



ERICSSON

FOURTH QUARTER 2013

January 30, 2014



HELENA NORRMAN

Senior Vice President Communications

FOURTH QUARTER 2013

January 30, 2014

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



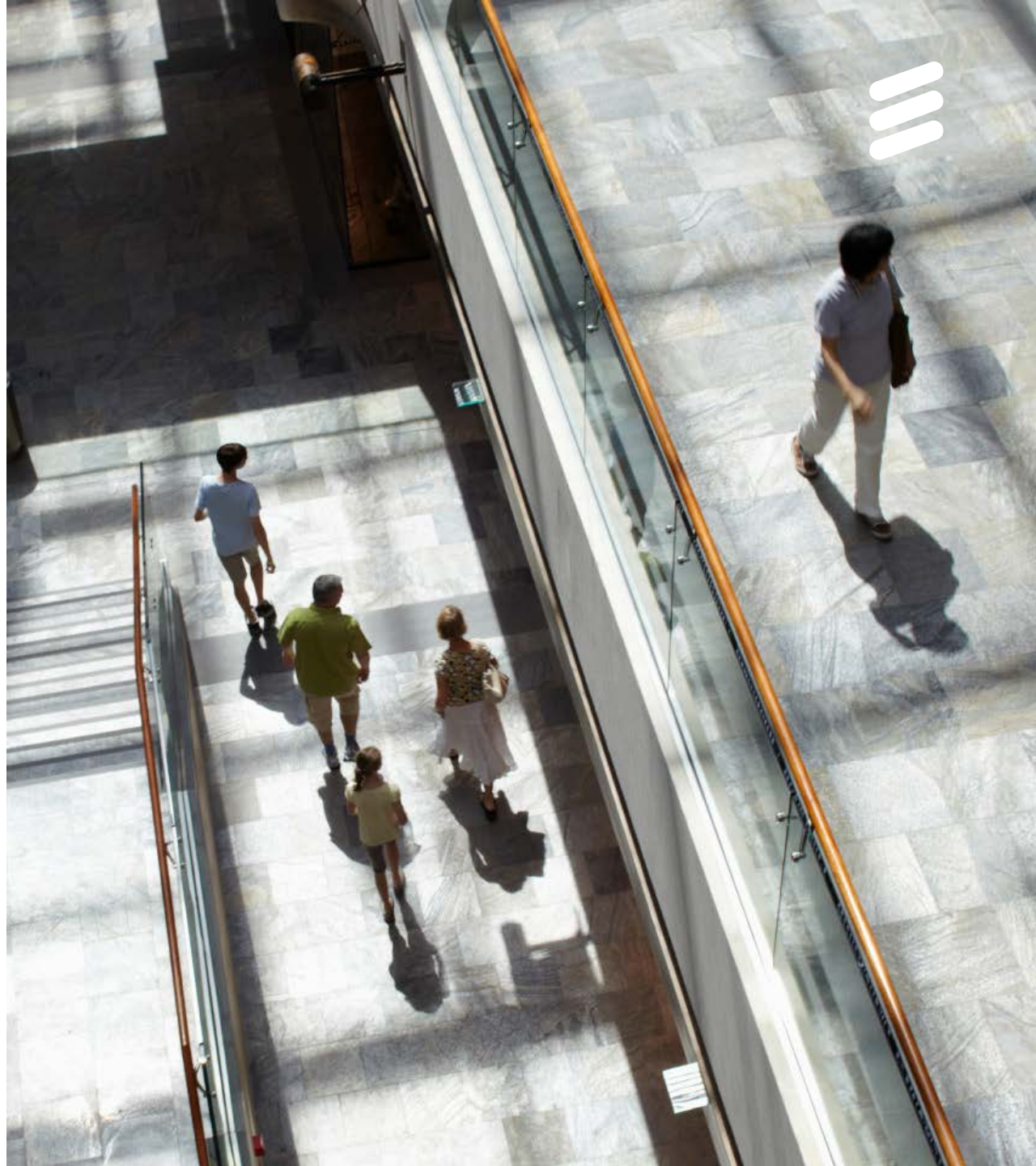
HANS VESTBERG

President and CEO

KEY DEVELOPMENTS 2013

- › Growth in mobile broadband puts focus on improved user experience
- › Operators seek differentiation through network performance and quality
- › Continued transformation of operator and vendor business models
- › Growing momentum for IT related services business

Total mobile subscriptions 6.7 b, +6%
Mobile broadband subscriptions 2.1 b, 40%



ERICSSON IN 2013



- › Solidified core business
 - Redefined small cell market – Ericsson Radio Dot
 - Technology partner for LTE in China
 - Strengthened services footprint in North America
- › Steps to build a leadership position in new and targeted key areas.
 - TV&Media - Mediaroom, IP, Cloud, OSS and BSS
- › Refocused strategic modem operation
 - Dissolved ST-Ericsson
 - Set up of new modem business
- › Strengthened position in Europe
 - Major part of negative margin impact now behind us
- › IPR agreement with Samsung



IPR AGREEMENT WITH SAMSUNG

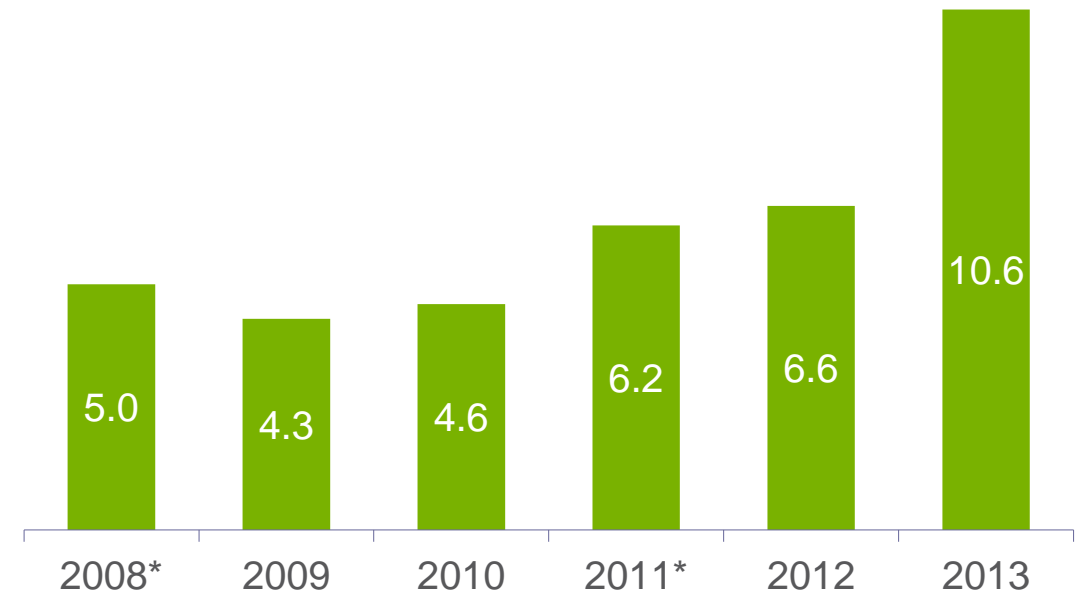
- › Illustrates Ericsson's commitment to FRAND principles
 - Ends all ongoing patent related legal disputes
 - Includes global patent cross licensing of cellular technologies
 - Impacts on Q4 sales and operating income by SEK 4.2 b. and net income by SEK 3.3 b.
- › Multi-year agreement includes initial payment and ongoing royalty payments

Grow IPR revenue – IPR strategy

- Enforce wireless royalties
- Generate value from the whole patent portfolio
- Licensing to 50 b connected devices



Annual IPR revenues, SEK b.



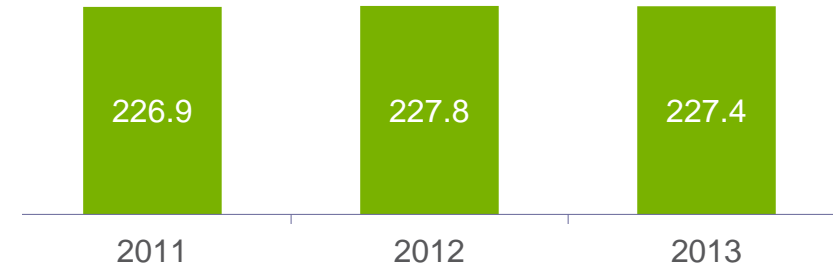
*One-off patent sales included

ERICSSON IN 2013

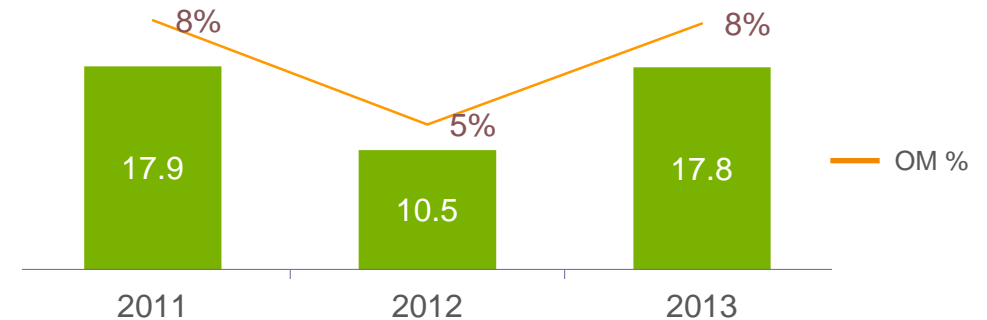
- › Organic FX adjusted sales +5%
 - Business mix started to shift towards more capacity
 - New IPR agreement with Samsung
 - Continued structural decline in GSM in China, circuit switched core and CDMA
 - Sales under some pressure 2H from peaking projects – North America and Japan
- › Focus on profitability started to pay off – gradual improvement of operating margin
 - Stable profitability in Professional Services
 - Gradual improvement in Networks
- › Net income SEK 12.2 (5.9) b.
- › EPS SEK 3.69 (1.78)
- › Cash conversion strong, above target
 - 98% excl Samsung agreement



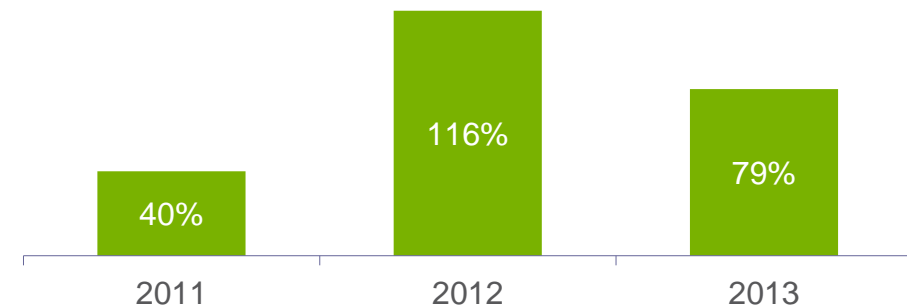
Net sales SEK b.



Operating income SEK b.



Cash conversion

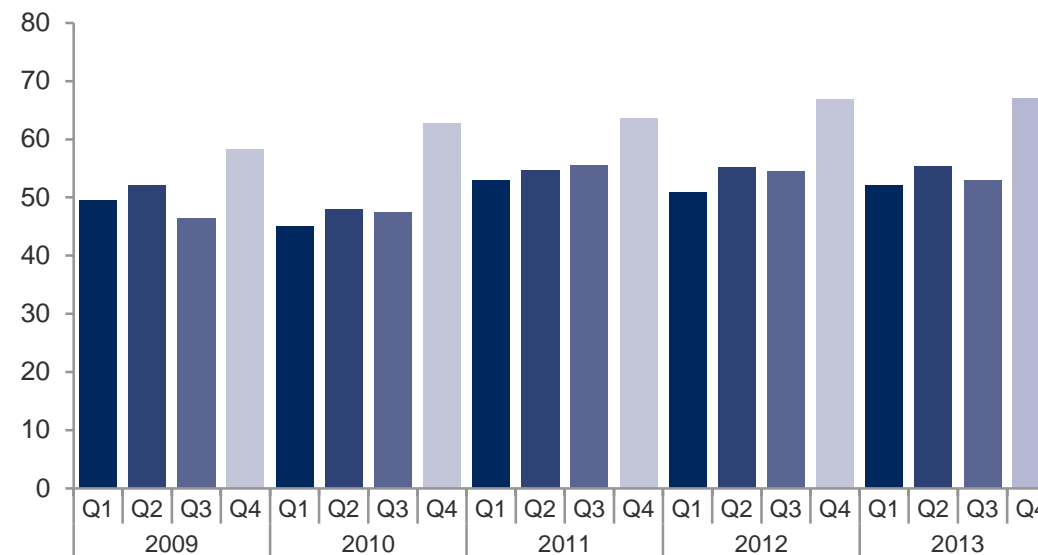


NET SALES Q4



- › Organic FX adjusted sales +4% YoY
- › Reported sales currently under some pressure
 - Negative currency impact
 - Strong mobile broadband sales in China and Russia
 - Samsung agreement added to sales
 - Lower project activity in North America and Japan
 - Continued decline in CDMA in North America as well as in GSM in China
- › Organic FX adjusted sales +27% QoQ
 - Reported sales increased +27%
 - Samsung agreement added to sales
 - Mobile broadband deliveries in China
 - All segments grew sequentially

SEK b.



Net sales
Q413 **SEK 67.0 b.**
Y/Y **0%**
Q/Q **+27%**

Organic and FX adjusted
Q413/Q412 **+4%**

PROFITABILITY Q4

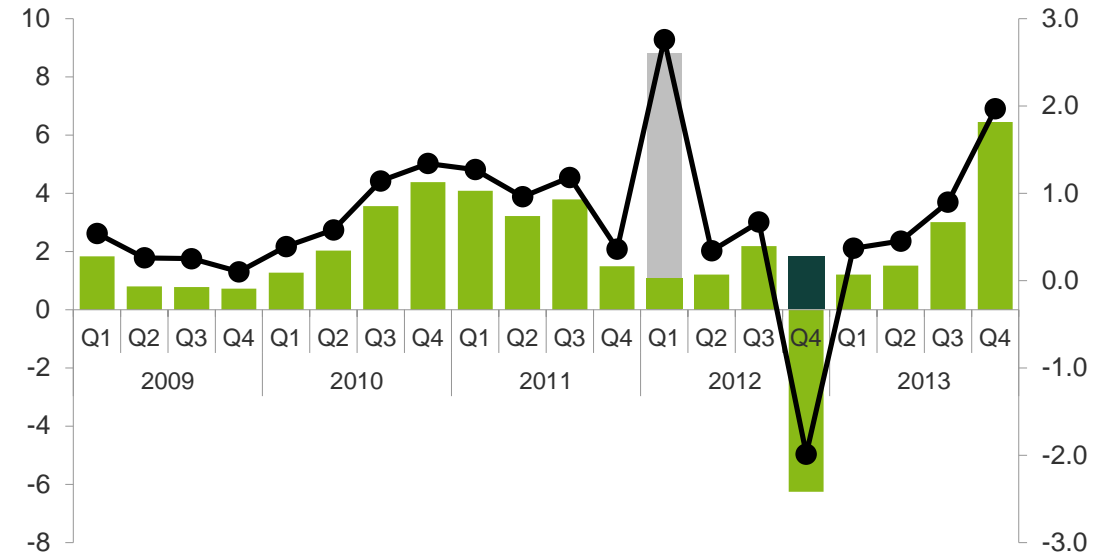


- › Gross margin improved to 37.1% (31.1%)
 - Excl Samsung 32.9%
 - Negative impact from FX
- › Operating margin including JV increased YoY to 13.5% (-5.7%)
 - Excluding Samsung 7.7%
 - Networks operating margin, including Airvana charge of SEK -0.4 b., improved to 17% (8%), excl Samsung 9%
- › Net income SEK 6.4 (-6.3¹) b.
 - Samsung agreement added SEK 3.3 b.
 - EPS diluted SEK 1.97 (-1.99) excl Samsung 0.96

¹ Including an ST-Ericsson charge of SEK -8.0 b.

SEK b.

SEK



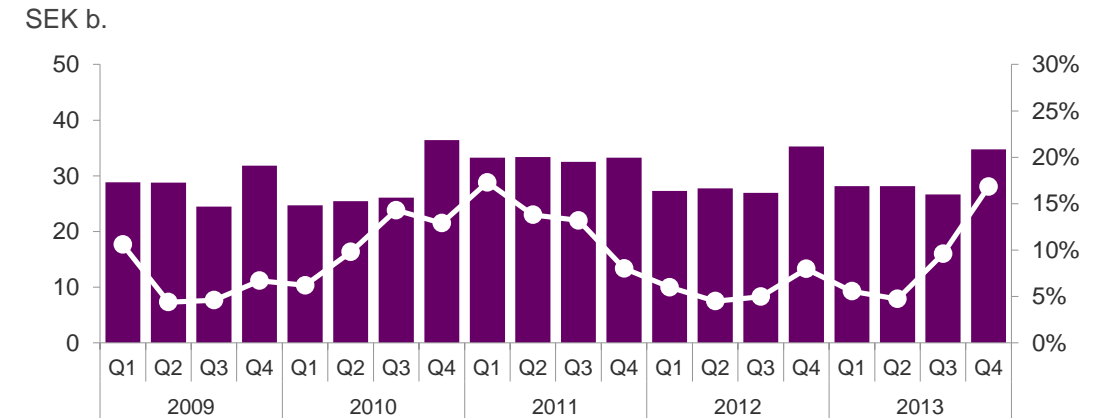
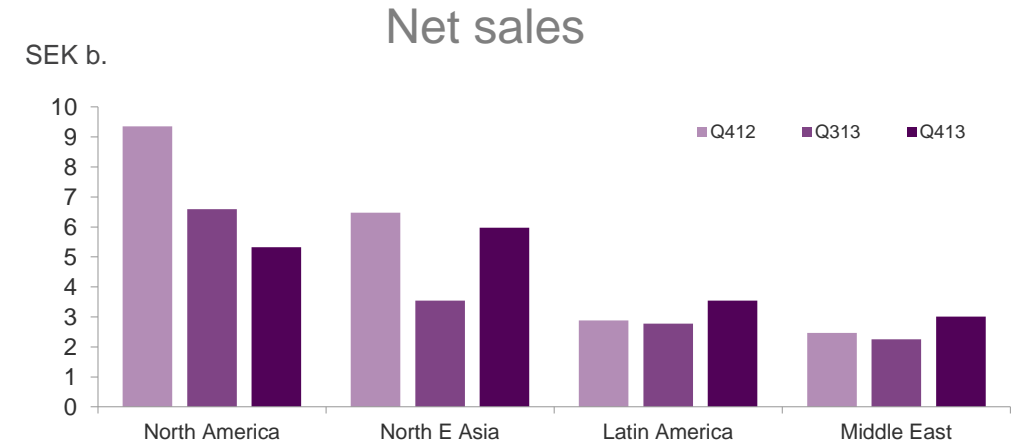
Net income

Q413	SEK 6.4 b.
Y/Y	--
Q/Q	+114%

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

NETWORKS

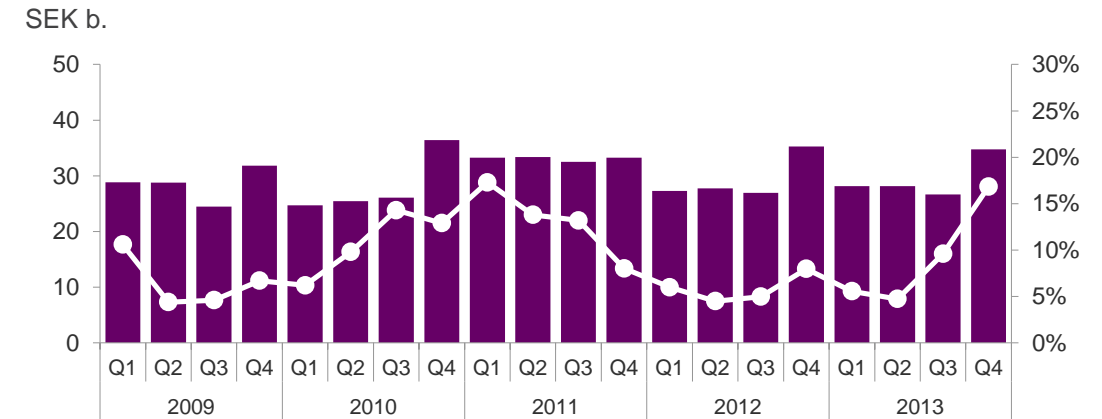
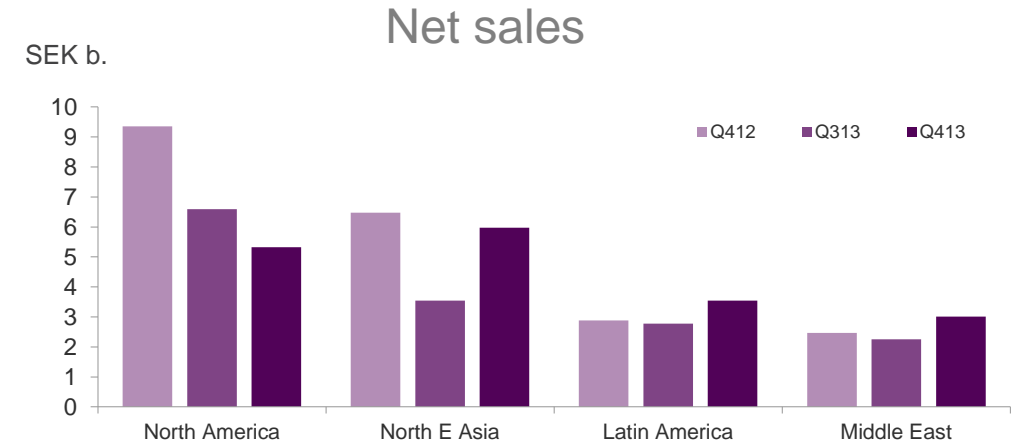
- › Organic FX adjusted sales +3% YoY
 - Samsung added sales of SEK 2.9 b.
 - Strong mobile broadband sales in China and Russia did not fully offset lower sales in North America and Japan
 - Continued structural decline in GSM in China, CDMA and circuit switched core
 - 18 new SSR contracts, incl six for fixed networks
- › Sales increased +30% QoQ
 - Excl Samsung +19%
- › 2013 Full year sales
 - Organic FX adjusted sales +5%
 - Growth in Latin America, Europe and the Middle East
 - Lower sales in North America and North East Asia



<p>Operating margin</p> <p>Q413 +17%</p> <p>Q412 +8%</p> <p>Q313 +10%</p>	<p>Sales</p> <p>Q413 SEK 34.8 b.</p> <p>Y/Y -1%</p> <p>Q/Q +30%</p>	<p>■ Networks sales</p> <p>○ Networks Operating margin</p>
---	---	--

NETWORKS

- › Operating income SEK 5.9 b. (2.8) b.
 - Samsung added SEK 2.9 b.
- › Operating margin 17% (8%)
 - Excl Samsung 9%
 - Improved business mix
 - Cost adaptation and portfolio streamlining
 - No dilutive impact from European network modernization projects
 - Negative impact from FX
 - One-time charge of SEK -0.4 b. related to Airvana



Operating margin		Sales		Networks sales Networks Operating margin
Q413	+17%	Q413	SEK 34.8 b.	
Q412	+8%	Y/Y	-1%	
Q313	+10%	Q/Q	+30%	

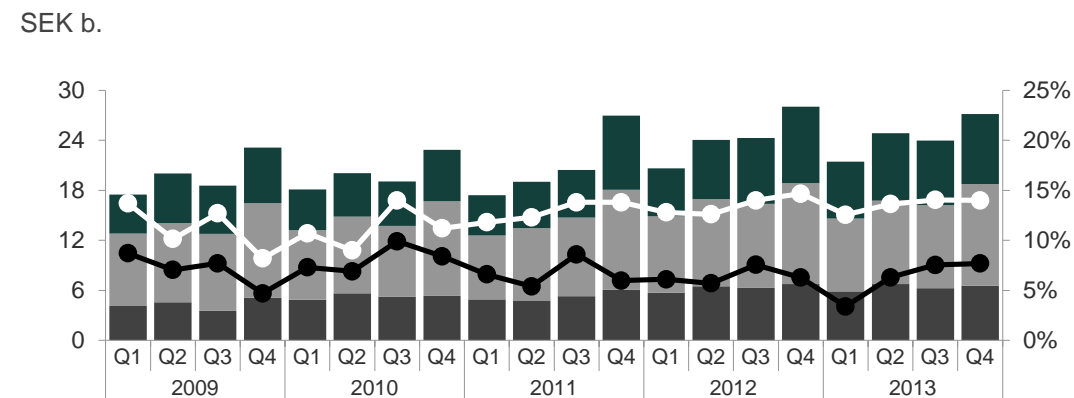
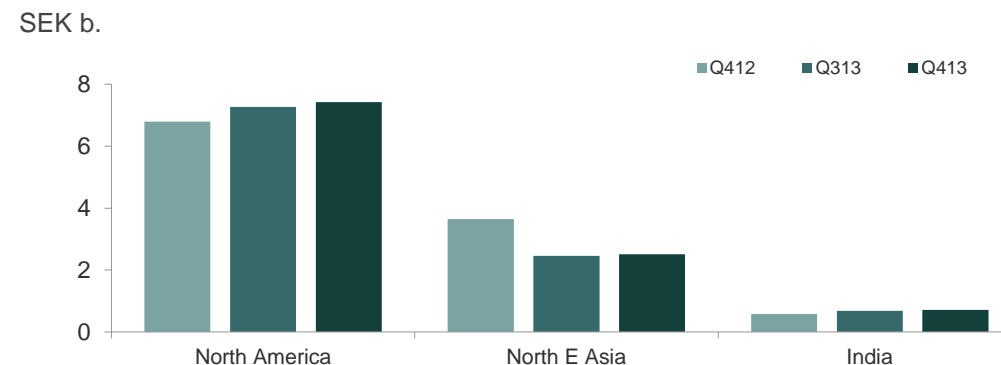
GLOBAL SERVICES

- › Organic FX adjusted sales +1% YoY
 - Negative FX
 - Professional Services sales declined -1% YoY
 - Network Rollout sales declined -8% YoY
 - › Strong growth 1H
- › Sales increased +13% QoQ
- › 2013 Full year sales
 - Organic FX adjusted sales +5%
 - Professional Services -1%, with Managed Services +1%
 - Network Rollout +4% – strong growth 1H, decline 2H

- 31 (24) significant consulting and systems integration contracts signed in 2013 of which 9 (8) in the quarter
- 84 (52) Managed Services contracts signed in 2013 of which 25 (15) in the quarter



Net sales



Global Services Operating margin		Sales Q413	SEK 27.2 b.
Q413	+8%	Y/Y	-3%
Q412	+6%	Q/Q	+13%
Q313	+8%		

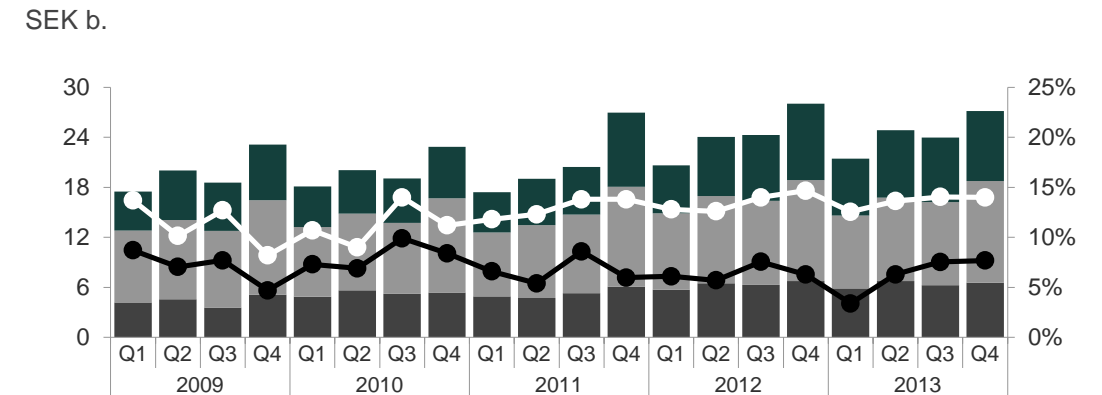
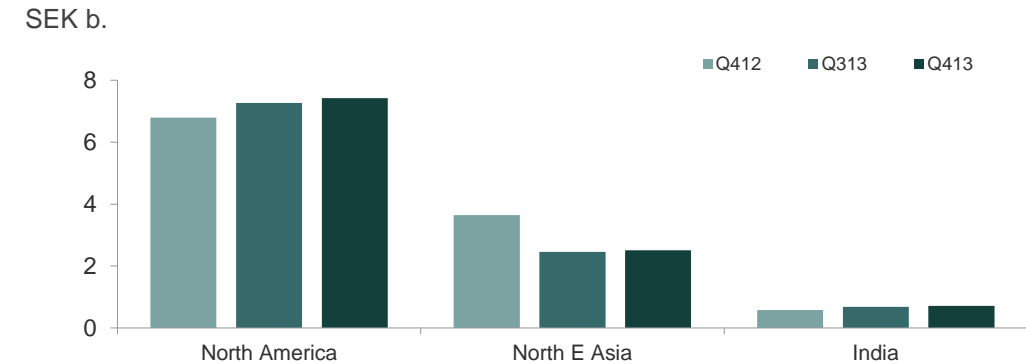
- Network Rollout sales
- Professional Services sales excl. Managed Services sales
- Managed Services sales
- Professional Services Operating margin
- Global Services Operating margin

GLOBAL SERVICES



- › Operating income SEK 2.1 (1.8) b.
- › Operating margin 8% (6%)
 - Improved Network Rollout margins, despite negative impact from European network modernization projects
 - Restructuring charges from ongoing service delivery strategy execution SEK -0.6 (-0.6) b.
 - Professional Services margin stable
 - Operating margin flat QoQ

Net sales



Global Services Operating margin	
Q413	+8%
Q412	+6%
Q313	+8%

Sales	
Q413	SEK 27.2 b.
Y/Y	-3%
Q/Q	+13%

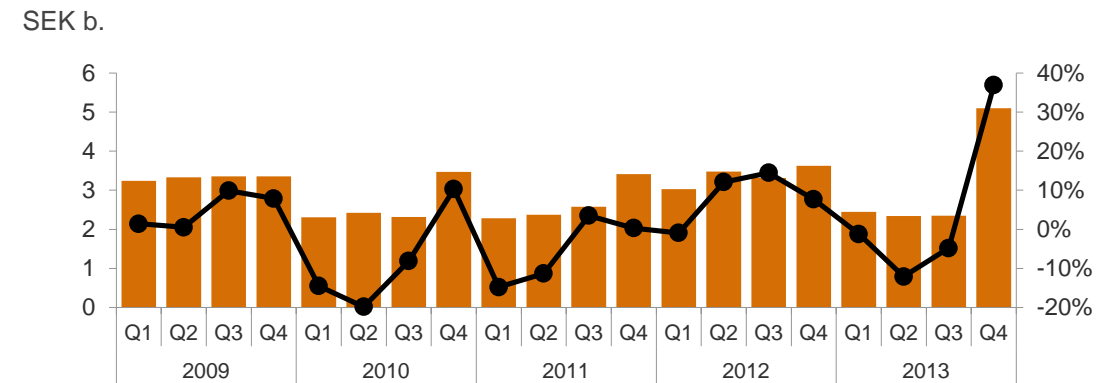
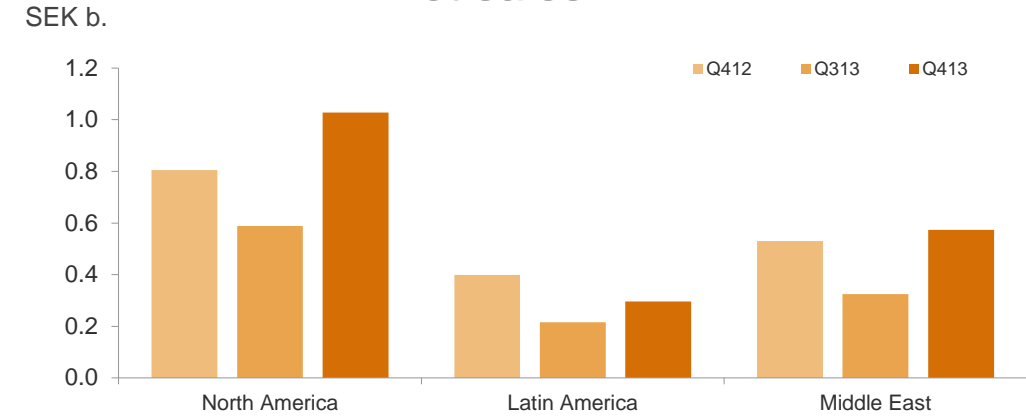
- Network Rollout sales
- Professional Services sales excl. Managed Services sales
- Managed Services sales
- Professional Services Operating margin
- Global Services Operating margin

SUPPORT SOLUTIONS

- › Organic FX adjusted sales +35% YoY
 - Samsung added sales of SEK 1.3 b.
- › Reported sales +117% QoQ
 - Samsung impact
 - Acquired Mediaroom business, strengthened position
 - High software license revenue
- › Operating margin 37% (8%)
 - Excl Samsung 16%
 - High software license sales
 - Portfolio streamlining and efficiencies
- › 2013 Full year sales
 - Organic FX adjusted sales flat, incl Samsung
 - Portfolio changes and lower sales of TV compression technology
 - Stable development for OSS and BSS



Net sales



Operating margin Q413 +37% Q412 +8% Q313 -5%	Sales Q413 SEK 5.1 b. Y/Y +41% Q/Q +117%	Support Solutions sales Support Solutions Operating margin
--	--	---

MODEMS

From ST-Ericsson to segment Modems

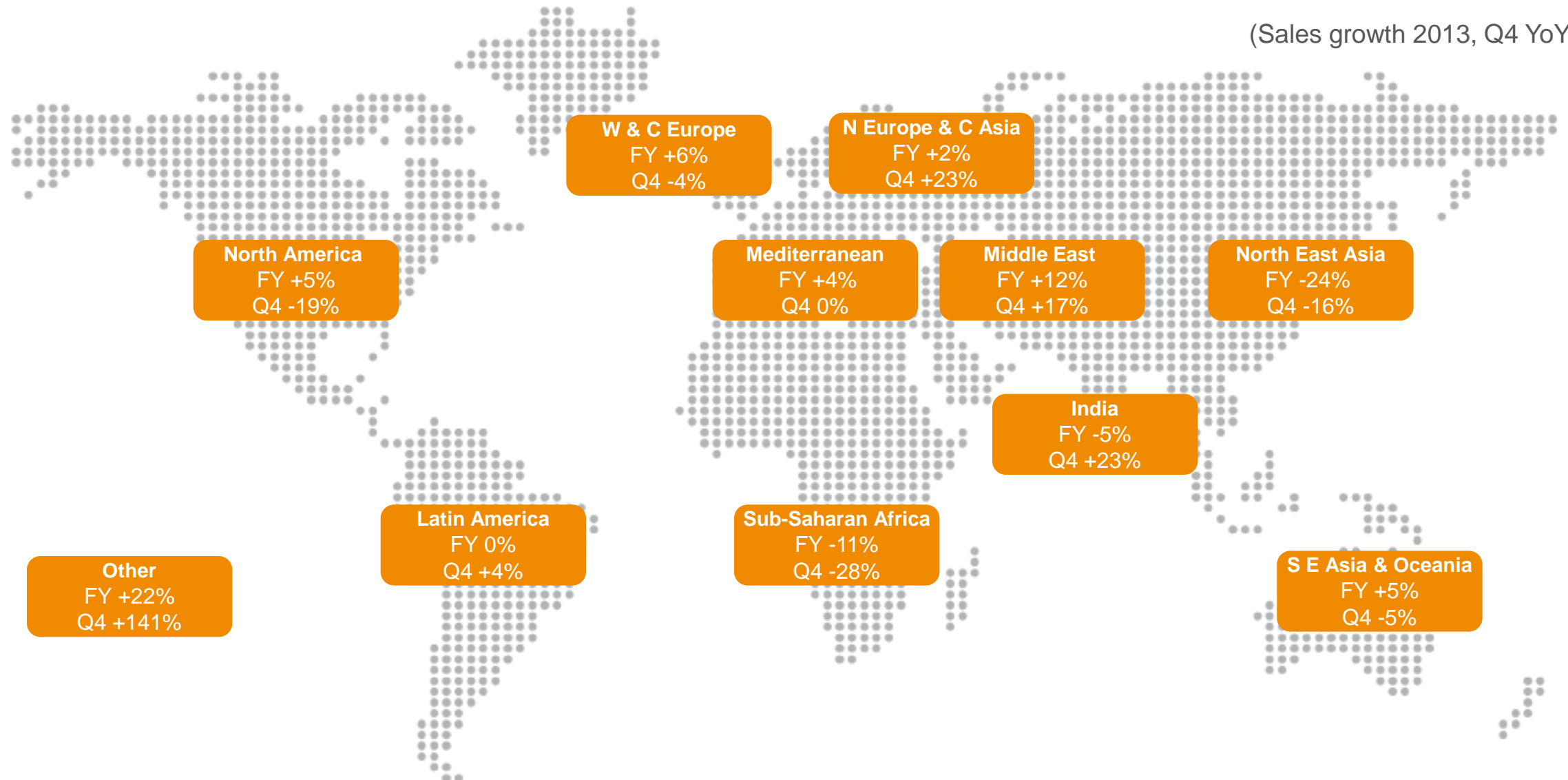
- › A focused thin-modem operation with industry-leading technology and intellectual property
 - A new segment was established as of October 1, 2013, and the modems business is now consolidated into Ericsson
- › Segment Modems generated an operating loss of SEK 0.5 b. in the quarter,
 - Mainly R&D expenses.
 - The new product M7450 released for commercial use.
- › Operating expenses for Modems in 2014 is estimated to approximately SEK 2.6 b.



REGIONAL OVERVIEW



(Sales growth 2013, Q4 YoY)

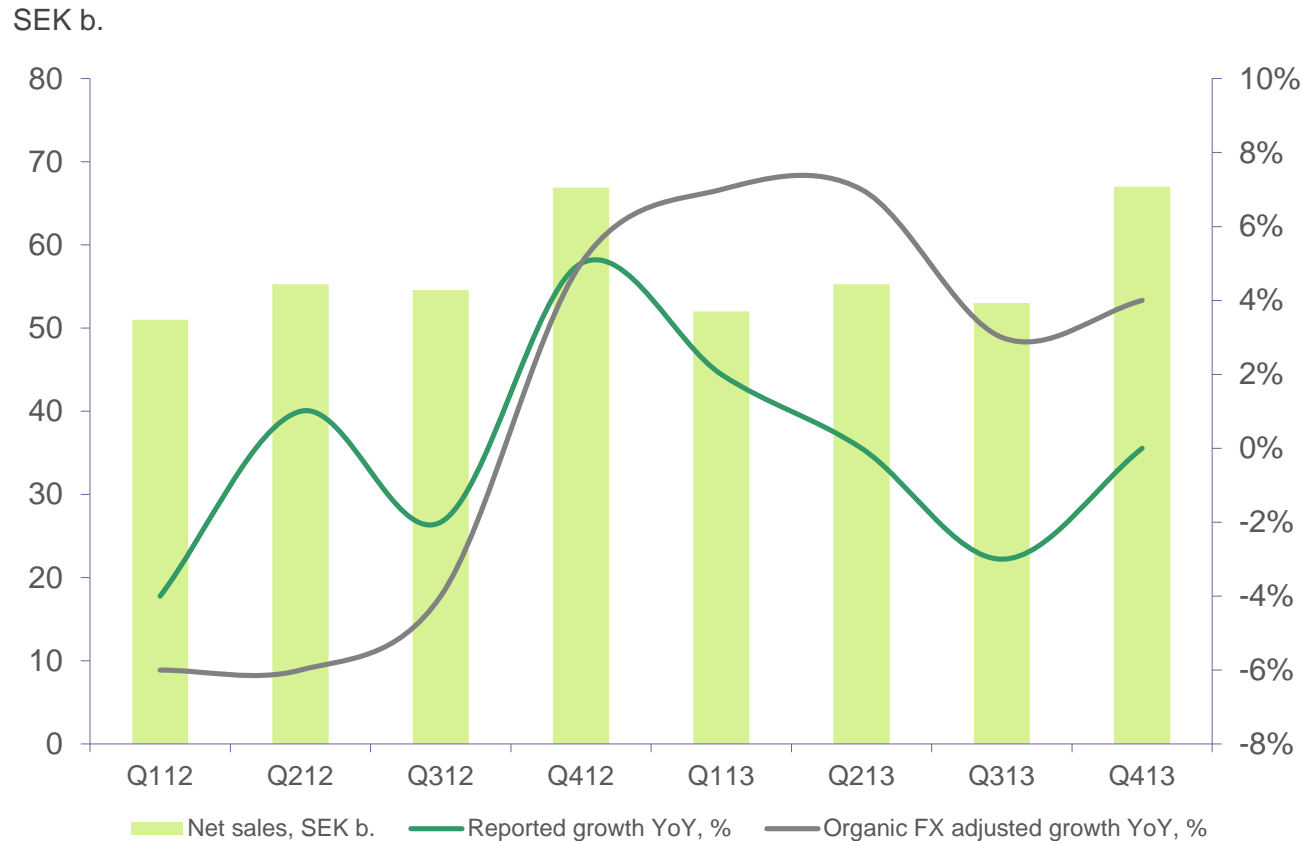




JAN FRYKHAMMAR

CFO and Executive Vice President

SALES GROWTH – FX IMPACT



Sales growth FY 2013

	Reported	Organic FX adjusted
Networks	0%	5%
Global Services	0%	5%
Support Solutions	-9%	0%
Group	0%	5%

- Major FX impact from USD, EUR, JPY and BRL
- Change of accounting of hedges since Jan 1, 2013
- Currency depreciations and devaluation in several countries
- Significant negative impact on operating income vs 2012

5%-points difference in 2013 on sales: ~SEK -10 b.

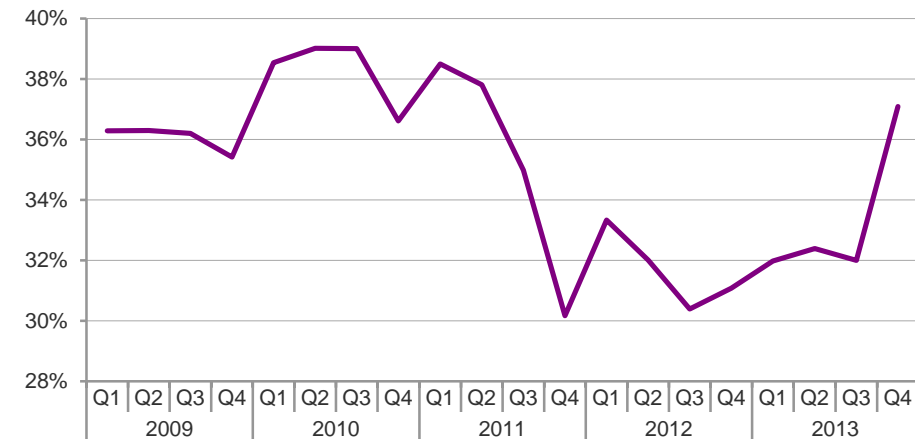
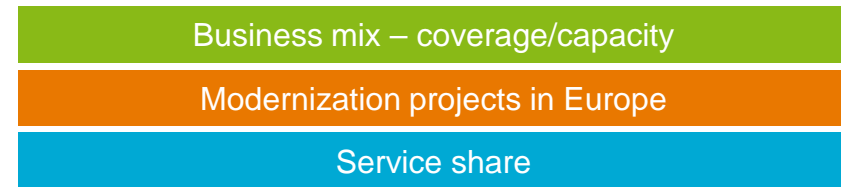
P/L COMMENTS

- › Gross margin increased YoY to 37.1% (31.1%)
 - Excl Samsung initial payment 32.9%
 - Reduced negative effect from network modernization projects in Europe
 - Improved business mix
 - Higher IPR and licensing revenues
- › Gross margin increased QoQ from 32.0%
 - Higher IPR & Licensing revenues, also excluding Samsung initial payment
 - Strong sales in Support Solutions
 - Lower service share, Network rollout continue to decline
 - Major part of negative margin impact from network modernization projects in Europe now behind us
 - Improved business mix

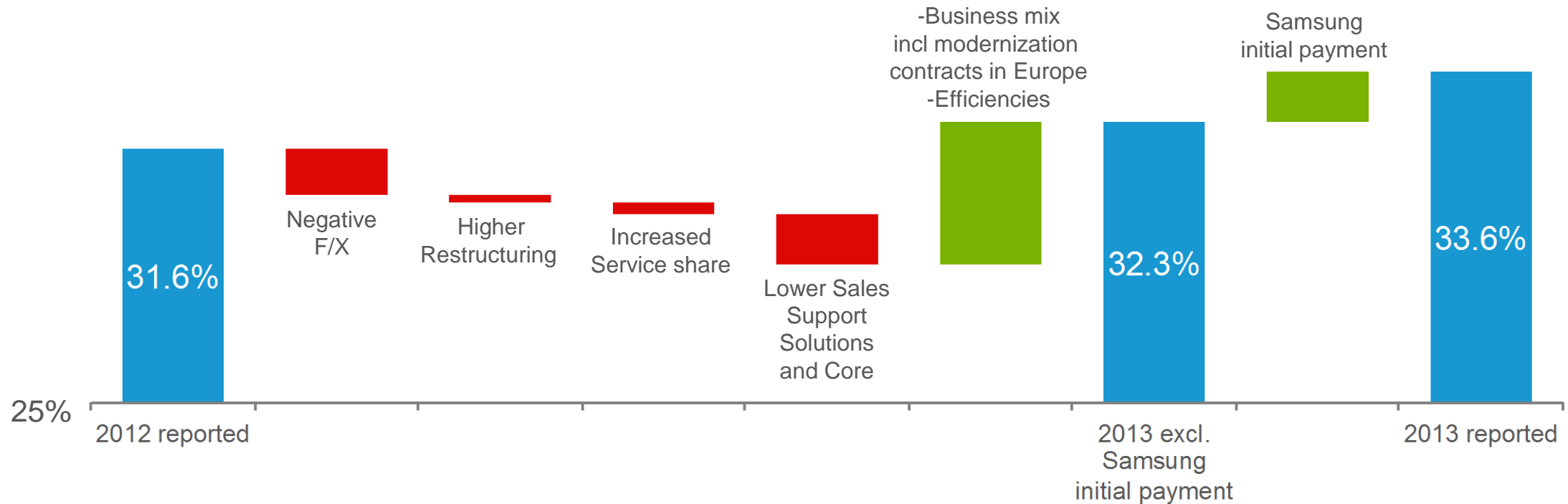


Business mix key to gross margin dynamics

Drivers



GROSS MARGIN DEVELOPMENT FULL YEAR



- › Negative impact from FX on operating income (mainly gross margin)
- › European modernization contracts executed according to plan
- › Gradual business mix improvements during 2013

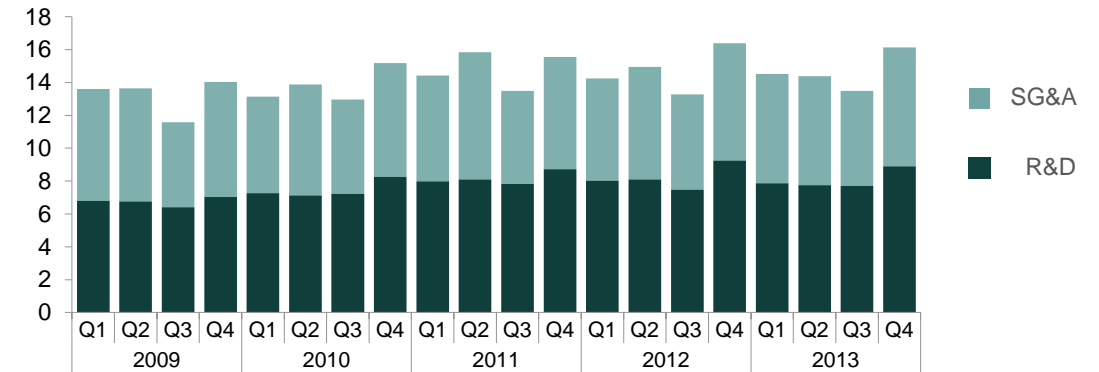
P/L COMMENTS



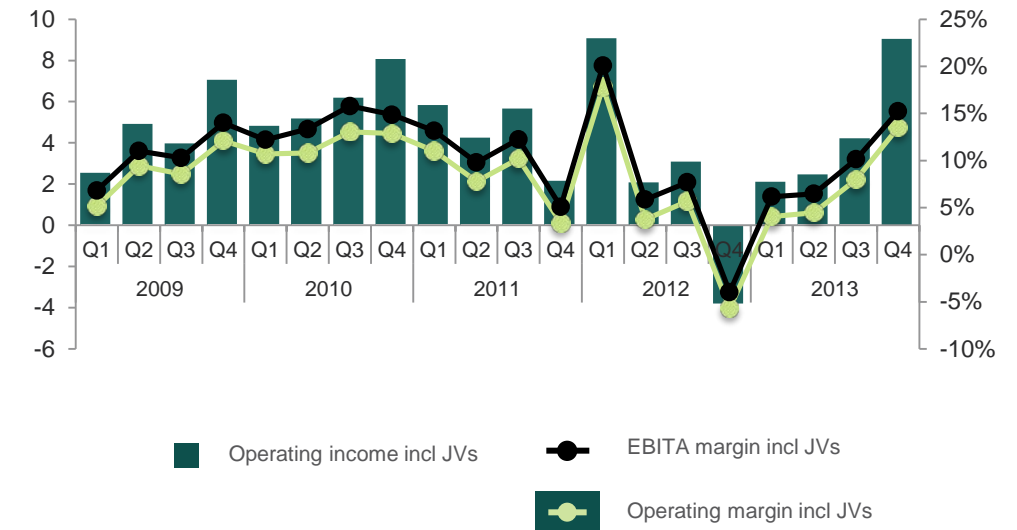
- › Operating expenses SEK 16.1 (16.4) b.
 - Excl restructuring charges and acquisitions down -6%
 - › Excl restructuring charges and acquisitions R&D expenses down -9%
 - › More efficient R&D
 - › One-time charge of SEK -0.4 b. related to Airvana
 - › Modems added SEK -0.5 b. in expenses in Q4
 - › Mediaroom acquisition increased expenses
- › Operating income including JV, SEK 9.1 (-3.8) b.
 - Samsung added SEK 4.2 b.
 - Q412 incl charge of SEK -8.0 b. related to ST-Ericsson
 - Underlying profit improved
- › Continued negative currency effect

For 2014, R&D expenses, excluding expenses related to Modems, Mediaroom and restructuring, are expected to increase somewhat, mainly due to investments in IP

SEK b.



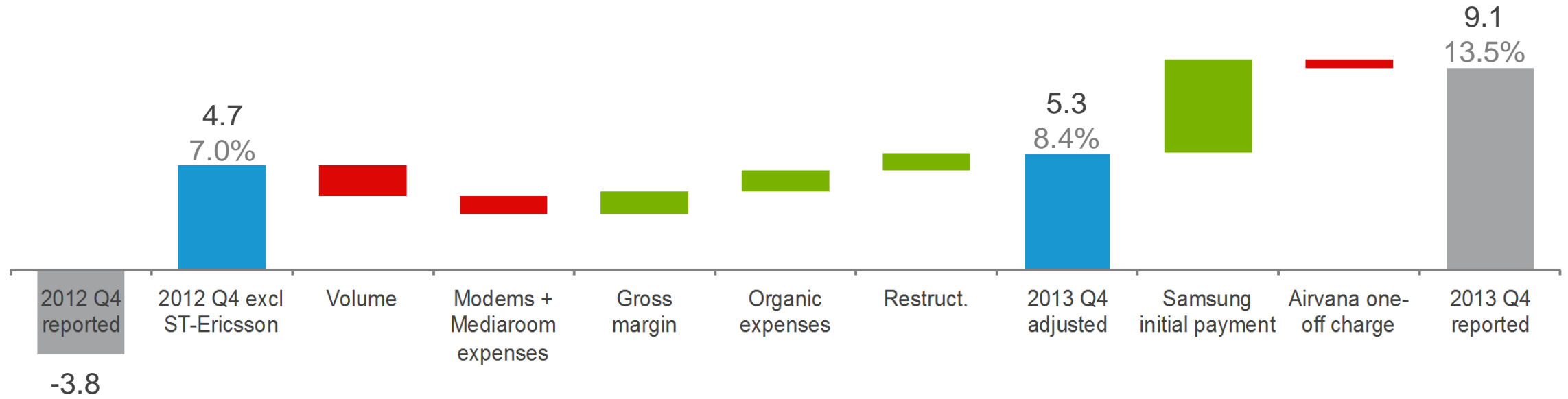
SEK b.



OPERATING INCOME BRIDGE Q4



SEK b.

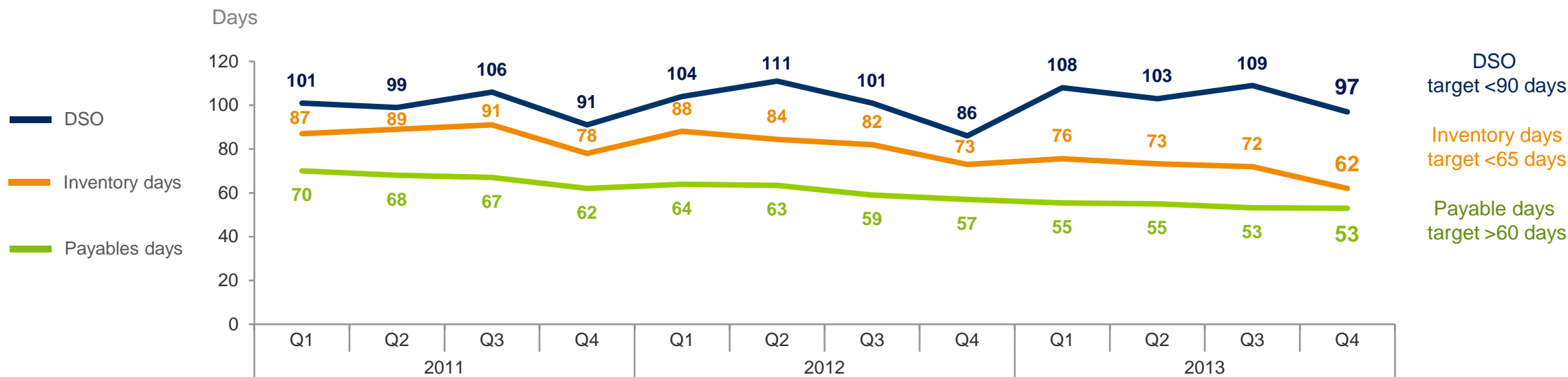


OI impact: SEK +0.6 b. or +1.4%

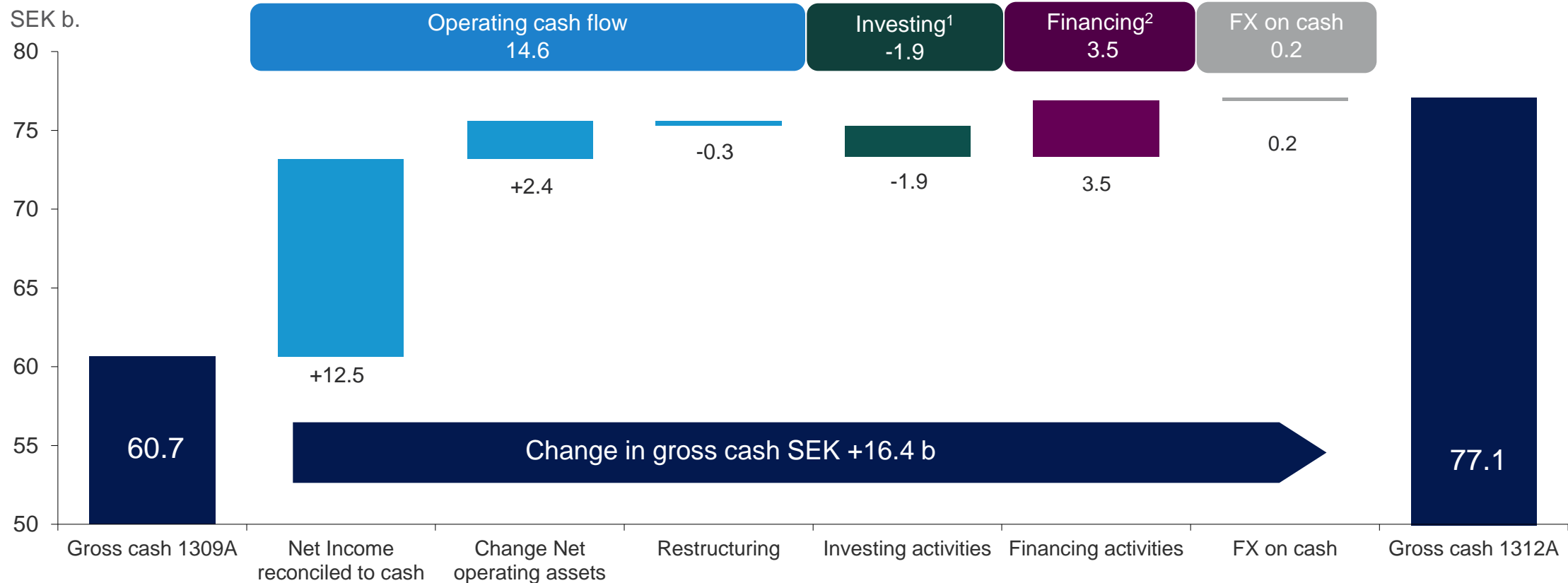
BALANCE SHEET COMMENTS



- › Trade receivables increased QoQ to SEK 71.0 (64.9) b.
 - Samsung added SEK 4.2 b.
 - DSO decreased 12 days to 97 days
- › Customer financing
 - SEK 3.4 (3.2) b., decreased compared to SEK 5.3 b. Q412
- › Inventory decreased QoQ to SEK 22.8 (28.1) b.
 - Improved business mix and efficiency measures
 - ITO improved from 72 days to 62 days
- › Payable days flat QoQ at 53 days
- › Provisions decreased YoY to SEK 5.4 (8.6) b.
 - The reduction mainly related to the 2012 ST-Ericsson provision



CHANGE IN GROSS CASH Q413



Change in net cash SEK +13.1 b. (from SEK 24.7 to 37.8 b.)

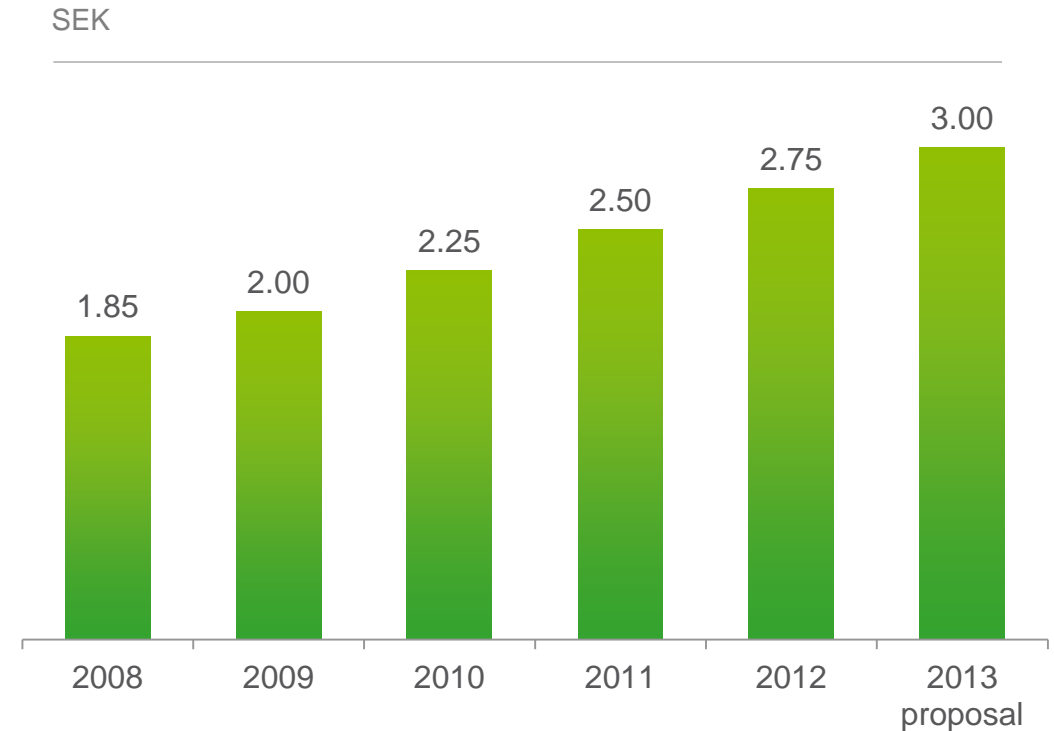
¹ Excl Short term investments

² New EIB loan SEK 4.4 b.

PROPOSED DIVIDEND BY BOARD OF DIRECTORS



- › SEK 3.00 (2.75)
- › In total ~SEK 9.9 (8.9) b.
- › April 16, 2014, record day for payment
- › In accordance with Ericsson's dividend policy the proposed dividend reflects 2013 year's earnings and balance sheet structure, as well as coming years' business plans and expected economic development



FOCUS GOING FORWARD

Strategy execution – profitable growth

Cost and efficiency

Technology and services leadership



MEDIA AND ANALYST ACTIVITIES

MOBILE WORLD CONGRESS



Wednesday February 12

Financial analyst & investor pre-briefing 3:00-4:00 pm CET

Ericsson guides you through its focus areas and launches.

Phone briefing

RSVP: investor.relations@ericsson.com

Industry analyst & media pre-briefing 5:00-6:00 pm CET

Ericsson guides you through its focus areas and launches.

Phone briefing

RSVP: media.relations@ericsson.com

Monday February 24

Media & analyst conference 08:30-9:30 am CET

Ericsson's hall, Fira Gran Via, Hall 2

Ericsson speaker: Hans Vestberg

RSVP: media.relations@ericsson.com

Media & industry analyst mingle 6:00-9:00 pm CET

Carrer Còrcega 286, Downtown Barcelona

Ericsson event apartment [MAP](#)

RSVP: media.relations@ericsson.com

Investor & financial analyst dinner 7:00-10:00 pm CET

By invitation, Ericsson's hall, Fira Gran Via, Hall 2

RSVP: investor.relations@ericsson.com

Tuesday February 25

Ericsson customer keynote 6:30 pm CET

(By invitation. GSMA badge required)

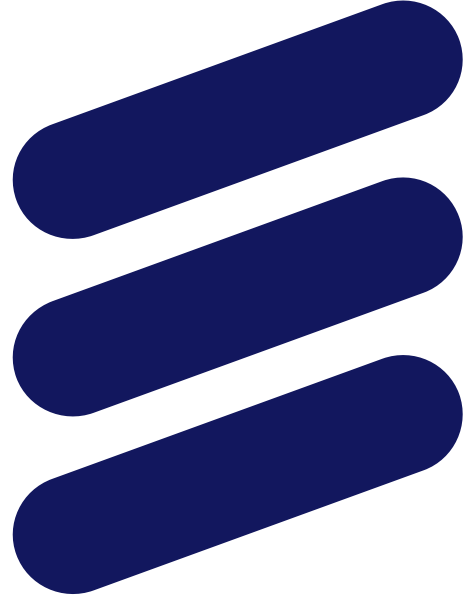
Ericsson's hall, Fira Gran Via, Hall 2

Ericsson speaker: Hans Vestberg

To attend activities at Fira Gran Via, MWC-pass is required. Please register on: www.mobileworldcongress.com/press-registration



Q&A



ERICSSON

FOURTH QUARTER 2014

January 30, 2014

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.