

ERICSSON LM TELEPHONE CO

Form 6-K

April 22, 2016

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN ISSUER**

**Pursuant to Rule 13a-16 or 15d-16 of**

**the Securities Exchange Act of 1934**

**April 22, 2016**

**Commission File Number**

**000-12033**

**LM ERICSSON TELEPHONE COMPANY**

**(Translation of registrant's name into English)**

**Torshamnsgatan 21, Kista**

**SE-164 83, Stockholm, Sweden**

**(Address of principal executive offices)**

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.  
Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENTS ON FORM F-3 (NO. 333-203977) AND ON FORM S-8 (Nos. 333-196453, 333-161683 AND 333-161684) OF TELEFONAKTIEBOLAGET LM ERICSSON (PUBL.) AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED WITH OR FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELEFONAKTIEBOLAGET LM ERICSSON (publ)

By: /s/ NINA MACPHERSON  
**Nina Macpherson**  
**Senior Vice President and**  
**General Counsel**

By: /s/ HELENA NORRMAN  
**Helena Norrman**  
**Senior Vice President**  
**Corporate Communications**

Date: **April 22, 2016**

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FIRST QUARTER

REPORT 2016

AS ADJUSTED FOR INCORPORATION BY REFERENCE

**Stockholm, April 21, 2016****Read more****FIRST QUARTER HIGHLIGHTS****(page)**

|   |          |
|---|----------|
| Sales as reported decreased by -2% YoY.   | <b>3</b> |
| Sales declined following weak development in Europe and a weak macro-economic environment in some emerging markets.   | <b>3</b> |
| Sales grew in North America, Mainland China and in South East Asia.   | <b>3</b> |
| IPR licensing revenues grew YoY, mainly driven by recently signed contracts which included certain one-time items.  | <b>3</b> |
| Gross margin declined to 33.3% (35.4%), mainly due to lower margins in Global Services, higher share of mobile broadband coverage projects in parts of Asia and lower software sales in IP and core networks.   | <b>3</b> |
| Operating margin increased to 6.7% (4.0%) YoY, driven by improvements in Networks, partly offset by lower profitability in Global Services.   | <b>4</b> |
| In addition to the SEK 9 b. global cost and efficiency program, measures were started in the quarter to adapt the operations to current mobile broadband project volumes. Therefore, the estimate for 2016 restructuring charges increases to SEK 4-5 b. from previous SEK 3-4 b. | <b>3</b> |
| The company today announces structural changes to further accelerate strategy execution and drive efficiency and growth harder across the company.  | <b>2</b> |
| Cash flow from operating activities was SEK -2.4 (-5.9) b.  | <b>9</b> |

| SEK b.                                   | Q1<br>2016 | Q1<br>2015 | YoY<br>change | Q4<br>2015 | QoQ<br>change |
|--|------------|------------|---------------|------------|---------------|
| Net sales                                | 52.2       | 53.5       | -2%           | 73.6       | -29%          |
| Gross margin                             | 33.3%      | 35.4%      |               | 36.3%      |               |
| Operating income                         | 3.5        | 2.1        | 63%           | 11.0       | -69%          |
| Operating margin                         | 6.7%       | 4.0%       |               | 15.0%      |               |
| Net income                               | 2.1        | 1.5        | 45%           | 7.0        | -70%          |
| EPS diluted, SEK                         | 0.60       | 0.40       | 50%           | 2.15       | -72%          |
| Cash flow from operating activities      | -2.4       | -5.9       | -60%          | 21.9       | -111%         |
| Net cash, end of period <sup>1) 2)</sup> | 36.5       | 39.7       | -8%           | 41.2       | -11%          |

- 1) Reconciliation of non-IFRS financial measures to the most directly comparable IFRS financial measures can be found on page 28
- 2) The definition of Net cash is changed to exclude post-employment benefits, see accounting policies page 21.

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### **CEO COMMENTS**

Growth in North America, Mainland China and South East Asia was offset by weak development in Europe and some emerging markets. Profitability increased YoY, driven by improvements in Networks while Global Services had a challenging quarter.

### **Business**

Segment Networks sales declined slightly YoY. A continued weak macro-economic environment impacted sales negatively in some emerging markets in the Middle East and Latin America. In addition, sales in Europe were down primarily driven by completion of mobile broadband projects in 2015. Mobile broadband sales in North America and South East Asia grew and the fast pace of 4G deployments in Mainland China continued. IPR licensing revenues grew YoY, mainly driven by recently signed contracts which included certain one-time items. Software sales in IP and core networks declined.

Sales in segment Global Services declined YoY. This was mainly due to lower Network Rollout activities in Europe and Latin America. Professional Services sales were stable with growth in Consulting and Systems Integration driven by transformation projects and stable Managed Services sales with 21 contracts signed in the quarter.

Sales in Support Solutions increased YoY due to higher IPR licensing revenues. The underlying demand remains strong in OSS and BSS as data growth and increased focus on customer experience drives operators to transform their OSS and BSS solutions.

### **Profitability**

Gross margin declined despite higher IPR licensing revenues. The main reasons were lower margins in Global Services, a higher share of mobile broadband coverage projects in parts of Asia and lower software sales in IP and core networks. Operating margin increased YoY to 6.7% (4.0%), driven by reduced operating expenses and a positive currency effect.

Segment Networks operating margin improved through higher profitability in Radio supported by growth in IPR licensing revenues. Global Services had a challenging quarter partly due to lower mobile broadband coverage activities, leading to temporarily larger losses in Network Rollout. In addition, Professional Services margin declined as a large number of systems integration transformation projects are in a start-up phase.

### **Cash flow**

We ended the quarter with a negative cash flow from operating activities of SEK -2.4 b. which is a significant improvement compared with a year ago. As cash flow is volatile between quarters it should be viewed on a full-year basis. Our full-year cash conversion target of more than 70% remains.

### **Focus 2016**

When announcing the year-end results 2015, we presented three focus areas for 2016. The first focus area relates to our Core business where we will capture business opportunities in 4G and extend our leadership in 5G. At the Mobile World Congress (MWC) in Barcelona in March, we demonstrated our 5G leadership both technically and

commercially through 21 customer contracts as well as industry and academia research cooperation.

The second focus area for 2016 is to improve profitability in the targeted growth areas. Sales in these areas showed growth mainly driven by professional services. We will continue to put stronger focus on software sales and recurring business to increase profitability.

The third focus area for 2016 is to improve cost and efficiency in order to stay competitive across the entire business.

The global cost and efficiency program is progressing according to plan and contributed with savings of SEK 0.5 b. in operating expenses in the quarter. We are confident in our ability to achieve net annual savings of SEK 9 b. during 2017 compared with 2014.

In the quarter, we began to take additional measures beyond the SEK 9 b. cost and efficiency program. Hence, we are adapting our operations to current mobile broadband project volumes, which primarily impacts service delivery. The additional measures are reflected in an increased estimate for the 2016 restructuring charges.

### **Structural changes**

We are today announcing structural changes to further accelerate strategy execution and drive efficiency and growth even harder across the company. We will create a leaner, more fit for purpose, organization to cater to the needs of different customer segments and to faster capture market opportunities. As 5G, the Internet of Things and Cloud drive the next phase of industry development, the time is right to make this change.

The new structure will have five business units and one dedicated customer group for Industry & Society, in line with the company focus on core business, targeted growth areas and cost and efficiency. The changes will make it easier for our customers to do business with us, whether they are operators, media companies or other industries.

We are not satisfied with our overall growth and profitability development over the past years and I am convinced this will make us more competitive and enable us to grow both our company and our earnings.

### **Hans Vestberg**

President and CEO

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## FINANCIAL HIGHLIGHTS

| SEK b.                              | Q1<br>2016 | Q1<br>2015 | YoY<br>change | Q4<br>2015 | QoQ<br>change |
|-------------------------------------|------------|------------|---------------|------------|---------------|
| Net sales                           | 52.2       | 53.5       | -2%           | 73.6       | -29%          |
| <i>Of which Networks</i>            | 25.8       | 26.4       | -2%           | 37.3       | -31%          |
| <i>Of which Global Services</i>     | 23.0       | 23.9       | -4%           | 30.7       | -25%          |
| <i>Of which Support Solutions</i>   | 3.4        | 3.1        | 10%           | 5.6        | -40%          |
| <i>Of which Modems</i>              |            | 0.1        |               |            |               |
| Gross income                        | 17.4       | 19.0       | -8%           | 26.7       | -35%          |
| Gross margin (%)                    | 33.3%      | 35.4%      |               | 36.3%      |               |
| Research and development expenses   | -7.5       | -8.5       | -12%          | -7.9       | -6%           |
| Selling and administrative expenses | -6.7       | -7.1       | -6%           | -8.0       | -16%          |
| Other operating income and expenses | 0.3        | -1.2       |               | 0.3        | 7%            |
| Operating income                    | 3.5        | 2.1        | 63%           | 11.0       | -69%          |
| Operating margin                    | 6.7%       | 4.0%       |               | 15.0%      |               |
| <i>for Networks</i>                 | 11%        | 2%         |               | 19%        |               |
| <i>for Global Services</i>          | 3%         | 7%         |               | 8%         |               |
| <i>for Support Solutions</i>        | 7%         | 3%         |               | 30%        |               |
| <i>for Modems</i>                   |            | 0%         |               |            |               |
| Financial net                       | -0.5       | -0.1       |               | -0.7       | -36%          |
| Taxes                               | -0.9       | -0.6       | 45%           | -3.3       | -73%          |
| Net income                          | 2.1        | 1.5        | 45%           | 7.0        | -70%          |
| <i>Restructuring charges</i>        | -0.6       | -0.6       | 3%            | -0.7       | -10%          |

**FIRST QUARTER COMMENTS****Net sales**

Sales as reported decreased by -2% YoY.

Segment Networks sales declined slightly YoY. A weak macro-economic environment impacted sales negatively in some emerging markets in the Middle East and Latin America. In addition, sales in Europe were down primarily driven by completion of mobile broadband projects in 2015. Mobile broadband sales in North America grew and the fast pace of 4G deployments in Mainland China continued. IPR licensing revenues grew YoY, mainly driven by recently signed contracts which included certain one-time items. Software sales in IP and core networks declined.

Sales dropped in segment Global Services YoY. This was mainly due to lower Network Rollout activities in Europe and Latin America. Professional Services sales were stable with growth in Consulting and Systems Integration driven by transformation projects. Managed Services sales were stable with 21 contracts signed in the quarter.

Sales in Support Solutions increased YoY due to higher IPR licensing revenues. Software sales in OSS and BSS declined. However, the underlying demand remains strong in OSS and BSS as data growth and increased focus on customer experience drives operators to transform their OSS and BSS solutions.

Group sales as reported decreased by -29% QoQ following a seasonally strong Q4 and lower IPR licensing revenues.

### **Gross margin**

Gross margin declined YoY despite higher IPR licensing revenues and increased capacity sales in North America. Lower margin in Global Services, higher share of mobile broadband coverage projects in parts of Asia and lower software sales in IP and core networks impacted gross margin negatively.

Gross margin declined sequentially, mainly due to lower IPR licensing revenues, higher share of services sales and lower margin in Global Services.

### **Restructuring charges and cost and efficiency program**

Restructuring charges were stable YoY and declined QoQ.

The global cost and efficiency program is progressing according to plan. The target remains, to achieve net annual savings of SEK 9 b. during 2017 relative to 2014.

In the quarter, the company began to take additional measures beyond the cost and efficiency program, impacting primarily service delivery. With current visibility, total restructuring charges for 2016 are estimated to be SEK 4-5 b. compared with previous estimate of SEK 3-4 b.

### **Operating expenses**

Operating expenses decreased to SEK 14.2 (15.6) b. due to increased capitalization of development expenses, savings related to the cost and efficiency program and reduced amortizations of intangible assets. Savings related to the cost and efficiency program were SEK 0.5 b. YoY.



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### **Other operating income and expenses**

Other operating income and expenses improved YoY. The revaluation and realization effects of currency hedge contracts were SEK 0.2 b. This is to be compared with SEK -0.1 b. in Q4 2015 and SEK -1.4 b. in Q1 2015.

The main part of the currency hedge contract balance is in USD. The SEK strengthened against the USD between Dec 31, 2015 (SEK/USD rate 8.40) and March 31, 2016 (SEK/USD rate 8.10).

### **Operating income**

Operating income increased YoY, supported by reduced operating expenses, a positive effect from currency hedge contracts and increased IPR licensing revenues. The increase in operating income was partly offset by a lower gross income.

Operating income decreased QoQ due to lower sales, lower IPR licensing revenues and lower gross margin. The decrease in operating income was partly offset by reduced operating expenses.

### **Financial net**

Financial net decreased YoY mainly due to negative revaluation effects of foreign currency. Financial net improved QoQ following lower financial expenses.

### **Taxes**

The tax rate was stable YoY and declined slightly QoQ.

### **Net income and EPS**

Net income and EPS diluted increased YoY following higher operating income and decreased QoQ. EPS diluted was SEK 0.60 (0.40).

### **Employees**

The number of employees on March 31, 2016 was 115,300 compared with 116,281 on Dec 31, 2015. Reductions as part of the global cost and efficiency program continued. However, the number of Ericsson services professionals remained unchanged at 66,000 on March 31, 2016.

### **Modems**

The discontinuation of the modems business was completed in Q3 2015.

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## REGIONAL SALES

| SEK b.                           | First quarter 2016 |             |                   | Total       | Change     |             |
|----------------------------------|--------------------|-------------|-------------------|-------------|------------|-------------|
|                                  | Global Networks    | Services    | Support Solutions |             | YoY        | QoQ         |
| North America                    | 6.3                | 6.1         | 0.8               | 13.2        | 8%         | -23%        |
| Latin America                    | 2.0                | 1.8         | 0.2               | 4.0         | -12%       | -34%        |
| Northern Europe and Central Asia | 1.3                | 0.8         | 0.1               | 2.2         | -18%       | -22%        |
| Western and Central Europe       | 1.3                | 2.5         | 0.1               | 4.0         | -17%       | -26%        |
| Mediterranean                    | 1.5                | 2.7         | 0.1               | 4.3         | -14%       | -38%        |
| Middle East                      | 1.4                | 1.9         | 0.3               | 3.6         | -21%       | -41%        |
| Sub-Saharan Africa               | 0.9                | 1.1         | 0.2               | 2.1         | -2%        | -26%        |
| India                            | 1.3                | 1.2         | 0.2               | 2.7         | -24%       | -15%        |
| North East Asia                  | 3.5                | 1.9         | 0.1               | 5.6         | -7%        | -37%        |
| South East Asia and Oceania      | 3.2                | 1.9         | 0.1               | 5.2         | 22%        | -2%         |
| Other <sup>1)</sup>              | 3.1                | 1.1         | 1.2               | 5.4         | 43%        | -40%        |
| <b>Total</b>                     | <b>25.8</b>        | <b>23.0</b> | <b>3.4</b>        | <b>52.2</b> | <b>-2%</b> | <b>-29%</b> |

<sup>1)</sup> Region Other includes licensing revenues, broadcast services, power modules, mobile broadband modules, Ericsson-LG Enterprise and other businesses.

**North America**

Sales grew in comparison with a weak first quarter 2015, driven by increased mobile broadband capacity investments to cater to mobile data traffic growth. The need for ICT transformation remains and is creating opportunities in Support Solutions and Professional Services.

**Latin America**

Mobile broadband investments continued to decline, impacted by local currency depreciation. However, mobile broadband investments in Mexico increased YoY.

**Northern Europe and Central Asia**

The mobile broadband investments in Russia continued to be weak. Professional Services grew, primarily in the Nordics, where managed services and ICT transformation were the main drivers.

**Western and Central Europe**

After a period of significant investments in network build-out, operators are moving focus to invest in capacity and quality in order to improve end-user experience. This resulted in a mobile broadband sales decline compared with last year. Professional services sales remained stable.

## **Mediterranean**

Sales declined due to lower investments in mobile broadband infrastructure as major projects were completed. ICT transformation for TV & Media developed favorably.

## **Middle East**

Networks sales declined due to lower infrastructure investments, driven by a challenging macro-economic environment partly linked to lower oil prices.

## **Sub-Saharan Africa**

Mobile broadband sales increased somewhat as certain markets are investing in network modernization and introduction of 4G. Global Services sales decreased, mainly as a result of de-scoping of managed services contracts in a few markets.

## **India**

4G deployments started at the end of 2015, however, overall mobile broadband sales slowed as a result of delays in spectrum auctions and spectrum trading deals between operators. The positive development in Professional Services continued.

## **North East Asia**

4G deployments in Mainland China continued as projected, while core network deployments were slower than a year ago. Japan had a strong quarter mainly due to fiscal year-end investments. In Korea, investments slowed further due to delayed spectrum auctions.

## **South East Asia and Oceania**

Sales growth was primarily driven by mobile broadband expansion in Bangladesh. Professional Services developed favorably, mainly driven by Managed Services. Support Solutions developed positively, driven by OSS and BSS transformation projects, primarily in Australia.

## **Other**

IPR licensing revenues grew YoY, mainly driven by recently signed contracts which included certain one-time items.

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## SEGMENT RESULTS

**NETWORKS**

| SEK b.                       | Q1<br>2016 | Q1<br>2015 | YoY<br>change | Q4<br>2015 | QoQ<br>change |
|------------------------------|------------|------------|---------------|------------|---------------|
| Net sales                    | 25.8       | 26.4       | -2%           | 37.3       | -31%          |
| Operating income             | 2.7        | 0.6        | 362%          | 7.2        | -62%          |
| Operating margin             | 11%        | 2%         |               | 19%        |               |
| <i>Restructuring charges</i> | -0.3       | -0.2       | 71%           | -0.3       | 14%           |
| <b>Net sales</b>             |            |            |               |            |               |

Sales as reported decreased by -2% YoY mainly due to lower software sales in IP and core networks as well as lower mobile broadband investments in India following a delayed spectrum auction. In North America, mobile broadband sales grew driven by capacity investments. 4G deployments in Mainland China continued at a fast pace. IPR licensing revenue grew YoY.

Sales growth was strong in some emerging markets such as Mexico and Bangladesh. Other emerging markets, such as Brazil and parts of the Middle East, remained weak, negatively impacted by a weak macro-economic environment. Sales in Europe declined YoY as major projects were completed in 2015.

Sales decreased QoQ, following a seasonally strong Q4 2015. The decrease was mainly due to lower IPR licensing revenues and lower sales in Mainland China and in North America. Sequentially, the business mix was unchanged, with a large share of hardware sales.

In the quarter, Ericsson announced the acquisition of NodePrime, a software platform development company. The acquisition aims to strengthen Ericsson's leadership in next-generation software-defined infrastructure.

Deliveries of Ericsson Radio System started at the end of 2015 and will scale to address all regions and ramp to larger volumes during the latter part of this year.

**Operating income and margin**

Operating income and margin increased YoY mainly due to higher IPR licensing revenues, lower operating expenses, higher mobile broadband capacity sales in North America and a positive effect from currency hedge contracts. This was partly offset by lower software sales in IP and core networks and a higher share of coverage business in emerging markets.

Sequentially, operating income and margin decreased due to lower sales and lower IPR licensing revenues.

The effect of currency hedge contracts was positive at SEK 0.2 (-1.1) b. in the quarter. In Q4 2015, the effect of currency hedge contracts was negative at SEK -0.2 b.

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| SEK b.                                | Q1<br>2016 | Q1<br>2015 | YoY<br>change | Q4<br>2015 | QoQ<br>change |
|---------------------------------------|------------|------------|---------------|------------|---------------|
| Net sales                             | 23.0       | 23.9       | -4%           | 30.7       | -25%          |
| <i>Of which Professional Services</i> | 17.9       | 18.1       | -1%           | 23.1       | -22%          |
| <i>Of which Managed Services</i>      | 7.4        | 7.5        | -2%           | 8.2        | -10%          |
| <i>Of which Network Rollout</i>       | 5.1        | 5.8        | -12%          | 7.6        | -33%          |
| Operating income                      | 0.6        | 1.7        | -62%          | 2.5        | -75%          |
| <i>Of which Professional Services</i> | 1.3        | 2.1        | -39%          | 2.7        | -52%          |
| <i>Of which Network Rollout</i>       | -0.6       | -0.4       | 52%           | -0.2       | 257%          |
| Operating margin                      | 3%         | 7%         |               | 8%         |               |
| <i>for Professional Services</i>      | 7%         | 12%        |               | 12%        |               |
| <i>for Network Rollout</i>            | -13%       | -7%        |               | -2%        |               |
| <i>Restructuring charges</i>          | -0.3       | -0.4       | -25%          | -0.2       | 48%           |

**Net sales**

Sales as reported decreased -4% YoY, with a decline in Network Rollout due to lower mobile broadband coverage activities in Europe and Latin America. Professional Services sales were stable with growth in Consulting and Systems Integration driven by transformation projects. Managed Services sales were stable with 21 contracts signed in the quarter.

Sales decreased by -25% QoQ following a strong Q4.

**Operating income and margin**

Operating income decreased YoY in Global Services with reduced profitability in both Network Rollout and Professional Services.

While the underlying profitability in Network Rollout remained stable, lower volumes in mobile broadband rollout led to temporary losses due to under-absorption of resources.

Professional Services margin declined as a large number of systems integration transformation projects are in a start-up phase.

To improve profitability, additional measures are being taken to adapt the service delivery operations to current mobile broadband project volumes.

|            |            |                   |
|------------|------------|-------------------|
| Q1<br>2016 | Q1<br>2015 | Full year<br>2015 |
|------------|------------|-------------------|

|   |    |    |     |
|---|----|----|-----|
| Number of signed Managed Services contracts   | 21 | 27 | 101 |
| Number of signed significant consulting & systems integration contracts <sup>1)</sup> | 13 | 13 | 66  |

<sup>1)</sup> In the areas of OSS and BSS, IP, Service Delivery Platforms and data center build projects.

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| SEK b.                       | Q1<br>2016 | Q1<br>2015 | YoY<br>change | Q4<br>2015 | QoQ<br>change |
|------------------------------|------------|------------|---------------|------------|---------------|
| Net sales                    | 3.4        | 3.1        | 10%           | 5.6        | -40%          |
| Operating income             | 0.2        | 0.1        | 190%          | 1.7        | -86%          |
| Operating margin             | 7%         | 3%         |               | 30%        |               |
| <i>Restructuring charges</i> | 0.0        | 0.0        | 16%           | -0.2       | -90%          |

**Net sales**

Sales as reported increased 10% YoY, due to higher IPR licensing revenues. Software sales in OSS and BSS declined due to lower software licenses sales in the quarter. The overall transition of business models, from traditional telecom software licenses to recurrent license revenue deals, continues. The underlying demand remains strong in OSS and BSS as data growth and increased focus on customer experience drives operators to transform their OSS and BSS solutions.

TV & Media sales were flat YoY with contribution from the recent acquisition of Envivio, a global leader in software-based video encoding. In the IP transformation of the media industry there is a high level of engagement around next-generation TV and Media platforms. Ericsson is well positioned through the cloud-based video storage and TV platform solutions.

Sales, adjusted for comparable units and currency, increased by 5%.

Sales declined QoQ following a seasonally strong Q4.

**Operating income and margin**

Operating income and margin improved YoY, mainly driven by increased IPR licensing revenues.

The effect of currency hedge contracts was SEK 0.0 (-0.1) b.



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## CASH FLOW

| SEK b.   | Q1<br>2016  | Q1<br>2015   | Q4<br>2015  |
|--|-------------|--------------|-------------|
| Net income reconciled to cash                  | 3.6         | 3.1          | 11.0        |
| Changes in operating net assets                | -6.0        | -9.0         | 10.9        |
| Cash flow from operating activities            | -2.4        | -5.9         | 21.9        |
| Cash flow from investing activities            | -1.0        | -2.1         | -12.8       |
| Cash flow from financing activities            | 0.1         | 0.9          | -0.7        |
| <b>Net change in cash and cash equivalents</b> | <b>-4.3</b> | <b>-5.7</b>  | <b>6.3</b>  |
| <i>Cash conversion (%) 1)</i>                  | <i>-65%</i> | <i>-188%</i> | <i>200%</i> |

- 1) Reconciliation of non-IFRS financial measures to the most directly comparable IFRS financial measures can be found on page 28

Cash flow from operating activities was SEK -2.4 (-5.9) b. Compared with last year, cash flow from operating activities has improved despite payouts of short-term variable compensation (such payouts were made in the second quarter last year). The improvement is mainly related to stable pace of deployments in Mainland China, capacity sales in North America and higher IPR licensing payments.

Cash outlays of SEK 0.5 b. related to restructuring charges were made in the quarter.

Cash flow from investing activities was impacted by investments in property, plant and equipment of SEK -1.5 b., related to continued investments in Global ICT centers. In addition capitalized development expenses of SEK -1.2 b. were made. Cash flow from financing activities amounted to SEK 0.1 b in the quarter.

| Working capital KPIs, number of days | Jan-Mar<br>2016 | Jan-Dec<br>2015 | Jan-Sep<br>2015 | Jan-Jun<br>2015 | Jan-Mar<br>2015 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Sales outstanding (target: <90)      | 108             | 87              | 113             | 112             | 125             |
| Inventory (target:<65)               | 80              | 64              | 72              | 74              | 82              |
| Payable (target:>60)                 | 58              | 53              | 55              | 57              | 64              |

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## FINANCIAL POSITION

|                                | Mar 31<br>2016 | Mar 31<br>2015 | Dec 31<br>2015 |
|--------------------------------|----------------|----------------|----------------|
| SEK b.                         |                |                |                |
| + Short-term investments       | 25.1           | 30.8           | 26.0           |
| + Cash and cash equivalents    | 35.9           | 35.3           | 40.2           |
| <b>Gross cash</b>              | <b>61.0</b>    | <b>66.1</b>    | <b>66.3</b>    |
| - Interest bearing liabilities | 24.5           | 26.3           | 25.1           |
| <b>Net cash 1)</b>             | <b>36.5</b>    | <b>39.7</b>    | <b>41.2</b>    |
| Equity                         | 145.6          | 149.1          | 147.4          |
| Total assets                   | 280.3          | 303.0          | 284.4          |
| Capital turnover (times)       | 1.1            | 1.1            | 1.3            |
| Equity ratio (%)               | 52.0%          | 49.2%          | 51.8%          |

- 1) Reconciliation of non-IFRS financial measures to the most directly comparable IFRS financial measures can be found on page 28

Net cash decreased by SEK 4.7 b. in the quarter as a result of increased working capital and investing activities. Total net cash position was SEK 36.5 b.

The definition of Net cash was changed to exclude post-employment benefits. For a definition, see accounting policies page 21. Post-employment benefits were SEK 25.7 b. compared with SEK 22.7 b. Dec 31, 2015, following lower discount rates.

The average maturity of long-term borrowings as of March 31, 2016, was 4.5 years, compared with 5.6 years 12 months earlier.

**Debt maturity profile, Parent Company**

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### **OTHER INFORMATION**

#### **Ericsson and Adaptix have reached a settlement agreement resolving all of the remaining pending litigations**

As disclosed in the 2015 Annual Report, Ericsson is involved in several patent infringement lawsuits against Adaptix Inc. who has filed several suits in the Eastern District of Texas in the US and the Tokyo District Court in Japan, alleging that Ericsson infringe patents assigned to Adaptix.

In January 2016, the Tokyo District Court found that Ericsson did not infringe the asserted patent. As Adaptix did not appeal within the term for appeal to the High Court, the judgment became final. In March 2016, Adaptix and Ericsson reached a settlement agreement, resolving all of the remaining pending litigations.

#### **Patent infringement lawsuit against Micromax**

As previously reported, Ericsson filed in 2013 a patent infringement lawsuit in the Delhi High Court against Indian handset company Micromax. As part of its defense, Micromax filed a complaint with the Competition Commission of India (CCI) which the CCI referred to the Director General's Office for an in-depth investigation. In January 2014, the CCI opened another investigation against Ericsson based on claims made by Intex Technologies (India) Limited. Ericsson has challenged CCI's jurisdiction in these cases before the Delhi High Court. On March 30, 2016, the Delhi High Court issued an order finding that the CCI has jurisdiction. Ericsson is appealing that order to the Division Bench of the Delhi High Court.

#### **DISCLOSURE PURSUANT TO SECTION 219 OF THE IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT OF 2012 (ITRA)**

During the first quarter of 2016, Ericsson made sales of telecommunications infrastructure related products and services in Iran to MTN Irancell, Mobile Communication Company of Iran and to Hiweb, which generated gross revenues (reported as net sales) of approximately SEK 368 million. Ericsson does not normally allocate quarterly net profit (reported as net income) on a country-by-country or activity-by-activity basis, other than as set forth in Ericsson's consolidated financial statements prepared in accordance with IFRS as issued by the IASB. However, Ericsson has estimated that its operating income (income before taxes and financial net) from such sales, after internal cost allocation, during the first quarter of 2016 would be substantially lower than such gross revenues.

### **POST-CLOSING EVENTS**

#### **Ericsson to acquire NodePrime to accelerate software- defined infrastructure**

On April 5, 2016, Ericsson announced its intention to further invest in NodePrime to acquire 100% of its operations and talents based in San Francisco. NodePrime's platform is already integrated in Ericsson Hyperscale Datacenter System 8000. The platform enables data-driven automated decisions, driving complex, massive-scale configuration. The acquisition is strategic to Ericsson's cloud offering.

#### **Resolutions at the AGM**

On April 13, 2016, Ericsson held its AGM in Stockholm. The proposed dividend of SEK 3.70 per share was approved by the AGM. In accordance with the proposal of the Nomination Committee, Leif Johansson was reelected Chairman

of the Board of Directors.

Nora Denzel, Börje Ekholm, Ulf J. Johansson, Kristin Skogen Lund, Sukhinder Singh Cassidy, Hans Vestberg and Jacob Wallenberg were re-elected to the Board and Kristin S. Rinne and Helena Stjernholm were elected new Board members.

In accordance with the Board of Directors' proposal, the AGM resolved to approve the Guidelines for remuneration to Group management.

### **Ericsson completed acquisition of Ericpol**

On April 20, 2016, Ericsson completed the acquisition of Ericpol's operations in Poland and Ukraine. Ericpol has been a supplier to Ericsson for over 20 years in the area of software development, during which time Ericsson has been Ericpol's largest customer. Approximately 2,300 employees in Poland and Ukraine will join Ericsson. The closing follows the announcement on October 15, 2015 that Ericsson was entering into an agreement to purchase Ericpol's Polish and Ukrainian operations.

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**RISK FACTORS**

Ericsson's operational and financial risk factors and uncertainties are described in our Annual Report 2015.

Risk factors and uncertainties in focus short-term for the Parent Company and the Ericsson Group include, but are not limited to:

Potential negative effects on operators' willingness to invest in network development due to uncertainty in the financial markets and a weak economic business environment, or reduced consumer telecom spending, or increased pressure on us to provide financing, or delayed auctions of spectrums;

Uncertainty regarding the financial stability of suppliers, for example due to lack of financing;

Effects on gross margins and/or working capital of the business mix in the Networks segment between capacity sales and new coverage build-outs;

Effects on gross margins of the business mix in the Global Services segment including proportion of new network build-outs and share of new managed services deals with initial transition costs;

Effects of the ongoing industry consolidation among our customers as well as between our largest competitors, e.g. with postponed investments and intensified price competition as a consequence;

New JV arrangements or partnerships which may not be successful and expose us to future costs;

Changes in foreign exchange rates, in particular USD;

Political unrest or instability in certain markets;

Effects on production and sales from restrictions with respect to timely and adequate supply of materials, components and production capacity and other vital services on competitive terms;

No guarantees that specific restructuring or cost-savings initiatives will be sufficient, successful or executed in time to deliver any improvements in short-term earnings;

Cyber security incidents, which may have material negative impact.

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Ericsson stringently monitors the compliance with all relevant trade regulations and trade embargos applicable to dealings with customers operating in countries where there are trade restrictions or trade restrictions are discussed. Moreover, Ericsson operates globally in accordance with Group policies and directives for business ethics and conduct.

Stockholm, April 21, 2016

Telefonaktiebolaget LM Ericsson

Hans Vestberg, President and CEO

Org. Nr 556016-0680

This report has not been reviewed by Telefonaktiebolaget LM Ericsson's auditors.

Date for next report: July 19, 2016

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EDITOR S NOTE

For further information, please contact:

Helena Norrman, Senior Vice President, Chief Marketing and  
Communications Officer

Phone: +46 10 719 34 72

E-mail: [investor.relations@ericsson.com](mailto:investor.relations@ericsson.com) or  
[media.relations@ericsson.com](mailto:media.relations@ericsson.com)

Telefonaktiebolaget LM Ericsson

Org. number: 556016-0680

Torshamnsgatan 21

SE-164 83 Stockholm

Phone: +46 10 719 00 00

[www.ericsson.com](http://www.ericsson.com)

**Investors**

Peter Nyquist, Vice President,  
Head of Investor Relations  
Phone: +46 10 714 64 49, +46 70 575 29 06  
E-mail: [peter.nyquist@ericsson.com](mailto:peter.nyquist@ericsson.com)

Stefan Jelvin, Director,  
Investor Relations  
Phone: +46 10 714 20 39, +46 70 986 02 27  
E-mail: [stefan.jelvin@ericsson.com](mailto:stefan.jelvin@ericsson.com)

Åsa Konnbjer, Director,  
Investor Relations  
Phone: +46 10 713 39 28, +46 73 082 59 28  
E-mail: [asa.konnbjer@ericsson.com](mailto:asa.konnbjer@ericsson.com)

Rikard Tunedal, Director,  
Investor Relations  
Phone: +46 10 714 54 00, +46 761 005 400  
E-mail: [rikard.tunedal@ericsson.com](mailto:rikard.tunedal@ericsson.com)

**Media**

Ola Rembe, Vice President,

Head of External Communications

Phone: +46 10 719 97 27, +46 73 024 48 73

E-mail: [media.relations@ericsson.com](mailto:media.relations@ericsson.com)

Corporate Communications

Phone: +46 10 719 69 92

E-mail: [media.relations@ericsson.com](mailto:media.relations@ericsson.com)



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**SAFE HARBOR STATEMENT**

All statements made or incorporated by reference in this release, other than statements or characterizations of historical facts, are forward-looking statements. These forward-looking statements are based on our current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by us. Forward-looking statements can often be identified by words such as anticipates, expects, intends, plans, predicts, believes, seeks, estimates, may, will, should, would, potential, continue, and variations or negatives and include, among others, statements regarding: (i) strategies, outlook and growth prospects; (ii) positioning to deliver future plans and to realize potential for future growth; (iii) liquidity and capital resources and expenditure, and our credit ratings; (iv) growth in demand for our products and services; (v) our joint venture activities; (vi) economic outlook and industry trends; (vii) developments of our markets; (viii) the impact of regulatory initiatives; (ix) research and development expenditures; (x) the strength of our competitors; (xi) future cost savings; (xii) plans to launch new products and services; (xiii) assessments of risks; (xiv) integration of acquired businesses; (xv) compliance with rules and regulations and (xvi) infringements of intellectual property rights of others.

In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These forward-looking statements speak only as of the date hereof and are based upon the information available to us at this time. Such information is subject to change, and we will not necessarily inform you of such changes. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. Important factors that may cause such a difference for Ericsson include, but are not limited to: (i) material adverse changes in the markets in which we operate or in global economic conditions; (ii) increased product and price competition; (iii) reductions in capital expenditure by network operators; (iv) the cost of technological innovation and increased expenditure to improve quality of service; (v) significant changes in market share for our principal products and services; (vi) foreign exchange rate or interest rate fluctuations; and (vii) the successful implementation of our business and operational initiatives.

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FINANCIAL STATEMENTS AND

ADDITIONAL INFORMATION

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## CONSOLIDATED INCOME STATEMENT

| SEK million                                       | 2016           | Jan-Mar<br>2015 | Change     | Jan-Dec<br>2015 |
|---|----------------|-----------------|------------|-----------------|
| Net sales   | 52,209         | 53,520          | -2%        | 246,920         |
| Cost of sales                                     | -34,819        | -34,556         | 1%         | -161,101        |
| <b>Gross income</b>                               | <b>17,390</b>  | <b>18,964</b>   | <b>-8%</b> | <b>85,819</b>   |
| Gross margin (%)                                  | 33.3%          | 35.4%           |            | 34.8%           |
| Research and development expenses                 | -7,485         | -8,487          | -12%       | -34,844         |
| Selling and administrative expenses               | -6,720         | -7,131          | -6%        | -29,285         |
| <b>Operating expenses</b>                         | <b>-14,205</b> | <b>-15,618</b>  | <b>-9%</b> | <b>-64,129</b>  |
| Other operating income and expenses               | 273            | -1,240          |            | 153             |
| Shares in earnings of JV and associated companies | 17             | 27              |            | -38             |
| <b>Operating income</b>                           | <b>3,475</b>   | <b>2,133</b>    | <b>63%</b> | <b>21,805</b>   |
| Financial income                                  | -89            | 684             |            | 525             |
| Financial expenses                                | -377           | -740            |            | -2,458          |
| <b>Income after financial items</b>               | <b>3,009</b>   | <b>2,077</b>    | <b>45%</b> | <b>19,872</b>   |
| Taxes   | -903           | -623            |            | -6,199          |
| <b>Net income</b>                                 | <b>2,106</b>   | <b>1,454</b>    | <b>45%</b> | <b>13,673</b>   |
| Net income attributable to:                       |                |                 |            |                 |
| Stockholders of the Parent Company                | 1,966          | 1,319           |            | 13,549          |
| Non-controlling interests                         | 140            | 135             |            | 124             |
| Other information                                 |                |                 |            |                 |
| Average number of shares, basic (million)         | 3,258          | 3,244           |            | 3,249           |
| Earnings per share, basic (SEK) <sup>1)</sup>     | 0.60           | 0.41            |            | 4.17            |
| Earnings per share, diluted (SEK) <sup>1)</sup>   | 0.60           | 0.40            |            | 4.13            |

<sup>1)</sup> Based on Net income attributable to stockholders of the Parent Company.

## STATEMENT OF COMPREHENSIVE INCOME

| SEK million       | 2016         | Jan-Mar<br>2015 | Jan-Dec<br>2015 |
|-------------------|--------------|-----------------|-----------------|
| <b>Net income</b> | <b>2,106</b> | <b>1,454</b>    | <b>13,673</b>   |

**Other comprehensive income****Items that will not be reclassified to profit or loss**

|  |        |        |        |
|--|--------|--------|--------|
| Remeasurements of defined benefits pension plans incl. asset ceiling | -3,502 | -3,211 | -2,026 |
| Tax on items that will not be reclassified to profit or loss         | 953    | 694    | 721    |

**Items that may be reclassified to profit or loss**

|  |        |       |      |
|--|--------|-------|------|
| Cash flow hedges   |        |       |      |
| Gains/losses arising during the period                                   |        |       |      |
| Reclassification adjustments for gains/losses included in profit or loss |        |       |      |
| Revaluation of other investments in shares and participations            |        |       |      |
| Fair value remeasurement   | -4     | 181   | 457  |
| Changes in cumulative translation adjustments                            | -1,133 | 4,409 | -604 |
| Share of other comprehensive income on JV and associated companies       | -376   | -4    | 141  |
| Tax on items that may be reclassified to profit or loss                  |        |       |      |

|   |               |              |               |
|---|---------------|--------------|---------------|
| <b>Total other comprehensive income, net of tax</b> | <b>-4,062</b> | <b>2,069</b> | <b>-1,311</b> |
|---|---------------|--------------|---------------|

|                                   |               |              |               |
|-----------------------------------|---------------|--------------|---------------|
| <b>Total comprehensive income</b> | <b>-1,956</b> | <b>3,523</b> | <b>12,362</b> |
|-----------------------------------|---------------|--------------|---------------|

## Total comprehensive income attributable to:

|                                    |        |       |        |
|------------------------------------|--------|-------|--------|
| Stockholders of the Parent Company | -2,093 | 3,305 | 12,218 |
| Non-controlling interest           | 137    | 218   | 144    |

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## CONSOLIDATED BALANCE SHEET

| SEK million  | Mar 31<br>2016 | Dec 31<br>2015 |
|--|----------------|----------------|
| <b>ASSETS</b>  |                |                |
| <b>Non-current assets</b>  |                |                |
| Intangible assets  |                |                |
| Capitalized development expenses                                 | 6,349          | 5,493          |
| Goodwill   | 40,316         | 41,087         |
| Intellectual property rights, brands and other intangible assets | 8,400          | 9,316          |
| Property, plant and equipment                                    | 16,127         | 15,901         |
| Financial assets   |                |                |
| Equity in JV and associated companies                            | 851            | 1,210          |
| Other investments in shares and participations                   | 1,090          | 1,275          |
| Customer finance, non-current                                    | 1,663          | 1,739          |
| Other financial assets, non-current                              | 4,997          | 5,634          |
| Deferred tax assets  | 14,117         | 13,183         |
|  | <b>93,910</b>  | <b>94,838</b>  |
| <b>Current assets</b>  |                |                |
| Inventories  | 32,252         | 28,436         |
| Trade receivables  | 66,701         | 71,069         |
| Customer finance, current  | 2,346          | 2,041          |
| Other current receivables  | 24,105         | 21,709         |
| Short-term investments   | 25,077         | 26,046         |
| Cash and cash equivalents  | 35,934         | 40,224         |
|  | <b>186,415</b> | <b>189,525</b> |
| <b>Total assets</b>  | <b>280,325</b> | <b>284,363</b> |
| <b>EQUITY AND LIABILITIES</b>                                    |                |                |
| <b>Equity</b>  |                |                |
| Stockholders' equity   | 144,699        | 146,525        |
| Non-controlling interest in equity of subsidiaries               | 945            | 841            |
|  | <b>145,644</b> | <b>147,366</b> |
| <b>Non-current liabilities</b>                                   |                |                |
| Post-employment benefits   | 25,715         | 22,664         |
| Provisions, non-current  | 158            | 176            |
| Deferred tax liabilities   | 2,098          | 2,472          |
| Borrowings, non-current  | 22,110         | 22,744         |

|  |                |                |
|--|----------------|----------------|
| Other non-current liabilities                | 1,834          | 1,851          |
|  | <b>51,915</b>  | <b>49,907</b>  |
| <b>Current liabilities</b>                   |                |                |
| Provisions, current                          | 3,374          | 3,662          |
| Borrowings, current                          | 2,414          | 2,376          |
| Trade payables                               | 21,549         | 22,389         |
| Other current liabilities                    | 55,429         | 58,663         |
|  | <b>82,766</b>  | <b>87,090</b>  |
| <b>Total equity and liabilities</b>          | <b>280,325</b> | <b>284,363</b> |
| <i>Of which interest-bearing liabilities</i> | <i>24,524</i>  | <i>25,120</i>  |
| <i>Of which net cash 1)</i>                  | <i>36,487</i>  | <i>41,150</i>  |
| Assets pledged as collateral                 | 2,513          | 2,526          |
| Contingent liabilities                       | 918            | 922            |

- 1) Reconciliation of non-IFRS financial measures to the most directly comparable IFRS financial measures can be found on page 28

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## CONSOLIDATED STATEMENT

## OF CASH FLOWS

| SEK million  | Jan-Mar<br>2016 | 2015          | Jan-Dec<br>2015 |
|--|-----------------|---------------|-----------------|
| <b>Operating activities</b>  |                 |               |                 |
| Net income   | 2,106           | 1,454         | 13,673          |
| Adjustments to reconcile net income to cash                        |                 |               |                 |
| Taxes  | -1,208          | -1,921        | -2,835          |
| Earnings/dividends in JV and associated companies                  | -16             | -22           | 130             |
| Depreciation, amortization and impairment losses                   | 2,097           | 2,681         | 10,206          |
| Other  | 652             | 944           | 3,110           |
|  | <b>3,631</b>    | <b>3,136</b>  | <b>24,284</b>   |
| <b>Changes in operating net assets</b>                             |                 |               |                 |
| Inventories  | -4,212          | -4,019        | -366            |
| Customer finance, current and non-current                          | -251            | -258          | 824             |
| Trade receivables  | 3,408           | 2,037         | 7,000           |
| Trade payables   | -617            | -1,668        | -2,676          |
| Provisions and post-employment benefits                            | -14             | -166          | 544             |
| Other operating assets and liabilities, net                        | -4,317          | -4,962        | -9,013          |
|  | <b>-6,003</b>   | <b>-9,036</b> | <b>-3,687</b>   |
| <b>Cash flow from operating activities</b>                         | <b>-2,372</b>   | <b>-5,900</b> | <b>20,597</b>   |
| <b>Investing activities</b>  |                 |               |                 |
| Investments in property, plant and equipment                       | -1,474          | -2,367        | -8,338          |
| Sales of property, plant and equipment                             | 44              | 75            | 1,301           |
| Acquisitions/divestments of subsidiaries and other operations, net | -108            | -58           | -2,200          |
| Product development  | -1,208          | -294          | -3,302          |
| Other investing activities   | 735             | 118           | -543            |
| Short-term investments   | 1,013           | 399           | 5,095           |
| <b>Cash flow from investing activities</b>                         | <b>-998</b>     | <b>-2,127</b> | <b>-7,987</b>   |
| <b>Cash flow before financing activities</b>                       | <b>-3,370</b>   | <b>-8,027</b> | <b>12,610</b>   |
| <b>Financing activities</b>  |                 |               |                 |
| Dividends paid   | -33             | -25           | -11,337         |
| Other financing activities   | 94              | 899           | 627             |
| <b>Cash flow from financing activities</b>                         | <b>61</b>       | <b>874</b>    | <b>-10,710</b>  |
| Effect of exchange rate changes on cash                            | -981            | 1,476         | -2,664          |

|   |               |               |               |
|---|---------------|---------------|---------------|
| <b>Net change in cash and cash equivalents</b>        | <b>-4,290</b> | <b>-5,677</b> | <b>-764</b>   |
| <b>Cash and cash equivalents, beginning of period</b> | <b>40,224</b> | <b>40,988</b> | <b>40,988</b> |
| <b>Cash and cash equivalents, end of period</b>       | <b>35,934</b> | <b>35,311</b> | <b>40,224</b> |

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## CONSOLIDATED STATEMENT

## OF CHANGES IN EQUITY

| SEK million                                 | Jan-Mar        |                | Jan-Dec        |
|---|----------------|----------------|----------------|
|   | 2016           | 2015           | 2015           |
| <b>Opening balance</b>                      | <b>147,366</b> | <b>145,309</b> | <b>145,309</b> |
| Total comprehensive income                  | -1,956         | 3,523          | 12,362         |
| Sale/repurchase of own shares               | 29             | 46             | 169            |
| Stock purchase plan                         | 238            | 198            | 865            |
| Dividends paid                              | -33            | -25            | -11,337        |
| Transactions with non-controlling interests |                |                | -2             |
| <b>Closing balance</b>                      | <b>145,644</b> | <b>149,051</b> | <b>147,366</b> |

## CONSOLIDATED INCOME STATEMENT

## - ISOLATED QUARTERS

| Isolated quarters, SEK million                    | 2016           |                | 2015           |                |                |
|---|----------------|----------------|----------------|----------------|----------------|
|   | Q1             | Q4             | Q3             | Q2             | Q1             |
| Net sales   | 52,209         | 73,568         | 59,161         | 60,671         | 53,520         |
| Cost of sales                                     | -34,819        | -46,899        | -39,110        | -40,536        | -34,556        |
| <b>Gross income</b>                               | <b>17,390</b>  | <b>26,669</b>  | <b>20,051</b>  | <b>20,135</b>  | <b>18,964</b>  |
| Gross margin (%)                                  | 33.3%          | 36.3%          | 33.9%          | 33.2%          | 35.4%          |
| Research and development expenses                 | -7,485         | -7,921         | -8,540         | -9,896         | -8,487         |
| Selling and administrative expenses               | -6,720         | -7,996         | -6,393         | -7,765         | -7,131         |
| <b>Operating expenses</b>                         | <b>-14,205</b> | <b>-15,917</b> | <b>-14,933</b> | <b>-17,661</b> | <b>-15,618</b> |
| Other operating income and expenses               | 273            | 254            | 80             | 1,059          | -1,240         |
| Shares in earnings of JV and associated companies | 17             | 29             | -121           | 27             | 27             |
| <b>Operating income</b>                           | <b>3,475</b>   | <b>11,035</b>  | <b>5,077</b>   | <b>3,560</b>   | <b>2,133</b>   |
| Financial income                                  | -89            | -109           | 188            | -238           | 684            |
| Financial expenses                                | -377           | -619           | -809           | -290           | -740           |
| <b>Income after financial items</b>               | <b>3,009</b>   | <b>10,307</b>  | <b>4,456</b>   | <b>3,032</b>   | <b>2,077</b>   |
| Taxes   | -903           | -3,329         | -1,338         | -909           | -623           |
| <b>Net income</b>                                 | <b>2,106</b>   | <b>6,978</b>   | <b>3,118</b>   | <b>2,123</b>   | <b>1,454</b>   |

## Net income attributable to:

|                                    |       |       |       |       |       |
|------------------------------------|-------|-------|-------|-------|-------|
| Stockholders of the Parent Company | 1,966 | 7,056 | 3,080 | 2,094 | 1,319 |
| Non-controlling interests          | 140   | -78   | 38    | 29    | 135   |

## Other information

|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| Average number of shares, basic (million)       | 3,258 | 3,254 | 3,251 | 3,247 | 3,244 |
| Earnings per share, basic (SEK) <sup>1)</sup>   | 0.60  | 2.17  | 0.95  | 0.64  | 0.41  |
| Earnings per share, diluted (SEK) <sup>1)</sup> | 0.60  | 2.15  | 0.94  | 0.64  | 0.40  |

<sup>1)</sup> Based on Net income attributable to stockholders of the Parent Company.

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## CONSOLIDATED STATEMENT

## OF CASH FLOWS - ISOLATED QUARTERS

| Isolated quarters, SEK million                                     | 2016<br>Q1    | Q4             | 2015<br>Q3    | Q2             | Q1            |
|--|---------------|----------------|---------------|----------------|---------------|
| <b>Operating activities</b>  |               |                |               |                |               |
| Net income   | 2,106         | 6,978          | 3,118         | 2,123          | 1,454         |
| Adjustments to reconcile net income to cash                        |               |                |               |                |               |
| Taxes  | -1,208        | 395            | 51            | -1,360         | -1,921        |
| Earnings/dividends in JV and associated companies                  | -16           | -33            | 136           | 49             | -22           |
| Depreciation, amortization and impairment losses                   | 2,097         | 2,521          | 2,425         | 2,579          | 2,681         |
| Other  | 652           | 1,092          | 1,052         | 22             | 944           |
|  | <b>3,631</b>  | <b>10,953</b>  | <b>6,782</b>  | <b>3,413</b>   | <b>3,136</b>  |
| <b>Changes in operating net assets</b>                             |               |                |               |                |               |
| Inventories  | -4,212        | 3,496          | -226          | 383            | -4,019        |
| Customer finance, current and non-current                          | -251          | 302            | 375           | 405            | -258          |
| Trade receivables  | 3,408         | 2,754          | -1,421        | 3,630          | 2,037         |
| Trade payables   | -617          | 886            | -494          | -1,400         | -1,668        |
| Provisions and post-employment benefits                            | -14           | -673           | -302          | 1,685          | -166          |
| Other operating assets and liabilities, net                        | -4,317        | 4,141          | -3,154        | -5,038         | -4,962        |
|  | <b>-6,003</b> | <b>10,906</b>  | <b>-5,222</b> | <b>-335</b>    | <b>-9,036</b> |
| <b>Cash flow from operating activities</b>                         | <b>-2,372</b> | <b>21,859</b>  | <b>1,560</b>  | <b>3,078</b>   | <b>-5,900</b> |
| <b>Investing activities</b>  |               |                |               |                |               |
| Investments in property, plant and equipment                       | -1,474        | -1,740         | -1,807        | -2,424         | -2,367        |
| Sales of property, plant and equipment                             | 44            | 92             | 59            | 1,075          | 75            |
| Acquisitions/divestments of subsidiaries and other operations, net | -108          | -945           | -1,028        | -169           | -58           |
| Product development  | -1,208        | -1,183         | -982          | -843           | -294          |
| Other investing activities   | 735           | -418           | 37            | -280           | 118           |
| Short-term investments   | 1,013         | -8,613         | 3,631         | 9,678          | 399           |
| <b>Cash flow from investing activities</b>                         | <b>-998</b>   | <b>-12,807</b> | <b>-90</b>    | <b>7,037</b>   | <b>-2,127</b> |
| <b>Cash flow before financing activities</b>                       | <b>-3,370</b> | <b>9,052</b>   | <b>1,470</b>  | <b>10,115</b>  | <b>-8,027</b> |
| <b>Financing activities</b>  |               |                |               |                |               |
| Dividends paid   | -33           |                | -277          | -11,035        | -25           |
| Other financing activities   | 94            | -669           | -34           | 431            | 899           |
| <b>Cash flow from financing activities</b>                         | <b>61</b>     | <b>-669</b>    | <b>-311</b>   | <b>-10,604</b> | <b>874</b>    |
| Effect of exchange rate changes on cash                            | -981          | -2,109         | -171          | -1,860         | 1,476         |

|   |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Net change in cash and cash equivalents</b>        | <b>-4,290</b> | <b>6,274</b>  | <b>988</b>    | <b>-2,349</b> | <b>-5,677</b> |
| <b>Cash and cash equivalents, beginning of period</b> | <b>40,224</b> | <b>33,950</b> | <b>32,962</b> | <b>35,311</b> | <b>40,988</b> |
| <b>Cash and cash equivalents, end of period</b>       | <b>35,934</b> | <b>40,224</b> | <b>33,950</b> | <b>32,962</b> | <b>35,311</b> |

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ACCOUNTING POLICIES

**THE GROUP**

This interim report is prepared in accordance with IAS 34. The term "IFRS" used in this document refers to the application of IAS and IFRS as well as interpretations of these standards as issued by IASB's Standards Interpretation Committee (SIC) and IFRS Interpretations Committee (IFRIC). The accounting policies adopted are consistent with those of the annual report for the year ended December 31, 2015, and should be read in conjunction with that annual report.

There is no significant difference between IFRS effective as per March 31, 2016 and IFRS as endorsed by the EU.

**Net Cash**

The definition of Net Cash has been adjusted in order to more clearly represent Ericsson's ability to meet financial obligations. Post-employment benefits will no longer be included in the calculation of Net Cash. Net Cash for prior periods has been recalculated using the new definition. The revised definition is as follows:

Net Cash: Cash and cash equivalents plus short-term investments less interest-bearing liabilities (which include: non-current borrowings and current borrowings).

**Accounting for bonds**

Due to the conditions in the market for government and mortgage bonds in Sweden, Ericsson now intends to hold bonds purchased in its "Asset management" portfolio until maturity instead of intending to hold them for trading. Bonds purchased in this portfolio after January 1, 2016 will be classified as available-for-sale. There were no purchases made in Q1 2016. The impact of this change on the financial statements will be disclosed in the interim report following the first purchase of bonds.

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## NET SALES BY SEGMENT BY QUARTER

| Isolated quarters, SEK million        | 2016          | 2015          |               |               |               |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
|                                       | Q1            | Q4            | Q3            | Q2            | Q1            |
| Networks                              | 25,820        | 37,304        | 28,817        | 31,163        | 26,436        |
| Global Services                       | 23,018        | 30,670        | 27,055        | 26,392        | 23,901        |
| <i>Of which Professional Services</i> | <i>17,932</i> | <i>23,072</i> | <i>20,545</i> | <i>20,001</i> | <i>18,131</i> |
| <i>Of which Managed Services</i>      | <i>7,352</i>  | <i>8,214</i>  | <i>7,976</i>  | <i>8,150</i>  | <i>7,501</i>  |
| <i>Of which Network Rollout</i>       | <i>5,086</i>  | <i>7,598</i>  | <i>6,510</i>  | <i>6,391</i>  | <i>5,770</i>  |
| Support Solutions                     | 3,371         | 5,594         | 3,289         | 3,092         | 3,074         |
| Modems                                |               |               |               | 24            | 109           |
| <b>Total</b>                          | <b>52,209</b> | <b>73,568</b> | <b>59,161</b> | <b>60,671</b> | <b>53,520</b> |

| Sequential change, percent            | 2016        | 2015       |            |            |             |
|---------------------------------------|-------------|------------|------------|------------|-------------|
|                                       | Q1          | Q4         | Q3         | Q2         | Q1          |
| Networks                              | -31%        | 29%        | -8%        | 18%        | -22%        |
| Global Services                       | -25%        | 13%        | 3%         | 10%        | -20%        |
| <i>Of which Professional Services</i> | <i>-22%</i> | <i>12%</i> | <i>3%</i>  | <i>10%</i> | <i>-15%</i> |
| <i>Of which Managed Services</i>      | <i>-10%</i> | <i>3%</i>  | <i>-2%</i> | <i>9%</i>  | <i>-3%</i>  |
| <i>Of which Network Rollout</i>       | <i>-33%</i> | <i>17%</i> | <i>2%</i>  | <i>11%</i> | <i>-31%</i> |
| Support Solutions                     | -40%        | 70%        | 6%         | 1%         | -23%        |
| Modems                                |             |            |            |            |             |
| <b>Total</b>                          | <b>-29%</b> | <b>24%</b> | <b>-2%</b> | <b>13%</b> | <b>-21%</b> |

| Year over year change, percent        | 2016        | 2015       |            |            |            |
|---------------------------------------|-------------|------------|------------|------------|------------|
|                                       | Q1          | Q4         | Q3         | Q2         | Q1         |
| Networks                              | -2%         | 9%         | -4%        | 8%         | 8%         |
| Global Services                       | -4%         | 3%         | 11%        | 14%        | 17%        |
| <i>Of which Professional Services</i> | <i>-1%</i>  | <i>8%</i>  | <i>15%</i> | <i>21%</i> | <i>20%</i> |
| <i>Of which Managed Services</i>      | <i>-2%</i>  | <i>6%</i>  | <i>11%</i> | <i>26%</i> | <i>30%</i> |
| <i>Of which Network Rollout</i>       | <i>-12%</i> | <i>-9%</i> | <i>-2%</i> | <i>-2%</i> | <i>9%</i>  |
| Support Solutions                     | 10%         | 40%        | 8%         | 9%         | 11%        |
| Modems                                |             |            |            |            |            |
| <b>Total</b>                          | <b>-2%</b>  | <b>8%</b>  | <b>3%</b>  | <b>11%</b> | <b>13%</b> |

| Year to date, SEK million | 2016    | 2015    |         |         |         |
|---------------------------|---------|---------|---------|---------|---------|
|                           | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks                  | 25,820  | 123,720 | 86,416  | 57,599  | 26,436  |

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|                                       |               |                |                |                |               |
|---------------------------------------|---------------|----------------|----------------|----------------|---------------|
| Global Services                       | 23,018        | 108,018        | 77,348         | 50,293         | 23,901        |
| <i>Of which Professional Services</i> | 17,932        | 81,749         | 58,677         | 38,132         | 18,131        |
| <i>Of which Managed Services</i>      | 7,352         | 31,841         | 23,627         | 15,651         | 7,501         |
| <i>Of which Network Rollout</i>       | 5,086         | 26,269         | 18,671         | 12,161         | 5,770         |
| Support Solutions                     | 3,371         | 15,049         | 9,455          | 6,166          | 3,074         |
| Modems                                |               | 133            | 133            | 133            | 109           |
| <b>Total</b>                          | <b>52,209</b> | <b>246,920</b> | <b>173,352</b> | <b>114,191</b> | <b>53,520</b> |

| Year to date, year over year change, percent | 2016       |           | 2015      |            |            |
|--|------------|-----------|-----------|------------|------------|
|  | Jan-Mar    | Jan-Dec   | Jan-Sep   | Jan-Jun    | Jan-Mar    |
| Networks                                     | -2%        | 5%        | 4%        | 8%         | 8%         |
| Global Services                              | -4%        | 11%       | 14%       | 16%        | 17%        |
| <i>Of which Professional Services</i>        | -1%        | 15%       | 19%       | 21%        | 20%        |
| <i>Of which Managed Services</i>             | -2%        | 17%       | 22%       | 28%        | 30%        |
| <i>Of which Network Rollout</i>              | -12%       | -2%       | 1%        | 3%         | 9%         |
| Support Solutions                            | 10%        | 19%       | 9%        | 10%        | 11%        |
| Modems                                       |            |           |           |            |            |
| <b>Total</b>                                 | <b>-2%</b> | <b>8%</b> | <b>8%</b> | <b>12%</b> | <b>13%</b> |

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## OPERATING INCOME

## BY SEGMENT BY QUARTER

| Isolated quarters, SEK million        | 2016         |               | 2015         |              |              |
|---------------------------------------|--------------|---------------|--------------|--------------|--------------|
|                                       | Q1           | Q4            | Q3           | Q2           | Q1           |
| Networks                              | 2,724        | 7,154         | 2,764        | 2,435        | 590          |
| Global Services                       | 644          | 2,530         | 2,364        | 1,640        | 1,681        |
| <i>Of which Professional Services</i> | <i>1,293</i> | <i>2,712</i>  | <i>2,386</i> | <i>2,403</i> | <i>2,109</i> |
| <i>Of which Network Rollout</i>       | <i>-649</i>  | <i>-182</i>   | <i>-22</i>   | <i>-763</i>  | <i>-428</i>  |
| Support Solutions                     | 238          | 1,668         | -6           | -240         | 82           |
| Modems                                |              | 1             | -1           | 7            | 0            |
| Unallocated <sup>1)</sup>             | -131         | -318          | -44          | -282         | -220         |
| <b>Total</b>                          | <b>3,475</b> | <b>11,035</b> | <b>5,077</b> | <b>3,560</b> | <b>2,133</b> |

| Year to date, SEK million             | 2016         |               | 2015          |               |              |
|---------------------------------------|--------------|---------------|---------------|---------------|--------------|
|                                       | Jan-Mar      | Jan-Dec       | Jan-Sep       | Jan-Jun       | Jan-Mar      |
| Networks                              | 2,724        | 12,943        | 5,789         | 3,025         | 590          |
| Global Services                       | 644          | 8,215         | 5,685         | 3,321         | 1,681        |
| <i>Of which Professional Services</i> | <i>1,293</i> | <i>9,610</i>  | <i>6,898</i>  | <i>4,512</i>  | <i>2,109</i> |
| <i>Of which Network Rollout</i>       | <i>-649</i>  | <i>-1,395</i> | <i>-1,213</i> | <i>-1,191</i> | <i>-428</i>  |
| Support Solutions                     | 238          | 1,504         | -164          | -158          | 82           |
| Modems                                |              | 7             | 6             | 7             | 0            |
| Unallocated <sup>1)</sup>             | -131         | -864          | -546          | -502          | -220         |
| <b>Total</b>                          | <b>3,475</b> | <b>21,805</b> | <b>10,770</b> | <b>5,693</b>  | <b>2,133</b> |

<sup>1)</sup> Unallocated consists mainly of costs for corporate staff, non-operational capital gains and losses.

## OPERATING MARGIN

## BY SEGMENT BY QUARTER

| As percentage of net sales, isolated quarters | 2016        |            | 2015       |             |            |
|---|-------------|------------|------------|-------------|------------|
|   | Q1          | Q4         | Q3         | Q2          | Q1         |
| Networks                                      | 11%         | 19%        | 10%        | 8%          | 2%         |
| Global Services                               | 3%          | 8%         | 9%         | 6%          | 7%         |
| <i>Of which Professional Services</i>         | <i>7%</i>   | <i>12%</i> | <i>12%</i> | <i>12%</i>  | <i>12%</i> |
| <i>Of which Network Rollout</i>               | <i>-13%</i> | <i>-2%</i> | <i>0%</i>  | <i>-12%</i> | <i>-7%</i> |



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|                             |           |            |           |           |           |
|-----------------------------|-----------|------------|-----------|-----------|-----------|
| Support Solutions<br>Modems | 7%        | 30%        | 0%        | -8%       | 3%        |
| <b>Total</b>                | <b>7%</b> | <b>15%</b> | <b>9%</b> | <b>6%</b> | <b>4%</b> |

| As percentage of net sales, year to date | 2016      |           | 2015      |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
|  | Jan-Mar   | Jan-Dec   | Jan-Sep   | Jan-Jun   | Jan-Mar   |
| Networks                                 | 11%       | 10%       | 7%        | 5%        | 2%        |
| Global Services                          | 3%        | 8%        | 7%        | 7%        | 7%        |
| <i>Of which Professional Services</i>    | 7%        | 12%       | 12%       | 12%       | 12%       |
| <i>Of which Network Rollout</i>          | -13%      | -5%       | -6%       | -10%      | -7%       |
| Support Solutions<br>Modems              | 7%        | 10%       | -2%       | -3%       | 3%        |
| <b>Total</b>                             | <b>7%</b> | <b>9%</b> | <b>6%</b> | <b>5%</b> | <b>4%</b> |

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## NET SALES

## BY REGION BY QUARTER

| Isolated quarters, SEK million                  | 2016          |               | 2015          |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
|   | Q1            | Q4            | Q3            | Q2            | Q1            |
| North America                                   | 13,182        | 17,082        | 14,355        | 14,578        | 12,246        |
| Latin America                                   | 4,040         | 6,106         | 5,610         | 5,067         | 4,574         |
| Northern Europe & Central Asia <sup>1) 2)</sup> | 2,222         | 2,847         | 2,520         | 2,556         | 2,726         |
| Western & Central Europe <sup>2)</sup>          | 3,953         | 5,320         | 4,540         | 5,131         | 4,741         |
| Mediterranean <sup>2)</sup>                     | 4,296         | 6,971         | 5,470         | 5,887         | 4,982         |
| Middle East                                     | 3,567         | 6,089         | 5,728         | 6,515         | 4,517         |
| Sub Saharan Africa                              | 2,120         | 2,847         | 2,691         | 2,653         | 2,158         |
| India   | 2,683         | 3,172         | 3,629         | 3,049         | 3,531         |
| North East Asia                                 | 5,579         | 8,916         | 6,348         | 6,943         | 6,030         |
| South East Asia & Oceania                       | 5,199         | 5,329         | 4,750         | 4,897         | 4,259         |
| Other <sup>1) 2)</sup>                          | 5,368         | 8,889         | 3,520         | 3,395         | 3,756         |
| <b>Total</b>                                    | <b>52,209</b> | <b>73,568</b> | <b>59,161</b> | <b>60,671</b> | <b>53,520</b> |

<sup>1)</sup> Of which in Sweden 1,113 972 1,135 598 1,091

<sup>2)</sup> Of which in EU 9,229 12,644 10,584 11,453 10,904

| Sequential change, percent                      | 2016        |            | 2015       |            |             |
|---|-------------|------------|------------|------------|-------------|
|   | Q1          | Q4         | Q3         | Q2         | Q1          |
| North America                                   | -23%        | 19%        | -2%        | 19%        | -6%         |
| Latin America                                   | -34%        | 9%         | 11%        | 11%        | -30%        |
| Northern Europe & Central Asia <sup>1) 2)</sup> | -22%        | 13%        | -1%        | -6%        | -33%        |
| Western & Central Europe <sup>2)</sup>          | -26%        | 17%        | -12%       | 8%         | -22%        |
| Mediterranean <sup>2)</sup>                     | -38%        | 27%        | -7%        | 18%        | -34%        |
| Middle East                                     | -41%        | 6%         | -12%       | 44%        | -34%        |
| Sub Saharan Africa                              | -26%        | 6%         | 1%         | 23%        | -17%        |
| India   | -15%        | -13%       | 19%        | -14%       | 49%         |
| North East Asia                                 | -37%        | 40%        | -9%        | 15%        | -35%        |
| South East Asia & Oceania                       | -2%         | 12%        | -3%        | 15%        | -14%        |
| Other <sup>1) 2)</sup>                          | -40%        | 153%       | 4%         | -10%       | -19%        |
| <b>Total</b>                                    | <b>-29%</b> | <b>24%</b> | <b>-2%</b> | <b>13%</b> | <b>-21%</b> |

<sup>1)</sup> Of which in Sweden 15% -14% 90% -45% 4%

<sup>2)</sup> Of which in EU -27% 19% -8% 5% -24%

| Year-over-year change, percent | 2016 |    | 2015 |    |    |
|--------------------------------|------|----|------|----|----|
|                                | Q1   | Q4 | Q3   | Q2 | Q1 |

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|   |             |             |            |             |            |
|---|-------------|-------------|------------|-------------|------------|
| North America                                   | 8%          | 31%         | 2%         | -4%         | 0%         |
| Latin America                                   | -12%        | -7%         | -5%        | -6%         | -3%        |
| Northern Europe & Central Asia <sup>1) 2)</sup> | -18%        | -30%        | -20%       | -6%         | 12%        |
| Western & Central Europe <sup>2)</sup>          | -17%        | -13%        | -2%        | 12%         | 8%         |
| Mediterranean <sup>2)</sup>                     | -14%        | -7%         | 5%         | 7%          | 4%         |
| Middle East                                     | -21%        | -11%        | -5%        | 44%         | 17%        |
| Sub Saharan Africa                              | -2%         | 9%          | 10%        | 41%         | 19%        |
| India   | -24%        | 34%         | 81%        | 85%         | 108%       |
| North East Asia                                 | -7%         | -3%         | -10%       | 8%          | 23%        |
| South East Asia & Oceania                       | 22%         | 8%          | 25%        | 34%         | 24%        |
| Other <sup>1) 2)</sup>                          | 43%         | 91%         | 4%         | 1%          | 15%        |
| <b>Total</b>                                    | <b>-2%</b>  | <b>8%</b>   | <b>3%</b>  | <b>11%</b>  | <b>13%</b> |
| <i><sup>1)</sup> Of which in Sweden</i>         | <i>2%</i>   | <i>-7%</i>  | <i>4%</i>  | <i>-41%</i> | <i>9%</i>  |
| <i><sup>2)</sup> Of which in EU</i>             | <i>-15%</i> | <i>-12%</i> | <i>-1%</i> | <i>11%</i>  | <i>12%</i> |

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## NET SALES

## BY REGION BY QUARTER, CONT.

| Year to date, SEK million                       | 2016          |                | 2015           |                |               |
|---|---------------|----------------|----------------|----------------|---------------|
|   | Jan-Mar       | Jan-Dec        | Jan-Sep        | Jan-Jun        | Jan-Mar       |
| North America                                   | 13,182        | 58,261         | 41,179         | 26,824         | 12,246        |
| Latin America                                   | 4,040         | 21,357         | 15,251         | 9,641          | 4,574         |
| Northern Europe & Central Asia <sup>1) 2)</sup> | 2,222         | 10,649         | 7,802          | 5,282          | 2,726         |
| Western & Central Europe <sup>2)</sup>          | 3,953         | 19,732         | 14,412         | 9,872          | 4,741         |
| Mediterranean <sup>2)</sup>                     | 4,296         | 23,310         | 16,339         | 10,869         | 4,982         |
| Middle East                                     | 3,567         | 22,849         | 16,760         | 11,032         | 4,517         |
| Sub Saharan Africa                              | 2,120         | 10,349         | 7,502          | 4,811          | 2,158         |
| India   | 2,683         | 13,381         | 10,209         | 6,580          | 3,531         |
| North East Asia                                 | 5,579         | 28,237         | 19,321         | 12,973         | 6,030         |
| South East Asia & Oceania                       | 5,199         | 19,235         | 13,906         | 9,156          | 4,259         |
| Other <sup>1) 2)</sup>                          | 5,368         | 19,560         | 10,671         | 7,151          | 3,756         |
| <b>Total</b>                                    | <b>52,209</b> | <b>246,920</b> | <b>173,352</b> | <b>114,191</b> | <b>53,520</b> |
| <i><sup>1)</sup> Of which in Sweden</i>         | <i>1,113</i>  | <i>3,796</i>   | <i>2,824</i>   | <i>1,689</i>   | <i>1,091</i>  |
| <i><sup>2)</sup> Of which in EU</i>             | <i>9,229</i>  | <i>45,585</i>  | <i>32,941</i>  | <i>22,357</i>  | <i>10,904</i> |

| Year to date, year-over-year change, percent    | 2016        |            | 2015       |             |            |
|---|-------------|------------|------------|-------------|------------|
|   | Jan-Mar     | Jan-Dec    | Jan-Sep    | Jan-Jun     | Jan-Mar    |
| North America                                   | 8%          | 7%         | -1%        | -2%         | 0%         |
| Latin America                                   | -12%        | -5%        | -5%        | -5%         | -3%        |
| Northern Europe & Central Asia <sup>1) 2)</sup> | -18%        | -14%       | -6%        | 3%          | 12%        |
| Western & Central Europe <sup>2)</sup>          | -17%        | 0%         | 6%         | 10%         | 8%         |
| Mediterranean <sup>2)</sup>                     | -14%        | 1%         | 5%         | 6%          | 4%         |
| Middle East                                     | -21%        | 7%         | 16%        | 32%         | 17%        |
| Sub Saharan Africa                              | -2%         | 18%        | 22%        | 30%         | 19%        |
| India   | -24%        | 74%        | 91%        | 97%         | 108%       |
| North East Asia                                 | -7%         | 2%         | 5%         | 15%         | 23%        |
| South East Asia & Oceania                       | 22%         | 21%        | 28%        | 29%         | 24%        |
| Other <sup>1) 2)</sup>                          | 43%         | 33%        | 7%         | 8%          | 15%        |
| <b>Total</b>                                    | <b>-2%</b>  | <b>8%</b>  | <b>8%</b>  | <b>12%</b>  | <b>13%</b> |
| <i><sup>1)</sup> Of which in Sweden</i>         | <i>2%</i>   | <i>-8%</i> | <i>-9%</i> | <i>-16%</i> | <i>9%</i>  |
| <i><sup>2)</sup> Of which in EU</i>             | <i>-15%</i> | <i>1%</i>  | <i>7%</i>  | <i>12%</i>  | <i>12%</i> |

## TOP 5 COUNTRIES IN SALES

| Country       | Q1   |      | Jan-Dec<br>2015 |
|---------------|------|------|-----------------|
|               | 2016 | 2015 |                 |
| United States | 27%  | 23%  | 26%             |
| China         | 9%   | 8%   | 8%              |
| India         | 5%   | 7%   | 5%              |
| Japan         | 4%   | 3%   | 3%              |
| Italy         | 3%   | 3%   | 3%              |

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## NET SALES

## BY REGION BY SEGMENT

| SEK million                    | Q1 2016       |                 |                   | Total         |
|--------------------------------|---------------|-----------------|-------------------|---------------|
|                                | Networks      | Global Services | Support Solutions |               |
| North America                  | 6,341         | 6,078           | 763               | 13,182        |
| Latin America                  | 2,023         | 1,815           | 202               | 4,040         |
| Northern Europe & Central Asia | 1,342         | 807             | 73                | 2,222         |
| Western & Central Europe       | 1,295         | 2,522           | 136               | 3,953         |
| Mediterranean                  | 1,459         | 2,690           | 147               | 4,296         |
| Middle East                    | 1,407         | 1,896           | 264               | 3,567         |
| Sub Saharan Africa             | 869           | 1,087           | 164               | 2,120         |
| India                          | 1,279         | 1,228           | 176               | 2,683         |
| North East Asia                | 3,544         | 1,917           | 118               | 5,579         |
| South East Asia & Oceania      | 3,185         | 1,928           | 86                | 5,199         |
| Other                          | 3,076         | 1,050           | 1,242             | 5,368         |
| <b>Total</b>                   | <b>25,820</b> | <b>23,018</b>   | <b>3,371</b>      | <b>52,209</b> |
| Share of Total                 | 50%           | 44%             | 6%                | 100%          |

| Sequential change, percent     | Q1 2016     |                 |                   | Total       |
|--------------------------------|-------------|-----------------|-------------------|-------------|
|                                | Networks    | Global Services | Support Solutions |             |
| North America                  | -20%        | -20%            | -50%              | -23%        |
| Latin America                  | -29%        | -39%            | -23%              | -34%        |
| Northern Europe & Central Asia | -6%         | -39%            | -25%              | -22%        |
| Western & Central Europe       | -30%        | -22%            | -45%              | -26%        |
| Mediterranean                  | -45%        | -33%            | -42%              | -38%        |
| Middle East                    | -49%        | -37%            | -21%              | -41%        |
| Sub Saharan Africa             | -45%        | -4%             | 23%               | -26%        |
| India                          | -26%        | -7%             | 31%               | -15%        |
| North East Asia                | -39%        | -33%            | -50%              | -37%        |
| South East Asia & Oceania      | 21%         | -21%            | -67%              | -2%         |
| Other                          | -49%        | 43%             | -41%              | -40%        |
| <b>Total</b>                   | <b>-31%</b> | <b>-25%</b>     | <b>-40%</b>       | <b>-29%</b> |

| Year over year change, percent | Q1 2016  |                 |                   | Total |
|--------------------------------|----------|-----------------|-------------------|-------|
|                                | Networks | Global Services | Support Solutions |       |

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|                                |            |            |            |            |
|--------------------------------|------------|------------|------------|------------|
| North America                  | 23%        | -4%        | -4%        | 8%         |
| Latin America                  | -6%        | -18%       | -7%        | -12%       |
| Northern Europe & Central Asia | -26%       | -4%        | -1%        | -18%       |
| Western & Central Europe       | -21%       | -14%       | -19%       | -17%       |
| Mediterranean                  | -24%       | -8%        | 0%         | -14%       |
| Middle East                    | -41%       | -2%        | 44%        | -21%       |
| Sub Saharan Africa             | 15%        | -7%        | -31%       | -2%        |
| India                          | -39%       | 11%        | -46%       | -24%       |
| North East Asia                | -11%       | -5%        | 97%        | -7%        |
| South East Asia & Oceania      | 32%        | 9%         | 8%         | 22%        |
| Other                          | 44%        | 47%        | 57%        | 43%        |
| <b>Total</b>                   | <b>-2%</b> | <b>-4%</b> | <b>10%</b> | <b>-2%</b> |

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## PROVISIONS

| Isolated quarters, SEK million                     | 2016         |              | 2015         |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
|  | Q1           | Q4           | Q3           | Q2           | Q1           |
| <b>Opening balance</b>                             | <b>3,838</b> | <b>4,331</b> | <b>5,354</b> | <b>4,056</b> | <b>4,427</b> |
| Additions  | 492          | 589          | 695          | 2,777        | 915          |
| Utilization/Cash out                               | -667         | -1,096       | -1,545       | -1,217       | -1,204       |
| <i>Of which restructuring</i>                      | -487         | -754         | -1,103       | -472         | -437         |
| Reversal of excess amounts                         | -67          | 87           | -168         | -161         | -236         |
| Reclassification, translation difference and other | -64          | -73          | -5           | -101         | 154          |
| <b>Closing balance</b>                             | <b>3,532</b> | <b>3,838</b> | <b>4,331</b> | <b>5,354</b> | <b>4,056</b> |

| Year to date, SEK million                          | 2016         |              | 2015         |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
|  | Jan-Mar      | Jan-Dec      | Jan-Sep      | Jan-Jun      | Jan-Mar      |
| <b>Opening balance</b>                             | <b>3,838</b> | <b>4,427</b> | <b>4,427</b> | <b>4,427</b> | <b>4,427</b> |
| Additions  | 492          | 4,976        | 4,387        | 3,692        | 915          |
| Utilization/Cash out                               | -667         | -5,062       | -3,966       | -2,421       | -1,204       |
| <i>Of which restructuring</i>                      | -487         | -2,766       | -2,012       | -909         | -437         |
| Reversal of excess amounts                         | -67          | -478         | -565         | -397         | -236         |
| Reclassification, translation difference and other | -64          | -25          | 48           | 53           | 154          |
| <b>Closing balance</b>                             | <b>3,532</b> | <b>3,838</b> | <b>4,331</b> | <b>5,354</b> | <b>4,056</b> |

## INFORMATION ON INVESTMENTS

Investments in assets subject to depreciation, amortization, impairment and write-downs

| Isolated quarters, SEK million                          | 2016         |              | 2015         |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
|   | Q1           | Q4           | Q3           | Q2           | Q1           |
| <b>Additions</b>  |              |              |              |              |              |
| Property, plant and equipment                           | 1 474        | 1,739        | 1,807        | 2,424        | 2,367        |
| Capitalized development expenses <sup>1)</sup>          | 1 208        | 1,183        | 982          | 843          | 294          |
| IPR, brands and other intangible assets                 | 5            | 23           | 10           | 26           | 11           |
| <b>Total</b>  | <b>2 687</b> | <b>2,945</b> | <b>2,799</b> | <b>3,293</b> | <b>2,672</b> |
| <b>Depreciation, amortization and impairment losses</b> |              |              |              |              |              |
| Property, plant and equipment                           | 1 062        | 1,194        | 1,129        | 1,152        | 1,214        |
| Capitalized development expenses                        | 351          | 349          | 354          | 333          | 342          |
| IPR, brands and other intangible assets, etc.           | 684          | 978          | 942          | 1,094        | 1,125        |



|              |              |              |              |              |              |
|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Total</b> | <b>2 097</b> | <b>2,521</b> | <b>2,425</b> | <b>2,579</b> | <b>2,681</b> |
|--------------|--------------|--------------|--------------|--------------|--------------|

1) Including reclassification

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## RECONCILIATION TABLES, NON-IFRS

## MEASURES

## CASH CONVERSION

| Isolated quarters, SEK million      | 2016   |        | 2015  |       |         |
|-------------------------------------|--------|--------|-------|-------|---------|
|                                     | Q1     | Q4     | Q3    | Q2    | Q1      |
| Net income                          | 2,106  | 6,978  | 3,118 | 2,123 | 1,454   |
| Net income reconciled to cash       | 3,631  | 10,953 | 6,782 | 3,413 | 3,136   |
| Cash flow from operating activities | -2,372 | 21,859 | 1,560 | 3,078 | -5,900  |
| Cash conversion                     | -65.3% | 199.6% | 23.0% | 90.2% | -188.1% |
| NET CASH - END OF PERIOD            |        |        |       |       |         |

| SEK million               | Mar 31<br>2016 | Dec 31<br>2015 |
|---------------------------|----------------|----------------|
| Cash and cash equivalents | 35,934         | 40,224         |
| + Short term investments  | 25,077         | 26,046         |
| - Borrowings, non-current | 22,110         | 22,744         |
| - Borrowings, current     | 2,414          | 2,376          |
| Net cash, end of period   | 36,487         | 41,150         |

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## OTHER INFORMATION

| SEK million   | Jan-Mar |         | Jan-Dec |
|---|---------|---------|---------|
|   | 2016    | 2015    | 2015    |
| <b>Number of shares and earnings per share</b>                        |         |         |         |
| Number of shares, end of period (million)                             | 3,305   | 3,305   | 3,305   |
| Of which class A-shares (million)                                     | 262     | 262     | 262     |
| Of which class B-shares (million)                                     | 3,043   | 3,043   | 3,043   |
| Number of treasury shares, end of period (million)                    | 46      | 60      | 49      |
| Number of shares outstanding, basic, end of period (million)          | 3,259   | 3,245   | 3,256   |
| Numbers of shares outstanding, diluted, end of period (million)       | 3,293   | 3,277   | 3,289   |
| Average number of treasury shares (million)                           | 47      | 61      | 56      |
| Average number of shares outstanding, basic (million)                 | 3,258   | 3,244   | 3,249   |
| Average number of shares outstanding, diluted (million) <sup>1)</sup> | 3,292   | 3,276   | 3,282   |
| Earnings per share, basic (SEK)                                       | 0.60    | 0.41    | 4.17    |
| Earnings per share, diluted (SEK) <sup>1)</sup>                       | 0.60    | 0.40    | 4.13    |
| <b>Ratios</b>   |         |         |         |
| Days sales outstanding  | 108     | 125     | 87      |
| Inventory turnover days   | 80      | 82      | 64      |
| Payable days  | 58      | 64      | 53      |
| Equity ratio (%)  | 52.0%   | 49.2%   | 51.8%   |
| Capital turnover (times)  | 1.1     | 1.1     | 1.3     |
| Cash conversion % <sup>2)</sup>                                       | -65.3%  | -188.1% | 84.8%   |
| <b>Exchange rates used in the consolidation <sup>3)</sup></b>         |         |         |         |
| SEK/EUR- closing rate   | 9.23    | 9.29    | 9.17    |
| SEK/USD- closing rate   | 8.11    | 8.64    | 8.40    |
| <b>Other</b>  |         |         |         |
| Regional inventory, end of period                                     | 18,089  | 20,000  | 15,453  |
| Export sales from Sweden  | 23,254  | 26,151  | 117,486 |

<sup>1)</sup> Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

<sup>2)</sup> Reconciliation of non-IFRS financial measures to the most directly comparable IFRS financial measures can be found on page XX

<sup>3)</sup> Translation method changed from 2015. Monthly rates used to translate transactions are available on [www.ericsson.com/thecompany/investors](http://www.ericsson.com/thecompany/investors)

## NUMBER OF EMPLOYEES

| End of period | 2016   |        | 2015   |        |        |
|---------------|--------|--------|--------|--------|--------|
|               | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |

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|  |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|
| North America                                | 14 081         | 14,548         | 14,669         | 14,975         | 15,156         |
| Latin America                                | 9 836          | 10,412         | 10,754         | 10,823         | 10,970         |
| Northern Europe & Central Asia <sup>1)</sup> | 20 167         | 20,700         | 20,953         | 21,441         | 21,556         |
| Western & Central Europe                     | 12 100         | 12,220         | 12,042         | 12,400         | 12,575         |
| Mediterranean                                | 12 906         | 12,702         | 12,748         | 12,925         | 13,363         |
| Middle East                                  | 3 608          | 3,639          | 3,634          | 3,717          | 3,813          |
| Sub Saharan Africa                           | 2 377          | 2,301          | 2,306          | 2,389          | 2,442          |
| India  | 22 424         | 21,999         | 21,343         | 21,353         | 21,215         |
| North East Asia                              | 13 623         | 13,706         | 13,782         | 13,104         | 13,488         |
| South East Asia & Oceania                    | 4 178          | 4,054          | 4,009          | 4,056          | 4,128          |
| <b>Total</b>                                 | <b>115 300</b> | <b>116,281</b> | <b>116,240</b> | <b>117,183</b> | <b>118,706</b> |

|   |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
| <i><sup>1)</sup> Of which in Sweden</i> | <i>16 290</i> | <i>17,041</i> | <i>17,242</i> | <i>17,560</i> | <i>17,569</i> |
|---|---------------|---------------|---------------|---------------|---------------|

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## RESTRUCTURING CHARGES BY FUNCTION

| Isolated quarters, SEK million      | 2016        |             | 2015        |               |             |
|-------------------------------------|-------------|-------------|-------------|---------------|-------------|
|                                     | Q1          | Q4          | Q3          | Q2            | Q1          |
| Cost of sales                       | -328        | -282        | -351        | -1,157        | -484        |
| Research and development expenses   | -257        | -305        | -547        | -1,118        | -51         |
| Selling and administrative expenses | -47         | -117        | -80         | -469          | -79         |
| <b>Total</b>                        | <b>-632</b> | <b>-704</b> | <b>-978</b> | <b>-2,744</b> | <b>-614</b> |

| Year to date, SEK million           | 2016        |               | 2015          |               |             |
|-------------------------------------|-------------|---------------|---------------|---------------|-------------|
|                                     | Jan-Mar     | Jan-Dec       | Jan-Sep       | Jan-Jun       | Jan-Mar     |
| Cost of sales                       | -328        | -2,274        | -1,992        | -1,641        | -484        |
| Research and development expenses   | -257        | -2,021        | -1,716        | -1,169        | -51         |
| Selling and administrative expenses | -47         | -745          | -628          | -548          | -79         |
| <b>Total</b>                        | <b>-632</b> | <b>-5,040</b> | <b>-4,336</b> | <b>-3,358</b> | <b>-614</b> |

## RESTRUCTURING CHARGES BY SEGMENT

| Isolated quarters, SEK million        | 2016        |             | 2015        |               |             |
|---------------------------------------|-------------|-------------|-------------|---------------|-------------|
|                                       | Q1          | Q4          | Q3          | Q2            | Q1          |
| Networks                              | -295        | -259        | -565        | -1,842        | -173        |
| Global Services                       | -315        | -213        | -358        | -691          | -419        |
| <i>Of which Professional Services</i> | -237        | -60         | -316        | -175          | -140        |
| <i>Of which Network Rollout</i>       | -78         | -153        | -42         | -516          | -279        |
| Support Solutions                     | -22         | -230        | -37         | -194          | -19         |
| Modems                                |             | 1           | -1          | -12           | -3          |
| Unallocated                           |             | -3          | -17         | -5            |             |
| <b>Total</b>                          | <b>-632</b> | <b>-704</b> | <b>-978</b> | <b>-2,744</b> | <b>-614</b> |

| Year to date, SEK million             | 2016    |         | 2015    |         |         |
|---------------------------------------|---------|---------|---------|---------|---------|
|                                       | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks                              | -295    | -2,839  | -2,580  | -2,015  | -173    |
| Global Services                       | -315    | -1,681  | -1,468  | -1,110  | -419    |
| <i>Of which Professional Services</i> | -237    | -691    | -631    | -315    | -140    |
| <i>Of which Network Rollout</i>       | -78     | -990    | -837    | -795    | -279    |
| Support Solutions                     | -22     | -480    | -250    | -213    | -19     |
| Modems                                |         | -15     | -16     | -15     | -3      |

|              |             |               |               |               |             |
|--------------|-------------|---------------|---------------|---------------|-------------|
| Unallocated  |             | -25           | -22           | -5            |             |
| <b>Total</b> | <b>-632</b> | <b>-5,040</b> | <b>-4,336</b> | <b>-3,358</b> | <b>-614</b> |

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