

Equities

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Telecom Tariff Tracker – Edition 18

New rules, same game

- **Key Takeaways from the latest quarter's pricing changes**— Across Europe, promotional activity in fixed broadband has eased since the end of the summer, which means that, on balance, fixed prices are on the rise. Mobile is more mixed, but tiered pricing of data is now the norm and in places we see lower end postpaid bundles being eliminated. We highlight **Telekom Austria**, **BT** and **KPN** as benefiting from improved pricing trends, while **DT**, **FT** and **TDC** are seeing a worsening.
- **What's changed in mobile?** — Mobile price changes have mainly been modest with post-paid bundle prices increased in Austria, Greece, UK and Sweden since July. Some pressure is evident in Germany, with scaling up of promotions at T-Mobile in an attempt to halt market share slippage apparent since the end of its iPhone exclusivity, Finland and to a lesser extent Belgium and Denmark. Prepaid-centric markets, notably Italy, Spain and Portugal, have seen no major changes to prepay prices.
- **Anti cannibalisation measures** — The push to 'all you can eat' bundles continues and is intended to reduce cannibalisation, potentially at the cost of some loss of yield from text. All Dutch operators have now launched their tiered, integrated smartphone plans. Orange Austria also introduced data tiers in 3Q, with the launch of its new packages.
- **What's changed in fixed?** — Broadband pricing is on the rise in a number of countries on lower promotional activity as well as some, more permanent, price increases. Austria, Belgium and the UK have seen the biggest rises. The only markets where prices have come down are Germany, Portugal and Netherlands.
- **Look out for discount brands** —We are concerned by the increased focus on discount brands and no-frills bundles. In France, each MNO introduced a new discount brand over the last six months. In Austria, Orange and TKA have introduced 'smart' bundles (which include data) in the no-frills segment. In Denmark, discount brands continue to meaningfully drive price competition, despite some recent price increases.

Figure 1. Significant Price Changes in 3Q11

	Pre-paid	Post-paid	Broadband
Rising Prices	UK, Greece	Austria, Greece, Netherlands,	Austria, Belgium, UK
Declining Pricing	Netherlands, Denmark	Denmark, Finland, Germany, Norway, Portugal, Spain	Germany, Netherlands, Portugal

Source: Citi Investment Research and Analysis

■ Industry Overview

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

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Inflation still mainly the preserve of fixed line

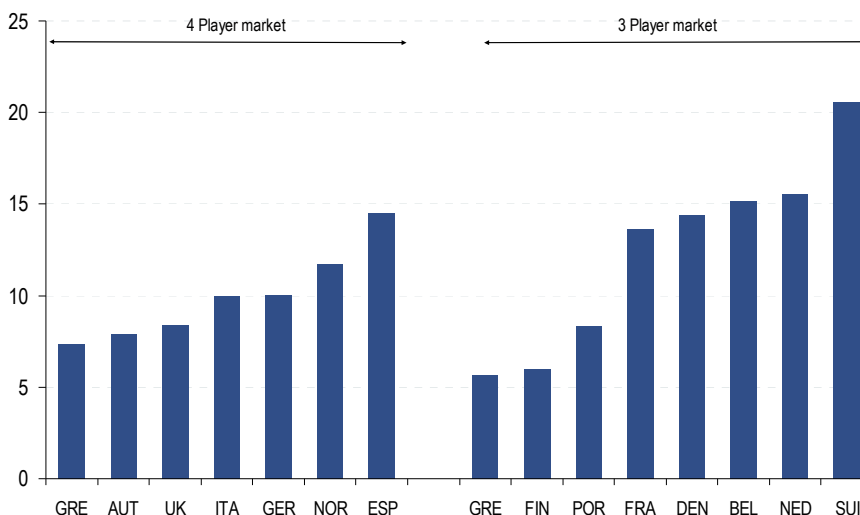
Cannibalisation risk

The markets we see at risk from cannibalisation are the Netherlands, Belgium, Denmark and Finland which are unchanged on last quarter. **Belgacom**, **Mobistar** and **TDC** are at risk while **KPN's** risk of cannibalisation should moderate now that its new tariffs are implemented, although it will be some time before the upgrade cycle means that the bulk of customers are on the new rates.

Competitive pressures

While **Spain** and **France** are not as much at risk from cannibalisation, both are in the process of extensive competitive change which is threatening **France Telecom** and **Telefónica**. We expect tariffs in both countries to become flatter and more transparent which could lead to price competition. Prices in both Spain and France remain relatively high as illustrated in Figure 2.

Figure 2. Average revenue per minute, 2Q11
€ cents

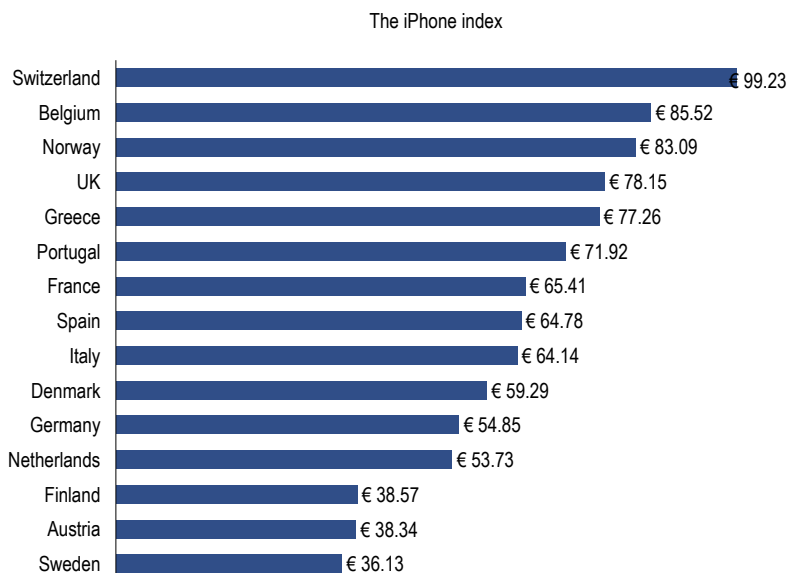


Source: Company Reports and CIRA Estimates

The iPhone Index

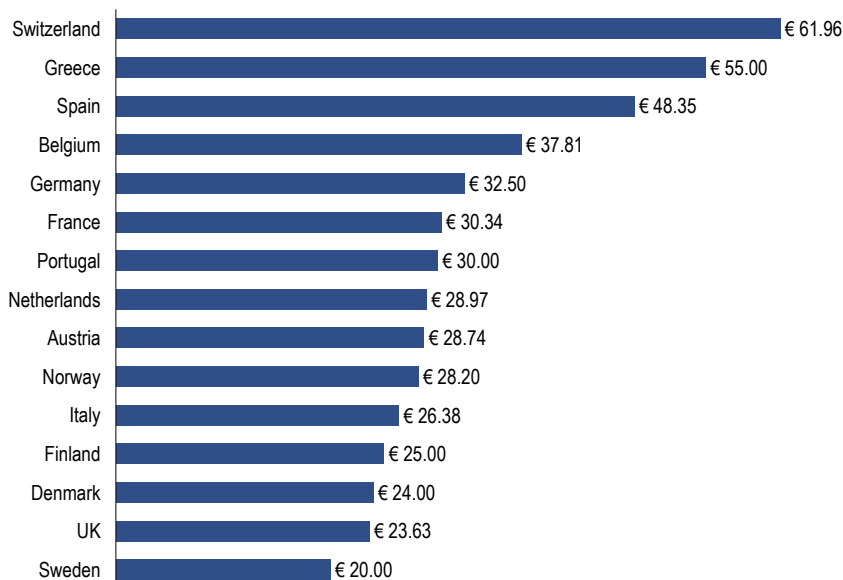
We have updated our alternative to the Big Mac Index which instead uses the combined service and handset cost of an iPhone under contract (Figure 3). Although we do not claim that our iPhone Index provides a better alternative for approximating purchasing power parity, we are prepared to give it a chance to prove itself over time. We have also updated the SIM-only index (Figure 4), which depends exclusively on service pricing.

Figure 3. iPhone monthly average cost including handset fee amortised over contract life
€/month, operator average best price for 5 hours voice and 1GByte data, 24 month contract



Source: Pure Pricing, Company Websites, Citi Investment Research and Analysis

Figure 4. SIM-only monthly average cost
€/month, operator average best price for 3 hours voice and 1GByte data



Source: Pure Pricing, Company Websites, Citi Investment Research and Analysis

What's Changed?

Pre-Paid Comparisons

Figure 5. Pre-pay summary tariff changes

	€c per min	Change	Notes
Austria	9.4	-	No major changes
Belgium	17.6	-	No major changes
Denmark	7.8	Down	TDC cut price of per min offer and introduced a per second offer
Finland	8.1	-	No major changes
France	39.0	-	No major changes
Germany	11.0	-	No major changes
Greece	28.6	Up	Q Telecom has increased tariffs from €0.22/min to €0.27/min
Netherlands	29.4	Down	Telfort is running a promotion with €10 extra call credit on every €10 top up
Italy	10.3	-	No major changes
Norway	10.0	-	No major changes
Portugal	12.5	-	No major changes
Spain	11.8	-	No major changes
Sweden	6.2	-	No major changes
Switzerland	34.0	-	No major changes
UK	33.5	Up	O2 have increased call and SMS charges

Source: Company data, Citi Investment Research and Analysis

Post-Paid Comparisons

Figure 6. Post-pay summary tariff changes (Average price for 3h voice, 500MB of data)

	Avg price	Change	Notes
Austria	€ 25.77	Up	Orange has introduced tiered data pricing, TA and Orange have launched smartphone offers at under €10
Belgium	€ 37.81	-	Base has increased prices by €10 and Belgacom has reduced prices by €8
Denmark	€ 24.00	Down	Promotions end on CBB and Bibob, Oister new low price point
Finland	€ 25.00	Down	Telia introduced a new promotion
France	€ 30.34	-	Some promotions, no major changes
Germany	€ 32.50	Down	T-Mobile introduced 2 new low price tariffs
Greece	€ 55.00	Up	Small price increase. Unlimited on-net offers only available on bundles over €20/month
Italy	€ 26.38	-	No major changes aside from the usual summer promotions
Netherlands	€ 28.97	Up	New mobile data tiering with lower amount of mobile data on lower end packages
Norway	€ 28.20	Down	Telenor and Telia introduced a promotion for 2 months on certain tariffs
Portugal	€ 30.00	Down	PT and Zon have introduced short term promotions
Spain	€ 48.35	Down	VOD has extended contracts to 24 months and lowered iPhone subsidies. Orange has changed some mid-range tariffs
Sweden	€ 20.00	-	Tele2 removed promotion on Smart tariff, introduced one on Kompis tariff
Switzerland	€ 61.96	Up	Sunrise is €10 more expensive as some tariffs have been withdrawn
UK	€ 23.63	-	No major changes

Source: Company data, Citi Investment Research and Analysis

Broadband Comparisons

This table shows the speeds and prices of the most common broadband packages in any market.

Figure 7. Broadband summary tariff changes

	Price (Euros per month)	Average Speed (Mb/s)	Change	Notes
Austria	32.8	14.0	Up	All the operators have increased prices
Belgium	32.7	17.8	Up	Belgacom has increased prices and Voo has increased speeds and prices.
Finland	30.8	9.3	-	No significant changes
France	35.7	24.0	-	Orange is running a promotion
Germany	24.5	9.3	Down	DT cut the price for its VDSL package. KDG cut the price for its low end Flex offer.
Greece	41.1	24.0	-	OTE has lowered its double play bundle from €45.50/month to €43.90/month
Italy	19.1	10.4	-	Fastweb has increase prices and Alice has reduced prices
Netherlands	25.8	22.1	Down	More promotions from KPN, Online and Ziggo
Norway	40.1	5.3	-	No significant changes
Portugal	51.9	52.5	Down	Zon and PT increase promotional offers
Spain	33.4	21.7	-	End of the promotion for the 50 MB cable offer
Sweden	26.9	8.8	-	Telia offers faster speeds for the same price and de Bolaget has decreased prices
Switzerland	32.5	9.0	-	No significant changes
UK	16.5	21.8	Up	Price increases at BSKyB and Orange. Price decrease at Talktalk

Source: Company data, Citi Investment Research and Analysis

Tariff Structure

Figure 8. Operator readiness for the Data/Smartphone World

	Risk of cannibalisation				VoIP	Data tiering		Overall risk
	Post pay Text	Voice	Prepay Text	Voice		Post pay	Prepay	
Belgium	High	Medium	High	Medium	Allowed	Extensive	Minimal	High
Sweden	High	Medium	High	Medium	Blocked	Minimal	Minimal	High
Denmark	Low	Low	Medium	Medium	Blocked	Minimal	Minimal	Medium
Finland	High	Medium	Medium	Medium	Mixed	Medium	Minimal	Medium
Netherlands	Medium	Low	High	High	Allowed	Extensive	Minimal	Medium
France	Low	Low	High	Medium	Mixed	Extensive	Minimal	Medium
Germany	High	Low	High	Low	Blocked	Medium	Minimal	Medium
Greece	Medium	Low	Low	Low	Blocked	Medium	Minimal	Medium
Italy	Medium	Medium	Low	Low	Mixed	Medium	Medium	Medium
Portugal	Medium	Low	Low	Low	Blocked	Extensive	Extensive	Medium
Spain	Low	Medium	Low	Medium	Blocked	Medium	Medium	Medium
Switzerland	Medium	Medium	Medium	Medium	Mixed	Medium	Medium	Medium
United Kingdom	Low	Medium	Medium	Medium	Mixed	Extensive	Medium	Medium
Austria	Low	Low	Low	Low	Mixed	Medium	Medium	Low
Norway	Low	Low	Medium	Low	Blocked	Extensive	Minimal	Low

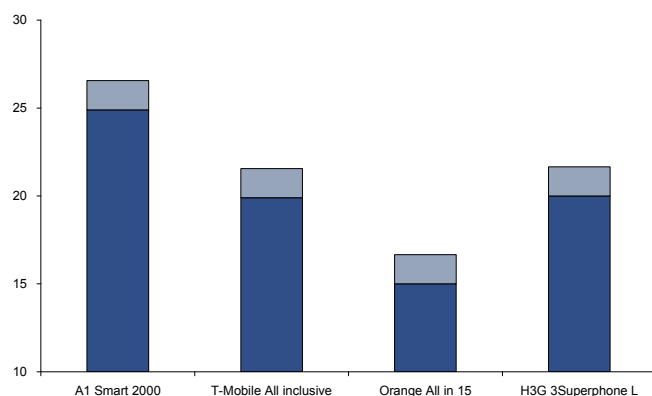
Source: Company data, Citi Investment Research and Analysis

Country Detail

Austria Mobile

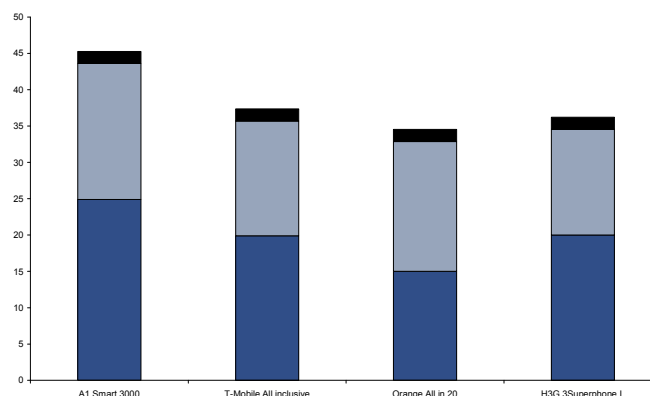
- **Who competes?** TKA, Tele2 as an ULL operator and UPC as the main cable operator.
- **What's changed?** All operators have introduced €20/annum SIM card charges for new customers or existing ones that move to a new bundle. This only applies to the main brands and no-frills products remain separate. During the summer, operators reduced the subsidies on key smart-phone products (including the iPhone). Orange has also introduced tiered data pricing: progressively higher allocation of data (much like voice) on progressively more expensive bundles. This could be the start of more rational pricing in the top brand segment. The market-however- remains competitive in the no-frills segment. TA and Orange have launched offers for smartphones on the 'bob' and YES!!! brands at just under €10. This could improve ARPU for customers who upgrade from the basic no frills offers but could also drive cannibalisation from the main brands- as has been the case over the past four years.

Figure 9. SIM only, closest to 1000min, 1000SMS and 1GB data



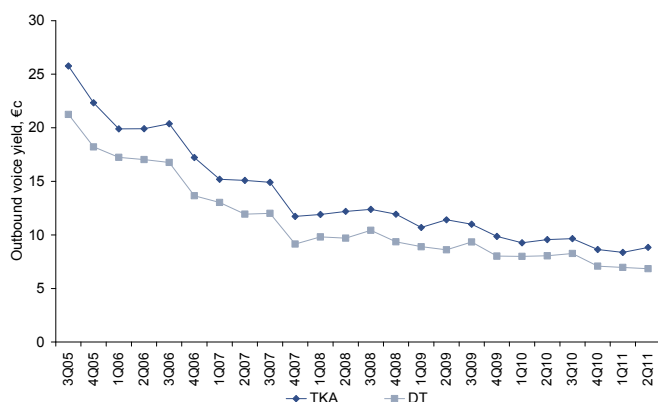
Source: Company websites, Citi Investment Research and Analysis

Figure 10. iPhone4 16GB, closest 1000min, 1GB data



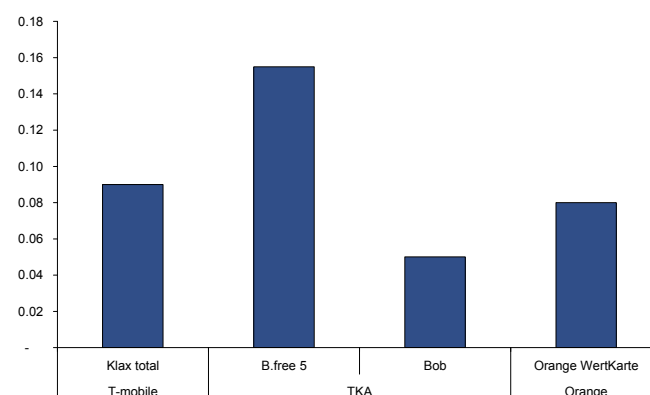
Source: Company websites, Citi Investment Research and Analysis

Figure 11. Outbound voice yield



Source: Company Data, Citi Investment Research and Analysis

Figure 12. Pre-pay price per min (blended)

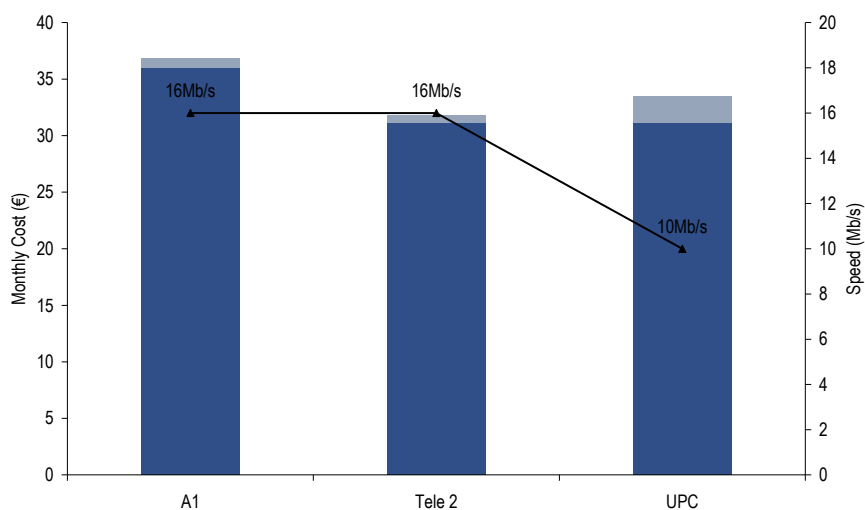


Source: Company websites, Citi Investment Research and Analysis

Austrian Broadband

- **Who competes?** TKA, Tele2 as an ULL operator and UPC as the main cable operator.
- **What's changed?** All operators have introduced a €15/ annum modem fee during 2Q 11, which is effective for existing contracts as well as new. In addition, TKA has increased the price of its usual promotion (Kombipaket) to €29.9 for the basic packet with 8Mbits broadband and €4.9 additional for 16Mbits. We believe the price dynamics of the market could improve further as fixed to mobile broadband substitution is slowing down.

Figure 13. Typical double play offer at 16Mbps

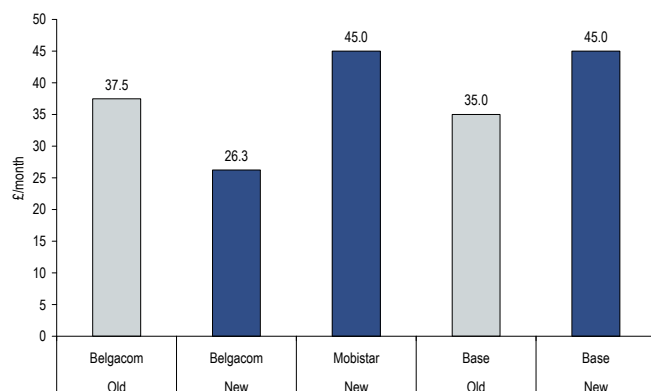


Source: Company websites, Citi Investment Research and Analysis

Belgium Mobile

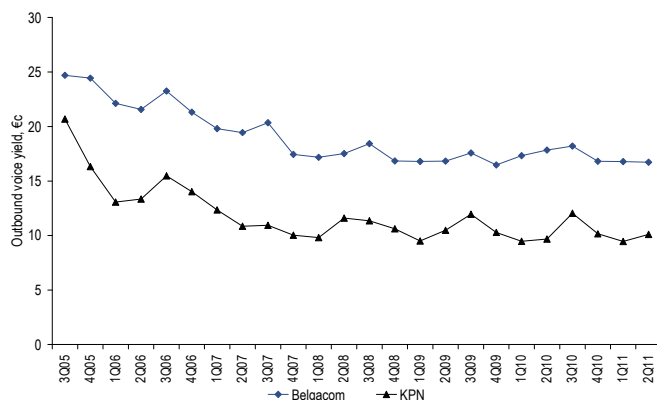
- **Outlook** – Belgacom is becoming more aggressive using heavy promotions to fight back and protect its eroding market share. Market overall remains rational with only Telenet pushing mobile subsidies.
- **What's changed post-pay?** Some changes to headline tariffs. Belgacom has reduced tariff and data prices and Base has increased tariff prices. Belgacom now charges €5 for 250MB and €10 for 1GB compared with €25 for 1GB in June (albeit with a 50% discount). Additionally, headline tariff prices have come down by 20%, although the 50% promotional discount has been reduced from 12 to 10 months. This results in a saving of 30% for an average customer requiring 180 mins and 500MB of data. Base has increased prices by €10 on most tariffs.
- **What's changed pre-pay?** No significant changes to pricing this quarter.

Figure 14. SIM only, closest to 180min, 500MB data



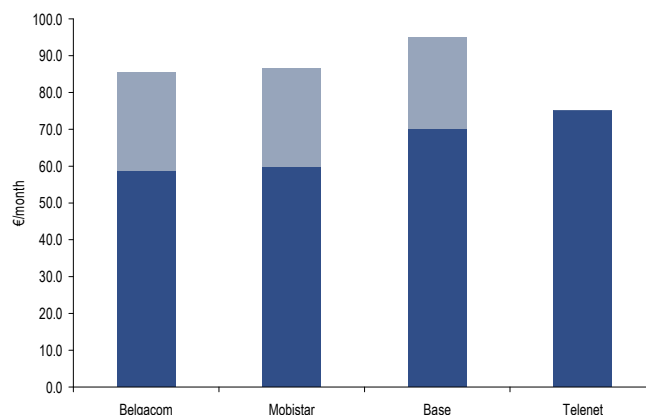
Source: Company websites, Citi Investment Research and Analysis

Figure 16. Outbound voice yield



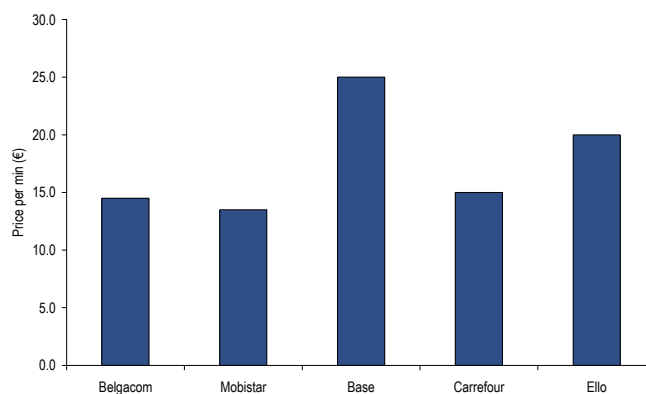
Source: Company data, Citi Investment Research and Analysis

Figure 15. iPhone4 16GB, closest to 5GBytes, 300min



Source: Company websites, Citi Investment Research and Analysis

Figure 17. Pre-pay price per min (blended)



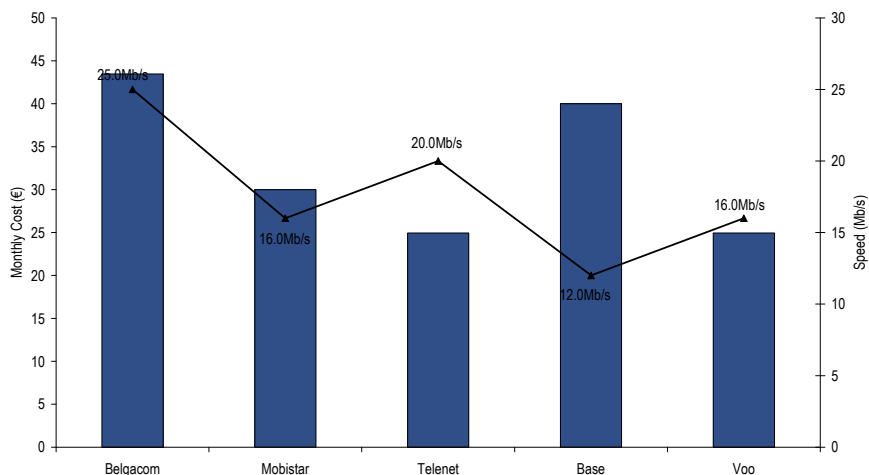
Source: Company websites, Citi Investment Research and Analysis

Belgian Broadband

Who competes? Three DSL providers, two main cable operators.

What's changed? Belgacom has replaced its promotion of €10 for the first 6 months with a €50 discount for the year. This has increased prices by 34% at 12Mbps to €33, by 47% at 25Mbps to €43 and by 58% at 30Mbps to €57. Mobistar has introduced a new speed at 16Mbps priced at €30. Voo has increased prices on all its offers. There have been no significant changes at Telenet and Base.

Figure 18. Belgian Broadband

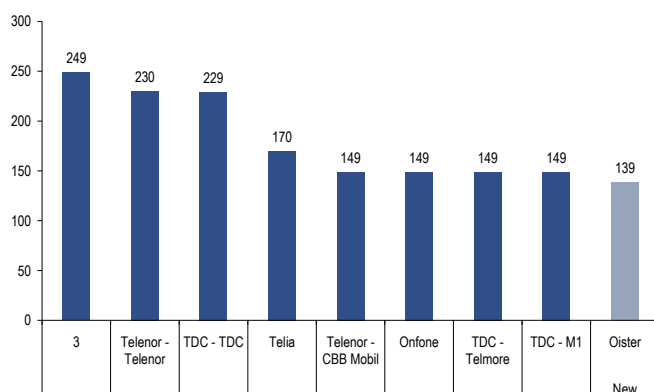


Source: Company reports, Citi Investment Research and Analysis

Denmark Mobile

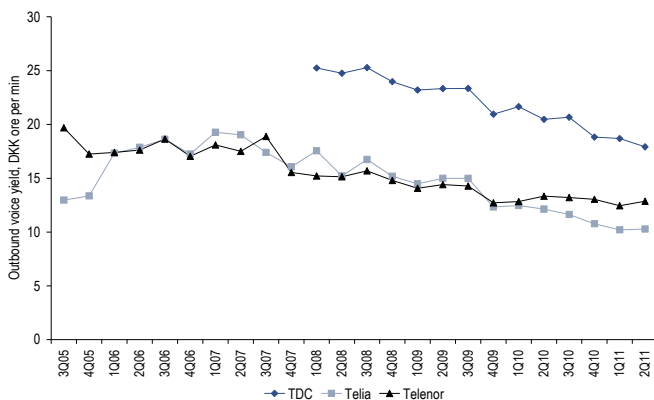
- **Outlook** – Price competition continues in the market and more importantly we still see significant back book pricing risk due to significant price cuts over the last few months. This may be partly offset by the removal of subsidies reducing the impact on EBITDA. However, for TDC, given mobile EBITDA is not reported, this will be difficult to judge.
- **What's changed post-pay?** CBB and Bibob (Telenor's discount brands) have removed promotions which were targeted at customers churning from Onfone during the migration to TDC's network. Oister (Hutch discount brand) removed its promotion but only increased its 5 Timer tariff (300min, 5GB data) to DKK 139, which is still below DKK 149 for similar tariffs from the other operators' discount brands (CBB, Bibob, Telmore). Therefore, competition has not finished in the discount segment. However, our main concern in the Danish market is the ARPU dilution from customers migrating to new lower prices on the main brands. TDC cut prices on its main brand on 11th July.
- **What's changed pre-pay?** The only change in pre-pay is TDC has cut the price of its per minute billing from DKK 0.69 per min to DKK 0.49. TDC has also introduced a pre-pay offer with per second billing for DKK 0.70 per minute.

Figure 19. SIM only, closest to 180min, 500MB data



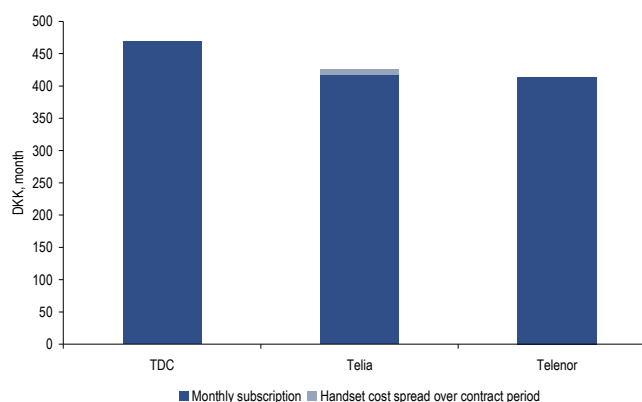
Source: Company websites, Citi Investment Research and Analysis

Figure 21. Outbound voice yield



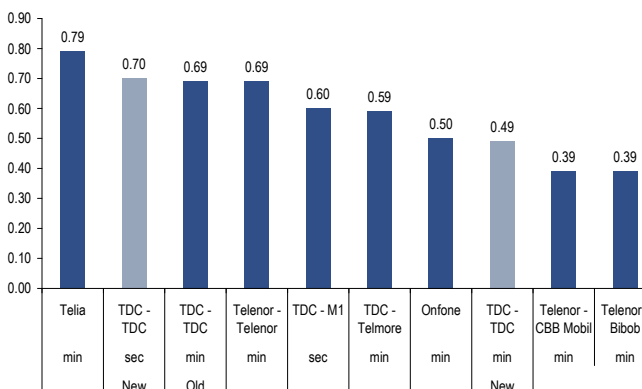
Source: Company data, Citi Investment Research and Analysis

Figure 20. iPhone4 16GB, closest to 5GB, 300min



Source: Company websites, Citi Investment Research and Analysis

Figure 22. Pre-pay price per min (blended)



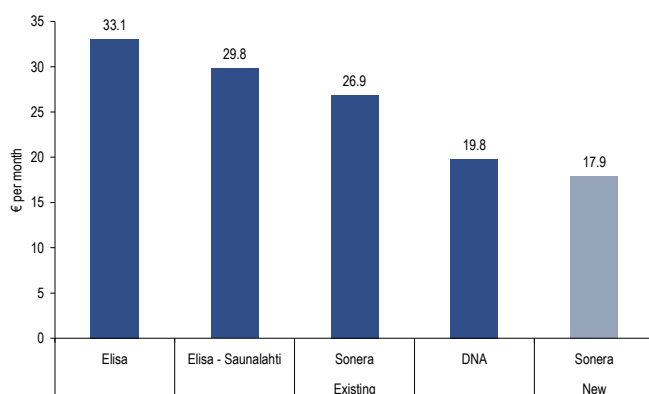
Source: Company websites, Citi Investment Research and Analysis

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Finland Mobile

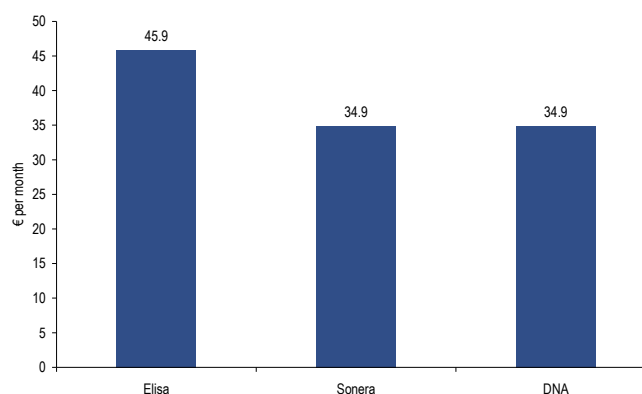
- **Outlook** – After a slow start, smartphone penetration is now increasing rapidly in Finland; however, this is not translating into improving service revenue trends due to high competition. Despite the already low price level in Finland, price competition continues, as seen this quarter by price cuts by Sonera (Telia).
- **Post-pay what's changed?** Only change is **Sonera (Telia)** has introduced a promotion when its voice bundles are taken in a bundle with data. The promotion lasts for the contract length of 24 months. For 300MB and 350min this reduces Telia's price from €27 to €18. This compares to Elisa at €30 and DNA at €20, therefore Telia is now pricing slightly below DNA.
- **Pre-pay what's changed?** No significant changes this quarter.

Figure 23. SIM only, closest to 180min, 500MB data



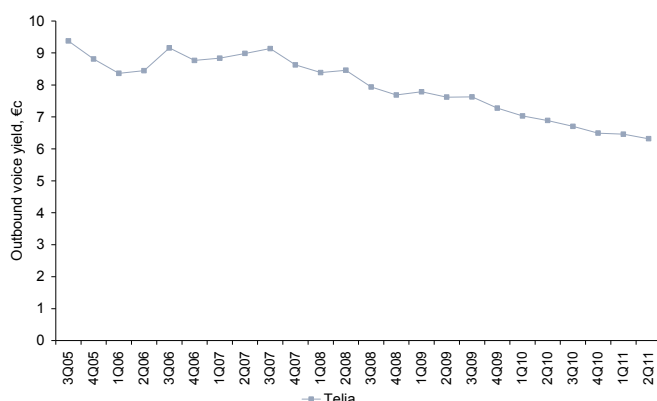
Source: Company websites, Citi Investment Research and Analysis

Figure 24. iPhone4 16GB, closest to 5GB, 300min



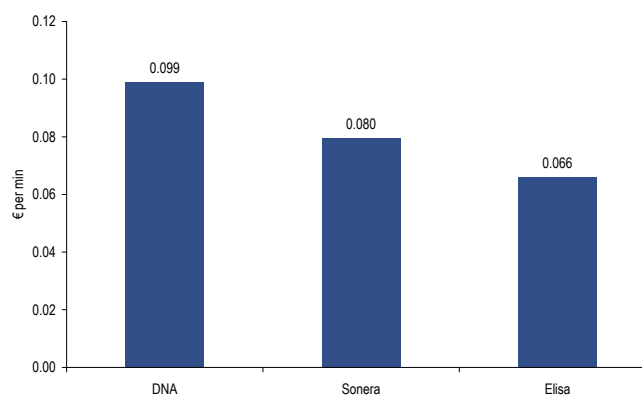
Source: Company websites, Citi Investment Research and Analysis

Figure 25. Outbound voice yield



Source: Company data, Citi Investment Research and Analysis

Figure 26. Pre-pay price per min (blended)

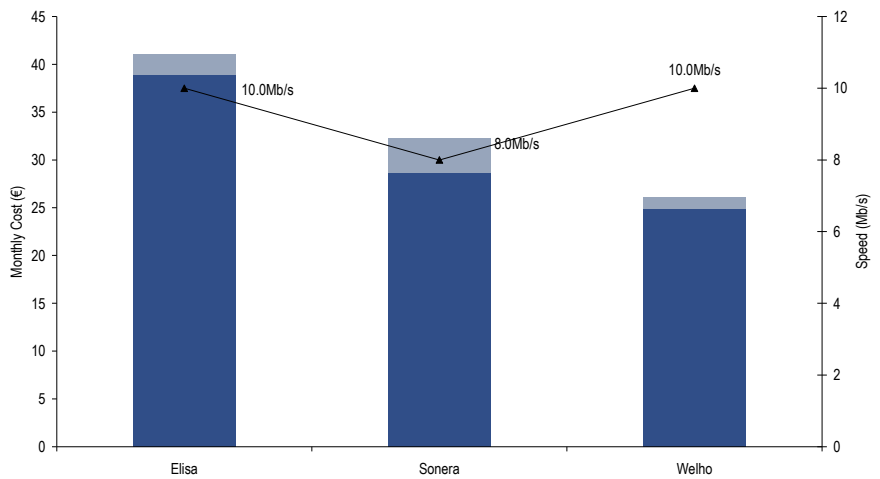


Source: Company websites, Citi Investment Research and Analysis

Finnish Broadband

- **Who competes?** Three DSL providers,
- **What's changed?** No significant price movements

Figure 27. Finnish Broadband



Source: Company websites, Citi Investment Research and Analysis

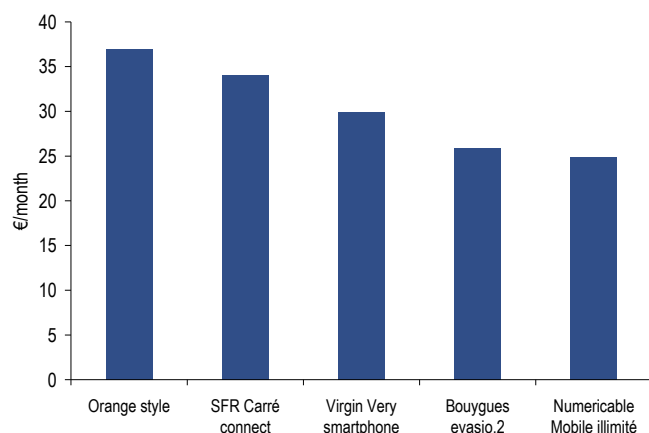
France Mobile

Outlook – Ahead of Free Mobile's commercial launch expected by the end of November 2011, the existing MNO's have launched new brands, available only on-line and usually cheaper vs. traditional tariffs: **B&You**, **Sosh** and **Red**. With **eden** (available from Oct 17) **Bouygues** has revamped its traditional offers putting more emphasis on plans without commitment and low-cost plans which do not include handset subsidies in order to target cost-conscious subscribers. The cheapest eden plan starts at €14.90/month for 1h of voice calls and unlimited SMS/MMS (no data included, 12M commitment).

Post-pay: What's changed? - Excluding eden (effective in 4Q11), there were no major refreshments since our last publication. SIM-only offers continue to be the focus (see SFR Carré plans) and all three operators are targeting churners with promotions giving between €70 to €100 "welcome bonus" – reimbursed on the 12 or 24 month contract to customers that port their number from competitors. Bouygues cut the price by €2/month to €35/month for the 500MB B&You plan. SFR reduced the price of the iPhone4 16GB to €170 (from €230) on its Carré iPhone plan (making it the heaviest subsidy now between the three MNO's).

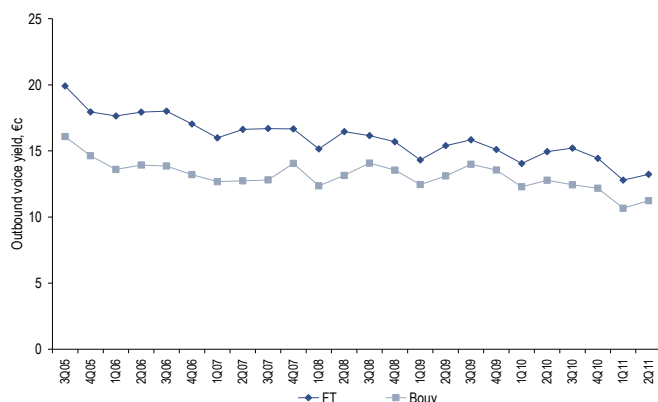
Pre-pay: What's changed? - No significant changes to pre-pay tariffs this quarter.

Figure 28. SIM only, closest to 180min, 500MB data



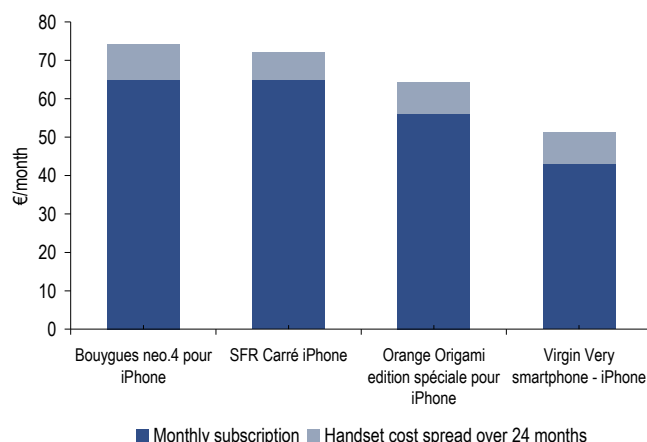
Source: Pure Pricing, Company websites, Citi Investment Research and Analysis, *Orange web offers

Figure 30. Outbound voice yield



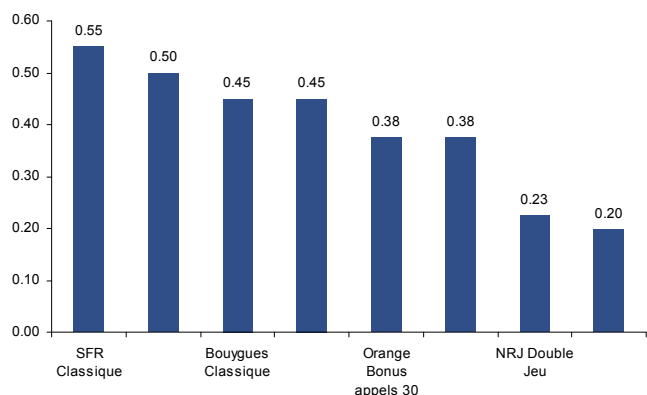
Source: Company data, Citi Investment Research and Analysis

Figure 29. iPhone4 16GB, closest to 5GB, 300min – Higher iPhone subsidy for SFR so lower upfront cost for new subs



Source: Pure Pricing, Company websites, Citi Investment Research and Analysis, *Orange web offers

Figure 31. Pre-pay price per min

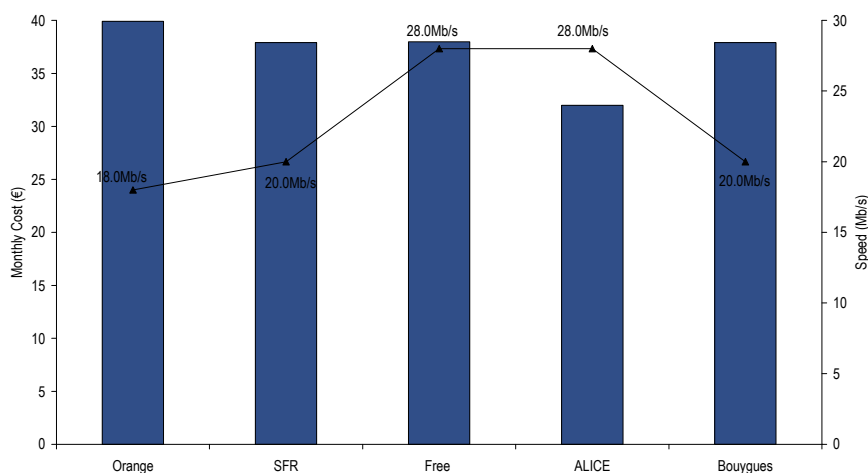


Source: Pure Pricing, Company websites, Citi Investment Research and Analysis

French Broadband

- **Who competes?** Four major nationwide DSL providers.
- **What's changed?** No significant changes on the French broadband market ahead of the year-end season. Orange is running an on-line promotion between Oct 6 and Nov 23 (so targeting the back-to-school customer segment) where the Livebox Zen (€28.90) and Star (€34.90) plans are €3/month less expensive for the first 6 months of the 12-month contract. Bouygues and Orange are still to launch their next generation box in response to Free's Revolution and SFR's Evolution boxes.

Figure 32. French DSL Pricing (Euros per month)

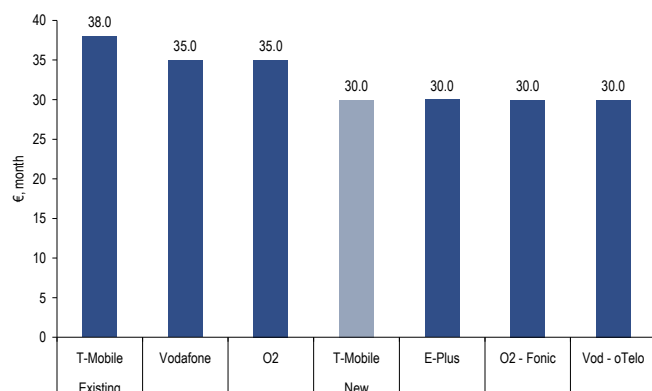


Source: Company websites, Citi Investment Research and Analysis

German Mobile

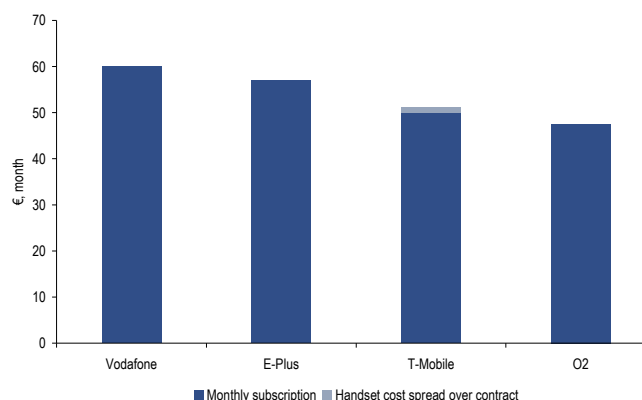
- **Outlook** – With T-Mobile's new Special Call tariffs, all operators have a price point at €30 for broadly flat voice and data. However, we highlight that T-Mobile has done this with its headline brand rather than a discount brand. T-Mobile has had slowing growth for the last few quarters, these price cuts show T-Mobile is becoming more aggressive in defending share.
- **Post-pay what's changed?** The only significant change this quarter was the introduction of two new lower price points by **T-Mobile**. The new Special Call & Surf is in-line with the current €30 price point for broadly flat voice and data currently offered by the discount brands and E-Plus. This package is €30 for 300MB, free SMS and free fixed calls, on-net and to one other network, therefore not quite completely flat voice as offered by United Internet. T-Mobile's other new tariff is the Special Call 100 which is €10 per months for 100 min, which is the same as O2's InklusivPacket. **O2** introduced a new unlimited offer for €70. No change to **E-Plus** and **Vodafone's** tariffs.
- **Pre-pay what's changed?** No significant changes to pre-pay tariffs this quarter.

Figure 33. SIM only, closest to 180min, 500MB data – T-Mobile new lower tariff



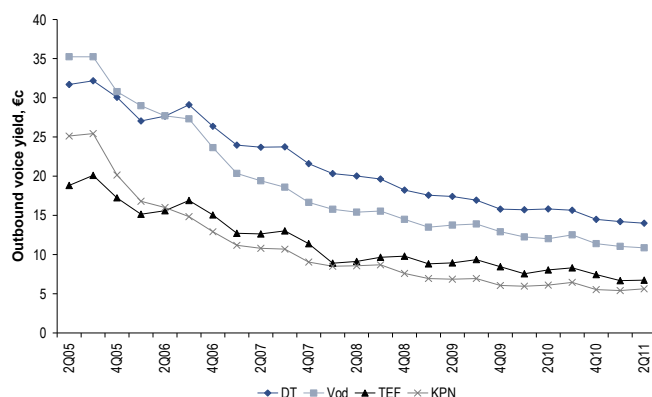
Source: Pure Pricing, Company websites, Citi Investment Research and Analysis

Figure 34. iPhone4 16GB, closest to 5GB, 300min – No change



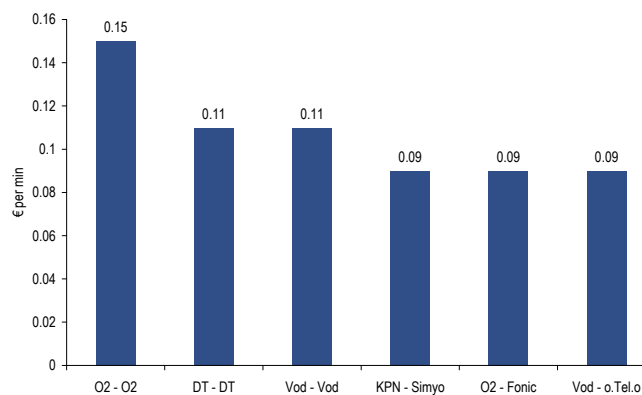
Source: Pure Pricing, Company websites, Citi Investment Research and Analysis

Figure 35. Outbound voice yield



Source: Company data, Citi Investment Research and Analysis

Figure 36. Pre-pay price per min (blended)



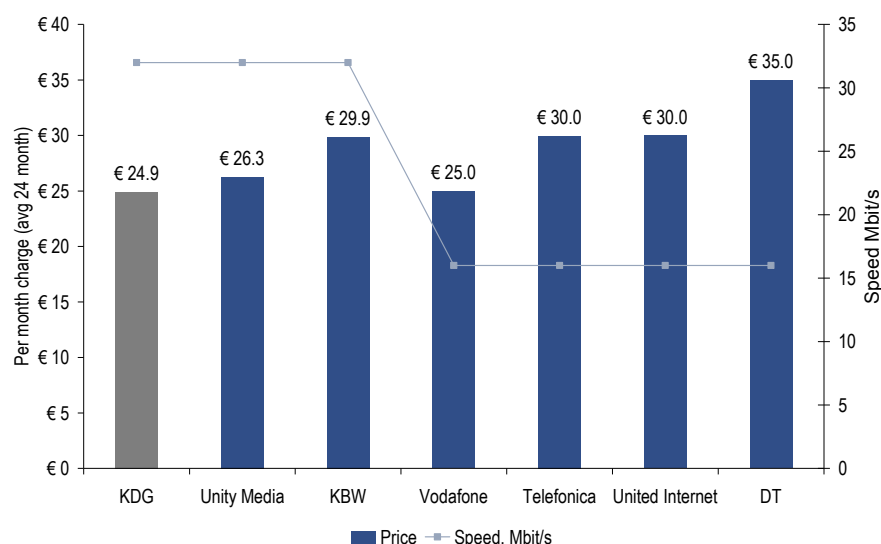
Source: Pure Pricing, Company websites, Citi Investment Research and Analysis

German Broadband

- **Who competes?** 8 Nationwide DSL providers, 3 cable providers.
- **What's changed?** **KDG** has cut the price on its Internet & Telefon 32 Flex package; both for the headline and promotion price, our calculated blended 24month price falls from €26.40 to €19.90. This is a single play offer with no flat rate voice. We believe this is to combat recent aggressive pricing from Alice (O2) on its similar single play offer.

DT has cut the price of its Call and Surf Comfort VDSL package from €44.95 to €39.95. **O2** is now only selling broadband under the **Alice** brand; prices remain some of the lowest in the market. **United Internet** has left its headline prices the same but has removed cash back promotions; we assume this is due to the increased focus on mobile additions rather than broadband for United Internet. No change from **Unity Media**, **KBW** and **Vodafone**.

Figure 37. German Broadband Pricing (Euros Per Month) (Including some form of flat voice)



Source: Company websites, Citi Investment Research and Analysis

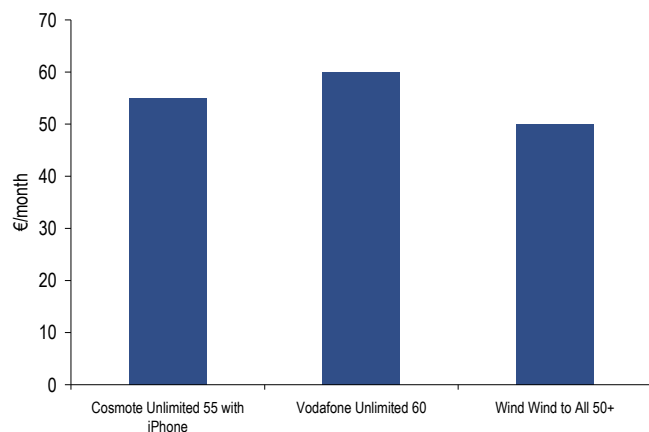
Greece Mobile

Outlook – Mobile pricing continues to improve with the removal of unlimited on-net offers in prepaid. Unlimited on-net offers are now only available on contract plans starting from €20/month.

Post-pay what's changed? Unlimited on-net offers are only available on plans starting at €20/month. All three operators have increased their tariffs on SIM only offers by over 10%. Cosmote has reduced the amount of subsidies on the iPhone but is still the operator offering the highest level of subsidies. Wind has introduced a limited amount of subsidies on its iPhone offer.

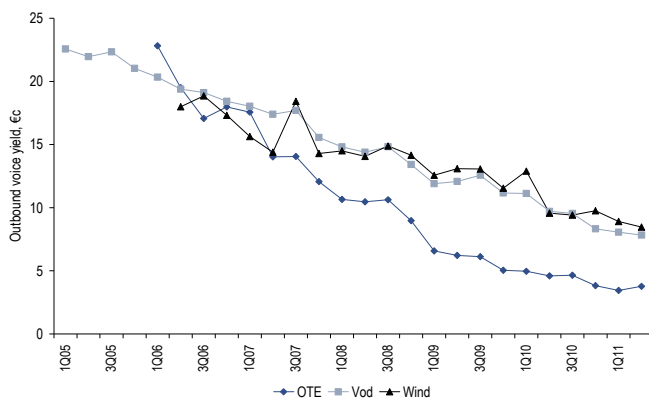
Pre-pay what's changed? Q Telecom has increased tariffs from €0.22/min to €0.27/min.

Figure 38. SIM only, closest to 180min, 500MB data – All operators increasing their tariffs



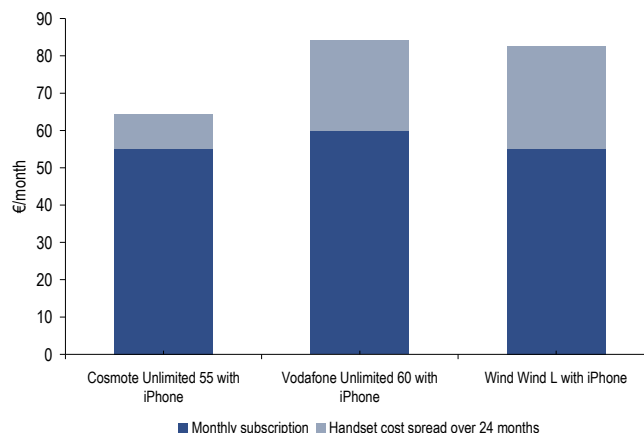
Source: Company websites, Citi Investment Research and Analysis

Figure 40. Outbound voice yield



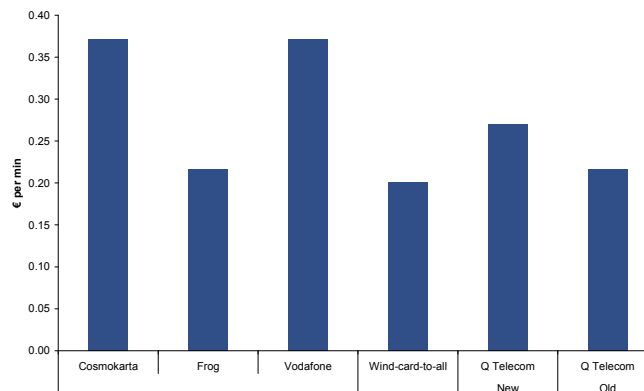
Source: Company data, Citi Investment Research and Analysis

Figure 39. iPhone4 16GB, closest to 5GB, 300min – Lower subsidy at Cosmote and higher subsidy at Wind Hellas



Source: Company websites, Citi Investment Research and Analysis

Figure 41. Pre-pay price per min (blended)

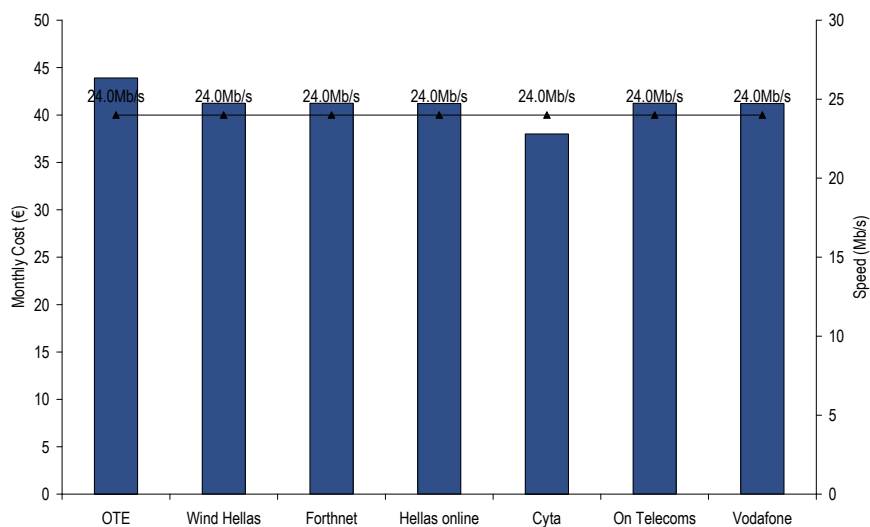


Source: Company websites, Citi Investment Research and Analysis

Greek Broadband

- **Who competes?** Seven nationwide DSL providers.
- **What's changed?** OTE has lowered its double play bundle from €45.50/month to €43.90/month. Forthnet is offering a discounted tariff of €30.90/month vs. normal tariff of €41.24/month to any customers willing to prepay 12 months in advance.
- **What does it cost?** Most altnets charge the same headline tariffs for double play (including unlimited calls to fixed line and 60 minutes of calls to mobile) at €41.2/month. Cyta (subsidiary of the Cypriot incumbent) is the only exception charging €38/month. OTE is priced at a premium.

Figure 42. Greek Broadband Pricing (Euros Per Month)



Source: Company websites, Citi Investment Research and Analysis

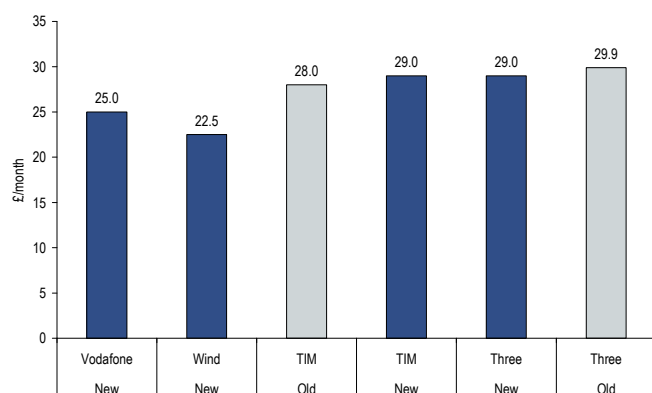
Italy Mobile

Outlook – No major pricing pressures except for the mobile number portability offer by TIM.

Post-pay what's changed? No significant changes to underlying plans. TIM has increased the charge on its cheapest Smartphone plan from €9 to €10, also increasing the data allowance from 1GB to unlimited (with speed limits after 1GB). Additionally there has been some promotional activity with 3 offering discounted monthly charges on Top Plans with selected handsets, while TIM is giving double the credits only for customers who join through MNP.

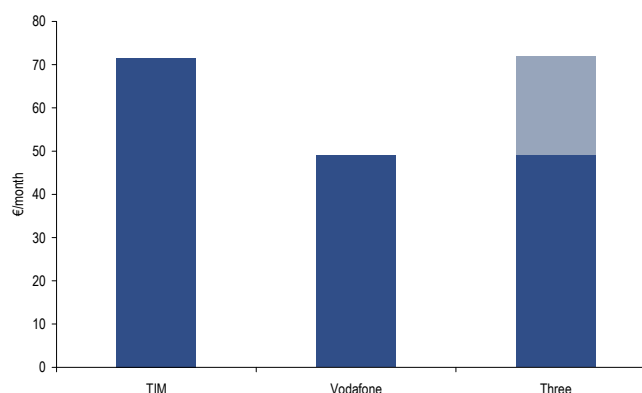
Pre-pay what's changed? No significant changes to underlying plans. TIM has decreased the activation price from €9 to €7. There have been some changes to promotions: for example, Wind now spreads discounts over 24 months not 12 months, and 3 offers €5 credit for 12 months with selected handsets.

Figure 43. SIM only, closest to 180min, 500MB data



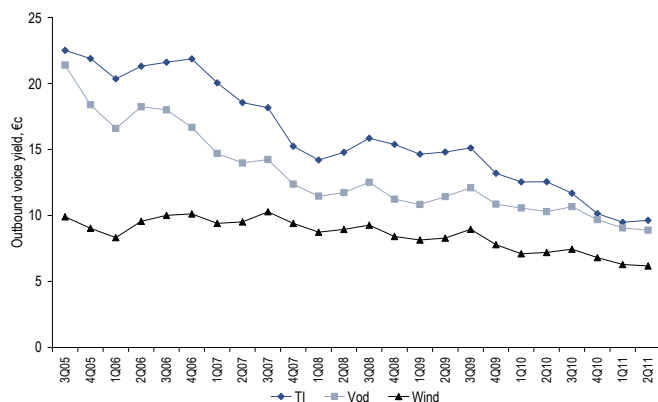
Source: Pure Pricing, Company websites, Citi Investment Research and Analysis

Figure 44. iPhone4 16GB, closest to 5GB, 300min



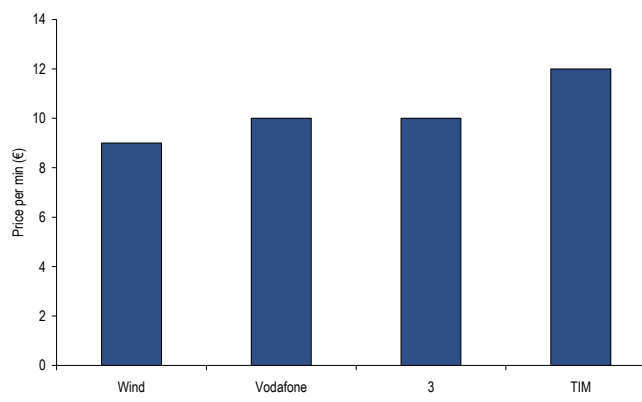
Source: Pure Pricing, Company websites, Citi Investment Research and Analysis

Figure 45. Outbound voice yield



Source: Company data, Citi Investment Research and Analysis

Figure 46. Pre-pay price per min (blended)

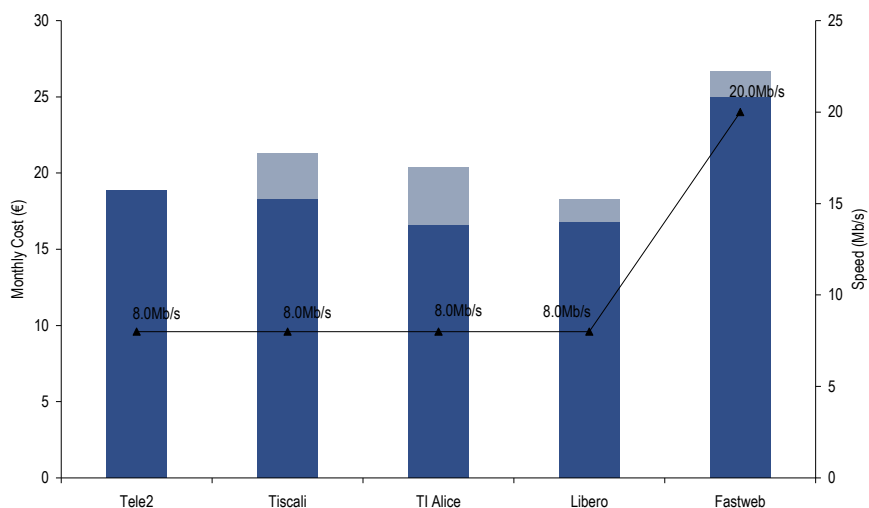


Source: Pure Pricing, Company websites, Citi Investment Research and Analysis

Italian Broadband

- **Who competes?** Five DSL providers.
- **What's changed?** Fastweb has increased prices by c. 26% on its 20Mbps plan. Alice and Libero have passed on the recent VAT increase to consumers +1%.

Figure 47. Italian Broadband Pricing (Euros Per Month)



Source: Company websites, Company Reports and CIRA

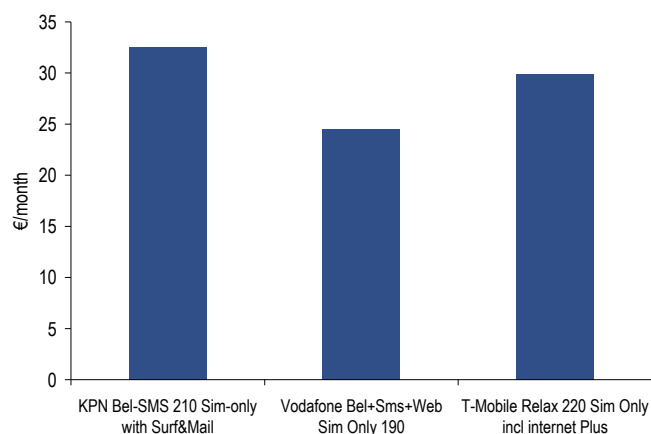
Netherlands Mobile

Outlook – The risk of mobile voice and SMS cannibalisation is becoming less of a threat as all operators have revamped their plans to offer less data on lower end bundles.

Post-pay what's changed? All operators have reduced the amount of data available on the lower end packages including subsidies. Vodafone has reduced the amount of data on lower end packages on SIM only. KPN has reduced the price of the iPhone 4 from €139.95 to €79.95 on its €50/month contract.

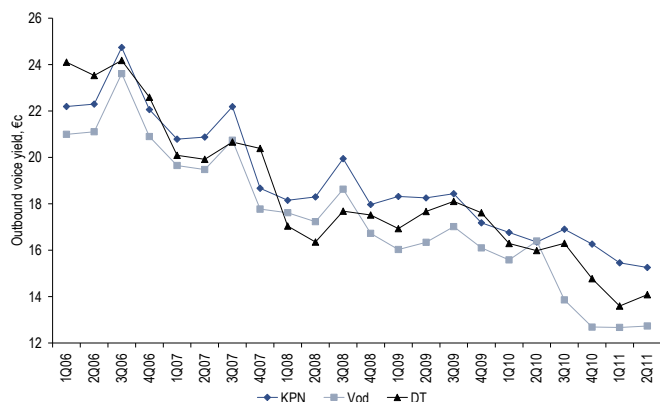
Pre-pay what's changed? Telfort is running a promotion with €10 extra call credit on every €10 top up. Extra credit is valid for 2 weeks.

Figure 48. SIM only, closest to 180min, 500MB data – All operators increasing their tariffs



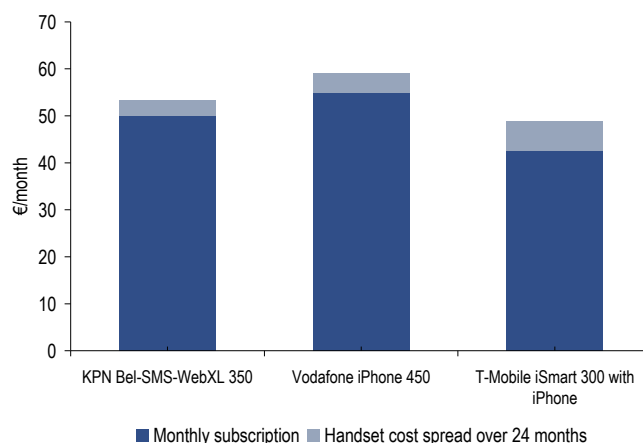
Source: Company websites, Citi Investment Research and Analysis

Figure 50. Outbound voice yield



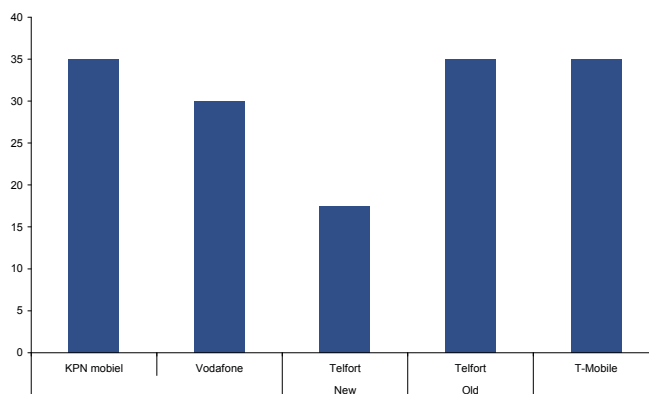
Source: Company data, Citi Investment Research and Analysis

Figure 49. iPhone4 16GB, closest to 5GB, 300min – Lower subsidy at Cosmote and higher subsidy at Wind Hellas



Source: Company websites, Citi Investment Research and Analysis

Figure 51. Pre-pay price per min (blended)

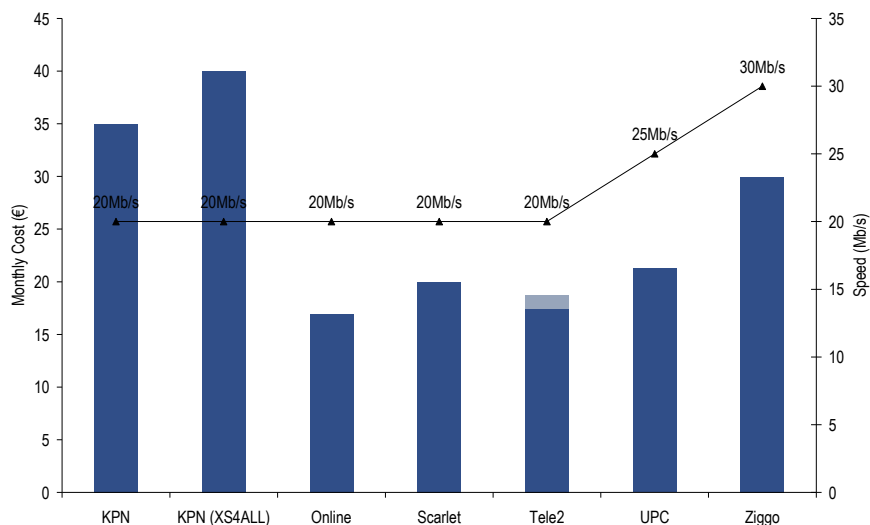


Source: Company websites, Citi Investment Research and Analysis

Netherlands Broadband

- **Who competes?** Four DSL providers (KPN has several brands), two cable operators.
- **What's changed?** KPN is offering €10/month off for the first three months as a promotion. Online has launched new promotion and new higher speed offers (up to 60Mbps). Ziggo launched new promotions with lower rates for the first 6 months.

Figure 52. Dutch Broadband Pricing (Euros Per Month)



Source: Company websites, Citi Investment Research and Analysis

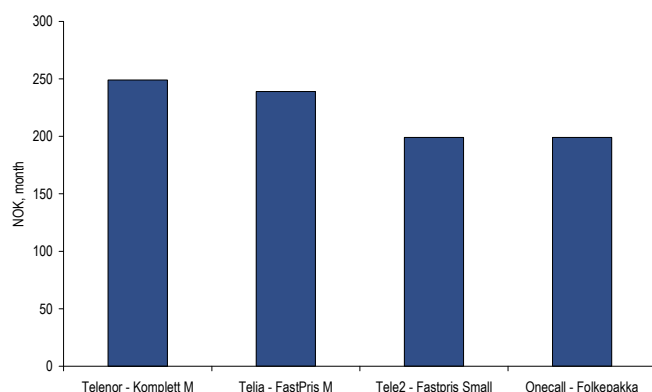
Norway Mobile

■ **Outlook** – Telenor introduced a new tariff structure in May this year which reduced prices for high end customers; this has successfully reduced the previous loss of these customers. The new tariff structure is one of the furthest advanced in terms of tiering. Telia followed with a similar tariff refresh. Post a period of higher competition in late 2010 and early 2009, there has now been a period of greater stability. Further rationalisation in the market may arise from Tele2's recent acquisition of Network Norway.

■ **Post-pay what's changed?** Telenor and Netcom (Telia) have introduced a promotion which provides the first 2 months free for certain tariffs. Tele2 restructured its tariffs in-line with Telenor and Netcom's tariff structures.

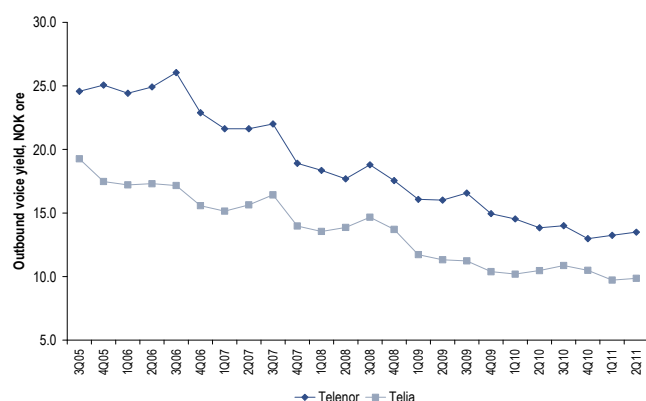
■ **Pre-pay what's changed?** No significant changes this quarter

Figure 53. SIM only, closest to 180min, 500MB data



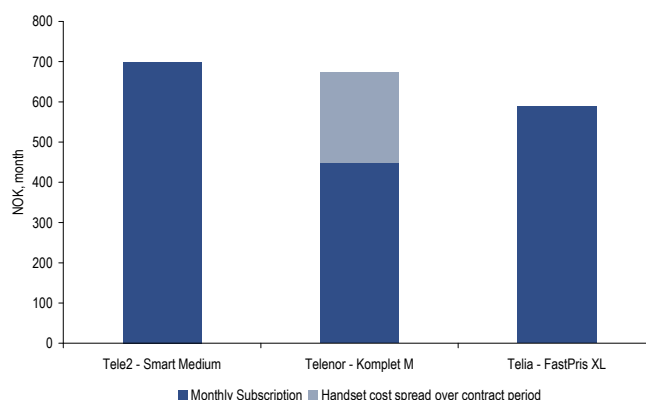
Source: Company websites, Citi Investment Research and Analysis

Figure 55. Outbound voice yield



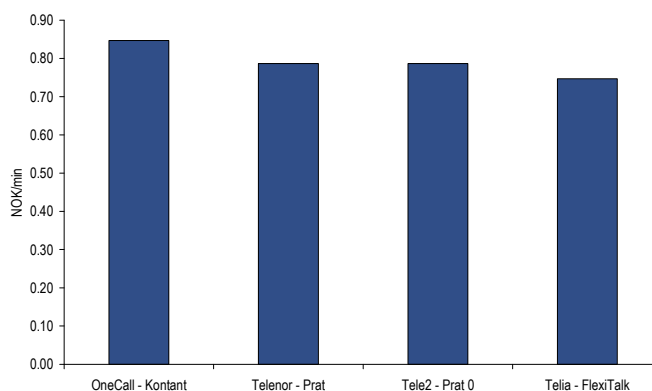
Source: Company data, Citi Investment Research and Analysis

Figure 54. iPhone4 16GB, closest to 5GB, 300min



Source: Company websites, Citi Investment Research and Analysis

Figure 56. Pre-pay price per min (blended)



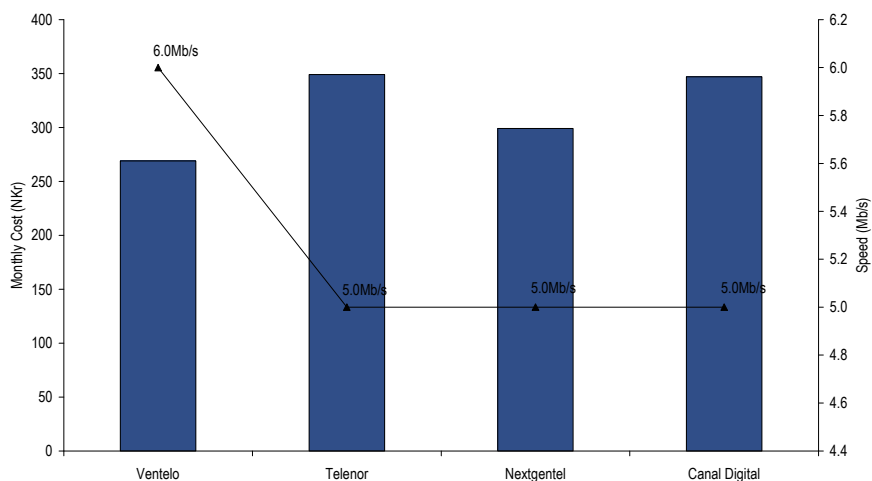
Source: Company websites, Citi Investment Research and Analysis

Norwegian Broadband

■ **Who competes?** Four DSL providers, two cable operators

■ **What's changed?** New fast speed offers have been introduced. Telenor has introduced 40Mbps priced at NOK549, Canal Digital has introduced 100Mbps priced at NOK1447 and Nextgentel has introduced 30Mbps priced at NOK429 and 40Mbps priced at NOK499. No prices have changed at lower speeds.

Figure 57. Norwegian Broadband

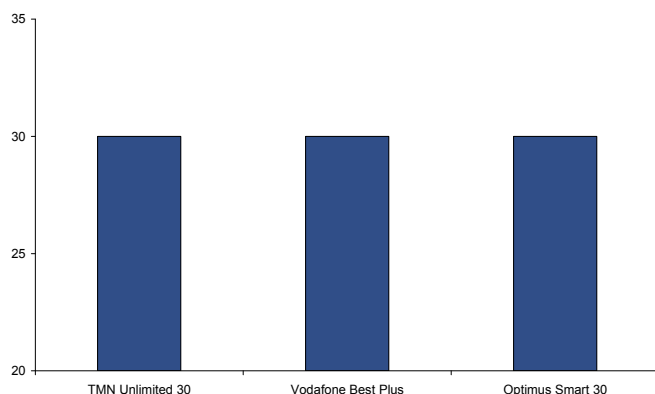


Source: Company websites, Citi Investment Research and Analysis

Portugal Mobile

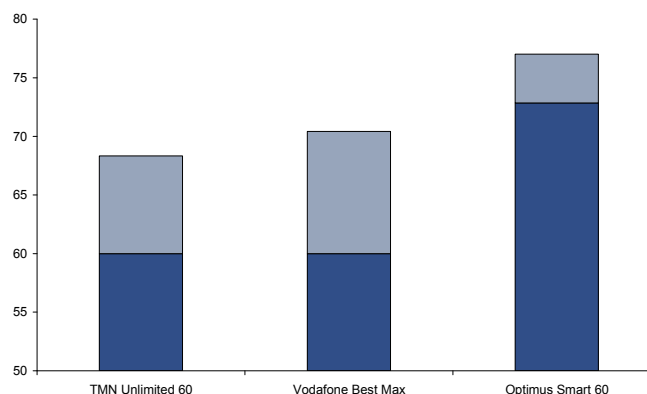
- **Who competes?** TMN, Vodafone and Optimus as well as a number of MVNOs
- **What's changed?** Nothing. Since the start of the year, all operators are behaving rationally in light of the macro downturn. The contract market remains challenging because of the impact of austerity. Operators offer almost identical offers in both post-paid and prepaid with TMN gaining price leadership in the higher end with the new offers launched earlier in the year. The prepaid market suffered from the introduction of tribal plans last year, when Vodafone in 2Q and TMN in 3Q replicated Optimus's TAG offers. Tribal plans offer unlimited voice and SMS to other members of the 'tribe'. Since the start of the year and following a price increase by TAG (Optimus's tribal offer), plans are almost identical. Portugal remains largely prepaid and the bulk of the traffic is still on-net. Ongoing MTR cuts could change that.

Figure 58. SIM only, unlimited on-net 500-1000MB of data



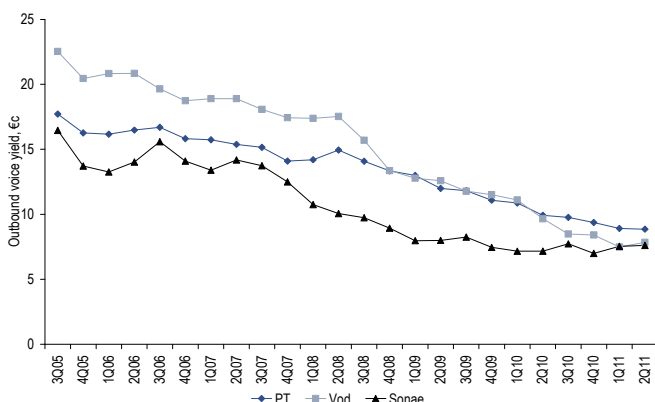
Source: Company websites, Citi Investment Research and Analysis

Figure 59. iPhone with unlimited on-net and 1GB of data



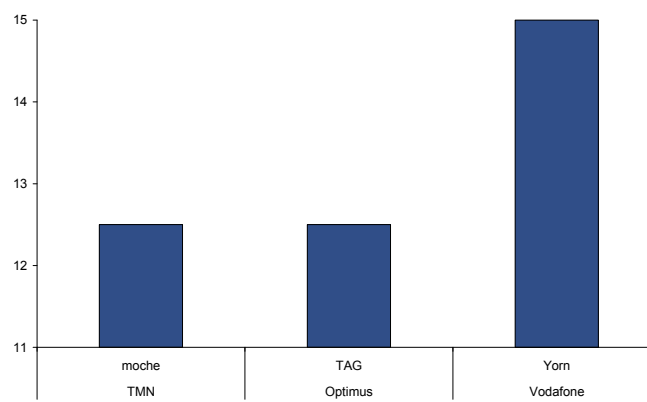
Source: Company websites, Citi Investment Research and Analysis

Figure 60. Outbound voice yield



Source: Company data, Citi Investment Research and Analysis

Figure 61. Monthly cost for unlimited tribal offers (€)

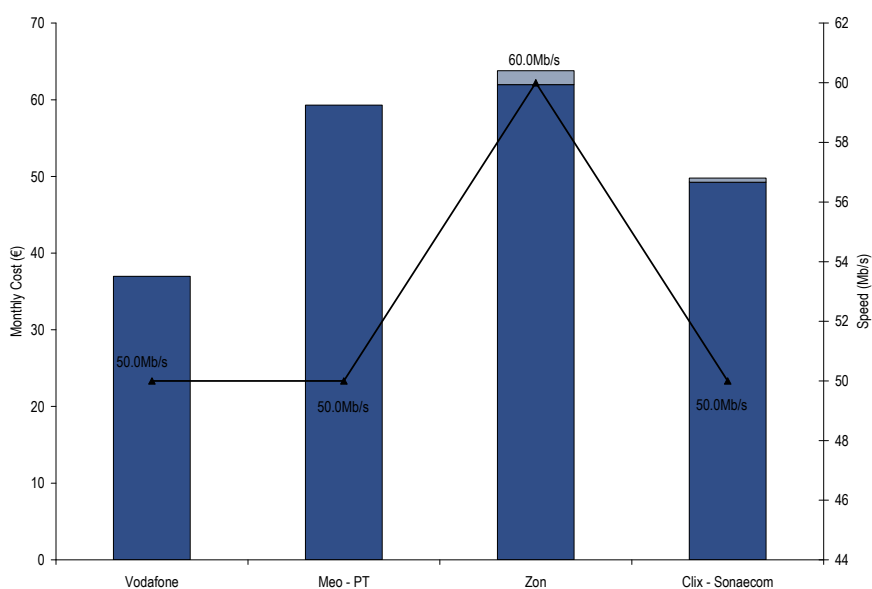


Source: Company websites, Citi Investment Research and Analysis

Portugal Broadband

- **Who competes?** PT, Zon (cable), Cabovisao (cable with limited coverage), Sonaecom and Vodafone. The market has evolved to triple play
- **What's changed?** Since the start of October, new promotional activity has picked up (like last year). PT started offering discounts for the first three months for customers who migrate to its triple play product on 24 month contracts. Zon and the ULL operators followed with their own promotions. These promotions expire later this year and therefore are unlikely to have a lasting impact on ARPU. There is some risk of more pricing pressure ahead of the analogue switch-off in 2012 as operators (mainly PT and Zon) introduce lower end offers to lure customers that migrate to digital.

Figure 62. Portugal broadband

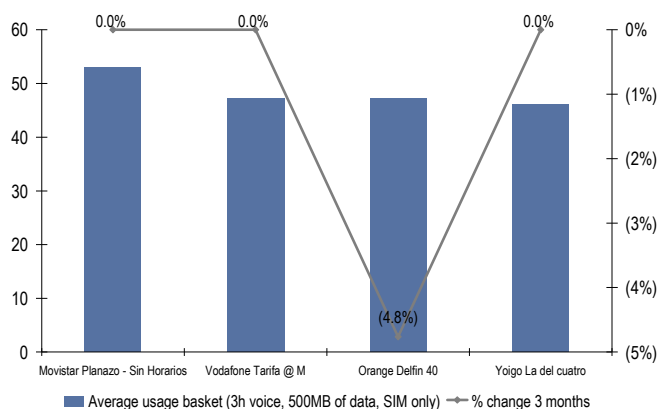


Source: Company websites, Citi Investment Research and Analysis

Spain Mobile

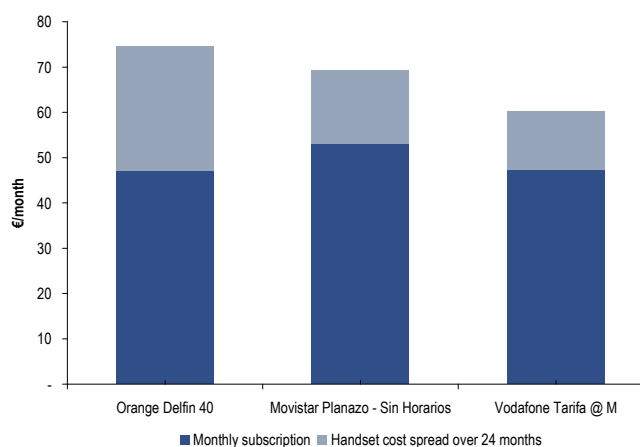
- **Outlook** – The Spanish market remains competitive, with incumbent Telefonica continuing to lose market share according to the latest August data released by the CMT. It is the main reason why we think Movistar's current premium pricing is not sustainable. We therefore expect further price cuts in Spain going into the year end, which is likely to affect already poor revenue trends for the main operators in the country. In-market consolidation is likely to ease the competitive pressure if it were to happen over the medium term.
- **What's changed post-pay?** **VOD** launched new SIM-only plans with 30-day or 6-month commitments. The operator has also extended contract lengths from 18 months to 24 months for smartphone users (we note the norm for contract lengths remains 18 months in Spain). Finally, VOD has lowered iPhone4 subsidies on its XS/S/M and L plans which suggests increased focus on profitability. **Orange** has made a few changes within its mid-end tariff base: introduced a new plan, Delfin 30 (€35.40/mth incl. VAT) which gives 300min of voice calls and 300MB of data (no SMS), it increased the data allowance on Delfin 20 to 200MB (from 100MB) and finally replaced the Delfin 42 plan with Delfin 40, which is 5% cheaper but gives 500 minutes of voice calls monthly instead of 600 min previously.
- **What's changed pre-pay?** **VOD** has simplified its pre-pay plans. The new "Gratuitas" plans give a choice of 60 on-net and fixed minutes, 60MB and 60 texts or 30 international minutes when users top-up by min10€ per month.

Figure 63. SIM only, closest to 180min, 500MB data



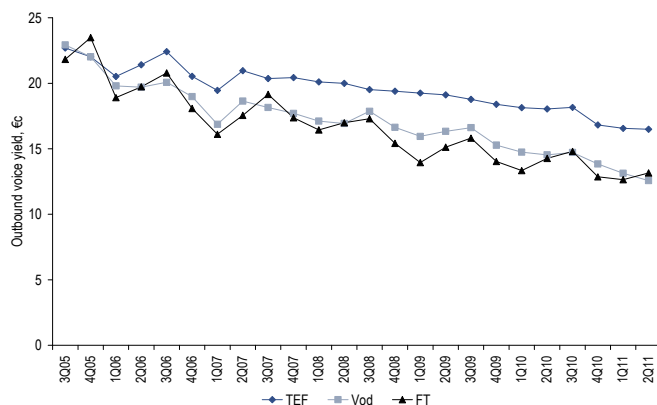
Source: Pure Pricing, Company websites, Citi Investment Research and Analysis

Figure 64. iPhone4 16GB, closest to 5GB, 300min



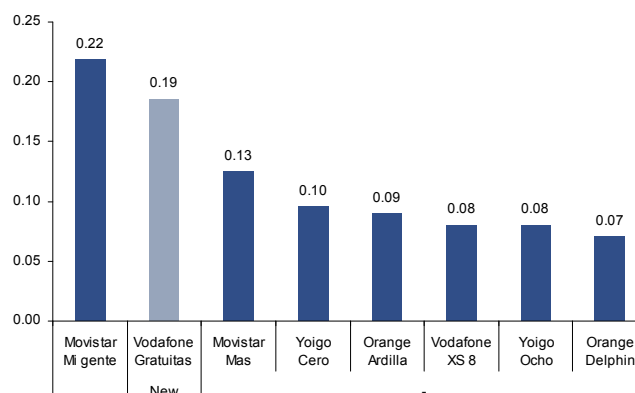
Source: Pure Pricing, Company websites, Citi Investment Research and Analysis

Figure 65. Outbound voice yield



Source: Company data, Citi Investment Research and Analysis

Figure 66. Pre-pay price per min (blended)

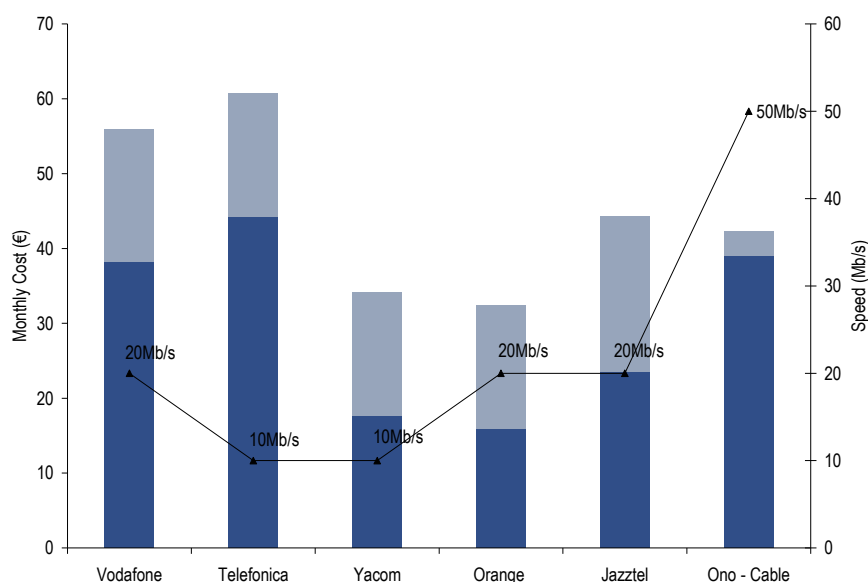


Source: Pure Pricing, Company websites, Citi Investment Research and Analysis

Spanish Broadband

- **Who competes?** Five DSL providers and one national cable operator. There are also regional operators (Euskaltel, Telecable, etc).
- **What's changed?** We note the increased focus on 4-play offers in Spain, where the basic DSL package is used as a way of lowering churn on the mobile post-paid customer base. For instance incumbent Telefonica offers ADSL 10 Mbps for €24.90/month (with no step-up in price to €40.90 after the first 12-months of contract) to its new mobile contract customers. Similarly, Orange's 20Mbps package is priced at €15.45/month for the first 12-months and there is no step-up thereafter to €25.95/month for the mobile contract customers who subscribe to at least a €20/month post-paid contract. Finally, unbundlers have increased the line rental fee by €1 to c. €15/month after the Spanish regulator approved a 6.8% ULL fee increase to €8.32/month in April this year.

Figure 67. Spanish broadband pricing (EUR per month)

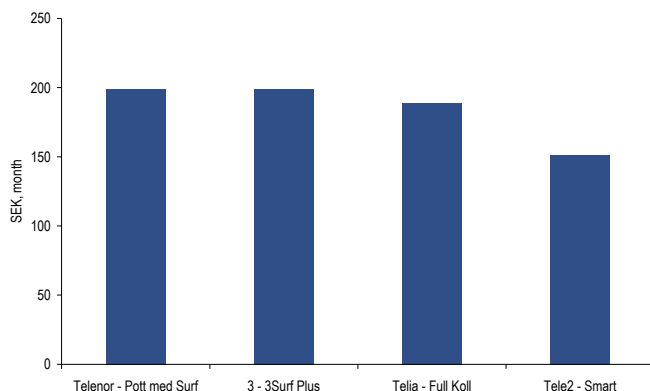


Source: Company websites, Citi Investment Research and Analysis

Sweden Mobile

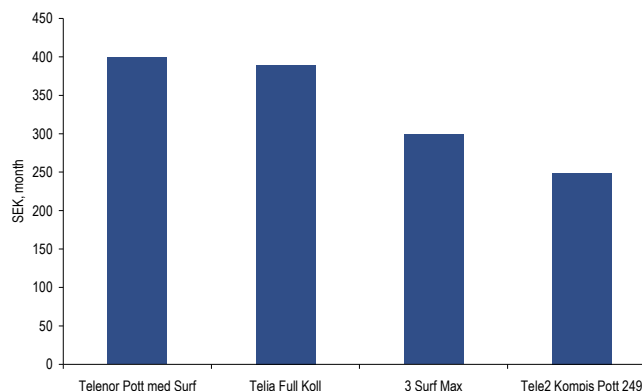
- **Outlook** – The Swedish mobile market remains the highest growth market in Europe; while data take up is high, the primary reason for this is price stability. We do not see any change in price stability this quarter and therefore the strong growth should continue.
- **Post-pay what's changed?** Only change this quarter was Tele2 removed its promotion on its Smart tariff and introduced a 6 month promotion on three of its Kompis tariffs.
- **Pre-pay what's changed?** No significant changes

Figure 68. SIM only, closest to 180min, 500MB data



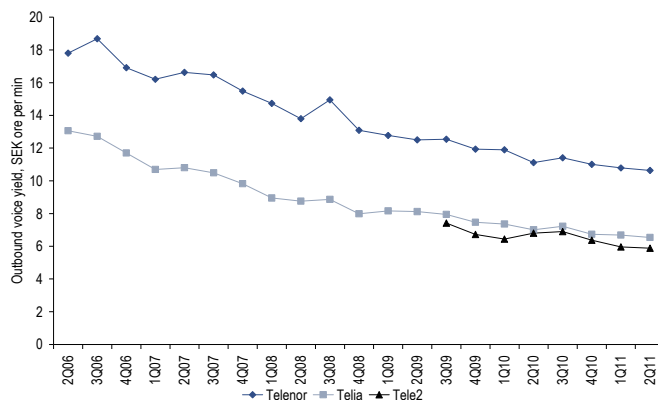
Source: Company websites, Citi Investment Research and Analysis

Figure 69. iPhone4 16GB, closest to 5GB, 300min



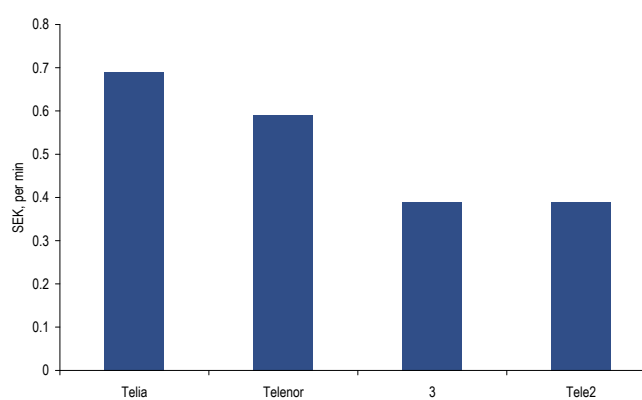
Source: Company websites, Citi Investment Research and Analysis

Figure 70. Outbound voice yield



Source: Company data, Citi Investment Research and Analysis

Figure 71. Pre-pay price per min (blended)

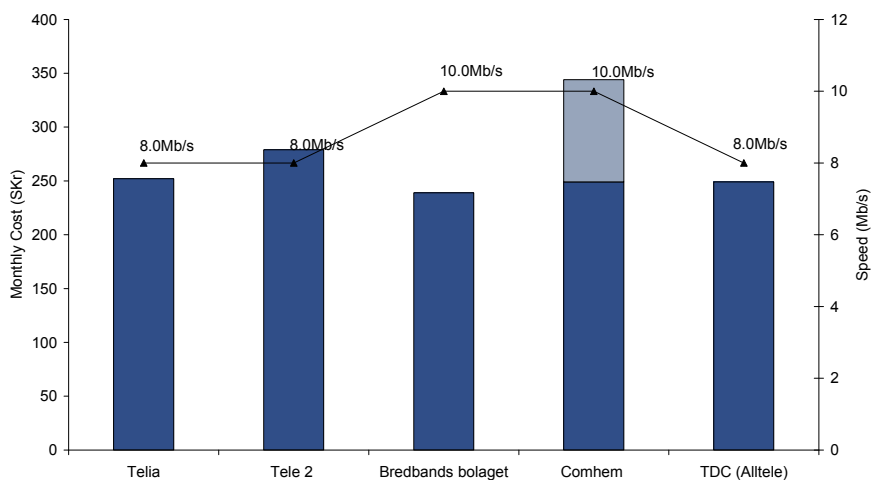


Source: Company websites, Citi Investment Research and Analysis

Swedish Broadband

- **Who competes?** Five DSL providers.
- **What's changed?** Most speeds have improved and lower end packages have been removed. Telia offers faster speeds for the same price so SKr252 buys 8Mbps (was 2Mbps), SKr309 buys 30Mbps (not 8Mbps) and SKr359 buys 60Mbps (not 25Mbps). De Bolaget has decreased prices and removed its 2Mbps packages so, for example, the 25Mbps offer is at SKr282 and not SKr349. Tele2 and Conhem have not significantly changed their speeds or prices.

Figure 72. Swedish Broadband

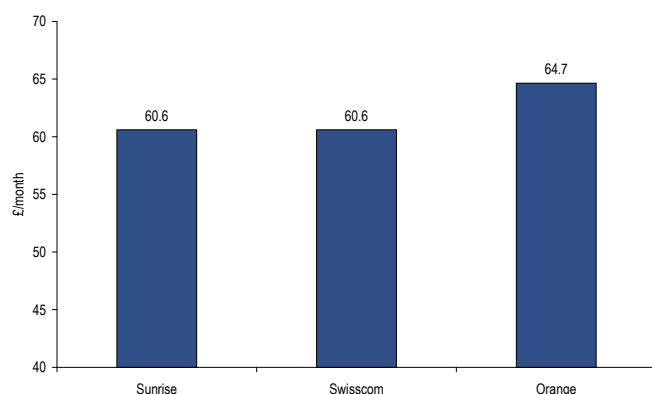


Source: Company websites, Citi Investment Research and Analysis

Switzerland Mobile

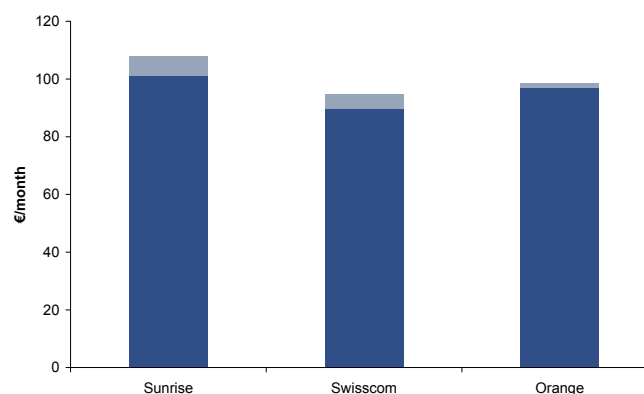
- **Outlook** – In the Swiss market, prices remain relatively high compared to the European average. There are two main factors explaining this, in our view: 1) a three player market with low probability of a new entrant and 2) relatively high purchasing power and stable macro environment compared to the rest of Europe.
- **What's changed post-pay?** Some price cuts and increased data allowances. Sunrise has cut prices by 15% on tariffs such as mini surf (now CHF25) and Sunflat 5 (now CHF105). Swisscom has increased data allowances within the Natel Liberty primo (now 250 MB was 100MB) and Natel Liberty Medio (now 500MB was 250MB) tariffs.
- **What's changed pre-pay?** No significant changes to pricing this quarter.

Figure 73. SIM only, closest to 180min, 500MB data



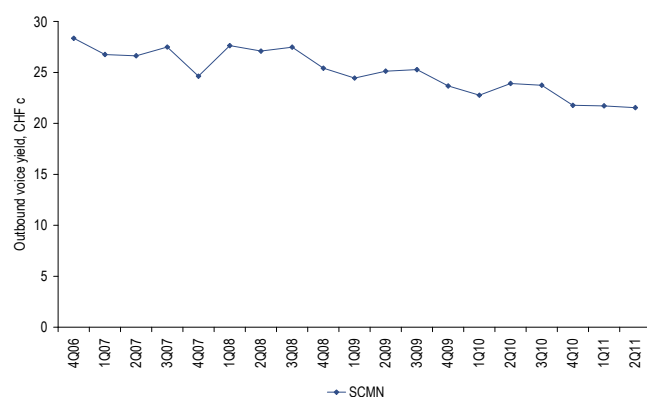
Source: Company websites, Citi Investment Research and Analysis

Figure 74. iPhone4 16GB, closest to 5GBytes, 300min



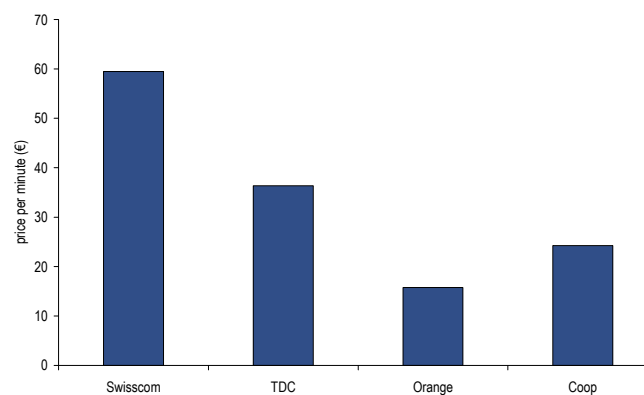
Source: Company websites, Citi Investment Research and Analysis

Figure 75. Outbound voice yield



Source: Company data, Citi Investment Research and Analysis

Figure 76. Pre-pay price per min (blended)



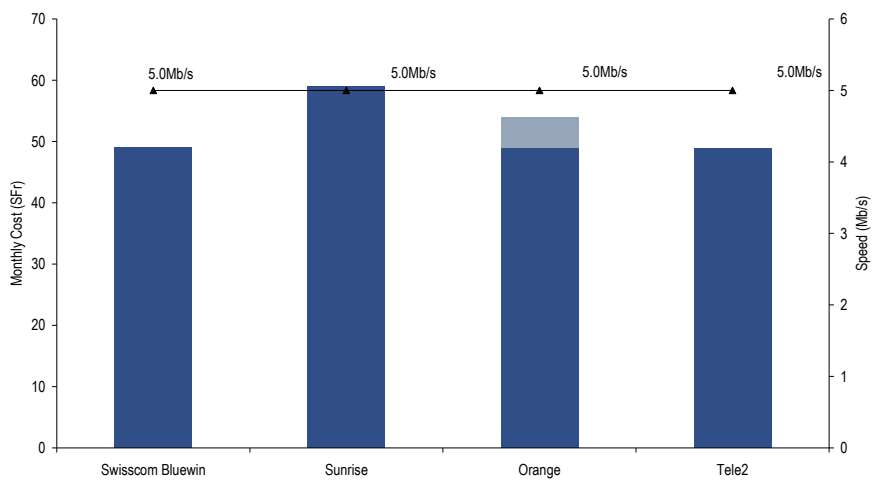
Source: Company websites, Citi Investment Research and Analysis

Swiss Broadband

Who competes? Three DSL providers, one cable operator.

What's changed? No significant changes to pricing this quarter.

Figure 77. Swiss Broadband



Source: Company reports, Citi Investment Research and Analysis

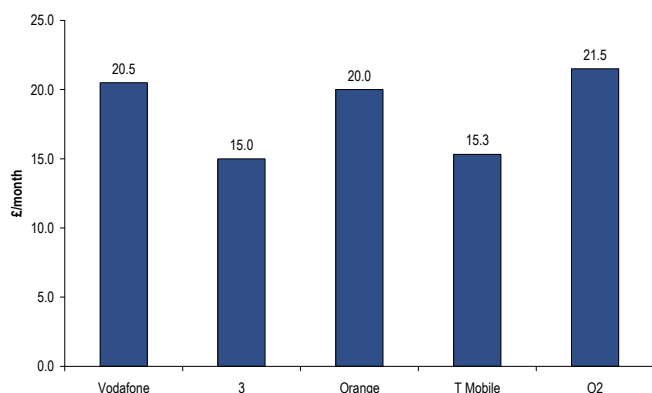
UK Mobile

Outlook – Some price movements from the UK operators but no significant market shifts as tariffs are already well positioned with premiums for bundles with extensive data allowances. This quarter, Orange has increased some post-pay prices and decreased some pre-pay prices whereas O2 has increased some pre-pay prices and decreased some post-pay prices.

Post-pay what's changed? Some new mid-market tariffs introduced along with other price movements. O2 has launched a new £21 tariff (200mins, unlimited texts) and additional “extra” tariffs which offer better value than the standard schemes albeit for a more limited choice of handsets. Orange has increased tariff prices by 50p on offers less than £25 (2.5% on a £20 monthly bill) and by £1 on offers of £25 or more (4% on a £25 monthly bill). T Mobile now offers unlimited internet on tariffs over £25 (was 500 MB).

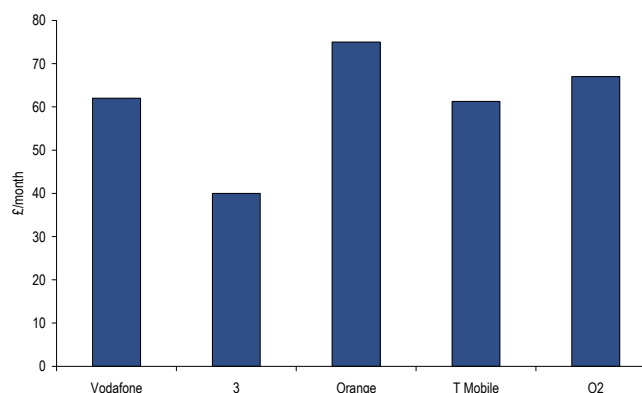
Pre-pay what's changed? O2 has increased call charges from 25p to 35p (+40%) and SMS charges from 10p to 12p (+20%). Orange has increased the size of SMS bundles within some tariffs for example a £10 top up now gets 400SMS not 300SMS.

Figure 78. SIM only, closest to 180min, 500MB data – No change



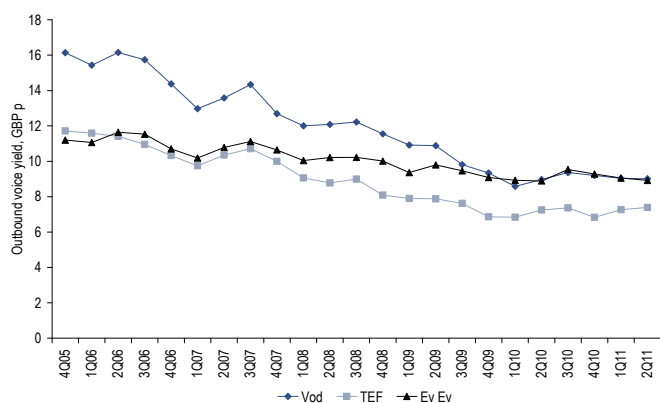
Source: Pure Pricing, Company websites, Citi Investment Research and Analysis

Figure 79. iPhone4 16GB, closest to 5GBytes, 300min – No change



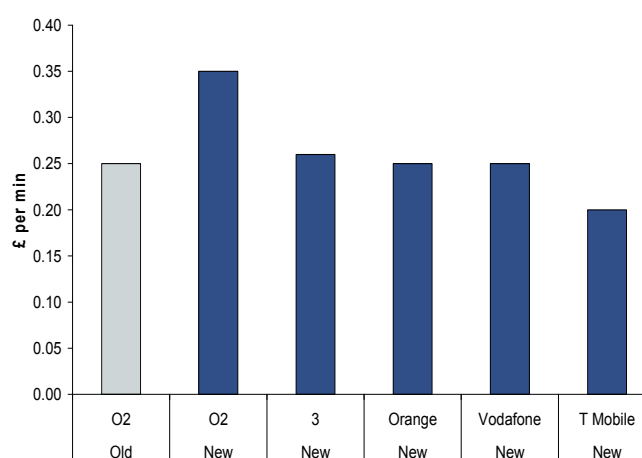
Source: Pure Pricing, Company websites, Citi Investment Research and Analysis

Figure 80. Outbound voice yield



Source: Company data, Citi Investment Research and Analysis

Figure 81. Pre-pay price per min (blended)



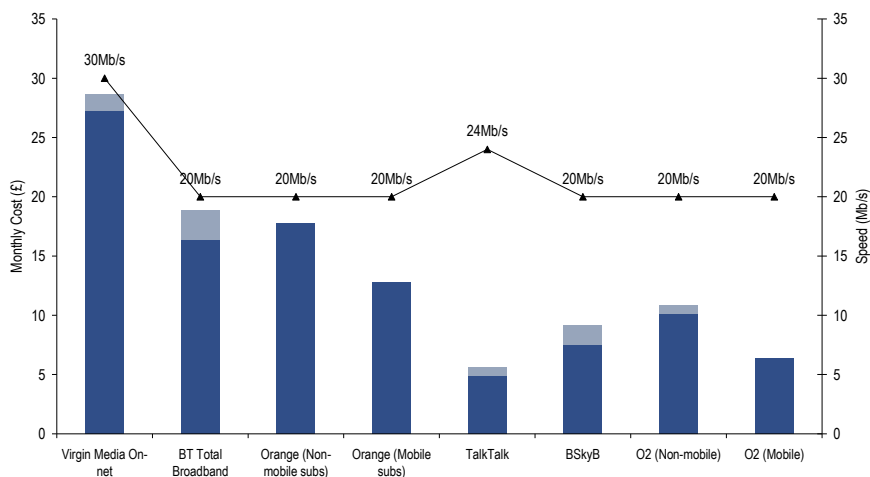
Source: Pure Pricing, Company websites, Citi Investment Research and Analysis

UK Broadband

Who competes? Four large DSL providers, one cable operator, several significant smaller DSL providers

What's changed? Some price movements. BSkyB has increased prices for 20Mbps by 50% to £7.50 (was £5). TalkTalk has introduced a 50% promotion for the first 6 months on both Essentials (£6.50) and Plus (£14.50) packages leading to 25% annual savings. Orange has increased prices by £2.75 for both mobile (£12.75) and non-mobile customers (£17.75).

Figure 82. UK Broadband Pricing



Source: Company websites, Citi Investment Research and Analysis

Notes

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Appendix A-1

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