The emerging SEE MVNO market

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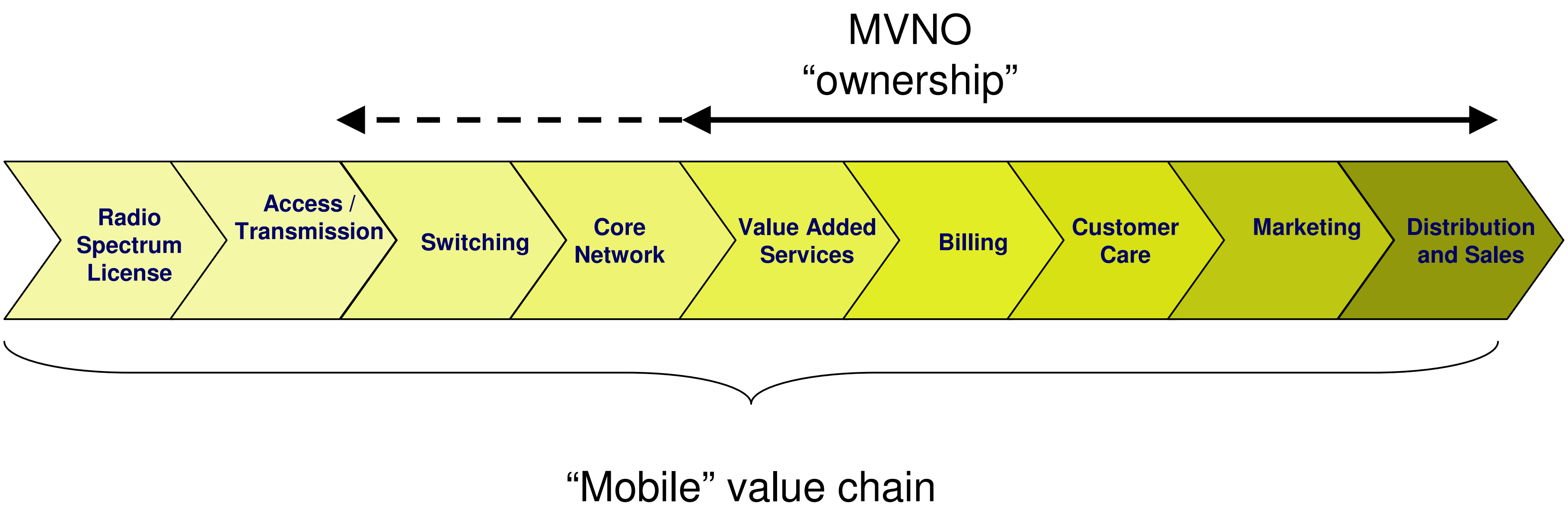
Agenda

Developing a Winning Wholesale Model in Saturating SEE markets

- MVNO introduction
- MVNO Market Development
    - Successfull MVNOs
- Lessons from Established MVNO Markets
    - How MVNO markets develop
    - The Role of the Regulator
- The Croatian MVNO market

MVNO introduction

Entity offering mobile communication services



*A mobile virtual network operator (MVNO) is an organization that provides mobile phone service but does not have its own licensed frequency allocation of radio spectrum, nor does it necessarily have all of the infrastructure required to provide mobile telephone service.**

*Ofcom report and definition

MVNO market development

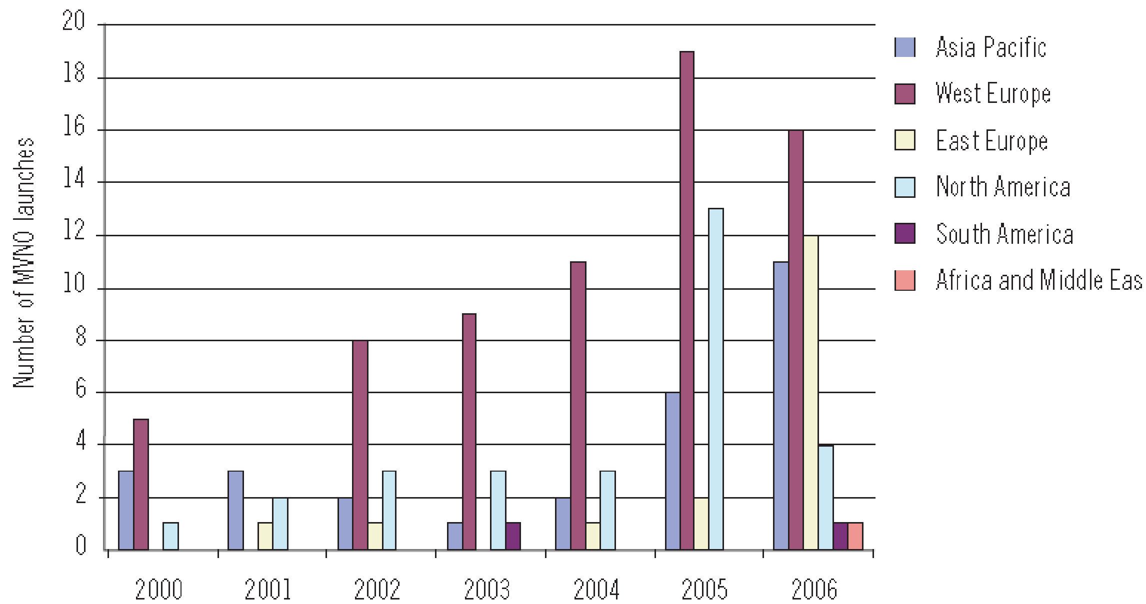
MVNO Market Development

Growth in SEE markets will develop as it did in the rest of Europe

- MVNOs “moving” to Eastern Europe

Example: Poland

- 2 years ago: virtually no MVNOs
- Today: 20 companies are considering a launch (banks, breweries, TV stations, fixed line operators, “foreign” MNOs)
  - Examples:
    - Carefour, Mobileking, mBank, Polsat



New MVNO launches globaly

Source: “MVNO Strategies and Forecast”, Informa 2007, PMR

Succesfull MVNOs

Sucessfull MVNOs are the ones making money for MNOs

- Discount MVNOs

Telmore (Denmark)
Customers: 593,000
Telmore, one of Europe's most successful MVNOs, was launched in 2000. Telmore attracted attention by publicly attacking incumbent TDC for overcharging customers and quickly gaining 500,000 subscribers. TDC later bought Telmore for $73 million

Simyo (Germany)
Less than a year after it was born, Simyo was purchased by E-Plus, the No. 3 German operator, for an undisclosed amount. Simyo has 1.2 million subscribers.

- Retail chain MVNOs – distribution, cross selling
- “Brand MVNOs” – Virgin
- Fixed line operators, cable operators - bundling

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Lessons from Established MVNO Markets:

MVNO development

Lessons from established markets

In MVNO hostile environment, MNOs are exposed to regulatory risk

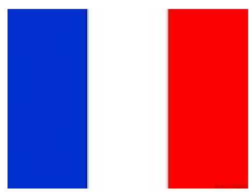
"MNO" developed

Two fold:

- MVNO friendly
- MVNO "hostile"

"Hostile" MVNO approach can backfire!

Example: France



Poor MVNO results → **Authorities intervention**

- Reduction of network contracts and exclusivity
- Removing "pre-emptive" acquisition rights

"Better" for MNOs?

- MNOs can set the rules:
  - Price
  - Exclusivity
  - Pre-emptive acquisition rights
  - (No)access to network elements

Benefits for MVNOs

- Faster time to market
- More support from MNOs?

Regulatory EU framework

MVNOs can be imposed to MNOs by the regulator

“REGULATOR” developed/initiated

“ex ante” intervention:
Market 15

- Spain
- Ireland
- Slovenia
- Cyprus
- Malta

COMPETITION / REGULATION - FIRST ROUND

06 August 2008

	AT	BE	BU	CY	CZ	DK	EE	ES	FI	FR	DE	EL	HU	IRL	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
1	a	a		a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a		a	a	a	a
2	a	a		a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a		a	a	a	a
3	a	a		a	a	a	a	a	a	a	a		a	3/a	a	a	a	a	a	a	a	a		a	a	a	a
4	a	a		a	a	a	a	a	a/v*	a	a	a	a	3/a	a	a	a	a	a	a	a	a		a	a	a	a
5	a	a		a	a	a	a	a	a	a	a		a	3/a	a	a	a	a	a	a	a	a		a	a	a	a
6	a	a		a	a	a	a	a	a/v*	a	a	a	a	3/a	a	a	a	a	a	a	a	a		a	a	a	a
7	a	a		a	a	a	a	a	a	a	a	a	a	3/a	a	a	a	a	a	a	a	a		a	a		a
8	a	a		a	a	a	a	a	a	a	a	a	a		a	a	a	a	a	a	a	a		a	a	a	a
9	a	a		a	a	a	a	a	a	a	a	a	a		a	a	a	a	a	a	a	a		a	a	a	a
10	a/v*	a		a	a	a	a	a	a	a	a	a	a		a	a	3/a	a	a	a		a		a	a		a
11	a			a	a	a	a	a	a	a	a/v*	a	a	a	a	a		a	a	a	a	a		a	a	a	a
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Effective competition -no *ex ante* regulation

No effective competition - *ex ante* regulation

Partial competition - partial *ex ante* regulation

w Withdrawal (totally or partially) not yet re-notified

3 The market does not meet the three criteria test

v Veto

v* Veto - measure corrected by a new notification

Separated notification for remedies

a Final measure adopted

EU Directive 2002/19/EC –
Access Directive

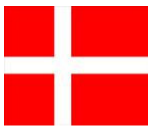
-To provide network access for MVNOs

Forced access: rules can be imposed by the regulator (not MNOs choice)

Lessons from established markets

In MVNO friendly wholesale market development MNOs win long term

“MNO” developed



Example: Denmark

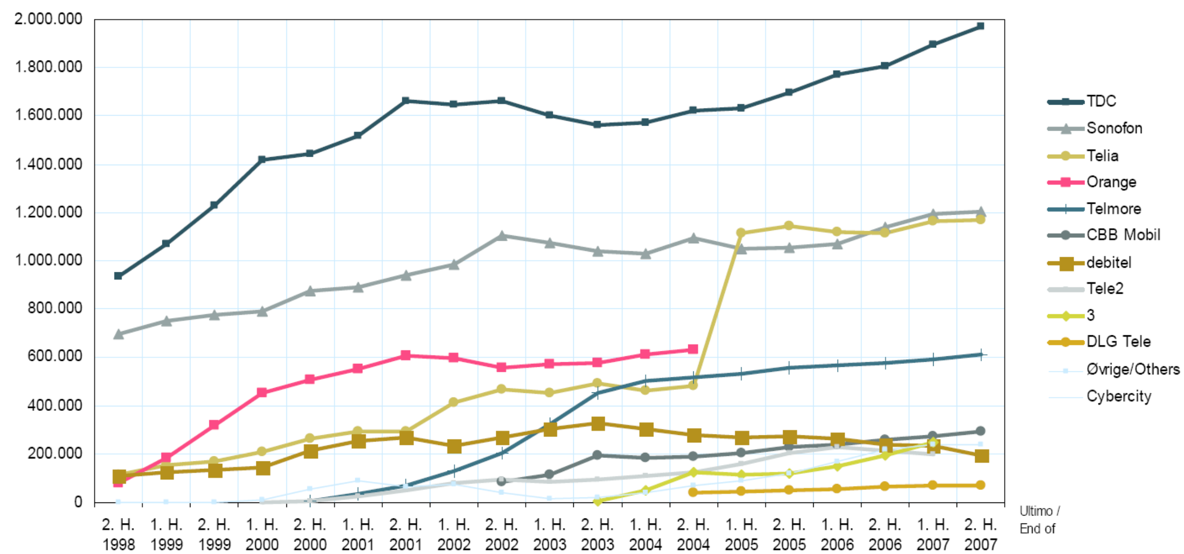
- TDC – incumbent winner, most of it due to their aggresive wholesale strategy

Example: Germany

- E-Plus – grew 1 million in H1 2008 (to 16 mil. subs)
- Due to multibrands and wholesale

MVNO friendly

Figure 18. Mobile telephony – subscriptions², by company, 1998-2007



Win – Win situation!

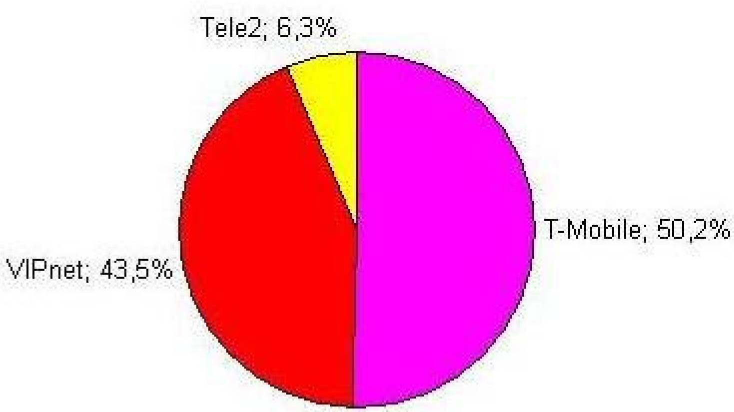
Source: TDC, E-Plus

Croatian market – MVNO players and expectations

Croatian Mobile Market

Two player dominance; highly profitable; growing; third MNO struggling

Operators	Market share (users – SIM)	Market share (revenue)	EBITDA margins – EOY 2006	EBITDA margins – EOY 2007	EBITDA margins – Q3 2008 (cumulative)
▪ T-Mobile	46,4%	50,2%	43%	43%	**47%**
▪ VIPnet	42,4%	43,5%	40%	41%	**41%**
▪ Tele2	11,2%	6,3%	Neg.	Neg.	**Neg.**



- **Total market (EOY 2007):** €1,15 billion
- **Growth rate:** 7%
- **Penetration:** 127%
- **ARPU:** €16
- **Croatia population:** 4,5 million

Source: DT, Telekom Austria, Tele2 financial reports

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Croatian MVNO market

No “independent” (real?) MVNOs

<u>Launched:</u>

- **T-Mobile**:
  - Branded reseller: Zaba Mobil
- **VIPnet:** “tomato”
  - VIPnet claims: “just another brand”
  - But all characteristics of MVNO

<u>Announced:</u>

- **T-Mobile**: K-Mobile?
  - Launch date?
- Telcro Grupa

Summary

Summary

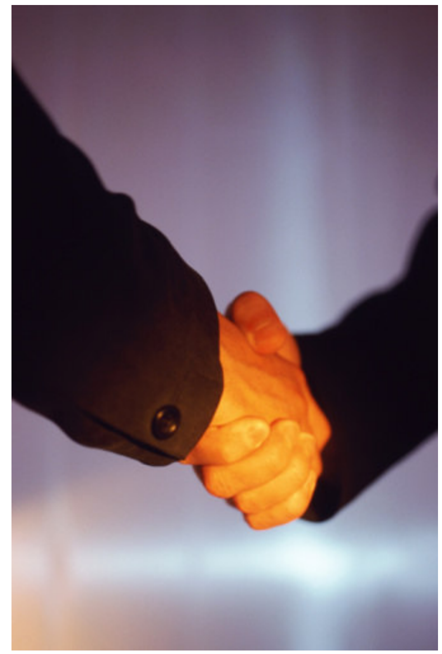
MVNOs are coming to SEE markets

To MNOs:

- **Develop right wholesale strategy!**
  - Right pricing structure – enable MVNOs to differentiate
  - Caution on exclusivity clauses
  - Evaluate right pre-emptive buyouts
  - Design and agree on mutual commercial and technical support
  - ...

To MVNOs:

- Carefully evaluate tradeoffs of time to market and long term sustaineability



Be first, adopt and develop wholesale strategy.

Avoid procrastination! As it will lead to:

- Losing to competition
- Regulatory actions

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Questions?

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Thank you!

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