European FTTH Forecast, 2010-2015

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Introduction

- Third annual forecast for the FTTH Council
- Based on individual analyses of 21 countries, and brief reviews of a further 17 countries
- Covers a total of just over 290 million households, 195 million in the EU and 95 million outside the EU
- Overall forecast down slightly on last year
  - Leading indicators generally a bit more positive than last year
- Forecast for EU downgraded moderately
  - Generally very slow progress in Western Europe
  - Incumbents, CLECs and muni builders all missing targets
- Forecast outside EU upgraded
  - Strong progress in Russia, Turkey

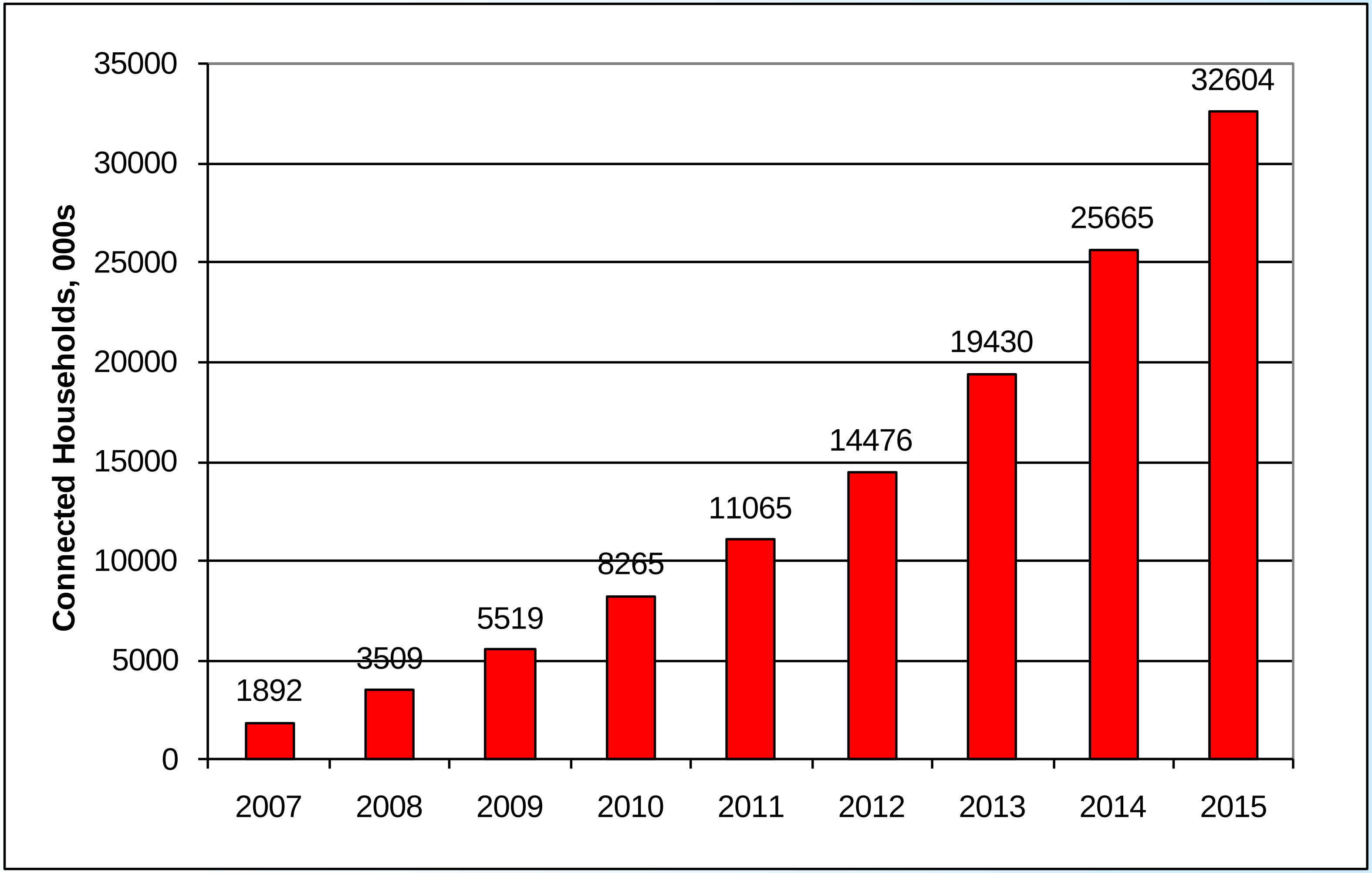
Positive Leading Indicators In 2010/2011

- Strong trend to higher-speed **non-fibe**r products– ADSL2+ is now the de facto standard, VDSL widely available and DOCSIS 3 very widely deployed– all feeding customer appetite for multimegabit services
- Sales of high-spec consumer electronics products (e.g. flat screen HDTVs, media-intensive PCs) recovered in 2010, 3DTV beginning to make an impact
- Strong drive to FTTB in eastern Europe will continue
- Continuing new commitments to FTTH among municipalities in France, Netherlands, Germany, Switzerland
- A lot more homes passed by fiber, suggesting that penetration could climb strongly with good marketing
- Regulatory picture became a good deal clearer, at least on the principles

Negative Leading Indicators In 2010/2011

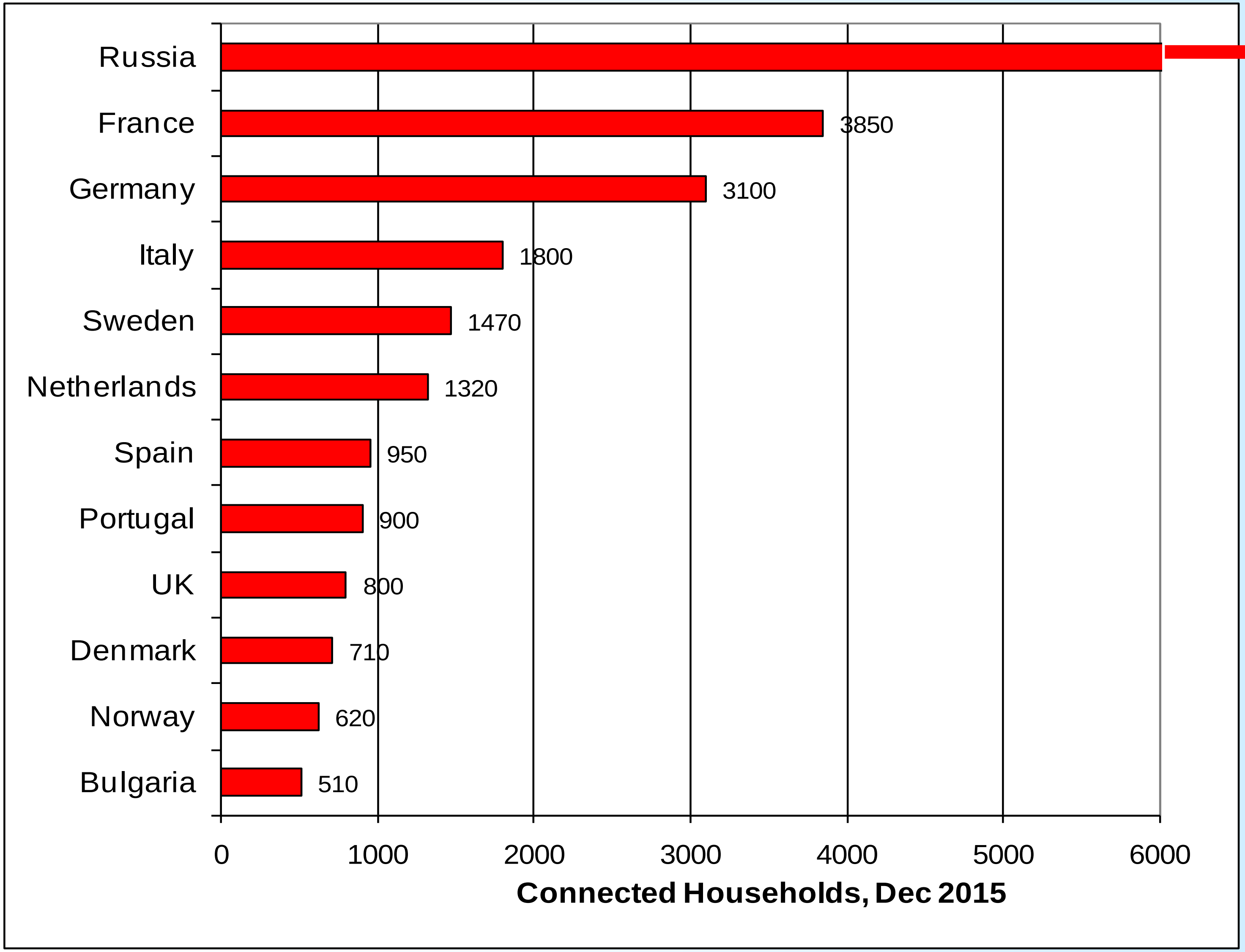
- No really compelling application that requires a fiber connection
- Painfully slow new customer acquisition in many countries
- Verizon-style vision for fiber access still not there among major European incumbents– many are more committed to VDSL to counter the cable threat
- Muni movement making slow progress
- Regulation still a barrier at both macro and micro level
- Public sector debt is an issue in some countries

European Region FTTH Forecast



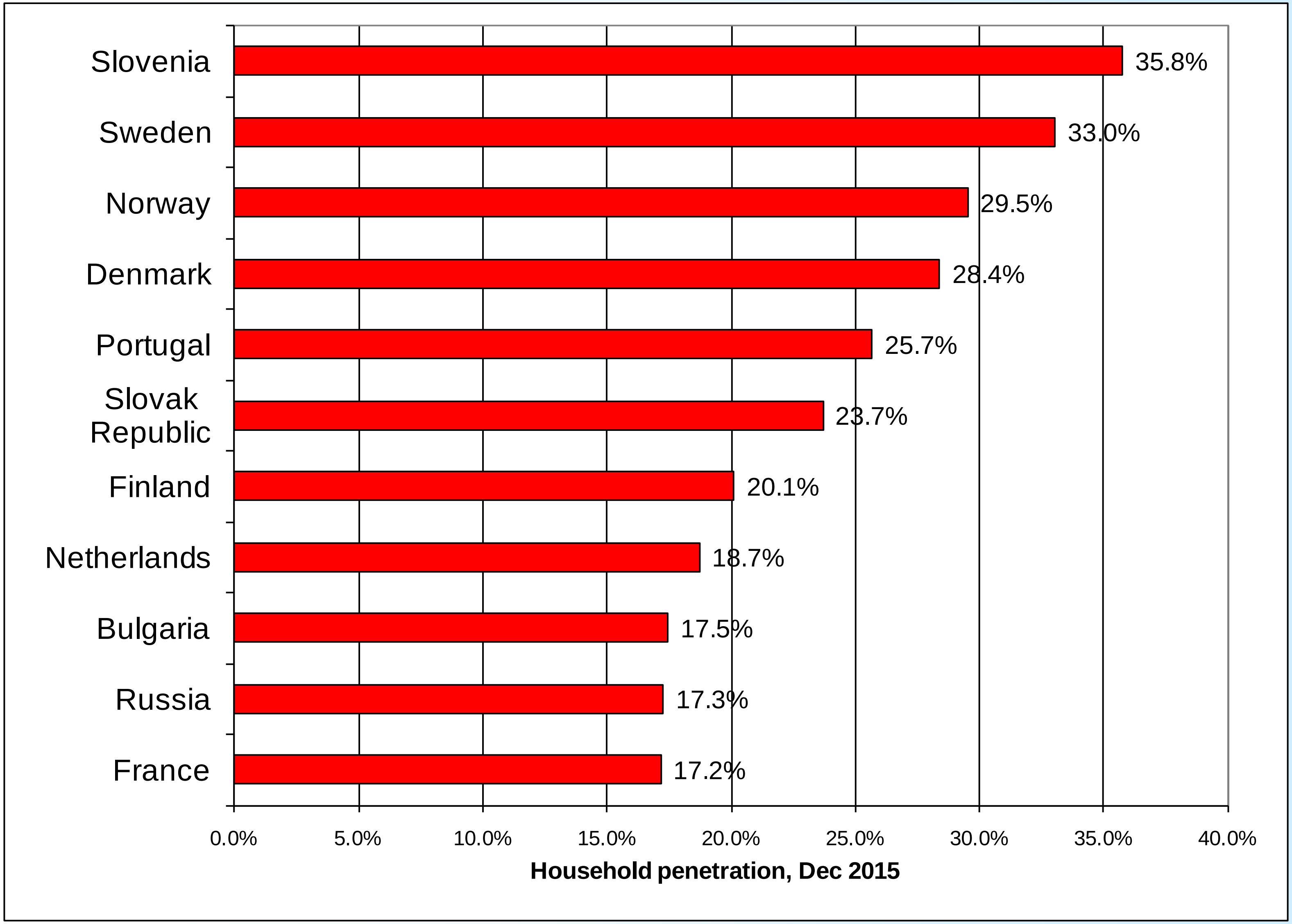
Note: Households connected directly to fiber and apartment connected via basement fiber termination (FTTB)

Top FTTH Countries In 2015*, By Number Of Connected Households



*Among the 21 countries analyzed in detail

Top FTTH Countries In Europe, 2015*, By Household Penetration



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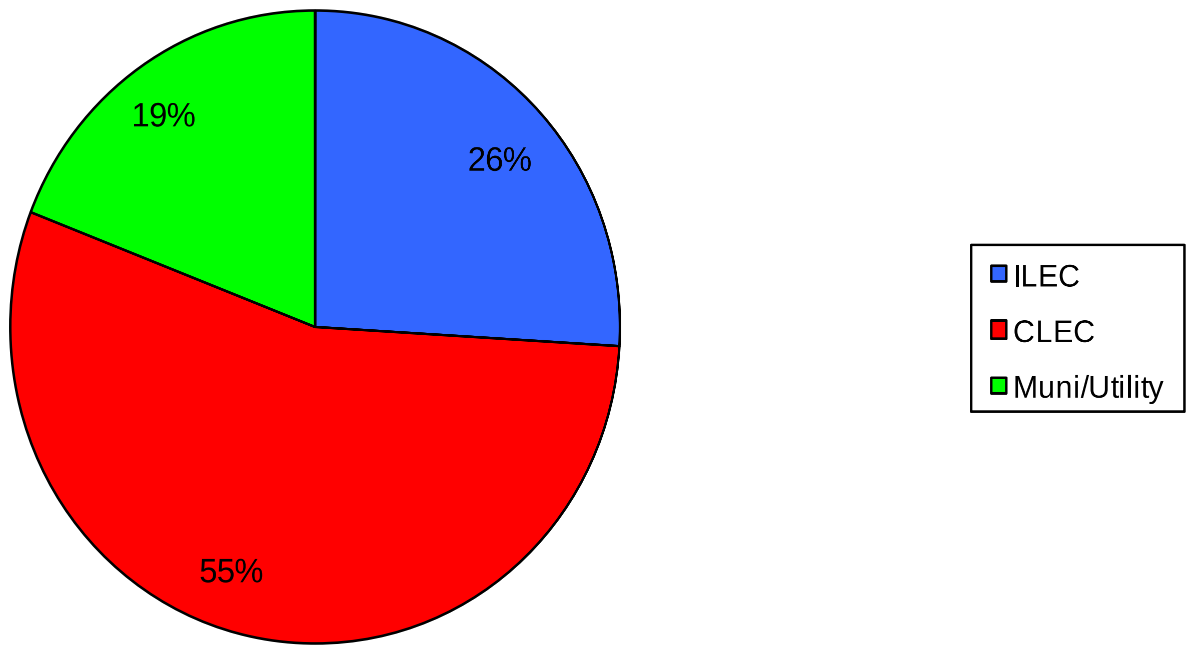
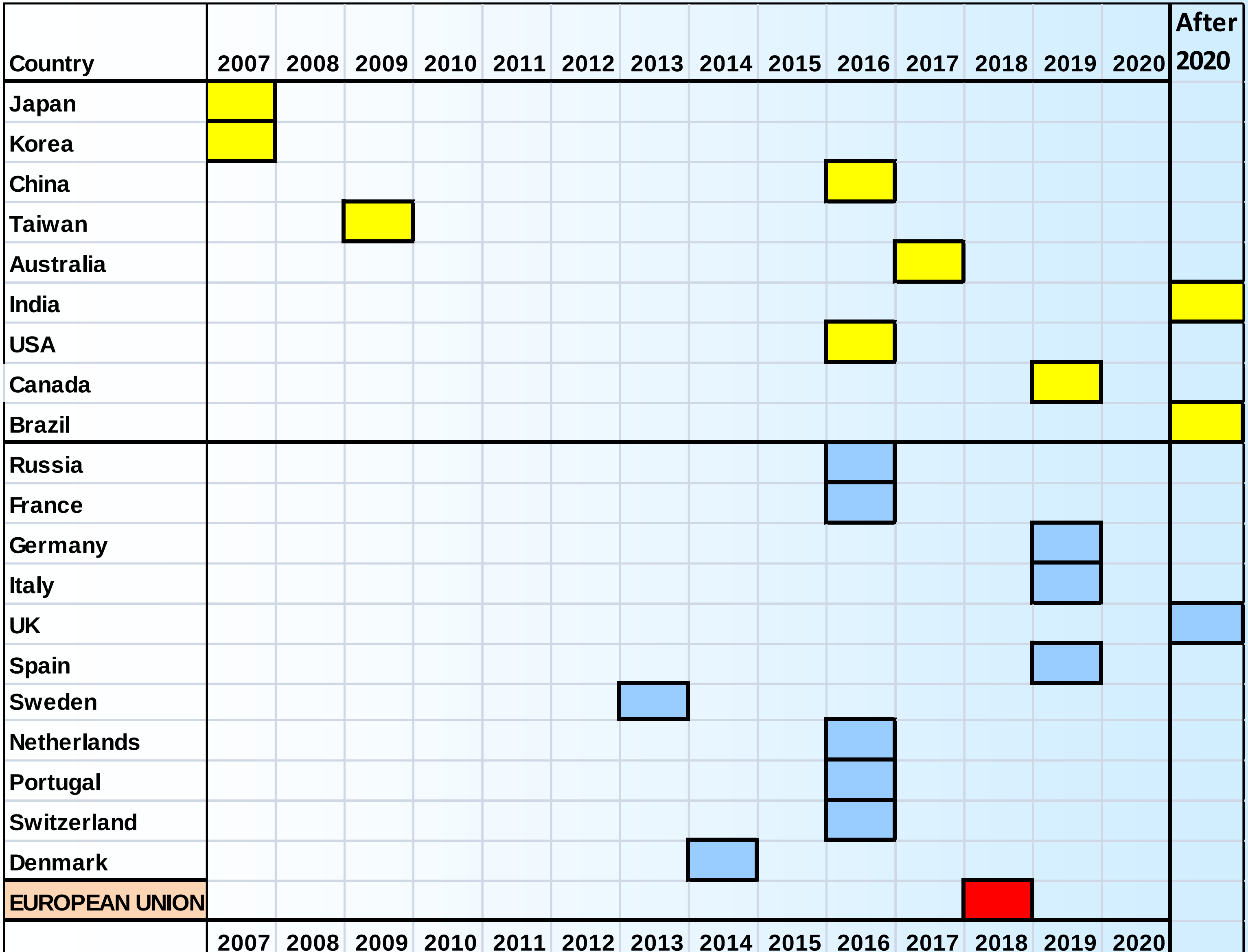
FTTH Connections In Europe, 2015, By Type Of Builder



Note: ILEC = former incumbent monopoly telco (PTT). CLEC = competitive or alternative telco or broadband provider. Muni/Utility = network built by municipal local authority or by a power utility

The Race To Fiber Maturity



Note: chart shows the year in which each territory is expected on current trends and plans to achieve "fiber maturity", defined here as 20% household penetration of FTTH or FTTB

Summary

- Just over 32m households will be connected to FTTH or FTTB at the end of 2015 in the countries covered by this forecast– this is about 11% of all homes in the region
- In the EU only, the total will touch 19m, or 10% of all homes
- Seven of the 21 nations individually analyzed should achieve “fiber maturity” (20% penetration) by 2015– Slovenia, Sweden, Denmark, Norway, Finland, Portugal and Slovakia. Five more should reach this figure by 2016
- Our forecast projects that seven of the 21 nations will still be under 10% penetration at the end of 2015– Greece, UK, Poland, Belgium, Spain, Germany, Italy and Czech Rep
- Unlike most other regions, incumbents are not currently the major providers of FTTH, and this will remain the case
- The most striking feature of the market through the next five years will be its fragmentation across every dimension