



CASH FLOW AND BALANCE SHEET FINANCIAL RESILIENCE

CAPITAL MARKETS DAY 2017

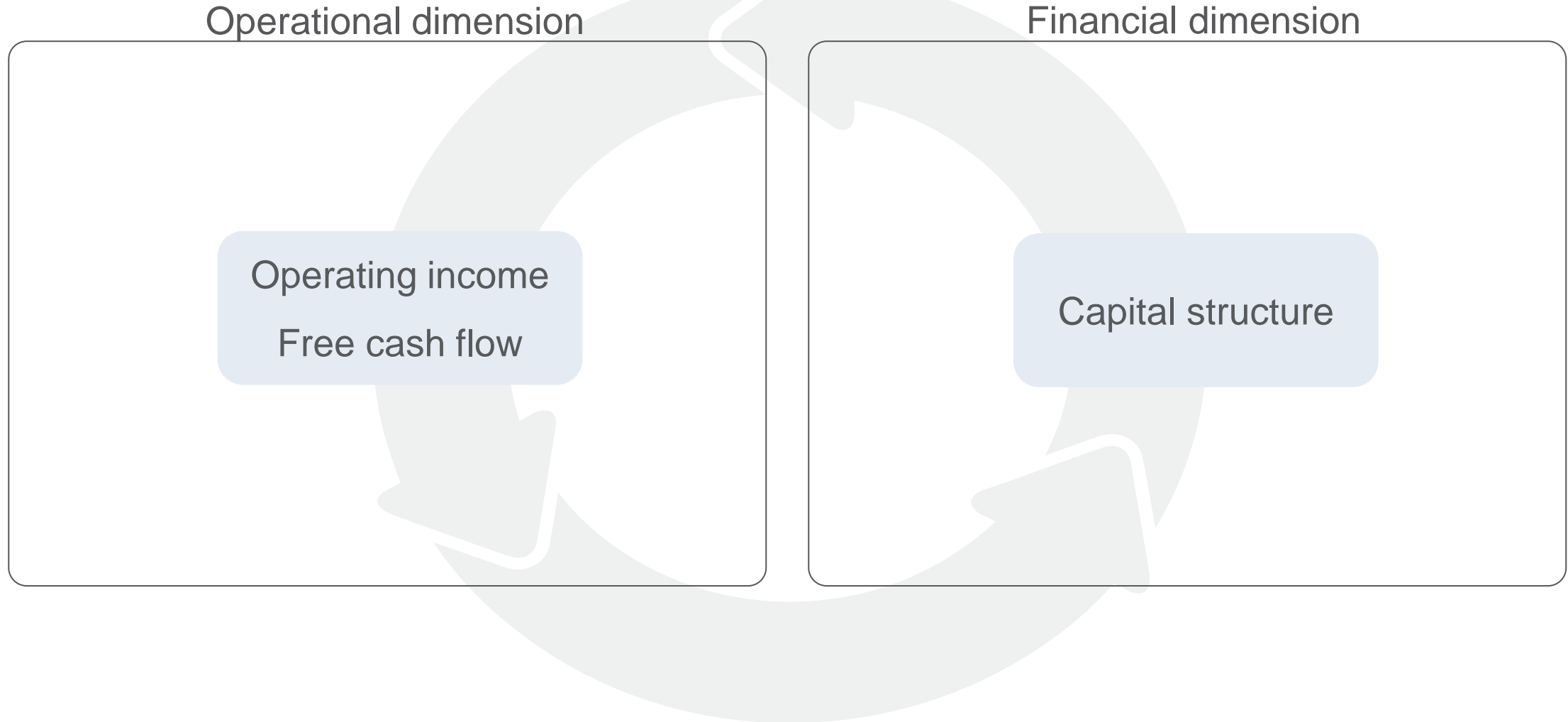
NOVEMBER 7-8, 2017 NEW YORK



CARL MELLANDER

CFO

SECURING FINANCIAL RESILIENCE



SECURING FINANCIAL RESILIENCE



Operational dimension

Financial dimension

Operating income
Free cash flow

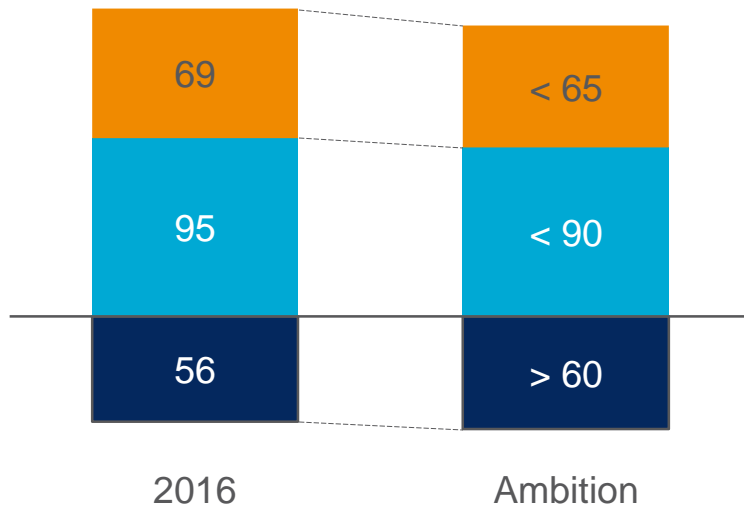
Capital structure

WORKING CAPITAL EFFICIENCY



Working capital days 2016 and ambition

Inventory Payable
Sales outstanding



Changing business mix and new portfolio reduce capital requirement

Collection and credit management

Release cash through sourcing and supply chain management

Balance sheet accountability and cash-oriented incentives

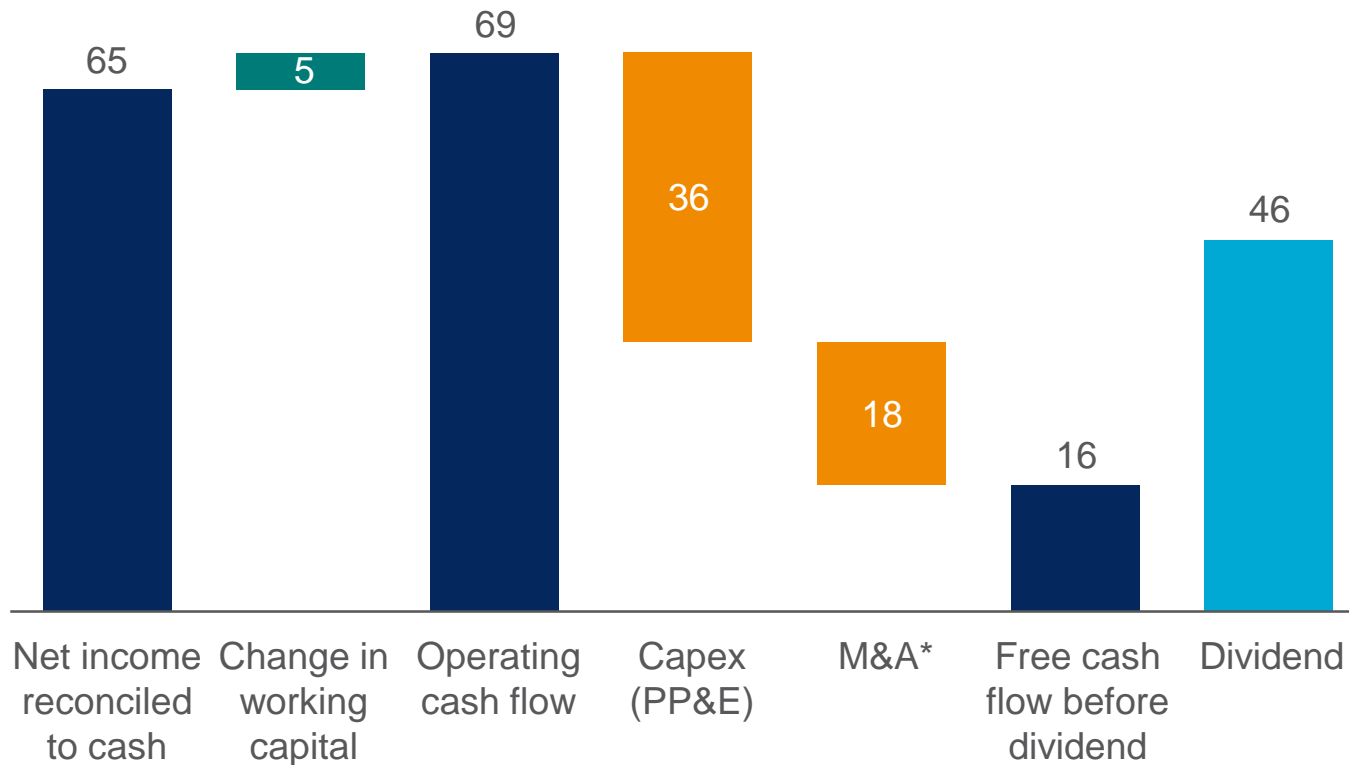
Working capital: Inventory + Sales outstanding – Payable
Net sales: Rolling 12 months

Long-term ambition to reach below 100 working capital days

FREE CASH FLOW AND USAGE OF CASH



Cash flow and usage 2013 to Q3 2017 (SEK b.)



Capex PP&E & development

- › ~3% of net sales per annum 2013-2016
- › Planning assumption going forward ~2%
- › Limited capitalization of development expected

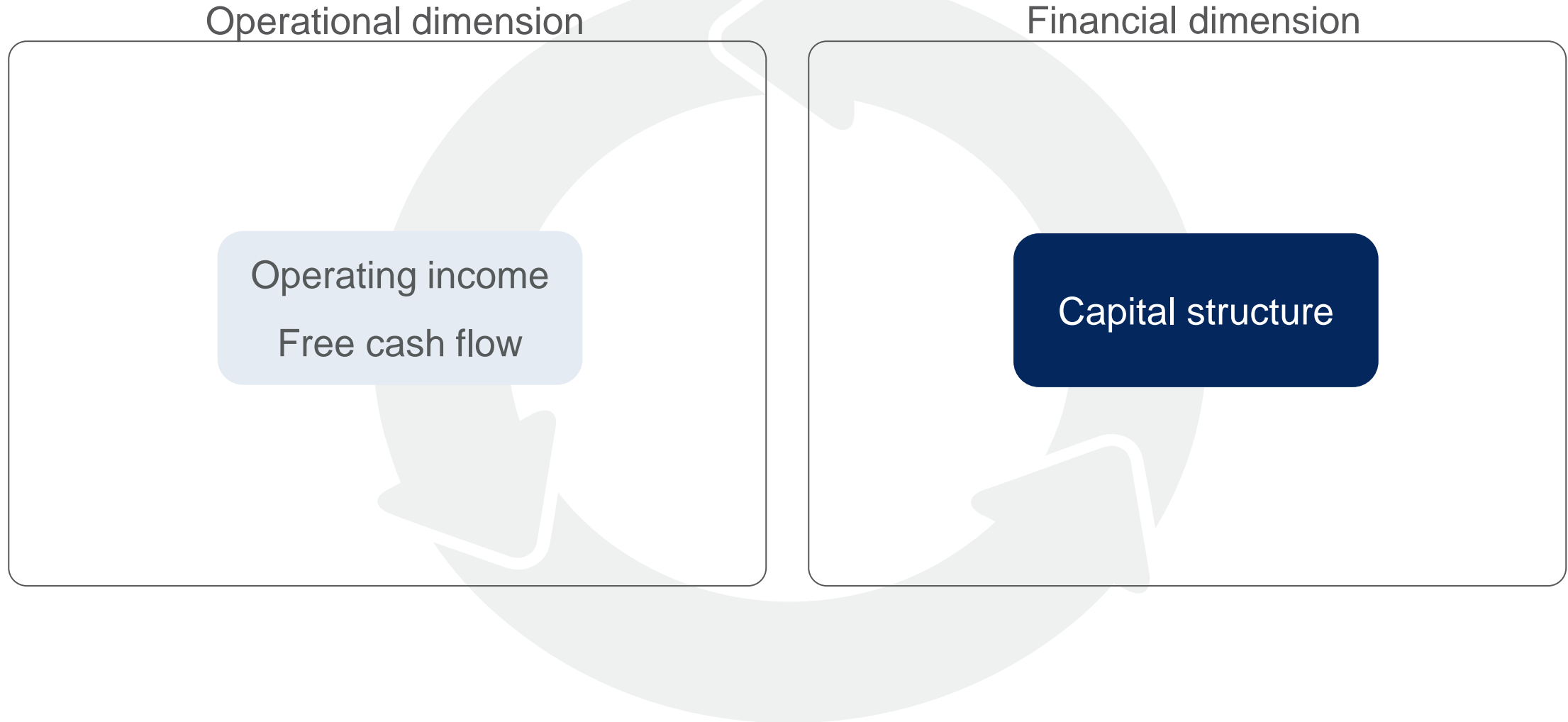
Acquisitions and divestments

- › M&A* on average SEK 4.5 b. per annum 2013-2016
- › Divestment of power modules in 2017
- › Selective acquisitions and divestments going forward

* Including "Other investing activities"

Cost & capital efficiency and capex discipline to deliver positive free cash flow

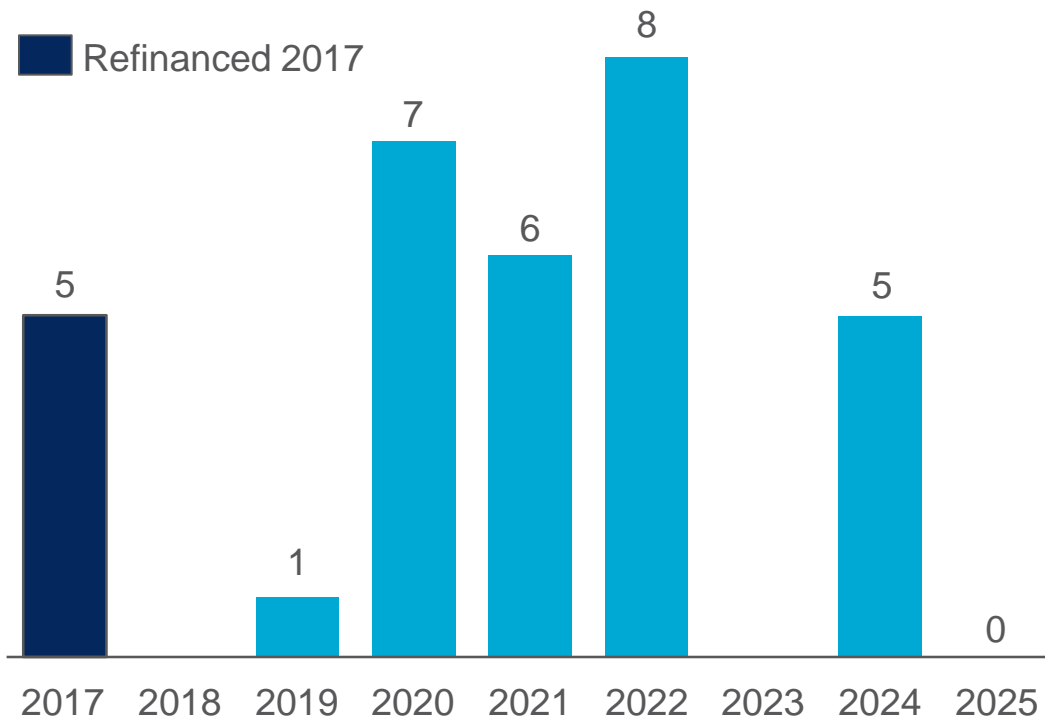
SECURING FINANCIAL RESILIENCE



DEBT MATURITY PROFILE



Debt maturity profile (SEK b.)



Well-diversified debt maturity profile

Successfully refinanced the EUR 2017 maturity in Q217 and issued one additional EUR 500 m. bond at attractive terms

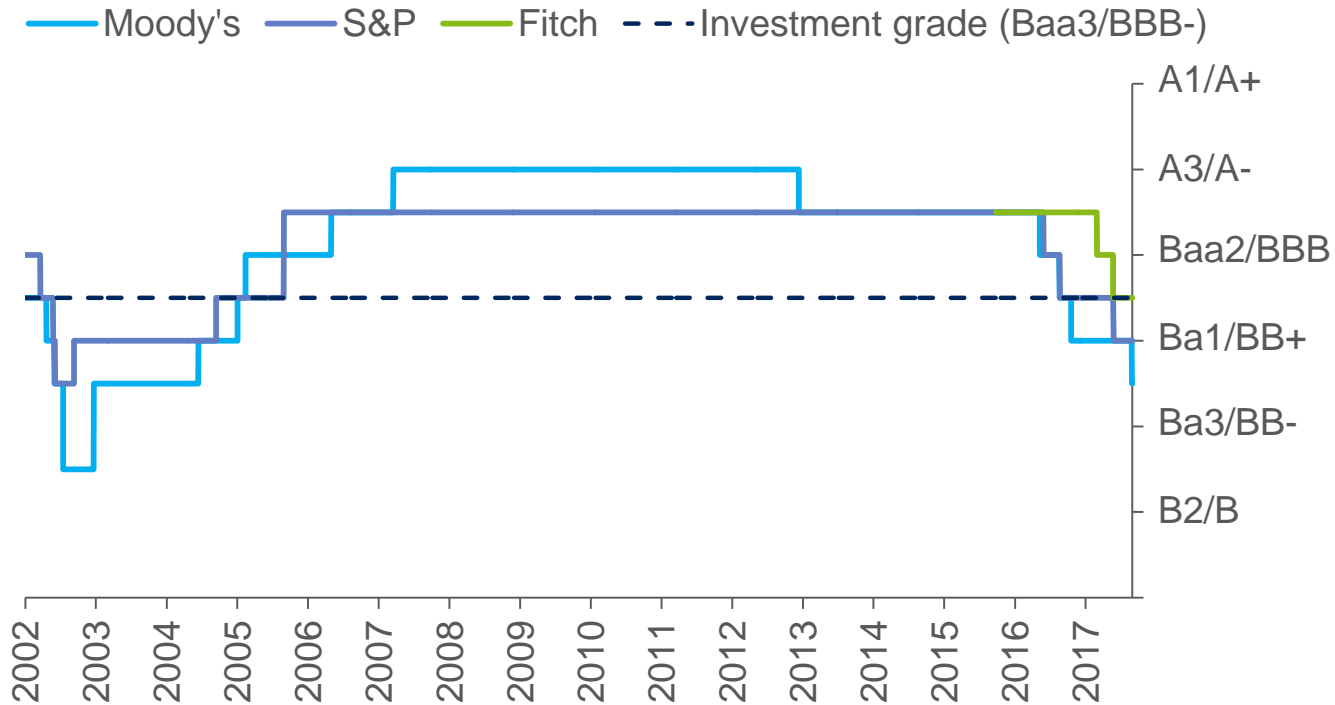
Good access to the debt capital markets

Opportunistic approach to available funding alternatives

CREDIT RATING



Credit rating history 2002-2017



Recent downgrade to BB+ and Ba2 by S&P and Moody's, respectively

- Drivers for downgrades according to agencies:
- Declining RAN market
 - Earnings level
 - Timing of turnaround

However, rating supported by strong balance sheet with ample liquidity and committed owners

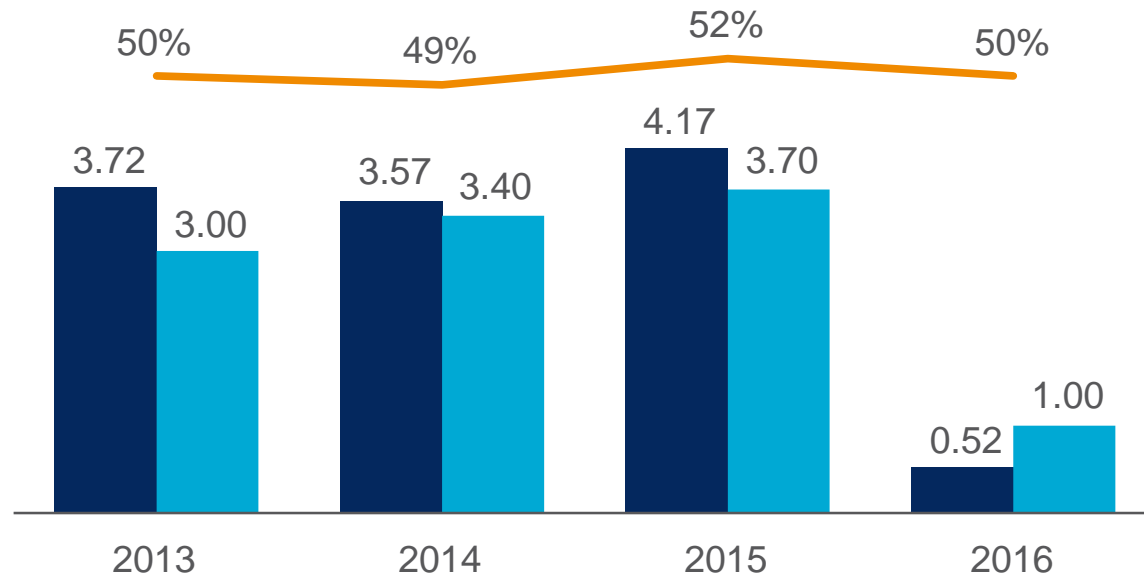
Executing on the strategy and restoring profitability key to regain Investment grade rating

EPS AND DIVIDEND DEVELOPMENT



EPS and dividend (SEK/share)

■ EPS ■ Dividend — Equity ratio



Dividend policy takes into account last year's earnings and balance sheet structure, as well as coming years' business plans and economic development

Ambition to increase dividend over time as financial performance improves

CAPITAL STRUCTURE STRATEGY



2020

- Safeguard liquidity position and provide flexibility to invest in R&D and execution
- Several actions taken 2017 to preserve capital and establish strong cash position
- USD 2 b. Revolving credit facility extended to 2022 and opportunistic approach to funding

Positive free cash flow

- Optimize the capital structure based on improved business performance
- Restore Investment grade rating
- Deliver strong free cash flow enabling dividend growth

Strong free cash flow

FINANCIAL AMBITION



Operational dimension

	Target ²	2017 Q3 rolling 4Q
Op margin ¹	>10% (2020) >12% (>2020)	2.9%
Free cash flow	Positive (<2020) Strong (>2020)	SEK 9 b.

Financial dimension

	Ambition	2017 Q3
Equity ratio	>40%	43%
Net cash	>Pension liability	SEK 24.1 b.
Cash conversion ³	>70%	n/a
Credit rating	Solid inv. grade	BB+/Ba2

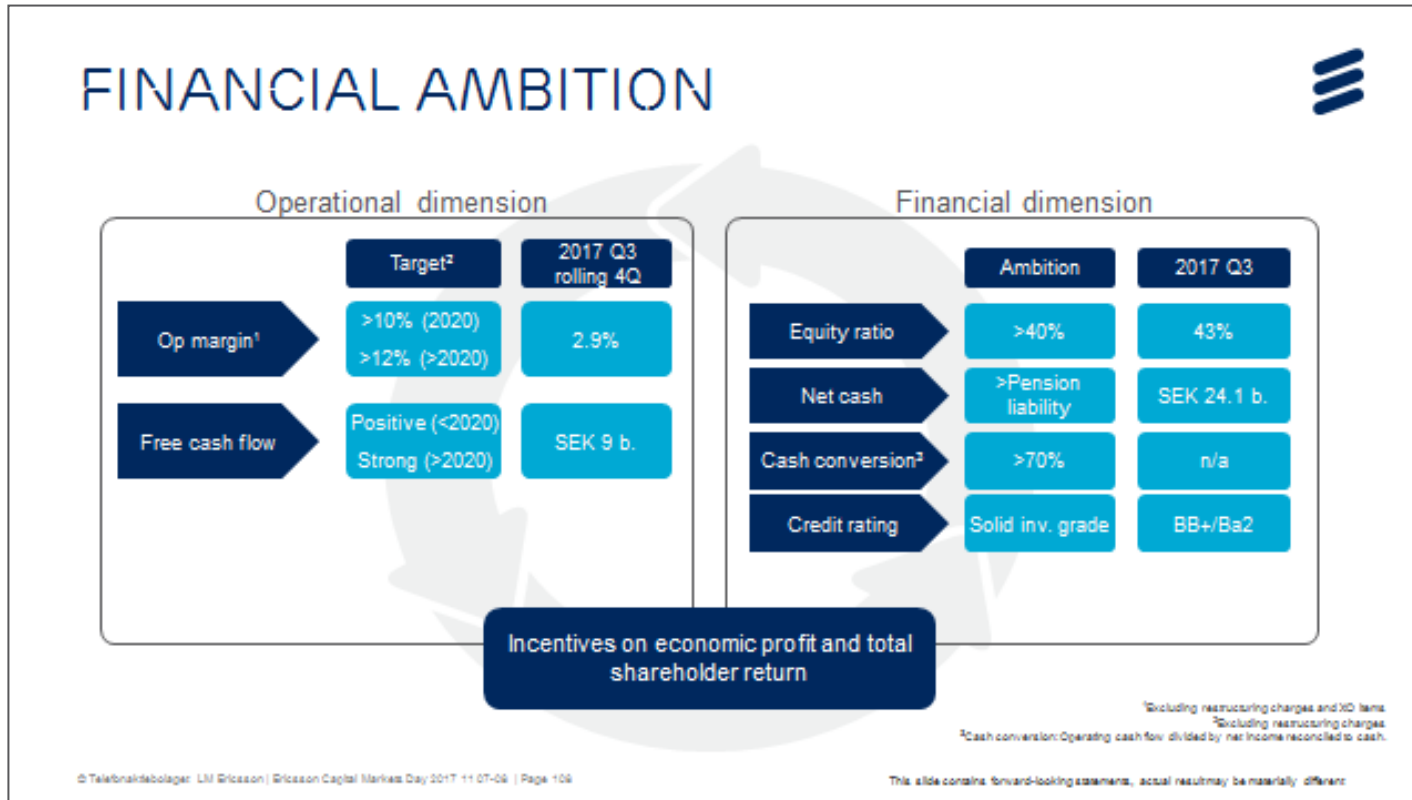
Incentives on economic profit and total shareholder return

¹Excluding restructuring charges and XO items

²Excluding restructuring charges

³Cash conversion: Operating cash flow divided by net income reconciled to cash.

CFO FOCUS AREAS



Secure resilience

Improve visibility and accountability

Drive focus on profit and cash