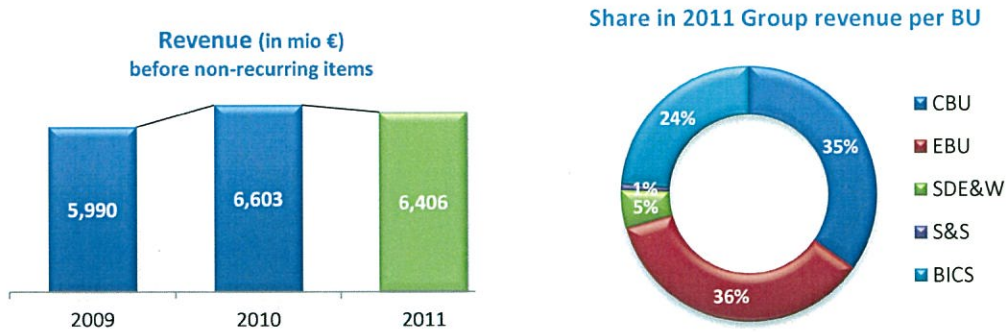


Consolidated management report¹

Belgacom Group

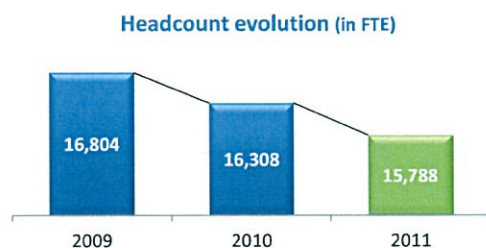
- Group revenue² of EUR 6,406 million, 3% lower than previous year; -1.3% excl. regulation impact
- Group EBITDA of EUR 1,912 million, i.e. 3.7% less than for 2010; -2.2% excl. regulation impact
- Full-year EBITDA margin of 29.8%
- Belgacom ended the year 2011 with EUR 788 million of Free Cash Flow

Revenues



The Belgacom Group ended the year 2011 with a **total revenue before non-recurring items of EUR 6,406 million, which is 3% or EUR 197 million less than the previous year**. This is partly caused by regulatory³ measures which reduced the 2011 Group revenue by EUR 112 million, or -1.7%. In addition, the European-wide reduction of Mobile Termination Rates also impacted the revenue from BICS. Furthermore BICS revenue was negatively influenced by fluctuations in the dollar exchange rate. For both the Consumer and the Professional segment the pressure on revenue mainly came from the traditional Fixed and Mobile Voice business.

Operating expenses



The Belgacom Group's total operating expenses for 2011 amounted to **EUR 4,494 million before non-recurring items, which is a 2.7% improvement over 2010 driven by lower Cost of Sales**.

The Belgacom Group ended the year 2011 with a **Cost of Sales of EUR 2,517 million, i.e. 4.7% lower than the previous year**. An important part of the decline is due to the favourable effect of certain regulatory measures⁴. The remaining year-over-year decline is largely because of lower Cost of Sales from International Carrier Services (BICS), consequently to the lower BICS revenue.

In the course of 2011, the Belgacom Group saw its headcount further reduced, including the employees leaving under the ongoing "Tutorship" restructuring program. In addition, the total headcount was lower as a result of some divestments. By end-2011, the Belgacom Group counted 15,788 full-time equivalents, or 520 fewer FTEs than one year ago.

The 2011 **HR-expenses⁵** of EUR 1,117 million were 0.9% higher versus 2010, including a negative effect of inflation-driven wage indexations, offsetting the benefit from the lower headcount.

The 2011 **non-HR expenses⁶** for the Belgacom Group **decreased by 1.1%** to a total of **EUR 860 million**, including the positive effect from one-off provision reversals.

¹ Detailed financial results as from page XX

² Revenue excluding non-recurring items, and is defined as the sum of net revenue and other operating income

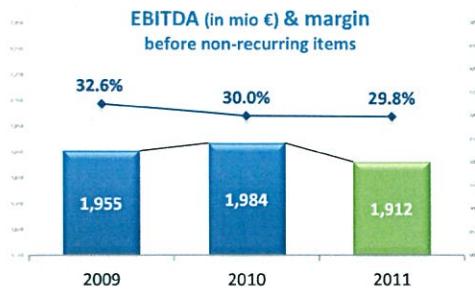
³ Lower Mobile Termination Rates, lower Roaming rates, and the implementation of a collecting model for Premium Rate Services

⁴ Less costs following the lower Mobile Termination Rates and the implementation of a collecting model for Premium Rate Services

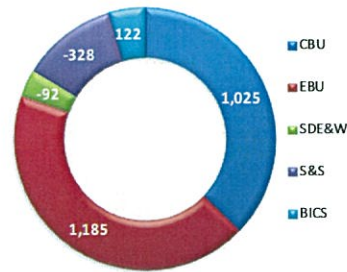
⁵ HR expenses: i.e. personnel expenses and pensions

⁶ Other operating expenses

EBITDA



2011 EBITDA contribution per BU (in mio €)



For 2011, Belgacom reported a **Group EBITDA**, before non-recurring items, of **EUR 1,912 million**, i.e. 3.7% less than for 2010. Regulatory measures had a negative impact for a total amount of EUR 29 million, or -1.5%. Excluding the regulation impact, the full-year EBITDA was 2.2% lower than the previous year. This led to a full-year **EBITDA margin of 29.8%**.

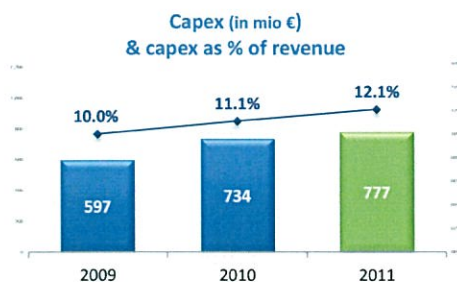
Tax Expense



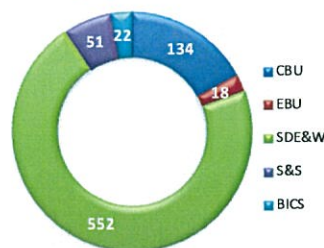
The 2011 full-year tax expense amounts to EUR 262 million, whereas this was EUR 233 million in 2010. The **effective tax rate** resulting from the application of the general principles of Belgian tax law for 2011 was 25.3%. This compares to 21.6% for 2010, which benefitted from the use of tax losses carried forward and other one-off items.

* Normalized effective tax rate, excluding the non-recurring non-taxable gain of EUR 436 million

CAPEX



2011 Capex per BU (in mio €)



The Belgacom Group invested a total of **EUR 777 million in 2011**, or **12.1% of its Group revenue**. The investments are mainly related to increasing Belgacom's coverage and speed for both its fixed and its mobile network, fully supporting the Group's convergence strategy. In this regard, the Broadway project - bringing fiber-to-the-curb and installing VDSL2 - continued. Belgacom spent EUR 48 million on this project in 2011, increasing the service coverage to over 81% by year-end. Furthermore, Belgacom upgraded its Mobile Radio Access network and Mobile Backhaul. End November 2011, Belgacom acquired 20 MHz of LTE-spectrum in the 2.6 GHz frequency band for an amount of EUR 20.22 million.

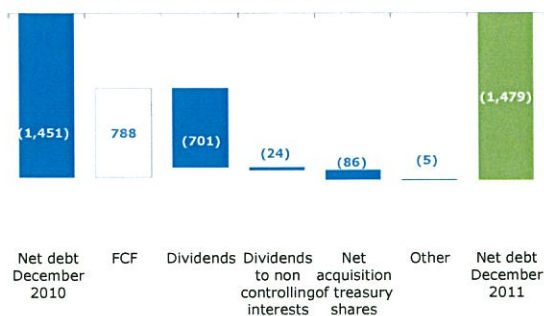
Free Cash Flow*



Belgacom ended the year 2011 with **EUR 788 million of Free Cash Flow**, i.e. EUR 193 million lower than for 2010, which included a EUR 51 million one-off cash increase resulting from the full consolidation of BICS and lower income tax payments following the legal entity merger and positive one-offs. Furthermore, the 2011 Free Cash Flow was pressured by the lower operating result and the higher cash paid for Capex investments.

(*) Cash flow before financing activities

Net financial position



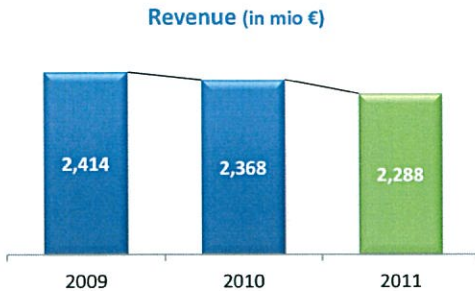
Belgacom's net financial position remained very sound, with its financial debt end of 2011 at EUR 1,479 million. This corresponds to 0.8 times EBITDA (before non-recurring items), remaining one of the lowest net debt positions in the European telecom sector. The Net Debt increased by EUR 28 million as the cash returned to shareholders in the form of dividends and share buybacks slightly exceeded the 2011 Free Cash Flow.

The outstanding gross financial debt amounted to EUR 1,972 million (re-measured at fair value), none of it maturing before December 2013.

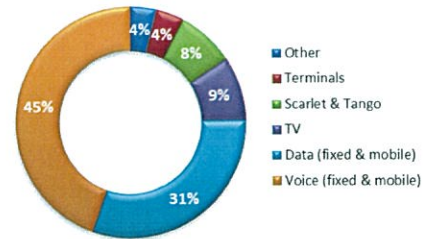
Consumer Business Unit - CBU

- 2011 revenues of EUR 2,288 million, including EUR 54 million negative regulation impact
- Growth in Mobile Data and TV did not fully offset Fixed and Mobile voice decline
- Growing customer base: Belgacom TV +236,000; Mobile +36,000; Internet +32,000⁷
- Full-year segment result of EUR 1,025 million, i.e. a 4.4% decline from 2010

CBU revenues

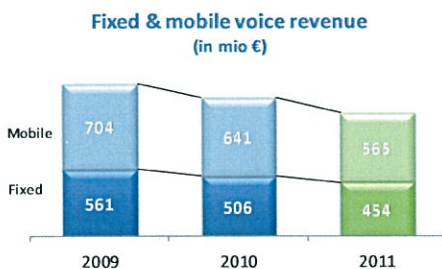


CBU 2011 revenue split



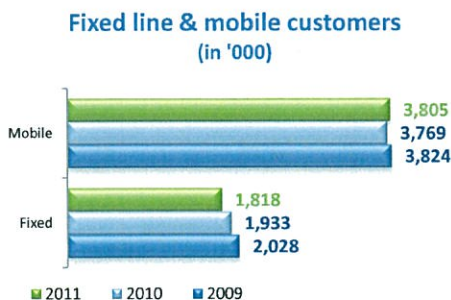
For the full-year 2011, CBU reported revenues of EUR 2,288 million or a decrease of 3.3% compared to 2010. The year-over-year decline in revenue is for a large part driven by the impact of regulatory measures, reducing the 2011 revenue by EUR 54 million (-2.2%). This resulted from the carry-over effect from the implemented financial collecting model for Premium Rate Services, the further decline of the roaming tariffs, the double cut in Mobile Termination Rates and consequently the decline in fixed-to-mobile tariffs. These regulatory measures impacted fixed voice, mobile voice and mobile data revenues.

When excluding these regulatory impacts, the underlying revenue from the consumer business unit was down 1.1% compared to the previous year as the growth from Mobile Data and TV did not fully offset the decline in traditional telecom products such as Fixed and Mobile voice.



Belgacom's more traditional product lines such as Fixed voice and Mobile voice continued to be under pressure, largely due to regulation. The share of revenue from Voice in the total consumer revenue further decreased to 45% in 2011, whereas this was 49% in 2010.

The consumer segment generated EUR 454 million in revenue from Fixed voice, which is 10.2% lower compared to the previous year. The Fixed voice revenue was pressured by the ongoing erosion of voice access lines. However, as a result of targeted actions to revive the fixed voice line, the line erosion over 2011 improved to a loss of 115,000 lines versus 129,000 in 2010. End 2011, CBU counted a total Fixed Voice customer base of 1,818,000⁸. Furthermore, the revenue from the Fixed line was pressured by the recurring discounts on multi-play Packs and some regulatory measures⁹ but received some support of the price indexations of 1 August 2010 and 1 January 2011.



The EUR 565 million of revenue from Mobile Voice¹⁰, was 11.9% lower than for 2010, including a significant impact from regulatory measures¹¹. Over 2011, the mobile customer base grew soundly by 36,000 new customers to a total of 3,805,000, compared to a decline of 54,000 customers in 2010. CBU did especially well in postpaid, growing its customer base solidly by 85,000, partly driven by the growing success of Packs including mobile. This led to a further improvement in its postpaid ratio from 42.6% end of 2010 to 44.4% end of 2011. The prepaid customer base, including MVNO counted 49,000 fewer customers.

⁷ Excluding 11,000 Internet customers ('Internet for Employees') that were resegmented from EBU to CBU

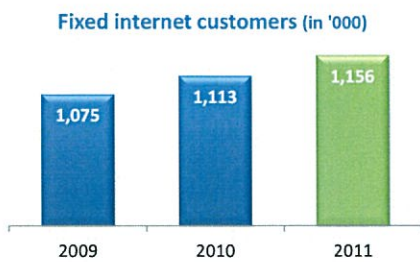
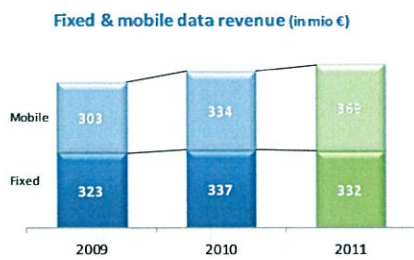
⁸ Including Scarlet VoIP customers

⁹ Implementation of a financial collecting model and lower fixed-to-mobile tariffs following the cut in mobile termination rates

¹⁰ As of 2011 the allocation of Mobile Access revenue to Voice and Data was adjusted to better reflect the price plans. The 2010 revenue from Mobile Voice and Data was restated accordingly; note however that the 2009 revenue has not been restated.

¹¹ Lower roaming tariffs, a double cut in mobile termination rates and the implementation of a collecting model for Premium Rate Services

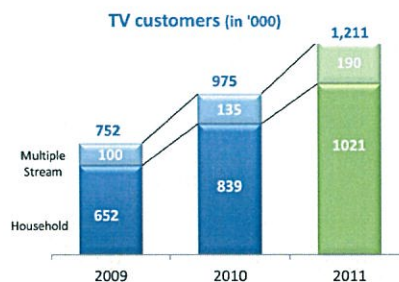
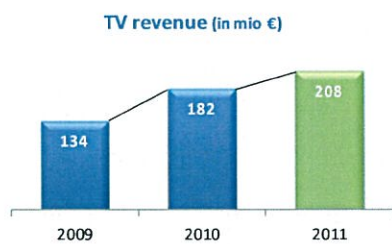
The revenue growth from Mobile data further accelerated in 2011, more than offsetting the revenue pressure on Fixed Internet, and driving the share of Data in the total CBU revenue to 31% versus 28% in 2010.



Full-year **Mobile data**¹² revenues of **EUR 369 million were 10.4% higher than for the prior year**. Mobile data includes revenue from both SMS and non-SMS data, i.e. 'Advanced Data'.

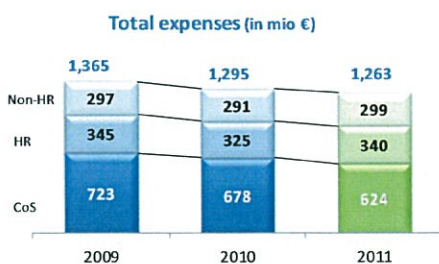
Revenue from SMS continued its growth trend in 2011, increasing by 8.1% compared to the previous year. This trend is driven by the continued success of pricing plans including free SMS, boosting the total SMS volume by 13% to an average of 250 text messages/user/month. Advanced Data revenue growth accelerated over 2011, up 28.5% year-over-year, driven by the strong growth in Mobile Internet and Mobile Data roaming.

The **revenue from Fixed Internet saw a slight decrease of 1.4%** from last year. While CBU continued to grow its Fixed Internet customer base in 2011, the revenue was impacted by the success of multi-play Packs at attractive discounts for the customer. This led to a 5% lower Broadband ARPU of EUR 26.8 for 2011. The Packs, however, provided good support to grow CBU's Internet customer base to a total of 1,156,000¹³, this in spite of tough competition.



Over 2011, Belgacom TV proved once more to be very successful, its customer base growing by 236,000 customers to a total of 1,211,000, including 190,000 multi-set-top box users. This results from a very sound gross customer gain, more than offsetting the temporary higher churn due to the loss of exclusivity on Belgian soccer broadcasting rights. The TV customer gain was mainly supported by Belgacom's attractive and well-targeted Packs including TV. As a result, Belgacom TV revenue grew to a total of EUR 208 million, up 14.3% compared to one year ago. In 2011, TV revenues represented 9% of total CBU revenues.

CBU operating expenses



CBU's total expenses were 2.4% down from last year. This is the result of lower **Cost of Sales, which decreased year-over-year by 8% to EUR 624 million**. Most of this decline was driven by a positive effect from regulatory measures¹⁴ and initiatives to improve product profitability.

Inflation-based wage indexations of October 2010 and June 2011 drove the 4.5% year-over-year **increase in HR costs to EUR 340 million**.

Non-HR costs for 2011 totalled EUR 299 million or 2.7% higher compared to 2010, including more outsourcing in the framework of the customer centricity project.

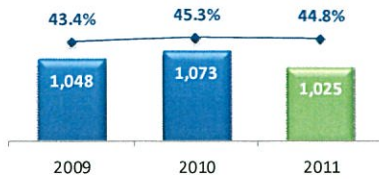
¹² As of 2011 the allocation of Mobile Access revenue to Voice and Data was adjusted to better reflect the price plans. The 2010 revenue from Mobile Voice and Data was restated accordingly.

¹³ Including 11,000 Internet customers ('Internet for Employees') that were resegmented from EBU to CBU

¹⁴ Implementation of a collecting model and the cut in mobile termination rates

CBU segment result and contribution margin

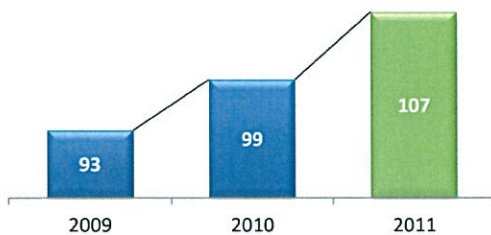
Segment result (in mio €) & margin



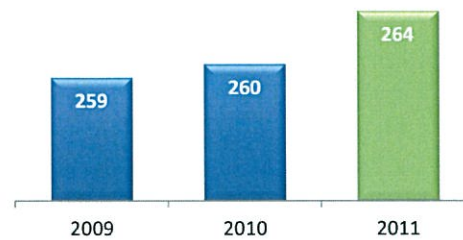
The CBU full-year **segment result amounted to EUR 1,025 million which is a 4.4% decline from 2010**. This includes a negative regulation impact of EUR 17 million (-1.6%). The 2011 full-year contribution margin¹⁵ decreased to 44.8% from 45.3% for 2010.

Tango

Revenue (in mio €)



Tango Mobile customers (in '000)



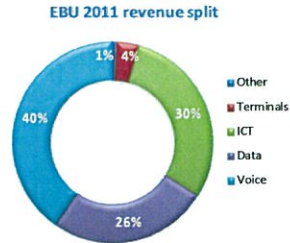
For the full-year 2011, Tango **reported revenues of EUR 107 million or an increase of 8.4%** compared to 2010. This growth is driven by strong sales in Luxembourg of smartphones and the iPhone, being recently enforced by the launch of the iPhone 4S. Along with the ongoing migration of prepaid towards postpaid offers and increased revenues from bundles, this resulted in a continued revenue increase. Furthermore, over the year 2011, Tango added 4,000 customers.

¹⁵ Belgacom does not apply a full cost allocation. Network and IT costs are therefore mainly centralized within SDE&W

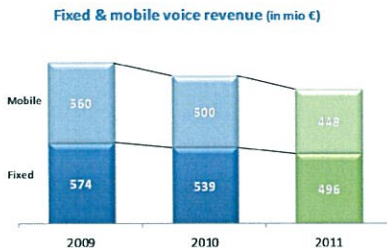
Enterprise Business Unit - EBU

- Total underlying revenue remained nearly flat compared to 2010
- Organically, the revenue from ICT was up by 4.6% over the previous year
- Non-SMS mobile data revenue grew by 21.7% to EUR 118 million
- 2011 segment result totals EUR 1,185 million, which is 2.2% less than the previous year

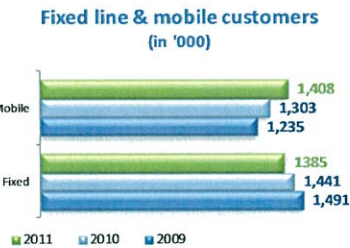
EBU revenues



Over the year 2011 Belgacom's professional customer segment generated EUR 2,349 million in revenue, i.e. 3.0% lower than for 2010. This decline is partly explained by the divestment of Telindus Spain, partially compensated by the acquisition of Eudasys by Telindus France. Organically, i.e. excluding the M&A impact, the revenue erosion was limited to -2.0% and was mainly caused by regulatory¹⁶ measures, lowering EBU's 2011 revenue by EUR 45 million or -1.9%. Leaving aside the M&A and regulation impact, the underlying revenue from EBU remained nearly flat compared to 2010. The underlying revenue showed an improving trend over the quarters as the growth in Mobile Data and ICT increasingly offsets the pressure on Fixed and Mobile Voice.



The traditional voice products, both Fixed and Mobile, continued to feel pressure from regulatory measures¹⁶, i.e. from the lowered Mobile Termination Rates, the resulting lower Fixed-to-Mobile rates and the cut in Roaming rates. In 2011, Fixed and Mobile Voice represented 40% of the total EBU revenue, whereas this was 43% for the previous year.



In 2011, EBU generated EUR 496 million in revenue from **Fixed Voice**, which is 7.9% lower than for 2010. This is in part due to the lowered Fixed-to-Mobile rates, and in part due to the continued erosion of Fixed Voice lines. In 2011 EBU's Fixed Voice line base eroded by 55,000 lines to a total of 1,385,000. The price indexations of 1 August 2010 and 1 January 2011 gave some support. Nevertheless, the 2011 Fixed Voice ARPU¹⁷ fell by 4.2% to EUR 28.7.

Revenue from **Mobile Voice** for the year 2011 amounted to EUR 448 million, 10.4% lower compared to 2010. Regulatory price decreases in Mobile Termination and Roaming rates further impacted the Mobile Voice revenue, along with continued price erosion as a result of the successful uptake of Mobile pricing plans including free Voice minutes and the fierce competition in the Corporate Mobile Market. The price pressure was however partly compensated by a solid customer growth of 105,000 active Mobile customers¹⁸, ending 2011 with a total of 1,408,000 Mobile customers. Usage per customer was 0.9% lower from the previous year with an average usage of 319 minutes per month.



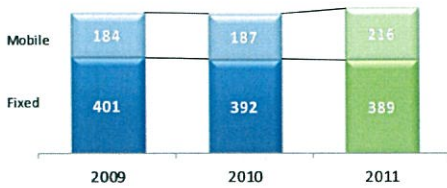
In 2011 EBU reported EUR 697 million revenue from ICT, compared to EUR 692 million in 2010. The variance was however impacted by the divestiture of Telindus Spain and the acquisition of Eudasys by Telindus France. Organically, the revenue from ICT was up by 4.6% over the previous year, which is an improvement to the 3.3% growth seen in 2010, in spite of the unfavorable economic and financial climate of 2011.

¹⁶ Lower Mobile Termination Rates and the flow-through to Fixed-to-Mobile rates, lower Roaming rates

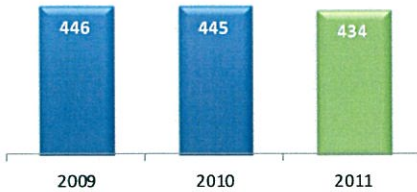
¹⁷ Average revenue per user on a monthly basis

¹⁸ Including Mobile Voice, Mobile Data and M2M cards

Fixed & mobile data revenue (in mio €)



Fixed internet customers (in '000)



Mobile Data revenue continued its growth trend in 2011, up by 15.4% to EUR 216 million. The revenue from Mobile Data includes both revenue from SMS and revenue from non-SMS Data (Advanced Mobile Data).

Revenue from SMS grew by 8.7% year-over-year to EUR 98 million for 2011. The usage per customer increased by 14% to a total of 89 text messages per user per month.

Non-SMS Mobile Data revenue grew by 21.7% to EUR 118 million. The growth in Advanced Mobile Data revenue results from a strongly increasing customer base for Mobile Internet and a solid growth in Mobile Data Roaming.

For 2011, EBU reported **Fixed data revenue of EUR 389 million**, which is slightly down compared to last year. Revenue from Data connectivity did not fully offset the slightly eroding revenue from Fixed Internet. In a highly competitive and saturated professional Internet market, EBU kept its Fixed Internet customer base fairly flat, ending the year 2011 with 434,000¹⁹ Internet customers with an ARPU of EUR 39.2.

EBU operating expenses



EBU ended the year 2011 with EUR 639 million **Cost of Sales**, i.e. 6.7% less than for 2010. The lowered Mobile Termination rates for all Belgian Mobile operators positively impacted EBU's costs for terminating mobile calls on alternative mobile networks. In addition, EBU had less Cost of Sales due to the divestment of Telindus Spain.

Compared to 2010, EBU's **HR-expenses** went up 1.6% to EUR 381 million, with salaries impacted by inflation-based wage indexations²⁰.

For 2011, EBU reported a total **non-HR expense** of EUR 144 million, i.e. 3.4% less than the previous year. The non-HR costs include some fluctuations in foreign currency effects.

EBU segment result and contribution margin



The **EBU segment result for full-year 2011 totals EUR 1,185 million**, which is 2.2% or EUR 27 million less than the previous year. This includes a EUR 7 million negative impact from Regulation, and a net negative impact from the divestment and acquisition within the ICT domain. The contribution margin²¹ increased slightly up to 50.4% in 2011.

¹⁹ Including impact from resegmentation of 11,000 Broadband customers (Internet for Employees) to CBU

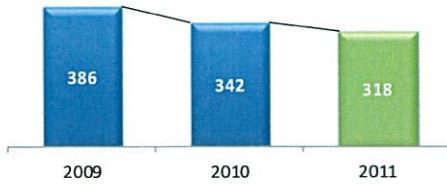
²⁰ Salaries were indexed by 2% on 1 October 2010 and 1 June 2011 for Belgacom SA employees, and on 1 January 2011 for all other employees

²¹ Belgacom does not apply a full cost allocation. Network and IT costs are therefore mainly centralized within SDE&W

Service Delivery Engine & Wholesale – SDE&W

SDE&W revenues

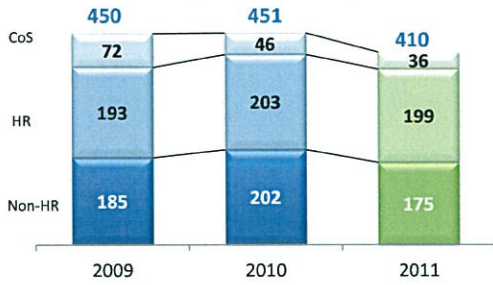
Revenue (in mio €)



Revenue within the SDE&W segment relates mainly to wholesale activities from Belgacom. Over the full-year 2011 the SDE&W revenues amounted to EUR 318 million, or 6.9% below those of 2010. This includes the negative effect from some regulatory²² measures, lowering the SDE&W revenue by EUR 13 million in 2011. The remaining decline is due to a lower volume of leased lines and decreases in Roaming prices.

SDE&W operating expenses

Total expenses (in mio €)



Total operating expenses for 2011 of EUR 410 million, were 9% lower versus 2010. Over 2011 the SDE&W **cost of sales** strongly declined by 21% to EUR 36 million, mainly as a result of the positive effect of some regulatory measures.

The positive effect from lower headcount on **HR expenses** fully offset the inflation-based salary indexations, leading to a 1.8% lower HR-expense for 2011.

The **non-HR expenses** of EUR 175 million for the full year 2011 were significantly lower compared to the previous year as 2010 included costs linked to the swap of the Mobile Radio Access network, whereas the 2011 expense benefitted from positive one-offs resulting from provision reversals due to litigation settlements.

²² First quarter variance was still impacted by the introduction of a financial collecting model for Premium Rate Services as of April 2010; other regulatory impacts come from Mobile Termination Rates and lowered Local Loop Unbundling and Bitstream prices

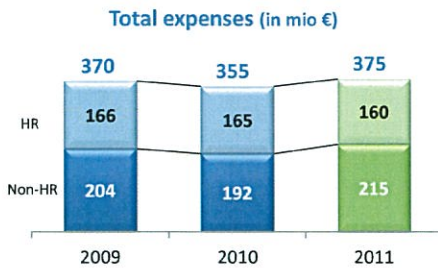
Staff & Support – S&S

S&S revenues



Staff and Support reported EUR 47 million of revenues for the year 2011. The increase over last year, however, is the result of the accounting of internal revenue, which was neutralized on a Group level.

S&S operating expenses

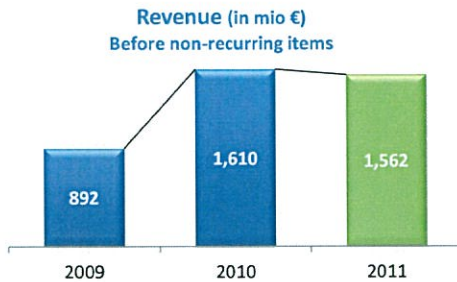


Total operating expenses were up by 5% to EUR 375 million, driven by non-HR expenses that included some internal costs, neutralized on a Group level, and one-offs. HR expenses were 3% down as the lower headcount offset the impact of wage indexations.

International Carrier Services - BICS

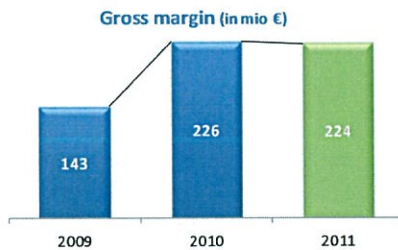
- Volumes continued to grow solidly: > 27 billion Voice minutes traded, non-Voice volume up 34%.
- Volume-driven revenue growth only partly offset the negative MTR and currency effect
- 2011 gross margin slightly down from 2010

ICS revenues



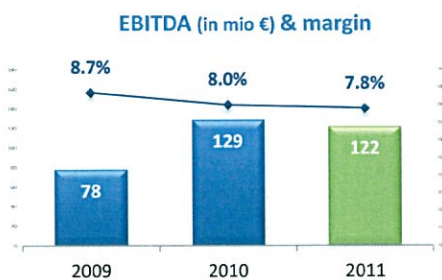
ICS operated in an increasingly competitive market while its revenue was pressured by the European-wide decrease of Mobile Termination Rates and by a negative currency effect as the average dollar rate weakened year-over-year. Volumes, however, continued to grow solidly, with Voice volumes up 8.5% to more than 27 billion minutes traded, while non-Voice volume growth accelerated to 34%. The volume-driven revenue growth, however, only partly offset the negative MTR and currency effect. Over full-year 2011, ICS generated revenue of EUR 1,562 million, i.e. 3% below 2010.

ICS gross margin



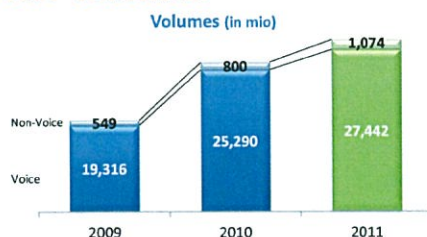
ICS reported for full-year 2011 a gross margin of EUR 224 million. The growing non-Voice gross margin offset for a large part the decrease in Voice gross margin, resulting in an overall limited decline of ICS's gross margin by 1.1%. Voice unit margins were pressured by the intense competition in the International Carrier market, as well as by the high fluctuations in the EUR/USD exchange rate. Non-voice gross margins, however, grew 10% year-over-year as a result of BICS' increasing leadership in Mobile Data carrier services (Signalling, Messaging, 3G Roaming).

ICS EBITDA and margin



The reported EBITDA of ICS for 2011 of EUR 122 million was 6.1% down compared to last year due to a positive currency effect in 2010 (non-HR costs), but also due to pressure on voice margins. This was partly offset by lower HR-expenses. The 2011 EBITDA margin of 7.8% remained nearly flat to last year as a result of the solid performance of the non-voice business (Mobile Data carrier services).

ICS Volumes



Volumes continued to grow in 2011 with voice volumes up 8.5%, while non-voice volumes grew almost 34% year-over-year.

Quarterly results as reported

Group – Financials

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111	Q211	Q311	Q411	2011
Revenues (*)	1,641	1,664	1,640	1,658	6,603	1,583	1,612	1,596	1,616	6,406
Consumer Business Unit	590	592	585	600	2,368	565	579	571	572	2,288
Enterprise business unit	615	610	590	606	2,421	593	593	572	591	2,349
Service Delivery Engine & Wholesale	94	85	79	83	342	81	80	77	80	318
Staff&Support	10	7	10	7	35	8	7	25	8	47
International Carrier Services	378	414	415	402	1,610	372	388	401	401	1,562
Intersegment eliminations	-47	-45	-40	-39	-172	-36	-36	-51	-36	-159
Costs of materials and charges to revenues	-662	-674	-651	-655	-2,642	-609	-621	-633	-655	-2,517
Personnel expenses and pensions	-274	-275	-281	-278	-1,107	-274	-282	-278	-283	-1,117
Other operating expenses	-210	-212	-218	-230	-870	-220	-196	-213	-232	-860
EBITDA before non-recurring items	495	503	490	495	1,984	480	512	472	446	1,912
Segment EBITDA margin (*)	30.2%	30.2%	29.9%	29.9%	30.0%	30.3%	31.8%	29.6%	27.6%	29.8%
Non recurring items	436	1	0	8	444	0	-18	0	4	-15
Ebitda	931	504	490	503	2,428	480	494	472	450	1,897

(*) before non-recurring items

Group – Capex

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111	Q211	Q311	Q411	2011
Group Capex	154	222	139	219	734	173	161	163	279	777
Consumer Business Unit	49	19	11	54	132	44	27	24	40	134
Enterprise business unit	2	3	7	7	20	4	4	3	8	18
Service Delivery Engine & Wholesale	96	180	96	121	492	115	119	125	193	552
Staff&Support	5	13	19	26	62	7	9	9	26	51
International Carrier Services	2	8	6	11	27	3	2	3	14	22

CBU – Financials

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111	Q211	Q311	Q411	2011
Revenues	590	592	585	600	2,368	565	579	571	572	2,288
From Fixed	291	280	281	288	1,139	281	278	271	269	1,099
Voice	133	125	124	124	506	118	115	111	110	454
Data	85	85	84	83	337	85	83	82	82	332
TV	44	43	46	49	182	51	53	51	53	208
Terminals (excl. TV)	8	7	8	7	31	7	6	7	7	26
Scarlet	21	20	19	23	84	21	21	20	18	79
From Mobile	279	288	285	290	1,142	265	279	279	280	1,104
Voice	158	165	162	156	641	139	147	143	136	565
Data	83	82	82	88	334	87	92	93	97	369
Terminals (excl. TV)	15	16	17	21	68	14	14	16	19	63
Tango	24	25	25	25	99	25	26	28	28	107
Other	21	24	19	23	87	19	23	21	23	86
Costs of materials and charges to revenues	-180	-171	-158	-169	-678	-149	-149	-158	-168	-624
Personnel expenses and pensions	-81	-81	-82	-82	-325	-83	-85	-86	-87	-340
Other operating expenses	-65	-73	-70	-83	-291	-70	-74	-71	-84	-299
Segment result	264	267	276	266	1,073	264	271	257	233	1,025
Segment Contribution margin	44.7%	45.1%	47.1%	44.3%	45.3%	46.7%	46.8%	45.0%	40.8%	44.8%

CBU – Operationals

	Q110	Q210	Q310	Q410	2010	Q111	Q211	Q311	Q411	2011
FROM FIXED										
Number of access channels (thousands)	3,120	3,098	3,076	3,046	3,046	3,028	3,006	2,977	2,974	2,974
PSTN	1,904	1,877	1,850	1,817	1,817	1,781	1,756	1,728	1,712	1,712
ISDN	32	31	30	28	28	27	26	25	24	24
IP	93	92	90	88	88	88	88	86	83	83
ADSL, VDSL	1,091	1,099	1,107	1,113	1,113	1,131	1,136	1,138	1,156	1,156
Traffic (millions of minutes)	1,178	1,052	1,004	1,140	4,374	1,061	977	936	1,036	4,011
National	976	857	824	942	3,599	875	795	765	821	3,256
Fixed to Mobile	104	103	94	102	404	95	96	89	123	402
International	98	91	86	96	371	91	87	82	92	352
TV (thousands)	814	868	920	975	975	1,029	1,087	1,139	1,211	1,211
TV - households	713	753	795	839	839	879	925	963	1,021	1,021
of which multiple settop boxes	100	115	125	135	135	149	162	176	190	190
ARPU (EUR)										
ARPU Voice	21.2	20.3	20.3	20.9	20.7	20.2	20.0	19.7	19.8	19.9
ARPU broadband	28.7	28.5	28.1	27.6	28.2	27.6	27.0	26.7	26.7	26.8
ARPU Belgacom TV	20.7	19.1	19.3	19.7	19.7	19.4	19.2	17.8	17.5	18.4
FROM MOBILE										
Number of active customers (thousands)	3,739	3,745	3,773	3,769	3,769	3,723	3,726	3,774	3,805	3,805
Pre-paid (1)	2,201	2,188	2,199	2,165	2,165	2,117	2,096	2,111	2,116	2,116
Post-paid	1,538	1,557	1,573	1,604	1,604	1,606	1,630	1,663	1,690	1,690
Annualized churn rate (blended - variance in p.p.) (2)	20.9%	20.1%	21.8%	22.8%	21.4%	21.3%	20.4%	20.4%	25.2%	21.8%
Net ARPU (EUR) (3)										
Prepaid	14.3	15.0	14.7	15.3	14.8	14.1	15.3	14.4	14.9	14.7
Postpaid	32.5	32.9	32.1	31.4	32.2	29.2	30.0	30.0	28.6	29.5
Blended	21.5	22.3	21.8	22.0	21.9	20.5	21.6	21.1	20.7	21.0
Blended voice	14.2	15.0	14.6	14.2	14.5	12.7	13.4	12.9	12.2	12.8
Blended data	7.3	7.3	7.2	7.8	7.4	7.8	8.2	8.2	8.5	8.2
UoU (units)	318.0	335.1	307.1	345.3	326.5	338.0	357.5	335.4	373.3	351.6
MoU (min) (4)	104.4	110.5	105.9	107.5	107.0	102.2	106.6	103.6	103.8	104.3
SMS (units)	215.2	226.5	203.5	240.5	221.6	238.7	254.1	235.1	273.0	250.5

(1) Prepaid includes Mobisud customers that were previously reported as MVNO customers

(2) Q4 2011 impacted by clean-up of inactive prepaid cards. This clean-up has no impact on the number of active customers & prepaid net adds.

(3) Mobile ARPU's 2010 have been adapted to reflect the change in mobile access revenue allocation

(4) MoU reflect the duration of all calls from or to Proximus/voice customer/per month. In 2011 the definition of voice customers has been fine-tuned to exclude all data cards. 2010 MoU have been

EBU – Financials

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111	Q211	Q311	Q411	2011
Revenue	615	610	590	606	2,421	593	593	572	591	2,349
From Fixed	432	425	413	427	1,697	420	417	398	420	1,655
Voice	141	136	130	132	539	128	125	121	122	496
Data	99	98	98	98	392	98	97	96	97	389
Terminals	18	18	19	18	74	18	18	18	18	72
ICT	174	172	166	179	692	175	177	163	182	697
From Mobile	177	180	174	170	702	169	171	169	168	677
Voice	129	130	123	119	500	115	115	110	108	448
Data	45	48	47	47	187	50	53	56	57	216
Terminals	3	3	3	5	15	4	3	3	3	13
Other	6	5	3	8	23	4	5	5	4	17
Costs of materials and charges to revenues	-183	-175	-163	-164	-685	-162	-160	-154	-164	-639
Personnel expenses and pensions	-91	-93	-96	-95	-375	-94	-98	-93	-96	-381
Other operating expenses	-36	-35	-39	-40	-149	-37	-37	-34	-36	-144
Segment result	306	308	292	306	1,212	300	298	291	296	1,185
Segment Contribution margin	49.7%	50.4%	49.5%	50.6%	50.0%	50.6%	50.3%	50.9%	50.0%	50.4%

EBU- Operationals

	Q110	Q210	Q310	Q410	2010	Q111	Q211	Q311	Q411	2011
FROM FIXED										
Number of access channels (thousands)	1,922	1,912	1,901	1,886	1,886	1,861	1,849	1,834	1,820	1,820
PSTN	647	644	641	636	636	631	627	622	618	618
ISDN	818	810	801	791	791	781	771	763	752	752
IP	11	12	12	13	13	13	14	15	15	15
ADSL, VDSL	445	446	446	445	445	436	436	434	434	434
Traffic (millions of minutes)	848	790	727	781	3,145	782	732	672	716	2,901
National	579	529	487	529	2,123	526	485	445	476	1,932
Fixed to Mobile	173	168	153	165	660	165	160	147	160	633
International	96	93	86	87	362	90	86	80	80	336
ARPU (EUR)										
ARPU Voice	30.9	30.2	29.0	29.7	30.0	29.1	28.9	28.1	28.6	28.7
ARPU Broadband	39.4	39.1	39.0	38.7	39.1	39.6	39.3	39.1	38.9	39.2
FROM MOBILE										
Number of active customers (thousands)	1,252	1,271	1,286	1,303	1,303	1,327	1,357	1,380	1,408	1,408
Post-paid	1,252	1,271	1,286	1,303	1,303	1,327	1,357	1,380	1,408	1,408
Annualized churn rate (blended - variance in p.p.)	10.6%	10.9%	10.0%	10.8%	10.6%	11.1%	10.8%	9.4%	10.2%	10.3%
Net ARPU (EUR) (1)										
Postpaid	46.9	47.0	44.7	42.8	45.3	41.8	41.9	40.6	39.5	41.0
Postpaid voice	34.7	34.4	32.3	30.8	33.0	29.2	28.7	26.9	25.9	27.6
Postpaid data	12.2	12.6	12.5	12.1	12.3	12.6	13.2	13.8	13.7	13.3
UoU (units)	360.7	363.6	345.3	372.8	361.3	356.5	369.6	343.3	363.4	358.8
MoU (min) (2)	322.0	324.3	308.3	330.5	321.8	317.1	328.3	305.0	322.8	318.9
SMS (units)	74.6	77.0	74.7	85.5	78.1	83.7	90.1	87.3	95.6	89.4

(1) Mobile ARPU's 2010 have been adapted to reflect the change in mobile access revenue allocation

(2) MoU reflect the duration of all calls from or to Proximus/voice customer/per month. In 2011 the definition of voice customers has been fine-tuned to exclude all data cards. 2010 MoU have been adapted accordingly.

SDE&W – Financials

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111	Q211	Q311	Q411	2011
Revenues	94	85	79	83	342	81	80	77	80	318
Costs of materials and charges to revenues	-15	-10	-10	-10	-46	-9	-9	-9	-9	-36
Personnel expenses and pensions	-51	-48	-53	-50	-203	-49	-50	-50	-50	-199
Other operating expenses	-50	-50	-52	-50	-202	-52	-33	-48	-42	-175
Segment result	-23	-23	-36	-27	-109	-29	-12	-30	-21	-92

S&S – Financials

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111	Q211	Q311	Q411	2011
Revenues	10	7	10	7	35	8	7	25	8	47
Costs of materials and charges to revenues	1	0	0	0	1	0	0	0	-1	-1
Personnel expenses and pensions	-41	-43	-41	-40	-165	-39	-40	-40	-40	-160
Other operating expenses	-50	-45	-45	-52	-192	-47	-41	-66	-61	-215
Segment result	-80	-80	-75	-85	-320	-79	-74	-81	-95	-328

ICS – Financials

(EUR million)	Q110	Q210	Q310	Q410	2010	Q111	Q211	Q311	Q411	2011
Revenues	378	414	415	402	1,610	372	388	401	401	1,562
Costs of materials and charges to revenues	-325	-359	-356	-344	-1,383	-320	-333	-342	-342	-1,338
Personnel expenses and pensions	-10	-9	-9	-10	-39	-10	-9	-9	-9	-37
Other operating expenses	-15	-15	-16	-12	-58	-18	-17	-15	-16	-65
Segment result	28	32	34	36	129	24	29	35	33	122
Segment EBITDA margin	7.4%	7.7%	8.1%	8.9%	8.0%	6.5%	7.5%	8.7%	8.3%	7.8%

ICS – Operamentals

Operamentals International Carrier Services (ICS)

Volumes (in million)	Q110	Q210	Q310	Q410	2010	Q111	Q211	Q311	Q411	2011
Voice	5,922	6,254	6,433	6,680	25,290	6,574	6,997	6,853	7,018	27,442
Non-Voice (SMS/MMS)	168	188	209	235	800	230	253	276	315	1,074

Internal control and risk management systems

The Belgacom Board of Directors is responsible for the assessment of the effectiveness of the systems for internal control and risk management.

Belgacom has set up an internal control system based on the COSO model, i.e. the integrated internal control and enterprise risk management framework published by the Committee of Sponsoring Organisation of the Treadway Commission (“COSO”). This COSO methodology is based on five areas: the control environment, risk analysis, control activities, information & communication and monitoring.

Belgacom’s internal control system is characterized by an organization with a clear definition of responsibilities, next to sufficient resources and expertise, and also appropriate information systems, procedures and practices. Obviously, Belgacom cannot guarantee that this internal control will be sufficient in all circumstances as risks of misuse of assets or misstatements can never be totally eliminated. However, Belgacom organizes a continuous review and follow-up of all the components of its internal controls and risk management systems to ensure they remain adequate.

Belgacom considers the timely delivery to all its internal and external stakeholders of complete, reliable and relevant financial information in conformity with International Financial Reporting Standards (IFRS) and with other additional Belgian disclosure requirements as an essential element of management and governance. Therefore, Belgacom has organized its internal control and risk management systems over its financial reporting in order to ensure this objective is met.

1. Control environment

1.1 Organization of internal control

In accordance with the bylaws, Belgacom has an Audit and Compliance Committee (A&CC), which consists of five non-executive Directors, the majority of whom must be independent. In line with its charter, it is chaired by an independent Director.

The members of the A&CC have sufficient expertise in financial matters to discharge their functions. Its Chairman, Mr. Pierre-Alain De Smedt, is competent in accounting and auditing. He is a “licentiate” in commercial and financial sciences. He occupied during his career several functions as CFO, CEO and COO. Amongst his non-executive functions he is also member of the Audit Committee of Avis Europe.

The A&CC’s role is to assist and advise the Board of Directors in its oversight on (i) the financial reporting process, (ii) the efficiency of the systems for internal control and risk management of Belgacom, (iii) the Belgacom’s internal audit function and its efficiency, (iv) the quality, integrity and legal control of the statutory and the consolidated financial statements of Belgacom, including the follow up of questions and recommendations made by the auditors, (v) the relationship with the Group’s auditors and the assessment and monitoring of the independence of the auditors, (vi) Belgacom’s compliance with legal and regulatory requirements, (vii) the compliance within the organization with the Belgacom’s Code of Conduct and the Dealing Code. The A&CC meets at least once every quarter.

1.2. Ethics

The Board of Directors has approved a Corporate Governance Charter and a Code of Conduct “The way we do responsible business”. All employees must perform their daily activities and their business objectives according to the strictest ethical standards and principles, using the Group values (Respect, Can do and Passion) as guiding principle.

The Code “The way we do responsible business”, which is available on www.belgacom.com, sets out the above-mentioned principles, and aims to inspire each employee in his or her daily behaviour and attitudes. The ethical behaviour is not limited to the text of the Code. The Code is a summary of the main principles and is thus not exhaustive.

In addition, Belgacom in general and the Finance department in particular have a tradition of a high importance to compliance and a strict adherence to a timely and qualitatively reporting.

1.3. Policies and procedures

The principles and the rules in the Code “The way we do responsible business” are further elaborated in the different internal policies and procedures. These Group policies and procedures are available on the Belgacom intranet-sites. Every policy has an owner, who regularly reviews and updates if necessary. Periodically, and at moment of an update, an appropriate communication is organized.

In the financial reporting domain, general and more detailed accounting principles, guidelines and instructions are summarized in the accounting manuals and other reference material available on the Belgacom intranet-sites. In addition, the Corporate

Accounting department regularly organizes internal accounting seminars to update finance and non-finance staff on accounting policies and procedures.

1.4. Roles & responsibilities

Belgacom's internal control system benefits from the fact that throughout the whole organization, roles and responsibilities are clearly defined. Every business unit, division and department has its vision, mission and responsibilities, while on individual level, everybody has a clear job description and objectives.

The main role of the Finance Division is to support the divisions and affiliates by providing accurate, reliable and timely financial information for decision making, to monitor the business profitability and to manage effectively corporate financial services. The establishment of the external financial reporting falls under the responsibility of the Corporate Accounting department.

The team of the Corporate Accounting department assumes this accounting responsibility for the mother company Belgacom and the major Belgian companies. They also provides the support to the other affiliates. For this centralized support, the organization is structured according to the major (financial) processes. These major processes include capital expenditures and assets, inventories, contracts in progress & revenue recognition, financial accounting, operational expenditures, provisions & litigations, payroll, post-employment benefits and taxes. This centralized support organized around specific processes and IFRS standards allows for in depth accounting expertise and ensures compliance with group guidelines.

The consolidation of all different legal entities into the Consolidated Financial Statements of the Belgacom Group is realized centrally. The Consolidation department defines and distributes information relating to the implementation of accounting standards, procedures, principles and rules. It also monitors changes in regulations to ensure that the financial statements continue to be prepared in accordance with IFRS, as adopted by the European Union. The monthly instructions for consolidation set forth not only the schedules for preparing accounting information for reporting purposes, but also includes detailed deadlines and items requiring particular attention, such as complex issues or new internal guidelines.

1.5. Skills & expertise

Adequate staffing is a matter to which Belgacom pays careful attention. This requires not only sufficient headcount, but also the adequate skills and expertise. These requirements are taken into account in the hiring process, and subsequently in the coaching and formation activities, facilitated and organized by the Belgacom Corporate University.

For financial reporting purposes, a specific formation cycle was put in place, whereby junior as well as senior staff have to participate mandatory. These internally and externally organized accounting seminars cover not only IFRS but local accounting rules & regulations, Tax and Company law & regulations as well. In addition, the knowledge and expertise is also kept up to date and extended for more specific domains for which staff is responsible (revenue assurance, pension administration, financial products, etc.) through attendance to seminars and self-study. Furthermore, employees also attend general formations session on Belgacom new business products & services.

2. Risk analysis

Belgacom believes that risk management is fundamental to corporate governance and the development of sustainable business. The group has adopted a risk philosophy that is aimed at maximising business success and shareholder value by effectively balancing risk and reward.

The objective of risk management is not only to safeguard the Group's assets and financial strength but also to protect Belgacom's reputation.

Financial risk management objectives and policies are reported in note 31 of the consolidated financial statements. Risks related to important on-going claims and judicial procedures are reported in note 33 of these statements. The Enterprise and financial reporting risks are detailed below. The related mitigating factors and control measures are described under caption 3.

2.1. Enterprise risks

The Group's Enterprise Risk Management (ERM) covers the full spectrum of risks ("potential adverse events") and uncertainties that Belgacom could encounter. Belgacom ERM is a structured and consistent framework for assessing, responding to and reporting on risks that could affect the achievement of Group strategic development objectives. It seeks to maximise value for shareholders by aligning risk management with the corporate strategy, assessing the emerging risk from regulation, new technologies or the market, and developing risk tolerance and mitigating strategies. Belgacom ERM is reviewed and updated every year since 2006. This risk assessment and evaluation takes place as an integral part of Belgacom annual strategic planning cycle. The resulting report on major risks and uncertainties is then reviewed by the management committee, the CEO and the A&CC.

Among the risks identified in the ERM exercise of 2011, the following risk categories were prioritized: changing business model, dependence on rightfully skilled personnel, the competitive environment, dependency on equipment and technology.

Changing business model: As a telecom company, Belgacom operates in a dynamic environment that changes rapidly driven by new technological developments and ever changing customer demand. In response, Belgacom's business model is changing too. It is moving further away from its traditional business, dominated by voice services with high margins. Instead, it is increasingly embracing alternative communications such as WiFi, Mobile Internet and VoIP. This development could potentially impact Belgacom's future revenue and profit from billing per unit such as voice minutes or SMS.

The International Carrier Services segment too is subject to this changing business model, and could see its revenue from Voice traffic under pressure as IP technology makes inroads into traditional communications.

The rapid pace of the technological evolution requires internal innovation to be fast as well, which can be prevented by long internal development times hence stalling the launch of new services.

Dependence on rightfully skilled personnel: Belgacom depends heavily on the people who work for it: key management, technical employees with the right skills, and well-trained sales people with a detailed knowledge of the Belgacom products and services. Rapid changes in technology and the ceaseless evolution in products and services imply constant shifts in demand for skills, and without effective provisions being made, could leave Belgacom with an inadequate pool of talent. Within the Enterprise segment, for instance, the focus on delivering full end-to-end services increases the need for staff with specific skills and expertise.

Competitive environment: Belgium is a small country with only a few large telecom players, among which Belgacom is the incumbent. In such circumstances, market value is vulnerable to disruptive behaviour among competitors. A new market entrant or radical price competition could cost Belgacom market share and revenues. For instance, a rapid transposition of a European directive on customer protection might see the Belgian government limit the contract duration of the customer to six months (rather than 12 months), which might intensify competitive pressure. Belgacom, however, has always adopted a rational pricing strategy and will continue to be disciplined in its customer offerings.

In the fixed business, cable companies are Belgacom's main competitors. Competition in the mobile market may become more intense now that Telenet Tecteo Bidco (which brings together Telenet and Voo) have obtained a mobile 3G-license.

In addition, the value of voice services is further challenged by OTT (Over The Top) players such as Skype on mobile.

New OTT players could also put ICS' revenues under pressure, with Skype, Google, Viber and Rebtel exerting competition and squeezing Voice-traffic margins.

Dependence on equipment and technology: The business of Belgacom heavily depends on technical infrastructure such as telecommunication equipment and IT-platforms. Any technical failure could lead to business interruption, potentially with financial consequences and a reputation impact. Belgacom has a nation-wide access network, of which part is in place since a long time – the so-called legacy copper network. Ageing copper cables could increase fault rates and decrease performance.

The Mobile network might be subject to technical failures, affecting the quality of service or causing temporary service interruptions, leading to customer dissatisfaction.

Another priority is the transformation program "Move-to-all-IP", which could be subject to delayed implementation and consequently delayed savings from the out phasing of technical buildings.

2.2. Financial reporting risks

In the area of financial reporting, in addition to the general enterprise risks also impacting the financial reporting (e.g. personnel), the major risks identified include: new transactions and evolving accounting standards, changes in tax law and regulations, and the financial statement closing process.

New transactions and evolving accounting standards: New transactions could have a significant impact on the financial statements, either directly in the income statement or in the notes. An inappropriate accounting treatment could result in financial statements which do not provide a true and fair view any more. Changes in legislation (e.g. pension age, customer protection) could also significantly impact the reported financials. New accounting standards can require the gathering of new information and the adaption of complex (billing) systems. If not timely and adequately foreseen, the timeliness and reliability of the financial reporting could be put at risk.

Changes in tax law and regulations: Changes in tax laws and regulations (corporate income tax, VAT...) or in their application by the tax authorities could significantly impact the financial statements. To ensure compliance, it is often required to set up, in a short timeframe, additional administrative processes to collect relevant information or to implement updates to existing IT systems (e.g. billing systems).

Financial statement closing process: The delivery of timely and reliable financial statements remains dependent from an adequate financial statement closing process.

3. Risk mitigating factors and control measures

Belgacom mitigating response strategies depend on the nature of the risk and may often combine various actions, including insurance, increased vendors SLA'S/ liabilities, credit scoring, risk avoidance or active risk management through people, processes and systems.

The cost of risk mitigation is considered in determining response strategies. Certain risks are consciously accepted based on their potential limited impact on the Belgacom organization and/or their low level of materiality. Risks such as political, economic, regulatory are beyond Belgacom control and mitigation is limited to responsive actions to limit their impact.

3.1. Enterprise risks

From the identified risks in the 2011 ERM exercise, the following risk mitigation factors have been identified and control measures have been taken:

Changing business model: To mitigate any negative effect on the Belgacom Group revenue and its business segments, Belgacom has chosen to pioneer new technologies and to offer customers the emerging advantage of convergence - for example by deploying a country-wide hotspot network in partnership with FON. Belgacom has introduced new pricing plans that match its customers demand for these new ways of communicating – for example with packages of unlimited SMS together with voice and mobile data capacity. In the Enterprise business segment too, where Voice business is contracting, new business models have been developed to compensate, such as cloud computing.

ICS is also pro-actively exploring new territories, geographically and technologically.

Dependence in rightfully skilled personnel: Belgacom's future success will be influenced by its ability to attract and retain highly qualified employees. Consequently, to tackle new needs in skills, the Human Resources department has developed customized programs, such as Strategic Workforce planning, or the program for young potentials.

Competitive environment: Belgacom is deliberately differentiating itself from the competition, by leveraging its virtualized entertainment offers in the private market and its cloud computing services for professionals. Simultaneously, Belgacom continues to develop its broadband coverage to give its customers the best internet experience. Belgacom has also drawn inspiration from OTT players, launching a content offer adapted to 'Connected TV's', available for non-Belgacom customers as well.

Dependence on equipment and technology: Rolling-out a fiber-to-the-curb network was one of Belgacom's key priorities over the last years, while old copper cables are being replaced and new technologies show a promising evolutionary path for the last mile in copper.

Belgacom made the further improvement in the stability of its mobile network a priority as well. The "Network Resilience Program" has boosted the ability to keep the network in operation in the event of failures. In 2011, Belgacom cut the incidence of network problems in half.

To prevent problems in the supply chain, Belgacom monitors strictly its service and licence agreements with suppliers and vendors.

3.2. Financial reporting risks

In the area of financial reporting, the following mitigating factors have been identified and control measures have been taken:

New transactions and evolving standards: It is the responsibility of the Corporate Accounting department to follow the evolution in the area of evolving standards (both local GAAP and IFRS). Changes are identified, and the impact on the Belgacom financial reporting is proactively analyzed.

For every new type of transaction (e.g. new product, new employee benefit, business combination), an in depth analysis from a financial reporting, risk management, treasury and tax point of view is performed. In addition, the development requirements for the financial systems are timely defined and compliance with internal and external standards is systematically analysed. Emphasis is on the development of preventive controls and setting up reporting tools that enable posteriori controls.

On a regular base, the A&CC is informed about new upcoming financial reporting standards and their potential impact on the Belgacom Group financials.

Changes in tax law and regulations: The tax department continuously follows potential changes in tax law and regulations as well as interpretations of existing tax laws by the tax authorities. Based on laws, doctrine, case law and political statements as well as draft laws available etc., an impact analysis is made from a financial perspective and as well as from an operational point of view.

Financial statement closing process:

Clear roles and responsibilities in the Closing Process of the Group Financial Statements have been defined. During the monthly, quarterly, half-yearly and annual financial statement closing processes, there is a continuous monitoring on the different steps. In addition, different controls are performed to ensure quality and compliance with internal and external requirements and guidelines. For Belgacom and its major affiliates, a very detailed closing calendar is established, which includes in detail cross-divisional preparatory meetings, deadlines for ending of specific processes, exact date and hours when IT sub-systems are locked, validation meetings and reporting deliverables.

For every process and sub-process, different controls are performed, including preventive controls, where information is tested before being processed, as well as detective controls, where the outcome of the processing is being analyzed and confirmed. Specific attention is given to reasonableness tests, where financial information is being analyzed by more underlying operational drivers, and coherence tests, where financial information from different areas is brought together to confirm results or trends, etc.. Tests on individual accounting entries are performed for material or non-recurrent transactions and on a sample basis for others. The combination of all these tests provides sufficient assurance on the reliability of the financials.

4. Information and communication

4.1. Financial reporting IT systems

The accounting records of Belgacom and most of its affiliates are kept on large integrated IT systems. Operational processes are often integrated in the same system (e.g. supply chain management, payroll). For the billing systems, which are not integrated, adequate interfaces and a monitoring system have been developed. For the consolidation purposes, a specific consolidation tool is used.

The organizational set-up and access management are designed to support an adequate segregation of duties, prevent unauthorized access to the sensitive information and prevent unauthorized changes. The set-up of the system is regularly subject to the review by the internal audit department or external auditors.

4.2. Effective Internal communication

Most of the accounting records today are kept under IFRS as well as local GAAP. In general, financial information delivered to management and used for budgeting, forecasting and controlling activities is established under IFRS. A common financial language used throughout the organization positively contributes to an effective and efficient communication.

4.3. Reporting and validation of the financial results

The financial results are internally reported and validated on different levels. On the level of processes, there are validation meetings with the business process owners. On the level of the major affiliates, a validation meeting is organized with the accounting and controlling responsible. On Belgacom group level, the consolidated results are split per segments. For every segment, the analysis and validation usually includes comparison with historical figures, as well as budget-actual and forecast-actual analysis. Validation requires (absences of) variances to be analyzed and satisfactorily explained.

Afterwards, the financial information is reported and explained to the Belgacom Management Committee (monthly) and presented to the A&CC (quarterly).

5. Supervision and assessment of internal control

The effectiveness and efficiency of the internal control are regularly assessed in different ways and by different parties:

- Each owner is responsible for reviewing and improving its business activities on a regular basis: this includes a.o. the process documentation, reporting on indicators and monitoring of those.
- In order to have an objective review and evaluation of the activities of each organization department, Belgacom's Internal Audit department conducts regular audits across the Group's operations. The independence of Internal Audit is ensured via its direct reporting line to the Chairman of the A&CC. Audit assignments performed may have a specific financial processes scope but will also assess the effectiveness and efficiency of the operations and the compliance towards the applicable laws or rules.

- The A&CC reviews the quarterly interim reporting and the specific accounting methods. The main disputes and risks facing the Group are considered; the recommendations of internal audit are followed-up; the compliance within the Group with the Code of Conduct and Dealing Code is regularly discussed.
- Except for some very small foreign affiliates, all legal entities of the Belgacom Group are subject to an external audit. In general, this audit includes an assessment of the internal control, and leads to an opinion on the statutory financials and on the (half-yearly and annual) financials reported to Belgacom for consolidation. In case the external audit reveals a weakness or identifies opportunities to further improve the internal control, recommendations are made to management. These recommendations, the related action plan and implementation status are at least annually reported to the A&CC.

Other information

Rights, commitments and contingencies as of 31 December 2011

Disclosures related to rights, commitments and contingencies are reported in note 33 of the consolidated financial statements.

Use of financial instruments

Disclosures related to the use of financial instruments are reported in note 31 of the consolidated financial statements.

Circumstances which may considerably impact the development of the Group

Circumstances which may considerably impact the development of the Group are reported in the section internal control and risk management systems of the management report.

Research and development activities

In general, the research and development activities cover 4 key steps in the adoption cycle of a technology or of a service based on technology:

- Study of the technology's potential: determination of the technological and commercial opportunities and its positioning in the technology portfolio;
- Introduction of the technology: as the technology is selected, an engineered solution is necessary for deployment, exploitation and day-to-day management;
- Evolution of the technology: once deployed, the technology will continue to evolve in accordance with its potential and market demand;
- The preparation of the introduction of new services.

In 2011, the research and development activities covered the following:

- Study of the potential of new technologies:
 - Further detailed studies on solutions to migrate from traditional technologies to a fully IP based network. More specifically the solutions for replacing PSTN and ISDN (Access Gateway, ISDN Access Devices) were investigated on their technical, economical and operational feasibility, and preparations have been started for the future introduction of IPv6 in the data network.
 - Fibre to the Home study (FTTH): technical and economic studies have been further conducted to determine the most appropriate evolution path, taking into account evolution of users' bandwidth needs.
 - Study of the solutions to optimize the data traffic handling on fixed networks, in order to ensure the best Quality of Service
 - Belgacom has a continuous focus on the "Green" aspect. With "Green ICT" and "ICT for Green", Belgacom actively participates in reducing our own environmental impact, as well as the impact of others. Several areas are being investigated (e-prescription, smart grids, ...)
- Introduction of new technologies:
 - The mobile technology of the next generation - LTE (Long Term Evolution) - was introduced by Belgacom in 2011, providing customers even much higher download and upload throughput.
 - Furthermore "Quality of Service" has been developed and even higher data-rates have been implemented on the 3G network, all this to further improve customer experience.
 - By implementing FON, Belgacom enlarged significantly the possibility to access fixed internet outside the own residence.
- Evolution of the technology in terms of improvement and existing services extension such as:
 - The IPTV platform (TV over IP) has been further enriched and improved with a new user interface and new possibilities to record TV programs. It has become possible to watch TV on multiple screens: apart from a TV screen, it is now also possible to watch TV programs on laptop, smartphone and tablet.
 - VDSL2: this technology continues to be deployed and additional functionalities are being analysed and developed to further increase its potential. New profiles have been introduced to extend the coverage for HD Television. Belgacom went also in a partnership with Alcatel Lucent to jointly develop improvements on VDSL2 technology (Vectoring), which will further enhance the capacity and throughput of the VDSL2 network.

- The preparation of the introduction of new services:
 - Belgacom completed the roll-out of a fiber-based pilot network in Kortrijk. Test users were provided with high-speed access. As such a “Living Lab” has been created which will enable application developers to test new applications and services in a real-life environment with a representative number of test users.
 - In the area of mobile payments (using a mobile phone to pay for a wide range of services), Belgacom has taken multiple initiatives in developing new services - i.e. Belgacom launched the possibility to pay parking sessions by scanning QR codes.
 - Belgacom is developing a Cloud infrastructure offering on-demand integrated business services, and an open API (Application Programming Interface) framework providing access to unique functions of our network in an easy and structured way. This allows third parties in a partnership model to create new innovative services and drive new revenues through their own brands.

Belgacom collaborates with universities, industrial partners and several other bodies, such as I.B.B.T. (Interdisciplinair Instituut voor Breedband Technologie), I.W.T. (Agentschap voor Innovatie door Wetenschap en Technologie) and the H.G.I. (Home Gateway Initiative Forum). Belgacom takes part in several User Committees for S.B.O. (Strategisch Basis Onderzoek) research projects.

Treasury shares

Disclosures related to treasury shares are reported in note 15 of the consolidated financial statements.

Major risks and uncertainties

Major risks and uncertainties are reported in the section internal control and risk management systems.

Capital management

The purpose of the Group’s capital management is to maintain net financial debt and equity ratios that allow for security of liquidity at all times via flexible access to capital markets, in order to be able to finance strategic projects and to offer an attractive remuneration to shareholders. The latter was updated by the Belgacom Board of Directors of 25 February 2010 and Belgacom now commits to return, in principle, most of its annual consolidated cash flow before financing activities (or “Free Cash Flow”), to its shareholders. The return of free cash flow either through dividends or share buybacks, will be reviewed on an annual basis, in order to keep strategic financial flexibility for future growth, organically or via selective merger and acquisition projects, with a clear focus on value creation. This also includes confirming appropriate levels of distributable reserves.

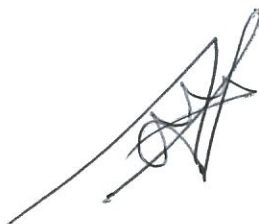
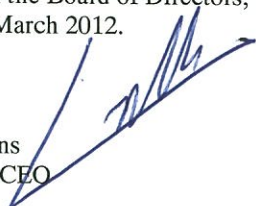
Over the two periods presented, the Group didn’t issue new shares or any other dilutive instrument.

Post-balance sheet events

Disclosures related to post-balance sheet events are reported in notes 33 and 39 of the consolidated financial statements.

On behalf of the Board of Directors,
Brussels, 1 March 2012.

Didier Bellens
President & CEO



Michel Moll
Director