

# Facing the challenge – Accelerating integration

**Eric Simonsen**

**Chief Financial Officer, Nokia Siemens Networks**

# Challenging quarter, decisive actions required to achieve targets

Where we are ...

Key figures, Q2 2007	€ Bn
Net sales	3.4
Operating loss (excl special items*)	-0.4
Restructuring & other one-time costs	-0.9
Operating loss	-1.3

Where we want to be...

- Industry-leading profitability target in medium term
- Faster growth than market
- Strong cash flow generation

\* Special items include restructuring charges

# Key themes in our strategy

Key themes

Initiatives e.g.

## Transform

Innovate and expand

- Services
- Market proximity

## Leverage

Use key assets to generate higher customer value

- Software
- Cross-selling

## Consolidate

Integrate operations, culture  
Live our ethics  
Achieve synergy targets

- Accelerated integration

2007

2010

# Good progress in integration so far, some key challenges lay ahead

## Achievements

### Secure customer satisfaction

- Integrated, customer oriented sales organization established
- Network architecture vision and portfolio well received by customers

### Synergies

- Negotiations concluded with top 25 suppliers (~45% of direct purchases)
- 2 Development Centers closed

### Integrated operations

- NSN operational mode deployed across all functions/regions
- Commercially combined NSN business in approx. 115 countries

### Culture / code of conduct

- Values defined bottom-up, validated top-down
- Ethics and integrity guidelines and training introduced to all employees

## Key challenges ahead

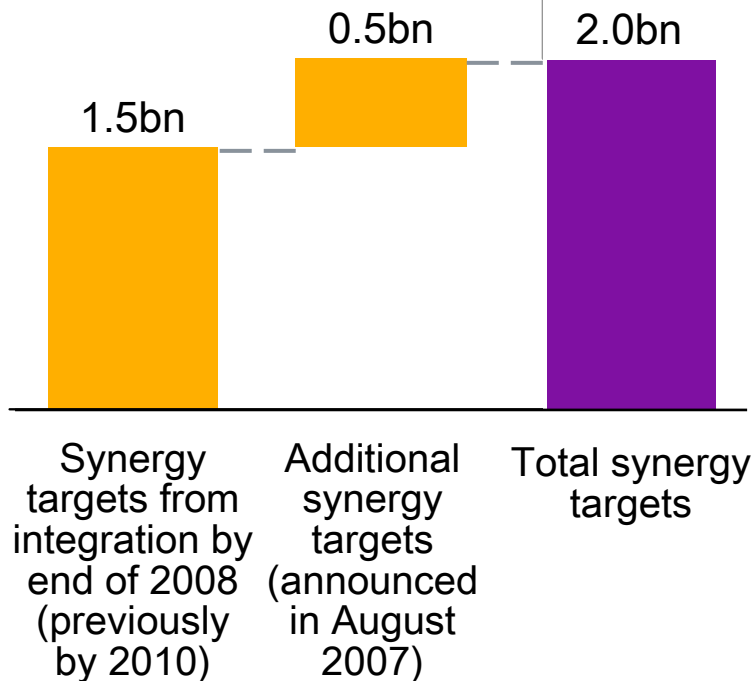
- Fully integrate product roadmaps and operations
- Quickly realize synergy potentials to achieve competitive cost base
- Leverage to expand market position
- Bring values to life

# Integration accelerated to support achievement of NSN profitability targets

## Accelerated integration: Updated targets

- To **finalize integration** and **implement** all **synergy related measures** resulting in run-rate savings of 2.0bn EUR

### Synergy savings targets



### Acceleration approach

Focus on synergies and 6 critical areas:

- Product and service portfolio optimization
- Deployment of one common SAP
- Harmonization of the IT infrastructure
- Headcount restructuring
- Real estate consolidation
- Individual enablement

Additional savings targeted mainly from:

- Portfolio adjustments
- Real estate consolidation
- Overhead reductions



# Increased savings target of €2.0 Bn backed up with measures

## Synergy savings target by function

~ € 0.9

### COGS Savings

- Procurement savings
- Improved Services utilization
- Streamlined processes

~ € 0.6

### R&D Savings

- Harmonization of product platforms
- Optimized R&D structure

### S&M Savings

- Overlapping wireless customer & geographic coverage
- Sales force efficiencies

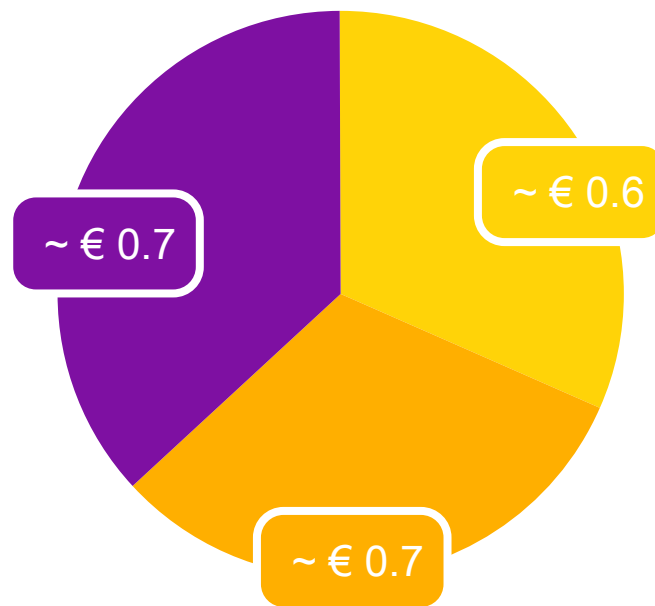
~ € 0.2

### G&A Savings

- Finance & Control
- IT support systems
- Headquarter functions

~ € 0.3

## Synergy savings targets by key lever



- Purchasing/ Design-to-cost
- Headcount
- Other (incl. e.g. IT, Real Estate)

# Headcount restructuring

- Negotiations and other work related to the restructuring announced in May 2007 is proceeding as planned
  - May announcement: adjustment need of 9000 from the initial base of 60,000 employees
- Headcount restructuring has been started in almost 70 countries
  - In all regions, except MEA, restructuring processes started
  - In all affected countries the restructuring process has been successfully implemented, actions ongoing following local legal obligations

# We intend to achieve the targets by following three imperatives

## Efficient

- Simplified organization with clear accountability
- Focus on integration building blocks critical for success

## Rigorous

- Transparency through a set of integration KPIs
- Synergy tracking on measure level including financial and headcount impact

## Execution focused

- Results driven steering – shifting efforts from planning to execution
- Integration implementation driven by line-organization

# Nokia Siemens Networks



# Q&A