



# SECOND QUARTER 2011

21 JULY 2011



# HELENA NORRMAN

SENIOR VICE PRESIDENT  
COMMUNICATIONS



# SECOND QUARTER 2011

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

# 2Q HIGHLIGHTS

## Tiered pricing high on operators' agendas

Opportunity to grow service revenues - volume, time or speed based plans

## Mobile broadband driving the market

60% of world's population remains to be covered by WCDMA/HSPA

## Steady progress for LTE

LTE networks cover only few percentages so far

## Growing BSS/OSS markets

Operator demand for efficiency, lower opex and quality of service  
Mobile broadband and new devices drive demand for flexible and scalable support systems to monetize traffic and improve offerings  
Ericsson to acquire Telcordia - Key position in service fulfillment, assurance, network optimization and real-time charging

## Patents in focus

Ericsson largest portfolio in industry – 27,000 patents  
Part of consortium with winning bid for Nortel's patent portfolio



# NET SALES

- › Continued strong demand for mobile broadband
- › Strong SEK impacted sales
  - Organic growth, currency adjusted +27% YoY
  - Much less sequential currency impact
- › Change in market mix
  - Strong growth in Brazil, China, Germany, Korea, and Russia
  - High activity in the US, networks somewhat slower QoQ while good momentum in services
- › Limited impact from earthquake in Japan



# PROFITABILITY

## > Net income +59% YoY

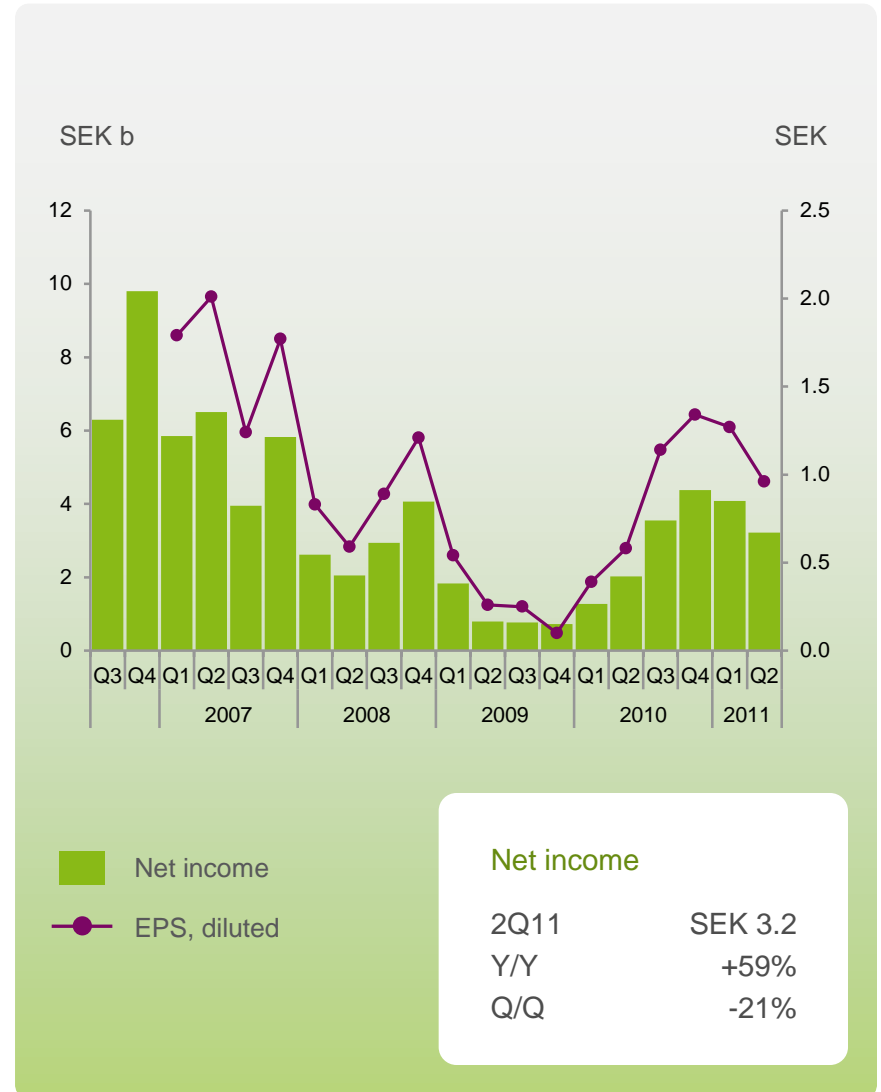
- Positive impact from higher sales
- Improved profitability in core Ericsson
- Increased loss in joint ventures

## > Net income -21% QoQ

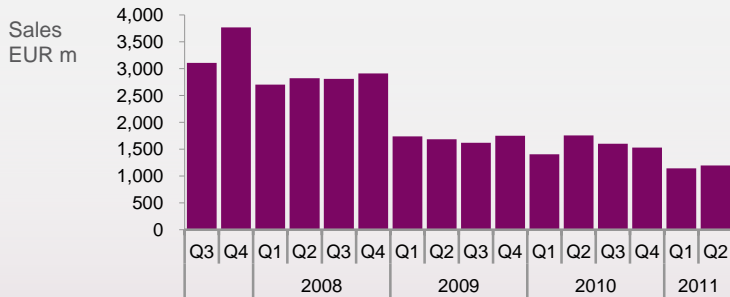
- One-off restructuring charges in Sweden SEK 1.3 b

## > Non-IFRS EPS, +42% YoY

- SEK 1.21 (0.85)



# 2Q JOINT VENTURES



## Sony Ericsson

Good demand for Xperia smartphone portfolio

Impact from Japan on volumes approx 1.5 million units

Android phones represented 70% of sales in 2Q

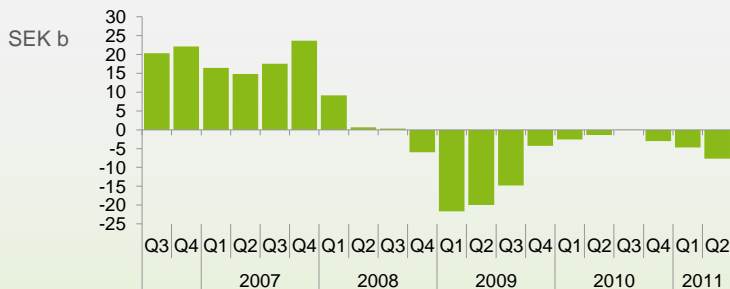


## ST-Ericsson

Continued drop in legacy products, good traction for new portfolio

New restructuring program initiated

If significant worsening of market we may consider additional actions to improve performance



## Ericsson share in JV earnings

SEK -0.8 (-0.1) b

Sony Ericsson SEK -0.2 (0.1) b

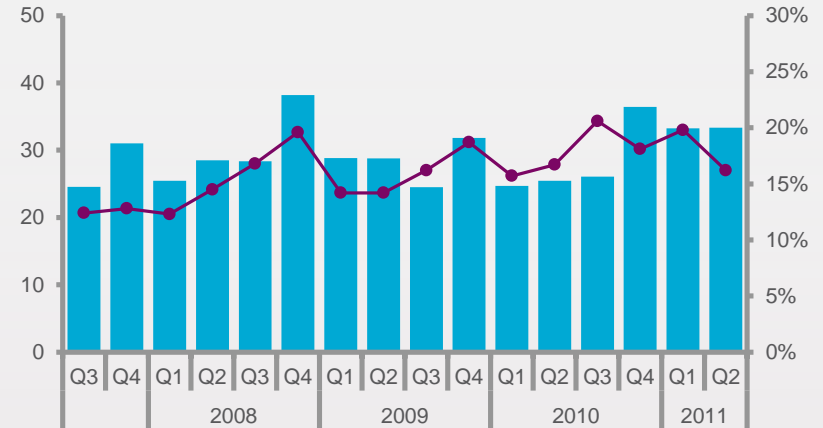
ST-Ericsson SEK -0.7 (-0.4) b



# NETWORKS

- › Good momentum in mobile broadband and IP network products
- › Good development in China (GSM), Korea (mobile broadband), CDMA in the US
- › +31% YoY
  - Negatively impacted by strong SEK
- › Flat QoQ
  - Geographical mix shift - growth in Latin America, Northern Europe and Central Asia, China and North East Asia and Mediterranean
  - North America and Japan showed slower sequential sales
- › Margins
  - Negatively impacted by one-off restructuring charge, 3G rollouts in India

SEK b

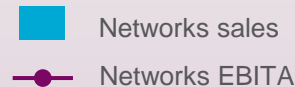


### EBITA margin

2Q11	16%
2Q10	17%
1Q11	20%

### Sales

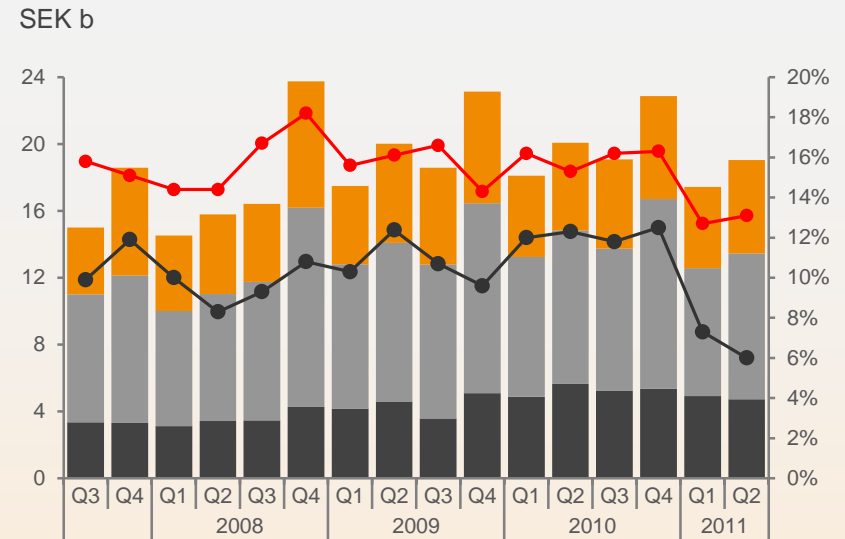
2Q11	SEK 33.4 b
Y/Y	+31%
Q/Q	0%



*Numbers 2011 include restructuring charges, numbers 2007-2010 exclude restructuring charges*

# GLOBAL SERVICES

- > Professional Services sales +1% YoY in local currencies
  - Managed Services -5% YoY currency adjusted
  - 24 new managed services contracts of which 9 extensions or expansions
  - 11 new systems integration contracts in OSS/BSS, Service Delivery Platforms and data center build projects
  
- > Network Rollout sales +6% YoY
  
- > Margin impacted by
  - Restructuring charges
  - Loss in Network Rollout
    - > Supply
    - > Large 3G rollouts in India
    - > Modernization projects in Europe
  
- > 50,000 services professionals

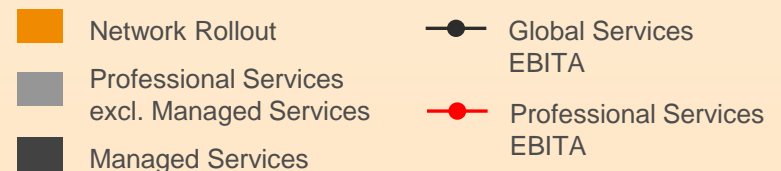


### Global Services EBITA margin

2Q11	6%
2Q10	12%
1Q11	7%

### Global Services sales

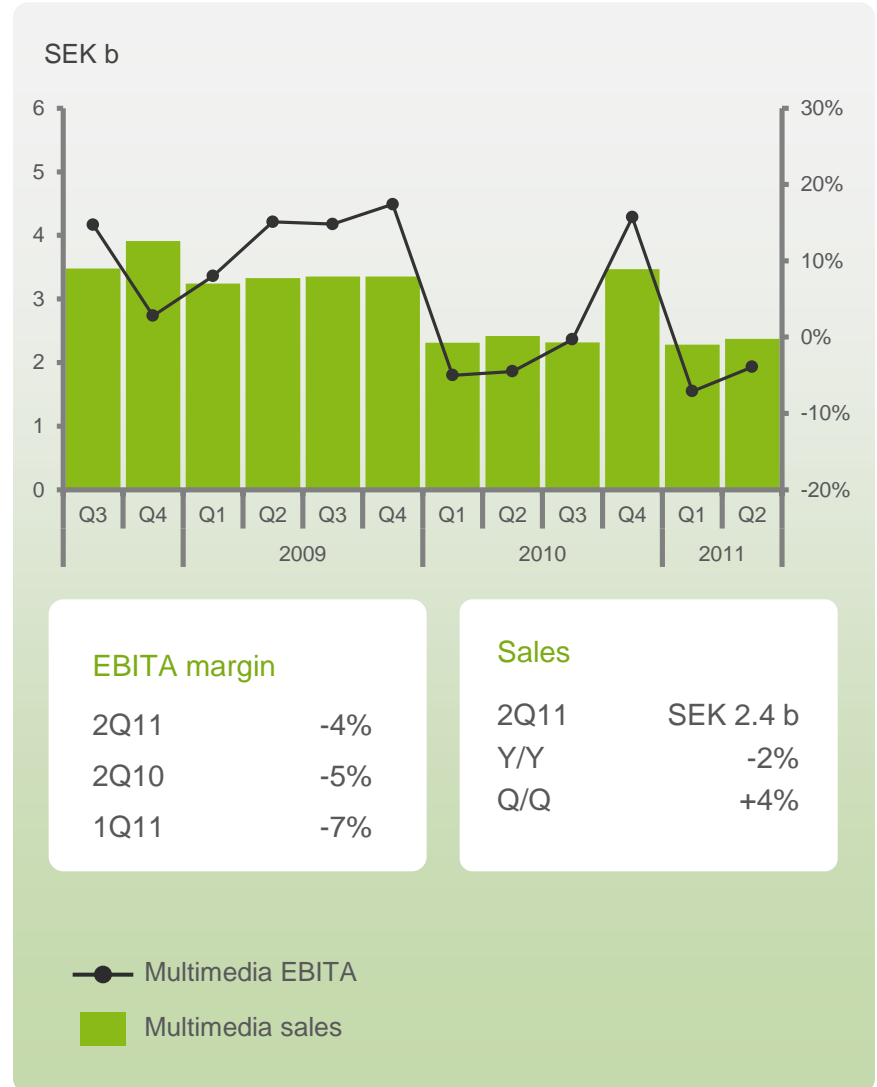
2Q11	SEK 19.0 b
Y/Y	-5%
Q/Q	+9%



Numbers 2011 include restructuring charges, numbers 2007-2010 exclude restructuring charges  
Second quarter 2009 adjusted for divestment of TEMS

# MULTIMEDIA

- > Revenue management developed favorably YoY
- > TV solutions continued to be weak
  - Compression weak after stronger 2010
- > EBITA margin amounted to -4% (-5%)
  - YoY and QoQ improvement an effect of introduced efficiency measures



Numbers 2011 include restructuring charges, numbers 2008-2010 exclude restructuring charges and adjusted for divestment of mobile platforms and PBX business in 2008. Fourth quarter 2008 excl. capital gain of SEK 0.8 b for divestment of Symbian shares.

# REGIONAL SALES

## North America

2Q11 SEK 12.3 b  
Y/Y -6%  
Q/Q -6%

- Somewhat slower Networks business QoQ
- Good services development

## Latin America

2Q11 SEK 4.9 b  
Y/Y +17%  
Q/Q +23%

- Network expansions
- New managed services contracts
- 2,500 new employees

## Northern Europe & Central Asia

2Q11 SEK 4.6 b  
Y/Y +70%  
Q/Q +35%

- Coverage in Russia
- Major network rollouts with larger operators

## Western and Central Europe

2Q11 SEK 4.3 b  
Y/Y -2%  
Q/Q -10%

- Network sharing and outsourcing initiatives
- Strong demand for mobile broadband

## Mediterranean

2Q11 SEK 5.5 b  
Y/Y -2%  
Q/Q +16%

- Political unrest
- Good development for services

## Middle East

2Q11 SEK 3.5 b  
Y/Y -7%  
Q/Q +16%

- Political unrest
- Weak 2G sales, mobile broadband developed positively

## Sub-Saharan Africa

2Q11 SEK 2.2 b  
Y/Y -25%  
Q/Q 0%

- Subscriber growth accelerated in 2G and 3G
- Mobile broadband picking up from low levels

## India

2Q11 SEK 2.8 b  
Y/Y +107%  
Q/Q -12%

- Initial 3G rollouts now at temporary peak
- Easy comparison

## China and North East Asia

2Q11 SEK 9.0 b  
Y/Y +96%  
Q/Q +5%

- Mobile broadband growth in Japan
- 2G expansions in China
- Sales growth from Korea

## South East Asia and Oceania

2Q11 SEK 3.0 b  
Y/Y -17%  
Q/Q -2%

- Impact from political factors and operator consolidation



# JAN FRYKHAMMAR

CFO AND EXECUTIVE VICE PRESIDENT

# PROFITABILITY 2Q

## > Gross margin: 37.8% (39.0%)

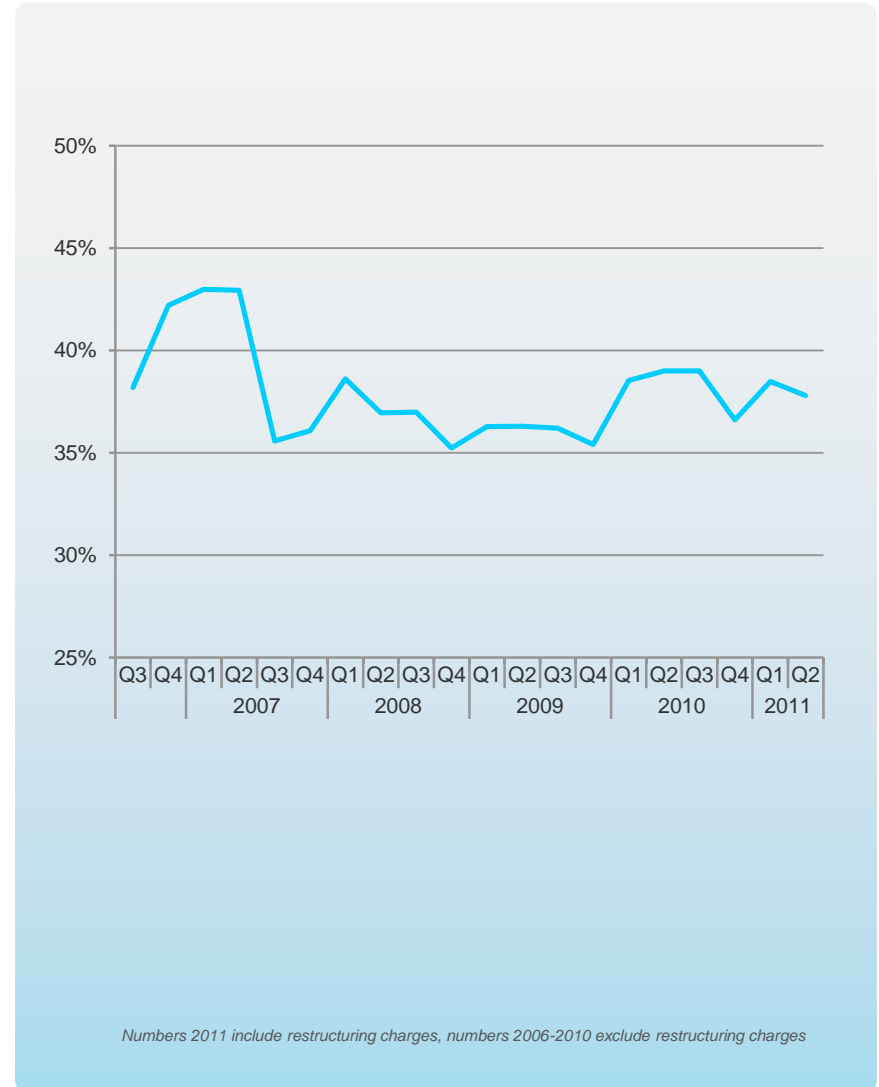
- 1Q11 positively impacted by one-off revenue from the sale of patents SEK 0.3 b
- Business mix in the quarter changed toward more coverage and modernization
- Network modernization projects in Europe, with their lower margins, to accelerate 2H11. Average project duration 18-24 months

## > YoY

- Positive: Lower share of services revenues
- Negative: 3G rollouts in India as well as network modernization projects in Europe

## > QoQ

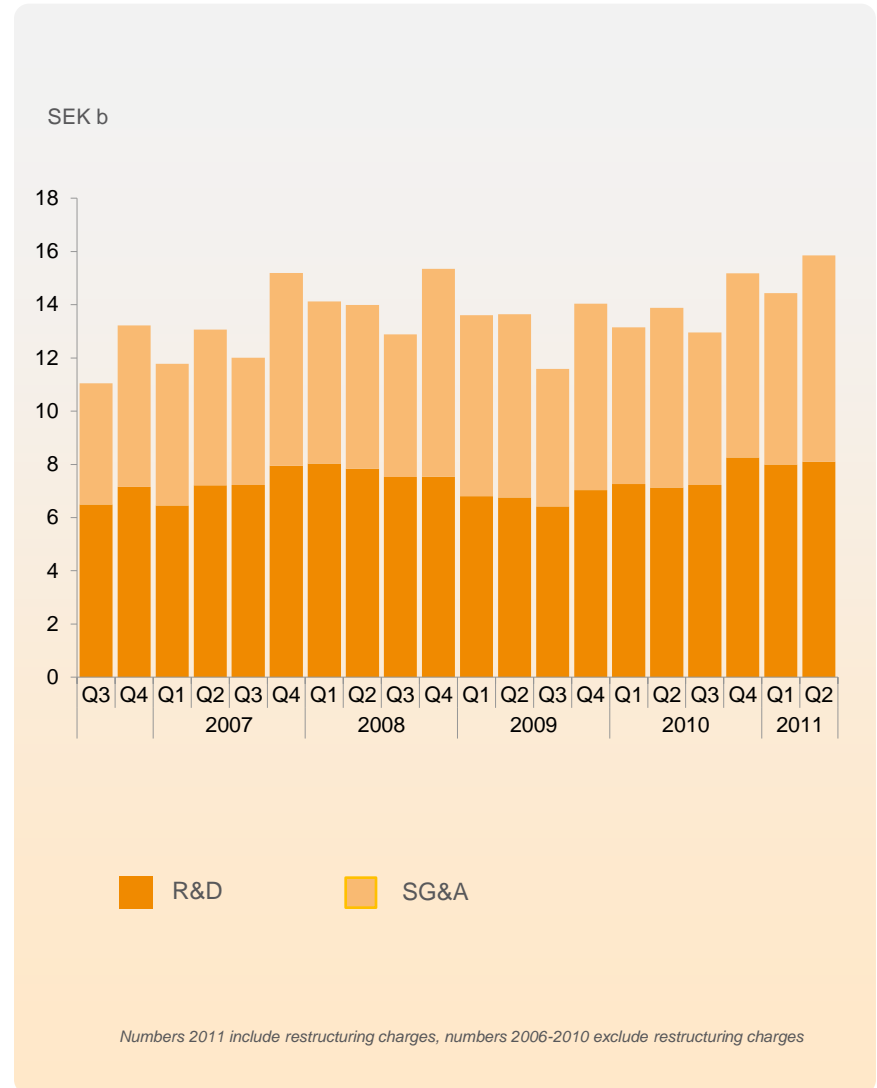
- Negative: Change in product mix with higher proportion of services, especially network rollout



# PROFITABILITY 2Q

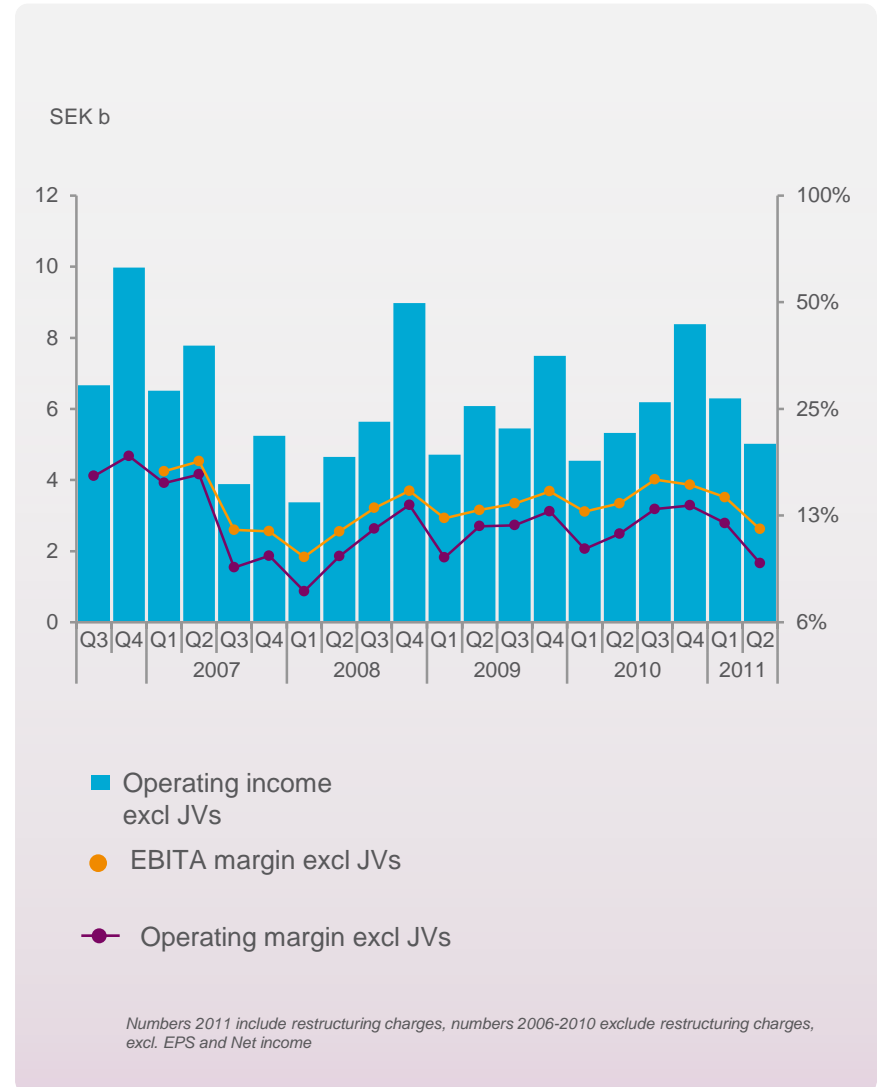
## › Operating expenses SEK 15.8 (13.9) b

- R&D +14% YoY due to higher planned investments in radio, such as TD-LTE and IP as well as the acquired LG-Ericsson operations
- SG&A SEK 7.7 (6.8) b +15% YoY and 14% of sales
- Excl. restructuring charge of SEK 1.2 b. related to Sweden SG&A/sales stable QoQ 12% and -2%-points YoY
- R&D expected to stay within SEK 31-33 b full year 2011



# PROFITABILITY 2Q

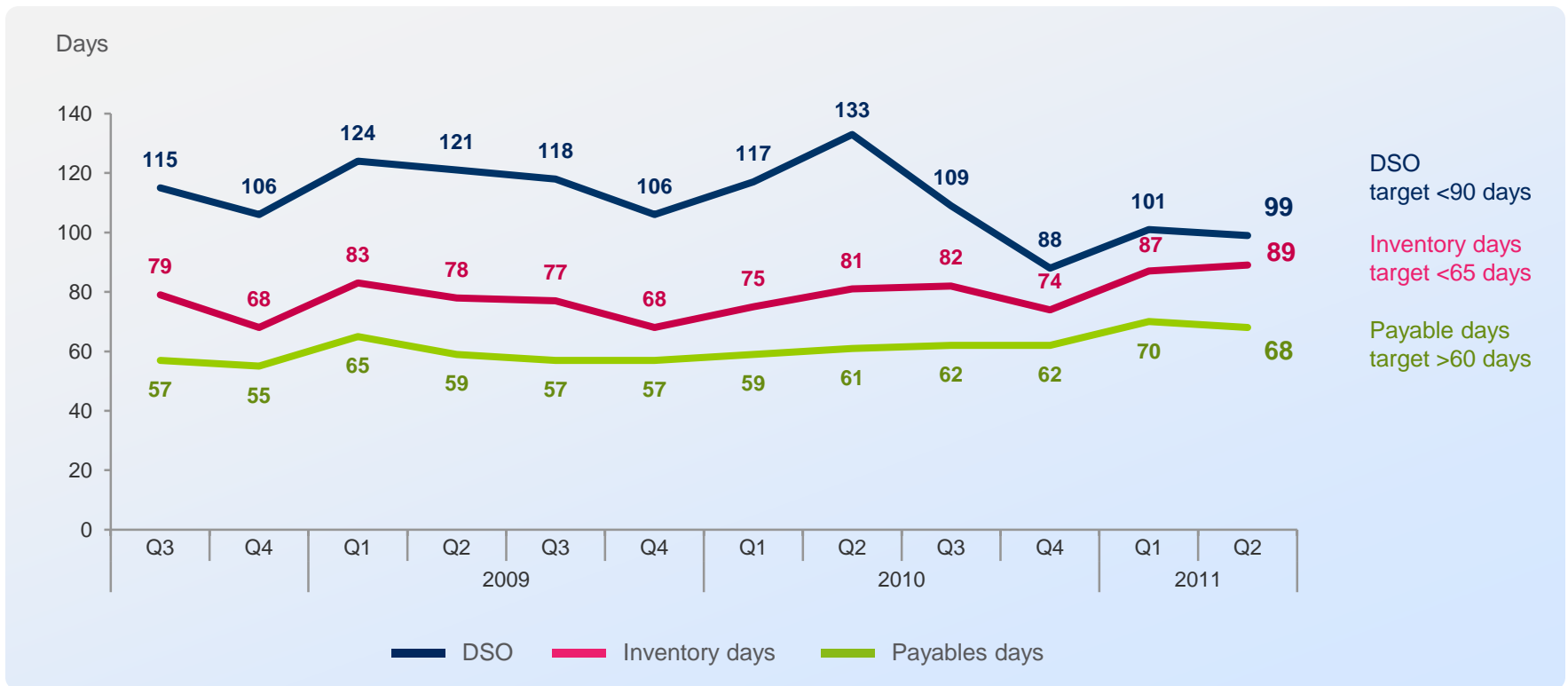
- › Operating margin excl JVs 9.2% (11.1%)
  - Negative impact from one-off restructuring charge of SEK 1.3 b in Sweden
    - › Higher than targeted outcome on voluntary redundancies
    - › Larger share early retirements,
    - › Full impact 4Q11, pay back time 2.5 years
  - Margin improvement of 2%-points YoY when including restructuring charges in 2Q10



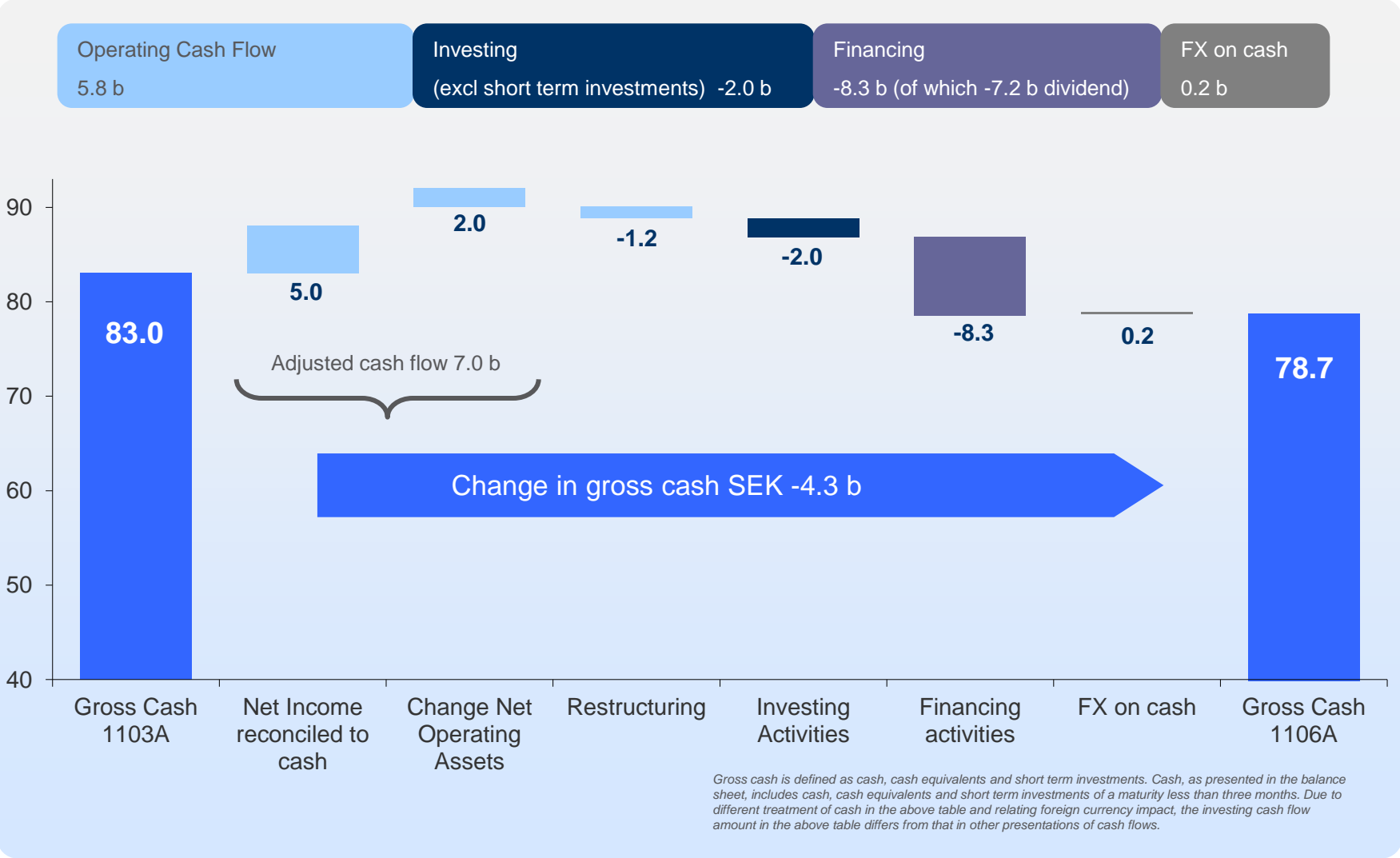


# BALANCE SHEET RATIOS

- › Trade receivables unchanged QoQ SEK 60.2 (60.6) b
- › DSO 99 days, down 2 days QoQ
- › Inventory days increased also this quarter, SEK 35.1 (32.1) b, higher level of work in progress in regions, continued ramp up of multistandard radio, impact from mitigating activities from events in Japan
- › Upgrade by Moody's to A3, with stable outlook, from Baa1



# CHANGE IN GROSS CASH Q2 2011



# PERFORMANCE TARGETS

## Long Term Ambition

**GROW FASTER THAN THE MARKET**

**BEST IN CLASS MARGINS**

**STRONG CASH CONVERSION**

**GROWTH IN JV EARNINGS**

## Executive Performance Stock Plan

- › Net sales growth in SEK
  - 4-10% CAGR 2010-2013
- › Operating income growth, including JVs and restructuring
  - 5-15% CAGR 2010-2013
    - › Base year 2010, excl restructuring
- › Cash conversion
  - Above 70%, annually

*The board of Directors will consider the impact of larger acquisitions, divestitures, the creation of joint ventures and any other significant capital event on the three targets on a case by case basis*



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**ERICSSON**