Fundamental stakes of the convergence of the telecommunications networks

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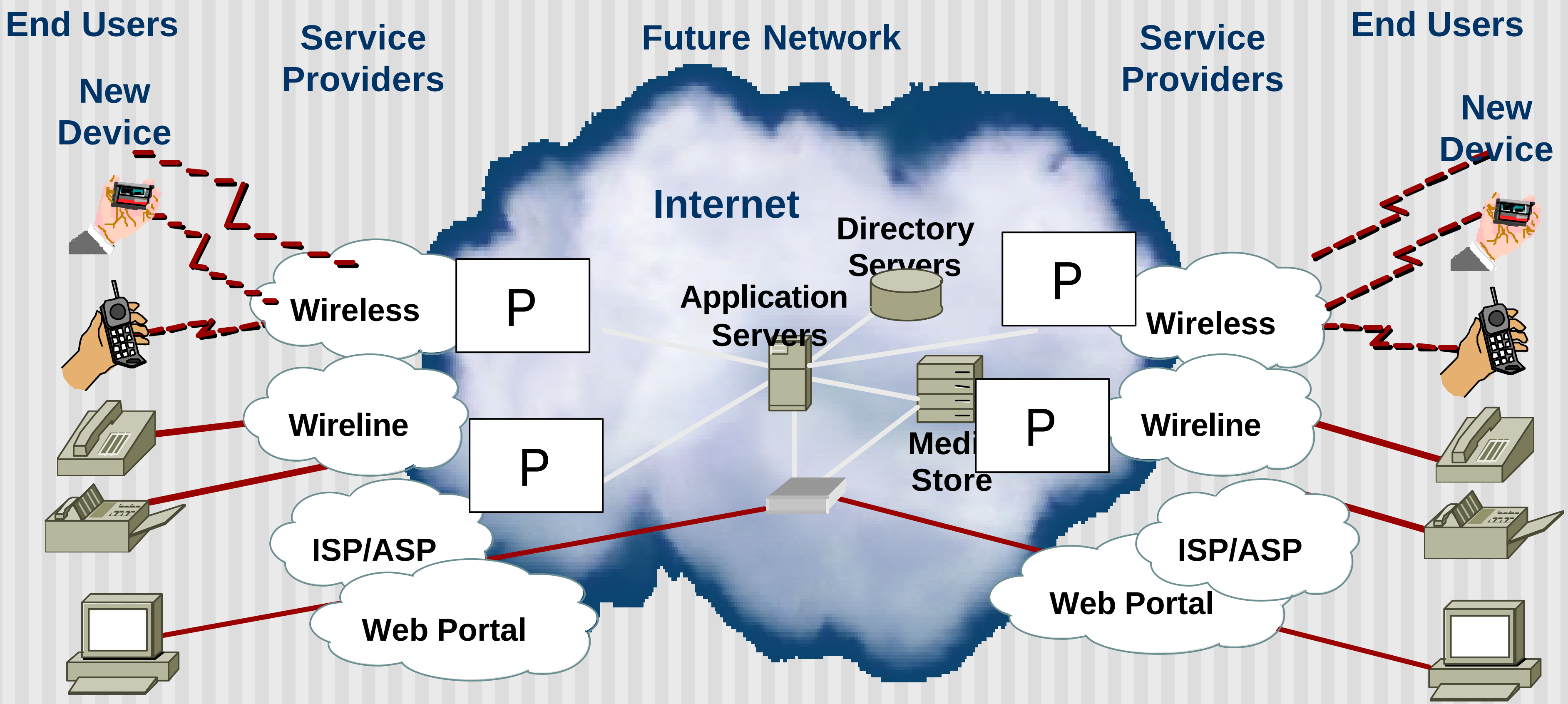
Architecture for Ongoing Value Creation



Convergence

Telecom Marketplace Transition Presents New Requirements

Market Reality

- New Entrants
- New Technologies
- Increased Competition
- Margin erosion
- Deregulation

Criteria for Success

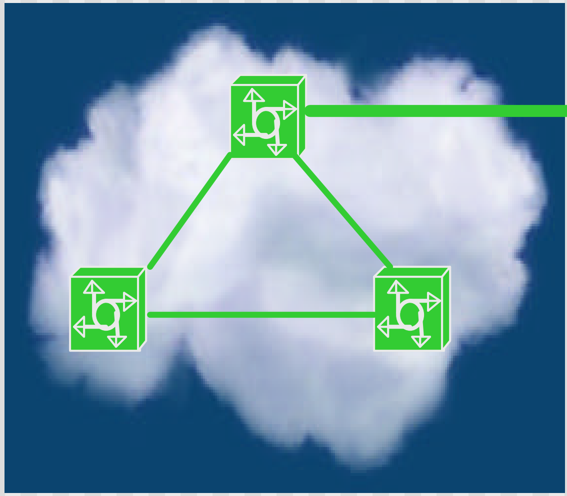
- Differentiation
- New Services
- Speed to Market
- Reduced Costs
- Leverage Open Markets

Current and Future Models

- Traditional wholesale
- Hosted applications
- Communications ASP

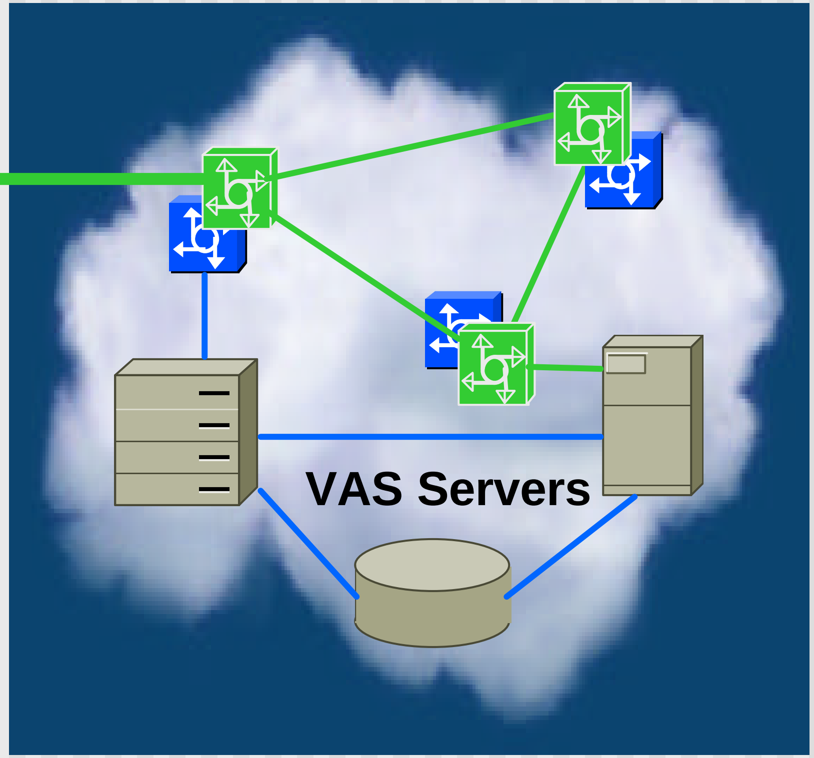
Hosting Provides the Basis for a Communations ASP

Service Provider's Domestic VoIP Network



VAS available to service provider's entire VoIP network

Hosted facilities and VAS servers for the service provider



What is an ASP?

- A service provider – or supplier - who makes applications available on a recurring charge basis
- An ASP is a business partner that provides choices regarding how applications are managed and delivered
- The U.S. ASP market is estimated to reach $48.5 billion by 2003 (Source: Deloitte)

What is an ASP?

- “ASPs typically offer a service in which they deploy, host, manage and enhance a suite of [software] applications from a centrally managed facility via the Web or over leased lines.” (Internet Telephony, Feb. 28, 2000)

Key Benefits of the Communications ASP Wholesale Model

- Speed to market
- Instant global footprint
- Access to newest, most advanced applications and the service provider's expertise
- Leverage economies of scale
- Avoid costly investment and technology obsolescence

Survey Statistics

- Survey of 100 IP telephony service providers
- Sept / Oct 2000

Why Migrate to IP

- The flexibility of IP to create new services (83%)
- The ease of managing a distributed architecture (55%)
- Better network utilization (72%)
- Cheaper IP telephony equipment (57%)

“Reasons Not to Migrate”

- “QoS is sub standard” (35%)
- “We have substantial investment in legacy networks” (47%)
- “The process of migration is not seamless” (30%)
- “Migration does not preserve enhanced services” (9%)
- “IP is actually not an efficient method of transportation” (17%)

IP Telephony Service Industry: Overview

- 18,000 personnel worldwide
- 1.2 – 1.6 billion minutes per month
- 0.75 million voice/fax ports operating in carrier market
- Carrier market bigger than corporate (Which market is bigger: Carrier 47%, Corporate 53%)
- 120% CAGR

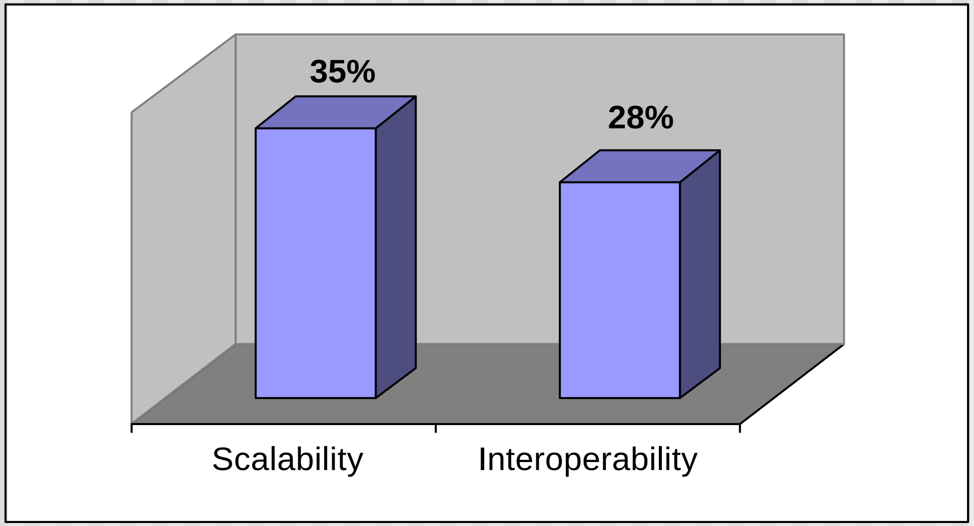
Pricing Pressures

- Will voice calls become free in the future?
  - Yes 58%
  - No 42%

Issues pending

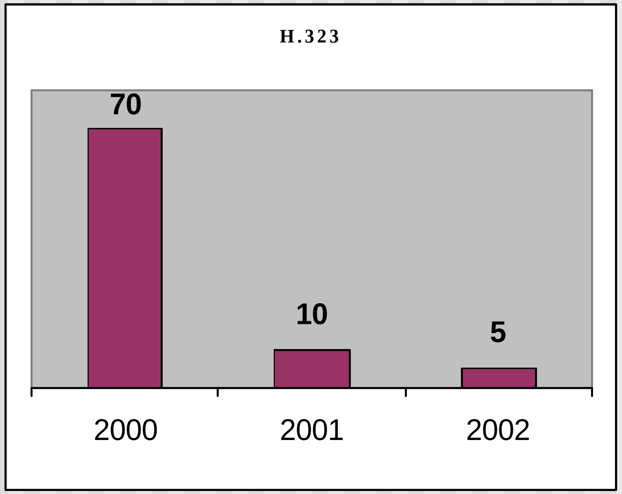
- Interoperability

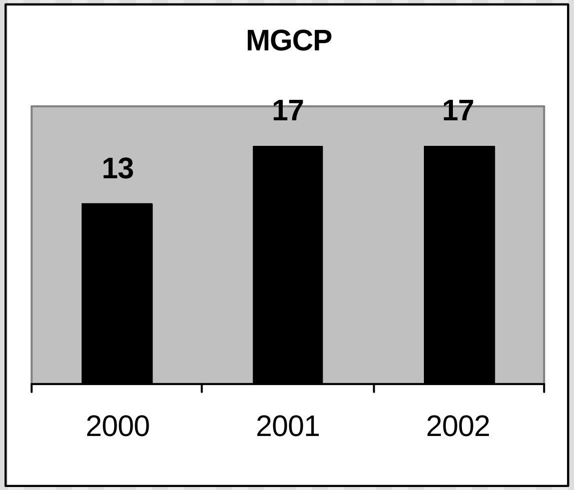
What in your opinion should a carrier class gateway solution have?

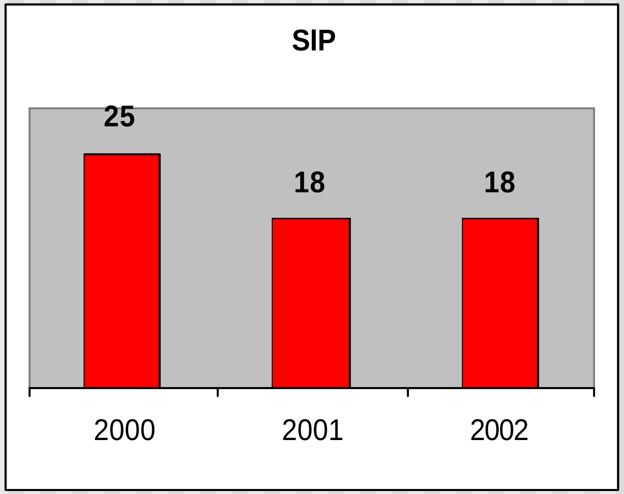


redundancy, class5 features, **user friendly**, multi-protocol support, **plug and play**, distributed structure, hotswapping, Standard billing solution

Interoperability



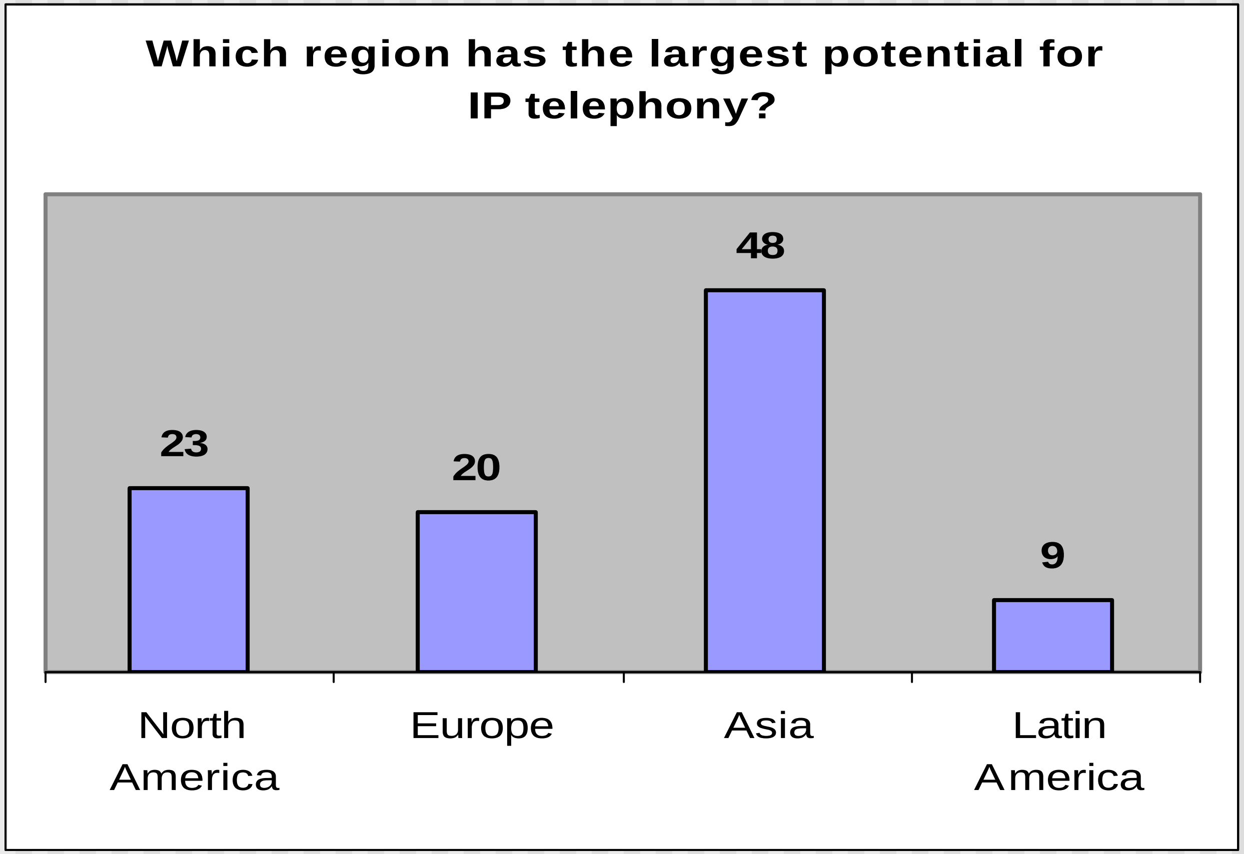




IPO fever

- 52 out of 100 interviewed are backed by institutional investors
- Out of the sample of 100, unlisted companies 69
- Out of 69 unlisted, 47 looking to go public next year

Regional comparison



The Future

- 68% already use public Internet to route real-time voice traffic
- The growth of messaging traffic
- Voice will become less significant
- Communication will be more asynchronous
- Voice will have to adapt to the new telecom model
- IP: enabling the change

Thank You

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