

The Phone Book

Short Term Worsens, Signs Of Hope Longer Term

- **Worst mobile quarter on record** — 2Q12 was the worst quarter on our records for European mobile trends and close to the worst for domestic EBITDA declines. However stock prices took this news well, with the sector actually outperforming the market slightly over the last three months. Some of the short-term weakness is partly to be due to seasonal one-offs, and longer term the statement from the EC on a potential shift to pro-investment regulation helped sentiment.
- **All but one mobile market worsened** — All mobile markets other than Norway saw worsening revenue trends in Q2. Mobile service revenue decline (excluding MTR cuts) worsened to -2.0% from -0.5%. Domestic incumbent EBITDA decline worsened to -5.2% in Q2 from -4.8% in Q1. The same themes continue to play out, with high-competition markets performing poorly. Hence the performance gap between markets remained wide; for service revenue growth excluding MTR cuts the two worst markets were Denmark at -12% and Spain at -10%, and the strongest were Germany at 3% and Sweden at 4%.
- **Key buys** — Investors are still searching for relative safe havens; we argue **Telia** fits the bill and is on the Focus list. We believe **DT** offers a secure dividend with potential upside from US consolidation. From the cable names we would pick **VMED**. **Millicom** has fallen on weak margins and concerns over recent M&A, it now looks compelling on valuation, and the market is waiting for the new CEO to start.
- **Remain cautious** — We remain cautious on **FT** due to further downside in mobile pricing, **TEF** on weak macro and price cuts, **KPN** ahead of the mobile auction this autumn and **Belgacom** due to expected increased competition in mobile with end of contract duration and share loss in fixed due to cable.
- **Swisscom downgraded to Neutral** — In this report, we cut Swisscom to Neutral after recent relative outperformance. We believe Swisscom lacks catalysts and even though Swisscom's new mobile tariffs should de-risk the business and create value over time, the initial cannibalisation effect could disappoint the market.

■ Industry Overview

Simon Weeden

+44-20-7986-4204
simon.weeden@citi.com

Laurie Fitzjohn-Sykes, CFA

+44-20-7986-4114
laurie.fitzjohnsykes@citi.com

Georgios Ierodiaconou

+44-20-7986-4086
georgios.ierodiaconou@citi.com

Dimitri Y Kallianiotis, CFA

+44-020-7986-4253
dimitri.kallianiotis@citi.com

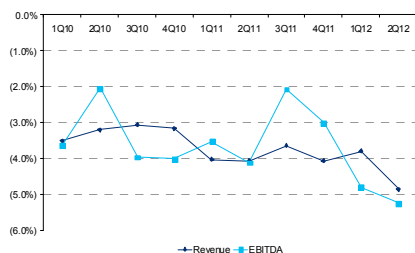
Tania Valiente

+44-20-7986-4140
tania.valiente@citi.com

Rohit Modi

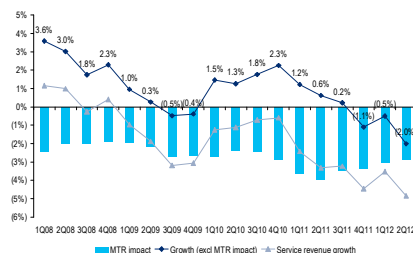
+44-20-7986-6318
rohit1.modi@citi.com

Figure 1. Incumbent EBITDA decline



Source: Company reports, Citi Research

Figure 2. Service revenue growth (ex MTR)



Source: Company reports, Citi Research

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

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Themes from previous Phone Books

Figure 3. Index to Previous Phone Books and Their Sector Thematic Sections, with Links

Date	Report	Format	Thematic Sections
25 June 2012	The Phone Book Bargain Hunters on the Telco Tundra	Long Format including both Company and Country sections.	Dividend, credit rating risk
19 March 2012	The Phone Book & 12th Conference Guide : Blue Sky, Obscured by Clouds	Conference Guide format including Country sections.	Credit ratings risk Mobile relative pricing: McMinutes Spectrum Tech – More chips on the table: VoLTE, WP8, <\$100 smartphones Mobile payments
6 January 2012	The Phone Book : No 1s txtN Ny mor, nt gr8	Long Format including both Company and Country sections.	Text messaging cannibalisation risk Upping mobile data game with TD-LTE M-payments and NFC Credit events: where is it critical? Euro break-up: Unlikely but implication? M&A: Austria and Switzerland
22 August 2011	The Phone Book – Post 2Q11 : A Few Rubies among the rubble	Short format including Country sections.	Dividend cover and earnings momentum Earnings revisions vs share price performance
14 June 2011	The Phone Book : A Few Diamonds among the Debris	Long Format including both Company and Country sections	Interest rate sensitivity Wage inflation exposure Welcome to the future pricing model India's New Telecoms Policy Mobile phones and health
18 March 2011	The Phone Book & 11th Conference Guide : The Winners from the Android Invasion	Conference Guide format including Country sections	Smartphone take-over, Android overtakes Merger and acquisition potential Regulation: roaming and fibre deployment De-equitisation and distribution capacity Raising revenue on wholesale Internet traffic Spectrum spend to fall in 2011
9 December 2010	The Phone Book : Telecoms in 2011 – Delivering the Dividend Promise	Long Format including both Company and Country sections	Rerating - a job only half done Earnings outlook justifies higher rating Austerity to drag for some time A new price model for Internet peering? Smartphones and data growth Spectrum auctions set to moderate Regulatory focus broadband & MTRs
6 August 2010	The Phone Book - post 2Q10 – The Good, the Bad and the Ugly	Short format including Country sections	
1 July 2010	The Phone Book – A Two Speed Europe	Long Format including both Company and Country sections	A Two Speed Europe Dividends
19 March 2010	10 Themes For Our 10th Annual Conference – Popular Services but Unloved Stocks	Conference Guide format including Country sections	A more democratic iPhone Cheaper smartphones to boost data Network congestion could halt price deflation
22 January 2010	Fighting deflation – Telecoms Services in 2010	Long Format including both Company and Country sections	Further risk to margins greater than risk of capex upsets 4G: Long-Term Evolution is living up to its name Governments may need operator support for rural programmes

Source: Citi Research

Figure 4. Telecoms Valuation comp sheet (4 Sept 2012)

Company Name	RIC Code	Rating	Share Price	Target			MV (€bn)	Minos/ (Assoc)	EV (€bn)	EV/EBITDA			EV/OpFCF			Underlying P/E			FCF Yield to Equity			FCF Yield to Firm			Dividend Yield		
				Price	Upside	ETR				2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
Incumbents/Wireless																											
Belgacom	BCOM.BR	Sell	23.72	20.00	(15.8%)	(6.6%)	8.0	0.0	10.2	5.4	5.5	5.7	9.6	10.2	10.5	10.7	11.5	12.3	8.6%	8.2%	7.9%	7.5%	7.1%	6.9%	9.2%	8.4%	8.4%
Bouygues	BOUY.PA	Sell	19.79	18.00	(7.1%)	1.2%	6.1	(1.3)	9.3	3.1	3.0	2.8	12.8	6.6	5.3	8.2	7.0	6.7	5.0%	18.7%	22.3%	6.1%	14.5%	17.8%	8.1%	8.0%	6.7%
BT Group	BT.L	Neutral	2.23	2.20	(0.6%)	3.7%	22.0	(0.3)	34.8	4.5	4.5	4.4	7.9	7.7	7.6	9.4	9.5	9.4	10.4%	11.3%	11.1%	8.8%	9.5%	9.7%	4.1%	4.5%	5.0%
C&W Comms	CWC.L	Buy	0.34	0.38	12.1%	19.8%	1.1	1.0	3.2	4.8	4.7	4.6	8.1	7.7	7.3	8.6	8.3	8.2	4.9%	8.9%	10.6%	8.0%	9.0%	9.7%	9.2%	7.4%	7.6%
Deutsche Telekom	DTEGn.DE	Buy	9.53	10.00	5.0%	12.4%	41.1	(1.9)	84.3	4.6	4.6	4.5	8.4	8.2	7.8	10.6	10.3	9.8	13.4%	12.9%	13.0%	7.6%	7.6%	8.1%	7.3%	7.2%	7.1%
Elisa	ELI1V.HE	Neutral	16.90	15.00	(11.0%)	(3.4%)	2.8	0.0	3.6	6.8	6.6	6.5	10.7	10.2	10.1	13.3	12.6	12.5	8.3%	8.6%	8.7%	6.4%	6.7%	6.8%	7.6%	8.0%	7.9%
France Telecom	FTE.PA	Sell	11.15	9.10	(17.9%)	(5.3%)	29.4	(0.3)	60.2	4.4	4.5	4.5	7.6	7.8	8.0	9.1	8.9	9.3	15.5%	16.9%	15.1%	9.1%	8.8%	8.7%	9.0%	8.1%	8.0%
KPN	KPN.AS	Neutral	6.83	6.80	0.0%	5.1%	9.7	0.0	22.2	4.9	4.7	4.7	8.5	8.3	8.1	7.4	7.4	7.7	12.0%	12.4%	12.3%	8.9%	9.3%	9.6%	5.1%	4.9%	4.7%
Millicom	MICSdb.ST	Buy	573.50	750.00	30.7%	36.8%	6.6	1.7	9.7	6.4	6.4	5.9	12.0	12.3	10.1	13.4	12.4	11.8	5.7%	5.9%	7.5%	5.7%	5.2%	6.6%	4.8%	5.6%	6.2%
Mobistar	MSTAR.BR	Neutral	25.25	28.00	9.6%	24.1%	1.5	0.0	1.9	3.9	4.1	4.1	5.9	6.4	6.4	8.1	8.2	8.1	9.0%	13.4%	13.4%	9.8%	10.7%	10.7%	11.9%	12.0%	12.2%
OTE	OTEr.AT	Neutral	2.66	2.20	(18.2%)	(18.2%)	1.3	0.3	5.3	3.2	3.2	3.1	6.1	6.1	5.8	6.5	5.5	5.0	37.0%	32.7%	30.6%	12.7%	13.0%	13.1%	0.0%	6.0%	7.0%
Portugal Telecom	PTC.LS	Buy	3.91	4.70	20.5%	28.8%	3.4	(1.0)	10.6	4.6	4.5	4.2	12.7	9.6	8.1	8.4	8.0	6.6	10.4%	17.0%	20.1%	4.4%	6.8%	8.7%	8.3%	8.3%	8.2%
Swisscom	SCMN.VX	Neutral	385.20	420.0	8.9%	14.6%	16.6	0.0	23.8	6.4	6.4	6.5	12.7	12.8	13.0	10.7	10.8	11.1	8.8%	8.0%	7.7%	6.3%	5.9%	5.8%	6.0%	6.0%	6.1%
TDC	TDC.CO	Neutral	39.79	38.0	(5.1%)	6.4%	4.4	0.0	7.4	5.2	5.3	5.2	8.0	8.0	7.9	10.2	10.5	10.2	12.7%	12.0%	12.7%	8.5%	8.9%	9.1%	11.6%	10.6%	11.1%
Tele2	TEL2b.ST	Buy	117.90	125.00	7.3%	18.6%	6.2	0.0	8.0	6.0	5.5	4.8	12.4	10.0	7.5	10.9	8.9	7.5	6.9%	8.1%	11.7%	5.6%	6.9%	9.6%	11.2%	12.2%	13.3%
Telecom Italia	TLIT.MI	Buy	0.75	1.00	29.6%	35.2%	14.3	6.6	53.9	4.5	4.4	4.1	7.7	7.2	6.6	5.6	5.7	5.3	21.3%	23.0%	24.8%	8.4%	9.2%	10.4%	5.7%	5.5%	6.6%
Telecom Italia Savers	TLITn.MI	Buy	0.64	0.85	31.0%	40.4%	14.3	6.6	53.9	4.5	4.4	4.1	7.7	7.2	6.6	4.7	4.7	4.2	25.1%	28.0%	31.1%	8.4%	9.2%	10.4%	8.5%	8.5%	10.0%
Telefonica	TEF.MC	Neutral	10.16	9.00	(13.8%)	(13.8%)	47.5	2.8	103.3	4.8	5.1	4.9	8.4	8.8	8.5	7.9	9.6	9.5	15.7%	11.7%	11.8%	9.2%	7.9%	8.3%	0.0%	4.5%	4.3%
Telekom Austria	TELA.VI	Buy	6.27	7.50	18.9%	24.9%	2.8	0.0	5.9	4.2	4.3	4.3	8.8	8.9	8.8	19.1	20.7	18.1	14.4%	13.7%	11.6%	9.4%	9.2%	8.1%	6.1%	5.9%	5.7%
TeliaSonera	TLSN.ST	Buy	46.04	50.00	9.1%	15.4%	23.6	(3.3)	26.5	6.2	6.2	5.9	10.5	9.8	8.9	11.0	10.8	10.3	12.8%	8.1%	8.7%	6.8%	7.2%	8.0%	6.3%	6.2%	6.2%
Vodafone	VOD.L	Buy	1.83	2.10	17.7%	25.6%	110.7	(54.2)	85.2	4.7	5.1	4.9	7.9	9.0	8.5	11.9	11.7	11.2	9.0%	9.7%	11.1%	7.2%	6.9%	7.1%	7.7%	7.8%	7.9%
Weighted average										4.9	5.0	4.9	8.7	8.8	8.4	10.0	10.1	9.8	12.3%	12.3%	12.9%	7.8%	7.8%	8.2%	6.4%	6.9%	7.1%
Cable & Satellite																											
Eutelsat	ETL.PA	Buy	24.60	28.00	14.3%	18.4%	5.4	0.0	7.9	8.2	8.2	8.1	17.9	17.3	15.6	16.5	16.9	17.2	2.3%	3.0%	3.8%	2.9%	3.2%	3.8%	4.4%	4.8%	5.2%
Inmarsat	ISAL	Sell	5.77	5.00	(12.9%)	(8.0%)	3.2	0.0	4.7	8.3	9.4	9.4	56.0	56.0	16.8	14.5	18.6	18.6	(2.2%)	(1.9%)	3.1%	(0.2%)	0.2%	4.4%	4.8%	4.6%	4.5%
SES	SESFd.PA	Neutral	20.79	19.00	(9.2%)	(4.5%)	10.1	0.0	14.2	9.1	9.0	8.7	20.5	16.8	13.3	14.3	15.2	15.7	4.4%	5.7%	7.2%	3.9%	4.9%	6.1%	4.7%	4.9%	5.2%
Kabel Deutschland	KD8Gn.DE	Sell	53.50	38.00	(28.1%)	(25.2%)	4.7	0.0	7.4	9.5	8.6	8.1	18.5	18.6	17.3	17.2	17.9	17.7	2.6%	3.8%	4.5%	4.1%	3.5%	3.6%	2.8%	3.3%	4.3%
Telenet	TNET.BR	Neutral	30.80	35.30	15.4%	26.1%	3.5	0.0	7.1	8.5	8.3	8.0	15.2	13.0	12.3	29.6	27.9	22.0	8.5%	8.6%	9.6%	5.0%	5.5%	5.7%	0.0%	0.0%	0.0%
Virgin Media	VMED.O	Buy	27.57	33.00	20.2%	20.8%	5.9	0.0	13.2	6.3	5.9	5.5	12.5	10.2	9.0	15.3	10.2	7.6	9.8%	14.8%	18.1%	7.1%	9.1%	10.4%	0.6%	0.6%	0.5%
Ziggo	ZIGGO.AS	Neutral	24.87	27.50	12.7%	17.2%	4.9	0.0	7.8	9.5	8.5	8.4	13.9	12.8	12.1	19.3	12.2	11.8	5.4%	7.7%	8.3%	5.9%	7.1%	7.3%	4.4%	5.4%	18.6%
Zon	ZON.LS	Neutral	2.21	2.40	9.1%	16.4%	0.7	0.0	1.5	4.8	4.7	4.5	9.7	9.5	9.2	17.9	16.3	14.3	11.5%	12.9%	12.7%	7.1%	7.9%	8.0%	7.2%	7.1%	7.0%
Weighted average (satellite)										8.7	8.9	8.7	19.6	23.8	14.6	15.0	16.3	16.6	2.6%	3.6%	5.5%	2.9%	3.6%	5.1%	4.6%	4.8%	5.1%
Weighted average (cable)										8.2	7.6	7.2	14.7	13.3	12.3	19.4	15.9	13.9	6.8%	9.2%	10.7%	5.7%	6.6%	7.1%	2.2%	2.5%	6.1%
Alternative carriers																											
Freenet	FNTGn.DE	Buy	12.24	13.50	10.5%	21.2%	1.6	0.0	2.1	6.0	5.8	5.6	7.4	7.2	6.9	6.7	6.5	6.1	13.2%	13.5%	14.2%	13.3%	12.0%	12.6%	10.6%	11.9%	13.4%
Jazztel	JAZ.MC	Buy	4.45	5.70	29.3%	29.3%	1.1	0.0	1.2	6.8	6.3	5.9	16.0	215.5	46.5	16.7	12.2	10.6	4.7%	(2.0%)	0.6%	5.0%	(1.1%)	1.9%	0.0%	0.0%	5.7%
Sonaecom	SNC.LS	Neutral	1.25				0.5	0.0	0.8	3.4	3.2	3.1	10.8	7.0	6.8	7.6	8.5	8.5	8.2%	15.2%	15.5%	2.5%	8.5%	11.9%	4.0%	3.8%	3.6%
TalkTalk	TALK.L	Neutral	1.95				2.2	0.0	2.8	6.7	6.1	5.5	10.9	9.3	8.1	11.6	10.6	9.7	8.9%	10.2%	11.1%	6.3%	8.1%	9.5%	5.2%	5.7%	6.3%
United Internet	UTDI.DE	Neutral	16.18	14.50	(9.6%)	(7.8%)	3.4	(0.2)	3.8	9.8	7.8	7.0	12.9	9.8	8.6	19.3	14.5	12.6	5.5%	7.1%	8.1%	5.4%	7.0%	8.0%	1.8%	2.7%	5.0%
Weighted average										7.6	6.6	6.0	11.7	34.5	12.7	13.8	11.5	10.3	7.8%	8.3%	9.4%	6.8%	7.2%	8.6%	4.1%	4.8%	6.9%

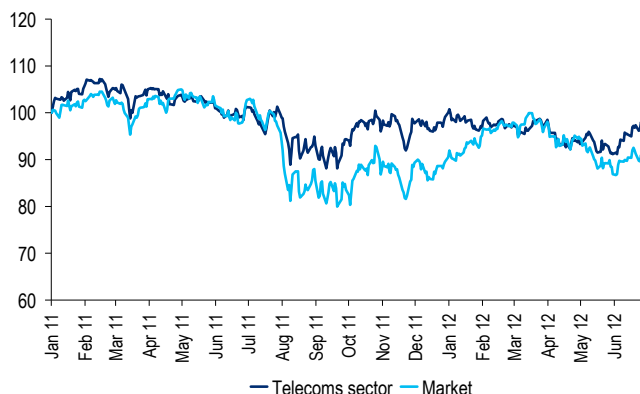
Source: DataCentral

Quarterly Trends

Despite a relatively weak 2Q12 the Telecoms sector has actually outperformed the market over the last few months. The sector is up 12.3% on a total shareholder return basis over the last 3 months versus the market up 11.1%.

Figure 5. Market and sector TSR index shows recent telecoms outperformance versus the market

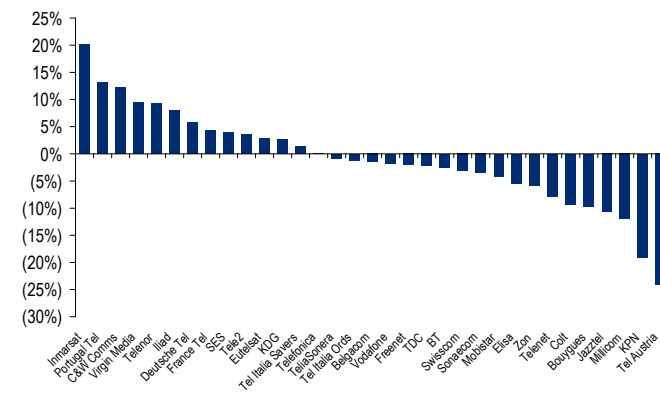
Index, 3 Jan 11=100



Source: Datastream

Figure 6. Wide spread of sector performance, last 3 months

% total shareholder return, sector relative, common currency

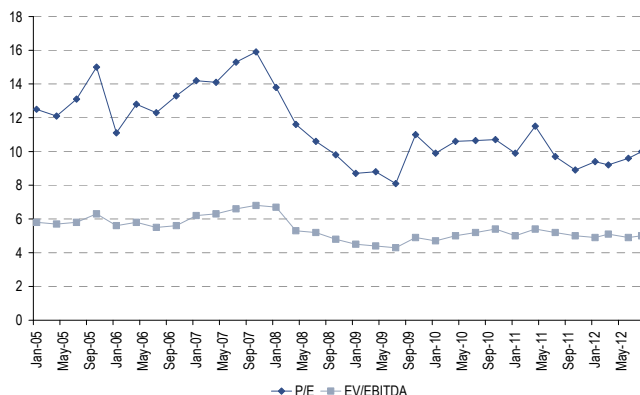


Source: Datastream

Longer term valuation view

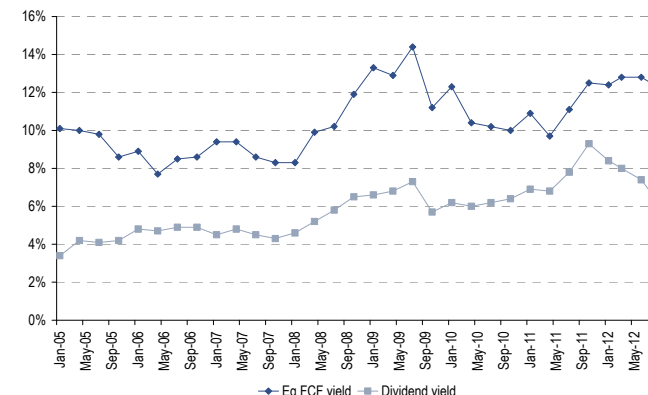
Looking at valuation on a longer term view, the p/e of the sector has been increasing over the last year mainly due to the re-rating of Vodafone driven by its US exposure. Equity FCF has been broadly stable at 12%, with dividend yield falling due to a few notable dividend cuts.

Figure 7. Sector historic P/E and EV/EBITDA



Source: Datacentral

Figure 8. Sector historic equity FCF and dividend yield



Source: Datacentral

Q2 results snapshot

Of 16 companies nine missed on EBITDA, five reduced FY12 EBITDA guidance. However in general the delta was quite small with the focus often falling elsewhere, for example dividend cuts for TEF and KPN, expectations of worsening margins in the H2 for DT and improving H2 margins for Tele2.

Figure 9. 2Q12 Results summary and changes to guidance

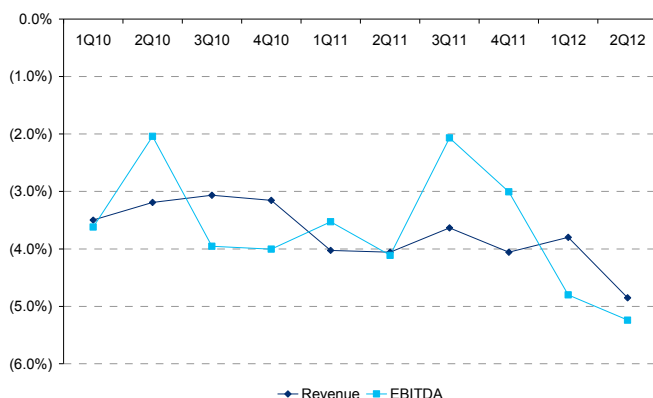
	Changes to guidance	Q2 vs cons		
		Revenue	EBITDA	
Belgacom	-	0.8%	(0.2%)	In-line excluding one-offs
Bouygues	Revenue increased, EBITDA decreased	(0.7%)	(17.4%)	Margin miss and lowered guidance
BT Group	-	(1.7%)	1.0%	Weak growth and expected to worsen for one Q before recovery
Deutsche Telekom	-	(0.4%)	2.7%	Strong US margins, but plans to reinvest in H2
Elisa	-	1.6%	(1.7%)	Revenue beat, EBITDA miss
France Telecom	-	0.4%	(0.5%)	Small margin miss. French fixed remained weak
KPN	-	1.5%	1.2%	Dividend cut to €0.35 from €0.90
Millicom	Margin guidance reduced	(0.8%)	(1.7%)	Good organic growth, weak margins
Mobistar	-	(1.1%)	(3.3%)	Weak voice traffic, negative impact from telecoms law
OTE	No guidance	(1.3%)	0.3%	Successful cost cutting, EBITDA grew despite falling revenue
Portugal Telecom	No guidance	(1.0%)	2.0%	Weak mobile, successful cost-cutting
Swisscom	-	(0.3%)	1.1%	Beat in core partly offset by other divisions
Telefonica	Revenue growth guidance reduced	0.7%	(1.3%)	Small miss from Spanish fixed, cut in dividend
Tele2	Small changes to divisional guidance	0.9%	(1.2%)	Strong Russian net adds. Management confident in H2 margin recovery
Telekom Austria	Revenue and EBITDA guidance cut	2.6%	3.1%	Beat driven by international
Telecom Italia	-	(1.4%)	(2.1%)	Miss driven by pre-reported international
TeliaSonera	Small reduction in revenue and EBITDA. Consensus already there	(0.9%)	(1.3%)	EBITDA miss due to Nordic mobile
Vodafone	-	(1.1%)		Organic service revenue decline worsened as expected

Source: Company reports, Citi Research

Domestic incumbent EBITDA decline worsens for all

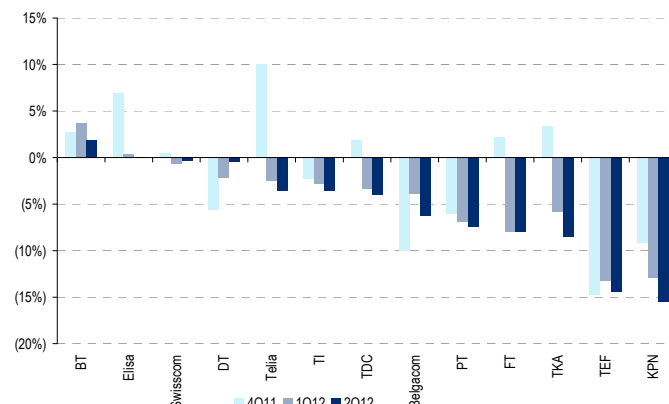
Given the reliance of the incumbents on domestic FCF we put particular focus on domestic EBITDA trends. In aggregate domestic EBITDA decline worsened to -5.2% 2Q12 from -4.8% 1Q12, with slight worsening for most operators.

Figure 10. Europe aggregate domestic incumbent revenue and EBITDA trends



Source: Company reports, Citi Research

Figure 11. Domestic incumbent EBITDA trends, yoy

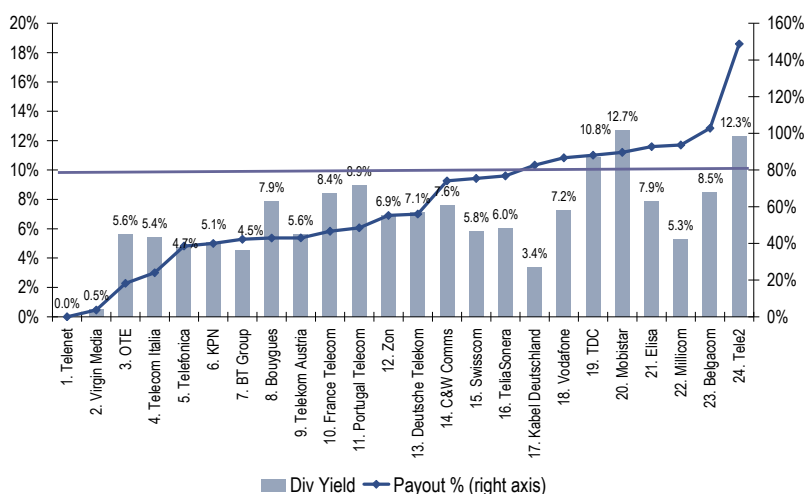


Source: Company reports, Citi Research

Dividends remain in focus

Given the poor trends and high profile dividend cuts, the focus remains on which are the relative safe havens and which are next to cut the dividend. We prefer names with a low payout ratio, such as DT, or where leverage is low and operations are growing, e.g. Vodafone, Millicom and Tele2.

Figure 12. Dividend yield and payout of FCF 2013E



Source: Datacentral, Citi Research

Figure 13. Dividend policies

Incumbents and Wireless

Belgacom	Return most its FCF (post M&A) to shareholders
Bouygues	No policy
BT Group	Progressive dividend - grow in line with earnings
Deutsche Telekom	Minimum €0.7 DPS, minimum shareholder returns of €3.4bn per year (additional €0.08 per share over the minimum dividend)
Elisa	40-60% of net income, can also consider returns above this
France Telecom	Payout ratio of between 40% to 45% of Operating FCF (restated EBITDA - capex)
KPN	Guides €0.35 2012 and €0.35 2013
Millicom	At least \$2.0, no less than 30% normalised profit for ordinary dividend
Mobistar	No policy, but has distributed 100% of FCF for a long time
OTE	Pay legal minimum which is 35% of net income for OTE Greek fixed
Portugal Telecom	€0.325 per share for the fiscal years 2012-14; €200m buyback
Swisscom	2012 DPS to be at least CHF22 (2011 dividend)
TDC	80-85% of equity FCF and guide to DKK 4.60/share for 2012 dividend
Telefonica	2012 No dividend, 2013 €0.75 cash dividend
Telenor	40-60% of normalised net income, aims to have attractive shareholder returns with a combination of dividend and buyback
Tele2	Progressive dividend - grow in line with earnings
Telekom Austria	€0.38 per share for 2011-13
Telecom Italia	Floor at 4c (5.1c) for ordinary (savings)
TeliaSonera	At least 50% of net income attributable to Telia shareholders
Vodafone	7% p.a. growth in the dividend until year to March 2013

Cable

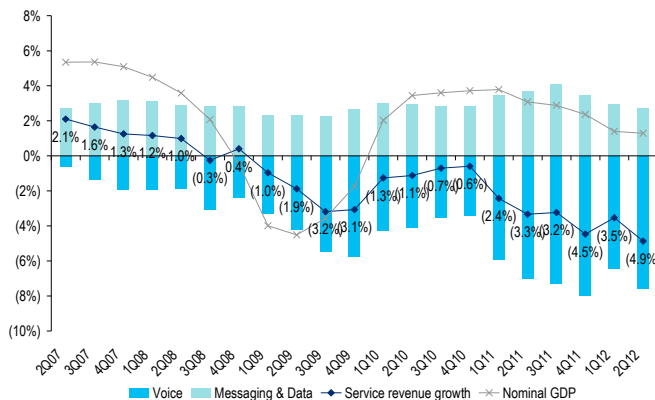
Kabel Deutschland	Guides €1.50 for fiscal 2013 (March year end)
Telenor	Keep leverage at around 4.5x net debt/EBITDA, preference for share buyback rather than dividends
Virgin Media	No policy
Zon	100% of net income (but net income is very low)
Ziggo	€1.10 DPS for 2012; going forward a progressive dividend policy at least 50% of FCFE and with the long run Net Debt to EBITDA target of 3.5x

Source: Company reports, Citi Research

Mobile market trends: 2Q12

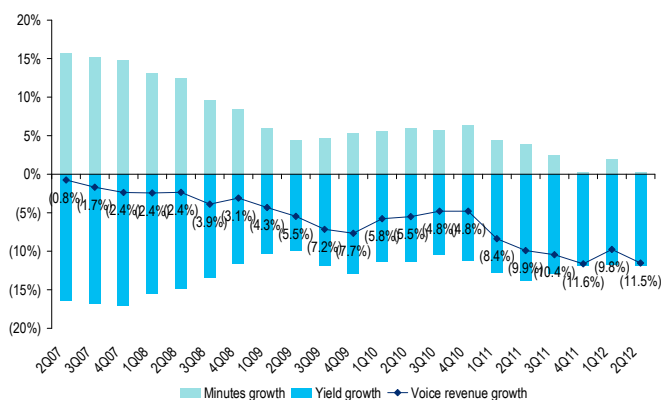
European mobile trends worsened in 2Q12, with service revenue decline of -4.9% 2Q12 vs -3.5% 1Q12. This is due to minutes growth falling to close to zero, with continued voice price cuts and a lower contribution from data growth.

Figure 14. Service revenue growth



Source: Company Reports, Citi Research

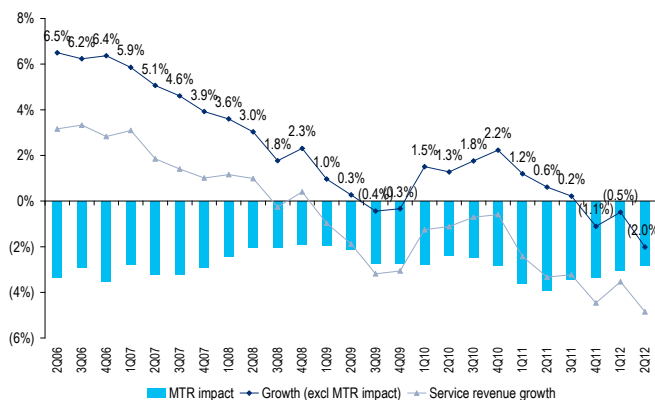
Figure 15. Voice revenue growth



Source: Company Reports, Citi Research

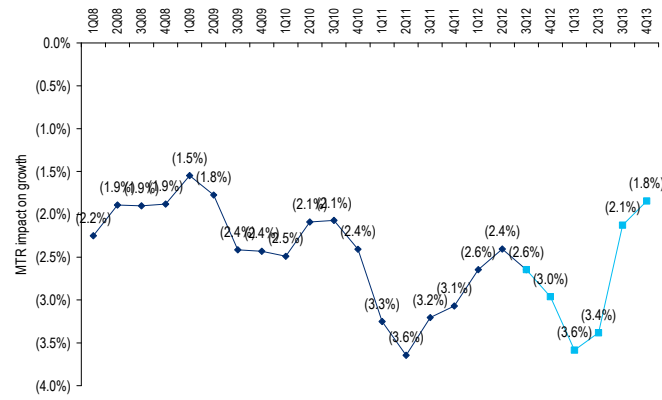
Revenue trends excluding the impact of MTR cuts also shows a worsening trend to -2.0% 2Q12 vs -0.5% 1Q12. We forecast the impact from MTR cuts to worsen with significant cuts in Italy this summer and Germany in December.

Figure 16. Service revenue growth excl MTR impact, European average



Source: Company Reports, Citi Research

Figure 17. Quarterly MTR impact, European average



Source: Company Reports, Citi Research

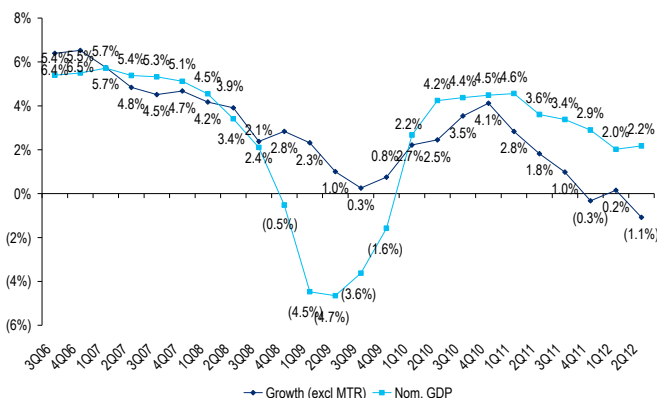
North/South remains

The gap between the Northern and Southern European operators remains, though it is narrowing as trends in the North worsen more steeply than the South.

North: UK, France, Germany, Netherlands, Belgium, Austria, Norway, Sweden, Finland, Denmark, Switzerland.

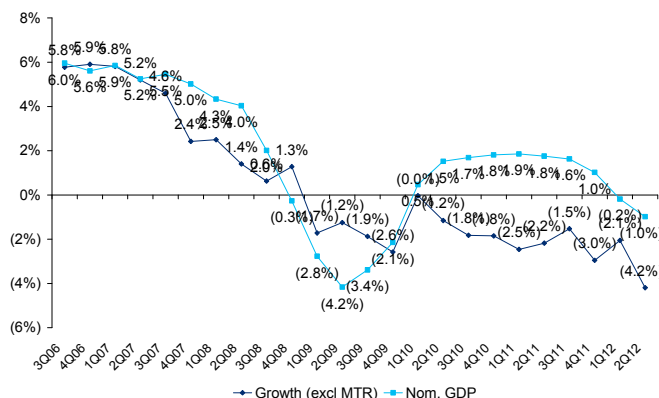
South: Italy, Spain, Portugal, Greece

Figure 18. Northern Europe service revenue growth (excl MTR) and nominal GDP



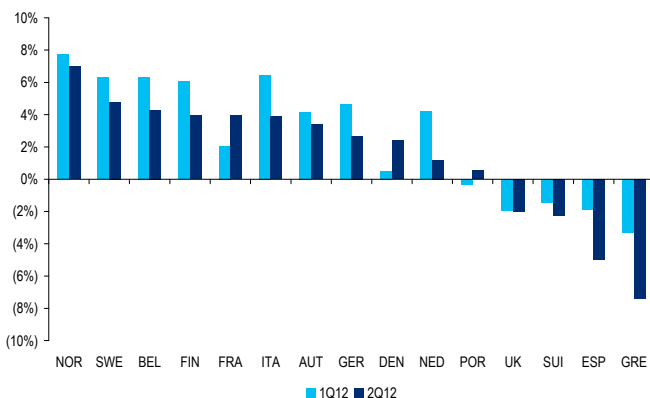
Source: Company Reports, Citi Research

Figure 19. Southern Europe service revenue growth (excl MTR) and nominal GDP



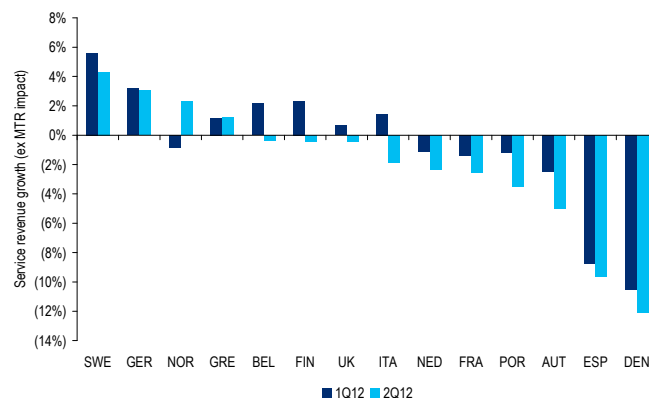
Source: Company Reports, Citi Research

Figure 20. European mobile minutes growth, yoy



Source: Company Reports, Citi Research

Figure 21. European mobile service revenue growth excl MTR impact

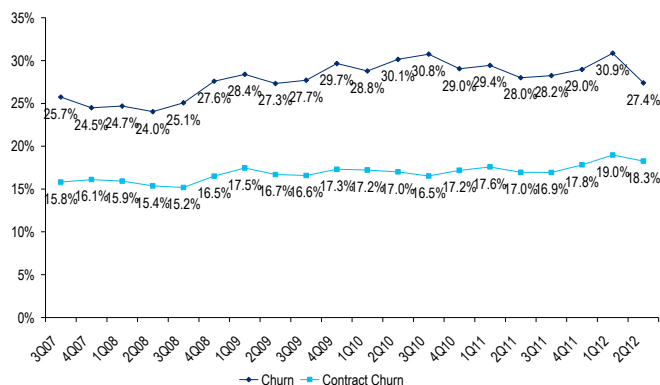


Source: Company Reports, Citi Research

Churn falls, but gross additions fall faster

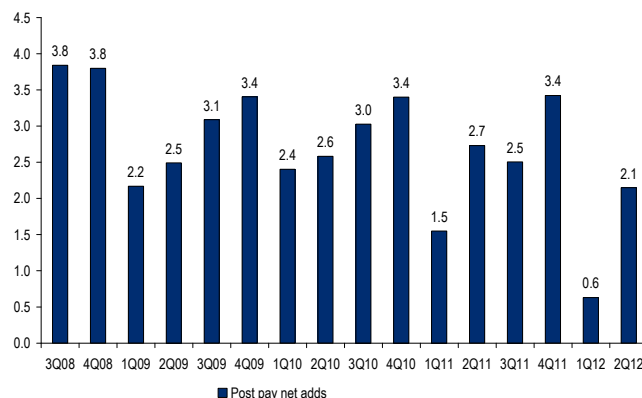
Both blended and contract churn fell in 2Q12. Post-pay net adds also fell yoy to 2.1m in 2Q12 from 2.7m in 2Q11.

Figure 22. Blended churn and post-pay churn



Source: Company Reports, Citi Research

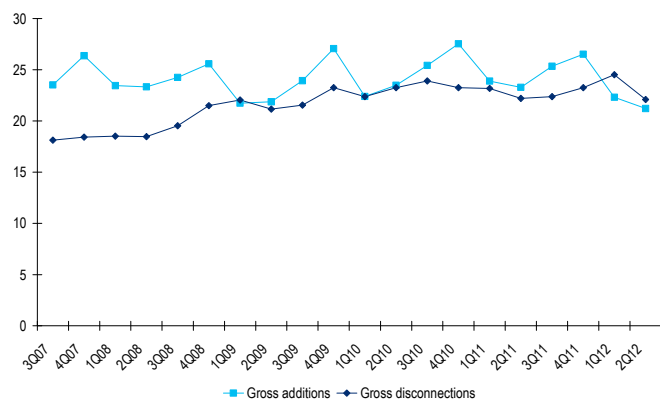
Figure 23. Post-pay net adds



Source: Company Reports, Citi Research

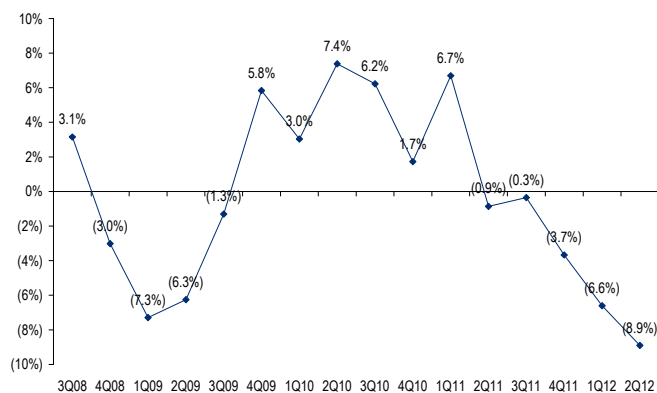
Gross disconnections were higher than gross additions for the second quarter. This is primarily due to worsening declines in gross additions.

Figure 24. Gross additions and disconnections



Source: Company Reports, Citi Research

Figure 25. Yoy growth/(decline) in gross additions

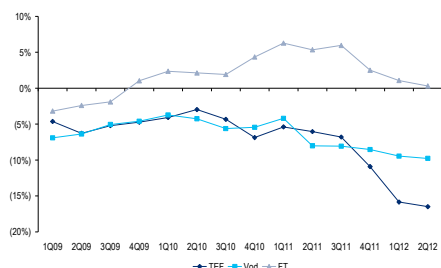


Source: Company Reports, Citi Research

Spain – Price cuts and falling consumer demand

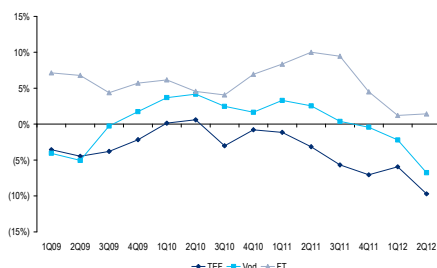
Spain saw worsening trends for both revenue and minutes, due to the combination of price cuts and macroeconomic weakness. Orange continues to take share with growth in revenue, minutes and post-pay revenue. Telefonica had a significant worsening in post-pay revenue to -17% yoy in Q2. Declines in pre-pay remain higher at -15% for Orange to c.-25% for Vodafone and TEF.

Figure 26. Mobile service revenue growth (excl MTR cuts)



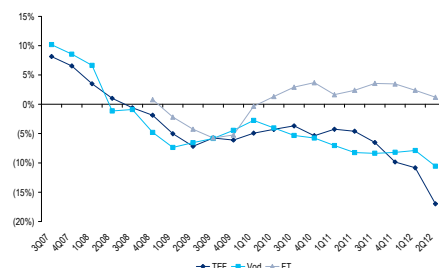
Source: Company Reports, Citi Research

Figure 27. Mobile minutes growth



Source: Company Reports, Citi Research

Figure 28. Mobile post-pay revenue growth



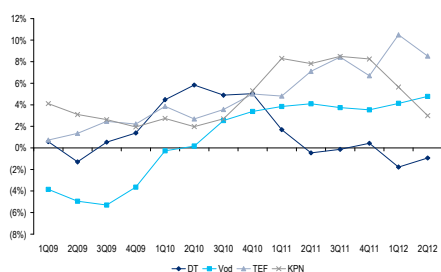
Source: Company Reports, Citi Research

Germany – Strong overall, but diverging performance

Overall Germany is the second highest growth mobile market in Europe, however there is an increasing divergence between the operators. Vodafone and O2 are growing the strongest in terms of overall revenue, post-pay revenue and minutes. DT management has been clear it intends to be more aggressive in H2 to stop the loss of market share.

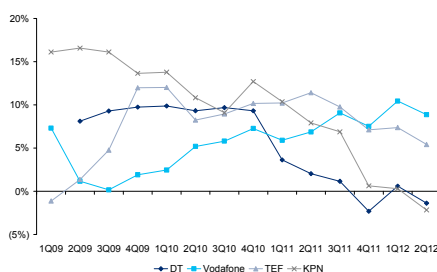
The other main focus is on recent competition in the discount segment of the market, started by KPN's Yourfone discount brand. At the moment competition remains contained in this segment with no impact on overall pricing.

Figure 29. Mobile service revenue growth (excl MTR cuts)



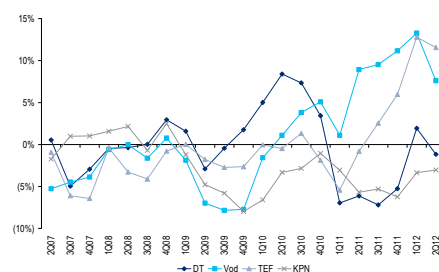
Source: Company Reports, Citi Research

Figure 30. Mobile minutes growth



Source: Company Reports, Citi Research

Figure 31. Mobile post-pay revenue growth

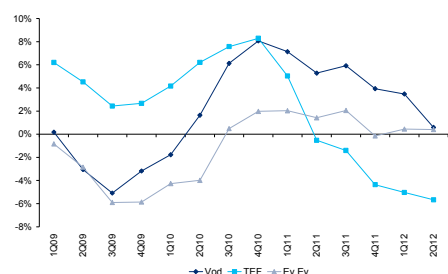


Source: Company Reports, Citi Research

UK – O2 continues to underperform

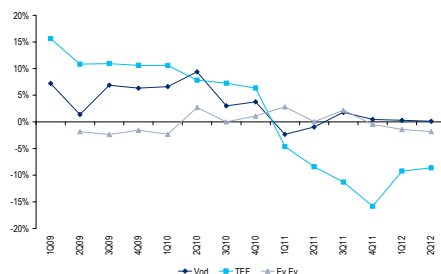
The UK mobile market trends worsened, with revenue growth moving to decline excluding the impact from MTR cuts. O2 continues to significantly underperform the other operators.

Figure 32. Mobile service revenue growth (excl MTR cuts)



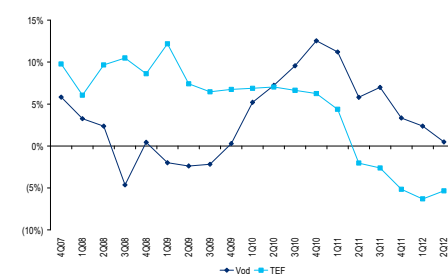
Source: Company Reports, Citi Research

Figure 33. Mobile minutes growth



Source: Company Reports, Citi Research

Figure 34. Mobile post-pay revenue growth

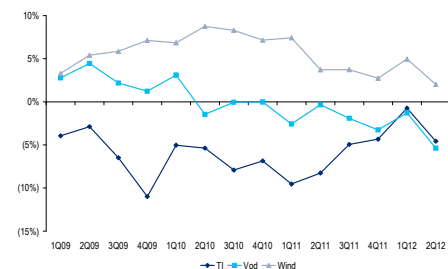


Source: Company Reports, Citi Research

Italy – Worsening trend in Q2

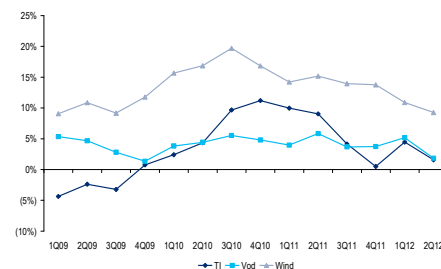
The overall market worsened in Q2 driven by lower minutes growth, higher voice price declines and lower contribution from data. Being a predominantly pre-pay market the lack of the leap day has a larger impact in the comparison to Q1. Wind continues to take share and TI declined slightly less than Vodafone.

Figure 35. Mobile service revenue growth (excl MTR cuts)



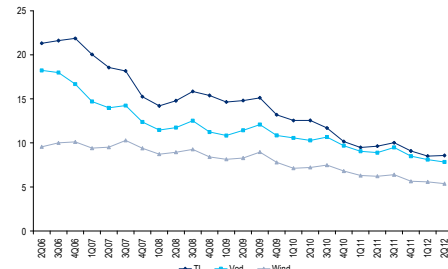
Source: Company Reports, Citi Research

Figure 36. Mobile minutes growth



Source: Company Reports, Citi Research

Figure 37. Outbound voice yield (€c)

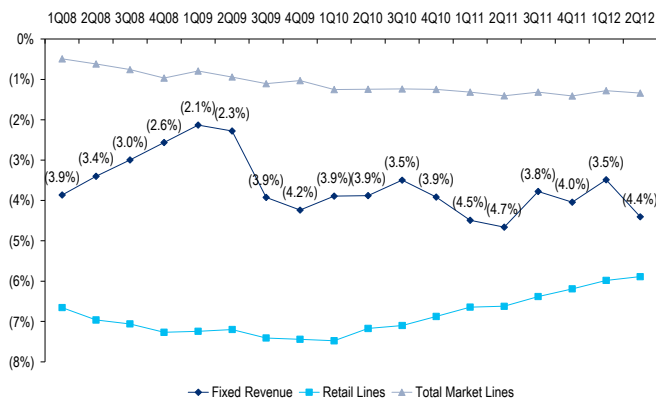


Source: Company Reports, Citi Research

Fixed market trends: 2Q12

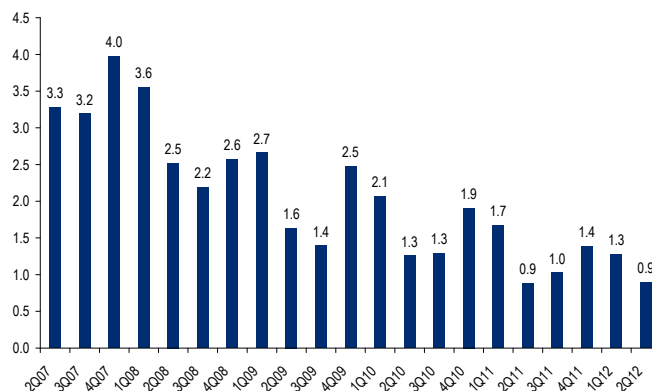
The decline in incumbents' fixed revenues worsened to -5.0% 2Q12 from -3.8% in 1Q12. This was driven by worsening trends in the UK, Germany and Spain. Broadband net adds continue to decline as markets reach saturation.

Figure 38. Domestic fixed revenue growth, line loss and total market line loss



Source: Company Reports, Citi Research

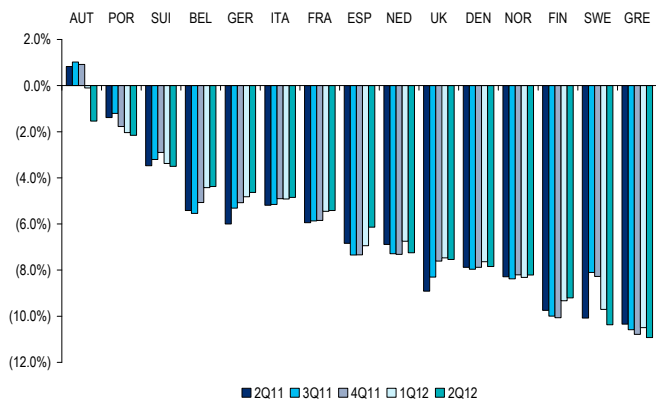
Figure 39. Europe broadband net adds



Source: Company Reports, Citi Research

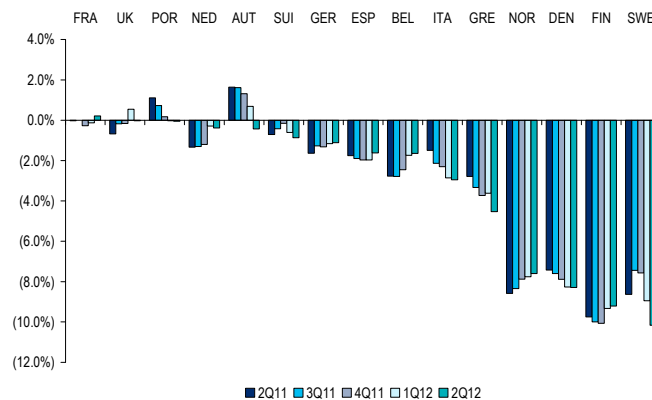
In Sweden Telia's yoy retail line loss worsened, though mainly due to a touch comp. The qoq retail line loss improved to -83k in 2Q12 from -91k in 1Q12. No significant changes in other countries.

Figure 40. Retail line loss



Source: Company Reports, Citi Research

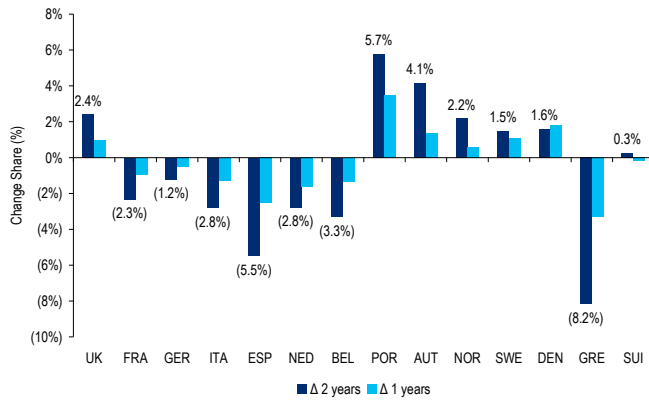
Figure 41. Total market line loss



Source: Company Reports, Citi Research

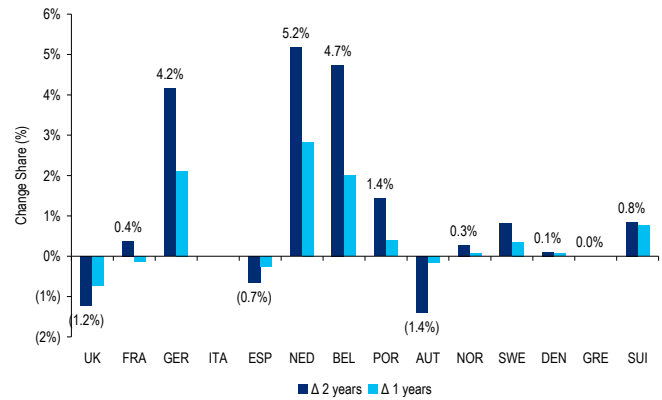
Cable operators continue to gain market share significantly in Germany, the Netherlands and Belgium.

Figure 42. Change in incumbent broadband market share



Source: Company Reports, Citi Research

Figure 43. Change in Cable broadband market share



Source: Company Reports, Citi Research

Swisscom Cut to Neutral, TP SFr420

- **Swisscom is well run** — While the market may have been focused at what went wrong at Fastweb over the past 4-5 years, Swisscom's other decisions were spot on in our view. Swisscom was the first European incumbent to raise capex materially in order to invest in NGA (since 2007; especially in 2008). It shied away from over-distribution of dividends and has a good balance sheet (leverage at 1.8x net debt to EBITDA in 2012) and a dividend that could grow (payout ratio of two-thirds). More importantly, it has primarily focused and succeeded at defending its market share (access, broadband, mobile), vs a 2pp average loss per annum for EU incumbents.
- **And valuation is reasonable** — Swisscom trades on 11x earnings and 5.9% dividend yield in 2012E; not bad we think for a company with 10-year borrowing costs of c.1%. Its premium EV/EBITDA valuation of 6.5x is in our view justified by lower cost of capital and lower corporate tax rate (c.20% vs over 30% for most EU peers). Swisscom looks expensive on FCF (8.6% to equity and 6% to firm imply c.30% premium) because it diverts its financial flexibility to long-term investments and capex levels are high.
- **Which make it a good long term play and a relative safe heaven** — Swisscom's capex will fall over time, but that is unlikely to happen in the next 2-3 years. Swisscom's proactive investments also make it less prone to dividend cuts/FCF downside.
- **But better to wait** — There have been numerous occasions when mixed quarters have been overplayed or general newsflow misunderstood. Swisscom's push to change its pricing model is typical proactive long-term thinking, but it is bound to have negative near-term impact. Cannibalisation should be temporary (market structure doesn't change) but likely to be exaggerated.
- **We downgrade to Neutral** — Due to recent outperformance of the shares vs the sector. Our DCF-based target price of SFr420 has an ETR just below 15%. We believe Swisscom has long-term merits but don't see the trigger for a significant rerating. We make no changes to our estimates or valuation.

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Countries Section

Austria

Fixed

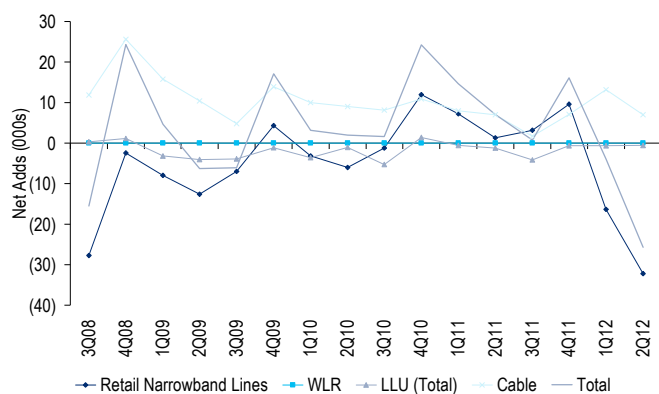
- TKA's retail fixed lines declined 32k in 2Q12, reversing the marginal growth seen in FY 2011. Total market lines also declined by 26k. Fixed broadband market net adds remained stable at 1k with TKA witnessing net losses of 2k, cable net adds 4k, flat for other DSL alt nets.

Mobile

- Trends deteriorated significantly due to continued high competition, service revenue growth ex MTRs was -5.7% in 2Q12 vs -2.7% in 1Q12. Minutes volumes were broadly flat on sequential basis, TKA's contract churn declined to 30%.

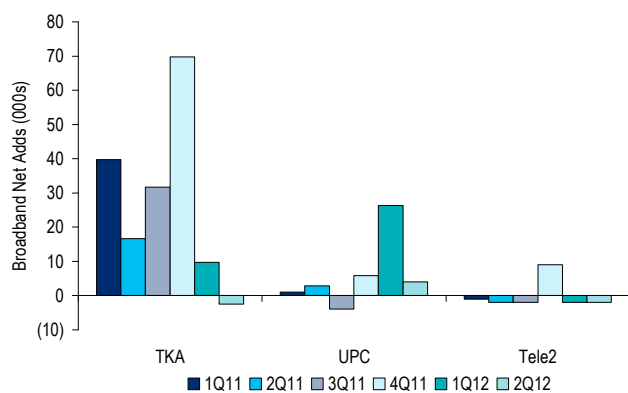
Fixed Charts

Figure 44. Telephony Net Adds



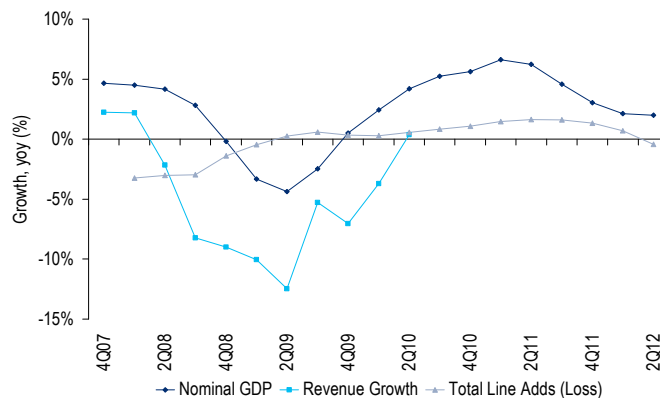
Source: Company reports and Citi Research

Figure 46. Line Loss, Incumbent Revenue Growth and GDP



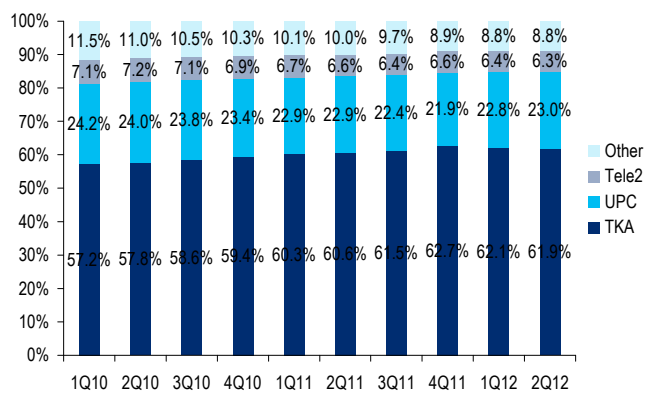
Source: Company reports and Citi Research

Figure 45. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Datastream and Citi Research

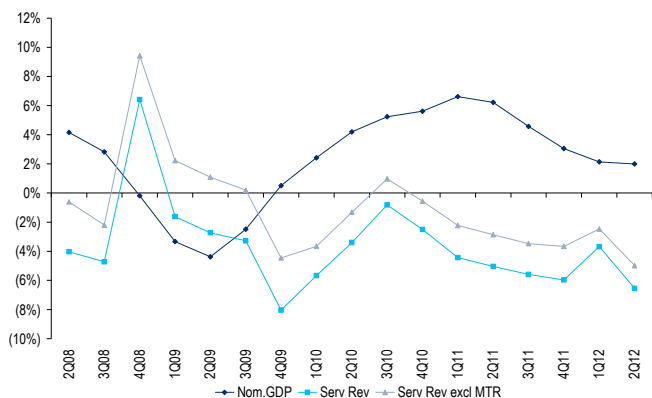
Figure 47. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports and Citi Research

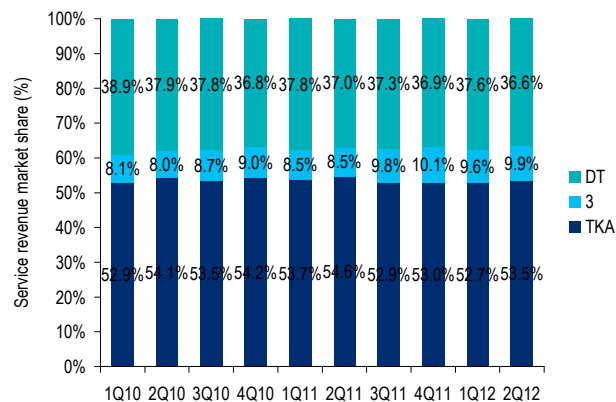
Mobile Charts

Figure 48. Revenue and GDP



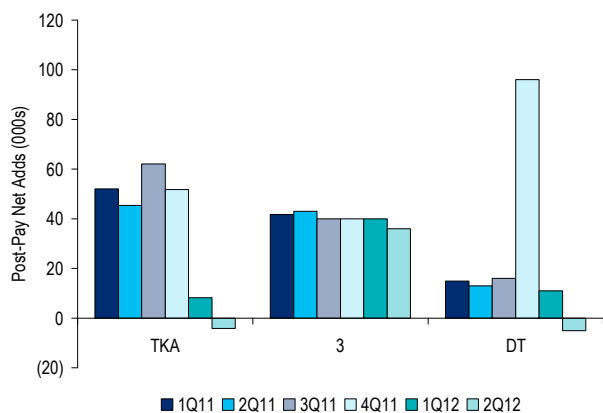
Source: Company reports, Datastream and Citi Research

Figure 49. Service Revenue Market Share



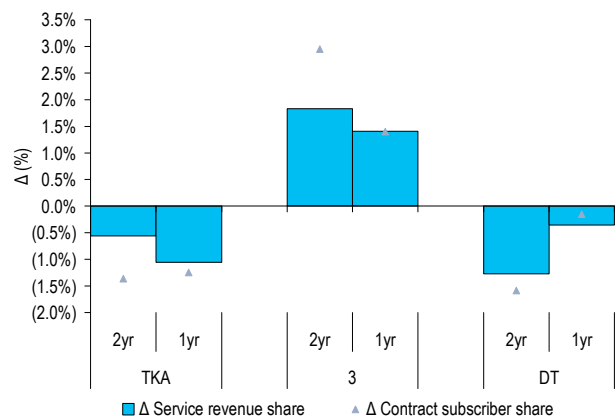
Source: Company reports and Citi Research

Figure 50. Post-Paid Net Adds



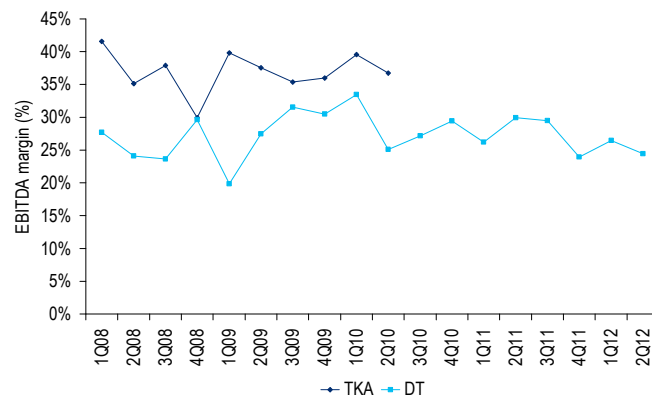
Source: Company reports and Citi Research

Figure 51. Change in Service Revenue and Contract Sub Share



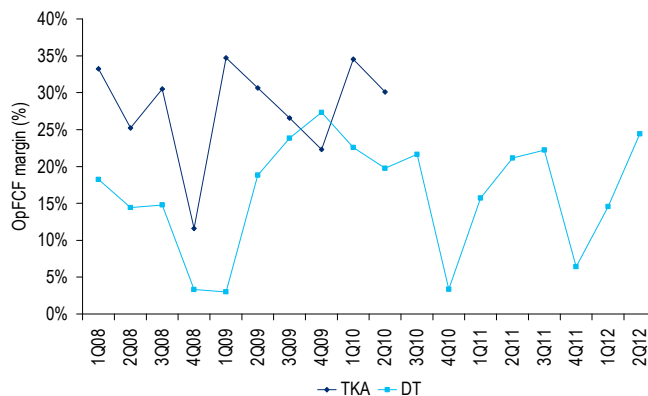
Source: Company reports and Citi Research

Figure 52. EBITDA Margin



Source: Company reports and Citi Research

Figure 53. OpFCF Margin



Source: Company reports and Citi Research

Austria Mobile Data

Figure 54. Austria Mobile Market Information

Austria	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, €m														
TKA	343	348	337	334	319	331	334	328	310	317	312	302	293	291
T-Mobile (DT)	256	245	247	241	235	232	236	223	218	215	220	210	209	199
Total	640	634	630	621	604	612	624	605	577	582	590	569	556	543
Service Revenue Growth, yoy														
TKA	0.1%	(0.0%)	(5.1%)	(11.0%)	(6.8%)	(4.8%)	(0.8%)	(1.8%)	(3.1%)	(4.2%)	(6.6%)	(8.1%)	(5.4%)	(8.3%)
T-Mobile (DT)	(3.0%)	(5.8%)	(3.1%)	(6.9%)	(8.2%)	(5.3%)	(4.5%)	(7.5%)	(7.2%)	(7.3%)	(6.8%)	(5.8%)	(4.1%)	(7.4%)
Total	(1.6%)	(2.7%)	(3.3%)	(8.0%)	(5.7%)	(3.4%)	(0.8%)	(2.5%)	(4.4%)	(5.0%)	(5.6%)	(6.0%)	(3.7%)	(6.5%)
Service Revenue Market Share														
TKA	53.6%	54.9%	53.4%	53.8%	52.9%	54.1%	53.5%	54.2%	53.7%	54.6%	52.9%	53.0%	52.7%	53.5%
T-Mobile (DT)	40.0%	38.6%	39.2%	38.8%	38.9%	37.9%	37.8%	36.8%	37.8%	37.0%	37.3%	36.9%	37.6%	36.6%
Post-pay Customers, 000s														
TKA	3,228	3,281	3,395	3,519	3,597	3,709	3,784	3,879	3,931	3,977	4,039	4,091	4,099	4,095
T-Mobile (DT)	2,305	2,297	2,273	2,326	2,328	2,340	2,334	2,382	2,397	2,410	2,426	2,522	2,533	2,528
Call Volumes, mn min/qtr														
TKA	2,292	2,264	2,242	2,369	2,331	2,366	2,321	2,425	2,337	2,315	2,281	2,401	2,405	2,409
Deutsche Telekom	2,445	2,414	2,322	2,511	2,419	2,489	2,421	2,619	2,580	2,591	2,496	2,626	2,646	2,637
Total	5,158	5,123	5,026	5,396	5,263	5,402	5,305	5,668	5,548	5,567	5,454	5,764	5,819	5,852
Call Volume growth, yoy														
TKA	3.3%	1.9%	2.4%	1.9%	1.7%	4.5%	3.6%	2.4%	0.2%	(2.2%)	(1.7%)	(1.0%)	2.9%	4.1%
Deutsche Telekom	8.6%	10.6%	8.6%	7.1%	(1.1%)	3.1%	4.3%	4.3%	6.7%	4.1%	3.1%	0.3%	2.6%	1.8%
Total	7.6%	8.2%	7.5%	6.6%	2.0%	5.4%	5.6%	5.0%	5.4%	3.1%	2.8%	1.7%	4.9%	5.1%
Contract Churn, % p.a														
TKA	23.9%	25.4%	24.2%	26.4%	27.6%	21.6%	22.8%	26.4%	31.7%	29.4%	27.2%	29.2%	34.7%	86.8%
T-Mobile (DT)	12.0%	12.0%	13.2%	12.0%	15.6%	10.8%	16.8%	9.6%	10.8%	10.8%	9.6%	10.8%	12.0%	10.8%
EBITDA, €m														
TKA	161	147	139	139	144	138								
T-Mobile (DT)	53	70	82	78	83	61	69	70	60	68	69	56	60	53

Source: Company reports, Citi Research

Austria Fixed Data

Figure 55. Austria Fixed Line Market Information

Austria	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	872	896	931	972	1,017	1,043	1,073	1,116	1,155	1,172	1,204	1,273	1,283	1,281
Incumbent wholesale	63	63	52	50	48	47	46	46	45	44	43	43	42	42
ULL (total)	296	292	288	287	283	282	277	278	278	276	272	272	271	270
Cable	427	426	424	430	430	433	435	439	440	443	439	445	471	475
Total	1,659	1,676	1,695	1,739	1,778	1,804	1,831	1,878	1,917	1,935	1,958	2,032	2,067	2,068
Broadband Subscribers (000s)														
TKA	872	896	931	972	1,017	1,043	1,073	1,116	1,155	1,172	1,204	1,273	1,283	1,281
UPC	427	426	424	430	430	433	435	439	440	443	439	445	471	475
Tele2	157	153	148	134	126	130	130	130	129	127	125	134	132	130
- other	202	201	192	203	205	199	193	194	193	193	190	180	181	183
Total	1,659	1,676	1,695	1,739	1,778	1,804	1,831	1,878	1,917	1,935	1,958	2,032	2,067	2,068
Broadband Subscribers Net Adds (000s)														
TKA	53	24	35	42	45	25	31	42	40	17	32	70	10	(2)
UPC	(7)	(1)	(2)	6	0	3	2	4	1	3	(4)	6	26	4
Tele2	(7)	(4)	(5)	(14)	(8)	4	0	0	(1)	(2)	(2)	9	(2)	(2)
- other	0	(1)	(10)	11	2	(6)	(6)	1	(1)	0	(3)	(10)	1	1
Total	40	17	19	45	39	26	27	47	39	18	23	75	35	1
Telephony Channels (000s)														
Incumbent retail	2,329	2,316	2,309	2,314	2,310	2,304	2,303	2,315	2,322	2,323	2,327	2,336	2,320	2,288
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	296	292	288	287	283	282	277	278	278	276	272	272	271	270
Cable	258	268	273	287	297	306	314	325	333	340	342	349	362	369
Total	2,882	2,876	2,870	2,887	2,890	2,892	2,894	2,918	2,933	2,940	2,940	2,957	2,953	2,927
Telephony Channels Net Adds (000s)														
Incumbent retail	(8)	(13)	(7)	4	(3)	(6)	(1)	12	7	1	3	10	(16)	(32)
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	(3)	(4)	(4)	(1)	(4)	(1)	(5)	1	(1)	(1)	(4)	(1)	(1)	(1)
Cable	16	10	5	14	10	9	8	11	8	7	2	7	13	7
Total	5	(6)	(6)	17	3	2	2	24	15	7	1	16	(4)	(26)

Source: Company Reports, Citi Research

Belgium

Fixed

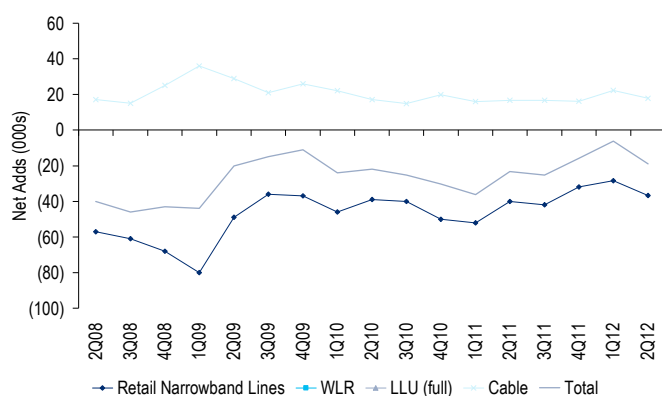
- Retail line net losses were similar in 2Q12 at -37k vs -28k in 1Q12. No changes in trend in broadband with cable still gaining market share but at a slower rate. Belgacom continues to gain share in TV.

Mobile

- Service revenue growth ex-MTRs declined from 2.2% in 1Q12 to -0.5% in 2Q12. Post-pay net adds grew to 114k from 34k in 1Q12. Market minutes growth also declined slightly to 5.2%, up from 6.5% in 1Q12. BASE (KPN) continues to take revenue share, driven by higher minutes growth, with similar net adds to the other operators.

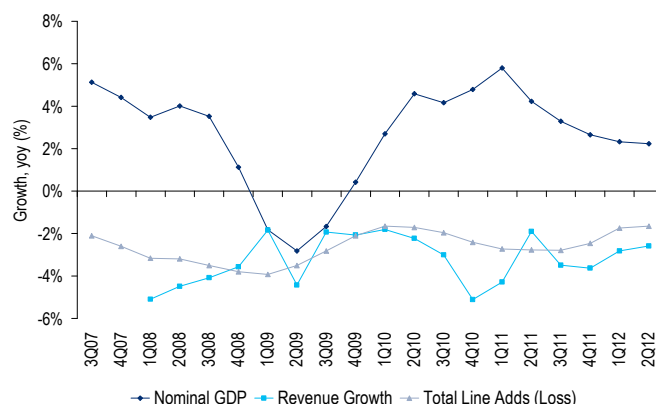
Fixed Charts

Figure 56. Telephony Net Adds



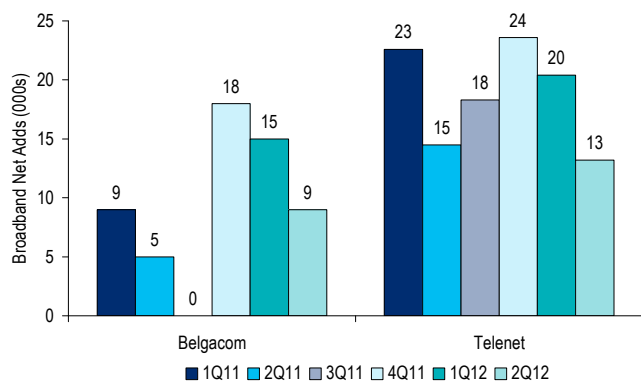
Source: Company reports and Citi Research

Figure 57. Line Loss, Incumbent Revenue Growth and GDP



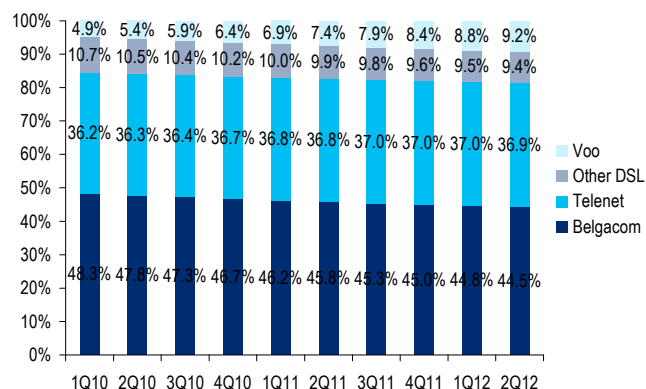
Source: Company reports, Datastream and Citi Research

Figure 58. Broadband Subscriber Quarterly Net Adds



Source: Company reports and Citi Research

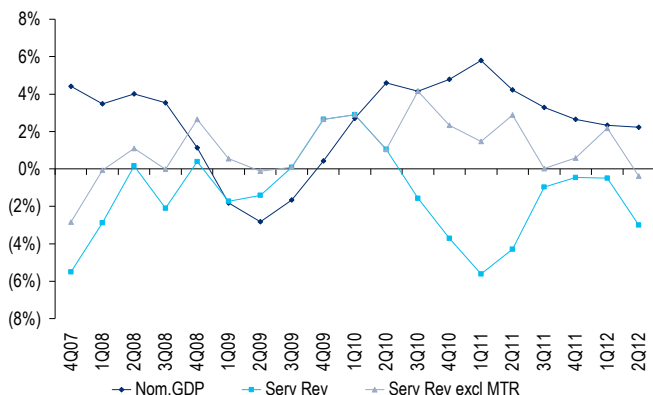
Figure 59. Broadband Subscriber Market Share



Source: Company reports and Citi Research

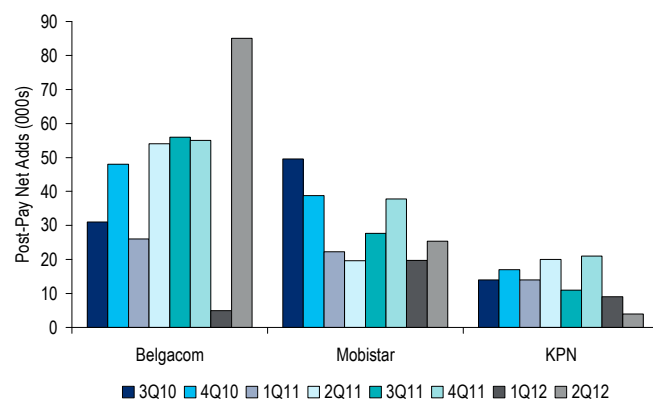
Mobile Charts

Figure 60. Revenue and GDP



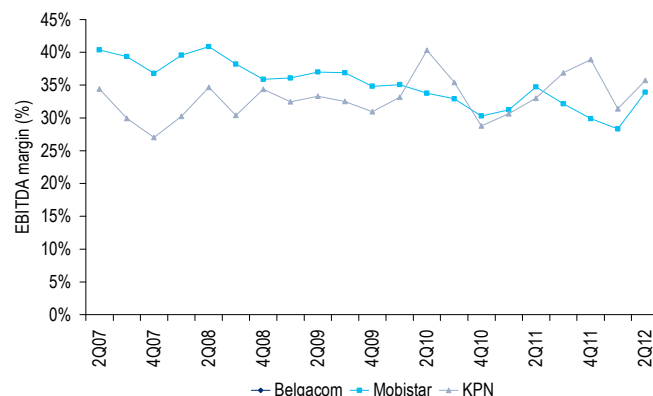
Source: Company reports, Datastream and Citi Research

Figure 62. Post-Paid Net Adds



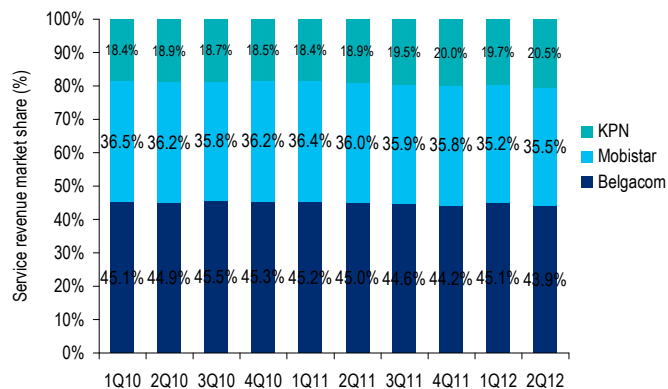
Source: Company reports and Citi Research

Figure 64. EBITDA Margin



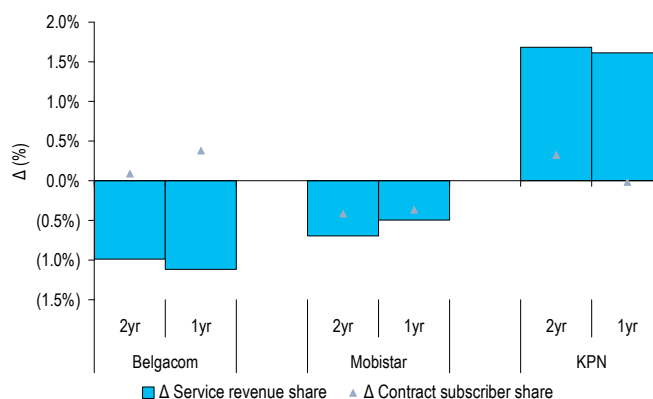
Source: Company reports and Citi Research

Figure 61. Service Revenue Market Share



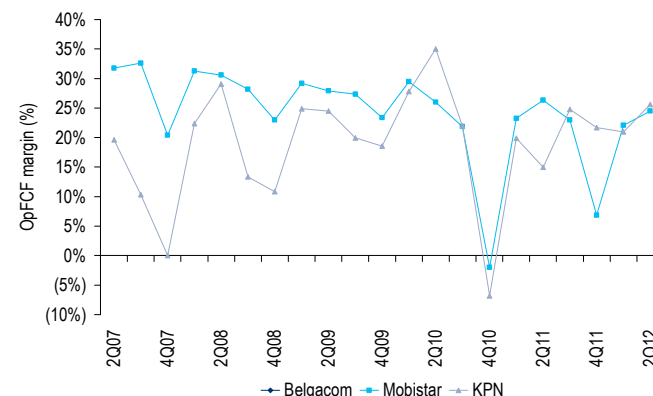
Source: Company reports and Citi Research

Figure 63. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Research

Figure 65. OFCF Margin



Source: Company reports and Citi Research

Belgium Mobile Data

Figure 66. Belgium Mobile Market Information

Belgium	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, €m														
Belgacom	420	435	427	428	415	424	415	410	392	407	402	398	389	385
Mobistar	319	332	332	340	335	342	326	327	316	326	324	322	304	312
KPN	154	167	167	171	169	178	170	167	160	171	176	180	170	180
Total	893	934	926	939	919	944	911	904	868	904	902	900	863	877
Service Revenue Growth, yoy														
Belgacom	(4.8%)	(2.9%)	(0.9%)	0.2%	(1.2%)	(2.5%)	(2.8%)	(4.2%)	(5.5%)	(4.0%)	(3.1%)	(2.9%)	(0.8%)	(5.4%)
Mobistar	(1.1%)	(1.6%)	(2.1%)	3.4%	5.0%	2.9%	(1.7%)	(3.8%)	(5.8%)	(4.8%)	(0.6%)	(1.6%)	(3.6%)	(4.3%)
KPN	6.2%	3.1%	7.7%	7.5%	9.7%	6.6%	1.8%	(2.3%)	(5.3%)	(3.9%)	3.5%	7.8%	6.3%	5.3%
Total	(1.7%)	(1.4%)	0.1%	2.7%	2.9%	1.0%	(1.6%)	(3.7%)	(5.6%)	(4.3%)	(1.0%)	(0.5%)	(0.5%)	(3.0%)
Service Revenue Market Share														
Belgacom	47.0%	46.6%	46.1%	45.6%	45.1%	44.9%	45.5%	45.3%	45.2%	45.0%	44.6%	44.2%	45.1%	43.9%
Mobistar	35.7%	35.6%	35.8%	36.2%	36.5%	36.2%	35.8%	36.2%	36.4%	36.0%	35.9%	35.8%	35.2%	35.5%
KPN	17.2%	17.9%	18.0%	18.2%	18.4%	18.9%	18.7%	18.5%	18.4%	18.9%	19.5%	20.0%	19.7%	20.5%
Post-pay Customers, 000s														
Belgacom	2,621	2,678	2,721	2,765	2,790	2,828	2,859	2,907	2,933	2,987	3,043	3,098	3,103	3,188
Mobistar	1,979	2,014	2,033	2,077	2,100	2,134	2,184	2,223	2,245	2,265	2,292	2,330	2,350	2,375
KPN	583	612	646	678	702	712	726	743	757	777	788	809	818	822
Call Volumes, mn min/qtr														
Belgacom	2,455	2,541	2,434	2,555	2,372	2,450	2,364	2,470	2,399	2,513	2,418	2,530	2,546	2,598
KPN	1,291	1,299	1,184	1,349	1,404	1,489	1,313	1,464	1,506	1,518	1,472	1,587	1,614	1,641
Total	5,617	5,773	5,441	5,797	5,559	5,809	5,496	5,853	5,786	6,013	5,793	6,108	6,159	6,281
Call Volume growth, yoy														
Belgacom	(0.5%)	(0.4%)	2.3%	2.5%	(3.4%)	(3.6%)	(2.9%)	(3.3%)	1.1%	2.5%	2.3%	2.4%	6.1%	3.4%
KPN	13.2%	11.2%	2.1%	10.3%	8.7%	14.7%	10.9%	8.5%	7.3%	1.9%	12.1%	8.4%	7.1%	8.1%
Total	2.7%	2.0%	1.6%	3.2%	(1.0%)	0.6%	1.0%	1.0%	4.1%	3.5%	5.4%	4.4%	6.4%	4.5%
Contract Churn, % p.a														
KPN	20.0%	21.0%	17.0%	24.0%	19.0%	21.0%	16.0%	24.0%	20.0%	16.0%	17.0%	19.0%	22.0%	26.0%
EBITDA, €m														
Mobistar	134	144	142	146	138	144	137	131	125	146	130	129	113	137
KPN	62	68	65	64	67	81	68	55	57	64	73	79	60	74

Source: Company Reports, Citi Research

Belgium Fixed Data

Figure 67. Belgium Fixed Line Market Information

Belgium	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	1,487	1,487	1,499	1,521	1,536	1,545	1,553	1,558	1,567	1,572	1,572	1,590	1,605	1,614
Wholesale and ULL	340	340	340	340	340	340	340	340	340	340	340	340	340	340
Cable	1,132	1,170	1,210	1,251	1,305	1,349	1,392	1,442	1,484	1,519	1,557	1,601	1,641	1,674
Total	2,959	2,997	3,049	3,112	3,181	3,234	3,285	3,340	3,391	3,431	3,469	3,531	3,586	3,628
Broadband Subscribers (000s)														
Belgacom	1,487	1,487	1,499	1,521	1,536	1,545	1,553	1,558	1,567	1,572	1,572	1,590	1,605	1,614
Telenet	1,025	1,055	1,085	1,116	1,150	1,174	1,197	1,227	1,249	1,264	1,282	1,306	1,326	1,339
Other DSL	340	340	340	340	340	340	340	340	340	340	340	340	340	340
Voo	107	115	125	135	155	175	195	215	235	255	275	295	315	335
Total	2,959	2,997	3,049	3,112	3,181	3,234	3,285	3,340	3,391	3,431	3,469	3,531	3,586	3,628
Broadband Subscribers Net Adds (000s)														
Belgacom	142	0	12	22	15	9	8	5	9	5	0	18	15	9
Telenet	40	30	30	31	34	24	23	30	23	15	18	24	20	13
Other DSL	(130)	0	0	0	0	0	0	0	0	0	0	0	0	0
Voo	4	8	10	10	20	20	20	20	20	20	20	20	20	20
Total	56	38	52	63	69	53	51	55	52	40	38	62	55	42
Telephony Channels (000s)														
Incumbent retail	3,569	3,520	3,484	3,447	3,401	3,362	3,322	3,272	3,220	3,180	3,138	3,106	3,078	3,041
Incumbent wholesale (WLR)														
ULL (total)														
Cable	665	694	715	741	763	780	795	815	831	847	864	880	902	920
Total	4,234	4,214	4,199	4,188	4,164	4,142	4,117	4,087	4,051	4,027	4,002	3,986	3,980	3,961
Telephony Channels Net Adds (000s)														
Incumbent retail	(80)	(49)	(36)	(37)	(46)	(39)	(40)	(50)	(52)	(40)	(42)	(32)	(28)	(37)
Incumbent wholesale (WLR)														
ULL (total)														
Cable	36	29	21	26	22	17	15	20	16	17	17	16	22	18
Total	(44)	(20)	(15)	(11)	(24)	(22)	(25)	(30)	(36)	(23)	(25)	(16)	(6)	(19)
Pay TV Subscribers (000s)														
Belgacom	486	513	575	652	713	753	795	839	879	925	963	1,021	1,057	1,093
Telenet	2,386	2,374	2,363	2,342	2,318	2,303	2,288	2,274	2,254	2,234	2,214	2,199	2,181	2,152
Pay TV Subscribers Net Adds (000s)														
Belgacom	45	27	62	77	61	40	42	44	40	46	38	58	36	36
Telenet	(16)	(12)	(11)	(21)	(24)	(15)	(15)	(14)	(21)	(20)	(20)	(16)	(18)	(29)

Source: Company Reports, Citi Research

Denmark

Fixed

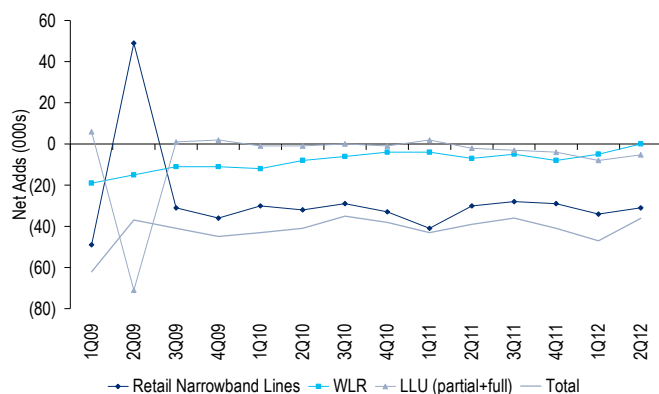
- Fixed line trends remained stable in 2Q12, with -7.9% yoy decline in retail fixed lines and -8.3% total market lines. The fixed broadband market showed small growth of 8k, driven by the strong growth at TDC of 15k offset by other operators.

Mobile

- The impact of price cuts over the last year continues to weigh on revenue. Service revenue excluding the impact of MTR cuts continued to decline at -12.1% in 2Q12, down from -10.5% in 1Q12. Revenue is also declining because of the transition to handset financing which removes handset recovery revenue from service revenue. This has a minimal impact on EBITDA, and therefore means revenue trends become less meaningful.

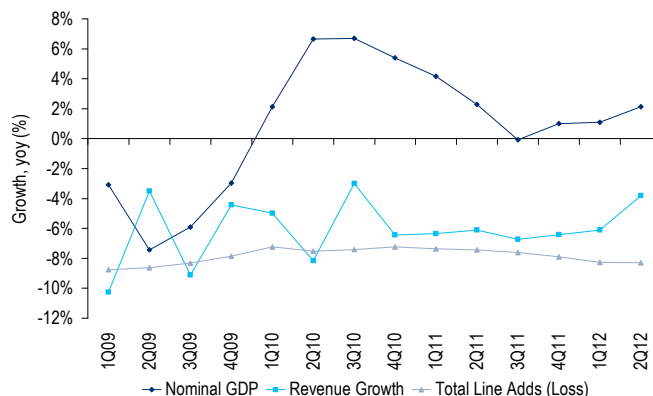
Fixed Charts

Figure 68. Telephony Net Adds



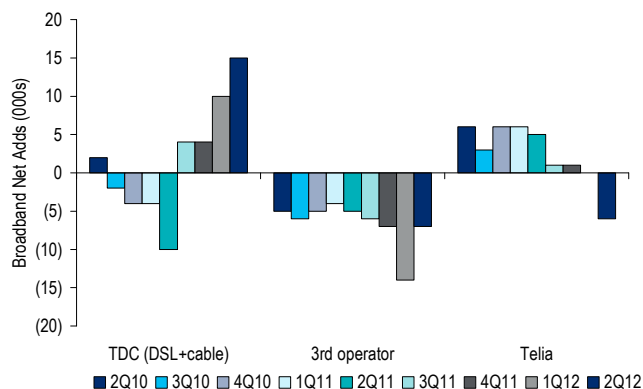
Source: Company reports and Citi Research

Figure 69. Line Loss, Incumbent Revenue Growth and GDP



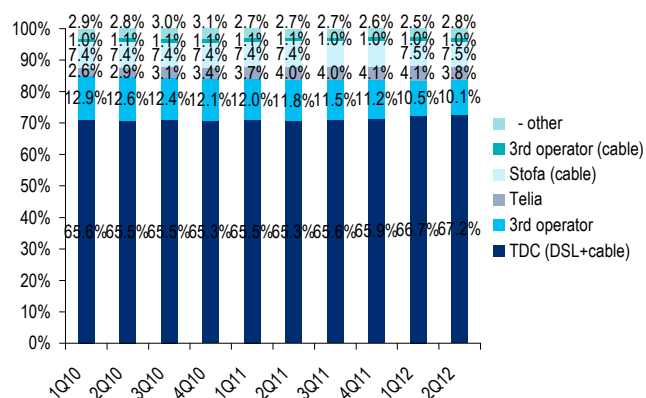
Source: Company reports, Datastream and Citi Research

Figure 70. Broadband Subscriber Net Adds



Source: Company reports and Citi Research

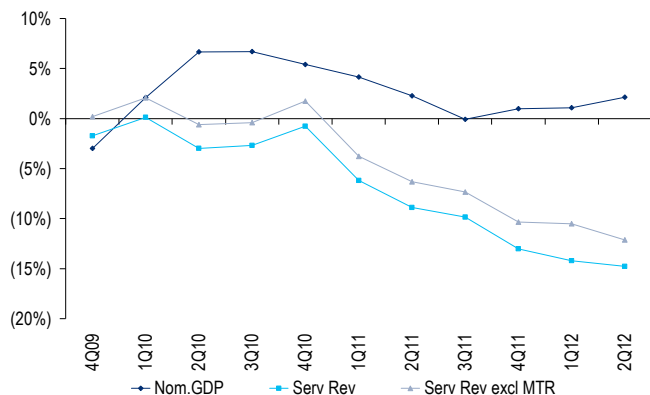
Figure 71. Broadband Subscriber Market Share



Source: Company reports and Citi Research

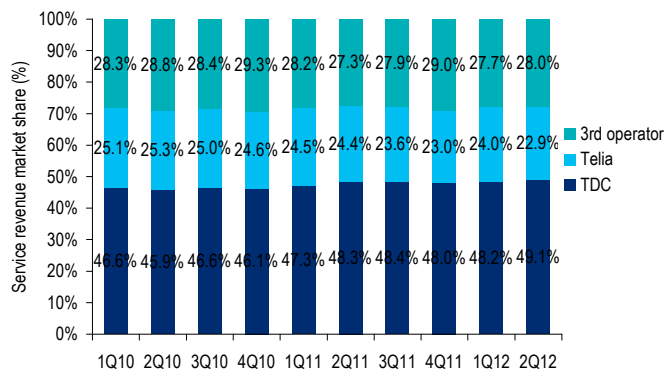
Mobile Charts

Figure 72. Revenue and GDP



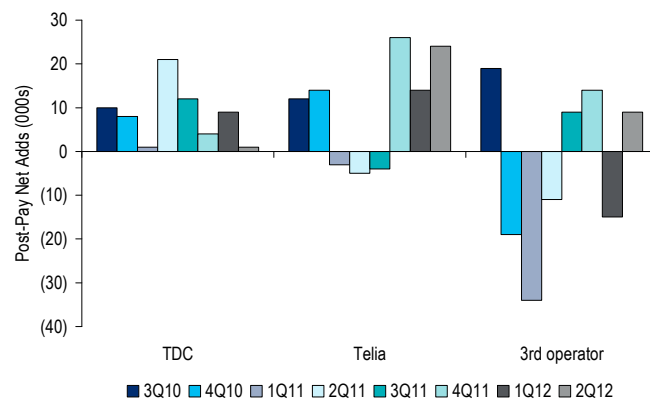
Source: Company reports, Datastream and Citi Research

Figure 73. Service Revenue Market Share (excl Hi3G)



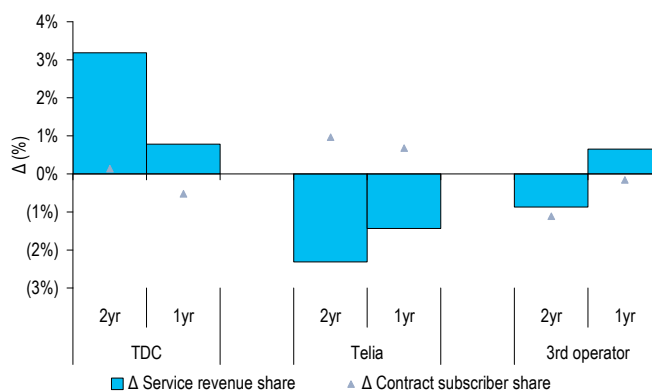
Source: Company reports and Citi Research

Figure 74. Post-Paid Net Adds



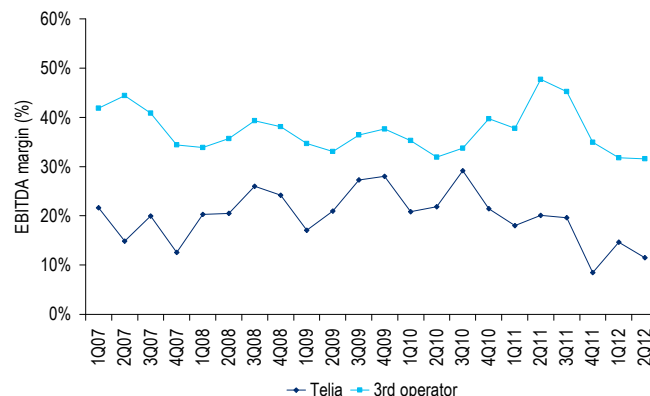
Source: Company reports and Citi Research

Figure 75. Change in Service Revenue and Contract Sub Share



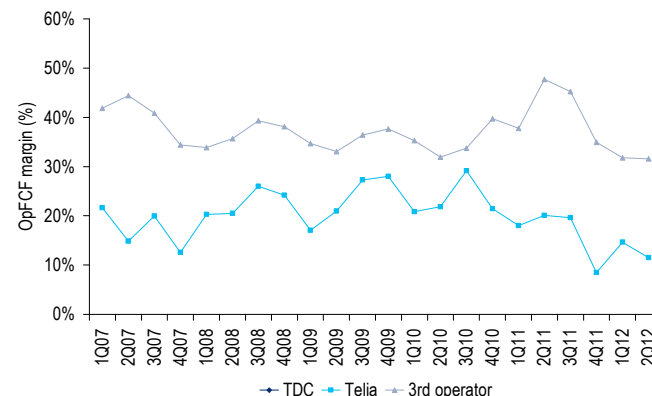
Source: Company reports and Citi Research

Figure 76. EBITDA Margin



Source: Company reports and Citi Research

Figure 77. OpFCF Margin



Source: Company reports and Citi Research

Denmark Mobile Data

Figure 78. Denmark Mobile Market Information (excl Hi3G)

Denmark	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, €m														
TDC	1,867	1,889	1,898	1,883	1,906	1,857	1,877	1,851	1,815	1,780	1,759	1,676	1,588	1,542
Telia	1,103	1,127	1,092	1,014	1,027	1,022	1,006	986	939	898	858	803	790	720
3rd operator	1,115	1,154	1,150	1,149	1,157	1,167	1,146	1,178	1,082	1,007	1,014	1,014	913	879
Total	4,085	4,170	4,140	4,046	4,090	4,046	4,029	4,015	3,837	3,686	3,631	3,493	3,291	3,141
Service Revenue Growth, yoy														
TDC	5.9%	0.3%	1.6%	2.1%	2.1%	(1.7%)	(1.1%)	(1.7%)	(4.8%)	(4.1%)	(6.3%)	(9.5%)	(12.5%)	(13.4%)
Telia	(5.3%)	(3.8%)	(7.8%)	(11.6%)	(7.0%)	(9.3%)	(7.9%)	(2.8%)	(8.5%)	(12.1%)	(14.7%)	(18.5%)	(15.9%)	(19.8%)
3rd operator	4.4%	5.8%	3.0%	2.1%	3.8%	1.1%	(0.3%)	2.6%	(6.4%)	(13.7%)	(11.5%)	(14.0%)	(15.7%)	(12.7%)
Total	2.2%	0.6%	(0.7%)	(1.7%)	0.1%	(3.0%)	(2.7%)	(0.8%)	(6.2%)	(8.9%)	(9.9%)	(13.0%)	(14.2%)	(14.8%)
Service Revenue Market Share														
TDC	45.7%	45.3%	45.8%	46.5%	46.6%	45.9%	46.6%	46.1%	47.3%	48.3%	48.4%	48.0%	48.2%	49.1%
Telia	27.0%	27.0%	26.4%	25.1%	25.1%	25.3%	25.0%	24.6%	24.5%	24.4%	23.6%	23.0%	24.0%	22.9%
3rd operator	27.3%	27.7%	27.8%	28.4%	28.3%	28.8%	28.4%	29.3%	28.2%	27.3%	27.9%	29.0%	27.7%	28.0%
Post-pay Customers, 000s														
TDC	2,290	2,318	2,342	2,372	2,543	2,552	2,562	2,570	2,571	2,592	2,604	2,608	2,617	2,618
Telia	1,154	1,159	1,156	1,171	1,203	1,219	1,231	1,245	1,242	1,237	1,233	1,259	1,273	1,297
3rd operator	1,143	1,164	1,187	1,229	1,257	1,267	1,286	1,267	1,233	1,222	1,231	1,245	1,230	1,239
Call Volumes, mn min/qtr														
TDC	1,659	1,493	1,525	1,666	1,742	1,599	1,476	1,635	1,630	1,482	1,453	1,526	1,555	1,436
Telia	947	964	925	984	1,000	1,044	1,024	1,069	1,036	1,040	995	1,026	1,048	1,065
3rd operator	1,050	1,088	1,075	1,150	1,160	1,181	1,125	1,178	1,139	1,129	1,127	1,189	1,228	1,244
Total	3,656	3,545	3,525	3,800	3,902	3,824	3,625	3,881	3,805	3,650	3,575	3,741	3,831	3,745
Call Volume growth, yoy														
TDC	(1.1%)	(7.6%)	(2.2%)	(0.1%)	5.0%	7.1%	(3.2%)	(1.9%)	(6.5%)	(7.4%)	(1.6%)	(6.6%)	(4.6%)	(3.1%)
Telia	7.4%	(4.8%)	0.2%	1.4%	5.6%	8.3%	10.7%	8.6%	3.6%	(0.4%)	(2.8%)	(4.1%)	1.1%	2.5%
3rd operator	7.9%	4.3%	7.5%	9.3%	10.5%	8.6%	4.6%	2.4%	(1.8%)	(4.4%)	0.2%	1.0%	7.8%	10.2%
Total	3.5%	(3.5%)	1.2%	3.0%	6.7%	7.9%	2.8%	2.1%	(2.5%)	(4.6%)	(1.4%)	(3.6%)	0.7%	2.6%
EBITDA, €m														
TDC														
Telia	188	236	298	284	214	223	293	211	169	180	169	68	116	83
3rd operator	387	381	419	433	408	372	387	468	408	480	459	354	290	278

Source: Company Reports, Citi Research

Denmark Fixed Data

Figure 79. Denmark Fixed Line Market Information

Denmark	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	1,145	1,291	1,295	1,296	1,299	1,301	1,299	1,295	1,291	1,281	1,285	1,289	1,299	1,314
Incumbent wholesale	131	118	121	139	142	146	148	154	147	150	150	148	144	143
ULL (total)	304	228	227	227	223	219	217	214	215	211	206	200	188	182
Cable	196	193	194	193	193	193	193	193	193	193	192	192	192	192
Total	1,879	1,933	1,948	1,974	1,980	1,985	1,983	1,982	1,972	1,961	1,959	1,955	1,949	1,957
Broadband Subscribers (000s)														
TDC (DSL+cable)	1,145	1,291	1,295	1,296	1,299	1,301	1,299	1,295	1,291	1,281	1,285	1,289	1,299	1,314
3rd operator	268	263	262	259	256	251	245	240	236	231	225	218	204	197
Telia	42	44	46	47	52	58	61	67	73	78	79	80	80	74
Stofa (cable)	149	147	147	147	147	146	146	146	146	146	146	146	146	146
3rd operator (cable)	21	20	21	20	20	21	21	21	21	21	20	20	20	20
- other	125	39	40	60	57	56	59	61	53	52	52	50	48	54
Total	1,879	1,933	1,948	1,974	1,980	1,985	1,983	1,982	1,972	1,961	1,959	1,955	1,949	1,957
Broadband Subscribers Net Adds (000s)														
TDC (DSL+cable)	(6)	146	4	1	3	2	(2)	(4)	(4)	(10)	4	4	10	15
3rd operator	(4)	(5)	(1)	(3)	(3)	(5)	(6)	(5)	(4)	(5)	(6)	(7)	(14)	(7)
Telia	8	2	2	1	5	6	3	6	6	5	1	1	0	(6)
Total	3	54	15	26	5	5	(2)	(1)	(10)	(11)	(2)	(4)	(6)	8
Telephony Channels (000s)														
Retail Narrowband Lines	1,767	1,816	1,785	1,749	1,719	1,687	1,658	1,625	1,584	1,554	1,526	1,497	1,463	1,432
WLR	278	263	252	241	229	221	215	211	207	200	195	187	182	182
LLU (full)	250	179	180	182	181	180	180	179	181	179	176	172	164	159
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	2,295	2,258	2,217	2,172	2,129	2,088	2,053	2,015	1,972	1,933	1,897	1,856	1,809	1,773
Telephony Channels Net Adds (000s)														
Retail Narrowband Lines	(49)	49	(31)	(36)	(30)	(32)	(29)	(33)	(41)	(30)	(28)	(29)	(34)	(31)
WLR	(19)	(15)	(11)	(11)	(12)	(8)	(6)	(4)	(4)	(7)	(5)	(8)	(5)	0
LLU (partial+full)	6	(71)	1	2	(1)	(1)	0	(1)	2	(2)	(3)	(4)	(8)	(5)
Total	(62)	(37)	(41)	(45)	(43)	(41)	(35)	(38)	(43)	(39)	(36)	(41)	(47)	(36)

Source: Company Reports, Citi Research

Finland

Fixed

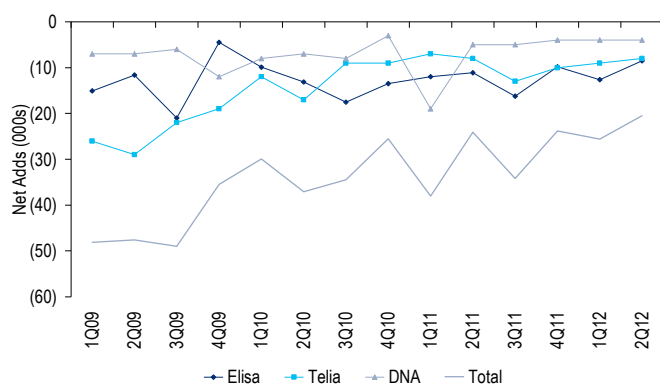
- Fixed line loss was stable in 2Q12 with -21k line loss, vs -26k in 1Q12. The fixed broadband market showed a slight improvement with 11k net adds, vs 4k in 1Q12.

Mobile

- Service revenue (excluding MTR cuts) worsened to decline of -0.4% in 2Q12 from +2.3% 1Q12. This is mainly driven a significant worsening in Telia's service revenue trend to -6% (excl MTR), though Telia's minutes growth remained healthy at 3%.

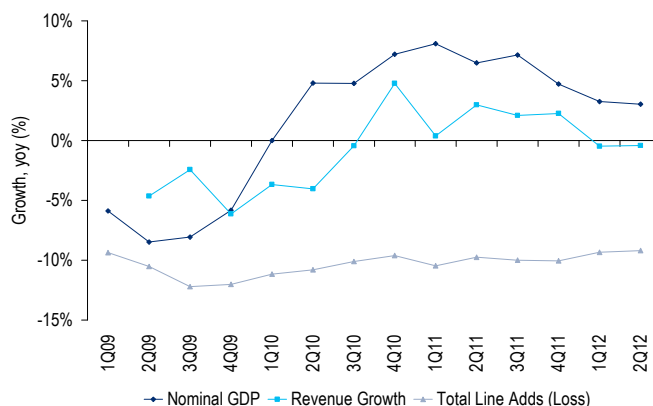
Fixed Charts

Figure 80. Telephony Net Adds



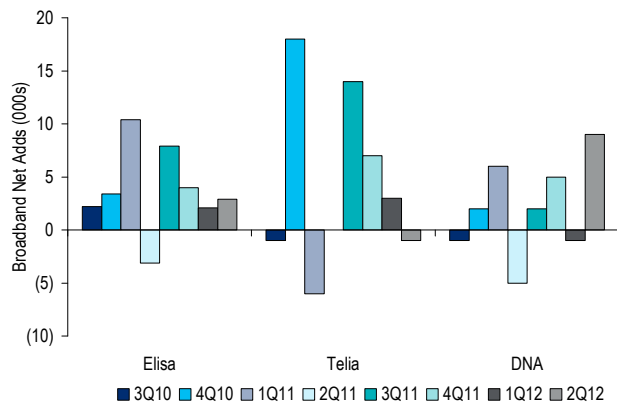
Source: Company reports and Citi Research

Figure 81. Line Loss, Incumbent Revenue Growth (Elisa, Telia, DNA) and GDP



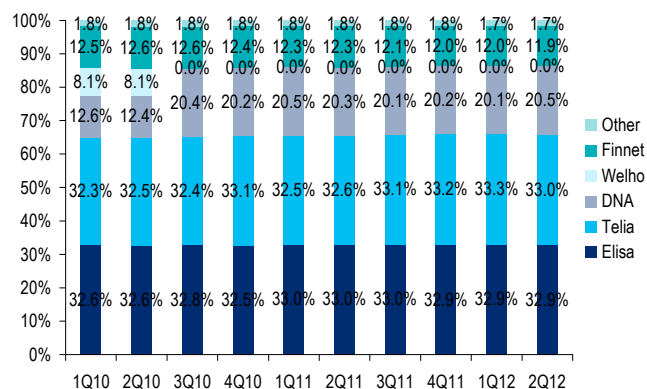
Source: Company reports, Datastream and Citi Research

Figure 82. Broadband Subscriber Net Adds



Source: Company reports and Citi Research

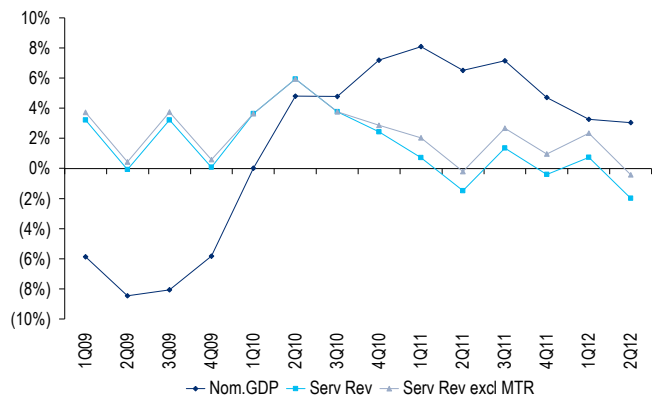
Figure 83. Broadband Subscriber Market Share



Source: Company reports and Citi Research

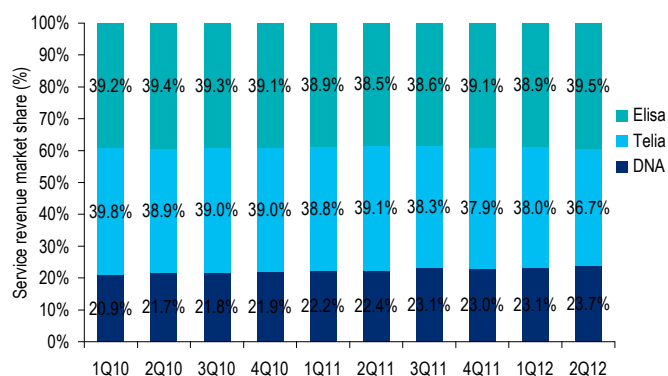
Mobile Charts

Figure 84. Revenue and GDP



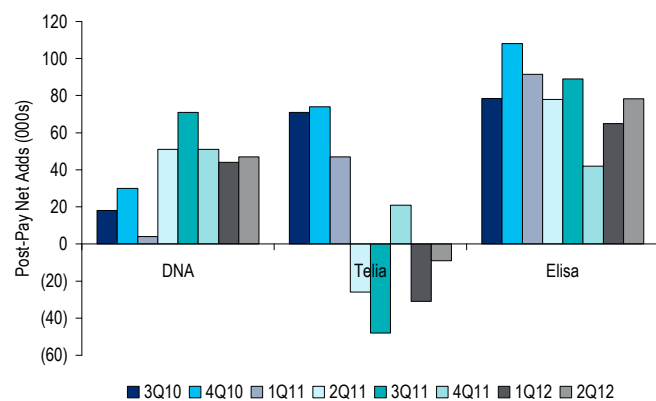
Source: Company reports, Datastream and Citi Research

Figure 85. Service Revenue Market Share



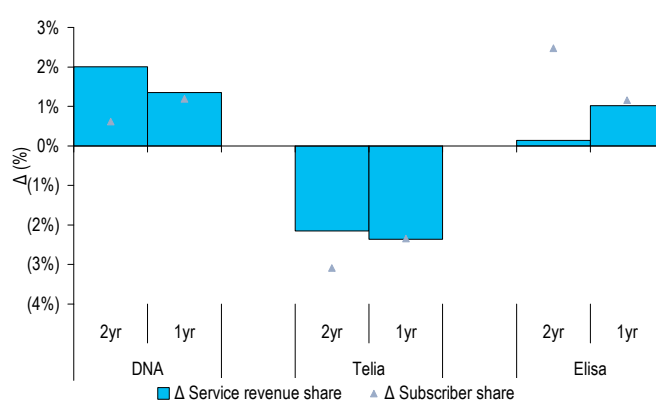
Source: Company reports and Citi Research

Figure 86. Post-Paid Net Adds



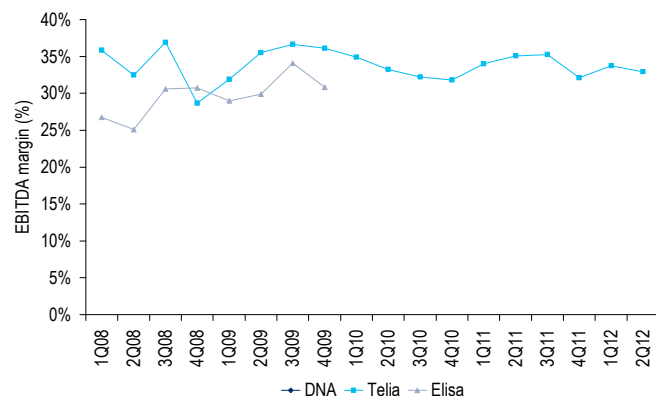
Source: Company reports and Citi Research

Figure 87. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Research

Figure 88. EBITDA Margin



Source: Company reports and Citi Research

Finland Mobile Data

Figure 89. Finland Mobile Market Information

Finland	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, €m														
DNA	99	101	105	107	106	116	113	115	114	117	122	120	119	122
Telia	202	203	199	204	202	207	203	204	199	205	202	198	196	189
Elisa	189	198	197	200	199	210	204	205	199	202	204	204	200	203
Total	490	502	501	512	508	532	520	524	511	525	527	522	515	514
Service Revenue Growth, yoy														
DNA	13.5%	7.7%	11.2%	6.1%	7.8%	14.2%	7.6%	6.7%	7.0%	1.5%	7.5%	4.7%	4.6%	3.9%
Telia	(1.4%)	(5.7%)	1.4%	(3.6%)	(0.1%)	1.8%	2.0%	0.2%	(1.8%)	(0.9%)	(0.4%)	(3.1%)	(1.4%)	(7.9%)
Elisa	3.5%	2.4%	1.2%	1.0%	5.4%	6.0%	3.5%	2.4%	(0.1%)	(3.7%)	(0.3%)	(0.6%)	0.6%	0.6%
Total	3.2%	(0.1%)	3.2%	0.1%	3.6%	5.9%	3.8%	2.4%	0.7%	(1.5%)	1.3%	(0.4%)	0.7%	(2.0%)
Service Revenue Market Share														
DNA	20.1%	20.2%	21.0%	21.0%	20.9%	21.7%	21.8%	21.9%	22.2%	22.4%	23.1%	23.0%	23.1%	23.7%
Telia	41.3%	40.5%	39.6%	39.9%	39.8%	38.9%	39.0%	39.0%	38.8%	39.1%	38.3%	37.9%	38.0%	36.7%
Elisa	38.6%	39.4%	39.4%	39.1%	39.2%	39.4%	39.3%	39.1%	38.9%	38.5%	38.6%	39.1%	38.9%	39.5%
Post-pay Customers, 000s														
Telia	2,430	2,466	2,526	2,600	2,670	2,722	2,781	2,843	2,898	2,930	2,901	2,919	2,897	2,899
Call Volumes, mn min/qtr														
Telia	2,281	2,311	2,287	2,382	2,398	2,470	2,439	2,477	2,445	2,502	2,532	2,473	2,576	2,569
Call Volume growth, yoy														
Telia	4.7%	0.4%	3.2%	1.8%	5.1%	6.9%	6.7%	4.0%	2.0%	1.3%	3.8%	(0.1%)	5.3%	2.7%
EBITDA, €m														
Telia	70	80	80	84	80	78	77	77	79	81	82	75	77	72
Elisa	56	59	69	64										

Source: Company Reports, Citi Research

Finland Fixed Data

Figure 90. Finland Fixed Line Market Information

Finland	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Elisa	495	482	476	467	462	462	464	467	478	475	482	486	489	491
Telia	472	465	460	458	458	459	458	476	470	470	484	491	494	493
DNA	190	187	186	180	178	175	289	291	297	292	294	299	298	307
Welho	107	109	111	113	115	115								
Finnet	178	178	178	178	178	178	178	178	178	178	178	178	178	178
- other	26	26	26	26	26	26	26	26	26	26	26	26	26	26
Total	1,468	1,446	1,436	1,422	1,416	1,414	1,414	1,438	1,448	1,440	1,464	1,480	1,484	1,495
Broadband Subscribers Net Adds (000s)														
Elisa	(6)	(14)	(6)	(9)	(5)	(0)	2	3	10	(3)	8	4	2	3
Telia	(6)	(7)	(5)	(2)	0	1	(1)	18	(6)	0	14	7	3	(1)
DNA	0	(3)	(1)	(6)	(2)	(3)	(1)	2	6	(5)	2	5	(1)	9
Total	(12)	(22)	(10)	(15)	(5)	(2)	0	23	10	(8)	24	16	4	11
Telephony Channels (000s)														
Elisa	438	426	405	401	391	378	360	347	335	324	308	298	285	277
Telia	394	365	343	324	312	295	286	277	270	262	249	239	230	222
DNA	222	215	209	197	189	182	174	171	152	147	142	138	134	130
Finnet	285	285	285	285	285	285	285	285	285	285	285	285	285	285
- other	113	113	113	113	113	113	113	113	113	113	113	113	113	113
Total	1,452	1,404	1,355	1,320	1,290	1,253	1,218	1,193	1,155	1,131	1,097	1,073	1,047	1,027
Telephony Channels Net Adds (000s)														
Elisa	(15)	(12)	(21)	(4)	(10)	(13)	(18)	(14)	(12)	(11)	(16)	(10)	(13)	(9)
Telia	(26)	(29)	(22)	(19)	(12)	(17)	(9)	(9)	(7)	(8)	(13)	(10)	(9)	(8)
DNA	(7)	(7)	(6)	(12)	(8)	(7)	(8)	(3)	(19)	(5)	(5)	(4)	(4)	(4)
Total	(48)	(48)	(49)	(36)	(30)	(37)	(35)	(26)	(38)	(24)	(34)	(24)	(26)	(21)
Pay TV Subscribers (000s)														
Elisa (cable TV)	245	247	248	249	250	252	249	250	252	252	252	253	252	254
Telia (Cable TV)	175	175	175	175	187	189	207	218	238	328	339	355	368	376
Telia (IPTV)	0	0	0	1	1	0	0	0	0	0	0	0	0	0
DNA (Cable TV)	265	267	267	270	271	274	596	598	602	597	599	602	592	597
Welho (cable tv) (est.)	323	324	324	324	324	324	0	0	0	0	0	0	0	0
Finnet Group (cable tv) (est.)	217	217	217	217	217	217	217	217	217	217	217	217	217	217
Total	1,226	1,230	1,231	1,236	1,250	1,256	1,269	1,283	1,309	1,394	1,407	1,427	1,429	1,444
Pay TV Subscribers Net Adds (000s)														
Elisa (cable TV)	1	1	1	1	1	1	(3)	2	1	0	1	1	(1)	2
Telia (Cable TV)	(1)	0	0	0	12	2	18	11	20	90	11	16	13	8
Telia (IPTV)	0	0	0	1	0	(1)	0	0	0	0	0	0	0	0
DNA (Cable TV)	2	2	0	3	1	3	322	2	4	(5)	2	3	(10)	5

Source: Company Reports, Citi Research

France

Fixed

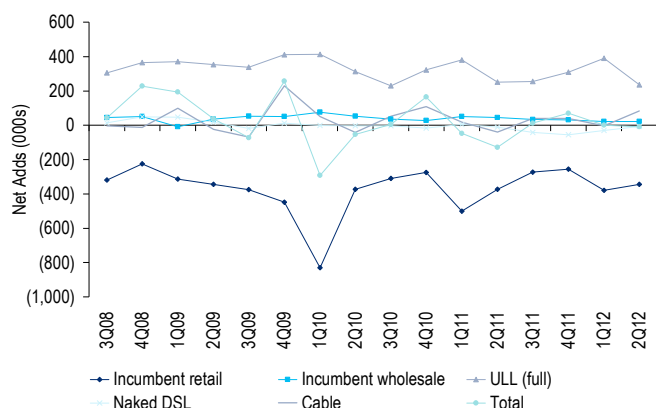
- FT's retail line losses remained stable at -344k in 2Q12 vs -379k 1Q12. Fixed Revenue growth improved qoq to -2.9% in Q2 vs. -3.5%. FT expects revenue growth to improve as broadband ARPU should stabilise now that most of the repricing is done. Free maintained its number 2 broadband position thanks to a record number of fixed broadband net adds at 107k.

Mobile

- Service revenue growth excluding MTRs declined to -2.6% in 2Q12 from -1.8% in 1Q12. We believe that service revenue trend is likely to deteriorate further towards the end of the year due to the repricing of the traditional offers by the established players.

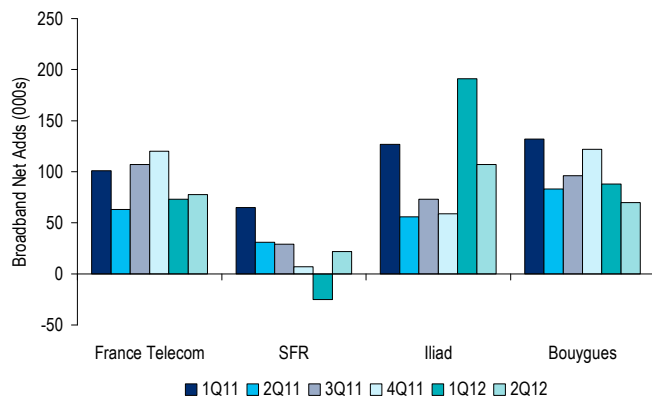
Fixed Charts

Figure 91. Telephony Net Adds



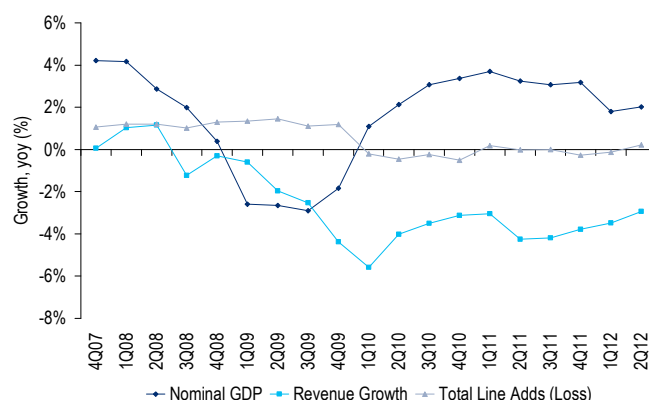
Source: Company reports and Citi Research

Figure 93. Broadband Subscriber Net Adds



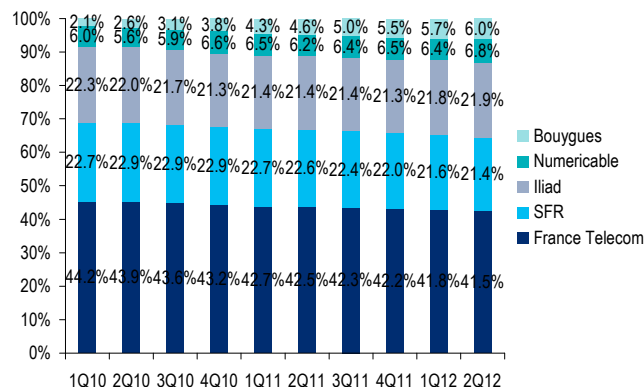
Source: Company reports and Citi Research

Figure 92. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Datastream and Citi Research

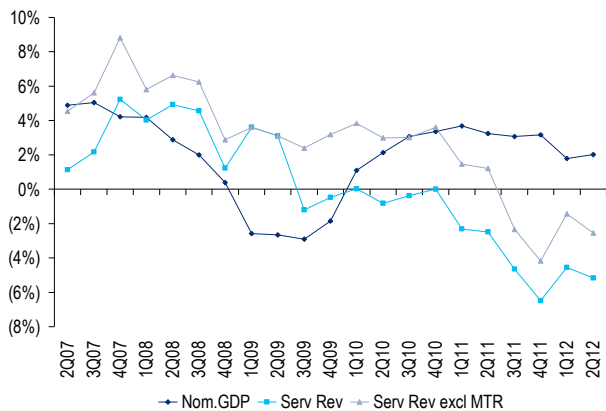
Figure 94. Broadband Subscriber Market Share



Source: Company reports and Citi Research

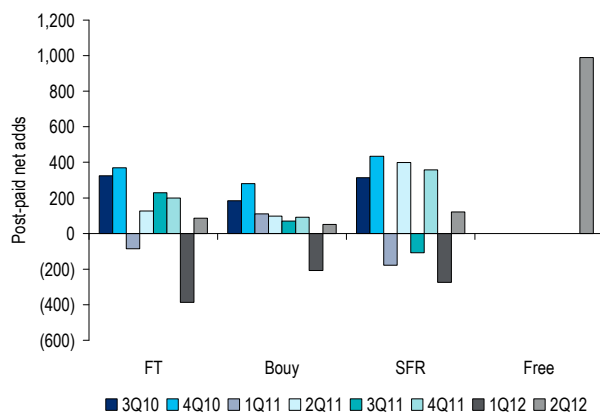
Mobile Charts

Figure 95. Revenue and GDP



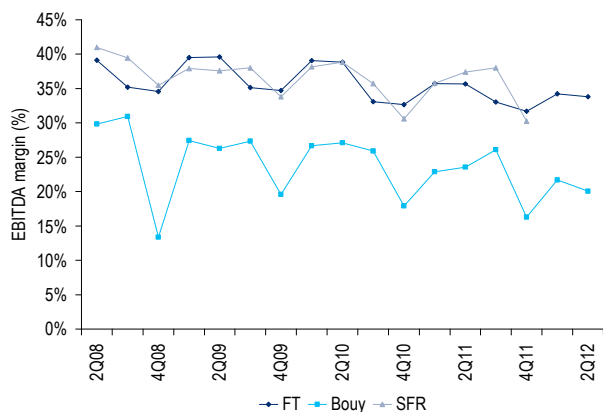
Source: Company reports, Datastream and Citi Research

Figure 97. Post-Paid Net Adds



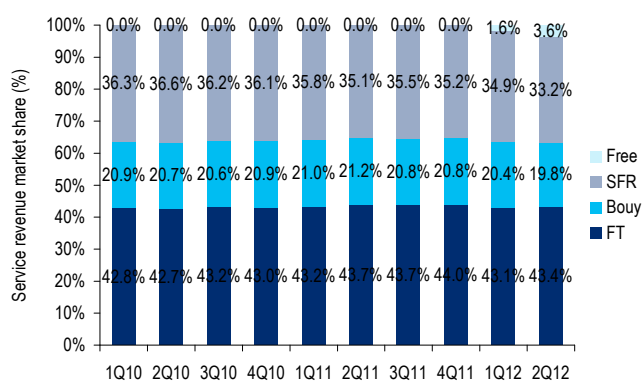
Source: Company reports and Citi Research

Figure 99. EBITDA Margin



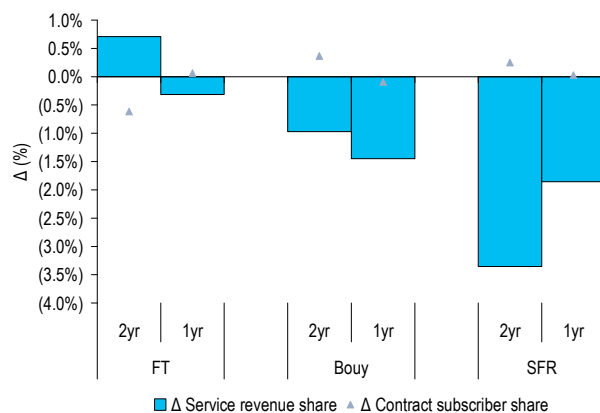
Source: Company reports and Citi Research

Figure 96. Service Revenue Market Share (excl Free)



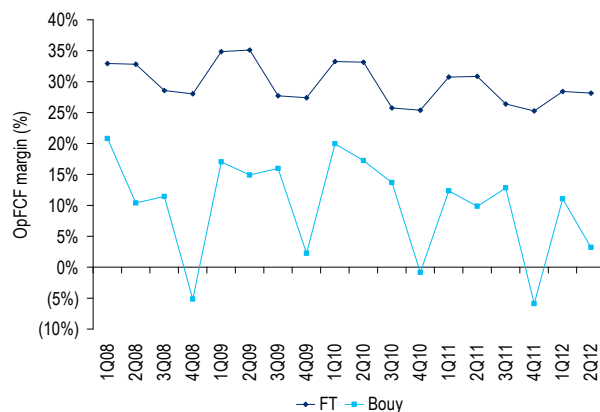
Source: Company reports and Citi Research

Figure 98. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Research

Figure 100. OpFCF Margin



Source: Company reports and Citi Research

France Mobile Data

Figure 101. France Mobile Market Information

France	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, €m														
Orange (FT)	2,455	2,538	2,488	2,482	2,453	2,500	2,502	2,503	2,416	2,496	2,415	2,391	2,303	2,350
Bouygues	1,167	1,222	1,193	1,209	1,195	1,215	1,192	1,215	1,175	1,212	1,148	1,133	1,088	1,071
SFR	2,104	2,146	2,134	2,126	2,079	2,143	2,099	2,099	2,004	2,004	1,961	1,916	1,863	1,800
Free													86	196
Total	5,726	5,906	5,815	5,817	5,727	5,858	5,793	5,817	5,595	5,712	5,524	5,440	5,340	5,417
Service Revenue Growth, yoy														
Orange (FT)	6.0%	5.2%	(0.2%)	(0.4%)	(0.1%)	(1.5%)	0.6%	0.8%	(1.5%)	(0.2%)	(3.5%)	(4.5%)	(4.7%)	(5.8%)
Bouygues	3.8%	4.4%	(1.2%)	1.3%	2.4%	(0.6%)	(0.1%)	0.5%	(1.7%)	(0.2%)	(3.7%)	(6.7%)	(7.4%)	(11.6%)
SFR	0.9%	0.1%	(2.4%)	(1.6%)	(1.2%)	(0.1%)	(1.6%)	(1.3%)	(3.6%)	(6.5%)	(6.6%)	(8.7%)	(7.0%)	(10.2%)
Total	3.6%	3.1%	(1.2%)	(0.5%)	0.0%	(0.8%)	(0.4%)	0.0%	(2.3%)	(2.5%)	(4.6%)	(6.5%)	(4.6%)	(5.2%)
Service Revenue Market Share														
Orange (FT)	42.9%	43.0%	42.8%	42.7%	42.8%	42.7%	43.2%	43.0%	43.2%	43.7%	43.7%	44.0%	43.1%	43.4%
Bouygues	20.4%	20.7%	20.5%	20.8%	20.9%	20.7%	20.6%	20.9%	21.0%	21.2%	20.8%	20.8%	20.4%	19.8%
SFR	36.7%	36.3%	36.7%	36.5%	36.3%	36.6%	36.2%	36.1%	35.8%	35.1%	35.5%	35.2%	34.9%	33.2%
Free	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	3.6%
Post-pay Customers, 000s														
Orange (FT)	17,114	17,327	17,560	17,943	18,081	18,290	18,615	18,984	18,898	19,025	19,254	19,453	19,066	19,152
Bouygues	7,304	7,483	7,666	7,926	8,075	8,277	8,461	8,741	8,852	8,950	9,018	9,111	8,904	8,955
SFR	13,760	14,047	14,413	14,807	15,032	15,347	15,661	16,095	15,916	16,315	16,207	16,566	16,292	16,414
Free													2,610	3,600
Call Volumes, mn min/qtr														
France Telecom	15,259	14,958	14,585	14,783	15,092	14,814	14,582	15,001	15,516	15,517	15,750	15,922	16,150	16,393
Bouygues	8,510	8,484	8,512	8,592	8,931	9,628	10,607	11,611	11,962	12,051	11,964	11,925	11,737	11,630
SFR	13,926	13,847	13,723	13,638	13,901	14,454	15,281	16,295	16,623	16,587	16,640	16,725	16,669	16,701
Free	0	0	0	0	0	0	0	0	0	0	0	0	708	1,735
Total	37,695	37,288	36,820	37,013	37,924	38,896	40,470	42,907	44,101	44,155	44,353	44,572	45,264	46,459
Call Volume growth, yoy														
France Telecom	4.4%	4.4%	(0.5%)	(0.9%)	(1.1%)	(1.0%)	(0.0%)	1.5%	2.8%	4.7%	8.0%	6.1%	4.1%	5.6%
Bouygues	(0.9%)	(0.9%)	0.6%	1.4%	5.0%	13.5%	24.6%	35.1%	33.9%	25.2%	12.8%	2.7%	(1.9%)	(3.5%)
SFR	2.1%	1.4%	(0.5%)	(1.3%)	(0.2%)	4.4%	11.4%	19.5%	19.6%	14.8%	8.9%	2.6%	0.3%	0.7%
Free														
Total	2.3%	2.1%	(0.2%)	(0.5%)	0.6%	4.3%	9.9%	15.9%	16.3%	13.5%	9.6%	3.9%	2.6%	5.2%
Contract Churn, % p.a														
Orange (FT)	10.9%	11.6%	12.4%	12.9%	13.1%	13.7%	13.9%	14.2%	15.8%	16.1%	16.4%	17.1%	19.0%	20.0%
Data Revenue (excl messaging) % Service Revenue														
Orange (FT)	12.5%	12.1%	13.8%	14.6%	15.3%	14.8%	16.7%	17.2%	18.5%	18.3%	20.4%	20.4%	21.3%	21.4%
EBITDA, €m														
Orange (FT)	1,045	1,080	941	939	1,025	1,044	906	907	956	987	890	881	907	925
Bouygues	348	354	364	278	357	377	366	267	321	344	370	237	296	263
SFR	827	850	852	777	834	872	798	693	762	794	797	635	924	924
Capex, €m														
Orange (FT)	123	123	198	198	152	152	201	201	134	134	179	179	155	155
Bouygues	132	153	152	246	90									

Source: Company Reports, Citi Research

France Fixed Data

Figure 102. France Fixed Line Market Information

France	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	8,574	8,680	8,810	8,933	8,937	8,989	9,086	9,207	9,308	9,371	9,478	9,598	9,671	9,749
Incumbent wholesale	2,189	2,157	2,105	2,032	1,959	1,941	1,945	1,838	1,828	1,860	1,821	1,743	1,682	1,621
ULL (total)	6,664	6,986	7,325	7,723	8,119	8,401	8,593	8,884	9,232	9,456	9,670	9,941	10,283	10,489
Cable	938	900	796	1,143	1,220	1,156	1,235	1,398	1,424	1,363	1,424	1,484	1,480	1,607
Total	18,365	18,723	19,036	19,831	20,235	20,487	20,859	21,327	21,792	22,050	22,393	22,766	23,116	23,466
Broadband Subscribers (000s)														
France Telecom	8,574	8,680	8,810	8,933	8,937	8,989	9,086	9,207	9,308	9,371	9,478	9,598	9,671	9,749
SFR	4,042	4,154	4,283	4,444	4,592	4,682	4,773	4,887	4,952	4,983	5,012	5,019	4,994	5,016
Iliad	4,337	4,371	4,420	4,456	4,504	4,514	4,528	4,534	4,661	4,717	4,790	4,849	5,040	5,147
Alice	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Numericable	938	900	796	1,143	1,220	1,156	1,235	1,398	1,424	1,363	1,424	1,484	1,480	1,607
Bouygues	30	86	175	314	434	533	654	808	940	1,023	1,119	1,241	1,329	1,399
Total	18,365	18,723	19,036	19,831	20,235	20,487	20,859	21,327	21,792	22,050	22,393	22,766	23,116	23,466
Broadband Subscribers Net Adds (000s)														
France Telecom	224	106	130	123	4	52	97	121	101	63	107	120	73	78
SFR	163	112	129	161	148	90	91	114	65	31	29	7	(25)	22
Iliad	112	34	49	36	48	10	14	6	127	56	73	59	191	107
Alice	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Numericable	150	(39)	(104)	347	77	(64)	79	164	26	(61)	61	60	(4)	127
Bouygues	18	56	89	139	120	99	121	154	132	83	96	122	88	70
Total	674	358	313	795	404	252	372	468	465	258	343	373	350	350
Telephony Channels (000s)														
Incumbent retail	26,939	26,595	26,219	25,771	24,941	24,568	24,259	23,983	23,482	23,108	22,835	22,580	22,201	21,857
Incumbent wholesale (WLR)	939	974	1,026	1,076	1,151	1,204	1,240	1,267	1,318	1,363	1,396	1,427	1,449	1,470
ULL (full)	5,310	5,664	6,002	6,414	6,827	7,139	7,368	7,690	8,071	8,322	8,577	8,886	9,277	9,513
Naked DSL	1,232	1,250	1,232	1,245	1,243	1,240	1,236	1,219	1,223	1,212	1,170	1,115	1,085	1,078
Cable	619	594	525	754	805	763	815	923	940	900	940	980	977	1,061
Total	35,039	35,077	35,004	35,260	34,967	34,914	34,918	35,082	35,034	34,905	34,918	34,988	34,988	34,979
Telephony Channels Net Adds (000s)														
Incumbent retail	(313)	(344)	(376)	(448)	(830)	(373)	(309)	(276)	(501)	(374)	(273)	(255)	(379)	(344)
Incumbent wholesale	(9)	35	52	50	75	53	36	27	51	45	33	31	22	21
ULL (full)	371	354	338	412	413	312	229	322	381	251	255	309	391	236
Naked DSL	46	18	(18)	13	(2)	(3)	(4)	(17)	4	(11)	(42)	(55)	(30)	(7)
Cable	99	(25)	(68)	229	51	(42)	52	108	17	(40)	40	40	(3)	84
Total	194	38	(72)	256	(293)	(53)	4	164	(48)	(129)	13	70	0	(9)
Pay TV Subscribers (000s)														
France Telecom	2,166	2,339	2,547	2,761	2,894	3,051	3,230	3,505	3,711	3,896	4,124	4,374	4,555	4,703
Pay TV Subscribers Net Adds (000s)														

Source: Company Reports, Citi Research

Germany

Fixed

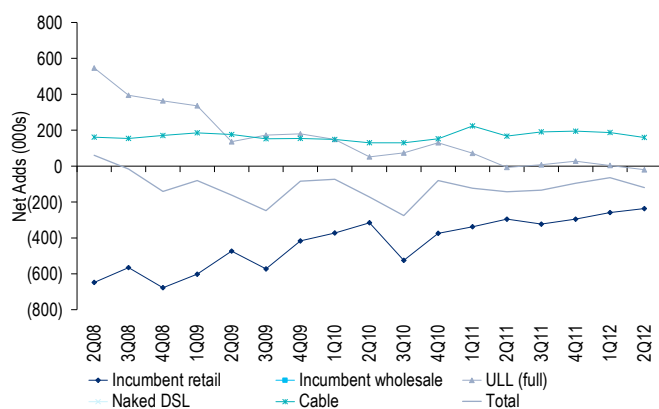
- DT's retail line loss improved slightly to -236k in 2Q12 from -259k in 1Q12, although total market line loss worsened to -120k in 2Q12 from -65k in 1Q12 mainly due to lower cable net adds. Market broadband net adds fell to one of the lowest levels in a few years at 164k in 2Q12 from 281k in 1Q12. DT's TV net adds continued to increase significantly at 105k in 2Q12 though this was lower than the 172k added in 1Q12 immediately after the launch of its satellite offer. DT's fixed revenue decline deteriorated to -3.8% in 2Q12 vs -2.9% in 1Q12.

Mobile

- Market service revenue growth excluding MTR cuts remained relatively strong at 3.0% in 2Q12, vs 3.2% in 1Q12 supported by call minutes growth of 3.1%. Vodafone and O2 gained revenue market share. So far price cuts in the discount segment started by KPN's Yourfone have had limited impact on the overall market.

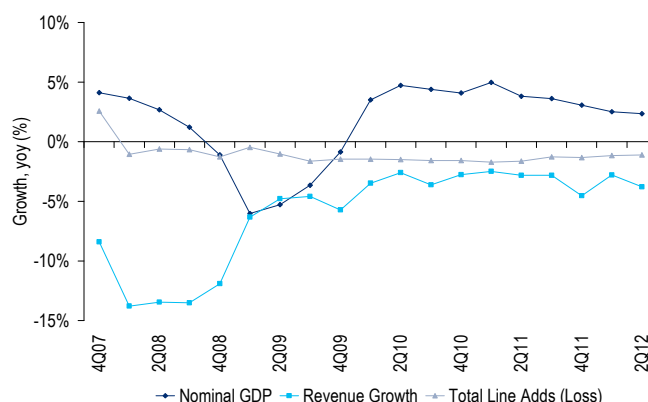
Fixed Charts

Figure 103. Telephony Net Adds



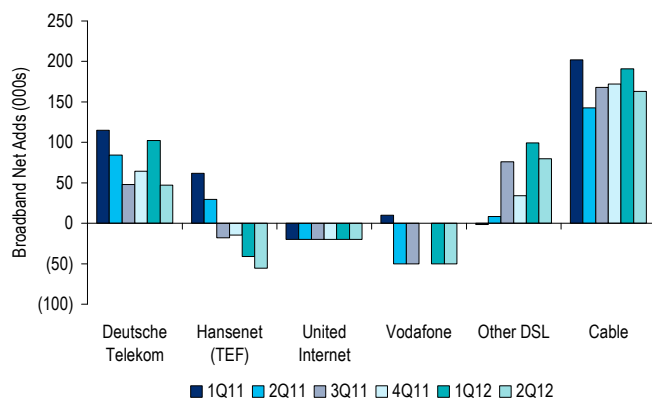
Source: Company reports and Citi Research

Figure 104. Line Loss, Incumbent Revenue Growth and GDP



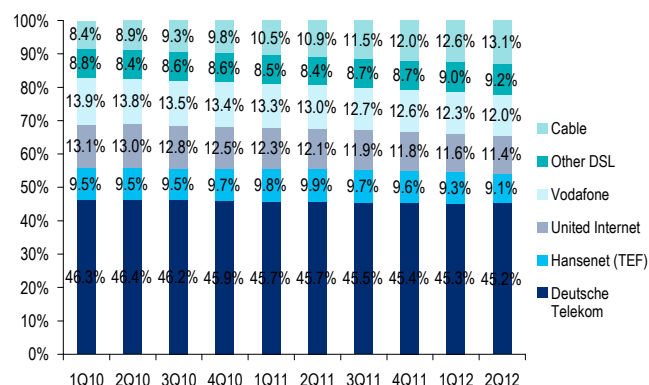
Source: Company reports, Datastream and Citi Research

Figure 105. Broadband Subscriber Net Adds



Source: Company reports and Citi Research

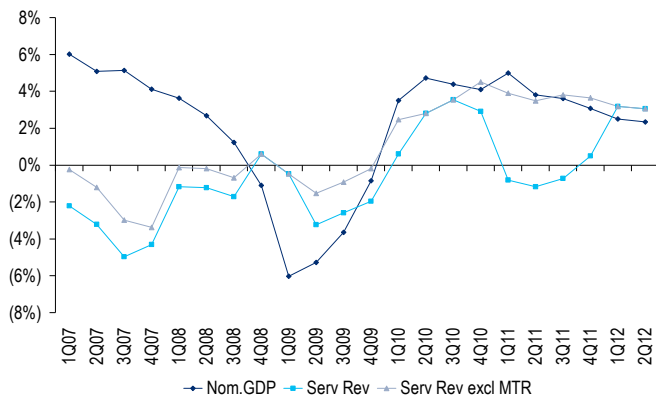
Figure 106. Broadband Subscriber Market Share



Source: Company reports and Citi Research

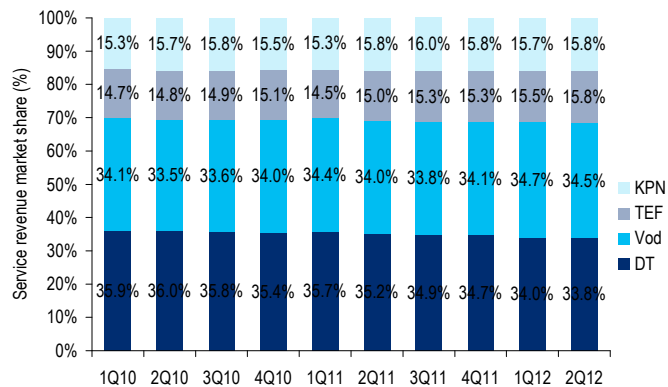
Mobile Charts

Figure 107. Revenue and GDP



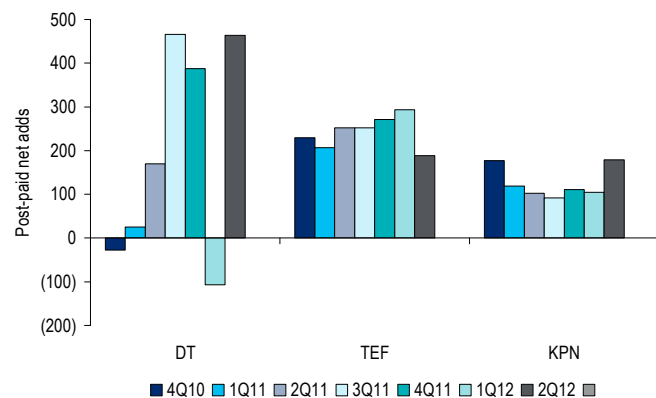
Source: Company reports, Datastream and Citi Research

Figure 108. Service Revenue Market Share



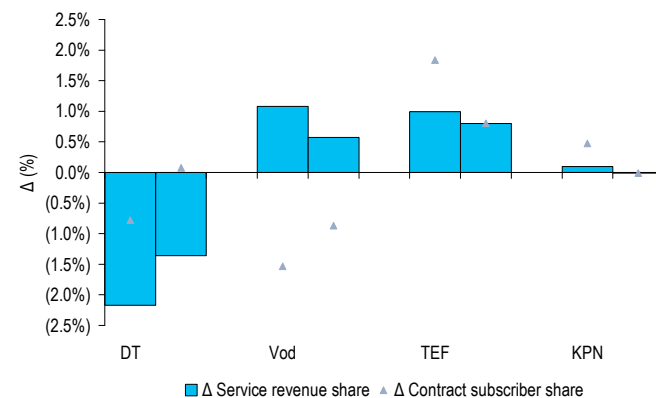
Source: Company reports and Citi Research

Figure 109. Post-Paid Net Adds



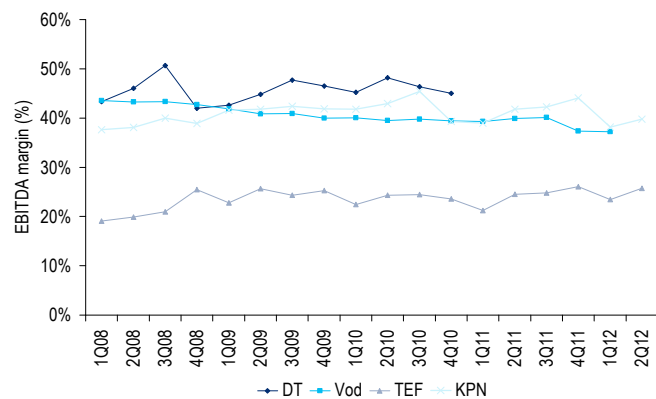
Source: Company reports and Citi Research

Figure 110. Change in Service Revenue and Contract Sub Share



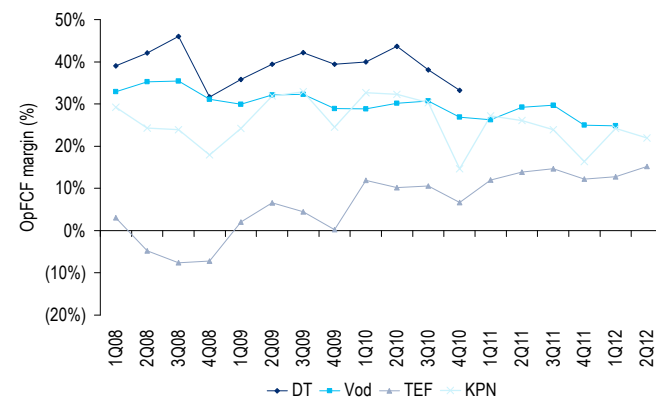
Source: Company reports and Citi Research

Figure 111. EBITDA Margin



Source: Company reports and Citi Research

Figure 112. OpFCF Margin



Source: Company reports and Citi Research

Germany Mobile Data

Figure 113. German Mobile Market Information

Germany	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, €m														
T-Mobile (DT)	1,658	1,669	1,728	1,689	1,712	1,766	1,813	1,756	1,690	1,706	1,757	1,728	1,660	1,690
Vodafone	1,654	1,638	1,659	1,650	1,626	1,641	1,701	1,686	1,628	1,646	1,702	1,701	1,695	1,725
O2 (Telefonica)	695	707	729	729	702	726	755	749	686	727	769	765	758	789
KPN	734	757	779	751	729	772	800	769	726	768	805	790	767	791
Total	4,741	4,771	4,896	4,819	4,769	4,905	5,069	4,960	4,730	4,847	5,033	4,984	4,880	4,995
Service Revenue Growth, yoy														
T-Mobile (DT)	0.6%	(2.4%)	(0.6%)	0.2%	3.3%	5.8%	4.9%	4.0%	(1.3%)	(3.4%)	(3.1%)	(1.6%)	(1.8%)	(0.9%)
Vodafone	(3.8%)	(6.2%)	(6.6%)	(5.0%)	(1.7%)	0.2%	2.5%	2.2%	0.1%	0.3%	0.0%	0.9%	4.1%	4.8%
O2 (Telefonica)	0.7%	(1.2%)	(0.0%)	(0.4%)	1.0%	2.7%	3.6%	2.7%	(2.3%)	0.1%	1.9%	2.1%	10.5%	8.5%
KPN	4.1%	0.0%	(0.4%)	(1.3%)	(0.7%)	2.0%	2.7%	2.4%	(0.4%)	(0.5%)	0.6%	2.7%	5.6%	3.0%
Total	(0.5%)	(3.2%)	(2.6%)	(2.0%)	0.6%	2.8%	3.5%	2.9%	(0.8%)	(1.2%)	(0.7%)	0.5%	3.2%	3.0%
Service Revenue Market Share														
T-Mobile (DT)	35.0%	35.0%	35.3%	35.0%	35.9%	36.0%	35.8%	35.4%	35.7%	35.2%	34.9%	34.7%	34.0%	33.8%
Vodafone	34.9%	34.3%	33.9%	34.2%	34.1%	33.5%	33.6%	34.0%	34.4%	34.0%	33.8%	34.1%	34.7%	34.5%
O2 (Telefonica)	14.7%	14.8%	14.9%	15.1%	14.7%	14.8%	14.9%	15.1%	14.5%	15.0%	15.3%	15.3%	15.5%	15.8%
KPN	15.5%	15.9%	15.9%	15.6%	15.3%	15.7%	15.8%	15.5%	15.3%	15.8%	16.0%	15.8%	15.7%	15.8%
Post-pay Customers, 000s														
T-Mobile (DT)	16,953	17,020	17,140	17,202	17,274	17,176	17,201	17,173	17,198	17,368	17,834	18,221	18,114	18,578
Vodafone	14,801	14,791	14,912	14,916	14,911	14,892	14,942	14,904	14,988	15,094	15,217	15,389	15,510	15,662
O2 (Telefonica)	7,085	7,225	7,440	7,700	7,855	7,936	8,025	8,254	8,460	8,713	8,965	9,236	9,529	9,718
KPN	6,739	6,785	6,800	6,768	6,764	6,815	6,892	7,069	7,188	7,290	7,382	7,493	7,598	7,777
Call Volumes, mn min/qtr														
Deutsche Telekom	7,848	8,082	8,353	8,592	8,622	8,836	9,162	9,393	8,936	9,016	9,268	9,175	8,989	8,998
Vodafone	9,464	9,314	9,234	9,659	9,697	9,798	9,770	10,362	10,270	10,470	10,657	11,141	11,342	11,400
Telefonica	5,555	5,819	5,775	6,108	6,223	6,299	6,292	6,729	6,859	7,018	6,907	7,208	7,365	7,399
KPN	7,467	7,998	8,036	8,426	8,497	8,865	8,767	9,497	9,379	9,567	9,371	9,556	9,408	9,360
Total	30,334	31,213	31,398	32,785	33,040	33,797	33,990	35,980	35,443	36,071	36,202	37,080	37,104	37,156
Call Volume growth, yoy														
Deutsche Telekom	9.1%	8.1%	9.3%	9.7%	9.9%	9.3%	9.7%	9.3%	3.6%	2.0%	1.2%	(2.3%)	0.6%	(0.2%)
Vodafone	7.3%	1.2%	0.2%	1.9%	2.5%	5.2%	5.8%	7.3%	5.9%	6.9%	9.1%	7.5%	10.4%	8.9%
Telefonica	(1.1%)	1.4%	4.8%	12.0%	12.0%	8.2%	9.0%	10.2%	10.2%	11.4%	9.8%	7.1%	7.4%	5.4%
KPN	16.1%	16.6%	16.1%	13.7%	13.8%	10.8%	9.1%	12.7%	10.4%	7.9%	6.9%	0.6%	0.3%	(2.2%)
Total	8.1%	6.6%	7.2%	8.7%	8.9%	8.3%	8.3%	9.7%	7.3%	6.7%	6.5%	3.1%	4.7%	3.0%
Contract Churn, % p.a														
T-Mobile (DT)	18.0%	13.2%	12.0%	13.2%	15.6%	16.8%	13.2%	14.4%	12.0%	13.2%	13.2%	14.4%	19.2%	12.0%
Vodafone	15.3%	16.0%	16.0%	17.8%	15.4%	16.9%	16.7%	19.6%	14.1%	14.8%	15.4%	15.4%	13.7%	13.2%
KPN	21.0%	20.0%	20.0%	23.0%	20.0%	20.0%	20.0%	23.0%	23.0%	22.0%	21.0%	25.0%	21.0%	20.0%
Data Revenue (excl messaging) % Service Revenue														
Vodafone	15.2%	15.8%	16.8%	17.7%	19.7%	20.6%	20.8%	22.2%	24.7%	25.0%	25.8%	27.0%	27.9%	28.5%
O2 (Telefonica)	9.9%	10.2%	11.0%	12.8%	13.8%	12.5%	14.2%	15.6%	18.9%	20.7%	21.4%	22.2%	24.0%	24.1%
EBITDA, €m														
T-Mobile (DT)	761	798	920	894	828	912	928	891						
Vodafone	921	883	895	880	867	856	888	879	849	867	896	837	834	0
O2 (Telefonica)	202	230	235	252	241	291	304	310	261	297	314	347	295	333
KPN	322	333	347	331	321	345	386	322	301	335	354	363	303	335
Capex, €m														
T-Mobile (DT)	122	96	107	136	96	86	166	233						
Vodafone	263	189	189	243	243	203	203	281	281	233	233	278	278	0
O2 (Telefonica)	184	171	192	250	113	169	173	223	114	129	129	185	134	136
KPN	135	79	77	137	70	86	128	202	91	126	154	228	111	150

Source: Company reports, Citi Research

Germany Fixed Data

Figure 114. German Fixed Line Market Information

Germany	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	10,984	11,229	11,301	11,477	11,665	11,795	11,844	11,954	12,069	12,153	12,201	12,265	12,367	12,414
Incumbent wholesale	2,525	2,377	2,269	2,221	2,184	2,077	2,035	2,021	1,999	1,975	1,955	1,926	1,910	1,884
ULL (total)	8,606	8,742	8,914	9,093	9,242	9,293	9,367	9,498	9,570	9,562	9,570	9,598	9,602	9,582
Cable	1,521	1,690	1,834	1,980	2,122	2,259	2,397	2,560	2,762	2,905	3,073	3,245	3,436	3,599
Total	23,636	24,038	24,318	24,771	25,213	25,424	25,643	26,033	26,400	26,595	26,799	27,034	27,315	27,479
Broadband Subscribers (000s)														
Deutsche Telekom	10,984	11,229	11,301	11,477	11,665	11,795	11,844	11,954	12,069	12,153	12,201	12,265	12,367	12,414
Hansenet (TEF)	2,325	2,289	2,300	2,310	2,404	2,413	2,445	2,529	2,591	2,620	2,603	2,588	2,547	2,491
United Internet	2,820	3,470	3,440	3,310	3,310	3,310	3,280	3,260	3,240	3,220	3,200	3,180	3,160	3,140
Freenet	910													
Vodafone	3,100	3,180	3,310	3,400	3,500	3,500	3,470	3,490	3,500	3,450	3,400	3,400	3,350	3,300
Versatel	712	710	694	683	670	654	634	624	622	602	585	565	545	545
Telefonica (pre Hansenet)	232	253	272	285										
Tele2	163	153	145	139	131	125	121	116	112	110	105	100	93	90
Kabel Deutschland	707	787	851	906	966	1,029	1,089	1,153	1,260	1,314	1,377	1,446	1,518	1,583
Liberty Global	814	903	983	1,074	1,156	1,230	1,308	1,407	1,502	1,591	1,696	1,799	1,918	2,016
Other	869	1,064	1,022	1,187	1,411	1,368	1,452	1,500	1,504	1,535	1,633	1,691	1,817	1,900
Total	23,636	24,038	24,318	24,771	25,213	25,424	25,643	26,033	26,400	26,595	26,799	27,034	27,315	27,479
Broadband Subscribers Net Adds (000s)														
Deutsche Telekom	390	245	72	176	188	130	49	110	115	84	48	64	102	47
Hansenet (TEF)	(19)	(36)	11	10	94	9	32	84	62	30	(18)	(15)	(41)	(56)
United Internet	0	(50)	(30)	0	0	0	(30)	(20)	(20)	(20)	(20)	(20)	(20)	(20)
Freenet	(30)													
Vodafone	106	80	130	90	100	0	(30)	20	10	(50)	(50)	0	(50)	(50)
Versatel	3	(2)	(16)	(11)	(13)	(16)	(20)	(10)	(2)	(20)	(17)	(20)	(20)	0
Telefonica	17	22	19	13										
Tele2	(14)	(10)	(8)	(6)	(8)	(6)	(4)	(5)	(4)	(2)	(5)	(5)	(7)	(3)
Kabel Deutschland	82	80	64	55	60	63	60	65	107	54	63	69	72	65
Liberty Global	92	89	80	91	82	75	78	99	95	89	105	103	119	98
Total	682	402	280	453	442	212	219	391	367	195	204	235	281	164
Telephony Channels (000s)														
Incumbent retail	27,699	27,226	26,653	26,236	25,864	25,549	25,024	24,650	24,312	24,017	23,694	23,399	23,140	22,904
Incumbent wholesale					1,025	985	1,030	1,039	957	951	941	918	920	897
ULL (full)	8,606	8,742	8,914	9,093	9,242	9,293	9,367	9,498	9,570	9,562	9,570	9,598	9,602	9,582
Naked DSL														
Cable	1,490	1,665	1,818	1,972	2,120	2,251	2,381	2,535	2,759	2,926	3,116	3,310	3,498	3,657
Total	38,820	38,658	38,410	38,326	38,251	38,078	37,802	37,722	37,598	37,456	37,321	37,225	37,160	37,040
Telephony Channels Net Adds (000s)														
Incumbent retail	(602)	(473)	(573)	(417)	(372)	(315)	(525)	(374)	(338)	(295)	(323)	(295)	(259)	(236)
Incumbent wholesale					0	(40)	45	9	(82)	(6)	(10)	(23)	2	(23)
ULL (full)	336	136	172	179	149	51	74	131	72	(8)	8	28	4	(20)
Naked DSL														
Cable	185	175	153	154	149	131	130	153	225	166	191	194	188	159
Total	(81)	(162)	(248)	(84)	(74)	(173)	(276)	(81)	(123)	(143)	(134)	(96)	(65)	(120)
Pay TV Subscribers (000s)														
DT	448	561	678	806	896	971	1,042	1,156	1,257	1,301	1,375	1,553	1,725	1,830
Sky Deutschland	2,371	2,364	2,431	2,470	2,471	2,476	2,521	2,653	2,726	2,759	2,857	3,012	3,085	3,132
Kabel Deutschland	9,247	9,184	9,111	9,044	9,002	8,969	8,966	8,930	8,877	8,856	8,838	8,811	8,702	8,701
Liberty Global	6,871	6,849	6,842	6,818	6,814	6,799	6,800	6,804	6,799	6,790	6,784	6,752	6,744	6,739
Total	18,937	18,958	19,061	19,138	19,231	19,273	19,397	19,620	19,738	19,786	19,937	20,211	20,335	20,475
Pay TV Subscribers Net Adds (000s)														
DT	96	113	117	128	90	75	71	114	101	44	74	178	172	105
Sky Deutschland	(28)	(7)	67	39	1	5	45	132	73	33	98	155	73	47
Kabel Deutschland	42	(63)	(73)	(67)	(42)	(33)	(3)	(36)	(53)	(21)	(18)	(28)	(109)	(1)
Unity Media	(42)	(23)	(7)	(24)	(4)	(15)	1	4	(5)	(9)	(6)	(32)	(8)	(5)
Total	68	20	104	77	93	42	124	223	118	48	151	274	124	140

Source: Company reports, Citi Research

Greece

Fixed

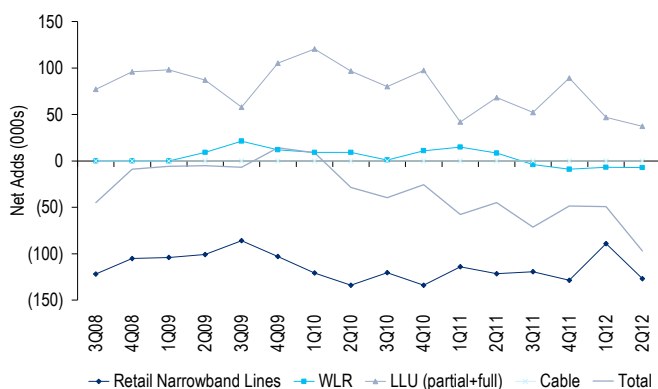
- Fixed line trends remained broadly stable with -10.9% retail line loss yoy and -4.5% total market line loss yoy.

Mobile

- Service revenue growth excluding MTR cuts remained stable +1.2% in 2Q12, 1.2% 1Q12. Minutes traffic continued to fall, declining -7.5% in 2Q12.

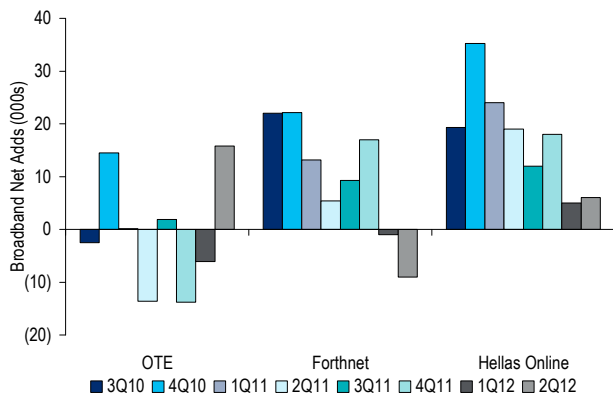
Fixed Charts

Figure 115. Telephony Net Adds



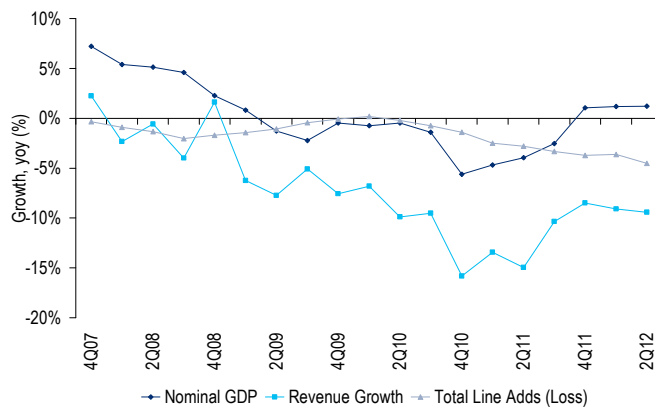
Source: Company reports and Citi Research

Figure 117. Broadband Subscriber Net Adds



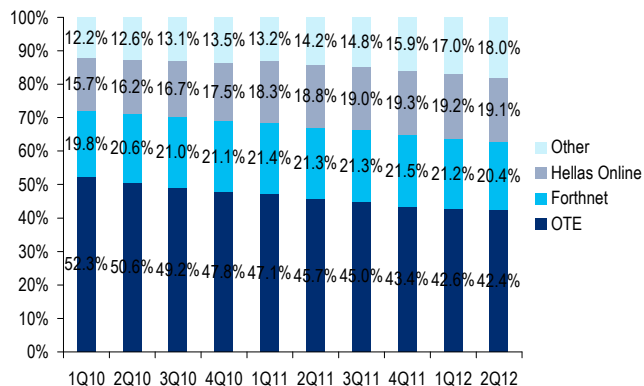
Source: Company reports and Citi Research

Figure 116. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Datastream and Citi Research

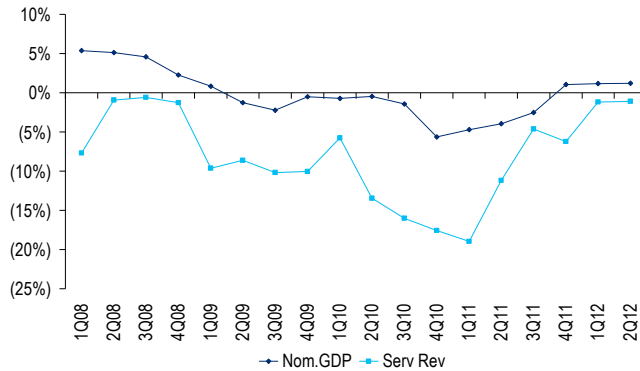
Figure 118. Broadband Subscriber Market Share



Source: Company reports and Citi Research

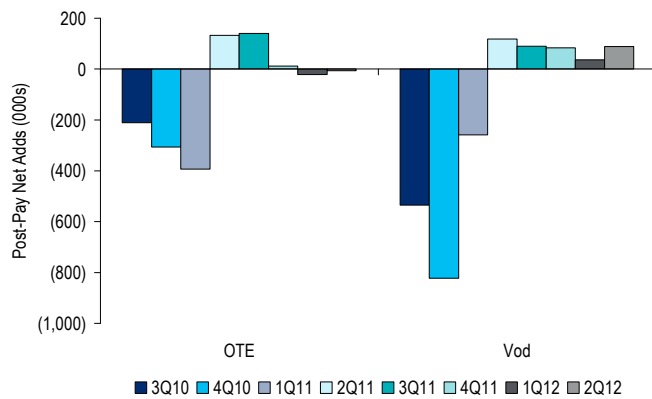
Mobile Charts

Figure 119. Revenue and GDP



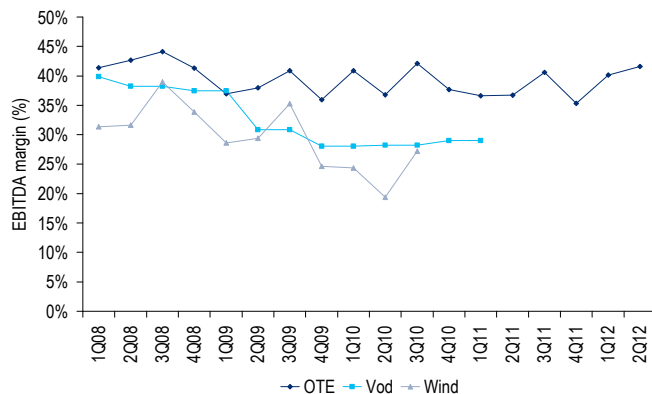
Source: Company reports, Datastream and Citi Research

Figure 121. Total Net Adds



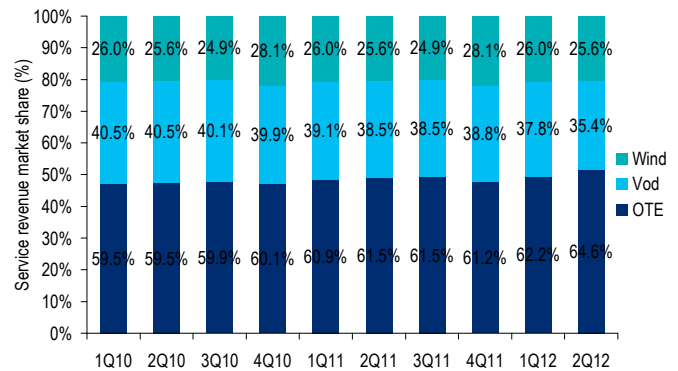
Source: Company reports and Citi Research

Figure 123. EBITDA Margin



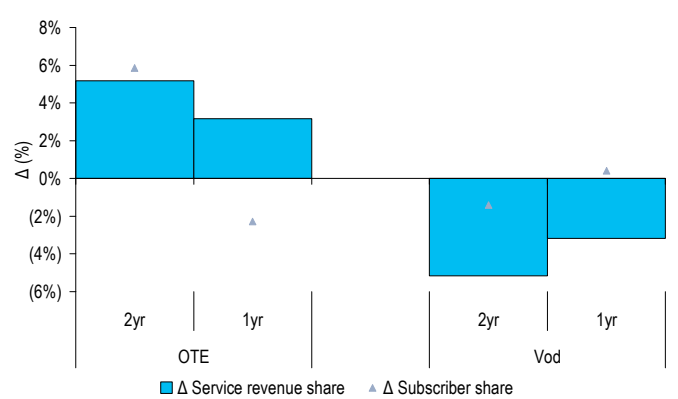
Source: Company reports and Citi Research

Figure 120. Service Revenue Market Share



Source: Company reports and Citi Research

Figure 122. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Research

Greece Mobile Data

Figure 124. Greek Mobile Market Information

Greece	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, €m														
OTE	397	427	451	416	388	380	390	349	322	349	382	334	326	363
Vodafone	296	312	325	289	265	259	262	232	207	219	239	211	198	199
Wind	218	230	227	198	170	163	163							
Total	693	739	776	705	653	639	652	581	530	568	622	545	523	561
Service Revenue Growth, yoy														
OTE	(3.4%)	(2.9%)	(5.6%)	(5.6%)	(2.1%)	(11.0%)	(13.5%)	(16.0%)	(17.0%)	(8.2%)	(2.0%)	(4.5%)	1.0%	4.0%
Vodafone	(16.9%)	(15.4%)	(15.8%)	(15.8%)	(10.7%)	(16.8%)	(19.5%)	(19.8%)	(21.8%)	(15.6%)	(8.5%)	(8.8%)	(4.6%)	(9.2%)
Wind	(13.3%)	(13.1%)	(20.3%)	(22.6%)	(22.1%)	(29.1%)	(28.5%)							
Total	(9.6%)	(8.6%)	(10.2%)	(10.1%)	(5.8%)	(13.5%)	(16.0%)	(17.6%)	(18.9%)	(11.2%)	(4.6%)	(6.2%)	(1.2%)	(1.1%)
Service Revenue Market Share														
OTE	57.2%	57.8%	58.1%	59.0%	59.5%	59.5%	59.9%	60.1%	60.9%	61.5%	61.5%	61.2%	62.2%	64.6%
Vodafone	42.8%	42.2%	41.9%	41.0%	40.5%	40.5%	40.1%	39.9%	39.1%	38.5%	38.5%	38.8%	37.8%	35.4%
Wind	31.5%	31.2%	29.3%	28.1%	26.0%	25.6%	24.9%							
Post-pay Customers, 000s														
OTE	2,241	2,272	2,260	2,285	2,306	2,314	2,329	2,311	2,302	2,276	2,319	2,321	2,292	2,286
Vodafone	1,760	1,724	1,701	1,698	1,686	1,675	1,656	1,637	1,609	1,598	1,604	1,601	1,590	1,584
Wind	1,069	1,059	1,054	1,059	1,067	1,055	1,036							
Call Volumes, mn min/qtr														
OTE	4,468	5,091	5,431	5,660	5,702	6,491	6,682	6,990	6,643	7,268	6,882	6,689	6,496	6,743
Vodafone	2,281	2,402	2,411	2,309	2,221	2,438	2,485	2,410	2,288	2,461	2,347	2,207	2,132	2,255
Wind	1,626	1,681	1,659	1,558	1,286	1,582	1,586							
Total	8,374	9,174	9,500	9,527	9,210	10,511	10,754	10,871	9,997	11,057	10,474	10,113	9,628	10,171
Call Volume growth, yoy														
OTE	44.0%	51.0%	50.3%	47.5%	27.6%	27.5%	23.0%	23.5%	16.5%	12.0%	3.0%	(4.3%)	(2.2%)	(7.2%)
Vodafone	0.8%	0.3%	(1.3%)	(2.6%)	(2.6%)	1.5%	3.1%	4.4%	3.0%	0.9%	(5.6%)	(8.4%)	(6.8%)	(8.4%)
Wind	(0.3%)	(4.3%)	(8.0%)	(8.9%)	(20.9%)	(5.9%)	(4.4%)							
Total	19.7%	21.9%	20.9%	20.3%	10.0%	14.6%	13.2%	14.1%	8.6%	5.2%	(2.6%)	(7.0%)	(3.7%)	(8.0%)
Contract Churn, % p.a														
Wind	29.3%	30.2%	30.9%											
EBITDA, €m														
OTE	164	180	208	174	177	155	185	153	139	152	183	143	153	161
Vodafone	111	96	100	81	74	73	74	67	60	72	78	43	40	0
Wind	76	82	98	61	52	39	54							

Source: Company reports, Citi Research

Greece Fixed Data

Figure 125. Greek Fixed Line Market Information

Greece	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	938	970	1,006	1,045	1,078	1,080	1,078	1,092	1,092	1,079	1,081	1,067	1,061	1,077
Incumbent wholesale	90	79	73	78	71	66	61	62	62	61	61	60	60	61
ULL (total)	616	686	732	816	912	990	1,054	1,131	1,165	1,219	1,261	1,332	1,370	1,399
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,644	1,735	1,811	1,939	2,061	2,136	2,193	2,286	2,319	2,359	2,403	2,460	2,490	2,537
Broadband Subscribers (000s)														
OTE	938	970	1,006	1,045	1,078	1,080	1,078	1,092	1,092	1,079	1,081	1,067	1,061	1,077
Forthnet	286	303	334	364	409	439	461	483	496	502	511	528	527	518
Hellas Online	188	232	264	296	324	346	366	401	425	444	456	474	479	485
Wind	0	0	0	0	0	0	0	0	0	0	0	0	0	0
- other	232	230	208	234	251	270	288	309	305	335	355	391	424	457
Total	1,644	1,735	1,811	1,939	2,061	2,136	2,193	2,286	2,319	2,359	2,403	2,460	2,490	2,537
Broadband Subscribers Net Adds (000s)														
OTE	108	32	36	39	33	2	(3)	14	0	(14)	2	(14)	(6)	16
Forthnet	12	16	31	30	45	31	22	22	13	5	9	17	(1)	(9)
Other	(22)	(2)	(22)	26	17	18	18							
Total	134	91	76	128	122	74	57	93	34	40	44	57	31	47
Telephony Channels (000s)														
Retail Narrowband Lines	5,282	5,181	5,095	4,992	4,871	4,737	4,617	4,483	4,369	4,247	4,128	3,999	3,910	3,783
WLR	0	9	30	42	51	60	61	72	87	95	91	82	75	68
LLU (partial+full)	770	857	915	1,020	1,141	1,237	1,317	1,414	1,456	1,524	1,576	1,665	1,712	1,749
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	6,052	6,047	6,040	6,054	6,063	6,034	5,995	5,969	5,911	5,866	5,795	5,746	5,697	5,600
Telephony Channels Net Adds (000s)														
Retail Narrowband Lines	(104)	(101)	(86)	(103)	(121)	(134)	(120)	(134)	(114)	(121)	(119)	(129)	(89)	(127)
WLR	0	9	21	12	9	9	1	11	15	8	(4)	(9)	(7)	(7)
LLU (partial+full)	98	87	58	105	121	97	80	97	42	68	52	89	47	37
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	(6)	(5)	(7)	14	9	(29)	(40)	(26)	(58)	(45)	(71)	(48)	(49)	(97)

Source: Company reports, Citi Research

Italy

Fixed

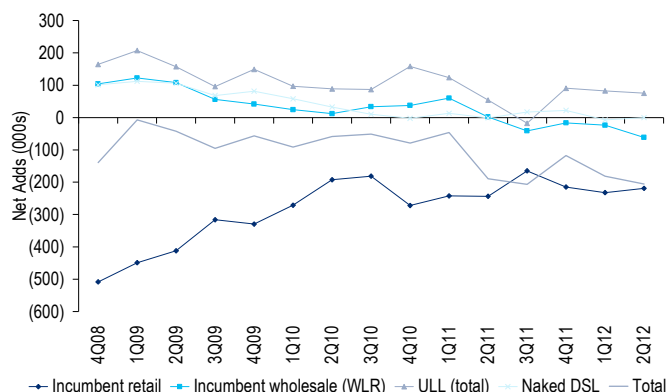
- TI's retail line loss improved slightly to -217k from -232k in Q1, driven by lower migrations to ULL. Total market line loss also grew to -206k from -181k Q1. Fixed broadband net adds continued to increase in Q1 driven by ULL operators.

Mobile

- Growth excluding MTR cuts deteriorated to -1.9% in Q2 from +1.5% in Q1. Minutes growth remained strong at 3.9% mainly driven by Wind, but this continues to be offset by price cuts.

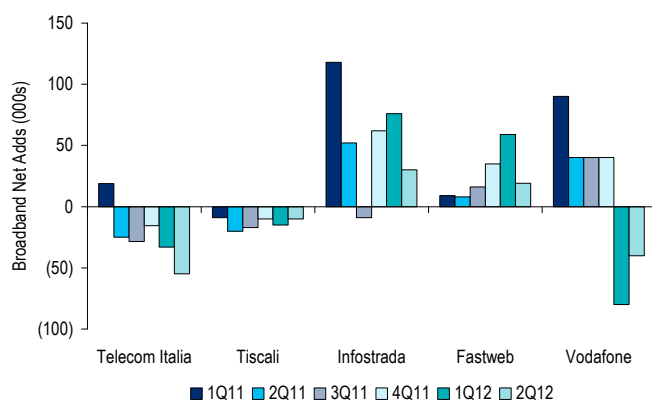
Fixed Charts

Figure 126. Telephony Net Adds



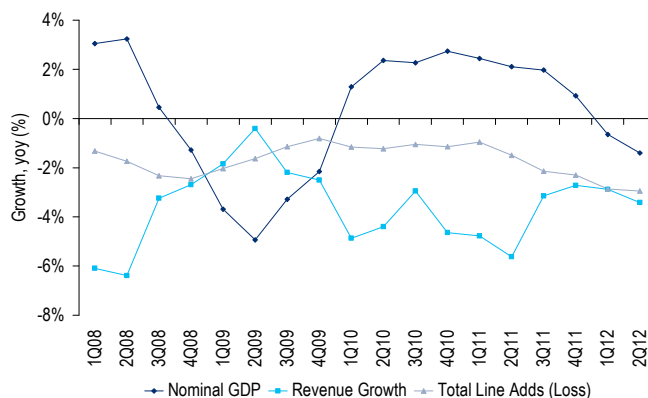
Source: Company reports and Citi Research

Figure 128. Broadband Subscriber Net Adds



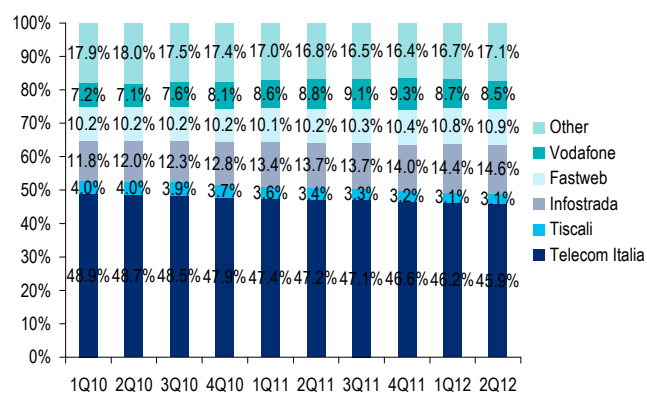
Source: Company reports and Citi Research

Figure 127. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Datastream and Citi Research

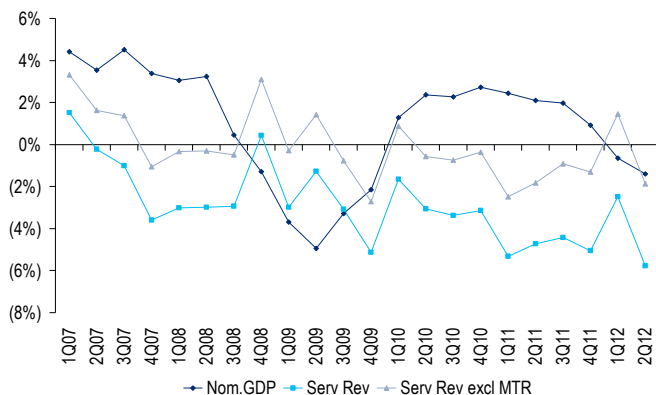
Figure 129. Broadband Subscriber Market Share



Source: Company reports and Citi Research

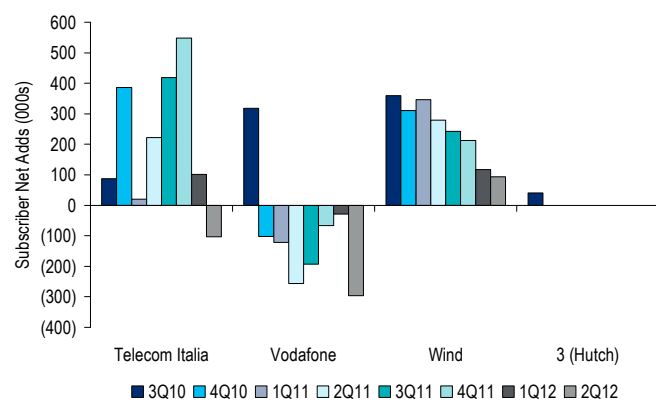
Mobile Charts

Figure 130. Revenue and GDP



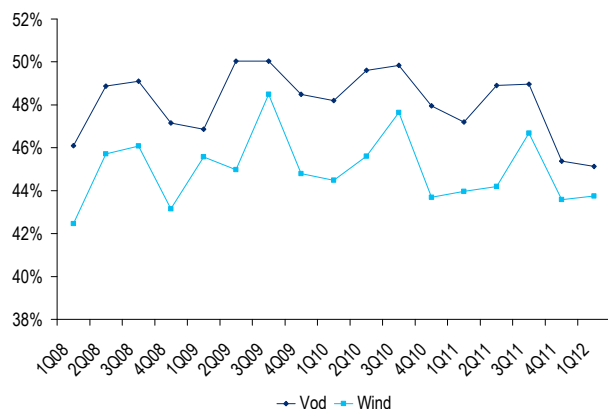
Source: Company reports, Datastream and Citi Research

Figure 132. Subscriber Net Adds



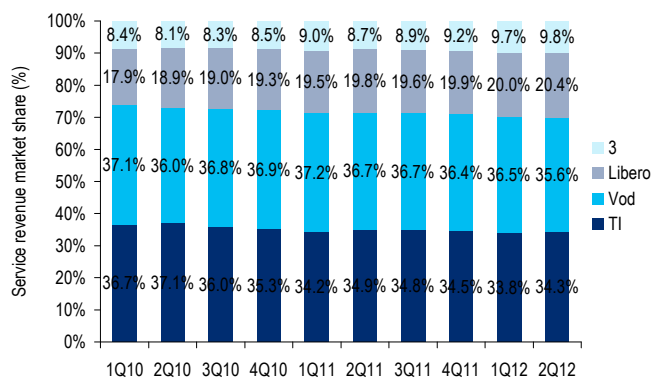
Source: Company reports and Citi Research

Figure 134. EBITDA Margin



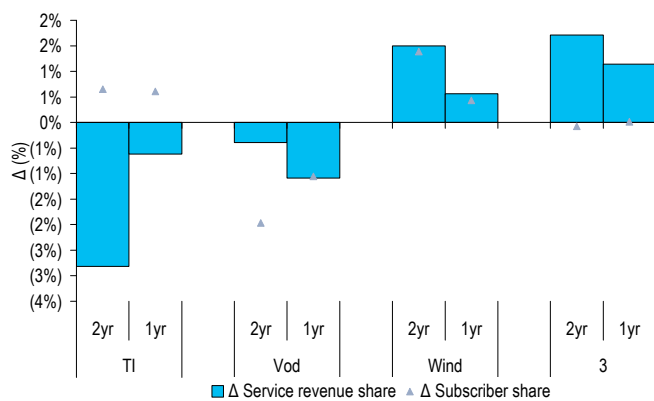
Source: Company reports and Citi Research

Figure 131. Service Revenue Market Share



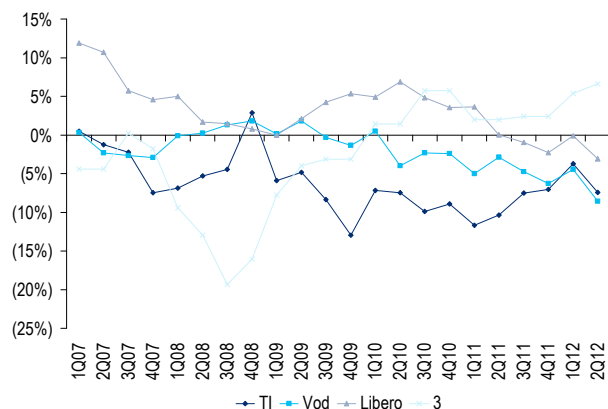
Source: Company reports and Citi Research

Figure 133. Service Revenue Growth



Source: Company reports and Citi Research

Figure 135. Mobile service revenue growth



Source: Company reports and Citi Research

Italy Mobile Data

Figure 136. Italian Mobile Market Information

Italy	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, €m														
Telecom Italia	1,993	2,092	2,072	1,959	1,850	1,936	1,867	1,784	1,634	1,735	1,727	1,658	1,573	1,606
Vodafone	1,863	1,956	1,955	1,912	1,873	1,878	1,910	1,865	1,779	1,824	1,819	1,748	1,700	1,668
Wind	859	921	939	944	901	984	984	977	934	984	975	955	933	954
3 (Hutch)	417	417	407	407	422	422	430							
Total	5,132	5,385	5,373	5,221	5,047	5,221	5,191	5,057	4,778	4,974	4,961	4,802	4,660	4,687
Service Revenue Growth, yoy														
Telecom Italia	(5.9%)	(4.8%)	(8.4%)	(12.9%)	(7.2%)	(7.5%)	(9.9%)	(8.9%)	(11.7%)	(10.4%)	(7.5%)	(7.1%)	(3.7%)	(7.4%)
Vodafone	0.1%	1.8%	(0.3%)	(1.3%)	0.5%	(4.0%)	(2.3%)	(2.4%)	(5.0%)	(2.9%)	(4.8%)	(6.3%)	(4.5%)	(8.6%)
Wind	0.0%	2.1%	4.2%	5.4%	4.9%	6.9%	4.8%	3.5%	3.6%	0.0%	(1.0%)	(2.3%)	(0.1%)	(3.1%)
3 (Hutch)	(7.8%)	(4.0%)	(3.1%)	(3.1%)	1.4%	1.4%	5.7%	5.7%	2.0%	2.0%	2.4%	2.4%	5.4%	6.6%
Total	(3.0%)	(1.3%)	(3.1%)	(5.1%)	(1.7%)	(3.1%)	(3.4%)	(3.1%)	(5.3%)	(4.7%)	(4.4%)	(5.0%)	(2.5%)	(5.8%)
Service Revenue Market Share														
Telecom Italia	38.8%	38.8%	38.6%	37.5%	36.7%	37.1%	36.0%	35.3%	34.2%	34.9%	34.8%	34.5%	33.8%	34.3%
Vodafone	36.3%	36.3%	36.4%	36.6%	37.1%	36.0%	36.8%	36.9%	37.2%	36.7%	36.7%	36.4%	36.5%	35.6%
Wind	16.7%	17.1%	17.5%	18.1%	17.9%	18.9%	19.0%	19.3%	19.5%	19.8%	19.6%	19.9%	20.0%	20.4%
3 (Hutch)	8.1%	7.7%	7.6%	7.8%	8.4%	8.1%	8.3%	8.5%	9.0%	8.7%	8.9%	9.2%	9.7%	9.8%
Post-pay Customers, 000s														
Vodafone	3,635	3,797	3,933	4,091	4,172	4,311	4,448	4,556	4,690	4,771	4,910	5,030	5,131	5,183
Call Volumes, mn min/qtr														
Telecom Italia	11,819	12,272	12,025	12,453	12,104	12,805	13,188	13,847	13,310	13,962	13,735	13,916	13,903	14,182
Vodafone	13,442	13,740	13,382	13,999	13,957	14,347	14,122	14,670	14,511	15,185	14,641	15,218	15,261	15,466
Wind	8,552	9,030	8,894	9,674	9,892	10,552	10,645	11,303	11,299	12,153	12,129	12,858	12,529	13,279
3 Hutch	3,795	4,010	3,965	4,195	4,168	4,347	4,343	4,542	4,457	4,700	4,606	4,773	4,719	4,892
Total	37,608	39,052	38,266	40,320	40,121	42,052	42,299	44,362	43,577	46,000	45,111	46,765	46,413	47,818
Call Volume growth, yoy														
Telecom Italia	(4.4%)	(2.4%)	(3.2%)	0.8%	2.4%	4.3%	9.7%	11.2%	10.0%	9.0%	4.1%	0.5%	4.5%	1.6%
Vodafone	5.3%	4.7%	2.8%	1.3%	3.8%	4.4%	5.5%	4.8%	4.0%	5.8%	3.7%	3.7%	5.2%	1.8%
Wind	9.1%	10.9%	9.2%	11.8%	15.7%	16.9%	19.7%	16.8%	14.2%	15.2%	13.9%	13.8%	10.9%	9.3%
3 Hutch	11.1%	12.0%	9.7%	9.6%	9.8%	8.4%	9.5%	8.3%	6.9%	8.1%	6.1%	5.1%	5.9%	4.1%
Total	3.4%	4.3%	2.8%	4.3%	6.7%	7.7%	10.5%	10.0%	8.6%	9.4%	6.6%	5.4%	6.5%	4.0%
Contract Churn, % p.a														
Vodafone	16.9%	19.8%	17.2%	23.3%	22.8%	25.3%	20.2%	23.6%	22.9%	22.1%	19.2%	24.3%	25.1%	24.2%
Data Revenue (excl messaging) % Service Revenue														
Telecom Italia	11.7%	12.5%	13.8%	14.8%	16.2%	14.8%	15.7%	15.8%	16.3%	16.8%	18.1%	19.1%	19.9%	19.5%
Vodafone	9.0%	8.7%	9.8%	10.2%	10.8%	11.0%	12.3%	12.7%	13.7%	13.6%	15.1%	15.7%	16.3%	16.5%
EBITDA, €m														
Vodafone	954	1,073	1,073	1,025	1,004	1,037	1,054	1,000	953	1,007	1,005	898	873	0
Capex, €m														
Vodafone	212	222	222	226	226	200	200	250	250	199	199	271	271	0

Source: Company data, Citi Research

Italy Fixed Data

Figure 137. Italy Fixed Line Market Information

Italy	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	6,843	6,859	6,921	7,000	7,071	7,134	7,186	7,175	7,194	7,169	7,141	7,125	7,092	7,037
Incumbent wholesale	1,486	1,584	1,646	1,741	1,788	1,825	1,847	1,883	1,937	1,948	1,931	1,964	1,984	1,985
ULL (total)	4,883	5,112	5,237	5,456	5,600	5,700	5,789	5,931	6,044	6,087	6,084	6,194	6,259	6,317
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	13,212	13,555	13,804	14,196	14,459	14,659	14,822	14,989	15,174	15,204	15,155	15,283	15,335	15,340
Broadband Subscribers (000s)														
Telecom Italia	6,843	6,859	6,921	7,000	7,071	7,134	7,186	7,175	7,194	7,169	7,141	7,125	7,092	7,037
Tiscali	554	549	552	570	572	582	582	550	541	521	504	494	479	469
Infostrada	1,450	1,515	1,560	1,643	1,713	1,764	1,820	1,912	2,030	2,082	2,073	2,135	2,211	2,241
Fastweb	1,345	1,378	1,408	1,447	1,481	1,497	1,515	1,527	1,536	1,544	1,560	1,595	1,654	1,673
Vodafone	994	1,004	1,014	1,024	1,034	1,044	1,120	1,210	1,300	1,340	1,380	1,420	1,340	1,300
Other	2,026	2,250	2,349	2,512	2,588	2,638	2,599	2,615	2,573	2,548	2,498	2,514	2,559	2,619
Total	13,212	13,555	13,804	14,196	14,459	14,659	14,822	14,989	15,174	15,204	15,155	15,283	15,335	15,340
Broadband Subscribers Net Adds (000s)														
Telecom Italia	89	16	62	79	71	63	52	(11)	19	(25)	(28)	(16)	(33)	(55)
Tiscali	(32)	(5)	3	18	2	10	0	(32)	(9)	(20)	(17)	(10)	(15)	(10)
Infostrada	90	65	45	83	70	51	56	92	118	52	(9)	62	76	30
Fastweb	60	33	30	39	34	16	18	12	9	8	16	35	59	19
Vodafone	994	10	10	10	10	10	76	90	90	40	40	40	(80)	(40)
Total	456	344	249	392	263	200	163	167	185	30	(49)	128	52	5
Telephony Channels (000s)														
Incumbent retail	19,582	19,170	18,854	18,525	18,254	18,062	17,881	17,609	17,367	17,124	16,959	16,745	16,513	16,294
Incumbent wholesale (WLR)	640	747	803	845	870	882	916	954	1,013	1,015	974	957	933	872
ULL (total)	3,871	4,028	4,124	4,273	4,370	4,459	4,545	4,703	4,826	4,880	4,862	4,953	5,035	5,110
Naked DSL	684	789	857	939	996	1,029	1,038	1,036	1,048	1,047	1,065	1,087	1,080	1,080
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	24,777	24,734	24,639	24,582	24,490	24,432	24,380	24,301	24,255	24,066	23,860	23,742	23,561	23,355
Telephony Channels Net Adds (000s)														
Incumbent retail	(449)	(412)	(316)	(329)	(271)	(192)	(181)	(272)	(242)	(243)	(165)	(214)	(232)	(219)
Incumbent wholesale (WLR)	122	108	56	42	25	12	34	38	60	2	(41)	(17)	(24)	(61)
ULL (total)	207	157	96	149	97	89	86	158	123	54	(18)	91	82	75
Naked DSL	112	105	68	81	57	33	9	(2)	12	(1)	18	22	(7)	(0)
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	(8)	(42)	(96)	(57)	(92)	(58)	(52)	(79)	(46)	(189)	(206)	(118)	(181)	(206)
Pay TV Subscribers (000s)														
TI	365	397	406	401	395	395	391	374	350	328	296	267	242	224
Sky Italia	4,800	4,800	4,800	4,735	4,696	4,741	4,799	4,870	4,915	4,970	5,004	5,027	4,941	4,870

Source: Company data, Citi Research

Netherlands

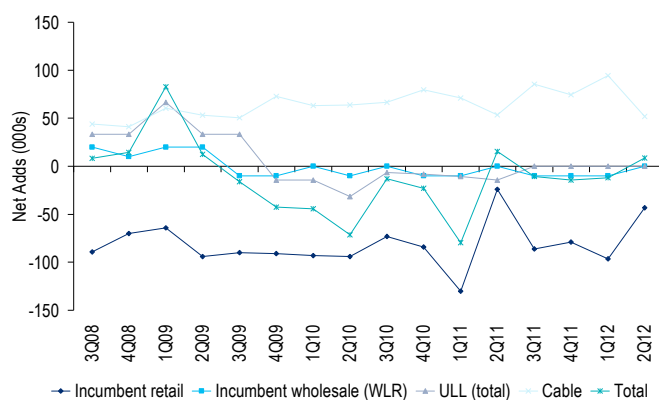
Fixed

- Retail line losses are showing slight improvement at -43k in 2Q12 vs. -96k in Q1 and -79k in Q4. Fixed revenue decline further deteriorated to -6.8% in 2Q12 from -6.2% in 1Q12. Broadband net additions also improved for KPN at +9k in Q2 from -19k in Q1.

Mobile

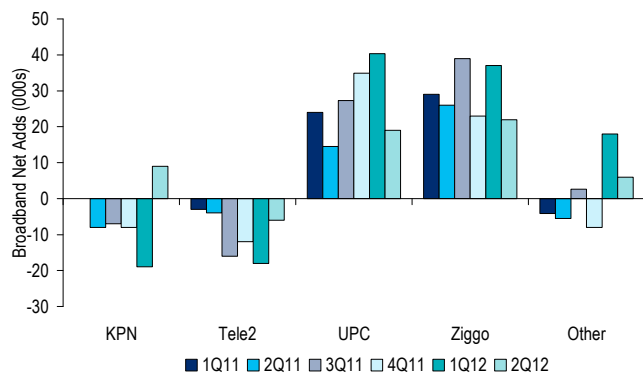
- Service revenue growth excluding the impact of MTR cuts worsened to -2.4% in 2Q12, from -1.2% in 1Q12. KPN's market share remained broadly stable in Q2 after falling continuously in the last few quarters. KPN's mobile service consumer revenues declined by -6.6% yoy in 2Q12.

Figure 138. Telephony Net Adds



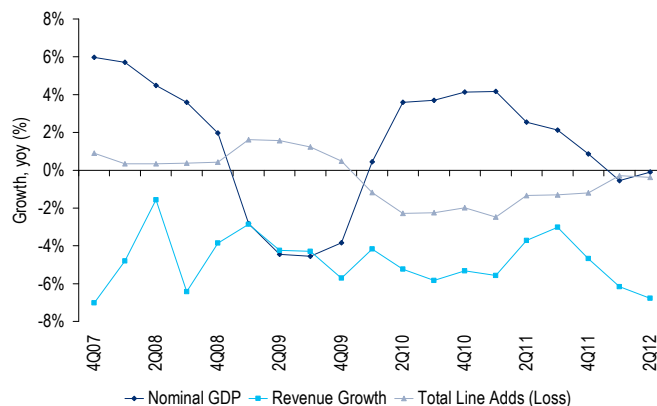
Source: Company reports and Citi Research

Figure 140. Broadband Subscriber Net Adds



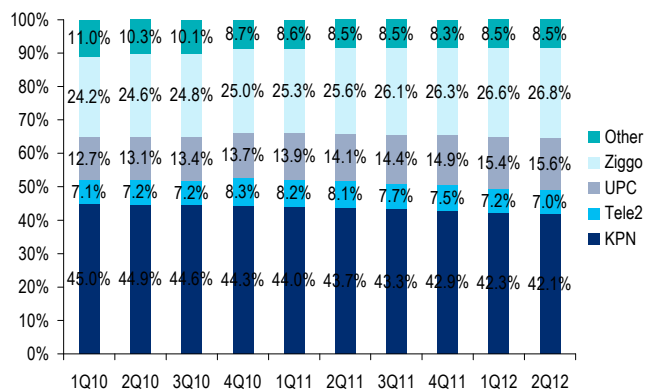
Source: Company reports and Citi Research

Figure 139. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Datastream and Citi Research

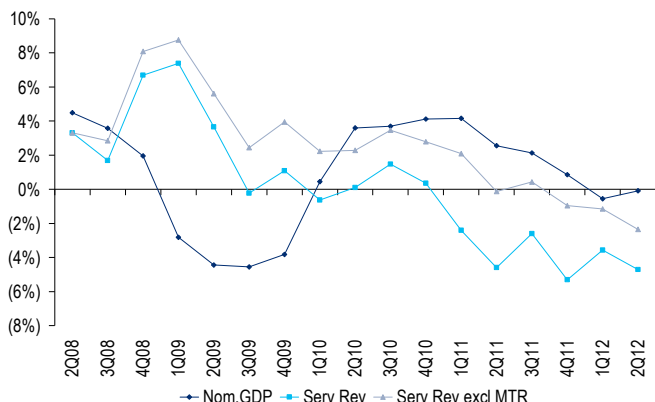
Figure 141. Broadband Subscriber Market Share



Source: Company reports and Citi Research

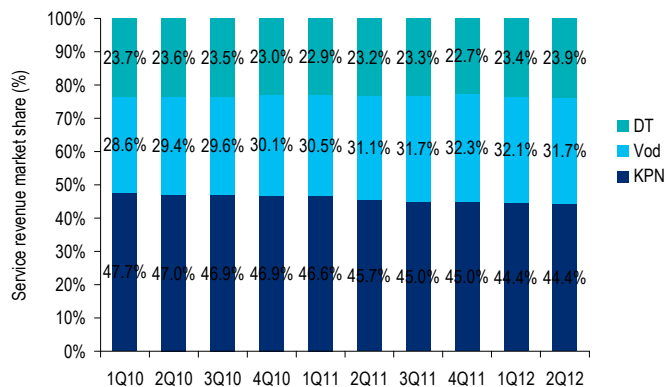
Mobile Charts

Figure 142. Revenue and GDP



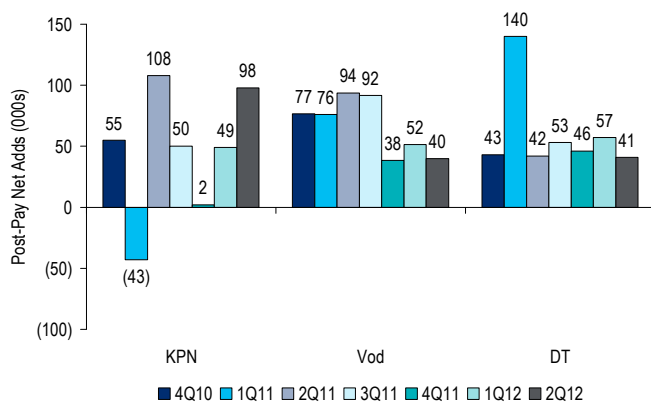
Source: Company reports, Datastream and Citi Research

Figure 143. Service Revenue Market Share



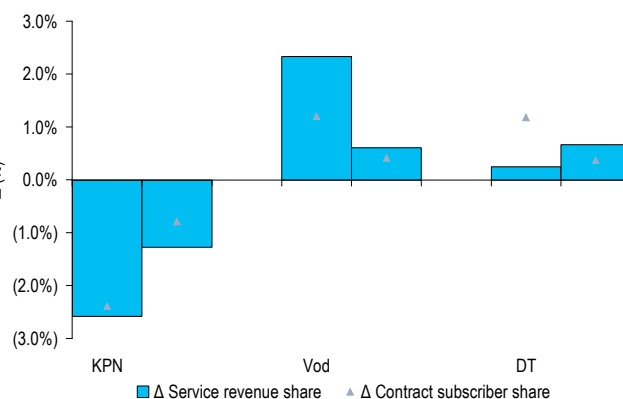
Source: Company reports and Citi Research

Figure 144. Post-Paid Net Adds



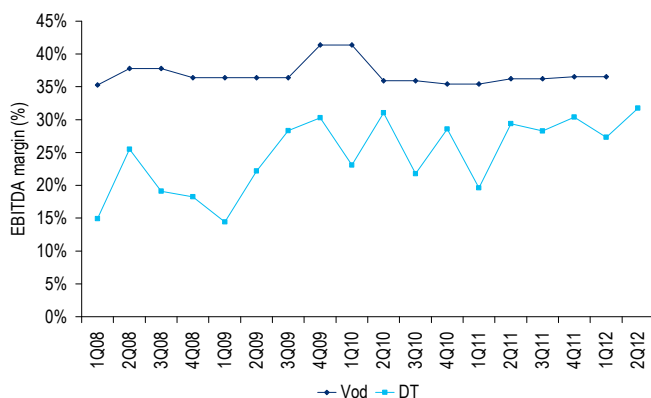
Source: Company reports and Citi Research

Figure 145. Change in Service Revenue and Contract Sub Share



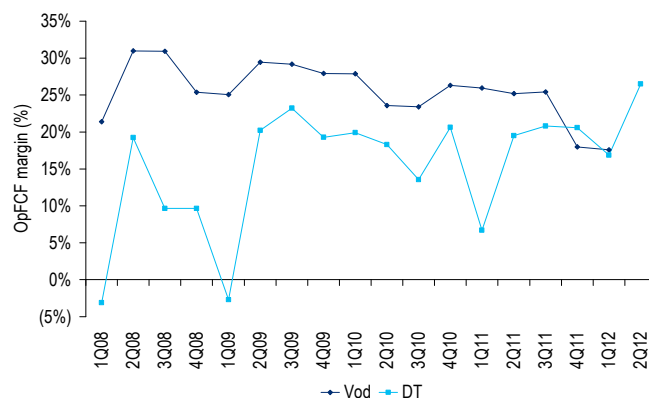
Source: Company reports and Citi Research

Figure 146. EBITDA Margin



Source: Company reports and Citi Research

Figure 147. OpFCF Margin



Source: Company reports and Citi Research

Netherlands Mobile Data

Figure 148. Netherlands Mobile Market Information

Netherlands	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, €m														
KPN	767	783	757	758	740	761	742	735	698	702	691	666	646	656
Vodafone	424	453	435	445	443	476	468	472	457	478	487	477	467	469
T-Mobile (DT)	350	370	368	370	367	383	371	360	342	357	358	336	341	353
Total	1,191	1,236	1,192	1,203	1,183	1,237	1,210	1,207	1,155	1,180	1,178	1,143	1,113	1,125
Service Revenue Growth, yoy														
KPN	8.6%	3.6%	(0.9%)	0.5%	(3.5%)	(2.8%)	(2.0%)	(3.0%)	(5.7%)	(7.8%)	(6.9%)	(9.4%)	(7.4%)	(6.6%)
Vodafone	5.2%	3.8%	1.0%	2.1%	4.6%	5.1%	7.5%	6.1%	3.1%	0.5%	4.2%	1.0%	2.4%	(2.0%)
T-Mobile (DT)	(3.8%)	(3.4%)	(0.2%)	1.4%	4.9%	3.5%	0.8%	(2.7%)	(6.8%)	(6.8%)	(3.5%)	(6.7%)	(0.3%)	(1.1%)
Total	7.4%	3.7%	(0.2%)	1.1%	(0.6%)	0.1%	1.5%	0.4%	(2.4%)	(4.6%)	(2.6%)	(5.3%)	(3.6%)	(4.7%)
Service Revenue Market Share														
KPN	49.8%	48.8%	48.5%	48.2%	47.7%	47.0%	46.9%	46.9%	46.6%	45.7%	45.0%	45.0%	44.4%	44.4%
Vodafone	27.5%	28.2%	27.9%	28.3%	28.6%	29.4%	29.6%	30.1%	30.5%	31.1%	31.7%	32.3%	32.1%	31.7%
T-Mobile (DT)	22.7%	23.0%	23.6%	23.5%	23.7%	23.6%	23.5%	23.0%	22.9%	23.2%	23.3%	22.7%	23.4%	23.9%
Post-pay Customers, 000s														
KPN	5,118	5,177	5,209	5,198	5,248	5,268	5,385	5,440	5,397	5,505	5,555	5,557	5,606	5,704
Vodafone	2,725	2,756	2,820	2,914	2,829	2,883	2,959	3,036	3,112	3,205	3,297	3,335	3,387	3,427
T-Mobile (DT)	2,313	2,359	2,384	2,406	2,460	2,536	2,607	2,650	2,790	2,832	2,885	2,931	2,988	3,029
Call Volumes, mn min/qtr														
KPN	3,613	3,722	3,507	3,739	3,640	3,679	3,451	3,577	3,572	3,664	3,459	3,616	3,862	3,902
Vodafone	2,278	2,363	2,212	2,367	2,359	2,323	2,625	2,884	2,821	2,945	2,820	3,004	2,957	2,902
Deutsche Telekom	1,708	1,743	1,765	1,842	1,900	1,987	1,923	2,049	2,011	2,062	1,948	1,993	1,963	1,987
Total	7,599	7,827	7,484	7,948	7,900	7,990	8,000	8,510	8,403	8,671	8,227	8,613	8,781	8,791
Call Volume growth, yoy														
KPN	3.2%	1.3%	1.6%	1.0%	0.8%	(1.1%)	(1.6%)	(4.3%)	(1.9%)	(0.4%)	0.2%	1.1%	8.1%	6.5%
Vodafone	9.7%	4.6%	4.9%	2.3%	3.6%	(1.7%)	18.7%	21.8%	19.6%	26.8%	7.4%	4.2%	4.8%	(1.5%)
Deutsche Telekom	(2.8%)	(8.8%)	1.8%	5.0%	11.2%	14.0%	9.0%	11.2%	5.8%	3.8%	1.3%	(2.7%)	(2.4%)	(3.6%)
Total	3.6%	(0.3%)	2.6%	2.3%	4.0%	2.1%	6.9%	7.1%	6.4%	8.5%	2.8%	1.2%	4.5%	1.4%
Contract Churn, % p.a														
T-Mobile (DT)	18.0%	16.8%	19.2%	18.0%	15.6%	12.0%	13.2%	14.4%	15.6%	15.6%	15.6%	15.6%	14.4%	13.2%
EBITDA, €m														
Vodafone	154	165	158	184	183	171	168	167	162	173	177	174	171	0
T-Mobile (DT)	64	103	128	135	102	139	98	122	82	128	121	127	115	133
Capex, €m														
Vodafone	48	31	31	60	60	59	59	43	43	53	53	89	89	0
T-Mobile (DT)	76	9	23	49	14	57	37	34	54	43	32	41	44	22

Source: Company data, Citi Research

Netherlands Fixed Data

Figure 149. Netherlands Fixed Line Market Information

Netherlands	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	2,692	2,698	2,712	2,717	2,729	2,718	2,722	2,737	2,737	2,729	2,722	2,714	2,695	2,704
Incumbent wholesale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	1,100	1,100	1,100	1,100	1,100	1,060	1,056	1,050	1,043	1,033	1,020	1,000	1,000	1,000
Cable	2,065	2,089	2,126	2,187	2,239	2,282	2,330	2,388	2,441	2,482	2,548	2,606	2,683	2,724
Total	5,857	5,887	5,938	6,004	6,068	6,060	6,107	6,175	6,221	6,244	6,290	6,320	6,378	6,428
Broadband Subscribers (000s)														
KPN	2,692	2,698	2,712	2,717	2,729	2,718	2,722	2,737	2,737	2,729	2,722	2,714	2,695	2,704
Tele2	382	395	410	418	431	434	438	510	507	503	487	475	457	451
UPC	689	693	708	742	771	794	816	843	867	882	909	944	984	1,003
Ziggo	1,376	1,396	1,418	1,445	1,468	1,488	1,514	1,545	1,574	1,600	1,639	1,662	1,699	1,721
Other	718	705	690	682	669	626	618	540	536	530	533	525	543	549
Total	5,857	5,887	5,938	6,004	6,068	6,060	6,107	6,175	6,221	6,244	6,290	6,320	6,378	6,428
Broadband Subscribers Net Adds (000s)														
KPN	28	6	13	5	13	(11)	4	15	0	(8)	(7)	(8)	(19)	9
Tele2	14	13	15	8	13	3	4	72	(3)	(4)	(16)	(12)	(18)	(6)
UPC	7	4	15	34	29	23	22	27	24	15	27	35	40	19
Ziggo	13	20	22	27	23	20	26	31	29	26	39	23	37	22
- other	19	(13)	(15)	(8)	(13)	(43)	(8)	(78)	(4)	(6)	3	(8)	18	6
Total	80	30	50	66	65	-8	47	68	46	23	46	30	58	50
Telephony Channels (000s)														
Incumbent retail	4,978	4,884	4,794	4,703	4,610	4,516	4,443	4,359	4,229	4,205	4,119	4,040	3,944	3,900
Incumbent wholesale (WLR)	410	430	420	410	410	400	400	390	380	380	370	360	350	350
ULL (total)	833	867	900	886	871	840	833	825	814	800	800	800	800	800
Cable	1,442	1,495	1,545	1,618	1,681	1,745	1,812	1,891	1,962	2,016	2,101	2,176	2,270	2,322
Total	7,663	7,676	7,659	7,617	7,572	7,501	7,488	7,465	7,385	7,401	7,390	7,376	7,364	7,372
Telephony Channels Net Adds (000s)														
Incumbent retail	(64)	(94)	(90)	(91)	(93)	(94)	(73)	(84)	(130)	(24)	(86)	(79)	(96)	(43)
Incumbent wholesale (WLR)	20	20	(10)	(10)	0	(10)	0	(10)	(10)	0	(10)	(10)	(10)	0
ULL (full)	67	33	33	(14)	(14)	(31)	(7)	(8)	(11)	(14)	0	0	0	0
Cable	61	53	50	73	63	64	67	80	71	54	85	75	94	52
Total	83	12	(16)	(43)	(44)	(71)	(13)	(23)	(80)	15	(11)	(14)	(12)	9
Pay TV Subscribers (000s)														
KPN	835	886	924	970	1,025	1,073	1,124	1,173	1,242	1,284	1,342	1,400	1,453	1,512
UPC	2,013	1,986	1,966	1,955	1,941	1,930	1,907	1,892	1,874	1,855	1,837	1,818	1,797	1,781
Pay TV Subscribers Net Adds (000s)														
KPN	60	51	38	46	55	48	51	49	69	42	58	58	53	59
UPC	(31)	(27)	(20)	(11)	(14)	(11)	(23)	(15)	(18)	(19)	(18)	(19)	(21)	(16)

Source: Company data, Citi Research

Norway

Fixed

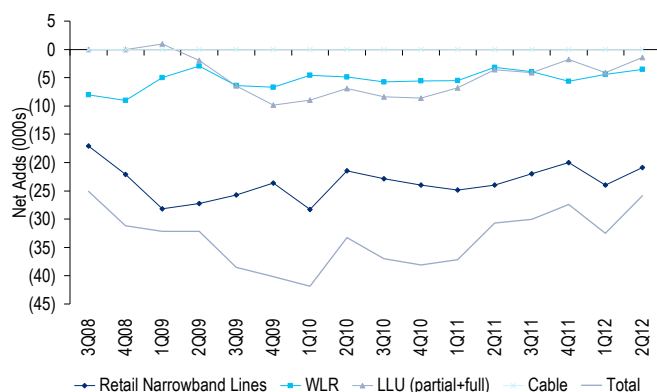
- Fixed line trends were stable in Q2 with -7.6% yoy total line loss and -8.2% retail line loss. The fixed broadband market also continued to remain stable with minimal changes in subscribers for all operators. The incumbent's fixed line revenue decline improved at -3.3% in 2Q12 after falling -3.9% in 1Q12.

Mobile

- Service revenue growth excluding the impact of MTR cuts improved at 2.3% in 2Q12 from -0.8% in 1Q12 driven by strong minutes growth of 5%. This is due to the impact of December promotions ending.

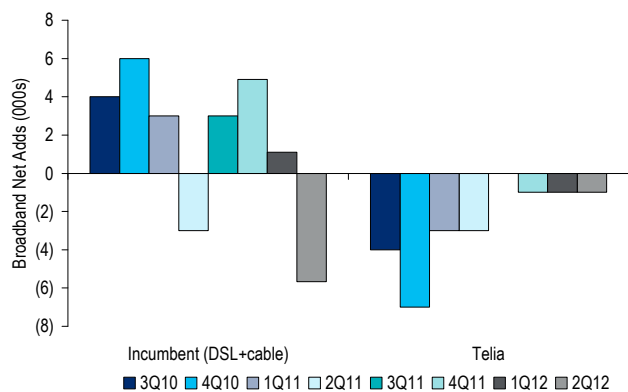
Fixed Charts

Figure 150. Telephony Net Adds



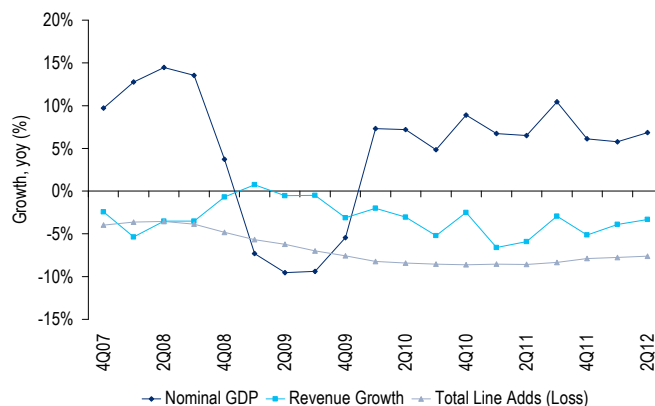
Source: Company reports and Citi Research

Figure 152. Broadband Subscriber Net Adds



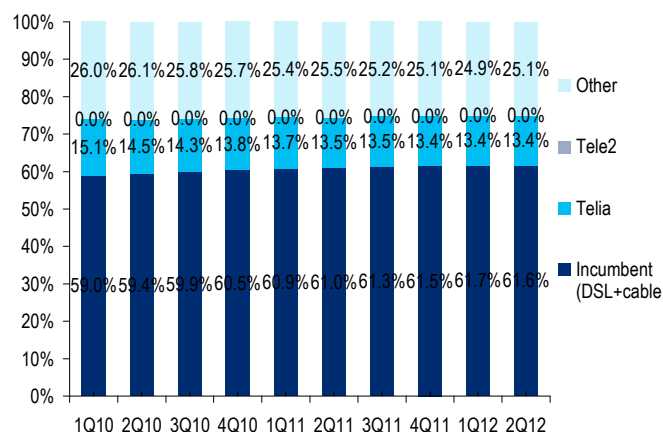
Source: Company reports and Citi Research

Figure 151. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Datastream and Citi Research

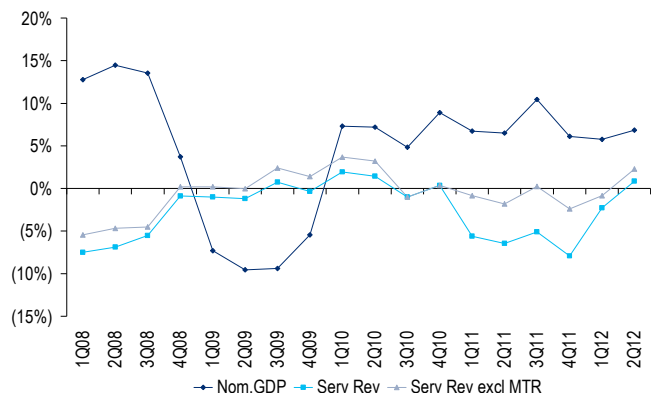
Figure 153. Broadband Subscriber Market Share



Source: Company reports and Citi Research

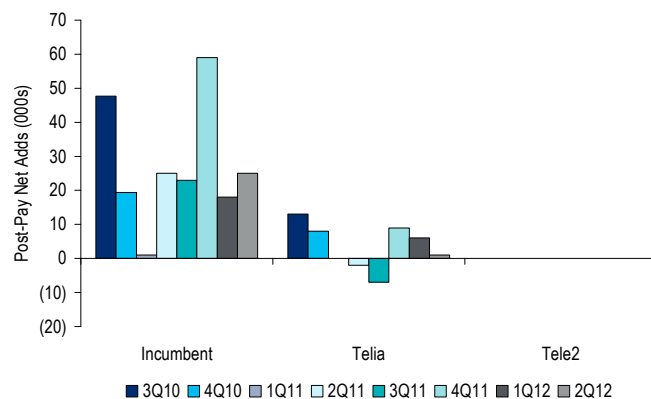
Mobile Charts

Figure 154. Revenue and GDP



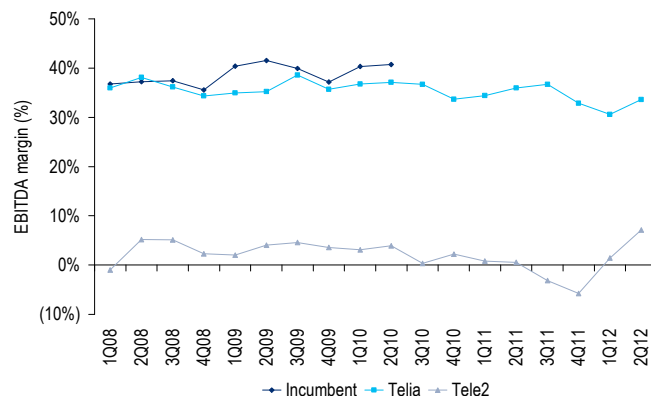
Source: Company reports, Datastream and Citi Research

Figure 156. Post-Paid Net Adds



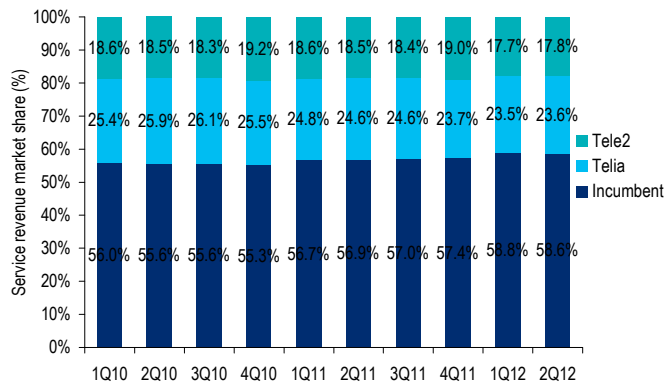
Source: Company reports and Citi Research

Figure 158. EBITDA Margin



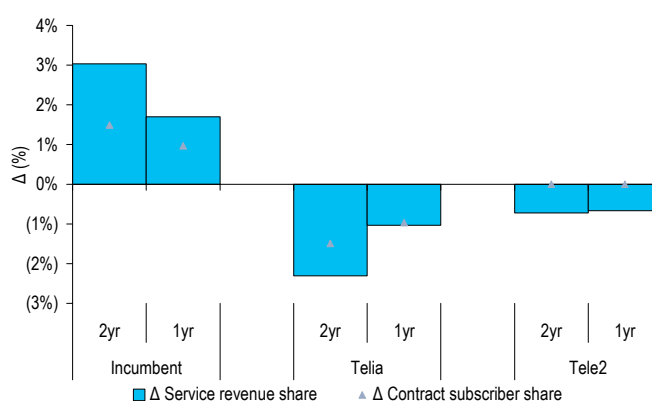
Source: Company reports and Citi Research

Figure 155. Service Revenue Market Share



Source: Company reports and Citi Research

Figure 157. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Research

Norway Mobile Data

Figure 159. Norway Mobile Market Information

Norway	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, NOK m														
Incumbent	2,952	3,093	3,205	3,146	3,117	3,192	3,188	3,130	2,977	3,059	3,101	2,992	3,020	3,177
Telia	1,504	1,537	1,516	1,454	1,414	1,489	1,496	1,445	1,301	1,325	1,336	1,234	1,205	1,280
Tele2	1,006	1,034	1,066	1,043	1,035	1,064	1,046	1,089	976	992	1,002	991	909	965
Total	5,461	5,664	5,788	5,643	5,566	5,746	5,730	5,664	5,254	5,376	5,438	5,216	5,135	5,422
Service Revenue Growth, yoy														
Incumbent	(0.1%)	2.8%	5.0%	3.2%	5.6%	3.2%	(0.6%)	(0.5%)	(4.5%)	(4.2%)	(2.7%)	(4.4%)	1.5%	3.9%
Telia	(1.1%)	(7.7%)	(7.9%)	(8.5%)	(5.9%)	(3.1%)	(1.3%)	(0.6%)	(8.0%)	(11.0%)	(10.7%)	(14.6%)	(7.4%)	(3.4%)
Tele2	(3.4%)	(2.3%)	1.8%	1.8%	2.9%	2.9%	(1.9%)	4.4%	(5.7%)	(6.8%)	(4.2%)	(9.0%)	(6.8%)	(2.8%)
Total	(1.0%)	(1.2%)	0.7%	(0.3%)	1.9%	1.4%	(1.0%)	0.4%	(5.6%)	(6.4%)	(5.1%)	(7.9%)	(2.3%)	0.9%
Service Revenue Market Share														
Incumbent	54.0%	54.6%	55.4%	55.8%	56.0%	55.6%	55.6%	55.3%	56.7%	56.9%	57.0%	57.4%	58.8%	58.6%
Telia	27.5%	27.1%	26.2%	25.8%	25.4%	25.9%	26.1%	25.5%	24.8%	24.6%	24.6%	23.7%	23.5%	23.6%
Tele2	18.4%	18.3%	18.4%	18.5%	18.6%	18.5%	18.3%	19.2%	18.6%	18.5%	18.4%	19.0%	17.7%	17.8%
Post-pay Customers, 000s														
Incumbent	2,093	2,132	2,185	2,230	2,253	2,281	2,329	2,348	2,349	2,374	2,397	2,456	2,474	2,499
Telia	1,147	1,156	1,164	1,165	1,160	1,164	1,177	1,185	1,185	1,183	1,176	1,185	1,191	1,192
Tele2														
Call Volumes, mn min/qtr														
Incumbent	1,894	1,962	1,951	2,041	2,013	2,099	2,014	2,116	2,062	2,080	2,060	2,144	2,220	2,240
Telia	1,304	1,354	1,359	1,409	1,374	1,414	1,360	1,390	1,397	1,405	1,391	1,398	1,438	1,418
Tele2	885	908	896	927	908	940	902	939	944	959	951	994	1,057	1,072
Total	4,082	4,223	4,206	4,377	4,295	4,454	4,276	4,445	4,403	4,445	4,402	4,535	4,715	4,731
Call Volume growth, yoy														
Incumbent	10.5%	5.6%	9.8%	10.0%	6.3%	7.0%	3.2%	3.7%	2.4%	(0.9%)	2.3%	1.3%	7.7%	7.7%
Telia	10.4%	4.4%	9.3%	12.2%	5.4%	4.4%	0.1%	(1.4%)	1.6%	(0.6%)	2.3%	0.6%	2.9%	1.0%
Tele2	8.8%	3.2%	7.5%	8.1%	2.5%	3.6%	0.7%	1.4%	4.0%	2.0%	5.4%	5.8%	12.0%	11.8%
Total	10.1%	4.7%	9.1%	10.3%	5.2%	5.5%	1.7%	1.6%	2.5%	(0.2%)	2.9%	2.0%	7.1%	6.4%
EBITDA, NOK m														
Incumbent	1,249	1,339	1,369	1,270	1,359	1,376								
Telia	630	639	706	625	627	657	677	603	603	639	671	563	491	562
Tele2	21	42	49	37	32	42	3	24	8	5	(31)	(57)	13	69

Source: Company data, Citi Research

Norway Fixed Data

Figure 160. Norway Fixed Line Market Information

Norway	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	808	813	823	836	842	842	846	852	855	852	855	860	861	855
Incumbent wholesale	98	90	87	85	84	82	80	79	78	78	78	78	78	79
ULL (total)	356	355	348	338	329	322	314	305	299	295	291	289	285	284
Cable	172	172	172	172	172	172	172	172	172	172	172	172	172	172
Total	1,434	1,430	1,430	1,432	1,428	1,418	1,412	1,409	1,404	1,397	1,396	1,399	1,396	1,389
Broadband Subscribers (000s)														
Incumbent (DSL+cable)	808	813	823	836	842	842	846	852	855	852	855	860	861	855
Telia	172	168	232	223	215	206	202	195	192	189	189	188	187	186
Tele2	87	84	0	0	0	0	0	0	0	0	0	0	0	0
- other	368	365	375	372	371	370	364	362	357	356	352	351	348	348
Total	1,434	1,430	1,430	1,432	1,428	1,418	1,412	1,409	1,404	1,397	1,396	1,399	1,396	1,389
Broadband Subscribers Net Adds (000s)														
Incumbent (DSL+cable)	11	6	10	13	6	0	4	6	3	(3)	3	5	1	(6)
Telia	(4)	(4)	(11)	(9)	(8)	(9)	(4)	(7)	(3)	(3)	0	(1)	(1)	(1)
Tele2	(4)	(3)	(84)	0	0	0	0	0	0	0	0	0	0	0
- other	1	(3)	10	(3)	(1)	(1)	(6)	(2)	(5)	(1)	(4)	(0)	(3)	0
Total	4	(4)	(0)	2	(4)	(10)	(6)	(3)	(5)	(7)	(1)	4	(3)	(7)
Telephony Channels (000s)														
Incumbent retail	1,280	1,253	1,227	1,203	1,175	1,154	1,131	1,107	1,082	1,058	1,036	1,016	992	971
Incumbent wholesale (WLR)	216	213	207	200	196	191	185	180	174	171	167	161	157	153
ULL (total)	356	355	348	338	329	322	314	305	299	295	291	289	285	284
Cable														
Total	1,853	1,821	1,782	1,742	1,700	1,667	1,630	1,592	1,555	1,524	1,494	1,466	1,434	1,408
Telephony Channels Net Adds (000s)														
Incumbent retail	(28)	(27)	(26)	(24)	(28)	(21)	(23)	(24)	(25)	(24)	(22)	(20)	(24)	(21)
Incumbent wholesale (WLR)	(5)	(3)	(6)	(7)	(5)	(5)	(6)	(6)	(5)	(3)	(4)	(6)	(4)	(4)
ULL (total)	1	(2)	(6)	(10)	(9)	(7)	(8)	(9)	(7)	(4)	(4)	(2)	(4)	(1)
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	(32)	(32)	(39)	(40)	(42)	(33)	(37)	(38)	(37)	(31)	(30)	(27)	(32)	(26)

Source: Company data, Citi Research

Portugal

Fixed

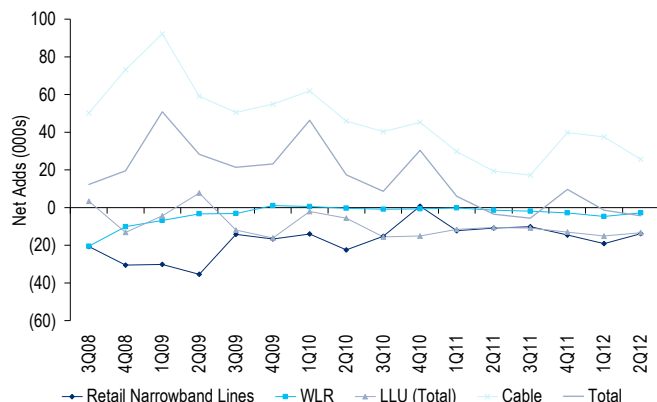
- Retail line loss remained low at -2.2%. Cable continued to grow access lines, leading to flat total market lines yoy. In contrast in broadband Portugal Telecom continues to gain share, with low net adds for cable and losses for other DSL operators. We now see PT's domestic fixed revenue declining due to a change in disclosure.

Mobile

- Vodafone's service revenue continues to decline at 7.9% in 2Q12 after a 3.2% decline in Q1. PT no longer directly reports mobile service revenue; but Personal's (consumer mobile) customer-driven revenues declined by c.9%, in line with 1Q12.

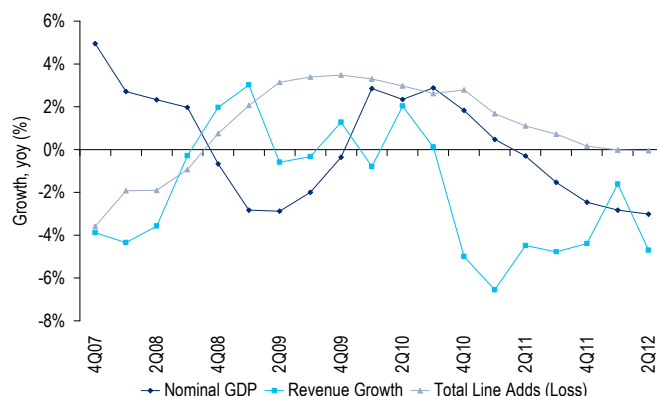
Fixed Charts

Figure 161. Telephony Net Adds



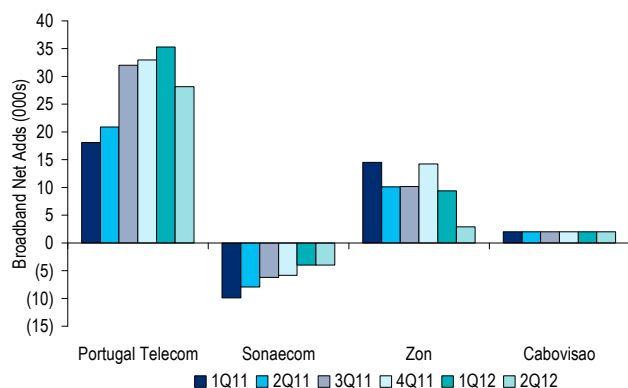
Source: Company reports and Citi Research

Figure 162. Line Loss, Incumbent Revenue Growth and GDP



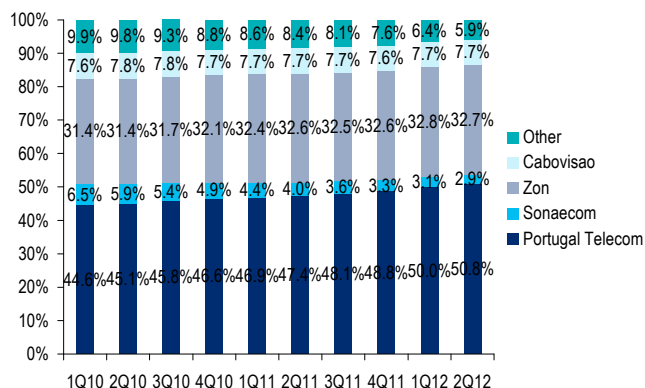
Source: Company reports, Datastream and Citi Research

Figure 163. Broadband Subscriber Net Adds



Source: Company reports and Citi Research

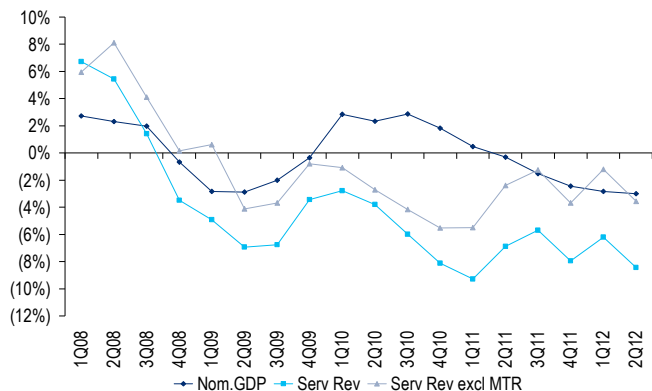
Figure 164. Broadband Subscriber Market Share



Source: Company reports and Citi Research

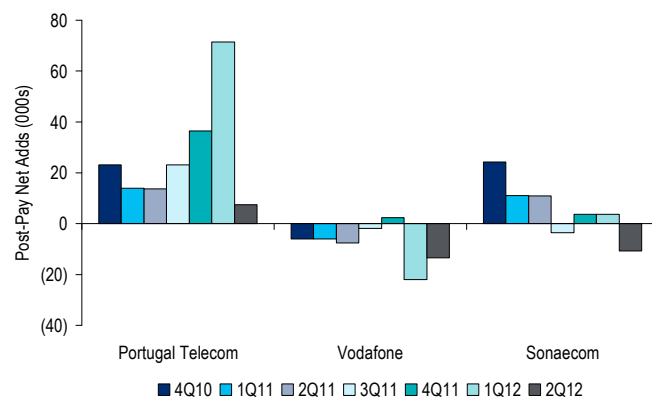
Mobile Charts

Figure 165. Revenue and GDP



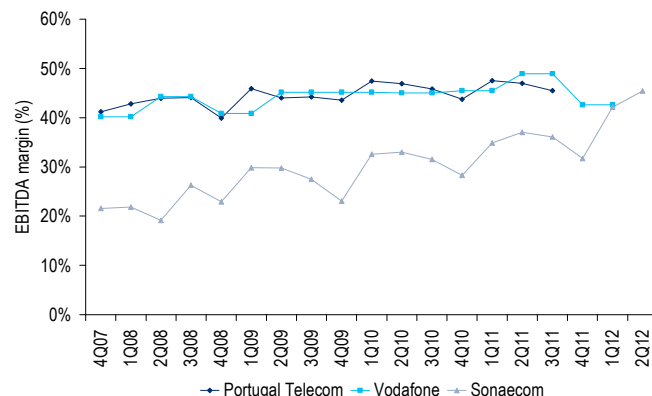
Source: Company reports, Datastream and Citi Research

Figure 167. Post-Paid Net Adds



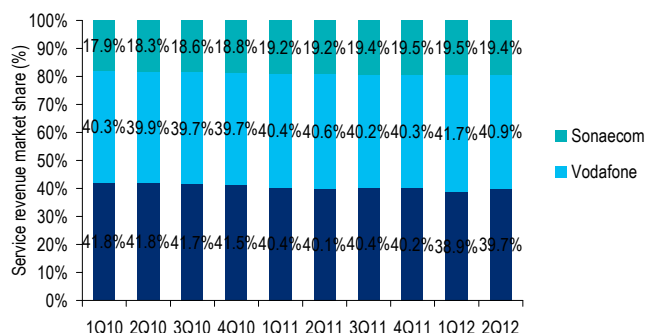
Source: Company reports and Citi Research

Figure 169. EBITDA Margin



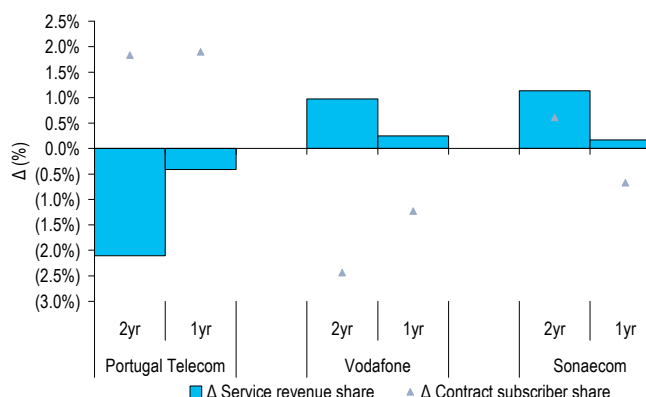
Source: Company reports and Citi Research

Figure 166. Service Revenue Market Share



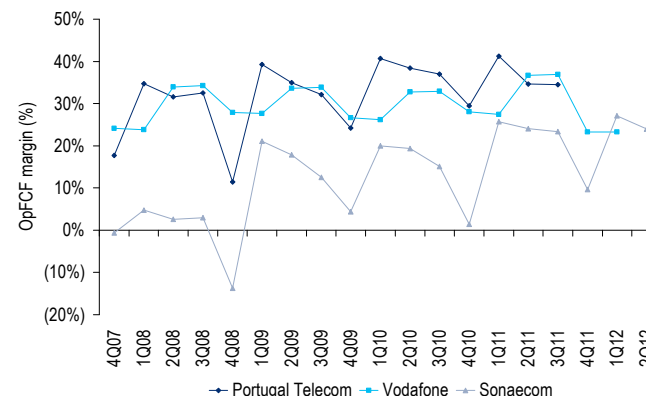
Source: Company reports and Citi Research

Figure 168. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Research

Figure 170. OpFCF Margin



Source: Company reports and Citi Research

Portugal Mobile Data

Figure 171. Portugal Mobile Market Information

Portugal	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, €m														
Portugal Telecom	333	333	353	340	321	318	322	304	281	284	294	271	254	257
Vodafone	316	317	322	316	309	304	307	291	281	288	293	272	272	265
Sonae	139	141	146	140	137	139	144	138	133	136	142	131	127	126
Total	789	790	822	797	767	760	773	732	696	708	729	674	653	648
Service Revenue Growth, yoy														
Portugal Telecom	(3.9%)	(7.1%)	(4.6%)	(4.7%)	(3.8%)	(4.4%)	(8.8%)	(10.8%)	(12.3%)	(10.7%)	(8.6%)	(10.8%)	(9.9%)	(9.4%)
Vodafone	(6.6%)	(8.6%)	(10.0%)	(1.5%)	(2.3%)	(4.3%)	(4.7%)	(8.1%)	(9.0%)	(5.2%)	(4.7%)	(6.5%)	(3.2%)	(7.9%)
Sonae	(3.3%)	(2.6%)	(4.5%)	(4.8%)	(1.4%)	(1.2%)	(1.8%)	(1.9%)	(2.9%)	(1.9%)	(1.4%)	(4.6%)	(4.8%)	(7.6%)
Total	(4.9%)	(6.9%)	(6.8%)	(3.4%)	(2.8%)	(3.8%)	(6.0%)	(8.1%)	(9.3%)	(6.9%)	(5.7%)	(7.9%)	(6.2%)	(8.4%)
Service Revenue Market Share														
Portugal Telecom	42.3%	42.1%	43.0%	42.7%	41.8%	41.8%	41.7%	41.5%	40.4%	40.1%	40.4%	40.2%	38.9%	39.7%
Vodafone	40.1%	40.1%	39.2%	39.7%	40.3%	39.9%	39.7%	39.7%	40.4%	40.6%	40.2%	40.3%	41.7%	40.9%
Sonae	17.7%	17.8%	17.8%	17.6%	17.9%	18.3%	18.6%	18.8%	19.2%	19.2%	19.4%	19.5%	19.5%	19.4%
Post-pay Customers, 000s														
Portugal Telecom	2,081	2,206	2,231	2,234	2,273	2,245	2,267	2,291	2,304	2,318	2,341	2,378	2,449	2,456
Vodafone	1,201	1,190	1,180	1,176	1,167	1,167	1,170	1,164	1,157	1,150	1,148	1,150	1,128	1,115
Sonae	992	1,026	1,045	1,081	1,104	1,110	1,161	1,186	1,197	1,208	1,204	1,208	1,211	1,201
Call Volumes, mn min/qtr														
Portugal Telecom	2,252	2,432	2,595	2,602	2,504	2,627	2,719	2,707	2,585	2,635	2,752	2,797	2,795	2,783
Vodafone	2,143	2,206	2,373	2,343	2,367	2,572	2,931	2,860	3,002	2,969	2,912	2,956	2,795	2,822
Sonae	1,249	1,278	1,324	1,384	1,387	1,401	1,394	1,431	1,357	1,371	1,365	1,376	1,329	1,328
Total	5,645	5,916	6,292	6,329	6,259	6,600	7,044	6,998	6,945	6,975	7,029	7,129	6,918	6,933
Call Volume growth, yoy														
Portugal Telecom	4.4%	10.2%	10.4%	12.0%	11.2%	8.0%	4.8%	4.0%	3.3%	0.3%	1.2%	3.3%	8.1%	5.6%
Vodafone	21.6%	20.0%	15.8%	12.9%	10.5%	16.6%	23.5%	22.1%	26.8%	15.4%	(0.6%)	3.4%	(6.9%)	(5.0%)
Sonae	21.4%	11.7%	8.4%	12.4%	11.1%	9.6%	5.3%	3.4%	(2.2%)	(2.1%)	(2.1%)	(3.8%)	(2.1%)	(3.1%)
Total	14.0%	14.0%	11.9%	12.4%	10.9%	11.6%	12.0%	10.6%	11.0%	5.7%	(0.2%)	1.9%	(0.4%)	(0.6%)
EBITDA, €m														
Portugal Telecom	170	162	176	167	164	161	163	150	144	144	146	0	0	0
Vodafone	129	143	146	143	140	137	138	132	128	141	143	116	116	0
Sonae	44	45	43	35	46	48	48	43	48	53	54	45	55	60

Source: Company data, Citi Research

Portugal Fixed Data

Figure 172. Portugal Fixed Line Market Information

Portugal	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	752	781	812	862	901	933	964	1,001	1,019	1,040	1,072	1,105	1,141	1,169
Incumbent wholesale	50	51	54	54	53	53	52	52	51	51	51	50	35	34
ULL (total)	301	309	297	281	278	273	257	242	231	220	209	196	181	168
Cable	693	715	738	760	790	811	830	855	872	884	896	912	924	929
Total	1,796	1,856	1,901	1,956	2,022	2,068	2,103	2,151	2,173	2,195	2,229	2,264	2,280	2,299
Broadband Subscribers (000s)														
Portugal Telecom	752	781	812	862	901	933	964	1,001	1,019	1,040	1,072	1,105	1,141	1,169
Sonaecom	180	171	163	146	132	122	114	105	95	87	81	75	71	67
Zon	546	573	594	611	635	650	666	690	705	715	725	739	749	752
Cabovisao	147	143	144	149	155	160	163	165	167	169	171	173	175	177
- other	171	188	188	188	199	203	195	189	187	184	180	172	145	134
Total	1,796	1,856	1,901	1,956	2,022	2,068	2,103	2,151	2,173	2,195	2,229	2,264	2,280	2,299
Broadband Subscribers Net Adds (000s)														
Portugal Telecom	42	29	32	50	39	32	32	37	18	21	32	33	35	28
Sonaecom	(8)	(9)	(8)	(17)	(15)	(10)	(7)	(10)	(10)	(8)	(6)	(6)	(4)	(4)
Zon	67	27	22	16	25	15	16	24	15	10	10	14	9	3
Cabovisao	(7)	(4)	1	5	6	6	3	2	2	2	2	2	2	2
- other	1	18	(0)	(0)	11	4	(8)	(6)	(2)	(3)	(4)	(8)	(27)	(11)
Total	95	60	45	55	66	47	35	47	22	22	34	36	16	18
Telephony Channels (000s)														
Incumbent retail	2,813	2,777	2,763	2,746	2,732	2,710	2,695	2,695	2,683	2,672	2,662	2,648	2,629	2,615
Incumbent wholesale (WLR)	69	66	62	63	64	64	63	62	62	60	58	56	51	48
ULL (total)	301	309	297	281	278	273	257	242	231	220	209	196	181	168
Cable	419	479	529	584	646	692	732	778	808	827	844	884	921	947
Total	3,602	3,630	3,651	3,674	3,721	3,738	3,747	3,777	3,783	3,780	3,774	3,784	3,782	3,778
Telephony Channels Net Adds (000s)														
Incumbent retail	(30)	(35)	(14)	(17)	(14)	(22)	(15)	1	(12)	(11)	(10)	(15)	(19)	(14)
Incumbent wholesale (WLR)	(7)	(3)	(3)	1	1	(0)	(1)	(1)	(0)	(1)	(2)	(3)	(5)	(3)
ULL (full)	(4)	8	(12)	(16)	(2)	(6)	(16)	(15)	(12)	(11)	(11)	(13)	(15)	(13)
Cable	92	59	51	55	62	46	40	45	30	19	17	40	38	26
Total	51	28	21	23	46	17	9	30	6	(4)	(6)	10	(1)	(4)
Pay TV Subscribers (000s)														
Portugal Telecom	384	443	505	581	646	702	769	830	876	919	974	1,042	1,111	1,157
Zon	1,595	1,591	1,595	1,595	1,588	1,576	1,573	1,572	1,554	1,553	1,554	1,567	1,587	1,586
Pay TV Subscribers Net Adds (000s)														
Portugal Telecom	72	59	62	76	65	57	67	61	46	44	55	68	69	46
Zon	70	(4)	3	0	(6)	(12)	(3)	(2)	(17)	(2)	1	13	20	(1)

Source: Company data, Citi Research

Spain

Fixed

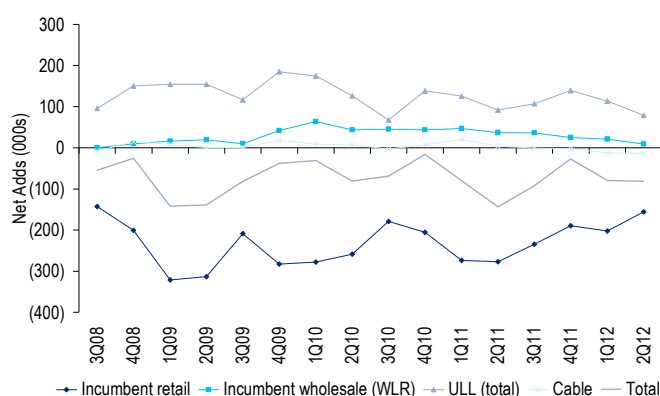
- Retail line loss improved at -156k from -202k Q1. Fixed broadband market net adds declined to 70k from 87k in Q1.

Mobile

- Mobile service revenue excluding MTRs worsened to -9.6% in 2Q12 from -8.7% in 1Q12. This was driven by a slowdown in Orange's growth and a further worsening in TEF's decline. Spain is seeing both declining minutes and price cuts, which is particularly painful for TEF which is reducing its price premium to the other operators. Another factor is the decline in subsidies, with a lower contribution to service revenues from handset subsidy repayment.

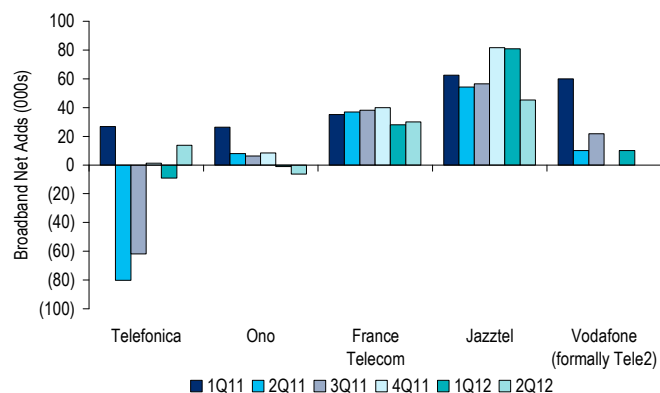
Fixed Charts

Figure 173. Telephony Net Adds



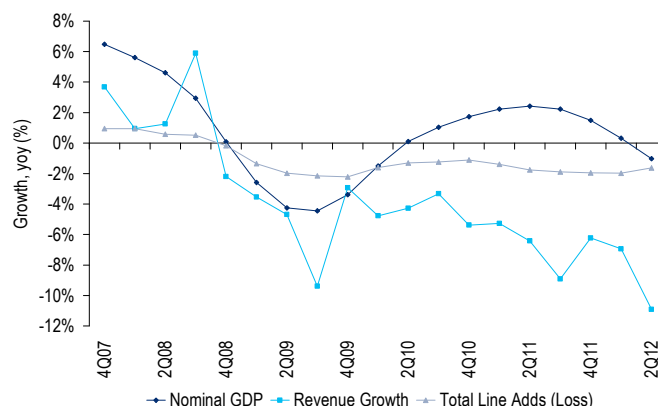
Source: Company reports and Citi Research

Figure 175. Broadband Subscriber Net Adds



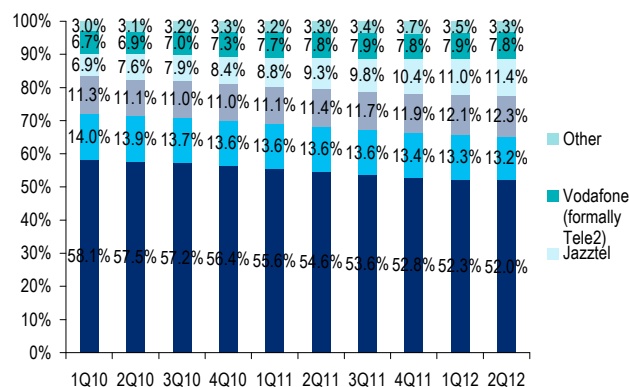
Source: Company reports and Citi Research

Figure 174. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Datastream and Citi Research

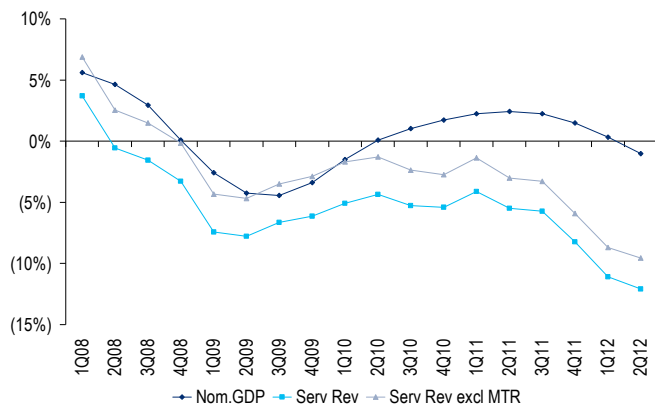
Figure 176. Broadband Subscriber Market Share



Source: Company reports and Citi Research

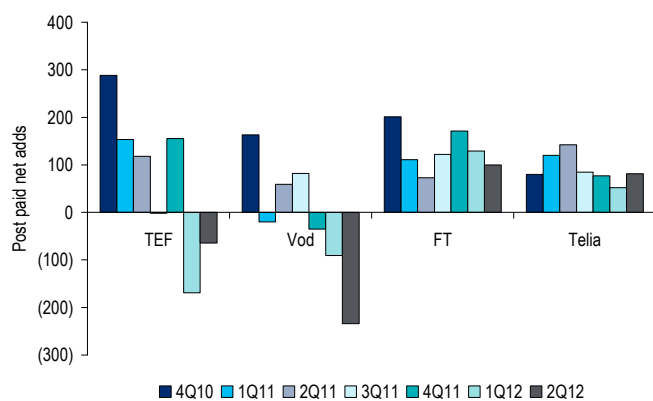
Mobile Charts

Figure 177. Revenue and GDP



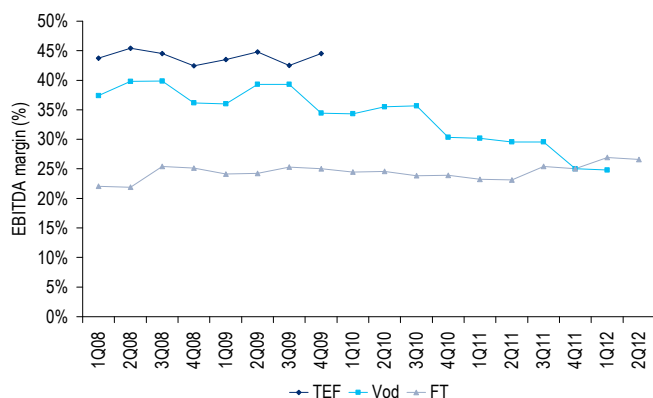
Source: Company reports, Datastream and Citi Research

Figure 179. Post-Paid Net Adds



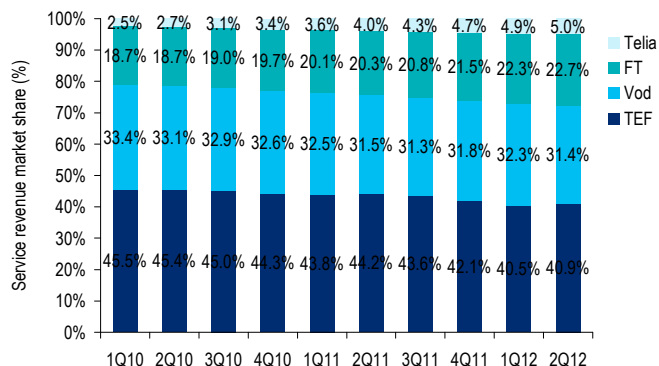
Source: Company reports and Citi Research

Figure 181. EBITDA Margin



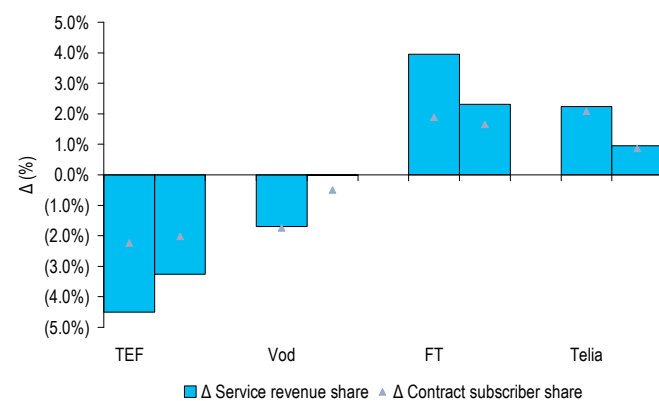
Source: Company reports and Citi Research

Figure 178. Service Revenue Market Share



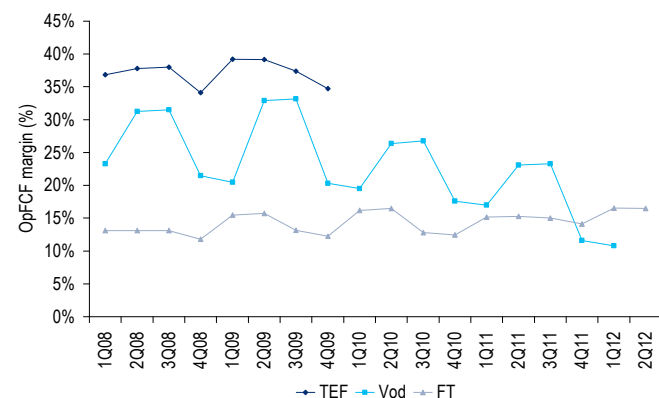
Source: Company reports and Citi Research

Figure 180. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Research

Figure 182. OpFCF Margin



Source: Company reports and Citi Research

Spain Mobile Data

Figure 183. Spain Mobile Market Information

Spain	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, €m														
Telefonica	1,921	1,940	2,022	1,898	1,785	1,829	1,880	1,725	1,648	1,681	1,715	1,504	1,354	1,369
Vodafone	1,409	1,436	1,500	1,379	1,311	1,334	1,374	1,272	1,223	1,196	1,232	1,137	1,082	1,052
Orange (FT)	747	762	802	755	732	753	792	767	755	774	820	769	746	758
Telia	57	71	82	87	96	110	128	133	136	153	168	166	163	166
Total	4,134	4,209	4,406	4,120	3,924	4,026	4,174	3,897	3,762	3,804	3,935	3,576	3,345	3,345
Service Revenue Growth, yoy														
Telefonica	(7.3%)	(9.0%)	(8.0%)	(7.6%)	(7.1%)	(5.7%)	(7.0%)	(9.1%)	(7.7%)	(8.1%)	(8.8%)	(12.8%)	(17.8%)	(18.6%)
Vodafone	(9.7%)	(9.2%)	(7.9%)	(7.7%)	(7.0%)	(7.1%)	(8.4%)	(7.4%)	(7.7%)	(9.9%)	(10.3%)	(10.6%)	(11.5%)	(12.1%)
Orange (FT)	(7.3%)	(6.5%)	(5.9%)	(3.1%)	(2.0%)	(1.2%)	(1.2%)	1.6%	3.1%	2.8%	3.5%	0.3%	(1.2%)	(2.1%)
Telia														
Total	(7.4%)	(7.8%)	(6.6%)	(6.1%)	(5.1%)	(4.4%)	(5.3%)	(5.4%)	(4.1%)	(5.5%)	(5.7%)	(8.2%)	(11.1%)	(12.1%)
Service Revenue Market Share														
Telefonica	46.5%	46.1%	45.9%	46.1%	45.5%	45.4%	45.0%	44.3%	43.8%	44.2%	43.6%	42.1%	40.5%	40.9%
Vodafone	34.1%	34.1%	34.0%	33.5%	33.4%	33.1%	32.9%	32.6%	32.5%	31.5%	31.3%	31.8%	32.3%	31.4%
Orange (FT)	18.1%	18.1%	18.2%	18.3%	18.7%	18.7%	19.0%	19.7%	20.1%	20.3%	20.8%	21.5%	22.3%	22.7%
Telia	1.4%	1.7%	1.9%	2.1%	2.5%	2.7%	3.1%	3.4%	3.6%	4.0%	4.3%	4.7%	4.9%	5.0%
Post-pay Customers, 000s														
Telefonica	14,553	14,694	15,009	15,334	15,531	15,784	16,101	16,390	16,543	16,661	16,659	16,815	15,846	15,782
Vodafone	9,977	10,052	10,173	10,298	10,466	10,567	10,555	10,718	10,698	10,757	10,839	10,804	10,713	10,479
Orange (FT)	6,485	6,495	6,519	6,657	6,747	6,823	6,938	7,139	7,250	7,323	7,445	7,616	7,745	7,845
Telia	463	550	605	690	839	946	1,103	1,183	1,303	1,445	1,530	1,607	1,659	1,740
Call Volumes, mn min/qtr														
Telefonica	10,038	10,499	11,007	10,495	10,051	10,562	10,675	10,412	9,936	10,229	10,068	9,677	9,346	9,236
Vodafone	8,457	8,759	9,035	8,980	8,769	9,124	9,259	9,128	9,058	9,355	9,294	9,089	8,858	8,723
France Telecom	4,967	4,971	5,039	5,150	5,273	5,198	5,244	5,508	5,714	5,718	5,740	5,756	5,783	5,799
Telia	577	650	729	810	957	1,126	1,321	1,456	1,557	1,718	1,830	1,904	1,986	2,087
Total	24,039	24,879	25,810	25,435	25,051	26,011	26,499	26,504	26,264	27,020	26,932	26,426	25,973	25,845
Call Volume growth, yoy														
Telefonica	(3.6%)	(4.5%)	(3.8%)	(2.2%)	0.1%	0.6%	(3.0%)	(0.8%)	(1.1%)	(3.2%)	(5.7%)	(7.1%)	(5.9%)	(9.7%)
Vodafone	(4.1%)	(5.1%)	(0.3%)	1.7%	3.7%	4.2%	2.5%	1.6%	3.3%	2.5%	0.4%	(0.4%)	(2.2%)	(6.8%)
France Telecom	7.1%	6.8%	4.4%	5.7%	6.2%	4.6%	4.1%	6.9%	8.3%	10.0%	9.5%	4.5%	1.2%	1.4%
Telia	101.4%	83.6%	75.2%	61.9%	66.0%	73.3%	81.3%	79.8%	62.6%	52.5%	38.5%	30.7%	27.6%	21.5%
Total	(0.4%)	(1.4%)	0.3%	2.0%	4.2%	4.5%	2.7%	4.2%	4.8%	3.9%	1.6%	(0.3%)	(1.1%)	(4.3%)
Contract Churn, % p.a														
Telefonica	16.8%	15.6%	14.4%	15.6%	18.0%	16.8%	16.8%	16.8%	21.6%	20.4%	20.4%	20.4%	24.0%	16.8%
Vodafone	18.3%	19.9%	20.6%	21.7%	21.2%	18.9%	19.5%	19.9%	25.4%	19.0%	20.9%	22.6%	24.2%	20.6%
Orange (FT)	23.5%	24.1%	24.5%	24.2%	23.6%	22.8%	21.5%	20.7%	20.3%	20.2%	20.4%	20.3%	19.7%	19.0%
Data Revenue (excl messaging) % Service Revenue														
Telefonica	11.4%	11.2%	11.9%	12.7%	13.5%	13.4%	14.5%	15.8%	17.7%	18.3%	20.0%	22.6%	24.3%	25.5%
Vodafone	10.2%	9.3%	9.3%	9.8%	10.9%	11.3%	11.9%	11.9%	13.6%	13.8%	15.2%	16.9%	18.9%	19.6%
Orange (FT)	7.3%	6.8%	7.2%	8.9%	8.9%	9.1%	9.2%	11.4%	12.1%	12.8%	13.6%	15.9%	17.7%	18.9%
EBITDA, €m														
Telefonica	945	980	988	1,014										
Vodafone	537	599	625	506	481	507	522	413	397	381	393	310	295	0
Orange (FT)	189	193	212	200	186	191	197	190	183	188				
Capex, €m														
Telefonica	94	123	118	223										
Vodafone	232	98	98	208	208	130	130	173	173	83	83	167	167	0
Orange (FT)	68	68	102	102	63	63	91	91	64	64				

Source: Company reports, Citi Research

Spain Fixed Data

Figure 184. Spanish Fixed Line Market Information

Spain	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	5,292	5,331	5,424	5,477	5,579	5,620	5,672	5,722	5,749	5,669	5,607	5,609	5,600	5,613
Incumbent wholesale	406	369	337	359	419	464	508	561	615	652	686	710	704	690
ULL (total)	1,835	1,951	2,021	2,154	2,261	2,332	2,372	2,477	2,579	2,654	2,752	2,881	2,984	3,061
Cable	1,295	1,302	1,303	1,326	1,342	1,356	1,361	1,380	1,406	1,414	1,420	1,429	1,428	1,422
Total	8,828	8,953	9,085	9,315	9,600	9,772	9,913	10,140	10,349	10,390	10,466	10,628	10,716	10,786
Broadband Subscribers (000s)														
Telefonica	5,292	5,331	5,424	5,477	5,579	5,620	5,672	5,722	5,749	5,669	5,607	5,609	5,600	5,613
Ono	1,295	1,302	1,303	1,326	1,342	1,356	1,361	1,380	1,406	1,414	1,420	1,429	1,428	1,422
France Telecom	1,165	1,135	1,091	1,086	1,086	1,083	1,090	1,115	1,150	1,187	1,225	1,265	1,293	1,323
Jazztel	416	462	510	582	662	740	782	848	910	965	1,021	1,103	1,183	1,229
Vodafone (formally Tele2)	456	497	516	581	641	671	692	740	800	810	832	832	842	842
Other	204	225	241	264	291	303	315	336	333	345	361	391	370	357
Total	8,828	8,953	9,085	9,315	9,600	9,772	9,913	10,140	10,349	10,390	10,466	10,628	10,716	10,786
Broadband Subscribers Net Adds (000s)														
Telefonica	45	40	92	53	102	42	52	50	27	(80)	(62)	1	(9)	14
Ono	13	7	1	23	16	14	5	19	26	8	6	8	(1)	(6)
France Telecom	1	(30)	(44)	(5)	0	(3)	7	25	35	37	38	40	28	30
Jazztel	42	46	48	72	80	78	42	65	63	54	56	82	81	45
Vodafone (formally Tele2)	83	41	20	64	60	30	22	48	60	10	22	0	10	0
Other	(6)	21	16	23	27	12	12	0	0	0	0	0	0	0
Total	177	125	132	230	285	172	140	228	209	41	77	162	87	70
Telephony Channels (000s)														
Incumbent retail	15,005	14,691	14,483	14,200	13,923	13,664	13,485	13,280	13,006	12,729	12,495	12,305	12,104	11,948
Incumbent wholesale (WLR)	26	45	56	97	161	205	251	295	342	379	415	441	462	471
ULL (total)	1,251	1,405	1,521	1,706	1,881	2,007	2,075	2,213	2,339	2,430	2,537	2,676	2,789	2,868
Cable	1,646	1,647	1,648	1,666	1,675	1,682	1,679	1,686	1,707	1,711	1,710	1,708	1,697	1,683
Total	17,927	17,789	17,707	17,670	17,639	17,558	17,489	17,474	17,394	17,250	17,157	17,130	17,051	16,970
Telephony Channels Net Adds (000s)														
Incumbent retail	(321)	(314)	(209)	(282)	(278)	(259)	(179)	(205)	(274)	(277)	(234)	(189)	(202)	(156)
Incumbent wholesale (WLR)	16	20	10	42	64	44	45	44	47	38	36	25	21	9
ULL (full)	155	154	117	185	174	127	68	138	126	92	107	139	113	79
Cable	8	1	1	18	9	7	(3)	7	21	4	(1)	(2)	(12)	(14)
Total	(142)	(139)	(81)	(38)	(31)	(81)	(69)	(16)	(80)	(144)	(92)	(27)	(79)	(82)
Pay TV Subscribers (000s)														
TEF	605	610	654	703	733	748	773	788	786	785	804	833	813	792
ONO	1,016	991	977	975	970	966	948	953	958	952	939	923	906	897
Orange	99	92	86	84	79	75	72	70	69	68	67	68	68	68
Total	1,720	1,693	1,717	1,762	1,782	1,789	1,793	1,812	1,813	1,805	1,811	1,824	1,787	1,757
Pay TV Subscribers Net Adds (000s)														
TEF	(8)	5	45	49	30	15	26	15	(2)	(2)	20	29	(20)	(21)
ONO	(23)	(25)	(14)	(2)	(5)	(4)	(18)	5	5	(6)	(13)	(17)	(16)	(9)
Orange	12	(7)	(6)	(2)	(5)	(4)	(3)	(2)	(1)	(1)	(1)	1	0	(0)
Total	(18)	(28)	25	45	20	7	4	18	2	(9)	6	13	(37)	(30)

Source: Company data, Citi Research

Sweden

Fixed

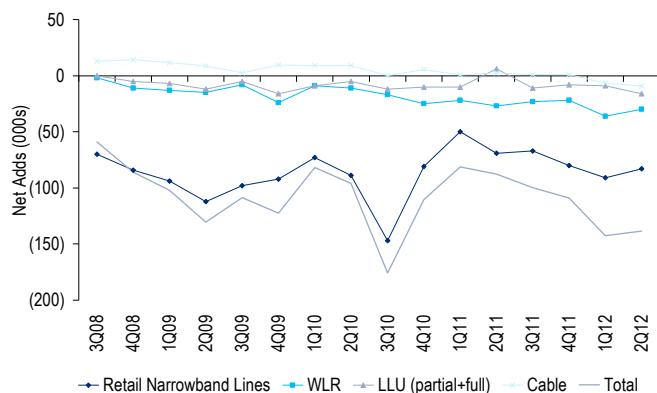
- Telia's retail line loss improved to -83k in Q2, vs -91k in Q1. Telia's fixed line revenue decline improved slightly to -3.3% in 2Q12 from -3.6% in 1Q12, benefitting from growth in broadband and stability in traditional telephony.

Mobile

- The Swedish mobile market remained the fastest-growing in Europe with service revenue growth excluding MTR cuts at 4.3% in 2Q12 vs 5.6% in 1Q12. Concerns on competition have reduced after they were initially raised by 3's promotions in March/April.

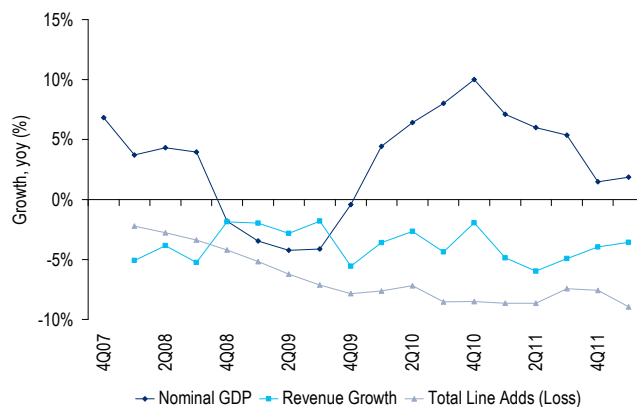
Fixed Charts

Figure 185. Telephony Net Adds



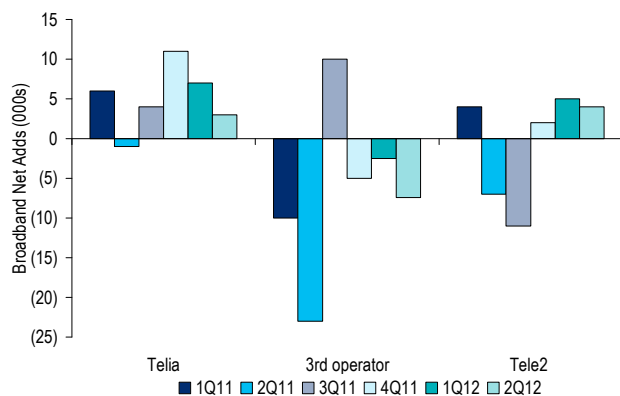
Source: Company reports and Citi Research

Figure 186. Line Loss, Incumbent Revenue Growth and GDP



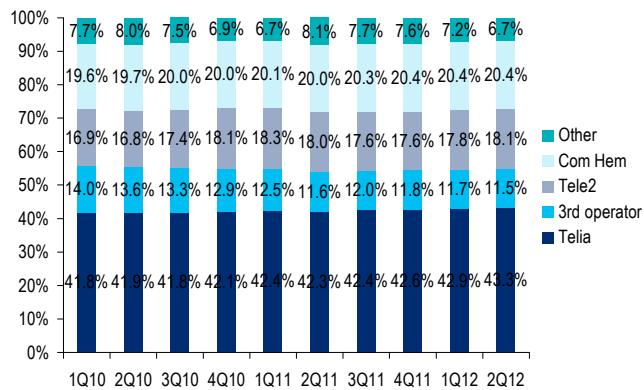
Source: Company reports, Datastream and Citi Research

Figure 187. Broadband Subscriber Net Adds



Source: Company reports and Citi Research

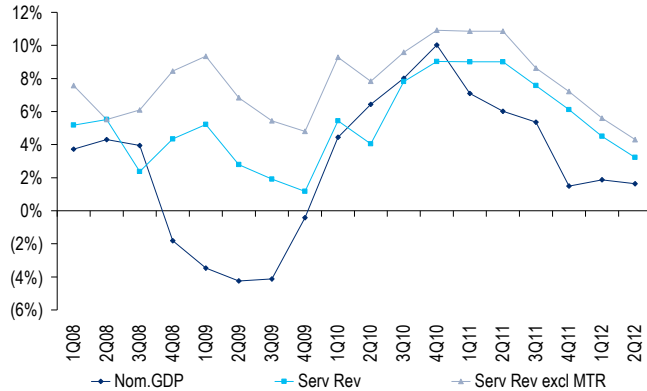
Figure 188. Broadband Subscriber Market Share



Source: Company reports and Citi Research

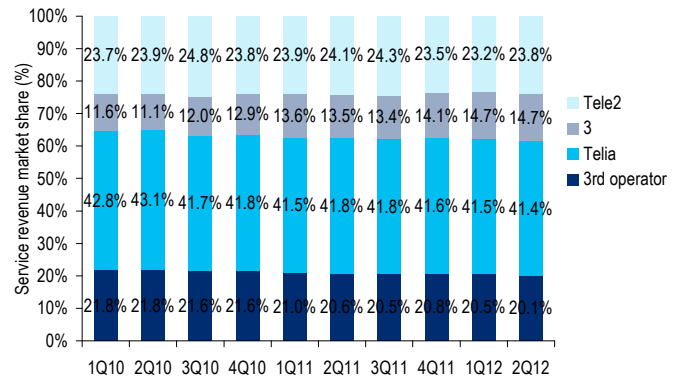
Mobile Charts

Figure 189. Revenue and GDP



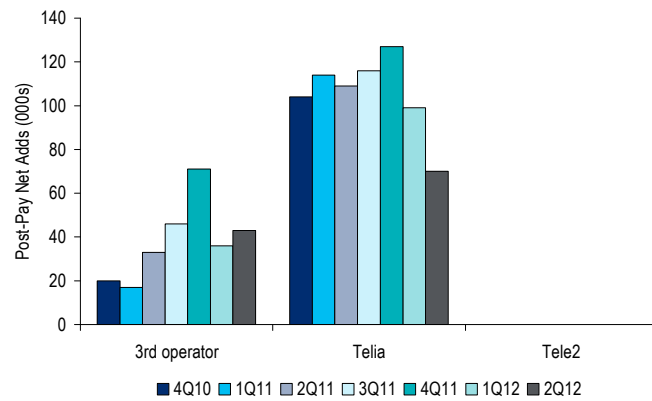
Source: Company reports, Datastream and Citi Research

Figure 190. Service Revenue Market Share



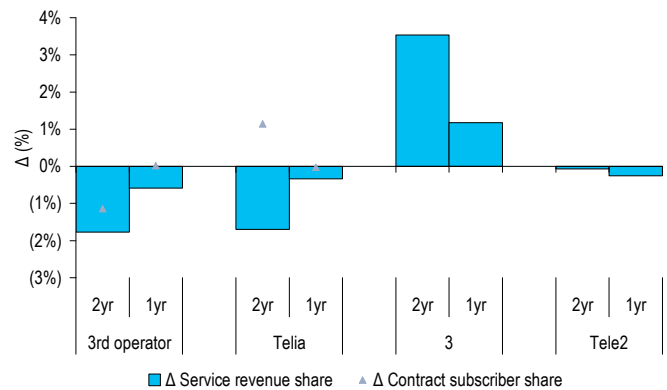
Source: Company reports and Citi Research

Figure 191. Post-Paid Net Adds



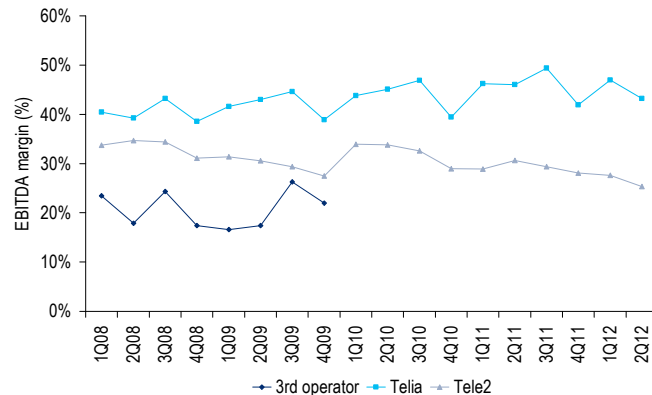
Source: Company reports and Citi Research

Figure 192. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Research

Figure 193. EBITDA Margin



Source: Company reports and Citi Research

Source: Company reports and Citi Investment Research and Analysis

Sweden Mobile Data

Figure 194. Swedish Mobile Market Information

Sweden	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, SEK m														
3rd operator	1,562	1,693	1,660	1,629	1,662	1,739	1,738	1,765	1,744	1,793	1,778	1,802	1,783	1,798
Telia	3,046	3,280	3,155	3,230	3,262	3,436	3,359	3,415	3,449	3,628	3,620	3,611	3,606	3,715
Tele2	1,870	1,935	1,845	1,821	1,810	1,906	1,996	1,942	1,982	2,093	2,110	2,040	2,016	2,138
Total	7,228	7,659	7,476	7,495	7,621	7,968	8,060	8,172	8,307	8,685	8,671	8,672	8,682	8,966
Service Revenue Growth, yoy														
3rd operator	(5.4%)	(1.6%)	(2.0%)	0.7%	6.4%	2.7%	4.7%	8.4%	4.9%	3.1%	2.3%	2.1%	2.3%	0.3%
Telia	8.6%	5.4%	5.6%	3.5%	7.1%	4.8%	6.5%	5.7%	5.7%	5.6%	7.8%	5.7%	4.6%	2.4%
Tele2	4.4%	(2.9%)	(7.3%)	(9.3%)	(3.2%)	(1.5%)	8.1%	6.7%	9.5%	9.8%	5.7%	5.0%	1.7%	2.1%
Total	5.2%	2.8%	1.9%	1.2%	5.4%	4.0%	7.8%	9.0%	9.0%	9.0%	7.6%	6.1%	4.5%	3.2%
Service Revenue Market Share														
3rd operator	21.6%	22.1%	22.2%	21.7%	21.8%	21.8%	21.6%	21.6%	21.0%	20.6%	20.5%	20.8%	20.5%	20.1%
Telia	42.1%	42.8%	42.2%	43.1%	42.8%	43.1%	41.7%	41.8%	41.5%	41.8%	41.8%	41.6%	41.5%	41.4%
Tele2	25.9%	25.3%	24.7%	24.3%	23.7%	23.9%	24.8%	23.8%	23.9%	24.1%	24.3%	23.5%	23.2%	23.8%
Post-pay Customers, 000s														
3rd operator	1,571	1,609	1,631	1,654	1,669	1,697	1,734	1,754	1,771	1,804	1,850	1,921	1,957	2,000
Telia	3,012	3,099	3,189	3,265	3,324	3,418	3,504	3,608	3,722	3,831	3,947	4,074	4,173	4,243
Tele2														
Call Volumes, mn min/qtr														
3rd operator	1,206	1,314	1,294	1,296	1,327	1,435	1,407	1,475	1,445	1,484	1,450	1,528	1,526	1,560
Telia	3,385	3,608	3,605	3,788	3,874	4,137	3,999	4,308	4,260	4,494	4,319	4,584	4,631	4,730
Tele2	2,230	2,325	2,260	2,364	2,437	2,387	2,492	2,644	2,676	2,759	2,687	2,724	2,685	2,788
Total	7,489	8,002	7,909	8,232	8,485	8,898	8,857	9,464	9,440	9,856	9,554	10,000	10,038	10,340
Call Volume growth, yoy														
3rd operator	9.0%	6.0%	11.5%	6.1%	9.9%	9.2%	8.7%	13.8%	8.9%	3.4%	3.0%	3.6%	5.6%	5.1%
Telia	19.4%	11.6%	13.1%	7.2%	14.4%	14.7%	10.9%	13.7%	10.0%	8.6%	8.0%	6.4%	8.7%	5.2%
Tele2	16.1%	7.3%	6.3%	2.0%	9.3%	2.7%	10.3%	11.8%	9.8%	15.6%	7.8%	3.0%	0.3%	1.1%
Total	19.0%	11.5%	12.3%	6.5%	13.3%	11.2%	12.0%	15.0%	11.3%	10.8%	7.9%	5.7%	6.3%	4.9%
EBITDA, SEK m														
3rd operator	296	336	512	434										
Telia	1,326	1,463	1,540	1,373	1,557	1,682	1,763	1,530	1,762	1,848	2,000	1,779	1,887	1,810
Tele2	595	620	600	560	664	722	748	669	669	734	723	716	656	637

Source: Company data, Citi Research

Sweden Fixed Data

Figure 195. Swedish Fixed Line Market Information

Sweden	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	1,132	1,132	1,132	1,125	1,130	1,131	1,124	1,129	1,135	1,134	1,138	1,149	1,156	1,159
Incumbent wholesale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	604	592	587	571	562	557	545	535	525	531	520	512	503	487
Cable	512	513	518	522	530	533	537	537	538	537	545	551	550	545
Other	461	489	480	480	480	480	480	480	480	481	482	483	483	483
Total	2,709	2,726	2,717	2,698	2,702	2,701	2,686	2,681	2,678	2,683	2,685	2,695	2,692	2,674
Broadband Subscribers (000s)														
Telia	1,132	1,132	1,132	1,125	1,130	1,131	1,124	1,129	1,135	1,134	1,138	1,149	1,156	1,159
3rd operator	427	413	403	388	379	368	356	345	335	312	322	317	315	307
Tele2	439	436	443	444	456	453	468	486	490	483	472	474	479	483
Com Hem	512	513	518	522	530	533	537	537	538	537	545	551	550	545
- other	199	232	221	219	207	216	201	184	180	217	208	204	192	180
Total	2,709	2,726	2,717	2,698	2,702	2,701	2,686	2,681	2,678	2,683	2,685	2,695	2,692	2,674
Broadband Subscribers Net Adds (000s)														
Telia	10	0	0	(7)	5	1	(7)	5	6	(1)	4	11	7	3
3rd operator	(11)	(14)	(10)	(15)	(9)	(11)	(12)	(11)	(10)	(23)	10	(5)	(2)	(7)
Tele2	6	(3)	7	1	12	(3)	15	18	4	(7)	(11)	2	5	4
Com Hem	6	1	5	4	8	3	4	1	0	(1)	8	6	(1)	(6)
- other	6	32	(11)	(2)	(12)	9	(15)	(17)	(4)	37	(9)	(4)	(12)	(13)
Total	17	17	(9)	(19)	4	(1)	(15)	(5)	(4)	5	2	10	(3)	(19)
Telephony Channels (000s)														
Incumbent retail	3,906	3,794	3,696	3,604	3,531	3,442	3,295	3,214	3,164	3,095	3,028	2,948	2,857	2,774
Incumbent wholesale (WLR)	974	959	951	927	918	907	890	865	843	816	793	771	735	705
ULL (total)	604	592	587	571	562	557	545	535	525	531	520	512	503	487
Cable	326	335	337	347	356	365	365	371	371	374	375	376	370	360
Total	5,810	5,680	5,571	5,449	5,367	5,271	5,095	4,985	4,903	4,816	4,716	4,607	4,465	4,326
Telephony Channels Net Adds (000s)														
Incumbent retail	(94)	(112)	(98)	(92)	(73)	(89)	(147)	(81)	(50)	(69)	(67)	(80)	(91)	(83)
Incumbent wholesale (WLR)	(13)	(15)	(8)	(24)	(9)	(11)	(17)	(25)	(22)	(27)	(23)	(22)	(36)	(30)
ULL (total)	(7)	(12)	(5)	(16)	(9)	(5)	(12)	(10)	(10)	6	(11)	(8)	(9)	(16)
Cable	12	9	3	10	9	9	0	6	1	2	1	1	(7)	(9)
Total	(102)	(130)	(109)	(123)	(82)	(96)	(176)	(110)	(81)	(88)	(100)	(109)	(143)	(138)
Pay TV Subscribers (000s)														
Telia IPTV	333	350	367	396	411	418	431	450	473	488	496	515	530	546
3rd operator cable	231	226	223	217	212	202	203	201	199	196	196	184	0	0
Viasat Satellite	350	0	0	0	0	0	0	0	0	0	0	0	0	0
Pay TV Subscribers Net Adds (000s)														
Telia	9	17	17	29	15	7	13	19	23	15	8	19	15	16
3rd operator	(4)	(5)	(3)	(6)	(5)	(10)	1	(2)	(2)	(3)	0	(12)	(184)	0
Com Hem	350	(350)	0	0	0	0	0	0	0	0	0	0	0	0

Source: Company data, Citi Research

Switzerland

Fixed

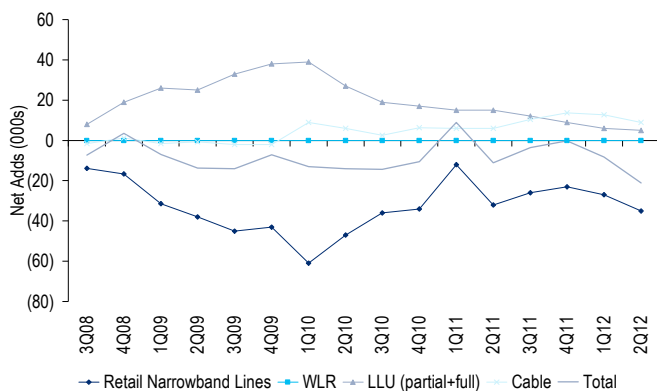
- Fixed line trends remained stable with -3.5% yoy retail line loss and -0.9% yoy total market lines. Market broadband net adds fell slightly to 24k 2Q12 from 37k 1Q12.

Mobile

- Mobile service revenue growth excluding MTRs declined to -1% from +0.7% in Q1, mainly coming from a 2.8% decline for Swisscom in Q2.

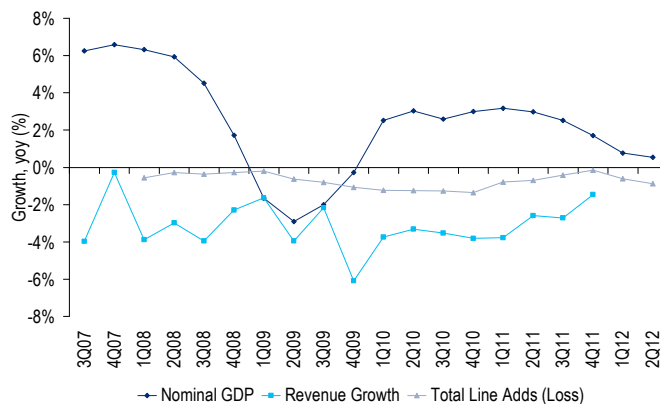
Fixed Charts

Figure 196. Telephony Net Adds



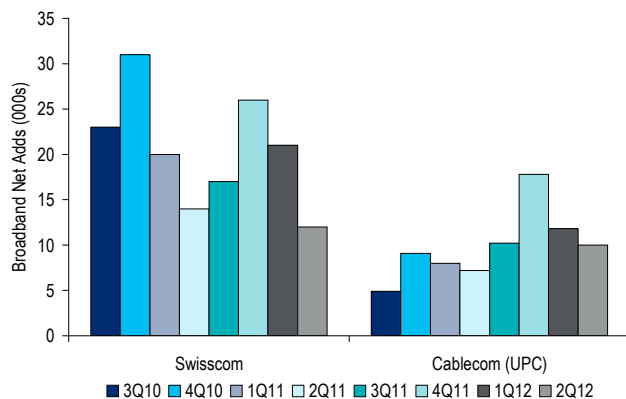
Source: Company reports and Citi Research

Figure 197. Line Loss, Incumbent Revenue Growth and GDP



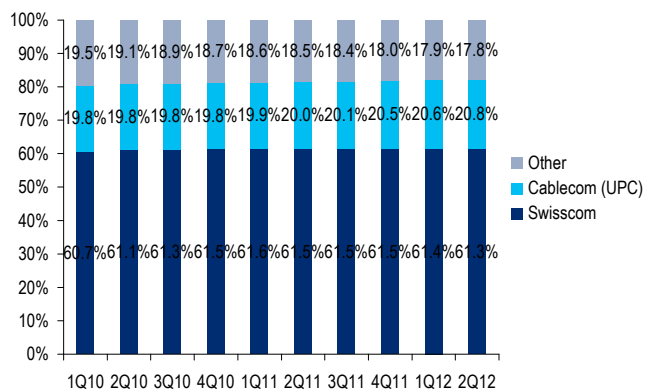
Source: Company reports, Datastream and Citi Research

Figure 198. Broadband Subscriber Net Adds



Source: Company reports and Citi Research

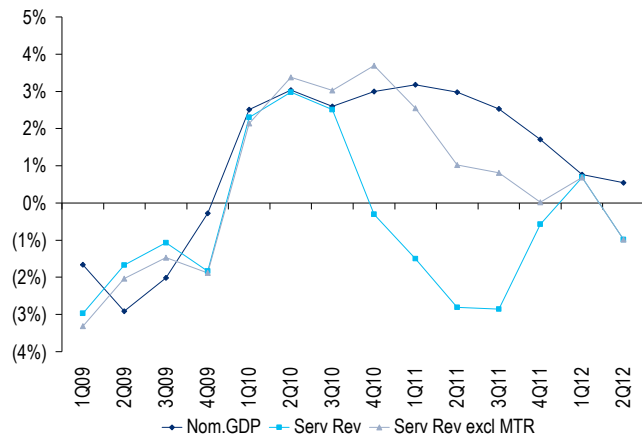
Figure 199. Broadband Subscriber Market Share



Source: Company reports and Citi Research

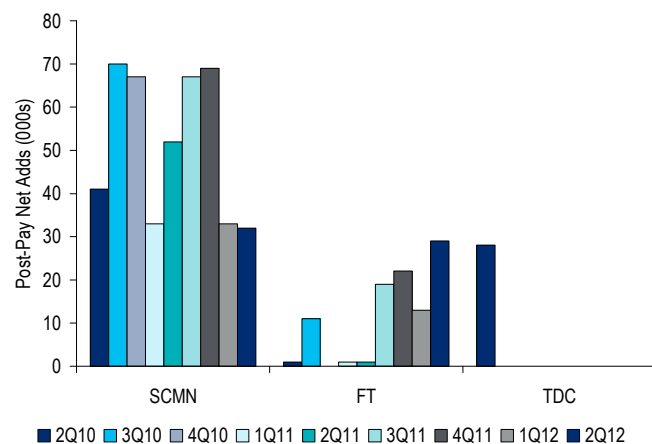
Mobile Charts

Figure 200. Revenue and GDP



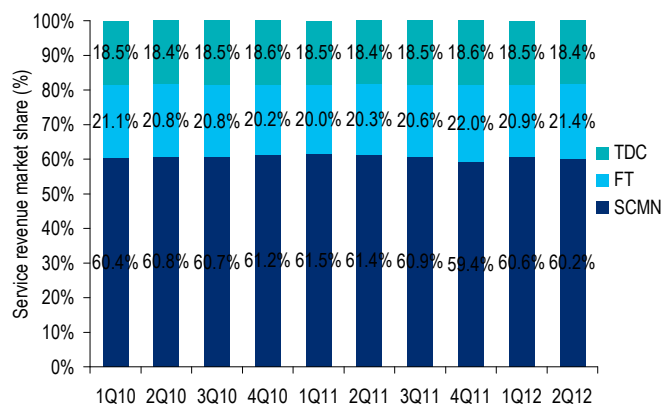
Source: Company reports, Datastream and Citi Research

Figure 202. Post-Paid Net Adds



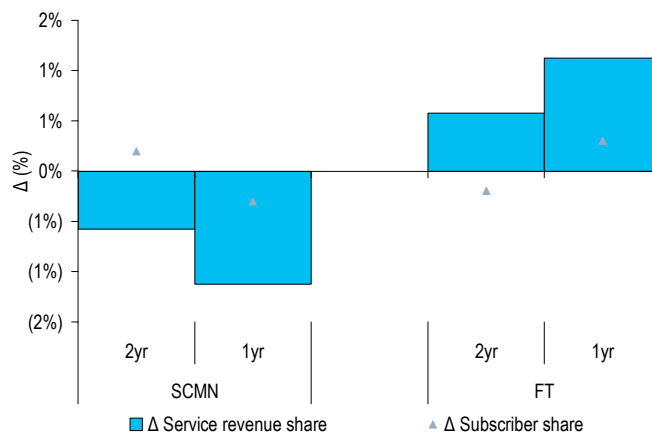
Source: Company reports and Citi Research

Figure 201. Service Revenue Market Share



Source: Company reports and Citi Research

Figure 203. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Research

Switzerland Mobile Data

Figure 204. Swiss Mobile Market Information (excl Sunrise)

Switzerland	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, CHFm														
Swisscom	820	851	882	844	830	880	910	856	833	863	887	826	827	839
Orange (FT)	283	298	310	298	291	301	312	283	271	285	300	306	285	298
Total	1,344	1,405	1,463	1,402	1,375	1,447	1,500	1,398	1,354	1,406	1,457	1,390	1,364	1,393
Service Revenue Growth, yoy														
Swisscom	(3.2%)	(2.3%)	(1.9%)	(2.1%)	1.2%	3.4%	3.2%	1.4%	0.4%	(1.9%)	(2.5%)	(3.5%)	(0.8%)	(2.8%)
Orange (FT)	(5.9%)	(3.5%)	(2.5%)	(3.7%)	2.7%	1.2%	0.6%	(5.2%)	(6.8%)	(5.4%)	(3.8%)	8.3%	5.2%	4.5%
Total	(3.0%)	(1.7%)	(1.1%)	(1.8%)	2.3%	3.0%	2.5%	(0.3%)	(1.5%)	(2.8%)	(2.9%)	(0.6%)	0.7%	(1.0%)
Customers, 000s														
Swisscom	5,411	5,472	5,538	5,602	5,650	5,691	5,761	5,828	5,861	5,913	5,980	6,049	6,082	6,114
Orange (FT)	1,551	1,561	1,559	1,551	1,552	1,553	1,564	1,564	1,565	1,566	1,585	1,607	1,620	1,649
Customer Net Adds, 000s														
Swisscom	41	61	66	64	48	41	70	67	33	52	67	69	33	32
Orange (FT)	15	10	(2)	(8)	1	1	11	0	1	1	19	22	13	29

Source: Company data, Citi Research

Switzerland Fixed Data

Figure 205. Swiss Fixed Line Market Information

Switzerland	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	1,379	1,410	1,441	1,478	1,509	1,530	1,553	1,584	1,604	1,618	1,635	1,661	1,682	1,694
Incumbent wholesale	410	390	363	331	293	260	240	226	214	202	192	181	179	176
ULL (total)	57	82	115	153	192	219	238	255	270	285	297	306	312	317
Cable	485	485	485	487	492	496	501	510	518	525	535	553	565	575
Total	2,331	2,367	2,404	2,449	2,486	2,505	2,532	2,575	2,606	2,630	2,659	2,701	2,738	2,762
Broadband Subscribers (000s)														
Swisscom	1,379	1,410	1,441	1,478	1,509	1,530	1,553	1,584	1,604	1,618	1,635	1,661	1,682	1,694
Cablecom (UPC)	485	485	485	487	492	496	501	510	518	525	535	553	565	575
- other	467	472	478	484	485	479	478	481	484	487	489	487	491	493
Total	2,331	2,367	2,404	2,449	2,486	2,505	2,532	2,575	2,606	2,630	2,659	2,701	2,738	2,762
Broadband Subscribers Net Adds (000s)														
Swisscom	48	31	31	37	31	21	23	31	20	14	17	26	21	12
Cablecom (UPC)	(0)	(0)	0	2	5	4	5	9	8	7	10	18	12	10
- other	5	5	6	6	1	(6)	(1)	3	3	3	2	(2)	4	2
Total	53	36	37	45	37	19	27	43	31	24	29	42	37	24
Telephony Channels (000s)														
Incumbent retail	3,517	3,479	3,434	3,391	3,330	3,283	3,247	3,213	3,201	3,169	3,143	3,120	3,093	3,058
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	57	82	115	153	192	219	238	255	270	285	297	306	312	317
Cable	308	307	305	303	312	318	321	327	333	339	350	363	376	385
Total	3,882	3,868	3,854	3,847	3,834	3,820	3,806	3,795	3,804	3,793	3,790	3,789	3,781	3,760
Telephony Channels Net Adds (000s)														
Incumbent retail	(31)	(38)	(45)	(43)	(61)	(47)	(36)	(34)	(12)	(32)	(26)	(23)	(27)	(35)
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	26	25	33	38	39	27	19	17	15	15	12	9	6	5
Cable	(2)	(1)	(2)	(2)	9	6	3	6	6	6	11	14	13	9
Total	(7)	(14)	(14)	(7)	(13)	(14)	(14)	(11)	9	(11)	(4)	(0)	(8)	(21)
Pay TV Subscribers (000s)														
Swisscom	139	165	186	232	275	317	358	421	469	512	556	608	655	694
Cablecom (UPC)	1,557	1,552	1,554	1,546	1,541	1,539	1,537	1,520	1,516	1,512	1,517	1,487	1,500	1,501
Pay TV Subscribers Net Adds (000s)														
Swisscom	21	26	21	46	43	42	41	63	48	43	44	52	47	39
Cablecom (UPC)	1	(5)	2	(8)	(5)	(2)	(2)	(17)	(4)	(4)	5	(29)	13	1

Source: Company data, Citi Research

UK

Fixed

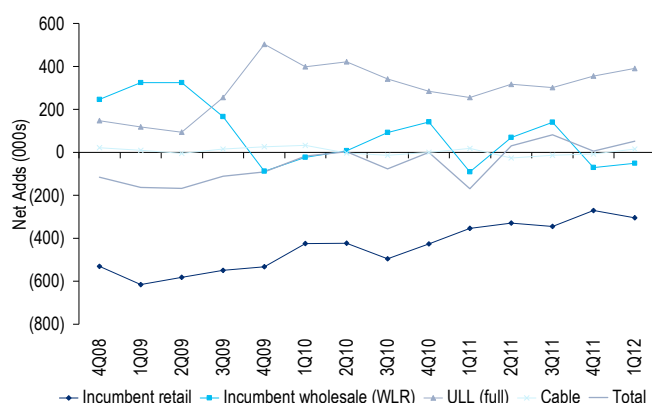
- BT's retail line loss increased to -316k in Q2 from -304k in Q1, while the yoy decline was similar at -7.5%. Fixed broadband market growth declined at +174k net additions driven by BT (85k) and BSkyB (138k). Virgin Media net adds declined sequentially to +4k. Net losses for the other DSL players increased qoq, including for TalkTalk (-19k) which missed its target to cease its net losses this quarter. This was partly due to weather-related disruption at BT's Openreach division.

Mobile

- Service revenue growth excluding the impact of MTR cuts worsened to -0.5% from +0.7% in 1Q. This was due predominantly to a deterioration in service revenue growth ex-MTR cuts at O2 from -5.0% to -5.7%, driven by a significant deterioration in its call minute declines.

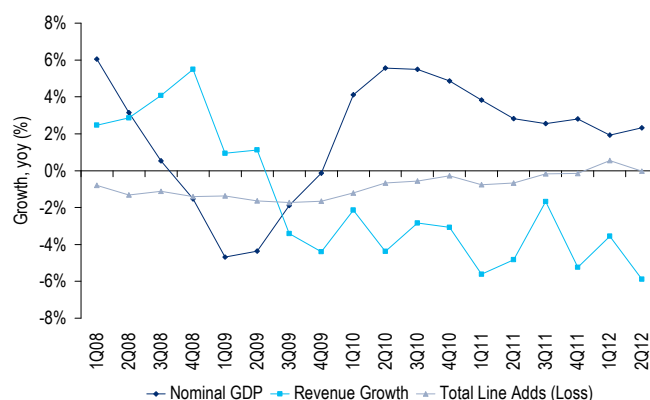
Fixed Charts

Figure 206. Telephony Net Adds



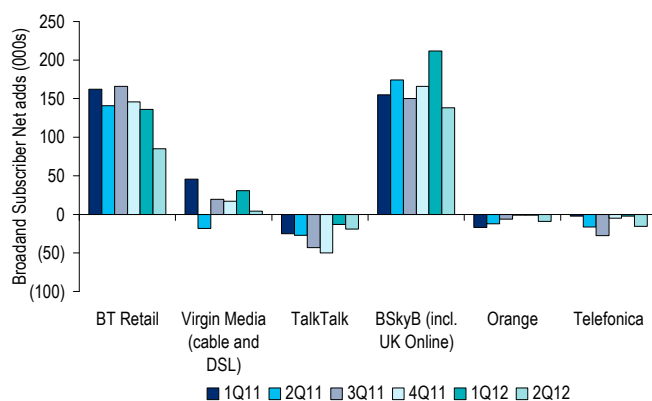
Source: Company reports and Citi Research

Figure 207. Line Loss, Incumbent Revenue Growth and GDP



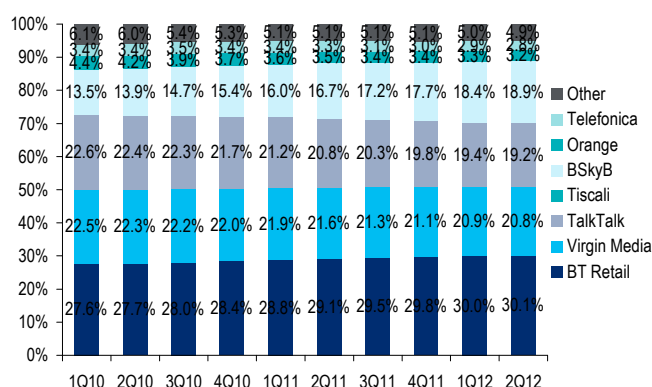
Source: Company reports, Datastream and Citi Research

Figure 208. Broadband Subscriber Net Adds



Source: Company reports and Citi Research

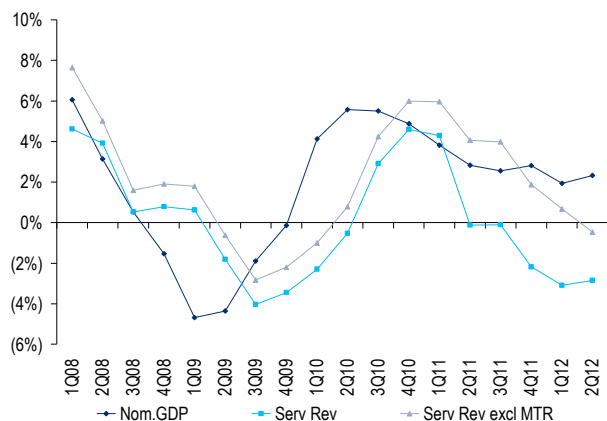
Figure 209. Broadband Subscriber Market Share



Source: Company reports and Citi Research

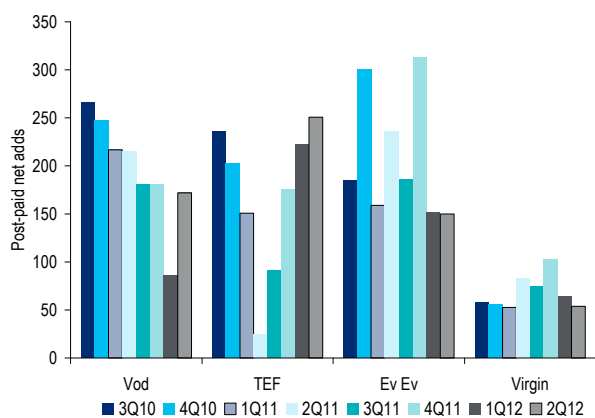
Mobile Charts

Figure 210. Revenue and GDP



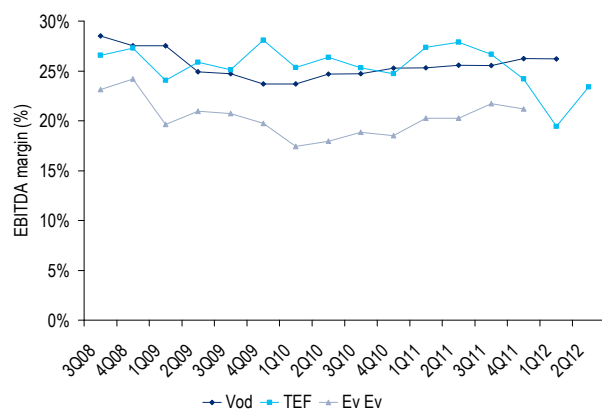
Source: Company reports, Datastream and Citi Research

Figure 212. Post-Paid Net Adds



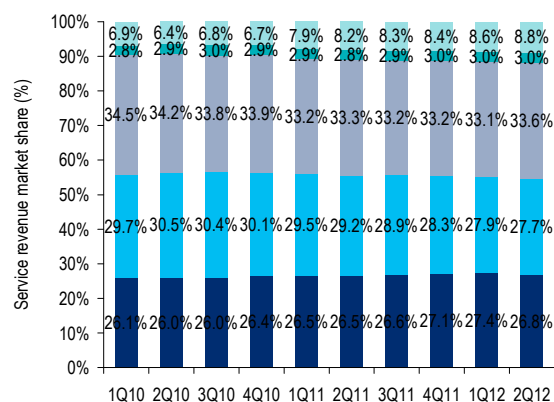
Source: Company reports and Citi Research

Figure 214. EBITDA Margin



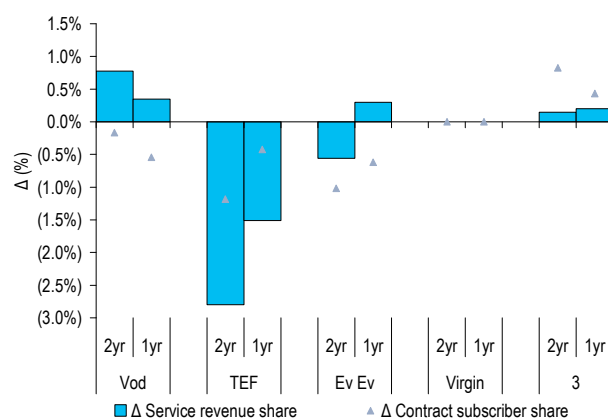
Source: Company reports and Citi Research

Figure 211. Service Revenue Market Share



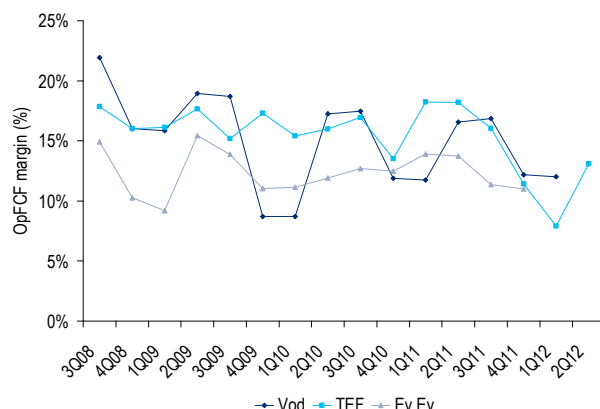
Source: Company reports and Citi Research

Figure 213. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Research

Figure 215. OpFCF Margin



Source: Company reports and Citi Research

UK Mobile Data

Figure 216. UK Mobile Market Information

UK	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Service Revenue, £m														
Vodafone	1,202	1,179	1,162	1,169	1,170	1,187	1,222	1,252	1,239	1,205	1,249	1,256	1,241	1,186
O2 (Telefonica)	1,293	1,322	1,342	1,329	1,333	1,390	1,429	1,424	1,383	1,329	1,356	1,310	1,266	1,225
Ev Ev	1,638	1,643	1,598	1,594	1,548	1,557	1,586	1,605	1,554	1,516	1,556	1,540	1,503	1,486
Virgin Mobile	129	121	129	133	128	132	139	139	133	129	138	139	135	135
3 (Hutch)	331	316	328	303	309	291	317							
Total	4,594	4,581	4,559	4,528	4,488	4,557	4,692	4,737	4,680	4,551	4,687	4,633	4,535	4,421
Service Revenue Growth, yoy														
Vodafone	(0.5%)	(3.8%)	(5.9%)	(4.0%)	(2.7%)	0.7%	5.2%	7.1%	5.9%	1.5%	2.2%	0.3%	0.2%	(1.6%)
O2 (Telefonica)	5.4%	3.5%	1.5%	1.7%	3.1%	5.1%	6.5%	7.2%	3.7%	(4.4%)	(5.1%)	(8.0%)	(8.4%)	(7.9%)
Ev Ev	(2.0%)	(4.0%)	(7.1%)	(7.0%)	(5.5%)	(5.2%)	(0.8%)	0.7%	0.4%	(2.6%)	(1.9%)	(4.0%)	(3.3%)	(2.0%)
Virgin Mobile	(3.8%)	(13.0%)	(7.6%)	(1.3%)	(1.3%)	8.8%	7.2%	4.4%	4.5%	(2.0%)	(0.4%)	0.1%	1.3%	4.0%
3 (Hutch)	1.9%	1.1%	(1.9%)	(3.8%)	(6.7%)	(7.8%)	(3.5%)	4.5%	20.1%	27.6%	22.5%	22.5%	5.0%	5.0%
Total	0.6%	(1.8%)	(4.0%)	(3.5%)	(2.3%)	(0.5%)	2.9%	4.6%	4.3%	(0.1%)	(0.1%)	(2.2%)	(3.1%)	(2.8%)
Service Revenue Market Share														
Vodafone	26.2%	25.7%	25.5%	25.8%	26.1%	26.0%	26.0%	26.4%	26.5%	26.5%	26.6%	27.1%	27.4%	26.8%
O2 (Telefonica)	28.1%	28.9%	29.4%	29.4%	29.7%	30.5%	30.4%	30.1%	29.5%	29.2%	28.9%	28.3%	27.9%	27.7%
Ev Ev	35.7%	35.9%	35.1%	35.2%	34.5%	34.2%	33.8%	33.9%	33.2%	33.3%	33.2%	33.2%	33.1%	33.6%
Virgin Mobile	2.8%	2.6%	2.8%	2.9%	2.8%	2.9%	3.0%	2.9%	2.9%	2.8%	2.9%	3.0%	3.0%	3.0%
3 (Hutch)	7.2%	6.9%	7.2%	6.7%	6.9%	6.4%	6.8%	6.7%	7.9%	8.2%	8.3%	8.4%	8.6%	8.8%
Post-pay Customers, 000s														
Vodafone	7,767	7,909	8,174	8,410	8,672	8,918	9,184	9,432	9,649	9,864	10,045	10,226	10,312	10,484
O2 (Telefonica)	8,699	9,011	9,324	9,559	9,754	10,061	10,297	10,499	10,650	10,675	10,765	10,940	11,163	11,414
Ev Ev	10,407	10,552	10,707	10,974	11,196	11,463	11,648	11,948	12,107	12,343	12,529	12,842	12,993	13,143
Virgin Mobile	712	785	873	950	1,031	1,097	1,155	1,211	1,263	1,347	1,421	1,524	1,588	1,642
3 (Hutch)	3,529	3,582	3,611	3,555	3,551	3,548	3,676	3,804	3,909	4,013	4,234	4,455	4,646	4,837
Call Volumes, mn min/qtr														
Vodafone	10,195	9,784	10,259	10,379	10,870	10,704	10,569	10,769	10,616	10,600	10,759	10,820	10,646	10,612
Telefonica	12,798	13,304	13,579	14,176	14,155	14,346	14,565	15,076	13,500	13,139	12,920	12,690	12,254	12,008
Ev Ev	16,434	16,056	15,995	16,250	16,054	16,493	15,994	16,429	16,505	16,498	16,345	16,352	16,270	16,198
Virgin Mobile	1,178	1,178	1,205	1,226	1,261	1,316	1,365	1,460	1,449	1,509	1,576	1,639	1,699	1,771
3 Hutch	2,363	2,430	2,522	2,636	2,764	2,911	3,026	3,275	3,288	3,407	3,541	3,673	3,725	3,772
Total	42,968	42,751	43,560	44,667	45,104	45,770	45,519	47,009	45,358	45,153	45,141	45,173	44,593	44,362
Call Volume growth														
Vodafone	7.2%	1.4%	6.9%	6.3%	6.6%	9.4%	3.0%	3.8%	(2.3%)	(1.0%)	1.8%	0.5%	0.3%	0.1%
Telefonica	15.6%	10.8%	10.9%	10.6%	10.6%	7.8%	7.3%	6.3%	(4.6%)	(8.4%)	(11.3%)	(15.8%)	(9.2%)	(8.6%)
Ev Ev	3.6%	(1.8%)	(2.4%)	(1.6%)	(2.3%)	2.7%	(0.0%)	1.1%	2.8%	0.0%	2.2%	(0.5%)	(1.4%)	(1.8%)
Virgin Mobile	(4.7%)	(6.6%)	(0.9%)	4.2%	7.1%	11.7%	13.3%	19.0%	14.9%	14.7%	15.4%	12.2%	17.2%	17.4%
3 Hutch	27.0%	20.2%	18.3%	16.9%	17.0%	19.8%	20.0%	24.2%	19.0%	17.0%	17.0%	12.2%	13.3%	10.7%
Total	8.7%	3.5%	4.8%	5.1%	5.0%	7.1%	4.5%	5.2%	0.6%	(1.3%)	(0.8%)	(3.9%)	(1.7%)	(1.8%)
Contract Churn, % p.a														
Vodafone	21.9%	18.0%	18.5%	18.1%	16.2%	15.5%	16.1%	16.8%	15.8%	16.3%	17.0%	18.0%	18.1%	16.3%
O2 (Telefonica)	14.4%	14.4%	14.4%	12.0%	13.2%	13.2%	14.4%	13.2%	13.2%	14.4%	13.2%	13.2%	12.0%	12.0%
Ev Ev	23.0%	21.3%	21.7%	20.4%	18.0%	18.0%	16.8%	15.6%	15.6%	13.2%	13.2%	13.2%	14.4%	14.4%
Data Revenue (excl messaging) % Service Revenue														
Vodafone	10.1%	11.6%	12.5%	12.8%	13.8%	14.7%	15.1%	15.6%	16.8%	17.7%	17.5%	17.5%	17.7%	18.7%
O2 (Telefonica)	8.7%	9.7%	11.0%	11.6%	12.3%	13.5%	13.2%	13.8%	16.3%	18.3%	19.1%	19.8%	20.8%	23.8%
EBITDA, £m														
Vodafone	331	294	289	279	279	295	304	319	315	311	322			
O2 (Telefonica)	342	371	366	418	367	401	401	398	418	409	401	365	279	326
Ev Ev	352	379	364	356	305	309	334	334						
Capex, £m														
Vodafone	141	71	71	177	177	89	89	169	169	110	110			
O2 (Telefonica)	113	118	144	160	144	158	133	180	139	142	160	193	165	144
Ev Ev	187	100	120	157	110	104	109	109						

Source: Company data, Citi Research

UK Fixed Data

Figure 217. UK Fixed Line Market Information

UK	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Broadband Subscribers (000s)														
Incumbent retail	4,757	4,835	4,906	5,008	5,132	5,227	5,342	5,529	5,691	5,832	5,998	6,144	6,280	6,365
Incumbent wholesale	3,305	3,191	3,124	3,036	2,926	2,785	2,629	2,451	2,421	2,559	2,512	2,407	2,263	2,212
ULL (total)	5,750	5,957	6,121	6,352	6,620	6,906	7,143	7,490	7,609	7,581	7,725	7,946	8,263	8,399
Cable	3,730	3,735	3,774	3,837	3,910	3,936	3,969	4,011	4,061	4,049	4,073	4,103	4,149	4,153
Total	17,542	17,718	17,925	18,234	18,587	18,854	19,083	19,481	19,783	20,021	20,308	20,600	20,955	21,129
Broadband Subscribers (000s)														
BT Retail	4,757	4,835	4,906	5,008	5,132	5,227	5,342	5,529	5,691	5,832	5,998	6,144	6,280	6,365
Virgin Media	3,977	3,981	4,027	4,102	4,180	4,206	4,242	4,287	4,333	4,315	4,334	4,351	4,382	4,386
TalkTalk	2,806	2,853	4,119	4,155	4,197	4,231	4,249	4,224	4,199	4,172	4,129	4,079	4,066	4,047
Tiscali	1,710	1,551												
BSkyB	2,085	2,203	2,303	2,404	2,505	2,624	2,802	3,006	3,161	3,335	3,485	3,651	3,863	4,001
Orange	977	954	899	840	816	793	753	730	713	701	695	694	693	684
Telefonica	405	457	527	592	632	650	664	672	669	653	625	620	618	602
- other	826	884	1,144	1,133	1,126	1,123	1,031	1,034	1,017	1,013	1,042	1,061	1,053	1,044
Total	17,542	17,718	17,925	18,234	18,587	18,854	19,083	19,481	19,783	20,021	20,308	20,600	20,955	21,129
Broadband Subscribers Net Adds (000s)														
BT Retail	99	78	71	102	123	95	115	187	162	141	166	146	136	85
Virgin Media (cable and DSL)	43	4	46	75	78	26	37	45	46	(18)	20	17	31	4
TalkTalk	74	47	15	36	42	34	18	(25)	(25)	(27)	(43)	(50)	(13)	(19)
Tiscali	(58)	(77)	0	0	0	0	0	0	0	0	0	0	0	0
BSkyB (incl. UK Online)	130	118	100	101	101	119	178	204	155	174	150	166	212	138
Orange	(23)	(23)	(55)	(59)	(24)	(23)	(40)	(23)	(17)	(12)	(6)	(1)	(1)	(9)
Telefonica	64	52	70	64	41	18	14	8	(2)	(16)	(28)	(5)	(3)	(16)
- other	(44)	59	260	(11)	(7)	(2)	(92)	2	(17)	(4)	29	19	(8)	(9)
Total	285	176	207	309	354	267	229	398	302	238	287	292	355	174
Telephony Channels (000s)														
Incumbent retail	20,506	19,924	19,375	18,843	18,418	17,995	17,499	17,073	16,719	16,390	16,045	15,774	15,470	15,154
Incumbent wholesale	5,647	5,972	6,138	6,051	6,028	6,036	6,128	6,270	6,180	6,250	6,390	6,320	6,270	6,220
ULL (total)	1,714	1,808	2,064	2,567	2,966	3,387	3,728	4,012	4,268	4,584	4,885	5,240	5,631	5,848
Cable	4,108	4,104	4,120	4,146	4,178	4,175	4,161	4,162	4,181	4,155	4,141	4,133	4,148	4,148
Total	31,975	31,808	31,697	31,607	31,590	31,593	31,516	31,517	31,348	31,379	31,461	31,467	31,519	31,370
Telephony Channels Net Adds (000s)														
Incumbent retail	(615)	(582)	(549)	(532)	(425)	(423)	(496)	(426)	(354)	(329)	(345)	(271)	(304)	(316)
Incumbent wholesale (WLR)	324	325	166	(87)	(23)	8	92	142	(90)	70	140	(70)	(50)	(50)
ULL (total)	119	94	256	503	399	421	341	284	256	316	301	355	391	217
Cable	9	(4)	16	26	32	(3)	(14)	1	19	(26)	(14)	(8)	15	1
Total	(163)	(167)	(111)	(90)	(17)	3	(77)	1	(169)	31	82	6	52	(148)
Pay TV Subscribers (000s)														
BT IPTV	423	433	436	451	467	481	505	545	575	598	639	679	707	728
Sky	9,318	9,442	9,536	9,708	9,770	9,860	9,956	10,096	10,147	10,187	10,213	10,471	10,549	10,606
Virgin Media	3,602	3,623	3,660	3,694	3,730	3,752	3,767	3,779	3,789	3,768	3,762	3,763	3,775	3,768
Total	13,343	13,498	13,632	13,853	13,967	14,093	14,228	14,420	14,511	14,553	14,614	14,913	15,031	15,102
Pay TV Subscribers Net Adds (000s)														
BT IPTV	47	10	3	15	16	14	24	40	30	23	41	40	28	21
Sky	80	124	94	172	62	90	96	140	51	40	26	258	78	57
Virgin Media	30	20	37	34	36	22	15	12	10	(21)	(6)	1	12	(8)
Total	157	154	134	221	114	126	135	192	91	42	61	299	118	70

Source: Company data, Citi Research

Swisscom AG

(SCMN.VX; SFr387.60; 1)

Investment strategy

We rate Swisscom Neutral. Swisscom trades at a premium to the sector on EV/EBITDA and PE but the premium is warranted, in our view, in light of lower regulatory, competitive and macro uncertainty as well as proactive investments that support operational trends. Domestic operations are supportive as fixed and mobile enjoy relatively benign competitive environments that show no sign of cracking in the near to medium term. Swisscom's returns are below sector average but look more attractive when set against the lower Swiss bond yields.

Valuation

Our 12 month target price of SFr420 is based on a DCF methodology with returns fading close to the cost of capital in the long term, which we cross check with a multiples-based approach. We use a WACC of 7.2% and a 1.5% perpetuity growth rate.

Risks

Industry specific risks include concerns about over-capitalisation, weak demand, regulatory risks and the risk of new technology establishing cost advantages over current technology. Swisscom's domestic operations are amongst the lowest risk assets in the European telecom sector, in our view. However, Fastweb contributes a more risky income stream, especially as the Italian regulatory environment is less certain and there is tougher competition than in Switzerland. Additionally the company may engage in risky M&A. Nonetheless, Swisscom has a strong Group balance sheet, and in Switzerland faces moderate competition and a fairly benign regulatory environment. If the impact of these risk factors is more or less negative than we anticipate, then the share price could fail to reach or rise above our target price.

Appendix A-1

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Swisscom AG (SCMN.VX)

Ratings and Target Price History Fundamental Research

Analyst: Georgios Ierodiasconou
Covered since December 10 2010



	Date	Rating	Target Price	Closing Price
1	14-Oct-10	*1L	410.00	396.80
2	9-Dec-10	1L	*440.00	418.50

* Indicates change

	Date	Rating	Target Price	Closing Price
3	18-Feb-11	*2L	*420.00	415.10
4	21-Sep-11	*1L	420.00	363.80

	Date	Rating	Target Price	Closing Price
5	7-Oct-11	Stock rating system changed		
6	8-Oct-11	*1	420.00	372.90

Rating/target price changes above reflect Eastern Standard Time

Swisscom AG (SCMN.VX)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Georgios Ierodiasconou
Covered since December 10 2010



	Date	Rating	Target Price	Closing Price
1	4-Apr-11	*ADD LP	-	416.20

* Indicates change

	Date	Rating	Target Price	Closing Price
2	14-Jun-11	*REM LP	-	390.50

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Simon Weeden; Laurie Fitzjohn-Sykes, CFA; Georgios Ierodiconou; Dimitri Y Kallianiotis, CFA; Tania Valiente

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