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Emerging Market Trends:
suitability of the MPhone

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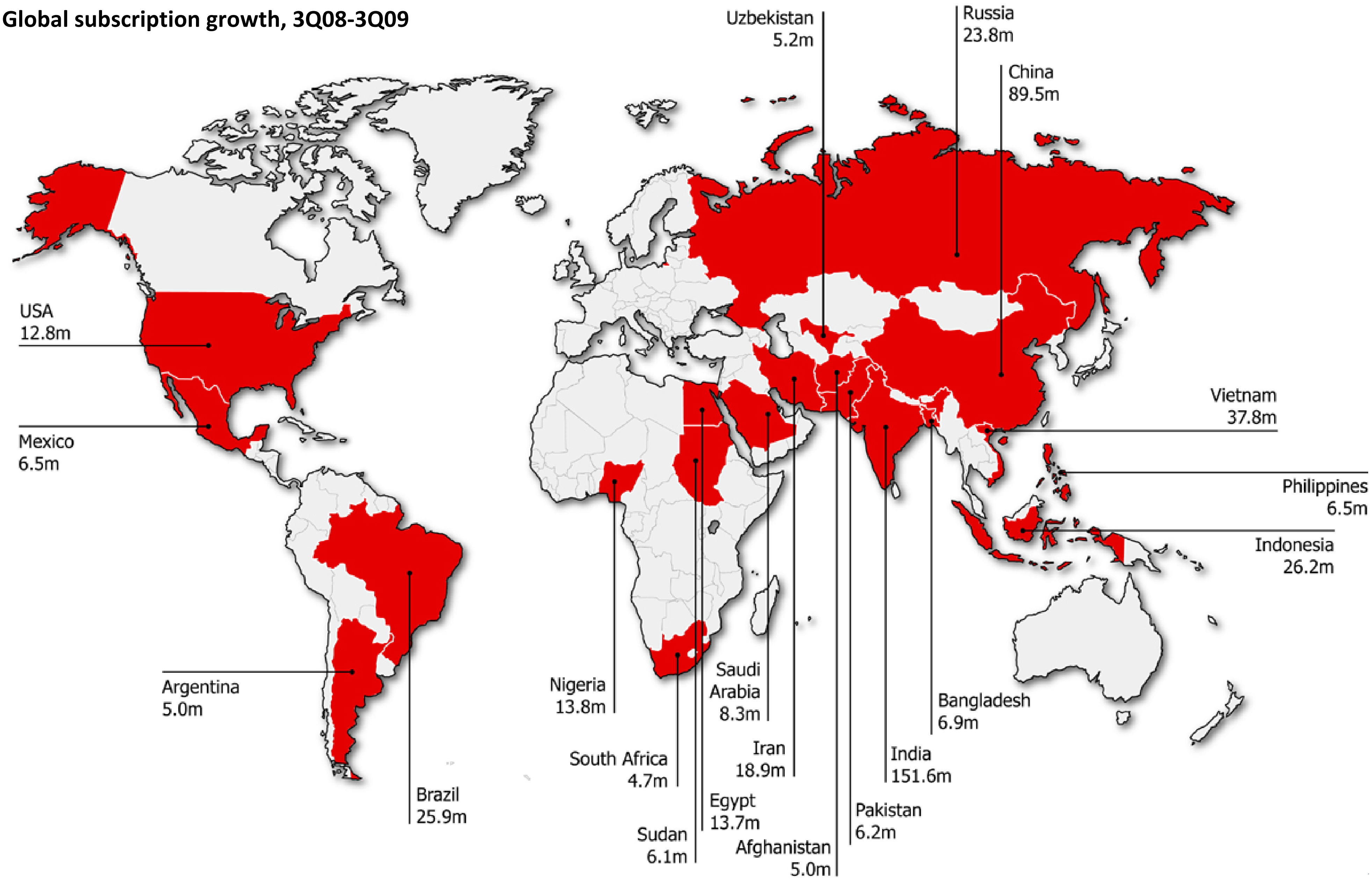
Global Mobile Trends: next wave of growth

Global subscription growth, 3Q08-3Q09



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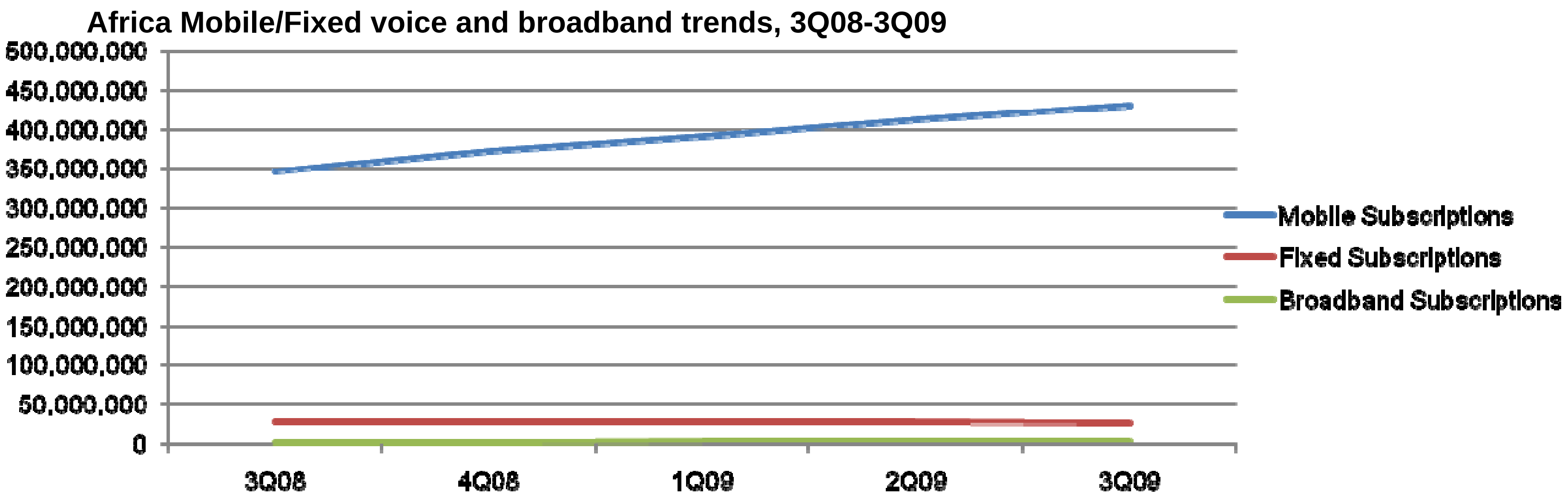
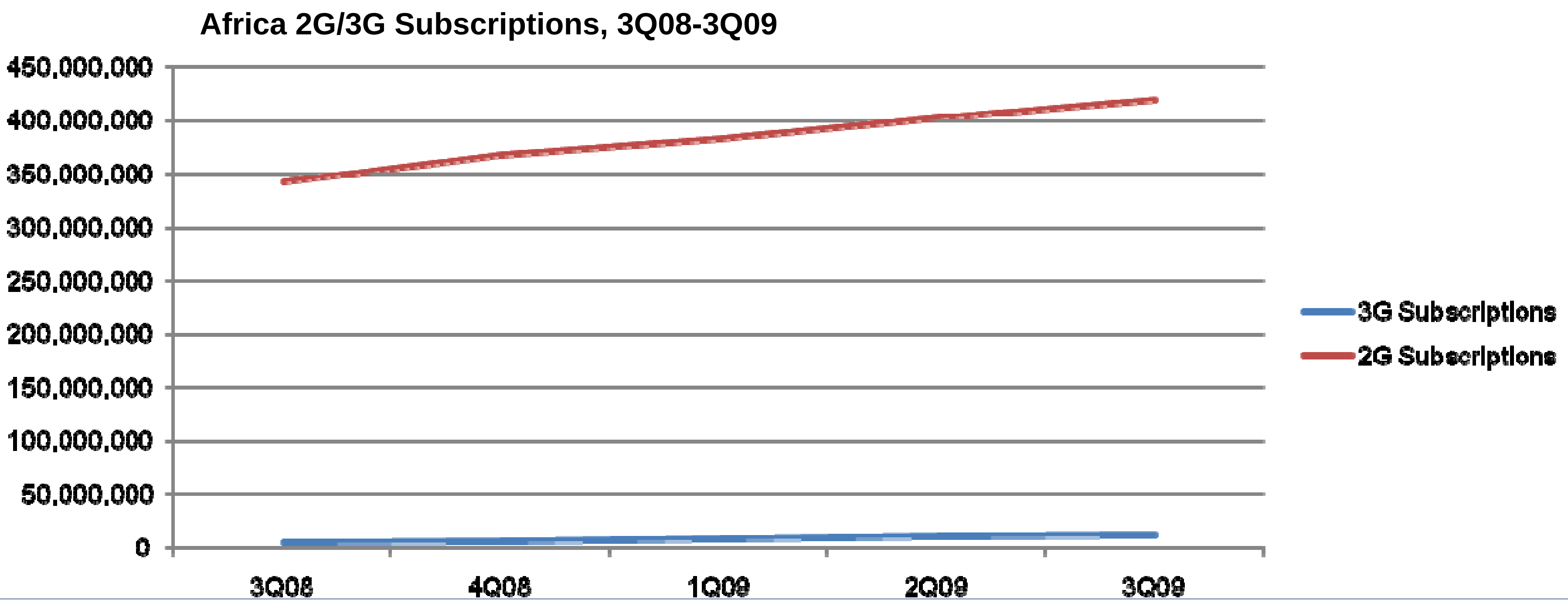
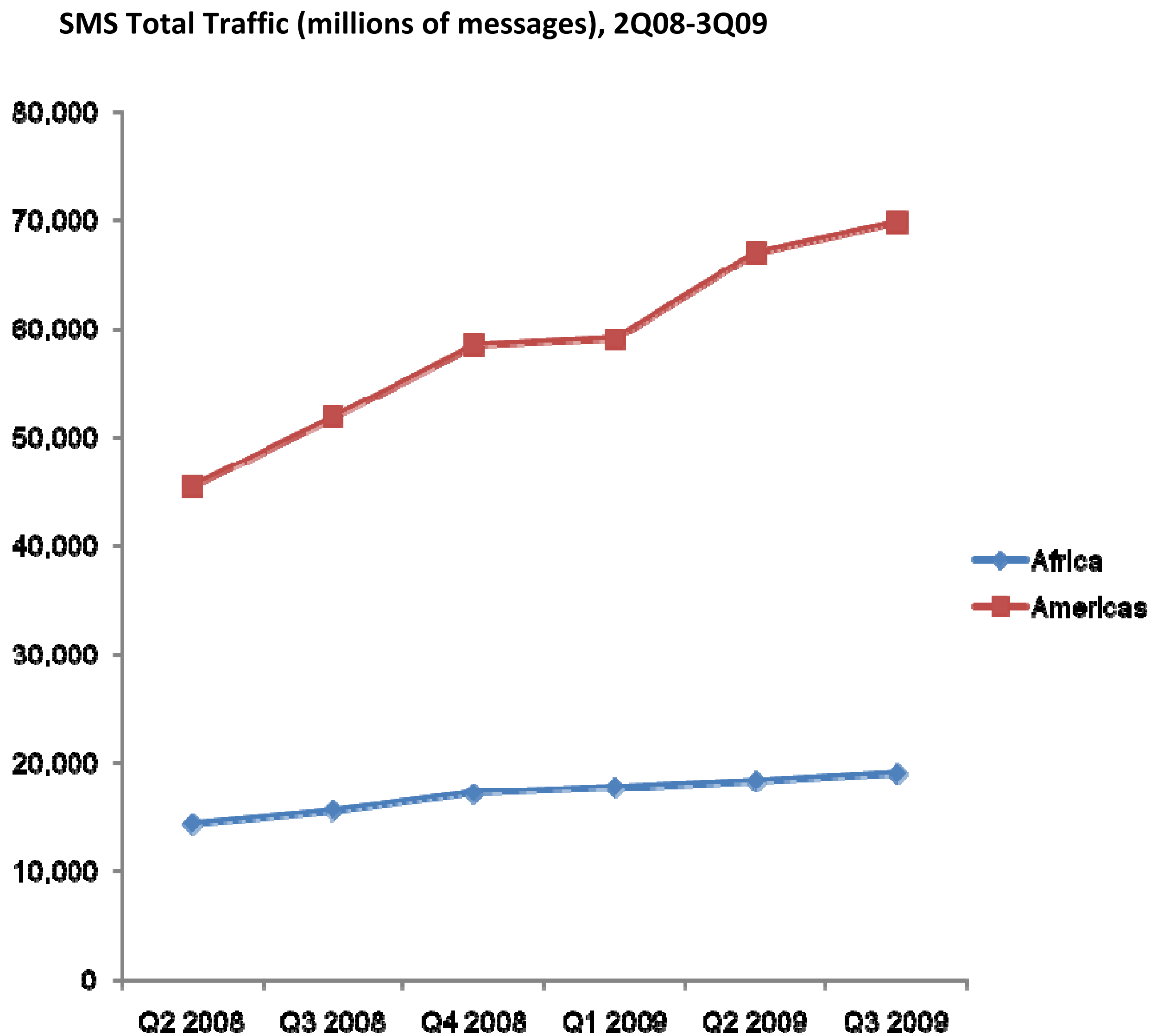
Emerging Market Trends: addressing the needs of the African market





Consumer Trends: Is voice still the killer app in emerging markets?



Source: WCDM, Informa Telecoms & Media

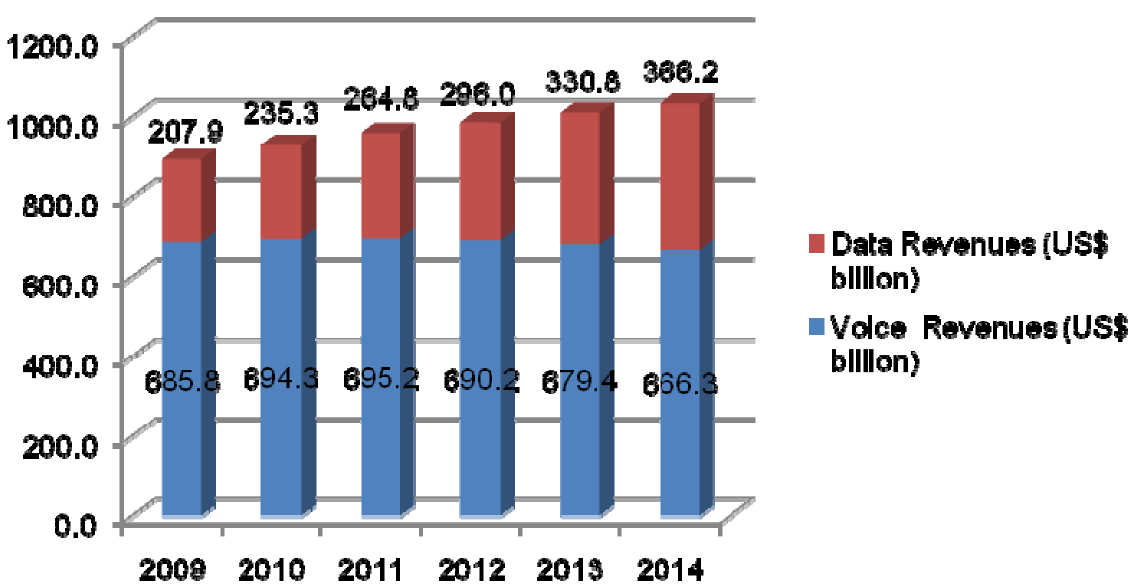
•Usage may still be voice-centric in emerging markets, but popularity of data services is growing.

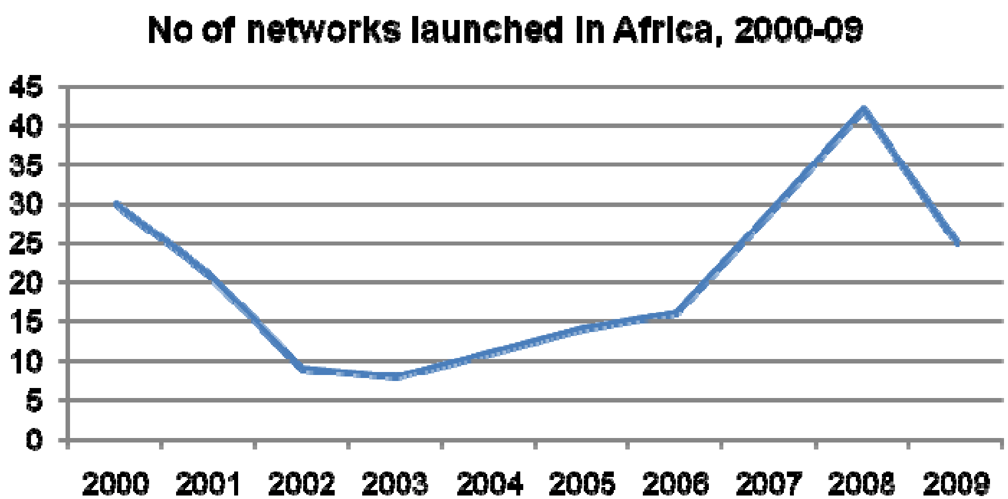
• Total number of data subscribers in Africa and Latin America grew by 28% y-o-y and 21% y-o-y respectively to reach approximately 30 million in both regions by September 2009.

• Growth in messaging suggests that there is an opportunity for operators to tap into the mobile email and IM space at the lower end of the market as well as at the higher end

• Largest market in Africa in terms of SMS users is South Africa. Informa believes that there were in excess of 13 million active SMS users in 2009, which is expected to grow to approximately 22 million in 2014. Within the messaging segment, mobile email is expected to show the strongest growth from 300,000 users in 2008 to over 4.3 million in 2014.

Operator Climate: adapting to a changing environment





- MPhone provides benefits to operators desperate to offset falling voice revenues by increasing the size of revenues generated from data services
- Cheaper data tariffs and greater handset availability will be a key driver for the increased adoption and usage of mobile VAS.
- At a time of intense competition, churn has become a major problem for operators – churn in Africa averaged at 4.8% in September 2009, and in some of the region's most competitive markets, such as Kenya and Tanzania, churn reached 9.2% and 11.4% respectively.
- Creating a more "sticky" service is therefore imperative for operators. The MPhone allows carriers to differentiate themselves by white-labelling the devices and messaging services, allowing the operator to own the relationship with the end-user, which is imperative to the battle for against churn.

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Source: Informa Telecoms & Media

MPhone and its position in the market

- Aimed at the mid-to-low end of the marketplace, this device with its strong messaging capabilities (including push email and IM) plays on the ongoing rise in mobile internet usage in emerging markets where PC penetration is low.

- Mobile operators around the world have to offset an ongoing decline in voice revenues (and therefore ARPU), and so data services are becoming ever more central to the strategic direction of operators.

- Churn represents a huge problem to mobile operators across emerging markets as competition becomes more intense and dual SIM-ownership becomes more prevalent.

- The bundled Mobile Gateway Email and IM platform can be opened to support devices of any other manufacturer, providing an operator-friendly service, while many other messaging services are device-dependent and lock users to the manufacturer brand.

- MPhone will compete well in terms of price, and its push email functionality will be important to its success.

- The number of handsets sold in Africa will grow quickly, with 2.5G handset sales forming the bulk of sales from 2010. A growing number of these handsets will be aimed at the replacement market as consumers develop more advanced communications requirements.

- Data revenues in another target market, Latin America, are becoming instrumental to operator strategies with carriers in the region recording impressive data revenues as non-SMS data account for over 50% of all data revenues.

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