

## 1. BELGACOM GROUP

### 1.1 COMPANY INFORMATION

#### Exhibit 1 – Belgacom at a glance

Ownership	<ul style="list-style-type: none"> <li>Belgian State (50% plus one share)</li> <li>ADSB Telecommunications (50% minus one share), a consortium composed of Ameritech, Tele Danmark, Singapore Telecom and Belgian financial investors</li> </ul>
CEO	John J Goossens
Year established	1930
Revenue 2001	€5.6 billion (operating €5.4 billion)
Headquarters	Brussels
Branches	New York, London, Frankfurt, Paris, Utrecht, Zurich
Employees Dec 2001	22,300

(Source: Paul Budde Communication based on company data)

Belgacom SA is the leading supplier of global telecommunications solutions on the Belgian market. The company is owned by the Belgian state (50% + one share) and ADSB Telecommunications (50% - one share), an international consortium made up of SBC, Singapore Telecom, Tele Danmark and a group of investors from the financial sector.

The Belgacom group mainly offers local, intercity and international voice and data services, cellular telephone services, satellite services, carrier services and all Internet-related services. Infosources is Belgium's principal Internet access and service provider via Belgacom Skynet. Its mobile subsidiary Belgacom Mobile (75% Belgacom, 25% Vodafone) had over 4.1 million subscribers in 2001. Since 1996, Belgacom has been offering Belgacom World Solutions, which cover more than 220 countries and territories and through which customers can connect their various business centres based on a single telecom standard.

**Table 1 – Operational data – 1995-2001**

Year	(millions)		
	Fixed-line connections (PSTN and ISDN)	Proximus subscribers	Active Skynet subscribers
1995	4.68	0.235	n/a
1996	4.81	0.41	0.01
1997	4.96	0.691	0.042
1998	5.06	1.25	0.094
1999	5.14	2.07	0.325
2000	5.06	3.28	0.438
2001	4.88	4.15	0.634

(Source: Paul Budde Communication based on company data)

#### 1.1.1 Year 2001 results

Operating revenue increased 4.6% to €5.35, leading to an operating profit of €927 million (up 65%) and a net profit of €499 million (up 4%). Net cash flow was positive €597 million (positive €175 million in 2000).

The reasons for the improved performance were:

- sustained growth in mobile telephony activities;
- the commercial success of the Asymmetrical Digital Subscriber Line (ADSL) broadband Internet access;
- the rise in interconnection and transit traffic;

- and upsurge in data communication.

Operating highlights were:

- a reduction in leased-line rates in mid-2001;
- a decline in the number of analogue network lines;
- an increase in the number of Integrated Services Digital Network (ISDN) lines;
- a 27% increase in the number of mobile subscribers to 4.15 million;
- a 45% increase in the number of dial-up Internet and ADSL subscribers to 634,000;
- In November 2001, the activities of the Infosources group in France were transferred to the Italian access provider, Tiscali, which operates in France under the name of Liberty Surf.

Revenue highlights include:

- fixed network revenues fell in all areas due to transfers to mobile telephony and an increase in the number of alternative operators;
- mobile's revenue grew by over 20% despite strong competitive pressure, regulatory and technological constraints and progressive saturation of the mobile telephony market. This was mainly due to a high percentage of active customers and a rise in the volume of Short Message Service (SMS) traffic of 183%;
- carrier and wholesale revenue increased 18% due to increased international transit;
- Internet revenue more than doubled, due mainly to the proliferation of ADSL.

**Table 2 – Revenue for years ending December – 1998-2001**

Year	(€billion)
1997	BEF139
1998	BEF152
1998	€4.2
1999	€4.6
2000	€5.1
2001	€5.4

(Source: Paul Budde Communication based on company data)

**Table 3 – Revenue by segment – 2001**

Segment	Proportion	Annual growth
Wireline	52%	-9%
Carrier/wholesale	14%	+18%
Mobile	33%	+26%
Internet	1%	+112%

(Source: Paul Budde Communication based on company data)

### 1.1.2 Organisation and subsidiaries

In March 2001, the company introduced a new organisation structure comprising four business units:

- Wireline - all retail activities related to the fixed network (including data transmission),
- Mobile - mobile telephony, including the Proximus and Ben networks,
- Internet - Internet Service Provider (ISP) and related activities,
- Carrier/Wholesale - interconnection, purchase and sale of telecom services to service providers and other operators in Belgium and abroad.

**Exhibit 2 – Belgacom organisation – December 2001**

Company	Ownership
Belgacom SA parent company	
• Belgacom Mobile SA	75%
• Belgacom Directory Services	100%
• Belgacom Finance	100%

Company	Ownership
• Belgacom Services	100%
• Belgacom France	100%
• Finbel Re	100%
• Expercom	100%
• Tritone Telecom BV	55.4%
Ben Nederland Group	
• Ben Nederland Holding BV	27.44%
• Ben Nederland BV	27.44%
• Ben Klantenservice BV	27.44%
Belgacom Multimedia Group	
• Belgacom Multimedia Ventures	100%
• DAD	85%
• Citius	100%
• Paratel	26.53%
• Wallonie Intranet	100%
• Infosources/Skynet Group	
⇒ Infosources	94.27%
⇒ Belgacom Skynet	94.27%
⇒ Infonie Media	94.27%
⇒ Eduline SA	47.15%
Belgacom Security Group	
• Alert Services Holding	95%
• Alert Services	95%
• Alert Telesystems (Normelec)	95%

(Source: Paul Budde Communication, based on company data)

#### 1.1.2.1 Proximus

Belgacom Mobile is a subsidiary of Belgacom (75%) and Vodafone AirTouch (25%) with services traded under the name Proximus.

The Proximus GSM service operates through fully owned distribution channels, covering 98% of the Belgian population. The network, with 6,000 base stations supplied by Philips, Alcatel, Nokia and Motorola and switches from Siemens, has roaming agreements with 147 operators in 84 countries.

Motorola won a three-year network expansion and enhancement program in early 1999. The contract enabled the use of 900/1800MHz dual-band networks for increased capacity in high traffic areas. The country's first dualband GSM-900/1800 mobile network launched in July 1999.

#### 1.1.2.2 Ben Nederland

Ben Nederland BV, a joint venture between Belgacom SA (70%) and TDC TeleDanmark (30%), launched mobile telephone services to the Dutch market in February 1999. Ben Nederland and Deutsche Telekom subsidiary T-Mobile International, successfully bid for a Universal Mobile Telecommunication System (UMTS) licence in the Netherlands through Dutch company 3G-Blue.

In early 2002, Nokia was contracted to upgrade the GSM-1800 and General Packet Radio Service (GPRS) networks in the Netherlands.

In May 2002, Belgacom sold 7% of its stake in Ben to Credit Suisse to finance internal restructuring.

For more information, see separate report: *Netherlands* at [www.budde.com.au](http://www.budde.com.au); and *TDC Tele Danmark*, chapter 25, page 182 and *Deutsche Telekom*, chapter 10, page 67.

### *1.1.2.3 Skynet*

In October 2000, Belgacom and Infosources integrated their ISP activities to create a new entity, composed of Skynet in Belgium and Infonie in France. Infosources is listed on the Nouveau Marche stock exchange in Paris. The purpose of the Skynet-Infosources-Infonie merger was chiefly to enable Belgacom Skynet to extend its activities into France. advantages included synergies in content-related activities, and strengthened Value-Added Services (VAS).

Skynet is the leading ISP in Belgium. It has around 40% share of the residential market, 30% share of the business market, over 60% share of the ADSL market, and is the leading portal ([www.skynet.be](http://www.skynet.be)). Other portals include: Skynet, Swing, Infonie and Lockace.

Skynet also has a joint venture with Editions Averbode publishing house in Eduline, which oversees the educational sites ([www.explorian.com](http://www.explorian.com) and [www.kidcity.be](http://www.kidcity.be)).

Some sites overseen by Skynet include:

- Belgacom.Net;
- Sites of the week;
- Belgacom.Net-KidCity;
- BelgacomBusiness.Net;
- Digital Age Design;
- 3bTrade;
- E-Trust;
- Win;
- Swing;
- Belgacom Sailing;
- Belcomlab.

## **1.2 COMPANY ANALYSIS – JUNE 2002**

### ***1.2.1 State of affairs***

Belgacom's results for 2001 indicate that its fixed-line business are stalling, with revenues in decline, while mobile and wholesale divisions continued to grow but at a slower pace, and the high achiever being Internet services, particularly broadband. Based on Internet/broadband revenues contributing just 1% of all revenues to the company but growing well over 100%, Belgacom has unsurprisingly targeted this area for future growth strategies.

A word on mobile: The Belgian mobile market has reached European Union (EU) penetration levels but growth has slowed as it approaches saturation. This suggests that Belgacom's mobile business growth is likely to see further slowing growth and eventual revenue declines. Despite this, Proximus is Belgium's major mobile operator, though attention needs to be paid to Ben in the Netherlands where it has a small market share and Belgacom may continue to reduce its stake.

### ***1.2.2 Low debt levels***

Belgacom is unlike many of its larger European cousins who invested heavily in the dotcom boom of 1999-2000 in that it did not pursue such heady expansion plans. Thus, while giants like BT, Deutsche Telecom and France Telecom were saddled with huge debts, Belgacom's financial position was relatively strong.

Belgacom's net financial debt at the end of 2001 had dropped from €640 million to €120 million. The decrease of €520 million, or 80%, over the year meant that the company retained its good credit ratings, elevating it among its peers.

### ***1.2.3 Three-tiered strategy***

Belgacom's management has identified three ways forward. First, it wants to be bigger, part of a larger European telecommunications group. Second, it wants to pursue its Internet and broadband success and has announced intentions to buy a broadband cable network in Belgium or elsewhere in Europe. The third element stems from the Internet success again, this time focussing on becoming an e-business company. We believe these key strategies, outlined below, are positive steps for the company, and that Belgacom's relatively sound financial position gives it good prospects for growth.

#### *1.2.3.1 Bigger fish in the pond*

Taking the first aspect first, Belgacom is a small player by European standards and it has sought a partner in the region for some time. In early 2002, the company CEO, John Goossens, stated his vision for Belgacom was to be part of a larger European telecommunications group.

In the first half of 2001, it courted Dutch incumbent KPN for a merger of equals. The Belgian Government had been looking to sell off more of its majority (50.1%) stake in Belgacom, while KPN has been searching for ways to manage its great debt burden. Talks were also underway with Deutsche Telekom but it had recently acquired VoiceStream and was not keen on further merger and acquisition activity, particularly given its high debt burden also. KPN was therefore regarded as the likely merger candidate.

The merger was abandoned in August 2001. The key hurdle was KPN's high debt and troubled financial position compared to Belgacom's relatively strong financial position. As majority shareholder, the Belgian Government simply didn't want to take on the debt. Belgacom had emerged as the major partner and the so-called 'merger of equals' was off.

In early 2002, Belgacom claimed not to be in a hurry to find a partner for further expansion, mentioning a two-three year timetable for such M&A activity.

#### *1.2.3.2 Broadening into broadband*

Buoyed by its broadband success in its domestic market, Belgacom has voiced its intention buy a cable network either in Belgium or elsewhere in Europe. It could take advantage of its strong financial position to buy part or all of a fibre optic cable network to extend its broadband Internet services for Small to Medium Enterprises (SME) businesses. Broadband was also viewed as a way to offset losses in its traditional fixed-line services.

#### *1.2.3.3 E-business*

The third element stems from the Internet success again, this time focussing on becoming an e-business company. Despite the closure of its Business-to-Business (B2B) e-commerce portal 3bTrade in May 2002, to refocus on supply chain management between Belgacom and its own suppliers rather than acting as a public portal, the shift to e-business can be seen in moves like the purchase of ThePush.be in February 2002, which specialises in permission e-mail marketing. The e-business strategy is also demonstrated by the major internal restructuring program BeST. The Belgacom e-Business Strategic Transformation (BeST) program was agreed to by management and unions in December 2001 and affects 3,000-4,000 staff. BeST demonstrates the company-wide reorientation towards e-business skills and activities.

## **1.3 PAN-EUROPEAN NETWORKS**

Belbone is the high-speed Internet network set up by Belgacom throughout Belgium. It interconnects access and service providers on the Internet and provides them with local connectivity and international visibility on the Internet. Belgacom Belbone is directly linked to WorldCom's backbone, the largest

backbone in the world and covering all major American cities. Belgacom is also connected to the Network Access Point (NAP) in Chicago (managed by Ameritech) via its own high-speed transatlantic link.

Belgacom has also become involved in the European JAMES project (ATM network) and in Belgium, numerous experimental projects have been carried out such as Video on Demand (VoD), telecommuting and distance learning.

In June 2001, Lucent Technologies was selected by Belgacom and Luxembourg P&T to expand the capacity of the two parallel optical network connections between their networks in Belgium and Luxembourg. Lucent had been working with Belgacom since November 2000, when Belgacom chose Lucent to build the optical backbone for its pan-European network. Lucent uses its 40x10Gb/s Dense Wave Division Multiplexing (DWDM) technology that it claims has the capacity to transmit 8 million one-page e-mails between Belgium and Luxembourg each second.

DWDM systems significantly increase the amount of traffic by dividing light into multiple wavelengths, or colours, and thereby creating distinct streams of information. The upgraded connection will provide Belgacom and Luxembourg P&T with a multi-gigabit optical link, enabling their business customers to install gigabit ethernet links between their sites in Luxembourg and Brussels.

#### **1.4 INTERNATIONAL ACTIVITIES**

The Belgacom group has international activities as follows:

- Belgacom France (100%) - sold in early 2002;
- Belgacom North America (US – consultant – 100%);
- BEN (NL – 70%);
- Belgacom Inc (USA – 100%);
- Tritone (NL – 40%);
- Belgacom UK (POP and office);
- Belgacom Germany (POP and office);
- Belgacom NL (POP and office)
- Belgacom World Solutions (partnership with Equant).

#### **1.5 SERVICES**

##### **Fixed telephony:**

- Classical Line;
- Belgacom Duo Line;
- Belgacom Twin;
- ISDN;
- Leased lines;
- Directory services;
- Public payphones.

##### **Internet:**

- Belgacom ADSL;
- Belgacom SDSL;
- Internet lines;
- Surf & Call;
- Internet access;
- Free Internet access;
- Internet PC;
- Modems & Cards;
- Internet tariffs;
- Belgacom Extra Surf;
- Web hosting;

- Web design;
- E-commerce;
- PNS;
- e-Link;
- BiLAN;
- Virtual Private Networks (VPN);
- Electronic Data Interchange (EDI);
- Digital Cross-connect System (DCS);
- Teleworking;
- Carrier Services.

**Mobile:**

- GSM;
- Mobile Lines - Proximus;
- Contract;
- Prepaid;
- SMS;
- Wireless Access Protocol (WAP);
- GPRS;
- 3G;
- Handsfree Car Kits;
- Pagers;
- Belgacom Calling Card;
- Belgacom Belgium Direct;
- E-mail paging notification.

**Terminals:**

- Internet PC;
- Cordless phones;
- Corded phones;
- GSM;
- Fax machines;
- Answering machines;
- Telephone Exchanges;
- Pagers - B.Beep.

## **1.6 OTHER DEVELOPMENTS**

### **1.6.1 Year 2002**

**January**

- Belgacom and LDCOM Networks, a subsidiary of the Louis Dreyfus Group, signed an agreement whereby the activities of Belgacom France will be integrated into those of LDCOM in exchange for a 10% stake in LDCOM;
- Belgacom Carrier & Wholesale applied for a telecom operator licence within Greece.

**February**

- Belgacom Skynet bought ThePush.be, which specialises in permission e-mail marketing;
- Belgacom Carrier & Wholesale and SK Telecom signed an interconnection agreement to support roaming between the SK Telecom national network (based on CDMA) and the Belgacom Wholesale international network connecting GSM operators worldwide, where SK Telecom provides the CDMA-GSM translation.

**March**

- Belgacom chose AT&T for its international Internet VPN offering, a new product line under the Belgacom World Solutions umbrella.

**May**

- Belgacom sold 7% of its stake in Ben to Credit Suisse to finance BeST internal restructuring.

## July

- Belgacom Carrier & Wholesale and Telkom South Africa signed a memorandum of understanding for complementary development of international wholesale telecoms market throughout Africa.

For information relating to the following, see separate reports at [www.budde.com.au](http://www.budde.com.au):

- worldwide activities in the telecommunications industry, see [\*Global Overviews\*](#).
- the global telecommunications industry, see [\*Technologies, Terminology and Glossary\*](#).
- telecommunication companies in Europe, see [\*Companies in Europe\*](#).
- activities in Europe, see [\*Europe\*](#).

## 1.7 CONTACT DETAILS

Belgacom SA  
Bd du Roi Albert II, 27  
B-1030 Brussels  
BELGIUM

Tel: +32 2202 4111  
Fax: +32 2203 55 35  
Website: [www.belgacom.be](http://www.belgacom.be)