

Ericsson
2020 in
review

Value creation for the future



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Ericsson 2020 in review

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Ericsson in brief

Ericsson provides high-performing solutions to enable its customers to capture the full value of connectivity. The Company supplies communication infrastructure, services and software to the telecom industry and other sectors. Ericsson has approximately 100,000 employees and serves customers in more than 180 countries. Ericsson is listed on Nasdaq Stockholm and the Ericsson ADS trade on NASDAQ New York. The Company's headquarters are located in Stockholm, Sweden.

It all started in a mechanical workshop in Stockholm in 1876 where Lars Magnus Ericsson designed telephones and his wife Hilda manufactured them by winding copper wire coils. With 5G now a commercial reality, we continue to invest to strengthen our 5G leadership. Our portfolio is designed to help our customers digitalize and to increase efficiency in an intelligent and sustainable way, while finding new revenue streams.



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Introduction

Ericsson's purpose is to empower an intelligent, sustainable and connected world. Our mission is to enable the full value of connectivity for our customers – the telecom operators.

Ericsson's strategy is to create long-term value through technology leadership. The aim is to create value for our customers by helping them to capture revenues made possible by 5G and IoT, to improve end customer experience and to relentlessly improve efficiencies. Our ambition is to build a stronger Ericsson long term, beyond 2022.

Our focus is on digital infrastructure, for both consumer and enterprise use.

Through investments in R&D and technology leadership, we work to ensure that our customers can optimize their network for future performance and security needs while supporting them to run the networks in a cost efficient way. Our data-driven operations, global presence and close customer interaction give us the opportunity to grow with discipline, increase our market footprint and realize the critical advantages of scale.

Ericsson strategy

Purpose and vision

Empowering an intelligent, sustainable and connected world.

Mission

Enabling the full value of connectivity for telecom operators.

Our customers' needs

New revenue streams

End-customer experience

Relentless efficiency improvements

Our focus

Digital infrastructure...

Leadership in 5G, scalable, resilient and reliable networks and platforms, orchestration and business enablement. Superior efficiency and customer experience with automated AI-based zero touch operations and services.

... for consumer use

Supporting mobile broadband and application acceleration with global, ubiquitous, high-speed and low-latency connectivity.

... for enterprise use

Solutions supporting digital transformation from IoT to dedicated and cloud native enterprise networks.

Foundation

Technology leadership

Cost efficiency

Data-driven operations

Global scale and skill

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2020 strategic highlights

Networks

- The 5G momentum is increasing and by end of 2020, Ericsson powered 79 live 5G networks and had signed 122 commercial 5G agreements.
- Ericsson continued to focus on R&D and investment for technology leadership, resulting in a strong portfolio including Cloud RAN and antenna-integrated radio solutions to help our customers deliver the benefits of 5G.
- Networks sales growth contributed to an operating income of SEK 30.9 billion, supporting reinvestment in R&D.

Digital Services

- Sales of the growth portfolio increased by 6%. Signed 5G Core contracts with several tier-1 operators are expected to generate revenues in 2021 and beyond.
- By year-end 2020, 37 of the 45 critical and non-strategic projects identified in 2017 had been addressed.
- Quarterly operating income has improved year-over-year in each of the last 12 quarters.

Managed Services

- Operating margin improved to 8.1% as a result of continued R&D investment in automation.
- Key contracts were transformed to utilize Ericsson Operations Engine data driven components.
- We see increasingly positive response from customers to our new portfolio with its software and value-packs.

Emerging Business and Other

- Ericsson acquired Cradlepoint, the US-based market leader in Wireless WAN Edge 4G and 5G solutions for the enterprise market for a consideration of around USD 1.0 billion.
- Ericsson saw market traction across IoT with over 60% growth of active subscriptions on our IoT platforms. Within Dedicated Networks, Ericsson won 50+ contracts during 2020.
- During 2020, a decision was made to exit the Edge Gravity business.

COVID-19

Ericsson delivered solid results in 2020 with limited impact from the COVID-19 pandemic, and we continue to closely monitor developments. The responsibility for employees, customers and other stakeholders' health and safety is the Company's top priority. We have taken precautionary measures when and where needed, based on instructions from the

World Health Organization (WHO) and recommendations from government authorities. As early as March 2020, we introduced a global guideline to work from home, as well as travel restrictions for non-critical business. Globally, more than 80% of our employees have been working from home during most of 2020, and we plan to continue this policy until it is

considered safe to return to the offices. To ensure that our employees' have a good working environment, we introduced a furniture program allowing employees to order office furniture for their home office.

Ericsson is working closely with its customers to support them in ensuring that they can maximize the capacity and

performance of their mobile networks. The current global uncertainty requires a humble attitude towards predicting the near-term future. However, based on our experience so far, we remain confident that our business can continue with limited impact from the pandemic.

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Entering a new chapter of growth and profitability



Despite a challenging environment in 2020, we completed our turnaround, delivered on our financial targets, and established a leadership position in 5G. More importantly, our people continued to deliver and to serve our customers with no disruptions. The pandemic showed the criticality of the digital infrastructure for society. Looking ahead, this infrastructure will increasingly drive global sustainable growth and Ericsson is well positioned to create value from the ongoing digital transformation.

During 2020, we have seen good momentum for our focused strategy. We were able to complete the turnaround, underscored by organic topline growth of 5%, a strong gross margin of 40.3%, operating margin of 12.0% and solid free cash flow before M&A amounting to SEK 22.3 billion. This means we have successfully exceeded our 2020 targets set three years ago.

As we move into the next phase of our journey, we do so from a strong position. We continue to transform the Company through maintained focus on R&D. Over the last few years, we have added more than 5,000 engineers and R&D now accounts for 26% of the total workforce. Technology leadership is critical for providing competitive solutions to our customers, but it is equally important for our cost competitiveness.

In November 2020, we presented a long-term profitability target of 15–18% EBITA margin excluding restructuring charges for the Group, and a long-term free cash flow

target (before M&A) of 9–12% of sales. These targets will be achieved mainly by increasing market share in our primary segments and accelerating growth in the enterprise market. We stand firmly by our 2022 targets as an important stepping stone towards our long-term targets.

We made critical inroads into the enterprise market with the acquisition of Cradlepoint. With solutions for wirelessly connecting fixed and temporary sites such as field services and IoT devices, Cradlepoint complements our established enterprise offerings and creates new revenue streams for our mobile operator customers.

We continue to see that M&A will play an important role in further strengthening our Company and our focus going forward will be on opportunities close to our portfolio. To ensure that we do not repeat mistakes, we have established a disciplined end-to-end process built on thorough evaluation, careful

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“We were able to complete our turnaround, increase market share and accelerate our expansion into the enterprise market. We are also beginning a new chapter of profitable growth showing how critical our technology really is.”

due diligence, integration planning as well as accountability and close follow-up.

The global pandemic

The COVID-19 pandemic has put the world under extreme stress. Our focus throughout has been on the health and safety of our employees, customers and other stakeholders. At the start of the pandemic, we transitioned nearly all of our staff to working from home and by the end of 2020 about 90,000 of our colleagues were working remotely, with minimal disruption to our customers. I am inspired by the level of commitment that my colleagues have shown throughout the past year. It has been a difficult one on many levels, but our people – all around the Company – have continued to deliver. All of them have my deepest gratitude.

The COVID-19 pandemic has accelerated the pace of digital transformation and confirmed that wireless connectivity is critical infrastructure that underpins society. Eventually we will return to more normal circumstances, but I don't believe that we will revert back to the status quo that existed before. For example, we will most likely see remote working as part of the new normal.

Capturing the 5G opportunity

5G is a transformational technology, more so than previous generations of mobile connectivity. With 4G, the world had a global

standard that empowered the emergence of platform companies whose value was multiplied by the underlying network. This ecosystem allowed consumers to digitalize. With 5G, enterprises will be able to choose cellular connectivity as a primary access technology, likely speeding up their digitalization.

However, I caution against looking for the killer 5G app. With 4G, we did not predict in advance the emergence of the many new business models such as streaming or ride hailing. Countries that built out their 4G infrastructure first, came to dominate the app economy. We believe this development will be similar for 5G, but for enterprise applications.

Despite the pandemic, the pace of introducing new 5G functionality increased during 2020. According to our estimates, there were 220 million global 5G subscriptions at the end of 2020, with China accounting for 175 million of those – or almost 80%. 5G is no longer an eventuality, it is here and now.

Europe used to be a leader in wireless technology but started to fall behind on 4G. It now runs the risk of falling even further behind North America and North East Asia. Europe must find ways to speed up the roll-out of 5G to avoid losing its competitiveness. Return on capital for European operators is lower than cost of capital. We believe

that Europe needs to review its regulation of operators, spectrum policies, while also allowing for industry consolidation.

Our Company's position

We are now a leader in 5G technology. Since 2015, we have shipped 6 million 5G-ready radios and during 2020, we announced 44 5G contracts and we closed the year with 122 commercial agreements and 79 live 5G networks globally. Through our focused strategy, we continue to develop and deploy products, solutions and services that push the industry forward – like the introduction of software enabling 5G to operate independently of 4G networks.

We firmly believe in openness and the value of standardization. Open RAN continues to be widely discussed in our industry and we are actively participating in defining Open RAN standards. We believe Open RAN standards will continue to evolve in the coming years, starting with less-demanding applications. In October 2020, we introduced a new Cloud RAN portfolio for increased network flexibility, as a complement to high-performing purpose-built networks. We will continue to strengthen our position in Open RAN, however 5G is happening now and our focus must be on providing the wider ecosystem of developers and enterprises fast access to 5G so they can benefit from its full potential.

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Our patent portfolio in cellular technology is world leading and through our 5G leadership we are confident in the strength of the portfolio long term. Thanks to our investments in R&D, we now have more than 57,000 granted patents and over 100 signed licensing agreements. Return on R&D investments, through licensing based on fair, reasonable, and non-discriminatory terms and conditions, is critical to ensure new investments in innovation and the continued success of open, collaborative standardization. However, when these terms are breached, we will take swift and firm action.

Sustainability and responsible business

Sustainability and corporate responsibility are integral parts of our business strategy and operations and our performance is reflected in the Sustainability and Corporate Responsibility report. We continue to support the ten principles of the UN Global Compact and the UN Guiding Principles on Business and Human Rights as important elements of our commitment to responsible business.

During 2020, Ericsson remained a driving force for global climate action. Our approach can help break the energy curve for mobile

networks and how digitalization can reduce carbon emissions 15% by 2030 in sectors like transport and manufacturing. We have a target to be carbon neutral in our operations by 2030 and our 5G Smart Factory in the US, which integrates sustainability into its building design and operations, is an example of how this impacts our ways of working.

In addition, as part of our digital inclusion efforts we became the first private-sector partner of UNICEF's Giga initiative which aims to connect every school on the planet to the internet by 2030.

We continue to improve and strengthen our Ethics and Compliance program. In June, we welcomed the independent compliance monitor who will oversee our progress in enhancing this program. While this will surely be a demanding process, I view it as a way to make sure we reach our high ambitions.

Most importantly perhaps, we remain steadfast in our efforts to foster a culture of integrity where we speak up and resolutely address any instance of incorrect behavior. We spend a significant amount of time in

the Executive Team discussing these matters to ensure that we keep improving and be the company we want to be – and that people expect us to be. We have taken many important steps to engage the workforce in a cross-functional fashion, including making our processes more robust and increasing our headcount in the compliance area. But this important work continues, as we need to make sure that compliance is an integral part of how we conduct all our business.

In summary

I am proud of our results during 2020. Not only were we able to complete our turnaround, we also showed the world how critical our technology is to economic growth and sustainable development. Vital parts of our society, such as hospitals and schools, as well as families and friends, depend on the infrastructure we provide. These achievements would not be possible without our incredible people. The spirit of resourcefulness, and grit, is why Ericsson employees truly rock!

We should, however, not be complacent. 2021 will be an investment year to further strengthen our competitiveness. We also see that earnings in the year could be negatively

impacted by lower patent licensing revenues due to important contract renewals and that the acquisition of Cradlepoint will have a negative effect on our operating margin. Our 2022 targets remain in place and they are a milestone on the journey towards reaching our long-term target of 15–18% EBITA margin excluding restructuring charges.

When we are finally able to look back upon the pandemic, we will see that we accelerated the digitalization of society which altered many ways of working. These developments present a great opportunity for us, as 5G will be front and center in the post-pandemic world. At the same time, we all look forward to meeting our friends and colleagues face-to-face again, to interact, trade ideas and innovate. This is a basic human need that will remain. And as the physical and digital worlds continue to merge, our technology and innovations will play an essential role.

Börje Ekholm
President and CEO

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A large-scale photograph of a shipping yard at dusk or dawn. The sky is a mix of soft pinks, oranges, and blues. In the foreground and middle ground, there are numerous stacks of intermodal containers in various colors, including blue, red, orange, and white. Some containers are stacked high, reaching towards the top of the frame. In the background, several large red gantry cranes are visible, their long jibs extending over the stacks of containers. The overall scene conveys a sense of industrial activity and global logistics.

Market and trends

As a technology frontrunner, Ericsson stays on top of trends and market activities in order to serve its customers efficiently.


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Underlying ICT industry trends



More spectrum required for 5G

To serve the rapid uptake of 5G traffic and the introduction of new 5G-based services, telecom operators and other spectrum licensees need more spectrum. Low, mid and high spectrum-bands have different physical properties that affect capacity, coverage and latency and must therefore also be matched with the service offering. The spectrum requirements in a local industrial environment and in rural areas can be very different.

New spectrum, as well as existing 4G spectrum, will be allocated for 5G use. Ericsson has developed Dynamic Spectrum Sharing that will allow 4G and 5G to share the same spectrum. This has already made the deployments of nation-wide 5G coverage in several markets possible.



5G – the ongoing investment cycle

Each generation of mobile communications technology has opened up new opportunities for the telecommunications industry. When 4G was launched, it paved the way for smartphones, and enabled innovation and new services for consumers. In 2020 we entered the next chapter with the launch of 5G on a large and commercial scale, enabling innovation in enterprises. As with previous mobile generations, investments in 5G will accelerate over the coming years as new 5G use-cases and widespread adoption of the Internet of Things (IoT) take off. By 2026, Ericsson predicts that 5G will be deployed globally with approximately 3.5 billion 5G subscriptions, representing 40% of all mobile subscriptions. At the end of 2020 over 1 billion people, or 15% of the world's population, were living in areas with 5G coverage.



Security

There is an increasing need for secure solutions for industrial automation and other private-network applications. The security requirements for networks are extensive and are specified in standardization processes, network design and configuration. In the next phase of digital transformation with cyber-physical domains involving robots, sensors and autonomous cyber-physical processes – applications will have different and complex security requirements.

5G is based on global standards that have strong technical capabilities in the areas of security, privacy, reliability, availability and resilience. Ericsson believes security and network performance will rise to a level where networks can fulfil the requirements of even the most critical use-cases for consumers and business.



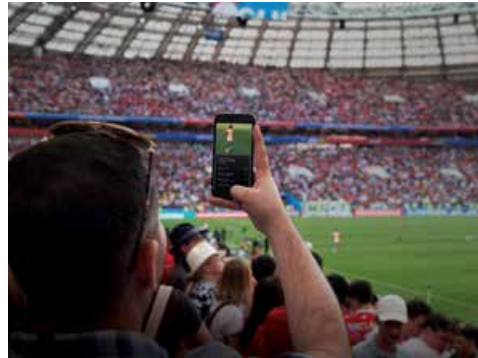
Artificial Intelligence

As new technologies like 5G, IoT and Cloud are gaining traction, networks are becoming more and more complex. Artificial Intelligence (AI) will enable efficient management of the complexity and data volumes this produces. AI is also increasingly used to improve operational and customer experience.

As a response to AI, and customer challenges, Ericsson combines deep telecoms domain expertise, data science and AI knowledge into 'AI by Design'. Ericsson's technology is AI-ready; we have made architectural decisions that aim to make AI easy to deploy that integrate across the network, solving problems holistically. We embed AI into every part of our portfolio where it makes sense.


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Underlying macro megatrends



Digitalization

The network platform forms the core of the digital infrastructure which is fundamental to the development of society. 5G is a key enabler for digital transformation and our reliance on phones, tablets and other devices highlights the need for the multi-lane superhighway that mobile networks provide.

Ericsson continues to develop technologies that will serve as the foundation for connecting consumers and enterprises and support the sustainable development of society.



COVID-19 pushing the technology tipping point

Challenged by the COVID-19 pandemic, companies, consumers and societies have geared up the adoption of digital technologies significantly. New and accelerated customer behaviors and needs, unpredictable demand and a huge spike in working remotely are all important parts of the transformation. Hence the importance of critical mobile communication and quality in connectivity has proved to be more important than ever. The pandemic has acted as a catalyst of rapid change and cellular connectivity has proved to be the backbone of society, highlighting the need for universal internet access to support inclusive sustainable development. We believe that 5G technology and 5G connectivity will be crucial for economic recovery after the pandemic.



Climate change

There are increased expectations on companies to commit to sustainability performance and responsible business practices, and more regulations and investors require companies to report on climate risks and impact. Ericsson has been reporting sustainability performance for over 25 years and is working through partnerships to scale global climate action. We have set a carbon neutral target in our own operations and our value chain is aligned to the Paris Agreement, and we have set Science-Based Targets on the energy performance of our portfolio. The digital solutions we deliver enable 15% global carbon emission reduction across industries such as manufacturing, transport and energy.

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5G – a platform for innovation in enterprise

5G will revolutionize society – with enterprise at the forefront. And with cellular connectivity as the primary access technology, enterprises will be able to unlock innovative use-cases previously unimaginable. This makes 5G the technology platform for enterprise innovation – just as 4G was the platform for the consumer innovation.

As the largest growth opportunity beyond Ericsson's core business, our enterprise strategy is aimed at scaling solutions to capture more value in high growth enterprise segments. These solutions are expected to drive additional traffic in the telecom networks, thereby creating new revenue streams for the telecom operators. The potential enterprise digitalization revenues for telecom operators are expected to grow at a compound annual rate of more than 25% from 2022 to 2030.

The enterprise connectivity requirement stretches from global mobility, such as connected cars, to local industrial sites and offices. Use-cases include connected vehicles, real-time automation, autonomous robotics, and augmented reality (AR) enhanced employees. A common thread is the need for high-capacity, reliable and secure wireless connectivity.

Ericsson's enterprise portfolio addresses global, local and edge connectivity needs through our global IoT platform, our Dedicated Networks offerings, and Cradlepoint's Edge solutions. These new capabilities are accelerating our support to enterprises – financially, socially and environmentally.



Dedicated Networks – Paris Airports

Ericsson's Dedicated Networks portfolio for local dedicated connectivity offers private cellular networks which are on-premise networks deployed for exclusive use. One of the latest examples is our deployment of a private cellular network for the airports operated by Groupe ADP; Paris-Charles de Gaulle, Paris-Orly and Paris-Le Bourget.

In 2019, more than 108 million passengers passed through the three Paris airports, and more than 2.2 million metric tons of freight and mail were processed by Paris-Charles de Gaulle and Paris-Orly.

The private cellular mobile network is expected to serve a professional ecosystem

of more than 120,000 people who work at the three airports every day, across approximately 1,000 companies of differing sizes and sectors. The network deployment is expected to massively improve security, reliability and speed, all of which are key elements to ensure a good travel experience. Ericsson's technology is also expected to enable the airports to comply with the new security guidelines of France's National Agency for Security of Information Systems.

"Anyone who has ever been at an airport knows that security, reliability and speed are key to ensuring a good travel experience. The digital transformation of airports represents a big opportunity and private 5G networks are expected to enable and

accelerate this transformation", says Åsa Tamsons, Senior Vice President and Head of Segment Emerging Business and Other.

The private cellular network was operational across all outdoor spaces at the airports by the end of 2020, and is expected to be operational across all indoor public and reserved areas for professionals working at the terminals by the end of 2021.

Ericsson was selected by Groupe ADP, its subsidiary Hub One (an operator of digital technologies for businesses) and Air France to deploy the private mobile network.

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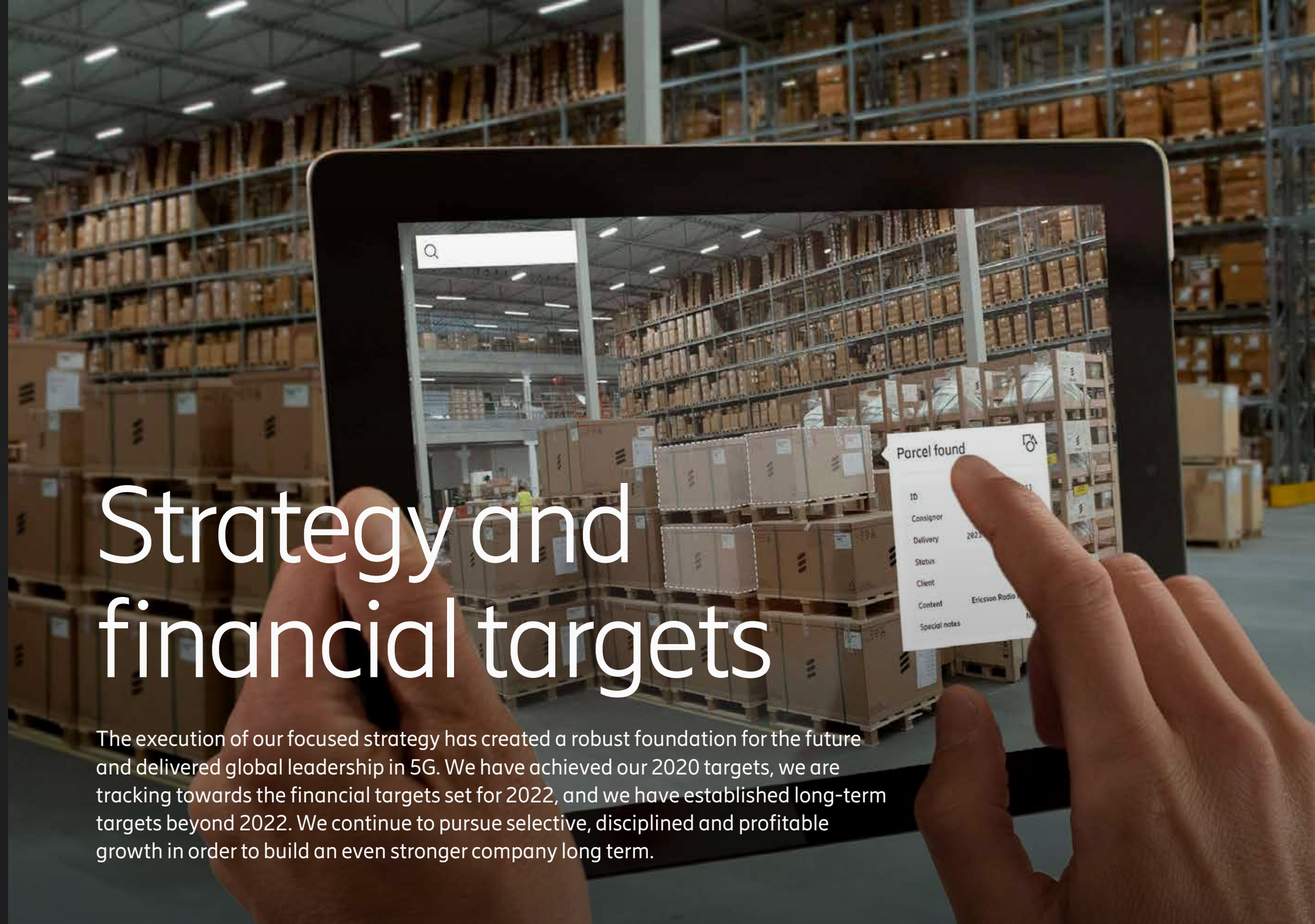
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Strategy and financial targets

The execution of our focused strategy has created a robust foundation for the future and delivered global leadership in 5G. We have achieved our 2020 targets, we are tracking towards the financial targets set for 2022, and we have established long-term targets beyond 2022. We continue to pursue selective, disciplined and profitable growth in order to build an even stronger company long term.



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Business model

Our business model is constructed to manage changing market requirements and to capture new business opportunities. Customer focus and motivated employees are key to driving our business, creating stakeholder value and building a stronger company long term.

Customer focus

We develop innovative and cost competitive solutions for our customers.

Fundamentals

Purpose and vision

Empowering an intelligent, sustainable and connected world

Mission

Enabling the full value of connectivity for telecom operators

Strategy

Built on our customers' needs:
– New revenue streams
– End-customer experience
– Relentless efficiency improvements

Motivated employees

Motivated and talented employees drive our business.

Our business and operations

Segment responsibility

Develop competitive global business solutions

Market area responsibility

Sell and deliver customer solutions

Foundation and key assets

Technology leadership

Cost efficiency

Data driven operations

Global scale and skill

Sustainability and responsible business practices embedded across operations and the portfolio

Customers in more than 180 countries. Established relationship with world leading telecom operators

Core values

– Respect
– Professionalism
– Perseverance

Stakeholder value

We create value for our stakeholders by building a stronger company long term.

Key stakeholders, our focus and value

Customers

Enable our customers to capture the full value of connectivity in an intelligent and sustainable way

Society

Be a responsible and relevant driver of positive change

Employees

Attract, develop, engage and retain talented employees

Shareholders

Creating shareholder value by growing profitability, cash flow and dividend

Group financial targets 2022

– EBIT margin 12–14% excl. restructuring charges
– Strong free cash flow (before M&A)

Group financial targets long-term

– Sales: outgrow the market
– EBITA margin 15–18% excl. restructuring charges
– Free cash flow (before M&A) 9–12% of sales

Group sustainability targets¹⁾

Climate action

– Reduce 35% of CO₂e emissions from Ericsson's own activities (baseline 2016), a Science Based Target, by 2022
– Ericsson is carbon neutral in its own operations by 2030

Ethics and compliance

Strengthen and enhance Ericsson's Ethics and Compliance program to ensure an effective and sustainable Anti-bribery and corruption program by 2022

Product energy performance

Achieve 35% energy saving in Ericsson Radio System compared with the legacy portfolio (baseline 2016), a Science Based Target, by 2022

Health, safety and well-being

Zero fatalities and lost workday incidents by 2025

¹⁾ The full list of Group sustainability targets can be found on page 3 in the Sustainability and Corporate Responsibility report 2020

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Business strategy

Creating long-term value

Our strategy is to create long-term value through technology leadership. We aim to address long-term opportunities that present clear advantages of scale and new, profitable revenue streams. Our ambition is to grow faster than the market, with a focused approach based on the following criteria:

- Selective: product-led growth aligned with our streamlined portfolio and existing customer base.
- Disciplined: commercial and financial discipline, and excellence in contract execution.
- Profitable: growth is managed for positive returns and to support Group financial targets. New contracts for increased market footprint, may in some cases be associated with challenging near-term returns as the cost for telecom operators to change vendors can be high, however contracts are expected to be profitable over time.

Building a stronger Ericsson long term

The execution of our focused strategy is visible in our solid financial performance, which shows organic growth, increased operating margin and a positive free cash flow. While we have achieved our targets for 2020 and remain committed to our targets for 2022 and tracking towards them, our focused strategy aims at building a stronger Ericsson long term, beyond 2022, with continued sales growth and improved returns. Our strategy to increase research and development (R&D) investments for

technology and cost leadership has been successful, giving us a competitive advantage as telecom operators accelerate their 5G investments. We believe that we can achieve market share gains by leveraging the technology shift and our competitive offering.

A customer centric strategy

Our mission is to enable the full value of connectivity for our customers, the telecom operators. There are three key areas in which we can support our customers' success:

- Capture new revenue streams and new opportunities made possible by 5G and Internet of Things (IoT).
- Improved end-customer experience – the main differentiator among telecom operators. Through Artificial Intelligence (AI) and automation, the customer experience can be considerably improved by ensuring coverage, performance and reliability. We can provide Key Performance Indicators for telecom operators so that the telecom operators can better analyze, understand and optimize their networks to deliver a superior customer experience.
- Relentless efficiency improvements to lower the cost of delivering the increasing traffic in the networks. 5G will increase spectrum efficiency and is also significantly more power efficient, thereby reducing cost and supporting climate targets.



The strategy stands on a foundation of four pillars

Technology leadership

Investments in R&D and technology leadership allow us to bring innovative solutions to the market ahead of competitors, giving our customers an advantage.

Ericsson has a strong commitment to R&D with substantial contributions to cutting edge standards and technologies. It is the Company's policy to protect and capitalize on its R&D investments by creating, securing, protecting and licensing a portfolio of patents in support of the overall business goals. The value of Ericsson's IP portfolio

by the end of 2020 extended to more than 57,000 granted patents.

Cost efficiency

A cost-efficient base is essential for our business. Investments in R&D enable not only technology leadership but also cost leadership. Using the latest technology enables us to bring down cost in our solutions. This benefits both us and our customers.

Data-Driven Operations

Network complexity is rapidly increasing with 5G, Cloud, IoT and other new technologies, and it is becoming challenging for humans to keep up with this complexity.

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Running a 5G network, including data points in IoT, combined with demands of mission critical use-cases, is only possible when applying AI, automation and data analytics to drive the “Data-Driven Operations” of telecom networks.

Global scale and skill

Our global presence and our close interaction with our customers bring opportunities for us to grow with discipline, leading to increased market footprint and advantages of scale. The expertise that our people have

is a key asset that enables us to work close to our customers across the world.

5G – new revenue opportunities

With 5G our industry will move beyond connecting people; it will also connect machines and things. 5G is a powerful platform for innovation, opening up new revenue opportunities for telecom operators in both the consumer segment and the enterprise segment. We are already seeing that 5G is supporting telecom operators to deliver new, differentiating services to

consumers with upside revenue potential, and there is also significant upside revenue potential for telecom operators who invest in delivering new 5G enterprise services. Our studies show that, globally, telecom operators could see an additional revenue opportunity of some USD 700 billion by 2030, driven by industry sectors such as healthcare, manufacturing and automotive.

We aim to address these enterprise opportunities and continue to sell through our existing telecom operator relationships and go-to-market models. Our ambition is to service our customers by developing competitive industrial solutions that are easy to scale, such as our global IoT platform and private networks solutions. We have increased our M&A capabilities, and we see portfolio-near acquisitions as enablers for future growth. Our aim is to grow and create value by investing in solutions that support our customers’ new revenue streams, drive traffic to mobile networks and drive increased demand for network quality.

Driving our business through four segments and five market areas

Our business is divided into four segments. All segments address the same customer group, primarily the telecom operators. The segments are Networks, Digital Services, Managed Services and Emerging Business and Other.

In Networks we provide hardware, software and services for our customers to build and evolve their mobile networks.

Digital Services is a software-led business supporting our customers as they move to a cloud native environment, providing solutions for our customers to operate, control and monetize their mobile networks.

With our Managed Services offering we operate our customers’ networks. Our AI and data driven Managed Services offering, Ericsson Operations Engine, proactively manages telecom operator networks to enhance customer experience, drive agile service creation and optimize costs.

In Emerging Business and Other we explore how our customers can leverage connectivity in order to create new revenue streams and new types of businesses within the enterprise segment.

Our market is divided into five geographical market areas. The market areas are responsible for selling and delivering products and solutions developed by our segments. Staying close to our customers is key. In line with the strategy, we have shifted more responsibility to the market areas, to ensure that we stay close to our customers while maintaining central guidelines and governance structures to ensure, among other things, price discipline.



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Sustainability and Corporate Responsibility

Our approach to sustainability and corporate responsibility is an integral part of the Company's strategy, business model, governance and culture and is embedded across its operations to drive business transformation and create value for stakeholders.

We are committed to creating positive sustainability impacts and reducing risks to the Company and its stakeholders through its technology, solutions, operations and the expertise of its employees.

Ericsson works continuously to improve and strengthen its responsible business practices, with focus on building and maintaining trust, transparency and integrity wherever in the world it operates and on reporting on its sustainability and responsible business targets, performance, policies and practices.

The Company demonstrates how integrating sustainability and responsible business practices, as well as implementing related programs across the organization help the Company engage employees, operate more efficiently and effectively, and deliver innovative and efficient products and services delivering value to our customers.



Ericsson's Ethics and Compliance program

The Company has structured its Ethics and Compliance program based on ten core elements that are in line with international best practices and regulatory expectations. We ended 2020 with a strong focus on compliance leadership, communication, and recruitment. We launched several communication initiatives and conducted a coaching session for the Executive Team on ethical leadership. For policies and procedures, the launch of our enhanced Third-Party Management (TPM) process marked the

completion of the first three pillars of our Ethics and Compliance program, the other two being Conflicts of Interest and Gifts, Entertainment, and Hospitality. Other ongoing efforts include developing a more robust ABC framework for M&As, consolidating ABC Risk Assessments, and enhancing our allegations management processes to ensure a strong trust of the organization in the Company's reporting mechanisms.



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Financial targets

Tracking towards our financial targets
We remain committed to and tracking towards our financial targets for 2022. However, our strategy aims at building a stronger Ericsson long term, beyond 2022.

Long-term targets
At the Capital Markets Day (CMD) in November 2020, Ericsson presented its long-term financial targets for sales, EBITA margin and free cash flow before Mergers & Acquisitions (M&A). The sales target is to “outgrow the market”. The market is

expected to grow by more than 1% per year. Furthermore, we want to gain additional market share, grow in the enterprise segment and achieve growth through M&A. The long-term Group target for EBITA margin excluding restructuring charges is 15–18%. Growth as well as gross margin improvements, driven by software sales and operational leverage, will be the cornerstones in reaching the long-term targets. The Company will continue its focus on free cash flow (before M&A) with a long-term target of 9–12% of sales.

Long-term targets

Financial and sustainability targets

Sales	<div>Outgrow the market</div> <div>Baseline – >1% market growth</div> <div>Enterprise – 5G and IoT</div> <div>Market share gain</div> <div>M&A – Portfolio near</div>
EBITA margin ¹⁾	15–18% of sales
Free Cash Flow (before M&A)	9–12% of sales
Sustainability target	Carbon neutral by 2030 in own operations

¹⁾ Excluding restructuring charges.

Free cash flow generation

Bridge from operating income to free cash flow (illustrative)

	2019	2020	Long-term target
EBITA margin excl. restructuring charges	5%	13%	15–18%
– Financial net, tax and other	–2%	–2%	–4–5%
+ Add back depreciation	2%	2%	+2–3%
+ Add back depreciation of leased assets	1%	1%	+1%
+/- Change in operating net assets	1%	–2%	–1%
– Capex	–3%	–2%	–2%
– Leasing payments	–1%	–1%	–1%
– Restructuring ²⁾	–0%	–1%	–1%
Free cash flow (before M&A)	3%	10%	9–12%

Comments on free cash flow generation

- Focus on delivering high cash conversion from operating income
- Capex is typically about 2% of net sales
- Restructuring charges are estimated to approximately 1% of net sales

All numbers are in relation to net sales.
²⁾ Restructuring charges as reported in the income statement for each year.

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Target breakdown for 2022

At the CMD, Ericsson presented updated financial targets for the segments. The profitability target for the Group remains unchanged with an operating margin target of 12–14% excluding restructuring charges for 2022.

In segment Networks, the operating margin target was raised to 16–18% (15–17%), mainly driven by footprint gains in the market and operational leverage. In segment Digital Services, the priority continues to be restoring profitability. Due to the increase in Research & Development (R&D) investments in combination with the rapid decline in legacy sales, the operating margin target for 2022 for Digital Services was adjusted

downwards to 4–7% (10–12%). In segment Managed Services, expected margin growth will be achieved through R&D investments in AI and automation. The 2022 target for Managed Services was raised to 9–11% (8–10%).

We expect the R&D investments to continue to drive the profitability, and to secure technology and cost leadership. Continued technology investments are fundamental for long-term competitiveness and form a key part of our focused strategy.

2020 Group financial targets reached

By the end of the year we successfully reached our Group targets set out for 2020. Sales in 2020 amounted to SEK 232.4 billion,

within the ambition interval of SEK 230–240 billion. Gross margin excluding restructuring amounted to 40.6%, exceeding the ambition level of 37–39%, and operating margin excluding restructuring amounted to 12.5%, in line with the target of >10%.

The Networks and Managed Services segment reached their operating margin targets for 2020 driven by market share gain in Networks and strong execution in both segments. Digital Services and Emerging Business and Other did not fulfill their targets due to lower than expected sales and higher R&D investments to capture future market opportunities.

Strategy execution activities performed by the end of 2020 included:

- Continued investments in R&D for technology and cost leadership. R&D employees accounted for 26% of the workforce in 2020.
- In Digital Services, we continued to capture market share within 5G Core. Until end of 2020, 35 5G standalone core (5GC) contracts have been won.
- Ericsson announced 122 commercial 5G agreements and contracts with individual telecom operators.
- The Company supplied equipment to 79 live 5G networks.

Continued focus on gross margin

Gross margin in 2020 has continued to improve, driven by structural improvements. Cost reductions, efficiency improvements and investments in R&D in selected areas

are important to keep our competitiveness and generate further expansion of gross margin. When pursuing expansion of market footprint, initial margins may be challenging, but are expected to be profitable over time and to support our financial targets.

Strong cash flow and financial position

The strong focus on cash flow is paying off. Our ambition is to maintain a strong balance sheet and we aim to secure financial resilience, improve performance visibility, increase accountability and drive focus on profit and cash. In 2020, the free cash flow before M&A was 10% of net sales compared with 3% in 2019. Financial discipline with high focus on profitability and return on capital employed is key in all decisions.

Our strategy execution has resulted in strong financial performance and a solid balance sheet, which have also been recognized by the credit rating agencies. Ericsson was upgraded by Moody's to Ba1 in June 2020, and by S&P to BBB- in November 2020.

Targets for 2022 ¹⁾

Operating margin	
12–14%	
Free cash flow before M&A	
Strong	
Networks	
Operating margin target	16–18%
Digital Services	
Operating margin target	4–7%
Managed Services	
Operating margin target	9–11%
Emerging Business and Other	
Operating margin target	N/A

¹⁾ Numbers exclude restructuring charges.



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Our segment structure is based on our customers' needs, enabling us to provide products and services efficiently.





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Networks



Fredrik Jejdling
Head of Segment Networks

“The pace of introducing 5G has increased in 2020. Ericsson leads the market, powering 79 live networks across five continents.”

Net sales (growth YoY)	SEK 166.0 billion (7%)
Reported operating income	SEK 30.9 billion
Operating income excl. restructuring charges (% of net sales)	SEK 31.6 billion (19%)
Ericsson’s market position ⁴⁾	Top two in Radio Access Network equipment.

Financial targets and sales ambitions		
	2020	2022
Sales ambition (SEK billion)	160–164	N/A
Operating margin target excl. restructuring charges	15–17%	16–18%

Customer offering

Networks offers multi-technology capable Radio Access Network (RAN) solutions for all spectrum bands, including integrated high-performing hardware and software. The offering also includes a transport portfolio through our own solutions and partnering; an integrated antenna solution; and a complete service portfolio covering network deployment and support.

Value drivers

Telecom operators use 5G to monetize the growth in mobile data traffic, together with new services. The consumer segment constitutes the majority of revenues today, and proactive telecom operators offering new services and bundles could see growth of 31% by 2030 ¹⁾. A greater opportunity ²⁾ exists for the smaller enterprise segment with faster growth.

Market

In 2020 the network market experienced good growth driven by the global introduction of 5G. The RAN market grew by 16% in 2020, primarily driven by investments in North America and China, and is expected to grow by 3% in 2021 ³⁾.

Sustainability focus

Key focus areas for Networks include energy performance, materials management and circular economy, which includes reuse, refurbishment and recycling. Networks is investing to improve the energy performance of its portfolio and to reduce the carbon footprint of its products so as to lower customers’ total cost of ownership.

Strategic priorities

The segment’s priorities are to invest in value-creating technology leadership, to improve competitiveness for selective market expansion based on technology and cost leadership, and to undertake use-case-driven network expansions leveraging network investments.

Key product achievement

Our unique dynamic spectrum sharing solution is now commercially available, allowing telecom operators to launch 5G quickly and cost-effectively on a nationwide scale. Ericsson Spectrum Sharing allows both 4G and 5G to be deployed in the same band and on the same radio unit through a software upgrade.

¹⁾ The ConsumerLab report “Harnessing the 5G consumer potential – The consumer revenue opportunity uncovered”.
²⁾ 5G for business a 2030 market compass report.
³⁾ Dell’Oro Mobile RAN Quarterly Report 4Q20, February 2021.
⁴⁾ External reports and Ericsson estimates and analysis.



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Digital Services



Jan Karlsson
Head of Segment Digital Services

“Full adoption of cloud native solutions and automation unleashes the full potential of 5G for consumers and enterprises.”

Net sales (growth YoY)	SEK 37.3 billion (–6%)
Reported operating income	SEK –2.2 billion
Operating income excl. restructuring charges (% of net sales)	SEK –2.2 billion (–5.9%)
Ericsson’s market position ¹⁾	#1–2 in Core. #1–3 in Communication Services. Among top 3 leaders in OSS and BSS.

Financial targets and sales ambitions		
	2020	2022
Sales ambition (SEK billion)	41–43	N/A
Operating margin target excl. restructuring charges	N/A	4–7%

Customer offering

Digital Services provides software-based solutions for business support (BSS), operational support (OSS), communication services, core networks and cloud infrastructure. We build our customer offerings on our strong 5G Core position and our maturity in cloud native solutions across software and services. The offering supports our customers’ 4G, and growing 5G, consumer and enterprise business.

Value drivers

Networks are evolving towards cloud-based and 5G standalone, with enhanced capabilities for consumers and increasingly addressing enterprise needs: for example enabling enterprise edge applications.

Market

Driven by 5G and its cloud native technology shift, Digital Services’ total addressable market is estimated to grow at a low single digit CAGR (Compound Annual Growth Rate) 2019–2024¹⁾. Globally, Ericsson is the second largest supplier¹⁾ of mobile packet core, where 2020 was the year when Ericsson gained market share with several significant 5G Core contracts.

Sustainability focus

Network security, protection of sensitive data and the right to privacy are critical aspects of the digital ecosystems. Ericsson is committed to developing software solutions that meet leading security and privacy requirements.

Strategic priorities

The segment’s priorities are to grow revenue through 5G Core and related upselling, to do strategic investments in cloud native and automation, and to accelerate transformation towards software-based and industrialized solutions. This will result in an improved business mix through an increased share of software and recurring revenue. The portfolio will evolve to increasingly address customers’ 5G enterprise opportunities.

Key product achievement

Enrichments made to the cloud native portfolio include integrated cost-efficient packet core functions: for example a firewall ensuring secure mobile broadband and IoT-to-the-edge use-cases, and an infrastructure solution for cloud native applications that eliminates the need for virtual machines. A new as-a-service offering provides faster time-to-market for advanced communication services.

¹⁾ External reports and Ericsson estimates and analysis.



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Managed Services



Peter Laurin
Head of Segment Managed Services

“5G and IoT continue to drive new opportunities for Managed Services as we transform the market with the AI-driven Ericsson Operations Engine.”

Net sales (growth YoY)	SEK 22.6 billion (–12%)
Reported operating income	SEK 1.6 billion
Operating income excl. restructuring charges (% of net sales)	SEK 1.8 billion (8.1%)
Ericsson’s market position ¹⁾	Top two in Managed Services Operations

Financial targets and sales ambitions		
	2020	2022
Sales ambition (SEK billion)	23–25	N/A
Operating margin target excl. restructuring charges	5–8%	9–11%

Customer offering

Managed Services provides Networks and IT Managed Services, Network Design and Optimization, and Application Development and Maintenance to telecom operators. These are delivered through the AI-driven Ericsson Operations Engine, a set of capabilities that transform operations to enhance customer experience, drive agile service creation and optimize costs in multi-vendor environments.

Value drivers

Our competitive advantage is based on people and domain expertise, data driven processes, modernized applications and platforms, and automated and AI driven insights, all provided by a global, trusted partner. 5G and IoT are driving new opportunities for Managed Services, with increased network complexity, high demand for better end-user experience and a continued need for cost efficiency.

Market

The addressable Managed Services market was USD 32 billion in 2020, and is expected to grow 2–4% CAGR 2020–2022¹⁾. This market represents 27%¹⁾ of the telecom operators’ network, IT and NDO related operating expenditures – the remaining spend is covered by activities done by telecom operators in-house. Ericsson is one the top two¹⁾ Managed Services providers.

Sustainability focus

The use of automation, machine learning and AI improves network optimization and management, leading to enhanced energy management and reduction in carbon footprint. Automation also contributes to improved safety for the workforce managing networks for Ericsson.

Strategic priorities

The segment’s priorities are to transform the contract base to Ericsson Operations Engine, continue investment in AI and automation and upskill all employees in new technologies such as AI, 5G, IoT, Industry 4.0.

Key product achievement

With the continued R&D investment in AI and automation, gross margin improved to 17.8% in 2020. In addition, we have transformed key contracts to Ericsson Operations Engine portfolio. The portfolio now includes software and value packs.

¹⁾ External reports and Ericsson estimates and analysis.

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Emerging Business and Other



Åsa Tamsons
Head of Segment Emerging Business and Other

“Our offerings will support enterprises in taking the next step on their digitalization journey and create new revenue streams for telecom operators.”

Net sales (growth YoY)	SEK 6.5 billion (–4%)
Reported operating income (loss)	SEK –2.4 billion
Operating income (loss) excl. restructuring charges	SEK –2.1 billion

Financial targets and sales ambitions

	2020	2022
Sales ambition (SEK billion)	6–8	N/A
Operating margin target excl. restructuring charges (SEK billion)	–1.5 to –2.0	N/A

Customer offering

Ericsson supports enterprises by providing reliable and secure cellular solutions that are easy to use, adopt and scale for global and local needs.

Value drivers

Enterprises need reliable, secure and wireless connectivity to take the next step on the digitalization journey towards unlocking the intelligence of their products, as well as advancing their operations, and creating wireless agility. This is accelerated by key technology trends driven by 5G, AI and automation, and by Augmented Reality/Virtual Reality. In 2020 Cradlepoint was acquired.

Market

The enterprise markets are growing at a rate of 25–30% annually¹⁾, based on the increasing need for wireless, reliable and secure global, local and edge connectivity.

Sustainability focus

Enabling the reduction of carbon emissions across industries and increasing productivity to meet global challenges are focus areas for Emerging Business and Other. New solutions enabled by 5G and IoT will dramatically reduce emissions and have a positive impact on other critical environmental areas such as efficient resource utilization and water and air quality.

Strategic priorities

The segment’s priority is to identify new revenue sources for telecom operators and new businesses within the enterprise segment, building on Ericsson’s core business and capitalizing on our R&D investments. Our strategy is to drive cellular adoption in the Enterprise market together with telecom operators. We do this by investing in value-creating, standalone businesses leveraging Ericsson’s 5G and technology leadership.

Key product achievement

During 2020 IoT security was deployed through Ericsson Security Manager to leading mobile telecom operators in Asia, Europe and North America, and provided them with automation technology integrated across Ericsson’s portfolio of macro-networks, local dedicated networks and IoT platform.

¹⁾ External reports and Ericsson estimates and analysis.

Emerging Business and Other consists of Emerging Business, including IoT and iconectiv, and Media businesses, including Red Bee Media and a 49% ownership in MediaKind.

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An aerial photograph of the Shanghai skyline at sunset. The Bund is visible on the right, with the Oriental Pearl Tower and other skyscrapers. The Huangpu River flows through the center. The sky is a warm orange color, and the city lights are beginning to glow.

Market areas

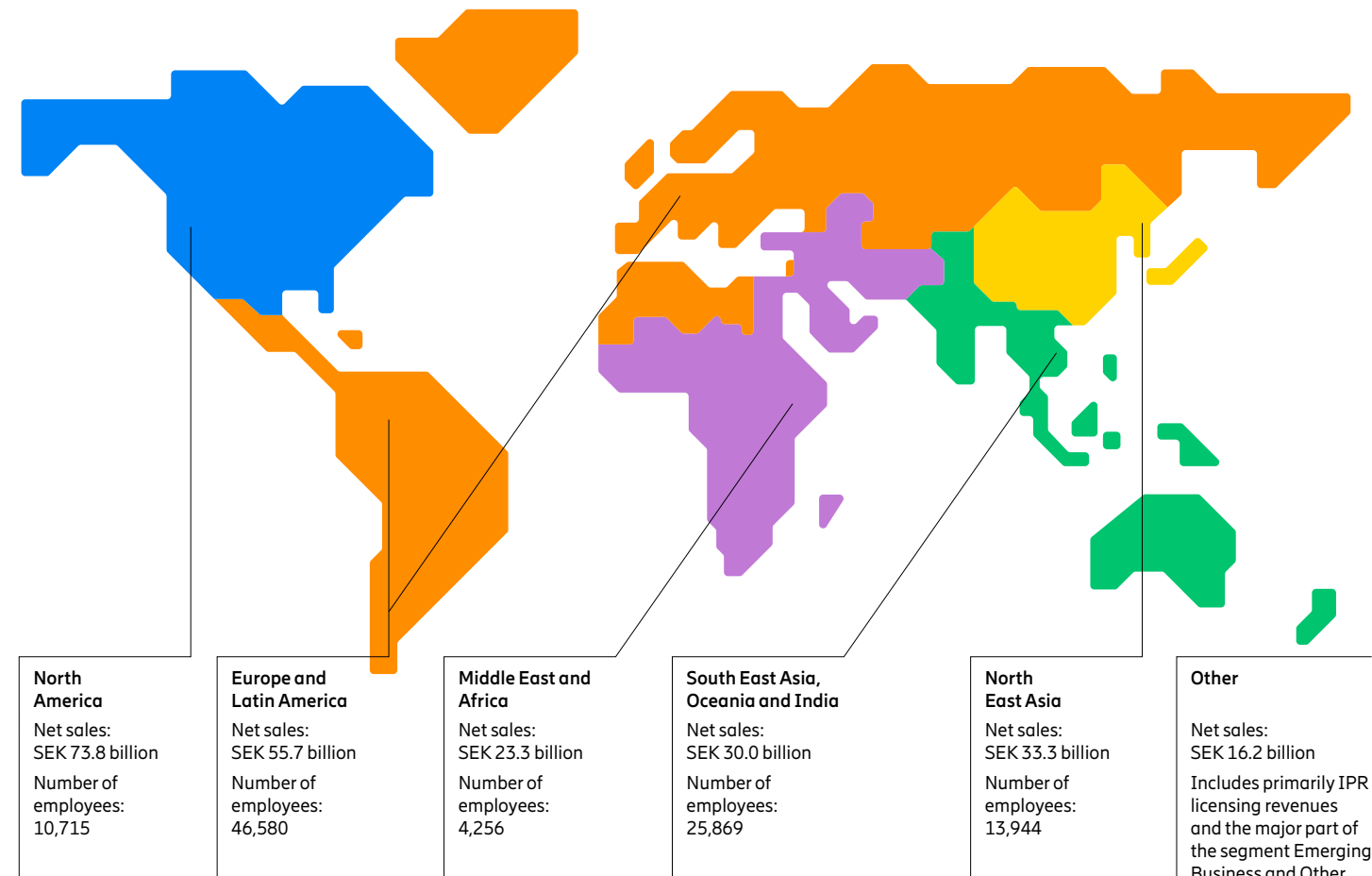
Our global skill and presence allow us to develop close relationships with our customers across the world.



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Our geographical structure

Our geographical structure comprises five market areas, to provide clear customer interfaces and fast time-to-market. The market areas are responsible for selling and delivering the competitive solutions that our business segments develop.



Sustainability focus across our business

The Sustainability and Corporate Responsibility programs and initiatives in the market areas are aligned to the global sustainability strategy. Each year Ericsson assesses environmental, social and corporate governance topics significant to the Company and presents them in the Sustainability and Corporate Responsibility report. In 2020, Ericsson strengthened its compliance, anti-corruption, and health, safety and well-being programs and training. The continued deployment of carbon-reduction initiatives and advocacy for digital inclusion were also in focus. More in-depth information on Ericsson's sustainability strategy and performance is available in the Sustainability and Corporate Responsibility report 2020.



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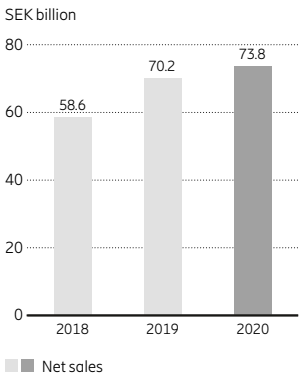
North America



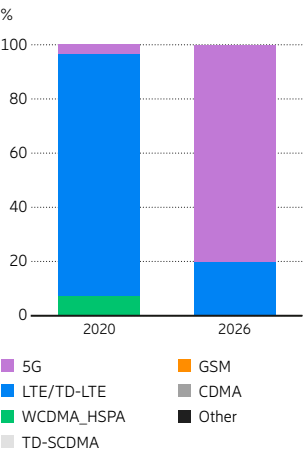
Niklas Heuveldop
Head of Market Area North America

“We are partnering with our customers to accelerate the value creation enabled by the 5G innovation platform.”

Net sales



Mobile subscription per technology



Market area overview

North America is a frontrunner market. Ericsson leads in RAN and Core, with market shares of 53%¹⁾ and 37% annualized, (trailing four quarters).

In 2020, COVID-19 had limited impact on our business in the market area.

Market

In North America, 5G is expected to create significant economic value for consumers, industries and the public sector, fueling the rapid buildout of the 5G innovation platform. The market is expected to have 340 million 5G subscriptions and 80% 5G penetration by 2026²⁾. Leading telecom operators have already launched nationwide 5G services and are focusing on adding capacity in the mid and high bands, with critical C Band auctions finalizing in early 2021. The RAN market in North America grew 14% in 2020¹⁾ and is expected to grow 2% in 2021¹⁾.

Strategic priorities

The strategic priorities for the market area are to continue to focus on supporting our customers to maximize cost efficiencies, improve end customer experience and identify new business opportunities in the consumer, public sector and enterprise markets.

Key customer events

During 2020, Ericsson’s market leadership grew through break-in 5G wins with Bell and TELUS, and new market share gains with a leading U.S. operator.

¹⁾ Dell’Oro Mobile RAN Quarterly Report 4Q20, February 2021.
²⁾ Ericsson Mobility Report November 2020.

Major customers

AT&T, Bell Canada, Rogers, TELUS, T-Mobile, U.S. cellular, Verizon.

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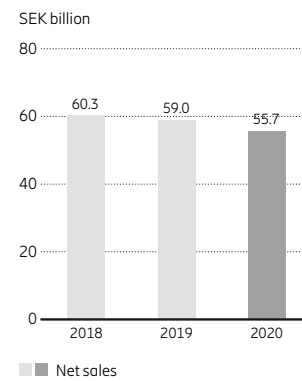
Europe and Latin America



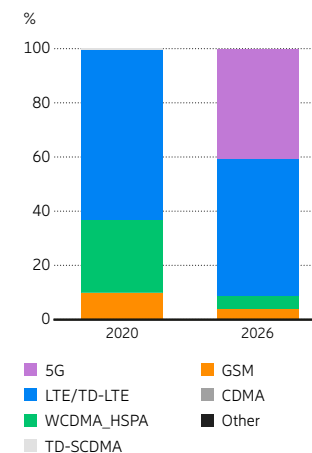
Arun Bansal
Head of Market Area Europe and Latin America

“Despite the challenges of COVID-19, we have executed on our strategy to gain significant 5G market share in Europe and Latin America.”

Net sales



Mobile subscription per technology



Market area overview

The Europe and Latin America market area covers circa 100 countries and over 800 customers. LTE makes up 64% of mobile subscriptions with low rural coverage in some areas. We have laid a solid foundation for the future with significant market share gains in both RAN and 5G Core in Europe, and in the face of macroeconomic challenges in Latin America, we have still continued to strengthen our position.

Market

The market is expected to have 730 million 5G subscriptions by 2026¹⁾ and in Western Europe, 5G is expected to represent 68% of mobile subscriptions, while the share in Latin America is expected to be 26%. In Europe many countries have launched nationwide 5G services during 2020, however 5G rollout is slow due to auction delays. The RAN market in Europe grew 8% in 2020²⁾ and is expected to grow 3% in 2021²⁾.

Strategic priorities

The strategic priorities of the market area are to focus on 5G in Europe, support early movers in Latin America and increase our market share in key enterprise areas through our widening network of partners.

Key customer events

In 2020 Ericsson launched 35 5G networks in the market area, securing contracts with all UK telecom operators. As part of our expansion across Europe, Ericsson also won 5G Core with KPN and Telefonica Germany, and 5G RAN with CETIN, Telia, and Three in the UK, Ireland, Denmark and Sweden.

We announced private network contracts with enterprises including the world's largest gold and silver producer with MTS, Paris Airports with Hub One, the world's largest pump manufacturer with TDC Net and a ten-year deal to provide Finland's Public Safety Network.

¹⁾ Ericsson Mobility Report November 2020.

²⁾ Dell'Oro Mobile RAN Quarterly Report 4Q20, February 2021.

Major customers

America Movil, Bouygues, BT, CETIN, Deutsche Telekom, Entel, Liberty Latin America, Millicom, MTS, Orange, Swisscom, TDC, Telefonica, Telia, Three, TIM, Veon and Vodafone.

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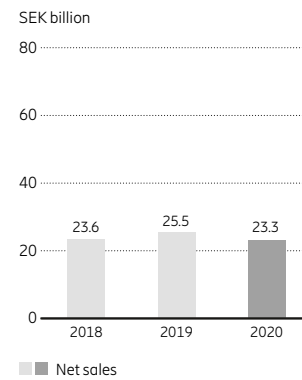
Middle East and Africa



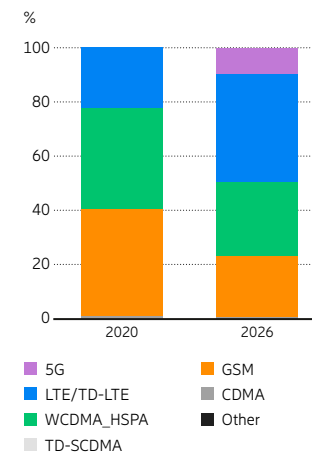
Fadi Pharaon
Head of Market Area Middle East and Africa

“Accelerated 5G deployment in Gulf Countries and 4G adoption in Africa. Focus on digital transformation driving customer value.”

Net sales



Mobile subscription per technology



Market area overview

The Middle East and Africa is a diverse market with emerging economies and a young and growing population, where Ericsson has a strong presence and a large installed base. In 2020, macroeconomic uncertainty due to COVID-19 impacted our business in Africa.

The Middle East is one of the most advanced markets for 5G deployments and Africa has great potential for enhanced 4G penetration and use of technology (mobile money) for financial services inclusion.

Market

Digitalization ranks highest in terms of national priorities and is seen as the mean to transform economies and societies. The market has extraordinary demand for advanced connectivity. By 2026¹⁾, 5G is expected to represent 15% of mobile subscriptions in the Middle East and North Africa and mobile data traffic is estimated to grow by 6.5 times in Sub-Saharan Africa.

Strategic priorities

The strategic priorities of the market area are focus on value-based offerings, attracting and retaining the best talents and building high-performing teams with deep commitment to ethics and integrity to deliver great value to customers and stakeholders.

Key customer events

During 2020, Ericsson secured multiple customer wins, expanding existing and gaining new market position with customers such as RAN (Airtel Kenya and Umniah Jordan), energy solutions (TAWAL Saudi Arabia) and multiple 5G wins (Batelco, Etisalat, Mobily, MTN South Africa, Omantel, Ooredoo, stc, Telma, Zain).

¹⁾ Ericsson Mobility Report November 2020

Major customers

Airtel, Etisalat, Jazz, Mobily, MTN, Ooredoo, Orange, stc, Turkcell, Vodafone, Zain.

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South East Asia, Oceania and India



Nunzio Mirtillo
Head of Market Area South East Asia, Oceania and India

“2020 saw continued investments in LTE across the region and growing 5G momentum in South East Asia and Oceania.”

Market area overview

South East Asia, Oceania and India is a diverse region. It includes some of the most technologically advanced markets in the world, as well as developing markets, where there is more opportunity for mobile broadband capacity and coverage. In 2020, COVID-19 had limited impact on our business in South East Asia, Oceania and India.

Market

In South East Asia and Oceania, LTE represented a 42%¹⁾ share of total mobile subscriptions in the region in 2020. Also in India, LTE remained the dominant technology, accounting for 63%¹⁾ of mobile subscriptions in 2020. By 2026¹⁾ 5G is expected to represent 32% of mobile subscriptions in South East Asia and Oceania, and 27% of mobile subscriptions in India.

Strategic priorities

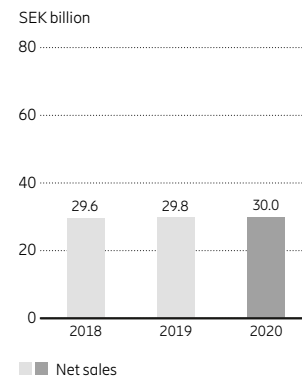
The strategic priority of the market area is to support our customers to lead in end-user experience and efficiency, and to increase revenues, both in consumer and enterprise segments, through adoption of our world-leading 5G solutions. We will also continue our investments in AI and automation to enable our customers to be faster to market.

Key customer events

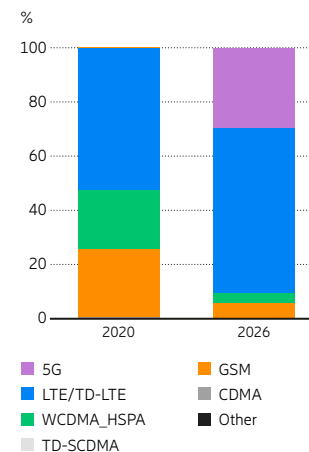
Key wins during 2020 included Managed Services extensions with Bharti Airtel, NBN Co and a new contract with Indosat Ooredoo; a 4G expansion with Bharti Airtel, including a new circle; 5G RAN with True and dtac; 5G Core with TPG Telecom Limited and 5G RAN and Core with Smart Communications, Singtel, Optus and Telstra.

¹⁾ Ericsson Mobility Report November 2020

Net sales



Mobile subscription per technology



Major customers

Axiata Group, Bharti Airtel, Indosat Ooredoo, NBN Co, Optus, Singtel, Smart Communications, Telenor Group, Telkomsel, Telstra, True, Viettel, Vodafone Idea.



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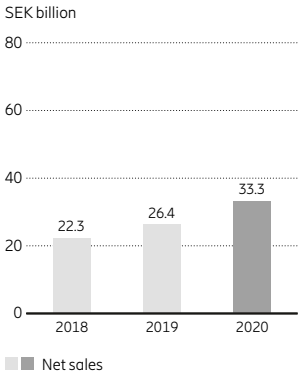
North East Asia



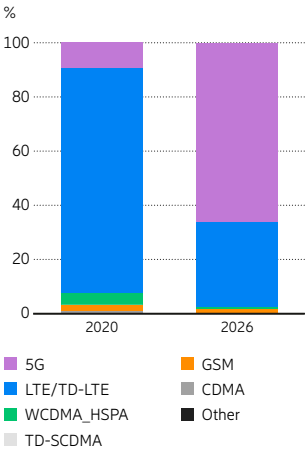
Chris Houghton
Head of Market Area North East Asia

“With technology breakthroughs, big 5G contract wins and meaningful market share gains, we laid a strong foundation for 2021.”

Net sales



Mobile subscription per technology



Market area overview

North East Asia is an advanced 5G market, where telecom operators are building extensive, high-quality 5G networks. Mainland China and Japan are among Ericsson’s largest markets globally, not only for mobile broadband but also for enterprise/IoT, while Korea is one of the world’s “early-adopter” markets. In 2020, COVID-19 had limited impact on our business in North East Asia.

Market

Our customers continue to enhance and densify their 5G networks over the coming years. In addition, we see an opportunity in IoT with telecom operators aiming to enter new markets by connecting industry and enterprises.

Strategic priorities

The strategic priority of the market area is to enable the efficient rollout of extensive 5G networks whilst demonstrating technology leadership and establishing new enterprise markets with our customers. Deployments in 5G Core, IoT, automation and AI are expected to happen in 2021 to support this.

Key customer events

In 2020, we saw market share gains in Mainland China, Korea and Japan and have seen significant top line growth. Our wins and deployments cover a wide variety of engagements, including 5G NSA and 5G SA, 5G Core, AI, automation, Ericsson Spectrum Sharing and private networks.

¹⁾ Ericsson Mobility Report November 2020

By the end of 2020, 5G represented some 9%¹⁾ of mobile subscriptions. By the end of 2026, 5G is estimated to represent 66%¹⁾ of mobile subscriptions.

Major customers

Asia Pacific Telecom, China Mobile, China Telecom, China Unicom, Chunghwa Telecom, NTT Docomo, Far EasTone, KDDI, KT, LGU+, SKT, SmarTone, SoftBank.

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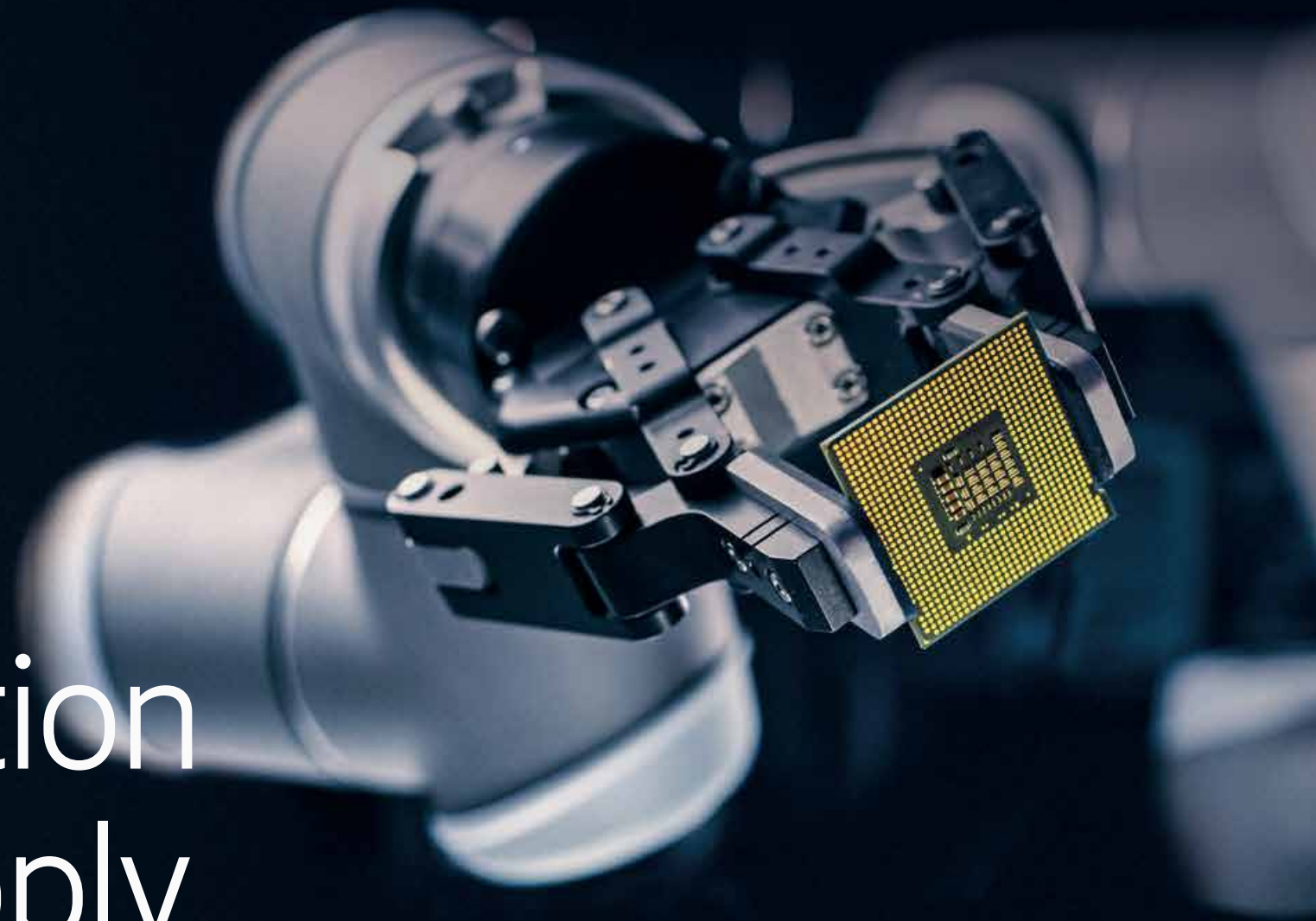
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We invest in R&D and innovation to create
both technology and cost leadership.



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Innovation



Ericsson's investments in research and development (R&D) generate technology and cost leadership for the Company and its customers. Employees in R&D represented 26% of the total workforce by the end of 2020.

In our unit Ericsson Research the focus is long-term. Ericsson has dedicated research teams located across the world who keep abreast of what the technology future will look like and why it matters. In our

Development units the focus is on product development, making timely investment decisions and executing them with the right capabilities and at the right cost.

Our insight into the emerging technology trends and potential disruptors is high, supported by collaboration initiatives with leading industry forums and universities globally. Emerging technologies such as edge compute, zero touch, AI and virtual and augmented reality are being

researched, and 6G is already being explored.

Ericsson's commitment and dedication to R&D is manifesting itself through a substantial contribution to cutting-edge standards and technologies. The value of the Company's IP-portfolio by the end of 2020 extended to more than 57,000 granted patents. Ericsson is a net receiver of licensing royalties and has license agreements with the majority of the largest handset and

mobile device manufacturers. Ericsson supports licensing standard essential patents on Fair, Reasonable and Non-Discriminatory (FRAND) terms. These licensing terms support deep standardization, ensure a healthy eco system and allow for scalable manufacturing, thereby lowering prices for consumers. Through FRAND licensing, innovative companies are compensated via patent royalties and are thus able to continue to reinvest in new technology for everyone's benefit.



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Supply

Our supply chain aims to secure high-performing, sustainable and cost-effective deliveries of hardware products, software and services to our customers. With customers in more than 180 countries our entire supply chain is global. This enables us to be flexible, agile and be close to our customers.

We are working to ensure that we have the capacity to support the rapid build-out of 5G in all countries. We have continuously evolved our supply-chain strategy and

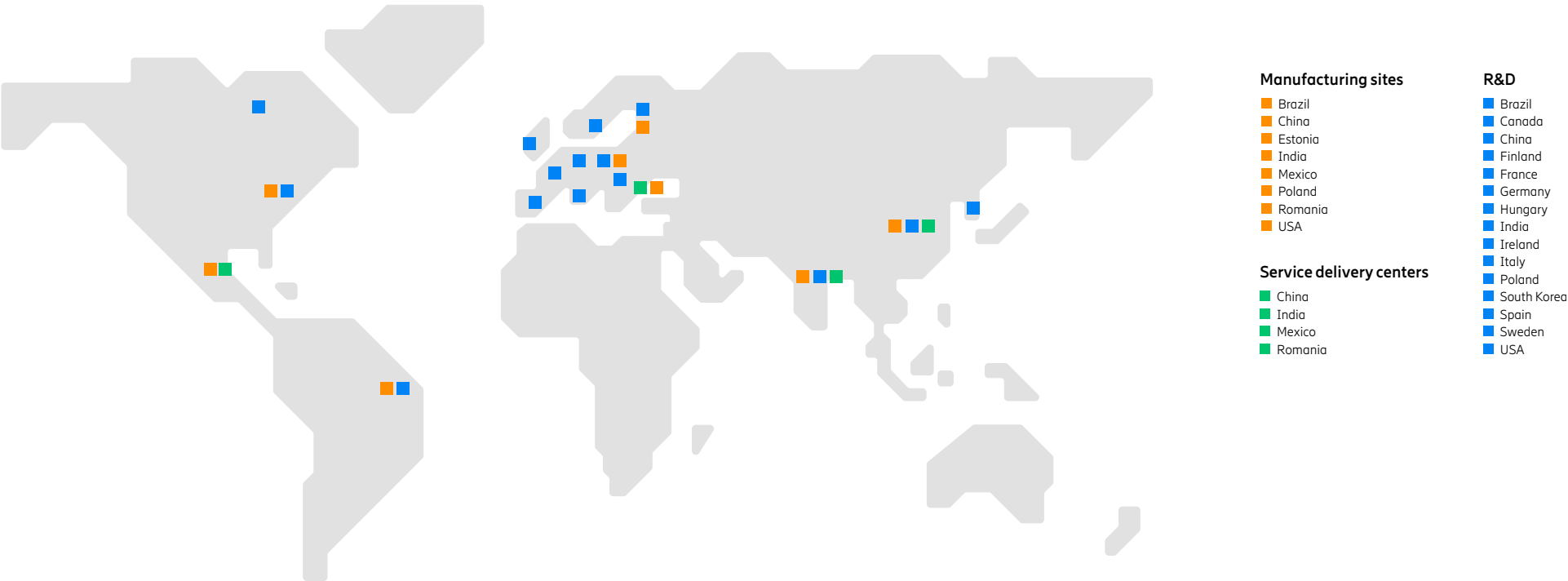
increased our capability to respond quickly to market and customer needs.

To secure resilience, we have a data-driven approach and use dual sourcing to secure that we have more than one supplier for components. The purpose is to ensure that every product can be produced in more than one factory whenever needed.

Ericsson’s production facilities are located on several continents, enabling us to shorten

lead times and reduce the environmental impact of transportation. In 2020, we opened a 5G Smart Factory in the US in Texas.

Through our Code of Conduct for business partners we conduct audits to verify compliance with our principles. Read more on responsible management of suppliers in our Sustainability and Corporate Responsibility report 2020 on pages 16–17.



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Our people

Through dedication and focus, our employees have risen to the challenge of successfully turning our company around and regaining our technology leadership position. We are on a journey, transforming our ways of working to create a great employee experience that makes it even easier for us to focus on our customers and deliver positive business results.

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The foundation of our people story



Core values

Respect, professionalism and perseverance

Purpose and vision

Empowering an intelligent, sustainable and connected world

Creating a great people experience

To offer a great customer experience we must create a great people experience. This is key to the execution of our focused strategy. To achieve this, we must be clear about what we provide as an organization and what we expect from our people.

Leveraging our company purpose, our core values and our people philosophies, we have developed an aspiration for the experience people can expect when working at Ericsson.

Our philosophies

We have defined a set of people philosophies to enhance the transparency and alignment regarding the most critical people related decisions. With the philosophies we also reinforce the commitment to compliance and the importance of demonstrating ethical and responsible business practices in everything we do.

We believe that:

- Every individual is a talent.
- We perform at our best when we know why our work is important to the Company's strategy execution.
- We learn best when we are challenged and receive continuous feedback as we actively contribute to our team's and Ericsson's overall success.
- Diverse, inclusive teams drive performance and innovation, creating greater business value.
- We are engaged when we feel that our work makes an impact, that we can work autonomously, that we are given opportunities to grow and that we are included and valued.
- Our leaders are the driving force behind our business performance and overall company culture.
- Our people should be paid in a fair way and be recognized and rewarded for the impact they create.

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Focused activities 2020

Focus areas during the year

2020 has been an unprecedented year for our people. Amid the global COVID-19 pandemic, the safety and well-being of our people have been paramount. More than 80% of our employees have been working from home, and despite this we have continued to deliver on our commitment to our customers as well as building on our One Ericsson community and culture. During 2020 our focus has been on the following areas:

Employee engagement

Our employee satisfaction score has risen steadily since 2018, and it continued to increase in 2020. In the Q4 survey we have an employee satisfaction score of 83, which is 10 points above the industry benchmark figure for the technology sector. During the pandemic we have further prioritized providing employees with support, flexibility and continuous communication. A range of precautionary measures were taken to ensure the health and safety of our employees, and by the end of 2020 about 90,000 people had transitioned to working remotely. In addition, we increased our focus on employee benefits and employee well-being by expanding our Employee Assistance Programs and launching a global well-being program.

To stay close to our employees during these challenging times, we conducted two global COVID-19 surveys. This continuous monitoring of feedback enabled us to understand how people were feeling, how they were

managing their work-life balance and what we could do to support them. Overall, employees felt that the Company handled the COVID-19 pandemic well.

Leadership and culture transformation – Ericsson on the Move

In 2020 we continued the company-wide culture transformation journey called Ericsson on the Move. Since the start of Ericsson on the Move in 2019, almost 90% of people-managers have participated in Ignition Workshops. The objective of this transformation is to amplify managers' behaviors in the following five focus areas and thereby develop a robust, ethical Ericsson culture that enables and supports our focused business strategy:

- Show empathy for different perspectives, approaches and our common humanness
- Create a speak-up environment
- Further our cross-company cooperation and collaboration; act as ONE Ericsson
- Take timely, fact-based and courageous decisions
- Execute speedily.

The participation of all people-managers in the Ericsson on the Move workshops was accelerated by the rapid shift from working face-to-face to a digital virtual platform. The Ericsson on the Move initiative has significantly helped us to manage the COVID-19 crisis more effectively – by showing more empathy and humanness, collaborating better and taking more courageous decisions.



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With a focus on creating a speak-up environment, it has also served as a platform in support of our culture of ethical and responsible business. To further secure strong ethical behavior in our leadership, we have continued to implement vetting for senior executives and other key leadership positions in the Company.

Talent & skills

During 2020 we continued to build our people's skill-sets and ways of thinking in order to create a sustainable business for the future. Our focus on managing critical positions across the company by mitigating risk of vacancy, by building readiness and by developing the skills to drive success continued. We developed critical skills through up-skilling and re-skilling programs in our strategic growth areas of Digital Leadership, 5G Enhanced Readiness, AI/Machine Learning & Automation, Customer-Centric Sales Enablement, Ethics & Compliance, and Security. With a home-based workforce, use of our digital learning ecosystem almost doubled in 2020 to over 73,000 employees worldwide, and our programs were redesigned to be fully virtual and with increased use of project-based, experiential and immersive learning-techniques.

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2G

Second generation of mobile systems (the first digital generation). Includes GSM, TDMA, PDC and cdmaOne.

3G

Third generation mobile systems. Includes WCDMA/HSPA, CDMA2000 and TD-SCDMA.

4G

Fourth generation mobile systems, also known as LTE.

5G

The fifth generation of mobile systems. An evolution of 4G/LTE.

AI

Artificial Intelligence. The ability of a machine to perform tasks commonly associated with intelligent beings.

AR

Augmented reality. An interactive experience of a real-world environment whereby the objects that reside in the real world are augmented by computer generated information.

BSS

Business Support Systems, the IT-systems that a telecom operator uses to run its business operations towards customers. Together with operations support systems (OSS), they are used to support various services for both business processes and the network end-to-end.

CDMA

Code Division Multiple Access. A radio technology on which the cdmaOne (2G) and CDMA2000 (3G) mobile communication standards are both based.

Cloud

When data and applications reside in accessible data centers.

CO₂e

The amount of a particular greenhouse gas, expressed as the amount of carbon dioxide that gives the same greenhouse effect.

Core network

The mobile network's core part, which offers numerous services to the end users who are interconnected by the access network. Its key function is to direct voice calls and route data traffic.

COVID-19

The disease caused by the coronavirus (SARS-CoV 2).

COVID-19 pandemic

The global spread of the disease caused by the coronavirus (SARS-CoV 2).

GSM

Global System for Mobile Communications. Second generation mobile system.

ICT

Information and Communication Technology.

IoT

Internet of things, interconnection of computing things enabling them to send and receive data.

IP

Internet Protocol. Defines how information travels between network elements across the internet.

IPR

Intellectual Property Rights, or specifically patents.

LTE

Long-Term Evolution. 4G; the evolutionary step of mobile technology beyond 3G HSPA, allowing data rate above 100 Mbps.

Managed services

Management of operator networks and/or hosting of their services.

Managed services - base pack

Traditional scope offerings that cover customer core operational requirements within end-to-end network or IT operations

Managed services – value pack

New scope offerings that generate value to the customer, beyond our traditional scope offerings.

Mobile broadband

Wireless high-speed internet access using the HSPA, LTE, CDMA2000EV-DO and 5G technologies.

(Network) Orchestration

Simplifies how networking resources are managed, helping you deploy virtualized networks through self-service tools and centralized management.

OSS

Operations Support Systems, IT-systems used by service providers to manage their networks. They support management functions such as network inventory, service provisioning, network configuration and fault management.

RAN

Radio Access Network, consists of a large number radio base stations that handsets and devices can connect to.

Standard Essential Patents

Patents that are necessary to use in any device connecting to a mobile network. You cannot build a device that connects to mobile networks without using Standard Essential Patents.

VR

Virtual reality. The use of computer modelling and simulation that enables a person to interact with an artificial three-dimensional (3-D) visual or other sensory environment.

WCDMA

Wideband Code Division Multiple Access, third generation mobile networks.