

## ANALYSIS

### Table of Contents:

CORPORATE PROFILE	1
GOVERNMENT-RELATED ISSUER METHODOLOGY	2
KEY RATING CONSIDERATIONS	4
RATING FACTOR ANALYSIS	6
OTHER CREDIT CONSIDERATIONS	11
RATING POSITIONING AND PEER COMPARISON	11
MOODY'S RELATED RESEARCH	13

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This Analysis provides an in-depth discussion of credit rating(s) for Swisscom AG and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on [Moody's website](http://www.moodys.com).

## Swisscom AG

Switzerland

### Corporate Profile

#### Swisscom is the leading fixed-line and mobile operator in Switzerland

Swisscom AG (A2, stable) is the leading telecommunications operator in Switzerland, servicing 5.6 million fixed lines – of which almost 1.8 million are fixed-line broadband connections – and 5.8 million mobile customers as of fiscal year-end 2010. Swisscom has a nationwide presence, delivering a full range of services and products, including telephony, data exchange, interactive content, TV and Information Communication Technology (ICT) solutions. The group is also present in one of the most attractive broadband markets in Europe via the Italian provider Fastweb, which Swisscom acquired in May 2007. Fastweb is the third-largest broadband telecoms company in Italy and operates its own network, via which it offers products and services for voice, data, internet and TV.

Fastweb represents about 21% of group revenues and 13% of EBITDA as of December 2010. Moody's considers that Fastweb fits well with Swisscom's strategy to diversify into broadband assets – with substantial growth potential.

Swisscom's most significant division is Residential, which contributed to 65% of the group's EBITDA during 2010 (see Figure 1). The decline in Wholesale revenues was primarily driven by price reductions from roaming tariffs of foreign customers on the Swisscom mobile network as well as from lower prices for (broadband) services for other telecommunications providers. This reduction in revenue could not be offset by additional revenue from the unbundling of the local loop. The core domestic business continued to perform strongly, whilst Fastweb performed well in the SME and Corporate division but poorly in the Consumer division.

FIGURE 1

**Operational Highlights**

(CHF million)	Revenues			Relative (%) contribution		EBITDA		Relative (%) contribution		EBITDA margin*	
	2010	2009	Change	2010	2009	2010	2009	2010	2009	2010	2009
Residential	5,190	5,017	3.4%	43.1%	41.0%	3,008	2,917	65.4%	62.3%	58.0%	58.1%
Small & Medium Size Enterprises	1,175	1,145	2.6%	9.7%	9.4%	869	835	18.9%	17.8%	74.0%	72.9%
Corporate	1,858	1,832	1.4%	15.4%	15.0%	991	957	21.6%	20.4%	53.3%	52.2%
Wholesale	1,253	1,445	-13.3%	10.4%	11.8%	439	471	9.5%	10.1%	35.0%	32.6%
Fastweb	2,576	2,793	-7.8%	21.4%	22.8%	589	831	12.8%	17.7%	22.9%	29.8%
Other	-64	-231	-	-	-	-1,299	-1,327	na	na	na	na
<b>Total Swisscom (consolidated)</b>	<b>11,998</b>	<b>12,001</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>4,597</b>	<b>4,684</b>	<b>100.0%</b>	<b>100.0%</b>	<b>38.3%</b>	<b>39.0%</b>

\*as reported by the company

Moody's expects Swisscom to maintain stable revenues and margins during 2011, with progressive improvements thereafter, mainly driven by broadband services in the domestic business.

Moody's expects Swisscom to remain the leading telecommunications operator in both wireline and wireless in Switzerland. It had strong market shares of 55% in broadband access and 62% in mobile as of December 2010. While recognising that Swisscom will face further challenges from increasing competition and regulatory pressure in both wireline and wireless telephony in the future, the company will be able to offset much of the impact of the expected price erosion and market share loss through a continued focus on efficiency improvements and differentiation through service quality.

Swisscom has a very high quality network and we expect it to achieve a 30% fibre to the home (FTTH) coverage by 2015. Important rating factors include Swisscom's strong operating profile, the strength of its financial profile, the quality of management and its determination to execute its strategy, as demonstrated by strong market shares in all segments, high customer satisfaction, data revenue growth rates and the scope of new products being launched to stimulate future usage. Swisscom will continue to pursue a conservative financial risk and investment strategy. The company's objective is to achieve a reported net debt/EBITDA ratio of around 2.0x.

## Government-Related Issuer Methodology

### Swisscom is a government-related issuer according to Moody's methodology

Given its 56.94% ownership by the Swiss government, Swisscom qualifies as a government-related issuer (GRI) under Moody's methodology for such entities ("The Application of Joint Default Analysis to Government-Related Issuers", was originally published in April 2005 and updated on 22 July 2010. The updated Methodology includes more detailed analysis and transparency on extraordinary support and default dependence.) This methodology formally disaggregates the rating of a GRI into four components:

- » the GRI's baseline credit assessment;
- » the credit risk of the supporting government;

- » the default dependence between the GRI and the government;
- » the likelihood of government support.

In accordance with this methodology, Swisscom's A2 rating reflects the combination of the following inputs:

- » A baseline credit assessment (BCA) of 8 (on a scale of 1 to 21, where 1 signifies the lowest level of credit risk), reflecting Swisscom's leading positions in the Swiss market for wireline and wireless services.
- » The Aaa local currency rating of Switzerland, with stable outlook.
- » Low default dependence between Swisscom and the government, reflecting the weak correlation between the strength of Swisscom's credit profile and Swiss economic trends (despite Swisscom's importance to the national economy). More specifically, the low dependence factor results from the low financial and operational links between Swisscom and the government. This reflects Moody's view that telecoms operators generally have a relatively low level of correlation with the sovereign. In particular, we observe that direct and indirect fiscal transfers and government telecom expenditure represent a low proportion of Swisscom's revenue. More generally, Swisscom and the government are not exposed to the same revenue base and do not share the same credit risks.
- » A moderate level of government support, which is based on the following observations:
  - 1) There is no explicit support from the government. Also, Moody's is not aware of any formal – verbal or written – confirmation that the government will support Swisscom in the event of it facing a default on its financial debt. In addition, Swisscom does not have a special legal status that would suggest a closer link with the state or an implicit form of support.
  - 2) The government's 56.94% ownership of Swisscom and its willingness to behave as a rational shareholder suggests that the government is unlikely to provide support alone, and instead would consider only providing shareholder support jointly with other shareholders in the form of a capital increase.
  - 3) There are EU policy barriers to the provision of direct financial support and the government is likely to obey these rules. However, the government demonstrated its readiness to intervene in 2005, when it objected to a foreign expansion strategy. As long as the state holds a substantial equity stake in Swisscom, Moody's would expect there to be no major change in government behaviour, especially in cases of financial stress. The government indicated as long ago as Q3 2005 that it would seek to exit as a shareholder to give Swisscom full strategic autonomy in a market facing increasing competition. However, privatisation has been postponed, signalling that privatisation remains a politically sensitive issue that still lacks consensus in Switzerland. The government is concerned about three issues related to the privatisation of Swisscom: (i) the impact it would have on the company's universal service obligation; (ii) the company's shared infrastructure with the military; and (iii) the government's residual ownership and the company's future owner.
  - 4) Moody's considers the Swiss government's historical approach with regard to Swisscom as highly interventionist. It appoints a board member, which is positive relative to support assumptions.

- 5) In our view, the government would face a significant degree of embarrassment in the event of a default by Swisscom, which we believe could damage the good reputation of the Swiss government.
- 6) Swisscom appears to have high economic and social importance, despite its strategic importance having diminished over recent years due to the increasing presence of viable, privately owned competitors with significant market share.

Moody's might be prompted to adjust its support assessment upwards if privatisation plans were abandoned as a result of political and/or public objections, demonstrating high political sensitivity to matters related to the group and substantial reputational risks for the Swiss government. However, this is highly unlikely and might not have an effect on the rating. Similarly, there would likely be no rating impact in the event of an increase in the state's stake in Swisscom. Conversely, a concrete timetable for a substantial reduction in the state's stake in Swisscom, signalling a potentially irreversible privatisation process, could prompt us to adjust downwards our assessment of the probability of support.

## Key Rating Considerations

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### Swisscom's rating balances qualitative and quantitative factors according to the methodology

[Moody's Global Telecommunications Industry Rating Methodology](#), published in December 2010, sets out how we analyse the credit risk of telecoms companies and arrive at their ratings. The theoretical methodology grid outcome for Swisscom is A3, which is one notch higher than the equivalent underlying BCA 8. This is due to the risk derived from the recent investment in Fastweb.

Measurements are quantitative where Moody's can define an appropriate metric. However, for some sub-factors, qualitative judgment or empirical observation is necessary to determine the appropriate category. Of the 11 sub-factors, four are qualitative and seven are quantitative. The qualitative factors mostly reflect the benefits associated with Swisscom's status as a fixed-line incumbent. As a general point, Moody's would not expect any significant rating migration in the qualitative factors of Swisscom or its peers; any medium-term change in the rating outcomes under the methodology grid is more likely to result from changes in the quantitative metrics.

The rating outlook is stable, based on the strength of Swisscom's operations, the implicit support from the government and our expectation that the group will remain prudent in terms of taking advantage of its financial flexibility.

FIGURE 2

**Rating Factors – Swisscom AG**

Global Telecommunications Industry [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa
<b>Factor 1: Scale And Business Model, Competitive Environment And Technical Positioning (27% )</b>							
a) Scale (USD Billion)			\$11.5				
b) Business Model, Competitive Environment and Technical Positioning			x				
<b>Factor 2: Operating Environment (16%)</b>							
a) Regulatory and Political			x				
b) Market Share		x					
<b>Factor 3: Financial Policy (5%)</b>							
a) Financial Policy				x			
<b>Factor 4: Operating Performance (5%)</b>							
a) EBITDA Margin			40.4%				
<b>Factor 5: Financial Strength (47%)</b>							
a) Debt / EBITDA				2.6x			
b) FCF / Debt				8.7%			
c) RCF / Debt					24.2%		
d) (FFO + Interest Expense) / Interest Expense		10.3x					
e) (EBITDA - Capex) / Interest Expense			6.4x				
<b>Rating:</b>							
a) Indicated Rating from Grid			A3				
b) Actual Rating Assigned			A2				
<b>Government-Related Issuer</b>							
a) Baseline Credit Assessment		8					
b) Government Local Currency Rating		Aaa					
c) Default Dependence		Low					
d) Support		Moderate					

[1] All ratios are calculated using Moody's Standard Adjustments.

[2] As of 31/12/2010; Source: Moody's Financial Metrics™

## Rating Factor Analysis

### Factor 1: Scale and Business Model, Competitive Environment and Technological Positioning

#### Sub-factor (a): Scale (A)

A key determinant of a company's credit quality is its size and total annual revenues. Specifically, larger companies are generally more broadly diversified, which enables them to reduce volatility and provides them with the flexibility to generate cash from the divestiture of certain operations, if needed. Larger companies also benefit from greater financial resources and economies of scale. In light of Swisscom's annual revenues of around CHF12 billion (c. USD11.5 billion), the group ranks in the A category.

#### Sub-factor (b): Business Model, Competitive Environment and Technological Positioning (A)

Moody's views an integrated telecoms business model as more robust than either a stand-alone fixed-line operation or a wireless business because of the ongoing pace of technological change. Swisscom follows an integrated business model, with its wireless business contributing around 50% of total domestic revenues. Moody's assesses the competitiveness of a particular telecoms market by examining the industry structure and number of players. The Swiss telecoms market is one of the world's most highly developed markets and is characterised by a wide range of voice and data communications services and permanent innovation.

Swisscom's strong performance in both fixed and mobile segments is expected to continue, with the group gaining further share in the digital pay-TV market in which it currently has a 24% market share – behind satellite TV (25%) and cable TV (43%).

The Swiss wireline telephony market is mature and highly competitive, a result of the liberalisation of the market and introduction of carrier pre-selection in 1998. Given that the number of lines that use pre-selection (and are fully unbundled) has recently increased, there is now greater competition to provide telephone, television and internet services.

Other than Swisscom, only cable network operators have their own fixed-line infrastructure in Switzerland. Cable TV operators are amongst the most dynamic operators in the fixed-line voice market due to relatively attractive 3-play (TV/broadband/voice) bundle offers. The performance capability of Switzerland's cable networks has been steadily improving, with infrastructure now covering 85% of the country's households.

Moody's believes that the most significant challenge for Swisscom is broadband, whereby substantial investments are needed over the next few years for Swisscom to maintain its superior quality-differentiating factor and achieving the right price structure will be critical. Swisscom's ability to offer superior content and convergent services, such as video on demand (VoD), is therefore fundamental to its product differentiation and technology leadership.

Switzerland is a good example of a mobile market that appears mature (over 113% penetration) on the surface, but on closer inspection is surprisingly dynamic. New services are being created and old ones are being revived, with operators continually redefining what they offer. The country has three operators of third generation mobile networks: Swisscom, with and overwhelmingly leading position; Sunrise; and Orange. After the proposed Orange/Sunrise merger was vetoed (prohibited by the Swiss

Competition Commission as of 22 April 2009), Swisscom has maintained its dominant position in the Swiss telecommunications market.

In Italy, unlike Switzerland, there is no full scale infrastructure competition in the broadband market between digital subscriber line (DSL) providers and cable network operators. The Italian broadband market is still a low penetrated market, with coverage of only around 47% of households and businesses combined. Fastweb is the third-largest broadband provider in Italy, after Wind Telecomunicazioni S.p.A (Ba3, stable) and Telecom Italia (Baa2, stable).

Under this category, Moody's ratings also take into account the extent of a company's exposure to technological advancement and its ability – in terms of market position – to handle such developments. Switzerland has one of the most advanced telecommunications infrastructures in Europe. In order to develop the infrastructure to the highest level, Swisscom operates a fixed network with copper and fibre-optic lines, as well as a latest-generation mobile communications network.

While setting up its new high-speed network, Swisscom continues to upgrade its asymmetric digital subscriber line (ADSL) infrastructure, thereby increasing the speed of DSL lines for broadband internet access. Another key technology issue is the group's investment in a fibre-optic network. Swisscom plans to progressively invest in a FTTH network that would give it more bandwidth than its current copper-based infrastructure. By the end of 2015, the group will have invested some CHF2 billion in expanding its fibre-optic network to reach a 30% FTTH coverage.

Swisscom's mobile broadband network is also becoming increasingly powerful. The group's position at the forefront of the development of mobile broadband has undoubtedly been driven by the extremely bullish approach of operators to high-speed packet access (HSPA). The upgrade to HSPA+, which began in September 2009, will enable transmission speeds of up to around 28.8 Mbps.

Moody's recognises the high quality of Swisscom's network, which the group has supported with large investments in the past. While this assessment is largely qualitative, a quantitative measure that can prove helpful in the evaluation of the group's technology risk is its capital expenditure (capex)/revenues ratio, which was 15.9% as of December 2010.

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## Factor 2: Operating Environment

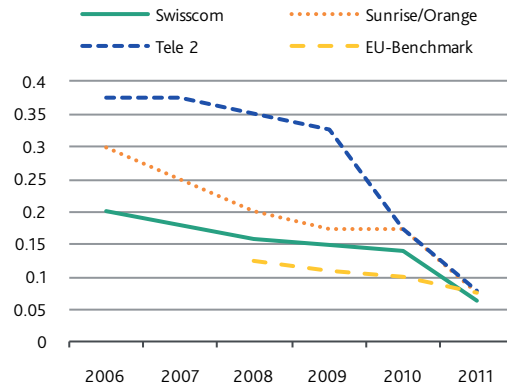
### Sub-factor (a): Regulatory and Political (A)

Moody's scores Swisscom A for this sub-factor, reflecting the long-established, predictable regulatory environment, which is unlikely to change, and the established political environment.

In fixed line, unbundled local loop (ULL) is still to be fully implemented (although the unbundling process was introduced in 2007). Unbundling was deliberately restricted to existing networks, i.e. copper wire and cable ducts, to avoid modern fibre-optic networks being subject to existing regulation and to provide certain incentives for companies to make investments in such technology.

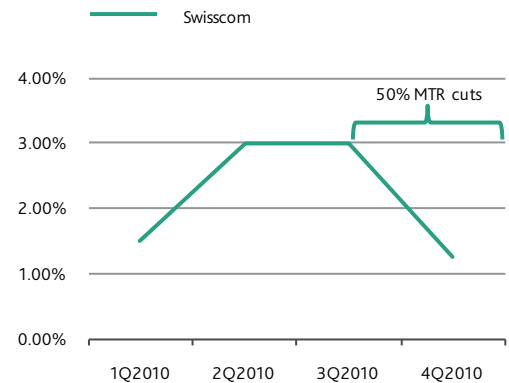
A main threat to wireless operations comes from the continued decline in mobile termination rates (MTRs). MTR declines follow a similar gliding path as the rest of the EU. The last cut was in October 2010 (see Figures 3 and 4). Moody's does not expect any further decline in MTRs to significantly affect Swisscom's financial ratios.

FIGURE 3  
Wireless- Price voice Incoming (CHF)



Source: Swisscom

FIGURE 4  
Service revenue growth with MTR cut



Source: Swisscom, Macquarie Research, March 2011

The main outstanding concern relates to the regulatory review of the Swiss Telecommunications Act, which sets out a number of the main principles for the regulation of telecoms in the Swiss market. The act needs to provide clarity and certainty in the market, especially at a time when there is significant investment in fibre in the Swiss market (with fibre being excluded from regulation under the current act).

#### Sub-factor (b): Market Share (Aa)

The relative positioning of a telecoms operator within any given segment is important to its rating outcome, as it is indicative of the likely sustainability of its operating position and of the company's ability to exercise control over the nature and pace of development. Moody's has scored Swisscom Aa for this sub-factor, based on its leading positions in the fixed-line and wireless markets. As the incumbent telecoms provider in Switzerland, Swisscom continues to lead the fixed-line residential and business services market.

The Swiss broadband market, where access is offered mainly via ADSL and cable modems, has one of the highest access penetration rates in Europe (around 82% of households). Fibre-optic lines still account for less than 1%. Swisscom has one of the highest retail broadband market shares in Europe, with 55% in terms of broadband access lines as at the end of December 2010.

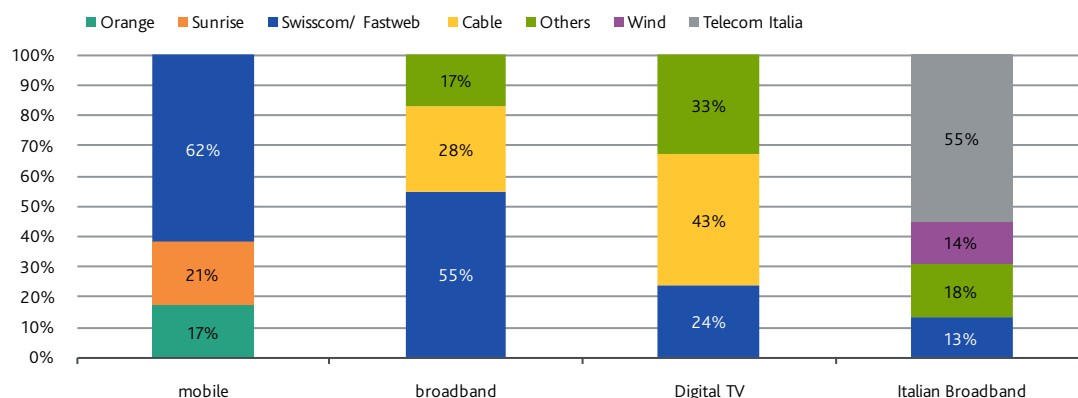
The trend towards bundled products and new pricing models, such as flat-rate tariffs, will continue. Price erosion will continue to be more than offset by customer and volume growth. As of year-end 2010, the number of customers signing up for bundled offerings such as Vivo Casa, which combines fixed-line telephony, Internet and TV, totalled 327,000. The number of Swisscom TV customers increased year-on-year by 81.5% to 421,000 by the end of 2010. In Q4 2010 alone, Swisscom TV gained 63,000 new customers.

The Swiss mobile market exhibits certain features that distinguish it from other markets in Europe. Swisscom is a long-standing operator with one of the highest mobile market shares in Europe – 62% in 2010 (well above the European average of around 42%). Indeed, the situation in Switzerland in 2010 regarding market share was similar to that in other European countries before 2000, which makes it more difficult for Sunrise (21% market share) and Orange (17% market share) to increase their market share, even if the merger had occurred.

In 2010, the number of mobile customers in Switzerland increased by 226,000 or 4% to 5.8 million. In that year, Swisscom sold 1.38 million mobile devices, of which around half were Smartphones. Revenue from mobile data traffic rose by 33%. Customers have long benefited from falling prices: the price per megabyte for mobile data has declined by 94% in three years. Overall price erosion in mobile communications in 2010 amounted to around 13% (price based on volume).

Moody's does not view the entry of mobile virtual network operators (MVNOs) – which buy access to operators' networks and resell mobile phone services under their own brands – as a threat in the short term in a market where service quality (rather than price) is paramount. Indeed, Swisscom itself is Switzerland's largest MVNO as a result of its co-operation with the Turkish retailer Migros in the launch of the low-cost M-Budget plan.

FIGURE 5

**Market shares as of December 2010**

Source: Swisscom

**Factor 3: Financial Policy****Sub-factor (a): Financial Policy (Baa)**

Swisscom's strategy and financial risk will directly affect its debt levels and credit quality, and hence is a key rating determinant. Moody's has scored Swisscom Baa for this factor, based on its predictable financial policy balanced between stockholders and creditors. However, there is potential for rating migration in the event of the group making sizeable acquisitions.

Going forward, Swisscom's financial policy will be determined by:

- » Limiting its net debt to a maximum level of 2x EBITDA (as agreed with the government).
- » Acquiring or consolidating adjoining businesses both in Switzerland and in Italy.

Swisscom has stated that it will seek consolidation opportunities in both the Swiss IT services market and the Italian wireline market. The group has also indicated that it has around CHF1 billion of funds for potential M&A, given the expected 2011 net debt levels and the group's leverage limit of 2x net debt/EBITDA. However, Moody's expects available funds for M&A to be somewhat higher, given that any acquired asset is likely to make some EBITDA contribution, even before we consider the scope for operating synergies. In terms of the shareholder remuneration policy, we expect Swisscom to pay out up to half of its operating cash flow, and dividends to be at least the same as for the previous year.

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## Factor 4: Operating Performance (A)

### Sub-factor (a): EBITDA Margin (A)

The level and stability of operating margins is a key consideration in assessing risk to debt holders. When considering scores for this factor, Moody's reviews the EBITDA margin trend, as well as the absolute level. Swisscom has one of the highest EBITDA margins (above 40%) amongst its peers in Europe. Therefore, Moody's has scored the group A for this factor.

The measurement of trends in EBITDA margins reveals the trajectory of a company's earnings, and is therefore a leading indicator of business performance.

Swisscom is facing significant challenges to grow in a saturated market, primarily as a result of structural rather than cyclical factors, and has also been affected by line and usage deterioration (fixed to mobile) and price erosion.

In 2010, Swisscom maintained a flat revenue trend versus the previous year. The Italian subsidiary Fastweb decreased net revenue in local currency terms by 7.8% to CHF2.562 billion. Net revenue, excluding Fastweb, rose by 2.2% to CHF9.412 billion, which was primarily attributable to the economic recovery, acquisition of subsidiaries made by Swisscom IT Services, and growth in mobile communications and bundled products. In 2010, EBITDA fell by CHF137 million or 2.9% to c. CHF4.6 billion.

The group continues to implement strategies with a view to seeking further growth, including:

- » Enhancing broadband usage with new services and products, such as Swisscom's Internet Protocol television (IPTV). In launching this package, the group's goal is to create an integrated user experience in which conventional TV channels, internet and contents are available and easy to access via multiple devices (IPTV – including VoD and PayTV – now accessible through a set-top box at home, a PC and via mobile phone).
- » Integrating the network, whereby the group carries out a rationalisation of all its networks, resulting in the creation of a single IP platform that will also deliver cost savings.
- » Acquiring and retaining profitable mobile customers – rather than focusing strictly on market share growth – through its customer-focused service culture.
- » Reducing annual overhead expenditures.

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## Factor 5: Financial Strength

Swisscom currently displays credit metrics that are commensurate with its BCA of 8. Moody's anticipates a steady improvement of the group's financial ratios over time, and expects Fastweb to meet management's objectives in the future.

Moody's expects that Swisscom will remain prudent in terms of taking advantage of its financial flexibility, thereby making limited debt-financed acquisitions beyond the Fastweb transaction. We also expect that the group's capex requirements will be at the same level as in 2010 (CHF2 billion), with the capex/sales ratio remaining around 17% in the medium term.

We expect 2011 to be a “transitional year” with no revenue growth and a slightly higher EBITDA. However, we expect (beyond 2011) Fastweb to achieve strong revenue and cash flow growth due to the introduction of products to boost revenues and increase efficiencies.

## Other Credit Considerations

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### Liquidity Profile

Swisscom's liquidity profile for the next 12 months is sound. Moody's believes that internal sources will enable the group to cover its debt maturities and other expected cash demands over the next 12 months. At the year-end 2010, Swisscom had approximately CHF483 million of cash, and CHF1.8 billion of undrawn committed facilities. In addition, Moody's estimates that the group will generate around CHF1.8 billion of free cash flow before dividends.

Furthermore, Moody's expects Swisscom's internal cash flow generation to exceed operating needs, capex of about CHF2 billion and regular dividend payments. The group has no debt maturities due in 2011, but has CHF400 million due in 2012.

### Rating Positioning and Peer Comparison

Swisscom compares well with its peer group from both its financial ratio perspective as well as overall corporate profile. Its sustained high EBITDA margin, strong overall market shares, superior network quality and conservative shareholder remuneration, support its strong free cash flow generation capacity. Swisscom has consistently invested in its network above or close to 18% capex to revenues, which has enabled it to achieve a superior network infrastructure. From a ratings perspective, Moody's views Swisscom as one of the highest rated companies in the European telecoms sector also partly due to the perceived moderate level of government support.

FIGURE 6

**Peer Group**

Revenue in USD '000

Company Name	Date	Revenue	EBITDA Margin %	(FFO + Interest Expense) / Interest Expense	(EBITDA - CAPEX) / Interest Expense	Debt / EBITDA	RCF / Debt	FCF / Debt	CAPEX / Revenue
<b>Swisscom AG</b>	12/31/2010	11,528,223	40.45%	10.34x	6.36x	2.55x	24.19%	8.66%	17.54%
MDY Rating: A2-NEW-06/28/2007-	12/31/2009	11,080,435	41.47%	10.29x	5.96x	2.52x	26.36%	10.98%	18.25%
Outlook: Stable-03/12/2007	12/31/2008	11,297,579	41.15%	7.96x	4.59x	2.70x	22.85%	6.04%	18.74%
	12/31/2007	9,249,896	44.21%	7.78x	5.00x	2.72x	20.25%	3.23%	19.74%
<b>Belgacom Societe Anonyme de Droij</b>	12/31/2010	8,695,048	32.16%	12.91x	8.85x	1.35x	35.30%	7.04%	12.47%
MDY Rating: A1-DNG-01/21/2010-	12/31/2009	8,255,497	35.19%	10.85x	8.66x	1.38x	31.57%	4.39%	11.57%
Outlook: Stable-01/21/2010	12/31/2008	8,692,562	35.70%	12.29x	8.54x	1.52x	29.82%	2.40%	14.38%
	12/31/2007	8,206,326	38.48%	13.74x	11.04x	1.16x	43.08%	12.99%	12.00%
<b>Telekomunikacja Polska S.A.</b>	12/31/2010	5,224,709	38.11%	12.49x	7.85x	1.75x	31.87%	4.31%	14.92%
MDY Rating: A3-UPG-02/21/2008-	12/31/2009	5,357,195	39.15%	13.59x	8.44x	1.51x	39.09%	12.59%	15.60%
Outlook: Stable-05/21/2004	12/31/2008	7,646,339	42.36%	10.39x	7.00x	1.27x	46.13%	20.36%	15.38%
	12/31/2007	6,623,409	44.56%	9.75x	6.07x	1.20x	42.69%	5.87%	21.23%
<b>TeliaSonera AB</b>	12/31/2010	14,824,413	37.58%	10.22x	7.26x	2.15x	20.39%	-0.07%	15.04%
MDY Rating: A3-DNG-10/30/2007-	12/31/2009	14,358,771	34.82%	8.99x	5.45x	2.62x	21.59%	5.51%	14.40%
Outlook: Stable-10/30/2007	12/31/2008	15,885,539	34.32%	6.98x	3.53x	2.67x	21.64%	1.63%	16.88%
	12/31/2007	14,275,294	35.38%	10.07x	6.00x	1.87x	29.63%	5.67%	15.89%
<b>Koninklijke KPN N.V.</b>	12/31/2010	17,682,054	44.14%	5.15x	3.33x	2.80x	19.12%	5.61%	18.24%
MDY Rating: Baa2-DNG-02/08/2006-	12/31/2009	18,751,213	42.33%	5.37x	3.41x	3.14x	20.04%	7.99%	15.53%
Outlook: Stable-11/15/2003	12/31/2008	21,215,969	36.24%	4.95x	3.04x	3.10x	18.24%	8.41%	15.25%
	12/31/2007	17,080,177	41.85%	5.91x	4.00x	3.18x	18.54%	8.60%	15.31%
<b>TDC A/S</b>	12/31/2010	4,662,923	41.39%	4.96x	2.79x	2.76x	30.37%	17.17%	16.78%
MDY Rating: Baa2-UPG-01/20/2011-	12/31/2009	4,882,525	41.19%	5.00x	2.26x	3.77x	6.85%	-3.07%	17.89%
Outlook: Stable-01/20/2011	12/31/2008	7,023,076	35.69%	2.88x	1.55x	3.78x	17.29%	5.49%	14.99%
	12/31/2007	6,766,080	41.09%	2.80x	1.79x	3.76x	15.63%	8.97%	14.66%

Source: Moody's Financial Metrics™; all ratios are calculated using Moody's Standard Adjustments

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