



SECOND QUARTER 2014

July 18, 2014





HELENA NORRMAN

Senior Vice President Communications

SECOND QUARTER 2014

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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



HANS VESTBERG

President and CEO

KEY DEVELOPMENTS

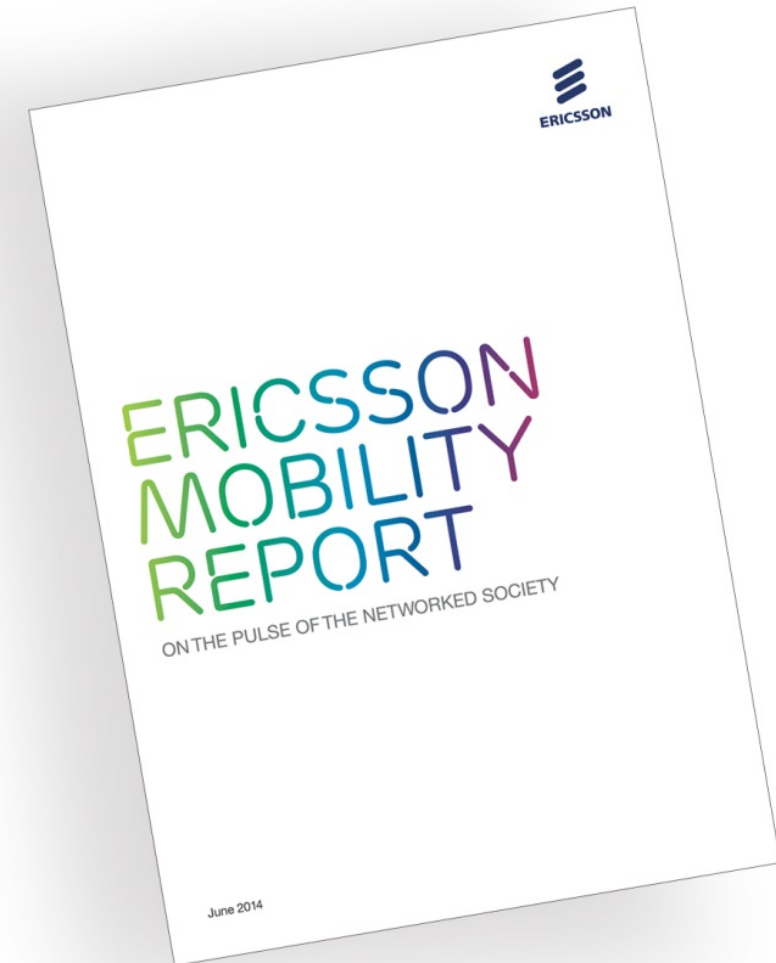


Market

- › Increased operator focus on network performance as a differentiator – capacity enhancements, densification
- › Rapid technology transformation to 4G/LTE in China
- › Major operators evaluating how next generation virtualized networks impact business and operations
- › Mobile data traffic grew 65% YoY – Ericsson Mobility Report, June 2014

Ericsson

- › Rising demand for managed services - 21 new contracts across nine regions
- › Executing on previously awarded 4G/LTE contracts in Mainland China and Taiwan
- › Multi-year BSS contract signed with T-Mobile US
- › Acquisition of Red Bee Media completed, strengthened position in the transforming television and media industry



THE SOCIAL WORLD CUP



World Cup total: 26.7 TB data traffic, 48.5 million photos, 4.5 million calls

Final game: Germany vs. Argentina, Maracanã, Rio de Janeiro

1.5 TB data traffic, 2.6 million photos, 35 photos per person

91% of mobile internet access was for social media usage

SECOND QUARTER IN NUMBERS

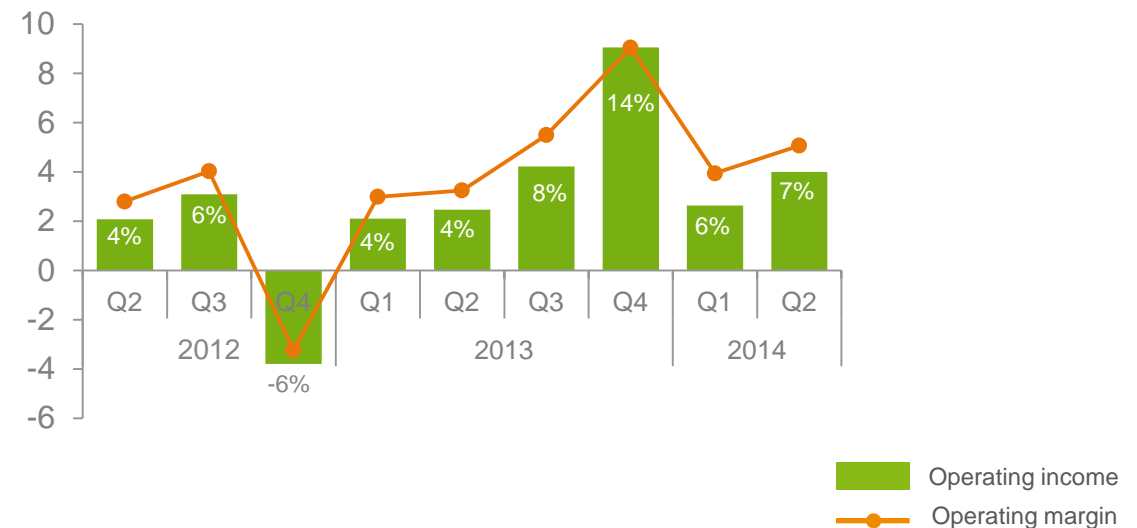
- › Organic FX adjusted sales -1% YoY
 - Sales recovered compared to previous quarter driven by the Middle East, China and India
 - Continued good capacity business in North America
 - Lower coverage project activity in North America and Japan
- › Organic FX adjusted sales 13% QoQ
 - Strong sales in North America, China and Brazil
 - Weak Q1 2014
- › Gross margin improved YoY to 36.4% (32.4%)
- › Operating income grew YoY to SEK 4.0 (2.5) b.
 - Networks operating income improved substantially
 - Support solution showed negative result
- › Operating cash flow SEK 2.1 (4.3) b.
 - Improved income with maintained working capital days



SEK b. Net sales and sales development

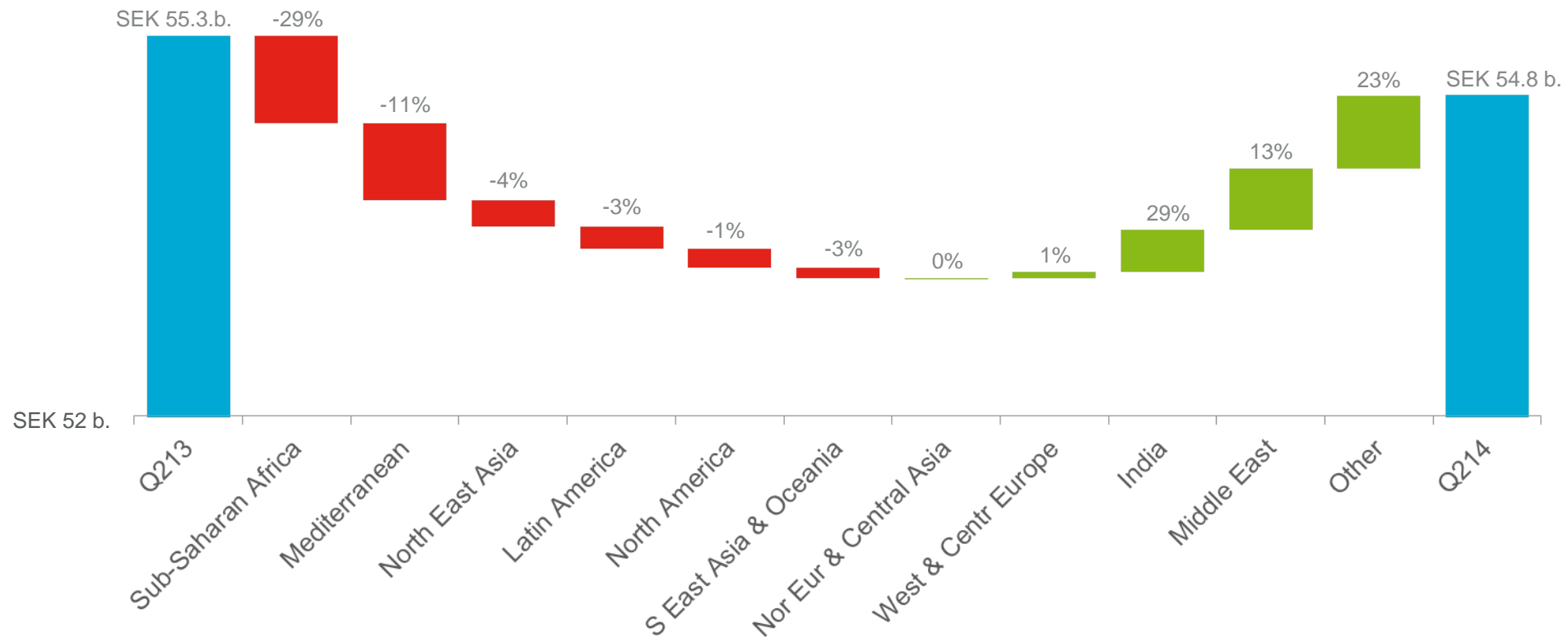


SEK b. Operating income and margin



REGIONAL OVERVIEW

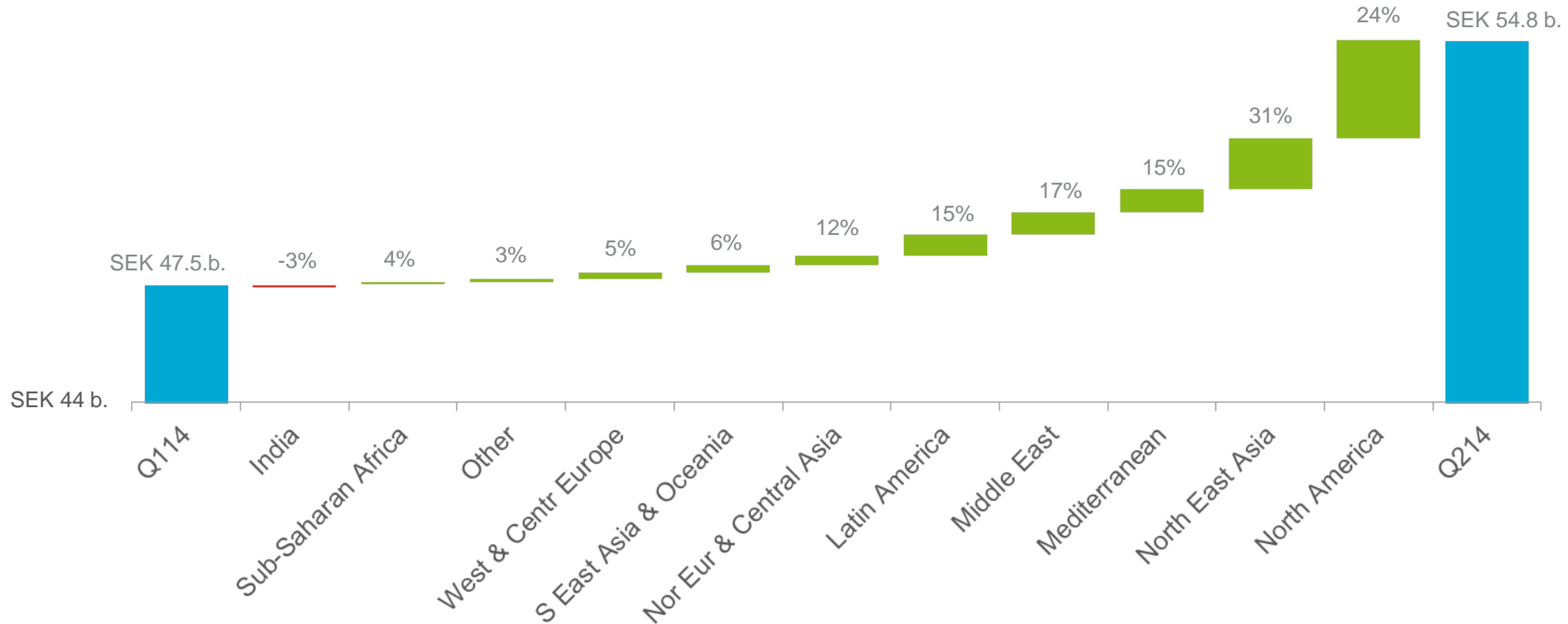
Q2 SALES YoY



Sales recovered in North America and North East Asia

REGIONAL OVERVIEW

Q2 SALES QoQ



Strong sequential sales development – growth in 9 out of 10 regions



JAN FRYKHAMMAR

CFO and Executive Vice President

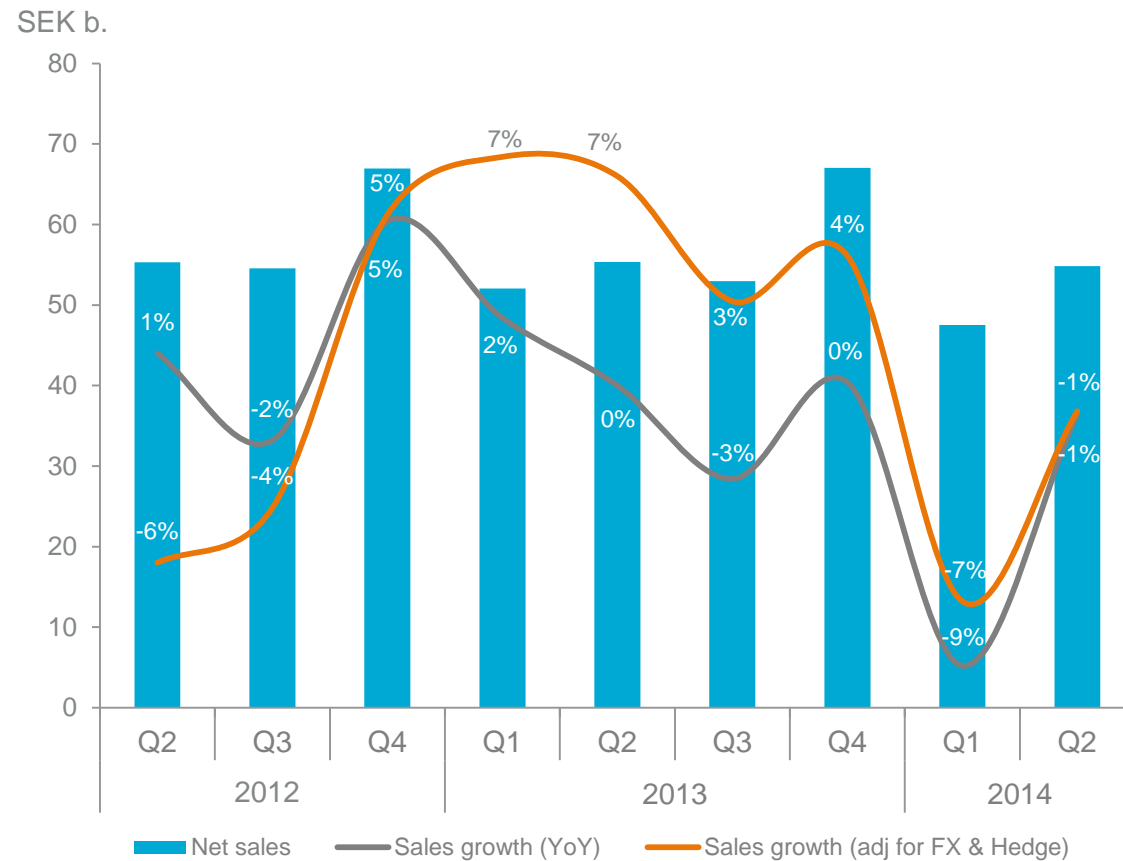
SECOND QUARTER



- › Net sales SEK 54.8 (55.3) b.
- › Gross income and margin improved YoY
 - Good development in capacity business, increased IPR and lower restructuring
- › Operating expenses increased YoY to SEK 15.6 b.
 - Added modems and Mediaroom operations
 - Gradual increase in organic R&D – in line with strategy
 - Reduction in SG&A
- › Operating income SEK 4.0 (2.5) b.
- › Net income almost doubled to SEK 2.7 (1.5) b.
- › Operating cash flow SEK 2.1 (4.3) b.
 - Driven by strong income
 - Inventory increased in preparation for new projects
 - Working capital days remained stable with continued efforts for improvement



SALES GROWTH – FX IMPACT



Sales YoY change, Q2 2014

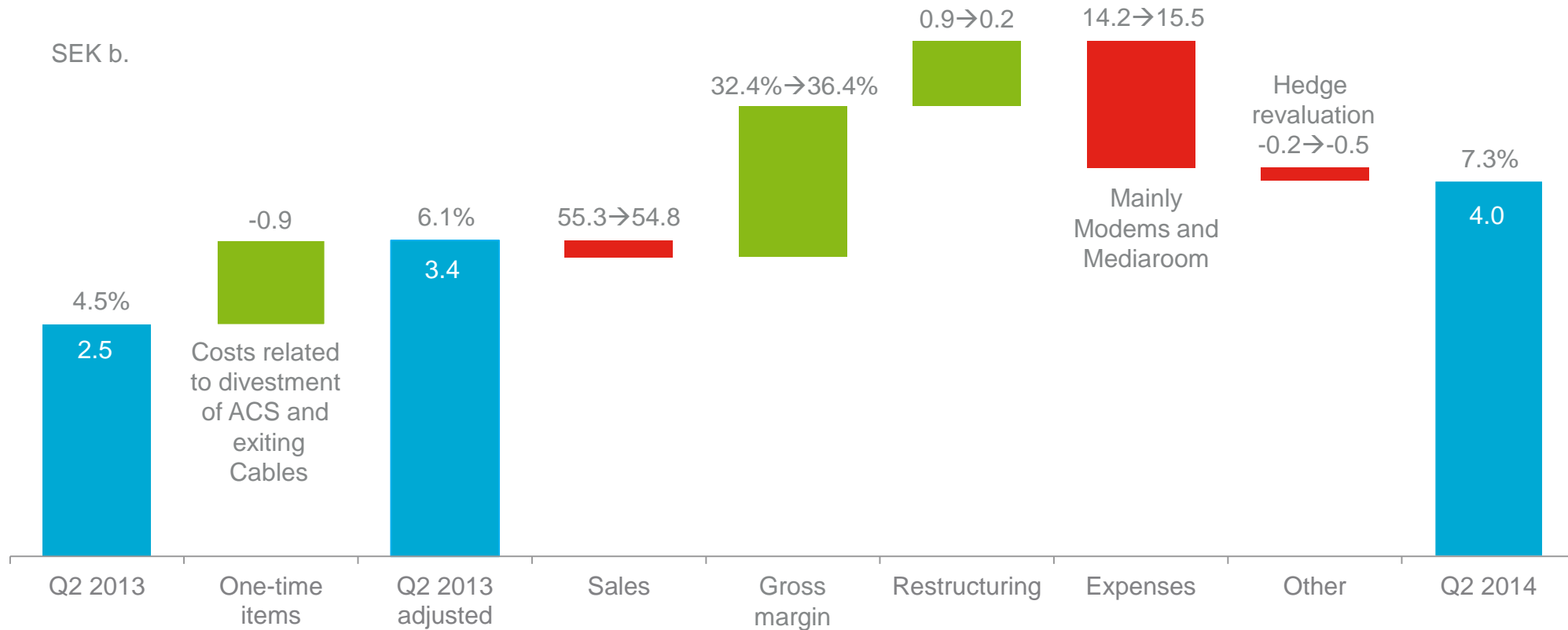
	Reported	Organic FX adjusted
Networks	3%	5%
Global Services	-7%	-8%
Support Solutions	21%	5%
Group	-1%	-1%

- Major FX exposure: USD, EUR and JPY
- Negative revaluation of hedges SEK -0.5 b. mainly driven by USD

Rule of thumb, with current USD exposure:
SEK 0.25 change in SEK vs USD impacts revaluation of hedges by approx. SEK 0.5 b.

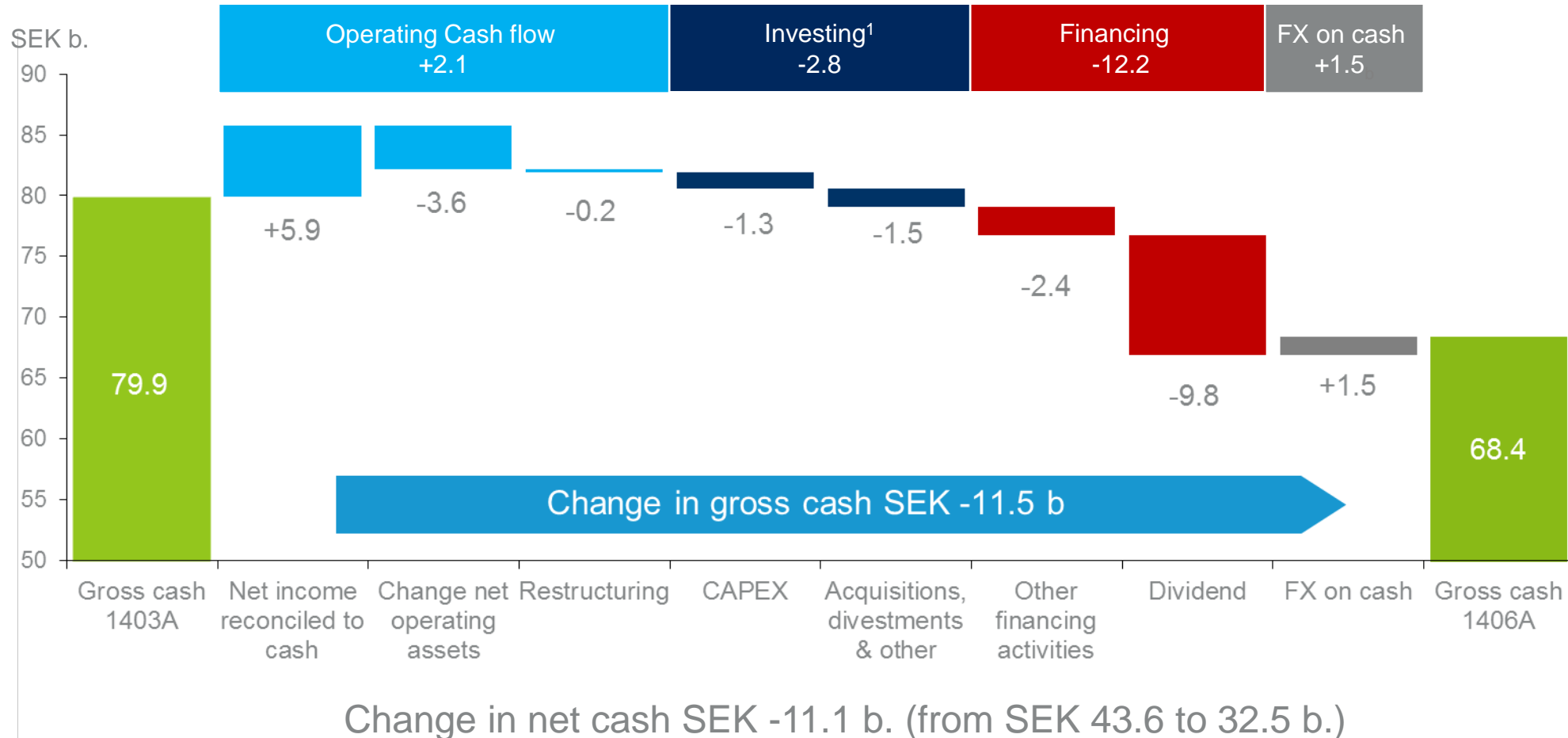
Insignificant depreciation effects from emerging markets

OPERATING INCOME AND MARGIN DEVELOPMENT – Q2 YoY



Operating income improvement mainly driven by Gross margin

CHANGE IN GROSS CASH Q2



Execution of order-to-cash initiative continues and shows good progress

¹Excluding Short term investments



HANS VESTBERG

President and CEO

NETWORKS



› Business highlights

- Continued operator focus on network performance
- Continued momentum for SSR, 120 contracts since launch

› Organic FX adjusted sales +5% YoY

- Sales recovered, driven by the Middle East, China, US and India
- Growth in radio access, IP Edge and IMS
- Good capacity business in advanced LTE markets

› Sales increased 19% QoQ

› Operating income SEK 3.6 (1.3) b.

- Improved business mix
- Continued focus on commercial excellence and operational effectiveness
- Higher IPR revenues

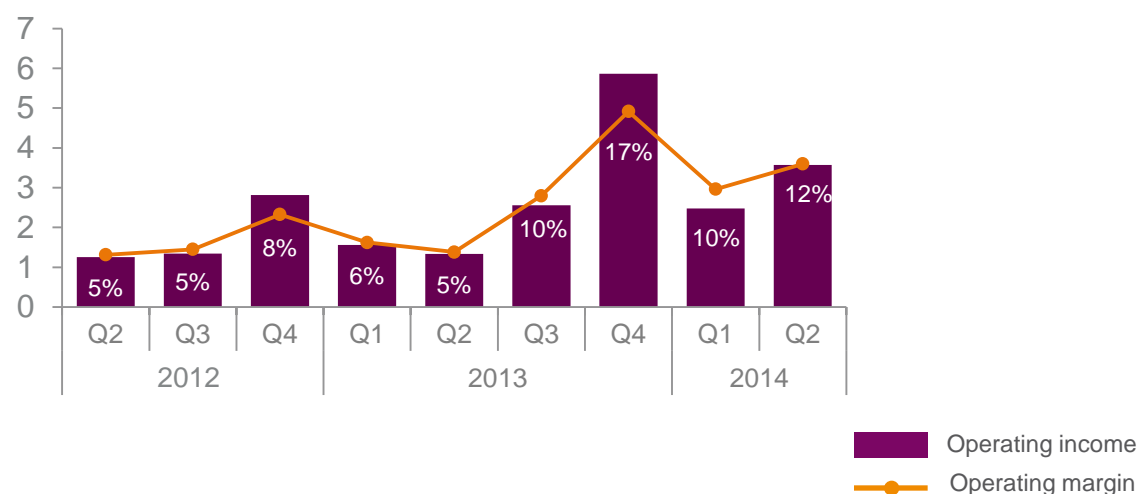
› Operating margin 12% (5%)

- Higher sales
- Fourth consecutive quarter with double-digit margin

SEK b. Net sales and sales development



SEK b. Operating income and margin



GLOBAL SERVICES



› Business highlights

- Red Bee Media acquisition finalized during the quarter
- 21 new Managed Services contracts in nine regions
- 12 new significant Consulting and Systems Integration contracts

› Organic FX adjusted sales -8% YoY

- Professional Services sales stable
- Network rollout (NRO) sales continue to decline, with reduced activities in North America and Japan

› Sales increased 13% QoQ

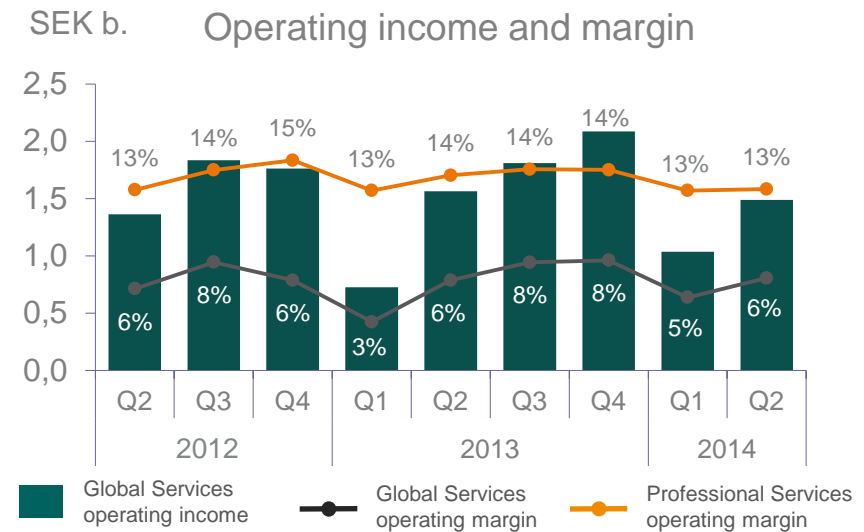
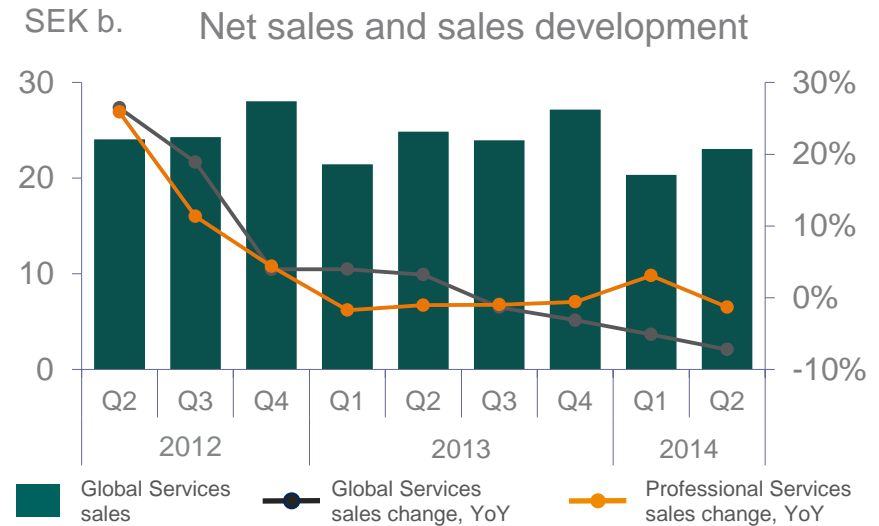
- Increased activities in North America
- High business activity in Managed Services

› Operating income SEK 1.5 (1.6) b.

- Reduced losses in NRO both YoY and QoQ
- Less negative impact from European modernization projects as well as lower temporary project costs in North America

› Operating margin 6% (6%)

- Good profitability maintained in Professional Services



SUPPORT SOLUTIONS



› Business highlights

- Multi-year BSS contract signed with T-Mobile US
- Transition of business models continues

› Reported sales +21% YoY

- Growth from Mediaroom and OSS
- Partly offset by lower BSS sales
- Organic FX adjusted sales +5% YoY

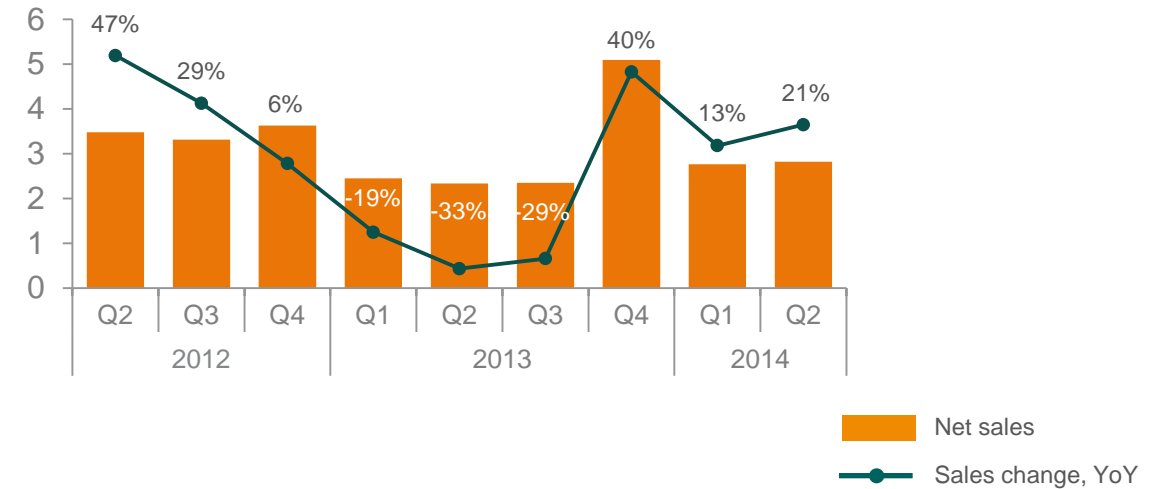
› Sales increased 2% QoQ

- Strong growth in North America offset by weak sales in emerging markets

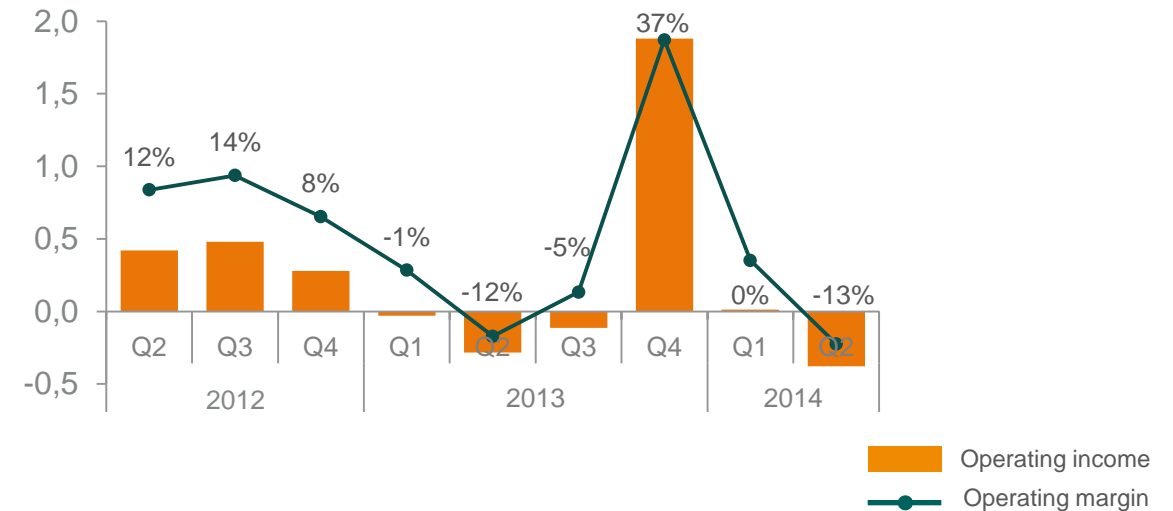
› Operating margin -13% (-12%)

- Lower sales from legacy portfolio
- Investments in next-generation TV solutions

SEK b. Net sales and sales development



SEK b. Operating income and margin



MODEMS

- › Business highlights
 - Smartphones and data devices featuring M7450 will be on the market by the end of this year
 - Global operator certification is progressing as planned
- › Net sales are expected 2H 2014
- › Operating loss of SEK -0.5 b. in the quarter
 - Mainly R&D expenses
- › Operating expenses in 2014 are estimated at SEK 2.6 b.

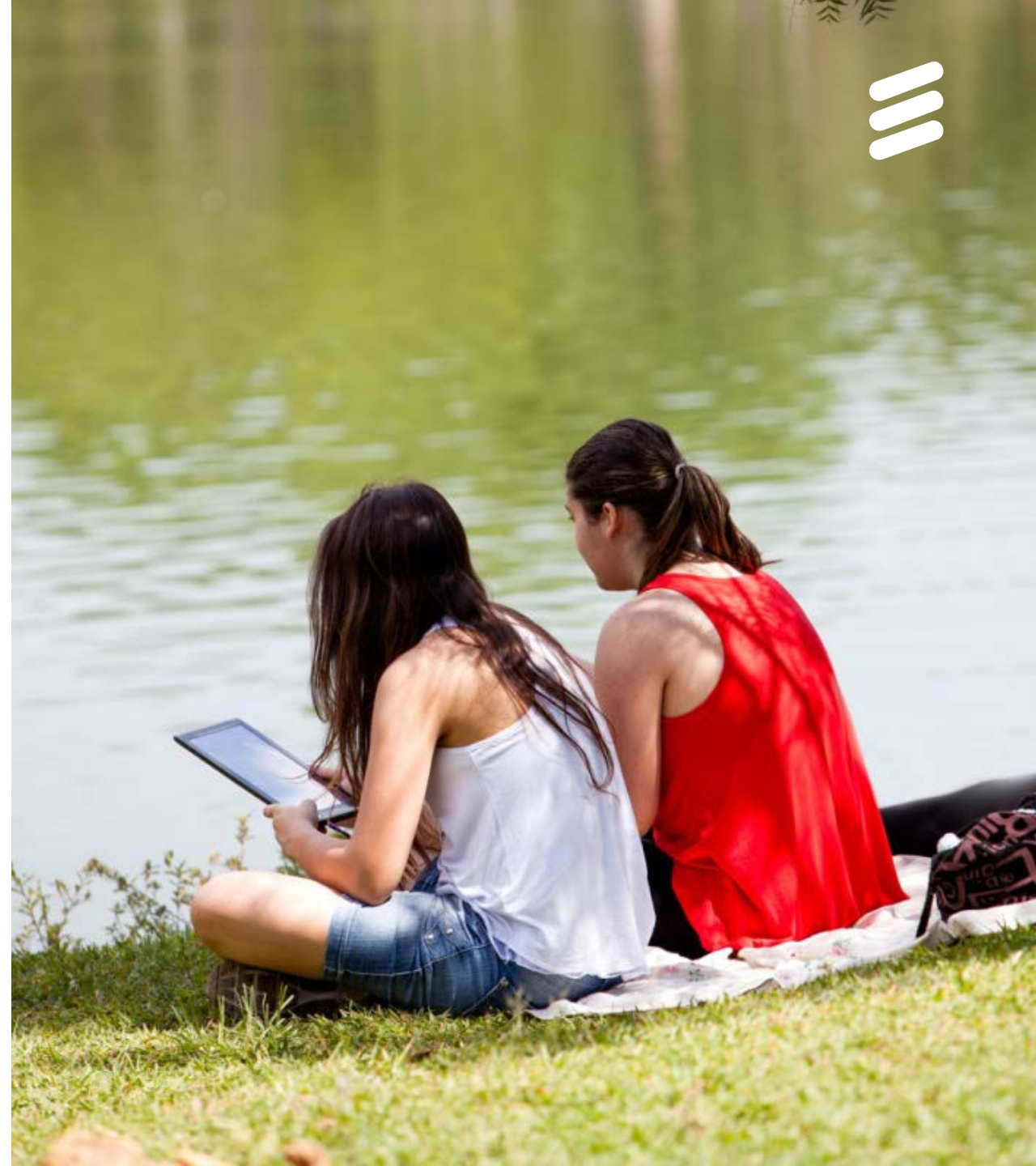
Success will be measured in an 18-24 month timeframe after integration Q3 2013



SUMMARY

- › Continued good capacity business as operators focus on network performance
- › Strong sequential sales growth
- › Improved profitability driven by Networks
- › Good profitability maintained in Professional Services
- › Transition of business models in Support Solutions continues
- › Continued investments in new and targeted areas
- › Well positioned to continue to be a strategic partner to our customers in a transforming market

With current visibility, key contracts awarded will gradually impact sales and business mix in 2H 2014





Q&A



ERICSSON

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