

Network Sharing- Outsourcing- Leasing Model

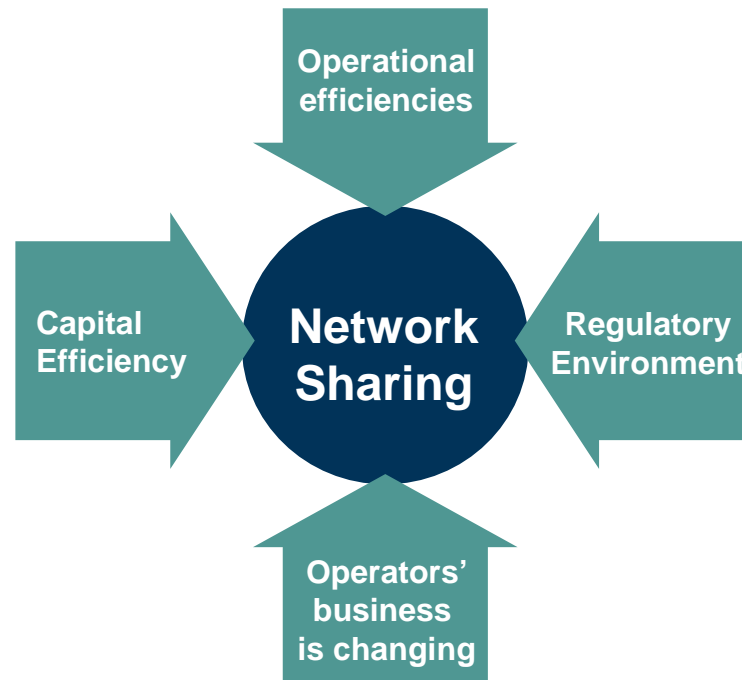
*An approach to reduce
costs & emissions*

Agenda

- Why Network Sharing
- Operators concerns
- Network sharing models
- Network Sharing examples
- How Ericsson can support Network Sharing

Why Network Sharing

- Increase field organization utilization
- Site Acquisition and Roll-out efficiencies
- Decrease Site & Backhaul OPEX



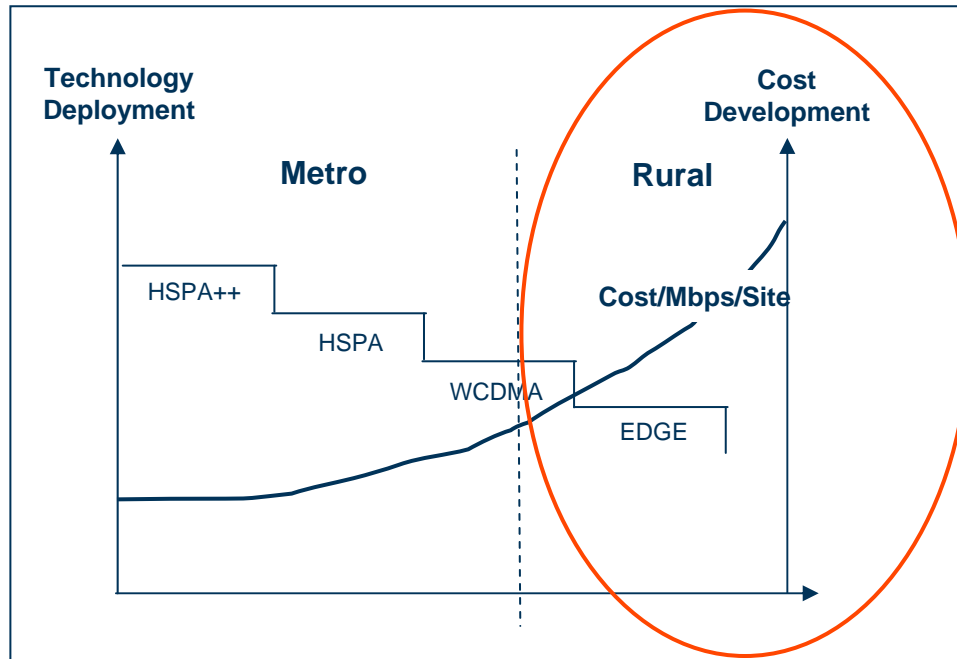
- Increase asset utilization
- Reduce low traffic investments
- Reduce spectrum costs
- Market interest in infrastructure assets

- Broadband for all
- Cost barriers down
- Service differentiation
- Limit Emmissions
- Increase spectrum availability

- Lean MVNO competition
- Re-evaluating non-differentiating assets
- Emerging Tower Companies etc

Reduced costs and emissions through shared low-traffic sites

Regional cost dynamics



Cost drivers

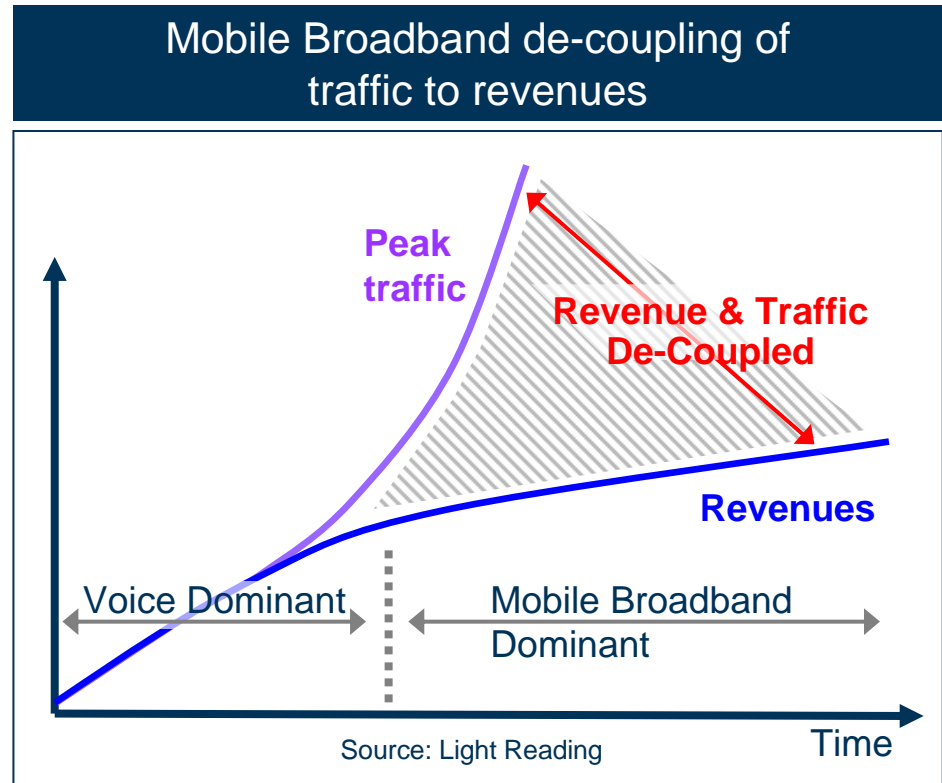
- Rural challenged by fewer users/site & relative higher Site costs
- Mobile broadband requires further sites also in low traffic areas to deliver wanted data speeds
- Mobile broadband model requires cost analysis on user/site

➔ *Higher costs for capacity in Rural areas lead to new infrastructure model for low traffic sites → Overall higher utilization leading to lower emissions*

Align costs to revenues for Rural mobile broadband by Backhaul sharing

Market drivers

- “All-you-can-eat” pricing for mobile broadband drives backhaul demand
- Trend go from n*E1/site to 50+ Mbps/site (LTE ~100Mbps/site)
- Stepwise modernization to Ethernet
- Shift towards single backhaul for Mobile, Broadband, Fixed, IPTV etc.



The cost challenge to provide competitive mobile broadband leads to new infrastructure model for sharing Rural Backhaul

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Key operator concerns

"Can we manage the transformation process by ourselves?"

"How can I share a network while retaining my strategic flexibility?"

"Who do I partner with?"

"Is it a competitive/financial advantage to own network or not?"

"How should the governance & operational model look like?"

"How do I set up a joint network entity?"

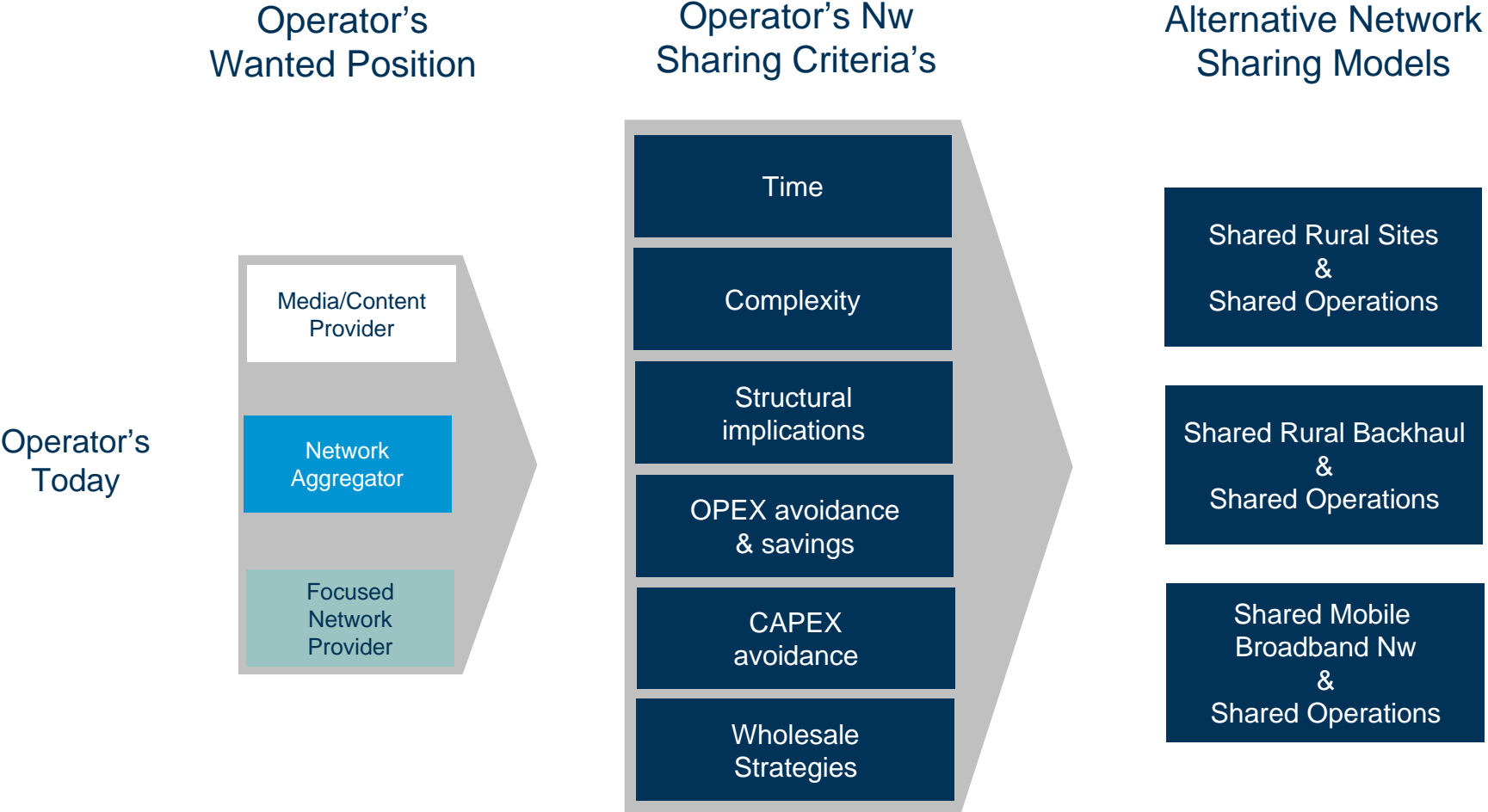
"Exit Strategy?"

Several challenges...how can they be managed?!

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Network Sharing driven by operator's long term strategy and short term decision criteria

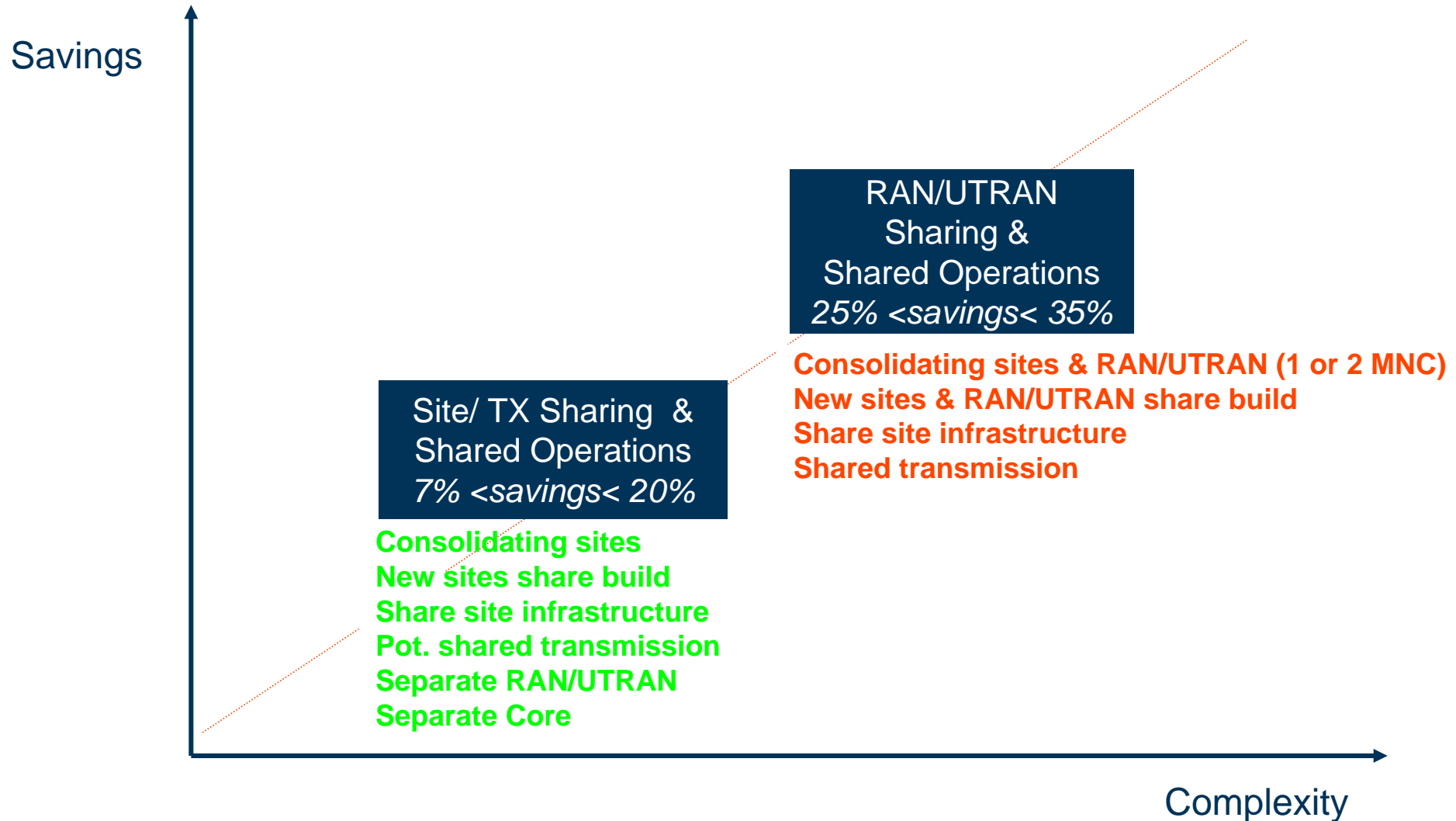


Operator Pros & Cons

Models	Pros	Cons
Shared Rural sites & Shared Operations	<ul style="list-style-type: none"> Consolidation opportunity of existing 3000 + 1000 Rural sites Shared costs for new sites Cash injection from sale lease-back 	<ul style="list-style-type: none"> Separate Backhaul deployment Stand alone O&M organizations
Shared Rural Backhaul & Shared Operations	<ul style="list-style-type: none"> Facilitates Rural Mobile Broadband Sharing of non-differentiating assets Synergies from shared broadband traffic on shared sites 	<ul style="list-style-type: none"> Not full savings potential Separate Radio Nw build-out & operations
Shared Mobile Broadband Nw & Shared Operations	<ul style="list-style-type: none"> Features to secure service differentiation Shared spectrum costs if pooling Reduce relative emissions Business Focus 	<ul style="list-style-type: none"> Structural asset separation & valuation Governance Complexity

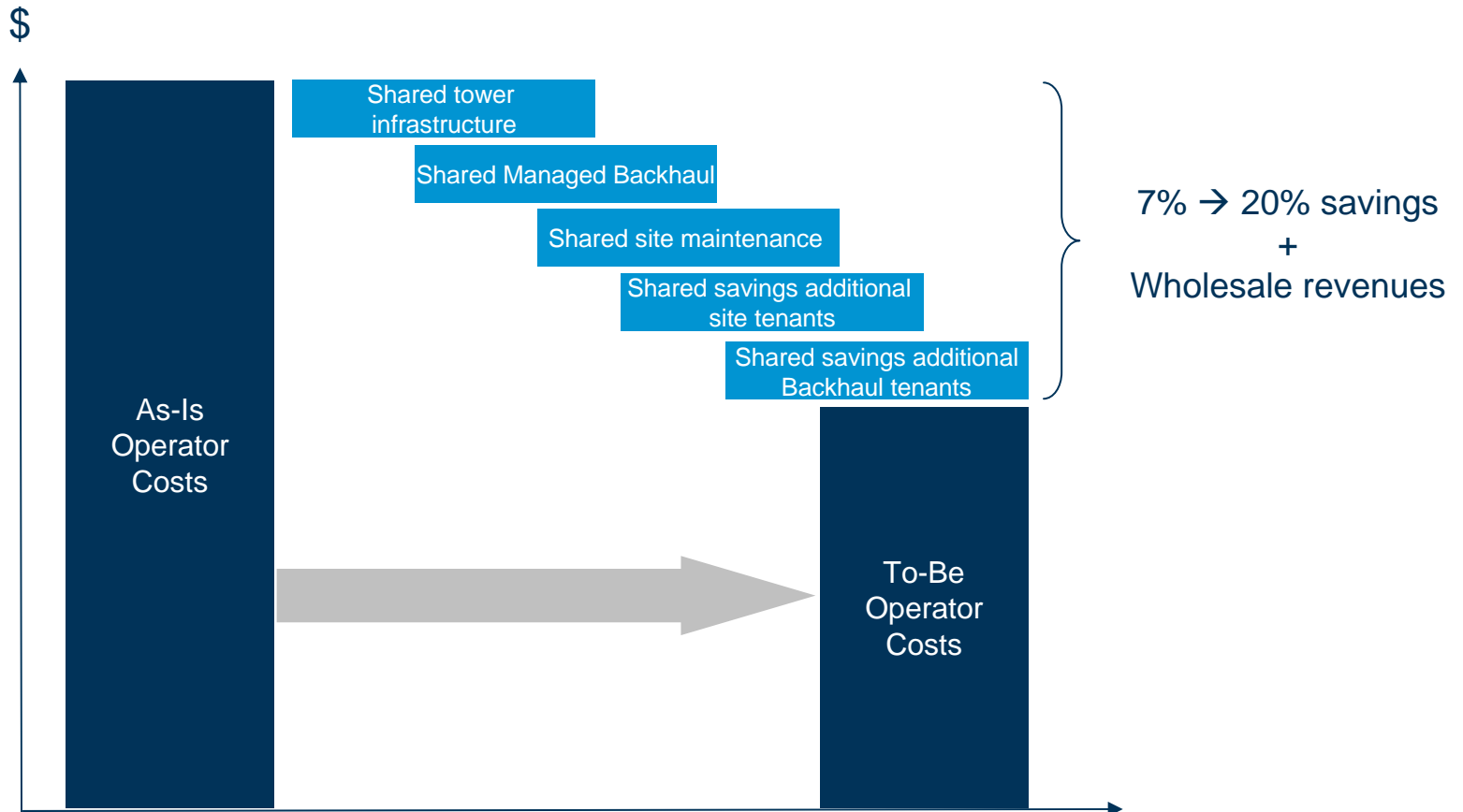
Network Sharing a lever for sustainable ROIC & CAPEX-to-Sales ratios

Savings & Complexity trade-off



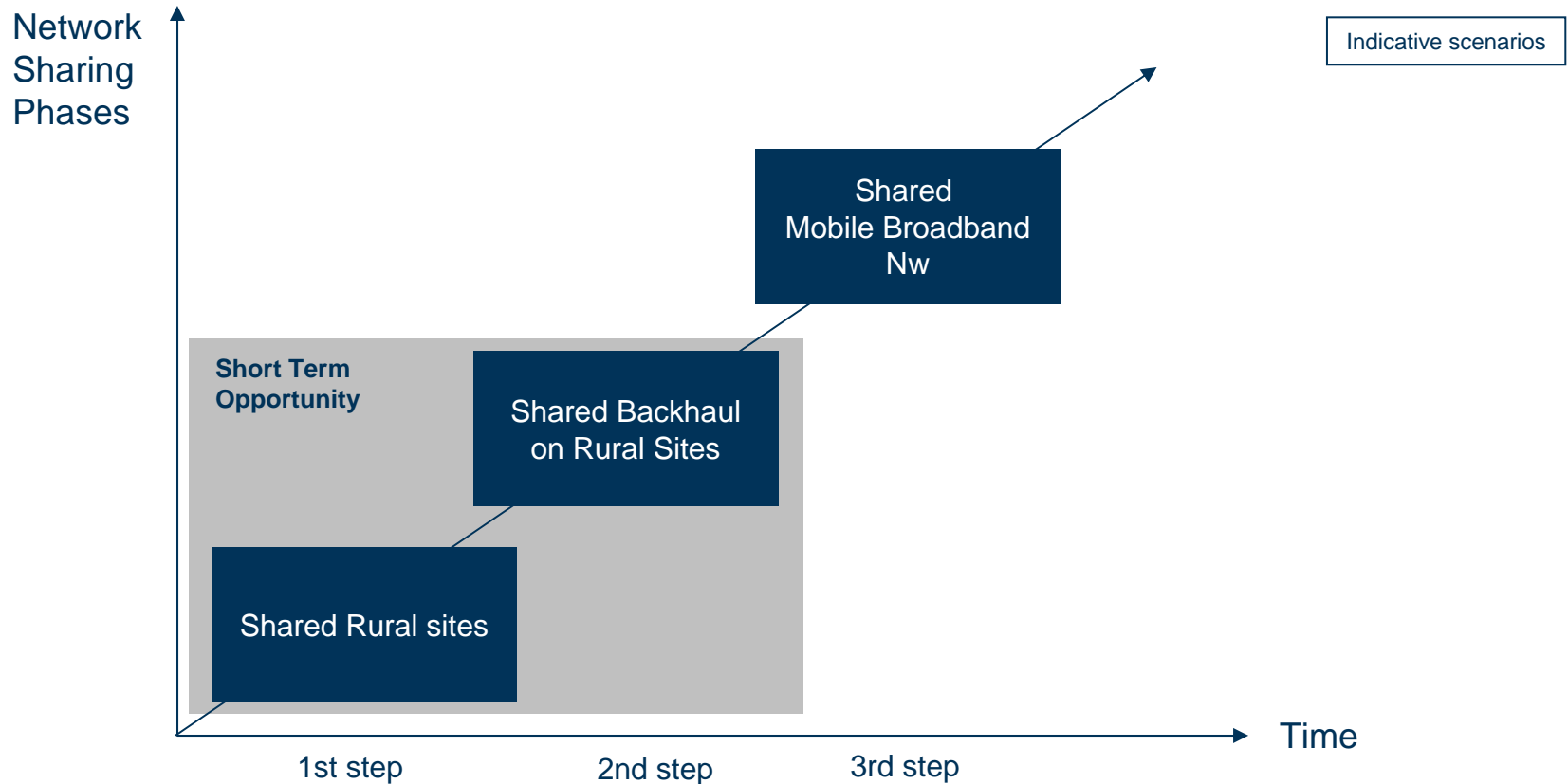
Savings from sharing low-traffic sites & mobile backhaul

Indicative numbers



Combined Asset savings and wholesale opportunities

Opportunity for step-wise Network Sharing



- *Sharing low-traffic sites to reduce Rural infrastructure costs*
- *Backhaul sharing to reduce costs to deliver mobile broadband in Rural areas*

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Network Sharing example

-TeliaSonera – Tele2, Sweden



- Shared UMTS Rural Network by Tele2 & TeliaSonera
- Joint company Svenska UMTS Nät AB owning License and Nw Assets
- TeliaSonera & Tele2 provides the services
- Common Shared Network to be migrated to a Multi Operator Core Network (MOCN)
- In December 2005 TeliaSonera won the prize for the best 3G network in Sweden and Tele2 was runner-up



Deutsche Telekom AG

The Customer:

- Deutsche Telekom AG is one of the world's leading integrated telecommunications companies
- Its strategic business area Broadband/Fixed Network serves 38 million fixed-network lines and 13 million broadband lines
- Deutsche Telekom provides connectivity to customers in Germany thereby using microwaves links as part of its service offering.

Customer's drivers:

- Cost savings & focus on core business
- Leverage economy of scale with a preferred partner for the future

What Ericsson will provide:

- 6 years managed services for microwave links including planning, deployment, operation and field services
- Microwave capacity leasing to DT and other carriers in Germany.
 - Asset/Capacity Leasing
 - Link Design / Plan / Build
 - Network Operation & Maintenance
 - Field Operation, SPM



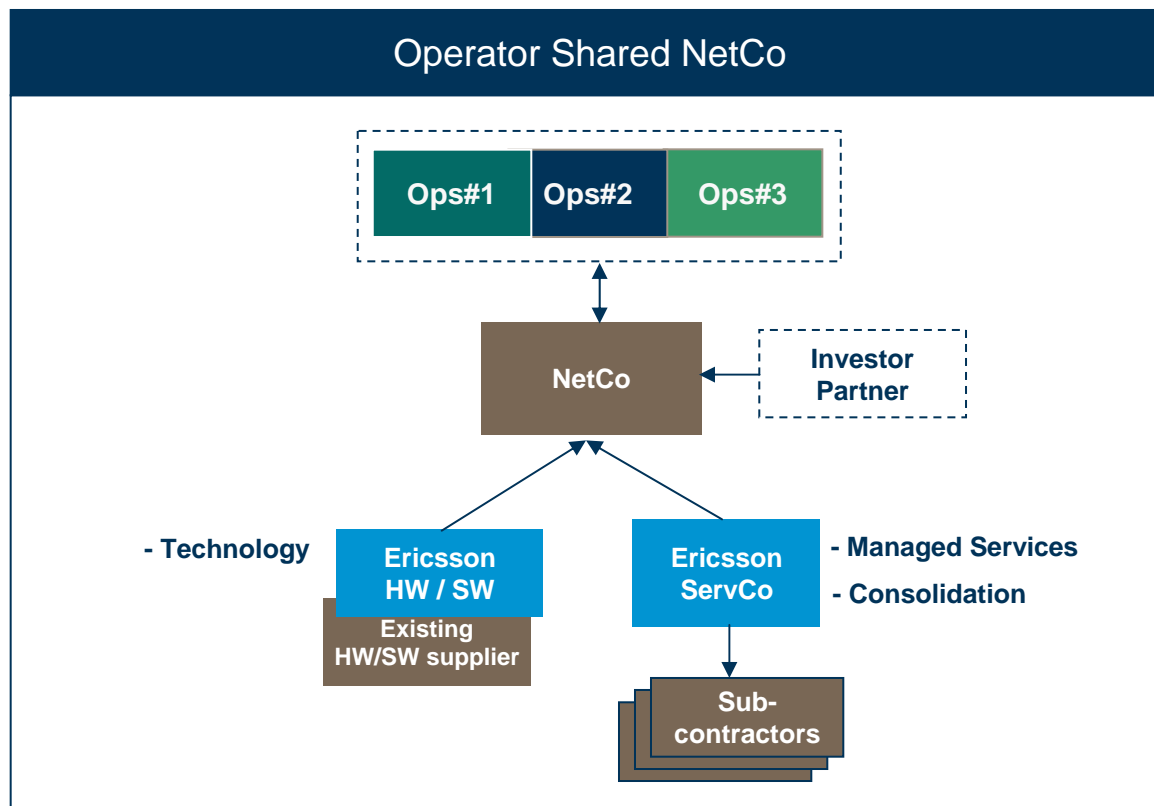
Contract announced Aug 2007, 6 years contract, asset and people transfer

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How Ericsson can support Network Sharing

-Shared NetCo & Managed Services offering



Ericsson a neutral governance partner and facilitator of 3rd party investments

Considerations in supporting Network Sharing

- Rural site sharing potential
- Innovative business models for Mobile Broadband backhaul
- Alternative shared UMTS models and technologies
- Handling of operational complexities
- 3rd party financiers

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