Arabcom 2005
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Middle East & North Africa: Trends & Outlook

IDC Predictions 2005

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Agenda

- Introduction
- MENA Telecoms 2004: The Year in Review
- IDC Predictions 2005-2007: MENA Telecom Markets
  - Wireless/Mobile (Voice, Data)
  - Wireline/Fixed-Line
- Conclusions and IDC Predictions 2005 Summary

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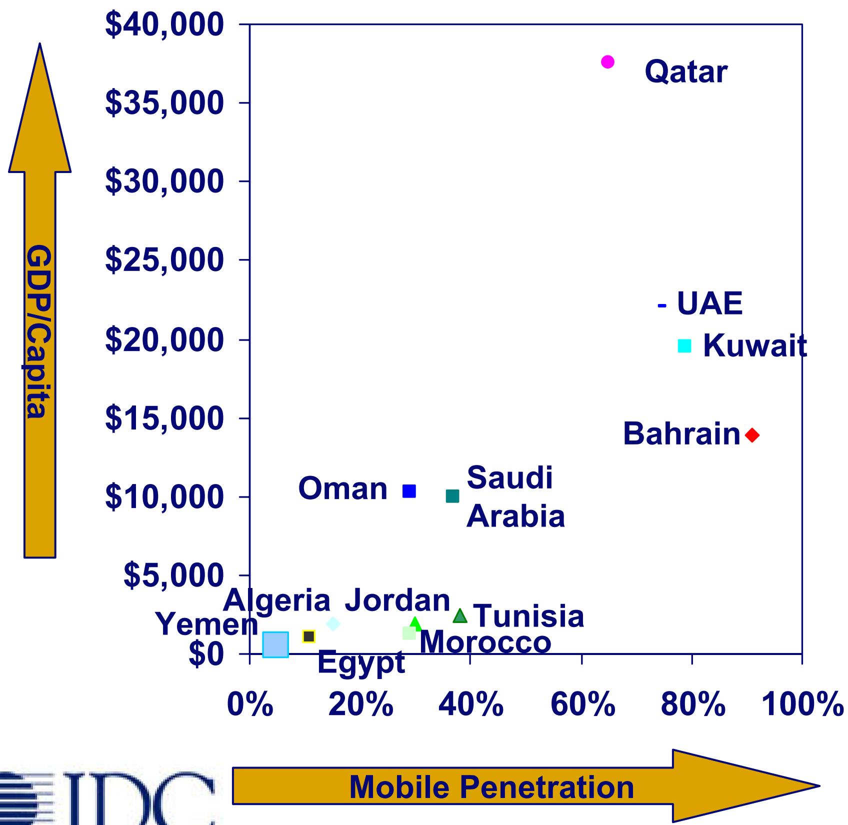
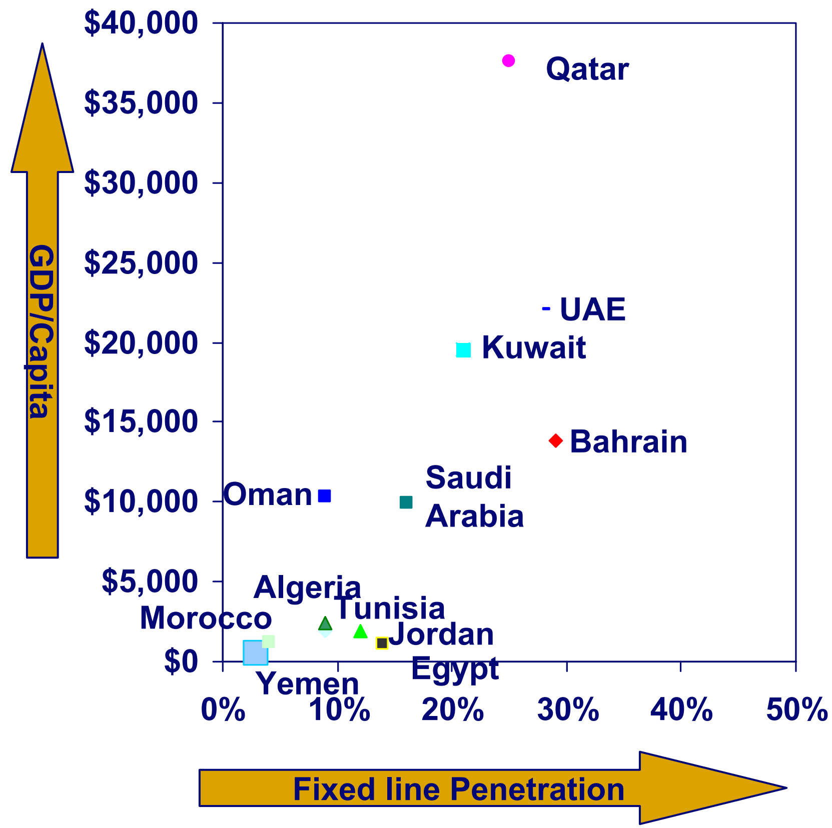
Telecom & Mobile Overview

Fixed & Mobile Penetration to GDP per Capita

Mobile Penetration vs GDP per Capita (2004)



Fixedline Penetration vs GDP per Capita (2004)



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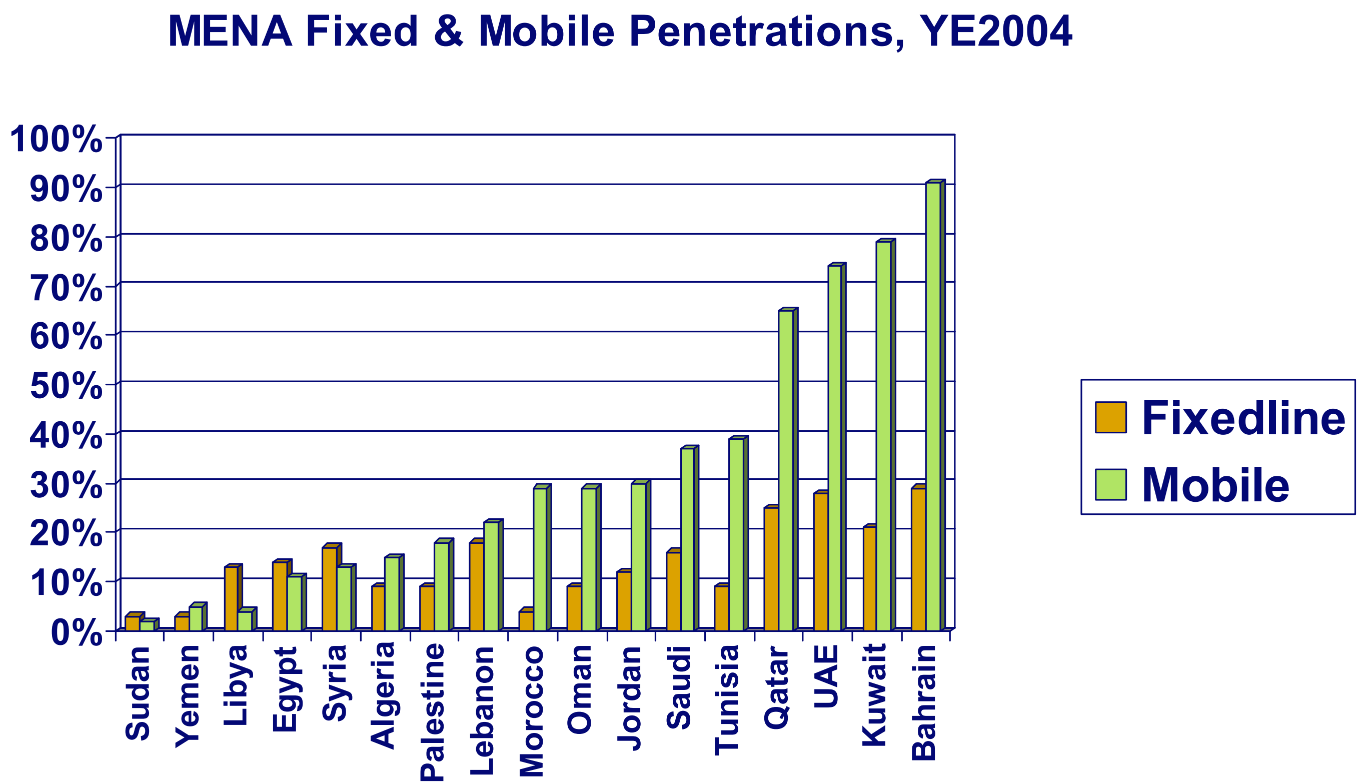
Telecom & Mobile Overview
Fixed & Mobile Penetrations



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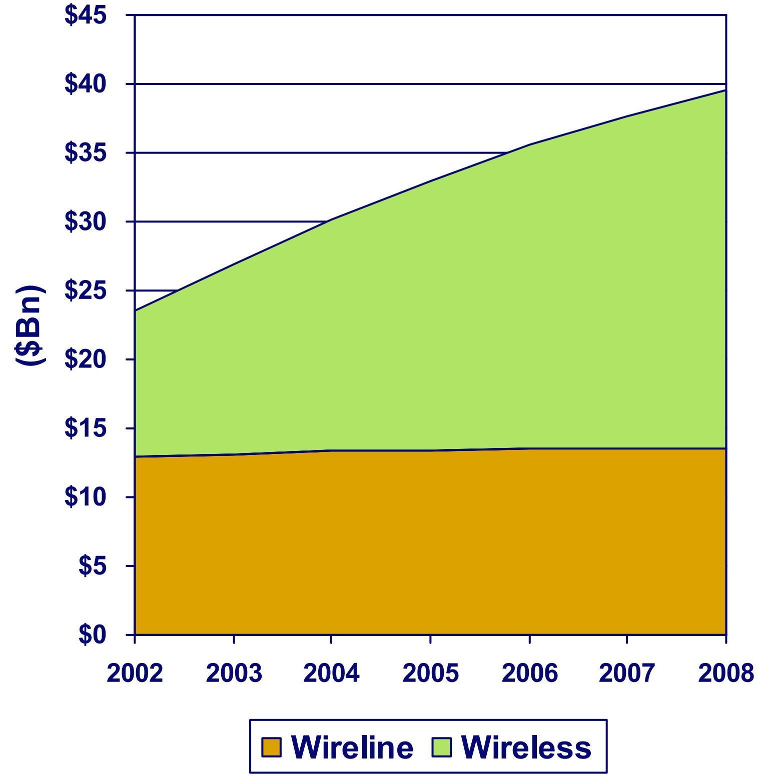
Incumbent's Dilemma– Wireline Decline

Mobile Substitution, VoIP, Enterprise IP Telephony

- Weakness in telephony
  - Already declining revenues: Saudi, Morocco, smaller Persian Gulf states
- Voice goes mobile
- Data services & VoIP picking up in Wireline market, but not mitigating PSTN revenue decline

MENA Wireline & Wireless Services Spending ($Bn)



Source: IDC, 2005

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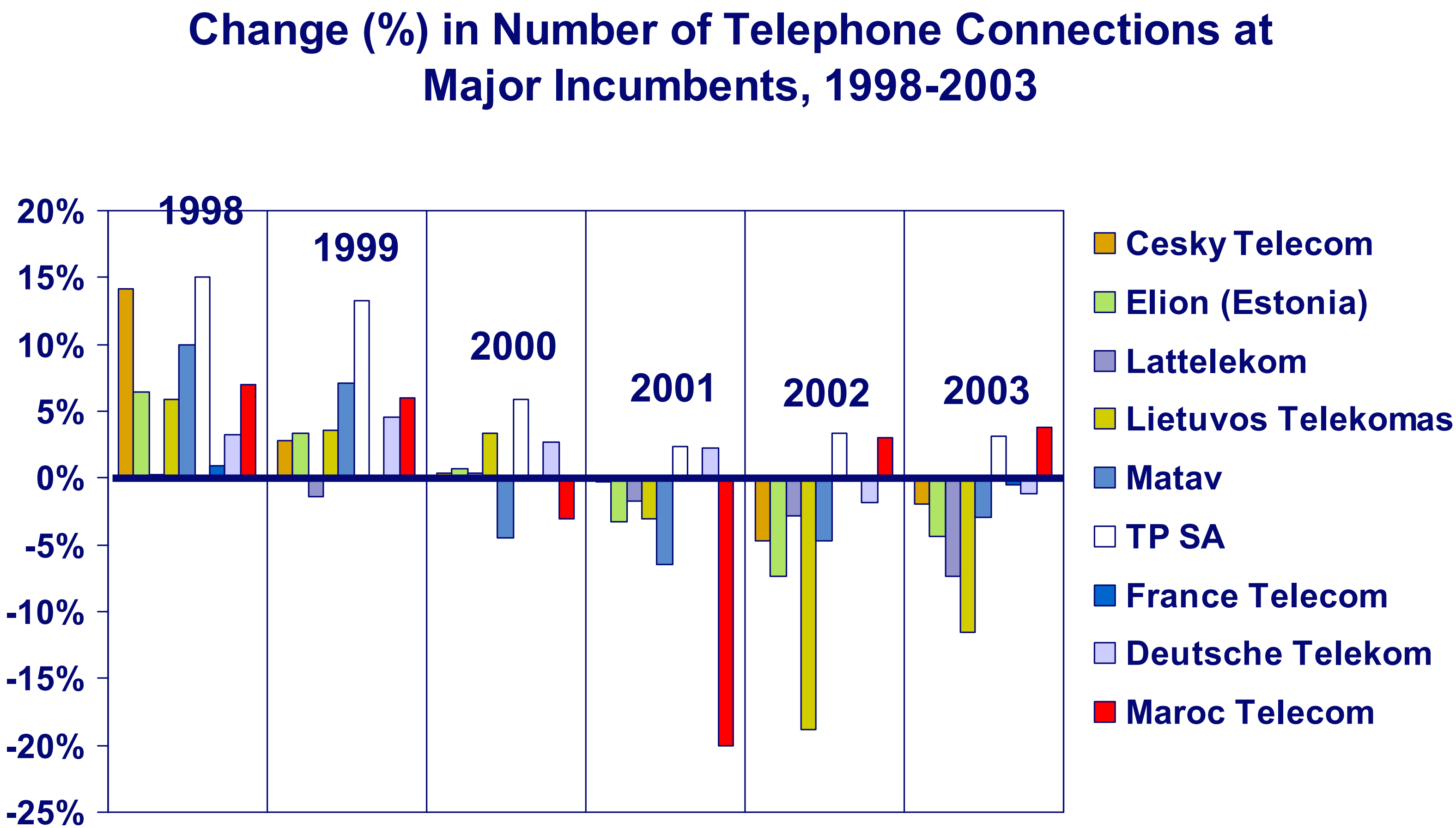
Not Only Revenues are under Threat…

Global Trends Show Wireline Penetration Flat or Falling



Source: IDC, 2005

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ME Telecoms 2005
Where to From Here?

2005– Challenges Ahead:

- Wireless:
  - Growing ASPS/ARPU…encouraging more voice, but focus on growing data and content usage
  - Deployment of NGN (2.5 to 3G)
  - Coping with competition in newly liberalized markets…
- Wireline:
  - Stopping the rapid decline in wireline through new services
  - Market liberalization…will anyone invest?

Key Trends In MENA Telecoms

Summary of IDC Predictions

Monopoly → Competition

Narrowband → Broadband

Traditional Networks → Next Gen. Networks

Telecoms → Telecoms/IT Convergence

Wireline + Mobile → Convergence

Voice + Data → Triple Play +

Quadruple Play– "Triple Play on the Move"

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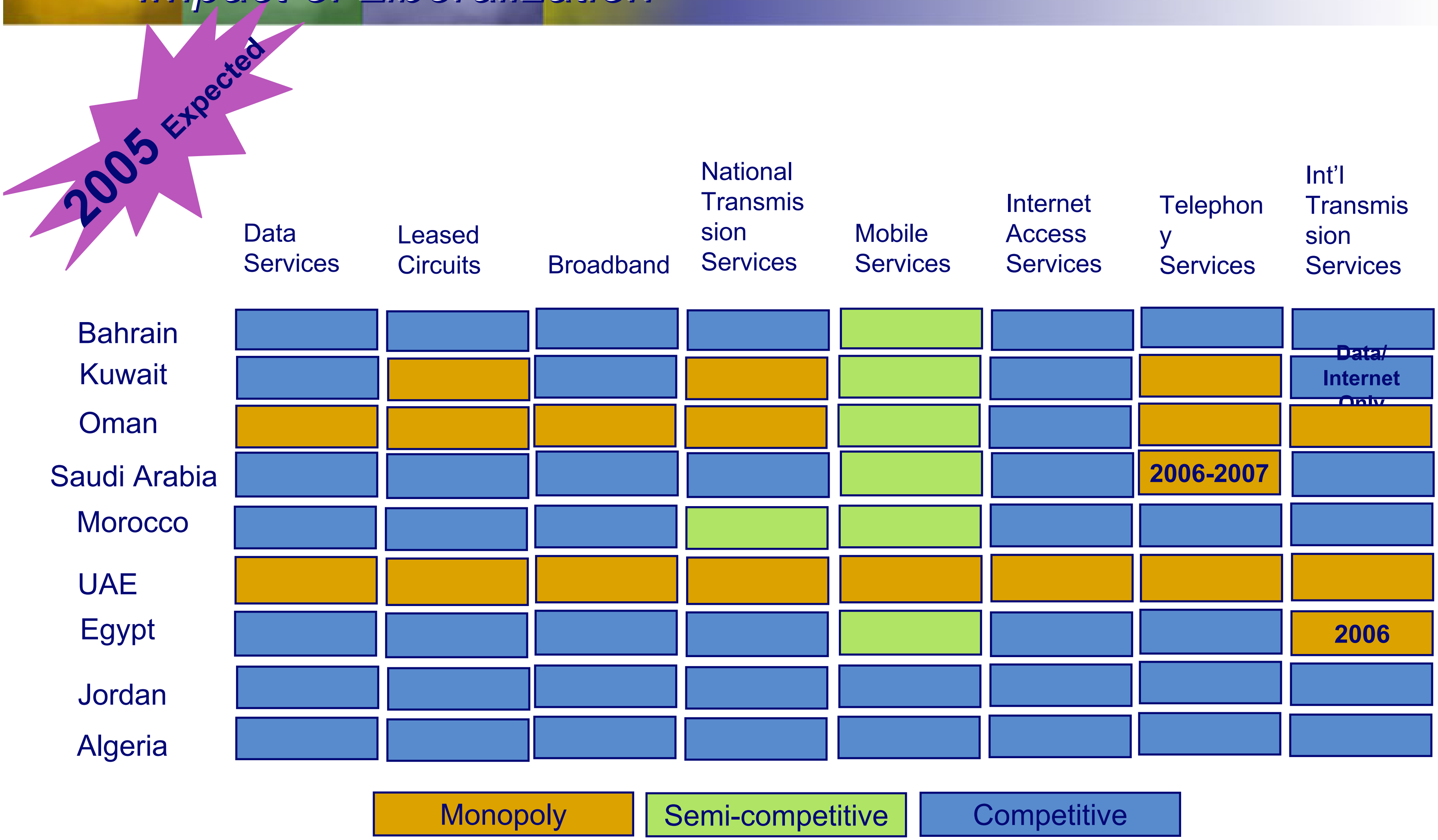
Competitive Landscape in 2005

Impact of Liberalization



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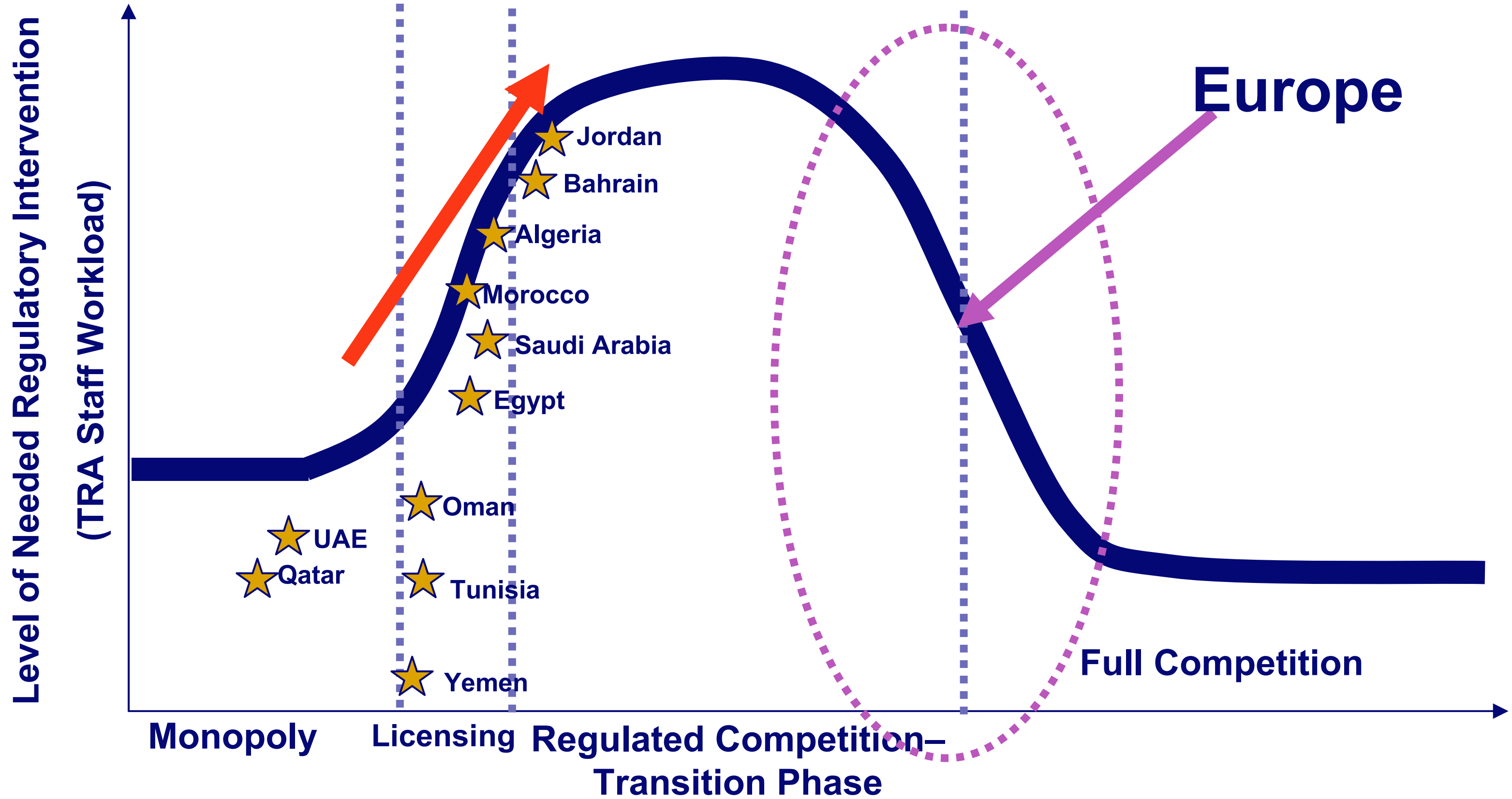
Note: Figure refers to markets that are open to competition. Figures do not indicate if competitors have actually entered the market yet.

Keeping Up with Market Developments

Regulators Entering the Peak of their Activities



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Wireline Liberalization

Will Anybody Invest?

- Wireline is a declining market worldwide
- Capex intensive
- Growth is in data and VAS: Heavily dependent on regulatory issues such as LLU, interconnect, accounting separation, etc
- Investors will look to:
  - Churn voice minutes away from incumbent PSTN, focus on ILD…price wars
  - Deploy local access infrastructure at lowest possible capex to enable VAS and enterprise data services

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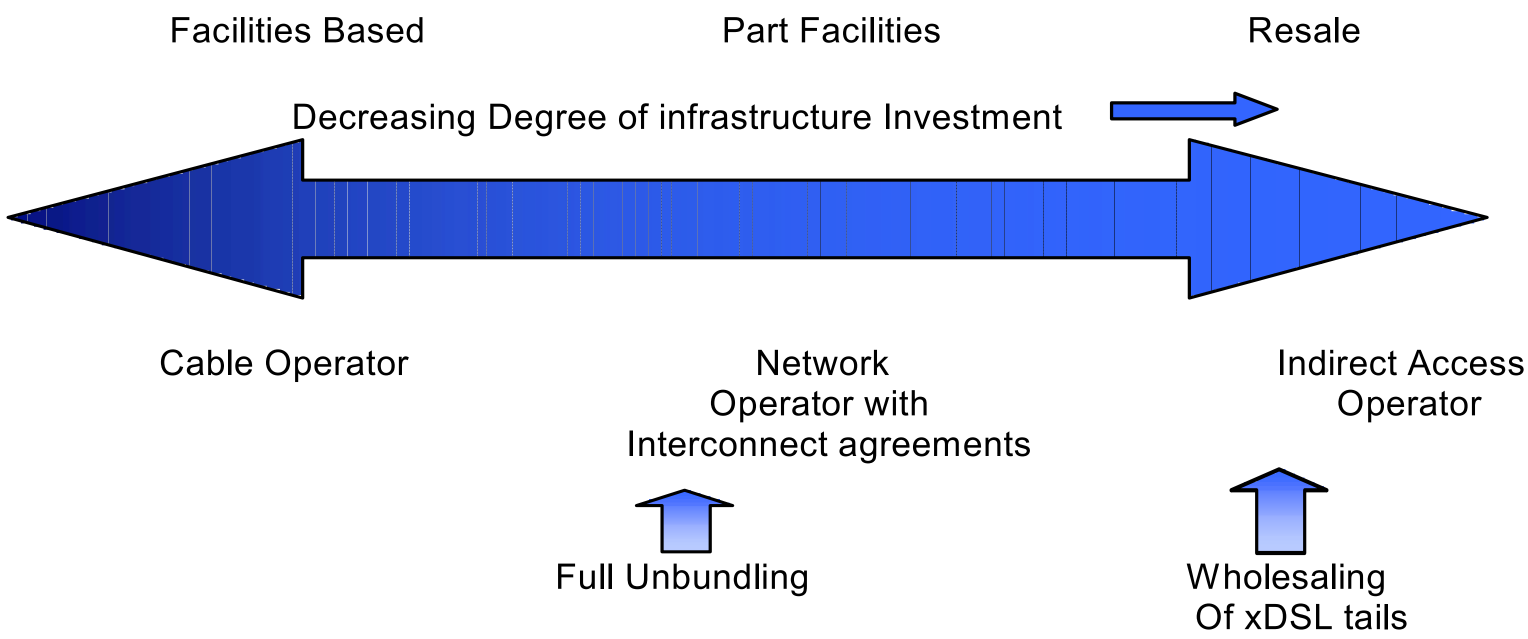
Wireline Liberalization

Entry Options for Investors



•Wireline licensing regime in Jordan, Egypt, Bahrain allow flexibility in entry point:

- **•Resellers of incumbent wholesale services**
- **•Partially build own network (access or core)**
- **•Fully build own network**
- **•Migration from resale to facilities-based with time and market share gain**

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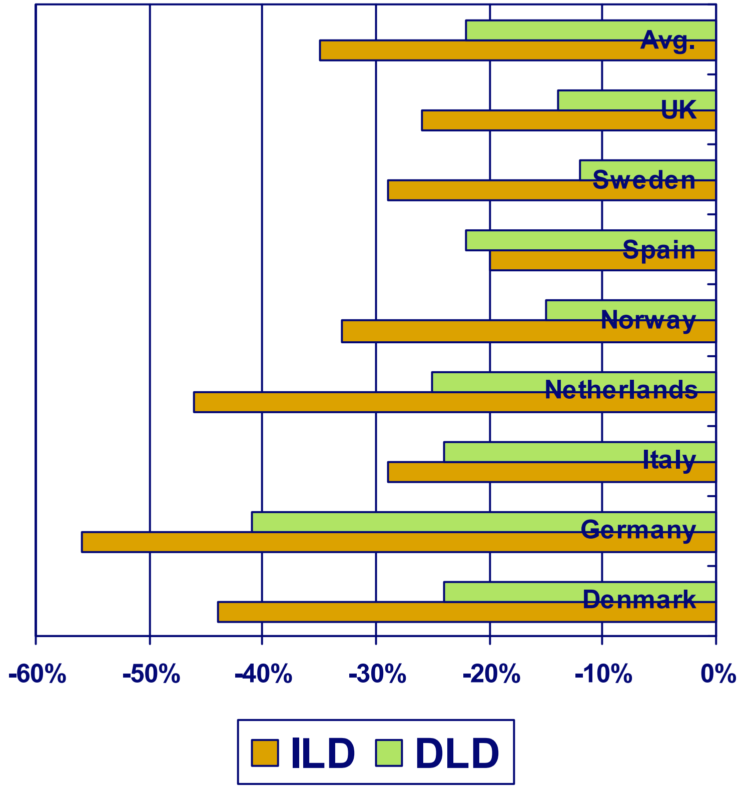
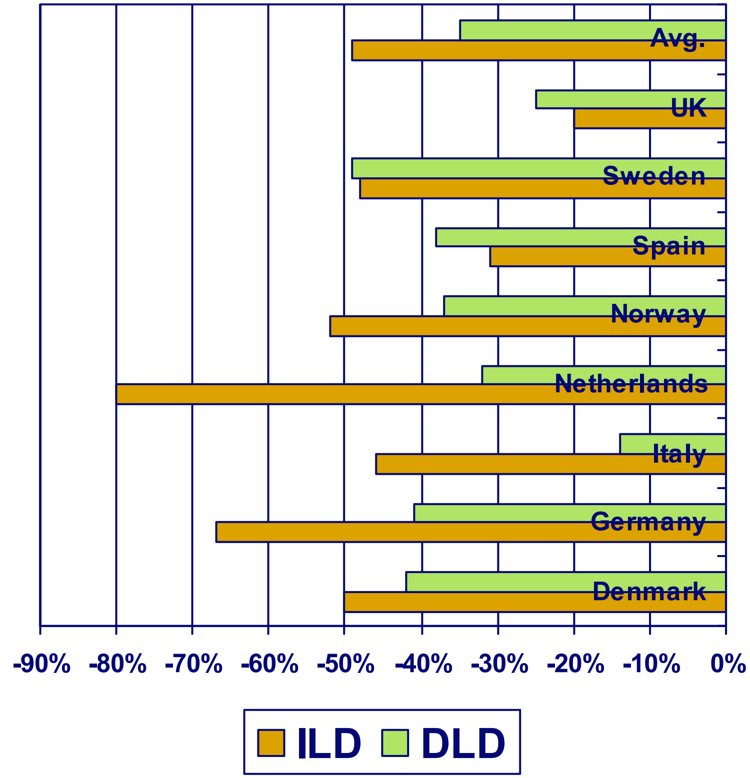
Wireline Liberalization

Effects of Competition on Incumbent Voice Revenues

Incumbent Market Share Change 3 Years Afer Liberalization



Tariff Changes 3 Years Afer Liberalization



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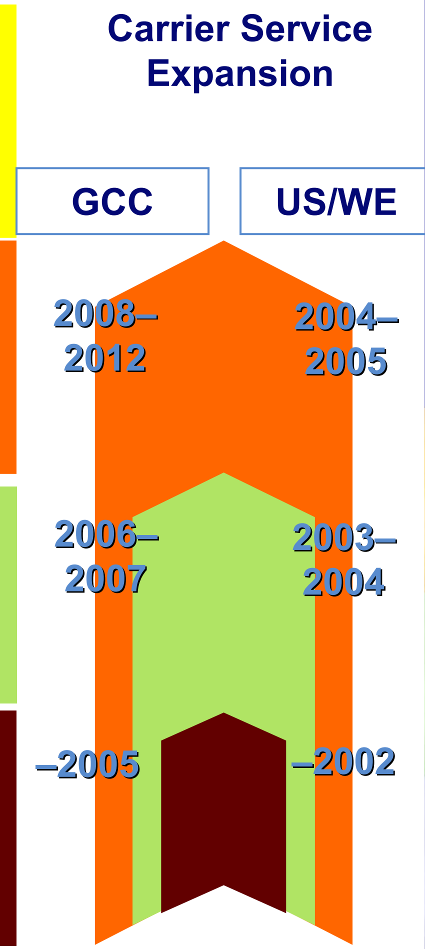
Wireline Services– Enterprise

Carriers Moving Up Value Chain into IT Domain

Traditional IT Services Domain

Business Process & IT Architectures	▪ CRM ▪ ERP ▪ SCM	▪ Consulting ▪ Application development & integration
Application Performance Management (Data Center-based)	▪ Hosting/content distribution ▪ Message Manag'nt Platforms ▪ Managed Security ▪ Storage (SANs) ▪ Servers and telehousing ▪ Managed Applications	▪ Transaction monitoring ▪ Problem management
IP Solution Management	▪ Managed VPN ▪ Managed Edge devices ▪ Managed firewall ▪ IP voice/video ▪ Contact/Call center	▪ Availability monitoring ▪ Fault mgmt. ▪ Problem resolution ▪ Change mgmt.
Voice & Data	▪ Local, LD voice ▪ PL, optical, Ethernet ▪ DSL ▪ FR/ATM ▪ IP-VPN (MPLS, IPSec)	▪ Price ▪ SLA

Traditional Telco Domain



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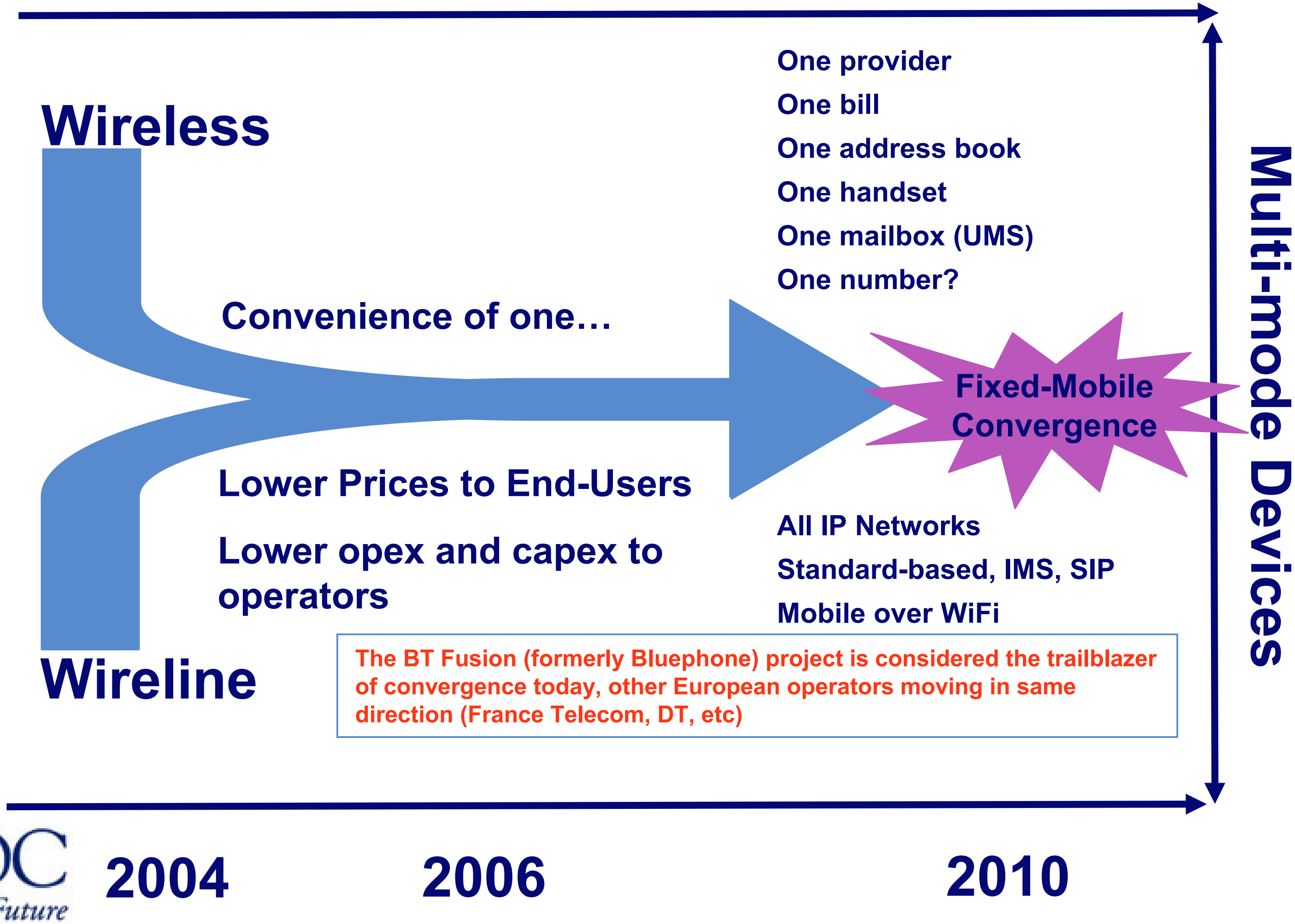
IP enables telcos to move into traditional IT services domain

Wireline services– WW Trend

Blurring the Line between Wireline and Wireless

Fixed-Mobile Substitution Effect



The BT Fusion (formerly Bluephone) project is considered the trailblazer of convergence today, other European operators moving in same direction (France Telecom, DT, etc)

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IDC's MEA Coverage

Consulting and Advisory Services

Advisory Services

- MEA Telecommunications Annual Subscription Service (CIS)
- MEA Mobile Communications Annual Subscription Service (CIS)
- Global IT & Telecoms Advisory Subscription Services

Consulting Services

- IDC's *Wireless and Mobile Expertise Center* provides:
  - ***Market sizing, analysis, segmentation***
  - ***Business plan development***
  - ***Rating Potential Partners, implementing Partnering Initiative***
  - ***Go-to-Market, Market Entry***
- *IDC's Wireline Transformation Consultancy Services* provides:
  - ***Assess impact of IP Telephony on PSTN***
  - ***Assess your SWOT in the face of market liberalization***
  - ***Understand key customer segment profiles and churn potential***

Thank You

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