Profitable Growth in Emerging Markets

Tom Martens

Head of SmartInspire Procuct Management

Siemens mobile networks
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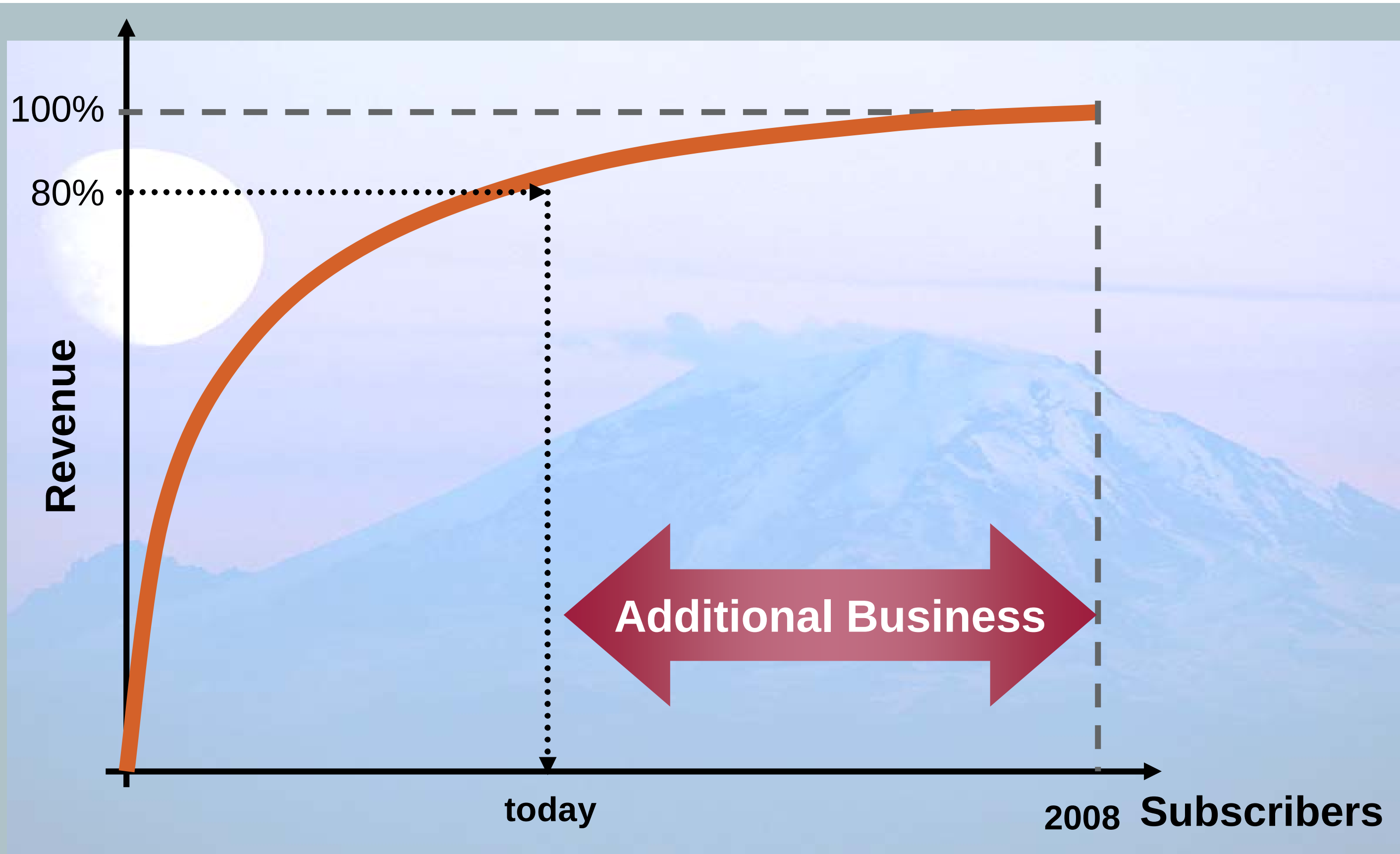
In emerging markets high subscriber growth is associated with low-ARPU segment



Mobile subscriber base will nearly double until 2008
Main subscription growth will come from emerging markets in the next four years
Voice continues to be the dominating service until 2008

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Operators in emerging markets are faced with a challenging situation on their path towards 3G

Strengths

- Open market
- Large potential for new subscriber segments

Opportunities

- Gain market share by differentiation (price, quality, features)
- New revenues from Low ARPU segment

Weaknesses

- Network rollout lags behind new subscriptions
- Instable network quality in certain regions / periods
- Decreasing voice ARPU

Threats

- Cash flow: expensive network vs. low ARPU
- Competitors and new players
- Subscriber churn

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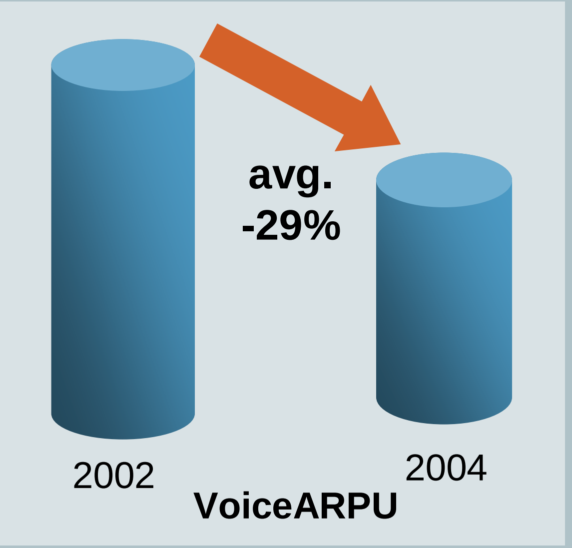
The voice ARPUs in emerging markets are decreasing significantly



	2002	2003	2004	
Russia	21,0 €	13,0 €	10,3 €	**-51%**
Ukraine	16,5 €	11,2 €	10,2 €	**-38%**
Bulgaria	20,6 €	14,6 €	12,8 €	**-38%**
Romania	17,2 €	14,3 €	12,6 €	**-27%**
Poland	21,2 €	16,5 €	16,2 €	**-24%**
Yugoslavia	19,6 €	16,2 €	15,3 €	**-22%**
Croatia	21,1 €	19,5 €	18,9 €	**-10%**

Source: Siemens ICM Market Assessment Status: August 2004

Since 2002 the voice ARPUs in emerging markets are decreasing, e.g.

- Russia: -51%
- Ukraine and Bulgaria: -38%
- Croatia -10%

Compared to that e.g. in United Kingdom there is hardly any further voice ARPU decrease (UK: -3%)

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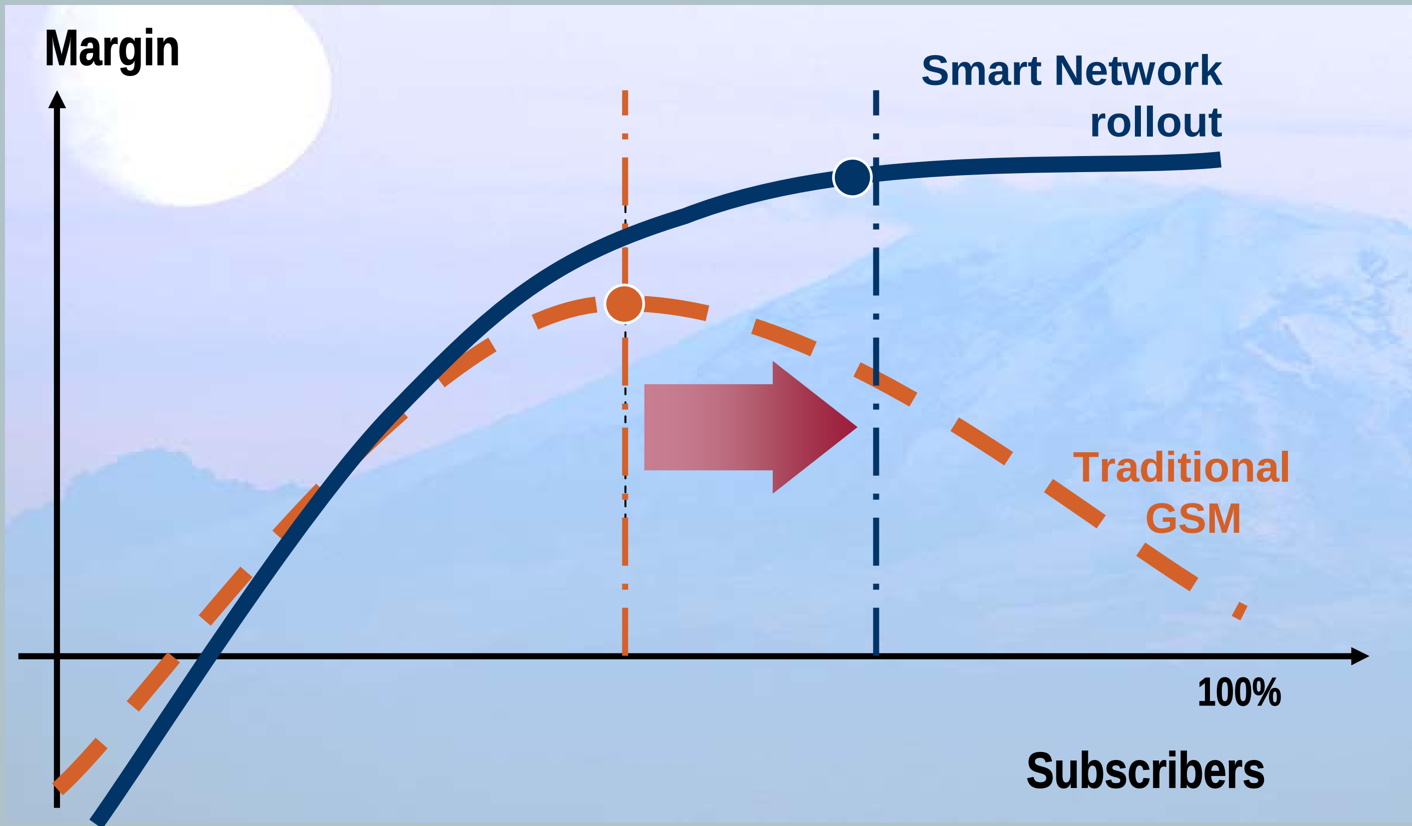
What can operators do to stay profitable with these low-ARPU subscribers?



Traditional GSM Network Rollout in emerging countries with low ARPU would lead to reduced profit

A **smart network** rollout helps operators in emerging markets to increase revenues at profitable margins

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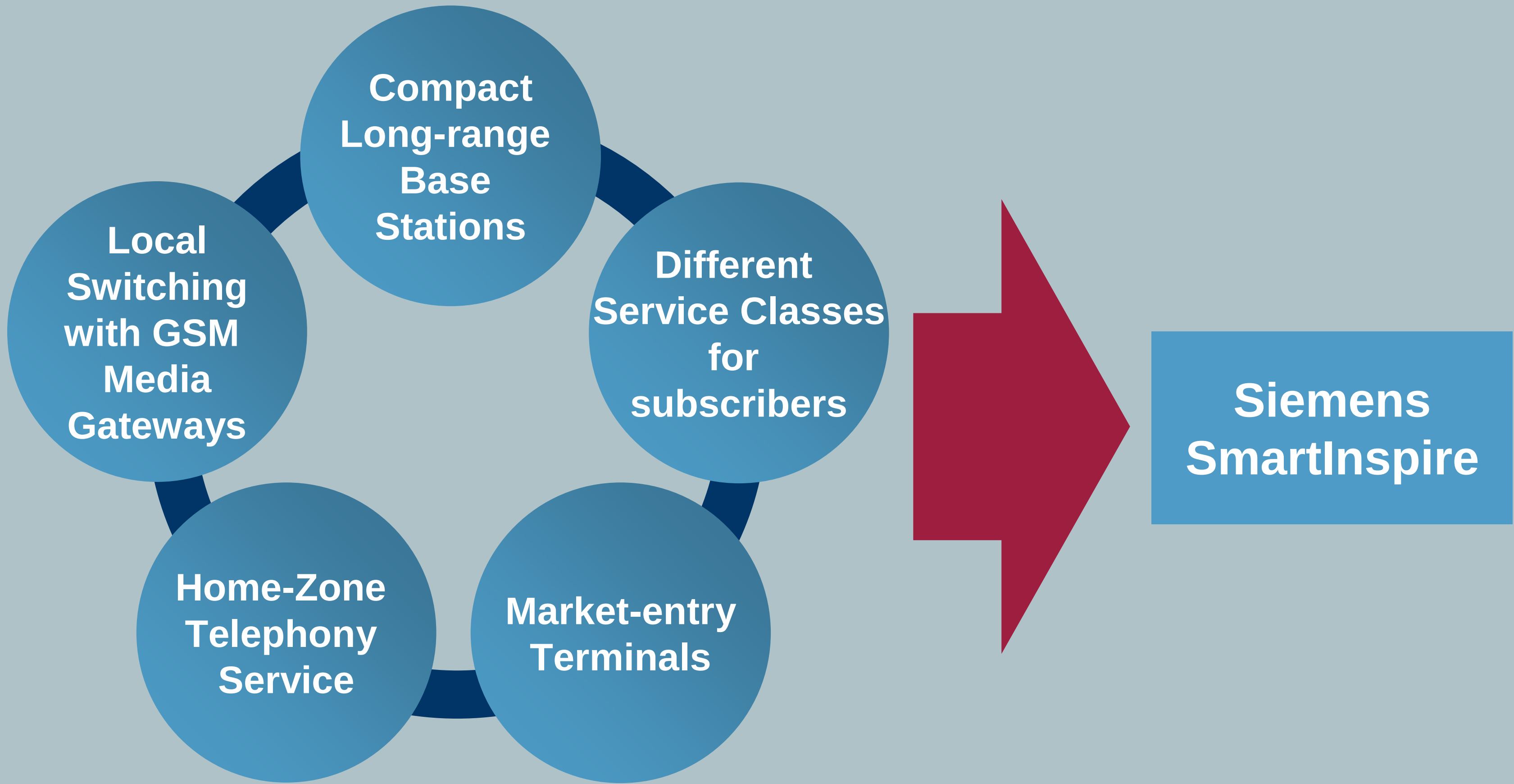
One way for operators to stay profitable and maybe even increase their ARPU is to roll out a smart network

The Siemens SmartInspire Solution consists of five essential components



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A smart network roll-out has advantages both for the operators and their customers

Solution	Operator Benefits	End customer Benefits
Compact, long-range Base stations	Reduced Investment and OPEX	GSM Coverage also in rural or remote areas
Local Switching with GSM Media Gateways	Reduced transport network cost, reduced OPEX	Cheap local mobile calls
Different Service Classes for subscribers	More revenue from premium and low APRU subscribers	Better voice quality for premium subscribers
Home-Zone Telephony Service	Additional revenue from low ARPU segment	Attractive Home-Zone tariffs
Market-entry Terminals	Reduced SACs, reduced handset subsidies	Affordable, attractive handsets

OPEX = Operational Expenses
SACs = Subscriber Acquisition Costs

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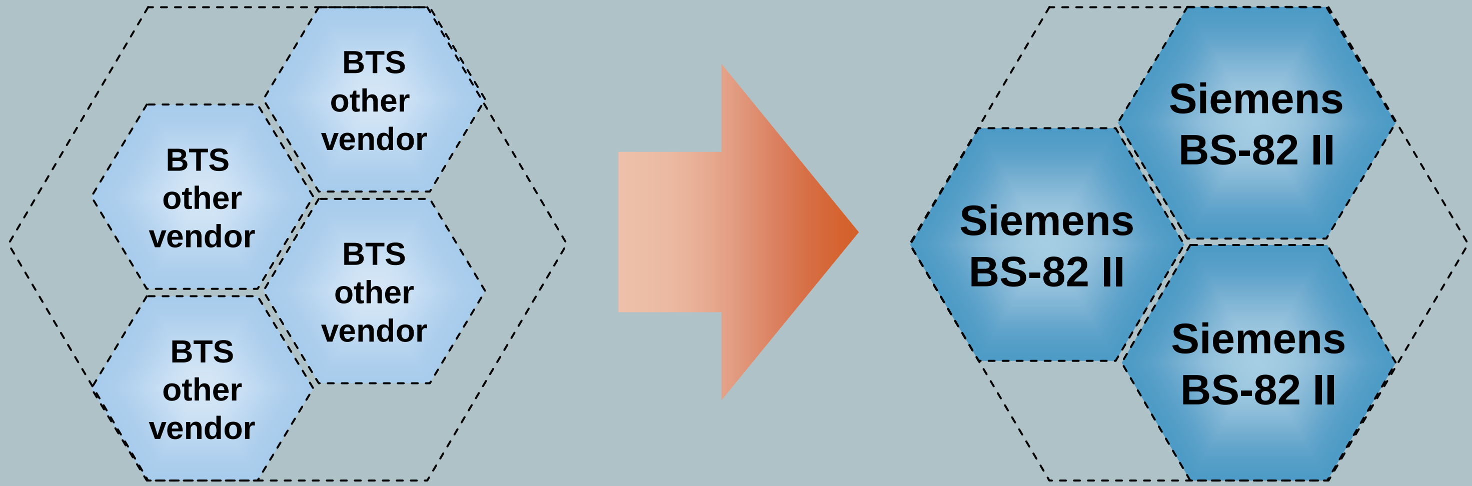
Best practice: 20% reduced investment due to high-performing Siemens BS-82 II in coverage driven areas



4 cells **3 cells**

Unique macro BTS radio output power (no booster needed)

Highest receiver sensitivity on the market (same as Siemens BS-240/241)

Full coverage with minimal configuration (one TRX)

results in 20% investment advantage

BTS = Base Transceiver Station TRX = Transmitter/Receiver

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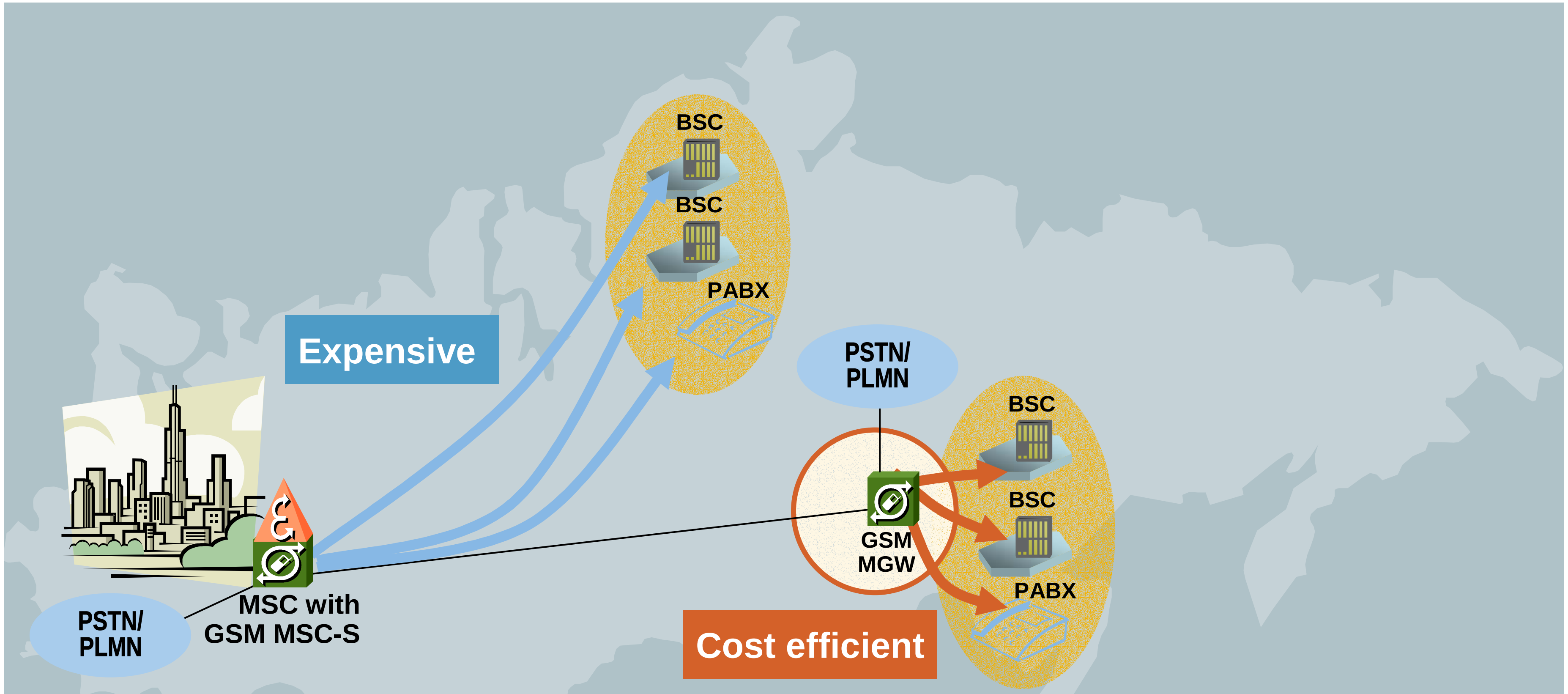
Best practice: 20% reduction of transmission cost by switching local traffic with Siemens GSM Media Gateways



Deploy <u>unique</u> Siemens GSM Media Gateway in remote areas

Operators reduce their transport network costs

End customers profit from attractive tariffs for local mobile calls

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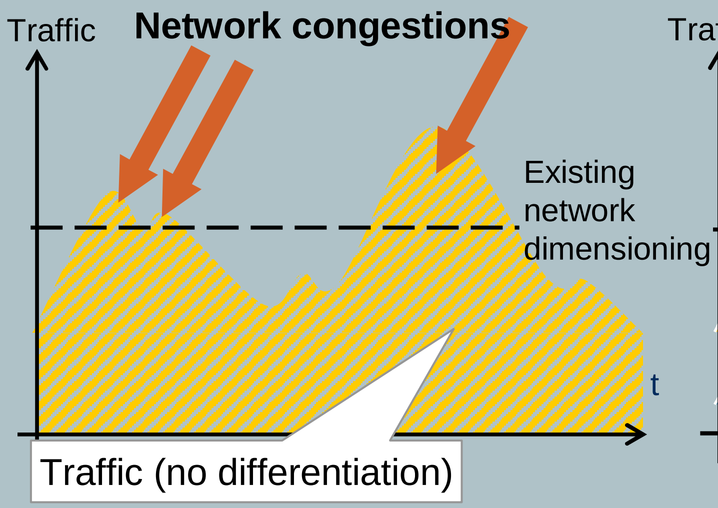
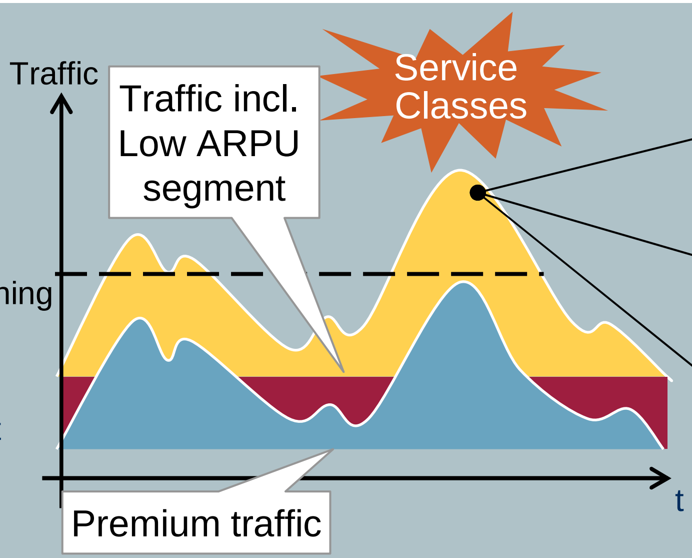
Service Classes lead to an optimal use of network resources and thus to additional revenues





Measures

1. **Half rate assignment**
2. **Shift traffic to neighboring cell**
3. **Terminate Low revenue calls (as Ultima ratio)**

Today:

- Network congestion affects **all** users
- No differentiation between
  - Premium users
  - Low revenue users

With SmartInspire (eMLPP):

- Network congestion only affects **low revenue** users
- Premium users always can place/receive calls (= revenue!)
- Aditional Low revenue traffic can be put into the network (= revenue)

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With a Home-Zone Telephony Service operators can address new low-ARPU segments

Add local coverage (e.g. single Siemens BS-82 II) to areas where

- no/ very limited fixed lines are available
  - e.g. rural, remote areas

Quick availability

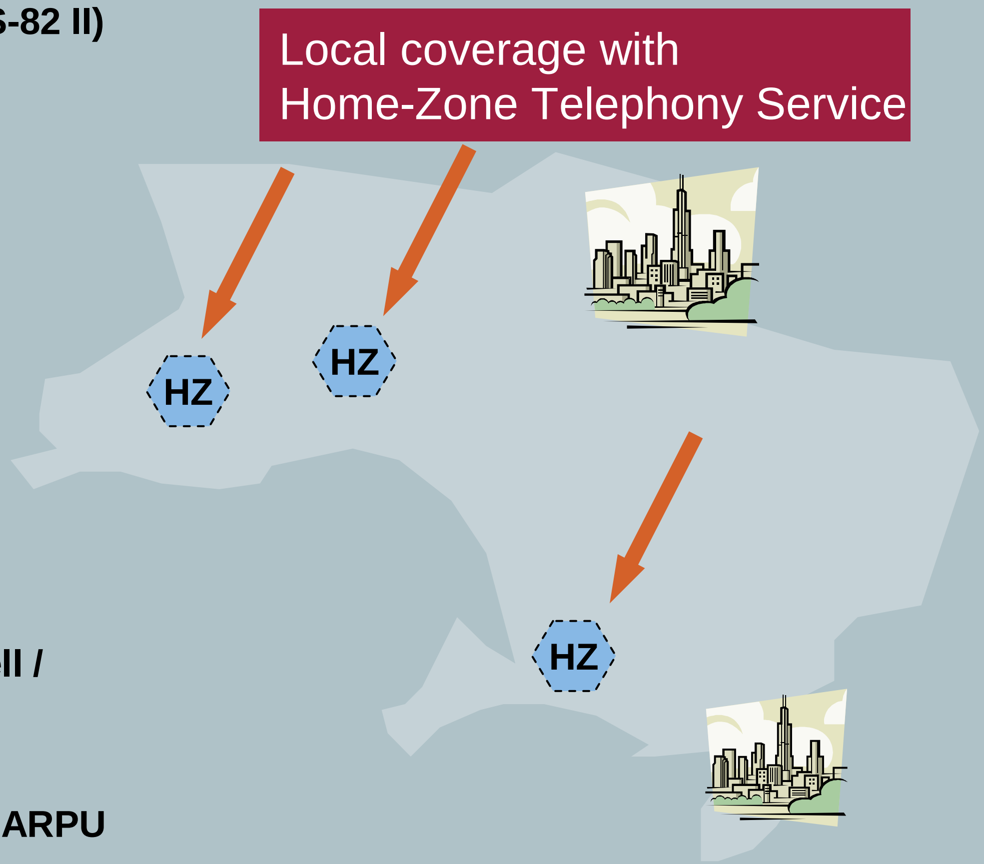
- Almost no infrastructure needed

Launch Home-Zone Telephony Services

- by offering tariffs comparable to fixed line services

Restrict usage of mobile phones to local cell / area with "Home-Zone Telephony Service"

Get up to 5% additional revenues from low-ARPU Home-Zone Subscribers



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Summary

The main subscription growth in emerging markets will be in the low-ARPU segment

Smart GSM network rollout will help operators to grow profitable within this new segment

These new solutions provide benefits for both operators and end customers

- Compact, long-range base stations
- GSM Media Gateways
- Different Service Classes for subscribers
- Home-Zone Telephony Service
- Market-entry terminals

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Thank you for your Attention

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