1/ THE TELECOM SECTOR IS AT THE CORE OF THE BELGIAN SOCIETY AND ECONOMY.

2/ TELECOM IS THE MAIN ENGINE FOR THE DIGITAL ECO-SYSTEM.

3/ DESPITE A DIFFICULT ENVIRONMENT, TELECOM OPERATORS ARE SUSTAINING THEIR LEVEL OF INVESTMENT.

4/ FOR A DIGITAL “NEW DEAL” STIMULATING TELECOM INVESTMENTS

---

**Telecom services, part of our daily life**

- **80%** of Belgian households have a broadband internet connection
- **61.5%** of Belgian households have interactive digital TV
- **68%** of the Belgian population use the Internet on a daily basis
- **54%** of the population use mobile broadband internet
- **48%** of people have bought something online in 2013. e-Commerce revenues of Belgian companies account for 14%
- **52%** of Belgians are active on social media

---

This study on the Belgian telecom sector shows the crucial role of the telecom operators in the digital value chain, as well as the leverage effect of investments in telecom networks on the overall economy. This study calls for a “Digital New Deal” on both a European and national level, based on a strategic long-term vision and the recovery of the European leadership in the digital economy.
THE TELECOM OPERATORS, ESSENTIAL FOR THE DIGITAL ECONOMY AND LEVERAGE FOR GROWTH, COMPETITIVENESS AND EMPLOYMENT

CONSUMERS

X15
mobile internet volume from 2009 to 2013

X4-7
Digital bonus: Operators provide a substantially better offering that generates 4 to 7 times more value for money for the consumers

X10
Number of fixed fast broadband (>30Mbps) users from 2009 to 2013

BUSINESSES

+15%
Profitability improvement for SMEs due to telecoms: +15%

58%
58% of employees carry out 75% of their work with connected tools

STATE

3% OTT INTERNET PLAYERS
Share of taxes paid by players of the digital ecosystem in 2013

89% OPERATORS

Positive effect on the total economy

45 billion € Value injected by the Belgian telecoms into the economy between 2007 and 2013

- 10.2 Bn € direct and indirect labour costs and benefits
- 6.6 Bn € to private shareholders
- 9.7 Bn € to the State in taxes (excl. VAT), licenses and dividends
- 6.2 Bn € Netto VAT contribution
- 3 Bn € other expenses (marketing, distribution costs...) To other suppliers

The increase in broadband capacity ensures macroeconomic effects such as:
- time and productivity gains
- emergence of new services (cloud, VOD, catch up TV...)
- job creation
- environmental benefits
- welfare

+1 h extra free time per person per year
THE USAGE OF TELECOM SERVICES IS STRONGLY GROWING WHILE PRICES ARE SLIDING DOWN

**Telecom use strongly growing**

**EVOLUTION OF TELECOM USE 2009>2013**

- Fixed Voice: -2%
- Fixed Internet: +22%
- Digital TV: +87%
- Mobile Voice: +30%
- SMS: +86%
- Mobile Internet: +1400%

**Telecom prices sliding down**

**CONSUMER PRICE INDEX 2006>2013**

- Electricity: 134 (+34%)
- Postal services: 129 (+29%)
- Natural Gas: 126 (+26%)
- Inflation: 117 (+17%)
- Rail transport: 109 (+9%)
- Financial services: 107 (+7%)

**Telecom ensures the creation of jobs and welfare**

**Telecoms as an economic accelerator**

- Investing 1 € in high speed broadband network creates 3 € of GDP which represents 1.5 € of revenue for the state fiscal and social revenues

**GENERATION OF PUBLIC REVENUE**

<table>
<thead>
<tr>
<th>Investments of telecom operators in new very high speed networks (fixed and mobile)</th>
<th>Creation of cumulated GDP in Belgium (+0.65 to +0.83 % in 2022)</th>
<th>Compulsory levy on GDP (45.4%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-7 Bn€</td>
<td>15-19 Bn€</td>
<td>7-9 Bn€</td>
</tr>
</tbody>
</table>

**Perspective 2013 > 2022**

- Evolution of employment in Belgium

<table>
<thead>
<tr>
<th>100 % 2009</th>
<th>101 % 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>+1 %</td>
<td>Telekom operators</td>
</tr>
<tr>
<td>100</td>
<td>Water distribution</td>
</tr>
<tr>
<td>94</td>
<td>Railway network Motorway network</td>
</tr>
<tr>
<td>90</td>
<td>Gas and electricity</td>
</tr>
<tr>
<td>82</td>
<td>Postal services</td>
</tr>
</tbody>
</table>

**Evolution of employment in Belgium**

- >28,000

The 5 main telecom operators in Belgium employed >28,000 FTE in 2013
DESPITE A DIFFICULT ENVIRONMENT, TELECOM OPERATORS ARE SUSTAINING THEIR LEVEL OF INVESTMENT

Despite decreasing margins in the industry, operators have continuously increased the level of investment, raising the question of medium-term sustainability.

In billion € and in % of turnover

<table>
<thead>
<tr>
<th>Year</th>
<th>Turn over</th>
<th>Cash flows</th>
<th>Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>7.2</td>
<td>34%</td>
<td>14%</td>
</tr>
<tr>
<td>2008</td>
<td>7.3</td>
<td>27%</td>
<td>16%</td>
</tr>
<tr>
<td>2009</td>
<td>7.5</td>
<td>28%</td>
<td>15%</td>
</tr>
<tr>
<td>2010</td>
<td>7.9</td>
<td>25%</td>
<td>17%</td>
</tr>
<tr>
<td>2011</td>
<td>7.8</td>
<td>22%</td>
<td>20%</td>
</tr>
<tr>
<td>2012</td>
<td>8.0</td>
<td>22%</td>
<td>18%</td>
</tr>
<tr>
<td>2013</td>
<td>7.7</td>
<td>22%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Fixed High-speed Broadband Coverage

Next-Generation Access broadband coverage/availability in 2013, as % of households

<table>
<thead>
<tr>
<th>Country</th>
<th>Coverage as % of households</th>
</tr>
</thead>
<tbody>
<tr>
<td>MT</td>
<td>98.33%</td>
</tr>
<tr>
<td>BENL</td>
<td>98.33%</td>
</tr>
<tr>
<td>LT</td>
<td>98.33%</td>
</tr>
<tr>
<td>LULVPTDKUK</td>
<td>98.33%</td>
</tr>
<tr>
<td>CY</td>
<td>98.33%</td>
</tr>
<tr>
<td>HUNODDEEE</td>
<td>98.33%</td>
</tr>
<tr>
<td>SI</td>
<td>98.33%</td>
</tr>
<tr>
<td>FISEATBG</td>
<td>98.33%</td>
</tr>
<tr>
<td>RO</td>
<td>98.33%</td>
</tr>
<tr>
<td>ESCZEUIS</td>
<td>98.33%</td>
</tr>
<tr>
<td>SK</td>
<td>98.33%</td>
</tr>
<tr>
<td>IEPLFRHR</td>
<td>98.33%</td>
</tr>
<tr>
<td>EL</td>
<td>98.33%</td>
</tr>
<tr>
<td>IT</td>
<td>98.33%</td>
</tr>
</tbody>
</table>

Mobile: 4G Coverage
In the Belgian digital ecosystem, telecom operators generated 59% of the revenues, while accounting for 87% of investments, 75% jobs and 89% of taxes in 2013.

DIGITAL ECOSYSTEM 2013: TURNOVER, INVESTMENTS, DIRECT EMPLOYMENT AND TAXES

- Turnover: 59%
- Jobs: 75%
- Investments: 87%
- Taxes: 89%

THE EUROPEAN APPROACH NEEDS TO BE REORIENTED IN ORDER TO SUPPORT AND ENCOURAGE INVESTMENTS

Growth is strong in all parts of the world except in Europe.

EVOLUTION OF DIGITAL TURNOVER BETWEEN 2012-2013
- Telecom operators: -4%
- Equipment vendors: -9%
- Device manufacturers: +22%
- Content providers: +2%
- OTT internet players: +19%

EVOLUTION OF INVESTMENTS OF TELECOM OPERATORS IN BELGIUM (EXCLUDING ACQUISITION OF MOBILE LICENSES)
- 2007 > 2013, in billion €
- 2007: 1 BN €
- 2013: 1.8 BN €

REVENUES OF THE DIGITAL ECOSYSTEM BY REGION
Growth 2007-2013 (in billion dollar)

- North America: +56%
- Asia: +57%
- South America: +102%
- Oceania: +18%
- Europe: -16%
The turnover of European telecom operators stagnates and value drops.

**EVOLUTION OF THE TURNOVER OF THE TOP 30 PLAYERS OF THE DIGITAL ECOSYSTEM BY NATIONALITY (1)**

- **Asia**: +66%
- **North America**: +57%
- **World**: +33%
- **Europe**: -13%

European telecom operator’s turnover has decreased by 13% between 2007 and 2013, contrary to Asia and North America.

**MARKET CAPITALIZATION OF THE TOP 30 PLAYERS OF THE DIGITAL ECOSYSTEM BY NATIONALITY (1)**

- **Asia**: +26%
- **North America**: +26%
- **World**: -8%
- **Europe**: -30%

European telecom operators’ value has shrunk by 30% between 2007 and 2014 (2).

Companies with a market value greater than 1.5 billion dollars.

2% The proportion of European companies within the internet players remains very low.

For a “Digital New Deal” fostering telecom investments:

1. Guarantee regulatory predictability to ensure visibility for the telecom investments.
2. Set-up fiscal and financial incentives (reduction of over-taxation) to stimulate private investment in high speed networks.
3. Set-up a regulatory and fiscal level playing field for all actors in the digital ecosystem.
5. Public authorities to stimulate the development of the digital economy.

---

(1) Top 30 global operators, nationality according to HQ location
(2) In June 2014
USAGE OF TELECOM SERVICES IS GROWING STRONGLY

Digital bonus

X4–7
Digital bonus: Operators provide a substantially better offering that generates 4 to 7 times more value for money for the consumers

GDP Multiplier

X3
Investing 1€ in new high-speed broadband networks, creates 3€ of GDP, which represents 1.5€ of revenue for the state

Contribution of the operators to the GDP compared to the OTT internet players

X8
Per 100 € turnover realized in Belgium, the operators contribute 8x more to the GDP than the OTT Internet players

Investments of the operators in 2013:

1.8 BN €
Operators invested 1.8 bn € in 2013: a record*

Investments of operators compared to OTTs internet players

X81
For 1 bn € operators invest 81x more than OTT Internet players

GDP Generation

15 to 19 BN €
15 to 19 bn € will be created between 2013 and 2022 by investments of telecom operators in new high-speed broadband networks

Cash Flow

-56 %
Cash flow of the telecom operators between 2007 et 2013

Value creation

45 BN €
Telecom operators created 45 bn € value for the economy between 2007 and 2013

Part of the invested turnover

24 %
24% of the operators’ turnover is invested in 2013*

* acquisition of mobile licenses excluded