



ERICSSON

# MODEMS ANNOUNCEMENT

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# PETER NYQUIST

Vice President Investor Relations

# MODEMS ANNOUNCEMENT

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

JAN FRYKHAMMAR

CFO and Executive Vice President

# KEY POINTS



- › All development and sales of new LTE thin modems discontinued, current customer commitments on M7450 maintained
- › Redirecting investment from modems to radio networks to better capture opportunities
- › Shifting parts of Modems' resources into Radio R&D





# WHY THIS CHANGE FOR MODEMS?



# EXECUTION ON BUSINESS PLAN



Carve-out and  
integration

Ensuring smooth  
transition



Predictable R&D  
execution

Getting M7450 on the  
market in time



Design wins

Securing revenues  
starting in Q3

Our challenge

Changed market  
dynamics



# CHANGED MARKET DYNAMICS



## Reduced addressable market for thin modems

- ModAps gaining ground in premium segment
- Market leader's strong position with one of the two key OEMs

Lower volumes

## Strong competition

- Accelerating pace of technology innovation
- Causing rapid price erosion

Lower prices

## Need for significant increase in R&D spend

- To establish annual product cadence
- To keep up with accelerated pace of technology innovation

Higher cost

Ericsson has decided to shift away from modem development to increase focus on opportunities in radio networks





# WHAT DOES THIS MEAN?



# THREE IMPLICATIONS FOR ERICSSON



1

M7450 delivery to key customer will continue as planned

- Ericsson has successfully taken M7450 to the market and will honor our current commitments

2

M7500 and future generation products will be discontinued

- All customers are being informed today

3

Intention to reduce and redeploy workforce\*

- Currently 1,582 employees across 14 countries in Modems
- New radio R&D site will be established in Lund, Sweden, with ~500 new positions

\* Subject to local co-determination negotiations with employee representatives

# FINANCIAL IMPLICATIONS



- › Revenues related to M7450 will be generated when honoring current commitments. Volumes are dependent on customer success.
- › OPEX estimate for Segment Modems remains, approx. SEK 2.6 b for 2014
- › Significant reduction in costs related to the Modem business in 1H 2015 and from 2H 2015 no impact on group P&L
- › Segment Modems will continue to be reported separately until end 2014



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