



ERICSSON FOCUSED BUSINESS STRATEGY

March 28, 2017

PETER NYQUIST

Vice President Investor Relations

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.

BÖRJE EKHOLM

President and CEO

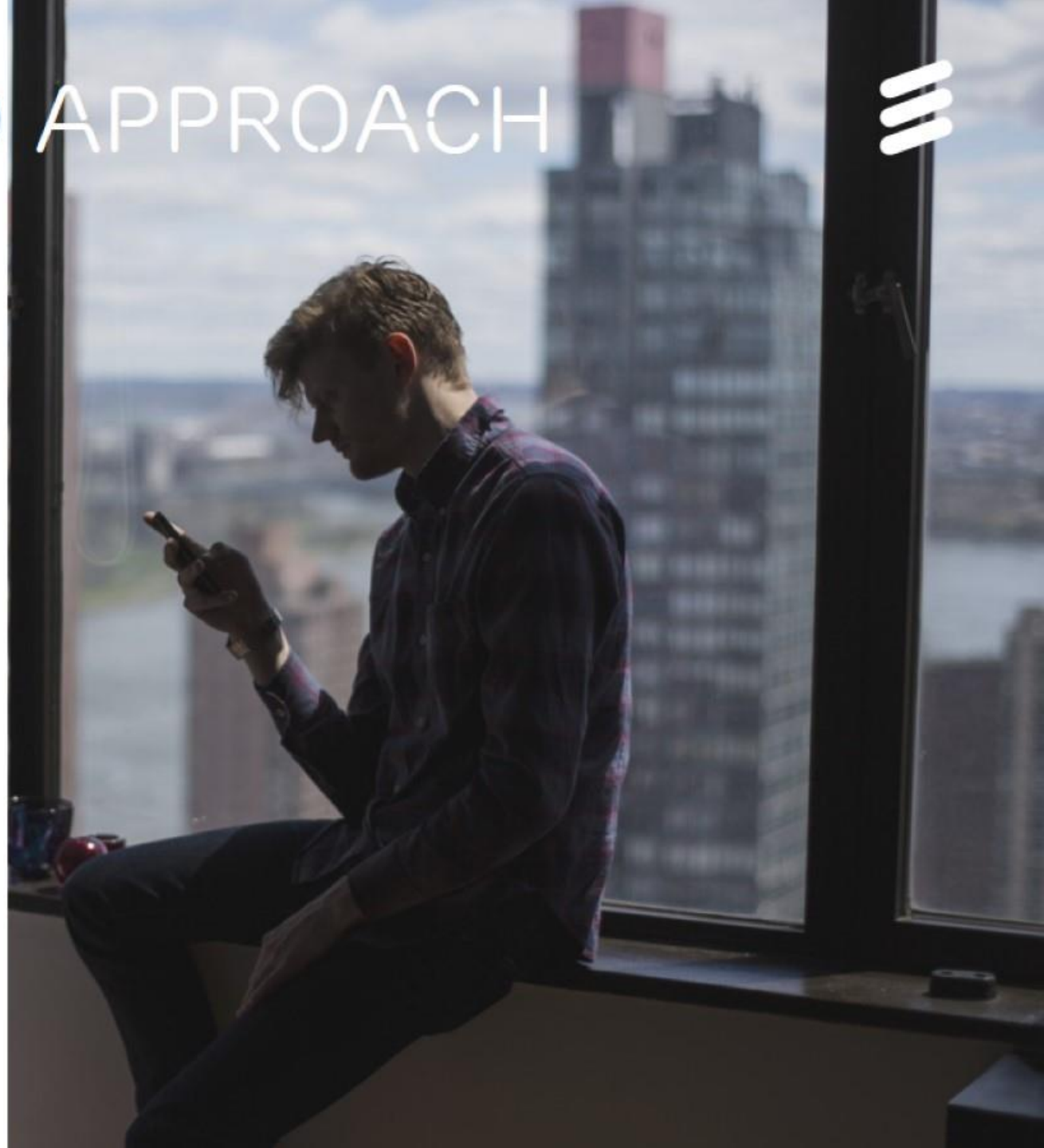
CARL MELLANDER

Chief Financial Officer

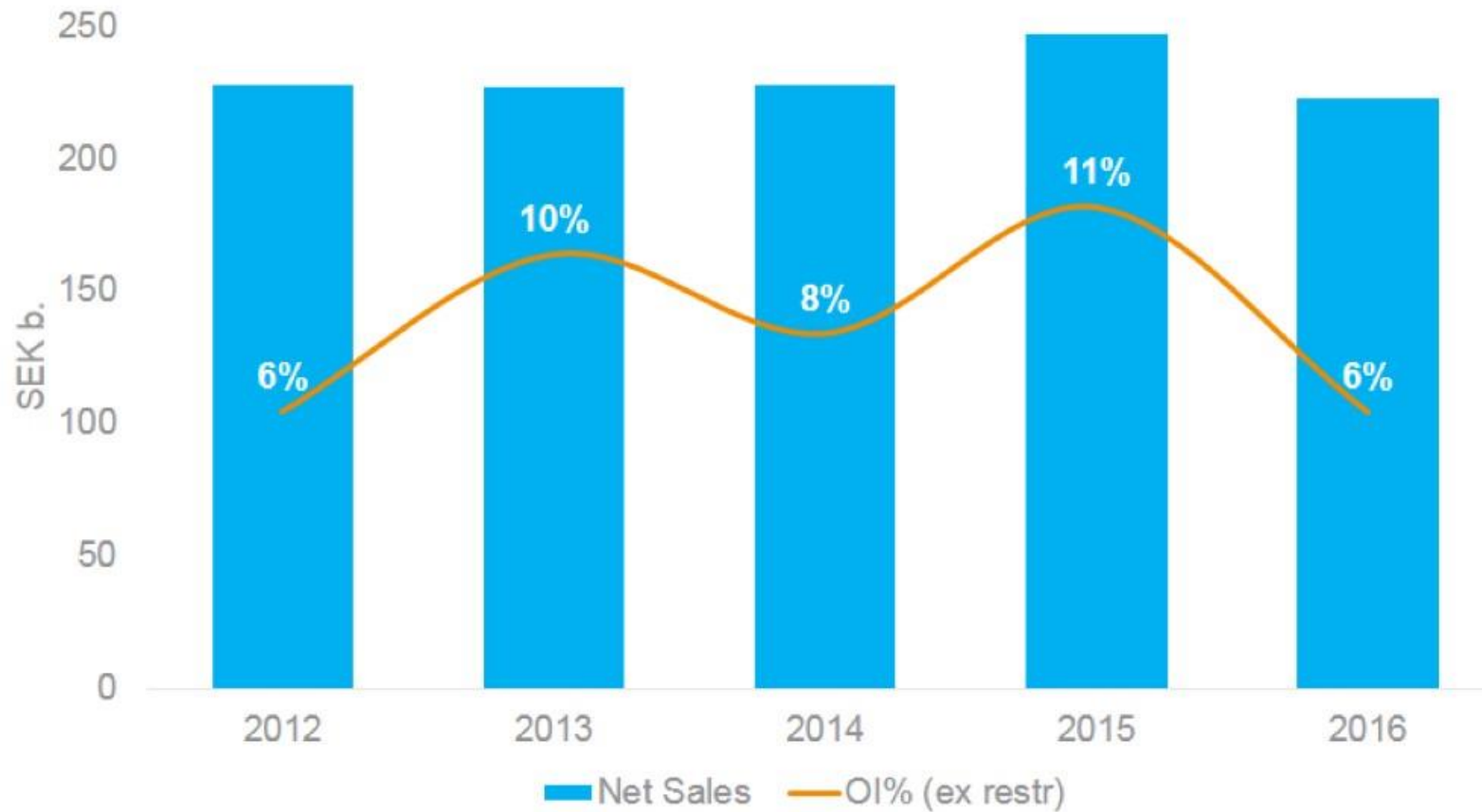
BACKGROUND AND APPROACH



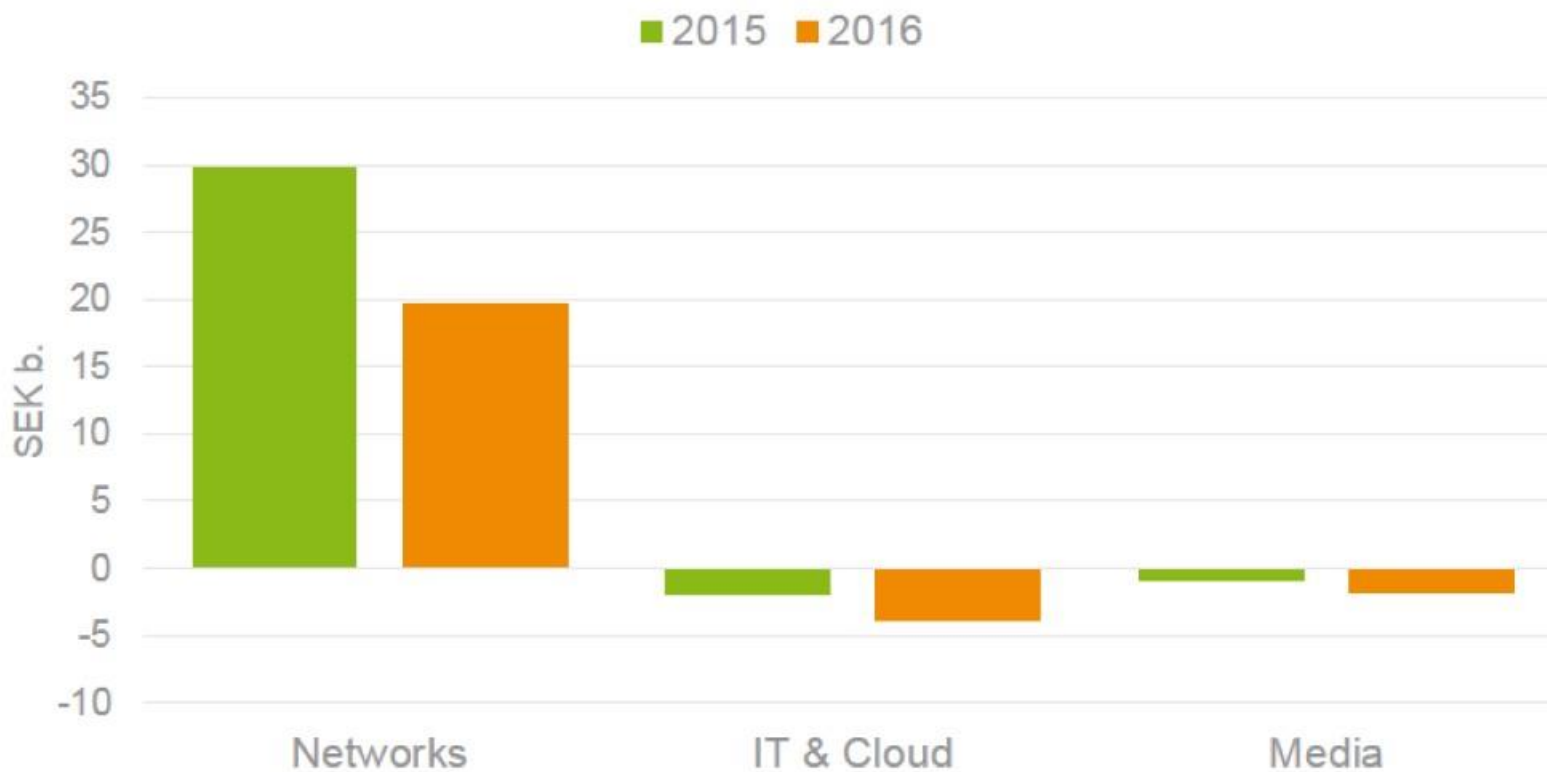
- › Ericsson's leading position challenged
- › Listened carefully to key stakeholders
 - Meeting customers around the world
- › Made in-depth analysis of portfolio, performance and needed investments
- › Speed in execution is crucial to restore profitability and lead in innovation
- › Today we outline strategy and high level plans
 - At Q1 earnings, mid-year and at CMD we will provide more details and report progress



SALES AND OPERATING MARGIN



OPERATING INCOME



TOTAL SHAREHOLDER RETURN

ERIC B – OMX STOCKHOLM



FOCUSED BUSINESS STRATEGY

- › Enable service providers to expand their business across industries and into new profit pools
- › Drive development of market-leading solutions, fully leveraging the potential of 5G, IoT and cloud.
- › Increase pace of innovation and new business development
- › Restore profitability is key – start by focusing the portfolio
- › Simplify organizational structure with new Executive Team
- › Significant profit improvements already in 2018



PORTFOLIO FOCUS



- › **Accelerate and increase investments in Networks** – continued 4G roll-out, establish leading position in 5G
- › Target the **Network Rollout** business on Ericsson's own networks portfolio
- › In **Digital Services** near term focus is on restoring profitability, selectively increase investments in cloud based virtualized network infrastructure, OSS/BSS and related services capabilities
- › Shift **IoT** strategy from an SI-led approach to a platform- and solutions-led strategy
- › Turn around **Managed Services**, addressing low-performing operations and contracts
- › Explore strategic opportunities for **Media** business to enable it to succeed in evolving media landscape
- › Explore strategic opportunities for the **IT Cloud Infrastructure hardware** business

PROFITABILITY & EFFICIENCY

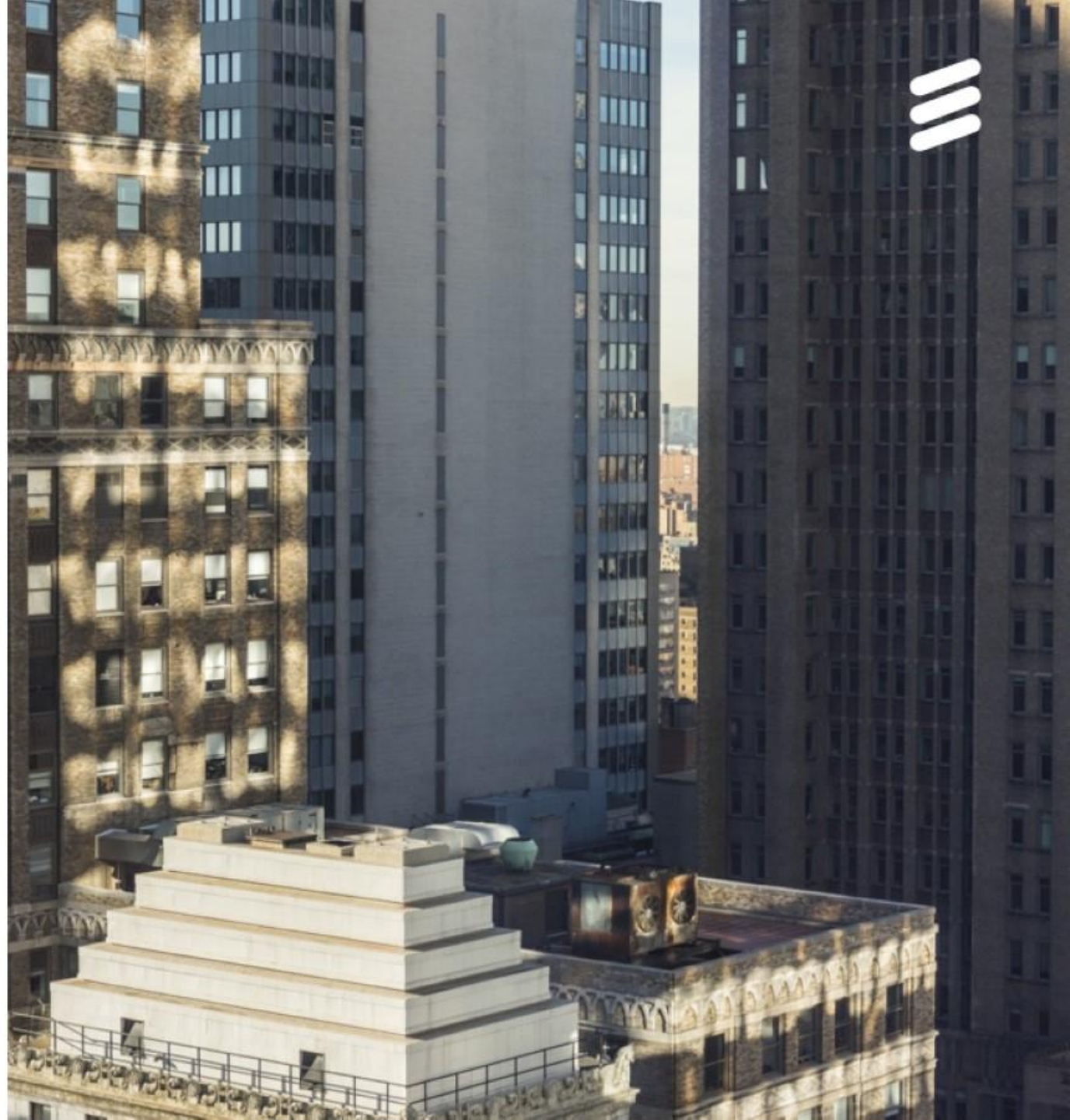
- › Take out cost at higher pace with targets surpassing current ambitions
- › Focus on improved earnings and return on capital employed
- › Significant profit improvements already 2018
 - At least double the 2016 operating margin, excluding restructuring charges, beyond 2018



FINANCIAL IMPLICATIONS

Short-term

- › Intangible assets will be written down in Q1 with SEK 3-4 b. and no impact on cash flow
- › Restructuring charges for 2017 are estimated to SEK 6-8 b. of which approximately SEK 2 b. in Q1
 - As a result of a planned higher pace in cost reductions
- › Provisions of SEK 7-9 b. will be made in Q1
 - Triggered by recent negative developments related to certain large customer projects



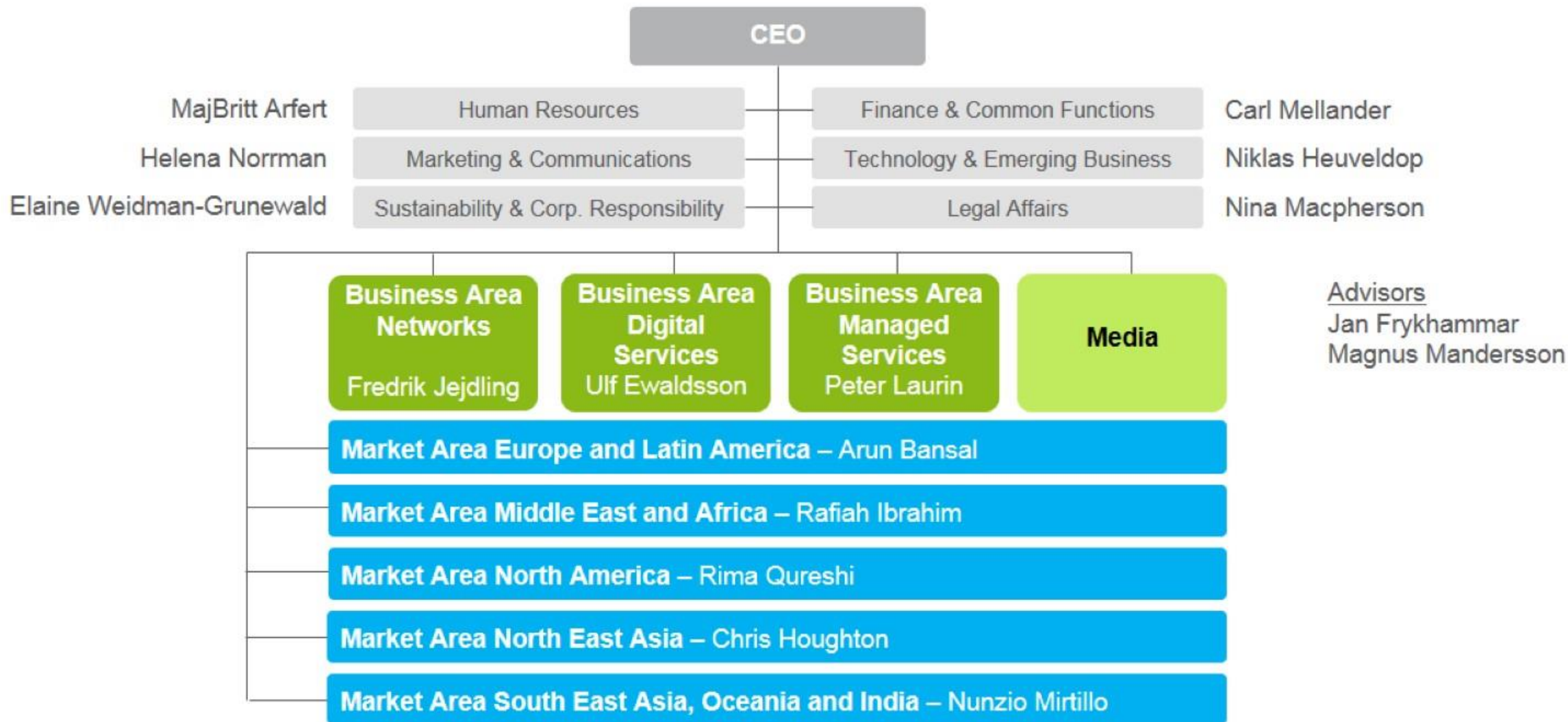
NEW ORGANIZATION



- › Simplified structure
 - Speed up time to market and customer responsiveness
 - Increase accountability and empowerment throughout the organization
- › **Three** Business Areas and **five** Market Areas, better aligned to our global customers
- › New Executive Team appointed, effective April 1

NEW EXECUTIVE TEAM

EFFECTIVE APRIL 1, 2017



CHANGES TODAY



Focused business strategy to improve profitability



Reallocate resources, increase investments in core areas



Explore strategic opportunities for Media and Cloud infrastructure hardware businesses



Simplified organizational structure

WHAT'S NEXT



March 29

AGM: New long-term incentive program and dividend

April 1

New organization operational

2017

In Q1, mid-year and at CMD, provide more details and report progress

Q1 2018

Reporting structure fully aligned with new organization



Q&A



ERICSSON