



CAPITAL MARKETS DAY

Stockholm, May 9-10 2007

Turnkey projects and working capital

Current situation

- Large projects a major growth driver
 - Operators relying on equipment suppliers for project management and systems integration
- Large projects positive for Ericsson
 - Outperforming competition – drives market share
 - Experience and skills developed over 100 years
 - Paves the way for future business
 - Helps to defend margins - we are always getting paid
- Cash conversion temporary slower but will improve over time
 - Turnkey projects to grow faster than group also in 2007, but gap to narrow

Comments to cash flow development

Two typical types of contracts

Separate contracts for shipment and installation

Prevailing in Western Europe and Americas

HW / SW

NRO Services

60 + due days

40 + due days

Turnkey project

Prevailing in CEMA and APAC

Progress payments

200 + due days

Turnkey projects

Network design Site acquisition Site engineering Civil works Installation Product configuration Network integration Tuning and optimization

Planning → Project management execution → Acceptance

Ericsson equipment

Sourced material

Sub-contractors

Full responsibility from complete sites to complete networks

Ericsson core competencies

 Not always included in Turnkey  Often performed by sub-contractors  Ericsson core competencies

Network design

 Site acquisition

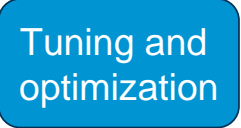
 Site engineering

 Civil works

 Installation

 Product configuration

 Network integration

 Tuning and optimization

Planning



Project management execution



Acceptance

 Ericsson equipment

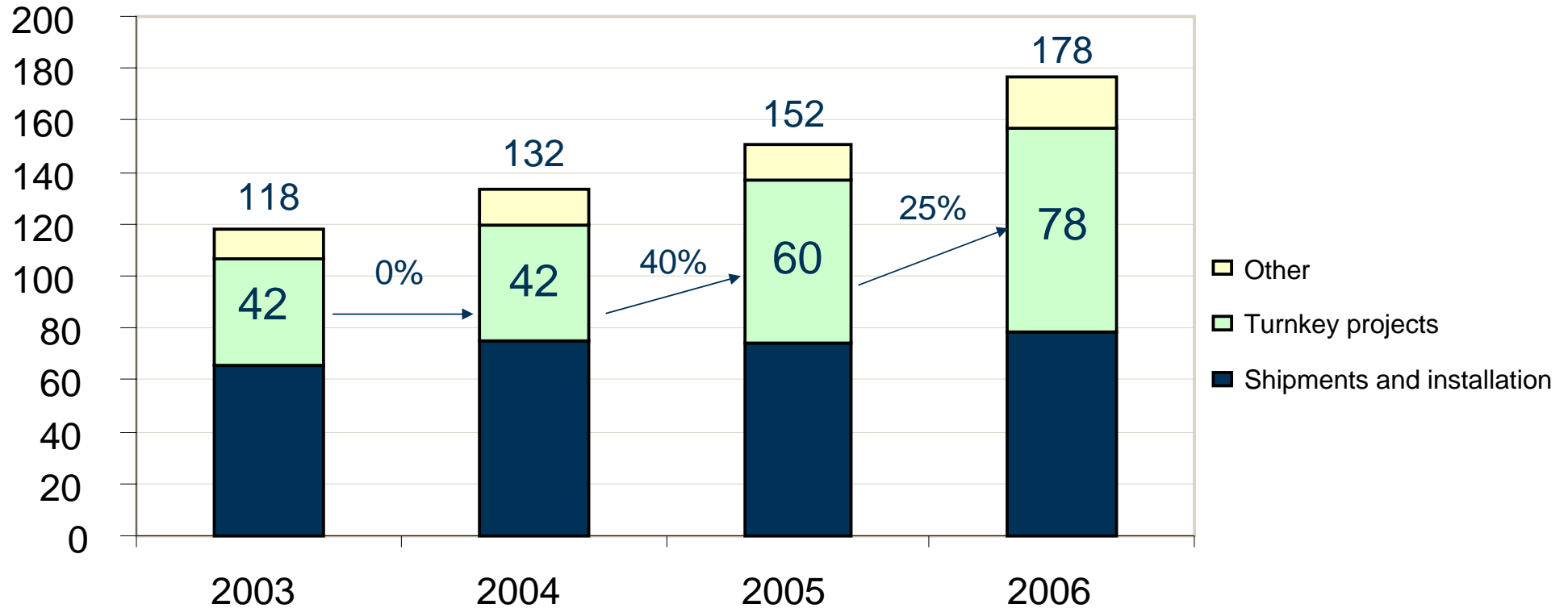
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Growing share of turnkey projects

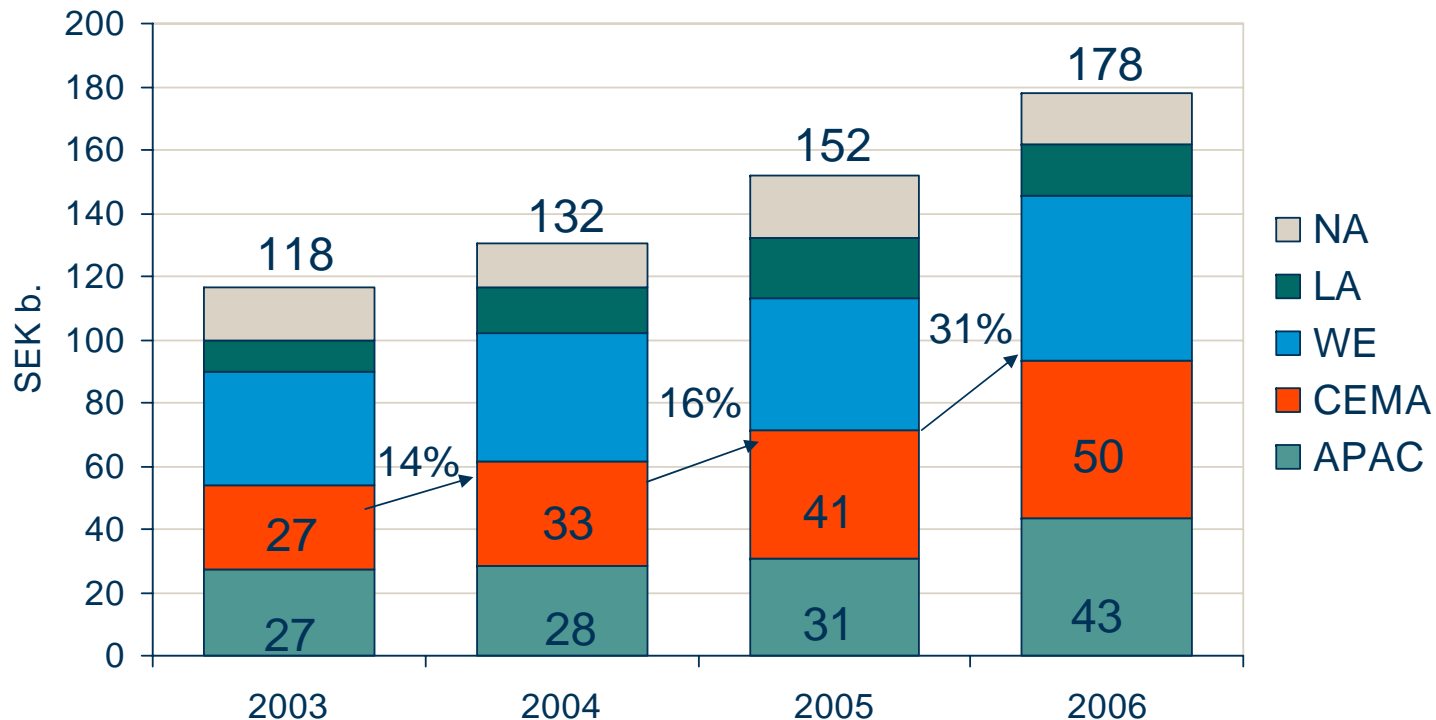
BSEK



Turnkey projects fastest growing – now half of systems sales

Regional sales development

2003-2006



APAC and CEMA fastest growing - presently majority of sales

Major turnkey projects

- Telstra, Australia
- Telkomsel, Indonesia
- Etihad, Saudi
- Bharti, India
- Warid, Pakistan
- Softbank, Japan



> 20% of total
NRO sales 2006

Ongoing activities to improve turnkey cash flow

Suppliers

- Increased alignment with our contract terms and conditions
- Further streamline in supply chain cost

Customers

- Improve contract terms and conditions
 - Split contracts
 - Progress payments
 - Premium priced turnkey solutions
 - Clear responsibility matrix

Operational excellence in turnkey projects

- Continued development of tools, methods and processes
 - Further strengthening of our project management
 - Intensify training of managers on all levels

Activities to improve cash flow in turnkey projects

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Conclusion

- Trend of turnkey projects continues for the near-mid term
- Healthy margins but affect working capital
- Working capital will improve over time
 - Turnkey projects should diminish as initial coverage gives way to capacity expansions

Targeting cash conversion rate above 70% longer term

ERICSSON 
TAKING YOU FORWARD

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