

Telecommunication service providers



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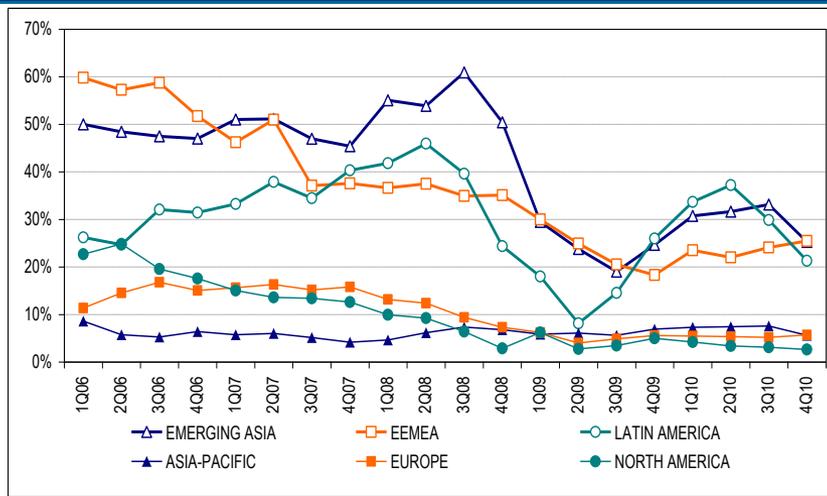
Telcos - are smartphone becoming a little bit to smart?

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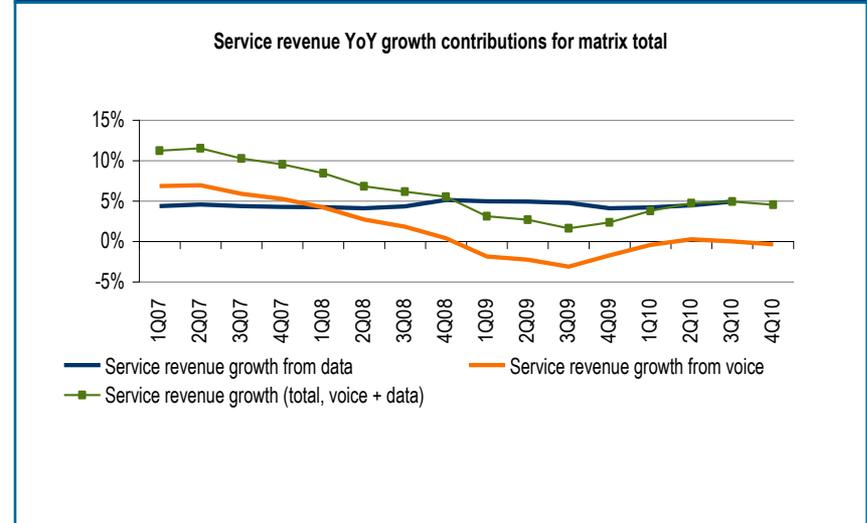
Growth - rare commodity...

Service revenues growth by region



Source: BAS-ML estimates, Q4 global Wireless matrix

Aggregate service revenue growth



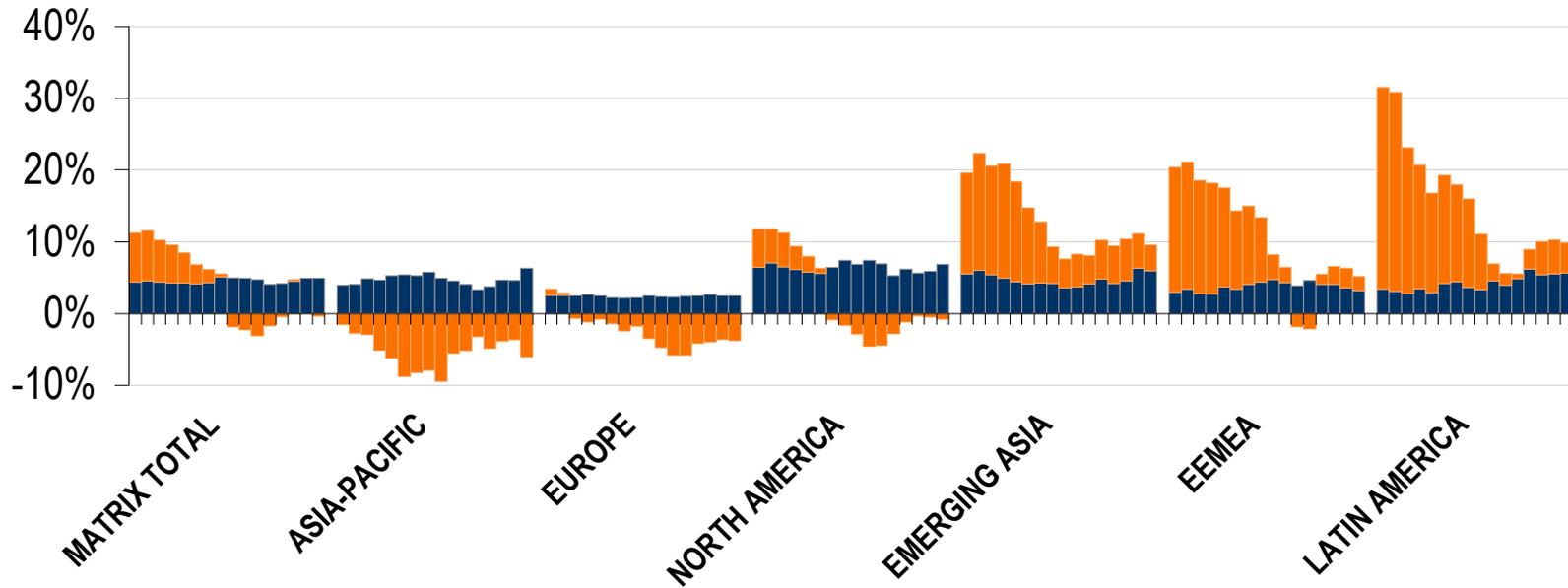
Source: BAS-ML estimates, Q4 global Wireless matrix

data - the Trojan horse?

So it is all about data...

Wireless revenue growth voice/data breakdown: Quarterly trend to 4Q10

■ Growth from data/SMS ■ Growth from voice



Data: Catch 22

Data challenges:

- Capex - likely to spike
- Subsidies - likely to stay high
- Network constrains - data traffic is up 2.6x to 250k GB per month
- Pricing - carriers getting a “free ride”?
- Erosion to traditional services :WhatsApp, Skype, Viber...

But

- The only growth driver
- Like the “Model T”, consumers demand more than just voice
- Competitors are there, so carriers can not ignore

What is a Giga?

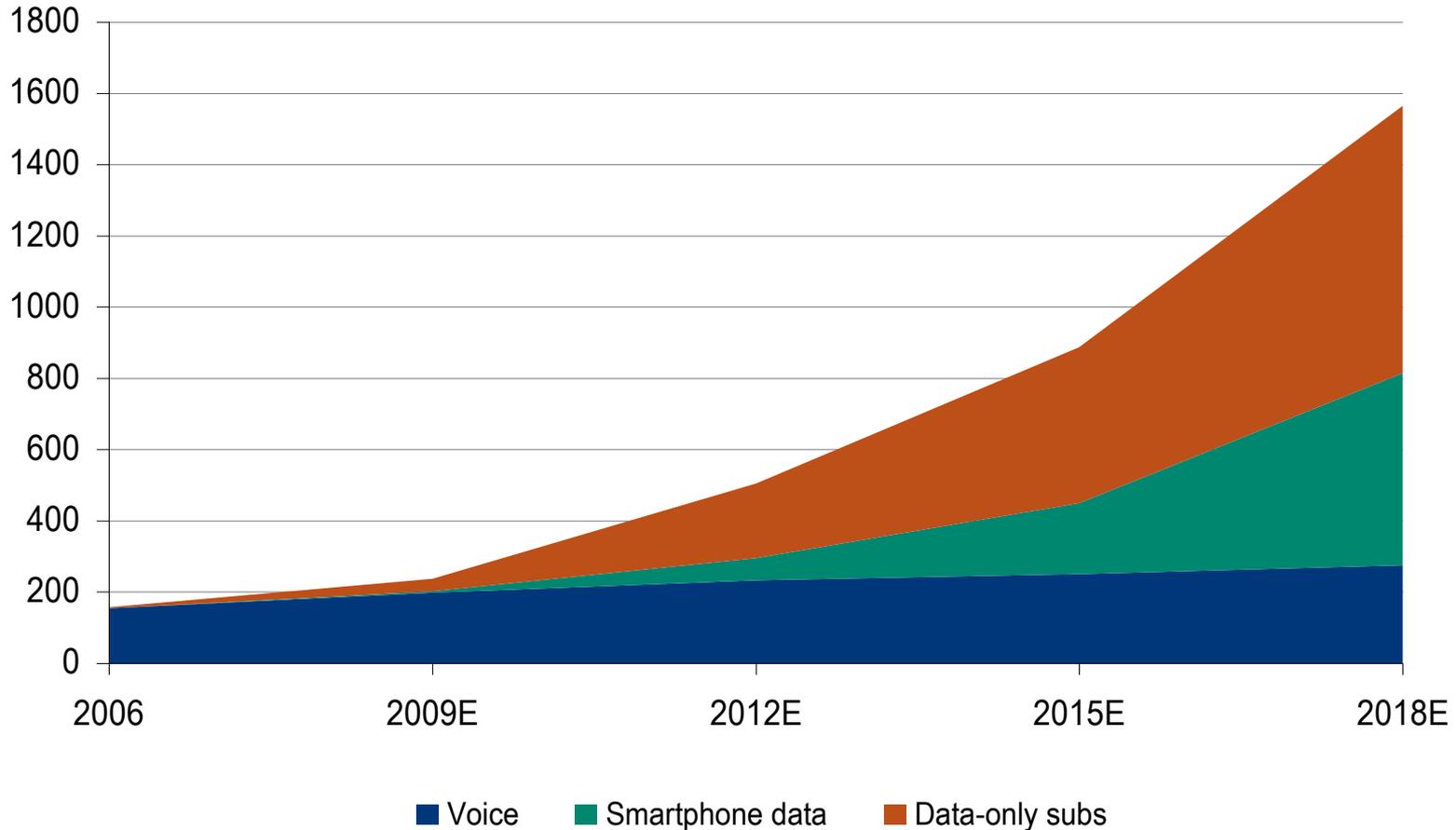
1GB per month is equivalent to the following per day

- 218,453 text messages (160B each)
- 17,476 text emails: BlackBerry (2KB)
- 1,748 text emails: iPhone (20KB)
- 175 web page views (200KB each)
- 70 emails with photo attachments (500KB)
- 34 minutes of YouTube video (1MB/min)
- 6 music downloads (6MB each @ 256Kbps)
- 3 minutes of DVD-quality video (1.5Mbps)
- 0.8 minutes of HD video, MPEG4 (6Mbps)

Source: BofA Merrill Lynch Global Research

Aggregate wireless data growth likely to exceed 100%/year through 2012

Radio network aggregate traffic (MB equivalent/month per capita; est)



But data is a double edge sword...

From KPN profit warning announcement...

- *“In Consumer Mobile we have been surprised by the acceleration in usage of free alternatives for SMS and voice. Customer behavior is rapidly changing as a result of smartphones and new applications leading to substitution of SMS and voice by data. This trend is especially recognizable amongst young people and results in strong growth of data usage and substantially less SMS and voice usage.”*

Source: KPN Q1 company reports

So.... Are smartphones becoming just a little bit too smart?

Consider that...

- Skype handled an estimated 13% of international voice calling in 2010, up from 8% in 2008.
- Skype had 663mn registered users as of YE10.
- Google announced its Google Voice service in 2009 as a trial service, but shortly afterwards made it widely available. Features include free North American calling, discounted overseas LD, one-number capability and voice-to-text message conversion.
- Google introduced personal hotspot (WiFi tethering) capability on Android since release 2.2 (Froyo) in May 2010; Apple followed with iOS version 4.3 for the iPhone (released in March 2011).

It is not unreasonable, in our view, to assume a future in which all voice becomes data traffic and voice revenues become zero

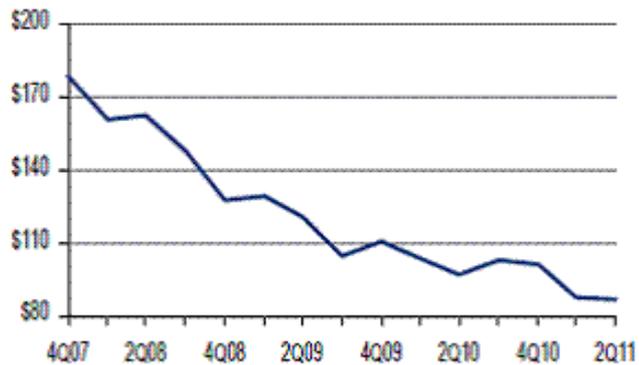
**Say hello to my little
Trojan horse...**

Meet the horse....

Huawei Android now US\$80 and touching \$50 in some markets



Smartphone prices in the US fall despite lower discounts



So.... What's up? or.... WhatsApp?

“Have no fear, little fish,”

Said the Cat in the Hat

“These Things are good Things.”

And he gave them a pat.

“They are tame. Oh, so tame!

They have come here to play.

They will give you some fun

On this wet, wet day.”

Thank You

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