FINAL TRANSCRIPT

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PRESENTATION

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Good morning, and welcome to Ericsson's Capital Markets Day 2011, and a special welcome to all of the guys who are listening into our webcast. Before welcoming the first speaker on stage I would like to run through some practicalities with you for today. You have today's agenda in your printouts and on the screens as well.

You can see that our CEO and President Hans Vestberg will give two presentations today. The first one is about the market and the strategy update, and the second one then at the end of the day is about our IPR strategy and how intend to capitalize on our IPR portfolio.

At about 10 past 11 we will have a leg stretcher with refreshments outside, and we will serve lunch at a quarter to one approximately. At 1500 then, we finish the presentation in this venue and we walk over to the Ericsson headquarters and the Ericsson Studio. And it's a just a few minutes away, so there's no long walk for you guys. And I will provide you with more details before finishing up here today.

We have Wi-Fi in the room and you have the name of the network and the password on your tables. And we have, as always, handed out feedback forms for you to fill in. And your feedback is very valuable to us, so please make sure you fill it in and hand it in to us. And when handing in the feedback forms, you can take part in a lottery. And in this lottery you can, for the very last time, win a Sony Ericsson mobile phone.

We have hostesses here today, and they are happy to support you with anything and answer all your questions you have during the day.

I'm very happy now to welcome our President and CEO, Hans Vestberg.

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

Thank you, everybody, to have joined here in Kista, but also everybody on the webcast. Just a couple of things about this Capital Markets Day. As you many of you attended the Capital Markets Day in May, we went through a lot of our visions and our strategies. Today, we're going to be a little bit more diving down in certain topics especially networks, but also in OSS/BSS and services. So, we will go a little bit deeper on certain topics as we did a lot of overall strategy in May, but hopefully you will recognize yourself.

I will talk a little bit about market development, and I will also have a strategy update -- a fairly brief one. But, of course, we have done some changes as the last time we met. Even after the quarterly report we've done some changes, as we decided to sell our 50% stake in Sony Ericsson. That was announced some seven or eight days ago, or at least a week or more ago.

And then, we'll talk a little bit about market outlook and where we are. And as Ase said that we'll come later on and then talk about IPRs. So let me start by talking about market development. I'm not sure if you remember this slide, but hopefully you do.

These are the five trends that we launched in the beginning of 2011. The five trends that we believe are the most important for the industry and the most important for Ericsson that impact our investments and the prospects on the industry.

Basically starting from the outside and going in, starting with everything goes mobile -- mobile internet, mobile broadband, machine to machine, mobile Cloud et cetera, and then talking about the numerous new type of devices as well as more affordable smartphones.

And then from there taking it down and talking about one of the very important topics for the industry in order to get all the benefits from mobile broadband -- that's the tiered pricing, and that has a big impact on us. And then, of course, all that spurs a lot of modernization, both on networks and OSS/BSS. And, finally, we'll come to a moment where quality on broadband is the most important for our customers' customer.

Those were the five trends and, again, before we go into them just look a little bit on them. I can say they have been developing quite a lot -- these different type of trends -- and they are clearly impacting a lot on how we invest in our R&D. Everything from mobile infrastructure, radio, IP routers, in order to enable the world with these trends will continue, but also in our service portfolio and our OSS/BSS portfolio.

And as I said in the third quarter, sitting down with operators today, with our customers, the main part of the time is spent on these topics. And I would say that number one, number two and number three are probably the top today. And then after that there comes a lot of discussion on efficiency, transformation, managed services, and then lately a lot of the industry when it comes to IPRs. That is sort of the three main topics.

I will now go through a little bit where we are in four dimensions, first on the global level, and then we'll take them region by region. So first, I'm looking at smartphones because they have an impact on our business and prospects of our business. Here, we are mapping out high traffic smartphone subscriptions.

So what is that? It would be an Android phone, it would be a Windows phone or it would be an iPhone, or Apple phone. That -- are the ones that are using up to 10 times more data than any other phone and they are important for us to understand about the prospect of data growth and the uses of the networks.

By year end we estimate roughly 7% of the smartphone -- of those types of smartphones will be of the total -- 7%. So it's still a small portion but, of course, if we go to North America and other markets, it's much higher. And in some markets, we see that 60% to 80% of all new shipments of phones are smartphones, so this is of course going fast.

It would take the average data traffic worldwide, 75 megabyte per month. That's on all types of devices. That's what we see and, of course, if we only would take the high traffic smartphone it would be much higher. But you can see how it grows and that's, of course, based on the 5.8 billion mobile subscriptions.

Mobile broadband adoptions. We have talked about that. And we believe that year end somewhere 900 million broadband -- mobile broadband subscriptions would be 15 % of the subscriptions on that. Then we also talk about the transformation -- what has happened with technology, estimated more or less by year end, how will the spending be?

And I feel, hopefully, you recognize yourself, that the main part now is going on 3G, but still a large portion on 2G investment. And now, we see 4G emerging as an investment. But if you take 3G and 2G together, that's a significant portion, or the main portion, on the CapEx investment worldwide.

So that is sort of the little bit of proof point on a global level but, of course, on the local level or regional level it's very different. And I will try now to go through the regions, and just to give a flavor for where are they in these important trends.

So starting with North America or the Americas, of course, this is the most advanced market -- the most advanced market from smartphone penetration and mobile data usage and adoption. And, of course, here we already now see tiered pricing coming out. Operators are having different types of buckets, different type of quality of service in the data usage.

You can also see here that half of the net additions almost in the third quarter was coming from connected devices or machine to machine. So we already see here the machine to machine, mobile Cloud is happening very fast. And, of course, here we also see a lot of LTE deployment, commercial networks out with very good speeds and high quality.

We also talked about that we see a slowdown in Q2 and Q3 when it comes to North America. And as I said in the Q3 report, it's not the macroeconomy at this stage, it's more about different stages of technology cycles, as well as consolidation happening in the market, and I guess you know what I'm talking about. That is taking down the investments a little bit at the year end and in the second and third quarter.

So then you can see also that we try to plot how the investments are in that region, 131 that is telling us that the main part of the investment in North America on the radio side is on 3G. 2G and 4G is basically the same.

Latin America on the other hand, they continue to push for mobile broadband, are fairly early out on the 3G. Still it's two times GSM or 2G, and three times 3G. So, it's a little bit more 3G investments. Still smartphone levels here are low because they need to come in price in order to penetrate further on.

The mobile adoption is high because the fixed broadband is fairly low here, and the usage is then by definition a little bit lower due to the smartphone penetration. We'll also see a lot of OSS/BSS transformation in Latin America due to that they see this change, and mobile broadband will be the enabler for broadband in the region.

Northern Europe and Central Asia. It's a little bit harder to generalize on that region because it's so many different countries. We have countries on the Nordics, of course, that are very advanced, where more than 60%,70% of all the shipment on phones right now in the market are smartphones.

We have seven LTE networks, in the Nordics only, launched. But when we go to the East Asia or Central Asia, we see of course much more about 3G right now and 3G deployment. So, if you average it out, we spend a little bit more, or the operators, in these regions -- spend a little more in 3G, but still a lot on 2G. And that -- we are below average on both penetration on smartphones and adoption, due to Central Asia more than the Nordics.

Western Europe and Central Europe which is, of course, the region where we see most of the network modernization together with Mediterranean. Here is an ongoing modernization to meet the demand. Fairly few LTE contracts, I would say. Of course, Germany is one of the markets where there is quite a lot of LTE.

High-level of mobile broadband penetration, high-level of smartphones. Here, you can see the double spending on 3G, versus the 2G at the moment. They are spending twice the amount, and that shift happened quite a long time ago. This region is also very focused on efficiency, taking down the cost by network sharing and managed services. And many of the market are -- all operators almost are outsourced in parts of the networks.

Mediterranean. This is a very flavored region as well because it includes the Mediterranean and Southeast Europe and as well as Northern Africa. So, of course, it's a little bit different there. Here, we have a partial effect of the political unrest in some parts of the Northern Africa where the spending level is very low.

And it's a mixed uptake on the mobile broadband. Very much in the region of Southeast Europe it's happening. And here, we see tiered pricing happening as well from the global operators operating in the region. And you can see that here we spend also quite a lot more money on 3G compared to 2G. The smartphone penetration is on average. Usage as well as adoption is high here and the reason is, of course, fixed broadband in general here is fairly low.

Taking us to Africa -- that will be below average on everything -- still, of course, doing more 2G investments than 3G investments; much more push for getting coverage and subscribers. And the smartphones -- very low penetration on smartphones in this region, and very much focused on efficiency to bring down the cost to make it affordable mobile broadband.

And you can also see that many operators are now going into 3G but, again, the majority of the subscribers on 2G, the majority of the phones are 2G.

Middle East -- we've talked about the Middle East several times during the quarters. There we have the political unrest. We see delay in investments, as well as the licenses are also delayed in these -- in these times, which is not strange given what's happening in some of the markets.

Anyhow, mobile broadband is happening and they spend more money or more CapEx investment in 3G compared to 2G, but actually below average on all aspects -- usage, adoption as well as smartphones.

Last two regions, we have -- or three regions. India. India has sort of come over the first peak of 3G investments as we said, and will now sort of come back and take it more easy, as well as the regulatory environment is changing quite a lot in India, as some of you are following it.

We have gotten the first TD-LTE contract in India, as spectrum was auctioned there, and we're going to see more of those decisions coming further here. 3G rollout happening, but still more investment on 2G than 3G. And, here, we see we are below on all areas smartphones, usage, and adoption, for the obvious reason that the majority of all subscribers are on 2G. The first initial coverage on 3G has happened.

South East Asia and Oceania mixed region, of course, Australia are very advanced, some others like Singapore as well. Some other markets like Vietnam, Bangladesh still very much tilted to 2G.

Anyhow, these regions spend more money on 3G than 2G, but in average the region is, of course, 2G dominated of handset and of coverage, on the subscription point of view. But the investments are going 3G, meaning that in the next step when the price comes down, we will see much more 3G adoption. Here, there are no substitutions for fixed broadband. It is going to be mobile broadband.

Finally, China and North East Asia, we have China doing still a lot of their investment in 2G, and then we have Korea and Japan doing 3G and 4G. And still the highest investments is on 3G, but 2G is very big due to China. And, of course, we have soon 1 billion subscriptions in China. 952 million subscribers in China right now.

So, here, of course, we have a growing population going for mobile broadband and usage -- 100 million on 3G at the moment. And there, of course, in China as we talked about before, the large-scale TD-LTE trials are ongoing in China Mobile -- very important for the next step of TD-LTE.

That should give you a flavor more or less how the regions look, that's different from the global. And in some regions, of course, the smartphones are highly penetrated , and in others not, and that impacts quite a lot how the networks are, where the transformation are, and what type of business we are doing.

So that summarize -- when we stand and look forward having all that trends behind us and looking how this will grow, we still stay with the same forecast on data growth that by 2016, it will be increased tremendously. But, that's based on the trends that we see and where we are today. And, of course, half of it will be from the smartphones and half of it will be from PCs when it comes to the data growth.

And Johan will come to this as well when it comes to penetration, we will go up to by 2016 -- 92% on the -- will be GSM coverage worldwide -- 92% of the population. And we will go to 80% on 3G and 35% on LTE. And LTE today is a very small portion of the subscribers. So there, you still see what is needed to grow there. And with these projection, of course, on the trends that's where we see what needs to be invested and happening the years to come.

Quick on the strategy update. So this is our assets going into what we call the Networked Society, the society where anything that benefits from being connected would be connected. We're going to see other industries using the networks. We're going to see transformative innovation using mobility in mobile broadband.

And this is our assets. We have done some changes in the assets -- recent weeks. And it's not that we are substituting but we, as you know, announced that we are divesting our share in Sony Ericsson, and we also feel that the IPR and patents are a very important piece in our assets in the Networked Society.

As we're going to see even more companies -- manufacturers coming in to the Networked Society taking the benefits on the wireless and the mobile broadband, of course, IPR and patents is going to be important because the whole industry is based on shared technology.

So, this is the ranking we have; has not changed since we met last time. The only thing I put in is, of course, where we believe we are on patents -- number one, number two. The difference is here, and I will come back to it in the afternoon, is, of course, we have a defensive value of our IPRs as well.

We need to remember that we have a large infrastructure sales that need to be protected. And we need to have patent protection from others that have invented as well. So, that's why one or two is where we sort of place ourselves.

Rationale for Sony Ericsson -- we'll not dwell too much on it. I guess you -- some of you at least follow what we presented a week ago. But, of course, what we see with Sony Ericsson is that it has transformed to a smartphone company. It's a totally different business dynamic when it comes to smartphones and what is needed. It's not an extension of a feature phone. As well as we are addressing the whole market or the 50 billion connected devices.

And it was a good timing from Sony -- from Ericsson and Sony Ericsson to make the shift in order to get all the benefits that all three parties wanted, so that's why it -- we could conclude that for a week ago.

At the same time, IPR has become more important in the industry. We're going to have 50 billion connected devices. We're going to have new industries coming in. Ericsson has a broad portfolio not only in wireless that we want to capitalize on. And that means that our IPR and patent strategy will be even more important the years to come. But I said I will come back to that later.

At the Capital Markets Day, we discussed a lot how Ericsson going to grow in the future. We put them in three buckets, and the majority of all growth should come from the first bucket, that's the portfolio momentum. That's where we believe it's going to grow faster than average in the market, and where we have also a very good position.

Mobile broadband. I've talked about that. Johan will come and talk where we are, and how we have succeeded recently. But definitely, that is something where operators invest more than in other areas, and we are very well placed. And remember that's not only the radio access, it's the IP core, it's the evolved packet core, it's the services, everything around it that is important when talking about mobile broadband.

Managed services, another area where we see a growing importance -- has been very important for many years. We have a great position. So far this year, signed 47 new contracts or renewals. So, that's another area where we continue to grow.

OSS/BSS. Per will talk about that. An area where we focus on, especially about the changes in the marketplace where operators, our customers need to evolve their charging, their billing and how they capture information from the network.

And here, of course, we have the pending acquisition of Telcordia coming into our portfolio, but we have already now done some 15 significant transformation projects in OSS/BSS area. So, we are growing here. And as I've have seen in the quarter report, that's also where we have the growth in our sales coming from these three areas.

Market share -- we will come back a little bit later. We have been focusing very much on the top cities and the top markets because they are going to drive the main part of the traffic. We have, of course, won a lot of market share in the transformation that is on-going.

And that we are just working both with OpEx and CapEx possibilities. Finally, the last area of growth, which is the last two one are minor part of the growth, but still important -- market share and acquisitions. Basically, all acquisitions are known to you, what we have done and which area we have done it. And I will not dwell more on it, but it sort of that's where we want to focus.

Holes in our portfolio, which we need to acquire, new growth areas enabling machine -- enabling the mobile broadband like machine to machine or other areas that we are investing in, our partnership with Akamai, Motorola. And we have done some divestments as well.

So that's a short update, but the rest of the team will come back and talk about each of them, what we have done and how we have succeeded as well. It's just that we have a very high focus how we can grow our growth levers. And these are our growth levers for actually growing faster in a market.

Market outlook. So I come back to what we showed in May -- the Capital Markets Day in May about services and on infrastructure. Then when we announced Telcordia, we talked about the market for OSS/BSS, so it's the same figures that we have, basically, 3% to 5% on network infrastructure, 6% to 8% OSS/BSS, 6% to 8% CAGR on services.

What's important to add here, this does not reflect any huge or a different macroeconomics outcomes, that's too hard to handle. Long-term -- we of course, believe that this is a growing business and important business. Short-term, as I said in a third quarter, we cannot excluded that operators become more cautious in this environment that is around us and those two factors are not factored into this but long-term we still believe it's very important growth in these areas.

And, finally, as we said also in May the CAGR is not linear, of course, networks will have a good growth here in 2011, which means that a CAGR will not be equally linear between the years.

We're going to have higher the first year and a little bit lower in the others as we come up and down in it, but overall CAGR is what we believe is going to happen to 2013. So, there's no change to that. It's more an update what is not included when it comes to macroeconomics.

Our performance targets remain, of course, and we reiterate them, the four targets that we have outlined. And that translated to the -- what the Board decided to be our long-term targets which are ambitious and tough, but we work with them and that's how we geared all our business to the growth levers, our improvement of profitability and our cash conversion.

If I may rank on a high level -- Jan Frykhammar-- I will go on a more detail level. I think on the growth, we're doing well. Profitability, okay-ish. Remember that we are comparing 2010 where we excluded all restructuring, and in 2011 including them and these, of course, we're comparing nine months with a full year.

So -- and on the cash conversion, we're still far away from our target to have a cash conversion of 70%. We're on 25% of the nine month and it's a tough target for the full year. And, of course, the growth is a little bit a challenge, but we are still committed and working hard to get to the 70%. That's clear, that we are really striving to get there.

That sums it up for me. And maybe not that many new things, but we believe the industry fundamentals remain strong. Everything I went through in the mobile broadband and the service area are continuing OSS/BSS.

We as a company are leveraging more and more our assets to be even stronger as a company in this area and focus to really execute well on that. The strategy execution is what we are now into to get the Company to where we want to have it in the future, a much stronger company being the number one in the main areas. Some of them, we are number one and we need to extend the leadership and some we're aspiring in.

And, of course, the whole set up with targets that was started with -- for two, three years ago with the four box model and the long-term and a short-term, that made us much more focused on how we need to drive a profitable growth, but still doing a good cash generation. So, all in all, that's how it remains. Thank you very much.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Thank you, Hans, may I ask you a question? Before leaving the leaving the stage, Hans, may I ask you just one question? When you're running through our structure, you replaced Sony Ericsson with patents and licensing, does that indicate that you will change reporting and report patents and licenses as a segment going forward?

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

The plan that I -- we have is, of course, now we are lifting up IPR to be in more important area. And we will come back later on and do some new disclosures on our recurrent revenues for IPRs.

When it comes to how we're going to report -- if we're going to change something, we do this every year, meaning that after the -- when we -- before we start reporting 2012, we come out what changes on this goals we want to have. So, we are reviewing right now how we're going to change the focus, how we make a holistic strategy for IPRs, everything from the strategy, the strategy execution organization, et cetera to enable what we want to do.

So, we will come back to the reporting of it, but we will review it now in the whole process of lifting IPRs up.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay, so we will come back to that later.

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

Absolutely.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Thank you very much, Hans. Thank you indeed.

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

Thank you.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

And now, I'm happy then to welcome our Chief Financial Officer, Jan Frykhammar.

Jan Frykhammar - *Telefon AB LM Ericsson - EVP, CFO*

It's great to be here. I feel extremely -- this is a big room. I hope we can create some intimacy, despite the fact that it's a great room -- a big room. Anyway, I am supposed to be the detailed person today, unfortunately, I think I will be to a certain degree, so bear with me for the coming half hour, so we'll show some more details.

If we start then with the financial performance of the Company and what I tried to show here is three important dimensions, one is revenue, the other one is bottom line and the third one is cash conversion.

And then on purpose I've put the annualized or annual numbers and year-to-date numbers for 2011. And then, of course, looking long term at the potential of our company, the annual view is a much better view than a quarterly view. So, that's the message in this from me to you. Please look long term at the trends.

If we look at the revenue growth, we can see that the growth in 2011 was really, or has been really good. If we look in Swedish kronor it's been 16% year-to-date. And if we adjust then for FX and comparable units, it's been 25%.

And it has been a growth that has been driven by mobile broadband. We started to see already second half of 2010 growth driven by mobile broadband. And as many of you follow us closely, you know that we have been talking about this. There is growth in the business. It is driven by mobile broadband. But we have had some currency headwinds on the top line. But 2011, we really started to see then the impact also in Swedish kronor of this growth.

If you then look at services, it's been growing if you look in constant currencies. But in the third quarter we also started to see a growth again in Swedish kronor which is good, and it's important for us because a lot of our business model is around combining technology leadership with service leadership.

And service leadership means a lot of resources close to customers, delivering projects, creating good performances in customer networks. So, services growth is important. It is a way, of course, to fund the local presence we have in the Company.

We also saw and started to see some slow down in North America during the second quarter in the networks business, and Hans mentioned this before. It was even more visible in the third quarter. As Hans said as well it's not -- we can't really say it's because of macroeconomic uncertainty or impacts. It is really because of operators slowing down investments after quite many quarters of significant build outs.

And I don't think that's something that is strange. I think it's quite natural that after a period of big build outs you consolidate. Of course, when we look forward the macroeconomic uncertainty is there. But if we look at the numbers in the second and third quarter at least our conclusion is this has nothing to do really with macroeconomic uncertainty. It's more a natural behavior. When you have been building a lot of you decide to consolidate.

If we look at 2010 from a growth point of view, we had one region that had basically all growth. And that was North America. It was a fantastic year in 2010 with growth rates over 100%.

In this year we also during the first half year had a good contribution growth-wise from North America, but we have started to see also significant contributions from China, Northeast Asia. And now, in the third quarter we have many regions growing, Latin America is one. We have -- we had the region Northern Europe and Central Asia contributing to a lot of growth. And, of course, that proves our point that mobile broadband is a strong fundamental driver for investments, but it's also so that this means when all regions are growing that we are building much more coverage.

And that is also going into the margin -- that is the main reason for the gross margin decline that we have seen in the third quarter. And business mix shift is very important when it comes to understanding the dynamics of the gross margin.

If you look at the comparisons between the year 2009 and 2010, the main reason for the improvement between 2009 and 2010 is really the improvements on the Ericsson. If you look at core Ericsson between 2009 and 2010 it was flat from an operating margin point of view. So, main reason for improvement Sony Ericsson.

If we look at this year, we have had both joint ventures struggling a bit on the profitability side which takes down the overall group profitability. But also, we have seen the services business coming down from a profitability point of view, recovered in the third quarter, but beginning of the year, Q1 and Q2, quite low profitability driven then by modernization, rollout in India and also supply chain impacts.

If we take capital, you can see that we have had a couple of years of over 100% cash conversion. And why cash conversion is important for us is, of course, that we are very much a project company. We deliver big, complicated projects and they tie up capital.

We want to make sure that they reach the billing milestones fast so that we can collect the cash. But, being a project company, in many respects, means that we tie up capital. We have had a couple of years of about 100%. Part of it is, of course, correlated to top line.

So, when we have the mix that is more capacity and less share of turnkey or projects, it has positive impact on our cash conversion. This year, so far year-to-date 25%, as Hans said. The main reason for this is, of course, top line growth. So I'm -- even though I'm not happy at all with it,, it's quite easy to explain, and it is timing.

The second area, of course, that when the tsunami happened in Japan, we took firm mitigating actions to make sure that our supply capability would stay strong throughout this tough period. And we were successful in that strategy. It meant, however, that we started to build somewhat of a buffer stock, and that now we are gradually reducing. That also takes a bit of time.

We are not worried about whether the stock is fresh or not because it's RBS 6000. And that's the future product, and Johan will come back and talk more about that.

The second element is that since if you look at all the regions, now we have growth in many regions and it is growth because of coverage and modernization. That means higher portion of projects and that ties up more capital.

So if you look at the disclosures, look at the regional inventories. The regional inventories is an indicator of projects and project activity. And you can see that that element has increased and stayed quite high during the year. So, just reflecting a bit on financial performance.

If we then take the -- and this was a slide that we introduced in May in New York -- and what I want to do with this is that, based on all the -- we have -- we obviously read your reports, we meet investors one-on-one and we get a lot of interaction via mail and so forth.

If I try to summarize the top, if I may so, concerns that you have and that you have basically compared to when we met last time in May, it is on this list. And there may be some things, of course, that is not on this list, but his is trying to capture most of the concerns.

And when we structure these days -- this capital market day -- we are trying to address most of these concerns. It is not always going to be like this that you like the answers that you may get, but we're trying to address the concerns. And this dialogue, as Ase mentioned in the beginning, is very important for us.

If we start then with the first one, technology and services leadership, I mean, that is -- that's one of the most important fundamentals of our strategy. We are trying to create competitive advantage or in my life, price premium, thanks to the combination of what our products can do and the services leadership delivers, and hopefully as a bundle. So, therefore, this is very important, and that is something that Johan and Magnus predominantly today, will continue to cover. And at each capital market day we will take different flavors of this. But it is really the core of our strategy. North America -- since we started to see some slow down in the second quarter and more so in the third quarter that has become more of a concern for many of you, perhaps especially so in the CDMA business.

We know that the CDMA business will at some point decline. The timing of that decline is quite difficult to judge. The reason that we have invited Rima here today is to try to shed some more light on how we look upon that, and perhaps more importantly how we prepare the Company to not become so impacted once this decline happens.

If you look at the margins, obviously having the Q3 margin development in mind, we have started to get some debates around gross margin again and gross margin development. I just want to make clear that we have a firm belief in this market, in this business. We are in somewhat more of a project and hardware-centric cycle. Our products, which Johan will describe more later in the afternoon -- we have quite an extensive hardware investment upfront.

The main upside on our products comes by means software and optimization and so forth of the product once it's in the network. That is the -- the multi-standard radio from Ericsson is different, perhaps, than many other competitors'. And it's absolutely different compared to 2G. 2G was a much more hardware-centric business model through the lifecycle.

As traffic grew which was Erlang, we had to add more radios; quite easy to model. The multi-standard radio and LTE is hardware in the beginning and it stays there for many years, and a lot of the upside comes from software, software features and selling that into that particular radio. Of course, there will be improvements on the hardware as we go, but the bulk of the investment is now, and that is what you see in the gross margin.

Working capital development. I will come back to that. It is top of our agenda. We need being a project company, to have strong focus on this all the time. No doubt about it. On the other side, we also get a lot of questions. What are you going to do with all your cash?

And especially since the announcement last week of the divestment of our share of Sony-Ericsson, we have gotten a lot of questions around proceeds and so forth. And, of course, it's always okay to ask the questions. Then, if you look at ST-Ericsson, we've gotten more and more questions around the timing of the turnaround of the joint venture, and why do we believe in this as a strategic investment area. So, we will try to cover most of these things today.

Lately, as well, basically, since the summer, we have started to get the same questions as I guess you asked many companies. And that is, what are the possible impacts to your business due to macroeconomic uncertainty? And let me just make one point clear, that we do not at all try to be experts on macroeconomic developments. I'm sure that most people in this room are much more skilled than I am on that. What we try to do is to listen to you and listen to experts, and more importantly -- and that's our responsibility, to adjust our company to be strong also in tough times. So, that's why we track macroeconomic development. And I will show a few examples later today on what type of leading indicators we look at, and what type of measures that we already now have implemented or executed in order to prepare for tougher times. So, I'll come back to that.

All right. Then, we go to the agenda. And it's there in the detailed pack. And I am here to discuss some of the things during the whole day and the evening as well. So if you look at these things, financial management, capital management and risk management. I am going to focus most of the time on the first section, on the gross margin.

And this slide I discussed in May when we met. It is there -- it will be there because it's so important to understand this when it comes to understanding both the potential of the gross margin in the future and also understand the evolution of the gross margin in the short term.

If you look at the left-hand side of this slide, it's the technology cycles. And as I said before, the 2G technology cycle was more of hardware all along the cycle, a little bit of software, but the ratios was more hardware over the whole cycle.

When you look into HSPA and 3G, we started to get more balanced in terms of hardware and software over the cycle. And then, 4G and introduction of multi-standard radio, we shift basically to the opposite compared to GSM. Hardware is initial, quite big, but then it's much more software. So, it's a different angle of things. And that also means that right now we are in a hardware cycle. We have a bigger pressure on the gross margin because of that.

If you look at the initial phase, I think we have all discussed this. It is modification of installed base. It is in a few areas greenfield. but in many cases, we build coverage. These projects are open bidding. Every technology means much more competition. It means pressure. We have more projects in this cycle, which means more capital tied up and overall lower margins.

If you look at the expansion phase -- and I chose to call this expansion phase because there are -- it could be flavors of the same dynamics. So, you can also densify footprint that is really also coverage, but it is still with Ericsson gear and that is also higher margin.

But capacity increase and expansion is there. These projects are easier. They are, in our case, with our base stations, much more about unlocking software locks. And it is much more around integration and other professional services like optimization. This cycle is a high margin business with lower capital tied up.

What we have been doing -- I mean, it's obvious that due to CDMA and HSPA expansions in the beginning of 2011, we had more of these types of projects capacity ones in the beginning of the year. Now, as all the regions are growing, the dynamics have started to shift here.

If we look at this then, what I wanted to do with this slide is to show we have a passion for installed base. We know that we can make money out of the installed base. For us, one of the key strategies is to secure a strong footprint and keep that footprint.

What we believe is that the initial phase -- I have debated it so many times. I've tried to split the sales mix here. There will always be one project that differs from this and so forth, but (inaudible) the average is.

So, more hardware, more NRO services, in some parts of the world the service element may be even as big as hardware because then we do civil works, and we do real construction work. But there are also many projects where we don't do civil works, but it's still much more hands-on work on the site in this phase.

If you look at the expansion phase, as I said before, perhaps, the software element on this slide is slightly underestimated. Let's see. But it is more of software and professional services phase.

The third area is really thanks to this footprint if we perform, we can sell other type of offerings. A few examples there, managed services; that's obvious. There are lots of synergies between network rollout and field services. It's lots of synergies between hardware services and field services. So, that's what we're trying to create synergies around.

OSS/BSS, that's obvious. Some of the element management on OSS comes within installed base. The trend now is much more towards network management systems. And then, consulting and system integration.

So, these three things here basically if we look historically, we think that we can generate during the lifecycle of an installed base, double the value of revenue using that installed base. So, installed base is important for us. The minute you start to lose focus on that installed base, you will sooner or later end up with problems. Just to be clear.

The outcome of the success here is of course -- I mean, it's obvious. Right? I mean, if you manage to win deals in areas where the traffic is more heavy like cities, suburban areas, then, it goes faster to get into the expansion phase.

If you win business with customers that are more successful than others, the likelihood of you being able to win -- to make more money is obviously there. So, there are lots of bets that one has to make here.

And overall, if I look historically, it is not that often that the customer replaces an installed base if the vendor performs. And performance then is very much -- this is long-term relationships. They are 10, 15 years. You perform well in the service delivery, you meet up to the portfolio demands. And, of course, you are competitive. Then, I haven't seen that many lost installed bases.

There was a little bit of swap projects and things like that in the GSM days. But they were more easy to calculate because it was more hardware during the whole project. Now, it's software during the course of the project. Okay? So, this is very important for us to -- when we model opportunity and upside.

Then -- I know, I said I was going to be detailed. The network modernization slide is in the package. I just wanted us to be having the same language. Both Johan and Magnus will come back and talk about modernization. But, what I wanted to show, to put here on a piece of paper are some of the aspects, or most of the aspects we look at when we enter into a modernization project in Europe.

And if we look at this slide, I mean, it is really about replacing 2G and 3G footprint that has been there for 20 or almost 10 years depending on if it's 2G and 3G. It's about modifying the sites and it is about introducing new technology, multi-standard radio.

And, of course, these projects -- the way we look upon these projects is that it is new footprint. It is new footprint for a long period of time. And for us, as many of you may remember, I mean, in the early 2000-2001, we lost out in the 3G race in Europe, because we did not have the balance sheet to be able to support customers with customer financing or project financing.

I think we had at the peak some SEK33 billion in on-balance sheet customer financing. Today, we have some SEK4 billion. We have a much stronger balance sheet today. We have not been able to regain back the market share we lost back in 2000 during these 10 years. Probably thanks to great performing competitors? I don't know. But it proves the case that the installed base if you perform well is an important asset. And that is why the modernization opportunity for us is about building future opportunity in Europe and regaining position in the market.

If we look at the projects, of the projects that we have won -- of course, we have a list of target projects. As we say here, we think we have won 80% of the targeted deals. Of those deals, by Q4, all will be in execution.

In average, these projects last for some 18 to 24 months. If we then -- another important thing is that normally when we do business cases, we probably look at a two-year return cycle to be happy. These projects are tougher initially, and you probably get to some five-year return. Of course, the mitigating actions that we are taking is there to try to reduce the gap. But reality is that we are right now at least closer to the five-year.

Having said that, we still believe that this is an important investment for the future, and we are aware of, and we understand, that it will create a gross margin pressure downwards initially. However, we are convinced that this is a good investment.

The final thing is -- also that I feel is important for you to know, the most expensive modernization deals are perhaps not the free of charge hardware or the low-margin network rollout services. It is really when you replace your own footprint. It is when you go in -- if you have a strong position on 2G and 3G and you are in capacity cycle there. And that then becomes part of a new modernization deal. That is when it hurts margin wise.

Okay. Detailed slide -- I'm happy to discuss it over many cups of coffee today. Okay. We go to the next detailed slide. I said I was going to be a pain. I hope I am not. So, this is portfolio mix. This is another important aspect. This is a disclosure we make in each annual report. And it is really about we group all products in three different portfolio categories; one is services, one is software and one is hardware.

And, of course, if you understand the gross margin, I mean, services is lower margin business. But on the other hand, it is not so much of R&D. So, you can make good returns on lower gross margins.

Software is really high-margin business. It is not 100% margin and it's not 50%. Okay. But there is, of course, cost related to putting software in the networks of customers. There is type- approval type of cost and so forth. The big challenge for software is the R&D. The majority of R&D -- and I'm sure Johan will be happy to answer questions around -- the majority of our R&D investment goes to software.

So software business -- and that's visible in multimedia -- that's really about securing a certain volume. Once you have the volume, it should be high-margin business, otherwise our model doesn't work.

Hardware then, you can see here that that ratio of hardware has increased between 2009 and 2010, software portion has gone down. So we have been a bit pressured on software. The reason for this between 2009 and 2010 is the reason that many of you have written about in your report, and that is the fact that voice-driven investments came down, meaning that circuit-switched core, HLRs, revenue management and so forth came down.

And, for us, that's obviously very important to gain back, both thanks to capacity increases on footprint, but as well the fourth generation IP, voice over LTE and so forth, which are software-centric businesses.

If we look at the trend then here -- second half trend -- we think that we have a positive momentum in services. We saw that in the third quarter. We think still that we will have some issues to improve the share of software this year and that the hardware elements will continue. And I think that's -- obviously, is a little bit reflected in the gross margin in the third quarter.

Okay. We go to next detail slide. So in the Q3 report, we went through, or I went through some of -- and this is gross margin for between Q3 -- Q2 and Q3 -- excluding the restructuring charges, but it keeps the same relations - just so you know that.

But if you look at these different reasons then, we said business mix, modernization projects in Europe and increase of services share. What I did here was that I took the same explanations for the other quarters, for you to get the feeling for how important these different parameters are when it comes to understanding the gross margin. I still think one should look at it on a full year basis, but it's here because I know we, to a certain degree, we live in this quarterly economy.

I also put a lot of very heavy statements on this slide. But I think it's important that we together understand the long term opportunity, and also understand some of the short term challenges. So, there is a shift from capacity to coverage.

There is a growth momentum in services. We have a modernization project impact. It will be fully visible in Q4, and then we will live with it. The average duration of these projects is between 18 to 24 months. And then another parameter to consider is that usually what happens in fourth quarter is that there is a lot of projects completions. It's a lot of network rollout, which usually makes our fourth quarter a little bit thinner on the gross margin side. So important slide -- something to digest.

If we take then the -- having gone through all of these details, I wanted to show some light in the tunnel. And what I did with this slide is really to talk about market opportunity. So that's -- if you think about our long term business plan and what we have reflected in our long term objectives. These are things we consider. So, of course, we are betting heavily on mobile data growth and the need that that will create for capacity investments.

We are also betting on that we will be the true service leader, and we can create more scale opportunities in the service business. We are also focusing a lot on winning more software-centric business.

So one of the most important things we have in front of us for next year is really to introduce the smart service router and become the leader on fourth generation IP networking. That together with -- together with voice over LTE, as well as mobile broadband prepaid charging, should hopefully over time improve the software trend. And that is very, very important for us.

Actions here is more what we do. I mean, certain things we are betting on and we're, of course, working with customers to create this market. Actions are more tangible. So you can read for yourselves, the global service delivery strategy is one very important thing. Magnus will go through some details on that.

Johan has been driving for the last three -- four years a project to make sure that we have just a few platforms and a lot of common components. The main impact you have on cost of sales and manufacturing cost is at the entry of the product. You can always try to squeeze suppliers and we are. We are good at it. But the main impact you get is when you put this product in, and you start to modernize certain cards and so forth.

We also -- the secured price premium element is important. I mean, that's why the strategy is here. It's not for PowerPoint, it's for real. We want to make sure that we have a price premium.

In the cases where customers do not appreciate what we deliver, then it's probably better to go for another customer because the combination of technology leadership and service leadership should generate a price premium. Customers that do not appreciate that may choose someone else.

Capitalize on our IPR portfolio, that is something that Hans will talk about today. We think that that is going to be an important opportunity for us, equally important as software perhaps going forward.

And then, of course, you know me, I'm on the modernization projects every day. Each project leader has their own mitigation plans. We want to bridge the gap from five-year closer to two-year. But I think it's prudent to plan for slightly worse impact short term.

But for heaven's sake, these projects last for a long time. We have the opportunity to make them better by means of learning curve, sourcing and so forth. Okay?

Then we go to capital management. I will speed up a little bit. This is obviously one important slide. We have a strong net cash position. We have a strong equity ratio. We believe firmly, and we know that a strong balance sheet generates business because it creates long term sustainability.

We have just discussed the fact that the installed base lives for a long time, and customers ask for life -- or long-term support agreements that is twice the amount of time of the installed base. So, customers need strong partners.

Also on the service side, I can tell you that a strong balance sheet and a bright future is a very important argument to select Ericsson in front of other alternatives. We can also do opportunistic or very selective, I would say, M&As where we can take advantage of assets that are available in the market.

The third area is also important. I mean, if we look about the European modernization, without a strong balance sheet, we could never have done that. So for us, maintaining a strong balance sheet, maintaining a strong net cash position is one of the key strategies to build future value.

So if you look at the project then and the impact of the capital tied up, so the coverage type of projects means that we have more of milestone type of projects and very often hardware, software and services is bundled and that is why we are getting to higher overall capital tied up in the project cycle.

If we look at the working capital, and this is then defined as operating net assets less provisions and accrued expenses. It's the internal definition we use to drive working capital improvements. You can see here that the trend is quite okay. This year, we have flattened out to staying around 29% or so. A lot of it is, of course, driven by growth. But I think that working capital is something that we continue to improve and compare to the situation a few years ago with a significant improvement.

The capital targets long term, we still believe that these targets are possible to achieve and we keep them. We think they are important. If we then look at the same view of market opportunity and actions, the -- of course, getting faster into the expansion cycle on mobile data is important for future capital tied up.

Managed services means less capital tied up. It's a lower margin business model, but from a return point of view, it is very important to get then basically cash flow neutrality in these deals otherwise they don't make sense.

More software-driven business models also drive less capital. If we look at concrete actions, you have -- we have since 2008 been driving a change program internally creating an awareness company-wide around capital equally much so as profit and sales. So -- and that has been successful. Nowadays, all project leaders, key accounts and so forth has a significant portion of their short-term and long-term variable pay tied to capital.

If we look at some examples -- I don't need to go through all of them, but they are quite basic. But being a company of 100,000 plus employees, being in 183 countries, things takes time, these we believe are the right things. And, therefore, we continue to focus on improving here because we think there are upsides related to the improvements.

So, then we go to risk management, and what I wanted to show here is some of the learnings that we have from the last time we had some market uncertainty. And if we look at the crisis back in 2008, we had impact, but a fairly limited impact.

And, of course, part of it had to do with customers had a fairly good performance and was not heavily impacted in part of the world they were, but the majority of customers had stable performance. We also as a leadership team took early actions to reduce cost and adjust to the economic environment.

And then, which is very important timing-wise of our success in North America, both when it comes to winning the managed service contract with Sprint, the timing of the smartphone uptake in North America as well as the acquisition of CDMA, all of that played very well into our performance back in 2008.

If we look at what happened during the period, we believe that our competitive advantage we managed to improve it during the period. We secured number one position as LTE provider in the US. And we acquired the Nortel CDMA business.

If we look at today, we -- I mean, we know by experience that if GDP growth starts to decline or worsen, it has an impact on operator and the market opportunity. Our challenge is, of course, to decide exactly where and how much that the impact is. But the statement is there for you to appreciate the fact that this is something we are working with on a daily basis.

If we look at some of the -- we are building now our plan for 2012 and continuously for a slightly longer horizon based on learnings from 2008. And, here, I wanted to show some leading indicators to give you both the global picture of things we look at and as well the regional picture.

And, you can read for yourselves, they are quite basic things, but you need to gather them, you need to follow the trends and you need to understand how they, in different parts of the world, may impact you as a company. Message to you is we are looking at these things. We have leading indicators in place since 2008, and we continue to track these things on a monthly basis.

If you look at the right-hand side of the slide, so we have a base case for next year. We have already now started to tighten governance. That's obvious. In tougher times, it's good to tighten up governance. It's not -- it has to do with projects. It has to do with credit approvals and so forth. That's obvious things. But also, to stay in a very close dialogue with customers and partners.

Partners, for me, means subcontractors, banks, and so forth. And, we know that managing partners and getting partners to support you in your long-term business strategy in tough times is very important.

Proactive cost alignment. We have already started to implement measures in the Company. So, we have started to put the brakes on. There are no dramatic cost cuts, but what we do is, of course, to work with basic things like recruitments, use of consultants, traveling, all of these hygiene factors. So if someone asks me, have you put the brakes on? Yes we have.

If we look at contingency planning, that is when you have certain triggers that may last for a longer time. There may be a recession in parts of the world which is important for our business that may last for two or three years. That's when you need to make choices.

And if we see that that's needed, that is when we will come back to you and then, of course, to the ones impacted and communicate first. The message here is base case, the plan is in place. We are slowing in terms of spendings, but what we always will protect, though, is investments to secure technology and service leaderships. Everything else is up for grab, Okay?

Finally, I wanted to highlight the long-term variable plan objectives as Hans did as well. On the right-hand side, four main key takeaways for me, and that is that we have decided as a leadership team to build installed base for the future despite the fact that it creates a gross margin pressure short-term.

We remain on our working capital targets. The cash conversion is very important for us. Business mix and growth create some short-term challenges. We have implemented already now proactive measures for 2012. We have not implemented any contingencies. We track and monitor that carefully. And we view our net cash position as a competitive advantage, even more so in uncertain times. Thank you very much.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Thank you, Jan. A few quick questions, you talked about the price premium -- how big is that price premium?

Jan Frykhammar - *Telefon AB LM Ericsson - EVP, CFO*

Thank you for the question, Ase. No. I think that -- I cannot stand here and talk about the price premium. I think that would not be fair to customers nor competitors, but -- so I will not answer that. But, of course, part of -- the proof point is really in the -- both in top line and gross margin improvement. That's -- so, but I think, to sustain a price premium being a leader that is performing, that's obvious. It should be there.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

You talked and disclosed about the mix between software/hardware and services on the annual basis. Is there any opportunity that you will start disclosing it on the quarterly basis?

Jan Frykhammar - *Telefon AB LM Ericsson - EVP, CFO*

I think we will create even more short-term focus on individual quarter's gross margin development. You know, certain disclosures are on an annual basis because we wanted to look at certain things on an annual basis. It may be so that we have a big completion of a hardware centric project in one quarter. And what -- the overall ratio, if you look at the full year, is more of a trend line. So, as far as my -- my intent is to disclose this on an annual basis.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay. And then, finally, the working capital targets are unchanged, but they seem to be pretty difficult to reach. And so, why do we keep them?

Jan Frykhammar - *Telefon AB LM Ericsson - EVP, CFO*

Because a strong financial position is key to our strategy. And being a project company, to have very tough working capital targets, is part of focusing on operational excellence, so we will keep those. We will not give up on the basic working capital targets. They are very important in driving the right behavior for us.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay. Thank you very much, Jan.

Jan Frykhammar - *Telefon AB LM Ericsson - EVP, CFO*

Thank you.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Thank you. And now, we will see and listen to some examples of true engineering art. Welcome Johan Wibergh, Head of Networks.

Johan Wibergh - *Telefon AB LM Ericsson - EVP, Head - Networks*

Thank you, Ase. So, I'm Johan Wibergh, I am Head of Networks and it's really good to be here today. I brought some stuff with me. It's not really a new base station. In September 29, 1981, what happened then? That was when the first G, the Nordic Mobile Telephony network was opened in Sweden. And this phone is from that time actually. It's a very smart phone. It's not a smartphone. It's a smart phone.

You can actually call with it. I don't know if you want to try. It doesn't still work. But it's -- do you remember this genuine phone? And to make this work, you actually needed to fill the whole stage with equipment -- to make it actually function.

But that's not what I'm going to talk about today, because this other type of smartphone that we know about that you have both voice and data and do a lot of things, you need much less equipment to make that happen. So, that really what I want to be talking about today.

I think most of you probably attended this session in May in New York or watched in on the webcast. And then, I made a fairly holistic presentation of the network business. I mean, I went through what happens with the market, the size of the market, what are the drivers, talking about cloud and applications and usage, et cetera.

I went through our strategy for the business session, what to do about voice, what to do about mobile broadband, our market share in LTE, above 60%, and why we are successfully gaining the business. And then, I went on to talk to efficiency and product development, and what to do there to be competitive.

So, I think there's no meaning that I go back into this holistic presentation again. During the last several months, I've been getting a lot of questions from investors and analysts. And from that, I have picked and chosen two areas that I believe is more important and I'm going to go into depth and talk about these two things.

So, this will not be a holistic view. I will focus in on a few key, important things for being competitive and having a growing market. But before that, let's look on some network financials.

So this is the financial performance of the last several quarters. And if you look then on Q3, you know that we were up 25% year-over-year on top line. If you look at the first nine months this year, we're up 30%. So top line has been going fine.

You should also note, and if you're looking in Q4 last year, it was extremely strong and that was due to supply shortages we had during 2010. So, we had a catch-up effect at the end of 2010. The reason why we're growing the top line is because we are taking market share. Indications we have is that we have basically taken some four percentage points in market share.

We also then said that this growth is mainly driven by the demand for mobile broadband equipment. Even though there's still a big portion of GSM, it's the growth in mobile broadband that's driving this growth.

So with that said, let's dig in to these two topics. And I'm going to start by going into the market. I'm going to talk about the growing market and what is behind these changes.

This is almost the same slide as I had in May. I've changed one thing on this slide. This is then the outlook that we had in May, showing the size of the market and what we then said about the growth going forward. That has not been changed at all. It was a US$94 billion market, overall and last year.

What I have updated then on this slide is the market share that we estimated that we are grown from 32% up to 36% after the first half year. We also stated when we showed this market then that the CAGR then of 6% to 8% that they will not be evenly distributed between the years. And we know that we have had a good growth between 2010 to 2011.

What I'm going to do now is, based on that data we showed in May, I'm going to step down a little bit and talk about few of the segments. So, this is not the new market outlook. It builds on the same data and the same assumptions, but I've taken it a little bit further up to 2015. And always, you have more uncertainty when you look a lot further out, but of course, this is what we believe in and what we plan after.

Stop now, don't add all these numbers up. They don't add up to 94. I can't tell you that at once. These are a few of the key segments that I wanted to highlight, so you don't -- saying why is it this is wrong. Let me talk a little bit about each and every of these segments. 3GPP RAN -- we're talking all about GSM, HSPA and LTE, et cetera.

This is a segment where we are the clear leader --US $20 billion market in 2010. We expect the CAGR to be 11% and grow up to $33 billion in 2015. This is also a segment that is undergoing a tremendous change due to technology, but also due to competitive landscape. You know that some of our competitors are in tricky situation, and we have had some new entrants coming in. So, I'm going to be talking a lot about this in a while.

3GPP core is what is used for voice and data [talks]. It has a more modest growth of 7%. It is still the segment where we are number one, but it will grow then from $5 billion to $7 billion. CDMA -- well, Rima we'll come back to that after the break. It's very natural, that that's a declining market -- 15% in CAGR. And, of course, in the US market is earlier out in transitioning from CDMA to LTE.

Microwave -- another segment. This is used for backhaul of mobile networks. It's a market of $5 billion. More modest growth -- there was only 4%. We are the clear market leader with our products family called MINI-LINK having more than 30% market share.

IP Edge -- big market, $6 billion; good growth rate, 8% up to $9 billion. This is today a small segment for us dominated by Cisco and Juniper. In May, I talked about our product launch, the SRR product. We're very proud about that. There's a session about that this afternoon. I have big expectations on what we can do in this segment.

And then, optical area, big market -- $13 billion, modest growth, 4%, up then to $16 billion in 2016. Here also, we have the smaller market share. We have launched during last year and this year, a new family for a certain sub-segment here. So, we are working on improving our position there. I'm very happy about the new portfolio. It has been selling well, but we have more to prove in this segment.

So if you look on the top two segments here now, it goes from US$25 billion up to US$40 billion. It's a tremendous market to grow with. It's also a tremendous market that's going through a change.

I want to try now to show why is it growing like this, and what changes it's going through, and why will this make us an even bigger winner and increase our market share in this segment. Because our strategy builds upon that even in this quickly growing market that we will increase our market share.

So, let's start talking about the market. I showed this slide also then back in May. On the left-hand side here, you see the population of the world, the 7 billion people, where people are living in metro, urban, suburban, and the rural areas. Today, 85% of the population are covered by GSM and that will grow until 2016, so it will become 92%.

But that means, if you look on land mass coverage, that it will go from 20% up to 30% land mass coverage. So, it is still very important. It is 20 years since we launched GSM and it's still the quickest growing standard. It's about 36 million new subscribers every month on GSM. It almost doubled the growth rate than what we have on 3G, and that is due to the low prices on handsets.

Next area, HSPA, the most important technology for mobile broadband, covers 35% of the population back in 2010, will grow up to 80% in 2016. This is the most important technology for mobile broadband. Why? It's due to the prices on handsets.

When you get handset prices to come down to levels like $50 to $60, you really get the takeoff among the broad masses in the world, and we're not there yet with really good smartphones in that price range. But, that is why HSPA is the most important standard for mobile broadband and not LTE.

And then, LTE will grow form only 2% population coverage in 2010 up to 35%. LTE will grow up to 35% in just seven years. It took HSPA 10 years to get to that point in time, so you'll see the new standards are getting adopted much quicker.

So this is then putting out the initial coverage. And I often get questions from operators, and Jan, he used to offer explanation about initial coverage and then talking about expansions. And I've used a lot of different words. And based on the questions I get, I understand that maybe we're not doing a good job in really explaining what this means.

So I brought a friend with me here onstage, this is not R2D2, but its 6201. This is our latest generation of base station, it's from the series of RBS 6000. The 6201 is what's called a macro base station. You put all the equipment in here. This is an indoor configuration, so you put it inside a building. There are other types where we can build a mobile network outside, et cetera, but this 6201 is used for indoor.

What do we have in it? Let's look at it. Maybe -- do you see the nice Ericsson design here, the Ericsson sausages?

If you open this one up, you'll see it's fairly empty. We're going to change that during this presentation. Up here, you have the power supply. And then I put in an initial coverage configuration. I have two things in here, I have a GSM baseband and I have radio modules. The GSM baseband, that's where you'll run all the software for all the features that needs to be done.

And despite its 20 years since we launched GSM, we're still launching twice a year new software versions that our customers buy, that they put on here. There's still such a new development of features and functionality in the GSM network. You may not notice that as a subscriber, but there are so many things being developed to enhance it. So that's the baseband, very important.

The second piece are radios that is what's used to transmit. And this radio here -- have three of those because you connect this base station through three cables up on the roof where you have three antennas. Because normally you'd make three sectors from a base stations, so you have three antennas that are transmitting. And there's a cable from each antenna coming down, connecting up here.

So with three radios, I get what's called one carrier for three sectors. So, this is a very initial coverage installation. Price-pressured typically, to start off with. This will typically live maybe like 10 years overall standing out at the site, but not being empty all the time. So we will come back to this one soon. Don't forget that.

All right, what happens then? Well, I think all of us have heard a lot about voice. And we can spend 30 minutes talking about slide, there are so many things ongoing but there are some fundamental differences on mobile networks, whether it's voice or it's data. And I need to walk them through to maybe give an understanding of how will this -- how will my 6201 -- how will that change as the networks evolve?

So in voice, it's very easy actually to make a voice network work. Either you have a well working voice call or not. Sometimes you have some disturbances, but basically the voice call works or not. And they're easy of KPIs to drive and use.

We talk about dropped calls, call success rate, et cetera, that triggers upgrades in the network. And every operator will follow these and then they'll say, oh, no, it's starting to be too much dropped calls. Dropped calls is when you move around in the network, and typically when you hand over from one base station to another, you may drop the call, usually because you're out of capacity.

There is also, in voice, very clear traffic patterns. Usually, around four or five in the afternoon is the peak hour, you have the most amount of traffic in the network. And usually, when you move around -- and even if I move around in here, there's probably no difference in the voice call quality. I hear it in the same way more or less. So, that's voice.

Now, data is very, very different. The usage pattern is quite different. There's not normally a busy hour. And if there will be a busy hour, it might be 10 in the evening and maybe on Sunday evening.

The customer awareness and the speed you get out of connection is very good -- is very common. I mean, if you use Facebook, you need very little bandwidth to make it work. If you then try video instead, and you don't have good enough speed, you immediately notice that on your handset.

And different applications have very different requirements. One application may work fine on the phone and another not at all, when you're standing at a certain place. And then if I just move over to the window, suddenly all my applications are working. And then, I go back to stage, and suddenly some applications stopped working.

So -- and this is quite different behavior then between voice and data. And especially the indoor coverage varies a lot, but it also depends on how many in this room, for instance, that are using data at the same time because we are sharing a common link of data streams. And if many people are using it, the piece I get becomes smaller. And these are affected by applications, Cloud-based services, et cetera.

And, of course, the users, the consumers, the enterprise customers, they noticed this. And, I mean, we do care about how consumers feel how the networks are performing, and we do a lot of studies around that. We do our own studies. We work together with operators. We analyze the traffic that goes through the network, in trying to understand what really happens. And, we do a lot of surveys.

What I show up here, I think, is representative of the information we get. This shows then what consumers think, what the customer thinks about the network, and how they therefore act and choose.

And what's important on this slide, and is that on the four, out of the five factors you see here are directly connected to the performance of the network. And by changing the performance, the customer will get a different perception. And that's not so strange really, that is what you're using. If you're using a mobile network, if the network performs well, you will notice that, otherwise not.

There are so many things you can learn from our customers and we do that a lot. We try to learn, so, therefore, we can design the products in a better way, and we can design the networks in a better way so they overall perform better.

This week, we have launched our first traffic and market data report in preparation for then, this event. And in the session this afternoon, you will all receive a copy of it. Here, we have tried to put together a lot of insights we have had from, what is really happening in the networks, what will happen in the future. And this is the basis, as I said, for our own design of our own products.

I think many of you have heard about Speedtest.net. That's one way of testing the performance of the network. And then I tested outside earlier, and I got around 7 megabits. While Jan here was talking, I was testing it inside, and I got 5 megabits, which is still pretty good and the performance changes as we move around in the networks.

Now, the question then becomes, why is data traffic growing and where will it grow in the world? Well, in this traffic and data report that we have given out, looking on 2016, we believe then that 30% of the world's population will generate rate 60% of all of the traffic on mobile networks in the world.

This 30% of the population, they will live on 1% of the land mass in the world. So on this 1% landmass, you will have 60% of all the traffic in the world. And, of course, then, you need to do a lot of capacity expansions for your equipment to handle that because there's a lot of demand. And Jan, he talked a lot about what does this mean, and I thought then I can't show what is really -- what you have to do for that.

So, let's see what we can do. How do you do an expansion? Now, this might be a little bit of hard work here, so I'll take this one off. I brought an option on this one, so you can put your coat here. I have some stuff behind me here that you couldn't see.

So back again, then, remember what we had in here? This was a GSM base station -- three radios, there was one carrier, and this was on 1800 MHz. So, let's assume now that traffic has gone up here. I need to expand, put in more capacity in here. What do I actually do physically, practically?

So, this is the radio unit on 1800 MHz. I slot it in. That's one. Hard work. Two. Three. I'm not done yet. So these are three more, one for each sector. So it's one more carrier now we have totally. But then, I also need to load software license keys because there's a lot of capabilities here, and you need to unlock the capabilities. So, you need to buy and download software license keys to make this happen.

So now, then on capacity expansion of this one, it's a business with higher margin because it's more high value things I put in. I unlocked existing features with software license keys. So, this is something that has higher profitability.

And as I said, this base station typically could stand seven to 10 years in the site. And during this timeframe, we will, twice per year, release new software with new features that they would buy to enable new features in the network, and they will buy more expansions.

And then even during this time period, there might also be hardware -- new hardware coming out. So you would replace some of this hardware with new hardware that has even more functionality. So, this is a first thing of doing a capacity expansion, when we talk about that. Right? I'll close it for the time being. I'll leave my coat there, because I'm not done yet.

As I said, then, if 60% of the traffic is going to be generated in the the cities. Is this the best way to always take care of that data? No, it is not. In the cities, you need to do more things and we call that HetNet. Because to achieve all that capacity, it is not enough with a macro network. You need to do things -- more things.

Just so you'll understand this picture, the blue thing in the middle and that orange thing you see around, that's supposed to exemplify a macro coverage. That orange thing should really be 4 kilometers or 5 kilometers away. But everything will become orange, so that's why we have made it small just for exemplification. That's the macro base station. That's this type of thing.

The smaller dots, then, in orange, that is smaller daughter cells I put up. For those of you that saw the presentation in May, I brought onstage smaller radios and said this is what you use for building HetNets. That is what we have up there.

And you add a smaller things for adding more capacity; you add them indoors, you add them on squares to give more capacity. And then, you take those smaller things and connect them with a fiber into that, and then you get capacity fills in and more capacity in specific areas. And that's called heterogeneous networks.

And this is actually one of the first heterogeneous networks in the world that's up and running. This is actually a real live picture. We are running that here in Kista. And we are doing that to really test out the functionality between the smaller cells and how it moves between the bigger macro cells and back and forth, and how we optimize and make sure you get best performance. So, this is the way.

So this growth of traffic up to 60%, we know very well how to handle that. And the good thing for us, of course, is that these add-on business is a little bit of captive business because it connects into the existing footprint.

I said that this market, that was US$25 billion and was going up to US$40 billion that was going through a tremendous change. And Jan talked about that also, about the multi-standard radio. So, I would try now to show what happens when you go to multi-standard radio and what do we really mean about that.

So if you go back 20 years then, when we started the GSM, you would have put out a GSM base station like the 6201 -- a 2G base station out just doing GSM. And then, 10 years ago when you started with 3G, you put another base station next to it here, but in 3G. And, of course, at the same site, you had the site router with the backhaul and you had power equipment and a lot of other stuff.

And then, of course, when it comes to 4G you could maybe even put a third base station next to it. But then, technology have changed and you come to multi-standard radio, which means that you in the same one base station can put in all the standards. And that I will go through.

Because it changes completely the barriers to entry in the market. It changes completely how you make money, and the importance of footprint. So, let me give you an example of that.

So this is an example of how it could be, usually an operator would take the geographical area and divide it in one way or another. Here I've done in three ways; urban, suburban and rural. It could also be northern part of the country, middle part of the country and southern part of the country. It doesn't really matter, but they did it in urban, suburban and rural.

And then, when they started with GSM, they awarded the urban area and the suburban area to vendor A, and the rural area went to vendor B. Then some years later on when they brought 3G this operator made a new vendor decision, and decided on vendor A for rural area, for suburban area vendor B and for rural area vendor C. And there were no connection between 2G and 3G, so there were no problems to choose different suppliers.

There were no benefits, no really big connections. But that is changing now. Right? With multi-standard radio you need one base station that handles all standards. What it basically means at the same site the base station needs to take care of all the three standards. So in this case then, on urban and suburban it becomes vendor A. In rural, it becomes vendor B. And vendor C loses the business, and loses the contract with that customer.

So, I will look upon how this is done practically then. So I have GSM in here, 1800 MHz, two carriers. Shall we install HSPA here? My colleagues think so. Yes. They have moved all the things around back here, so I have to look all the time. Baseband on HSPA. And then, we need also some radios if you're going to run it on some frequencies. So, this is going to be a European configuration, so I will pick 2.1. It's back here -- 2.1.

Then I need to load the software, and the software license keys on the baseband. And the software has a lot of different optional features that you can buy. It's a long, long list depending on how much smartphone features you want and what type of speed, if you want 7 megabits or 14 or 21 or 42, et cetera.

We do a lot of different features, so we can charge more. So they now have two standards in here. Everything is still running. Okay, you want the LTE also. All right? Okay. This is LTE -- baseband for LTE. Very neat. We put that in also.

The question then is, what frequency should we run LTE on? Well, in this case, the operator has quite a lot of spectrum on 1,800 MHz where they were running GSM, and they decided to take part of that spectrum for GSM and another part of that spectrum for LTE.

And then, you don't need to install radios because all of these radios that are in here, they are independent whether it's 2G, 3G or 4G. So, you just connect to the LTE baseband to the radios. And then, the software is so intelligent here. Of course, you have to buy that feature and download that software license key, otherwise it doesn't work.

The software is so smart, so it can actually take that 1,800 MHz and divide it. So it will use -- part of it will be used to GSM, and part of it will be use for LTE and it will work straight off. So, that's a lot to sale and very little stuff you need to put in it.

Now this base station has GSM, WCDMA and LTE, running on two different frequencies, but we need even more capacity. Mobile broadband is really taking off and they also want to have 900 MHz. So I'm going to put that in -- going to run HSPA 900 MHz to get more capacity. Add on those radios.

My parents told me that if I didn't get another job I could always work in a bike repair place and repair bikes. That is what I did when I was young.

So now, I added 900 MHz and -- of course, I need to load the software license keys down here because if you want to use more radios we charge extra for that. So, you download those software license keys down here.

Now it's fully equipped. It's extremely powerful the capacity about here. I've done several expansions. If you remember I started just with GSM and one carrier, added one more carrier. I added HSPA and one frequency, added LTE and now even more 900 MHz frequency. Is that all? We still have some space left.

Well, there's another strategy you can do, how you extend and embrace more business. I've said that before. You put things like site router and backhaul outside. Of course, you have different base stations so you need to connect them together, but now we have everything in here. So actually, what we've done then is that we made an IP router. I have that here.

This is our best selling IP router. It used to be typically one of our competitor's product extending externally here, but with our strategy to embrace extent, you can actually make it a site router that connects all the standards together, and you put it in here. This is, of course, much cheaper for the operator and much more convenient to have it inside here than having separate external boxes.

And, for us, it's an increased business because we didn't have this business before, but since technology has changed we are starting to grab on the bigger piece of business.

And now you connect that router just to the fiber cable or to the microwave antenna sitting on the roof. This is the way how you embrace and extend the business. With that, I think I'm done for the time being. So, I hope you have got a good feeling for what it means to do capacity expansion and what a multi-standard radio is.

So just to summarize then, I mean we do believe in a good market growth going forward. And the user experience with mobile broadband really demands and drives for this investment. The modernization is really a fundamental thing for us to grow our market share.

When you have all the standards in there, you need to be good on all standards to compete. How many of our competitors are really competitive on all these three standards, and do they really have the scale to compete long-term in this? Not all of our competitors today.

This is a tremendous growth opportunity, and you almost get like a winner takes it all scenario at the site, and the barriers to entry become harder. If you're not good on all mobile standards, you will not be chosen. And that leads, I think, to competitive advantages because as Jan said, we want to have a price premium.

We do not only want to win the deal, we do not only want to grow the market share but because we want the price premium, and to get the price premium you need to have some competitive advantages. So, what do we then have?

Well, we have a long-term development philosophy that will lead to technology leadership. It starts with early research and predevelopment that we then take to standardization. And we develop products that we bring into the market and that we operate, either operators themselves are running them, or we run them ourselves in our managed services contract.

We get that feedback, we improve the products, we bring it to standardization and then it goes on. And it has been quite successful. This I think is one of the success stories. This is the RBS6000. This has been one of the biggest challenges and risks for the Company to manage in the last several years.

You have to understand that our market position and reputation is built upon the predecessors of this base station. It's built upon what was called RBS2000 for GSM and RBS3000 for 3G. And it's those products that have built our position and market share. And during the last two years, we have been replacing the complete portfolio with this new generation.

We started with small initial volume shipments in Q1 2010. And during the last two years, we have brought to the market not only this, but LTE. We brought new features and functionality to GSM and HSPA, both on this new technology and on the old technology. We've gone through severe supply disturbances, including the earthquake and tsunami in Japan, and we have had really aggressive competitors.

So, how have we done? Well, we have supplied RBS6000 to more than 300 customers on all continents. We have released 38 radio units on all standards on 13 different frequency bands, and it's more than 300,000 complete nodes that had been shaped since Q1, 2010.

We've been evaluated by most vendors in the world, and how has it gone? We have increased our market share. This is the most powerful base station that we have today in the market. Compare it to our previous generations. It includes all four standards, and Rima will come back to CDMA in this context.

It has 20% better radio performance. Fully equipped, it consumes 80% less power and every year we cut off another 10% in power consumption. It has doubled the time between failures and requires much less space. This is a success story for us. It's the best performing product in the market.

So, why can it be that good? And part of the reason behind it is this one. It's my friend, ULMA. ULMA is an ASIC. What is an ASIC? It's an application specific integrated circuit. This is a specially designed semiconductor that you can do for certain applications.

The reason why you do them is that they give you superior performance because they are designed exactly for what you need. They need much less real estate when you put them on boards, and they consume much less power. And the building material, the production cost is significantly lower on this one compared to all other alternatives, but they also have some drawbacks, I can tell you.

They are expensive to develop, and they take a long lead time to develop them. So not all companies can afford to do that because you really need scale, but we have scale and we can afford that. So we use ASICs a lot in most of our products and they give you a lot of advantages.

So, I have some more stuff in here. You remember that I put in an LTE baseband? Well, this is what the inside that box that I put into the base station. This is the heart of an LTE base station. This is our friend ULMA. You have four of those.

Do you see how much empty space it is here, and there's basically nothing on this side? That is because all the costly and normally the discreet logic you need to have we have integrated into here and put a lot of software in here. Just to compare this. This ULMA has what is called 36 kernels. That is how you can run how many things in parallel.

If you will compare that to your latest PC, the latest processor from Intel, has four kernels. This one has 36. You have 144. The reason why we have done it like this is that we had 30 years experience on how you construct these type of products. And we have designed specific ASICs to be good on handling LTE -- on the challenges you have for LTE. With this, you can cut production cost a lot.

The amount of technology put out here, the amount of (inaudible) you get here. But also, with a number of horsepowers you have in here -- and we have not used all of it now --you have a lot of mileage to get to out of this hardware for the coming years. That means we can add a lot of features without replacing hardware, and we can earn money on that software.

So, what is the result out of that? Well, let me show this slide. This is a very similar slide to what I showed in May. What you see up here on the graph is the time it takes to download a 200 megabyte big file. The blue line is the time it takes with Ericsson. It takes -- what is it -- 18, 19 seconds. And the red and the yellow is from two of our competitors. It's -- it was measured in December 2010 with Ericsson, and two other competitors on LTE networks here in Sweden.

And what you see on the Y axis is how quickly it goes, so you can see we are touching around 90 megabits. Our competitors have a very sporadic performance. It goes up and down, not really consistent at all. But also on the Ericsson product, it goes down a few times. It's not really consistent on 90 megabits. But we show anyway that we were clearly outperforming competitors here, some 10%, 15% better performance.

We went back in August this year and redid it. This is the new measurement. This is the old. This is the new. You can see that we have improved somewhat. We are now pegging almost to the 90 megabit all the time -- almost up to 100 megabit, actually.

You can see that red, that's become a little bit quicker in the download speed, but also we have decreased the download -- the time it takes. But we still have some 15% lead over this. The reason -- now, there's so many things around it, but this is extremely complex. The reason why I bring all this up is that this technology is extremely complex. This is not at all commodity.

If you want to perform really well, it is so complex. It requires very advanced people. We have around 1,000 people working on this board, I showed you, to make that perform well. If you want to make this perform really well, you need to invest that money, but you get some tangible benefits. And that gives us contracts and increase market share. And that also creates a foundation for discussing premium pricing.

Another example is this one. This is from a major sports event. It's in Europe. Let me explain what you see on this slide. So, on the X axis you have time. You see something happens around 4 o'clock here. On the -- going up, you have traffic in Erlang, that's how you measure voice traffic. On the right-hand side, you have what's called RRC signaling. Have you heard about smartphone signaling? Well, that is what it is.

So in this graph then, you see the dark blue, that's the voice calls. You see it's increasing up to 4 o'clock, when suddenly it starts to go down. So, I guess it's a football game starting then, probably European soccer. Because after 45 minutes, you suddenly see that it starts to go up again. So, I assume it is a football game. And in that break, it seems that people are making a lot of phone calls, and then when the second period starts, it drops again immediately.

At the same time, you see the red line. That is your Android and iPhones that are signaling. They are talking to the network. And you see more and more people gathering. And during the whole game, they are -- the phones are signaling a lot and signaling doesn't get any revenue for the operators.

But the light-blue line, that's the payload traffic. That's the data traffic. That is what the operator gets paid for. So, solid, stable performance, despite -- and this network is overloaded. That's why the smartphone signaling goes up so much. The network is overloaded.

It usually can crash. Many of our competitors have problems with the system crashes at this point in time. But the system here shows very stable performance. The light-blue is stable. It continues to perform well, and delivers all the payload traffic -- maximum payload traffic. This is how a system should behave. This is our systems behave, and it's really -- is an important factor for our customers.

Now, I talked a lot about radio this time, that was on purpose. I'll, in coming Capital Markets Day, step into other product areas that we have. I just wanted to say two words about this slide because if you step further into the network and you in to what's called the core network, for both voice and data, you have two types of equipment, they're either control plane equipment, or data plane equipment.

Control plane equipment is things that control how traffic goes in the network. And data plane is what sends traffic through the network, like routers for instance. It used to be that we have many different hardware and software platforms for implementing our products.

But what I'll show up here then, is a change we have done during the last years where we have migrated to common hardware and software platform strategy. So on the control plane side, we have put many different applications on top of the same hardware, giving tremendous benefits to us on cost side and on customers on usage.

And we've done the same on the right-hand side with the data plane. In one of the sessions this afternoon, Jan Haglund will be talking about the data plane products and what we are doing there, and I will come back to this in coming Capital Market Days.

So just then trying to summarizing up the footprint, and I believe this is a result of our long-term philosophy, what we've been investing in, doing smart designs, well-working superior performance, high quality products.

I said then in May, that we were 70% bigger than number two. We are now up to 100% bigger in revenue to the second vendor in mobile networks. Actually, if you measure software revenue, we are the fifth biggest company in the world in the ICT industry, measured on software revenue.

And even if I talked a lot about hardware, 80% of our people are working on software. And many future features and functionality in software we sell into this environment.

I talked about that our market share are going from 32% to some 36% which is an early indication for the first six months of these year. And now, finally, that we have not talked about before, but if you remember I said on that 1% of the landmass coverage will have 30% of the people and generate 60% of the traffic. Then it matters a little bit where you have the market share as Jan said.

You want to have the equipment were the traffic is going to grow. If you step in to cities this in the world, you take the top 100 cities measured by GDP, we have 43% market share on that installed base. So, we're well positioned to take that growing business, that growing traffic volume and to get those profitable expansions in here, whether it's hardware or software.

So then, you have to summarize having gone through this today then -- mobile broadband continues to drive. Network modernization is a purposeful strategy from us to increase our market share and footprint. It has some short-term drawbacks, but we're convinced this is the right strategy. I've gone through then what happens, how you do expansions and the growth here, and why we will take an even bigger piece of the market. And then I went through some of our competitive advantages.

And with that, I'm done. Thank you.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Thank you very much, Johan. Few quick questions, Johan. This fantastic box then, what's the price of that?

Johan Wibergh - *Telefon AB LM Ericsson - EVP, Head - Networks*

How much are you willing to pay? It depends a lot -- and that is we are -- we are very good on using different pricing models.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay. And we don't get into more details than that. And maybe you can elaborate a bit on the competitive situation and especially then price pressure then in your area.

Johan Wibergh - *Telefon AB LM Ericsson - EVP, Head - Networks*

What we're seeing now is a disruption in the market with this all new technology being brought on board. And it is costly to be competitive. You need to be competitive on many standards and there are very high requirements on this and data. And it will be challenging for all vendors to cope with the situation.

I feel very good. We've been able to take market share, the feedback, the evaluation we have from customers, and our technology has been great. I think it will be a challenge for some of our competitors to really stay in the race.

It's not an option just to be good. It doesn't help if you're great on LTE. You will not get the business, anyway. You need to be as good on GSM and on 3G, and that's the big problem. You need to be good at everything to be competitive.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay, thank you very much, Johan. Thank you.

Johan Wibergh - *Telefon AB LM Ericsson - EVP, Head - Networks*

Thank you.

(Break)

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Ladies and gentleman, welcome back after the break then. Good to see here, back again. We are -- wait for a few second until everyone is seated. Great. So once again, welcome back.

And I'm very happy to welcome Rima Qureshi, head of our CDMA business.

Rima Qureshi - *Telefon AB LM Ericsson - SVP, Head - CDMA Mobile Systems*

Thank you. Hello, so glad to be here. I was at the last Capital Markets Day in May of last year. And I talked to you about the CDMA acquisition at the time, as well as what we thought the market was going to be like. And we discussed a little bit also what we believed would be the strategy for the acquired CDMA business.

So, a year and half later, I would, today, like to talk to you about the market, also, how we have been doing on our strategy, and then to discuss our plans going forward.

So, North American market share -- majority of the business that we have with CDMA, very last large majority is in North America. So, how have we been doing in the market? If you look at rolling four quarters and our performance, we have actually slightly increased our market share in comparison to where we were a year ago.

But that doesn't really tell the complete picture. As we see the market increasing slightly over the last four quarters, I think it's important to remember, really, what's been happening behind the scenes. I guess one analogy is really, we have been changing the engine in a plane as it's been flying.

The acquisition has been very good for us. It has been challenging to try to maintain the customer base, ensure that we upgrade the products. Ensure that we keep the people. And I can say we have been extremely successful with this. It's been a very good acquisition. It has been a very good integration. And I think the indication of that is what you see in the market share, not only did we maintain it but we slightly improved it.

So, we have made sure that our customers have remained satisfied. We have kept our employees. We have upgraded our products. And I'll take you through that a little bit. And also, we have acquired a few more customers, so overall, an excellent acquisition for Ericsson.

Let's talk a little bit about the strategy. So the strategy for the business is pretty straightforward; grow, expand, evolve. And this is a strategy we put forth when we did the acquisition. And, let's take a look at how we have been doing according to that strategy. On the grow part, where we grow with the installed base, we have growth in North America. We have been leveraging the data explosion that we see in North America.

And we have been very much taking advantage of the explosion in data and the growth of the smartphones. Expand into opportunities. Non-North American, if you will, where we have been working closely with operators outside of North America on how they can deploy CDMA, CDMA 450 or other CDMA technologies. And really look at what kind of business models do you put in place for CDMA, whether it be machine to machine or fixed wireless access.

This has been an interesting journey, if you will and it is a very challenging market with disparate opportunities. So, we have been extremely careful in this part of the business because we have very large customers in North America and then we have smaller customers outside.

So, we've been very, very selective on what that means in terms of commitments to products and also what kind of business cases that we see in Non-North American markets, so overall, good, but challenging market.

Evolve the customers with the Ericsson LTE solution. We have been delivering the customers to the Ericsson LTE solution, biggest customers being Verizon and Sprint. Sprint actually will be deploying our RBS6000. And we have now secured that they will not only have the CDMA installed base but they will also be using the Ericsson LTE solution.

And that is also very critical when we look at how we will move forward with CDMA and how we will ensure this migration. So we have common CDMA LTE platforms. So I'll take you through a little bit what that looks like.

So, Johan talked about the RBS6000 and how this is extremely crucial for Ericsson going forward and how successful we have been with this. And I am happy to say that we now also have CDMA as part of the RBS6000.

So, we will now have a multi-standard solution that also includes CDMA and this has been a very key into the development that we have done. We ensure common R&D. We ensure common supply. Take advantage of the standard platforms that we have developed within Ericsson.

So, let's go back to the base station. So we looked at this. And if you notice, there is one slot that's empty down below. And I think you know that Ericsson is very good in network rollout. I think this will probably be the first time that we will see an upgrade done in heels.

So, now we have CDMA in the RBS6000. And why is that important? If we look at where we are going with CDMA in the next phase of the lifecycle, if you will, it's really going to be about monetizing the investment, monetizing the installed base. But it is also going to be about ensuring that we have longevity for the platform, lifecycle management, and ensuring that it is as modernized as possible.

So, this is a very important inflection point, not only for 3G to 4G, but also ensuring that we have a modernized CDMA network that will be out there for the next 10 years. So, it's extremely crucial that we are part of the overall RBS6000 family and the overall solution. And it ensures the profitability of the business going forward.

The other area that we have been working on very diligently on the R&D side is ensuring a smooth migration on the core. So, you have 1X today on the CDMA core network, and we are, through software upgrades, going to be enabling the operators to be able to move to Voice over LTE.

So, again, ensuring the smooth migration evolving the overall technology that we acquired into standard Ericsson platforms, and ensuring that we address the inflection point that the operators will be facing.

Let's talk a little bit about the CDMA market and the dynamics that we're seeing. We will se growth in the next five years in the CDMA subscriber base. But the rate of growth is going to be different than we see in the other technologies. And the majority of the growth will actually be coming outside of North America, which is not necessarily the market that we are addressing.

We are going to see continuing investments in 3G, in all markets. This is to ensure that we meet the demand on the smartphones, the capacity requirements that we talked about. And ensure that as we deploy 4G, we have the base 3G coverage and the capacity to address the needs that we have today.

At the same time, we see that the operators are beginning to sweat their assets, if you will, taking the opportunity to try to keep the network without doing the upgrades.

So, it is a little bit of a balancing act. So, you need the coverage but you want to maybe not make the investment and wait until you can make the investment on 4G. So, it's a little bit of a fine balance that we have to watch very carefully.

So, what does this mean for our customers? In the short term to medium term, they are beginning to start thinking about investing in 4G, accelerating their 4G investments as well. But at the same time, they have to ensure that they have the coverage and the capacity on 3G. The majority of the traffic that we see is on 3G.

As we talked about, it is on HSPA but it is also on 3G, on CDMA as well. It's very, very important that they address those capacity requirements as they build out the 4G. It's very, very important for us to leverage that.

The other thing that we're seeing which is extremely crucial is to ensure that you have flawless performance. This is a technology that has been around for a very long time. Even though we are modernizing it, it is also crucial that this technology works without any issues.

The requirements on quality on 3G are even higher than what we are seeing on 4G technology. Mid-term, it will move into sustaining. This is no surprise. This is what we have expected. If you will, it's happened maybe later than we expected. So, it will eventually happen. But in this phase, the networks will still remain and they will still be in service as we talked about on the GSM side for a long time to come.

So, how do monetize that? How do you leverage that installed base? What can you do with the equipment in the installed base that you have as you all float your high data users to 4G? Machine to machine, other types of applications. That we're working very, very closely with the customers to monetize and to look at the next phase of that 3G investment that they have made.

And then, I have a graph. So, it's not really only CDMA but it's also really the inflection point. When does that crossover point happen? And what will be the key driver?

So, there is no one real answer that I can give to say it will happen on that date because it really depends. It will depend on a few key drivers. Some of those drivers are the availability and the affordability of LTE handsets and potentially some iconic devices that will make that switch over to LTE.

It will be about dual mode devices. And how much traffic will those dual mode devices generate not only for LTE but on the 3G base. And it will be very much so about the incentives that the operators are going to be giving to their subscribers to move to LTE. So, as those rate plans change, that's where the traffic will change as well.

So, what does that mean for the CDMA business? It means that we are changing our approach. We have changed our approach to be very much customer-driven, very much focused on developing, not features speculatively that we believe that the operators may need, but very, very closely monitoring what is it that they believe specifically will generate additional revenue on 3G -- capacity, coverage requirements, quality requirements, modernization requirements.

Those are the types of areas that we'll be focusing on in terms of where we put the money for our R&D. And we know the transition will happen so we are anticipating that transition.

And these are examples of anticipation of that transition. It's about making sure that we modernize it. When we know that there is going to be that shift and there is going to be an investment, how can then we take the opportunity to also modernize what we know will remain in the network for awhile to come? And how can we plan for the phase down when it actually happens?

One thing that we want to ensure as we know that this business evolves is that we remain profitable. We have been extremely successful in this acquisition. We have been extremely good in maintaining this transition during the integration. And we want to ensure as we enter into this next phase of the CDMA lifecycle, that during this long tail which we will work with, that we will remain extremely profitable during that period of time as well. So, thank you.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Thank you, Rima. You said very clearly that there will eventually come a time when the CDMA business will decline then. Is it possible to elaborate on the time when that will eventually happen?

Rima Qureshi - *Telefon AB LM Ericsson - SVP, Head - CDMA Mobile Systems*

Well, the answer the easy. It depends. And it really depends on the operators. It depends on the geographical reason and it depends on the reality that the operators are dealing with.

In some respects you could say, our reality is a little bit easier to deal with because we have some very large customers in our specific geographical area. It will be different timings for different operators depending on the plans for those operators and the specific realities that they are facing with and we will adapt based on what we see coming from those operators. Best answer I can give.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Thank you very much, Rima. Thank you.

Rima Qureshi - *Telefon AB LM Ericsson - SVP, Head - CDMA Mobile Systems*

Thank you.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Ericsson has 50,000 services engineers. And I am happy to introduce Magnus Mandersson, Head of Services. He will talk about the services business. Welcome, Magnus.

Magnus Mandersson - *Telefon AB LM Ericsson - EVP, Head - Global Services*

Thank you very much. We did a fantastic job together I think in the first nine months. We have never added as many carriers in cabinets as we did this year. Also rolled out a tremendous amount of CDMA radio base stations -- fantastic, anyhow.

What I think is running around in our customers' mind is whether it's going to be the big who beats the small or the fast that beats the slow. But one thing is for sure, only the lowest cost provider will prevail. And I think this is the most important thing. And when we are seeing all these changes out in the networks and the challenges that our customers are having. they have a good partner in the Ericsson services.

I think we have a fantastic foundation to leverage on the challenges we're seeing out there, whether it's technology or if it's just business consultant. We have -- in the global scale, we are sitting on 180 countries. We have a fantastic competent workforce. Over 50,000 people working with us. We also have a portfolio mix that is giving us a good foundation for take in the cycle of business.

We can scale up when it's network rollout, and we can also hold out when it's managed services and support businesses. And I think Jan and Johan explained quite a lot about their business models. I will do the same. I will talk about what's happening in the network modernization. I will also stay a little bit with how that has changed and evolved over time and what we can foresee going forward. We'll talk a little about the managed services scale that we're having and how that model is taking around.

And then, also the new opportunities we are seeing in the OSS/BSS as the business is changing and more customers are moving over to data plans from voice. And then, how we have scaled up the business all and all.

But let's start then with a little bit of what we have in the markets trends. As I touched upon in the beginning here, the global market shares give a really, really good advantage for services. We're seeing that the mobile broadband is exploding out in given parts of the world. And I think within the coming couple of years this will just go in exponential explosion.

What counts is, of course, you're seeing -- where Johan sort of simplifies when going to this little nice buddy and saying it is just to shift in and take a card, and then it's done. It is a little bit more than that. Even though, it has become much, much more simple that it was. And, by the way, this little pal we have installed more than 300,000 so far this year which is, of course, an enormous network rollout and capacity.

What happens of course is that we go into the network -- in the network modernization. We're also doing a lot of second wave tuning and optimization. And that is a service that we seldom talk about and really understand what it is. But that's really the tuning of the whole radio and also all the backhaul. That is typically a high margin business than the network rollout but it's a combined service so to speak.

We're also doing a lot of proactive support which is a network planning part of the business. Johan spoke about the football game, for instance, which is our -- customers is asking us, okay, we're going to have a big event. It might be the Olympics or hockey game or the Super Bowl. Then, we go in and do a proactive stab on what's going to happen in the traffic prediction and load up the network so it can take whatever data it should transfer through.

Then, of course, we're seeing that many of our operators' system was changed or challenges with the changes in seeing the voice going down dramatically, data coming up and consequently how do they cope with the complexity of that.

Some are already sitting on subscale business. They need to do outsourcing around that. Other ones, they need do process consulting and really monitor the network performance around it because the change is huge in the networks.

You're going from slightly sunsetting parts of the GSM and the CDMA and bringing up a lot of data. This is very, very, very complicated things. On site, yes, you pull in a couple of cords; but in the network such as, it's a lot of engineering, a lot of planning, a lot of design, a lot of integration and implementation services.

This is hours and hours and hours. And we charge for everything. And I think this is a really great, great business for us. And the complexity for sure would be greater as we go.

We're also seeing then that, of course, in connection with this, the OSS is changing dramatically and the needs of having intelligent OSS, not only the element ones that has been delivered by the vendors, but also a greater OSS which is taking care of so to say vendor agnostic systems.

In conjunction with us then going over from voice to data and the need of having more and more new offerings, all of us are sitting maybe with smartphone, others with connection with an iPad or a computer. We want to really obtain the smartest and the cheapest and the best offerings out on the marketplace. The BSS is everything for the customer. This is even more complex. Here, I think we have a lot of good experience already today but a lot of business to take from.

I showed you this one back in New York in May, on my birthday, and I think what we are talking about is a fairly stable market. We are generating, on the addressable markets, somewhere around US$96 billion up to US$105 billion as addressable market. We are seeing then a CAGR going -- the coming years somewhere around 6% to 8%. Nothing has changed on that one.

But what is important is that the growth is of course coming from the internal spending, from the operator. And as I believe at least a lot of our operators need to take more services out from vendors as complexity is increasing. So, we are seeing that a good market is then moving over to Ericsson.

We are indisputably the market leader of 11%. The nearest is far less, I think we have 40% greater footprint than the nearest which I will move into here. I haven't named them. Scale is everything in this business. But what is the characteristics is that it's very fragmented and two-thirds of the business is actually coming from local service provider.

And us as Ericsson we, of course, are using this service providers as well when we're doing network rollout because we are focusing very much on the project office itself. So the man in the van, if we don't have our managed services contract is then taken out of these resources locally.

But also in the systems integration we are taking integrators out of this market. So this is also a pool for us to find good acquisitions to grow our own market. So we have actually done of couple of all the acquisitions over the year with HyC. We have had Pride. We have had other system integration companies that's coming from the local service providers.

What's good for us is, of course, is that we have basically everything globalized. We have, as we said last time when we met spent a lot of money in investment in process, methods and tools and consistently evolving that model. I will go through the delivery strategy later on but this is the key for us to prevail and out-compete our competitors.

And I think, again, we are the undisputed number one and it is also recognized by our customers. We're coming very well out in our customer satisfaction index. And they're very happy with what they're seeing.

Okay, we are making mistakes as well as everybody else. But just the foundation that we are having these strong products as we are seeing behind us, this is only in radio and when we're then coming out with routing products, core products, BSS and OSS products.

Then, of course, when you put all these systems together this is very complex. And I think that's the reason why with a strong product foundation we can excel in services. So it's very much linked together. I will touch more about that now when we speak about the services business such as.

Some of you remember the Q1 we met in New York, a lot of discussions where this was a change or structural or was just a dip. Of course, we saw that all the interruptions we had with delivery disturbances in supply chain based on the shortage of components back in the fall of 2010, and then the tsunami in the spring time here has given us a bit of disappointment.

But we came back very strong in Q3. We're again back on professional services in the mid-teens in profitability, good growth with 13% double digit growth in local currencies. We signed [14] new contracts in managed services and adjusted them for local currencies, that's 8% growth. And we did also six extensions and, again, the extensions is quite important for us.

Remember this when we speak about the business model and the curve how we make money in managed services. And then, of course, we took four significant contracts in systems integration in the OSS/BSS in full transformation. So, this is coming more and more. We're also seeing a good growth then of course, of the -- in the back water of that of the radio -- the strong sales in radios.

However, we are faced with tough modernization contracts and consequently then a little bit hampered on bottom line. But again, the whole machinery is scaled. So, of course, with the dip we had in -- we're not getting components and products in Q1 is then picked up in Q2 and Q3.

We should also remember that last year, we took the restructuring below the line. This time the whole 2011, it has been inside and in the quarter we had 1% point that was hampered by that.

Okay. So why could I be fairly bold in New York? I didn't have this slide at that time, but we have had good growth in seven consecutive quarters in local currency. This is important for us that we keep this in mind. We have 200 people working for services in Sweden and we have Swedish currency. It is a very local business.

So the rest of the 180 countries and 50,000 more people is invoicing in their local currencies, most of them. So that we are growing there, building capabilities where the business is more important, and that gives us a good underlying business.

So now, it's my time to be a little bit detailed. This is important because it's a little bit of history to speak about this. Some of us was already in, when we began the 2000 -- the GSM. And the first licenses were given out, and remember we had the 1G over there and then we have all the TDM networks, the AMPS and the NMTs.

We've evolved over to GSM, and that was the first time we standardized the business. Here you could, and that the first time in the world, separate switches, with BSCs and MSCs split with the BSCs and the radios.

Typically, at GSM 900, we had 16 different radio suppliers. We had about 10 different switch suppliers. And it was all the tradition was, very localized many in Europe -- you had Alcatel, you had Siemens, you had Nokia came in late though, but we had Ericsson, you had a combination of Motorola and Siemens, et cetera.

But none of them really could scale. So what happens was when the coverage was build out on 900 many of the regulators gave out 1,800 licenses and that was given then typically to utilities like electricity company, water company went into the business.

And out of that start to roll out. It was the time when Nokia came in. Remember that? And Nokia scaled up yet they didn't have any legacy, nor -- and very standardized product and could roll out fairly fast.

Then we came in to WCDMA. And WCDMA if you didn't have a good footprint on GSM you couldn't really deliver WCDMA. So, this reduction of 16 basically are down to five or six happened.

And, of course, that changed quite a lot on the footprint. And, again, this is about the scale. So how do you scale network rollout and how do you scale the support around it. So I think it's coming in that we had the advantage, we're having premier products on GSM 900 and 1800 and also 2100.

And when we speak about this little buddy then, it happens every now and then that a card breaks and then the man in the van has to go out and do a change, that's part of the hardware support. It happens that the software pieces is not collaborating as well as it should. And then, we need to support and do correction patches in the software.

That's also higher margin business. But you should also remember when we're coming into the site in the early days, we had -- in 900 we had basically an Omni antenna to start with to have coverage, and then with three, sectorized, and then -- you had then three sectors, three different antennas in the tower.

Then we had the 1800, then you put on another antenna set and then we put on 2100 and new antenna set. So it's not the only -- pulling in cards here, it's also to take care of the sites. It increases tremendous in complexity how you do your element part in the NOC and how do you tune the network with all these things.

But also having people that -- basically renovating and keeping the antenna sets and all the cables up in the sites, on a well predicted way with preventive maintenance as well as corrective maintenance.

And then, we're moving over to wideband as well as LTE. We're getting in to a completely new set of driving the sites. Not only three antenna sets per frequency band, you have four per sector. And then, you can think of whether you have three sectors, five sectors or six sectors.

It's an enormous business for us to climb the towers, fixing everything. And, in the 4G you have the SON, the self-organizing networks. It's basically fixing radio frequencies in between. And then the 3G semi-manual, but here we did an acquisition, Johan and myself, to automize that portion of the tuning. And in GSM is still completely manual.

So to have a lot of people that is consistently generating money is important for us. And that we have with this modernization. So consequently, we have the people on ground. We're leveraging on our software that we're having in our OSS. We're also leveraging on the every day that we're visiting the sites.

The European modernization is, of course, a commercial tough part for us because part of these services that is -- we're taking care of out on sites is out of scope for payment. And that's typically then 18 to 24 months. And I think this is what Jan spoke very well about and as well as Johan.

So this is typically how it looked like before. I know it's very messy slide, but if you look at that side before you see the three different radios. It's one radio for each sector, you have multi-vendor in that site I think Johan had that in a nice matrix how vendors was on site, though that -- it's now organized region by region.

And then, how it looks like in the electronics afterwards. I should have had also how it looks like on site on the rooftops as well as on the towers. But, I will have that next time.

Then let's move over to managed services and why the managed services is having its dynamics as well. And here again scale is everything. Very early on, we have been out -- for 15 years and doing managed services. And we're really being able to scale on the local markets as well as on the global one for the past five to seven years.

And very early on, of course, you had the transition cost and you have the discount you are giving to the customers that hampers the profitability. And now, secondly, we're having a transformation where you're basically folding over everything that comes from where you're working to tool sets and simplification of processes.

That costs quite a lot of money. But when you are over that hump you start to generate money. And here typically we are not tying up any capital, we are just losing a bit in the cash flow because if you look in to the different phases you could see then that we have taken so far 47 contracts this year. That's negative cash flow.

And then if you remember last year we took 56 they're on the transformation. And then if you think of how many hundreds of contracts we are having that's in full line business then you have the scale.

And this is scale and we can continue to do scale especially on local markets because this marginal cost, because if you don't take over staff on field operations, for instance, I don't need even to take network rollout people from ASP or ASRs. I can use these people that I'm having because we're fully scaled on local market.

So, I think this is important. We are very, very tough on the governance. Internally, of course, we are running governance based on performance and how we're performing in the transition and the transformation, that we're very motivated employees around this and then, of course, on the financials and the opportunities to do up-sales around it.

And I think when you look into this picture; you understand that we are covering a greater part of the world. It is not that easy for anyone to come in to our markets and claim that they have scale, capability and competence. When you have taken over 22,000 people from the operators and when half of the staff is already coming from the operators of the service staff.

We have the same thinking. We have the same way of discussing. We meet the same question mark. I think this is -- this is the great thing with it. And, of course, having 850 million subscribers, end users like you and me under the same tools and the same simplified processes and with the same policies, that gives a far much short lead time, and far much better quality.

And this is what you are asking. We're coming back to that again when we're going into OSS/BSS, but this is really what you and me is asking. Can I get a little bit better speed? If I pay more, can I get better speed, can I get a better service than the prepaid customer?

Of course, the whole team we're having out there, they are multi-vendor technology, they are multi-vendor and then of course we are running everything out of platforms from four different global centers. And reality, I think, today, we are more or less 80% of the managed service delivery platforms are sitting in Romania and India. And these two -- Romania is into a full efficiency gain now.

So even though it's a little bit more expensive than per hour than India, I can tell you in efficiency, they are there. So, it's a fantastic investment we have done. You can see these sites as a long-term investment. This is equally important for me as I think it is for Johan to have the best R&D engineers, to have the best service delivery engineers.

And these two are really in harmonize when it comes to how we are developing the products and how we are taking it out to the marketplace. So, I think this platform is optimized for cost structures and quality and we can grow greatly on it.

Then, if we look into OSS/BSS, and here I think we are touching upon, again, a great market. When it comes to our products of course, Per Borgklint will talk more about that. I will just try to energize you around the great business we are into there.

As I said, already in Q3, we took four transformational deals. And here, we are basically taking everything that's -- normally, I used to talk about one to many, but when it comes to OSS/BSS, it's many to one because our customers had many OSS and elements that they need to move into one. They have many, many systems on billing that needs to move into one, in order to have the efficiency and respond to the needs we are having as end-users.

And here, typically, we are seeing $20 billion market in services for us. And I think when it comes to the products I have done, two-thirds of the total offering is services. Of course, we are pushing this like nobody else. We have 12,000 people working with this today. We are moving in -- I will say the first three quarters this year, we have taken about 1,500 people in, that is highly skilled on multi-vendor and multi-capable on technologies. So this is the next growing chapter for services.

And, again, I'm coming back to this -- what are we doing in consulting and integration. And remember then, this is not from a business standpoint. It's many to one. We deliver it out from one to many. Yes, I'm confusing. I know.

But, again, as we have done now, the investments in both in LHS and Telcordia lately, we will have a very good product catalogue and footprint that we can lever from. But when the consulting and SI team is coming in, they come from the service-led business. So, we can do either or.

We have taken over the whole prepaid and postpaid billing from a couple of customers, but we do both R&Ds as well as the services around it, rationalize the business processes, getting down the lead times for putting the new tariffs in place, as well as then increase in the quality of work.

I think I touched upon how many we are on the global scale, and global scale is everything. Then, yes, how we should extend our competitive advantage then? It's all about us. It's all about the people around us. And you've got to have a very strong competence in the delivery organization.

And of course, we are doing everything we can to keep this strong workforce of 50,000-plus to be the best on the marketplace. I won't say it's easy, but it helps when you're having a great product and you have the best R&D in the world to put next generation technology out.

These two are critical I think on the marketplace. And then, I really, really -- I'm very encouraged every day I'm seeing what we are doing and how we're putting new technology in. But not only that, how we are actually evolving over technology as WCDMA and GSM. And you got really to have the best people, and they've got to be fully aligned what's happening in the networks.

So what we are doing, of course, is to standardize everything we're doing, packetize the services, as we are packetizing this, we are packetizing our service offerings. And we're consistently rationalizing our tools and the way we are working. So tools harmonization here is important. That's the reason why we're consistently investing in tools and it's the reason why we are of course buying tools companies like Telcordia.

And then, of course, I think the key is to have a centralized delivery machine. I will show you in the next slide, having four really global centers that's centralized and being able to reduce the front end and deliver more from the backend in order to have a better replication on everything we are doing as well as building competence on one place is easier than building competence in others and the cost structure will, of course, be completely different compared to the others.

But you can never do it if you don't have the scale. If you don't have all these great 300 customers that are consistently asking us for new challenges in products, then we can never build this. So, I think this is important when you compare ourselves to others.

So, how do we do it then? And again, we have come from -- I don't know if you remember, but many of you have followed us many years. We came from very localized, 23, 24 global service delivery centers is now down to still fairly localized, but much less -- 10 regional centers and then four global centers.

And our aim is, of course, to continue to go the path down to remote the sites as much as we can. And as you're seeing on the product side, a lot more can be done from remote, a lot of plan design engineering, integration, tuning, optimization can be done from network operation centers.

So when 4G is about to be scaled up, I think we can foresee that we have a better cost structure. And when we automize fully on the 3G and 2G, we see this also differently. But that will never replace the physical hands-on thing when the card breaks down in a base station or on a router, whatever it is.

So people on ground, local presence, with a strong global backbone, that's really what everything is all about in this business. And I think we're doing -- we're supporting more than 2 billion end-users in our systems, 850 million subscribers, end-users out in the world. Nobody is having that global presence as we are having.

We have a financial strength to take more deals as Jan explained. And I think the combination of great products, the ability to be product-agnostic, and strong service delivery centers is the key for future. So, our takeaway that as you are seeing, yes, we are enjoying fantastic ride on the mobile data explosions and this just gives us an even greater opportunity to capitalize on that growth.

We spoke about the mobile broadband, the managed services offerings, and also the opportunities we are seeing long-term on the OSS/BSS and of course, that we had pioneered very early on, on capitalizing on charging for our services both on the product near as well as on managed and now, we're also seeing how we'll take this transformational service all the way along on OSS/BSS.

The thing for us is to do very product- or product-near innovation, continue to have the best competence on ground and relentlessly working with cost control. That will give us a very good underlying business and an extension of a profitable growth.

Thank you very much.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Thank you, Magnus. Thank you very much, indeed. You talked a lot about scaling in your presentation.

Magnus Mandersson - *Telefon AB LM Ericsson - EVP, Head - Global Services*

That's important. It's important.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Yes, exactly. And I know we don't talk about our price strategy and so on as Johan and Jan stressed them. But scale, what advantages does it give us in other parts of the business when we meet customers and so on? How important is it in a concrete customer negotiation situation?

Magnus Mandersson - *Telefon AB LM Ericsson - EVP, Head - Global Services*

That, I think, scale is everything. It's everything. If you have a product, you've got to have manufacturing scale. You've got to have development scale. And you've got to have -- and then, equally as we're having them on delivery that we hand over to an organization that's fully scaled locally, regionally, and globally.

So if you don't have that, and as I tried to explain, all the ones that sorted out, you can't continue to run a product-agnostic service business if you don't have the scale from the products. So, scale is everything. For us, scale is everything and we are there.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay. Thank you very much, Magnus. Thank you.

Magnus Mandersson - *Telefon AB LM Ericsson - EVP, Head - Global Services*

Thank you so much.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

We have a new member in the Ericsson Leadership Team -- a new head of our Segment Business Unit Multimedia.

Welcome, Per Borgklint.

Per Borgklint - *Telefon AB LM Ericsson - SVP, Head - Multimedia*

Thank you, Ase. Hi, everyone. I was not with you in New York as I joined Ericsson June 7th. I will start talking about a bit of the recap of Q3, then I will move into talking about the OSS strategy and OSS market opportunity.

So, multimedia Q3, you could see that we were entering into positive results with an 11% EBITA and 11% year-on-year growth. Strong growth in segment revenue management, our prepaid systems, upgrades of solutions, better strong intake of new orders in charging and billing-in-one -- 19 orders in the quarter. We also had a very strong development in IPTV, Chunghwa Telecom -- 1 million subscribers, Taiwanese IPTV network swap out.

So, OSS/BSS market opportunity -- OSS and BSS is a large area. I will not go into any details. I will keep it in a fairly high-level to make you understand the concept on where we are, where we're heading, and our ambitions within this area. Furthermore, I will go into the strategy and say how we are going to succeed and also elaborate a bit on how that is going to happen.

So, OSS and BSS -- the orange side here of this slide shows the OSS market. That's the part that is closest to the network. The green part is the one which is showing BSS which is closest to the customer.

BSS is about what we daily are doing in a network as a customer -- you, me and I -- always when we're using the systems -- meaning, charging, billing, getting an invoice, making sure that when we go in and get the subscription that the services that we want to have is included that it is actually also possible for me to get in contact with the customer care, get upgrades and find information about myself for my self-care, homepages, and so forth. So, CRM system, everything that we are interacting with operator.

The OSS side on this other hand is provisioning of the subscriptions, of solutions, actually making it possible for us to get the services in the network that can differ us depending on if you're on 2G, 3G and 4G.

And if you look at this market, it is developing extremely fast And Johan and Rima, all of Magnus as well have been talking about this friend they have here. So, in this box, we have 2G, 3G, 4G, and CDMA. That is a substantial number of different technologies having different type of terminals, different type of subscriptions.

On top of that, you're adding additional functionality. That will require specific solutions on the IT infrastructure environment to enabled terminals, but also solutions for us end-users to be able to actually get what we want from our subscription.

So, you saw here, it's a human being. We were in the 2G-3G world, then it was voice and SMS. And moving in, this is an electrical meter reader. That's M2M. M2M -- that's when we are moving from a traditional voice subscription to a data-smart solution for actually creating efficiency in verticals.

This also requires additional system support to be able to enable this in the network, but also enable this for the verticals like electrical industry, or energy industry, or whatever it's used for.

Going forward, we will see this exploding into a variation of terminals, video cameras being one, for example, which is directly connected with the soft SIM, instead of a traditional SIM -- again, a new provisioning which needs to be handled in the network, might even be on a global scale, standardized from the supplier and producer of the video camera.

Furthermore, what is going to happen here is also, of course, that we're going to see completely different ways of developing utilization of whole networks and how they are, should I say, creating value in the overall different verticals that we are going to be deploying the services.

And for example, if you take already, today, in Norway, when they're fishing up the salmon in the fjords, these salmons are being measured the full way, from their going out for temperature at the full way down to deliver it to get the exact quality for being sure that they are delivering that to the end customer in the south of France.

So it's tracked in the truck that's coming out from the water full way into the restaurant. This is a typical servicing solution which will also need a different kind of support system.

So what is the OSS/BSS market size? So first of all, end-user experience -- that's us -- so we will require and need a different kind of end-user experiences, depending on who we are, what we are doing.

For example, some of us might actually be looking at a lot of TV and video, meaning, that we would like to have a subscription which fits with our behavior. Some of us might only look at voice. How that is then actually being enabled?

Well, I think that we will have seen more and more personalized subscriptions, meaning, that you actually will want to be able to when you are in the network, moving from one area to another, would be getting direct responses from the operator saying now it's possible for you to upgrade your subscription. You can move into a new subscription including video because you are looking at a lot of video on your phone, you should have our video subscription.

Or I am somewhere, in an area where the utilization of the network is lower and the operator wants me to actually consume more. So, then, they will push out the message, it's possible for you to get more data for the same price. That is end-user experience but it can also be quality of service and also be parental control, it can be several things that is required to actually meet and it will require us to adapt the OSS/BSS systems to enable this.

Business efficiency Magnus has covered this, there's a lot of things that needs to be done in business efficiency, most of the OSS and BSS system is actually made up and planned not for 4G in the future and the large scale of things which I've been talking about, they are done for 2G voice and SMS, which is the main part of the revenues the operator has.

In the future, some 90% of all data will be video, so then you're moving in completely, shifting from the traditional. On top of that, you also have completely new over the top solutions coming in from the side competing with this traditional revenue which also will mean that the operator needs to adapt and have different systems and be able to support their customer needs.

Business efficiency is also about -- what Magnus was talking about -- getting the systems together. You might have several systems doing the same things, provisioning, that takes five days. But when I go in and buy a video camera and I want it to go online to get my clip into YouTube ASAP when I'm filming, then I don't want it to take five days, I might accept five minutes. That requires also support system to be able to enable this and make it happen.

Business innovation, there's a lot about over-the-top solutions, things that are coming in, new features, handsets, new user cases which needs to meet the demand of the customers. And it's difficult to really maybe get a full picture of business innovation because it's moving extremely fast and things that were not existing yesterday might exist tomorrow and they are also getting global in a way it did not in the past when you were in 2G and 3G -- 2G GSM voice.

So that impacts the OSS and BSS market and is getting a crucially important part of the networks to be able to actually capitalize on the CapEx investments.

So, here, you can see that market size is some US$35 billion, that's the external market, where we are. On top of that, you have another US$35 billion which is the internal spend of the operators in the OSS and BSS segment, including own development and management and services.

So it's a strong market with good growth, 6% to 8% annual growth rate and has characteristics that look like this -- it's a scattered marketplace, some top players have roughly 55% of the total market and the rest is actually spread. You have local companies, regional companies and global companies.

What sticks out here is that you can see that Ericsson is in business intelligence, customer relationships management, billing and revenue management, service fulfillment and service assurance. So we are having the full cycle around for both OSS and BSS, our competitors are not there.

Worth mentioning is also that you can see that when you go globally and locally, we have both SI resources and SI capabilities globally as well as locally. Some of our competitors might be SI companies or they might actually be software companies or a combination of both in a local or in a global -- in a global or regional presence.

This is scattered market compared to the network side where you have few players, three or four, and then going back into history, it was 15. Here, we have some hundreds of them on a global scale delivering OSS and BSS systems. So it's a different market game and a different place to -- field to play in.

So, how are we going to work on our OSS and BSS strategy going forward? I'm going to cover that briefly here. So we are strong in certain areas, but we're having an ambition to grow and become number one or number two and really outperform together with our customers, delivering the best services together with BUGS.

One of the key areas which is traditional in software companies is we're going to do a hardware/software decoupling to make sure that we're having building blocks that can easily be modules. We should actually view OSS and BSS as a Lego, a Lego of different kinds of systems and solutions that you should be able to simply put together to a solution to actually provide the end customers and operators to monetize the network. On top of that, it needs to be Cloudified.

So going from traditional software to software as a service in combination also with being able to offer it as one to one solution to an operator or a hosted service, so one to many, which then also changes the way of going to market.

Magnus talked a lot about the OSS and the BSS transformation and deals that BUGS has taken in transformation. Transformation sales is about moving in, in a legacy network where you see a lot of customers having old system for 2G and 3G, upgrading this, putting new systems in place to make it ready for the future. This is normally fairly long contracts, they're divided by being software 20%/25%, consulting 10%/15%, the remaining parts and service integration.

Product sales is traditionally upgrades of systems, new software, additional licenses and frequencies, shortened time span, better margins and a higher level of software being 70% to 90%.

So what makes Ericsson competitive in this area? Ericsson has a holistic operator perspective, we understand the end -to-end solution, we understand how customers are using it and how these things actually apply to the competition. We have the true real-time competence and the possibility to act agile to actually be able to help the customer to adapt and move in this extremely fast-changing world to make them able to monetize these changes.

Furthermore, we have a flexible engagement model with Global Services, Networks and Multimedia, which means that we can have a holistic view also from other parts of this. And we have large installed base, 1.3 billion subscribers globally today is using a billing system or rating solution from Ericsson.

Ericsson and Telcordia, Hans mentioned this earlier, Magnus mentioned it several times, and it is being closed Q4. This puts us in a leading position in service fulfillment, network optimization, service assurance, both fixed and mobile, and we have a good joint strong footprint.

Summary. So, US$35 billion market external, US$35 billion internal. We have ambitions, we're strong in certain areas, we're going to develop others. We have some competitive advantages, having the holistic view, understanding the full-fledge of the operator needs from service layers up to network layers, seeing what that impacts the networks, what kind of solutions we require and also enable that for the end-user. So, we are aspiring to be having a strong position in this area. Thank you.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Thank you very much, Per. And you have come onboard very quickly since (inaudible). Just to clarify that BUGS is Business Unit, Global Services.

Per Borgklint - *Telefon AB LM Ericsson - SVP, Head - Multimedia*

Exactly, it is business unit global services.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

So, Per, you're head of Business Unit Multimedia, but you didn't talk about the multimedia strategy.

Per Borgklint - *Telefon AB LM Ericsson - SVP, Head - Multimedia*

No, I did not. We are currently reworking that and we're going to come back to that later on into more detailed manner.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

So, we have something to look forward to.

Per Borgklint - *Telefon AB LM Ericsson - SVP, Head - Multimedia*

Yes.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Thank you very much.

Per Borgklint - *Telefon AB LM Ericsson - SVP, Head - Multimedia*

Thank you.

(Break)

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Welcome back. I'm happy to welcome Gilles Delfassy, President and CEO of ST-Ericsson. Welcome to you.

Gilles Delfassy - *Telefon AB LM Ericsson - President, CEO - ST Ericsson*

Thank you, thank you very much. Hey, good afternoon. As you probably have heard, life at ST-Ericsson is interesting, always eventful, never boring. So it is my pleasure today to briefly update you on where we are and what we are trying to accomplish, so bear with me.

Sorry for that slide, I didn't have a choice, they made me. Okay? I don't know why, but anyway. So in a nutshell, let's start with our journey. As you know, the Company was found in 2009 and it was pretty challenging already. I mean, it was the merger of three very different companies with a lot of redundancies, very different culture and a focus and a product portfolio which was really more focused at feature phones rapidly disappearing market, so not a lot of hope short term.

So basically 2009 was mostly dedicated to integration work, not the most sexy part of life and a lot of restructuring, even less sexy of course.

2010 was the year of transformation, basically complete refocus, what we tried to do was completely refocus the Company towards completely new products basically squarely aimed at smartphone and tablets, so a big difference compared with the previous focus of the Company and basically we have seen the first signs of traction, the first wins in 2010.

And this year, 2011, is when we start reaping the benefits of all of this hard work, all of these efforts. We started delivering these exciting new products that we have been talking about for quite some time and basically starting to build our new business on these new foundations.

That is maybe a little conceptual, so let's give a couple of proof points. Well, the first one is necessary but not very fun, I mean basically that we have reduced the number of R&D sites for the quarter by 25%, and believe me, there is still a lot left. And we have reduced the number of employees, which is always very sad, by 24%.

By the way, we have reduced the cost of -- that's in units -- in people. We have reduced the cost of our OpEx by 26%, so we have tried to cut more in high-cost countries than in low-cost countries, obviously. Again, necessary but, of course, that's not nice to do.

On the more offensive side, we have refocused our product, as I was saying. And actually, we've just passed a good milestone in the third quarter of this year. For the first time, the majority of our sales was a new product as opposed to legacy or old products. Again, that's a good indication.

And more importantly, we have mentioned or we have publicly announced that we are engaged today with seven out of the top nine device manufacturers and that rank, there are many ways to rank them, but that's ranking by order of value.

And actually, out of these top seven, we have already disclosed four of them, HTC, Motorola, and Nokia, and Samsung, as being actively engaged with us, again, which warms our heart because that's really how we think we are going to win.

On the important financial updates, third quarter -- the last quarter, showed some uptick in revenue with plus 7% quarter on quarter, to $412 million. But obviously, with operating losses at $194 million, our financial situation is still extremely challenging and not really acceptable.

So, of course, obviously, we are completely focused on improving the situation. We have announced in June a new cost reduction program which, by the way, I mentioned it during the last quarterly call, that we are fully on track in executing it.

We have also taken measures to improve our working capital, we start to pay off. We have reduced our inventory for the first time in third quarter by a little bit less than $40 million -- $37 million exactly.

So, of course, even though as I mentioned during the call, we are -- because of lack of visibility in so many important programs -- we are not yet able to give you precisely the time when we come back to profitability, be sure and please trust that this is our absolute number one focus and priority.

But again, the -- better signs, our product transition which is clearly the way we are going to dig ourselves of ditch, is continuing to progress. I said the majority is new products, actually it was 45% in second quarter, 55% in third quarter, so again, signs that light is coming at the end of the tunnel.

So that's the -- our present and now present. What about our future? Where do we want to go? I already mentioned that, but I would like to remind you our three major factors, goals, vision for our future. The first one is we want to be a leader in smartphone and tablet platforms.

Platforms for cell phone and tables, that's our key focus, that's where we believe the action and the money is. The second one is to drive innovation in mobile broadband, basically, what that means is doing very good high speed modems to allow the deployment of all of these new high speed multi-media as well as data networks that of course very sexy today.

And the last one is to enable not only cool not only rich, but affordable devices, basically the smartphone today has been extremely successful but it's still mostly, a $500 device, if we want to reach 50 billion connected devices, we probably need to bring that point down and we are working on it, that's what we mean here.

Let's talk about the bad guys, and why do we believe that we can win. Actually, the reason we believe we will win is that it takes a lot of competencies, capabilities together to again, succeed in smartphone -- in platforms for smartphone and tablets.

And that we, actually, are at ST-Ericsson one of the -- I guess one of the only two companies which is able to play in both key architectures in the smartphone market. If you -- you know that, actually, there are two schools of thoughts, almost two religions with the -- it's -- they are silos on each side about smartphone solutions.

There is the split architecture solution where you have a separate application processor and modem and there is the integrity school of thought architecture with those basically, these two functions combined in the same piece of silicon.

And of course, to combine that, you need to have the two pieces. Otherwise it's very difficult. And actually, if you look at that slide, you can see that, again, ST-Ericsson very, very small group, able -- I mean, with all the competencies, who are able to play both sides of the market.

And you see that a lot of competitors seem to validate that this is a good approach because they are trying to mimic that situation. You've seen that, for example, a couple of companies which had only application processors are trying to catch up now and to fill the gap by acquiring modem capabilities.

I mean, even the all important Intel of course as you know has acquired the modem business of ex-Infineon and Broadcom has acquired the (inaudible) company (inaudible), they are trying to do LTE (inaudible) so basically, yes, everybody seems to be in line with us -- in line with us that this is a good situation to be in.

The only thing is that we have been here, it's hard. We have been here in the last two years. I can assure you it seems to us that it takes a couple of years to be able to put -- not only have them but to put together all of these capabilities for a good solution.

So, of course, we wish them luck, well, not too much, actually, but we think it will take some time before they are all at the same level.

A couple of (inaudible) what about another proof points for that four competitiveness. Well, I hope noticed, but a couple of weeks ago, we have announced our first full NovaThor solution.

So basically, the first smartphone in the shops which is using both the application processor and modem solution from ST-Ericsson. That's an HTC device, the HTC Sensation, Z710t because the first version is for the China Mobile of product for the TD-SCDMA market.

And actually that device -- that smartphone which is great, by the way, of course is a great opportunity to do a real -- to compare ourselves -- are real -- side by side comparison with, I think we can say with the best because it happens that there are -- there is another HTC Sensation Z710.

It's absolutely identical, same mechanics, same batteries, same antenna, same everything, except of course the chipset. The first Z710 was using, well, the chipsets from the South California Company that I cannot mention here.

And actually, if you -- if you compare them side-by-side almost to our surprise, what you can see here is -- and you know, to do that we have not invented the benchmarks. We have just downloaded very common benchmarks which are very typical. They are available on the web.

If you can see on this slide the first -- the first two benchmarks are on CPU performance and you can see here that were better by 30, 10 -- between 10% and 30% depending on the benchmark.

The next two on graphics performance which, you know, is pretty important and we really have outperformed the other chipset by a significant factor. The next one is on web browsing. And you know, web browsing is fundamental for the user experience using the smartphone.

And again we showed there good results and the last one here as you can see, we are much smaller than the other competitor, the other chipset but actually this one is a power consumption index, so of course smaller is better.

So again, here we could not dream of a better opportunity to compare what we are doing with what the best is doing and actually, we are not too upset with the result of that benchmarking comparison.

I mentioned the -- that one of our goals was mobile broadband. And, of course, in terms of mobile broadband as you know very well, this year is the year of LTE, so I want to remind you that here we have announced our innovative thin modem solutions which, of course, is squarely aimed at doing very good LTE solutions and that's the Thor M7400 architecture.

And why do I think it's pretty good? Well, typically, traditionally, when you do a new model solution for a new standard, you develop -- you develop a new hardware --- new hardware block to do the -- to implement a new standard and then you try to connect that with -- because of course you need to be parts compatible with all these other standards that were before.

So you try to connect that doing (inaudible) and multiple interconnect with what exist with your former chipsets. And, it started with GSM and then GPRS and then Edge and then WCDMA and then HSPA, so now when you start to add another hardware layer on top of all that the -- I mean, the life -- life starts to be really complicated.

And that's why in this case we have decided to take a new approach with much more software centric implementation, basically, using the dedicated DSP core to do that and that's -- and we basically start, not as an add-on, as an afterthought to add a new block -- hardware block but basically as a completely integrated new architecture which again is probably the first of software-defined or at least big step to the holy grail which is software defined radio architecture.

Basically, even GSM and that architecture runs as a software module (inaudible) it's -- what is the benefit of all that? Well, it's extremely flexible. It's extremely easy to do multi-mode and to add a new feature or a new function. Basically, it's almost the equivalent of that magic box that we have seen before except it's -- it happens in one square centimeter piece of silicon.

So you see, I don't need heels to update -- to update that [Thor] 7400 solution when there is standard or a new evolution of the standard, for example, in LTE to LTE advanced will be just a download of a new piece of software.

Again, all of that is here for a reason, what are the benefits visible by the customers because they are only that count. Well, no surprise. It's always the usual -- and still the usual suspects. It's better cost -- smaller cost-- smaller footprint and lower power consumption.

So, again, that architecture is we believe a very strong asset for the company moving forward. And by the way, I have hot news from the press, I just realized, yesterday at 11 P.M. we published a press release to announce that the Thor 7400 has won an honorary innovation (inaudible) a prize for innovation at the CS 2012, so in Las Vegas those of you -- I'm sure the majority of you will be there, so we will get the prize for innovation in that category at CS, so a pretty good -- pretty good development.

But, of course, the best, I would say almost the only way to measure our real traction in the market today is by counting customer engagements and here again, I mentioned between our NovaThor which is, of course, and I believe single-chip -- what I called the single-chip architecture before or our Thor which is our thin modem architecture.

As I mention, we have active engagements with seven of the top nine OEM manufacturers. We could do some guess work here because they are all mentioned in that pie chart value but actually to make the work easier we have already mentioned those that are publicly disclosed.

I mentioned them five minutes ago, if you remember. We also mentioned that just -- that's on Nova and NovaThors but just on 85 (inaudible), NovaThor 85 (inaudible) platform. We have five top OEMs which are engaged with us, only two have been disclosed, two names, it's Nokia and of course, with HTC, with the Sensation device, HTC as well, so that's two out of the five so three to go. I hope that we'll have more occasions to give you good news on the introduction of their products in the marketplace.

Another way to measure traction is on public announcements.

And honestly, last year, we didn't have much to talk about. And this year, all of that happens in the last, well, three quarters, basically, from our NovaThor announcement in Barcelona Mobile World Congress this year with -- and again, the succession of new phones introduced with our solution and they are all very, very noble respectable sexy phones of (inaudible) Samsung 21 megabit 4G phones both in T-Mobile configuration and for the AT&T wireless network.

Some key, again, HSPA+ modules [win] of Ericsson using a -- Ericsson the module division using of course our chipset. It's very important PC, laptop manufacturers, of course, a couple of orders (inaudible), the HTC Sensation as we already mentioned.

The last one which was I guess important was the announcement that Nokia and Microsoft have selected our NovaThor new bestseller technology to power to be another solution, the other solution so far to power their Windows smartphones for the future which of course has been noticed I guess by you, I hope.

Well we're wonder what is our role in the Ericsson ecosystem basically why am I here today. I hope there are many reasons but I'm going to try to find a couple, and so, that maybe I will ask you to imagine a world where there is -- I mean, again, you've seen all the day all of these brilliant technologies from Ericsson on network services, multimedia connected devices.

So imagine one second a world where for example Ericsson comes with a fantastic solution for a new standard and there is no chipset available so nobody can do a terminal with it or even worse, God forbid, there are chipsets available but the innovation in the chipset for terminals world is so concentrated that these people in chipset world decide that they don't like that innovation, they don't like that new standard so they are not interested to develop a chipset for that. And what do they say in the movie theater also that any resemblance with an actual situation would be purely coincidental.

Yes, sure. For example let's imagine one second that big, dominant chipset manufacturer is not interested with a chipset HSPA+ plus 21 megabits. They decided to skip it. Well Ericsson has a 21 megabits standard solution. The operators want to deploy it and they cannot because there are no terminals. Again we are here to help you.

Of the imaginary solution that there is a new operating system that the chipset vendors are not interested to support although it would be good for us and if it was supported. Another totally imaginary and coincidental situation, imagine that there is a dominant chipset vendor which is uninterested with profit margins and not with volumes so they have great technology for chipsets for terminals but they only want to sell them at 65% profit margin and therefore the smartphones cannot get bid of $500.

Again as I mentioned it would probably be very difficult to find 50 billion connections in such a world. So again don't worry that imagination was just a nightmare. The world is not like that. ST-Ericsson's role is among the (inaudible) to show that innovation flows freely in this world that there is not only one engine of innovation in the chipset market for terminals but several innovations engines and that again, that the world is better for everybody.

And all these new exciting things that we have discussed today can happen without being blocked.

Again just to conclude these are my take-away messages. First of all well we have done a couple of things but we are very conscious that we still have a lot of hard work to do especially in the financial side. I have mentioned that but I assure you we think about it day and night here.

But again we have done a couple of things and we are progressing. We have introduced what a lot of people, not even my cousins but outside my family, have called the best industry, the best roadmap in the industry for smartphone and tablet platforms which should allow us to reach leadership in the fast growing market very, very soon.

Again that seems to have been noticed by customers. We are actively engaged with seven out of the top ten smartphone device makers. We are now introducing finally in the market introducing finally in the market our exciting platforms. Again we have been talking to you about the T-500 for two years now and it's the first time you can go to a shop and buy a smartphone and a very cool and sexy smartphone based on this platform.

I told you we have a big role in the Ericsson ecosystem, actually I would say in the smartphone ecosystem through our innovation to develop and [mushroom] freely and we are very serious about it, and we are also very serious, we are very determined to win and we know it will still be a lot of hard work but we are playing to win here.

Thank you. That's what want I wanted to mention.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Thank you, Gilles. You concluded what I was saying you're determined to win. The competitive landscape has become more aggressive lately or what do you say?

Gilles Delfassy - *Telefon AB LM Ericsson - President, CEO - ST Ericsson*

Yes, yes and they're also determined to win that's the problem unfortunately they're not going to move away to leave us. But no, no, absolutely but the energy, the competitive energy in this market has not slowed down at all especially but because everybody is excited by this growing market so there are all the reasons that people are jumping into it.

But as I mentioned there will be much more candidates than people that will succeed and putting together all of these competencies and being able to integrate them for a real solution is people will find out it's really, really difficult.

I want to mention just one point I mentioned a big, religious debate between the partisans of the split architecture and the partisans of the single-chip architecture.

The partisans of the split architecture today are the majority and a lot of them are selling application processor to split people. Unfortunately if you look at that market there was an interesting report published this week saying that the two biggest smartphone manufacturers which are following the split architecture are basically the Apple and Samsung. Both are developing their own internal vertically developed application processor.

So these people that only have an application processor where do they go? They lost the two largest customers and they cannot play in the market because they do not have the modem to do the modem architecture. So again a lot of competitive turbulence but we believe that we have the right technology and the right approach to succeed.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Thank you. That's very good to hear. Thank you, Gilles. So now we come down to the final speaker in this part of the Capital Markets Day and it's also the final speaker for our webcast viewers. And then when Hans has finalized to speak then we will have a Q&A session here on stage and with all speakers.

Welcome, Hans.

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

Thank you. As I promised before then I will come back to IPRs and how we view that strategy. I will go to in the market and I will talk a little bit about our position and also about our strategy going forward.

I start with this slide and this is of course the market opportunity. We haven't talked that much about the network society today. And the network societies of course where we see anything that benefits from being connected will be connected and where we see over 90% of mobile coverage in the world and over 5 billion mobile broadband users by 2016. That is the networked society we are going to use, the networks in a total different way than we thought from the beginning.

And that's of course the opportunity also when we talk about the IPR and assets or IPR assets because we are going to get in more and more players in this industry and as we have seen in the last two years just go back two years and think about who were the players in wireless and mobile broadband and playing in this industry.

And of course there's a lot of new ones that have has come in there. And the reason is they see the networked society, they see the 50 billion connected devices, they see the 5 billion mobile broadband users and that we're going to basically up to 2015 and 2016 triple the amount of people on internet.

And in our case that means that any company that will use a cellular technology they need to have a cross license with Ericsson given our position so of course that is why IPR impact in this is so important and why we believe, when we go into the networked society they will play an even more important role.

So we'll go through a little bit in our portfolio, 27,000 patents. That's what Ericsson has and we have patens as you can see here in the whole ICT segment. Not only in wireless that we talked a lot about but here we've just outlined some of them.

If you talk about wireless of course we are the most essential patent on 2G, 3G, and 4G. And of course that is very important. The essential patent is of course defining the standard, defining the most critical patents for actually making the technology happen.

And we have for quite many years now establishing a licensing program with players in the industry but it's important here to remember how that we are in both device patents, opto patents, and applications patents, core and transport patents and not the only wireless.

If we look how it works so far is course the industry ecosystem of operators, handset vendors and device manufacturing infrastructure vendors. Those are the ones using today the wireless patents. Fairly few customers doing it and there we have some 90 licenses agreement with basically everyone of size in the industry that is actually operating here. And what we see has caused potential new entrants, new industries, new device manufacturers.

We have seen estimates that somewhere maybe 2015 it can be as much as two-third of all consumer electronic products and will have some type of connectivity in them, meaning that we're going to see so many more devices having connectivity in them. And of course that's the potential in new entrants and that's what we see in the industry.

If you think about how we work and I think this is a very important picture for us. Everything starts with that and we do SEK30 billion , rough numbers in R&D per year and we've done that for quite a long time. That creates of course our innovation in both research and development where we take all our patents.

And secondly what we do with the research and development we are very active in standardization. There is a clear reason why it's 5.8 billion mobile subscriptions in the world. It's standardized. We use the same technologies across the board. We take the one GSM phone and it can basically travel to any country in the world. We share the technology.

It's very important in our industry because then we get to what Gilles talked about, what Johan talked about, we get to all these users but it's based on that someone do the investment in R&D and somebody is very active in standardization, and that is what Ericsson is doing.

And then of course we also have been working for quite a long time to see that our patents both are accepted and approved but also that they are essential as we are part of the whole set-up of standardization.

And of course then that leads to that we get sort of a revenue back on our investment as people use the technology or if a company is doing the technology based on what is called in our industry FRAND, fair and reasonable and non-discriminatory set-up, meaning that anyone that wants to use technology should be able to use it and there should be a fair and reasonable charge for it. That's what this whole is based on, that you can do that.

But it's a cycle. You cannot take out IPRs and say that's something different. It comes from our investment in R&D and that we are very active in standardization. That's why we have the patents. If you want to enter the industry and be part of the standardization and the main technologies you need to pay for it. And I think that has driven our whole industry and it will drive the industry into the next step which is networked society which we think is very exciting.

So if we look at our strategy and look a little bit and these numbers here are we have usually disclosed IPRs but they have also included licenses from EMP et cetera, it's Ericsson mobile platforms. What we have done here we are taking it out and I've been talking here, we have our IPR revenues.

And you can see that 2006 we started with SEK2 billion in revenues and if we'll go further back we would be negative basically paying for using patents. And you can see we have a spike in 2008 and that's when we had one off on our patent portfolio we had a sale which is not the typical way do it. That's how I've grown it, very much focusing on wireless and seeing that we get and collect a fair payment for developing wireless patents.

We have a two-folded area here and this is also very important. One is of course enforce wireless patents with anyone using wireless connectivity. If it's a device manufacturer or a gadget manufacturer or infrastructure manufacturer that we need to enforce if they're coming into this they need to see that they are actually having a patent agreement with us.

Then of course what we have not done so far we are not generating that much revenue from all other patents. We are mainly getting revenue and cross licenses from our wireless patents. That's where we have our bulk of our revenue here.

So one thing that we'll work on is of course work with all the patent portfolio, all 27,000. At the same time we are going to get new customers coming into the base, only not the few handset manufacturers and the few infrastructure manufacturers, it's going to be others as well.

On the flip side we also need to remember if we compare us to somebody else we have an infrastructure business that we need to protect as well where there are many others that has taken patents as well. That's why we talk about the cross license. We have cross license meaning that you get license from me and we give it to you and that's a cross license. In that whole scheme we are a net receiver and that's what you see on the SEK4.6 billion in 2010, the net received. We received more than we protect.

But remember Johan's and partly Rima's business they are of course doing infrastructure business and need to have license with others so the net amount or what we are receiving is 4.6. So if I then use one -- make one slide on how we look at our IPR strategy going forward, yes, number one, enforce the wireless patents that everybody using the technology for connectivity and wireless, where we are number one, is paying and it will be more coming in.

So if you look at the base here we're going to increase the number of customers actually using it in the networked society. And here we need to work with all different device manufacturers, other industries that's going to use our technology. At the same time, we want to go up as well, see that their whole portfolio is capitalized, not only the wireless.

It was absolutely the right way because wireless has been predominant in the beginning and now we want to look into the other area. That means for us two things; first of all in the market where we have been and where we go up right now it's going to be few customers, a direct model. We make bilateral agreements like the 90 we have today.

But we continue to do it with other type of technologies and patents that we have as well. But on the -- on the -- on the horizontal, of course, there we're going to have a numerous different type of device manufacturers.

And there we need to find new business models, of course, to see how they -- we share our technology with them and they can actually do it fairly quickly. So we don't stop the industry because we are very much into that. We want the 50 billion connected devices to happen and we want all of them to use the standard technology so we get down the cost so everybody is in there.

But we need to look into new type of business models when we're going to work with so many different type of customers that we see in that market place. And that we will work with and we already started the work as we speak.

So in essence, that is the strategy, we continue to walk up and use all the patent portfolio to get revenues and we're going to broaden it as the networked society and the 50 billion connected devices are happening.

And thirdly, see that everybody going into wireless really have a patent agreement with Ericsson and a cross license. That takes us back to a quick summary. Shared technology approach is actually driving the wireless industry and that we believe is very, very good.

We are sharing technology in this industry and we'll continue to do so. Ericsson is the main contributor of patents in this industry. We sit with 27,000 and we spend some SEK30 billion a year in research and development. And that is, of course, an effect that we can take patents and actually share technology.

All right. Our IPR strategy of course will be an asset in a networked society where we're going to have more players coming in into the industry. And, of course, wireless will be extremely important. And our strategy then is going to be to continue to capitalize on this we have done.over the years to come to a net receiving situation and we will now continue to walk up with all the 27,000 patents and we will broaden horizontally, see that everybody that wants to get in to do connected devices also can do it but also need to have a license with Ericsson.

I think that's what I really want to do and that's why think that IPRs become so important going forward, has been extremely important so far, probably even more important going forward. Thank you very much.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Thank you. The patent industry is characterized by litigations. What is your view on that, Hans?

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

Yes. As we all read a lot of news and seeing there's a lot of litigation in the patent industry, you need to distinguished what type of litigation there are in the market. And I think that the main part in using wireless technology is not much litigation at the moment, of course, there are some but given the magnitude of different enterprises, companies using wireless technology are very few.

The main part of the litigation right now is, of course, very much attached to smartphones and user interfaces not about how you take your phone, going from one country to another, handovers, smart intelligent way of using data in the phone and so, I think one need to distinguish them.

But anyhow, there is also litigation, of course, using wireless technology but it's a little bit less. What is now in the headlines is very much about user interfaces on the -- on the screen -- on the device.

QUESTIONS AND ANSWERS

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay. That's a good clarification. So we're ready to start our Q&A session, so I would like to welcome all the presenters here on stage, together with me and Hans.

It's also possible for our webcast viewers to ask questions, so I will then bring their questions up also in this section here. So we have hostesses here with microphones. I do hope so. That can -- it so dark here -- it is difficult for me to see where you are. So -- okay, we start here, and then I will move here to (inaudible).

Francois Meunier - *Morgan Stanley - Analyst*

Okay, sure. That's Francois from Morgan Stanley . Good afternoon. The first question, I'm afraid is about gross margins again. Is there a level which would be low, so low that basically becomes unacceptable for you to work with customers?

Will it be -- like 34%, 33%, 32%, 30% and given what you say in terms of timing with network rollouts in Q4, it sounds like Q4 could actually, could be a bottom in terms of gross margins? That's my first question.

My second question is for Gilles, the chips look really good but Qualcomm has got most of the design wins. So what's missing? What's missing? Is it a question of software? Is it a question of your sales force not being aggressive enough? Is it a question of as a brand not being sexy enough? Or is it just a question of luck?

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

Okay. I guess I can start with the theoretical question if it's a threshold where (inaudible), of course, we are managing a profitable growth there, so, yes, it's of course we manage that all the time.

And I think what we tried to do and I was just looking at the papers, I think already in the third quarter last year here we started to talk about the modernization that will happen. So that was a way to tell yes we're managing this, we know about it, it will happen.

But, of course, it's always a balance and there are, of course, deals where we say no when the gross margin is too bad. So with market share that Johan showed that means that basically, six deals out of 10 you lose because we have 36%, 37% market share. So, yes, there are deals which we are saying no to because of what you're asking.

But is this certain number that you communicate? No, it's not. But we manage that and we understand it's very important to have a healthy growth at the same time that we are doing the strategic gain on market share.

You had, the second question is as well on the first question.

Francois Meunier - *Morgan Stanley - Analyst*

(inaudible-microphone inaccessible).

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

That's --

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

Okay. I think that Jan explained quite well what we're seeing in the short term on the gross margin not to speculate on anything else, but you need to factor those in, in the fourth quarter where we are.

But again, we are here for long-term. We're doing the right things for the Company to really be a strong company. And of course, as said, we have come down in the gross margin right now for certain reasons. Those reasons are of course some of them prevailing for sure, that's as we said.

But now, the important is for us to continue to work with that. But short-term, yes, it's going to be tougher as presented.

Jan Frykhammar - *Telefon AB LM Ericsson - EVP, CFO*

I think one clarification -- I'll got several questions in the break to see around -- if you take that gross margin slide there that has four bullets, the last bullet there we talk about that historically we see the fourth quarter gross margin that is lower than the other quarters.

And the purpose of that was if you look seasonality-wise over several quarters, historically, the fourth quarter is lower. The purpose of the bullet is not to say that it will be historically low margins. It's more a seasonality thing. We usually have a lot of project features.

Unidentified Company Representative

Do you want to talk?

Gilles Delfassy - *Telefon AB LM Ericsson - President, CEO - ST Ericsson*

Thank you for you question. No, I'm absolutely in agreement with the fact that competing with Qualcomm is not a walk in the park. I mean, these guys are very competent. They are, by the way, twice as many as us. They are spending more than twice the R&D budget we are and I think we are spending a lot, maybe - and some people think we're spending much too much.

So -- but importantly, they have been in it for 10 years. And they are a well-trained, well-oiled machine and they are introducing their, probably, fifth generation of smartphone solutions.

We are clearly in this very different situation. If you look at it, we have been working at it for 25 years, but that's what it takes to -- that's what it took us at least for the -- I think it will take the same to everybody to have our first full-blown Android solution full stack running on an application processor.

And that first effort is the most -- really, the most difficult. It's most of the effort. Then, I believe -- now, let me tell you the reasons why I think we have a lot of hope. First of all, I believe that now that we have released it, it's in the shops, it's running. I mean, you can play with it.

I advise you to even put your finger and look at the -- how the icons are moving. It's very fluid. It's impressive and so on. Now, we believe that -- I believe that the next -- the rest of the road will be more incremental than the huge step function that we have accomplished. And also -- so that's the reason why I have a lot of hope.

And also, I will just say, yes, most of the -- no, most of the volume is with Qualcomm -- no question. They have all of the volume. But in terms of design wins, we have seven out of nine and these are real programs, important, potentially very high volume. Now, the key is we need to execute them and we need to bring them to volume ramp and we are working very hard on it and that's where we are today.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay. Thank you. We have Pierre over here

Pierre Ferragu - *Sanford C. Bernstein - Analyst*

Thank you. Hans, you've been talking a lot about patents today and I was wondering if it's just because it's a very fashionable topic at the moment or if you're really pointing us to like a breakpoint on this part of the business either in terms of the industry.

Do you think that we will see much more opportunities or an accelerated growth and opportunities in patent revenues going forward, also, perhaps a breaking point in your own strategy and for instance how aggressive you're going to go after -- that source of revenues.

And perhaps just one last thing on patents, do you feel like it's a well established part of this business among handset manufacturers, do you think there are gaps in who is paying you the right amount and who is not.

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

Of course, I'm in the -- I wouldn't put it up if I didn't believe it was a growth area and I think that we have a good asset and the market is also going there. So, yes, we think so. And we can also prove by the history, where we come from and where we're going and I would say a very dedicated and good work in our patent organization.

But again, it correlates with our infrastructure business so one cannot separate them totally. Secondly, I think it's very important because you're asking a little bit about how aggressive we want to be. Remember also that we have our own portfolio to protect. So it's going to be a balance of it because it's equally important that we have cross licenses for the products that we have ourselves as we get a fair amount of somebody using ours.

Anyhow, [tutti-tutti], that means that we will be a net receiver and the more people coming into wireless, it will increase that possibility as well as part of the portfolio of the 27,000 patents are not in wireless. They're in other areas. And there, we can capitalize more that we haven't done.

Then, the other complexity will come in with this of course is the amount of customer is going to be many more. So far, it has been fairly simple. There have been fairly few customers on handsets and infrastructure. I mean, you can count them on the hand even though we have 90 agreements.

But when the whole world is going to have a connectivity, it's going to be different models. And that we need to think about how we do because we want it to happen, at the same time, we want to be sure that all the money that we have invested here, on the patents we have we get the fair share back on that.

So, it's going to be a balance of that one. But remember, it all comes from that we actually are dedicating the research and development and that we are already spending some SEK30 billion here.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay. Then, we'll have Alexandre. And if you -- if I can ask you to present yourself and your company before asking your question.

Alexandre Peterc - *Exane BNP Paribas - Analyst*

Hi. This is Alexander Peterc, Exane BNP Paribas. Just two questions -- the first one is pertaining to mobile data traffic trends. As demonstrated by Vodafone yesterday. They're becoming now more inline with the actual data revenue of operators, but the figure is quite low, 19%, I think was what Vodafone reported.

Do you see this is a one off healthy adjustment or a more worrying long-term trend for mobile data growth? And then secondly, just in the color of geographic growth, US was clearly leading to the way in terms of topline growth for Ericsson. That was backed by very healthy trends in the market with more mobile penetration and so on. Can you perhaps tell us what will be the key engine for growth in, for example, next year? Thanks a lot.

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

Johan, should you answer the question on the data growth from different operators. We know that Vodafone really is yesterday's numbers and we even read them but --. You can answer -- Johan first.

Johan Wibergh - *Telefon AB LM Ericsson - EVP, Head - Networks*

So I haven't studied in detail what they disclosed.. I was preparing for this event. So, generally, if you look in the traffic and data report that we -- that you will receive this afternoon. I mean, we say that the CAGR for the coming five years is 60%. It basically means that you -- initially now we could double this year.

I think they were around that type of range. We don't see any reason why this will slow down. Yes, more and more applications are coming, more and more smartphones. And I will also look with anticipation for Nokia's launch of Windows 8 phones that will continue to drive it. So I see no difference to -- we stand firm on what we have said. I think that's quite good.

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

Yes. And it comes back a little bit what I talked about as well that they're so different on region to region on how high is the mobile broadband penetration, how much smartphones in the market, how much dongles in the market and all of that. That has to be factored in.

And still on the worldwide basis, as you saw, it's fairly low values that have that. Then, of course one operator can be in the market where the penetration is higher and lower.

The second question, I think you asked about where do you see the growth next year and going forward. I think it will be a very simple answer. I'm going to think that the three areas for portfolio momentum will prevail -- mobile broadband, and everything around that. And again, I want to stress, that's not only the radio access. It's also what Johan showed where we -- including routing and all of that, evolved packet core into that as well as the services.

And then, of course, managed services, Magnus spoke about it, that trend is not going down. We see it spreading even more. And finally, what we are aspiring for and having big ambitions is in OSS/BSS. We believe with the world of much more data, new ways of charging, the whole OSS and BSS needs to be transformed and upgraded and that we see a good opportunity as well.

So I think those three areas -- and then there are others, but those three are the main which we feel is the growth opportunities.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay. I have two questions from the webcast and from Kai Korshelt, Deutsche Bank. The first one - I'll ask both of the questions at the same time -- the first one is to Rima and how does headcount in your division compare now versus when you were Nortel.

And the second one from Kai is to Magnus -- is the recent services margin improvement sustainable?

Who would like to start?

Magnus?

Magnus Mandersson - *Telefon AB LM Ericsson - EVP, Head - Global Services*

Fantastic, you know? You gave me that chance. First of all, I don't want to comment, you know, on future margins, but I think we have a model as I tried to explain which is set up by a very healthy mix of local, regional, and global resource mix and of course we have built that delivery mix purposely to deliver profitable growth.

So, that would be my answer.

Rima Qureshi - *Telefon AB LM Ericsson - SVP, Head - CDMA Mobile Systems*

So the question on headcount, I think it's hard to compare because the structure that we had when we took over carrier networks is very different than the way that Ericsson was organized in business units and in regions. So, that's one aspect of it.

The other aspect to consider is we've also acquired a joint venture which wasn't part of the carrier network business such as GDNT. That also becomes part of the overall headcount.

The other thing which we are trying to do as seamlessly as possible which is what we talked about, the migration and the evolution, which means that more and more of the people that we will be working -- that are working on this are actually not only working on what was traditionally carrier networks, but they're working on CDMA as well as in other technologies.

So what we've done is we've taken the organization as we brought it in and we've structured it according to the Ericsson structure which means in some cases, they're working in the business units. In other cases, they're working in the regions, and they are working according to the Ericsson model which is in a lot of cases more than just one technology.

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

And maybe just to mention, in supporting Magnus a little bit, one thing that we sometimes tend to forget is how much efficiently work is done in services all the time. That's a constant work to move resources and see that we are as efficient as possible between local and global. And that's the way we create profitability in order to get scale.

And the network rollout we have talked about, they are in their cycle because of the modernization. Professional services -- you can follow yourself since 2003 has been in the band of 14% to 18%. That's where we are. I think the -- service team are doing a terrific job, just to continue with efficiency work here.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay. We'll have Tim, and then Gareth after Tim.

Tim Boddy - *Goldman Sachs - Analyst*

Thanks. It's Tim Boddy at Goldman. A couple of questions if I may, if we look at network modernization, obviously, we're talking about in a European context, but it feels like it's also starting to spread to emerging markets.

And is there a risk that we see while European modernizations are kind of now reaching a peak over the next 18 moths, there's been another wave as this spreads? Secondly, really focused on restructuring. I think we talked about an increase in cost discipline in the near term to prepare for potential macro pressures. Should we think about higher restructuring cost next year than this year?

And then thirdly, just to focus on cash returns, it feels like the message today is that there's jam, but it's coming tomorrow, not today. Is that also the case with dividends and buybacks? You're categorically saying, "We need, you know, billions of crowns of cash" and there's no increased return for shareholders in the near term.

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

I would take the stab at all three of them and I would probably get help from my colleagues later on.

The first when it comes to modernization, I take the big picture -- I mean, I do it like this. I mean, there's roughly 5 million radio base stations installed in the world which 1 million of them are old radio base stations, that is mainly could be with vendors that doesn't exist anymore or they can definitely not do what is required as Johan said.

The main part of those are in Europe because Europe was first on 2G and 3G. So, that's where the main part of the modernization is going to happen. Then, of course, it can happen in other markets as well and is doing as well. But I think that it is important for us.

When we talked about it already in Q3 last year, that was an effort that was specific and clear from our strategy point of view to gain market share as we lost already to 2001 and '02. So we try to keep that to Europe. There are of course modernization happening, but not to that extent given the size of it.

On the question on cost that Jan talked about, and he will probably fill in here, I think it's important we see it in the base case that we talked about. This is normal business. What we decided in 2011 that the restructures included in our P/L, in our bottom line, is above the line. So that means that we run cost efficiency all the time and we will do so and do more tougher governance and all of that.

And I think that's -- for me, it's just a way that we need to be extremely disciplined in this world more than anything else. And the last question on dividend, we go to the other question on dividend -- we got to the end of the question (inaudible), but I think Johan explained what we think net cash is important for our strategy and all that.

Then we have the normal routine with the Board that before we come to the annual general meeting, they review past performance and looking about the cash needs for the future and then they decide the dividend. That will happen this year also as any year, so there's nothing in-between.

We have the normal cycle of discussion on dividend that is coming up, a recommendation to the AGM. So, there's nothing different than that. But still, net cash we believe is important for us.

Anything you want to add, Johan?

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay. We move on then to Gareth Jenkins.

Gareth Jenkins - *UBS - Analyst*

Yes. Thanks. It's Garrett Jenkins, UBS. I've also got a few if I could. Firstly, I just wondered -- you mentioned anomaly in the (inaudible) on compound annual growth rate, just as it pertains to CDMA, I think, you know, everyone has been surprised that CDMA market is probably up 10% - 15% this year and your target is for 15%, compound through '13.

Do you basically assume the next year and maybe the year after we see a fairly steep drop off in CDMA?

Secondly, I just wondered -- on the OpEx side, Jan, what exactly does putting the brakes on mean particularly in regard to R&D next year? And then the last one, well, just on pricing, putting aside some single round impacts what the actually unit pricing is doing in the moment in terms of competition, is it down 10% to 15%?

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

So I will try to answer for CDMA. Rima tried so I will go for another way then. I think that first of all, we all know that CDMA will come down as a technology and it will -- the investment levels will go down. But for us, the most important is that we have a concentrated customer base in one region and each customer will be a little bit different depending on what Rima said.

The uptake on the phones on CDMA and the acceleration to 4G, the most important for us, I see, is to be close to those customers, to be proactive, to take decisions and manage this sort of downturn profitable.

On the other hand, the increase in volume will be on LTE. So, it's more a marriage for us. But, yes, CDMA will come down. But we will handle it with our customer. I know that Rima is meeting those customers extremely frequent and discussing with them, and that's the most important for us. We manage this -- and we should be able to manage this profitable and the tail will be long, but the investment level will come down.

Jan Frykhammar - *Telefon AB LM Ericsson - EVP, CFO*

Okay. On R&D, so we have all along, this year, said that we have some areas that we put extra effort into this year. The first one is really to develop the base band of CDMA in the RBS 6000. You see the proof points today. You saw the proof points today.

Another important area for extra effort this year has been to launch and secure the 4G or the next generation of 4G -- the next generation IP portfolio and that you will hear much more about in the afternoon by Jan Haglund.

The third area has been to really secure TD-LTE. And I think that -- I mean, as you know, Gareth, we have -- our most important strategy is to secure technology leadership and service leadership, having said that we have also said that there are some extra areas this year.

We will come back in the context of the fourth quarter report and to give a guidance on the range for R&D for next year. This year, it's between $31 billion up to $33 billion.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay. I have a question on -- from a webcast viewer. What are the key actions you have taken in order to get multimedia back to profitability?

Per Borgklint - *Telefon AB LM Ericsson - SVP, Head - Multimedia*

So if you look at it from a short-term perspective, we are still in the planning phase for building up new strategies. So, we have strong ambitions. We are still having some path to walk. And as Jan also expressed, we have a very high level of software sales in the third quarter which pushed up the margins.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay. A question from (inaudible) to Johan. What would the operator do after the cabinet is full? How can they add more capacity? And also, then, could you confirm how many radio units you need in a base station per cell site? And also, how many radio units can one baseband unit support?

Johan Wibergh - *Telefon AB LM Ericsson - EVP, Head - Networks*

This will help me to give more detail, but at the next Capital Markets Day-- I have to convince these guys. Now, there are several things we can do. First, we can put another cabinet and fill that up, also if you have space at the cell site. Then we are good on the innovations, I mean if we have showed the same cabinet two years from now, we're going to have completely new stuff that you can put in there that can do even more at the lower space at a somewhat high price. So there's going to be continuous innovation on that.

And you can have six radio heads connected to one base band typically, there are some more parameters into that but that's a good rule of thumb. And you will probably -- what's the next, how many radios? You can have 12 radios fully in that unit.

Was that the question?

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Yes.

Johan Wibergh - *Telefon AB LM Ericsson - EVP, Head - Networks*

And this is only a half-sized cabinet, we actually have an even wider, bigger cabinet if you want double much of equipment. Whatever -- how much you want, we can provide.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

That's a good answer. Okay, we have more questions. So let's continue here at the back and then we'll move forward here where we have Martin Nilsson and would like to also question then later.

Sandeep Deshpande - *JPMorgan - Analyst*

Thank you. Sandeep Deshpande, JPMorgan. One question on the gross margin again, the question is you're going to see over the next couple of years not a huge improvement in European cap ex spending associated with LTE because that doesn't happen until 2014 or so.

So does this mean that we just continue with network modernization projects which has a continuing material impact on the gross margin?

And secondly, and the question is on the IPR, meaning your competitor in IPR licensing has been doing per unit licensing, for instance, in handsets for a very long time. Your exit from Sony-Ericsson, does that allow you to move to that sort of model and what kind of royalty rates could you charge, would they be different kinds of models that you would employ? Thank you.

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

I think I will give you an easy answer on the second one, and Jan will talk about the gross margin. When it comes to our IPR models, it's based on FRAND -- fair, reasonable and non-discriminatory, that's the most important for us. And then what type of models we have in each every -- or the 90 bilateral agreements is nothing that will have to be disclosed.

But again, remember that we have cross-licenses. Don't forget that. We also have our own business that are using patents from other industries or from other vendors. So it wouldn't be fair to have any number or anything like that because it's going to be a net, not the gross because we have cross-licenses with many.

Jan Frykhammar - *Telefon AB LM Ericsson - EVP, CFO*

Okay. So if I come back to the European modernization projects then, so the projects, they have an average contracted lifetime of between 18 to 24 months with a preset scope both in terms of services and hardware. And that's what we have sold, that's in scope.

If operators need to invest in other areas, that's not included in these projects. We also think as far as Hans mentioned, when he went through the opportunities in Europe, there are opportunities, of course, around OSS/BSS. There are opportunities around services. There are opportunities around the next generation IP portfolio.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay, then we'll have Martin here and then we'll move over to the back here.

Martin Nilsson - *Handelsbanken Capital Markets - Analyst*

First of all, thank you very much for a very informative Capital Markets Day and a lot of numbers provided. Johan, you mentioned 11% CAGR for the radio access market, and you also talked about 60% traffic growth for the coming and CAGR up until 2015.

So overall, all the years we have met on this traffic growth and so on. It's too simplified to believe that if the traffic growth CAGR would be 70% rather than 60%, until 2015 that radio access number would have been 21% instead of 11%.

So could you sort of elaborate what is really the correlation between underlying traffic growth and is it sort of one-to-one correlation or how we sort of look upon these two and how when you have presented core cost for both? Thank you.

Johan Wibergh - *Telefon AB LM Ericsson - EVP, Head - Networks*

Good question. I'm not really sure if I can give you a good enough answer on that one and I can't on the top of my head really give you except that correlation. In one of the sessions this afternoon, there's a guy called Svante Bergqvist who is one of the people who actually do this type of modeling and maybe he can give you more insights.

And what I can say is that, first of all, if we take the current forecasts then we step back a few years and look what did they think about the future, pretty much it has played in both when it comes to volumes of data and the corresponding CapEx. So I think we have a fairly good view on that. I can't really say that it would be 21 or whatever, so sorry for that. But ask Svante, he may have views of it.

Johan Wibergh - *Telefon AB LM Ericsson - EVP, Head - Networks*

The reason why we have a pretty good start on this is we have extremely talented co-workers and they're really good on analyzing and modeling and thinking about these things, so he may have thought it through.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

(Inaudible). Then we'll head to the back.

Richard Kramer - *Arete Research - Analyst*

Hi, Richard Kramer from Arete. I've got some simple questions for the three of you guys. For Jan, can you explain what it is about the Ericsson model that you have such higher working capital as a percentage of sales than any of your peers, NSN, ALU, Huawei or others?

For Magnus, can you try to help us understand how it was that you lost more than SEK1 billion in network rollout in the first nine months? What was that money spent on and when do we start to recoup those sort of losses?

And for Hans, do you think you need to address somehow the video delivery market where cable certainly is very important and video delivery is very important? Is there something much more comprehensive that Ericsson needs to do and why are aligned where you've tried many times of the last decade without really making any progress?

Thanks.

Jan Frykhammar - *Telefon AB LM Ericsson - EVP, CFO*

So, first of all, I don't know which numbers you looked at for NSN because as far as I know, they don't disclose a separate balance sheet for Nokia Siemens Networks. They are obviously part of Nokia and that's the handset business with completely different ratios.

I think if you look at Alcatel Lucent, I think they are also in a completely different business, it's very much fixed network and services. We are in a business where we are building the future of mobile broadband infrastructures. And in many parts of the world, this means a lot of site work and so forth, and it is complicated end-to-end projects, those tie up capital.

Having said that, we are working diligently to try to improve these each and every year. I would not have the type of stretched working capital objectives if I were happy with the current performers.

Magnus Mandersson - *Telefon AB LM Ericsson - EVP, Head - Global Services*

Well, on the lower profit margins, as we are running then in Q1, I think if we remember we have the component shortages which resulted in a couple of technologies where, in short, in our network rollout. Which meant that we had to prepare, the sites we have to do triple, four times, fifth time visits to the site in order to complete the projects. It was very, very expensive and it was a distributed delivery out of the network division.

So we're idling quite a lot of resources out in the world. Now, when everything is back on full scale, again, as I said, on Q3, we see a full -- what to say, industrialized rollout again.

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

On the video capabilities, I will ask Per to comment a little bit to what we have in there. I think that, again, just on a general statement, of course video will be very important in the networks for sure. And we are working, of course, with a lot of solutions in our networks, everything from the core to the packet core and the routing solutions to handle video.

If we need to buy something in that area, I would say the following -- I think that we believe, first of all, organic growth. I'd rather spend the money on the R&D in our company than buying companies. I mean, that has been the case.

There are certain areas where we definitely did buy companies, where, for example, CDMA was an obvious one, to gain -- to don't weaken the marketplace or smaller holes in the portfolio like Telcordia, et cetera. So that would probably answer the question on the general level, where we are focused.

And we think that the main part of the portfolio momentum is in mobile broadband managed services, is on OSS/BSS. We are number one in mobile broadband, number one in managers. We're aspiring to be number one in OSS/BSS. I think that's the bulk of the business I really think that we can grow nicely whit a good profit.

Per, anything on video capabilities?

Per Borgklint - *Telefon AB LM Ericsson - SVP, Head - Multimedia*

Well, I could just elaborate shortly. We are addressing certain parts of the cable industry, of course, not completely. Still, you would also say that a lot of the things actually are going convergent between what is happening in the mobile as well as in the fixed networks, so the broadcasting part is actually an area where we are fairly strong and we see good developments as well and also in relation to customer interactions.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay, we have another question here at the back then I have a web question and then we'll move over here.

Andrew Gardiner - *Barclays Capital - Analyst*

Thank you. Andrew Gardiner, from Barclays Capital. I was interested a bit in perhaps how the pricing model may have changed. In some of Johan's slides, you showed how the move to multi-standard radio and network modernization has resulted in share gains for you within the network, whereas before the operator perhaps have more selection on a site by site basis. So, now, once you've got that locked in, your road map to secure in terms of the upgrade but by the same token, the operator perhaps has less flexibility.

Have they asked you for more visibility into future pricing for the various upgrades that are going to come forward? And so how has that changed in terms of the pricing margin dynamic from where we used to be?

Johan Wibergh - *Telefon AB LM Ericsson - EVP, Head - Networks*

Yes, that's a little bit about the game every time you have a big procurement and I mean I touched upon before. And the reason why we have modernization in Europe now is because we are both a lot of LTE procurements and we have a change of the installed footprints.

And then you end up in any competitive bid the and discussion between seller and a buyer. And because we always reason that we have a P&L and we have a market share, we have a portfolio of what business opportunities and these you can take. And then there can be a discussion between a seller, the buyer about terms and conditions pricing, what's included and not, et cetera.

And many operators are really good in procurement, and I guess we can see that if you look on where the profit pools are between the vendors and the operators because that becomes a strong competition in there.

But of course, also, we have a lot of cards to play and well you handle that, but I mean this is how well you play this game out and how you -- handle pricing and price models and avoiding caps and future upgrades and pricing, et cetera, is of course part of the game. And I think that's been like that for the last 20 years, there's nothing new and I think we are pretty good at handling it but it is quite normal.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay, I have a web question and then we'll move over here. So from the web, then it's to Magnus then. How sticky are the managed services contracts?

Magnus Mandersson - *Telefon AB LM Ericsson - EVP, Head - Global Services*

As you can see, we have a very high renewal rate in the renegotiations. And I would say that more than 90% is renewed of what we have. So the stickiness is fairly high. But again, it very much depends on when you are taking over the responsibility of uplift in the network quality and have a better performance, of course, that the performance is extremely important and we perform everyday. And I think our customers is generally very happy with what we are doing.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay, we'll move over then. And then --

Odon De Laporte - *CA Cheuvreux - Analyst*

Yes this Odon De Laporte with CA Cheuvreux. So you stated several times that scale is a critical asset in this industry yet this is something you missed in areas such as wired line access, IP routing or optical transfer.

I understand your strategy in IP routing, but maybe could you talk about optical transport or wireline access, how do you intend to compete in these areas where you have weak scale?

Johan Wibergh - *Telefon AB LM Ericsson - EVP, Head - Networks*

So let me comment on that, I think it's a great comment. So then when we built our strategy for these areas, you really need to think about how do you great scale.

And of course, starting by having global presence and service leadership in the service organization worldwide, that's one piece in the puzzle. When it comes back to where and what I need to do when it comes on the product side is you need to create certain scale.

So for instance, if you take on the IP side, as I've showed that, talking about the data plane, we have brought together several different products to run on the same platform. So therefore you can create scale when it comes to the R&D you need to place on some of the common hardware and software. So because then you can take that initial cost and divide that over many products and then get that more cost-efficient.

Then we have done the same with software. I mean, we have been driving our work, now that's more than three and half years and you don't see the full impact of it yet. But we've been driving through -- because we've done acquisitions before and we have different product lines.

And we've been driving a standard to introduce the component-based architecture all across our products which means that the level of reuse between products have highly increased. It can be stupid things like that door you see over there. But they used to be several different doors and has saved SEK20 million annually just by using the same door.

If we then go to software, we have the same software. For instance, the optical transport, we happen to have a big part of that software. It's the same software as we have in our microwave products, where we are number one in the market.

So, you need to find one or more ways how we create scale, because if you have a smaller market, share, you're just going to lose money and fail. You need to find those things. And if you can't find any of those good reasons, you better exit that business.

So, that's what I've been going through and we've been executing on. I think we have a lot of things left still to prove in some of these areas where we have smaller market share and we have a substandard profitability. But we're - I'm working fixing on that. I hope I can live up to that. I haven't done those yet.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

So, I'll have a question here. And then, I'll go over there, and we'll have a question.

Unidentified Audience Member

Okay. (Inaudible). There hasn't been a gross margin question for a little while. So, I guess, one more. And this refers to one of Jan slides where you split down the gross margin decline between the quarters this year.

And we say that modernization that we talked a lot about accounts for one-fourth of that decline, and the big part is actually coverage and capacity. And that's the kind of decline we do usually experience between Q3 and Q4 rather than earlier in the year.

Could you explain what happened in Q3? Why capacity -- coverage and capacity makes such a big part of the explanation and how we should look at that going forward?

Jan Frykhammar - *Telefon AB LM Ericsson - EVP, CFO*

I think first of all coming back to all the disclosure we make, we make disclosure each and every quarter region by segments so you can track these things and I am sure you do.

If you start to look at when we mentioned that there was a slow down in North America in the second quarter and in the third quarter, that obviously translated into a slow down in investment of HSPA and CDMA in North America.

Also there were other countries that started to shift more from capacity type of investment more into building coverage on LTE. Korea could be one example as to that.

So, those kinds of shifts we started to see in the second quarter and in the third quarter. And also visible in the regional dimension, you start to see significant growth in the many regions in the network segments that are more in the coverage phase.

How Q4 margin will look like, let's come back to that in January report back. I mean, we're sure what we will report back on are that the descriptions or the reasons that we had in that slide, meaning, business mix, modernization and service shares.

So, I am not going to invent anything else. There is nothing else that we can explain based on. So, all business may shift in the third quarter. It is clearly visible in the numbers. We have also been trying to tell you a bit on some of the dynamics for Q4, I think we have much more of explaining and describing than what we usually do. Now, we will come back in January and report back to you how it became.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

We have a question over here and then one over here.

Janardan Menon - *Liberum Capital - Analyst*

It's Janardan Menon from Liberum Capital. I am just a bit surprised of the length of your period for network modernization of two years because these are projects which don't have much construction element and effectively a replacement at established sites.

So, the margin impact of that, would that be steady all the way through those two years or is there a frontloading from a hardware point of view on the margin effect? And does it fall off a bit with the latter half of it?

The second question is actually on the US market where you said that things are slowing down but it's not macroeconomic but more related to the investment cycles and things like that. Does that imply that barring economic impacts you would expect revenues from the US or CapEx spending in the US to rise again to levels higher than what you have seen in the recent past?

Or could the U.S. have a phenomenon like what Europe saw about 10 years ago when after the first 3G rollout cycles, you went to a much lower level of CapEx spending? Is that a possibility that we could see in the US market going forward?

Hans Vestberg - *Telefon AB LM Ericsson - President, CEO*

If I start with the US market then remember, we will -- the most important is the underlying market dynamics, smartphone, usage, innovation. That has all the time mean what is defining finally our revenue and the spending of our customers. So, we need to understand that the market opportunity just relies on that.

At the same time, we, of course, see that, as you said, we see a slow down right now. As far as we can judge, it's not driven by the macro economy. It's driven by consolidation. It's driven by change from 3G to 4G, et cetera. If you look forward again, I think we have a very, very good position in North America. And that's very important. And we're going to see how that pans out going forward.

That means that the market dynamics will define how the investment levels are going forward. But we are on a very high level in North America when it comes to turnover and market share. And we are not losing any market share at all. But we're going to see how that market dynamic plays out and that will be an impact.

If you talk about the gross margin, I just -- correlate, you said that they're very lengthy network modernizations. In Europe, if you come back and think about what happened in the beginning of the century basically when we did the 3G, they were very lengthy.

And so, there is nothing that is not normal. That they are lengthy, the modernization. And remember, this time is that you have live subscribers in the network. And to do a modernization on a live network means that you need to take down one radio base station and turn on another when you have live traffic and people in the network.

For 10 years ago, when you didn't have much on 3G, it was fairly fine to do. Today, the window of maintenance to do that, for Magnus, is counted in minutes per day. So, of course, that length drives it out.

Say something, Magnus.

Magnus Mandersson - *Telefon AB LM Ericsson - EVP, Head - Global Services*

Yes. I will say something. Let me say something. So, when we do a traditional swap of electronics of a cabinet like that, that took a couple of days in the early days when we took the first generation GSM out of the site. Today, we're doing that in somewhere around 10 to 15 minutes.

When it comes to the modernization, we're changing two technologies and adding on a third one. That takes typically up to three to four days. We lot of third party -- I tried to explain that on my modernization slides. There are third party products. We're having third party resources coming in and we are changing everything from the antennae sets --right -- all the way down to cabling, shelters, power gens and everything.

So, it's so much more than changing out the electronics. That's the reason why it's a little bit more lengthy. And we are focusing on the urban part of the network where we have the biggest growth.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

We have a question here, and then a final question from Mats Nystrom over there.

Guenther Hollfelder - *Unicredit Research - Analyst*

That's Guenther Hollfelder, UniCredit. I had one for Gilles concerning the Windows 8 opportunity next year and also the press release with Nokia. So, are you confident that you will participate in the first generation of Windows 8 phones summer next year or do you think your U.S. competitor here will be first? And the second generation then will be powered by your chips?

And also how confident are you for your other customers like HTC and Samsung that you are also here very early will also power some Windows 8 phones?

Thanks.

Gilles Delfassy - *Telefon AB LM Ericsson - President, CEO - ST Ericsson*

Yes. Well, actually, it should be totally different. We don't know yet. What was important was to get endorsed as the second, the other, chipset vendors for WP8. We are working on the timing now. It takes a lot of software porting. It is not entirely in our hands because it requires the intervention of Microsoft, obviously.

We are trying to get in production as early as possible. I cannot tell you yet if we are going to reach the kind of timeframe that you mentioned or not. But certainly, we are going to go as fast as we can.

On the other question, again, yes. I mean, obviously, we are now part of the ecosystem of Microsoft, of the WP8. Obviously, our first focus is certainly Nokia. But once we are in WP8, once the software is ported in our platform it's ported in our platform, so then we can consider to extend our business reach.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

And then, Mats over here. The last question.

Mats Nystrom - *SEB Enskilda - Analyst*

Yes. Thank you. Mats Nystrom, SEB Enskilda. I think you all have done a very good job today explaining the rationale behind building footprint and entering the modernization projects in order to secure future roles and drive the future software revenues. That's crystal clear.

Yet in the press release of today stating that capacity increasing RBS6000 1000% percent above previous generations, and that perhaps some people may say that base stations today come, so to speak, fully loaded and all inclusive going forward. What does this imply for Ericsson's future upgrade business compared with in the past?

Thank you.

Johan Wibergh - *Telefon AB LM Ericsson - EVP, Head - Networks*

Thank you for that question. And I had also a lunch discussions. I think we were a little bit unclear about that 1000% what we mean, et cetera. And there are many different ways how you can compare it. And it's a statement we use in our marketing towards our customers.

So, for certain configurations, if you can fully equip cabinets with all the capabilities, you can come up with that - that you actually can achieve 100 -- and 1000% more capacity -- 10 times the capacity.

That is no what we then include in these deals. I mean, if you then go back to these procurement and what this included or not, of course, we always try to descope. We do not agree at all to put everything in, et cetera. We calculate on the full cost and revenue potential, et cetera, in these deals to make sure that these make sense or not. And if it doesn't make sense, we don't step into them.

So, I mean, we adopt that consideration for many, many years and we still do that. I mean, taking consideration our market share growth, we always think about that and then take the deals that do make sense. As Jan said, if we then have a little bit less than 40% market share it means we stepped away from six out of 10 deals.

So if the deals are -- yes -- not attractive, then, of course, it doesn't make sense for us to take them and then we say thank you but, no, thank you.

Ase Lindskog - *Telefon AB LM Ericsson - Head - IR*

Okay. So, thank you very much, indeed. Thank you, guys. Many thanks for attending and listening to our management presentations. And now, we say goodbye to our webcast viewers and listeners.

And just a reminder that please fill in the feedback forms. As I said in the beginning, it is very valuable to us. We will move to Ericsson headquarters and the Ericsson studio. And it's just a few minutes walk from here and we have hostesses out here that will give you the direction.

So, bye for now, and see you soon in the Ericsson studio. Thank you.
