ERICSSON

MIDDLE EAST AND NORTH EAST AFRICA

ERICSSON MOBILITY REPORT

NOVEMBER 2015

MARKET OVERVIEW

Key figures: Middle East and North East Africa

	2015	2021	CAGR 2015–2021
Mobile subscriptions (million)	690	880	4%
Smartphone subscriptions (million)	160	430	15%
Data traffic per active smartphone (GB/month)	1.2	10	40%
Total mobile traffic (EB/month)	0.2	3.4	55%

The Middle East and North East Africa region consists of 23 countries and more than 760 million people. It is extremely diverse in terms of socioeconomic development, culture, and information and communications technology (ICT) maturity levels

A region of contrasts

GDP per capita varies greatly. Qatar has the highest GDP per capita ratio in the world, while Eritrea, South Sudan and Afghanistan are among the countries with the lowest. This has a direct impact on how quickly ICT services are adopted.

The Middle East and North East Africa region can be segmented into three categories in terms of ICT maturity, consumer profiles and services adoption:

Regional segmentation based on ICT maturity, consumer profiles and services adoption

ADVANCED

Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates	
ICT Maturity:	Advanced markets in terms of ICT and mobile technologies
Consumers:	Social networking is driving mobile broadband traffic. High Average Revenues per User (ARPUs) and data consumptions

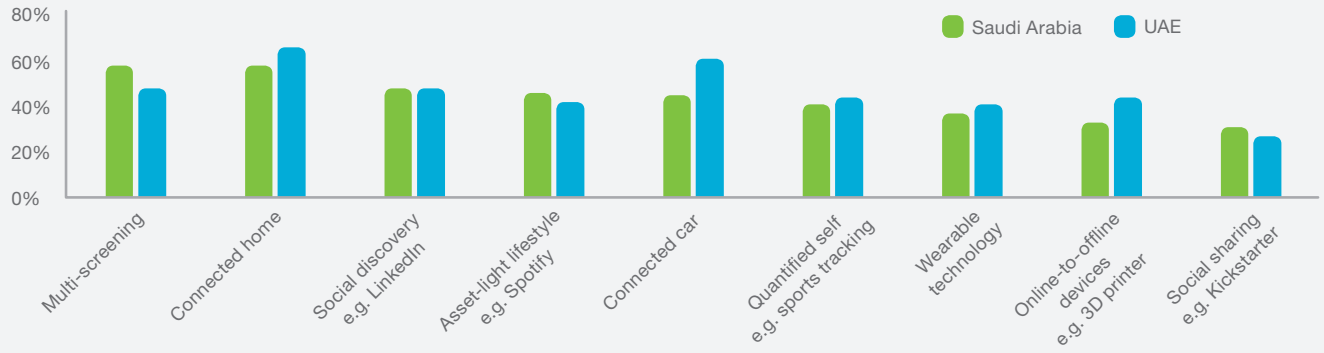
OPTIMIZERS

Egypt, Lebanon, Jordan, Turkey	
ICT Maturity:	Both operators and consumers are value conscious. Mobile broadband penetrations are lower compared to advanced
Consumers:	Very active on social networking. Preference of Wi-Fi over mobile broadband

EMERGING

Afghanistan, Djibouti, Eritrea, Ethiopia, Iran, Iraq, Pakistan, Palestine Authority, Somalia, South Sudan, Sudan, Syria, Yemen	
ICT Maturity:	The lowest mobile broadband penetrations compared to optimizers and advanced
Consumers:	Connectivity is crucial. The lowest ARPUs compared to other segments

Consumers' interest in emerging services, Saudi Arabia and United Arab Emirates (advanced segment)



Source: Ericsson ConsumerLab Analytical Platform, 2014
Base: Smartphone internet users

ADVANCED

This segment has the highest GDP per capita and the most progressive ICT markets in the region. These countries are characterized by advanced mobile technologies, innovative services, high data consumption and fierce competition.

The level of technology literacy is high and has grown significantly. Among smartphone users in Saudi Arabia, the percentage of people who use LTE has increased from 38 to 55 percent in 2 years.[1] 73 percent of smartphone users in Saudi Arabia also have a tablet – an increase of 10 percentage points from the year before.

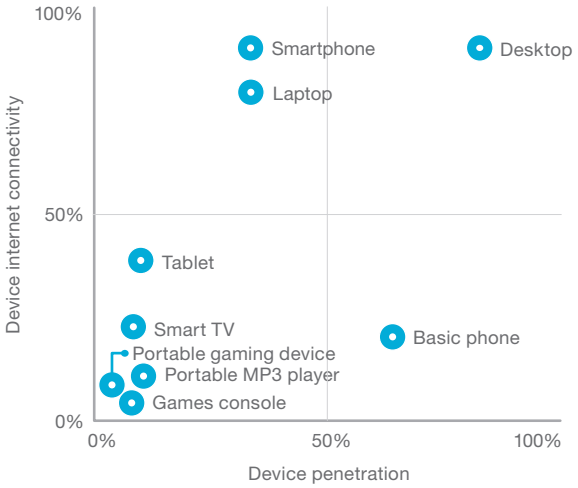
Consumers in the advanced segment have a strong interest in emerging services, including connected homes, multi-screening, social discovery and asset-light lifestyle services, such as music streaming services.

OPTIMIZERS

This segment includes countries where operators and consumers are value conscious. This group is active on social networks, although their mobile broadband usage is significantly lower than in advanced markets.

For instance in Egypt, every third person owns a smartphone, and around 90 percent of them connect their devices to the internet. Tablets have low household penetration in Egypt (9 percent) and less than half of these devices are connected to the internet.[2] Although smartphone and tablet penetration levels are low, Egyptians show interest in technologies that could enhance their voice and texting experience. 56 percent of Egyptian travelers are interested in Wi-Fi calling services.[3]

Penetration of device ownership and internet connectivity, Egypt (optimizers segment)



Note: Smartphone and basic phone penetration is shown at an individual level, while all other devices are represented at the household level

Source: Ericsson ConsumerLab,
Liberation from Location Egypt Country Study, 2014
Base: Mobile phone users in metropolitan areas in Egypt

EMERGING

This segment includes highly populated countries in which WCDMA/HSPA networks have been recently introduced (Iran, Pakistan and Iraq). It also includes Palestine Authority and Eritrea, the two remaining markets with GSM-only networks. Most countries in this segment have at least two operators, except for Ethiopia, Djibouti and Eritrea, where the incumbent operator holds a monopoly on the market. These three countries have some of the lowest mobile penetration rates in the region at 32 percent, 37 percent and 7 percent, respectively.

From a consumer profile perspective, connectedness is currently very low, but is forecast to increase. As mobile broadband penetration rates in the region rise, consumers in emerging markets are expected to show similar behaviors to the optimizers, and eventually to consumers in advanced markets.

[1] Ericsson ConsumerLab, Saudi Arabia study, 2015
[2] Ericsson ConsumerLab, Liberation from Location Egypt Country Study, 2014
[3] Ericsson ConsumerLab, Egypt Wi-Fi calling* report, 2015
* Wi-Fi calling is an operator-provided service that allows consumers to make regular phone calls and text messages from their SIM-based mobile phone number by utilizing a Wi-Fi network

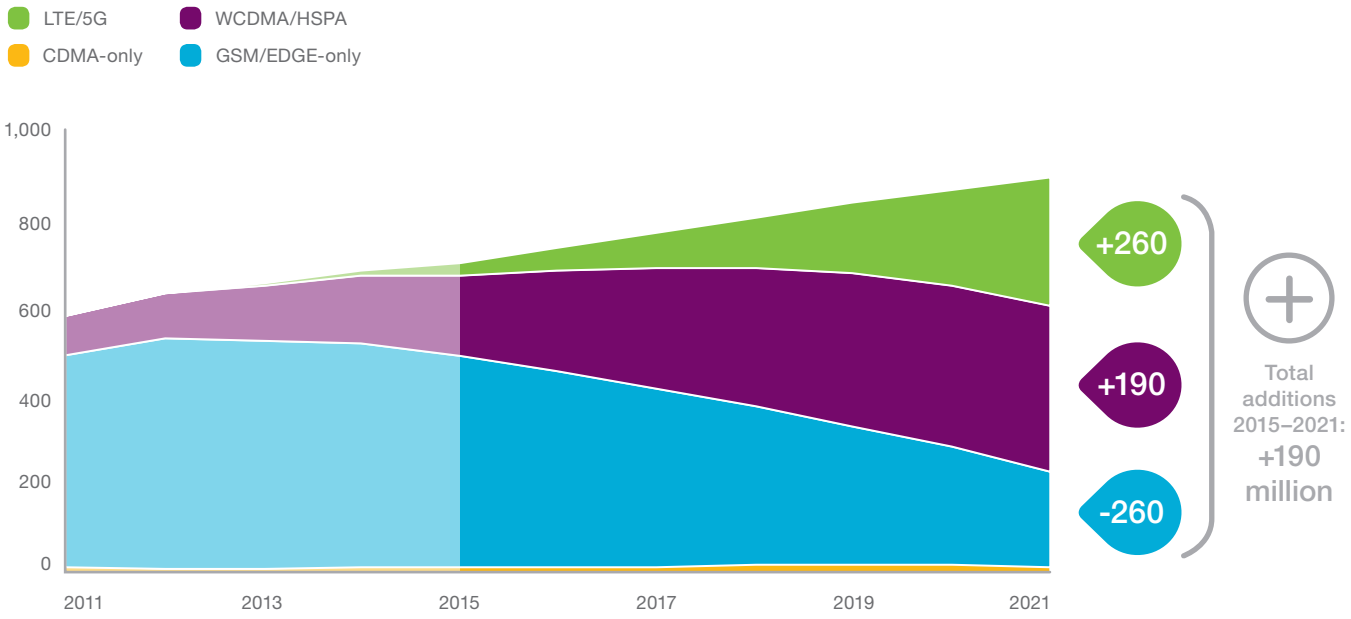
MOBILE SUBSCRIPTIONS

Mobile subscriptions in the Middle East and North East Africa have been increasing steadily, and will continue to rise as more countries embrace WCDMA/HSPA and LTE in the future

Mobile penetration passed 100 percent in the more affluent areas of the region, such as the Gulf countries, while less affluent countries with higher populations (for example Pakistan, Yemen and South Sudan), still have much lower mobile penetration at around 60 percent, 70 percent and 30 percent, respectively.

The region as a whole will have around 690 million mobile subscriptions by the end of 2015. Between 2015 and 2021 it is forecast that mobile subscriptions will grow at a compound annual growth rate (CAGR) of 4 percent, amounting to around 880 million subscriptions by the end of 2021.

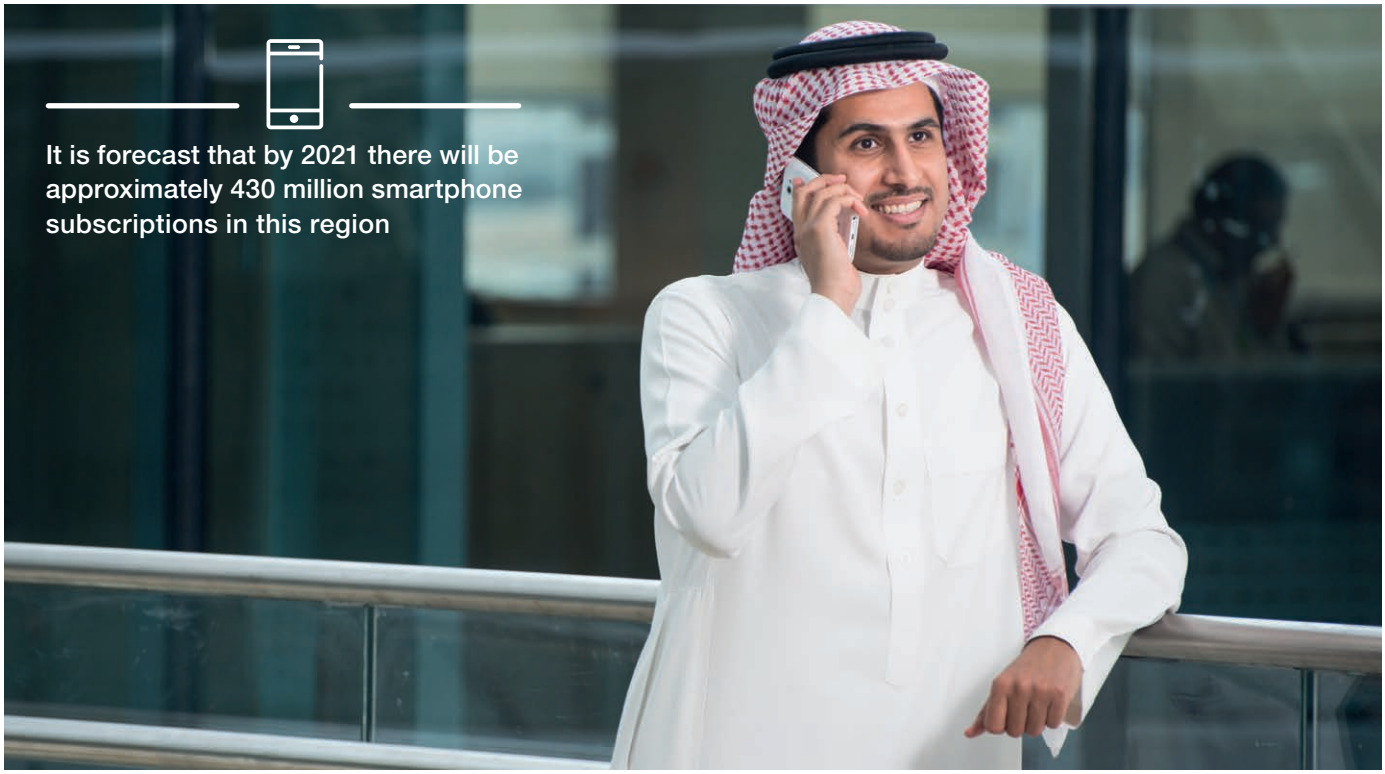
Mobile subscriptions, Middle East and North East Africa, split per technology (million)



WCDMA/HSPA subscriptions will overtake GSM in 2019

Over 70 percent of subscriptions are still GSM/EDGE-only. This is because a large proportion of lower income consumers have handsets that only work with that technology. Some people only use GSM as they don't subscribe to a data plan, despite having multi-access technology handsets. GSM will continue to be the most commonly used mobile technology in the region up until 2019, when WCDMA/HSPA will take over. By 2021 it will account for over 40 percent of total subscriptions, up from over 25 percent in 2015.

Around 40 percent of countries in the region have launched LTE, but the technology only accounts for around 4 percent of subscriptions, most of which are concentrated in the Gulf countries. However, LTE subscriptions are expected to increase to reach 290 million by the end of 2021, equating to over 30 percent of all mobile subscriptions.

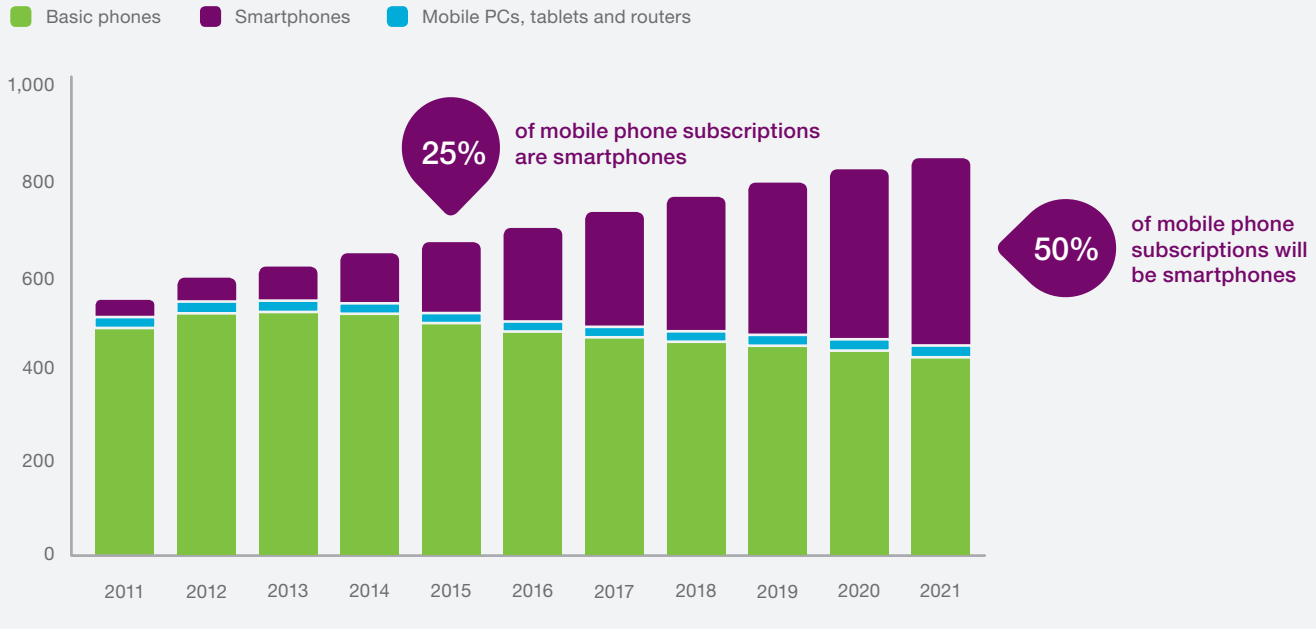


Smartphone adoption varies between different countries

The Gulf, and especially the United Arab Emirates and Qatar, have some of the highest smartphone adoption rates in the world, while Pakistan, Afghanistan, and North East African countries lag behind.

As affordable smartphones become abundant and mobile broadband rollouts accelerate, smartphone subscriptions will increase in less affluent countries. At the end of 2015, it's expected to be over 160 million smartphone subscriptions. By the end of 2021, this number is forecast to reach 430 million, accounting for around 50 percent of mobile phone subscriptions.

Mobile subscriptions, Middle East and North East Africa, split per device (million)



Note: A mobile subscription is defined as a SIM card (or equivalent) with a device capable of using the technology, in a network that offers the service

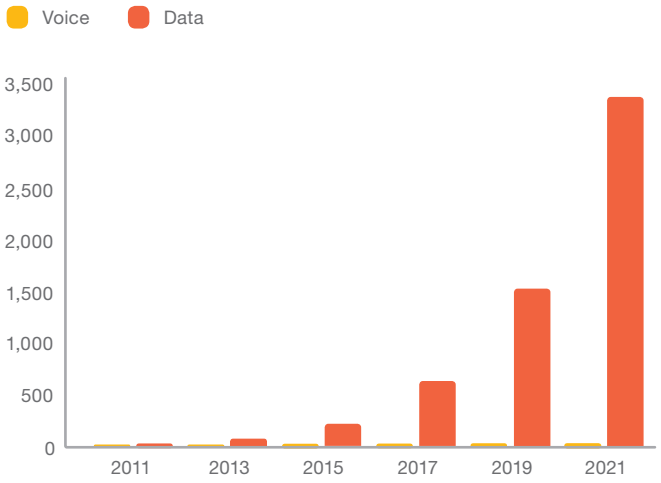
MOBILE TRAFFIC

Mobile traffic will grow significantly in the coming years due to increased smartphone data traffic

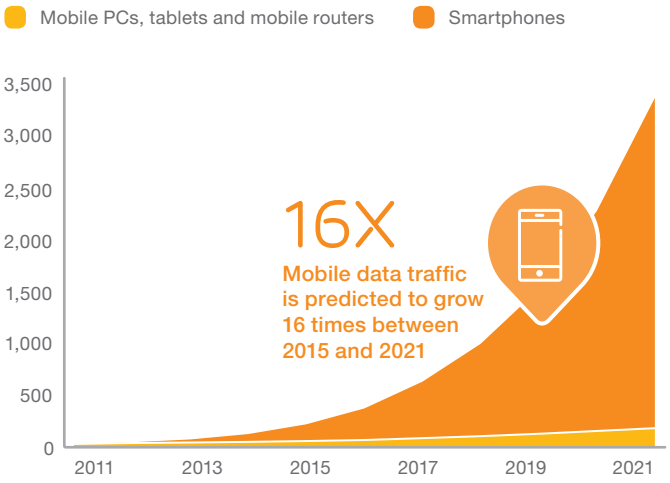
Mobile traffic in the Middle East and North East Africa is expected to reach 3.4 ExaBytes (EB) per month by the end of 2021 – around 14 times more than in 2015. Mobile voice traffic will continue to rise by a CAGR of 5 percent between 2015 and 2021.

Mobile data traffic increased by around 80 percent in 2015 from the previous year. It is expected to rise by a CAGR of around 60 percent between 2015 and 2021. The amount of data used monthly by each active smartphone will increase substantially from an average of 1.2 GB in 2015, to around 10 GB in 2021.

Mobile traffic, Middle East and North East Africa (monthly PetaBytes)



Mobile data traffic, Middle East and North East Africa, split per device (monthly PetaBytes)



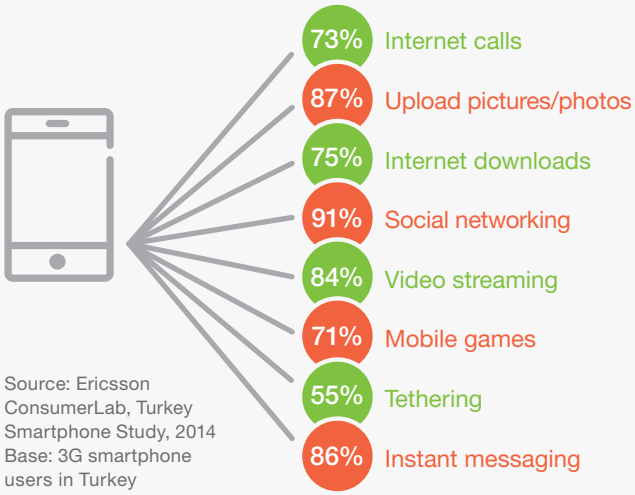
Smartphone owners show intensive usage behavior

A variety of mobile data services are commonly used by smartphone owners. The graph opposite shows the percentage of smartphone users in Turkey who access certain data services on a weekly basis. This usage leads to significant volumes of data being consumed. As a result, 40 percent of these users say that they would like to have unlimited data plans and equally as many say they would increase their mobile data volume if the quality of service was better.

40%

40 percent of smartphone users in Turkey say that they would like to have unlimited data plans

Mobile data services used most on a weekly basis in Turkey (Percentage of users)



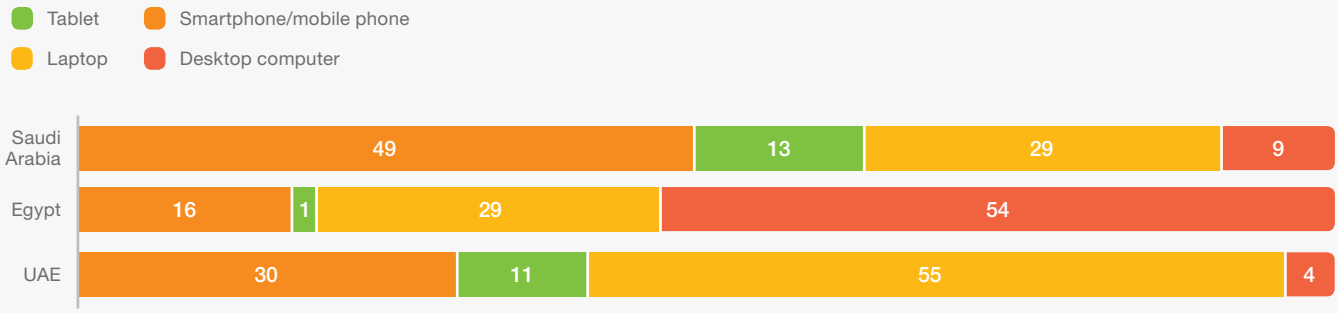
Source: Ericsson ConsumerLab, Turkey Smartphone Study, 2014
Base: 3G smartphone users in Turkey

VIDEO LEADS THE WAY

High ownership of mobile devices and the availability of faster connectivity are boosting video consumption. Time spent watching video on mobile devices in Saudi Arabia and the United Arab Emirates is notably high

Saudi Arabia is one of the most active video-viewing nations globally and 49 percent of the video viewing time is spent on the smartphones, while in Egypt more than half of video watching is spent on desktop computers.

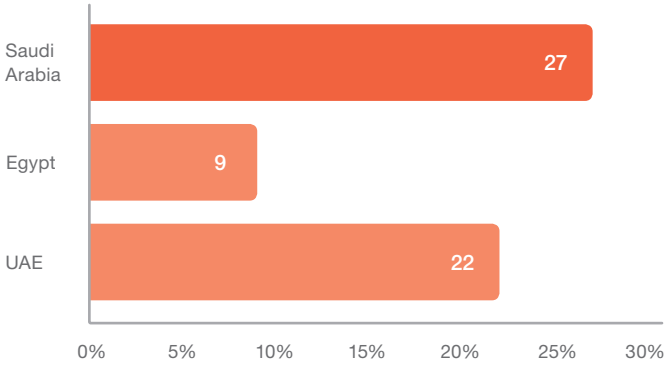
Time spent watching video with different devices (percentage share)



Source: Ericsson ConsumerLab Analytical Platform, 2014
Base: Smartphone internet users

Around a quarter of smartphone users in Saudi Arabia and the United Arab Emirates say that most of their viewing is either on-demand, catch-up or online.

Video consumption (percentage of people who say most of their TV and video viewing is on-demand, catchup or online)



Source: Ericsson ConsumerLab Analytical Platform, 2014
Base: Smartphone internet users

WCDMA/HSPA and LTE subscriptions will equate to around 75 percent of all mobile subscriptions in 2021

Mobile data traffic will increase substantially in the region, driven by:

- The availability of WCDMA/HSPA and LTE networks in highly populated countries
- Increased number of subscribers moving over to WCDMA/HSPA and LTE
- The availability of more affordable smartphones
- Growth of video consumption

Ericsson is the driving force behind the Networked Society – a world leader in communications technology and services. Our long-term relationships with every major telecom operator in the world allow people, business and society to fulfill their potential and create a more sustainable future.

Our services, software and infrastructure – especially in mobility, broadband and the cloud – are enabling the telecom industry and other sectors to do better business, increase efficiency, improve the user experience and capture new opportunities.

With approximately 115,000 professionals and customers in 180 countries, we combine global scale with technology and services leadership. We support networks that connect more than 2.5 billion subscribers. Forty percent of the world's mobile traffic is carried over Ericsson networks. And our investments in research and development ensure that our solutions – and our customers – stay in front.

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