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### 6%

Increase in handset unit sales 2008 vs 2007

### 128m

T-Mobile base at end 2008

### 30.5m

Bharti's record net adds in 2008

### 19%

9M EBITDA increase at KDDI Japan

### 150m

Latest subs milestone passed by Brazil

## About the Briefing

The Mobile World Briefing is designed to keep you in touch with the key trends, figures and statistics in the mobile industry as it develops. A new issue is circulated on Tuesday of each week for 50 weeks per year.

The Briefing is a partner publication to The Mobile World Database, an online business tool providing definitive market data for the mobile community. The articles contained in each Briefing reflect the daily updates made to the Database during the previous week.

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# news in brief

## ■ Further delays to India's 3G licence auction

The already problematic 3G auction in India has been subjected to further delays. The Department of Telecom and the Finance ministry have reportedly been arguing over the auction's reserve price and the Indian Cabinet has now decided to refer the matter to a Group Of Ministers to adjudicate it. Originally the auction was expected to start on January 16th 2009, but was pushed back until January 30th, before now being delayed indefinitely. Furthermore, the TRAI want the DoT to allow at least two operators to operate 3G services in the CDMA spectrum. The current DoT policy is to only offer one single 3G block for CDMA operators.

## ■ Israel to allow MVNOs

The Israeli government has announced plans to permit the launch of MVNOs on the local market in order to boost competition and provide more offers for customers. The Ministry of Communications has already laid out the main conditions and requirements to apply for an MVNO licence and several companies have already expressed interest. Orange, Cellcom and Pelephone are currently the country's three main network operators, sharing a subscriber base of just under 9.2 million customers.

## ■ Thailand 3G licences to be auctioned in Q3 2009

After many delays, and following the announcement towards the end of 2008 that 3G licences will soon be available, Thailand's telecom regulator NTC has said that the licences will likely to be issued by Q3 2009, and will be done so by auction. As of September '08 Thailand has almost 60 million mobile subscribers and had a year-on-year increase of just under 10 million customers. Failed government telco joint-venture Thai Mobile is the only current 3G licence holder, but has never launched services.

## ■ More 3G licences on offer in Macedonia

The Agency for Electronic Communication has relaunched a tender for two unallocated 3G mobile licences in Macedonia. Back in November 2008 T-Mobile was the sole bidder and winner of a tender that tried to auction up to three concessions, outlaying \$12.7million for the licence. Cosmofon is the only other operator to be awarded a UMTS licence, in January '08. T-Mobile currently leads the Macedonian market with 1.3 million subscribers.

## ■ Zain in talks with PalTel

The Kuwait based Zain Group has announced that it is currently in takeover talks with PalTel, the monopoly operator in the Palestinian Territories. The Palestinian Securities Exchange has stated it has suspended trading on PalTel until the talks have reached a definitive conclusion. Patel currently operates in the mobile market under the brand name Jawwal and has 1.23 million subscribers.

## ■ Shyam Telelink re-brands as Sistema Shyam TeleServices

Shyam Telelink, the Indian CMDA operator, has announced that its name has been formally changed to Sistema Shyam TeleServices (SSTS). The Russian conglomerate Sistema is the majority shareholder in its venture with India's Shyam Group and has an ambition to become a major force in the Indian telecoms market. In addition SSTS has said it would open to acquiring other businesses in order to accelerate its rollout of services across the country, which currently has a target date of mid-2010. SSTS currently has just over 365,000 subscribers having tripled the size of its user base between September and December 2008.

## ■ RCom launches GSM network

Reliance Communications (Rcom) has launched its GSM network in Delhi, in the first of a series of new rollouts in India. The operator has installed around 950 new cellular towers in the region and is expected to share its existing CDMA-based towers in the circle. At the initial launch only pre-paid services are available but RCom has indicated that post-paid contracts will be offered in around three weeks time. RCom is currently in second place in the Indian mobile market with over 60 million subscribers.

## ■ Orange to launch in Armenia in 2009

After winning Armenia's third mobile operator licence in October 2008, France Telecom has unveiled plans to launch its Armenian operations in autumn 2009. Orange tendered \$72 million for the licence, beating Sweden's Tele2 and the UK/Ireland based Blackrock Communications. France Telecom will join Vimpelcom and MTS in the Armenian market which was home to just over 2.5 million subscribers at the end of Q3 2008.

## ■ Ghana may review Ghana Telecom sale

The Ghanaian government has said it may review the recent sale of 70% stake in the national operator Ghana Telecom to Vodafone. The review is not intended to cancel the sale but to confirm the finer details of the contract. Vodafone completed the purchase of its stake for \$900 million on a debt-free, cash-free basis and will have to upgrade the existing GSM network as part of the contract.

## ■ Boost to move from CDMA to iDEN

Boost Mobile, the MVNO-style subsidiary of Sprint Nextel, has announced that work is under way to transfer all of its CDMA subscribers over to its iDEN network. Boost has recently launched an exclusive iDEN handset with Motorola, though the move over to iDEN seems strange given the question marks over the future of iDen and, indeed, Motorola's handset business. Further details of the move are not forthcoming at the present time.

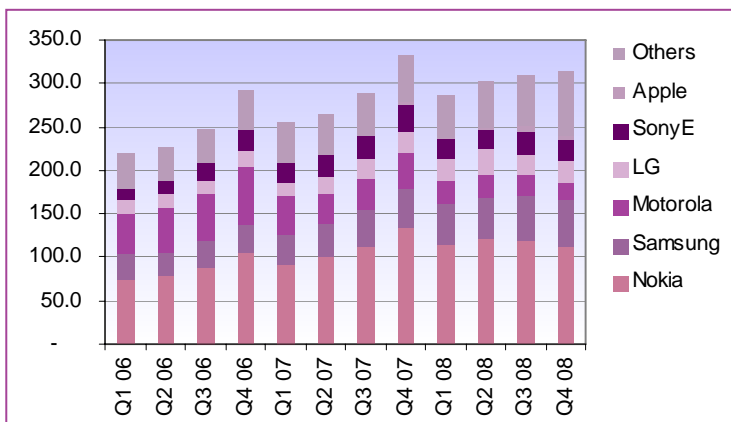
# Handset Vendor Sales Q4 2008

# Handset Vendors

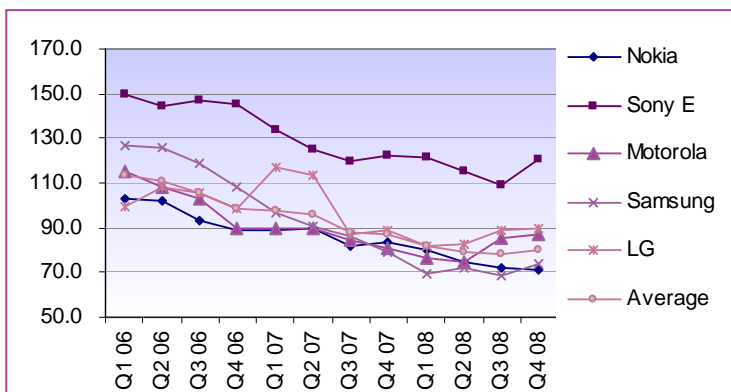
## Soft Q4 gives a foretaste of what is to come

- 2008 volumes up by 6%
- But Q4 is down on Q3 and well down year on year
- Nokia suffers from specific problems
- Few vendors are thriving
- Korean companies take market share...
- ...but at a price
- Sony and Motorola turn a deeper shade of red

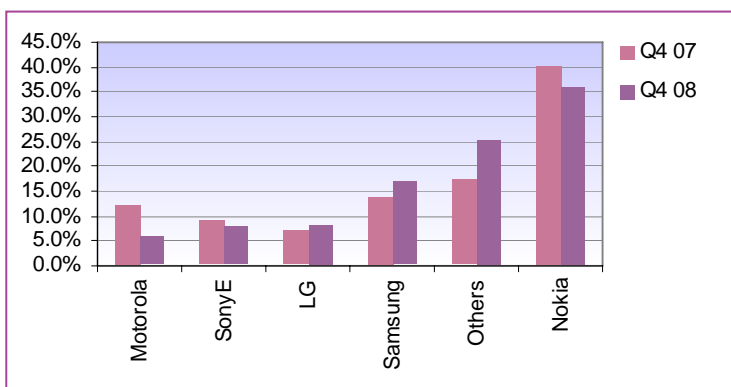
Smartphone unit volumes (m), Q1 06 – Q4 08



Mobile Handsets: Average Selling Price (€), Q1 06 – Q4 08



Handset Vendors: Market Share of Unit Sales, Q4 08 vs Q4 07



The five main mobile handset manufacturers have all recently announced their fourth quarter and 2008 sales numbers and almost all the results show a marked deterioration compared to 2007. We say the "results", by which we mean the financial results, as the unit volumes are really not too bad. Total unit sales in Q4 08 were around the 305-315m mark, implying a total for the year of 1.206-1.216bn – well ahead of 2007's 1.14bn, which was a new record. Most other industries would be pleased to see a 5-6% increase in volumes and, in most other businesses, such an increase would be accompanied by a marked improvement in profitability. But not here – margins are down across the board and both Sony Ericsson and Motorola are currently loss making.

In our report on Nokia's Q3 08 results, we suggested that the market leader had problems which were all its own and that as a result, we should not assume that its pessimistic comments were generally applicable. Broadly, we stick with that view today, though perhaps a better way to couch the thought is that the industry faces severe problems as it enters 2009, but Nokia's situation is made even worse by several specific factors. These include the continuing lack of a convincing answer to the iPhone, together with the strength of the Euro, when compared with, for instance, the Korean Won.

Nokia was caught on the back foot by the iPhone 3G and lost a chunk of its top-end sales to the Californians. Its decision to pull out of the Chinese market – or at least, the low end of that market – doesn't look so well considered now, while there is no doubt that LG and Samsung – not to mention Motorola – have all contributed to further pricing pressure. Nokia sold 113.1m units in Q4, more than twice as many as its nearest competitor, but it represented a year on year decline of more than 20m units. This 15% drop in volume was exacerbated by a 15% reduction in average selling price, so that revenues plummeted from €11.14bn to €8.14bn. Under the circumstances, Nokia did well to prevent all of this €3bn reduction flowing straight through to the bottom line, but profitability was hard hit, falling by over 70% to €766.

In terms of market share, we estimate that Nokia has gone from having over 40% to less than 36% in just two quarters. Others have gained at its expense; Apple, obviously, but also LG. Apple took 2.2% of the market in Q3, before dropping to 1.4% in Q4, while LG's share is up from 7.4% to 8.2% quarter on quarter. Samsung's share, at 16.8%, is little changed on its Q3 number of 16.7%, but both these results are well compared to the 13.9% recorded this time last year.

The Korean companies have both seen material increases in their unit volumes during the year. LG is 25% up at 100.8m, while Samsung' 22% increase takes it to just below 200m. The company has yet to disclose a precise number. Having failed to reach its forecast of sales of over 200m units, it is being rather coy about the actual figure. For what its worth, the percentage increases it quotes point to a number of around 197m. The drive for sales volume has, however, had a detrimental impact on profitability and at LG, margins have dropped by 8.8pp year on year, to just 5.3%. Samsung's profits have seen an even greater proportionate decline, with margins falling from 7% to just 2.2%.

These numbers, however, compare pretty favourably with the numbers from Sony Ericsson and Motorola. The first saw a 6.6% drop in unit sales, year on year, to 97m and this was sufficient to push the company deep into loss. It recorded a fourth quarter deficit of €262m on sales of €2.9bn, against a profit of €489m on sales of €3.77bn one year earlier. Motorola has done even worse, with losses of \$595m on sales of \$2.35bn. Revenues dropped by over 50% compared to the same quarter of 2007, as unit sales collapsed from 40.9m to 19.2m. That leaves the company in fifth place in the market, with not much more than 6% of the total.

Looking at the third chart on this page, it is clear that some part of the problem these five companies face is due to the rise in the number of new handset vendors – the "others" who account for just over one quarter of the total. Apple and RIM are the most obvious names here, but they aren't necessarily the most significant threats, except at the top end. China's ZTE and Huawei are, when taken together, closing in on Motorola, with combined sales of more than 50m units last year. Then there is HTC, the Taiwanese company that has had such a success with its Touch range of devices. 2009 is likely to see more newcomers, fewer overall unit sales and, unless something dramatic happens, a further squeeze on profitability at most, if not all of these businesses.

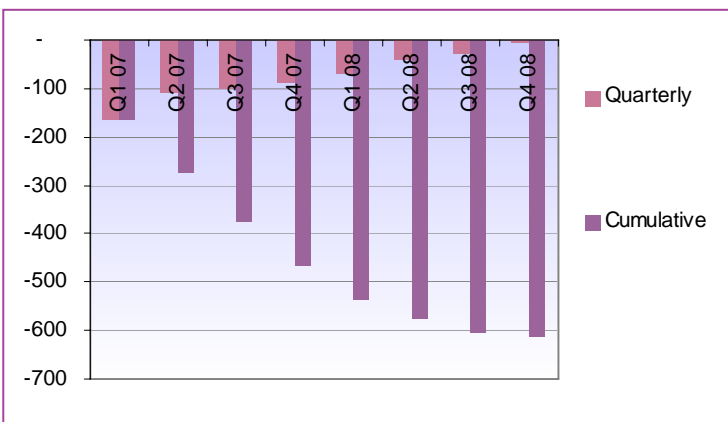
## KPN Q4 2008 Results

## Europe

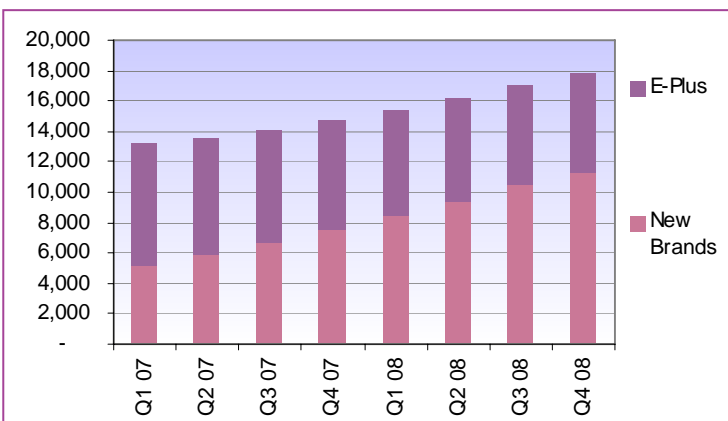
## Flying Dutchmen?

- Financial targets met
- Fixed line erosion has almost stopped – for the moment
- Dutch mobile strengthens base, but quality suffers
- Strong performance in Germany, especially with new brands
- But Base is hit by rising inactivity
- Spanish MVNO becoming better established
- Positive comments about the future

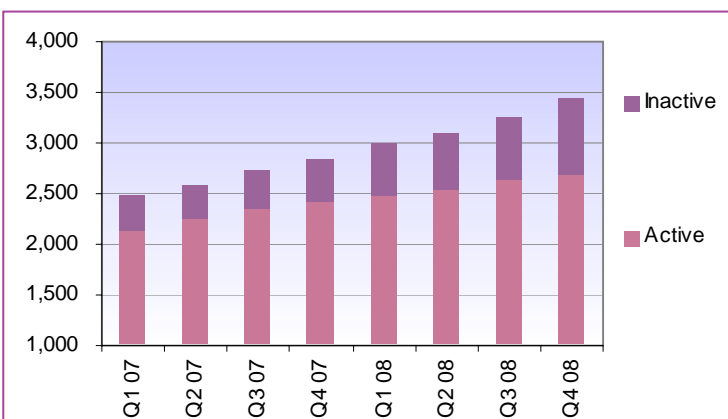
KPN: Fixed Line Disconnections (000s), Q1 07 - Q4 08



E-Plus: Customers, EOP (000s), New Brands v E-Plus, Q1 07 – Q4 08



BASE: Active and Inactive Customers, EOP (000s), Q1 07 – Q4 08



KPN has reported its Q4 and full year 2008 numbers. The company notes that it has met the targets given to investors and analysts, with revenues of €14.6bn, EBITDA of €5.06bn and free cash flow of €2.6bn. In the light of this, it has announced a dividend of €0.60, up 11% on the 2007 level. This is part of a strategy of raising returns to shareholders and with this in mind, the company has already spent nearly €1.2bn on share buy-back schemes.

The company is optimistic that it will be able to resume its former growth strategy, after its flirtation with bankruptcy some years back and, with this in mind, it has set itself targets of €15bn revenue and €5.5bn EBITDA for 2010. It hasn't given much of a steer about 2009, except to say that it will make "meaningful progress" towards the 2010 targets. Quite what this means isn't that clear, nor are we sure that targeting a revenue increase of 2.7% on a two year view really counts as "growth". Be that as it may, there is no doubt that KPN is doing some things right.

The pace at which the Dutch fixed line business loses connections has been slowing in recent quarters and over the last three months KPN saw a loss of just 5k – compared with 165k in both Q2 06 and Q1 07 and a cumulative figure of nearly 1.3m since the beginning of 2006. Somewhat surprisingly, this reduction hasn't done much for monthly ARPU, which remains broadly unchanged at €25 per

consumer line and about twice that for business connections. However, increasing numbers of broadband and TV customers have allowed KPN to report fixed line revenues which are broadly unchanged at €7.82bn (up 0.5%).

The company's mobile business in the Netherlands has seen a drop in revenues. The consumer side has grown its base from 6.194m to 6.248m, while the business side has gained a further 161k to reach 1.487m for an aggregate total of 7.735m. Unfortunately, ARPUs have dropped on both sides of the business, from €24 to €23 amongst consumers and rather more notably amongst business customers, from €62 to €56. The net result is that both have reported lower service revenues, which have dropped by €13m to €1.687bn (consumer) and €9m to €921m (business).

However, despite a sharp rise in SAC/SRC expenditure – up from €134 to €150 and €325 to €397 – the company's various cost reduction initiatives have allowed the entity as a whole, fixed, mobile, broadband et al, to produce a 1% EBITDA gain, up from €3.31bn to €3.34bn.

We imagine that the main engine for the "growth" KPN anticipates will be the group's International Mobile activities. The largest part of this is E-Plus, which has been making inroads into the German market in recent quarters. The company closed the quarter with 17.777m connections, of which 11.34m were connected to one or other of the company's sub-brands. The net additions reflect the growing importance of this marketing initiative, with 889k connections to the new brands, offset by a loss of 149k at E-Plus. The net – 750k – is, it should be noted, two and a half times the number T-Mobile managed – albeit at a slight cost to ARPU, which dropped by €1 to €15, Q on Q. Although SAC/SRC costs were up in the quarter, they were well down for the year as a whole, at €49, against €70, implying a marked reduction in the cash payback period.

BASE, in Belgium, is KPN's other international MNO. It added 204k connections in the quarter, to reach a total of 3.445m, but this growth was accompanied by an unwelcome rise in the level of inactivity across the company, which now stands at 22%, compared with 19% in Q3 and just 15% one year earlier. However, ARPU has held up reasonably well, with contract spend up from €49 to €50 over the year, this being offset by a €2 drop to €9 on the larger pre-paid side. Importantly, SAC/SRC expenditure is also down, from €26 in Q4 07 to just €17 one year, or not much more than the €15 blended ARPU number.

Although the network companies dominate the division, the company has three other operations that ought to be touched upon. Its wholesale side now has 2.039m customers in the Netherlands, up from 1.791m one year earlier and this activity contributed €347m in service revenue in 08. In addition, there are now two MVNOs. In Spain, KPN now has around 150k customers connected through one of several brands – either KPN's own Simyo or blau names, or those of its various partners. A similar business has just been launched in France on Bouygues' network. If the two are successful, the approach will be replicated in other "large" markets with "untapped revenue potential". This, perhaps, suggests a move back into countries outside

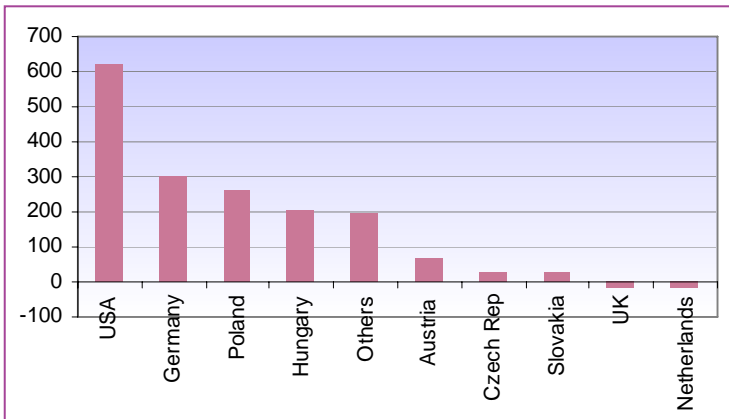
## T-Mobile Q4 2008 Preliminary Customer Numbers

Europe

### Continuing gains, in almost all markets

- Fixed line erosion continues, offset to a degree by broadband gains
- Mobile continues to grow
- Strong performance in the US, with 0.6m new connections
- Germany, Poland and Hungary also achieve six figure gains
- But the UK and Netherlands go into reverse

T-Mobile: Net Additions (000s) by market, Q4 08



Deutsche Telekom has published basic customer numbers for both its mobile and fixed businesses, as at 31<sup>st</sup> December 08. The figures reflect the trends we have seen at these businesses for several quarters now and don't suggest any special discontinuity, which is encouraging.

The fixed line base continues its slow decline. In total, 2.5m fixed lines were lost in Germany, while the other European countries where landline subsidiary T-Com operates lost a further 0.24m. The decline in lines has been offset to a degree by a rise in the number of DSL connections, which increased by 1.12m overall to 13.9m, of which 12.5m are in Germany. While DT has not commented upon the trend in revenues or profitability in these businesses, we imagine there will be another drop in both.

The majority of T-Mobile's mobile companies have continued to grow their subscriber base. In aggregate, there were 1.68m net adds in the period, out of an annual total of 7.67m. That equates to 22% of the total, which, although well below the usual fourth quarter contribution, is probably as good a result as could be expected – especially as a couple of countries produced net declines in their base.

In absolute terms, the best result came in the USA, where T-Mobile Inc added a further 622k customers, to take its total to 32.76m. This leaves it in fourth position in the market, but the gap between it and Sprint's CDMA base is now down to less than 5m. The best result in Europe was in Germany, at least absolutely, as T-Mobile added 301k new customers to reach a total of 39.1m. Poland (+260k) and Hungary (+206k) were the best of the rest, though Austria (+69k) and the Czech and Slovak republics (+30k each) also contributed to the gains. Only the UK and the Netherlands failed to improve their position, bringing up the rear with losses of 16k and 18k respectively.

The company now has a total of 128.3m mobile customers, making it one of the largest such businesses anywhere in the world. However, as is the case for the majority of the industry, quite how much it will manage to add to this base in 2009 is far from certain.

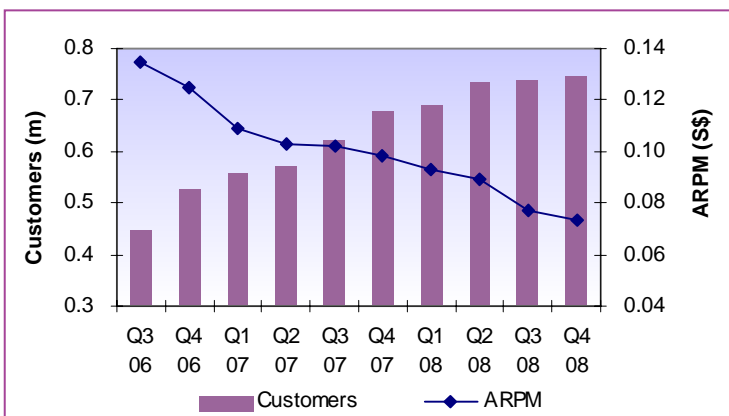
## MobileOne Q4 2008 Results

Asia Pacific

### Fourth-quarter boom fails to materialise

- Net additions of just 10k in Q4, equalling worst performance of past 10 quarters
- Annual net additions more than halve compared to 2007
- Customer quality continues to weaken
- Prepaid prices come down in fight for customers
- Total revenues, EBITDA show slight year-on-year declines

M1: Prepaid customers (m) and prepaid ARPM (average revenue per minute) (\$\$), Q3 06 – Q4 08



MobileOne (M1), the smallest of Singapore's three mobile operators by customer numbers, has reported its fourth-quarter and full-year results. Total annual revenues were down very slightly compared to 2007, a 0.3% fall taking the figure to S\$800.6m. This drop was due to a decline in handset revenues, although service revenues only just managed positive growth with a 1.6% annual gain. The full-year figure was S\$738.5m, with mobile contributing S\$601.4m, up 0.2% year on year. Meanwhile, EBITDA fell 1.3% to S\$316.5m.

Given these somewhat disappointing financial figures, it is perhaps no surprise that the operational figures also showed less than impressive growth. The total customer base grew 6.3% annually to 1.63m, compared to 14.8% growth in the prior twelve-month period. Annual net additions stood at 96k, down from 198k, with a particularly poor performance in the fourth quarter, which was the strongest quarter in both 2006 and 2007: there was a net gain of just 10k in Q4 08, compared to 68k in Q4 07 and 88k in Q4 06. Moreover, most of the growth in 2008 was in the less lucrative prepaid sector, which increased by 10.2% to 0.75m. The contract base grew by just 3.2% to 0.88m, which brought the contract percentage down 1.7pp to 54.1%. Fourth-quarter contract net additions stood at just 1k, the worst performance since Q3 06.

Prepaid growth seems to have been driven by price, with prepaid ARPU down 1.7% to a quarterly average of S\$17.30 per month despite a 13.7% rise in prepaid AMPU to 199 minutes per month. This implies a drop in the effective price per prepaid minute from 10.1 cents in 2007 to 8.7 cents in 2008. This is a consequence of the fierce competition for prepaid customers in Singapore, which so far has been won more or less hands down by market leader Singtel, particularly in addressing the large population of migrant workers in the territory. Contract ARPU at MobileOne is far higher, and rose by 3.2% in 2008 to S\$63.90 despite a 2.5% drop in AMPU.

In terms of costs, SAC's fell 8.9% to S\$173 per customer, although this was cancelled out by a 12.1% gain in SRC's to S\$148.

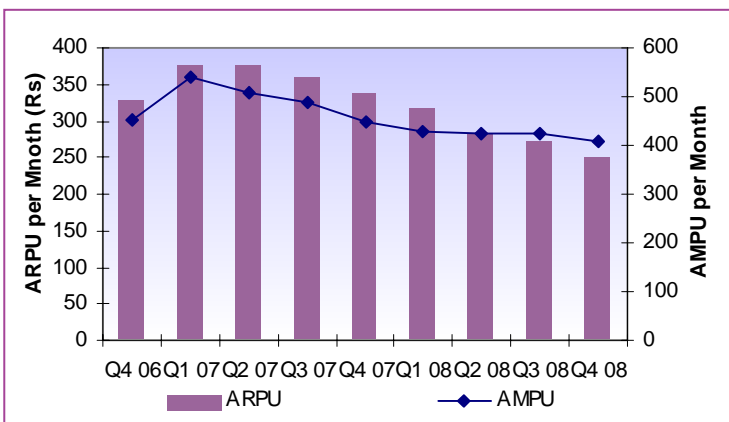
Reliance Communications Q3 2008/09 Results to 31<sup>st</sup> December 2008

Asia Pacific

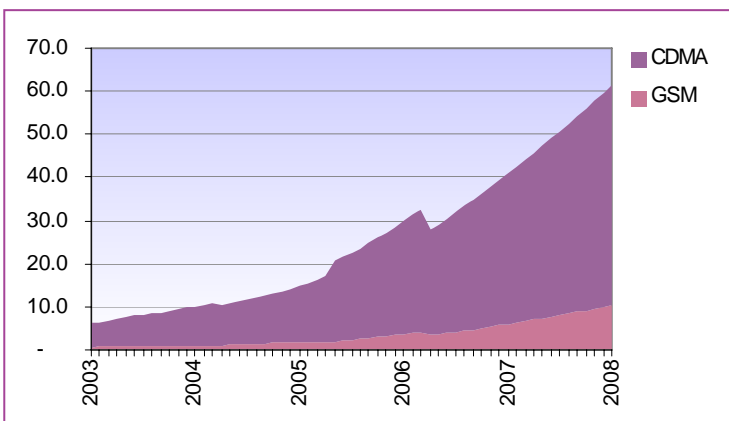
## Revenue growth under pressure as Reliance prepares for dual-network

- Customer base breaks 60m barrier to reach 61.4m
- Record monthly net additions in December 2008 of 1.82m
- Record quarterly net additions in Q4 08 of 5.35m
- ARPU falls again from Rs271 to Rs251
- Just 1.8% of 9.5% increase in customers shows through at the revenue level
- EBITDA margin impacted in wireless, but still trumps competitors
- Significant costs to come as Reliance rolls out GSM nationwide

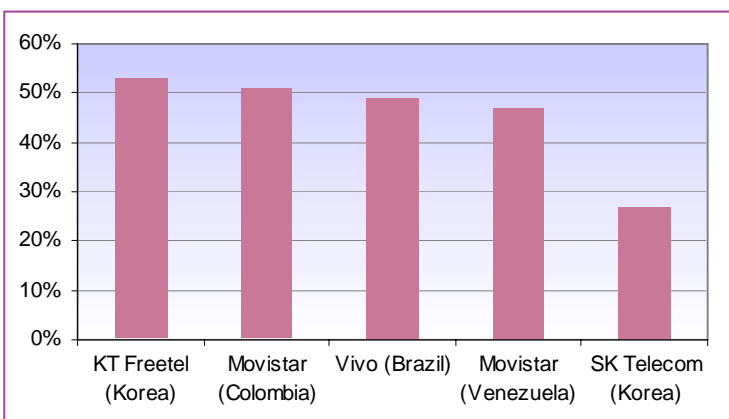
Reliance: ARPU vs AMPU, Q4 06 - Q4 08



Reliance: Customers, EOP (m) by technology, 2003-2008



Recent Converts: CDMA base decline 2 yrs after GSM/WCDMA launch



Reliance Communications is India's second largest mobile company, and along with larger rival Bharti reported its December results this week. The company finished the year with 61.4m customers, having broken the 60m barrier convincingly in December with record monthly net additions of 1.82m. This took quarterly net additions for Q4 2008 (Q3 of Reliance's 2008/09 financial year) to a record high for the company of 5.35m, from 5.26m in the previous quarter, although proportionate growth fell from 10.4% to 9.5% in the process. As is the case across the board in India, ARPU continued to fall, from Rs271 to Rs251 per month quarter on quarter, having stood at Rs340 for the last full year ended 31<sup>st</sup> March 2008. This had the effect that only a fraction of the 9.5% increase in customers shows through at the revenue level, turnover rising just 1.8% from Rs43.36bn to Rs44.12bn. What is more, the strengthening of the US dollar between the third and fourth quarters saw the wireless top line actually fall by 2.7% in dollar terms.

Wireless is not Reliance's only business, however, making up as it does about 62% of the group total by revenues. The next biggest unit, "Global", actually saw revenues fall by 0.8% in rupee terms; it was the Broadband unit, which accounts for just 9% of turnover, which managed to boost the overall increase in group revenues to 3.6% (although this was still not enough to prevent a decrease when translated into dollars). The 8.6% growth in broadband revenues came at a cost as the EBITDA margin fell from 48.8% to 42.2% in the quarter, although this was still the highest in the group. Profitability at the wireless business held up better, the margin slipping by just over 1pp to 37.7% between September and December. This is comfortably higher than both other Indian operators to have already reported, with Bharti posting a margin of 31.4% and IDEA 25.5%. At the group level the decline in margin was limited to just 0.6pp to 40.2%, thanks to an increase of almost 20% in EBITDA at the Global business, which, combined with the decline in revenues, boosted the EBITDA margin of this unit from 21.3% to 25.7 in the quarter.

The big news in Reliance's wireless business in recent months has been the company's plan to roll out a nationwide GSM network to complement its existing national CDMA infrastructure. The company already operates GSM networks in eight circles, with around 10.4m or 17% of its base using the technology at the end of 2008. The decision to offer GSM on a wider basis is, in itself, no surprise. The advantages in terms of international out-roaming, domestic in-roaming, handset choice, data services and so on are well established. The remarkable aspect of Reliance's plan is that it is to offer both GSM and CDMA services side by side, investing in both, and showing no favour to one or the other technology. No other operator in the world, with the exception of China Unicom, has ever adopted such a strategy. Plenty, such as those in South America and Brazil, have vowed to keep incumbent CDMA networks open when rolling out GSM services, but customer bases shift rapidly onto the global standard in most cases. The economics of a dual-network strategy are far from prohibitive: 85% of Capex costs, Reliance points out, are technology agnostic. But no operator has drawn a line between the marginal incremental cost involved in rolling out a dual-technology network (although this will still run into billions of dollars at Reliance) to the active promotion of both services to an equal degree.

Reliance's business case is built on the idea that its existing CDMA users are unlikely to shift to its GSM service, because they will not want to lose the investment they have already made in their CDMA handset. Therefore, the logic goes, these customers are "safe", and the GSM business can focus on churning customers from existing operators, as well as taking advantage of the abundant new growth in the market. Of course, there is some truth in this argument: the handset represents by far the most significant source of expenditure for a prepaid mobile user who spends only one or two dollars a month on services. And much of the rapidity of the CDMA to GSM/W-CDMA migration in places such as Latin America and South Korea can be attributed to the operators' active encouragement of this process through handset subsidies and other offers. So Reliance's argument holds up to a degree; but will it hold up in perpetuity?

We doubt it. Whilst most users will be reluctant, and many unable, to invest in a new handset initially, over time the lure of the vast GSM handset portfolio, the capabilities of those handsets, and the services which can be hosted on them – as little used as they are, or may be in India – may produce a natural, consumer led, migration. We do not disagree with Reliance's strategy, but neither do we do agree that the probability of internal churn will remain low in the medium to long term. We will also make a prediction: Reliance itself will, in time, have a change of heart over its plan, and, for mobile at least, move fully behind the global standard.

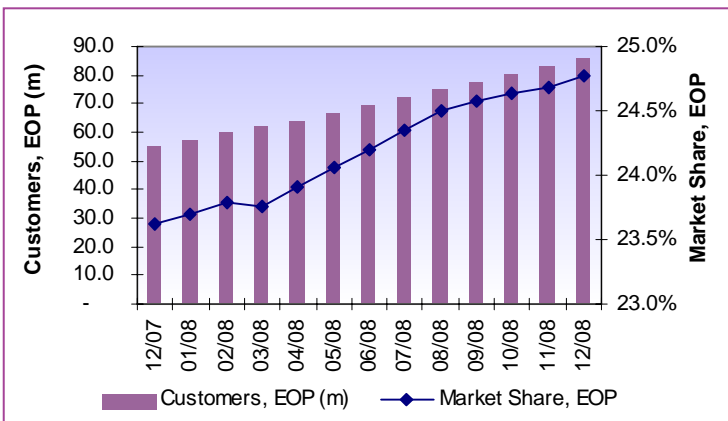
## Bharti Airtel Q3 2008/09 Results to 31<sup>st</sup> December 2008

Asia Pacific

### Net additions surpass 30m for 2008 as Bharti cements position at domestic and world rankings

- Net additions reach a record 30.5m in the year
- Customer total reaches 85.7m, confirming status as world number three, even after Verizon-Alltel deal
- 55.3% annual growth surpasses 48% market average...
- ...boosting market share to 24.8% - the best seen in over 5 years
- Bharti continues to lead in terms of ARPU, MoU and overall traffic volumes and remains very well placed for the challenges ahead

Bharti Airtel: Customers vs Market Share, 12/07 - 12/08



The latest figures from Bharti Airtel, the Indian market leader, show that the company increased its market share to its highest level in more than five years in 2008, ending December with 24.8% of the national customer base. Net additions in Q4 2008 – the third quarter of Bharti's 2008/09 financial year – rose for the 15<sup>th</sup> successive time to another new Indian record of 8.17m, taking annual net additions to a record 30.5m. If its current trajectory continues in 2009 – and there is absolutely no reason to think that it will not – Bharti will control more than a quarter of the Indian market before the end of the first quarter, and will surpass the 100m customer mark in May.

In terms of net additions, Bharti is the second most successful operator the world has ever seen, after the undisputed number one, China Mobile, which also improved its own P.B. to 87.6m in 2008. It was no surprise that Bharti also retained its position as the world's third largest network operator with a total of 85.7m customers, a place it won from AT&T Mobility in the Q3 08. In Q4 08 it moved over 8.5m customers clear of the current American number one; it was also enough to take Bharti clear of the combined Verizon-Alltel – the American number-one-in-waiting – once the mandatory divestitures associated with this deal have taken place. Its challenge for second in the world is some time away, but closer now that the current occupant of that place, China Unicom, has divested its CDMA business.

As predictable as Bharti's continued growth was the continued decline of its ARPU, reaching a new low of Rs324 per month in Q4 08, as the remaining addressable market in India becomes ever lower-spending. However, barring anything extraordinary from Vodafone, which reports figures this week, Bharti's ARPU remains comfortably the highest of the major players, and – in all probability – the only one remaining over Rs300. Despite a 6% drop in the quarter its customers' minute usage is also unsurpassed at 505 each per month, which left traffic volumes at a record 123.6bn minutes for the quarter. Times will no doubt get tougher for Bharti, as new licensees – backed by the likes of Telenor, Etisalat, Sistema and Batelco – enter the market. However, no player is better placed to tackle this challenge, or indeed to play consolidator in the inevitable rationalisation which is to come.

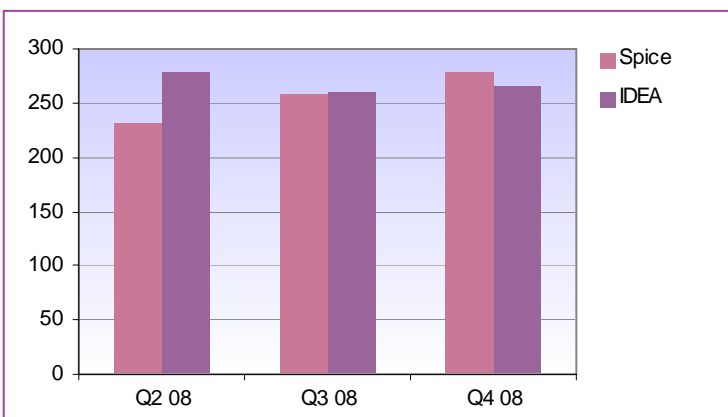
## IDEA Cellular Q3 2008/09 Results to 31<sup>st</sup> December 2008

Asia Pacific

### IDEA and Spice net additions hit 4m as proportionate growth tops all major rivals

- Combined IDEA/Spice base up 11.9% to 38m
- National market share up from 10.8% to 11.0%
- Revenues up 18.5% on back of new businesses and Spice
- Established operations improve margin, but impacted by EBITDA losses at start-ups and lower profitability at Spice...
- ...although Spice's KPIs improve dramatically in the quarter

IDEA/Spice: ARPU per Month (Rs), Q2 08 - Q4 08



India's sixth largest mobile telecoms firm, IDEA Cellular, has reported its third quarter results for the period ended 31<sup>st</sup> December 2008. IDEA has established operations in 11 of India's 22 telecom circles, with new businesses launching in Mumbai in August and in Bihar in October to take total coverage to 13 circles. In addition IDEA has a 41% stake in Spice Communications, which operates in an additional two circles, extending the overall reach to 15. Taken together the businesses increased the size of their combined customer base by a record 4m customers to 38.01m in the quarter, yielding a growth rate of 11.9%, thereby beating all five larger rivals. This boosted the operators' market share from 10.8% to 11.0%, regaining most of the ground lost from the clean-up of the Spice base in Q3.

Revenues did even better, showing an 18.5% improvement quarter on quarter, as the effect of the new launches, and the inclusion of the Spice joint venture, were felt. Underlying revenue growth for the 11 established operations was 12.1% between September and December, showing that the growth fundamentals are solid. These units managed to increase their EBITDA by 17.4% over the same period, boosting the margin by 1.3pp to 29.4%, but here, of course, is where new operations rarely make a positive contribution. Unsurprisingly, IDEA's EBITDA loss in the two new circles widened from Rs366m to Rs765m as the Bihar operation came online and investment in the Mumbai start-up continued. Including the Spice joint venture, which itself has a lower EBITDA margin than its new investor, the result was an 11.9% overall increase in EBITDA to Rs6.81bn, which impacted the overall margin to the tune of 0.8pp in Q4, down to 25.5%.

A full merger of Spice is on the cards for later this year, and whilst the Punjab and Karnataka operator is not as profitable as IDEA, its operating KPIs are better. Spice achieved an ARPU of Rs279 in Q4 2008, up 7.7% Q on Q, overtaking IDEA, which finished on Rs266. Spice achieved this on the back of a 14% increase in minute usage to 494 per month in the quarter, in contrast with the 1.7% decline at IDEA to Rs410. Spice also managed an impressive 35% increase in data ARPU to 10.9% of the total, again leapfrogging IDEA, whose own rate slipped from 9.8% to 9.5%.

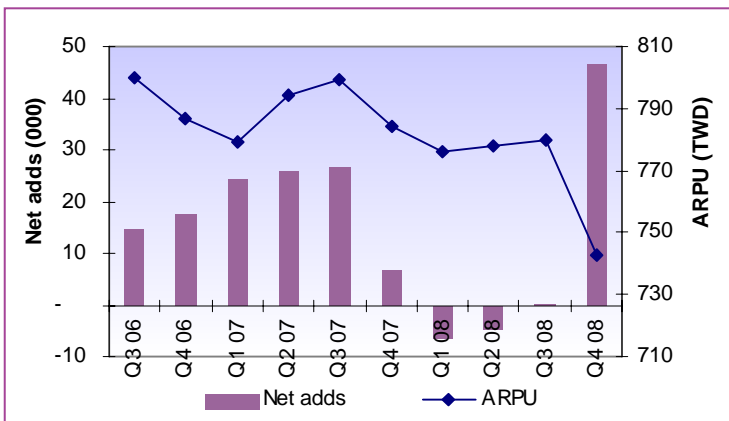
## Taiwan Cellular Q4 2008 Results

Asia Pacific

### Second place recaptured

- FarEasTone surpassed with strong quarterly growth
- But year-on-year comparison is only just positive
- 6.3m customers at end of 2008
- ARPU falls 5% despite rise in usage
- Revenues, EBITDA down

Taiwan Cellular: Quarterly Net Additions (000) and ARPU (TWD)



The fourth quarter of 2008 saw Taiwan Cellular reclaim second place in the Taiwanese market, having briefly lost that position to FarEasTone in Q3 08. Its resurgence was due in part to a 19k quarterly decline in FarEasTone's customer base – its worst figure for two years – but it was principally due to an excellent performance from Taiwan Cellular, which added 47k customers, the highest gain it has recorded since Q3 04. What was particularly impressive was the fact that the previous four quarters had seen progress that was at best sluggish, at worst negative. It finished 2008 with 6.27m customers, compared to 6.25m for FarEasTone.

Taiwan Cellular is dominated by contract customers, and Q4 08 saw contract net additions of 31k compared to 16k for prepaid. In fact, this was the first time since Q1 07 that the net contract gain had exceeded that of prepaid, with the previous four quarters all seeing net declines to the contract base. This left the contract percentage down 1.2pp year on year at 90.0%. The net annual drop for contract stood at 43k, compared to a 78k increase for prepaid, yielding an aggregate gain of 36k. This was less than half the 83k seen in 2007. In proportionate terms, positive growth was only just achieved with a 0.6% yearly increase, compared to the year-earlier figure of 1.4%.

The strong customer growth in Q4 came at some cost. Prepaid ARPU was down 7.9% compared to Q4 07 with a quarterly average of TWD 571 per month, while contract ARPU fell 4.6% to TWD 762. This left blended ARPU down by 5.2% at TWD 743. Usage actually rose, from 193 minutes per user per month in Q4 07 to 206 minutes in Q4 08, which implies a drop in the effective pricing per minute from TWD 4.06 to TWD 3.60.

This drop in ARPU, combined with a customer growth rate below 1%, implies a drop in revenues, and this was indeed the case. Fourth-quarter wireless revenues were down 3.6% to TWD 14.21m, while wireless EBITDA dropped 5.1% to TWD 5.96m.

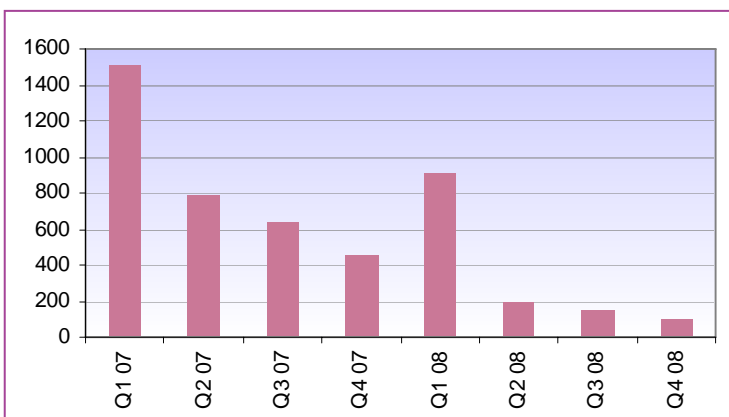
## KDDI Q3 FY2008/2009 Results

Asia Pacific

### Worst ever quarter for customer growth

- Quarterly net adds below 100k, annual growth at record low
- Market share drops back below 29%
- ARPU also hits record low
- But churn and SARC's decline to lowest ever levels...
- ... And EBITDA is up almost 19%

KDDI: Pro Forma Quarterly Net Additions (000), Q2 06 – Q4 08



In the third quarter of its financial year, KDDI recorded a net gain of just 98.5k customers, its worst ever figure on a pro forma basis. (It lost 34.3k in Q2 08 as a result of the closure of the PDC operation Tu-Ka.) At the end of the year it had 30.55m customers, an increase of 4.6% compared to the end-2007 figure. This was down 8.6pp on the 2007 growth rate, and in fact it was the first time KDDI has recorded a single digit growth rate in a calendar year. Moreover, it was the lowest rate it has ever recorded in any twelve-month period. In real terms the annual increase stood at 1.35m, down from 3.40m in 2007.

The potential for organic growth in the Japanese market has certainly diminished in recent times. Penetration stood at 83.1% at the end of the year, and although other developed markets have seen penetration surge through the 100% barrier and even make it beyond 150%, this is largely due to multiple SIM ownership. In Japan, however, this is a rare phenomenon due to the fact that 98.5% of mobile customers are on contracts, and the reported penetration rate is therefore likely to be much closer to the actual percentage of people owning mobiles. This means it is a distinct possibility that the penetration rate will fail to reach 90%, let alone 100%.

Nonetheless, KDDI's performance in terms of customer growth was disappointing. Its market share declined for the third successive quarter, dipping below 29% to finish on 28.9%. Furthermore, its blended ARPU reached an all-time low of JPY 5,870, a drop of JPY 360 compared to the final quarter of 2007. This was despite the fact that data ARPU hit a record high of JPY 2,220. Given that ARPU fell 5.8% compared to 4.6% customer growth, it is hardly surprising that telecoms revenues fell, albeit marginally, a 0.3% drop taking the quarterly total to JPY 687.2bn. Total revenues were down 2.4% to JPY 882.4bn. There were some positives, however. The operator is clearly moving to protect its existing base – monthly churn was at a record low of 0.7% - but at the same time ensuring a reduction in SARC's to their lowest ever level of JPY 32,000 per customer. Best of all, costs were brought firmly under control and EBITDA was up 18.6% to JPY 255.3bn, leaving the EBITDA margin up 5.1pp at 28.9%.

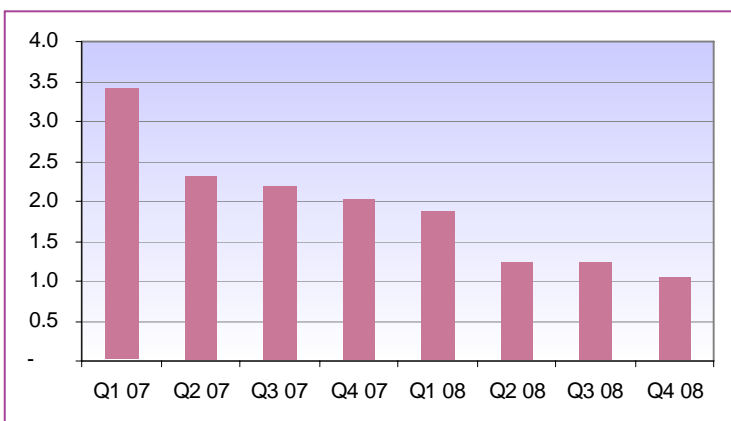
## NTT DoCoMo Q3 FY2008/09 Results

Asia Pacific

### DoCoMo tightens belt as revenues decline

- Market share hits lowest level since 1996
- Annual growth up marginally to 1.9%
- 3G growth is slowing
- ARPU hits all-time low but churn also at record low
- Revenues drop but cost-cutting sees income rise

DoCoMo: W-CDMA quarterly net additions (m), Q1 07 – Q4 08



NTT DoCoMo is Japan's market leader, with an advantage of more than 24m customers over second-placed KDDI. However, its dominance has waned somewhat in recent years, with its end-2008 market share of 51.2% representing the lowest figure for more than 10 years. The decline has been gradual, with just 1.7pp lost during 2008, but it seems inexorable given the rise of third player Softbank.

At the end of the year, DoCoMo had 54.16m customers, up 1.9% year on year. Although this is a decidedly sluggish growth rate, it was actually an improvement of 0.1pp on the 2007 rate. Furthermore, in real terms annual net additions increased from 0.94m to 1.00m and fourth-quarter net additions were also up, from 209k to 218k. In fact, this was the largest gain for three years. DoCoMo's W-CDMA base added 1.05m customers during the quarter and 5.42m in the year to finish on 47.49m, up 12.9% annually. However, W-CDMA growth is slowing considerably. In proportionate terms, 2007 saw growth of 31.0%, while the actual gain stood at 9.96m. Q3 FY 2008/09 (the final quarter of the 2008 calendar year) saw the seventh successive decline in W-CDMA net additions. Nevertheless, the proportion of DoCoMo's customers using 3G continued to increase, from 79.2% at the end of 2007 to 87.7% at the end of 2008.

In terms of KPI's, DoCoMo has seen many of the same trends as compatriot KDDI. Blended ARPU hit a record low of JPY 5,730, an annual fall of 8.9%, despite a rise in data ARPU – coincidentally also by 8.9%. Again like KDDI, churn was at an all-time low of 0.4%.

This drop in ARPU was evident from the financial figures, which showed a 7.8% fall in nine-month wireless operating revenues to JPY 2,911.1bn. Total operating revenues for the first nine months of the financial year fell 4.1% to JPY 3,378.8bn. However, DoCoMo has obviously been tightening its belt, as operating expenses dropped by 9.1% to JPY 2,632bn, leaving operating income up an impressive 19.5% at JPY 746.8bn. The EBITDA margin was also up, from 34.3% in 9M FY08 to 40.1% in 9M FY 09.

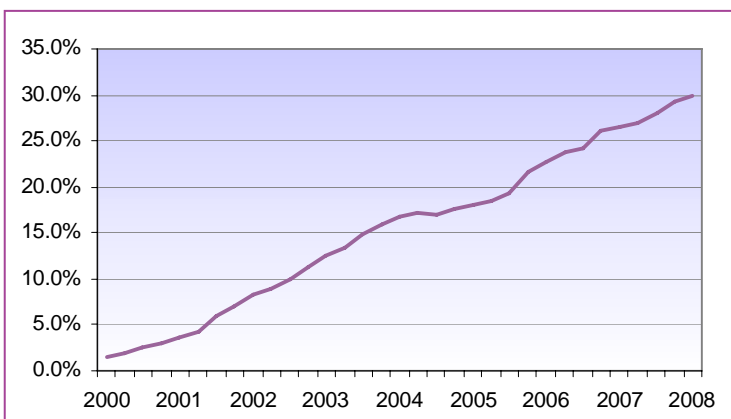
## Vodacom Q3 2008/09 Trading Update to 31<sup>st</sup> December 2008

Middle East & Africa

### Operations outside South Africa now account for 30% of base

- Base up 14.3% to 37.8m, yielding 13.7% increase in 9M revenues
- South Africa records best growth in six quarters of 4.8%
- Group net adds at six quarter high of 2.08m
- Non-South African operations now account for 30% of base
- ARPU up quarter on quarter across the portfolio

Vodacom: % Customer Base outside SA, 2001-2008



South Africa's Vodacom is now a subsidiary of Vodafone after the British company's recent deal with Telkom South Africa to assume control of the company. Whilst Vodacom will be included for the first time this quarter in Vodafone's nine-month results this week, under the terms of the deal Vodacom remains a listed company and produces and releases its own financial results. The third quarter trading update of the company, which shares the March year-end of its parent company, has just been released and shows a 14.3% increase in mobile customer numbers to 37.8m, yielding an almost-equivalent 13.7% increase in nine-month revenues.

Vodacom's performance was consistently strong across the portfolio, which extends from South Africa and Lesotho, up the east coast of Africa into Mozambique and Tanzania and west into the Democratic Republic of Congo. In proportionate terms, South Africa exhibited the weakest growth in the final quarter of 2008, but this is more testament to the results from the other markets, than any inadequacy on the part of the domestic business. As it was, South Africa's 4.8% increase was the best seen since Q2 07, and a considerable improvement on the rates of 2.3%, 0.3% and 1.4% recorded in the previous three quarters. In absolute terms this translated to 1.21m net additions, accounting for 58% of the group total. At the end of 2008, the overall South African base of 26.45m accounted for exactly 70% of the overall total, down from 73.4% a year ago.

Outside South Africa, Tanzania was the next largest contributor to net additions with 0.42m in the final quarter of the year, followed by the DRC (+0.27m), Mozambique (+0.15m) and Lesotho (+0.04m). Proportionately speaking, the honours went to Mozambique, which recovered from a 1.2% loss of customers in Q3 to increase the size of its base by 11.5% in Q4 – despite churn remaining the highest in the portfolio at a troubling 72.9%. Lesotho was next best with an 8.7% increase in customers, followed by Tanzania (+8.6%) and the DRC (+7.0%), which saw a 2.8pp improvement in the churn rate to 51%. Importantly, ARPU was also up at all five operations, by 2.3% in South Africa, 2.9% in Lesotho, 3.1% in DRC, 3.8% in Tanzania and 10.5% in Mozambique, in Rand terms.

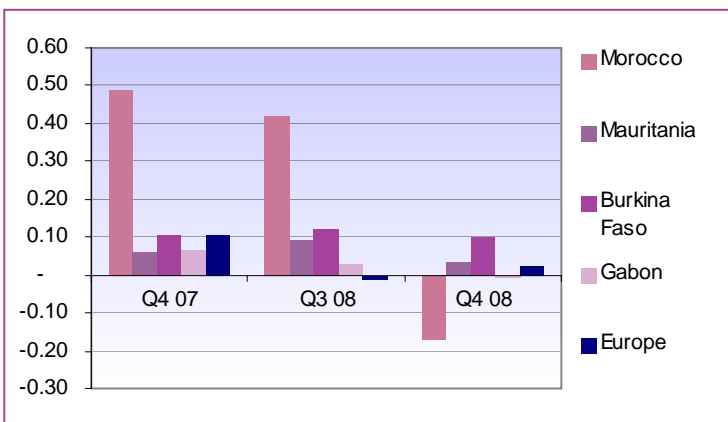
## Maroc Telecom Q4 2008 Results

## Middle East & Africa

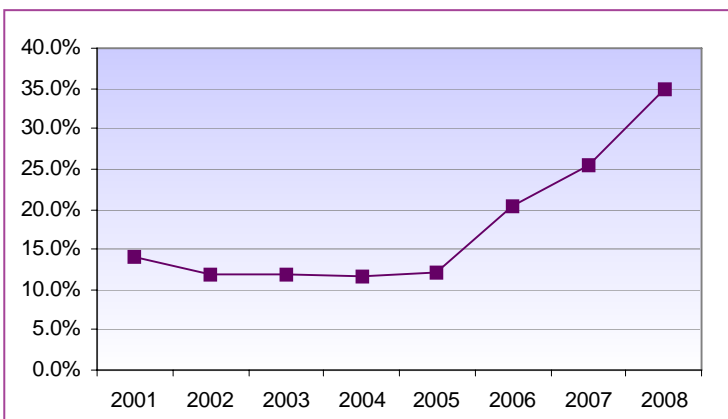
### Customer total falls for first time ever as Vivendi unit feels effects of competition

- Customer numbers fall 0.1% in Q4 to 17.18m
- Churn in Morocco rises to all-time high of almost 35% per year...
- ... leading to 173k disconnections in the quarter
- ARPU are hit at home as competition impacts
- Focus on quality in most penetrated market of Gabon, is sign of good strategy, but not without consequences
- Burkina Faso puts in best performance in African portfolio
- Mobisud recovers after two quarters of loss, but makes little progress over the year

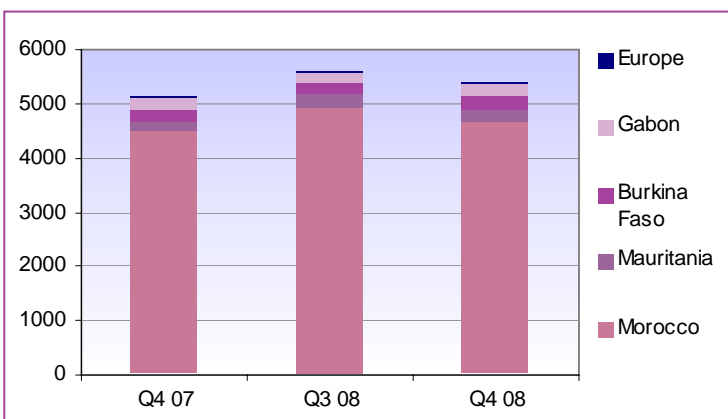
Maroc Telecom: Net Additions (m) by Market, Q4 08 vs Q3 08, Q4 07



Maroc Telecom: Annual Churn Rate in Morocco, 2001 - 2008



Maroc Telecom: Gross Mobile Revenues (MAD m) by Market, Q4 08



Maroc Telecom, the Moroccan incumbent telco, is majority owned by the conglomerate Vivendi, and is now effectively the vehicle through which the French company is making all future investments in the MEA region. At the recent TelecomFinance 2009 conference, the Vivendi representative was keen to highlight both Maroc Telecom's kudos in the region, its level of profitability – which is the best in the Vivendi Group – and its growth potential. That potential is clearly in evidence, with the company expected to win the bid for 51% of Mali's Sotelma imminently, adding to its acquisitions in Burkina Faso and Gabon. However, in the fourth quarter growth itself deserted the company, both in terms of customers and revenues.

Whilst phrases such as “competition intensification”, “restrictive regulation” and “tariff rebalancing” pepper Maroc Telecom's Q4 release, the annual comparison is not unfavourable. Year on year, mobile customer numbers and revenues were comfortably up, by 12.0% and 4.7% on an actual basis, respectively, to 17.18m and MAD5.39m. However, the company suffered its first ever quarter on quarter decline, as its customer base decreased in size by 0.1% from 17.20m at the end of September, whilst the mobile revenue base contracted by 4.0%.

Morocco was the main culprit, as competition intensified with the entry of Wana into the mobile arena, which saw the market leader lose 1.2% of its base in the quarter – its first ever decline. Despite the company's foreign diversification, the domestic mobile business still accounts for 84% of the group total in terms of mobile customers and this alone was enough to cause the small decline in the overall total. In absolute terms, customer numbers were down 173k in the final three months of 2008 to 14.46m, as churn rose to a record high of 34.9% on an annualised basis. The high churn rate was partly the fall-out from impressive growth in 2007, when customer numbers were up by almost 25%. The result was that annual growth for 2008 stood at just 8.5% in Morocco, down from 14.0% in the 12 months to 30<sup>th</sup> September and barely one third of what was seen in the prior 12 months. Added to this was a decline in ARPU from MAD100 per month in September to MAD99.2 per month in December, although as these are stated on a Cumulative Average (year to date) basis, we do not see the full effect of the quarter on quarter decline. The revenue figures show this effect more clearly, with the top line impacted by 5.5% between Q3 08 and Q4 08, leaving turnover down at MAD4.67bn from MAD4.94bn three months earlier.

The group's other businesses in the group also contributed to the quarter's disappointing result. Mauritel Mobiles in Mauritania saw a decline in its customer growth rate to an all time low of 3.3%, which saw net additions plunge to a ten quarter low of 36k. Revenues still went north, but only by 1.3% between Q3 and Q4, as the entry of a third player in the Mauritanian market – in the form of Chinese-backed Chinguitel – took its toll on tariffs, and ARPU's. Meanwhile, in Gabon the mobile customer base contracted for the first time since Maroc Telecom took over Gabon Telecom and its mobile operator Libertis. The operator gives no explicit explanation, but we assume that it is related to the “tariff rebalancing” which is described in the Q4 release. The fact that mobile revenues were up 7.6% quarter on quarter, despite the contraction of the size of the base, also backs up this conclusion. The apparent change of focus to quality rather than quantity is sensible in a market where penetration is now almost 100%.

Burkina Faso is on the other end of the African scale with a penetration rate still below 20%, but even here growth fell, to its lowest level since Q2 07, when Maroc Telecom took over the incumbent telco Onatel and rationalised the existing customer base. Nonetheless, Burkina Faso was the strongest performing African market in the quarter in both absolute and relative terms, with customer numbers up by 100k, or 11.4%. In actual fact, the Mobisud MVNO in France and Belgium did better – finding its way back to growth for the first time since Q1 with a 15.6% increase – but this only amounted to 22k customers in real terms, leaving the European venture just 3k customers better off, year on year.

In quarterly terms, Maroc Telecom's mobile business was eclipsed by the fixed and internet unit in terms of revenue growth, which increased turnover by 5.3%, which after eliminations left overall revenue growth at 3.9% on an actual basis. However, in the year as a whole mobile still won the day, with a 9.7% published increase in turnover, against 2.4% in the rest of the company, yielding a 7.2% overall increase to MAD29.5bn. Whether the problems suffered by Maroc Telecom's various business units persist into 2009 remains to be seen; however, there is no doubt that, with a strong balance sheet growth, by acquisition – at the right price – remains an attractive strateav in these troubled times.

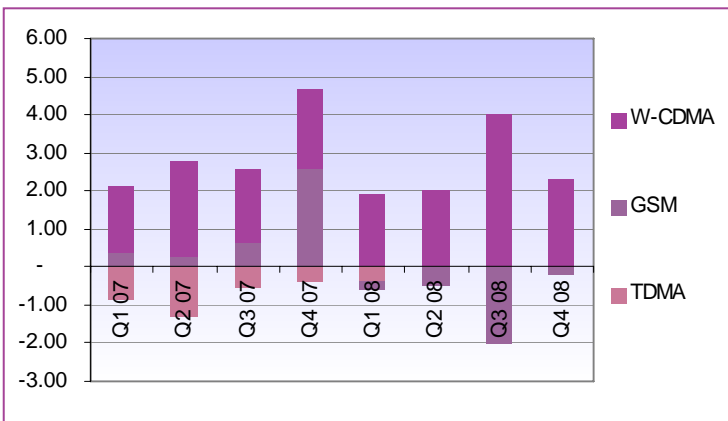
## AT&T Q4 2008 Results

North America

### iPhone blows up a storm

- Exceptional factors depress results
- iPhone "initiative" slices \$450m off profits
- But subscriber base continues to grow...
- 2.1m net adds, increasing total base to 77m
- ARPU stays at record levels thanks to high data spend

AT&T: Net additions (m) by technology, Q1 07 – Q4 08



AT&T's fourth quarter results continue to reflect the impact of hurricanes, foreign exchange movements and Apples. The first removed about \$0.01 from the earnings line, as did the second, while the subsidies associated with the iPhone cut a further \$0.05. Redundancy charges added – or rather, subtracted – a further 7c to this list and so under the circumstances, the 10c drop in the Q4 figure is understandable. Overall revenues were down 0.8% on the quarter, but this aggregate number masks a variety of trends. Wireless revenue was up 2.6% at \$11.5bn, while data also increased (by 0.9% to \$6.2bn). Directory, "Other" and the once core Voice business were all down by varying degrees, with voice much the hardest hit, down 5.6% at \$8.8bn. Costs, however, continued to rise, with SG&A up 7% on the quarter the worst offender. With associate income down by \$140m, other expenses up by \$417m, the 25% drop in pre-tax profits to \$3,694m was inevitable.

The numbers coming out of the wireless business make happier reading. The overall customer base continues to grow, with 2.1m net adds in the quarter, to take the total to 77.0m, 17m of which use the W-CDMA network. This equates to nearly 7.0m new customers year on year. Other metrics are also encouraging: ARPU exceeded \$50 for the seventh quarter in a row (at \$50.82, a level that equals the best recorded number from recent years), while churn is still low at 1.6% overall and 1.2% across the contract base.

Looking at the ARPU numbers in greater detail provides further grounds for optimism. The last several quarters have been characterised by a decline in voice revenues, slightly more than entirely offset by growing data revenues. The proportion of ARPU coming from data has risen from 16% two years ago to 26.6% in the latest quarter, or \$13.50 per customer. At the same time, it seems the pricing pressure on voice traffic has eased, with ARPM staying flat for three quarters in a row, at 5.25c per minute. The issue for AT&T is whether it can continue to grow the market in the face of the current economic problems. Management's guidance suggests it can: it anticipates continuing revenue growth and a long term trend towards higher margins, thanks in part to the benign impact on revenues and usage from the more than 4m iPhone connections.

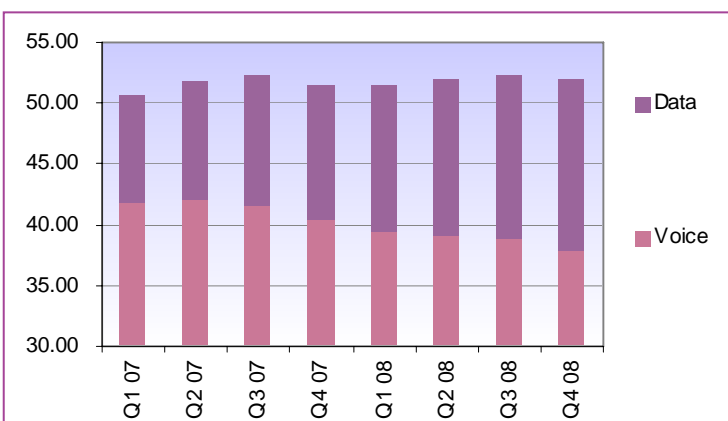
## Verizon Communications Q4 2008 Results

North America

### Fixed line declines offset mobile gains

- Marginal drop in fixed revenue
- Strong increase in mobile leads to a small fall in overall profitability
- 1.25m net adds takes mobile base to 72m
- ARPU continues at above \$50, but churn is rising
- Alltel merger shifts balance further towards mobile

Verizon Wireless: ARPU per Month (\$) by Service, Q1 07 – Q4 08



Verizon Communications also strikes a positive tone in its quarterly message to investors. It can, it asserts, "compete effectively in this economic environment" and while this isn't the same as forecasting higher profits or revenues, it'll pass muster in times like these. Verizon has done rather better than its largest competitor in this recent quarter. Its revenues are down, but only by 0.4% at \$24.65bn. Verizon has managed to maintain wireline revenues at 98% of their Q3 level (\$11.9bn rather than \$12.1bn) while wireless revenues are 1.2% ahead, at \$12.85bn. Unlike AT&T, costs have fallen in the period, by 1.0% overall so the higher interest charges and a much higher minority charge – 11% up at \$1.7bn – have had less of an effect upon profits, where the pre-tax number is only off 9.0%, at \$2.58bn.

Verizon Wireless is, of course, the main element in the minority charge and this has continued to perform well. Net adds of 1.25m in the quarter took the company's overall base up to 72.0m, of which all but 2m are directly connected retail customers. Of the 70m, 67m are on contracts. ARPU has held up reasonably well too, though unlike AT&T, Verizon has not managed an absolute increase. Although data expenditure has risen to a new record high of \$14.00, this is more than offset by a drop in voice usage to \$37.90, which is a new record low. On balance, overall ARPU is down 50c at \$51.70.

Churn, which has been at exemplary levels for several years, has begun to edge upwards in the last couple of quarters. While the overall rate of 1.35% is only marginally ahead of Q3's 1.33%, this comes after 1.12% in Q2. More significantly, contract churn has jumped from 0.83% in that quarter to 1.03% in Q3 before hitting 1.05% in Q4. The absolute numbers are still very low but the trend is perhaps indicative of more difficult times to come. However, the next quarter's results will reflect the merger with Alltel Wireless, a deal that will leave Verizon well out ahead as the clear leader in the US wireless market with over 80m customers. The impetus from the deal, which is expected to generate synergies with an NPV of \$9bn, ought to be sufficient to take the business onwards and upwards in 2009, despite economic circumstances – though perhaps significantly, management has not said as much.

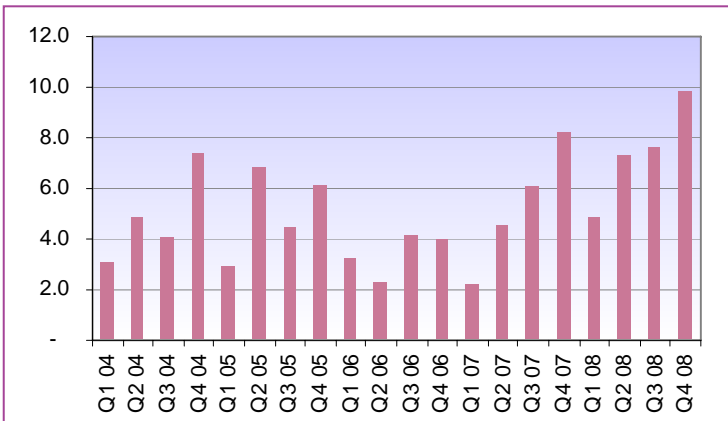
## Brazil December 2008 Customer Numbers

CALA

### A record quarter

- **Subscribers hit 150m after record quarter**
- **TNL/BT reaches 30m on a proforma basis**
- **Competition increases with launch of Unicel**
- **Claro pulls away from TIM with 3.1m Q4 net additions**

Brazil: Quarterly Net Additions (m), Q1 04-Q4 08



The Brazilian regulator, Anatel, has just released December's mobile customer numbers and they show that the growth of October and November has continued, to such an extent that Q4 08 is revealed as the country's best quarter ever. Over the course of the three months, a total of 9.85m new connections were made, taking the national total past 150m.

Yet we should not assume that this is unalloyed good news. The distribution of the 9.85m across the months is instructive and this showed that October, with 4.0m net adds, comfortably bettered December's 3.59m. That has never happened before. Indeed, December only contributed just over 12% of the annual growth number, compared with more than 18% in both 2005 and 2006, more than 20% in 2002, 2004 and 2007 and nearly 30% in 2003. Pessimistic observers of this industry, some of whom have been forecasting a slowdown for the past two or three years, may see this as evidence to support their negative stance, but that, we would suggest, smacks of desperation.

The other interesting aspect of the numbers comes from the trend in market share. Throughout the latter part of 2007, TIM threatened to take Vivo's lead but that challenge faltered and it is TIM that is under pressure today. Anatel's numbers suggest that Vivo has a lead of 6m customers over the second placed operator, which now is not TIM, but America Movil's Claro. This overtook TIM in November and strengthened its grip on second place, adding 3.06m customers in the quarter, against TIM's 1.20m.

TIM's number takes its total up to 36.4m, which is a pretty fair total by any standards, but it cannot be complacent. The soon to be combined TNL/BT grouping added 2.56m subscribers over the same timescale and, on a proforma basis, now has 30m connections. And at the bottom end of the scale, there is a new operator – Unicel do Brasil, backed by Saudi-based HiTs Telecom – which has just launched in Sao Paulo. There is no doubt that competition is on the increase, although whether such an entity can hope to do anything to trouble the four giant players is in some doubt.

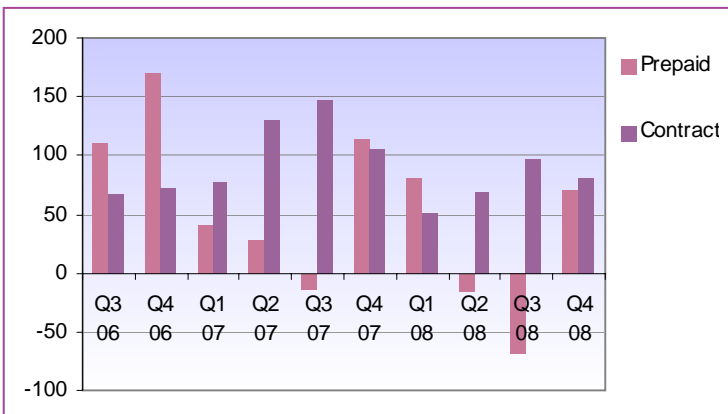
## Entel Chile Q4 2008 Results

CALA

### Customer growth slows but financials remain solid

- **Fourth-quarter net adds at 6-year low**
- **Annual growth is lowest ever at 6.4%**
- **But revenue growth remains in double figures at 13.9%**
- **ARPU at highest level for more than 5 years...**
- **...thanks to record high usage**

Entel Chile: Quarterly Net Additions (000s), Q3 06 – Q4 08



Entel is Chile's second largest operator by customer numbers and it reached a milestone during Q4 08, surpassing the 6m mark – although only just, with the end-quarter figure standing at 6,001m. Quarterly net additions stood at 150k, the highest figure of 2008 but the lowest fourth-quarter gain since 2002. Contract net additions exceeded prepaid for the third successive quarter, although the prepaid base did at least manage positive growth with a boost of 70k, reversing two successive quarters of net declines.

Proportionate annual growth slowed to an all-time low of 6.4%; indeed, this was the first time ever that a growth rate of less than 10% has been recorded in a calendar year. (The 2007 figure stood at 12.5%.) The prepaid base increased by just 1.6% in 2008, largely because of the net declines seen in Q2 and Q3. Contract growth was a more impressive 19.9%, although this was still less than half the 44.7% recorded in 2007. In real terms, annual net additions stood at 0.36m in 08, down from 0.63m in 07.

While customer growth has slowed – which is understandable given that the Chilean penetration rate is now approaching 95% – financial growth remained solid. Fourth-quarter mobile revenues were up 10.0% to Ch\$218.4bn, while total revenues rose by 13.9% to Ch\$296.3bn. In terms of EBITDA, mobile growth was not so strong with a gain of just 2.5% to Ch\$84.2bn, although at the company level there was a 7.0% increase to Ch\$107.3bn. The annual EBITDA figure rose by the same percentage to finish 2008 with a figure of Ch\$423.1bn on the back of an 8.5% increase in annual revenues to Ch\$1,066.9bn.

The fact that revenue growth exceeded customer growth implies a gain in ARPU, and this was indeed the case. In fact, the Q4 08 average of Ch\$11,200 per month was the highest since the first quarter of 2003. This was driven by the rise in usage, with the Q4 08 AMPU figure of 174 minutes per month representing an all-time high. However, this does not seem to be the result of price cuts, as the effective price per minute has remained almost constant with a fourth-quarter figure of Ch\$64.37 compared to Ch\$64.78 a year earlier.