Ericsson Second quarter 2021

July 16, 2021

Welcome

Peter Nyquist
Vice President Investor Relations

Second quarter 2021

This presentation contains forward-looking statements. Such statements are based on our current expectations and are subject to risks and uncertainties that could materially affect our business and results. Please read our earnings reports and our most recent annual report for a better understanding of these risks and uncertainties and please see the last page in this presentation for further information about forward-looking statements. Any forward-looking statements made during this presentation speaks only as of the date of this presentation and Ericsson expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them.

Business overview

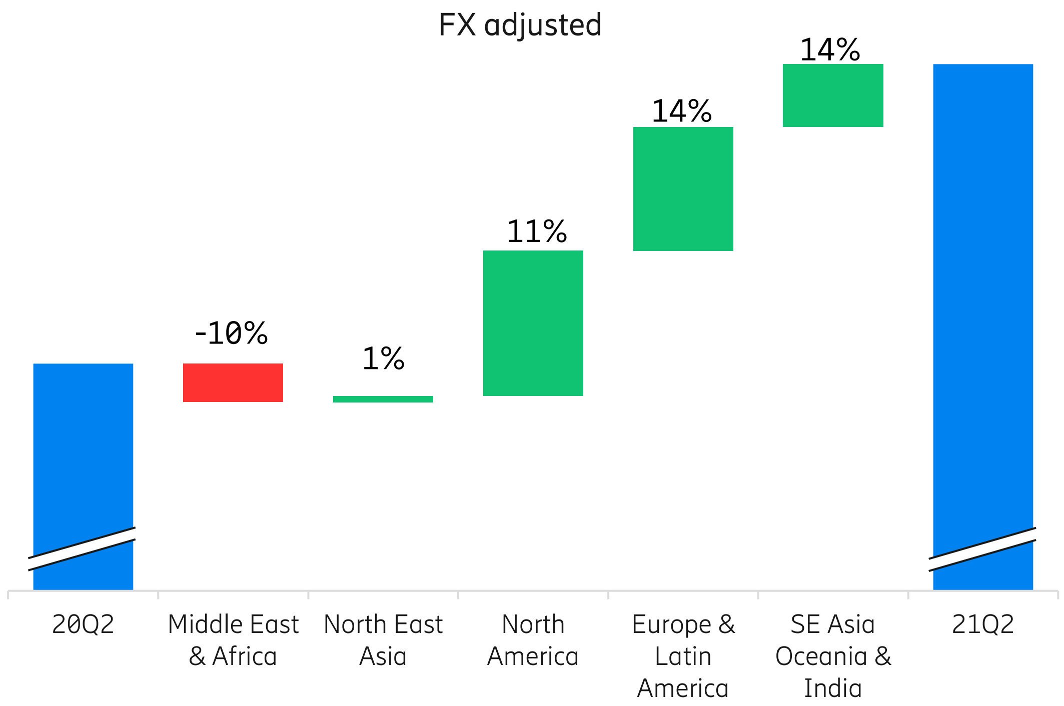
Börje Ekholm
President and CEO

Strategy execution

- Cloud RAN portfolio strengthened
- Two significant contracts signed in the US
- New IPR agreement reaffirms the value of our patent portfolio
- Prudent to forecast a materially lower market share in China for Networks and Digital Services
- Continuing to invest in compliance

Market Area Development

Net sales bridge



	Middle East & Africa	North East Asia	North America	Europe & Latin America	SE Asia Oceania & India
Reported YoY:	-18%	-9%	-2%	7%	8%
Share[1] of Group sales:	8%	13%	33%	26%	13%

[1]Excluding Market area Other

Middle East & Africa: Sales SEK 4.5 (5.4) b.

- Sales declined in Networks and Digital Services due to lower 5G investments in Middle East and macro impact in Africa

North East Asia: Sales SEK 7.1 (7.8) b.

- Lower 5G volumes in Mainland China; Networks grew due to 5G momentum in the rest of the market area

North America: Sales SEK 18.0 (18.4) b.

- Strong demand for 5G solutions in Networks and for 5G Core and cloud-native solutions in Digital Services

Europe & Latin America: Sales SEK 14.0 (13.1) b.

- Europe: Organic growth 12% driven by market share gains
- Latin America: Organic growth 28% after a period of decline

SE Asia, Oceania & India: Sales SEK 7.1 (6.6) b.

- Networks growth driven by LTE investments
- Digital Services declined due to timing of orders

Organic sales growth of 8% despite sales decline in China

Good market momentum

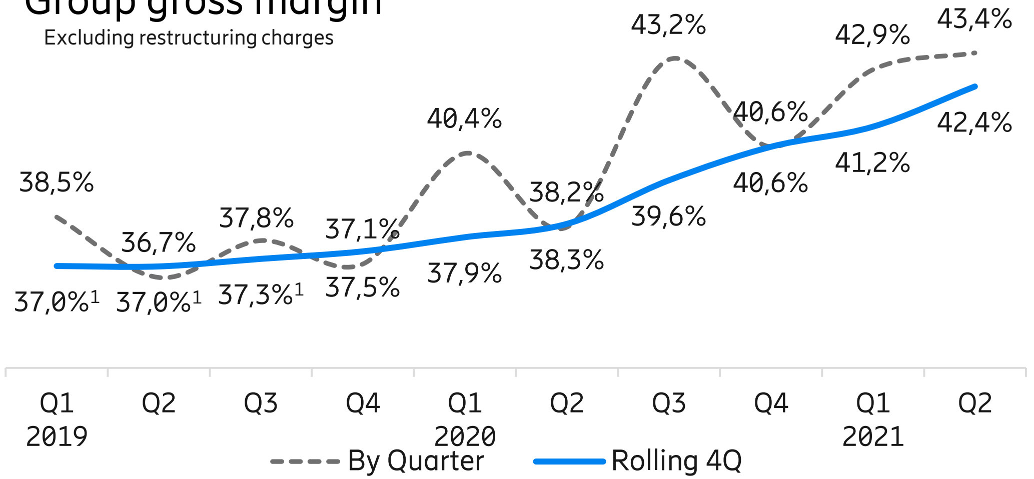
Sales and gross margin

Excluding restructuring charges

Group and segments	21Q2	20Q2	YoY	Organic
Ericsson Group	54.9	55.6	-1%	8%
Gross margin	43.4%	38.2%		
Networks	39.9	39.8	0%	11%
Gross margin	47.9%	40.5%		
Digital Services	7.9	8.6	-8%	0%
Gross margin	37.9%	43.6%		
Managed Services	5.1	5.6	-8%	-2%
Gross margin	19.0%	17.2%		
Emerging Business & Other	2.1	1.6	29%	13%
Gross margin	38.1%	25.3%		

Group gross margin

Excluding restructuring charges



Networks

- Largest customer contract signed: SEK 71 b. for 5 years

Digital Services

- Write-down of SEK -0.3 b. with -3.6 percentage points GM impact
- Investments in R&D cloud native 5G portfolio
- Double-digit growth in North America and Europe & Latin America

Managed Services

- Sales declined YoY – lower variable sales in North America
- AI & automation investments continue

Emerging Business & Other

- Cradlepoint developing according to plan
- Positive impact of SEK 0.1 b. from final Cradlepoint PPA

Gross margin excl. restructuring rolling 4Q: 42.4%

[1]Excluding costs for revised BSS strategy

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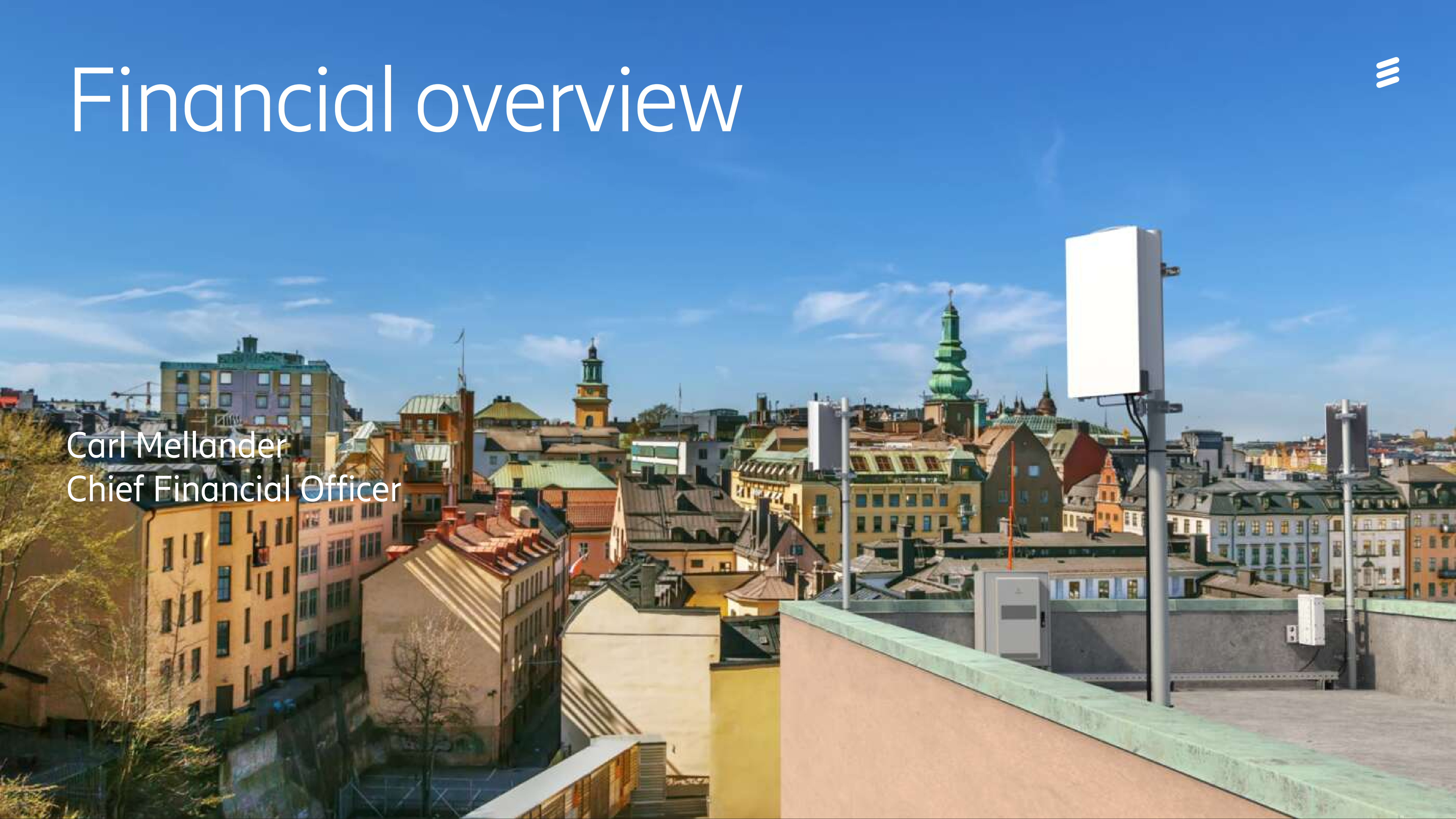
Financial overview



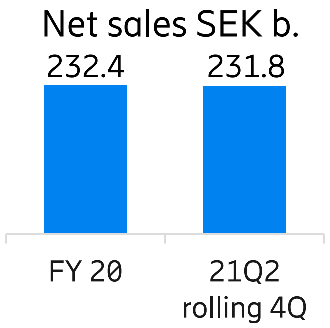
Carl Mellander
Chief Financial Officer

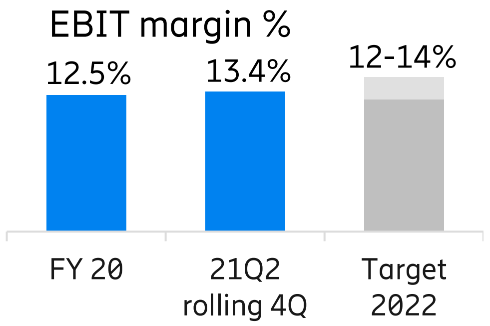
Operating leverage continued

Financial Performance

Excluding restructuring charges

SEK b.	21Q2	20Q2	YoY	21Q1
Net sales	54.9	55.6	-1%	49.8
Organic and FX adj. growth			8%	
Gross margin	43.4%	38.2%		42.9%
R&D expenses	-10.5	-9.8	7%	-9.6
SG&A expenses	-7.0	-6.9	1%	-6.2
EBIT	5.8	4.5	29%	5.3
EBIT margin	10.6%	8.2%		10.7%
Net income[1]	3.9	2.6	51%	3.2
Free cash flow b. M&A	4.1	3.2	26%	1.6





- Organic and FX adjusted sales: 8% YoY
  - Negative impact in China
- Gross margin improvement mainly driven by Networks
  - YoY: operational leverage. Q2 2020 was negatively impacted by China.
  - QoQ: two quarters of Samsung IPR revenues
- R&D investments in cloud native 5G portfolio in Digital Services and Cradlepoint
- EBIT SEK 5.8 (4.5)[2] b.
  - Operational leverage in Networks
- Tax rate: 27% in Q2 and 30% YTD
- Free cash flow before M&A supported by IPR payment

[1]Including restructuring charges
[2]Excluding restructuring charges
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Free cash flow and financial position

Financial Performance

SEK b.	Q221	Q220
EBIT excluding restructuring charges	**5.8**	**4.5**
Depreciation, amortization & impairment losses	2.1	2.2
Restructuring charges	0.0	-0.7
Changes in operating net assets	0.2	-0.2
Interest paid & received, taxes paid and other	-2.2	-0.4
Cash flow from operating activities	**5.9**	**5.4**
Capex net and other investing activities	-1.3	-1.6
Repayment of lease liabilities	-0.6	-0.6
Free cash flow before M&A	**4.1**	**3.2**
Free cash flow before M&A rolling 4Q	22.3	18.3[1]
Net cash end of period	*43.7*	*37.5*
Gross cash end of period	*77.1*	*75.4*

- Cash flow from operating activities SEK 5.9 (5.4) b.
  - Higher incoming IPR payments
- Working capital stable despite sequential sales growth
- Free cash flow before M&A of SEK 4.1 (3.2) b.
- Average maturity of long-term borrowings: 4 years
  - 8-year EUR bond issued and loan from EIB
- Gross cash grew by SEK 8.5 b. QoQ to SEK 77.1 b.
- ROCE was 13.5% (9.9%) YTD – improved profitability and continued focus on capital efficiency

Free cash flow before M&A rolling four quarters: 9.6% of net sales (long term target 9-12%)

[1]Adjusted for payment of SEK -10.1 b. related to SEC and DOJ in Q4 2019
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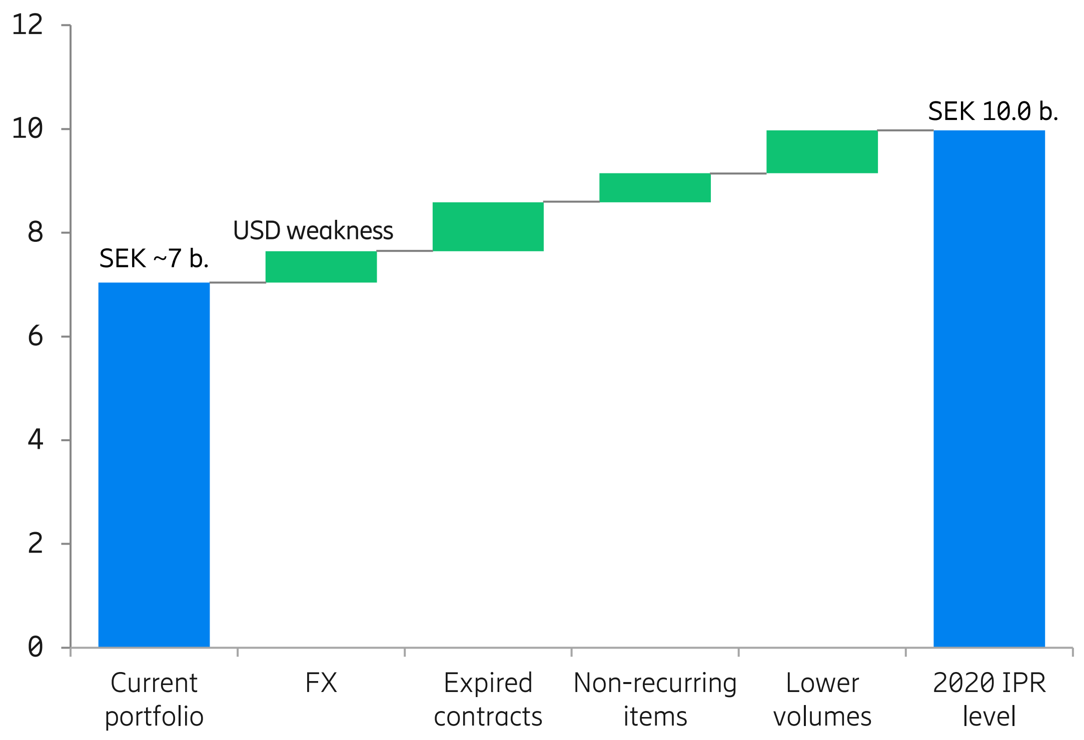
IPR Portfolio Development

IPR bridge in SEK b.

Illustrative



Revenues from current IPR licensing contract portfolio SEK ~7 b. on an annual basis

- High activity in IPR renewal negotiations
- Lower volumes with one licensee
- One additional agreement was signed in July
- FX related to USD weakness (avg SEK/USD 9.14 FY 20)

Samsung global patent license agreement

- Multi-year agreement on global patent licenses, including patents relating to all cellular technologies
- Deal confirms the value of our patent portfolio
- Commitment to FRAND principles

Leading global position in 5G, confident in growing IPR revenues in the long term

Planning assumptions highlights

Please see the Q2 report for complete planning assumptions

Market related

- Global RAN equipment market estimated to grow by 10% (3%) FY 2021. China is expected to grow by 11% (4%), North America by 12% (2%), Europe by 9% (3%). Source: Dell'Oro RAN report, May 2021

Ericsson related

- Normal sales seasonality Q2→Q3: +5%, however, with large variations depending on timing of deployments and currency impact
- Current IPR licensing contract portfolio ~SEK 7 b., on an annual basis
- Gross margin will vary by quarter depending on business mix and seasonality; thus, a rolling four quarter gross margin gives a more relevant view of the margin development
- Operating expenses typically decrease between Q2 and Q3 due to seasonality, however, with large variations
- Digital Services: Considering China and the fact that 2021 is an investment year, a similar earnings level is expected in Q3 as in Q2 and a break-even in Q4 isolated

Summary

Börje Ekholm
President and CEO

Long-term growth opportunities

- Well positioned to take advantage of continued market momentum
- Supply chain resilience to secure future customer demand
- Enterprise creates a long-term growth platform for 5G
- Highly dynamic North American market
- Committed to the group 2022 target

Q&A

Forward-looking statements

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- Our goals, strategies, planning assumptions and operational or financial performance expectations;
- Industry trends, future characteristics and development of the markets in which we operate;
- Our future liquidity, capital resources, capital expenditures, cost savings and profitability;
- The expected demand for our existing and new products and services as well as plans to launch new products and services including R&D expenditures;
- The ability to deliver on future plans and to realize potential for future growth;
- The expected operational or financial performance of strategic cooperation activities and joint ventures;
- The time until acquired entities and businesses will be integrated and accretive to income; and
- Technology and industry trends including the regulatory and standardization environment in which we operate, competition and our customer structure.

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