SUPERIOR USER EXPERIENCE
& NETWORK PERFORMANCE

Ricardo Guardia
Ericsson Latin America & Caribbean
July 27, 2015
VALUE OF PERFORMANCE
**PERFORMANCE DRIVES LOYALTY**

*Shapley regression analysis, showing the relative impact between each driver and loyalty to operator brand (NPS)*

<table>
<thead>
<tr>
<th>Driver</th>
<th>Network</th>
<th>Offer</th>
<th>Marketing</th>
<th>Customer service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network performance</td>
<td>19%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value for money</td>
<td></td>
<td>16%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ongoing communication</td>
<td></td>
<td></td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Tariff plans offered</td>
<td></td>
<td></td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Customer support</td>
<td></td>
<td></td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Account management</td>
<td></td>
<td></td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Billing and payment</td>
<td></td>
<td></td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Handset/ Devices offered</td>
<td></td>
<td></td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Initial purchase</td>
<td></td>
<td></td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Loyalty rewards</td>
<td></td>
<td></td>
<td>5%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Ericsson ConsumerLab Network Performance Study 2013

Base: 12169 Smartphone users in BR, CHN, INDO, SK, JP, US, UK, SE, RU, TUR, CHL, MX
“If we do not differentiate on quality, it ends up with my GB versus your GB and we will be destroying value for all”

CMO of large Latin operator
ADVANCED REGRESSION ANALYSIS
to investigate causality & quantify impact based on empirical data from 3 markets

Model aimed at defining the causal relationship from capital expenditures to financial performance

<table>
<thead>
<tr>
<th>Capital expenditures</th>
<th>Operational performance</th>
<th>Market performance</th>
<th>Financial performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity upgrades</td>
<td>Accessibility &amp; data completion rate</td>
<td>Market Share</td>
<td>Revenues</td>
</tr>
<tr>
<td>Network modernization</td>
<td>Percent connections higher than 1 Mbps</td>
<td>ARPU increase</td>
<td>EBITDA</td>
</tr>
<tr>
<td>Product/service development</td>
<td>Speech call quality index</td>
<td>Churn reduction</td>
<td>Free cash flow from operations</td>
</tr>
<tr>
<td></td>
<td>Latency reduction</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Throughput</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Direct effect, building up to maximum impact over 12-18 months + Direct effect, building up to maximum impact over 0-3 quarters = Positive cumulative incremental FCF after 4-6 quarters

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DESCRIPTIVE STATISTICS
show correlation between metrics

Capital expenditures
Operational performance
Market performance
Financial performance

Brazil

CAPEx VS. SPEECH CALL QUALITY

Mexico

CAPEx VS. LATENCY

United States

CAPEx VS. LATENCY

SPEECH CALL QUALITY VS. MARKET SHARE

LATENCY VS. ARPU

ARPU VS. REVENUES

LATENCY VS. CHURN

ARPU VS. REVENUES

LATENCY

ARPU

Average Annual CAPEX per Connection (MX$)

Quarterly Revenues (‘000 MX$)

Churn (%)

Shipment Call Quality Index

Market Share of Connections (%)

Speech Call Quality Index

Performance

Market

Financial

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CORRELATION TO CAUSALITY

regression analysis for Brazil

Capital investments

Operational performance

Market performance

Financial performance

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Source: TAS, Ericsson analysis
# POSITIVE EFFECTS ON FINANCIALS

Changes following 10 percent increase in CAPEX over a 5-year period

<table>
<thead>
<tr>
<th>Country</th>
<th>Increase in Service Revenues (percent)</th>
<th>Increase in EBITDA Margin (percentage points)</th>
<th>Increase in NPV of FCF (absolute)</th>
<th>Increase in NPV of FCF (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Brazillian Operator</strong></td>
<td>+5.5%</td>
<td>+6.4%</td>
<td>USD 128.61m</td>
<td>6.7%</td>
</tr>
<tr>
<td>Increasing capex USD 156 million/yearly</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mexican Operator</strong></td>
<td>+1.9%</td>
<td>+1.0%</td>
<td>USD 297.88m</td>
<td>1.6%</td>
</tr>
<tr>
<td>Increasing capex USD 72 million/yearly</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>US Operator</strong></td>
<td>+5.1%</td>
<td>+6.8%</td>
<td>USD 381.48m</td>
<td>17.1%</td>
</tr>
<tr>
<td>Increasing capex USD 432 million/yearly</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

NPV – Net present value
FCF – Free cash flow from operations

Anything above zero is a worthwhile investment

Source: Ericsson and Telecom Advisory Services LLC (2014)
Base: Market data from Brazil, Mexico, US
VALUE OF PERFORMANCE RECOGNIZED BY FINANCIAL ANALYSTS

Pan-Asia Telecoms
Network Advantages: Better Revenue Momentum, Lower Costs

Better networks equate to relative outperformance — Our analysis points to the importance of network superiority and improvement in driving consistent revenue growth and share price outperformance. We look at what drives network superiority and establish who possesses these factors across the various Asian markets. This in turn allows us to identify which operators across the various markets possess the structural competitive advantage that allows for outperformance.

Mobile Data Wave
Who Dares to Invest, Wins

Exponential growth in data usage could challenge network capacity by 2014. Tablet

Wireless operators can sustainably compete in our view on only two dimensions:

- Pricing: drives price erosion
- Quality of network services: supports pricing power

Jan 6, 2015; Contact: Pierre Ferragu (Senior Analyst) • pierre.ferragu@bernstein.com • +44-207-170-5005
LARGE OPERATORS ALSO ACKNOWLEDGE THE SAME LOGIC

Vodafone CFO top priority: “Deliver returns on £19B Spring CAPEX investment”
After today’s emergency, I am seriously thinking to go with Entel.

Thanks to Entel I could stay communicated with all my family.