ERICSSON

FINANCIAL REVIEW AND TARGETS

CAPITAL MARKETS DAY 2017

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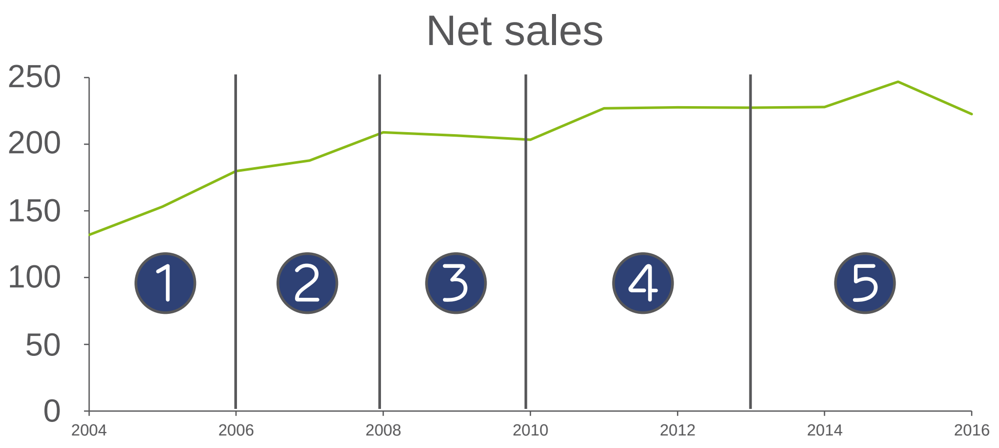
GROWTH TURNING TO DECLINE IN LATER YEARS

Reported Net sales 2014-2016 positively impacted by increasing USD/SEK



1. **Organic growth from low level following telecom crisis**
   Strong portfolio and supply readiness supported recovery

2. **Moderate success in driving growth from acquisition-led scope expansion strategy**
   Acquisitions include: Marconi, Redback, Tandberg, LHS etc

3. **Consolidation phase following 2008 financial crisis**
   Ericsson reported net sales supported by stronger USD/SEK

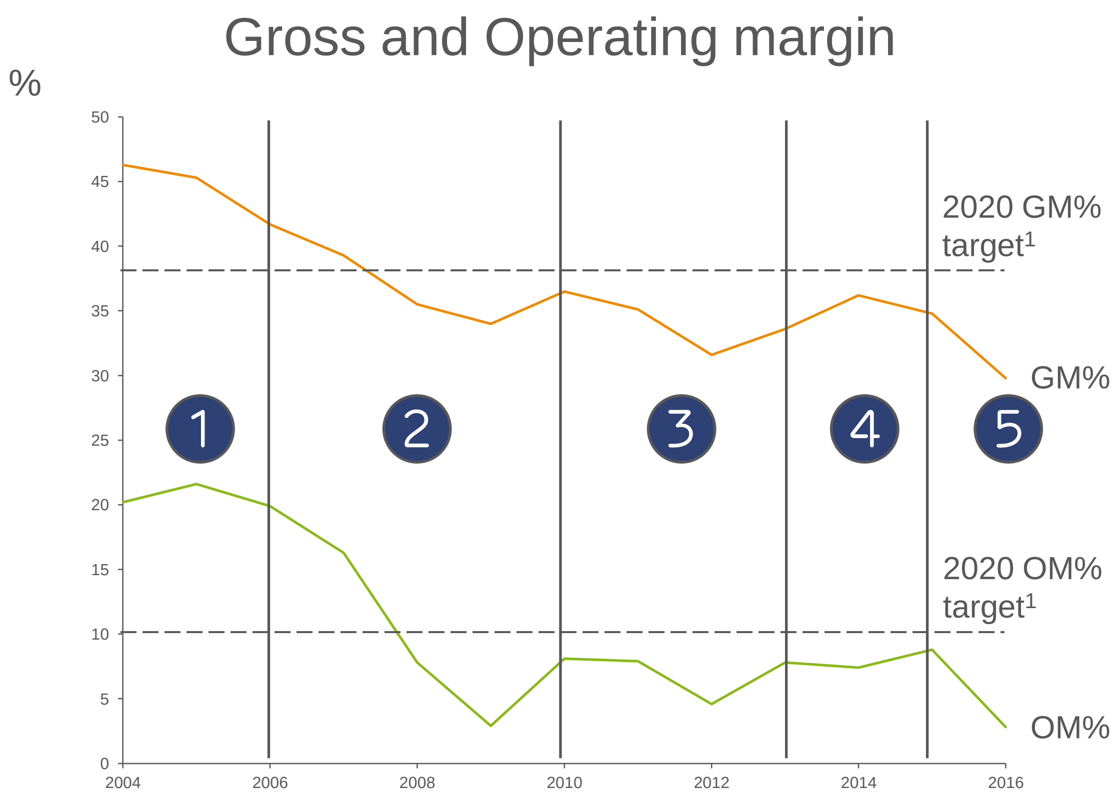
4. **Strong growth in 2011 driven partly by Nortel assets**
   Flat net sales until 2013

5. **Decreasing market share in core business off-sett by currency tail-wind and IPR settlements 2014 and 2015**
   Weak underlying business performance

Scope expansions and acquisitions did not lead to sustainable net sales growth

ERODED PROFITABILITY

Expansion outside core contributed to deteriorating margins



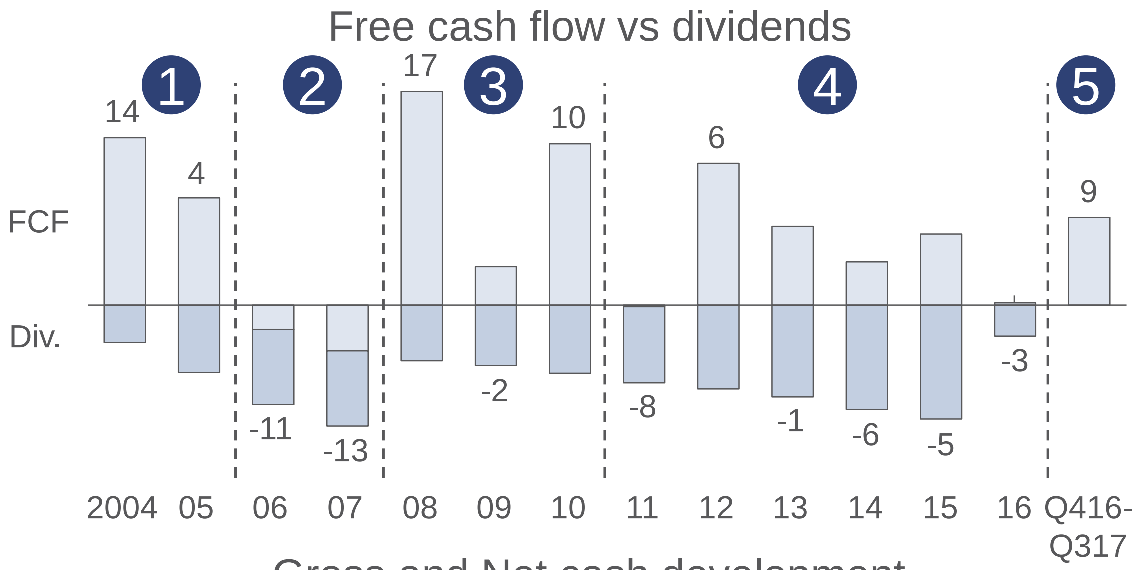
[1]Excluding restructuring charges

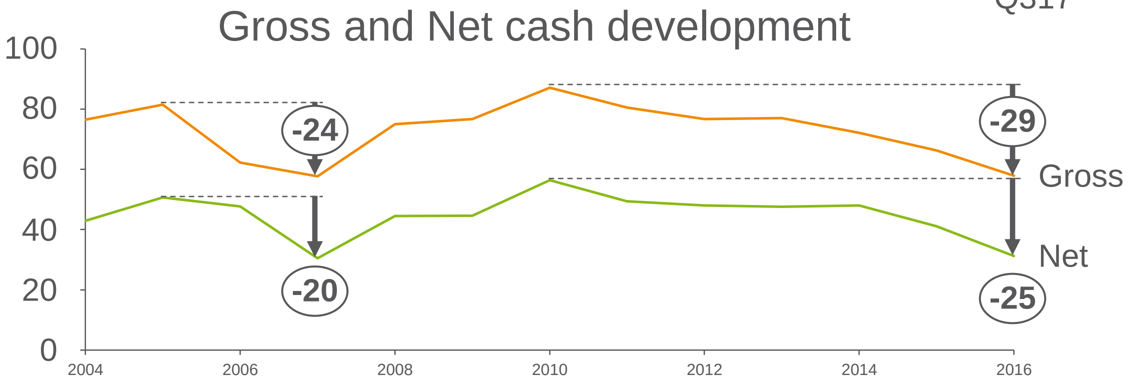
1. **Strong focused strategy after telecom crisis delivered superior gross margin and operating income**
   Technology leadership contributed to high gross margin
2. **Gross and operating income diluted during scope expansion**
   High restructuring charges contributed to low profitability in 2009
3. **Stabilized profitability 2010-2013**
   4G ramp-up, Joint Venture consolidations and Sony Ericsson divestment
4. **Strengthened USD and IPR settlements supported margins in 2014-2015**
   Deteriorating underlying business performance
5. **Market contraction combined with absence of FX tailwind and IPR one-offs**
   Weak underlying business performance

Declining margins partly due to services-led sales and scope expansion strategy

DIVIDENDS LARGER THAN FCF IN LATER YEARS

Cash position remains strong





1. Cash position re-built through strong business performance and moderate dividends
2. Several large acquisitions, negative free cash flow, increasing dividends and reduced cash
3. Strong cash flows during consolidation phase
4. Free cash flow not covering increased dividends, reducing gross cash positions from high levels
5. Improving free cash flow from a low level

Despite margin deterioration, gross and net cash remain solid

KEY LEARNINGS

Keep focus on core business	Limit scope expansions	Free cash flow is critical
Technology-driven differentiation to reduce price erosion and secure cost leadership	Disciplined investments based on balanced business cases with realistic estimates on market and margin opportunities	Clear accountability in the business for P&L, capital and cash flow

Focused business strategy

CHANGE IN PRIORITIES FOR LONG TERM SHAREHOLDER VALUE

From…	…to…
Growth through scope expansion	Focus on core – selective growth based on technology leadership
Growth prioritized over contract profitability and risk	Balanced deal decisions for maximum shareholder value
Services-led sales for top-line growth	Product-led solutions for maximum gross margin and capital efficiency
P&L and operating cash flow in focus	More emphasis on return on capital and free cash flow

FINANCIAL STRATEGY EXECUTION TO DATE

Gross cash position

- Gross cash improved from SEK 44 b. to 55 b. YoY
- Funding secured at attractive terms – continued opportunistic approach
- Reduced dividend

Free cash flow

- SEK 9 b. stronger than last year 2017 09 YTD
- Increased steering on Free cash flow in addition to operating cash flow
- Disciplined investment decisions in M&A and Capex and divestment of power module business in 2017

Balance sheet de-risking

- Project risk provisions: SEK 8.4 b. in Q1 and SEK 2.3 b. in Q3 2017
- Fixed asset write-down following ICT Center consolidation: SEK 1.6 b. in Q3 2017
- Reduced cost capitalizations: SEK 2.9 b. negative P&L impact in H2 2017
- Strategy-driven re-evaluation of intangibles & dev cap: SEK 3.3 b. in Q1

Note: Free cash flow = Cash flow from operating activities less net capital expenditures and other investments
Dev cap = Capitalized Development Cost

GROUP FINANCIAL TARGETS

Profitability over growth

SEK b.	Q416-Q317[1]	2020[2]	Comment
Sales	211	190-200	› Top-line decline largely driven by focused strategy › Financial targets based on SEK/USD at 8.20
Gross margin	30%	37-39%	› Supported by investments in technology leadership › Efficiencies in supply, sourcing and service delivery
R&D	31	↗	› Focused investments in line with strategy
SG&A	27	↘	› Synergies from new simplified organization › G&A efficiencies and right-sizing
Operating margin	3%	>10%	› Target of >10% operating margin in 2020 › Long-term target of >12% beyond 2020
Free Cash Flow	9	Positive	› Increased focus on free cash flow growth › Positive free cash flow up to 2020 - strong beyond 2020

[1] Excluding XO items and restructuring

[2] 2020 target excluding Media (pending decision) and restructuring, based on SEK/USD at 8.20