

Industry

6 August 2010 | 68 pages

The Phone Book - post 2Q10

Equity

The Good, the Bad and the Ugly

- **Lopsided recovery in mobile further accentuated in 2Q10** — The stark divide between the recovering "sprinter" countries and the (mainly Southern European) "dawdlers" widened even further in 2Q10. There is little, if any, evidence of the dawdlers' revenue growth picking up, although Telefónica Spain is seeing a recovery in channel activity and TIM Italy has an easier comp come 3Q. The divide is down to adverse voice yield trends and much worse growth in data.
- **Austerity measures are likely to exacerbate the difference** — Sprinters' mobile service revenue growth was +2.8% yoy in 2Q10, vs +1.1% in 1Q, and we expect these to pick up to go further. Dawdlers' -4.0% yoy in 2Q10, a deterioration from -2.9% in 1Q, was due largely to FT France. VAT increases and other austerity measures could depress demand further in Spain, Portugal, Greece and Romania in 2H10.
- **Fixed pressures moderate only slightly** — Incumbents saw a small improvement in their voice line loss to a still high -7.1% yoy in 2Q following nearly three years of qoq deterioration. Revenue pressure also eased a little at -3.4% yoy in their fixed line operations, however broadband net additions fell sharply qoq and were down again yoy as one of the growth contributors continues to mature.
- **Surprise at EBITDA helped sentiment** — The generally strong performance of the sector through the quarter is largely explained, we believe, by beats at EBITDA. For the sprinters, these look to be due in part to positive operational gearing on rising mobile revenues while cost cutting in fixed played an important role.
- **Given the trends, we favour Sprinter country exposure** — At this stage, we prefer the reassurance of improving revenue growth to the hope of an end to revenue declines. VOD, with supportive news flow, and DT, KPN and Swisscom are our top picks. PT we rate buy as a special situation and in hope of a shareholder returns announcement in the autumn.

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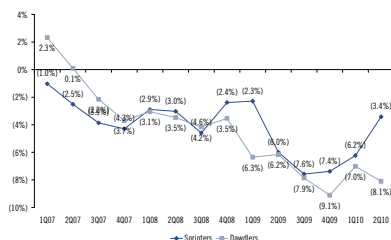
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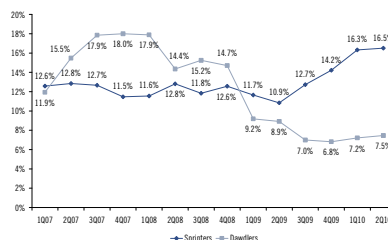
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Figure 1. Mobile voice revenue growth


Source: Company reports and CIRA

Figure 2. Mobile non-voice revenue growth


Source: Company reports and CIRA

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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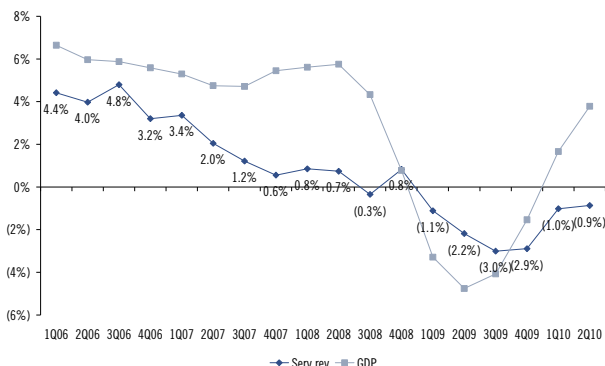
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Mobile – Performance Divergence

Only modest improvement to service revenue growth

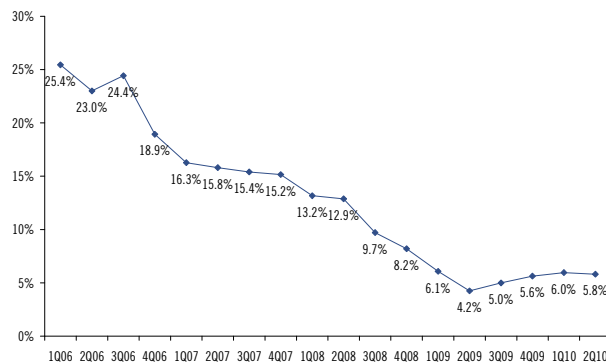
After a strong cyclical recovery in 1Q10, 2Q10 has only showed a modest improvement. European mobile service revenue growth improved to -0.9% from -1.0% 1Q10. Minutes growth was similarly flat at 5.8% vs 6.0% 1Q10.

Figure 3. European mobile service revenue



Source: Company reports, CIRA and Datastream

Figure 4. European minutes growth



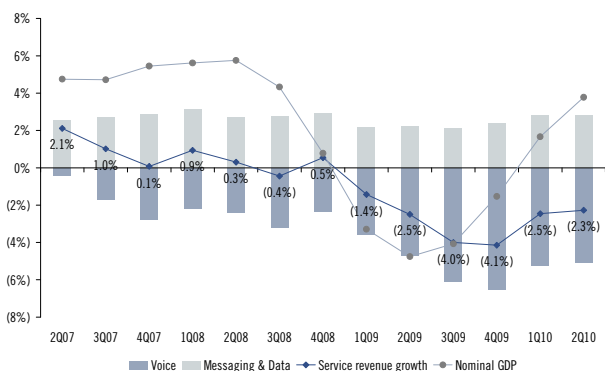
Source: Company reports and Citi Investment Research and Analysis

(Note: includes all operators in Figure 1., Figure 3 all operators except Telia, DT, Elisa, DNA, Swisscom)

This was driven by flat voice and data contribution

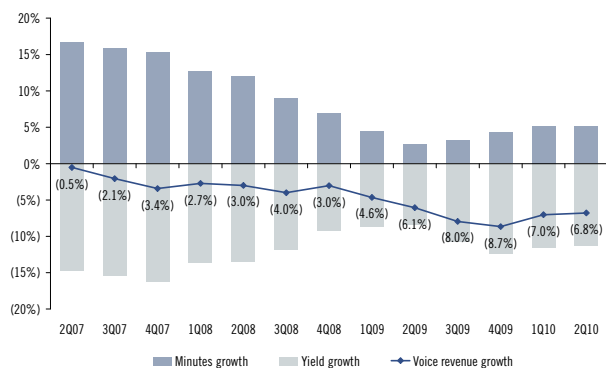
We now look at a reduced set of operators that report minutes and non-voice percentage of revenues. Service revenue growth shows a similar modest improvement as seen above, seen for the broader set of companies. The contribution to growth from both data and voice remained flat. There was no change to voice revenue decline, which remained constant at -6.8% from -7.0% 1Q10. This was driven by both constant minutes growth and yield decline.

Figure 5. European mobile service revenue growth split voice and data yoy (%)



Source: Company reports, CIRA and Datastream

Figure 6. European mobile voice revenue growth split volume and yield yoy (%)



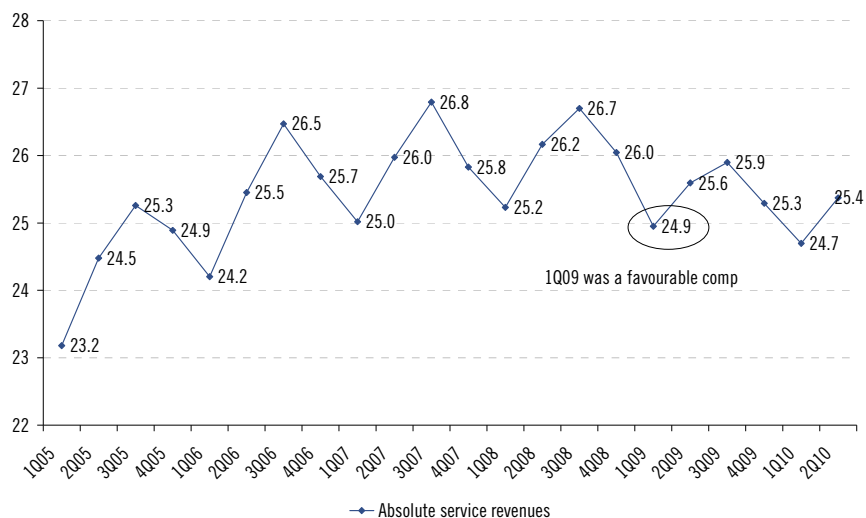
Source: Company reports and CIRA

(Note set of operators includes — UK, Vod, Tef. France, FT. Germany Vod, Tef, KPN. Italy TI, Vod. Spain, Tef, Vod, FT. Netherlands, KPN. Belgium, KPN. Portugal, PT, Sonae. Norway Telia)

However 2Q10 had a harder comp than 1Q10

Looking at the absolute level of service revenue, we can see that 1Q09 was a particularly favourable comp for the 1Q10 growth rate. 1Q09 marked the deepest point of the downturn.

Figure 7. European service revenue absolute level (€bn)



Source: Company reports and Citi Investment Research and Analysis

Significant difference between sprinters and dawdlers

Underneath the stable and quite unexciting trends seen for Europe overall is a continuing divergence in performance. We separate the countries into 'sprinters' with growing mobile service revenue growth and 'dawdlers' (primarily Southern Europe) with negative growth.

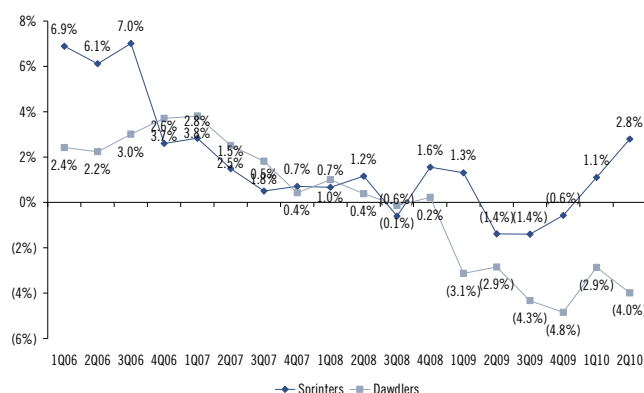
Figure 8. Sprinters, dawdlers country split

Sprinters	Dawdlers
Belgium, Finland, Germany, Netherlands, Norway, Sweden, Switzerland, UK	Austria, Denmark, France, Greece, Italy, Portugal, Spain,

Source: Citi Investment Research and Analysis

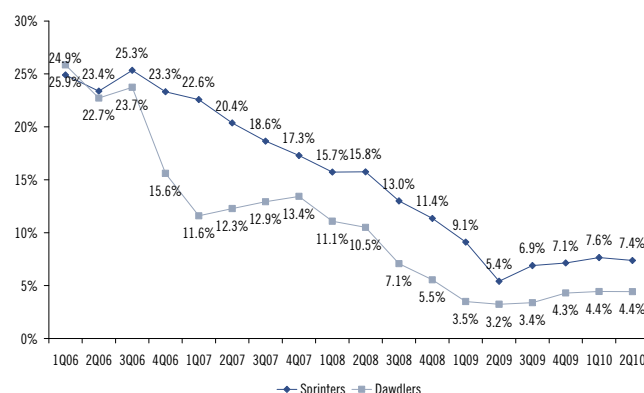
Sprinters' service revenue growth increased to 2.8% in 2Q10 from 1.1% 1Q10. This was contrasted by a deterioration for dawdlers from -2.9% to -4.0%. Interestingly, this difference is not shown in the minutes growth trends, suggesting data or voice pricing is driving the higher growth in the sprinter countries.

Figure 9. Mobile service revenue growth North vs South



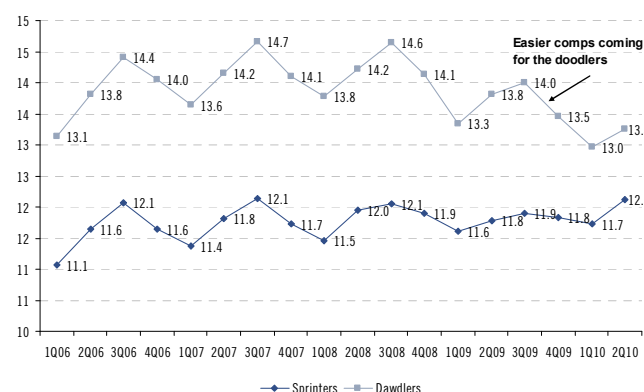
Source: Company reports and Citi Investment Research and Analysis

Figure 10. Minutes growth North vs South



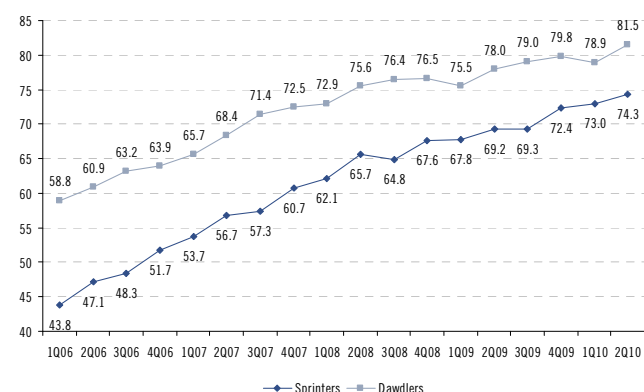
Source: Company reports and Citi Investment Research and Analysis

Figure 11. Service revenue absolute level sprinters vs dawdlers – dawdlers suffered a tough comp in 2Q10, but easier comps going forwards



Source: Company reports and Citi Investment Research and Analysis

Figure 12. Total minutes absolute sprinters vs dawdlers (min bn)

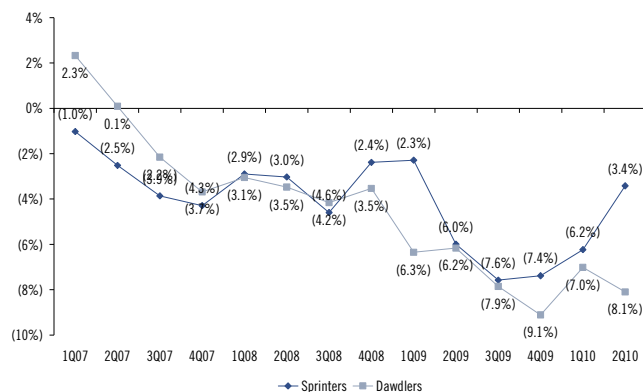


Source: Company reports and Citi Investment Research and Analysis

Improvement for sprinters is being driven by Voice. However difference in absolute level is being driven by data

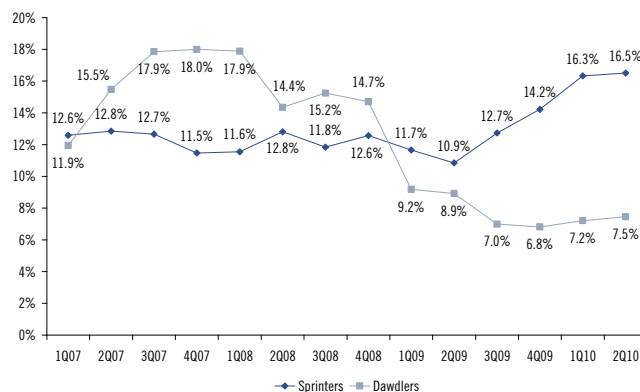
Looking at the revenue growth trends for voice and non-voice between the sprinters and dawdlers, we see that the sprinters achieved a good improvement in voice revenue growth while maintaining high data growth. The dawdlers had no change on lower voice and data growth.

Figure 13. Voice revenue growth (sprinters vs dawdlers)



Source: Company reports and Citi Investment Research and Analysis

Figure 14. Non-voice revenue growth (sprinters vs dawdlers)



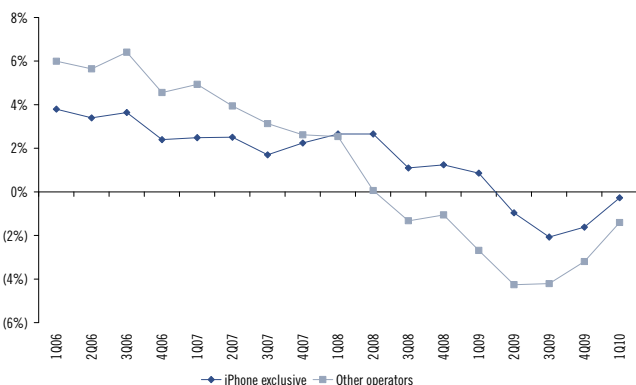
Source: Company reports and Citi Investment Research and Analysis

(Note set of operators includes – UK, Vod, Tef. France, FT. Germany DT, Vod, Tef, KPN. Italy TI, Vod. Spain, Tef, Vod, FT. Netherlands, KPN. Belgium, KPN. Portugal, PT, Sonae. Norway Telia)

iPhone have-nots catching up, but partly at the expense of margin

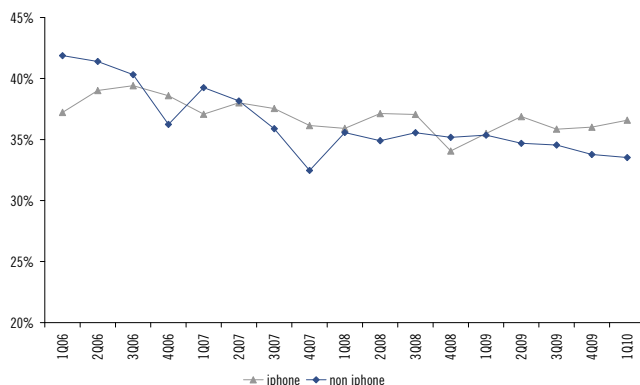
Since the end of iPhone exclusivity, the operators that previously did not have the iPhone have been closing the service revenue growth gap, Figure 15. It is interesting that T-Mobile in Germany, which still benefits from iPhone exclusivity, is still increasing its service revenue growth gap. Operators who have newly secured the iPhone appear to be investing more in SAC, which is depressing margins, Figure 16.

Figure 15. iPhone partners vs non-partners revenue growth



Source: Company reports and Citi Investment Research and Analysis

Figure 16. iPhone partners vs non-partners EBITDA margin (excl Spain)



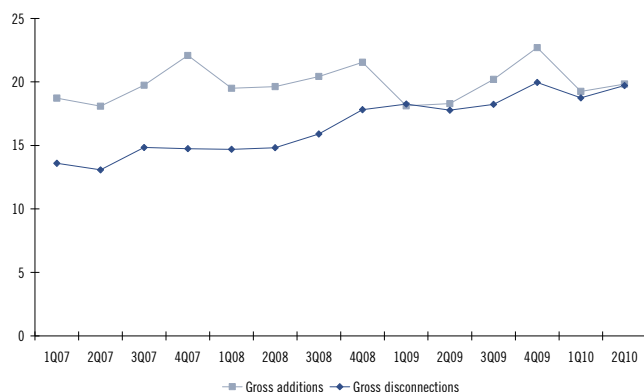
Source: Company reports and Citi Investment Research and Analysis

(Note: included in iPhone exclusive service revenue line – Tef UK, DT Germany, Tef Spain, Vod Portugal, Telia Sweden) (Note: included in iPhone exclusive EBITDA line – Tef UK, DT Germany, Vod Portugal, Telia Sweden)

Continued growth in gross additions

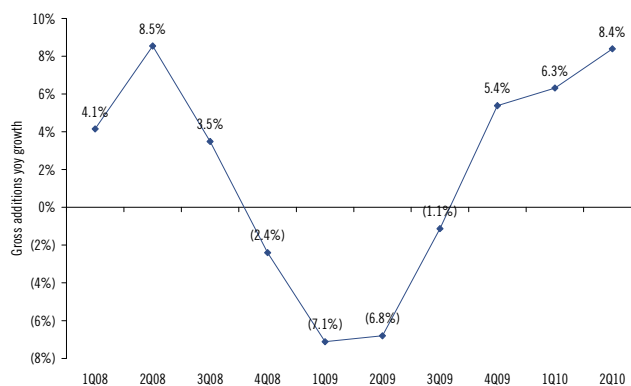
Gross additions grew 8.4% in 2Q10 vs 6.3% 1Q10, showing signs of a cyclical recovery, as shown in Figure 17 and Figure 18. However this is being offset by a rise in churn shown in Figure 19. The rise in churn is driven by an increase in pre-pay since post-pay churn remained flat qoq.

Figure 17. Gross additions, and disconnections



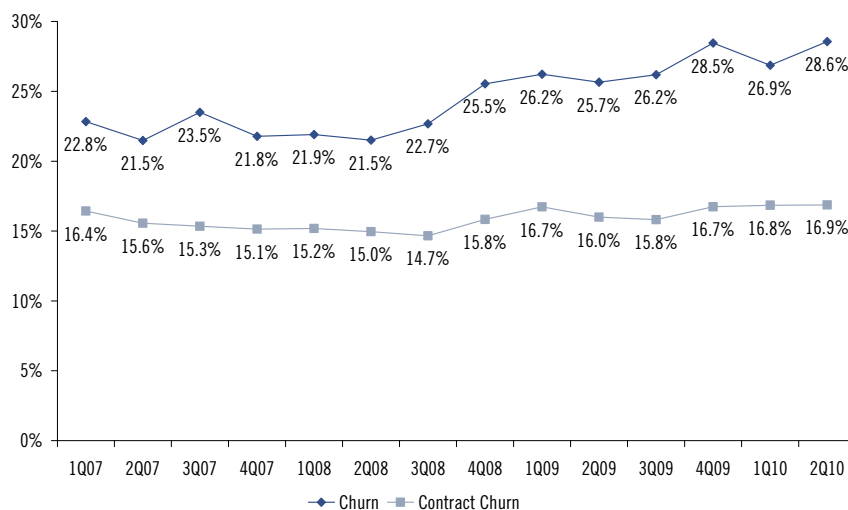
Source: Company reports and Citi Investment Research and Analysis

Figure 18. Gross additions growth



Source: Company reports and Citi Investment Research and Analysis

Figure 19. Churn and contract churn



Source: Company reports and Citi Investment Research and Analysis

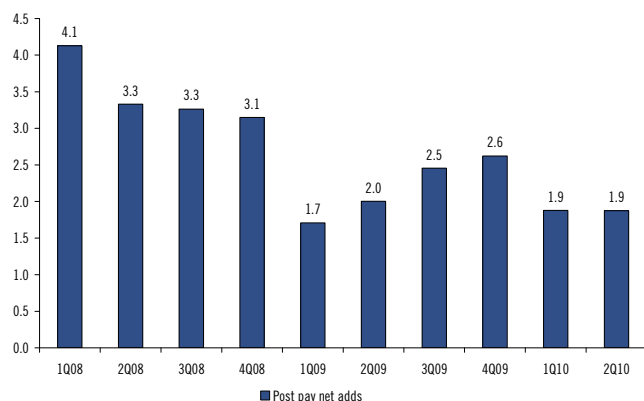
(Note: included operators for contract churn, Vodafone –UK, Germany, Italy, Spain. Tef-Spain, UK, . DT-Germany, Netherlands, Austria. KPN-Germany, Belgium. FT-France, Spain

(In addition for total churn and gross additions - Tef Germany, Telia)

Flat post-pay net additions

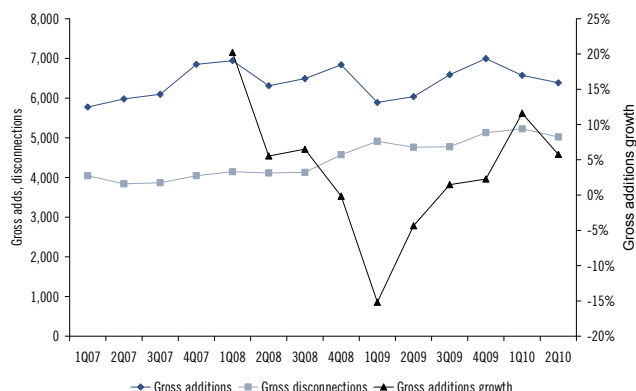
Post-pay net adds were flat qoq, with a slight decline yoy. This resulted from a 5% growth in post-pay gross additions, offset by an increase in the post-pay churn rate.

Figure 20. Post-Pay Net Additions



Source: Company reports and Citi Investment Research and Analysis

Figure 21. Post-pay gross additions and disconnections



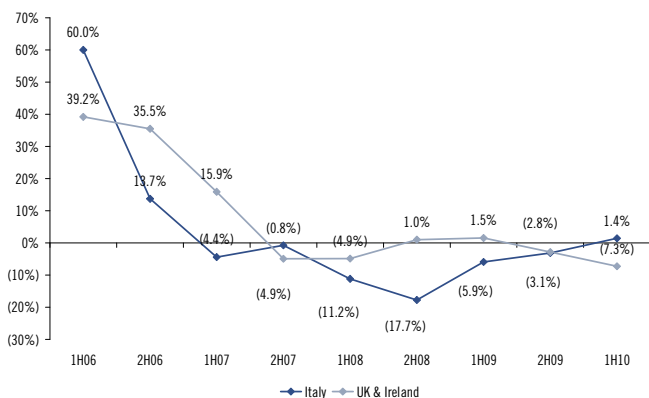
Source: Company reports and Citi Investment Research and Analysis

(Note: included operators, Vodafone –UK, Germany, Italy, Spain. Tef-Spain, UK, Germany. DT-Germany, Netherlands, Austria. KPN-Germany, Belgium. FT-France)

3 Hutch reaching operating cash flow breakeven

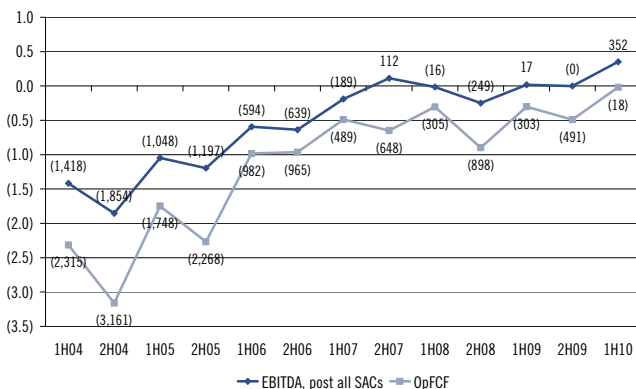
3 Group saw quite a healthy increase in EBITDA, which is helping it reach cash flow breakeven in 1H10. Although management say revenue trends were driven by customer growth that was particularly strong in the high-value segment, it does not seem like this refers to European countries. Indeed, service revenue growth in Italy went into positive territory in 1H10: +1.4% yoy vs. -3.1% growth in 2H09 but the UK and Ireland on the other hand were weak, with -7.3% yoy 1H10 vs. -2.8% at the end of 2009.

Figure 22. Contrasted Service yoy revenue growth trends in Italy and the UK



Source: Company Reports, Citi Investment Research and Analysis

Figure 23. Good EBITDA



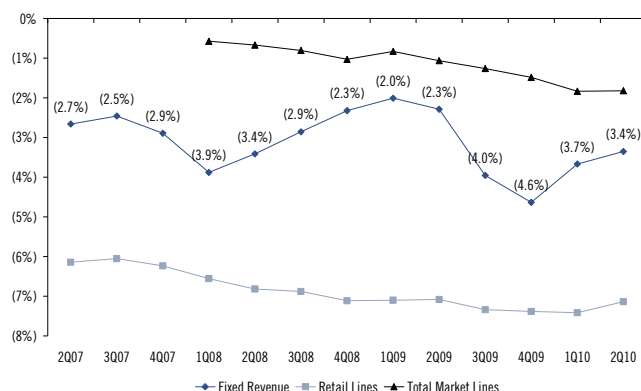
Source: Company Reports, Citi Investment Research and Analysis

Fixed

Signs of improvement - lower revenue decline and line loss

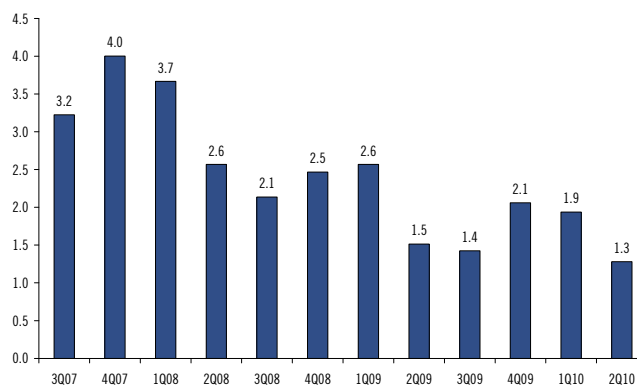
Evidence of a cyclical recovery remains limited in fixed. Indeed, there are signs of improvement in line loss and fixed revenue growth. Incumbents' fixed revenue growth recovered to -3.4% in 2Q10 from -3.7% in 1Q10, but remains in negative territory for now. Broadband net adds fell seasonally as markets mature. However yoy fall in broadband net adds was encouragingly lower.

Figure 24. European Incumbent fixed revenue, retail line loss and total market line loss



Source: Company Reports, Citi Investment Research and Analysis

Figure 25. European aggregate broadband net adds



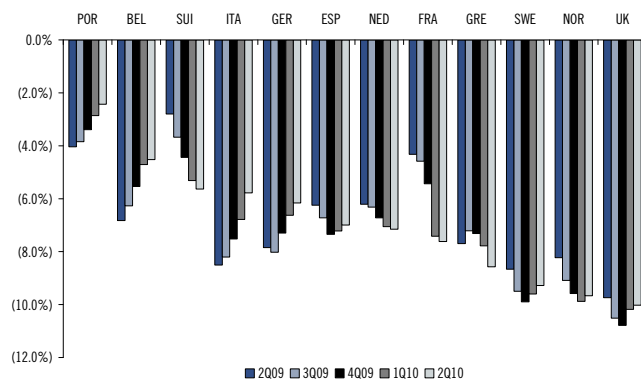
Source: Company Reports, Citi Investment Research and Analysis

Access Lines

We previously showed that over time there appears to be little relation between line losses and incumbent revenue growth. However, it is interesting to compare and contrast the countries that are showing a stabilisation in the retail line losses trends against the countries that are still in a catch-up phase.

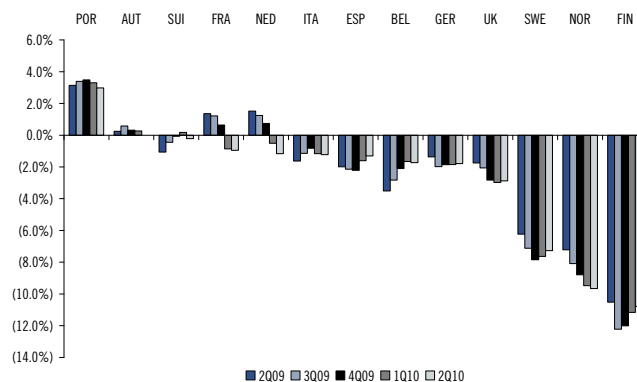
- France, Greece and Switzerland stand out with a significant worsening in retail line loss.
- Belgium, Italy, Germany and Portugal all have a steady improvement in retail line loss.
- Of the countries with high retail line loss, France and Greece are both driven by the switch to full ULL, while the competition from cable remains strong in Switzerland and the Netherlands.

Figure 26. Incumbent retail line loss



Source: Company Reports, Citi Investment Research and Analysis

Figure 27. Total market fixed line loss

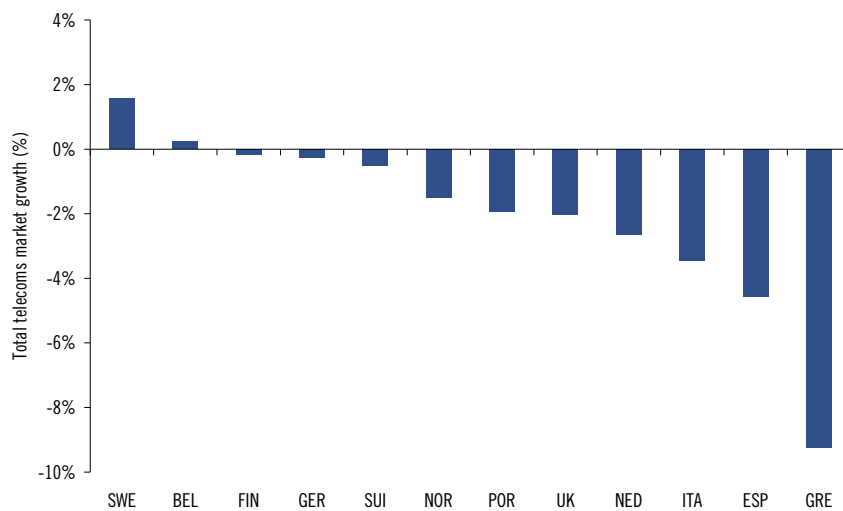


Source: Company Reports, Citi Investment Research and Analysis

Total telecoms revenue growth

Looking at total telecoms market growth (fixed+mobile), we still see a significant divergence in performance between countries.

Figure 28. Telecoms market growth (fixed+mobile) (H1 2010 vs H1 2009 growth)



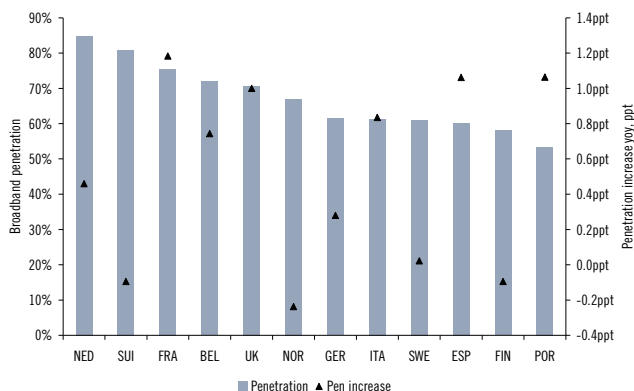
Source: Citi Investment Research and Analysis

Broadband

Looking across countries, we note that broadband penetration growth does not appear to be related to penetration. We would expect countries with higher penetration to have slower growth as they reach maturity. The most significant driver of fixed broadband penetration growth appears to be the growth in mobile broadband. The Nordic countries, Finland, Norway and Sweden, are a good example for mobile vs. fixed substitution as the increase in fixed BB penetration remains at very low levels yoy, whereas mobile broadband is truly picking up.

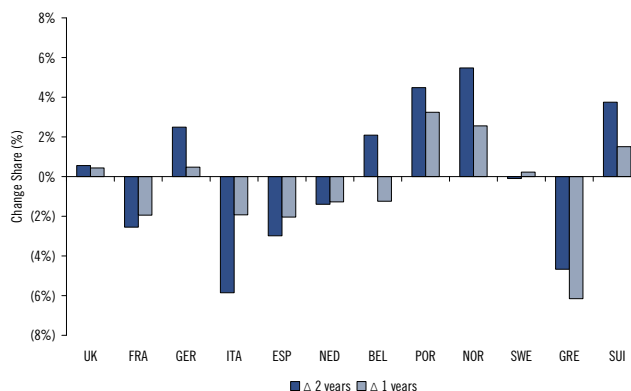
- In terms of market share, Telecom Italia and OTE stand out as the incumbents losing significant broadband market share.
- Cable operators are still gaining significant share in Germany, Belgium and Netherlands.
- The countries where alt net DSL operators are being successful are Italy, Spain and Greece.

Figure 29. Broadband penetration growth



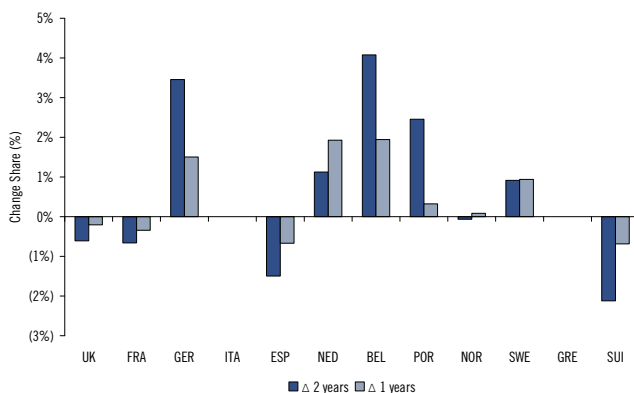
Source: Company reports and Citi Investment Research and Analysis

Figure 30. Change in incumbent broadband market share



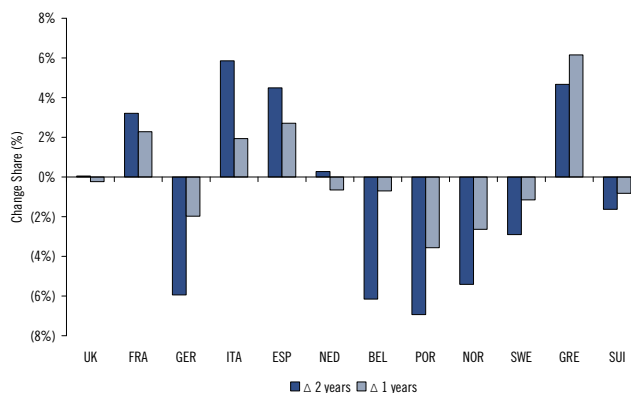
Source: Company reports and Citi Investment Research and Analysis

Figure 31. Change in cable broadband market share



Source: Company reports and Citi Investment Research and Analysis

Figure 32. Change in other DSL broadband market share



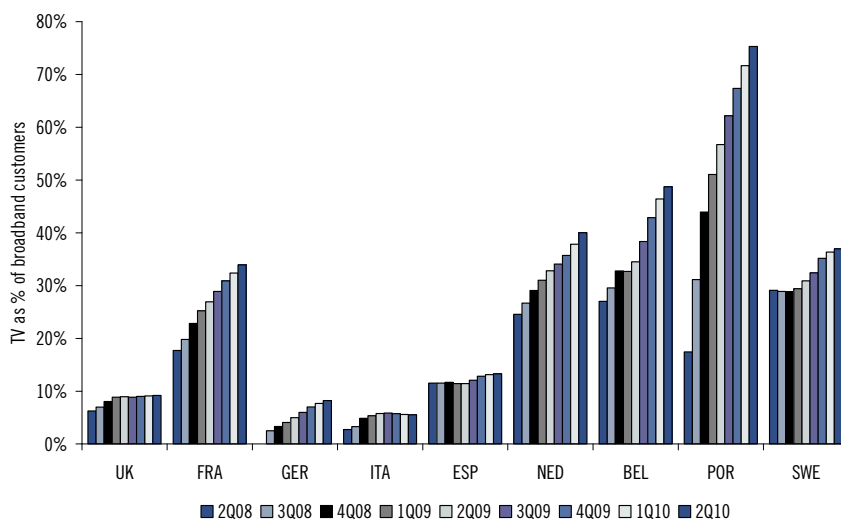
Source: Company reports and Citi Investment Research and Analysis

Growth in IPTV continues

Overall the take-up of IPTV is accelerating; this can be particularly seen in Portugal, Belgium, Netherlands and France, where incumbents are pushing strongly in this area.

- **Strong Acceleration** — Portugal and Belgium
- **Steady Growth** — France, Germany, Netherlands and Sweden
- **Flat** — UK, Italy and Spain

Figure 33. TV customers as a percentage of broadband customers



Source: Company reports and Citi Investment Research and Analysis

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Belgium

Fixed

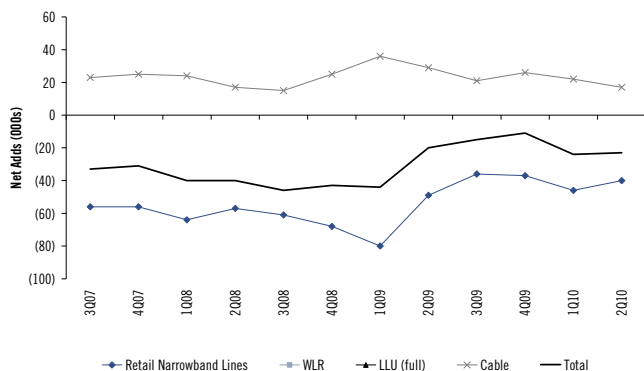
- **Revenue growth still lagging GDP** — The trend in fixed revenue growth is still lagging GDP recovery. Incumbent's fixed revenues were down 2.2% in the quarter compared with -3% in 1Q10 and c. 3% GDP growth. This is mainly due to high levels of competition in the BB and 3Play market, with the likes of Telenet reaching almost 37% BB market share at the start of the year.

Mobile

- **Service revenue growth marks a step back** — Belgian service revenues were up 2.2% yoy vs. +3.4% in 1Q10. This is mainly due to Belgacom continuing to lose share in mobile in favour of Mobistar and Base. Belgacom service revenues were flat yoy vs. a good performance at Mobistar: +2.9% yoy and an even better performance at KPN's Base: +6.6% yoy.
- **MTR cuts priced in** — Steep MTR cuts from mid 2010 (45% cut) onwards will impact financial performance. We calculate the greatest impact on Mobistar (6% hit to FY10E EPS, 13\$ hit to FY11E EPS) but we believe the risks are now widely known by the market.

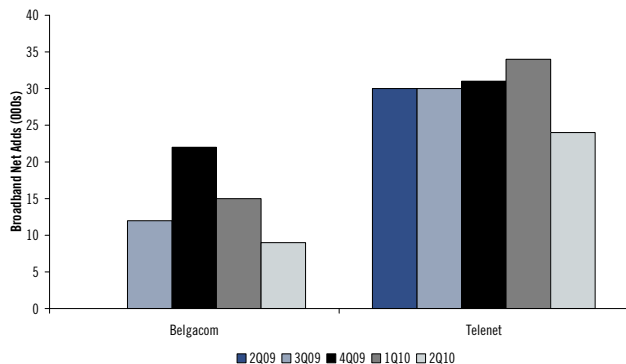
Fixed Charts

Figure 34. Telephony Net Adds



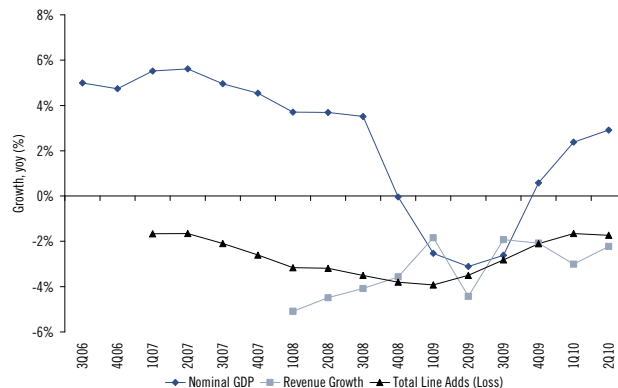
Source: Company reports and Citi Investment Research and Analysis

Figure 36. Broadband Subscriber Net Adds



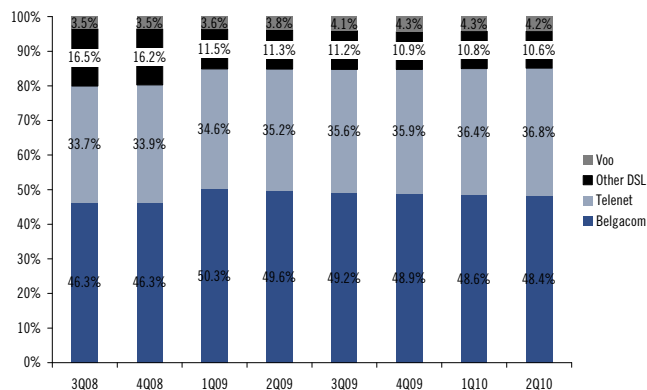
Source: Company reports and Citi Investment Research and Analysis

Figure 35. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports and Citi Investment Research and Analysis

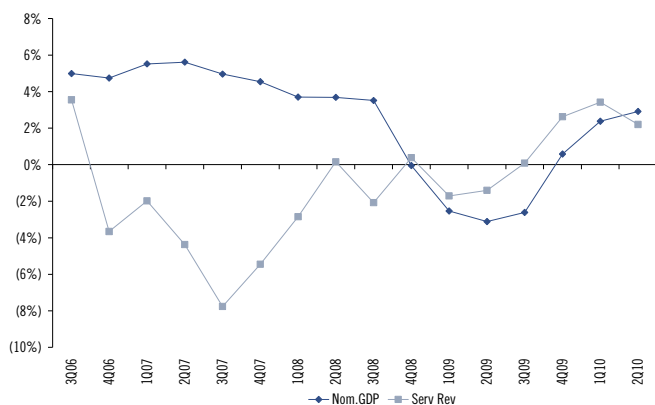
Figure 37. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

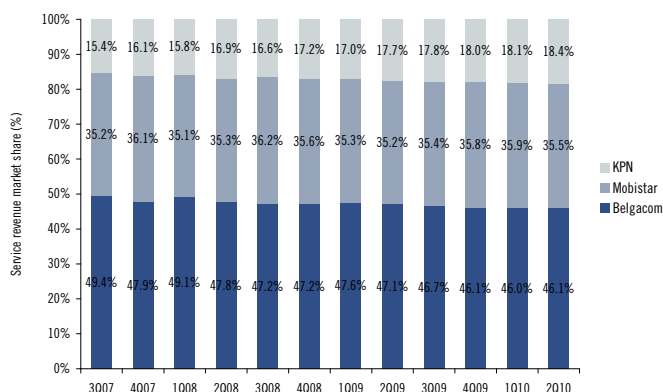
Mobile Charts

Figure 38. Revenue and GDP



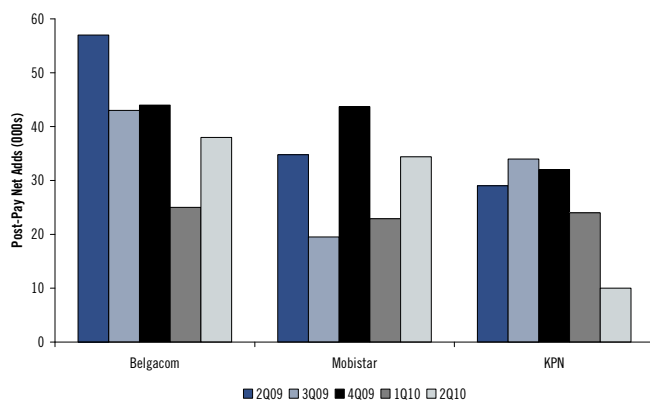
Source: Company reports and Citi Investment Research and Analysis

Figure 39. Service Revenue Market Share



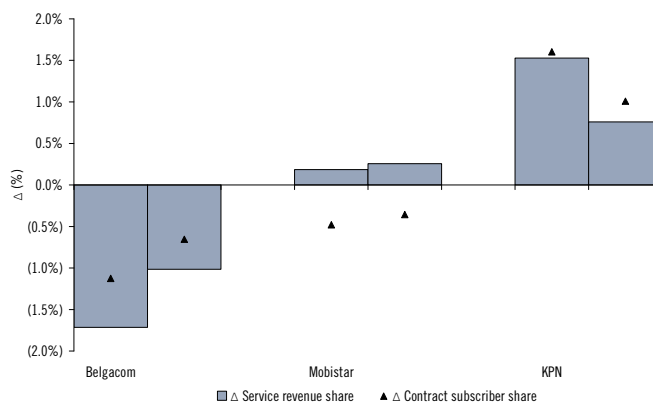
Source: Company reports and Citi Investment Research and Analysis

Figure 40. Post-Paid Net Adds



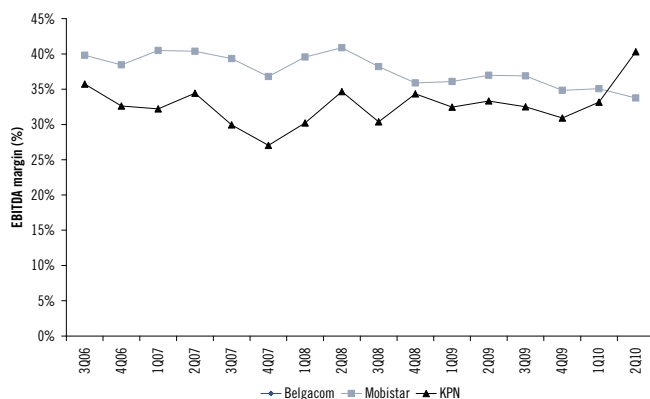
Source: Company reports and Citi Investment Research and Analysis

Figure 41. Change in Service Revenue and Contract Sub Share



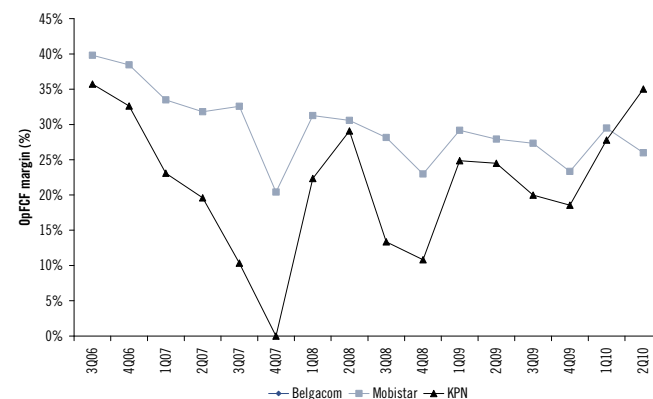
Source: Company reports and Citi Investment Research and Analysis

Figure 42. EBITDA Margin



Source: Company reports and Citi Investment Research and Analysis

Figure 43. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

Belgium Mobile Data

Figure 44. Belgium Mobile Market Information

Belgium	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Service Revenue, €m												
Belgacom	472	441	451	458	441	437	430	445	437	438	430	445
Mobistar	336	332	323	338	339	329	319	332	332	340	335	342
KPN	147	148	145	162	155	159	154	167	167	171	169	178
Total	955	921	919	958	935	925	903	944	936	949	934	965
Service Revenue Growth, yoy												
Belgacom	(4.3%)	(4.8%)	(1.7%)	(1.5%)	(6.6%)	(0.9%)	(4.7%)	(2.8%)	(0.9%)	0.2%	0.0%	0.0%
Mobistar	(12.3%)	(6.2%)	(4.4%)	(0.7%)	1.0%	(1.1%)	(1.1%)	(1.6%)	(2.1%)	3.4%	5.0%	2.9%
KPN	(7.5%)	(5.7%)	(2.7%)	7.3%	5.4%	7.4%	6.2%	3.1%	7.7%	7.5%	9.7%	6.6%
Total	(7.8%)	(5.4%)	(2.8%)	0.2%	(2.1%)	0.4%	(1.7%)	(1.4%)	0.1%	2.6%	3.4%	2.2%
Service Revenue Market Share												
Belgacom	49.4%	47.9%	49.1%	47.8%	47.2%	47.2%	47.6%	47.1%	46.7%	46.1%	46.0%	46.1%
Mobistar	35.2%	36.1%	35.1%	35.3%	36.2%	35.6%	35.3%	35.2%	35.4%	35.8%	35.9%	35.5%
KPN	15.4%	16.1%	15.8%	16.9%	16.6%	17.2%	17.0%	17.7%	17.8%	18.0%	18.1%	18.4%
Post-pay Customers, 000s												
Belgacom	2,248	2,333	2,429	2,482	2,509	2,570	2,621	2,678	2,721	2,765	2,790	2,828
Mobistar	1,740	1,775	1,807	1,855	1,891	1,940	1,979	2,014	2,033	2,077	2,100	2,134
KPN	494	512	518	533	548	569	583	612	646	678	702	712
Call Volumes, mn min/qtr												
Belgacom	2,220	2,388	2,467	2,551	2,378	2,494	2,455	2,541	2,434	2,555	2,372	2,450
Mobistar	1,480	1,595	1,619	1,661	1,578	1,628	1,635	1,671	1,543	1,653	1,633	1,725
KPN	1,066	1,146	1,140	1,169	1,159	1,224	1,291	1,299	1,184	1,349	1,404	1,489
Total	4,767	5,129	5,226	5,381	5,116	5,345	5,381	5,511	5,161	5,557	5,409	5,665
Call Volume growth, yoy												
Belgacom	8.7%	13.3%	12.4%	10.4%	7.1%	4.4%	(0.5%)	(0.4%)	2.3%	2.5%	(3.4%)	(3.6%)
Mobistar	11.8%	14.3%	13.2%	6.6%	6.6%	2.0%	1.0%	0.6%	(2.2%)	1.6%	(0.1%)	3.2%
KPN	27.4%	23.7%	19.1%	4.8%	8.8%	6.8%	13.2%	11.2%	2.1%	10.3%	8.7%	14.7%
Total	13.4%	15.8%	14.0%	8.0%	7.3%	4.2%	3.0%	2.4%	0.9%	4.0%	0.5%	2.8%
Contract Churn, % p.a												
KPN	21.0%	22.0%	29.0%	18.0%	18.0%	21.0%	20.0%	21.0%	17.0%	24.0%	19.0%	21.0%
EBITDA, €m												
Mobistar	149	142	143	157	150	141	134	144	142	146	138	144
KPN	55	50	55	70	58	68	62	68	65	64	67	81

Source: Company reports and Citi Investment Research and Analysis

Belgium Fixed Data

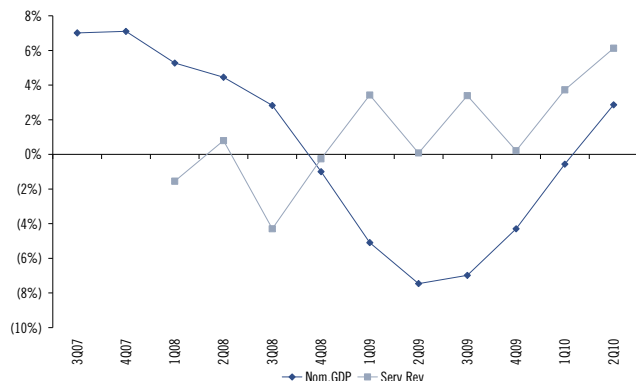
Figure 45. Belgium Fixed Line Market Information

Belgium	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Broadband Subscribers (000s)												
Incumbent retail	1,202	1,237	1,285	1,295	1,315	1,345	1,487	1,487	1,499	1,521	1,536	1,545
Wholesale and ULL	470	470	470	470	470	470	340	340	340	340	340	340
Cable	949	975	1,009	1,033	1,058	1,088	1,132	1,170	1,210	1,251	1,285	1,309
Total	2,621	2,682	2,764	2,798	2,843	2,903	2,959	2,997	3,049	3,112	3,161	3,194
Broadband Subscribers (000s)												
Belgacom	1,202	1,237	1,285	1,295	1,315	1,345	1,487	1,487	1,499	1,521	1,536	1,545
Telenet	859	883	914	935	958	985	1,025	1,055	1,085	1,116	1,150	1,174
Other DSL	470	470	470	470	470	470	340	340	340	340	340	340
Voo	90	92	95	98	100	103	107	115	125	135	135	135
Total	2,621	2,682	2,764	2,798	2,843	2,903	2,959	2,997	3,049	3,112	3,161	3,194
Broadband Subscribers Net Adds (000s)												
Belgacom	26	35	48	10	20	30	142	0	12	22	15	9
Telenet	25	24	31	21	23	27	40	30	30	31	34	24
Other DSL	0	0	0	0	0	0	(130)	0	0	0	0	0
Voo	3	3	3	2	2	3	4	8	10	10	0	0
Total	54	62	82	33	45	60	56	38	52	63	49	33
Telephony Channels (000s)												
Incumbent retail	3,955	3,899	3,835	3,778	3,717	3,649	3,569	3,520	3,484	3,447	3,401	3,361
Incumbent wholesale (WLR)												
ULL (total)												
Cable	523	548	572	589	604	629	665	694	715	741	763	780
Total	4,478	4,447	4,407	4,367	4,321	4,278	4,234	4,214	4,199	4,188	4,164	4,141
Telephony Channels Net Adds (000s)												
Incumbent retail	(56)	(56)	(64)	(57)	(61)	(68)	(80)	(49)	(36)	(37)	(46)	(40)
Incumbent wholesale (WLR)												
ULL (total)												
Cable	23	25	24	17	15	25	36	29	21	26	22	17
Total	(33)	(31)	(40)	(40)	(46)	(43)	(44)	(20)	(15)	(11)	(24)	(23)
Pay TV Subscribers (000s)												
Belgacom	249	305	313	350	389	441	486	513	575	652	713	753
Telenet	1,716	1,729	1,695	1,688	1,654	2,402	2,386	2,374	2,363	2,342	2,318	2,303
Pay TV Subscribers Net Adds (000s)												
Belgacom	58	56	8	37	39	52	45	27	62	77	61	40
Telenet	(7)	13	(34)	(7)	(34)	748	(16)	(12)	(11)	(21)	(24)	(15)

Source: Company reports and Citi Investment Research and Analysis

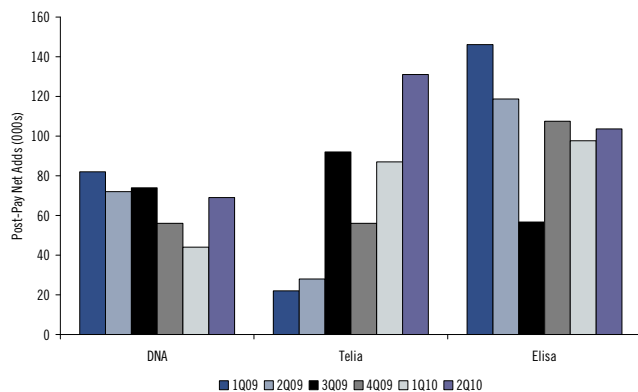
Finland Mobile

Figure 46. Revenue and GDP



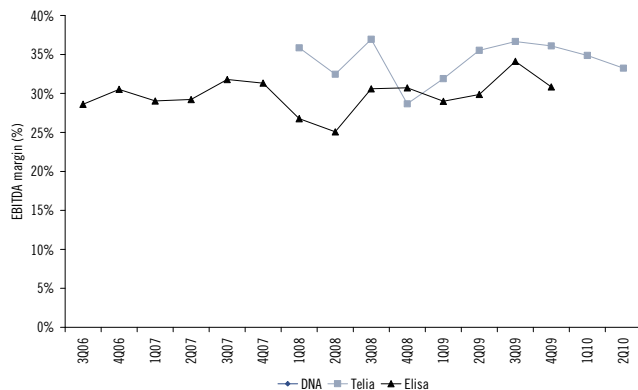
Source: Company reports, CIRA and Datasteam

Figure 48. Post-Paid Net Adds



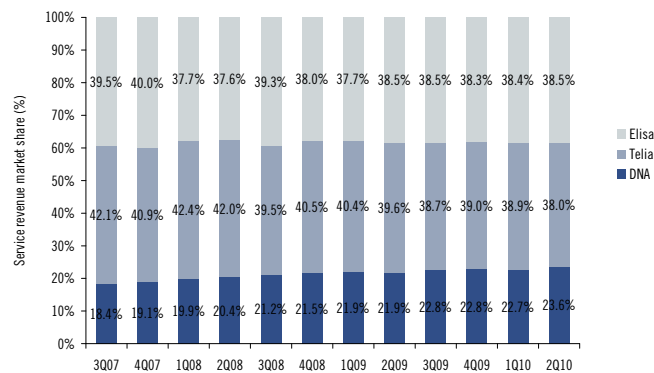
Source: Company reports and Citi Investment Research and Analysis

Figure 50. EBITDA Margin



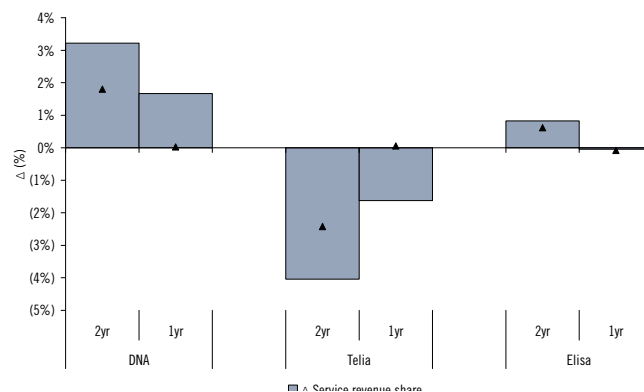
Source: Company reports and Citi Investment Research and Analysis

Figure 47. Service Revenue Market Share



Source: Company reports and Citi Investment Research and Analysis

Figure 49. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Finland Mobile Data

Figure 51. Finland Mobile Market Information

Finland	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Service Revenue, €m												
DNA	95	100	97	104	105	113	110	113	117	119	118	129
Telia	218	214	205	216	196	212	202	203	199	204	202	207
Elisa	205	210	183	193	195	198	189	198	197	200	199	210
Total	518	524	484	513	496	523	501	514	513	524	520	545
Service Revenue Growth, yoy												
DNA	0.0%	0.0%	16.0%	17.7%	10.3%	12.7%	13.5%	7.7%	11.2%	6.1%	7.8%	14.2%
Telia	(1.5%)	(1.6%)	(3.0%)	(0.6%)	(10.2%)	(1.3%)	(1.4%)	(5.7%)	1.4%	(3.6%)	(0.1%)	1.8%
Elisa	6.0%	4.1%	(7.4%)	(5.1%)	(4.8%)	(5.4%)	3.5%	2.4%	1.2%	1.0%	5.4%	6.0%
Total	0.0%	0.0%	(1.5%)	0.8%	(4.3%)	(0.3%)	3.4%	0.1%	3.4%	0.2%	3.7%	6.1%
Service Revenue Market Share												
DNA	18.4%	19.1%	19.9%	20.4%	21.2%	21.5%	21.9%	21.9%	22.8%	22.8%	22.7%	23.6%
Telia	42.1%	40.9%	42.4%	42.0%	39.5%	40.5%	40.4%	39.6%	38.7%	39.0%	38.9%	38.0%
Elisa	39.5%	40.0%	37.7%	37.6%	39.3%	38.0%	37.7%	38.5%	38.5%	38.3%	38.4%	38.5%
Post-pay Customers, 000s												
DNA	0	0	0	0	0	0	0	0	0	0	0	0
Telia	2,231	2,258	2,300	2,337	2,377	2,410	2,430	2,466	2,526	2,600	2,670	2,722
Elisa	0	0	0	0	0	0	0	0	0	0	0	0
Call Volumes, mn min/qtr												
DNA	1,081	1,139	1,197	1,313	1,311	1,432	1,447	1,517	1,530	1,606	1,619	1,653
Telia	2,123	2,143	2,179	2,302	2,217	2,340	2,281	2,311	2,287	2,382	2,398	2,470
Elisa	2,036	2,056	2,060	2,170	2,098	2,218	2,220	2,341	2,339	2,442	2,482	2,546
Total	5,239	5,338	5,435	5,784	5,626	5,991	5,948	6,169	6,155	6,430	6,499	6,669
Call Volume growth, yoy												
DNA			22.4%	27.0%	21.3%	25.8%	20.9%	15.6%	16.7%	12.1%	11.9%	8.9%
Telia	(1.9%)	(0.7%)	4.2%	7.6%	4.4%	9.2%	4.7%	0.4%	3.2%	1.8%	5.1%	6.9%
Elisa	9.7%	5.8%	6.2%	6.8%	3.1%	7.9%	7.8%	7.9%	11.5%	10.1%	11.8%	8.8%
Total			8.5%	11.1%	7.4%	12.2%	9.4%	6.7%	9.4%	7.3%	9.3%	8.1%
EBITDA, €m												
Telia	82	56	83	75	84	68	70	80	80	84	80	78
Elisa	70	71	53	51	65	64	56	59	69	64		

Source: Company reports and Citi Investment Research and Analysis

France

Fixed

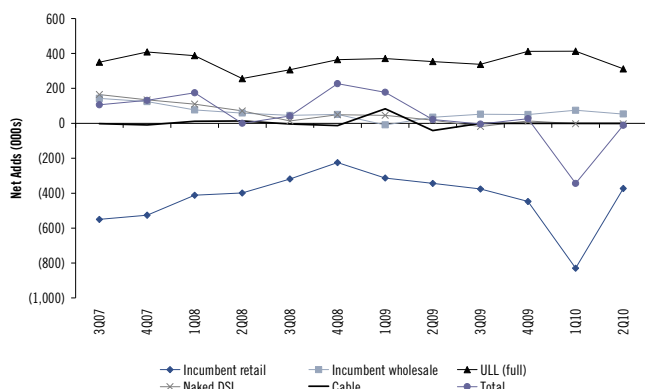
- **FT's revenue recovering slowly** — FT's revenue recovered c. 70 bp in the second quarter without yet being in positive territory, still lagging the encouraging GDP rebound.
- **Free losing momentum** — Net adds in the second quarter were only 10k versus 48k in 1Q10. The read-across is positive for SFR and Bouygues as FT already posted weak DSL net adds (52k in 2Q10, i.e. 15% of the market share net adds according to the company).

Mobile

- **Service revenue deterioration at FT** — FT's mobile service revenues were down 1.5% yoy in 2Q10, a deterioration in the trend compared to 1Q10 where service revenues were flat yoy. We believe this is due to a slight loss in market share excluding MVNO customers (42.7% according to FT) and a decrease in voice revenues of -10.6% yoy, which was hardly compensated for by good data and messaging performance.

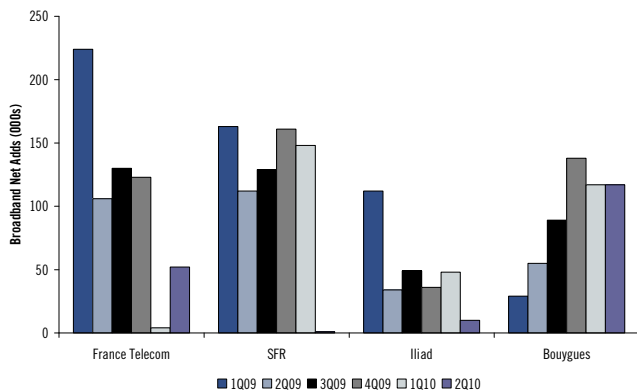
Fixed Charts

Figure 52. Telephony Net Adds



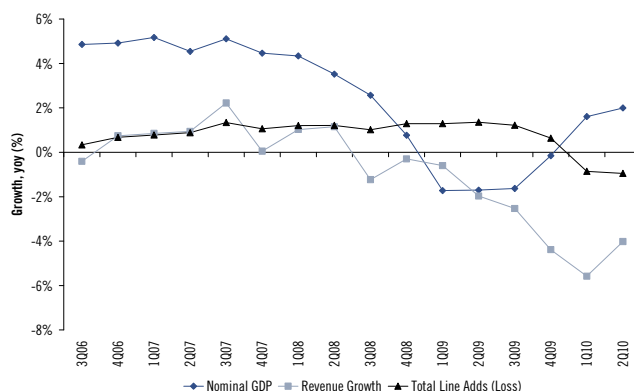
Source: Company reports and Citi Investment Research and Analysis

Figure 54. Broadband Subscriber Net Adds



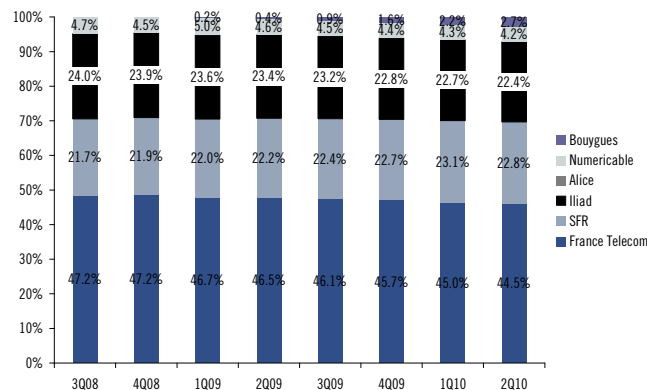
Source: Company reports and Citi Investment Research and Analysis

Figure 53. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datasteam

Figure 55. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

France Fixed Data

Figure 56. France Fixed Line Market Information

France	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Broadband Subscribers (000s)												
Incumbent retail	6,913	7,299	7,633	7,850	8,096	8,350	8,574	8,680	8,810	8,933	8,937	8,989
Incumbent wholesale	2,273	2,289	2,297	2,290	2,252	2,221	2,189	2,157	2,105	2,032	1,959	1,941
ULL (total)	4,836	5,187	5,521	5,719	6,008	6,332	6,664	6,986	7,325	7,723	8,119	8,401
Cable	790	776	794	813	807	788	914	852	852	852	852	852
Total	14,812	15,551	16,245	16,672	17,163	17,691	18,341	18,675	19,092	19,540	19,866	20,183
Broadband Subscribers (000s)												
France Telecom	6,913	7,299	7,633	7,850	8,096	8,350	8,574	8,680	8,810	8,933	8,937	8,989
SFR	3,447	3,602	3,699	3,767	3,730	3,879	4,042	4,154	4,283	4,444	4,592	4,593
Iliad	2,767	2,904	3,041	3,134	4,125	4,225	4,337	4,371	4,420	4,456	4,504	4,514
Alice	882	901	954	902	0	0	0	0	0	0	0	0
Numericable	790	776	794	813	807	788	914	852	852	852	852	852
Bouygues	0	0	0	0	0	0	29	84	173	311	428	545
Total	14,812	15,551	16,245	16,672	17,163	17,691	18,341	18,675	19,092	19,540	19,866	20,183
Broadband Subscribers Net Adds (000s)												
France Telecom	331	386	334	217	246	254	224	106	130	123	4	52
SFR	66	155	97	68	(37)	149	163	112	129	161	148	
Iliad	141	137	137	93	991	100	112	34	49	36	48	10
Alice	35	19	53	(52)	(902)							
Numericable	(2)	(14)	18	20	(6)	(19)	126	(63)	0	0	0	0
Bouygues	0	0	0	0	0	0	29	55	89	138	117	117
Total	642	739	694	427	491	528	650	334	417	448	327	316
Telephony Channels (000s)												
Incumbent retail	29,133	28,607	28,195	27,796	27,477	27,252	26,939	26,595	26,219	25,771	24,941	24,568
Incumbent wholesale (WLR)	592	716	793	852	897	948	939	974	1,026	1,076	1,151	1,204
ULL (full)	3,215	3,624	4,012	4,268	4,574	4,939	5,310	5,664	6,002	6,414	6,827	7,139
Naked DSL	808	942	1,052	1,123	1,137	1,186	1,232	1,250	1,232	1,245	1,243	1,240
Cable	521	512	524	537	533	520	603	562	562	562	562	562
Total	34,269	34,401	34,576	34,576	34,618	34,845	35,023	35,045	35,041	35,068	34,724	34,713
Telephony Channels Net Adds (000s)												
Incumbent retail	(550)	(526)	(412)	(399)	(319)	(225)	(313)	(344)	(376)	(448)	(830)	(373)
Incumbent wholesale	143	124	77	59	45	51	(9)	35	52	50	75	53
ULL (full)	350	409	388	256	306	365	371	354	338	412	413	312
Naked DSL	165	134	110	71	14	49	46	18	(18)	13	(2)	(3)
Cable	(1)	(9)	12	13	(4)	(13)	83	(41)	0	0	0	0
Total	107	132	175	0	42	227	178	22	(4)	27	(344)	(11)
Pay TV Subscribers (000s)												
France Telecom	975	1,149	1,282	1,389	1,603	1,909	2,166	2,339	2,547	2,761	2,894	3,051
Pay TV Subscribers Net Adds (000s)												
France Telecom	138	174	133	107	214	306	257	173	208	214	133	157

Source: Company reports and Citi Investment Research and Analysis

Germany

Fixed

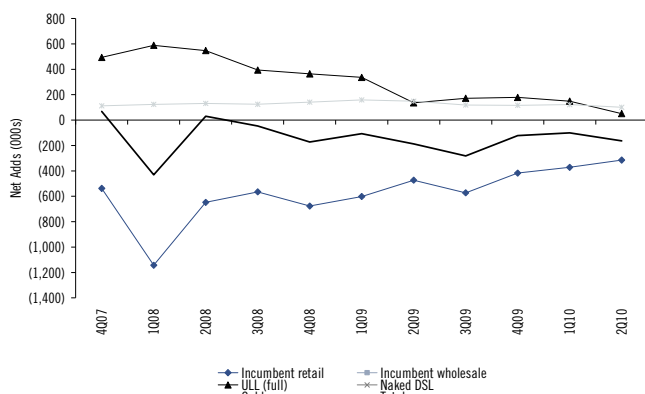
- **DT retail line loss improvement on lower full ULL** — DT's retail line loss improved to the lowest level since 2005, -315k vs -372k 1Q10. This was driven by a very low level of full ULL net adds, 51k vs 149k 1Q10. Total market line loss worsened to -163k vs -101k 1Q10.
- **Slower broadband growth alt nets lose share** — Broadband net adds were significantly lower at 110k vs 349k 1Q10. This was driven by alt net DSL net adds falling to -118k vs 51k 1Q10. DT net adds were slightly down on 1Q10, while KDG has not yet reported but Unity Media reported stable net adds.

Mobile

- **Strong growth** — Overall market growth increased to 2.9% from 0.6% 1Q10. This includes a 120-200bp improvement from no yoy MTR cuts. T-Mobile continues to benefit from iPhone exclusivity with 6.1% service revenue growth.

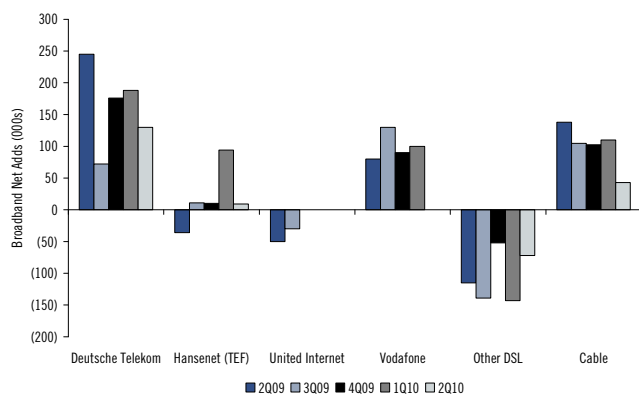
Fixed Charts

Figure 57. Telephony Net Adds



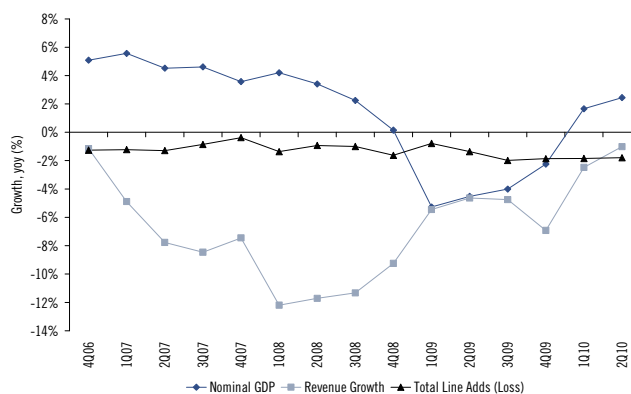
Source: Company reports and Citi Investment Research and Analysis

Figure 59. Broadband Subscriber Net Adds



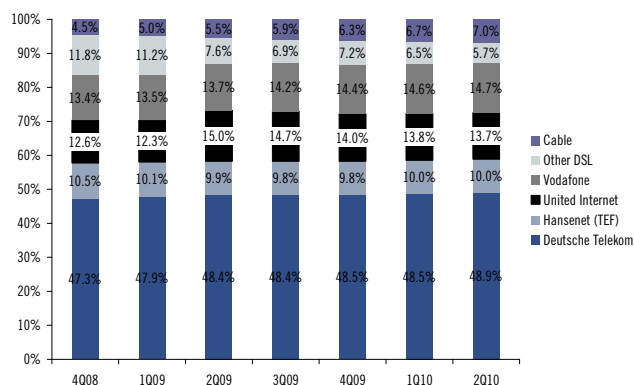
Source: Company reports and Citi Investment Research and Analysis

Figure 58. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

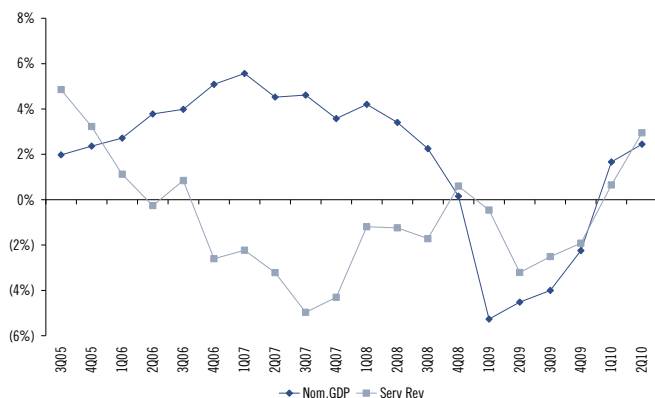
Figure 60. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

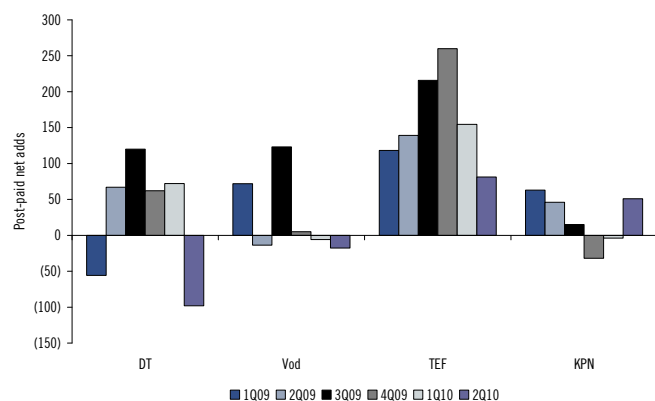
Mobile Charts

Figure 61. Revenue and GDP



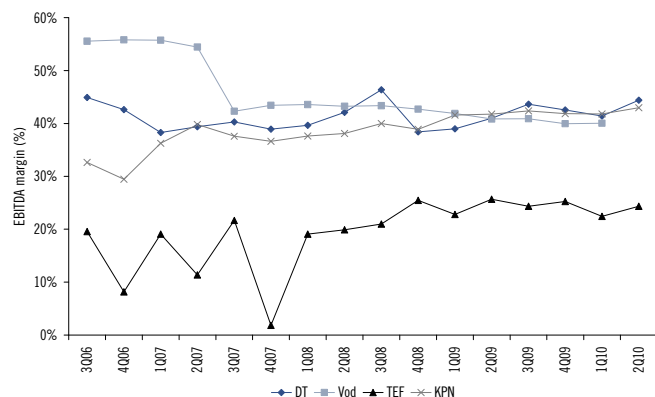
Source: Company reports, CIRA and Datastream

Figure 63. Post-Paid Net Adds



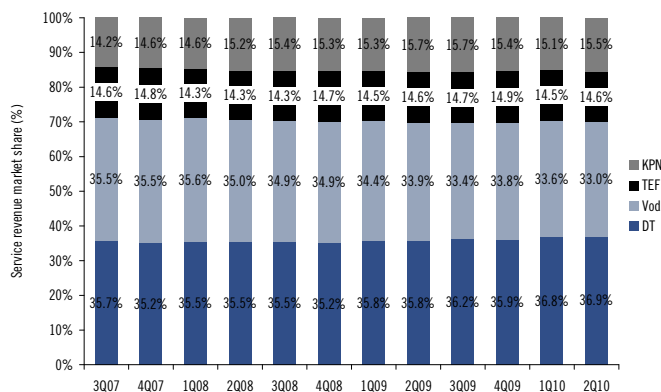
Source: Company reports and Citi Investment Research and Analysis

Figure 65. EBITDA Margin



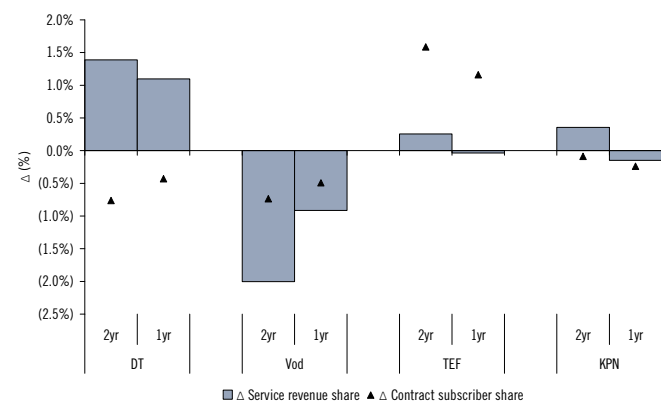
Source: Company reports and Citi Investment Research and Analysis

Figure 62. Service Revenue Market Share



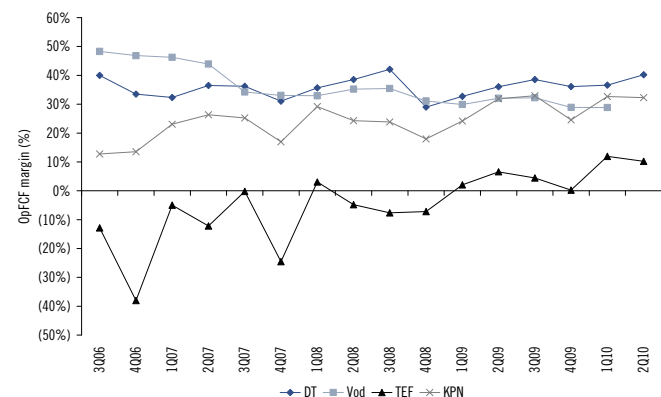
Source: Company reports and Citi Investment Research and Analysis

Figure 64. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 66. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

Germany Mobile Data

Figure 67. German Mobile Market Information

Germany	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Service Revenue, €m												
T-Mobile (DT)	1,852	1,743	1,712	1,776	1,806	1,751	1,722	1,733	1,798	1,755	1,779	1,839
Vodafone	1,840	1,756	1,720	1,747	1,776	1,737	1,654	1,638	1,659	1,650	1,626	1,641
O2 (Telefonica)	755	731	690	716	729	732	695	707	729	729	702	726
KPN	735	721	705	757	782	761	734	757	779	751	729	772
Total	5,182	4,951	4,827	4,996	5,093	4,981	4,805	4,835	4,965	4,885	4,836	4,978
Service Revenue Growth, yoy												
T-Mobile (DT)	(4.9%)	(4.0%)	(2.2%)	(1.9%)	(2.5%)	0.5%	0.6%	(2.4%)	(0.4%)	0.2%	3.3%	6.1%
Vodafone	(7.1%)	(6.6%)	(3.3%)	(4.0%)	(3.5%)	(1.1%)	(3.8%)	(6.2%)	(6.6%)	(5.0%)	(1.7%)	0.2%
O2 (Telefonica)	(7.0%)	(6.9%)	(0.9%)	(1.6%)	(3.4%)	0.1%	0.7%	(1.2%)	(0.0%)	(0.4%)	1.0%	2.7%
KPN	2.9%	4.2%	6.8%	8.1%	6.4%	5.5%	4.1%	0.0%	(0.4%)	(1.3%)	(0.7%)	2.0%
Total	(5.0%)	(4.3%)	(1.2%)	(1.2%)	(1.7%)	0.6%	(0.5%)	(3.2%)	(2.5%)	(1.9%)	0.6%	2.9%
Service Revenue Market Share												
T-Mobile (DT)	35.7%	35.2%	35.5%	35.5%	35.5%	35.2%	35.8%	35.8%	36.2%	35.9%	36.8%	36.9%
Vodafone	35.5%	35.5%	35.6%	35.0%	34.9%	34.9%	34.4%	33.9%	33.4%	33.8%	33.6%	33.0%
O2 (Telefonica)	14.6%	14.8%	14.3%	14.3%	14.3%	14.7%	14.5%	14.6%	14.7%	14.9%	14.5%	14.6%
KPN	14.2%	14.6%	14.6%	15.2%	15.4%	15.3%	15.3%	15.7%	15.7%	15.4%	15.1%	15.5%
Post-pay Customers, 000s												
T-Mobile (DT)	15,669	16,054	16,264	16,468	16,739	17,009	16,953	17,020	17,140	17,202	17,274	17,176
Vodafone	14,643	14,959	15,176	15,424	15,671	15,914	15,986	15,972	16,096	16,101	16,095	16,077
O2 (Telefonica)	5,993	6,237	6,442	6,735	6,881	6,967	7,085	7,225	7,440	7,700	7,855	7,936
KPN	6,170	6,297	6,345	6,437	6,542	6,676	6,739	6,785	6,800	6,768	6,764	6,815
Call Volumes, mn min/qtr												
Deutsche Telekom	6,769	6,929	7,188	7,475	7,643	7,829	7,848	8,082	8,353	8,592	8,622	8,836
Vodafone	10,263	10,827	11,023	11,507	11,522	11,847	11,830	11,642	11,542	12,074	12,121	12,247
Telefonica	4,555	4,953	5,618	5,741	5,512	5,454	5,555	5,819	5,775	6,108	6,223	6,299
KPN	5,646	6,333	6,430	6,861	6,920	7,413	7,467	7,998	8,036	8,426	8,497	8,865
Total	27,233	29,041	30,260	31,585	31,597	32,543	32,700	33,541	33,706	35,200	35,464	36,246
Call Volume growth, yoy												
Deutsche Telekom	12.7%	13.5%	13.4%	12.8%	12.9%	13.0%	9.2%	8.1%	9.3%	9.7%	9.9%	9.3%
Vodafone	28.6%	25.2%	19.4%	16.3%	12.3%	9.4%	7.3%	1.2%	0.2%	1.9%	2.5%	5.2%
Telefonica	16.8%	18.2%	30.7%	26.5%	21.0%	10.1%	(1.1%)	1.4%	4.8%	12.0%	12.0%	8.2%
KPN	37.2%	38.0%	31.9%	28.8%	22.6%	17.1%	16.1%	16.6%	16.1%	13.7%	13.8%	10.8%
Total	23.8%	23.4%	22.3%	19.7%	16.0%	12.1%	8.1%	6.2%	6.7%	8.2%	8.5%	8.1%
Contract Churn, % p.a												
T-Mobile (DT)	14.4%	12.0%	13.2%	13.2%	13.2%	15.6%	18.0%	13.2%	12.0%	13.2%	15.6%	16.8%
Vodafone	14.7%	14.5%	15.1%	16.0%	15.6%	15.2%	15.3%	16.0%	16.0%	17.8%	15.4%	16.9%
KPN	21.0%	24.0%	21.0%	19.0%	19.0%	21.0%	21.0%	20.0%	20.0%	23.0%	20.0%	20.0%
Data Revenue (excl messaging) % Service Revenue												
Vodafone	10.7%	11.4%	12.8%	12.7%	13.4%	14.3%	15.2%	15.8%	16.8%	17.7%	19.7%	20.6%
O2 (Telefonica)	6.5%	6.8%	7.9%	7.3%	8.4%	9.0%	9.9%	10.2%	11.0%	12.8%	13.8%	12.5%
EBITDA, €m												
T-Mobile (DT)	862	799	777	852	964	771	761	798	920	894	828	912
Vodafone	1,005	1,003	983	981	997	967	921	883	895	880	867	0
O2 (Telefonica)	197	17	163	178	192	237	202	230	235	252	241	291
KPN	289	278	284	308	336	317	322	333	347	331	321	345
Capex, €m												
T-Mobile (DT)	86	161	78	72	89	189	122	96	107	136	96	86
Vodafone	192	240	240	182	182	263	263	189	189	243	243	0
O2 (Telefonica)	199	245	137	221	262	304	184	171	192	250	113	169
KPN	95	149	64	111	135	171	135	79	77	137	70	

Source: Company reports and Citi Investment Research and Analysis

Germany Fixed Data

Figure 68. German Fixed Line Market Information

Germany	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Broadband Subscribers (000s)												
Incumbent retail	8,493	9,019	9,558	9,898	10,242	10,594	10,984	11,229	11,301	11,477	11,665	11,795
Incumbent wholesale	3,524	3,524	3,401	3,169	2,905	2,537	2,209	1,952	1,752	1,621	1,523	1,354
ULL (total)	5,882	6,376	6,965	7,512	7,906	8,270	8,606	8,742	8,914	9,093	9,242	9,293
Cable	404	519	637	764	874	1,002	1,145	1,283	1,388	1,490	1,600	1,698
Total	18,303	19,438	20,561	21,343	21,927	22,403	22,944	23,206	23,355	23,681	24,030	24,140
Broadband Subscribers (000s)												
Deutsche Telekom	8,493	9,019	9,558	9,898	10,242	10,594	10,984	11,229	11,301	11,477	11,665	11,795
Hansenet (TEF)	2,244	2,349	2,372	2,361	2,343	2,344	2,325	2,289	2,300	2,310	2,404	2,413
United Internet	2,540	2,670	2,700	2,760	2,780	2,820	2,820	3,470	3,440	3,310	3,310	3,310
Freenet	1,270	1,280	1,190	1,100	1,050	940	910	0	0	0	0	0
Vodafone	2,387	2,531	2,675	2,781	2,887	2,994	3,100	3,180	3,310	3,400	3,500	3,550
Versatel	597	636	666	692	702	709	712	710	694	683	670	665
Telefonica (pre hansenet)	37	75	125	165	198	215	232	253	272	285	0	0
Tele2	160	173	192	198	191	177	163	153	145	139	131	125
Kabel Deutschland	246	320	393	482	548	625	707	787	851	906	966	1,021*
Unity Media	158	199	244	282	326	377	438	496	537	584	634	677
Other	171	186	447	624	659	609	553	639	505	587	750	584
Total	18,303	19,438	20,561	21,343	21,927	22,403	22,944	23,206	23,355	23,681	24,030	24,140
Broadband Subscribers Net Adds (000s)												
Deutsche Telekom	480	526	539	340	344	352	390	245	72	176	188	130
Hansenet (TEF)	64	105	23	(11)	(18)	1	(19)	(36)	11	10	94	9
United Internet	120	130	30	60	20	40	0	(50)	(30)	0	0	0
Freenet	50	10	(90)	(90)	(50)	(110)	(30)	0	0	0	0	0
Vodafone	144	144	144	106	106	106	106	80	130	90	100	100
Versatel	49	39	30	26	11	7	3	(2)	(16)	(11)	(13)	
Telefonica	3	38	50	41	33	17	17	22	19	13		
Tele2	7	13	19	6	(7)	(14)	(14)	(10)	(8)	(6)	(8)	(6)
Kabel Deutschland	38	74	73	89	66	77	82	80	64	55	60	
Unity Media	33	41	45	38	44	51	61	58	41	47	50	43
Total	981	1,135	1,123	782	584	476	541	262	149	326	349	110
Telephony Channels (000s)												
Incumbent retail	31,872	31,334	30,191	29,543	28,978	28,301	27,699	27,226	26,653	26,236	25,864	25,549
Incumbent wholesale												
ULL (full)	5,882	6,376	6,965	7,512	7,906	8,270	8,606	8,742	8,914	9,093	9,242	9,293
Naked DSL												
Cable	348	460	583	714	838	979	1,138	1,287	1,407	1,523	1,645	1,746
Total	38,102	38,170	37,739	37,769	37,722	37,550	37,443	37,255	36,974	36,852	36,751	36,588
Telephony Channels Net Adds (000s)												
Incumbent retail	(497)	(538)	(1,143)	(648)	(565)	(677)	(602)	(473)	(573)	(417)	(372)	(315)
Incumbent wholesale												
ULL (full)	406	494	589	547	394	364	336	136	172	179	149	51
Naked DSL												
Cable	70	112	123	131	124	141	159	149	120	117	122	101
Total	(20)	68	(431)	30	(47)	(172)	(107)	(188)	(282)	(122)	(101)	(163)
Pay TV Subscribers (000s)												
DT	0	0	0	0	257	352	448	561	678	806	896	971
Sky Deutschland	0	0	0	0	2,411	2,399	2,371	2,364	2,431	2,470	2,471	2,476
Kabel Deutschland	9,062	9,000	8,845	9,103	9,110	8,995	9,013	8,942	8,863	8,788	8,734	
Unity Media	4,844	4,762	4,733	4,712	4,655	4,619	4,577	4,554	4,547	4,523	4,514	4,499
Total	0	0	0	0	16,433	16,365	16,409	16,421	16,519	16,587	16,615	0
Pay TV Subscribers Net Adds (000s)												
DT						95	96	113	117	128	90	75
Sky Deutschland						(12)	(28)	(7)	67	39	1	5
Kabel Deutschland	(106)	(62)	(155)	258	7	(115)	18	(71)	(79)	(75)	(54)	
Unity Media	(77)	(82)	(29)	(21)	(57)	(36)	(42)	(23)	(7)	(24)	(9)	(15)
Total						(68)	44	12	98	68	28	0

Note: *Estimate for KDG Source: Company reports and Citi Investment Research and Analysis

Greece

Fixed

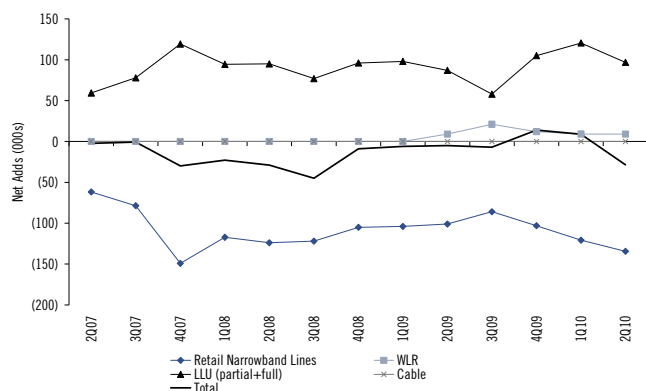
- **Line loss to ULL** — On the back of a poor economic environment, OTE faced acceleration in line losses to ULL. However, for the first time ever, in April, the Greek regulator approved a small increase in the ULL tariff OTE charges alternative carriers; this is a small negative for Forthnet. OTE lost market share in broadband with 2% market share of broadband net adds.

Mobile

- **Revenue growth deterioration** — In 2Q10, market service revenue growth is likely to worsen to -15.6% from -9.7% 1Q10. Greece remains the European market with the steepest decline in the quarter, mainly due to MTR cuts and a hit to pre-paid revenues affected by the economic environment. OTE gained some share of revenues, and Vodafone saw an inflection in the revenue recovery trend: -17.2% in 2Q10 from -10.8% 1Q10.
- **Margins under pressure** — OTE posted a 34.7% EBITDA margin in the quarter, a decrease of more than 100bp yoy. Margins remain under pressure due to the top-line decline.

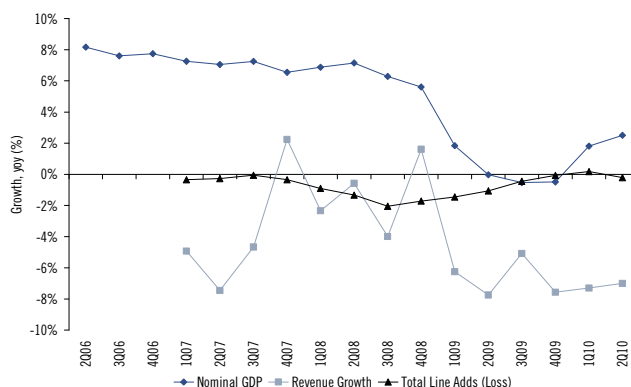
Fixed Charts

Figure 69. Telephony Net Adds



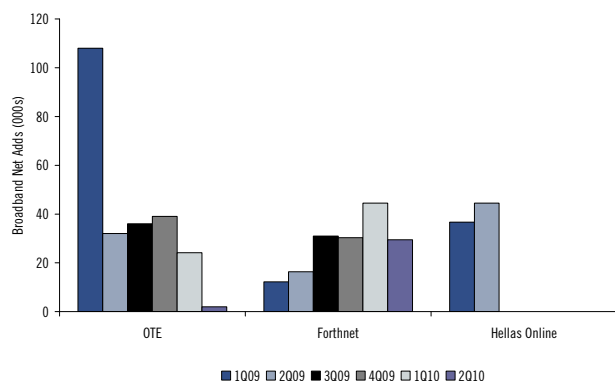
Source: Company reports and Citi Investment Research and Analysis

Figure 70. Line Loss, Incumbent Revenue Growth and GDP



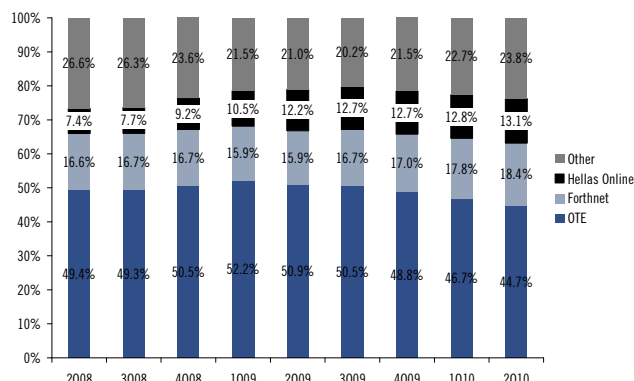
Source: Company reports, CIRA and Datastream

Figure 71. Broadband Subscriber Net Adds



Source: Company reports and Citi Investment Research and Analysis

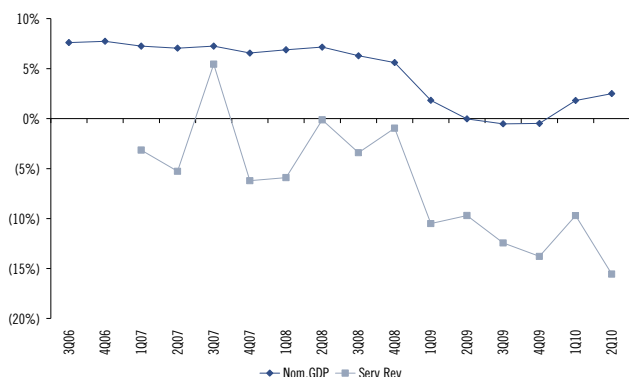
Figure 72. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

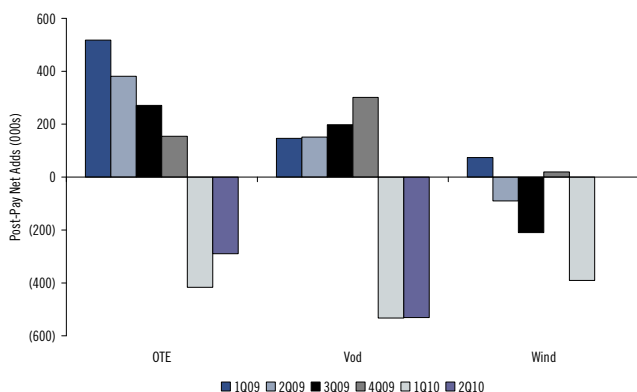
Mobile Charts

Figure 73. Revenue and GDP



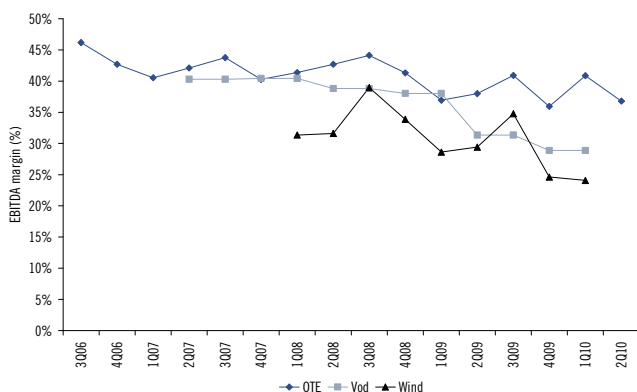
Source: Company reports, CIRA and Datastream

Figure 75. Total Net Adds



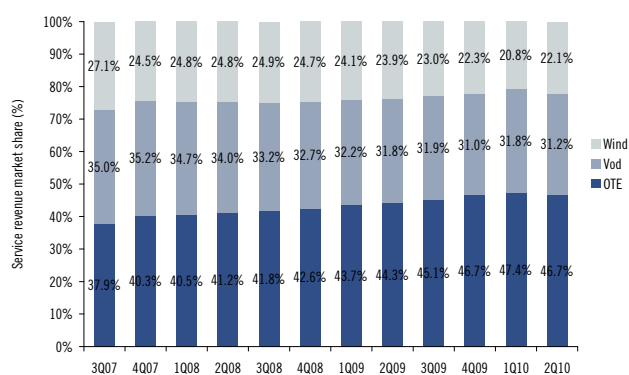
Source: Company reports and Citi Investment Research and Analysis

Figure 77. EBITDA Margin



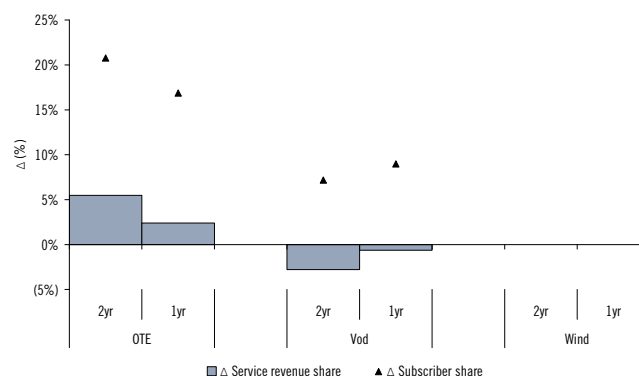
Source: Company reports and Citi Investment Research and Analysis

Figure 74. Service Revenue Market Share



Source: Company reports and Citi Investment Research and Analysis

Figure 76. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Greece Mobile Data

Figure 78. Mobile Market Information

Greece	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Service Revenue, €m												
OTE	449	421	411	440	478	440	397	427	451	416	388	380
Vodafone	414	367	351	363	380	338	292	307	319	277	261	254
Wind	321	256	252	265	285	256	218	230	231	199	170	180
Total	1,184	1,044	1,014	1,068	1,144	1,034	907	964	1,001	891	819	814
Service Revenue Growth, yoy												
OTE	10.4%	(5.5%)	(10.0%)	5.2%	6.6%	4.6%	(3.4%)	(2.9%)	(5.6%)	(5.6%)	(2.1%)	(11.0%)
Vodafone	(4.6%)	(8.4%)	(4.9%)	(7.4%)	(8.3%)	(7.9%)	(16.9%)	(15.4%)	(15.9%)	(18.1%)	(10.8%)	(17.2%)
Wind	13.8%	(4.1%)	0.0%	2.2%	(11.1%)	(0.1%)	(13.3%)	(13.1%)	(19.2%)	(22.2%)	(22.1%)	(21.8%)
Total	5.5%	(6.2%)	(5.9%)	(0.1%)	(3.4%)	(1.0%)	(10.5%)	(9.7%)	(12.4%)	(13.8%)	(9.7%)	(15.6%)
Service Revenue Market Share												
OTE	37.9%	40.3%	40.5%	41.2%	41.8%	42.6%	43.7%	44.3%	45.1%	46.7%	47.4%	46.7%
Vodafone	35.0%	35.2%	34.7%	34.0%	33.2%	32.7%	32.2%	31.8%	31.9%	31.0%	31.8%	31.2%
Wind	27.1%	24.5%	24.8%	24.8%	24.9%	24.7%	24.1%	23.9%	23.0%	22.3%	20.8%	22.1%
Post-pay Customers, 000s												
OTE	0	0	0	0	0	0	0	0	0	0	0	0
Vodafone	1,631	1,702	1,731	1,757	1,776	1,780	1,760	1,724	1,701	1,698	1,686	1,675
Wind	993	1,016	1,030	1,053	1,074	1,081	1,069	1,059	1,054	1,059	1,067	0
Call Volumes, mn min/qtr												
OTE	2,946	3,113	3,398	3,692	3,955	4,201	4,891	5,574	5,946	6,197	6,243	6,494
Vodafone	2,282	2,244	2,262	2,395	2,443	2,370	2,281	2,402	2,411	2,309	2,221	2,438
Tellas	1,706	1,670	1,630	1,757	1,803	1,710	1,626	1,681	1,659	1,558	1,419	0
Total	6,934	7,027	7,289	7,844	8,201	8,280	8,798	9,657	10,015	10,064	9,882	8,932
Call Volume growth, yoy												
OTE	30.4%	32.4%	39.1%	35.9%	34.3%	34.9%	44.0%	51.0%	50.3%	47.5%	27.6%	16.5%
Vodafone	3.0%	6.2%	14.0%	10.5%	7.1%	5.6%	0.8%	0.3%	(1.3%)	(2.6%)	(2.6%)	1.5%
Tellas	17.2%	14.1%	9.1%	7.1%	5.7%	2.4%	(0.3%)	(4.3%)	(8.0%)	(8.9%)	(12.7%)	(100.0%)
Total	16.9%	18.5%	23.1%	20.2%	18.3%	17.8%	20.7%	23.1%	22.1%	21.5%	12.3%	(7.5%)
Contract Churn, % p.a												
Wind	23.8%	24.7%	24.2%	21.6%	22.2%	26.0%	29.3%	30.2%	30.9%			
EBITDA, €m												
OTE	205	178	176	194	220	192	164	180	208	174	177	155
Vodafone	167	148	142	141	148	129	111	96	100	80	75	0
Wind	149	102	94	99	132	105	76	82	98	61	52	0

Source: Company reports and Citi Investment Research and Analysis

Greece Fixed Data

Figure 79. Greek Fixed Line Market Information

Greece	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Broadband Subscribers (000s)												
Incumbent retail	530	577	646	687	740	830	938	970	1,006	1,045	1,069	1,066
Incumbent wholesale	227	247	215	205	184	142	90	79	73	78	80	80
ULL (total)	190	310	404	499	576	672	770	857	915	1,020	1,141	1,237
Cable	0	0	0	0	0	0	0	0	0	0	0	0
Total	947	1,135	1,265	1,391	1,500	1,644	1,798	1,906	1,994	2,143	2,289	2,383
Broadband Subscribers (000s)												
OTE	530	577	646	687	740	830	938	970	1,006	1,045	1,069	1,066
Forthnet	189	200	217	231	250	274	286	303	334	364	409	438
Hellas Online	69	85	92	104	115	151	188	232	252	272	292	312
Wind	0	0	0	0	0	0	0	0	0	0	0	0
- other	159	272	310	370	395	389	386	401	402	462	519	566
Total	947	1,135	1,265	1,391	1,500	1,644	1,798	1,906	1,994	2,143	2,289	2,383
Broadband Subscribers Net Adds (000s)												
OTE	80	48	69	41	53	90	108	32	36	39	24	(3)
Forthnet	26	11	16	14	20	24	12	16	31	30	45	30
Other	43	112	39	59	25	(6)	(3)	15	1	60	58	47
Total	160	188	130	126	109	144	154	108	88	149	146	94
Telephony Channels (000s)												
Retail Narrowband Lines	6,003	5,854	5,737	5,613	5,491	5,386	5,282	5,181	5,095	4,992	4,871	4,737
WLR	0	0	0	0	0	0	0	9	30	42	51	60
LLU (partial+full)	190	310	404	499	576	672	770	857	915	1,020	1,141	1,237
Cable	0	0	0	0	0	0	0	0	0	0	0	0
Total	6,194	6,164	6,141	6,112	6,067	6,058	6,052	6,047	6,040	6,054	6,063	6,034
Telephony Channels Net Adds (000s)												
Retail Narrowband Lines	(79)	(149)	(117)	(124)	(122)	(105)	(104)	(101)	(86)	(103)	(121)	(134)
WLR	0	0	0	0	0	0	0	9	21	12	9	9
LLU (partial+full)	78	119	94	95	77	96	98	87	58	105	121	97
Cable	0	0	0	0	0	0	0	0	0	0	0	0
Total	(1)	(30)	(23)	(29)	(45)	(9)	(6)	(5)	(7)	14	9	(29)

Source: Company reports and Citi Investment Research and Analysis

Italy

Fixed

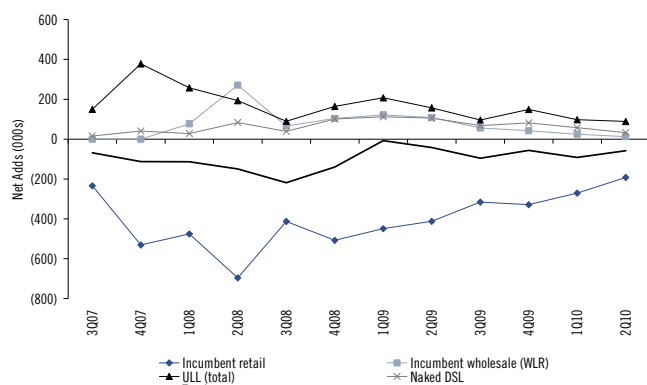
- **Telecom Italia steadily losing broadband market share** — TI has been losing broadband market share consistently for a few years, however this is mainly because it is coming from a high base. Net adds decreased slowly in 2Q10, to 63k BB net adds, from 49k in 4Q09 and 71k in 1Q10. Wind continues to gain share, currently at 12% of the subscriber base.

Mobile

- **No improvement in Italian mobile growth, yet** — TI's service revenue growth deteriorated to -7.5% in 2Q10 from -7.2% 1Q10 on a tough yoy comp. Wind continued to be the main beneficiary, with an impressive 6.9% service revenue growth in the quarter, while Vodafone moved away from positive growth, with a -4% performance in 2Q10. The key focus is whether TI can achieve its target of a turnaround in growth without sacrificing margins in the domestic business.

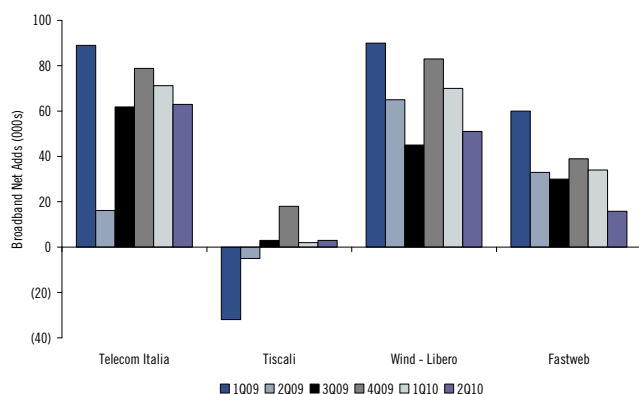
Fixed Charts

Figure 80. Telephony Net Adds



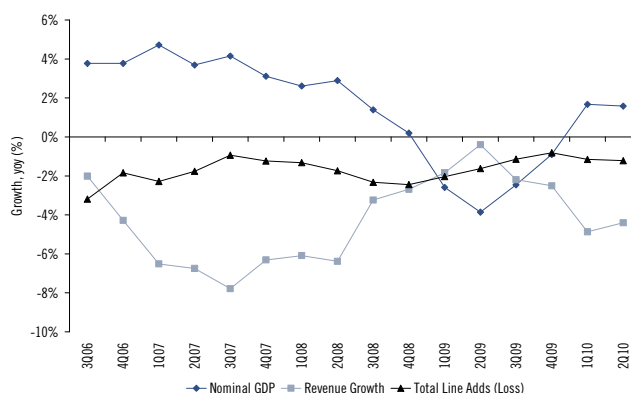
Source: Company reports and Citi Investment Research and Analysis

Figure 82. Broadband Subscriber Net Adds



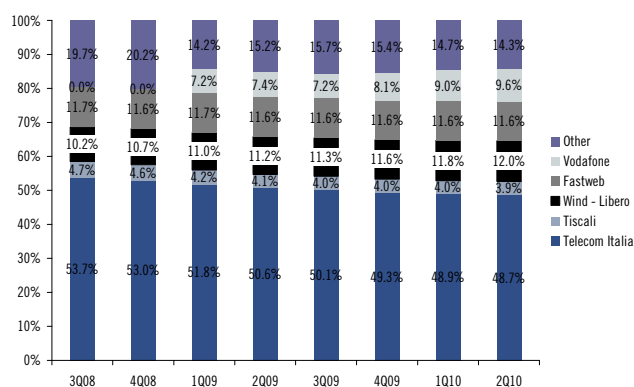
Source: Company reports and Citi Investment Research and Analysis

Figure 81. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

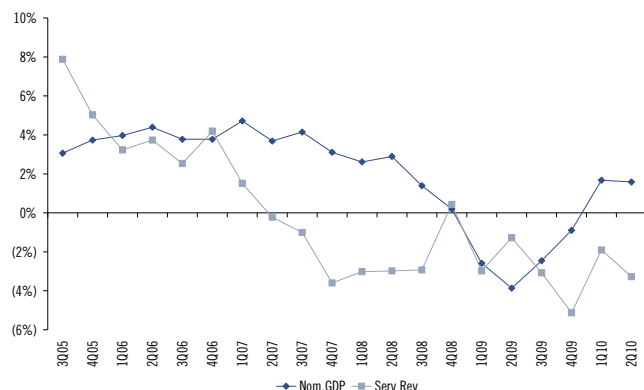
Figure 83. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

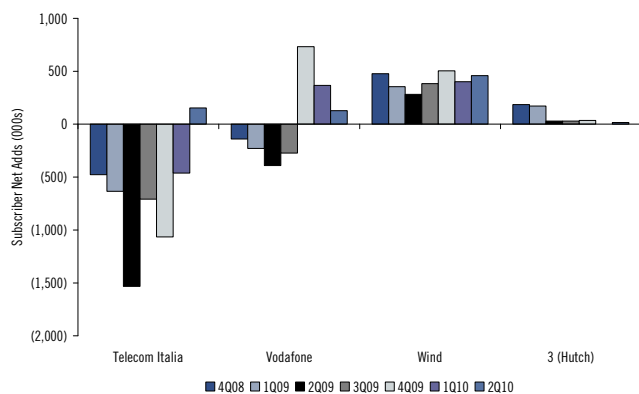
Mobile Charts

Figure 84. Revenue and GDP



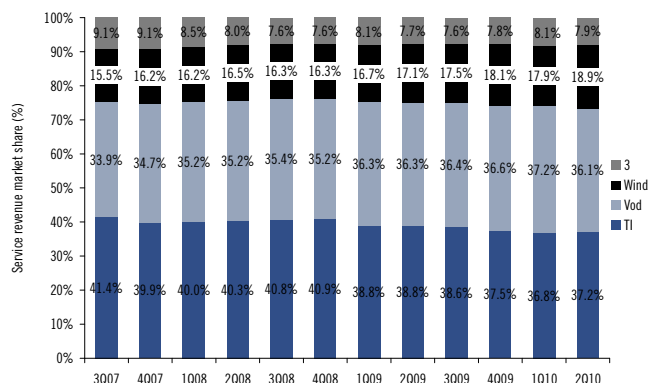
Source: Company reports, CIRA and Datastream

Figure 86. Subscriber Net Adds



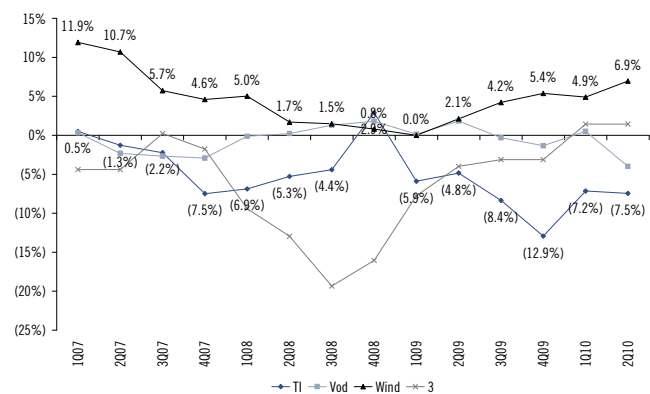
Source: Company reports and Citi Investment Research and Analysis

Figure 85. Service Revenue Market Share



Source: Company reports and Citi Investment Research and Analysis

Figure 87. Service Revenue Growth



Source: Company reports and Citi Investment Research and Analysis

Italy Mobile Data

Figure 88. Italian Mobile Market Information

Italy	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Service Revenue, €m												
Telecom Italia	2,366	2,187	2,118	2,199	2,261	2,250	1,993	2,092	2,072	1,959	1,850	1,936
Vodafone	1,936	1,903	1,861	1,921	1,961	1,938	1,863	1,956	1,955	1,912	1,873	1,878
Wind	888	889	859	902	901	896	859	921	939	944	901	985
3 (Hutch)	521	500	452	434	420	420	417	417	407	407	410	410
Total	5,711	5,480	5,289	5,455	5,543	5,504	5,132	5,385	5,373	5,221	5,034	5,209
Service Revenue Growth, yoy												
Telecom Italia	(2.2%)	(7.5%)	(6.9%)	(5.3%)	(4.4%)	2.9%	(5.9%)	(4.8%)	(8.4%)	(12.9%)	(7.2%)	(7.5%)
Vodafone	(2.7%)	(2.9%)	(0.1%)	0.2%	1.3%	1.8%	0.1%	1.8%	(0.3%)	(1.3%)	0.5%	(4.0%)
Wind	5.7%	4.6%	5.0%	1.7%	1.5%	0.8%	0.0%	2.1%	4.2%	5.4%	4.9%	6.9%
3 (Hutch)	0.2%	(1.8%)	(9.4%)	(13.0%)	(19.3%)	(16.1%)	(7.8%)	(4.0%)	(3.1%)	(3.1%)	(1.6%)	(1.6%)
Total	(1.0%)	(3.6%)	(3.0%)	(3.0%)	(2.9%)	0.4%	(3.0%)	(1.3%)	(3.1%)	(5.1%)	(1.9%)	(3.3%)
Service Revenue Market Share												
Telecom Italia	41.4%	39.9%	40.0%	40.3%	40.8%	40.9%	38.8%	38.8%	38.6%	37.5%	36.8%	37.2%
Vodafone	33.9%	34.7%	35.2%	35.2%	35.4%	35.2%	36.3%	36.3%	36.4%	36.6%	37.2%	36.1%
Wind	15.5%	16.2%	16.2%	16.5%	16.3%	16.3%	16.7%	17.1%	17.5%	18.1%	17.9%	18.9%
3 (Hutch)	9.1%	9.1%	8.5%	8.0%	7.6%	7.6%	8.1%	7.7%	7.6%	7.8%	8.1%	7.9%
Post-pay Customers, 000s												
Vodafone	2,418	2,608	2,850	3,058	3,228	3,423	3,635	3,797	3,933	4,091	4,172	4,311
Call Volumes, mn min/qtr												
Telecom Italia	11,909	12,254	12,360	12,572	12,427	12,359	11,819	12,272	12,025	12,453	12,104	12,805
Vodafone	9,051	9,651	9,813	10,094	10,010	10,622	10,337	10,566	10,291	10,765	10,733	11,033
Wind	5,292	5,591	5,706	5,916	5,944	6,461	6,484	6,821	6,848	7,285	7,308	7,623
3 Hutch	2,648	2,845	2,928	3,064	3,092	3,348	3,346	3,495	3,454	3,597	3,528	3,600
Total	28,900	30,341	30,807	31,645	31,473	32,789	31,986	33,154	32,617	34,100	33,673	35,061
Call Volume growth, yoy												
Telecom Italia	11.4%	18.4%	18.4%	11.1%	4.4%	0.9%	(4.4%)	(2.4%)	(3.2%)	0.8%	2.4%	4.3%
Vodafone	12.4%	16.9%	16.3%	13.0%	10.6%	10.1%	5.3%	4.7%	2.8%	1.3%	3.8%	4.4%
Wind	2.3%	8.2%	10.2%	10.3%	12.3%	15.6%	13.6%	15.3%	15.2%	12.8%	12.7%	11.8%
3 Hutch	9.9%	15.5%	18.3%	17.8%	16.8%	17.7%	14.3%	14.1%	11.7%	7.4%	5.4%	3.0%
Total	9.8%	15.7%	16.1%	12.2%	8.9%	8.1%	3.8%	4.8%	3.6%	4.0%	5.3%	5.7%
Contract Churn, % p.a												
Vodafone	14.7%	17.5%	18.1%	17.6%	15.8%	17.3%	16.9%	19.8%	17.2%	23.3%	22.8%	25.3%
Data Revenue (excl messaging) % Service Revenue												
Telecom Italia	9.4%	10.3%	12.1%	12.2%	12.7%	14.2%	11.7%	12.5%	13.8%	14.8%	16.2%	14.8%
Vodafone	6.0%	6.8%	7.4%	7.5%	7.8%	8.4%	9.0%	8.7%	9.8%	10.2%	10.8%	11.0%
EBITDA, €m												
Vodafone	1,044	952	931	1,016	1,038	992	954	1,073	1,073	1,025	1,004	
Capex, €m												
Vodafone	139	236	236	192	192	212	212	222	222	226	226	

Source: Company reports and Citi Investment Research and Analysis

Italy Fixed Data

Figure 89. Italian Fixed Line Market Information

Italy	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Broadband Subscribers (000s)												
Incumbent retail	6,215	6,427	6,541	6,564	6,610	6,754	6,843	6,859	6,921	7,000	7,071	7,134
Incumbent wholesale	1,180	1,163	1,187	1,228	1,304	1,380	1,486	1,584	1,646	1,741	1,788	1,825
ULL (total)	3,173	3,637	3,953	4,248	4,387	4,621	4,883	5,112	5,237	5,456	5,600	5,700
Cable	0	0	0	0	0	0	0	0	0	0	0	0
Total	10,568	11,227	11,681	12,040	12,301	12,755	13,212	13,555	13,804	14,196	14,459	14,659
Broadband Subscribers (000s)												
Telecom Italia	6,215	6,427	6,541	6,564	6,610	6,754	6,843	6,859	6,921	7,000	7,071	7,134
Tiscali	518	552	580	574	581	586	554	549	552	570	572	575
Wind - Libero	942	1,022	1,115	1,198	1,250	1,360	1,450	1,515	1,560	1,643	1,713	1,764
Fastweb	1,251	1,313	1,388	1,398	1,441	1,482	1,542	1,575	1,605	1,644	1,678	1,694
Vodafone	0	0	0	0	0	0	950	1,000	1,000	1,150	1,300	1,400
Other	1,642	1,913	2,057	2,306	2,419	2,573	1,873	2,057	2,166	2,189	2,125	2,092
Total	10,568	11,227	11,681	12,040	12,301	12,755	13,212	13,555	13,804	14,196	14,459	14,659
Broadband Subscribers Net Adds (000s)												
Telecom Italia	142	212	114	23	46	144	89	16	62	79	71	63
Tiscali	18	34	28	(6)	7	5	(32)	(5)	3	18	2	3
Wind - Libero	44	80	93	83	52	110	90	65	45	83	70	51
Fastweb	55	62	75	10	43	41	60	33	30	39	34	16
Vodafone	0	0	0	0	0	0	950	50	0	150	150	100
Total	301	659	454	359	261	454	456	344	249	392	263	200
Telephony Channels (000s)												
Incumbent retail	22,655	22,124	21,648	20,952	20,539	20,031	19,582	19,170	18,854	18,525	18,254	18,062
Incumbent wholesale (WLR)	0	0	77	348	414	518	640	747	803	845	870	882
ULL (total)	2,583	2,961	3,218	3,411	3,500	3,664	3,871	4,028	4,124	4,273	4,370	4,459
Naked DSL	280	321	349	432	471	572	684	789	857	939	996	1,029
Cable	0	0	0	0	0	0	0	0	0	0	0	0
Total	25,518	25,406	25,292	25,143	24,924	24,784	24,777	24,734	24,639	24,582	24,490	24,432
Telephony Channels Net Adds (000s)												
Incumbent retail	(234)	(531)	(476)	(696)	(413)	(508)	(449)	(412)	(316)	(329)	(271)	(192)
Incumbent wholesale (WLR)	0	0	77	271	66	104	122	108	56	42	25	12
ULL (total)	149	378	257	193	89	164	207	157	96	149	97	89
Naked DSL	16	41	28	83	39	101	112	105	68	81	57	33
Cable	0	0	0	0	0	0	0	0	0	0	0	0
Total	(69)	(112)	(114)	(149)	(219)	(140)	(8)	(42)	(96)	(57)	(92)	(58)
Pay TV Subscribers (000s)												
TI	0	0	136	180	218	329	365	397	406	401	395	395
Sky Italia	0	0	0	0	4,600	4,700	4,800	4,800	4,800	4,800	4,800	4,800

Source: Company reports and Citi Investment Research and Analysis

Netherlands

Fixed

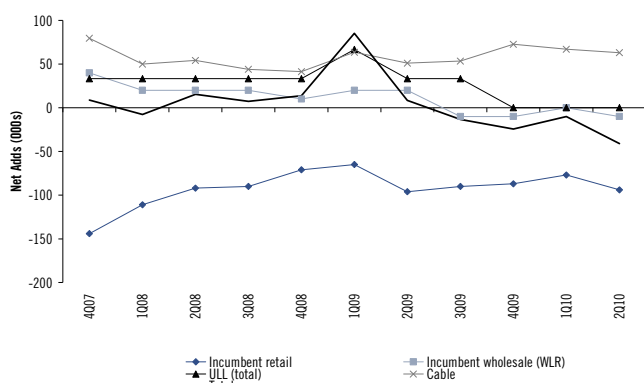
- **KPN faces tough competition from cable** — Although KPN added 11k fibre customers during the quarter, its overall BB net adds was negative: -11k in 2Q10 vs +13k in 1Q10. This is mainly due to strong cable competition from UPC or Ziggo. Fixed line trends also deteriorated slightly in the quarter, with cable gaining from KPN, almost one for one.

Mobile

- **Vodafone gains from KPN in mobile** — KPN's mobile service revenue growth improved slightly to -2.8% in 2Q10 from -3.5% 1Q10. T-Mobile and Vodafone benefited from this, both increasing service revenue growth to c. 5% for VOD and 3.5% for DT. However KPN is looking at increasing SARCs and lower pricing to fight off the competitive pressure seen in H1.

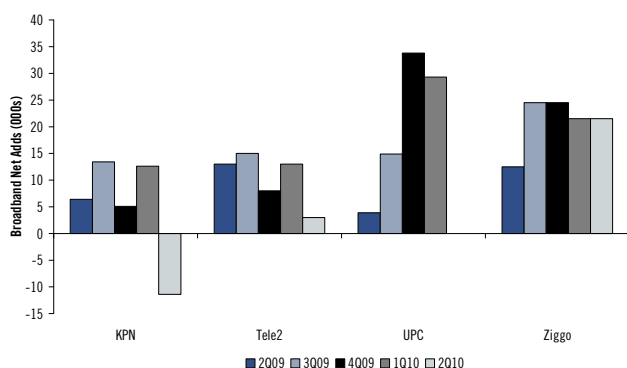
Fixed Charts

Figure 90. Telephony Net Adds



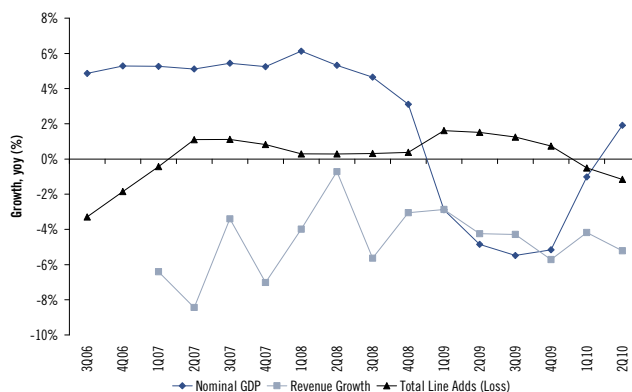
Source: Company reports and Citi Investment Research and Analysis

Figure 92. Broadband Subscriber Net Adds



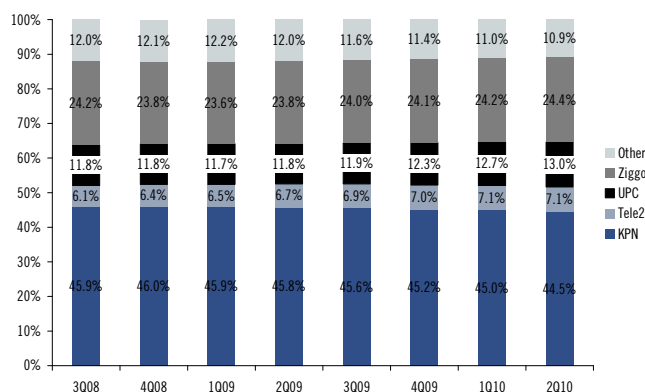
Source: Company reports and Citi Investment Research and Analysis

Figure 91. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

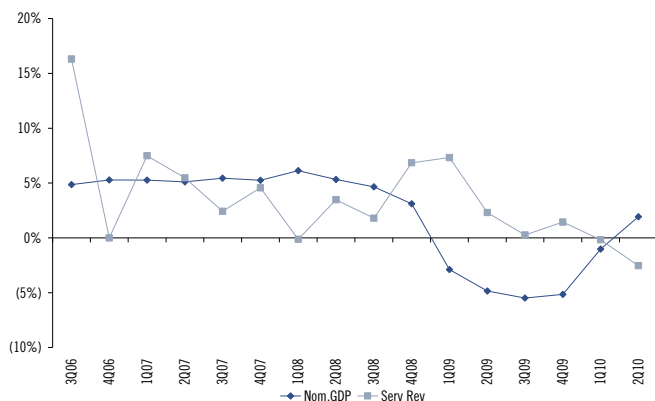
Figure 93. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

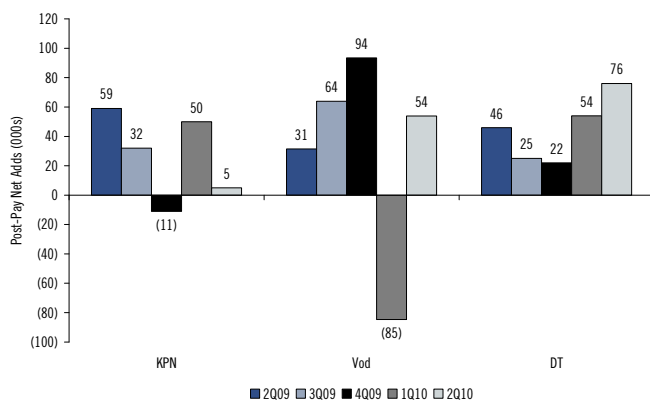
Mobile Charts

Figure 94. Revenue and GDP



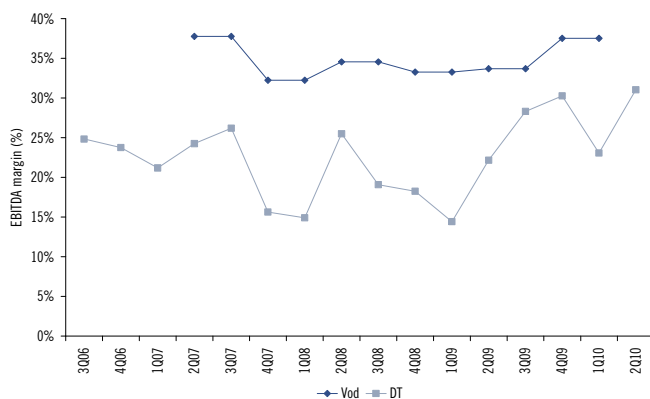
Source: Company reports, CIRA and Datastream

Figure 96. Post-Paid Net Adds



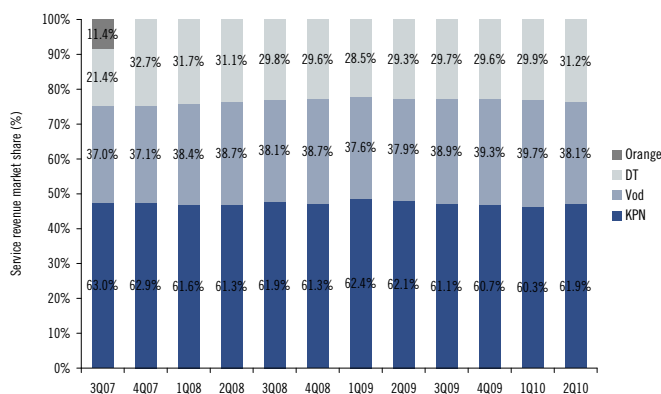
Source: Company reports and Citi Investment Research and Analysis

Figure 98. EBITDA Margin



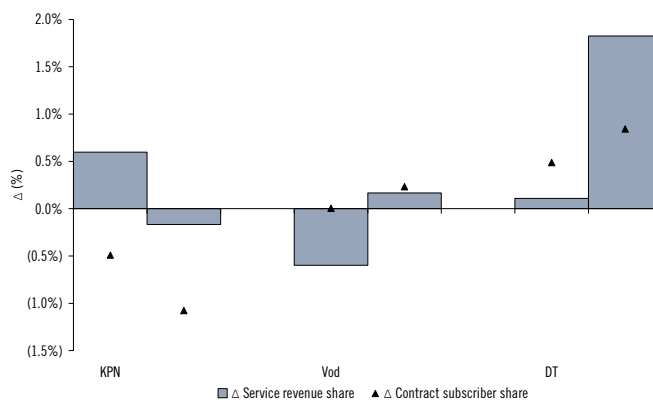
Source: Company reports and Citi Investment Research and Analysis

Figure 95. Service Revenue Market Share



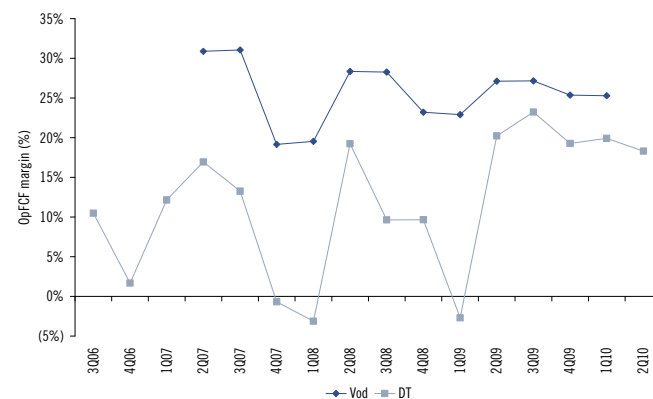
Source: Company reports and Citi Investment Research and Analysis

Figure 97. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 99. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

Netherlands Mobile Data

Figure 100. Netherlands Mobile Market Information

Netherlands	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Service Revenue, €m												
KPN	764	725	706	756	764	754	767	783	757	758	740	761
Vodafone	449	427	440	477	471	477	463	478	481	491	488	468
T-Mobile (DT)	259	377	364	383	369	365	350	370	368	370	367	383
Total	1,213	1,152	1,146	1,233	1,235	1,231	1,230	1,261	1,238	1,249	1,228	1,229
Service Revenue Growth, yoy												
KPN	1.6%	(1.4%)	(3.4%)	0.4%	0.0%	4.0%	8.6%	3.6%	(0.9%)	0.5%	(3.5%)	(2.8%)
Vodafone	3.9%	16.4%	5.6%	8.8%	4.8%	11.7%	5.2%	0.3%	2.2%	2.9%	5.4%	(2.1%)
T-Mobile (DT)	0.0%	40.8%	41.9%	42.4%	42.1%	(3.3%)	(3.8%)	(3.4%)	(0.2%)	1.4%	4.9%	3.5%
Total	2.4%	4.6%	(0.1%)	3.5%	1.8%	6.8%	7.3%	2.3%	0.3%	1.4%	(0.2%)	(2.5%)
Service Revenue Market Share												
KPN	63.0%	62.9%	61.6%	61.3%	61.9%	61.3%	62.4%	62.1%	61.1%	60.7%	60.3%	61.9%
Vodafone	37.0%	37.1%	38.4%	38.7%	38.1%	38.7%	37.6%	37.9%	38.9%	39.3%	39.7%	38.1%
T-Mobile (DT)	21.4%	32.7%	31.7%	31.1%	29.8%	29.6%	28.5%	29.3%	29.7%	29.6%	29.9%	31.2%
Post-pay Customers, 000s												
KPN	4,249	4,337	4,424	4,588	4,770	4,959	5,106	5,165	5,197	5,186	5,236	5,241
Vodafone	2,226	2,302	2,432	2,498	2,575	2,658	2,725	2,756	2,820	2,914	2,829	2,883
T-Mobile (DT)	1,351	2,090	2,123	2,153	2,229	2,259	2,313	2,359	2,384	2,406	2,460	2,536
Call Volumes, mn min/qtr												
KPN	3,528	3,836	3,781	3,997	3,762	4,026	3,843	3,921	3,739	4,031	3,980	4,045
Vodafone	1,899	2,036	2,077	2,260	2,108	2,313	2,278	2,363	2,212	2,367	2,359	2,323
Deutsche Telekom	891	1,340	1,751	1,911	1,734	1,755	1,708	1,743	1,765	1,842	1,900	1,987
Total	7,198	8,148	7,609	8,168	7,604	8,094	7,829	8,026	7,717	8,240	8,239	8,355
Call Volume growth, yoy												
KPN	7.7%	7.9%	3.4%	6.5%	6.6%	5.0%	1.6%	(1.9%)	(0.6%)	0.1%	3.6%	3.2%
Vodafone	11.0%	9.0%	9.3%	12.7%	11.0%	13.6%	9.7%	4.6%	4.9%	2.3%	3.6%	(1.7%)
Deutsche Telekom	15.5%	54.6%	93.8%	101.8%	94.5%	30.9%	(2.4%)	(8.8%)	1.8%	5.0%	11.2%	14.0%
Total	10.3%	14.2%	3.8%	7.1%	5.6%	(0.7%)	2.9%	(1.7%)	1.5%	1.8%	5.2%	4.1%
Contract Churn, % p.a												
T-Mobile (DT)	14.4%	18.0%	19.2%	19.2%	16.8%	21.6%	18.0%	16.8%	19.2%	18.0%	15.6%	12.0%
EBITDA, €m												
Vodafone	170	138	142	165	163	159	154	161	162	184	183	0
T-Mobile (DT)	77	68	62	114	91	85	64	103	128	135	102	139
Capex, €m												
Vodafone	30	56	56	30	30	48	48	31	31	60	60	0
T-Mobile (DT)	38	71	75	28	45	40	76	9	23	49	14	57

Source: Company reports and Citi Investment Research and Analysis

Netherlands Fixed Data

Figure 101. Netherlands Fixed Line Market Information

Netherlands	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Broadband Subscribers (000s)												
Incumbent retail	2,468	2,501	2,552	2,587	2,621	2,664	2,692	2,698	2,712	2,717	2,729	2,718
Incumbent wholesale	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	900	933	967	1,000	1,033	1,067	1,100	1,100	1,100	1,100	1,100	1,100
Cable	1,942	1,987	2,018	2,047	2,053	2,058	2,077	2,093	2,132	2,191	2,242	2,286
Total	5,310	5,422	5,537	5,634	5,708	5,788	5,869	5,891	5,944	6,008	6,071	6,104
Broadband Subscribers (000s)												
KPN	2,468	2,501	2,552	2,587	2,621	2,664	2,692	2,698	2,712	2,717	2,729	2,718
Tele2	302	324	331	338	349	368	382	395	410	418	431	434
UPC	625	640	650	659	672	683	689	693	708	742	771	794
Ziggo	1,317	1,347	1,368	1,388	1,382	1,375	1,388	1,400	1,425	1,449	1,471	1,492
Other	598	609	636	662	684	699	718	705	690	682	669	666
Total	5,310	5,422	5,537	5,634	5,708	5,788	5,869	5,891	5,944	6,008	6,071	6,104
Broadband Subscribers Net Adds (000s)												
KPN	45	33	51	35	34	43	28	6	13	5	13	(11)
Tele2	16	22	7	7	11	19	14	13	15	8	13	3
UPC	24	16	10	8	13	11	7	4	15	34	29	23
Ziggo	30	30	21	21	(7)	(7)	13	13	25	25	22	22
- other	(49)	11	26	26	22	14	19	(13)	(15)	(8)	(13)	(3)
Total	65	112	115	97	74	80	80	23	53	63	63	33
Telephony Channels (000s)												
Incumbent retail	5,533	5,389	5,278	5,186	5,096	5,025	4,960	4,864	4,774	4,687	4,610	4,516
Incumbent wholesale (WLR)	280	320	340	360	380	390	410	430	420	410	410	400
ULL (total)	600	633	667	700	733	767	833	867	900	900	900	900
Cable	1,113	1,192	1,242	1,296	1,340	1,381	1,445	1,496	1,549	1,622	1,689	1,752
Total	7,526	7,534	7,527	7,542	7,549	7,563	7,648	7,657	7,643	7,619	7,609	7,568
Telephony Channels Net Adds (000s)												
Incumbent retail	(241)	(144)	(111)	(92)	(90)	(71)	(65)	(96)	(90)	(87)	(77)	(94)
Incumbent wholesale (WLR)	100	40	20	20	20	10	20	20	(10)	(10)	0	(10)
ULL (full)	67	33	33	33	33	33	67	33	33	0	0	0
Cable	79	79	50	54	44	41	64	51	53	73	67	63
Total	5	9	(8)	15	7	14	85	8	(13)	(24)	(10)	(41)
Pay TV Subscribers (000s)												
KPN	414	497	553	636	700	775	835	886	924	970	1,033	1,088
UPC	2,174	2,152	2,119	2,089	2,068	2,044	2,013	1,986	1,966	1,955	1,941	1,930
Pay TV Subscribers Net Adds (000s)												
KPN	77	83	56	83	64	75	60	51	38	46	63	55
UPC	(15)	(21)	(34)	(30)	(21)	(24)	(31)	(27)	(20)	(11)	(14)	(11)

Source: Company reports and Citi Investment Research and Analysis

Norway

Fixed

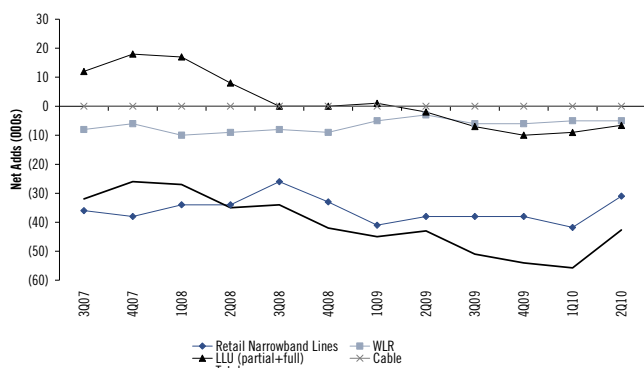
- **Continued high market line loss** — Total fixed line loss continued to be one of the worst in the sector at -9.7% vs -9.5% 1Q10. This is being driven by the growth in mobile only households. As a consequence Telenor's retail line loss remains high at 9.7%.
- **Broadband decline and stable share** — Market fixed broadband connections fell for the 5th quarter in a row. Market shares remain stable.

Mobile

- **Service revenue growth moderation, still strong** — Mobile service revenue growth reduced to 1.1% a slight reduction from a strong 1Q10 1.5%. This still puts Norway as one of the strongest European markets.
- **Telenor still gaining market share, Telia closing growth gap** — Telenor is still taking share from Telia, however Telia has reduced the gap in service revenue growth.

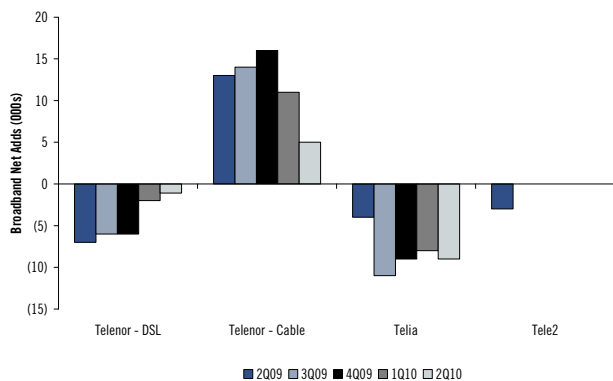
Fixed Charts

Figure 102. Telephony Net Adds



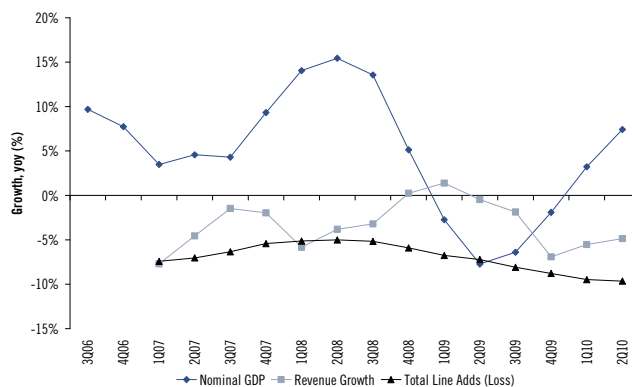
Source: Company reports and Citi Investment Research and Analysis

Figure 104. Broadband Subscriber Net Adds



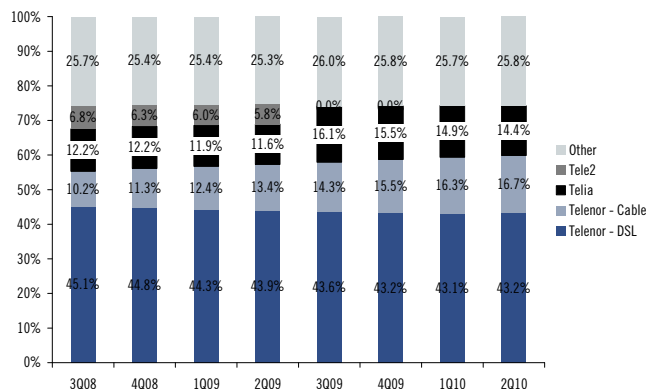
Source: Company reports and Citi Investment Research and Analysis

Figure 103. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

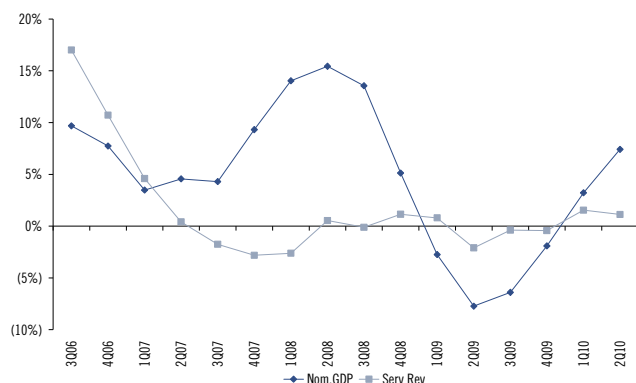
Figure 105. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

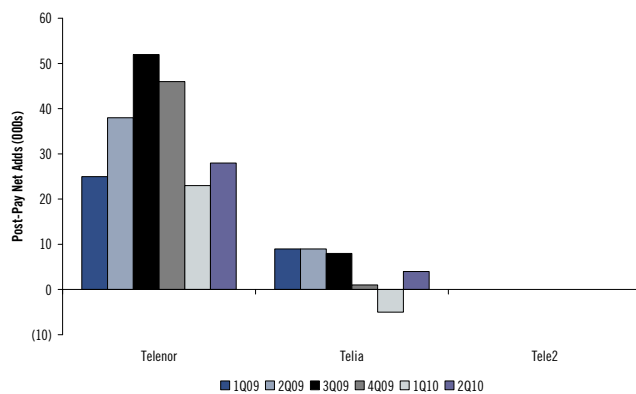
Mobile Charts

Figure 106. Revenue and GDP



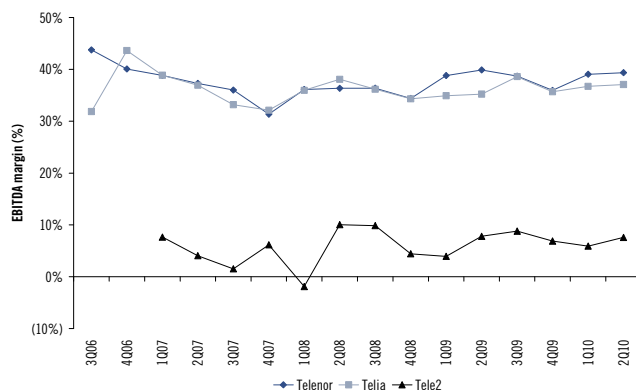
Source: Company reports, CIRA and Datastream

Figure 108. Post-Paid Net Adds



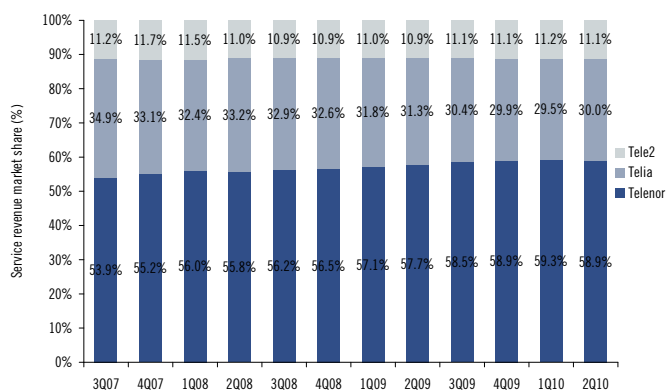
Source: Company reports and Citi Investment Research and Analysis

Figure 110. EBITDA Margin



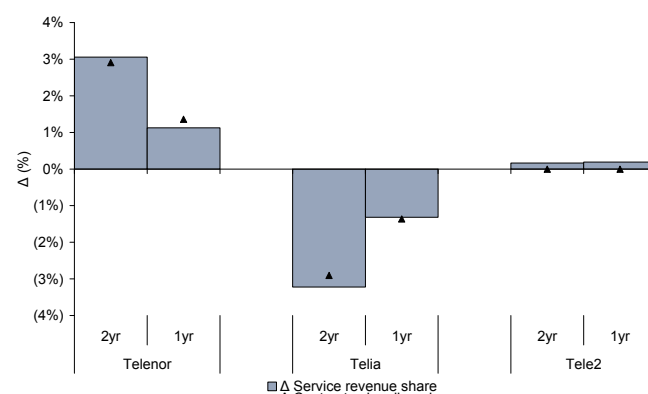
Source: Company reports and Citi Investment Research and Analysis

Figure 107. Service Revenue Market Share



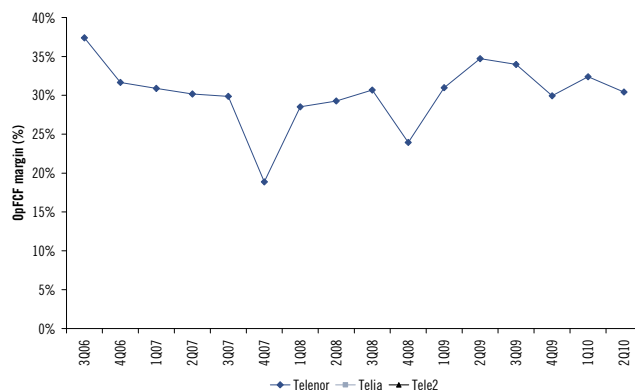
Source: Company reports and Citi Investment Research and Analysis

Figure 109. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 111. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

Norway Mobile Data

Figure 112. Norway Mobile Market Information

Norway	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Service Revenue, NOK m												
Telenor	2,697	2,661	2,627	2,797	2,813	2,758	2,700	2,833	2,914	2,862	2,847	2,921
Telia	1,750	1,597	1,521	1,665	1,646	1,588	1,504	1,537	1,516	1,454	1,414	1,489
Tele2	561	564	541	550	543	532	522	537	553	541	537	552
Total	5,008	4,823	4,689	5,012	5,002	4,878	4,726	4,907	4,983	4,857	4,798	4,962
Service Revenue Growth, yoy												
Telenor	(0.4%)	3.3%	5.8%	7.8%	4.3%	3.6%	2.8%	1.3%	3.6%	3.8%	5.4%	3.1%
Telia	(3.7%)	(10.7%)	(11.9%)	(5.9%)	(5.9%)	(0.6%)	(1.1%)	(7.7%)	(7.9%)	(8.5%)	(5.9%)	(3.1%)
Tele2	(2.2%)	(5.4%)	(10.7%)	(11.7%)	(3.1%)	(5.8%)	(3.4%)	(2.3%)	1.8%	1.8%	2.9%	2.9%
Total	(1.8%)	(2.8%)	(2.6%)	0.5%	(0.1%)	1.2%	0.8%	(2.1%)	(0.4%)	(0.4%)	1.5%	1.1%
Service Revenue Market Share												
Telenor	53.9%	55.2%	56.0%	55.8%	56.2%	56.5%	57.1%	57.7%	58.5%	58.9%	59.3%	58.9%
Telia	34.9%	33.1%	32.4%	33.2%	32.9%	32.6%	31.8%	31.3%	30.4%	29.9%	29.5%	30.0%
Tele2	11.2%	11.7%	11.5%	11.0%	10.9%	10.9%	11.0%	10.9%	11.1%	11.1%	11.2%	11.1%
Post-pay Customers, 000s												
Telenor	1,776	1,859	1,912	1,976	2,033	2,080	2,105	2,143	2,195	2,241	2,264	2,292
Telia	1,122	1,137	1,136	1,140	1,137	1,138	1,147	1,156	1,164	1,165	1,160	1,164
Tele2	0	0	0	0	0	0	0	0	0	0	0	0
Call Volumes, mn min/qtr												
Telenor	1,634	1,710	1,718	1,862	1,789	1,862	1,903	1,967	1,958	2,045	2,021	2,107
Telia	1,186	1,209	1,181	1,297	1,244	1,256	1,304	1,354	1,359	1,409	1,374	1,414
Tele2	296	312	306	329	312	325	339	346	343	357	351	366
Total	3,116	3,231	3,205	3,488	3,345	3,444	3,545	3,667	3,660	3,811	3,746	3,887
Call Volume growth, yoy												
Telenor	13.8%	15.4%	12.0%	15.2%	9.5%	8.9%	10.7%	5.6%	9.4%	9.8%	6.2%	7.1%
Telia	3.5%	1.7%	0.7%	9.3%	4.9%	4.0%	10.4%	4.4%	9.3%	12.2%	5.4%	4.4%
Tele2			13.2%	16.0%	5.4%	4.1%	10.7%	5.3%	10.0%	9.8%	3.6%	5.7%
Total			7.7%	13.0%	7.3%	6.6%	10.6%	5.1%	9.4%	10.7%	5.7%	6.0%
EBITDA, NOK m												
Telenor	1,224	1,009	1,127	1,166	1,182	1,135	1,249	1,339	1,369	1,270	1,359	1,376
Telia	646	593	675	766	731	672	630	639	706	625	627	657
Tele2	8	35	(10)	55	54	24	21	42	49	37	32	42

Source: Company reports and Citi Investment Research and Analysis

Norway Fixed Data

Figure 113. Norway Fixed Line Market Information

Norway	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Broadband Subscribers (000s)												
Incumbent retail	714	741	766	776	797	811	822	828	836	846	855	859
Incumbent wholesale	153	144	132	123	116	106	98	90	87	85	84	82
ULL (total)	313	331	348	356	356	356	357	355	348	338	329	322
Cable	172	172	172	172	172	172	172	172	172	172	172	172
Total	1,352	1,388	1,418	1,427	1,441	1,445	1,449	1,445	1,443	1,441	1,440	1,435
Broadband Subscribers (000s)												
Telenor - DSL	619	633	645	646	650	647	642	635	629	623	621	620
Telenor - Cable	95	108	121	130	147	164	180	193	207	223	234	239
Telia	176	177	178	176	176	176	172	168	232	223	215	206
Tele2	116	112	107	104	98	91	87	84	0	0	0	0
- other	346	358	367	371	370	367	368	365	375	372	370	370
Total	1,352	1,388	1,418	1,427	1,441	1,445	1,449	1,445	1,443	1,441	1,440	1,435
Broadband Subscribers Net Adds (000s)												
Telenor - DSL	13	14	12	1	4	(3)	(5)	(7)	(6)	(6)	(2)	(1)
Telenor - Cable	6	13	13	9	17	17	16	13	14	16	11	5
Telia	1	1	1	(2)	0	0	(4)	(4)	(11)	(9)	(8)	(9)
Tele2	2	(4)	(5)	(3)	(6)	(7)	(4)	(3)	0	0	0	0
- other	10	12	9	4	(1)	(3)	1	(3)	10	(3)	(2)	0
Total	32	36	30	9	14	4	4	(4)	(2)	(2)	(1)	(5)
Telephony Channels (000s)												
Incumbent retail	1,783	1,745	1,711	1,677	1,651	1,618	1,577	1,539	1,501	1,463	1,421	1,390
Incumbent wholesale (WLR)	263	257	247	238	230	221	216	213	207	201	196	191
ULL (total)	313	331	348	356	356	356	357	355	348	338	329	322
Cable												
Total	2,359	2,333	2,306	2,271	2,237	2,195	2,150	2,107	2,056	2,002	1,946	1,904
Telephony Channels Net Adds (000s)												
Incumbent retail	(36)	(38)	(34)	(34)	(26)	(33)	(41)	(38)	(38)	(38)	(42)	(31)
Incumbent wholesale (WLR)	(8)	(6)	(10)	(9)	(8)	(9)	(5)	(3)	(6)	(6)	(5)	(5)
ULL (total)	12	18	17	8	0	0	1	(2)	(7)	(10)	(9)	(7)
Cable	0	0	0	0	0	0	0	0	0	0	0	0
Total	(32)	(26)	(27)	(35)	(34)	(42)	(45)	(43)	(51)	(54)	(56)	(43)

Source: Company reports and Citi Investment Research and Analysis

Portugal

Fixed

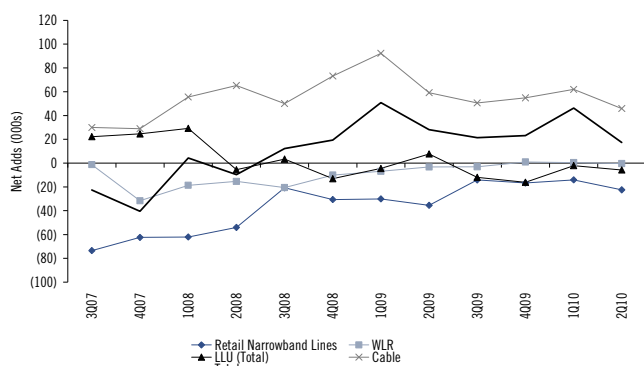
- **Stable fixed line market** —Portugal Telecom's retail line loss was -2.4% yoy in 2Q10, one of the lowest in the sector, while total number of fixed lines continues to go up: +3% yoy. Broadband net additions remain relatively constant, with marketing from all operators still focused on triple-play.

Mobile

- **Weak quarter mainly due slowing momentum at PT and VOD** — Service revenue showed a 100bp deterioration QoQ (-4.0% vs. -3%), despite the good GDP progression one quarter back. Nominal GDP growth in 2Q10 improved by c. 100 bp, a pattern which, if followed, should see better, maybe even positive service revenue growth in 3Q10. Quarterly MTR cuts weighed on performance at PT (service revenues down 4.4% yoy) and VOD (service revenues down 4.9% yoy).

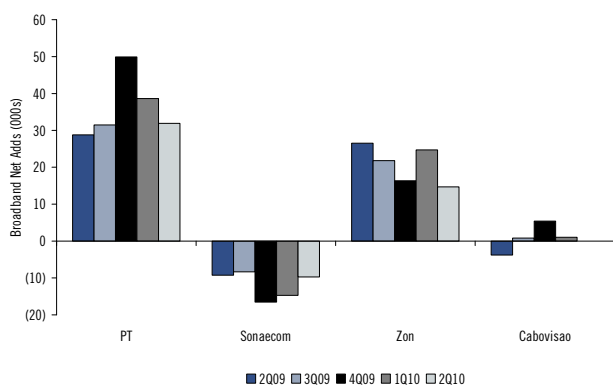
Fixed Charts

Figure 114. Telephony Net Adds



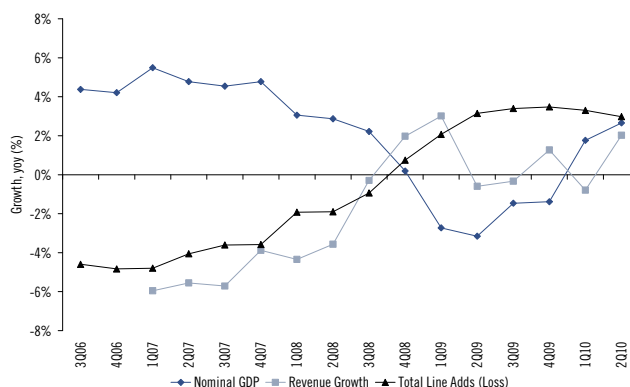
Source: Company reports and Citi Investment Research and Analysis

Figure 116. Broadband Subscriber Net Adds



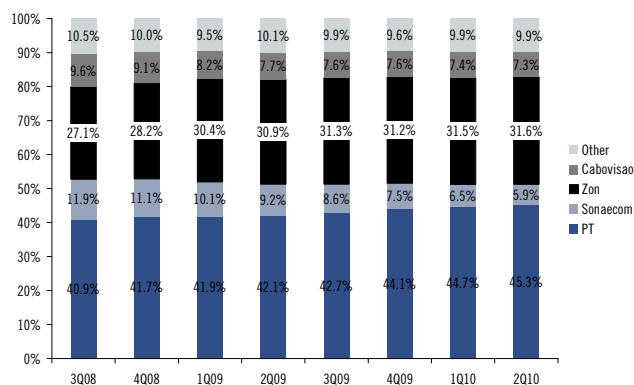
Source: Company reports and Citi Investment Research and Analysis

Figure 115. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

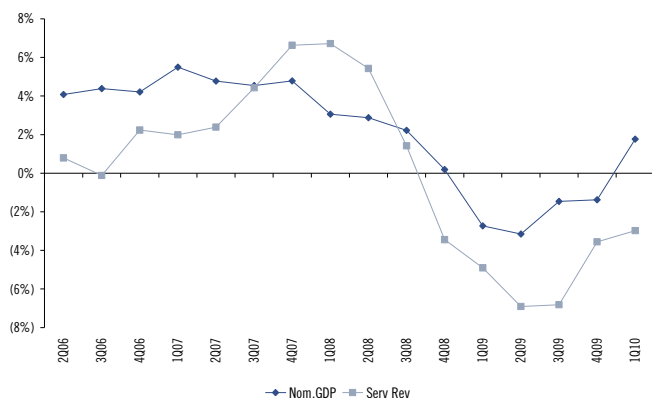
Figure 117. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

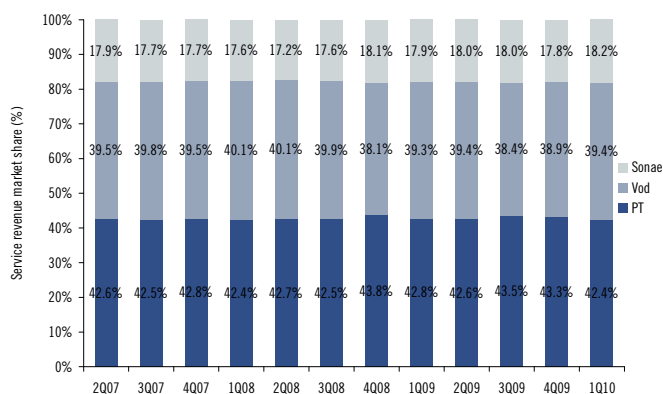
Mobile Charts

Figure 118. Revenue and GDP



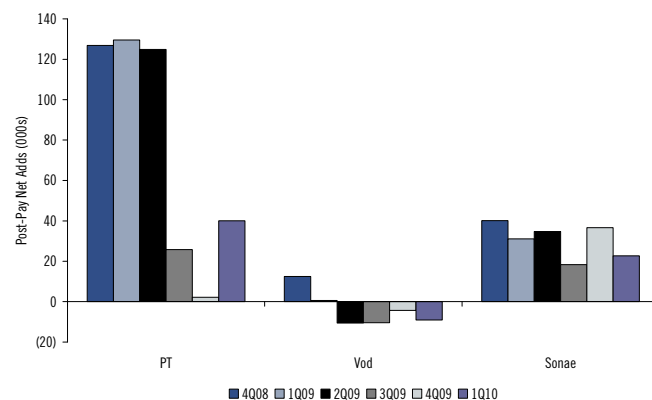
Source: Company reports, CIRA and Datastream

Figure 119. Service Revenue Market Share



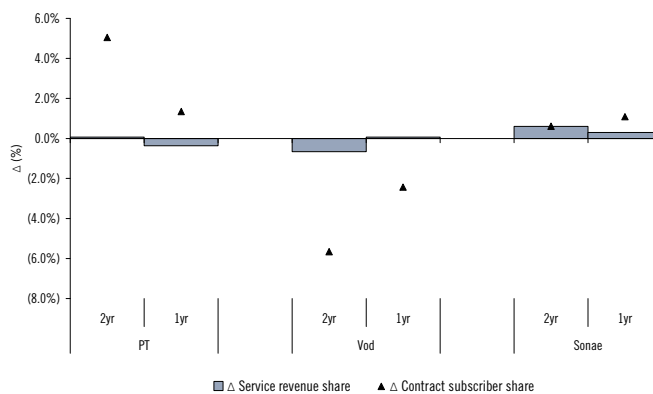
Source: Company reports and Citi Investment Research and Analysis

Figure 120. Post-Paid Net Adds



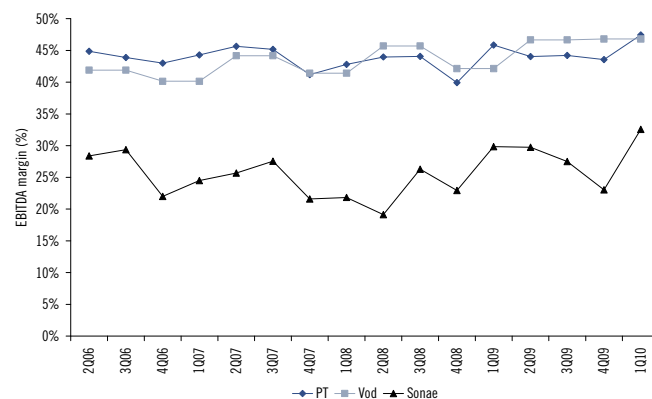
Source: Company reports and Citi Investment Research and Analysis

Figure 121. Change in Service Revenue and Contract Sub Share



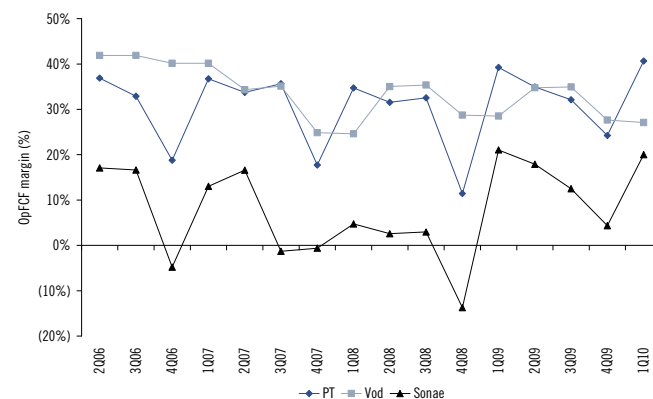
Source: Company reports and Citi Investment Research and Analysis

Figure 122. EBITDA Margin



Source: Company reports and Citi Investment Research and Analysis

Figure 123. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

Portugal Mobile Data

Figure 124. Portugal Mobile Market Information

Portugal	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Service Revenue, €m												
Portugal Telecom	365	362	347	358	370	357	333	333	353	340	321	318
Vodafone	342	334	328	336	347	311	306	307	312	306	298	293
Sonae	152	149	144	144	153	148	139	141	146	140	137	139
Total	859	845	819	839	871	816	779	781	811	787	756	749
Service Revenue Growth, yoy												
Portugal Telecom	2.5%	4.6%	5.9%	5.7%	1.5%	(1.3%)	(3.9%)	(7.1%)	(4.6%)	(4.7%)	(3.8%)	(4.4%)
Vodafone	7.8%	9.7%	7.6%	7.0%	1.7%	(6.8%)	(6.6%)	(8.6%)	(10.2%)	(1.7%)	(2.8%)	(4.9%)
Sonae	1.8%	5.1%	6.7%	1.3%	0.6%	(1.3%)	(3.3%)	(2.6%)	(4.5%)	(4.8%)	(1.4%)	(1.2%)
Total	4.4%	6.6%	6.7%	5.4%	1.4%	(3.4%)	(4.9%)	(6.9%)	(6.8%)	(3.6%)	(3.0%)	(4.0%)
Service Revenue Market Share												
Portugal Telecom	42.5%	42.8%	42.4%	42.7%	42.5%	43.8%	42.8%	42.6%	43.5%	43.3%	42.4%	42.4%
Vodafone	39.8%	39.5%	40.1%	40.1%	39.9%	38.1%	39.3%	39.4%	38.4%	38.9%	39.4%	39.0%
Sonae	17.7%	17.7%	17.6%	17.2%	17.6%	18.1%	17.9%	18.0%	18.0%	17.8%	18.2%	18.5%
Post-pay Customers, 000s												
Portugal Telecom	1,321	1,377	1,623	1,744	1,824	1,951	2,081	2,206	2,231	2,234	2,274	2,245
Vodafone	1,041	1,089	1,130	1,164	1,188	1,201	1,201	1,190	1,180	1,176	1,167	1,167
Sonae	697	608	855	880	921	961	992	1,026	1,045	1,081	1,104	1,110
Call Volumes, mn min/qtr												
Portugal Telecom	2,223	2,226	2,157	2,207	2,351	2,324	2,252	2,432	2,595	2,602	2,504	2,627
Vodafone	1,836	1,764	1,763	1,839	2,049	2,075	2,143	2,206	2,373	2,343	2,367	2,572
Sonae	984	1,023	1,029	1,144	1,221	1,231	1,249	1,278	1,324	1,384	1,387	1,401
Total	5,043	5,013	4,949	5,190	5,622	5,630	5,645	5,916	6,292	6,329	6,259	6,600
Call Volume growth, yoy												
Portugal Telecom	10.5%	10.2%	9.0%	6.3%	5.8%	4.4%	4.4%	10.2%	10.4%	12.0%	11.2%	8.0%
Vodafone	14.3%	11.2%	9.4%	11.0%	11.6%	17.6%	21.6%	20.0%	15.8%	12.9%	10.5%	16.6%
Sonae	13.6%	13.5%	12.7%	25.5%	24.1%	20.3%	21.4%	11.7%	8.4%	12.4%	11.1%	9.6%
Total	12.5%	11.2%	9.9%	11.7%	11.5%	12.3%	14.0%	14.0%	11.9%	12.4%	10.9%	11.6%
EBITDA, €m												
Portugal Telecom	182	170	167	172	180	164	170	162	176	167	164	161
Vodafone	151	138	136	154	159	131	129	143	145	143	139	0
Sonae	45	36	33	29	44	37	44	45	43	35	46	48

Source: Company reports and Citi Investment Research and Analysis

Portugal Fixed Data

Figure 125. Portugal Fixed Line Market Information

Portugal	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Broadband Subscribers (000s)												
Incumbent retail	741	652	657	667	679	710	752	781	812	862	901	933
Incumbent wholesale	63	62	60	57	55	53	50	51	54	54	53	53
ULL (total)	267	291	320	315	318	305	301	309	297	281	278	273
Cable	597	606	582	595	610	633	693	715	738	760	785	800
Total	1,667	1,611	1,619	1,634	1,662	1,701	1,796	1,856	1,901	1,956	2,017	2,058
Broadband Subscribers (000s)												
PT	741	652	657	667	679	710	752	781	812	862	901	933
Sonaecom	182	218	202	202	198	188	180	171	163	146	132	122
Zon	387	400	416	431	451	479	546	573	594	611	635	650
Cabovisao	210	206	166	164	159	154	147	143	144	149	150	150
- other	147	135	179	169	175	169	171	188	188	188	199	203
Total	1,667	1,611	1,619	1,634	1,662	1,701	1,796	1,856	1,901	1,956	2,017	2,058
Broadband Subscribers Net Adds (000s)												
PT	26	(90)	5	11	12	31	42	29	32	50	39	32
Sonaecom	39	36	(16)	0	(4)	(10)	(8)	(9)	(8)	(17)	(15)	(10)
Zon	6	13	16	15	20	28	67	27	22	16	25	15
Cabovisao	10	(4)	(40)	(2)	(5)	(5)	(7)	(4)	1	5	1	0
- other	(17)	(12)	43	(9)	5	(5)	1	18	(0)	(0)	11	4
Total	63	(57)	8	15	28	38	95	60	45	55	61	41
Telephony Channels (000s)												
Incumbent retail	3,073	3,010	2,948	2,894	2,873	2,843	2,813	2,777	2,763	2,746	2,732	2,710
Incumbent wholesale (WLR)	172	140	122	106	86	76	69	66	62	63	64	64
ULL (total)	267	291	320	315	318	305	301	309	297	281	278	273
Cable	54	83	139	204	254	327	419	479	529	584	646	692
Total	3,565	3,524	3,529	3,519	3,531	3,551	3,602	3,630	3,651	3,674	3,721	3,738
Telephony Channels Net Adds (000s)												
Incumbent retail	(74)	(62)	(62)	(54)	(21)	(31)	(30)	(35)	(14)	(17)	(14)	(22)
Incumbent wholesale (WLR)	(1)	(32)	(19)	(15)	(21)	(10)	(7)	(3)	(3)	1	1	(0)
ULL (full)	22	25	29	(6)	3	(13)	(4)	8	(12)	(16)	(2)	(6)
Cable	30	29	56	65	50	73	92	59	51	55	62	46
Total	(23)	(40)	4	(10)	12	19	51	28	21	23	46	17
Pay TV Subscribers (000s)												
PT	6	21	47	116	211	312	384	443	505	581	646	702
Zon	1,521	1,547	1,561	1,557	1,539	1,525	1,595	1,591	1,595	1,595	1,588	1,576
Pay TV Subscribers Net Adds (000s)												
PT	6	15	26	70	95	101	72	59	62	76	65	57
Zon	26	26	14	(4)	(18)	(14)	70	(4)	3	0	(6)	(12)

Source: Company reports and Citi Investment Research and Analysis

Spain

Fixed

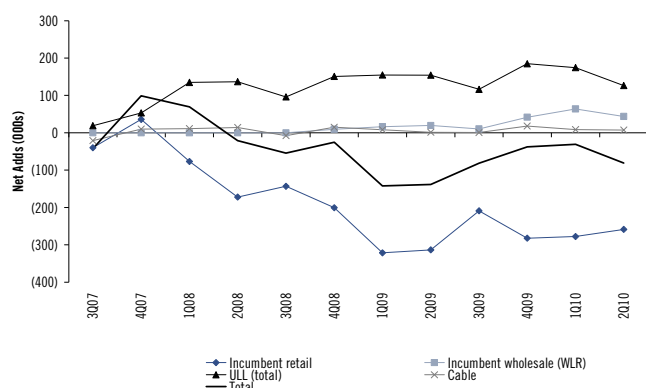
- **ULL Slowdown** — In the last quarter, Telefonica continued to improve the trend in retail line loss, as migrations to ULL lines has slightly decreased. Total BB market was again strong, up 9.2% yoy, with Vodafone and Jazztel posting strong net adds during the quarter.
- **Fixed revenue recovering slowly** — Fixed revenues for Telefonica recovered slightly after the sharp drop seen in the first quarter. Wireline revenues were down 4.3% yoy in 2Q10 vs. -4.8% yoy last quarter.

Mobile

- **Revenue recovery continues, ahead of a tough 2H?** — Revenue growth continued its fourth sequential improvement since the bottom in 2Q09: -4.4% yoy in 2Q10 vs. -4.8% in 1Q10. The overhang here is that austerity plans and VAT increase in 3Q10 will affect already weak consumer confidence, and consequently have an impact on telco service revenues. Telefonica maintained a stable market share of service revenues in the quarter, while Telia continued to have good momentum.

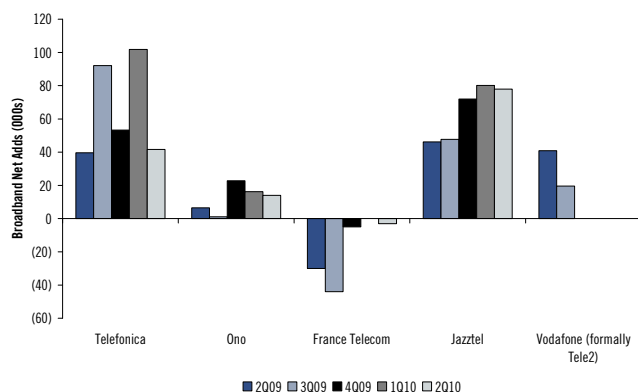
Fixed Charts

Figure 126. Telephony Net Adds



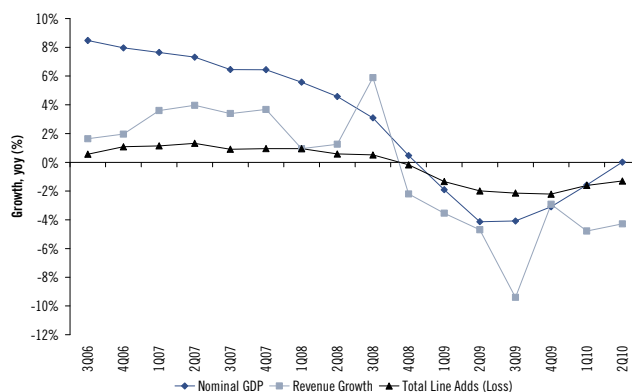
Source: Company reports and Citi Investment Research and Analysis

Figure 128. Broadband Subscriber Net Adds



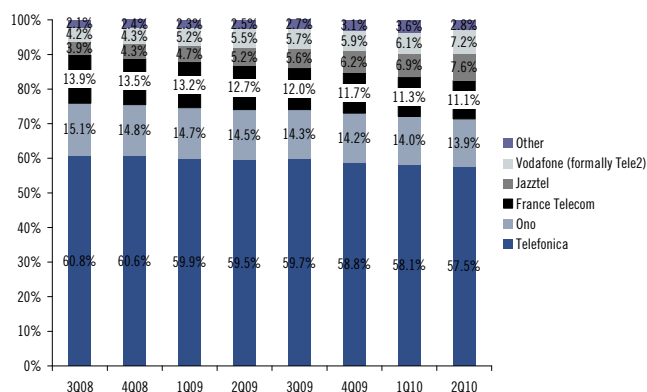
Source: Company reports and Citi Investment Research and Analysis

Figure 127. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

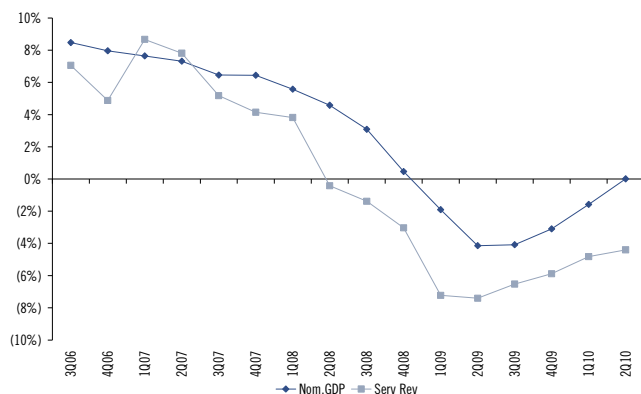
Figure 129. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

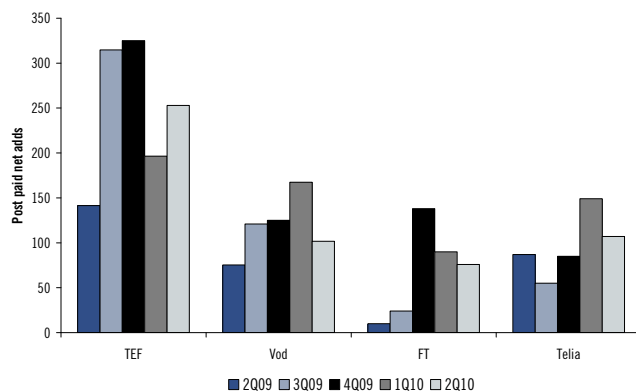
Mobile Charts

Figure 130. Revenue and GDP



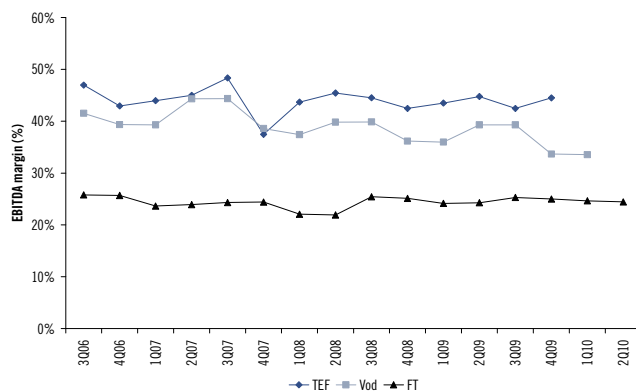
Source: Company reports, CIRA and Datastream

Figure 132. Post-Paid Net Adds



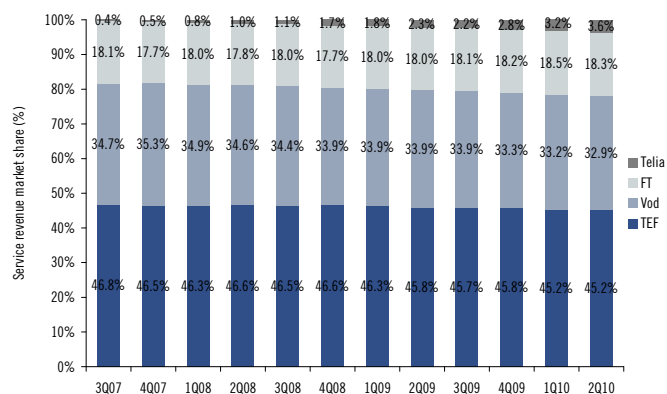
Source: Company reports and Citi Investment Research and Analysis

Figure 134. EBITDA Margin



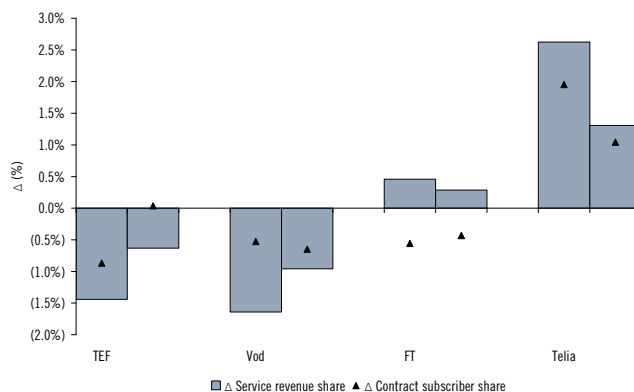
Source: Company reports and Citi Investment Research and Analysis

Figure 131. Service Revenue Market Share



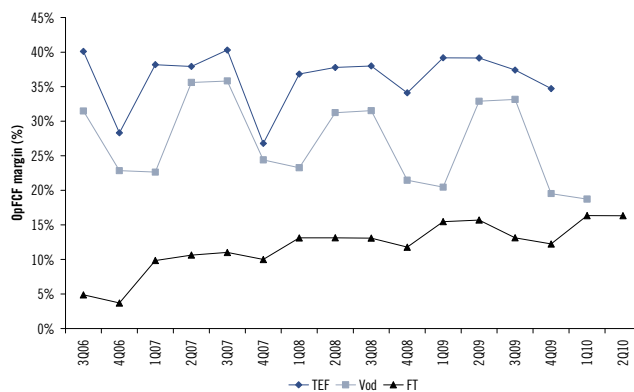
Source: Company reports and Citi Investment Research and Analysis

Figure 133. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 135. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

Spain Mobile Data

Figure 136. Spanish Mobile Market Information

Spain	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Service Revenue, €m												
Telefonica	2,245	2,111	2,072	2,132	2,198	2,055	1,921	1,940	2,022	1,898	1,785	1,829
Vodafone	1,666	1,603	1,560	1,582	1,629	1,495	1,409	1,436	1,500	1,379	1,311	1,334
Orange (FT)	869	805	806	815	852	779	747	762	802	755	729	740
Telia	17	24	35	44	52	77	73	97	98	114	126	146
Total	4,797	4,543	4,473	4,573	4,731	4,406	4,150	4,235	4,422	4,146	3,950	4,048
Service Revenue Growth, yoy												
Telefonica	3.3%	2.6%	2.0%	0.5%	(2.1%)	(2.7%)	(7.3%)	(9.0%)	(8.0%)	(7.6%)	(7.1%)	(5.7%)
Vodafone	8.5%	7.1%	5.4%	(3.0%)	(2.2%)	(6.8%)	(9.7%)	(9.2%)	(7.9%)	(7.7%)	(7.0%)	(7.1%)
Orange (FT)	2.0%	(0.2%)	2.3%	(1.7%)	(2.0%)	(3.2%)	(7.3%)	(6.5%)	(5.9%)	(3.1%)	(2.4%)	(2.9%)
Telia												
Total	5.2%	4.1%	3.8%	(0.4%)	(1.4%)	(3.0%)	(7.2%)	(7.4%)	(6.5%)	(5.9%)	(4.8%)	(4.4%)
Service Revenue Market Share												
Telefonica	46.8%	46.5%	46.3%	46.6%	46.5%	46.6%	46.3%	45.8%	45.7%	45.8%	45.2%	45.2%
Vodafone	34.7%	35.3%	34.9%	34.6%	34.4%	33.9%	33.9%	33.9%	33.9%	33.3%	33.2%	32.9%
Orange (FT)	18.1%	17.7%	18.0%	17.8%	18.0%	17.7%	18.0%	18.0%	18.1%	18.2%	18.5%	18.3%
Telia	0.4%	0.5%	0.8%	1.0%	1.1%	1.7%	1.8%	2.3%	2.2%	2.8%	3.2%	3.6%
Post-pay Customers, 000s												
Telefonica	13,262	13,645	13,950	14,261	14,458	14,568	14,553	14,694	15,009	15,334	15,531	15,784
Vodafone	8,758	9,059	9,303	9,531	9,701	9,824	9,977	10,052	10,173	10,298	10,466	10,567
Orange (FT)	5,790	5,956	6,079	6,220	6,311	6,434	6,485	6,495	6,519	6,657	6,747	6,823
Telia	109	181	219	248	290	370	463	550	605	690	839	946
Call Volumes, mn min/qtr												
Telefonica	11,220	10,588	10,408	10,991	11,441	10,727	10,038	10,499	11,007	10,495	10,051	10,562
Vodafone	8,886	8,800	8,815	9,226	9,059	8,827	8,457	8,759	9,035	8,980	8,769	9,124
France Telecom	4,506	4,788	4,690	4,808	4,939	5,017	5,096	5,117	5,160	5,287	5,272	5,209
Telia	100	163	235	292	343	413	475	536	601	668	740	838
Total	24,712	24,338	24,148	25,317	25,782	24,984	24,066	24,911	25,803	25,431	24,832	25,733
Call Volume growth, yoy												
Telefonica	13.6%	5.9%	0.2%	4.9%	2.0%	1.3%	(3.6%)	(4.5%)	(3.8%)	(2.2%)	0.1%	0.6%
Vodafone	18.0%	15.0%	6.9%	8.2%	1.9%	0.3%	(4.1%)	(5.1%)	(0.3%)	1.7%	3.7%	4.2%
France Telecom	10.0%	13.6%	8.5%	9.2%	9.6%	4.8%	8.7%	6.4%	4.5%	5.4%	3.5%	1.8%
Telia			688.1%	362.1%	241.8%	153.6%	102.2%	83.4%	75.3%	61.8%	55.6%	56.2%
Total	14.9%	11.3%	5.1%	7.9%	4.3%	2.7%	(0.3%)	(1.6%)	0.1%	1.8%	3.2%	3.3%
Contract Churn, % p.a												
Telefonica			13.2%	13.2%	13.2%	15.6%	16.8%	15.6%	14.4%	15.6%	18.0%	16.8%
Vodafone	14.6%	15.2%	16.6%	16.4%	16.1%	18.3%	18.3%	19.9%	20.6%	21.7%	21.2%	18.9%
Orange (FT)	27.6%	27.4%	23.8%	22.9%	22.7%	23.1%	23.5%	24.1%	24.5%	24.2%	23.6%	22.8%
Data Revenue (excl messaging) % Service Revenue												
Telefonica	7.2%	7.5%	8.8%	8.7%	9.4%	10.3%	11.4%	11.2%	11.9%	12.7%	13.5%	13.4%
Vodafone	7.1%	7.0%	7.1%	7.3%	7.3%	8.1%	10.2%	9.3%	9.3%	9.8%	10.9%	11.3%
Orange (FT)	5.2%	4.6%	5.0%	5.7%	5.7%	6.3%	7.3%	6.8%	7.2%	8.9%	8.9%	8.7%
EBITDA, €m												
Telefonica	1,226	902	1,048	1,099	1,106	1,012	945	980	988	1,014		
Vodafone	742	629	612	660	680	570	537	599	625	495	470	
Orange (FT)	218	201	182	185	224	204	189	193	212	200		
Capex, €m												
Telefonica	204	257	165	185	162	199	94	123	118	223		
Vodafone	143	231	231	142	142	232	232	98	98	208	208	
Orange (FT)	119	119	74	74	109	109	68	68	102	102		

Source: Company reports and Citi Investment Research and Analysis

Spain Fixed Data

Figure 137. Spanish Fixed Line Market Information

Spain	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Broadband Subscribers (000s)												
Incumbent retail	4,381	4,614	4,836	5,005	5,117	5,246	5,292	5,331	5,424	5,477	5,579	5,620
Incumbent wholesale	509	496	480	463	445	424	406	369	337	359	419	464
ULL (total)	1,238	1,354	1,467	1,533	1,585	1,698	1,835	1,951	2,021	2,154	2,261	2,332
Cable	1,160	1,203	1,241	1,272	1,272	1,283	1,295	1,302	1,303	1,326	1,342	1,356
Total	7,288	7,666	8,024	8,272	8,419	8,651	8,828	8,953	9,085	9,315	9,600	9,772
Broadband Subscribers (000s)												
Telefonica	4,381	4,614	4,836	5,005	5,117	5,246	5,292	5,331	5,424	5,477	5,579	5,620
Ono	1,160	1,203	1,241	1,272	1,272	1,283	1,295	1,302	1,303	1,326	1,342	1,356
France Telecom	1,156	1,177	1,186	1,192	1,174	1,164	1,165	1,135	1,091	1,086	1,086	1,083
Jazztel	240	255	277	300	327	375	416	462	510	582	662	740
Vodafone (formally Tele2)	258	273	300	326	350	373	456	497	516	551	585	700
Other	94	145	184	178	179	210	204	225	241	293	346	273
Total	7,288	7,666	8,024	8,272	8,419	8,651	8,828	8,953	9,085	9,315	9,600	9,772
Broadband Subscribers Net Adds (000s)												
Telefonica	149	233	222	169	112	129	45	40	92	53	102	42
Ono	(9)	43	38	31	0	11	13	7	1	23	16	14
France Telecom	458	21	9	6	(18)	(10)	1	(30)	(44)	(5)	0	(3)
Jazztel	4	15	23	23	27	48	42	46	48	72	80	78
Vodafone (formally Tele2)	0	15	27	25	24	24	83	41	20	35	34	115
Other	(670)	51	40	(6)	1	31	(6)	21	16	52	53	(73)
Total	191	378	358	248	147	232	177	125	132	230	285	172
Telephony Channels (000s)												
Incumbent retail	15,883	15,919	15,842	15,670	15,527	15,326	15,005	14,691	14,483	14,200	13,923	13,664
Incumbent wholesale (WLR)	0	0	0	0	0	10	26	45	56	97	161	205
ULL (total)	524	578	713	849	945	1,096	1,251	1,405	1,521	1,706	1,881	2,007
Cable	1,595	1,605	1,616	1,631	1,623	1,638	1,646	1,647	1,648	1,666	1,675	1,682
Total	18,002	18,101	18,171	18,150	18,095	18,070	17,927	17,789	17,707	17,670	17,639	17,558
Telephony Channels Net Adds (000s)												
Incumbent retail	(40)	36	(77)	(172)	(143)	(201)	(321)	(314)	(209)	(282)	(278)	(259)
Incumbent wholesale (WLR)	0	0	0	0	0	10	16	20	10	42	64	44
ULL (full)	19	53	135	137	96	151	155	154	117	185	174	127
Cable	(21)	10	11	14	(8)	15	8	1	1	18	9	7
Total	(42)	99	69	(21)	(55)	(25)	(142)	(139)	(81)	(38)	(31)	(81)
Pay TV Subscribers (000s)												
TEF	469	511	554	577	590	613	605	610	654	703	733	748
ONO	909	960	1,011	1,052	1,057	1,039	1,016	991	977	975	970	966
Orange	18	54	75	92	86	87	99	92	86	84	79	75
Total	1,396	1,525	1,640	1,721	1,733	1,739	1,720	1,693	1,717	1,762	1,782	1,789
Pay TV Subscribers Net Adds (000s)												
TEF	18	42	43	23	13	23	(8)	5	45	49	30	15
ONO	(13)	51	51	41	5	(18)	(23)	(25)	(14)	(2)	(5)	(4)
Orange	2	36	21	17	(6)	1	12	(7)	(6)	(2)	(5)	(4)
Total	7	129	115	81	12	6	(18)	(28)	25	45	20	7

Source: Company reports and Citi Investment Research and Analysis

Sweden

Fixed

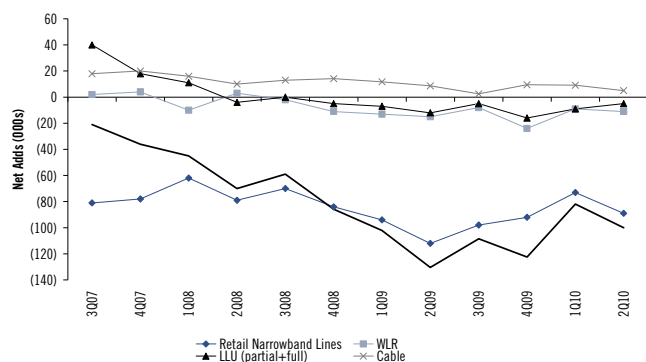
- **Fixed line loss improves** — Total fixed lines continue to decline at one of the highest rates in Europe, -7.3% 2Q10 vs -7.6% 1Q10. Otherwise trends were broadly stable, especially in the broadband market.

Mobile

- **Strong growth driven by data** — Revenue growth was 4.2%, while a slight reduction from 1Q10 (5.4%), this is still one of the strongest markets in Europe. This growth is being driven by voice price stability and data growth.
- **Tele2 gaining share** — After a concerted push in post-pay, Tele2 gained share in the quarter. Tele2 achieved 31k post-pay net adds, vs 28k Telenor. 94k Telia.

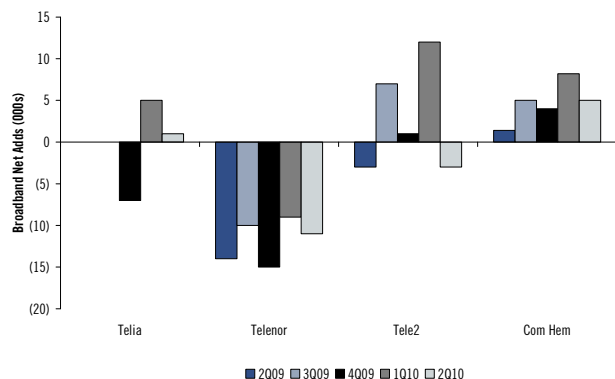
Fixed Charts

Figure 138. Telephony Net Adds



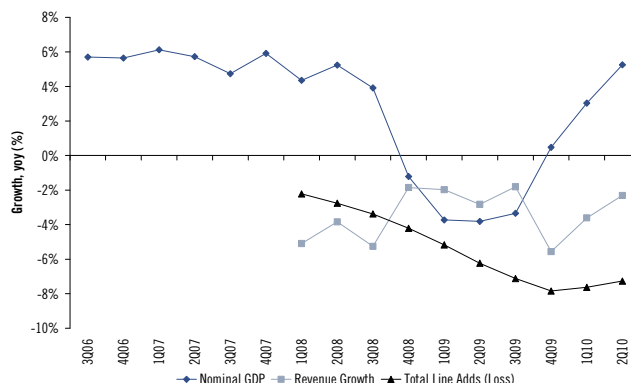
Source: Company reports and Citi Investment Research and Analysis

Figure 140. Broadband Subscriber Net Adds



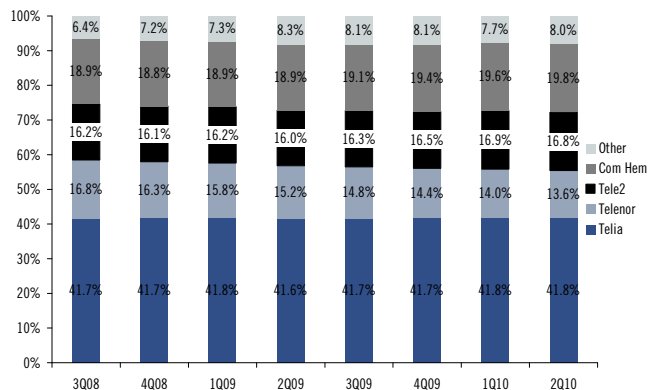
Source: Company reports and Citi Investment Research and Analysis

Figure 139. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

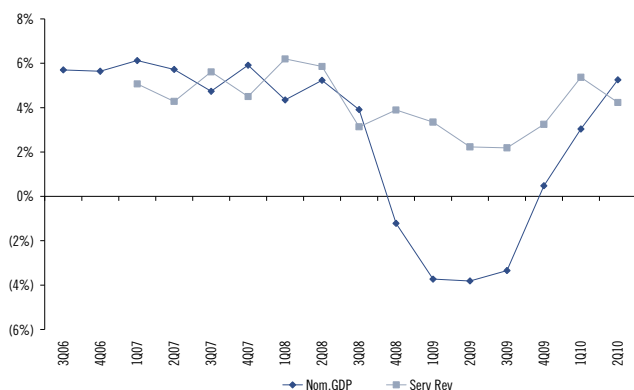
Figure 141. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

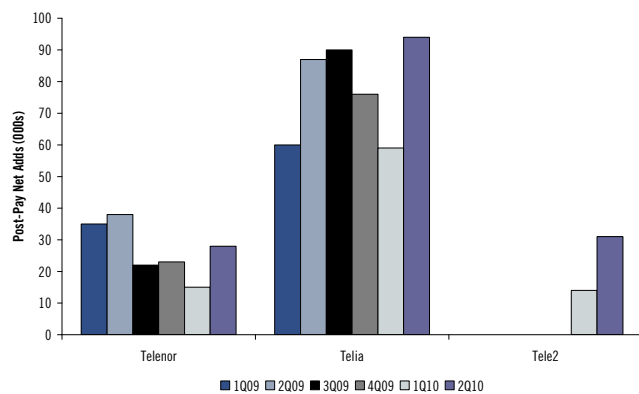
Mobile Charts

Figure 142. Revenue and GDP



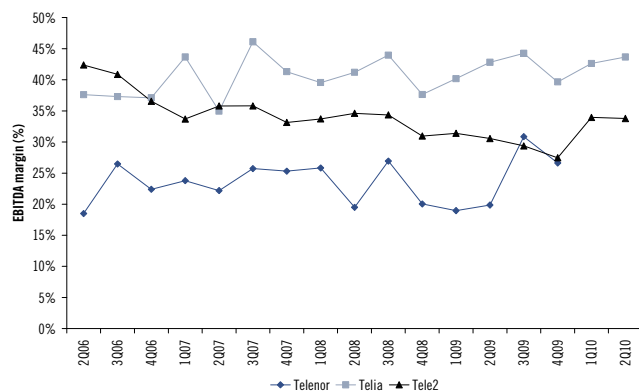
Source: Company reports, CIRA and Datastream

Figure 144. Post-Paid Net Adds



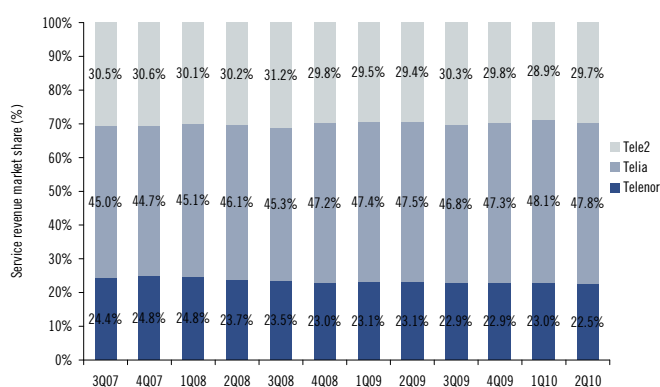
Source: Company reports and Citi Investment Research and Analysis

Figure 146. EBITDA Margin



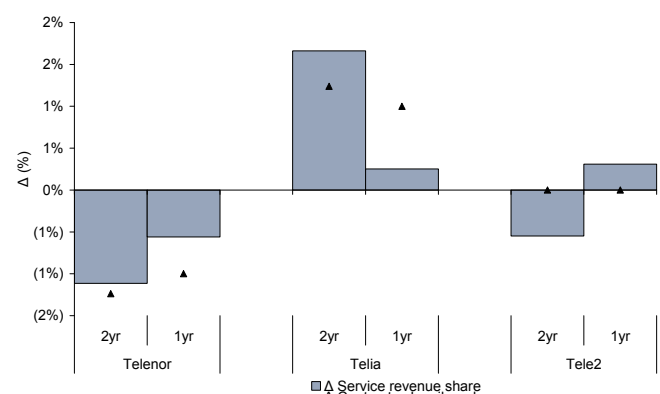
Source: Company reports and Citi Investment Research and Analysis

Figure 143. Service Revenue Market Share



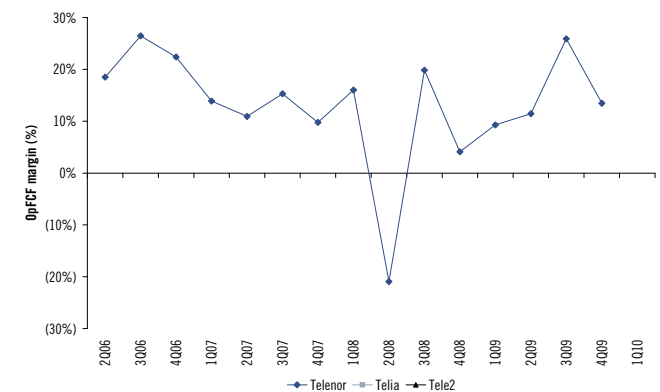
Source: Company reports and Citi Investment Research and Analysis

Figure 145. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 147. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

Sweden Mobile Data

Figure 148. Swedish Mobile Market Information

Sweden	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Service Revenue, SEK m												
Telenor	1,564	1,579	1,543	1,597	1,552	1,524	1,488	1,595	1,547	1,565	1,558	1,622
Telia	2,882	2,846	2,805	3,113	2,988	3,121	3,046	3,280	3,155	3,230	3,262	3,436
Tele2	1,955	1,947	1,875	2,042	2,061	1,974	1,896	2,029	2,043	2,040	1,956	2,137
Total	6,400	6,372	6,223	6,753	6,601	6,620	6,431	6,903	6,745	6,835	6,776	7,195
Service Revenue Growth, yoy												
Telenor	7.7%	6.9%	6.4%	0.3%	(0.7%)	(3.5%)	(3.5%)	(0.2%)	(0.3%)	2.6%	4.7%	1.7%
Telia	2.6%	(0.0%)	4.0%	7.6%	3.7%	9.7%	8.6%	5.4%	5.6%	3.5%	7.1%	4.8%
Tele2	0.0%	0.0%	0.0%	7.8%	5.4%	1.4%	1.1%	(0.7%)	(0.9%)	3.3%	3.2%	5.3%
Total	5.6%	4.5%	6.2%	5.9%	3.1%	3.9%	3.3%	2.2%	2.2%	3.2%	5.4%	4.2%
Service Revenue Market Share												
Telenor	24.4%	24.8%	24.8%	23.7%	23.5%	23.0%	23.1%	23.1%	22.9%	22.9%	23.0%	22.5%
Telia	45.0%	44.7%	45.1%	46.1%	45.3%	47.2%	47.4%	47.5%	46.8%	47.3%	48.1%	47.8%
Tele2	30.5%	30.6%	30.1%	30.2%	31.2%	29.8%	29.5%	29.4%	30.3%	29.8%	28.9%	29.7%
Post-pay Customers, 000s												
Telenor	1,325	1,358	1,383	1,421	1,476	1,536	1,571	1,609	1,631	1,654	1,669	1,697
Telia	2,404	2,398	2,546	2,708	2,863	2,952	3,012	3,099	3,189	3,265	3,324	3,418
Tele2	0	0	0	0	0	0	0	0	0	0	0	0
Call Volumes, mn min/qtr												
Telenor	1,094	1,140	1,107	1,239	1,161	1,222	1,206	1,314	1,294	1,296	1,327	1,435
Telia	2,687	2,801	2,835	3,233	3,189	3,533	3,385	3,608	3,605	3,788	3,874	4,137
Tele2	1,720	1,827	1,832	2,067	2,028	2,212	2,128	2,218	2,156	2,233	2,285	2,469
Total	5,501	5,768	5,774	6,539	6,378	6,967	6,719	7,139	7,056	7,317	7,486	8,041
Call Volume growth, yoy												
Telenor	17.1%	13.3%	7.9%	10.8%	6.1%	7.2%	9.0%	6.0%	11.5%	6.1%	9.9%	9.2%
Telia	19.5%	16.4%	15.2%	20.3%	18.7%	26.2%	19.4%	11.6%	13.1%	7.2%	14.4%	14.7%
Tele2	(6.7%)	(6.3%)	(7.1%)	6.6%	18.0%	21.1%	16.1%	7.3%	6.3%	1.0%	7.4%	11.3%
Total	9.4%	7.6%	5.7%	13.8%	15.9%	20.8%	16.4%	9.2%	10.6%	5.0%	11.4%	12.6%
EBITDA, SEK m												
Telenor	441	428	426	335	456	324	296	336	512	434		
Telia	1,386	1,216	1,123	1,291	1,388	1,197	1,252	1,424	1,490	1,360	1,472	1,580
Tele2	700	645	632	707	708	611	595	620	600	560		

Source: Company reports and Citi Investment Research and Analysis

Sweden Fixed Data

Figure 149. Swedish Fixed Line Market Information

Sweden	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Broadband Subscribers (000s)												
Incumbent retail	1,027	1,067	1,089	1,099	1,107	1,122	1,132	1,132	1,132	1,125	1,130	1,131
Incumbent wholesale	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	591	609	620	616	616	611	604	592	587	571	562	557
Cable	466	479	490	495	503	506	512	513	518	522	530	535
Other	428	435	406	411	430	453	459	483	480	480	480	480
Total	2,512	2,590	2,605	2,621	2,656	2,692	2,706	2,720	2,717	2,698	2,702	2,703
Broadband Subscribers (000s)												
Telia	1,027	1,067	1,089	1,099	1,107	1,122	1,132	1,132	1,132	1,125	1,130	1,131
Telenor	475	475	468	456	446	438	427	413	403	388	379	368
Tele2	365	386	416	418	430	433	439	436	443	444	456	453
Com Hem	466	479	490	495	503	506	512	513	518	522	530	535
- other	179	183	142	153	170	193	197	226	221	219	207	216
Total	2,512	2,590	2,605	2,621	2,656	2,692	2,706	2,720	2,717	2,698	2,702	2,703
Broadband Subscribers Net Adds (000s)												
Telia	24	40	22	10	8	15	10	0	0	(7)	5	1
Telenor	5	0	(7)	(12)	(10)	(8)	(11)	(14)	(10)	(15)	(9)	(11)
Tele2	20	21	30	2	12	3	6	(3)	7	1	12	(3)
Com Hem	19	13	11	5	8	3	6	1	5	4	8	5
- other	10	4	(40)	11	18	23	3	30	(5)	(2)	(12)	9
Total	78	78	16	16	36	36	14	14	(3)	(19)	4	1
Telephony Channels (000s)												
Incumbent retail	4,373	4,295	4,233	4,154	4,084	4,000	3,906	3,794	3,696	3,604	3,531	3,442
Incumbent wholesale (WLR)	1,003	1,007	997	1,000	998	987	974	959	951	927	918	907
ULL (total)	591	609	620	616	616	611	604	592	587	571	562	557
Cable	241	261	277	287	300	314	326	335	337	347	356	361
Total	6,208	6,172	6,127	6,057	5,998	5,912	5,810	5,680	5,571	5,449	5,367	5,267
Telephony Channels Net Adds (000s)												
Incumbent retail	(81)	(78)	(62)	(79)	(70)	(84)	(94)	(112)	(98)	(92)	(73)	(89)
Incumbent wholesale (WLR)	2	4	(10)	3	(2)	(11)	(13)	(15)	(8)	(24)	(9)	(11)
ULL (total)	40	18	11	(4)	0	(5)	(7)	(12)	(5)	(16)	(9)	(5)
Cable	18	20	16	10	13	14	12	9	3	10	9	5
Total	(21)	(36)	(45)	(70)	(59)	(86)	(102)	(130)	(109)	(123)	(82)	(100)
Pay TV Subscribers (000s)												
Telia	216	304	318	320	320	324	333	350	367	396	411	418
Telenor	242	242	235	235	233	235	231	226	223	217	212	202
Com Hem	485	501	514	524	542	552	564	565	573	576	592	
Pay TV Subscribers Net Adds (000s)												
Telia	58	88	14	2	0	4	9	17	17	29	15	7
Telenor	0	0	(7)	0	(2)	2	(4)	(5)	(3)	(6)	(5)	(10)
Com Hem	15	16	13	10	18	10	12	1	8	3	16	

Source: Company reports and Citi Investment Research and Analysis

Switzerland

Fixed

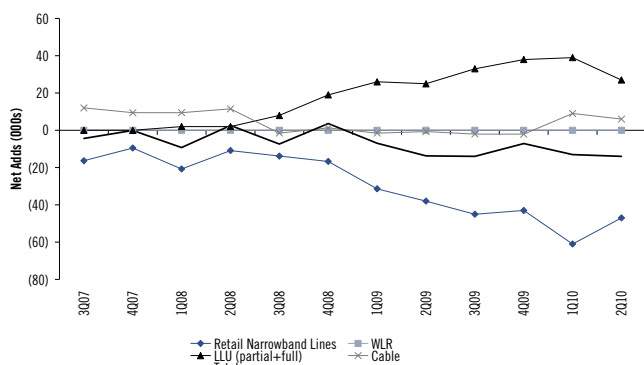
- **Continued line loss to ULL** — Swisscom continues to lose retail lines to full ULL. This drives a yoy retail line loss of -3.3%. Total market line loss remains stable at -1.2%.
- **Swisscom strong TV net adds** — Swisscom is continuing a successful push into triple play, with 42k TV net adds vs 43k 1Q10.

Mobile

- **Strong data growth** — Swisscom's mobile service revenue growth increased to 3.4% from 1.2% 1Q10. This was primarily driven by mobile data growth. Swisscom says that it is now seeing the pick-up in consumer data, just as business data started growing 2 years ago.

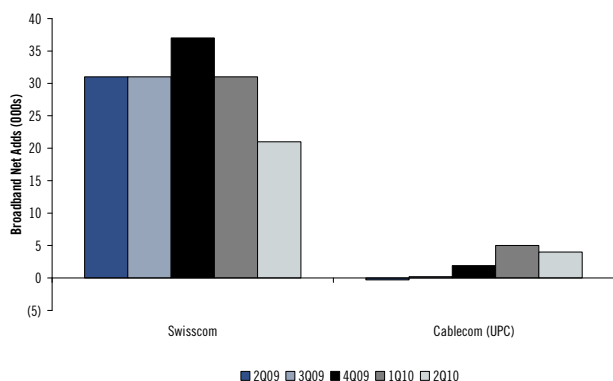
Fixed Charts

Figure 150. Telephony Net Adds



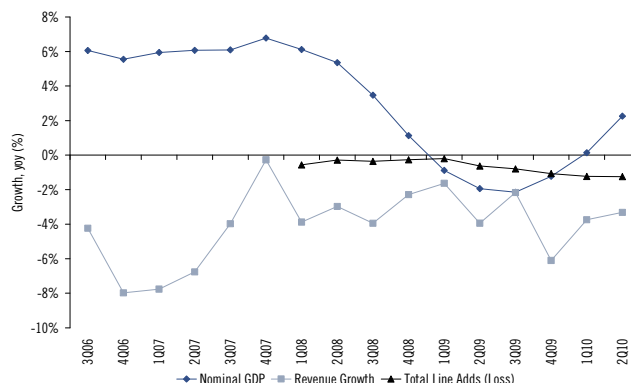
Source: Company reports and Citi Investment Research and Analysis

Figure 152. Broadband Subscriber Net Adds



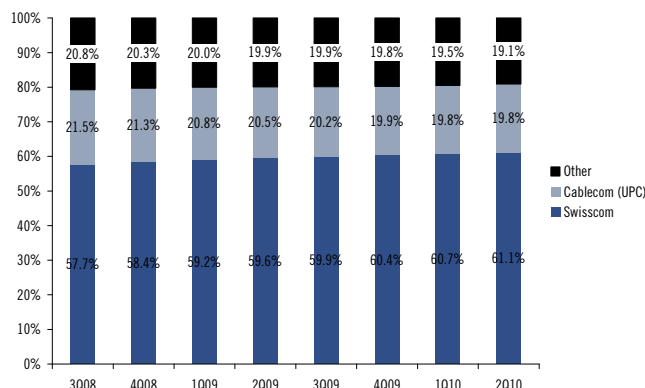
Source: Company reports and Citi Investment Research and Analysis

Figure 151. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

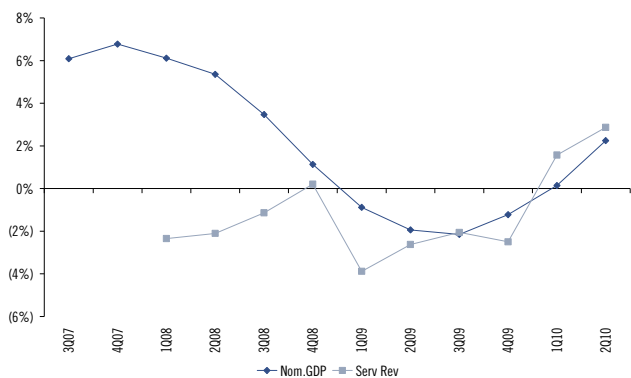
Figure 153. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

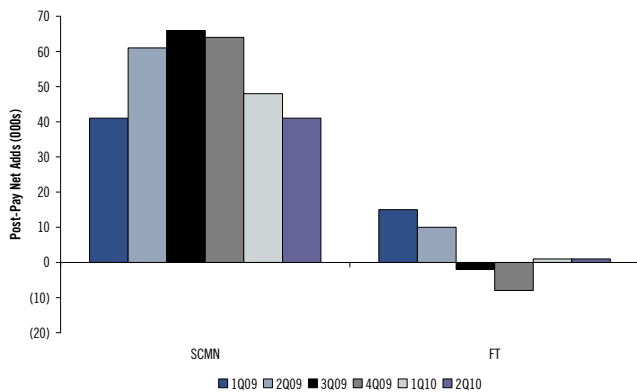
Mobile Charts

Figure 154. Revenue and GDP



Source: Company reports, CIRA and Datastream

Figure 156. Post-Paid Net Adds



Source: Company reports and Citi Investment Research and Analysis

Figure 156.5155. Service Revenue Market Share

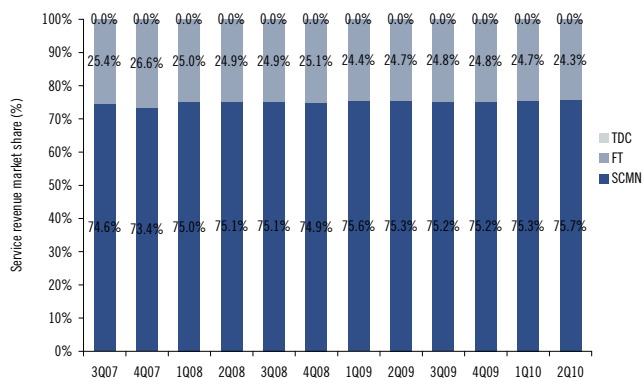
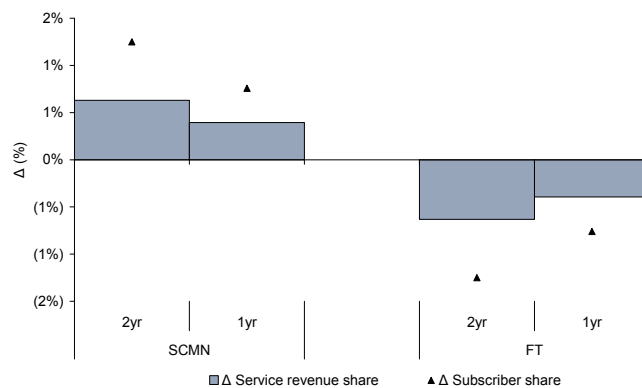


Figure 157. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Switzerland Mobile Data

Figure 158. Swiss Mobile Market Information

Switzerland	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Service Revenue, CHFm												
Swisscom	903	844	847	871	899	862	820	851	882	844	830	880
Orange (FT)	307	305	282	289	297	290	265	279	290	279	272	282
Total	1,211	1,149	1,129	1,160	1,197	1,152	1,085	1,130	1,172	1,123	1,102	1,162
Service Revenue Growth, yoy												
Swisscom			2.4%	0.9%	(0.4%)	2.1%	(3.2%)	(2.3%)	(1.9%)	(2.1%)	1.2%	3.4%
Orange (FT)			(14.3%)	(10.2%)	(3.2%)	(5.1%)	(5.9%)	(3.5%)	(2.5%)	(3.7%)	2.7%	1.2%
Total			(2.3%)	(2.1%)	(1.1%)	0.2%	(3.9%)	(2.6%)	(2.1%)	(2.5%)	1.6%	2.9%
Customers, 000s												
Swisscom	4,894	5,007	5,100	5,181	5,284	5,370	5,411	5,472	5,538	5,602	5,650	5,691
Orange (FT)	1,473	1,510	1,529	1,527	1,530	1,543	1,558	1,568	1,566	1,558	1,559	1,560
Customer Net Adds, 000s												
Swisscom	118	113	93	81	103	86	41	61	66	64	48	41
Orange (FT)	32	37	19	(2)	3	13	15	10	(2)	(8)	1	1

Source: Company reports and Citi Investment Research and Analysis

Switzerland Fixed Data

Figure 159. Swiss Fixed Line Market Information

Switzerland	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Broadband Subscribers (000s)												
Incumbent retail	1,123	1,169	1,221	1,254	1,279	1,331	1,379	1,410	1,441	1,478	1,509	1,530
Incumbent wholesale	440	438	439	450	448	431	410	390	363	331	293	260
ULL (total)	0	0	2	4	12	31	57	82	115	153	192	219
Cable	444	455	468	480	477	486	485	485	485	487	492	496
Total	2,007	2,062	2,130	2,188	2,216	2,278	2,331	2,367	2,404	2,449	2,486	2,505
Broadband Subscribers (000s)												
Swisscom	1,123	1,169	1,221	1,254	1,279	1,331	1,379	1,410	1,441	1,478	1,509	1,530
Cablecom (UPC)	444	455	468	480	477	486	485	485	485	487	492	496
- other	440	438	441	454	460	462	467	472	478	484	485	479
Total	2,007	2,062	2,130	2,188	2,216	2,278	2,331	2,367	2,404	2,449	2,486	2,505
Broadband Subscribers Net Adds (000s)												
Swisscom	53	46	52	33	24	52	48	31	31	37	31	21
Cablecom (UPC)	12	11	13	12	(2)	8	(0)	(0)	0	2	5	4
- other	(1)	(2)	3	13	6	2	5	5	6	6	1	(6)
Total	64	55	68	58	28	62	53	36	37	45	37	19
Telephony Channels (000s)												
Incumbent retail	3,620	3,611	3,590	3,579	3,565	3,548	3,517	3,479	3,434	3,391	3,330	3,283
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	0	0	2	4	12	31	57	82	115	153	192	219
Cable	279	289	298	310	308	309	308	307	305	303	312	318
Total	3,899	3,899	3,890	3,892	3,885	3,889	3,882	3,868	3,854	3,847	3,834	3,820
Telephony Channels Net Adds (000s)												
Incumbent retail	(16)	(9)	(21)	(11)	(14)	(17)	(31)	(38)	(45)	(43)	(61)	(47)
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	0	0	2	2	8	19	26	25	33	38	39	27
Cable	12	9	10	12	(2)	1	(2)	(1)	(2)	(2)	9	6
Total	(4)	(0)	(9)	3	(7)	4	(7)	(14)	(14)	(7)	(13)	(14)
Pay TV Subscribers (000s)												
Swisscom	52	59	64	80	95	118	139	165	186	232	275	317
Cablecom (UPC)	1,554	1,551	1,557	1,562	1,567	1,556	1,557	1,552	1,554	1,546	1,541	1,539
Pay TV Subscribers Net Adds (000s)												
Swisscom	12	7	5	16	15	23	21	26	21	46	43	42
Cablecom (UPC)	(2)	(3)	6	4	5	(10)	1	(5)	2	(8)	(5)	(2)

Source: Company reports and Citi Investment Research and Analysis

UK

Fixed

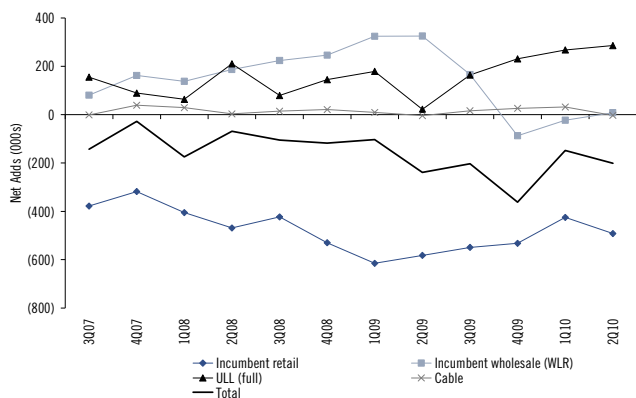
- **Broadband still strong, voice lines under pressure** — Broadband net additions at BT Retail of +97k combined with BSkyB's reported 117k adds indicate good growth in the UK broadband market. However, looking to the wider fixed-line base for BT, the KPIs remain tough. Consumer lines decline by 9.9% YoY vs. 10.1% in fiscal 4Q10 and call volumes fell 12.1% vs. 10.9% in 4Q10.

Mobile

- **Revenue growth improvement** — Service revenue growth moved into positive territory to +0.1% from -1.5% 2Q10. Trend suggests growth will return by 3Q10. Telefonica's O2 had a particularly strong quarter with +5% growth yoy.
- **Recent trading strong at Vodafone** – Vodafone reported strong contract net additions (246k) for the fourth successive quarter helped by the iPhone. Despite loss of exclusivity, O2 continues to gain share, although at a slower pace (+0.4ppt YoY).

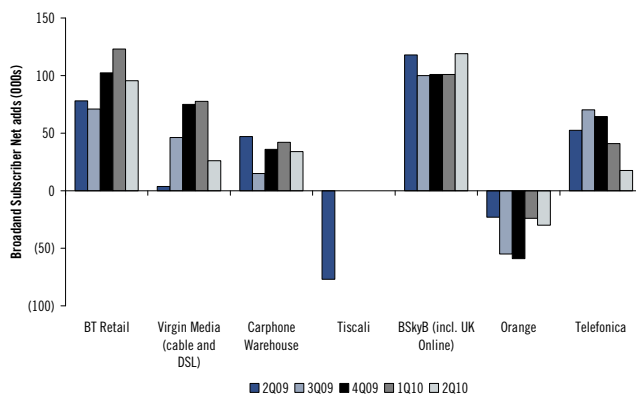
Fixed Charts

Figure 160. Telephony Net Adds



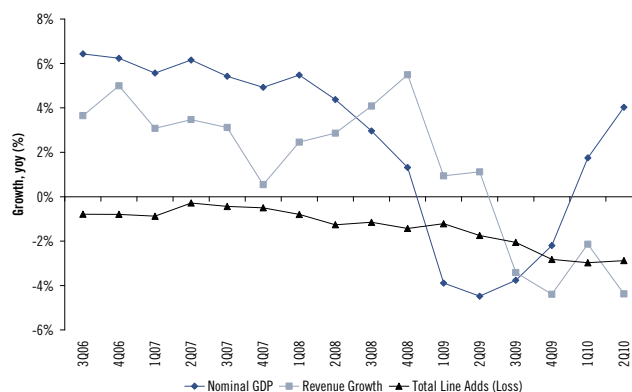
Source: Company reports and Citi Investment Research and Analysis

Figure 162. Broadband Subscriber Net Adds



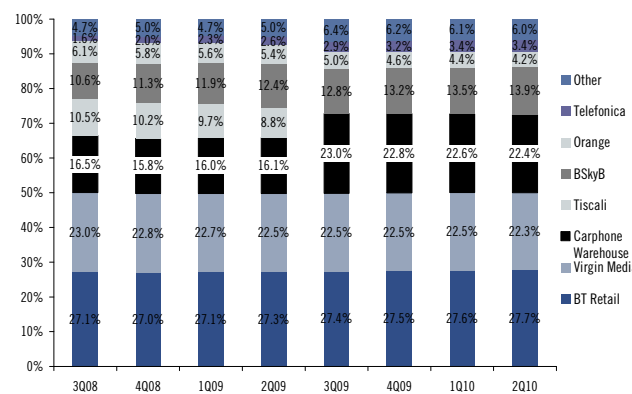
Source: Company reports and Citi Investment Research and Analysis

Figure 161. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

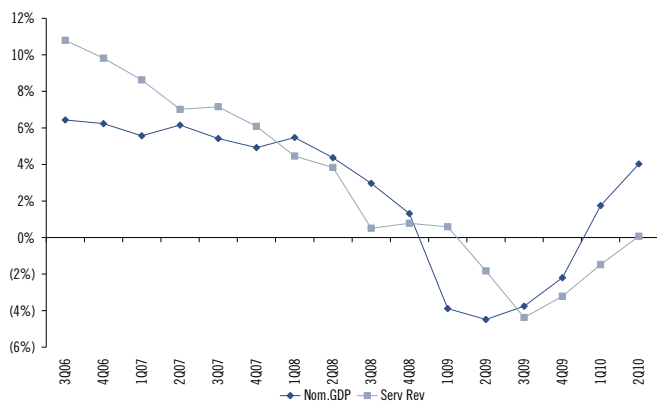
Figure 163. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

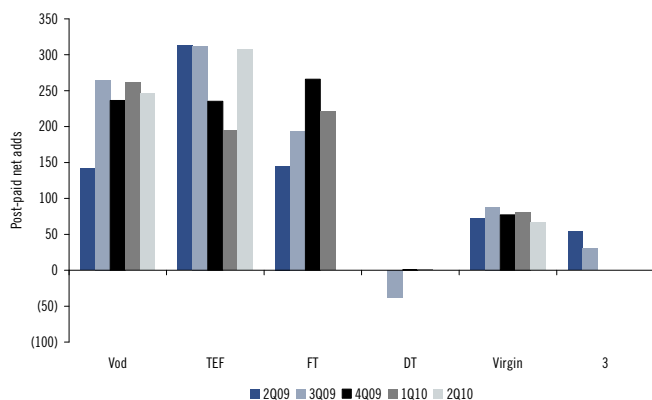
Mobile Charts

Figure 164. Revenue and GDP



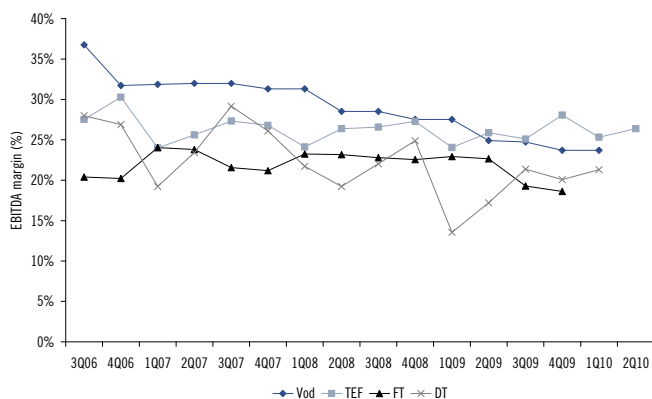
Source: Company reports, CIRA and Datastream

Figure 166. Post-Paid Net Adds



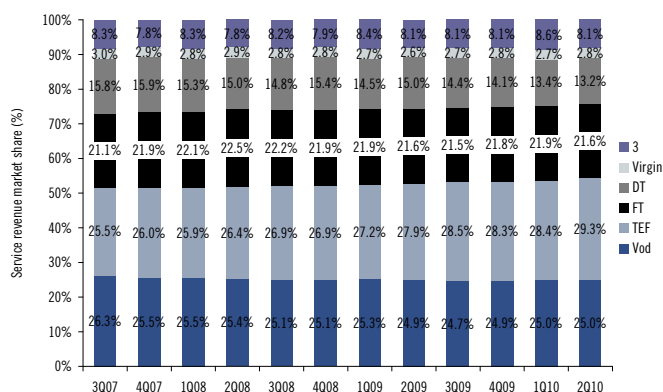
Source: Company reports and Citi Investment Research and Analysis

Figure 168. EBITDA Margin



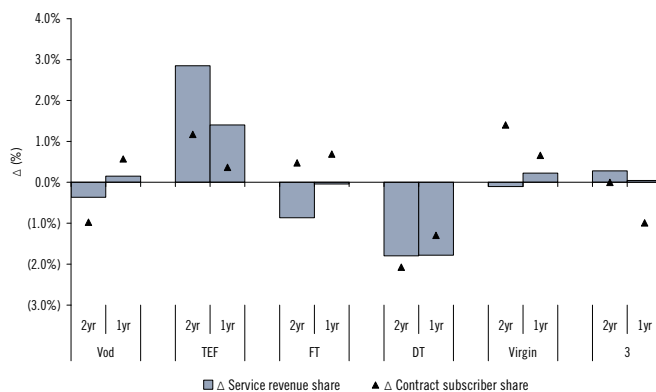
Source: Company reports and Citi Investment Research and Analysis

Figure 165. Service Revenue Market Share



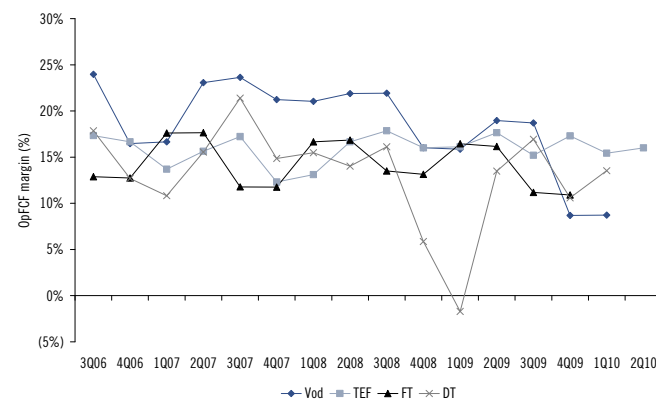
Source: Company reports and Citi Investment Research and Analysis

Figure 167. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 169. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

UK Mobile Data

Figure 170. UK Mobile Market Information

UK	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Service Revenue £m												
Vodafone	1,287	1,229	1,208	1,226	1,235	1,218	1,202	1,179	1,162	1,169	1,170	1,187
O2 (Telefonica)	1,247	1,253	1,226	1,277	1,322	1,307	1,293	1,322	1,342	1,329	1,333	1,390
Orange (FT)	1,035	1,056	1,045	1,085	1,093	1,066	1,043	1,026	1,011	1,026	1,027	
T-Mobile (DT)	776	765	723	726	727	749	691	712	680	661	626	
Virgin Mobile	147	142	135	139	140	135	129	121	129	133	128	132
3 (Hutch)	405	374	394	378	405	382	401	383	382	382	405	385
Total	4,897	4,819	4,731	4,832	4,922	4,857	4,759	4,743	4,706	4,700	4,688	4,746
Service Revenue Growth, yoy												
Vodafone	8.3%	5.9%	3.6%	1.8%	(4.0%)	(0.9%)	(0.5%)	(3.8%)	(5.9%)	(4.0%)	(2.7%)	0.7%
O2 (Telefonica)	9.7%	8.7%	8.0%	6.7%	6.1%	4.3%	5.4%	3.5%	1.5%	1.7%	3.1%	5.1%
Orange (FT)	6.1%	8.6%	8.9%	9.3%	5.6%	0.9%	(0.3%)	(5.4%)	(7.5%)	(3.7%)	(1.5%)	
T-Mobile (DT)	7.6%	7.5%	2.0%	(0.3%)	(6.3%)	(2.1%)	(4.4%)	(1.9%)	(6.5%)	(11.7%)	(9.4%)	
Virgin Mobile	11.2%	0.1%	(1.1%)	(2.1%)	(5.0%)	(5.2%)	(3.8%)	(13.0%)	(7.6%)	(1.3%)	(1.3%)	8.8%
3 (Hutch)	(2.7%)	(7.2%)	(6.7%)	(2.9%)	0.0%	2.1%	1.9%	1.1%	(5.7%)	0.2%	0.9%	0.6%
Total	7.2%	6.1%	4.5%	3.8%	0.5%	0.8%	0.6%	(1.8%)	(4.4%)	(3.2%)	(1.5%)	0.1%
Service Revenue Market Share												
Vodafone	26.3%	25.5%	25.5%	25.4%	25.1%	25.1%	25.3%	24.9%	24.7%	24.9%	25.0%	25.0%
O2 (Telefonica)	25.5%	26.0%	25.9%	26.4%	26.9%	26.9%	27.2%	27.9%	28.5%	28.3%	28.4%	29.3%
Orange (FT)	21.1%	21.9%	22.1%	22.5%	22.2%	21.9%	21.9%	21.6%	21.5%	21.8%	21.9%	
T-Mobile (DT)	15.8%	15.9%	15.3%	15.0%	14.8%	15.4%	14.5%	15.0%	14.4%	14.1%	13.4%	
Virgin Mobile	3.0%	2.9%	2.8%	2.9%	2.8%	2.8%	2.7%	2.6%	2.7%	2.8%	2.7%	2.8%
3 (Hutch)	8.3%	7.8%	8.3%	7.8%	8.2%	7.9%	8.4%	8.1%	8.1%	8.1%	8.6%	8.1%
Post-pay Customers, 000s												
Vodafone	7,148	7,287	7,415	7,552	7,711	7,896	7,767	7,909	8,174	8,410	8,672	8,918
O2 (Telefonica)	6,533	6,809	7,687	7,868	8,189	8,412	8,699	9,011	9,324	9,559	9,754	10,061
Orange (FT)	5,408	5,610	5,722	5,852	6,013	6,173	6,298	6,443	6,637	6,903	7,124	
T-Mobile (DT)	3,937	3,880	3,861	3,917	4,013	4,056	4,109	4,109	4,070	4,071	4,072	
Virgin Mobile	329	376	436	492	579	649	712	785	873	950	1,031	1,097
3 (Hutch)	2,529	2,662	2,801	3,051	3,278	3,474	3,657	3,711	3,741	3,741	3,741	3,741
Call Volumes, mn min/qtr												
Vodafone	9,112	9,434	9,508	9,650	9,597	9,762	10,195	9,784	10,259	10,379	10,870	10,704
Telefonica	10,331	10,721	11,069	12,002	12,240	12,816	12,798	13,304	13,579	14,176	14,155	14,346
France Telecom	7,061	7,450	7,818	8,178	8,430	8,589	8,741	8,702	8,774	8,955	9,096	
Deutsche Telekom	7,550	7,857	7,948	8,127	7,939	7,923	7,733	7,426	7,307	7,402	7,212	
Virgin Mobile	1,069	1,106	1,122	1,146	1,105	1,070	981	923	885	852	749	737
3 Hutch	1,733	1,833	1,915	2,081	2,196	2,319	2,423	2,483	2,566	2,680	2,740	1,470
Total	36,855	38,400	39,379	41,184	41,507	42,479	42,871	42,622	43,371	44,445	44,822	27,257
Call Volume growth												
Vodafone	20.2%	15.6%	8.2%	7.7%	5.3%	3.5%	7.2%	1.4%	6.9%	6.3%	6.6%	9.4%
Telefonica	15.2%	13.5%	16.5%	19.1%	18.5%	19.5%	15.6%	10.8%	10.9%	10.6%	10.6%	7.8%
France Telecom	7.1%	10.9%	15.7%	20.1%	19.4%	15.3%	11.8%	6.4%	4.1%	4.3%	4.1%	
Deutsche Telekom	10.0%	11.0%	10.4%	10.5%	5.1%	0.8%	(2.7%)	(8.6%)	(8.0%)	(6.6%)	(6.7%)	
Virgin Mobile	9.4%	8.0%	8.2%	8.9%	3.4%	(3.2%)	(12.6%)	(19.5%)	(19.9%)	(20.4%)	(23.7%)	(20.1%)
3 Hutch	19.1%	19.7%	21.0%	25.6%	26.7%	26.5%	26.6%	19.3%	16.8%	15.6%	13.1%	(40.8%)
Total	13.7%	13.1%	12.9%	14.7%	12.6%	10.6%	8.9%	3.5%	4.5%	4.6%	4.6%	
Contract Churn, % p.a												
Vodafone	15.3%	15.6%	17.3%	18.0%	17.5%	17.3%	21.9%	18.0%	18.5%	18.1%	16.2%	15.5%
O2 (Telefonica)	20.4%	19.2%	18.0%	16.8%	15.6%	15.6%	14.4%	14.4%	14.4%	12.0%	13.2%	13.2%
Orange (FT)	22.7%	21.1%	19.7%	19.8%	20.7%	21.6%	22.0%	22.2%	22.2%	21.4%	20.2%	
T-Mobile (DT)	22.8%	28.8%	26.4%	22.8%	22.8%	26.4%	28.8%	24.0%	25.2%	22.8%	24.0%	
Data Revenue (excl messaging) % Service Revenue												
Vodafone	6.9%	7.6%	8.1%	9.0%	9.4%	10.1%	10.1%	11.6%	12.5%	12.8%	13.8%	14.7%
O2 (Telefonica)	4.7%	5.2%	6.3%	6.2%	7.1%	7.9%	8.7%	9.7%	11.0%	11.6%	12.3%	13.5%
Orange (FT)	6.3%	6.5%	7.1%	7.1%	7.5%	8.0%	8.9%	9.5%	10.2%	10.3%	10.1%	
EBITDA, £m												
Vodafone	412	385	378	350	352	335	331	294	289	279	279	
O2 (Telefonica)	361	357	320	363	381	401	342	371	366	418	367	401
Orange (FT)	235	239	254	264	263	256	251	248	207	210		
T-Mobile (DT)	248	225	174	155	175	204	103	134	159	148	148	
Capex, £m												
Vodafone	108	125	125	82	82	141	141	71	71	177	177	
O2 (Telefonica)	133	193	146	134	125	166	113	118	144	160	144	158
Orange (FT)	107	107	72	72	107	107	71	71	87	87		
T-Mobile (DT)	66	97	50	42	47	156	116	29	33	70	54	

Source: Company reports and Citi Investment Research and Analysis

UK Fixed Data

Figure 171. UK Fixed Line Market Information

UK	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Broadband Subscribers (000s)												
Incumbent retail	4,074	4,251	4,402	4,505	4,574	4,658	4,757	4,835	4,906	5,008	5,132	5,227
Incumbent wholesale	4,405	4,205	3,983	3,756	3,622	3,416	3,305	3,191	3,124	3,036	2,926	2,785
ULL (total)	3,195	3,729	4,300	4,761	5,084	5,501	5,750	5,957	6,121	6,352	6,620	6,906
Cable	3,308	3,414	3,502	3,563	3,625	3,682	3,730	3,735	3,774	3,837	3,910	3,936
Total	14,982	15,599	16,187	16,585	16,905	17,257	17,542	17,718	17,925	18,234	18,587	18,854
Broadband Subscribers (000s)												
BT Retail	4,074	4,251	4,402	4,505	4,574	4,658	4,757	4,835	4,906	5,008	5,132	5,227
Virgin Media	3,590	3,701	3,782	3,836	3,885	3,934	3,977	3,981	4,027	4,102	4,180	4,206
Carphone Warehouse	2,486	2,604	2,713	2,754	2,788	2,732	2,806	2,853	4,119	4,155	4,197	4,231
Tiscali	1,820	1,829	1,875	1,838	1,774	1,768	1,710	1,551				
BSkyB	939	1,199	1,428	1,628	1,792	1,955	2,085	2,203	2,303	2,404	2,505	2,624
Orange	1,142	1,138	1,107	1,063	1,023	1,000	977	954	899	840	816	786
Telefonica	38	71	131	194	267	341	405	457	527	592	632	650
- other	892	806	749	767	802	869	826	884	1,144	1,133	1,126	1,130
Total	14,982	15,599	16,187	16,585	16,905	17,257	17,542	17,718	17,925	18,234	18,587	18,854
Broadband Subscribers Net Adds (000s)												
BT Retail	240	177	151	103	69	84	99	78	71	102	123	95
Virgin Media (cable and DSL)	124	111	81	54	49	49	43	4	46	75	78	26
Carphone Warehouse	89	118	109	41	34	36	74	47	15	36	42	34
Tiscali	270	9	46	(37)	(64)	(6)	(58)	(77)	0	0	0	0
BSkyB (incl. UK Online)	223	260	229	200	164	163	130	118	100	101	101	119
Orange	52	(4)	(31)	(44)	(40)	(23)	(23)	(23)	(55)	(59)	(24)	(30)
Telefonica	8	32	61	63	73	74	64	52	70	64	41	18
- other	(411)	(86)	(57)	18	35	67	(44)	59	260	(11)	(7)	5
Total	595	617	588	398	320	352	285	176	207	309	354	267
Telephony Channels (000s)												
Incumbent retail	23,266	22,948	22,543	22,074	21,651	21,121	20,506	19,924	19,375	18,843	18,418	17,926
Incumbent wholesale	4,366	4,528	4,666	4,853	5,077	5,323	5,647	5,972	6,138	6,051	6,028	6,036
ULL (total)	998	1,087	1,150	1,361	1,440	1,585	1,764	1,786	1,950	2,181	2,449	2,735
Cable	3,993	4,031	4,060	4,064	4,078	4,099	4,108	4,104	4,120	4,146	4,178	4,175
Total	32,622	32,594	32,419	32,351	32,246	32,128	32,025	31,786	31,583	31,221	31,073	30,872
Telephony Channels Net Adds (000s)												
Incumbent retail	(378)	(318)	(405)	(469)	(423)	(530)	(615)	(582)	(549)	(532)	(425)	(492)
Incumbent wholesale (WLR)	81	162	138	187	224	246	324	325	166	(87)	(23)	8
ULL (total)	155	89	63	211	80	145	179	22	164	231	268	286
Cable	(1)	39	29	3	15	21	9	(4)	16	26	32	(3)
Total	(143)	(28)	(175)	(68)	(105)	(118)	(103)	(239)	(203)	(362)	(148)	(201)
Pay TV Subscribers (000s)												
BT IPTV	46	120	214	282	320	376	423	433	436	451	467	481
Sky	8,665	8,832	8,888	8,980	9,067	9,238	9,318	9,442	9,536	9,708	9,770	9,860
Virgin Media	3,417	3,478	3,515	3,539	3,576	3,621	3,651	3,672	3,709	3,743	3,772	3,800
Total	12,128	12,430	12,617	12,801	12,963	13,235	13,392	13,547	13,681	13,902	14,009	14,141
Pay TV Subscribers Net Adds (000s)												
BT IPTV	31	74	94	68	38	56	47	10	3	15	16	14
Sky	83	167	56	92	87	171	80	124	94	172	62	90
Virgin Media	20	61	37	24	37	45	30	21	37	34	36	28
Total	134	302	187	184	162	272	157	155	134	221	107	132

Source: Company reports and Citi Investment Research and Analysis

Recommendations:

Vodafone (VOD.L; £1.52; 1M)

Deutsche Telekom (DTEGn.DE; €10.18; 1M)

KPN (KPN.AS; €10.79; 1M)

Swisscom (SCMN.VX; SFr385.10; 1M)

Portugal Telecom (PTC.LS; €8.42; 1H)

Telefonica (TEF.MC; €17.59; 2M)

Notes

Notes

Appendix A-1

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