OPTA analyst meeting

February 17, 2010

Programme

- **13.00** The main developments on the electronic communications and postal markets, by
  - **Johan Keetelaar and Christa Cramer** (electronic communications)
  - **Symen Formsma** (postal affairs)
- Questions (also through internet)
- **14.00** End of meeting

Outline of meeting

Electronic communications

- Bundling
- Fixed telephony
- Mobile telephony
- Television
- Broadband
- Fiber developments

Postal markets

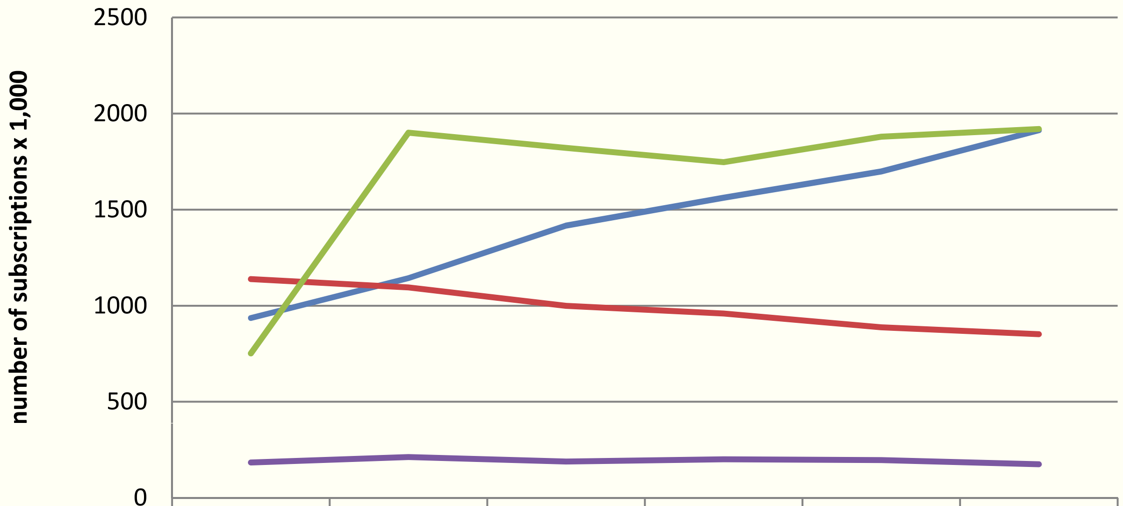
Questions

Bundling: number of customers

- Growth of bundles with broadband and fixed telephony

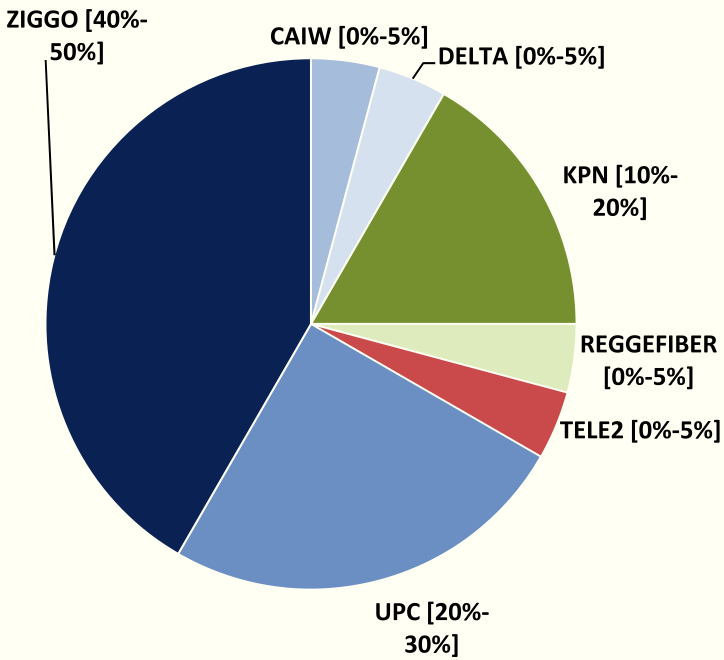
- Small number of bundles with mobile telephony

- 69.9% of households has bundle



	2006 Q4	2007 Q2	2007 Q4	2008 Q2	2008 Q4	2009 Q2
Triple Play (broadband, RTV, fixed telephony)	936	1143	1417	1562	1698	1913
Dual Play (broadband, RTV)	1138	1095	1000	959	887	852
Dual Play (broadband, fixed telephony)	752	1900	1821	1747	1880	1920
Dual Play (RTV, fixed telephony)	184	213	189	201	196	175

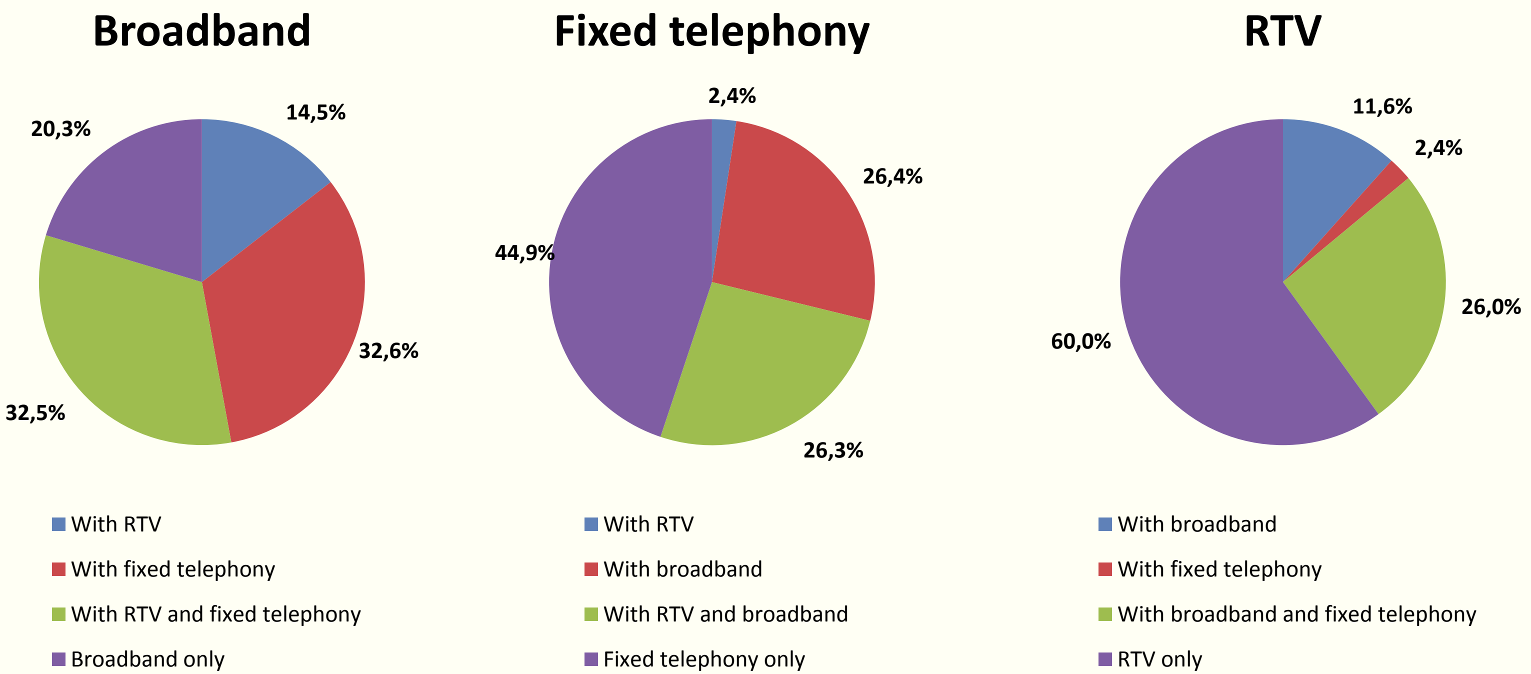
Bundling: market shares triple play



Q2 2009

Source: OPTA

Bundling: shares per product in triple play



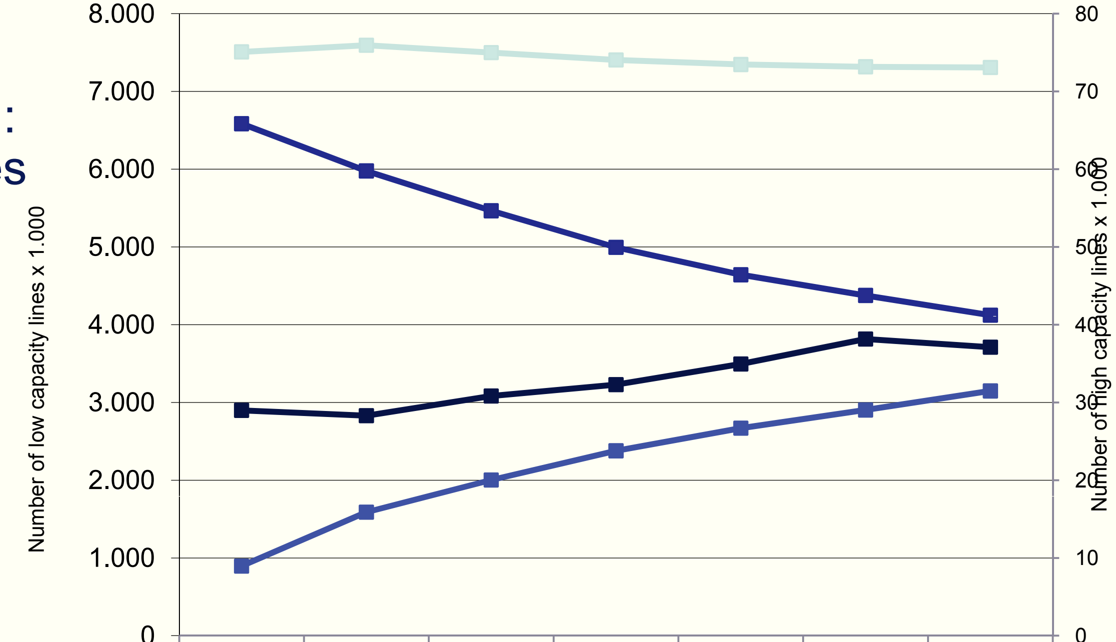
Q2 2009

Source: OPTA

Fixed telephony: number of retail subscriptions

- Steady migration to digital: 43.3% of low capacity lines
- Slowed growth of WLR (419.000)

Source: OPTA's structural market monitor

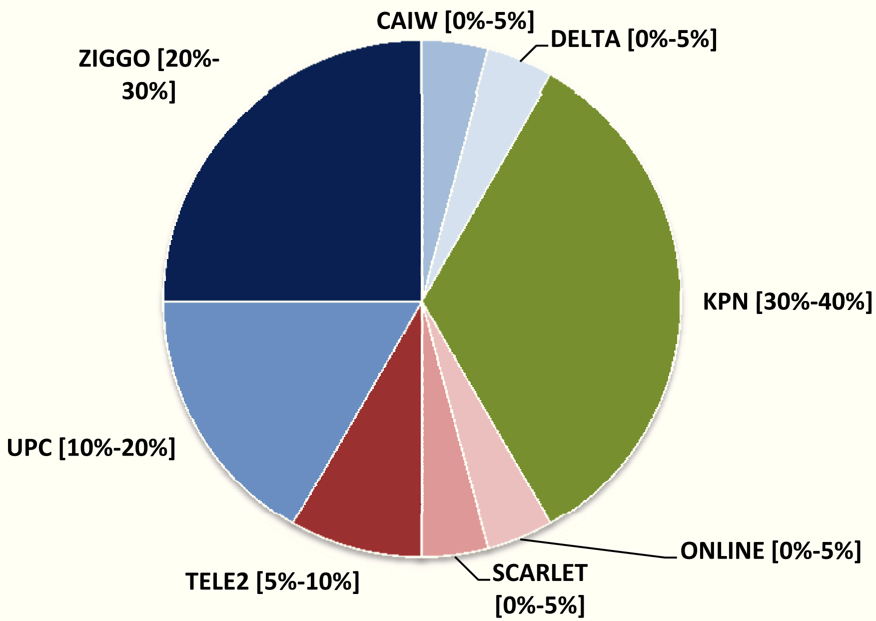


	30-06-2006	31-12-2006	30-06-2007	31-12-2007	30-06-2008	31-12-2008	30-06-2009
Total number of retail fixed voice lines	7.509	7.594	7.499	7.405	7.346	7.317	7.308
Number of low capacity lines PSTN	6.585	5.977	5.465	4.994	4.642	4.376	4.123
Number of low capacity lines VoB	895	1.589	2.003	2.378	2.669	2.903	3.148
Number of high capacity lines	29	28	31	32	35	38	37

Fixed telephony: market shares

	2006 Q2	2006 Q4	2007 Q2	2007 Q4	2008 Q2	2008 Q4	2009 Q2
ACN	-	-	-	[0-5%]	[0-5%]	[0-5%]	-
ATLANTIC	-	-	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]
CAIW	-	-	-	-	-	-	[0-5%]
COLT	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]
DELTA	-	-	-	-	-	-	[0-5%]
ESPRIT	-	-	[0-5%]	[0-5%]	[0-5%]	[0-5%]	-
KPN	[80-90%]	[80-90%]	[70-80%]	[70-80%]	[70-80%]	[60-70%]	[60-70%]
ONLINE	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]
PRETIUM	-	-	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]
SCARLET	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]
TELE2	-	[0-5%]	[0-5%]	[5-10%]	[5-10%]	[5-10%]	[5-10%]
UPC	[0-5%]	[5-10%]	[5-10%]	[5-10%]	[5-10%]	[5-10%]	[5-10%]
ZIGGO	-	-	-	-	[10-20%]	[10-20%]	[10-20%]

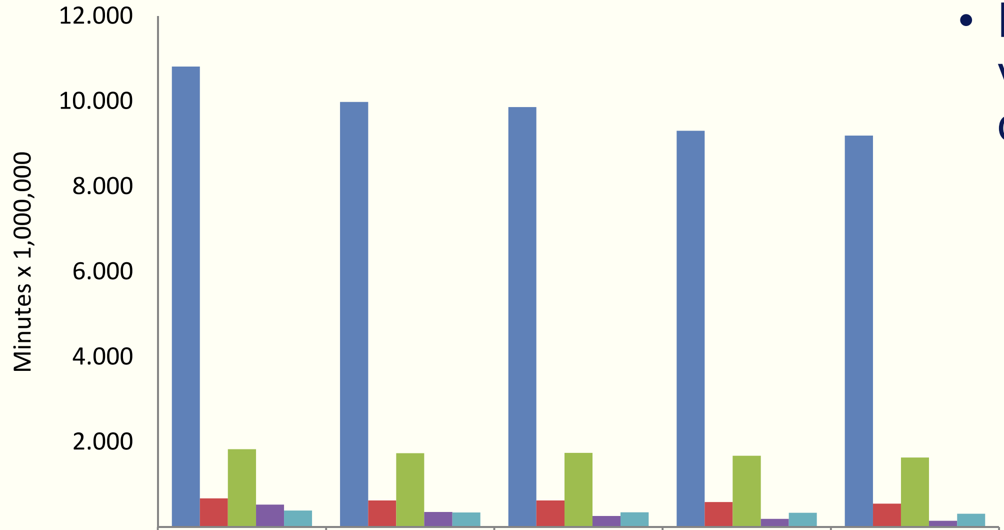
PSTN and VoB



VoB only (Q2 2009)

Source: OPTA

Fixed telephony: calls in minutes

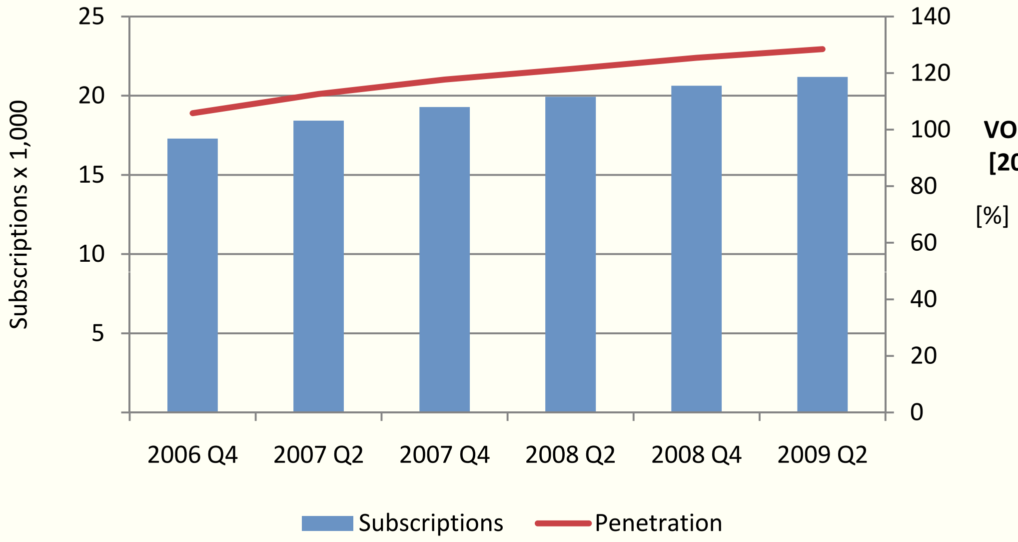


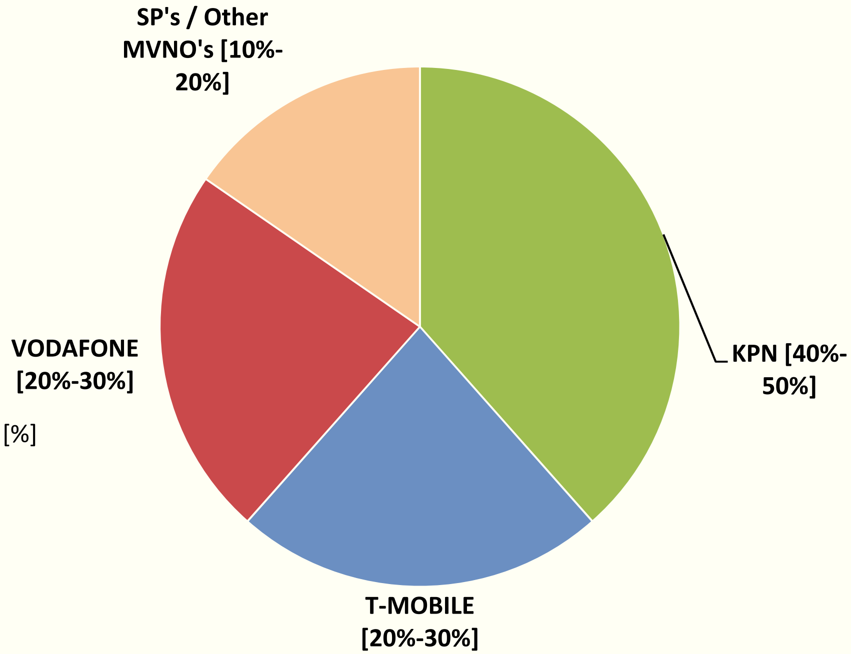
	30-06-2007	31-12-2007	30-06-2008	31-12-2008	30-06-2009
Local and national	10.814	9.980	9.862	9.306	9.190
International	671	623	623	587	551
Fixed-mobile	1.829	1.732	1.740	1.672	1.634
Narrowband data traffic	526	354	259	193	145
Other	386	343	347	336	313

- Fixed connections, calls volume and revenues are decreasing

Source: OPTA's structural market monitor

Mobile telephony: subscriptions and market shares

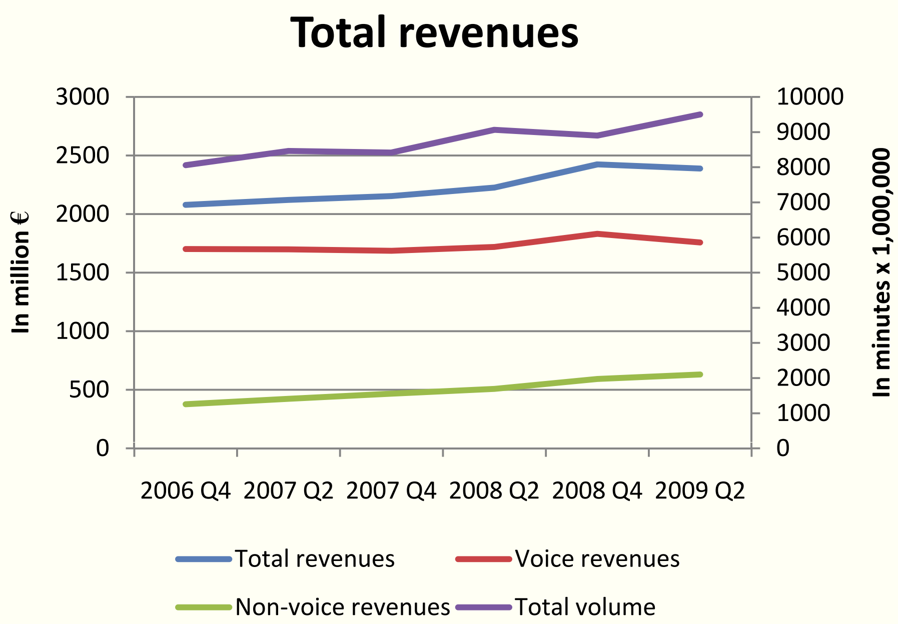


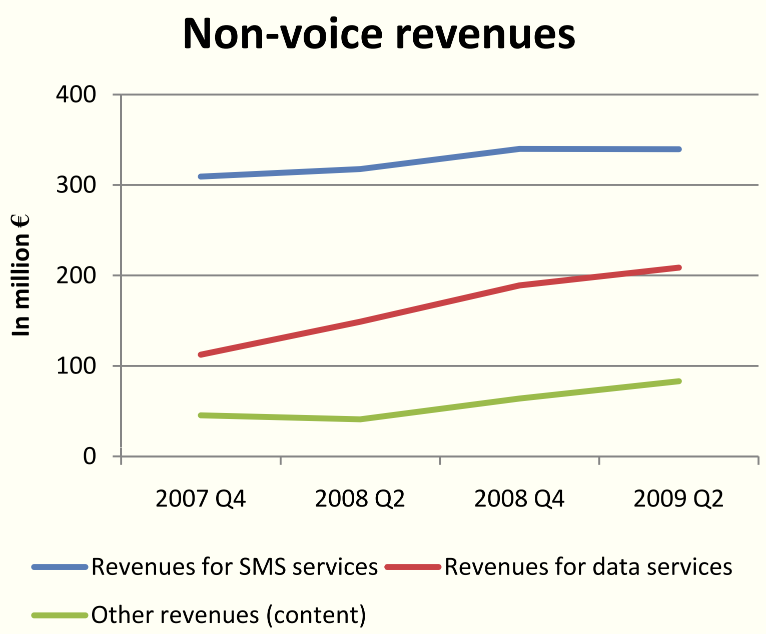


Q2 2009

Source: OPTA

Mobile telephony: retail revenues per service





Source: OPTA

Telephony: terminating tariffs (fixed and mobile)

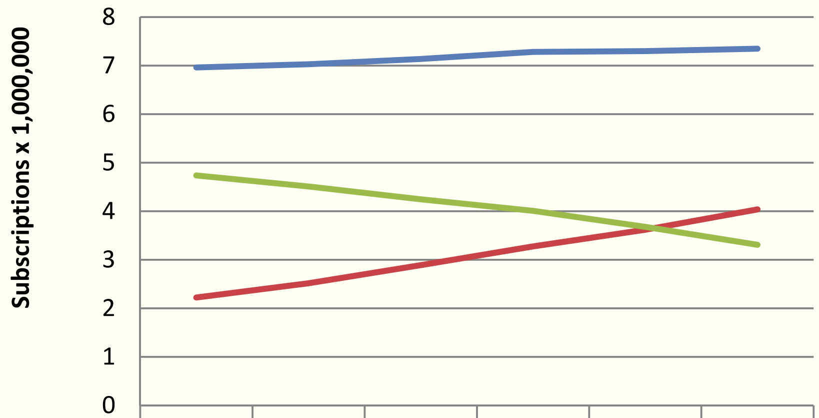
- Start of new market analysis FTA-MTA: Q3 2009.
- Development of new BULRIC-model with input of Industry Groups: March 2010.
- Consultation an dnotification: Q2 2010.
- New FTA-MTA: July 1st 2010.

Television: digitisation

- Over 4 million digital subscriptions Q2 2009 (55%)

- Steady decline of analogue only

- CAIW & REKAM first cable operators to switch off analogue TV (planned October 2010)

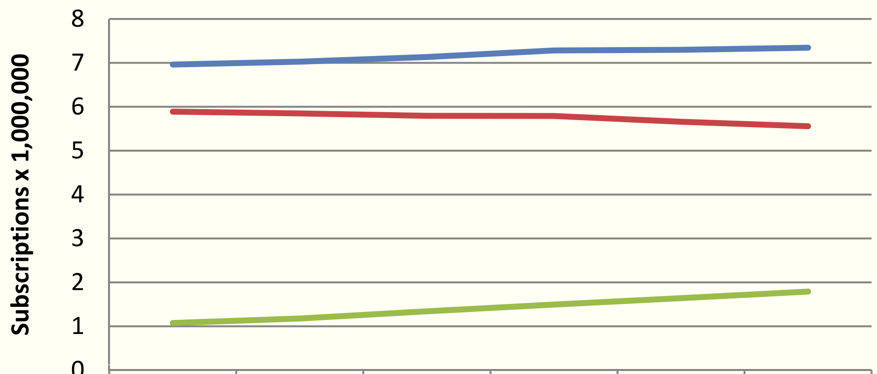


	2006 Q4	2007 Q2	2007 Q4	2008 Q2	2008 Q4	2009 Q2
Total	6,96	7,03	7,13	7,28	7,30	7,35
Digital (with analogue)	2,22	2,52	2,89	3,27	3,62	4,04
Analogue only	4,74	4,51	4,24	4,01	3,68	3,31

Source: OPTA

Television: market developments

- Number of subscriptions surpasses number of households and growing
- Satellite, terrestrial, DSL-IPTV and fibre together 23,9% of all subscriptions
- Average cable use 78,4% Q2 2009
- Digital cable growing fastest
- Growth KPN's DVB-T slowing, but combination DVB-T + IPTV gaining success



	2006 Q4	2007 Q2	2007 Q4	2008 Q2	2008 Q4	2009 Q2
Total	6,96	7,03	7,13	7,28	7,30	7,35
Cable	5,89	5,85	5,79	5,79	5,66	5,56
Non-cable	1,07	1,18	1,34	1,49	1,64	1,79

Source: OPTA

Television: regulation

New cable regulations being implemented for Ziggo and UPC

Resale of cable connection and analogue signals

- Final implementation and tariff decisions early March
- Operational Q2 2010
- Several (new) operators ready to start

Access to cable transmission capacity for digital packages

- Industry Group discussions ongoing

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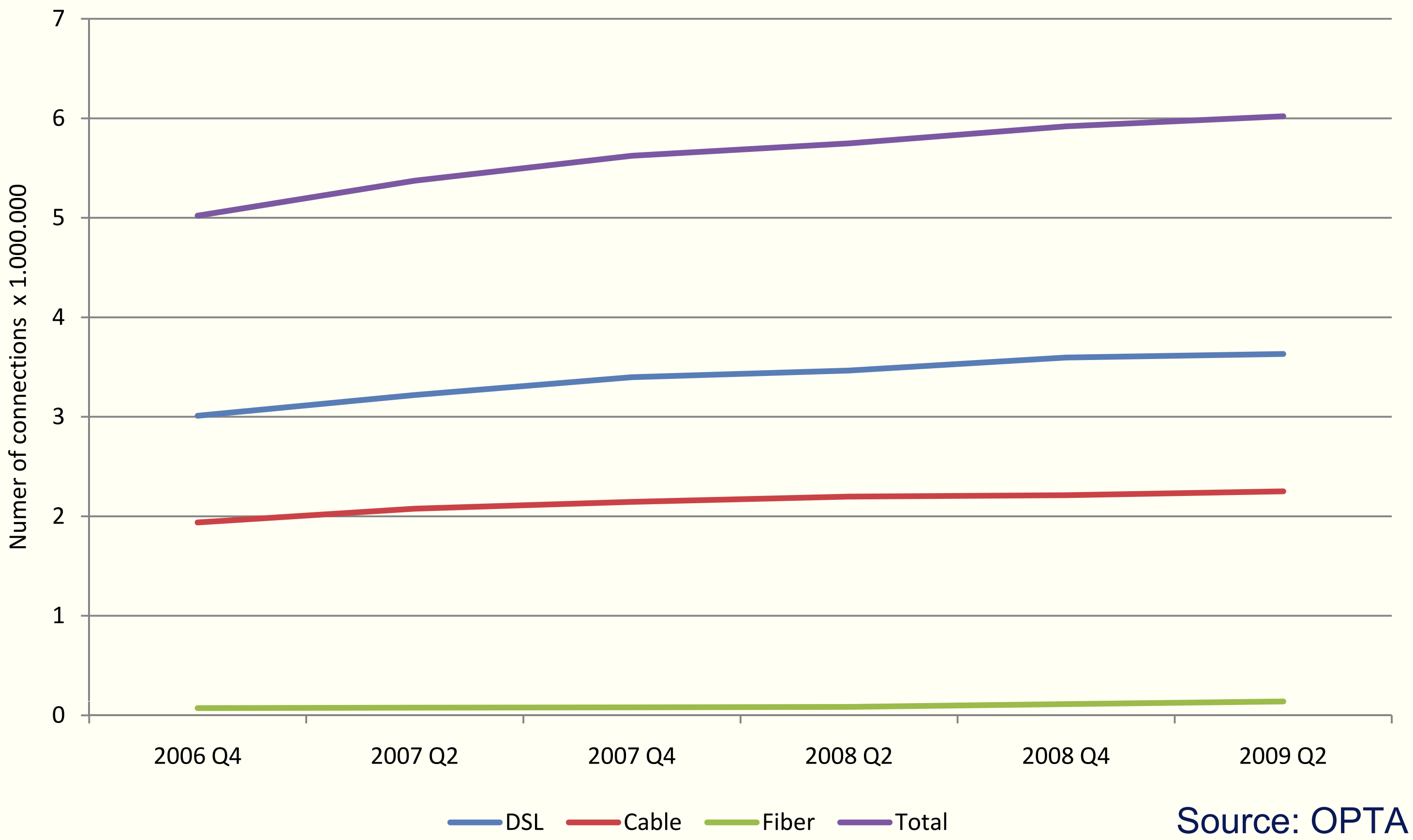
Broadband: number of connections



Source: OPTA and Stratix

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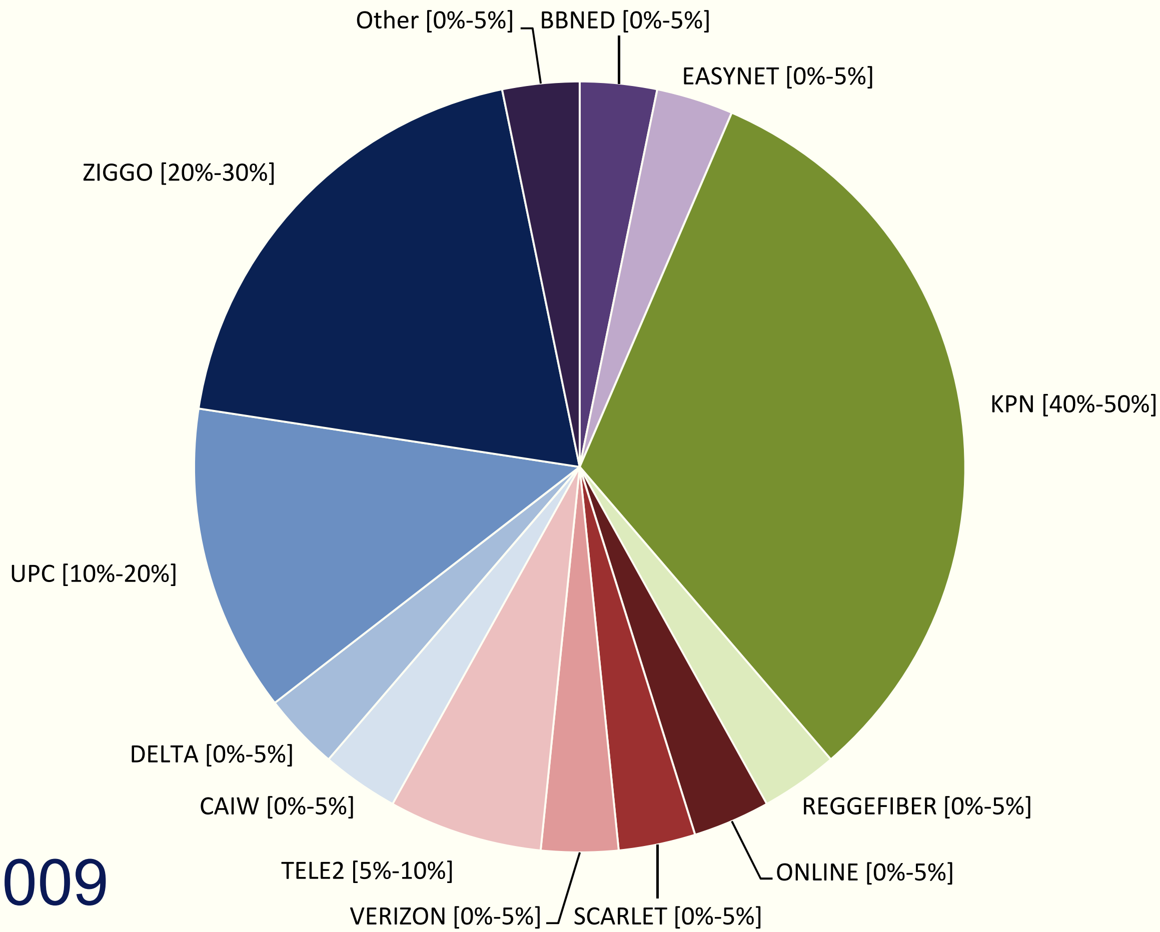
Broadband: retail market shares



Q2 2009

Source: OPTA

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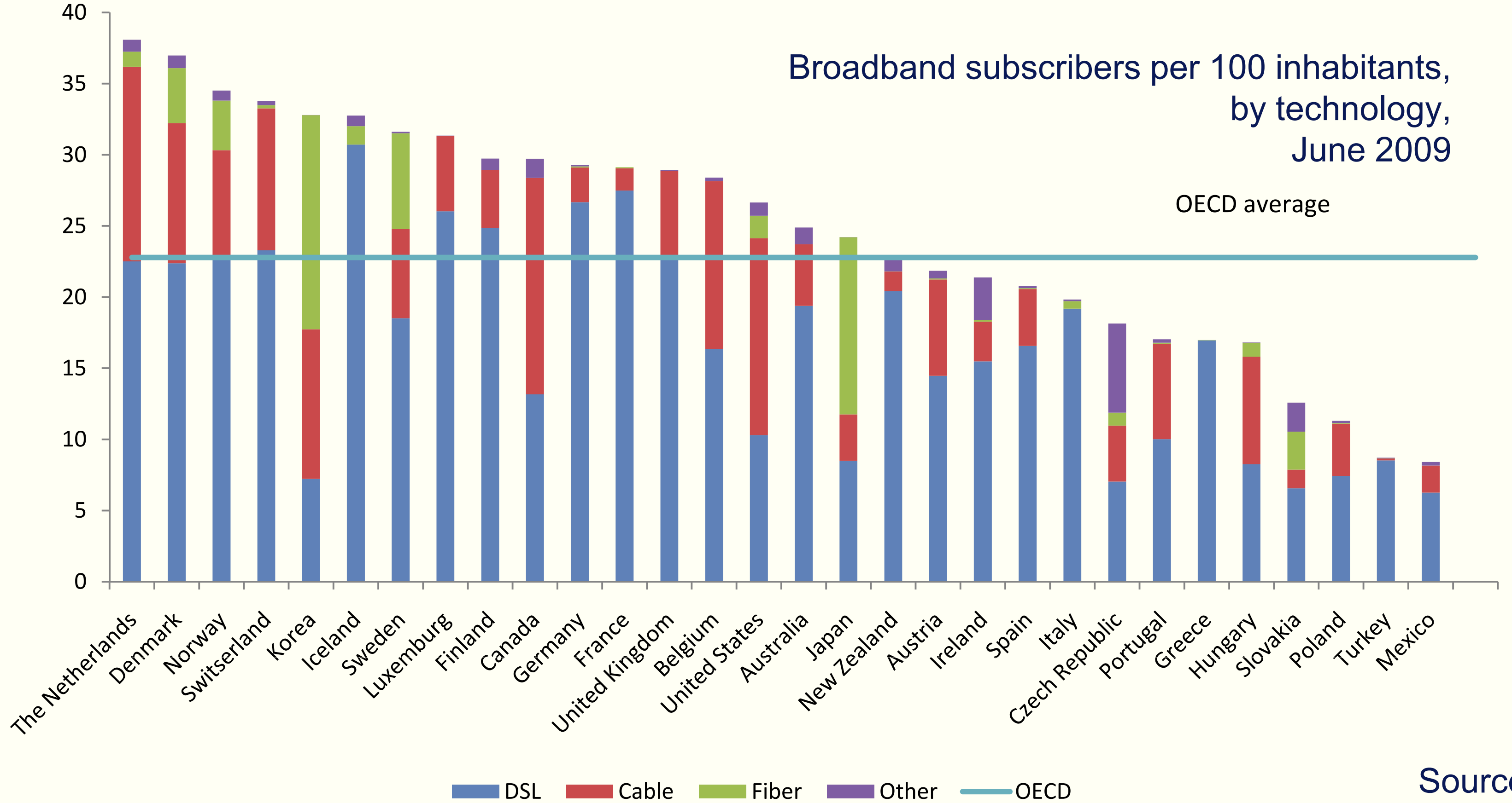
Broadband: international comparison



Source: OECD

Broadband: market developments

Retail broadband market growth slowing down, saturated market

- ±80% household penetration
- Retail market shares fairly stable
- Market share KPN stable, by take over of Compuserve customers

Wholesale market for consumer DSL (including self supply):

- From Q2 2008 – Q2 2009: +6% growth

Wholesale market for cable internet (including self supply):

- From Q2 2008 – Q2 2009: +2% growth

Continued growth of unbundled copper lines: 5% (Q2 2008 – Q2 2009).
Share of unbundled lines for alternative operators increased.

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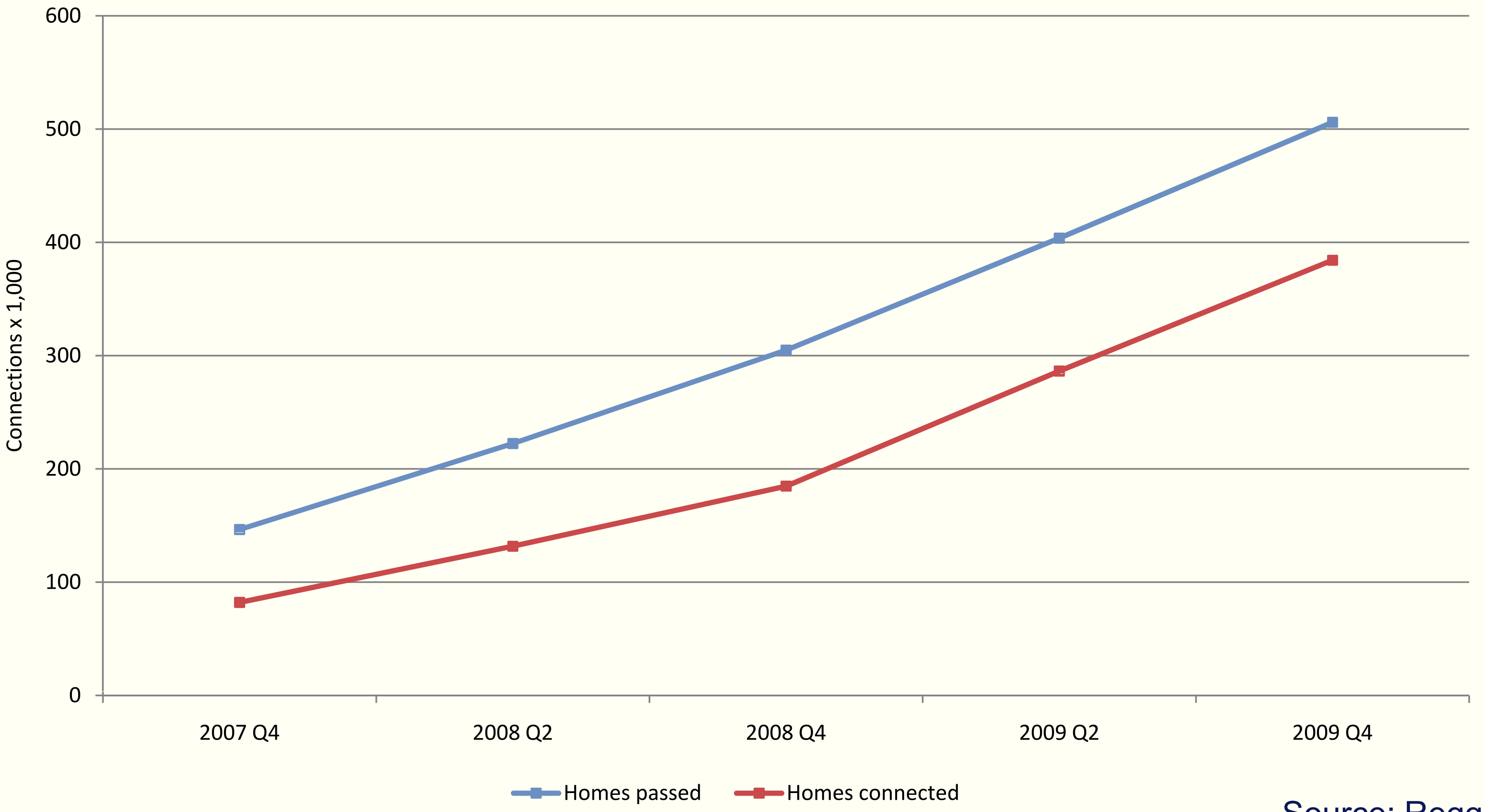
Fiber developments

- FttO: number of FttO connections increased by 23% between Q2 2008 and Q2 2009. KPN is responsible for 2/3 of this growth.
- FttH: continued growth roll-out in the Netherlands. Joint advice with Competition Authority about fiber roll-out by municipalities (19-12-’09)
- FttC: press release KPN 15-12-’09, focus on new services on current available FttC network. Appr. 450.000 households passed.
- Euro-Docsis 3.0 (roll-out cable operators): Dialogic (2010) business end-users are not familiar with this new technology. Cable is substitute for SOHO/SME, but so far it is not clear which role Docsis 3.0 will play in the competition with FttC and FttO. It might be a good substitute for SDSL (Symmetric DSL).

Fiber roll-out



Source: Reggefiber

LLU market analysis

- Court has nullified OPTA's LLU-market analysis (Oct. 2009).
  - According to court OPTA has shown too little evidence, or has conducted too little research to come to the conclusion that FttO and FttH are part of the same relevant market

- OPTA conducted a new analysis with focus on LLU-based business services (draft decision published 1 Feb. 2010)
  - FttO is part of the same relevant market as FttH, and LLU copper (MDF-access and SDF-access/FttC).
  - KPN and Reggefiber deemed to have SMP (near 100% market share);
  - Proposed obligations: access regulation (ODF-access at Reggefiber and KPN's fiber network nodes), tariff regulation, non-discrimination and transparancy (reference offer).

Broadband: other relevant decisions

Tariff regulation:

- Wholesale price cap (WPC), copper based services (12 Dec. 2009)

(Draft) decisions on reference offers:

- Final decision on RO wholesale ethernet access services, WEAS (2 Dec 2009)
- Draft decision on RO wholesale bitstream access, copper based (24 Dec 2009)
- Draft decision on RA wholesale leased lines (ILL, ILL SDH, ILL DWDM),(5 Feb. 2010)

Forthcoming:

- Draft decision on RO LLU – copper and fiber (Feb 2010)
- Draft decision on tariff regulation FttO, on choice of cost model (Feb 2010)
- Final decision on RO wholesale bitstream access, copper based (Feb. 2010)
- Final decision on RO wholesale leased lines (ILL, ILL SDH, ILL DWDM), (March 2010)
- Draft decision tariff regulation, WPC newly regulated services, WBA, leased lines (ILL SDH/DWDM and WEAS), SDF backhaul: expected Q1 2010

Also new voluntary RO from Reggefiber (FttH) after consulting the market in OPTA's Industry Group.

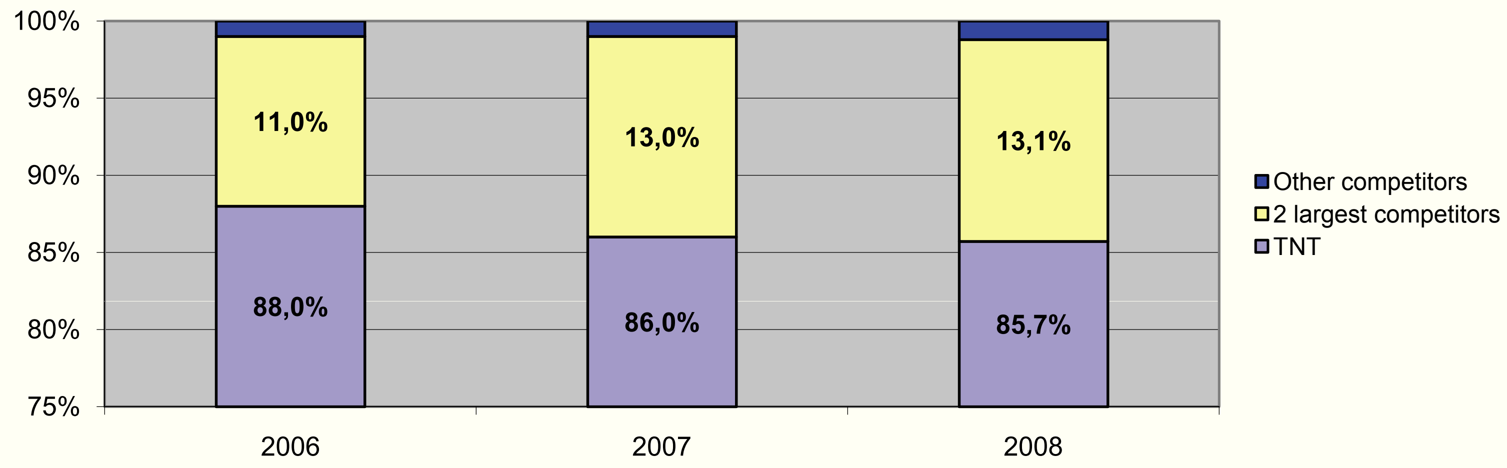
Dutch postal market

- Fully liberalised postal market as of 1-4-2009
- OPTA's market monitoring expected mid-2010
- General observations
  - Slight decrease of overall volume
  - Stabilization of marketshare volumes
  - Insight in volume/revenue of small postal providers

Postal operators

- TNT assigned as USP
  - 6 days delivery and QoS-standards
  - 40.000 mailmen
- Two major competitors: Sandd and DHL Global Mail
  - delivery 2 x week
  - total 25.000 mailmen
- Small local postal operators
  - 1 / 2 times delivery – 5 times delivery

Postal market: market share by volume



- Total volume in 2008 was 5,4 billion addressed items
- No significant changes in market shares expected for 2009

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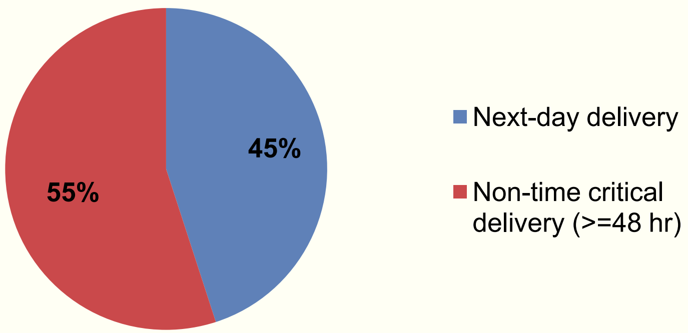
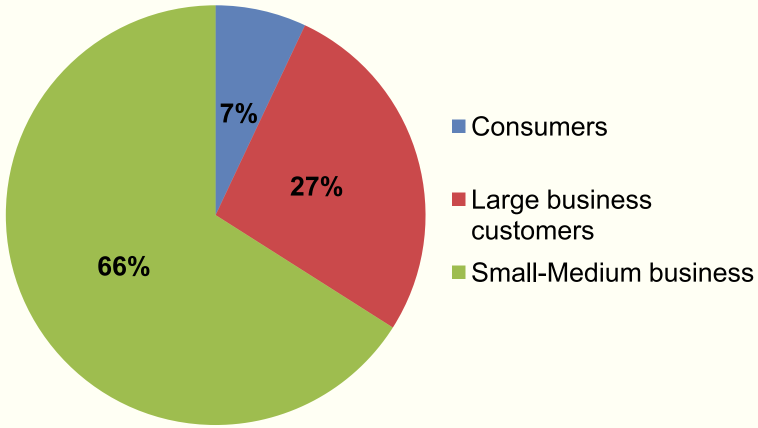
Postal market: market segments

Volume by delivery times of addressed items



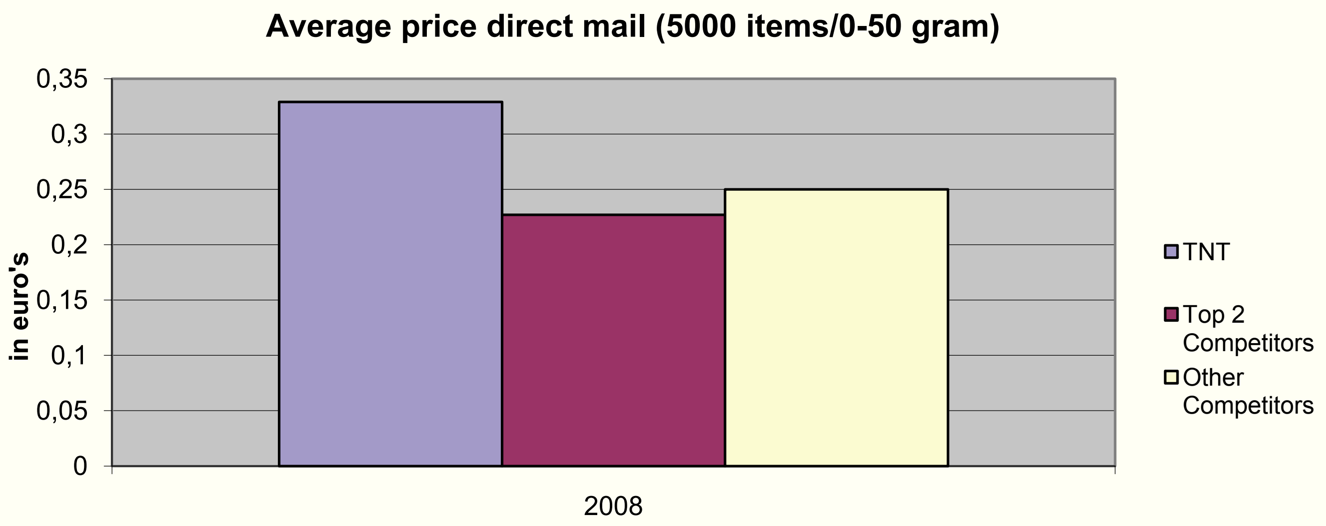
- Continued demand for next-day delivery

Volume by customer type



- Majority of demand from small-medium business customers

Postal market: average market price level

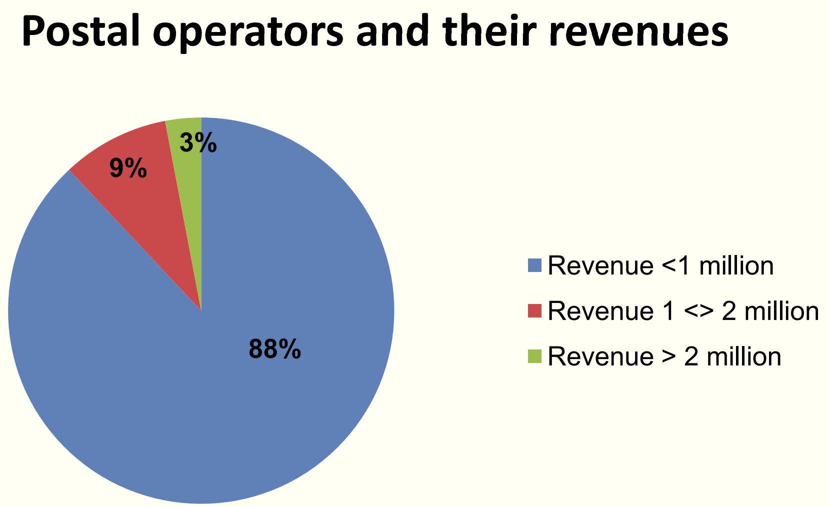


- Continued price difference between marketleader TNT and competitors
- For large business customers competition on price and quality

Postal market: Universal Service

- 2007
  - Revenue total Universal Service 1,7 billion Euro
  - Revenue monopoly 999 million Euro
  - Total market volume 5,4 billion
  - Universal Service volume 3 billion
- 2008
  - Revenue total Universal Service *not publicly reported*
  - Revenue monopoly 934 million Euro
  - Total market volume 5,38 billion
  - Universal Service volume *not publicly reported*
- Cost-oriented tariffs for Universal Service

Postal operator overview



- 97 postal operators registered in 2009
- 97 % of postal operators with revenue less than 2 million Euro (2007)
- TNT reported in 2007 a revenue of 1,7 billion Euro

Postal market: concluding remarks

- Legislation will set the standard for reasonable rate of return in 2010
- Advise of OPTA for Ministry of Economic Affairs on existing Access regulation and competition to be expected in May 2010

Questions for OPTA experts

Johan Keetelaar and Christa Cramer
(electronic communications)

Symen Formsma (postal affairs)

Representatives of the financial world should note that OPTA has the legal duty to protect company confidential data.

End of meeting

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