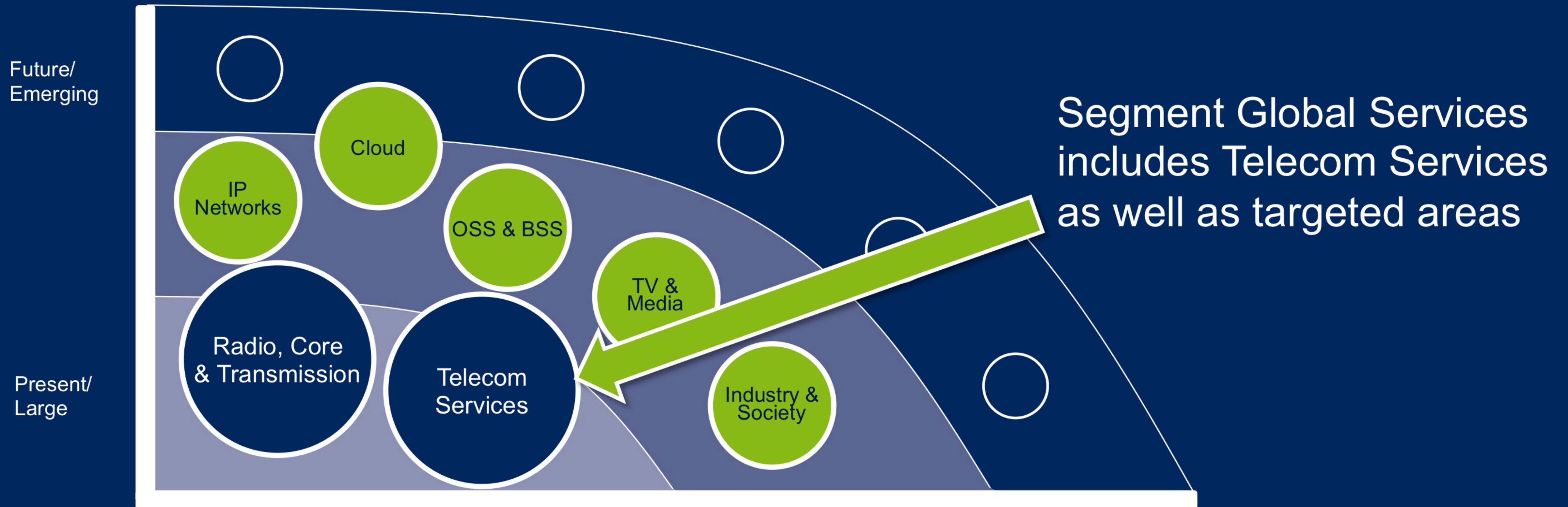




TELECOM SERVICES

Head of Global Services, Magnus Mandersson

STRATEGIC DIRECTION 2014

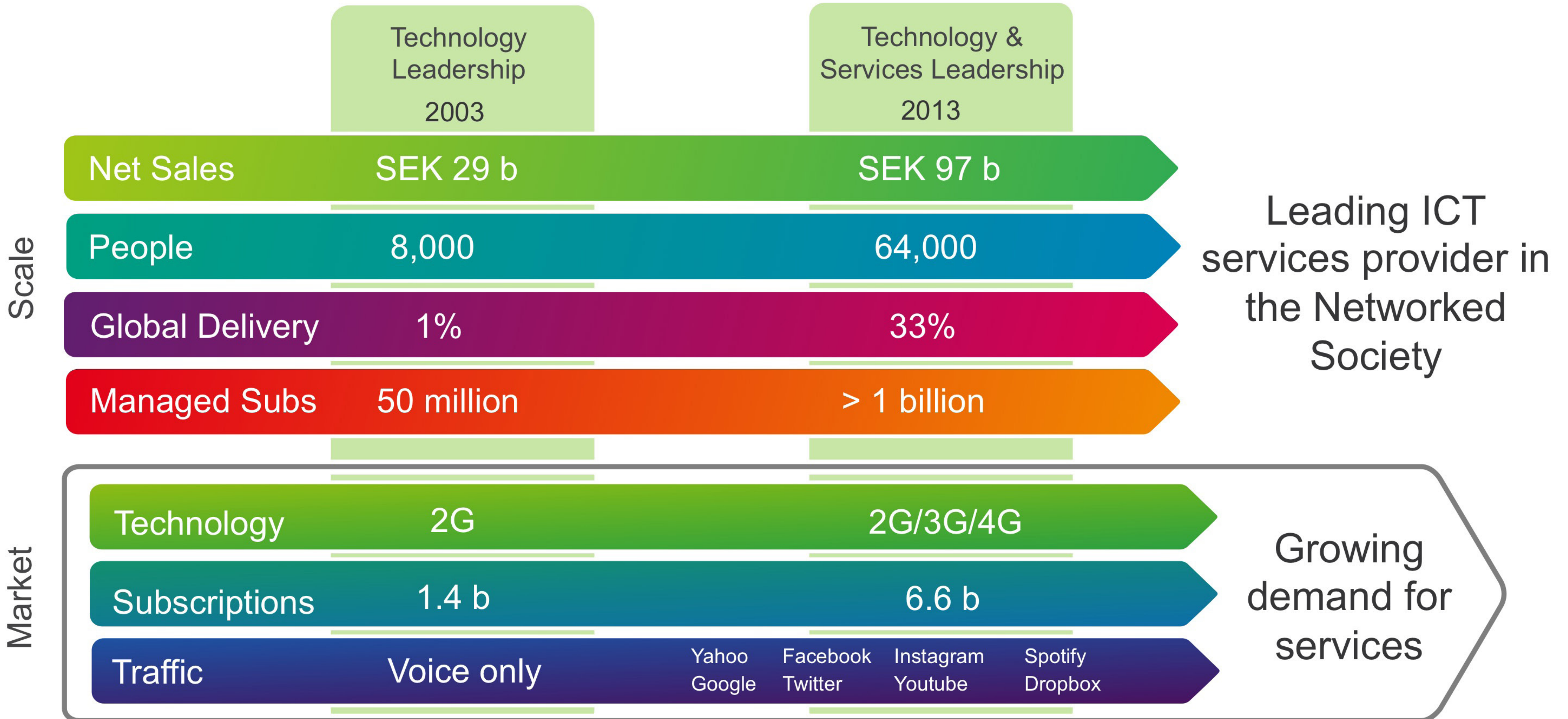


1 Excel in core business

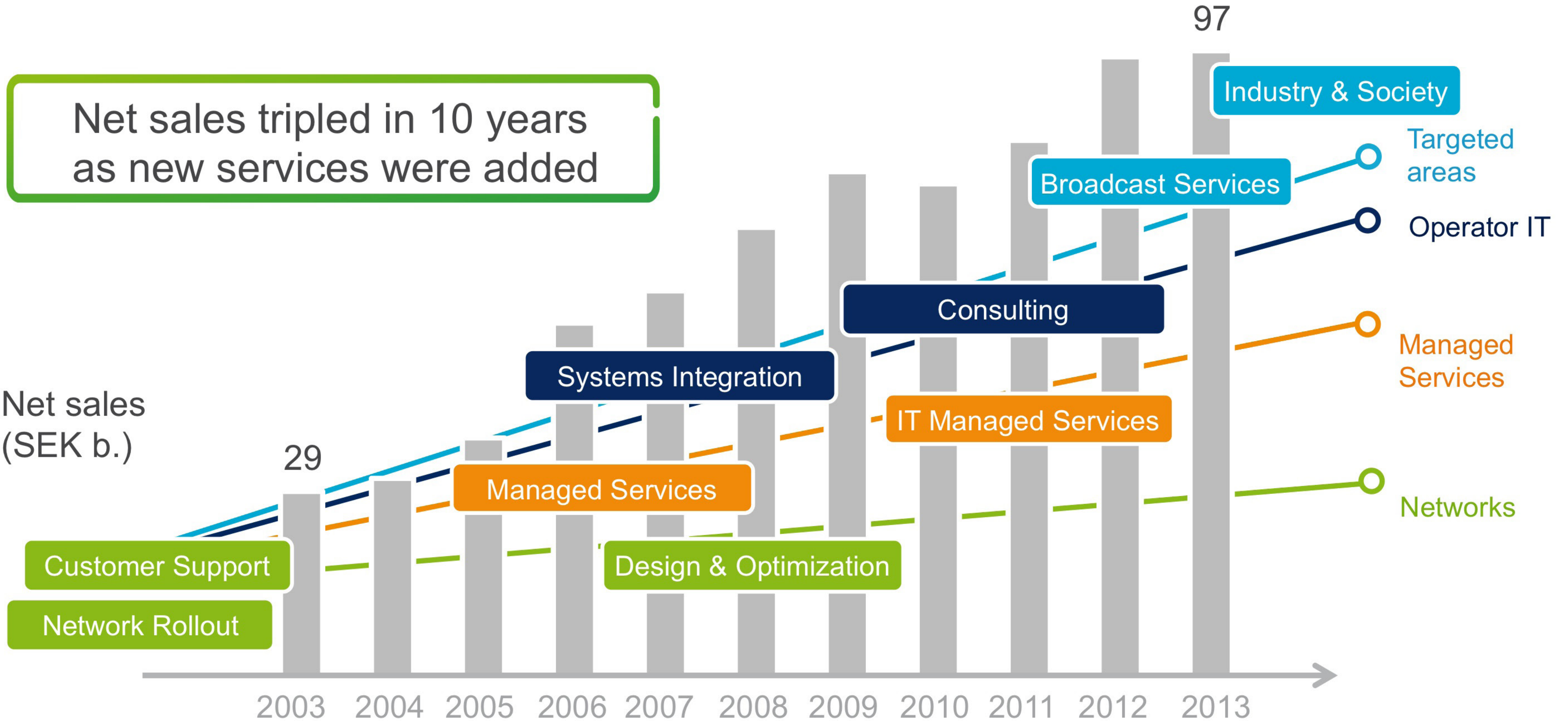
2 Establish leadership in targeted areas

3 Expand business in new areas

THE SERVICES JOURNEY



PROFESSIONAL SERVICES EVOLUTION

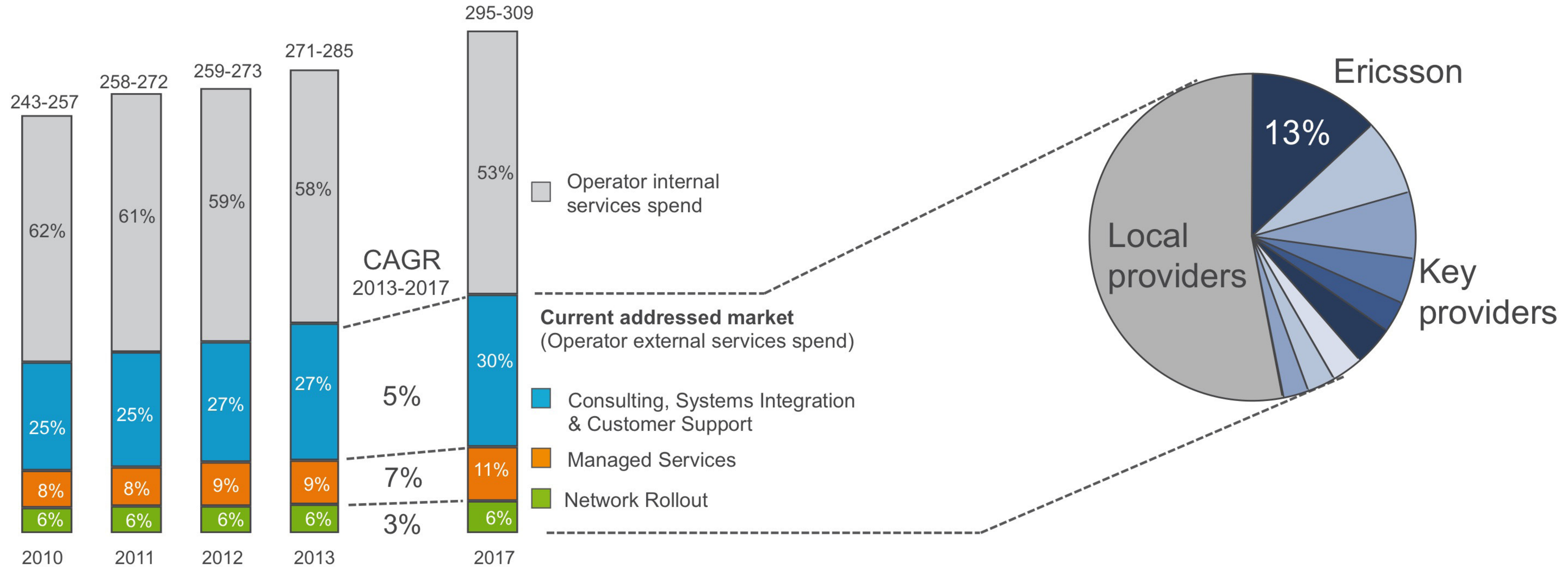


TELECOM SERVICES MARKET



USD b.

Market share 2013



Continued momentum, 4 – 6% CAGR for 2013 – 2017

GLOBAL SERVICES STRATEGY



Build and leverage

Industry & Society, Broadcast & Media Services



Grow and scale

Consulting, Systems Integration, IT Managed Services



Extend and excel in core business

Network Design & Optimization, Network Rollout, Customer Support, Network Managed Services

NETWORK ROLLOUT



Network Rollout

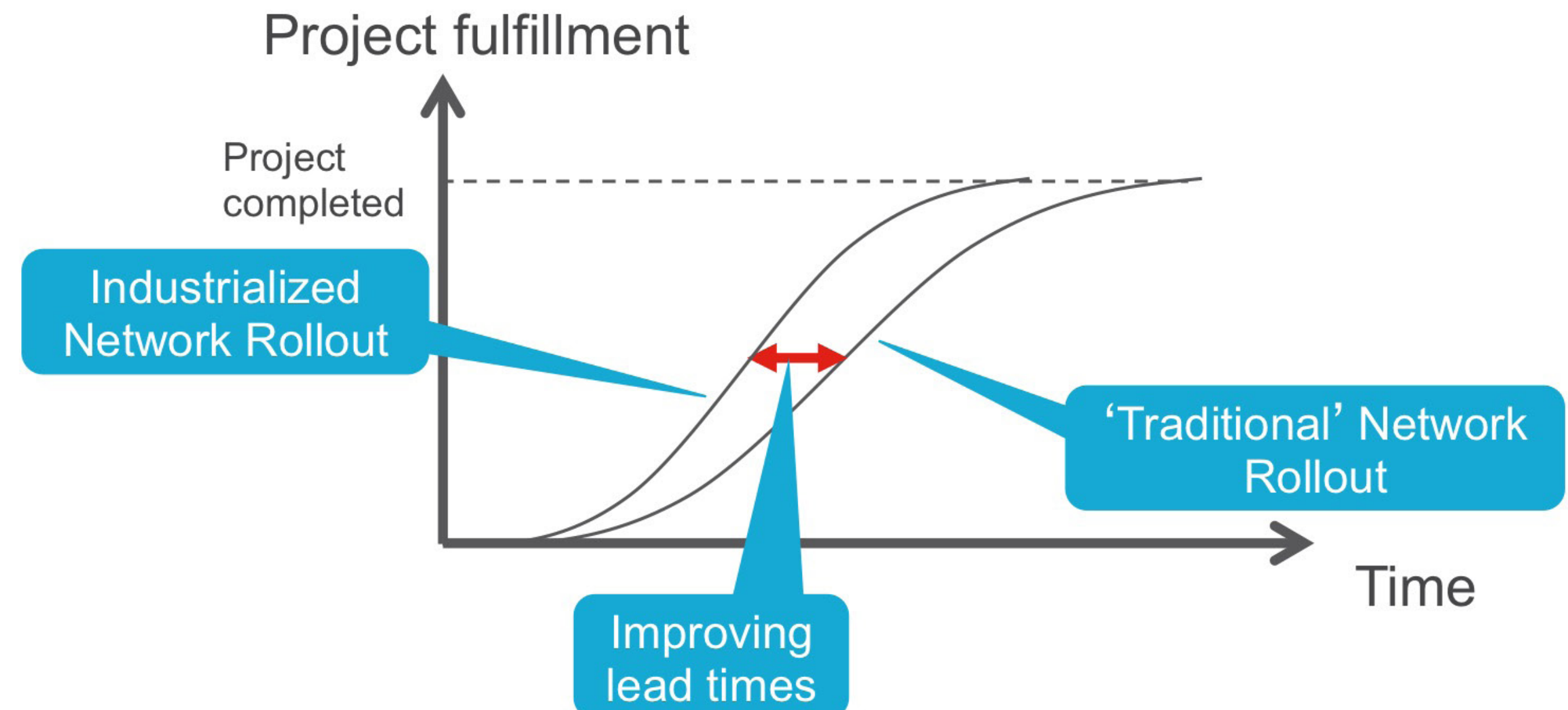


- › Lower-margin business
- › Network market share prioritized over NRO profitability in certain modernization projects
- › On track towards break-even result
- › Implementing sustainable improvements

Sustainable improvements – Industrialized NRO:

- Improved tools, methods and processes
- Global reuse of skills and experience
- Standard service packages & global delivery

Up to 50% reduction of installation lead time
~25% reduction in # of site visits
Significantly improved quality, i.e. yield



NETWORK RELATED SERVICES

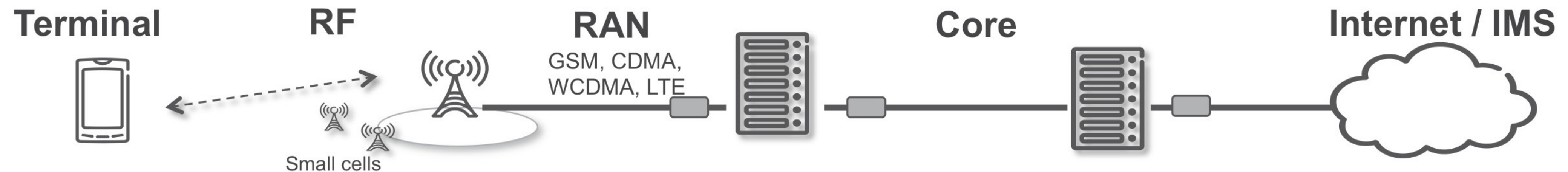


Network Design & Optimization
Customer Support



>2.5M sites

- › Large, growing installed base
- › Strong growth with healthy margins
- › Demand driven by MBB success
- › Voice- to app-optimization increases scope



Terminal	RF	RAN	Core	Internet / IMS
Voice/Video calls Volte Apple FaceTime	Web browsing Google Wikipedia	Instant messaging Yahoo Messenger Skype	Social networking Facebook Twitter Instagram	Streaming media Spotify Youtube
				Real time streaming Mobile TV Online Radio
				File transfer Dropbox

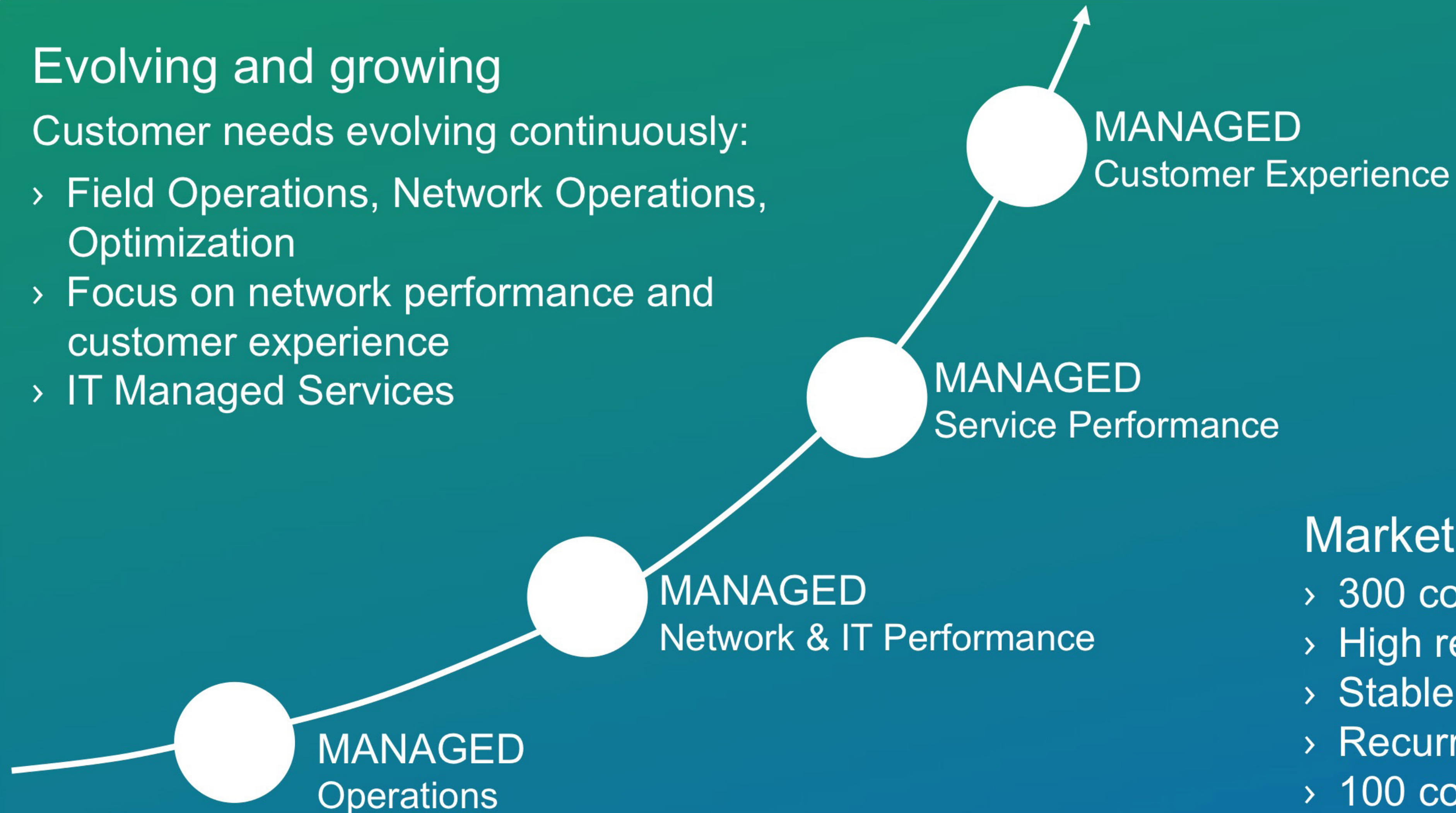
MANAGED SERVICES



Evolving and growing

Customer needs evolving continuously:

- › Field Operations, Network Operations, Optimization
- › Focus on network performance and customer experience
- › IT Managed Services



Market leadership

- › 300 contracts
- › High renewal rate
- › Stable profitability
- › Recurring revenues
- › 100 countries

IT SERVICES FOR OPERATORS



Multi-vendor transformation across networks, IT, and business processes

- Need for business transformation
- Services-driven business
- Large, growing market
- Solid market position
- Large-scale capabilities
 - 16,000 employees, 1,500 projects/year
- Expansion potential
 - Managed Services, adjacent industries



MOVING INTO NEW MARKETS



Broadcast & Media Services

- › Media industry changing due to ICT transformation
-

- › #1 position established
- › Based on technology, experience
- › Managed Services business
- › 500 channels, of which 150 OTT



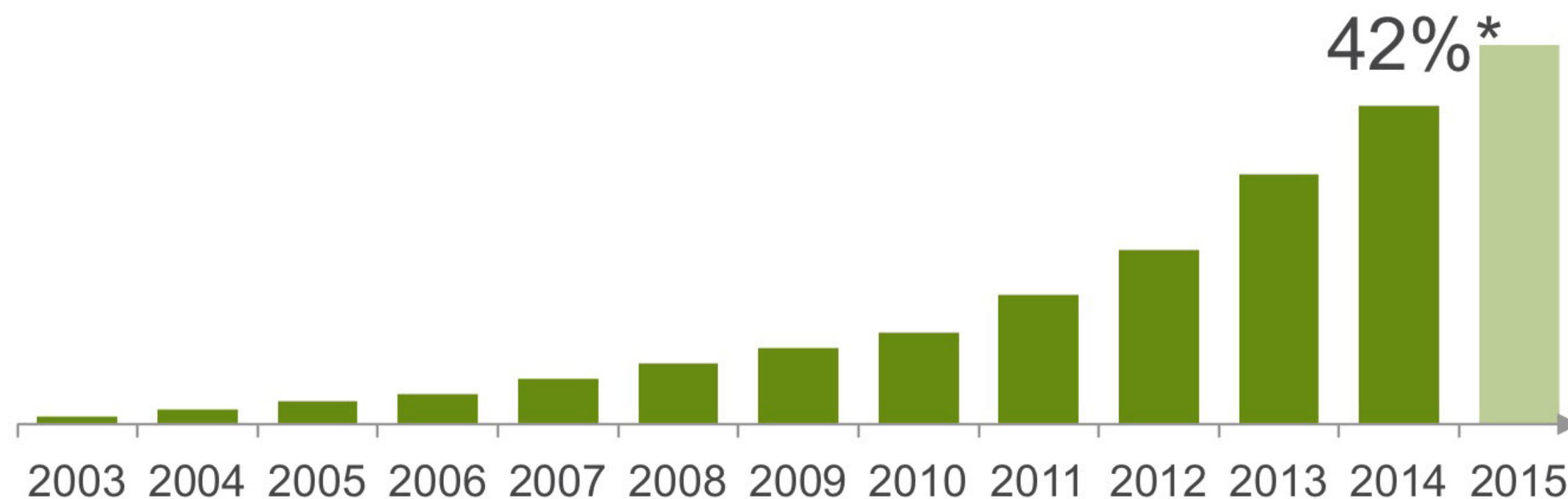
Industry & Society

- › Adjacent industries seek ICT transformation
-

- › New business line established
- › Based on existing offering
- › Proven customer track record



GLOBAL EXPERIENCE AND SCALE



- › Global Service Centers for global delivery
- › Combined global and local resources
- › 65,000 professionals and 20,000 sourced
- › Pioneering in large-scale service delivery
 - Centralize for scale
 - Standardize for efficient and predictable delivery
 - Automate for speed and next-generation services
- › 42% global delivery



GLOBAL SERVICES DIRECTION



Services Journey

Broader services offering through innovation

Services Market

Leadership in telecom services, expanding into new areas

Industrialization

Evolving global service delivery model



Preferred ICT services partner



RADIO, CORE & TRANSMISSION

Head of Networks, Johan Wibergh

AGENDA



Networks following the plan

Segment Networks financial situation and outlook

Excel in core business

Focus going forward

NETWORKS FOLLOWING THE PLAN



NETWORKS PRIORITIES



Investor Day 2012

- › Mobile leadership position strengthened
- › Plan to
- › Establish
- › Superior
- › Cloud,

CONCLUDING REMARKS FOCUS GOING FORWARD



Investor Day 2013

- Sustainable double-digit margin
- Demonstrate the voice to data growth potential
- Maintain radio leadership and capture the indoor opportunity
- Adapt SW model to standard ICT
- Exploit the IP and Cloud disruption in a converged industry

Ericsson Internal | 2014-10-09 | Page 7

CONCLUDING REMARKS

FOCUS GOING FORWARD



2014 Follow-up

- 5 last quarters' Networks margin $\geq 10\%$
- Frontrunners grow faster than peers
- Small Cell portfolio now complete, 60 Radio Dot trials requested
- New SW model introduced
- New Segment structure to address opportunity

AGENDA



Networks following the plan

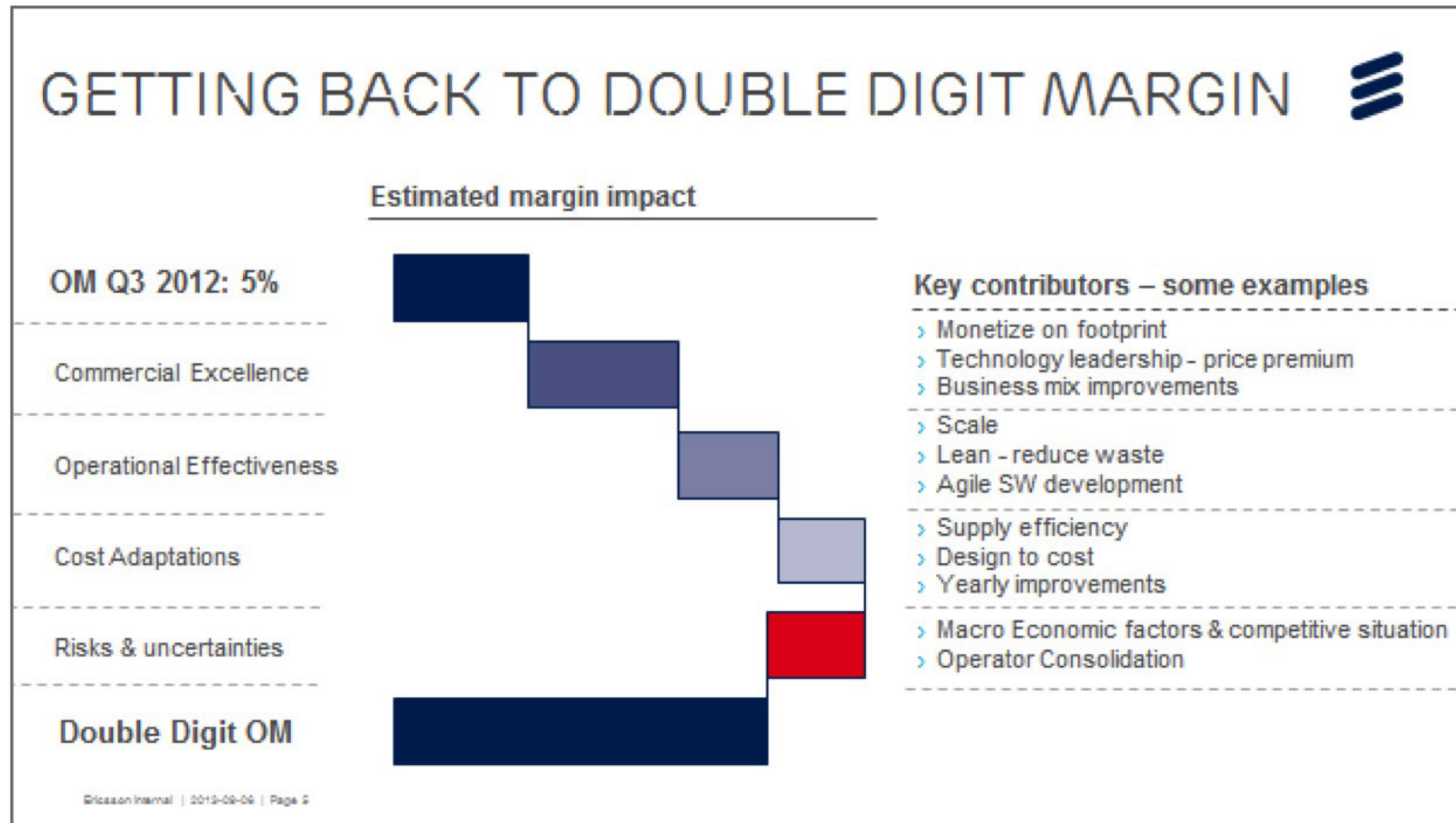
Segment Networks financial situation and outlook

Excel in core business

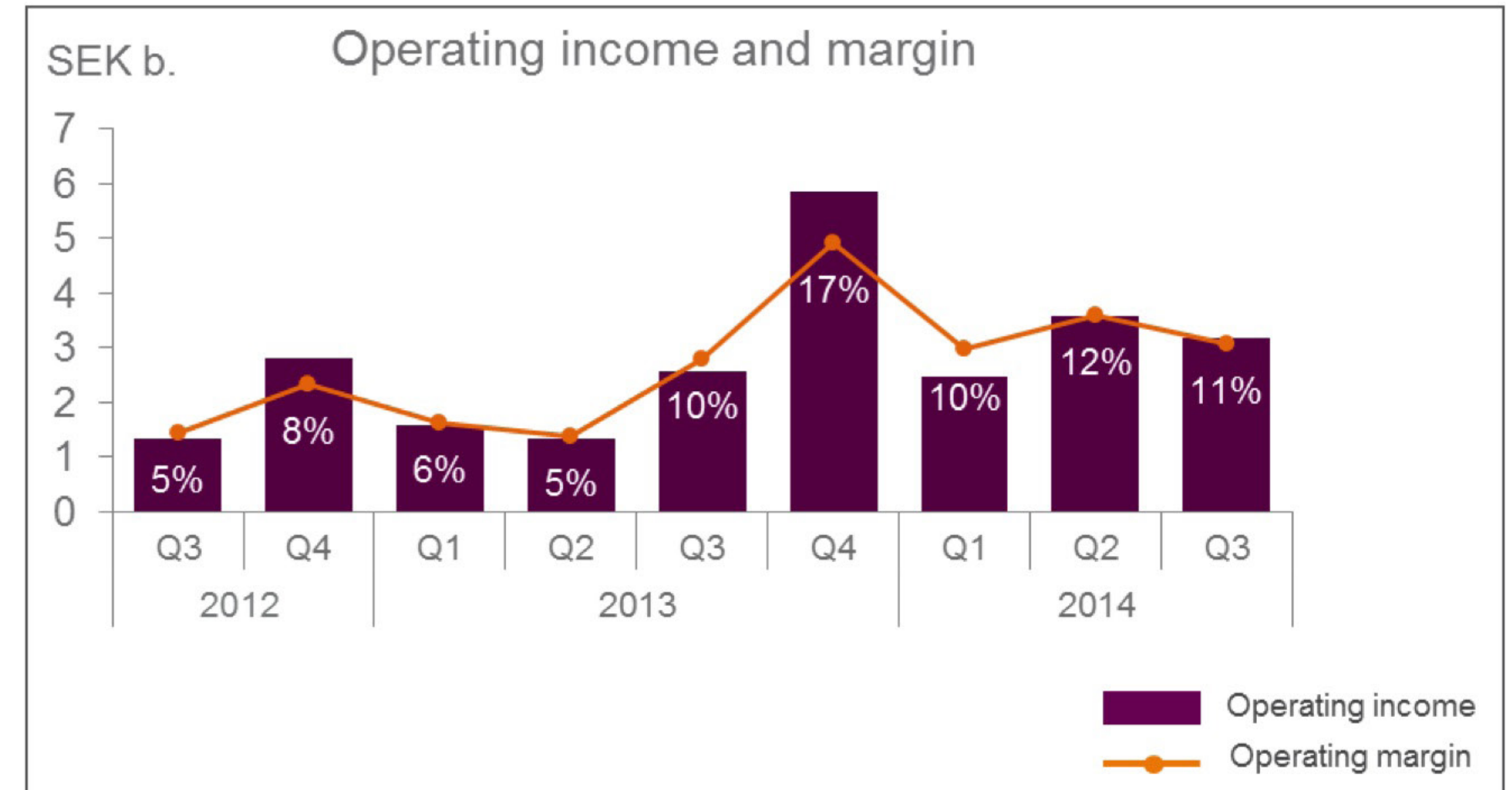
Focus going forward

MARGIN JOURNEY CONTINUES

SUSTAINABLE DOUBLE DIGIT MARGIN REMAIN IN FOCUS



2012 Investor Day

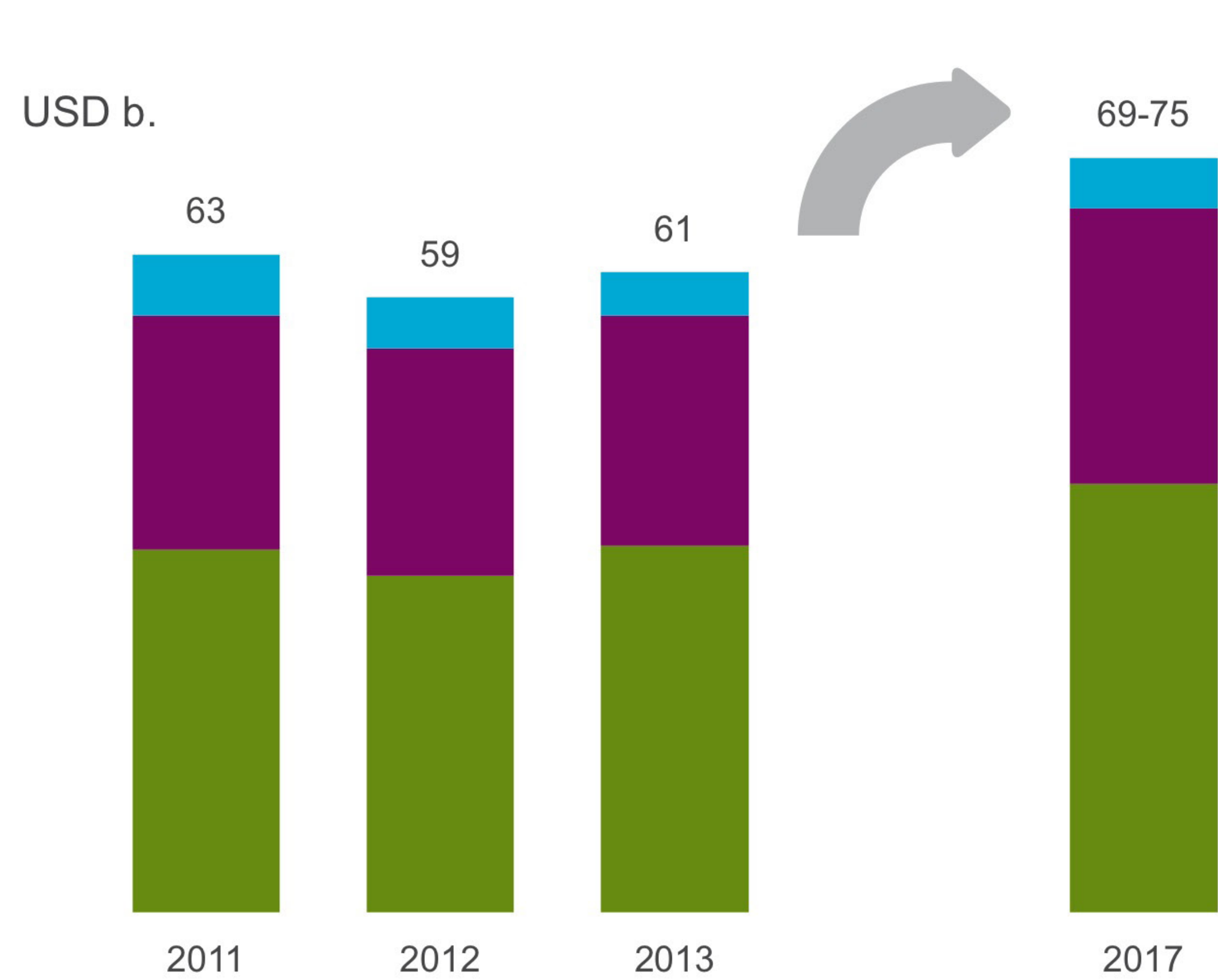


Q3 report 2014

- › Restoring profitability while investing in new areas
- › Continued focus on commercial excellence, operational efficiency and cost control
- › Risks and uncertainties remain

MARKET OUTLOOK

NETWORKS – KEY SEGMENTS



CAGR 2013-2017
Key segments 3-5%**

Market share 2013
Key segments 25%*

Core 2-4%	<ul style="list-style-type: none"> Virtualization & VoLTE drivers going forward Mobile switching decline levelling out
IP&Transport 3-5%	<ul style="list-style-type: none"> Video traffic growth setting the scene SDN a market in the making
Radio 3-5%	<ul style="list-style-type: none"> LTE the major growth driver Small Cells enable new opportunities indoors

*Key Segments exclude: Fixed access, selected site equipment, cables & interconnect, OPTO/SDH, Service Assurance
 **Network equipment CAGR 2013-2017: 2-4%. Key segments is a subset of Network equipment

AGENDA



Networks following the plan

Segment Networks financial situation and outlook

Excel in core business

Focus going forward

EXCEL IN CORE BUSINESS



Mobile
market growth



- Underlying market fundamentals remain
- Network performance brings financial performance to operators

Grow
current market

Performance
leadership



- Maintain leadership position in radio & core networks with best performing networks end-to-end
- Continue to improve efficiency in ways of working

Increase
market share

Small Cells



- Indoor App Coverage – the next mobile growth market for operators
- Accelerate go to market with complete Small Cell portfolio

Extend
into new market

5G



- 5G – an evolution of today's LTE networks with new frequencies, technologies and business opportunities

Prepare
for next market

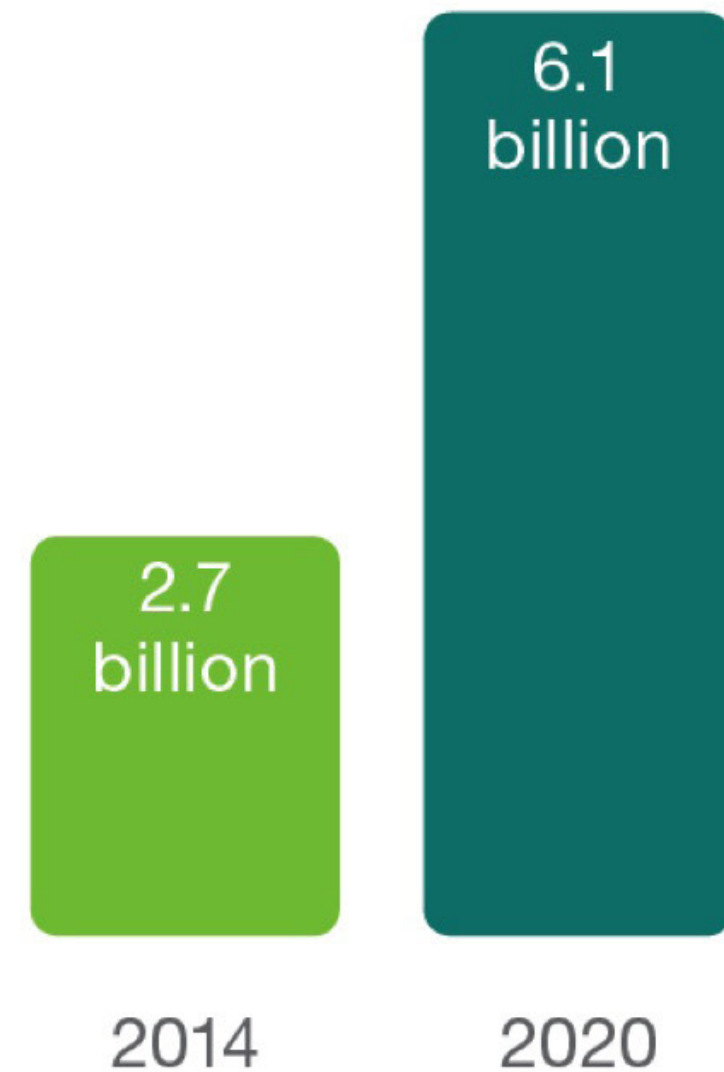


MARKET GROWTH DRIVERS: SMARTPHONE & TRAFFIC UPTAKE



- › More smartphone subscriptions
- › More traffic per smartphone
- › Video continues to be main driver

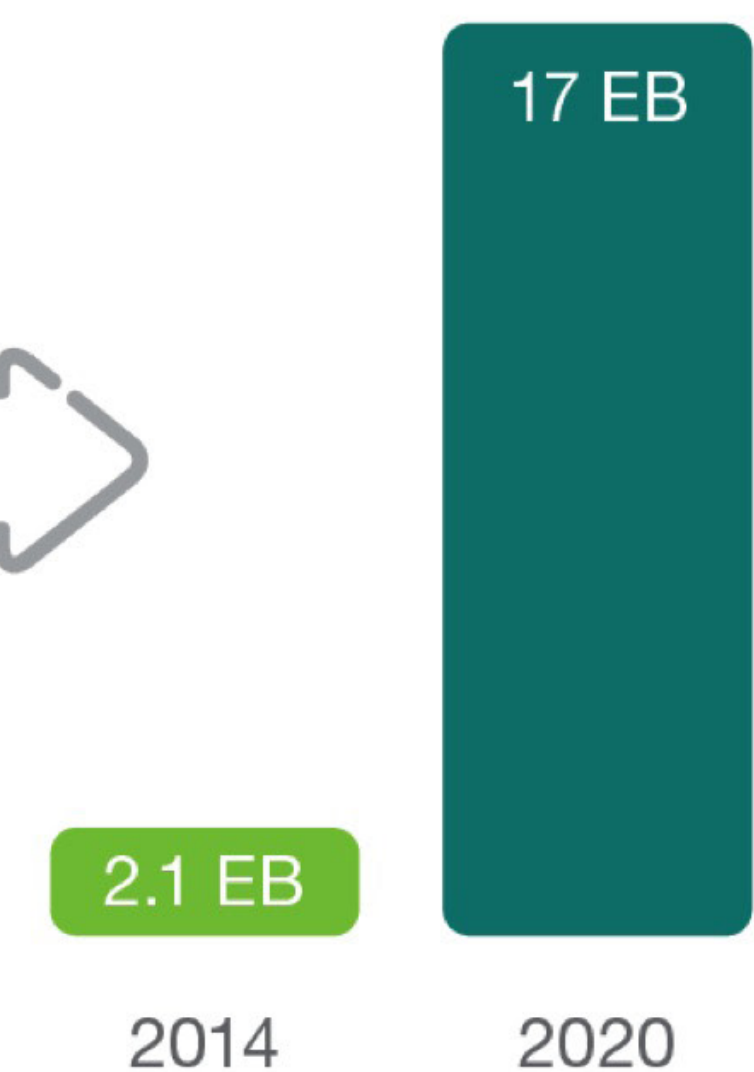
Smartphone subscriptions



Mobile traffic per active subscription per month



Total monthly smartphone traffic



Source: Ericsson Mobility Report, November 2014

App Coverage demands drive need for continues investments in network performance



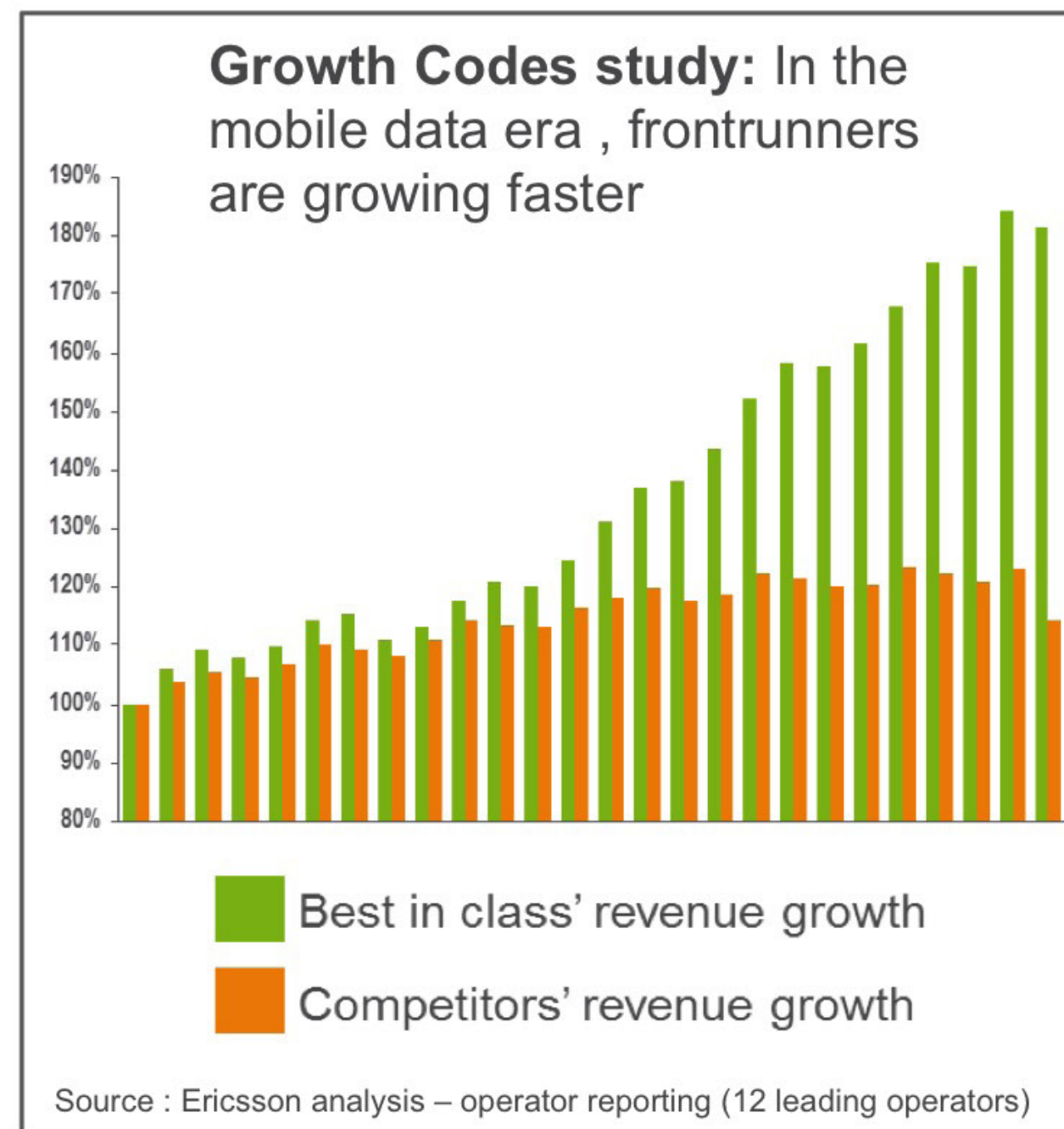
NETWORK PERFORMANCE BRINGS FINANCIAL PERFORMANCE



J.D. Power and Associates Reports: *“Wireless customers who experience faster and more consistent network speeds spend considerably more on their wireless service plans”*

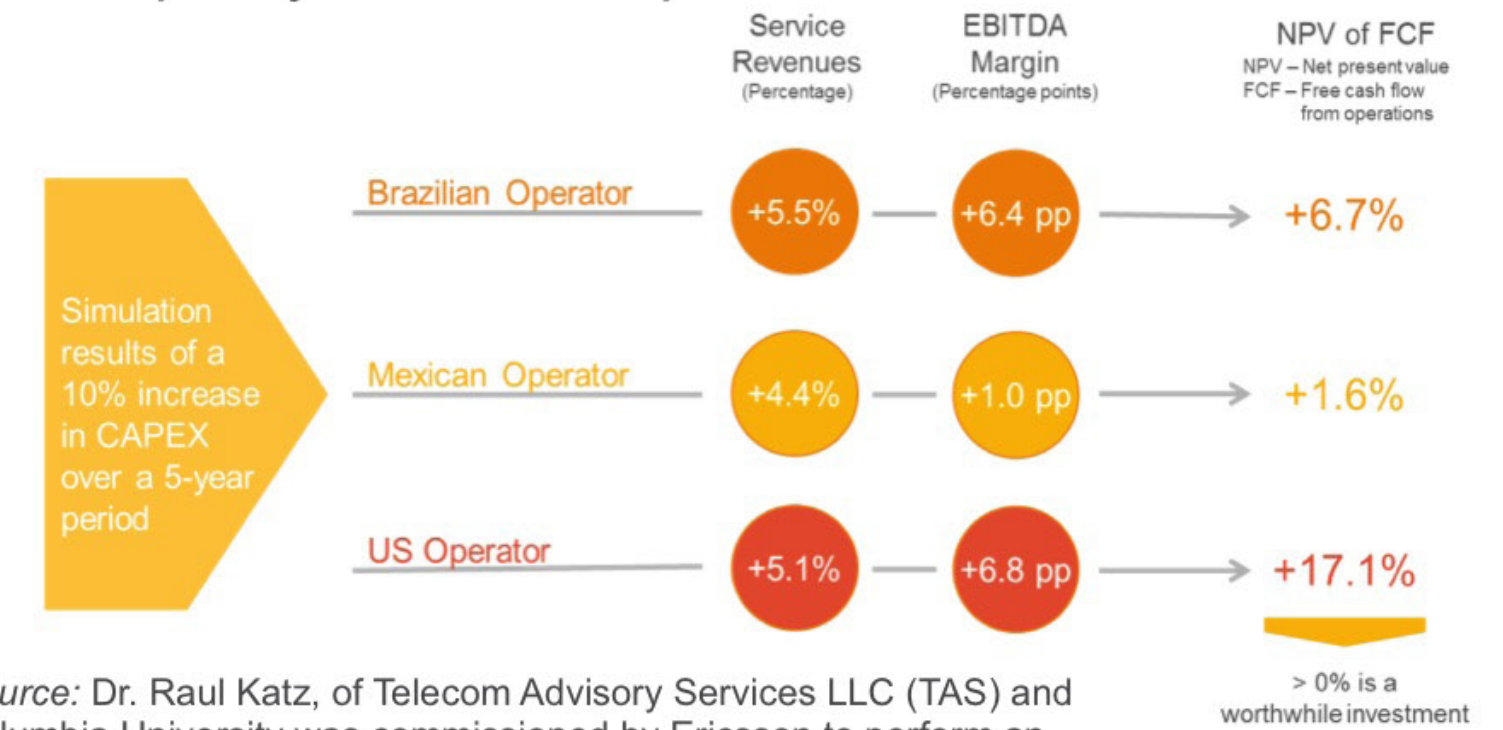


Citi: *“The trends are clear – the companies with better networks dominate revenue growth among peers.”*



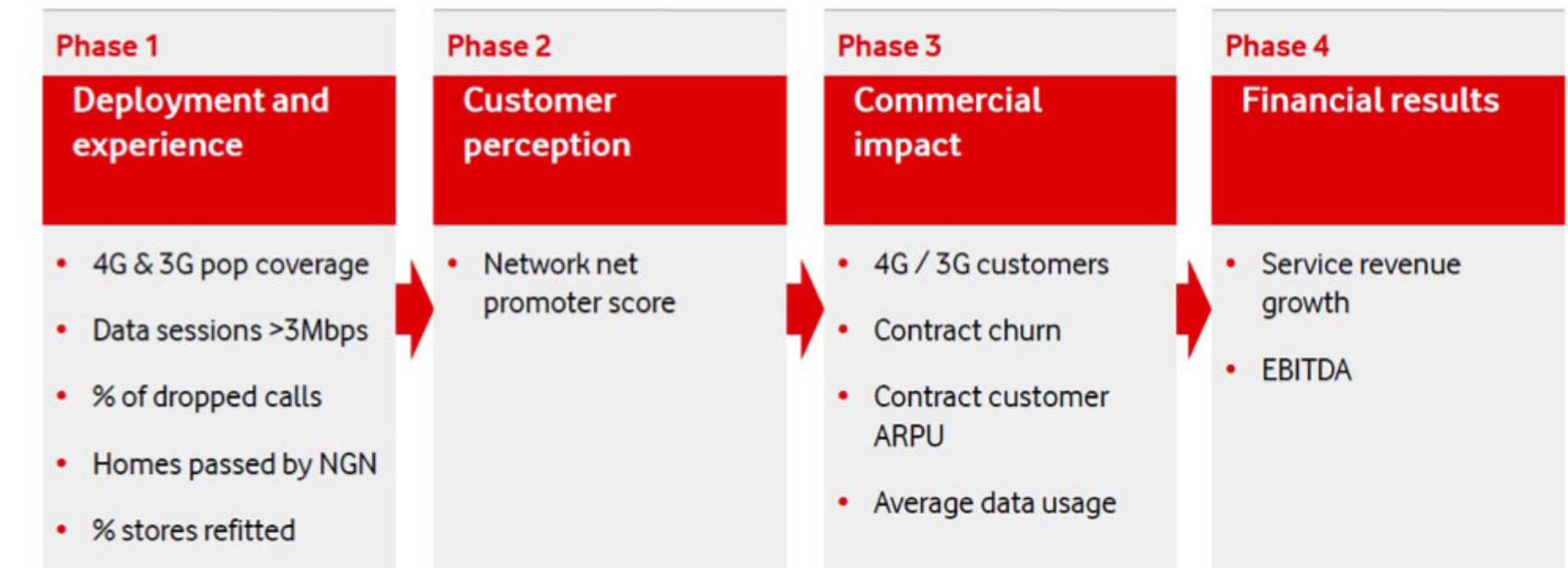
Forbes (on US wireless market): *It is therefore no surprise that the smaller players are trying to lure customers with highly competitive data plans and pricing, while the market leaders are focusing more on network quality and retaining their high-ARPU (Average Revenue Per User) customers.*

Global study of value of performance: *“There is a direct transitive relationship between capital investment, network quality and carrier performance”*



Source: Dr. Raul Katz, of Telecom Advisory Services LLC (TAS) and Columbia University was commissioned by Ericsson to perform an independent study.
Base: Market data from Brazil, Mexico, US

Priority 2: Project Spring Investing a total of €19bn in capex over the next 2 years





OUR PERFORMANCE LEADERSHIP



World's most competitive **Radio** portfolio



#1 in 2G, 3G & 4G and selected by the world's 10 largest LTE operators

Leader in **Core** Networks

- > #1 in MSS
- > #1 in EPC
- > #1 in UDM
- > #1 in VoLTE/IMS



Supporting a majority of the world's first commercial VoLTE networks

#1 in Mobile

R&D **efficiency**

- > Modularization + Lean & Agile
→ World leading productivity and TTM

"Ericsson has been at the forefront of rolling out lean & agile development methodology in the telecom sector. Where implemented, lead time is better than top quartile"

McKinsey Benchmark Q2 2014

Innovation continues

- > Value packages
- > New SW model to improve performance, simplicity & predictability

NETWORKS
SOFTWARE

15A

RADIO DOT SYSTEM



- › Unique portfolio
- › 15 trials ongoing, 60 trials requested
- › Market potential remains



TARGET CUSTOMERS

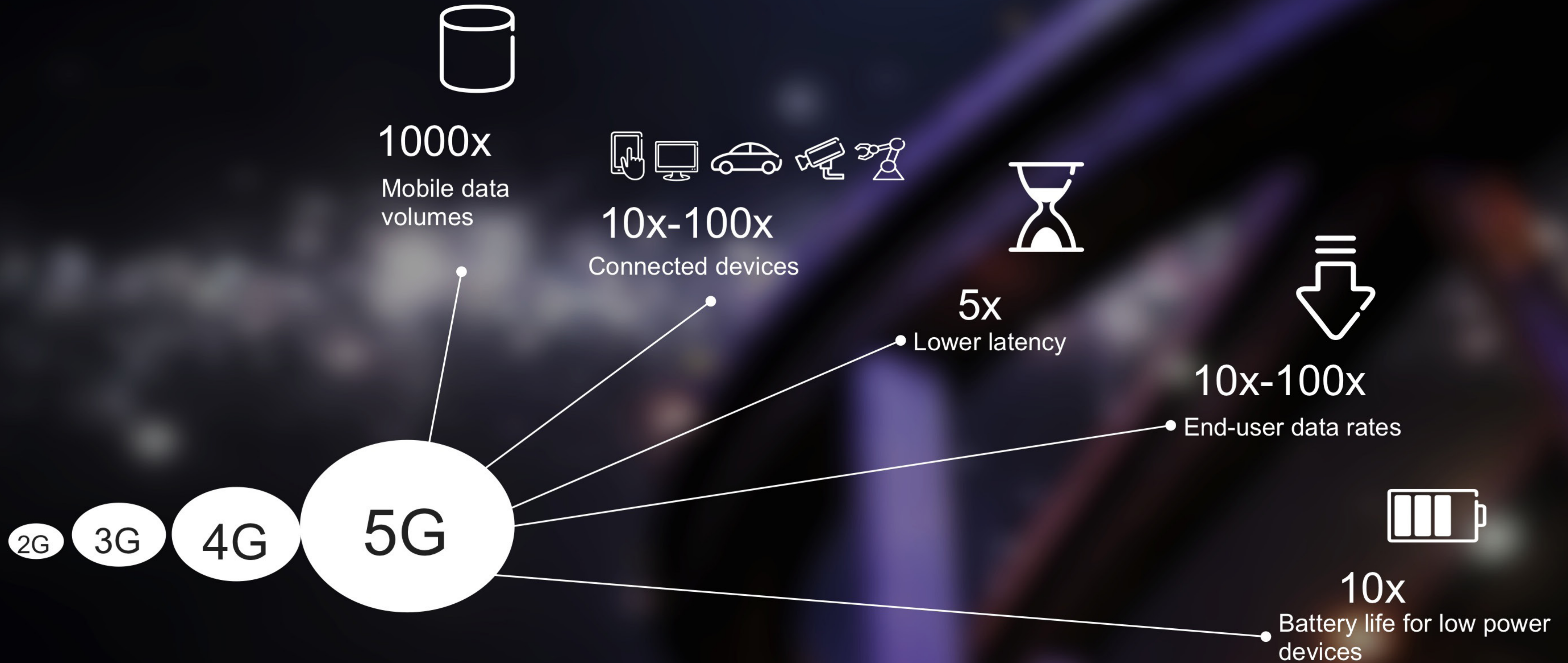
ACCELERATE GO TO MARKET



Operators can address all players by solving their specific connectivity challenges and increase the value of their offering.



EVOLUTION TOWARDS 2020



AGENDA



Networks following the plan

Segment Networks financial situation and outlook

Excel in core business

Focus going forward

COMMON QUESTIONS ADDRESSED



Is the mobile market a growth market?

In the data era, operators with best performing networks are showing significant revenue growth

Is Enterprise more of a WiFi market?

CAPEX to OPEX shifts, BYOD, increasingly mobile work force and security aspects opens new operator opportunities

Is RAN next in line for virtualization?

Very small part of the baseband would make sense to virtualize given the real time critical processing needed

Is 5G more of the same?

5G is an evolution of LTE and enables many new use cases as well as superior performance and capabilities

Will VoLTE happen globally?

VoLTE is gaining momentum cross regions and the large base of IMS systems in operation enables a swift uptake

FOCUS GOING FORWARD



- › Sustainable double digit margin through commercial excellence, operational efficiency and cost control
- › Global deployment of Ericsson SW model
- › Extend radio leadership and capture the indoor opportunity
- › Continue to demonstrate the App Coverage opportunity





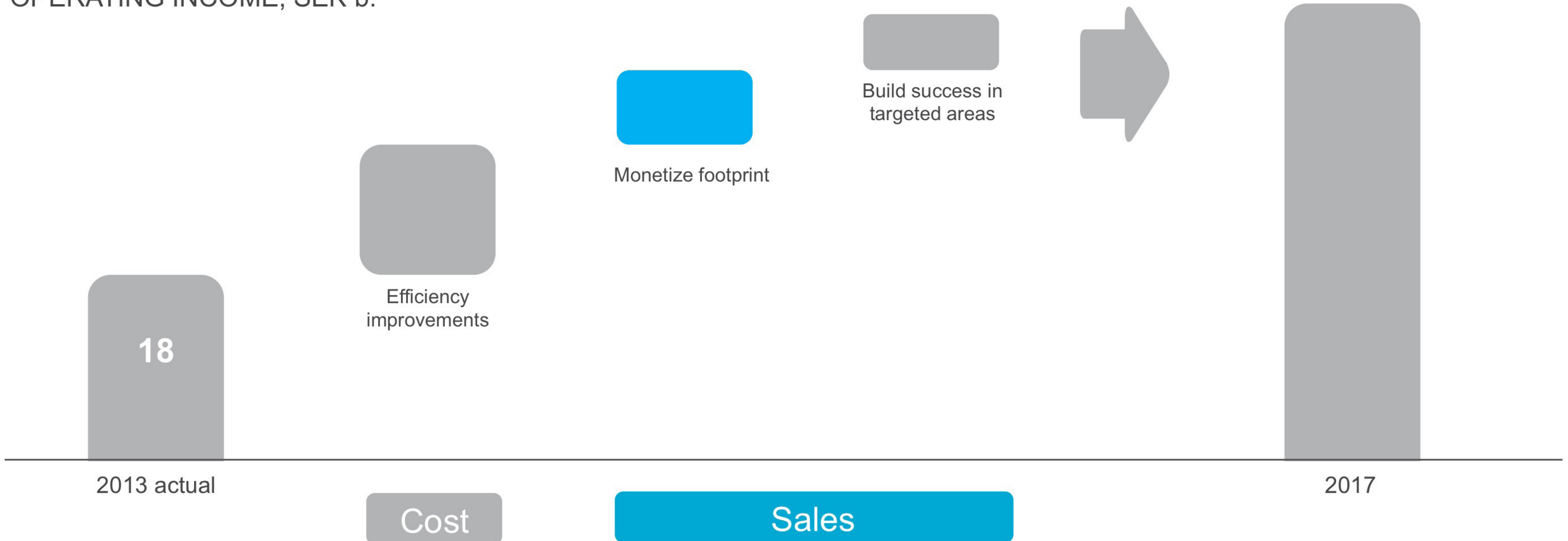
EXCEL IN CORE BUSINESS

CFO, Jan Frykhammar

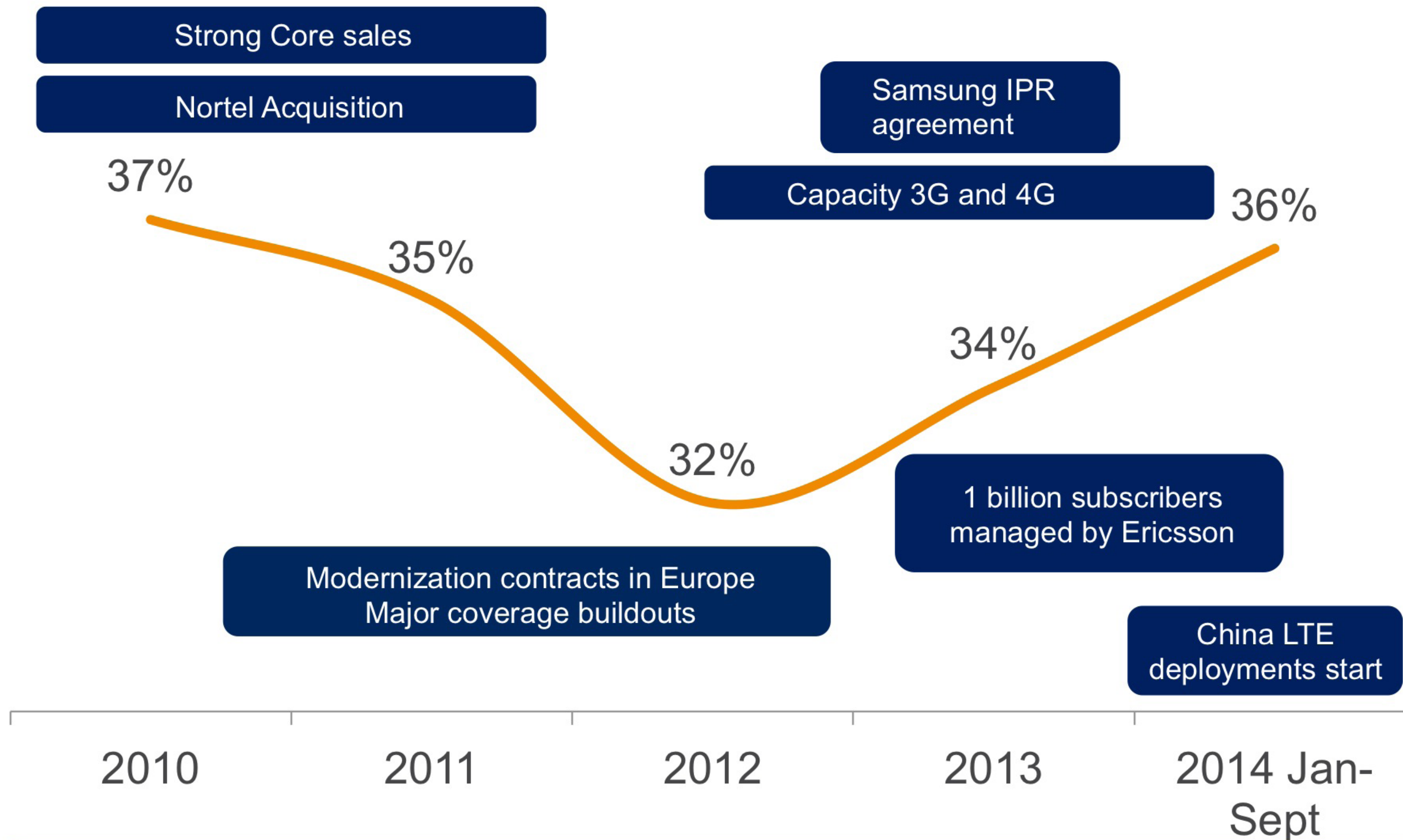
PROFIT IMPROVEMENT ILLUSTRATIVE



OPERATING INCOME, SEK b.



GROSS MARGIN DEVELOPMENT



Current impacting parameters:

- › Service share
- › Business mix
- › SW share including IPR revenues

Future additional parameters:

- › Targeted areas performance

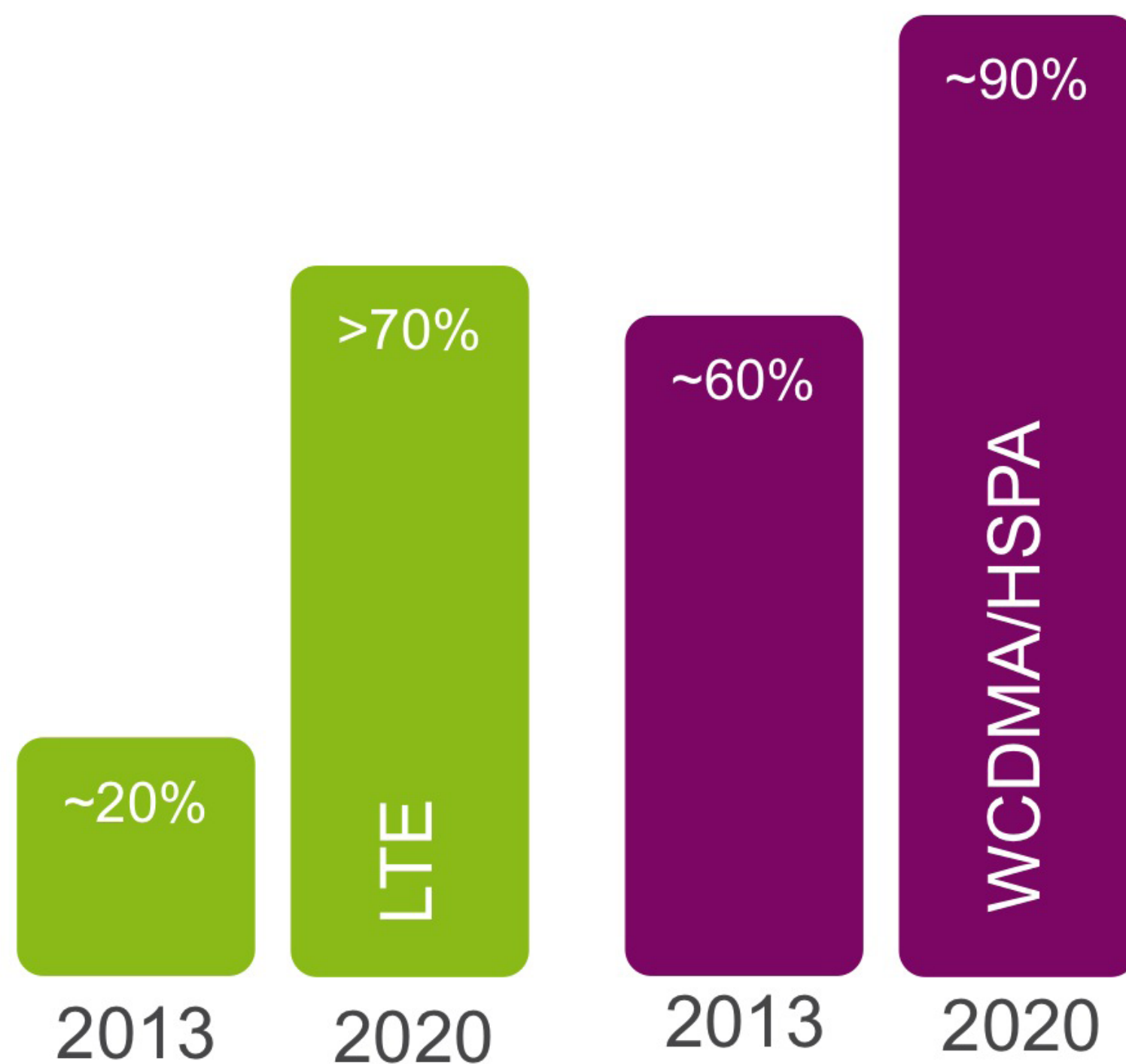
Gross margin improvement driven by business mix and SW share

BUSINESS CYCLES

MOBILE INFRASTRUCTURE



Technology coverage



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

Capacity (expansion phase)

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

Additional footprint opportunities driven by continued LTE and 3G coverage focus

EXCEL IN CORE NETWORK ROLLOUT



Network rollout



>300k sites annually

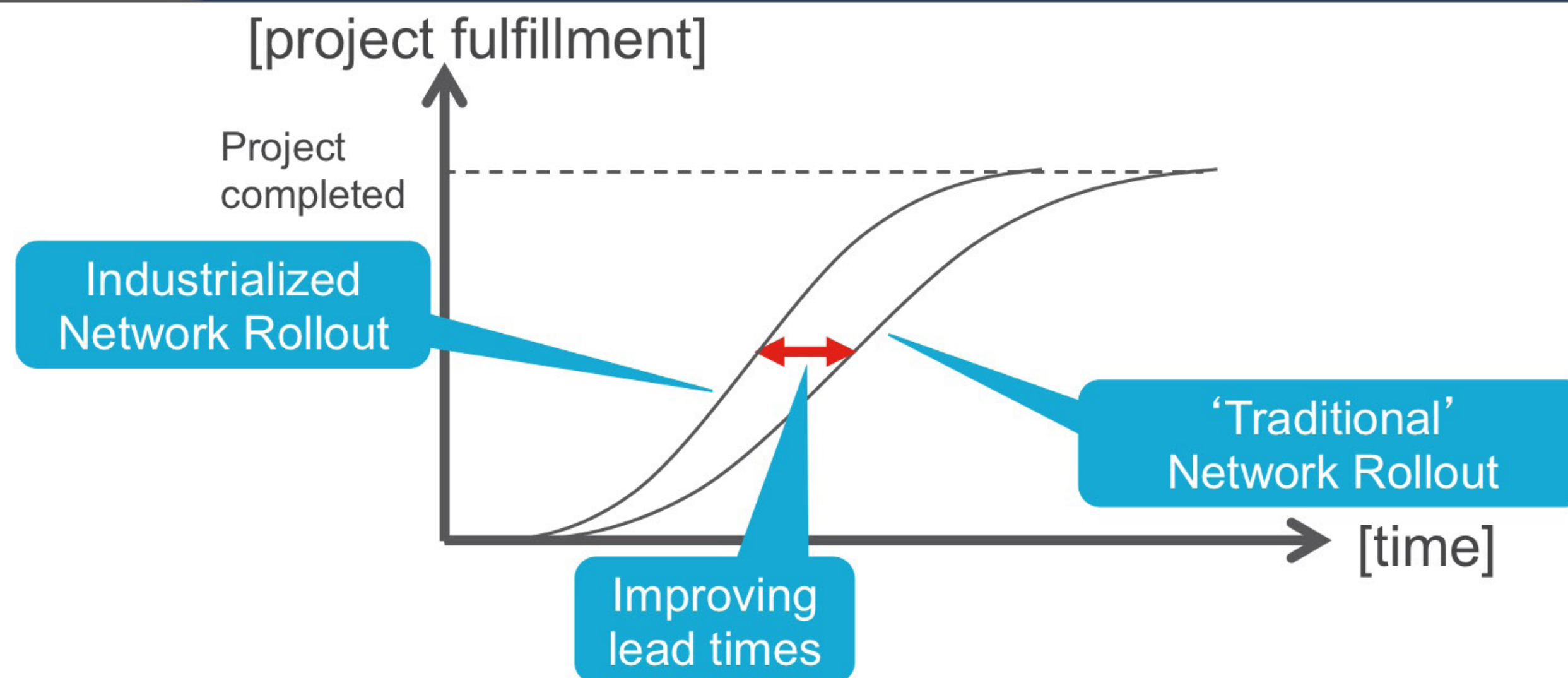
> Network rollout

- NRO - lower margin business
- Network market share prioritized over NRO-profitability in certain modernization projects
- On track towards break even result
- Implementing sustainable improvements

Sustainable improvements – Industrialized NRO:

- Improved tools, methods and processes
- Global reuse of skills and experience
- Standard service packages & global delivery

Up to 50% reduction of installation lead time
 ~25% reduction in # of site visits
 Significantly improved quality, i.e. yield

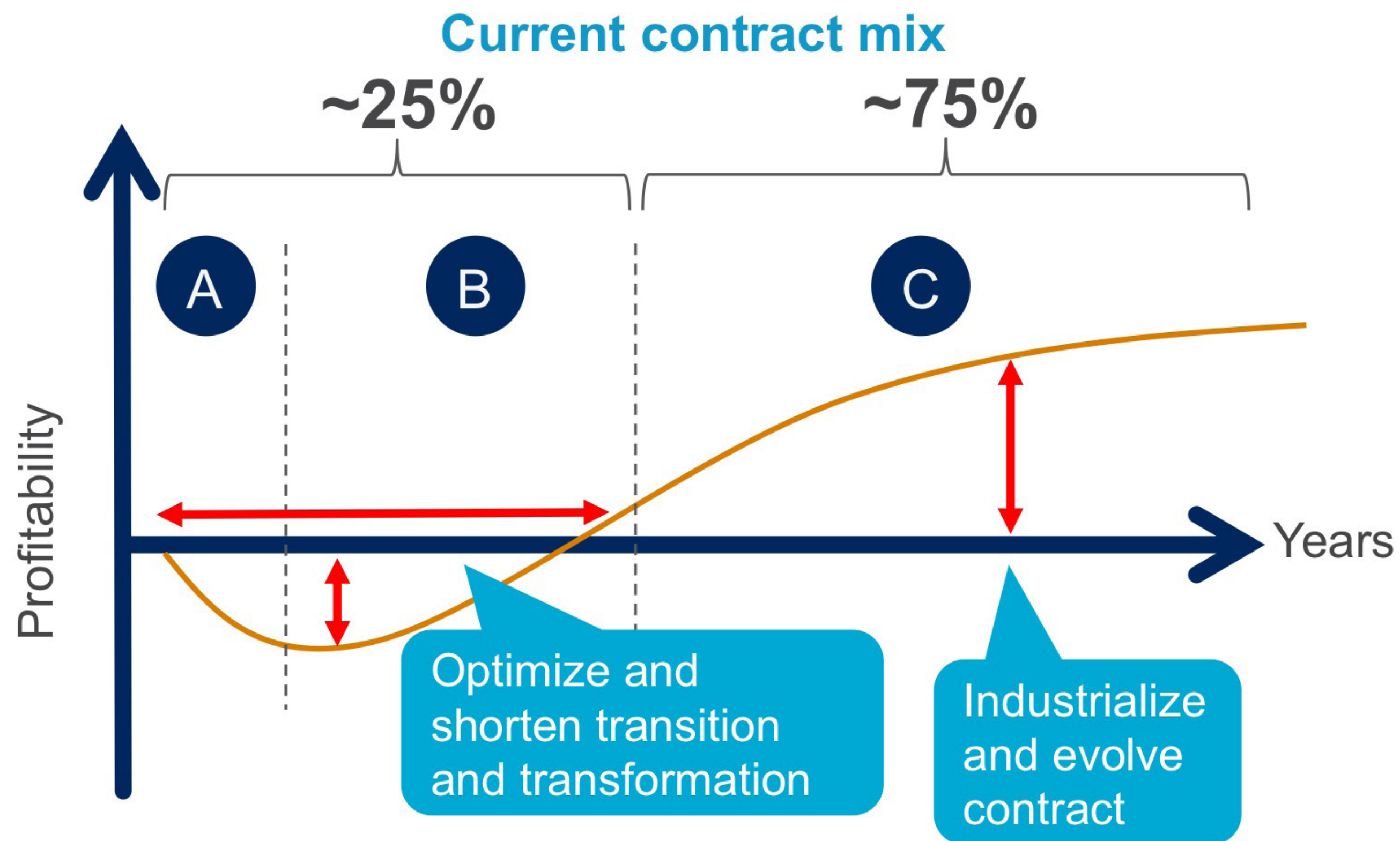


Implementing sustainable improvements in Network Rollout

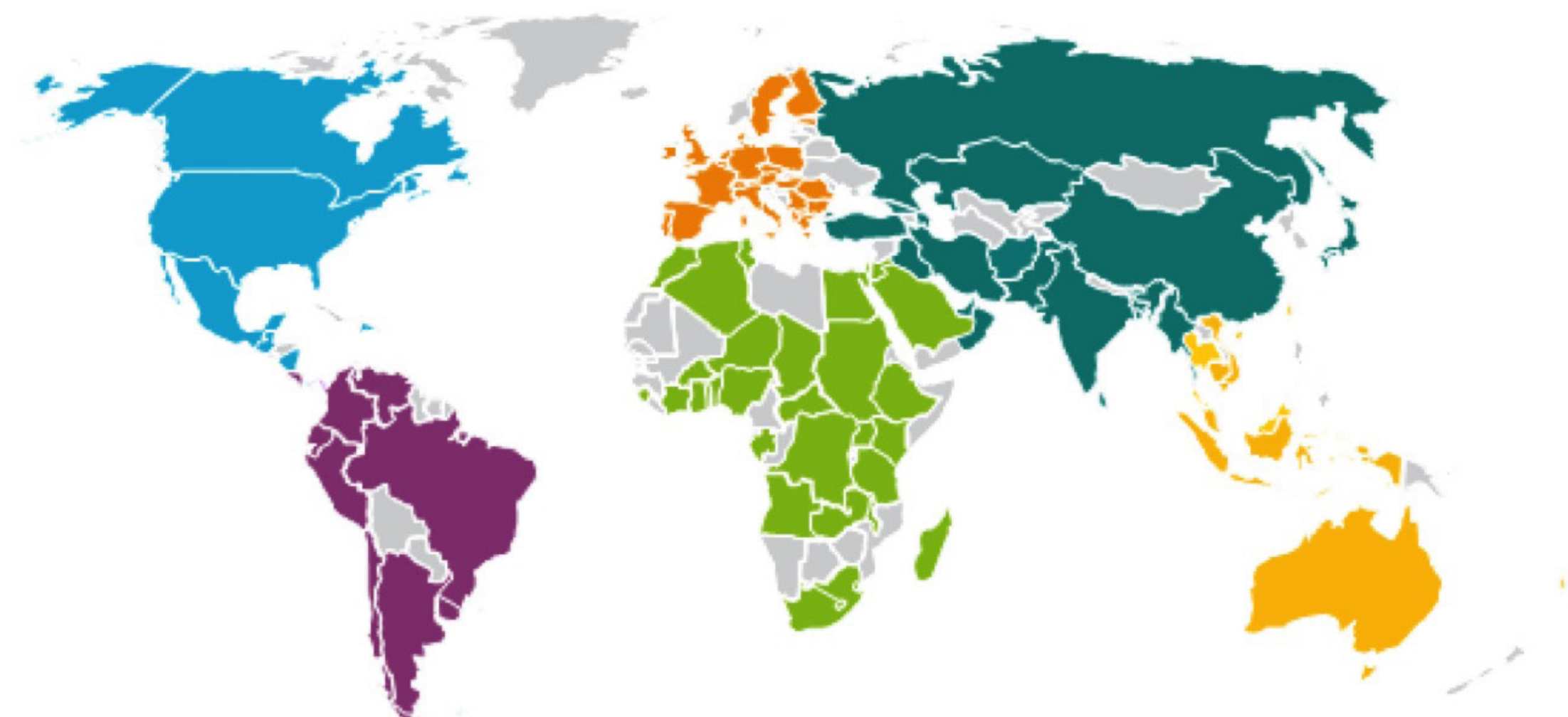
BUSINESS MODEL MANAGED SERVICES



- 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

KEY TAKEAWAYS

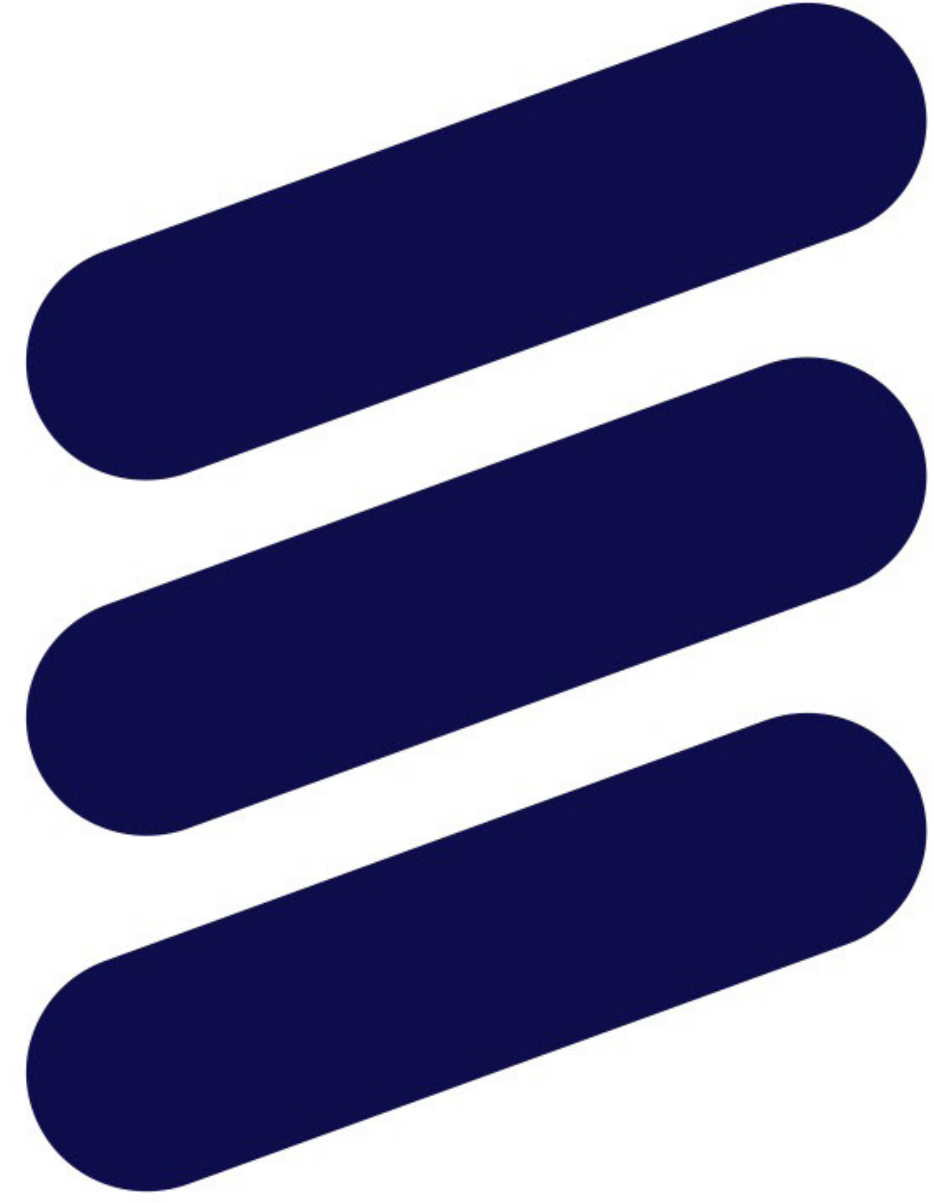


Gross Margin Development

- › Gross margin improvement driven by business mix and SW share

Footprint

- › Additional opportunities in mobile infrastructure driven by continued 4G and 3G demand
- › Strong global footprint in managed services with more than 300 contracts running
- › Footprint important for future capacity and add-on sales
- › Implementing sustainable improvements in NRO



ERICSSON