Ericsson vision of the future business

Björn Olsson
Executive Vice President
Business Unit System
A Converged / Broadband Partner

- Richer Communication
- Media at hand
- High Performance Broadband
Rationale for Marconi acquisition

- Extend Fixed operator customer base
- Expand Datacom portfolio
- Expand Broadband Access Portfolio
- Expand Optical Transport Portfolio

A strategic partner – making operators stronger
Opportunities for Fixed Operators

Johan Bergendahl
Vice President
Marketing
Where did the money go?
Fixed voice revenues: annual decline (Swedish example)

Equivalent to approx. 1,034 M€ by 2010
Where did the money go?
Fixed broadband access revenues: annual growth (Swedish example)

Equivalent to approx. 776 M€ by 2010
A new market reality

Convergence of business models: A US example

- Communication Revenues
- Content Distribution Revenues
- Advertising Revenues
- E-commerce Revenues
- Support for other core business activities

etc…

Brand-name

Internet

Yahoo!
Google
msn
eBay
skype
AOL

Flat-Fee VoIP

VONAGE

Cable

CABLEVISION
Comcast
TIME WARNER CABLE

Fixed

BELL SOUTHWEST
AT&T
Verizon
Qwest
TELUS

Mobile

Sprint
T-Mobile
alltel

etc…
The Gap
Example: Sweden forecast

Accumulated for 2006-2010

- Broadband access increase: 776 M€
- Fixed telephony decline: -1034 M€
- Total: -258 M€

Potential upside: Bundles and new services
Broadband Differentiation Opportunities

Source: Verizon
Going back to myself...
Going back to myself...
CONVENIENCE

Simple
Easy
Personal
Comfort
Services

Saving
Suitable
Practical
Attractive
Valuable
Service Delivery
A successful strategy for Ericsson

Adding further value
- Managed Services
- Systems Integration
- Business and Technology Consulting

End-to-end solutions
- Network Design
- Network Rollout
- Education
- Customer Support

A successful concept also toward consumers?
What would I be prepared to pay?
Additional services beyond voice and access

<table>
<thead>
<tr>
<th>Service</th>
<th>€/Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV</td>
<td>15</td>
</tr>
<tr>
<td>Video - subscription</td>
<td>15</td>
</tr>
<tr>
<td>Music - subscription</td>
<td>5</td>
</tr>
<tr>
<td>Media storage</td>
<td>10</td>
</tr>
<tr>
<td>Home security</td>
<td>5</td>
</tr>
<tr>
<td>Data security</td>
<td>4</td>
</tr>
<tr>
<td>Support</td>
<td>5</td>
</tr>
</tbody>
</table>

Total new revenue 59
### The Reversed Gap
**Estimated 2010**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadband access increase:</td>
<td>776 M€</td>
</tr>
<tr>
<td>Fixed telephony decline:</td>
<td>-1034 M€</td>
</tr>
<tr>
<td><strong>Additional Accumulated Revenue</strong></td>
<td><strong>622 M€</strong></td>
</tr>
</tbody>
</table>

* Assuming 5% service uptake 2007 increasing to 20% 2010 for all broadband subscribers

**Further upside: Converged services & advertising**
Even more potential with mobility

- Fixed-mobile convergence capabilities is a business advantage
- Operate your own network or become a Mobile Virtual Network Operator (MVNO)
Instant messaging
Music
Email
Web browsing

CONVERGENCE

Telephony
Video telephony
TV
Network evolution to capture opportunities

Karl Thedéen
Vice President
Product Area Wireline
The converged network
Multiple access alternatives supported
Supporting innovation

“It gives us the multicasting technology to deliver high-speed interactive TV – all with the minimum impact on our core network.

We have succeeded in creating an interactive offering that satisfies even the most impassioned Italian supporter of the game.”

Guido Garrone
FASTWEB’s Chief Technical Officer
Reducing operational expenses

Reduced by **Service Delivery Platform** and **IMS**
- Service creation & launch enhancements
- “Trial & Error” market evaluation enabled

Reduced by **Softswitch** and **IMS**
- Simplify physical and logical network
- Common routing and discovery
- Reduce core network OPEX up to 50%*  

* Measured from European operator’s mobile softswitch case
Ericsson has delivered more than 70 commercial Softswitch networks
Evolving through Softswitching

“We expect the system to further strengthen our international VoIP business.”

Chul Kim,
Assistant Vice President,
International Planning and Management Department,
KT
"Upgrading our network to IP will give us the ability to deliver new and innovative services to our customers and to increase our competitiveness in the market while re-using our existing infrastructure."

Dawlat El Badawi
Deputy Chairman for Planning at Telecom Egypt
We partner to customize solutions

Integrated
Multiservice IP infrastructure solution

Telecom Quality IP infrastructure solutions to 100+ customers
Key take aways

- We have the access and transport portfolio to capture the IP wave
- Our strong mobile arm is the key to convergence
- Our proven Softswitch and IMS solutions eliminate risks
- We want to be your partner for network evolution
Telecom quality based on experience

1. Leading Softswitch supplier with >60 fixed and mobile commercially launched softswitch networks

2. World’s first IMS solution in commercial operation and 18 contracts for commercial launch

3. Global top-3 in Broadband World and leading position in packet core infrastructure

We are committed to support the evolution!
The Strength in Ericsson Portfolio

Ragnar Erkander
Director
Product Area Wireline
A converged multi-service network
IP in all parts of the network

- Applications & Content
- Common support functions

- Service Control

- IP Core

- Access Edge

- Metro Transport

- Fixed Access
- Fixed Wireless
- Mobile Access

Broadband & Convergence – The Future for Operators
High Performance Broadband

Broadband IP connectivity based on open architecture

Working Text 101 – Defined and introduced by Ericsson
Our Broad(band) Access portfolio

Ericsson / Marconi portfolio combined to capture IP wave
A converged multi-service network
IP in all parts of the network
A converged multi-service network
IP in all parts of the network

Service
Applications & Content
Common support functions

Interconnect Networks
SIP IMS
SIP-T/SIP-I/BICC
IP Telephony
SIP/H.323
VoIP
ISUP PSTN/ISDN

Control & Connectivity
H.248
Service Control
H.248
IP Core
SIP
IMS

Access
Fixed Access
Fixed Wireless
Mobile Access

Access Edge
Metro Transport

H.248
AGW
T-MGW
MGW

AN
MGW
MSAN

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A converged multi-service network
IP in all parts of the network
IMS Multimedia Telephony
A full service set for residential and enterprise users

**Residential users**

- IP Telephony + IP Multimedia
  - Video Telephony
  - Presence
  - Chat & Instant Messaging

**Enterprise users**

- IP Centrex + IP Multimedia
  - IP Centrex with mobile extension
  - Self Provisioning & Outlook Integration
  - Access Devices, (IP-) PABX & Soft Clients
  - Web Collaboration
IMS – A reality
– First IMS solution in live commercial traffic in the world!

- June 2005 – Live commercial traffic
- Spring 2006 – IMS and multimedia convergence
  - Telephony and IP TV
  - Fixed and Mobile Telephony
  - Video telephony on TV
IMS Multimedia Telephony
Multi-Access Extensions

- SIP phones, Mobile phones and PSTN phones in IMT IP Centrex groups
Ericsson as Prime Integrator

Global Best Practices - Knowledge sharing and re-use

Consulting

Competence Development

Program Management

Partner Management

Multi-Vendor Verification

Solution Management

Operator

Access Products + Core Products + Service Layer Enablers and Platforms + Mobile Platforms

Proven track record of successful large scale deployments
Key takeaway

- New innovating services to generate growth
- The strategic partner in the network evolution
- The Ericsson portfolio is well-positioned to capture the IP wave
ERICSSON

TAKING YOU FORWARD