

Ericsson Capital Markets Day 2018



November 8, 2018
New York



1st

radio units to be produced in USA

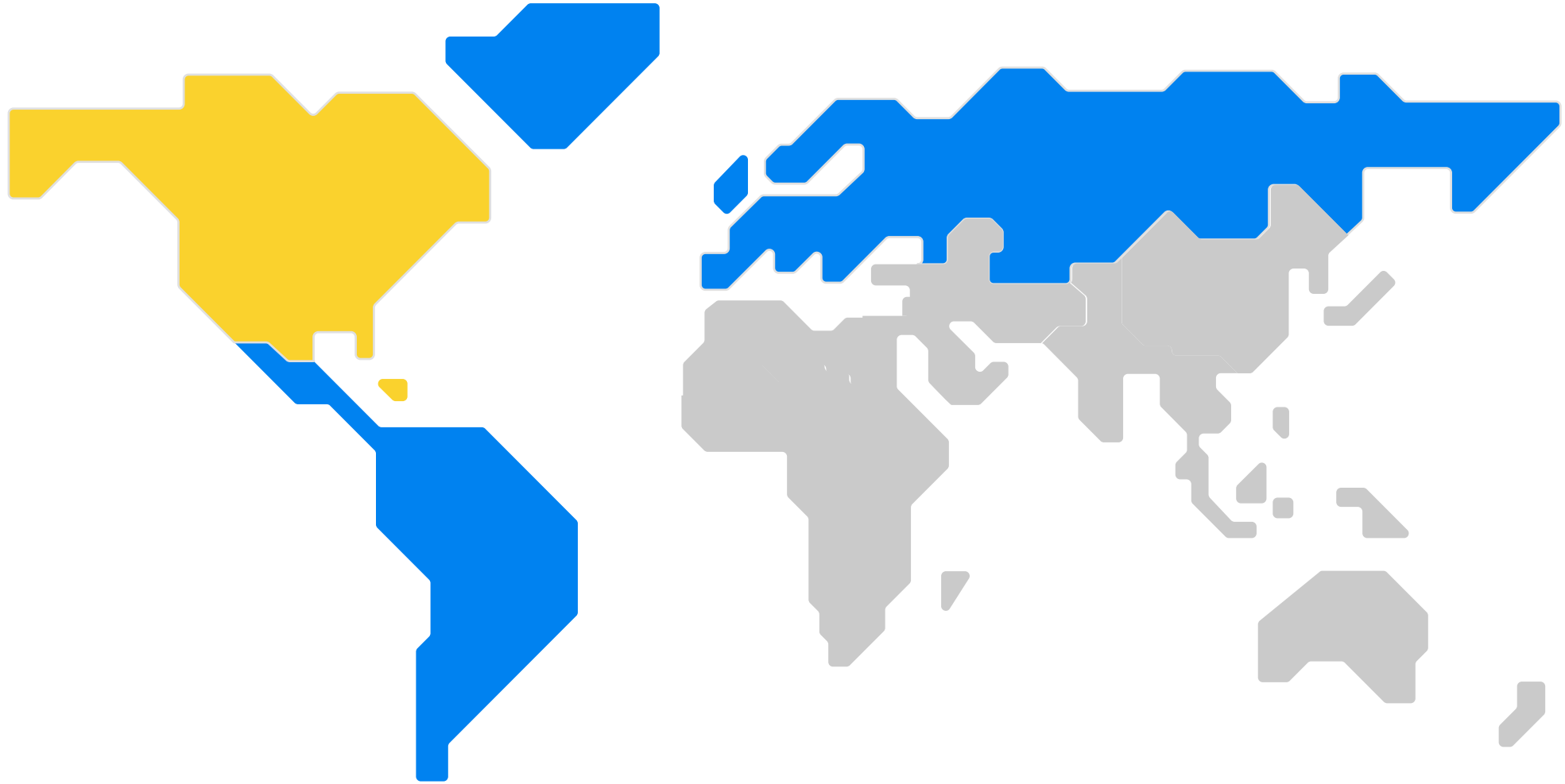


1st

radio units to be produced in USA

+1.5%

radio market share gain



1st

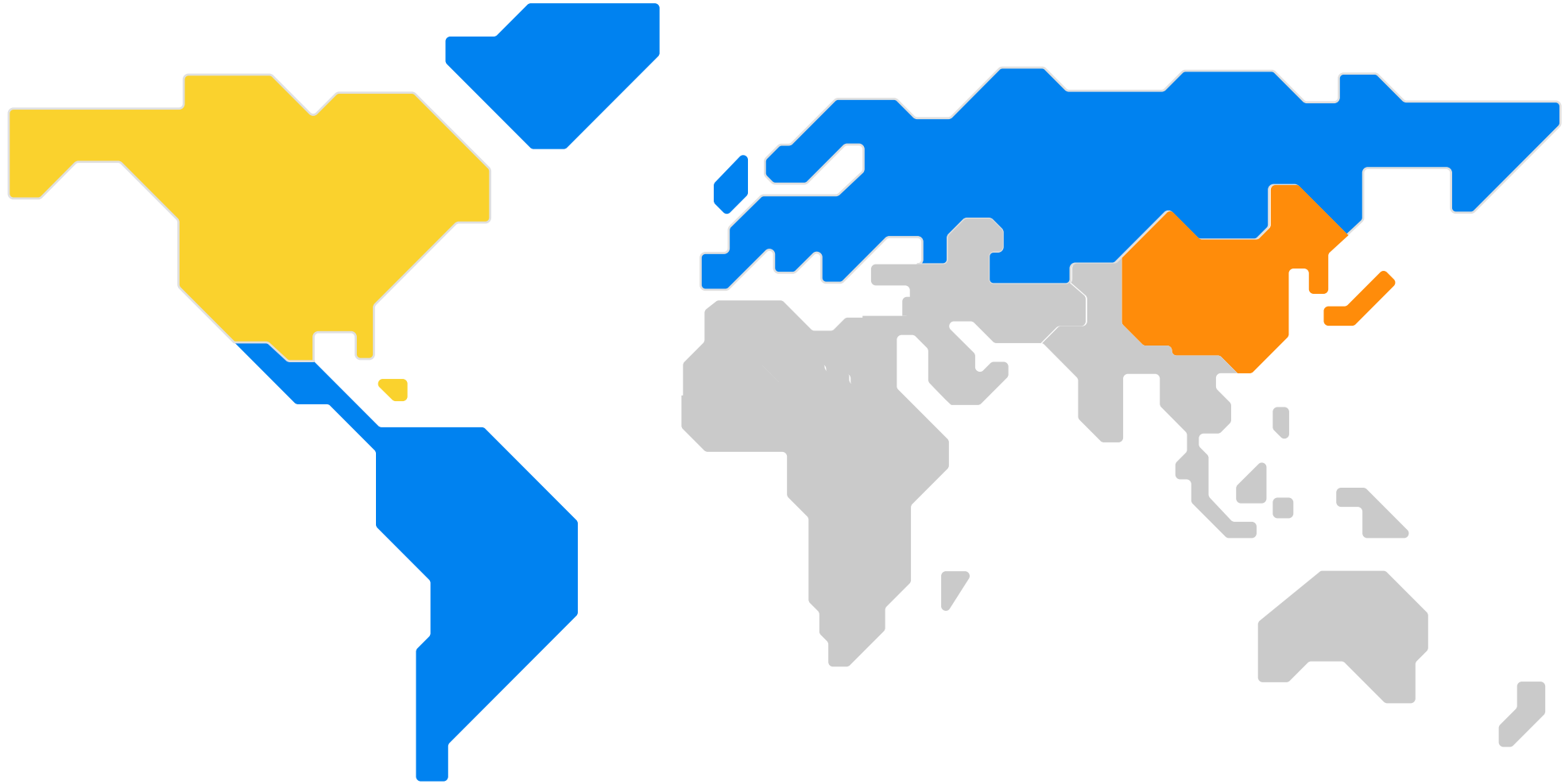
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radio market share gain

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NB-IoT share in China



1st

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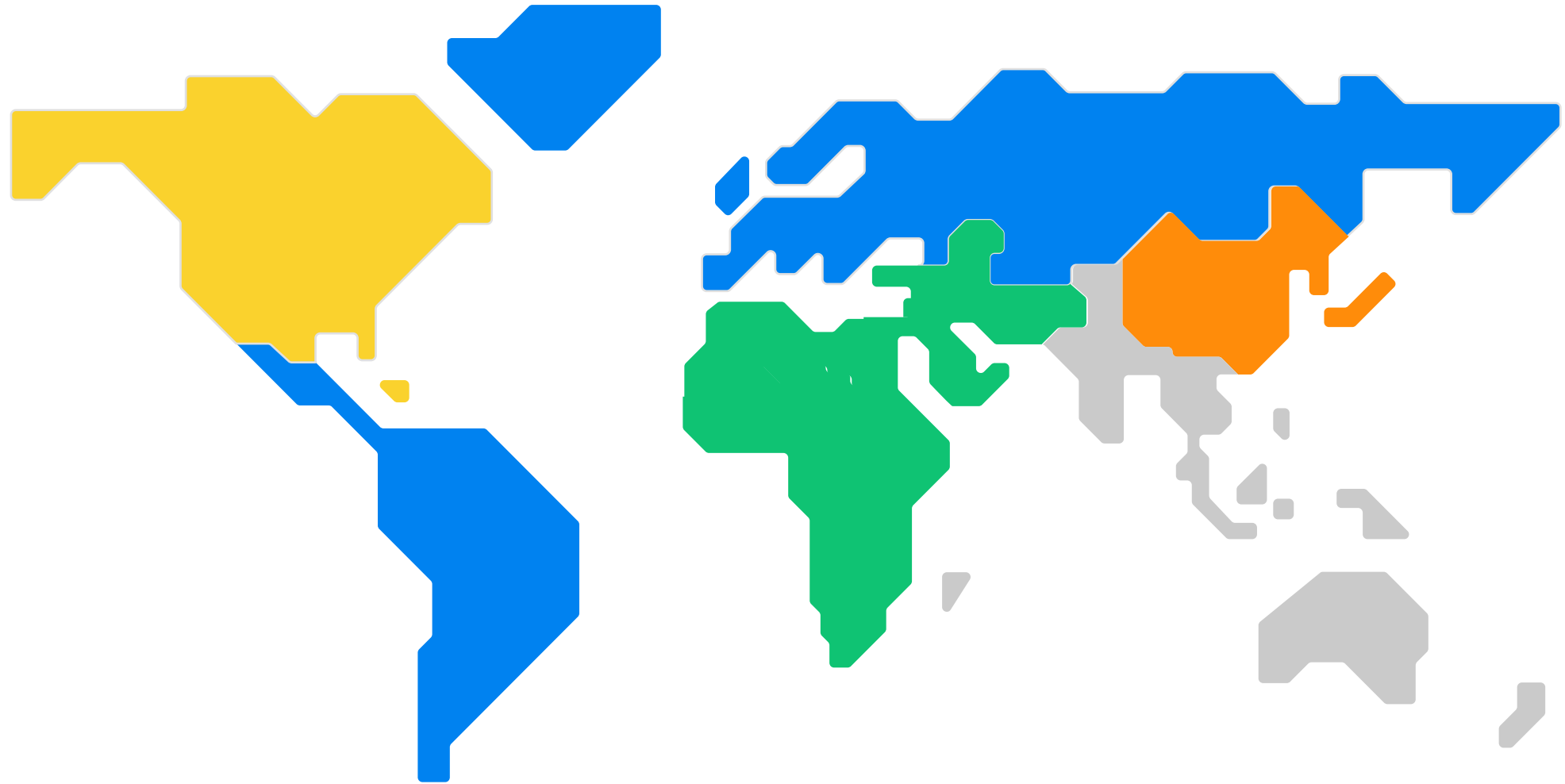
radio market share gain

+5%

NB-IoT share in China

20%

reduction in working capital



1st

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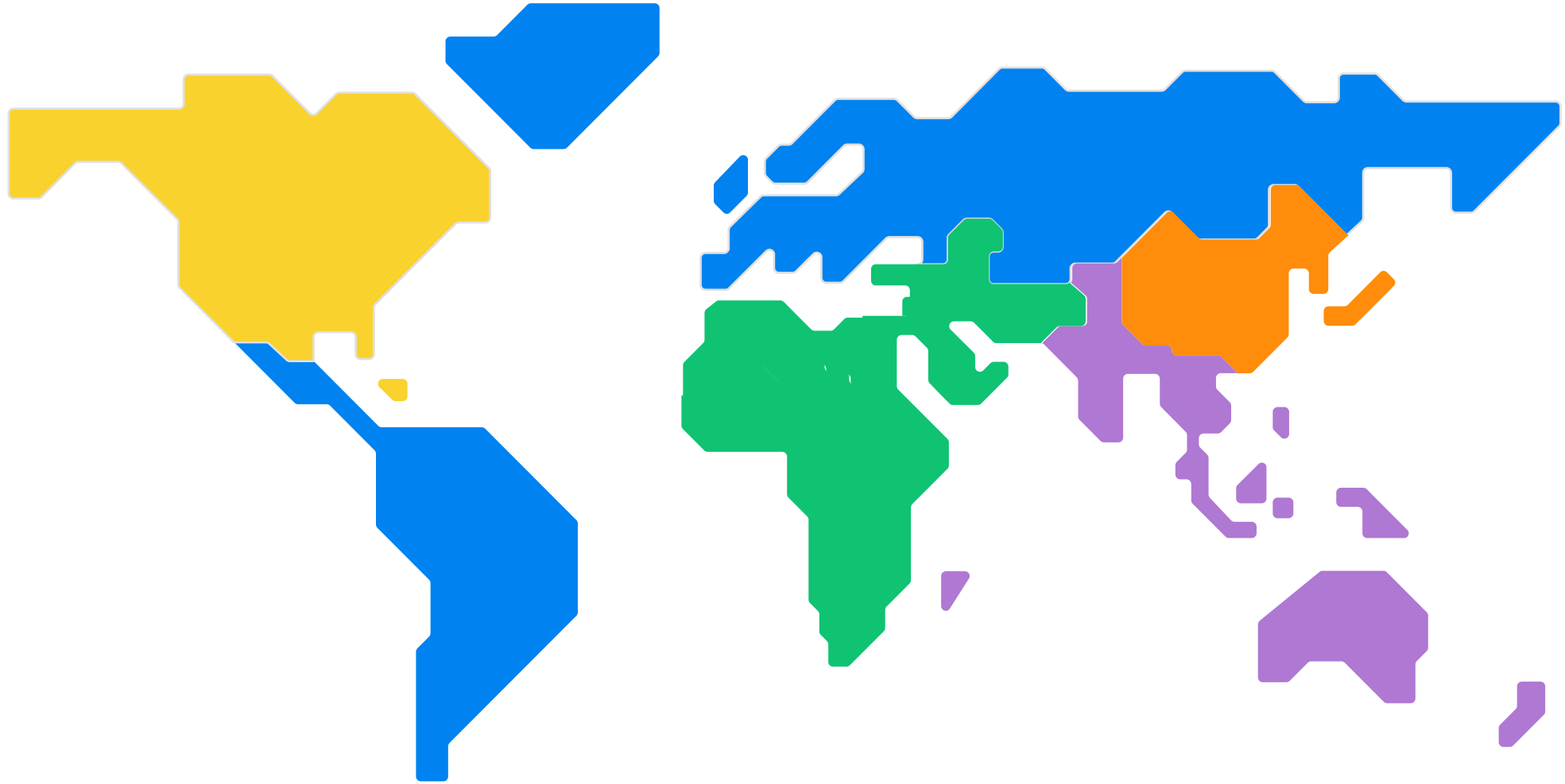
NB-IoT share in China

20%

reduction in working capital

+3%

mobile subscription growth



Market Area North America

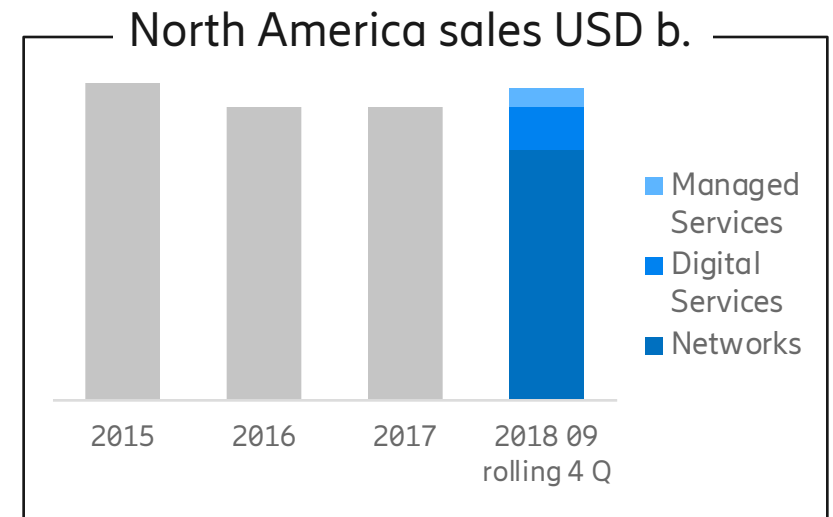
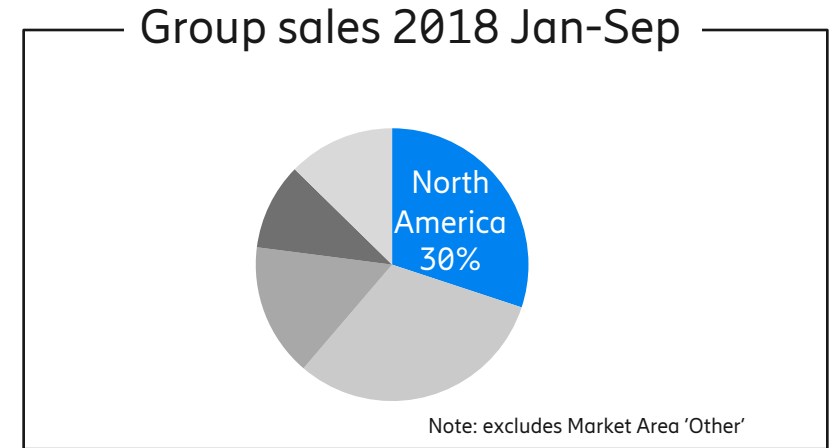


Niklas Heuveldop,
SVP and Head of North America

Ericsson leading in North America



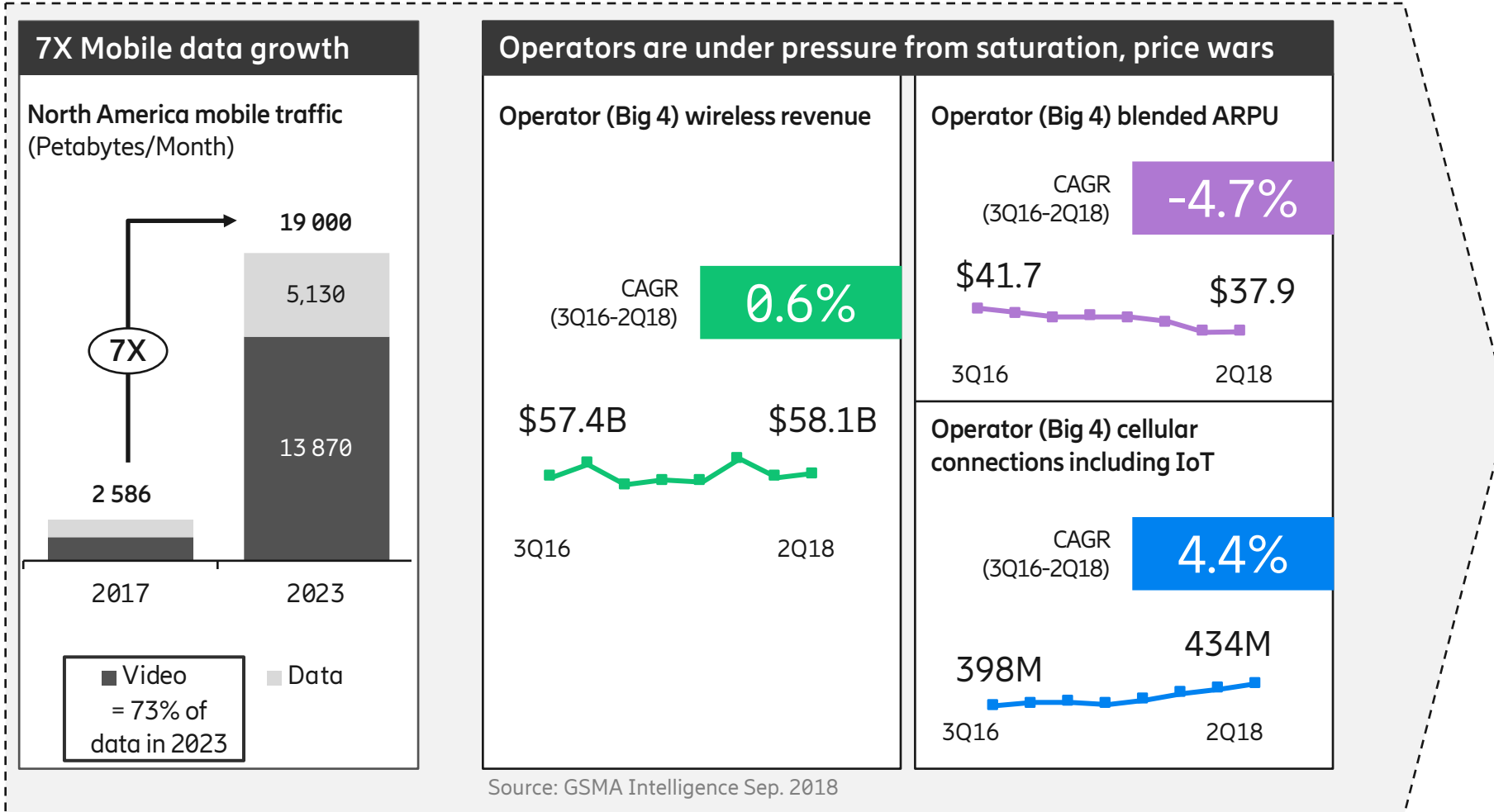
- North American sales were \$6.1B in 2017
- \$4.7B YTD (+9% YoY), driven by investments in 5G readiness
- #1 wireless infrastructure vendor in North America
- 10,200+ employees in North America
- Increased investment in local R&D
- Started up local manufacturing



Customers include:



The market reality



Operators required to evolve to compete effectively...

Operators seeking...

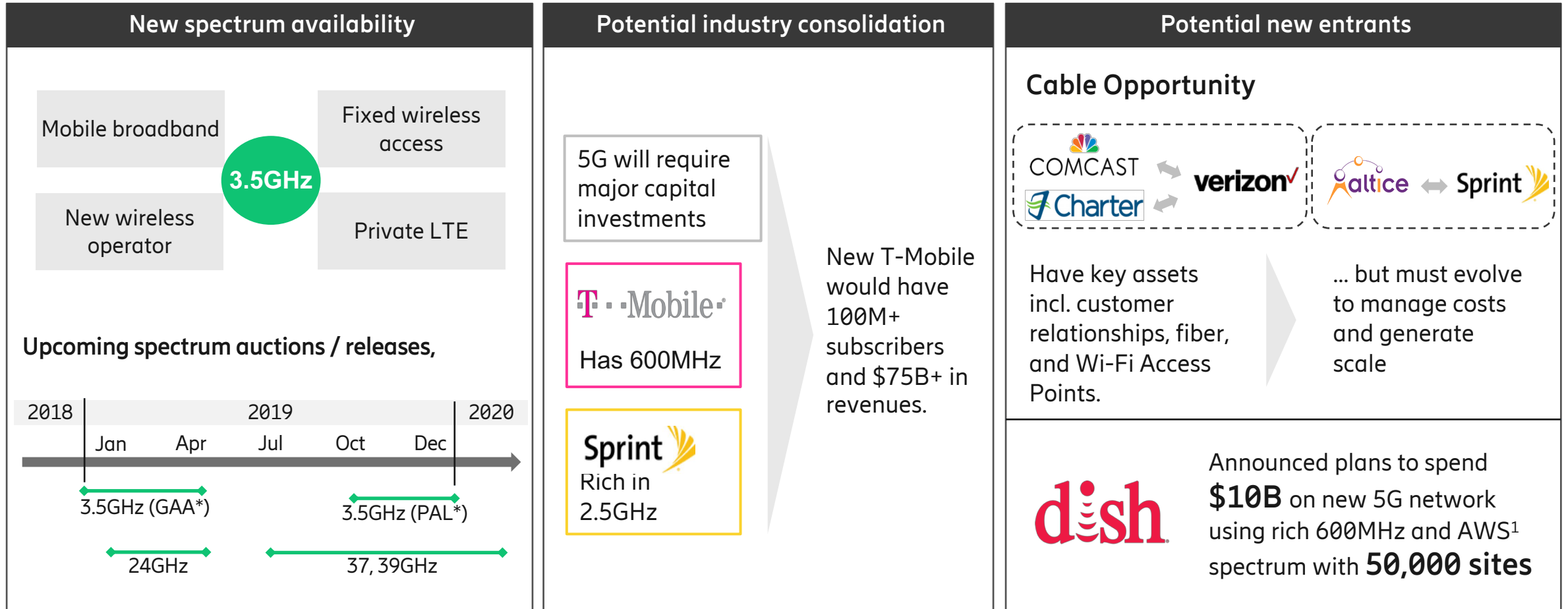
- Cost efficiencies
- Customer experience
- New revenue streams

...while the operator market may change structurally

- T-Mobile/Sprint merger
- New wireless network operator(s)

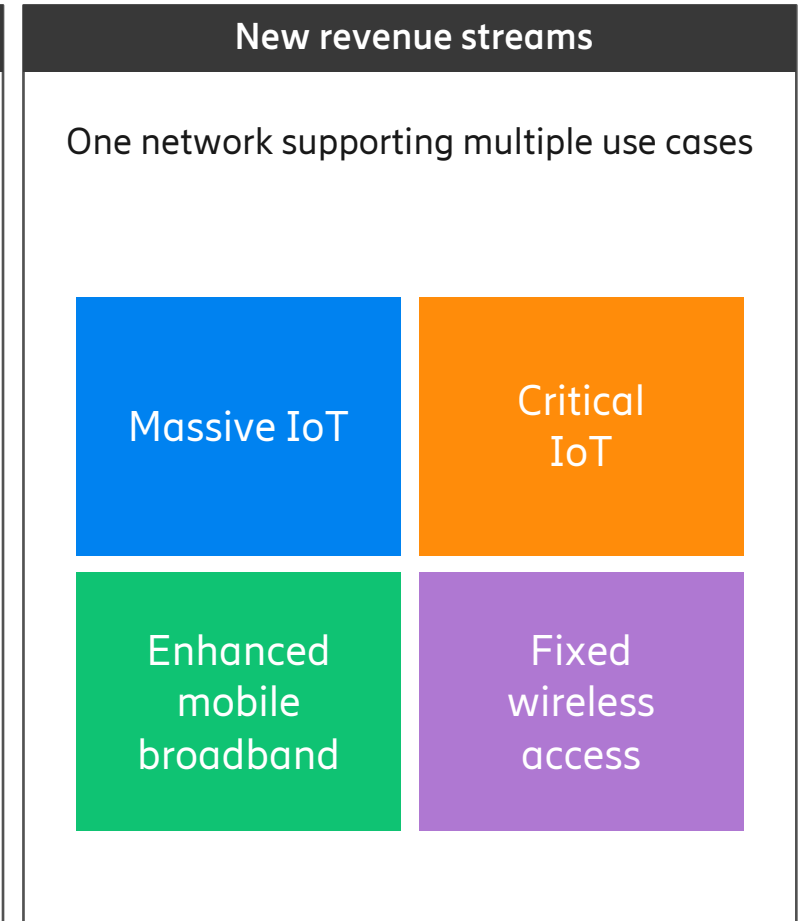
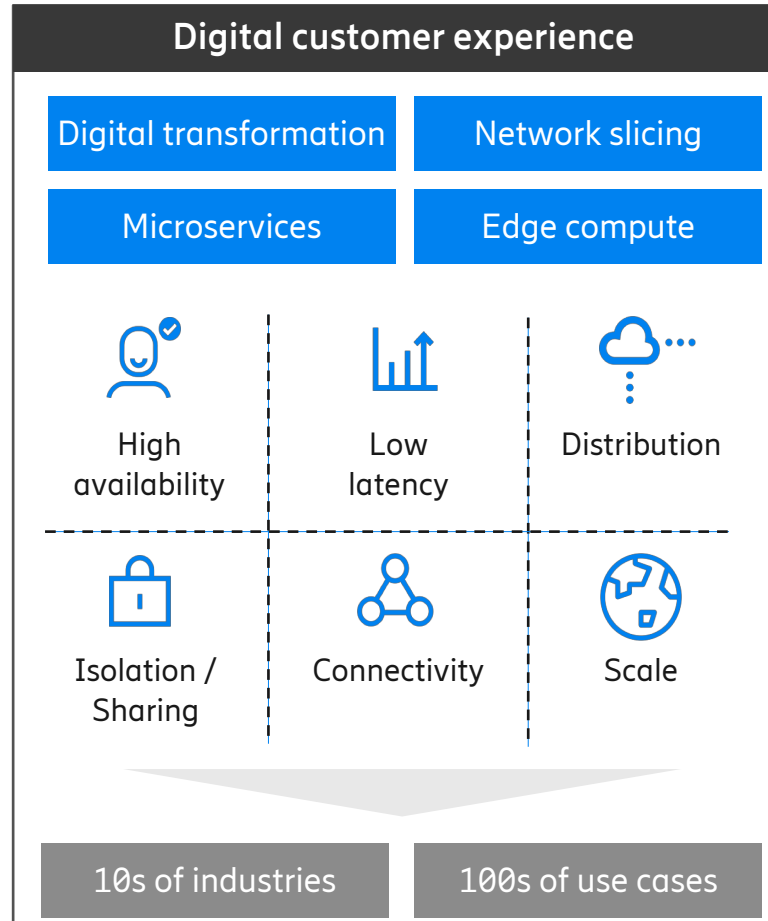
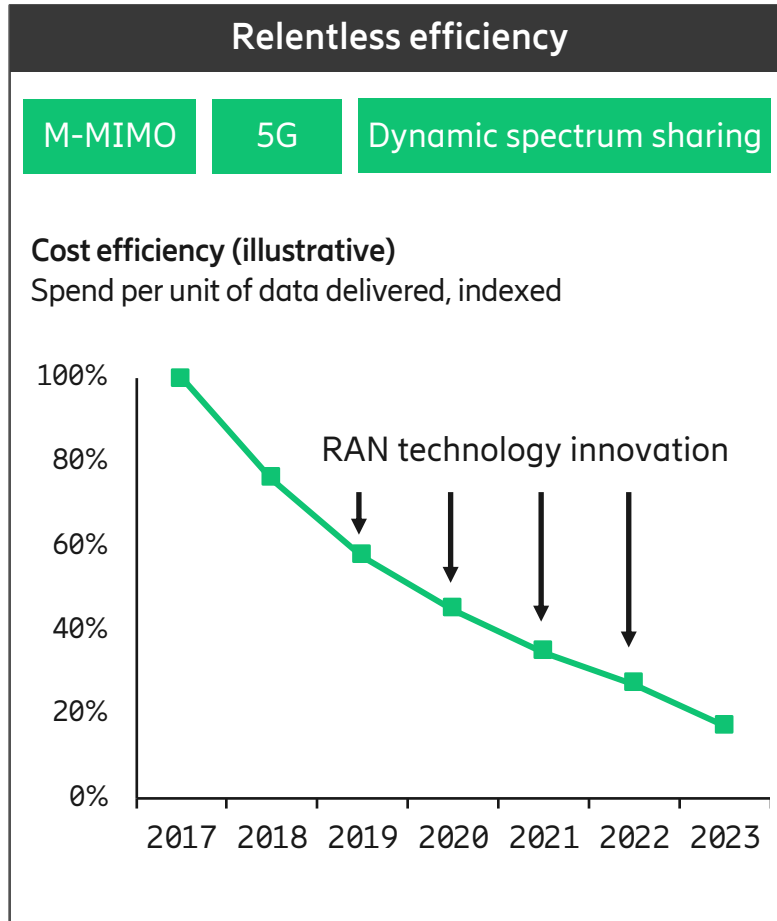
ARPU is blended pre-paid and postpaid, also includes IoT connections where reported which dilutes blended ARPU
Wireless Revenue includes device sales, leases and rentals as well as wholesale /affiliate sales

The evolving industry



¹GAA: General Authorized Access, PAL: Priority Access Licenses, AWS: Advance Wireless Spectrum

The business opportunity



The 5G race in North America



Commercial launch plans as announced by the operators

2018 Q4

2019



Mobile broadband
12 cities
5G NR* (39 GHz)



Mobile broadband
9 cities
5G NR* (2.5 GHz)



Mobile broadband
30 cities
5G NR* (28/39 GHz)



Fixed wireless access
4 cities
5G TF* (28 GHz)

Mobile broadband
5G NR* (28/39 GHz)

Plans to be announced

- Ericsson awarded 5G contracts across all top-4 operators
- Two initial use cases: Fixed wireless access and mobile broadband
- Contracted for high-, mid-, and low-band 5G NR*
- Additional spectrum 2019: 3.5 GHz and 24 GHz

Summary and priorities going forward



North America is leading the global 5G race

Service providers are transforming to address new opportunities

Ericsson is uniquely positioned to support our customers maximize operating efficiencies, customer experience and new revenue growth

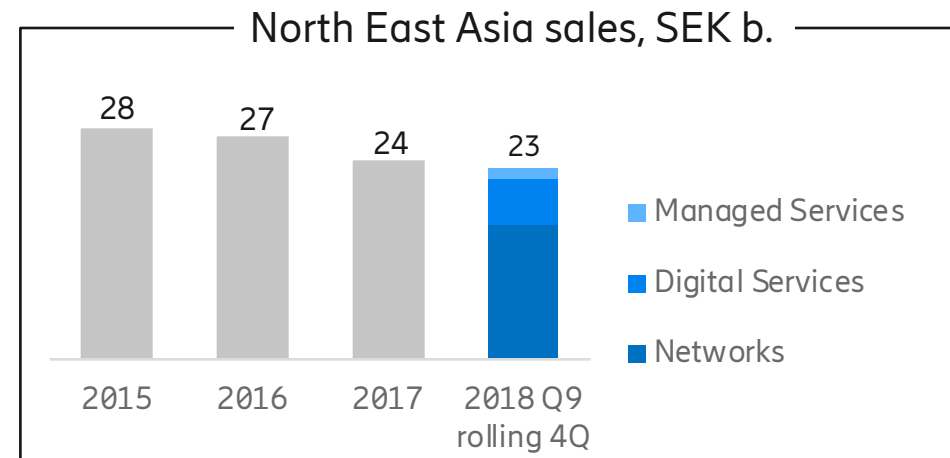
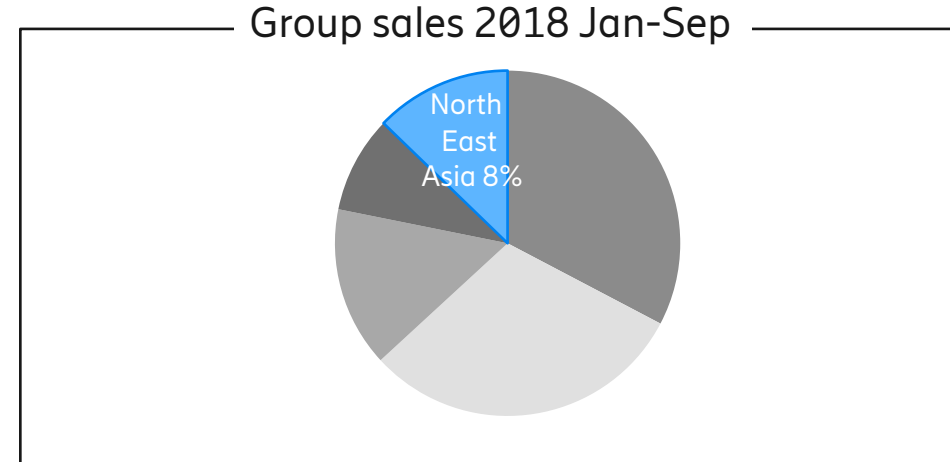
Market Area North East Asia

Chris Houghton,
SVP and Head of North East Asia

Ericsson in North East Asia



- 16,100 employees
 - 14,100 in Greater China (Mainland China, Taiwan, Hong Kong)
 - 2,000 in Japan and Korea
- Ericsson market position
 - No.1 in Taiwan
 - No.2 in Korea
 - No.2 in Hong Kong
 - No.3 in Japan
 - No.3 in Mainland China
- North East Asia sales
 - Mass LTE deployments in China 2015-2016
 - Mass LTE deployments in Japan pre 2015
 - 4G declining investments whilst operators prepare for 5G



North East Asia market

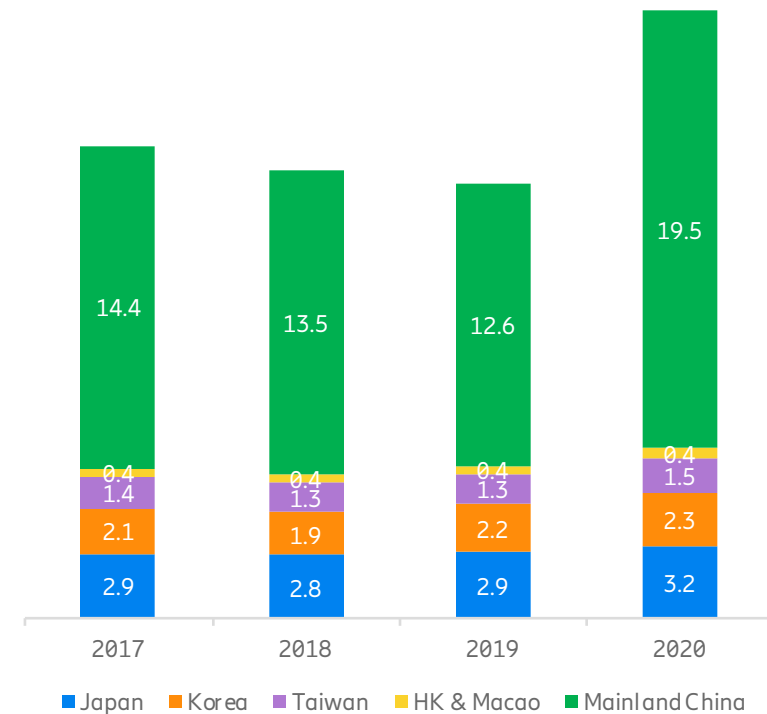


Comments

- North East Asia provides scale and innovation.
- Operators capex investments in non 5G declining whilst investment in 5G commencing, overall flat capex spend.
- Sharp growth in data traffic whilst slow uptake of additional revenue streams.
- Core transformation towards virtualization.
- Strong drive in Greater China particularly for 5G industrial applications, for example smart manufacturing and connected vehicles.

Addressable wireless capex (RAN+telecom core)

USD b.



Source: Ericsson

North East Asia by market



China market

- 5G the foundation of ambition to be the world's leading economy
- Spectrum allocation at no cost to realize 5G potential
- Operators are developing network capabilities to support growth ambition
- 5G technology studies and lab test/field trials are ongoing to ensure 5G leadership



Japan market

- Main driver for 5G starts from eMBB, later move to IoT/Critical IoT connections
- Initially focus on limited 5G services to support Rugby World Cup and Olympic games
- Volume deployments expected in 2H 2020/2021. Constraints are spectrum allocation and construction resources (due to Olympic games activity)



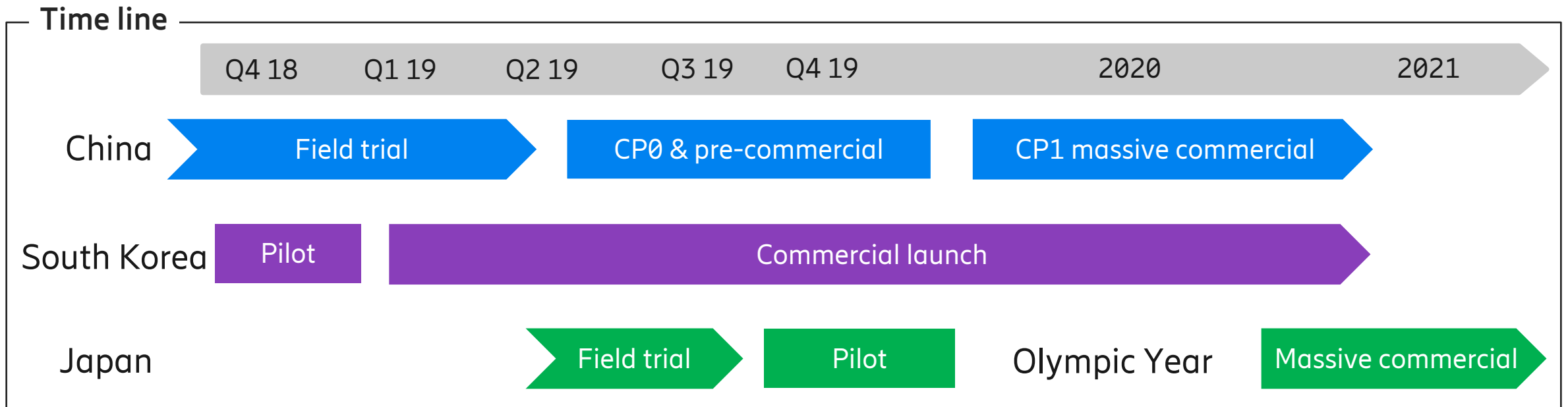
South Korea market

- Government vision of smart manufacturing, health and transport running on 5G networks
- Wants to be one of the first in the world to commercialize 5G
- Operators initially focus on limited 5G services to support government ambition
- Volume deployments expected 2020/2021

5G in North East Asia



- Ericsson awarded 5G contract by SKT in Q3 2018
- One of the earliest markets to launch 5G (Korea in early 2019)
- Expected to be the biggest 5G market in the world (China from 2020) through government support



Priorities going forward



Improve business performance in Mainland China

Increase footprint in Japan and Korea

Secure 5G leadership

Market Area Europe & Latin America



Arun Bansal,
SVP and Head of Europe & Latin America

Ericsson in Europe and Latin America



Total of **42,800** employees



Latin America
7,800

Europe
35,000



R&D in

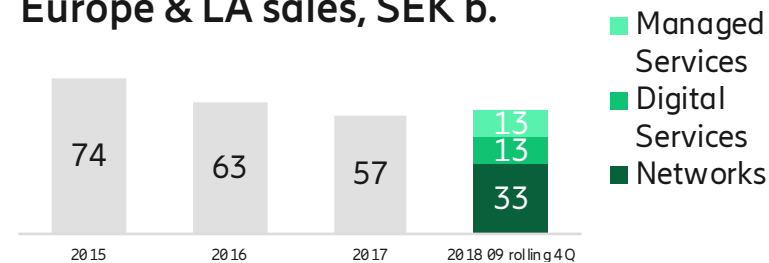
- 15 countries
- 22 R&D centers

Sweden, Germany, Poland, Hungary, Italy, France, Spain, Estonia, Israel, Turkey, UK, Finland, Croatia, Russia & Brazil

Group sales 2018 Jan-Sep

Europe and Latin America: **29%**

Europe & LA sales, SEK b.



- Market share growth in some European countries
- Brazil modernization & Mexico projects
- Currency exchange rates
- Partially offset by managed services contract renegotiations/exits

Top Countries

Brazil	France
United Kingdom	Germany
Italy	Mexico
Spain	Sweden
Russia	Netherlands

> 60% net sales

Major Customers

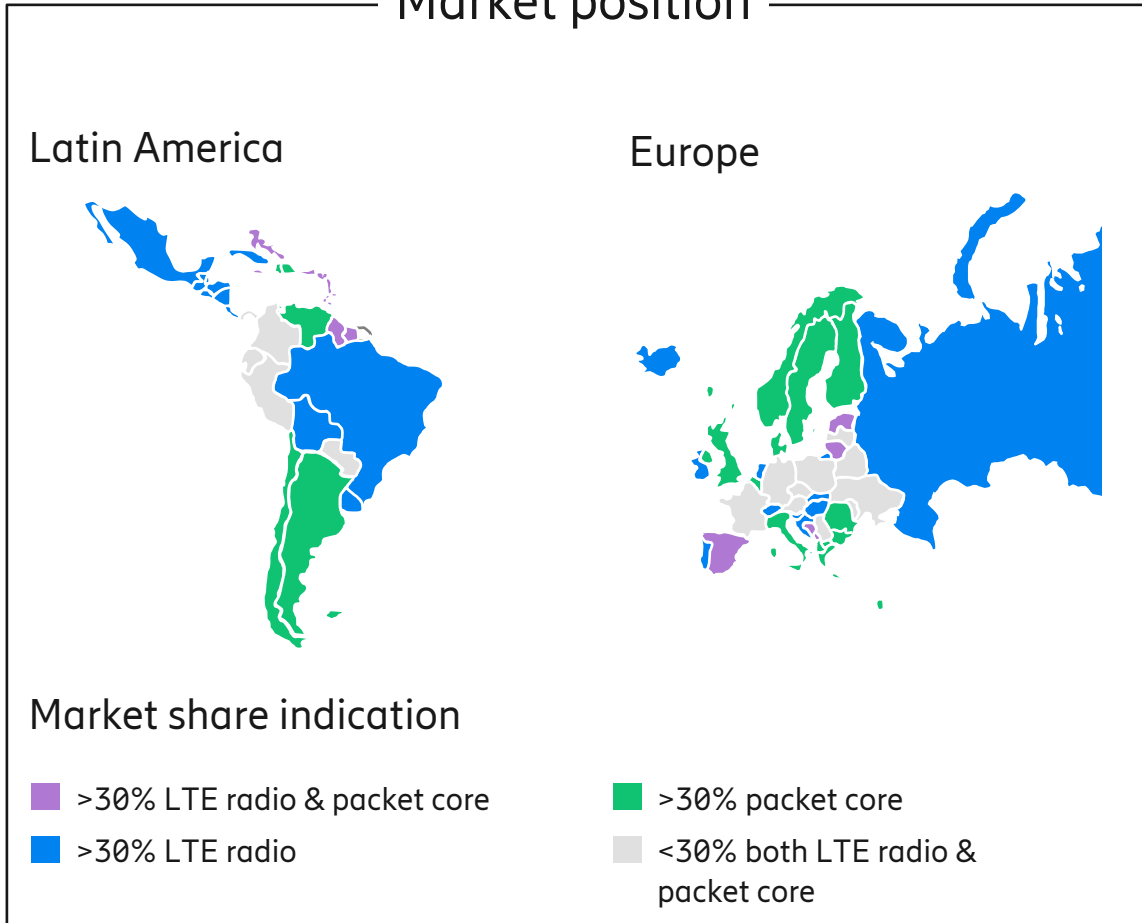
Telefonica	MTS
American Movil	Wind Tre
Vodafone	Bouygues
Orange	Entel
Telecom Italia	Telia
Duetsche Telekom	

> 60% net sales

Market position and capital spending

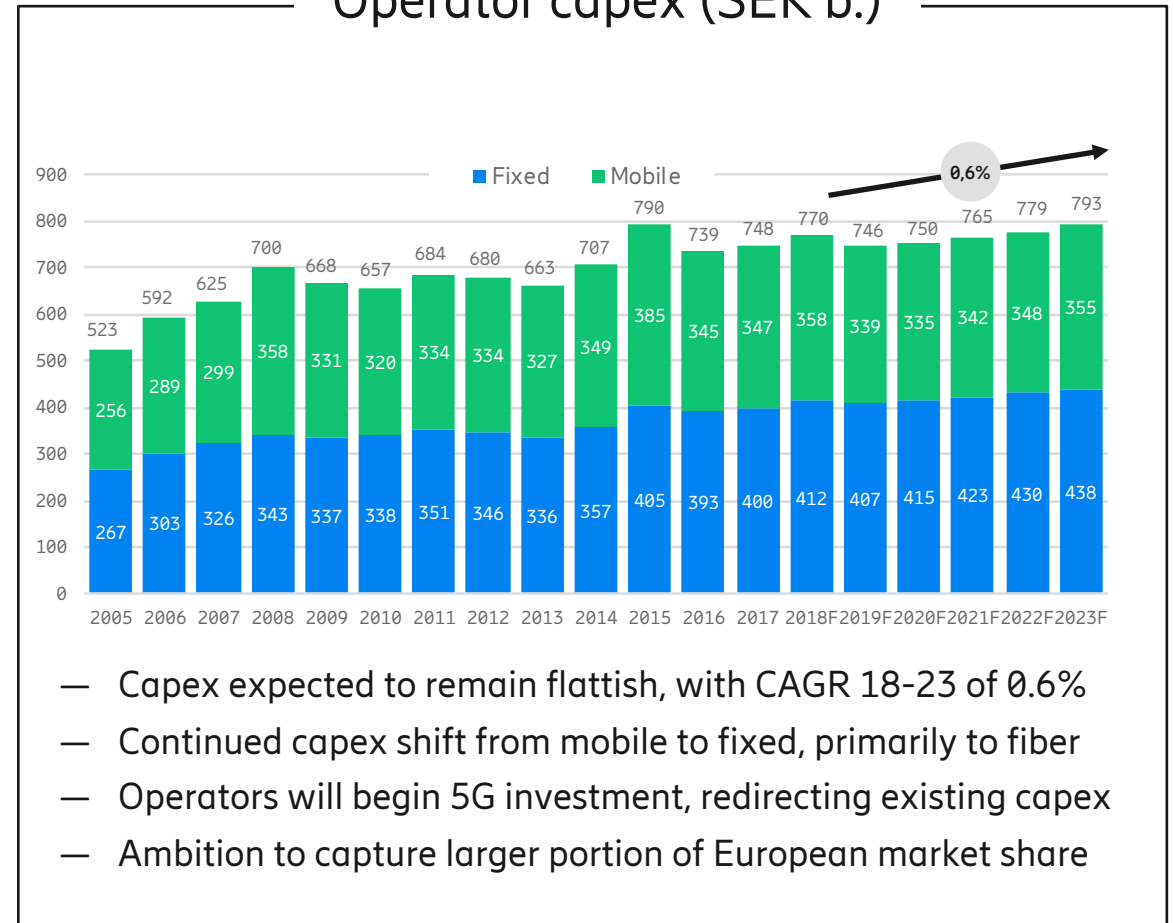


Market position



Source: Ericsson

Operator capex (SEK b.)



Source: Ericsson

Selective gain of 4G footprint in Europe



4G

Growth in European market share

Portfolio leadership

- Ericsson Radio System
 - Product leadership
 - Competitive TCO
- 5G software upgrade capability
- Strong and competitive local services delivery



5G leadership in Europe



5G

- Spectrum allocation, pricing and limited license term challenging
- Standalone industrial use case requires 5G capability not available until 2020
- Market fragmentation and clarity on the 5G business case

- US and China growth promoting 5G acceleration in Europe

- Desired frontrunners beginning to emerge



Digitalization of Telecom core and Front end to enable 5G



- Reduce opex
- Speed to launch consumer services
- End to end digitalization
- Agile consumer offerings



Priorities going forward



Strengthen 4G footprint

Focus on 5G in Europe

Enable digitalization of Telecom core and Front end

Key Enablers

- Ensure early 5G deals secure future profits
- Build strong capabilities and accelerate competence shift to new generation products
- Apply strict commercial rules for new business
- Attract talent to drive transformation
- Control cost rigidly

Q&A



Closing



Number of units	Revenue	Profit
10,000	100,000	10,000
20,000	200,000	20,000
30,000	300,000	30,000
40,000	400,000	40,000
50,000	500,000	50,000
60,000	600,000	60,000
70,000	700,000	70,000
80,000	800,000	80,000
90,000	900,000	90,000
1,000,000	10,000,000	1,000,000

Börje Ekholm
President and CEO

441

Revenue and Profit

The place I community activity

- 1. Place 1: 100%
- 2. Place 2: 80%
- 3. Place 3: 60%
- 4. Place 4: 40%
- 5. Place 5: 20%
- 6. Place 6: 10%
- 7. Place 7: 5%



Summary



Our
turnaround

Strong foundation through strategy execution

R&D investments and cost out have restored market position and gross margin

Market
opportunity

Growing demand for connectivity

Addressed through solution in 4G, 5G, IoT and edge

Growth

Selective, disciplined and profitable

Grow market share in core, address new value pools and M&A opportunities

Targets

>12% operating margin¹ 2022

Supported by increased sales ambition





Forward-looking statements

This presentation includes forward-looking statements, including statements reflecting management's current views relating to the growth of the market, future market conditions, future events, financial condition, and expected operational and financial performance, including, in particular the following:

- Our goals, strategies, planning assumptions and operational or financial performance expectations;
- Industry trends, future characteristics and development of the markets in which we operate;
- Our future liquidity, capital resources, capital expenditures, cost savings and profitability;
- The expected demand for our existing and new products and services as well as plans to launch new products and services including R&D expenditures;
- The ability to deliver on future plans and to realize potential for future growth;
- The expected operational or financial performance of strategic cooperation activities and joint ventures;
- The time until acquired entities and businesses will be integrated and accretive to income; and
- Technology and industry trends including the regulatory and standardization environment in which we operate, competition and our customer structure.

The words "believe," "expect," "foresee," "anticipate," "assume," "intend," "likely," "projects," "may," "could," "plan," "estimate," "forecast," "will," "should," "would," "predict," "aim," "ambition," "seek," "potential," "target," "might," "continue," or, in each case, their negative or variations, and similar words or expressions are used to identify forward-looking statements. Any statement that refers to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements.

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