



Telecom Operators Services Strategy

Moscow, 27 October 2003

Yves Blandiaux

Internet Business Services Group

EMEA Service Providers

Cisco Systems

New IP Services

Cisco.com

- **Threat or Opportunity for Telecom Operators ?**
- **The « Old » Story**

The Shepard and his sheeps ...

- **But Now ...**



Telecom Operators : Mission Impossible ?

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The Heavy Lifting: *(Business as “usual”)*

- Reduce debt
- Stop voice revenue decline
- Protect/increase margins
- Reduce opex
- Manage wireless/3G “phase-in”
- Restructure (“easy cuts”)
- Improve productivity
- Manage the regulator
- “Sweat the assets”
- Address the « New Competitors »



Growing the Top-Line: *(Growth or Utility?)*

- Find new revenue
- Prove demand exists for new IP services
- Make consumer broadband a profitable growth opportunity
- Develop bundle services to grow the SME market
- Develop value added services to protect and cautiously expand the Large Enterprise market
- Adjust the business model



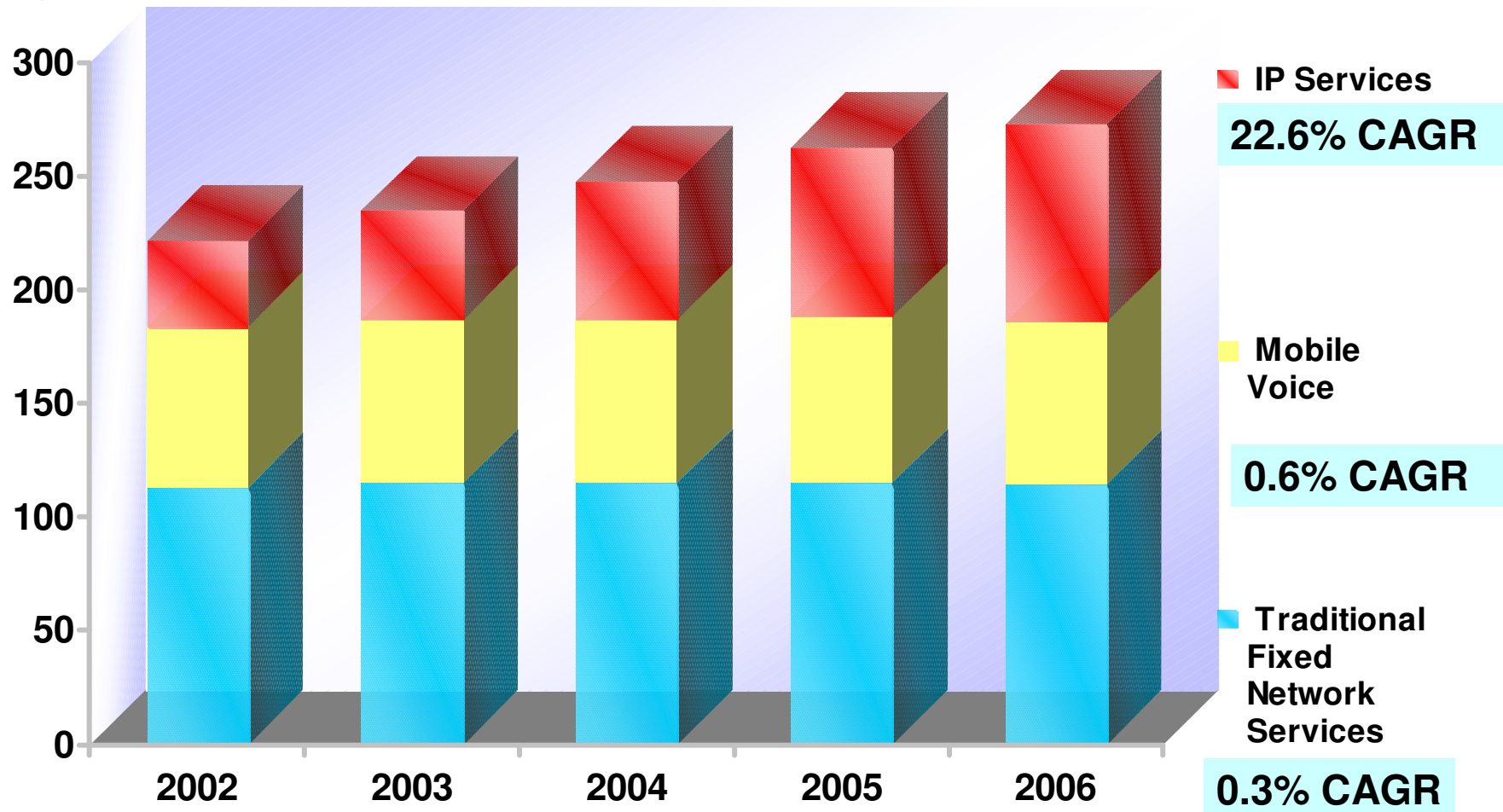
Change Engine while Flying: *(The new Service Provider)*

- Realize “true” Opex savings by migrating to a network that is cheaper to maintain and operate
- Adjust the design and structure of the company to the new business environment
- Transform to a services oriented organization

Service Revenues W. Europe

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\$ Billion



This figure excludes Wholesale

Source: IDC/Dataquest/Ovum/Cisco SP February 2003, version 3-3

High-Ticket Enterprise Outsourcing Services

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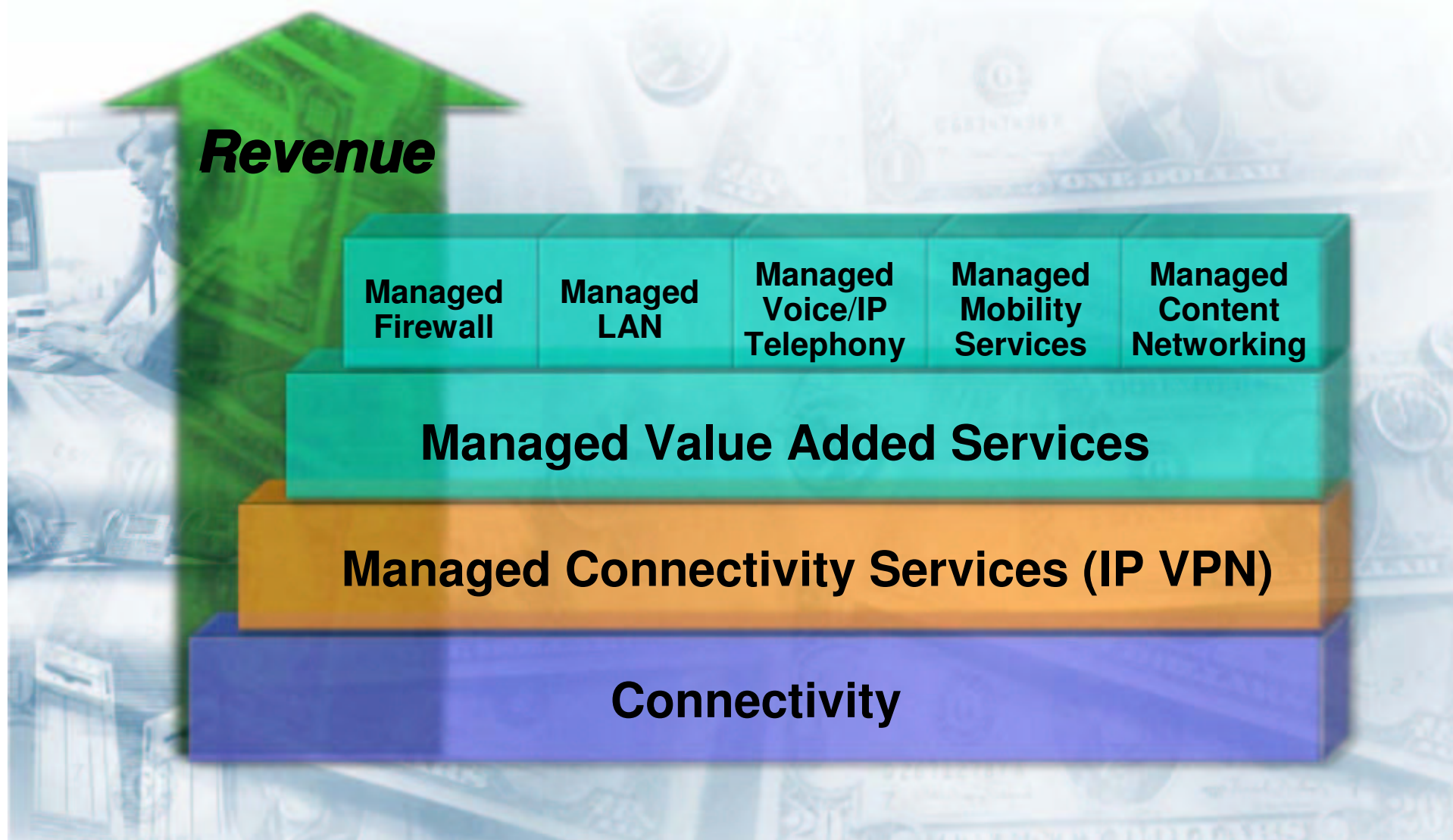


Source, Cisco "Enterprise-SP Connect, 2002"

The Right Foundation is Key

From Connectivity to Managed Services

Cisco.com



IP VPN Services in EMEA : The Foundation

Cisco.com

Cisco Providing IP VPN Technology to 90%+ of Leading Service Providers in Europe, Middle East and Africa



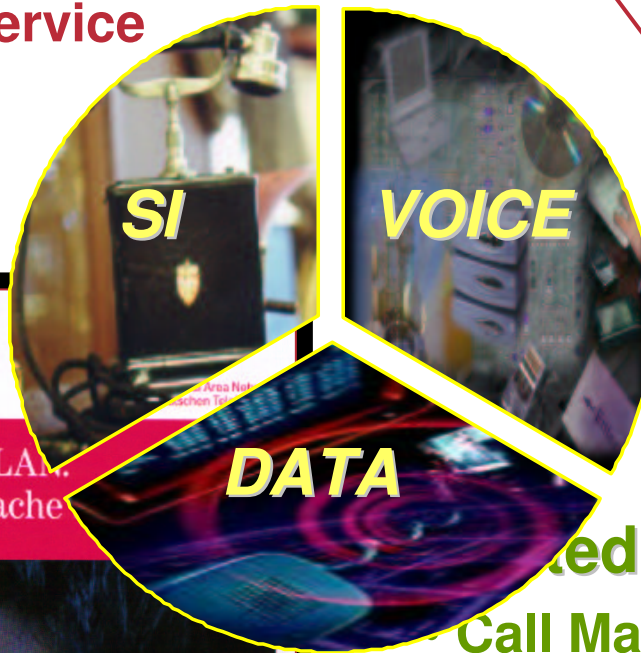
IP PBX Service Offerings

Deutsche Telekom

Cisco.com

Managed Solution

- Call Manager at customer premises
- Based on LAN Service
- SI department



Managed Solution

- Call Manager in DT data center
- Based on QoS-WAN Service
- DATA department

Mal wieder ein neues Büro?

Mit IP-Telefonie über Ihr Datennetz sind Sie im ganzen Unternehmen mobil. Umzüge können Sie dann auf die leichte Schulter nehmen! Ihre Vorteile:

- 90% Kostenersparnis gegenüber dem herkömmlichen Telefonnetz
- Sofort wieder angeschlossen – kein Warten auf den Techniker
- Sparen Sie zusätzlich Investitionskosten, Telefongebühren, Administrations- und Wartungskosten.

NEU **IPTelefonie**
Spreche via Datennetz

ab 9,93 EUR
pro Monat/IP-Telefon*

***Leistungsumfang**

- Standard IP-Telefon
- Installation und Anschluss an die Amtsleitung
- Wartung und Hotline
- Voice Gateway
- Nutzung eines zentralen Call Managers

Die Preisangabe von EUR 9,93 zzgl. MwSt. beruht auf einer durchschnittlichen IT-Infrastruktur und einer Laufzeit von 60 Monaten. Der endgültige Preis ergibt sich entsprechend den jeweiligen Kundenbedingungen.

Managed IP Telephony

Centrally Hosted Call Manager

→ Incl. Voice Gateway

→ Incl. IP Phone

→ Installation & Maintenance

9.93 € / User + Month

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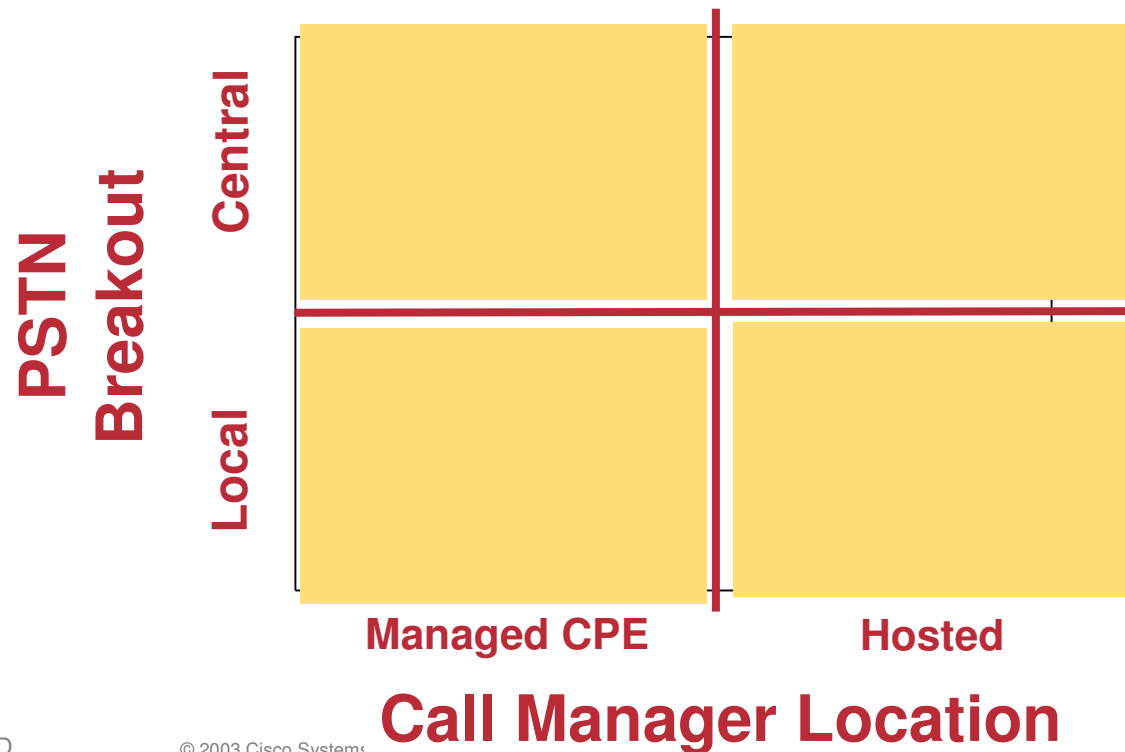
9.93 € / User + Month

Find the Market Drivers

and Position Convergence Portfolio

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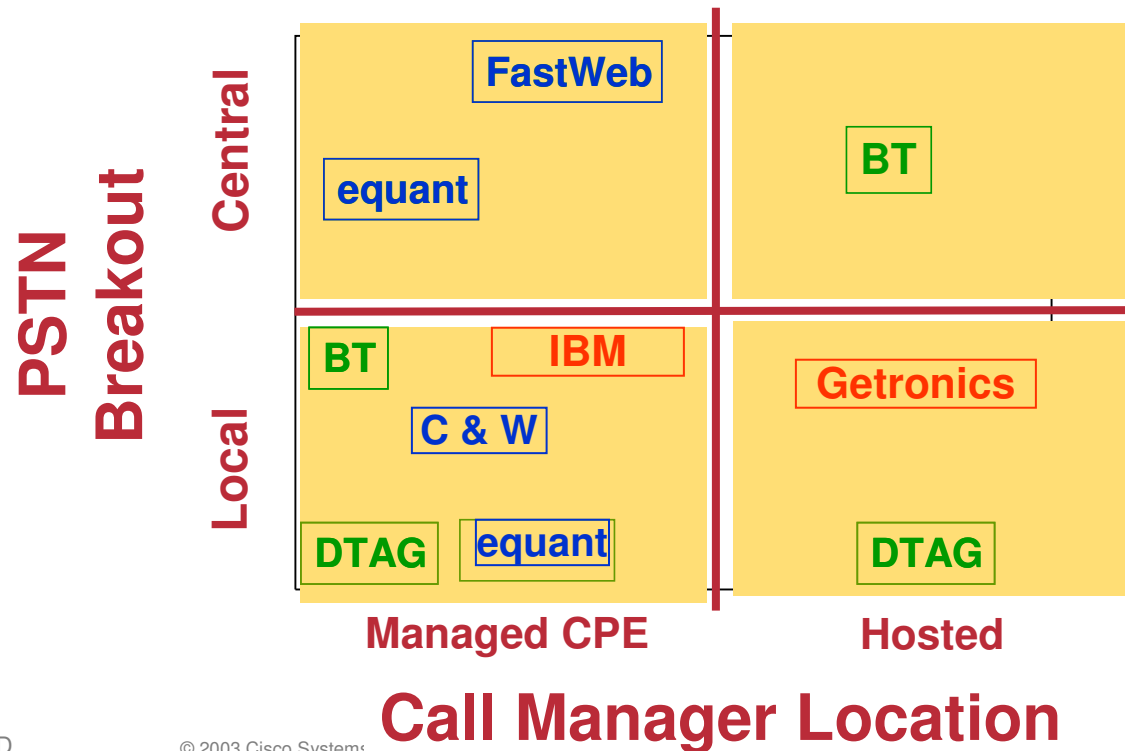
*Based on the strategy, market share and
Systems Integration capabilities*



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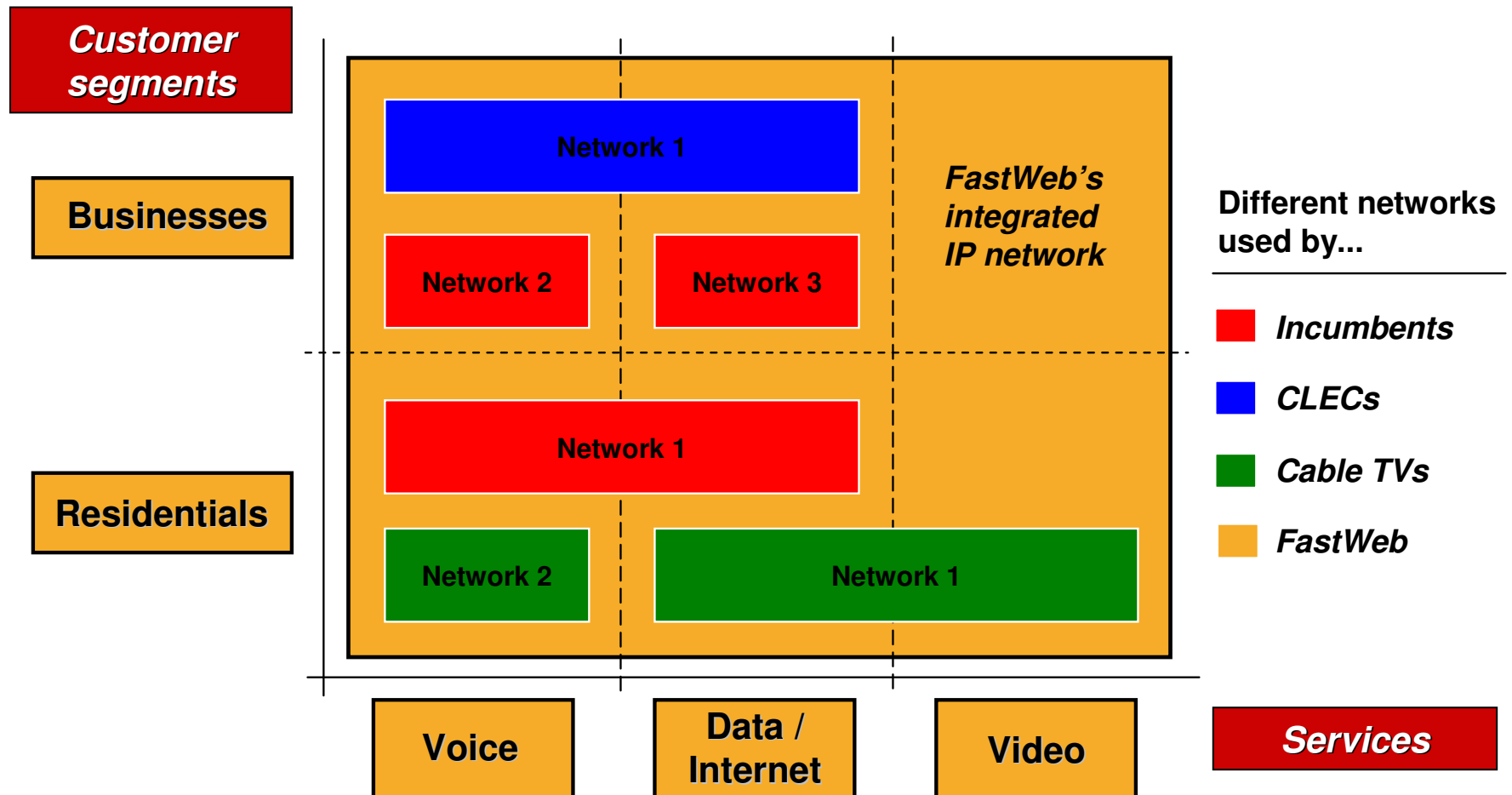
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*Based on the strategy, market share and
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FastWeb IP NETWORK Advantages

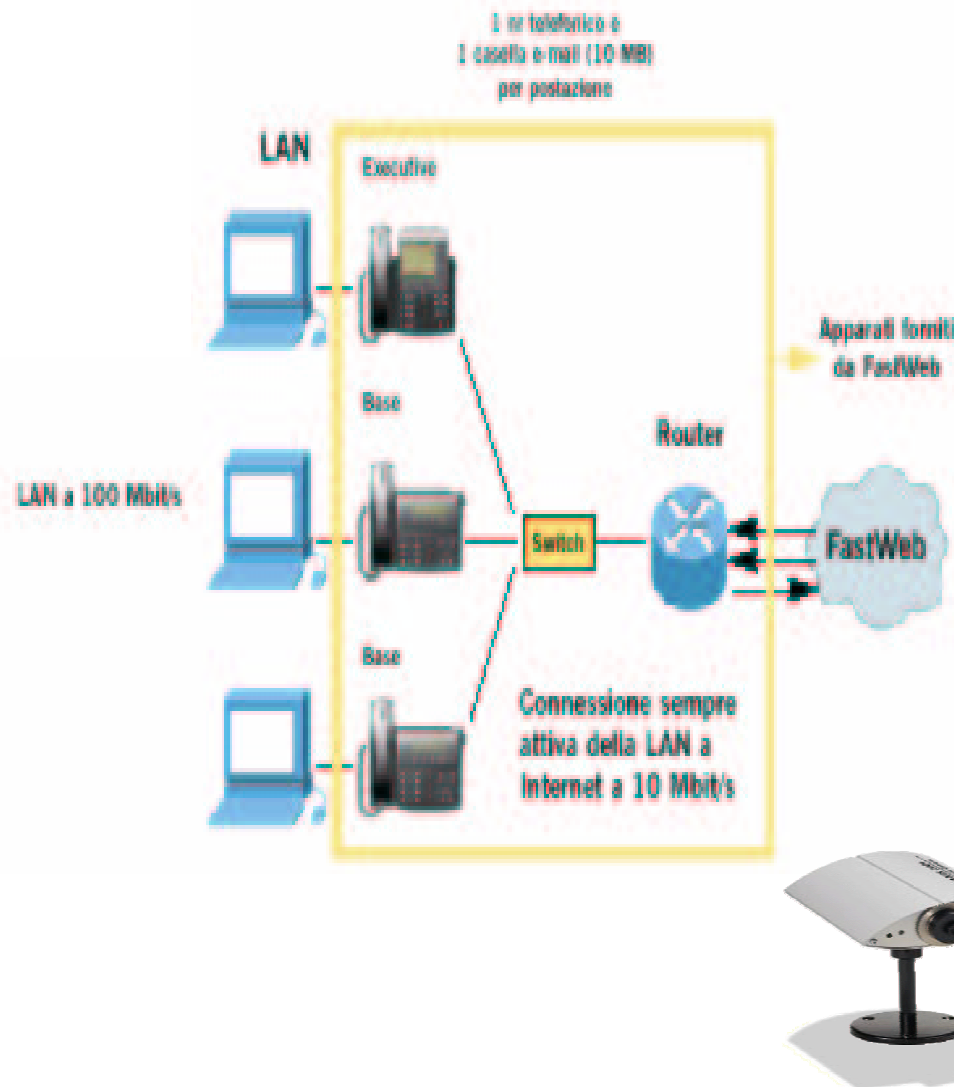
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WAN, Voice and LAN Solution



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Activation/monthly

Example of SMB Bundle 185 €/**160 €**

Always on Internet at 10 Mbps

5 Mailboxes

5 Internet Access and 2 phone lines

Unlimited on-net voice call

Local (40h) National (20h) calls

Additional services

Dial-in (10 phone numbers) 52 € /**21 €**

Unlimited Local and Nat. calls (per line) **26 €**

Hard Disk Storage (500 Mb) 80 € /**50 €**

Additional 500 Mb **50 €**

Video Surveillance (incl

Camera rental) 150 € /**95 €**

Additional camera 150 € /**80 €**

+ Security

Prices as of April 16th 2002

Innovative Broadband Residential Services

Cisco.com

Voice, Video and Data Bundles



'Everything Flat' Bundle
(Activate + Monthly: € 95/75)
Always on **Internet** at 10 Mbps + 6 Mailboxes +
Unlimited National, Local **voice** calls

'Voice without Limits' Bundle
(activate+monthly: € 95/39)
Unlimited National, Local **voice** calls
+ 3 Mailboxes + **Internet** at 10 Mbps (€ 1.90/hr)



VoD (Universal, Dreamworks) 3-6 €*
Digital TV Broadcast 30 €**

Set top box rental 6 €
Set top box with DVD rental 12 €

Prices: € / Month *per movie rented ** Tele+ Premium offer

Presentation_ID

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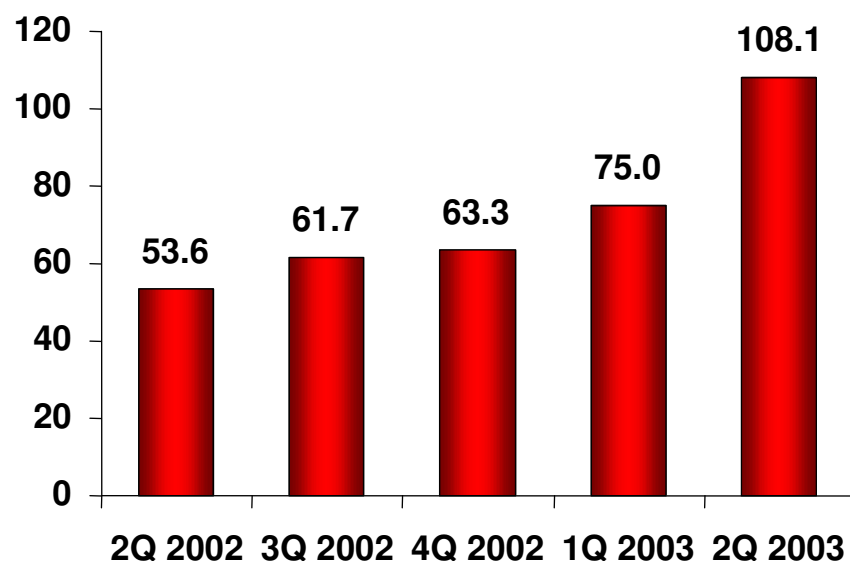
VIVENDI
UNIVERSAL

FASTWEB

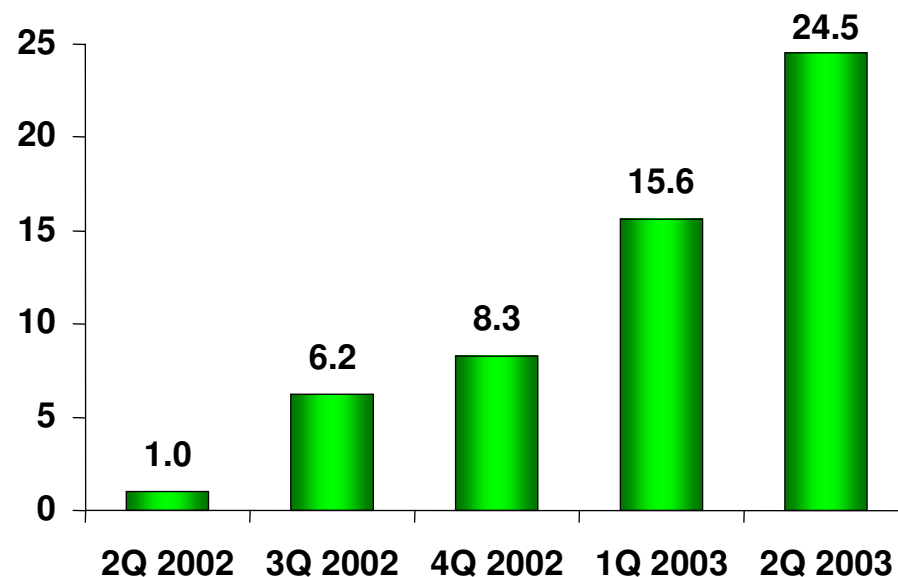
Financial Highlights (249,000 customers!)

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Revenues (EUR mln)



EBITDA (EUR mln)



- ✓ Revenues rise to € 108 million, up € 54 million year-on-year and up € 33 million sequentially
- ✓ EBITDA grows to € 25 million, up € 24 million year-on-year and up € 9 million sequentially
- ✓ EBITDA margin grows to 23% from 21% in 1Q 2003 and from 2% in 2Q 2002

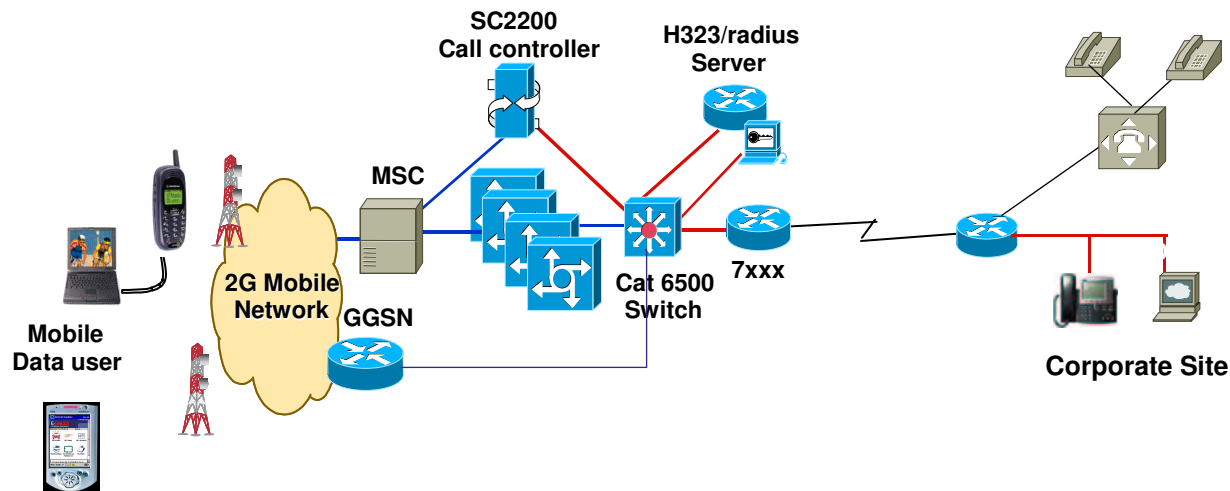
from Mobile SPs to Full Service SPs

Cisco.com



OneLink

Integrated voice & data over wire line to businesses



BT Wireless LAN



Cisco.com

- BT Retail has launched a Wireless Local Area Network (**WLAN**) which will be rolled out across the UK (complemented by GPRS)
- Targeting **Business Customers** initially and Residential Customers later this year
- Planning **4000 hot spots** by June 2005: airports, train stations, hotels, cafes...
- Providing Speed links to the computer networks and the internet **without wires**
- Services up to **2Megabits/sec** (5 x 3rd Generation Mobile)
- Mobility Strategy [WLAN and mmO2 resale] is expected to generate £180m of annual revenues by 2005 [~16% WLAN]

FT 10 April 2002

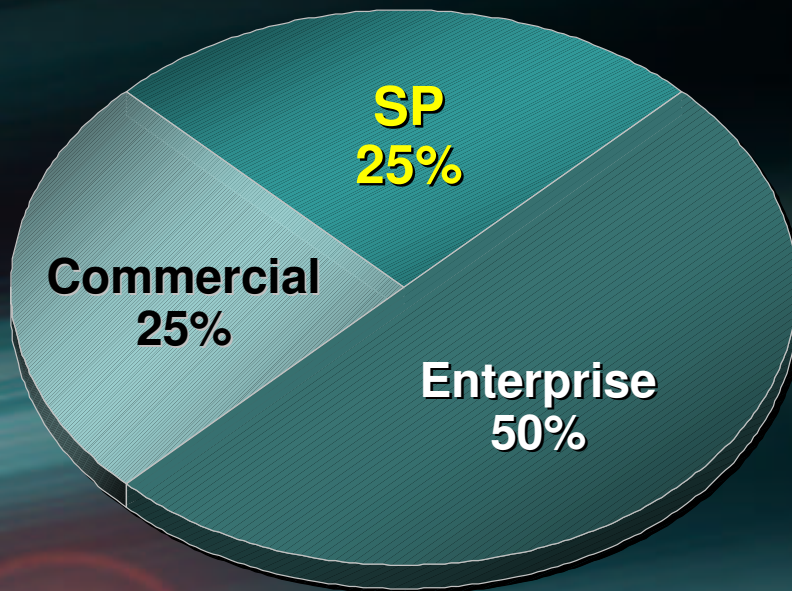


Cisco's Commitment to the SP Market

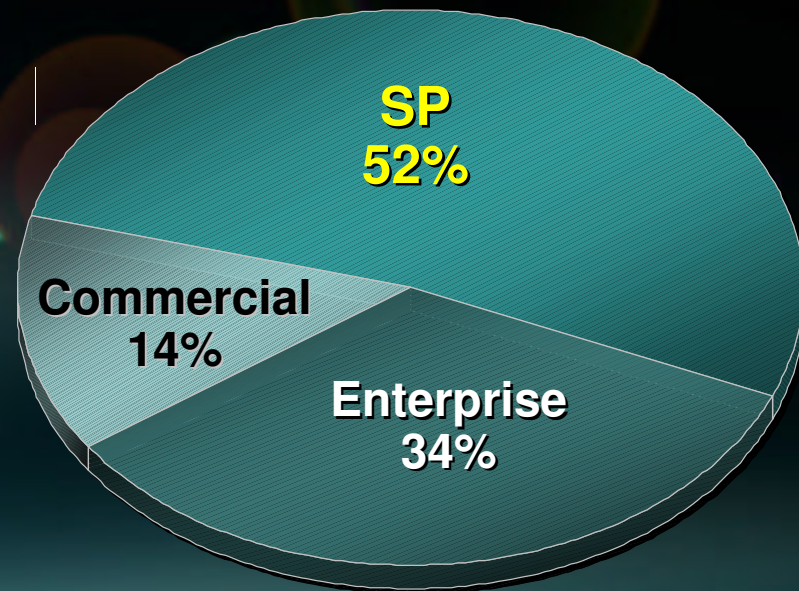
FY'03 Investment Portfolio (Approximate)

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Revenue



Investment

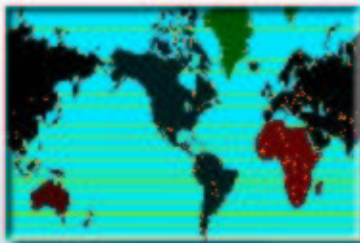


\$3.0B R&D Innovation

Cisco Service Provider Strategy

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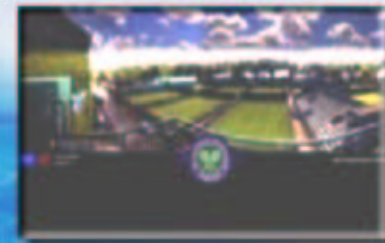
***Fusing the best properties of today's networks
onto a common lowest cost infrastructure***



**Ubiquity/Reliability
of the PSTN**



**Mobility
of the GSM Network**



**Content Richness
of Cable/Television**



**Bandwidth
of a Campus
Network**

***Intelligent
Information
Network***



**Flexibility
of the Internet**



**Latency Control
of an ATM Network**



**Operational Ease
of Ethernet**

Final Thoughts...

- Build IP Expertise
- Build Provisioned Service expertise
- Develop IP VPN as the foundation
- Get System Integration Capabilities
- Move into IP convergence value added services
- Leverage IP / Ethernet OPEX reduction opportunities

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