Ericsson
First quarter 2018

April 20, 2018

Peter Nyquist

Vice President Investor Relations

First quarter 2018

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.

April 20, 2018

Börje Ekholm

President and CEO

Business environment

Market

- Increasing traction for 5G – Radio, Core & IoT
- Stabilizing mobile infrastructure market
- Positive momentum in North America
  - Initial 5G deployments
  - Positive impact from tax reforms, FirstNet deployment
- Lower LTE deployments in Mainland China

Ericsson

- Execution on focused business strategy
  - Efforts to reduce cost and improve efficiency pay off
  - Additional 8 Managed Services contracts addressed – 31 of 42 in total
  - Additional 6 Digital Services contracts addressed – 8 of 45 in total
  - Ericsson Radio System (ERS) share at 84%
  - 500 R&D engineers recruited
  - Digital Services - sales growth for new products
- Good traction for 4G portfolio and 5G momentum
  - Supports operator 4G to 5G transition
- Networks – portfolio competitiveness further strengthened

This slide contains forward-looking statements. Actual result may be materially different.

Q1 2018

Excluding restructuring charges.
Significant negative impact from xo-items in 2017.

SEK b.	18Q1	17Q1	17Q4
Net sales	43.4	47.8	57.9
Gross margin	35.9%	18.7%	25.1%
Operating income	0.9	-9.5	-16.9
Operating margin	2.0%	-19.9%	-29.1%
Free cash flow	0.3	-3.2	10.1

Group targets	2020
Net Sales	SEK 190-200 b.
Gross margin	37-39%
Operating margin	>10%
Free Cash Flow	Positive

— Sales adj. for FX: -2% YoY (reported sales -9%)
  - Growth in 3 market areas – with momentum in North America

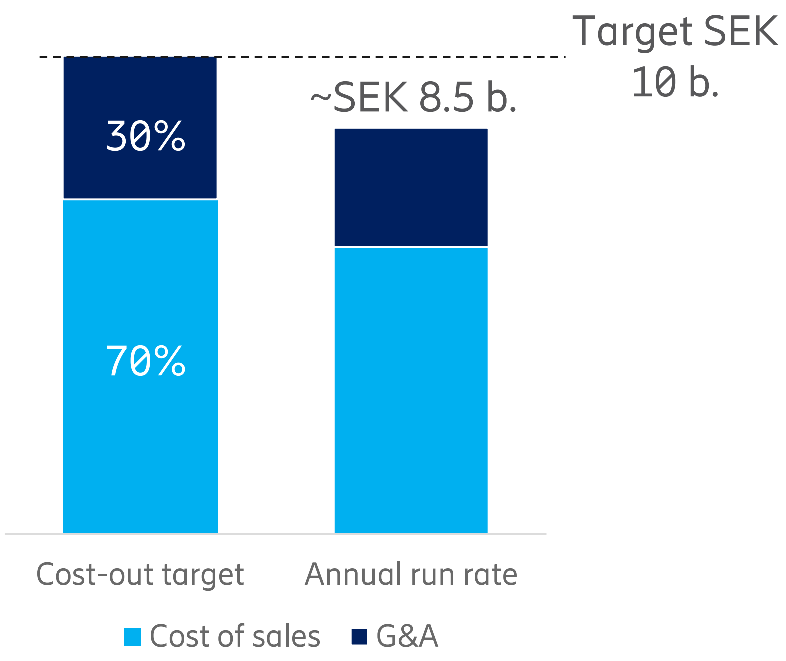
— Gross margin improved across all segments
  - Cost out
  - Ericsson Radio System ramp-up

— Operating income positive
  - Tangible impact from SG&A reductions
  - Managed Services profitable

— Positive free cash flow

SEK 10 b. cost-out target for mid-2018

Target and progress



Achievements

G&A

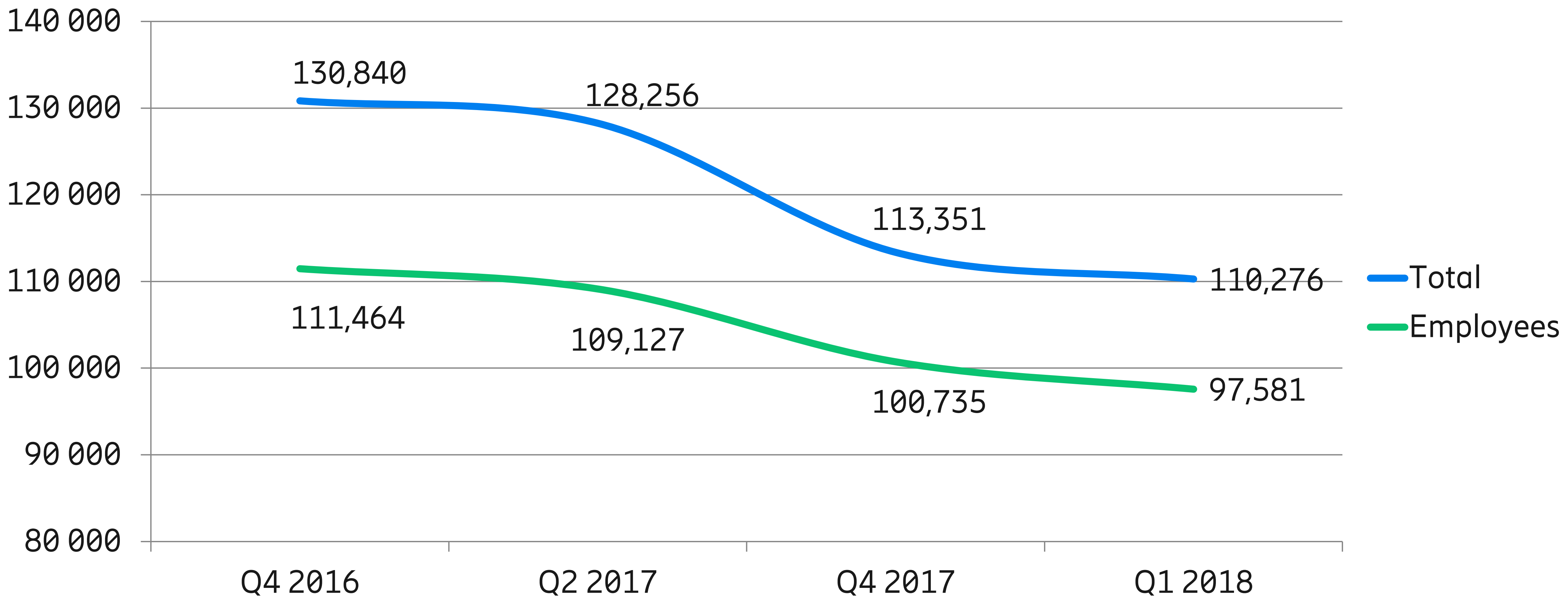
- Annual run-rate reduction end of quarter: ~SEK 2.5 b.
- G&A expenses structurally down by SEK 0.6 b. in Q118 YoY

Cost of sales

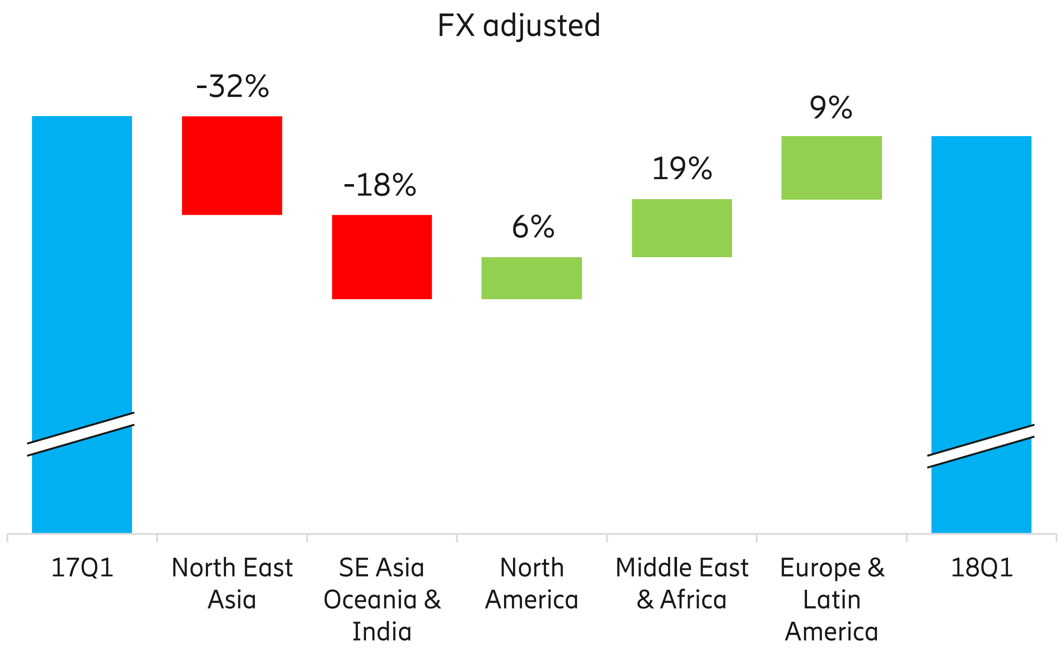
- Annual run-rate reduction end of quarter: ~SEK 6 b. driven by service delivery
- Significant gross margin improvements in all segments

20,500 net reduction of total workforce since Q4 2016

Employees and Total workforce development



Market area sales Q118, YoY



	North East Asia	SE Asia Oceania & India	North America	Middle East & Africa	Europe & Latin America
Reported:	-39%	-24%	-6%	8%	7%

- North East Asia
  - Reduced LTE investments in Mainland China
  - Operators in Mainland China and Japan awaiting spectrum allocations
- South East Asia, Oceania & India
  - Completed larger mobile broadband projects
- North America
  - Network expansions and 5G readiness
- Middle East & Africa
  - Network modernization and LTE roll-out in parts of the Middle East
- Europe & Latin America
  - Strong Networks sales, primarily in Latin America

Carl Mellander

Chief Financial Officer

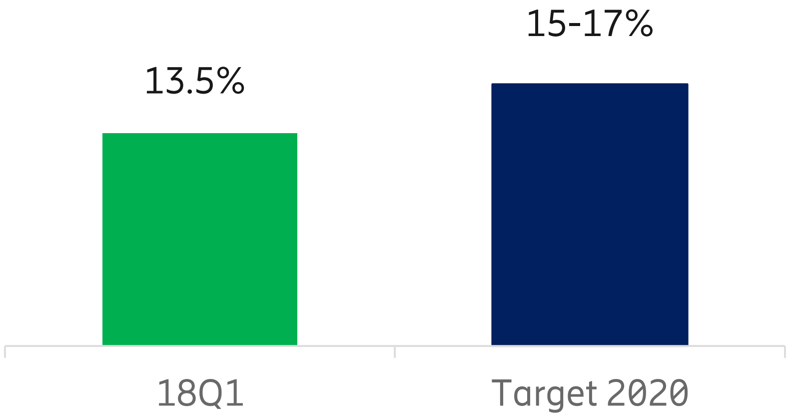
Networks

Excluding restructuring charges.
Significant negative impact from xo-items in 2017.

SEK b.	18Q1	17Q1	17Q4
Net sales	28.6	31.6	37.1
Gross margin	40.4%	35.3%	34.8%
Operating income	3.9	4.1	3.2
Operating margin	13.5%	12.8%	8.6%
Capitalization impact[1]	*-0.2*	*-0.2*	*-0.6*

[1]2017 excluding xo-items

Operating margin



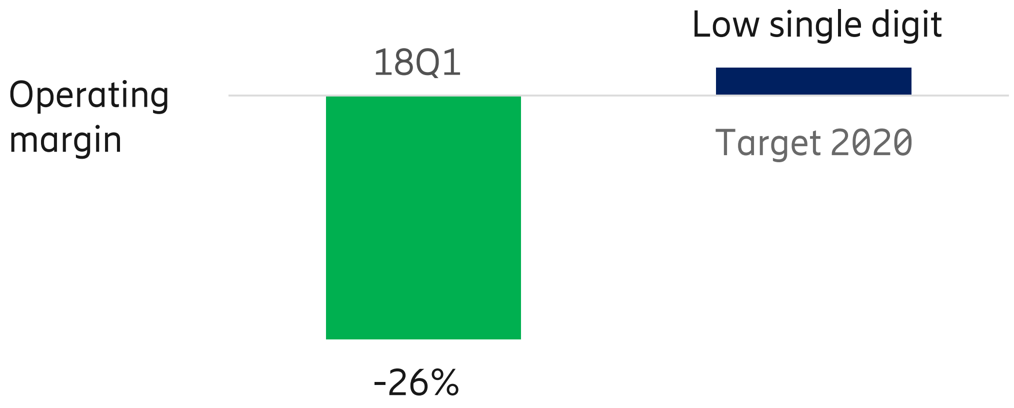
- Sales adjusted for FX: -2% YoY and -22% QoQ
  - Lower LTE investments in Mainland China
  - Large projects in South East Asia completed 2017
  - Momentum in North America
- Solid gross margin increase
  - Increased hardware and services margins
- Stable operating margin with increased R&D
  - Investments in R&D pay off
- Strong ERS deliveries, 84% in the quarter
  - Competitive → Stronger market position

Digital Services

Excluding restructuring charges.
Significant negative impact from xo-items in 2017.

SEK b.	18Q1	17Q1	17Q4
Net sales	7.7	8.4	12.5
Gross margin	41.4%	-25.5%	14.1%
Operating income	-2.0	-8.8	-11.6
Operating margin	-25.8%	-104%	-92.4%
Capitalization impact[1]	*-0.4*	*0.3*	*-0.7*

[1]2017 excluding xo-items

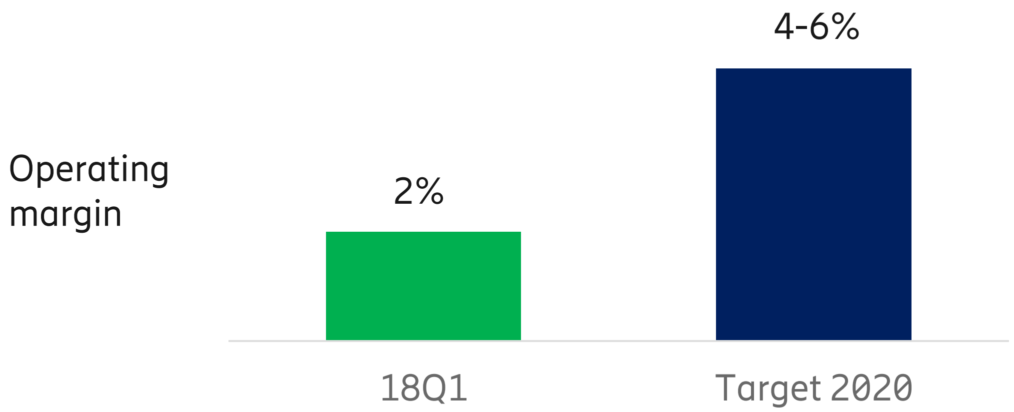


- Sales adjusted for FX: -3% YoY
  - Decline in legacy products and related services
  - YoY growth in new product sales
- Gross margin improved significantly
  - Increased services margin
  - Cost out and lower sales in large transformation contracts
- Operating margin
  - High activity in cost reductions across Service delivery, SG&A and R&D
  - Continued investments in 5G portfolio
  - Additional 6 out of 45 critical or non-strategic customer contracts addressed in Q118 – 8 in total

Managed Services

Excluding restructuring charges.
Significant negative impact from xo-items in 2017.

SEK b.	18Q1	17Q1	17Q4
Net sales	5.5	6.0	6.2
Gross margin	8.8%	-7.5%	-6.5%
Operating income	0.1	-1.7	-0.9
Operating margin	1.9%	-28.7%	-14.6%



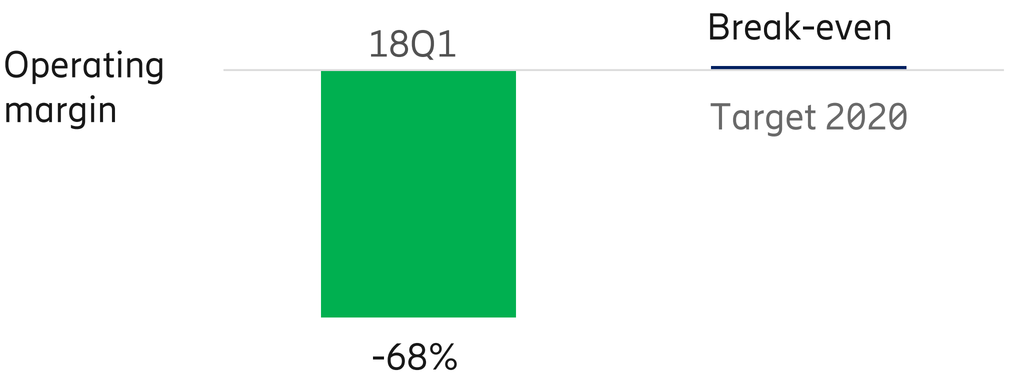
- Sales adjusted for FX: -4% YoY
  - Contract reviews and reduced variable sales
  - Good growth in Managed Services IT
- Gross margin improved significantly
  - Positive results of efficiency measures and contract reviews
- Operating margin positive
- Additional 8 out of 42 contracts addressed in Q118 – 31 in total
  - Annualized profit improvement ~SEK 0.7 b. going forward

Emerging Business & Other

Excluding restructuring charges.
Significant negative impact from xo-items in 2017.

SEK b.	18Q1	17Q1	17Q4
Net sales	1.6	1.8	2.1
Gross margin	24.3%	20.4%	14.1%
Operating income	-1.1	-3.1	-7.6
Operating margin	-68%	-175%	-364%
Capitalization impact[1]	*-0.1*	*0.1*	*-0.1*

[1]2017 excluding xo-items



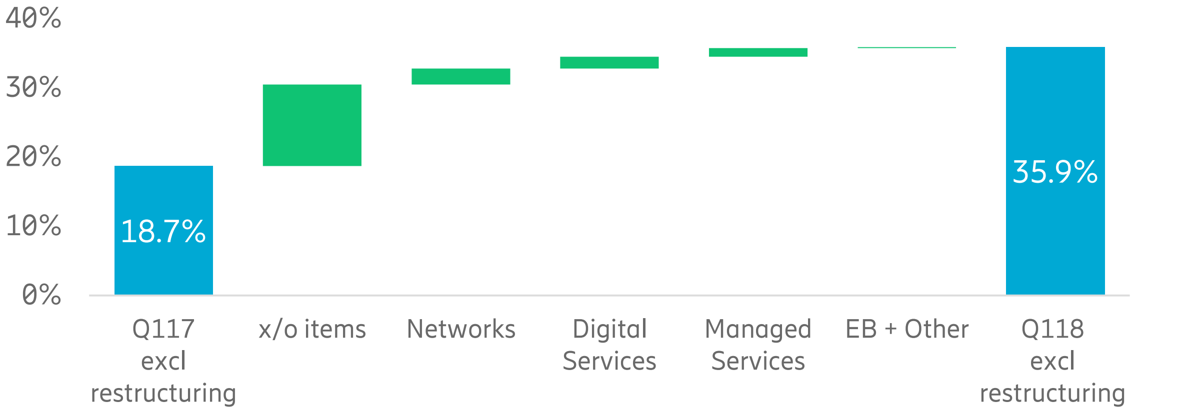
— Sales adjusted for FX: -2% YoY
  - Decline in Red Bee Media and legacy part of Media Solutions
  - Growth in Emerging Business and iconectiv

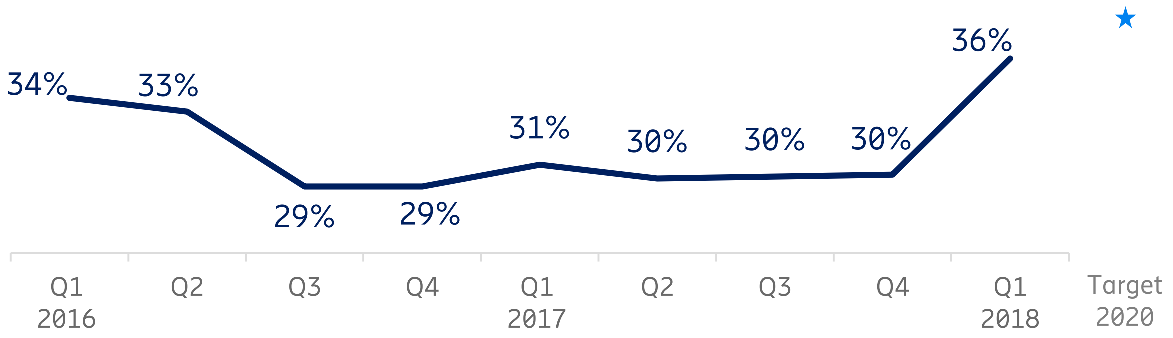
— Gross margin
  - YoY improvements in Media Solutions and iconectiv
  - Negative impact in Q118 of SEK -0.1 b. from penalties

— Operating margin
  - Improved income YoY in Media Solutions and iconectiv
  - Increased investments in Emerging Business - aligned with strategy
  - Combined income, excluding corporate allocations, for Media Solutions and Red Bee Media SEK -0.5 b.

Gross margin Q118, YoY

Adjusted for restructuring charges





2016 and 2017: adjusted as per 2017 reporting, before IFRS 15 restate

— Write-down of assets and provisions related to certain customer projects had a significant impact in 2017

— Underlying improvements YoY and QoQ
  - Cost reductions visible in all segments
  - Continued ERS ramp up in Networks

— Capitalization impact
  - SEK 0.1 b. YoY
  - SEK 0.5 b. QoQ

Strong gross margin – effects of strategy execution and control

Operating income Q118, YoY

Adjusted for restructuring charges

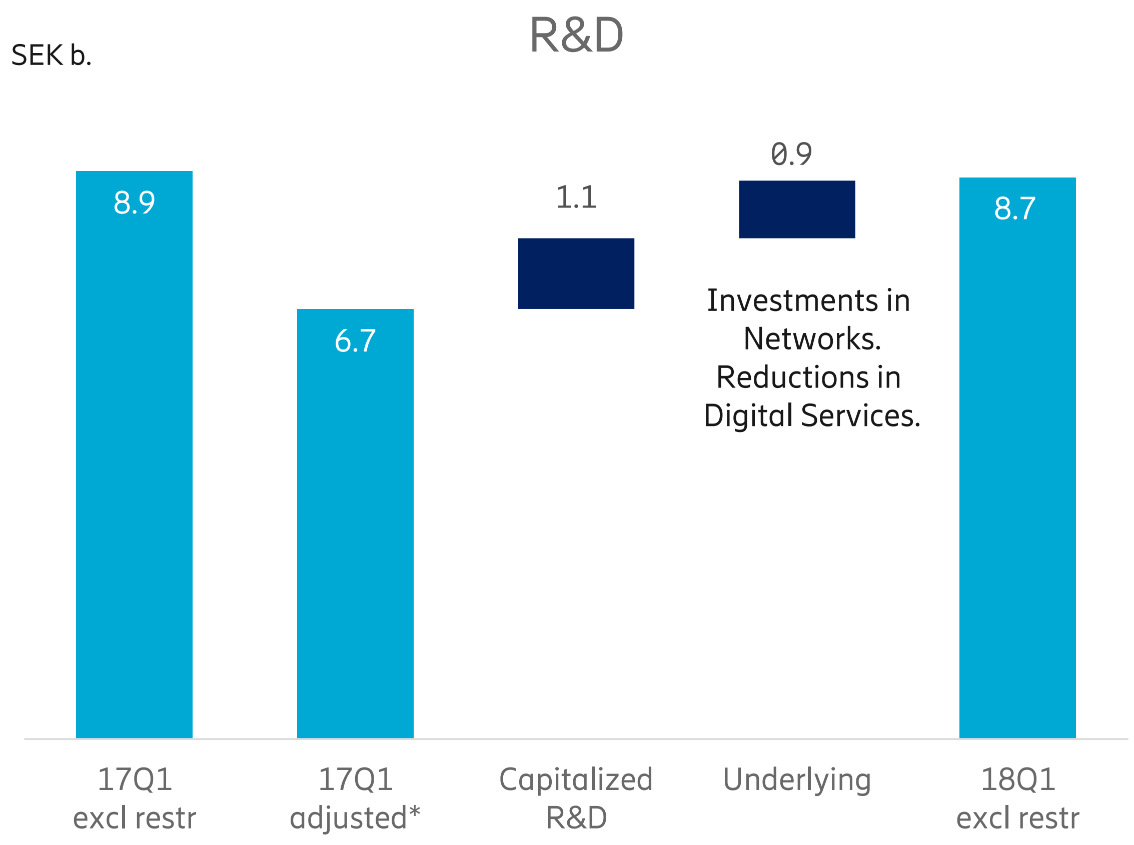
- Lower sales and negative capitalization impact
- Capitalization impact: SEK -0.9 b. YoY
- Gross margin excluding restructuring improved to 36%
- R&D investments offset SG&A

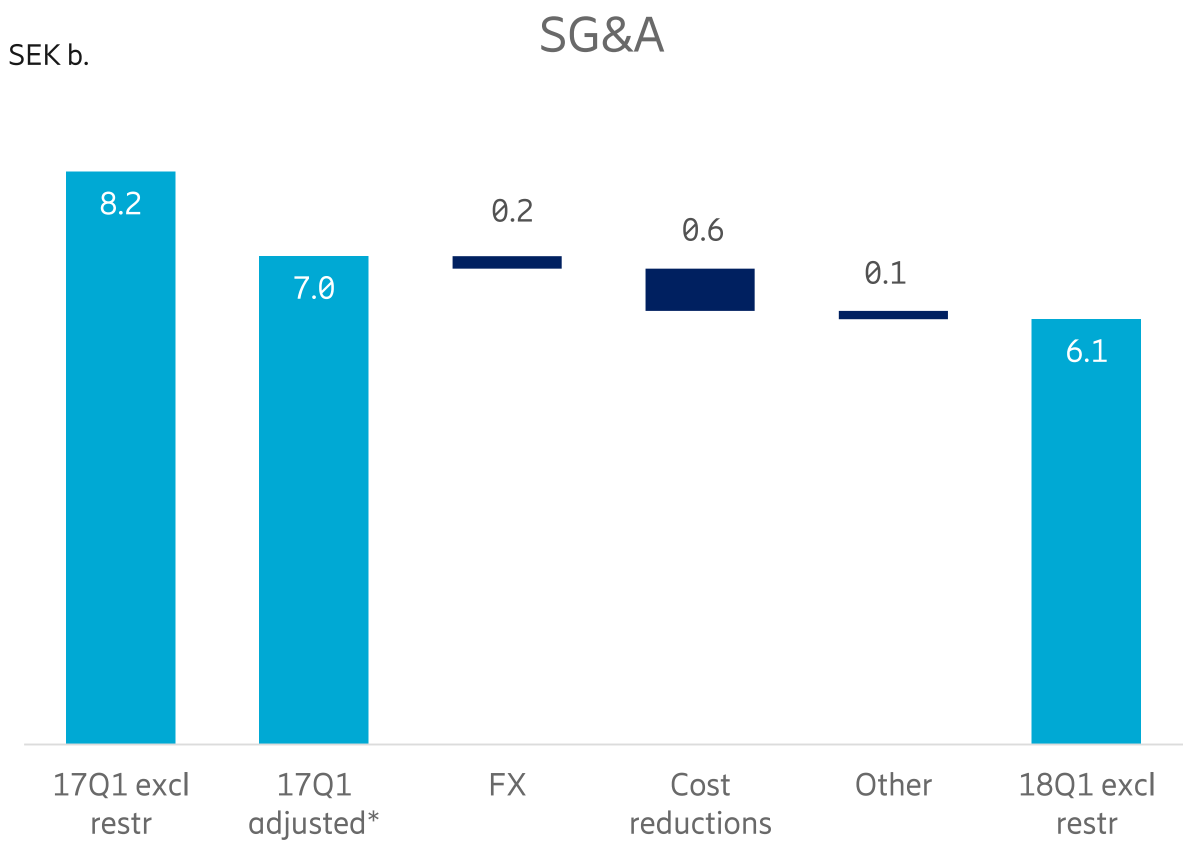
[1]Q117 OM adjusted as per 2017 reporting, before IFRS 15 restate.

2020 target >10%

R&D and SG&A Q118, YoY

Adjusted for restructuring charges





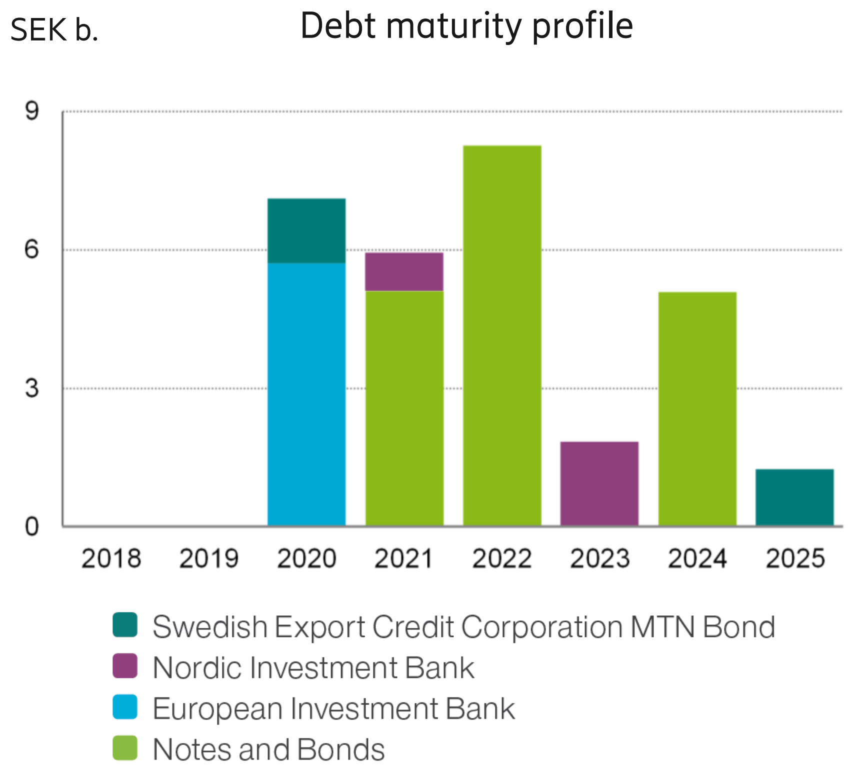
Increased R&D in Networks

Cost reductions in G&A

*Q117 expenses adjusted as per 2017 reporting, before IFRS 15 restate.

Free cash flow

SEK b.	Q118	Q117
Net income reconciled to cash	-1.0	-8.2
Change operating Net Assets	2.6	6.6
Cash flow from Operations	**1.6**	**-1.5**
CAPEX	-0.9	-1.0
M&A	-0.4	0.0
Other	0.0	-0.7
Free cash flow	**0.3**	**-3.2**
Net cash end of period	*35.6*	*28.3*
Gross cash end of period	*69.3*	*65.6*



Solid balance sheet – Net cash improved to SEK 35.6 (28.3) b. YoY

Planning assumptions

From the Q1 report

— Market

- RAN equipment market -2% FY18, 2% CAGR (2018-2022). Chinese market expected to decline in 2018, positive momentum in the U.S.

— Currency

- Rule of thumb: USD/SEK 10% weaker → ~ -5% sales and ~ -1pp OM. For historical FX rates, please see ericsson.com

— Ericsson

- 5-year average sales seasonality Q1→Q2: +9%
- Focusing the business - reduced FY19 sales by up to SEK 10 b. compared with FY16
- Baseline for IPR ~SEK 7b., on an annual basis

— Ericsson, continued

- Cost savings of SEK >10 b. implemented by mid-2018
- Opex typically varies between quarters due to seasonality
- Restructuring charges FY 2018 SEK 5-7 b. (est.). Slightly higher in Q2 vs Q1.
- Media Solutions divestment expected end of Q3 2018. Results will be reported as share of earnings according to the equity method. Media solutions sales were SEK 3.2 b. in 2017

Actual and estimated capitalization impact

SEK b.	Q118	Q218 est.	Q217	FY17	FY18 est.	FY19 est.
CoS	-0.3	-0.2	-0.4	-2.6	-1	-
R&D	-0.4	-0.4	0.1	-0.3	-2	-
Total	**-0.7**	**-0.6**	**-0.3**	**-2.9**	**-3**	**-1 to -2**

Based on current visibility, assessments and FX rates

Please see the Q1 report for the complete planning assumptions.
This slide contains forward-looking statements. Actual result may be materially different.

Börje Ekholm

President and CEO

Closing remarks

- Execution on focused business strategy
  - Efforts to reduce cost and improve efficiency pay off
  - Gross margin 36% - tracking well towards target 37-39%
- Continued solid performance in Networks
  - R&D investments generate higher gross margin
- Reduced losses in Digital Services
  - Accelerated cost reductions and increased services margin
- Managed Services profitable
- Positive Free cash flow
  - Net cash SEK 36 b.

Encouraging improvements, however more work remains

Q&A

First quarter 2018

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