



THIRD QUARTER 2015

October 23, 2015





HELENA NORRMAN

Senior Vice President Communications

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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

KEY DEVELOPMENTS

Market

- › Strong focus on 5G and Internet of Things (IoT)
- › Video continues to be the main driver of network traffic
- › Continued currency movements and weaker macro in parts of the world impact customer investments

Ericsson

- › Slowdown of 4G deployments in Mainland China
- › North America mobile broadband business remained stable
- › Stable operating margin, 10% excl. restructuring
- › Good momentum in Global Services, 46% of sales
 - Network Rollout reached break-even
 - Professional Services sales up 15%
- › Company transformation continues
 - Good growth in targeted areas
 - Strengthened position in TV & Media
 - Lower cost – Cost and efficiency program progresses as planned

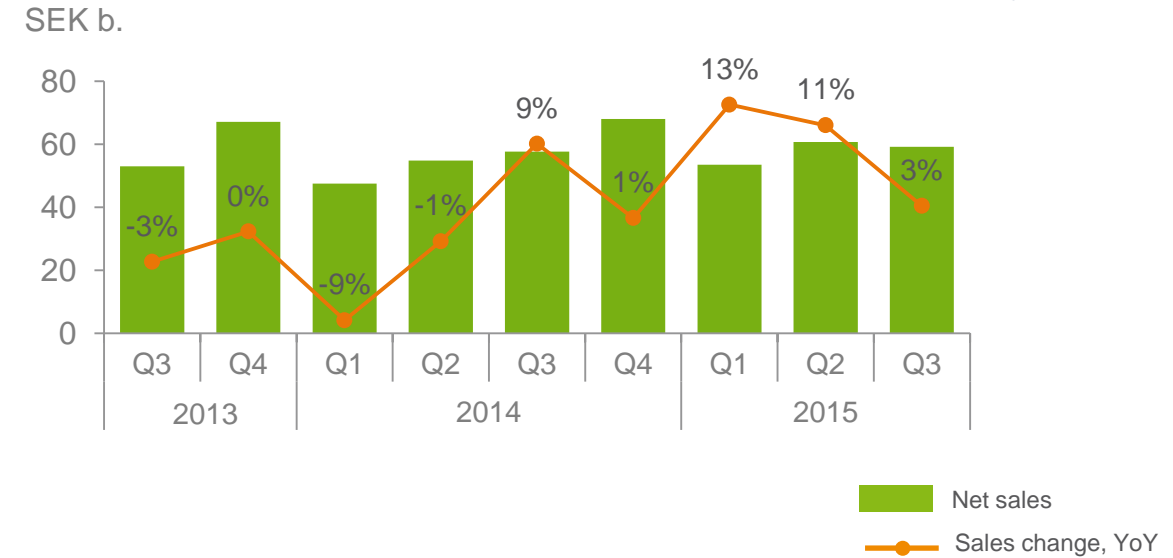


ERICSSON Q3 2015

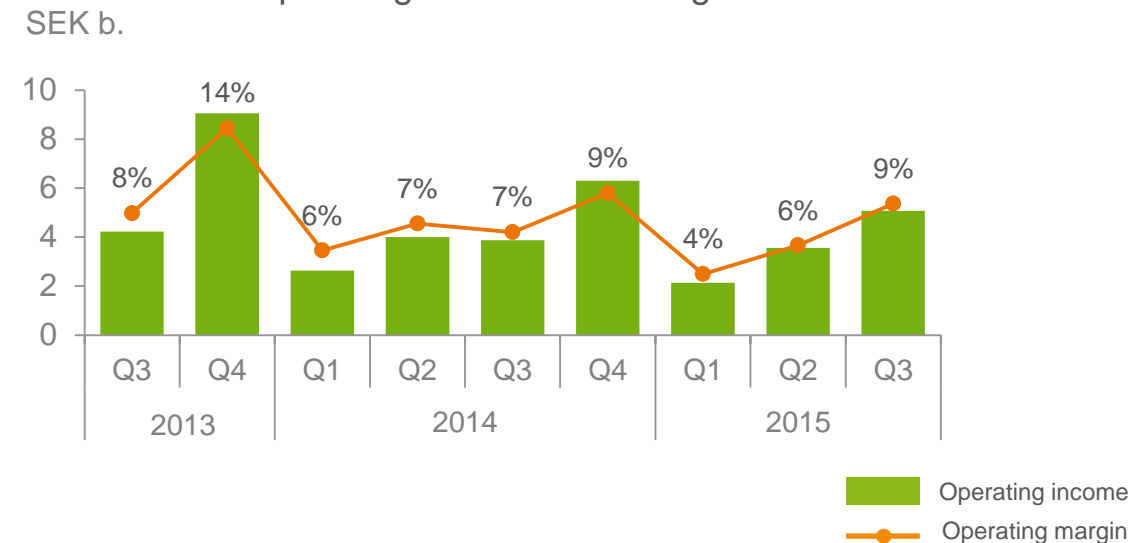


- › Reported sales up 3% YoY
- › Organic FX adjusted sales down 9% YoY
 - North America, Japan, Russia and Brazil at lower levels
 - Growth in India and South East Asia
- › Organic FX adjusted down 2% QoQ
 - Networks sales down 6%
 - North America stable, slowdown in Mainland China
 - Russia, Brazil and parts of the Middle East impacted by weak macro development
- › Operating income, excluding restructuring charges, improved to SEK 6.1 (4.2) b.
 - Improved in all segments
 - Operating margin 10% (7%)
 - Lower cost and break-even in Network Rollout

Net sales and sales development

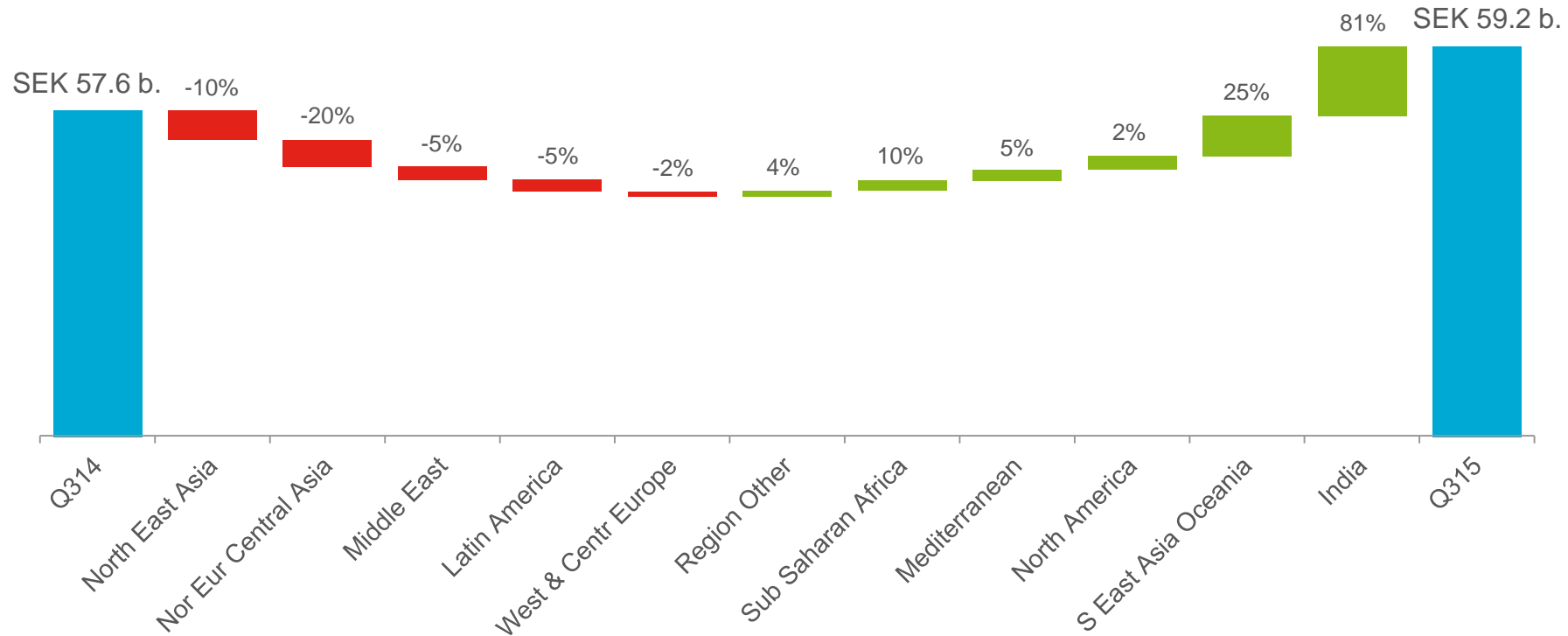


Operating income and margin



REGIONAL SALES

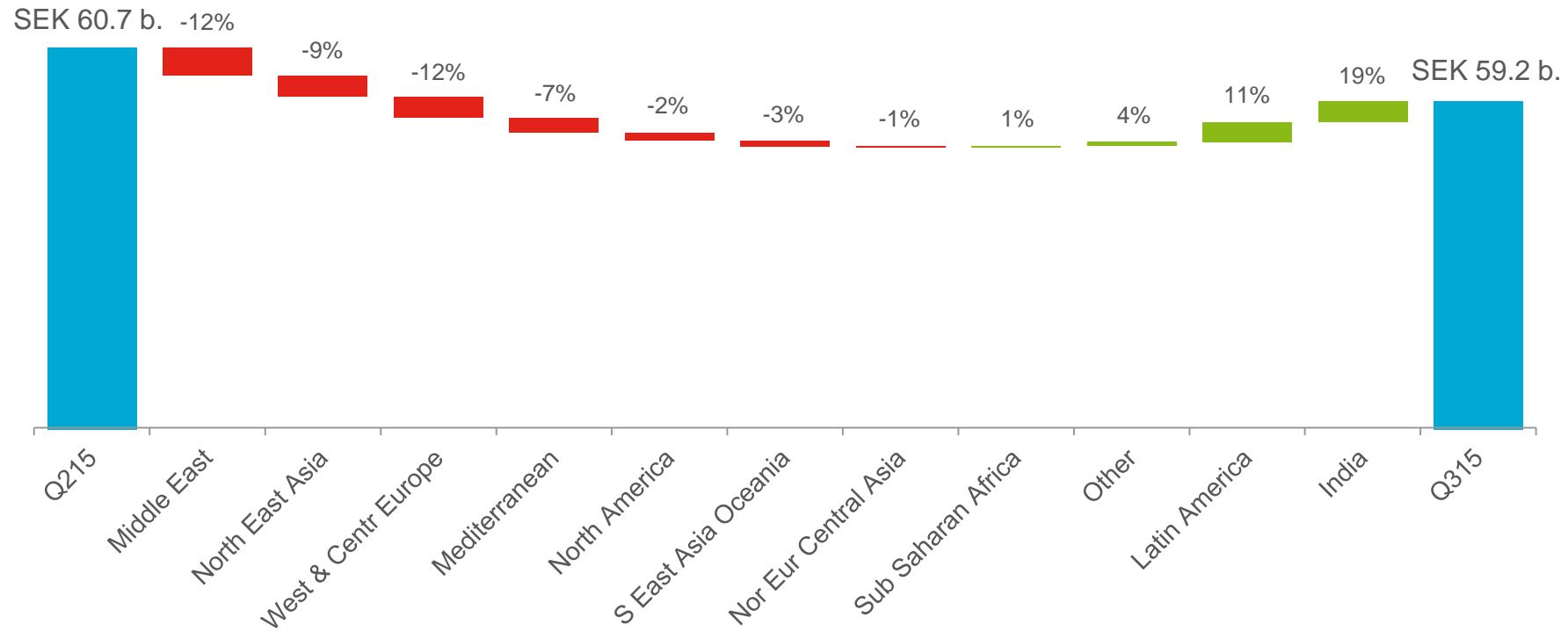
Q3 YoY



Growth driven by currency – adjusted sales down 9%

REGIONAL SALES

Q3 QoQ



Mainland China and the Middle East slowed down



JAN FRYKHAMMAR

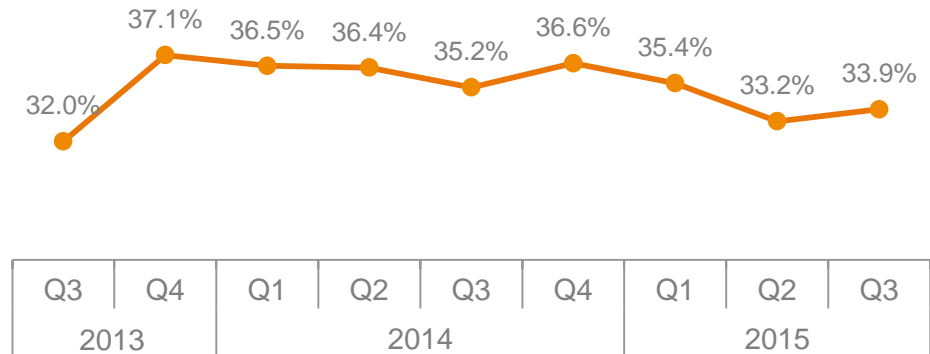
CFO and Executive Vice President

THIRD QUARTER



- › Gross margin 33.9% (35.2%)
 - Higher share of Services, approx. 3%
 - Higher restructuring charges
- › Gross margin increased QoQ
 - Lower restructuring charges
 - Partly offset by higher share of Services
- › Operating income improved YoY to SEK 5.1 (3.9) b.
 - Operating margin 9% (7%)
 - Net FX positive, despite negative hedge effect
 - Lower cost
 - Break-even in Network Rollout
 - Restructuring SEK 1.0 (0.3) b.
- › Operating expenses, excluding restructuring, decreased YoY to SEK 14.3 (15.2) b.
 - Global cost and efficiency program
 - Cost adjustments following lower volumes
 - FX a headwind

Gross margin



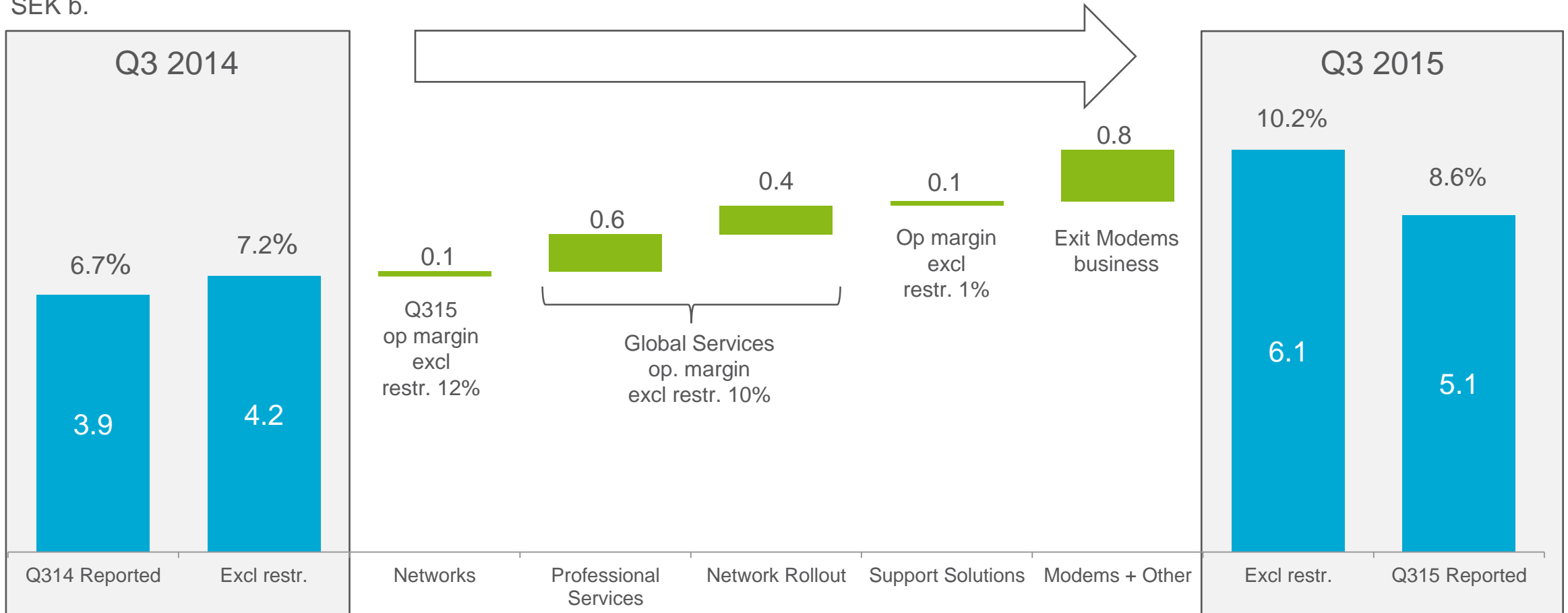
SEK b. Operating expenses



OPERATING INCOME YoY

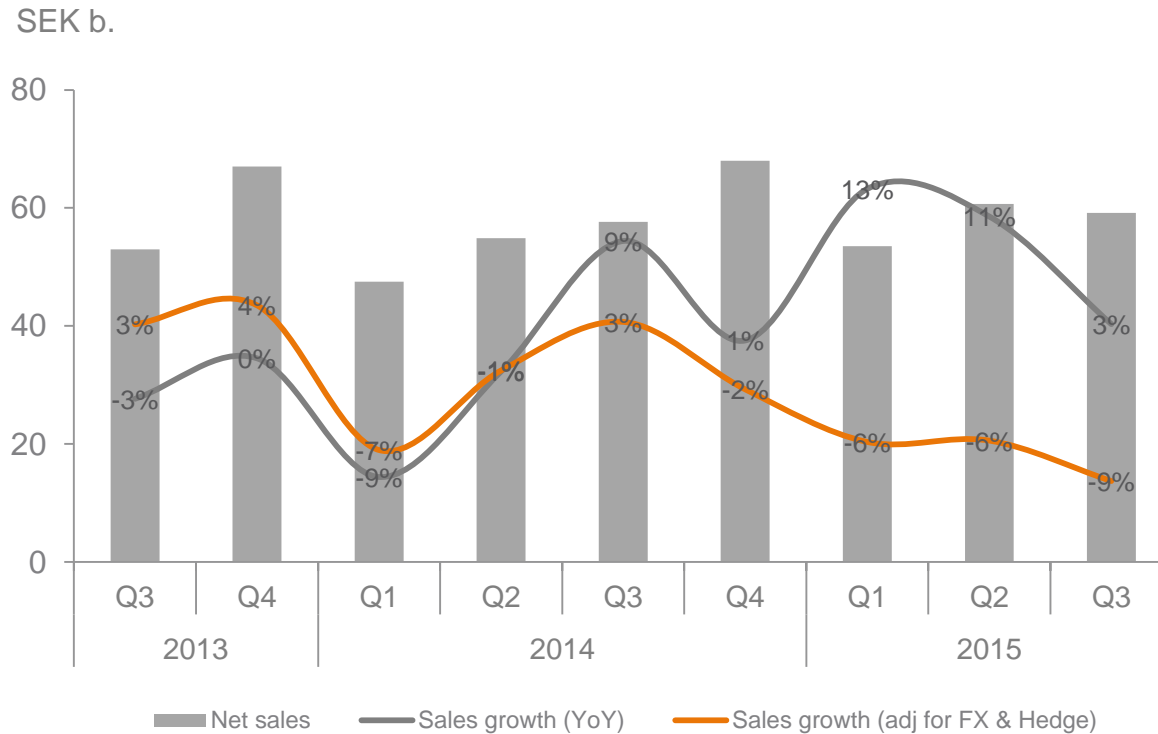


SEK b.



Margin improvements in all segments

SALES GROWTH – FX IMPACT



Sales YoY change, Q3 2015

	Reported	Organic and FX adj.
Networks	-4%	-15%
Global Services	11%	-2%
Support Solutions	8%	-8%
Group	3%	-9%

Changed method for translating FX exposure into SEK for income statement items.
 For details on method and currency rates, see ericsson.com/thecompany/investors

Currency still a tailwind, but to a lesser extent

CURRENCY MOVEMENTS



USD vs SEK



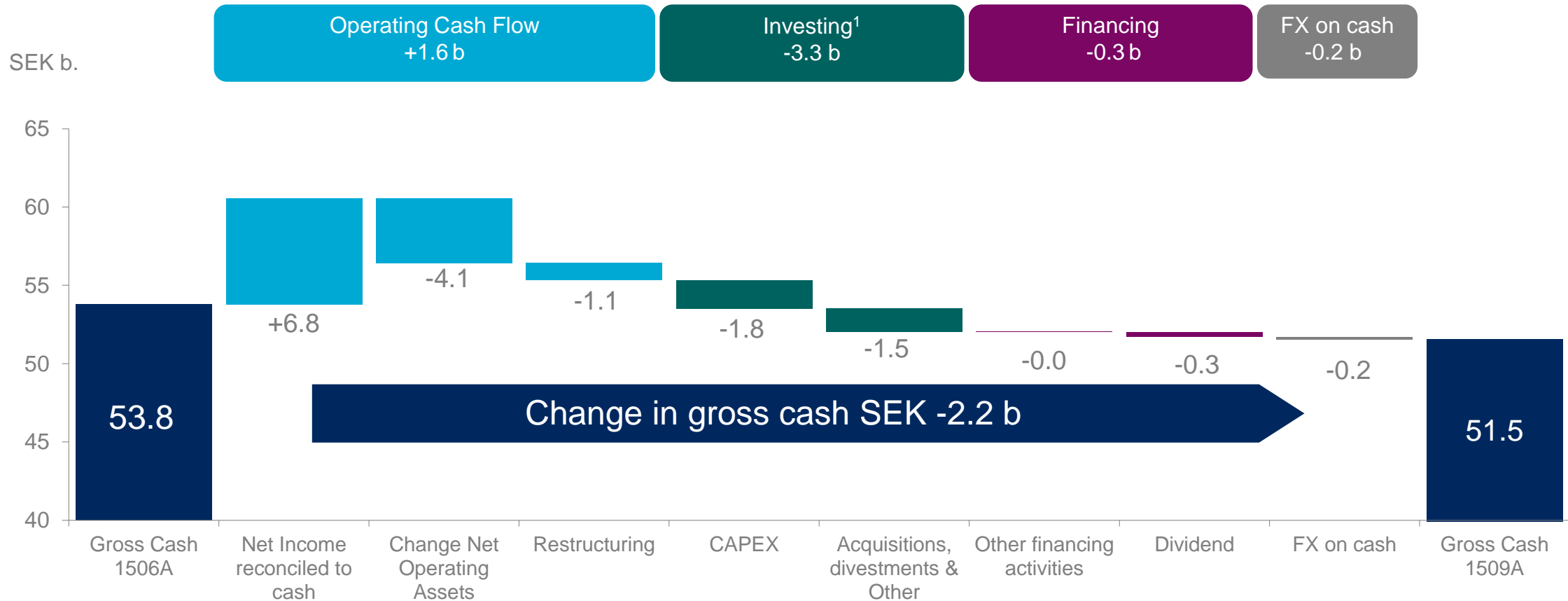
USD vs basket of six currencies



- › USD strengthened vs SEK from Q4 2014
 - USD weakened vs SEK in October compared to Q3

- › Brazilian Real and Russian Ruble have decreased >50% vs USD
 - Impacting mobile broadband investments in USD
- › Global Services, mainly local business
 - Impacting when translated to SEK

CHANGE IN GROSS CASH Q3



Change in net cash SEK -3.7 b. (from SEK 3.5 to -0.2 b.)

Increased working capital driven by high share of coverage projects

1) Excluding Short Term investments



HANS VESTBERG

President and CEO

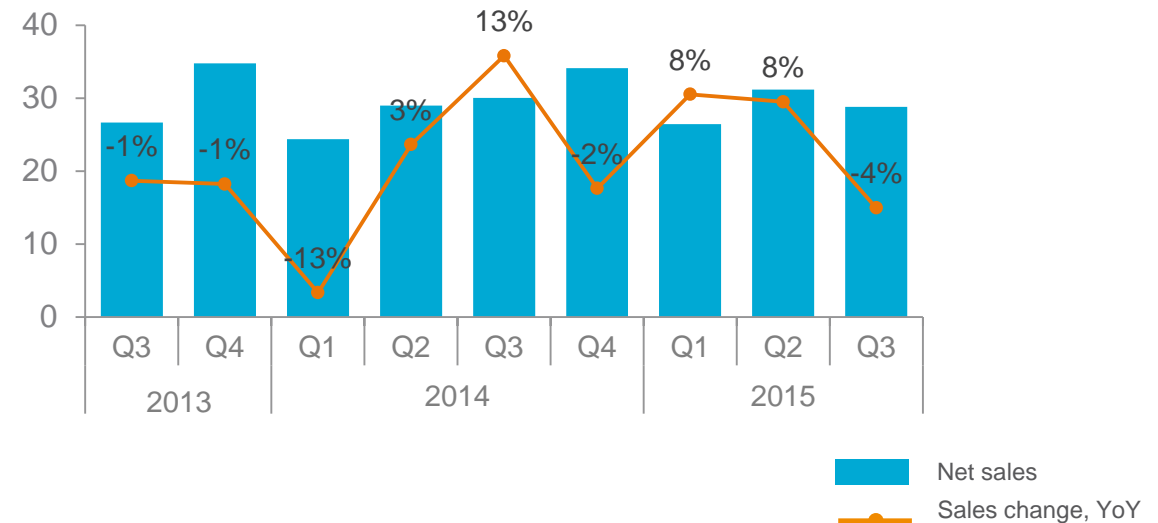
NETWORKS

- › Reported sales down 4% YoY
- › Organic FX adjusted sales down 15% YoY
 - Decline in all regions except India and South East Asia
- › Organic FX adjusted sales down 6% QoQ
 - North America stable, slowdown in Mainland China
 - Somewhat slower pace in some countries with weak macro development
 - Sales increased in India
- › Operating margin, excluding restructuring, 12% (11%)
 - Margin improved despite lower sales
 - Double-digit margin in 8 out of 9 latest quarters
 - Reduced currency hedge losses
 - Lower expenses and restructuring

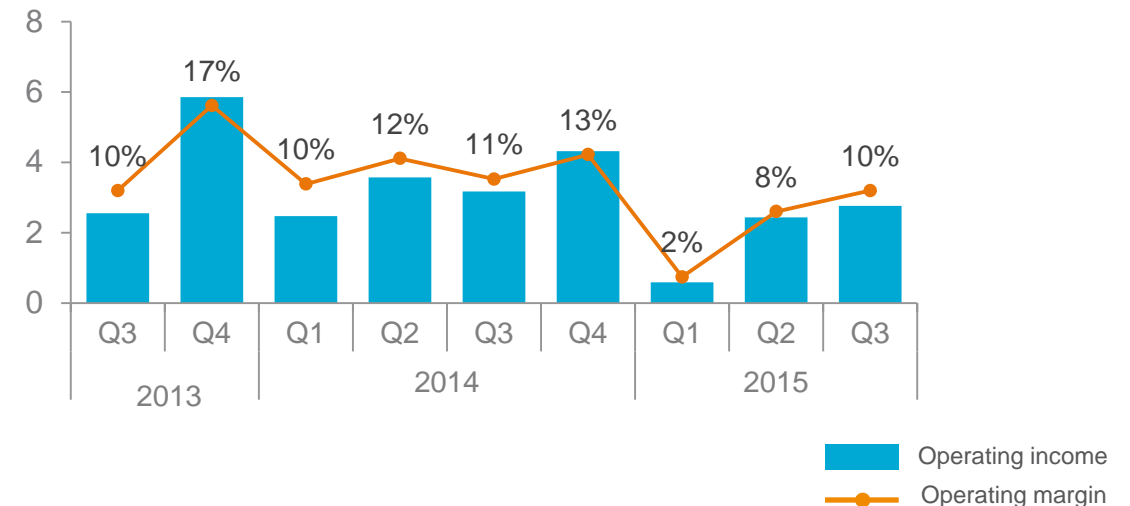
Ericsson Radio Systems started to ship in the quarter
 First lead customer for Hyper scale cloud (HDS) 8000



SEK b. Net sales and sales development



SEK b. Operating income and margin

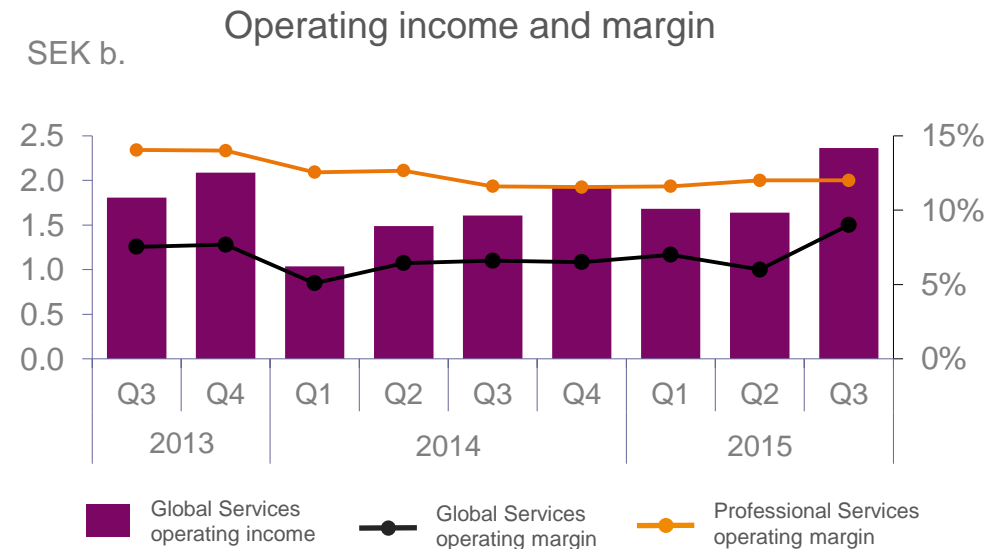
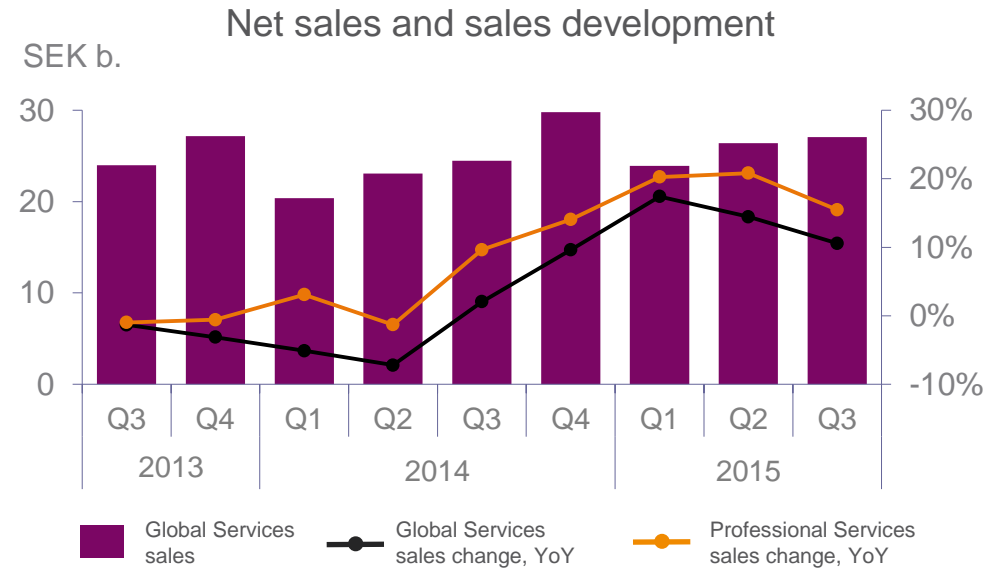


GLOBAL SERVICES



- › Reported sales up 11% YoY
 - Organic FX adjusted down 2%, as Network Rollout declined
- › Professional Services momentum, sales up 15% YoY
 - Double-digit growth in eight out of ten regions
 - Strong performance across the portfolio
- › Operating income, excluding restructuring, improved YoY to SEK 2.7 (1.7) b.
 - Record earnings
 - Operating margin was 10% (7%)
 - Network Rollout break-even
 - Improved earnings in Professional Services

75 Managed Services contract YTD (54)



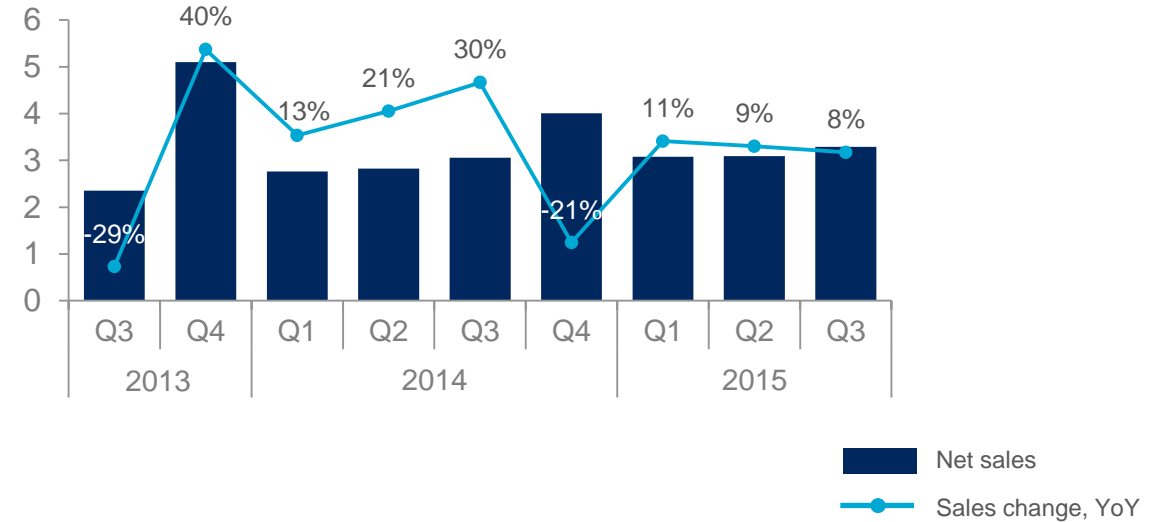
SUPPORT SOLUTIONS

- › Reported sales up 8% YoY
- › Organic FX adjusted sales down 8% YoY
 - Continued good development in OSS & BSS
 - TV & Media declined
- › Organic FX adjusted sales up 7% QoQ
- › Operating income and margin improved YoY
 - Driven by sales growth in OSS & BSS
 - Lower restructuring charges

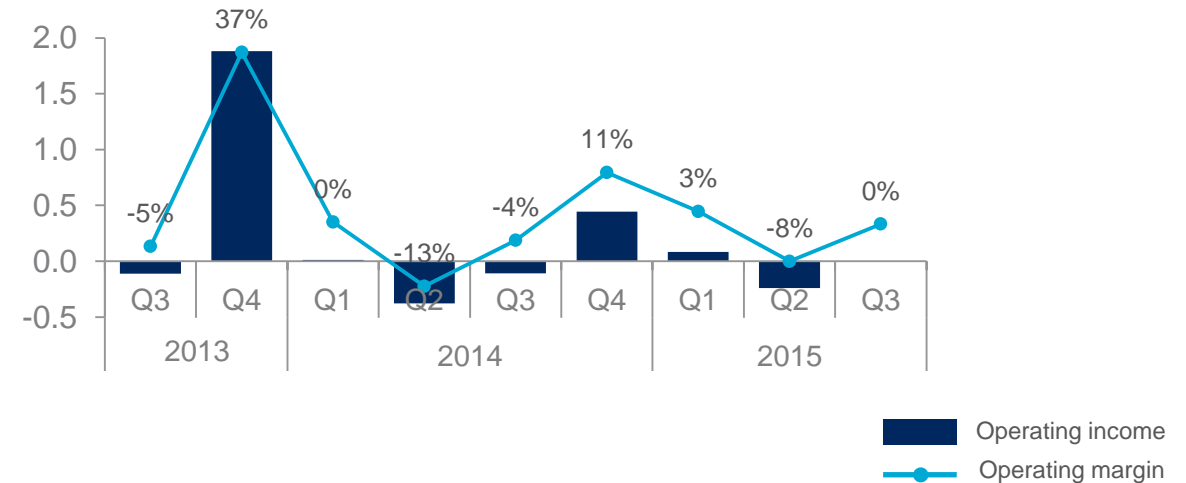
Acquire Envivio – global leader in software-based video encoding
Two key TV&Media customer announcements



SEK b. Net sales and sales development



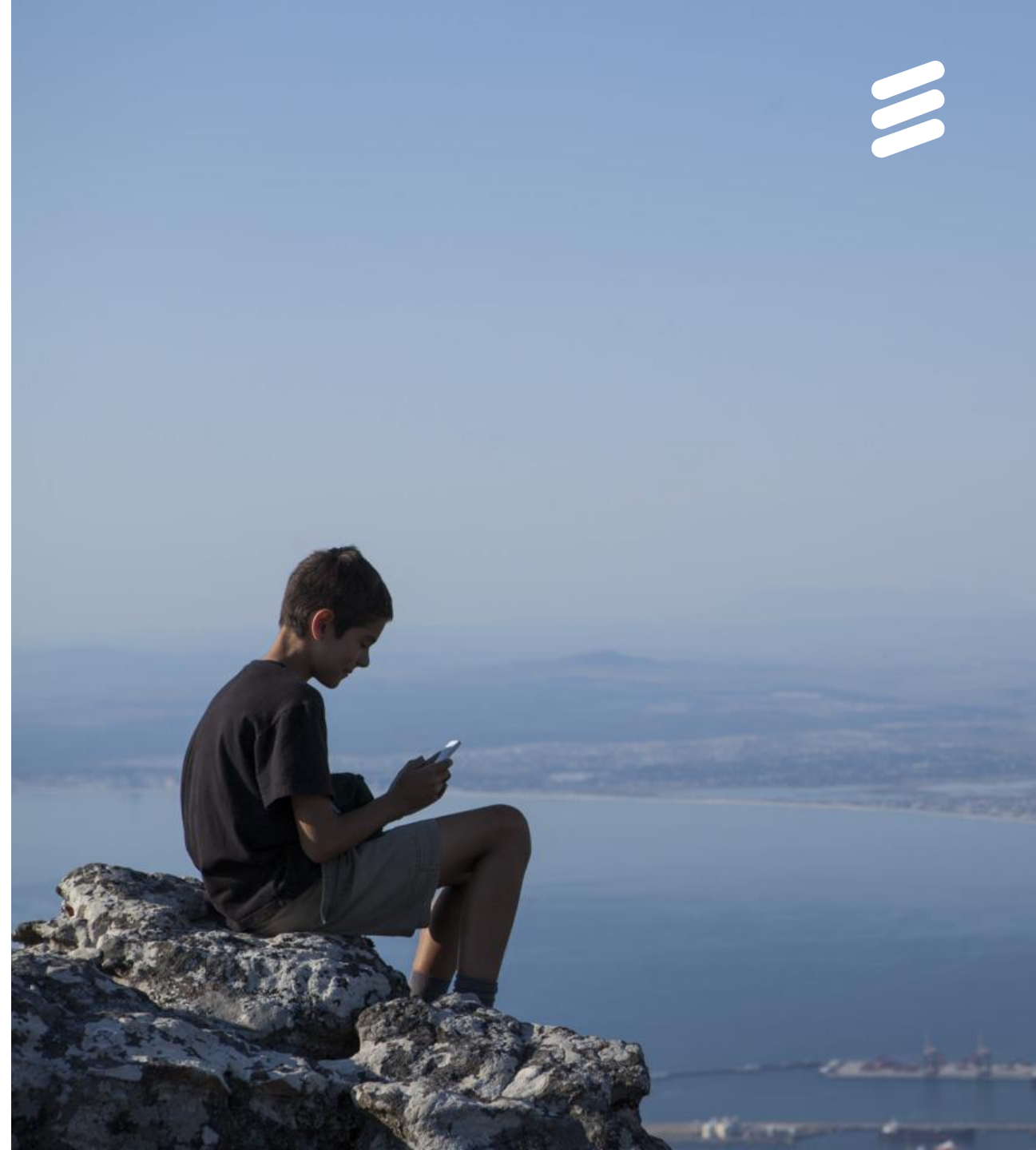
SEK b. Operating income and margin



CLOSING REMARKS



- › Slowdown of 4G deployments in Mainland China
- › Mobile broadband business in North America remained stable, but at lower level than last year
- › Emerging market impacted by weak macro development
- › Global Services
 - Strong demand for Professional Services
 - Double-digit growth in 8 out of 10 regions
- › Network Rollout break-even
- › Fast pace in company transformation
 - Global cost and efficiency program on track
 - Contributing to lower cost levels in the quarter
 - Full-year 2015 restructuring is expected to be ~SEK 5 b.
 - Good traction in targeted growth areas





Q&A



ERICSSON



ERICSSON CAPITAL MARKETS DAY NOVEMBER 10, KISTA - STOCKHOLM

Latest update on our business and strategy

<http://www.ericsson.com/ericsson/investors/events/2015/capital-markets-day-2015.shtml>

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