

A small, white drone with four rotors and a central sensor or camera is shown in flight against a blue background. The drone is slightly out of focus, suggesting motion.

NETWORKS

CAPITAL MARKETS DAY 2017

NOVEMBER 7-8, 2017 NEW YORK



FREDRIK JEJDLING

Executive Vice President & Head of Networks

KEY TAKEAWAYS



Challenging starting point

- › RAN market in decline - expected to decline medium term and flatten out by 2020
- › Our market share has declined
- › Our profitability has been impacted by lack of competitiveness and price pressure

Strategic priorities

- › Invest in R&D for Technology and cost leadership
- › Improve competitiveness for selective market expansion
- › Acceleration of 5G with lead customers

Ambition

- › Re-establish technology differentiation through faster innovation. Faster innovation = gross margin accretive
- › Provide “cost per byte” advantage for our service provider customers
- › Selective market expansion

Action plan

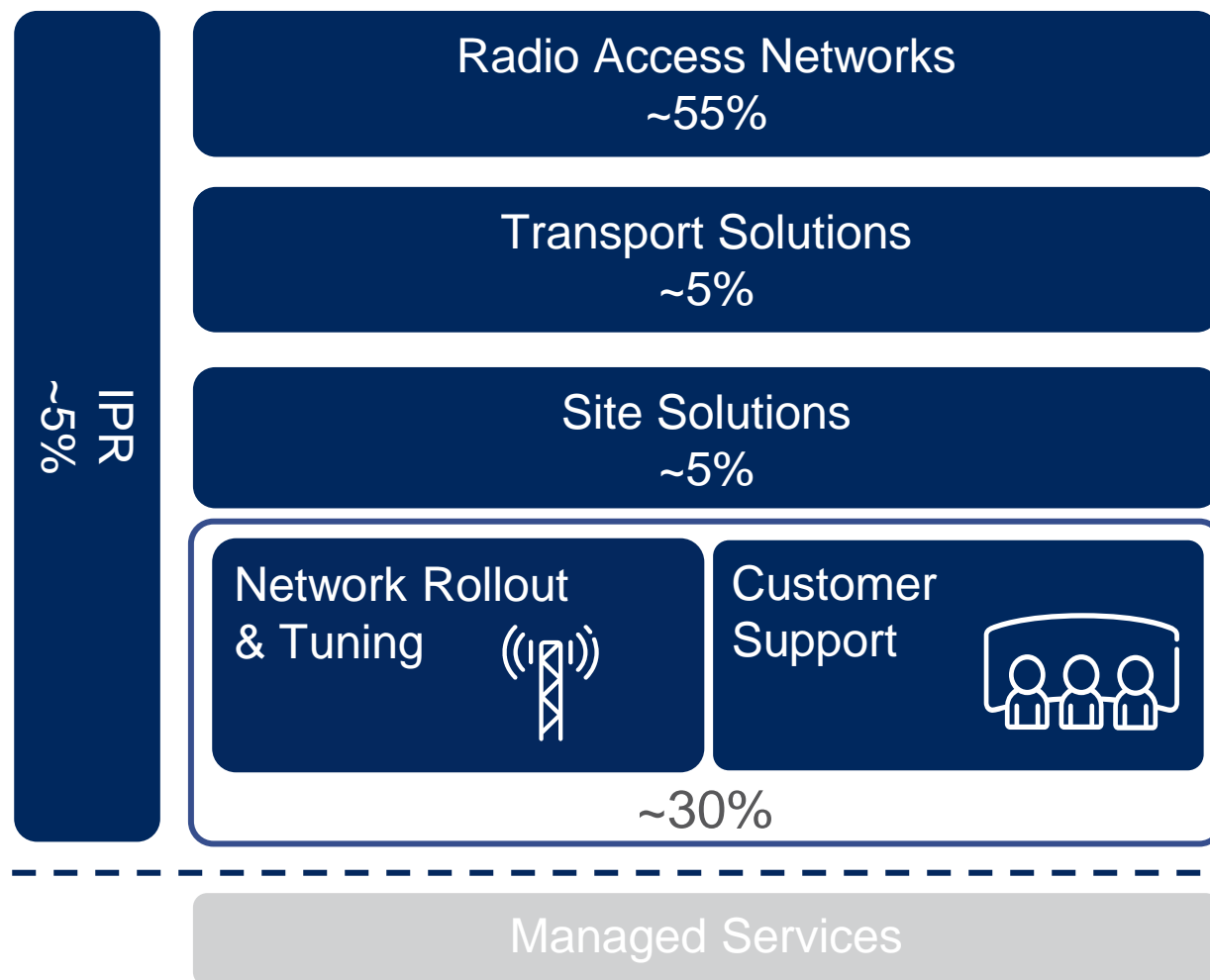
- › Seven strategy execution programs established with clear targets defined

¹Unaudited and preliminary

²Unaudited and preliminary, excluding restructuring charges and XO items

Target for 2020: Operating margin of 15%-17%¹ in 2020 from 13-14%² as of today

NEW SEGMENT NETWORKS OVERVIEW



¹Unaudited and preliminary

²Unaudited and preliminary, excluding restructuring charges and XO items



OUR STRATEGY & EXECUTION

MARKET SITUATION



70% YoY traffic growth

Expansion opportunities e.g. IoT, fixed wireless, mission critical communication, 5G

Spectrum allocations more than doubling for LTE/5G

50% of world population have no access to LTE



Flat service provider revenues - challenges to monetize data

RAN equipment market still in decline -8% (2017), -2% (2018), -1% (2019), 0% (2020)¹

Communication service providers focused on cost

Price and availability of new spectrum

¹ Source Dell'Oro

CUSTOMER FOCUS



We make our customers uniquely competitive through our highly scalable modular platforms offering **lowest cost per byte** with the best user experience

We deliver made to order **solutions in less than half the time** of industry standards through innovation, speed and scale

OUR
CUSTOMER
PROMISE

STRATEGIC PRIORITIES



Invest in technology and cost leadership

Increased R&D investments to accelerate key radio platforms, products and serviceability
Rapid product introduction, Service delivery efficiency and streamlining



Improve competitiveness for selective market expansion

Differentiation through new platforms, key feature development and portfolio expansion
Enable and support a smooth network evolution
5G ready infrastructure today to prepare for the future



Acceleration of 5G with lead customers

5G solution and architecture for enhanced Mobile Broadband & Fixed Wireless initially
Joint innovation and collaboration for a successful 5G introduction
Industry collaboration to set foundation for expanded scope

STRATEGY EXECUTION WORK STREAMS



Invest in technology and cost leadership



Improve competitiveness for selective market expansion



Acceleration of 5G with lead customers

World class R&D

Competitive product portfolio

Supply excellence

Service delivery excellence

Selective market expansion and installed base monetization

Commercial and pricing strategy

Lead in 5G – Lead customer engagement excellence

EXECUTION PROGRESS

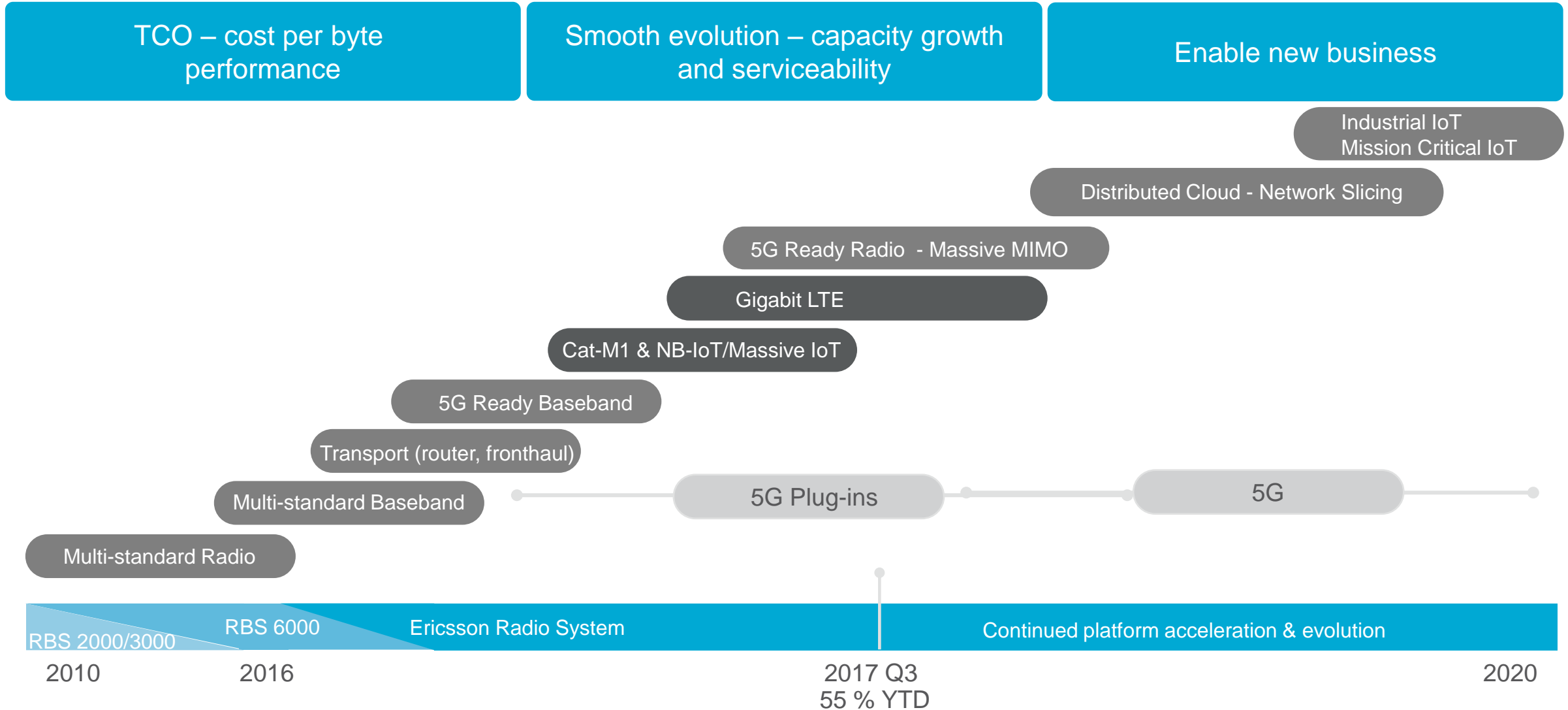


	Ambition 2020	Progress Q3 2017
World class R&D	Development lead time reduction Capability build up	15% of target ~1,200 ¹
Competitive product portfolio	Ericsson Radio System 100% ²	55% YTD
Supply excellence	Supply cost reduction 30%	10% YTD
Service delivery excellence	Service delivery cost reduction 30%	7% YTD

¹R&D recruitments 2017 Q3 YTD

²2018 target

COST AND TECHNOLOGY DIFFERENTIATION



MARKET



North America

5G on everyone's agenda
Enhanced MBB in focus and fixed wireless being explored

Europe

LTE roll out continue
5G industrial experimentation and trials

China & North East Asia

Strong 5G focus driven by Industrial Internet
Olympics becoming showcases

South America

Recover from challenging macro economic
LTE roll out increases

Africa & Middle East

Challenging macro economic
LTE momentum increases

South East Asia & India

LTE momentum increases
Strong traffic uptake in some countries





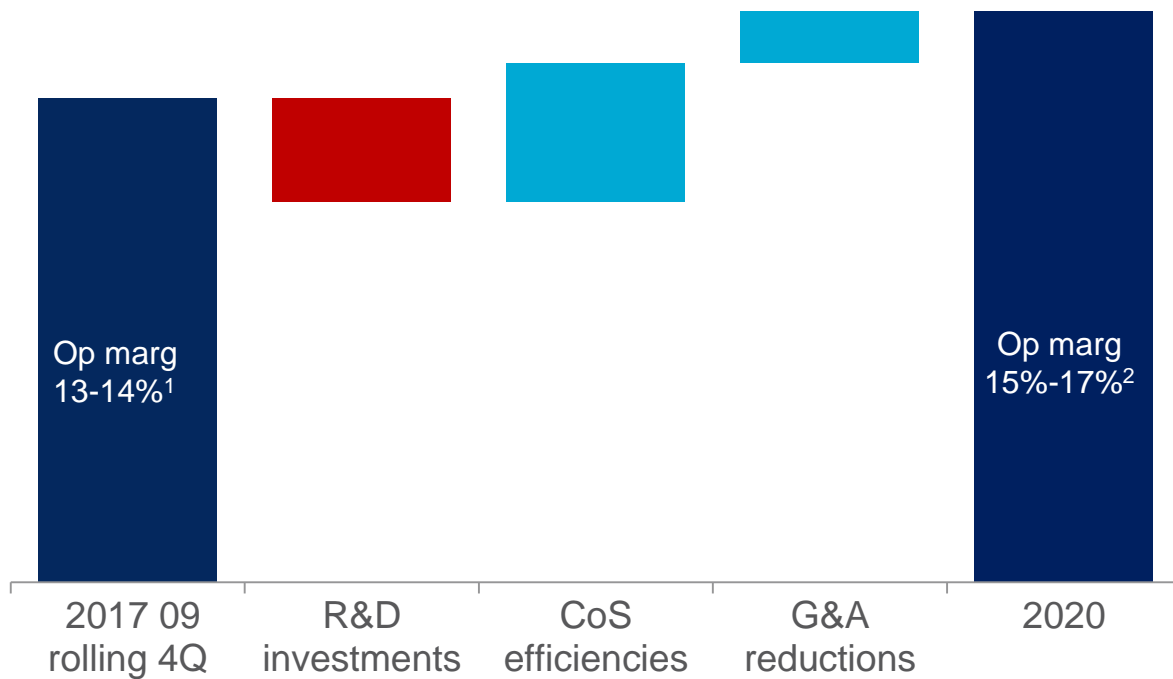
SUMMARY

FINANCIAL AMBITION

New segment Networks



Illustrative



Part of SEK 10 b. cost program

R&D investments:

- › Accelerate key radio platforms, products and serviceability
- › Rapid product introduction, service delivery efficiency and streamlining

Cost of sales efficiencies:

- › Release and ramp-up new generations of radio platforms
- › Improved service delivery and increase serviceability in products
- › Take out cost of supply chain, increase outsourced production
- › Focus Networks rollout business

G&A cost reductions

- › Streamlined G&A organization

¹Unaudited and preliminary numbers, excluding restructuring charges and XO items

²Excluding restructuring charges

Target for 2020: Operating margin of 15% -17%² and net sales of SEK 128-134 b.

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