EXCEL IN CORE BUSINESS - PROGRESS

ERICSSON

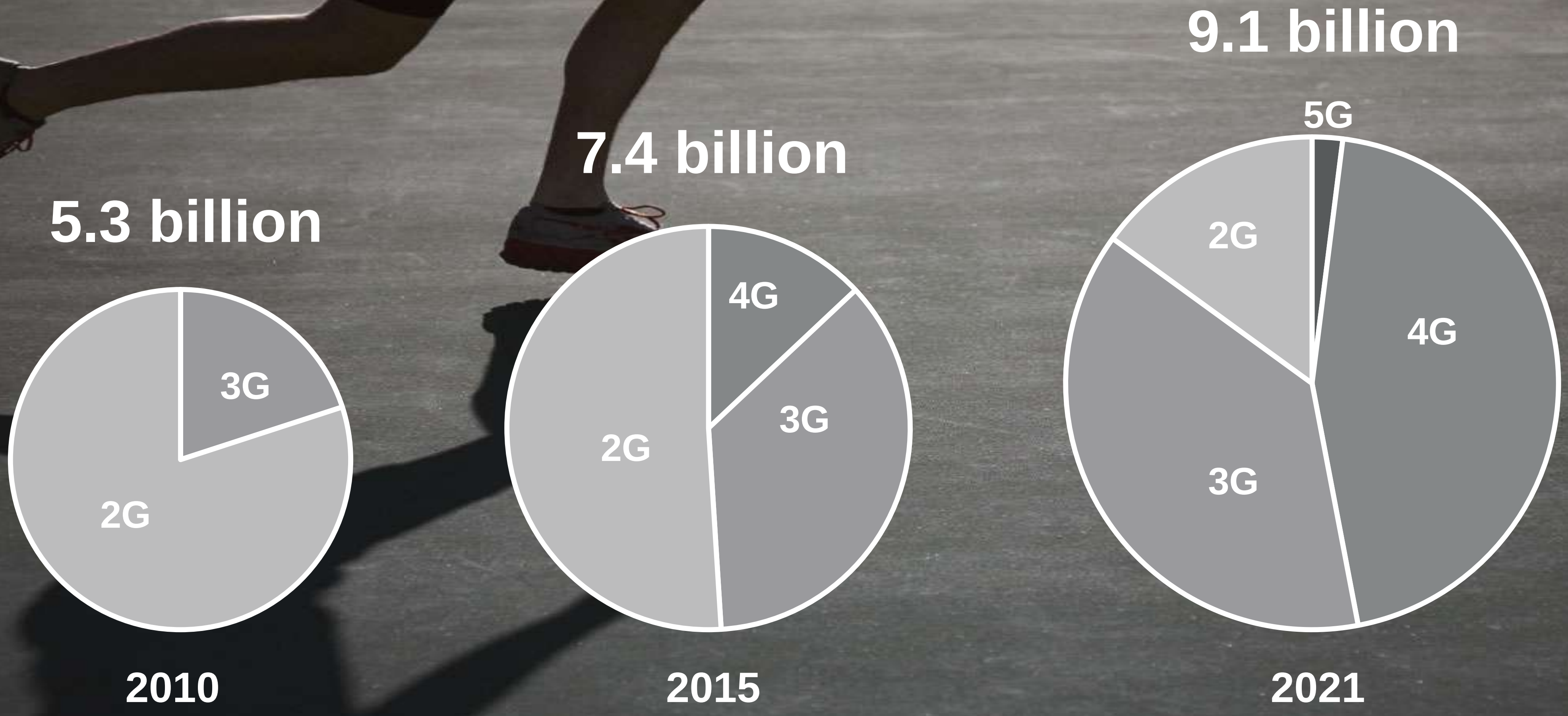
Introduction to Core business

ERICSSON

RIMA QURESHI

Head of Strategy

MOBILE SUBSCRIPTIONS

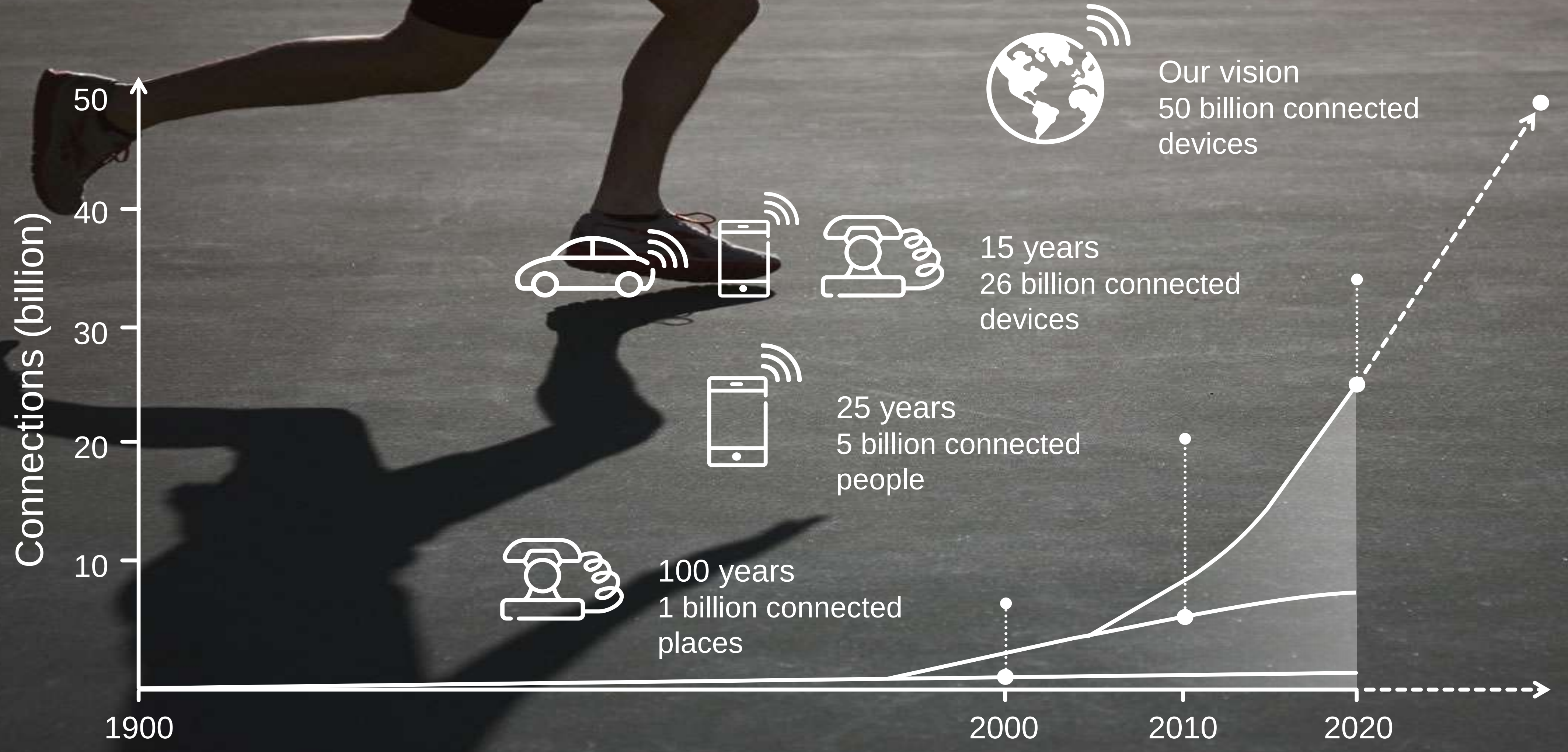


Continued growth in mobile subscriptions, long technology cycles

MOBILE DATA TRAFFIC

Explosive growth in mobile data traffic continues, driven by video and smartphones

CONNECTED DEVICES



Accelerating pace of change, Internet of Things transformation ongoing

INDUSTRY TRENDS

Continued strong demand for mobile broadband

- Video and smartphones drives demand
- Continued network build out for app coverage and capacity

Internet of Things evolution accelerating

- Evolution to 5G addressing industry requirements
- Industry transformation based on mobility, broadband and cloud

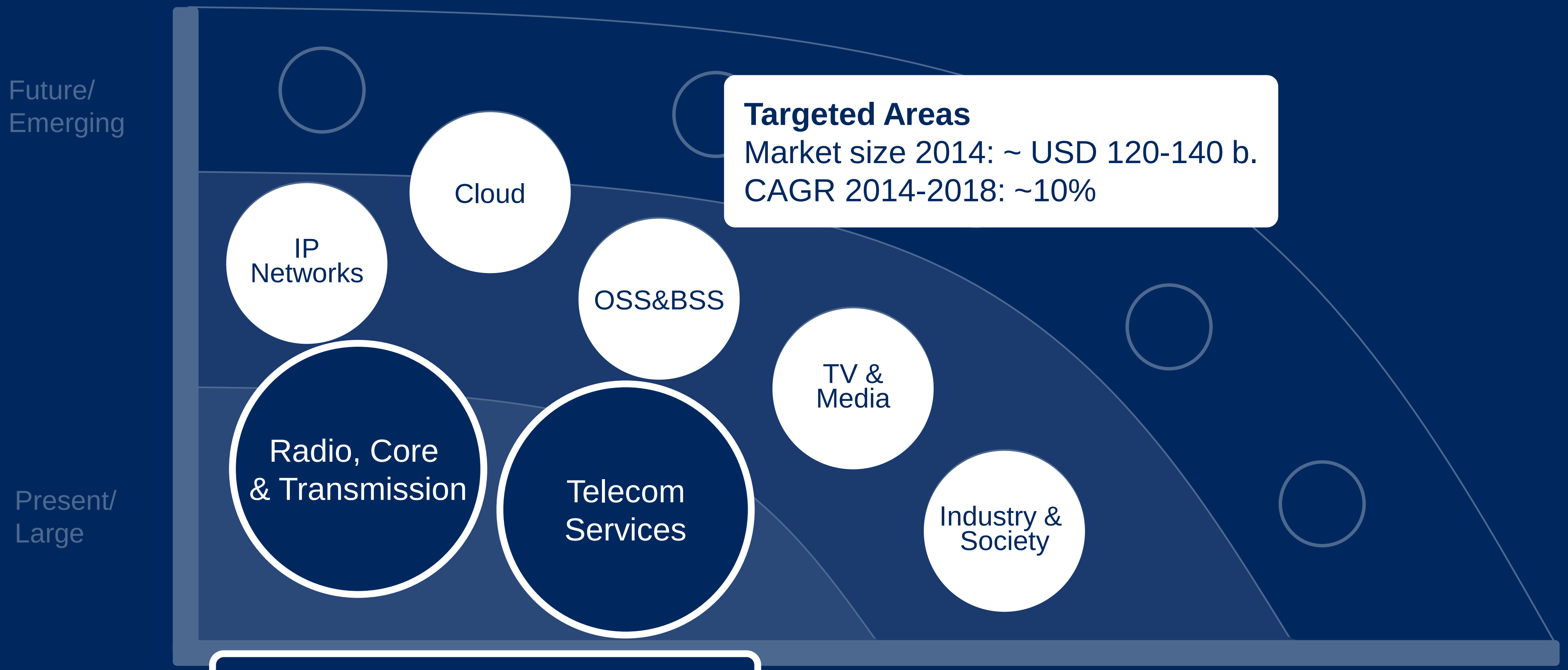
Transformation towards all IP networks

- IP on all layers; 4G, 5G, Wifi, fiber
- Virtualization of networks and IT

Digitalization of operators and enterprises

- IT system modernization
- Need for transformation service partners

MARKET SIZE AND GROWTH CORE AND TARGETED AREAS



Targeted Areas
Market size 2014: ~ USD 120-140 b.
CAGR 2014-2018: ~10%

Core Areas
Market Size 2014: ~USD 130-150 b.
CAGR 2014-2018: ~1-3%

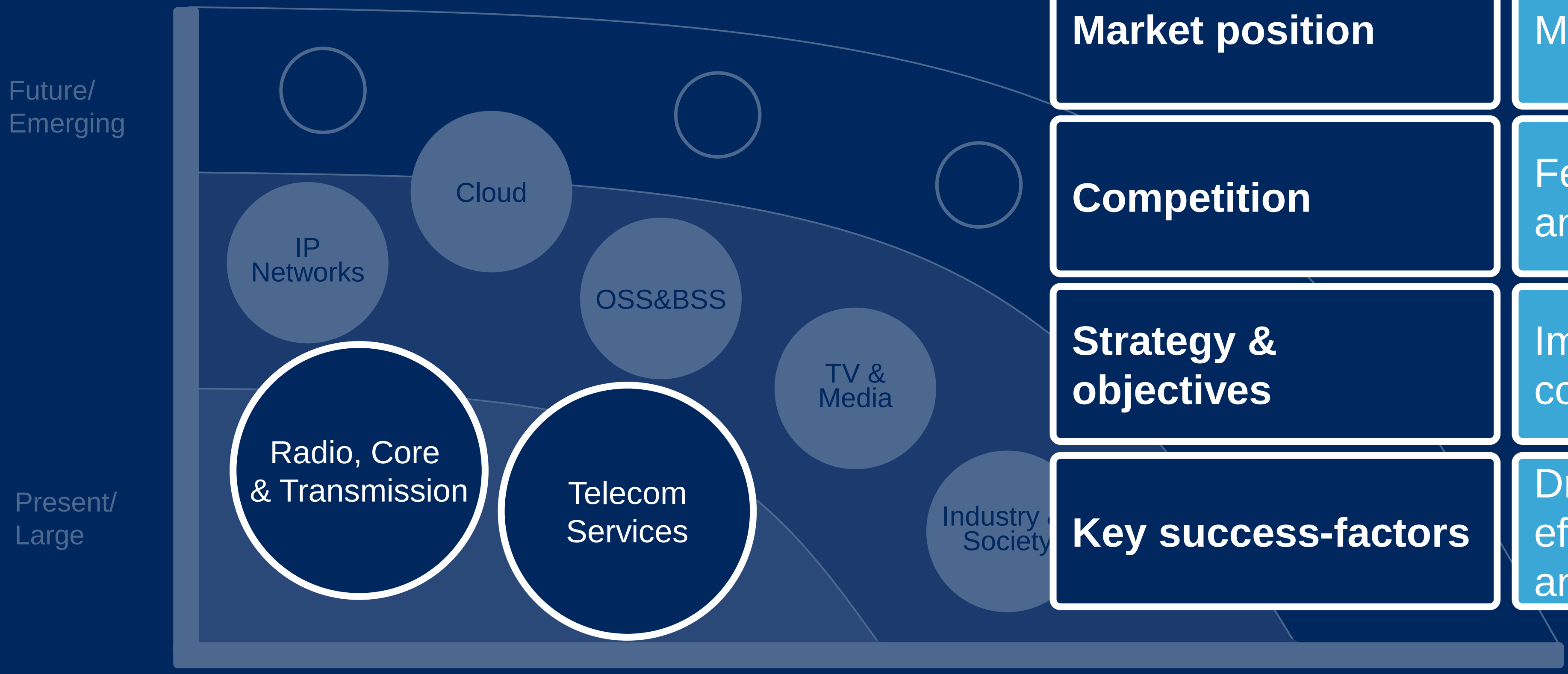
2 Establish leadership in targeted areas

3 Expand business in new areas

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

Targeted Areas include Industry&Society. Both Targeted and Core Areas have a slightly wider definition than our traditional Market Outlook

STRATEGIC DIRECTION 2015
EXCEL IN CORE BUSINESS



Market position	Market leader
Competition	Few large equipment and services vendors
Strategy & objectives	Improve earnings in core, lead and innovate
Key success-factors	Drive performance and efficiency, leverage scale and maintain leadership

1 Excel in core business

2 Establish leadership in targeted areas

3 Expand business in new areas

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Core business: Telecom services

MAGNUS MANDERSSON

Executive Vice President

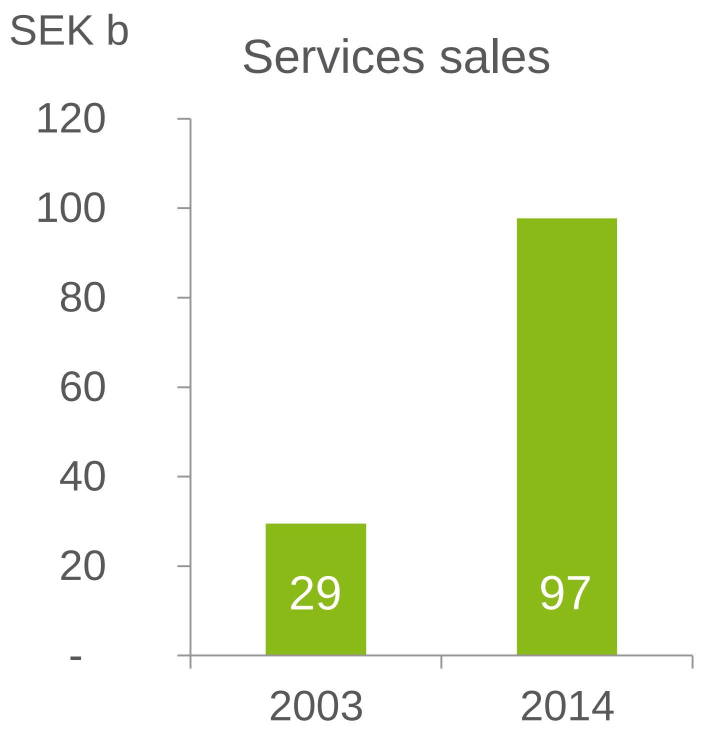
Head of Global Services

THE SERVICES JOURNEY

Technology leadership	Technology & services leadership
2003	2014
8,000 employees	65,000 employees

Portfolio

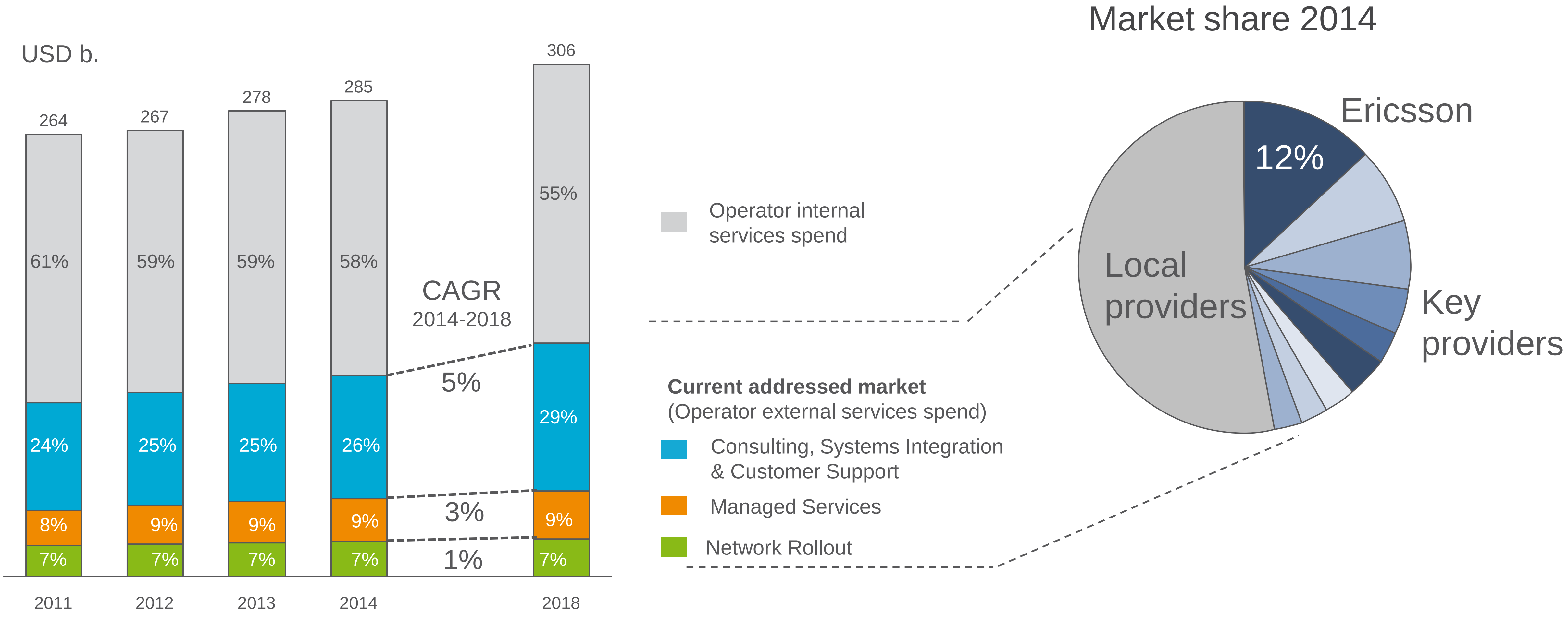
- Industry verticals
- Operator IT: systems integration, consulting
- Network and IT managed services
- Networks: Rollout, support, design & optimization



From 25% to 44% of Ericsson's sales

Broader services portfolio leveraging our global scale

TELECOM SERVICES MARKET



Continued momentum, 3 – 5% CAGR for 2014–2018

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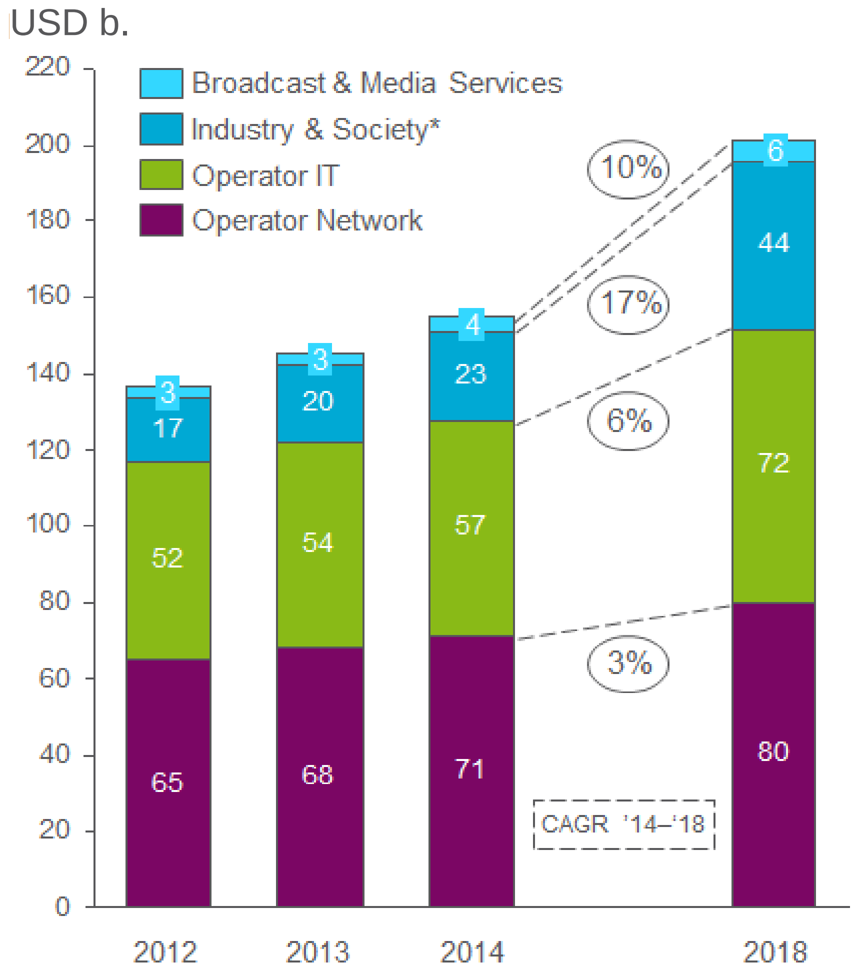
Source: Ericsson

SERVICES MARKET OUTLOOK



	Portfolio	Rank/M-share
Broadcast & Media Services	• OTT Managed Player, media management, playout, access services, content discovery, Piero, creative services	#1 7 – 10%
Industry & Society	• Focus on utilities, transport and public safety • Using our existing portfolio, complemented by partnerships and selected acquisitions	Emerging
Operator IT	• Cloud transformation, IT managed services, consulting & transformation services, systems integration, application development & maintenance	Top 4 3 – 6%
Operator Networks	• Network design & optimization, network rollout, customer support, Managed services	#1 16 – 18%

Operator IT: Systems integration OSS/BSS, systems integration TV&Media, consulting, managed services IT
Operator Networks: Support, network design and optimization, network rollout, managed services network, systems integration Core/IP

* Only services within Utilities, Transport, Public Safety
SEK/USD rate used 2012-2014 and 2018: 6,73, 6,52, 6,89, 8,10

Total addressed services market CAGR 2014 – 2018: 6–8%

Source: Ericsson Strategic Forecast

GLOBAL SERVICES STRATEGY

Operator IT
GROW AND SCALE

- Targeted area: OSS/BSS
- Consulting and systems integration
- IT managed services

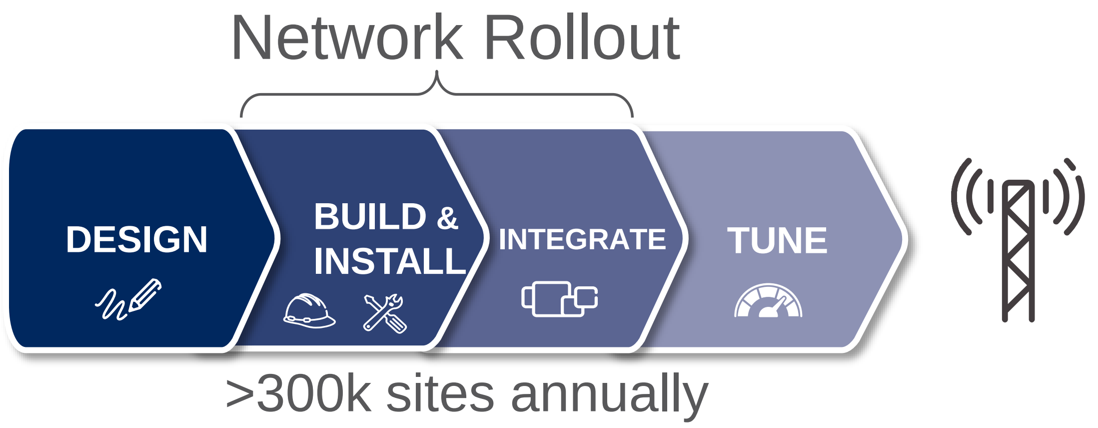
Industry domains
BUILD AND LEVERAGE

- Targeted area: Industry and society
- Broadcast and media services

Operator networks
EXTEND AND EXCEL

- Network design & opt.
- Customer support
- Network rollout
- Network managed services

NETWORK ROLLOUT



› Break-even in Q3
› Efforts to increase profitability continue
› Target: positive margins, low single digit

Improved profitability due to:

- Industrialization
  - Optimized tools and installability
  - Standardization and remote delivery
  - Global reuse of skills and experience
- Conclusion of modernization projects

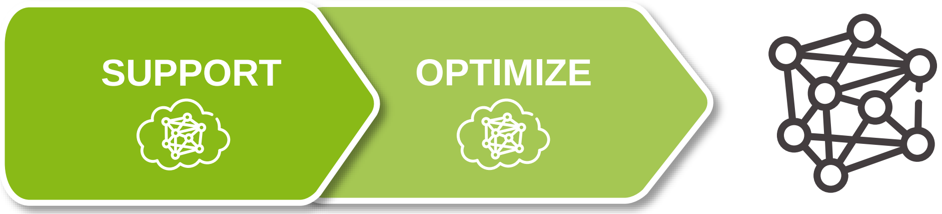
Customer benefits:

- Reduced lead times & lower capital employed
- Shorter time to revenue
- Improved predictability

SERVICES FOR NETWORKS

Customer Support

Network Design & Optimization



>2.5 million sites

Market drivers:

› Growth of installed base
› Exponential traffic demand
› Application performance
› Network complexity – 2G/3G/4G

Customer Support:

- Higher margins
- Focus on network-level support
- Mature market segment

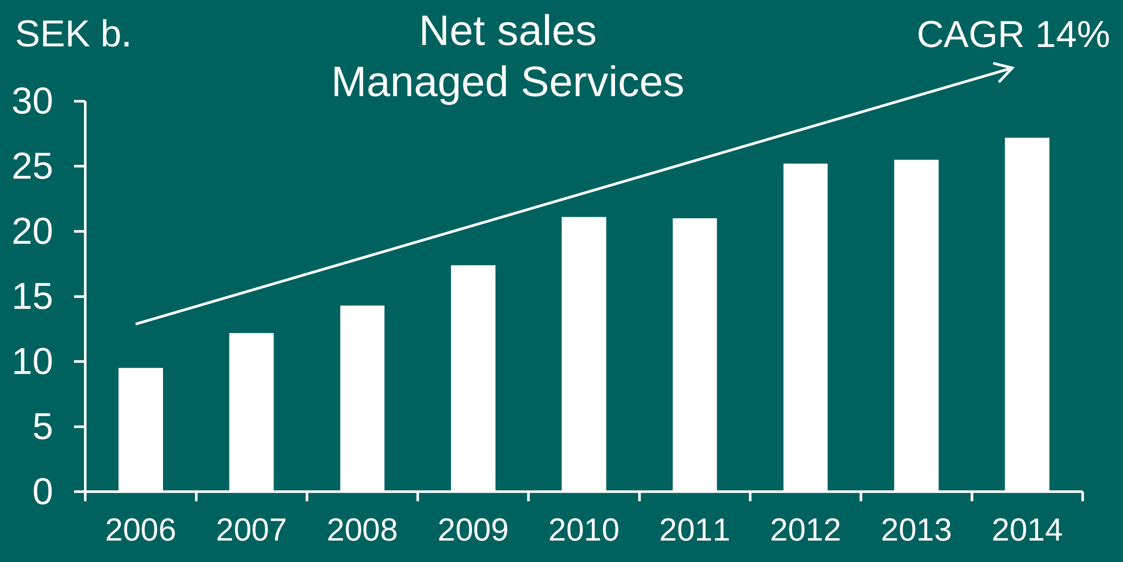
Network Design & Optimization:

- Good margins
- Focus on network performance
- Emerging market segment
- Vendor-agnostic

Maximize ROI from growing installed base

MANAGED SERVICES

- Growing demand for outsourcing
- Broader portfolio for telecom
  - Network performance, End-user experience
- New offerings for vertical markets

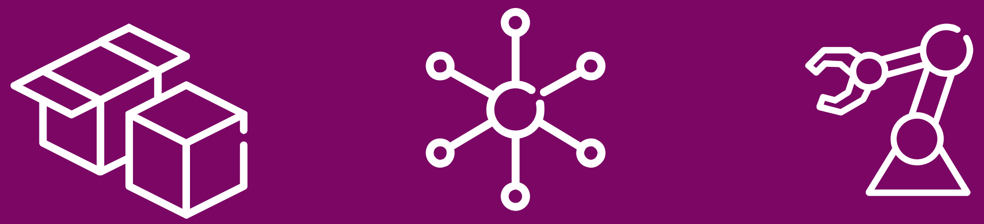


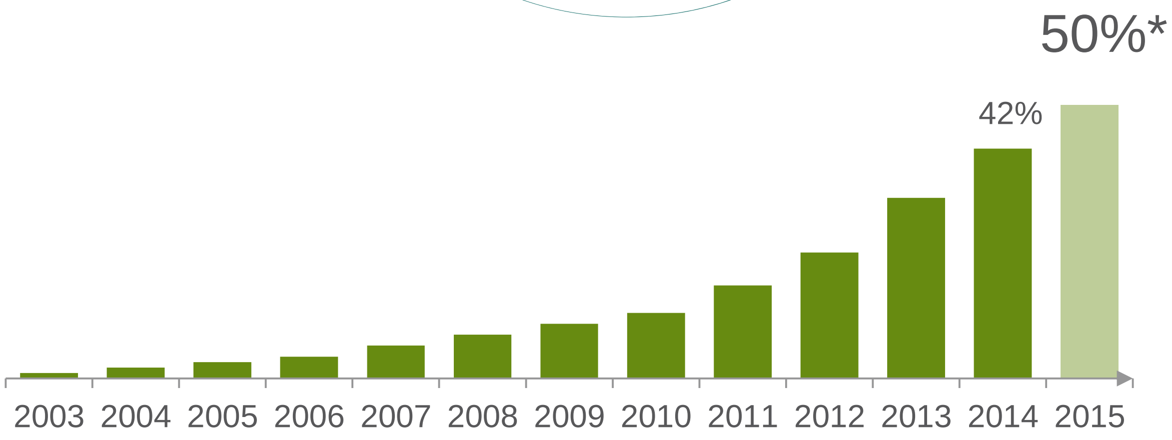
Market leader

- 300 contracts
- High renewal rate
- Stable profitability
- Good return on capital employed
- Recurring revenues
- 100 countries
- 35,000 insourced employees
- Vendor-agnostic
- Networks & IT

SERVICE DELIVERY

- Unrivaled service delivery organization
  - 4 Global Service Centers, incl. Global NOCs
- Combined global and local resources
- 65,000 professionals and 20,000 sourced
- Pioneering large-scale service delivery
  - Centralize for scale and skill
  - Standardize for efficient and predictable delivery
  - Automate for speed and next-gen. services
- 50% global delivery (target)





*Target: 2015

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

CISCO AND OUR SERVICES OFFERING

Strengthened services offering

- New business in Consulting & Systems Integration, Manages Services and product related services
- Leveraging Cisco IP networking equipment and expertise
- Further leveraging on our global Service Delivery organization

Services engagements

- IP transformational (Reseller): product-near services leveraging our IT/IP services
- IP and IT managed services : offered on Cisco solutions for new and existing contracts
- Customized two-way services: design tailor-made solutions and exchange of services

Services innovation

- Investing in new global labs to develop IP services capabilities and solutions
- Establishing a joint services innovation team for co-creation

Driving profitable growth

KEY TAKEAWAYS

Services for networks
Break-even in Network Rollout, good margins in customer support

Managed services
Growing demand, broader portfolio, telecom market leader

Service delivery
Unrivaled service delivery organization, driving global delivery

Clear market leader in telecom services

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

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HANS VESTBERG

CEO and Head of Networks

ERICSSON

NETWORKS
TWO BUSINESS UNITS – TO ENABLE GROWTH AND PROFITABILITY

Arun Bansal – Business unit Radio

Strengthen mobile market position and address new market segments by driving innovation and cost efficiency

Progress and execution

- Ericsson Radio System launched
- Good progress in R&D efficiency and effectiveness
- Traction to secure leadership position in 5G and Internet of Things

Anders Lindblad – Business unit Core & IP

Capture opportunities with virtualization and cloud for the IP and core portfolio based on number one position in telecom core networks

Progress and execution

- Emerging modernization opportunities in Telecom Core and growth in IP & Cloud
- Transformation for improved efficiency & effectiveness progress as planned
- First release of Ericsson Cloud Platform and substantially broadened IP e2e portfolio

Networks operating margin double-digit last 8 out of 9 quarters excluding restructuring

Core business: Radio, Core and Transmission

ERICSSON

ARUN BANSAL

Head of Business Unit Radio

AGENDA

Radio, Core and Transmission - update

Market outlook

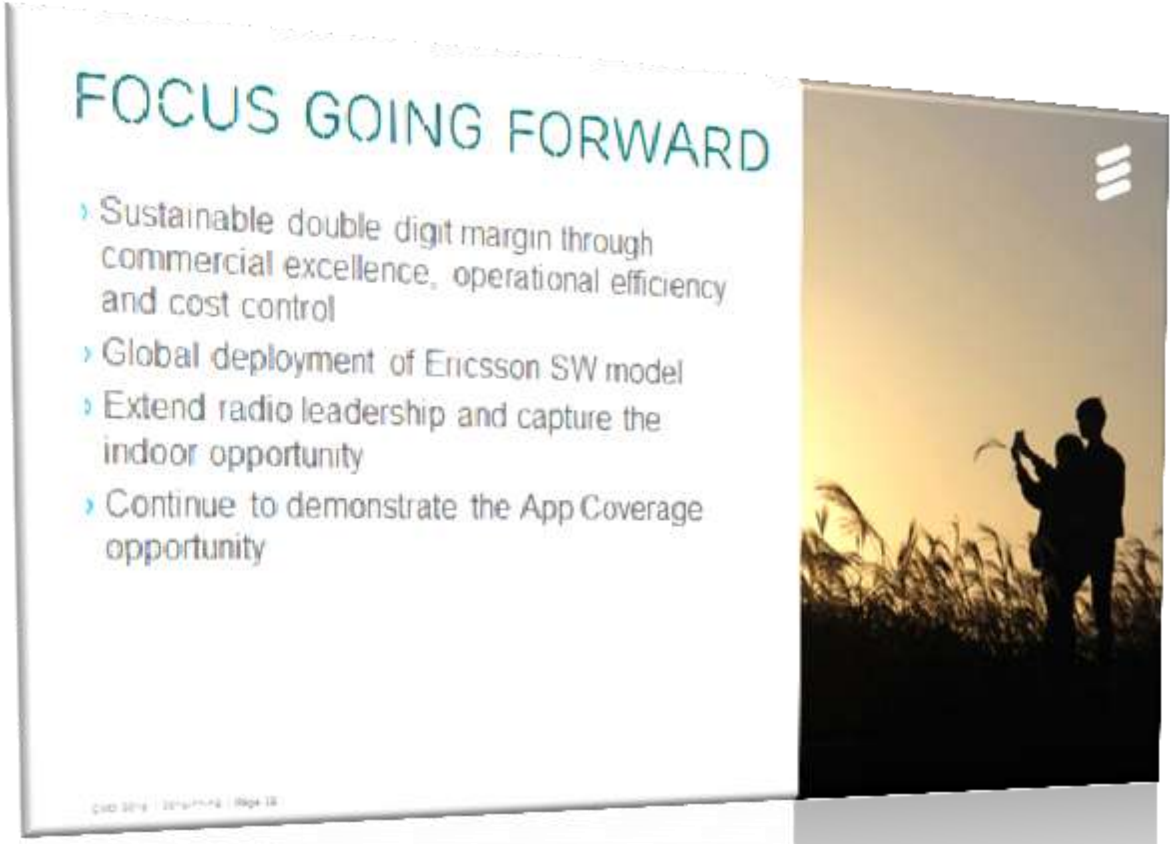
Strategic focus areas

Priorities going forward

AGENDA

- Radio, Core and Transmission - update
- Market outlook
- Strategic focus areas
- Priorities going forward

EXECUTION ON PRIORITIES



- Double-digit operating margin in 8 out of 9 latest quarters*
- R&D efficiency strengthened
- Cost effectiveness improved
- Ericsson SW model being deployed
- New radio portfolio launched
- More frontrunner operators emerging

* excluding restructuring

AGENDA

Radio, Core and Transmission - update

Market outlook

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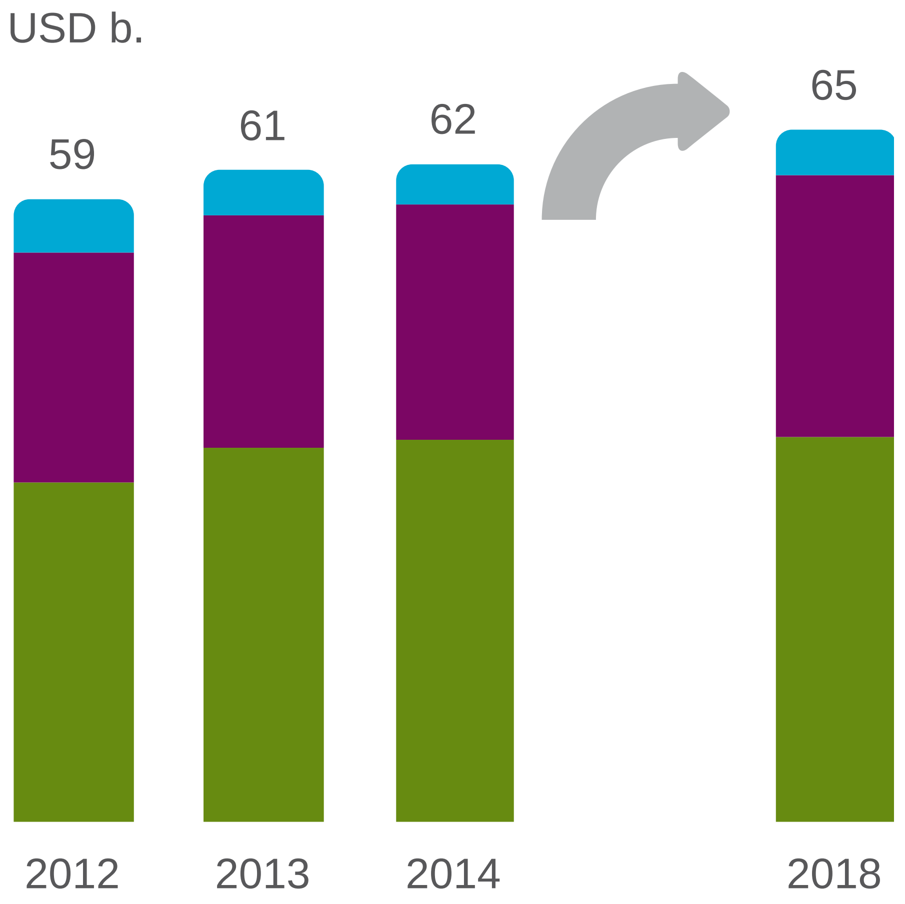
MARKET OUTLOOK

NETWORKS – KEY SEGMENTS



CAGR* 2014-2018
Key segments 1-3%**

Market share 2014
Key segments 23%

Core 2-4%
- Market driven by VoLTE, Wi-Fi calling and IoT growth
- Consumer and enterprise applications enabled by NFV and Cloud

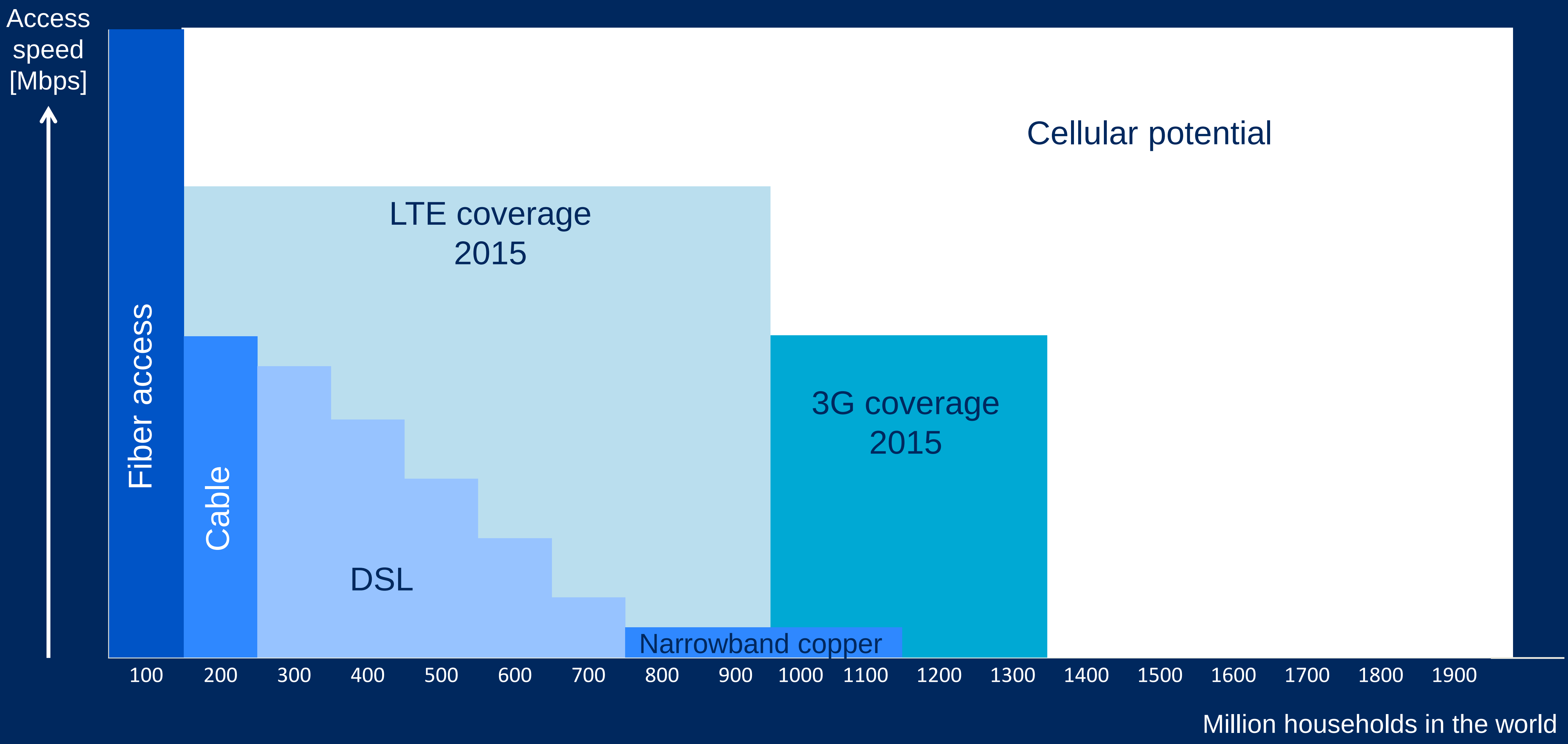
IP & Transport 2-4%
- Growth in video traffic, differentiated performance and IoT
- IP on all layers & SDN

Radio 0-2%
- Traffic growth drives app coverage investments
- New use cases within indoor, IoT and broadband access

*CAGR impacted by currency effects. Growth unevenly distributed over the years.

**Key Segments exclude: Fixed access, selected site equipment, cables & interconnect, OPTO/SDH, Service Assurance, Telecom Cloud moved from Other to Key Segment Core. Network equipment CAGR 2014-2018: 1-3%. Key segments is a subset of Network equipment.

BROADBAND ACCESS COVERAGE 2015



AGENDA

- Radio, Core and Transmission - update
- Market outlook
- **Strategic focus areas**
- Priorities going forward

STRATEGIC FOCUS AREAS

Mobile market growth

Grow
current market

Performance leadership

Increase
market share

Indoor

Extend
into new market

5G

Prepare
for next market

FOCUS AREA

Mobile market growth

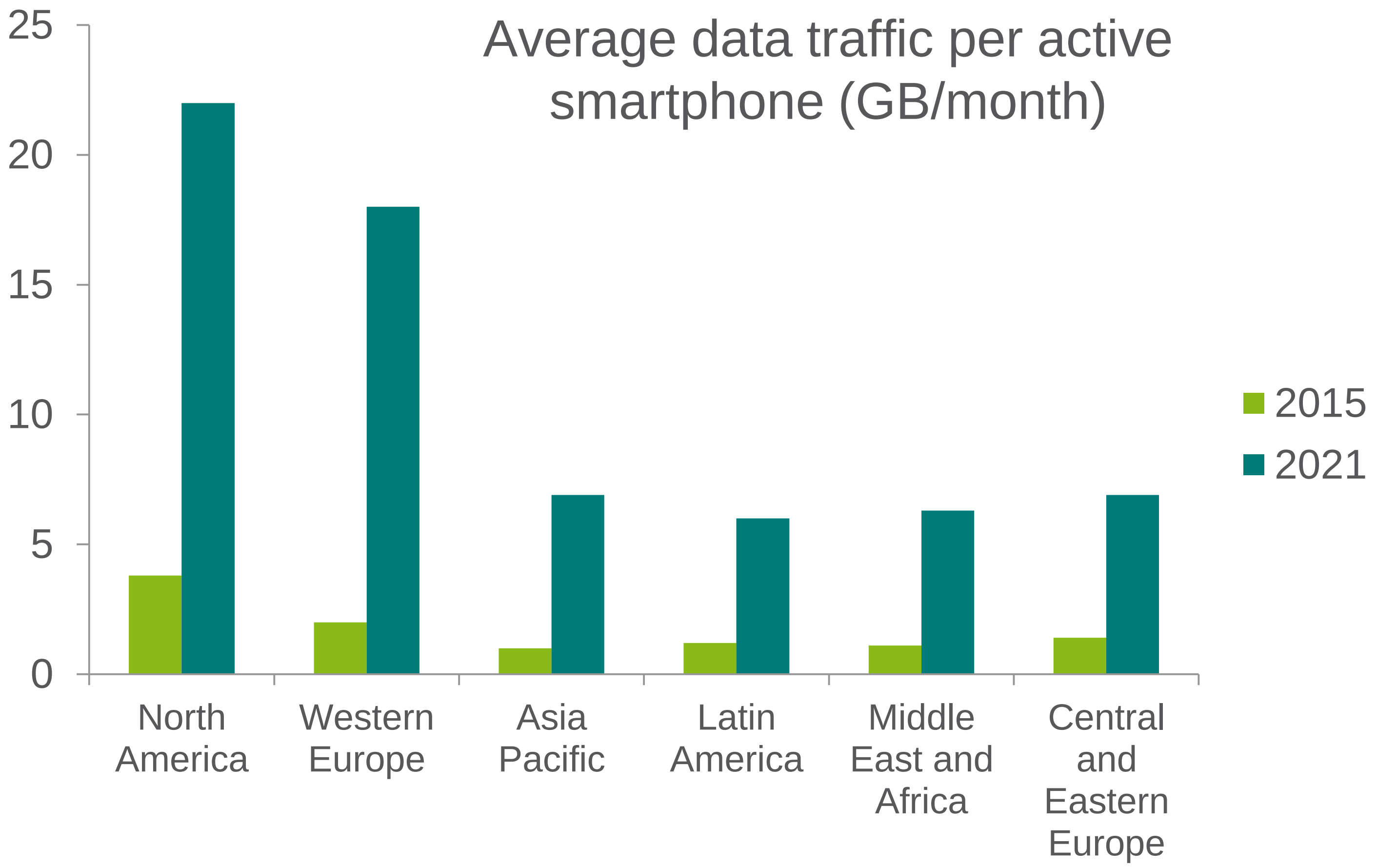
USER SCENARIOS

2GB

- Stream video* 30 min/week
- Browse 15 websites/day
- Download 5 apps/week
- Send/receive 30 emails/day

6GB

- Stream video* 20 min/day
- Browse 15 websites/day
- Download 15 apps/week
- Post 15 photos/day



App coverage demands drive need for continuous investments in network performance

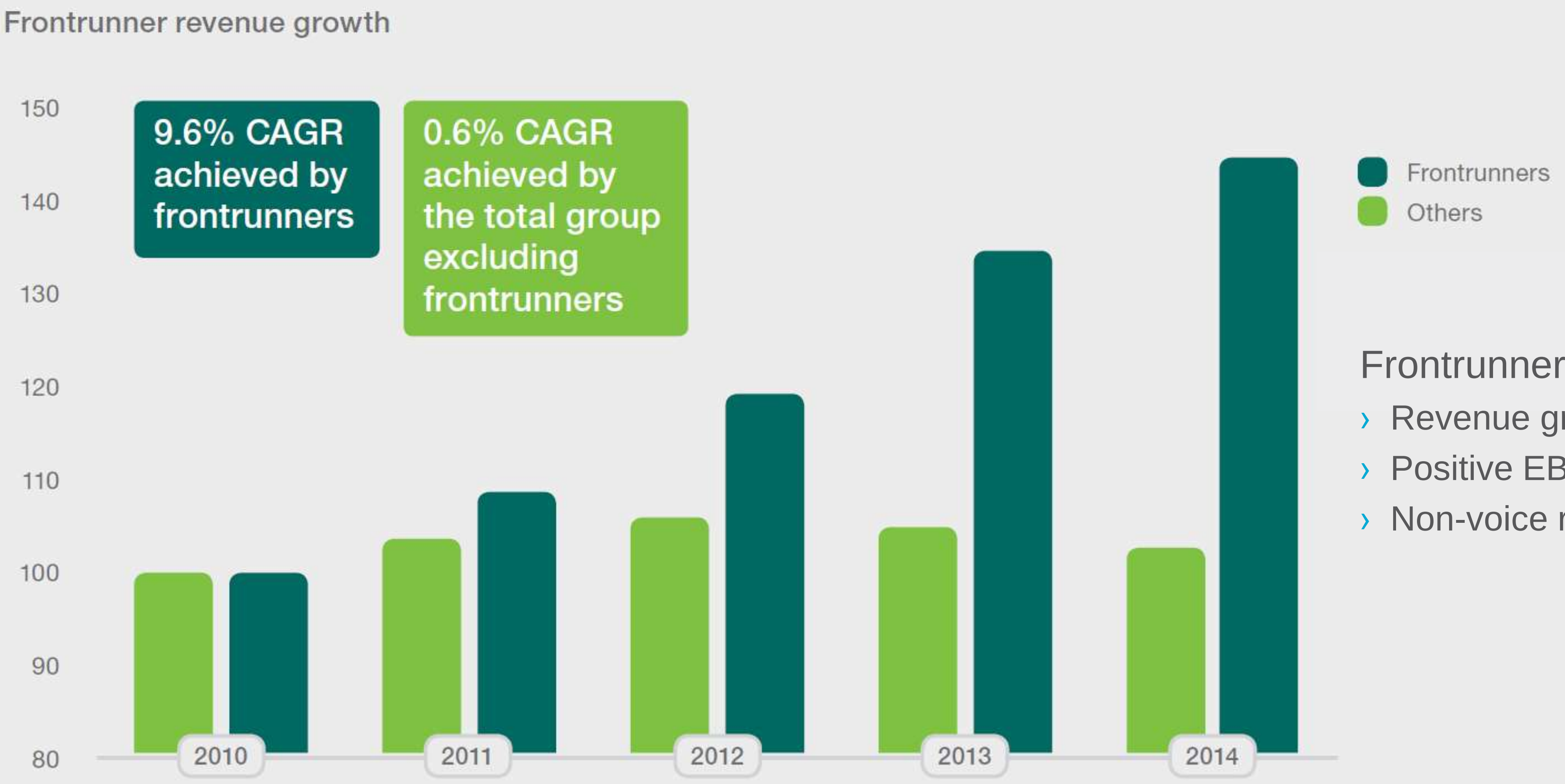
*Any type of video streams (YouTube, embedded clips, …)

Downlink ▼ 2.50 Mbps

▲ Uplink 0.25 Mbps

APP COVERAGE DEMONSTRATOR

FRONTRUNNER OPERATORS TURN DATA GROWTH INTO REVENUE GROWTH



Frontrunner operator:

- Revenue growth > 5%
- Positive EBITDA
- Non-voice revenue > 25%

Source: Ericsson Mobility Report, Mobile Business Trends Appendix, Nov 2015

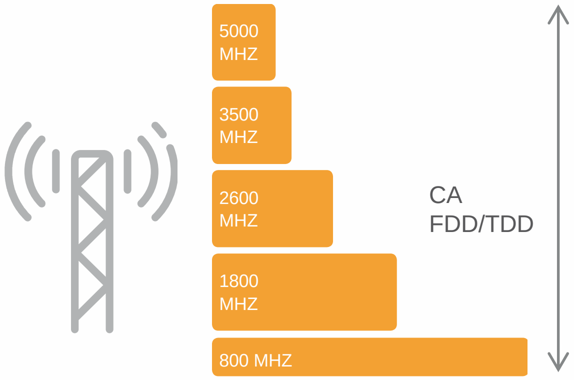
FOCUS AREA
Performance leadership

RADIO REQUIREMENTS MULTIPLYING

Three main requirements driving transformation

Multi-standard
now

Multi-band
and more on the way



Multi-layer
is becoming the norm

R&D scale and investments needed to support increasing complexity

MOBILE BROADBAND DRIVES CORE NETWORK MOMENTUM

45+ virtual IMS/EPC engagements

New customer segments

MBB

130+ live EPC Ericsson networks

Wi-Fi calling
11 live networks
9 Ericsson

VoLTE
30+ live networks
>50% Ericsson

New virtualized capabilities

New services

OUR PERFORMANCE LEADERSHIP

ERICSSON RADIO SYSTEM

#1 in Mobile

Complete end-to-end portfolio

Leader in Core networks

- Strong growth in MBB drives EPC sales
- 30+ VoLTE, Ericsson supports >50%
- 11 live Wi-Fi Calling, Ericsson supports 9
- Key network functions virtualized (vEPC, vIMS, vOSS, vBSS)
  - ready for commercial use

R&D strategy remains:

Continued focus on modularization, virtualization and Lean & Agile

- Lead time: 15–20% improvement
- Ericpol: Enhancing capacity and strengthen efficiency

FOCUS AREA

Indoor

INDOOR MARKET UPDATE

Radio Dot Live

41 OPERATORS

34 COUNTRIES

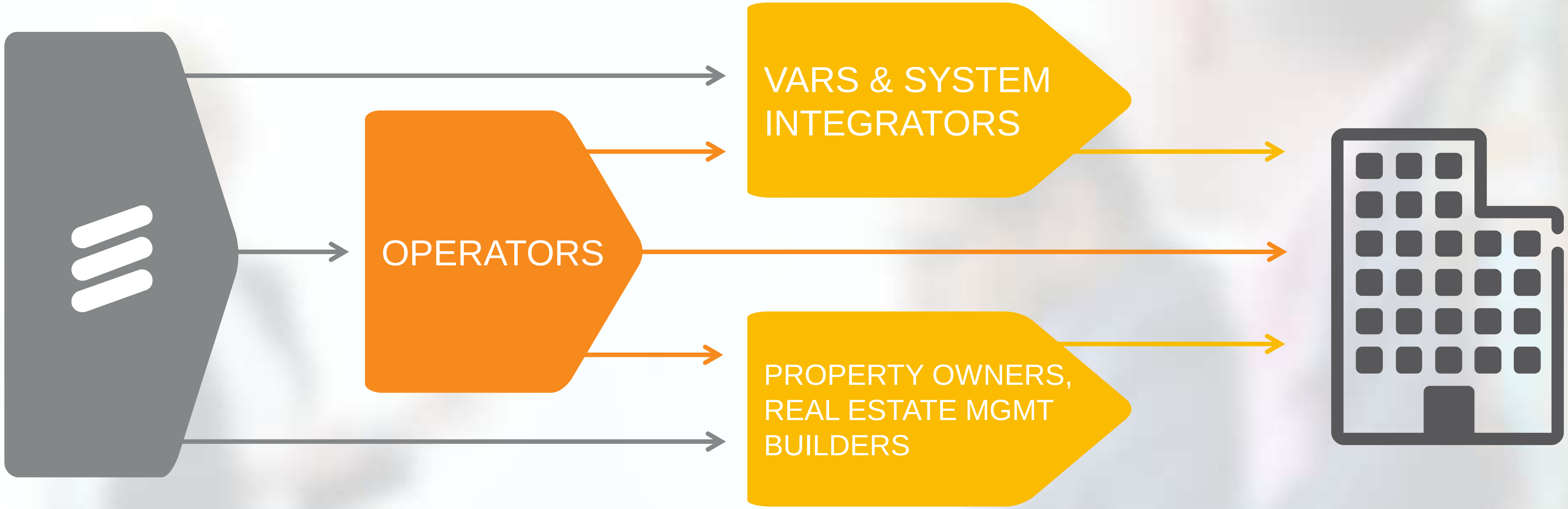
Commercial references:

AT&T
China Mobile
China Telecom
Etisalat
MTN
MTS
SingTel
Skanska
SKT
STC
Telefonica
TIM BR
Verizon
Vodafone

Other developments

- Wi-Fi calling for residential and small enterprise
- Pico RBS for 3G/LTE/Wi-Fi in commercial operations

INDOOR OPENS UP ALTERNATIVE GO-TO-MARKET MODELS



VARS: Value Added Resellers

FOCUS AREA

5G

5G TO BE BUILT ON EXISTING 4G NETWORK

5G requirements
Extreme & Diverse

SUSTAINABLE

SECURE

1000X
Mobile data volumes

5X
Lower latency

10X
Battery life

10-100X
End-user data rates

10-100X
Connected devices

Common network
Dynamic & Secure
Network slices

Critical communications

<5ms E2E delay
99.999% transmission reliability
500 Kmph relative velocity

Massive communications

>10 years battery lifetime
>80% cost reduction
20dB better coverage

‘FIRSTS’ ON THE ROAD TO 5G

2020

ACCELERATING IOT SOFTWARE 16B

INDOOR/LTE-U SOFTWARE 16A

DUAL CONNECTIVITY LTE-5G

ERICSSON RADIO SYSTEM

LTE-LAA DEMO

DEVICE CONNECTION PLATFORM

LTE LEAN CARRIER

5G NETWORK SLICING TECHNOLOGY

MULTIPOINT CONNECTIVITY WITH DISTRIBUTED MIMO

5 GBPS THROUGHPUT

12 publicly announced 5G MoU

2015

AGENDA

Radio, Core and Transmission - update

Market outlook

Strategic focus areas

Priorities going forward

PRIORITIES GOING FORWARD

- Grow faster than the market with double digit margin
- Continued focus on commercial excellence, operational efficiency and cost control
- Strengthen performance leadership with our portfolio
- Establish leadership position and grow the Indoor & Small cell market
- Secure leadership position in IoT and 5G

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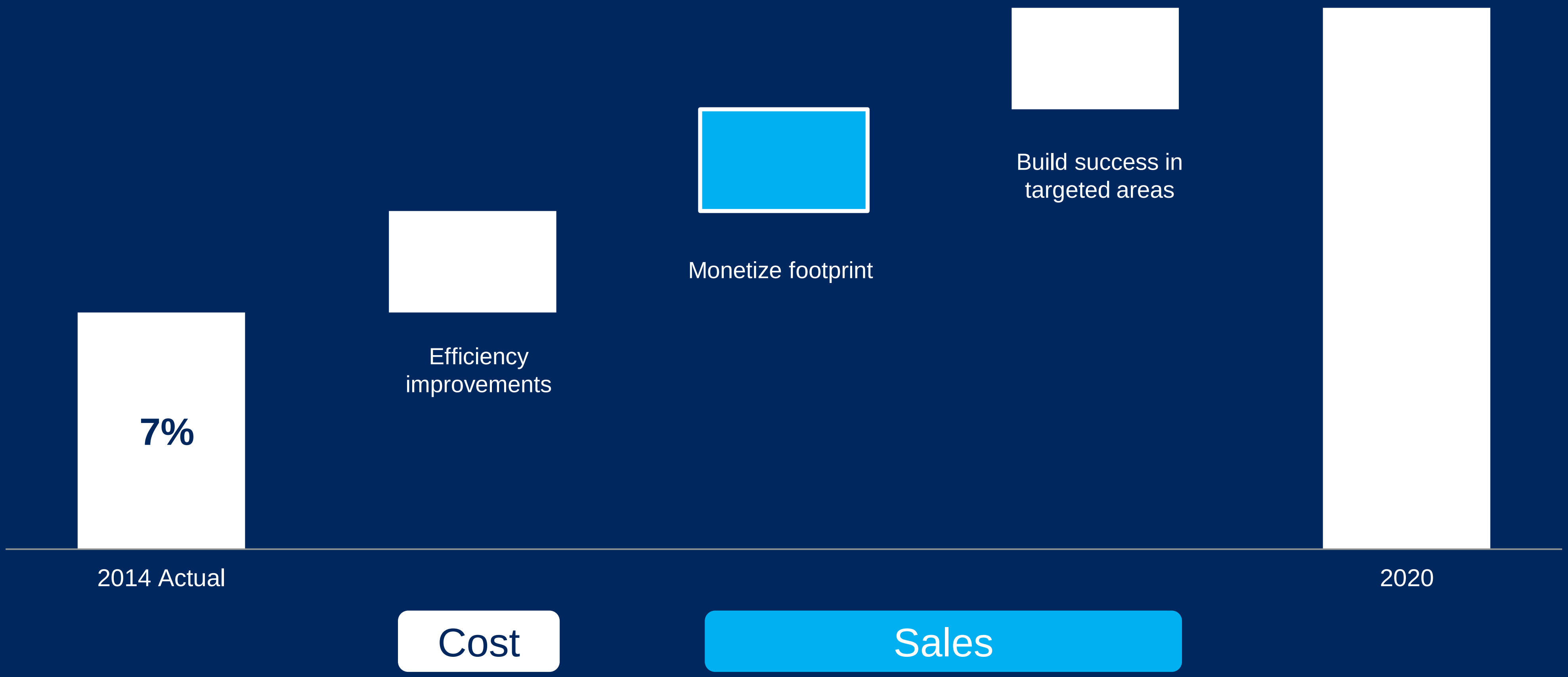
Core business summary

JAN FRYKHAMMAR

CFO

PROFIT IMPROVEMENT

OPERATING MARGIN ILLUSTRATIVE



3 building blocks driving towards continued yearly incremental improvements

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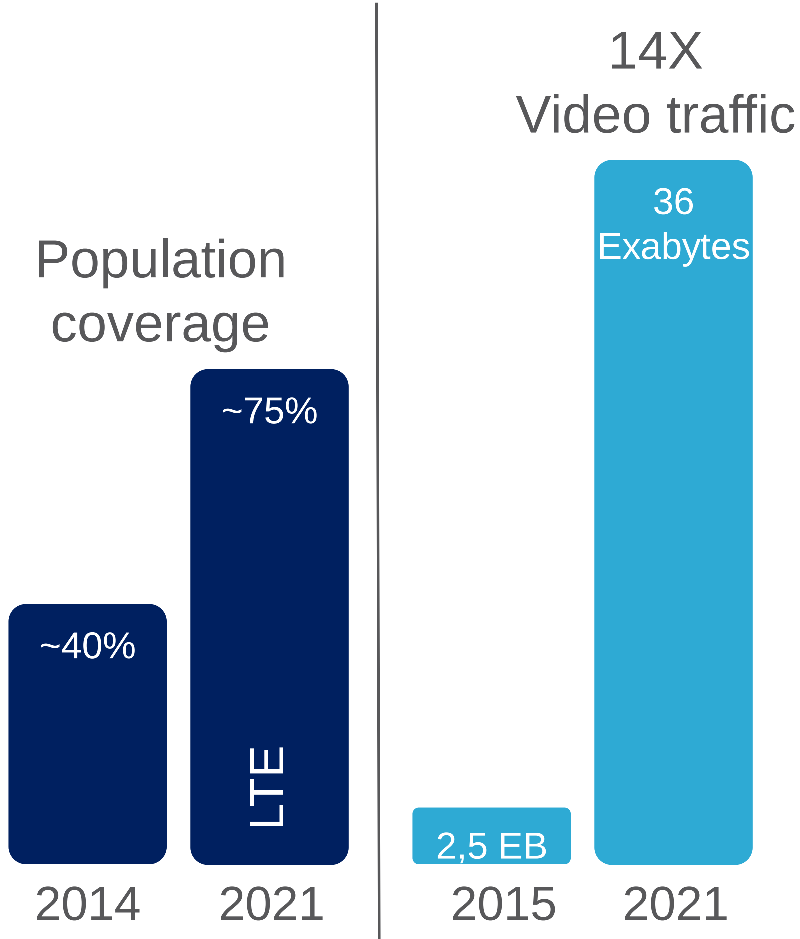
BUSINESS CYCLES
MOBILE INFRASTRUCTURE



Capacity (expansion phase)

- Upgrade, densification, capacity increase
- Small cell deployments
- Shorter order cycles
- Accretive to company gross margin

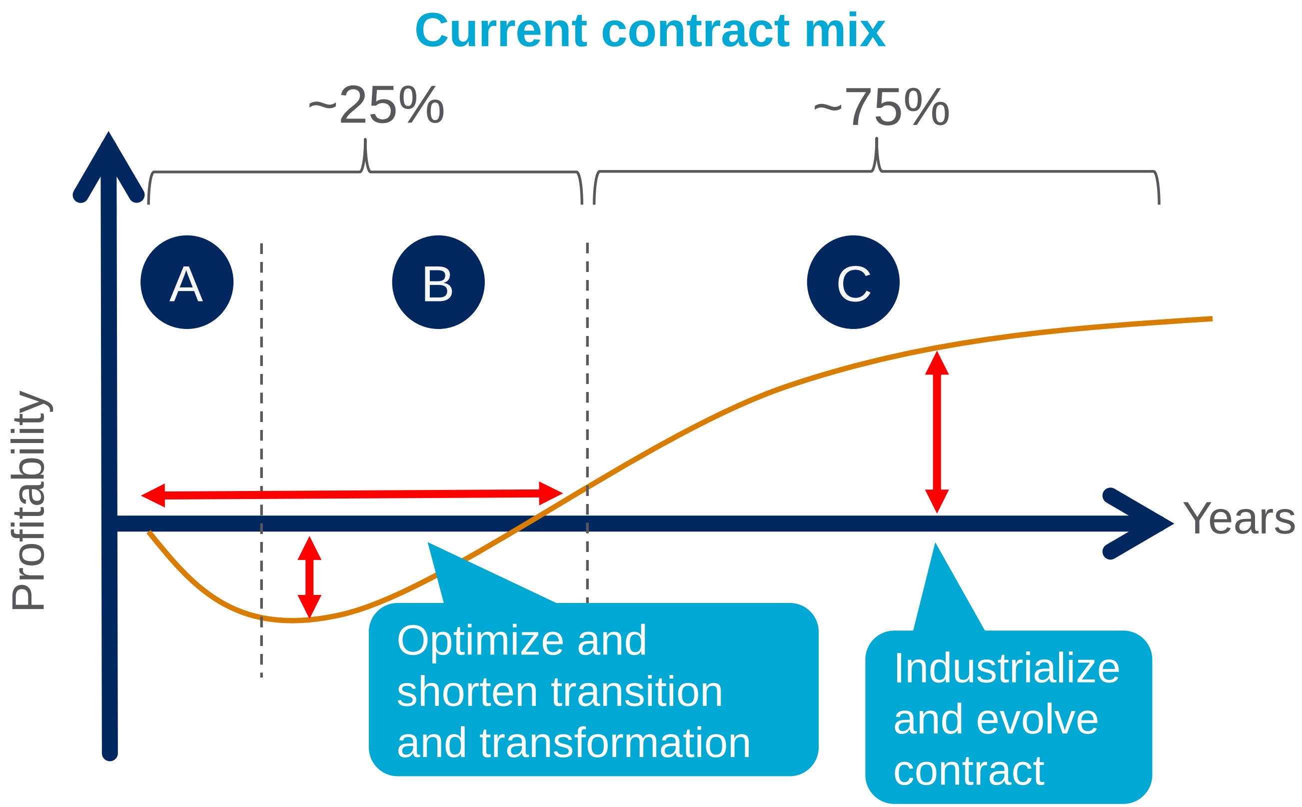
Coverage (initial phase)

- Break-in and green field
- Open bidding
- More hardware and rollout services
- Dilutive to company gross margin
- Higher capital tied-up
- Network Rollout lag Network sales ~2-3 quarters

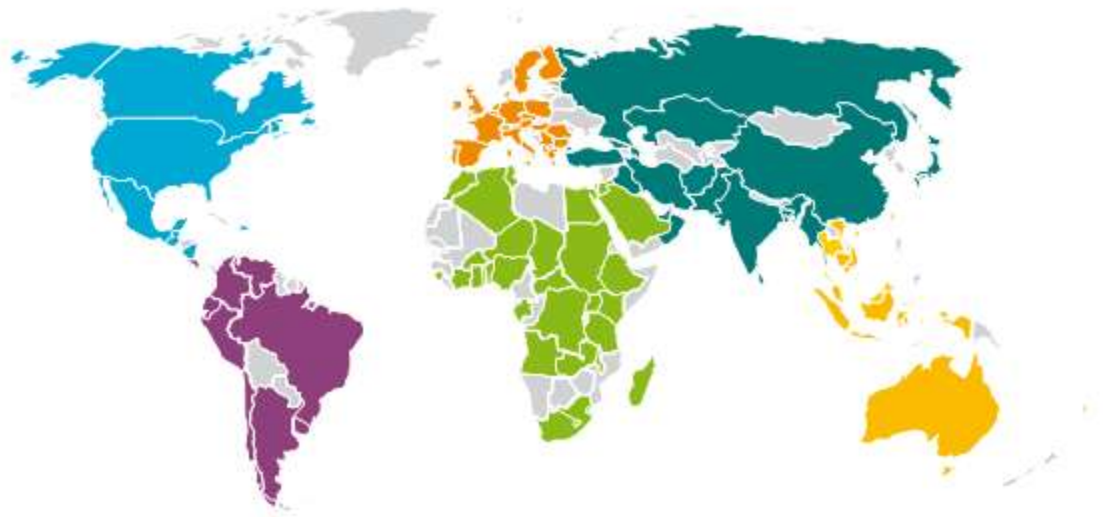
Coverage driven by LTE rollout – Capacity driven by traffic increase

BUSINESS MODEL
MANAGED SERVICES

A. Transition
B. Transformation
C. Optimization and upselling



Ericsson Managed Services global footprint



15 years | >100 countries | 1 b. subscribers | >300 contracts

Footprint in Managed Services enables growth in all segments

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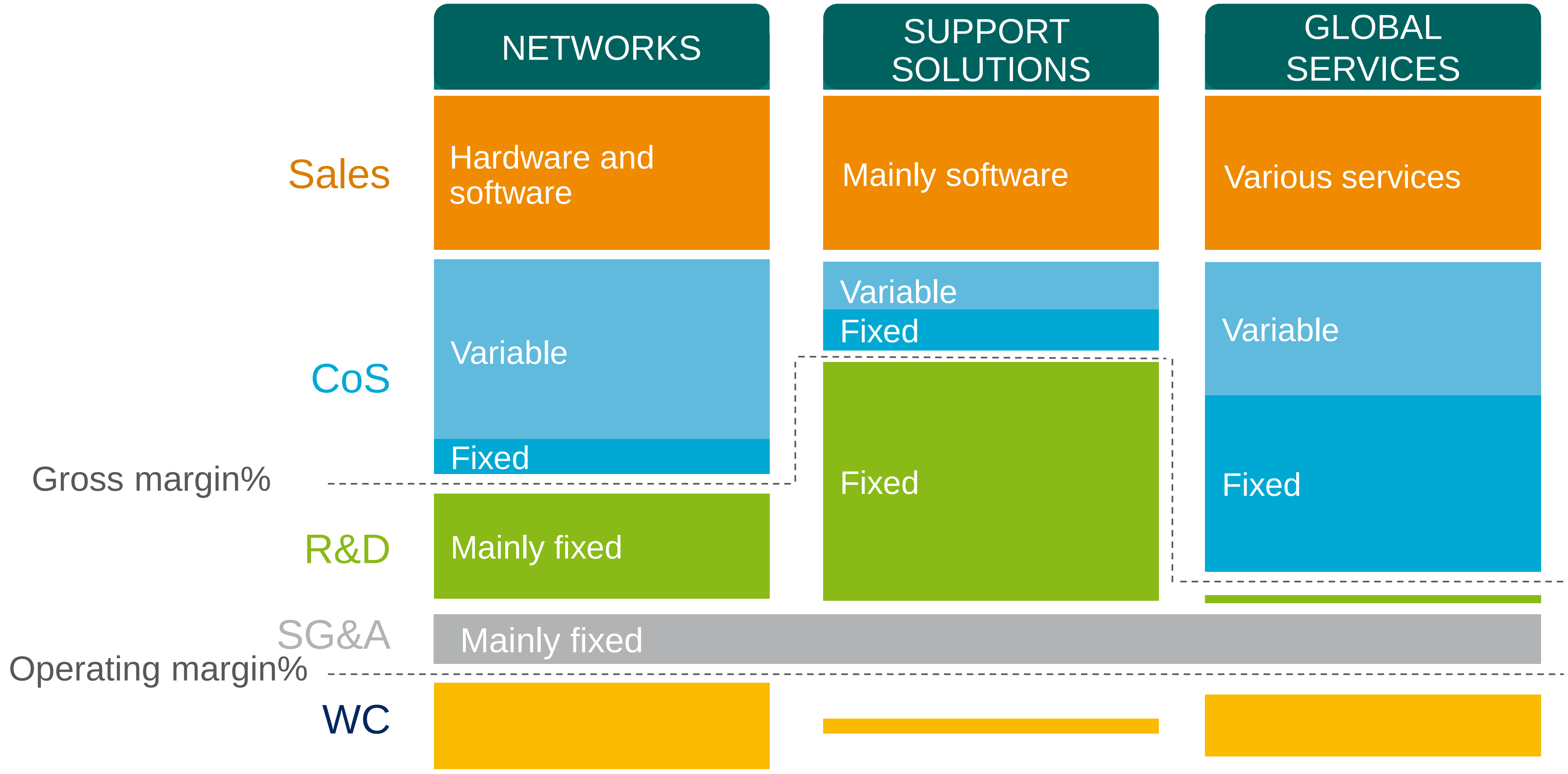
SEGMENTS' FINANCIAL STRUCTURE



Different financial structures, similar returns

Financial structure comparison in % is illustrative

KEY TAKEAWAYS

Monetize footprint

- Important building block for improved profitability
- Coverage driven by LTE rollout
- Capacity driven by traffic increase
- Strong global footprint in managed services with more than 300 contracts running

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