

FIRST QUARTER 2015

April 23, 2015





HELENA NORRMAN

Senior Vice President, Marketing and Communications

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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

KEY DEVELOPMENTS

Market

- › Digital transformation influences strategic industry choices
- › Transition towards LTE in all regions
- › Consolidation – an industry theme
- › China 4G deployments continue at fast pace
- › Currency movements with strengthening USD

Ericsson

- › Continued slow mobile broadband business in North America
- › Ongoing transformation continues
 - Good growth in targeted areas
 - Cost and efficiency program – according to plan
- › Good traction of new MWC launches
- › IPR dispute with a major customer
- › Professional Services acquisition in China



ERICSSON Q1 2015



> Sales +13% YoY

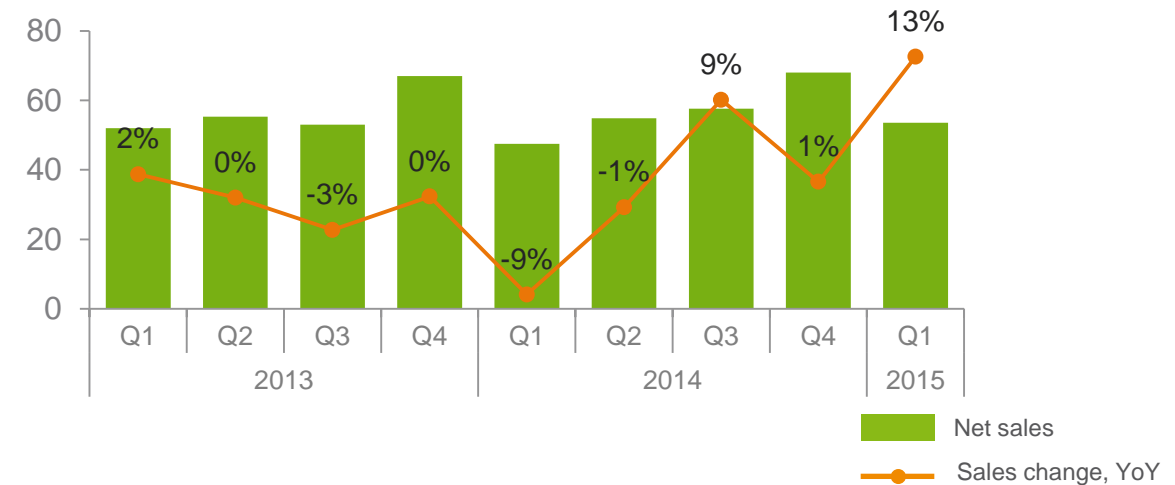
- Organic FX adjusted sales -6% YoY
- Professional Services sales strong
- Growth in India and North East Asia
- Continued slow mobile broadband business in North America
- Significant currency movements impacted sales positively

> Operating income SEK 2.1 (2.6) b.

- Income decreased in Networks
- Restructuring charges of -0.6 (-0.1) b.
- Improvement in Global Services mainly in NRO

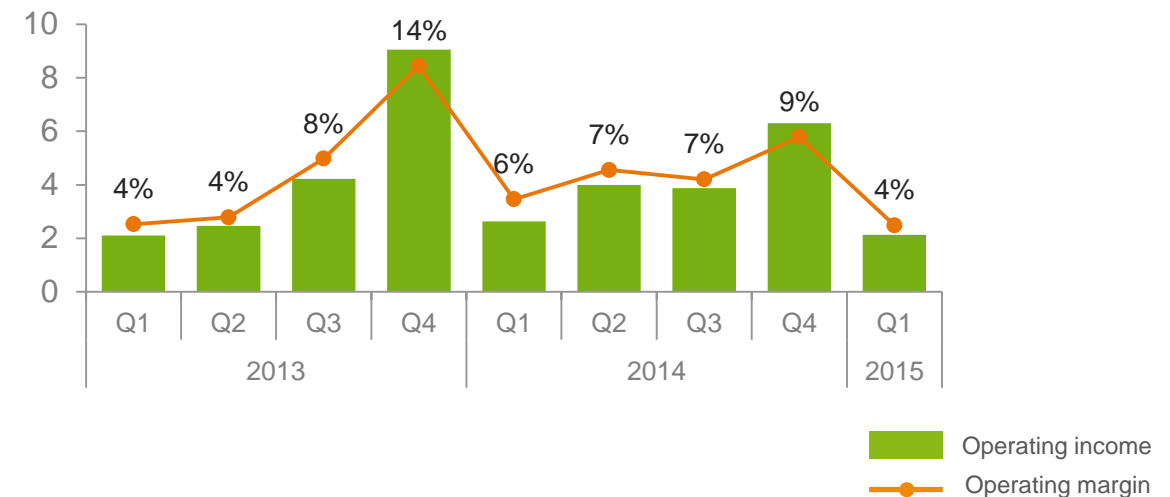
SEK b.

Net sales and sales development



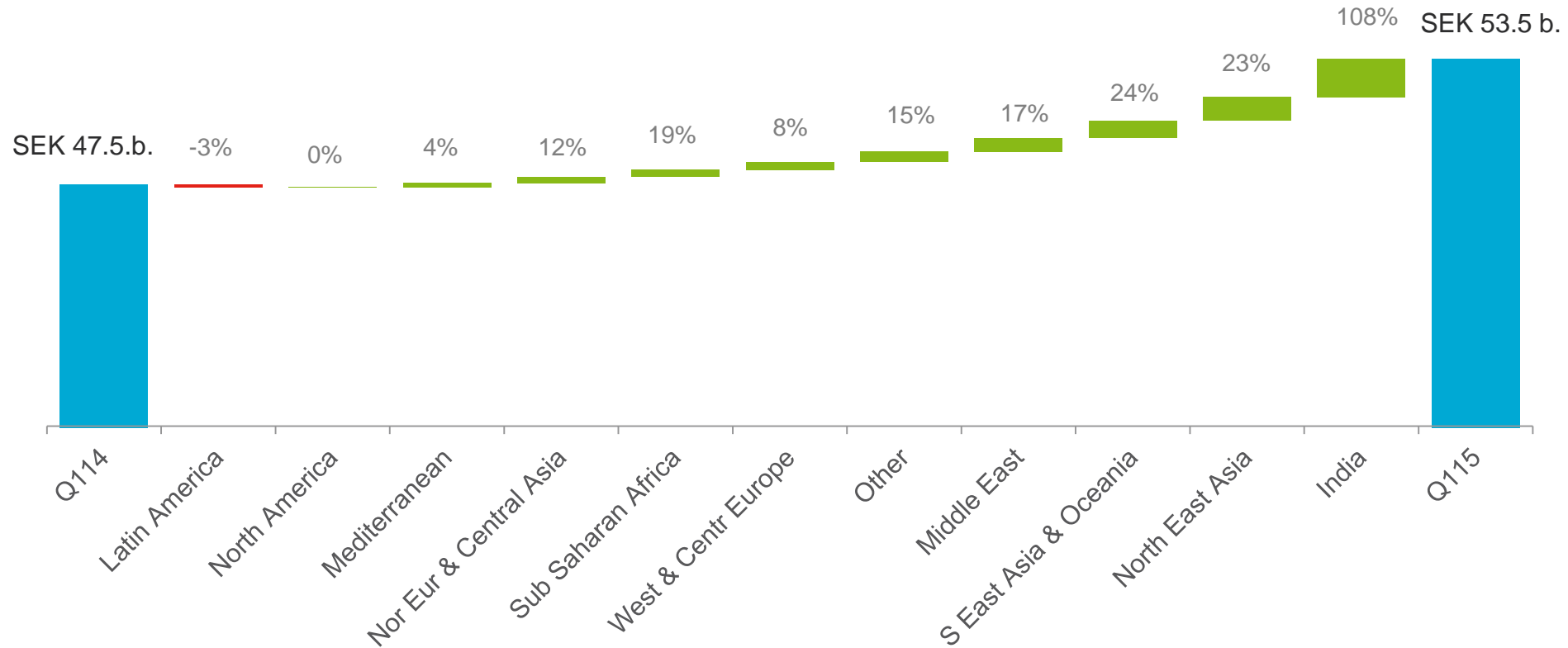
SEK b.

Operating income and margin



REGIONAL SALES

Q1 YoY



Growth in 8 of 10 regions – North America continued to be slow



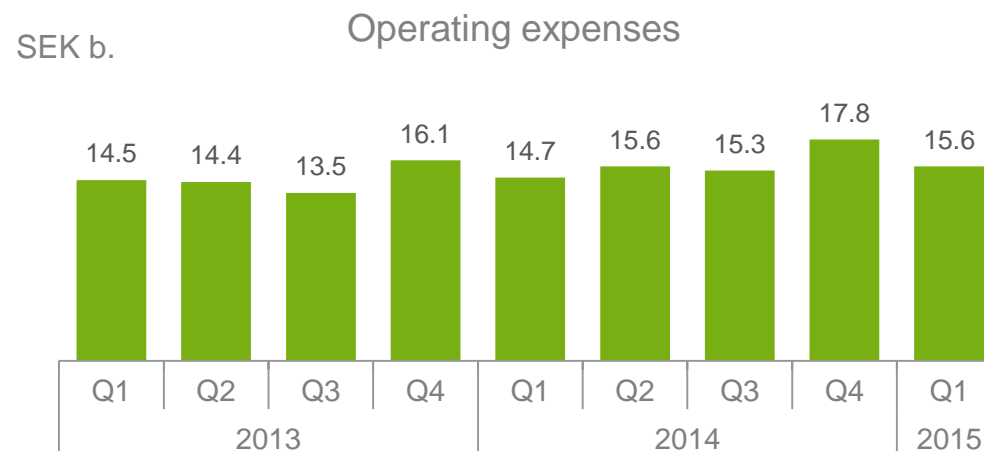
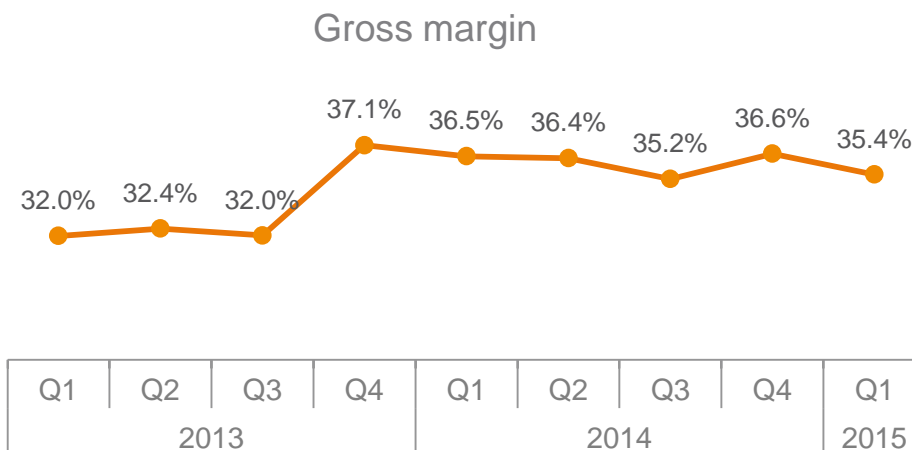
JAN FRYKHAMMAR

CFO and Executive Vice President

FIRST QUARTER



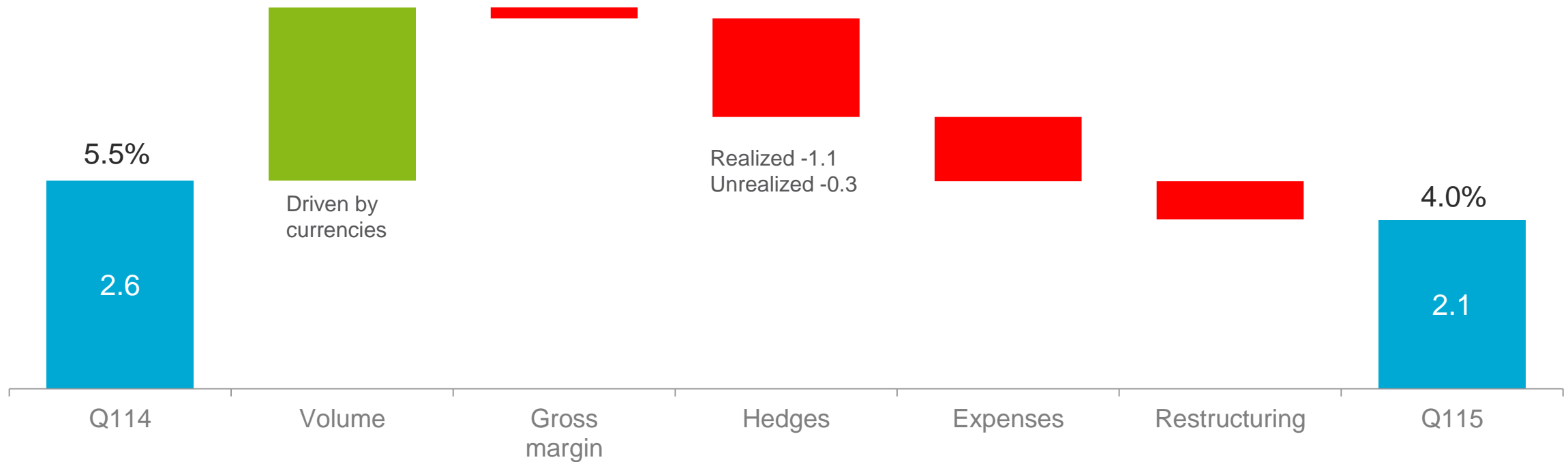
- › Gross margin 35.4% (36.5%)
 - Lower capacity business in North America
 - Continued fast pace of 4G deployments in Mainland China
- › Gross margin decreased QoQ
 - High software sales and strong IPR revenues in Q4 2014
- › Operating expenses increased YoY to SEK 15.6 b.
 - Negative currency effects and acquisitions
- › Restructuring SEK -0.6 (-0.1) b.
 - Primarily related to Service Delivery
 - Cost and efficiency program progressing according to plan
 - Sweden program estimated to impact Q2 with ~SEK -2 b. Related savings will start end of 2015
- › Operating income decreased YoY to SEK 2.1 b.
 - Income flat YoY excluding restructuring
 - IPR revenues stable YoY in SEK
 - Net currency effect positive
 - Modems business discontinuation almost completed



OPERATING INCOME YoY

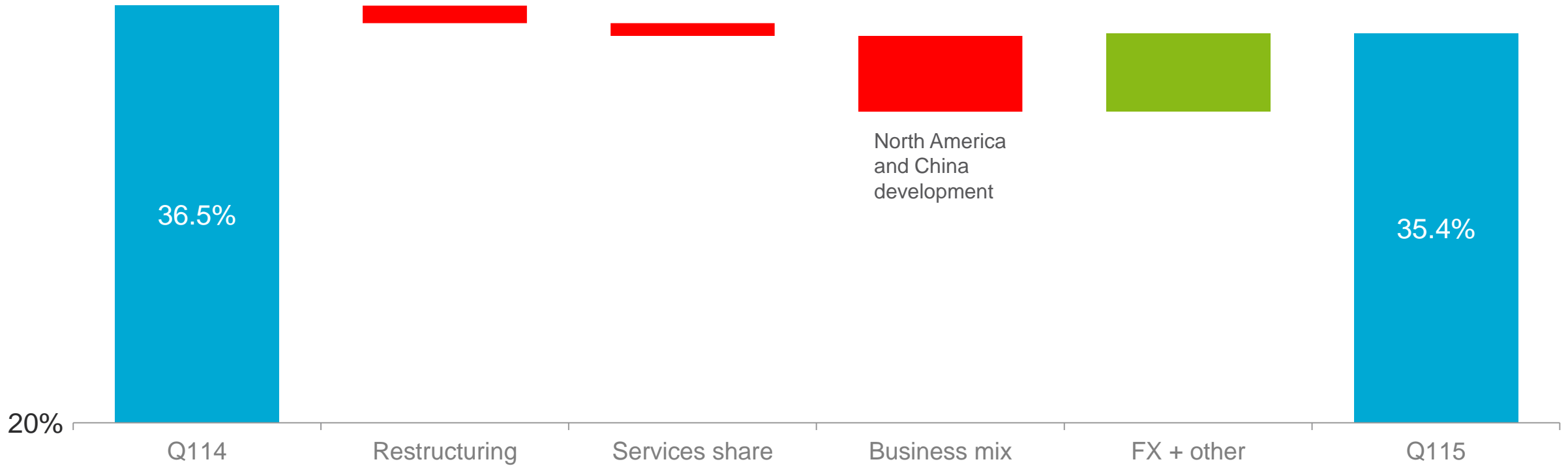


SEK b.



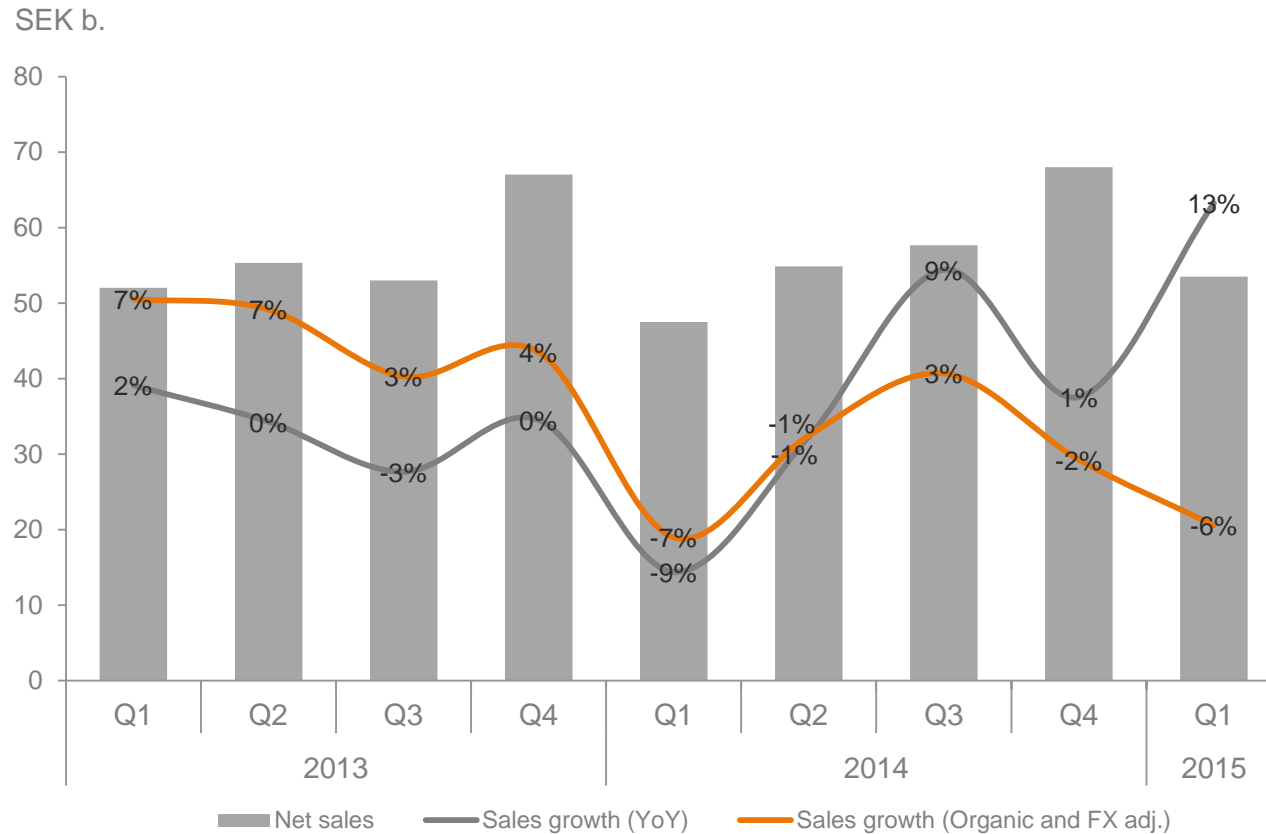
Operating income was flat, excluding restructuring

GROSS MARGIN YoY



Gross margin established on a higher level

SALES GROWTH – FX IMPACT



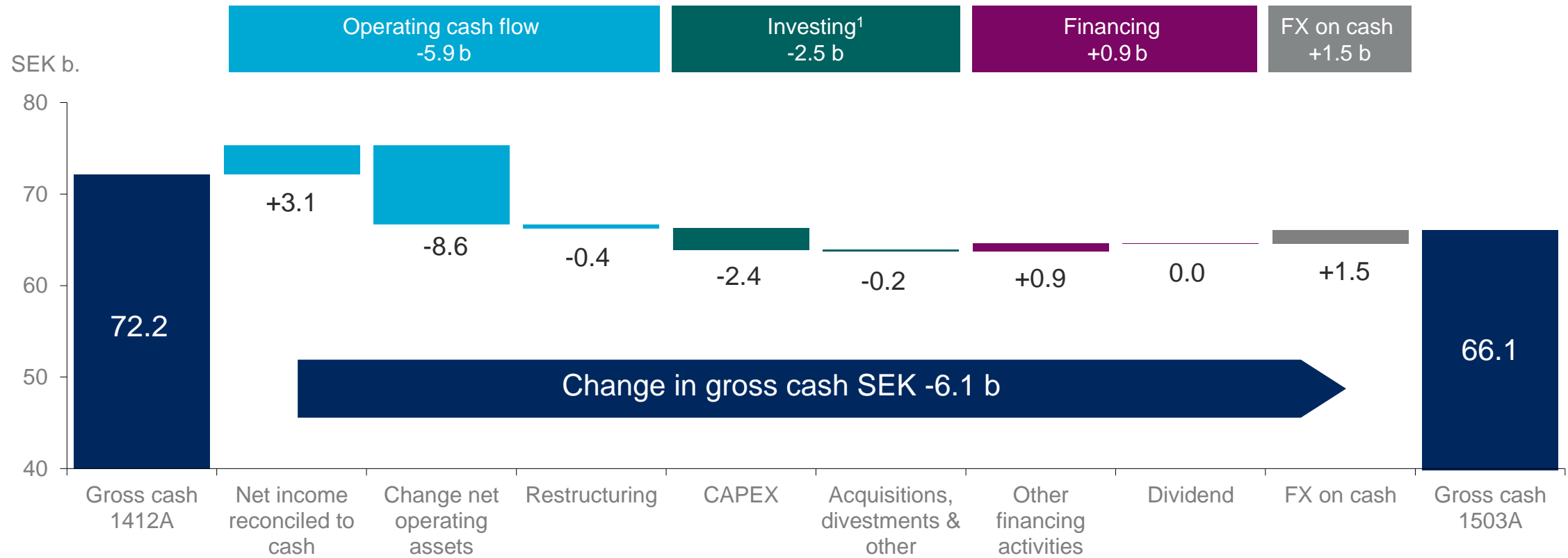
Sales YoY change, Q1 2015

	Reported	Organic and FX adj.
Networks	8%	-9%
Global Services	17%	-2%
Support Solutions	11%	-11%
Group	13%	-6%

Changed method for translating FX exposure into SEK for income statement items. For details on method and currency rates, see ericsson.com/thecompany/investors

Significant currency movements impacted sales positively

CHANGE IN GROSS CASH Q1



Change in net cash SEK -12.0 b. (from SEK 27.6 to 15.6 b.)

Slow business in North America and fast pace 4G deployments in China impacted working capital

¹Excluding Short term investments



HANS VESTBERG

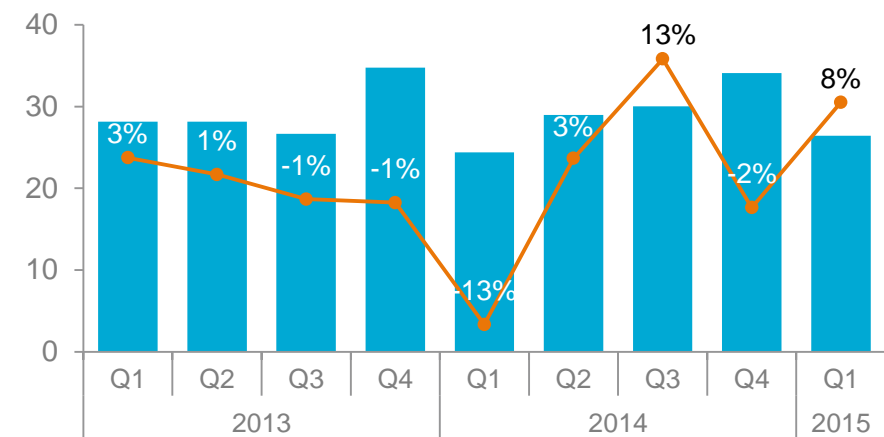
President and CEO

NETWORKS



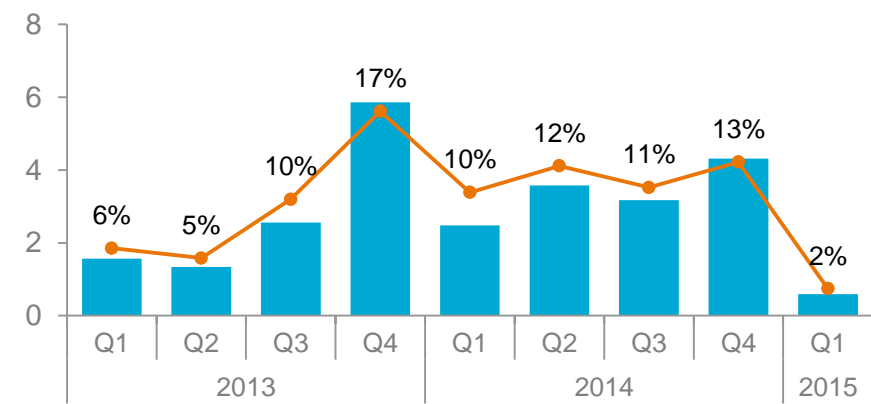
- › Sales increased 8% YoY
 - Organic FX adjusted sales decreased by -9% YoY
 - Strong sales in China, India, the Middle East as well as South East Asia and Oceania
 - Continued slow mobile broadband business in North America
- › Sales decreased QoQ following a seasonally strong Q4
 - IP business grew YoY and QoQ
- › Operating income and margin decreased YoY
 - Lower capacity business in North America
 - Continued fast pace of 4G deployments in Mainland China
 - Gradually increased R&D in IP and Cloud 2014
 - Resources from Modems added Q4 2014 to capture radio opportunities
 - Negative impact from hedge contracts SEK -1.1 (-0.1) b.

SEK b. Net sales and sales development



Net sales
Sales change, YoY

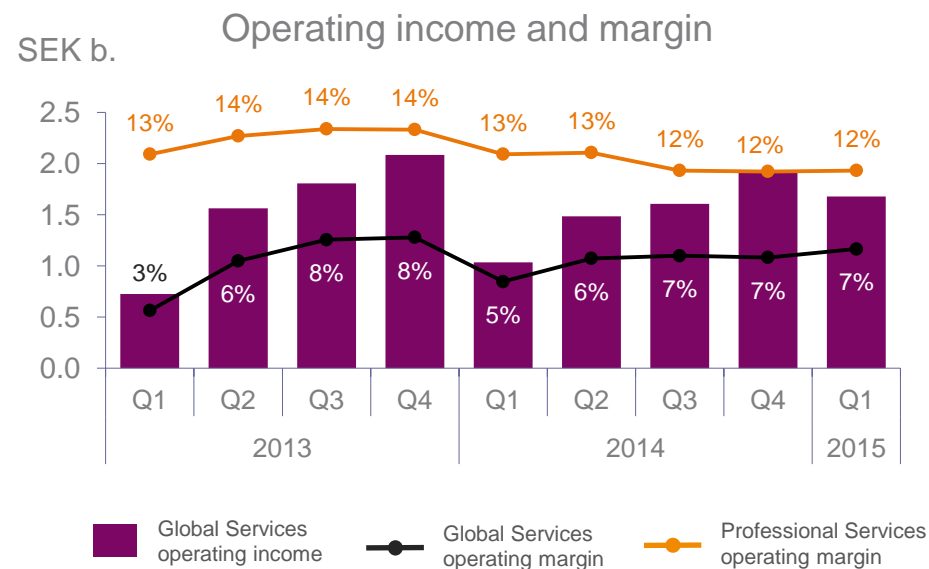
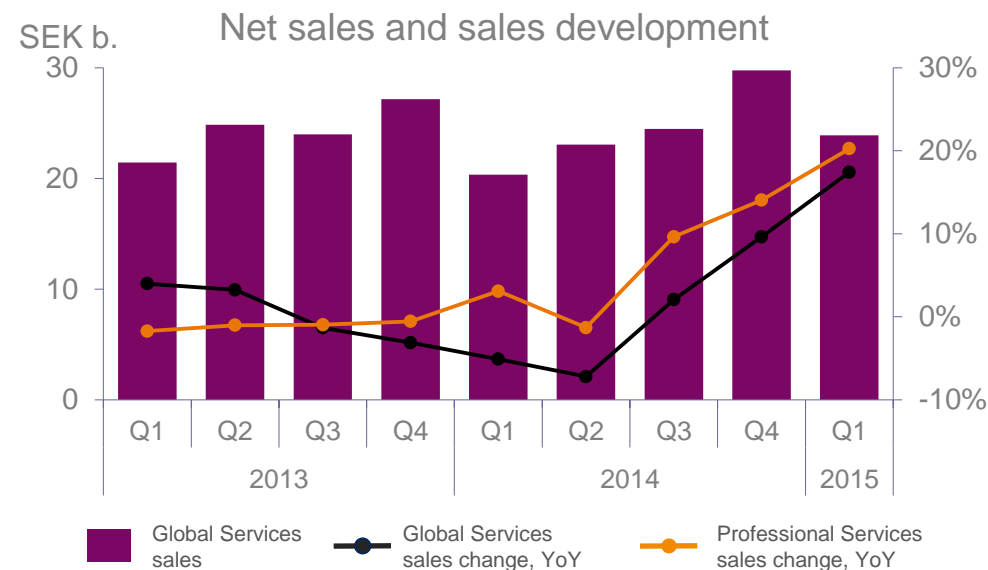
SEK b. Operating income and margin



Operating income
Operating margin

GLOBAL SERVICES

- › Sales increased 17% YoY
 - Global Services organic FX adjusted sales -2% YoY
 - Professional Services growth 20% – good momentum
 - 30% growth in Managed Services – 27 contracts signed
- › Sales decreased QoQ following a seasonally strong Q4
- › Operating income improved to SEK 1.7 b.
 - Margin, excluding restructuring, 9% (5%)
 - Reduced losses in Network Rollout, operating margin improved YoY to -3% (-16%), excluding restructuring
 - Improved income in Professional Services from higher sales
 - Increased restructuring
- › Acquired OSS & BSS services business in China
 - Important customer engagements

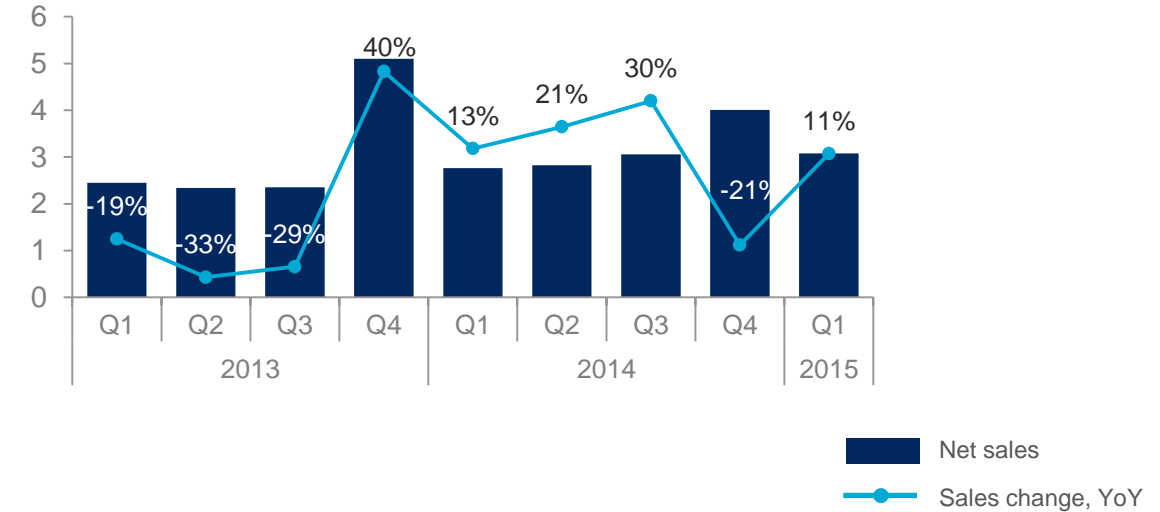


SUPPORT SOLUTIONS



- › Sales increased 11%
 - Organic FX adjusted sales -11% YoY
 - Continued good development in OSS & BSS
 - Transition of business models continues
- › Sales decreased QoQ following a seasonally strong Q4
- › Operating income and margin improved YoY
 - Good progress in OSS & BSS
 - Negative impact from hedge contracts SEK -0.1 (0.0) b.

SEK b. Net sales and sales development

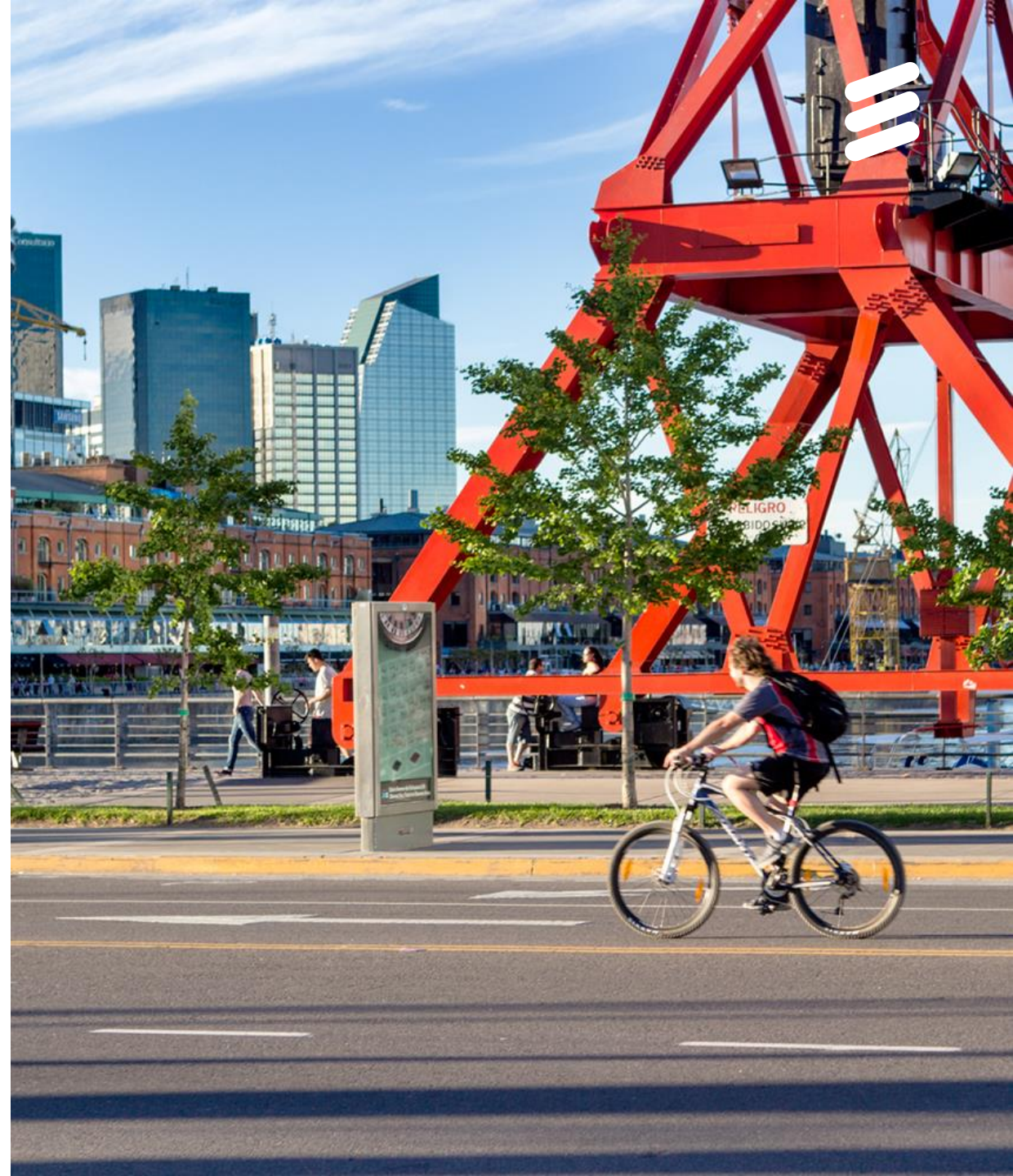


SEK b. Operating income and margin



SUMMARY

- › Growth in 8 out of 10 regions, supported by significant currency movements
- › With current visibility we anticipate the fast pace of 4G deployments in Mainland China to continue and the North American mobile broadband business to remain slow in the short term
- › Weak profitability in Networks and strong performance in Global Services
- › Ongoing transformation continues
 - Good growth in targeted areas
 - Cost and efficiency program – according to plan
- › Dividend payout of ~SEK 11.2 b. in April
- › Weak operating cash flow
 - Target of >70% cash conversion remains





Q&A



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