



SECOND QUARTER 2013

July 18, 2013



HELENA NORRMAN

Senior Vice President Communications

SECOND QUARTER 2013

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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

- › Increasing operator focus on network performance as key differentiator
- › Video traffic growing 60% annually – drives demand for TV & media solutions
- › Vendor selection processes for 4G/LTE in Russia and China ongoing
- › Continued dynamic industry environment
- › Still challenges in Europe and political uncertainty in parts of Middle East
- › Fundamentals for longer term positive development in the industry remain attractive



NET SALES



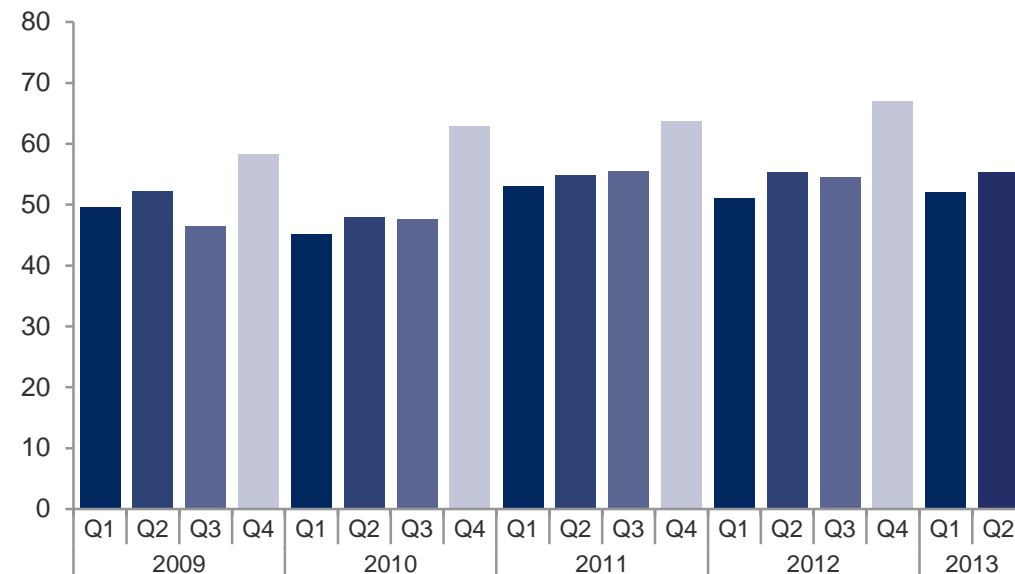
› Organic FX-adjusted sales +7% YoY

- Reported sales flat YoY
- Strong SEK impacting sales especially in JPY, USD and EUR
- Continued high project activity in Europe and North America – services and products
- North East Asia had another challenging quarter
- Continued structural decline in CDMA, GSM in China and circuit-switched core

› Organic FX-adjusted sales +6% QoQ

- Reported sales +6% QoQ
- Growth driven by Global Services
- Starting to engage in capacity and LTE projects in Europe

SEK b



Net sales

Q213 SEK 55.3 b

Y/Y +0%

Q/Q +6%

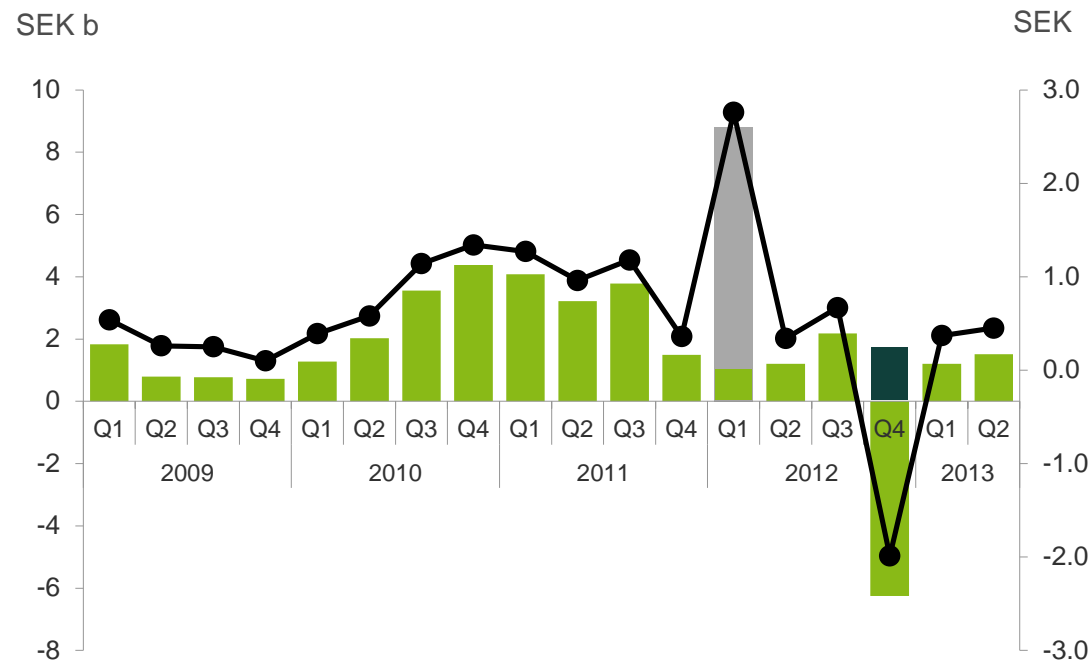
Organic and FX adjusted

Q213/Q212 +7%

PROFITABILITY

- › Operating margin, including JV and adjusted for one-time effects, increased to 6.1% (3.1%)
 - Exiting costs for cable operations SEK -0.6 b.
 - Loss related to divestment of ACS SEK -0.3 b.
- › Negative currency effect
- › Net income SEK 1.5 (1.2) b.
 - EPS diluted, SEK 0.45 (0.34)
 - EPS Non-IFRS¹⁾, SEK 0.88 (0.78)

¹⁾ EPS diluted, excl. amortizations, write-down of acquired intangible assets and restructuring.



Net income

Q213 **SEK 1.5 b**
Y/Y **+26%**
Q/Q **+26%**

- Net income
- EPS, diluted
- Net income incl. divestment of Sony Ericsson
- Net income excl. ST-Ericsson charge

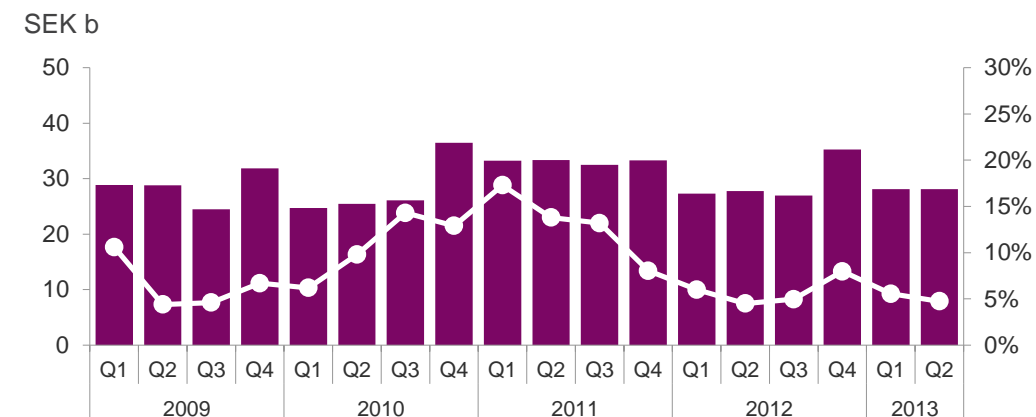
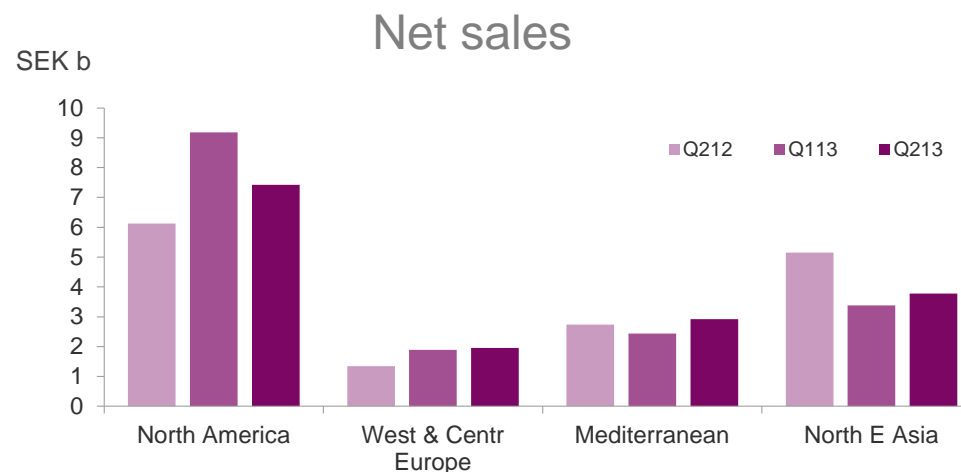
NETWORKS

- › Organic FX adjusted sales up 8% YoY
 - MBB deployments in North and Latin America
 - Lower business activity in South Korea
 - Continued structural decline in CDMA, GSM in China and circuit-switched core

- › Sales flat QoQ
 - Two coverage projects peaked in H113 in North America

- › Operating income, SEK 1.3 (1.3) b.
 - One-time items SEK -0.6 b.
 - Gradually decreasing negative effects from network modernization projects in Europe
 - Efficiency activities on track

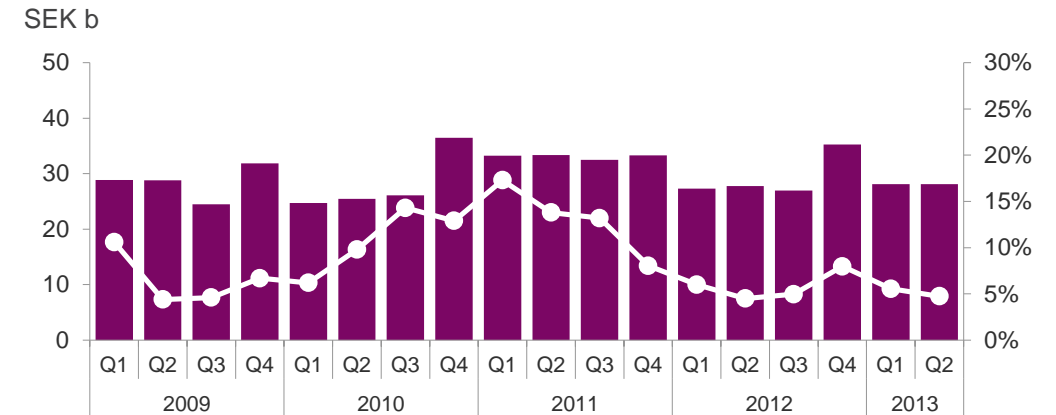
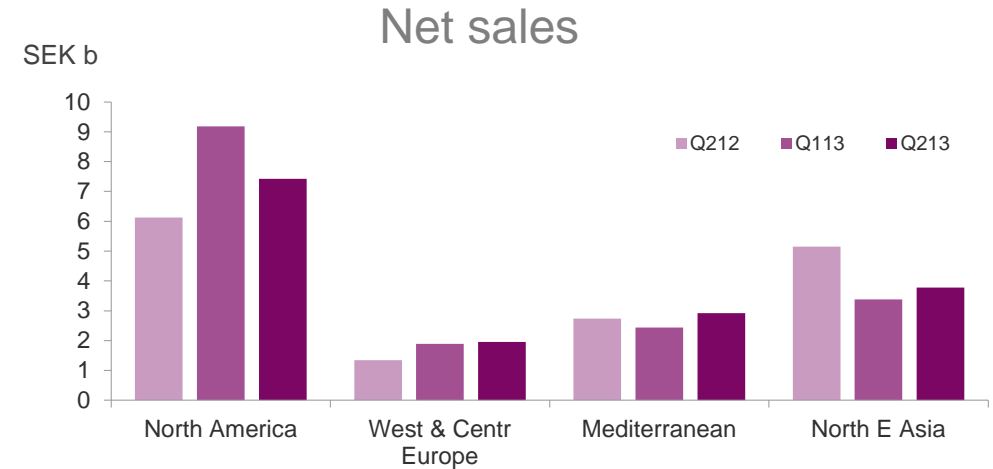
- › Operating margin, 5% (5%)
 - Adjusted for one-time items 7% (5%)



Operating margin		Sales		Networks sales Networks Operating margin
Q213	+5%	Q213	SEK 28.1 b	
Q212	+5%	Y/Y	+1%	
Q113	+6%	Q/Q	+0%	

NETWORKS

- › Increasing operator focus on network performance as key differentiator
- › Momentum for the SSR routing platform
 - 66 contracts signed since launch, of which 15 in Q2
 - Broadband Network Gateway contracts signed
 - Break in contracts for Evolved Packet Core
- › Heterogeneous networks, coordinating macro and small cells, demonstrate clear performance advantage



Operating margin		Sales		
Q213	+5%	Q213	SEK 28.1 b	
Q212	+5%	Y/Y	+1%	
Q113	+6%	Q/Q	+0%	

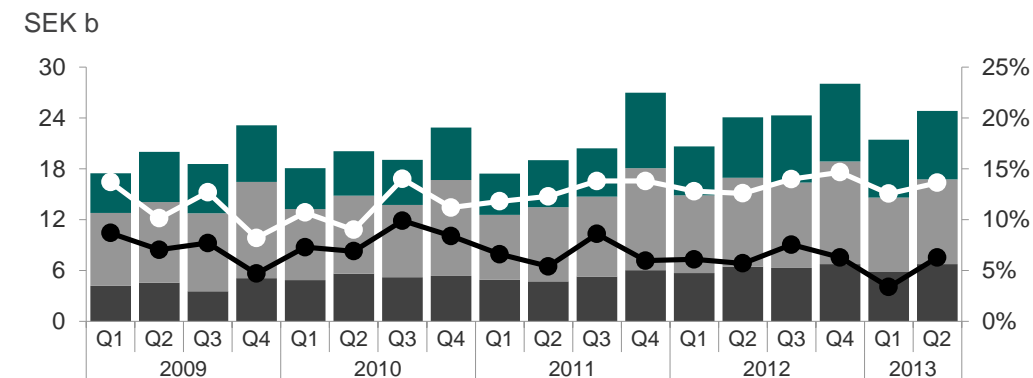
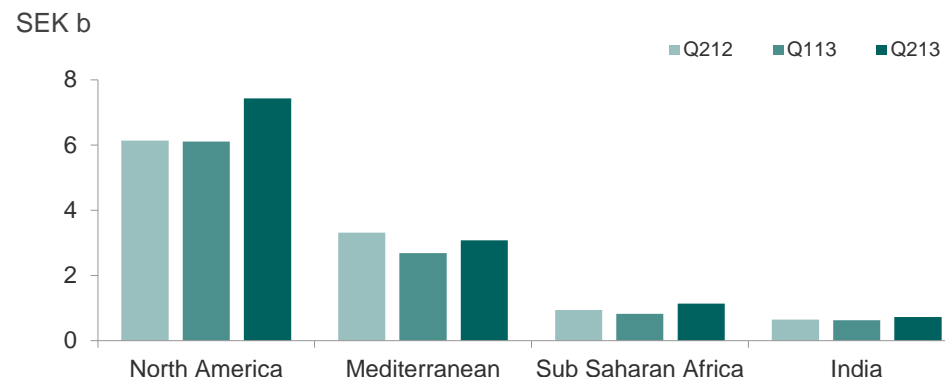
Numbers 2011-2012 include restructuring charges, numbers 2009-2010 exclude restructuring charges

GLOBAL SERVICES



- › Organic and FX adjusted sales up 9% YoY
 - Net sales +3%
- › Strong sales growth +16% QoQ
 - Professional services +15%
- › Professional Services sales, -1% YoY
 - 8 (7) significant consulting and systems integration contracts signed
 - 19 (17) Managed Services contracts signed
 - 1 billion subscribers in networks managed by Ericsson
- › Network rollout sales +13% YoY
 - High activity, primarily in North America

Net sales



Global Services Operating margin		
Q213	+6%	
Q212	+6%	
Q113	+3%	
Sales Q213		SEK 24.9 b
Y/Y		+3%
Q/Q		+16%

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

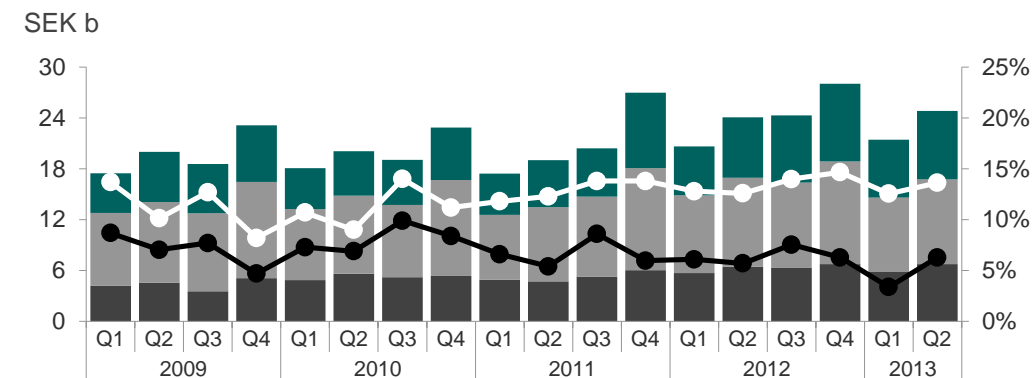
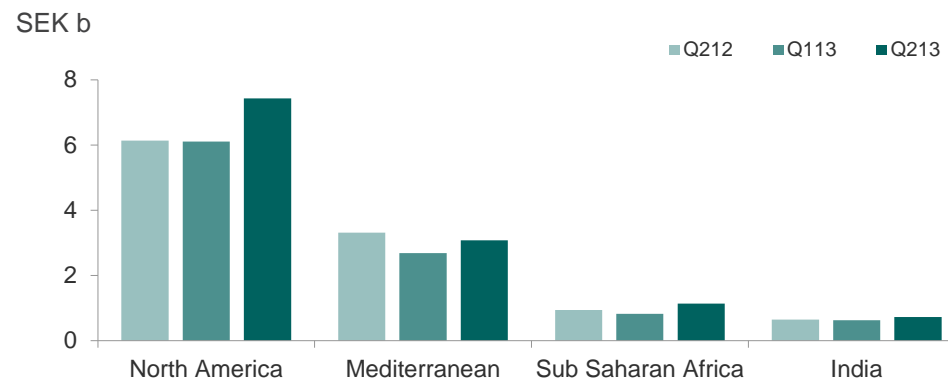
GLOBAL SERVICES



- › Operating income, SEK 1.6 (1.4) b.
 - One-time items SEK -0.2 b
 - Restructuring charges from ongoing service delivery strategy execution SEK -0.6 (-0.4) b.

- › Operating margin 6% (6%)
 - Professional Services operating margin 14% (13%)
 - Network Rollout operating margin -9% (-11%)
 - › Partly an effect of gradually decreasing negative effects from the network modernization projects in Europe

Net sales



Global Services Operating margin		
Q213	+6%	
Q212	+6%	
Q113	+3%	
Sales Q213		SEK 24.9 b
Y/Y	+3%	
Q/Q	+16%	

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

SUPPORT SOLUTIONS



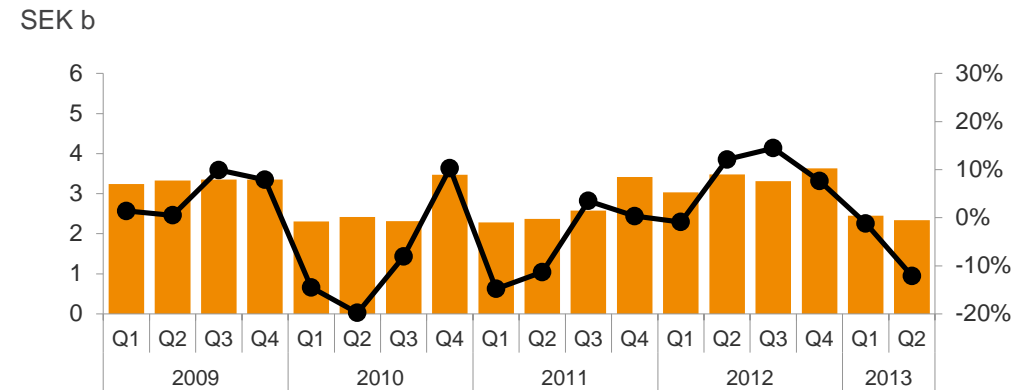
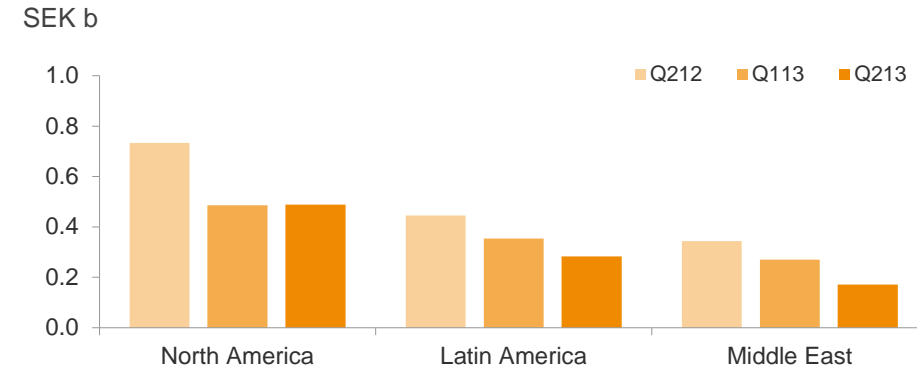
- › Sales, organic and FX adjusted, -19%
 - Net sales -33%
 - IPX divested Q312
 - Media Management sales declined following the strong first half 2012
 - BSS sales declined temporarily mainly in Latin America and Middle East, offset by growth in OSS
 - Leading industry analyst firm Gartner ranked Ericsson #1 worldwide for OSS and BSS
 - Demand for OSS and BSS continues to be strong
 - Sales cycles typically long and volumes will vary between quarters

- › Sales -4% QoQ

- › Operating margin -12% (12%)
 - Lower sales volumes
 - One-time items SEK -0.2 b

- › Investing in our support solutions strategy
 - Intention to acquire Microsoft Mediaroom to strengthen position in growing media market

Net sales



<p>Operating margin</p> <p>Q213 -12%</p> <p>Q212 +12%</p> <p>Q113 -1%</p>	<p>Sales</p> <p>Q213 SEK 2.3 b</p> <p>Y/Y -33%</p> <p>Q/Q -4%</p>	<p>■ Support Solutions sales</p> <p>● Support Solutions Operating margin</p>
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Q2 REGIONAL SALES



North America

- › Two mobile broadband coverage projects peaked in first half 2013
- › Network evolution and professional services remain a growth theme

Q213 SEK 15.3 b
Y/Y +18%
Q/Q -3%

Mediterranean

- › Modernization projects in France and high project activity in Northwest Africa
- › Macroeconomic development remained weak in parts of the region

Q213 SEK 6.2 b
Y/Y -1%
Q/Q +17%

North East Asia

- › Structural decline in GSM investments in China
- › Negative FX effects in Japan
- › Delayed spectrum auctions in South Korea

Q213 SEK 6.6 b
Y/Y -21%
Q/Q +10%

Latin America

- › Network quality investments in 3G and initial LTE rollouts, at slow pace
- › Business in several countries impacted by currency depreciations

Q213 SEK 5.6 b
Y/Y +6%
Q/Q +27%

Middle East

- › Initial LTE deployments ongoing
- › Continued good demand for professional services
- › Political unrest prevails

Q213 SEK 4.0 b
Y/Y +7%
Q/Q +26%

South East Asia and Oceania

- › A peak in deployment of major projects in Indonesia offset lower business activity in Australia

Q213 SEK 3.8 b
Y/Y +2%
Q/Q -9%

Northern Europe and Central Asia

- › LTE vendor selection in Russia ongoing, deployment to start 2H13
- › Non-operator wins Nordics & Baltics
- › High project levels in Russia in Q212

Q213 SEK 2.7 b
Y/Y -19%
Q/Q +19%

Sub-Saharan Africa

- › Services growth from new managed services contracts
- › 3G and initial 4G deployments ongoing, majority of sales still 2G

Q213 SEK 2.7 b
Y/Y -5%
Q/Q +24%

Other

- › Licensing revenues continued to show stable development
- › IPX divested end of Q312

Q213 SEK 2.7 b
Y/Y -13%
Q/Q -6%

Western and Central Europe

- › High activity level in network modernization projects
- › Growth in Systems Integration

Q213 SEK 4.5 b
Y/Y +10%
Q/Q +4%

India

- › Operator spending remains cautious
- › Growth in services driven by new managed services contract

Q213 SEK 1.3 b
Y/Y -25%
Q/Q -20%

CAPTURING THE MEDIA BUSINESS TRANSFORMATION



VIDEO ENABLED NETWORKS

Exchanging and delivering content in any network



MULTISCREEN TV

Enabling premium content on any device



PROFESSIONAL SERVICES

Partner in media transformation (System Integration, Managed Services)

Leveraging combined strength of technology and services leadership

ERICSSON IN TV AND MEDIA



customers



- › 25% IPTV market share
- › World first complete LTE broadcast solution
- › 2.000 TV customers world wide

competence



- › World leader in Multiscreen TV
 - › Mediaroom + Ericsson
- › More than 1800 service professionals in TV and media
- › World leader in compression
- › Multiple industry awards incl 3 Emmys

scale



- › 40% of all on demand content processed through Ericsson systems
- › > 200 channels global broadcasting
- › > 1.5M hours of content managed
- › 20 years of world leading video solutions

Strategic acquisitions:

Technicolor Broadcast Services (2012) , Microsoft Mediaroom* and Red Bee Media*

* Intention to acquire



JAN FRYKHAMMAR

CFO and Executive Vice President

SALES GROWTH – FX IMPACT



Sales growth first half 2013

	Reported	Organic FX adjusted
Networks	2%	7%
Global Services	4%	9%
Support Solutions	-26%	-12%
Group	1%	7%

- Major FX impact from USD, EUR, JPY
- Change of hedge accounting since Jan 1, 2013
- Currency depreciations and devaluation in several countries

6 %-points difference YTD on sales of SEK 107 b.

P/L COMMENTS

- › Gross margin increased YoY to 32.4% (32.0%)
 - Improved hardware and services margins
 - Declining negative impact from European network modernization projects
 - The business mix, with a higher share of coverage projects than capacity projects, started to shift slightly towards more capacity during the quarter
 - Partly offset by higher services share and higher restructuring charges



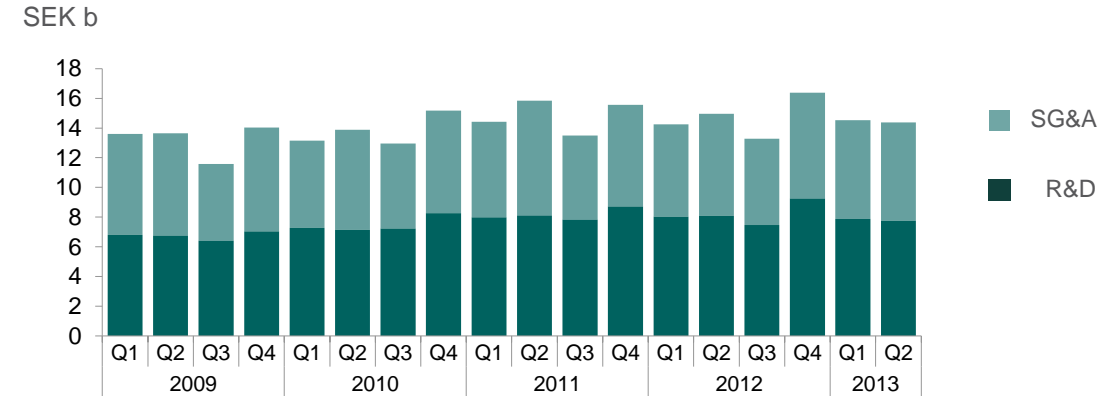
Business mix key to gross margin dynamics

Drivers

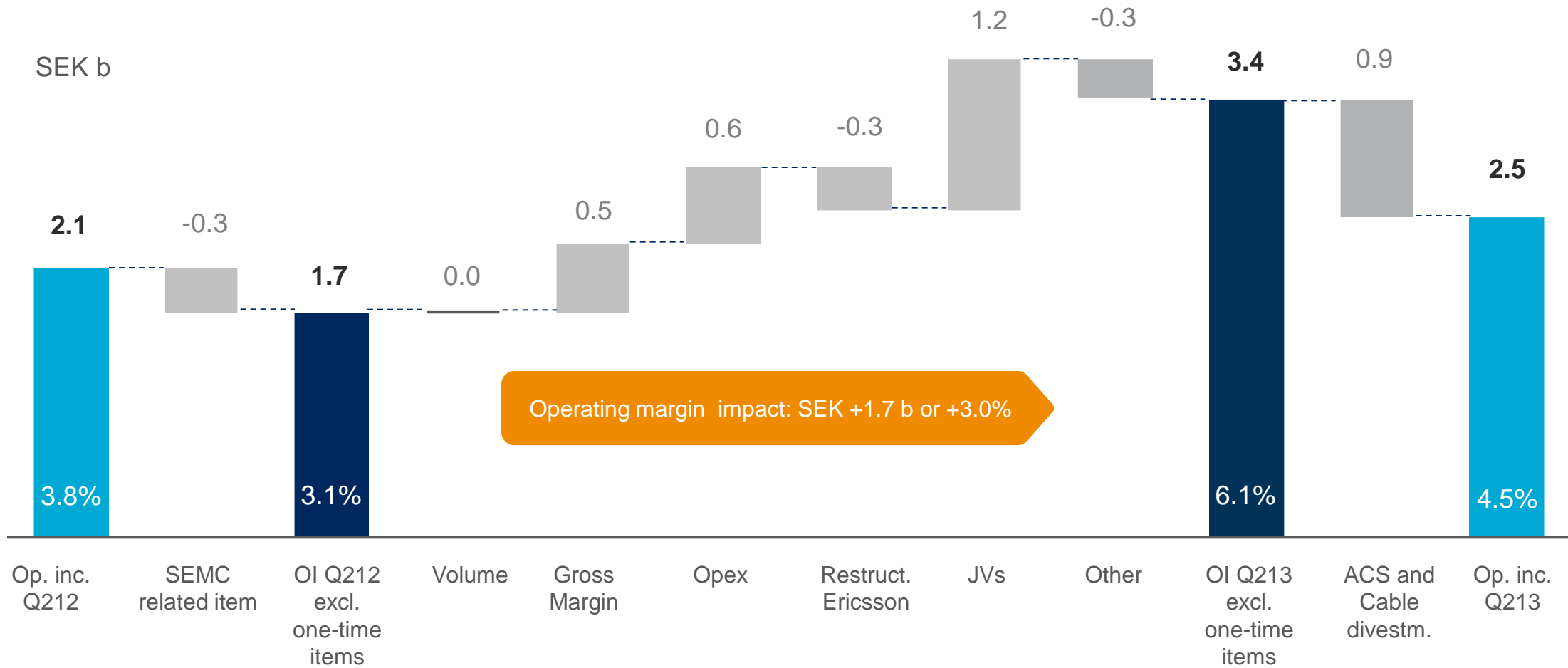


P/L COMMENTS

- › One-off items SEK -0.9 (0.3) b.
 - Exiting cable operations SEK -0.6 b.
 - Loss related to divestment of ACS SEK -0.3 b.
 - Reported as Other operating income and expenses
- › Negative impact from currency effects
- › Restructuring charges SEK 0.9 (0.6) b.
 - Majority related to service delivery
- › Operating expenses SEK 14.4 (15.0) b.
 - Excluding acquisitions, divestments and restructuring charges YTD expenses down -6% YoY
- › No result from ST-Ericsson included in Ericsson's result, SEK 0.0 (-1.3) b.
 - Provision made in Q412 of SEK 3.3 b. to cover for costs related to implementation of strategic option
 - Ericsson net exposure SEK 1.6 b.
- › Operating income including JV, SEK 2.5 (2.1) b.
 - Operating margin, excluding one-off items, was 6.1% (3.1%)



OPERATING INCOME BRIDGE

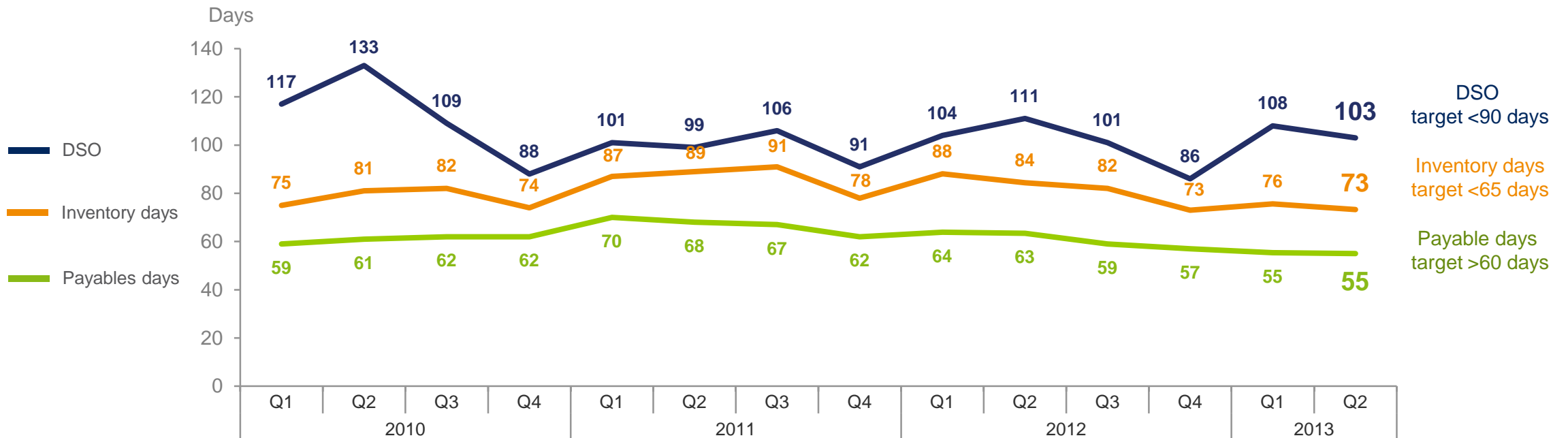


Good development despite negative impact from FX

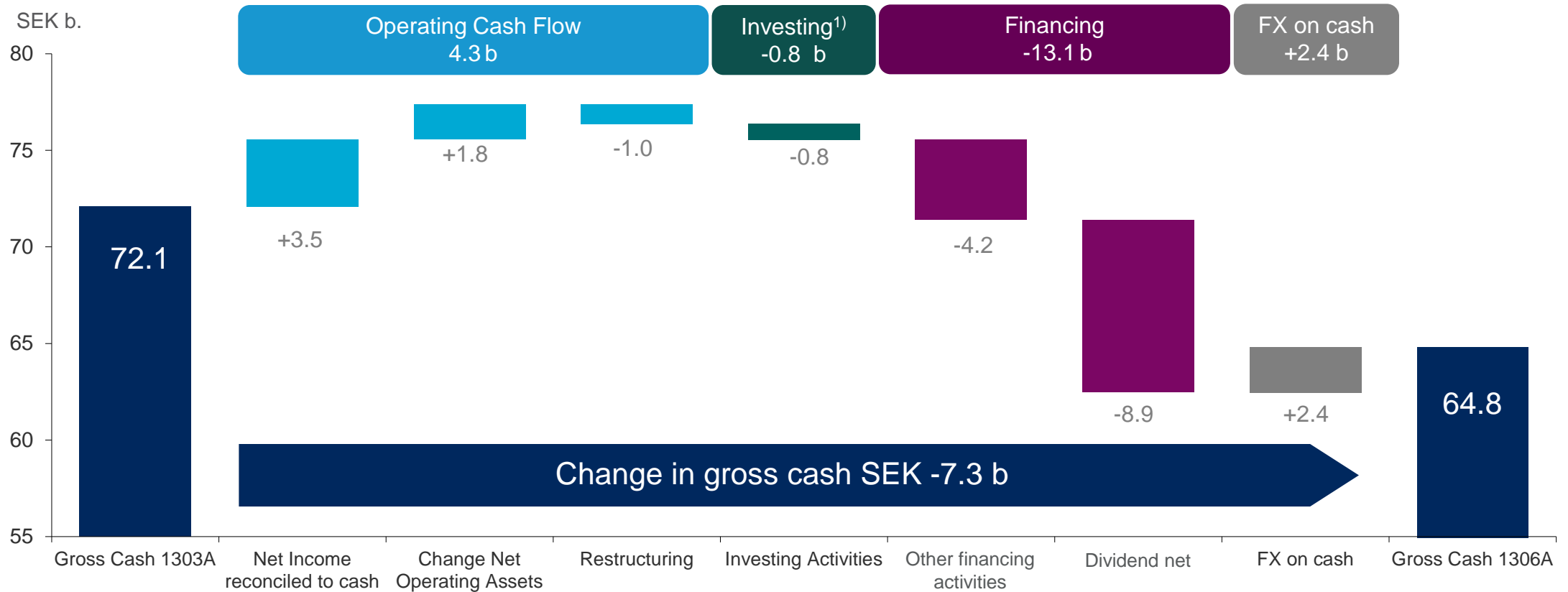
BALANCE SHEET COMMENTS



- › Trade receivables decreased QoQ to SEK 63.1 from 65.1 b.
 - DSO improved from 108 to 103 days
- › Customer financing decreased QoQ to SEK 4.1 b. from 5.0 b.
- › Inventory flat QoQ at SEK 29.7 (29.8) b.
 - ITO from 76 to 73 days
- › Payable days flat QoQ at 55 days
- › Provisions decreased SEK 1.8 b.
 - Mainly related to restructuring and ST-Ericsson



CHANGE IN GROSS CASH Q213



Change in net cash SEK -4.8 b (from 32.2 to 27.4 b)

¹⁾ Excluding Short term investments

FOCUS GOING FORWARD

Strategy execution – profitable growth

Cost and efficiency

Technology and services leadership





ERICSSON



Q&A

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