Ericsson on 5G – A business and portfolio snapshot

Live webcast and Q&A with management
24 February at 2:00 to 4:30 PM CET
Safe harbor statement

This presentation contains forward-looking statements. Such statements are based on our current expectations and are subject to risks and uncertainties that could materially affect our business and results. Please read our earnings reports and our most recent annual report for a better understanding of these risks and uncertainties and please see the last page in this presentation for further information about forward-looking statements. Any forward-looking statements made during this presentation speaks only as of the date of this presentation and Ericsson expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them.
IR calendar 2020

- Q4 2019 Report: January 24
- Q3 2020 Report: October 21
- Q4 2020 Report: January 24
- Q1 2020 Report: April 22
- Q2 2020 Report: July 17
- Capital Markets Day: November 10, New York
- Investor & Analyst briefing ("MWC"): February 24, Webcast
- Annual Report: March 3
- Annual General Meeting: March 31, Stockholm

>600 investor meetings

2020-02-24 | Ericsson on 5G – A business and portfolio snapshot | Page 3
Welcome and introduction
Peter Nyquist, VP Head of Investor Relations

Ericsson on track
Carl Mellander, CFO

5G
Thomas Norén, Head of 5G Commercialization, Networks

Networks
Fredrik Jejdling, Head of Business Area Networks

Digital Services
Jan Karlsson, Head of Business Area Digital Services

5G in North America
Niklas Heuveldop, Head of Market Area North America

Q&A
Ericsson on track.

Carl Mellander
CFO
Ericsson on track

Market Development — RAN market grew by 5%\(^1\) in 2019

- Winning footprint based on technology leadership – market share gains\(^1\) in North America and Europe
- Fundamentals strong in North America – more clarity on the operator merger

Leader in 5G

- 81 commercial 5G agreements – first with commercial 5G live networks in 4 continents
- Leading operators have started to invest in 5G core – Ericsson well positioned

Strong financial performance in 2019

- Operating margin reached 9.7%\(^2\) in FY 2019 – close to 2020 target
- Free cash flow before M&A of SEK 17.7 b.\(^2\) (4.3)
5G grows faster than initially anticipated

**5G still in early stages**

*5G Momentum*
— Faster than originally anticipated

*5G Forecasts*
— 55-65%\(^1\) world population coverage by 2025
— ~1/3\(^1\) of all mobile subscriptions by 2025

*5G Use Cases*
— Digitalizing the Enterprise to enable new revenue pools for operators in consumer and business segments
— Extended investment phases to cover additional needs in IoT and Industry 4.0

**Dell’Oro 5G market estimates**

Estimated 5G RAN revenues [USD b.]

![Graph showing Dell’Oro 5G market estimates]

Source: Dell’Oro

---

\(^1\) Source: Ericsson Mobility Report

This slide contains forward-looking statements. Actual result may be materially different. See the last page in this presentation for further information about forward-looking statements.
Market update

North America — #1
  • Grew with all major operators in 2019

Europe — first with 5G
  • 5G live with Vodafone in London
  • 5G with Telia and Telenor in Norway
  • Swisscom first with 5G commercial network

MEA — Q419 market share 37% (30% Q418)
  • 5G with STC in Saudi Arabia
  • 5G with MTN in South Africa
  • 5G with Etisalat in UAE

Market share outside China and North America increased to 33% in Q4 2019 from 27% in Q3

Technology leadership drives market share growth
Robust financial performance since 2017

**Net sales**
(SEK b. – Rolling 4Q)

- Six quarters of organic growth

**Underlying gross margin**
(% – quarterly)

- R&D investments drive gross margin

**Free cash flow before M&A**
(SEK b. – FY)

- Solid working capital improvement

---

Financial ambition and target 2020

- SEK 230 – 240 b.
- 37-39 %\(^1\)
  - Op. margin >10 %\(^1\)
- Strong

---

\(^1\) Excluding restructuring charges and costs for revised BSS strategy in 2018 Q4. 2017 excludes extraordinary items and is not restated for IFRS 15.

\(^2\) Free cash flow before M&A excludes 18.1b cash outflow due to SEC/DOJ fine
Value creation in focus

R&D investments focused on long-term value creation

— Strong R&D is fundamental for developing new products and technology leadership (incl. Kathrein)
— R&D in two dimensions — maintain current business and investing for future growth

Increased opex in other areas to strengthen Ericsson

— Digitalization to achieve next level of efficiencies
— Compliance through stronger processes
— Security for product and enterprise

% Opex/sales (FY) and Opex in SEK b.

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D</th>
<th>SG&amp;A</th>
<th>Impairment losses Acc. rec.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>35.6</td>
<td>28.1</td>
<td>28.1</td>
</tr>
<tr>
<td>2018</td>
<td>37.6</td>
<td>26.8</td>
<td>30.7</td>
</tr>
<tr>
<td>2019</td>
<td>38.5</td>
<td>26.0</td>
<td>28.1</td>
</tr>
</tbody>
</table>

Value creation through increased investments, primarily in R&D

This slide contains forward-looking statements. Actual result may be materially different. See the last page in this presentation for further information about forward-looking statements.
**R&D investments to drive long-term sales and margin**

**The focused business strategy**

- Investments in R&D to retain and extend technology and cost leadership and stay competitive
- R&D fundamental to increasing market share
- Organic sales growth for six consecutive quarters
- GM improvement to a high degree driven by earlier investments in Ericsson Radio System (ERS)
- Between 17Q1 and 19Q4 rolling 4Q:
  - Added SEK ~8 b. R&D\(^1\), incl. net of R&D capitalization
  - Gross income improved SEK ~19 b.\(^2\)

**R&D\(^1\) and underlying gross margin\(^2\)**

(SEK b. – Rolling 4Q) (% – quarterly)

R&D adds value through sales and gross margin expansion

\(^1\) R&D excludes restructuring charges. 2017 excludes extraordinary items and is not restated for IFRS 15.

\(^2\) Gross margin excluding restructuring charges and costs for revised BSS strategy in 2018 Q4. 2017 excludes extraordinary items and is not restated for IFRS 15.
Digitalization to achieve next level of efficiencies

Simplified and faster interaction with customers and suppliers

10 projects defined, including
— Supply flow order tracking for customers
— Preventive and automated customer support
— Automated handling of recurring billing

Investing SEK 0.5 -1 b. per year until 2022
— Level depending on scope and feasibility of projects
— Expect payback time of 1-3 years
— Benefits starting in 2021

Operational efficiency end-to-end – increase sales, income and cash flow

This slide contains forward-looking statements. Actual result may be materially different. See the last page in this presentation for further information about forward-looking statements.
Journey to strengthen focus on long-term value creation

**Foundation developed**

- Focused on **long-term profitability** through financial targets settings – 2020 and 2022
- Moved focus towards drivers impacting **Cash-Flow** – Working Capital
- **Economic Profit** as an internal performance metric – to capture the capital invested

**Ongoing initiatives**

- Strengthening the focus on value creation in **strategic decision-making**:
  - Increased focus on **cash flow**
  - Always comparing **options**
  - Strengthened **risk analysis**
  - Improved **decision accountability** and follow-up mechanisms
- Enhancing **operational decision processes** to ensure increased focus on value creation

**Ultimate ambition**

- Value creation mindset embedded into Ericsson’s **company culture**
- **Incentives** based on long-term value creation
- **Improved transparency** on portfolio performance and ability to **discontinue underperforming activities** to more effectively (re-)allocate resources between businesses
Better 5G in a Better Way

Thomas Noren
Head of 5G Commercialization
Agenda

- 5G adoption
- Technology re-cap
- Smart CAPEX: Core and Radio Migration
Agenda

5G adoption

Technology re-cap

Smart CAPEX: Core and Radio Migration
First with commercial 5G live

25 Live networks
- High Bands
- Mid Bands
- Low Bands
- 4 continents

81 commercial 5G agreements

*As of Jan 13, 2020
Korea LTE vs. 5G Traffic

4G vs. 5G data consumption per smartphone

<table>
<thead>
<tr>
<th>Month</th>
<th>4G GB per month</th>
<th>5G GB per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>8.6</td>
<td>22.9</td>
</tr>
<tr>
<td>May</td>
<td>9.2</td>
<td>18.7</td>
</tr>
<tr>
<td>June</td>
<td>9.1</td>
<td>24.0</td>
</tr>
<tr>
<td>July</td>
<td>9.7</td>
<td>24.7</td>
</tr>
<tr>
<td>Aug</td>
<td>9.8</td>
<td>25.2</td>
</tr>
<tr>
<td>Sep</td>
<td>9.9</td>
<td>26.6</td>
</tr>
<tr>
<td>Oct</td>
<td>9.9</td>
<td>27.7</td>
</tr>
<tr>
<td>Nov</td>
<td>9.5</td>
<td>26.3</td>
</tr>
</tbody>
</table>

Source: Ministry of Science and IT Korea

Monthly mobile data traffic 4G and 5G (PB)

X 2.7

20%
5G launch reverted ARPU decline trend in Korea

- 50% of operators are charging a premium of 5G over 4G
- ConsumerLab survey showing consumers willing to pay 20% premium for 5G
- Korean operators charging over 10% premium for 5G offerings
- 5G penetration reached 7% in Korea by end of 2019

Operator ARPU levels likely to increase as 5G subscriber penetration grows in 2020
Swisscom 5G

1. Network solution

- RAN
- Core
- Transport

End-to-end solution including RAN, Core and Transport

- 5G FDD
- Spectrum Sharing

Unique features to enable nation wide coverage

2. Deployment strategy

- Go live with its 5G network across 102 locations in the first 54 towns
- Quickly expand in the major cities, tourist areas and across the countryside
- 90 percent population coverage by the end of 2019

3. Service offering

- Be the first operator to offer 5G smartphone to consumer
- Top subscriptions include 5G
- Promote 5G top speed and nation coverage

4. Use cases

- Premium services with smartphones
- Explore new use cases
Agenda

5G adoption

Technology re-cap

Smart CAPEX: Core and Radio Migration
Mid Band 5G Radios – Korea example

**AIR3239 (32TRX) Compact**
- Antenna Elements: 128
- Antenna Branches: 32T32R
- Output Power: 100W
- Size: 570x400x150 mm (band depended)

**AIR6488 (64TRX) Extreme Capacity**
- Antenna Elements: 128
- Antenna Branches: 64T64R
- Output Power: 200W
- Size: 800x400x150 mm (band depended)

**Radio 4422 (4T4R) Coverage**
- Antenna: Regular macro
- Antenna Branches: 4T4R
- Output Power: 160W
- Size: 16 liter
Ericsson superior Massive MIMO architecture

Superior architecture
- DL beamforming
- Custom silicon
- Full receiver

Unique advantages
- Fronthaul efficiency
  - Scales with user data
- Industry-leading energy efficiency
- Ericsson Uplink Booster
  - Extreme receiver resolution
  - Full interference rejection

- Superior in mobility
- +90% user app coverage
- 10x cell-edge uplink speed
Maximize uplink MIMO performance through zero-compromise architecture.
## 5G investment strategy – leverage your assets

<table>
<thead>
<tr>
<th></th>
<th>No Ericsson Spectrum Sharing</th>
<th>With Ericsson Spectrum Sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TDD bands</strong> (3.5 GHz – 6 GHz)</td>
<td><img src="image" alt="Diagram" /></td>
<td><img src="image" alt="Diagram" /></td>
</tr>
<tr>
<td><strong>FDD Mid bands</strong> (1 GHz – 2.6 GHz)</td>
<td><img src="image" alt="Diagram" /></td>
<td><img src="image" alt="Diagram" /></td>
</tr>
<tr>
<td><strong>Low bands</strong> (sub – 1 GHz)</td>
<td><img src="image" alt="Diagram" /></td>
<td><img src="image" alt="Diagram" /></td>
</tr>
</tbody>
</table>

### Low bands

- **Lowest network cost**: Lower band and CA with FDD bands
- **Higher DL Speed and Capacity**: 3.5GHz BW available to more UE's
- **Standalone Ready**: SA low latency and Services

![Diagram](image)
Full support for standalone

- SW on Ericsson Radio System HW
- Dynamic sharing between 4G and 5G Non-standalone
- Time allocation granularity on 1ms

- SW package on installed base
- Instant sharing between 4G, 5G Non-standalone and 5G standalone
- NR-SA and NR-NSA UEs will co-exist with LTE
Why 5G Core and standalone NR?

- Enhanced Network Slicing support
- Service Based Architecture for agility
- Less complex RAN & UE architecture
- Target architecture for new use cases and innovation
- User experience
- New opportunity

User experience
New opportunity
Standalone NR
Throughput comparison SA/NSA/LTE

- Fast access to download data
- RRC inactive allow for fast access to RRC connect
- Faster access to higher data rates
- Clear advantage starting at midband with high bandwidth
- Carrier aggregation to boost throughput
- Dual connectivity to combine FR1 and FR2

Fast access to large bandwidth is a key differentiator in SA

Scenario: Unloaded LTE - 5x20MHz FDD - 200MHz midband spectrum - 800 MHz mmW
Ericsson’s dual-mode 5G Core

**One Core network**

- Dual-mode 5G Core
  - EPC
  - 5GC

Manage growth with CAPEX efficiency

**Cloud native**

- Microservices
- Automation
- Continuous SW Delivery
- Core exposure
- API's

Reduce OPEX and open for new service creation

**Highest UP performance**

- Superior performance on virtual S/PGW
- Gbps/Server
- Ericsson
- Vendor B
- Vendor C
Switching on AI in networks

Advanced traffic management
For 5G Plug-Ins and LTE RAN

- 5G aware traffic management
- Evolved load balancing at release

25%
better 5G coverage

Evolved carrier optimization
For LTE RAN

- Uplink traffic triggered mobility
- Traffic aware carrier aggregation

4x
more uplink capacity

- Downlink heavy
- Uplink heavy
Agenda

- 5G adoption
- Technology re-cap
- Smart CAPEX: Core and Radio Migration
Typical network today

- **High FDD**
- **Low FDD**

- **Dense Urban**
- **Rural**
Two Approaches to build 5G

Traditioanl – High CAPEX

Today

Tomorrow

Ultimate

5G

4G

3G

2G
### Two Approaches to build 5G

#### Traditional – High CAPEX

<table>
<thead>
<tr>
<th></th>
<th>Today</th>
<th>Tomorrow</th>
<th>Ultimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dense Urban</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### New – Smart CAPEX

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dense Urban</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 4G/5G spectrum sharing
- 1
- 2
- 3
- 4
- 5
- 6

**CAPEX**

- **Traditional**: High CAPEX
- **New**: Smart CAPEX
### Alternatives for non-Ericsson RAN

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td>28 GHz</td>
</tr>
<tr>
<td>Mid (new)</td>
<td></td>
<td></td>
<td></td>
<td>3.5 GHz</td>
</tr>
<tr>
<td>Mid (existing)</td>
<td></td>
<td></td>
<td></td>
<td>2.1 GHz</td>
</tr>
<tr>
<td>Low</td>
<td></td>
<td></td>
<td></td>
<td>1.8 GHz</td>
</tr>
<tr>
<td></td>
<td></td>
<td>On-going site modernization</td>
<td></td>
<td>900 MHz</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Baseband capacity</td>
<td></td>
<td>800 MHz</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— 2T1R to 4T4R</td>
<td></td>
<td>700 MHz</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Singel Band to Multi Band radios</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Antenna modernization</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Alternatives: Operator dependent; can be mixed; other alternatives can be considered.
5G is here

Smart CAPEX and AI

More for more
Agenda

- Market update
- Networks update
Agenda

Market update

Networks update
2019: 5G took off

13M subscriptions

High-end smartphones and pocket routers; ~USD 1,000

Coverage in major cities and highly populated areas by early movers

Smartphone-driven use cases

Non-standalone 5G; in one band
2020: 5G to scale up

- **13M subscriptions**
  - High-end smartphones and pocket routers; ~USD 1,000
  - Coverage in major cities and highly populated areas by early movers

- **100M Subscriptions**
  - High-end smartphones, volume devices and mid-tier smartphones <USD 300
  - Wide 5G coverage by early movers; 20-25% operators* to launch 5G
  - Consumer service bundling; trials continue for industries

- **Non-standalone 5G; in one band**
  - Smartphone-driven use cases

*Ericsson Mobility Report Nov 2019
*Ericsson analysis
Ericsson leading 5G today

First with commercial 5G live networks in 4 continents: Americas, Europe, Asia and Oceania

- **81** commercial 5G agreements
  - Commercial 5G agreements or contracts with unique operators, 25 live networks
- **40+** commercial devices
  - Widest ecosystem of supported devices on 5G live networks
- **65%** of 5G US city deployments
  - We are leading 5G city deployment in mid and high band in US
- **90%** Nationwide coverage
  - Swisscom achieves nationwide coverage with Spectrum Sharing and 5G low band
Agenda

Market update

Networks update
## Segment Networks – Financial performance

Excluding restructuring charges

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020 Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>132,3</td>
<td>138,6</td>
<td>155,0</td>
<td>160-164</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>35,2%</td>
<td>40,8%</td>
<td>41,8%</td>
<td></td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>15,3</td>
<td>21,2</td>
<td>24,8</td>
<td></td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>11,6%</td>
<td>15,3%</td>
<td>16,0%</td>
<td>15-17%</td>
</tr>
<tr>
<td><strong>Capitalization impact</strong></td>
<td>-0,6</td>
<td>0,4</td>
<td>1,2</td>
<td>0,3</td>
</tr>
</tbody>
</table>

### Organic sales +6%
- Growth driven by LTE and 5G investments
- The sales increase was primarily in the US, South Korea, Italy, Germany and Saudi Arabia

### Gross margin increased to 41.8%
- Impact of strategic contracts and Kathrein, offset by operating leverage
- Lower restructuring charges in 2019 contributed positively

### Operating income increased to 24.8 SEK b
- Higher sales and gross margin partly offset by increased operating expenses
  - Higher investments in R&D to strengthen the technology leadership and increased investments in digital transformation, compliance and security
- Lower restructuring charges had a positive impact

---

This slide contains forward-looking statements. Actual result may be materially different. See the last page in this presentation for further information about forward-looking statements.
Focused strategy execution for Networks

Invest in technology and cost leadership

Selective market expansion based on technology and cost competitiveness

Acceleration of 5G with lead customers

Talent transformation

- 6,500 R&D engineers hired since Q1 17
- 3,500 service engineers left

Technology leadership

- 100 radios planned for 2020
- Spectrum sharing over live 5G commercial networks
- 5G Stand-Alone end-to-end data call

Market share

- From 28.8% Q4 18 to 29.1% Q4 19
- Key deals with Verizon, Softbank, Optus

Q4’19 results¹

- Net sales +7%
- Gross margin +1.2pp

¹ Compared to Q4’18
## Accelerating our strategy execution

### Execution Workstreams

<table>
<thead>
<tr>
<th>Workstream</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Win the Technology Race</td>
<td>Industry leadership through meeting customer demands, keeping focus on cost and investing in long term leadership</td>
</tr>
<tr>
<td>World Class Development</td>
<td>Master the complexity and reinvent scale in the portfolio, exceeding customer demands efficiently with quality and speed</td>
</tr>
<tr>
<td>Next-Gen Supply &amp; Services</td>
<td>Create a customer-centric, predictable, automated supply &amp; service delivery chain, reducing lead time by half, enabling higher quality delivery at competitive cost</td>
</tr>
<tr>
<td>Compete on Value</td>
<td>Maximize value monetization for Ericsson Networks portfolio</td>
</tr>
<tr>
<td>Sourcing Excellence</td>
<td>Create sustainable business value through innovative and competitive supplier ecosystem</td>
</tr>
</tbody>
</table>

### Wanted Position 2022+

- Technology Leadership
- Business Leadership
- Commercial leadership
Where we compete

Fixed access

Complement and expand broadband with Fixed Wireless Access (FWA)

Primary market: Antennas system

KATHREIN
Build capability & competence

Primary focus and market: Radio Access Network

Invest in cost competitiveness, network performance & 5G evolution

Expand in converged transport & mobile backhaul

Invest in existing portfolio and partner

Enterprise/Industries/Vertical

Use-case approach with focus on mission critical capabilities
Key technologies for better 5G

5G-ready radios and basebands

Ericsson Spectrum Sharing (ESS)

Carrier Aggregation (CA)

Dual-mode 5G Core

5 million radios

We have shipped 5 million 5G-ready radios since 2015

1ms

spectral efficiency

Dynamic allocation of spectrum between 4G and 5G is the best way to deploy 5G

+25%

better performance

ESS and CA provide 27% extra capacity and 25% better mid band population coverage

5G Standalone

faster introduction

SW migration from non-standalone to standalone in both RAN and core

5

+25%
Ericsson Networks’ portfolio strengths

- Unique and flexible RAN Compute architecture
- Redefining the site, tightly integrated antenna innovations
- Modular Ericsson Radio System for all site needs
- Intelligent Network Services
A better 5G and beyond

Use-case centric and agile technologies, applied across the ecosystem, will enable faster and targeted innovation for the benefit of the whole industry.
Digital Services

Jan Karlsson
SVP and Head of Digital Services
What we will focus on today

5G core standalone – 5GC
To fully realize 5G – 5G standalone is next
Customers have started to invest in 5GC: the new core network architecture for 5G standalone

Cloud native and automation
How it will revolutionize the networks and the way we and our customers work
Our transformation journey

Customers
- Telecom and non-telecom
- CSPs target enterprises more
- 75% of 45 projects addressed
- 5GC
- Continuous integration and deployment
- Technology shift at scale

Portfolio
- Unsustainable R&D ratio
- Portfolio rationalization
- Revised BSS strategy
- Security
- 5GC
- Cloud native and automation
- AI

Commercial
- Selective about complex projects
- Recurring revenue focus
- Disciplined deal qualification
- Capture full SW value
- Beachhead solution packages

Efficient operations
- Restructuring measures started
- One team – one purpose
- Continued opex run rate reduction
- Industrialization
- Stepwise evolution of operational model

Financial performance
- 2017 (SEK b.): Sales: 38.8, GM: 30%, OM: -10.3
- 2018 (SEK b.): Sales: 38.1, GM: 40%, OM: -5.5
- 2019 (SEK b.): Sales: 39.9, GM: 38%, OM: -3.4
- 2020 (SEK b.): Sales: 41-43, OM: Low single digit
- 2022: OM: 10-12%

Operating income and margin excluding restructuring charges. 2017 excluding restructuring and SEK 14.5 b. in impairments and write downs. 2018 excluding restructuring and SEK 3.0 b in impairments and write downs.

This slide contains forward-looking statements. Actual result may be materially different.
Digital Services — on track towards profitability

Operating margin excluding restructuring charges. 2017 excluding restructuring and SEK 14.5 b. in impairments and write downs. 2018 excluding restructuring and SEK 3.0 b. in impairments and write downs.
Agenda

Performance and strategic direction

5G core standalone – why a priority and why cloud native

Implications for Digital Services
5G standalone – one programmable network for CSPs to expand beyond mobile broadband

- Relentless efficiency
- End-customer experience
- New revenue streams

Fixed wireless access and enterprise business (B2B2X)

Mobile broadband

5G SA

5G NSA

4G
Ericsson 5G platform with Digital Services portfolio evolving for standalone
What do core networks do?

Main functions:
- Connectivity
- Mobility
- Security
- Service control
- Charging support

Communication service provider

Customer product catalog and billing

Network and service management & orchestration

Internet / Over-the-top

Communication applications

Cloud infrastructure
New functions in 5GC enable business beyond mobile broadband

Communication service provider

Customer product catalog and billing

Network and service management & orchestration

Communication applications

Charging

Main functions:
- Connectivity
- Mobility
- Security
- Service control
- Charging support

What’s new:
- Advanced network slicing support
- Network exposure
- Full 5G NR support
- Simplified architecture

Cloud infrastructure

External applications

Internet / Over-the-top

Enterprise cloud
5GC — a beachhead for Digital Services’ business

3GPP’s standard means a completely new core for 5G standalone

Ericsson’s dual-mode 5G Core
- Cloud native from start
- TCO efficient
- High performing
- Supporting 5GC and EPC

The market window is open now
Cloud native and CI/CD video

1. Continuous release
2. Software distribution
3. Software upgrade
4. Acceptance test
5. Data collection
6. Feedback
Cloud native and CI/CD

1. Continuous release
2. Software distribution
3. Customer
4. Acceptance test
5. Data collection
6. Feedback

- Orchestration and automation
- Cloud native runtime platform
- Any infrastructure

- Software distribution
- Software upgrade
- Any infrastructure
- Cloud native runtime platform
- Orchestration and automation

- Apps
- 5G core
- CNFs

- Ericsson
The industry’s first live cloud native container-based core network

Ericsson and Telstra achieve container-based commercial Evolved Packet Core milestone

— Ericsson’s cloud-native container-based Evolved Packet Core deployed in Telstra’s production Network Functions Virtualization Infrastructure (NFVI)
— The achievement with Telstra marks a significant advance in network orchestration and automation
— Opens possibilities for Telstra to significantly scale traditional wireless networks in creating new 5G services for consumers and enterprise customers with emerging technologies

PRESS RELEASE | DEC 18, 2019 08:08 (JST +09:00)

Emilio Romeo, Head of Ericsson Australia and New Zealand, says: “Telstra and Ericsson are leading the mobile industry with this first container-based cloud-native Evolved Packet Core in Telstra’s production environment and carrying live traffic. This is an important step towards fundamentally changing the way both companies deploy and operate mobile core networks. Core networks will become much more flexible and agile, allowing operators such as Telstra to quickly create and deploy compelling new services for their customers. This in turn helps operators build new revenues.”

Shailin Sehgal, Product Enablement Technology Executive, Telstra, says: “Through the T22 initiative, Telstra’s business is being transformed to improve service delivery and provide customers with enhanced experiences. To achieve this transformation, Telstra’s network needs to become more flexible and efficient, and cloud-native container-based applications such as Ericsson’s containerized Evolved Packet Core are a key element of this. This is key to cost effectively scaling and automating our network and speeding up the delivery of innovative new services that are essential in a 5G world. We are pleased to be working with Ericsson to deliver innovation into our network that will assist Telstra maintain its industry leadership.”

KDDI and Ericsson achieve 5G cloud-native CI/CD software pipeline breakthrough

— Ericsson CI/CD pipeline for cloud-native 5G Core standalone software deployment successfully tested
— Ericsson solution enables fast and efficient delivery of new software and functionalities while maintaining network quality
— Solution meets communications service provider software delivery needs for 5G networks

PRESS RELEASE | FEB 28, 2020 08:00 (JST +09:00)

The CI/CD pipeline speeds up the software acceptance process through the advanced automation of software distribution, deployment, validation and feedback, while reducing human-error risks.

It shortens time to market of new software from months to weeks. Ericsson’s CI/CD pipeline enabled KDDI to deploy complicated sliced and distributed network functions more easily through simplified workflows.
Agenda

Performance and strategic direction

5G core standalone – why a priority and why cloud native

Implications for Digital Services
Our business mix and its evolution

Commodity mix

- SW & support
- Services
- HW

Increasing recurring revenue

- Recurring
- Perpetual

Illustrative

This slide contains forward-looking statements. Actual result may be materially different.
Transforming ourselves

Cloud native portfolio
- Common application development framework
  - Design principles
  - Tools
  - Marketplace

Automate software delivery and deployment
- Common end-to-end CI/CD software pipeline
  - Development to customer deployment

Industrialization
- Foster and facilitate re-use of industrialized systems integration assets across customer engagements
Summary

5G core standalone – 5GC

To fully realize 5G – 5G standalone is next

Customers have started to invest in 5GC: the new core network architecture for 5G standalone

Cloud native and automation

The networks and the way we and our customers work will fundamentally change

Speed and efficiency in R&D

Solutions scale seamlessly

Automation of software upgrades

Continued strategy execution
North America

Niklas Heuveldop
Head of Market Area North America
Market Area North America

Q&A will follow, to ask questions, please call:
Sweden: +46 (0)8 566 426 51
UK: +44 (0)333 300 0804
US: +1 631 913 1422
PIN code: 59336071#
Q&A

Peter Nyquist - Head of Investor Relations
Carl Mellander - CFO
Thomas Norén - Head of 5G Commercialization
Fredrik Jejdling - Head of Networks
Jan Karlsson - Head of Digital Services
Niklas Heuveldop - Head of North America

To ask questions, please call:
Sweden: +46 (0)8 566 426 51
UK: +44 (0)333 300 0804
US: +1 631 913 1422
PIN code: 59336071#
Forward-looking statements

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

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

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

We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Important factors that could affect whether and to what extent any of our forward-looking statements materialize include, but are not limited to, the factors described in the section Risk factors in the most recent Annual Report and in our quarterly reports.

These forward-looking statements also represent our estimates and assumptions only as of the date that they were made. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this presentation, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation.

This presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any of our securities. It does not constitute a prospectus or prospectus equivalent document and investors should not make any investment decision in relation to any shares referred to in this presentation. No offer of securities shall be made except by means of a prospectus meeting the requirements of the Securities Act and applicable European rules and regulations.