



ERICSSON

THIRD QUARTER 2012

October 26, 2012



HELENA NORRMAN

Senior Vice President Communications

THIRD QUARTER 2012

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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

- › Network performance differentiator for operators
- › 1 billion smartphones in the world
- › Fundamentals for longer-term positive development for the industry remain solid
- › Continued macroeconomic slow down and political unrest
- › Operators in talks about consolidation

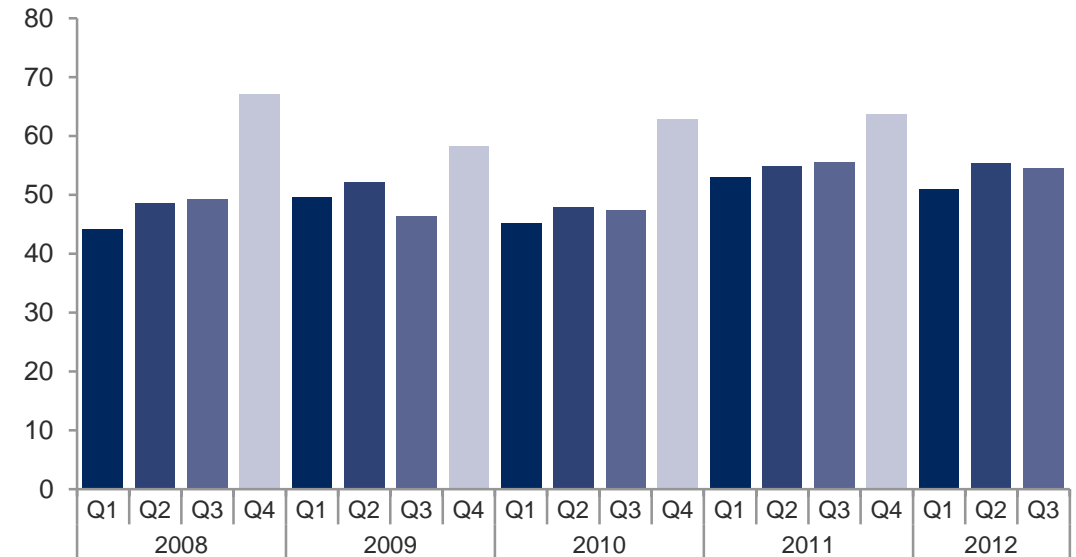


NET SALES



- › Sales -2% YoY
 - -1% QoQ, less than seasonality
 - Telcordia added SEK 1.1 b
 - Organic FX adjusted -4% YoY
- › Good growth in Global Services and Support Solutions
 - Represents more than half of the Group's revenues
- › Networks developed favorably in North America – slow in parts of Europe, China, Korea, Russia
- › Continued expected decline in CDMA equipment sales

SEK b



Net sales

Q312 SEK 54.6 b

Y/Y -2%

Q/Q -1%

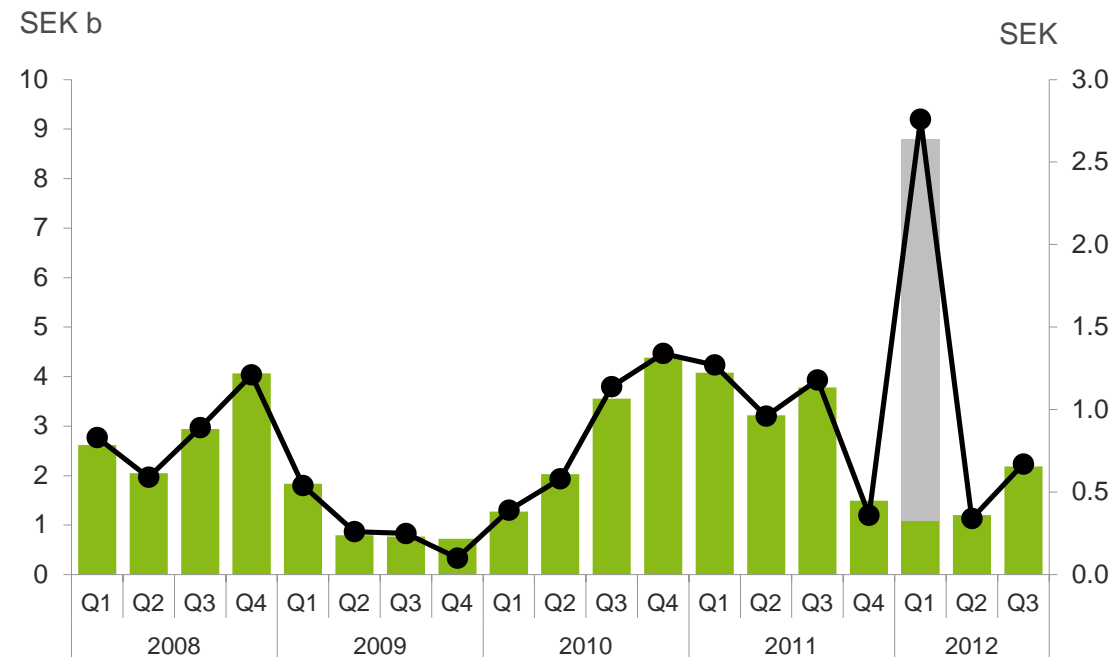
Organic and FX adjusted

Q312/Q311 -4%

PROFITABILITY

- › Opex -7% YoY excl restructuring and acquisitions
- › Net income SEK 2.2 (3.8) b
 - Impacted by lower profitability in Networks
 - ST-Ericsson loss SEK -0.6 (-0.7) b
- › EPS Non-IFRS* SEK 1.04 (1.52)
- › Not satisfactory profitability
- › We continue to proactively identify and execute additional efficiency gains and cost reductions

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



Net income

Q312 SEK 2.2 b
 Y/Y -42%
 Q/Q 81%

- Net income
- EPS, diluted
- Net income incl. divestment of SonyEricsson

NETWORKS

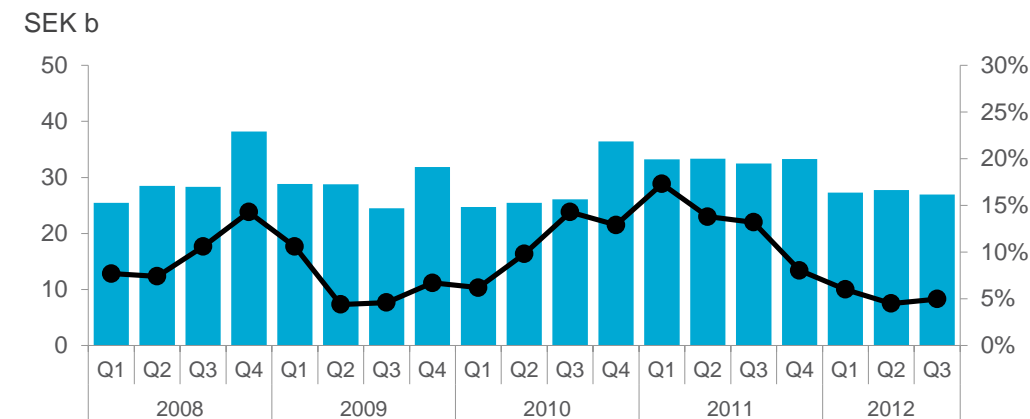
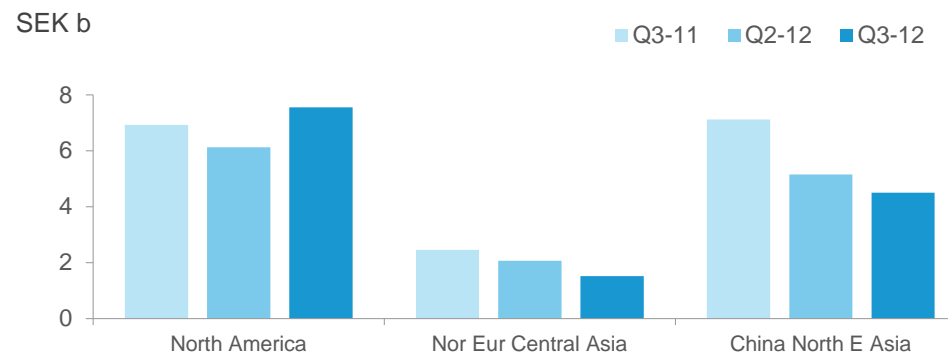


- › Organic FX adjusted sales -17% YoY
 - Reported -3% QoQ – in line with seasonality
 - Good development in North America, despite CDMA decline
 - Lower sales in parts of Europe
 - Lower GSM sales in China and 3G sales in Russia
 - Korea declined following large 3G rollout in Q311

- › CDMA equipment sales -50% YoY
 - SEK 1.6 b in the quarter

- › Operating margin 5% (13%)
 - Stable QoQ development – seasonally low opex, while lower share of software impacted negatively
 - Lower sales
 - Negatively impacted by underlying business mix with more coverage than capacity projects
 - European modernization projects

Net sales



Operating margin		Sales	
Q312	+5%	Q312	SEK 26.9 b
Q311	+13%	Y/Y	-17%
Q212	+5%	Q/Q	-3%

■ Networks sales
● Networks Operating margin

NETWORKS

- › Network performance differentiator for operators
 - New devices and apps put higher consumer demands on network performance
 - HSPA speeds, coverage and capacity are required for tiered pricing plans

- › Latin America starts LTE rollouts
 - After executing awarded contracts Ericsson will have a footprint of more than 50%, substantially higher than the 3G market share in the region

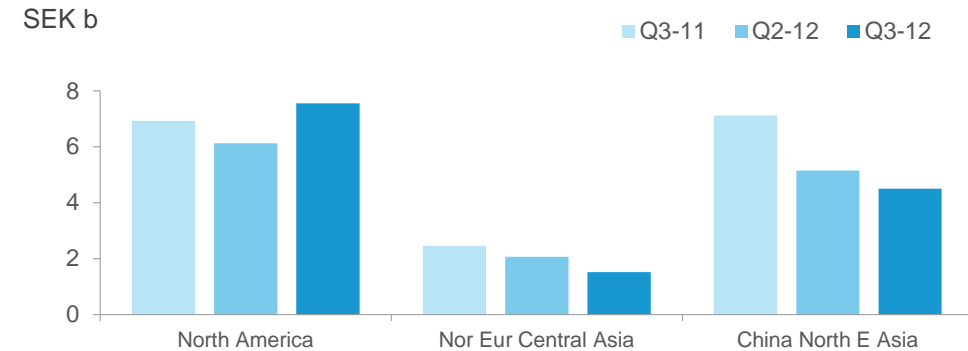
- › Positive customer feedback on the Smart Services Router

- › CDMA transitioned to Networks Jan 1, 2013
 - Support CDMA customers in migration to LTE - promote all mobile standards - no impact on financial reporting

- › Strong focus on improving profitability



Net sales



Operating margin		Sales	
Q312	+5%	Q312	SEK 26.9 b
Q311	+13%	Y/Y	-17%
Q212	+5%	Q/Q	-3%

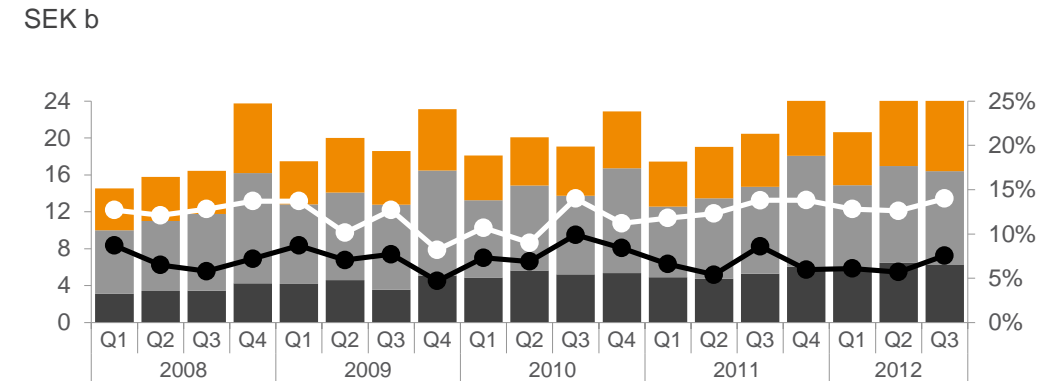
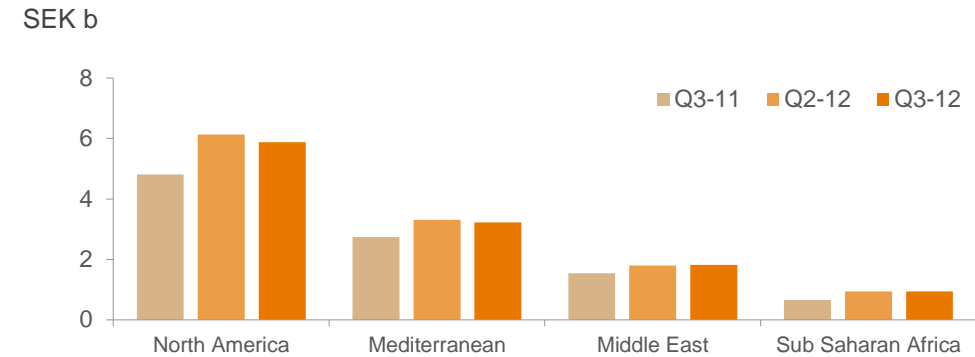
■ Networks sales
● Networks Operating margin

GLOBAL SERVICES



- › Organic FX adjusted sales 16% YoY
 - Business momentum remains
- › Professional Services sales 11% YoY
 - Driven mainly by Managed Services
 - Demand driven by operators' focus on operational efficiencies and reduced opex
 - QoQ decline due to seasonality
 - Supports networks with more than 2.5 b subscribers
- › Managed Services sales 19% YoY
 - 11 new contracts signed
- › Network Rollout sales 38% YoY
 - Driven by major activities in North East Asia, Europe, North America and Sub-Saharan Africa
 - QoQ increase due to continued high project activity

Net sales



Global Services Operating margin		
Q312	+8%	
Q311	+9%	
Q212	+6%	

Sales		
Q312		SEK 24.3 b
Y/Y		+19%
Q/Q		+1%

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

GLOBAL SERVICES



› Operating margin 8% (9%)

- Stable development due to improved project executions and efficiency gains
- Increase QoQ from 6%
- Impact from restructuring charges 2%-points Q312 (1%-point Q311)

› Professional Services 14% (14%)

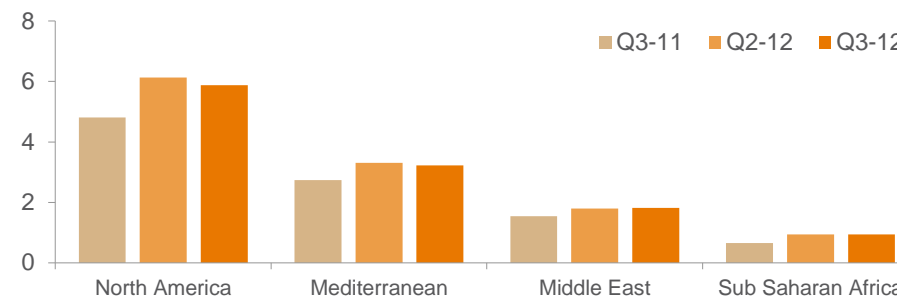
- Stable development YoY and QoQ
- Impact from restructuring charges 2%-points Q312 (2%-points Q311)

› Network Rollout -6% (-5%)

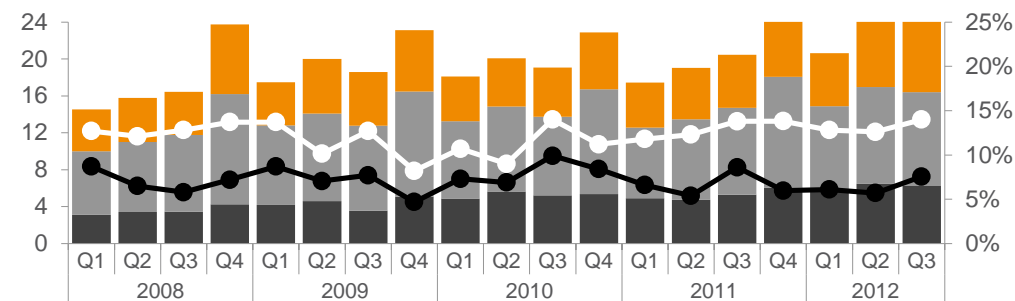
- QoQ decrease in loss from -11%
- Continued improvements in project execution
- Somewhat more favorable project mix

Net sales

SEK b



SEK b

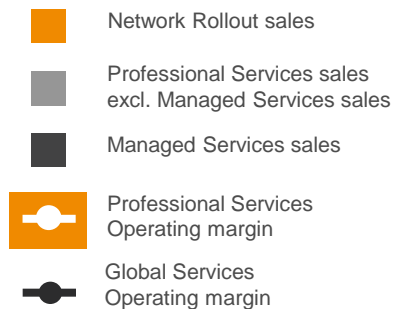


**Global Services
Operating margin**

Q312	+8%
Q311	+9%
Q212	+6%

Sales

Q312	SEK 24.3 b
Y/Y	+19%
Q/Q	+1%



SUPPORT SOLUTIONS

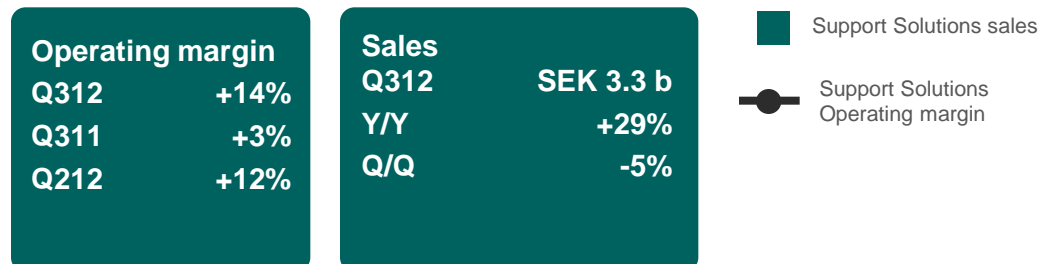
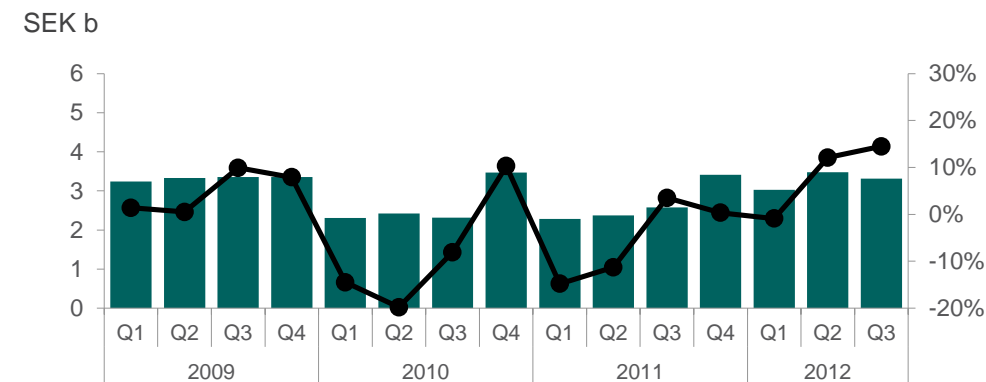
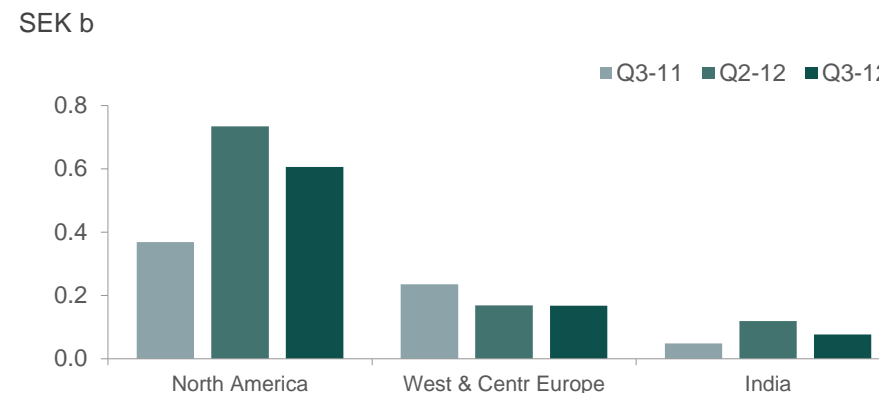


- › Organic FX adjusted sales 4% YoY
 - Increase driven by Latin America and Middle East - BSS (charging)
 - Telcordia added sales of SEK 1.1 b, of which SEK 0.6 b reported under segment Support Solutions, with good QoQ sales performance

- › Operating margin 14% (3%)
 - Capital gain of SEK 0.2 b from divestment of Multimedia brokering (IPX)
 - Operating margin 7% excl IPX

- › Transformation for profitable growth continues
- › Acquisition of ConceptWave based in Canada (order management and product catalog solutions)
- › Integration of Telcordia and ConceptWave

Net sales



Numbers 2011-2012 include restructuring charges, numbers 2009-2010 exclude restructuring charges

Q3 REGIONAL SALES



North America

- › High activity level in won coverage projects → both Networks and Services grew YoY as well as QoQ
- › CDMA continued its expected decline
- › New LTE devices will increase focus on both coverage and capacity

Q312 SEK 14.0 b
Y/Y +16%
Q/Q +8%

Mediterranean

- › YoY growth driven by network modernization projects
- › LTE starting to gain traction with deployment in a few countries

Q312 SEK 5.4 b
Y/Y +3%
Q/Q -13%

China and North East Asia

- › Continued YoY decline related to lower GSM sales in China and transition to 4G in Korea. Same as previous quarter
- › YoY Services growth mainly driven by turnkey projects in Japan

Q312 SEK 8.4 b
Y/Y -13%
Q/Q -1%

Latin America

- › Slow Networks business YoY driven by decision period for LTE investments
- › 3G drove Networks' sequential increase
- › Awarded LTE contracts will give more than 50% market share. Higher than 3G.
- › Positive development QoQ for Support Solutions

Q312 SEK 5.4 b
Y/Y -10%
Q/Q +3%

Middle East

- › Global Services and Support Solutions developed favorably. Global Services alone represent 50% of revenue in quarter
- › High demand for managed services
- › Impact from political unrest, partly offset by continued LTE deployments

Q312 SEK 3.6 b
Y/Y 0%
Q/Q -2%

South East Asia and Oceania

- › Some YoY increase in Services driven by operator focus on network performance
- › Networks decreased YoY reflecting lower activity in certain countries.

Q312 SEK 3.5 b
Y/Y -6%
Q/Q -5%

Northern Europe and Central Asia

- › Services grew YoY driven by network rollout and managed services
- › Networks declined YoY and QoQ mainly related to continued lower activity in Russia

Q312 SEK 2.7 b
Y/Y -24%
Q/Q -20%

Sub-Saharan Africa

- › 3G rollouts and upgrades drove YoY growth. However 2G still represent the larger share of Networks and Services revenues
- › Subscriber and data growth continues, although data grows from low levels

Q312 SEK 2.8 b
Y/Y +11%
Q/Q 0%

Western and Central Europe

- › Continued transition to modernization contracts
- › Managed services, OSS/BSS and systems integration developed favorably

Q312 SEK 3.6 b
Y/Y -21%
Q/Q -11%

India

- › Data traffic growth in a few areas → some sequential recovery
- › Investments continued at low levels
- › YoY decline due to large initial 3G rollouts in Q311

Q312 SEK 1.7 b
Y/Y -24%
Q/Q +2%

Other

- › The acquired Technicolor business contributed to YoY improvement
- › Licensing revenues continued to show stable development YoY
- › Multimedia brokering (IPX) in Other from Q112, divested at end of Q312

Q312 SEK 3.3 b
Y/Y +49%
Q/Q +6%

All comments refer to sequential development



JAN FRYKHAMMAR

CFO and Executive Vice President

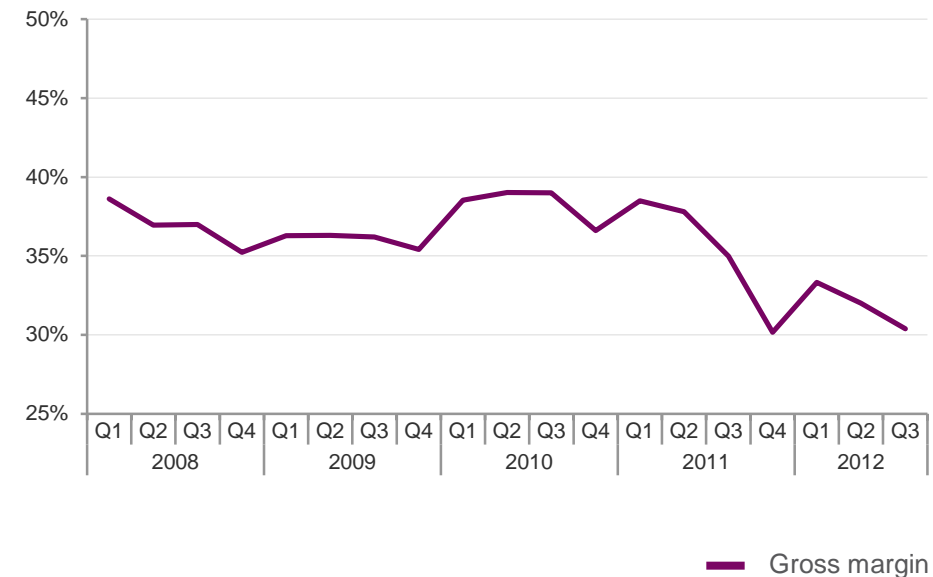
P/L COMMENTS

- › Gross margin down QoQ to 30.4% (35.0%)
 - QoQ decline due to lower software sales and higher share of Global Services
 - YoY decline impacted by higher share of coverage projects and network modernization in Europe
 - Half of YoY decline related to Global Services share
 - Higher Global Services share dilutive to Group – adds stable operating profitability
- › Underlying business mix, with higher share of coverage than capacity projects, expected to prevail short-term
 - Negative impact from network modernization projects in Europe will start to gradually decline end 2012
- › Restructuring charges SEK 0.6 (0.4) b
 - Related to service delivery strategy moving local resources to global centers
 - YTD restructuring charges of SEK 1.7 b
 - FY12 estimate unchanged at SEK ~4 b



Business mix key to gross margin dynamics

Drivers

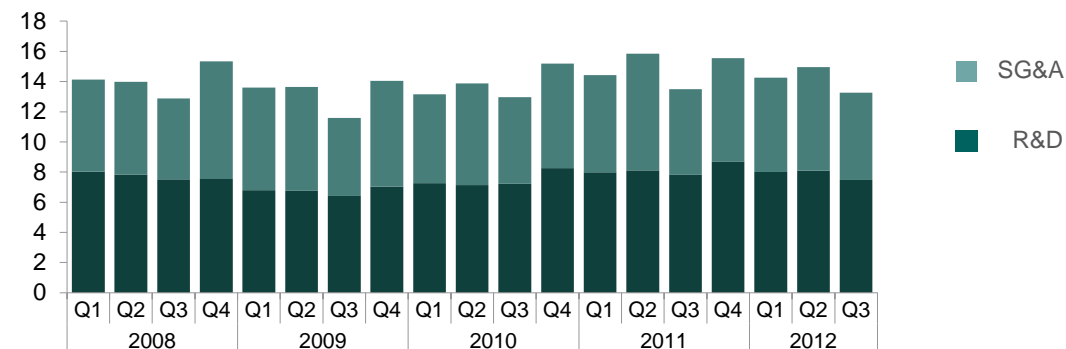


P/L COMMENTS

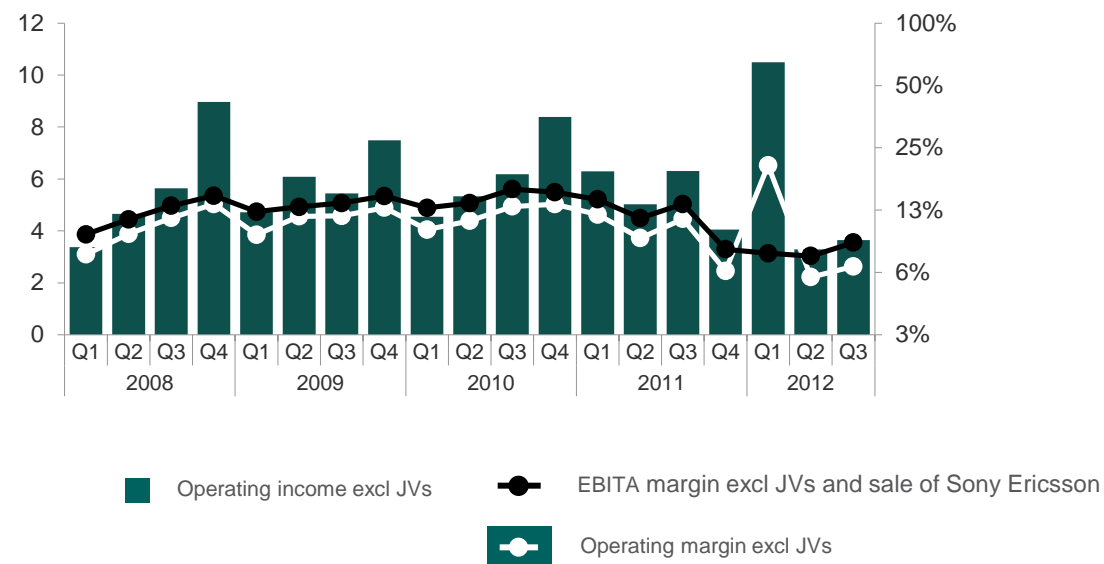
- › Operating expenses SEK 13.3 (13.5) b
 - -7% YoY excl restructuring and acquisitions
- › R&D SEK 7.5 (7.8) b
 - Declined YoY despite added acquisitions
 - QoQ decline of SEK 0.6 b mainly related to seasonality
 - FY12 R&D expenses expected to be SEK 30-32 b
- › Sales, general & administration SEK 5.8 (5.7) b
 - Declined SEK 1.1 b QoQ due to seasonality and effects from cost reductions
- › Operating margin excl JV 6.7% (11.3%)
 - YoY decline due to higher share of coverage projects and network modernization in Europe as well as lower sales
 - QoQ improvement from 5.9% due to lower opex



SEK b



SEK b



ST-ERICSSON

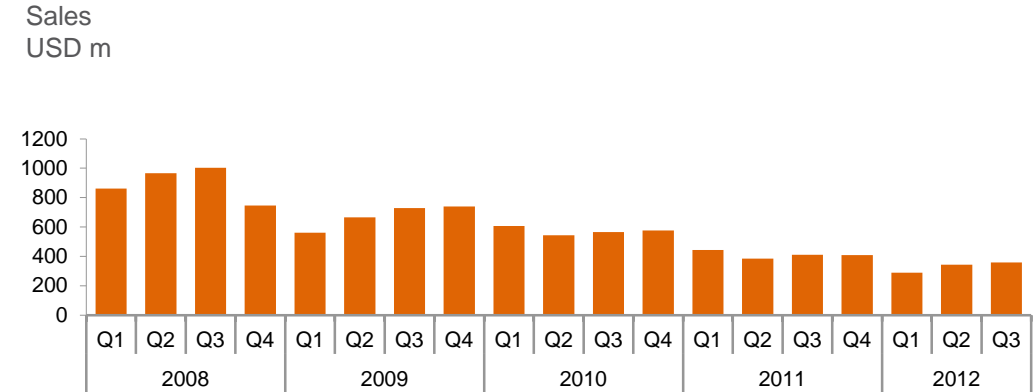


- › Still challenging situation despite improved performance Q312 – sales 4% QoQ
 - Parent companies continuously reviewing strategy and business case
 - ST-Ericsson has a strategic position in the industry to enable device ecosystem
 - Focus on successful execution in transforming the company to lower its break-even point

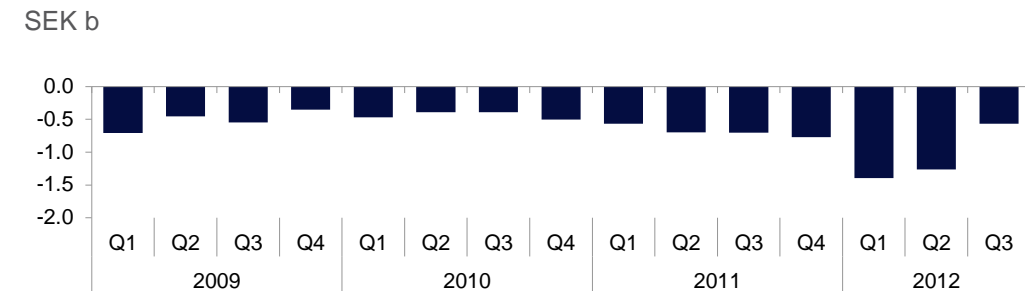
- › Reduced loss
 - Ericsson share in ST-Ericsson earnings SEK -0.6 (-0.7) b

SEK m.	March 31 2012	June 30 2012	Sep 30 2012
Investment in ST-Ericsson	1,982	767	195
Loans to ST-Ericsson	3,241	4,311	4,538
Total	5,223	5,078	4,733

ST-Ericsson sales



Ericsson's share in ST-Ericsson earnings

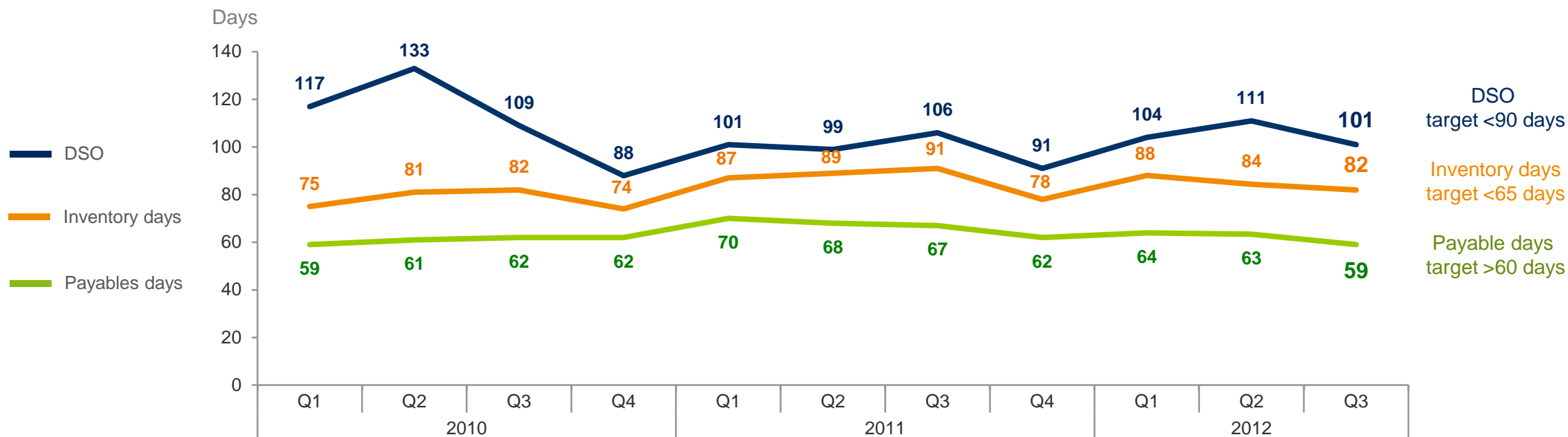


BALANCE SHEET COMMENTS

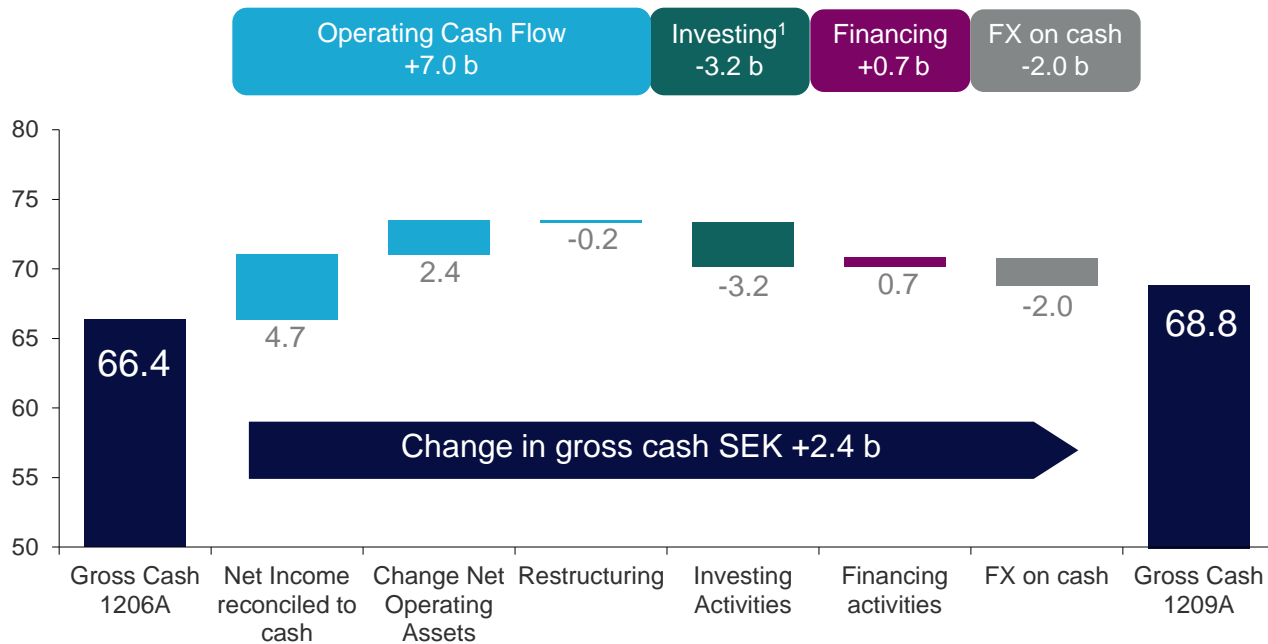


- › Trade receivables decreased QoQ to SEK 61.6 (67.3) b
 - Reflecting good collections and changes in FX
 - DSO decreased ten days to 101 days
- › Customer financing
 - SEK 4.0 (3.9) b, SEK 4.6 b Q311

- › Inventory decreased QoQ to SEK 32.4 (33.1)
 - Mainly impacted by FX
 - Still on a high level due to high project activity
- › Provisions reduced by SEK 0.1 b
 - SEK 0.2 b related to restructuring
 - Reflecting our business mix and good product introduction



CHANGE IN GROSS CASH Q312



- › Cash flow from operations SEK 7.0 (1.6) b
 - Good collections
- › Cash conversion YTD 52%
 - FY target >70%
- › Increase in net cash of SEK 3.1 b to SEK 29.0 b
 - Mainly due to positive operating cash flow
- › Further diversification of funding sources

¹ Excluding short-term investments



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November 6, Stockholm
Live webcast
www.ericsson.com/investors



Strategy execution – profitable growth

Cost and efficiency

Technology and services leadership



ERICSSON



Q&A

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