



2Q08 United States Mobile Forecast



AT&T Wireless and Verizon Wireless will continue to
enjoy the highest profitability

FreeSight #03.2008

May 2008



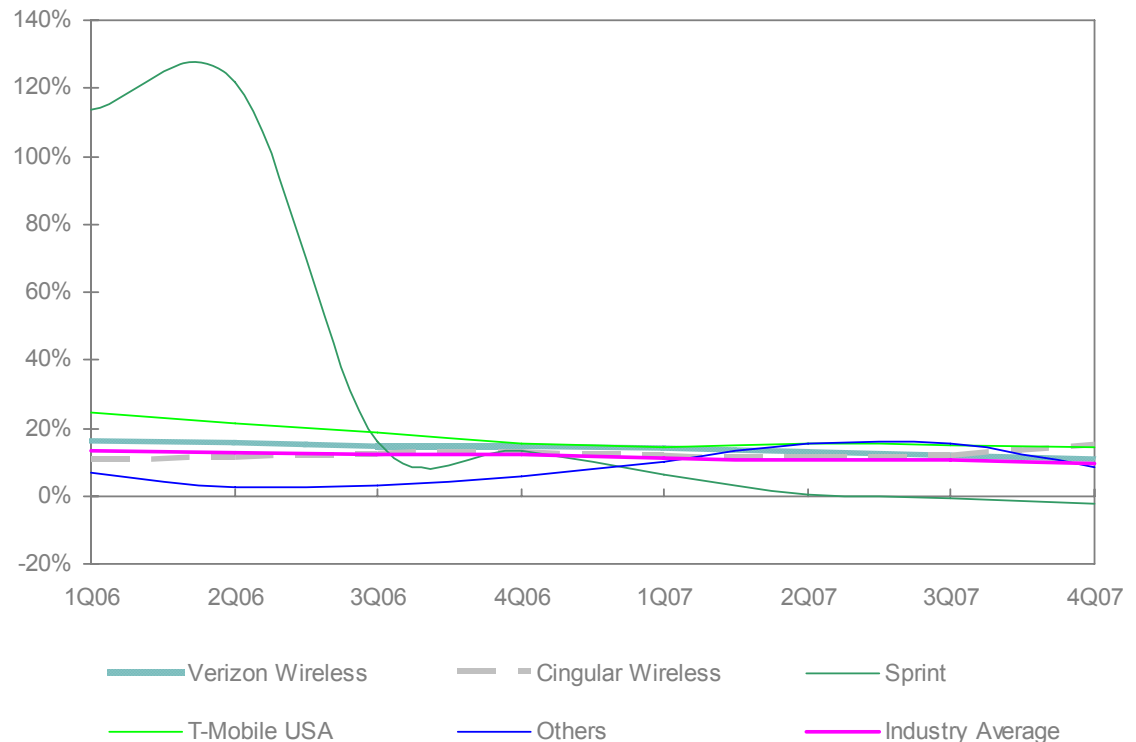
Subscriber growth is slowing down

+10.6% average subscriber growth over last four quarters

SUBSCRIBER GROWTH IN THE UNITED STATES IS STRONG, BUT IT IS SLOWING DOWN

- The operator-wide subscriber growth averaged 10.6% over the last four quarters (1Q.2007 – 4Q2007)
 - This is lower than the average of 12.7% over the four quarters between 1Q.2006 and 4Q.2006
- Sprint-Nextel is the only operator that suffered from negative subscriber growth over the last four quarters

Chart 1: Subscriber Growth (1Q06 – 4Q07), %



Source: IEMR



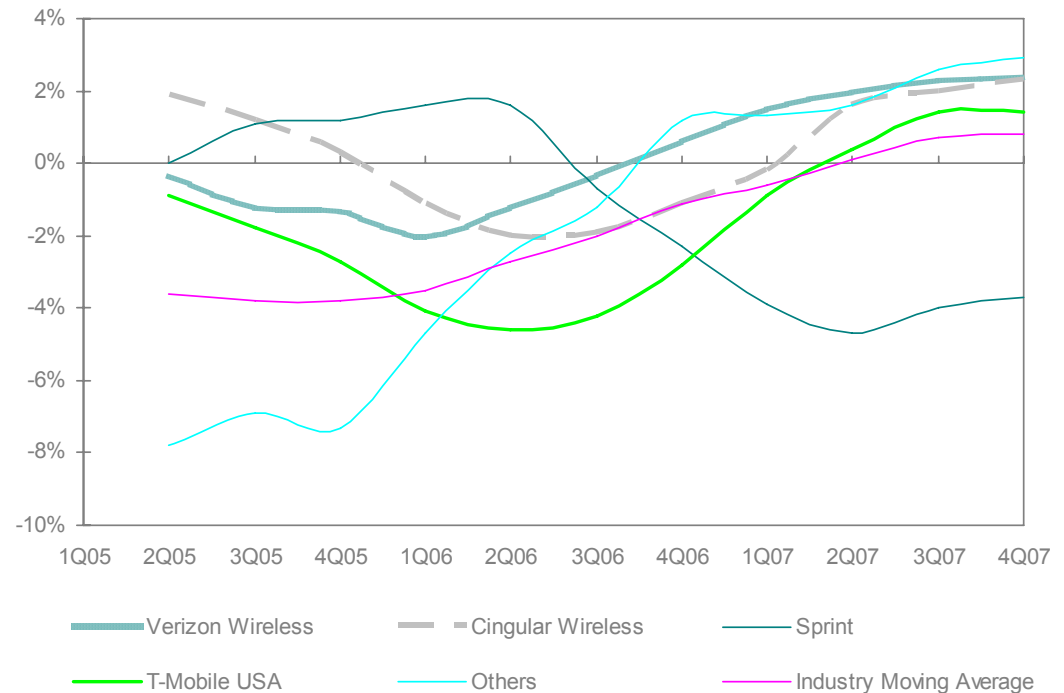
ARPUs have stopped declining in the U.S.

+0.8% operator-wide average growth in 2007

THE AVERAGE ARPU IN THE UNITED STATES HAS STARTED TO IMPROVE

- The industry average ARPU growth rate, which had been negative for years, turned positive over the last four quarters
 - The average ARPU growth from 1Q.2007 to 4Q.2007 was 0.8%
- All of the operators now see positive and increasing growth rates for their ARPU levels except for Sprint-Nextel
 - Sprint-Nextel's ARPU level is expected to continue decreasing partly because it already has the highest ARPU in the country and because of its recent customer service issues

Chart 2: ARPU Growth (1Q05 – 4Q07), %



* Data shows 4-quarter Moving Averages

Source: IEMR





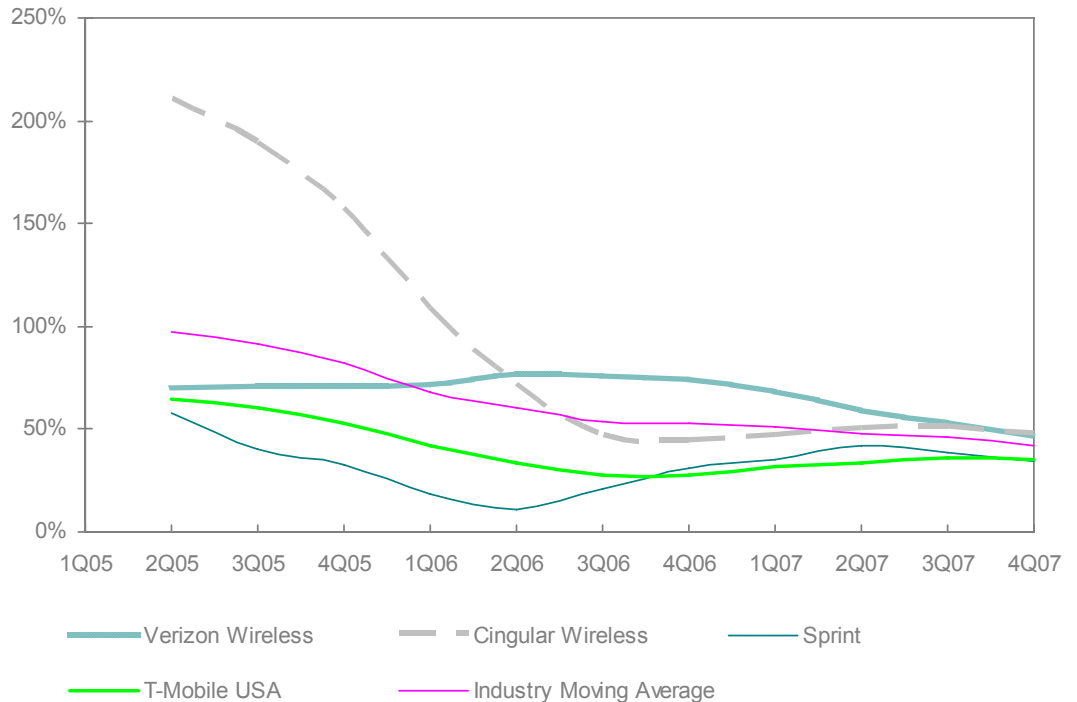
Strong growth in Data ARPUs continue

+41.7% operator-wide average over last four quarters

DATA ARPUs CONTINUE TO INCREASE RAPIDLY IN THE UNITED STATES

- Over the last four quarters, all of the major operators continued to have double-digit growth rates in data ARPU
 - The data ARPU growth averaged 41.7% across operators during the last four quarters
 - The average data ARPU in 2007 was US\$9.39 per month
- However, the strong growth in data ARPU is expected to slow down over the next three years

Chart 3: Data ARPU Growth (1Q05 – 4Q07), %



* Data shows 4-quarter Moving Averages

Source: IEMR

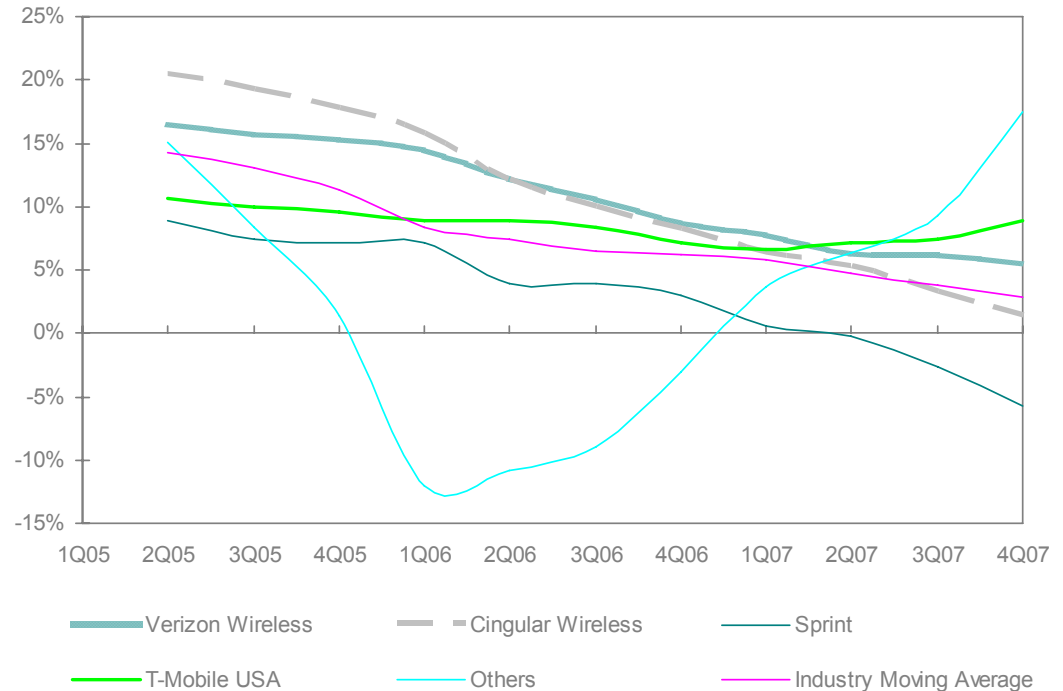


Minutes of Use per Subscriber are increasing although at a decreasing rate

RISE IN MINUTES OF USE PER SUBSCRIBER IS EXPECTED TO STOP

- The industry average MOU/Sub growth over the past four quarters (1Q.2007 – 4Q.2007) was 2.8%
 - This is much lower than the 6.2% average for the previous year (1Q.2006 – 4Q.2006)
- However, smaller operators (grouped as “Others” in the chart) have see their MOU per subscriber grow rapidly over the last four quarters

Chart 4: MOU/Sub Growth (1Q05 – 4Q07), %



* Data shows 4-quarter Moving Averages

Source: IEMR



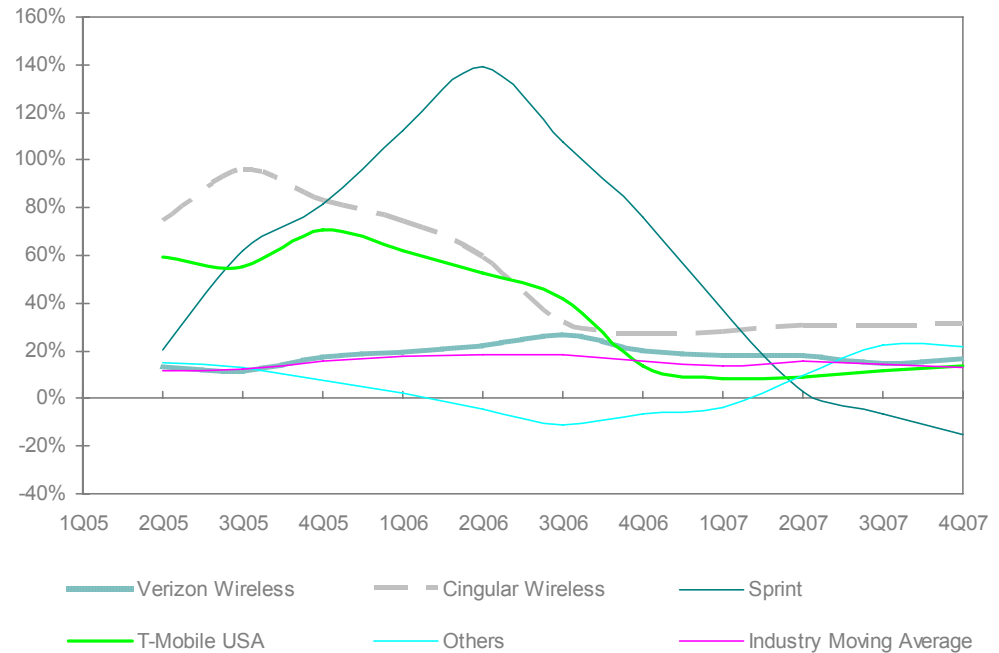
US operators enjoy stable EBITDA growth

+12.9% over the last four quarters

ALL OF THE US OPERATORS EXCEPT SPRINT-NEXTEL HAVE POSITIVE EBITDA GROWTH

- Average EBITDA growth in industry over the last 4 quarters has been about 12.9%.
- Cingular Wireless / AT&T has enjoyed the highest profitability level in the country over the last four quarters
- EBITDA growth has been in positive territory for all of the operators, except for Sprint-Nextel, and this is expected to continue from 2008 to 2010

Chart 5: EBITDA Growth (1Q05 – 4Q07), %



* Data shows 4-quarter Moving Averages

Source: IEMR





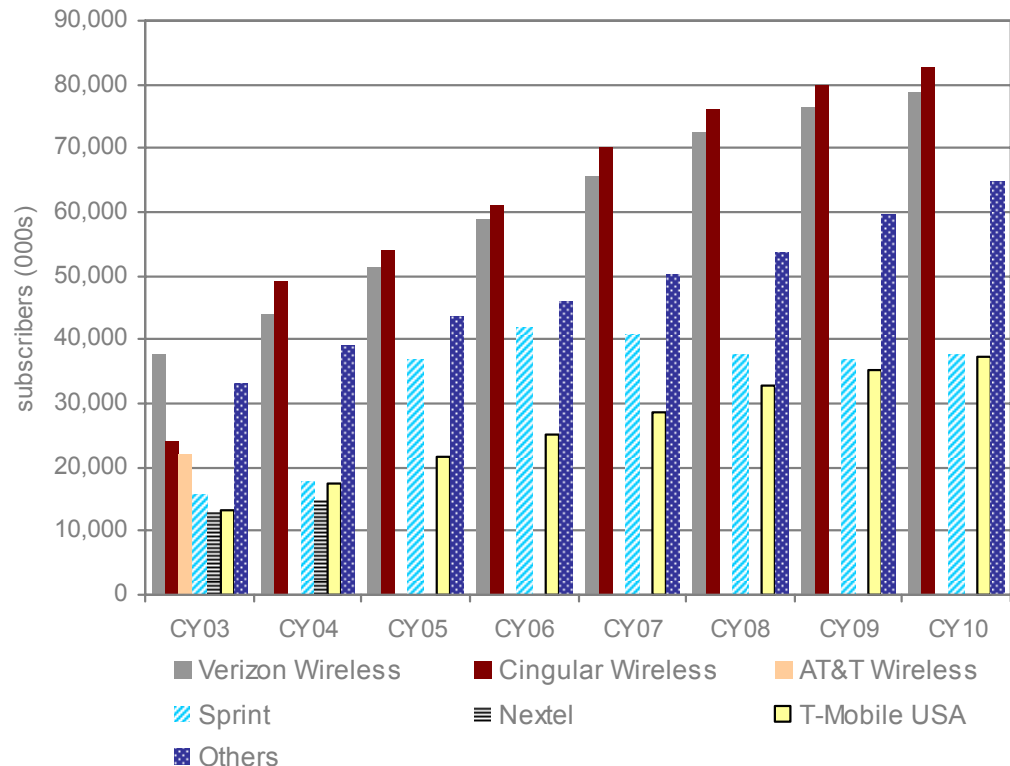
So what is IEMR's Forecast?

Total subscribers to reach 301.5 million in 2010

WE EXPECT CINGULAR/AT&T TO CONTINUE TO SERVE THE HIGHEST NUMBER OF SUBSCRIBERS IN THE US

- We forecast that Cingular Wireless / AT&T will have 82.5 million subscribers in 2010
- Our forecasting model predicts that Verizon Wireless will not surpass Cingular / AT&T in the number of subscribers over the next three years
 - We expect Verizon Wireless to serve 78.9 million subscribers in 2010
- T-Mobile USA will be gaining subscribers while Sprint-Nextel will be losing theirs over the forecast period, 2008 – 2010

Chart 6: Subscribers by operator (CY03 – CY10)



Source: IEMR



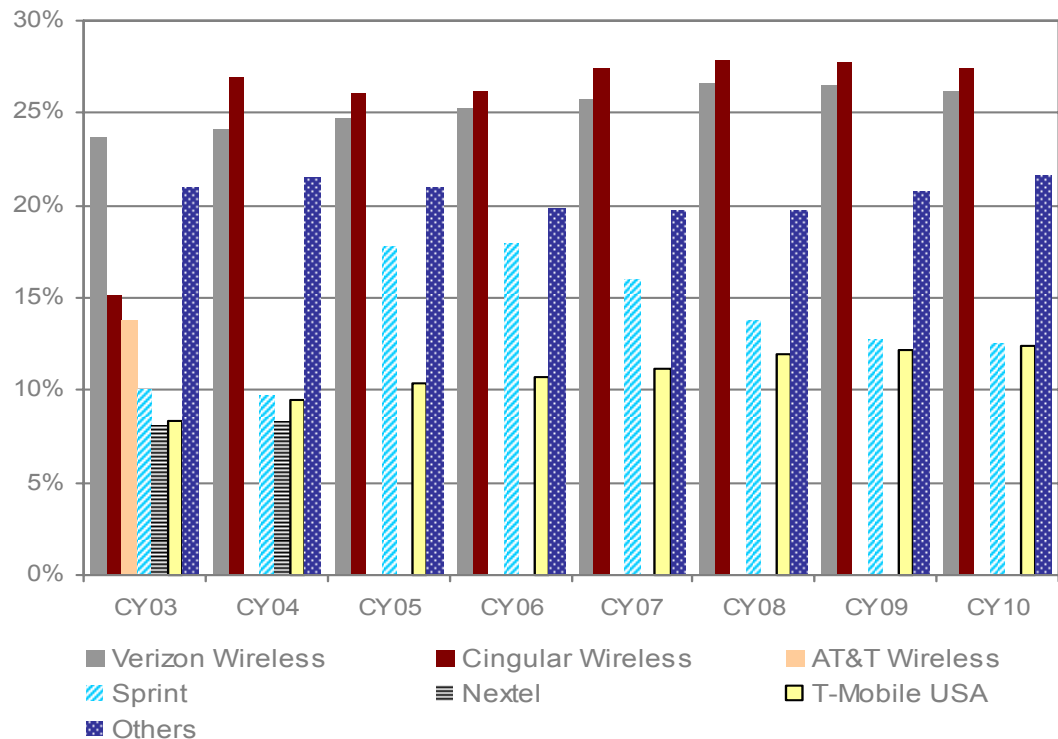
So what is IEMR's Forecast?

Sprint-Nextel continues to lose market share

THE CURRENT MARKET SHARES WILL REMAIN FOR CINGULAR / AT&T AND VERIZON OVER THE NEXT THREE YEARS

- Our model does not predict major changes in the market shares of Cingular / AT&T, Verizon Wireless and T-Mobile USA over the next three years
- On the other hand, Sprint-Nextel will continue to lose its market share to other smaller operators
 - We expect that Sprint-Nextel's market share will decrease from 13.8% in 2008 to 12.5% in 2010

Chart 7: Market Shares by Subscribers (CY03 – CY10), %



Source: IEMR



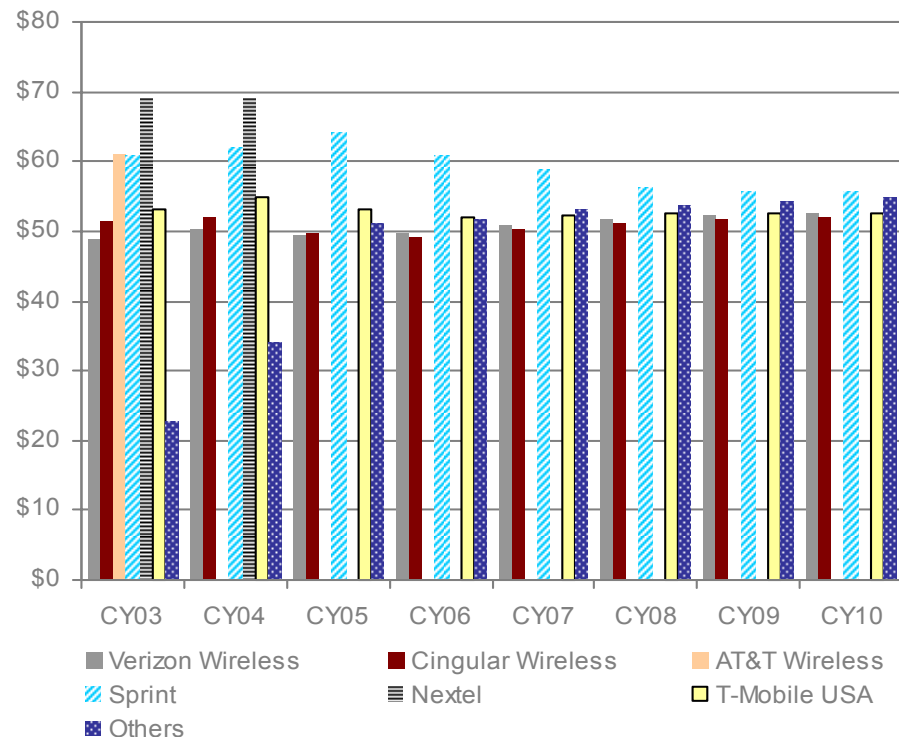
So what is IEMR's Forecast?

ARPU levels in the United States to become stable

WE EXPECT THE OPERATOR-WIDE AVERAGE ARPU LEVEL TO REMAIN AT \$52 OVER THE NEXT THREE YEARS

- Our forecasting model does not predict changes in the industry average ARPU for the next three years
- Although it has a declining trend, we believe that Sprint-Nextel's ARPU level will continue to be the highest in the United States over the next three years

Chart 8: Average Revenue per User (ARPU) per month (CY03 – CY10), US\$



Source: IEMR



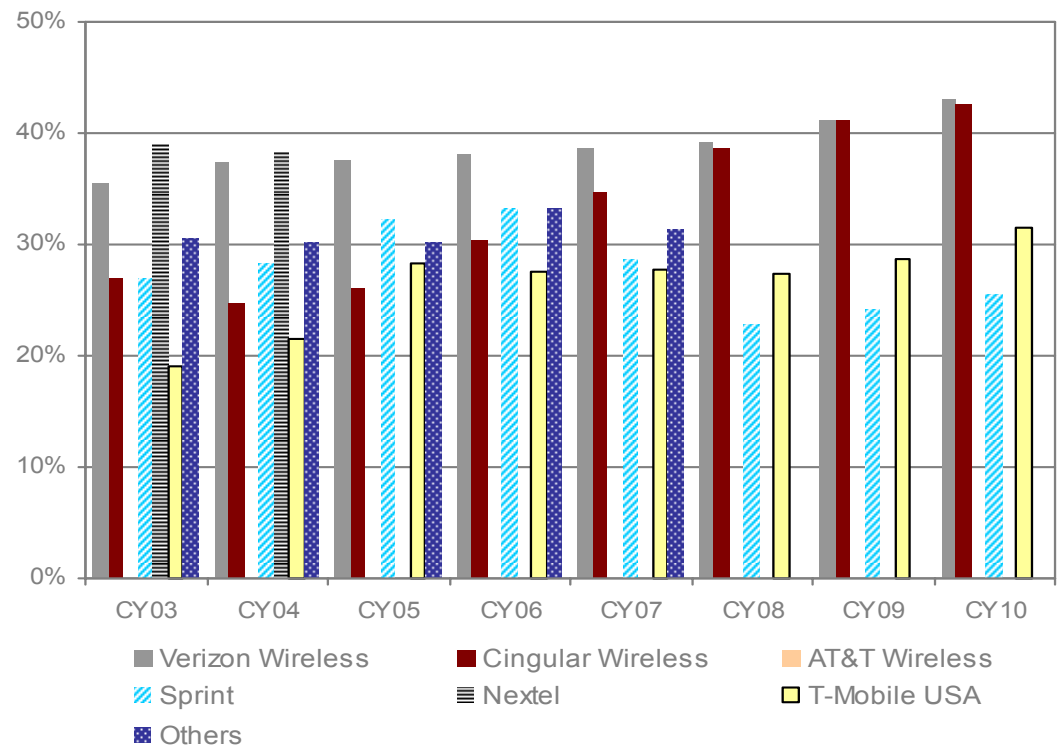
So what is IEMR's Forecast?

Cingular and Verizon to enjoy the highest profitability

CINGULAR/AT&T AND VERIZON ARE BIG WINNERS IN THE US MOBILE OPERATOR SPACE

- We forecast that profitability, calculated as EBITDA/reported revenue, will continue to increase for Verizon and Cingular for the next three years
- We forecast that the industry average EBITDA margin will increase from 37.5% in 2008 to 38.3% in 2010
- Sprint-Nextel's EBITDA margin has declined sharply from 2006 to 2008, but we expect it to improve from 2008 to 2010

Chart 9: EBITDA margins (CY03 – CY10), %



Source: IEMR



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