

Industry

19 March 2010 | 72 pages

10 Themes For Our 10th Annual Conference

Equity 

Telecoms in 2010: Popular Services but Unloved Stocks

- **Testing investor sentiment** — An ironic situation for telecoms. Telco products have never been so popular (iPhones, IPTV) and politicians are putting the roll out of high speed broadband on top of their agenda. Yet investors are putting the sector on a discount. We hope our conference on 23-24 March will help bridge the gap.
- **Top 10 for 2010** — In this note we look at 10 themes which could change the industry and influence share price performance. Our stance for stock picking this year is to be pro-mobile, pro-cyclical and pro new iPhone partners.
- **Mobile recovery** — Vodafone kick starts our conference and we will be looking for more evidence that mobile is recovering. At its last results, Vodafone provided some positive lead indicators (usage back to positive territory in Spain, gross additions up double digits yoy, roaming improving).
- **Looking for growth** — In a sector not blessed with growth we are looking for growth opportunities. Signs of strong demand from emerging markets from Telia and Tele2 (head of Russia) would be positive.
- **Relax on capex** — TeliaSonera's CEO has stated that Moore's law applies to NGN investment with capacity doubling every two years at the same price. We expect news on capex to be fairly benign due to pricing pressure from Chinese vendors.
- **Margin risk** — Opportunities to cut costs are getting fewer. We look forward to hearing more from DT and FT on how more aggressive commercial policies in the US and France, respectively, could affect margins.
- **Incumbent-friendly regulation** — We await more details from BT's CEO on fibre roll-out. Cash-strapped governments could use regulatory devices to promote the roll out of high-speed broadband and BT could be one of the main beneficiaries.

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Figure 1. Telecoms at a discount vs. market and other defensive sectors

Multiples for 2010E	P/E	EV/EBITDA	Div Yield	FCF Yield
Telecommunications	10.0	5.1	6.5%	10.3%
Pharmaceuticals	11.4	7.7	4.1%	9.7%
Tobacco	12.4	9.6	4.7%	8.6%
DJ STOXX	12.9	7.0	3.8%	6.4%
Discount vs. defensives	-17%	-41%	49%	13%
Discount vs. DJ STOXX	-23%	-28%	71%	61%

Source: Datastream

See Appendix A-1 for Analyst Certification and important disclosures.

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Contents

Stagnating performance	3
10 Trends for 2010	4
4Q09 Results: All About Cash	10
Conference Agenda	11
Austria	14
Belgium	18
Finland Mobile	22
France	24
Germany	28
Greece	32
Italy	36
Netherlands	40
Norway	44
Portugal	48
Spain	52
Sweden	56
Switzerland	60
UK	64
Appendix A-1	69

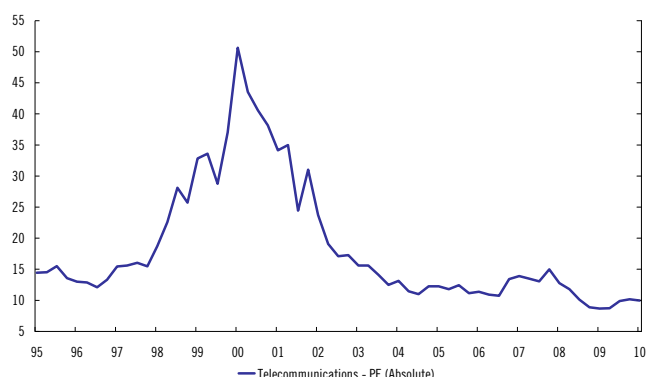
Stagnating performance

Telecoms: Devices never so popular but sector still unloved by investors

The telecom sector has managed to claw back most of its negative performance over the past month but is still down 1.4% YTD vs. market up 2.7%. We expect management teams at our conference to remain cautious and avoid calling the timing of recovery in revenue growth. What is interesting and slightly ironic this year is that despite the industry's products taking a more central part in people's lives (iPhones, broadband, IPTV) and a renewed political agenda (broadband for all) sector multiples are still relatively low (see figures below). The European telecoms sector trades on 10.5x P/E 2010E, however dividend yields of 6.1% for FY10E are 1.8x higher than the market.

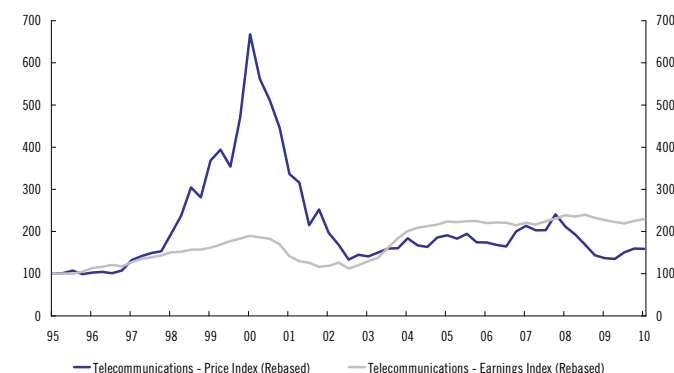
In this note we explore 10 key industry trends for 2010. We expect these trends to impact the industry and influence share prices. We look forward to hearing what management teams have to say at our 10th annual telecoms conference in London on 23 and 24 March.

Figure 2. Telecoms PE (Absolute) evolution



Source: Datastream

Figure 3. Price vs. Earnings performance for telcos



Source: Datastream

Taking a pro-mobile and pro-cyclical stance for 2010

For 2010 go pro-mobile, pro-cyclical and pro-iPhone new partners

The key themes we would like to play this year when picking stocks are:

- **Pro-mobile** – We expect mobile to benefit more from the recovery than the market expects. Usage, gross additions and roaming are starting to point in the right direction. Late cyclicity in fixed is a concern.
- **Pro-cyclical** – We are looking for growth. Pro-cyclical names with exposure to mobile, business and emerging markets are best positioned, in our view.
- **New iPhone partners** – The iPhone is becoming more democratic. Operators joining the iPhone's club in 2010 should improve their market share.

Our stock picks reflect these themes for the year and our valuation work.

10 Trends for 2010

10 themes to drive share price performance in 2010

Market might be underestimating mobile recovery

We have had a busy start to the year in terms of newsflow and corporate activity. Consolidation, fixed/mobile convergence and fibre roll-out are all happening at the same time. Below we summarise the 10 key themes which we believe will determine this year's performance for telecoms.

1- Sooner and stronger mobile recovery

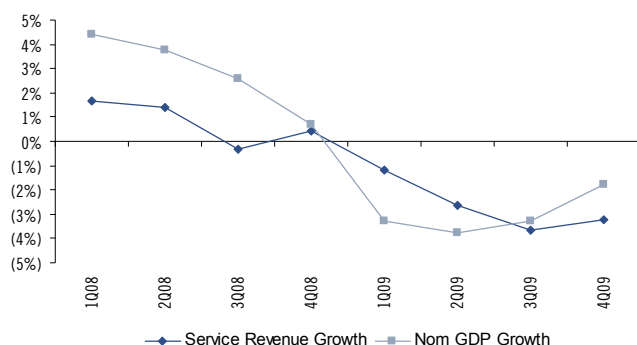
Last year mobile surprised on the downside. In 2010, the opposite could occur as mobile could prove to be more sensitive to the economy on the way up than the market expects. As Figure 4 illustrates, mobile tends to react to economic activity measured by GDP with up to a one quarter lag. Q3 showed a slight improvement in economic activity (-3.3% vs; -3.8% in Q2) and so did Q4 for mobile service revenue growth in Europe (-3.2% vs. -3.6% in Q3). GDP improved more materially in Q4 and we expect mobile to pick up more in 1Q10E and throughout 2010.

Several indicators are starting to point in the right direction for mobile:

- **Usage turning positive** – Vodafone's results in Q4 showed noticeable improvement in usage, with Spanish mobile back in positive territory (+1.7% yoy) and strong growth even in highly competitive emerging markets (e.g. Romania +18.4% yoy in 4Q09 vs. +9.3% in 4Q08).
- **Gross additions going up** – Gross additions for European operators are up double digit for the second consecutive quarter (see Figure 5).
- **Roaming to benefit from increased air traffic** – More evidence is coming from the airline industry that air traffic is growing again. IATA reported that in January passenger demand was up 6.4% yoy.

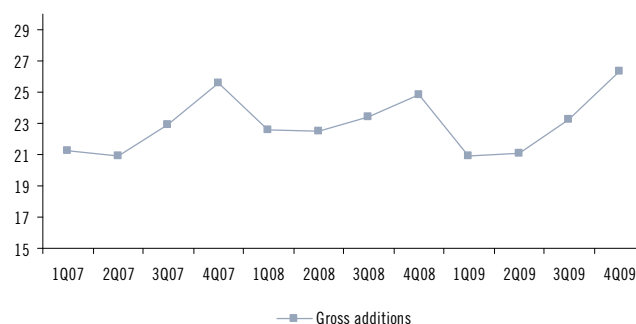
We see Bouygues and Vodafone as well placed to benefit from the positive impact of improving economies on mobile.

Figure 4 – Mobile service revenue and GDP growth compared for Europe



Source: Datastream

Figure 5. Mobile gross additions in millions for Europe



Source: Datastream

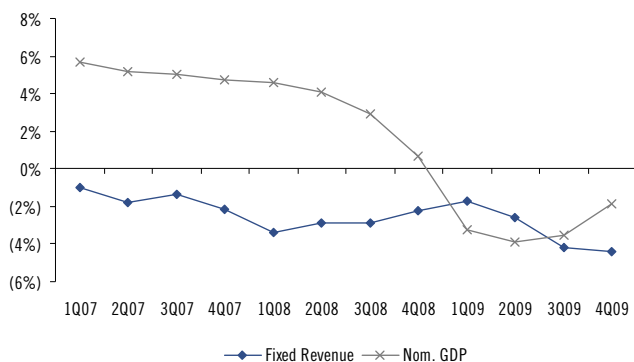
2 – Late cyclical in Fixed

More pain in fixed

Fixed has proven more resilient than mobile to the economy on the way down. Our concern is that it might not benefit much from an economic recovery. The main issues facing fixed are structural (e.g. broadband, its main growth driver, is slowing down sharply with net additions down 35% yoy in 2009).

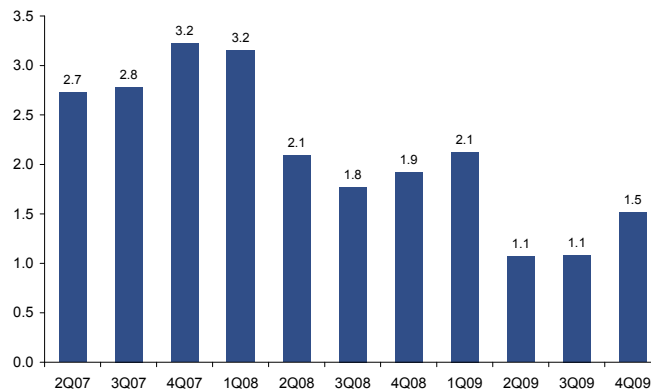
Due to its late cyclical nature we think that fixed has not necessarily bottomed out yet. In 4Q09, incumbent revenue growth deteriorated further (-4.4% in Q4 vs. -4.2% in Q3). We expect fixed to show at least a 2 quarters lag with GDP trends. Fixed is also likely to show a stronger correlation with level of employment rather than GDP. Since our economists expect a jobless recovery, the upside on fixed revenues from a better economic outlook might be limited.

Figure 6 – Fixed incumbent revenue and GDP growth compared for Europe



Source: Company Reports and CIRA Estimates

Figure 7. Broadband net additions in millions for main European markets



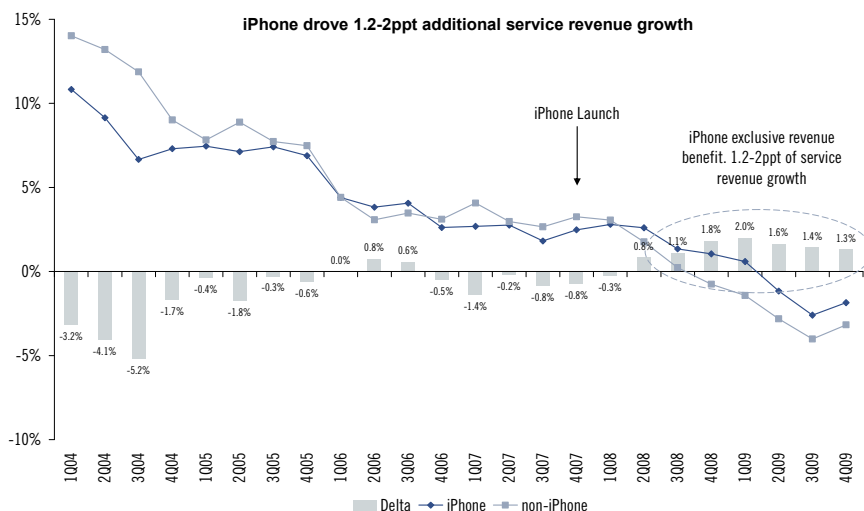
Source: Company Reports and CIRA Estimates

3 – A more democratic iPhone

Vodafone gaining access to the iPhone
could be a major boost

The iPhone has proved to be a game changer. Operators with iPhone exclusivity grew service revenue by between 1.2 to 2ppt faster pa than the iPhone have-nots. We expect 2010 to signal the end of iPhone exclusivity in most markets (e.g. Germany, Spain and the Netherlands). This trend should be a strong positive for Vodafone, which has been the main victim of the iPhone's success due to high-end customer loss. Apart from Vodafone, we think that DT (through T-Mobile US) could benefit.

Figure 8. Impact of the iPhone on service revenue growth



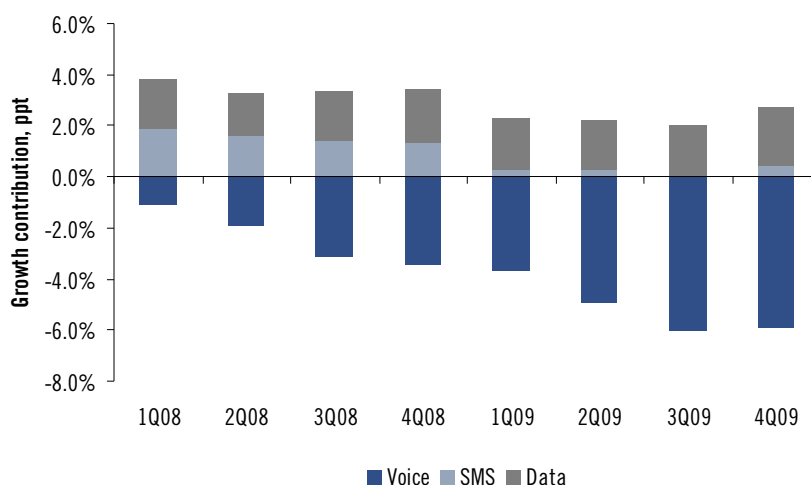
Source: Company Reports and CIRA Estimates

More growth to come from mobile data as smartphones become more affordable

4 – Cheaper smartphones to boost data

Android-based phones are proving popular and we expect lower-cost smartphones to bring the mobile data experience within easier reach of the mass market. Some industry executives believe that the price of Android-based phones could fall to US\$200-250 by the end of 2010, allowing highly featured smartphones to become affordable to most. Indeed the Mobile World Congress flagged smartphone prices lower still for emerging markets this year. Christmas 2010 should see a more diverse range of smartphone competition to the iPhone at many more price points, and we would see this as positive for the operators, which have suffered as a group from the clout that Apple wields in the market. The contribution of mobile data to mobile revenue growth remains very positive (2.2% in 4Q09 up 0.1ppt yoy) and we expect that trend to continue as the penetration of smartphones and dongles increase.

Figure 9. European mobile service revenue growth contribution from Voice, SMS and advanced data



Source: Company reports, Citi Investment Research and Analysis

5 – Network congestion could halt price deflation

More capacity should, in time, lead to more rational pricing policies

Networks are filling up quickly and in some cases are experiencing congestion (e.g. O2 in London, AT&T in New York and San Francisco). The threat of network congestion should make capacity a more valuable resource, which is likely to embolden operators to charge more for data and increase prices for giga-users, the small minority of heavy data consumers (AT&T indicated that 3% of its data subscribers are responsible for 40% of its data traffic). This again should be good for prices in an industry that has been bleeding pricing power for many years.

We are seeing positive examples of operators taking a more rational approach towards mobile data pricing which should favour tiered pricing:

- Verizon Wireless on 14 January announced a tiered structure to its data tariffs. Unlimited data comes at US\$29.99 per month, while 25MBytes can be bought for US\$9.99 per month. Verizon's tariff rebalancing between voice and data better reflects the underlying economics.

- Vodafone UK has set a fixed ceiling on its iPhone tariffs at 1GByte/month and has relaunched its home femtocell service (now called Vodafone Sure Signal) with a view to relieving the network of home-originated data traffic.
- In France, SFR charges €8/month more for iPhone users than for users on other packages.

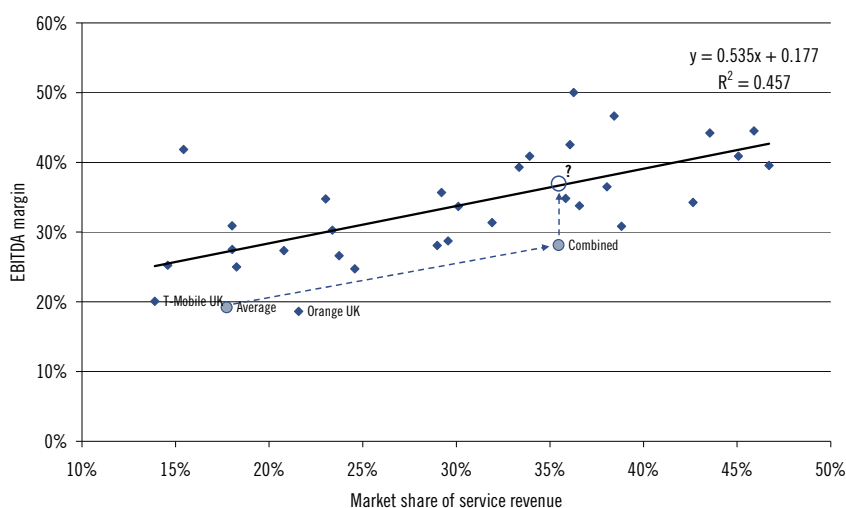
A shift away from price competition towards network quality and tiered pricing should benefit all operators but in particular those with the best data network. We expect larger incumbents and Vodafone to benefit from their superior networks and economies of scale when it comes to network design. Most at risk are operators lagging in 3G investment and with limited fixed network capacity (e.g. Bouygues, KPN and Mobistar).

6 – M&A bringing in-country consolidation

In-country consolidation is an opportunity to bring up margins

The market has given little credit to recent in-country consolidation deals in mobile (UK and Switzerland) and fixed (Germany). We expect pricing pressure to ease, which should benefit all participants and improve earnings momentum for the sector. The outcome may provide a precedent for other markets including Germany, Spain and Italy.

Figure 10. Correlation between market share and margin in Europe shows c.900bp EBITDA margin improvement is consistent with combined market share for Orange and T-Mobile UK



Source: Company reports, Citi Investment Research & Analysis

7 – Telco equipment under Moore's law

Accelerating decline in equipment prices as Chinese vendors buy market share

Historically, prices for mobile technology has been coming down but price deflation in equipment prices could even accelerate. The expansion of Chinese vendors (especially Huawei and ZTE) keen on gaining market share is putting operators in an ideal position to negotiate lower prices ahead of 4G upgrades, move to all-IP in the core network and roll out of fibre.

Spectrum costs unlikely to go through the roof as risk of new entrants is limited

We are seeing increased anecdotal evidence that equipment prices are falling faster than expectations:

- TeliaSonera stated that trends confirm that Moore's law applied to its NGN investment with capacity expected to double in two years for the same price.
- KPN's CEO said equipment prices should fall more in 2010 than in 2009.
- Belgacom in Belgium is swapping all its mobile base stations to multi-base stations for 2G, 3G and even 4G within its existing capex budgets. This means that the transition to 4G might put little pressure on capex as only software will be required.

8 – First round of spectrum auctions

Spectrum costs are potentially large but not unexpected. For the major groups we include our forecasts in Figure 11. India is set to hold a 3G spectrum auction starting on 9 April¹ which will be followed by the start of digital dividend range issuance in Europe and auctions in Mexico. Emerging markets may be more popular than the old world and run a higher risk of an unpleasant surprise on costs. European auctions, by contrast, may be relatively uneventful as we see limited risk of new entrants.

Figure 11. Forecast spectrum licence payments

Year to Mar	2009/10E	2010/11E	2011/12E	2012/13E
Vodafone				
Europe	90	600	550	796
India	704			
Other	391			
Total	1,186	600	550	796

Year to Dec	2009E	2010E	2011E	2012E
Europe only				
Deutsche Telekom	0	600	406	0
France Telecom	0	300	400	400
Telefónica	0	450	401	300
Telecom Italia	90	0	0	450

Source: Citi Investment Research and Analysis estimates

Margin risk as operators chase share and costs cutting opportunities diminish

9 – Less scope to protect margins with cost reductions

We are more concerned about EBITDA margins than capex for 2010. Risk to margins remains high because of negative operational gearing from ongoing revenue pressure and because operators that have been cutting costs for a number of years may start to see opportunities exhausted. Indeed, companies such as DT and FT have already guided for margin decline in 2010. Indeed, some costs will naturally rise post a downturn, notably marketing. For the main players our forecasts show revenue down by 0.4% yoy, EBITDA margin down 11bps and capex/sales up 60bps. Margin risk is our main concern for 2010.

¹ See our note on India Wireless called *3G Auction – Bidding Intensity Set to Increase* published on 16 March 2010 for more details.

10 – More incumbent friendly regulation

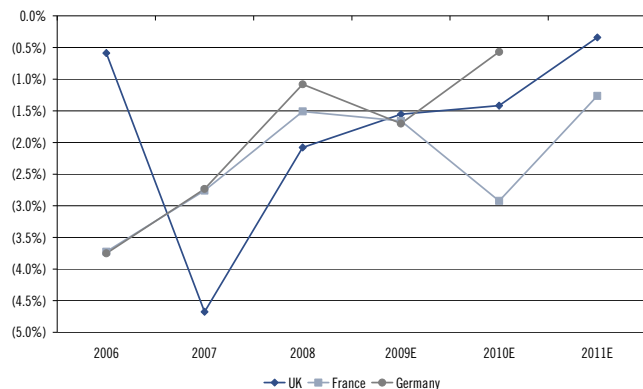
Incumbent (for once) could benefit from regulation and fibre

We expect regulation to become more benign for fixed incumbents. With national treasuries empty, governments may resort to regulatory devices (e.g. regulatory holidays in Germany) to promote rural deployment of high speed broadband. This should be advantageous to incumbent operators which could push for concessions in exchange for rolling out fibre and creating or at least maintaining jobs.

We believe that BT could be one of the main beneficiaries from a more favourable regulatory environment as the roll out of fibre to the mass market takes centre stage in the UK.

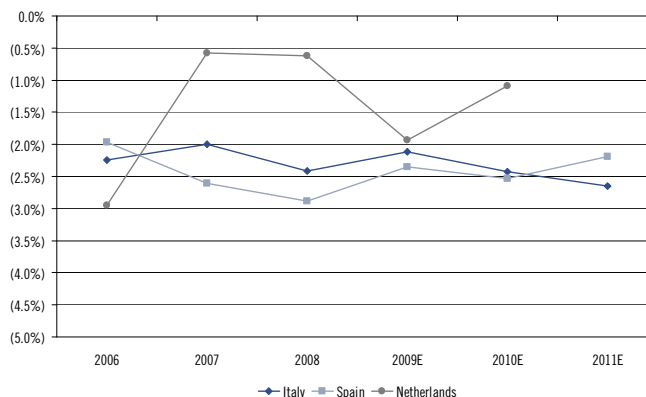
In mobile we don't expect new regulatory devices, but we don't see much easing of regulatory pressure either. Mobile termination rates should continue to fall in Europe, applying about the same overall pressure on service revenue as in 2009 (c.200bps yoy on our estimates). Germany should have an easier time, while Belgium, France and Spain should be worse. The one, more long-term, positive is that we should in the next 3 years reach a level where termination rates are so low (e.g. €1c in Belgium) that any further cuts will have no meaningful impact. We see few if any new initiatives for mobile regulation apart from defining LTE roll out obligations.

Figure 12. The impact on service revenue of mandated MTR reductions in 2010 is set to ease in Germany but toughen in France



Source: Company Reports and CIRA Estimates

Figure 13. The impact on service revenue of mandated MTR reductions in 2010 is set to ease in the Netherlands but toughen slightly in Spain & Italy



Source: Company Reports and CIRA Estimates

4Q09 Results: All About Cash

4Q09 results was a good vintage

Overall 4Q09 was another good set of results with around 65% of companies beating expectations at revenue, EBITDA and FCF levels (see Figure 15 for more details). We had few surprises this quarter, which is generally well received by a market that likes telecoms to deliver steady results. The most notable features of the last round of results were:

- **No rise in capex** – Market is getting nervous that increased capacity needs could put upward pressure on capex. However, ¾ of our companies reported lower capex than expected. Most guided for flat capex next year with some exceptions (Nordic operators expecting lower capex due to falling equipment prices, DT guiding for rising capex in Germany due to fibre).
- **Delivering fat dividends** – With the exception of OTE (33% cut to dividend), telecom companies delivered high dividends for their shareholders. More companies are providing increased visibility by committing to long-term dividend policies (DT announced a 3-year dividend policy, Belgacom announced its dividend for fiscal year 2010 on top of fiscal year 2009).
- **Margin pressure** – Companies (e.g. Vodafone, DT and FT) without being too specific are indicating that margins could come under pressure in 2010. This is partly due to the normal recovery cycle, as one needs to invest in marketing and product development to respond to increased customer demand. The risk, however, is that operators start chasing market share.

Figure 14. Variation to consensus for 4Q09 results

	Revenue	EBITDA	EPS	Capex	FCF (EBITDA-capex)	Comment
Belgacom (BCOM.BR; €28.60; 2M)	0.8%	2.2%	25.0%	-10.7%	13.6%	Announced dividend for 2009 and 2010
Bouygues (BOUY.PA; €37.87; 1H)	1.0%	17.0%	12.6%	-40.4%*	600%*	Major beat on FCF due to better WC
BT Group (BT.L; £1.24; 1H)	1.1%	1.5%	53.9%	-19.7%	21.6%	Increased pension payments
Deutsche Telekom (DTGn.DE; €9.86; 1M)	-1.1%	-0.5%	26.0%	2.2%	-2.5%	Dividend commitment for next 3 years
Elisa (ELI1V.HE; €16.52; 3M)	1.1%	-1.6%	-15.0%	15.1%	-14.0%	Guidance in-line, strong shareholder returns
France Telecom (2H09) (FTE.PA; €17.65; 2M)	0.2%	0.3%	-66.5%	-5.7%	2.9%	New CEO committed to €8bn FCF guidance for 10E and 11E
KPN (KPN.AS; €11.60; 1M)	-2.0%	-0.5%	180.0%	-5.0%	3.2%	Departure of Stan Miller Head of Mobile International
Mobistar (MSTAR.BR; €44.76; 2M)	8.1%	4.4%	5.9%	-13%*	18.8%*	Disappointing guidance due to termination impact
OTE (OTEr.AT; €9.03; 1H)	-0.1%	-2.4%	na	-5.2%	0.8%	Big cut to dividend (1/3) no visibility for 2010
Portugal Telecom (PTC.LS; €8.20; 1H)	0.9%	3.2%	2.6%	-1.1%	15.0%	Improving operational trends
Swisscom (SCMN.VX; Sfr381.90; 1M)	0.9%	-2.4%	2.5%	na		Dividend disappoints
Tele2 (TEL2b.ST; Skr119.60; 1H)	2.2%	1.8%	11.3%	-24.8%	43.8%	Another beat from Russia
Telecom Italia (TLIT.MI; €1.09; 2H)	-1.5%	2.9%	na	na		Only partial results, tax fraud investigation
Telefónica (TEF.MC; €17.85; 2M)	3.4%	-1.1%	31.2%	31.6%	-21.0%	2012 Guidance reiterated
Telekom Austria (TELA.VI; €9.75; 2H)	-2.3%	1.2%	9.7%	4.4%	-7.8%	2010 Guidance reiterated
Telenet (TNET.BR; €22.20; 1M)	2.2%	-1.9%	na	-12.3%	-36.8%	Strong KPIs, big dividend announced (10.7% yield)
Telia (TLSN.ST; Skr52.20; 2M)	-0.4%	4.5%	4.8%	-3.1%	6.0%	2010 Guidance ahead on EBITDA
Virgin Media (VMED.O; US\$17.29; 1H)	1.7%	4.9%	17.4%*	-2.6%	12.7%	Strong performance benefiting from speed advantage
Vodafone (VOD.L; £1.47; 1M)	0.7%	na	na	na	na	Improvement in revenue growth

Source: Company reports, Citi Investment Research and Analysis, Consensus from Reuters

Conference Agenda

Please see below the agenda of 10th annual telecommunications conference, which will be held in London on 23 and 24 March².



AGENDA:
10th Annual European & EMEA Telecommunications Conference 2010

Tuesday 23rd March		
Time	Room 1	Room 2
09.00-09.30	Registration/Breakfast	
09:30-10:15	Vodafone Group Plc (Andy Halford CFO)	
10:20-11:05	France Telecom (Gervais Pellissier CFO)	
11:05-11:15	BREAK	
11.20 -12.05	Telefónica España (Antonio Marti CFO)	
12:10 - 12.55	Telenet (Duco Sickinghe CEO)	Cellcom (Yaacov Heen CFO)
13.00 - 13:45	Telenor (Sigve Brekke EVP and Head of Telenor Asia)	Orascom (Aldo Mareuse Group CFO)
13.50 - 14.30	Lunch	
14:35 -15:20	Private Equity Panel	CPW (Charles Dunstone Chairman)
15:25- 16.10	Tele2 (Dmitry Strashnov Head of Tele2 Russia)	Virgin Media (Neil Berkett CEO)
16:10-16:25	Break	
16:30-17:15	Telekom Austria (Hans Tschuden CFO)	Bezeq (Alan Gelman CFO & Deputy CEO)
17:20 -18:05	C&W Worldwide (John Pluthero Executive Chairman)	
	Drinks Reception Radisson Mayfair	

Wednesday 24th March		
Time	Room 1	Room 2
08.00-08.30	Registration/Breakfast	
08:30-09:15	Deutsche Telekom (Timotheus Höttges CFO)	
09:20-10:05	British Telecom (Ian Livingston CEO)	
10:05-10:15	BREAK	
10.20 -11.05	PT (Zeinal Bava CEO)	
11:10 - 11.55	SFR (Frank Esser Chairman and CEO)	Matthias Kurth: President of Federal Network Agency (German regulator)
12.00 - 12:45	TeliaSonera (Lars Nyberg CEO)	Wind Telecomunicazioni Spa (Pietro Cordova Deputy CFO)
12.50 - 13.30	Lunch	
13:35 -14:20	KPN (Carla Smits-Nusteling CFO)	
14:25- 15.10	C&W (Tony Rice CEO)	Partner (Oded Degany VP Business Development, Strategy & IRO)
15:10-15:25	Break	
15:30-16:15	Zon (Rodrigo Costa CEO)	Millicom (Francois-Xavier Roger CFO)
16:20 -17:05	Mobistar (Werner De Laet CFO)	Turkcell (Nihat Narin Head of IR)

* Times Subject to change

Source: Citi Investment Research and Analysis

² For more details please go to: <https://www.citievents.com/Metron/forms/2010Telecoms.form>

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European Country Analysis

Austria

Fixed

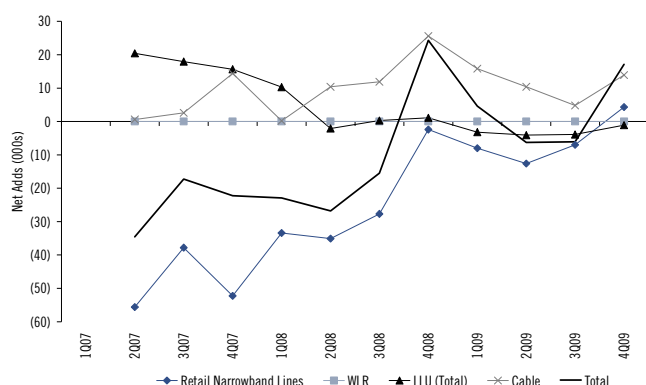
- **TKA increasing broadband market share** – TKA has consistently increased broadband market share over the past year, on the back of aggressively priced bundled products.
- **Mobile broadband growth** – Mobile broadband has grown significantly compared to the total fixed broadband market, which has been growing relatively slowly. This is mainly due to lower relative network quality of fixed vs the European average.

Mobile

- **Worsening revenue growth** – Revenue growth deteriorated in 4Q09 as customer uptake was offset by lower pricing and usage, however an uptick in post-paid net adds is an encouraging signal for 2010. (Note these numbers exclude Orange and 3 Hutch).
- **OpFCF margin reversal** – T-Mobile now achieves a higher OpFCF margin than TKA. This has primarily been driven by capex.

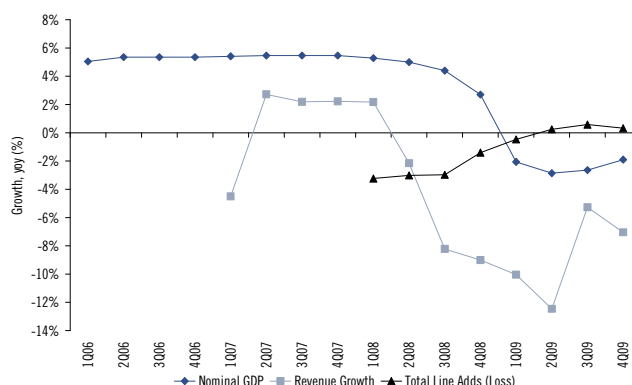
Fixed Charts

Figure 15. Telephony Net Adds



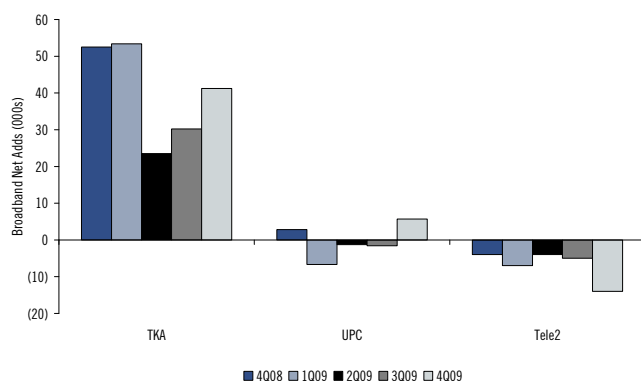
Source: Company reports, Citi Investment Research and Analysis

Figure 16. Total Line Loss, Incumbent Revenue Growth and GDP



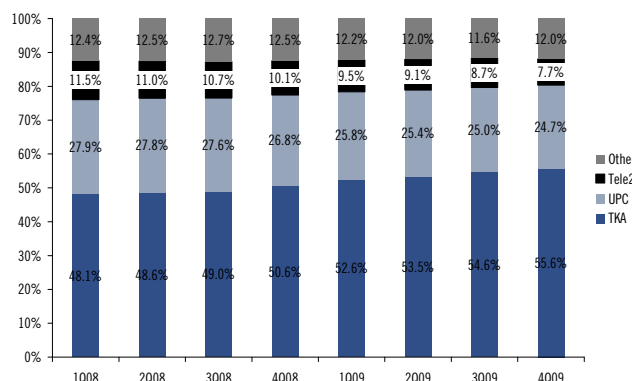
Source: Company reports, Citi Investment Research and Analysis

Figure 17. Broadband Subscriber Net Adds



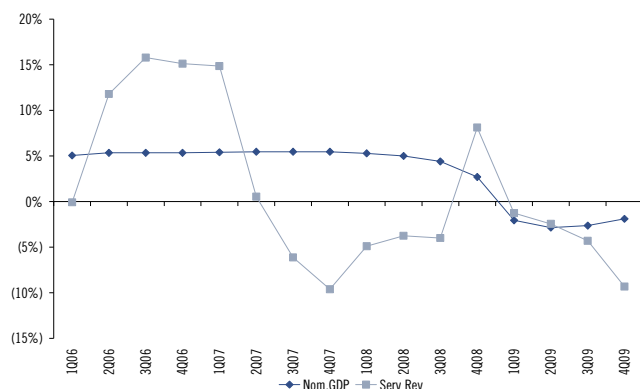
Source: Company reports, Citi Investment Research and Analysis

Figure 18. Broadband Subscriber Market Share



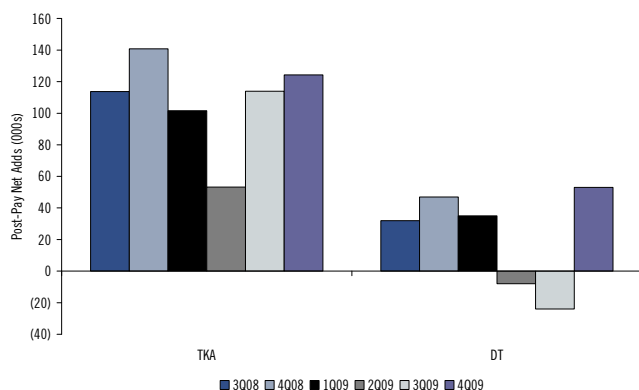
Source: Company reports, Citi Investment Research and Analysis

Figure 19. Revenue and GDP



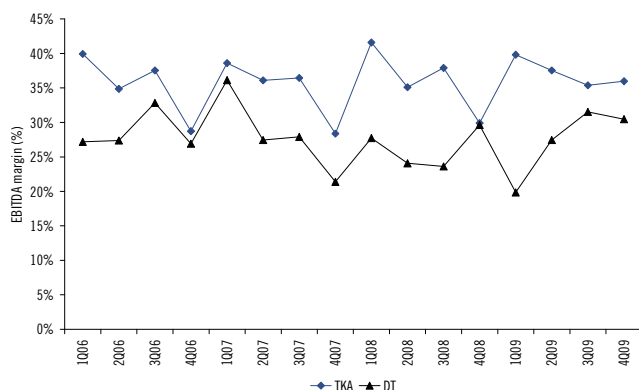
Source: Company reports, Citi Investment Research and Analysis

Figure 20. Post-Paid Net Adds



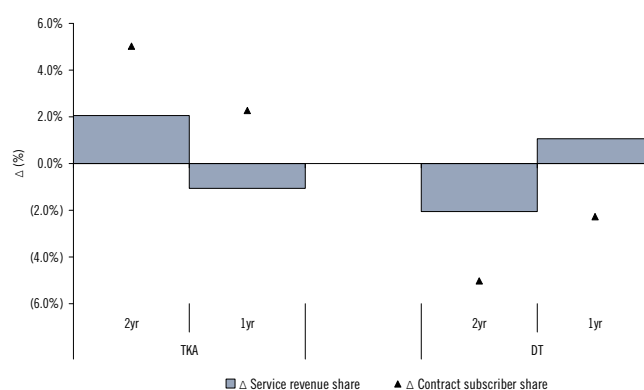
Source: Company reports, Citi Investment Research and Analysis

Figure 22. EBITDA Margin



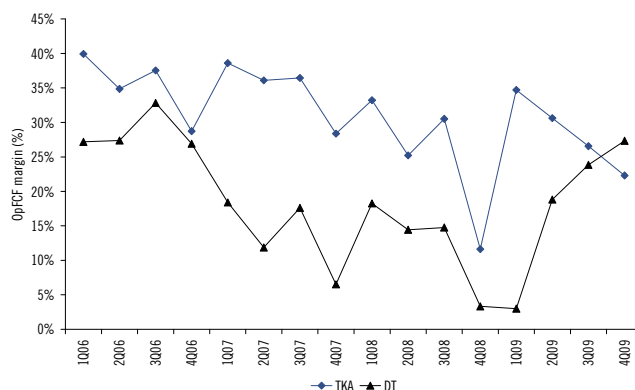
Source: Company reports, Citi Investment Research and Analysis

Figure 21. Change in Service Revenue and Contract Sub Share



Source: Company reports, Citi Investment Research and Analysis

Figure 23. OpFCF margin



Source: Company reports, Citi Investment Research and Analysis

Austria Mobile Data

Figure 24. Austria Mobile Market Information

Austria	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue, €m												
TKA	348	358	359	333	347	352	359	380	347	352	341	338
T-Mobile (DT)	294	278	281	258	264	260	255	259	256	245	247	241
Total	642	636	640	591	611	612	614	639	603	597	588	579
Service Revenue Growth, yoy												
TKA	(0.5%)	(1.0%)	(2.1%)	(7.2%)	(0.4%)	(1.6%)	0.1%	14.1%	0.1%	(0.0%)	(5.1%)	(10.9%)
T-Mobile (DT)	40.7%	2.6%	(10.8%)	(12.5%)	(10.2%)	(6.5%)	(9.3%)	0.4%	(3.0%)	(5.8%)	(3.1%)	(6.9%)
Total	14.9%	0.5%	(6.1%)	(9.6%)	(4.9%)	(3.7%)	(4.0%)	8.1%	(1.3%)	(2.5%)	(4.3%)	(9.3%)
Service Revenue Market Share												
TKA	54.2%	56.3%	56.1%	56.3%	56.8%	57.5%	58.5%	59.5%	57.6%	59.0%	58.0%	58.4%
T-Mobile (DT)	45.8%	43.7%	43.9%	43.7%	43.2%	42.5%	41.5%	40.5%	42.4%	41.0%	42.0%	41.6%
Post-pay Customers, 000s												
TKA	2,307	2,411	2,537	2,626	2,776	2,872	2,986	3,126	3,228	3,281	3,395	3,519
T-Mobile (DT)	1,943	1,965	2,061	2,133	2,173	2,191	2,223	2,270	2,305	2,297	2,273	2,326
Call Volumes, mn min/qtr												
TKA	1,880	1,952	1,988	2,181	2,217	2,220	2,190	2,324	2,292	2,264	2,242	2,369
Deutsche Telekom	2,023	2,052	2,076	2,264	2,252	2,183	2,138	2,344	2,445	2,414	2,322	2,511
Total	3,902	4,004	4,065	4,445	4,469	4,403	4,329	4,668	4,737	4,678	4,564	4,880
Call Volume growth, yoy												
TKA	24.0%	20.7%	22.7%	23.4%	18.0%	13.7%	10.2%	6.6%	3.3%	1.9%	2.4%	1.9%
Deutsche Telekom	74.5%	35.0%	14.7%	16.0%	11.3%	6.4%	3.0%	3.5%	8.6%	10.6%	8.6%	7.1%
Total	45.9%	27.6%	18.5%	19.5%	14.5%	10.0%	6.5%	5.0%	6.0%	6.2%	5.4%	4.5%
Contract Churn, % p.a												
TKA	25.2%	12.9%	14.3%	27.6%	24.0%	13.7%	16.8%	18.5%	23.9%	25.4%	24.2%	0.0%
T-Mobile (DT)	20.4%	15.6%	9.6%	12.0%	12.0%	12.0%	10.8%	12.0%	12.0%	12.0%	13.2%	12.0%
EBITDA, €m												
TKA	161	152	156	112	170	140	159	132	161	147	139	139
T-Mobile (DT)	112	81	84	59	76	65	64	80	53	70	82	78

Source: Company reports, Citi Investment Research and Analysis

Austria Fixed Data

Figure 25. Austrian Fixed Market Information

Austria	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Broadband Subscribers (000s)												
Incumbent retail	598	626	627	665	746	758	766	819	872	896	926	967
Incumbent wholesale	124	98	95	86	72	69	69	67	63	63	57	55
ULL (total)	235	256	274	289	300	298	298	299	296	292	288	287
Cable	417	416	418	442	433	434	431	434	427	426	424	430
Total	1,374	1,396	1,413	1,482	1,550	1,558	1,564	1,619	1,659	1,676	1,695	1,739
Broadband Subscribers (000s)												
TKA	598	626	627	665	746	758	766	819	872	896	926	967
UPC	417	416	418	442	433	434	431	434	427	426	424	430
Tele2	136	149	161	172	179	171	168	164	157	153	148	134
- other	223	205	208	203	192	195	199	202	202	201	196	208
Total	1,374	1,396	1,413	1,482	1,550	1,558	1,564	1,619	1,659	1,676	1,695	1,739
Broadband Subscribers Net Adds (000s)												
TKA		28	1	39	81	12	9	53	53	24	30	41
UPC		(1)	2	24	(9)	1	(3)	3	(7)	(1)	(2)	6
Tele2		13	12	11	7	(8)	(3)	(4)	(7)	(4)	(5)	(14)
- other		(18)	3	(5)	(10)	3	3	3	0	(1)	(5)	12
Total		22	18	68	69	7	7	54	40	17	19	45
Telephony Channels (000s)												
Incumbent retail	2,581	2,525	2,488	2,435	2,402	2,367	2,339	2,337	2,329	2,316	2,309	2,314
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	235	256	274	289	300	298	298	299	296	292	288	287
Cable	176	177	180	194	194	205	217	242	258	268	273	287
Total	2,993	2,958	2,941	2,919	2,896	2,869	2,854	2,878	2,882	2,876	2,870	2,887
Telephony Channels Net Adds (000s)												
Incumbent retail		(56)	(38)	(52)	(33)	(35)	(28)	(2)	(8)	(13)	(7)	4
Incumbent wholesale (WLR)		0	0	0	0	0	0	0	0	0	0	0
ULL (total)		20	18	16	10	(2)	0	1	(3)	(4)	(4)	(1)
Cable		1	3	14	0	10	12	26	16	10	5	14
Total		(35)	(17)	(22)	(23)	(27)	(16)	24	5	(6)	(6)	17

Source: Company reports, Citi Investment Research and Analysis

Belgium

Fixed

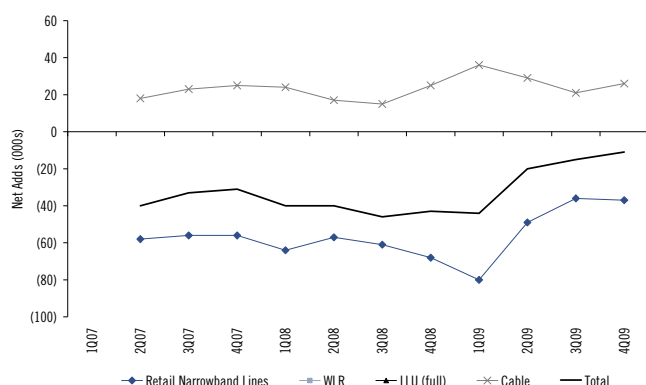
- **Stability in telephony lines, triple-play battle** – Trends in telephony lines remain unchanged. The battle in triple play between Telenet and Belgacom continues with no clear winner. Belgacom is achieving strong TV net adds, but Telenet's KPIs remain undented and particularly strong in broadband.

Mobile

- **Service revenue growth improvement** – service revenue growth saw a significant improvement in 4Q09 from 0.1% to 2.6%.
- **MTR cuts to affect 2010 and beyond** – However, steep MTR cuts from mid-2010 (45% cut) onwards will hit financial performance. We calculate the greatest impact on Mobistar (MSTAR.BR; €44.76; 2M) (6% hit to FY10E EPS, 13\$ hit to FY11E EPS).
- **Subsidies and Telenet's entry** – During 2010 there will continue to be a focus on whether the main operators follow Telenet in introducing subsidies and also on the success of Telenet's push into mobile.

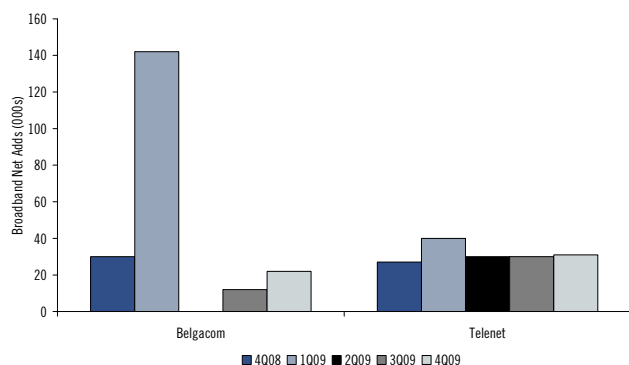
Fixed Charts

Figure 26. Telephony Net Adds



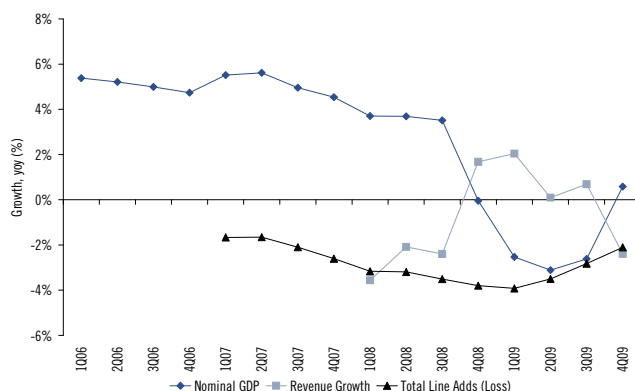
Source: Company reports, Citi Investment Research and Analysis

Figure 28. Broadband Subscriber Net Adds



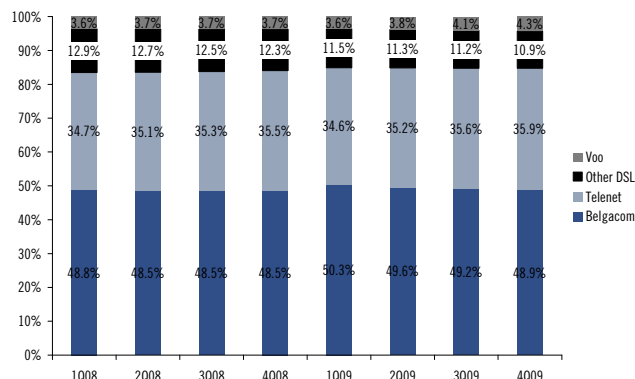
Source: Company reports, Citi Investment Research and Analysis

Figure 27. Total Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Citi Investment Research and Analysis

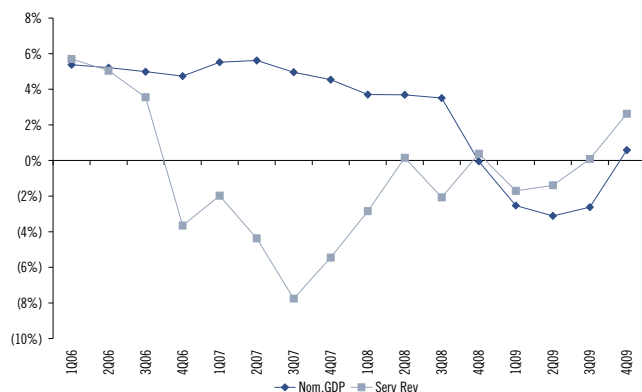
Figure 29. Broadband Subscriber Market Share



Source: Company reports, Citi Investment Research and Analysis

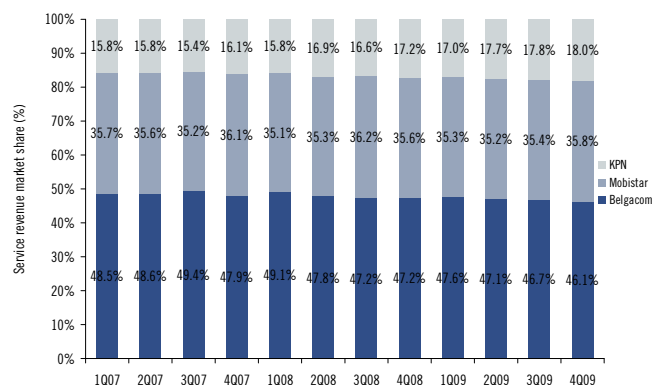
Mobile Charts

Figure 30. Revenue and GDP



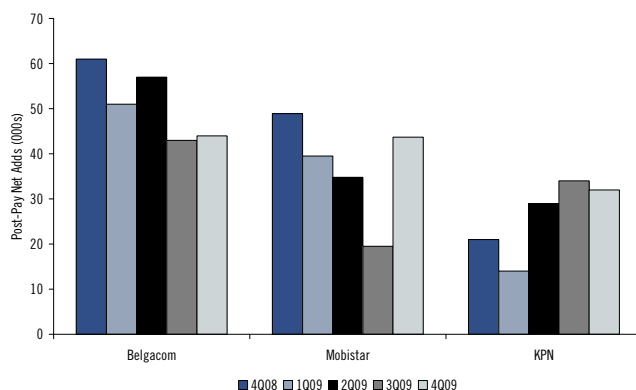
Source: Company reports, Citi Investment Research and Analysis

Figure 31. Service Revenue Market Share



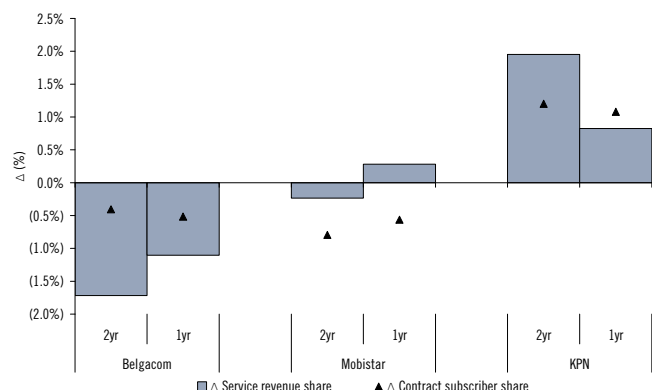
Source: Company reports, Citi Investment Research and Analysis

Figure 32. Post-Paid Net Adds



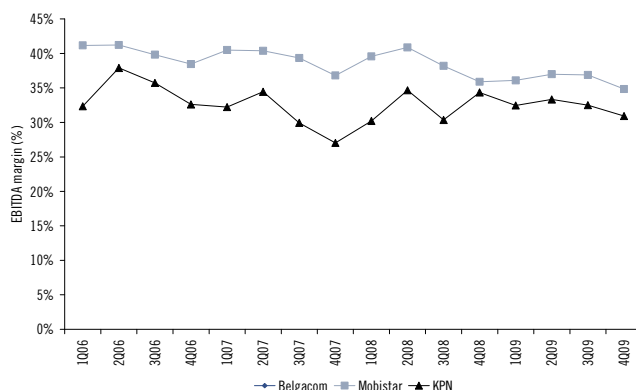
Source: Company reports, Citi Investment Research and Analysis

Figure 33. Change in Service Revenue and Contract Sub Share



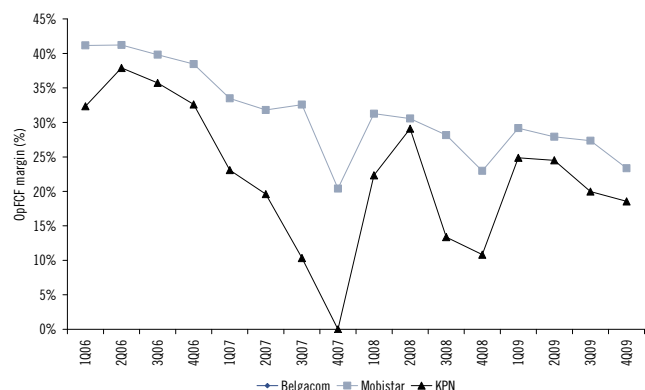
Source: Company reports, Citi Investment Research and Analysis

Figure 34. EBITDA Margin



Source: Company reports, Citi Investment Research and Analysis

Figure 35. OpFCF margin



Source: Company reports, Citi Investment Research and Analysis

Belgium Mobile Data

Figure 36. Belgium Mobile Market Information

Belgium	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue, €m												
Belgacom	459	465	472	441	451	458	441	437	430	445	437	438
Mobistar	338	340	336	332	323	338	339	329	319	332	332	340
KPN	149	151	147	148	145	162	155	159	154	167	167	171
Total	946	956	955	921	919	958	935	925	903	944	936	949
Service Revenue Growth, yoy												
Belgacom	(2.3%)	(3.9%)	(4.3%)	(4.8%)	(1.7%)	(1.5%)	(6.6%)	(0.9%)	(4.7%)	(2.8%)	(0.9%)	0.2%
Mobistar	(4.5%)	(6.5%)	(12.3%)	(6.2%)	(4.4%)	(0.7%)	1.0%	(1.1%)	(1.1%)	(1.6%)	(2.1%)	3.4%
KPN	5.7%	(0.7%)	(7.5%)	(5.7%)	(2.7%)	7.3%	5.4%	7.4%	6.2%	3.1%	7.7%	7.5%
Total	(2.0%)	(4.4%)	(7.8%)	(5.4%)	(2.8%)	0.2%	(2.1%)	0.4%	(1.7%)	(1.4%)	0.1%	2.6%
Service Revenue Market Share												
Belgacom	48.5%	48.6%	49.4%	47.9%	49.1%	47.8%	47.2%	47.2%	47.6%	47.1%	46.7%	46.1%
Mobistar	35.7%	35.6%	35.2%	36.1%	35.1%	35.3%	36.2%	35.6%	35.3%	35.2%	35.4%	35.8%
KPN	15.8%	15.8%	15.4%	16.1%	15.8%	16.9%	16.6%	17.2%	17.0%	17.7%	17.8%	18.0%
Post-pay Customers, 000s												
Belgacom	2,078	2,161	2,248	2,333	2,429	2,482	2,509	2,570	2,621	2,678	2,721	2,765
Mobistar	1,657	1,710	1,740	1,775	1,807	1,855	1,891	1,940	1,979	2,014	2,033	2,077
KPN	484	490	494	512	518	533	548	569	583	612	646	678
Call Volumes, mn min/qtr												
Belgacom	2,196	2,311	2,220	2,388	2,467	2,551	2,378	2,494	2,455	2,541	2,434	2,555
Mobistar	1,430	1,558	1,480	1,595	1,619	1,661	1,578	1,628	1,635	1,671	1,543	1,653
KPN	957	1,115	1,066	1,146	1,140	1,169	1,159	1,224	1,291	1,299	1,184	1,349
Total	4,582	4,984	4,767	5,129	5,226	5,381	5,116	5,345	5,381	5,511	5,161	5,557
Call Volume growth, yoy												
Belgacom	7.1%	7.0%	8.7%	13.3%	12.4%	10.4%	7.1%	4.4%	(0.5%)	(0.4%)	2.3%	2.5%
Mobistar	8.1%	10.7%	11.8%	14.3%	13.2%	6.6%	6.6%	2.0%	1.0%	0.6%	(2.2%)	1.6%
KPN	12.8%	23.7%	27.4%	23.7%	19.1%	4.8%	8.8%	6.8%	13.2%	11.2%	2.1%	10.3%
Total	8.5%	11.5%	13.4%	15.8%	14.0%	8.0%	7.3%	4.2%	3.0%	2.4%	0.9%	4.0%
Contract Churn, % p.a												
KPN	18.0%	17.0%	21.0%	22.0%	29.0%	18.0%	18.0%	21.0%	20.0%	21.0%	17.0%	24.0%
EBITDA, €m												
Mobistar	151	152	149	142	143	157	150	141	134	144	142	146
KPN	60	65	55	50	55	70	58	68	62	68	65	64

Source: Company reports, Citi Investment Research and Analysis

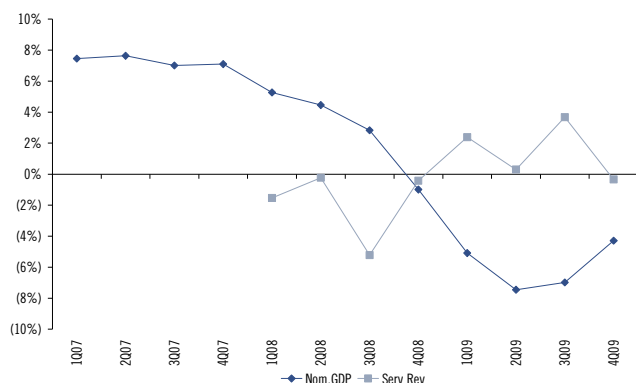
Belgium Fixed Data

Figure 37. Belgium Fixed Line Market Information

Belgium	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Broadband Subscribers (000s)												
Incumbent retail	1,164	1,176	1,202	1,237	1,285	1,295	1,315	1,345	1,487	1,487	1,499	1,521
Wholesale and ULL*	340	340	340	340	340	340	340	340	340	340	340	340
Cable	896	921	949	975	1,009	1,033	1,058	1,088	1,132	1,170	1,210	1,251
Total	2,400	2,437	2,491	2,552	2,634	2,668	2,713	2,773	2,959	2,997	3,049	3,112
Broadband Subscribers (000s)												
Belgacom	1,164	1,176	1,202	1,237	1,285	1,295	1,315	1,345	1,487	1,487	1,499	1,521
Telenet	811	834	859	883	914	935	958	985	1,025	1,055	1,085	1,116
Other DSL*	340	340	340	340	340	340	340	340	340	340	340	340
Voo	85	87	90	92	95	98	100	103	107	115		
Total	2,400	2,437	2,491	2,552	2,634	2,668	2,713	2,773	2,959	2,997	3,049	3,112
Broadband Subscribers Net Adds (000s)												
Belgacom	37	12	26	35	48	10	20	30	142	0	12	22
Telenet	82	23	25	24	31	21	23	27	40	30	30	31
Other DSL*	0	0	0	0	0	0	0	0	0	0	0	0
Voo	9	2	3	3	3	2	2	3	4	8	10	10
Total	128	37	54	62	82	33	45	60	186	38	52	63
Telephony Channels (000s)												
Incumbent retail	4,069	4,011	3,955	3,899	3,835	3,778	3,717	3,649	3,569	3,520	3,484	3,447
Incumbent wholesale (WLR)												
ULL (total)												
Cable	482	500	523	548	572	589	604	629	665	694	715	741
Total	4,551	4,511	4,478	4,447	4,407	4,367	4,321	4,278	4,234	4,214	4,199	4,188
Telephony Channels Net Adds (000s)												
Incumbent retail	(42)	(58)	(56)	(56)	(64)	(57)	(61)	(68)	(80)	(49)	(36)	(37)
Incumbent wholesale (WLR)												
ULL (total)												
Cable	27	18	23	25	24	17	15	25	36	29	21	26
Total	(15)	(40)	(33)	(31)	(40)	(40)	(46)	(43)	(44)	(20)	(15)	(11)
Pay TV Subscribers (000s)												
Belgacom	149	191	249	305	313	350	389	441	486	513	575	652
Telenet	1,732	1,723	1,716	1,729	1,695	1,688	1,654	2,402	2,386	2,374	2,363	2,342
Pay TV Subscribers Net Adds (000s)												
Belgacom	9	42	58	56	8	37	39	52	45	27	62	77
Telenet	128	(9)	(7)	13	(34)	(7)	(34)	748	(16)	(12)	(11)	(21)

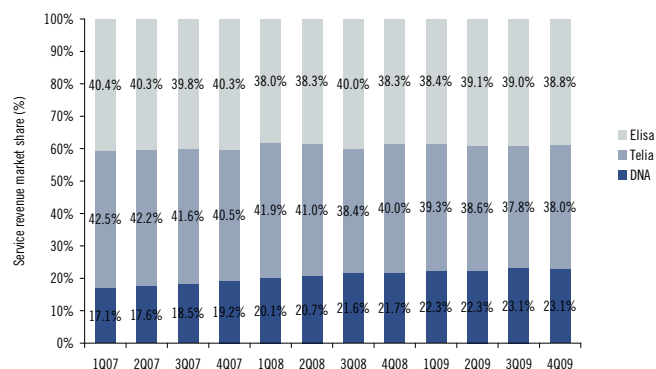
Source: Company reports, Citi Investment Research and Analysis, *Estimate

Figure 38. Revenue and GDP



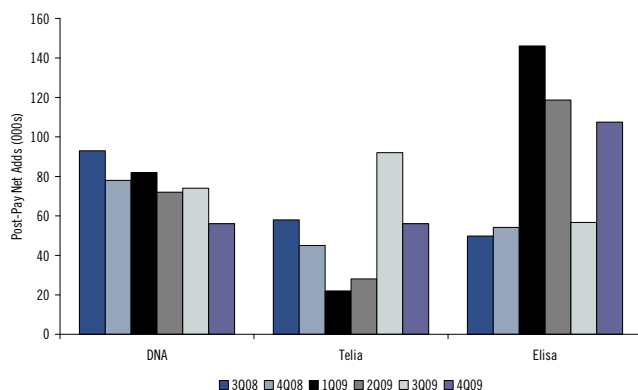
Source: Company reports, Citi Investment Research and Analysis

Figure 39. Service Revenue Market Share



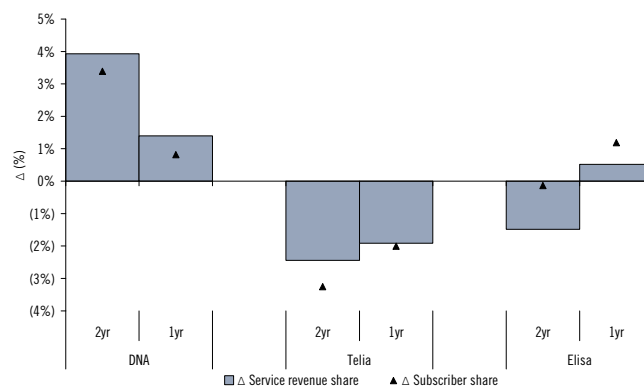
Source: Company reports, Citi Investment Research and Analysis

Figure 40. Post-Paid Net Adds



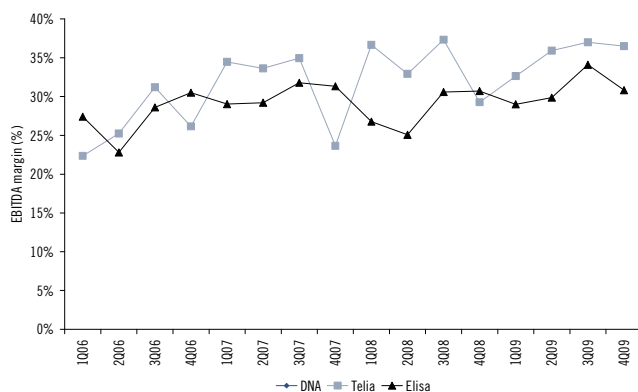
Source: Company reports, Citi Investment Research and Analysis

Figure 41. Change in Service Revenue and Contract Sub Share



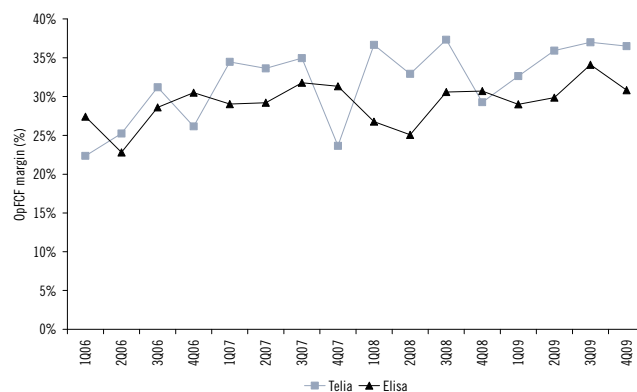
Source: Company reports, Citi Investment Research and Analysis

Figure 42. EBITDA Margin



Source: Company reports, Citi Investment Research and Analysis

Figure 43. OpFCF margin



Source: Company reports, Citi Investment Research and Analysis

Finland Mobile Data

Figure 44. Finland Mobile Market Information

Finland	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue, €m												
DNA	83	89	95	100	97	104	105	113	110	113	117	119
Telia	208	213	214	211	201	206	187	207	193	195	191	196
Elisa	197	204	205	210	183	193	195	198	189	198	197	200
Total	488	505	514	520	481	504	488	518	492	506	506	516
Service Revenue Growth, yoy												
DNA	0.0%	0.0%	0.0%	0.0%	16.0%	17.7%	10.3%	12.7%	13.5%	7.7%	11.2%	6.1%
Telia	0.7%	(1.6%)	(1.5%)	(1.6%)	(3.0%)	(3.1%)	(12.6%)	(1.7%)	(4.0%)	(5.4%)	2.1%	(5.1%)
Elisa	19.1%	7.2%	6.0%	4.1%	(7.4%)	(5.1%)	(4.8%)	(5.4%)	3.5%	2.4%	1.2%	1.0%
Total	0.0%	0.0%	0.0%	0.0%	(1.5%)	(0.2%)	(5.2%)	(0.4%)	2.4%	0.3%	3.7%	(0.3%)
Service Revenue Market Share												
DNA	17.1%	17.6%	18.5%	19.2%	20.1%	20.7%	21.6%	21.7%	22.3%	22.3%	23.1%	23.1%
Telia	42.5%	42.2%	41.6%	40.5%	41.9%	41.0%	38.4%	40.0%	39.3%	38.6%	37.8%	38.0%
Elisa	40.4%	40.3%	39.8%	40.3%	38.0%	38.3%	40.0%	38.3%	38.4%	39.1%	39.0%	38.8%
Post-pay Customers, 000s												
DNA												
Telia	2,249	2,240	2,231	2,258	2,300	2,337	2,377	2,410	2,430	2,466	2,526	2,600
Elisa												
Call Volumes, mn min/qtr												
DNA	937	991	1,036	1,092	1,148	1,243	1,232	1,335	1,339	1,395	1,391	1,433
Telia	2,004	2,052	2,035	2,055	2,089	2,179	2,084	2,181	2,112	2,123	2,079	2,126
Elisa	1,860	1,947	1,952	1,972	1,975	2,054	1,973	2,067	2,055	2,151	2,126	2,179
Total	4,802	4,991	5,024	5,118	5,212	5,476	5,289	5,583	5,507	5,669	5,596	5,739
Call Volume growth, yoy												
DNA					22.4%	25.4%	18.9%	22.3%	16.7%	12.2%	12.8%	7.4%
Telia	(5.6%)	(7.2%)	(1.9%)	(0.7%)	4.2%	6.2%	2.4%	6.1%	1.1%	(2.6%)	(0.2%)	(2.5%)
Elisa	11.9%	9.2%	9.7%	5.8%	6.2%	5.5%	1.0%	4.8%	4.1%	4.7%	7.8%	5.4%
Total					8.5%	9.7%	5.3%	9.1%	5.7%	3.5%	5.8%	2.8%
EBITDA, €m												
Telia	84	84	85	58	86	78	87	70	72	82	82	86
Elisa	59	63	70	71	53	51	65	64	56	59	69	64

Source: Company reports, Citi Investment Research and Analysis

France

Fixed

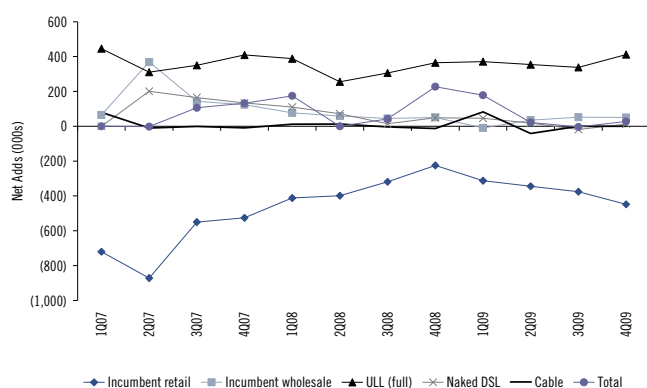
- **FT's revenue growth worsened** – FT's revenue deteriorated further due to recent price cuts on DSL and a deteriorating macro environment.
- **Bouygues success of Ideo offer** – Bouygues achieved 31% market share of broadband net additions in 4Q09, relative to a current market share of 2%.

Mobile

- **Modest revenue improvement** – The market showed modest revenue growth improvement from -0.9% yoy to 0.1% 4Q09.
- **iPhone non-exclusive** – The non-exclusivity of the iPhone has led to strong post-pay net adds for all operators.

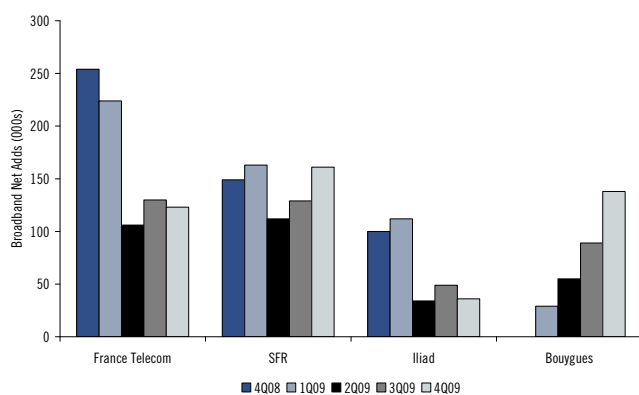
Fixed Charts

Figure 45. Telephony Net Adds



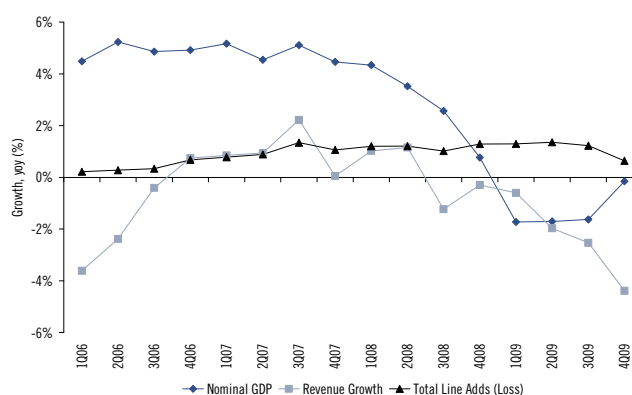
Source: Company reports, Citi Investment Research and Analysis

Figure 47. Broadband Subscriber Net Adds



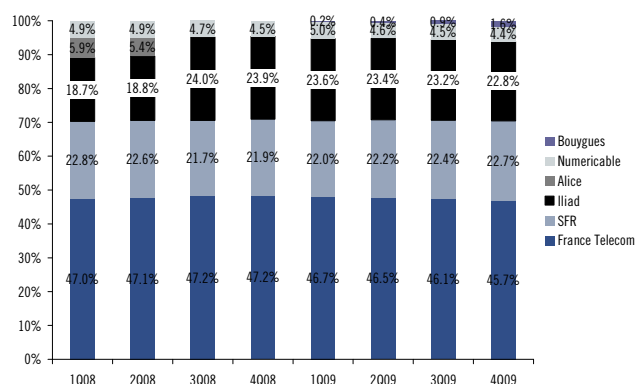
Source: Company reports, Citi Investment Research and Analysis

Figure 46. Total Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Citi Investment Research and Analysis

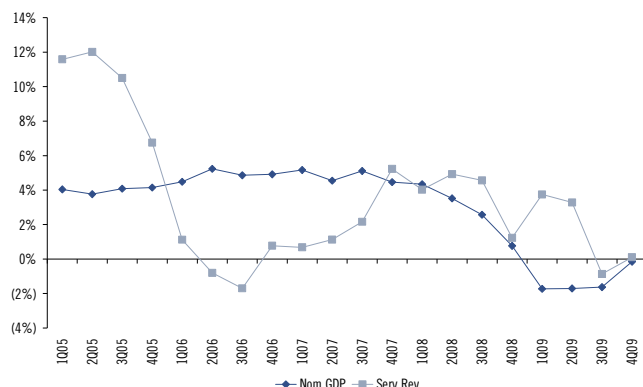
Figure 48. Broadband Subscriber Market Share



Source: Company reports, Citi Investment Research and Analysis

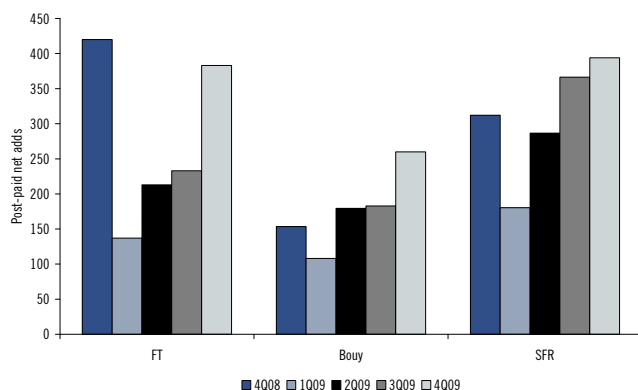
Mobile Charts

Figure 49. Revenue and GDP



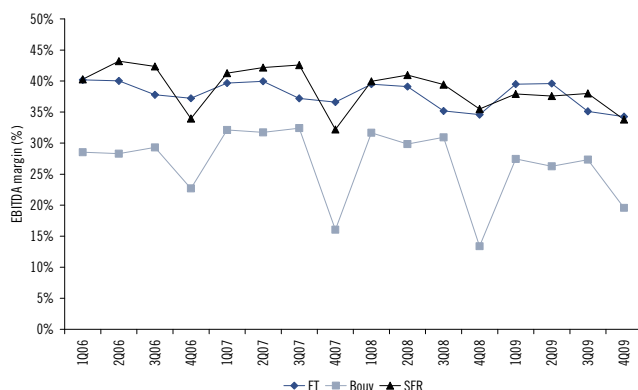
Source: Company reports, Citi Investment Research and Analysis

Figure 51. Post-Paid Net Adds



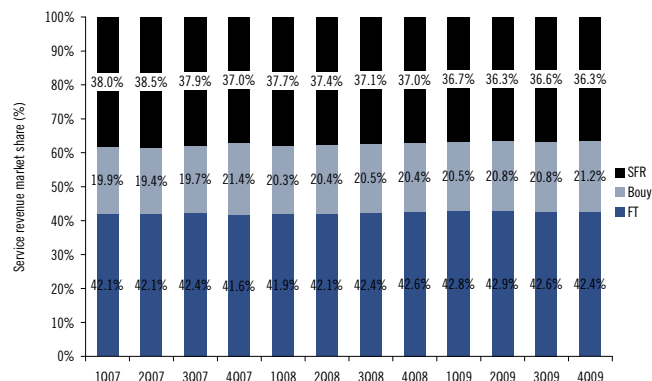
Source: Company reports, Citi Investment Research and Analysis

Figure 53. EBITDA Margin



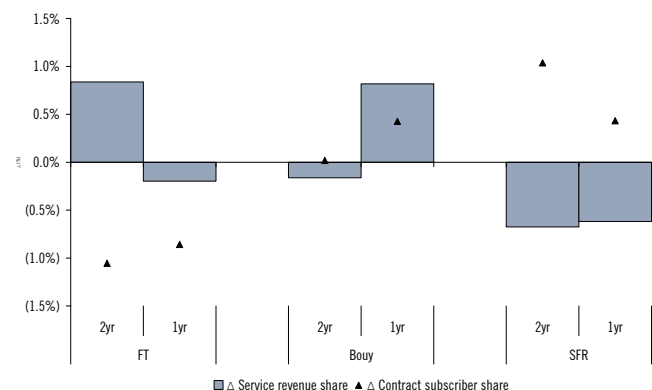
Source: Company reports, Citi Investment Research and Analysis

Figure 50. Service Revenue Market Share



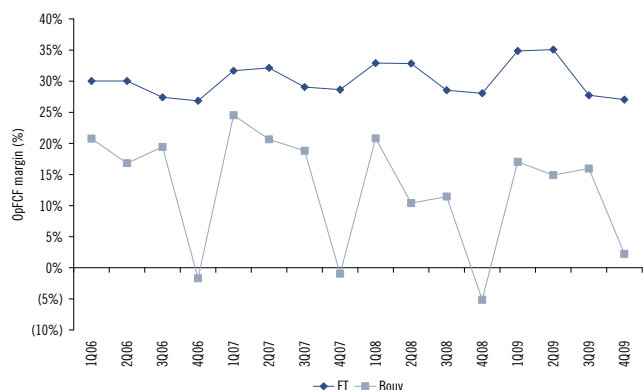
Source: Company reports, Citi Investment Research and Analysis

Figure 52. Change in Service Revenue and Contract Sub Share



Source: Company reports, Citi Investment Research and Analysis

Figure 54. OpFCF margin



Source: Company reports, Citi Investment Research and Analysis

France Mobile Data

Figure 55. France Mobile Market Information

France	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue, €m												
Orange (FT)	2,235	2,300	2,384	2,401	2,317	2,413	2,493	2,491	2,455	2,538	2,488	2,482
Bouygues	1,058	1,060	1,110	1,236	1,124	1,171	1,207	1,194	1,175	1,232	1,213	1,243
SFR	2,020	2,099	2,135	2,137	2,086	2,144	2,186	2,160	2,104	2,146	2,134	2,126
Total	5,313	5,459	5,629	5,774	5,527	5,728	5,886	5,845	5,734	5,916	5,835	5,851
Service Revenue Growth, yoy												
Orange (FT)	(0.8%)	0.8%	0.6%	2.8%	3.7%	4.9%	4.6%	3.7%	6.0%	5.2%	(0.2%)	(0.4%)
Bouygues	6.4%	2.3%	2.4%	13.9%	6.2%	10.5%	8.7%	(3.4%)	4.5%	5.2%	0.5%	4.1%
SFR	(0.5%)	0.9%	3.8%	3.4%	3.3%	2.1%	2.4%	1.1%	0.9%	0.1%	(2.4%)	(1.6%)
Total	0.7%	1.1%	2.2%	5.2%	4.0%	4.9%	4.6%	1.2%	3.7%	3.3%	(0.9%)	0.1%
Service Revenue Market Share												
Orange (FT)	42.1%	42.1%	42.4%	41.6%	41.9%	42.1%	42.4%	42.6%	42.8%	42.9%	42.6%	42.4%
Bouygues	19.9%	19.4%	19.7%	21.4%	20.3%	20.4%	20.5%	20.4%	20.5%	20.8%	20.8%	21.2%
SFR	38.0%	38.5%	37.9%	37.0%	37.7%	37.4%	37.1%	37.0%	36.7%	36.3%	36.6%	36.3%
Post-pay Customers, 000s												
Orange (FT)	14,843	15,050	15,355	15,699	15,875	16,161	16,557	16,977	17,114	17,327	17,560	17,943
Bouygues	6,321	6,437	6,577	6,766	6,869	6,959	7,042	7,196	7,304	7,483	7,666	7,926
SFR	11,713	11,831	11,988	12,292	12,442	13,049	13,267	13,580	13,760	14,047	14,413	14,807
Call Volumes, mn min/qtr												
France Telecom	13,390	13,639	13,791	14,176	14,394	14,566	14,578	14,769	14,933	14,882	14,812	14,886
Bouygues	5,026	5,129	5,213	5,399	5,513	5,588	5,563	5,617	5,742	5,801	5,838	5,880
SFR	10,308	10,498	10,610	10,952	11,164	11,429	11,493	11,547	11,708	11,814	11,828	11,699
Total	28,725	29,266	29,613	30,527	31,071	31,583	31,634	31,933	32,383	32,498	32,478	32,465
Call Volume growth, yoy												
France Telecom	11.7%	11.4%	10.0%	9.2%	7.5%	6.8%	5.7%	4.2%	3.7%	2.2%	1.6%	0.8%
Bouygues	16.8%	14.2%	11.5%	10.9%	9.7%	8.9%	6.7%	4.0%	4.1%	3.8%	5.0%	4.7%
SFR	11.8%	10.7%	8.9%	9.2%	8.3%	8.9%	8.3%	5.4%	4.9%	3.4%	2.9%	1.3%
Total	12.6%	11.6%	9.9%	9.5%	8.2%	7.9%	6.8%	4.6%	4.2%	2.9%	2.7%	1.7%
Contract Churn, % p.a												
Orange (FT)	11.7%	11.4%	10.9%	10.3%	9.7%	9.3%	9.3%	10.1%	10.9%	11.6%	12.4%	12.9%
Data Revenue (excl messaging) % Service Revenue												
Orange (FT)	8.9%	8.8%	8.9%	9.0%	10.5%	10.1%	11.9%	11.4%	12.5%	12.1%	13.8%	14.6%
EBITDA, €m												
Orange (FT)	947	974	950	956	973	1,014	951	950	1,045	1,080	941	939
Bouygues	360	372	398	202	379	376	400	177	348	354	364	278
SFR	863	943	942	726	873	914	907	807	827	850	852	777
Capex, €m												
Orange (FT)	191	191	209	209	163	163	180	180	123	123	198	198
Bouygues	85	130	167	214	130	245	252	245	132	153	152	246

Source: Company reports, Citi Investment Research and Analysis

France Fixed Data

Figure 56. France Fixed Line Market Information

France	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Broadband Subscribers (000s)												
Incumbent retail	6,331	6,582	6,913	7,299	7,633	7,850	8,096	8,350	8,574	8,680	8,810	8,933
Incumbent wholesale	2,228	2,249	2,273	2,289	2,297	2,290	2,252	2,221	2,189	2,157	2,105	2,032
ULL (total)	4,309	4,547	4,836	5,187	5,521	5,719	6,008	6,332	6,664	6,986	7,325	7,723
Cable*	808	792	790	776	794	813	807	788	914	852	852	852
Total	13,676	14,170	14,812	15,551	16,245	16,672	17,163	17,691	18,341	18,675	19,092	19,540
Broadband Subscribers (000s)												
France Telecom	6,331	6,582	6,913	7,299	7,633	7,850	8,096	8,350	8,574	8,680	8,810	8,933
SFR	2,755	3,381	3,447	3,602	3,699	3,767	3,730	3,879	4,042	4,154	4,283	4,444
Iliad	2,498	2,626	2,767	2,904	3,041	3,134	4,125	4,225	4,337	4,371	4,420	4,456
Alice	810	847	882	901	954	902	0	0	0	0	0	0
Numericable	808	792	790	776	794	813	807	788	914	852		
Bouygues	0	0	0	0	0	0	0	0	29	84	173	311
Total	13,676	14,170	14,812	15,551	16,245	16,672	17,163	17,691	18,341	18,675	19,092	19,540
Broadband Subscribers Net Adds (000s)												
France Telecom	411	251	331	386	334	217	246	254	224	106	130	123
SFR	583	626	66	155	97	68	-37	149	163	112	129	161
Iliad	220	128	141	137	137	93	991	100	112	34	49	36
Alice	35	37	35	19	53	-52	-902	0	0	0	0	0
Numericable	121	-16	-2	-14	18	20	-6	-19	126	-63		
Bouygues	0	0	0	0	0	0	0	0	29	55	89	138
Total	981	494	642	739	694	427	491	528	650	334	417	448
Telephony Channels (000s)												
Incumbent retail	30,554	29,683	29,133	28,607	28,195	27,796	27,477	27,252	26,939	26,595	26,219	25,771
Incumbent wholesale (WLR)	80	449	592	716	793	852	897	948	939	974	1,026	1,076
ULL (full)	2,555	2,865	3,215	3,624	4,012	4,268	4,574	4,939	5,310	5,664	6,002	6,414
Naked DSL	442	643	808	942	1,052	1,123	1,137	1,186	1,232	1,250	1,232	1,245
Cable*	533	523	521	512	524	537	533	520	603	562	562	562
Total	34,164	34,163	34,269	34,401	34,576	34,576	34,618	34,845	35,023	35,045	35,041	35,068
Telephony Channels Net Adds (000s)												
Incumbent retail	(720)	(871)	(550)	(526)	(412)	(399)	(319)	(225)	(313)	(344)	(376)	(448)
Incumbent wholesale	65	369	143	124	77	59	45	51	(9)	35	52	50
ULL (full)	446	310	350	409	388	256	306	365	371	354	338	412
Naked DSL	0	201	165	134	110	71	14	49	46	18	(18)	13
Cable*	80	(11)	(1)	(9)	12	13	(4)	(13)	83	(41)	0	0
Total	0	(2)	107	132	175	0	42	227	178	22	(4)	27
Pay TV Subscribers (000s)												
France Telecom	745	837	975	1,149	1,282	1,389	1,603	1,909	2,166	2,339	2,547	2,761
Pay TV Subscribers Net Adds (000s)												
France Telecom	168	92	138	174	133	107	214	306	257	173	208	214

Source: Company reports, Citi Investment Research and Analysis

Germany

Fixed

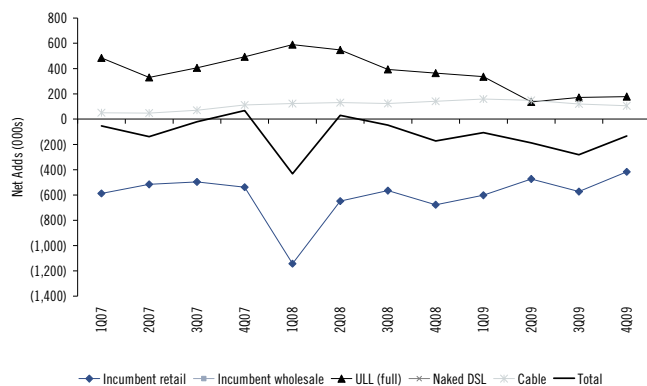
- **Telephony line loss improvement** – DT's retail line loss improved to -417k vs -573k 3Q09.
- **Rebound in DT's broadband net adds** – After the expiration of 2-year contracts depressed broadband net adds in 3Q09. DT's broadband net adds increased to 176k vs 72k 3Q09. The only reported cable operator KDG continued strong net adds 55k vs 64k 3Q09.

Mobile

- **Revenue growth improvement** – Service revenue growth improved from -2.5% 3Q09 to -2.0% 4Q09. T-Mobile continues to outperform the market, aided by iPhone exclusivity; however Vodafone has closed the performance gap.

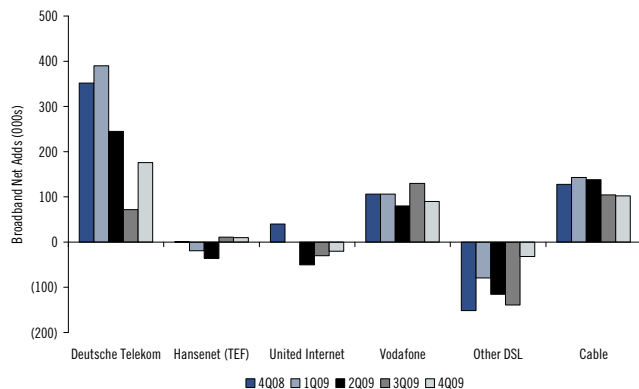
Fixed Charts

Figure 57. Telephony Net Adds



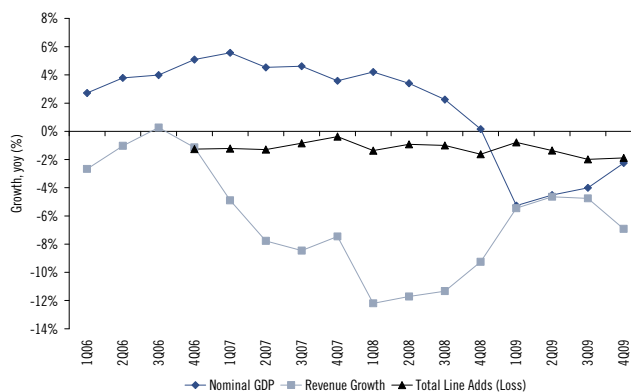
Source: Company reports, Citi Investment Research and Analysis

Figure 59. Broadband Subscriber Net Adds



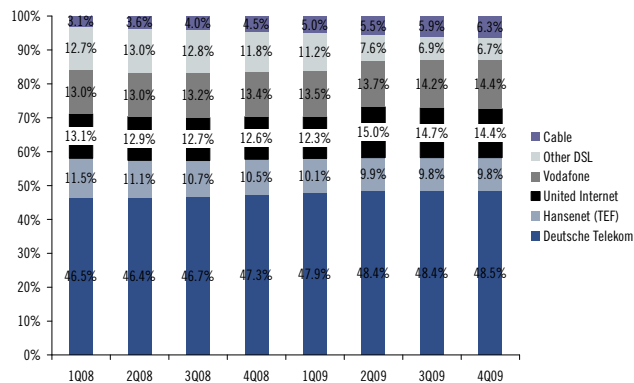
Source: Company reports, Citi Investment Research and Analysis

Figure 58. Total Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Citi Investment Research and Analysis

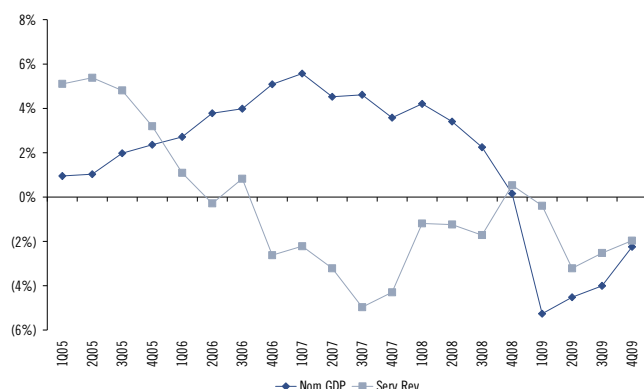
Figure 60. Broadband Subscriber Market Share



Source: Company reports, Citi Investment Research and Analysis

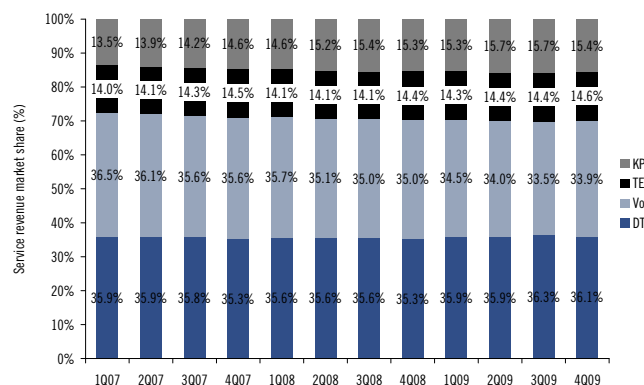
Mobile Charts

Figure 61. Revenue and GDP



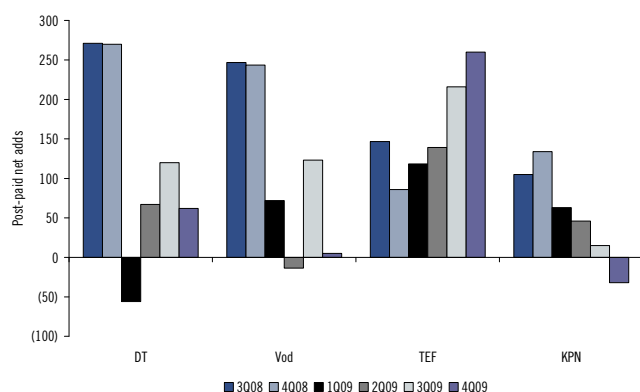
Source: Company reports, Citi Investment Research and Analysis

Figure 62. Service Revenue Market Share



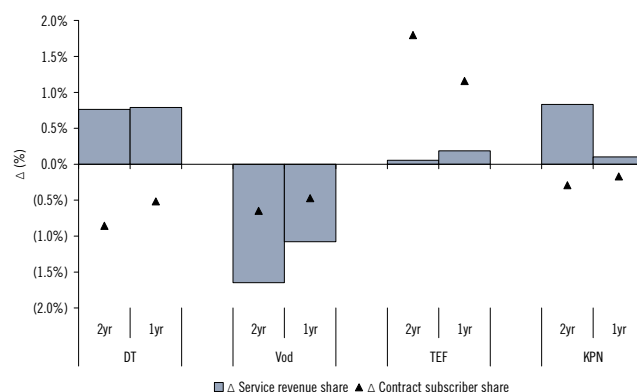
Source: Company reports, Citi Investment Research and Analysis

Figure 63. Post-Paid Net Adds



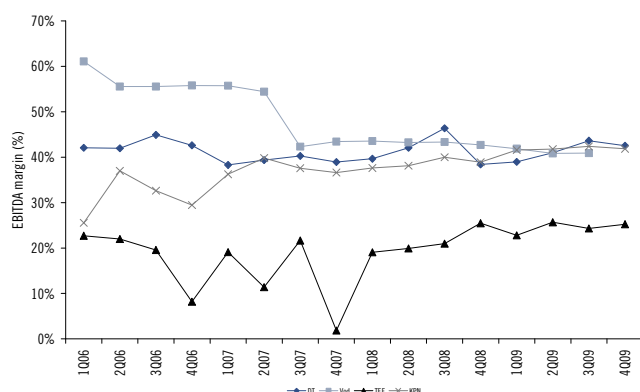
Source: Company reports, Citi Investment Research and Analysis

Figure 64. Change in Service Revenue and Contract Sub Share



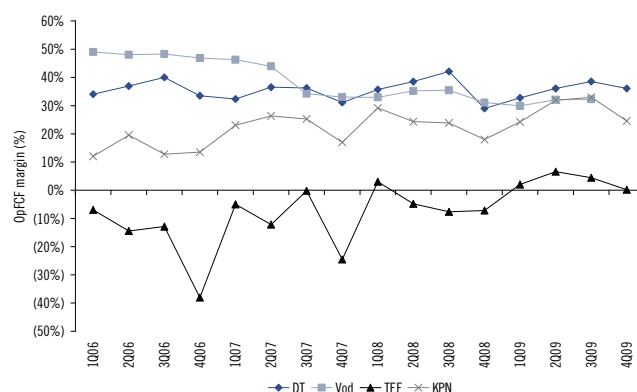
Source: Company reports, Citi Investment Research and Analysis

Figure 65. EBITDA Margin



Source: Company reports, Citi Investment Research and Analysis

Figure 66. OpFCF margin



Source: Company reports, Citi Investment Research and Analysis

Germany Mobile Data

Figure 67. Germany Mobile Market Information

Germany	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue, €m												
T-Mobile (DT)	1,750	1,811	1,852	1,743	1,712	1,776	1,806	1,751	1,722	1,733	1,798	1,755
Vodafone	1,779	1,821	1,840	1,756	1,720	1,747	1,776	1,737	1,654	1,638	1,659	1,650
O2 (Telefónica)	683	713	740	717	676	702	715	714	685	693	714	709
KPN	660	700	735	721	705	757	782	761	734	757	779	751
Total	4,872	5,044	5,168	4,937	4,814	4,982	5,079	4,963	4,794	4,822	4,951	4,866
Service Revenue Growth, yoy												
T-Mobile (DT)	(3.0%)	(3.1%)	(4.9%)	(4.0%)	(2.2%)	(1.9%)	(2.5%)	0.5%	0.6%	(2.4%)	(0.4%)	0.2%
Vodafone	(3.9%)	(5.1%)	(7.1%)	(6.6%)	(3.3%)	(4.0%)	(3.5%)	(1.1%)	(3.8%)	(6.2%)	(6.6%)	(5.0%)
O2 (Telefónica)	(4.9%)	(3.9%)	(7.0%)	(6.9%)	(0.9%)	(1.6%)	(3.4%)	(0.4%)	1.2%	(1.2%)	(0.1%)	(0.7%)
KPN	8.4%	2.5%	2.9%	4.2%	6.8%	8.1%	6.4%	5.5%	4.1%	0.0%	(0.4%)	(1.3%)
Total	(2.2%)	(3.2%)	(5.0%)	(4.3%)	(1.2%)	(1.2%)	(1.7%)	0.5%	(0.4%)	(3.2%)	(2.5%)	(2.0%)
Service Revenue Market Share												
T-Mobile (DT)	35.9%	35.9%	35.8%	35.3%	35.6%	35.6%	35.6%	35.3%	35.9%	35.9%	36.3%	36.1%
Vodafone	36.5%	36.1%	35.6%	35.6%	35.7%	35.1%	35.0%	35.0%	34.5%	34.0%	33.5%	33.9%
O2 (Telefónica)	14.0%	14.1%	14.3%	14.5%	14.1%	14.1%	14.1%	14.4%	14.3%	14.4%	14.4%	14.6%
KPN	13.5%	13.9%	14.2%	14.6%	14.6%	15.2%	15.4%	15.3%	15.3%	15.7%	15.7%	15.4%
Post-pay Customers, 000s												
T-Mobile (DT)	15,343	15,520	15,669	16,054	16,264	16,468	16,739	17,009	16,953	17,020	17,140	17,202
Vodafone	14,053	14,418	14,643	14,959	15,176	15,424	15,671	15,914	15,986	15,972	16,096	16,101
O2 (Telefónica)	5,574	5,765	5,993	6,237	6,442	6,735	6,881	6,967	7,085	7,225	7,440	7,700
KPN	6,027	6,082	6,170	6,297	6,345	6,437	6,542	6,676	6,739	6,785	6,800	6,768
Call Volumes, mn min/qtr												
Deutsche Telekom	6,341	6,629	6,769	6,929	7,188	7,475	7,643	7,829	7,848	8,082	8,353	8,592
Vodafone	9,230	9,897	10,263	10,827	11,023	11,507	11,522	11,847	11,830	11,642	11,542	12,074
Telefónica	4,297	4,537	4,555	4,953	5,618	5,741	5,512	5,454	5,555	5,819	5,775	6,108
KPN	4,876	5,328	5,646	6,333	6,430	6,861	6,920	7,413	7,467	7,998	8,036	8,426
Total	24,744	26,391	27,233	29,041	30,260	31,585	31,597	32,543	32,700	33,541	33,706	35,200
Call Volume growth, yoy												
Deutsche Telekom	7.8%	11.1%	12.7%	13.5%	13.4%	12.8%	12.9%	13.0%	9.2%	8.1%	9.3%	9.7%
Vodafone	32.0%	30.0%	28.6%	25.2%	19.4%	16.3%	12.3%	9.4%	7.3%	1.2%	0.2%	1.9%
Telefónica	13.5%	15.6%	16.8%	18.2%	30.7%	26.5%	21.0%	10.1%	(1.1%)	1.4%	4.8%	12.0%
KPN	54.2%	42.5%	37.2%	38.0%	31.9%	28.8%	22.6%	17.1%	16.1%	16.6%	16.1%	13.7%
Total	24.8%	24.2%	23.8%	23.4%	22.3%	19.7%	16.0%	12.1%	8.1%	6.2%	6.7%	8.2%
Contract Churn, % p.a												
T-Mobile (DT)	14.4%	14.4%	14.4%	12.0%	13.2%	13.2%	13.2%	15.6%	18.0%	13.2%	12.0%	13.2%
Vodafone	14.9%	14.0%	14.7%	14.5%	15.1%	16.0%	15.6%	15.2%	15.3%	16.0%	16.0%	17.8%
KPN	23.0%	20.0%	21.0%	24.0%	21.0%	19.0%	19.0%	21.0%	21.0%	20.0%	20.0%	23.0%
Data Revenue (excl messaging) % Service Revenue												
Vodafone	9.4%	9.7%	10.7%	11.4%	12.8%	12.7%	13.4%	14.3%	15.2%	15.8%	16.8%	17.7%
O2 (Telefónica)	6.2%	6.1%	6.5%	6.8%	7.9%	7.3%	8.4%	9.0%	9.9%	10.2%	11.0%	12.8%
EBITDA, €m												
T-Mobile (DT)	777	823	862	799	777	852	964	771	761	798	920	894
Vodafone	995	994	1,005	1,003	983	981	997	967	921	883	895	
O2 (Telefónica)	161	98	197	17	163	178	192	237	202	230	235	252
KPN	253	293	289	278	284	308	336	317	322	333	347	331
Capex, €m												
T-Mobile (DT)	121	59	86	161	78	72	89	189	122	96	107	136
Vodafone	169	192	192	240	240	182	182	263	263	189	189	
O2 (Telefónica)	203	203	199	245	137	221	262	304	184	171	192	250
KPN	92	99	95	149	64	111	135	171	135	79	77	137

Source: Company reports, Citi Investment Research and Analysis

Germany Fixed Data

Figure 68. German Fixed Market Information

Germany	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Broadband Subscribers (000s)												
Incumbent retail	7,640	8,013	8,493	9,019	9,558	9,898	10,242	10,594	10,984	11,229	11,301	11,477
Incumbent wholesale	3,425	3,500	3,524	3,524	3,401	3,169	2,905	2,537	2,209	1,952	1,752	1,621
ULL (total)	5,146	5,476	5,882	6,376	6,965	7,512	7,906	8,270	8,606	8,742	8,914	9,093
Cable	282	333	404	519	637	764	874	1,002	1,145	1,283	1,388	1,490
Total	16,493	17,322	18,303	19,438	20,561	21,343	21,927	22,403	22,944	23,206	23,355	23,681
Broadband Subscribers (000s)												
Deutsche Telekom	7,640	8,013	8,493	9,019	9,558	9,898	10,242	10,594	10,984	11,229	11,301	11,477
Hansenet (TEF)	2,118	2,180	2,244	2,349	2,372	2,361	2,343	2,344	2,325	2,289	2,300	2,310
United Internet	2,360	2,420	2,540	2,670	2,700	2,760	2,780	2,820	2,820	3,470	3,440	3,420*
Freenet	1,170	1,220	1,270	1,280	1,190	1,100	1,050	940	910	0	0	0
Vodafone	2,100	2,244	2,387	2,531	2,675	2,781	2,887	2,994	3,100	3,180	3,310	3,400
Versatel	503	548	597	636	666	692	702	709	712	710	694	684*
Telefónica	31	34	37	75	125	165	198	215	232	253	272	285
Tele2	137	153	160	173	192	198	191	177	163	153	145	139
Kabel Deutschland	179	208	246	320	393	482	548	625	707	787	851	906
Unity Media	103	125	158	199	244	282	326	377	438	496	537	584
Other	152	178	171	186	447	624	659	609	553	639	505	476*
Total	16,493	17,322	18,303	19,438	20,561	21,343	21,927	22,403	22,944	23,206	23,355	23,681*
Broadband Subscribers Net Adds (000s)												
Deutsche Telekom	572	373	480	526	539	340	344	352	390	245	72	176
Hansenet (TEF)	1,189	62	64	105	23	(11)	(18)	1	(19)	(36)	11	10
United Internet	90	60	120	130	30	60	20	40	0	(50)	(30)	(20)*
Freenet	170	50	50	10	(90)	(90)	(50)	(110)	(30)	0	0	0
Vodafone	0	144	144	144	144	106	106	106	106	80	130	90
Versatel	41	45	49	39	30	26	11	7	3	(2)	(16)	(10)*
Telefónica	n/a	2	3	38	50	41	33	17	17	22	19	13
Tele2	28	16	7	13	19	6	(7)	(14)	(14)	(10)	(8)	(6)
Kabel Deutschland	33	29	38	74	73	89	66	77	82	80	64	55
Unity Media	23	22	33	41	45	38	44	51	61	58	41	47
Total	1,325	829	981	1,135	1,123	782	584	476	541	262	149	326*
Telephony Channels (000s)												
Incumbent retail	32,885	32,369	31,872	31,334	30,191	29,543	28,978	28,301	27,699	27,226	26,653	26,236
Incumbent wholesale												
ULL (full)	5,146	5,476	5,882	6,376	6,965	7,512	7,906	8,270	8,606	8,742	8,914	9,093
Naked DSL												
Cable	230	278	348	460	583	714	838	979	1,138	1,287	1,407	1,523
Total	38,261	38,123	38,102	38,170	37,739	37,769	37,722	37,550	37,443	37,255	36,974	36,852
Telephony Channels Net Adds (000s)												
Incumbent retail	(588)	(516)	(497)	(538)	(1,143)	(648)	(565)	(677)	(602)	(473)	(573)	(417)
Incumbent wholesale												
ULL (full)	484	330	406	494	589	547	394	364	336	136	172	179
Naked DSL												
Cable	51	48	70	112	123	131	124	141	159	149	120	117
Total	(53)	(138)	(20)	68	(431)	30	(47)	(172)	(107)	(188)	(282)	(122)
Pay TV Subscribers (000s)												
DT							257	352	448	561	678	806
Sky Deutschland							2,411	2,399	2,371	2,364	2,431	2,470
Kabel Deutschland	9,241	9,168	9,062	9,000	8,845	9,103	9,110	8,995	9,013	8,942	8,863	8,788
Unity Media	4,886	4,921	4,844	4,762	4,733	4,712	4,655	4,619	4,577	4,554	4,547	4,523
Total							16,433	16,365	16,409	16,421	16,519	16,587
Pay TV Subscribers Net Adds (000s)												
DT								95	96	113	117	128
Sky Deutschland								(12)	(28)	(7)	67	39
Kabel Deutschland	0	(73)	(106)	(62)	(155)	258	7	(115)	18	(71)	(79)	(75)
Unity Media	0	35	(77)	(82)	(29)	(21)	(57)	(36)	(42)	(23)	(7)	(24)
Total								(68)	44	12	98	68

Source: Company reports, Citi Investment Research and Analysis

Greece

Fixed

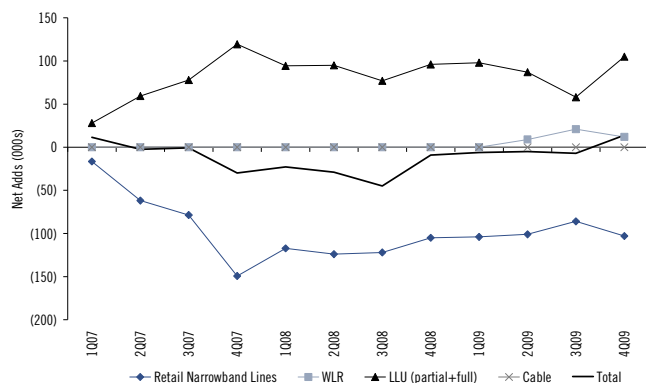
- **Line loss to ULL** – Starting from a low base, OTE continued to lose retail access lines to ULL. In addition to catching up from a low base, the high number of households per exchange makes unbundling economics in Greece particularly attractive.

Mobile

- **Revenue growth worsens further** – Revenue growth worsened to -13.8% in 4Q09 from -12.4% in 3Q09. OTE continues to significantly outperform Vodafone and Wind; however it still has -5.6% service revenue growth.
- **Operational leverage affecting margin** – The steep declines in revenue are now affecting EBITDA margin due to operational leverage.

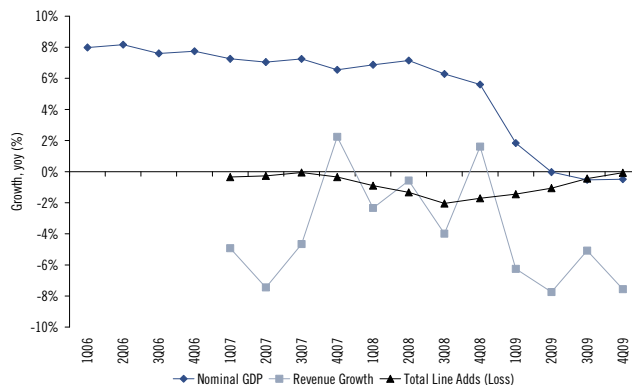
Fixed Charts

Figure 69. Telephony Net Adds



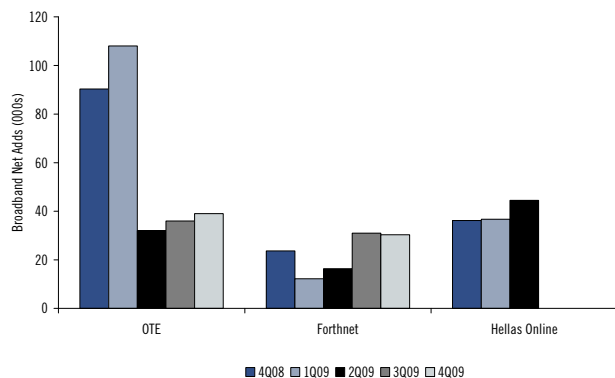
Source: Company reports, Citi Investment Research and Analysis

Figure 70. Total Line Loss, Incumbent Revenue Growth and GDP



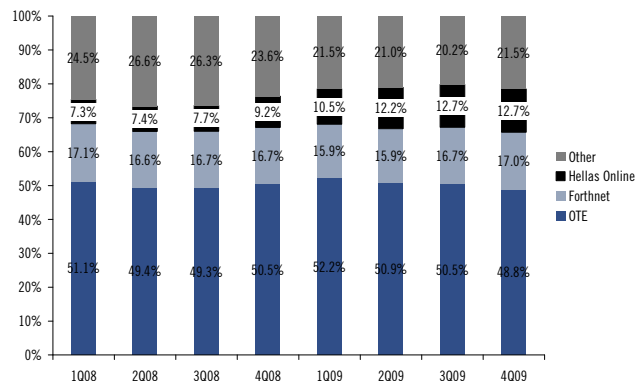
Source: Company reports, Citi Investment Research and Analysis

Figure 71. Broadband Subscriber Net Adds



Source: Company reports, Citi Investment Research and Analysis

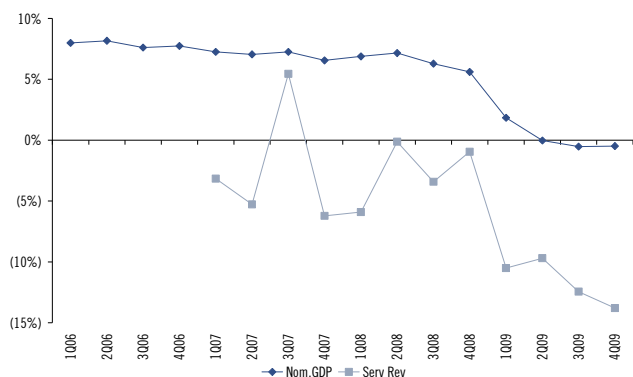
Figure 72. Broadband Subscriber Market Share



Source: Company reports, Citi Investment Research and Analysis

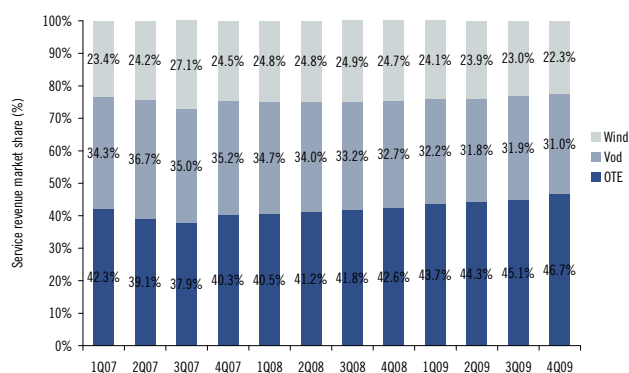
Mobile Charts

Figure 73. Revenue and GDP



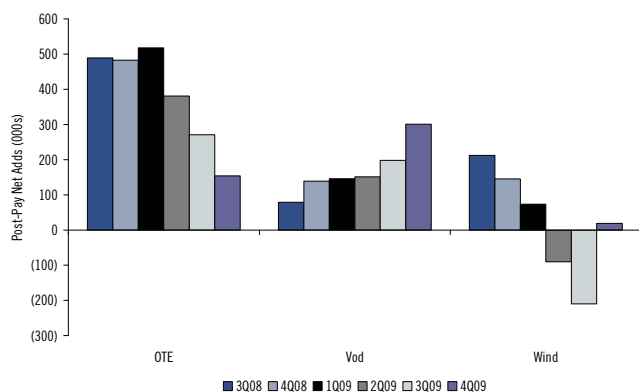
Source: Company reports, Citi Investment Research and Analysis

Figure 74. Service Revenue Market Share



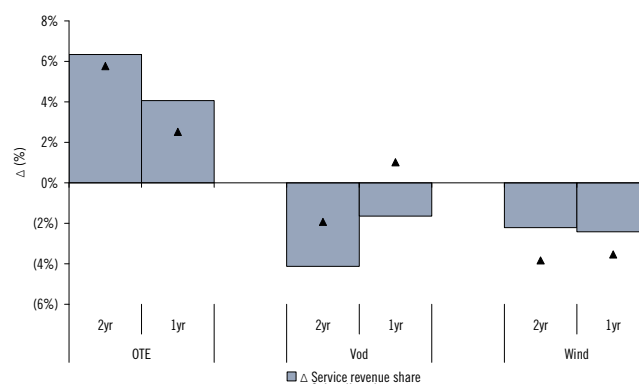
Source: Company reports, Citi Investment Research and Analysis

Figure 75. Post-Paid Net Adds



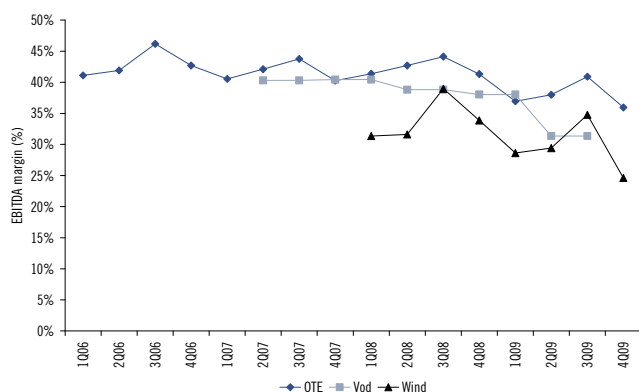
Source: Company reports, Citi Investment Research and Analysis

Figure 76. Change in Service Revenue and Contract Sub Share



Source: Company reports, Citi Investment Research and Analysis

Figure 77. EBITDA Margin



Source: Company reports, Citi Investment Research and Analysis

Greece Mobile Data

Figure 78. Greece Mobile Market Information

Greece	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue, €m												
OTE	456	418	449	421	411	440	478	440	397	427	451	416
Vodafone	370	392	414	367	351	363	380	338	292	307	319	277
Wind	252	259	321	256	252	265	285	256	218	230	231	199
Total	1,077	1,069	1,184	1,044	1,014	1,068	1,144	1,034	907	964	1,001	891
Service Revenue Growth, yoy												
OTE	(3.8%)	(5.2%)	10.4%	(5.5%)	(10.0%)	5.2%	6.6%	4.6%	(3.4%)	(2.9%)	(5.6%)	(5.6%)
Vodafone	(7.3%)	(7.8%)	(4.6%)	(8.4%)	(4.9%)	(7.4%)	(8.3%)	(7.9%)	(16.9%)	(15.4%)	(15.9%)	(18.1%)
Wind	5.0%	(1.3%)	13.8%	(4.1%)	0.0%	2.2%	(11.1%)	(0.1%)	(13.3%)	(13.1%)	(19.2%)	(22.2%)
Total	(3.2%)	(5.3%)	5.5%	(6.2%)	(5.9%)	(0.1%)	(3.4%)	(1.0%)	(10.5%)	(9.7%)	(12.4%)	(13.8%)
Service Revenue Market Share												
OTE	42.3%	39.1%	37.9%	40.3%	40.5%	41.2%	41.8%	42.6%	43.7%	44.3%	45.1%	46.7%
Vodafone	34.3%	36.7%	35.0%	35.2%	34.7%	34.0%	33.2%	32.7%	32.2%	31.8%	31.9%	31.0%
Wind	23.4%	24.2%	27.1%	24.5%	24.8%	24.8%	24.9%	24.7%	24.1%	23.9%	23.0%	22.3%
Post-pay Customers, 000s												
OTE												
Vodafone	1,557	1,587	1,631	1,702	1,731	1,757	1,776	1,780	1,760	1,724	1,701	1,698
Wind	973	981	993	1,016	1,030	1,053	1,074	1,081	1,069	1,059	1,054	1,059
Call Volumes, mn min/qtr												
OTE	2,443	2,717	2,946	3,113	3,398	3,692	3,955	4,201	4,891	5,574	5,946	6,197
Vodafone	1,985	2,168	2,282	2,244	2,262	2,395	2,443	2,370	2,281	2,402	2,411	2,309
Tellas	1,494	1,641	1,706	1,670	1,630	1,757	1,803	1,710	1,626	1,681	1,659	1,558
Total	5,922	6,526	6,934	7,027	7,289	7,844	8,201	8,280	8,798	9,657	10,015	10,064
Call Volume growth, yoy												
OTE	23.9%	28.8%	30.4%	32.4%	39.1%	35.9%	34.3%	34.9%	44.0%	51.0%	50.3%	47.5%
Vodafone	6.2%	4.5%	3.0%	6.2%	14.0%	10.5%	7.1%	5.6%	0.8%	0.3%	(1.3%)	(2.6%)
Tellas	23.7%	22.2%	17.2%	14.1%	9.1%	7.1%	5.7%	2.4%	(0.3%)	(4.3%)	(8.0%)	(8.9%)
Total	17.3%	18.1%	16.9%	18.5%	23.1%	20.2%	18.3%	17.8%	20.7%	23.1%	22.1%	21.5%
Contract Churn, % p.a												
Wind	26.1%	38.6%	23.8%	24.7%	24.2%	21.6%	22.2%	26.0%	29.3%	30.2%	30.9%	0.0%
EBITDA, €m												
OTE	158	184	205	178	176	194	220	192	164	180	208	174
Vodafone	0	158	167	148	142	141	148	129	111	96	100	
Wind	90	111	149	102	94	99	132	105	76	82	98	61

Source: Company reports, Citi Investment Research and Analysis

Greece Fixed Data

Figure 79. Greece Fixed Market Information

Greece	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Broadband Subscribers (000s)												
Incumbent retail	396	450	530	577	646	687	740	830	938	970	1,006	1,045
Incumbent wholesale	198	225	227	247	215	205	184	142	90	79	73	78
ULL (total)	53	112	190	310	404	499	576	672	770	857	915	1,020
Cable	0	0	0	0	0	0	0	0	0	0	0	0
Total	646	787	947	1,135	1,265	1,391	1,500	1,644	1,798	1,906	1,994	2,143
Broadband Subscribers (000s)												
OTE	396	450	530	577	646	687	740	830	938	970	1,006	1,045
Forthnet	128	163	189	200	217	231	250	274	286	303	334	364
Hellas Online	0	58	69	85	92	104	115	151	188	232		
Wind	0	0	0	0	0	0	0	0	0	0	0	0
- other	123	117	159	272	310	370	395	389	386	401	402	462
Total	646	787	947	1,135	1,265	1,391	1,500	1,644	1,798	1,906	1,994	2,143
Broadband Subscribers Net Adds (000s)												
OTE	70	54	80	48	69	41	53	90	108	32	36	39
Forthnet	27	35	26	11	16	14	20	24	12	16	31	30
Other	36	(6)	43	112	39	59	25	(6)	(3)	15	1	60
Total	133	141	160	188	130	126	109	144	154	108	88	149
Telephony Channels (000s)												
Retail Narrowband Lines	6,144	6,082	6,003	5,854	5,737	5,613	5,491	5,386	5,282	5,181	5,095	4,992
WLR	0	0	0	0	0	0	0	0	0	9	30	42
LLU (partial+full)	53	112	190	310	404	499	576	672	770	857	915	1,020
Cable	0	0	0	0	0	0	0	0	0	0	0	0
Total	6,197	6,194	6,194	6,164	6,141	6,112	6,067	6,058	6,052	6,047	6,040	6,054
Telephony Channels Net Adds (000s)												
Retail Narrowband Lines	(17)	(62)	(79)	(149)	(117)	(124)	(122)	(105)	(104)	(101)	(86)	(103)
WLR	0	0	0	0	0	0	0	0	0	9	21	12
LLU (partial+full)	28	59	78	119	94	95	77	96	98	87	58	105
Cable	0	0	0	0	0	0	0	0	0	0	0	0
Total	11	(2)	(1)	(30)	(23)	(29)	(45)	(9)	(6)	(5)	(7)	14

Source: Company reports, Company reports, Citi Investment Research and Analysis

Italy

Fixed

- **Telecom Italia losing broadband market share** – TI has been losing broadband market share consistently for a few years, however this is mainly because it is coming from a high base.

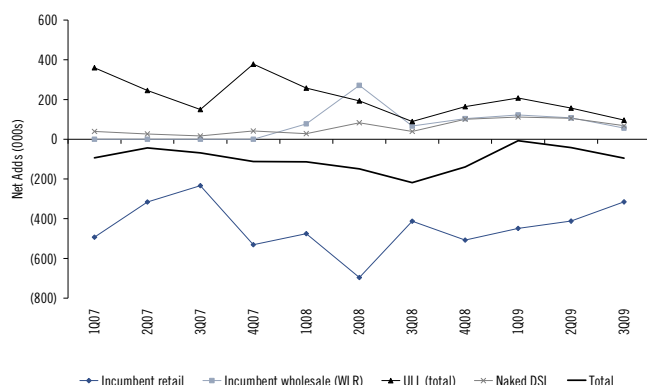
Mobile

- **TI's underperformance worsens** – TIM's service revenue decline accelerated to -12.7% 4Q09 (vs -1.3% for Vodafone) from -8.4% 3Q09. The focus for 2010 will be if TI can reverse this trend and how much margin will be sacrificed in the process. Given Vodafone saw a small worsening in growth, it suggests Wind (not yet reported) is the likely main beneficiary.

(NOTE: Due to the partial results of Telecom Italia we present the trends to 4Q09 where possible, remaining trends shown to 3Q09)

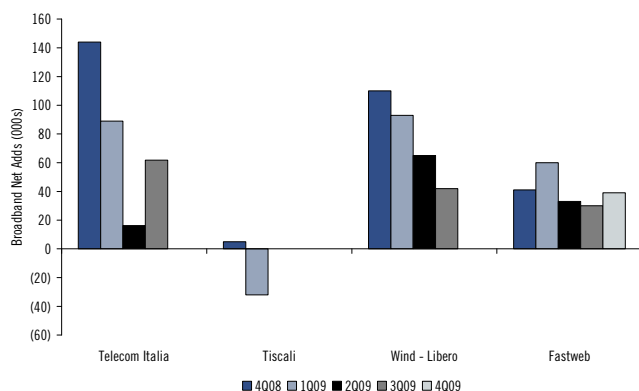
Fixed Charts

Figure 80. Telephony Net Adds



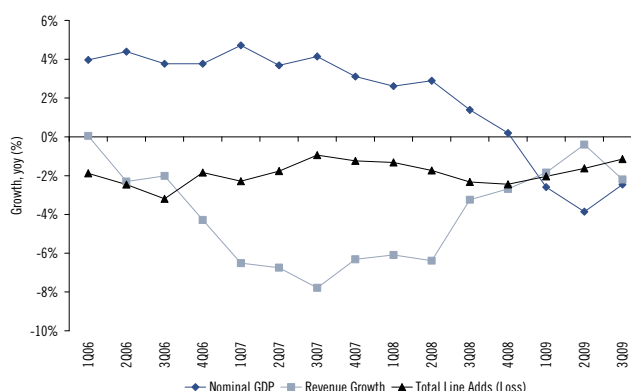
Source: Company reports, Citi Investment Research and Analysis

Figure 82. Broadband Subscriber Net Adds



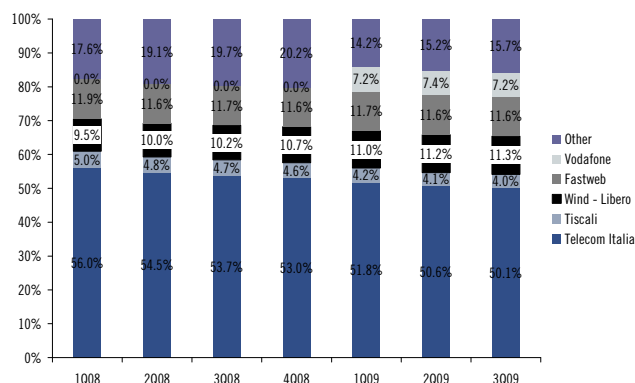
Source: Company reports, Citi Investment Research and Analysis

Figure 81. Total Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Citi Investment Research and Analysis

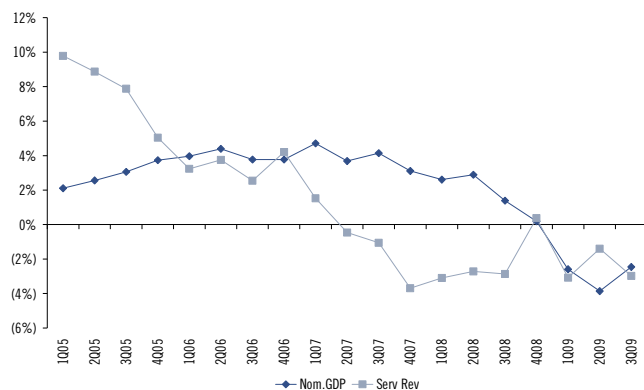
Figure 83. Broadband Subscriber Market Share



Source: Company reports, Citi Investment Research and Analysis

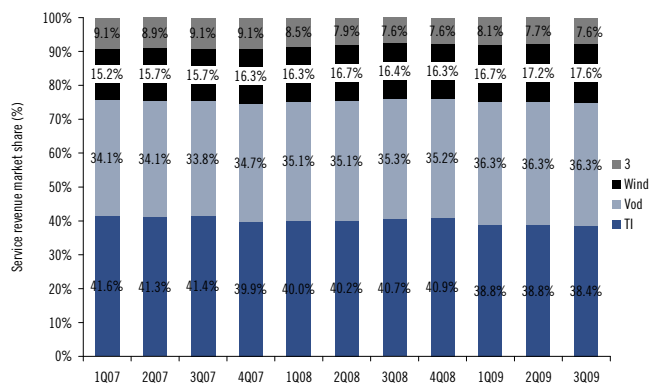
Mobile Charts

Figure 84. Revenue and GDP



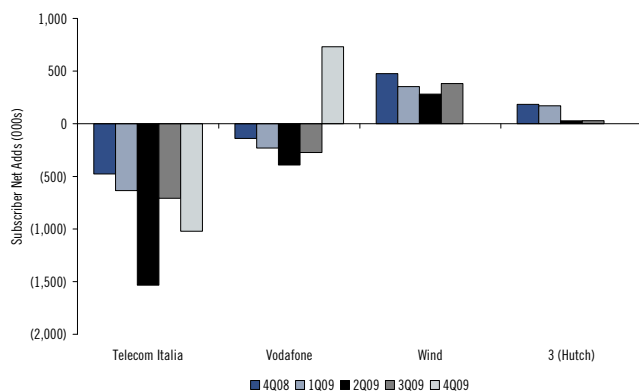
Source: Company reports, Citi Investment Research and Analysis

Figure 85. Service Revenue Market Share



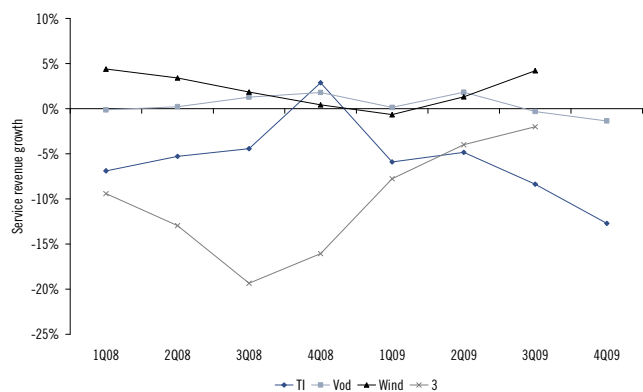
Source: Company reports, Citi Investment Research and Analysis

Figure 86. Subscriber Net Adds



Source: Company reports, Citi Investment Research and Analysis

Figure 87. Service Revenue Growth



Source: Company reports, Citi Investment Research and Analysis

Italy Mobile Data

Figure 88. Italy Mobile Market Information

Italy	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue, €m												
Telecom Italia	2,274	2,321	2,366	2,187	2,118	2,199	2,261	2,250	1,993	2,092	2,072	1,964
Vodafone	1,863	1,917	1,936	1,903	1,861	1,921	1,961	1,938	1,863	1,956	1,955	1,912
Wind	829	884	896	894	865	915	913	898	860	927	951	
3 (Hutch)	498	498	521	500	452	434	420	420	417	417	412	420
Total	5,465	5,620	5,719	5,485	5,295	5,468	5,555	5,506	5,132	5,391	5,390	
Service Revenue Growth, yoy												
Telecom Italia	0.5%	(1.3%)	(2.2%)	(7.5%)	(6.9%)	(5.3%)	(4.4%)	2.9%	(5.9%)	(4.8%)	(8.4%)	(12.7%)
Vodafone	0.3%	(2.3%)	(2.7%)	(2.9%)	(0.1%)	0.2%	1.3%	1.8%	0.1%	1.8%	(0.3%)	(1.3%)
Wind	11.9%	8.9%	5.3%	3.9%	4.4%	3.4%	1.8%	0.4%	(0.7%)	1.3%	4.2%	
3 (Hutch)	(4.4%)	(4.4%)	0.2%	(1.8%)	(9.4%)	(13.0%)	(19.3%)	(16.1%)	(7.8%)	(4.0%)	(2.0%)	
Total	1.5%	(0.5%)	(1.1%)	(3.7%)	(3.1%)	(2.7%)	(2.9%)	0.4%	(3.1%)	(1.4%)	(3.0%)	
Service Revenue Market Share												
Telecom Italia	41.6%	41.3%	41.4%	39.9%	40.0%	40.2%	40.7%	40.9%	38.8%	38.8%	38.4%	
Vodafone	34.1%	34.1%	33.8%	34.7%	35.1%	35.1%	35.3%	35.2%	36.3%	36.3%	36.3%	
Wind	15.2%	15.7%	15.7%	16.3%	16.3%	16.7%	16.4%	16.3%	16.7%	17.2%	17.6%	
3 (Hutch)	9.1%	8.9%	9.1%	9.1%	8.5%	7.9%	7.6%	7.6%	8.1%	7.7%	7.6%	
Post-pay Customers, 000s												
Vodafone	2,188	2,292	2,418	2,608	2,850	3,058	3,228	3,423	3,635	3,797	3,933	4,091
Call Volumes, mn min/qtr												
Telecom Italia	10,438	11,318	11,909	12,254	12,360	12,572	12,427	12,359	11,819	12,272	12,025	
Vodafone	8,439	8,932	9,051	9,651	9,813	10,094	10,010	10,622	10,337	10,566	10,291	10,765
Wind	5,180	5,364	5,292	5,591	5,706	5,916	5,944	6,461	6,484	6,821	6,848	
3 Hutch	2,474	2,601	2,648	2,845	2,928	3,064	3,092	3,348	3,346	3,495	3,454	
Total	26,531	28,215	28,900	30,341	30,807	31,645	31,473	32,789	31,986	33,154	32,617	
Call Volume growth, yoy												
Telecom Italia	1.0%	7.3%	11.4%	18.4%	18.4%	11.1%	4.4%	0.9%	(4.4%)	(2.4%)	(3.2%)	
Vodafone	8.9%	16.2%	12.4%	16.9%	16.3%	13.0%	10.6%	10.1%	5.3%	4.7%	2.8%	1.3%
Wind	4.6%	7.8%	2.3%	8.2%	10.2%	10.3%	12.3%	15.6%	13.6%	15.3%	15.2%	
3 Hutch	20.7%	17.8%	9.9%	15.5%	18.3%	17.8%	16.8%	17.7%	14.3%	14.1%	11.7%	
Total	5.8%	11.0%	9.8%	15.7%	16.1%	12.2%	8.9%	8.1%	3.8%	4.8%	3.6%	
Contract Churn, % p.a												
Vodafone	14.1%	15.9%	14.7%	17.5%	18.1%	17.6%	15.8%	17.3%	16.9%	19.8%	17.2%	23.3%
Data Revenue (excl messaging) % Service Revenue												
Telecom Italia	8.3%	8.7%	9.4%	10.3%	12.1%	12.2%	12.7%	14.2%	11.7%	12.5%	13.8%	
Vodafone	5.2%	5.3%	6.0%	6.8%	7.4%	7.5%	7.8%	8.4%	9.0%	8.7%	9.8%	10.2%
EBITDA, €m												
Vodafone	962	1,034	1,044	952	931	1,016	1,038	992	954	1,073	1,073	
Capex, €m												
Vodafone	229	139	139	236	236	192	192	212	212	222	222	

Source: Company reports, Citi Investment Research and Analysis

Italy Fixed Data

Figure 89. Italy Fixed Market Information

Italy	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Broadband Subscribers (000s)												
Incumbent retail	5,883	6,073	6,215	6,427	6,541	6,564	6,610	6,754	6,843	6,859	6,921	
Incumbent wholesale	1,212	1,204	1,180	1,163	1,187	1,228	1,304	1,380	1,486	1,584	1,646	
ULL (total)	2,688	2,989	3,173	3,637	3,953	4,248	4,387	4,621	4,883	5,112	5,237	
Cable	0	0	0	0	0	0	0	0	0	0	0	
Total	9,783	10,266	10,568	11,227	11,681	12,040	12,301	12,755	13,212	13,555	13,804	
Broadband Subscribers (000s)												
Telecom Italia	5,883	6,073	6,215	6,427	6,541	6,564	6,610	6,754	6,843	6,859	6,921	
Tiscali	470	500	518	552	580	574	581	586	554	549	552	
Wind - Libero	847	898	942	1,022	1,115	1,200	1,250	1,360	1,453	1,518	1,560	
Fastweb	1,150	1,196	1,251	1,313	1,388	1,398	1,441	1,482	1,542	1,575	1,605	1,644
Vodafone	0	0	0	0	0	0	0	0	950	1,000	1,000	
Other	1,433	1,599	1,642	1,913	2,057	2,304	2,419	2,573	1,870	2,054	2,166	
Total	9,783	10,266	10,568	11,227	11,681	12,040	12,301	12,755	13,212	13,555	13,804	
Broadband Subscribers Net Adds (000s)												
Telecom Italia	244	190	142	212	114	23	46	144	89	16	62	
Tiscali	38	30	18	34	28	(6)	7	5	(32)	0	0	
Wind - Libero	84	51	44	80	93	85	50	110	93	65	42	
Fastweb	88	46	55	62	75	10	43	41	60	33	30	39
Vodafone	0	0	0	0	0	0	0	0	0	0	0	
Total	767	483	301	659	454	359	261	454	456	344	249	
Telephony Channels (000s)												
Incumbent retail	23,205	22,889	22,655	22,124	21,648	20,952	20,539	20,031	19,582	19,170	18,854	
Incumbent wholesale (WLR)	0	0	0	0	77	348	414	518	640	747	803	
ULL (total)	2,188	2,434	2,583	2,961	3,218	3,411	3,500	3,664	3,871	4,028	4,124	
Naked DSL	237	264	280	321	349	432	471	572	684	789	857	
Cable	0	0	0	0	0	0	0	0	0	0	0	
Total	25,631	25,586	25,518	25,406	25,292	25,143	24,924	24,784	24,777	24,734	24,639	
Telephony Channels Net Adds (000s)												
Incumbent retail	(493)	(316)	(234)	(531)	(476)	(696)	(413)	(508)	(449)	(412)	(316)	
Incumbent wholesale (WLR)	0	0	0	0	77	271	66	104	122	108	56	
ULL (total)	360	245	149	378	257	193	89	164	207	157	96	
Naked DSL	39	27	16	41	28	83	39	101	112	105	68	
Cable	0	0	0	0	0	0	0	0	0	0	0	
Total	(94)	(44)	(69)	(112)	(114)	(149)	(219)	(140)	(8)	(42)	(96)	
Pay TV Subscribers (000s)												
TI	0	0	0	0	136	180	218	329	365	397	406	
Sky Italia	0	0	0	0	0	0	4,600	4,700	4,800	4,800	4,800	

Source: Company reports, Citi Investment Research and Analysis

Netherlands

Fixed

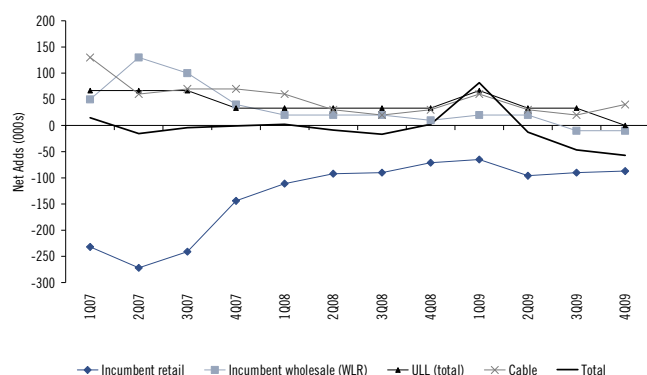
- **Cable increasingly aggressive in broadband** – Cable operators have been increasingly aggressive on broadband promotions. UPC has increased its broadband net adds to 34k vs 15 3Q09.

Mobile

- **Revenue growth improvement** – With only minor MTR cuts and stable pricing as highlighted in our tariff tracker, revenue growth improved to 0.9% from -0.8% 3Q09. Vodafone has been gaining service revenue market share. KPN has seen a significant fall in post-pay net adds.
- **T-Mobile margin improvement** – T-Mobile's margin increased significantly after delivering on cost savings following the merger with Orange. This shows the potential upside from in-market consolidation.

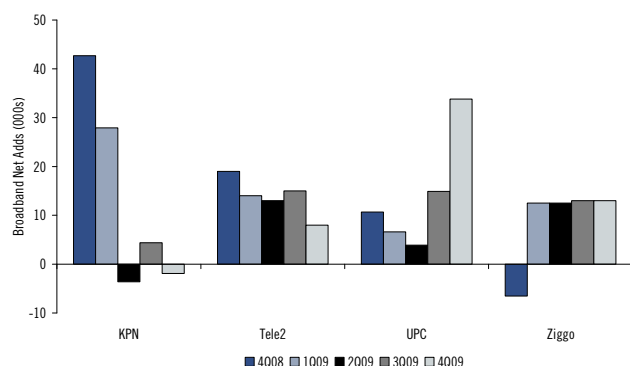
Fixed Charts

Figure 90. Telephony Net Adds



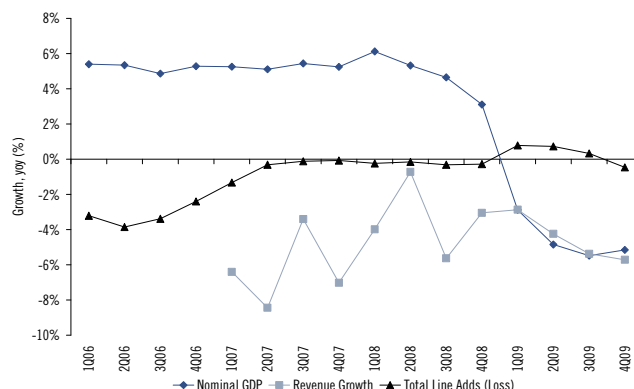
Source: Company reports, Citi Investment Research and Analysis

Figure 92. Broadband Subscriber Net Adds



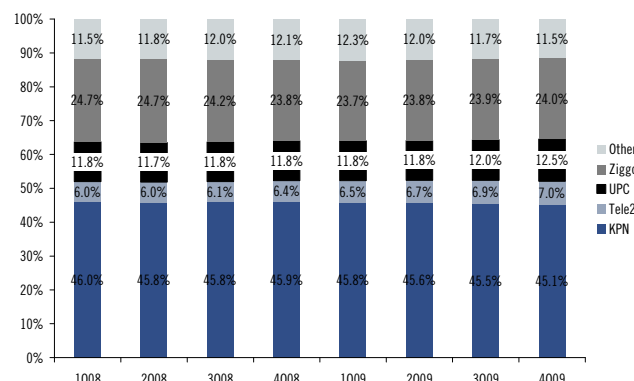
Source: Company reports, Citi Investment Research and Analysis

Figure 91. Total Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Citi Investment Research and Analysis

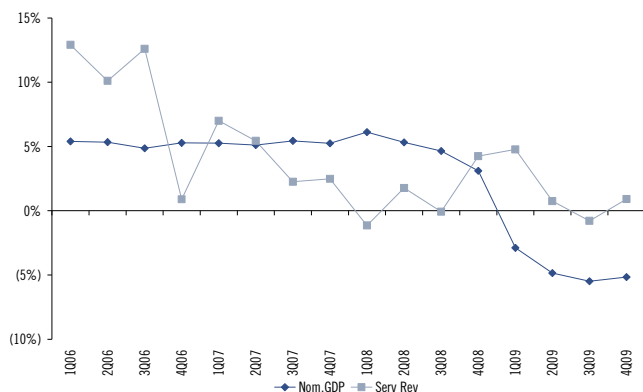
Figure 93. Broadband Subscriber Market Share



Source: Company reports, Citi Investment Research and Analysis

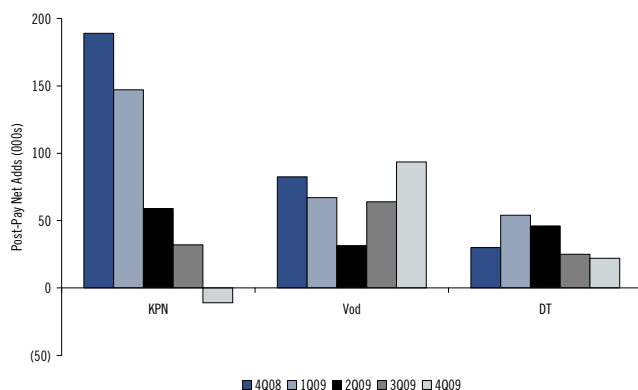
Mobile Charts

Figure 94. Revenue and GDP



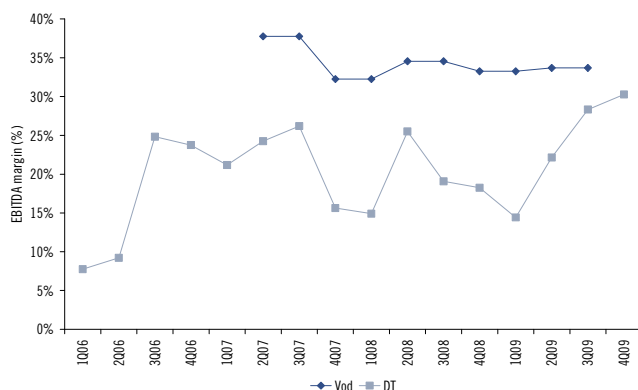
Source: Company reports, Citi Investment Research and Analysis

Figure 96. Post-Paid Net Adds



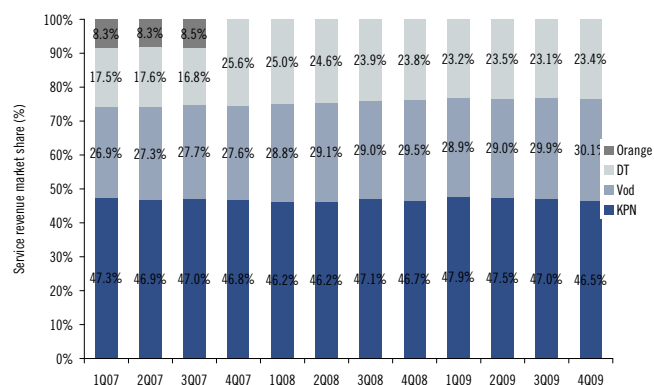
Source: Company reports, Citi Investment Research and Analysis

Figure 98. EBITDA Margin



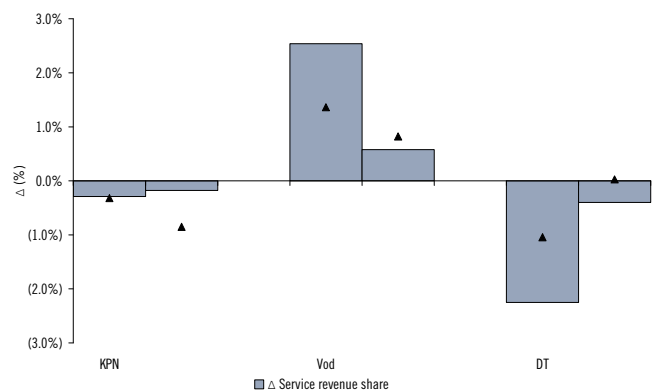
Source: Company reports, Citi Investment Research and Analysis

Figure 95. Service Revenue Market Share



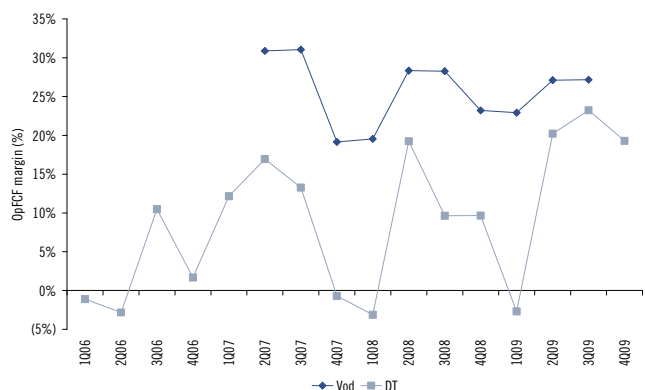
Source: Company reports, Citi Investment Research and Analysis

Figure 97. Change in Service Revenue and Contract Sub Share



Source: Company reports, Citi Investment Research and Analysis

Figure 99. OpFCF margin



Source: Company reports, Citi Investment Research and Analysis

Netherlands Mobile Data

Figure 100. Netherlands Mobile Market Information

Netherlands	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue, €m												
KPN	731	753	764	725	706	756	764	754	767	783	757	758
Vodafone	417	438	449	427	440	477	471	477	463	478	481	491
T-Mobile (DT)	270	283	273	397	383	403	388	384	372	387	372	381
Total	1,547	1,607	1,624	1,549	1,529	1,636	1,623	1,615	1,602	1,648	1,610	1,630
Service Revenue Growth, yoy												
KPN	9.1%	6.1%	1.6%	(1.4%)	(3.4%)	0.4%	0.0%	4.0%	8.6%	3.6%	(0.9%)	0.5%
Vodafone	4.8%	4.5%	3.9%	16.4%	5.6%	8.8%	4.8%	11.7%	5.2%	0.3%	2.2%	2.9%
T-Mobile (DT)	5.9%	6.4%	0.0%	40.8%	41.9%	42.4%	42.1%	(3.3%)	(2.9%)	(4.0%)	(4.1%)	(0.8%)
Total	7.0%	5.4%	2.3%	2.5%	(1.1%)	1.8%	(0.1%)	4.3%	4.8%	0.8%	(0.8%)	0.9%
Service Revenue Market Share												
KPN	47.3%	46.9%	47.0%	46.8%	46.2%	46.2%	47.1%	46.7%	47.9%	47.5%	47.0%	46.5%
Vodafone	26.9%	27.3%	27.7%	27.6%	28.8%	29.1%	29.0%	29.5%	28.9%	29.0%	29.9%	30.1%
T-Mobile (DT)	17.5%	17.6%	16.8%	25.6%	25.0%	24.6%	23.9%	23.8%	23.2%	23.5%	23.1%	23.4%
Post-pay Customers, 000s												
KPN	3,957	4,021	4,249	4,337	4,424	4,588	4,770	4,959	5,106	5,165	5,197	5,186
Vodafone	2,122	2,175	2,226	2,302	2,432	2,498	2,575	2,658	2,725	2,756	2,820	2,914
T-Mobile (DT)	1,338	1,343	1,351	2,090	2,123	2,153	2,229	2,259	2,313	2,359	2,384	2,406
Call Volumes, mn min/qtr												
KPN	3,655	3,753	3,528	3,836	3,781	3,997	3,762	4,026	3,843	3,921	3,739	4,031
Vodafone	1,900	2,006	1,899	2,036	2,077	2,260	2,108	2,313	2,278	2,363	2,212	2,367
Deutsche Telekom	903	947	891	1,340	1,751	1,911	1,734	1,755	1,708	1,743	1,765	1,842
Total	7,329	7,626	7,198	8,148	7,609	8,168	7,604	8,094	7,829	8,026	7,717	8,240
Call Volume growth, yoy												
KPN	14.1%	10.6%	7.7%	7.9%	3.4%	6.5%	6.6%	5.0%	1.6%	(1.9%)	(0.6%)	0.1%
Vodafone	9.6%	10.2%	11.0%	9.0%	9.3%	12.7%	11.0%	13.6%	9.7%	4.6%	4.9%	2.3%
Deutsche Telekom	21.3%	19.1%	15.5%	54.6%	93.8%	101.8%	94.5%	30.9%	(2.4%)	(8.8%)	1.8%	5.0%
Total	14.2%	12.2%	10.3%	14.2%	3.8%	7.1%	5.6%	(0.7%)	2.9%	(1.7%)	1.5%	1.8%
Contract Churn, % p.a												
T-Mobile (DT)	19.2%	16.8%	14.4%	18.0%	19.2%	19.2%	16.8%	21.6%	18.0%	16.8%	19.2%	18.0%
EBITDA, €m												
Vodafone		165	170	138	142	165	163	159	154	161	162	0
T-Mobile (DT)	61	73	77	68	62	114	91	85	64	103	128	135
Capex, €m												
Vodafone	0	30	30	56	56	30	30	48	48	31	31	0
T-Mobile (DT)	26	22	38	71	75	28	45	40	76	9	23	49

Source: Company reports, Citi Investment Research and Analysis

Netherlands Fixed Data

Figure 101. Netherlands Fixed Market Information

Netherlands	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Broadband Subscribers (000s)												
Incumbent retail	2,176	2,415	2,460	2,493	2,544	2,579	2,612	2,655	2,683	2,679	2,684	2,682
Incumbent wholesale	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	967	933	900	933	967	1,000	1,033	1,067	1,100	1,100	1,100	1,100
Cable	1,842	1,888	1,942	1,987	2,018	2,047	2,053	2,058	2,077	2,093	2,121	2,168
Total	4,985	5,236	5,301	5,413	5,528	5,625	5,699	5,779	5,860	5,872	5,905	5,950
Broadband Subscribers (000s)												
KPN	2,176	2,415	2,460	2,493	2,544	2,579	2,612	2,655	2,683	2,679	2,684	2,682
Tele2	275	286	302	324	331	338	349	368	382	395	410	418
UPC	585	601	625	640	650	659	672	683	689	693	708	742
Ziggo	1,257	1,287	1,317	1,347	1,368	1,388	1,382	1,375	1,388	1,400		
Other	692	647	598	609	636	662	684	699	718	705	690	682
Total	4,985	5,236	5,301	5,413	5,528	5,625	5,699	5,779	5,860	5,872	5,905	5,950
Broadband Subscribers Net Adds (000s)												
KPN	79	239	45	33	51	35	34	43	28	-4	4	-2
Tele2	7	11	16	22	7	7	11	19	14	13	15	8
UPC	20	16	24	16	10	8	13	11	7	4	15	34
Ziggo	30	30	30	30	21	21	-7	-7	13	13		
- other	27	-44	-49	11	26	26	22	14	19	-13	-15	-8
Total	163	251	65	112	115	97	74	80	80	13	32	45
Telephony Channels (000s)												
Incumbent retail	6,046	5,774	5,533	5,389	5,278	5,186	5,096	5,025	4,960	4,864	4,774	4,687
Incumbent wholesale (WLR)	50	180	280	320	340	360	380	390	410	430	420	410
ULL (total)	467	533	600	633	667	700	733	767	833	867	900	900
Cable	960	1,020	1,090	1,160	1,220	1,250	1,270	1,300	1,360	1,390	1,410	1,450
Total	7,523	7,507	7,503	7,502	7,505	7,496	7,479	7,482	7,563	7,551	7,504	7,447
Telephony Channels Net Adds (000s)												
Incumbent retail	-232	-272	-241	-144	-111	-92	-90	-71	-65	-96	-90	-87
Incumbent wholesale (WLR)	50	130	100	40	20	20	20	10	20	20	-10	-10
ULL (full)	67	67	67	33	33	33	33	33	67	33	33	0
Cable	130	60	70	70	60	30	20	30	60	30	20	40
Total	15	-15	-4	-1	2	-9	-17	2	82	-13	-47	-57
Pay TV Subscribers (000s)												
KPN	296	337	414	497	553	636	700	775	835	886	924	970
UPC	2,198	2,188	2,174	2,152	2,119	2,089	2,068	2,044	2,013	1,986	1,966	1,955
Pay TV Subscribers Net Adds (000s)												
KPN	31	41	77	83	56	83	64	75	60	51	38	46
UPC	0	-10	-15	-21	-34	-30	-21	-24	-31	-27	-20	-11

Source: Company reports, Company reports, Citi Investment Research and Analysis

Norway

Fixed

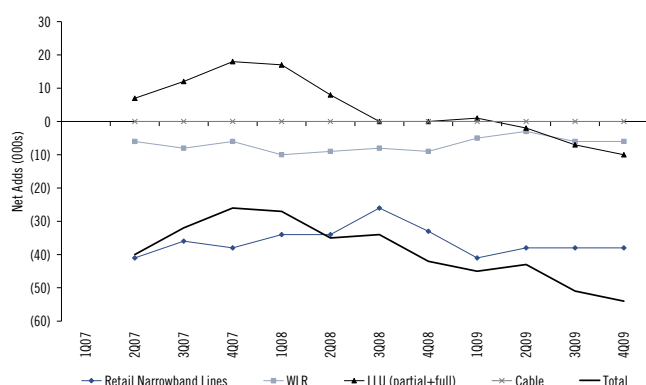
- **High line loss driven by shift to mobile-only households** – The high yoy retail line loss for the incumbent is being driven by growth in mobile-only households and ULL lines. The regulator reported 32% of households were mobile only in 2Q09.
- **Incumbent gaining broadband market share** – The incumbent has been gaining broadband market share, driven by net adds on its cable network.

Mobile

- **Stable revenue growth** – mobile revenue growth remains relatively stable and positive compared to other European markets. This may be due to the relatively higher take up on mobile broadband.
- **Incumbent gaining market share** – the incumbent is taking share from Telia.

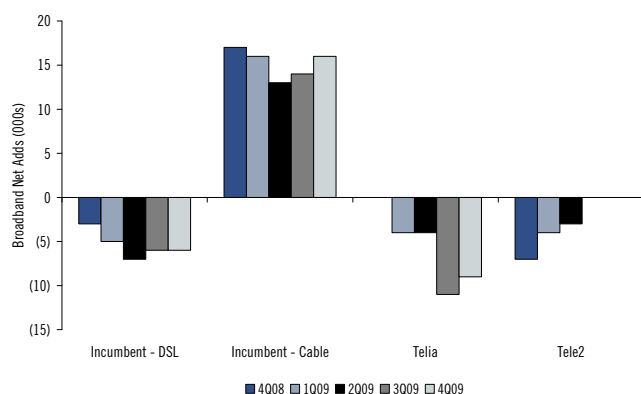
Fixed Charts

Figure 102. Telephony Net Adds



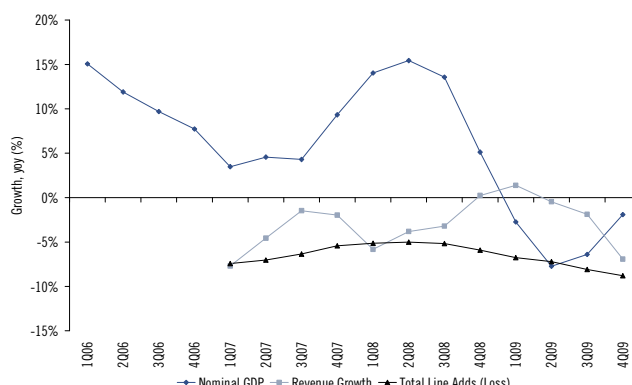
Source: Company reports, Citi Investment Research and Analysis

Figure 104. Broadband Subscriber Net Adds



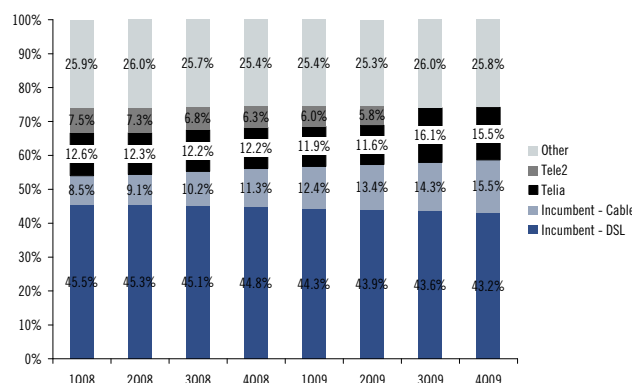
Source: Company reports, Citi Investment Research and Analysis

Figure 103. Total Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Citi Investment Research and Analysis

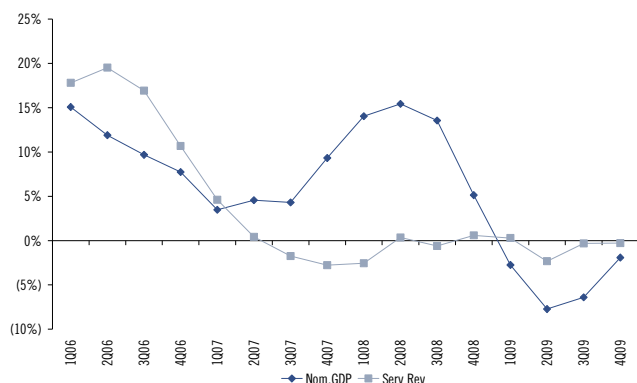
Figure 105. Broadband Subscriber Market Share



Source: Company reports, Citi Investment Research and Analysis

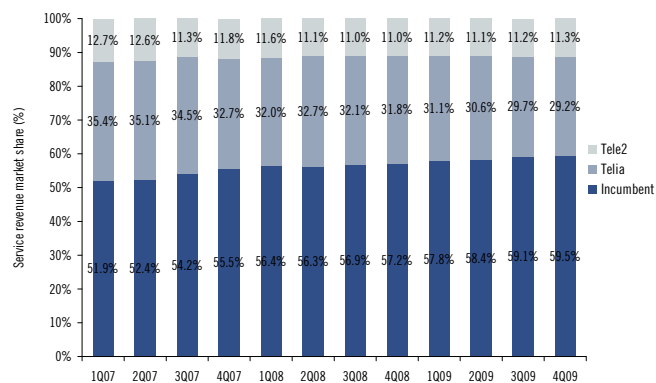
Mobile Charts

Figure 106. Revenue and GDP



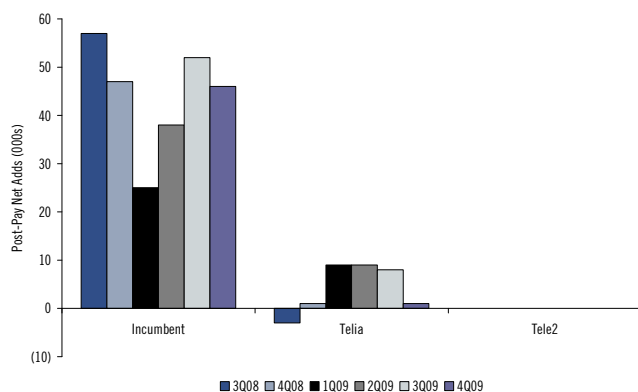
Source: Company reports, Citi Investment Research and Analysis

Figure 107. Service Revenue Market Share



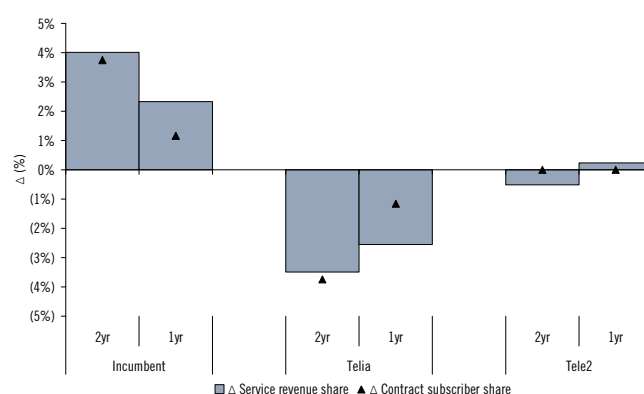
Source: Company reports, Citi Investment Research and Analysis

Figure 108. Post-Paid Net Adds



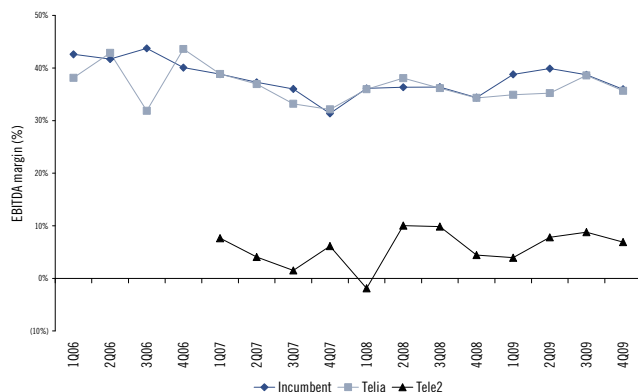
Source: Company reports, Citi Investment Research and Analysis

Figure 109. Change in Service Revenue and Contract Sub Share



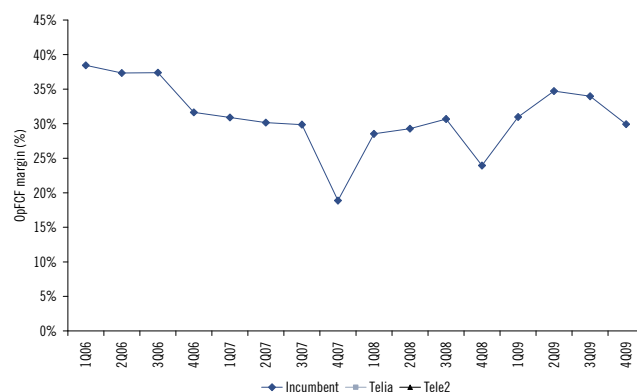
Source: Company reports, Citi Investment Research and Analysis

Figure 110. EBITDA Margin



Source: Company reports, Citi Investment Research and Analysis

Figure 111. OpFCF margin



Source: Company reports, Citi Investment Research and Analysis

Norway Mobile Data

Figure 112. Norway Mobile Market Information

Norway	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue, NOK m												
Incumbent	2,483	2,594	2,697	2,661	2,627	2,797	2,813	2,758	2,700	2,833	2,914	2,862
Telia	1,695	1,736	1,717	1,567	1,493	1,623	1,589	1,532	1,451	1,484	1,462	1,404
Tele2	605	622	561	564	541	550	543	532	522	537	553	541
Total	4,783	4,952	4,975	4,793	4,660	4,969	4,946	4,821	4,673	4,854	4,929	4,808
Service Revenue Growth, yoy												
Incumbent	0.6%	(1.9%)	(0.4%)	3.3%	5.8%	7.8%	4.3%	3.6%	2.8%	1.3%	3.6%	3.8%
Telia	3.8%	(0.9%)	(3.7%)	(10.7%)	(11.9%)	(6.5%)	(7.5%)	(2.3%)	(2.8%)	(8.6%)	(8.0%)	(8.3%)
Tele2	28.4%	16.3%	(2.2%)	(5.4%)	(10.7%)	(11.7%)	(3.1%)	(5.8%)	(3.4%)	(2.3%)	1.8%	1.8%
Total	4.6%	0.4%	(1.7%)	(2.8%)	(2.6%)	0.3%	(0.6%)	0.6%	0.3%	(2.3%)	(0.3%)	(0.3%)
Service Revenue Market Share												
Incumbent	51.9%	52.4%	54.2%	55.5%	56.4%	56.3%	56.9%	57.2%	57.8%	58.4%	59.1%	59.5%
Telia	35.4%	35.1%	34.5%	32.7%	32.0%	32.7%	32.1%	31.8%	31.1%	30.6%	29.7%	29.2%
Tele2	12.7%	12.6%	11.3%	11.8%	11.6%	11.1%	11.0%	11.0%	11.2%	11.1%	11.2%	11.3%
Post-pay Customers, 000s												
Incumbent	1,632	1,699	1,776	1,859	1,912	1,976	2,033	2,080	2,105	2,143	2,195	2,241
Telia	1,146	1,138	1,122	1,137	1,136	1,140	1,137	1,138	1,147	1,156	1,164	1,165
Tele2	0	0	0	0	0	0	0	0	0	0	0	0
Call Volumes, mn min/qtr												
Incumbent	1,723	1,816	1,836	1,921	1,932	2,086	2,000	2,078	2,112	2,177	2,161	2,251
Telia	1,122	1,135	1,134	1,155	1,129	1,227	1,159	1,157	1,185	1,214	1,207	1,245
Tele2	279	292	305	322	316	336	317	328	338	343	338	350
Total	3,124	3,244	3,275	3,399	3,377	3,649	3,476	3,563	3,634	3,734	3,706	3,846
Call Volume growth, yoy												
Incumbent	13.2%	14.0%	13.8%	15.4%	12.1%	14.9%	9.0%	8.2%	9.3%	4.3%	8.0%	8.3%
Telia	14.7%	6.3%	3.5%	1.7%	0.7%	8.1%	2.2%	0.1%	4.9%	(1.0%)	4.2%	7.7%
Tele2					13.3%	15.1%	3.7%	1.7%	6.9%	1.8%	6.6%	6.7%
Total					8.1%	12.5%	6.1%	4.8%	7.6%	2.3%	6.6%	8.0%
EBITDA, €m												
Incumbent	1,232	1,251	1,224	1,009	1,127	1,166	1,182	1,135	1,249	1,339	1,369	1,270
Telia	708	710	646	593	675	766	731	672	630	639	706	625
Tele2	46	25	8	35	(10)	55	54	24	21	42	49	37

Source: Company reports, Citi Investment Research and Analysis

Norway Fixed Data

Figure 113. Norway Fixed Market Information

Norway	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Broadband Subscribers (000s)												
Incumbent retail	675	695	714	741	766	776	797	811	822	828	836	846
Incumbent wholesale	148	152	153	144	132	123	116	106	98	90	87	85
ULL (total)	294	301	313	331	348	356	356	356	357	355	348	338
Cable	172	172	172	172	172	172	172	172	172	172	172	172
Total	1,289	1,320	1,352	1,388	1,418	1,427	1,441	1,445	1,449	1,445	1,443	1,441
Broadband Subscribers (000s)												
Incumbent - DSL	594	606	619	633	645	646	650	647	642	635	629	623
Incumbent - Cable	81	89	95	108	121	130	147	164	180	193	207	223
Telia	175	175	176	177	178	176	176	176	172	168	232	223
Tele2	107	114	116	112	107	104	98	91	87	84	0	0
- other	332	336	346	358	367	371	370	367	368	365	375	372
Total	1,289	1,320	1,352	1,388	1,418	1,427	1,441	1,445	1,449	1,445	1,443	1,441
Broadband Subscribers Net Adds (000s)												
Incumbent - DSL		12	13	14	12	1	4	(3)	(5)	(7)	(6)	(6)
Incumbent - Cable		8	6	13	13	9	17	17	16	13	14	16
Telia		0	1	1	1	(2)	0	0	(4)	(4)	(11)	(9)
Tele2		7	2	(4)	(5)	(3)	(6)	(7)	(4)	(3)	0	0
- other		4	10	12	9	4	(1)	(3)	1	(3)	10	(3)
Total		31	32	36	30	9	14	4	4	(4)	(2)	(2)
Telephony Channels (000s)												
Incumbent retail	1,860	1,819	1,783	1,745	1,711	1,677	1,651	1,618	1,577	1,539	1,501	1,463
Incumbent wholesale (WLR)	277	271	263	257	247	238	230	221	216	213	207	201
ULL (total)	294	301	313	331	348	356	356	356	357	355	348	338
Cable												
Total	2,431	2,391	2,359	2,333	2,306	2,271	2,237	2,195	2,150	2,107	2,056	2,002
Telephony Channels Net Adds (000s)												
Incumbent retail		(41)	(36)	(38)	(34)	(34)	(26)	(33)	(41)	(38)	(38)	(38)
Incumbent wholesale (WLR)		(6)	(8)	(6)	(10)	(9)	(8)	(9)	(5)	(3)	(6)	(6)
ULL (total)		7	12	18	17	8	0	0	1	(2)	(7)	(10)
Cable		0	0	0	0	0	0	0	0	0	0	0
Total		(40)	(32)	(26)	(27)	(35)	(34)	(42)	(45)	(43)	(51)	(54)

Source: Company reports, Citi Investment Research and Analysis

Portugal

Fixed

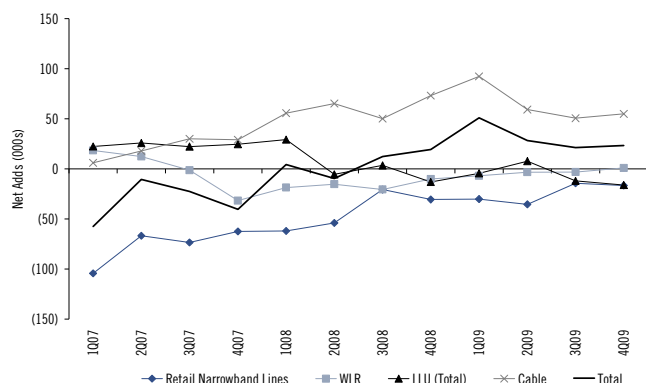
- **Stable fixed-line market** – Portugal Telecom's retail line loss was -3.6% yoy 4Q09, one of the lowest in the sector, while total number of fixed lines continues to go up.
- **Portugal Telecom strong performance in triple-play** – PT has been achieving strong broadband and TV net adds (100% market share of net adds in 4Q09). The triple-play market is increasingly a duopoly between PT and Zon.

Mobile

- **Revenue improvement** – Revenue growth improved in 4Q09 as yoy MTR impacts dropped out. PT has been gaining significant market share within post-pay from Vodafone, however this has not translated into significant change in service revenue market share.

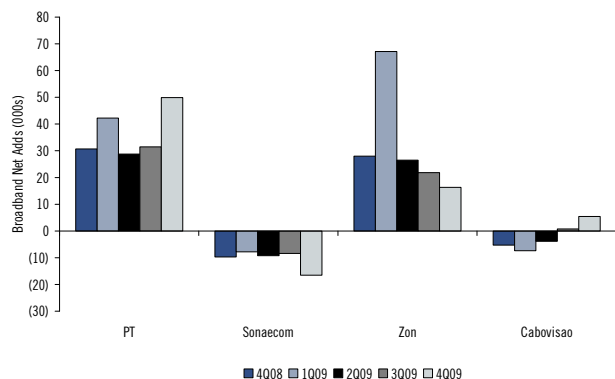
Fixed Charts

Figure 114. Telephony Net Adds



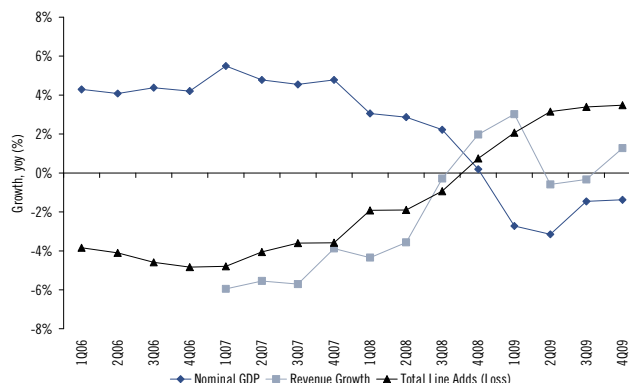
Source: Company reports, Citi Investment Research and Analysis

Figure 116. Broadband Subscriber Net Adds



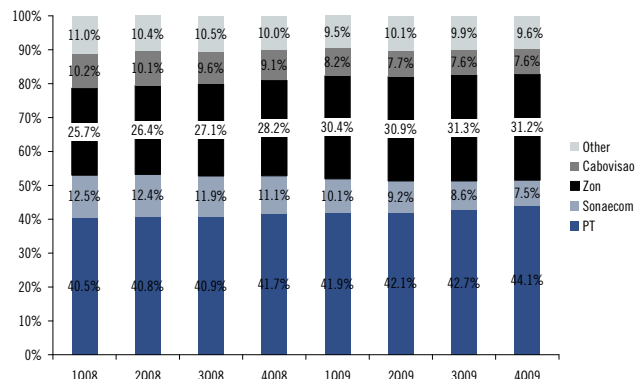
Source: Company reports, Citi Investment Research and Analysis

Figure 115. Total Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Citi Investment Research and Analysis

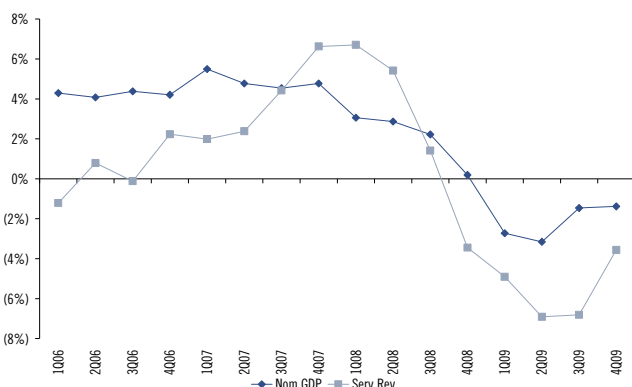
Figure 117. Broadband Subscriber Market Share



Source: Company reports, Citi Investment Research and Analysis

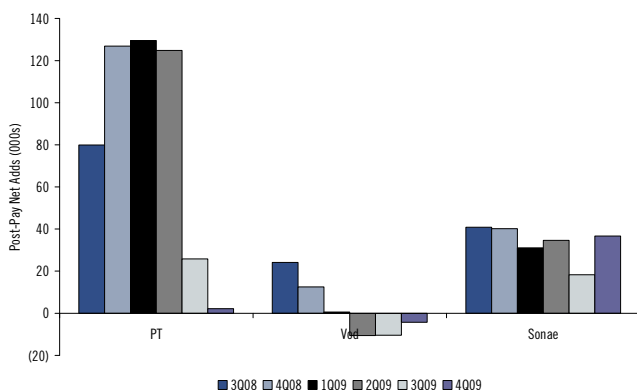
Mobile Charts

Figure 118. Revenue and GDP



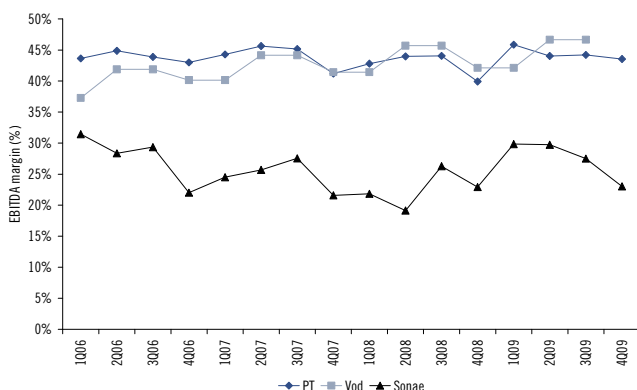
Source: Company reports, Citi Investment Research and Analysis

Figure 120. Post-Paid Net Adds



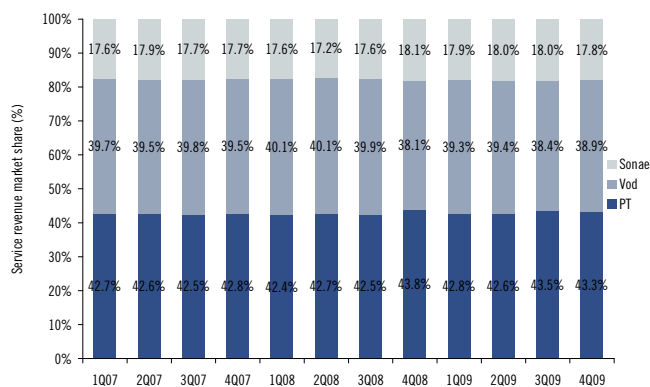
Source: Company reports, Citi Investment Research and Analysis

Figure 122. EBITDA Margin



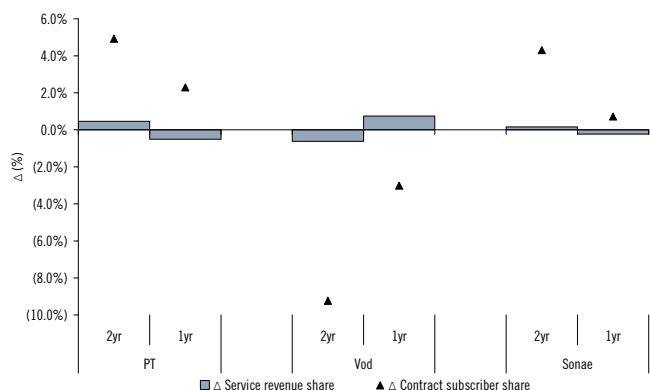
Source: Company reports, Citi Investment Research and Analysis

Figure 119. Service Revenue Market Share



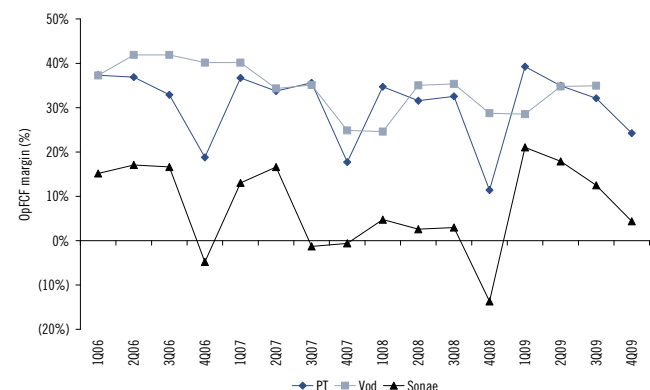
Source: Company reports, Citi Investment Research and Analysis

Figure 121. Change in Service Revenue and Contract Sub Share



Source: Company reports, Citi Investment Research and Analysis

Figure 123. OpFCF margin



Source: Company reports, Citi Investment Research and Analysis

Portugal Mobile Data

Figure 124. Portugal Mobile Market Information

Portugal	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue, €m												
Portugal Telecom	328	339	365	362	347	358	370	357	333	333	353	340
Vodafone	305	314	342	334	328	336	347	311	306	307	312	306
Sonae	135	142	152	149	144	144	153	148	139	141	146	140
Total	768	795	859	845	819	839	871	816	779	781	811	787
Service Revenue Growth, yoy												
Portugal Telecom	0.7%	0.8%	2.5%	4.6%	5.9%	5.7%	1.5%	(1.3%)	(3.9%)	(7.1%)	(4.6%)	(4.7%)
Vodafone	3.9%	3.2%	7.8%	9.7%	7.6%	7.0%	1.7%	(6.8%)	(6.6%)	(8.6%)	(10.2%)	(1.7%)
Sonae	0.9%	4.5%	1.8%	5.1%	6.7%	1.3%	0.6%	(1.3%)	(3.3%)	(2.6%)	(4.5%)	(4.8%)
Total	2.0%	2.4%	4.4%	6.6%	6.7%	5.4%	1.4%	(3.4%)	(4.9%)	(6.9%)	(6.8%)	(3.6%)
Service Revenue Market Share												
Portugal Telecom	42.7%	42.6%	42.5%	42.8%	42.4%	42.7%	42.5%	43.8%	42.8%	42.6%	43.5%	43.3%
Vodafone	39.7%	39.5%	39.8%	39.5%	40.1%	40.1%	39.9%	38.1%	39.3%	39.4%	38.4%	38.9%
Sonae	17.6%	17.9%	17.7%	17.7%	17.6%	17.2%	17.6%	18.1%	17.9%	18.0%	18.0%	17.8%
Post-pay Customers, 000s												
Portugal Telecom	1,170	1,221	1,321	1,377	1,623	1,744	1,824	1,951	2,081	2,206	2,231	2,234
Vodafone	998	988	1,041	1,089	1,130	1,164	1,188	1,201	1,201	1,190	1,180	1,176
Sonae	634	674	697	608	855	880	921	961	992	1,026	1,045	1,081
Call Volumes, mn min/qtr												
Portugal Telecom	1,980	2,077	2,223	2,226	2,157	2,207	2,351	2,324	2,252	2,432	2,595	2,602
Vodafone	1,612	1,657	1,836	1,764	1,763	1,839	2,049	2,075	2,143	2,206	2,373	2,343
Sonae	913	912	984	1,023	1,029	1,144	1,221	1,231	1,249	1,278	1,324	1,384
Total	4,505	4,645	5,043	5,013	4,949	5,190	5,622	5,630	5,645	5,916	6,292	6,329
Call Volume growth, yoy												
Portugal Telecom	6.1%	8.0%	10.5%	10.2%	9.0%	6.3%	5.8%	4.4%	4.4%	10.2%	10.4%	12.0%
Vodafone	15.0%	12.6%	14.3%	11.2%	9.4%	11.0%	11.6%	17.6%	21.6%	20.0%	15.8%	12.9%
Sonae	13.1%	10.8%	13.6%	13.5%	12.7%	25.5%	24.1%	20.3%	21.4%	11.7%	8.4%	12.4%
Total	10.5%	10.1%	12.5%	11.2%	9.9%	11.7%	11.5%	12.3%	14.0%	14.0%	11.9%	12.4%
EBITDA, €m												
Portugal Telecom	161	167	182	170	167	172	180	164	170	162	176	167
Vodafone	122	139	151	138	136	154	159	131	129	143	145	
Sonae	35	39	45	36	33	29	44	37	44	45	43	35

Source: Company reports, Citi Investment Research and Analysis

Portugal Fixed Data

Figure 125. Portugal Fixed Market Information

Portugal	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Broadband Subscribers (000s)												
Incumbent retail	701	715	741	652	657	667	679	710	752	781	812	862
Incumbent wholesale	65	64	63	62	60	57	55	53	50	51	54	54
ULL (total)	218	244	267	291	320	315	318	305	301	309	297	281
Cable	558	581	597	606	582	595	610	633	693	715	738	760
Total	1,542	1,604	1,667	1,611	1,619	1,634	1,662	1,701	1,796	1,856	1,901	1,956
Broadband Subscribers (000s)												
PT	701	715	741	652	657	667	679	710	752	781	812	862
Sonaecom	132	143	182	218	202	202	198	188	180	171	163	146
Zon	372	381	387	400	416	431	451	479	546	573	594	611
Cabovisao	186	200	210	206	166	164	159	154	147	143	144	149
- other	151	165	147	135	179	169	175	169	171	188	188	188
Total	1,542	1,604	1,667	1,611	1,619	1,634	1,662	1,701	1,796	1,856	1,901	1,956
Broadband Subscribers Net Adds (000s)												
PT	16	14	26	(90)	5	11	12	31	42	29	32	50
Sonaecom	10	11	39	36	(16)	0	(4)	(10)	(8)	(9)	(8)	(17)
Zon	10	9	6	13	16	15	20	28	67	27	22	16
Cabovisao	4	14	10	(4)	(40)	(2)	(5)	(5)	(7)	(4)	1	5
- other	13	13	(17)	(12)	43	(9)	5	(5)	1	18	(0)	(0)
Total	53	62	63	(57)	8	15	28	38	95	60	45	55
Telephony Channels (000s)												
Incumbent retail	3,213	3,146	3,073	3,010	2,948	2,894	2,873	2,843	2,813	2,777	2,763	2,746
Incumbent wholesale (WLR)	161	173	172	140	122	106	86	76	69	66	62	63
ULL (total)	218	244	267	291	320	315	318	305	301	309	297	281
Cable	6	24	54	83	139	204	254	327	419	479	529	584
Total	3,598	3,587	3,565	3,524	3,529	3,519	3,531	3,551	3,602	3,630	3,651	3,674
Telephony Channels Net Adds (000s)												
Incumbent retail	(104)	(67)	(74)	(62)	(62)	(54)	(21)	(31)	(30)	(35)	(14)	(17)
Incumbent wholesale (WLR)	18	12	(1)	(32)	(19)	(15)	(21)	(10)	(7)	(3)	(3)	1
ULL (full)	22	26	22	25	29	(6)	3	(13)	(4)	8	(12)	(16)
Cable	6	18	30	29	56	65	50	73	92	59	51	55
Total	(58)	(10)	(23)	(40)	4	(10)	12	19	51	28	21	23
Pay TV Subscribers (000s)												
PT	0	0	6	21	47	116	211	312	384	443	505	581
Zon	1,488	1,495	1,521	1,547	1,561	1,557	1,539	1,525	1,595	1,591	1,595	1,595
Pay TV Subscribers Net Adds (000s)												
PT	0	0	6	15	26	70	95	101	72	59	62	76
Zon	8	7	26	26	14	(4)	(18)	(14)	70	(4)	3	0

Source: Company reports, Citi Investment Research and Analysis

Spain

Fixed

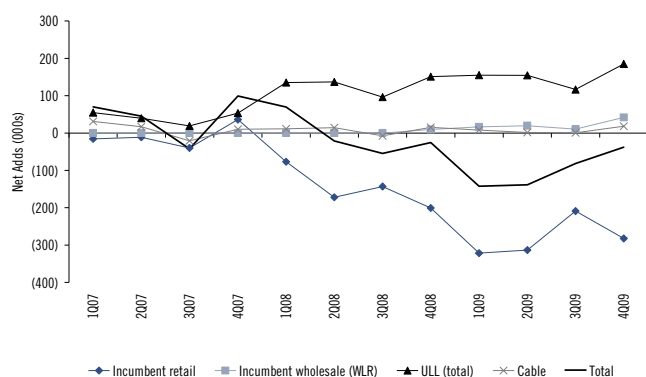
- **Increased line loss to ULL** – For the past year Telefónica has seen a worsening in retail line loss, as migrations to ULL lines have increased. The main driver of this has been Jazztel.
- **Fixed revenue improvement** – Fixed revenue for Telefónica showed a significant improvement even after removing a €148m benefit from USO. This is partly from a lower yoy comp.

Mobile

- **Revenue growth improvement** – revenue growth slightly improved in 4Q09 to -6.1% from -6.4% 3Q09. Orange and Telia are gaining service revenue market share of leaders Telefónica and Vodafone.

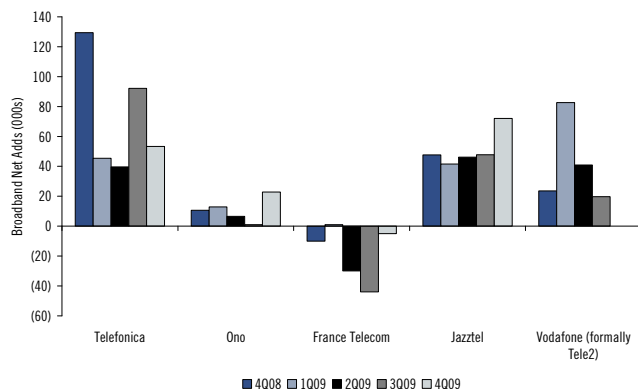
Fixed Charts

Figure 126. Telephony Net Adds



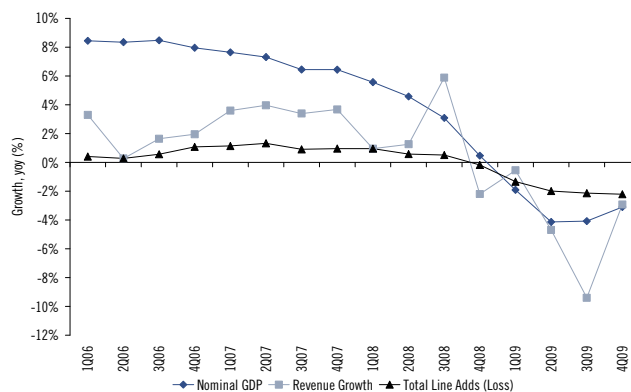
Source: Company reports, Citi Investment Research and Analysis

Figure 128. Broadband Subscriber Net Adds



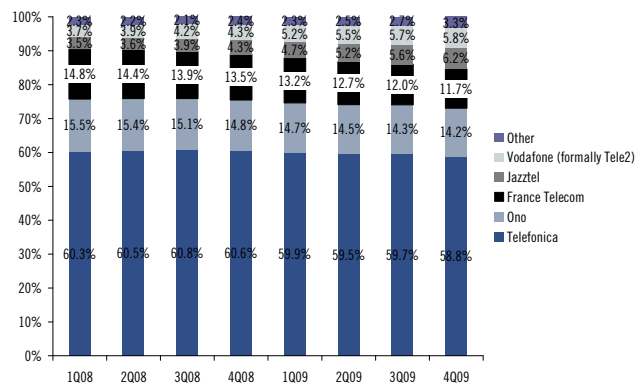
Source: Company reports, Citi Investment Research and Analysis

Figure 127. Total Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Citi Investment Research and Analysis

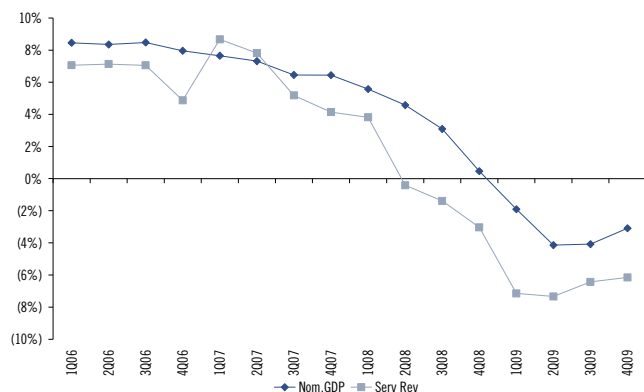
Figure 129. Broadband Subscriber Market Share



Source: Company reports, Citi Investment Research and Analysis

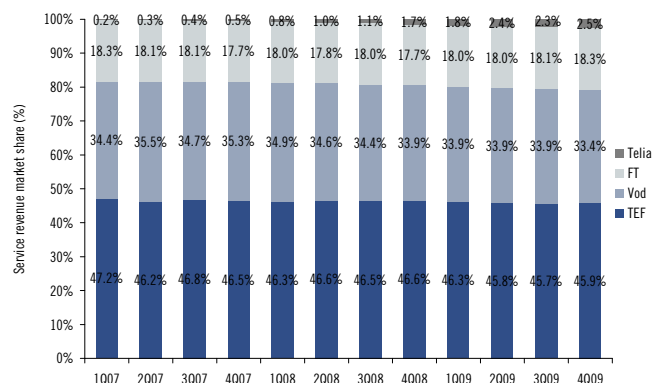
Mobile Charts

Figure 130. Revenue and GDP



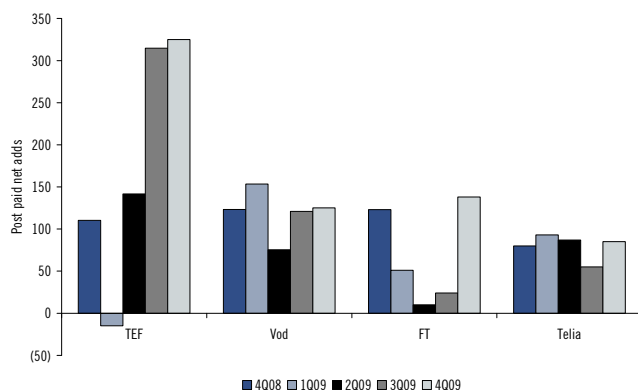
Source: Company reports, Citi Investment Research and Analysis

Figure 131. Service Revenue Market Share



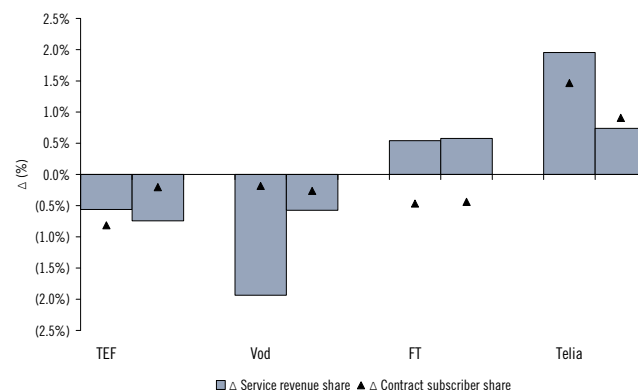
Source: Company reports, Citi Investment Research and Analysis

Figure 132. Post-Paid Net Adds



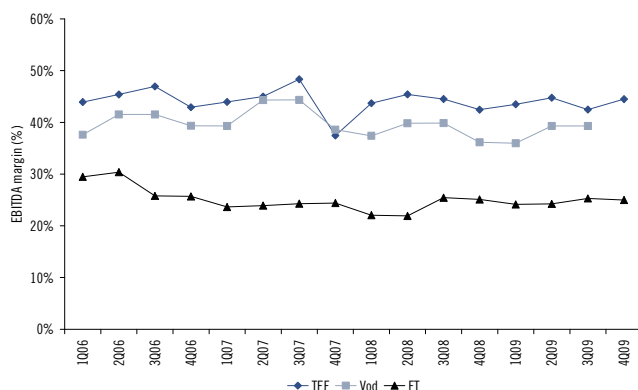
Source: Company reports, Citi Investment Research and Analysis

Figure 133. Change in Service Revenue and Contract Sub Share



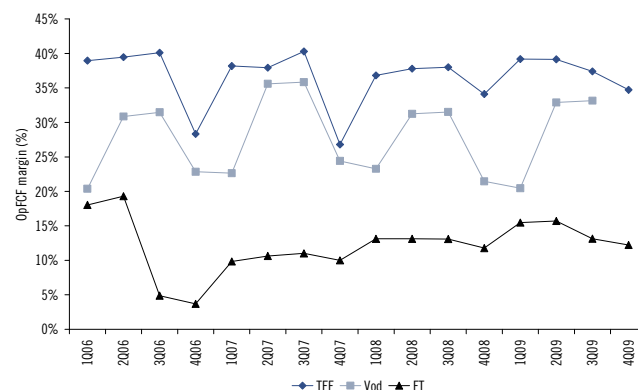
Source: Company reports, Citi Investment Research and Analysis

Figure 134. EBITDA Margin



Source: Company reports, Citi Investment Research and Analysis

Figure 135. OpFCF margin



Source: Company reports, Citi Investment Research and Analysis

Spain Mobile Data

Figure 136. Spain Mobile Market Information

Spain	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue, €m												
Telefónica	2,032	2,121	2,245	2,111	2,072	2,132	2,198	2,055	1,921	1,940	2,022	1,898
Vodafone	1,481	1,630	1,666	1,603	1,560	1,582	1,629	1,495	1,409	1,436	1,500	1,379
Orange (FT)	788	829	869	805	806	815	852	779	747	762	802	755
Telia	8	12	17	24	35	44	52	77	77	100	103	103
Total	4,309	4,592	4,797	4,543	4,473	4,573	4,731	4,406	4,153	4,238	4,427	4,135
Service Revenue Growth, yoy												
Telefónica	7.0%	5.5%	3.3%	2.6%	2.0%	0.5%	(2.1%)	(2.7%)	(7.3%)	(9.0%)	(8.0%)	(7.6%)
Vodafone	12.8%	12.7%	8.5%	7.1%	5.4%	(3.0%)	(2.2%)	(6.8%)	(9.7%)	(9.2%)	(7.9%)	(7.7%)
Orange (FT)	4.6%	3.4%	2.0%	(0.2%)	2.3%	(1.7%)	(2.0%)	(3.2%)	(7.3%)	(6.5%)	(5.9%)	(3.1%)
Telia												
Total	8.7%	7.8%	5.2%	4.1%	3.8%	(0.4%)	(1.4%)	(3.0%)	(7.1%)	(7.3%)	(6.4%)	(6.1%)
Service Revenue Market Share												
Telefónica	47.2%	46.2%	46.8%	46.5%	46.3%	46.6%	46.5%	46.6%	46.3%	45.8%	45.7%	45.9%
Vodafone	34.4%	35.5%	34.7%	35.3%	34.9%	34.6%	34.4%	33.9%	33.9%	33.9%	33.9%	33.4%
Orange (FT)	18.3%	18.1%	18.1%	17.7%	18.0%	17.8%	18.0%	17.7%	18.0%	18.0%	18.1%	18.3%
Telia	0.2%	0.3%	0.4%	0.5%	0.8%	1.0%	1.1%	1.7%	1.8%	2.4%	2.3%	2.5%
Post-pay Customers, 000s												
Telefónica	12,530	12,920	13,262	13,645	13,950	14,261	14,458	14,568	14,553	14,694	15,009	15,334
Vodafone	8,161	8,470	8,758	9,059	9,303	9,531	9,701	9,824	9,977	10,052	10,173	10,298
Orange (FT)	5,464	5,621	5,790	5,956	6,079	6,220	6,311	6,434	6,485	6,495	6,519	6,657
Telia	46	77	109	181	219	248	290	370	463	550	605	690
Call Volumes, mn min/qtr												
Telefónica	10,382	10,474	11,220	10,588	10,408	10,991	11,441	10,727	10,038	10,499	11,007	10,495
Vodafone	8,248	8,530	8,886	8,800	8,815	9,226	9,059	8,827	8,457	8,759	9,035	8,980
France Telecom	4,324	4,404	4,506	4,788	4,690	4,808	4,939	5,017	5,096	5,117	5,160	5,287
Telia	30	63	100	163	235	292	343	413	475	536	601	668
Total	22,984	23,472	24,712	24,338	24,148	25,317	25,782	24,984	24,066	24,911	25,803	25,431
Call Volume growth, yoy												
Telefónica	12.6%	9.4%	13.6%	5.9%	0.2%	4.9%	2.0%	1.3%	(3.6%)	(4.5%)	(3.8%)	(2.2%)
Vodafone	29.6%	22.2%	18.0%	15.0%	6.9%	8.2%	1.9%	0.3%	(4.1%)	(5.1%)	(0.3%)	1.7%
France Telecom	11.6%	9.9%	10.0%	13.6%	8.5%	9.2%	9.6%	4.8%	8.7%	6.4%	4.5%	5.4%
Telia					688.1%	362.1%	241.8%	153.6%	102.2%	83.4%	75.3%	61.8%
Total	18.1%	14.1%	14.9%	11.3%	5.1%	7.9%	4.3%	2.7%	(0.3%)	(1.6%)	0.1%	1.8%
Contract Churn, % p.a												
Telefónica					13.2%	13.2%	13.2%	15.6%	16.8%	15.6%	14.4%	15.6%
Vodafone	16.6%	14.8%	14.6%	15.2%	16.6%	16.4%	16.1%	18.3%	18.3%	19.9%	20.6%	21.7%
Orange (FT)	28.3%	28.3%	27.6%	27.4%	23.8%	22.9%	22.7%	23.1%	23.5%	24.1%	24.5%	24.2%
Data Revenue (excl messaging) % Service Revenue												
Telefónica	7.0%	6.9%	7.2%	7.5%	8.8%	8.7%	9.4%	10.3%	11.4%	11.2%	11.9%	12.7%
Vodafone	6.3%	6.8%	7.1%	7.0%	7.1%	7.3%	7.3%	8.1%	10.2%	9.3%	9.3%	9.8%
Orange (FT)	4.3%	4.7%	5.2%	4.6%	5.0%	5.7%	5.7%	6.3%	7.3%	6.8%	7.2%	8.9%
EBITDA, €m												
Telefónica	1,027	1,087	1,226	902	1,048	1,099	1,106	1,012	945	980	988	1,014
Vodafone	586	726	742	629	612	660	680	570	537	599	625	
Orange (FT)	193	204	218	201	182	185	224	204	189	193	212	200
Capex, €m												
Telefónica	135	171	204	257	165	185	162	199	94	123	118	223
Vodafone	248	143	143	231	231	142	142	232	232	98	98	
Orange (FT)	113	113	119	119	74	74	109	109	68	68	102	102

Source: Company reports, Citi Investment Research and Analysis

Spain Fixed Data

Figure 137. Spain Fixed Market Information

Spain	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Broadband Subscribers (000s)												
Incumbent retail	4,022	4,232	4,381	4,614	4,836	5,005	5,117	5,246	5,292	5,331	5,424	5,477
Incumbent wholesale	558	527	509	496	480	463	445	424	406	369	337	359
ULL (total)	1,071	1,170	1,238	1,354	1,467	1,533	1,585	1,698	1,835	1,951	2,021	2,154
Cable	1,137	1,169	1,160	1,203	1,241	1,272	1,272	1,283	1,295	1,302	1,303	1,326
Total	6,788	7,098	7,288	7,666	8,024	8,272	8,419	8,651	8,828	8,953	9,085	9,315
Broadband Subscribers (000s)												
Telefónica	4,022	4,232	4,381	4,614	4,836	5,005	5,117	5,246	5,292	5,331	5,424	5,477
Ono	1,137	1,169	1,160	1,203	1,241	1,272	1,272	1,283	1,295	1,302	1,303	1,326
France Telecom	681	698	1,156	1,177	1,186	1,192	1,174	1,164	1,165	1,135	1,091	1,086
Jazztel	238	236	240	255	277	300	327	375	416	462	510	582
Vodafone (formally Tele2)	0	0	258	273	300	326	350	373	456	497	516	536*
Other	710	763	94	145	184	178	179	210	204	225	241	308
Total	6,788	7,098	7,288	7,666	8,024	8,272	8,419	8,651	8,828	8,953	9,085	9,315
Broadband Subscribers Net Adds (000s)												
Telefónica	279	210	149	233	222	169	112	129	45	40	92	53
Ono	76	32	(9)	43	38	31	0	11	13	7	1	23
France Telecom	41	17	458	21	9	6	(18)	(10)	1	(30)	(44)	(5)
Jazztel	(9)	(3)	4	15	23	23	27	48	42	46	48	72
Vodafone (formally Tele2)	0	0	0	15	27	25	24	24	83	41	20	20*
Other	72	53	(670)	51	40	(6)	1	31	(6)	21	16	67
Total	459	310	191	378	358	248	147	232	177	125	132	230
Telephony Channels (000s)												
Incumbent retail	15,934	15,923	15,883	15,919	15,842	15,670	15,527	15,326	15,005	14,691	14,483	14,200
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	10	26	45	56	97
ULL (total)	466	506	524	578	713	849	945	1,096	1,251	1,405	1,521	1,706
Cable	1,599	1,616	1,595	1,605	1,616	1,631	1,623	1,638	1,646	1,647	1,648	1,666
Total	17,999	18,044	18,002	18,101	18,171	18,150	18,095	18,070	17,927	17,789	17,707	17,670
Telephony Channels Net Adds (000s)												
Incumbent retail	(16)	(11)	(40)	36	(77)	(172)	(143)	(201)	(321)	(314)	(209)	(282)
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	10	16	20	10	42
ULL (full)	55	40	19	53	135	137	96	151	155	154	117	185
Cable	31	17	(21)	10	11	14	(8)	15	8	1	1	18
Total	70	45	(42)	99	69	(21)	(55)	(25)	(142)	(139)	(81)	(38)
Pay TV Subscribers (000s)												
TEF	419	451	469	511	554	577	590	613	605	610	654	703
ONO	925	922	909	960	1,011	1,052	1,057	1,039	1,016	991	977	975
Orange	14	16	18	54	75	92	86	87	99	92	86	84
Total	1,358	1,389	1,396	1,525	1,640	1,721	1,733	1,739	1,720	1,693	1,717	1,762
Pay TV Subscribers Net Adds (000s)												
TEF	0	32	18	42	43	23	13	23	(8)	5	45	49
ONO	0	(3)	(13)	51	51	41	5	(18)	(23)	(25)	(14)	(2)
Orange	0	2	2	36	21	17	(6)	1	12	(7)	(6)	(2)
Total	0	31	7	129	115	81	12	6	(18)	(28)	25	45

Source: Company reports, Citi Investment Research and Analysis, *Estimate

Sweden

Fixed

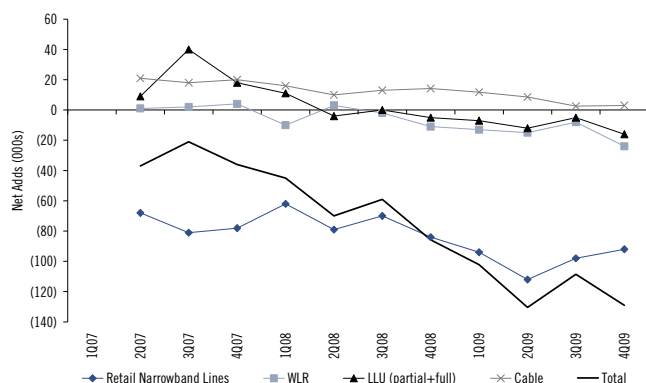
- **Fixed line loss worsens** – TeliaSonera's retail line loss was -9.9% 4Q09 one of the highest in the sector. This is partly being driven by significant growth in mobile broadband, as Sweden is also seeing -8% yoy decline in total fixed lines.

Mobile

- **Improvement to already positive revenue growth** – Revenue growth improved from 1.3% to 2.8% in 4Q09. Similar to Norway this is potentially being driven by the high take up in mobile broadband.

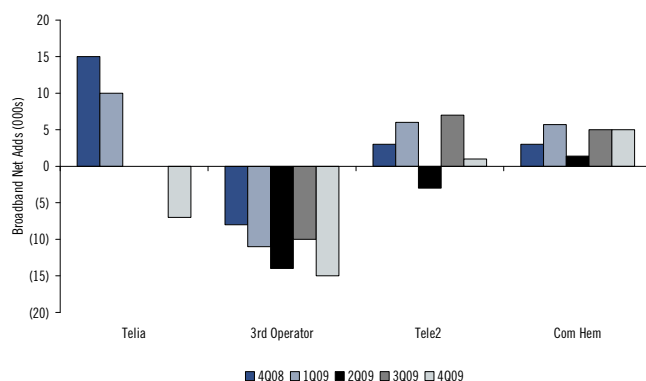
Fixed Charts

Figure 138. Telephony Net Adds



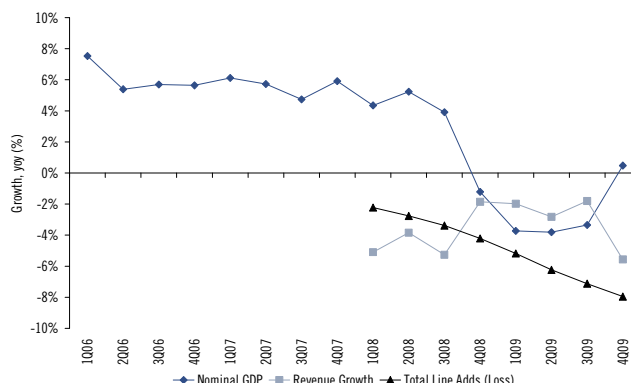
Source: Company reports, Citi Investment Research and Analysis

Figure 140. Broadband Subscriber Net Adds



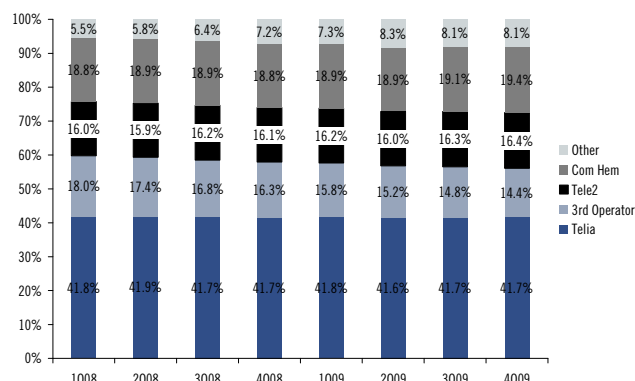
Source: Company reports, Citi Investment Research and Analysis

Figure 139. Total Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Citi Investment Research and Analysis

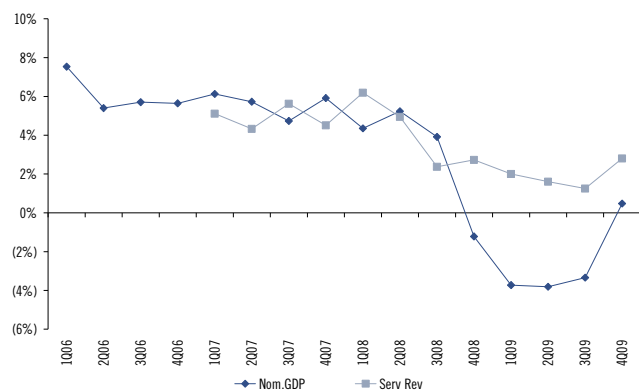
Figure 141. Broadband Subscriber Market Share



Source: Company reports, Citi Investment Research and Analysis

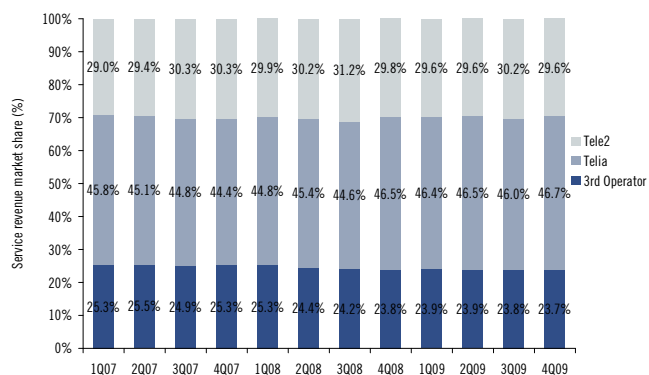
Mobile Charts

Figure 142. Revenue and GDP



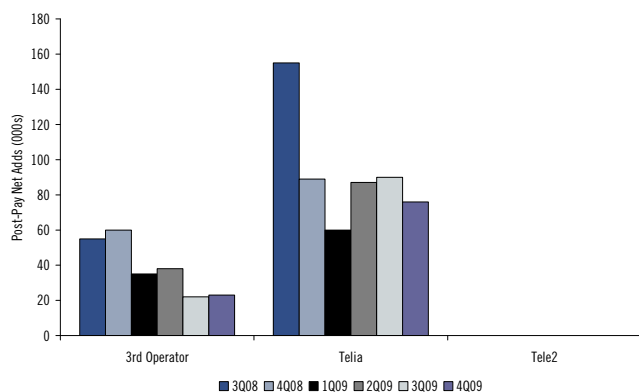
Source: Company reports, Citi Investment Research and Analysis

Figure 143. Service Revenue Market Share



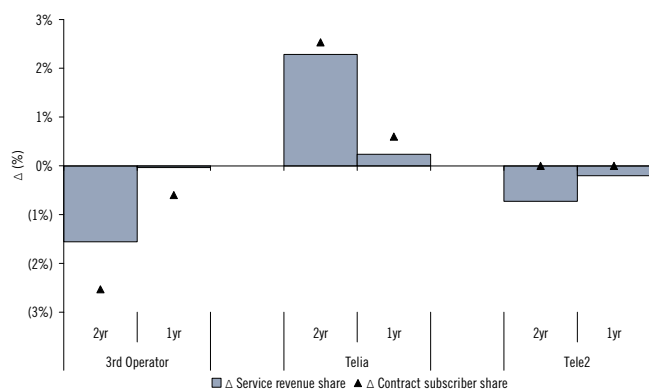
Source: Company reports, Citi Investment Research and Analysis

Figure 144. Post-Paid Net Adds



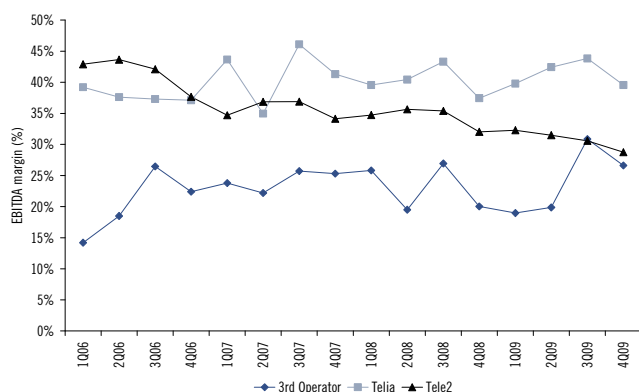
Source: Company reports, Citi Investment Research and Analysis

Figure 145. Change in Service Revenue and Contract Sub Share



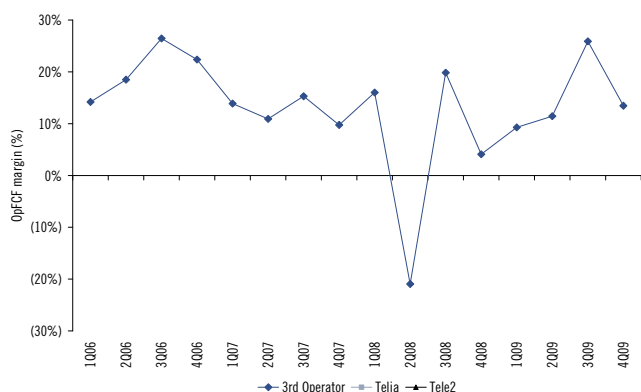
Source: Company reports, Citi Investment Research and Analysis

Figure 146. EBITDA Margin



Source: Company reports, Citi Investment Research and Analysis

Figure 147. OpFCF margin



Source: Company reports, Citi Investment Research and Analysis

Sweden Mobile Data

Figure 148. Sweden Mobile Market Information

Sweden	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue, SEK m												
Third operator	1,450	1,593	1,564	1,579	1,543	1,597	1,552	1,524	1,488	1,595	1,547	1,565
Telia	2,627	2,817	2,807	2,772	2,732	2,977	2,864	2,979	2,885	3,099	2,988	3,078
Tele2	1,663	1,839	1,898	1,890	1,820	1,983	2,001	1,908	1,843	1,969	1,962	1,948
Total	5,740	6,249	6,268	6,241	6,095	6,558	6,417	6,411	6,217	6,663	6,497	6,590
Service Revenue Growth, yoy												
Third operator	12.3%	11.1%	7.7%	6.9%	6.4%	0.3%	(0.7%)	(3.5%)	(3.5%)	(0.2%)	(0.3%)	2.6%
Telia	(0.3%)	0.2%	2.6%	(0.0%)	4.0%	5.7%	2.0%	7.5%	5.6%	4.1%	4.3%	3.3%
Tele2	0.0%	0.0%	0.0%	0.0%	0.0%	7.8%	5.4%	1.0%	1.3%	(0.7%)	(1.9%)	2.1%
Total	5.1%	4.3%	5.6%	4.5%	6.2%	4.9%	2.4%	2.7%	2.0%	1.6%	1.3%	2.8%
Service Revenue Market Share												
Third operator	25.3%	25.5%	24.9%	25.3%	25.3%	24.4%	24.2%	23.8%	23.9%	23.9%	23.8%	23.7%
Telia	45.8%	45.1%	44.8%	44.4%	44.8%	45.4%	44.6%	46.5%	46.4%	46.5%	46.0%	46.7%
Tele2	29.0%	29.4%	30.3%	30.3%	29.9%	30.2%	31.2%	29.8%	29.6%	29.6%	30.2%	29.6%
Post-pay Customers, 000s												
Third operator	1,210	1,266	1,325	1,358	1,383	1,421	1,476	1,536	1,571	1,609	1,631	1,654
Telia	2,257	2,313	2,404	2,398	2,546	2,708	2,863	2,952	3,012	3,099	3,189	3,265
Tele2												
Call Volumes, mn min/qtr												
Third operator	1,025	1,118	1,094	1,140	1,107	1,239	1,161	1,222	1,206	1,314	1,294	1,296
Telia	2,335	2,549	2,549	2,657	2,689	2,977	2,864	3,137	2,998	3,132	3,105	3,247
Tele2	1,925	1,891	1,677	1,781	1,786	1,986	1,926	2,087	2,006	2,074	2,008	2,072
Total	5,285	5,558	5,320	5,578	5,581	6,203	5,950	6,446	6,211	6,520	6,407	6,615
Call Volume growth, yoy												
Third operator	143.4%	20.7%	17.1%	13.3%	7.9%	10.8%	6.1%	7.2%	9.0%	6.0%	11.5%	6.1%
Telia	22.4%	21.9%	19.5%	16.4%	15.2%	16.8%	12.4%	18.1%	11.5%	5.2%	8.4%	3.5%
Tele2	19.6%	5.3%	(6.8%)	(6.3%)	(7.2%)	5.0%	14.9%	17.1%	12.3%	4.4%	4.3%	(0.7%)
Total	34.2%	15.5%	9.3%	7.5%	5.6%	11.6%	11.9%	15.6%	11.3%	5.1%	7.7%	2.6%
EBITDA, SEK m												
Third operator	375	384	441	428	426	335	456	324	296	336	512	434
Telia	1,197	1,024	1,386	1,216	1,123	1,267	1,368	1,191	1,240	1,411	1,476	1,356
Tele2	577	678	700	645	632	707	708	611	595	620	600	560

Source: Company reports, Citi Investment Research and Analysis

Sweden Fixed Data

Figure 149. Sweden Fixed Market Information

Sweden	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Broadband Subscribers (000s)												
Incumbent retail	971	1,003	1,027	1,067	1,089	1,099	1,107	1,122	1,132	1,132	1,132	1,125
Incumbent wholesale	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	542	551	591	609	620	616	616	611	604	592	587	571
Cable	431	447	466	479	490	495	503	506	512	513	518	523
Other	383	434	428	435	406	411	430	453	459	483	480	480
Total	2,327	2,435	2,512	2,590	2,605	2,621	2,656	2,692	2,706	2,720	2,717	2,699
Broadband Subscribers (000s)												
Telia	971	1,003	1,027	1,067	1,089	1,099	1,107	1,122	1,132	1,132	1,132	1,125
Third Operator	470	470	475	475	468	456	446	438	427	413	403	388
Tele2	327	345	365	386	416	418	430	433	439	436	443	444
Com Hem	431	447	466	479	490	495	503	506	512	513	518	
- other	128	170	179	183	142	153	170	193	197	226	221	219
Total	2,327	2,435	2,512	2,590	2,605	2,621	2,656	2,692	2,706	2,720	2,717	2,699
Broadband Subscribers Net Adds (000s)												
Telia		32	24	40	22	10	8	15	10	0	0	(7)
Third Operator		0	5	0	(7)	(12)	(10)	(8)	(11)	(14)	(10)	(15)
Tele2		18	20	21	30	2	12	3	6	(3)	7	1
Com Hem		16	19	13	11	5	8	3	6	1	5	
- other		41	10	4	(40)	11	18	23	3	30	(5)	(2)
Total		107	78	78	16	16	36	36	14	14	(3)	(18)
Telephony Channels (000s)												
Incumbent retail	4,522	4,454	4,373	4,295	4,233	4,154	4,084	4,000	3,906	3,794	3,696	3,604
Incumbent wholesale (WLR)	1,000	1,001	1,003	1,007	997	1,000	998	987	974	959	951	927
ULL (total)	542	551	591	609	620	616	616	611	604	592	587	571
Cable	202	223	241	261	277	287	300	314	326	335	337	340
Total	6,266	6,229	6,208	6,172	6,127	6,057	5,998	5,912	5,810	5,680	5,571	5,442
Telephony Channels Net Adds (000s)												
Incumbent retail		(68)	(81)	(78)	(62)	(79)	(70)	(84)	(94)	(112)	(98)	(92)
Incumbent wholesale (WLR)		1	2	4	(10)	3	(2)	(11)	(13)	(15)	(8)	(24)
ULL (total)		9	40	18	11	(4)	0	(5)	(7)	(12)	(5)	(16)
Cable		21	18	20	16	10	13	14	12	9	3	3
Total		(37)	(21)	(36)	(45)	(70)	(59)	(86)	(102)	(130)	(109)	(129)
Pay TV Subscribers (000s)												
Third Operator	246	242	242	242	235	235	233	235	231	226	223	217
Telia	82	158	216	304	318	320	320	324	333	350	367	396
Com Hem	461	470	485	501	514	524	542	552	564	565	573	
Pay TV Subscribers Net Adds (000s)												
Third Operator		(4)	0	0	(7)	0	(2)	2	(4)	(5)	(3)	(6)
Telia		76	58	88	14	2	0	4	9	17	17	29
Com Hem		9	15	16	13	10	18	10	12	1	8	

Source: Citi Investment Research and Analysis,

Switzerland

Fixed

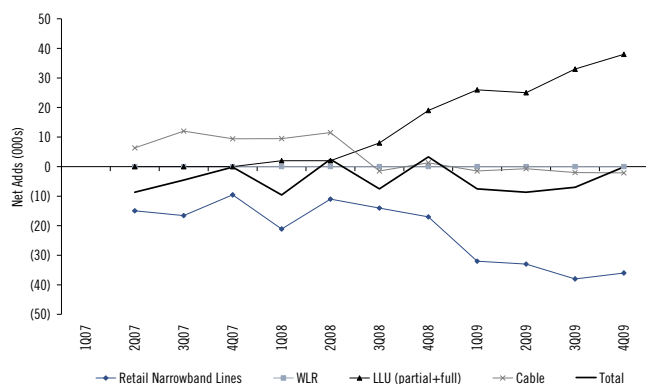
- **Increased line loss to ULL** – Throughout 2009 Swisscom saw increased retail line loss to ULL migrations. However, retail line loss is still only -3.8% yoy which is still one of the lowest in the sector.
- **Swisscom making progress in triple-play** – With Cablecom suffering from a poor reputation Swisscom is achieving strong net adds in broadband and TV. Swisscom highlights the risk that UPC re-brands and re-launches in 2010.

Mobile

- **Swisscom gaining market share** – Swisscom has been gaining share from Orange (note our numbers exclude TDC Sunrise).

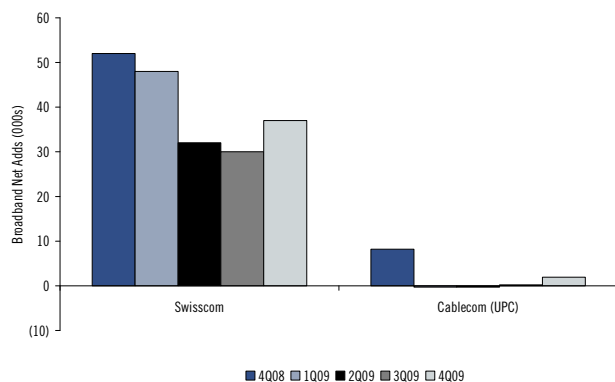
Fixed Charts

Figure 150. Telephony Net Adds



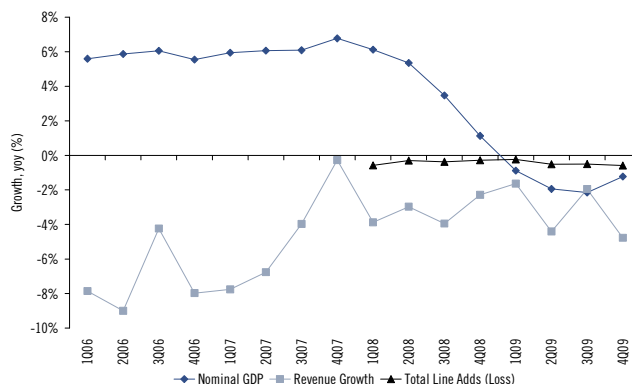
Source: Company reports, Citi Investment Research and Analysis

Figure 152. Broadband Subscriber Net Adds



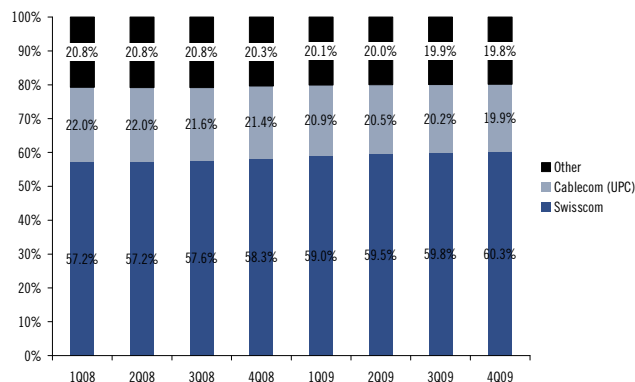
Source: Company reports, Citi Investment Research and Analysis

Figure 151. Total Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Citi Investment Research and Analysis

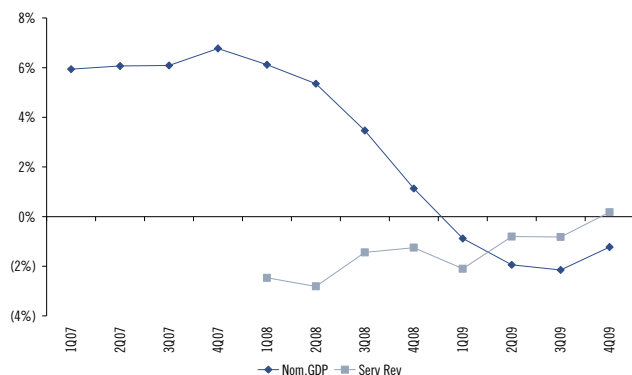
Figure 153. Broadband Subscriber Market Share



Source: Company reports, Citi Investment Research and Analysis

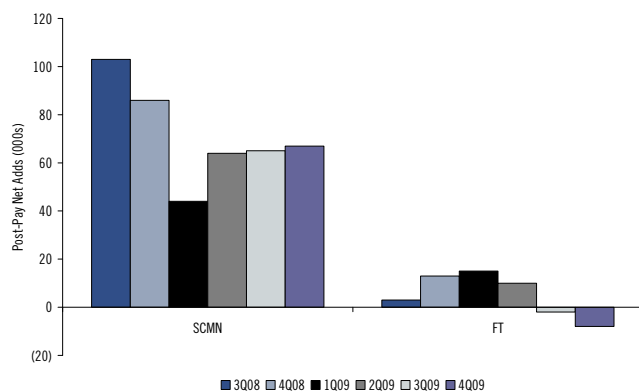
Mobile Charts

Figure 154. Revenue and GDP



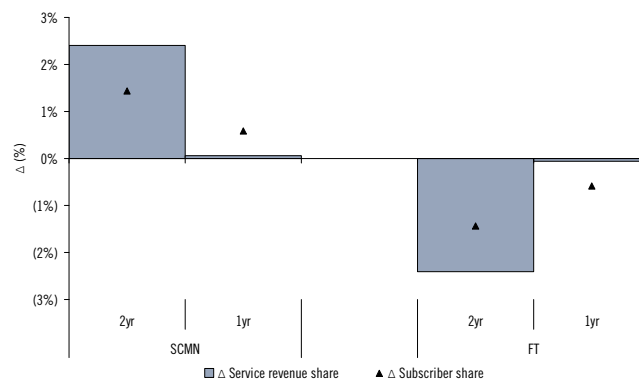
Source: Company reports, Citi Investment Research and Analysis

Figure 155. Post-Paid Net Adds



Source: Company reports, Citi Investment Research and Analysis

Figure 156. Change in Service Revenue and Contract Sub Share



Source: Company reports, Citi Investment Research and Analysis

Switzerland Mobile Data

Figure 157. Switzerland Mobile Market Information

Switzerland	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue, CHFm												
Swisscom	715	757	784	744	728	759	787	759	722	761	785	761
Orange (FT)	329	322	307	305	290	289	289	277	275	279	282	277
Total	1,044	1,079	1,091	1,049	1,018	1,048	1,076	1,036	997	1,040	1,067	1,038
Service Revenue Growth, yoy												
Swisscom					1.8%	0.3%	0.4%	2.0%	(0.8%)	0.3%	(0.3%)	0.3%
Orange (FT)					(11.8%)	(10.0%)	(6.1%)	(9.2%)	(5.3%)	(3.6%)	(2.4%)	(0.0%)
Total					(2.5%)	(2.8%)	(1.4%)	(1.2%)	(2.1%)	(0.8%)	(0.8%)	0.2%
Customers, 000s												
Swisscom	4,707	4,776	4,894	5,007	5,100	5,181	5,284	5,370	5,414	5,478	5,543	5,610
Orange (FT)	1,416	1,441	1,473	1,510	1,529	1,527	1,530	1,543	1,558	1,568	1,566	1,558
Customer Net Adds, 000s												
Swisscom	75	69	118	113	93	81	103	86	44	64	65	67
Orange (FT)		25	32	37	19	(2)	3	13	15	10	(2)	(8)

Source: Company reports, Citi Investment Research and Analysis

Switzerland Fixed Data

Figure 158. Switzerland Fixed Market Information

Switzerland	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Broadband Subscribers (000s)												
Incumbent retail	995	1,065	1,118	1,164	1,216	1,249	1,273	1,325	1,373	1,405	1,435	1,472
Incumbent wholesale	439	441	440	438	439	450	448	431	410	390	363	331
ULL (total)	0	0	0	0	2	4	12	31	57	82	115	153
Cable	426	432	444	455	468	480	477	486	485	485	485	487
Total	1,860	1,938	2,002	2,057	2,125	2,183	2,210	2,273	2,325	2,362	2,398	2,443
Broadband Subscribers (000s)												
Swisscom	995	1,065	1,118	1,164	1,216	1,249	1,273	1,325	1,373	1,405	1,435	1,472
Cablecom (UPC)	426	432	444	455	468	480	477	486	485	485	485	487
- other	439	441	440	438	441	454	460	462	467	472	478	484
Total	1,860	1,938	2,002	2,057	2,125	2,183	2,210	2,273	2,325	2,362	2,398	2,443
Broadband Subscribers Net Adds (000s)												
Swisscom		70	53	46	52	33	24	52	48	32	30	37
Cablecom (UPC)		6	12	11	13	12	(2)	8	(0)	(0)	0	2
- other		2	(1)	(2)	3	13	6	2	5	5	6	6
Total		78	64	55	68	58	28	62	53	37	36	45
Telephony Channels (000s)												
Incumbent retail	3,727	3,712	3,696	3,686	3,665	3,654	3,640	3,623	3,591	3,558	3,520	3,484
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	0	0	0	0	2	4	12	31	57	82	115	153
Cable	261	267	279	289	298	310	308	309	308	307	305	303
Total	3,988	3,979	3,975	3,975	3,965	3,968	3,960	3,963	3,956	3,947	3,940	3,940
Telephony Channels Net Adds (000s)												
Incumbent retail		(15)	(17)	(10)	(21)	(11)	(14)	(17)	(32)	(33)	(38)	(36)
Incumbent wholesale (WLR)		0	0	0	0	0	0	0	0	0	0	0
ULL (total)		0	0	0	2	2	8	19	26	25	33	38
Cable		6	12	9	10	12	(2)	1	(2)	(1)	(2)	(2)
Total		(9)	(5)	(0)	(10)	3	(8)	3	(8)	(9)	(7)	(0)
Pay TV Subscribers (000s)												
Swisscom	25	40	52	59	64	80	95	118	139	165	186	230
Cablecom (UPC)	1,557	1,556	1,554	1,551	1,557	1,562	1,567	1,556	1,557	1,552	1,554	1,546
Pay TV Subscribers Net Adds (000s)												
Swisscom		15	12	7	5	16	15	23	21	26	21	44
Cablecom (UPC)		(1)	(2)	(3)	6	4	5	(10)	1	(5)	2	(8)

Source: Company reports, Citi Investment Research and Analysis

UK

Fixed

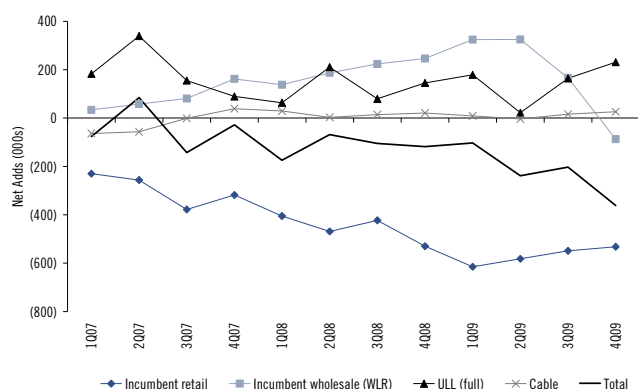
- **Further deterioration in revenue and line loss** – BT's retail line loss at -10.8% yoy remains the worst in the sector. This is a result of the economy and full ULL migration by BSkyB.
- **Fragmented broadband net adds** – Broadband net adds remain fragmented, with O2 (Telefónica) gaining share from a low base and the main players maintaining solid net adds.

Mobile

- **Revenue growth improvement** – service revenue growth improved to -3.3% from -4.1% 3Q09.
- **O2 continues to gain share** – O2 continued to gain share helped by the iPhone, however this effect diminished in 4Q09 as exclusivity ended. T-Mobile is losing share as it awaits the merger with Orange.

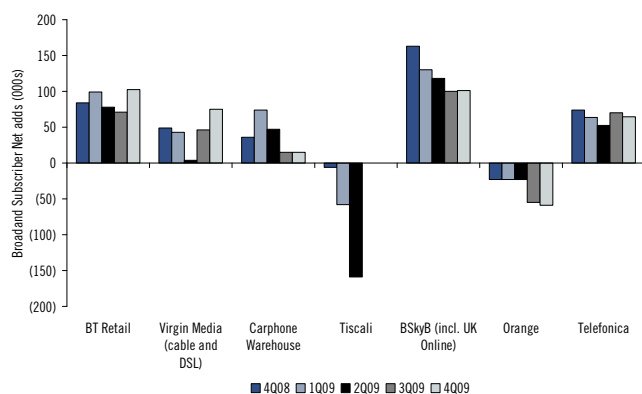
Fixed Charts

Figure 159. Telephony Net Adds



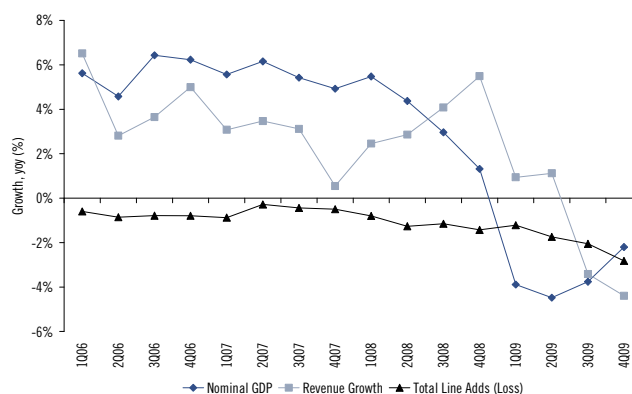
Source: Company reports, Citi Investment Research and Analysis

Figure 161. Broadband Subscriber Net Adds



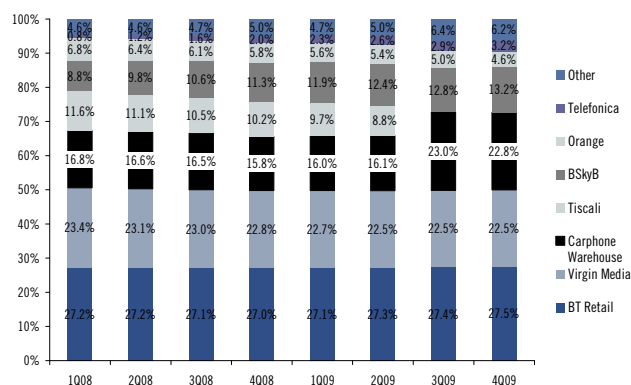
Source: Company reports, Citi Investment Research and Analysis

Figure 160. Total Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, Citi Investment Research and Analysis

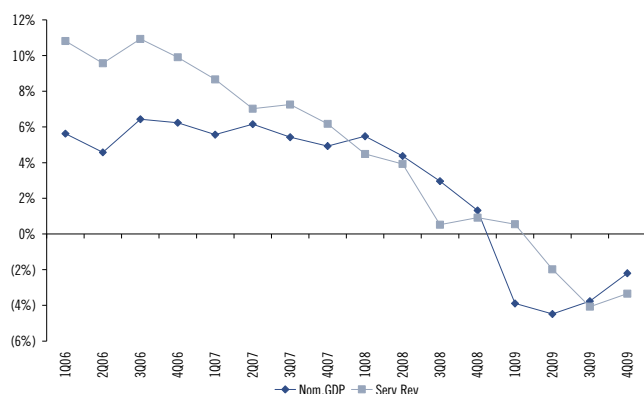
Figure 162. Broadband Subscriber Market Share



Source: Company reports, Citi Investment Research and Analysis

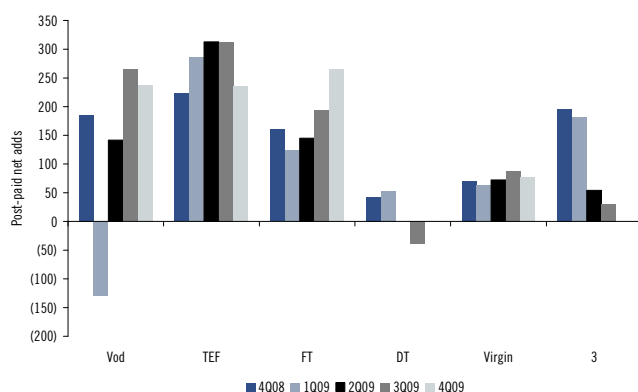
Mobile Charts

Figure 163. Revenue and GDP



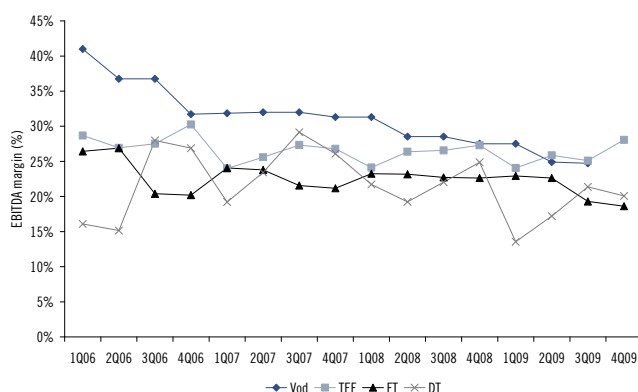
Source: Company reports, Citi Investment Research and Analysis

Figure 165. Post-Paid Net Adds



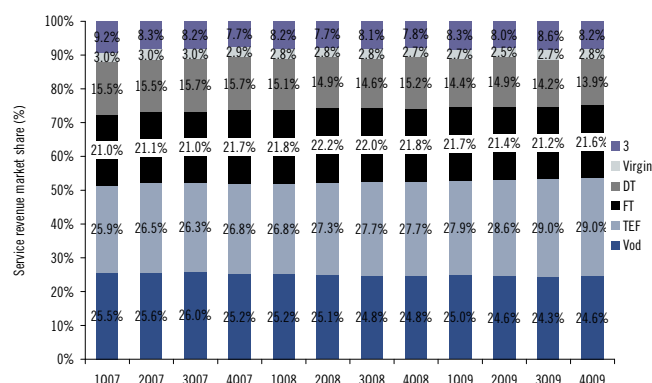
Source: Company reports, Citi Investment Research and Analysis

Figure 167. EBITDA Margin



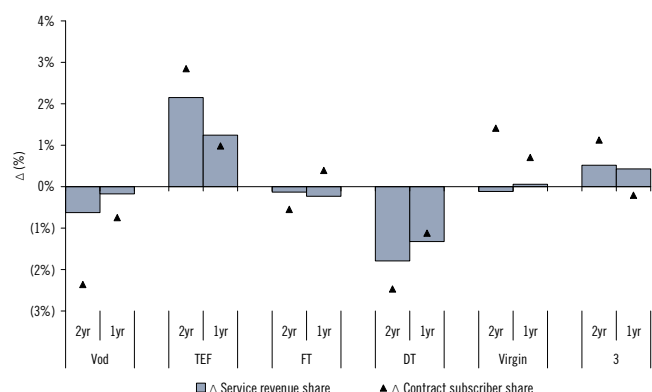
Source: Company reports, Citi Investment Research and Analysis

Figure 164. Service Revenue Market Share



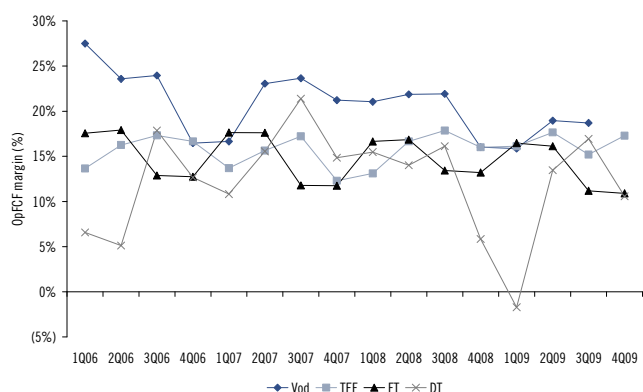
Source: Company reports, Citi Investment Research and Analysis

Figure 166. Change in Service Revenue and Contract Sub Share



Source: Company reports, Citi Investment Research and Analysis

Figure 168. OpFCF margin



Source: Company reports, Citi Investment Research and Analysis

UK Mobile Data

Figure 169. UK Mobile Market Information

UK	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Service Revenue £m												
Vodafone	1.166	1.204	1.287	1.229	1.208	1.226	1.235	1.218	1.202	1.179	1.162	1.169
O2 (Telefónica)	1.186	1.249	1.301	1.308	1.280	1.333	1.380	1.365	1.343	1.371	1.385	1.378
Orange (FT)	960	991	1.038	1.058	1.045	1.086	1.093	1.073	1.045	1.027	1.012	1.026
T-Mobile (DT)	709	728	776	765	723	726	727	749	691	712	680	661
Virgin Mobile	136	142	147	142	135	139	140	135	129	121	129	133
3 (Hutch)	422	390	405	374	394	378	405	382	401	383	409	389
Total	4.579	4.704	4.955	4.876	4.785	4.889	4.981	4.921	4.811	4.792	4.778	4.757
Service Revenue Growth, yoy												
Vodafone	5.4%	4.4%	8.3%	5.9%	3.6%	1.8%	(4.0%)	(0.9%)	(0.5%)	(3.8%)	(5.9%)	(4.0%)
O2 (Telefónica)	10.4%	10.3%	9.7%	8.7%	8.0%	6.7%	6.1%	4.3%	4.9%	2.8%	0.4%	1.0%
Orange (FT)	1.7%	4.2%	6.4%	8.9%	8.8%	9.6%	5.3%	1.4%	(0.1%)	(5.5%)	(7.5%)	(4.4%)
T-Mobile (DT)	17.4%	7.1%	7.6%	7.5%	2.0%	(0.3%)	(6.3%)	(2.1%)	(4.4%)	(1.9%)	(6.5%)	(11.7%)
Virgin Mobile	3.3%	7.7%	11.2%	0.1%	(1.1%)	(2.1%)	(5.0%)	(5.2%)	(3.8%)	(13.0%)	(7.6%)	(1.3%)
3 (Hutch)	19.3%	12.4%	(2.7%)	(7.2%)	(6.7%)	(2.9%)	0.0%	2.1%	1.9%	1.1%	1.0%	2.0%
Total	8.7%	7.0%	7.3%	6.2%	4.5%	3.9%	0.5%	0.9%	0.5%	(2.0%)	(4.1%)	(3.3%)
Service Revenue Market Share												
Vodafone	25.5%	25.6%	26.0%	25.2%	25.2%	25.1%	24.8%	24.8%	25.0%	24.6%	24.3%	24.6%
O2 (Telefónica)	25.9%	26.5%	26.3%	26.8%	26.8%	27.3%	27.7%	27.7%	27.9%	28.6%	29.0%	29.0%
Orange (FT)	21.0%	21.1%	21.0%	21.7%	21.8%	22.2%	22.0%	21.8%	21.7%	21.4%	21.2%	21.6%
T-Mobile (DT)	15.5%	15.5%	15.7%	15.7%	15.1%	14.9%	14.6%	15.2%	14.4%	14.9%	14.2%	13.9%
Virgin Mobile	3.0%	3.0%	3.0%	2.9%	2.8%	2.8%	2.8%	2.7%	2.7%	2.5%	2.7%	2.8%
3 (Hutch)	9.2%	8.3%	8.2%	7.7%	8.2%	7.7%	8.1%	7.8%	8.3%	8.0%	8.6%	8.2%
Post-pay Customers, 000s												
Vodafone	6,843	7,006	7,148	7,287	7,415	7,552	7,711	7,896	7,767	7,909	8,174	8,410
O2 (Telefónica)	6,298	6,374	6,533	6,809	7,687	7,868	8,189	8,412	8,699	9,011	9,324	9,559
Orange (FT)	4,970	5,183	5,408	5,610	5,722	5,852	6,013	6,173	6,298	6,443	6,637	6,903
T-Mobile (DT)	3,821	3,893	3,937	3,880	3,861	3,917	4,013	4,056	4,109	4,109	4,070	4,071
Virgin Mobile	246	299	329	376	436	492	579	649	712	785	873	950
3 (Hutch)	2,342	2,424	2,529	2,662	2,801	3,051	3,278	3,474	3,657	3,711	3,741	3,741
Call Volumes, mn min/qtr												
Vodafone	8,790	8,963	9,112	9,434	9,508	9,650	9,597	9,762	10,195	9,784	10,259	10,379
Telefónica	9,501	10,074	10,331	10,721	11,069	12,002	12,240	12,816	12,798	13,304	13,579	14,176
France Telecom	6,755	6,809	7,061	7,450	7,818	8,178	8,430	8,589	8,741	8,702	8,774	8,955
Deutsche Telekom	7,200	7,355	7,550	7,857	7,948	8,127	7,939	7,923	7,733	7,426	7,307	7,402
Virgin Mobile	1,037	1,052	1,069	1,106	1,122	1,146	1,105	1,070	981	923	885	852
3 Hutch	1,582	1,658	1,733	1,833	1,915	2,081	2,196	2,319	2,423	2,483	2,566	2,632
Total	34,865	35,911	36,855	38,400	39,379	41,184	41,507	42,479	42,871	42,622	43,371	44,396
Call Volume growth												
Vodafone	23.0%	24.4%	20.2%	15.6%	8.2%	7.7%	5.3%	3.5%	7.2%	1.4%	6.9%	6.3%
Telefónica	21.0%	19.9%	15.2%	13.5%	16.5%	19.1%	18.5%	19.5%	15.6%	10.8%	10.9%	10.6%
France Telecom	3.5%	3.9%	7.1%	10.9%	15.7%	20.1%	19.4%	15.3%	11.8%	6.4%	4.1%	4.3%
Deutsche Telekom	8.8%	11.0%	10.0%	11.0%	10.4%	10.5%	5.1%	0.8%	(2.7%)	(8.6%)	(8.0%)	(6.6%)
Virgin Mobile	14.9%	13.5%	9.4%	8.0%	8.2%	8.9%	3.4%	(3.2%)	(12.6%)	(19.5%)	(19.9%)	(20.4%)
3 Hutch	21.6%	20.6%	19.1%	19.7%	21.0%	25.6%	26.7%	26.5%	26.6%	19.3%	16.8%	13.5%
Total	14.9%	15.5%	13.7%	13.1%	12.9%	14.7%	12.6%	10.6%	8.9%	3.5%	4.5%	4.5%
Contract Churn, % p.a												
Vodafone	17.4%	15.9%	15.3%	15.6%	17.3%	18.0%	17.5%	17.3%	21.9%	18.0%	18.5%	18.1%
O2 (Telefónica)	24.0%	21.6%	20.4%	19.2%	18.0%	16.8%	15.6%	15.6%	14.4%	14.4%	14.4%	12.0%
Orange (FT)	27.6%	24.4%	22.7%	21.1%	19.7%	19.8%	20.7%	21.6%	22.0%	22.2%	22.2%	21.4%
T-Mobile (DT)	22.8%	21.6%	22.8%	28.8%	26.4%	22.8%	22.8%	26.4%	28.8%	24.0%	25.2%	22.8%
Data Revenue (excl messaging) % Service Revenue												
Vodafone	6.9%	7.0%	6.9%	7.6%	8.1%	9.0%	9.4%	10.1%	10.1%	11.6%	12.5%	12.8%
O2 (Telefónica)	4.4%	4.5%	4.7%	5.2%	6.3%	6.2%	7.1%	7.9%	8.7%	9.7%	11.0%	11.6%
Orange (FT)	5.6%	6.1%	6.3%	6.5%	7.1%	7.1%	7.5%	8.0%	8.9%	9.5%	10.2%	10.3%
EBITDA, £m												
Vodafone	371	385	412	385	378	350	352	335	331	294	289	0
O2 (Telefónica)	283	318	361	357	320	363	381	401	342	371	366	418
Orange (FT)	240	247	235	239	254	264	262	257	252	247	207	210
T-Mobile (DT)	150	188	248	225	174	155	175	204	103	134	159	148
Capex, £m												
Vodafone	178	108	108	125	125	82	82	141	141	71	71	0
O2 (Telefónica)	121	124	133	193	146	134	125	166	113	118	144	160
Orange (FT)	64	64	107	107	72	72	107	107	71	71	87	87
T-Mobile (DT)	66	63	66	97	50	42	47	156	116	29	33	70

Source: Company reports, Citi Investment Research and Analysis

UK Fixed Data

Figure 170. UK Fixed Market Information

UK	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Broadband Subscribers (000s)												
Incumbent retail	3,659	3,834	4,074	4,251	4,402	4,505	4,574	4,658	4,757	4,835	4,906	5,008
Incumbent wholesale	5,168	4,938	4,405	4,205	3,983	3,756	3,622	3,416	3,305	3,191	3,124	3,036
ULL (total)	1,910	2,424	3,195	3,729	4,300	4,761	5,084	5,501	5,750	5,957	6,121	6,352
Cable	3,146	3,191	3,308	3,414	3,502	3,563	3,625	3,682	3,730	3,735	3,774	3,837
Total	13,883	14,387	14,982	15,599	16,187	16,585	16,905	17,257	17,542	17,718	17,925	18,234
Broadband Subscribers (000s)												
BT Retail	3,659	3,834	4,074	4,251	4,402	4,505	4,574	4,658	4,757	4,835	4,906	5,008
Virgin Media	3,417	3,466	3,590	3,701	3,782	3,836	3,885	3,934	3,977	3,981	4,027	4,102
Carphone Warehouse	2,271	2,397	2,486	2,604	2,713	2,754	2,788	2,732	2,806	2,853	4,119	4,155
Tiscali	1,480	1,550	1,820	1,829	1,875	1,838	1,774	1,768	1,710	1,551		
BSkyB	457	716	939	1,199	1,428	1,628	1,792	1,955	2,085	2,203	2,303	2,404
Orange	1,095	1,090	1,142	1,138	1,107	1,063	1,023	1,000	977	954	899	840
Telefónica	24	31	38	71	131	194	267	341	405	457	527	592
- other	1,480	1,303	892	806	749	767	802	869	826	884	1,144	1,133
Total	13,883	14,387	14,982	15,599	16,187	16,585	16,905	17,257	17,542	17,718	17,925	18,234
Broadband Subscribers Net Adds (000s)												
BT Retail	440	175	240	177	151	103	69	84	99	78	71	102
Virgin Media (cable and DSL)	97	50	124	111	81	54	49	49	43	4	46	75
Carphone Warehouse	116	126	89	118	109	41	34	36	74	47	15	15
Tiscali	60	70	270	9	46	(37)	(64)	(6)	(58)	(159)	0	0
BSkyB (incl. UK Online)	264	259	223	260	229	200	164	163	130	118	100	101
Orange	32	(5)	52	(4)	(31)	(44)	(40)	(23)	(23)	(23)	(55)	(59)
Telefónica	24	7	8	32	61	63	73	74	64	52	70	64
- other	(183)	(177)	(411)	(86)	(57)	18	35	67	(44)	59	260	(11)
Total	850	504	595	617	588	398	320	352	285	176	207	309
Telephony Channels (000s)												
Incumbent retail	23,900	23,644	23,266	22,948	22,543	22,074	21,651	21,121	20,506	19,924	19,375	18,843
Incumbent wholesale	4,227	4,285	4,366	4,528	4,666	4,853	5,077	5,323	5,647	5,972	6,138	6,051
ULL (total)	503	842	998	1,087	1,150	1,361	1,440	1,585	1,764	1,786	1,835	1,905
Cable	4,051	3,994	3,993	4,031	4,060	4,064	4,078	4,099	4,108	4,104	4,120	4,146
Total	32,681	32,765	32,622	32,594	32,419	32,351	32,246	32,128	32,025	31,786	31,468	30,945
Telephony Channels Net Adds (000s)												
Incumbent retail	(230)	(256)	(378)	(318)	(405)	(469)	(423)	(530)	(615)	(582)	(549)	(532)
Incumbent wholesale (WLR)	34	58	81	162	138	187	224	246	324	325	166	(87)
ULL (total)	183	339	155	89	63	211	80	145	179	22	49	69
Cable	(63)	(57)	(1)	39	29	3	15	21	9	(4)	16	26
Total	(76)	84	(143)	(28)	(175)	(68)	(105)	(118)	(103)	(239)	(318)	(524)
Pay TV Subscribers (000s)												
BT IPTV	0	15	46	120	214	282	320	376	423	433	436	451
Sky	8,492	8,582	8,665	8,832	8,888	8,980	9,067	9,238	9,318	9,442	9,536	9,708
Virgin Media	3,390	3,397	3,417	3,478	3,515	3,539	3,576	3,621	3,651	3,672	3,709	3,743
Total	11,882	11,994	12,128	12,430	12,617	12,801	12,963	13,235	13,392	13,547	13,681	13,902
Pay TV Subscribers Net Adds (000s)												
BT IPTV	0	15	31	74	94	68	38	56	47	10	3	15
Sky	51	90	83	167	56	92	87	171	80	124	94	172
Virgin Media	36	7	20	61	37	24	37	45	30	21	37	34
Total	87	112	134	302	187	184	162	272	157	155	134	221

Source: Company reports, Citi Investment Research and Analysis

Notes

Appendix A-1

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