ERICSSON

IT & CLOUD

INVESTOR UPDATE 2016

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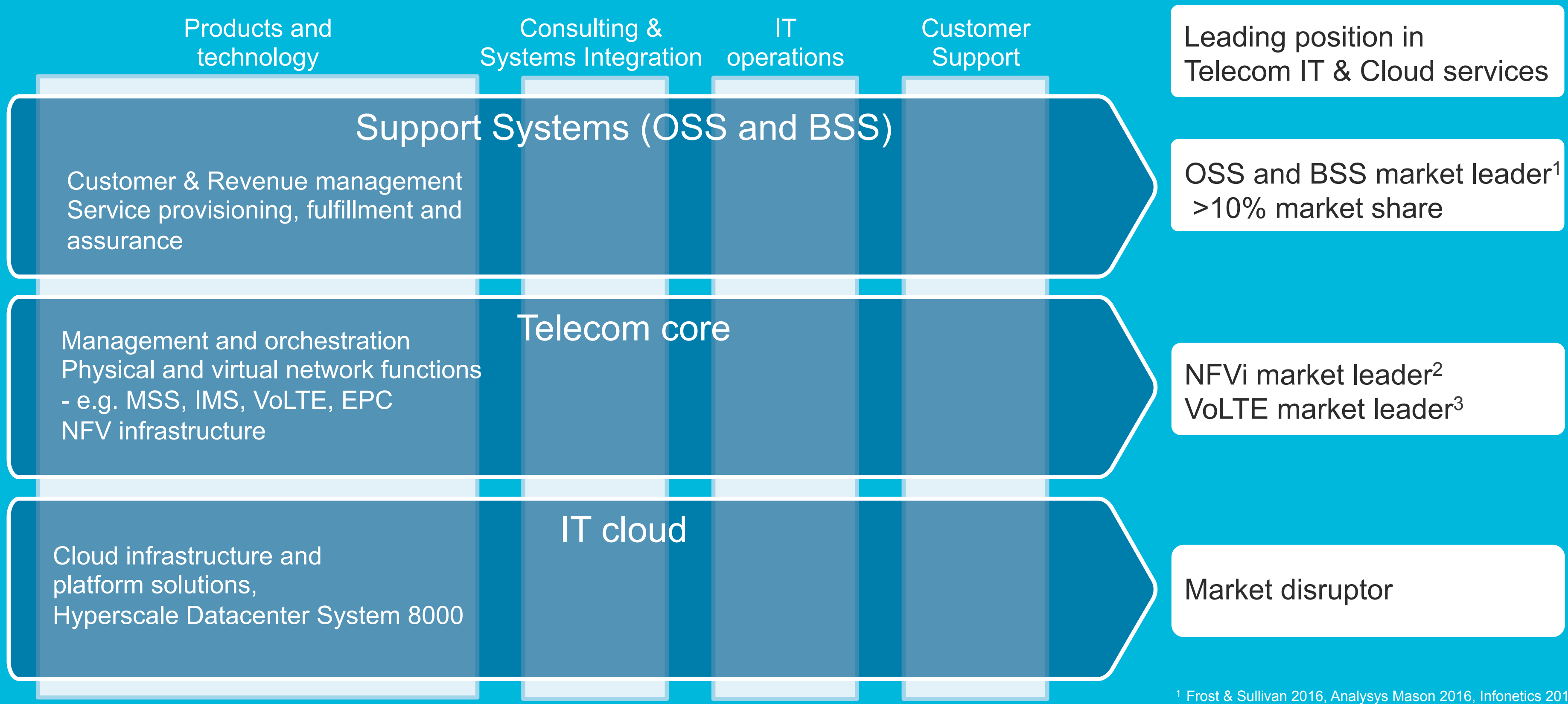
DIGITAL TRANSFORMATION

BUSINESS DRIVERS FOR OUR CUSTOMERS

Digital operations	Digital engagement	Digital services
Respond quickly with agile processes (DevOps & Lean) and technology	Interact consistently with customers and partners through all channels	Innovate to launch new offerings / business models
Reduce total cost through automation and consolidation	Think "customer first" in every part of the organization	Leverage data to understand and capture the business

SEGMENT IT & CLOUD



[1] Frost & Sullivan 2016, Analysys Mason 2016, Infonetics 2016
[2] Technology Business Review 2016
[3] Based on won contracts in live networks Q3 2016

BUSINESS TRACTION

Support Systems transformation

T-Mobile · VimpelCom · entel

Telecom core transformation

Deutsche Telekom · Telstra · swisscom · Telefónica

IT cloud transformation

Republic of Estonia Government · enel

Delivered value

- Customer experience – reduced churn
- Personalized upselling – improved conversion rates
- Simplification and automation – reduced costs
- Next generation network services and IT infrastructure – new business at improved capacity and quality to lower running costs

MARKET REALITIES

Digital transformation and 5G journey within operators

- Investing in front-office IT systems and consistent omnichannel customer experience
- Focus on agility and cost cuts drive investments in IT consolidation, automation and network virtualization
- A number of large telecom operators expand into adjacent markets, e.g. IoT

Digital transformation within enterprises

- Exploring 5G and IoT to develop business and gain efficiencies
- Transforming IT infrastructure

Global telecom operator revenue shows limited growth

- Flat telecom operator revenues in mature markets – struggle to monetize data
- Operator capex in some emerging markets impacted by negative macro economic

Highly fragmented market

- IT players enter telecom cloud infrastructure market
- Increased price erosion with virtualized network functions

Addressable market (operators)
2016: ~USD 100 b.

5-7% CAGR 2016-2018
in IT & Cloud market

Fragmented market
shifting rapidly

EFFICIENCY JOURNEY

Run-rate in R&D

16% down
Jan 2015 – Dec 2016

through efficiency gains and reduced own IP portfolio, whilst investing in new areas

Off-shore service delivery hours ratio

18% - points up
Jan 2015 – Dec 2016

out of total delivery, whilst boosting digital on-shore capabilities

Central delivery of industrialized work packages

10x increase
YoY Sep 2016*

whilst maintaining customer satisfaction

*In Systems Integration and Application development and Maintenance delivery

BUSINESS DIRECTION

ILLUSTRATIVE

INVESTMENTS

Growth portfolio

- Omnichannel transformation
- Analytics platform
- Revenue Manager
- 5G Ready Core, VoLTE, NFV/SDN
- Hyperscale cloud
- Digital – Consulting & Systems Integration and IT operations services
- Partnerships

Classic portfolio

REVENUE SPLIT

Growth portfolio

Classic portfolio

- Circuit Switched Voice
- Native infrastructure hardware incl. legacy IP core
- Legacy charging

CUSTOMERS

Enterprises / I&S

Operators

Business models

Products + Services | Transform | Operate | As-a-service

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

IT & CLOUD MID-TERM PRIORITIES

PRODUCTS & SERVICES

Monetize leading position

- Leverage installed base
- Monetize the digital transformation journeys
- Recurring business

Re-focus Go-To-Market model

- Focus on growing with our top customers
- Increase enterprise focus through I&S

Portfolio shift

- From classic to growth portfolio
- Accelerate industrialization
- IP portfolio with Cisco

Development & service delivery

- Modernized tools and methods for agile R&D and service automation
- Increased use of partners and open source
- Establish Digital Transformation Center

People and competence shift

- Drive competence shift towards digital and analytics skills
- IT and enterprise business experts

SUMMARY

Digitalization changes the game

Monetize leading position in
IT Telecom services, OSS & BSS and Telecom core

Portfolio transformation to support customer transformation