



# FOURTH QUARTER 2015

January 27, 2016



# HELENA NORRMAN

Senior Vice President

Chief Marketing and Communications Officer

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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.

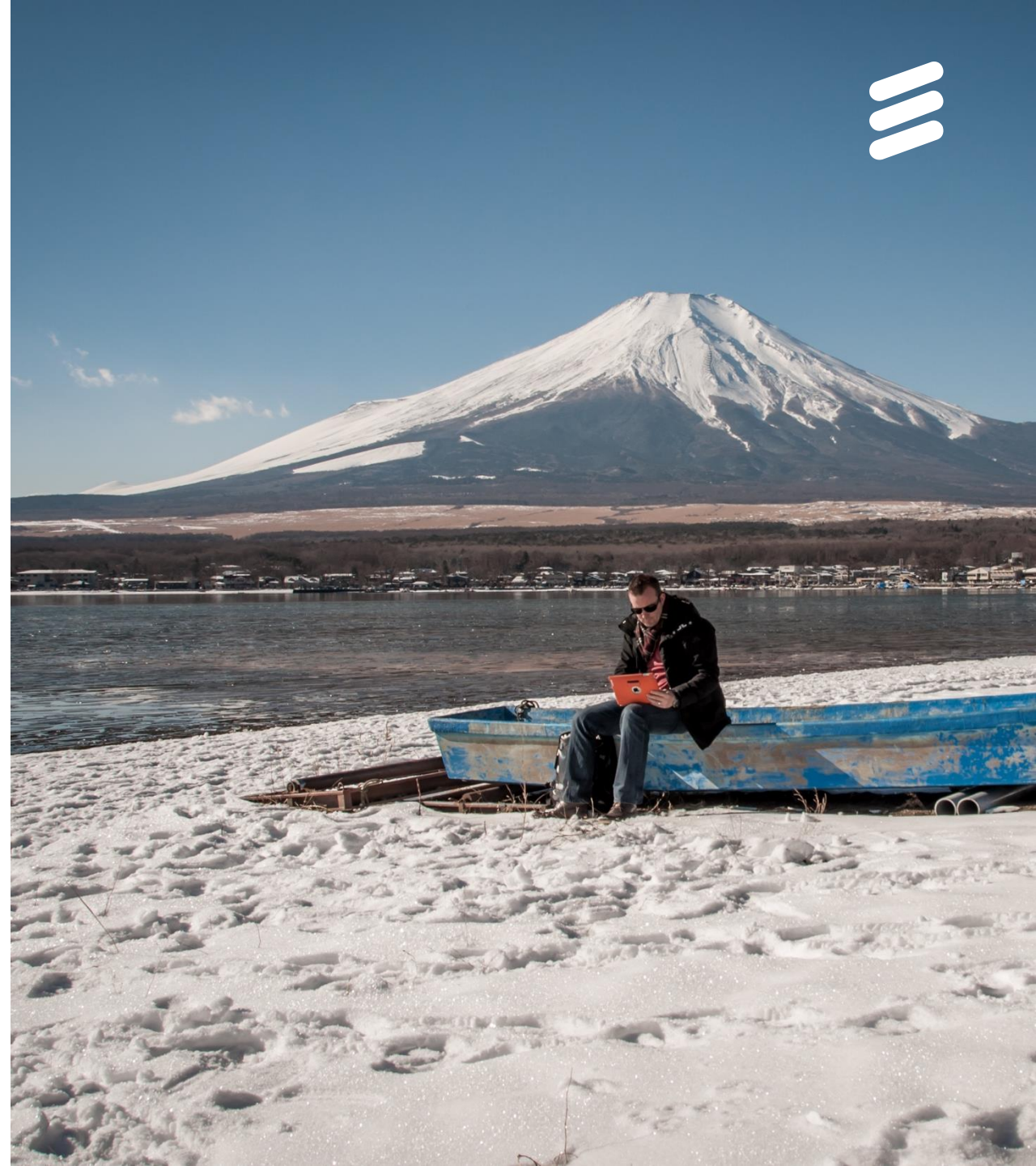


# HANS VESTBERG

President and CEO

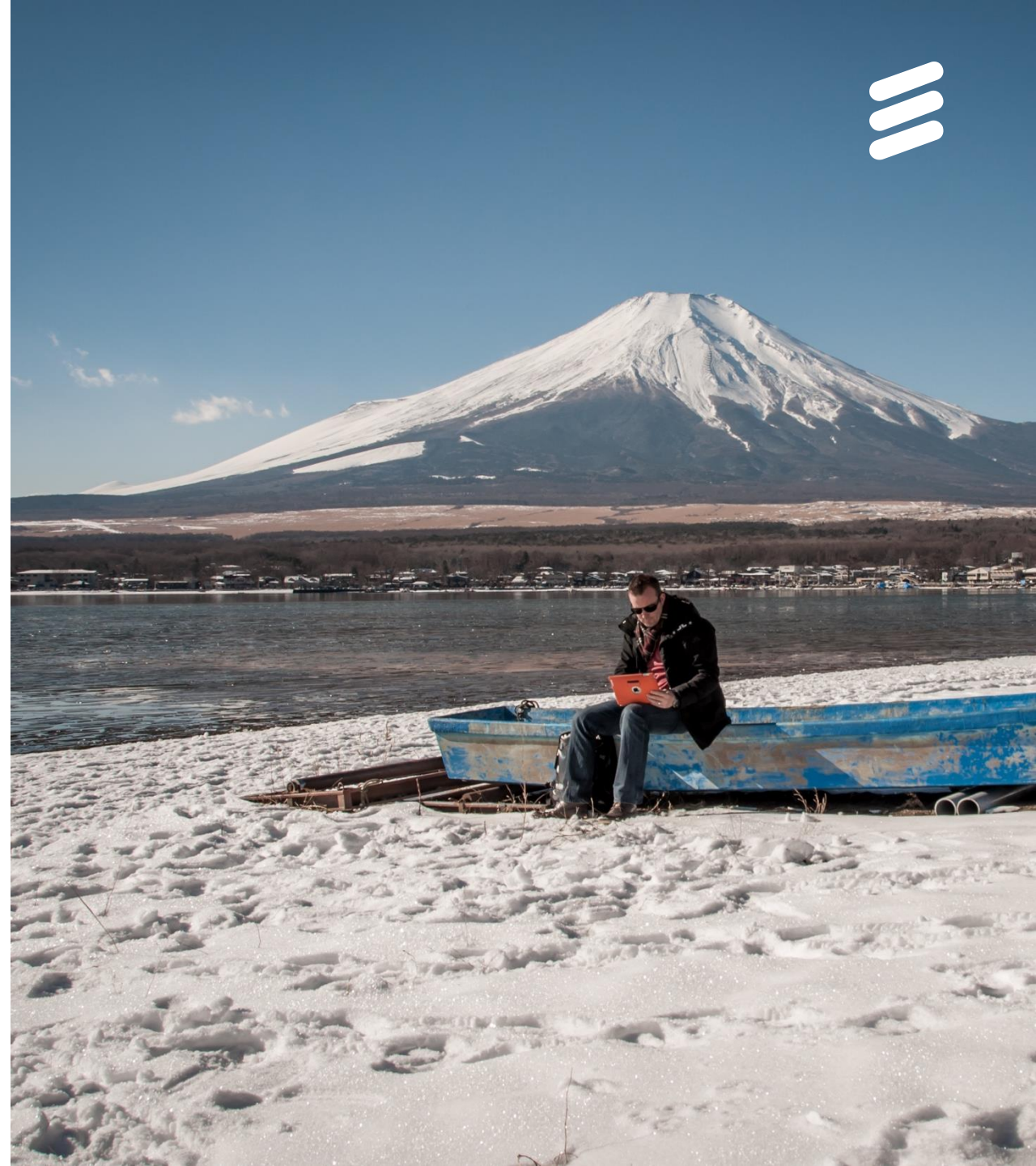
# KEY MARKET DEVELOPMENTS

- › Strong focus on 5G and Internet of Things (IoT)
- › Transition from 3G to 4G in emerging markets
- › Accelerating ICT transformation in mature 4G markets
- › Currency movements and weaker macro in parts of the world impact customer investments

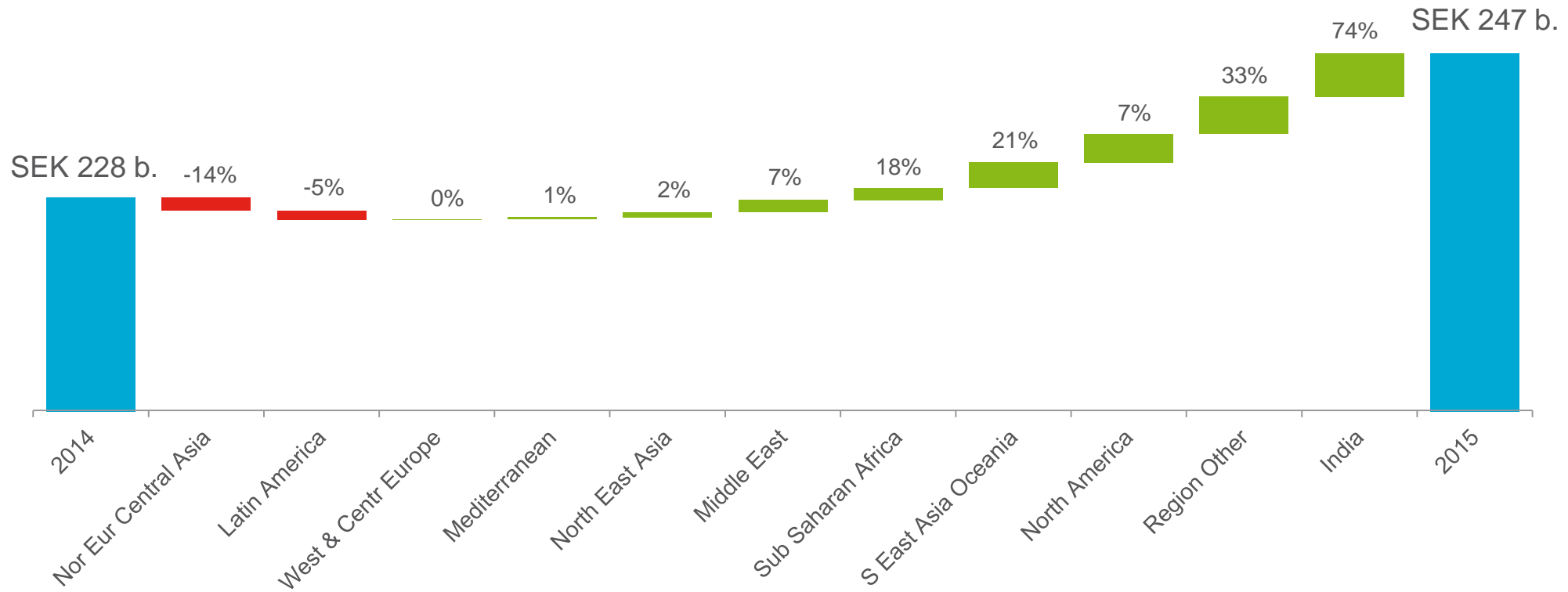


# KEY ERICSSON DEVELOPMENTS

- › Important IPR agreements signed
- › Stable investments in North America
- › Good growth in targeted areas
- › Strategic partnership with Cisco
- › Cost and efficiency program on track
- › NRO closer to sustainable profitability
- › Cash conversion target achieved
- › Proposed dividend of SEK 3.70



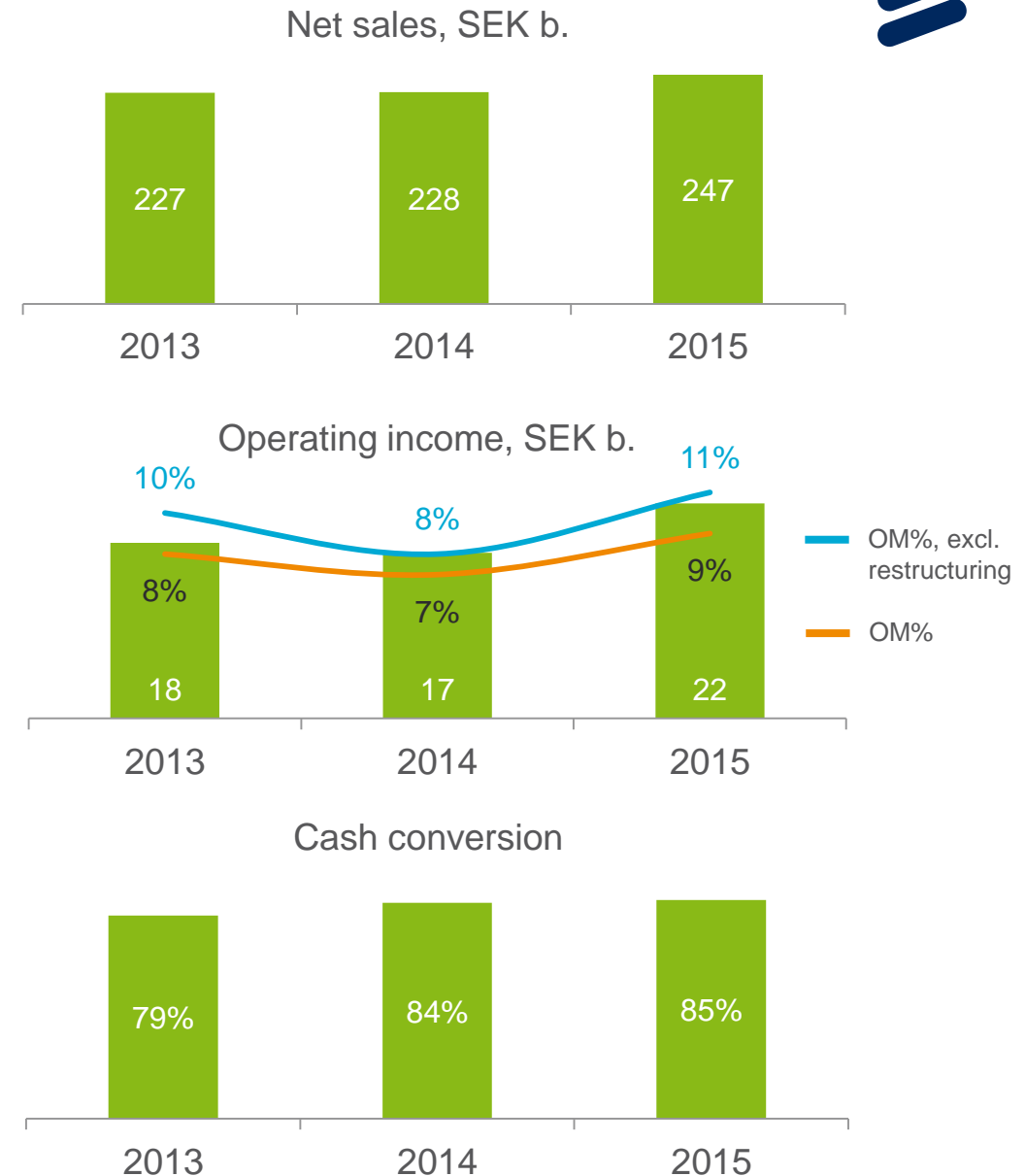
# REGIONAL SALES FULL YEAR 2015 YOY



Sales impacted by strong USD

# ERICSSON FY 2015

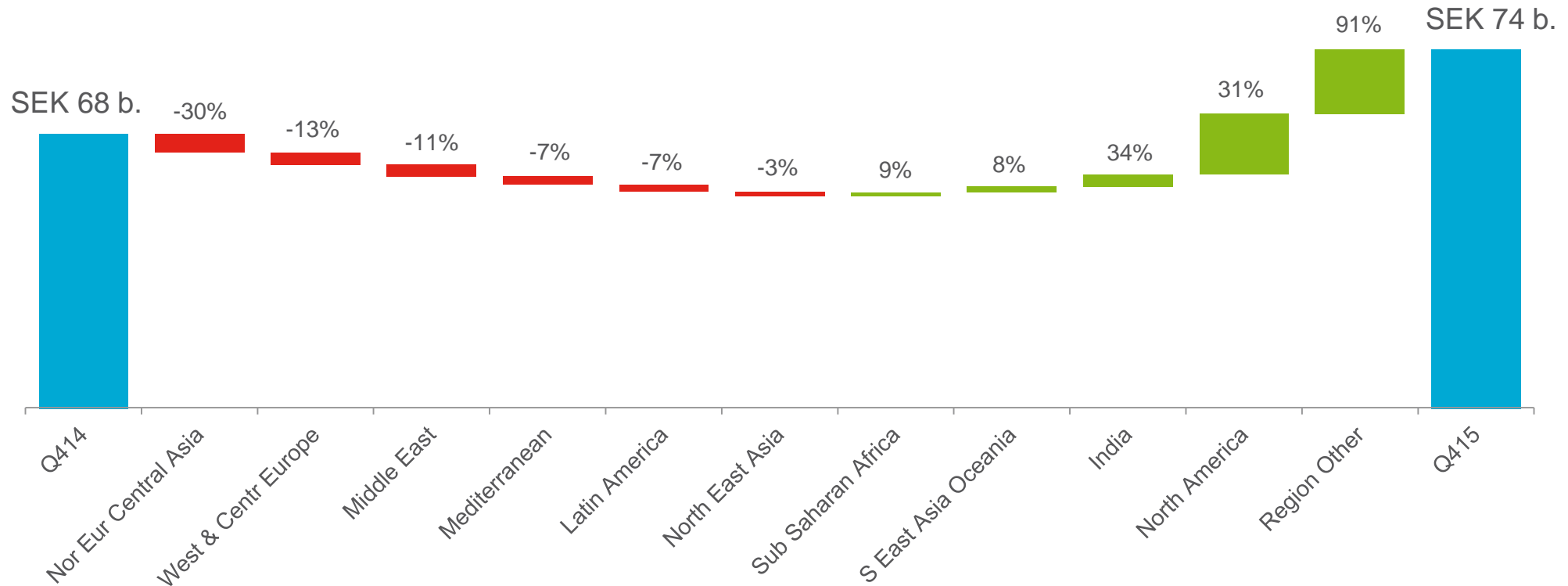
- › Organic FX adjusted sales -5%
  - North America impacted by operators' focus on cash flow
  - Growth in Professional Services and IPR licensing business
- › Operating margin, excluding restructuring, 11% (8%)
  - Improvements in all segments
- › EPS (Non-IFRS) SEK 6.06 (4.80)
- › Cash conversion 85%, above target





# REGIONAL SALES

## Q4 YoY



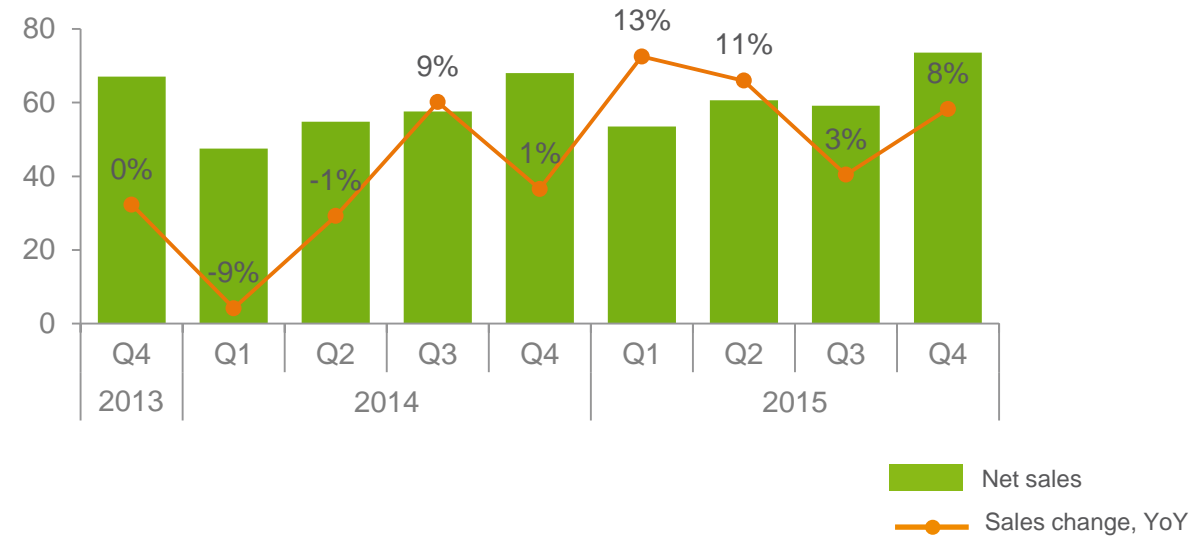
Strong growth in IPR licensing and North America. Emerging markets slowed down.

# ERICSSON Q4 2015

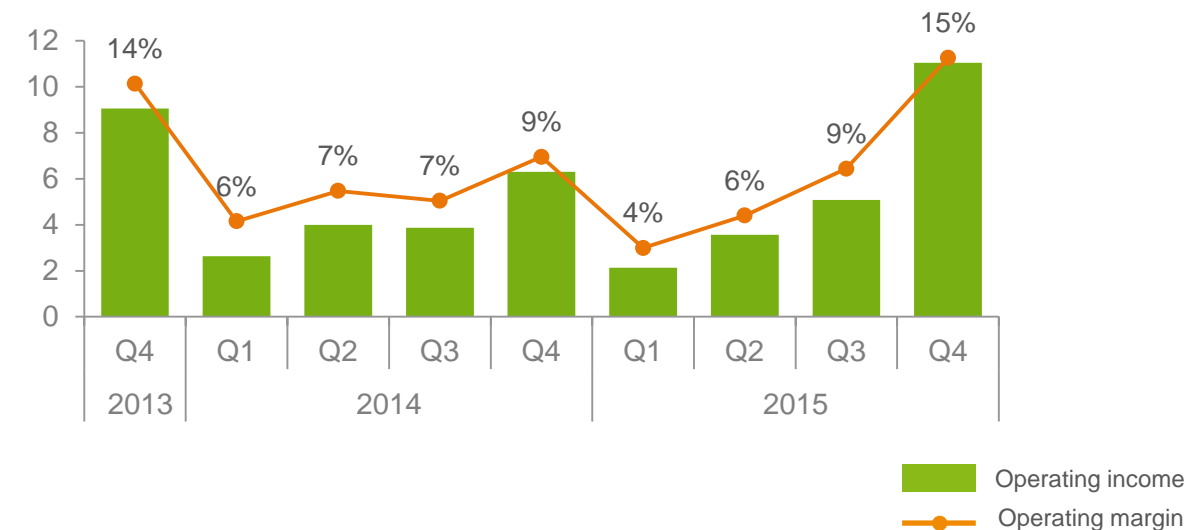
- › Reported sales up 8% YoY
  - Organic FX adjusted sales down -1% YoY
- › Reported sales up 24% QoQ
  - Additional hardware sales in North America
  - Mainland China recovered
  - Higher IPR revenues
  - Macro development impacts some emerging markets
- › Operating income, excluding restructuring, improved to SEK 11.7 (7.1) b.
  - Higher IPR revenues and lower operating expenses
  - Improved income, excluding IPR, in all segments
  - NRO continued on its path to sustainable profitability



SEK b. Net sales and sales development



SEK b. Operating income and margin





JAN FRYKHAMMAR

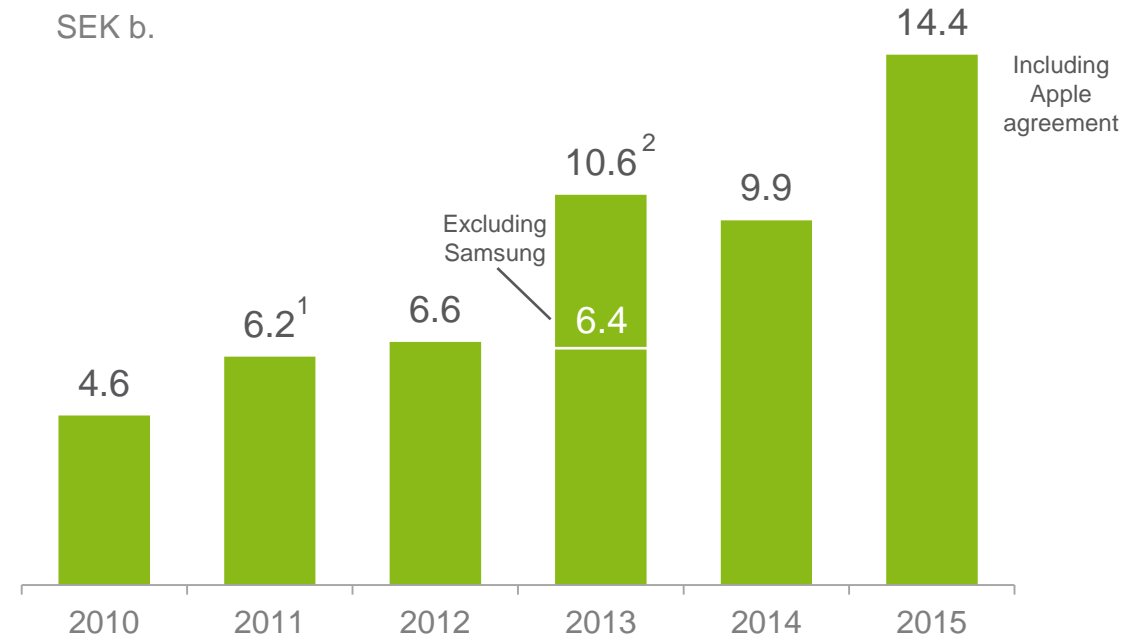
Executive Vice President and CFO

# IPR LICENSING BUSINESS

- › IPR licensing revenues SEK 14.4 (9.9) b.
  - Contract signed with Apple
    - › Initial payment
    - › Ongoing royalties
  - Cross license agreements signed with all major handset and infrastructure suppliers
  - Tripled IPR revenues in 5 years
- › The majority of IPR contracts in USD



IPR revenues

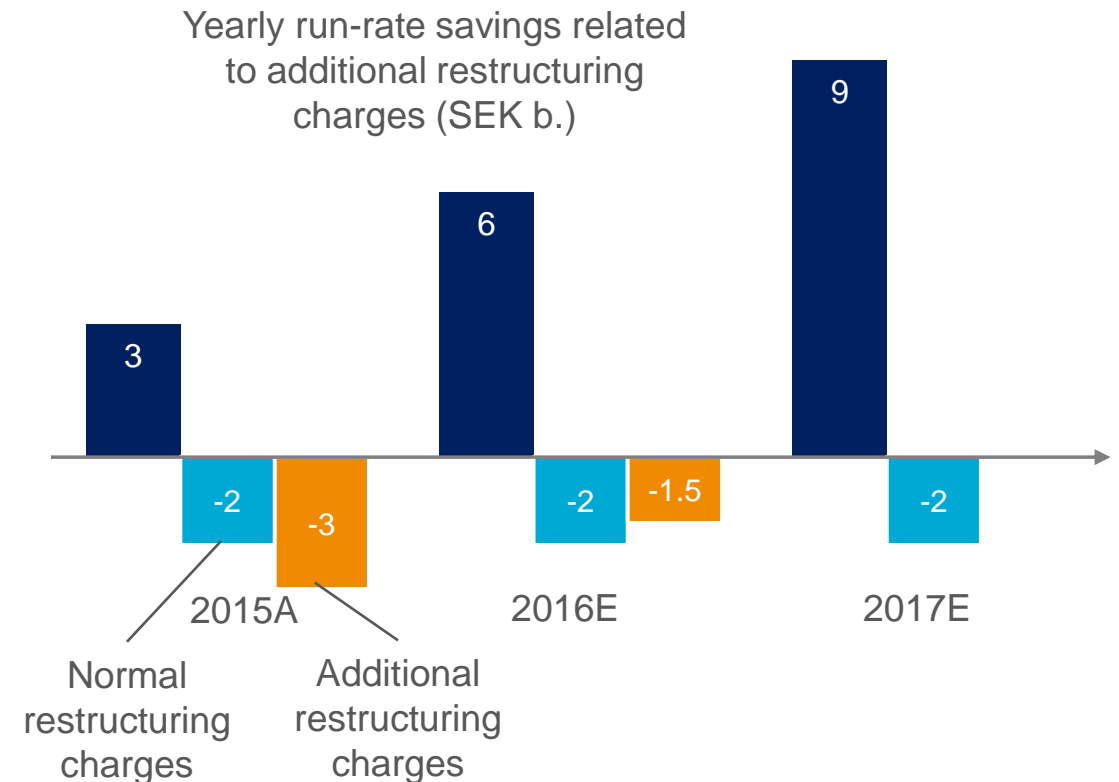


1) One-off patent sales included

2) Includes initial payment from Samsung of 4.2 b

# COST AND EFFICIENCY PROGRAM

- › Cost and efficiency program on track
  - Target to achieve net annual savings of SEK 9 b. during 2017
  - Increased efforts to further reduce cost of sales
- › Operating expenses, excluding restructuring, decreased YoY to SEK 15.5 (17.6) b.
  - Almost 10% decline 2H 2015 compared to 2H 2014
  - Main part of savings related to R&D
  - Driven by the cost and efficiency program
- › Restructuring charges for 2016
  - Estimated to be SEK 3-4 b.
  - Includes both cost and efficiency program and normal restructuring charges



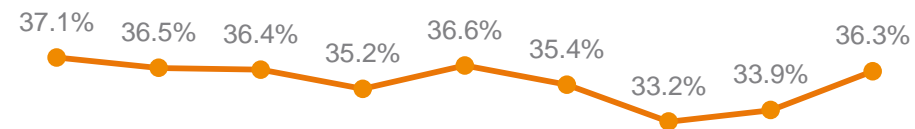
# FOURTH QUARTER



All comments exclude restructuring charges

- › Gross margin 36.6% (37.6%) YoY
  - Lower mobile broadband software sales
  - Strong sales of hardware
  - One-time inventory write-down, SEK -0.4 b.
- › Gross margin increased QoQ
  - Higher IPR revenues
  - Partly offset by larger share of hardware sales with a lower margin
- › Operating income improved YoY to SEK 11.7 (7.1) b.
  - Operating margin 16% (10%)
  - Higher sales and lower operating expenses
  - Improvements in all segments
  - Break-even in Network Rollout
  - Net FX positive with reduced effect from hedge contracts

Gross margin



Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2013								
		2014						
					2015			

SEK b. Operating expenses

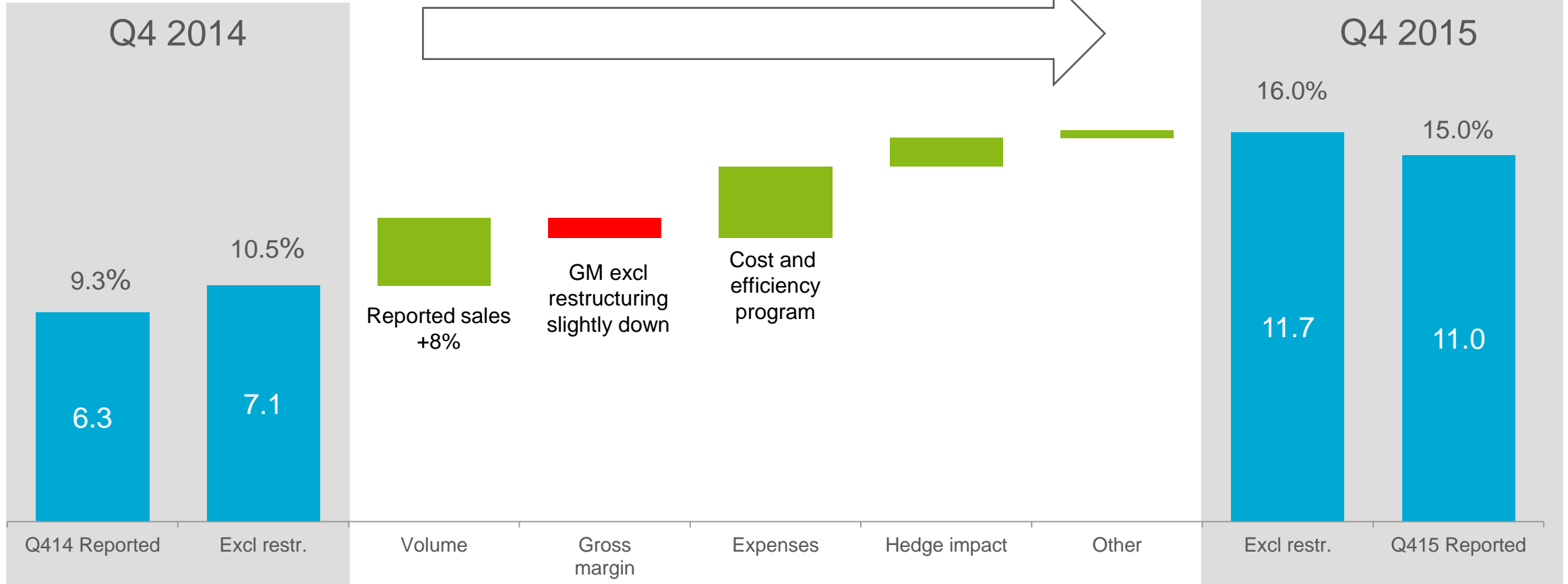


# OPERATING INCOME

## Q4 YoY



SEK b.

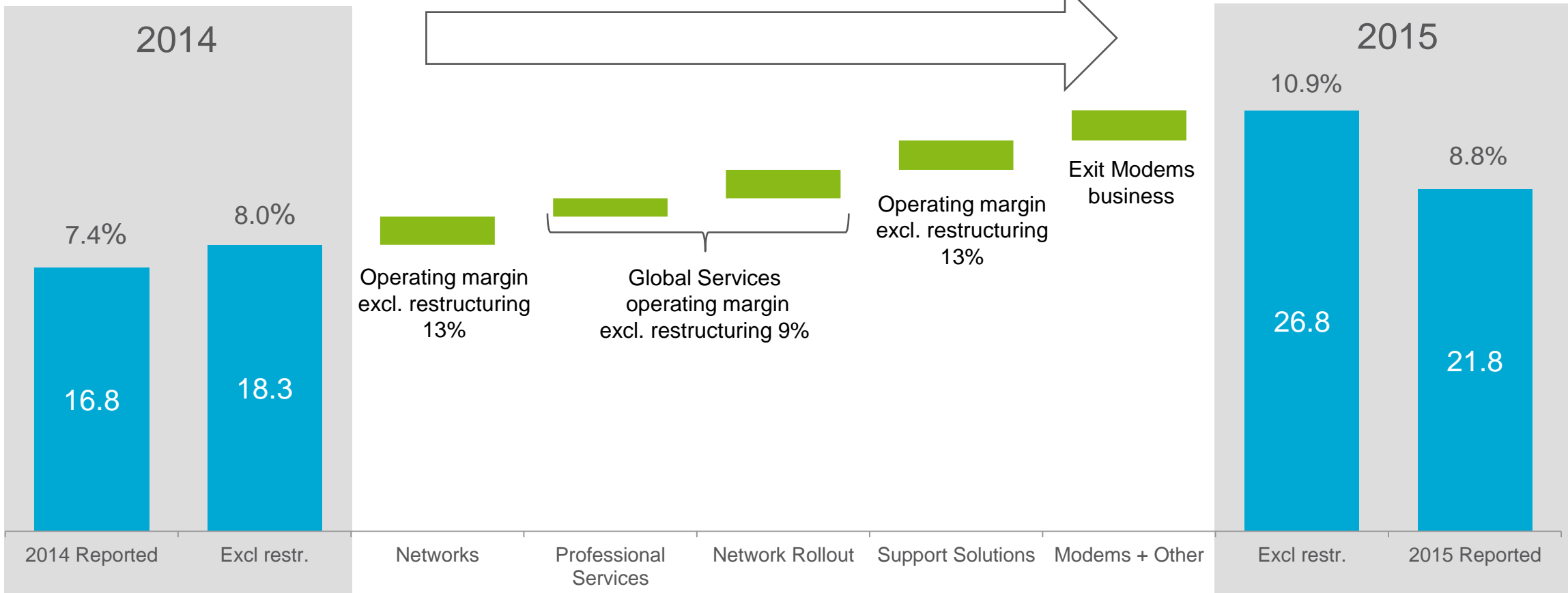


Improvements in all segments, adjusted for IPR and restructuring

# OPERATING INCOME FULL YEAR 2015 YoY



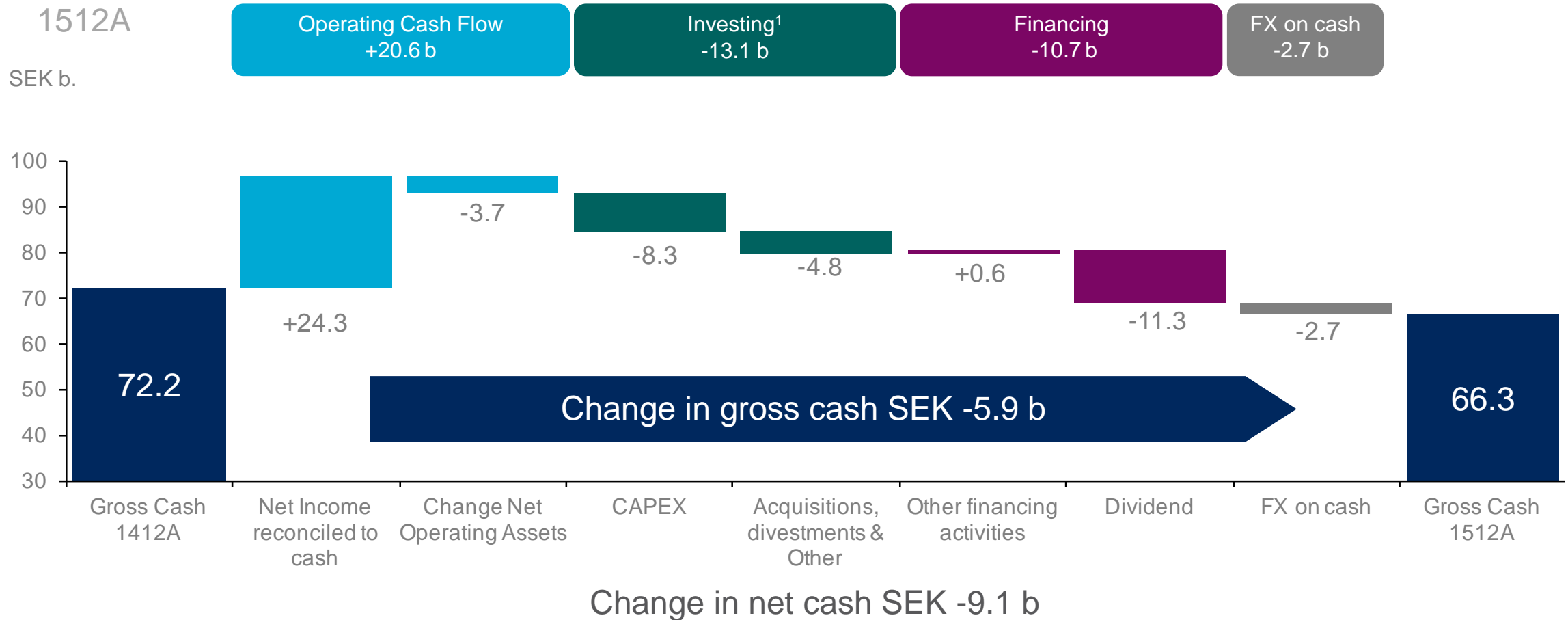
SEK b.



Improvements in all segments



# CHANGE IN GROSS CASH FY 2015



Cash conversion 85%

1) Excluding Short Term investments

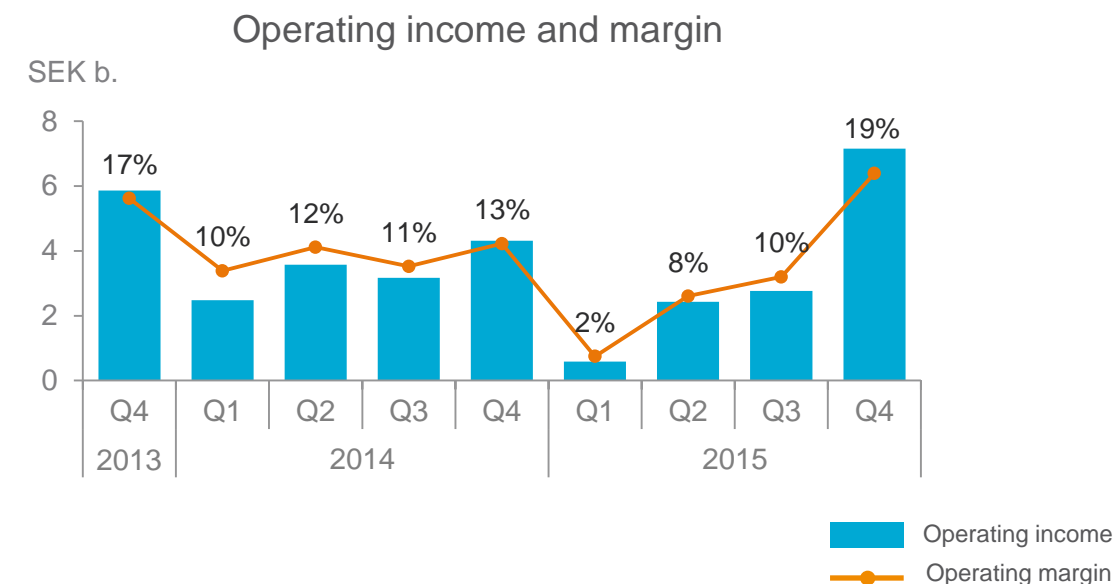
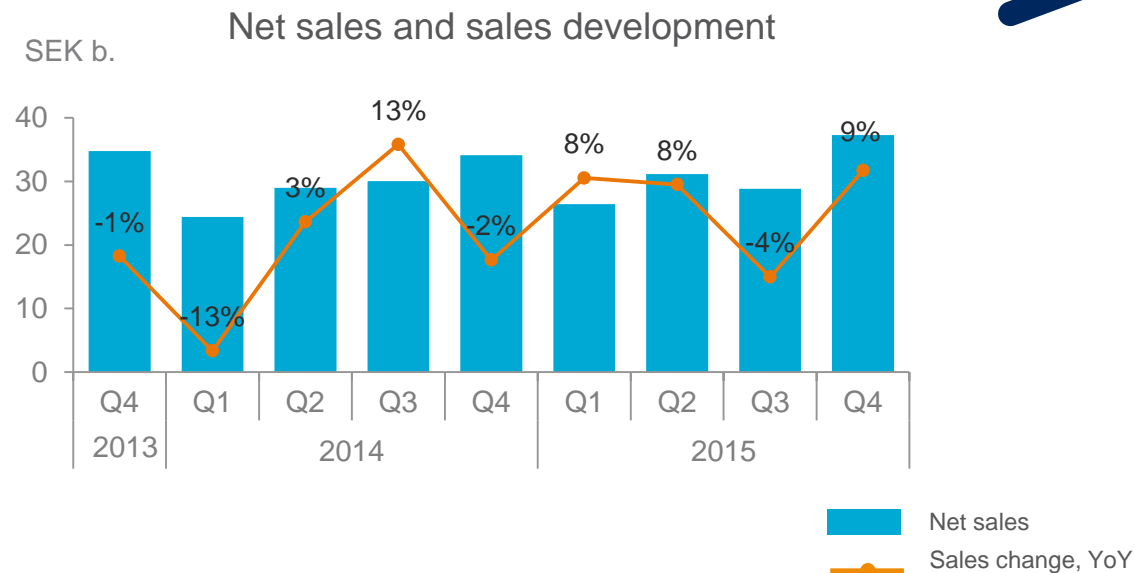


# HANS VESTBERG

President and CEO

# NETWORKS

- › Organic FX adjusted sales flat YoY
  - Higher IPR revenues, additional hardware sales in North America
  - Strong growth in Mexico, India and Nigeria
  - Macro economic developments impact Russia, Brazil, parts of the Middle East
  - Increased investments in core networks driven by VoLTE
- › Organic FX adjusted sales increased 30% QoQ
  - Mainland China recovered
- › Operating income, excluding restructuring, SEK 7.4 (4.5) b.
  - Higher IPR
  - Lower R&D driven by cost and efficiency program
  - One-time inventory write-down of SEK -0.4 b.
- › 2015 full year
  - Reported sales increased by 5%
  - Higher IPR revenues and strong sales growth in India and China
  - Organic FX adjusted sales -8%
  - Operating income, excluding restructuring, SEK 15.8 (14.0) b.
  - Higher share of mobile broadband coverage business

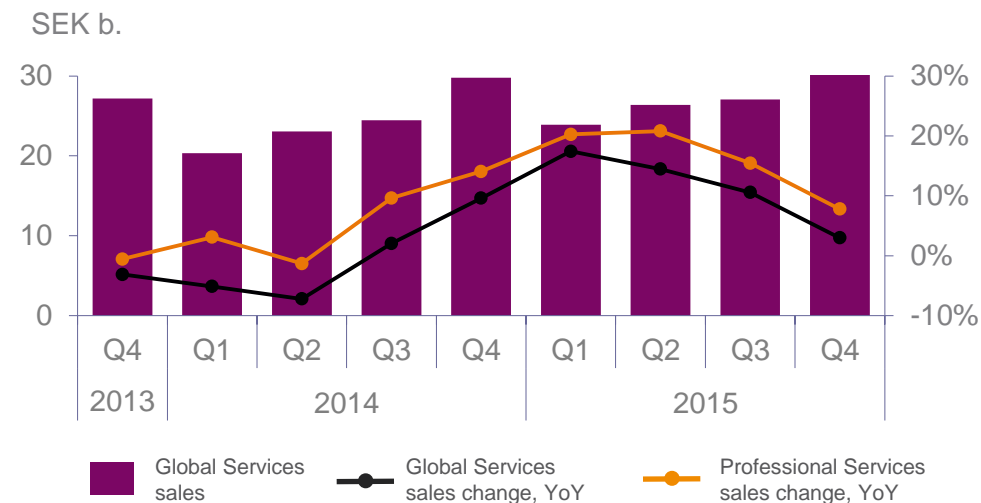


# GLOBAL SERVICES

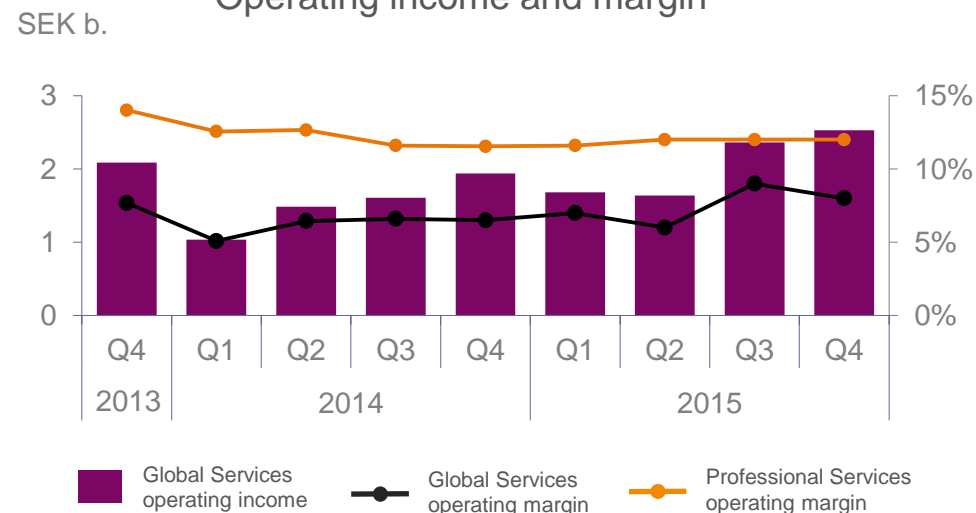


- › Organic FX adjusted sales -4% YoY
  - Sales declined in Latin America and Sub-Saharan Africa
  - Reduced sales in Network Rollout
  - Growth in Professional Services driven by Consulting and Systems Integration
- › Organic FX adjusted sales increased 17% QoQ
  - Growth in both Professional Services and Network Rollout
- › Operating income, excluding restructuring, SEK 2.7 (2.5) b.
  - Improved earnings in Network Rollout
- › 2015 full year
  - Sales SEK 108 b., up 11%
  - Growth in Professional Services across all regions and portfolio
  - Reduced Network Rollout sales in Japan, North America and Latin America
  - Organic FX adjusted sales -2%
  - Operating income, excluding restructuring, SEK 9.9 (6.9) b.
  - Network Rollout operating income, excluding restructuring, improved to SEK -0.4 (-2.2) b.

Net sales and sales development



Operating income and margin

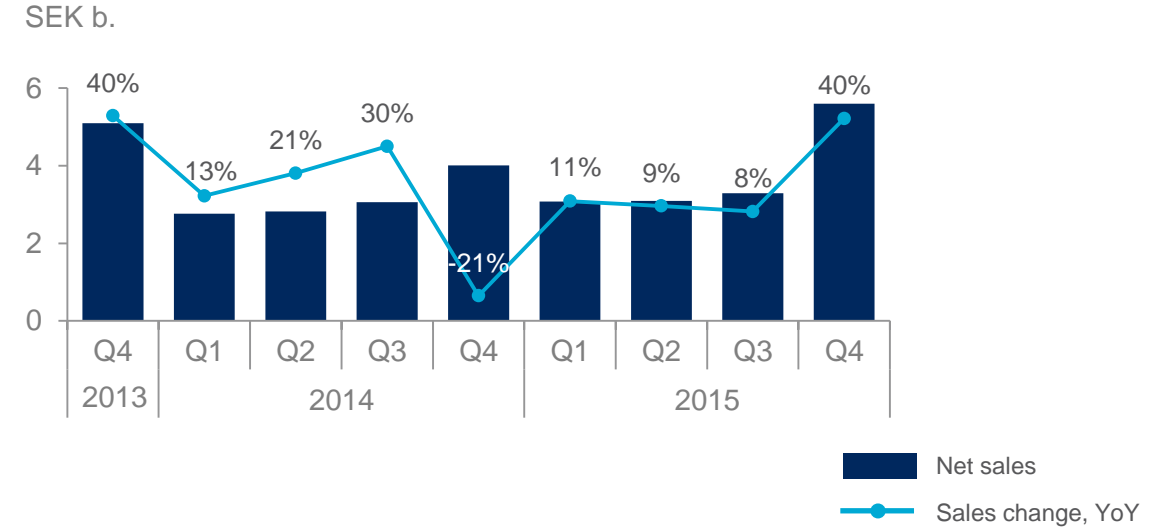


# SUPPORT SOLUTIONS

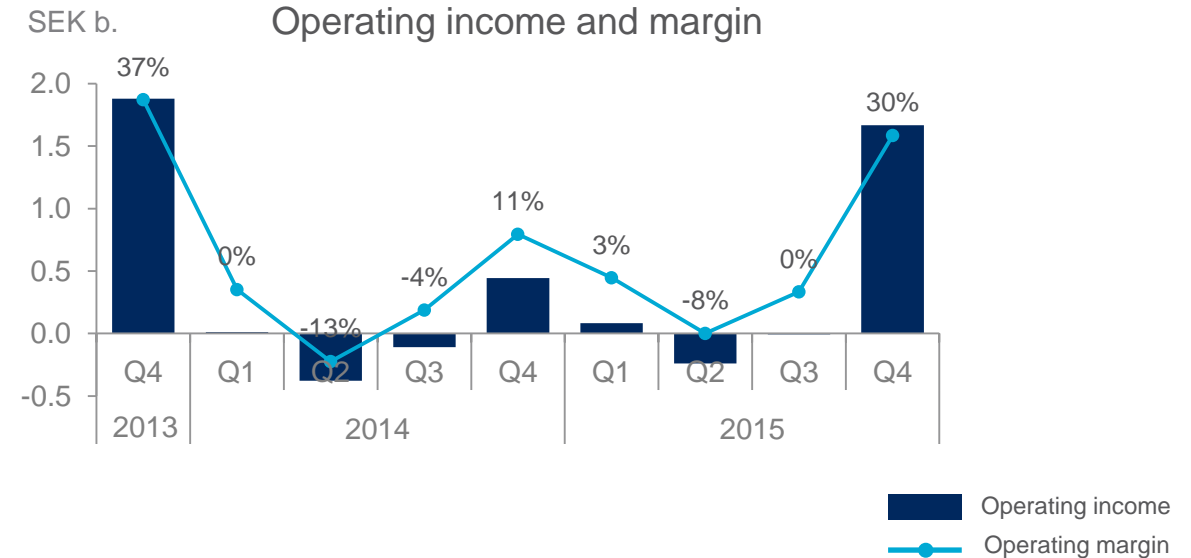


- › Organic FX adjusted sales up 22% YoY
  - Higher IPR revenues
  - Strong TV & Media sales in North America
- › Organic FX adjusted sales increased 70% QoQ
- › Operating income, excluding restructuring, SEK 1.9 (0.5) b.
  - Higher IPR revenues
  - Increased TV & Media sales
- › 2015 full year
  - Reported sales increased by 19%
  - Strong sales growth in IPR revenues, India and North America
  - Organic FX adjusted sales flat
  - Operating income, excluding restructuring, SEK 2.0 (0.1) b.

Net sales and sales development



Operating income and margin



# PROPOSED DIVIDEND BY BOARD OF DIRECTORS



- › SEK 3.70 (3.40)
  - Growth of 9%
- › In total ~SEK 12.2 (11.0) b.
- › Record date: April 15, 2016

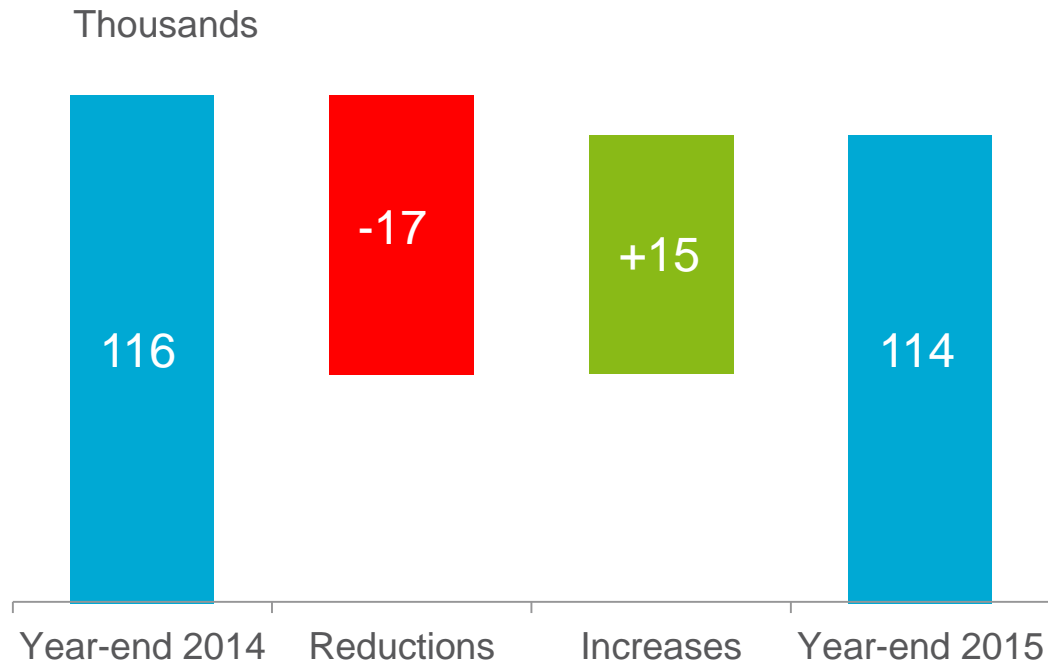


The proposed dividend reflects the earnings and balance sheet structure in 2015, as well as coming years' business plans and expected economic development – in line with Ericsson's dividend policy

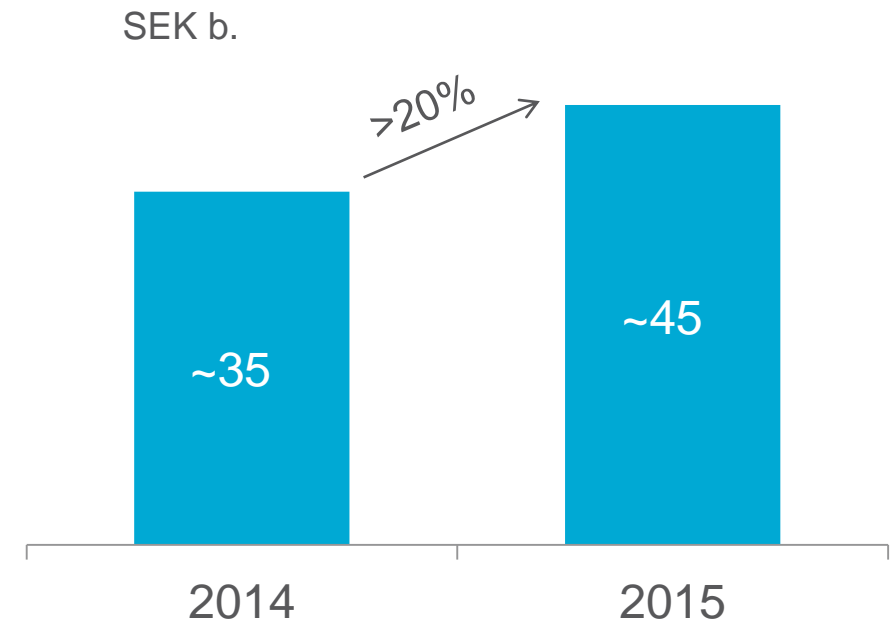
# TRANSFORMATION



## Active employees



## Net sales – Targeted areas<sup>1</sup>

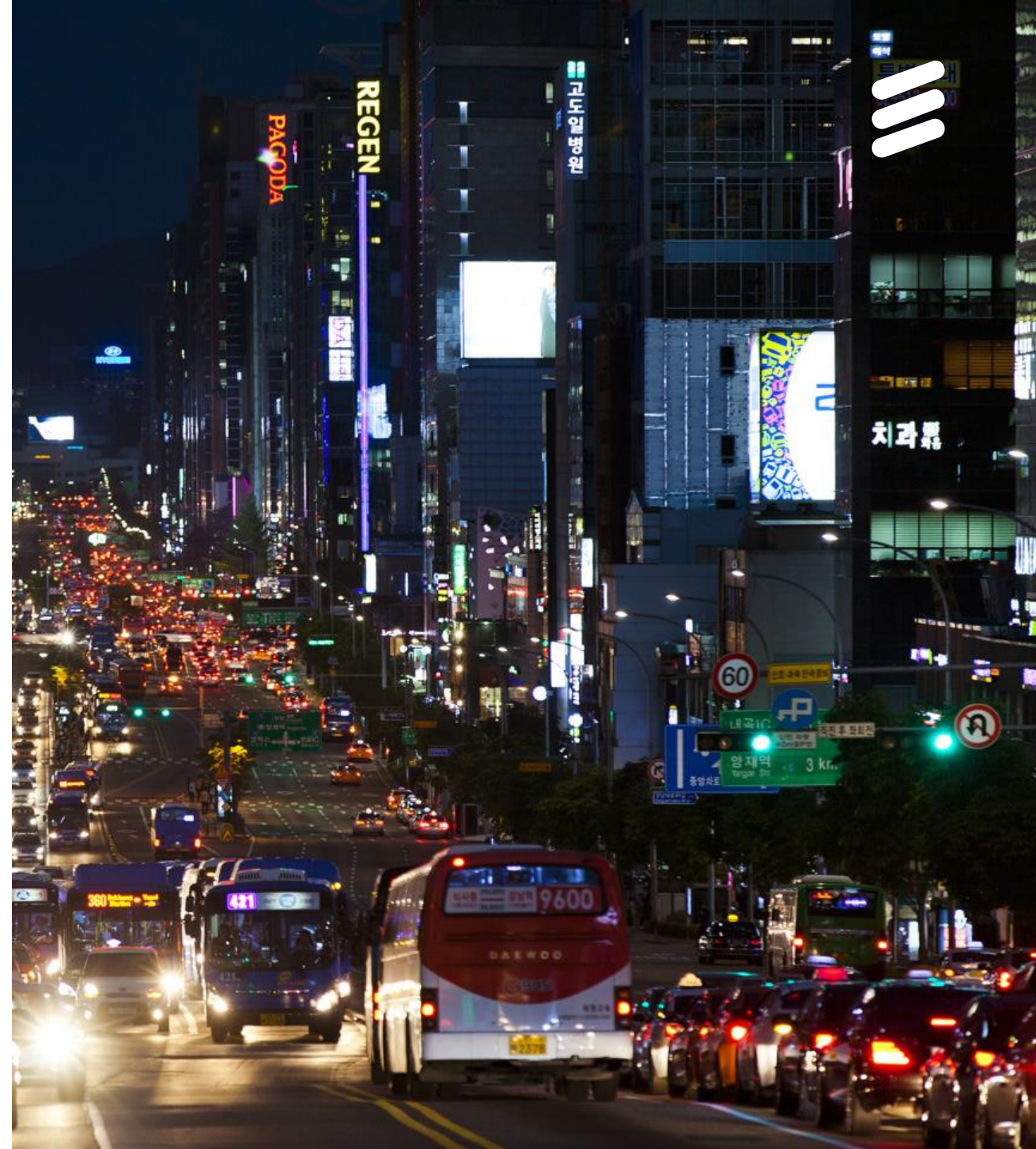


<sup>1</sup> IP Networks, OSS & BSS, Cloud, TV & Media, Industry & Society

Good traction in strategy implementation

# FOCUS 2016

1. Core business – While market conditions are challenging in parts of the world, we will continue to capture business opportunities in 4G and extend technology leadership in 5G.
2. Targeted growth areas – After a period of investing, we need to improve earnings with higher software sales and recurring business.
3. Cost and efficiency – Confident to achieve net annual savings of SEK 9 b. during 2017. We will take necessary actions to remain competitive.







Q&A



**ERICSSON**

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