



ERICSSON

SECOND QUARTER 2012

18 July 2012



HELENA NORRMAN

Senior Vice President Communications

SECOND QUARTER 2012

July 18, 2012

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 DEVELOPMENTS

- › Continue to stay close to customers to monitor impacts of macroeconomic development and political uncertainty
- › Fundamental industry drivers unchanged
- › Operator focus
 - Network performance and quality of service
 - Spectrum
 - Tiered pricing - monetizing mobile broadband
 - Efficiency



NET SALES



› Sales +1% YoY

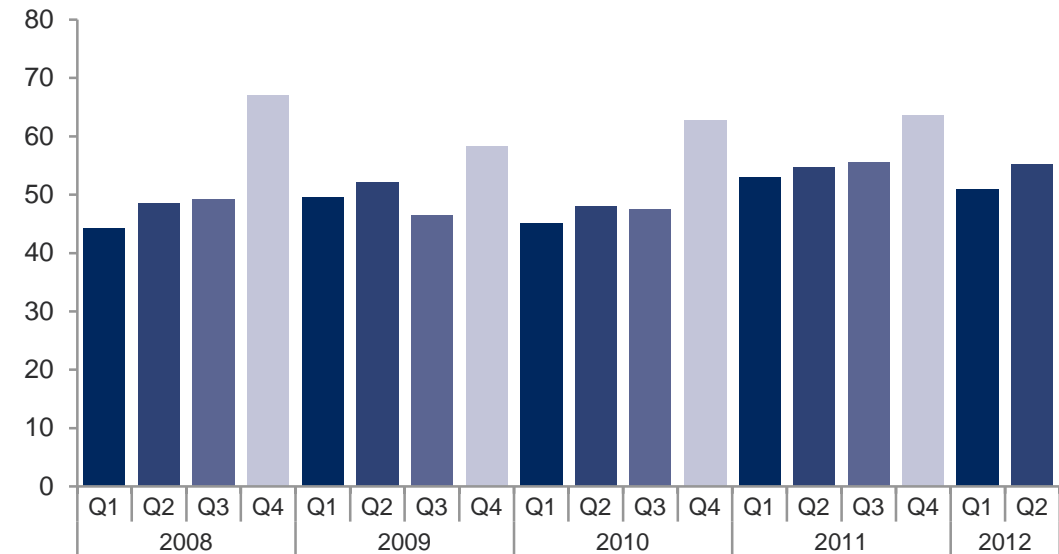
- +9% QoQ, normal seasonality +5%
- Telcordia added SEK 1.1 b
- Adjusted for comparable units and FX -6% YoY

› Strong performance in Global Services and Support Solutions

- Together represent approx. 50% of Group revenues

› Networks impacted by expected CDMA equipment decline, weaker sales in China and Russia

SEK b



Net sales

Q212 SEK 55.3 b

Y/Y +1%

Q/Q +9%

Organic and FX adjusted

Q212/Q211 -6%

PROFITABILITY

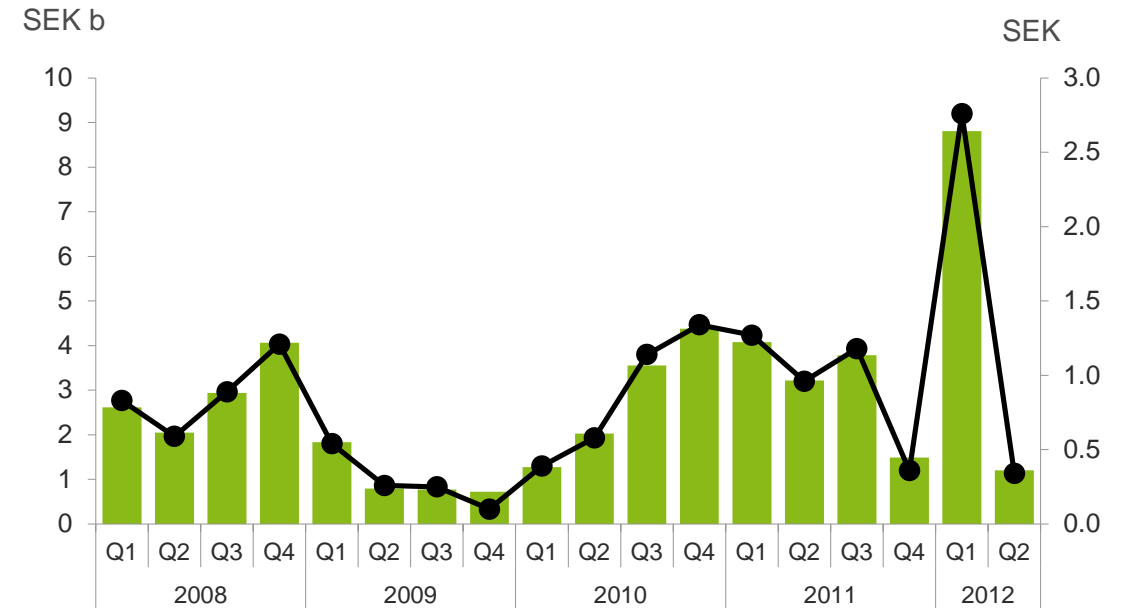
- › Net income SEK 1.2 (3.2) b
 - Impacted by lower profitability in Networks
 - ST-Ericsson loss SEK -1.3 (-0.7) b

- › EPS Non-IFRS* SEK 0.78 (1.60)

- › Focus on profitable growth and improved cashflow



- › Q112 includes gain from divestment of Sony Ericsson of SEK 7.7 b

**EPS, diluted, excl. Amortizations, write-downs of acquired intangible assets and restructuring*



Net income

Q212 SEK 1.2 b
 Y/Y -63%
 Q/Q -

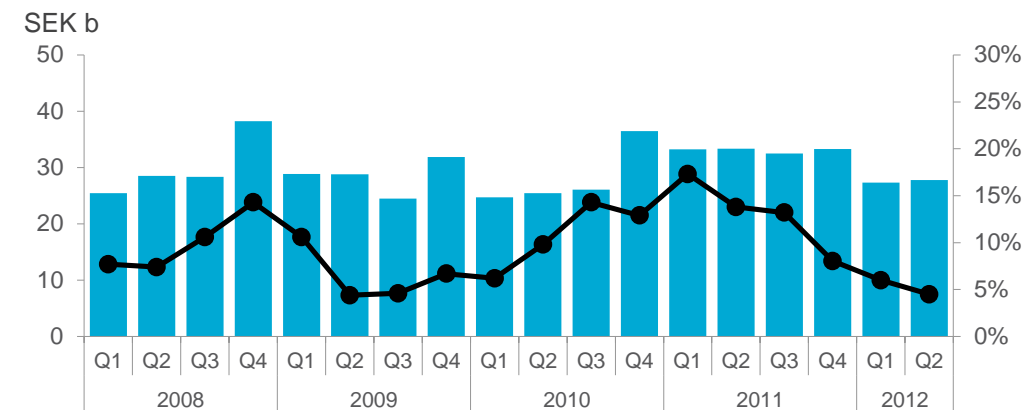
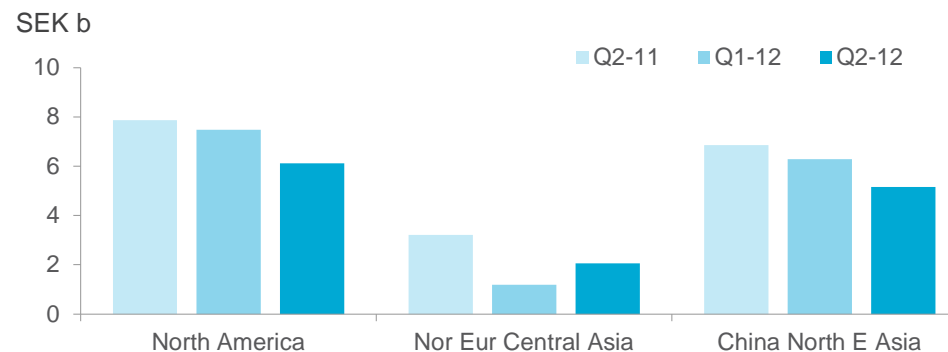
 Net income
 EPS, diluted

NETWORKS



- › Organic FX adjusted sales -20% YoY
 - Unadjusted QoQ +2%
- › CDMA equipment sales -50% YoY
 - SEK 2 b in Q212
- › YoY lower GSM sales in China, reduced operator investments in Russia, India
- › Operating margin +5% (+14%)
 - Lower volumes
 - Negatively impacted by underlying business mix with more coverage than capacity projects
 - European modernization projects
 - QoQ impacted by lower sales of mobile broadband capacity than in Q1

Net sales



Operating margin		Sales	
Q212	+5%	Q212	SEK 27.8 b
Q211	+14%	Y/Y	-17%
Q112	+6%	Q/Q	+2%

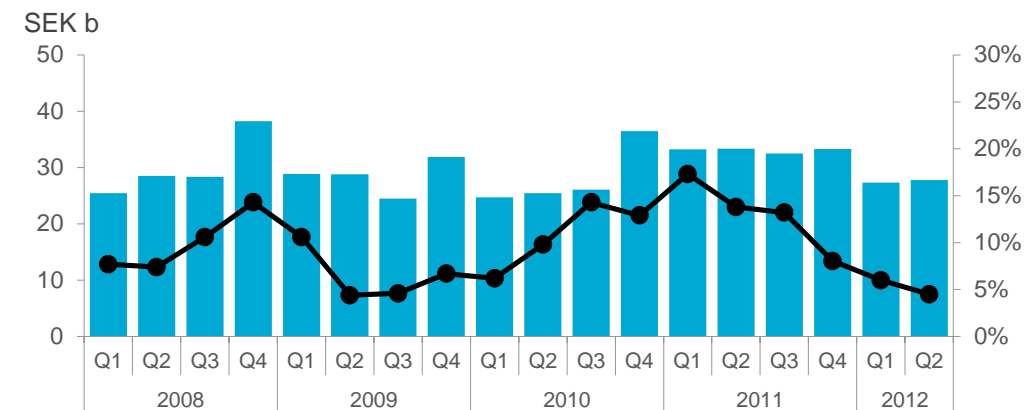
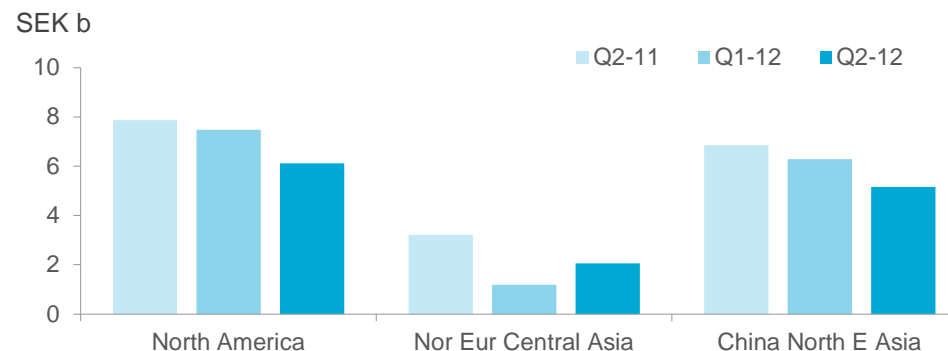
Numbers 2011-2012 include restructuring charges, numbers 2008-2010 exclude restructuring charges

NETWORKS



- › Operator focus on network performance and quality of service
 - Strong fundamental drivers
- › LTE reaching outside initial rollout countries
 - Europe, Latin America
 - Well proven LTE solution, outperforming competition
- › Key priorities
 - Improve profitability - leverage installed base
 - Grow IP sales – 7 contracts for Smart Services Router to date
 - Leverage leading LTE position also in VoLTE
 - Support CDMA customers in LTE migration

Net sales



Operating margin		Sales	
Q212	+5%	Q212	SEK 27.8 b
Q211	+14%	Y/Y	-17%
Q112	+6%	Q/Q	+2%

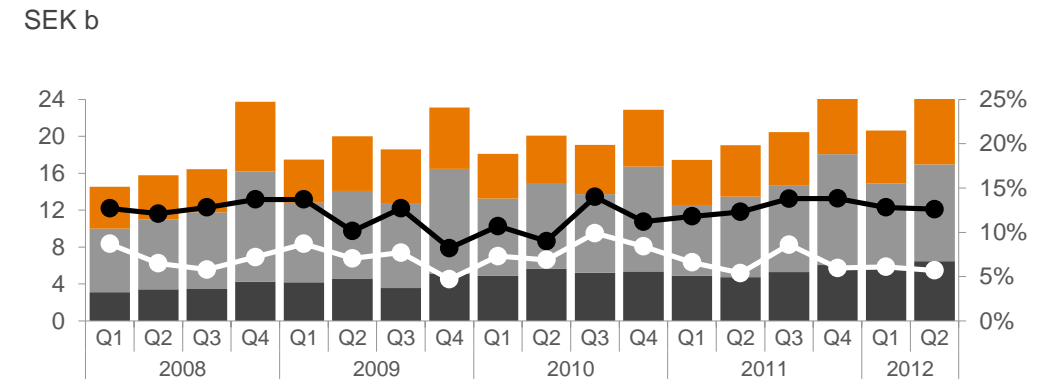
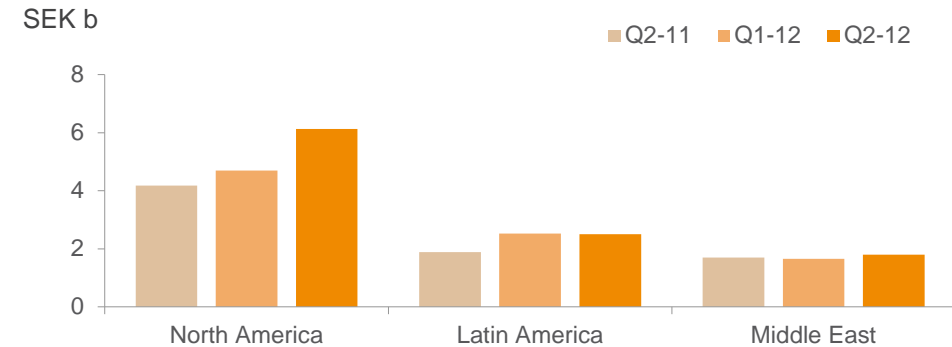
■ Networks sales
● Networks Operating margin

GLOBAL SERVICES



- › Organic FX adjusted sales +18% YoY
 - All areas showed strong growth
 - Business momentum remains
- › Professional Services +26% YoY
 - Driven by Managed Services and Consulting and Systems Integration
 - Demand driven by operators' focus on operational efficiency and reduced opex
- › Managed Services +37% YoY
 - 17 new signed contracts
- › Network Rollout +28% YoY
 - Driven by network modernization in Europe and coverage projects in other regions

Net sales



Global Services Operating margin		
Q212	+6%	
Q211	+5%	
Q112	+6%	
Sales		SEK 24.1 b
Q212		
Y/Y	+26%	
Q/Q	+17%	

- Network Rollout sales
- Professional Services sales excl. Managed Services sales
- Managed Services sales
- Global Services Operating margin
- Professional Services Operating margin

Numbers 2011-2012 include restructuring charges, numbers 2008-2010 exclude restructuring charges

GLOBAL SERVICES



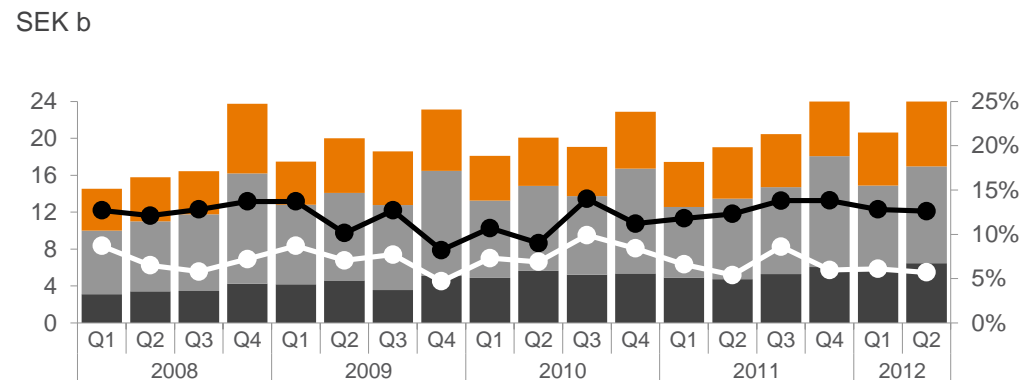
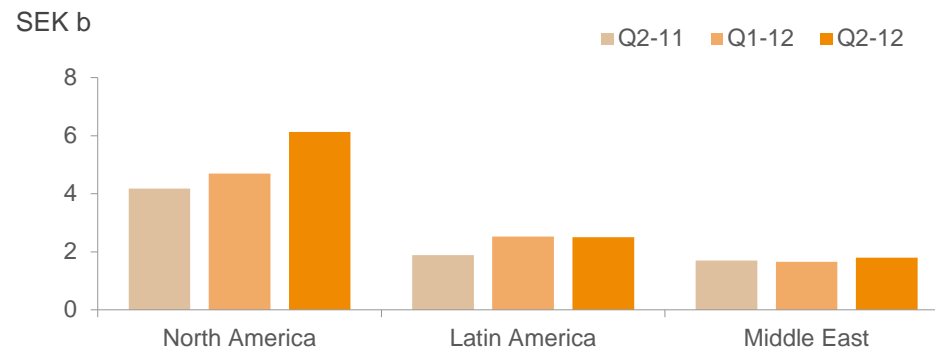
› Operating margin +6% (5%)

- Increased profitability in Professional Services - increased sales and lower restructuring charges
- Network Rollout – profitability still impacted by network modernization projects in Europe
- Impact from restructuring charges of 2%-points

› Demand driven by operators' focus on operational efficiency and reduced opex

- Operator transformation in voice, IP and OSS/BSS

Net sales



Global Services
Operating margin
 Q212 +6%
 Q211 +5%
 Q112 +6%

Sales
Q212 SEK 24.1 b
 Y/Y +26%
 Q/Q +17%

- Network Rollout sales
- Professional Services sales excl. Managed Services sales
- Managed Services sales
- Global Services Operating margin
- Professional Services Operating margin

SUPPORT SOLUTIONS

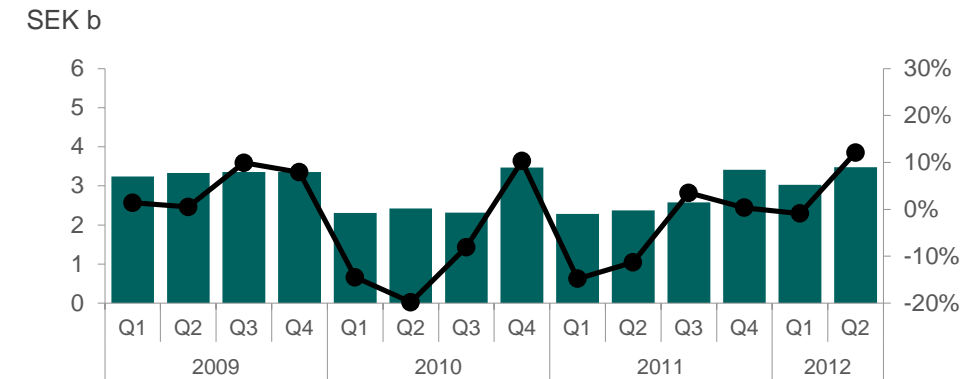
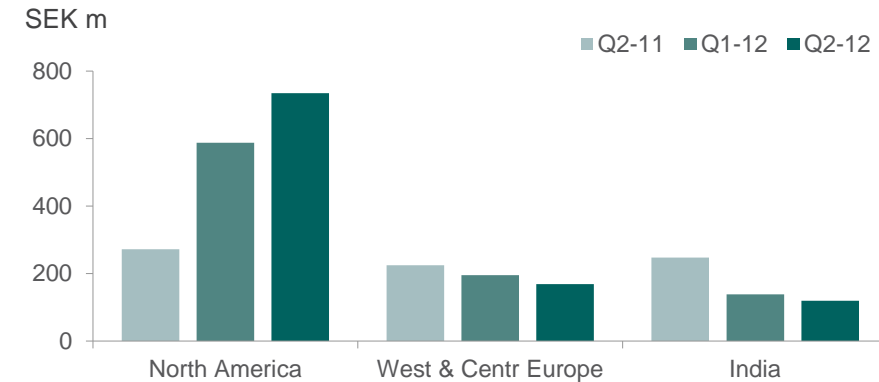


- › Organic FX adjusted sale +16%
 - Billing solutions in Middle East and Sub-Saharan Africa
 - Solid growth in TV- both IPTV and compression
 - Telcordia added sales of SEK 0.6 b in the quarter

- › Operating margin +12% (-11%)
 - Increased volumes, favorable product mix
 - Software business with high fixed cost base – volume driven

- › Key priorities
 - Transforming the business for sustainable profit
 - Integration of Telcordia

Net sales



Operating margin Q212 +12% Q211 -11% Q112 -1%		Sales Q212 SEK 3.5 b Y/Y +47% Q/Q +15%		Support Solutions sales Support Solutions Operating margin
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Q2 REGIONAL SALES



North America

- › CDMA continued to decline, partly offset by 4G/LTE
- › Services grew YoY driven by a high level of project execution
- › Momentum in OSS/BSS

Q212 SEK 13.0 b
Y/Y +5%
Q/Q +2%

Mediterranean

- › Growth in services and networks driven by network modernization projects
- › Both Network rollout and Systems Integration developed positively

Q212 SEK 6.2 b
Y/Y +12%
Q/Q +35%

China and North East Asia

- › YoY and QoQ decrease related to lower GSM sales in China. Services sales driven by more turnkey projects in Japan
- › Rapid change to initial LTE deployments and a larger share of services

Q212 SEK 8.4 b
Y/Y -7%
Q/Q -8%

Latin America

- › YoY increase driven by services. Network Rollout sales from project execution in Brazil, Chile and Mexico
- › Strong sales for charging systems
- › Brazil and Mexico preparing for LTE deployments.

Q212 SEK 5.2 b
Y/Y +6%
Q/Q +9%

Middle East

- › Growth driven by Global Services and Support Solutions
- › Focus on quality and operational efficiencies → Growth in Managed Services and Systems Integration
- › Impact from political unrest

Q212 SEK 3.7 b
Y/Y +4%
Q/Q +17%

South East Asia and Oceania

- › YoY growth in Networks driven by 3G and initial LTE in parts of the region
- › Sequential increase from capacity investments in Indonesia and deployments in parts of the region

Q212 SEK 3.7 b
Y/Y +21%
Q/Q +9%

Northern Europe and Central Asia

- › Sequential growth driven by a break-in 3G contract and continued modernization projects
- › YoY decrease from continued low investment levels in Russia

Q212 SEK 3.4 b
Y/Y -26%
Q/Q +47%

Sub-Saharan Africa

- › Growth driven by 2G investments, 3G increasing – Nigeria
- › Low cost smartphones entering the market → mobile broadband penetration starting to rise (from 4%)

Q212 SEK 2.8 b
Y/Y +26%
Q/Q +27%

Other

- › Licensing revenues continued to show stable development YoY
- › Multimedia brokering (IPX) in Other from Q112

Q212 SEK 3.1 b
Y/Y +27%
Q/Q +10%

Western and Central Europe

- › Focus on OSS/BSS transformations and continued good momentum for services → Global Services and Support Solution >60% of sales

Q212 SEK 4.1 b
Y/Y -6%
Q/Q -5%

India

- › Data traffic growth in a few areas → some recovery in network capex
- › YoY decline due to initial 3G deployments peak in 1H11
- › Regulatory uncertainty continues

Q212 SEK 1.7 b
Y/Y -39%
Q/Q +20%

All comments refer to sequential development



JAN FRYKHAMMAR

CFO and Executive Vice President

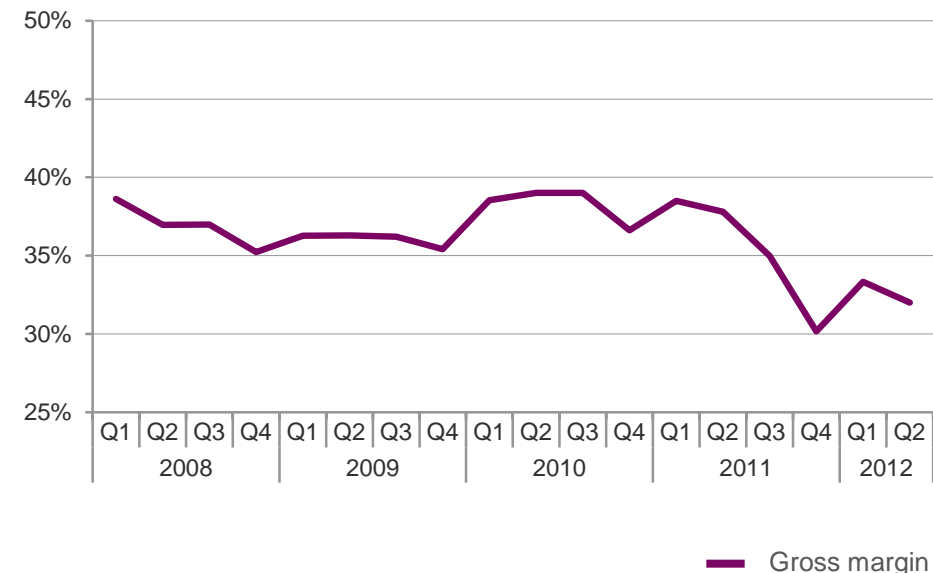
P/L COMMENTS

- › Gross margin down QoQ to 32.0%
 - Higher Global Services share dilutive to Group
 - Half of YoY decline related to increased services sales
 - Lower sales of mobile broadband capacity than in Q112
 - YoY decrease due to higher Global Services share, higher proportion coverage and European network modernization projects
- › Underlying business mix, with higher share of coverage projects than capacity projects unchanged in the quarter
 - Business mix expected to prevail short-term
 - The negative gross margin impact from the European network modernization projects will start to gradually decline end 2012
- › Restructuring charges SEK 0.6 (1.7) b
 - Related to execution of services delivery strategy
 - Full year estimate unchanged at SEK ~4 b



Business mix key to gross margin dynamics

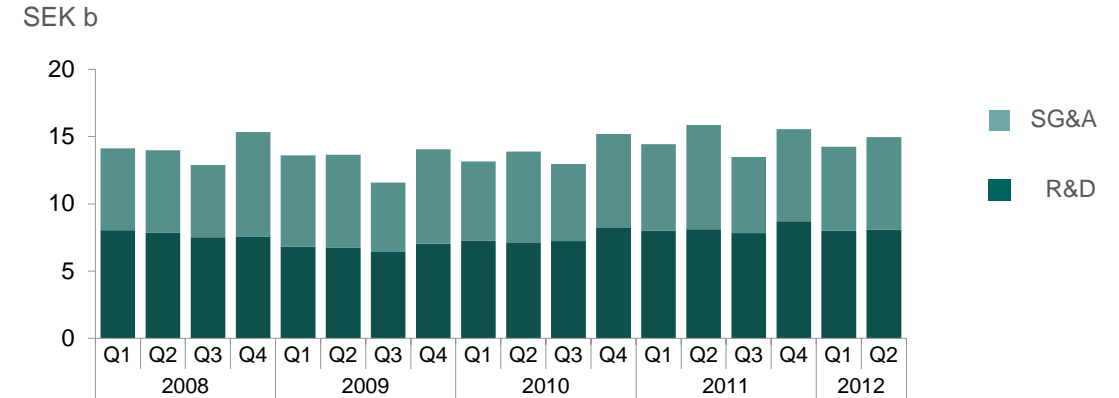
Drivers



P/L COMMENTS

- › Operating expenses SEK 15.0 (15.8) b
 - Impacted from added OPEX from Telcordia
- › R&D SEK 8.1 (8.1) b
 - FY12 R&D expenses expected at SEK 30-32 b – previous estimate SEK 29-31
 - Increase due to selective investments in key radio technology and FX
- › Sales, general & administration (SG&A) SEK 6.9 (7.7) b
 - Down -8% YTD, excl restructuring and Telcordia
 - Restructuring SEK 0.1 (1.2) b
- › Operating margin 5.9% (9.2%)*
 - Impacted by lower profitability in Networks
 - Lower restructuring cost

*Excl. JVs and Sony Ericsson sales



ST-ERICSSON

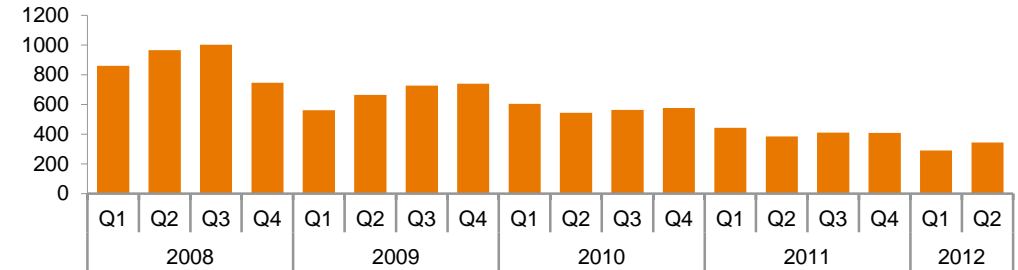


- › Focus on securing successful execution company transformation aiming at lowering break-even point
- › Sales increased 19% QoQ
 - Significant ramp up of volumes for NovaThor platforms
 - Shipping to major customers
- › Ericsson share in ST-Ericsson earnings
 - SEK -1.3 (-0.7) b

SEK m.	March 31, 2012	June 30, 2012
Investment in ST-Ericsson	1,982	767
Loans to ST-Ericsson	3,241	4,311
Total	5,223	5,078

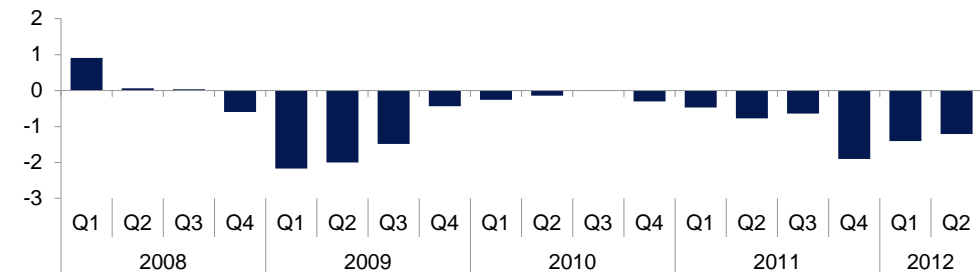
ST-Ericsson sales

Sales
USD m



Ericsson's share in JV earnings

SEK b



BALANCE SHEET COMMENTS



› Trade receivables increased QoQ to SEK 67.3 (60.7) b

- Reflecting changes in FX and late invoicing in the quarter
- DSO up 7 days to 111

› Customer financing

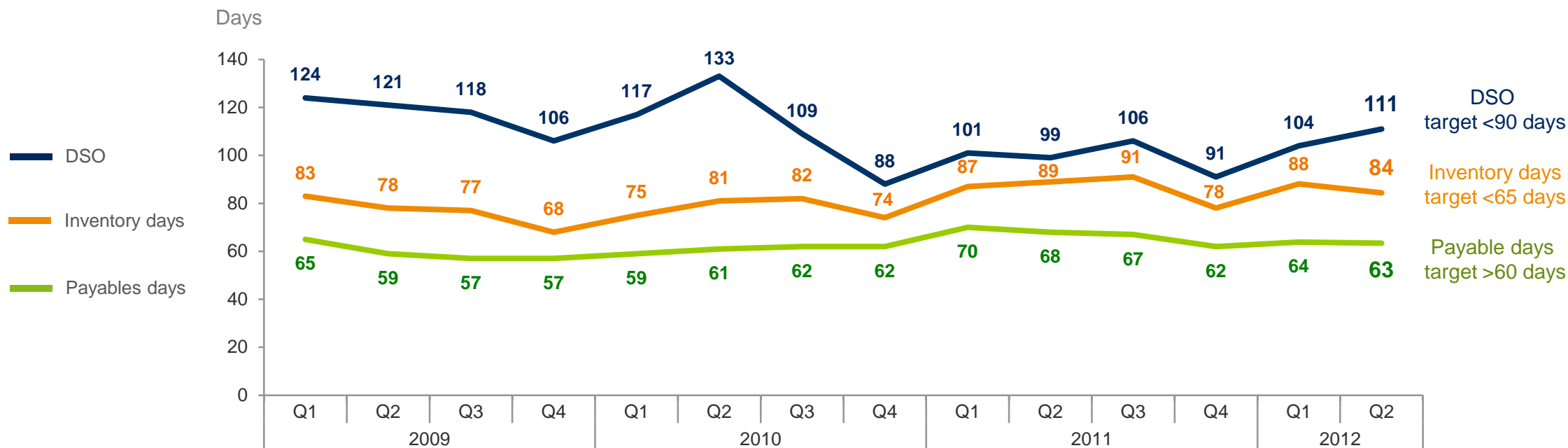
- SEK 3.9 (3.9) b, SEK 4.0 b Q211

› Inventory increased QoQ to SEK 33.1 (32.5) b

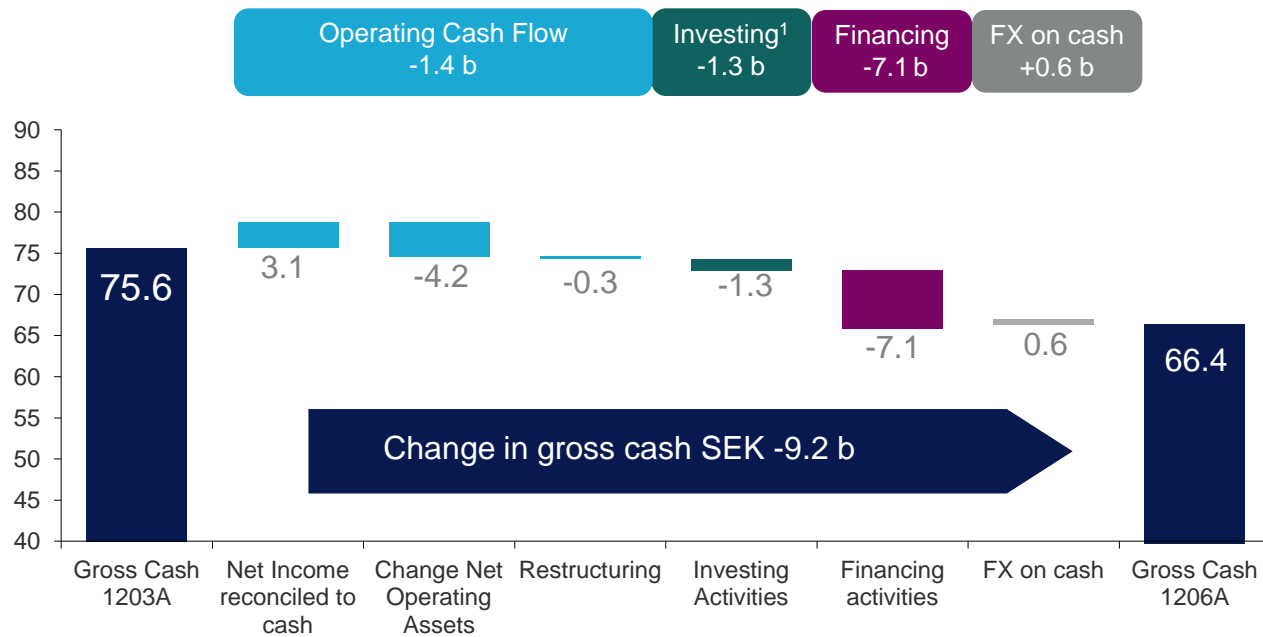
- ITO improved from 88 to 84 days
- Still on high level due to high project activity

› Provisions reduced by SEK 0.6 b

- SEK 0.3 b related to restructuring
- SEK 0.3 b relates to resolved dispute



CASH FLOW Q212



- › Cash flow from operations SEK -1.4 (5.8) b
 - Late invoicing in the quarter
- › Cash conversion YTD -9%
 - FY target >70%
- › Change in net cash SEK -11.2 b
 - Net cash from SEK 37.1 b. to 25.9 b.
 - Shareholder dividends SEK 8.2 b
 - Operating cash flow SEK -1.4 b

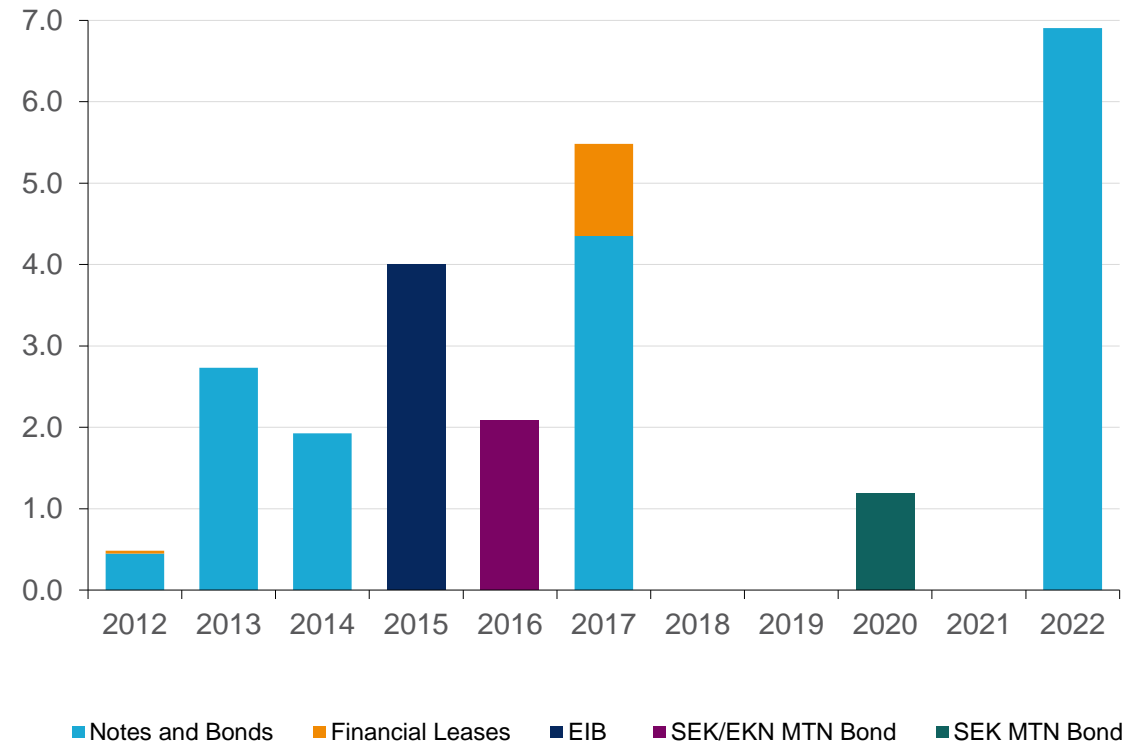
¹ Excluding short-term investments

REFINANCING ACTIVITIES



- › Extended average debt maturity profile
- › Diversified funding sources

- › Issue of USD denominated 1 b. 10-year bond
 - Interest rate 4.125%
- › Repurchase of EUR 441 m EMTN bonds
- › Two SEK denominated bonds repaid at maturity
 - Total of SEK 3 b.





Strategy execution – profitable growth

Cost and efficiency

Technology and services leadership



ERICSSON



Q&A

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