



Alcatel-Lucent / Nokia

Issues at stake

September 2015

An ongoing consolidation within the telco market



Among NSPs:

- ▶ Altice/SGR/Virgin Mobile/Portugal Telecom/Suddenlink
- ▶ Charter/Time Warner
- ▶ BT/EE
- ▶ AT&T/lusacell/Nextel/DirectTV
- ▶ Verizon/AOL

...and equipment providers:

- ▶ Infinera/Transmode
- ▶ Cisco/Tail-F
- ▶ Ciena/Cyan
- ▶ Amdocs/Actix
- ▶ Commscope/TE Connectivity
- ▶ Arris/Pace
- ▶ Technicolor/Cisco devices

Major technological trends



- **Mobility:**

- ▶ LTE/LTE-A/5G
- ▶ GPON/G.Fast

- **Cloud and network virtualization**

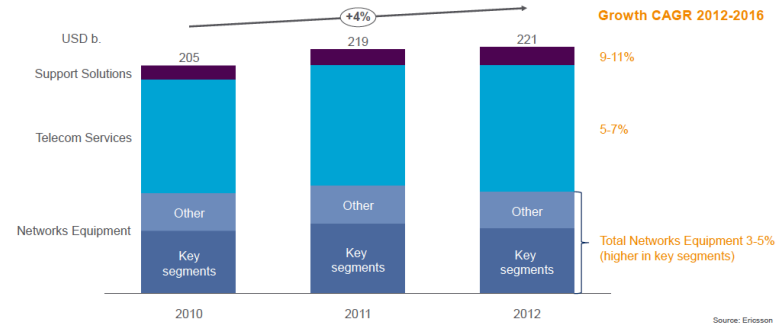
- ▶ SDN/NFV

- **Big data**

- **Internet of things/IoT**

Differentiated growth?

MARKET OUTLOOK

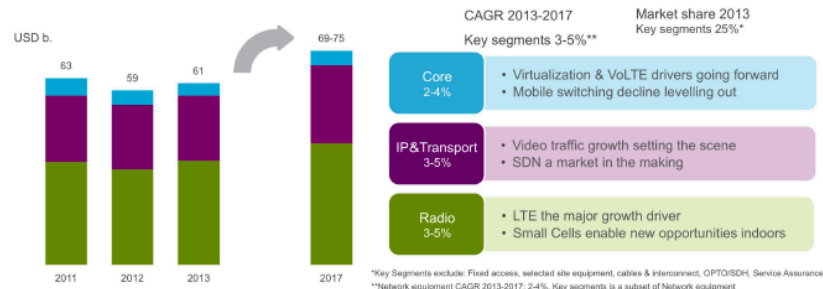


Growth expected across the market segments towards 2016, however unevenly distributed over the years

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This slide contains forward-looking statements. Actual result may be materially different.

MARKET OUTLOOK NETWORKS – KEY SEGMENTS



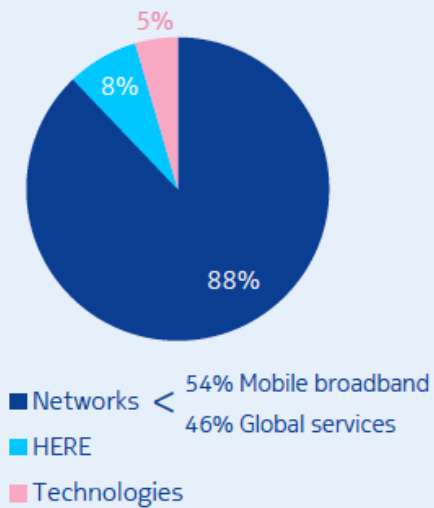
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Nokia and Alcatel-Lucent

NOKIA

2014A revenues:
€12.7bn



Combined

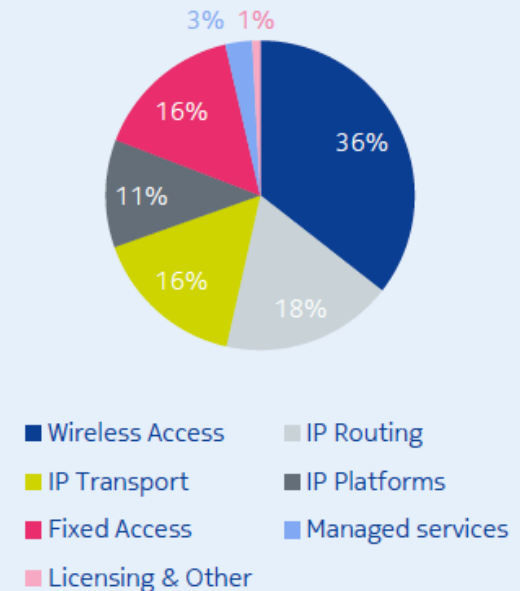
Expanded addressable market with improved growth profile

Comprehensive end-to-end portfolio scope and scale

Products, software and services for convergent, IP cloud-centric future

Alcatel-Lucent

2014A revenues:
€13.2bn



Nokia's motivations

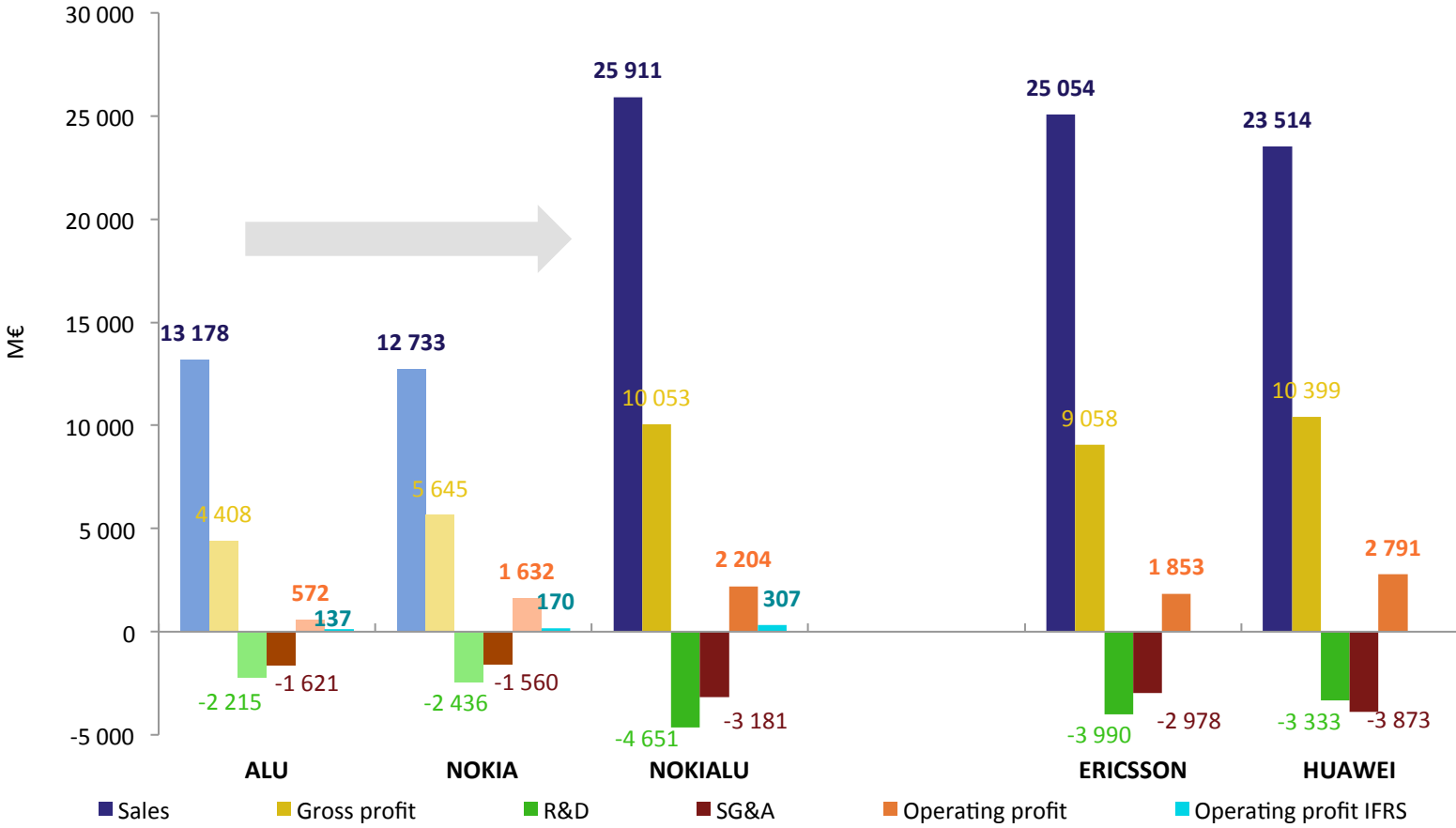


New growth drivers and expanded portfolio

Critical size compared to competitors

Strengthened position in North America

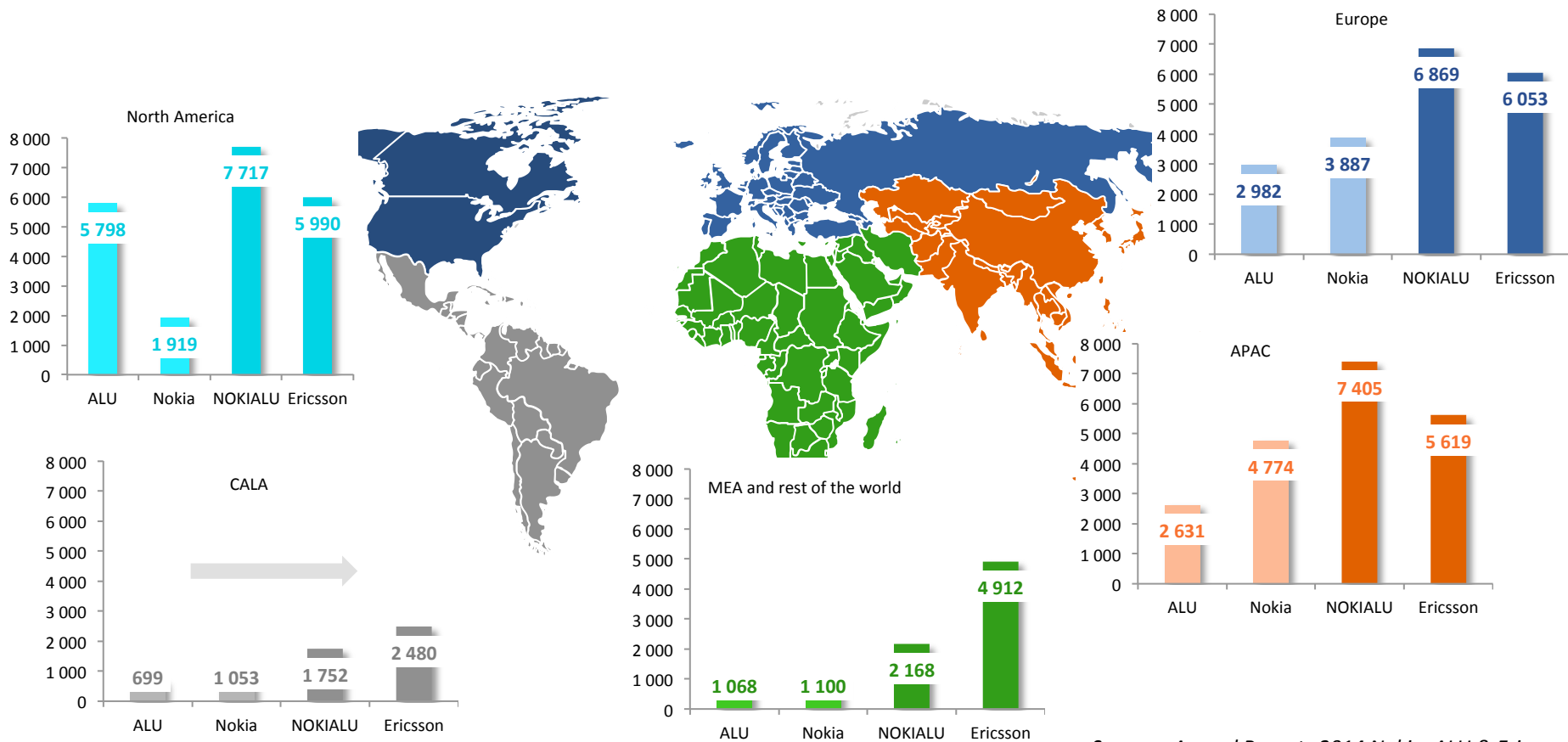
A combined company with similar results to Ericsson and Huawei ?



Sources: Annual Reports 2014 Nokia, Alcatel-Lucent, Ericsson & Huawei
 Huawei: sales from the Carrier Business segment, assessment for GM/OP/R&D/SG&A

The new Nokia will get stronger positions in APAC and North America

ALU & NOKIA COMBINED SALES BY GEOGRAPHY AND COMPARED TO ERICSSON



Sources: Annual Reports 2014 Nokia, ALU & Ericsson

Main players by technology: Nokia will be strong almost everywhere

(Source Syndex, Dell'Oro, Infonetics)

Ranking		Leader	No. 2	No. 3	No. 4	No. 5	
IP	IP Edge	Cisco	Nokia	Huawei	Juniper	ZTE	Ericsson No. 9
	IP Core	Cisco	Juniper	Huawei	Fujitsu	Nokia	
Microwave		Ericsson	NEC	Huawei	Nokia	Ceragon	
Fixed Acces	DSL	Nokia	Adtran	Huawei	Zyxel	ZTE	NA Ericsson
Fixed Access	GPON	Huawei	ZTE	Nokia	Calix	Adtran	NA Ericsson
Optics		Huawei	ZTE	Nokia	Ciena	Infinera	Ericsson No. 7
Wireless	Total	Ericsson	Nokia	Huawei	ZTE		
	GSM	Ericsson	Nokia	Huawei	ZTE		
	CDMA	Nokia	Ericsson	Huawei	ZTE		
	WCDMA	Ericsson	Nokia	Huawei	ZTE		
	LTE	Nokia	Ericsson	Huawei	ZTE	Samsung	

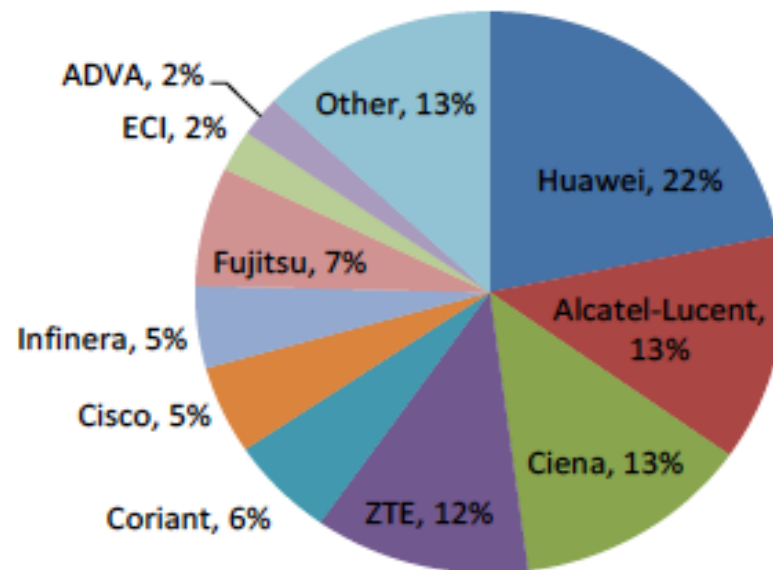
The new Nokia, a major player in the telecom networks



- Nokia will become one of the main player in networks.
- Stronger in the mobile networks
 - ▶ It even could be the LTE leader.
- A challenger for Cisco in IP Routing
 - ▶ With regular market share progress
- A leader in DSL and number 3 in GPON
- A strong player in Optics
- ➔ A major competitor with a telecom portfolio much broader than Ericsson and Cisco

▶ Syndex

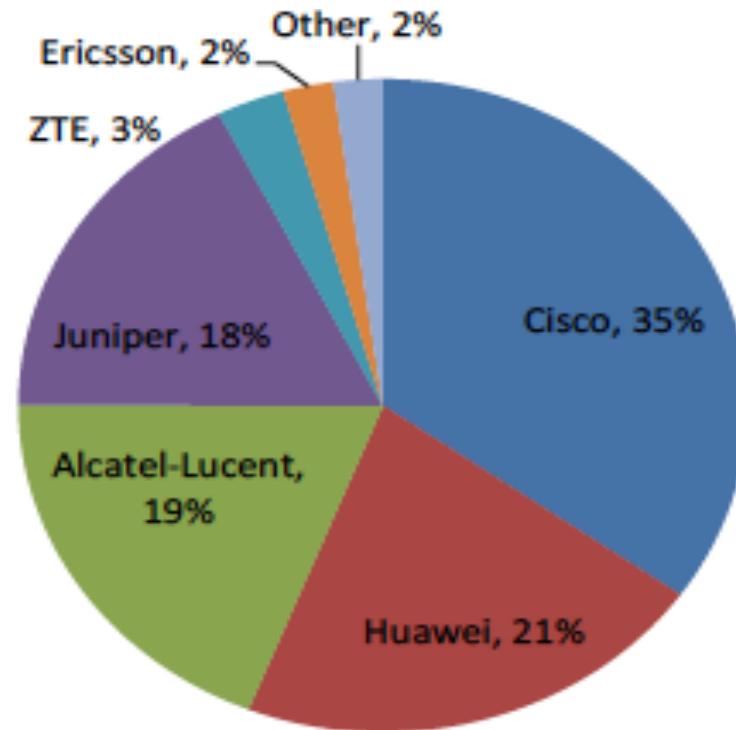
Optics' main players market share 2014



ALU is Nr 2 or 3 in Optics Huawei being the leader.

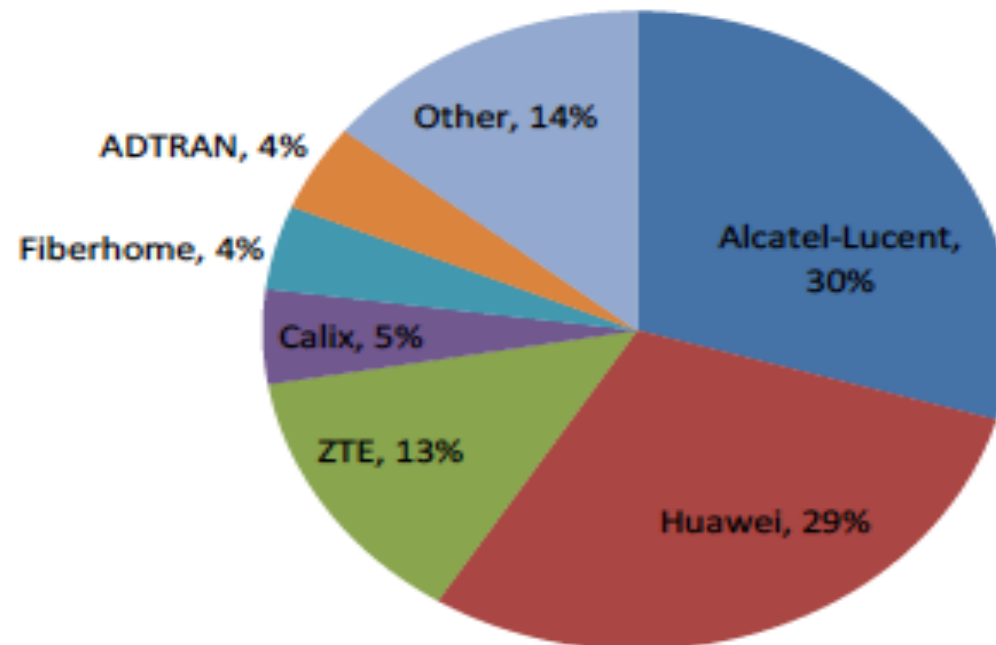
Coriant – former NSN Optics assets - was acquired by Marlin Equity, a private equity fund which also bought Sycamore and Tellabs. (source Infonetics/Jefferies Research).

IP routers major players' market share 2014



Cisco is the clear leader. ALU is Nr 3 (and 2 in the IP Edge). (Source Infonetics/Jefferies Research).

Fixed access major players' market share 2014

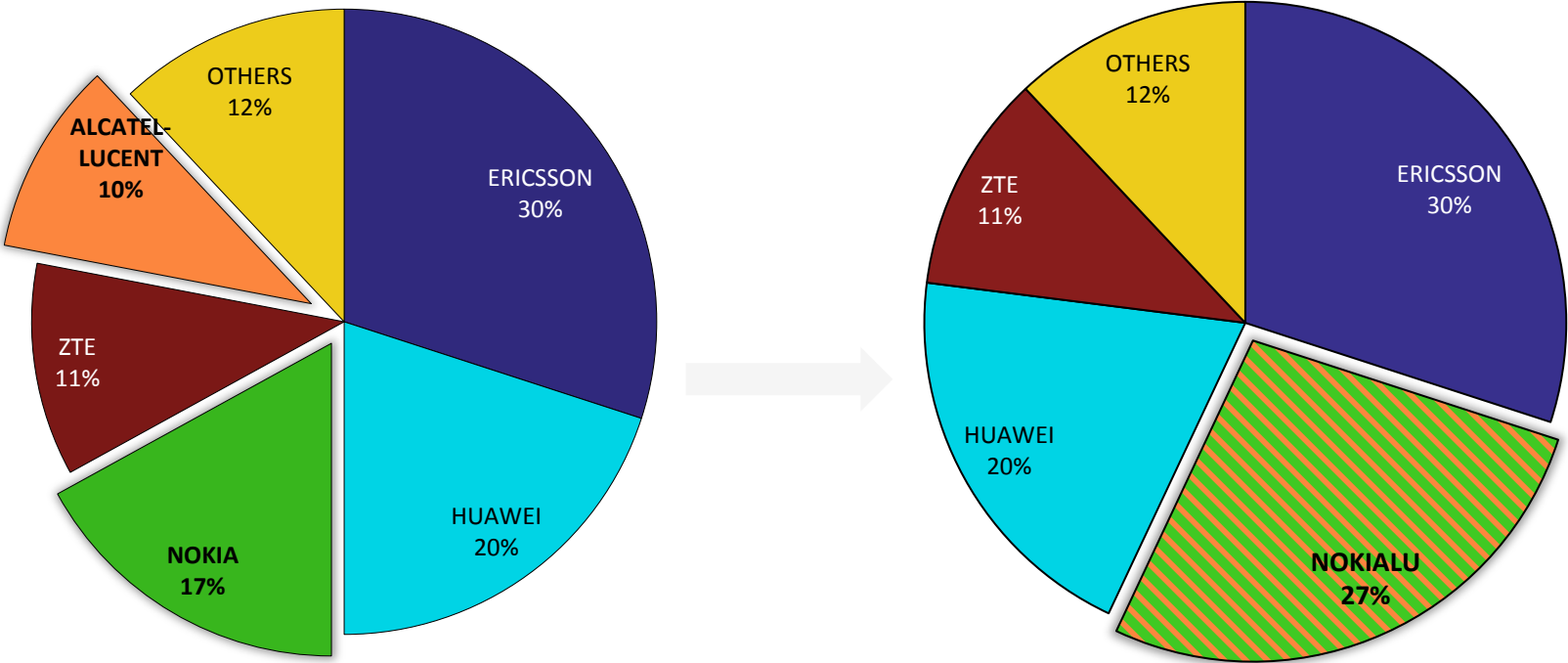


ALU is the global leader in ADSL/VDSL. Huawei and ZTE are stronger in GPON.

Source: Infonetics, Mobile Infrastructure Equipment, Feb. 2015

Wireless: Nokia will be a real challenger to Ericsson and Huawei

2G/3G/LTE MARKET SHARES (RAN + CORE)

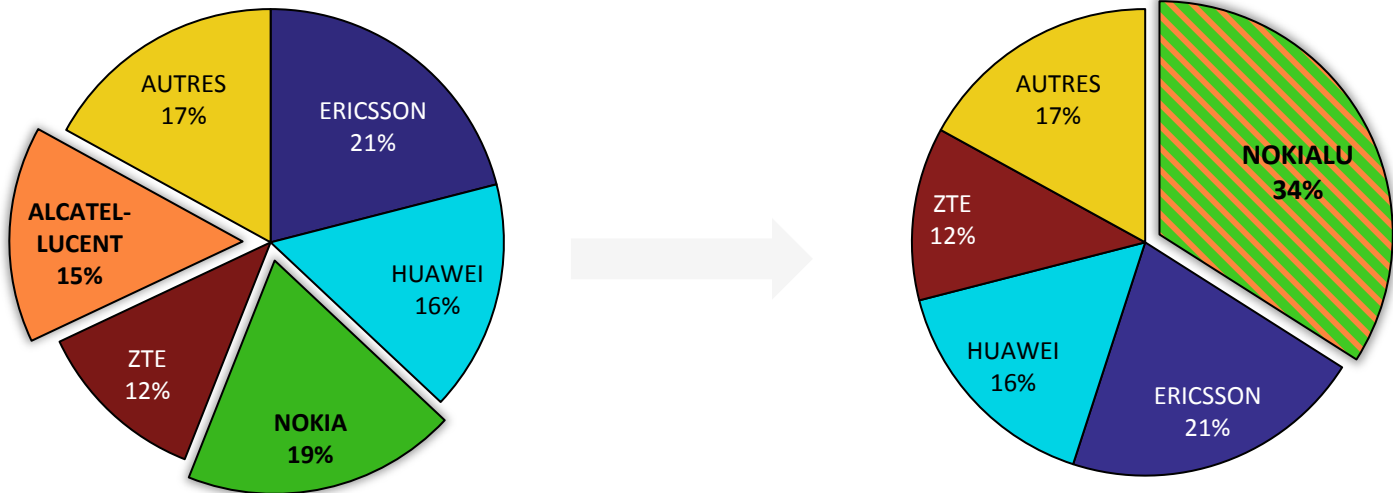


Source: Infonetics, Mobile Infrastructure Equipment, Feb. 2015

A new leader in LTE?

The sum of ALU & Nokia market shares shows that the new company could become the LTE leader... without any market shares losses in the forthcoming years...

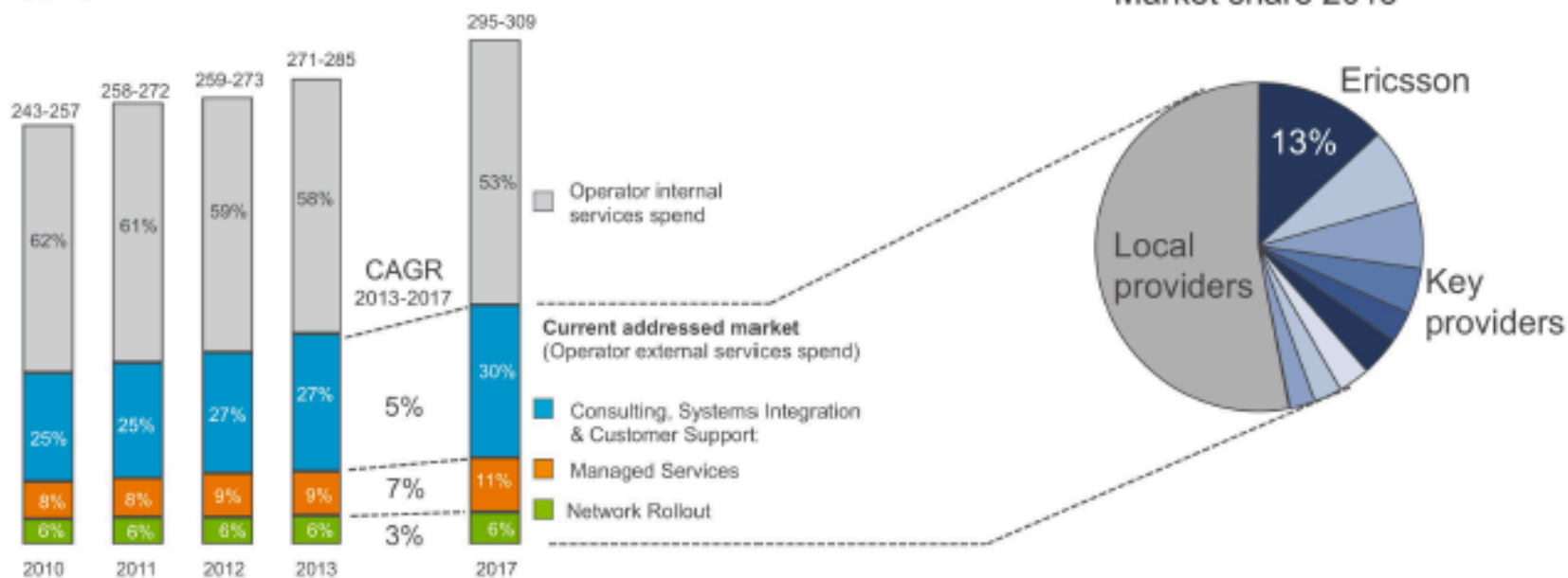
LTE Market share (RAN + CORE)



Services will grow faster than products

TELECOM SERVICES MARKET

USD b.



Continued momentum, 4 – 6% CAGR for 2013 – 2017

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This slide contains forward-looking statements. Actual result may be materially different. Source: Ericsson

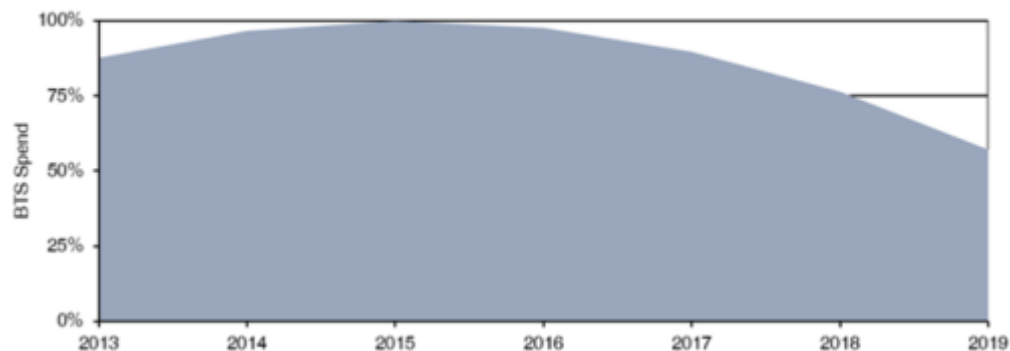
Services: a weakness for the new Nokia



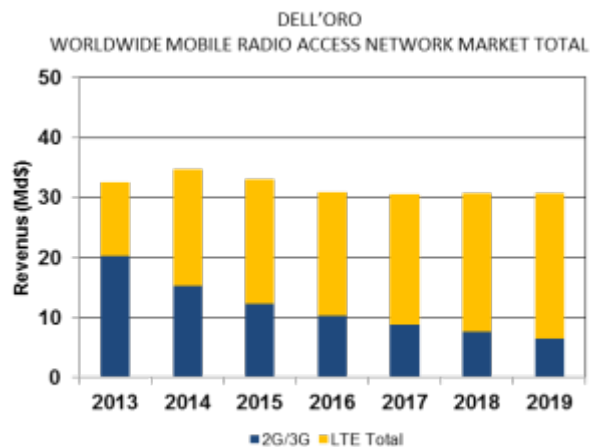
- The new Nokia will have a comprehensive portfolio. Much broader than Ericsson.
- The new Nokia won't be that strong in the Services area.
- Both Nokia and ALU have heavily restructured their managed services contracts.
- They don't have a strong market share nor a broad portfolio in the OSS/BSS area.
 - ▶ Even though it is considered as a high growth segment.
 - ▶ That's why Ericsson has realized several acquisitions so as to
 - *diversify,*
 - *take profit of a strong growth*
 - *as well as enlarge its addressable market.*

Is Wireless peaking in 2015?

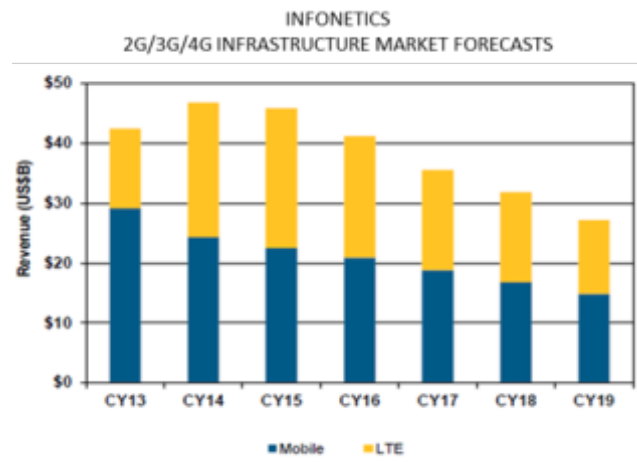
ABI RESEARCH
WORLDWIDE BASESTATION SPENDING BY TECHNOLOGY
NORMALIZED GLOBAL FORECAST 2013-2019



Source: ABI Research



Mobile RAN Report Five Year Forecast 2015 - 2019, Jan 2015



Mobile Infrastructure Equipment, Feb. 2015

Compared analysis of products and solutions portfolios (Syndex vision)

Hot issues regarding technological choices in Wireless: RAN, small cells, ePacket Core, IMS...

Market 2015	Business Unit	Product line	ALU	Nokia	ALU + Nokia	Comments
€B	RAN	CDMA	strong	weak	strong	ALU's strong (residual market). Nokia bought Motorola's products.
€B		GSM	weak	strong	strong	ALU very weak. Marginal improvement for Nokia. N°2
€B		WCDMA	weak	strong	strong	ALU very weak except AT&T/CMCC. Marginal improvement for Nokia. N°2
€B		LTE	present	present	strong	ALU better in LTE. New Nokia close to E/// & Huaw. A potential new leader
€B		Small cells	strong	weak	strong	ALU esither N1 or 2. More MS than Nokia
€B	Core	Mobile NGN	weak	strong	strong	ALU very weak
€B		SDM	weak	strong	strong	Nokia's got more contracts
€B		IMS	present	weak	present	ALU has got 2x contracts than Nokia
€B	Transmission	Mobile Backhaul	strong	present	strong	ALU's stronger
€B		Wireless Transmission	present	not present	strong	ALU n° 3. Nokia gave up this market
€B		Optical	strong	not present	strong	ALU n°3 or 2. Nokia absent
€B	IP	Packet core	present	strong	strong	Well sold Nokia's product but tech is average. ALU = lever with IP portfolio
€B		Edge routers	strong	not present	strong	ALU n°2 (ou 3). Nokia resells Juniper/Cisco products
€B		Core routers	present	not present	present	ALU began in 2013, growing MS. Nokia resells Juniper/Cisco products
€B	Accès fixe	xDSL	strong	not present	strong	ALU n°1.
€B		GPON	strong	not present	strong	ALU n°3.
€B	Applications	OSS/BSS	weak	weak	weak	ALU & Nokia (OSS only) weak.
€B		Device management	present	?	present	ALU & Nokia are there
€B		Payment	weak	not present	weak	ALU's got 2 product lines

not present
 strong
 présent
 weak

IP Routing without Video/Legacy
 RAN without services (12 Mds €)

Synergies: Nokia announced 900 M€. It will be higher

SYNDEX OPINION 2015-2022			
	Functions	Synergies	Employees
Synergies R&D	RAN 2G/3G/4G Small Cells ePacketcore IMS SDM/payment/OSS	500 M€	4 000-6 000
Gross margin	Global Customer Delivery Supply chain Procurement	400-600 M€	4 000- 6 000
SG&A	Marketing & Sales General & Administrative IS/IT & Real estate	500 M€	4 000-5 000
		1400- 1600 M€	12 000-17 000

Major issues at stake



- What will be the total amount of synergies?
 - Where are the major headcount locations?
 - ▶ In and out of Europe.
 - Where is located the R&D?
 - Which are the European countries where both ALU and Nokia are strongly established?
 - How will the technological convergence be implemented (Wireless)?
 - Will Nokia keep the whole ALU's portfolio?
 - Comprehensive knowledge of the 2 groups: Business Units/Sales/OP...
- ▶ Syndex