ESTABLISH LEADERSHIP IN TARGETED AREAS - PROGRESS

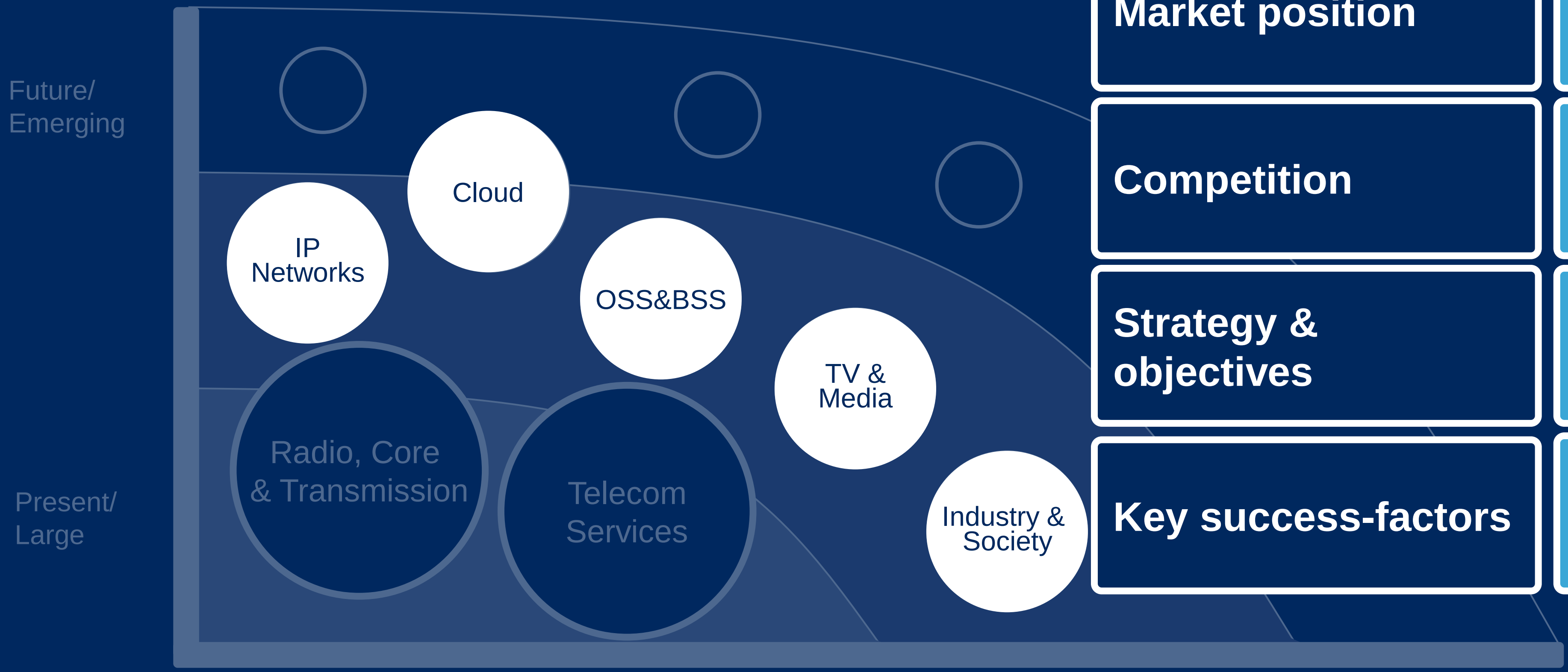
ERICSSON

Introduction to Targeted areas

RIMA QURESHI

Head of Strategy

STRATEGIC DIRECTION 2015
TARGETED AREAS



Market position	Challenger or leader in fragmented markets
Competition	ICT competition, mainly in software and professional services
Strategy & objectives	Drive growth, win leadership position
Key success-factors	Focus, leverage core business and scale up for critical mass

1 Excel in core business

2 Establish leadership in targeted areas

3 Expand business in new areas

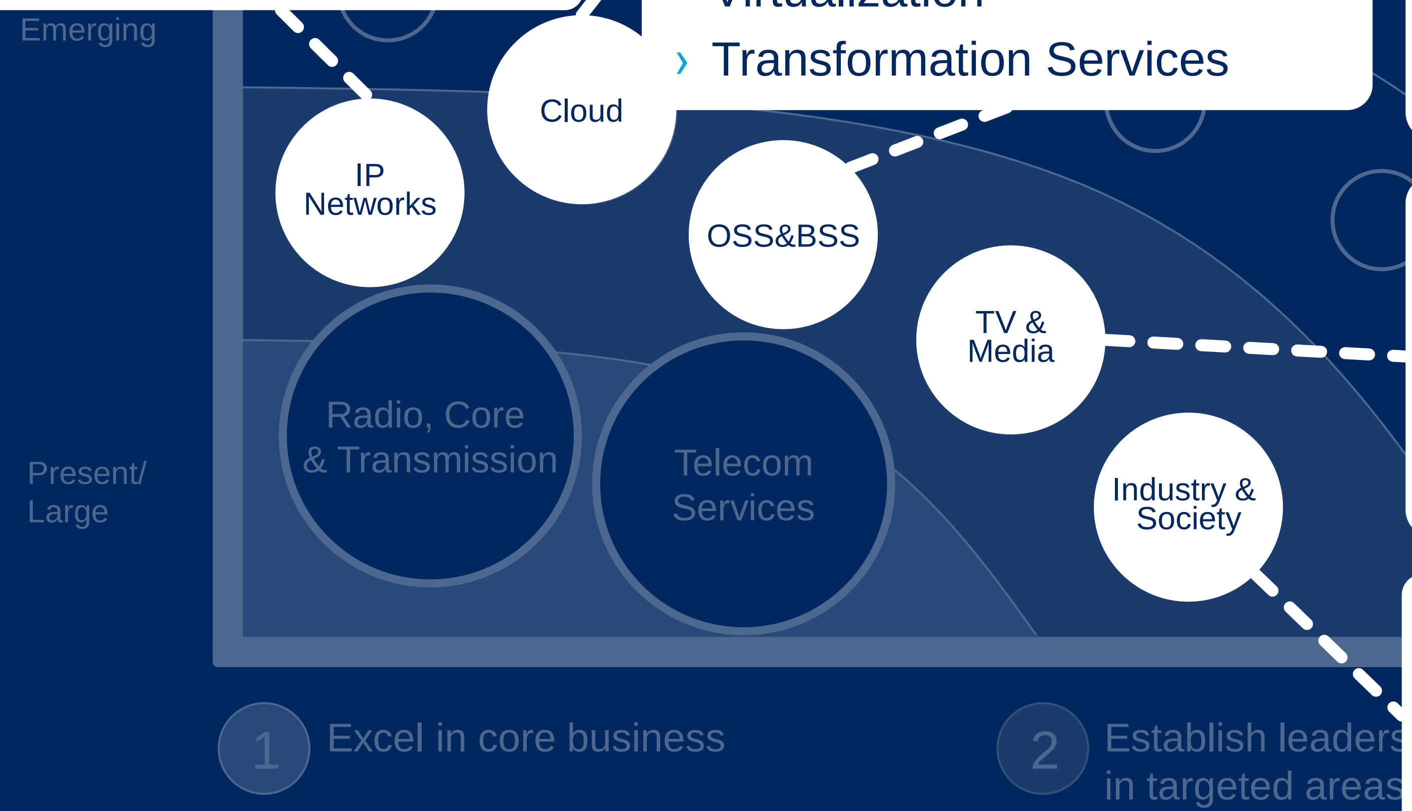
This slide contains forward-looking statements. Actual result may be materially different.

STRATEGIC DIRECTION 2015
TARGETED AREAS

- IP Core, Edge, Metro incl Mobile Backhaul, Ethernet Access Devices
- Related Services

- Operator Cloud Infrastructure incl Mgmt
- Network Function Virtualization
- Transformation Services

- Operational Support Systems
- Business Support Systems
- Service Enablement
- Network Mgmt
- Transformational Services



- TV SW Platforms
- Media Delivery
- Compression & Encoding
- Broadcast Playout, and other related Services

- Energy & Utility
- Automotive, Intelligent Transport Systems, Shipping
- Safety & Security

CRITERIA FOR TARGETED AREAS

II Growth potential

III High degree of software and professional services

IV High degree of recurrent revenues

I Adjacency - fully leveraging Ericsson core business areas

IP Networks
- E2e mobility
- Large installed customer base in Telco
- Leading systems integrator

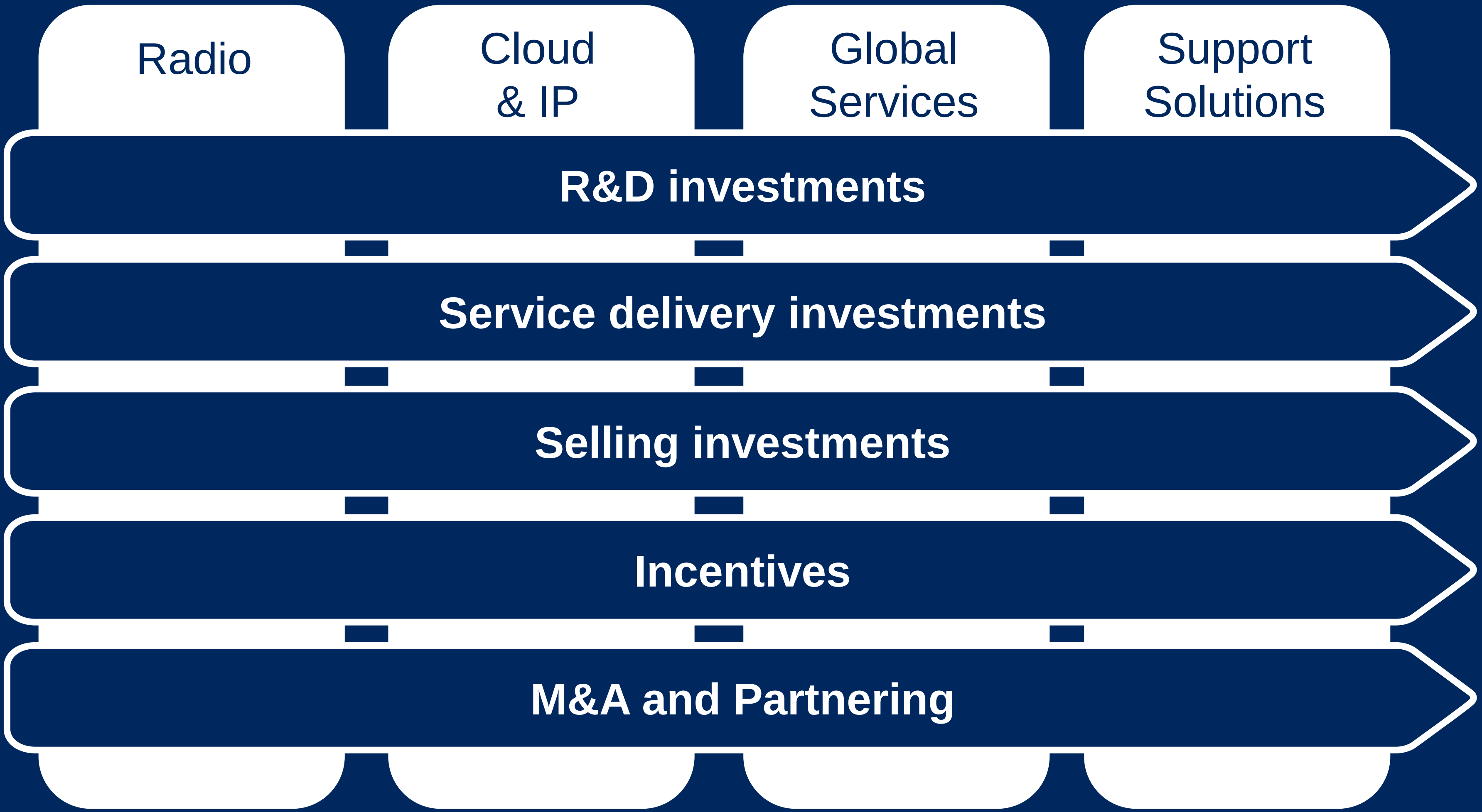
Cloud
- Leading portfolio of network applications
- Leading Telco IT transformation services

OSS&BSS
- Network mgmt leadership
- OSS&BSS SW leadership
- IT & Network transformation

TV & Media
- Media processing and delivery
- #1 in managed services for Telco
- TV anywhere platforms

Industry & Society
- Telco grade portfolio of HW & SW solutions
- Transformation services capabilities

RESOURCE ALLOCATION



INVESTMENTS ACROSS CORE, TARGETED AND NEW AREAS

	Excel in core business	Establish leadership in targeted areas	Expand business in new areas
R&D	Majority of investments to maintain leadership and drive innovation	Increasing investments for growth, win leadership position	Selectively expand in long-term opportunities
Mergers and Acquisitions	Consolidate and drive synergies for industry & technology leadership	Strengthen offering and boost market footprint	Develop new platforms and capabilities for growth
Partnering and Venture investments	Maintain leadership by pursuing cutting edge technology advances	Strengthen position and gain scale by expanding scope of offering	Explore nascent technology, skills and business models

Significant focus Increasing focus Selective focus

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

PROGRESS IN TARGETED AREAS LAST 12 MONTHS

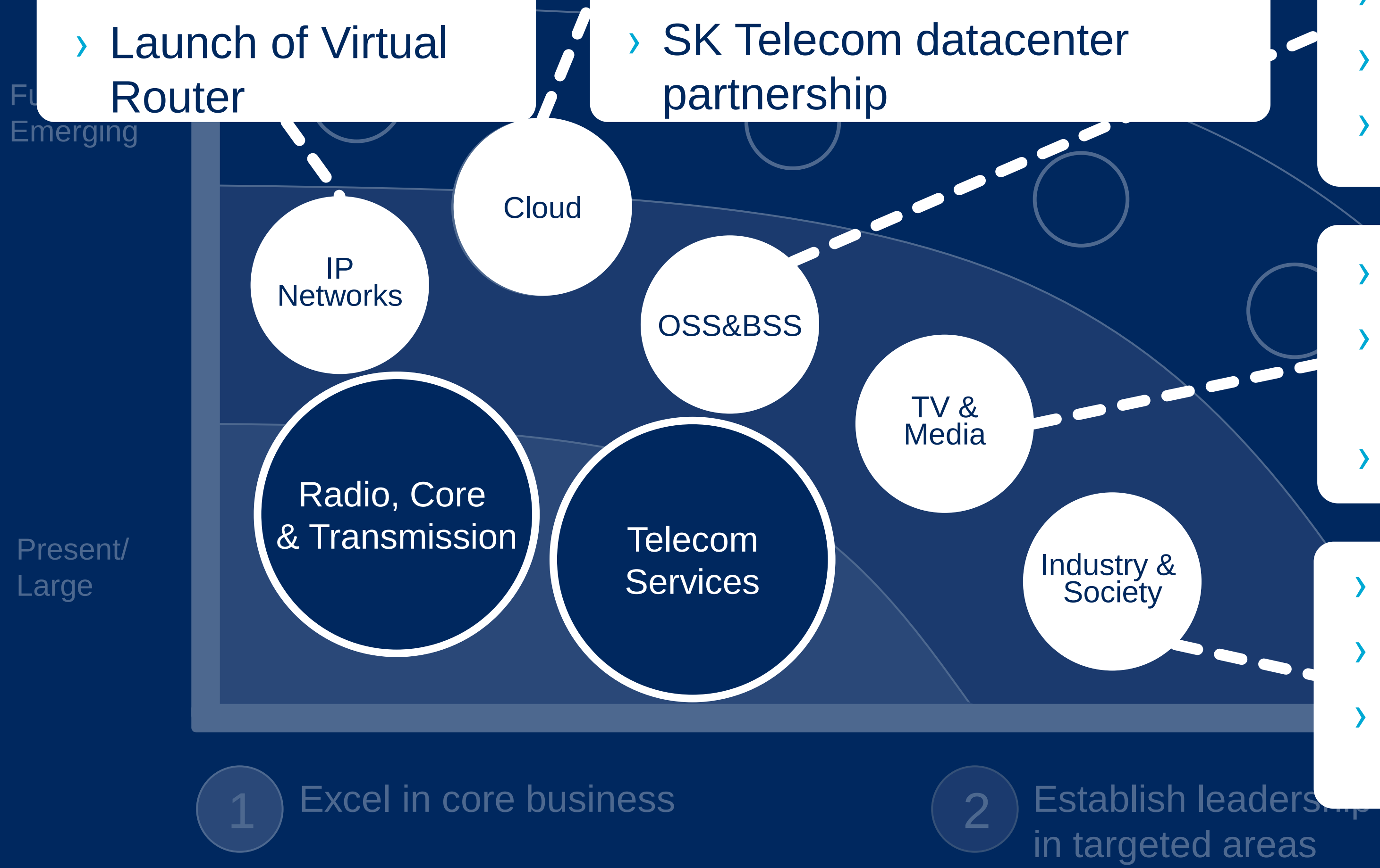
- Launch of new IP Router 6000 series
- Launch of Virtual Router

- Launch of Hyperscale Data Center System HDS 8000
- SK Telecom datacenter partnership

- Orange Polska OSS transformation
- T-Mobile billing solution
- Entel Digital Telco transformation
- Telkomsel's OSS transformation

- BBC playout services
- Multi-year broadcast services deal with Channel 5
- AT&T TV platform

- Maritime ICT cloud
- Smart metering solutions, Norway
- Connected bus stop - 3G, LTE or WiFi small cell technology



ACQUISITIONS AND PARTNERSHIPS LAST 12 MONTHS

- Partnership Verizon forum, LTE-Unlicensed
- Partnership LG-Uplus, 5G/IOT

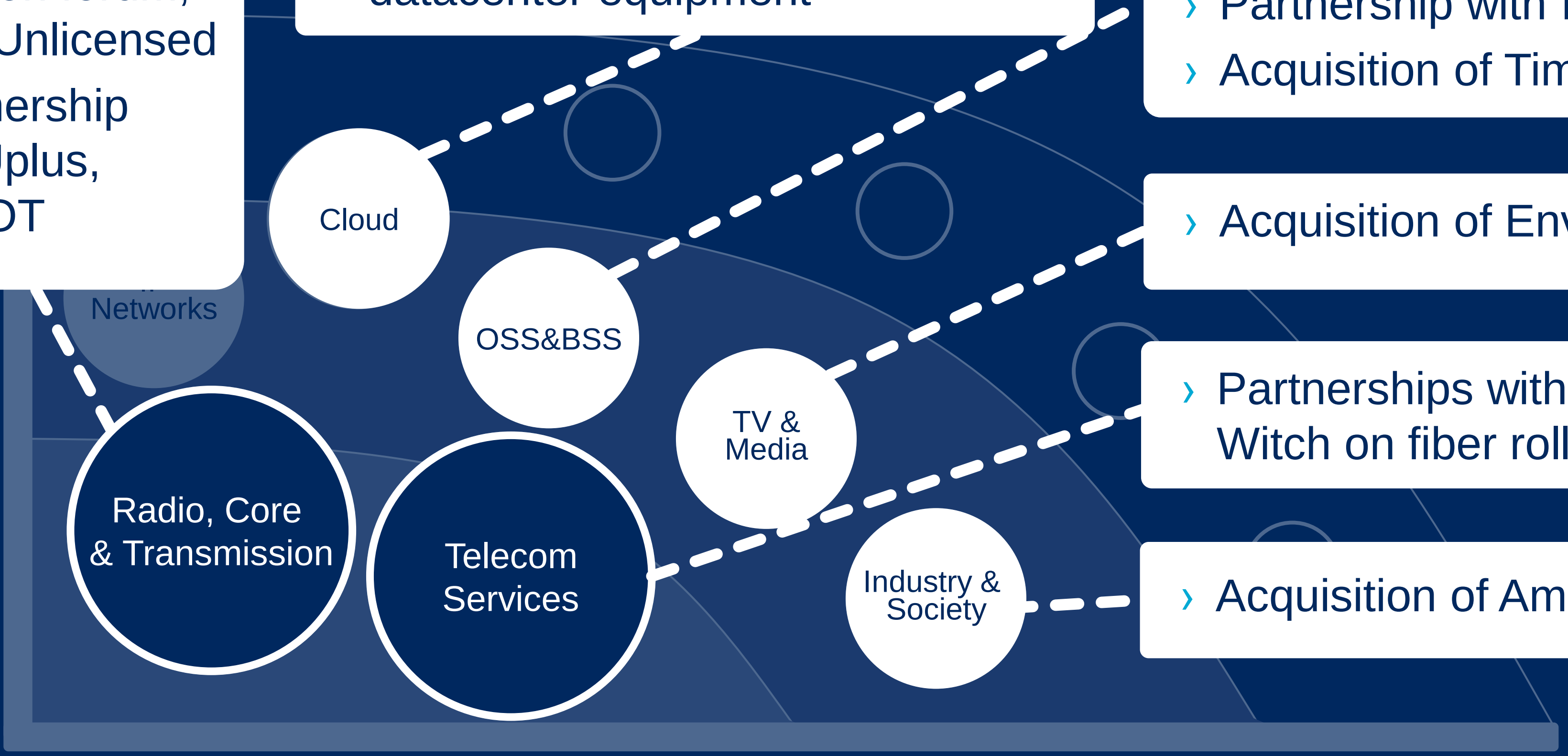
- Partnership with Intel on datacenter equipment

- Acquisition of Sunrise Technologies
- Partnership with Pegasystems
- Acquisition of Timeless MIND

- Acquisition of Envivio

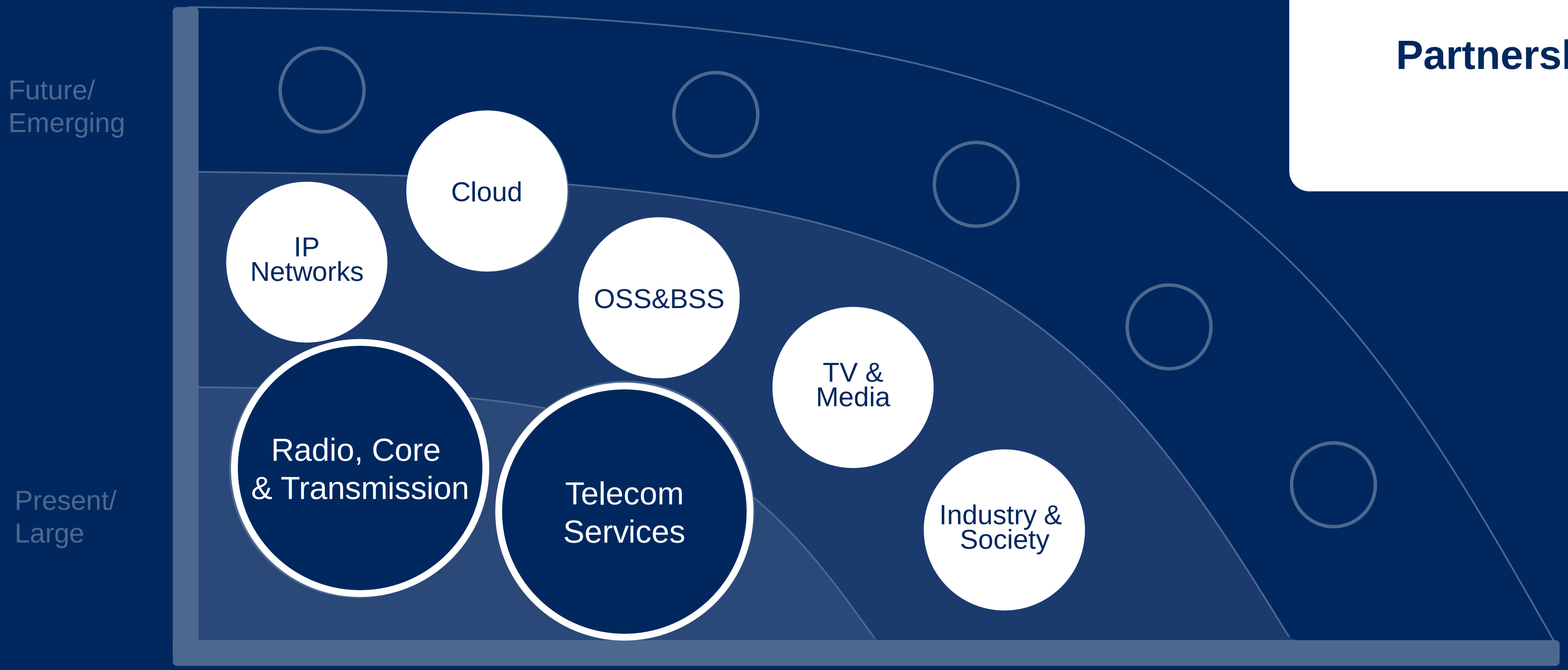
- Partnerships with Vermeer and Ditch Witch on fiber roll-out

- Acquisition of Ambient



M&A strategy remains - strengthen competitive assets and accelerate profitable growth

ACQUISITIONS AND PARTNERSHIPS LAST 12 MONTHS



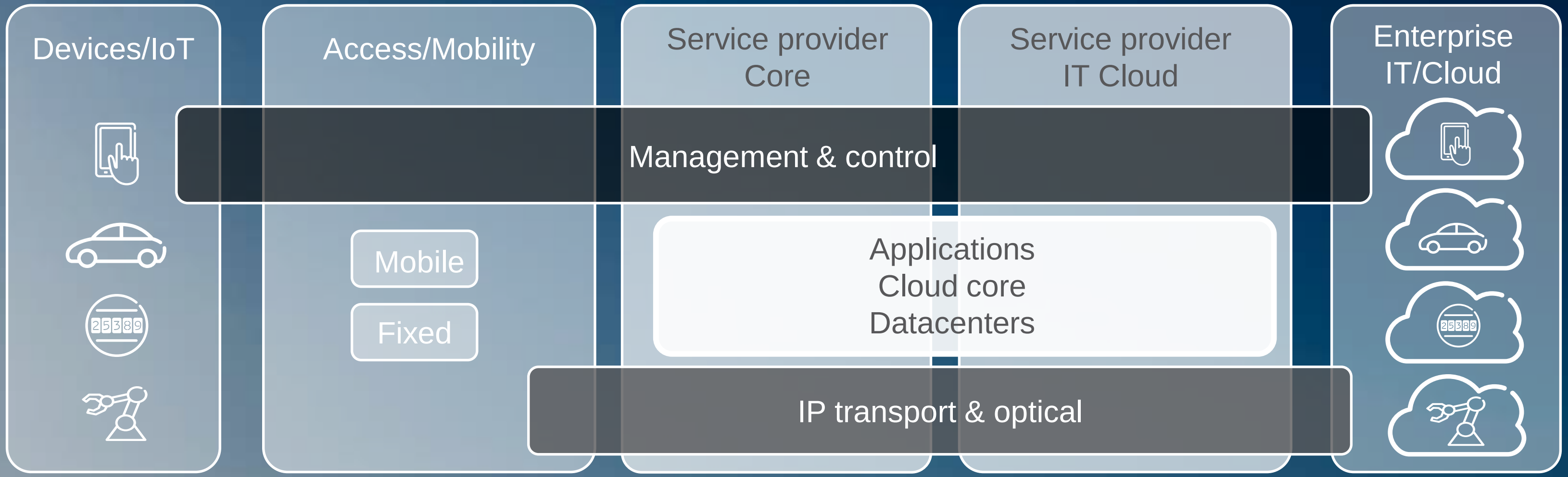
Partnership with Cisco

1 Excel in core business

2 Establish leadership in targeted areas

3 Expand business in new areas

ACCELERATED INNOVATION & GROWTH



Future networks – *agile, autonomous & secure*

End to end portfolio
- Across all domains

+

Industry leadership
- Scale & services capability

EXTENSIVE INTERACTION CONTINUES TO GAIN MOMENTUM

Partnership discussion initiated
October 2014

- Understand opportunity
- Outline roadmaps, investments

Partnership announced
November 9, 2015

Today

- Ericsson to resell of Cisco's networking products
- Comprehensive systems integration and managed services for service providers
- Joint cloud and 5G architecture customer engagements
- Intended cross patent licensing agreement

Future

- Highly-optimized backhaul solutions
- Seamless indoor/outdoor access
- Integrated network management solutions
- Cloud and data centers
- Internet of Things (IoT) platforms
- Comprehensive systems integration, managed services, and technical support for enterprise

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

ERICSSON

Targeted area: TV & Media

PER BORGKLINT

Head of Support Solutions


ERICSSON
ENABLING THE FUTURE OF TELEVISION

AGENDA

Industry trends

Market outlook

Strategy execution

Strategy going forward

THE MEDIA EXPERIENCE WILL CHANGE MORE IN THE NEXT 5 YEARS THAN IT HAS IN THE LAST 60 YEARS

>50%
of time smartphone users spend on mobile screens

TV: FROM BOX TO EXPERIENCE

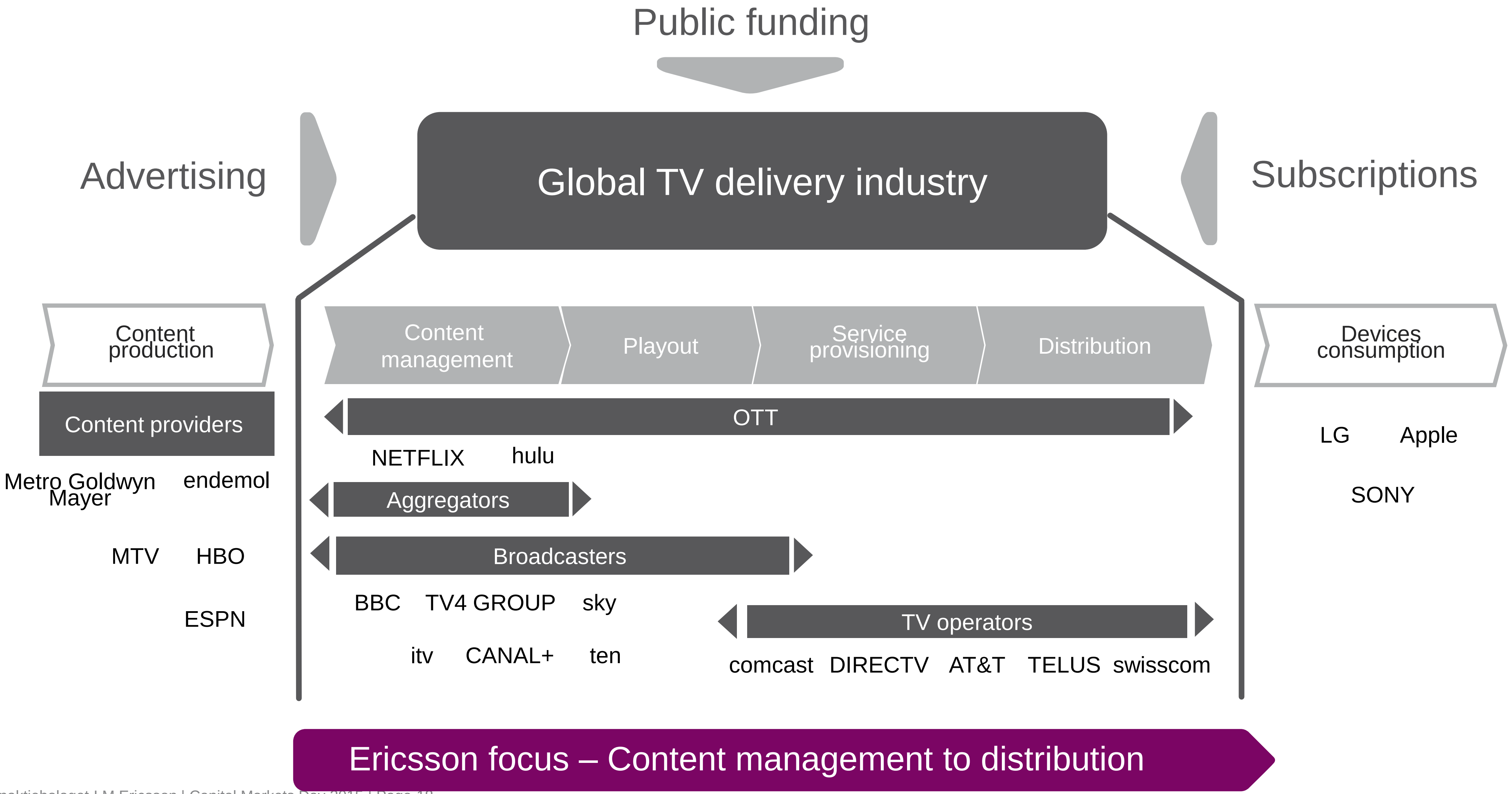
>50%
of time on demand

THE CONVERGED MEDIA EXPERIENCE

>50%
of time on command

PERSONALIZATION AND TARGETING

TV & MEDIA INDUSTRY OVERVIEW



ERICSSON HIGHLY RELEVANT AND WELL POSITIONED IN GROWING TV & MEDIA MARKET

Fragmented, transforming and fast growing market without clear leader

70% of all mobile data traffic will be from video by 2021 growing by 55% annually

Telecom operators and Pay TV operators are merging

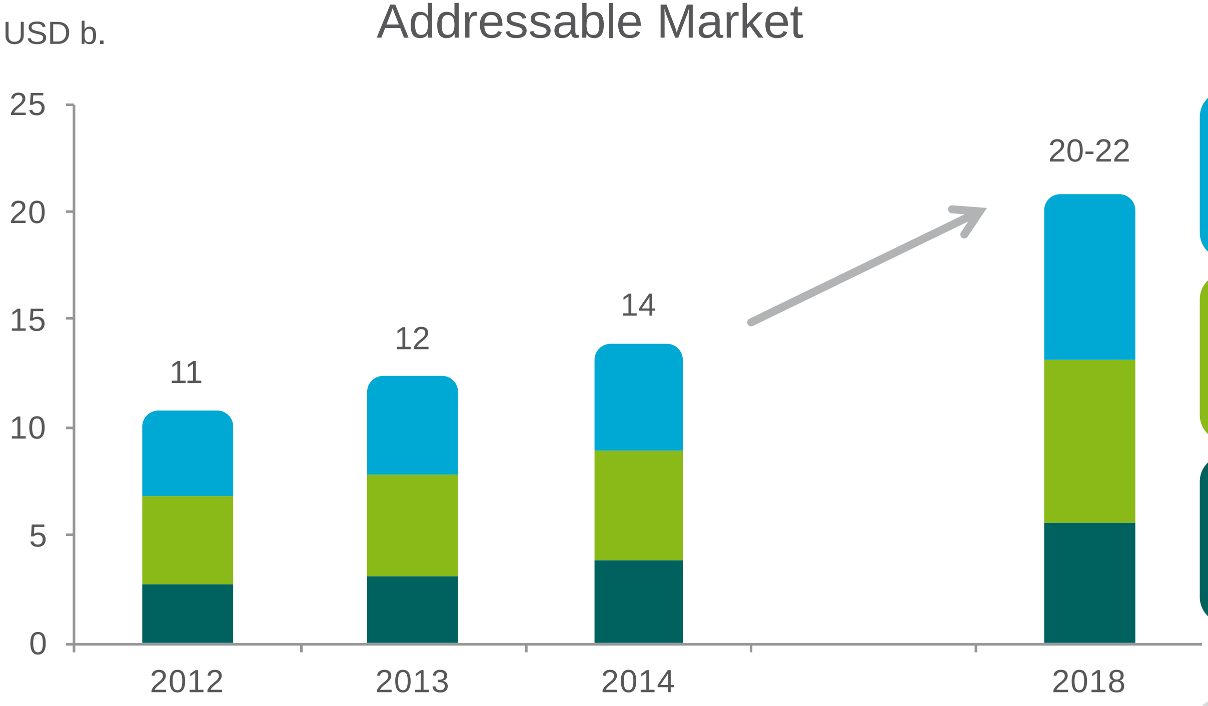
Opportunity for leadership position in large market

Mobility, video delivery and experience will be key

Increased focus on TV & Media among customers

TV AND MEDIA MARKET DRIVERS

Addressable Market



Market drivers and Industry trends

Products	• Media experience and delivery efficiency drive investments
Systems Integration, Consulting and Support	• Industry looking for IP transformation partners
Broadcast and Media Services	• Outsourcing of broadcast and media services

Competition
CISCO, Arris, ALU, Huawei, Harmonic, Accenture, Arqiva, Encompass

CAGR 2014-2018: 10-12%

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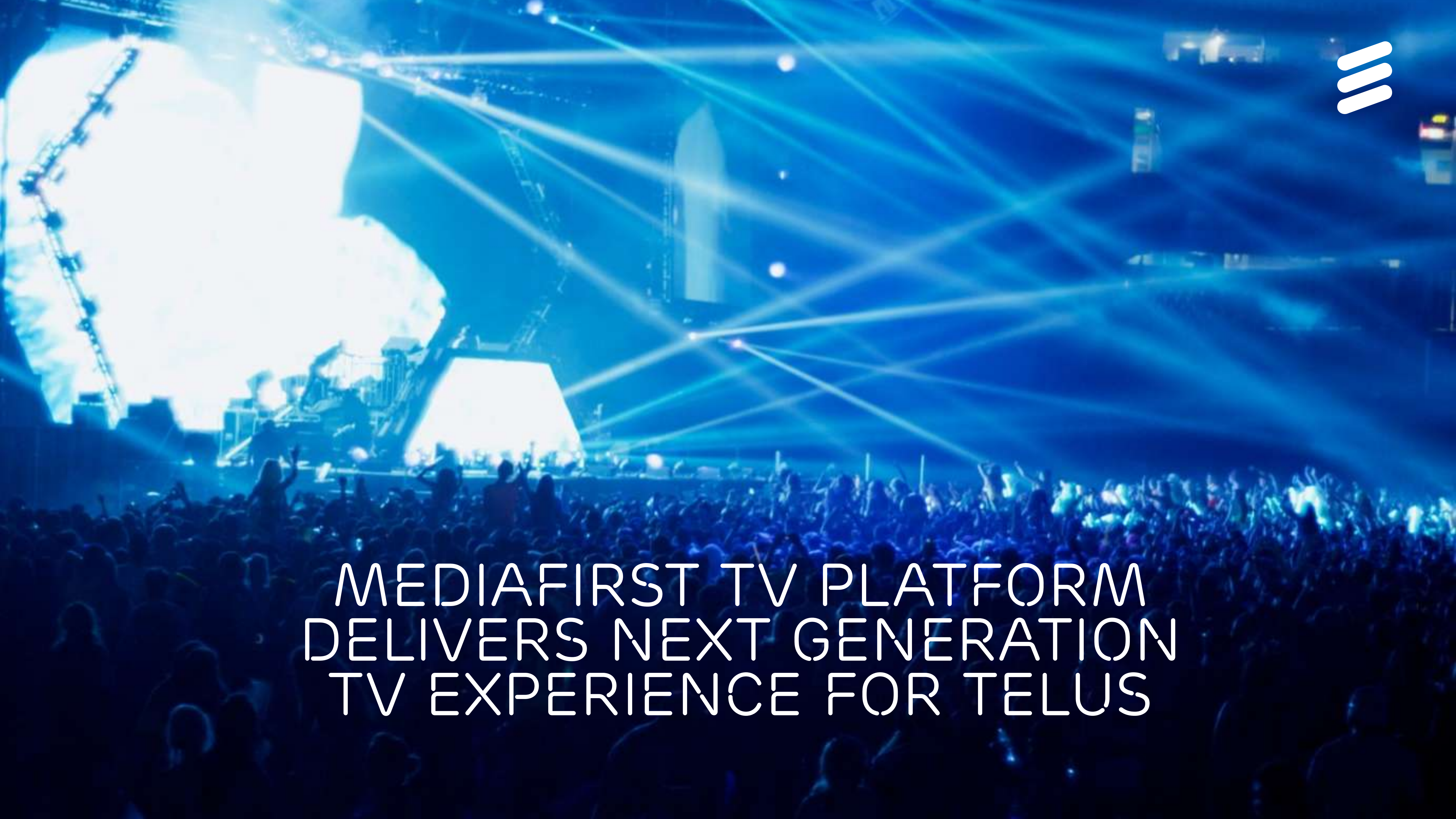
ERICSSON TO INTEGRATE AT&T TV PLATFORM



MEDIAFIRST TV PLATFORM DELIVERS NEXT GENERATION TV EXPERIENCE FOR TELUS


BBC AWARDS MULTI-YEAR PLAYOUT SERVICES DEAL TO ERICSSON

VIDEO COMPRESSION LEADERSHIP WITH ENVIVIO ACQUISITION

envivio®

GOOD PROGRESS ON STRATEGY EXECUTION

STRATEGY	ACHIEVEMENTS LAST 12 MONTHS
Strengthen leadership position in IPTV platforms building on existing footprint	✓ MediaFirst TV Platform has general availability ✓ Telus to implement MediaFirst TV Platform ✓ Agreement with AT&T signed
Establish a differentiated position in video processing and video centric networks	✓ Acquisition of Envivio ✓ Announcement of CloudDVR with Swisscom ✓ Telstra CDN as a Service
Excel in video transformation through our professional and managed services capabilities	✓ 7 year playout services deal signed with BBC ✓ Multi-year services deal with Channel 5 ✓ ITV’s main linear playout service until 2024
Leverage our global reach, services and technology leadership	✓ Prime integrator for over 50+ transformations ✓ 15 Media hubs worldwide ✓ Total of 6 Emmys

PROVEN STRATEGY REMAINS

STRATEGY	WANTED POSITION
Strengthen leadership position in IPTV platforms building on existing footprint	The leader in the IP transformation of TV & Media
Establish a differentiated position in video processing and video centric networks	
Excel in video transformation through our professional and managed services capabilities	
Leverage our global reach, services and technology leadership	

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

KEY TAKEAWAYS

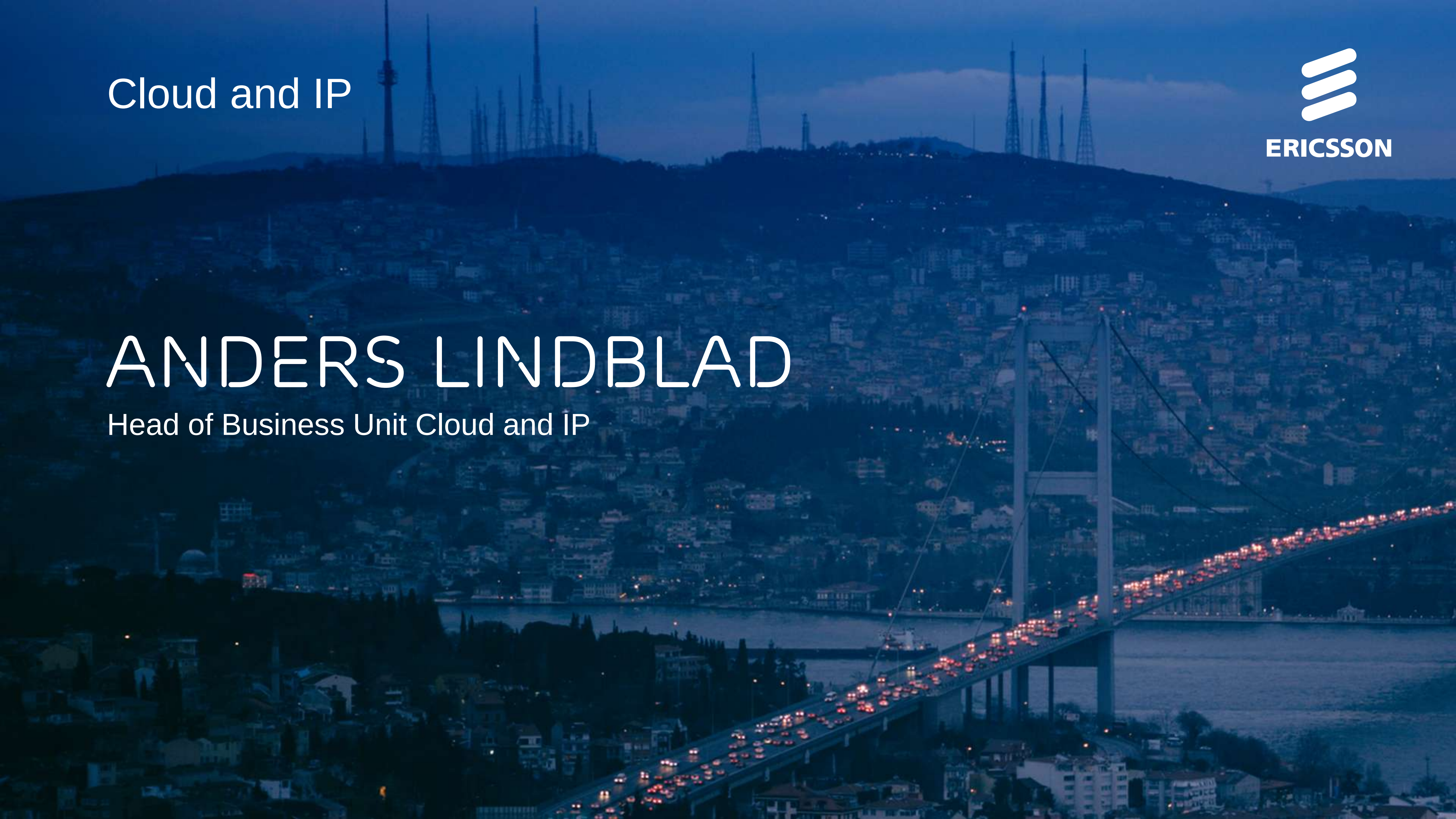
TV & Media is a large and growing market -

great opportunity for Ericsson

Addresses essential need of current Telco customers and takes Ericsson into cable, satellite and broadcast

Ericsson executing to be the partner of choice for the IP transformation of media

ERICSSON

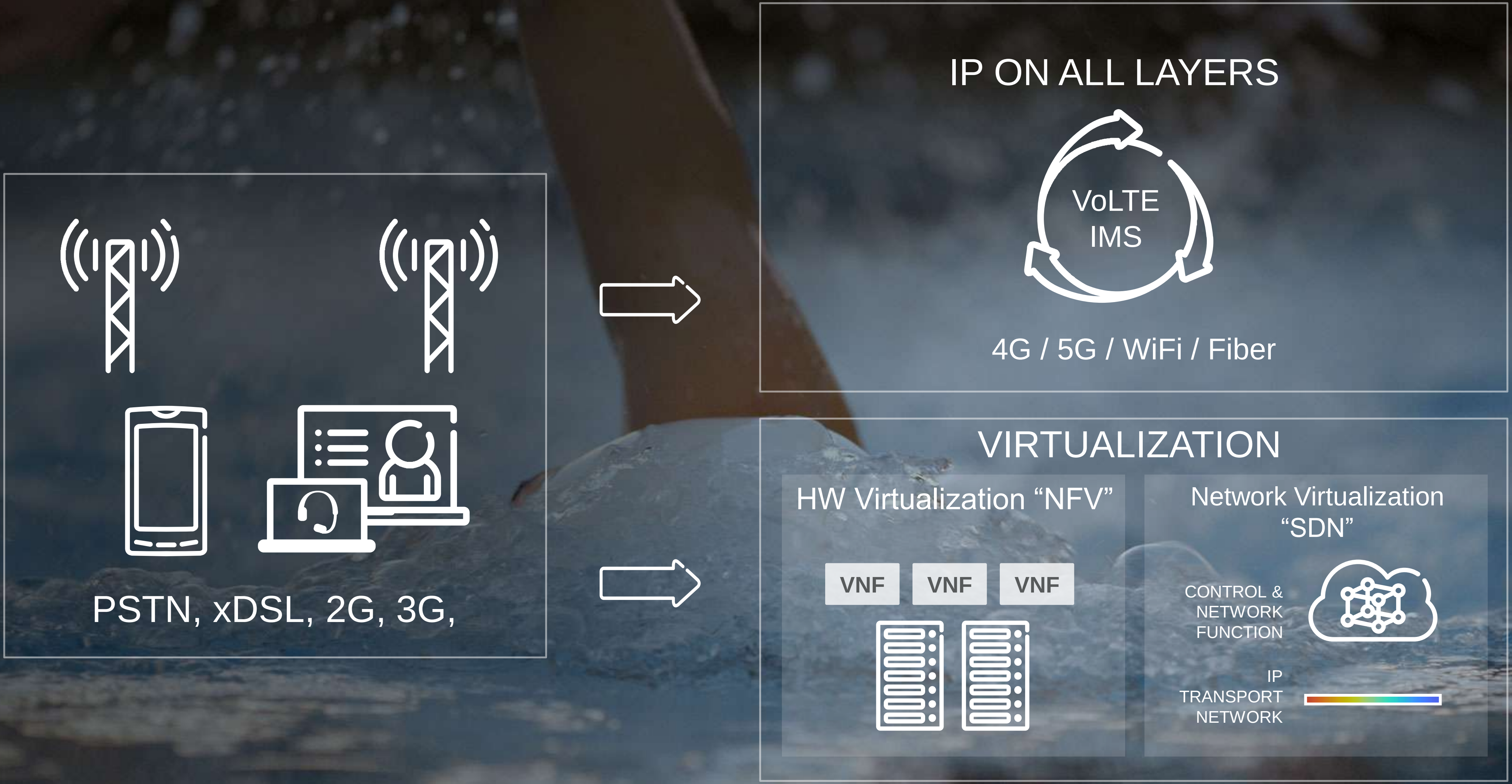


Cloud and IP

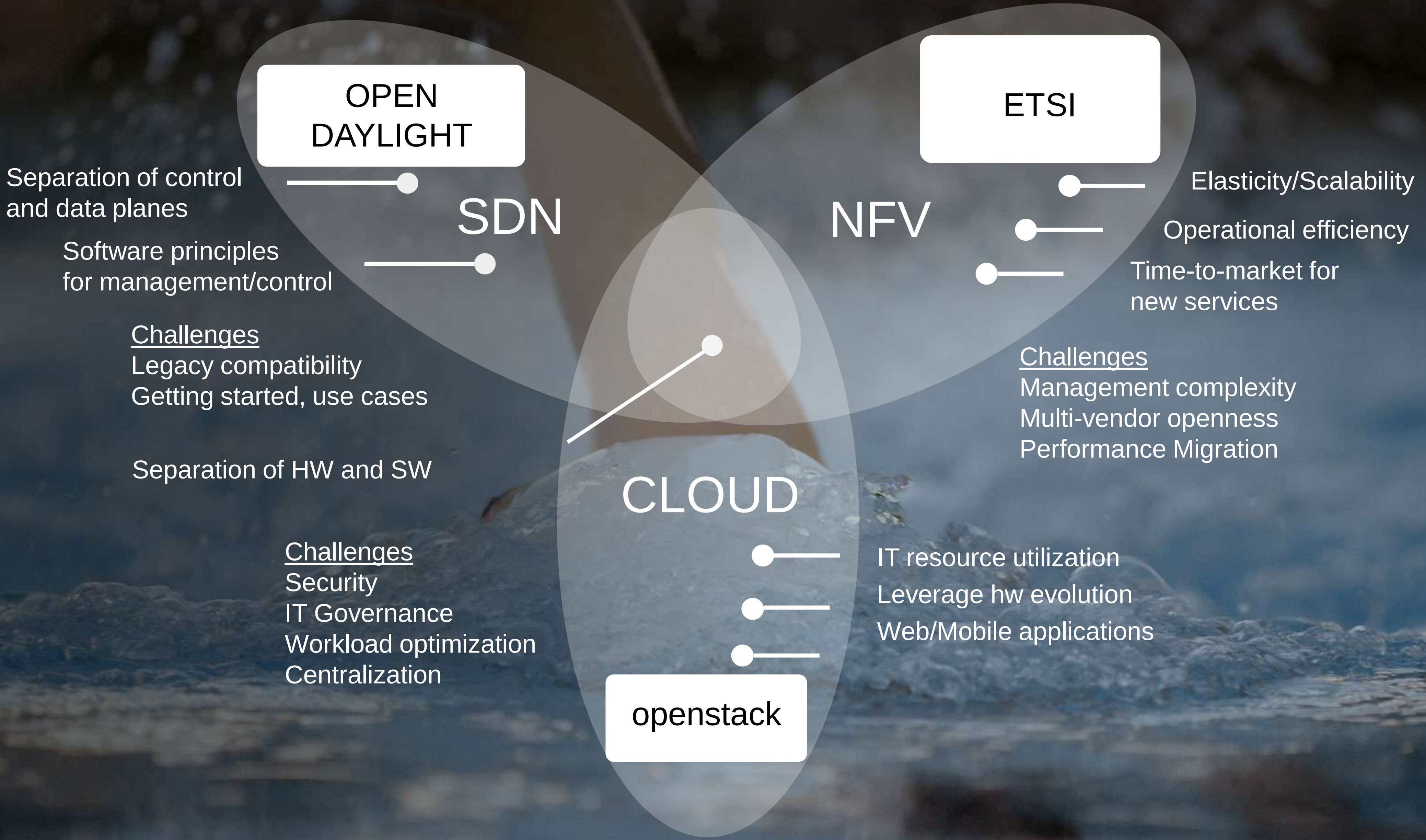
ANDERS LINDBLAD

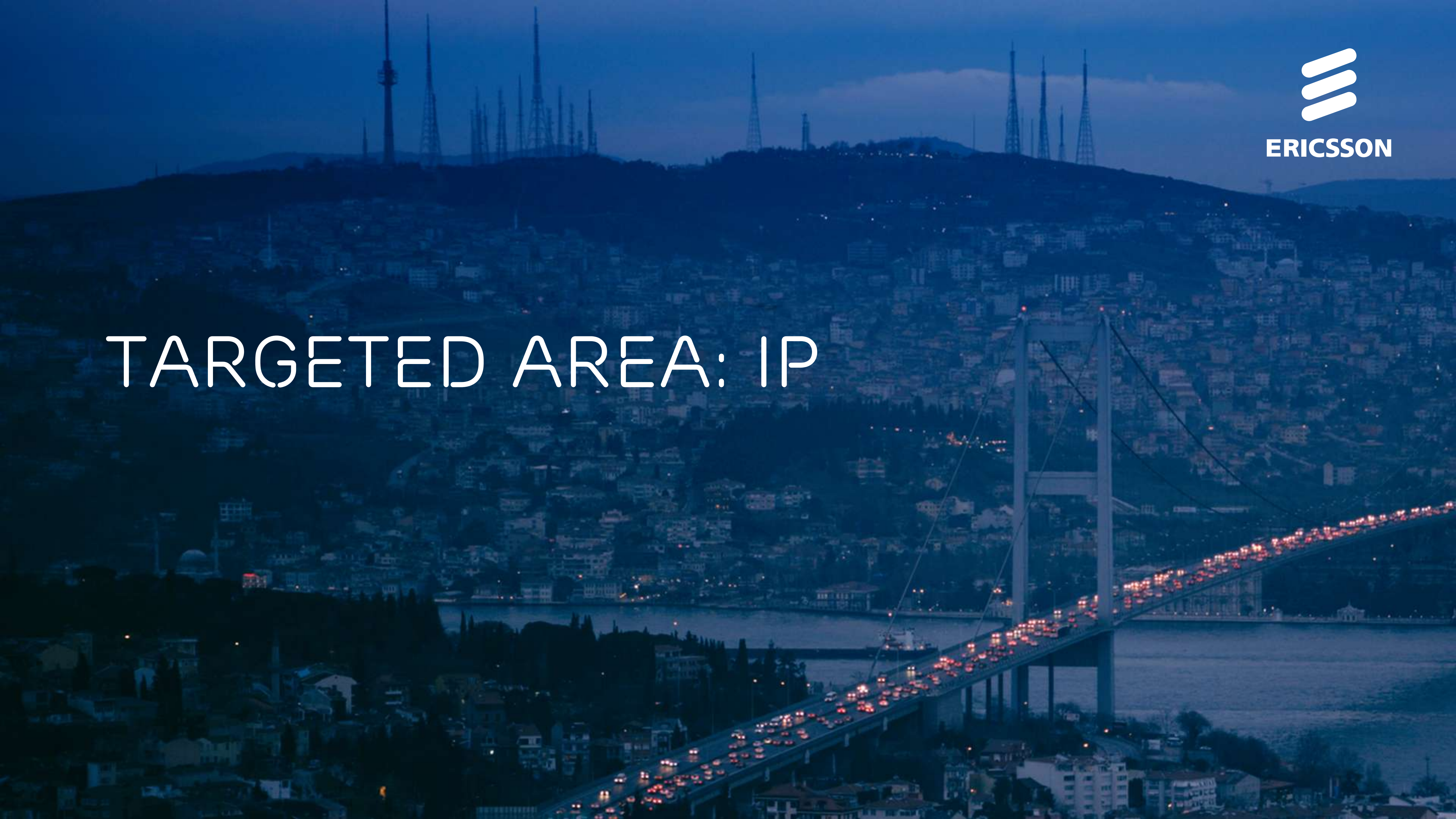
Head of Business Unit Cloud and IP

OPERATORS AFFECTED BY TWO MAJOR SHIFTS



NEXT GENERATION NETWORK
BUILD WITH SDN, NFV AND CLOUD TECHNOLOGY





TARGETED AREA: IP

AGENDA

Strategy recap and progress

Market outlook and industry trends

Strategy going forward

EXECUTION ACCORDING TO 2014 STRATEGY

- New family of products to complete the portfolio
  - Router 6000
    - Backhaul integrated with radio
  - Ericsson Virtual Router
    - New data centers and virtualization
  - First contract secured for Router 6000
- Investment in common management and our own operating system (IPOS)
- Good traction for fixed IP applications on SSR 8000
- IP transformation services
- 50% increase in IP certification
- Significant increase in deep SDN engagements

ACCELERATING OUR IP STRATEGY

- Ericsson IP strategy is on track
- We have taken the opportunity to enhance our IP strategy through partnership
- This partnership will accelerate our ambitions to lead in the Networked Society

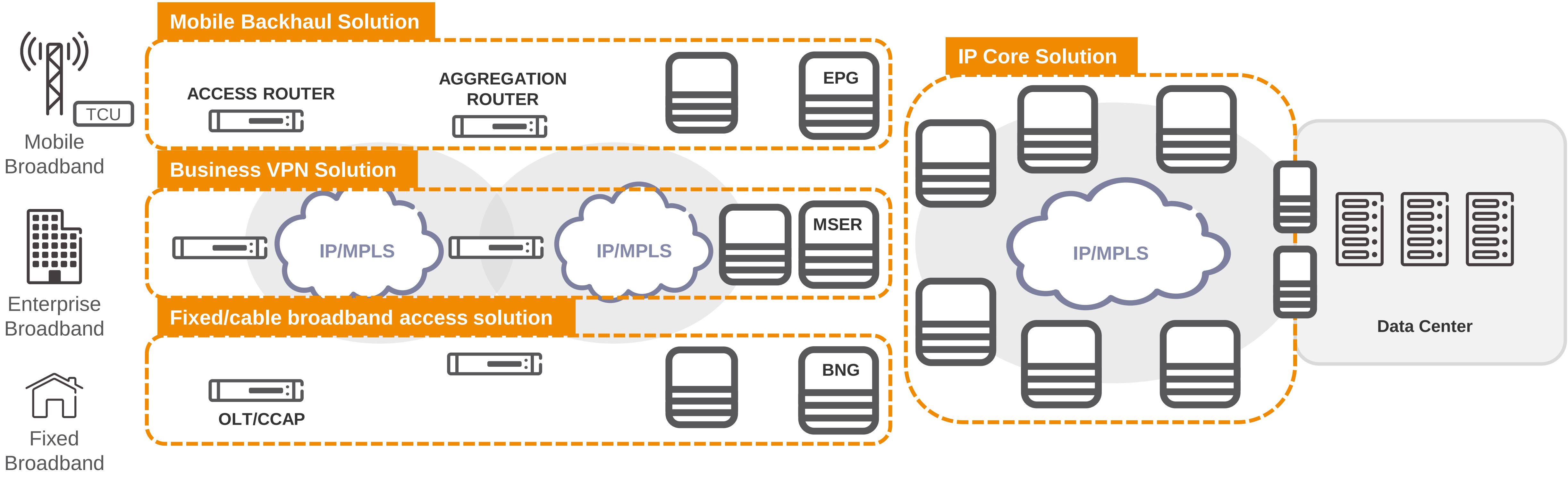
ERICSSON

CISCO

AGENDA

- Strategy recap and progress
- Market outlook and industry trends
- Strategy going forward

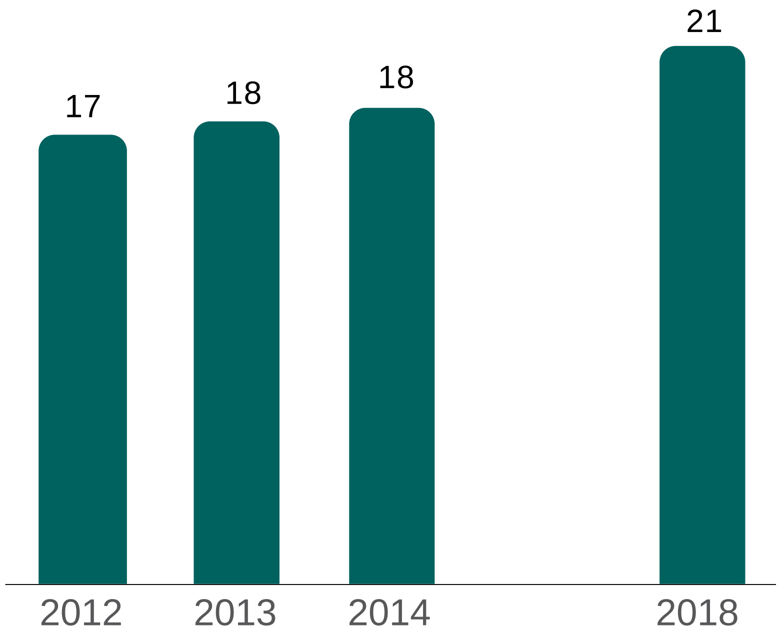
OUR OFFERING
BY IP E2E SOLUTIONS



IP MARKET AND OUTLOOK

USD b.

2 - 4%
CAGR 2014-2018



Market drivers

- Traffic increase – performance
  - Backhaul optimization
  - Network simplification
- Service innovation - personalization
- Programmable network - agility
- Efficient service delivery

Included: IP edge, Metro aggregation, IP core, EAD, Systems integration, Consulting and support

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

AGENDA

- Strategy recap and progress
- Market outlook and industry trends
- Strategy going forward

STRATEGY GOING FORWARD

Complete IP portfolio
end to end approach

Leverage radio and services capabilities

High attention on sales execution

Wanted position 2020

TOP 3

in IP networking for operators

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

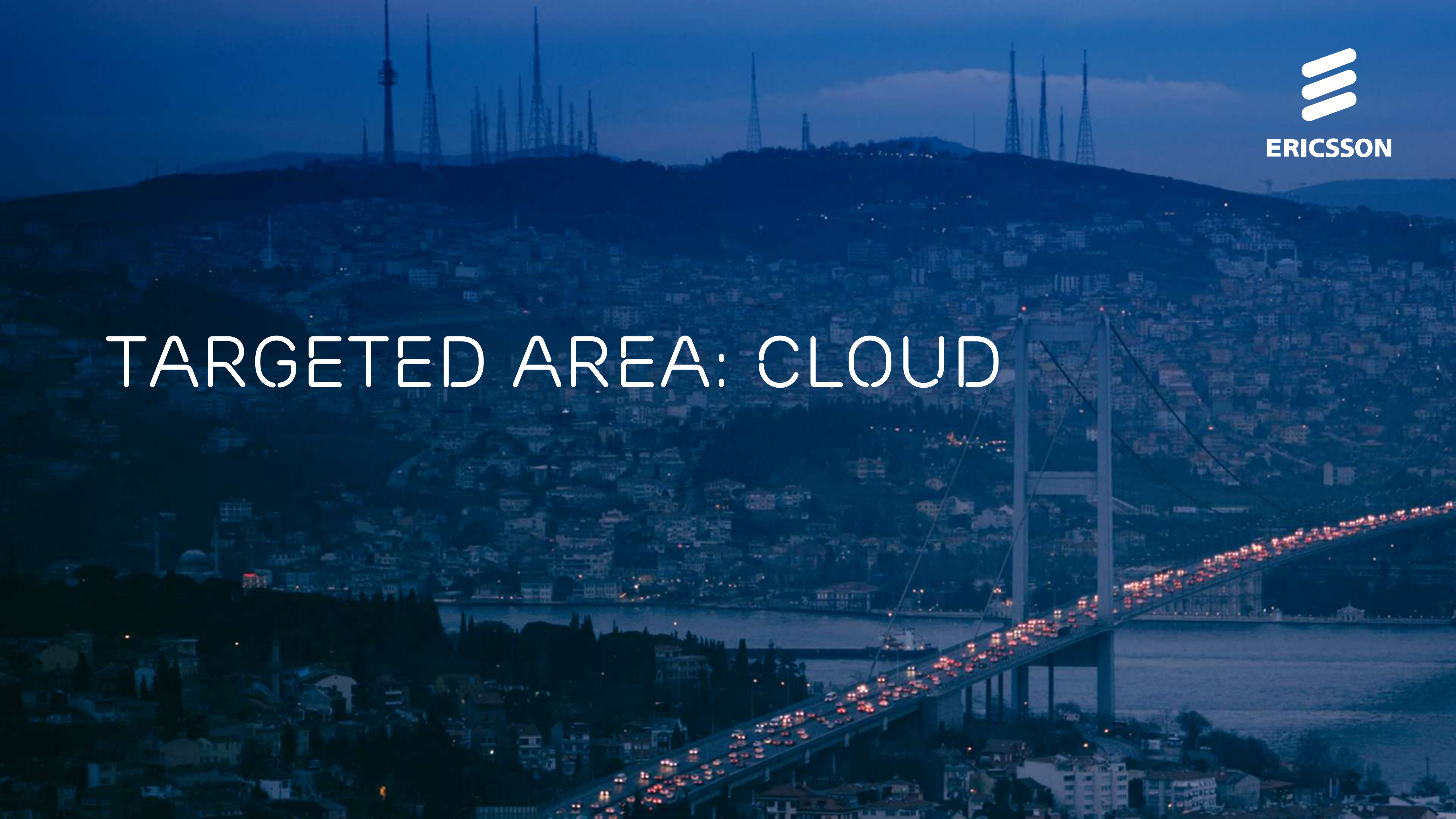
KEY TAKEAWAYS

5G, Cloud and IoT lead to new network requirements

New solutions based on own and partner’s portfolio

Partnerships to capture industry growth and value creation

TARGETED AREA: CLOUD



AGENDA

Recap & progress

Market outlook and industry trends

Strategy going forward

OPERATORS' THREE CLOUD TRANSFORMATION JOURNEYS

Telecom Network Transformation	Internal IT Transformation	Commercial Cloud Offerings
Operator Telecom Cloud	**Operator IT Cloud**	**Operator Commercial Cloud**
Virtualized network functions e.g. vEPC, vIMS	Virtualized IT functions for internal use e.g. CRM, OSS/BSS	Cloud offerings sold as a service (XaaS) e.g. public cloud for enterprises

CUSTOMER TRACTION

- SK Telecom
  - Agreement to create an automated and TCO-efficient hyper scale cloud infrastructure
- NTT DoCoMo
  - Selected as solution partner for network virtualization and Cloud Manager
- Telstra
  - Jointly established Center of Excellence for programmable Networks
- Telefonica
  - Extended co-operation for network virtualization

ERICSSON CLOUD INNOVATION

- › Launch of HDS 8000
  - – First lead customer signed, SK Telecom
  - – Winner of Leading Lights award for best new product
- › Demonstrations with AT&T
  - – E.g. joint demonstration of advanced container technology, powered by Apcera, for more efficient application deployment at OpenStack
- › Ericsson Cloud Manager – “NFV Innovation of the year”
- › Industry & Society offerings launched
  - – Connected Vehicle Cloud
  - – Connected Maritime Cloud
  - – Connected Wine yard trial with Intel

PARTNERS, INVESTMENTS AND ALLIANCES

Cisco	APCERA	OPNFV
intel	sentilla	OPEN DAYLIGHT
Cleversafe	metratech	tmforum
guardtime	FABRIX	openstack
ABB		CLOUD FOUNDRY
		IETF
		ETSI
		ONF
		DMTF

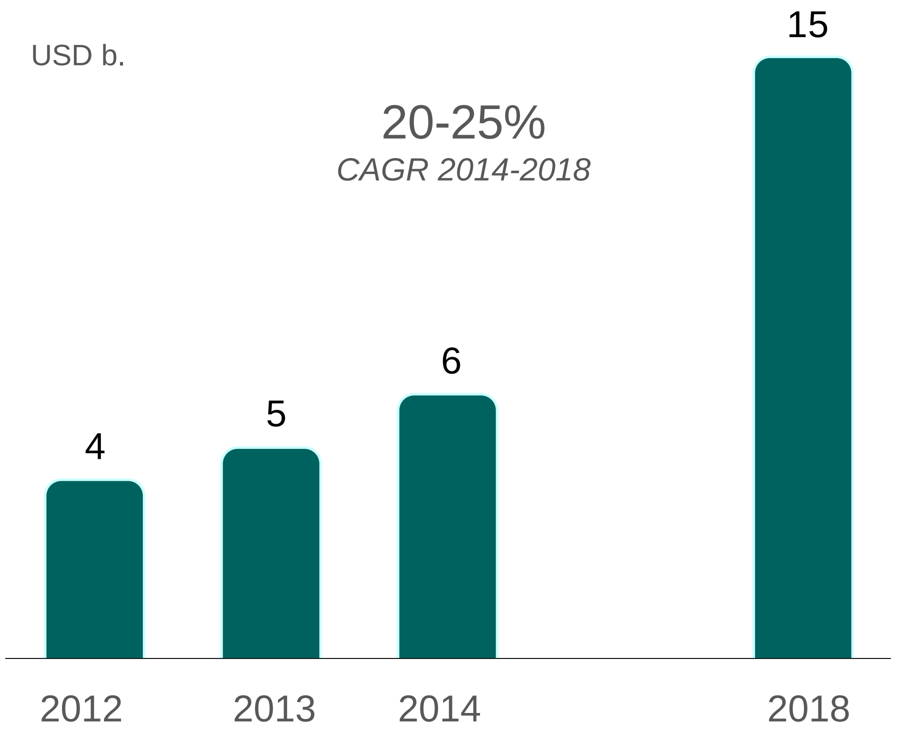
AGENDA

Recap & progress

Market outlook and industry trends

Strategy going forward

OPERATOR CLOUD MARKET OUTLOOK AND DRIVERS

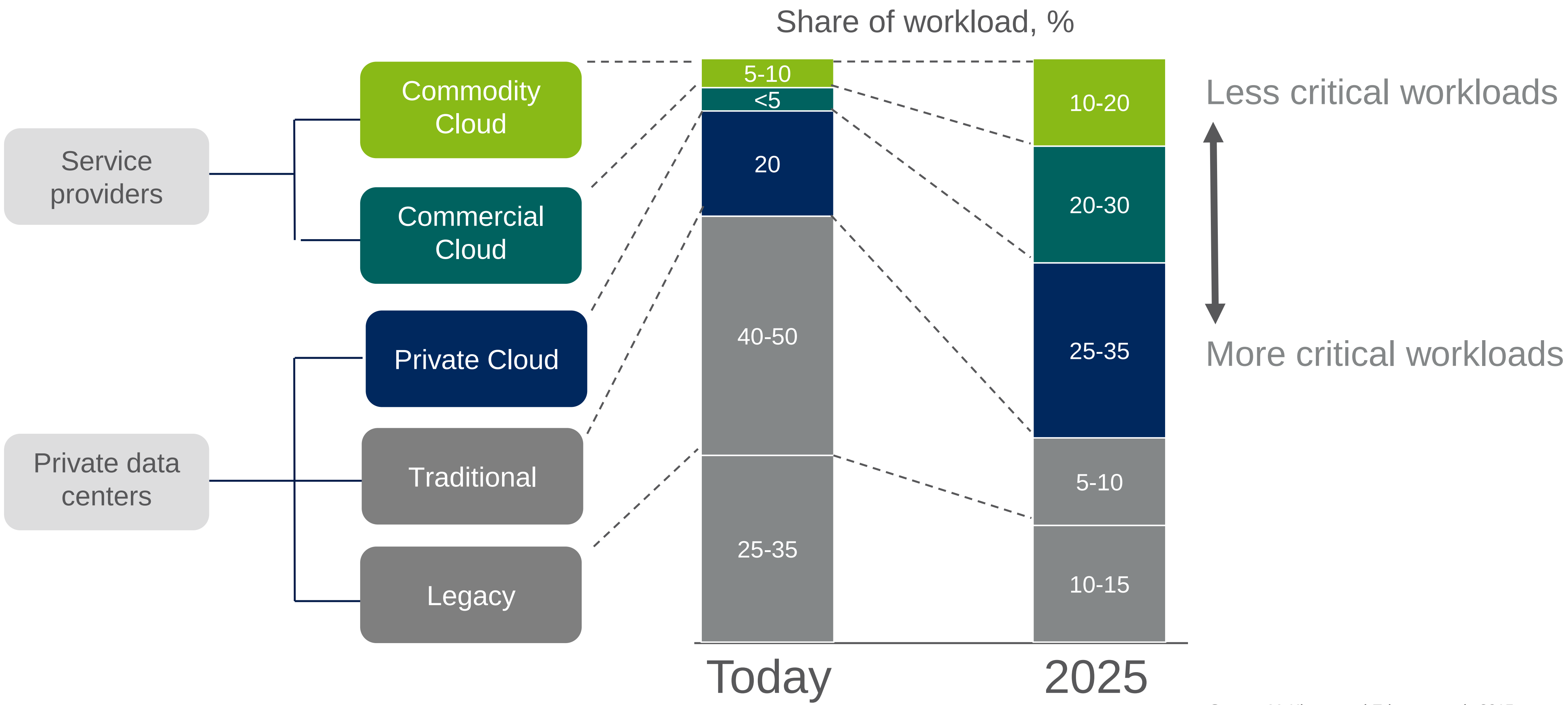


Market drivers

- Operators need for growth
- Demand for service agility, programmability and time to market
- Increasing traffic and business models from Internet of Things (IoT)
- Need for governance and security
- Demand for SW defined infrastructure

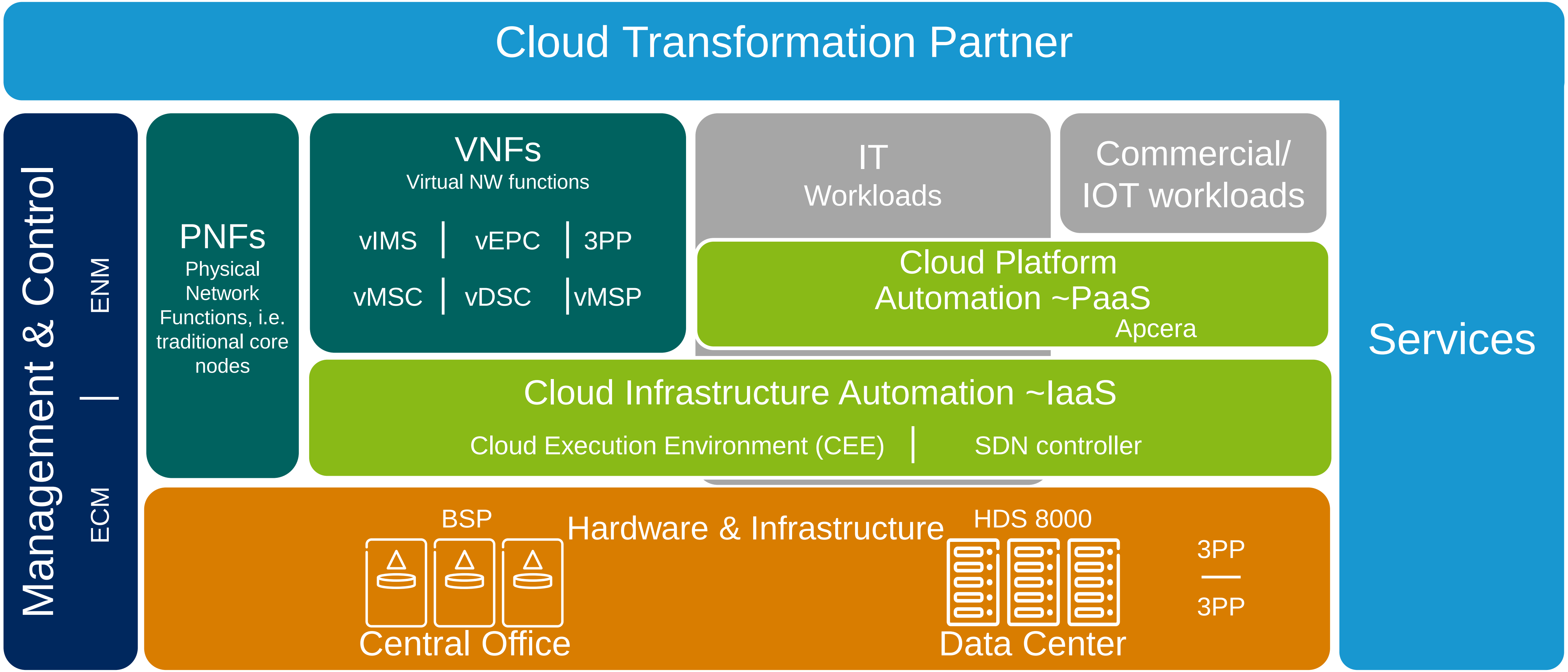
Operator only: Operator Telecom Cloud, Virtual Network Core Functions, Operator Cloud Management, Operator IT & Commercial Cloud as well as related services.

WORLD WORKLOADS SHIFT TO CLOUD



Source: McKinsey and Ericsson study 2015

ERICSSON OFFERINGS IN CLOUD



AGENDA

Recap & progress

Market outlook and industry trends

Strategy going forward

STRATEGY GOING FORWARD

Enable world leading cloud platform

Virtualize the core network applications

Leverage our services leadership

Wanted position 2020

#1 Operator Telecom Cloud (NFV)
Top 3 Cloud transformation partner for operators
Top 3 in Operator IT & Operator Commercial Cloud
Emerging leader in digital industrialization for large enterprises

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

KEY TAKEAWAYS

Cloud transformation opens up great business opportunities for Ericsson

Ericsson is enabling a world leading cloud platform, in which we utilize our services leadership

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

ERICSSON

Targeted area: Industry & Society

ERICSSON

MAGNUS MANDERSSON

Executive Vice President

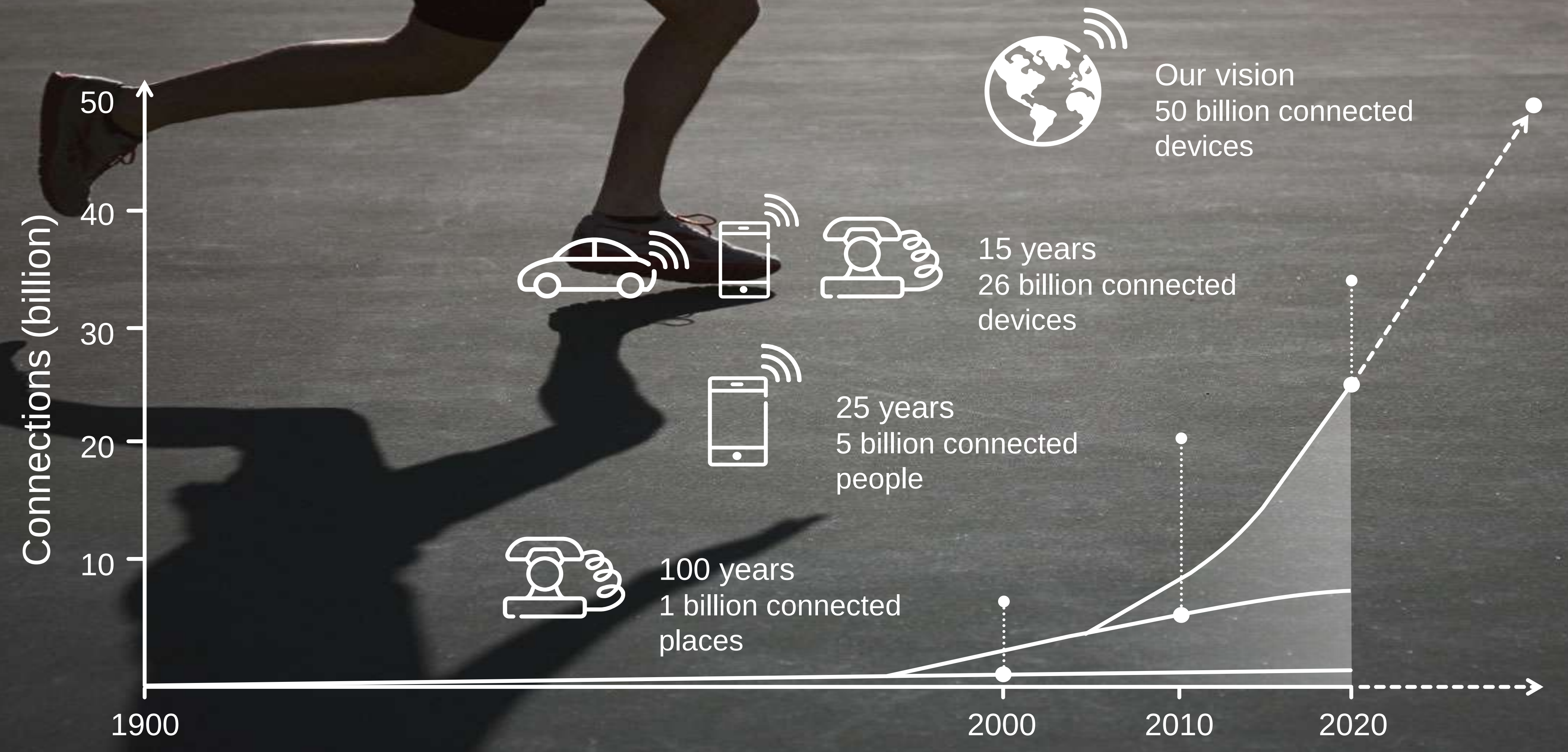
Head of Global Services

MARIE FOSSUM

Vice President

Head of Utilities

CONNECTED DEVICES



Accelerating pace of change, Internet of Things transformation ongoing

VERTICAL MARKETS

Industry & Society

› Adjacent industries seek ICT transformation

› New business line established 2014

› Based on existing offerings

› Proven customer track record

Utilities

Transport

Public safety

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WHY VERTICALS?

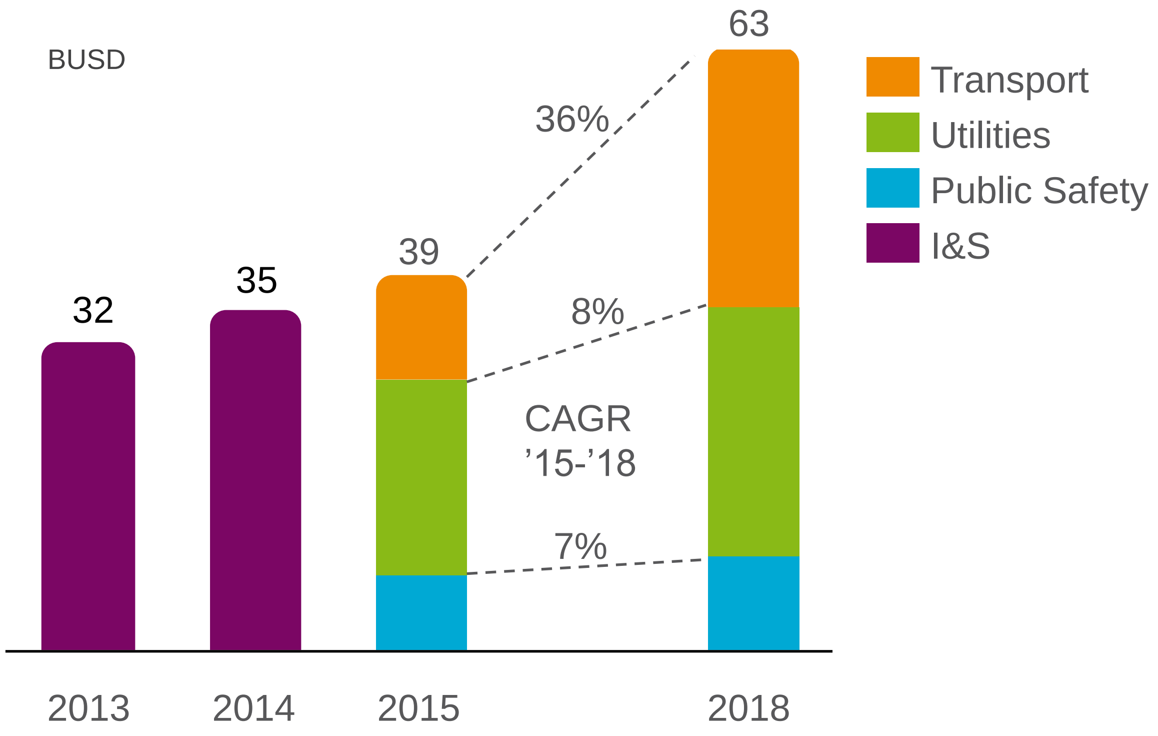
- Re-use of core capabilities
- Concentrated market
- Global replicability
- Disruption enabled by mobility

WHY ERICSSON?

- Comprehensive services portfolio
- Proven track record
- Global market presence
- Leader in mobile technologies

MARKET OUTLOOK

Addressable Market



- ICT infra for road / rail
- Transport transactions
- Traffic management
- Connected vehicle, connected vessel

- Smart metering, Smart grid communication
- Grid control
- Asset & Critical infrastructure management
- Customer and Revenue management

- First responder networks (PS-LTE)
- Disaster and Emergency management
- Critical Infrastructure protection
- Strategic government networks

CAGR 2015 – 2018: 16 – 18%

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

BIG CHANGES IN THE UTILITIES ARENA

Introduction of renewables

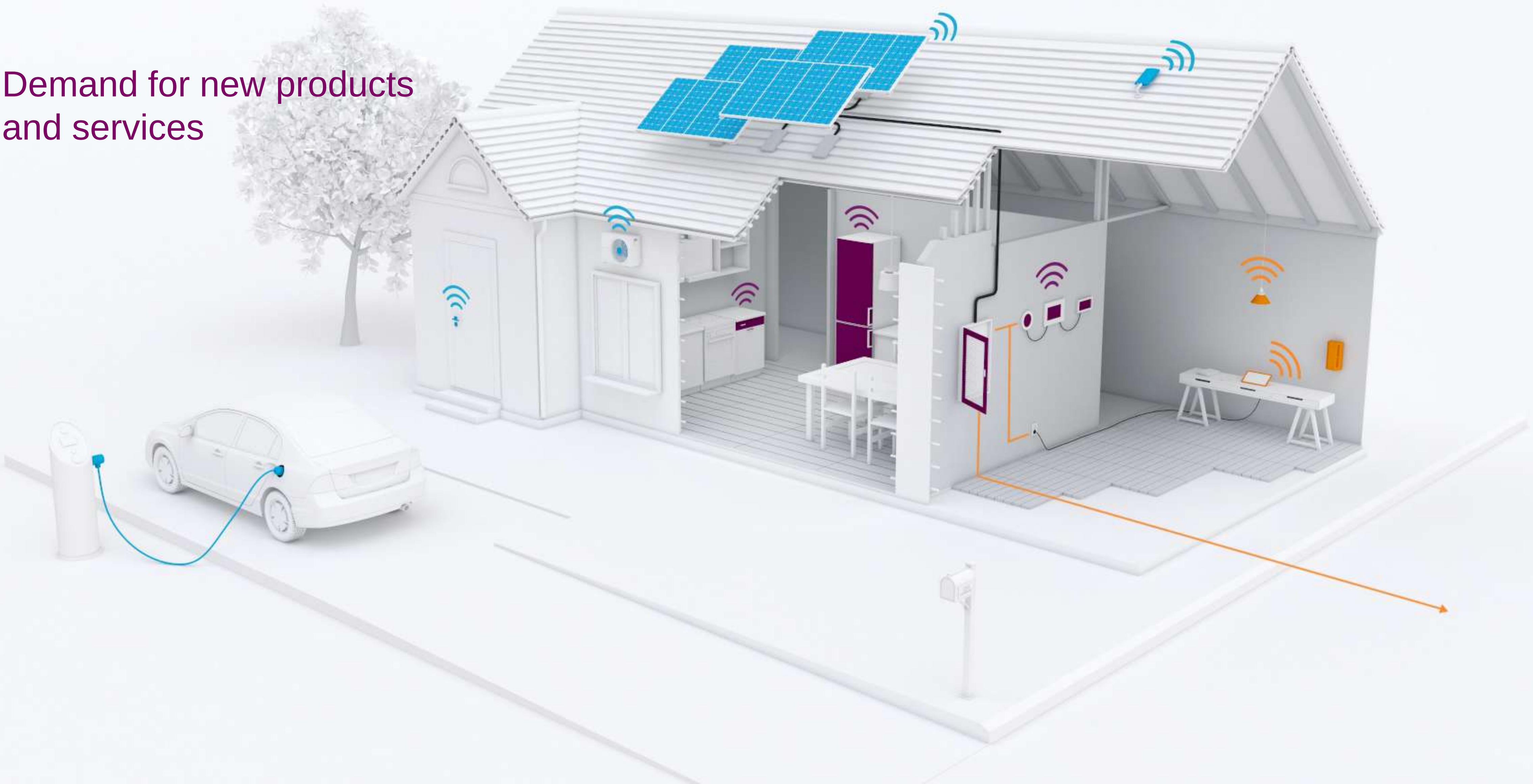
Deregulated markets, increased competition

Financial distress

Increased customer focus

CUSTOMER SOLUTIONS

Demand for new products and services



OFFERING AREAS IN UTILITIES

- Grid control
- Smart metering
- Smart grid communication
- Assets & Critical infrastructure management
- Customer & Revenue management

OUR GLOBAL UTILITIES EXPERIENCE

>42

MILLION METERS

FIRST

4G (LTE) NETWORK FOR A UTILITY DEPLOYED

WORLD'S LARGEST

GRID EDGE NODE DEPLOYMENT

KEY TAKEAWAYS

› 3 vertical segments – large and fragmented markets
› Reusing our services capabilities and technology insights
› Established practice – strong market momentum
› Demand for ICT-driven transformation

Utilities

Transport

Public safety

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

ERICSSON

Targeted area: OSS&BSS

ERICSSON

MAGNUS MANDERSSON

Executive Vice President

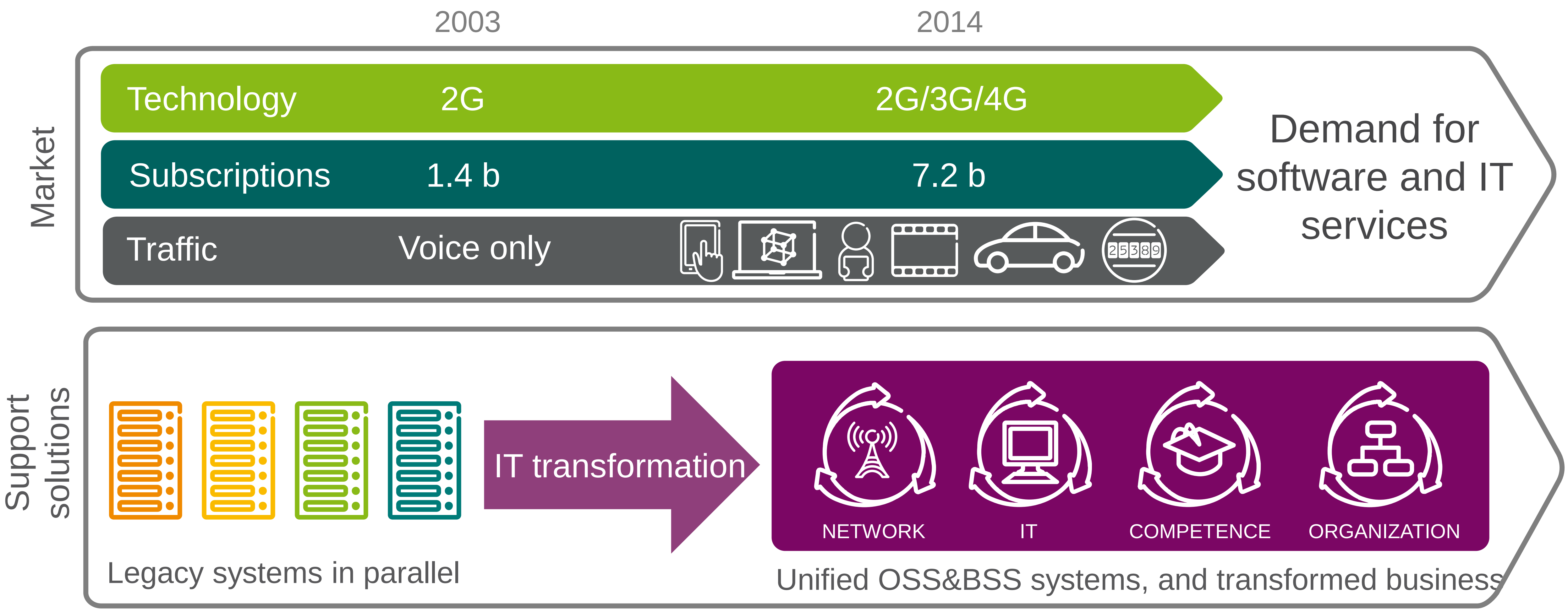
Head of Global Services

JEAN-PHILIPPE POIRAULT

Vice President

Head of Consulting & Systems Integration

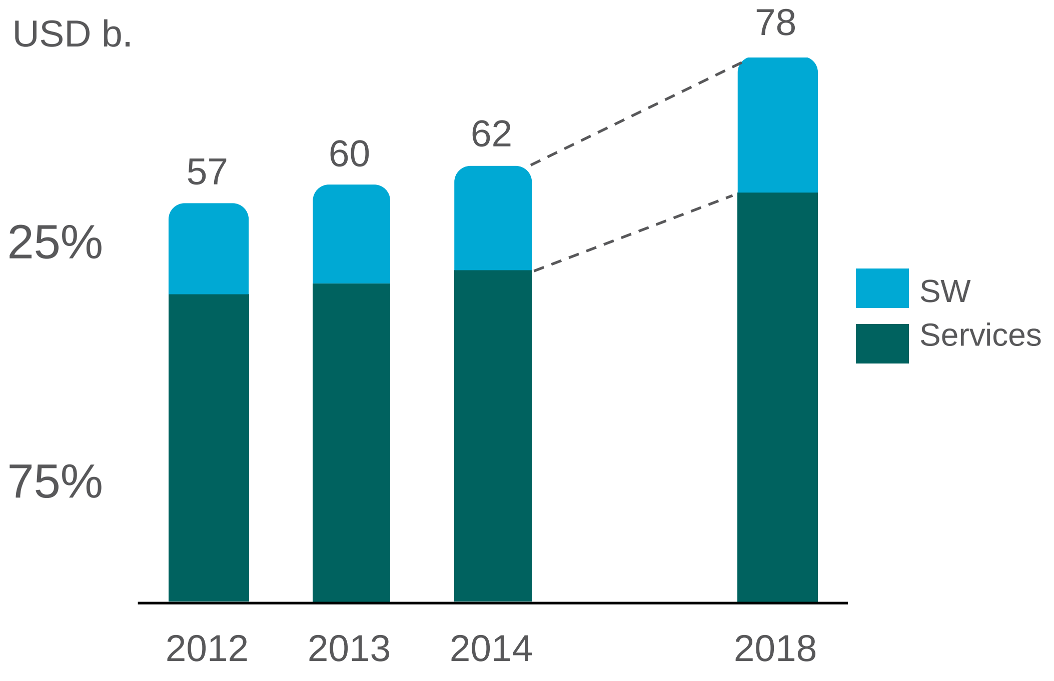
FROM VOICE TO NETWORKED SOCIETY



All operators need transform their businesses and replace legacy systems

OSS&BSS MARKET AND OUTLOOK

Addressable Market*



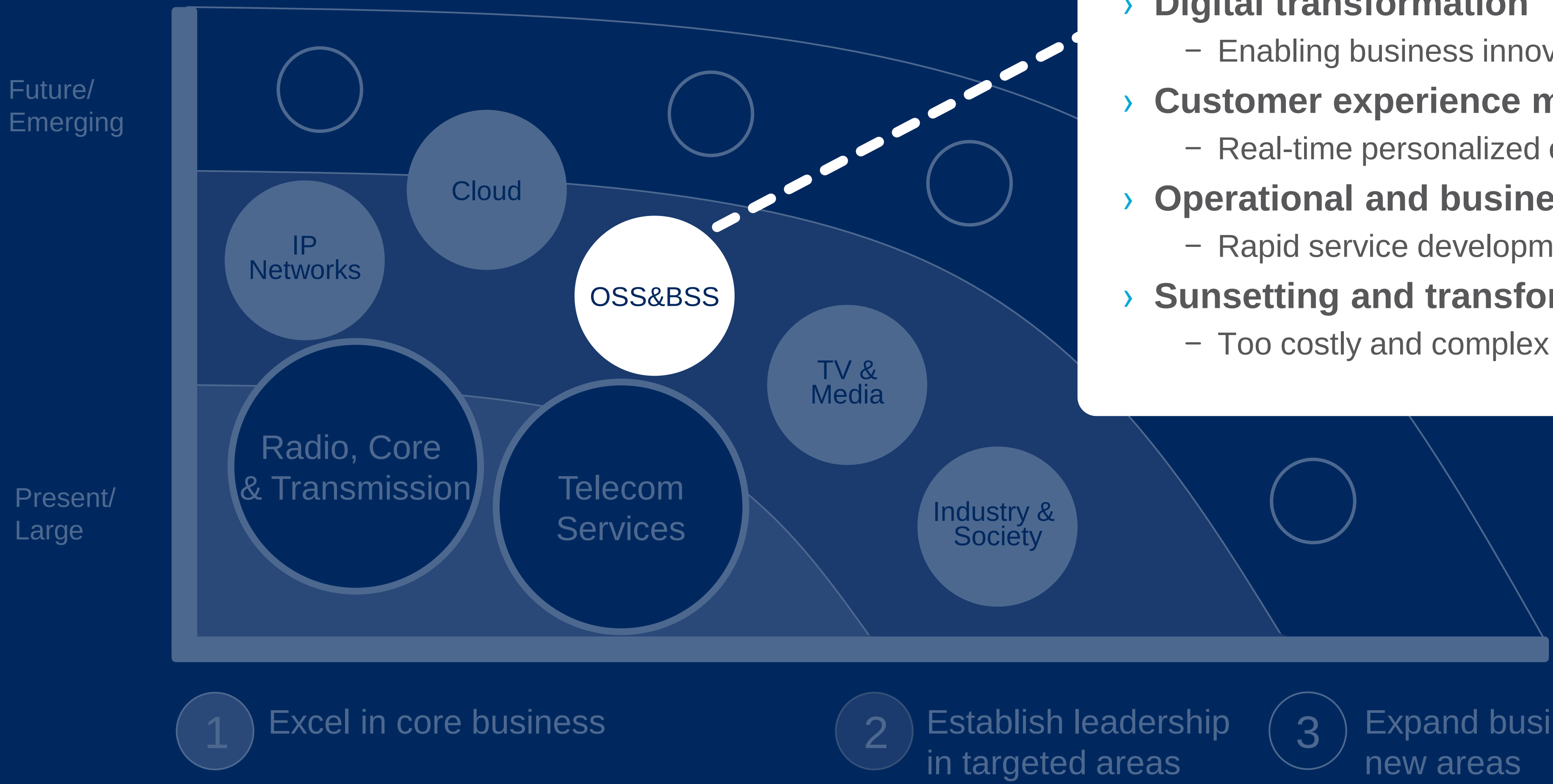
* Including OSS, BSS, Service Enablement, Domain Management, Systems Integration, Outsourcing and Support

		Rank
Software	Operations support systems	#1
	Business support systems	
	Service delivery platforms	
IT Services	Consulting	Top 4
	Systems integration	
	App. dev. & maintenance	
	IT managed services	
	Support services	

CAGR 2014 – 2018: 5 – 7%

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

OSS&BSS MARKET DRIVERS



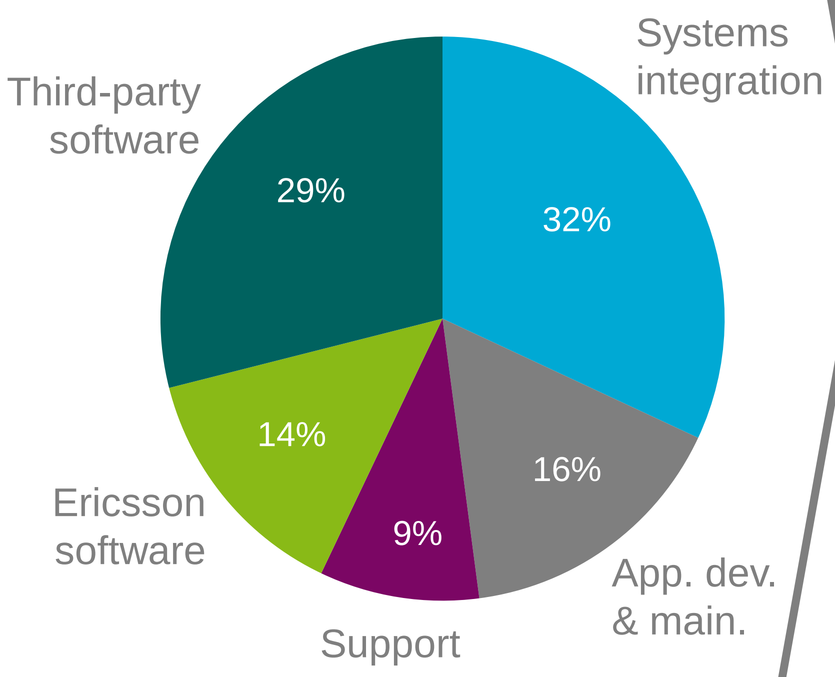
WHY CUSTOMERS INVEST

- **Digital transformation**
  - Enabling business innovation and ecosystems
- **Customer experience management**
  - Real-time personalized experiences
- **Operational and business efficiency**
  - Rapid service development and introduction
- **Sunsetting and transformation of legacy systems**
  - Too costly and complex to maintain

DIGITAL TRANSFORMATION CASE

Tier 1 operator

Deal value: **1.5 SEK b.**



- Challenges:
  - Not consumer-centric
  - Legacy architecture and obsolete IT systems
  - Functional gaps and slow time to market
- Solution:
  - Full IT transformation
  - Ericsson and third-party software

Sample end-user benefits

KPI	Before	After
Price changes	3 months	3 days
Substantial subscription changes	2 weeks	5 minutes
Number portability	days	30 minutes
New product	6-9 months	3 months

OSS&BSS RESOURCES

Software portfolio

- 4,500+ OSS&BSS developers
- Software suites
- Improved market perception

Acquisitions: LHS, Telcordia, APCERA, ConceptWave, Metratech, Envivio

IT services

- 17,000+ CSI professionals
- 4 Global service centers
- IT Managed services

Acquisitions: Pride, inCode, TeleOSS, Telcocell, Tridge, TimelessMind, Sunrise Technology

Go to market

- Dedicated ICT sales force

Assets

- Reference solutions and architecture
- Business process transformation
- Integration Lab

GLOBAL SCALE AND SKILL

1,500

Consulting and systems integration projects per year

17,000

IT professionals

900

OSS systems in operation

>2.1 billion subs

Served by Ericsson Charging and Billing

STRATEGY AND EXECUTION

Strategy going forward

- Leverage combined software and services strengths to assume prime integrator role
- Expand software suite into cloud and analytics
- Introduce new business models such as XaaS
- Enabling operators to become consumer- and application-centric

Wanted position

Preferred ICT transformation partner

- Extend #1 position in telecom
- Expand ICT professional services
- Establish strong position in verticals

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

KEY TAKEAWAYS

- Global customer base
- Demand for transformation to become consumer- and application-centric
- OSS&BSS market is large, and continues to grow
- Ericsson has a market-leading position
- Our competitive advantage is our combination of software and services across business, IT and networks
- Ability to transform business processes

SOFTWARE

SERVICES

NETWORKS

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

ERICSSON

Targeted areas summary

ERICSSON

JAN FRYKHAMMAR

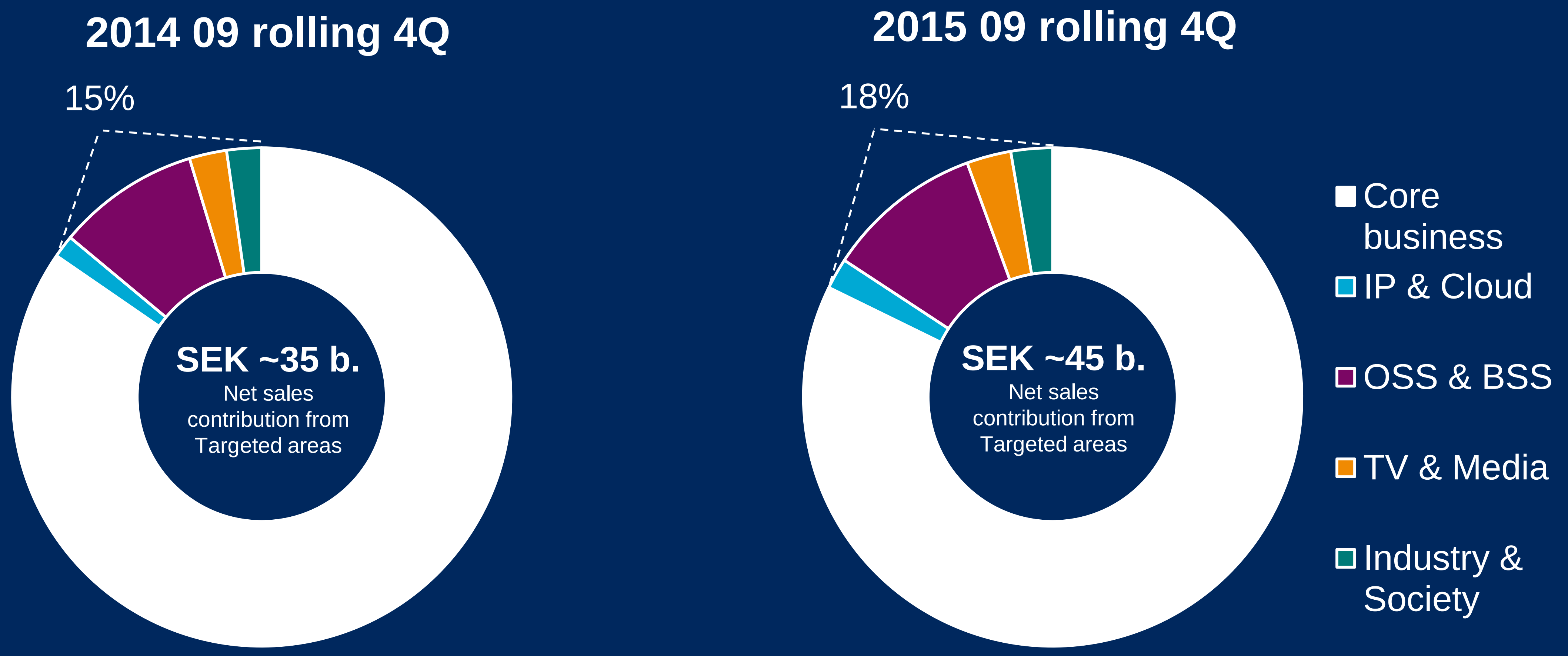
CFO

PROFIT IMPROVEMENT
OPERATING MARGIN ILLUSTRATIVE

3 building blocks driving towards continued yearly incremental improvements

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

TARGETED AREAS SHARE OF GROUP NET SALES

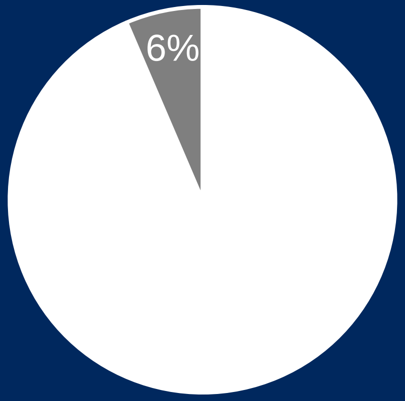


Increased share of group net sales

TARGETED AREAS NET SALES SHARE PER SEGMENT

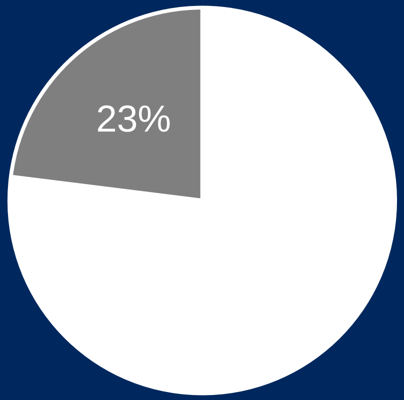
2015 09 rolling 4Q

Networks



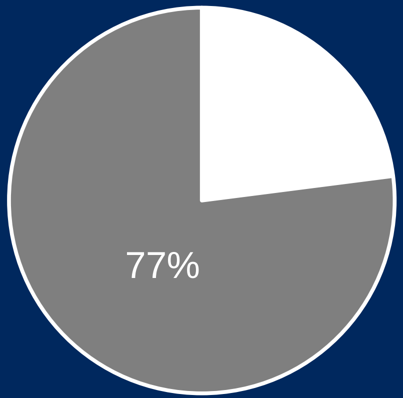
- Core business
- Targeted areas

Global Services



- Core business
- Targeted areas

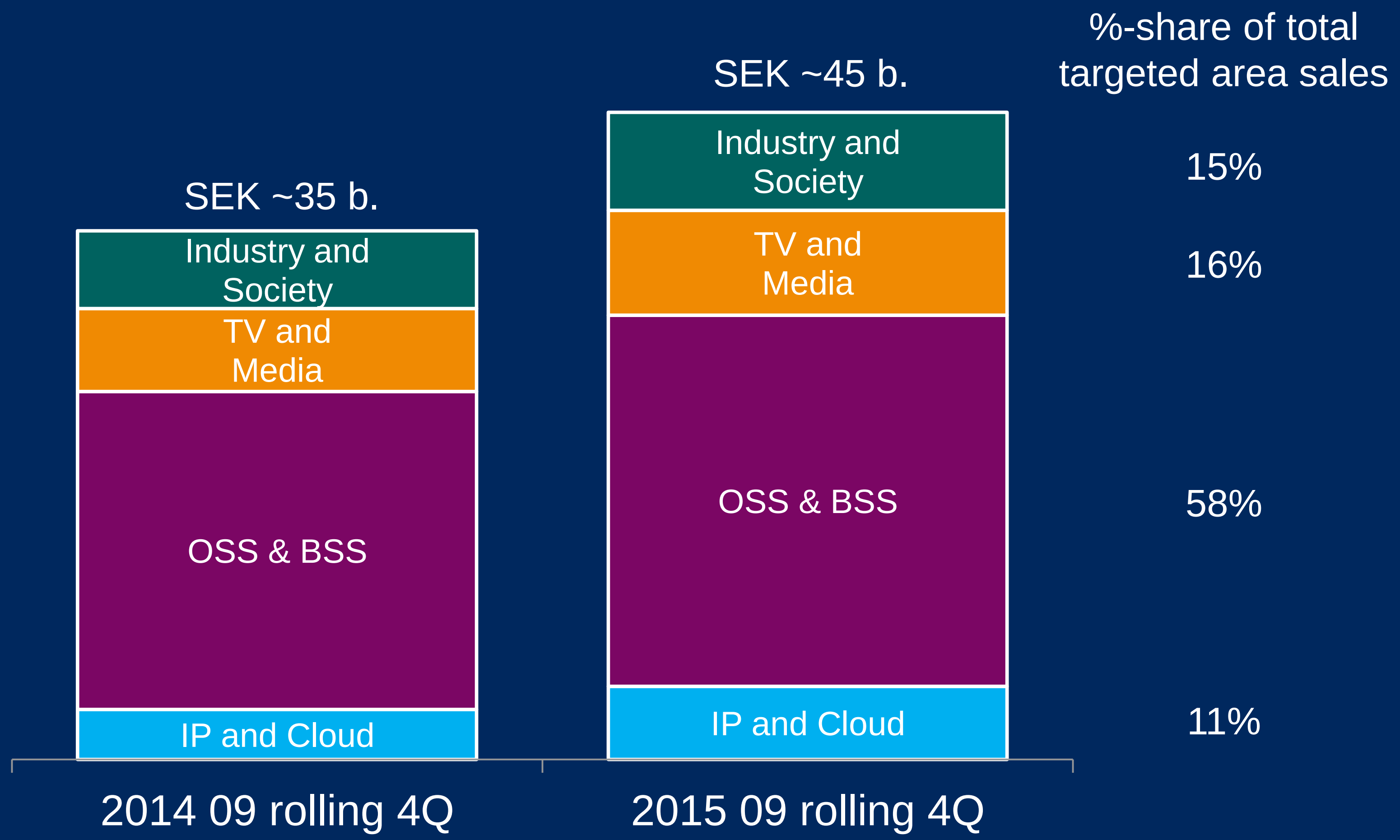
Support Solutions



- Core business
- Targeted areas

Potential to improve earnings in all segments driven by targeted areas

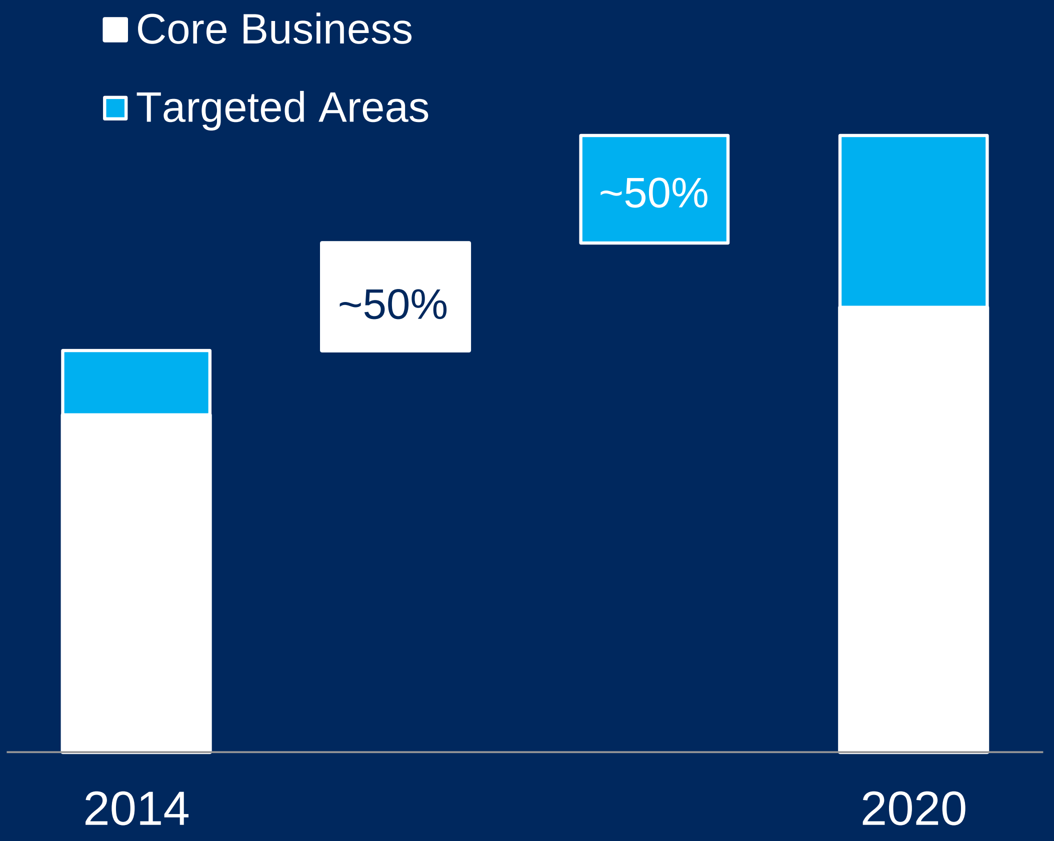
NET SALES PER TARGETED AREA



Growth in targeted areas >10%

NET SALES SCENARIO BASED ON MARKET ASSUMPTIONS

Net Sales



Targeted areas

- **Market growth:** On average ~10% CAGR
- **Ericsson objective:** Establish leadership in targeted areas

Core business

- **Market growth:** ~1-3% CAGR
- **Ericsson objective:** Excel in core business

Success in targeted areas essential to reach 2020 ambition

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

KEY TAKEAWAYS

Financial performance
Targeted areas

- Important building block for improved profitability
- Growth in targeted areas >10%*
- Increased share of group net sales
- Potential to improve earnings in all segments driven by targeted areas
- Success in targeted areas essential to reach 2020 ambition

* YoY 2015 09 rolling 4Q

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

ERICSSON