Wavecom Distributor Conference
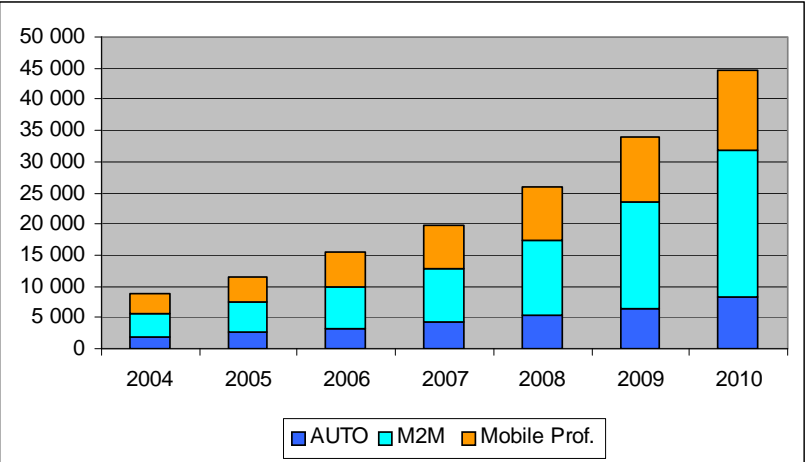
Proactive Selling in today's competitive market

Andrew SUTTLE
Director, Indirect Sales, EMEA

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Our opportunities to grow

CAGR

27,5%

36,5%

26,6%

Chart (stacked bar, 2004–2010): categories AUTO, M2M, Mobile Prof.

➔ 5M additional module sales in 2007

  – Growth from existing successful customers selling more products or new projects at existing customers

  – New entrants and

  – our competitors' customers
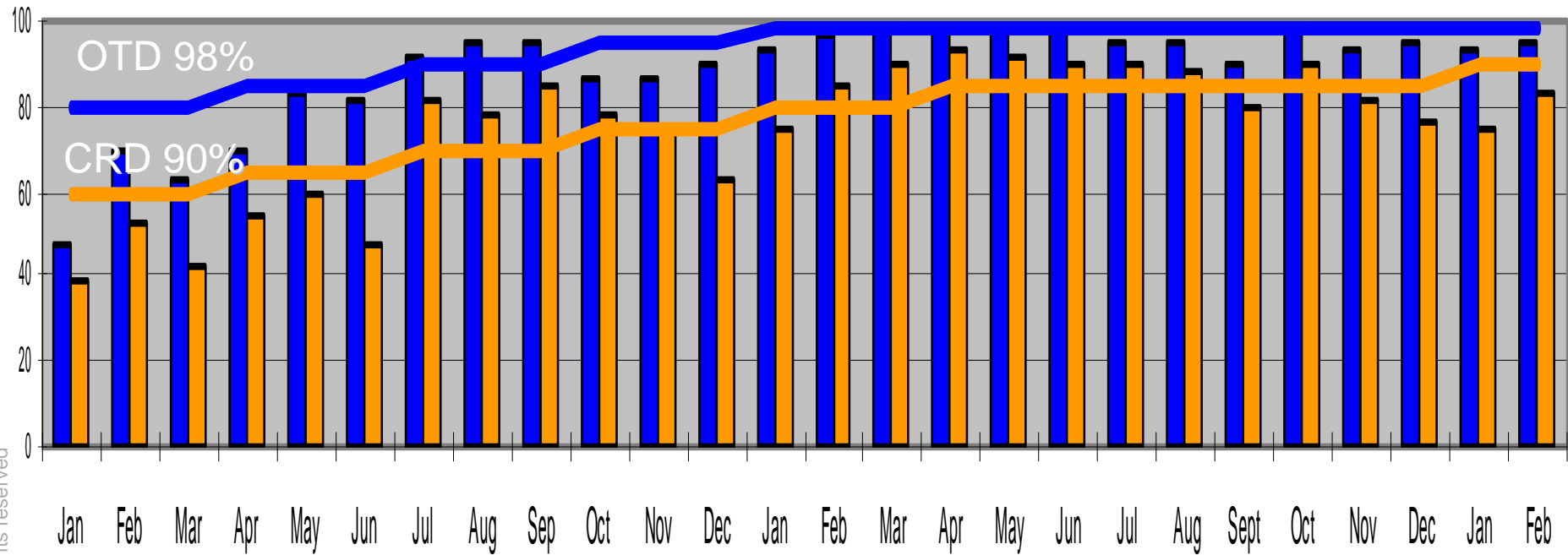
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But first.........

➔ We need to keep our existing customers satisfied and coming back for more time and time again.

➔ Value for money
  – On time deliveries
  – High quality, reliable product
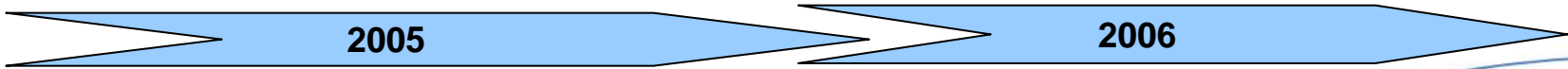 – Responsive support
  – Continuity of product

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DELIVERY PERFORMANCE – Direct Flow

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Product Reliability Quality

return rate evolution

Legend: global data (ppm cumulated)(without Px and major incidents) — New Wavecom (ppm cumulated) without incidents
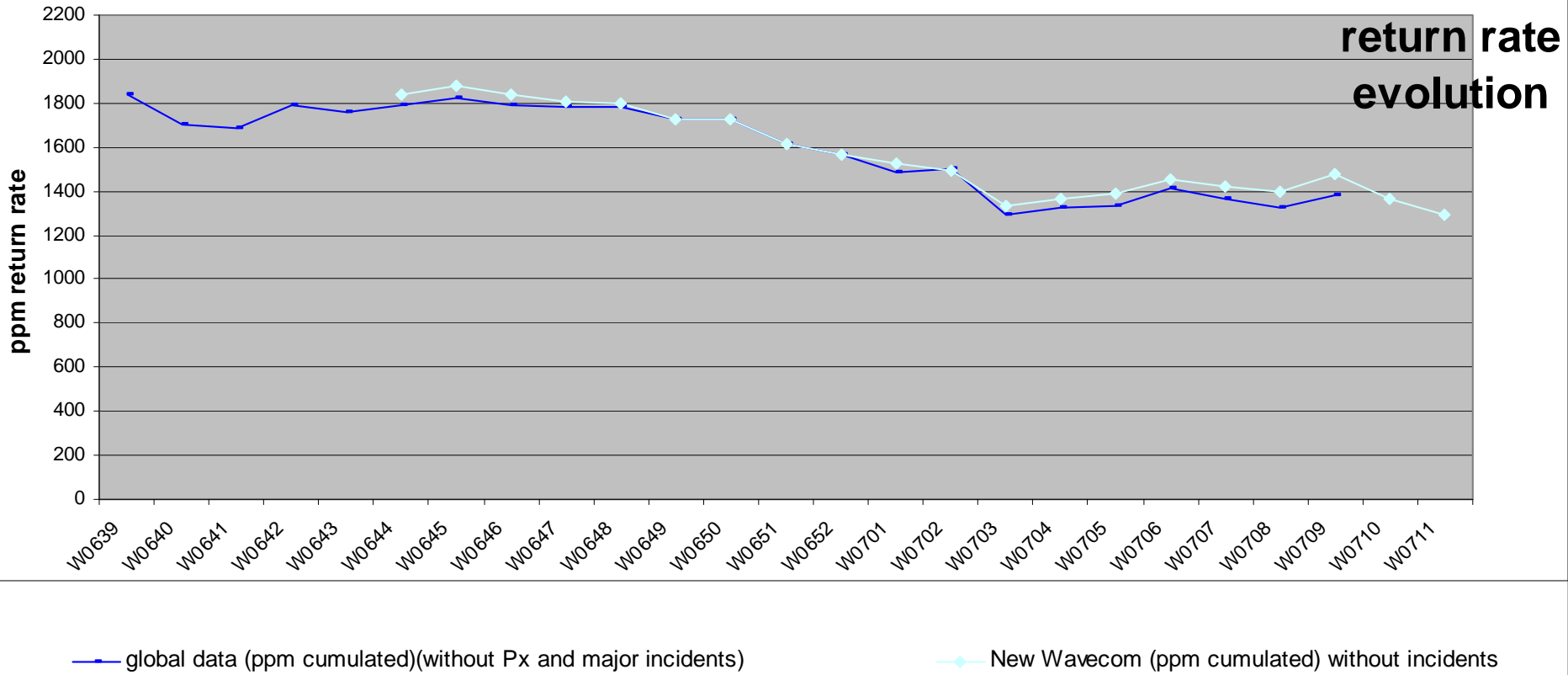
Overall, we achieved product reliability to be at less than 1500PPM for all products

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Certification Status

➔ **Certification ISO9001 V2000**

  – Certificate obtained in November 2005

  – Follow up audit in September & October 2006

  – Closing meeting : 24st of October – No non conformities

  • **Wavecom is ISO9001:2000 certified by SGS**
    – **Registration number : FR05/1246QU**

➔ **In regards of ISO/TS16949**

  – Wavecom is not eligible to ISO/TS as we are fab-less (according to IATF rules 2004),

  – nevertheless

  • SOLECTRON , our contract manufacturer has been certified ISO/TS in SUZHOU on our product line

  • Auditors for our certification audit were all ISO/TS to look at the specifics that concerned our activities

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Extended Warranty Professional Service

Standard — 1

Extended Warranty — 2, 3, 5

➔ **Terms:** same as the Standards Sales Terms and Conditions (Replace / Repair or Credit pieces falling under warranty)

➔ **Products:**

New Q24 Series

Q26 Series

➔ **Ordering:** add one extra line on your order for extension period

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Continuity of Product ….Migration..

➔ Continuity evolves with Q24, Q26 and GR64

➔ Different reasons for forcing migration
  – RoHS compliance
    • GR47 to GR64
  – End of Life of Chipsets and components
    • Q24 to Q24Classic, Plus and Extended
    • Integra M2106 to M2106+
    • Fastrack to Fastrack Supreme 10 and 20
    • Q2438F to Q2438J
  – Third party software
    • E-device to WIPSoft

➔ The loyalty shown by our customers is a testament to your strong customer relationships, your skills and perseverance.

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Migration: Has benefits for the future.

➔ **New functionalities and services**
 – Intelligent Device Services

➔ **Own software inside WM product**
 – Control of our own destiny, not that of our suppliers
   • No more complaints of not enough volume to maintain or add features
   • I would love to use your product but WM has a feature that does x.
 – Migration path from Fastrack to WMP all based on the same software and development platform
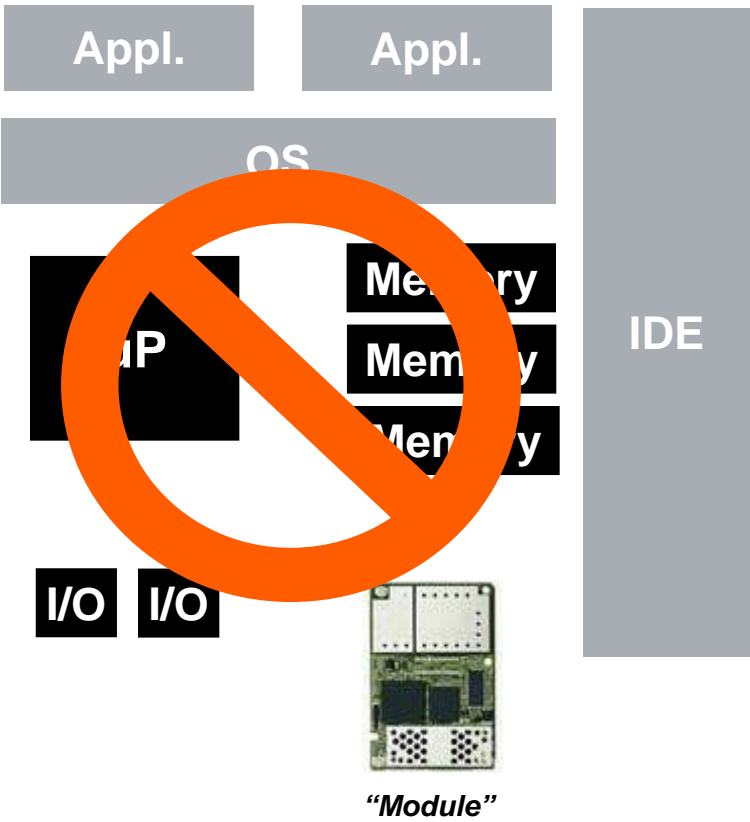
Same Open AT® Software Suite

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Selling to New Entrants

Conventional Approach

| Appl. | Appl. | IDE |

OS

Memory
Memory
Memory

I/O   I/O

"Module"

Wavecom Approach

| Appl. | Appl. | Open AT® IDE |

Open AT® RTOS

Wavecom's Wireless CPU® or Wireless Microprocessor®
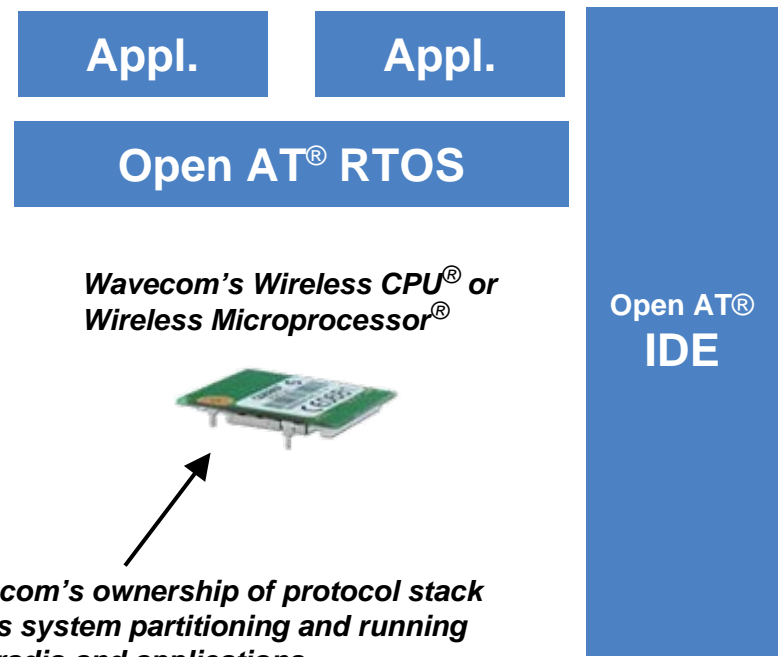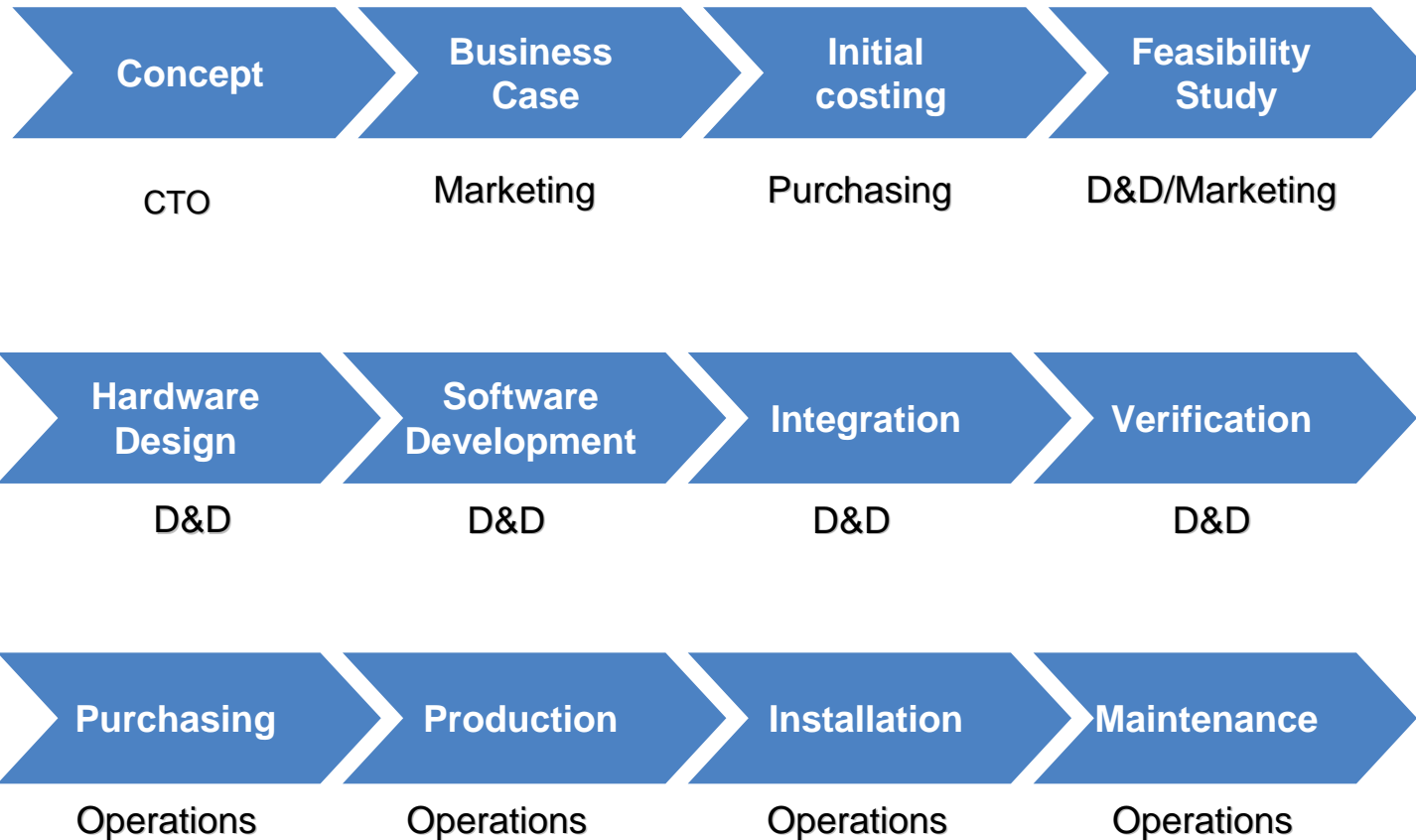

Wavecom's ownership of protocol stack allows system partitioning and running both radio and applications simultaneously, thus eliminating excess hardware and reducing cost. By the way, the "module," or Wireless CPU®, has the performance of a c. 1995 PC.

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New projects – project/sales lifecycle

Concept	Business Case	Initial costing	Feasibility Study
CTO	Marketing	Purchasing	D&D/Marketing

Hardware Design	Software Development	Integration	Verification
D&D	D&D	D&D	D&D

Purchasing	Production	Installation	Maintenance
Operations	Operations	Operations	Operations

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Deliver the right speech to the right people

➔ All messages will not be of interest to everyone at your customer

Customer Contacts	Purchasing	Operations	Management
	Engineer	Architect	Marketing
Preferred Topics	Price & Performance	Cost & Integration	Value & Roadmap
TCO Components	Visible Costs (BOM)		
		Hidden Costs	

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Typical Value Chain – M2M Industry

System Specifier	Design House	Manufacturer	System Integration	Service Provider
Electricity Generator	*Wavecom's target?*	*Distributor's customer*	*Legacy supplier of metering equipment*	*Billing company*
Product Lifetime IDS	Open AT Training APIs	OTD, Pick & Place	WISIM Protocol specific plug ins	IDS, Quality IPR

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Well structured Go To Market

Key Accounts **Platinum, Golden & Silver**

SIs, VARs & MVNOs

Reps

Distributors

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◄─── Information & Support   ▐▐▐▶ Supply

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Our competitors customers

Market Share by Quantity

2006 estimation

Enfora 2%
Motorola 2%
Telit 3%
Spreadtrum (PIML) 6%
SonyE (Jan-Apr) 3%
Simcom 17%
Motorola Onstar 3%
Siemens 32%
Wavecom 32%

- Wavecom
- Siemens
- Motorola Onstar
- Simcom
- SonyE (Jan-Apr)
- Spreadtrum (PIML)
- Telit
- Enfora
- Motorola
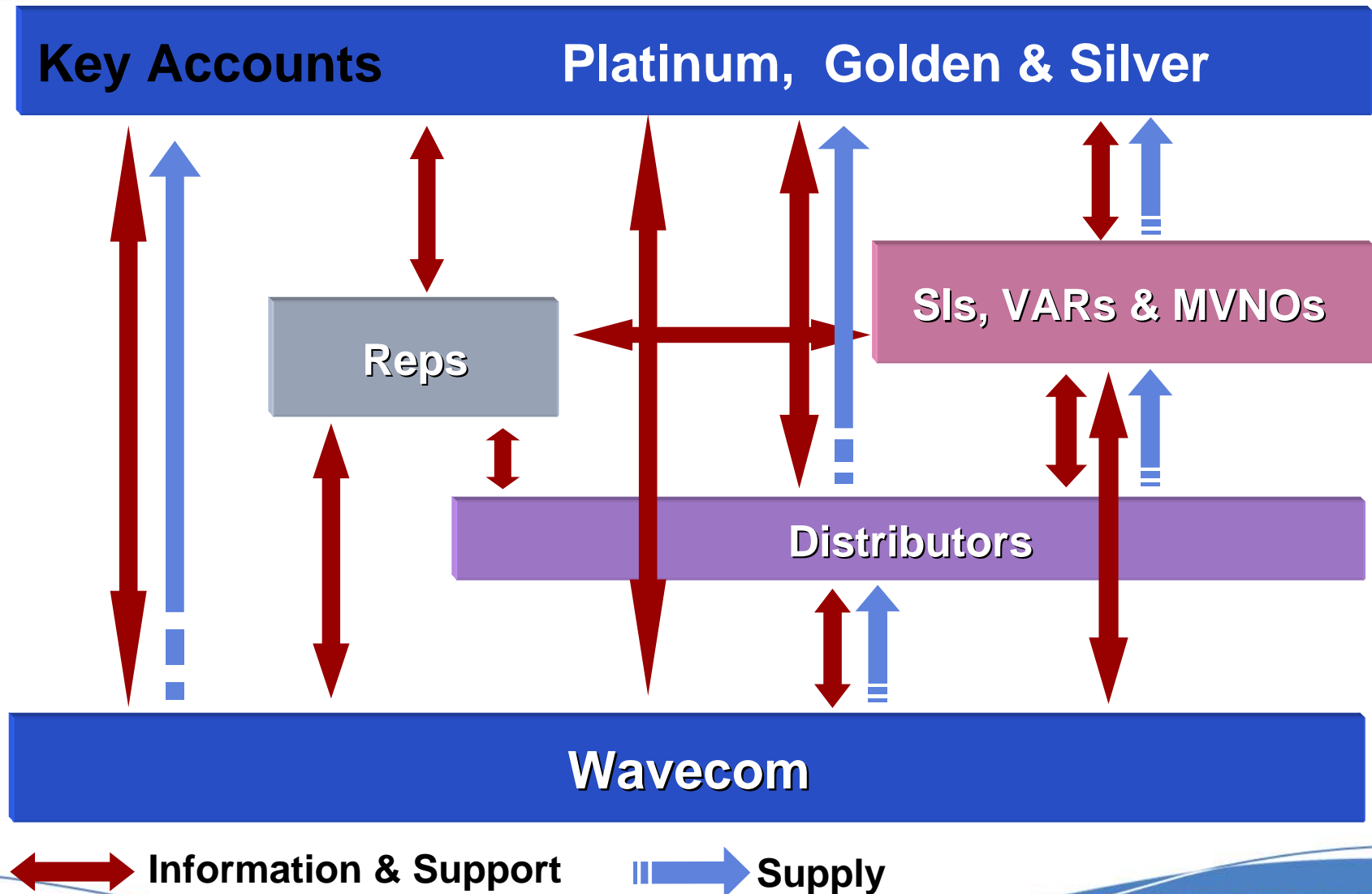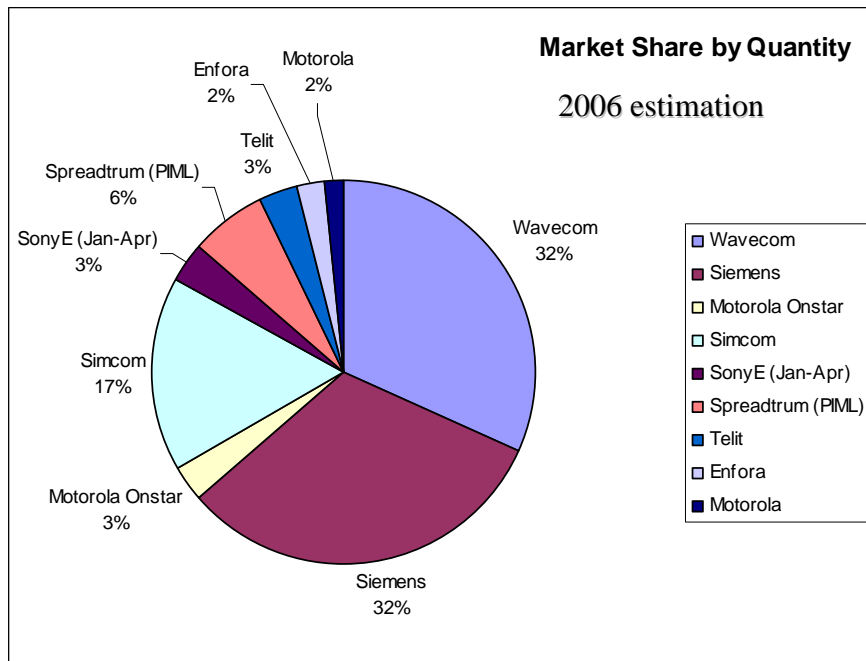
➔ 5M new modules sales in 2007 but what about the non WM market?

➔ 9M devices in 2006 or 11.5M in 2007?

➔ Ready made volumes, business cases coherent, quicker TTR

➔ Customers may be restricted by limitations of resource, they may have just finished their designs and may not want to take the risk of changing.

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When does the low cost integrator model work?

Wireless WAN 2006
TAM: 15M units

Competitor A: Discount Price
Hypothetically gets 50% share

Revenue	$	175.0
ASP	$	25.0
Volume		7
Gross Margin	$	35.0
%		20%
Expenses	$	17.5
%		10%
OI	$	17.5
%		10%

400 h/c @ $200k pp
= $80M

100 h/c @ $200k pp
= $20M

400 h/c @ $50k pp
= $20M

Competitor B: Value Price
Has 40% share

Revenue	$	240.0
ASP	$	40.0
Volume		6
Gross Margin	$	120.0
%		50%
Expenses	$	96.0
%		40%
OI	$	24.0
%		10%

➔ The low cost model works if almost all of the people in the company are in a low cost region (e.g. China), and/or the volumes are extremely high

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Features of Wavecom allowing you to sell Value

- IPR
- Software ownership
- Product Continuity
- Patent ownership
- Own 3G stack
- IDS
- Open AT
- Reliability
- Technical support

- Financial stability
- SMT Wireless Microprocessor
- Lowest TCO
- TTM
- Eclipse Development tools
- Best Quality
- Best in class manufacture
- Future/Roadmap
- Certification

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**Innovation.
Not imitation!**

Thank You
www.sendsms.cn

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