

Equities

18 March 2011 | 96 pages

The Phone Book & 11th Conference Guide

The Winners from the Android Invasion

- **A sector slowly on the move** — In this report we include our Conference Schedule and look at the key themes that are likely to come up, including smartphones, M&A, shareholder distributions and regulation.
- **The Android effect** — Android smartphone sales are growing fast and giving operators new options as they move down to lower price points. As Vodafone said at its 16 March Open Office, it is seeing an improvement in the balance of subsidy RoI and top line growth, which should be positive for revenue and margins in time. The company sees end-summer for a €99 retail price point to drive prepay take up. Along with Vodafone we see KPN and Telecom Italia as well placed to benefit.
- **Growth rates continue to improve slowly** — We include our latest Phone Book database. 4Q10 saw growth continuing to improve, albeit in mobile held back by harsher MTR cuts, which we expect to get worse in 2011. Sharp recoveries in underlying mobile growth, smartphone assisted, continue in Northern Europe while Southern Europe deteriorated again, further widening the divide. Our estimates fell slightly post results but dividend forecasts rose, highlighting the commitment.
- **Regulation still having a big impact** — The review of international roaming regulation is imminent, with countries seeking to promote high speed broadband and carriers clamouring for a fairer deal in internet traffic pricing. The European Commission, French and German regulators are represented at the conference.
- **M&A potentially back on the agenda?** — M&A plays less of a role in price setting in the sector than it did but is still a feature. Recent press coverage, unconfirmed by the companies, suggested talks between DT and Sprint about options in the US. Vivendi may be moving closer to buying Vodafone's stake in SFR. Closure of PT's acquisition of Telemar is imminent.

Industry Overview

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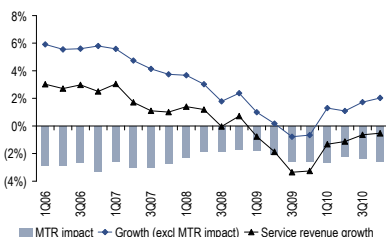
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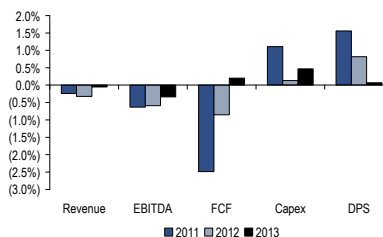
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Figure 2. Service revenue growth ex MTRs



Source: Citi Investment Research and Analysis

Figure 1. Forecast sector changes (av)



Source: Citi Investment Research and Analysis

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

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Conference Agenda

Please see below the agenda for the 11th annual Citi telecommunications conference, which will be held in London on 22nd and 23rd March.



AGENDA: 11th Annual European & EMEA Telecommunications Conference 2011

Tuesday 22nd March		
Time	Room 1	Room 2
09.00-09.30	Registration/Breakfast	
09:30-10:15	Telecom Italia Marco Patuano Head of Domestic Market Operations	
10:20-11:05	TeliaSonera Lars Nyberg CEO	
11:05-11:15	BREAK	
11.20 -12.05	France Telecom Gervais Pellissier Deputy CEO & CFO	Magyar Christopher Mattheisen CEO
12:10 - 12.55	Telenor Kristin Skogen Lund Executive Vice President and Head of Telenor Nordic	Matthias Kurth: President of Federal Network Agency (German regulator)
13.00 - 13:45	OTE Kevin Copp Group CFO	European Commission Miguel Gil Tertre Roland Honekamp Policy Officers
13.50 - 14.30	Lunch	
14:35 -15:20	TalkTalk Dido Harding CEO	SES Romain Bausch President & CEO
15:25- 16.10	Tele2 Mats Granryd President and CEO	TKA Matthias Stieber Director of IR
16:10-16:25	Break	
16:30-17:15	Mobistar Benoit Scheen CEO	Cellcom Yaacov Heen CFO
17:20 -18:05	Avanti David Williams CEO	Postemobile Roberto Giacchi CEO
	Drinks Reception Radisson Mayfair	

Wednesday 23rd March		
Time	Room 1	Room 2
08.00-08.30	Registration/Breakfast	
08:30-09:15	Vodafone Andy Halford CFO	
09:20-10:05	Deutsche Telekom Timotheus Höttges CFO	
10:05-10:15	BREAK	
10.20 -11.05	Portugal Telecom Zeinal Bava CEO	
11:10 - 11.55	SFR Frank Esser Chairman & CEO	Wind Giuseppe Gola CFO
12.00 - 12:45	Swisscom Ueli Dietiker CFO	Partner Emanuel Avner CFO
12.50 - 13.30	Lunch	
13:35 -14:20	Zon Rodrigo Costa CEO and José Pedro Pereira da Costa CFO	CWC Tony Rice CEO and Tim Pennington CFO
14:25- 15.10	KDG Paul Thomason CFO	Orascom Aldo Mareuse CFO
15:10-15:25	Break	
15:30-16:15	Virgin Media Neil Berkett CEO and Eamonn O'Hare CFO	Joëlle Toledano: Membre du Collège de l'ARCEP
16:20 -17:05	Telenet Duco Sickinghe CEO	

*Times subject to change

Source: Company Reports, Citi Investment Research and Analysis

Figure 3. Valuation Comps (18th March 2011)

Company Name	RIC Code	Rating / Risk	Share Price	Target			MV (Eur bn)	Minos/ (Assoc)	EV (Eur bn)	EV/Sales			EV/EBITDA			Underlying P/E			FCF Yield to Equity			FCF Yield to Firm			Dividend Yield		
				Price	Upside	ETR				2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E
Incumbents/Wireless																											
Belgacom	BCOM.BR	3L	25.93	24.00	(6.9%)	(0.4%)	8.7	0.0	10.9	1.6	1.6	1.6	5.5	5.5	5.6	10.6	11.0	11.0	8.3%	10.0%	9.5%	7.2%	8.5%	8.3%	8.4%	8.4%	8.4%
Bouygues	BOUY.PA	1H	32.55	43.00	33.1%	38.0%	11.8	(2.0)	12.3	0.4	0.4	0.4	3.4	3.3	3.0	9.1	9.0	8.3	9.4%	13.7%	14.4%	10.6%	15.6%	17.2%	4.9%	5.0%	5.4%
BT Group	BT.L	1M	1.78	2.10	18.6%	23.3%	15.8	(0.3)	32.3	1.4	1.3	1.3	4.6	4.4	4.2	8.6	8.4	8.0	10.4%	11.0%	11.9%	8.1%	8.2%	8.7%	5.6%	7.3%	8.2%
Deutsche Telekom	DTEGn.DE	1L	9.72	11.00	13.6%	20.9%	41.8	2.4	92.6	1.5	1.5	1.4	4.8	4.6	4.4	12.4	11.9	11.0	14.6%	14.4%	15.4%	8.0%	8.3%	8.9%	7.2%	7.6%	8.5%
Elisa	ELI1V.HE	3L	15.87	13.00	(18.1%)	(10.4%)	2.6	0.0	3.5	2.3	2.2	2.2	6.8	6.6	6.5	13.7	12.9	12.4	8.9%	9.3%	9.6%	6.6%	6.9%	7.2%	7.8%	8.4%	8.9%
France Telecom	FTE.PA	1L	14.95	17.00	13.3%	22.6%	39.8	1.8	73.7	1.6	1.5	1.5	4.6	4.6	4.6	8.7	8.6	8.6	16.4%	15.0%	13.1%	9.1%	9.2%	9.2%	9.4%	9.4%	9.4%
KPN	KPN.AS	1L	11.53	13.50	17.9%	24.0%	17.5	0.1	30.0	2.1	2.0	2.0	5.1	5.0	4.8	8.9	8.3	8.1	12.2%	12.2%	12.7%	9.7%	9.7%	10.2%	7.4%	8.0%	8.7%
Mobistar	MSTAR.BR	3L	47.16	39.00	(17.4%)	(8.6%)	2.8	0.0	3.1	1.9	2.0	2.0	6.2	6.4	6.4	12.6	12.8	12.8	5.5%	7.8%	7.8%	6.1%	7.0%	7.0%	8.4%	8.1%	8.0%
OTE	OTEr.AT	2H	7.84	8.00	2.7%	3.1%	3.8	0.0	8.2	1.5	1.4	1.4	4.4	4.3	4.0	13.8	13.4	10.1	14.5%	13.3%	14.6%	9.3%	9.2%	10.9%	2.4%	2.5%	5.9%
Portugal Telecom	PTC.LS	2M	8.02	8.50	4.6%	20.5%	7.1	(3.0)	7.2	1.9	1.9	1.8	5.4	5.4	5.1	8.9	9.2	8.6	12.5%	15.7%	17.4%	6.5%	8.1%	9.4%	8.8%	9.2%	9.5%
Swisscom	SCMN.VX	2L	394.50	420.0	6.6%	11.9%	16.2	0.4	23.7	2.5	2.4	2.4	6.2	6.0	5.9	10.6	10.0	9.8	9.6%	9.7%	10.6%	7.6%	7.9%	8.8%	6.1%	6.4%	6.5%
Tele2	TEL2b.ST	2M	135.80	150.00	8.5%	12.8%	6.9	0.0	7.1	1.5	1.5	1.4	6.0	5.5	4.9	11.3	10.4	9.0	7.2%	9.7%	9.6%	5.2%	7.8%	8.8%	8.4%	9.0%	9.7%
Telecom Italia	TLIT.MI	1M	1.06	1.3	22.0%	27.1%	19.9	6.3	60.0	2.0	1.9	1.9	4.8	4.6	4.5	7.9	7.5	7.4	12.3%	14.7%	17.4%	7.2%	8.0%	9.4%	6.3%	7.1%	7.8%
Telecom Italia Savers	TLITn.MI	1M	0.94	1.2	24.1%	31.2%	19.9	6.3	60.0	2.0	1.9	1.9	4.8	4.6	4.5	7.1	6.6	6.5	13.8%	16.7%	20.0%	7.2%	8.0%	9.4%	7.1%	8.0%	9.0%
Telefonica	TEF.MC	2M	17.38	17.50	1.2%	9.8%	79.0	(1.4)	133.9	2.1	2.0	2.0	5.6	5.6	5.5	10.0	10.2	9.9	9.8%	10.0%	10.2%	7.6%	7.7%	7.9%	9.2%	10.1%	10.2%
Telekom Austria	TELA.VI	2M	10.00	10.50	4.5%	12.0%	4.4	0.0	7.8	1.7	1.7	1.6	5.4	4.7	4.7	122.2	20.1	16.3	15.2%	14.2%	14.5%	9.7%	9.6%	10.3%	7.5%	3.5%	4.3%
TeliaSonera	TLSN.ST	2M	52.30	55.00	5.6%	10.8%	26.0	(6.0)	25.8	2.3	2.2	2.2	6.4	6.2	6.2	11.4	11.0	10.8	5.6%	5.7%	6.3%	5.9%	6.3%	7.1%	5.3%	5.5%	5.5%
Vodafone	VOD.L	1L	1.71	1.95	14.7%	20.1%	101.1	(46.9)	88.0	1.6	1.6	1.5	5.0	4.7	4.5	9.9	9.7	9.6	7.1%	10.8%	12.2%	8.2%	8.1%	8.2%	5.5%	6.4%	7.7%
Weighted average										1.8	1.7	1.7	5.2	5.0	4.9	11.1	9.8	9.5	10.5%	11.7%	12.5%	7.9%	8.3%	8.8%	7.1%	7.7%	8.3%
Cable & Satellite																											
Eutelsat	ETL.PA	1M	26.91	33.00	21.9%	25.0%	6.0	0.0	8.6	7.1	6.7	6.4	8.9	8.6	8.1	17.3	16.7	15.8	2.2%	3.8%	5.2%	2.3%	3.5%	4.5%	3.4%	3.5%	3.7%
Inmarsat	ISA.L	1M	5.79	8.20	42.1%	48.7%	3.1	0.0	3.9	4.0	4.1	4.3	6.5	7.1	7.5	11.7	13.3	15.8	4.1%	3.8%	6.5%	3.6%	3.6%	5.9%	4.3%	4.5%	4.8%
SES	SESFd.PA	2M	18.26	19.00	4.7%	9.5%	7.2	0.0	11.0	6.2	6.1	5.8	8.3	8.2	7.7	14.1	15.0	15.0	4.0%	6.7%	9.1%	3.5%	5.4%	7.3%	4.8%	5.2%	5.5%
Kabel Deutschland	KD8Gn.DE	2M	35.80	40.00	8.1%	8.1%	3.3	0.0	6.2	3.4	3.3	3.1	7.6	7.0	6.5	48.5	20.4	16.0	7.6%	7.7%	9.0%	5.2%	5.8%	6.8%	3.1%	4.5%	4.9%
Telenet	TNET.BR	1M	31.02	30.00	(3.8%)	10.6%	3.5	0.0	5.8	3.8	3.6	3.3	7.5	7.0	6.5	18.2	14.5	11.8	9.3%	11.6%	14.0%	5.5%	6.3%	7.0%	18.7%	20.8%	18.3%
Virgin Media	VMED.O	1M	26.81	42.00	53.5%	54.1%	6.3	(0.5)	12.4	2.5	2.4	2.3	6.4	5.9	5.5	22.7	12.7	9.5	9.4%	11.8%	13.6%	7.7%	9.0%	10.1%	0.6%	0.6%	0.5%
Zon	ZON.LS	2H	3.55	4.00	12.7%	17.2%	1.1	0.0	1.9	2.1	2.0	1.9	5.8	5.5	5.2	33.7	20.4	12.2	4.6%	9.5%	6.9%	3.9%	6.9%	5.3%	4.8%	5.4%	5.7%
Weighted average (satellite)										6.1	5.9	5.7	8.2	8.1	7.8	14.8	15.3	15.4	3.4%	5.1%	7.2%	3.1%	4.4%	6.0%	4.2%	4.5%	4.7%
Weighted average (cable)										3.0	2.8	2.7	6.9	6.4	6.0	28.5	15.5	11.8	8.6%	10.6%	12.1%	6.3%	7.4%	8.2%	6.0%	6.8%	6.3%
Alternative carriers																											
C&W Worldwide	CWP.L	2H	0.63	0.68	8.8%	16.0%	1.9	0.0	2.1	0.9	0.9	0.9	4.5	4.4	4.2	8.8	8.4	7.7	6.3%	8.0%	9.1%	6.2%	7.9%	9.0%	7.1%	7.3%	7.6%
Forthnet	FORr.AT	2S	0.47	0.75	59.6%	59.6%	0.1	0.0	0.4	0.8	0.7	0.6	3.8	3.1	2.5	nm	nm	13.3	15.3%	36.2%	50.2%	9.3%	15.1%	21.3%	0.0%	0.0%	0.0%
Freenet	FNTGn.DE	1H	7.90	11.50	46.5%	56.7%	1.0	0.0	1.7	0.5	0.5	0.4	5.0	4.8	4.3	4.9	5.0	4.6	18.5%	19.0%	23.8%	14.8%	15.8%	18.6%	10.1%	11.3%	12.7%
Sonaecom	SNC.LS	2H	1.40	1.50	5.7%	5.7%	0.5	0.0	0.9	0.9	0.9	0.9	4.1	3.8	3.6	12.7	10.9	11.1	(0.7%)	15.2%	10.3%	(1.0%)	9.1%	6.2%	0.0%	0.0%	0.0%
TalkTalk	TALK.L	2H	1.35	1.70	27.8%	32.3%	1.4	0.0	2.0	0.9	0.9	0.8	5.6	5.0	4.6	9.7	9.0	8.6	12.1%	13.9%	11.1%	7.3%	9.2%	10.1%	4.5%	4.6%	4.6%
United Internet	UTDI.DE	2H	11.50	13.00	11.3%	14.2%	2.6	(0.2)	2.7	1.2	1.1	1.1	7.0	6.1	5.5	13.5	11.8	11.2	8.2%	8.9%	9.3%	8.5%	9.8%	10.8%	2.6%	3.0%	3.6%
Weighted average										1.0	0.9	0.9	5.6	5.1	4.7	10.4	9.3	9.0	9.3%	11.7%	12.0%	7.9%	10.0%	11.0%	4.9%	5.2%	5.7%

Source: Citi Investment Research and Analysis

The Winners from the Android Invasion

In this report we look at the key themes that are likely to come up at the conference, including smartphones, M&A, shareholder distributions and regulation. Post 4Q10 our earnings revisions saw a small hit to 2011 EBITDA and an increase in capex, but despite the resulting hit to FCF the companies' commitments were such that we upgraded dividend forecasts. In Europe the widening availability of Android phones at new price points looks to be helping operators manage their smartphone portfolio more profitably. Later in 2011 we expect the key €99 retail price point for mass prepaid adoption to be widely achieved stimulating demand and adding a new leg to data growth. In regulation we expect to cover international roaming regulation and support for fibre local network deployment. In M&A options for Vodafone and DT as well as the imminent close of the Telemar transaction for Portugal Telecom will likely be discussed.

Smartphone take-over, Android overtakes

Tesco Mobile has confirmed that it sold more Android smartphones in February than iPhones, having seen iPhones outsell Androids more than two to one in 2010. At February's Mobile World Congress Google said it is activating over 300,000 Androids per day and rising fast.

We see the trend as being positive for the operators as Androids provide more pricing options and should on average deliver a better return on their subsidy investment vs the iPhone. Androids are also supporting steadily lower price points which are broadening access to mobile data services. The key €99 price point for mass prepaid adoption should be widely achieved at the end of Summer 2011, and Vodafone Italy says its promotional offer at that level over the Christmas period (using a Vodafone branded, Huawei device) saw significant demand from its younger market segments. Vodafone says it has started to see its subsidy economics improve as more customers take the data service that enables a smartphone's advanced features while fewer seek to optimise tariffs on upgrading.

The operators most exposed to the move of smartphones into the mass market are, in our view, **KPN** due to its positioning in Germany, and **Telecom Italia** due to its concentration on the prepaid dominated Italian market.

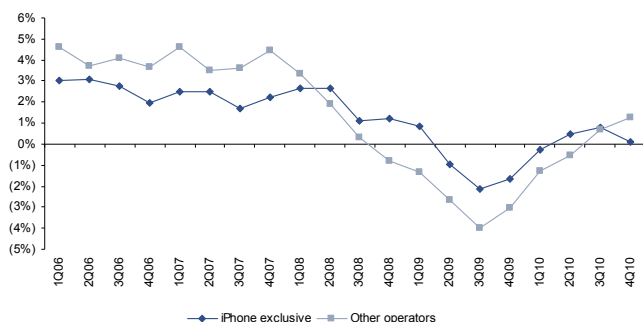
The big winners among the operators from the move of smartphones into the mass market are, in our view, **KPN** due to its positioning in Germany, and **Telecom Italia** due to its concentration on the prepaid dominated Italian market.

The operators' delight at having low-cost advanced devices to stimulate demand can only get stronger, in our view, as prices continue to fall and new, lower, price points are brought on stream. However, the smartphone revolution - now enhanced by tablets - has really only just begun. This dramatic change that has hit the handset industry has yet to fully work its way through.

iPhone growth gap reversing

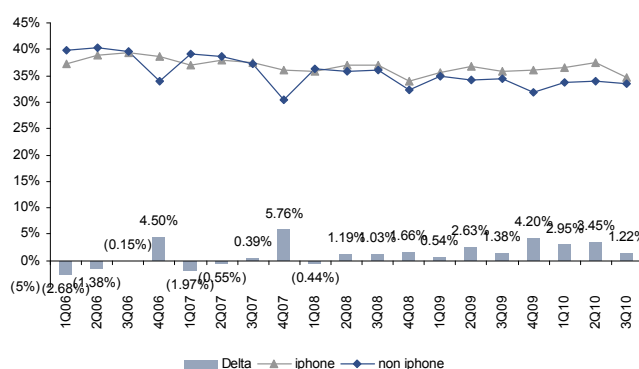
In 4Q10 for the first time in a few years the operators who had previously been iPhone have-nots grew faster than those operators who had sold the iPhone (Figure 4). This suggests some degree of catch-up as they sell iPhones to their customers. However most of this catch up is driven by Spain and France, with T-Mobile in Germany and O2 in the UK maintaining market leading growth.

Figure 4. Service revenue growth, original iPhone exclusive operators vs others (% yoy)



Source: Company Reports, Citi Investment Research and Analysis

Figure 5. EBITDA margin, original iPhone exclusive operators vs others (% yoy)



Source: Company Reports, Citi Investment Research and Analysis

Operators would like to break the tight hold which Apple has over customers upgrading from an iPhone. This apparently impossible task may be closer to being achieved than many observers think.

Can an Android ever take the place of your iPhone?

Whatever customers may prefer it appears to us from the promotional efforts in mobile stores that the operators would prefer you buy an Android phone than an iPhone. Apple's tight hold on iPhone customers through the upgrade cycle supports its premium pricing and costly subsidies from the operators. Operators would like to break that grip.

In an attempt to prove the perceived wisdom wrong the author made the noble sacrifice of giving up his iPhone and switching to the Android 2.3 equipped Google Nexus S to see if it could be done. While it turned out to be hard even for an enthusiast, the capabilities of the Android platform are advancing at such a rate that most of the iPhone features can be replicated. The internet helped, but at this stage it is still very US centric. The typical customer probably has better things to do than re-engineer a smartphone, and the process could be made a lot easier, but in time that will probably come.

The switch to the Nexus S gained improved voice quality with fewer dropped calls and voice mail alerts arriving in a timely manner. The phone looks attractive, with highly customisable screens, and the widgets provide a more interesting interface for the user than the crowd of icons on the iPhone. The scope for apps to interface with the phone's functions provides some extra flexibility but some of the slickness of common, intuitive functions and interoperability (music stopping for video for example) is lacking.

Against that the sheer inconvenience of repopulating apps must stand as a barrier for many customers. Unless you have a major collection this is not particularly expensive compared to the cost of the mobile service, as many are free, and there is now an Android alternative to most iPhone apps. However, three quarters of the author's library of iPhone apps are gone and forgotten making the task rather easier. The main challenge is replacing iTunes and even this can be done once broken down into parts, in this case using DoubleTwist for media and manual playlists, DejaOffice for synchronising with Outlook and MixZing for the DJ feature on Apple Genius.

Merger and acquisition potential

Deutsche Telekom and Sprint

Press reports on 8 March said that DT and Sprint were in talks about a sale of T-Mobile US to Sprint in exchange for a stake in the combined company. As these have not been confirmed by the companies we assume that if there have been any conversations they have not reached a formal stage.

There is considerable industrial logic in a combination in our view. Sprint is third in US mobile and T-Mobile fourth. Together their revenue market share is 26.8% (in 4Q10), less than the 32.8% of second placed AT&T. Market leader Verizon Wireless has 33.8%. The combined Sprint and T-Mobile US on our 2011 current forecasts would have revenue of \$49bn and EBITDA of \$10.9bn, a margin of 22.2% purely on a pro-forma basis, with no synergy assumed and excluding Clearwire. On this year's estimates T-Mobile would contribute 32% of revenue, 50% of EBITDA and 53% of operating FCF.

Sprint and T-Mobile have struggled with competitiveness over the last two-three years. Neither has so far been able to offer the iPhone and both have been outgunned on brand, marketing and distribution by the two bigger players, while regional operators and MVNOs have attacked them in the discount market.

Our US analysts believe a merger could present synergies of between \$3-\$5 per share for Sprint over time, assuming that it receives 50% of the total benefits, although meaningful integration risk could hold back full realisation in the near term. We think a network sharing scenario could generate up to \$3/share of incremental value for Sprint above the Network Vision plan and believe Sprint's share of marketing synergies could be around \$2 per share.

This equates to \$9bn-\$15bn in synergy NPV potentially going over time to DT or €1.5-2.2 per share. In addition to that, if it remained invested, then DT should in our view be able to participate in the benefits of market repair and Sprint's Network Vision programme. Finally we believe that with T-Mobile US's revenue under pressure there is an associated risk discount in the group share price which could come out over time.

Nonetheless, giving up control of T-Mobile US is a big step, which would retrench DT back to mainly Germany and Eastern Europe. Indeed, we expect T-Mobile US to generate \$5.5bn of EBITDA and \$2.25bn of operating FCF in 2011 and while at one time there may have been hope for better from both management and investors this asset is not in crisis. Given that and the protracted period likely to be needed by US authorities to clear the transaction, assuming that they did, an extensive network merger might be DT's preference. Much of the synergy of a full merger could be captured this way and it could be modeled on the merger of T-Mobile UK's 3G network with 3 UK's.

Vodafone: SFR and European fixed line

Vivendi is not prepared to pay a price of more than £6bn for Vodafone's stake in **SFR** according to the Sunday Times (13 March) and the FT (14 March). This may be something of an opening salvo from Vivendi in a serious discussion about price, in which case it is possible in our view for the price to rise from here. On our estimates £6bn equates to 5.5x 2011E EBITDA, while our valuation of £6.7bn is struck at 6.0x given the strong dividend rights that Vodafone has in SFR. For Vodafone a disposal of its stake in SFR is a potential positive but probably anticipated given extensive press commentary, and should it occur we expect only around half of the proceeds to be added to the buyback.

European fixed line: At its 16 March Open Office Vodafone elaborated somewhat on its M&A strategy regarding Europe. Management indicated that it does not see the need for any major M&A to support its enterprise converged services strategy, as it can purchase fixed capacity wholesale where necessary, although some local metro assets in certain countries might be of interest. Additionally, while consumer quad-play lacks widespread traction it sees no need to acquire cable assets and, regardless of that, valuation remains an issue for Vodafone.

PT – Telemar capital increase to complete on 24 March

PT will acquire a 25.6% economic stake in Tmar Part, the holding company which controls Telemar (TMAR), through a 12.1% direct stake and 35% stakes in each of AG and LF which each own 19.4% of Tmar Part. PT will also participate in the capital increase and directly acquire stakes further down the chain - though targets on individual classes of shares have not been set. Under its agreement PT will end up with a minimum 22.4% economic stake for a maximum of R\$8.32bn. We expect PT to end up with a higher economic stake or pay below R\$8.32bn or a combination of both in order for the implied EV/EBITDA of the transaction to be kept at 6.3x.

The priority subscription for the rights issue has started and finishes on March 24th when the capital increase completes. By the end of the following week we expect PT to close the AG, LF and Tmar Part purchases and the cash settlement at TNL and TMAR.

PT will be in a position to proportionately consolidate its 25.6% stake in the holding vehicle Tmar Part and exert some influence: corporate governance rights entitle PT to nominate directors in Tmar Part and Tele Norte Leste, while participating in the nomination of the CEO of Oi and management committees. PT also gains rights at the AG/ LF and Tmar Part levels which include rights of first refusal over non-controlling sales and tag along rights in the case of change of control.

As part of the agreement Oi will seek to acquire up to 10% economic stake in Portugal Telecom. Oi has already started the process, having reported that it already controls 3% stake in PT.

Telefónica: Vivo/Telesp closure likely by early June

Telefónica has already raised its combined synergy estimate for the integration of fixed (Telesp) and mobile (Vivo) in Brazil to €3.3-4.2bn (from €3.3-3.9bn previously). The new targets assume €2.3-2.7bn in opex/capex (CIRA: €2.6bn), €1.0-1.5bn in tax/financing (CIRA: €700m in Spain). Even though we take a more cautious view, we would not be surprised if TEF raises its estimate for synergies once more during the investor day in April 13/14th.

Vivo's ordinary share tag along (following Telefonica's purchase of PT's stake) closed on 18 March. We would expect that Telefónica will be able to announce terms of a preference share exchange arrangement between the preference shares of Vivo and Telesp by early April. Thereafter the deal may take around 2 months to complete, 30 days for the shareholder consent and around another month for completion of the legal processes.

FT: Looks like one more deal needed to reach target

Following the acquisition of a 20% stake in Korek Telecom, FT is now close to its objective of doubling revenues in emerging markets by 2015 as it “only” needs another acquisition target generating c.€500m of revenues. This should reassure investors concerned about FT’s lack of price discipline in M&A and the previous expectations that FT would spend €5bn-€7bn buying assets in emerging markets. FT spent just over €1bn on Korek Telecom, Meditel and a mobile licence in Tunisia. Despite only having minority stakes in those businesses, FT should be able to fully consolidate them by exercising call options, allowing it to exercise control over those assets and the possibility to fully consolidate them under IFRS.

We expect FT to consider other options to manage its portfolio, which could range from buying in minorities to limit dividend leakage (worth €612m in 2010) and sell or increase its stake in businesses where it has a minority position, like in Austria and Portugal.

Regulation: roaming and fibre deployment

Neelie Kroes: mobile roaming charges
“could hardly be less obsolete in this
age.”

It has long been a feature of the telecoms industry, a relic of more monopolistic times, that customers are expected to deal with sometimes near-farcical complexity of tariff plans. Competition generally has a purifying effect over time, although the operators' yield management functions keep themselves busy with out of bundle rates and international roaming.

On 7 Feb 2011 in a speech in London EU Information Society Commissioner Neelie Kroes said that mobile roaming charges “could hardly be less obsolete in this age”, and added that there is “no reason why the cost to access the Internet from a smartphone should jump 10- or 20-fold once you enter the Channel Tunnel.”

As they stand the regulation of international roaming within the EU currently encompasses the following broad areas (source: European Commission):

- Mobile voice maximum price of €0.39 per minute for calls made and €0.15 per minute for calls received (all prices excluding VAT). Receiving a voice mail must be free.
- Text maximum price of €0.11 to send and free to receive.
- Data roaming maximum wholesale price of €0.80 per MByte.
- Operators will have to impose a monthly default cut-off for data roaming of €50. Consumers can select a different cut-off limit or opt out and operators have to send users a warning when they reach 80% of their limit.

In its August 2010 “Digital Agenda for Europe” document the Commission argues that the difference between roaming and national tariffs should approach zero by 2015. It offers a baseline for voice from 2009 putting the roaming average price per minute at €0.38 cents for calls made and the all calls average at €0.13 cents (including roaming).

The current regime expires in mid 2012 and we expect the Commission to publish a consultation on its replacement in the coming weeks and it would be a surprise if this did not seek roaming prices close to average national rates on the 2015 schedule mentioned. Stripping roaming out of the Commission's 2009 statistics puts the average national voice baseline at about €0.12 on our estimates. Yields have been falling consistently at around 10% pa and if that continues national rates will be around €0.07 by 2015. If “approaching zero” turns out to mean around a 10% premium then both roaming voice and text average prices need to fall around 80%.

Across Europe the agenda for fixed line operators is different from mobile where politicians now see no need to be acting to promote investment. For the fixed operators deployment of fibre in local networks to increase broadband speeds is front and centre

De-equitisation and distribution capacity

Figure 6. Theoretical EPS impact of a 10% stock buyback

Dividend yield	6.50%
Bond yield	3.50%
Number of shares	100
Share price	100
Number of shares bought back	10%
Earnings pre share buyback	10
Earnings post share buyback	9.65
EPS pre buyback	0.1000
EPS post buyback	0.1072
Share buyback impact on EPS	7.2%

Source: Company Reports, Citi Investment Research and Analysis

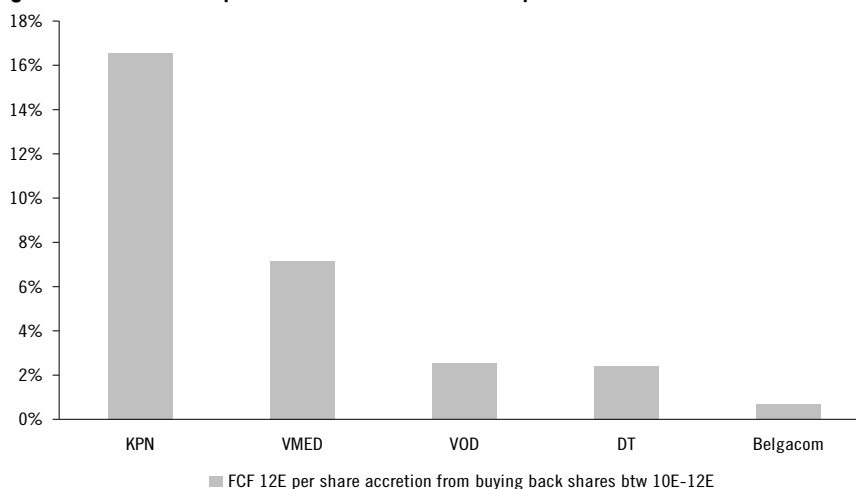
KPN the best name to play the de-equitisation trade

In an environment where we still see relatively low interest for telecoms shares due to lack of structural growth, we believe that buying back shares offers two very important drivers for shareholder value: 1) It creates demand for the shares, 2) It is EPS accretive thanks to the large gap between earnings yield and bond yield. Assuming that an average telecoms company is on a 6.5% dividend yield and trades on 10x PE, buying back shares by borrowing debt at 3.5% would boost EPS by 7% (see Figure 4 for details). We believe that the best plays in the sector for the de-equitisation trade are:

- **KPN: History speaks for itself** – KPN has bought back a third of its shares over the last five years. KPN has announced a new €1bn share buyback at its 4Q10 which has now started to provide support to the share price. We expect KPN to continue buying back €1bn worth of shares this year and next. We forecast a 17% positive impact from share buybacks on KPN's 2012E FCF per share
- **Virgin Media: Favouring buybacks over dividends** – We expect Virgin Media to buyback almost \$1bn of its shares by end 2012E. We do not expect the dividend to be substantially increased from its current \$4c per quarter as we believe that the company will focus instead on buying back shares, which the company feels is favoured by its predominantly US investor base. This should have a positive impact of 7% on 2012E FCF per share.
- **Vodafone: Equity release has further to go** – We expect Vodafone to continue with more disposals of non core assets (e.g. SFR and Polkomtel). Part of the proceed from these disposals are likely to be used to buyback stock, as Vodafone did post the sale of its stake in China Mobile. We forecast a 3% positive impact from share buybacks on 2012E FCF per share but this could be significantly higher as we do not include the sale of SFR or Polkomtel in our model, which could lead to a larger share buyback.

DT, Telia and Belgacom have announced more limited share buyback programmes. FT (should the government sell down its stake) could potentially buyback shares, but the timing of such programmes is still uncertain. TI has also announced the intention to commit €800m to buying back its premium yielding savings shares over the next three years but we do not expect this to commence during 2011.

Figure 7. Potential FCF per share accretion from de-equitisation



Source: Company Reports, Citi Investment Research and Analysis

Raising revenue on wholesale Internet traffic

The European industry may have an opportunity to improve its revenue by charging more for incoming internet traffic onto the mobile and fixed access networks. An AT Kearney report commissioned by Deutsche Telekom, France Telecom, Telecom Italia and Telefónica cites difficulties in making the economics of the internet work unless greater contributions from website owners are added to consumers' broadband access fees.

While the operators say that "service providers are flooding the networks with no incentive" to be efficient, in the words of FT's CEO, the net neutrality lobby argues back that the absence of interconnect fees have been a key aspect of allowing the internet to develop in its current form. They cite lack of need for international settlement as being one of its key strengths.

However, the internet as designed was a best efforts system for email and limited browsing while the modern internet requires a far higher grade of service to meet customer demand for video. It is this issue that led to an ongoing dispute between internet backbone provider Level 3 and cable operator Comcast in the US.

Level 3 says that it has started to be charged by Comcast for delivery of internet traffic.

Level 3 disclosed on Nov 29 that it is now being charged by Comcast for delivery of internet traffic. It previously qualified for settlement-free peering under which internet traffic is exchanged between ISPs on a sender keeps all basis. However, Comcast says the traffic coming from Level 3 is set to double and will leave Comcast receiving 5x more data volume than it returns, requiring an adjustment to the terms of trade. Level 3 is referring the dispute to the regulators. However, a model already exists for charging for traffic delivery which comes via content delivery networks (such as Akamai).

We expect to see a growing imbalance of traffic between access and backbone carriers as more video is directed to households and mobile devices from content sites on the internet. It seems quite likely that the access carriers will increasingly want to levy small wholesale charges depending on the quantity of traffic involved.

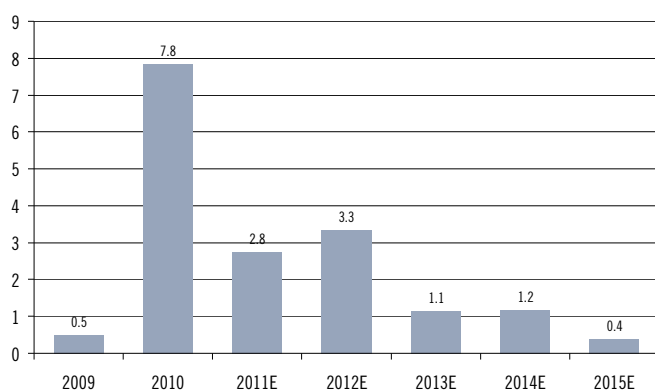
Spectrum spend to fall in 2011

We continue to expect spectrum costs to have less power to shock in 2011 following heavy bills for licence in Germany and India in 2010. Spectrum payments should fall yoy in 2011 to €2.8bn from €7.8bn (Figure 8) with France, Spain and a number of emerging markets to watch, plus the UK's preparations for 2012.

The French industry minister expects 4 lots (2 of 2x10MHz and 2 of 2x5MHz) of 800MHz range spectrum to be sold which in our view is likely to be during the summer of 2011. The government is targeting minimum receipts of €2bn (\$0.72 per MHz per pop) which looks somewhat ambitious to us although the government did achieve a surprisingly high per MHz per pop price for its 2009 2GHz sale. There is still uncertainty as to which form the offering will take.

Figure 8. Spectrum costs – 2010 peak due to Germany, India and Mexico

€bn, year to Dec (for Mar-end reporters, year to subsequent Mar)



Source: Company Reports and CIRA Estimates

Figure 9. Spectrum licence costs by operator

€m, year to Dec (for Mar-end reporters, year to subsequent Mar)

	2009	2010	2011E	2012E	2013E	2014E	2015E
Deutsche Telekom	0	1,301	146	147	147	147	147
Everything Everywhere	0	0	0	416	0	0	0
France Telecom	58	446	800	500	300	300	250
KPN	0	285	0	0	0	0	0
Portugal Telecom	0	0	0	40	0	0	0
SFR	0	0	600	0	0	0	0
Telecom Italia	0	0	0	450	0	0	0
Telefónica	0	2,389	532	900	700	0	0
Vodafone	438	3,421	674	894	0	733	0
Total	496	7,841	2,752	3,347	1,147	1,180	397

Source: Company Reports and CIRA Estimates

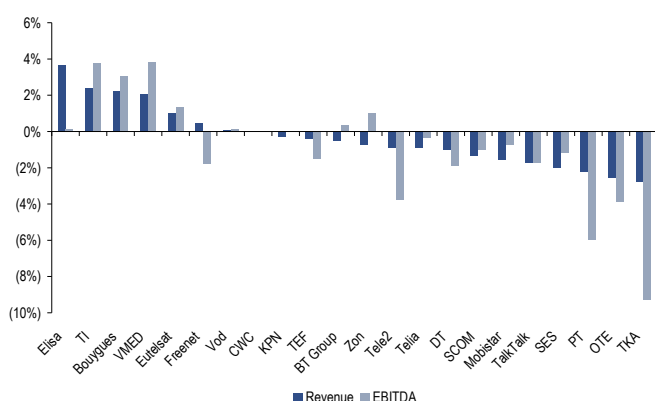
4Q10 results negative for EBITDA & FCF

In general, our post 4Q10 results changes have been modestly downward, leading to an 0.6% cut to our aggregate 2011 EBITDA forecast and a 2.5% reduction to FCF. Dividends, however, have moved the other way, with a 1.6% increase vs our previous forecast for 2011, although less for the later years, due to positive comments and commitments around future dividends notably from TI. While forecasts have not increased, management teams appear more confident on the sustainability of FCF enabling higher dividends. As we argue above, de-equitisation is a key theme in the sector and shareholder returns still look likely to surprise on the upside.

Increasing confidence allows higher dividends

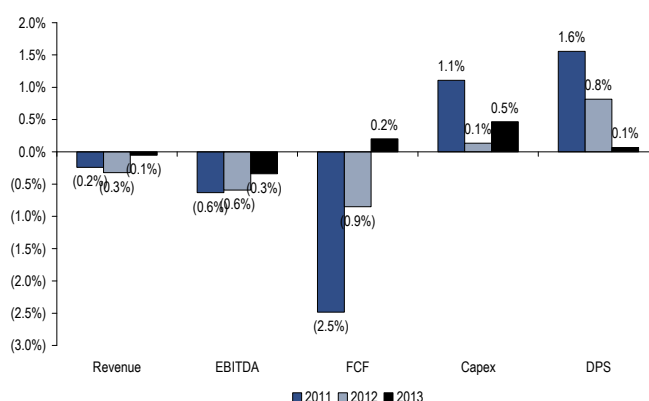
On a sector level following the 4Q10 results we made modest downward changes to our forecasts for revenue and EBITDA. Our FCF forecasts fell but dividend forecasts rose.

Figure 10. 2011 Revenue and EBITDA change (Total 2011-13)



Source: Company Reports, Citi Investment Research and Analysis

Figure 11. Change in sector weighted averages (FCF post spectrum)



Source: Company Reports, Citi Investment Research and Analysis

Figure 12. CIRA Forecast changes (sum of 2011-13 forecasts)

	Rev	EBITDA	FCF	DPS	Capex
Belgacom	(0.3%)	(1.3%)	(1.8%)	0.0%	(0.0%)
Bouygues	2.2%	3.1%	(5.3%)	5.3%	6.7%
BT Group	(0.5%)	0.4%	1.0%	0.0%	0.2%
DT	(1.0%)	(1.9%)	1.7%	0.0%	(3.2%)
Elisa	3.6%	0.1%	(5.7%)	(1.3%)	7.5%
FT	(0.2%)	(0.8%)	(3.7%)	0.0%	2.3%
KPN	(0.3%)	(0.1%)	2.9%	0.0%	(2.7%)
Mobistar	(1.5%)	(0.7%)	(1.3%)	(1.4%)	0.7%
OTE	(2.6%)	(3.9%)	0.8%	(5.7%)	(4.7%)
PT	(2.2%)	(6.0%)	(9.9%)	0.0%	(2.8%)
SCOM	(1.3%)	(1.0%)	(0.8%)	(0.4%)	(0.6%)
TEF	(0.4%)	(1.5%)	(2.8%)	0.0%	1.1%
Tele2	(0.9%)	(3.8%)	2.1%	35.9%	(6.4%)
TKA	(2.8%)	(9.3%)	(27.9%)	(31.3%)	10.6%
TI	2.4%	3.8%	0.0%	9.6%	5.4%
Telia	(0.9%)	(0.3%)	(6.4%)	5.7%	(1.9%)
Vod	0.1%	0.1%	3.9%	0.0%	0.1%

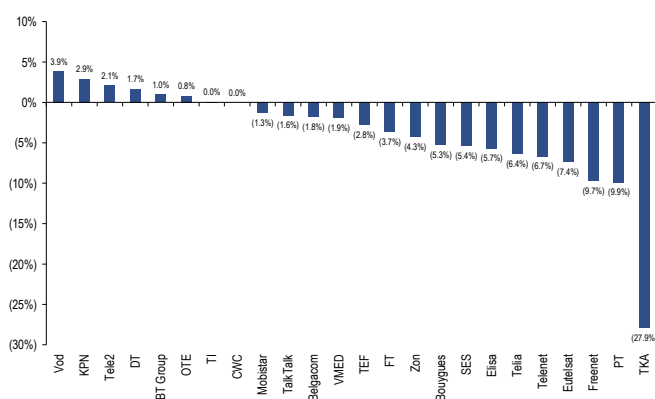
Source: Company Reports, Citi Investment Research and Analysis

FCF and Capex – Mixed Picture

On a sector level we upgraded our capex forecasts, this was primarily driven by TEF, TI, TKA and FT. For TI this is partly due to higher handset subsidies which they partly capitalise. These upgrades were partly offset by downgrades at Tele2 (lower Russian capex based on new guidance), DT (modest reduction in domestic capex) and Telia (new guidance for capex below forecasts).

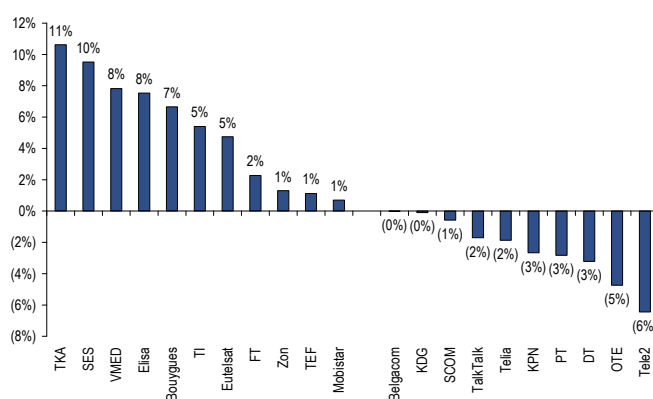
In combination with modest downgrades to EBITDA this drove a reduction in our FCF forecast on a sector level. Of the large incumbents the most significant cuts were for TKA, PT, Telia, FT and TEF. Despite lower capex, we reduced Telia's FCF due to higher interest costs and dividends to minorities.

Figure 13. FCF forecast change (total 2011-13)



Source: Company Reports, Citi Investment Research and Analysis

Figure 14. Change in capex forecasts (total 2011-13)



Source: Company Reports, Citi Investment Research and Analysis

2011 Guidance – Most were in-line with consensus

2011 guidance issued during the recent results season has in general been in-line with consensus forecasts, with only a few above or below. We argue this under-represents the increased confidence of management teams which has come through in dividend comments rather than ambitious guidance.

Guidance positive: TI (above in revenue and EBITDA), DT (positive comments on FCF).

Guidance negative: Belgacom (higher capex), Swisscom (below on revenue and EBITDA), FT (slightly below).

Figure 15. Q4 Results and 2011 Guidance

	2011 guidance	Q4 vs cons		
		Revenue	EBITDA	
Belgacom	EBITDA in-line, capex higher	(0.1%)	3.6%	Revenue in-line, strong margins
Bouygues	Sales guidance ahead of consensus	2.6%	1.6%	Strong revenue and margins
BT Group	(March year end)	0.2%	2.1%	Strong margins
Deutsche Telekom	EBITDA in-line, FCF higher	0.6%	(1.4%)	Broadly in-line, but weakness in the USA
Elisa	New guidance in-line	3.5%	0.8%	Strong revenue growth driven by smartphones
France Telecom	Guidance slightly below	0.4%	0.9%	Revenue and EBITDA in-line, FCF slightly light
KPN	Already announced	(0.4%)	(0.6%)	In-line, strong in Germany
Mobistar	Revenue in-line, EBITDA was low	0.3%	0.3%	Miss on service revenue
OTE	No guidance	(3.3%)	0.0%	Revenue miss, EBITDA in-line
Portugal Telecom	No guidance	0.5%	2.4%	Weak domestic and FCF
Swisscom	Below on revenue and EBITDA	(0.6%)	(7.2%)	EBITDA miss due to Fastweb
Telefonica	Cautious, in-line guidance	0.8%	3.3%	Strong LATAM, weak domestic
Tele2	No group guidance	0.9%	(1.5%)	Weak numbers offset by special dividend
Telekom Austria	Already announced	1.7%	(0.7%)	Broadly in-line new restructuring announced
Telecom Italia	Guidance above consensus	2.6%	5.2%	Domestic weak, TIM Brazil strong
TeliaSonera	Revenue and EBITDA in-line, capex lower	(0.2%)	0.0%	Results and guidance in-line, dividend and buyback positive surprise
Vodafone	(March year end)	2.2%		Steady revenue growth improvement

Source: Company Reports, Citi Investment Research and Analysis

Dividends – surprised to the upside

In general 2010 shareholder returns positively surprised. The only company to announce a 2010 dividend below forecasts was Swisscom. In addition management teams gave positive comments around future comments. We argue this is being driven increased confidence in the sustainability of FCF.

There is a growing trend for management teams to be more shareholder focused. During 2010 DT introduced a long term dividend commitment. Recently FT have been talking down their €5-7bn emerging market M&A target. TI introduced a dividend commitment at the FY10 results.

Figure 16. 2010 dividend

	Dividend 2010	Comments
Belgacom	In-line	Dividend in-line, announced a small buyback
Bouygues	In-line	No dividend policy
BT Group	n/a	(March year end)
Deutsche Telekom	In-line	In-line with dividend commitment
Elisa	Beat	Higher than expected dividend, €1.8 2010 total, 11% yield
France Telecom	In-line	In-line with dividend commitment
KPN	In-line	Dividend in-line, announced a new buyback
Mobistar	In-line	No dividend policy
OTE	In-line	Regulatory minimum paid
Portugal Telecom	In-line	Previously announced
Swisscom	Below	Dividend of CHF 21 at the bottom end of the range 21-24
Telefonica	In-line	Positive reiteration of 2012 target and new 2011 target
Tele2	Beat	Special dividend of SEK 21 and an ordinary of SEK 6
Telekom Austria	In-line	Effectively pre-announced
Telecom Italia	Beat	2010 dividend higher than cons and positive 3 year dividend commitment and buyback
TeliaSonera	Beat	Higher ordinary dividend and buyback announced
Vodafone	n/a	(March year end)

Source: Company Reports, Citi Investment Research and Analysis

We present below the announced full year dividend and ex-dividend date.

Figure 17. Dividends and ex-div dates

Incumbents/Wireless		2010 Dividend		Ex-div date	Payment date
Belgacom		1.68	EUR	26-Apr-11	29-Apr-11
Bouygues		1.60	EUR	29-Apr-11	04-May-11
BT Group		TBA			
Deutsche Telekom		0.70	EUR	13-May-11	
Elisa	Ordinary	0.90	EUR	30-Mar-11	
	Extraordinary	0.40	EUR	TBA	
France Telecom		0.80	EUR	10-Jun-11	15-Jun-11
KPN		0.53	EUR	08-Apr-11	
Mobistar	Ordinary	2.90	EUR		20-May-11
	Extraordinary	1.40	EUR		19-Aug-11
Portugal Telecom		0.65	EUR	TBA	
Swisscom		21.0	CHF	26-Apr-11	29-Apr-11
Tele2		27.0	SEK	17-May-11	
Telecom Italia		0.058	EUR	18-Apr-11	21-Apr-11
Telecom Italia Savers		0.069	EUR	18-Apr-11	21-Apr-11
Telefonica		0.75	EUR	TBA	
Telekom Austria		0.76	EUR	23-May-11	26-May-11
TeliaSonera		2.75	SEK	07-Apr-11	
Vodafone		TBA			

Source: Company Reports, Citi Investment Research and Analysis

Mobile

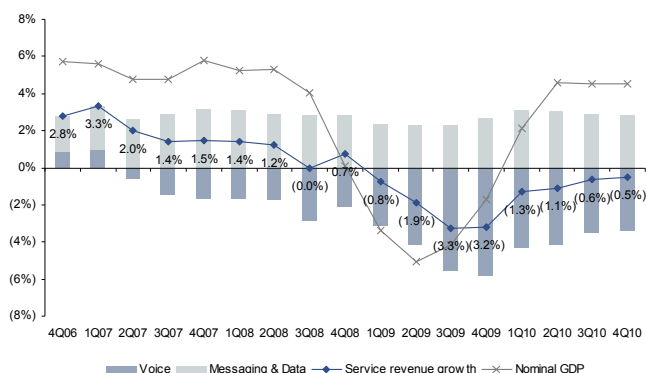
Steady improvement in growth

Service revenue growth showed further modest improvement in 4Q10 from -0.5% from -0.6% 3Q10 but this 10bp improvement would have been 30bp without the worsening impact of mandated mobile termination rate reductions. Data growth remains consistent contributing 2.9ppt to European service revenue growth, however voice continues to more than offset this. Within voice the split between volume growth and yield decline remained similar to recent quarters.

Underlying growth improves to 2.0%

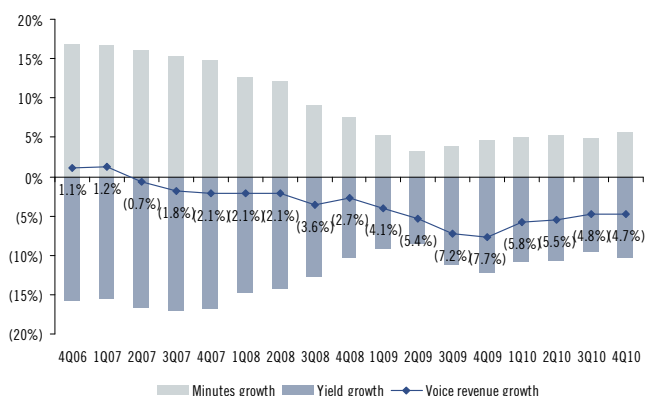
Excluding the impact of MTR cuts service revenue showed a larger improvement to 2.0% in 4Q10 from 1.7% 3Q10, as the overall impact from MTR cuts increased in 4Q10, as shown in Figure 20. We highlight that while reported growth remains negative, excluding regulatory impacts growth is now positive. In addition the regulatory impact on EBITDA for most companies is significantly less than on revenue

Figure 18. Service revenue



Source: Company Reports, Citi Investment Research and Analysis

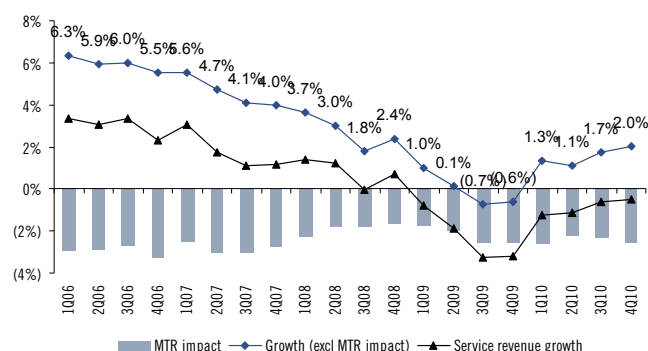
Figure 19. Voice revenue



Source: Company Reports, Citi Investment Research and Analysis

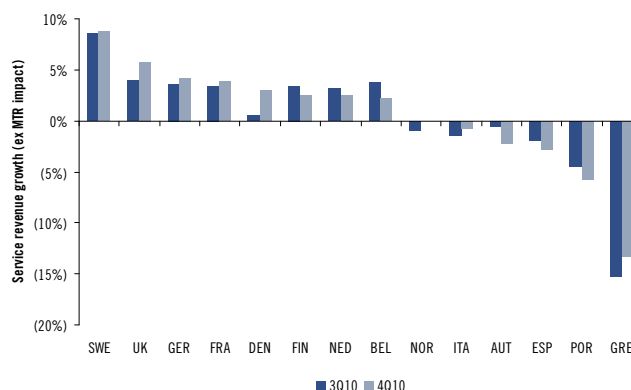
Only half the markets saw an improvement in growth rates, however the largest markets saw an improvement driving the European average. The most notable improvement was from the UK and Denmark, both of which were driven by improvement from voice rather than data growth. Modest improvement came from Germany, France and Italy. Underlying growth worsened in Austria, Spain, Portugal and Belgium.

Figure 20. Service revenue growth excl MTR impact European average



Source: Company Reports, Citi Investment Research and Analysis

Figure 21. Service revenue growth excl MTR impact by country



Source: Company Reports, Citi Investment Research and Analysis

Minutes growth steady improvement

Minutes growth continued to improve in 4Q10 and significant differences between countries remain. In general high minutes growth correlates with higher mobile service revenue growth. However the notable exceptions are Portugal, Italy and Spain, these are markets where we are seeing high price competition.

In general voice price competition remains the most significant driver of differences between countries mobile growth rates and in countries variation in growth over time.

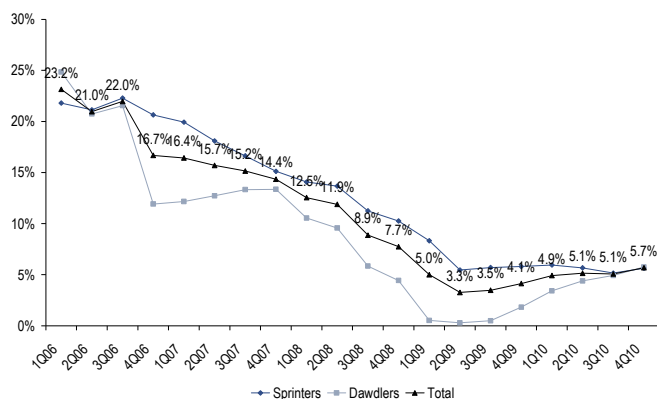
We have seen a deterioration of the pricing environment in Italy, Spain and Portugal during 2010, with the 4Q continuing to be affected.

In Italy, the price pressure comes mainly as TIM Italy is reducing its voice price premium to other operators with very aggressive on-net promotions that were launched during the summer (gave discounts until the end of the year). There is also a change in the mix with on-net traffic (which is much cheaper) growing faster than offnet, thus increasing its weight and impacting average outbound pricing.

In Portugal, we are seeing a similar phenomenon with TMN reacting to tribal offers (mainly in the youth segment), launched initially by Optimus and then by Vodafone. Again this is mainly an on-net driven promotion, which was introduced by TMN in 2Q 2011 but has been gaining traction, leading to increased cannibalisation and outbound pricing pressure by 4Q 2011.

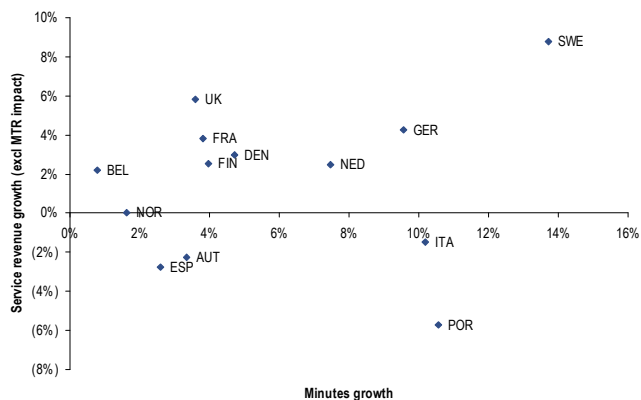
In Spain, pricing pressure has been more modest and can be attributed to high price levels and the impact from ongoing shift in market share to Orange/Yoigo from Movistar and Vodafone. We expect Spain to continue to experience price pressure as outbound pricing is unsustainable at these levels, in our view.

Figure 22. Minutes growth European average



Source: Company Reports, Citi Investment Research and Analysis

Figure 23. 4Q10 minutes growth vs service revenue growth (excl MTR cut impact)



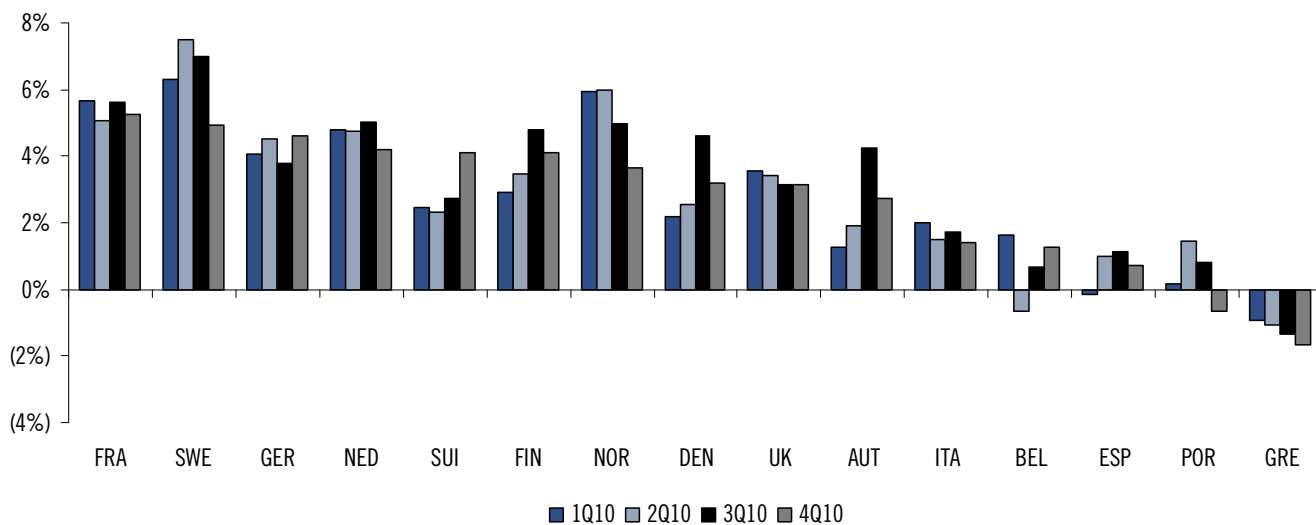
Source: Company Reports, Citi Investment Research and Analysis

Data growth stable, remains higher in northern Europe

Data growth remained strong in 4Q10. Increased smartphone penetration remains a key driver of this, benefiting from lower priced smartphones. At the recent Mobile World Congress we were particularly impressed with the line-up of phones targeting the \$100 smartphone segment.

The non-voice contribution to revenue growth remained broadly stable. We continue to see a more significant contribution from data in north European countries, with the exception of Belgium where the lack of subsidies is limiting smartphone take-up.

Figure 24. Non-voice contribution to service revenue growth

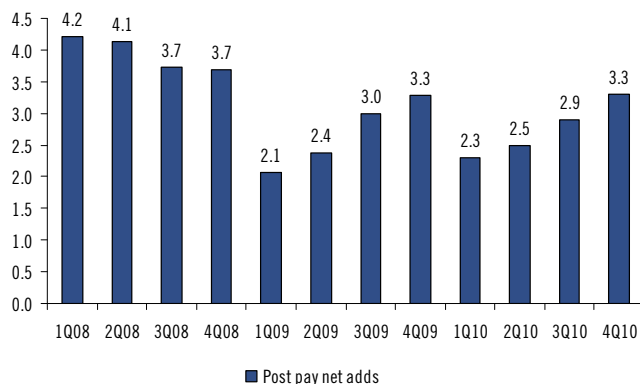


Source: Company Reports, Citi Investment Research and Analysis

Contract churn falls, stable gross adds

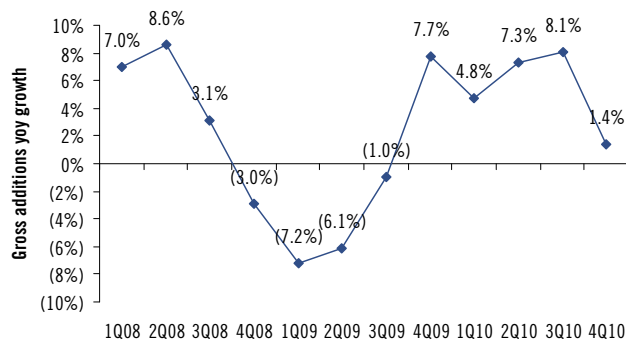
Post-pay net adds were stable yoy in Q4, a similar trend to 3Q10. Total gross additions growth slowed, but remained positive as yoy comps become harder.

Figure 25. Post-pay net adds



Source: Company Reports, Citi Investment Research and Analysis

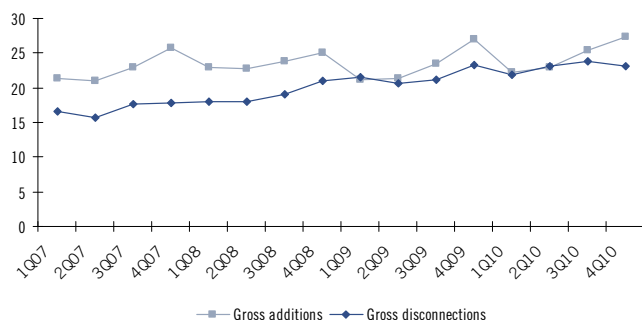
Figure 26. Gross additions growth



Source: Company Reports, Citi Investment Research and Analysis

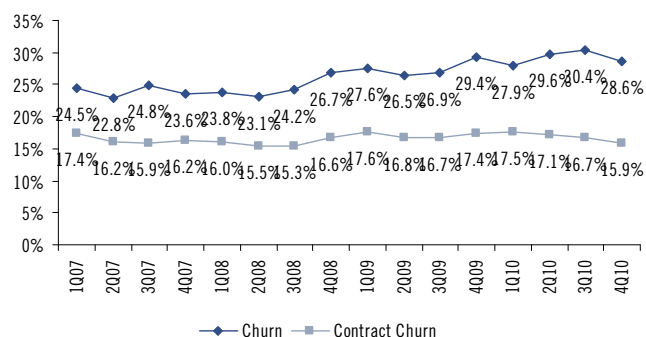
Importantly contract churn continues to fall, driven by longer contracts linked to more expensive handsets. Blended churn also showed a decrease in 4Q10 following rising for a few years. Falling churn is a significant driver of value for mobile operators given the fact SAC (subscriber acquisition cost) is a significant proportion of costs.

Figure 27. Gross additions and gross disconnections



Source: Company Reports, Citi Investment Research and Analysis

Figure 28. Blended churn and contract churn



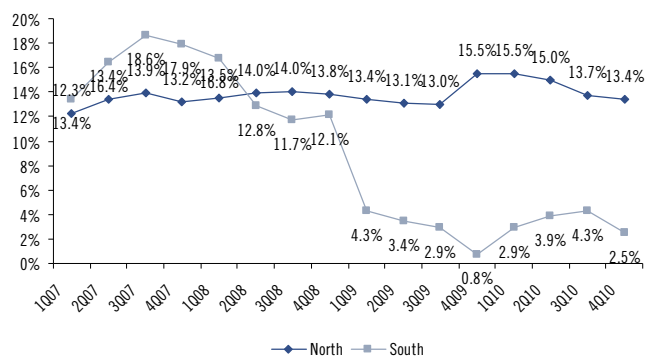
Source: Company Reports, Citi Investment Research and Analysis

Dawdler/Sprinter gap widens

The gap between Dawdlers and Sprinters continues to widen in 4Q10. Figure 30 shows the service revenue growth excl MTR cuts for our two groups. In addition non-voice revenue growth remains significantly higher in Sprinter markets. This continues to be driven by stronger economic growth, higher data take-up and lower voice price competition in Northern Europe.

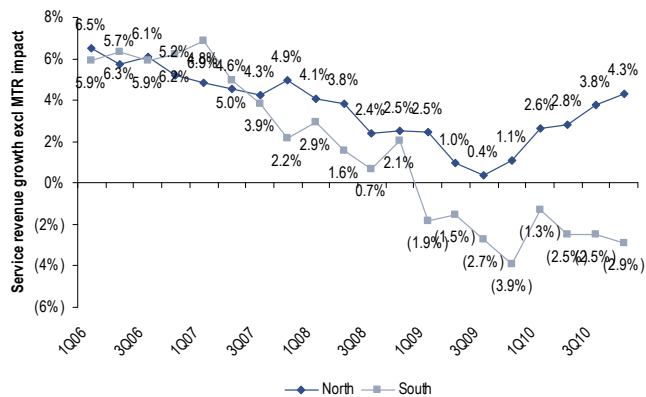
NOTE: We split the countries into growing Sprinter countries and declining or slow growth dawdler countries. This currently follows a north/south divide.

Figure 29. Non-voice revenue growth excl MTR



Source: Company Reports, Citi Investment Research and Analysis

Figure 30. Service revenue growth excl MTR cuts



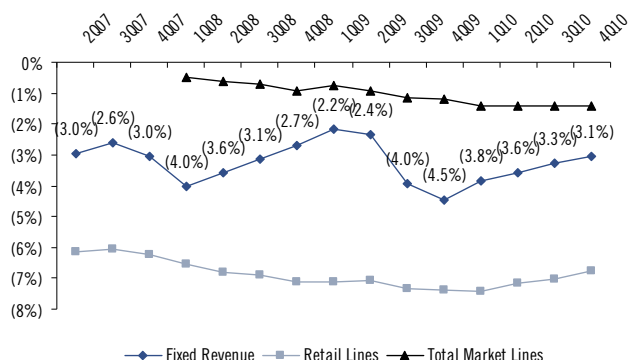
Source: Company Reports, Citi Investment Research and Analysis

Fixed

Stable decline excluding DT

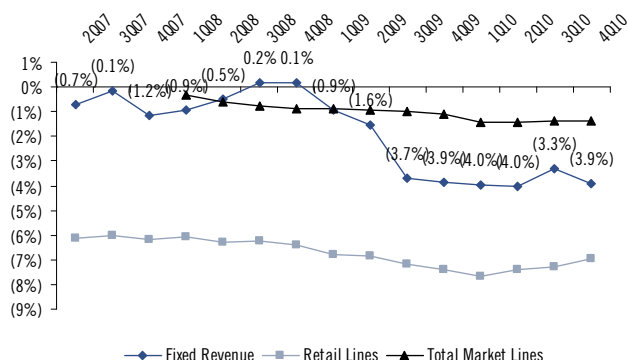
Aggregate European trends for domestic fixed showed continued improvement in 4Q10. However we highlight that excluding Deutsche Telekom the level of decline of revenues has been broadly stable for two years, as shown in Figure 32.

Figure 31. Domestic fixed revenue growth, line loss and total market line loss (including DT)



Source: Company Reports, Citi Investment Research and Analysis

Figure 32. Domestic fixed revenue growth, line loss and total market line loss (excluding DT)

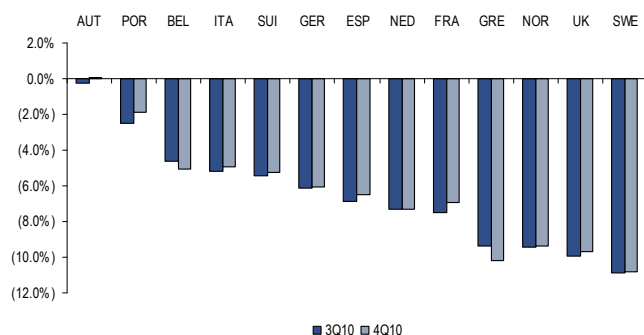


Source: Company Reports, Citi Investment Research and Analysis

Line loss trends showed little change in 4Q10, as shown in Figure 33. Fixed revenue decline is more of a mixed picture, with a summary below. The drivers of fixed revenue decline are less transparent than mobile with significant legacy wholesale contracts.

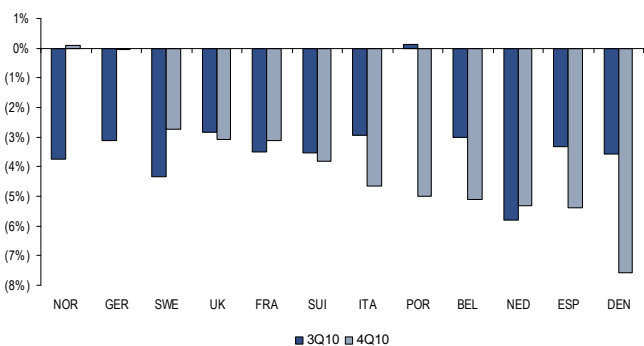
- **Improvement** – DT, Telia, Norway incumbent
- **No change** – BT, FT, SCOM, KPN
- **Worsening** – TI, PT, TEF, BCOM, TDC

Figure 33. Domestic incumbent retail line loss



Source: Company Reports, Citi Investment Research and Analysis

Figure 34. Fixed domestic incumbent revenue growth/(decline)

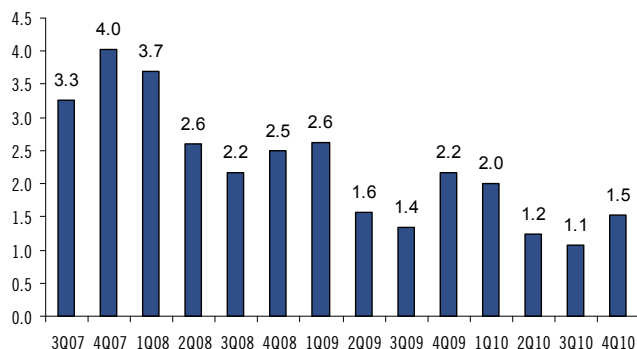


Source: Company Reports, Citi Investment Research and Analysis

Slowing fixed broadband growth

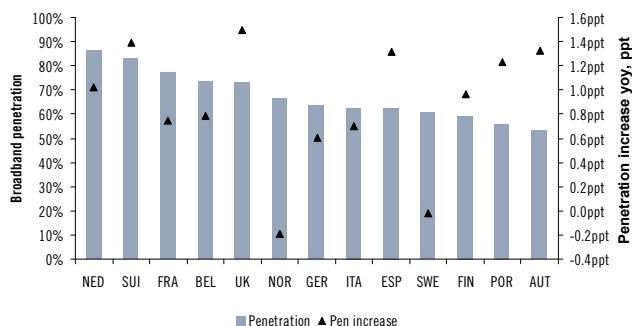
The fixed broadband market growth continues to slow with 1.5m net adds, down from 2.2m in 4Q09, as shown in Figure 35. The rate of growth remains unrelated to the penetration level, because in some markets such as Sweden and Norway fixed broadband penetration is falling as mobile broadband cannibalizes fixed, this is shown in Figure 36.

Figure 35. Fixed broadband net adds



Source: Company Reports, Citi Investment Research and Analysis

Figure 36. Fixed broadband penetration and penetration growth

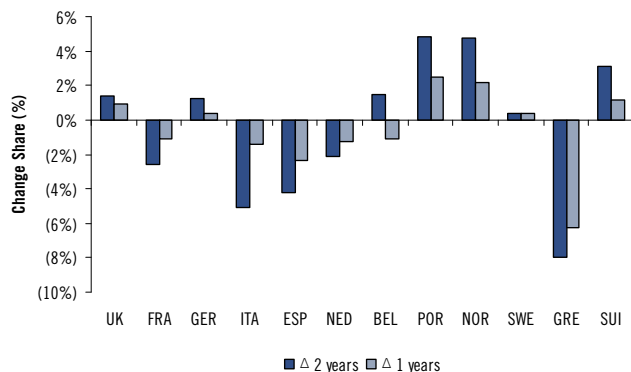


Source: Company Reports, Citi Investment Research and Analysis

Cable operators continue to increase broadband market share

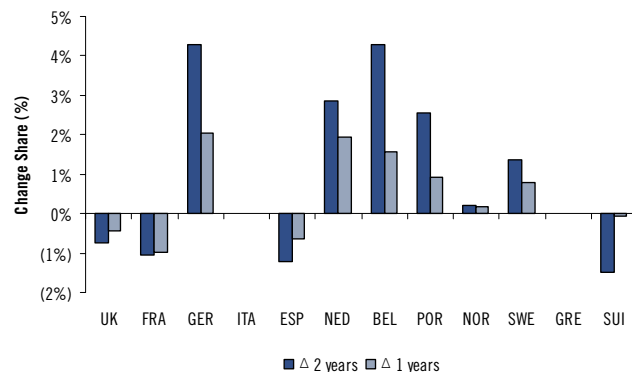
Cable operators in general continue to gain broadband market share with Germany, Belgium and the Netherlands being the clearest examples. The exceptions remain UK due to an already high share and strong competition from Sky. Spain where ONO remains debt constrained. In France Numericable has struggled to gain momentum.

Figure 37. Change in incumbent broadband market share



Source: Company Reports, Citi Investment Research and Analysis

Figure 38. Change in cable market share



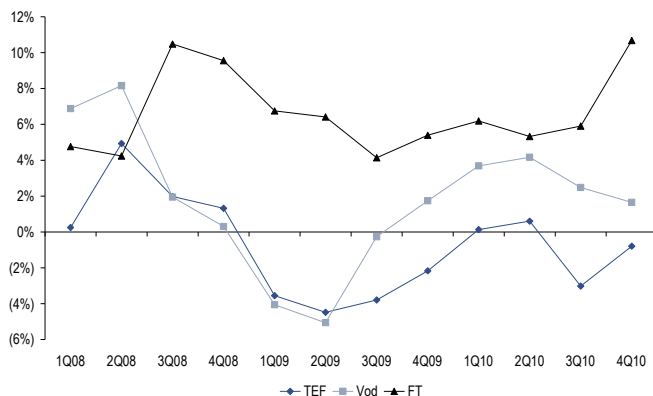
Source: Company Reports, Citi Investment Research and Analysis

Mobile Markets in Focus

Spain – Orange and Yoigo outperforming

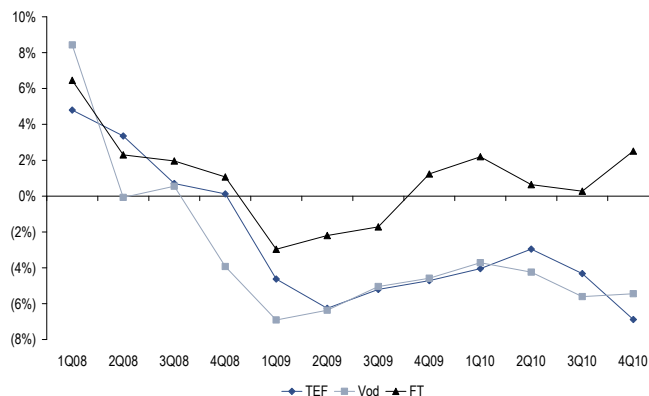
Orange and Yoigo continue to gain market share in Spain. Orange has been achieving significantly higher minutes growth vs Vodafone and Telefonica and this increased further in 4Q10. We also note that Orange is outperforming Vodafone and Telefonica in both the pre-pay market and the post-pay market in terms of revenue growth.

Figure 39. Minutes growth



Source: Company Reports, Citi Investment Research and Analysis

Figure 40. Service revenue growth excl MTR cut impact



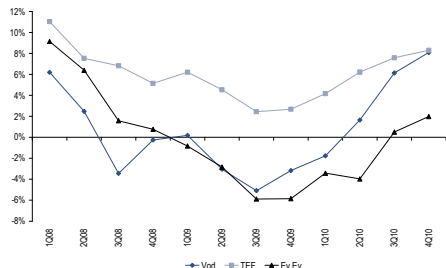
Source: Company Reports, Citi Investment Research and Analysis

UK – O2 strong in pre-pay, Vodafone post-pay

Vodafone has now recovered its revenue growth to be in line with O2 in 4Q10, both operators grew at c.8% service revenue growth excluding MTR cuts in 4Q10 as shown in Figure 41. However O2's revenue growth is currently being flattered by bringing in house revenue share which previously went to third parties. Comparing service revenue with ARPU multiplied by subscribers suggests that O2 started bringing this in-house from 2Q10. In 4Q10 O2's service revenue growth would have been c.3.5% excluding this benefit (vs 7.2% reported), substantially below Vodafone's.

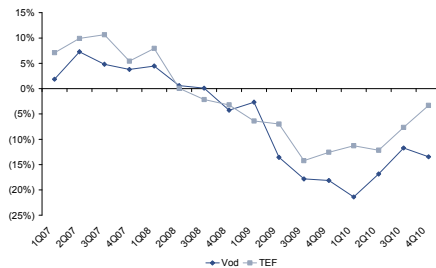
Interestingly O2's improvement in growth has come from an improving performance in pre-pay, Figure 42. While Vodafone's recent improvement has come from post-pay as shown in Figure 43. O2 maintains higher minutes growth being driven by low cost pre-pay offers.

Figure 41. Service revenue growth excl MTR



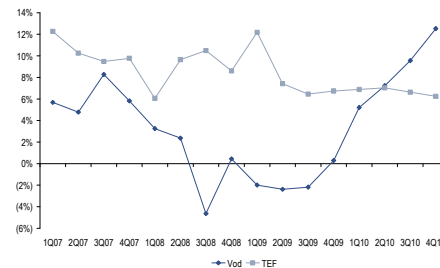
Source: Company Reports, CIRA

Figure 42. Pre-pay revenue growth



Source: Company Reports, CIRA

Figure 43. Post-pay revenue growth

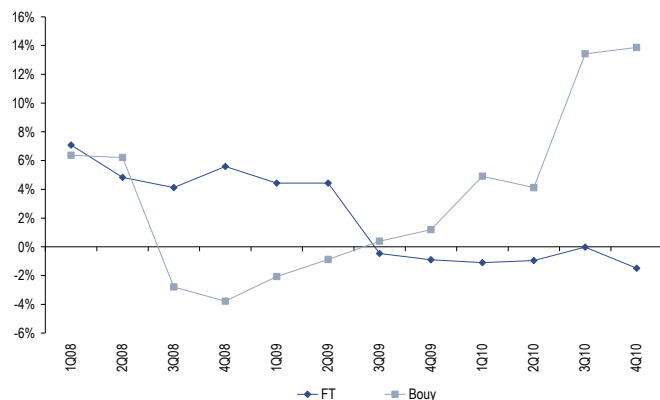


Source: Company Reports, CIRA

France – Bouygues driving minutes growth

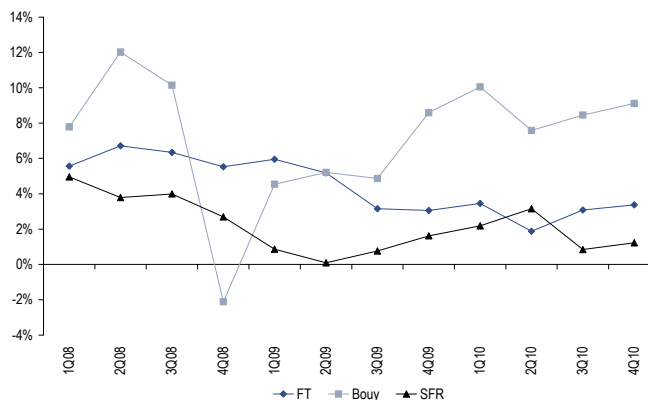
Bouygues continues to gain market share being driven by pushing fixed rate offers. The effect of this can be seen in Bouygues high minutes growth relative to FT, Figure 44.

Figure 44. Minutes growth



Source: Company Reports, Citi Investment Research and Analysis

Figure 45. Service revenue growth excl MTR cut impact



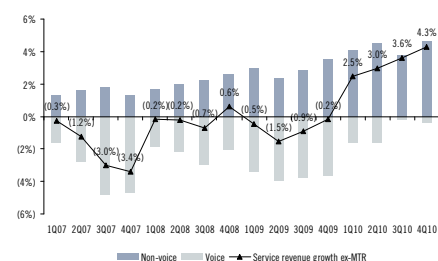
Source: Company Reports, Citi Investment Research and Analysis

Germany – no clear winners

Underlying growth remains strong in the German market. This is being driven by data growth and voice price stability. KPN and O2 continue to be strong in pre-pay

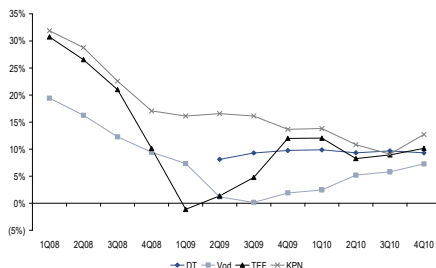
KPN, O2 are succeeding in pre-pay, with Vodafone and DT strong in post-pay. KPN is now outperforming O2 in post-pay with a successful re-launch based on low cost smartphones.

Figure 46. German market growth excl MTR (Voice vs non-voice contribution)



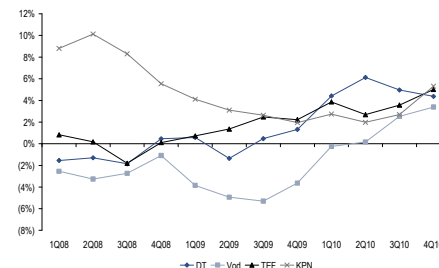
Source: Company Reports, CIRA

Figure 47. Minutes growth



Source: Company Reports, CIRA

Figure 48. Service revenue growth excl MTR



Source: Company Reports, CIRA

European Country Analysis

Austria

Fixed

- The Austrian fixed line market was one of the few European markets to achieve positive net adds in Q4 driven by both cable and TKA. The fixed broadband market also saw a rise in net adds to 47k 4Q10 from 27k 3Q10, driven by TKA.

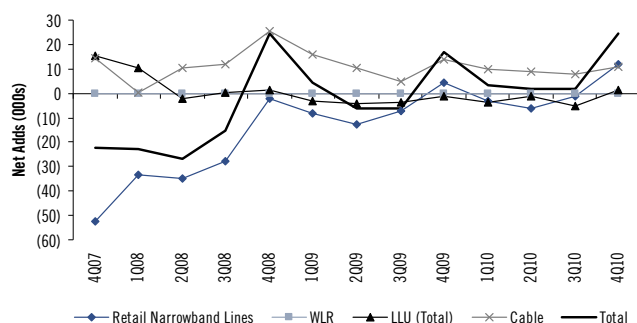
Mobile

- Service revenue growth worsened in 4Q10 to -2.2% from -0.5% in 3Q10 (however this is only for TKA and T-Mobile). This was driven by lower data growth and continued voice revenue decline.

(NOTE: mobile data does not include Orange or 3 Hutch)

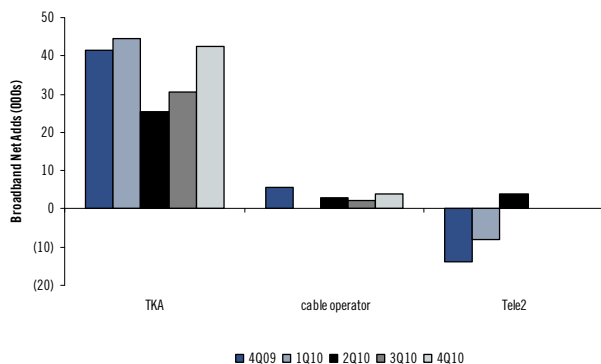
Fixed Charts

Figure 49. Telephony Net Adds



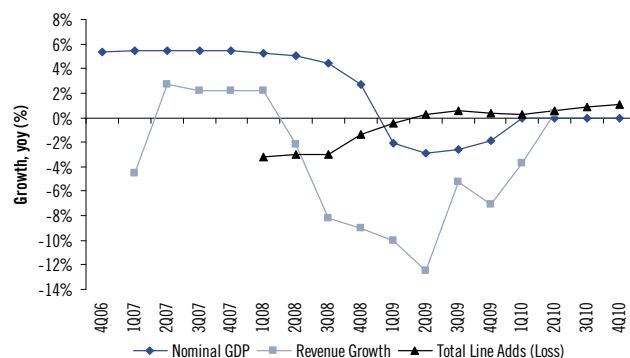
Source: Company reports and Citi Investment Research and Analysis

Figure 51. Broadband Subscriber Net Adds



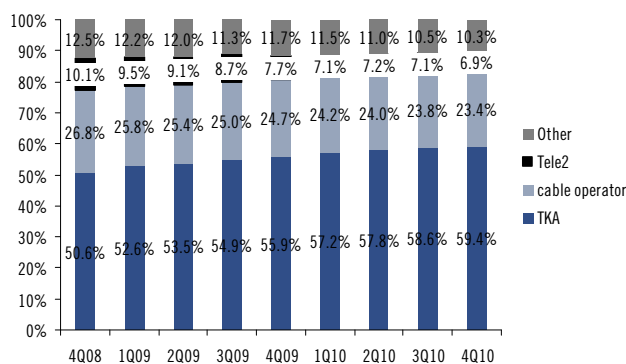
Source: Company reports and Citi Investment Research and Analysis

Figure 50. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports and Citi Investment Research and Analysis

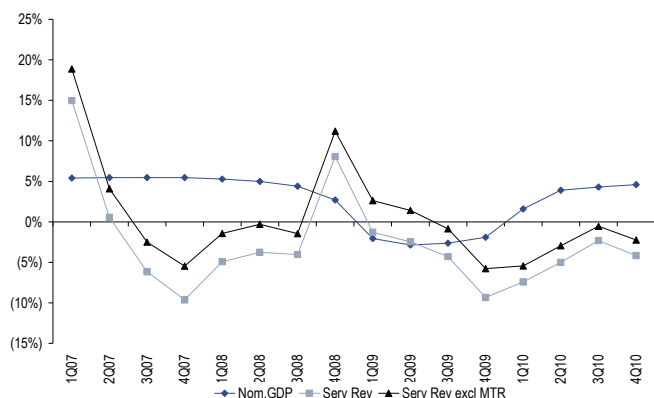
Figure 52. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

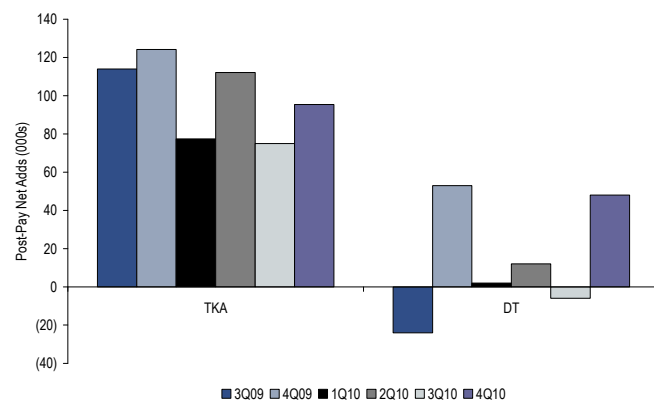
Mobile Charts

Figure 53. Revenue and GDP



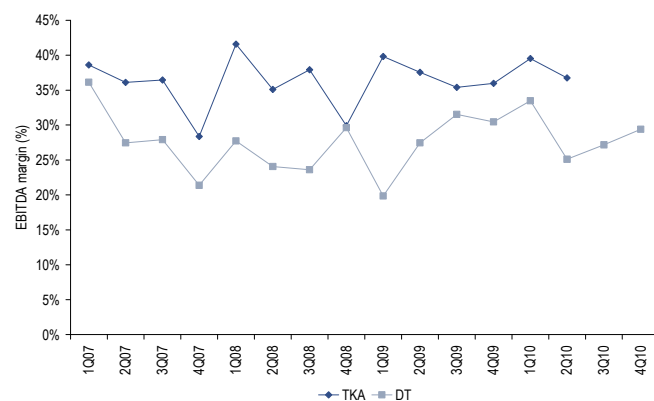
Source: Company reports and Citi Investment Research and Analysis

Figure 54. Post-Paid Net Adds



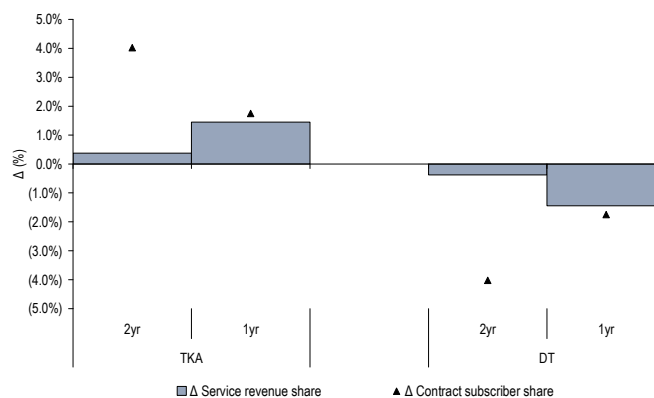
Source: Company reports and Citi Investment Research and Analysis

Figure 56. EBITDA Margin



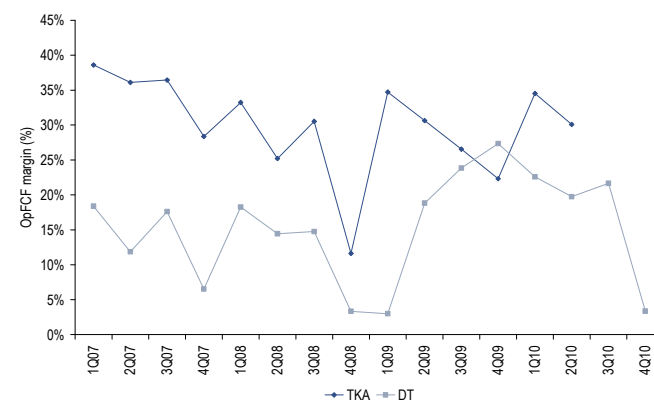
Source: Company reports and Citi Investment Research and Analysis

Figure 55. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 57. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

Austria Mobile Data

(NOTE: mobile data does not include Orange or 3 Hutch)

Figure 58. Austria Mobile Market Information

Austria	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, €m													
TKA	329	343	348	355	375	343	348	337	334	319	331	334	328
T-Mobile (DT)	258	264	260	255	259	256	245	247	241	235	232	236	223
Total	587	607	608	610	634	599	593	584	575	554	563	570	551
Service Revenue Growth, yoy													
TKA	(7.2%)	(0.4%)	(1.6%)	0.1%	14.1%	0.1%	(0.0%)	(5.1%)	(11.0%)	(6.8%)	(4.8%)	(0.8%)	(1.8%)
T-Mobile (DT)	(12.5%)	(10.2%)	(6.5%)	(9.3%)	0.4%	(3.0%)	(5.8%)	(3.1%)	(6.9%)	(8.2%)	(5.3%)	(4.5%)	(7.5%)
Total	(9.6%)	(4.9%)	(3.8%)	(4.0%)	8.1%	(1.3%)	(2.5%)	(4.3%)	(9.3%)	(7.4%)	(5.0%)	(2.3%)	(4.2%)
Service Revenue Market Share													
TKA	56.0%	56.5%	57.2%	58.2%	59.2%	57.3%	58.7%	57.7%	58.1%	57.6%	58.8%	58.6%	59.5%
T-Mobile (DT)	44.0%	43.5%	42.8%	41.8%	40.8%	42.7%	41.3%	42.3%	41.9%	42.4%	41.2%	41.4%	40.5%
Post-pay Customers, 000s													
TKA	2,626	2,776	2,872	2,986	3,126	3,228	3,281	3,395	3,519	3,597	3,709	3,784	3,879
T-Mobile (DT)	2,133	2,173	2,191	2,223	2,270	2,305	2,297	2,273	2,326	2,328	2,340	2,334	2,382
Call Volumes, mn min/qtr													
TKA	2,181	2,217	2,220	2,190	2,324	2,292	2,264	2,242	2,369	2,331	2,366	2,321	2,425
Deutsche Telekom	2,264	2,252	2,183	2,138	2,344	2,445	2,414	2,322	2,511	2,419	2,489	2,421	2,619
Total	4,445	4,469	4,403	4,329	4,668	4,737	4,678	4,564	4,880	4,750	4,855	4,742	5,044
Call Volume growth, yoy													
TKA	23.4%	18.0%	13.7%	10.2%	6.6%	3.3%	1.9%	2.4%	1.9%	1.7%	4.5%	3.6%	2.4%
Deutsche Telekom	16.0%	11.3%	6.4%	3.0%	3.5%	8.6%	10.6%	8.6%	7.1%	(1.1%)	3.1%	4.3%	4.3%
Total	19.5%	14.5%	10.0%	6.5%	5.0%	6.0%	6.2%	5.4%	4.5%	0.3%	3.8%	3.9%	3.4%
Contract Churn, % p.a													
TKA	27.6%	24.0%	13.7%	16.8%	18.5%	23.9%	25.4%	24.2%	26.4%	27.6%	21.6%	22.8%	26.4%
T-Mobile (DT)	12.0%	12.0%	12.0%	10.8%	12.0%	12.0%	12.0%	13.2%	12.0%	15.6%	10.8%	16.8%	9.6%
EBITDA, €m													
TKA	112	170	140	159	132	161	147	139	139	144	138	0	0
T-Mobile (DT)	59	76	65	64	80	53	70	82	78	83	61	69	70

Source: Company reports and Citi Investment Research and Analysis

Austria Fixed Data

Figure 59. Austria Fixed Line Market Information

Austria	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	665	746	758	766	819	872	896	931	972	1,017	1,043	1,073	1,116
Incumbent wholesale	86	72	69	69	67	63	63	52	50	48	47	46	46
ULL (total)	289	300	298	298	299	296	292	288	287	283	282	277	278
Cable	442	433	434	431	434	427	426	424	430	430	433	435	439
Total	1,482	1,550	1,558	1,564	1,619	1,659	1,676	1,695	1,739	1,778	1,804	1,831	1,878
Broadband Subscribers (000s)													
TKA	665	746	758	766	819	872	896	931	972	1,017	1,043	1,073	1,116
Cable	442	433	434	431	434	427	426	424	430	430	433	435	439
Tele2	172	179	171	168	164	157	153	148	134	126	130	130	130
- other	203	192	195	199	202	202	201	192	203	205	199	193	194
Total	1,482	1,550	1,558	1,564	1,619	1,659	1,676	1,695	1,739	1,778	1,804	1,831	1,878
Broadband Subscribers Net Adds (000s)													
TKA	39	81	12	9	53	53	24	35	42	45	25	31	42
Cable	24	(9)	1	(3)	3	(7)	(1)	(2)	6	0	3	2	4
Tele2	11	7	(8)	(3)	(4)	(7)	(4)	(5)	(14)	(8)	4	0	0
- other	(5)	(10)	3	3	3	0	(1)	(10)	11	2	(6)	(6)	1
Total	68	69	7	7	54	40	17	19	45	39	26	27	47
Telephony Channels (000s)													
Incumbent retail	2,435	2,402	2,367	2,339	2,337	2,329	2,316	2,309	2,314	2,310	2,304	2,303	2,315
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	289	300	298	298	299	296	292	288	287	283	282	277	278
Cable	194	194	205	217	242	258	268	273	287	297	306	314	325
Total	2,919	2,896	2,869	2,854	2,878	2,882	2,876	2,870	2,887	2,890	2,892	2,894	2,918
Telephony Channels Net Adds (000s)													
Incumbent retail	(52)	(33)	(35)	(28)	(2)	(8)	(13)	(7)	4	(3)	(6)	(1)	12
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	16	10	(2)	0	1	(3)	(4)	(4)	(1)	(4)	(1)	(5)	1
Cable	14	0	10	12	26	16	10	5	14	10	9	8	11
Total	(22)	(23)	(27)	(16)	24	5	(6)	(6)	17	3	2	2	24

Source: Company reports and Citi Investment Research and Analysis

Belgium

Fixed

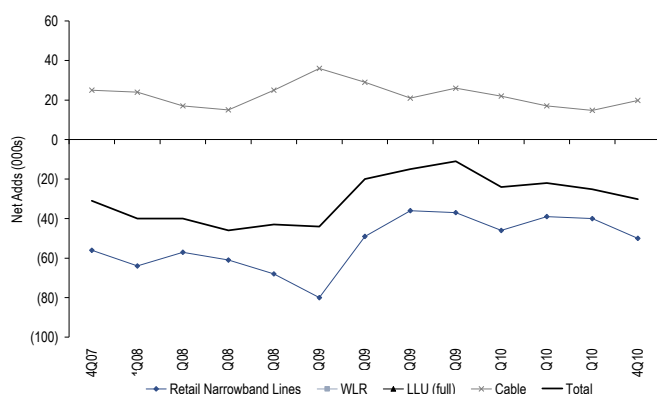
- Net adds were stable on 3Q10. Belgacom's line loss increased slightly to -50k vs -40k 3Q10. Telenet continued to gain broadband market share with 30k net adds vs Belgacom at 5k.

Mobile

- Reported service revenue growth reduced to -3.8% due to the steep MTR cuts, however excluding MTR cuts then growth only reduced to +2.2%.
- BASE continues to gain market share with 60% of net adds, however this was all driven by pre-pay with post-pay net adds dominated by Belgacom and Mobistar. BASE also had the most significant impact from MTR cuts reducing reported service revenue growth from +1.8% 3Q10 to -2.3% 4Q10.

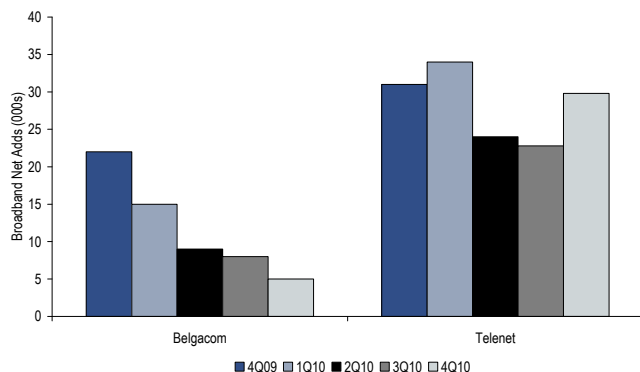
Fixed Charts

Figure 60. Telephony Net Adds



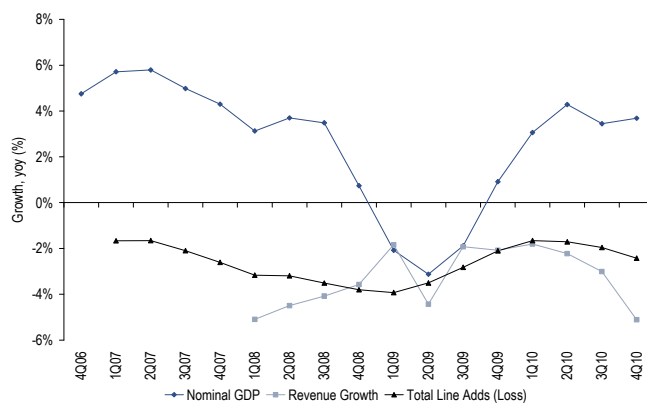
Source: Company reports and Citi Investment Research and Analysis

Figure 62. Broadband Subscriber Net Adds



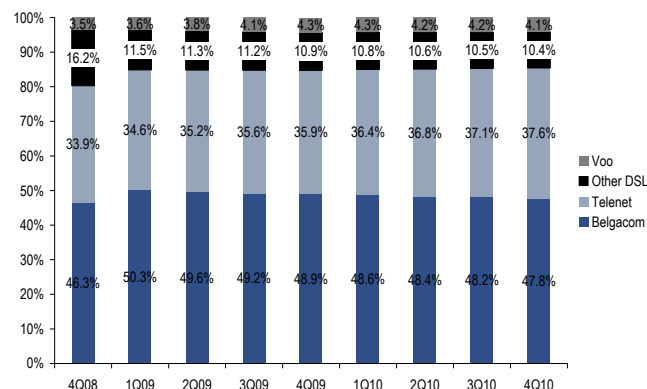
Source: Company reports and Citi Investment Research and Analysis

Figure 61. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports and Citi Investment Research and Analysis

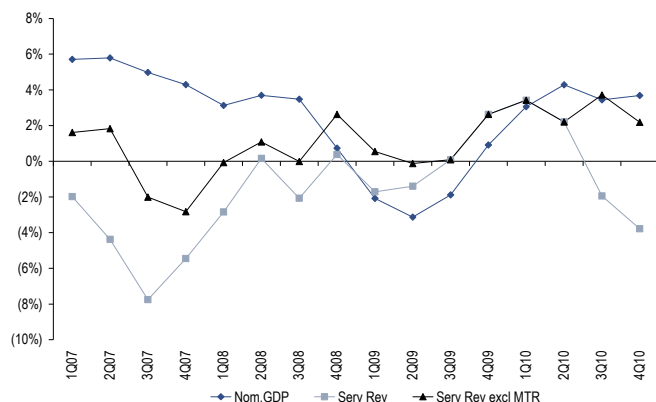
Figure 63. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

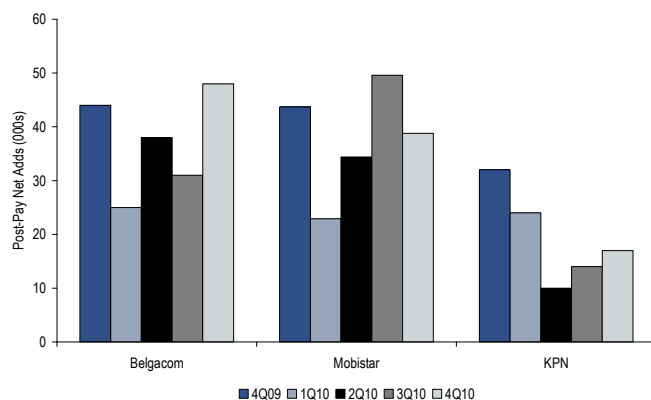
Mobile Charts

Figure 64. Revenue and GDP



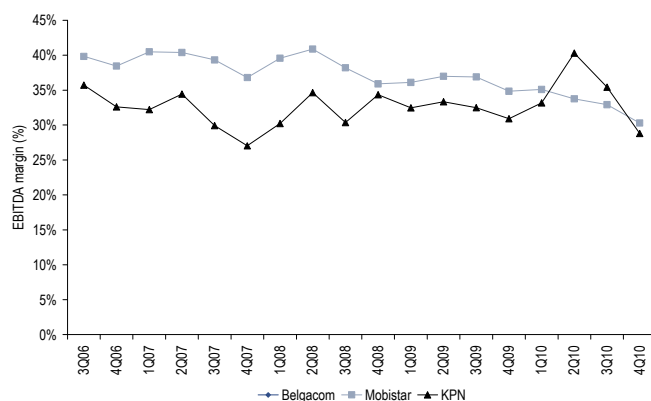
Source: Company reports and Citi Investment Research and Analysis

Figure 66. Post-Paid Net Adds



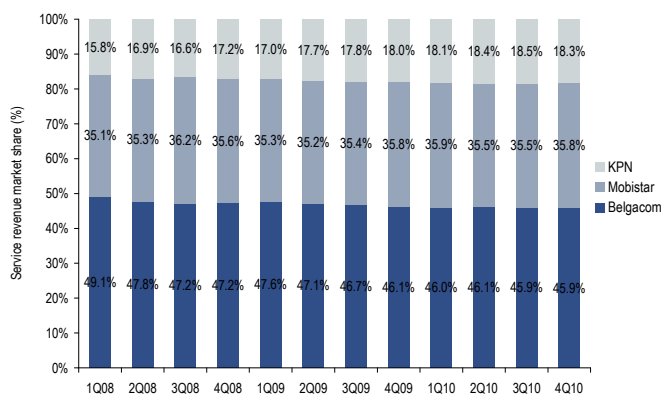
Source: Company reports and Citi Investment Research and Analysis

Figure 68. EBITDA Margin



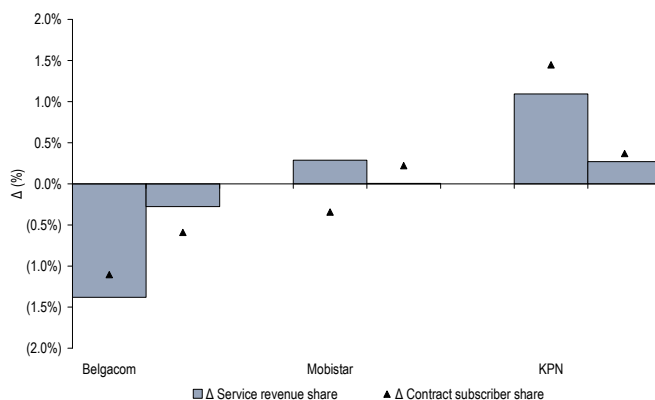
Source: Company reports and Citi Investment Research and Analysis

Figure 65. Service Revenue Market Share



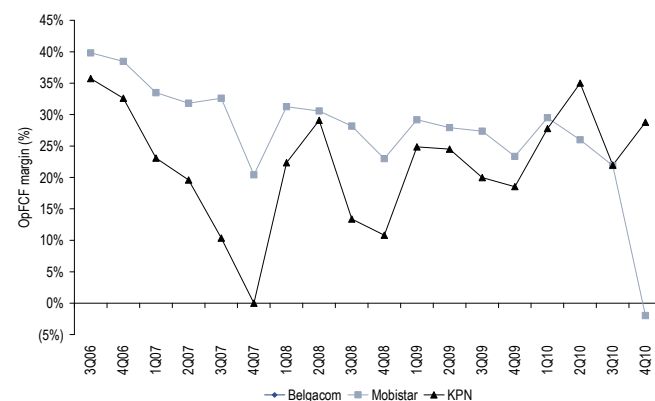
Source: Company reports and Citi Investment Research and Analysis

Figure 67. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 69. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

Belgium Mobile Data

Figure 70. Belgium Mobile Market Information

Belgium	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, €m													
Belgacom	441	451	458	441	437	430	445	437	438	430	445	421	419
Mobistar	332	323	338	339	329	319	332	332	340	335	342	326	327
KPN	148	145	162	155	159	154	167	167	171	169	178	170	167
Total	921	919	958	935	925	903	944	936	949	934	965	918	913
Service Revenue Growth, yoy													
Belgacom	(4.8%)	(1.7%)	(1.5%)	(6.6%)	(0.9%)	(4.7%)	(2.8%)	(0.9%)	0.2%	0.0%	0.0%	(3.6%)	(4.4%)
Mobistar	(6.2%)	(4.4%)	(0.7%)	1.0%	(1.1%)	(1.1%)	(1.6%)	(2.1%)	3.4%	5.0%	2.9%	(1.7%)	(3.8%)
KPN	(5.7%)	(2.7%)	7.3%	5.4%	7.4%	6.2%	3.1%	7.7%	7.5%	9.7%	6.6%	1.8%	(2.3%)
Total	(5.4%)	(2.8%)	0.2%	(2.1%)	0.4%	(1.7%)	(1.4%)	0.1%	2.6%	3.4%	2.2%	(1.9%)	(3.8%)
Service Revenue Market Share													
Belgacom	47.9%	49.1%	47.8%	47.2%	47.2%	47.6%	47.1%	46.7%	46.1%	46.0%	46.1%	45.9%	45.9%
Mobistar	36.1%	35.1%	35.3%	36.2%	35.6%	35.3%	35.2%	35.4%	35.8%	35.9%	35.5%	35.5%	35.8%
KPN	16.1%	15.8%	16.9%	16.6%	17.2%	17.0%	17.7%	17.8%	18.0%	18.1%	18.4%	18.5%	18.3%
Post-pay Customers, 000s													
Belgacom	2,333	2,429	2,482	2,509	2,570	2,621	2,678	2,721	2,765	2,790	2,828	2,859	2,907
Mobistar	1,775	1,807	1,855	1,891	1,940	1,979	2,014	2,033	2,077	2,100	2,134	2,184	2,223
KPN	512	518	533	548	569	583	612	646	678	702	712	726	743
Call Volumes, mn min/qtr													
Belgacom	2,388	2,467	2,551	2,378	2,494	2,455	2,541	2,434	2,555	2,372	2,450	2,364	2,470
Mobistar	1,788	1,863	1,939	1,816	1,899	1,871	1,933	1,823	1,893	1,782	1,869	1,818	1,919
KPN	1,146	1,140	1,169	1,159	1,224	1,291	1,299	1,184	1,349	1,404	1,489	1,313	1,464
Total	5,322	5,470	5,659	5,354	5,616	5,617	5,773	5,441	5,797	5,559	5,809	5,496	5,853
Call Volume growth, yoy													
Belgacom	13.3%	12.4%	10.4%	7.1%	4.4%	(0.5%)	(0.4%)	2.3%	2.5%	(3.4%)	(3.6%)	(2.9%)	(3.3%)
Mobistar	16.7%	16.0%	14.3%	10.8%	6.2%	0.4%	(0.3%)	0.4%	(0.3%)	(4.7%)	(3.3%)	(0.3%)	1.4%
KPN	23.7%	19.1%	4.8%	8.8%	6.8%	13.2%	11.2%	2.1%	10.3%	8.7%	14.7%	10.9%	8.5%
Total	16.5%	15.0%	10.5%	8.7%	5.5%	2.7%	2.0%	1.6%	3.2%	(1.0%)	0.6%	1.0%	1.0%
Contract Churn, % p.a													
KPN	22.0%	29.0%	18.0%	18.0%	21.0%	20.0%	21.0%	17.0%	24.0%	19.0%	21.0%	16.0%	24.0%
EBITDA, €m													
Mobistar	142	143	157	150	141	134	144	142	146	138	144	137	131
KPN	50	55	70	58	68	62	68	65	64	67	81	68	55

Source: Company reports and Citi Investment Research and Analysis

Belgium Fixed Data

Figure 71. Belgium Fixed Line Market Information

Belgium	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	1,237	1,285	1,295	1,315	1,345	1,487	1,487	1,499	1,521	1,536	1,545	1,553	1,558
Wholesale and ULL	470	470	470	470	470	340	340	340	340	340	340	340	340
Cable	975	1,009	1,033	1,058	1,088	1,132	1,170	1,210	1,251	1,285	1,309	1,332	1,362
Total	2,682	2,764	2,798	2,843	2,903	2,959	2,997	3,049	3,112	3,161	3,194	3,225	3,260
Broadband Subscribers (000s)													
Belgacom	1,237	1,285	1,295	1,315	1,345	1,487	1,487	1,499	1,521	1,536	1,545	1,553	1,558
Telenet	883	914	935	958	985	1,025	1,055	1,085	1,116	1,150	1,174	1,197	1,227
Other DSL	470	470	470	470	470	340	340	340	340	340	340	340	340
Voo	92	95	98	100	103	107	115	125	135	135	135	135	135
Total	2,682	2,764	2,798	2,843	2,903	2,959	2,997	3,049	3,112	3,161	3,194	3,225	3,260
Broadband Subscribers Net Adds (000s)													
Belgacom	35	48	10	20	30	142	0	12	22	15	9	8	5
Telenet	24	31	21	23	27	40	30	30	31	34	24	23	30
Other DSL	0	0	0	0	0	(130)	0	0	0	0	0	0	0
Voo	3	3	2	2	3	4	8	10	10	0	0	0	0
Total	62	82	33	45	60	56	38	52	63	49	33	31	35
Telephony Channels (000s)													
Incumbent retail	3,899	3,835	3,778	3,717	3,649	3,569	3,520	3,484	3,447	3,401	3,362	3,322	3,272
Incumbent wholesale (WLR)													
ULL (total)													
Cable	548	572	589	604	629	665	694	715	741	763	780	795	815
Total	4,447	4,407	4,367	4,321	4,278	4,234	4,214	4,199	4,188	4,164	4,142	4,117	4,087
Telephony Channels Net Adds (000s)													
Incumbent retail	(56)	(64)	(57)	(61)	(68)	(80)	(49)	(36)	(37)	(46)	(39)	(40)	(50)
Incumbent wholesale (WLR)													
ULL (total)													
Cable	25	24	17	15	25	36	29	21	26	22	17	15	20
Total	(31)	(40)	(40)	(46)	(43)	(44)	(20)	(15)	(11)	(24)	(22)	(25)	(30)
Pay TV Subscribers (000s)													
Belgacom	305	313	350	389	441	486	513	575	652	713	753	795	839
Telenet	1,729	1,695	1,688	1,654	2,402	2,386	2,374	2,363	2,342	2,318	2,303	2,288	2,274
Pay TV Subscribers Net Adds (000s)													
Belgacom	56	8	37	39	52	45	27	62	77	61	40	42	44
Telenet	13	(34)	(7)	(34)	748	(16)	(12)	(11)	(21)	(24)	(15)	(15)	(14)

Source: Company reports and Citi Investment Research and Analysis

Denmark

Fixed

- Line loss remained stable at -7% for TDC's retail line loss and total market line loss. TDC states that 50% of its line loss is to mobile only households. The broadband market remains stable with only small changes in subscriber numbers.

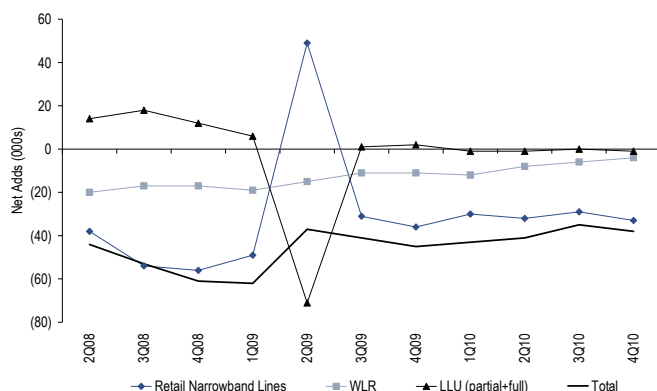
Mobile

- The focus for the mobile market has fallen on the aggressive price promotions by the MVNO Omfone. In the past aggressive MVNO's have been acquired, however currently the operators are talking down this option.
- Despite Omfone's promotions, reported growth in 4Q10 improved to +0.8% from -1.5% in 3Q10 driven by the 2nd operator.

(NOTE: mobile data does not include 3 Hutch)

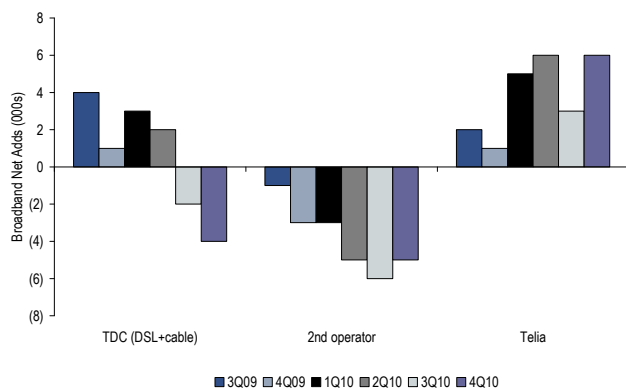
Fixed Charts

Figure 72. Telephony Net Adds



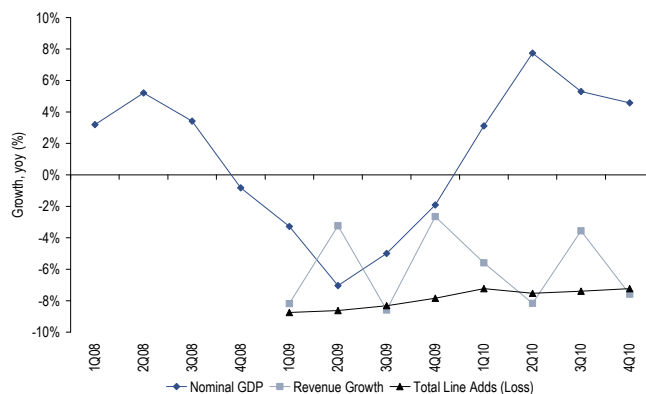
Source: Company reports and Citi Investment Research and Analysis

Figure 74. Broadband Subscriber Net Adds



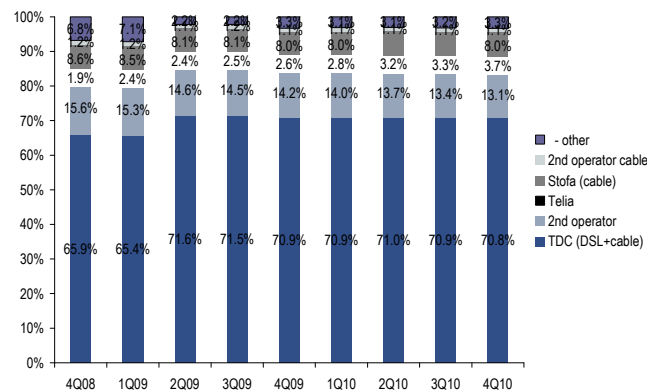
Source: Company reports and Citi Investment Research and Analysis

Figure 73. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports and Citi Investment Research and Analysis

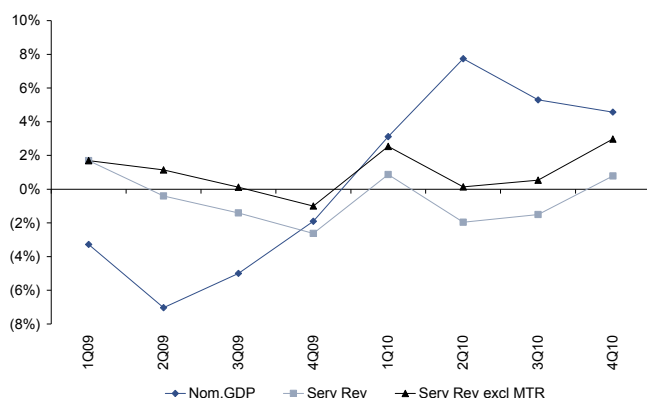
Figure 75. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports and Citi Investment Research and Analysis

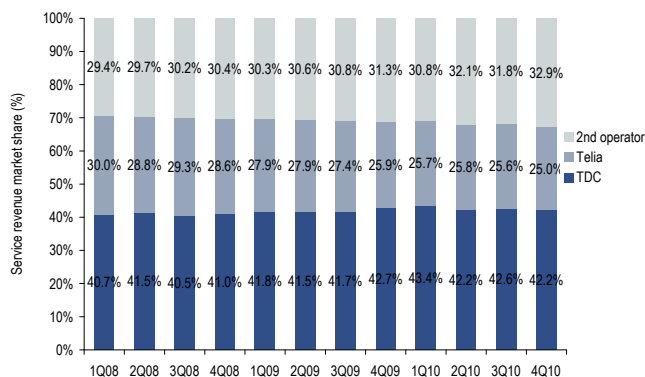
Mobile Charts

Figure 76. Revenue and GDP



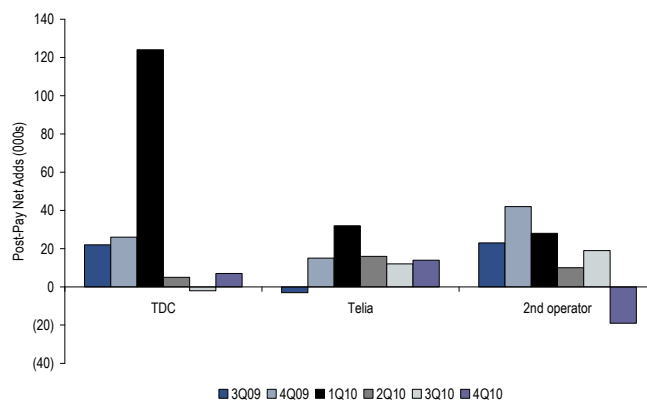
Source: Company reports and Citi Investment Research and Analysis

Figure 77. Service Revenue Market Share



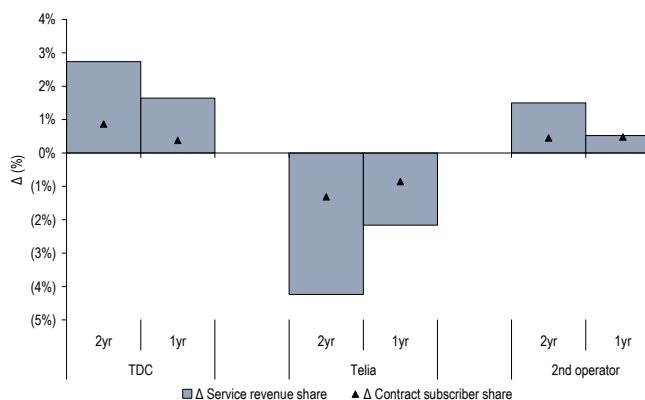
Source: Company reports and Citi Investment Research and Analysis

Figure 78. Post-Paid Net Adds



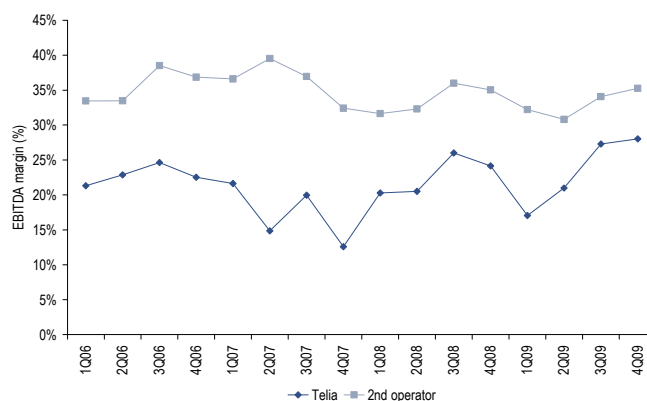
Source: Company reports and Citi Investment Research and Analysis

Figure 79. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 80. EBITDA Margin



Source: Company reports and Citi Investment Research and Analysis

Denmark Mobile Data

(NOTE: mobile data does not include 3 Hutch)

Figure 81. Denmark Mobile Market Information

Denmark	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, €m													
TDC		1,583	1,684	1,637	1,649	1,653	1,680	1,663	1,673	1,733	1,672	1,671	1,663
Telia	1,084	1,165	1,171	1,185	1,148	1,103	1,127	1,092	1,014	1,027	1,022	1,006	986
2 nd operator	1,160	1,142	1,205	1,219	1,223	1,200	1,237	1,229	1,227	1,231	1,271	1,247	1,296
Total		3,890	4,061	4,041	4,020	3,956	4,044	3,984	3,914	3,991	3,965	3,924	3,945
Service Revenue Growth, yoy													
TDC						4.4%	(0.2%)	1.6%	1.5%	4.8%	(0.5%)	0.5%	(0.6%)
Telia	27.8%	31.6%	26.2%	11.9%	6.0%	(5.3%)	(3.8%)	(7.8%)	(11.6%)	(7.0%)	(9.3%)	(7.9%)	(2.8%)
2 nd operator	6.3%	2.3%	8.4%	2.9%	5.4%	5.1%	2.7%	0.8%	0.3%	2.6%	2.7%	1.5%	5.7%
Total						1.7%	(0.4%)	(1.4%)	(2.6%)	0.9%	(2.0%)	(1.5%)	0.8%
Service Revenue Market Share													
TDC		40.7%	41.5%	40.5%	41.0%	41.8%	41.5%	41.7%	42.7%	43.4%	42.2%	42.6%	42.2%
Telia		30.0%	28.8%	29.3%	28.6%	27.9%	27.9%	27.4%	25.9%	25.7%	25.8%	25.6%	25.0%
2 nd operator		29.4%	29.7%	30.2%	30.4%	30.3%	30.6%	30.8%	31.3%	30.8%	32.1%	31.8%	32.9%
Post-pay Customers, 000s													
TDC	2,051	2,135	2,180	2,214	2,252	2,278	2,305	2,327	2,353	2,477	2,482	2,480	2,487
Telia	1,093	1,112	1,127	1,141	1,154	1,154	1,159	1,156	1,171	1,203	1,219	1,231	1,245
2 nd operator	1,068	1,083	1,108	1,119	1,128	1,143	1,164	1,187	1,229	1,257	1,267	1,286	1,267
Call Volumes, mn min/qtr													
TDC	815	804	887	834	863	856	881	870	917	910	930	885	948
Telia	905	882	1,012	923	970	947	964	925	984	1,000	1,044	1,024	1,069
2 nd operator	989	974	1,044	1,001	1,052	1,050	1,088	1,075	1,150	1,160	1,181	1,125	1,178
Total	2,709	2,659	2,943	2,758	2,885	2,853	2,933	2,870	3,051	3,070	3,155	3,033	3,195
Call Volume growth, yoy													
TDC	26.7%	23.9%	31.2%	12.5%	5.9%	6.5%	(0.7%)	4.3%	6.2%	6.3%	5.5%	1.6%	3.4%
Telia	37.5%	34.0%	44.8%	9.3%	7.2%	7.4%	(4.8%)	0.2%	1.4%	5.6%	8.3%	10.7%	8.6%
2 nd operator	17.4%	13.9%	18.5%	13.8%	6.3%	7.9%	4.3%	7.5%	9.3%	10.5%	8.6%	4.6%	2.4%
Total	26.3%	23.0%	30.5%	11.8%	6.5%	7.3%	(0.3%)	4.1%	5.7%	7.6%	7.6%	5.7%	4.7%
EBITDA, €m													
TDC													
Telia	136	236	240	308	278	188	236	298	284	214	223	293	211
2 nd operator	376	361	389	439	428	387	381	419	433	408	372	387	468

Source: Company reports and Citi Investment Research and Analysis

Denmark Fixed Data

Figure 82. Denmark Fixed Line Market Information

Denmark	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	1,159	1,164	1,162	1,151	1,145	1,291	1,295	1,296	1,299	1,301	1,299	1,295	1,295
Incumbent wholesale	137	135	125	124	131	118	121	139	142	146	148	154	154
ULL (total)	249	265	289	301	304	228	227	227	223	219	217	214	214
Cable	168	167	170	171	170	167	168	167	167	167	167	167	167
Total	1,713	1,731	1,746	1,747	1,750	1,804	1,811	1,829	1,831	1,833	1,831	1,830	1,830
Broadband Subscribers (000s)													
TDC (DSL+cable)	1,159	1,164	1,162	1,151	1,145	1,291	1,295	1,296	1,299	1,301	1,299	1,295	1,295
2 nd operator	278	280	282	272	268	263	262	259	256	251	245	240	240
Telia	31	31	34	34	42	44	46	47	52	58	61	67	67
Stofa	152	151	150	150	149	147	147	147	147	146	146	146	146
2 nd operator (cable)	16	16	20	21	21	20	21	20	20	21	21	21	21
- other	77	89	98	119	125	39	40	60	57	56	59	61	61
Total	1,713	1,731	1,746	1,747	1,750	1,804	1,811	1,829	1,831	1,833	1,831	1,830	1,830
Broadband Subscribers Net Adds (000s)													
TDC (DSL+cable)		5	(2)	(11)	(6)	146	4	1	3	2	(2)	(4)	(4)
2 nd operator		2	2	(10)	(4)	(5)	(1)	(3)	(3)	(5)	(6)	(5)	(5)
Telia		0	3	0	8	2	2	1	5	6	3	6	6
Total		18	15	1	3	54	7	18	2	2	(2)	(1)	(1)
Telephony Channels (000s)													
Retail Narrowband Lines	1,964	1,926	1,872	1,816	1,767	1,816	1,785	1,749	1,719	1,687	1,658	1,625	1,625
WLR	351	331	314	297	278	263	252	241	229	221	215	211	211
LLU (partial+full)	249	265	289	301	304	228	227	227	223	219	217	179	179
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	2,564	2,522	2,475	2,414	2,349	2,307	2,264	2,217	2,171	2,127	2,090	2,015	2,015
Telephony Channels Net Adds (000s)													
Retail Narrowband Lines		(38)	(54)	(56)	(49)	49	(31)	(36)	(30)	(32)	(29)	(33)	(33)
WLR		(20)	(17)	(17)	(19)	(15)	(11)	(11)	(12)	(8)	(6)	(4)	(4)
LLU (partial+full)		16	24	12	3	(76)	(1)	0	(4)	(4)	(2)	(38)	(38)
Total		(42)	(47)	(61)	(65)	(42)	(43)	(47)	(46)	(44)	(37)	(75)	(75)

Source: Company reports and Citi Investment Research and Analysis

Finland

Fixed

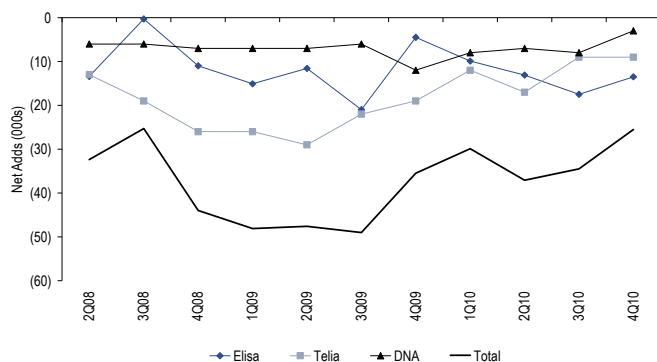
- Line loss remained stable at -9.6% for total lines, this remains one of the highest in Europe. The fixed broadband market saw positive net adds for the first time in two years, this was primarily driven by Telia.

Mobile

- Market service revenue growth slowed slightly to 2.5% 4Q10 from 3.4% 3Q10. This is being caused by higher competition in the voice segment of the market.
- Elisa saw a noticeable increase in smartphone take-up towards the end of the quarter. This led to high handset revenue, however since the net adds were at the end of the quarter service revenue did not benefit in Q4.

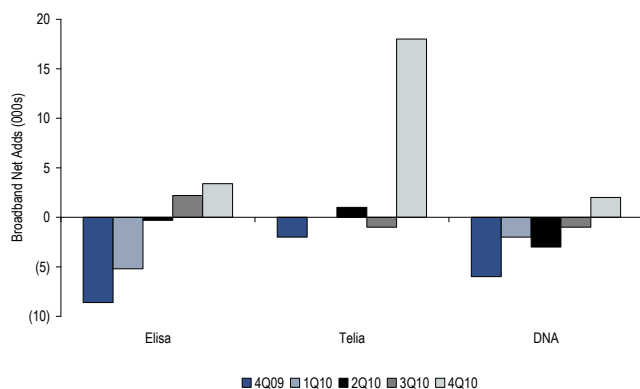
Fixed Charts

Figure 83. Telephony Net Adds



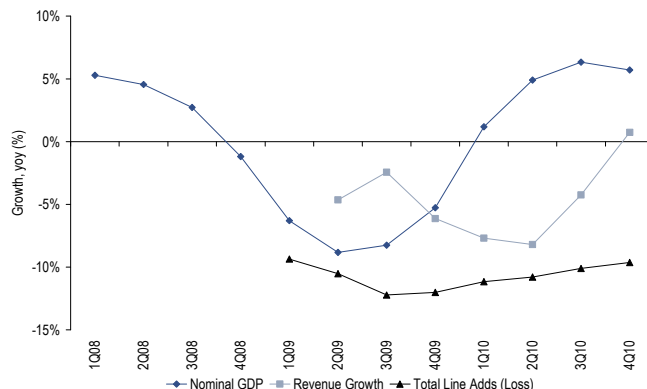
Source: Company reports and Citi Investment Research and Analysis

Figure 85. Line Loss, Incumbent Revenue Growth and GDP



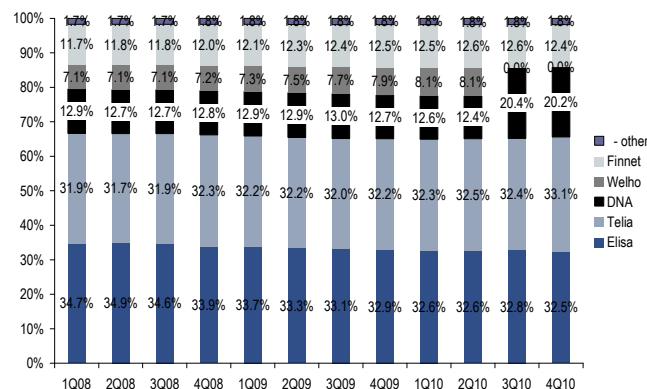
Source: Company reports and Citi Investment Research and Analysis

Figure 84. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports and Citi Investment Research and Analysis

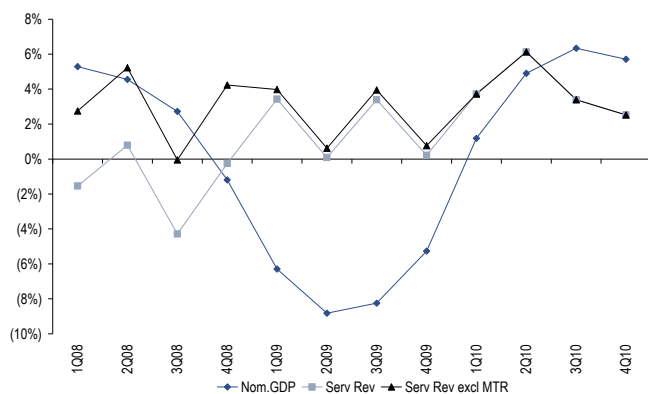
Figure 86. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports and Citi Investment Research and Analysis

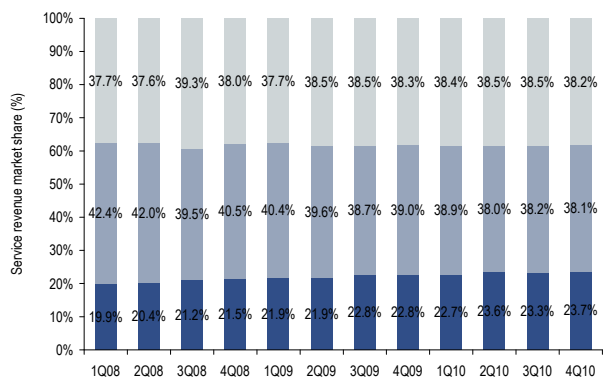
Mobile Charts

Figure 87. Revenue and GDP



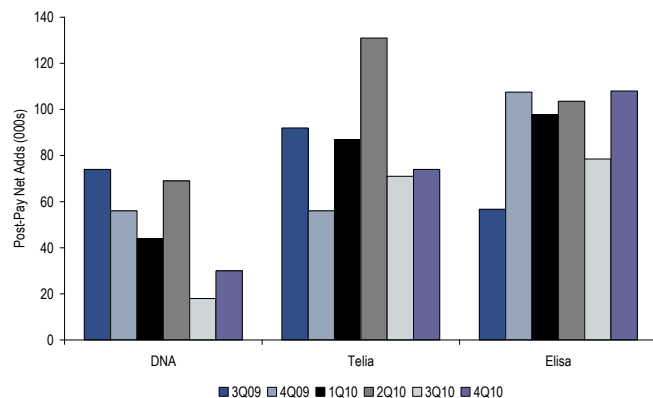
Source: Company reports, CIRA and Datasteam

Figure 88. Service Revenue Market Share



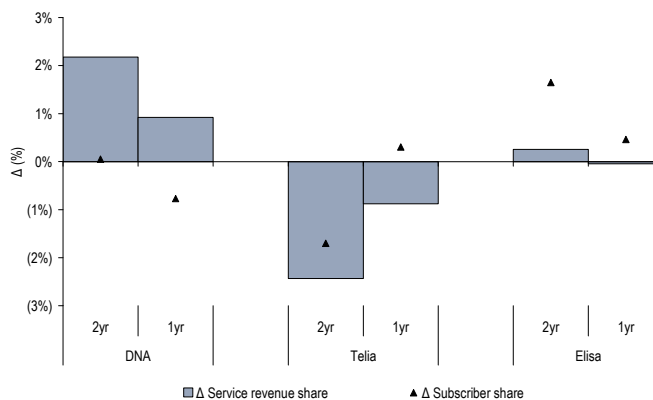
Source: Company reports and Citi Investment Research and Analysis

Figure 89. Post-Paid Net Adds



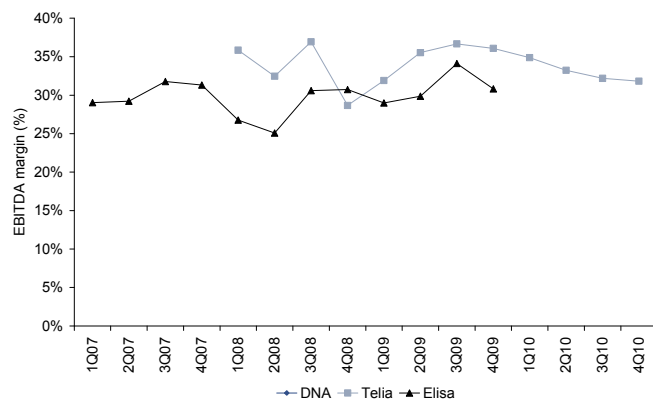
Source: Company reports and Citi Investment Research and Analysis

Figure 90. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 91. EBITDA Margin



Source: Company reports and Citi Investment Research and Analysis

Finland Mobile Data

Figure 92. Finland Mobile Market Information

Finland	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, €m													
DNA	100	97	104	105	113	110	113	117	119	118	129	124	127
Telia	214	205	216	196	212	202	203	199	204	202	207	203	204
Elisa	210	183	193	195	198	189	198	197	200	199	210	204	205
Total	524	484	513	496	523	501	514	513	524	520	545	530	537
Service Revenue Growth, yoy													
DNA	0.0%	16.0%	17.7%	10.3%	12.7%	13.5%	7.7%	11.2%	6.1%	7.8%	14.2%	5.6%	6.7%
Telia	(1.6%)	(3.0%)	(0.6%)	(10.2%)	(1.3%)	(1.4%)	(5.7%)	1.4%	(3.6%)	(0.1%)	1.8%	2.0%	0.2%
Elisa	4.1%	(7.4%)	(5.1%)	(4.8%)	(5.4%)	3.5%	2.4%	1.2%	1.0%	5.4%	6.0%	3.5%	2.4%
Total	0.0%	(1.5%)	0.8%	(4.3%)	(0.3%)	3.4%	0.1%	3.4%	0.2%	3.7%	6.1%	3.4%	2.5%
Service Revenue Market Share													
DNA	19.1%	19.9%	20.4%	21.2%	21.5%	21.9%	21.9%	22.8%	22.8%	22.7%	23.6%	23.3%	23.7%
Telia	40.9%	42.4%	42.0%	39.5%	40.5%	40.4%	39.6%	38.7%	39.0%	38.9%	38.0%	38.2%	38.1%
Elisa	40.0%	37.7%	37.6%	39.3%	38.0%	37.7%	38.5%	38.5%	38.3%	38.4%	38.5%	38.5%	38.2%
Post-pay Customers, 000s													
DNA													
Telia	2,258	2,300	2,337	2,377	2,410	2,430	2,466	2,526	2,600	2,670	2,722	2,781	2,843
Elisa													
Call Volumes, mn min/qtr													
DNA	1,252	1,317	1,444	1,442	1,576	1,591	1,669	1,683	1,767	1,780	1,818	1,775	1,782
Telia	2,143	2,179	2,302	2,217	2,340	2,281	2,311	2,287	2,382	2,398	2,470	2,439	2,477
Elisa	2,056	2,060	2,170	2,098	2,218	2,220	2,341	2,339	2,442	2,482	2,546	2,505	2,558
Total	5,452	5,555	5,915	5,757	6,134	6,093	6,321	6,308	6,591	6,661	6,834	6,720	6,817
Call Volume growth, yoy													
DNA		25.3%	27.0%	21.3%	25.8%	20.9%	15.6%	16.7%	12.1%	11.9%	8.9%	5.5%	0.9%
Telia	(0.7%)	4.2%	7.6%	4.4%	9.2%	4.7%	0.4%	3.2%	1.8%	5.1%	6.9%	6.7%	4.0%
Elisa	5.8%	6.2%	6.8%	3.1%	7.9%	7.8%	7.9%	11.5%	10.1%	11.8%	8.8%	7.1%	4.8%
Total		9.3%	11.4%	7.7%	12.5%	9.7%	6.9%	9.6%	7.4%	9.3%	8.1%	6.5%	3.4%
EBITDA, €m													
Telia	56	83	75	84	68	70	80	80	84	80	78	77	77
Elisa	71	53	51	65	64	56	59	69	64				

Source: Company reports and Citi Investment Research and Analysis

Finland Fixed Data

Figure 93. Finland Fixed Line Market Information

Finland	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Elisa	526	523	520	502	495	482	476	467	462	462	464	467	
Telia	483	475	479	478	472	465	460	458	458	459	458	476	
DNA	195	191	191	190	190	187	186	180	178	175	289	291	
Welho	107	107	107	107	107	109	111	113	115	115			
Finnet	178	178	178	178	178	178	178	178	178	178	178	178	
- other	26	26	26	26	26	26	26	26	26	26	26	26	
Total	1,515	1,500	1,500	1,480	1,468	1,446	1,436	1,422	1,416	1,414	1,414	1,438	
Broadband Subscribers Net Adds (000s)													
Elisa		(3)	(3)	(18)	(6)	(14)	(6)	(9)	(5)	(0)	2	3	
Telia		(8)	4	(1)	(6)	(7)	(5)	(2)	0	1	(1)	18	
DNA		(4)	0	(1)	0	(3)	(1)	(6)	(2)	(3)	114	2	
Total		(15)	1	(20)	(12)	(22)	(10)	(15)	(5)	(2)	0	23	
Telephony Channels (000s)													
Elisa	527	513	513	502	487	475	454	450	440	427	409	396	
Telia	478	465	446	420	394	365	343	324	312	295	286	277	
DNA	248	242	236	229	222	215	209	197	189	182	174	171	
Finnet	285	285	285	285	285	285	285	285	285	285	285	285	
- other	64	64	64	64	64	64	64	64	64	64	64	64	
Total	1,602	1,569	1,544	1,500	1,452	1,404	1,355	1,320	1,290	1,253	1,218	1,193	
Telephony Channels Net Adds (000s)													
Elisa	0	(13)	(0)	(11)	(15)	(12)	(21)	(4)	(10)	(13)	(18)	(14)	
Telia	0	(13)	(19)	(26)	(26)	(29)	(22)	(19)	(12)	(17)	(9)	(9)	
DNA	0	(6)	(6)	(7)	(7)	(7)	(6)	(12)	(8)	(7)	(8)	(3)	
Total	0	(32)	(25)	(44)	(48)	(48)	(49)	(36)	(30)	(37)	(35)	(26)	
Pay TV Subscribers (000s)													
Elisa (cable TV)		241	243	244	245	247	248	249	250	252	249	250	
Telia (Cable TV)		176	176	176	175	175	175	175	187	189	207	218	
Telia (IPTV)		0	0	0	0	0	0	1	1	0	0	0	
DNA (Cable TV)		258	259	263	265	267	267	270	271	274	596	598	
Welho (cable tv) (est.)		321	322	323	323	324	324	324	324	324	0	0	
Finnet Group (cable tv) (est.)		217	217	217	217	217	217	217	217	217	217	217	
Total		1,213	1,216	1,223	1,226	1,230	1,231	1,236	1,250	1,256	1,269	1,283	
Pay TV Subscribers Net Adds (000s)													
Elisa (cable TV)		2	2	2	1	1	1	1	1	1	(3)	2	
Telia (Cable TV)		(1)	0	0	(1)	0	0	0	12	2	18	11	
Telia (IPTV)		0	0	0	0	0	0	1	0	(1)	0	0	
DNA (Cable TV)		(1)	1	4	2	2	0	3	1	3	322	2	

Source: Company reports and Citi Investment Research and Analysis

France

Fixed

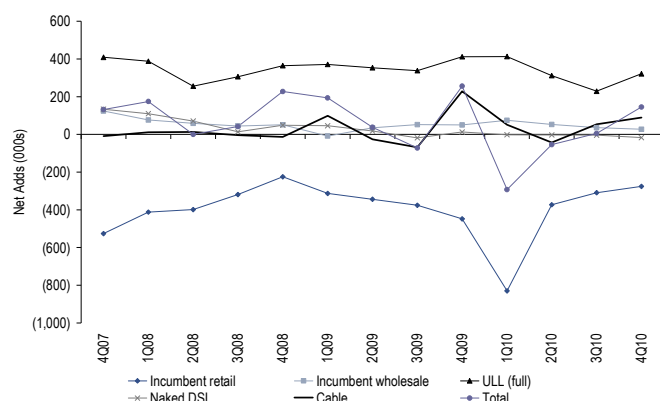
- FT's retail line loss improved to -6.9% in 4Q10, however migrations to full ULL remain high. France was one of the few markets in Europe to record positive access line net adds.
- The broadband market was also strong with 440k net adds 4Q10, up from 374k in 3Q10. Bouygues continues to gain market share with the highest net adds in the market.

Mobile

- Market service revenue growth (excluding MTRs) increase to +3.9% 4Q10 from +3.4% in 3Q10. Bouygues continues strong service revenue growth, gaining market share. However Bouygues had the lowest post-pay net adds in the market.

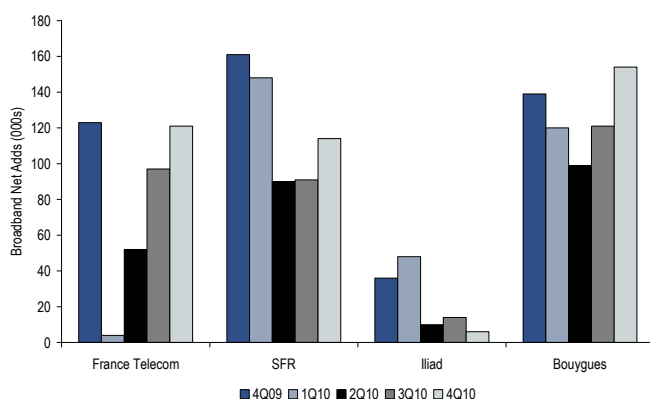
Fixed Charts

Figure 94. Telephony Net Adds



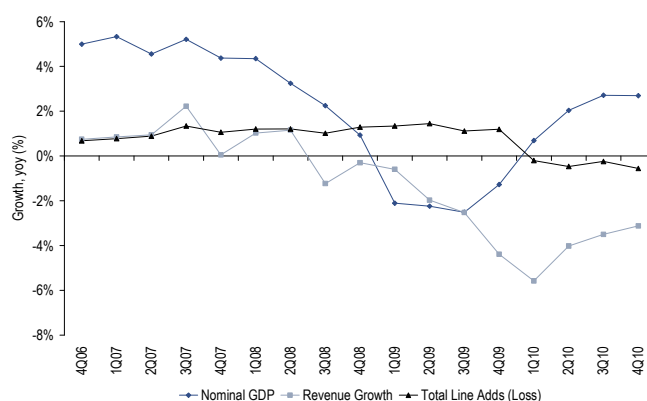
Source: Company reports and Citi Investment Research and Analysis

Figure 96. Broadband Subscriber Net Adds



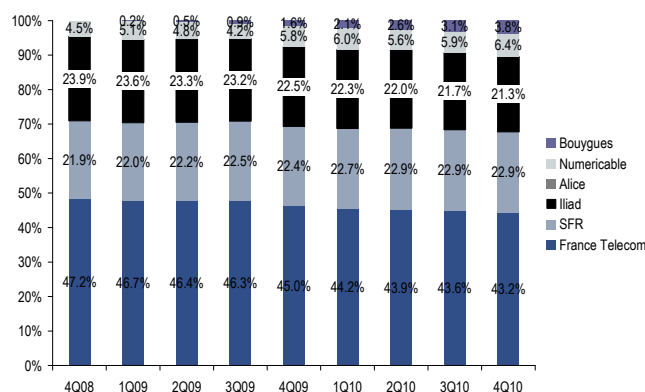
Source: Company reports and Citi Investment Research and Analysis

Figure 95. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

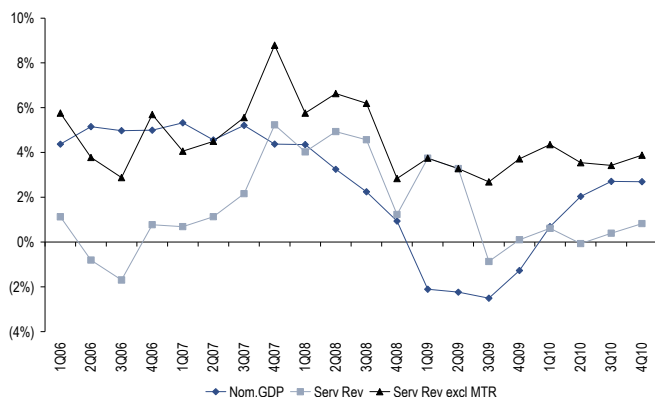
Figure 97. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

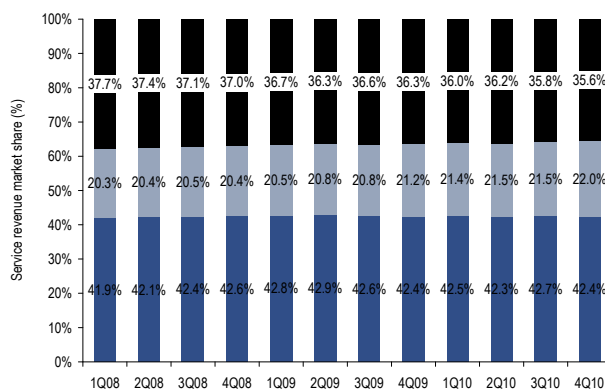
Mobile Charts

Figure 98. Revenue and GDP



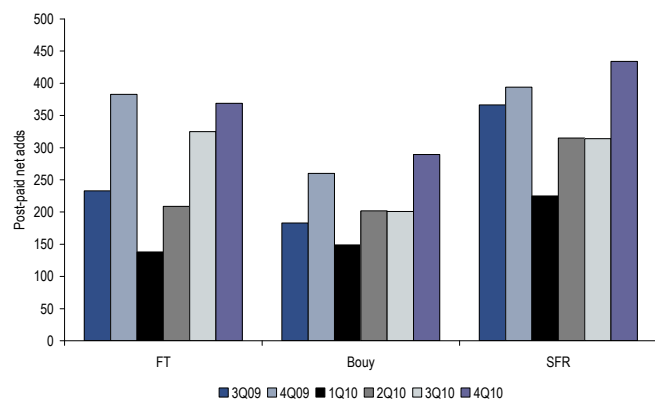
Source: Company reports, CIRA and Datastream

Figure 99. Service Revenue Market Share



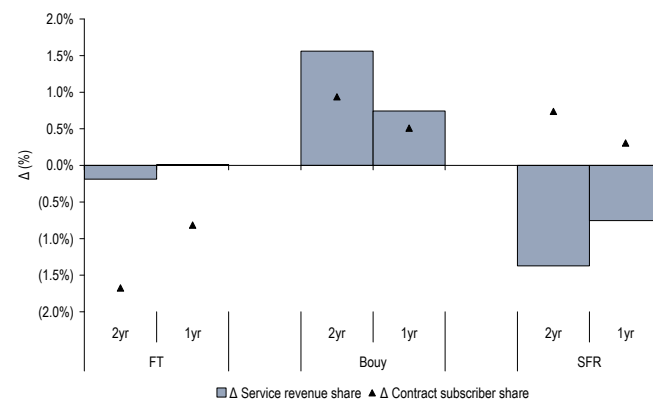
Source: Company reports and Citi Investment Research and Analysis

Figure 100. Post-Paid Net Adds



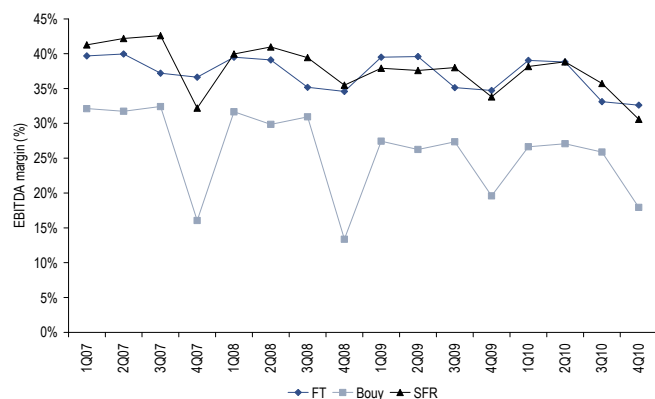
Source: Company reports and Citi Investment Research and Analysis

Figure 101. Change in Service Revenue and Contract Sub Share



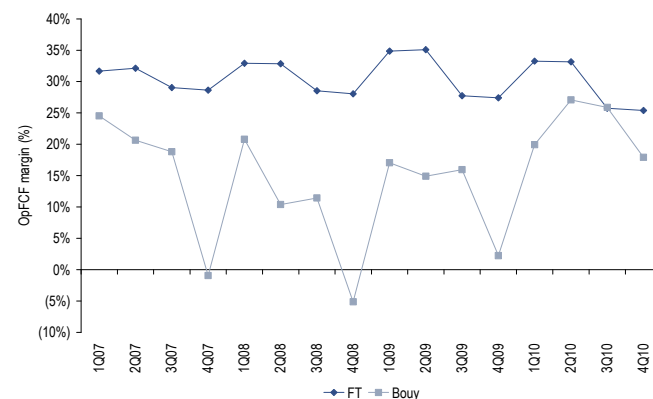
Source: Company reports and Citi Investment Research and Analysis

Figure 102. EBITDA Margin



Source: Company reports and Citi Investment Research and Analysis

Figure 103. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

France Mobile Data

Figure 104. France Mobile Market Information

France	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, €m													
Orange (FT)	2,401	2,317	2,413	2,493	2,491	2,455	2,538	2,488	2,482	2,453	2,500	2,502	2,503
Bouygues	1,236	1,124	1,171	1,207	1,194	1,175	1,232	1,213	1,243	1,237	1,269	1,257	1,297
SFR	2,137	2,086	2,144	2,186	2,160	2,104	2,146	2,134	2,126	2,079	2,143	2,099	2,099
Total	5,774	5,527	5,728	5,886	5,845	5,734	5,916	5,835	5,851	5,769	5,912	5,858	5,899
Service Revenue Growth, yoy													
Orange (FT)	2.8%	3.7%	4.9%	4.6%	3.7%	6.0%	5.2%	(0.2%)	(0.4%)	(0.1%)	(1.5%)	0.6%	0.8%
Bouygues	13.9%	6.2%	10.5%	8.7%	(3.4%)	4.5%	5.2%	0.5%	4.1%	5.3%	3.0%	3.6%	4.3%
SFR	3.4%	3.3%	2.1%	2.4%	1.1%	0.9%	0.1%	(2.4%)	(1.6%)	(1.2%)	(0.1%)	(1.6%)	(1.3%)
Total	5.2%	4.0%	4.9%	4.6%	1.2%	3.7%	3.3%	(0.9%)	0.1%	0.6%	(0.1%)	0.4%	0.8%
Service Revenue Market Share													
Orange (FT)	41.6%	41.9%	42.1%	42.4%	42.6%	42.8%	42.9%	42.6%	42.4%	42.5%	42.3%	42.7%	42.4%
Bouygues	21.4%	20.3%	20.4%	20.5%	20.4%	20.5%	20.8%	20.8%	21.2%	21.4%	21.5%	21.5%	22.0%
SFR	37.0%	37.7%	37.4%	37.1%	37.0%	36.7%	36.3%	36.6%	36.3%	36.0%	36.2%	35.8%	35.6%
Post-pay Customers, 000s													
Orange (FT)	15,699	15,875	16,161	16,557	16,977	17,114	17,327	17,560	17,943	18,081	18,290	18,615	18,984
Bouygues	6,766	6,869	6,959	7,042	7,196	7,304	7,483	7,666	7,926	8,075	8,277	8,478	8,767
SFR	12,292	12,442	13,049	13,267	13,580	13,760	14,047	14,413	14,807	15,032	15,347	15,661	16,095
Call Volumes, mn min/qtr													
France Telecom	14,176	14,394	14,566	14,578	14,769	15,234	15,109	15,116	15,196	15,197	14,998	14,870	15,001
Bouygues	7,990	7,936	7,962	7,575	7,687	7,771	7,892	7,605	7,779	8,153	8,217	8,258	8,435
SFR	13,579	13,617	13,858	13,572	13,676	13,896	14,033	13,738	13,709	13,909	13,905	13,911	14,085
Total	35,745	35,946	36,386	35,726	36,132	36,902	37,034	36,459	36,685	37,259	37,119	37,039	37,520
Call Volume growth, yoy													
France Telecom	9.2%	7.5%	6.8%	5.7%	4.2%	5.8%	3.7%	3.7%	2.9%	(0.2%)	(0.7%)	(1.6%)	(1.3%)
Bouygues	10.6%	6.4%	6.2%	(2.8%)	(3.8%)	(2.1%)	(0.9%)	0.4%	1.2%	4.9%	4.1%	8.6%	8.4%
SFR	9.0%	6.3%	7.3%	2.5%	0.7%	2.1%	1.3%	1.2%	0.2%	0.1%	(0.9%)	1.3%	2.7%
Total	9.4%	6.8%	6.8%	2.6%	1.1%	2.7%	1.8%	2.1%	1.5%	1.0%	0.2%	1.6%	2.3%
Contract Churn, % p.a													
Orange (FT)	10.3%	9.7%	9.3%	9.3%	10.1%	10.9%	11.6%	12.4%	12.9%	13.1%	13.7%	13.9%	14.2%
Data Revenue (excl messaging) % Service Revenue													
Orange (FT)	9.0%	10.5%	10.1%	11.9%	11.4%	12.5%	12.1%	13.8%	14.6%	15.3%	14.8%	16.7%	17.2%
EBITDA, €m													
Orange (FT)	956	973	1,014	951	950	1,045	1,080	941	939	1,025	1,044	906	907
Bouygues	202	379	376	400	177	348	354	364	278	357	377	366	267
SFR	726	873	914	907	807	827	850	852	777	834	872	798	693
Capex, €m													
Orange (FT)	209	163	163	180	180	123	123	198	198	152	152	201	201
Bouygues	214	130	245	252	245	132	153	152	246	90			

Source: Company reports and Citi Investment Research and Analysis

France Fixed Data

Figure 105. France Fixed Line Market Information

France	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	7,299	7,633	7,850	8,096	8,350	8,574	8,680	8,810	8,933	8,937	8,989	9,086	9,207
Incumbent wholesale	2,289	2,297	2,290	2,252	2,221	2,189	2,157	2,105	2,032	1,959	1,941	1,945	1,838
ULL (total)	5,187	5,521	5,719	6,008	6,332	6,664	6,986	7,325	7,723	8,119	8,401	8,593	8,884
Cable	776	794	813	807	788	938	900	796	1,143	1,220	1,155	1,236	1,371
Total	15,551	16,245	16,672	17,163	17,691	18,365	18,723	19,036	19,831	20,235	20,486	20,860	21,300
Broadband Subscribers (000s)													
France Telecom	7,299	7,633	7,850	8,096	8,350	8,574	8,680	8,810	8,933	8,937	8,989	9,086	9,207
SFR	3,602	3,699	3,767	3,730	3,879	4,042	4,154	4,283	4,444	4,592	4,682	4,773	4,887
Iliad	2,904	3,041	3,134	4,125	4,225	4,337	4,371	4,420	4,456	4,504	4,514	4,528	4,534
Alice	901	954	902	0	0	0	0	0	0	0	0	0	0
Numericable	776	794	813	807	788	938	900	796	1,143	1,220	1,155	1,236	1,371
Bouygues	0	0	0	0	12	30	86	175	314	434	533	654	808
Total	15,551	16,245	16,672	17,163	17,691	18,365	18,723	19,036	19,831	20,235	20,486	20,860	21,300
Broadband Subscribers Net Adds (000s)													
France Telecom	386	334	217	246	254	224	106	130	123	4	52	97	121
SFR	155	97	68	(37)	149	163	112	129	161	148	90	91	114
Iliad	137	137	93	991	100	112	34	49	36	48	10	14	6
Alice	19	53	(52)	(902)	0	0	0	0	0	0	0	0	0
Numericable	(14)	18	20	(6)	(19)	150	(39)	(104)	347	77	(65)	81	136
Bouygues	0	0	0	0	12	18	56	89	139	120	99	121	154
Total	739	694	427	491	528	674	358	313	795	404	251	374	440
Telephony Channels (000s)													
Incumbent retail	28,607	28,195	27,796	27,477	27,252	26,939	26,595	26,219	25,771	24,941	24,568	24,259	23,983
Incumbent wholesale (WLR)	716	793	852	897	948	939	974	1,026	1,076	1,151	1,204	1,240	1,267
ULL (full)	3,624	4,012	4,268	4,574	4,939	5,310	5,664	6,002	6,414	6,827	7,139	7,368	7,690
Naked DSL	942	1,052	1,123	1,137	1,186	1,232	1,250	1,232	1,245	1,243	1,240	1,236	1,219
Cable	512	524	537	533	520	619	594	525	754	805	762	816	905
Total	34,401	34,576	34,576	34,618	34,845	35,039	35,077	35,004	35,260	34,967	34,913	34,919	35,064
Telephony Channels Net Adds (000s)													
Incumbent retail	(526)	(412)	(399)	(319)	(225)	(313)	(344)	(376)	(448)	(830)	(373)	(309)	(276)
Incumbent wholesale	124	77	59	45	51	(9)	35	52	50	75	53	36	27
ULL (full)	409	388	256	306	365	371	354	338	412	413	312	229	322
Naked DSL	134	110	71	14	49	46	18	(18)	13	(2)	(3)	(4)	(17)
Cable	(9)	12	13	(4)	(13)	99	(25)	(68)	229	51	(43)	53	90
Total	132	175	0	42	227	194	38	(72)	256	(293)	(54)	5	146
Pay TV Subscribers (000s)													
France Telecom	1,149	1,282	1,389	1,603	1,909	2,166	2,339	2,547	2,761	2,894	3,051	3,230	3,505
Pay TV Subscribers Net Adds (000s)													
France Telecom	174	133	107	214	306	257	173	208	214	133	157	179	275

Source: Company reports and Citi Investment Research and Analysis

Germany

Fixed

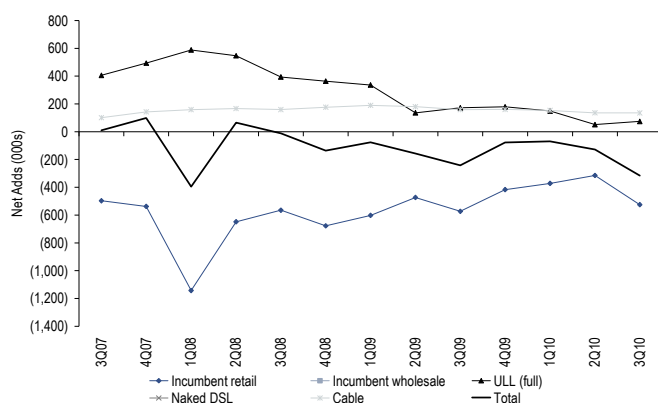
- Line loss was seasonally lower for both DT's retail lines and total market lines. Broadband net adds increased in Q4 after a slowdown for 2 quarters previously.
- Cable net adds remained stable, the increase in net adds came from ULL operators Vodafone and Telefonica, who introduced promotions in the quarter. Overall competition is increasing in the broadband market with promotions from the cable and ULL operators.

Mobile

- Mobile service revenue growth (excl MTR cuts) increased to +4.2% 4Q10 from +3.6% 3Q10, however the MTR cuts effective from 1st December reduced reported growth to +2.7%. Both O2 and E-Plus achieved strong post-pay net adds and >5% underlying service revenue growth.
- The key questions for 2011 are if the MTR cuts lead to any retail price cuts, which had not been seen so far. The impact of non-iPhone exclusivity. Lastly competition in the low end smartphone segment, driven by E-Plus and O2.

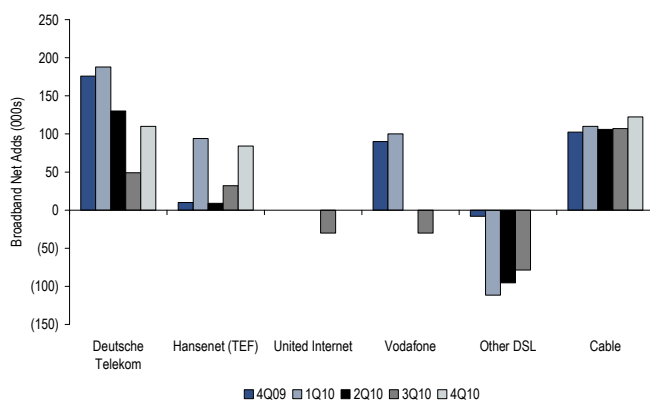
Fixed Charts

Figure 106. Telephony Net Adds



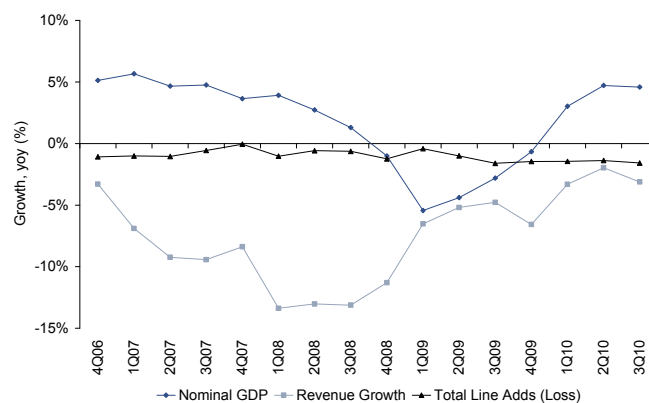
Source: Company reports and Citi Investment Research and Analysis

Figure 108. Broadband Subscriber Net Adds



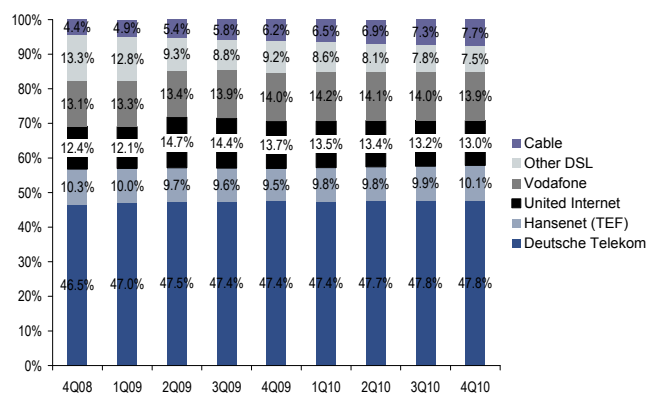
Source: Company reports and Citi Investment Research and Analysis

Figure 107. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

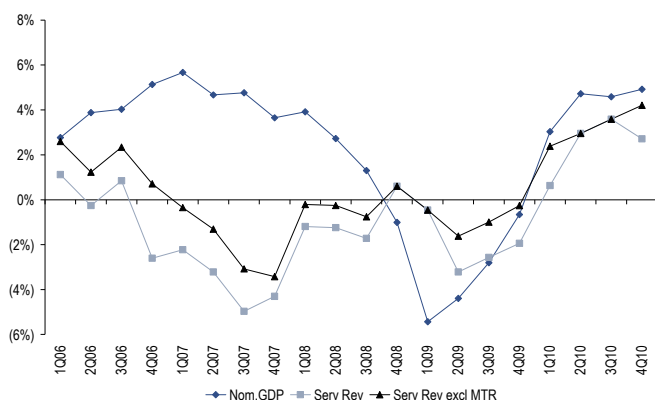
Figure 109. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

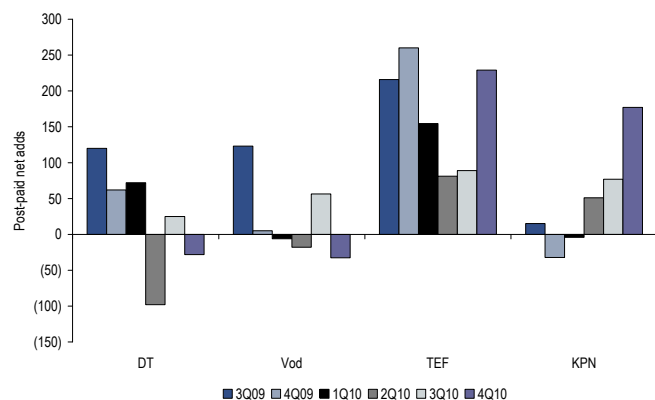
Mobile Charts

Figure 110. Revenue and GDP



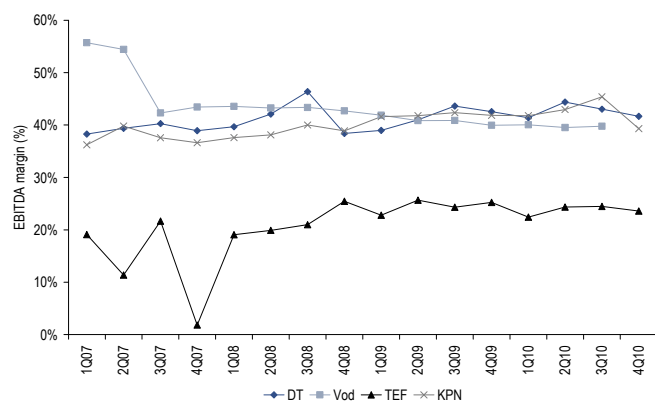
Source: Company reports, CIRA and Datastream

Figure 112. Post-Paid Net Adds



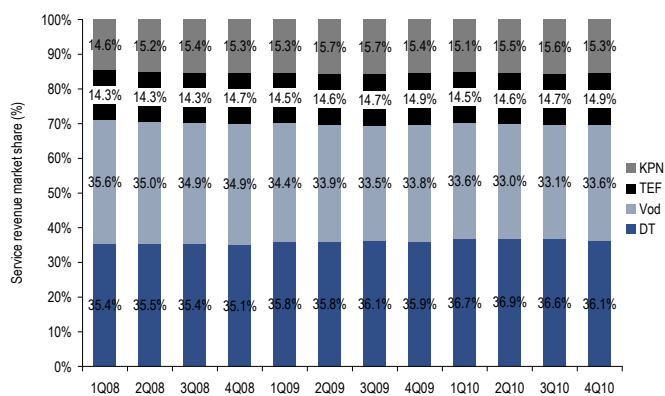
Source: Company reports and Citi Investment Research and Analysis

Figure 114. EBITDA Margin



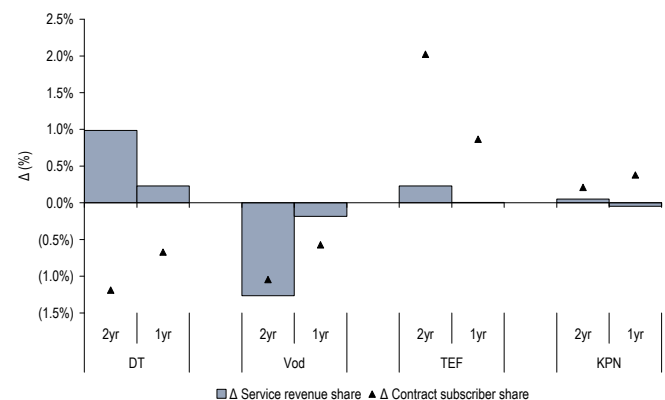
Source: Company reports and Citi Investment Research and Analysis

Figure 111. Service Revenue Market Share



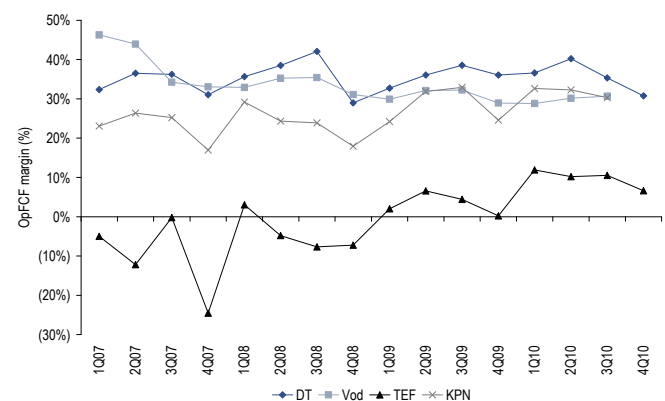
Source: Company reports and Citi Investment Research and Analysis

Figure 113. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 115. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

Germany Mobile Data

Figure 116. German Mobile Market Information

Germany	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, €m													
T-Mobile (DT)	1,741	1,710	1,774	1,804	1,749	1,720	1,731	1,793	1,752	1,776	1,837	1,882	1,811
Vodafone	1,756	1,720	1,747	1,776	1,737	1,654	1,638	1,659	1,650	1,626	1,641	1,701	1,686
O2 (Telefonica)	731	690	716	729	732	695	707	729	729	702	726	755	749
KPN	721	705	757	782	761	734	757	779	751	729	772	800	769
Total	4,949	4,825	4,994	5,091	4,979	4,803	4,833	4,960	4,882	4,833	4,976	5,138	5,015
Service Revenue Growth, yoy													
T-Mobile (DT)	(4.0%)	(2.2%)	(1.9%)	(2.5%)	0.5%	0.6%	(2.4%)	(0.6%)	0.2%	3.3%	6.1%	5.0%	3.4%
Vodafone	(6.6%)	(3.3%)	(4.0%)	(3.5%)	(1.1%)	(3.8%)	(6.2%)	(6.6%)	(5.0%)	(1.7%)	0.2%	2.5%	2.2%
O2 (Telefonica)	(6.9%)	(0.9%)	(1.6%)	(3.4%)	0.1%	0.7%	(1.2%)	(0.0%)	(0.4%)	1.0%	2.7%	3.6%	2.7%
KPN	4.2%	6.8%	8.1%	6.4%	5.5%	4.1%	0.0%	(0.4%)	(1.3%)	(0.7%)	2.0%	2.7%	2.4%
Total	(4.3%)	(1.2%)	(1.2%)	(1.7%)	0.6%	(0.5%)	(3.2%)	(2.6%)	(1.9%)	0.6%	3.0%	3.6%	2.7%
Service Revenue Market Share													
T-Mobile (DT)	35.2%	35.4%	35.5%	35.4%	35.1%	35.8%	35.8%	36.1%	35.9%	36.7%	36.9%	36.6%	36.1%
Vodafone	35.5%	35.6%	35.0%	34.9%	34.9%	34.4%	33.9%	33.5%	33.8%	33.6%	33.0%	33.1%	33.6%
O2 (Telefonica)	14.8%	14.3%	14.3%	14.3%	14.7%	14.5%	14.6%	14.7%	14.9%	14.5%	14.6%	14.7%	14.9%
KPN	14.6%	14.6%	15.2%	15.4%	15.3%	15.3%	15.7%	15.7%	15.4%	15.1%	15.5%	15.6%	15.3%
Post-pay Customers, 000s													
T-Mobile (DT)	16,054	16,264	16,468	16,739	17,009	16,953	17,020	17,140	17,202	17,274	17,176	17,201	17,173
Vodafone	14,959	15,176	15,424	15,671	15,914	15,986	15,972	16,096	16,101	16,095	16,077	16,133	16,101
O2 (Telefonica)	6,237	6,442	6,735	6,881	6,967	7,085	7,225	7,440	7,700	7,855	7,936	8,025	8,254
KPN	6,297	6,345	6,437	6,542	6,676	6,739	6,785	6,800	6,768	6,764	6,815	6,892	7,069
Call Volumes, mn min/qtr													
Deutsche Telekom	6,935	7,195	7,475	7,643	7,829	7,848	8,082	8,353	8,592	8,622	8,836	9,162	9,393
Vodafone	8,662	8,818	9,206	9,218	9,478	9,464	9,314	9,234	9,659	9,697	9,798	9,770	10,362
Telefonica	4,953	5,618	5,741	5,512	5,454	5,555	5,819	5,775	6,108	6,223	6,299	6,292	6,729
KPN	6,333	6,430	6,861	6,920	7,413	7,467	7,998	8,036	8,426	8,497	8,865	8,767	9,497
Total	26,883	28,062	29,283	29,292	30,174	30,334	31,213	31,398	32,785	33,040	33,797	33,990	35,980
Call Volume growth, yoy													
Deutsche Telekom	13.5%	13.4%	12.7%	12.8%	12.9%	9.1%	8.1%	9.3%	9.7%	9.9%	9.3%	9.7%	9.3%
Vodafone	25.2%	19.4%	16.3%	12.3%	9.4%	7.3%	1.2%	0.2%	1.9%	2.5%	5.2%	5.8%	7.3%
Telefonica	18.2%	30.7%	26.5%	21.0%	10.1%	(1.1%)	1.4%	4.8%	12.0%	12.0%	8.2%	9.0%	10.2%
KPN	38.0%	31.9%	28.8%	22.6%	17.1%	16.1%	16.6%	16.1%	13.7%	13.8%	10.8%	9.1%	12.7%
Total	23.3%	22.5%	19.9%	16.3%	12.2%	8.1%	6.6%	7.2%	8.7%	8.9%	8.3%	8.3%	9.7%
Contract Churn, % p.a													
T-Mobile (DT)	12.0%	13.2%	13.2%	13.2%	15.6%	18.0%	13.2%	12.0%	13.2%	15.6%	16.8%	13.2%	14.4%
Vodafone	14.5%	15.1%	16.0%	15.6%	15.2%	15.3%	16.0%	16.0%	17.8%	15.4%	16.9%	16.7%	19.6%
KPN	24.0%	21.0%	19.0%	19.0%	21.0%	21.0%	20.0%	20.0%	23.0%	20.0%	20.0%	20.0%	23.0%
Data Revenue (excl messaging) % Service Revenue													
Vodafone	11.4%	12.8%	12.7%	13.4%	14.3%	15.2%	15.8%	16.8%	17.7%	19.7%	20.6%	20.8%	22.2%
O2 (Telefonica)	6.8%	7.9%	7.3%	8.4%	9.0%	9.9%	10.2%	11.0%	12.8%	13.8%	12.5%	14.2%	15.6%
EBITDA, €m													
T-Mobile (DT)	799	777	852	964	771	761	798	920	894	828	912	928	891
Vodafone	1,003	983	981	997	967	921	883	895	880	867	856	888	0
O2 (Telefonica)	17	163	178	192	237	202	230	235	252	241	291	304	310
KPN	278	284	308	336	317	322	333	347	331	321	345	386	322
Capex, €m													
T-Mobile (DT)	161	78	72	89	189	122	96	107	136	96	86	166	233
Vodafone	240	240	182	182	263	263	189	189	243	243	203	203	0
O2 (Telefonica)	245	137	221	262	304	184	171	192	250	113	169	173	223
KPN	149	64	111	135	171	135	79	77	137	70	86	128	0

Source: Company reports and Citi Investment Research and Analysis

Germany Fixed Data

Figure 117. German Fixed Line Market Information

Germany	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	9,019	9,558	9,898	10,242	10,594	10,984	11,229	11,301	11,477	11,665	11,795	11,844	11,954
Incumbent wholesale	3,524	3,401	3,169	2,905	2,537	2,209	1,952	1,752	1,621	1,523	1,354	1,143	984
ULL (total)	6,376	6,965	7,512	7,906	8,270	8,606	8,742	8,914	9,093	9,242	9,293	9,367	9,498
Cable	759	913	1,075	1,221	1,384	1,558	1,727	1,871	2,017	2,159	2,296	2,434	2,597
Total	19,678	20,837	21,654	22,274	22,785	23,357	23,650	23,838	24,208	24,589	24,738	24,788	25,033
Broadband Subscribers (000s)													
Deutsche Telekom	9,019	9,558	9,898	10,242	10,594	10,984	11,229	11,301	11,477	11,665	11,795	11,844	11,954
Hansenet (TEF)	2,349	2,372	2,361	2,343	2,344	2,325	2,289	2,300	2,310	2,404	2,413	2,445	2,529
United Internet	2,670	2,700	2,760	2,780	2,820	2,820	3,470	3,440	3,310	3,310	3,310	3,280	
Freenet	1,280	1,190	1,100	1,050	940	910							
Vodafone	2,531	2,675	2,781	2,887	2,994	3,100	3,180	3,310	3,400	3,500	3,500	3,470	3,490
Versatel	636	666	692	702	709	712	710	694	683	670	654	634	
Telefonica (pre Hansenet)	75	125	165	198	215	232	253	272	285				
Tele2	173	192	198	191	177	163	153	145	139	131	125	121	116
Kabel Deutschland	320	393	482	548	625	707	787	851	906	966	1,029	1,089	1,153
Unity Media	199	244	282	326	377	438	496	537	584	634	677	721	780
Other	186	447	624	659	609	553	639	505	587	750	645	560	463
Total	19,678	20,837	21,654	22,274	22,785	23,357	23,650	23,838	24,208	24,589	24,738	24,788	25,033
Broadband Sub Net Adds (000s)													
Deutsche Telekom	526	539	340	344	352	390	245	72	176	188	130	49	110
Hansenet (TEF)	105	23	(11)	(18)	1	(19)	(36)	11	10	94	9	32	84
United Internet	130	30	60	20	40	0	(50)	(30)	0	0	0	(30)	
Freenet	10	(90)	(90)	(50)	(110)	(30)							
Vodafone	144	144	106	106	106	106	80	130	90	100	0	(30)	20
Versatel	39	30	26	11	7	3	(2)	(16)	(11)	(13)	(16)	(20)	
Telefonica	38	50	41	33	17	17	22	19	13				
Tele2	13	19	6	(7)	(14)	(14)	(10)	(8)	(6)	(8)	(6)	(4)	(5)
Kabel Deutschland	74	73	89	66	77	82	80	64	55	60			
Unity Media	41	45	38	44	51	61	58	41	47	50	43	44	59
Total	1,166	1,159	818	620	512	572	293	188	370	381	150	50	246
Telephony Channels (000s)													
Incumbent retail	31,334	30,191	29,543	28,978	28,301	27,699	27,226	26,653	26,236	25,864	25,549	25,024	24,650
ULL (full)	6,376	6,965	7,512	7,906	8,270	8,606	8,742	8,914	9,093	9,242	9,293	9,367	9,498
Cable	700	859	1,025	1,185	1,361	1,551	1,731	1,890	2,050	2,204	2,339	2,474	2,633
Total	38,410	38,015	38,080	38,069	37,932	37,856	37,699	37,457	37,379	37,310	37,181	36,865	36,781
Telephony Channels Net Adds (000s)													
Incumbent retail	(538)	(1,143)	(648)	(565)	(677)	(602)	(473)	(573)	(417)	(372)	(315)	(525)	(374)
ULL (full)	494	589	547	394	364	336	136	172	179	149	51	74	131
Cable	143	159	167	160	177	190	180	159	161	154	136	135	159
Total	99	(396)	66	(12)	(137)	(76)	(157)	(243)	(78)	(70)	(129)	(316)	(84)
Pay TV Subscribers (000s)													
DT	0	0	0	257	352	448	561	678	806	896	971	1,042	1,156
Sky Deutschland	0	0	0	2,411	2,399	2,371	2,364	2,431	2,470	2,471	2,476	2,521	2,653
Kabel Deutschland	9,113	8,980	9,258	9,282	9,205	9,247	9,184	9,111	9,044	9,002			
Unity Media	4,762	4,733	4,712	4,655	4,619	4,577	4,554	4,547	4,523	4,514	4,499	4,500	4,488
Total	0	0	0	16,605	16,575	16,643	16,663	16,767	16,843	16,931	16,973	17,097	17,304
Pay TV Subscribers Net Adds (000s)													
DT					95	96	113	117	128	90	75	71	114
Sky Deutschland					(12)	(28)	(7)	67	39	1	5	45	132
Kabel Deutschland	(43)	(133)	278	24	(77)	42	(63)	(73)	(67)	(42)			
Unity Media	(82)	(29)	(21)	(57)	(36)	(42)	(23)	(7)	(24)	(9)	(15)	1	(12)
Total					(30)	68	20	104	76	88	42	124	207

Source: Company reports and Citi Investment Research and Analysis

Greece

Fixed

- Fixed revenue growth deteriorated significantly at OTE to -14.5% yoy in 4Q10 vs. -9.5% driven by line loss (-10.2% in Q4), lower voice yield and leased lines prices. OTE continues to lose market share in broadband (13% market share of broadband net additions in 4Q) due to uncompetitive prices.

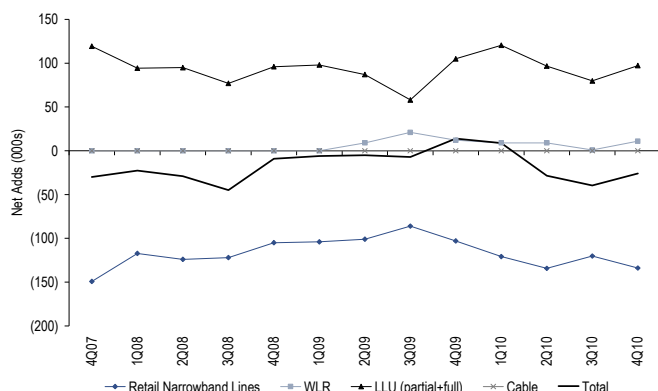
Mobile

- The Greek mobile market remains the toughest in Europe. We are still waiting for the 3rd operator to report, however both OTE and Vodafone still reported worse than -15% service revenue decline. And both operators had customer losses in Q4 driven by the clean up of their prepaid base.

(Note: mobile data excludes the 3rd operator)

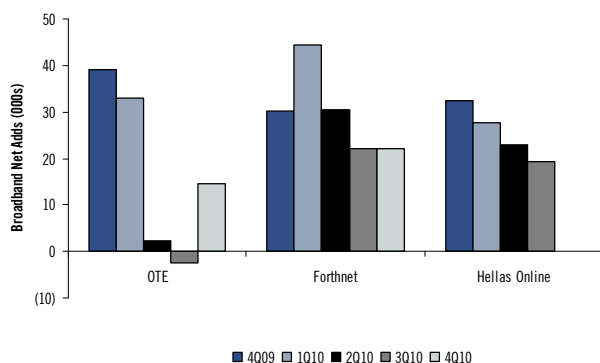
Fixed Charts

Figure 118. Telephony Net Adds



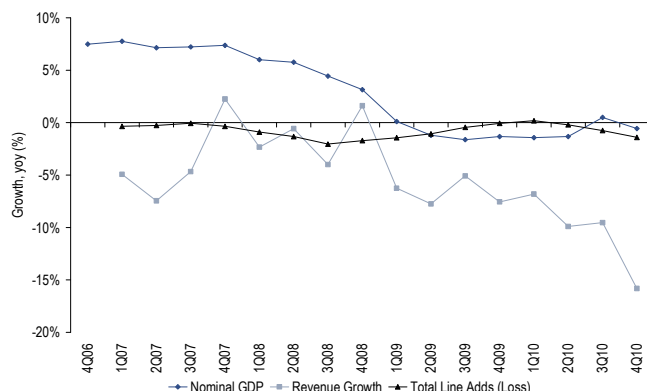
Source: Company reports and Citi Investment Research and Analysis

Figure 120. Broadband Subscriber Net Adds



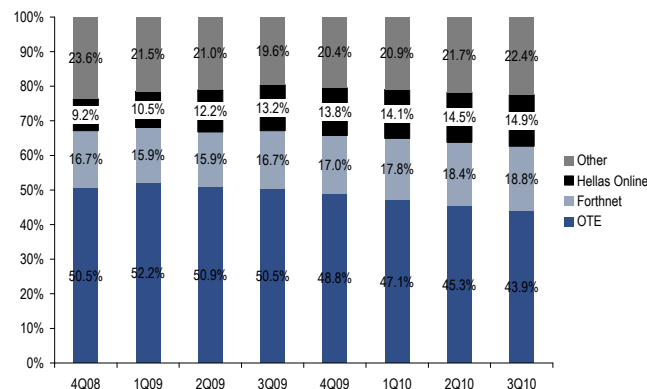
Source: Company reports and Citi Investment Research and Analysis

Figure 119. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

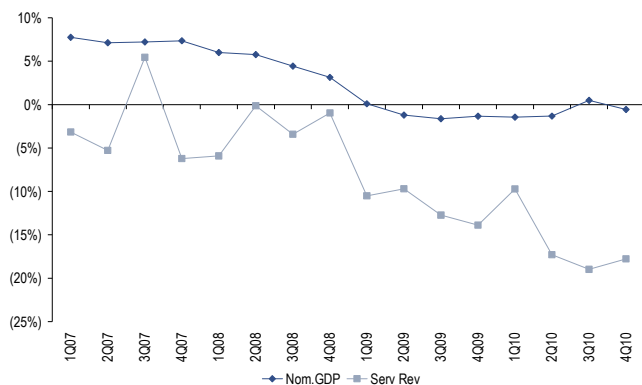
Figure 121. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

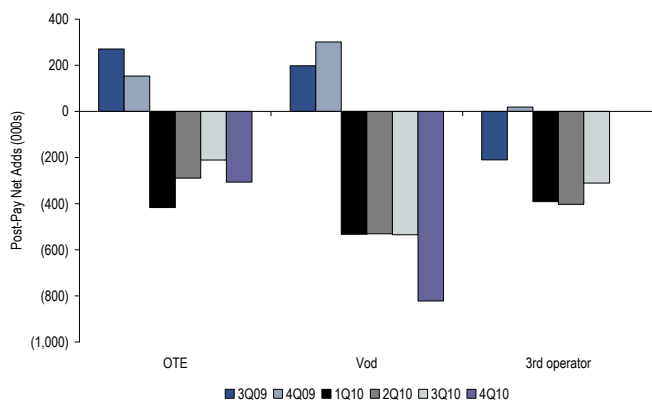
Mobile Charts

Figure 122. Revenue and GDP



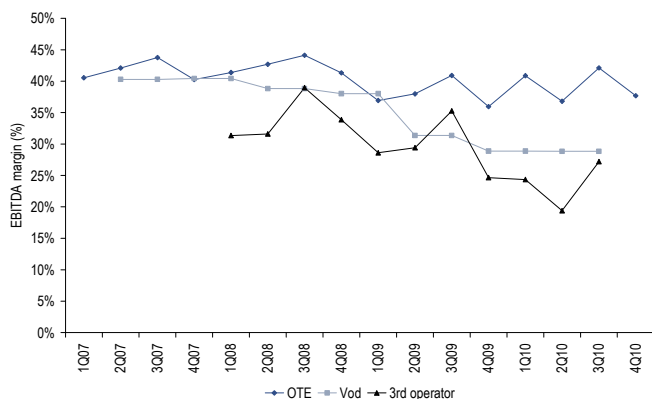
Source: Company reports, CIRA and Datastream

Figure 124. Total Net Adds



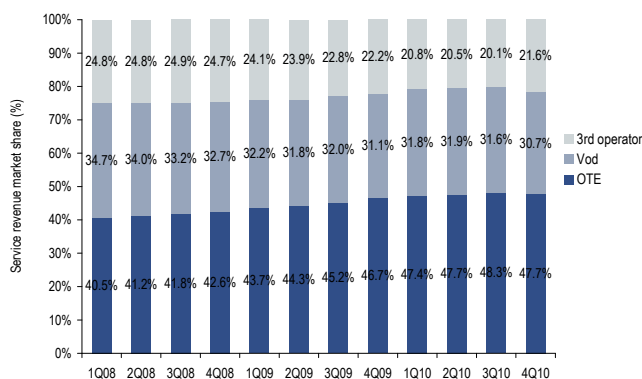
Source: Company reports and Citi Investment Research and Analysis

Figure 126. EBITDA Margin



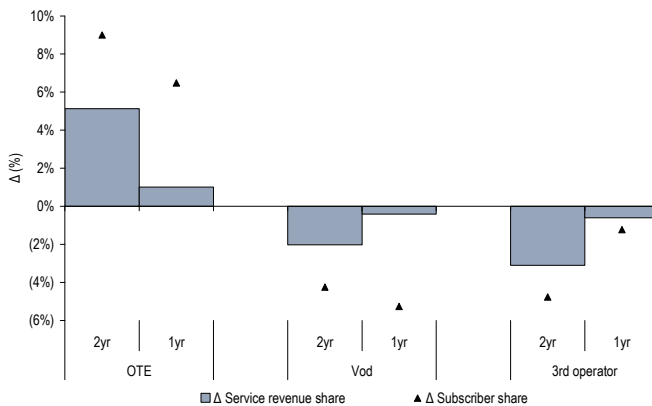
Source: Company reports and Citi Investment Research and Analysis

Figure 123. Service Revenue Market Share



Source: Company reports and Citi Investment Research and Analysis

Figure 125. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Greece Mobile Data

Figure 127. Mobile Market Information

Greece	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, €m													
OTE	421	411	440	478	440	397	427	451	416	388	380	390	349
Vodafone	367	351	363	380	338	292	307	319	277	261	254	256	225
3 rd operator	256	252	265	285	256	218	230	227	198	170	163	163	
Total	1,044	1,014	1,068	1,144	1,034	907	964	998	890	819	797	809	
Service Revenue Growth, yoy													
OTE	(5.5%)	(10.0%)	5.2%	6.6%	4.6%	(3.4%)	(2.9%)	(5.6%)	(5.6%)	(2.1%)	(11.0%)	(13.5%)	(16.0%)
Vodafone	(8.4%)	(4.9%)	(7.4%)	(8.3%)	(7.9%)	(16.9%)	(15.4%)	(15.9%)	(18.1%)	(10.8%)	(17.2%)	(20.0%)	(18.9%)
3 rd operator	(4.1%)	0.0%	2.2%	(11.1%)	(0.1%)	(13.3%)	(13.1%)	(20.3%)	(22.6%)	(22.1%)	(29.1%)	(28.5%)	
Total	(6.2%)	(5.9%)	(0.1%)	(3.4%)	(1.0%)	(10.5%)	(9.7%)	(12.7%)	(13.9%)	(9.7%)	(17.3%)	(19.0%)	
Service Revenue Market Share													
OTE	40.3%	40.5%	41.2%	41.8%	42.6%	43.7%	44.3%	45.2%	46.7%	47.4%	47.7%	48.3%	47.7%
Vodafone	35.2%	34.7%	34.0%	33.2%	32.7%	32.2%	31.8%	32.0%	31.1%	31.8%	31.9%	31.6%	30.7%
3 rd operator	24.5%	24.8%	24.8%	24.9%	24.7%	24.1%	23.9%	22.8%	22.2%	20.8%	20.5%	20.1%	
Post-pay Customers, 000s													
OTE													
Vodafone	1,702	1,731	1,757	1,776	1,780	1,760	1,724	1,701	1,698	1,686	1,675	1,656	1,637
3 rd operator	1,016	1,030	1,053	1,074	1,081	1,069	1,059	1,054	1,059	1,067	1,055	1,036	
Call Volumes, mn min/qtr													
OTE	3,113	3,398	3,692	3,955	4,201	4,891	5,574	5,946	6,197	6,243	6,494	6,571	6,489
Vodafone	2,244	2,262	2,395	2,443	2,370	2,281	2,402	2,411	2,309	2,221	2,438	2,485	2,410
3 rd operator	1,670	1,630	1,757	1,803	1,710	1,626	1,681	1,659	1,558	1,286	1,582	1,586	1,525
Total	7,027	7,289	7,844	8,201	8,280	8,798	9,657	10,015	10,064	9,750	10,514	10,643	10,424
Call Volume growth, yoy													
OTE	32.4%	39.1%	35.9%	34.3%	34.9%	44.0%	51.0%	50.3%	47.5%	27.6%	16.5%	10.5%	4.7%
Vodafone	6.2%	14.0%	10.5%	7.1%	5.6%	0.8%	0.3%	(1.3%)	(2.6%)	(2.6%)	1.5%	3.1%	4.4%
3 rd operator	14.1%	9.1%	7.1%	5.7%	2.4%	(0.3%)	(4.3%)	(8.0%)	(8.9%)	(20.9%)	(5.9%)	(4.4%)	(2.1%)
Total	18.5%	23.1%	20.2%	18.3%	17.8%	20.7%	23.1%	22.1%	21.5%	10.8%	8.9%	6.3%	3.6%
Contract Churn, % p.a													
3 rd operator	24.7%	24.2%	21.6%	22.2%	26.0%	29.3%	30.2%	30.9%					
EBITDA, €m													
OTE	178	176	194	220	192	164	180	208	174	177	155	185	153
Vodafone	148	142	141	148	129	111	96	100	80	75	73	74	
3 rd operator	102	94	99	132	105	76	82	98	61	52	39	54	

Source: Company reports and Citi Investment Research and Analysis

Greece Fixed Data

Figure 128. Greek Fixed Line Market Information

Greece	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	577	646	687	740	830	938	970	1,006	1,045	1,078	1,080	1,078	1,092
Incumbent wholesale	247	215	205	184	142	90	79	73	78	71	65	61	62
ULL (total)	310	404	499	576	672	770	857	915	1,020	1,141	1,237	1,317	1,414
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,135	1,265	1,391	1,500	1,644	1,798	1,906	1,994	2,143	2,289	2,383	2,456	2,569
Broadband Subscribers (000s)													
OTE	577	646	687	740	830	938	970	1,006	1,045	1,078	1,080	1,078	1,092
Forthnet	200	217	231	250	274	286	303	334	364	409	439	461	483
Hellas Online	85	92	104	115	151	188	232	264	296	324	346	366	
3 rd operator	0	0	0	0	0	0	0	0	0	0	0	0	
- other	272	310	370	395	389	386	401	391	438	479	517	551	993
Total	1,135	1,265	1,391	1,500	1,644	1,798	1,906	1,994	2,143	2,289	2,383	2,456	2,569
Broadband Subscribers Net Adds (000s)													
OTE	48	69	41	53	90	108	32	36	39	33	2	(3)	14
Forthnet	11	16	14	20	24	12	16	31	30	45	31	22	22
Other	112	39	59	25	(6)	(3)	15	(10)	47	41	38	34	
Total	188	130	126	109	144	154	108	88	149	146	94	73	113
Telephony Channels (000s)													
Retail Narrowband Lines	5,854	5,737	5,613	5,491	5,386	5,282	5,181	5,095	4,992	4,871	4,737	4,617	4,483
WLR	0	0	0	0	0	0	9	30	42	51	60	61	72
LLU (partial+full)	310	404	499	576	672	770	857	915	1,020	1,141	1,237	1,317	1,414
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	6,164	6,141	6,112	6,067	6,058	6,052	6,047	6,040	6,054	6,063	6,034	5,995	5,969
Telephony Channels Net Adds (000s)													
Retail Narrowband Lines	(149)	(117)	(124)	(122)	(105)	(104)	(101)	(86)	(103)	(121)	(134)	(120)	(134)
WLR	0	0	0	0	0	0	9	21	12	9	9	1	11
LLU (partial+full)	119	94	95	77	96	98	87	58	105	121	97	80	97
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	(30)	(23)	(29)	(45)	(9)	(6)	(5)	(7)	14	9	(29)	(40)	(26)

Source: Company reports and Citi Investment Research and Analysis

Italy

Fixed

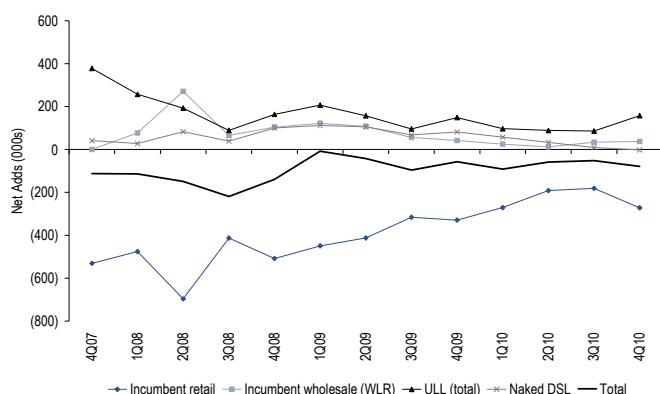
- TI reported negative broadband net adds as market share shifted to Vodafone and Infostrada. Infostrada has been running a very aggressive campaign, offering double play with traffic included from under €20 until 2013.
- TI's retail line loss worsened to -272k in 4Q10 from -181k 3Q10. This was driven by higher migration to ULL lines as identified earlier but is also down to seasonally higher commercial activity compared to the 3Q, when the summer period favours inertia.

Mobile

- TIM continued to show improvement on customer and traffic growth but service revenues remained weaker due to the ongoing adjustment of offnet pricing.
 - TIM continued to lag behind Vodafone in data growth, particularly on interactive VAS- TIM is flat while Vodafone delivers more than 20% growth.
- (Note: mobile data does not include the 3rd operator for 4Q10)

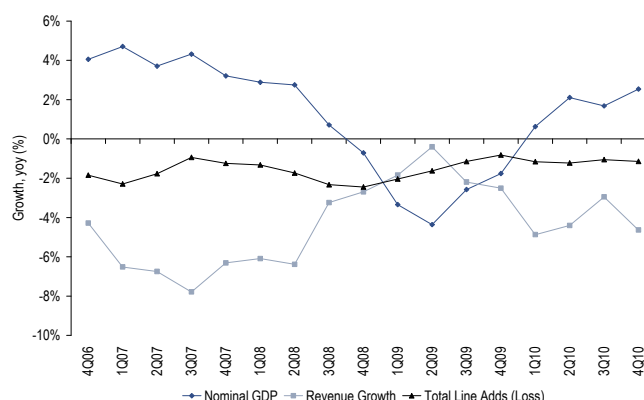
Fixed Charts

Figure 129. Telephony Net Adds



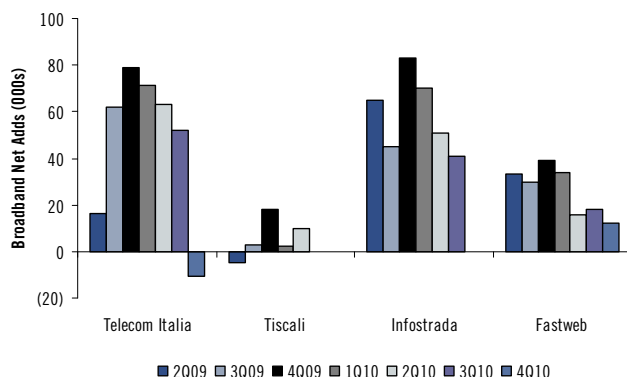
Source: Company reports and Citi Investment Research and Analysis

Figure 130. Line Loss, Incumbent Revenue Growth and GDP



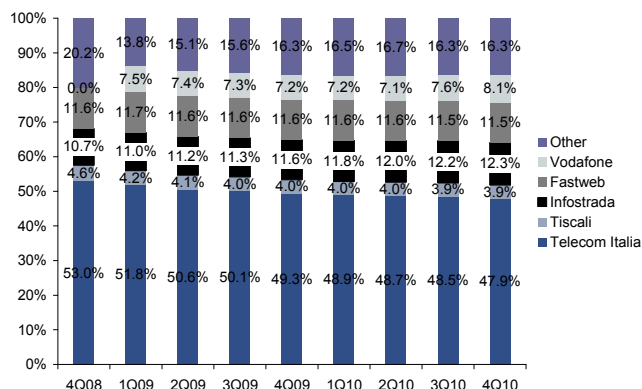
Source: Company reports, CIRA and Datastream

Figure 131. Broadband Subscriber Net Adds



Source: Company reports and Citi Investment Research and Analysis

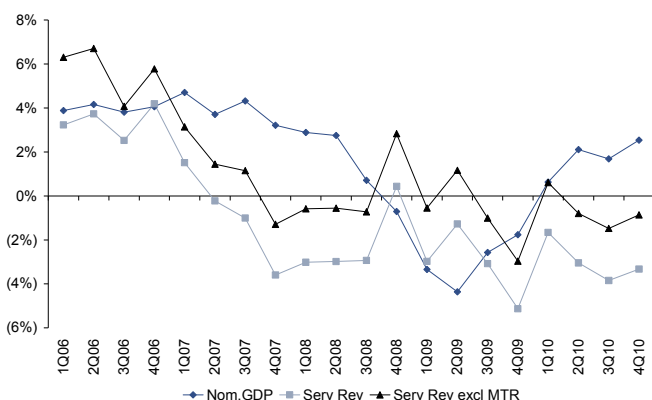
Figure 132. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

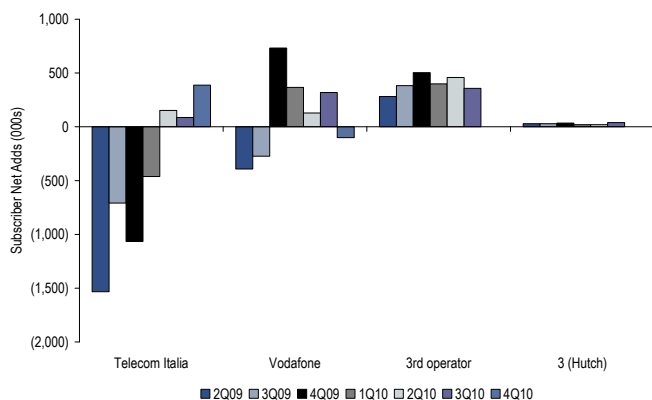
Mobile Charts

Figure 133. Revenue and GDP



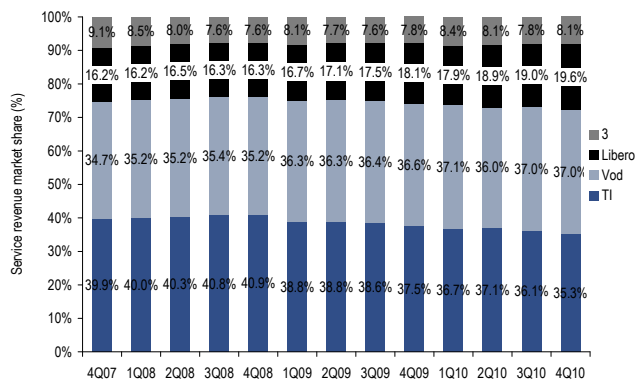
Source: Company reports, CIRA and Datastream

Figure 135. Subscriber Net Adds



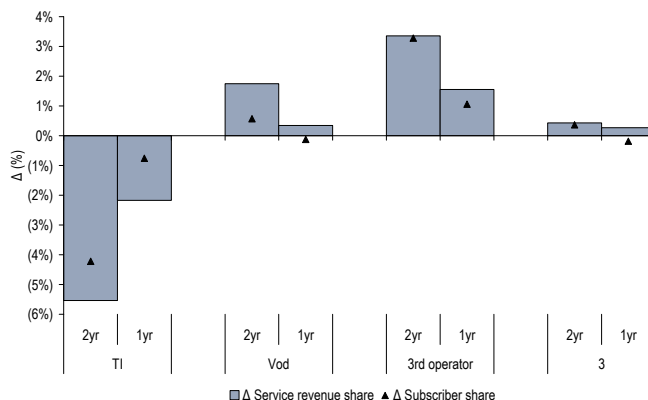
Source: Company reports and Citi Investment Research and Analysis

Figure 134. Service Revenue Market Share



Source: Company reports and Citi Investment Research and Analysis

Figure 136. Service Revenue Growth



Source: Company reports and Citi Investment Research and Analysis

Italy Mobile Data

Figure 137. Italian Mobile Market Information

Italy	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, €m													
Telecom Italia	2,187	2,118	2,199	2,261	2,250	1,993	2,092	2,072	1,959	1,850	1,936	1,867	1,784
Vodafone	1,903	1,861	1,921	1,961	1,938	1,863	1,956	1,955	1,912	1,873	1,878	1,910	1,865
3 rd operator	889	859	902	901	896	859	921	939	944	901	985	984	
3 (Hutch)	500	452	434	420	420	417	417	407	407	422	422	405	
Total	5,480	5,289	5,455	5,543	5,504	5,132	5,385	5,373	5,221	5,046	5,221	5,166	
Service Revenue Growth, yoy													
Telecom Italia	(7.5%)	(6.9%)	(5.3%)	(4.4%)	2.9%	(5.9%)	(4.8%)	(8.4%)	(12.9%)	(7.2%)	(7.5%)	(9.9%)	(8.9%)
Vodafone	(2.9%)	(0.1%)	0.2%	1.3%	1.8%	0.1%	1.8%	(0.3%)	(1.3%)	0.5%	(4.0%)	(2.3%)	(2.4%)
3 rd operator	4.6%	5.0%	1.7%	1.5%	0.8%	0.0%	2.1%	4.2%	5.4%	4.9%	6.9%	4.8%	
3 (Hutch)	(1.8%)	(9.4%)	(13.0%)	(19.3%)	(16.1%)	(7.8%)	(4.0%)	(3.1%)	(3.1%)	1.4%	1.4%	(0.4%)	
Total	(3.6%)	(3.0%)	(3.0%)	(2.9%)	0.4%	(3.0%)	(1.3%)	(3.1%)	(5.1%)	(1.7%)	(3.0%)	(3.8%)	
Service Revenue Market Share													
Telecom Italia	39.9%	40.0%	40.3%	40.8%	40.9%	38.8%	38.8%	38.6%	37.5%	36.7%	37.1%	36.1%	35.3%
Vodafone	34.7%	35.2%	35.2%	35.4%	35.2%	36.3%	36.3%	36.4%	36.6%	37.1%	36.0%	37.0%	37.0%
3 rd operator	16.2%	16.2%	16.5%	16.3%	16.3%	16.7%	17.1%	17.5%	18.1%	17.9%	18.9%	19.0%	
3 (Hutch)	9.1%	8.5%	8.0%	7.6%	7.6%	8.1%	7.7%	7.6%	7.8%	8.4%	8.1%	7.8%	
Post-pay Customers, 000s													
Vodafone	2,608	2,850	3,058	3,228	3,423	3,635	3,797	3,933	4,091	4,172	4,311	4,448	4,556
Call Volumes, mn min/qtr													
Telecom Italia	12,254	12,360	12,572	12,427	12,359	11,819	12,272	12,025	12,453	12,104	12,805	13,188	13,847
Vodafone	9,651	9,813	10,094	10,010	10,622	10,337	10,566	10,291	10,765	10,733	11,033	10,860	11,281
3 rd operator	7,600	7,700	7,999	8,001	8,500	8,398	8,868	8,734	9,500	9,705	10,530	10,165	
3 Hutch	3,049	3,127	3,276	3,309	3,497	3,464	3,664	3,624	3,839	3,818	4,017	3,947	
Total	32,554	33,000	33,941	33,747	34,978	34,019	35,370	34,674	36,556	36,360	38,385	38,160	
Call Volume growth, yoy													
Telecom Italia	18.4%	18.4%	11.1%	4.4%	0.9%	(4.4%)	(2.4%)	(3.2%)	0.8%	2.4%	4.3%	9.7%	11.2%
Vodafone	16.9%	16.3%	13.0%	10.6%	10.1%	5.3%	4.7%	2.8%	1.3%	3.8%	4.4%	5.5%	4.8%
3 rd operator	10.4%	11.6%	8.1%	11.1%	11.8%	9.1%	10.9%	9.2%	11.8%	15.6%	18.7%	16.4%	
3 Hutch	17.7%	20.2%	16.9%	15.1%	14.7%	10.8%	11.8%	9.5%	9.8%	10.2%	9.6%	8.9%	
Total	15.9%	16.3%	11.5%	8.7%	7.4%	3.1%	4.2%	2.7%	4.5%	6.9%	8.5%	10.1%	
Contract Churn, % p.a													
Vodafone	17.5%	18.1%	17.6%	15.8%	17.3%	16.9%	19.8%	17.2%	23.3%	22.8%	25.3%	20.2%	23.6%
Data Revenue (excl messaging) % Service Revenue													
Telecom Italia	10.3%	12.1%	12.2%	12.7%	14.2%	11.7%	12.5%	13.8%	14.8%	16.2%	14.8%	15.7%	15.8%
Vodafone	6.8%	7.4%	7.5%	7.8%	8.4%	9.0%	8.7%	9.8%	10.2%	10.8%	11.0%	12.3%	12.7%
EBITDA, €m													
Vodafone	952	931	1,016	1,038	992	954	1,073	1,073	1,025	1,004	1,037	1,054	0
Capex, €m													
Vodafone	236	236	192	192	212	212	222	222	226	226	200	200	0

Source: Company reports and Citi Investment Research and Analysis

Italy Fixed Data

Figure 138. Italian Fixed Line Market Information

Italy	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	6,427	6,541	6,564	6,610	6,754	6,843	6,859	6,921	7,000	7,071	7,134	7,186	7,175
Incumbent wholesale	1,163	1,187	1,228	1,304	1,380	1,486	1,584	1,646	1,741	1,788	1,825	1,847	1,883
ULL (total)	3,637	3,953	4,248	4,387	4,621	4,883	5,112	5,237	5,456	5,600	5,700	5,789	5,931
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	11,227	11,681	12,040	12,301	12,755	13,212	13,555	13,804	14,196	14,459	14,659	14,822	14,989
Broadband Subscribers (000s)													
Telecom Italia	6,427	6,541	6,564	6,610	6,754	6,843	6,859	6,921	7,000	7,071	7,134	7,186	7,175
Tiscali	552	580	574	581	586	554	549	552	570	572	582	582	
Infostrada	1,022	1,115	1,198	1,250	1,360	1,450	1,515	1,560	1,643	1,713	1,764	1,805	
Fastweb	1,313	1,388	1,398	1,441	1,482	1,542	1,575	1,605	1,644	1,678	1,694	1,712	1,724
Vodafone	0	0	0	0	0	994	1,004	1,014	1,024	1,034	1,044	1,120	1,210
Other	1,913	2,057	2,306	2,419	2,573	1,829	2,053	2,152	2,315	2,391	2,441	2,417	0
Total	11,227	11,681	12,040	12,301	12,755	13,212	13,555	13,804	14,196	14,459	14,659	14,822	14,989
Broadband Subscribers Net Adds (000s)													
Telecom Italia	212	114	23	46	144	89	16	62	79	71	63	52	(11)
Tiscali	34	28	(6)	7	5	(32)	(5)	3	18	2	10	0	
Infostrada	80	93	83	52	110	90	65	45	83	70	51	41	
Fastweb	62	75	10	43	41	60	33	30	39	34	16	18	12
Vodafone	0	0	0	0	0	994	10	10	10	10	10	76	90
Total	659	454	359	261	454	456	344	249	392	263	200	163	167
Telephony Channels (000s)													
Incumbent retail	22,124	21,648	20,952	20,539	20,031	19,582	19,170	18,854	18,525	18,254	18,062	17,881	17,609
Incumbent wholesale (WLR)	0	77	348	414	518	640	747	803	845	870	882	916	954
ULL (total)	2,961	3,218	3,411	3,500	3,664	3,871	4,028	4,124	4,273	4,370	4,459	4,545	4,703
Naked DSL	321	349	432	471	572	684	789	857	939	996	1,029	1,038	1,036
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	25,406	25,292	25,143	24,924	24,784	24,777	24,734	24,639	24,582	24,490	24,432	24,380	24,301
Telephony Channels Net Adds (000s)													
Incumbent retail	(531)	(476)	(696)	(413)	(508)	(449)	(412)	(316)	(329)	(271)	(192)	(181)	(272)
Incumbent wholesale (WLR)	0	77	271	66	104	122	108	56	42	25	12	34	38
ULL (total)	378	257	193	89	164	207	157	96	149	97	89	86	158
Naked DSL	41	28	83	39	101	112	105	68	81	57	33	9	(2)
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	(112)	(114)	(149)	(219)	(140)	(8)	(42)	(96)	(57)	(92)	(58)	(52)	(79)
Pay TV Subscribers (000s)													
TI	0	136	180	218	329	365	397	406	401	395	395	391	374
Sky Italia	0	0	0	4,600	4,700	4,800	4,800	4,800	4,800	4,800	4,800	4,858	

Source: Company reports and Citi Investment Research and Analysis

Netherlands

Fixed

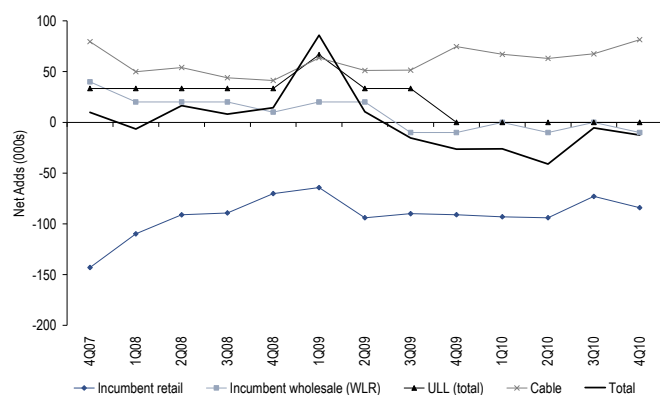
- KPN's retail line loss was stable at -7.3% yoy, this is mainly being driven by migration to cable, leaving total market lines only down -1.1% yoy.
- Cable operators continue to gain share with 58k broadband net adds in total, vs DSL 15k net adds.

Mobile

- Market service revenue growth decreased to +0.6% in 4Q10 from +1.6% in 3Q10. KPN and T-Mobile achieved c.-3% service revenue decline, while Vodafone grew +6.1%. Vodafone similarly achieved the highest post-pay net adds.

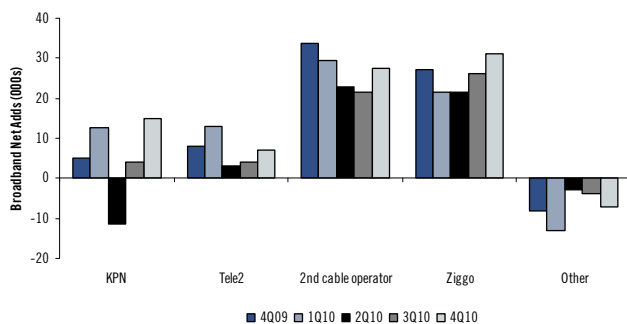
Fixed Charts

Figure 139. Telephony Net Adds



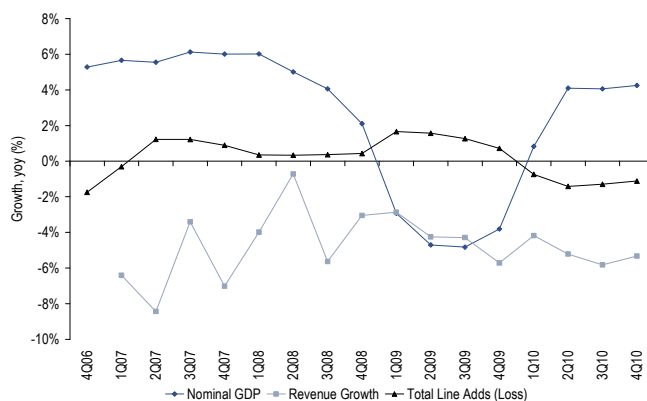
Source: Company reports and Citi Investment Research and Analysis

Figure 141. Broadband Subscriber Net Adds



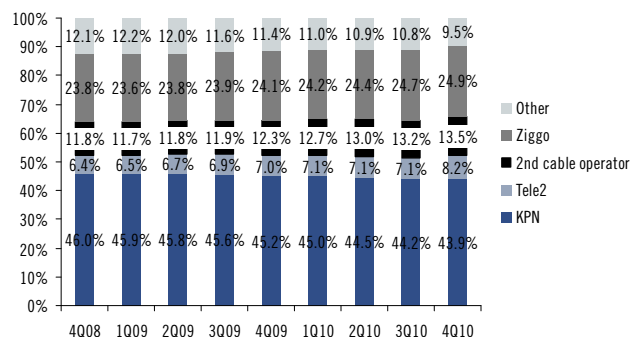
Source: Company reports and Citi Investment Research and Analysis

Figure 140. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

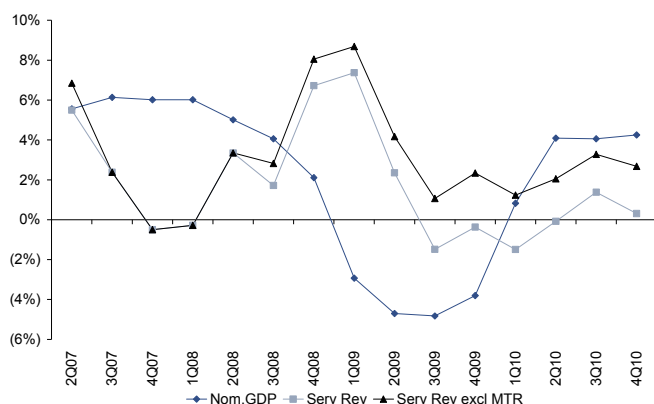
Figure 142. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

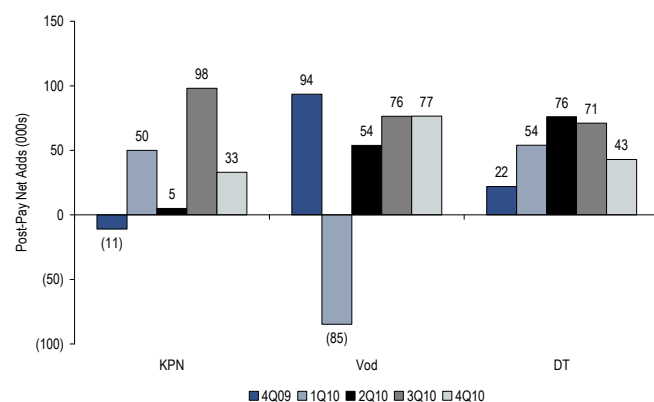
Mobile Charts

Figure 143. Revenue and GDP



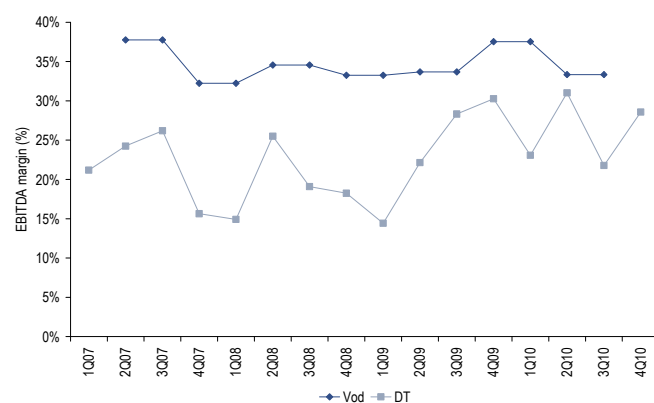
Source: Company reports, CIRA and Datastream

Figure 145. Post-Paid Net Adds



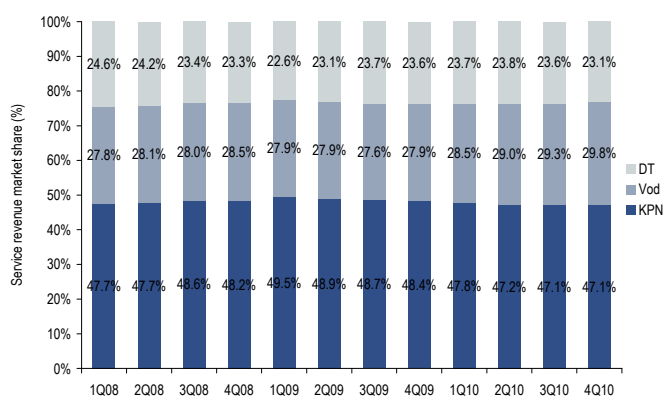
Source: Company reports and Citi Investment Research and Analysis

Figure 147. EBITDA Margin



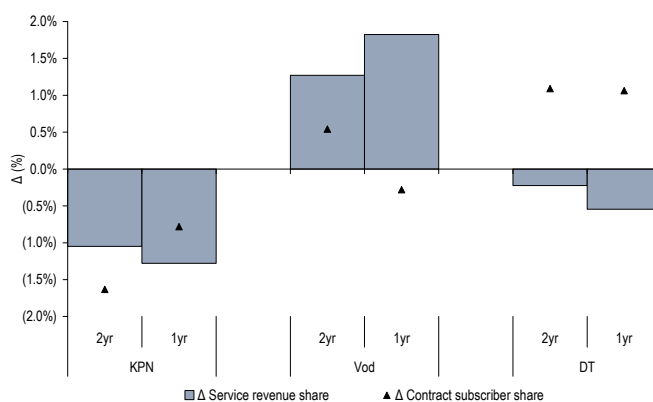
Source: Company reports and Citi Investment Research and Analysis

Figure 144. Service Revenue Market Share



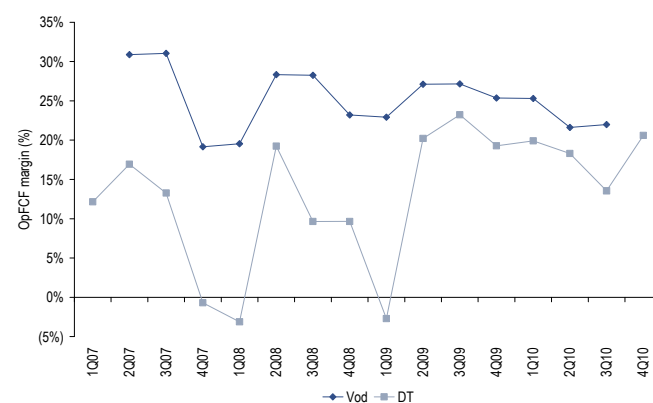
Source: Company reports and Citi Investment Research and Analysis

Figure 146. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 148. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

Netherlands Mobile Data

Figure 149. Netherlands Mobile Market Information

Netherlands	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, €m													
KPN	725	706	756	764	754	767	783	757	758	740	761	742	735
Vodafone	399	412	446	440	446	433	447	430	437	442	468	461	464
T-Mobile (DT)	377	364	383	369	365	350	370	368	370	367	383	371	360
Total	1,124	1,118	1,202	1,204	1,200	1,200	1,230	1,187	1,195	1,182	1,229	1,203	1,199
Service Revenue Growth, yoy													
KPN	(1.4%)	(3.4%)	0.4%	0.0%	4.0%	8.6%	3.6%	(0.9%)	0.5%	(3.5%)	(2.8%)	(2.0%)	(3.0%)
Vodafone	1.1%	5.6%	8.8%	4.8%	11.7%	5.2%	0.3%	(2.5%)	(1.9%)	2.1%	4.7%	7.3%	6.1%
T-Mobile (DT)	2.3%	1.3%	2.3%	(0.3%)	(3.3%)	(3.8%)	(3.4%)	(0.2%)	1.4%	4.9%	3.5%	0.8%	(2.7%)
Total	(0.5%)	(0.3%)	3.3%	1.7%	6.7%	7.4%	2.3%	(1.5%)	(0.4%)	(1.5%)	(0.1%)	1.4%	0.3%
Service Revenue Market Share													
KPN	48.3%	47.7%	47.7%	48.6%	48.2%	49.5%	48.9%	48.7%	48.4%	47.8%	47.2%	47.1%	47.1%
Vodafone	26.6%	27.8%	28.1%	28.0%	28.5%	27.9%	27.9%	27.6%	27.9%	28.5%	29.0%	29.3%	29.8%
T-Mobile (DT)	25.1%	24.6%	24.2%	23.4%	23.3%	22.6%	23.1%	23.7%	23.6%	23.7%	23.8%	23.6%	23.1%
Post-pay Customers, 000s													
KPN	4,337	4,424	4,588	4,770	4,959	5,106	5,165	5,197	5,186	5,236	5,241	5,339	5,372
Vodafone	2,302	2,432	2,498	2,575	2,658	2,725	2,756	2,820	2,914	2,829	2,883	2,959	3,036
T-Mobile (DT)	2,090	2,123	2,153	2,229	2,259	2,313	2,359	2,384	2,406	2,460	2,536	2,607	2,650
Call Volumes, mn min/qtr													
KPN	3,211	3,165	3,326	3,130	3,334	3,264	3,389	3,202	3,389	3,291	3,299	3,103	3,232
Vodafone	2,036	2,077	2,260	2,108	2,313	2,278	2,363	2,212	2,367	2,359	2,323	2,625	2,884
Deutsche Telekom	1,613	1,756	1,911	1,734	1,755	1,708	1,743	1,765	1,842	1,900	1,987	1,923	2,049
Total	7,330	6,998	7,497	6,972	7,402	7,250	7,495	7,180	7,598	7,550	7,609	7,651	8,165
Call Volume growth, yoy													
KPN	7.9%	3.4%	5.9%	6.0%	3.8%	3.1%	1.9%	2.3%	1.7%	0.8%	(2.7%)	(3.1%)	(4.6%)
Vodafone	9.0%	9.3%	12.7%	11.0%	13.6%	9.7%	4.6%	4.9%	2.3%	3.6%	(1.7%)	18.7%	21.8%
Deutsche Telekom	41.0%	47.2%	52.6%	46.9%	8.8%	(2.7%)	(8.8%)	1.8%	5.0%	11.2%	14.0%	9.0%	11.2%
Total	6.9%	(0.8%)	2.0%	0.4%	1.0%	3.6%	(0.0%)	3.0%	2.7%	4.1%	1.5%	6.6%	7.5%
Contract Churn, % p.a													
T-Mobile (DT)	18.0%	19.2%	19.2%	16.8%	21.6%	18.0%	16.8%	19.2%	18.0%	15.6%	12.0%	13.2%	14.4%
EBITDA, €m													
Vodafone	138	142	165	163	159	154	165	158	183	185	171	168	
T-Mobile (DT)	68	62	114	91	85	64	103	128	135	102	139	98	122
Capex, €m													
Vodafone	56	56	30	30	48	48	31	31	60	60	59	59	
T-Mobile (DT)	71	75	28	45	40	76	9	23	49	14	57	37	34

Source: Company reports and Citi Investment Research and Analysis

Netherlands Fixed Data

Figure 150. Netherlands Fixed Line Market Information

Netherlands	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	2,501	2,552	2,587	2,621	2,664	2,692	2,698	2,712	2,717	2,729	2,718	2,722	2,737
Incumbent wholesale	0	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	933	967	1,000	1,033	1,067	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Cable	1,987	2,018	2,047	2,053	2,058	2,077	2,093	2,130	2,191	2,242	2,286	2,334	2,392
Total	5,422	5,537	5,634	5,708	5,788	5,869	5,891	5,942	6,008	6,071	6,104	6,156	6,229
Broadband Subscribers (000s)													
KPN	2,501	2,552	2,587	2,621	2,664	2,692	2,698	2,712	2,717	2,729	2,718	2,722	2,737
Tele2	324	331	338	349	368	382	395	410	418	431	434	438	510
2 nd cable operator	640	650	659	672	683	689	693	708	742	771	794	816	843
Ziggo	1,347	1,368	1,388	1,382	1,375	1,388	1,400	1,422	1,449	1,471	1,492	1,518	1,549
Other	609	636	662	684	699	718	705	690	682	669	666	662	590
Total	5,422	5,537	5,634	5,708	5,788	5,869	5,891	5,942	6,008	6,071	6,104	6,156	6,229
Broadband Subscribers Net Adds (000s)													
KPN	33	51	35	34	43	28	6	13	5	13	(11)	4	15
Tele2	22	7	7	11	19	14	13	15	8	13	3	4	0
2 nd cable operator	16	10	8	13	11	7	4	15	34	29	23	22	27
Ziggo	30	21	21	(7)	(7)	13	13	22	27	22	22	26	31
- other	11	26	26	22	14	19	(13)	(15)	(8)	(13)	(3)	(4)	0
Total	112	115	97	74	80	80	23	50	66	63	33	52	73
Telephony Channels (000s)													
Incumbent retail	5,403	5,293	5,202	5,112	5,042	4,978	4,884	4,794	4,703	4,610	4,516	4,443	4,359
Incumbent wholesale (WLR)	320	340	360	380	390	410	430	420	410	410	400	400	390
ULL (total)	633	667	700	733	767	833	867	900	900	900	900	900	900
Cable	1,192	1,242	1,296	1,340	1,381	1,445	1,496	1,547	1,622	1,689	1,752	1,820	1,901
Total	7,548	7,541	7,558	7,566	7,580	7,666	7,677	7,661	7,635	7,609	7,568	7,563	7,550
Telephony Channels Net Adds (000s)													
Incumbent retail	(143)	(110)	(91)	(89)	(70)	(64)	(94)	(90)	(91)	(93)	(94)	(73)	(84)
Incumbent wholesale (WLR)	40	20	20	20	10	20	20	(10)	(10)	0	(10)	0	(10)
ULL (full)	33	33	33	33	33	67	33	33	0	0	0	0	0
Cable	79	50	54	44	41	64	51	51	75	67	63	68	82
Total	10	(7)	16	8	15	86	10	(15)	(26)	(26)	(41)	(6)	(13)
Pay TV Subscribers (000s)													
KPN	497	553	636	700	775	835	886	924	970	1,033	1,088	1,144	1,197
2 nd cable operator	2,152	2,119	2,089	2,068	2,044	2,013	1,986	1,966	1,955	1,941	1,930	1,907	1,892
Pay TV Subscribers Net Adds (000s)													
KPN	83	56	83	64	75	60	51	38	46	63	55	56	53
2 nd cable operator	(21)	(34)	(30)	(21)	(24)	(31)	(27)	(20)	(11)	(14)	(11)	(23)	(15)

Source: Company reports and Citi Investment Research and Analysis

Norway

Fixed

- Total market line loss remained high at -9.5% one of the highest in Europe, this is being driven by an increase in mobile only households. The fixed broadband market also continued a modest decline.

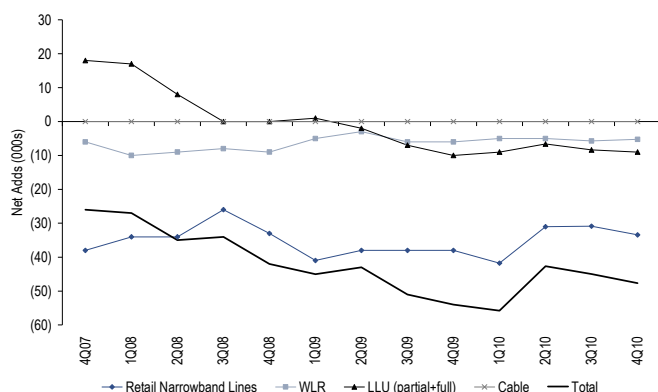
Mobile

- Market service revenue growth improved to 0.0% 4Q10 from -0.9% 3Q10. However this remains one of the lowest in Northern Europe, this is being caused by higher price competition being driven by Tele2 and Network Norway. Tele2 is gaining market share from a low level with 4.4% service revenue growth in 4Q10.
- We expect high competition to remain throughout 2011 leading to 0% growth. In addition there is a 40% cut to MTRs from 1st Jan 2011.

(NOTE: mobile data does not include Network Norway c.10% market share)

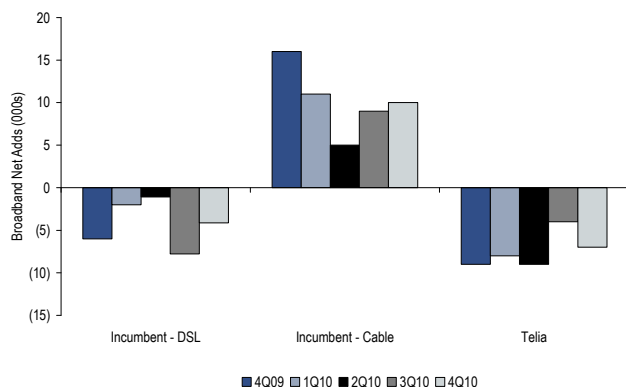
Fixed Charts

Figure 151. Telephony Net Adds



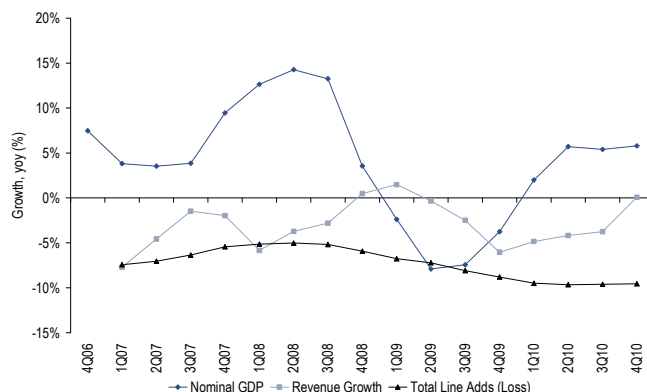
Source: Company reports and Citi Investment Research and Analysis

Figure 153. Broadband Subscriber Net Adds



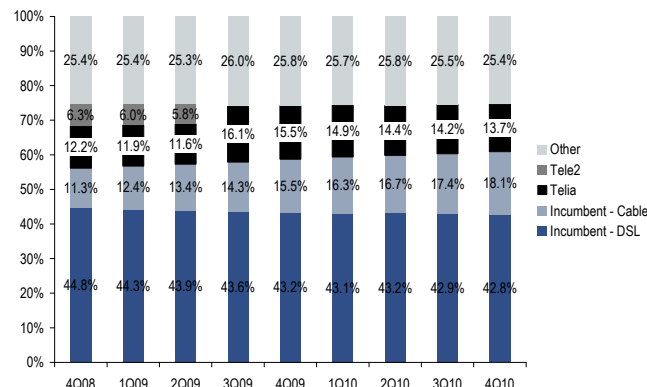
Source: Company reports and Citi Investment Research and Analysis

Figure 152. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

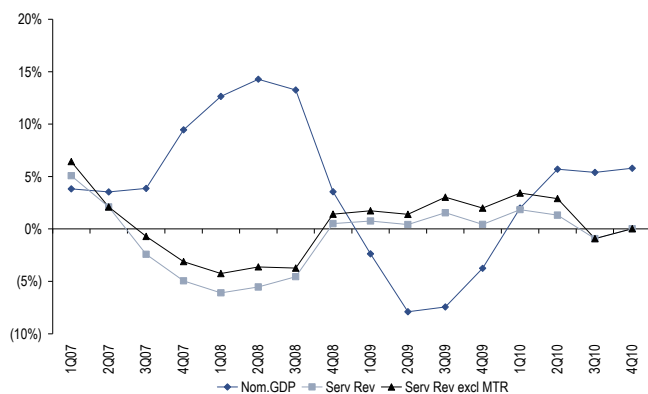
Figure 154. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

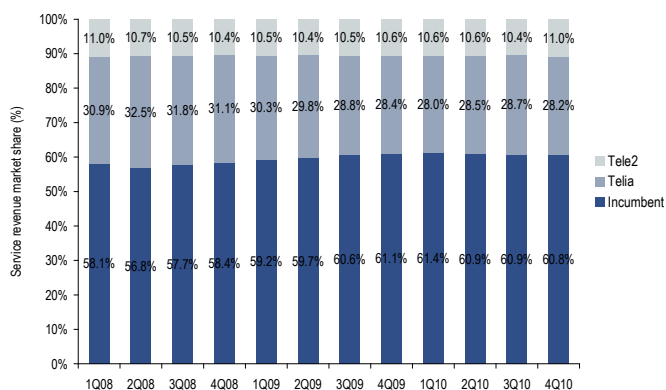
Mobile Charts

Figure 155. Revenue and GDP



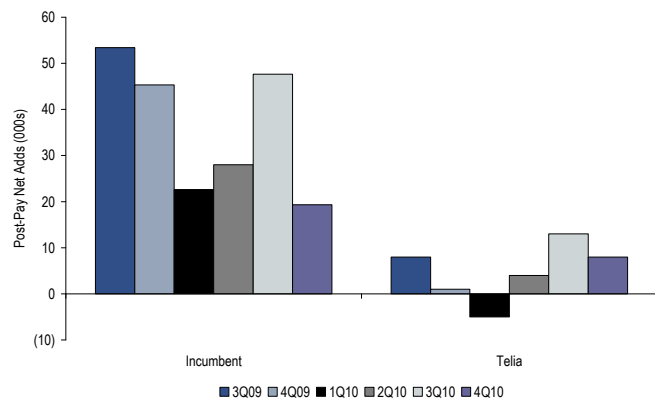
Source: Company reports, CIRA and Datastream

Figure 156. Service Revenue Market Share



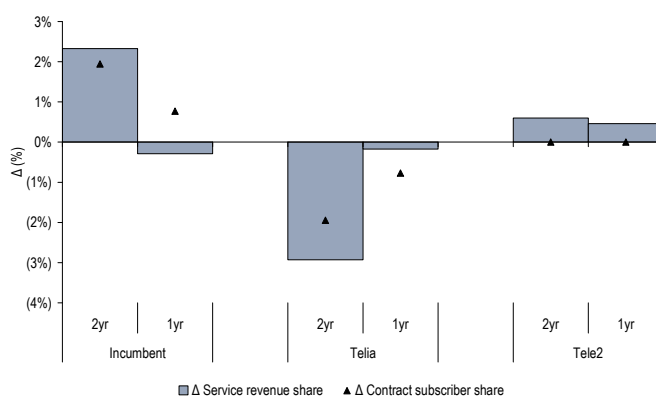
Source: Company reports and Citi Investment Research and Analysis

Figure 157. Post-Paid Net Adds



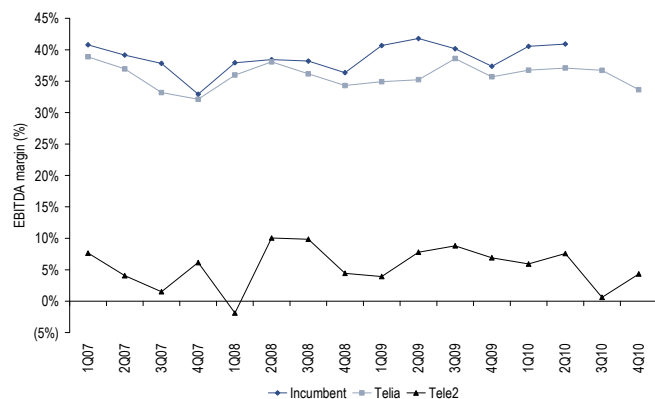
Source: Company reports and Citi Investment Research and Analysis

Figure 158. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 159. EBITDA Margin



Source: Company reports and Citi Investment Research and Analysis

Norway Mobile Data

(NOTE: data does not include Network Norway c.10% market share)

Figure 160. Norway Mobile Market Information

Norway	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, NOK m													
Incumbent	2,915	2,861	2,912	2,988	2,982	2,934	3,075	3,188	3,129	3,100	3,176	3,170	3,115
Telia	1,597	1,521	1,665	1,646	1,588	1,504	1,537	1,516	1,454	1,414	1,489	1,496	1,445
Tele2	564	541	550	543	532	522	537	553	541	537	552	543	565
Total	5,077	4,922	5,127	5,178	5,102	4,960	5,149	5,257	5,124	5,051	5,217	5,209	5,125
Service Revenue Growth, yoy													
Incumbent	(1.4%)	(1.7%)	(4.1%)	(4.0%)	2.3%	2.6%	5.6%	6.7%	4.9%	5.6%	3.3%	(0.6%)	(0.5%)
Telia	(10.7%)	(11.9%)	(5.9%)	(5.9%)	(0.6%)	(1.1%)	(7.7%)	(7.9%)	(8.5%)	(5.9%)	(3.1%)	(1.3%)	(0.6%)
Tele2	(5.4%)	(10.7%)	(11.7%)	(3.1%)	(5.8%)	(3.4%)	(2.3%)	1.8%	1.8%	2.9%	2.9%	(1.9%)	4.4%
Total	(5.0%)	(6.1%)	(5.5%)	(4.6%)	0.5%	0.8%	0.4%	1.5%	0.4%	1.8%	1.3%	(0.9%)	0.0%
Service Revenue Market Share													
Incumbent	57.4%	58.1%	56.8%	57.7%	58.4%	59.2%	59.7%	60.6%	61.1%	61.4%	60.9%	60.9%	60.8%
Telia	31.5%	30.9%	32.5%	31.8%	31.1%	30.3%	29.8%	28.8%	28.4%	28.0%	28.5%	28.7%	28.2%
Tele2	11.1%	11.0%	10.7%	10.5%	10.4%	10.5%	10.4%	10.5%	10.6%	10.6%	10.6%	10.4%	11.0%
Post-pay Customers, 000s													
Incumbent	1,848	1,901	1,965	2,022	2,069	2,093	2,132	2,185	2,230	2,253	2,281	2,329	2,348
Telia	1,137	1,136	1,140	1,137	1,138	1,147	1,156	1,164	1,165	1,160	1,164	1,177	1,185
Tele2													
Call Volumes, mn min/qtr													
Incumbent	1,705	1,713	1,857	1,777	1,855	1,894	1,962	1,951	2,041	2,013	2,099	2,014	2,116
Telia	1,209	1,181	1,297	1,244	1,256	1,304	1,354	1,359	1,409	1,374	1,414	1,360	1,390
Tele2	391	383	411	390	406	423	433	429	446	439	457	443	466
Total	3,304	3,277	3,565	3,411	3,518	3,620	3,749	3,739	3,897	3,827	3,971	3,817	3,972
Call Volume growth, yoy													
Incumbent	15.4%	12.0%	15.2%	9.1%	8.8%	10.5%	5.6%	9.8%	10.0%	6.3%	7.0%	3.2%	3.7%
Telia	1.7%	0.7%	9.3%	4.9%	4.0%	10.4%	4.4%	9.3%	12.2%	5.4%	4.4%	0.1%	(1.4%)
Tele2		14.9%	16.0%	5.2%	4.0%	10.5%	5.3%	10.1%	9.8%	3.7%	5.6%	3.2%	4.4%
Total		8.0%	13.1%	7.1%	6.5%	10.5%	5.1%	9.6%	10.8%	5.7%	5.9%	2.1%	1.9%
EBITDA, NOK m													
Incumbent	1,009	1,127	1,166	1,182	1,135	1,249	1,339	1,369	1,270	1,359	1,376		
Telia	593	675	766	731	672	630	639	706	625	627	657	677	603
Tele2	35	(10)	55	54	24	21	42	49	37	32	42	3	24

Source: Company reports and Citi Investment Research and Analysis

Norway Fixed Data

Figure 161. Norway Fixed Line Market Information

Norway	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	741	766	776	797	811	822	828	836	846	855	859	860	866
Incumbent wholesale	144	132	123	116	106	98	90	87	85	84	82	80	79
ULL (total)	331	348	356	356	356	357	355	348	338	329	322	314	305
Cable	172	172	172	172	172	172	172	172	172	172	172	172	172
Total	1,388	1,418	1,427	1,441	1,445	1,449	1,445	1,443	1,441	1,440	1,435	1,426	1,422
Broadband Subscribers (000s)													
Incumbent - DSL	633	645	646	650	647	642	635	629	623	621	620	612	608
Incumbent - Cable	108	121	130	147	164	180	193	207	223	234	239	248	258
Telia	177	178	176	176	176	172	168	232	223	215	206	202	195
Tele2	112	107	104	98	91	87	84	0	0	0	0	0	0
- other	358	367	371	370	367	368	365	375	372	370	370	364	361
Total	1,388	1,418	1,427	1,441	1,445	1,449	1,445	1,443	1,441	1,440	1,435	1,426	1,422
Broadband Subscribers Net Adds (000s)													
Incumbent - DSL	14	12	1	4	(3)	(5)	(7)	(6)	(6)	(2)	(1)	(8)	(4)
Incumbent - Cable	13	13	9	17	17	16	13	14	16	11	5	9	10
Telia	1	1	(2)	0	0	(4)	(4)	(11)	(9)	(8)	(9)	(4)	(7)
Tele2	(4)	(5)	(3)	(6)	(7)	(4)	(3)	(84)	0	0	0	0	0
- other	12	9	4	(1)	(3)	1	(3)	10	(3)	(2)	0	(6)	(3)
Total	36	30	9	14	4	4	(4)	(2)	(2)	(1)	(5)	(9)	(4)
Telephony Channels (000s)													
Incumbent retail	1,745	1,711	1,677	1,651	1,618	1,577	1,539	1,501	1,463	1,421	1,390	1,359	1,326
Incumbent wholesale (WLR)	257	247	238	230	221	216	213	207	201	196	191	185	180
ULL (total)	331	348	356	356	356	357	355	348	338	329	322	314	305
Cable													
Total	2,333	2,306	2,271	2,237	2,195	2,150	2,107	2,056	2,002	1,946	1,904	1,859	1,811
Telephony Channels Net Adds (000s)													
Incumbent retail	(38)	(34)	(34)	(26)	(33)	(41)	(38)	(38)	(38)	(42)	(31)	(31)	(33)
Incumbent wholesale (WLR)	(6)	(10)	(9)	(8)	(9)	(5)	(3)	(6)	(6)	(5)	(5)	(6)	(5)
ULL (total)	18	17	8	0	0	1	(2)	(7)	(10)	(9)	(7)	(8)	(9)
Cable	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	(26)	(27)	(35)	(34)	(42)	(45)	(43)	(51)	(54)	(56)	(43)	(45)	(48)

Source: Company reports and Citi Investment Research and Analysis

Portugal

Fixed

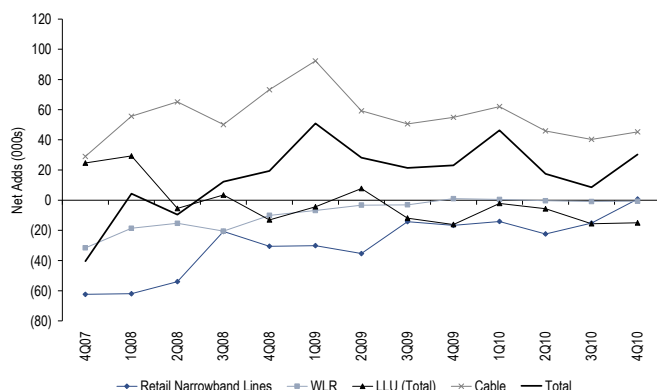
- PT achieved positive retail line loss adds in 4Q10 the only operator in Europe to do so. The total market lines also saw net additions with positive net adds on cable. However this strength in fixed KPIs did not translate into revenue, with PT's fixed domestic revenue declining -5.0% one of the highest in Europe.

Mobile

- Market service revenue growth worsened further in 4Q10 to -8.3% from -6.3% in 3Q10. Sonae continues to outperform with only a -1.9% decline, vs PT -10.8%, Vodafone -8.6%.

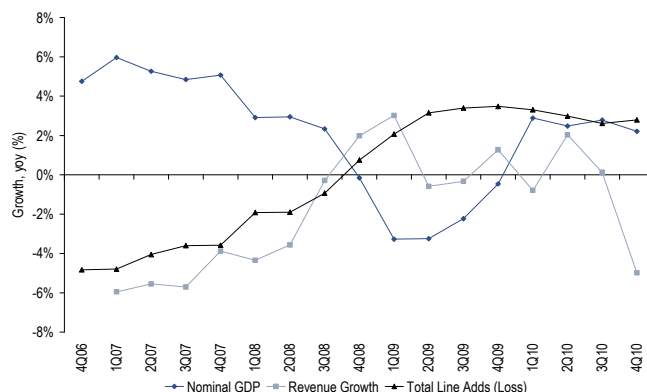
Fixed Charts

Figure 162. Telephony Net Adds



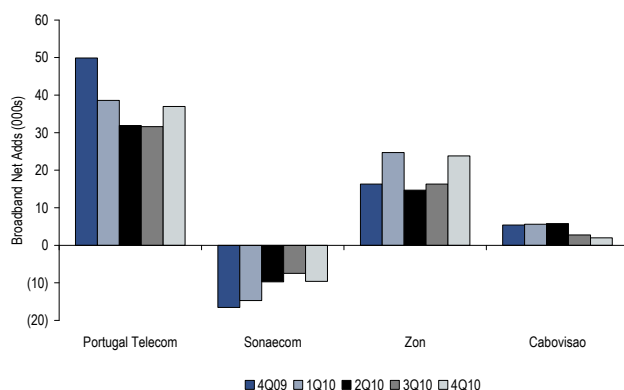
Source: Company reports and Citi Investment Research and Analysis

Figure 163. Line Loss, Incumbent Revenue Growth and GDP



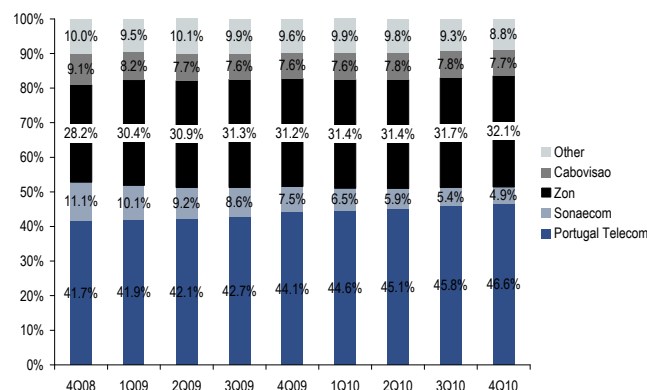
Source: Company reports, CIRA and Datastream

Figure 164. Broadband Subscriber Net Adds



Source: Company reports and Citi Investment Research and Analysis

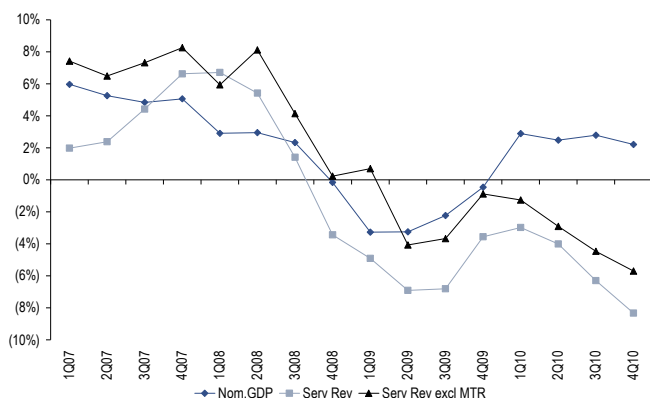
Figure 165. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

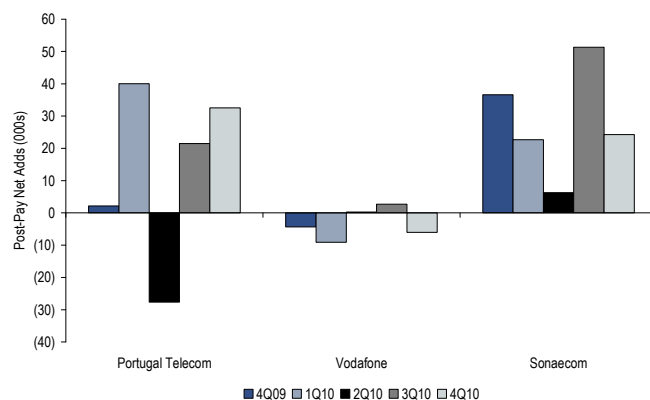
Mobile Charts

Figure 166. Revenue and GDP



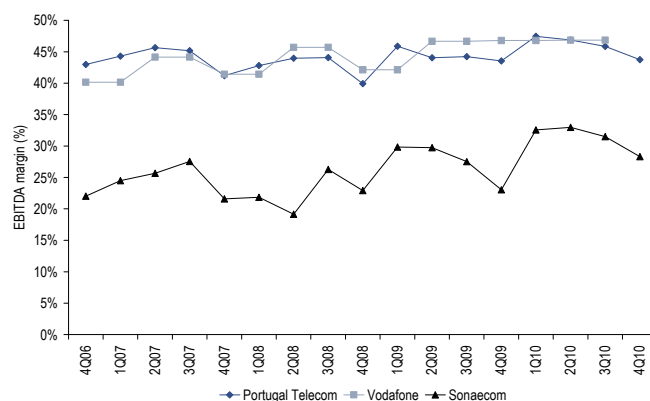
Source: Company reports, CIRA and Datastream

Figure 168. Post-Paid Net Adds



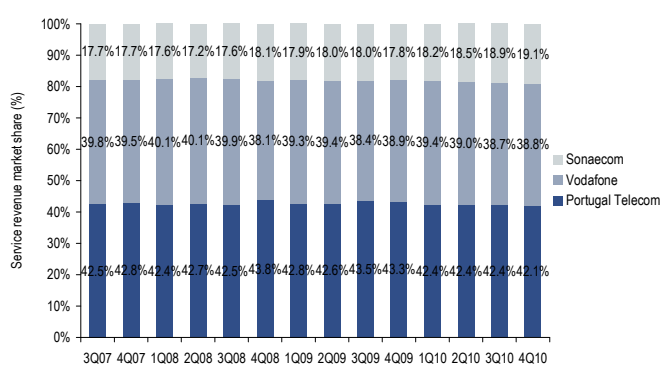
Source: Company reports and Citi Investment Research and Analysis

Figure 170. EBITDA Margin



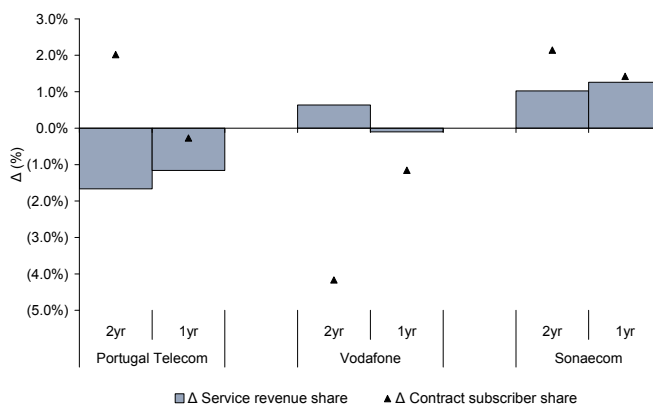
Source: Company reports and Citi Investment Research and Analysis

Figure 167. Service Revenue Market Share



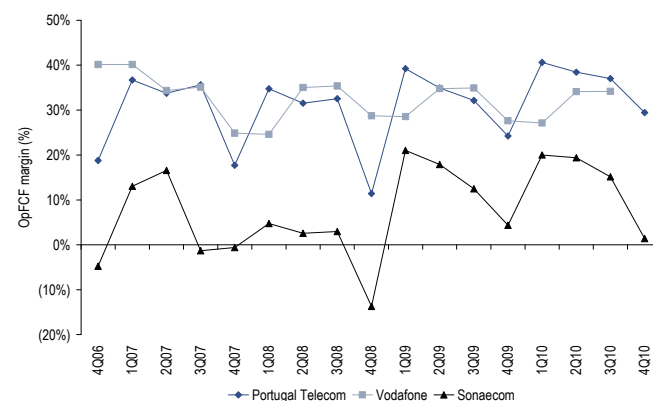
Source: Company reports and Citi Investment Research and Analysis

Figure 169. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 171. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

Portugal Mobile Data

Figure 172. Portugal Mobile Market Information

Portugal	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, €m													
Portugal Telecom	362	347	358	370	357	333	333	353	340	321	318	322	304
Vodafone	334	328	336	347	311	306	307	312	306	298	293	295	280
Sonae	149	144	144	153	148	139	141	146	140	137	139	144	138
Total	845	819	839	871	816	779	781	811	787	756	749	760	721
Service Revenue Growth, yoy													
Portugal Telecom	4.6%	5.9%	5.7%	1.5%	(1.3%)	(3.9%)	(7.1%)	(4.6%)	(4.7%)	(3.8%)	(4.4%)	(8.8%)	(10.8%)
Vodafone	9.7%	7.6%	7.0%	1.7%	(6.8%)	(6.6%)	(8.6%)	(10.2%)	(1.7%)	(2.8%)	(4.9%)	(5.5%)	(8.6%)
Sonae	5.1%	6.7%	1.3%	0.6%	(1.3%)	(3.3%)	(2.6%)	(4.5%)	(4.8%)	(1.4%)	(1.2%)	(1.8%)	(1.9%)
Total	6.6%	6.7%	5.4%	1.4%	(3.4%)	(4.9%)	(6.9%)	(6.8%)	(3.6%)	(3.0%)	(4.0%)	(6.3%)	(8.3%)
Service Revenue Market Share													
Portugal Telecom	42.8%	42.4%	42.7%	42.5%	43.8%	42.8%	42.6%	43.5%	43.3%	42.4%	42.4%	42.4%	42.1%
Vodafone	39.5%	40.1%	40.1%	39.9%	38.1%	39.3%	39.4%	38.4%	38.9%	39.4%	39.0%	38.7%	38.8%
Sonae	17.7%	17.6%	17.2%	17.6%	18.1%	17.9%	18.0%	18.0%	17.8%	18.2%	18.5%	18.9%	19.1%
Post-pay Customers, 000s													
Portugal Telecom	1,377	1,623	1,744	1,824	1,951	2,081	2,206	2,231	2,234	2,274	2,246	2,267	2,300
Vodafone	1,089	1,130	1,164	1,188	1,201	1,201	1,190	1,180	1,176	1,167	1,167	1,170	1,164
Sonae	608	855	880	921	961	992	1,026	1,045	1,081	1,104	1,110	1,161	1,186
Call Volumes, mn min/qtr													
Portugal Telecom	2,226	2,157	2,207	2,351	2,324	2,252	2,432	2,595	2,602	2,504	2,627	2,719	2,707
Vodafone	1,764	1,763	1,839	2,049	2,075	2,143	2,206	2,373	2,343	2,367	2,572	2,931	2,860
Sonae	1,023	1,029	1,144	1,221	1,231	1,249	1,278	1,324	1,384	1,387	1,401	1,394	1,431
Total	5,013	4,949	5,190	5,622	5,630	5,645	5,916	6,292	6,329	6,259	6,600	7,044	6,998
Call Volume growth, yoy													
Portugal Telecom	10.2%	9.0%	6.3%	5.8%	4.4%	4.4%	10.2%	10.4%	12.0%	11.2%	8.0%	4.8%	4.0%
Vodafone	11.2%	9.4%	11.0%	11.6%	17.6%	21.6%	20.0%	15.8%	12.9%	10.5%	16.6%	23.5%	22.1%
Sonae	13.5%	12.7%	25.5%	24.1%	20.3%	21.4%	11.7%	8.4%	12.4%	11.1%	9.6%	5.3%	3.4%
Total	11.2%	9.9%	11.7%	11.5%	12.3%	14.0%	14.0%	11.9%	12.4%	10.9%	11.6%	12.0%	10.6%
EBITDA, €m													
Portugal Telecom	170	167	172	180	164	170	162	176	167	164	161	163	150
Vodafone	138	136	154	159	131	129	143	145	143	139	137	138	
Sonae	36	33	29	44	37	44	45	43	35	46	48	48	43

Source: Company reports and Citi Investment Research and Analysis

Portugal Fixed Data

Figure 173. Portugal Fixed Line Market Information

Portugal	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	652	657	667	679	710	752	781	812	862	901	933	964	1,001
Incumbent wholesale	62	60	57	55	53	50	51	54	54	53	53	52	52
ULL (total)	291	320	315	318	305	301	309	297	281	278	273	257	242
Cable	606	582	595	610	633	693	715	738	760	790	811	830	855
Total	1,611	1,619	1,634	1,662	1,701	1,796	1,856	1,901	1,956	2,022	2,068	2,103	2,151
Broadband Subscribers (000s)													
PT	652	657	667	679	710	752	781	812	862	901	933	964	1,001
Sonaecom	218	202	202	198	188	180	171	163	146	132	122	114	105
Zon	400	416	431	451	479	546	573	594	611	635	650	666	690
Cabovisao	206	166	164	159	154	147	143	144	149	155	160	163	165
- other	135	179	169	175	169	171	188	188	188	199	203	195	189
Total	1,611	1,619	1,634	1,662	1,701	1,796	1,856	1,901	1,956	2,022	2,068	2,103	2,151
Broadband Subscribers Net Adds (000s)													
PT	(90)	5	11	12	31	42	29	32	50	39	32	32	37
Sonaecom	36	(16)	0	(4)	(10)	(8)	(9)	(8)	(17)	(15)	(10)	(7)	(10)
Zon	13	16	15	20	28	67	27	22	16	25	15	16	24
Cabovisao	(4)	(40)	(2)	(5)	(5)	(7)	(4)	1	5	6	6	3	2
- other	(12)	43	(9)	5	(5)	1	18	(0)	(0)	11	4	(8)	(6)
Total	(57)	8	15	28	38	95	60	45	55	66	47	35	47
Telephony Channels (000s)													
Incumbent retail	3,010	2,948	2,894	2,873	2,843	2,813	2,777	2,763	2,746	2,732	2,710	2,695	2,695
Incumbent wholesale (WLR)	140	122	106	86	76	69	66	62	63	64	64	63	62
ULL (total)	291	320	315	318	305	301	309	297	281	278	273	257	242
Cable	83	139	204	254	327	419	479	529	584	646	692	732	778
Total	3,524	3,529	3,519	3,531	3,551	3,602	3,630	3,651	3,674	3,721	3,738	3,747	3,777
Telephony Channels Net Adds (000s)													
Incumbent retail	(62)	(62)	(54)	(21)	(31)	(30)	(35)	(14)	(17)	(14)	(22)	(15)	1
Incumbent wholesale (WLR)	(32)	(19)	(15)	(21)	(10)	(7)	(3)	(3)	1	1	(0)	(1)	(1)
ULL (full)	25	29	(6)	3	(13)	(4)	8	(12)	(16)	(2)	(6)	(16)	(15)
Cable	29	56	65	50	73	92	59	51	55	62	46	40	45
Total	(40)	4	(10)	12	19	51	28	21	23	46	17	9	30
Pay TV Subscribers (000s)													
PT	21	47	116	211	312	384	443	505	581	646	702	769	830
Zon	1,547	1,561	1,557	1,539	1,525	1,595	1,591	1,595	1,595	1,588	1,576	1,573	1,572
Pay TV Subscribers Net Adds (000s)													
PT	15	26	70	95	101	72	59	62	76	65	57	67	61
Zon	26	14	(4)	(18)	(14)	70	(4)	3	0	(6)	(12)	(3)	(2)

Source: Company reports and Citi Investment Research and Analysis

Spain

Fixed

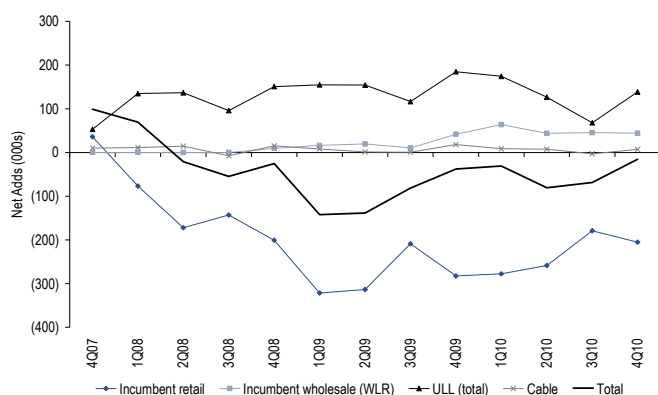
- TEF's retail line loss remained stable at -6.5% yoy, this is being driven by migrations to ULL. In addition TEF's domestic revenue decline worsened to -5.4% 4Q10 from -3.3% 3Q10.
- Broadband market net additions increased in 4Q10 driven by higher net adds for ULL operators Jazztel, Orange and Vodafone. Total non-incumbent DSL net adds increased to 159k 4Q10 from 83k 3Q10.

Mobile

- Market service revenue growth worsened to -5.4% 4Q10 from -4.8% 3Q10. However this was driven by a worsening from Telefonica with modest improvements from Orange and Vodafone. Orange and Yoigo continue to gain market share from Vodafone and Telefonica.

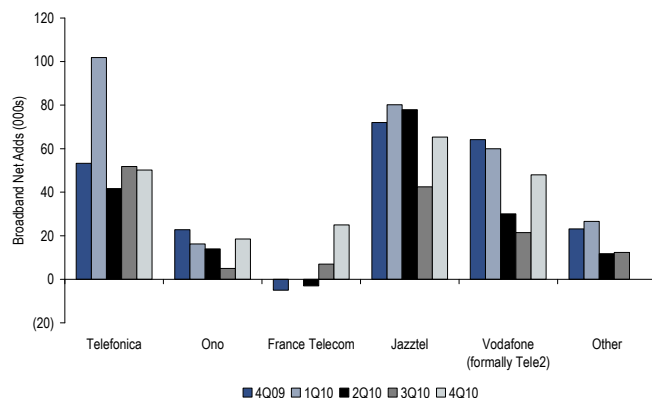
Fixed Charts

Figure 174. Telephony Net Adds



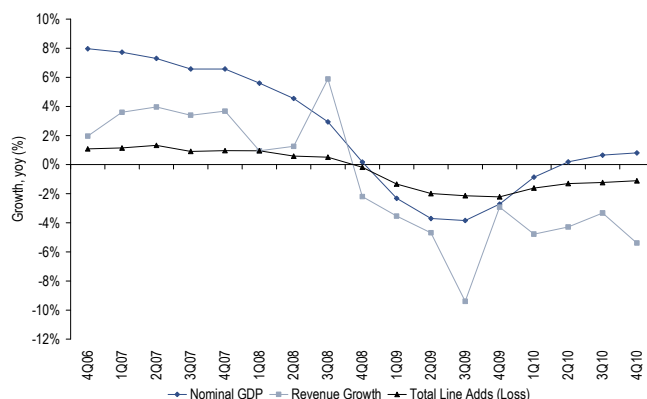
Source: Company reports and Citi Investment Research and Analysis

Figure 176. Broadband Subscriber Net Adds



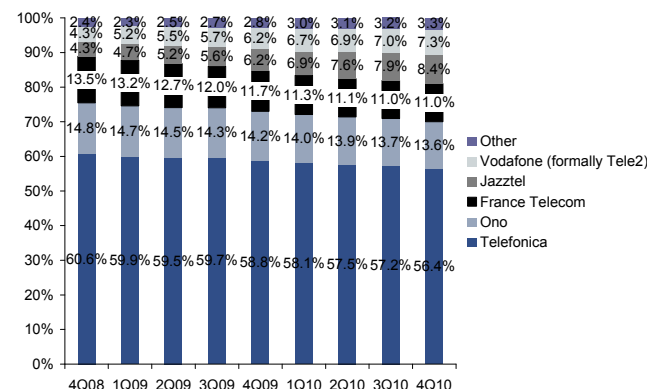
Source: Company reports and Citi Investment Research and Analysis

Figure 175. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

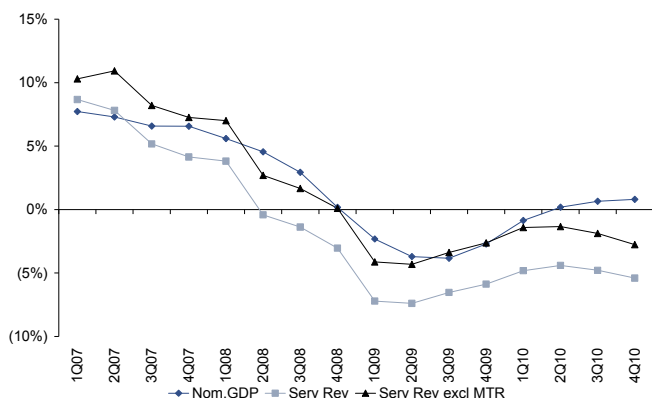
Figure 177. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

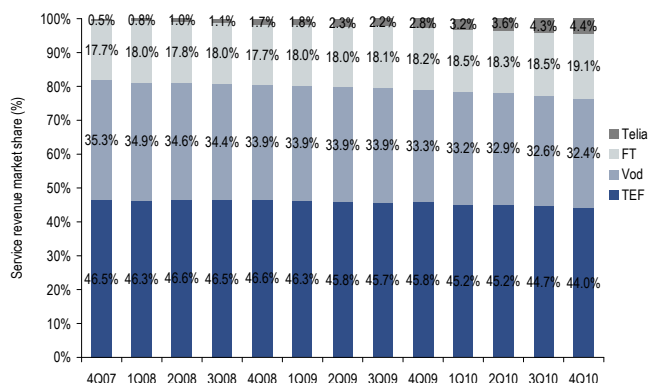
Mobile Charts

Figure 178. Revenue and GDP



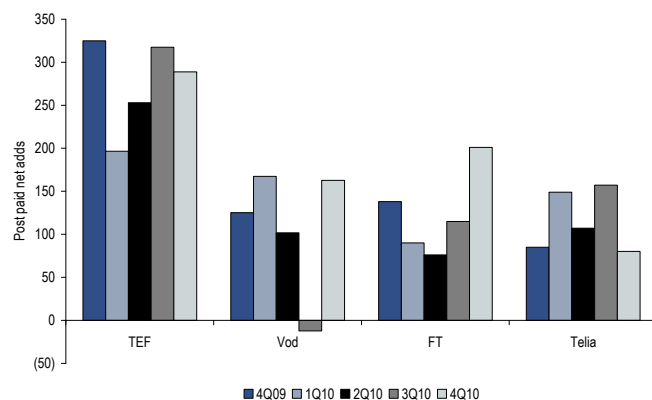
Source: Company reports, CIRA and Datastream

Figure 179. Service Revenue Market Share



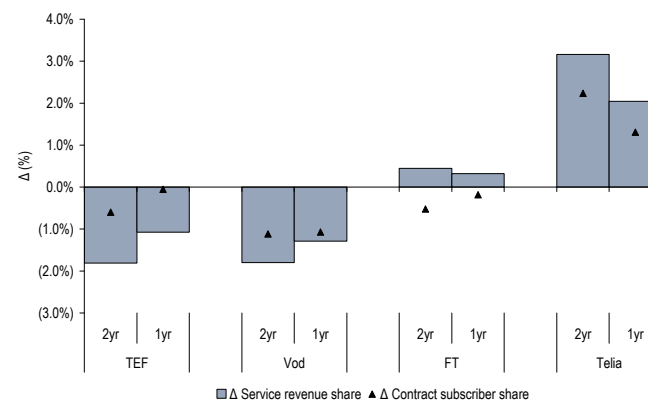
Source: Company reports and Citi Investment Research and Analysis

Figure 180. Post-Paid Net Adds



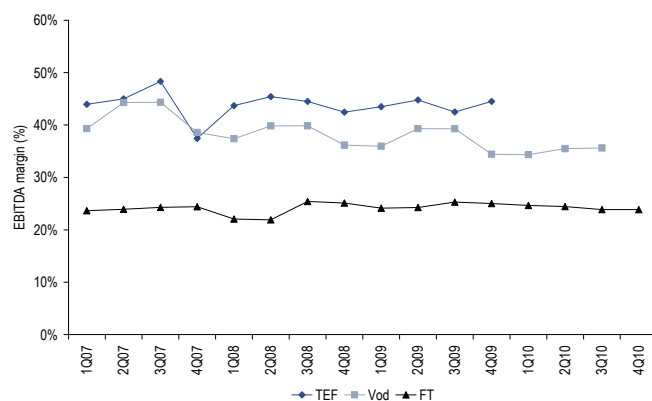
Source: Company reports and Citi Investment Research and Analysis

Figure 181. Change in Service Revenue and Contract Sub Share



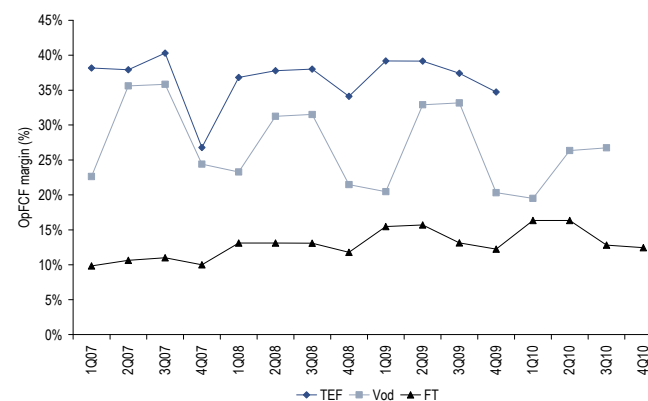
Source: Company reports and Citi Investment Research and Analysis

Figure 182. EBITDA Margin



Source: Company reports and Citi Investment Research and Analysis

Figure 183. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

Spain Mobile Data

Figure 184. Spanish Mobile Market Information

Spain	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, €m													
Telefonica	2,111	2,072	2,132	2,198	2,055	1,921	1,940	2,022	1,898	1,785	1,829	1,880	1,725
Vodafone	1,603	1,560	1,582	1,629	1,495	1,409	1,436	1,500	1,379	1,311	1,334	1,374	1,272
Orange (FT)	805	806	815	852	779	747	762	802	755	729	740	777	751
Telia	24	35	44	52	77	73	97	98	114	126	146	180	174
Total	4,543	4,473	4,573	4,731	4,406	4,150	4,235	4,422	4,146	3,950	4,048	4,210	3,922
Service Revenue Growth, yoy													
Telefonica	2.6%	2.0%	0.5%	(2.1%)	(2.7%)	(7.3%)	(9.0%)	(8.0%)	(7.6%)	(7.1%)	(5.7%)	(7.0%)	(9.1%)
Vodafone	7.1%	5.4%	(3.0%)	(2.2%)	(6.8%)	(9.7%)	(9.2%)	(7.9%)	(7.7%)	(7.0%)	(7.1%)	(8.4%)	(7.8%)
Orange (FT)	(0.2%)	2.3%	(1.7%)	(2.0%)	(3.2%)	(7.3%)	(6.5%)	(5.9%)	(3.1%)	(2.4%)	(2.9%)	(3.1%)	(0.5%)
Telia													
Total	4.1%	3.8%	(0.4%)	(1.4%)	(3.0%)	(7.2%)	(7.4%)	(6.5%)	(5.9%)	(4.8%)	(4.4%)	(4.8%)	(5.4%)
Service Revenue Market Share													
Telefonica	46.5%	46.3%	46.6%	46.5%	46.6%	46.3%	45.8%	45.7%	45.8%	45.2%	45.2%	44.7%	44.0%
Vodafone	35.3%	34.9%	34.6%	34.4%	33.9%	33.9%	33.9%	33.9%	33.3%	33.2%	32.9%	32.6%	32.4%
Orange (FT)	17.7%	18.0%	17.8%	18.0%	17.7%	18.0%	18.0%	18.1%	18.2%	18.5%	18.3%	18.5%	19.1%
Telia	0.5%	0.8%	1.0%	1.1%	1.7%	1.8%	2.3%	2.2%	2.8%	3.2%	3.6%	4.3%	4.4%
Post-pay Customers, 000s													
Telefonica	13,645	13,950	14,261	14,458	14,568	14,553	14,694	15,009	15,334	15,531	15,784	16,101	16,390
Vodafone	9,059	9,303	9,531	9,701	9,824	9,977	10,052	10,173	10,298	10,466	10,567	10,555	10,718
Orange (FT)	5,956	6,079	6,220	6,311	6,434	6,485	6,495	6,519	6,657	6,747	6,823	6,938	7,139
Telia	181	219	248	290	370	463	550	605	690	839	946	1,103	1,183
Call Volumes, mn min/qtr													
Telefonica	10,588	10,408	10,991	11,441	10,727	10,038	10,499	11,007	10,495	10,051	10,562	10,675	10,412
Vodafone	8,800	8,815	9,226	9,059	8,827	8,457	8,759	9,035	8,980	8,769	9,124	9,259	9,128
France Telecom	4,678	4,890	4,908	5,062	5,125	5,219	5,223	5,272	5,401	5,543	5,501	5,583	5,978
Telia	194	286	353	414	499	575	648	726	808	955	1,126	1,323	1,469
Total	24,259	24,398	25,478	25,977	25,178	24,289	25,129	26,039	25,684	25,317	26,313	26,839	26,987
Call Volume growth, yoy													
Telefonica	5.9%	0.2%	4.9%	2.0%	1.3%	(3.6%)	(4.5%)	(3.8%)	(2.2%)	0.1%	0.6%	(3.0%)	(0.8%)
Vodafone	15.0%	6.9%	8.2%	1.9%	0.3%	(4.1%)	(5.1%)	(0.3%)	1.7%	3.7%	4.2%	2.5%	1.6%
France Telecom	6.3%	4.8%	4.2%	10.5%	9.6%	6.7%	6.4%	4.1%	5.4%	6.2%	5.3%	5.9%	10.7%
Telia		681.1%	356.1%	242.7%	157.0%	101.2%	83.5%	75.1%	61.8%	66.1%	73.7%	82.3%	81.9%
Total	10.0%	4.6%	7.1%	4.7%	3.8%	(0.4%)	(1.4%)	0.2%	2.0%	4.2%	4.7%	3.1%	5.1%
Contract Churn, % p.a													
Telefonica		13.2%	13.2%	13.2%	15.6%	16.8%	15.6%	14.4%	15.6%	18.0%	16.8%	16.8%	16.8%
Vodafone	15.2%	16.6%	16.4%	16.1%	18.3%	18.3%	19.9%	20.6%	21.7%	21.2%	18.9%	19.5%	19.9%
Orange (FT)	27.4%	23.8%	22.9%	22.7%	23.1%	23.5%	24.1%	24.5%	24.2%	23.6%	22.8%	21.5%	20.7%
Data Revenue (excl messaging) % Service Revenue													
Telefonica	7.5%	8.8%	8.7%	9.4%	10.3%	11.4%	11.2%	11.9%	12.7%	13.5%	13.4%	14.5%	15.8%
Vodafone	7.0%	7.1%	7.3%	7.3%	8.1%	10.2%	9.3%	9.3%	9.8%	10.9%	11.3%	11.9%	11.9%
Orange (FT)	4.6%	5.0%	5.7%	5.7%	6.3%	7.3%	6.8%	7.2%	8.9%	8.9%	9.1%	9.2%	11.4%
EBITDA, €m													
Telefonica	902	1,048	1,099	1,106	1,012	945	980	988	1,014				
Vodafone	629	612	660	680	570	537	599	625	506	481	507	522	
Orange (FT)	201	182	185	224	204	189	193	212	200	187	190	197	190
Capex, €m													
Telefonica	257	165	185	162	199	94	123	118	223				
Vodafone	231	231	142	142	232	232	98	98	208	208	130	130	
Orange (FT)	119	74	74	109	109	68	68	102	102	63	63	91	91

Source: Company reports and Citi Investment Research and Analysis

Spain Fixed Data

Figure 185. Spanish Fixed Line Market Information

Spain	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	4,614	4,836	5,005	5,117	5,246	5,292	5,331	5,424	5,477	5,579	5,620	5,672	5,722
Incumbent wholesale	496	480	463	445	424	406	369	337	359	419	464	508	561
ULL (total)	1,354	1,467	1,533	1,585	1,698	1,835	1,951	2,021	2,154	2,261	2,332	2,372	2,477
Cable	1,203	1,241	1,272	1,272	1,283	1,295	1,302	1,303	1,326	1,342	1,356	1,361	1,380
Total	7,666	8,024	8,272	8,419	8,651	8,828	8,953	9,085	9,315	9,600	9,772	9,913	10,140
Broadband Subscribers (000s)													
Telefonica	4,614	4,836	5,005	5,117	5,246	5,292	5,331	5,424	5,477	5,579	5,620	5,672	5,722
Ono	1,203	1,241	1,272	1,272	1,283	1,295	1,302	1,303	1,326	1,342	1,356	1,361	1,380
France Telecom	1,177	1,186	1,192	1,174	1,164	1,165	1,135	1,091	1,086	1,086	1,083	1,090	1,115
Jazztel	255	277	300	327	375	416	462	510	582	662	740	782	848
Vodafone (formally Tele2)	273	300	326	350	373	456	497	516	581	641	671	692	740
Other	145	184	178	179	210	204	225	241	264	291	303	315	336
Total	7,666	8,024	8,272	8,419	8,651	8,828	8,953	9,085	9,315	9,600	9,772	9,913	10,140
Broadband Subscribers Net Adds (000s)													
Telefonica	233	222	169	112	129	45	40	92	53	102	42	52	50
Ono	43	38	31	0	11	13	7	1	23	16	14	5	19
France Telecom	21	9	6	(18)	(10)	1	(30)	(44)	(5)	0	(3)	7	25
Jazztel	15	23	23	27	48	42	46	48	72	80	78	42	65
Vodafone (formally Tele2)	15	27	25	24	24	83	41	20	64	60	30	22	48
Other	51	40	(6)	1	31	(6)	21	16	23	27	12	12	0
Total	378	358	248	147	232	177	125	132	230	285	172	140	228
Telephony Channels (000s)													
Incumbent retail	15,919	15,842	15,670	15,527	15,326	15,005	14,691	14,483	14,200	13,923	13,664	13,485	13,280
Incumbent wholesale (WLR)	0	0	0	0	10	26	45	56	97	161	205	251	295
ULL (total)	578	713	849	945	1,096	1,251	1,405	1,521	1,706	1,881	2,007	2,075	2,213
Cable	1,605	1,616	1,631	1,623	1,638	1,646	1,647	1,648	1,666	1,675	1,682	1,679	1,686
Total	18,101	18,171	18,150	18,095	18,070	17,927	17,789	17,707	17,670	17,639	17,558	17,489	17,474
Telephony Channels Net Adds (000s)													
Incumbent retail	36	(77)	(172)	(143)	(201)	(321)	(314)	(209)	(282)	(278)	(259)	(179)	(205)
Incumbent wholesale (WLR)	0	0	0	0	10	16	20	10	42	64	44	45	44
ULL (full)	53	135	137	96	151	155	154	117	185	174	127	68	138
Cable	10	11	14	(8)	15	8	1	1	18	9	7	(3)	7
Total	99	69	(21)	(55)	(25)	(142)	(139)	(81)	(38)	(31)	(81)	(69)	(16)
Pay TV Subscribers (000s)													
TEF	511	554	577	590	613	605	610	654	703	733	748	773	788
ONO	960	1,011	1,052	1,057	1,039	1,016	991	977	975	970	966	948	953
Orange	54	75	92	86	87	99	92	86	84	79	75	72	70
Total	1,525	1,640	1,721	1,733	1,739	1,720	1,693	1,717	1,762	1,782	1,789	1,793	1,812
Pay TV Subscribers Net Adds (000s)													
TEF	42	43	23	13	23	(8)	5	45	49	30	15	26	15
ONO	51	51	41	5	(18)	(23)	(25)	(14)	(2)	(5)	(4)	(18)	5
Orange	36	21	17	(6)	1	12	(7)	(6)	(2)	(5)	(4)	(3)	(2)
Total	129	115	81	12	6	(18)	(28)	25	45	20	7	4	18

Source: Company reports and Citi Investment Research and Analysis

Sweden

Fixed

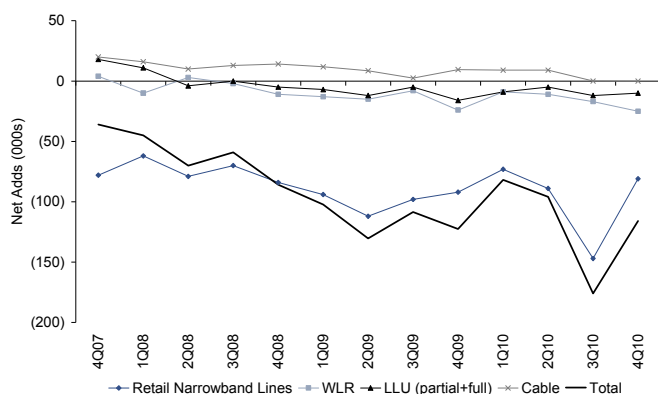
- Telia's retail line loss returned to a normal level in 4Q10 after an unusual high loss in 3Q10. Total market line loss remained at -8.6% yoy one of the highest in Europe being driven by a shift to mobile only households and fiber lines we don't capture. The broadband market remained stable with low net adds and changes in market share.

Mobile

- Sweden remained the highest growing market in 4Q10 with 6.9% service revenue growth, 8.8% excluding the impact of MTR cuts. This is being driven by voice price stability combined with high take-up of smartphones.
- All operators are growing >5%, with Tele2 and the 2nd operator making small market share gains.

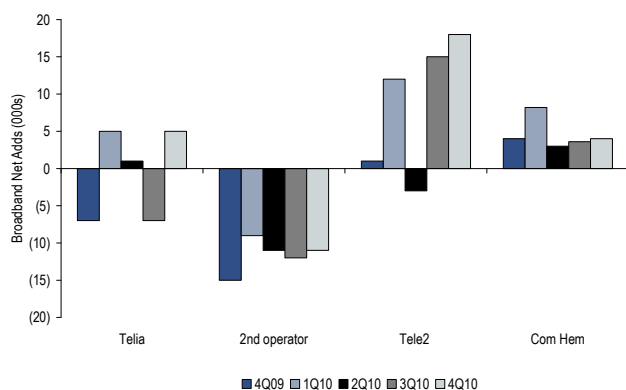
Fixed Charts

Figure 186. Telephony Net Adds



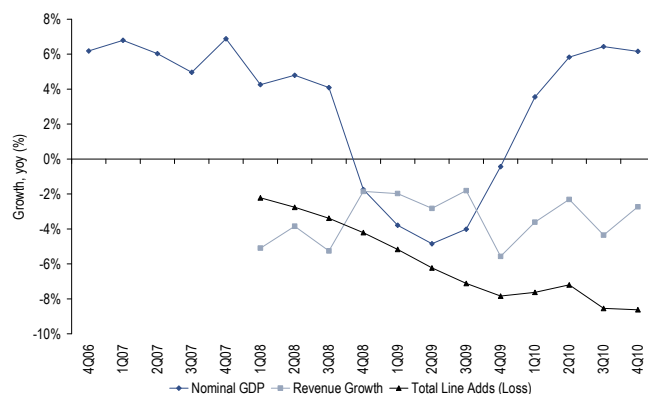
Source: Company reports and Citi Investment Research and Analysis

Figure 188. Broadband Subscriber Net Adds



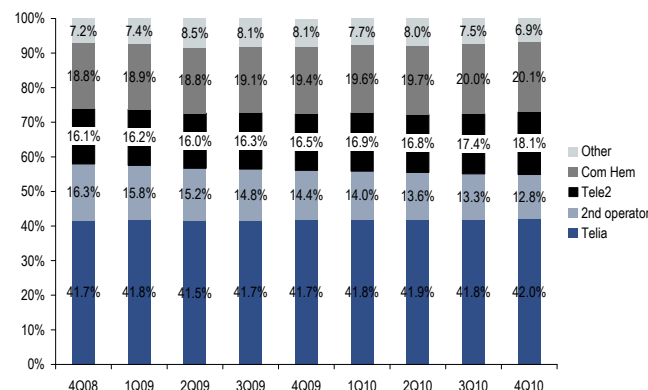
Source: Company reports and Citi Investment Research and Analysis

Figure 187. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

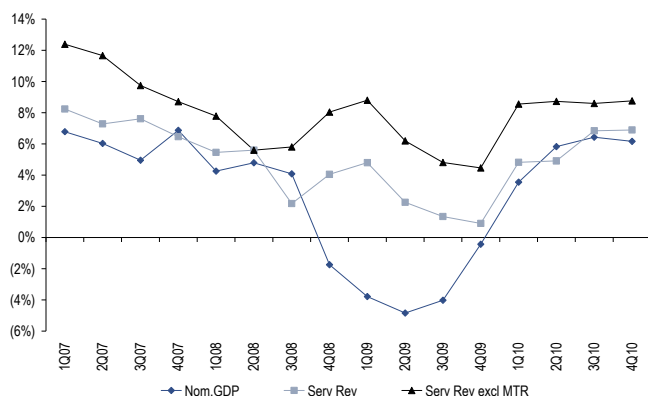
Figure 189. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

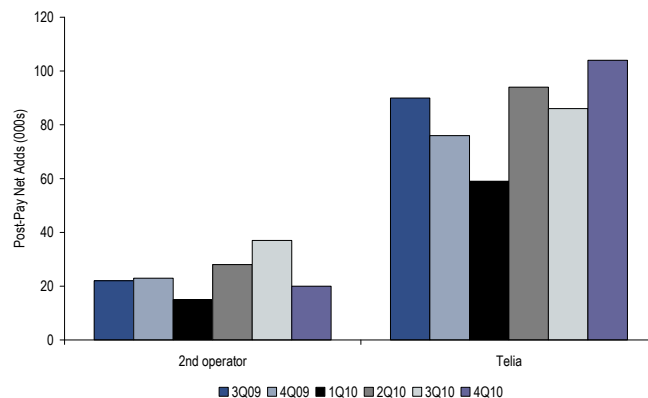
Mobile Charts

Figure 190. Revenue and GDP



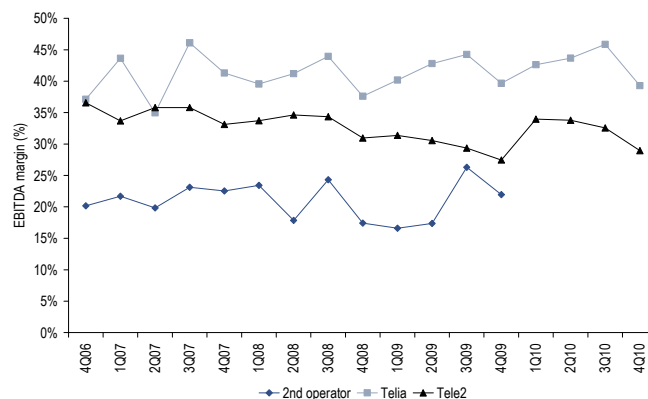
Source: Company reports, CIRA and Datastream

Figure 192. Post-Paid Net Adds



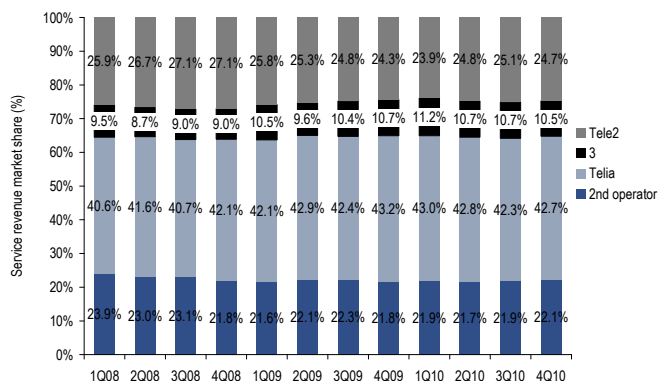
Source: Company reports and Citi Investment Research and Analysis

Figure 194. EBITDA Margin



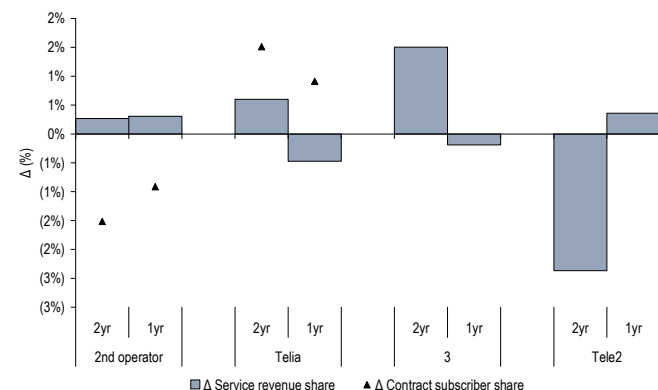
Source: Company reports and Citi Investment Research and Analysis

Figure 191. Service Revenue Market Share



Source: Company reports and Citi Investment Research and Analysis

Figure 193. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Sweden Mobile Data

Figure 195. Swedish Mobile Market Information

Sweden	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, SEK m													
2 nd operator	1,693	1,650	1,721	1,694	1,617	1,562	1,693	1,660	1,629	1,662	1,739	1,738	1,765
Telia	2,846	2,805	3,113	2,988	3,121	3,046	3,280	3,155	3,230	3,262	3,436	3,359	3,415
Tele2	1,977	1,790	1,994	1,991	2,006	1,870	1,935	1,845	1,821	1,810	1,988	1,996	1,975
Total	7,126	6,904	7,476	7,336	7,415	7,235	7,645	7,435	7,482	7,583	8,020	7,944	7,997
Service Revenue Growth, yoy													
2 nd operator	5.3%	4.5%	(0.5%)	(1.2%)	(4.5%)	(5.4%)	(1.6%)	(2.0%)	0.7%	6.4%	2.7%	4.7%	8.4%
Telia	(0.0%)	4.0%	7.6%	3.7%	9.7%	8.6%	5.4%	5.6%	3.5%	7.1%	4.8%	6.5%	5.7%
Tele2	0.0%	0.0%	3.6%	0.3%	1.5%	4.4%	(2.9%)	(7.3%)	(9.3%)	(3.2%)	2.7%	8.1%	8.5%
Total	6.5%	5.5%	5.6%	2.2%	4.1%	4.8%	2.3%	1.3%	0.9%	4.8%	4.9%	6.8%	6.9%
Service Revenue Market Share													
2 nd operator	23.8%	23.9%	23.0%	23.1%	21.8%	21.6%	22.1%	22.3%	21.8%	21.9%	21.7%	21.9%	22.1%
Telia	39.9%	40.6%	41.6%	40.7%	42.1%	42.1%	42.9%	42.4%	43.2%	43.0%	42.8%	42.3%	42.7%
Tele2	27.7%	25.9%	26.7%	27.1%	27.1%	25.8%	25.3%	24.8%	24.3%	23.9%	24.8%	25.1%	24.7%
Post-pay Customers, 000s													
2 nd operator	1,358	1,383	1,421	1,476	1,536	1,571	1,609	1,631	1,654	1,669	1,697	1,734	1,754
Telia	2,398	2,546	2,708	2,863	2,952	3,012	3,099	3,189	3,265	3,324	3,418	3,504	3,608
Tele2													
Call Volumes, mn min/qtr													
2 nd operator	1,140	1,107	1,239	1,161	1,222	1,206	1,314	1,294	1,296	1,327	1,435	1,407	1,475
Telia	2,801	2,835	3,233	3,189	3,533	3,385	3,608	3,605	3,788	3,874	4,137	3,999	4,308
Tele2	1,827	1,832	2,067	2,028	2,212	2,128	2,218	2,156	2,233	2,285	2,469	2,439	2,617
Total	6,096	6,146	7,007	6,875	7,546	7,314	7,816	7,761	8,067	8,269	8,925	8,755	9,392
Call Volume growth, yoy													
2 nd operator	13.3%	7.9%	10.8%	6.1%	7.2%	9.0%	6.0%	11.5%	6.1%	9.9%	9.2%	8.7%	13.8%
Telia	16.4%	15.2%	20.3%	18.7%	26.2%	19.4%	11.6%	13.1%	7.2%	14.4%	14.7%	10.9%	13.7%
Tele2	(6.3%)	(7.1%)	6.6%	18.0%	21.1%	16.1%	7.3%	6.3%	1.0%	7.4%	11.3%	13.1%	17.2%
Total	10.3%	8.9%	17.3%	19.1%	23.8%	19.0%	11.5%	12.9%	6.9%	13.1%	14.2%	12.8%	16.4%
EBITDA, SEK m													
2 nd operator	428	426	335	456	324	296	336	512	434				
Telia	1,216	1,123	1,291	1,388	1,197	1,252	1,424	1,490	1,360	1,472	1,580	1,682	1,467
Tele2	645	632	707	708	611	595	620	600	560	664	722	748	669

Source: Company reports and Citi Investment Research and Analysis

Sweden Fixed Data

Figure 196. Swedish Fixed Line Market Information

Sweden	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	1,067	1,089	1,099	1,107	1,122	1,132	1,132	1,132	1,125	1,130	1,131	1,124	1,129
Incumbent wholesale	0	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	609	620	616	616	611	604	592	587	571	562	557	545	535
Cable	479	490	495	503	506	512	513	518	522	530	533	537	541
Other	435	406	411	430	453	461	489	480	480	480	480	480	480
Total	2,590	2,605	2,621	2,656	2,692	2,709	2,726	2,717	2,698	2,702	2,701	2,686	2,685
Broadband Subscribers (000s)													
Telia	1,067	1,089	1,099	1,107	1,122	1,132	1,132	1,132	1,125	1,130	1,131	1,124	1,129
2 nd operator	475	468	456	446	438	427	413	403	388	379	368	356	345
Tele2	386	416	418	430	433	439	436	443	444	456	453	468	486
Com Hem	479	490	495	503	506	512	513	518	522	530	533	537	541
- other	183	142	153	170	193	199	232	221	219	207	216	201	184
Total	2,590	2,605	2,621	2,656	2,692	2,709	2,726	2,717	2,698	2,702	2,701	2,686	2,685
Broadband Subscribers Net Adds (000s)													
Telia	40	22	10	8	15	10	0	0	(7)	5	1	(7)	5
2 nd operator	0	(7)	(12)	(10)	(8)	(11)	(14)	(10)	(15)	(9)	(11)	(12)	(11)
Tele2	21	30	2	12	3	6	(3)	7	1	12	(3)	15	18
Com Hem	13	11	5	8	3	6	1	5	4	8	3	4	4
- other	4	(40)	11	18	23	6	32	(11)	(2)	(12)	9	(15)	(17)
Total	78	16	16	36	36	17	17	(9)	(19)	4	(1)	(15)	(1)
Telephony Channels (000s)													
Incumbent retail	4,295	4,233	4,154	4,084	4,000	3,906	3,794	3,696	3,604	3,531	3,442	3,295	3,214
Incumbent wholesale (WLR)	1,007	997	1,000	998	987	974	959	951	927	918	907	890	865
ULL (total)	609	620	616	616	611	604	592	587	571	562	557	545	535
Cable	261	277	287	300	314	326	335	337	347	356	365	365	365
Total	6,172	6,127	6,057	5,998	5,912	5,810	5,680	5,571	5,449	5,367	5,271	5,095	4,979
Telephony Channels Net Adds (000s)													
Incumbent retail	(78)	(62)	(79)	(70)	(84)	(94)	(112)	(98)	(92)	(73)	(89)	(147)	(81)
Incumbent wholesale (WLR)	4	(10)	3	(2)	(11)	(13)	(15)	(8)	(24)	(9)	(11)	(17)	(25)
ULL (total)	18	11	(4)	0	(5)	(7)	(12)	(5)	(16)	(9)	(5)	(12)	(10)
Cable	20	16	10	13	14	12	9	3	10	9	9	0	0
Total	(36)	(45)	(70)	(59)	(86)	(102)	(130)	(109)	(123)	(82)	(96)	(176)	(116)
Pay TV Subscribers (000s)													
Telia IPTV	304	318	320	320	324	333	350	367	396	411	418	431	450
2 nd operator cable	242	235	235	233	235	231	226	223	217	212	202	203	201
Pay TV Subscribers Net Adds (000s)													
Telia	88	14	2	0	4	9	17	17	29	15	7	13	19
2 nd operator	0	(7)	0	(2)	2	(4)	(5)	(3)	(6)	(5)	(10)	1	(2)

Source: Company reports and Citi Investment Research and Analysis

Switzerland

Fixed

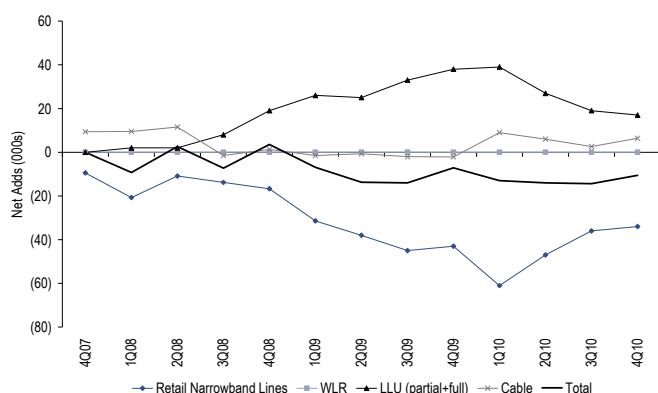
- Swisscom's retail market line loss remains modest at -5.2%, driven by migration to ULL and cable. Total market line loss is low at -1.4% yoy. Swisscom's fixed domestic revenue worsened slightly to -3.8% 4Q10 vs -3.5% 3Q10.
- Broadband net adds increased to 43k, driven by Swisscom at 31k, Cablecom's net adds remain relatively low at 9k.

Mobile

- Market service revenue growth (excl MTR cuts) remained strong at 4.2% vs 2.9% 3Q10. However MTR cuts led to a worsening in reported growth, with the largest impact on Orange.

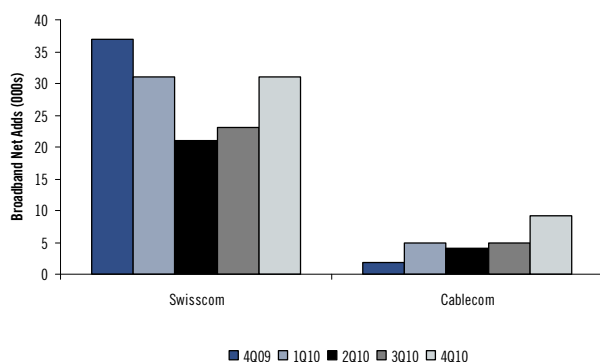
Fixed Charts

Figure 197. Telephony Net Adds



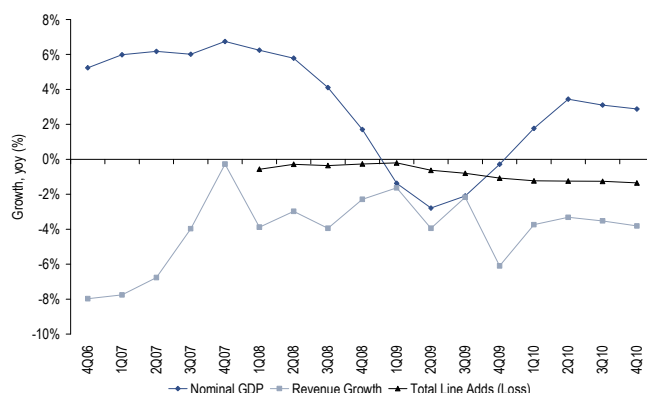
Source: Company reports and Citi Investment Research and Analysis

Figure 199. Broadband Subscriber Net Adds



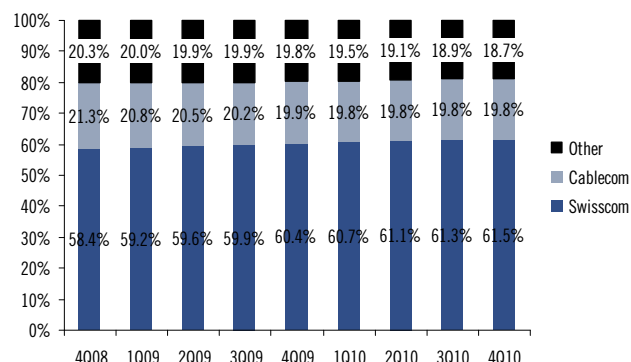
Source: Company reports and Citi Investment Research and Analysis

Figure 198. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

Figure 200. Broadband Subscriber Market Share

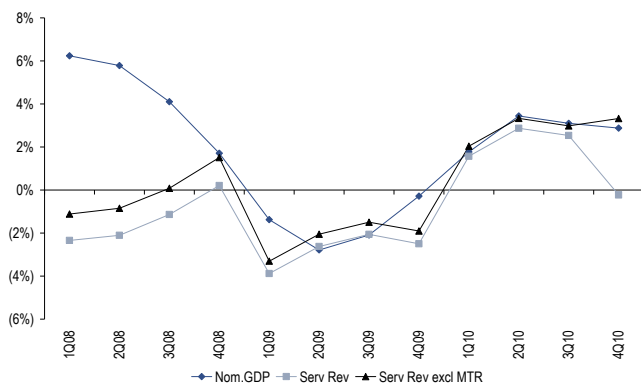


Source: Company reports and Citi Investment Research and Analysis

Mobile Charts

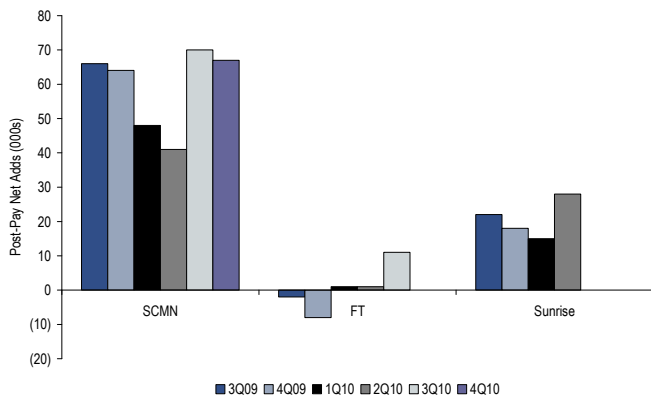
(NOTE: Sunrise is estimated beyond 3Q10)

Figure 201. Revenue and GDP (Swisscom and Orange)



Source: Company reports, CIRA and Datastream

Figure 203. Post-Paid Net Adds



Source: Company reports and Citi Investment Research and Analysis

Figure 156.5202. Service Revenue Market Share

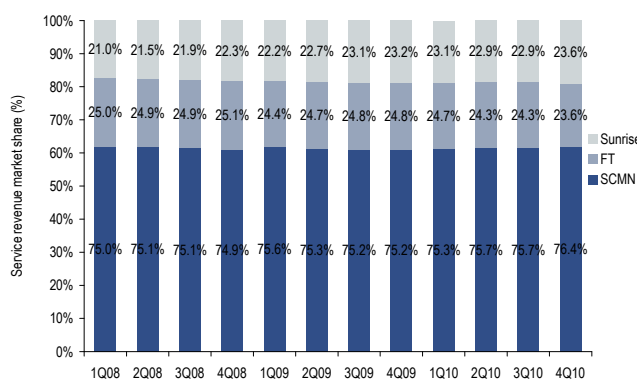
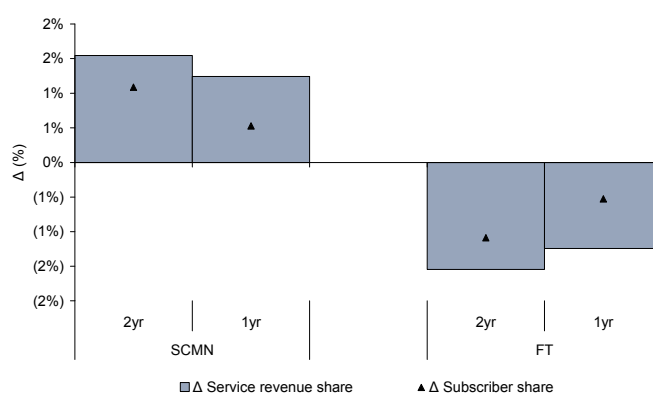


Figure 204. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Switzerland Mobile Data

Figure 205. Swiss Mobile Market Information

Switzerland	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, CHFm													
Swisscom	844	847	871	899	862	820	851	882	844	830	880	910	856
Orange (FT)	305	282	289	297	290	265	279	290	279	272	282	292	264
Total	1,149	1,129	1,160	1,197	1,152	1,085	1,130	1,172	1,123	1,102	1,162	1,202	1,120
Service Revenue Growth, yoy													
Swisscom		2.4%	0.9%	(0.4%)	2.1%	(3.2%)	(2.3%)	(1.9%)	(2.1%)	1.2%	3.4%	3.2%	1.4%
Orange (FT)		(14.3%)	(10.2%)	(3.2%)	(5.1%)	(5.9%)	(3.5%)	(2.5%)	(3.7%)	2.7%	1.2%	0.6%	(5.2%)
Total		(2.3%)	(2.1%)	(1.1%)	0.2%	(3.9%)	(2.6%)	(2.1%)	(2.5%)	1.6%	2.9%	2.5%	(0.2%)
Customers, 000s													
Swisscom	5,007	5,100	5,181	5,284	5,370	5,411	5,472	5,538	5,602	5,650	5,691	5,761	5,828
Orange (FT)	1,510	1,529	1,527	1,530	1,543	1,558	1,568	1,566	1,558	1,559	1,560	1,571	1,571
Customer Net Adds, 000s													
Swisscom	113	93	81	103	86	41	61	66	64	48	41	70	67
Orange (FT)	37	19	(2)	3	13	15	10	(2)	(8)	1	1	11	0

Source: Company reports and Citi Investment Research and Analysis

Switzerland Fixed Data

Figure 206. Swiss Fixed Line Market Information

Switzerland	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	1,169	1,221	1,254	1,279	1,331	1,379	1,410	1,441	1,478	1,509	1,530	1,553	1,584
Incumbent wholesale	438	439	450	448	431	410	390	363	331	293	260	240	226
ULL (total)	0	2	4	12	31	57	82	115	153	192	219	238	255
Cable	455	468	480	477	486	485	485	485	487	492	496	501	510
Total	2,062	2,130	2,188	2,216	2,278	2,331	2,367	2,404	2,449	2,486	2,505	2,532	2,575
Broadband Subscribers (000s)													
Swisscom	1,169	1,221	1,254	1,279	1,331	1,379	1,410	1,441	1,478	1,509	1,530	1,553	1,584
Cablecom	455	468	480	477	486	485	485	485	487	492	496	501	510
- other	438	441	454	460	462	467	472	478	484	485	479	478	481
Total	2,062	2,130	2,188	2,216	2,278	2,331	2,367	2,404	2,449	2,486	2,505	2,532	2,575
Broadband Subscribers Net Adds (000s)													
Swisscom	46	52	33	24	52	48	31	31	37	31	21	23	31
Cablecom	11	13	12	(2)	8	(0)	(0)	0	2	5	4	5	9
- other	(2)	3	13	6	2	5	5	6	6	1	(6)	(1)	3
Total	55	68	58	28	62	53	36	37	45	37	19	27	43
Telephony Channels (000s)													
Incumbent retail	3,611	3,590	3,579	3,565	3,548	3,517	3,479	3,434	3,391	3,330	3,283	3,247	3,213
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	0	2	4	12	31	57	82	115	153	192	219	238	255
Cable	289	298	310	308	309	308	307	305	303	312	318	321	327
Total	3,899	3,890	3,892	3,885	3,889	3,882	3,868	3,854	3,847	3,834	3,820	3,806	3,795
Telephony Channels Net Adds (000s)													
Incumbent retail	(9)	(21)	(11)	(14)	(17)	(31)	(38)	(45)	(43)	(61)	(47)	(36)	(34)
Incumbent wholesale (WLR)	0	0	0	0	0	0	0	0	0	0	0	0	0
ULL (total)	0	2	2	8	19	26	25	33	38	39	27	19	17
Cable	9	10	12	(2)	1	(2)	(1)	(2)	(2)	9	6	3	6
Total	(0)	(9)	3	(7)	4	(7)	(14)	(14)	(7)	(13)	(14)	(14)	(11)
Pay TV Subscribers (000s)													
Swisscom	59	64	80	95	118	139	165	186	232	275	317	358	421
Cablecom	1,551	1,557	1,562	1,567	1,556	1,557	1,552	1,554	1,546	1,541	1,539	1,537	1,520
Pay TV Subscribers Net Adds (000s)													
Swisscom	7	5	16	15	23	21	26	21	46	43	42	41	63
Cablecom	(3)	6	4	5	(10)	1	(5)	2	(8)	(5)	(2)	(2)	(17)

Source: Company reports and Citi Investment Research and Analysis

UK

Fixed

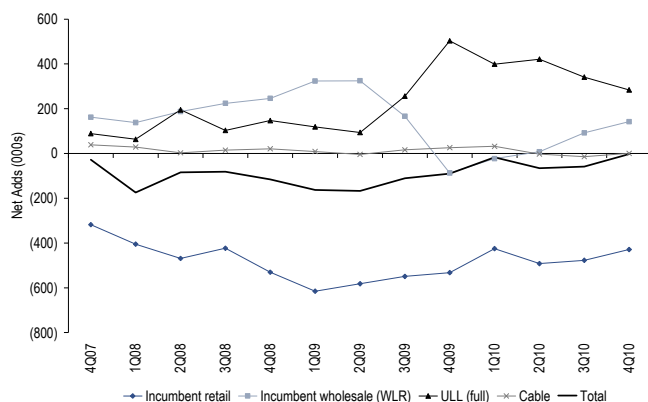
- BT's retail line loss remains high at -9.7% driven by migration to WLR and ULL. Total market line loss is low at -0.5% 4Q10. BT's domestic fixed revenue decline is remained stable at -3.1%.
- Market broadband net adds picked up significantly in 4Q10 driven by BT and BSKyB. In addition BSKyB is continuing to migrate lines to full ULL.

Mobile

- Market service revenue growth increased to 4.4% in 4Q10 from 2.6% 3Q10, this was driven by continued strong mobile data growth, however the improvement came from voice. Vodafone and O2 were the strong performers with c.7% service revenue growth, while Everything Everywhere grew 0.7% as the focus remains on integration.

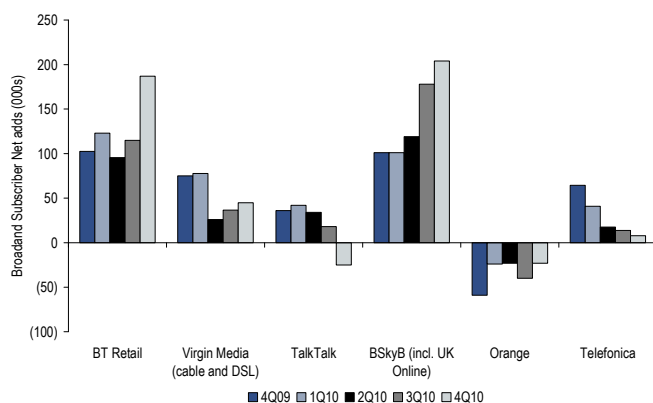
Fixed Charts

Figure 207. Telephony Net Adds



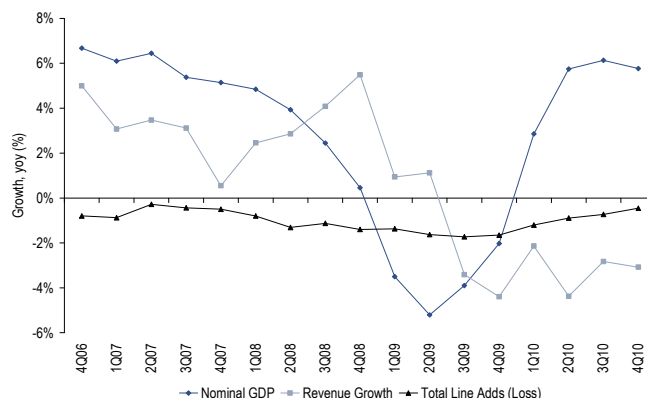
Source: Company reports and Citi Investment Research and Analysis

Figure 209. Broadband Subscriber Net Adds



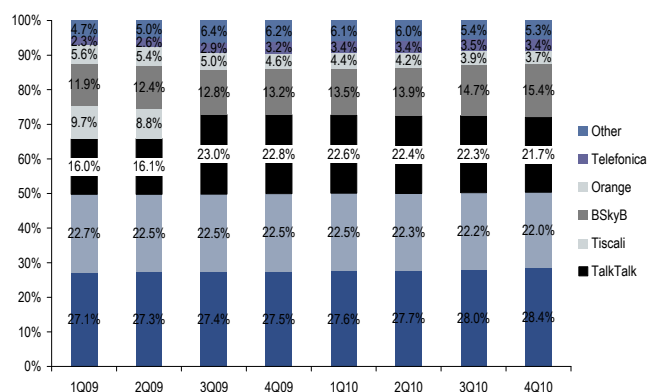
Source: Company reports and Citi Investment Research and Analysis

Figure 208. Line Loss, Incumbent Revenue Growth and GDP



Source: Company reports, CIRA and Datastream

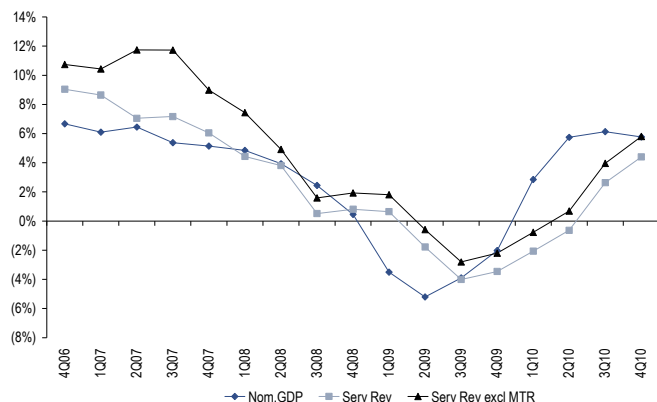
Figure 210. Broadband Subscriber Market Share



Source: Company reports and Citi Investment Research and Analysis

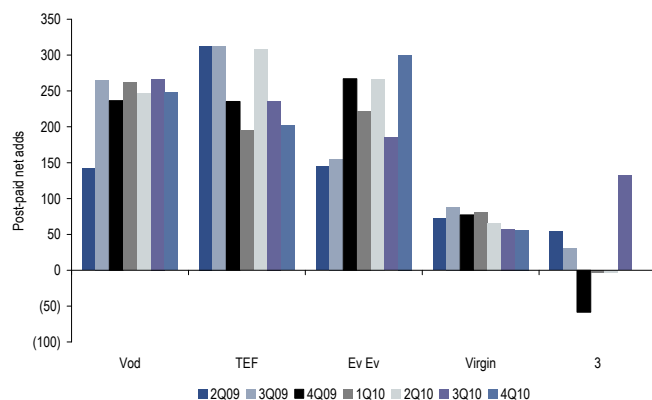
Mobile Charts

Figure 211. Revenue and GDP



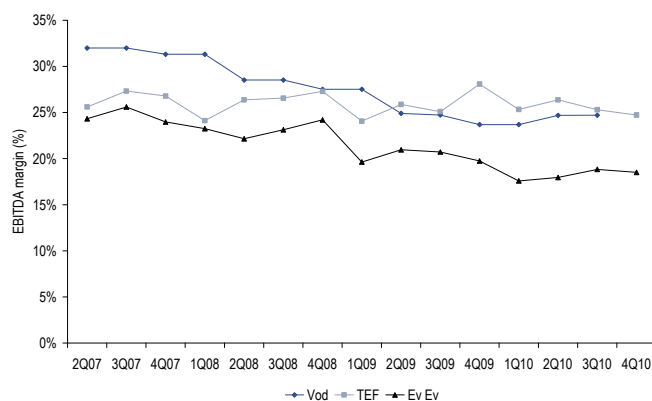
Source: Company reports, CIRA and Datastream

Figure 213. Post-Paid Net Adds



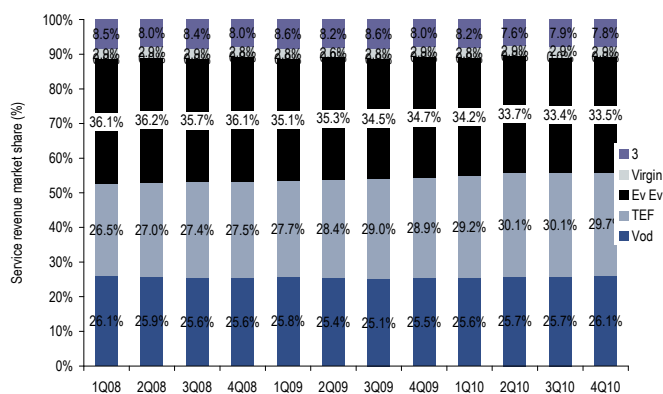
Source: Company reports and Citi Investment Research and Analysis

Figure 215. EBITDA Margin



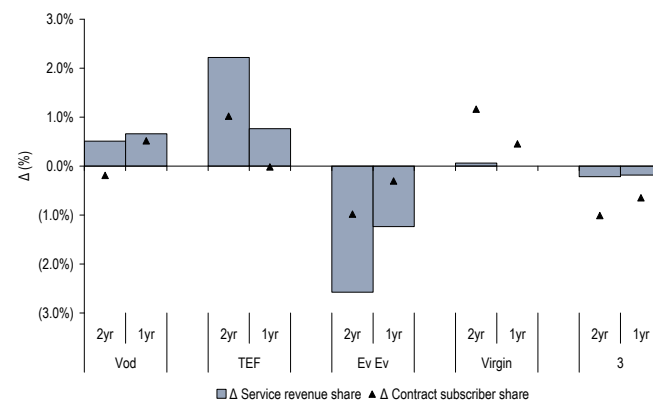
Source: Company reports and Citi Investment Research and Analysis

Figure 212. Service Revenue Market Share



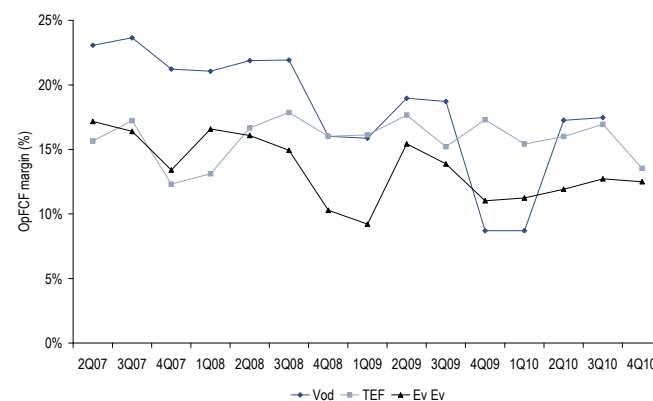
Source: Company reports and Citi Investment Research and Analysis

Figure 214. Change in Service Revenue and Contract Sub Share



Source: Company reports and Citi Investment Research and Analysis

Figure 216. OpFCF margin



Source: Company reports and Citi Investment Research and Analysis

UK Mobile Data

Figure 217. UK Mobile Market Information

UK	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Service Revenue, £m													
Vodafone	1,229	1,208	1,226	1,235	1,218	1,202	1,179	1,162	1,169	1,170	1,187	1,222	1,252
O2 (Telefonica)	1,253	1,226	1,277	1,322	1,307	1,293	1,322	1,342	1,329	1,333	1,390	1,429	1,424
Ev Ev	1,721	1,671	1,712	1,720	1,715	1,638	1,643	1,598	1,594	1,562	1,557	1,586	1,605
Virgin Mobile	142	135	139	140	135	129	121	129	133	128	132	139	139
3 (Hutch)	374	394	378	405	382	401	383	398	367	374	353	375	374
Total	4,719	4,634	4,732	4,822	4,757	4,664	4,648	4,629	4,592	4,567	4,618	4,751	4,794
Service Revenue Growth, yoy													
Vodafone	5.9%	3.6%	1.8%	(4.0%)	(0.9%)	(0.5%)	(3.8%)	(5.9%)	(4.0%)	(2.7%)	0.7%	5.2%	7.1%
O2 (Telefonica)	8.7%	8.0%	6.7%	6.1%	4.3%	5.4%	3.5%	1.5%	1.7%	3.1%	5.1%	6.5%	7.2%
Ev Ev	8.2%	6.0%	5.2%	0.5%	(0.3%)	(2.0%)	(4.0%)	(7.1%)	(7.0%)	(4.7%)	(5.2%)	(0.8%)	0.7%
Virgin Mobile	0.1%	(1.1%)	(2.1%)	(5.0%)	(5.2%)	(3.8%)	(13.0%)	(7.6%)	(1.3%)	(1.3%)	8.8%	7.2%	4.4%
3 (Hutch)	(7.2%)	(6.7%)	(2.9%)	0.0%	2.1%	1.9%	1.1%	(1.9%)	(3.8%)	(6.7%)	(7.8%)	(5.6%)	2.0%
Total	6.0%	4.4%	3.8%	0.5%	0.8%	0.6%	(1.8%)	(4.0%)	(3.5%)	(2.1%)	(0.6%)	2.6%	4.4%
Service Revenue Market Share													
Vodafone	26.0%	26.1%	25.9%	25.6%	25.6%	25.8%	25.4%	25.1%	25.5%	25.6%	25.7%	25.7%	26.1%
O2 (Telefonica)	26.6%	26.5%	27.0%	27.4%	27.5%	27.7%	28.4%	29.0%	28.9%	29.2%	30.1%	30.1%	29.7%
Ev Ev	36.5%	36.1%	36.2%	35.7%	36.1%	35.1%	35.3%	34.5%	34.7%	34.2%	33.7%	33.4%	33.5%
Virgin Mobile	3.0%	2.9%	2.9%	2.9%	2.8%	2.8%	2.6%	2.8%	2.9%	2.8%	2.9%	2.9%	2.9%
3 (Hutch)	7.9%	8.5%	8.0%	8.4%	8.0%	8.6%	8.2%	8.6%	8.0%	8.2%	7.6%	7.9%	7.8%
Post-pay Customers, 000s													
Vodafone	7,287	7,415	7,552	7,711	7,896	7,767	7,909	8,174	8,410	8,672	8,918	9,184	9,432
O2 (Telefonica)	6,809	7,687	7,868	8,189	8,412	8,699	9,011	9,324	9,559	9,754	10,061	10,297	10,499
Ev Ev	9,490	9,583	9,769	10,026	10,229	10,407	10,552	10,707	10,974	11,196	11,463	11,648	11,948
Virgin Mobile	376	436	492	579	649	712	785	873	950	1,031	1,097	1,155	1,211
3 (Hutch)	2,662	2,801	3,051	3,278	3,474	3,657	3,711	3,741	3,683	3,679	3,676	4,019	4,019
Call Volumes, mn min/qtr													
Vodafone	9,434	9,508	9,650	9,597	9,762	10,195	9,784	10,259	10,379	10,870	10,704	10,569	10,769
Telefonica	10,721	11,069	12,002	12,240	12,816	12,798	13,304	13,579	14,176	14,155	14,346	14,565	15,076
Ev Ev	15,808	15,867	16,357	16,384	16,509	16,434	16,056	15,995	16,250	16,166	16,609	15,994	16,429
Virgin Mobile	1,234	1,236	1,261	1,216	1,177	1,178	1,178	1,205	1,226	1,261	1,316	1,365	1,460
3 Hutch	1,913	1,974	2,142	2,256	2,385	2,498	2,569	2,668	2,794	2,935	3,097	3,323	3,593
Total	39,110	39,653	41,411	41,693	42,650	43,104	42,891	43,706	44,825	45,388	46,071	45,817	47,327
Call Volume growth													
Vodafone	15.6%	8.2%	7.7%	5.3%	3.5%	7.2%	1.4%	6.9%	6.3%	6.6%	9.4%	3.0%	3.8%
Telefonica	13.5%	16.5%	19.1%	18.5%	19.5%	15.6%	10.8%	10.9%	10.6%	10.6%	7.8%	7.3%	6.3%
Ev Ev	10.1%	8.5%	9.3%	7.1%	4.4%	3.6%	(1.8%)	(2.4%)	(1.6%)	(1.6%)	3.4%	(0.0%)	1.1%
Virgin Mobile	7.6%	6.2%	6.2%	1.3%	(4.6%)	(4.7%)	(6.6%)	(0.9%)	4.2%	7.1%	11.7%	13.3%	19.0%
3 Hutch	19.3%	18.7%	22.4%	23.9%	24.7%	26.6%	19.9%	18.2%	17.1%	17.5%	20.6%	24.6%	28.6%
Total	12.7%	11.0%	12.1%	10.4%	9.1%	8.7%	3.6%	4.8%	5.1%	5.3%	7.4%	4.8%	5.6%
Contract Churn, % p.a													
Vodafone	15.6%	17.3%	18.0%	17.5%	17.3%	21.9%	18.0%	18.5%	18.1%	16.2%	15.5%	16.1%	16.8%
O2 (Telefonica)	19.2%	18.0%	16.8%	15.6%	15.6%	14.4%	14.4%	14.4%	12.0%	13.2%	13.2%	14.4%	13.2%
Ev Ev	22.6%	20.8%	19.5%	20.0%	21.9%	23.0%	21.3%	21.7%	20.4%	19.2%	18.0%	16.8%	15.6%
Data Revenue (excl messaging) % Service Revenue													
Vodafone	7.6%	8.1%	9.0%	9.4%	10.1%	10.1%	11.6%	12.5%	12.8%	13.8%	14.7%	15.1%	15.6%
O2 (Telefonica)	5.2%	6.3%	6.2%	7.1%	7.9%	8.7%	9.7%	11.0%	11.6%	12.3%	13.5%	13.2%	13.8%
EBITDA, £m													
Vodafone	385	378	350	352	335	331	294	289	279	279	295	304	0
O2 (Telefonica)	357	320	363	381	401	342	371	366	418	367	401	401	398
Ev Ev	461	425	416	435	457	352	379	364	356	305	309	334	334
Capex, £m													
Vodafone	125	125	82	82	141	141	71	71	177	177	89	89	0
O2 (Telefonica)	193	146	134	125	166	113	118	144	160	144	158	133	180
Ev Ev	204	122	114	154	263	187	100	120	157	110	104	109	109

Source: Company reports and Citi Investment Research and Analysis

UK Fixed Data

Figure 218. UK Fixed Line Market Information

UK	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Broadband Subscribers (000s)													
Incumbent retail	4,251	4,402	4,505	4,574	4,658	4,757	4,835	4,906	5,008	5,132	5,227	5,342	5,529
Incumbent wholesale	4,205	3,983	3,756	3,622	3,416	3,305	3,191	3,124	3,036	2,926	2,785	2,629	2,451
ULL (total)	3,729	4,300	4,756	5,084	5,501	5,750	5,957	6,121	6,352	6,620	6,906	7,143	7,490
Cable	3,414	3,502	3,563	3,625	3,682	3,730	3,735	3,774	3,837	3,910	3,936	3,969	4,011
Total	15,599	16,187	16,580	16,905	17,257	17,542	17,718	17,925	18,234	18,587	18,854	19,083	19,481
Broadband Subscribers (000s)													
BT Retail	4,251	4,402	4,505	4,574	4,658	4,757	4,835	4,906	5,008	5,132	5,227	5,342	5,529
Virgin Media	3,701	3,782	3,836	3,885	3,934	3,977	3,981	4,027	4,102	4,180	4,206	4,242	4,287
TalkTalk	2,604	2,713	2,754	2,788	2,732	2,806	2,853	4,119	4,155	4,197	4,231	4,249	4,224
Tiscali	1,829	1,875	1,838	1,774	1,768	1,710	1,551						
BSkyB	1,199	1,428	1,628	1,792	1,955	2,085	2,203	2,303	2,404	2,505	2,624	2,802	3,006
Orange	1,138	1,107	1,063	1,023	1,000	977	954	899	840	816	793	753	730
Telefonica	71	131	194	267	341	405	457	527	592	632	650	664	672
- other	806	749	762	802	869	826	884	1,144	1,133	1,126	1,123	1,031	1,034
Total	15,599	16,187	16,580	16,905	17,257	17,542	17,718	17,925	18,234	18,587	18,854	19,083	19,481
Broadband Subscribers Net Adds (000s)													
BT Retail	177	151	103	69	84	99	78	71	102	123	95	115	187
Virgin Media (cable and DSL)	111	81	54	49	49	43	4	46	75	78	26	37	45
TalkTalk	118	109	41	34	36	74	47	15	36	42	34	18	(25)
Tiscali	9	46	(37)	(64)	(6)	(58)	(77)	0	0	0	0	0	0
BSkyB (incl. UK Online)	260	229	200	164	163	130	118	100	101	101	119	178	204
Orange	(4)	(31)	(44)	(40)	(23)	(23)	(23)	(55)	(59)	(24)	(23)	(40)	(23)
Telefonica	32	61	63	73	74	64	52	70	64	41	18	14	8
- other	(86)	(57)	13	40	67	(44)	59	260	(11)	(7)	(2)	(92)	2
Total	617	588	393	325	352	285	176	207	309	354	267	229	398
Telephony Channels (000s)													
Incumbent retail	22,948	22,543	22,074	21,651	21,121	20,506	19,924	19,375	18,843	18,418	17,926	17,449	17,020
Incumbent wholesale	4,528	4,666	4,853	5,077	5,323	5,647	5,972	6,138	6,051	6,028	6,036	6,128	6,270
ULL (total)	1,087	1,150	1,345	1,448	1,595	1,714	1,808	2,064	2,567	2,966	3,387	3,728	4,012
Cable	4,031	4,060	4,064	4,078	4,099	4,108	4,104	4,120	4,146	4,178	4,175	4,161	4,162
Total	32,594	32,419	32,336	32,254	32,138	31,975	31,808	31,697	31,607	31,590	31,524	31,466	31,464
Telephony Channels Net Adds (000s)													
Incumbent retail	(318)	(405)	(469)	(423)	(530)	(615)	(582)	(549)	(532)	(425)	(492)	(477)	(429)
Incumbent wholesale (WLR)	162	138	187	224	246	324	325	166	(87)	(23)	8	92	142
ULL (total)	89	63	195	103	147	119	94	256	503	399	421	341	284
Cable	39	29	3	15	21	9	(4)	16	26	32	(3)	(14)	1
Total	(28)	(175)	(84)	(82)	(116)	(163)	(167)	(111)	(90)	(17)	(66)	(58)	(2)
Pay TV Subscribers (000s)													
BT IPTV	120	214	282	320	376	423	433	436	451	467	481	505	545
Sky	8,832	8,888	8,980	9,067	9,238	9,318	9,442	9,536	9,708	9,770	9,860	9,956	10,096
Virgin Media	3,429	3,466	3,490	3,527	3,572	3,602	3,623	3,660	3,694	3,730	3,752	3,767	3,779
Total	12,381	12,568	12,752	12,914	13,186	13,343	13,498	13,632	13,853	13,967	14,093	14,228	14,420
Pay TV Subscribers Net Adds (000s)													
BT IPTV	74	94	68	38	56	47	10	3	15	16	14	24	40
Sky	167	56	92	87	171	80	124	94	172	62	90	96	140
Virgin Media	61	37	24	37	45	30	20	37	34	36	22	15	12
Total	302	187	184	162	272	157	154	134	221	114	126	135	192

Source: Company reports and Citi Investment Research and Analysis

Forecast Changes

Elisa

We update our forecasts post 4Q10 results. We increase our revenue forecasts +3.1% 2011, +3.9% 2012, this is due to higher mobile handset sales, we leave our mobile service revenue forecasts unchanged. We make only minor changes to our EBITDA forecasts, -1.0% 2011, +0.4% 2012. In addition, we increase net interest costs, which reduces our net income forecasts. We reduce our EPS forecasts by -3.5% 2011 and -2.1% 2012.

Figure 219. Elisa – Summary Income Statement (€m, except per share data)

	2009A	2010A	2011E	2012E	2013E
Revenues	1,430	1,463	1,478	1,498	1,508
growth (%)		2.3%	1.0%	1.4%	0.7%
Reported EBITDA	484	485	492	505	511
margin (%)	33.8%	33.2%	33.3%	33.7%	33.9%
Reported EBIT	267	268	279	296	306
margin (%)	18.7%	18.3%	18.9%	19.7%	20.3%
Net Income	176	150	180	194	203
Old reported EPS	1.130	0.908	1.198	1.271	1.322
New reported EPS	1.130	0.962	1.155	1.243	1.303
DPS	0.9	1.8	1.2	1.3	1.4
% Change in EPS		5.9%	-3.5%	-2.2%	-1.4%

Source: Company Reports, Citi Investment Research and Analysis

Portugal Telecom

We have adjusted estimates to reflect the negative working capital development during 4Q 2010 and the ongoing pressure on revenues from weak demand, particularly in SME and corporate. However, the main driver of downgrades to our EPS forecasts is the introduction of curtailment costs, as PT looks to drive efficiency measures in the coming years.

Figure 220. Portugal Telecom – Summary Income Statement (€m, except per share data)

	2009A	2010A	2011E	2012E	2013E
Revenues	6,784	3,742	6,494	6,422	6,422
growth (%)		-44.8%	73.5%	-1.1%	0.0%
Reported EBITDA	2,349	1,173	2,278	2,244	2,244
margin (%)	34.6%	31.3%	35.1%	34.9%	35.0%
Reported EBIT	911	414	1,052	1,007	1,051
margin (%)	13.4%	11.1%	16.2%	15.7%	16.4%
Net Income	684	5,672	593	604	652
Old reported EPS	0.781	6.545	0.831	0.878	0.948
New reported EPS	0.781	6.476	0.677	0.689	0.744
Old underlying EPS	0.73	0.36	0.83	0.88	0.95
New underlying EPS	0.73	0.44	0.83	0.80	0.86
DPS	0.6	0.7	0.7	0.7	0.7
% Change in EPS		-1.1%	-18.5%	-21.5%	-21.5%

Source: Company Reports, Citi Investment Research and Analysis

Telefonica

We have made no material changes to our revenue estimates but reduced group OIBDA by c.1.5% for the next two years on the back of weaker margins in Spain. We also increase our capex and D&A assumptions mainly in Spain and LatAm, as TEF intensifies investment from low levels at home and to drive data growth in the latter. This drives our EPS downgrades.

Figure 221. Telefonica – Summary Income Statement (€m, except per share data)

	2009A	2010A	2011E	2012E	2013E
Revenues	56,731	60,737	65,010	65,337	66,084
growth (%)		7.1%	7.0%	0.5%	1.1%
Reported EBITDA	22,344	22,977	23,777	23,859	24,254
margin (%)	39.4%	37.8%	36.6%	36.5%	36.7%
Reported EBIT	13,388	13,674	13,858	13,887	14,234
margin (%)	23.6%	22.5%	21.3%	21.3%	21.5%
Net Income	7,216	10,202	7,545	7,468	7,671
Old reported EPS	1.585	2.538	1.773	1.753	1.779
New reported EPS	1.585	2.256	1.653	1.636	1.681
Old underlying EPS	1.76	1.82	1.85	1.82	1.83
New underlying EPS	1.76	1.72	1.73	1.70	1.73
DPS	1.2	1.4	1.6	1.8	1.8
% Change in EPS		-11.1%	-6.8%	-6.7%	-5.5%

Source: Company Reports, Citi Investment Research and Analysis

Telekom Austria

We cut our estimates materially as we reflect weaker performance in domestic margins due to higher SAC in Austrian mobile and shift of the fixed revenue mix away from higher margin voice traffic revenues to lower margin TV and new services. We also make some adjustments to international operations, adjusting for subsidies in Belarusian mobile and MTR cuts in Bulgaria. Finally, we increase D&A on higher capex. Finally for 2011, we include a €200m provision, which relates to headcount reduction.

The change to our estimates is largely driven by provisions, while part of the underlying decline is also down to more active operational management, which should improve in the medium-term outlook. Hence we have left our target price unchanged.

Figure 222. Telekom Austria – Summary Income Statement (€m, except per share data)

	2009A	2010A	2011E	2012E	2013E
Revenues	4,802	4,651	4,477	4,417	4,387
growth (%)		-3.1%	-3.7%	-1.3%	-0.7%
Reported EBITDA	1,794	1,503	1,390	1,554	1,542
margin (%)	37.4%	32.3%	31.1%	35.2%	35.1%
Reported EBIT	344	438	249	496	556
margin (%)	7.2%	9.4%	5.6%	11.2%	12.7%
Net Income	95	195	36	224	290
Old reported EPS	0.215	0.690	0.729	1.006	1.170
New reported EPS	0.215	0.441	0.082	0.505	0.656
DPS	0.8	0.8	0.8	0.4	0.5
% Change in EPS		-36.1%	-88.8%	-49.8%	-43.9%

Source: Company Reports, Citi Investment Research and Analysis

Zon

We have adjusted our estimates, now assuming higher margins on lower revenues and weaker operating performance. Zon is trying to push price increases, which we expect to benefit EBITDA trends. We upgrade our cash flow estimates as the heavy capex cycle is behind us and lower commercial activity means lower capex and D&A. We upgrade our dividend estimates, as we see scope for Zon to return more in future years.

Figure 223. Zon – Summary Income Statement (€m, except per share data)

	2009A	2010A	2011E	2012E	2013E
Revenues	823	872	922	962	999
growth (%)		6.0%	5.7%	4.3%	3.8%
Reported EBITDA	267	302	326	347	368
margin (%)	32.5%	34.7%	35.3%	36.0%	36.8%
Reported EBIT	79	82	96	117	168
margin (%)	9.5%	9.4%	10.4%	12.1%	16.8%
Net Income	44	30	33	56	98
Old reported EPS	14.880	10.486	9.881	18.751	32.672
New reported EPS	14.880	10.110	10.617	18.254	31.571
DPS	16.0	16.0	17.0	20.0	22.0
% Change in EPS		-3.6%	7.5%	-2.7%	-3.4%

Source: Company Reports, Citi Investment Research and Analysis

Notes

Notes

Appendix A-1

Analyst Certification

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