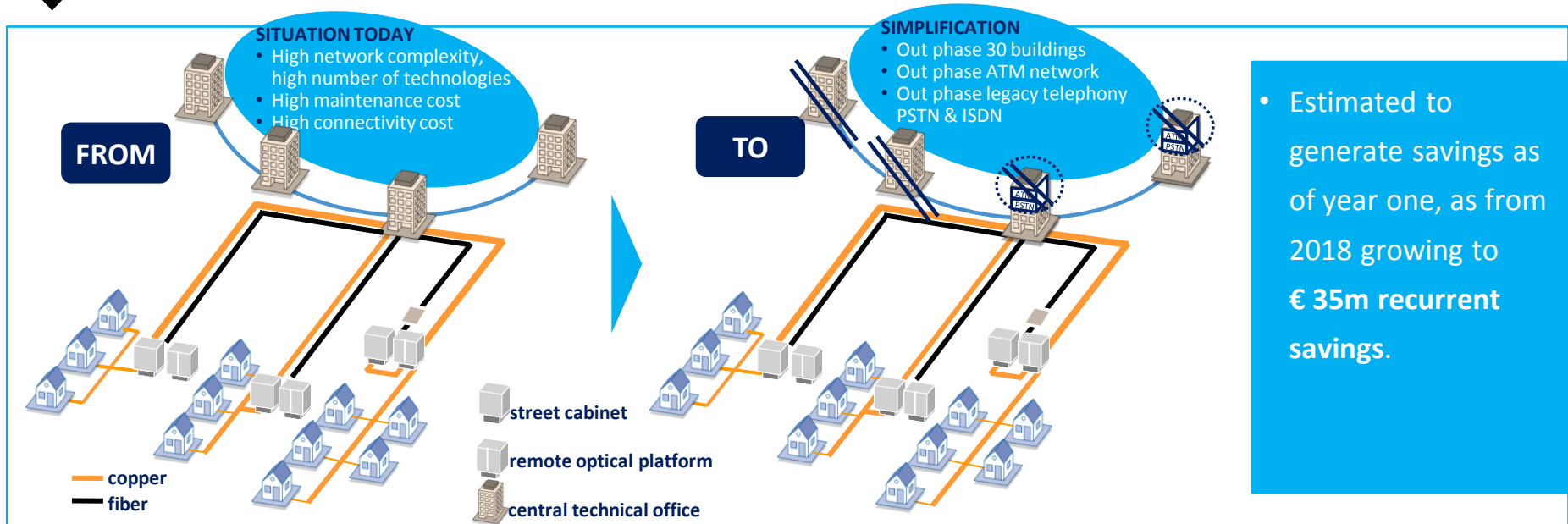




# Network simplification

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Leaner operations through a simplified all-IP-network



- Estimated to generate savings as of year one, as from 2018 growing to € 35m recurrent savings.

## Three major components

**Fixed voice consolidation** – 3.800.000 PSTN equivalent lines to migrate

**Fixed data consolidation** – 250.000 ATM customers to migrate

**Building outphasing** – 263.000 m<sup>2</sup> floor space to consolidate

## Major Milestones

- 1 Total customer base of ATM customers on Ethernet based alternatives by 2013
- 2 No more SIEMENS EWSD switches by 2015 (~40% of install base)
- 3 No more ALCATEL LUCENT S12 PSTN switches by 2018 (~60% of install base)
- 4 30 buildings freed up by 2020 with an average of 5 buildings/year

Already  
300.000  
lines  
migrated

# Q2 2013 results per business unit

Consumer Business Unit (CBU)

Enterprise Business Unit (EBU)

Service Delivery Engine & Wholesale (SDE&W)

Staff and Support (S&S)

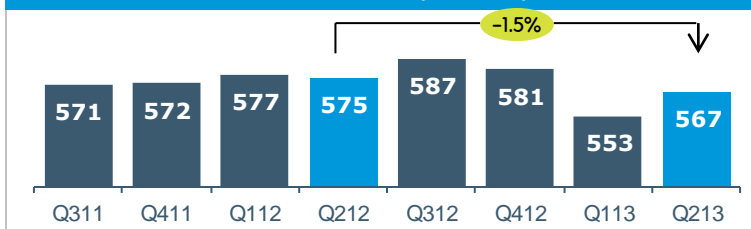
Belgacom International Carries Services (BICS)

# Consumer – P&L

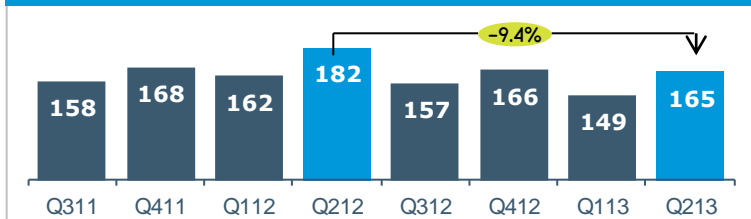
belgacom

Pressure on Direct Margin partially offset by cost containment

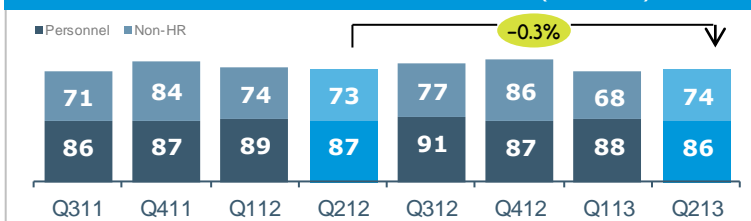
**CBU revenue (EUR mio)**



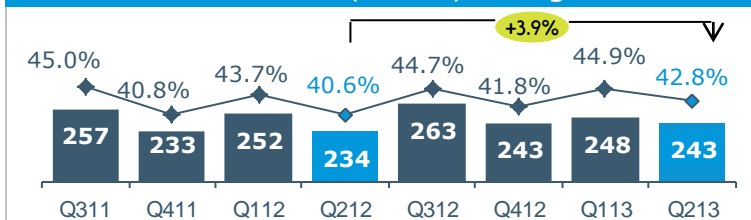
**CBU Cost of Sales (EUR mio)**



**CBU Personnel & Non-HR costs (EUR mio)**



**CBU EBITDA (EUR mio) & margin**



- Q2'13 Revenue -1.5% lower
  - Excl Q2'12 €-10.1m accounting adjustment rev -3.1%
  - Regulation impact Q2 '13 of €-8m (-1.4%)
  - Pressure on Mobile revenue partly offset by firm Fixed performance

- H1'13 revenue -2.8%; -3.7% like-for-like\*

- Q2'13 Cost of Sales -9.4% lower YoY ; -0.7%, like-for-like
  - Q2 '12 incl. accounting adj. of €16m
  - Acquisition costs offset by: lower MTRs, improved sales channel mix and partial sale of The Phone House stores

- H1'13 CoS of €313m, -8.8% or -4.4% like-for-like

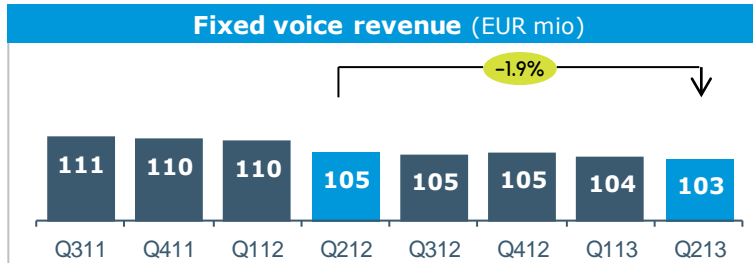
- Lower HR expenses, -1.3% ; driven by lower headcount, partially offset by wage indexation.
- Non-HR expenses 1% up, cost optimization initiatives and partial divestiture of The Phone House stores limited impact from Mobile acquisition costs

- Q2'13 segment result +3.9% YoY; -6.5% like-for-like
  - Q2'12 incl one-off acc impact of €-26m
  - Regulation impact of €-3 m
  - Decline contained: sound Fixed revenues & cost control
- H1'13 segment result +1% ; -4.1% like-for-like

\*Like-for-like excludes the impact from the accounting adjustment recorded in Q2'13

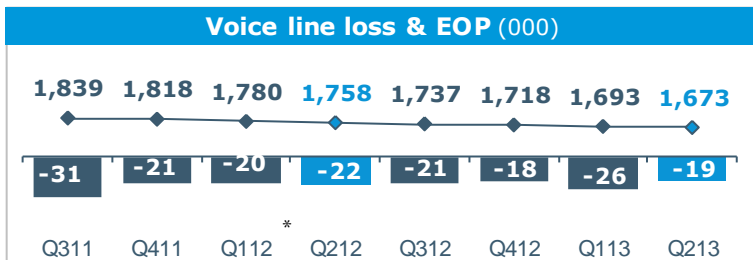
# Consumer – Fixed voice

Fixed Voice price adjustments resulted in growing ARPU and contained revenue decline

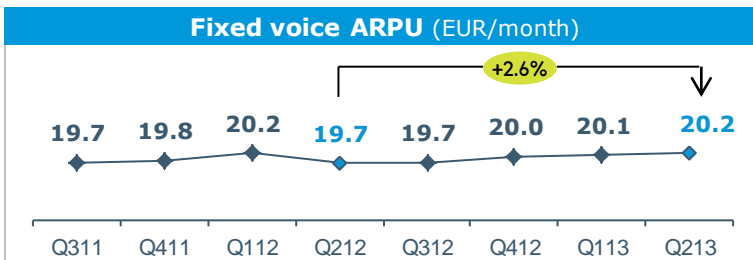


- Fixed Voice revenue erosion limited to -1.9% YoY
  - Price changes brought relief to the declining Voice revenue resulting from the line loss.

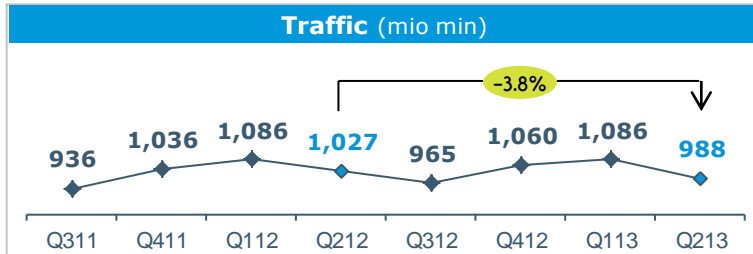
- H1'13 revenue of €207m, i.e. a 3.4% decline YoY



- Fixed Voice customer base of 1,673,000 end Q2'13



- Fixed Voice ARPU up with price changes giving some support

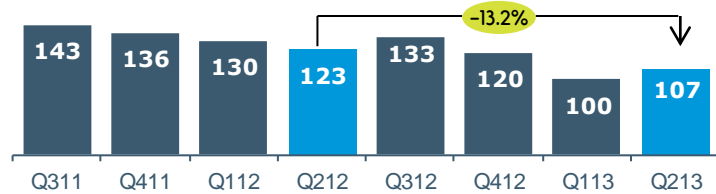


- The total Fixed Voice traffic was down 3.8% driven by lower national traffic.

# Consumer – Mobile Voice

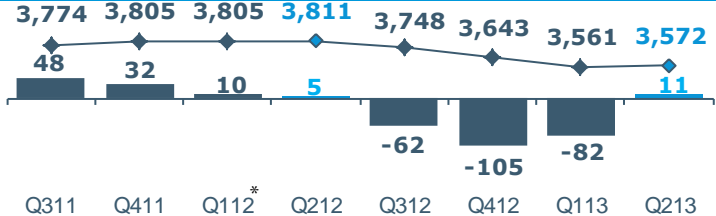
Mobile customer base back to growth; Mobile Voice revenue remains under pressure

Mobile voice revenue (EUR mio)



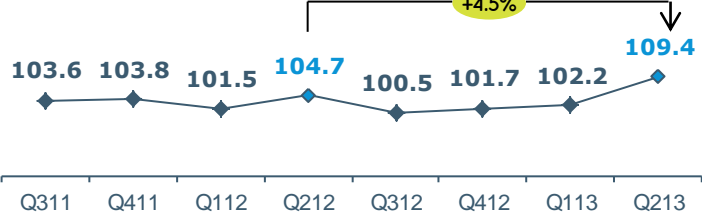
- Q2'13 Mobile Voice revenue -19.8% like-for-like
  - Driven by regulatory impacts &
  - especially by lower Prepaid customer base and repricing of mobile Postpaid mainly decreasing the out-of-bundle usage

Mobile growth & EOP (000)



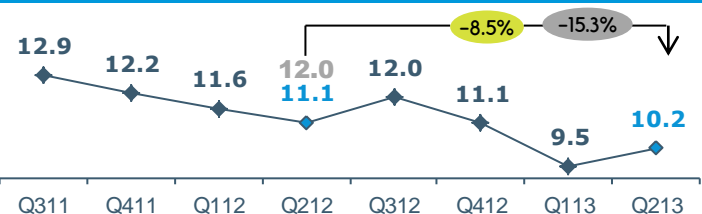
- End Q2'13 Mobile customer base of 3,572,000 cards
  - Postpaid +93,000 : revised price plans, marketing efforts and tactical handset subsidies pushed customer growth
  - Prepaid -82,000: Prepaid market shrinking with new telco law lowering contract barriers

MoU (min/month)



- MoU up YoY to 109.4 minutes/user/month

Blended net voice ARPU (EUR/month)

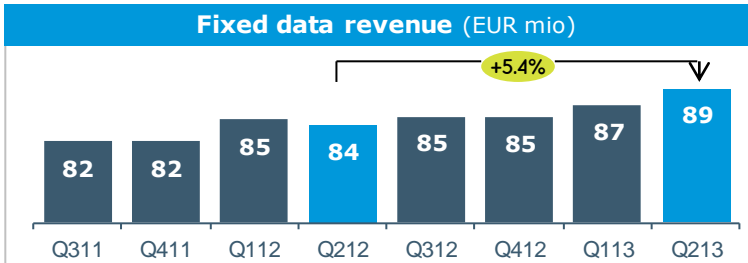


- Net Voice ARPU at € 10.2, or -15.3% YoY like-for-like
  - Impacted by Postpaid repricing with more abundant tariff plans

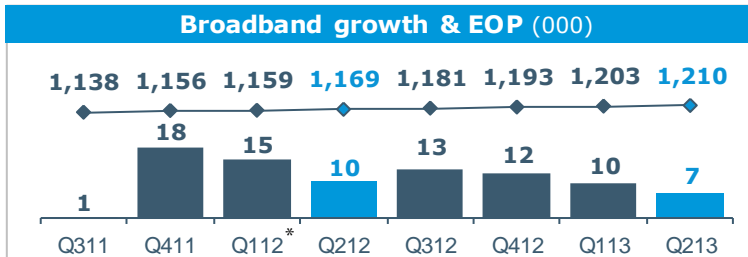
\*i.e. Mobile net adds differ from QoQ EOP difference due to re-segmentation exercise at start of 2012

# Consumer – Fixed Data

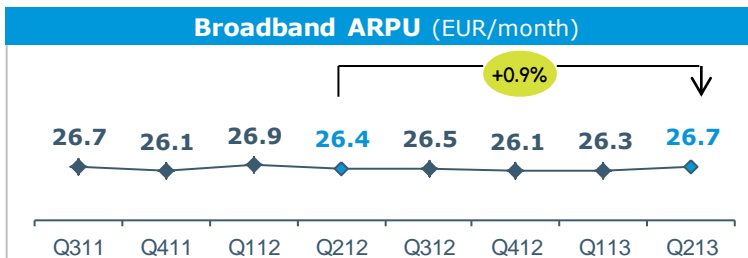
Fixed Internet revenue grew 5.4%, driven by price indexation and larger customer base



- Q2'13 revenue up 5.4% YoY
  - Positively impacted by price indexation Feb'13
  - Continued YoY customer growth



- CBU ended Q2'13 with 1,210,000 Fixed Internet customers
  - +7,000 net-adds, in spite of lower focus on Fixed in Q2
  - supported by the "Internet Everywhere" offer, mainly bought in Pack



- ARPU Q2'13 of € 26.7; i.e. up by 0.9% YoY
  - ARPU supported by price indexation

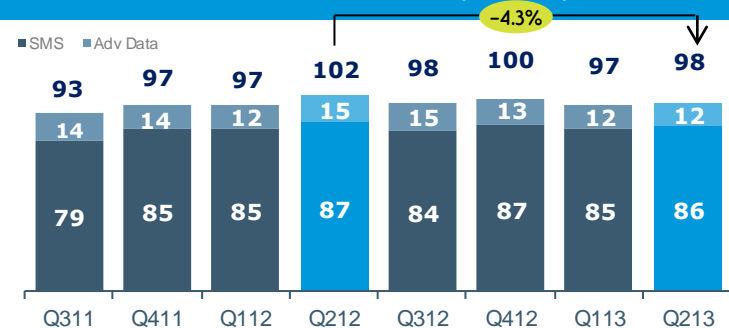
\*i.e. Fixed Internet net adds differ from QoQ EOP difference due to re-segmentation of customers

# Consumer – Mobile Data

belgacom

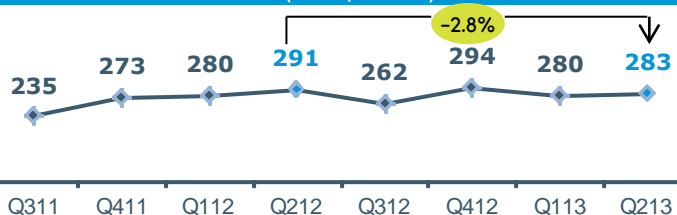
Mobile data revenue declined, impacted by regulation, more abundant offers and the mobile customer evolution

Mobile data revenue (EUR mio)



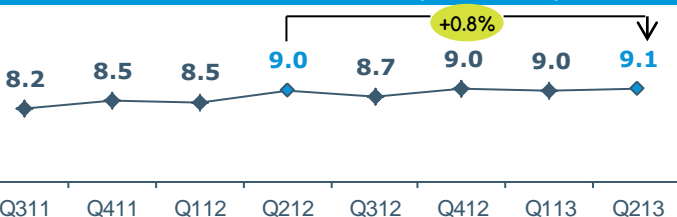
- Q2'13 Mobile Data rev -4.3% YoY
  - Revenue impacted by regulation, lower mobile customer base and more abundant offers
  - SMS revenue -1.3%
  - Advanced Mobile Data -21.6% : more Mobile data included in price plans, and impact from regulated price cap on retail Data roaming.
- H1'13 Mobile Data rev -2.1% YoY to € 195m

SMS (units/month)



- SMS usage -2.8% to 283 SMS/Month

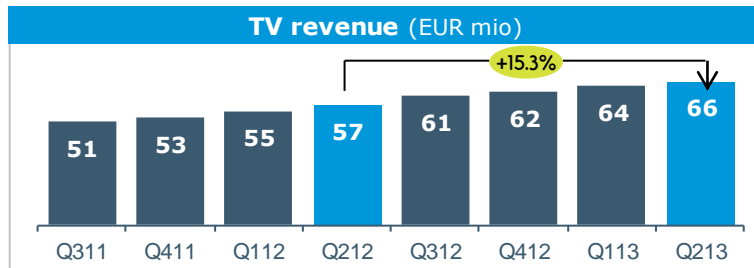
Blended net data ARPU (EUR/month)



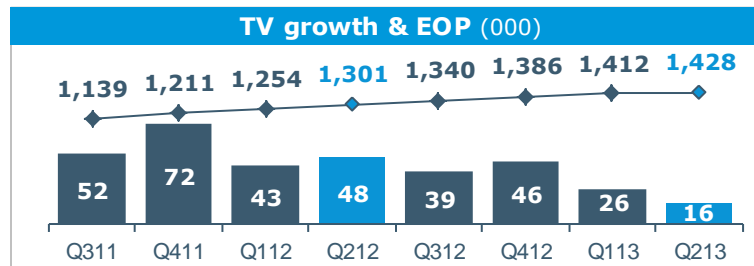
- Mobile Data ARPU up 0.8% YoY to € 9.1
  - More customers having a price plan including Mobile data



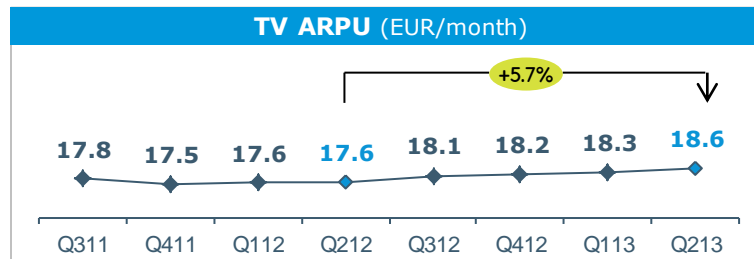
Double-digit TV revenue growth through larger TV customer base and higher ARPU



- TV revenue +15.3% YoY driven by
  - Continued growth of subscribers
  - Price increase of rented settop box

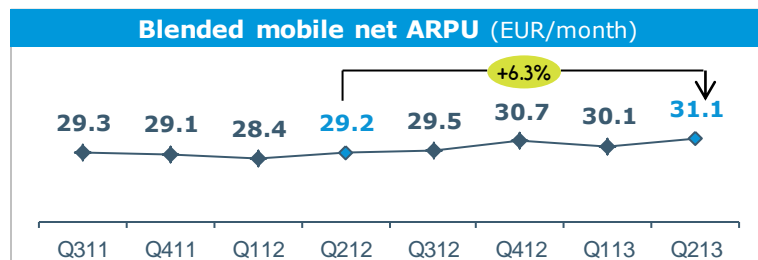
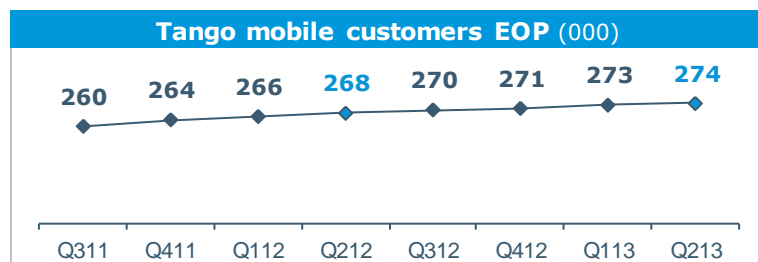
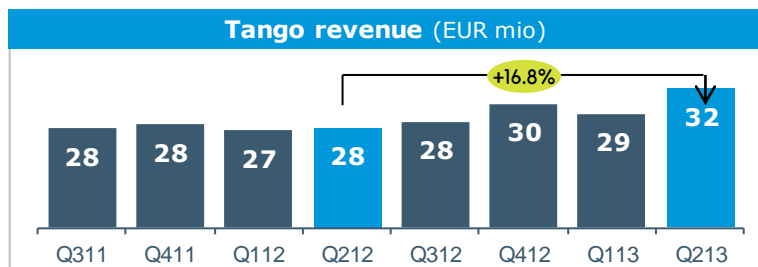


- Continued customer growth
  - Total customer base of 1,428,000; +9.8% YoY
  - Growth households stable to Q1 '13
  - +14,000 households added on Belgacom TV, 2,000 multiple streams



- Q2 TV ARPU of EUR 18.6 , a 5.7% growth YoY
  - Supported by the February '13 price increase for rented settop boxes

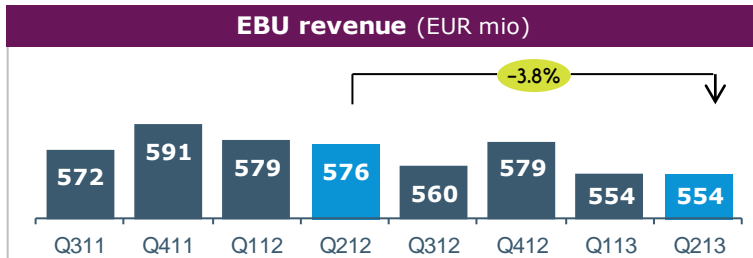




- Q2 2013, Tango's revenue +16.8% YoY to €32m.
  - supported by the growing mobile subscriptions
  - success of the offers for Smartphones
  - increased terminals sales
- H1'13 revenue of €62m, up 12% YoY
- Continued growth in mobile customer base
  - Belgacom extended its convergence strategy to Tango: quadruple-play offer "Tango Generation".
  - success of Tango's 4G offers among its Smartphone customers
  - focus placed on the B2B market with the recent acquisition of large accounts

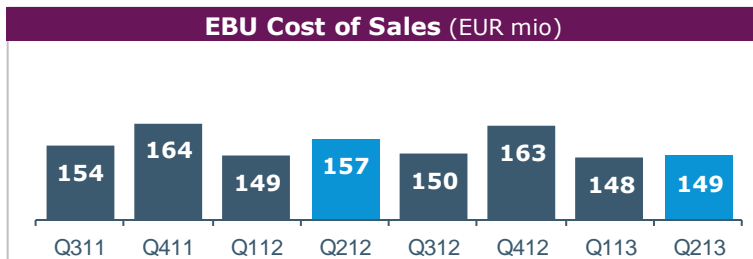
# Enterprise – quarterly P&L

**EBU revenue (EUR mio)**



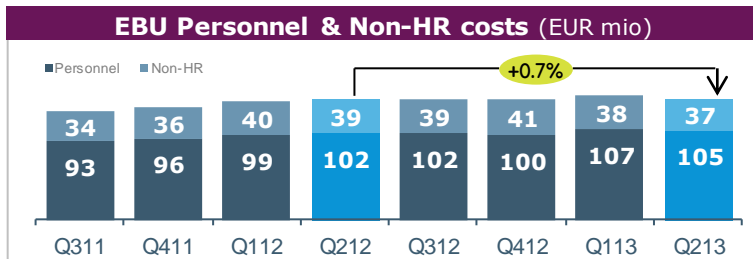
- Q2 YoY decline of 3.8%; -4.2% like-for-like\*
  - Q2'12 included €-2.1m one-off acc adjustment
  - Regulation impact of € -20m (-3.5%) in Q2'13
  - increased pressure on mobile only partly offset by higher ICT revenue

**EBU Cost of Sales (EUR mio)**



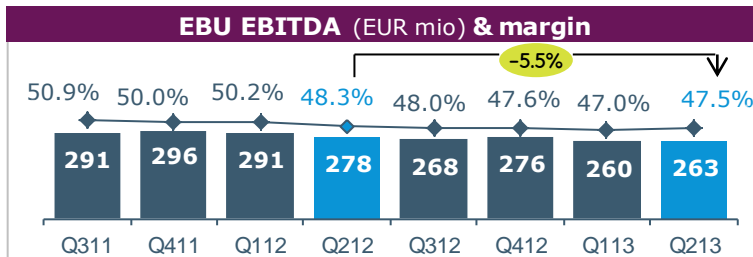
- Cost of Sales slightly down year-on-year
  - Cost of Sales Q2'13 4.9% lower YoY -1.1% like-for-like.
  - lower Mobile Termination Rates, more than offsetting the unfavorable product mix
- H1'13 with €297m, 2.8% lower yoy (-0.9% like-for-like).

**EBU Personnel & Non-HR costs (EUR mio)**



- For Q2'13, € 37m- non-HR expenses, -5.9% YoY, showing effect from solid cost containment. H1'13 -5.3% to € 75m.
- HR expenses +3.3% to € 105m: higher personnel base, salary indexation of Jan'13. H1'13 €212 m HR expenses, up 5.4% YoY.

**EBU EBITDA (EUR mio) & margin**

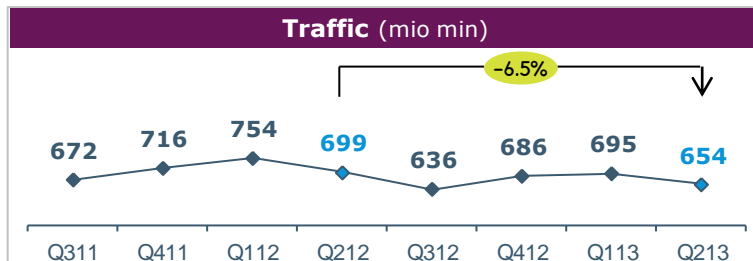
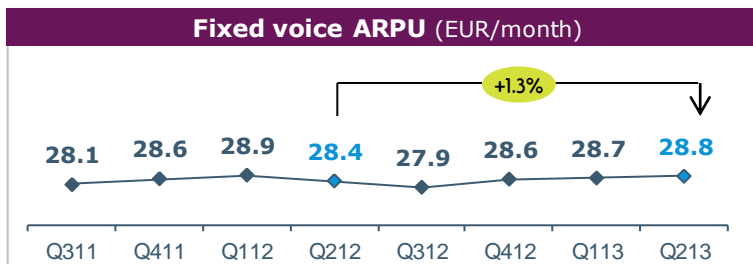
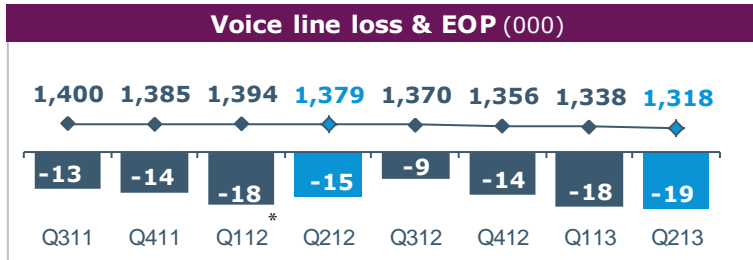
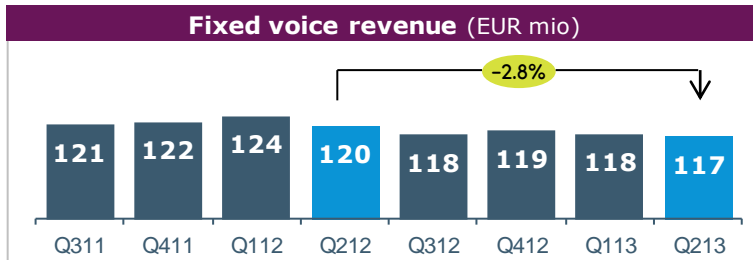


- Q2'13 segment result -5.5% YoY; -8.1% like-for-like basis.
  - Q2'12 incl € -8m acc impact new telco law
  - Regulatory impact of €-16 m (-5.7%).
  - Lower Direct margin resulting from the changing product mix.
- H1'13 € 524m, -8% YoY

\*Like-for-like excludes the impact from the accounting adjustment recorded in Q2'13

# Enterprise – Fixed Voice

Fixed Voice revenue showing some relief from price changes, ARPU up 1.3% while line erosion continued



- Fixed Voice revenue Q2'13 -2.8% YoY
  - lowered Fixed-to-Mobile rates on 1 January 2013 following the regulated cut in Mobile Termination Rates.
  - continued line erosion, while price changes gave some relief
- H1'13 Fixed Voice revenue -3.8% YoY

- Fixed Line erosion Q1'13 of -19,000 lines
- Enterprises rationalising on Fixed voice lines

- Q2'13 ARPU up 1.3% YoY to € 28.8
  - Negative effect from reduced F2M (Jan'13)
  - Partially offset by positive effect from price indexation (Feb'13)

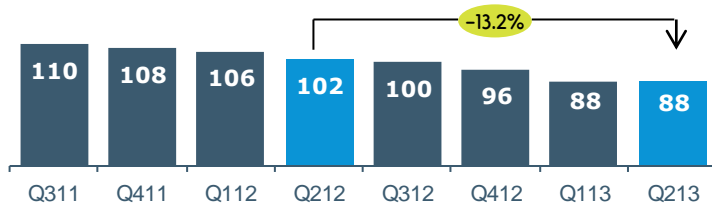
- Q2 Fixed Voice traffic was 6.5% lower YoY driven by:
  - fixed line erosion
  - lower usage per line

# Enterprise – Mobile Voice

belgacom

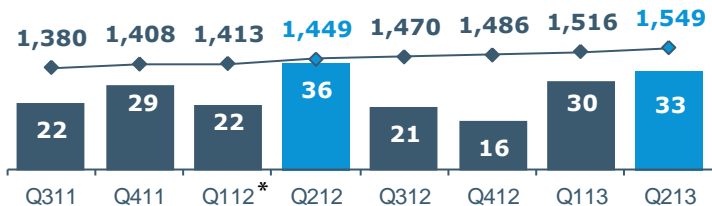
Pressure on Mobile Voice ARPU stable versus previous quarter; customer base growing with 33,000 mobile cards

Mobile voice revenue (EUR mio)



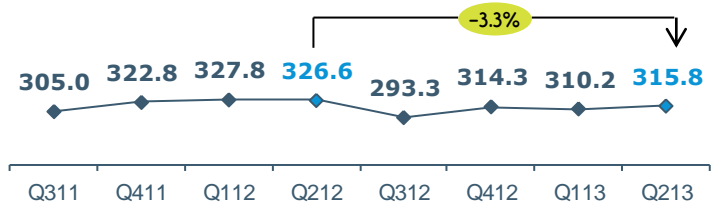
- Q2'13 Mobile voice revenue -13.2% YoY; -15% like-for-like
  - Q2'12 revenue incl €2.1m acc adjustment
  - regulated MTR and Voice Roaming prices
  - Repricing effect; general competitive mobile market.
- H1'13 Mobile revenue €177m -15.8% YoY (like-for-like)

Mobile growth & EOP (000)



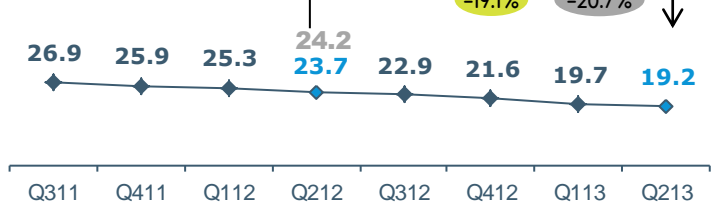
- Solid Mobile customer growth in Q2'13 in spite of aggressive competitor moves in the business market
  - Retention/acquisition efforts paying off
  - 33,000 net mobile cards added, with especially Voice cards doing sequentially better

MOU (min/month)



- Q2 3.3% lower usage YoY
  - Customer churn Q4 2012 triggered by new telco law included high-user profiles, bringing average usage down

Net voice ARPU (EUR/month)



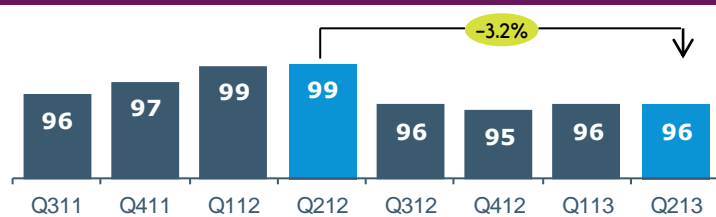
- Q2'13 Mobile Voice ARPU of €19.2, -21% YoY like-for-like:
  - Regulation impact: MTR cut and lower Voice Roaming rates
  - Mobile re-pricing, with more free voice minutes included in price plans
  - High-usage customers that churned end 2012

\*i.e. Mobile net adds differ from QoQ EOP difference due to re-segmentation exercise and cleaning in-active cards at start of 2012

# Enterprise – Fixed Data

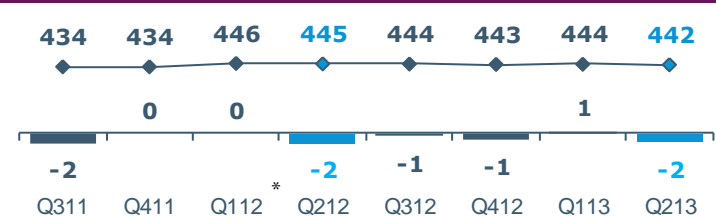
Fixed Data revenue impacted by migrations to Explore platform and uptake of converged Packs with internet

Fixed data revenue (EUR mio)



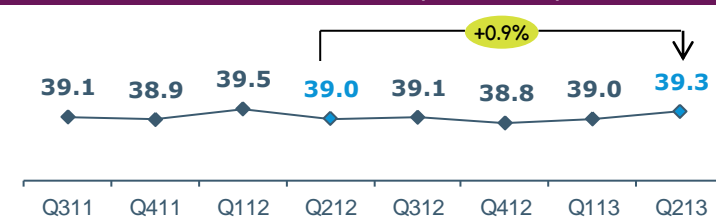
- Q2'13 Fixed Data revenue €96 m, -3.2% vs 2012
  - Continued migration from older technologies to the Belgacom Explore platform, for which pricing is more favorable for customers
  - Slightly smaller customer base

Broadband growth & EOP (000)



- SME customers opting more and more for advantageous converged Packs including internet.
- Net loss of 2,000 internet customers in a saturated and increasingly competitive professional Fixed Internet market

Broadband ARPU (EUR/month)



- Q2'13 ARPU of €39.3 up 0.9%YoY, driven by price adjustments

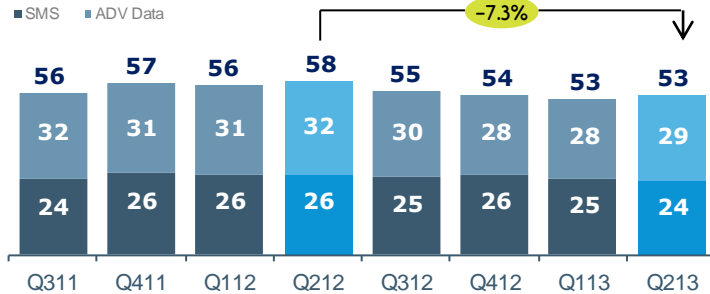
\*i.e. Fixed Internet net adds differ from QoQ EOP difference due to re-segmentation of customers

# Enterprise – Mobile Data

Regulated price caps pressuring both SMS and advanced Mobile data revenue

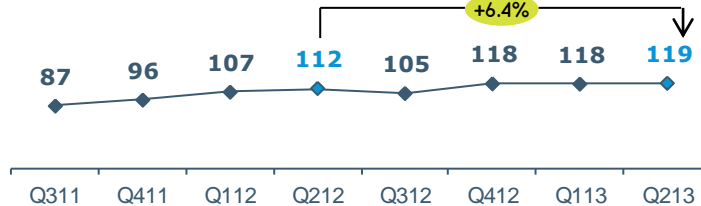
belgacom

Mobile data revenue (EUR mio)



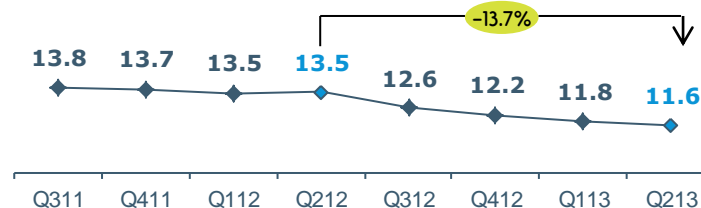
- Q2'13 Mobile Data revenue -7.3% YoY
  - Q2'13 non-SMS Data revenue € 29m, -7.4% YoY fully due to negative regulated price effect.
  - Q2'13 SMS revenue -7.2%; including minor regulation impact, and especially effect of price bundles including unlimited SMS
- H1'13 Mobile data revenue of € 106m, -6.6% YoY

SMS (units/month)



- Continued uptake in SMS usage, growing 6.4 % YoY to 119 text messages per user per month
  - Success of pricing plans, including more and more unlimited SMS volumes.

Net data ARPU (EUR/month)



- Mobile Data ARPU down 13.7% YoY to €11.6
  - Growth trend reversed since 1 July 2012 due to regulated price caps for Mobile Data roaming
  - aggressive competitor moves on business market

# Enterprise – ICT

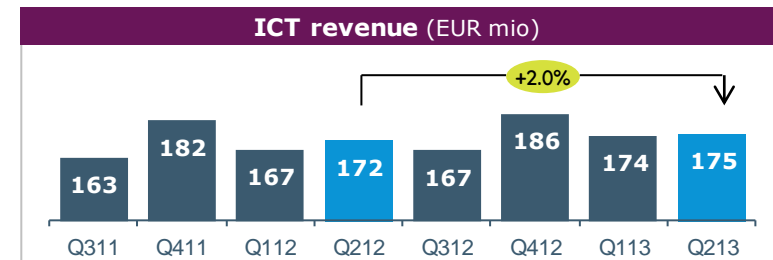
Solid ICT revenue, showing 2% growth in challenging economic context



together  
with

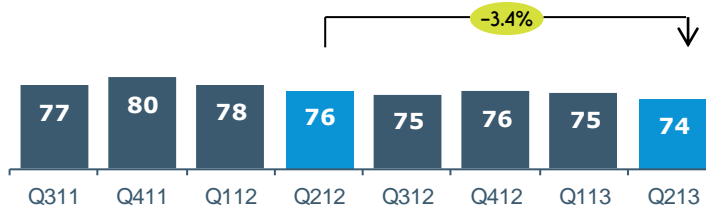
belgacom

- Q2'13 ICT revenue +2% YoY to €175m
  - Growth somewhat contained due to customers delaying IT projects or opting for private Cloud-based solutions, which triggers a shift from one-shot revenue to monthly services fees.
- Ytd June'13 ICT revenue +3.1% to €350m



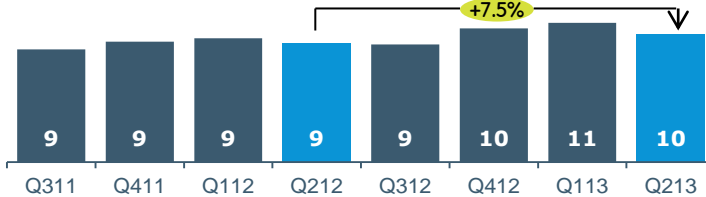
# Service Delivery & Wholesale – P&L

SDE&W revenue (EUR mio)



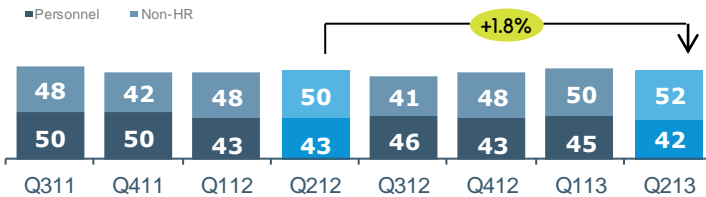
- Q2'13 revenue -3.4% YoY driven by slowing wholesale revenue
  - Regulatory measures reduced the Q2 revenue by 1.7%.
  - lower traffic and broadband volumes
- H1'13 revenue -3.2 YoY to € 149m

SDE&W Cost of Sales (EUR mio)



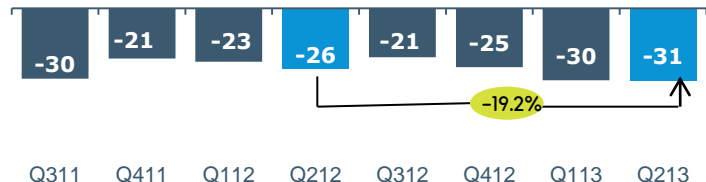
- CoS Q2'13 +7.5%

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



- € 42 million HR expenses for Q2; -2.1% yoy. One salary indexation (January 2013) offset by positive effect from lower headcount. Ytd June '13, HR expenses €87 m, +1.3%
- non-HR expenses up 5.2% to € 52m. H1'13 € 103m, up 4.9% yoy, incl resources for simplification projects.

SDE&W EBITDA (EUR mio)

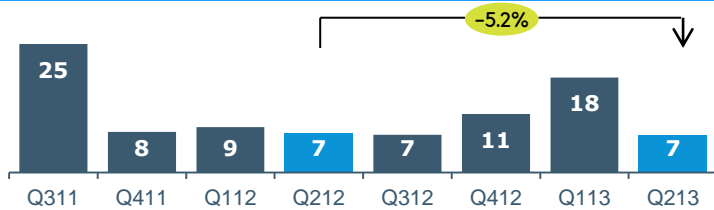


- Q2 segment result YoY lower due to lower Direct margin combined with higher expenses



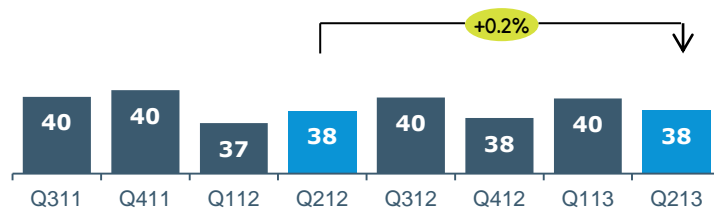
# Staff & Support – P&L

**S&S Revenue**(EUR mio)

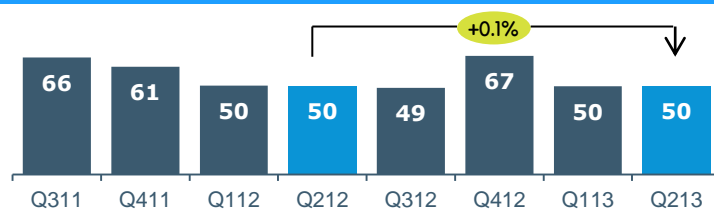


\* Internal invoice; neutral on group level

**S&S Personnel costs** (EUR mio)



**S&S Non-HR costs** (EUR mio)

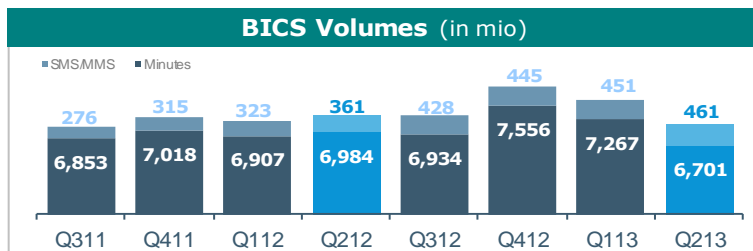
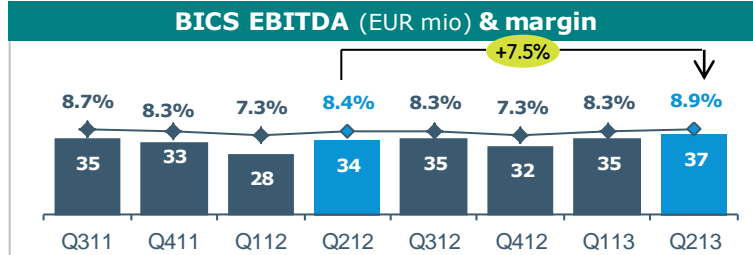
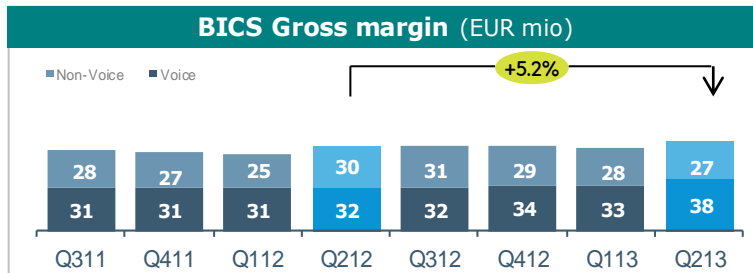
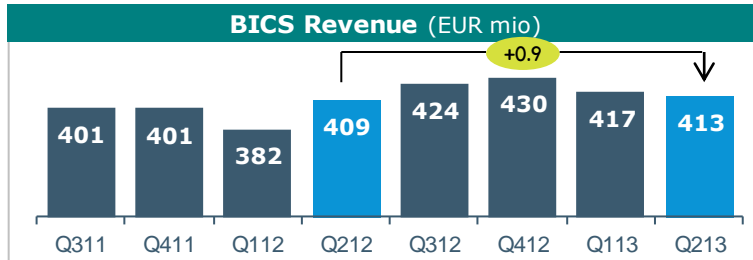


- Q2'13 revenue of € 7m
- H1'13 revenue of € 25m, including a capital gain of € 11m realised by Belgacom resulting from the sale of a technical building as part of Belgacom's ongoing network simplification plan.

- HR-expenses remained flattish YoY
- Inflation-based wage indexations ,partially offset by the benefit from lower headcount compared to end June 2012.

- Stable YoY Non-HR expenses for Q2'13

# International Carrier Services – P&L



- Revenue Q2'13 up 0.9% from strong comparable base
  - Reduced EU MTRs and slight negative dollar effect impacted Voice revenue
  - More than compensated for by solid Mobile data revenue
- H'13 BICS revenue of € 829m, up by 4.8% YoY.

- Gross margin Q2'13 up 5.2% YoY
  - Favorable destination mix led to record Gross margin of € 65m.
- Ytd June 2013 the Gross margin totaled € 127 million, a 7.4% yoy increase.

- Consequently to solid Direct margin growth BICS' segment result for Q2'13 was up by 7.5% and the EBITDA margin ended slightly higher at 8.9%.
- Ytd June 2013, BICS reported a segment result of € 72m, up 14.8% YoY.

- Voice volumes: Q2 4% lower to 6.7 billion minutes
- Non-Voice volumes Q2 up 27.6% to 461 million messages

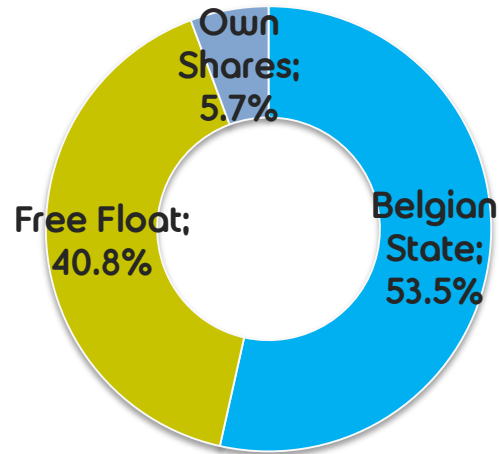
## Other topics

- Shareholder structure – slide 44
- Shareholder remuneration – slide 45
- Spectrum – slide 46
- Pricing – slide 47
- Regulation & legal – slide 52
- Belgian economy – slide 56

# Shareholder structure\*

Belgian state owns ~ 53.5%

338,025,135 shares,  
of which 318,838,944 Outstanding



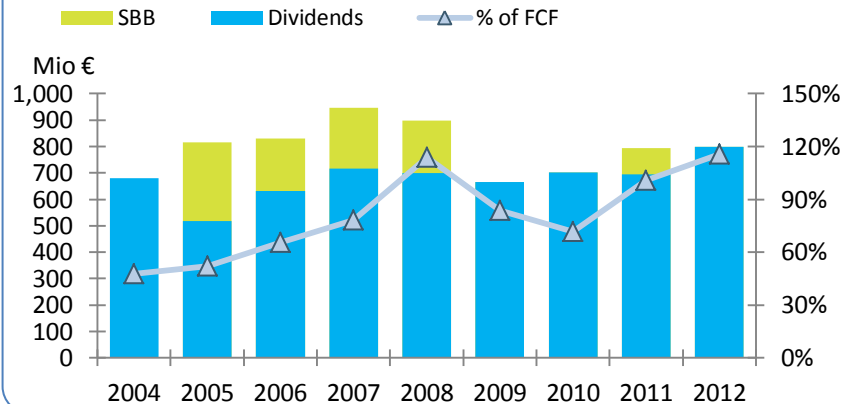
- **Limited liability company under public law**
  - Belgian state main shareholder: 53.5%
  - Legal obliged threshold: 50%+1 share
- **Free float 40.8%**
- **Treasury shares 5.7%**
  - Under Belgian law, companies prohibited from owning >20% of outstanding share capital
  - Part of own shares held for personnel incentives

Status 30 Jun 2013	Shares	% shares	% Voting	% Dividend
Belgian state	180,887,569	53.5%	56.7%	55.9%
Free float	137,951,375	40.8%	43.3%	42.7%
Own shares	19,186,191	5.7%	-	1.4%

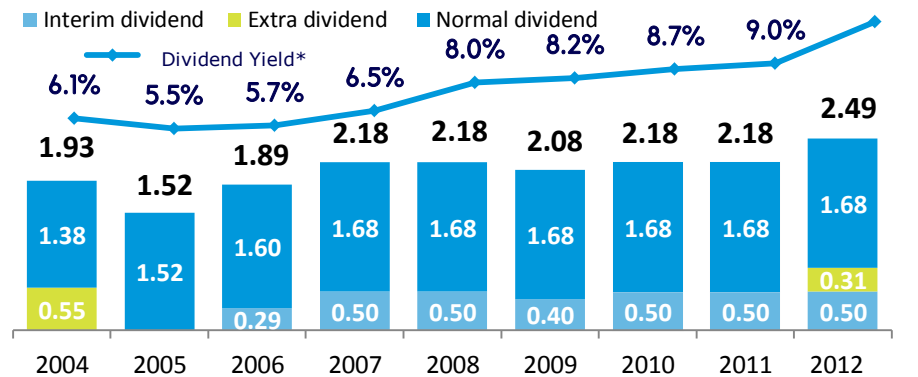
\* situation at 30 June 2013

# Belgacom intends to ensure its shareholders an attractive return

## Shareholder remuneration



## Dividend per share & dividend yield



\*Dividend yield based on annual dividend & share price end of year

# Spectrum: The Belgian situation

## 900 MHz & 1800 MHz

- **Used for 2G, 3G and 4G**
- Belgian operators allowed to deploy UMTS in 900 MHz spectrum (more efficient in rural areas) and 4G in 1800 MHz
- Tacit extension: BGC has to pay €74m for 2010-2015; via annual payments. BGC filed annulment procedure.

## 2100 MHz

- **Used for 3G**
- Proximus, Mobistar & Base each have a UMTS license since 2001
- BGC paid € 150m
- 2 Aug '11, BIPT awarded 4th license to Telenet/Voo for an amount of € 71.5m (2X 14.8 MHz)
- all licenses expire in 2021

## 2600 MHz

- **Will be used for 4G**
- Out of 5 candidates, 4 have obtained spectrum in 2.6 GHz band
- Belgacom acquired 2x20 MHz for an amount of € 20.22 Mio.
- License is valid for 15 years as from July 2012

## 800 MHz

- **Will be used for 4G**
- Conditions:
- Auction of 3 lots of 2x10 MHz
- Minimum price of € 120m per lot
- License for 20 years
- Spectrum cap of 2x10 MHz.
- No spectrum reserved for new entrants.
- Coverage obligations
- National roaming may be imposed by BIPT.
- Process expected to be completed by end 2013.

**800 MHz**

Unallocated  
2 x 10

Unallocated  
2 x 10

Unallocated  
2 x 10

**900 MHz**

Proximus  
2 x 12

Mobistar  
2 x 12

Base  
2 x 10

**1800 MHz**

Proximus  
2 x 20,8

Mobistar  
2 x 20,8

Base  
2 x 22

Unallocated  
2 x 11,4

**2100 MHz**

Proximus  
2 x 15

1x  
5

Mobistar  
2 x 15

1x5

Base  
2 x 15

1x5

Telenet / Voo  
2 x 14,8

1x5

**2600 MHz**

Proximus  
2 x 20

Mobistar  
2 x 20

Base  
2 x 15

Unallocated  
2 x 15

BUCD  
1 x 45

# Pricing – Fixed products

belgacom

## Classic

19.99€ / month

Note:  
Lower tariffs during peak  
compared to Happy Time

Peak: 8-19h

## Happy Time XL

19.99€ / month

Free to FIX & to MOB  
during OffPeak & Weekend

Peak: 8-17h

## No Limit National Anytime

29.67€ / month

Free to FIX Anytime

24/24

## Happy time international

20.99€ / month

Free to FIX ,to MOB & to  
most European countries  
during OffPeak & Weekend

Peak: 8-17h

## Internet Start

24.95€ / month

Volume incl: **100 GB**  
Download speed: 50 Mbps  
Upload speed: 2.5 Mbps  
3G: 50 MB

+ 50 MB 3G  
+ hotspot access

## Internet Comfort

35.95€ / month

Volume incl: **150 GB**  
Download speed: 50 Mbps  
Upload speed: 3 Mbps  
3G: 100 MB

+ 100 MB 3G  
+ hotspot access

## Internet Maxi

46.20€ / month

Volume incl: **Unlimited**  
Download speed: 50 Mbps  
Upload speed: 4 Mbps  
3G: 250 MB

+ 250 MB 3G  
+ unlimited hotspot access

All download  
speeds increased from  
30 Mbps up-to-50 Mbps  
since the deployment  
of the DLM technology  
in Q1'13

## TV

21.5€ / month

>70 channels  
3 TV

Note:  
Belgacom TV only  
available in pack, not as  
stand alone service:

Internet Start+TV: € 43.95  
Tel+TV: € 35.75

# Pricing – Mobile Voice (Postpaid)

belgacom

For non-  
Smartphone  
users

Easy+ 10	Easy+15	Easy+ 25	Easy+ 45
<b>10€ / month</b> 20 min + unlimited SMS  € 0.25 / min € 0.25 / MMS € 0.85 / MB	<b>15€ / month</b> <b>10€/month PACK</b> 150 min + unlimited SMS  € 0.25 / min € 0.25 / MMS € 0.85 / MB	<b>25€ / month</b> <b>20€/month PACK</b> 240 min unlimited SMS  € 0.25 / min € 0.25 / MMS € 0.85 / MB	<b>45€ / month</b> <b>40€/month PACK</b> Unlimited min unlimited SMS  Unlimited min € 0.25 / MMS € 0.85 / MB

For  
Smartphone  
users

Smart+ 15	Smart + 25	Smart+ 35	Smart+ 65
<b>15€ / month</b> <b>10€/month PACK</b> 120 min + Unlimited SMS +0.5GB incl  € 0.25 / min € 0.25 / MMS € 0.10 / MB	<b>25€ / month</b> <b>20€/month PACK</b> 180 min + + Unlimited SMS + 1 GB incl  € 0.25 / min € 0.25 / MMS € 0.10 / MB	<b>35€ / month</b> <b>30€/month PACK</b> 300 min + + Unlimited SMS + 2 GB incl  € 0.25 / min € 0.25 / MMS € 0.10 / MB	<b>65€ / month</b> <b>55€/month PACK</b> Unlimited voice + Unlimited SMS + 5 GB incl.  Unlimited / min € 0.25 / MMS € 0.10 / MB

**4G**  
Proximus  
**included**



# Pricing – Mobile Voice (Prepaid)

belgacom

For non-  
Smartphone  
users

## Pay & Go Easy

€ 0.27 / min  
€ 0.12 / SMS  
€ 0.25 / MMS  
€ 0.5 / MB

## Reload bonus

For **Pay&Go Easy** you get :

- **Bonus 1 (towards fix and Mobile):** 10€ reload= 20min, 15€ reload= 40min, 25€ reload= 70min, 50€ reload= 200 min  
**OR Bonus 2 (towards fix):** 10€ reload=150 min, 15€ reload=600 min, 25€ reload=unlimited min, 50€ reload=unlimited

For  
Smartphone  
users

## Pay & Go Smart

€ 0.50 / min Peak  
€ 0.25 / min OffPeak  
€ 0.12 / SMS Peak  
€ 0.08 / SMS OffPeak  
€ 0.25 / MMS  
€ 0.5/MB

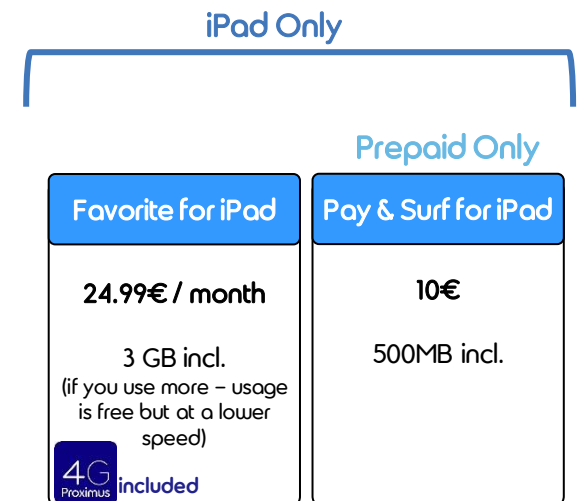
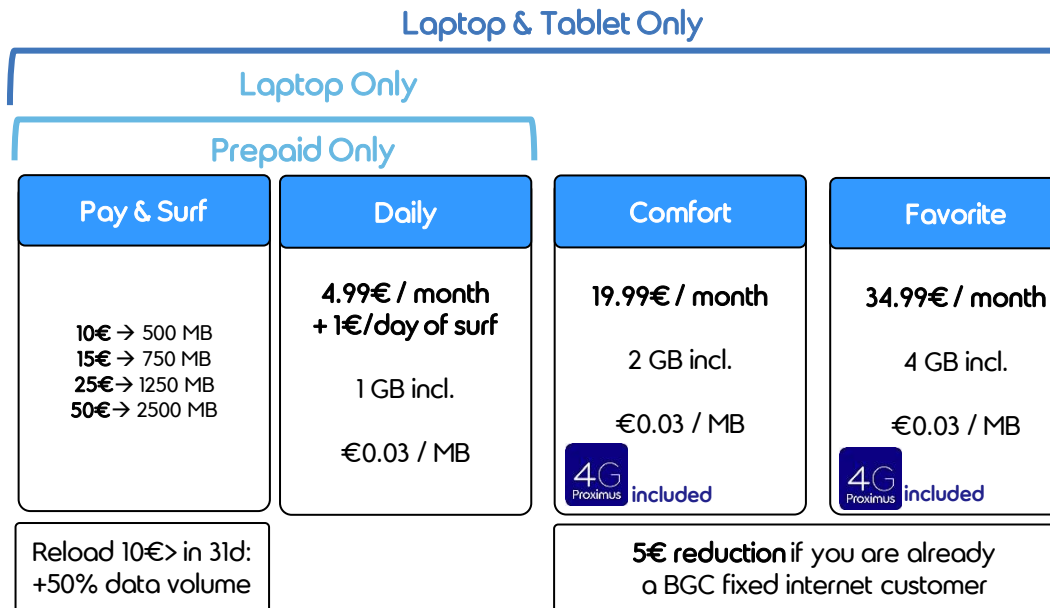
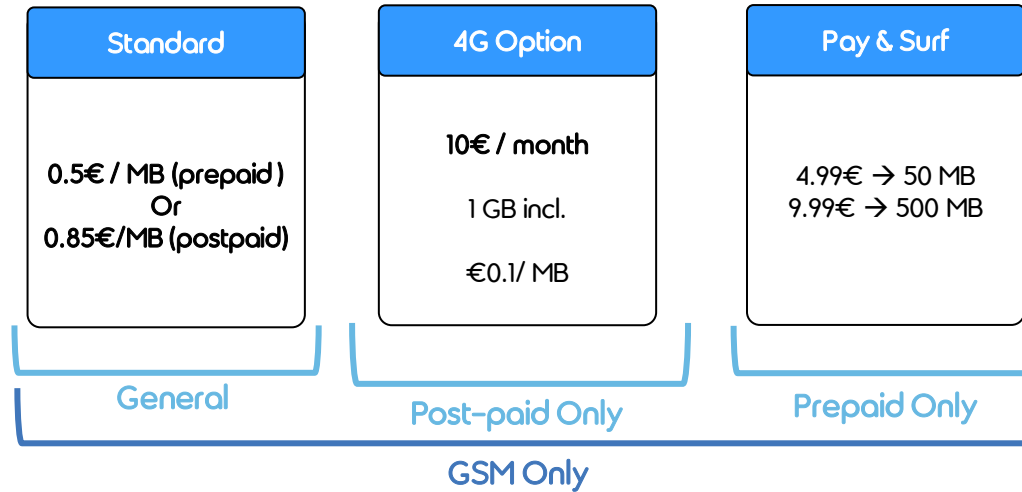
## Reload bonus

For **Pay&Go Smart** you get:

- **Bonus 10€ Reload:** unlt. SMS OffPeak + 10 MB
- **Bonus 15€ Reload:** unlt. SMS + 100 MB
- **Bonus 25€ Reload:** unlt. SMS + 500 MB

Peak: 7 – 16h

# Pricing – Mobile Data



# Pricing converged PACKS

belgacom

– examples of possible combinations

As from 1 Jul'13,  
the rates of Packs  
including internet went up:  
+ € 2 for Start  
+ € 3 for Comfort  
+ € 1 for Maxi  
In exchange, customers  
get more volume,  
more speed &  
more TV

## TV + Fix

35.75€ / month

TV  
+  
Classic (or Happy  
Time XL)

## TV + Internet

53.95€ / month

TV  
TV Everywhere  
+  
Internet Comfort  
+Unlimited volume  
+Unlimited hotspot  
access  
+500 MB 3G

## Fix+ Internet

53.95€ / month

Classic (or Happy  
Time XL)  
+  
Internet Comfort  
+Unlimited volume  
+Unlimited hotspot  
access  
+500 MB 3G

## TV + Fix + Internet

62.95€ / month

TV  
TV Everywhere  
+  
Classic (or Happy  
Time XL)  
+  
Internet Comfort  
+Unlimited volume  
+Unlimited hotspot  
access  
+500 MB 3G

## TV + Mobile + Internet

63.95€ / month

TV  
TV Everywhere  
+  
Smart+/Easy+ 15  
+  
Internet Comfort  
+Unlimited volume  
+Unlimited hotspot  
access  
+500 MB 3G

## TV + Fix + Mobile + Internet

72.95€ / month

TV  
TV Everywhere  
+  
Classic (or Happy  
Time XL)  
+  
Smart+/Easy+ 15  
+  
Internet Comfort  
+Unlimited volume  
+Unlimited hotspot  
access  
+500 MB 3G

At least €5/month discount for each Proximus subscription  
(as of €15 /month) added to your Pack  
(maximum of 6 Proximus subscriptions per pack)

# Regulation – 1

## Overview financial impact

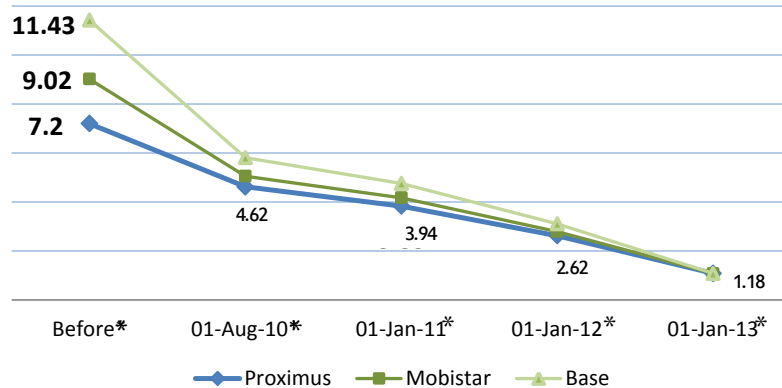
		<i>Estimated Impact</i>	<i>Actuals</i>	
<b>Regulation impacts</b> (Decrease in EUR million)		<b>FY 2013</b>	<b>Q1 2013</b>	<b>Q2 2013</b>
MTR & flow-through Fix-to-Mob	Revenue	~ €45m	€10m	€10m
	EBITDA	~ €5m	€1m	€1m
Roaming (i.e. Voice, SMS and Data)	Revenue	~ €48m	€15m	€19m
	EBITDA	~ €48m	€15m	€19m
<b>Total</b>	<b>Revenue</b>	<b>~ €93m</b>	<b>€24m</b>	<b>€30m</b>
	<b>EBITDA</b>	<b>~ €53m</b>	<b>€15m</b>	<b>€20m</b>

- Over the **second quarter of 2013**, Belgacom's revenues were negatively impacted for a total amount of EUR 30 million by regulation measures. On the EBITDA level, this came down to an impact of EUR 20 million.
- For the **full year 2013**, the estimated total impact of regulatory measures on revenues is expected to be EUR -93 million. This would result in an EBITDA impact of EUR -53 million.

# Regulation – 2

## Mobile Termination Rates (MTR)

MTR-Glidepath in €ct



MTR glide path	Before*	01-Aug-10*	01-Jan-11*	01-Jan-12*	01-Jan-13*
<b>In euro cent (excluding VAT)</b>					
Proximus	7.2	4.62	3.94	2.62	1.18
Mobistar	9.02	5.05	4.29	2.79	1.18
Base	11.43	5.81	4.90	3.11	1.18
<b>% change</b>					
Proximus		-36%	-15%	-34%	-55%
Mobistar		-44%	-15%	-35%	-58%
Base		-49%	-16%	-36%	-62%
<b>Asymmetry</b>					
Mobistar-Prox	25%	9%	9%	6%	0%
Base-Prox	59%	26%	24%	19%	0%

\*excl VAT, including inflation

- Glidepath in place since August 2010. Full symmetry effective since 1 January 2013
- MTR decreases reflected in F2M tariffs of BGC
- Mobistar & Base filed separate appeal against decision:
  - Suspension procedure: On 15 Feb 2011, Court rejected all the claims
  - Annulment procedure: On 16 May 2012, Court rejected claims regarding the price setting but asked notification to the Community regulators. In the meantime, rates remain valid.

### MTR regulation impact 2013

- 1 Jan 2013 MTR's final reduction of glide path set in 2010

#### Actual impact on Q2 2013 financials:

- Revenue: € -10m
- EBITDA: € -1m

### MTR regulation impact for 2013

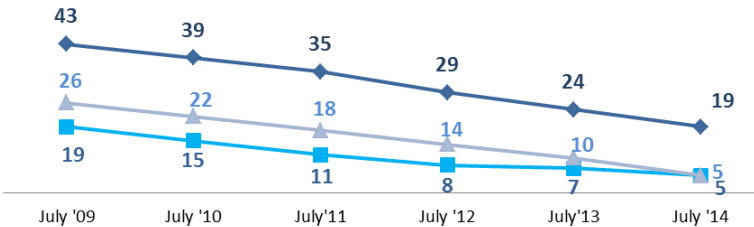
#### Estimated impact on FY '13 financials:

- Revenue: ~ € -45m
- EBITDA: ~ € -5m

## Mobile voice and data-roaming: EU Roaming III Regulation

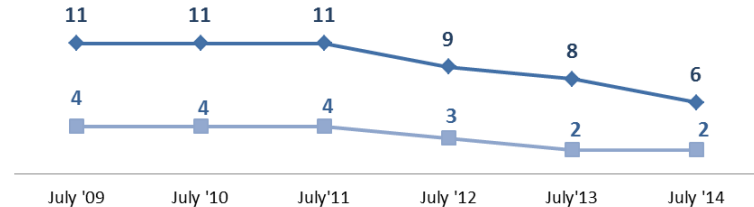
### Voice Roaming (€ct per minute)

◆ Retail Outgoing ■ Retail Incoming ▲ Wholesale Outgoing



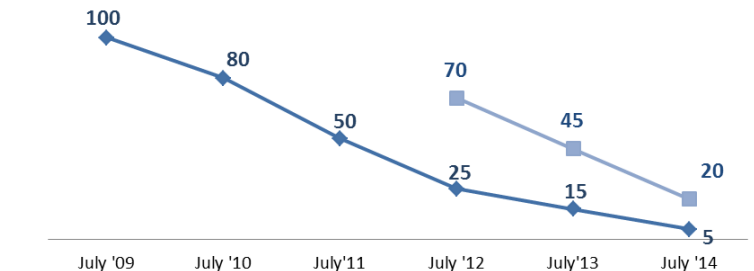
### SMS Roaming (€ct per sms)

◆ Retail ■ Wholesale



### Data Roaming (€ct per Mb)

◆ Wholesale ■ Retail



- Roaming III Regulation entered into force on 1 July 2012.
- This regulation covers a ten-year period until 30 June 2022.
- It imposed a further lowering of the existing regulated price caps, and extended the roaming regulation to retail data as from July 2012. It also imposed transparency measure to avoid bill shocks and has extended the measures to roaming outside EU since July 2012.
- Roaming III Regulation also foresees structural measures
  - Wholesale roaming access (1 July 2012)
  - Decoupling, i.e. separate selling of roaming services from domestic mobile services (1 July 2014)
- Strategic review of EU telecom regulation : Mrs Kroes aims at further roaming price reductions (retail and wholesale) as from mid-2014 and alignment of international prices (within EU) to national prices (unless objective cost differences). Plans expected to be presented to EU Summit in October 2013.
- Actual impact on Q2 2013 financials:
  - Revenue: ~€ -19m
  - EBITDA: ~€ -19m
- Estimated impact on FY 13 financials:
  - Revenue: ~€ -48m
  - EBITDA: ~€ -48m

## Decision to open-up the Belgian Cable

**On 18 July 2011, the Belgian regulators published their final decision on broadband & broadcast regulation:**



- **On the broadcast Market**  
Each cable operator has 'Significant Market Power' (SMP) in its area and is submitted to the following obligations:
  - resell analog TV
  - open up Digital TV platform
  - resell broadband

→ Belgacom can only obtain access to analog TV



- **On the broadband Market**  
Based on this decision, Belgacom is sole SMP (cable not included) and has to provide:
  - bitstream access for television (multicast) – Belgacom reference offer approved by BIPT on 4 Oct. 2012 – pricing decision still pending. Multicast implemented since April 2013
  - VDSL2 prices based on strict cost orientationThe BIPT maintains a strong focus on operational excellence for wholesale services

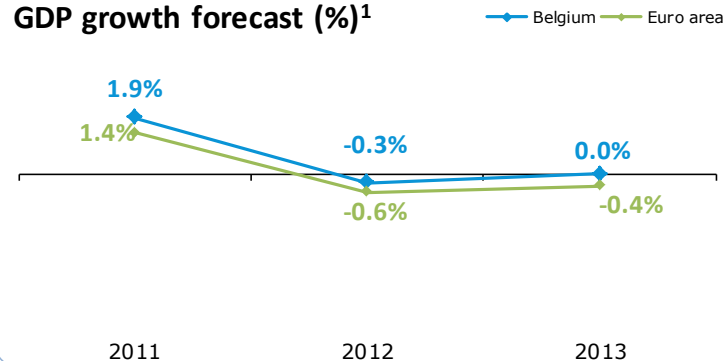
### Implementation of cable regulation:

- Belgian regulators have proposed wholesale prices for access to cable networks: retail minus 20 & 35% after deduction of author & content rights (depending on cable operator). Final decisions expected in Q4 2013. April 2014 earliest possible implementation of cable Opening
- BGC has decided not to resale analogue TV (old technology & opening too late). Belgacom has requested a fundamental revision of the market analysis and a full level playing field

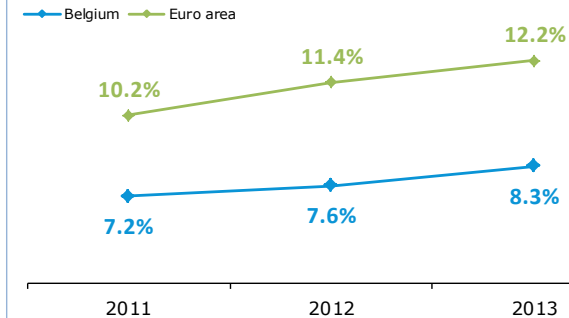
# Macro economic environment

## Belgium & Euro area – prospects

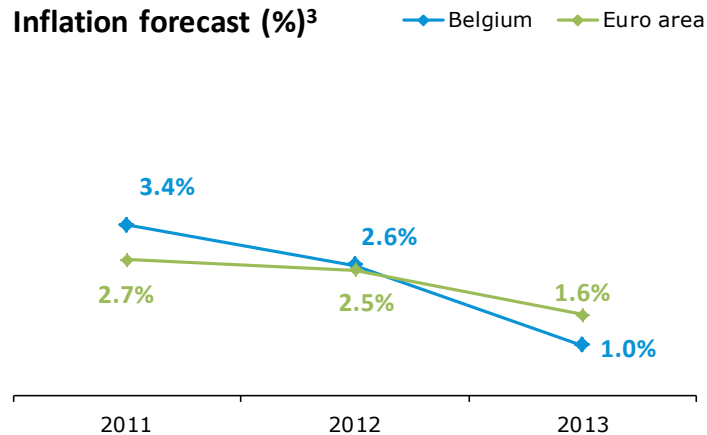
GDP growth forecast (%)<sup>1</sup>



Unemployment rate forecast (%)<sup>2</sup>



Inflation forecast (%)<sup>3</sup>



Belgium:

Budget deficit

3.9% end '12

2012 Gross public Debt

99.8% of GDP

Source: National Bank, 12/07/2013

1 GDP – percentage change on preceding year

2 Number of unemployed as a percentage of total labour force

3 Index of consumer prices – percentage change on preceding year



For further information:

Belgacom Investor Relations

e-mail: [investor.relations@belgacom.be](mailto:investor.relations@belgacom.be)

Tel: +32 2 202 82 41

<http://www.belgacom.com>