

# THIRD QUARTER REPORT

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2008



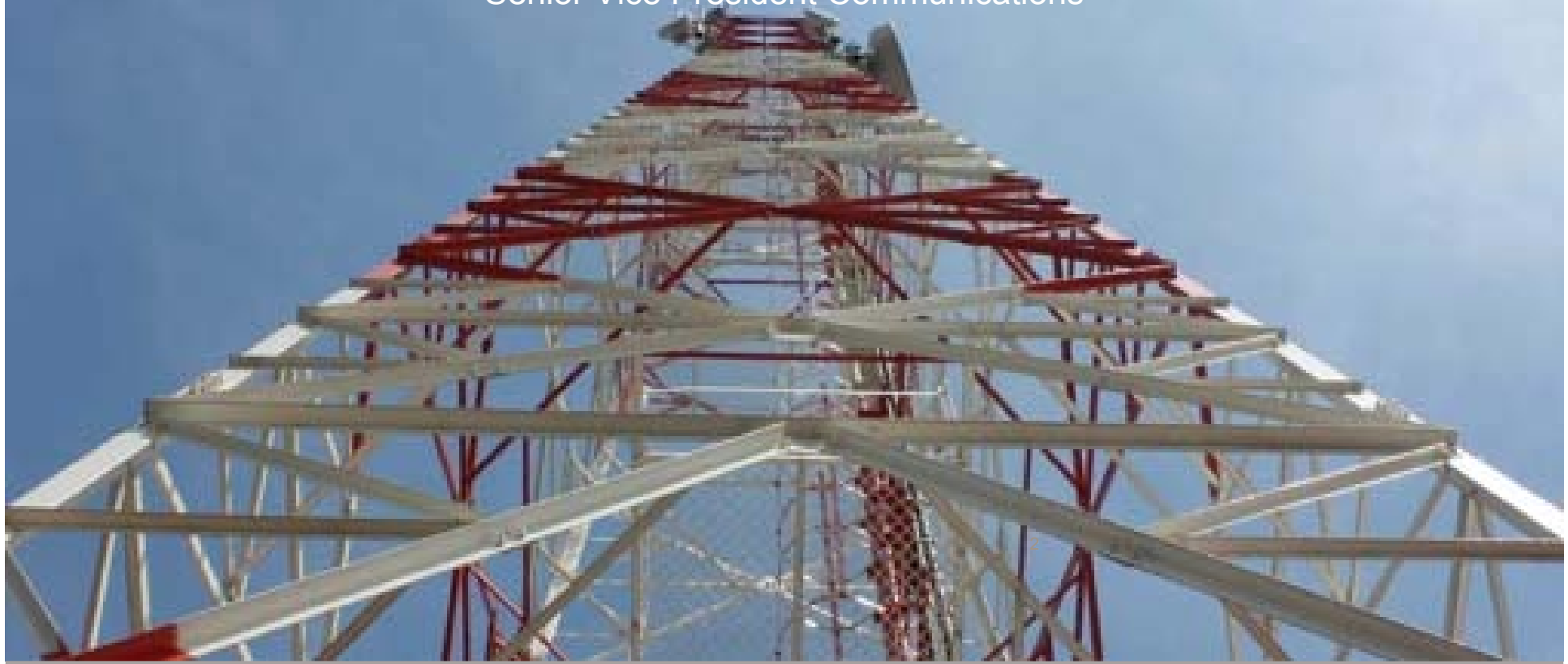
# THIRD QUARTER REPORT

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HENRY STÉNSON

2008

Senior Vice President Communications



# THIRD QUARTER REPORT

2008

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.

# THIRD QUARTER REPORT

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CARL-HENRIC SVANBERG

2008

President and CEO



# Q3 in summary

- Strong growth in all regions except Western Europe
  - No effect from financial turmoil on our business in the quarter
- Cost reductions on plan
  - Starting to give traction
- Strong financial position, net cash of SEK 30 b
  - Cash flow SEK 3.8 b, year-to-date SEK 17.0 b
- Sony Ericsson shows small profit, excl restructuring
  - New product releases on plan

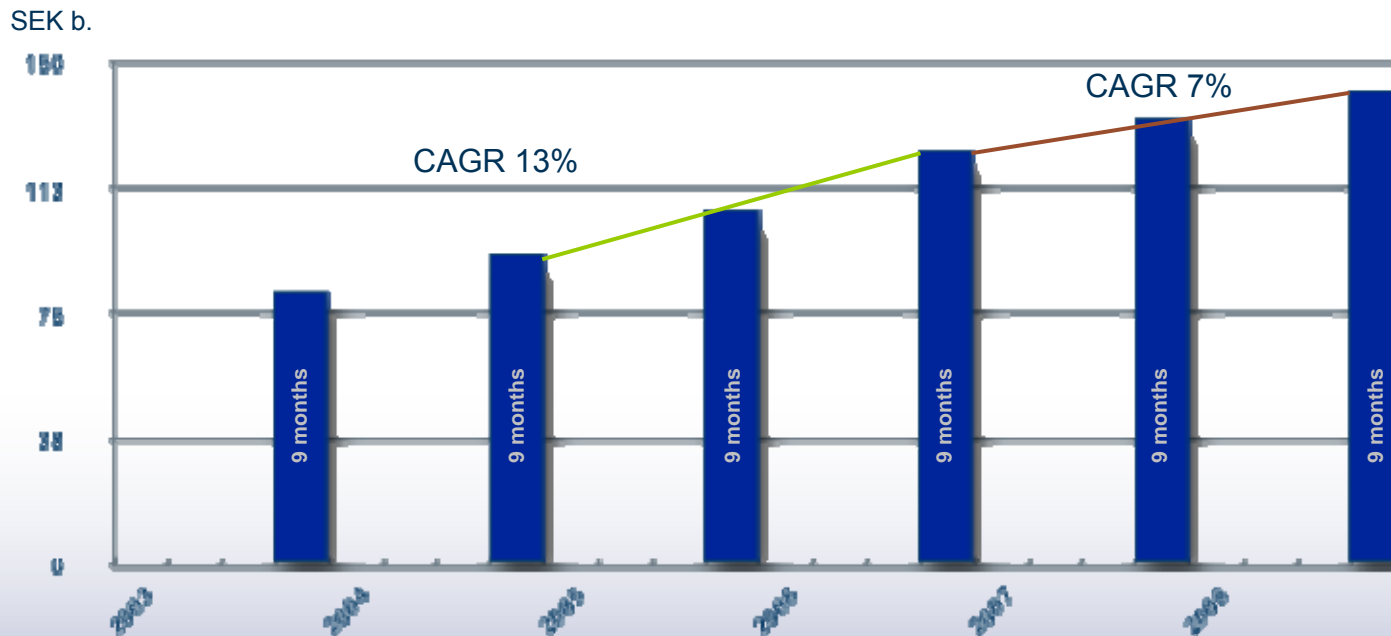
# Q3 numbers in short

- Sales SEK 49.2 (43.5) b, up 17% in constant currencies
  - India, US, Indonesia, Brazil, China largest, each ≤8% of sales
- Gross margin 37.0% (35.6%)
  - Business mix and cost efficiency offsets higher sales to India
- Operating income SEK 5.7<sup>1)</sup> (5.6) b
  - Operating margin, excl Sony Ericsson 11.5% (9.0%)
- Net income before tax SEK 6.2 (5.6) b

1) Excluding restructuring charges of SEK 2.0 b. in third quarter 2008

# Net sales 2003-2008

Nine months



Slower growth from 2007 including currency effects

# Discussion on 2009

## So far 2008

- No effects from financial turmoil in reported numbers
- Restructuring charges YTD SEK 4.4 b
  - Additional activities in Q4 – slightly lower pace

## Looking into 2009

- Most operators financially strong, loaded networks, traffic growth
  - Uncertainties in consumer spend and capital market effects
- Continue to plan for a flattish mobile infrastructure market
  - Plans in place for tougher conditions
- Continue to focus on value creation
  - Grow faster than market – best-in-class margins – strong cash conversion

This slide contains forward looking statements



# Key market trends

- 3.8 b mobile subscriptions, up 178 m in the quarter
- Strong growth in mobile broadband
  - 260 m WCDMA, up 24 m/quarter - data 4xvoice, 3xvoice in Q2
  - HSPA PC modules soon standard - Dell, Lenovo, LG, Toshiba
  - Major focus in emerging market – m-health, m-learning, m-banking
- Migration to all-IP networks
  - Preparing for next generation broadband and interactive HDTV
- Focus on sustainability - reduces CO2 emissions



1 year =

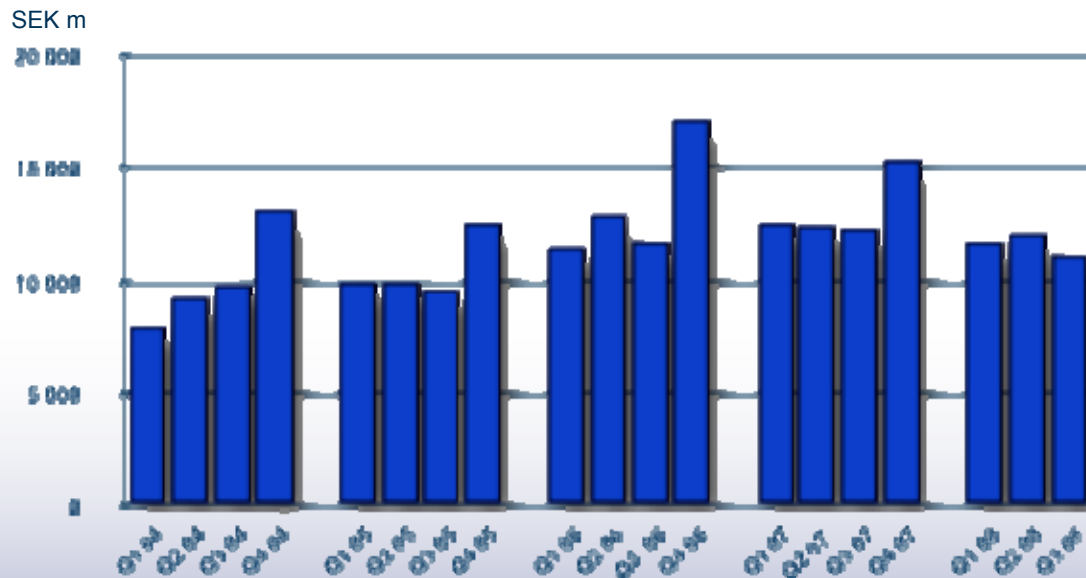
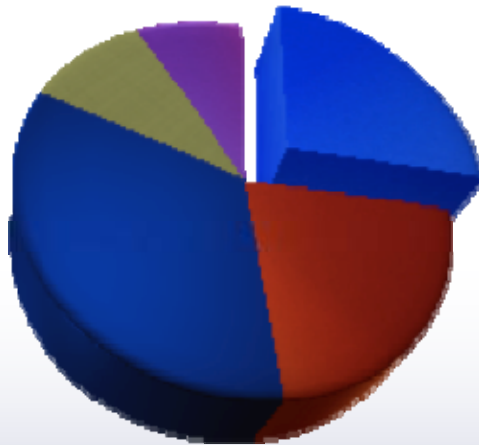


1 hour

# Regional Q3 comments

Sales year-over-year and year to date

Western Europe, -6% YoY, -5% YTD

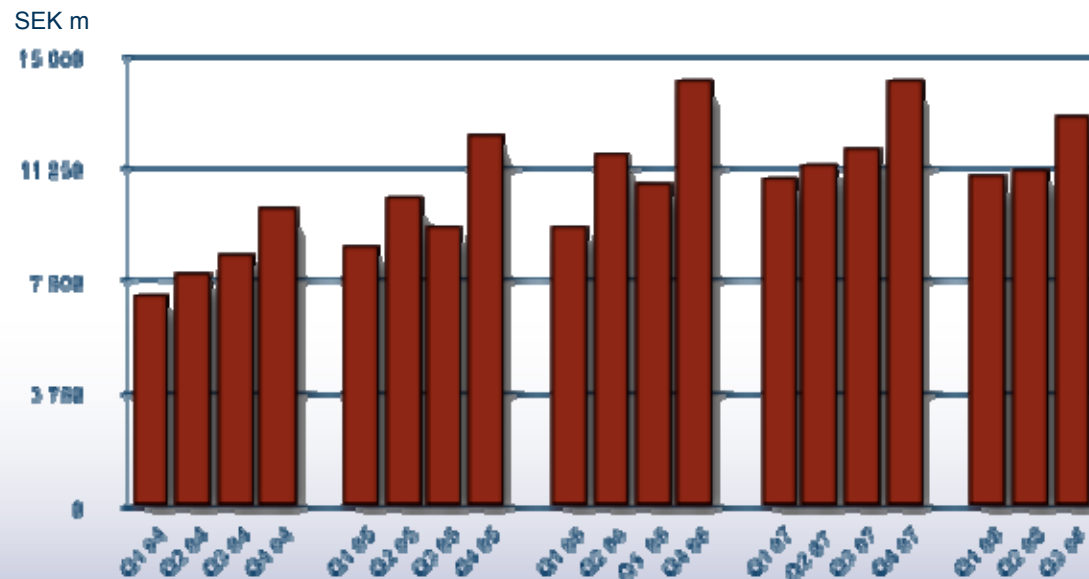
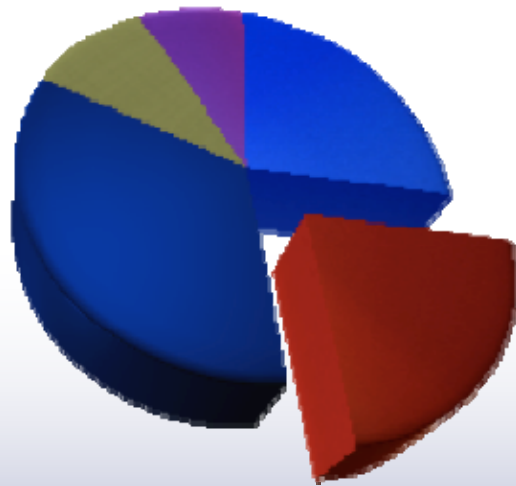


- Slow region - Spain, UK, Italy down - Nordics and Germany up
- Continued strong data traffic growth
- Mix shift: Strong growth in WCDMA while GSM decreases
- High share professional services almost 40% of sales

# Regional Q3 comments

Sales year-over-year and year to date

Central Europe, Middle East, Africa, 9% YoY, 3% YTD

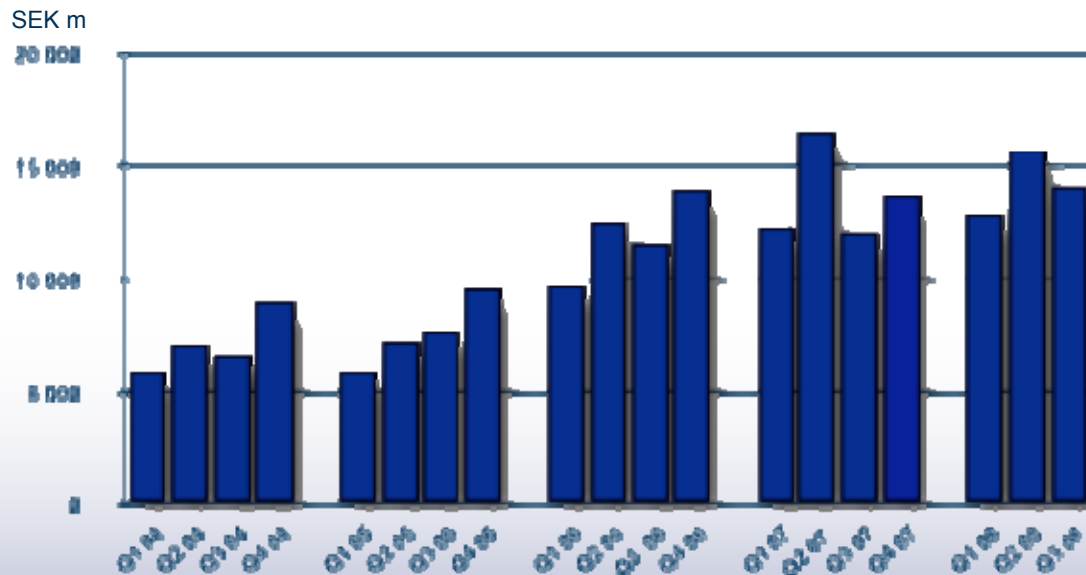
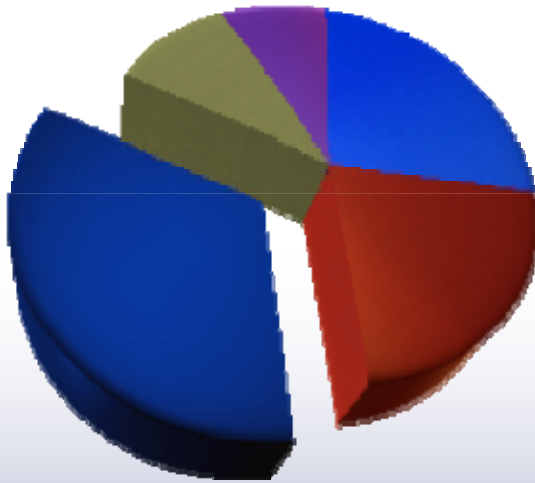


- Accelerating business activity - Africa and Russia
- Focus on mobile broadband services
- King Abdullah Economic City - full Ericsson offering
- Showcase of next generation society

# Regional Q3 comments

Sales year-over-year and year to date

Asia Pacific, 17% YoY, 5% YTD

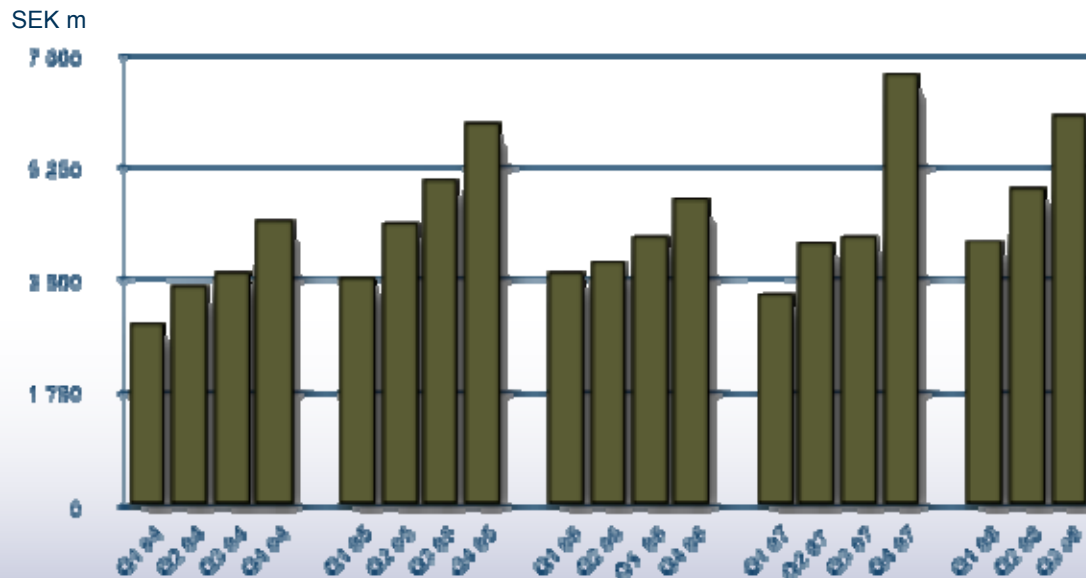
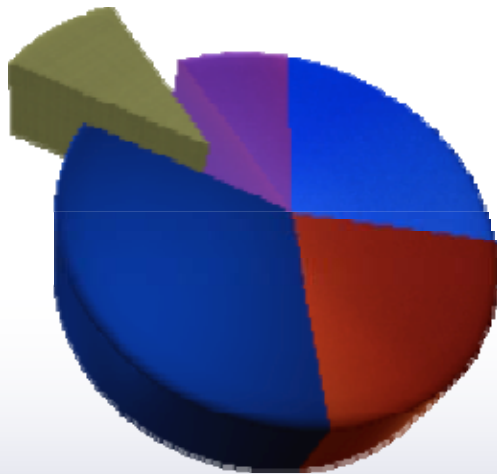


- China temporarily down due to Olympic Games
- India Ericsson's largest market - 3G licenses in Q4
- Indonesia strong – Ericsson's third largest market
- Vietnam, Singapore strong while Bangladesh, Pakistan down

# Regional Q3 comments

Sales year-over-year and year to date

Latin America, 43% YoY, 31% YTD

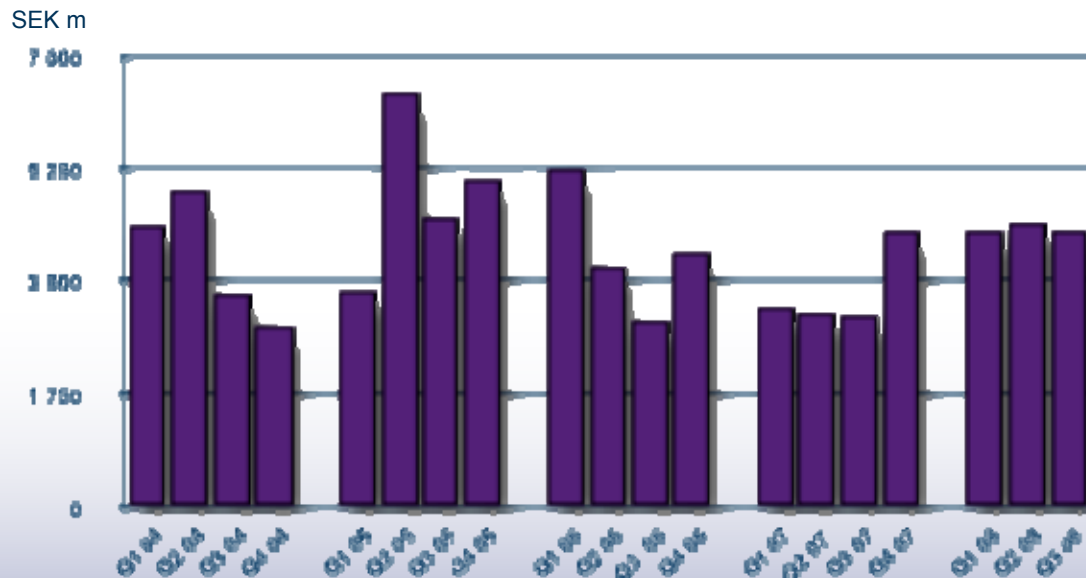
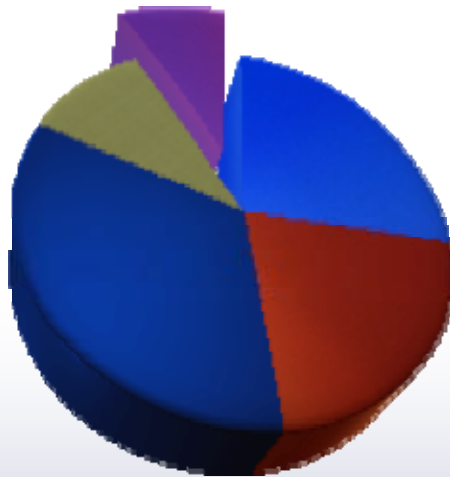


- Growing demand for fixed and mobile broadband
- Brazil very strong, focus on 3G
- Mexico and Central America up
- Services growing in the region

# Regional Q3 comments

Sales year-over-year and year to date

North America, 44% YoY, 43% YTD



- Market stabilized on higher level
- Strong mobile broadband uptake, new devices drive traffic
- Continued HSPA expansions
- Operators focus on IP and convergence



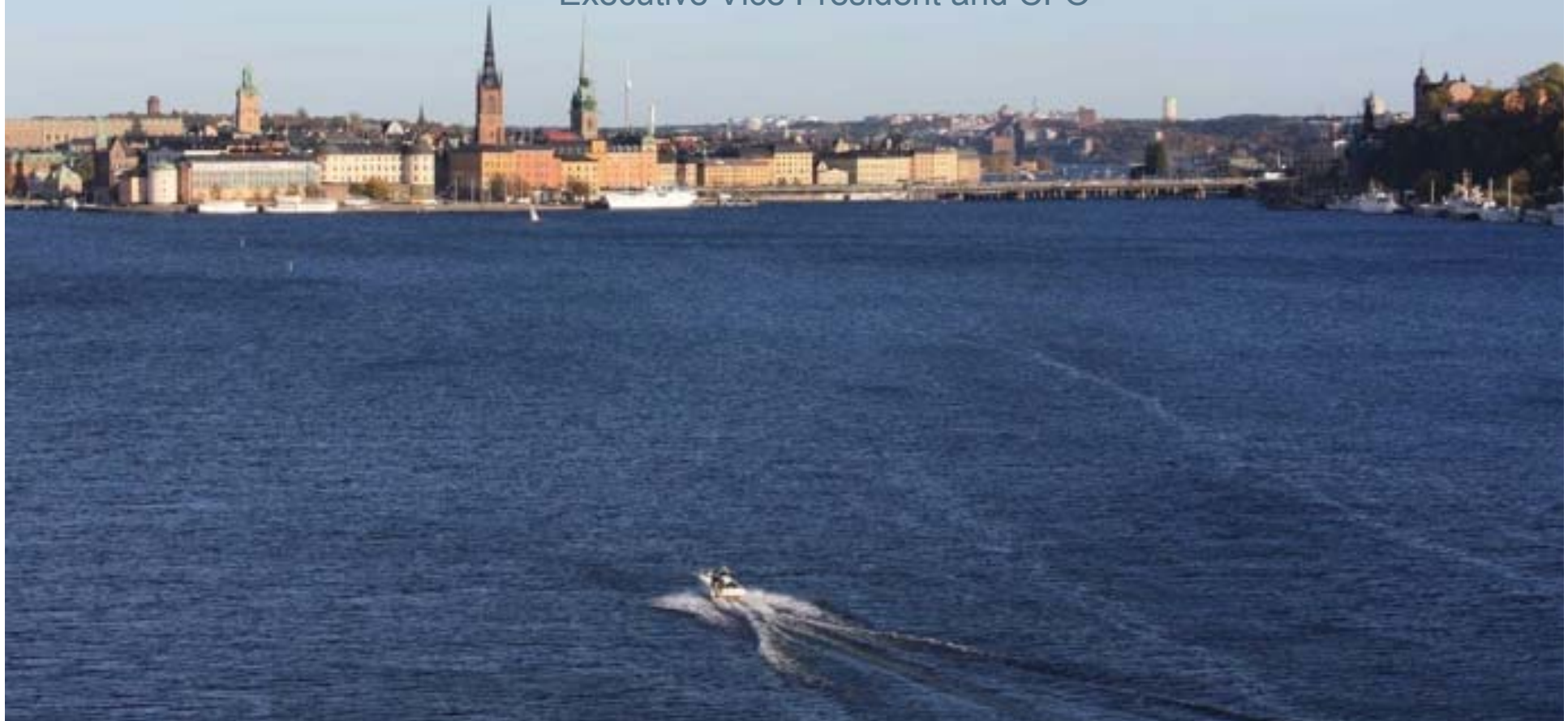
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HANS VESTBERG

2008

Executive Vice President and CFO



# Q3 financial highlights

SEK b.	Third quarter			Second quarter	
	2008 <sup>1)</sup>	2007	Change	2008 <sup>1)</sup>	Change
Net sales	49.2	43.5	13%	48.5	1%
Gross margin	37.0%	35.6%	-	37.0%	-
Operating income	5.7	5.6	-	4.7	-
Operating margin	11.5%	12.9%	-	9.7%	-
Operating margin ex Sony Ericsson	11.5%	9.0%	-	9.7%	-

- Net sales up 13%, organic growth in constant currencies 17%
- Stable gross margin sequentially
- Opex seasonally down, some effects from restructuring
- Small profit from Sony Ericsson, excl restructuring

1) Excluding restructuring charges of SEK 2.0 b. in third quarter 2008, SEK 1.8 b. in second quarter and SEK 0.8 b. in first quarter



# Q3 financial highlights

SEK b.	Third quarter			Second quarter	
	2008	2007	Change	2008	Change
Income after financial items	6.2 <sup>1)</sup>	5.6	10%	4.7 <sup>1)</sup>	31%
Net income <sup>3)</sup>	2.8 <sup>2)</sup>	4.0	-28%	1.9 <sup>2)</sup>	50%
EPS, SEK <sup>3) 4)</sup>	0.89 <sup>2)</sup>	1.25	-29%	0.60 <sup>2)</sup>	48%
Cash flow from operating activities	3.8	-1.6	-	8.5	-

- Net income and EPS includes restructuring charges of SEK 2.0 b
- Continued positive cash flow development, SEK 17.0 (7.2) b YTD  
– Second dividend from Sony Ericsson of SEK 1.4 b in Q3
- Cash conversion of 102% (30%) YTD
- Financial net of SEK 0.5 b in Q3, positive interest and currency effects

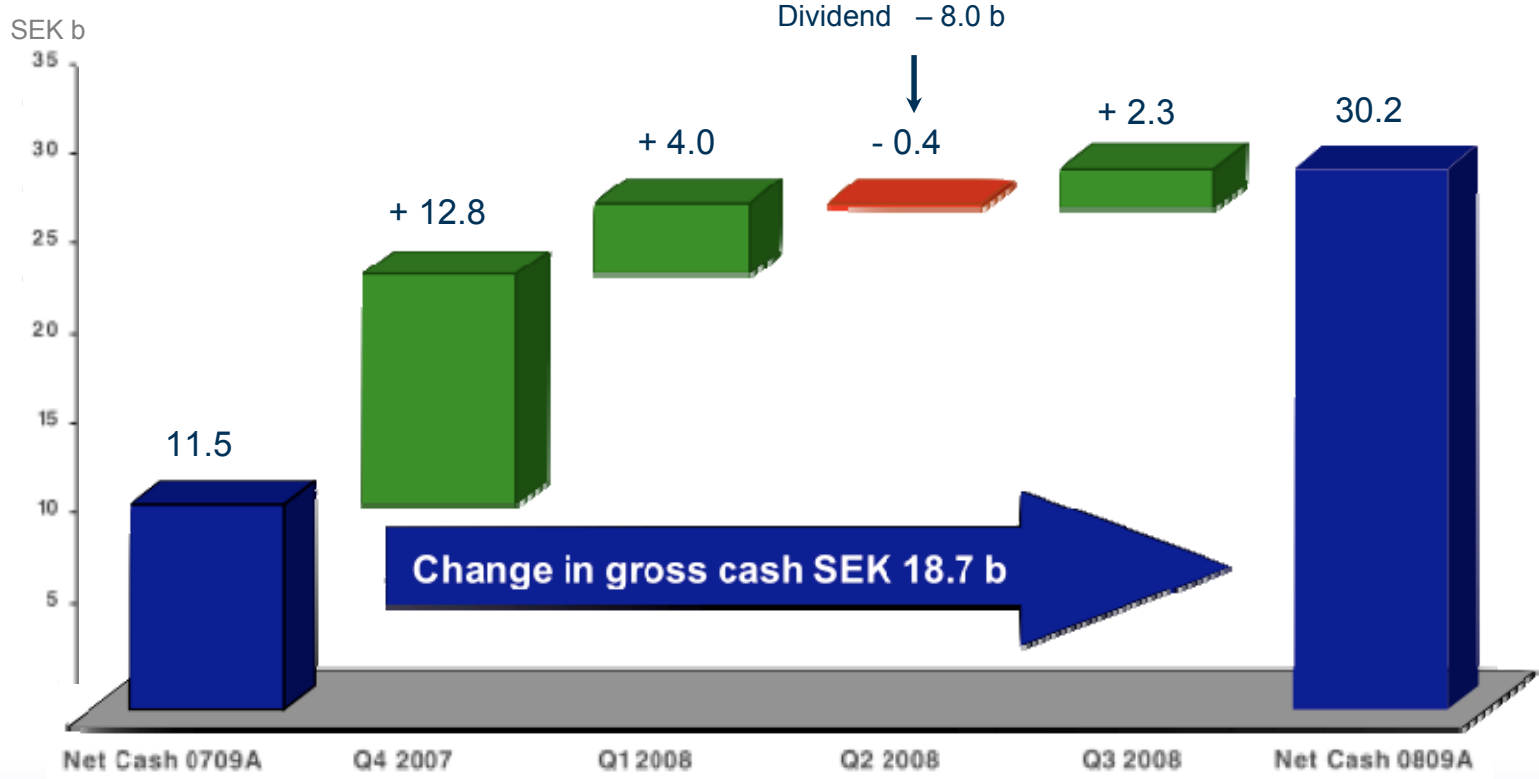
1) Excluding restructuring charges of SEK 2.0 in third quarter, SEK 1.8 b. in second quarter and SEK 0.8 b. in first quarter

2) Including restructuring charges.

3) Attributable to stockholders of the Parent Company, excluding minority interest.

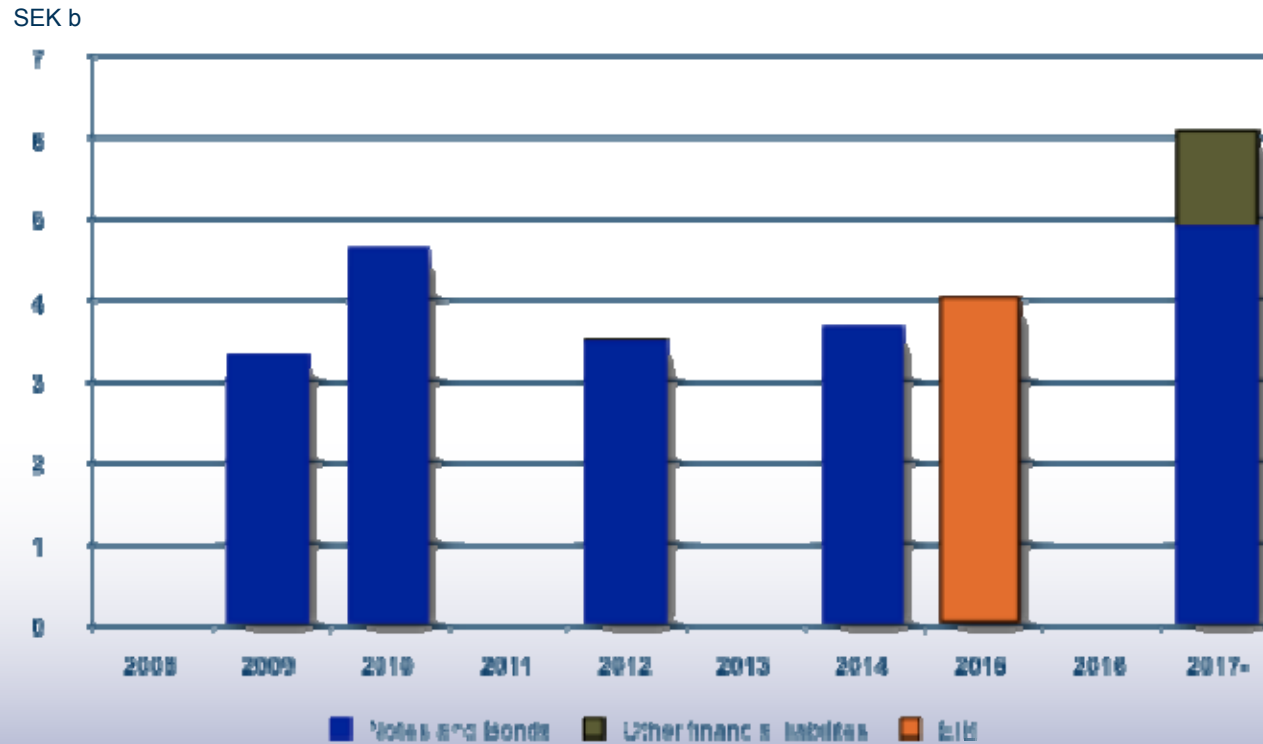
4) Reverse split 1:5 was made June 2008. Comparable figures restated accordingly

# Change in net cash 0709A – 0809A



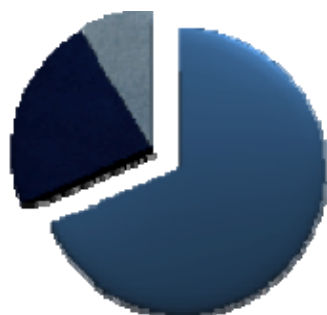
# Long-term debt maturity profile

September 30, 2008



Back-up facility of USD 2 b (SEK ~15 b) available if needed

# Networks



	2008	2007		2008	
SEK b.	Q3 <sup>1)</sup>	Q3	Change	Q2 <sup>1)</sup>	Change
Net sales	33.0	28.5	16%	33.3	-1%
Of which network rollout	4.7	4.0	17%	4.8	-2%
EBITDA margin	15%	13%	-	15%	-
Operating margin	11%	8%	-	10%	-

- Up year-over-year due to strong growth in high growth markets
  - High activity but also fluctuation between quarters
  - Redback shows strong growth
- Sequentially improved margins – better mix outside Western Europe
  - New network builds continues in parallel with network expansions
- Strong focus on broadband and IP-convergence

1) Excluding effects from restructuring.

# Multimedia



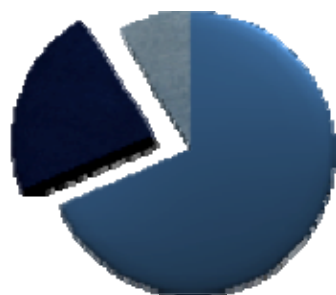
	2008	2007		2008	
SEK b.	Q3	Q3	Change	Q2 <sup>1)</sup>	Change
Net sales	4.4	4.0	10%	4.2	5%
EBITDA margin	12%	6%	-	13% <sup>2)</sup>	-
Operating margin	3%	1%	-	-1%	-

- Strong year-over-year growth of 23% for comparable units
- Enterprise divestiture impacts sequential comparison
- Positive margin development
- Strong development for revenue management and Tandberg Television

1) Excluding effects from restructuring.

2) Affected by SEK 0.2 b due to changed allocation of capitalized development expenses.

# Professional Services



	2008	2007		2008	
SEK b.	Q3	Q3	Change	Q2 <sup>1)2)</sup>	Change
Net sales	11.8	11.0	7%	11.0	7%
Of which managed services	3.5	3.4	3%	3.4	1%
EBITDA margin	19%	17%	-	16%	-
Operating margin	16%	15%	-	14%	-

- 7% growth - 10% organic growth in constant currencies
  - Negative effect from IPX transfer and currency
- 6 new managed services deals signed
  - 225 million subscribers in managed networks
- Healthy margins
  - Few managed services contracts in start-up phase

1) Excluding effects from restructuring.

2) First quarter 2008 is restated for the transfer of the IPX operation from Professional Services to Multimedia.

# Cost reductions on track

## Announced Q4 2007

- Savings of SEK ~4 b with full effect in 2009
- Charges of SEK ~4 b recognized as activities are decided

## Progress

- Project on plan with good progress in all areas
- Charges of SEK 1.8 b in Q3
- Charges of SEK 4.4 b year-to-date – slightly lower pace in Q4
  
- Plans in place for tougher market conditions

# Sony Ericsson Q3



- Slower global market – challenging conditions in Europe
- Market share stable sequentially - 25.7 (25.9) m units shipped
- EUR 300 m cost reduction activities launched
- First Xperia branded multimedia phone X1 shipping
- C902 Cyber-shot in high demand – W902 just launched



Two quarters of breakeven – healthy balance sheet



# Summary

- Quarter with good progress – sales and margins
- Cost reductions starting to give effect
- Strong demand for broadband – mobile and fixed
- Well positioned - cautious approach in financial turmoil

# THIRD QUARTER REPORT

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2008

Q & A



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