



SECOND QUARTER 2016

July 19, 2016



HELENA NORRMAN

Senior Vice President

Chief Marketing and Communications Officer

SECOND QUARTER 2016

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This presentation contains forward-looking statements. Such statements are based on our current expectations and are subject to certain risks and uncertainties that could negatively affect our business. Please read our earnings reports and our most recent annual report for a better understanding of these risks and uncertainties.



HANS VESTBERG

President and CEO

SECOND QUARTER 2016

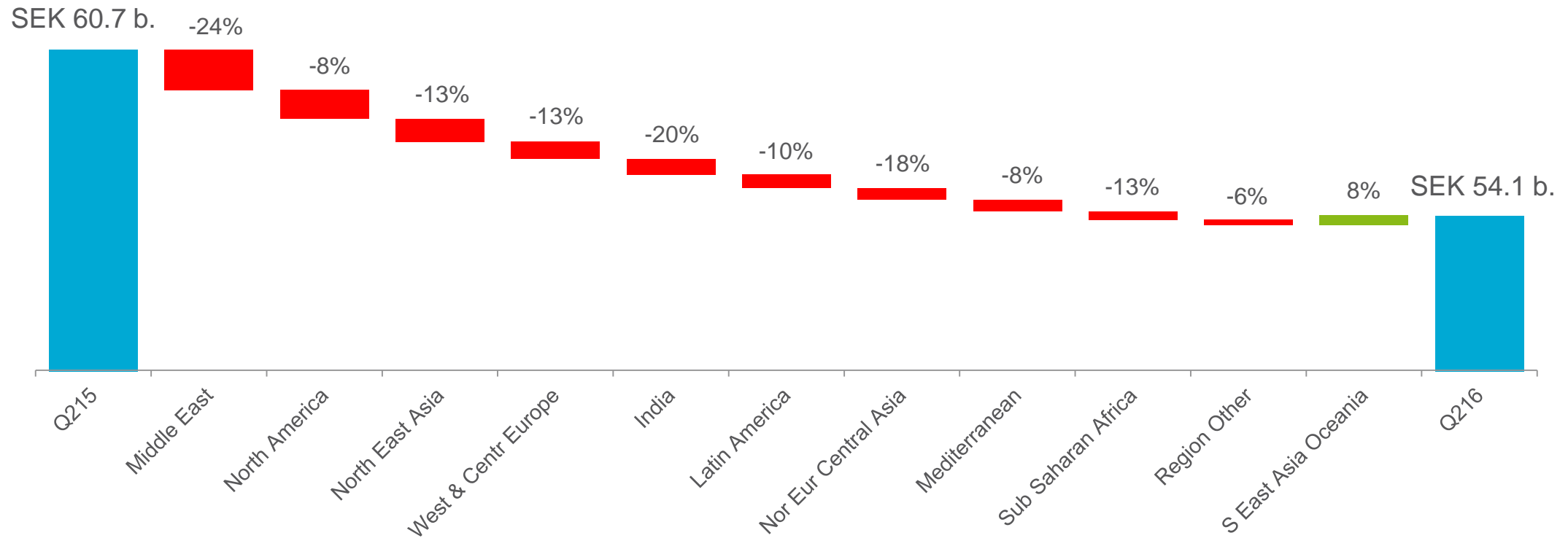


- › Negative industry trends intensified – impacting demand for mobile broadband in some markets
- › Networks and Support Solutions had a challenging quarter
- › Good progress on Global Services margin recovery
- › Actions to further reduce cost
 - Cost and efficiency program on track
 - Additional reductions from new company structure and IP
 - Annual opex run rate to be reduced to SEK 53 b. (ex restr), in 2H 2017, compared with SEK 63 b. in 2014.
 - Intensified activities to reduce cost of sales
- › Current sales trends and business mix are expected to prevail 2H 2016

SEK b.	16Q2	15Q2	16Q1
Sales	54.1	60.7	52.2
Operating income	2.8	3.6	3.5
Operating cash flow	-0.7	3.1	-2.4
EPS (Non-IFRS), SEK	0.83	1.45	0.87

REGIONAL SALES

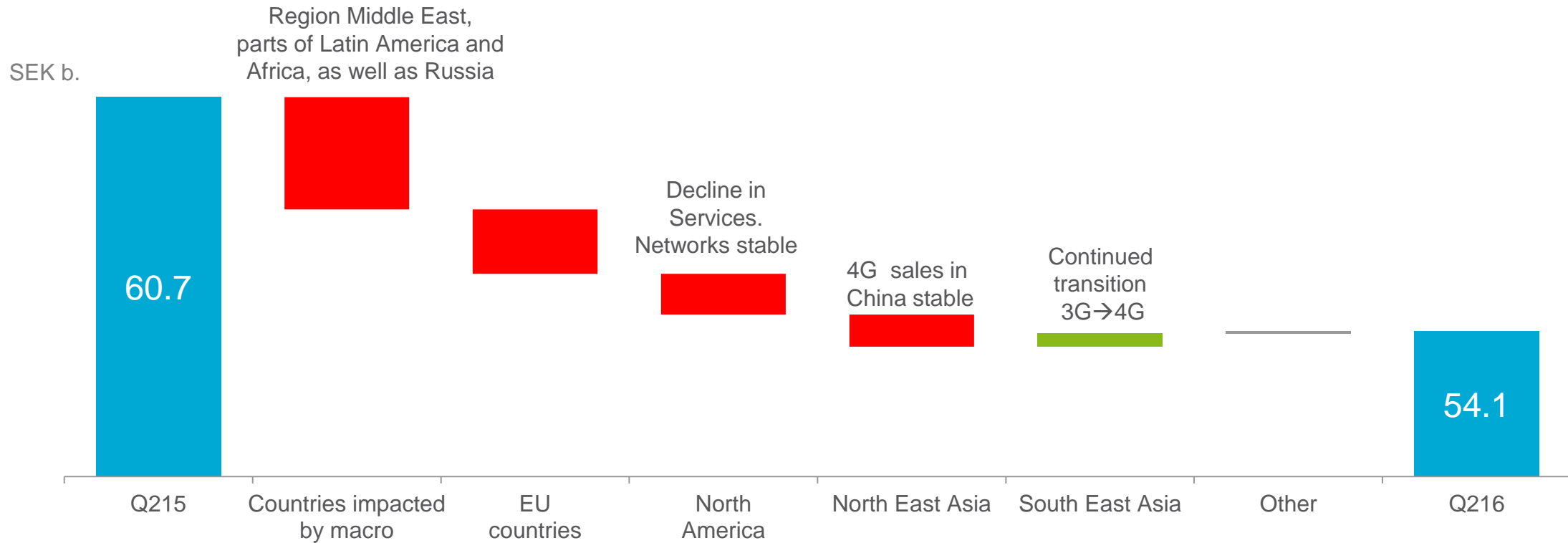
Q2 YoY



Lower demand for mobile broadband, mainly driven by macro development in certain markets

NET SALES

Q2 YoY



Negative impact from FX SEK -2.3 b.

SEGMENT SUMMARY



Networks

SEK b.	16Q2	15Q2	16Q1
Sales	26.8	31.2	25.8
Op Inc	1.6	2.4	2.7

- › Sales down -14%
 - -11% down FX adjusted
- › Op Marg declined to 6% (8%)
 - Lower sales, higher coverage share and negative hedge effect

Lower mobile broadband demand

Global Services

SEK b.	16Q2	15Q2	16Q1
Sales	24.5	26.4	23.0
Op Inc	1.5	1.6	0.6

- › Sales down -7%, impacted by FX
 - Lower PS and NRO sales
 - -3% down FX adjusted
- › Op Marg improved QoQ
 - › PS 10% (9%) ex restr
 - › NRO -2% (-11%) ex restr

Margin recovery on track

Support Solutions

SEK b.	16Q2	15Q2	16Q1
Sales	2.9	3.1	3.4
Op Inc	-0.4	-0.2	0.2

- › Sales down -7%
 - Lower OSS and BSS sales
 - -6% down FX adjusted
- › Large BSS transformation contract signed with Vimpelcom

Lower OSS and BSS sw sales

ACTIONS TO FURTHER REDUCE COST



The SEK 9 b. cost and efficiency program is on track.

ADDITIONAL ACTIONS

- Reduced R&D investments in IP
- Efficiency gains from new company structure
- Intensified activities to reduce CoS – adapting to weaker mobile broadband market

Opex SEK 53 b. in 2H 2017

Double the previously targeted savings in operating expenses



JAN FRYKHAMMAR

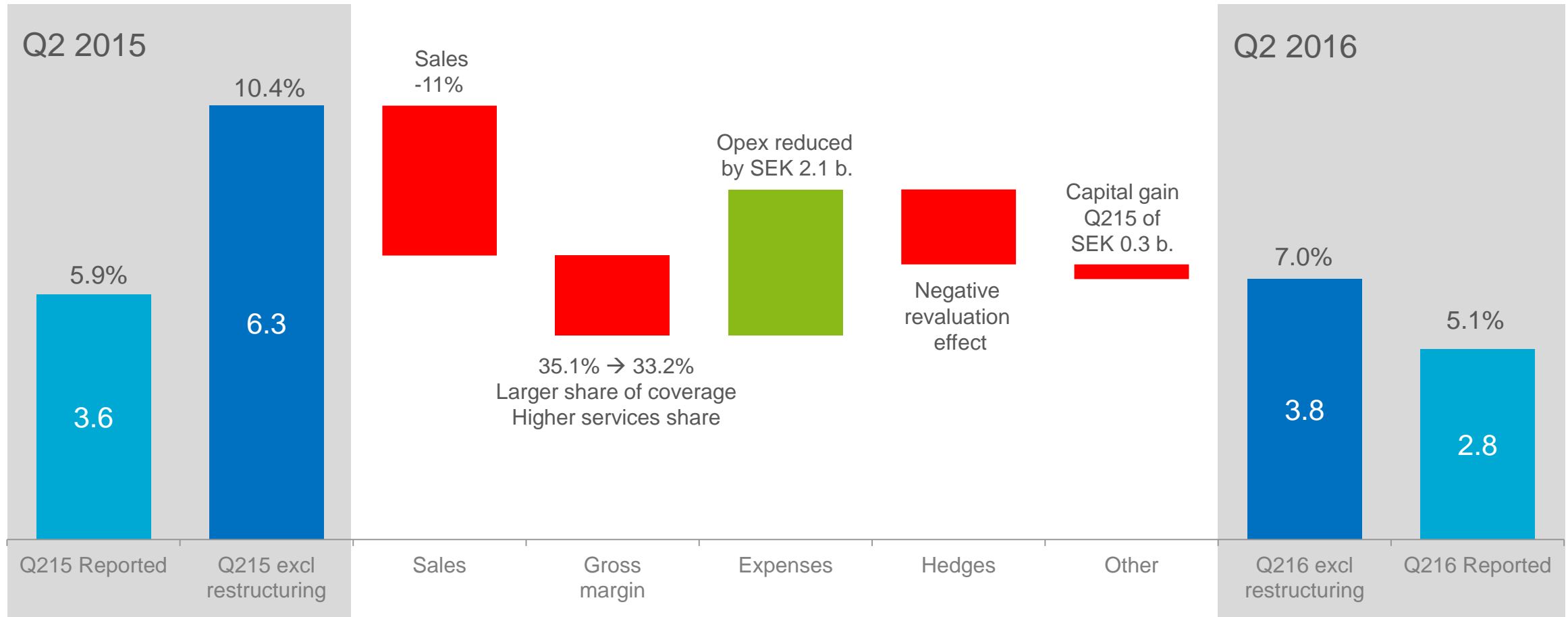
Executive Vice President and CFO

OPERATING INCOME

Q2 YoY

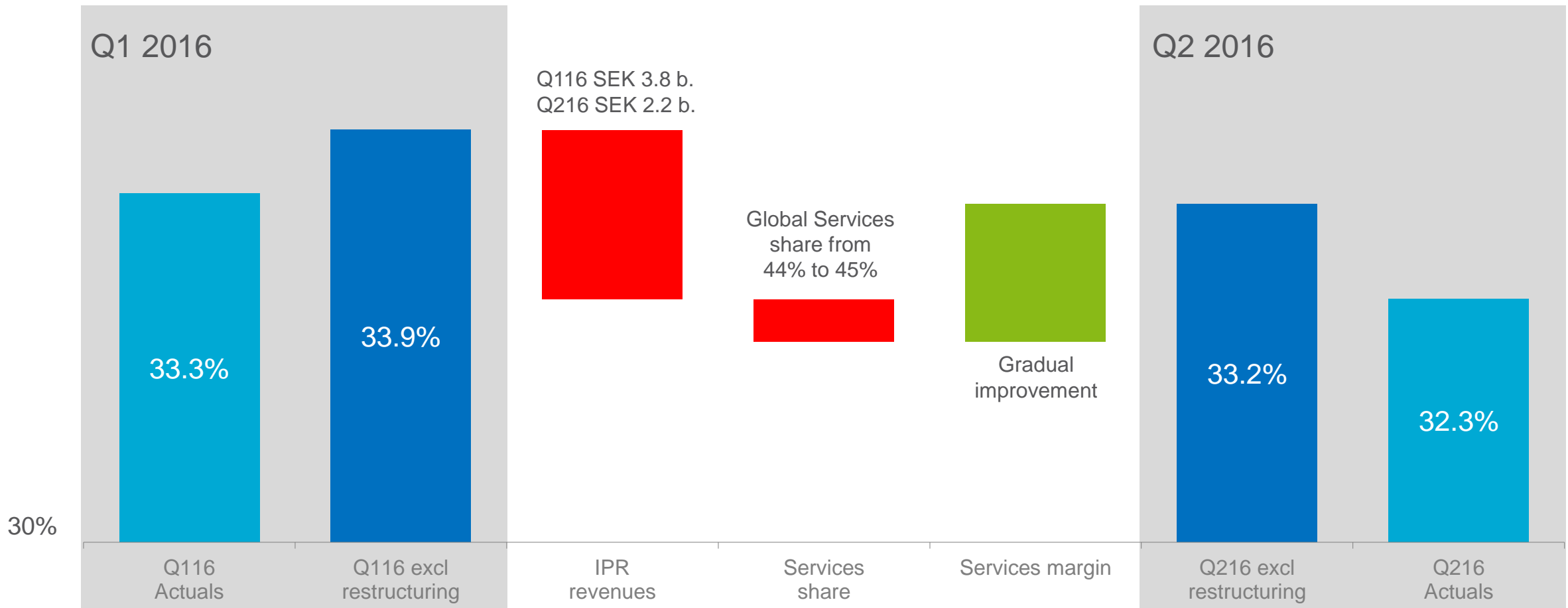


SEK b.



GROSS MARGIN

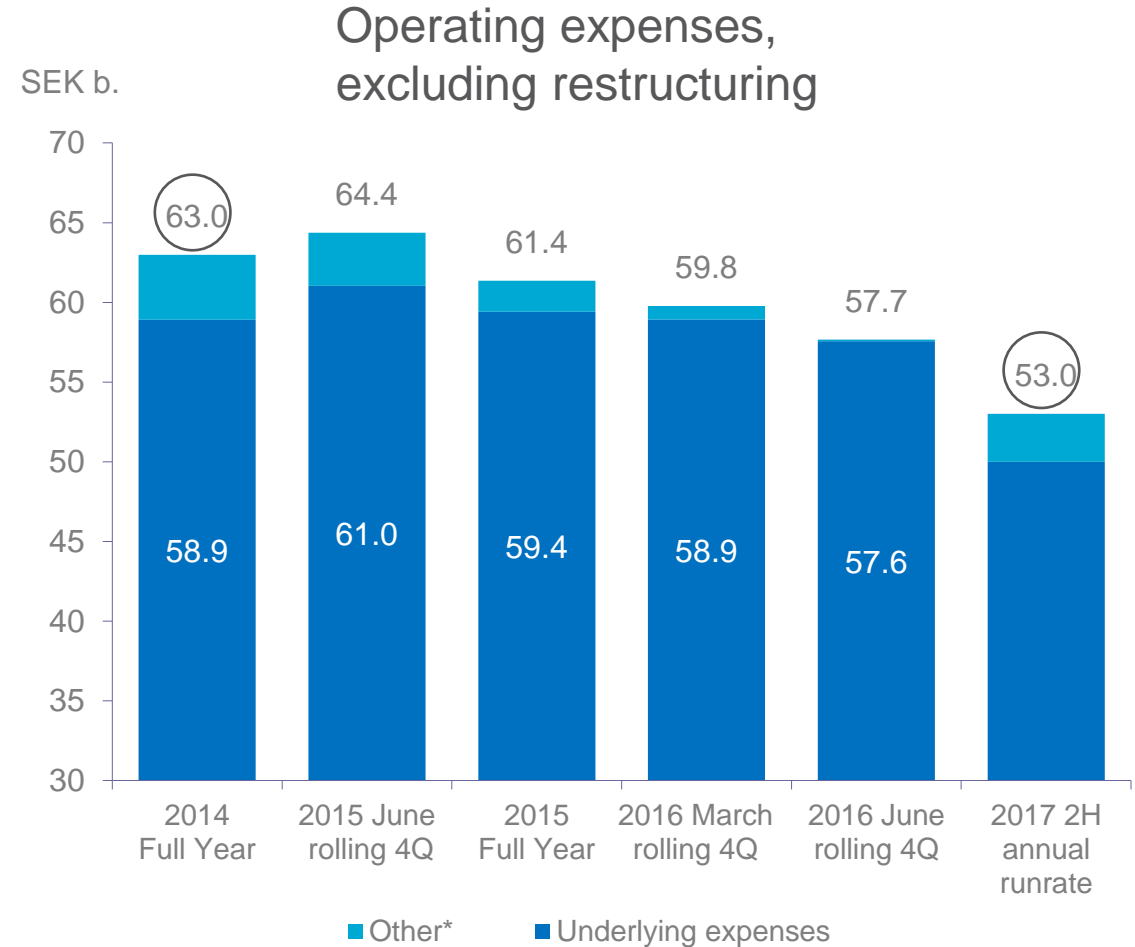
Q2 QoQ



COST SAVINGS

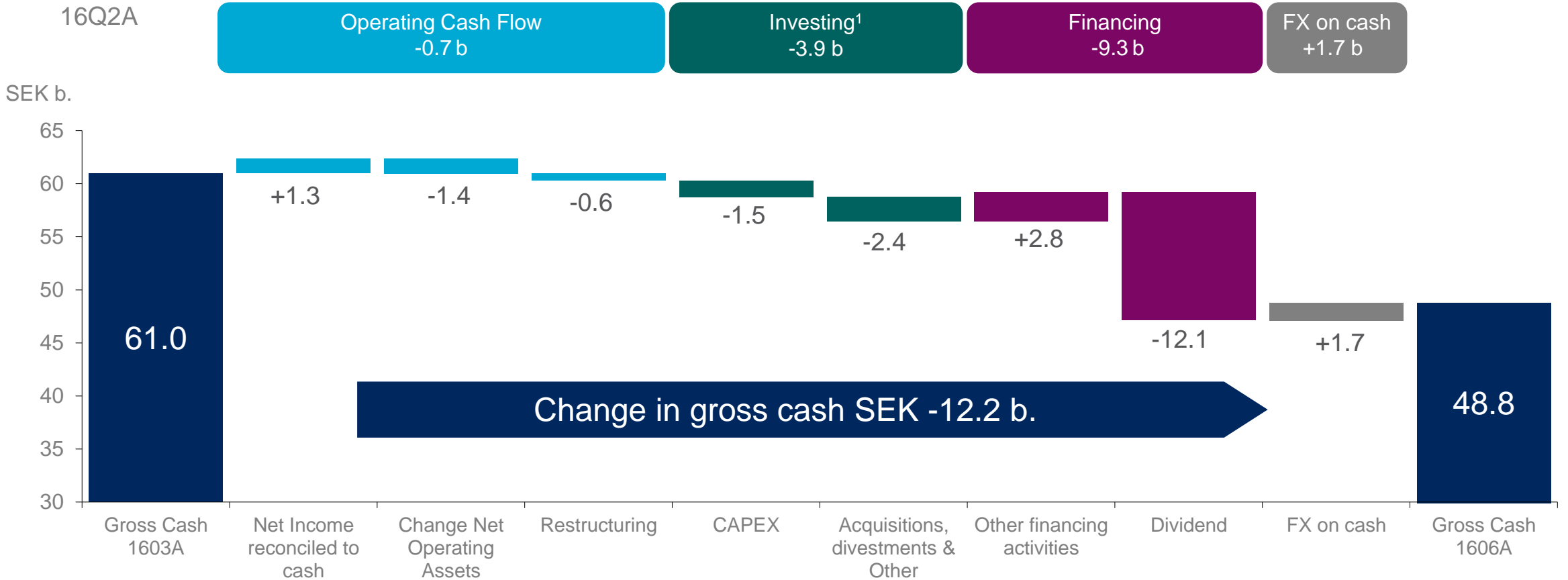


- › Cost and efficiency program on track
- › Operating expenses, ex restr, decreased YoY to SEK 14.0 (16.1) b.
 - Savings related to cost and efficiency program
 - Reduced amortizations of intangible assets
 - Increased capitalization of development expenses
- › Restructuring charges
 - Unchanged estimate for 2016 at SEK 4-5 b.
 - Preliminary restructuring charges for the additional savings activities will be communicated at CMD
- › Cost of sales reductions
 - Structural improvements from the cost and efficiency program
 - Adapt to a weaker mobile broadband market



* Net of: capitalized and depreciated development expenses, and amortized intangible assets.

CHANGE IN GROSS CASH Q2



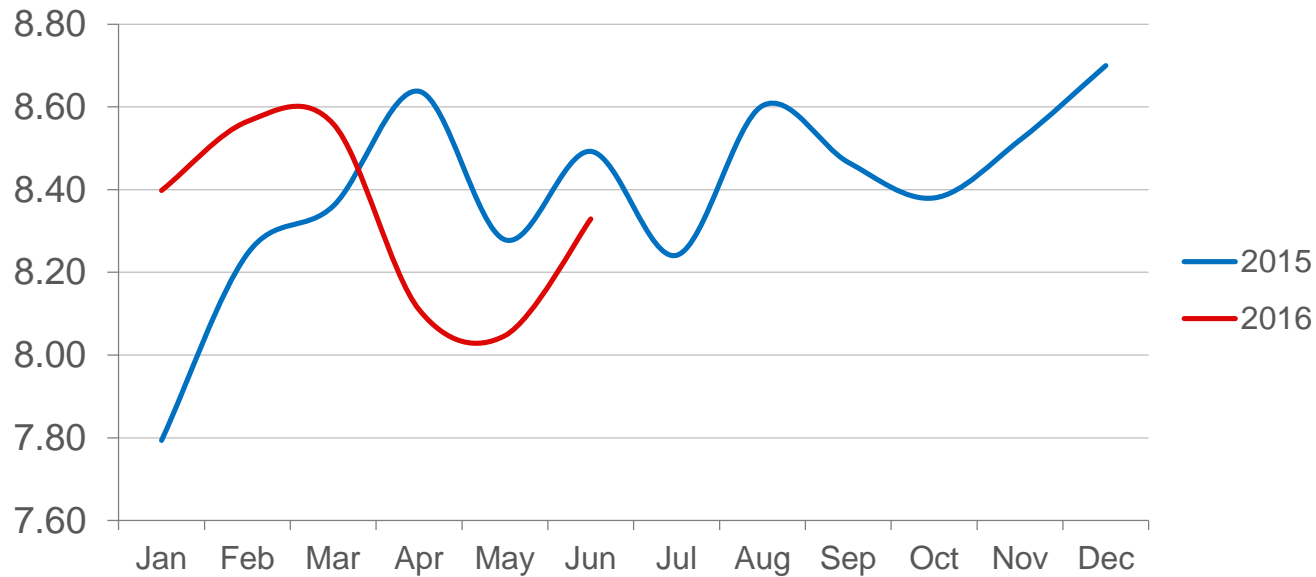
Change in Net cash SEK -15.5 b.

Capex for ICT centers have peaked

CURRENCY EXPOSURE



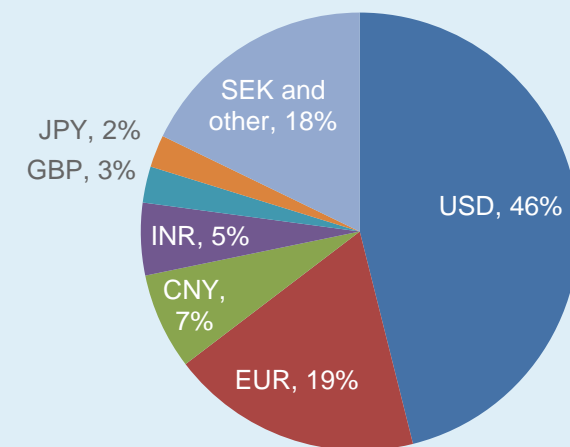
SEK/USD



Sales YoY change, Q2 2016

	Reported	Organic and FX adj.
Networks	-14%	-11%
Global Services	-7%	-3%
Support Solutions	-7%	-6%
Group	-11%	-7%

Sales net exposure, 2015



PLANNING ASSUMPTIONS

EXTRACTED FROM THE Q2 REPORT



- › Current sales trends and business mix are expected to prevail 2H 2016
- › Annual opex run rate to be reduced to SEK 53 b. (ex restructuring), in 2H 2017, compared with SEK 63 b. in 2014.
- › The estimate for total restructuring charges in 2016 remains at SEK 4-5 b.
- › IPR licensing revenues in the quarter were SEK 2.2 b., representing current IPR licensing contract portfolio
- › SEK/USD at end of Q2 was 8.45 – FX rates published monthly on the IR home page

Based on current assessments and visibility



HANS VESTBERG

President and CEO

CONTINUED STRATEGY EXECUTION



NETWORKED SOCIETY STRATEGY 2020

Leverage
installed base –
competitiveness and
efficiency

- Leverage leading technology and services positions in current core business
- Drive competitiveness through efficiency and optimized end-to-end cost structures
- Upsell in network capacity and support services, capture managed services opportunities

Invest in
new revenues –
sustainable profitable
growth

- Establish leadership in high-growth portfolio areas: IT & Cloud, Media
- Grow new business with existing customers and expand to new customer segments
- Capture long-term opportunities in 5G, IoT and Cloud
- Move from investment phase to being accretive to earnings

Generate
strong cash flow –
shareholder value

- Allow for long-term investments and relevant acquisitions combined with strong shareholder returns
- Improve working capital through increased software and services sales
- Maintain strong net cash position

CLOSING REMARKS

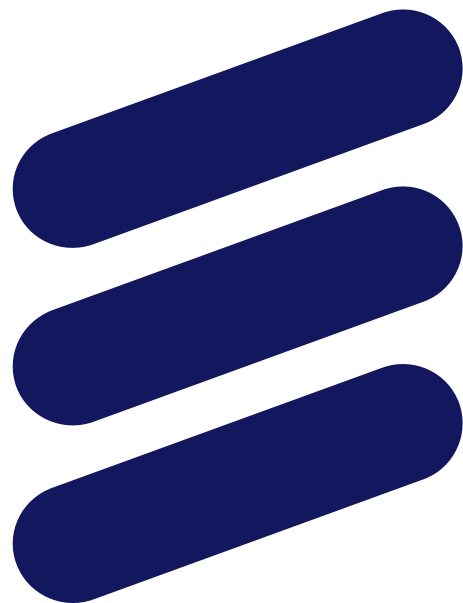


- › Negative industry trends intensified – impacting mobile broadband investments
- › Good progress on Global Services margin recovery
- › Delivering on on-going cost reduction activities
- › In light of market development – significant actions to further reduce cost

Long-term strategy and prioritized actions to create value for our stakeholders



Q&A



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