

ERICSSON LM TELEPHONE CO

Form 6-K

April 25, 2017

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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 25, 2017**

**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):

Announcement of LM Ericsson Telephone Company, April 25, 2017 regarding Ericsson reports first quarter results 2017 .

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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 & Chief Legal Officer**

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

Date: **April 25, 2017**

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FIRST QUARTER 2017

Stockholm, April 25, 2017

**FIRST QUARTER HIGHLIGHTS****Read more  
(page)**

Reported sales decreased by -11% YoY. Sales, adjusted for currency, decreased -16% YoY partly due to lower IPR licensing revenues which amounted to SEK 2.0 (3.8) b.	3
Provisions and adjustments related to certain customer contracts of SEK -8.4 b., asset write-downs of SEK -3.3 b. and restructuring charges of SEK -1.7 b. were made in the quarter, in line with the announcement on March 28, 2017.	2
Gross margin was 13.9%. Adjusted <sup>1)</sup> gross margin declined to 30.5% (33.9%) mainly due to lower IPR licensing revenues.	4
Operating income was SEK -12.3 b. Adjusted <sup>1)</sup> operating income declined to SEK 1.1 (4.1) b. due to lower sales and lower gross margin.	4
Networks operating margin was -2%. Networks adjusted <sup>1)</sup> operating margin was solid at 12%, despite lower sales including reduced IPR licensing revenues.	2
IT & Cloud operating income was SEK -9.0 b. Adjusted <sup>1)</sup> operating income for IT & Cloud showed a significant negative development YoY with increased losses. Actions have been initiated to improve performance.	2
Media operating income was SEK -2.8 b. Adjusted <sup>1)</sup> operating income was significantly reduced YoY. Strategic opportunities are being explored.	2
Cash flow from operating activities was SEK -1.5 (-2.4) b.	9

<sup>1)</sup> Restructuring, write-down of assets as well as provisions and adjustments related to certain customer projects had a significant negative impact on the reported Q1 2017 result. Numbers excluding these items are referred to in the text as *adjusted*, please see page 3 for reconciliation.

SEK b.	Q1 2017	Q1 2016	YoY change	Q4 2016	QoQ change
Net sales	46.4	52.2	-11%	65.2	-29%
<i>Sales growth adj. for comparable units and currency</i>			-16%		-29%
Gross margin	13.9%	33.3%		26.1%	
<i>Gross margin excluding restructuring charges and adjusted for items affecting comparability in Q1 2017</i>	30.5%	33.9%		29.4%	
Operating income	-12.3	3.5		-0.3	
<i>Operating income excluding restructuring charges and adjusted for items affecting comparability in Q1 2017</i>	1.1	4.1	-73%	4.4	-75%
Operating margin	-26.6%	6.7%		-0.4%	

*Operating margin excluding restructuring charges and adjusted for items affecting comparability in Q1 2017*

	2.3%	7.9%		6.7%
Net income	-10.9	2.1		-1.6
EPS diluted, SEK	-3.29	0.60		-0.48
EPS (Non-IFRS), SEK <sup>2)</sup>	-2.42	0.87		0.62
Cash flow from operating activities	-1.5	-2.4	-35%	19.4
Net cash, end of period	28.3	36.5	-22%	31.2
				-108%
				-9%

<sup>2)</sup> EPS diluted, excl. amortizations and write-downs of acquired intangible assets, and excluding restructuring charges.

Non-IFRS financial measures are reconciled to the most directly reconcilable line items in the financial statements at the end of this report.

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### CEO Comments

**Our performance in the first quarter continued to be unsatisfactory. Segment Networks delivered a solid result despite lower sales, while losses in segments IT & Cloud and Media increased significantly. In the quarter a more focused business strategy and a new Executive Team were announced. The immediate priority is to improve profitability while also taking action to revitalize technology and market leadership.**

Reported sales declined by -11%. Operating income was SEK-12.3 b., after provisions, write-downs and restructuring charges of SEK -13.4 b. Excluding these items the operating income amounted to SEK 1.1 b.

Despite lower sales, Networks delivered a solid result. Sales declined YoY due to lower investment levels in certain markets, lower IPR licensing revenues and the renewed managed services contract with reduced scope in North America. Networks adjusted<sup>1)</sup> operating margin improved sequentially and was supported by an improved business mix and a more competitive portfolio. The new Ericsson Radio System platform contributed to improving profitability and stabilizing the market share position, after several years of decline.

The concerning developments in IT & Cloud continued with significantly increased losses. IT & Cloud remains a strategic area for Ericsson as our customers will digitalize their operations and invest in a future network architecture based on software-defined logic. However, our performance in this area is not acceptable and the new management team is initiating actions to turn the business around. Actions include accelerating the introduction of the new products, streamlining the services organization and tightening the contract scoping. We will continue to sell complete solutions in telecom core, OSS and BSS, including hardware, software and services. However, we are seeking alternatives for our IT cloud infrastructure hardware business to gain necessary scale to ensure that we can offer competitive solutions to our customers. Tangible improvements in profitability are expected during 2018.

The accelerated losses in Media were caused by a faster than anticipated decline in legacy product sales, not offset by growth in the new portfolio. While continuing to develop our media solutions we are exploring strategic opportunities for Media to allow it to scale and succeed in the evolving media landscape.

Of the total adjustments<sup>1)</sup> of SEK -13.4 b., write-downs were SEK -3.3 b. and restructuring charges were SEK -1.7 b. Triggered by negative developments late in the quarter related to certain customer contracts, provisions and adjustments of SEK -8.4 b. were made of which SEK 5.8 b. is estimated to negatively affect cash flow over several years.

The provisions and adjustments of SEK -8.4 b. consist of the following items. Customer settlements and revaluation of customer discounts, due to lower projected customer volumes, reduced net sales by SEK -1.4 b. Operating expenses were impacted by SEK -1.5 b. due to reassessment of the

value of trade receivables. The remaining SEK -5.5 b. is provisions for additional project costs, mainly related to certain transformation projects in IT & Cloud, which due to recent negative developments are not expected to be covered by future project revenues.

In light of the current market environment and company position we are taking a more prudent approach in assessing risk exposures. In this work we have identified certain large, complex transformation projects with challenging

profitability and higher inherent risks, that we are focused on mitigating.

On March 28, 2017, we presented a more focused business strategy and a new Executive Team. The new strategy aims to revitalize technology and market leadership, improve group profitability and enable customer success.

The strategy builds on reallocating resources and investments to core portfolio areas, fully leveraging the potential of 5G, IoT and cloud. We will also refocus Managed Services and Network Roll-out to improve profitability. By addressing low-performing operations within Managed Services and optimizing the offering within Network Roll-out, full-year sales are expected to be negatively impacted by up to SEK 10 b. by 2019.

We are not satisfied with the cost structure of the company and the existing cost and efficiency program is not yielding sufficient results. Based on current profitability, we will intensify our efforts to reduce cost with focus on structural changes to generate lasting efficiency gains and increase cost competitiveness. Our target is to surpass previous ambitions. However, we need to increase investment in certain core areas to develop our product portfolio, which can temporarily increase cost levels.

The more focused business strategy is expected to result in a significantly improved profitability already in 2018. Beyond 2018, we believe that we can at least double the underlying 2016 operating margin.

## **Börje Ekholm**

President and CEO

### **Planning assumptions going forward**

Industry trends and business mix in mobile broadband from 2016 are expected to prevail in 2017.

RAN equipment market in USD estimated to decline by -2% to -6% in 2017.

The earlier communicated renewed managed services contract with reduced scope in North America will impact sales negatively YoY in Q2 and Q3 2017.

Addressing low-performing operations in Managed Services and optimizing the offering within Network Rollout are expected to reduce full-year sales by up to SEK 10 b. by 2019.

The baseline for current IPR licensing contract portfolio is approximately SEK 7 b. on an annual basis.

The restructuring charges for 2017 are estimated to be SEK 6-8 b.

- 1) Restructuring, write-down of assets as well as provisions and adjustments related to certain customer projects had a significant negative impact on the reported Q1 2017 result. Numbers excluding these items are referred to in the text as adjusted, please see page 3 for reconciliation.

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## FINANCIAL HIGHLIGHTS

SEK b.	Q1 2017	Q1 2016	YoY change	Q4 2016	QoQ change
Net sales	46.4	52.2	-11%	65.2	-29%
<i>Of which Networks</i>	34.9	39.9	-13%	47.8	-27%
<i>Of which IT &amp; Cloud</i>	9.5	9.8	-3%	14.9	-36%
<i>Of which Media</i>	2.0	2.4	-20%	2.5	-23%
Gross income	6.4	17.4	-63%	17.0	-62%
Gross margin (%)	13.9%	33.3%		26.1%	
Research and development expenses	-9.1	-7.5	21%	-8.9	2%
Selling and administrative expenses	-9.9	-6.7	47%	-8.8	12%
Other operating income and expenses	0.1	0.3	-48%	0.4	-61%
Operating income	-12.3	3.5		-0.3	
Operating margin	-26.6%	6.7%		-0.4%	
<i>for Networks</i>	-2%	14%		5%	
<i>for IT &amp; Cloud</i>	-94%	-20%		-12%	
<i>for Media</i>	-143%	-13%		-33%	
Financial net	-0.4	-0.5	-7%	-0.7	-37%
Taxes	1.9	-0.9		-0.6	
Net income	-10.9	2.1		-1.6	
Restructuring charges	-1.7	-0.6	176%	-4.6	-63%

**Q1 2017 ADJUSTED FOR RESTRUCTURING CHARGES AND ITEMS AFFECTING COMPARABILITY**

SEK b.	Q1 2017 reported	Restructuring charges	Asset write-downs	Provisions and customer project adjustments	Q1 2017 adjusted	Q1 2016 excl. restructuring charges	Q4 2016 excl. restructuring charges
Net sales	46.4			1.4	47.8	52.2	65.2
Gross income	6.4	1.5		6.7	14.6	17.7	19.2
Gross margin (%)	13.9%				30.5%	33.9%	29.4%
Research and development expenses	-9.1	0.2	1.9	0.2	-6.7	-7.2	-7.4
Selling and administrative expenses	-9.9	0.1	1.4	1.5	-7.0	-6.7	-7.8
Other operating income and expenses	0.1				0.1	0.3	0.4
Operating income	-12.3	1.7	3.3	8.4	1.1	4.1	4.4
<i>for Networks</i>	-0.5	1.4	0.1	3.3	4.3	6.2	4.8
<i>for IT &amp; Cloud</i>	-9.0	0.2	1.5	5.0	-2.2	-1.8	0.0
<i>for Media</i>	-2.8	0.1	1.7		-1.0	-0.3	-0.4
Operating margin	-26.6%				2.3%	7.9%	6.7%

Restructuring, write-down of assets as well as provisions and adjustments related to certain customer projects had a significant negative impact on the reported Q1 2017 result. Numbers excluding these items are referred to in the text as adjusted .

### **Net sales**

Sales as reported decreased by -11% YoY. Adjusted sales declined by -8% YoY to SEK 47.8 (52.2) b. Sales, adjusted for comparable units and currency, decreased -16% YoY. The mobile broadband market remained weak in the quarter with continued low investment levels, particularly in Latin America, Africa and parts of Europe.

Sales in North America declined YoY mainly due to the earlier communicated renewed managed services contract with reduced scope effective from Q4 2016. Sales in North East Asia were flat YoY supported by increased Networks sales in Japan, partly offset by lower IT & Cloud sales in mainland China. The transition from 3G to 4G continued and generated sales growth in South East Asia.

As anticipated, sales declined sequentially with more than normal seasonality following hardware deliveries made in Q4 2016, on customer request, previously planned for Q1 2017. Sales declined by -29% QoQ.

Total sales for Managed Services, as defined in 2016, including Broadcast Services, were SEK 6.2 (7.4) b. The decline mainly refers to the earlier communicated re-scoped managed services contract in North America. The definition of Managed Services will be adjusted in 2018, at latest, to mirror the new organization.

### **IPR licensing revenues**

IPR licensing revenues declined YoY to SEK 2.0 (3.8) b. following certain one-time items in same period last year. IPR licensing revenues were flat QoQ.

### **Asset write-downs, provisions and adjustments**

As announced on March 28, the company has decided to focus its business strategy and explore strategic opportunities for the Media as well as the Cloud infrastructure hardware businesses. As a consequence write-down of assets amounting to SEK -3.3 b., of which SEK -1.5 b. in IT & Cloud, SEK -1.7 b. in Media and SEK -0.1 b. in Networks, were made in the quarter.

As also announced on March 28, provisions and adjustments triggered by negative developments late in the quarter, related to certain large customer projects were required. These provisions and adjustments amounted to SEK -8.4 b. Customer settlements and revaluation of customer discounts, due to lower

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projected customer volumes, reduced net sales by SEK -1.4 b. Operating expenses were impacted by SEK -1.5 b. due to reassessment of the value of trade receivables. The remaining SEK -5.5 b. is provisions for additional project costs, mainly related to certain transformation projects in IT & Cloud, which due to recent negative developments are not expected to be covered by future project revenues.

### **Gross margin**

Gross margin declined to 13.9% (33.3%) and from 26.1% QoQ, mainly due to the additional provisions and adjustments.

The adjusted gross margin declined to 30.5% (33.9%) following lower IPR licensing revenues and lower gross margins in IT & Cloud and Media. Sequentially the adjusted gross margin improved from 29.4% driven by higher margins in Networks and a higher share of IPR licensing revenues, partly offset by reduced gross margins in IT & Cloud.

### **Operating expenses**

Operating expenses increased to SEK 18.9 (14.2) b. and sequentially from SEK 17.7 b., due to the write-down of assets as well as additional provisions and adjustments.

Adjusted R&D expenses and selling and administrative expenses, i.e operating expenses, declined to SEK 13.7 (13.9) b. and from SEK 15.2 b. in Q4 2016. The QoQ reduction was mainly due to seasonality.

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

Other operating income and expenses declined YoY and QoQ. The revaluation and realization effects of currency hedge contracts were SEK 0.0 (0.2) b. Such effects were SEK -0.4 b. in Q4, 2016.

As of Q1 2017, the funding of foreign exchange forecast hedging will be managed through foreign exchange loans (USD) instead of foreign exchange derivatives. Therefore, any revaluation and realization effects will be included in financial expenses instead of in other operating income and expenses.

The hedge balance is in USD. The SEK strengthened against the USD between Dec 31, 2016 (SEK/USD rate 9.06) and March 31, 2017 (SEK/USD rate 8.93).

### **Restructuring charges**

Total restructuring charges were SEK -1.7 (-0.6) b. For full-year 2017, the restructuring charges are estimated to be SEK 6-8 b.

### **Operating income**

Operating income decreased to SEK -12.3 (3.5) b., mainly due to the additional provisions and adjustments, asset write-downs and increased restructuring charges. The adjusted operating income decreased to SEK 1.1 b. from SEK 4.1 b. This was mainly due to lower sales and lower gross margin.

Operating income decreased sequentially from SEK -0.3 b., mainly due to the additional provisions and adjustments as well as asset write-downs, partly offset by reduced restructuring charges. The adjusted operating income decreased

to SEK 1.1 b. from SEK 4.4 b. due to lower sales, partly offset by increased gross margin and lower operating expenses.

### **Financial net**

Financial net was flat YoY and improved QoQ as Q4 2016 was negatively impacted by depreciated local currencies in certain markets.

### **Taxes**

Taxes were positive in the quarter following the negative income.

### **Net income and EPS**

Net income and EPS diluted decreased YoY and QoQ, following the negative operating income. EPS diluted was SEK -3.29 (0.60) and EPS (Non-IFRS) was SEK -2.42 (0.87).

### **Employees**

The number of employees on March 31, 2017 was 110,898 compared with 111,464 on Dec 31, 2016. A majority of the headcount reductions was in Sweden. In addition, 1,600 employees in Sweden, who left the company on voluntary basis, are still included in the headcount numbers without impacting salary costs.

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## REGIONAL SALES

SEK b.	First quarter 2017				Change	
	IT & Networks	Cloud	Media	Total	YoY	QoQ
North America	9.2	2.3	0.3	11.8	-10%	-20%
Latin America	2.0	0.8	0.0	2.9	-29%	-42%
Northern Europe and Central Asia	1.2	0.4	0.1	1.7	-24%	-38%
Western and Central Europe	2.5	0.7	0.4	3.6	-17%	-21%
Mediterranean	2.8	1.4	0.2	4.4	1%	-35%
Middle East	2.4	1.0	0.1	3.5	-3%	-45%
Sub-Saharan Africa	1.4	0.5	0.0	1.9	-9%	-29%
India	1.8	0.6	0.0	2.4	-10%	-20%
North East Asia	4.6	0.9	0.0	5.6	0%	-42%
South East Asia and Oceania	4.8	0.7	0.1	5.6	7%	-16%
Other <sup>1)</sup>	2.0	0.2	0.6	2.9	-40%	4%
<b>Total</b>	<b>34.9</b>	<b>9.5</b>	<b>2.0</b>	<b>46.4</b>	<b>-11%</b>	<b>-29%</b>

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

**North America**

North America sales declined, mainly due to the earlier communicated reduced scope of a renewed managed services contract. Mobile broadband infrastructure sales were stable. IT & Cloud sales increased, driven by digital transformation projects reaching milestones in the quarter.

**Latin America**

Sales declined as mobile broadband investments continue to be impacted by the macroeconomic environment and declining sales in Mexico.

**Northern Europe and Central Asia**

Sales decreased, impacted by continued lower investments in mobile broadband infrastructure and last year's project completion in Russia.

**Western and Central Europe**

Sales declined as operators continued to reduce investments in mobile broadband infrastructure in order to focus on cash flow as well as shifting investments into fiber deployments.

### **Mediterranean**

Sales increased slightly with higher investments in mobile broadband infrastructure while the weak development of related capacity business continued. The managed services business continued to develop favorably.

### **Middle East**

Sales declined slightly in a continued challenging macroeconomic environment. Networks product sales declined as operators remained cautious on mobile broadband capacity investments while the networks services business grew.

### **Sub-Saharan Africa**

Sales declined due to a continued challenging macroeconomic environment in key markets following political uncertainty and on the back of low commodity prices impacting demand.

### **India**

Following a fast pace of 4G deployments in Q4 2016, driven by the spectrum auctions late 2016, sales were down impacted by consolidations and tariff competition between operators.

### **North East Asia**

Sales remained stable. Sales in Mainland China declined due to continued reduced investments by one customer. Sales in Japan and Korea increased, driven by network modernizations and financial year-end sales in Japan.

### **South East Asia and Oceania**

Sales growth was driven primarily by mobile broadband investments in Vietnam. Networks services developed favorably, mainly driven by managed services and network optimization.

### **Other**

IPR licensing revenues amounted to SEK 2.0 (3.8) b. IPR licensing revenues in Q1 2016 were positively impacted by one-off items.

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## SEGMENT RESULTS

## NETWORKS

SEK b.	Q1 2017	Q1 2016	YoY change	Q4 2016	QoQ change
Net sales	34.9	39.9	-13%	47.8	-27%
<i>Of which products</i>	19.4	22.8	-15%	27.5	-29%
<i>Of which services</i>	15.5	17.1	-10%	20.3	-24%
<i>Sales growth adj. for comparable units and currency</i>			-18%		-27%
Gross income	8.0	13.0	-39%	11.8	-32%
<i>Gross income excluding restructuring charges</i>	9.2	13.3	-30%	13.1	-30%
Gross margin	23%	33%		25%	
<i>Gross margin excluding restructuring charges</i>	26%	33%		27%	
Operating income	-0.5	5.8	-109%	2.4	-123%
<i>Operating income excluding restructuring charges</i>	0.9	6.2	-85%	4.8	-81%
Operating margin	-2%	14%		5%	
<i>Operating margin excluding restructuring charges</i>	3%	16%		10%	
EBITA margin	-1%	15%		5%	
Restructuring charges	-1.4	-0.4		-2.4	-40%

**Q1 2017 ADJUSTED FOR RESTRUCTURING CHARGES AND ITEMS AFFECTING COMPARABILITY**

SEK b.	Q1 2017 reported	Restructuring charges	Asset write-downs	Provisions and customer projec adjustments	Q1 2017 adjusted	Q1 2016 excl. restructuring charges	Q4 2016 excl. restructuring charges
Net Sales	34.9			1.3	36.2	39.9	47.8
Gross income	8.0	1.3		2.0	11.3	13.3	13.1
Gross margin	23%				31%	33%	27%
Operating income	-0.5	1.4	0.1	3.3	4.3	6.2	4.8
Operating margin	-2%				12%	16%	10%

Restructuring, write-down of assets as well as provisions and adjustments related to certain customer projects had a significant negative impact on the reported Q1 2017 result. Numbers excluding these items are referred to in the text as adjusted .

**Net sales**

Sales as reported decreased by -13% YoY. Adjusted sales declined -9%. Networks product sales declined YoY mainly due to continued low investments in mobile broadband in certain markets and lower IPR licensing revenues amounting to SEK 1.6 (3.1) b. Network services sales declined YoY mainly due to lower managed services sales following the earlier communicated renewed contract in North America with reduced scope. Sales, adjusted for comparable units and currency, decreased by -18%.

In 2016, a number of markets, in regions such as Latin America, and Middle East and Africa, were impacted by a weak macroeconomic environment with a negative effect on mobile broadband investments. The mobile broadband market remained weak in the first quarter.

The earlier communicated renewed managed services contract, with reduced scope, in North America was the main reason behind the sales decline YoY in the region. Sales in North East Asia increased YoY with sales growth in Japan and Korea.

The transition from 3G to 4G continued to drive sales growth YoY in Asia Pacific. A large mobile broadband coverage project in Vietnam was the main contributor to growth.

Reported sales declined by -27% QoQ and adjusted net sales declined by -24%, impacted by hardware deliveries made in Q4 2016 on customer request previously planned for Q1 2017.

The transition to the new Ericsson Radio System platform is tracking towards the target of approximately 50% of total deliveries in 2017.

### **Gross margin**

Gross margin decreased YoY due to increased provisions and adjustments as well as lower IPR licensing revenues. The adjusted gross margin declined YoY due to lower IPR licensing revenues. Sequentially, the adjusted gross margin improved following a higher share of capacity business, improved services margins and a higher IPR licensing revenue share of sales.

### **Operating income and margin**

Operating income decreased YoY and QoQ, mainly due to increased provisions and adjustments and lower sales. The adjusted operating income declined YoY due to lower sales and gross margin. Sequentially, the adjusted operating income declined due to lower sales, partly offset by improved gross margin and lower operating expenses.

The effects of revaluation and realization of currency hedge contracts were SEK 0.0 (0.1) b. in the quarter. In Q4 2016, the effects of currency hedge contracts were negative at SEK -0.3 b.



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## IT &amp; CLOUD

SEK b.	Q1 2017	Q1 2016	YoY change	Q4 2016	QoQ change
Net sales	9.5	9.8	-3%	14.9	-36%
<i>Of which products</i>	4.1	4.8	-14%	6.7	-39%
<i>Of which services</i>	5.4	5.1	8%	8.2	-34%
<i>Sales growth adj. for comparable units and currency</i>			-7%		-35%
Gross income	-2.1	3.3	-164%	4.7	-145%
<i>Gross income excluding restructuring charges</i>	-1.9	3.4	-158%	5.3	-136%
Gross margin	-22%	33%		31%	
<i>Gross margin excluding restructuring charges</i>	-20%	34%		36%	
Operating income	-9.0	-2.0		-1.8	
<i>Operating income excluding restructuring charges</i>	-8.8	-1.8		0.0	
Operating margin	-94%	-20%		-12%	
<i>Operating margin excluding restructuring charges</i>	-92%	-18%		0%	
EBITA margin	-86%	-17%		-11%	
Restructuring charges	-0.2	-0.2	26%	-1.8	-87%

## Q1 2017 ADJUSTED FOR RESTRUCTURING CHARGES AND ITEMS AFFECTING COMPARABILITY

SEK b.	Q1 2017 reported	Restructuring charges	Asset write-downs	Provisions and customer projec adjustments	Q1 2017 adjusted	Q1 2016 excl. restructuring charges	Q4 2016 excl. restructuring charges
Net Sales	9.5			0.1	9.6	9.8	14.9
Gross income	-2.1	0.2		4.5	2.7	3.4	5.3
Gross margin	-22%				28%	34%	36%
Operating income	-9.0	0.2	1.5	5.0	-2.2	-1.8	0.0
Operating margin	-94%				-23%	-18%	0%

Restructuring, write-down of assets as well as provisions and adjustments related to certain customer projects had a significant negative impact on the reported Q1 2017 result. Numbers excluding these items are referred to in the text as adjusted .

**Net sales**

Sales as reported declined by -3% YoY due to lower product sales while services sales increased. Sales of legacy portfolio products, in network infrastructure as well as in OSS & BSS, continued to decline and were not offset by growth in the new portfolio. To prepare for 5G, customers are digitalizing Core and IT, leading to an increased demand for transformation services while the demand for legacy products is decreasing. The services share of sales has increased from 51% Q1 2016 to 57% Q1 2017. IPR and licensing revenues declined YoY to SEK 0.2 (0.4) b.

Sales adjusted for comparable units and currency decreased by -7% YoY.

Sales declined by -36% QoQ after a seasonally strong Q4. Sales in North East Asia and Europe declined more than normal seasonality following milestone completions in large projects in 2016.

### **Gross margin**

Gross margin decreased YoY and QoQ mainly due to increased provisions and adjustments. Adjusted gross margin declined YoY due to lower services margins, lower IPR licensing revenues and an increased services share of segment sales. The services margin continues to be impacted by the ongoing large transformation projects and the service capability build-up to handle the introduction of new platforms. In addition, IT managed services margins are negatively impacted by projects in their initial transformation phase. IT & Cloud product margins were stable.

Adjusted gross margin declined QoQ due to reduced services margins in large transformation projects as well as in IT managed services projects in the initial transformation phase.

### **Operating income and margin**

Operating income decreased YoY and QoQ, mainly due to increased provisions, adjustments and write-downs.

Adjusted operating income declined YoY due to lower gross margin and lower sales. The decline was partly offset by reduced operating expenses.

Adjusted operating income declined QoQ due to lower sales and lower gross margins. The decline was partly offset by reduced operating expenses.

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## MEDIA

SEK b.	Q1 2017	Q1 2016	YoY change	Q4 2016	QoQ change
Net sales	2.0	2.4	-20%	2.5	-23%
<i>Sales growth adj. for comparable units and currency</i>			-22%		-23%
Gross income	0.6	1.1	-49%	0.6	-1%
<i>Gross income excluding restructuring charges</i>	0.6	1.1	-46%	0.7	-13%
Gross margin	28%	45%		22%	
<i>Gross margin excluding restructuring charges</i>	30%	45%		27%	
Operating income	-2.8	-0.3		-0.8	
<i>Operating income excluding restructuring charges</i>	-2.7	-0.3		-0.4	
Operating margin	-143%	-13%		-33%	
<i>Operating margin excluding restructuring charges</i>	-140%	-12%		-17%	
EBITA margin	-95%	-4%		-26%	
Restructuring charges	-0.1	0.0		-0.4	-87%

Q1 2017 ADJUSTED FOR RESTRUCTURING CHARGES AND ITEMS AFFECTING COMPARABILITY

SEK b.	Q1 2017 reported	Restructuring charges	Provisions and Asset customer project write-downs adjustments	Q1 2017 adjusted	Q1 2016 excl. restructuring charges	Q4 2016 excl. restructuring charges
Sales	2.0			2.0	2.4	2.5
Gross income	0.6	0.0		0.6	1.1	0.7
Gross margin	28%			31%	45%	27%
Operating income	-2.8	0.1	1.7	-1.0	-0.3	-0.4
Operating margin	-143%			-51%	-12%	-17%

Restructuring, write-down of assets as well as provisions and adjustments related to certain customer projects had a significant negative impact on the reported Q1 2017 result. Numbers excluding these items are referred to in the text as adjusted .

**Net sales**

Sales declined YoY primarily due to lower sales of legacy products and lower IPR licensing revenues. The transition to the next-generation MediaFirst platform is ongoing with contracts signed and ongoing customer trials, which have not yet translated into sales. IPR licensing revenues were SEK 0.2 (0.4) b.

The iconectiv (number portability solutions) sales grew more than 20% YoY. In the quarter, a minority investment in iconectiv by Francisco Partners, subject to regulatory approval, was secured to accelerate value growth.

Sales adjusted for comparable units and currency decreased by -22% YoY.

Sales declined QoQ by -23% after a seasonally strong Q4.

## **Gross margin**

Adjusted gross margin declined YoY due to lower IPR licensing revenues, a changed business mix and costs related to under-absorption of services resources.

Adjusted gross margin increased QoQ as Q4 2016 included certain additional costs of SEK -0.2 b. The margin increase was partly offset by costs related to under-absorption of services resources.

## **Operating income and margin**

Operating income decreased YoY and QoQ, mainly due to asset write-downs.

Adjusted operating income declined YoY due to lower gross margin and lower sales. Operating expenses for legacy products have been significantly reduced, however the reduction was offset by increased investments in new areas including the iconectiv business.

Adjusted operating income declined QoQ due to higher expenses and lower sales, partly offset by an improved gross margin.

**Table of Contents****CASH FLOW**

SEK b.	Q1 2017	Q1 2016	Q4 2016
Net income reconciled to cash	-9.2	3.6	1.6
Changes in operating net assets	7.7	-6.0	17.9
Cash flow from operating activities	-1.5	-2.4	19.4
Cash flow from investing activities	-13.6	-1.0	-6.6
Cash flow from financing activities	10.9	0.1	-1.0
<b>Net change in cash and cash equivalents</b>	<b>-4.0</b>	<b>-4.3</b>	<b>12.6</b>
<i>Cash conversion (%)</i>	<i>n/a</i>	<i>-65%</i>	<i>1,247%</i>

**Operating activities**

Cash flow from operating activities was SEK -1.5 b. in the quarter, due to the negative net income. However, this was partly offset by changes in operating assets of SEK 7.7 b. supported by lower trade receivables. The reduction of trade receivables QoQ was an effect of lower sales. The cash flow effect from sale of trade receivables in the quarter was SEK 1.4 b. higher than in Q1 2016.

Inventory increased sequentially following high project activity and seasonally lower delivery volumes. Trade payables increased slightly QoQ.

Cash outlays related to restructuring charges were SEK -1.6 (-0.5) b. in the quarter.

**Investing activities**

Cash flow from investing activities was impacted by investments in property, plant and equipment of SEK -1.0 b. where investments in the Global ICT centers continued to decrease. The cash flow effect from capitalized development expenses amounted to SEK -0.9 b. Investments of SEK 11.9 b. were made in interest-bearing securities following the launch of the new Euro bonds.

**Financing activities**

Cash flow from financing activities was positively impacted by the launch of two Euro bonds in March, together amounting to EUR 1.0 b. No large acquisition was made in the quarter.

Net cash was SEK 28.3 b. at the end of the quarter.

	Jan-Mar 2017	Jan-Dec 2016	Jan-Sep 2016	Jan-Jun 2016	Jan-Mar 2016
Working capital KPIs, number of days					
Sales outstanding (target: <90)	117	95	122	115	108
Inventory (target: <65)	73	69	79	81	80

Payable (target: >60)	58	56	56	59	58
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## FINANCIAL POSITION

SEK b.	Mar 31 2017	Mar 31 2016	Dec 31 2016
+ Cash and cash equivalents	33.0	35.9	37.0
+ Interest-bearing securities, current	13.5	25.1	13.3
+ Interest-bearing securities, non-current	19.1		7.6
<b>Gross cash</b>	<b>65.6</b>	<b>61.0</b>	<b>57.9</b>
Borrowings, current	9.5	2.4	8.0
Borrowings, non-current	27.8	22.1	18.7
<b>Net cash</b>	<b>28.3</b>	<b>36.5</b>	<b>31.2</b>
Equity	126.8	145.6	140.5
Total assets	292.2	280.3	283.3
Capital turnover (times)	1.0	1.1	1.2
Return on capital employed (%)	-26.2%	6.9%	3.2%
Equity ratio (%)	43.4%	52.0%	49.6%
Return on equity (%)	-32.8%	5.4%	1.2%

Net cash decreased by SEK -2.9 b. in the quarter mainly as a result of a negative cash flow from operating activities and investments in property, plant and equipment as well as in product development. The net cash position was SEK 28.3 b.

Post-employment benefits were SEK 23.8 b., compared with SEK 23.7 b. on Dec 31, 2016.

The company launched one Euro denominated 500 million 4-year bond with a fixed coupon rate of 0.875% and one Euro denominated 500 million 7-year bond with a fixed coupon rate of 1.875% in the quarter. The bonds were issued under Ericsson's Euro Medium Term Note Program (EMTN). The Euro bonds were invested in interest-bearing securities.

The EUR 0.5 b. term loan facility issued in Q4 2016 has been terminated.

The average maturity of long-term borrowings as of March 31, 2017, was 4.1 years, compared with 4.5 years 12 months earlier.

In the quarter Standard & Poor's downgraded Ericsson's long-term rating from BBB with negative outlook to BBB-with negative outlook.

**Debt maturity profile, Parent Company**

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PARENT COMPANY

Income after financial items was SEK 0.0 (0.4) b. The decrease was mainly due to write-down and restructuring cost of excess premises.

At the end of the quarter, gross cash: cash, cash equivalents, short-term investments, and interest-bearing securities non-current amounted to SEK 51.3 (42.9) b.

In the quarter, a dividend of SEK 3.3 b. was recognized according to the decision by the Annual General Meeting on March 29, 2017. The dividend was paid out in the first week of April.

In accordance with the conditions of the long-term variable compensation program (LTV) for Ericsson employees, 3,851,054 shares from treasury stock were sold or distributed to employees in the first quarter. The holding of treasury stock on March 31, 2017, was 58,341,336 Class B shares.

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### OTHER INFORMATION

#### **Ericsson launched Euro corporate bonds**

On February 24, 2017, Ericsson announced a successful launch of one Euro denominated 500 million 4-year bond with a fixed coupon rate of 0.875% and one Euro denominated 500 million 7-year bond with a fixed coupon rate of 1.875%. The bonds were issued under Ericsson's Euro Medium Term Note Program (EMTN).

#### **Ericsson reported restated financials for 2015 and 2016**

On March 10, 2017, Ericsson reported restated financials for 2015 and 2016, in accordance with the new segment reporting structure introduced in the Q1 report 2017.

#### **Ericsson presented focused business strategy**

On March 28, 2017, Ericsson presented a focused business strategy to revitalize technology and market leadership, improve group profitability and enable customer success. The company announced that it will reallocate resources and increase investments in the following core portfolio areas: networks, digital services (OSS, BSS and telecom core) and Internet of Things (IoT). In addition, the company will implement a refocused strategy for Managed Services to improve profitability and also explore strategic opportunities for the Media and Cloud infrastructure hardware businesses. The refocused strategy will have the following financial consequences in the short term: write down of assets to be made in Q1, 2017, with an estimated impact on operating income of SEK 3-4 b, restructuring charges estimated to approximately SEK 6-8 b. for 2017, of which approximately SEK 2 b. in Q1.

Separately, the company announced that it will make provisions of an estimated SEK 7-9 b. in Q1, triggered by recent negative developments related to certain large customer projects.

#### **Ericsson simplified organizational structure and named Executive Team**

On March 28, 2017, Ericsson announced that it would simplify its organizational structure by replacing the Executive Leadership Team and the Global Leadership Team by a single Executive Team. In addition, the geographical setup with ten regions will become five market areas, and the business areas are re-defined and reduced to three. Effective April 1, 2017, Ericsson's Executive Team members are:

President and CEO – Börje Ekholm,

Business Area Networks – Fredrik Jejdling,

Business Area Managed Services – Peter Laurin,

Business Area Digital Services – Ulf Ewaldsson,

Market Area North America – Rima Qureshi,

Market Area Europe & Latin America – Arun Bansal,

Market Area Middle East & Africa Rafiah Ibrahim,

Market Area North East Asia Chris Houghton,

South East Asia, Oceania & India Nunzio Mirtillo,

Technology & Emerging Business Niklas Heuveloop,

Finance & Common Functions Carl Mellander,

Human Resources MajBritt Arfert,

Marketing & Communications Helena Norrman,

Sustainability & Corporate Responsibility Elaine Weidman Grunewald,

Legal Affairs Nina Macpherson,

Advisor to the CEO Jan Frykhammar,

Advisor to the CEO Magnus Mandersson.

Per Borgklint, Anders Lindblad, Jean-Philippe Poirault and Charlotta Sund leave the Executive Leadership Team effective April 1, 2017.

### **Resolutions at the AGM**

On March 29, 2017, Ericsson held its AGM in Kista, Stockholm. The proposed dividend of SEK 1.00 per share was approved by the AGM.

In accordance with the proposal of the Nomination Committee, Leif Johansson was re-elected Chairman of the Board of Directors.

Nora Denzel, Börje Ekholm, Kristin Skogen Lund, Kristin S. Rinne, Sukhinder Singh Cassidy, Helena Stjernholm and Jacob Wallenberg were re-elected to the Board. Jon Fredrik Baksaas, Jan Carlson and Eric A. Elzvik were elected new Board members. Ulf J. Johansson left the Board.

In accordance with the Board of Directors' proposal, the AGM resolved to approve the Guidelines for remuneration to Group Management and the implementation of a Long-Term Variable Compensation Program 2017 for the Executive Team.

### **The rating for Ericsson was downgraded to BBB- by Standard & Poor's**

On March 30, 2017, Standard & Poor's announced that they had downgraded the senior unsecured debt ratings to BBB- with negative outlook from BBB with negative outlook.

### **Patent infringement lawsuits**

In 2012 and 2013, Intellectual Ventures (IV) filed patent infringement lawsuits in the United States District Court for the District of Delaware accusing a number of Ericsson's U.S. customers of infringing 16 U.S. patents, seeking an injunction and monetary damages. The first of these cases is set to go to trial in January 2018. IV subsequently filed

another wave of lawsuits in the District of Delaware accusing a number of Ericsson's U.S. customers of infringing 12 U.S. patents, seeking monetary damages. The first of these cases is set to go to trial in July 2017. The claims and scope of these lawsuits have recently become more well defined.

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**RISK FACTORS**

Ericsson's operational and financial risk factors and uncertainties are described in our Annual Report 2016.

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 Networks and IT & Cloud segments including new network build-outs and new managed services or digital transformation 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 and ongoing partnerships which may not be successful and expose us to future costs;

Changes in foreign exchange rates, in particular USD;

Political unrest and uncertainty 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 strategy execution, specific restructuring or cost-savings initiatives, profitability restoring efforts and/or organizational changes will be sufficient, successful or executed in time to deliver any improvements in earnings;

Cyber security incidents, which may have a 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. Ericsson operates globally in accordance with Group policies and directives for business ethics and conduct and has a dedicated anti-corruption program. However, in some of the countries where the company operates, corruption risks can be high and compliance failure could have a material adverse impact on our business, financial condition and brand.

Stockholm, April 25, 2017

Telefonaktiebolaget LM Ericsson (publ)

Börje Ekholm, President and CEO

Org. Nr 556016-0680

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

Date for next report: July 18, 2017

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EDITOR S NOTE

Ericsson invites media, investors and analysts to a conference call on April 25, 2017; one starts at 09.00 (CET) and the other at 14.00 (CET).

Live audio webcasts of the conference calls as well as supporting slides will be available at:

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

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

Replay of the conference calls will be available approximately one hour after each call has ended and will remain available until May 2, 2017.

For further information, please contact:

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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 and profitability; (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, such as those factors described under the risk factor section. 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 failure to successfully implement our business and operational initiatives

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## FINANCIAL STATEMENTS

## AND OTHER INFORMATION

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## FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

SEK million	2017	Jan-Mar 2016	Change	Jan-Dec 2016
Net sales	46,369	52,209	-11%	222,608
Cost of sales	-39,931	-34,819	15%	-156,243
<b>Gross income</b>	<b>6,438</b>	<b>17,390</b>	<b>-63%</b>	<b>66,365</b>
Gross margin (%)	13.9%	33.3%		29.8%
Research and development expenses	-9,068	-7,485	21%	-31,635
Selling and administrative expenses	-9,861	-6,720	47%	-28,866
<b>Operating expenses</b>	<b>-18,929</b>	<b>-14,205</b>	<b>33%</b>	<b>-60,501</b>
Other operating income and expenses	141	273		404
Shares in earnings of JV and associated companies	11	17		31
<b>Operating income</b>	<b>-12,339</b>	<b>3,475</b>	<b>-455%</b>	<b>6,299</b>
Financial income	-82	-89		-115
Financial expenses	-350	-377		-2,158
<b>Income after financial items</b>	<b>-12,771</b>	<b>3,009</b>	<b>-524%</b>	<b>4,026</b>
Taxes	1,916	-903		-2,131
<b>Net income</b>	<b>-10,855</b>	<b>2,106</b>	<b>-615%</b>	<b>1,895</b>
Net income attributable to:				
Stockholders of the Parent Company	-10,897	1,966		1,716
Non-controlling interests	42	140		179
Other information				
Average number of shares, basic (million)	3,272	3,258		3,263
Earnings per share, basic (SEK) <sup>1)</sup>	-3.33	0.60		0.53
Earnings per share, diluted (SEK) <sup>1)</sup>	-3.29	0.60		0.52

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

## STATEMENT OF COMPREHENSIVE INCOME

Jan-Mar

Jan-Dec

SEK million	2017	2016	2016
<b>Net income</b>	<b>-10,855</b>	<b>2,106</b>	<b>1,895</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of defined benefits pension plans incl. asset ceiling	398	-3,502	-1,766
Tax on items that will not be reclassified to profit or loss	-169	953	520
<b>Items that may be reclassified to profit or loss</b>			
Available-for-sale financial assets			
Gains/losses arising during the period	32		-7
Reclassification adjustments on gains/losses included in profit or loss	3		
Revaluation of other investments in shares and participations			
Fair value remeasurement	2	-4	-2
Changes in cumulative translation adjustments	-21	-1,133	4,235
Share of other comprehensive income on JV and associated companies	10	-376	-362
Tax on items that may be reclassified to profit or loss	-9		1
<b>Total other comprehensive income, net of tax</b>	<b>246</b>	<b>-4,062</b>	<b>2,619</b>
<b>Total comprehensive income</b>	<b>-10,609</b>	<b>-1,956</b>	<b>4,514</b>
Total comprehensive income attributable to:			
Stockholders of the Parent Company	-10,674	-2,093	4,285
Non-controlling interest	65	137	229

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## CONSOLIDATED BALANCE SHEET

SEK million	Mar 31 2017	Dec 31 2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets		
Capitalized development expenses	6,460	8,076
Goodwill	43,042	43,387
Intellectual property rights, brands and other intangible assets	5,869	7,747
Property, plant and equipment	16,645	16,734
Financial assets		
Equity in JV and associated companies	792	775
Other investments in shares and participations	1,112	1,179
Customer finance, non-current	2,728	2,128
Interest-bearing securities, non-current	19,124	7,586
Other financial assets, non-current	4,466	4,442
Deferred tax assets	17,435	15,522
	<b>117,673</b>	<b>107,576</b>
<b>Current assets</b>		
Inventories	33,938	30,307
Trade receivables	65,687	68,117
Customer finance, current	2,882	2,625
Other current receivables	25,525	24,431
Interest-bearing securities, current	13,548	13,325
Cash and cash equivalents	32,954	36,966
	<b>174,534</b>	<b>175,771</b>
<b>Total assets</b>	<b>292,207</b>	<b>283,347</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Stockholders' equity	126,105	139,817
Non-controlling interest in equity of subsidiaries	736	675
	<b>126,841</b>	<b>140,492</b>
<b>Non-current liabilities</b>		
Post-employment benefits	23,774	23,723
Provisions, non-current	4,867	946
Deferred tax liabilities	1,888	2,147

Borrowings, non-current	27,823	18,653
Other non-current liabilities	2,699	2,621
	<b>61,051</b>	<b>48,090</b>
<b>Current liabilities</b>		
Provisions, current	5,694	5,411
Borrowings, current	9,514	8,033
Trade payables	25,814	25,318
Other current liabilities	63,293	56,003
	<b>104,315</b>	<b>94,765</b>
<b>Total equity and liabilities</b>	<b>292,207</b>	<b>283,347</b>
<i>Of which interest-bearing liabilities</i>	37,337	26,686
Assets pledged as collateral	3,064	2,584
Contingent liabilities	1,729	1,186

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## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Jan 2017	Mar 2016	Jan Dec 2016
<b>Operating activities</b>			
Net income	10,855	2,106	1,895
Adjustments to reconcile net income to cash			
Taxes	4,345	1,208	6,200
Earnings/dividends in JV and associated companies	7	16	58
Depreciation, amortization and impairment losses	5,431	2,097	9,119
Other	527	652	3,135
<b>Net income reconciled to cash</b>	<b>9,249</b>	<b>3,631</b>	<b>8,007</b>
<b>Changes in operating net assets</b>			
Inventories	3,585	4,212	613
Customer finance, current and non-current	834	251	950
Trade receivables	2,397	3,408	5,933
Trade payables	626	617	2,775
Provisions and post-employment benefits	4,645	14	3,106
Other operating assets and liabilities, net	4,459	4,317	4,248
	<b>7,708</b>	<b>6,003</b>	<b>6,003</b>
<b>Cash flow from operating activities</b>	<b>1,541</b>	<b>2,372</b>	<b>14,010</b>
<b>Investing activities</b>			
Investments in property, plant and equipment	1,015	1,474	6,129
Sales of property, plant and equipment	69	44	482
Acquisitions/divestments of subsidiaries and other operations, net	3	108	622
Product development	865	1,208	4,483
Other investing activities	110	735	3,004
Interest-bearing securities	11,886	1,013	5,473
<b>Cash flow from investing activities</b>	<b>13,584</b>	<b>998</b>	<b>8,283</b>
<b>Cash flow before financing activities</b>	<b>15,125</b>	<b>3,370</b>	<b>5,727</b>
<b>Financing activities</b>			
Dividends paid	4	33	12,263
Other financing activities	10,902	94	521
<b>Cash flow from financing activities</b>	<b>10,898</b>	<b>61</b>	<b>11,742</b>
Effect of exchange rate changes on cash	215	981	2,757
<b>Net change in cash and cash equivalents</b>	<b>4,012</b>	<b>4,290</b>	<b>3,258</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>36,966</b>	<b>40,224</b>	<b>40,224</b>



<b>Cash and cash equivalents, end of period</b>	<b>32,954</b>	<b>35,934</b>	<b>36,966</b>
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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Jan 2017	Mar 2016	Jan 2016	Dec 2016
<b>Opening balance</b>	<b>140,492</b>	<b>147,366</b>	<b>147,366</b>	
Total comprehensive income	10,609	1,956	4,514	
Sale/repurchase of own shares	25	29	216	
Stock issue (net)				131
Stock purchase plan	210	238	957	
Dividends paid	3,277 <sup>1)</sup>	33	12,263	
Transactions with non-controlling interests				3
<b>Closing balance</b>	<b>126,841</b>	<b>145,644</b>	<b>140,492</b>	

<sup>1)</sup> Includes accrual of SEK 3,273 million for the dividend approved by the Annual General Meeting on March 29, 2017.

## CONSOLIDATED INCOME STATEMENT - ISOLATED QUARTERS

Isolated quarters, SEK million	2017 Q1	Q4	2016 Q3	Q2	Q1
Net sales	46,369	65,215	51,076	54,108	52,209
Cost of sales	39,931	48,195	36,616	36,613	34,819
<b>Gross income</b>	<b>6,438</b>	<b>17,020</b>	<b>14,460</b>	<b>17,495</b>	<b>17,390</b>
Gross margin (%)	13.9%	26.1%	28.3%	32.3%	33.3%
Research and development expenses	9,068	8,890	7,855	7,405	7,485
Selling and administrative expenses	9,861	8,799	6,238	7,109	6,720
<b>Operating expenses</b>	<b>18,929</b>	<b>17,689</b>	<b>14,093</b>	<b>14,514</b>	<b>14,205</b>
Other operating income and expenses	141	364	3	230	273
Shares in earnings of JV and associated companies	11	25	23	12	17
<b>Operating income</b>	<b>12,339</b>	<b>280</b>	<b>341</b>	<b>2,763</b>	<b>3,475</b>
Financial income	82	61	226	139	89
Financial expenses	350	744	371	666	377
<b>Income after financial items</b>	<b>12,771</b>	<b>963</b>	<b>256</b>	<b>2,236</b>	<b>3,009</b>
Taxes	1,916	634	76	670	903

<b>Net income</b>	<b>10,855</b>	<b>1,597</b>	<b>180</b>	<b>1,566</b>	<b>2,106</b>
Net income attributable to:					
Stockholders of the Parent Company	10,897	1,604	233	1,587	1,966
Non-controlling interests	42	7	53	21	140
Other information					
Average number of shares, basic (million)	3,272	3,268	3,264	3,261	3,258
Earnings per share, basic (SEK) <sup>1)</sup>	3.33	0.49	0.07	0.49	0.60
Earnings per share, diluted (SEK) <sup>1)</sup>	3.29	0.48	0.07	0.48	0.60

<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	2017		2016		
	Q1	Q4	Q3	Q2	Q1
<b>Operating activities</b>					
Net income	10,855	1,597	180	1,566	2,106
Adjustments to reconcile net income to cash					
Taxes	4,345	300	1,282	3,410	1,208
Earnings/dividends in JV and associated companies	7	21	22	73	16
Depreciation, amortization and impairment losses	5,431	2,610	2,308	2,104	2,097
Other	527	865	630	988	652
<b>Net income reconciled to cash</b>	<b>9,249</b>	<b>1,557</b>	<b>1,498</b>	<b>1,321</b>	<b>3,631</b>
<b>Changes in operating net assets</b>					
Inventories	3,585	4,286	980	1,667	4,212
Customer finance, current and non-current	834	106	223	816	251
Trade receivables	2,397	3,713	624	564	3,408
Trade payables	626	3,306	2,371	2,457	617
Provisions and post-employment benefits	4,645	2,772	130	218	14
Other operating assets and liabilities, net	4,459	3,884	2,153	1,662	4,317
	<b>7,708</b>	<b>17,855</b>	<b>3,815</b>	<b>2,034</b>	<b>6,003</b>
<b>Cash flow from operating activities</b>	<b>1,541</b>	<b>19,412</b>	<b>2,317</b>	<b>713</b>	<b>2,372</b>
<b>Investing activities</b>					
Investments in property, plant and equipment	1,015	1,699	1,384	1,572	1,474
Sales of property, plant and equipment	69	277	111	50	44
Acquisitions/divestments of subsidiaries and other operations, net	3	50	16	480	108
Product development	865	1,291	885	1,099	1,208
Other investing activities	110	2,341	508	890	735
Interest-bearing securities	11,886	1,505	610	5,355	1,013
<b>Cash flow from investing activities</b>	<b>13,584</b>	<b>6,609</b>	<b>2,040</b>	<b>1,364</b>	<b>998</b>
<b>Cash flow before financing activities</b>	<b>15,125</b>	<b>12,803</b>	<b>4,357</b>	<b>651</b>	<b>3,370</b>
<b>Financing activities</b>					
Dividends paid	4		163	12,067	33
Other financing activities	10,902	1,039	1,295	2,761	94
<b>Cash flow from financing activities</b>	<b>10,898</b>	<b>1,039</b>	<b>1,458</b>	<b>9,306</b>	<b>61</b>
Effect of exchange rate changes on cash	215	801	1,285	1,652	981
<b>Net change in cash and cash equivalents</b>	<b>4,012</b>	<b>12,565</b>	<b>4,530</b>	<b>7,003</b>	<b>4,290</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>36,966</b>	<b>24,401</b>	<b>28,931</b>	<b>35,934</b>	<b>40,224</b>

<b>Cash and cash equivalents, end of period</b>	<b>32,954</b>	<b>36,966</b>	<b>24,401</b>	<b>28,931</b>	<b>35,934</b>
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## PARENT COMPANY INCOME STATEMENT

SEK million	Jan-Mar 2017	2016	Jan-Dec 2016
Net sales			
Cost of sales			
<b>Gross income</b>			
Operating expenses	289	223	1,185
Other operating income and expenses	572	574	2,698
<b>Operating income</b>	<b>283</b>	<b>351</b>	<b>1,513</b>
Financial net	331	11	14,039
<b>Income after financial items</b>	<b>48</b>	<b>362</b>	<b>15,552</b>
Transfers to ( ) / from untaxed reserves			1,100
Taxes	10	45	206
<b>Net income</b>	<b>58</b>	<b>317</b>	<b>14,246</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK million	Jan-Mar 2017	2016	Jan-Dec 2016
<b>Net income</b>	<b>58</b>	<b>317</b>	<b>14,246</b>
Available-for-sale financial assets			
Gains/losses arising during the period	32		7
Reclassification adjustments on gains/losses included in profit or loss	3		
Revaluation of other investments in shares and participations			
Fair value remeasurement		5	5
Tax on items that may be reclassified to profit or loss	8		
<b>Total other comprehensive income, net of tax</b>	<b>27</b>	<b>5</b>	<b>12</b>
<b>Total comprehensive income</b>	<b>31</b>	<b>312</b>	<b>14,234</b>

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## PARENT COMPANY BALANCE SHEET

SEK million	Mar 31 2017	Dec 31 2016
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible assets	487	547
Tangible assets	414	396
Financial assets*	123,786	111,981
	<b>124,687</b>	<b>112,924</b>
<b>Current assets</b>		
Inventories	2	3
Receivables	28,527	38,476
Short-term investments	13,209	12,991
Cash and cash equivalents	18,984	22,311
	<b>60,722</b>	<b>73,781</b>
<b>Total assets</b>	<b>185,409</b>	<b>186,705</b>
<b>STOCKHOLDERS EQUITY, PROVISIONS AND LIABILITIES</b>		
<b>Equity</b>		
Restricted equity	48,148	48,148
Non-restricted equity	41,461	44,753
	<b>89,609</b>	<b>92,901</b>
<b>Provisions</b>	677	885
<b>Non-current liabilities</b>	59,691	50,428
<b>Current liabilities</b>	35,432	42,491
<b>Total stockholders equity, provisions and liabilities</b>	<b>185,409</b>	<b>186,705</b>
<i>* Of which interest-bearing securities, non-current</i>	<i>19,124</i>	<i>7,586</i>

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ADDITIONAL INFORMATION

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, 2016, and should be read in conjunction with that annual report.

There is no significant difference between IFRS effective as per December 31, 2017 and IFRS as endorsed by the EU.

None of the new or amended standards and interpretations that became effective January 1, 2017, have had a significant impact on the financial result or position of the Company.



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## NET SALES BY SEGMENT BY QUARTER\*

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Networks	34,860	47,791	37,020	40,245	39,935
<i>Of which products</i>	19,410	27,519	19,249	23,037	22,795
<i>Of which services</i>	15,450	20,272	17,771	17,208	17,140
IT & Cloud	9,545	14,884	11,716	11,500	9,830
<i>Of which products</i>	4,103	6,682	5,479	5,298	4,773
<i>Of which services</i>	5,442	8,202	6,237	6,202	5,057
Media	1,964	2,540	2,340	2,363	2,444
<b>Total</b>	<b>46,369</b>	<b>65,215</b>	<b>51,076</b>	<b>54,108</b>	<b>52,209</b>

Sequential change, percent	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Networks	27%	29%	8%	1%	
<i>Of which products</i>	29%	43%	16%	1%	
<i>Of which services</i>	24%	14%	3%	0%	
IT & Cloud	36%	27%	2%	17%	
<i>Of which products</i>	39%	22%	3%	11%	
<i>Of which services</i>	34%	32%	1%	23%	
Media	23%	9%	1%	3%	
<b>Total</b>	<b>29%</b>	<b>28%</b>	<b>6%</b>	<b>4%</b>	<b>29%</b>

Year over year change, percent	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Networks	13%				
<i>Of which products</i>	15%				
<i>Of which services</i>	10%				
IT & Cloud	3%				
<i>Of which products</i>	14%				
<i>Of which services</i>	8%				
Media	20%				
<b>Total</b>	<b>11%</b>	<b>11%</b>	<b>14%</b>	<b>11%</b>	<b>2%</b>

Year to date, SEK million	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	34,860	164,991	117,200	80,180	39,935

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<i>Of which products</i>	19,410	92,600	65,081	45,832	22,795
<i>Of which services</i>	15,450	72,391	52,119	34,348	17,140
IT & Cloud	9,545	47,930	33,046	21,330	9,830
<i>Of which products</i>	4,103	22,232	15,550	10,071	4,773
<i>Of which services</i>	5,442	25,698	17,496	11,259	5,057
Media	1,964	9,687	7,147	4,807	2,444
<b>Total</b>	<b>46,369</b>	<b>222,608</b>	<b>157,393</b>	<b>106,317</b>	<b>52,209</b>

Year to date, year over year change, percent	2017		2016							
	Jan	Mar	Jan	Dec	Jan	Sep	Jan	Jun	Jan	Mar
Networks		13%		11%						
<i>Of which products</i>		15%		12%						
<i>Of which services</i>		10%		8%						
IT & Cloud		3%		7%						
<i>Of which products</i>		14%		16%						
<i>Of which services</i>		8%		1%						
Media		20%		7%						
<b>Total</b>		<b>11%</b>		<b>10%</b>		<b>9%</b>		<b>7%</b>		<b>2%</b>

\* Net sales by segment has been restated for each quarter of 2016 and for the full year 2015. Comparisons against isolated quarters in 2015 are not available by segment.

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## SALES GROWTH ADJUSTED FOR COMPARABLE UNITS AND CURRENCY\*

Sequential change, percent	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Networks	27%				
IT & Cloud	35%				
Media	23%				
<b>Total</b>	<b>29%</b>	<b>23%</b>	<b>9%</b>	<b>6%</b>	<b>28%</b>

Isolated quarter, year over year change, percent	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Networks	18%				
IT & Cloud	7%				
Media	22%				
<b>Total</b>	<b>16%</b>	<b>15%</b>	<b>14%</b>	<b>7%</b>	<b>1%</b>

Year to date, year over year change, percent	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	18%				
IT & Cloud	7%				
Media	22%				
<b>Total</b>	<b>16%</b>	<b>10%</b>	<b>8%</b>	<b>4%</b>	<b>1%</b>

\* Sales growth adjusted for comparable units and currency has not been restated by segment for 2016.

## GROSS INCOME AND GROSS MARGIN BY SEGMENT BY QUARTER

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Networks	7,980	11,783	9,867	12,522	13,011
IT & Cloud	2,100	4,676	3,833	4,061	3,281
Media	558	561	760	912	1,098
<b>Total</b>	<b>6,438</b>	<b>17,020</b>	<b>14,460</b>	<b>17,495</b>	<b>17,390</b>

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Isolated quarters, As percentage of net sales	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Networks	23%	25%	27%	31%	33%
IT & Cloud	22%	31%	33%	35%	33%
Media	28%	22%	32%	39%	45%
<b>Total</b>	<b>14%</b>	<b>26%</b>	<b>28%</b>	<b>32%</b>	<b>33%</b>

Year to date, SEK million	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	7,980	47,183	35,400	25,533	13,011
IT & Cloud	2,100	15,851	11,175	7,342	3,281
Media	558	3,331	2,770	2,010	1,098
<b>Total</b>	<b>6,438</b>	<b>66,365</b>	<b>49,345</b>	<b>34,885</b>	<b>17,390</b>

Year to date, As percentage of net sales	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	23%	29%	30%	32%	33%
IT & Cloud	22%	33%	34%	34%	33%
Media	28%	34%	39%	42%	45%
<b>Total</b>	<b>14%</b>	<b>30%</b>	<b>31%</b>	<b>33%</b>	<b>33%</b>

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## OPERATING INCOME AND OPERATING MARGIN BY SEGMENT BY QUARTER

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Networks	538	2,380	2,839	4,789	5,762
IT & Cloud	8,997	1,819	1,740	1,546	1,977
Media	2,804	841	758	480	310
<b>Total</b>	<b>12,339</b>	<b>280</b>	<b>341</b>	<b>2,763</b>	<b>3,475</b>

Isolated quarters, As percentage of net sales	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Networks	2%	5%	8%	12%	14%
IT & Cloud	94%	12%	15%	13%	20%
Media	143%	33%	32%	20%	13%
<b>Total</b>	<b>27%</b>	<b>0%</b>	<b>1%</b>	<b>5%</b>	<b>7%</b>

Year to date, SEK million	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	538	15,770	13,390	10,551	5,762
IT & Cloud	8,997	7,082	5,263	3,523	1,977
Media	2,804	2,389	1,548	790	310
<b>Total</b>	<b>12,339</b>	<b>6,299</b>	<b>6,579</b>	<b>6,238</b>	<b>3,475</b>

Year to date As percentage of net sales	2017		2016		
	Jan Mar	Jan Dec	Jan Sep	Jan Jun	Jan Mar
Networks	2%	10%	11%	13%	14%
IT & Cloud	94%	15%	16%	17%	20%
Media	143%	25%	22%	16%	13%
<b>Total</b>	<b>27%</b>	<b>3%</b>	<b>4%</b>	<b>6%</b>	<b>7%</b>

## EBITA AND EBITA MARGIN BY SEGMENT BY QUARTER

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Networks	353	2,586	3,042	4,994	5,970

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IT & Cloud	8,237	1,571	1,443	1,306	1,713
Media	1,874	655	567	290	98
<b>Total</b>	<b>10,464</b>	<b>360</b>	<b>1,032</b>	<b>3,398</b>	<b>4,159</b>

Isolated quarters As percentage of net sales	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Networks	1%	5%	8%	12%	15%
IT & Cloud	86%	11%	12%	11%	17%
Media	95%	26%	24%	12%	4%
<b>Total</b>	<b>23%</b>	<b>1%</b>	<b>2%</b>	<b>6%</b>	<b>8%</b>

Year to date, SEK million	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	353	16,592	14,006	10,964	5,970
IT & Cloud	8,237	6,033	4,462	3,019	1,713
Media	1,874	1,610	955	388	98
<b>Total</b>	<b>10,464</b>	<b>8,949</b>	<b>8,589</b>	<b>7,557</b>	<b>4,159</b>

Year to date As a percentage of net sales	2017		2016		
	Jan Mar	Jan Dec	Jan Sep	Jan Jun	Jan Mar
Networks	1%	10%	12%	14%	15%
IT & Cloud	86%	13%	14%	14%	17%
Media	95%	17%	13%	8%	4%
<b>Total</b>	<b>23%</b>	<b>4%</b>	<b>5%</b>	<b>7%</b>	<b>8%</b>

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## NET SALES BY REGION BY QUARTER\*

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
North America	11,811	14,851	13,178	13,358	13,147
Latin America	2,887	4,974	4,383	4,550	4,047
Northern Europe & Central Asia <sup>1) 2)</sup>	1,735	2,781	2,105	2,158	2,286
Western & Central Europe <sup>2)</sup>	3,645	4,588	3,949	4,828	4,373
Mediterranean <sup>2)</sup>	4,440	6,785	4,667	5,546	4,394
Middle East	3,487	6,397	4,286	4,926	3,579
Sub Saharan Africa	1,927	2,732	2,012	2,313	2,120
India	2,422	3,042	2,597	2,426	2,683
North East Asia	5,561	9,623	6,122	6,041	5,579
South East Asia & Oceania	5,587	6,676	5,081	5,304	5,222
Other <sup>1) 2)</sup>	2,867	2,766	2,696	2,658	4,779
<b>Total</b>	<b>46,369</b>	<b>65,215</b>	<b>51,076</b>	<b>54,108</b>	<b>52,209</b>

<sup>1)</sup> Of which in Sweden 925 843 690 477 1,113

<sup>2)</sup> Of which in EU 8,239 11,154 8,507 9,635 9,229

Sequential change, percent	2017		2016		
	Q1	Q4	Q3	Q2	Q1
North America	20%	13%	1%	2%	21%
Latin America	42%	13%	4%	12%	34%
Northern Europe & Central Asia <sup>1) 2)</sup>	38%	32%	2%	6%	22%
Western & Central Europe <sup>2)</sup>	21%	16%	18%	10%	25%
Mediterranean <sup>2)</sup>	35%	45%	16%	26%	38%
Middle East	45%	49%	13%	38%	41%
Sub Saharan Africa	29%	36%	13%	9%	26%
India	20%	17%	7%	10%	15%
North East Asia	42%	57%	1%	8%	37%
South East Asia & Oceania	16%	31%	4%	2%	3%
Other <sup>1) 2)</sup>	4%	3%	1%	44%	44%
<b>Total</b>	<b>29%</b>	<b>28%</b>	<b>6%</b>	<b>4%</b>	<b>29%</b>

<sup>1)</sup> Of which in Sweden 10% 22% 45% 57% 15%

<sup>2)</sup> Of which in EU 26% 31% 12% 4% 27%

Year-over-year change, percent	2017		2016		
	Q1	Q4	Q3	Q2	Q1
North America	10%	11%	8%	8%	8%
Latin America	29%	19%	22%	10%	12%

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Northern Europe & Central Asia <sup>1) 2)</sup>	24%	5%	19%	18%	18%
Western & Central Europe <sup>2)</sup>	17%	21%	21%	15%	17%
Mediterranean <sup>2)</sup>	1%	4%	17%	7%	14%
Middle East	3%	5%	25%	24%	21%
Sub Saharan Africa	9%	4%	25%	13%	2%
India	10%	4%	28%	20%	24%
North East Asia	0%	8%	4%	13%	7%
South East Asia & Oceania	7%	25%	5%	8%	23%
Other <sup>1) 2)</sup>	40%	67%	6%	3%	54%
<b>Total</b>	<b>11%</b>	<b>11%</b>	<b>14%</b>	<b>11%</b>	<b>2%</b>
<sup>1)</sup> Of which in Sweden	17%	13%	39%	20%	2%
<sup>2)</sup> Of which in EU	11%	12%	20%	16%	15%

\* Net sales by region has been restated. Broadcast services, previously reported in Region Other, is now reported per geographical region. In addition, part of the business related to former Telcordia has been transferred from the geographic regions to Region Other.



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## NET SALES BY REGION BY QUARTER, CONT.\*

Year to date, SEK million	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
North America	11,811	54,534	39,683	26,505	13,147
Latin America	2,887	17,954	12,980	8,597	4,047
Northern Europe & Central Asia <sup>1) 2)</sup>	1,735	9,330	6,549	4,444	2,286
Western & Central Europe <sup>2)</sup>	3,645	17,738	13,150	9,201	4,373
Mediterranean <sup>2)</sup>	4,440	21,392	14,607	9,940	4,394
Middle East	3,487	19,188	12,791	8,505	3,579
Sub Saharan Africa	1,927	9,177	6,445	4,433	2,120
India	2,422	10,748	7,706	5,109	2,683
North East Asia	5,561	27,365	17,742	11,620	5,579
South East Asia & Oceania	5,587	22,283	15,607	10,526	5,222
Other <sup>1) 2)</sup>	2,867	12,899	10,133	7,437	4,779
<b>Total</b>	<b>46,369</b>	<b>222,608</b>	<b>157,393</b>	<b>106,317</b>	<b>52,209</b>
<i><sup>1)</sup> Of which in Sweden</i>	<i>925</i>	<i>3,123</i>	<i>2,280</i>	<i>1,590</i>	<i>1,113</i>
<i><sup>2)</sup> Of which in EU</i>	<i>8,239</i>	<i>38,525</i>	<i>27,371</i>	<i>18,864</i>	<i>9,229</i>

Year to date, year-over-year change, percent	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
North America	10%	6%	3%	1%	8%
Latin America	29%	16%	15%	11%	12%
Northern Europe & Central Asia <sup>1) 2)</sup>	24%	15%	18%	18%	18%
Western & Central Europe <sup>2)</sup>	17%	18%	17%	16%	17%
Mediterranean <sup>2)</sup>	1%	10%	12%	10%	14%
Middle East	3%	16%	24%	23%	21%
Sub Saharan Africa	9%	11%	14%	8%	2%
India	10%	20%	25%	22%	24%
North East Asia	0%	3%	8%	10%	7%
South East Asia & Oceania	7%	15%	12%	15%	23%
Other <sup>1) 2)</sup>	40%	25%	16%	27%	54%
<b>Total</b>	<b>11%</b>	<b>10%</b>	<b>9%</b>	<b>7%</b>	<b>2%</b>
<i><sup>1)</sup> Of which in Sweden</i>	<i>17%</i>	<i>18%</i>	<i>19%</i>	<i>6%</i>	<i>2%</i>
<i><sup>2)</sup> Of which in EU</i>	<i>11%</i>	<i>15%</i>	<i>17%</i>	<i>16%</i>	<i>15%</i>

\* Net sales by region has been restated. Broadcast services, previously reported in Region Other, is now reported per geographical region. In addition, part of the business related to former Telcordia has been transferred from the geographic regions to Region Other.

## TOP 5 COUNTRIES IN SALES

Country Percentage of Net sales	Q1		Jan-Dec
	2017	2016	2016
United States	26%	27%	25%
China	7%	9%	9%
India	5%	5%	5%
Japan	5%	4%	3%
Vietnam	4%	1%	1%

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## NET SALES BY REGION BY SEGMENT

SEK million	Q1 2017			
	Networks	IT & Cloud	Media	Total
North America	9,229	2,287	295	11,811
Latin America	2,015	845	27	2,887
Northern Europe & Central Asia	1,208	424	103	1,735
Western & Central Europe	2,519	690	436	3,645
Mediterranean	2,844	1,367	229	4,440
Middle East	2,397	1,015	75	3,487
Sub Saharan Africa	1,354	538	35	1,927
India	1,825	586	11	2,422
North East Asia	4,625	889	47	5,561
South East Asia & Oceania	4,828	692	67	5,587
Other	2,016	212	639	2,867
<b>Total</b>	<b>34,860</b>	<b>9,545</b>	<b>1,964</b>	<b>46,369</b>
Share of total	75%	21%	4%	100%

Sequential change, percent	Q1 2017			
	Networks	IT & Cloud	Media	Total
North America	22%	11%	42%	20%
Latin America	43%	35%	79%	42%
Northern Europe & Central Asia	39%	37%	20%	38%
Western & Central Europe	8%	47%	21%	21%
Mediterranean	25%	49%	27%	35%
Middle East	47%	42%	15%	45%
Sub Saharan Africa	36%	10%	775%	29%
India	28%	21%	39%	20%
North East Asia	35%	63%	18%	42%
South East Asia & Oceania	15%	21%	29%	16%
Other	9%	21%	2%	4%
<b>Total</b>	<b>27%</b>	<b>36%</b>	<b>23%</b>	<b>29%</b>

Year over year change, percent	Q1 2017			
	Networks	IT & Cloud	Media	Total
North America	15%	32%	44%	10%
Latin America	32%	19%	52%	29%

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Northern Europe & Central Asia	31%	4%	18%	24%
Western & Central Europe	21%	6%	20%	17%
Mediterranean	4%	6%	8%	1%
Middle East	3%	1%	7%	3%
Sub Saharan Africa	8%	16%	150%	9%
India	15%	17%	52%	10%
North East Asia	8%	30%	4%	0%
South East Asia & Oceania	8%	3%	10%	7%
Other	44%	52%	15%	40%
<b>Total</b>	<b>13%</b>	<b>3%</b>	<b>20%</b>	<b>11%</b>

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## PROVISIONS

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
<b>Opening balance</b>	<b>6,357</b>	<b>3,245</b>	<b>3,387</b>	<b>3,532</b>	<b>3,838</b>
Additions	6,365	4,349	666	839	492
Utilization/Cash out	2,085	976	716	794	667
<i>Of which restructuring</i>	<i>1,586</i>	<i>785</i>	<i>529</i>	<i>639</i>	<i>487</i>
Reversal of excess amounts	66	253	129	240	67
Reclassification, translation difference and other	11	8	37	50	64
<b>Closing balance</b>	<b>10,560</b>	<b>6,357</b>	<b>3,245</b>	<b>3,387</b>	<b>3,532</b>

Year to date, SEK million	2017		2016							
	Jan	Mar	Jan	Dec	Jan	Sep	Jan	Jun	Jan	Mar
<b>Opening balance</b>	<b>6,357</b>	<b>3,838</b>	<b>3,838</b>	<b>3,838</b>	<b>3,838</b>	<b>3,838</b>	<b>3,838</b>	<b>3,838</b>	<b>3,838</b>	<b>3,838</b>
Additions	6,365	6,346	1,997	1,331	492					
Utilization/Cash out	2,085	3,153	2,177	1,461	667					
<i>Of which restructuring</i>	<i>1,586</i>	<i>2,440</i>	<i>1,655</i>	<i>1,126</i>	<i>487</i>					
Reversal of excess amounts	66	689	436	307	67					
Reclassification, translation difference and other	11	15	23	14	64					
<b>Closing balance</b>	<b>10,560</b>	<b>6,357</b>	<b>3,245</b>	<b>3,387</b>	<b>3,532</b>					

## INFORMATION ON INVESTMENTS

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

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
<b>Additions</b>					
Property, plant and equipment	1,015	1,699	1,384	1,572	1,474
Capitalized development expenses <sup>1)</sup>	865	1,291	885	1,099	1,208
IPR, brands and other intangible assets	1	0	4	13	5
<b>Total</b>	<b>1,881</b>	<b>2,990</b>	<b>2,265</b>	<b>2,684</b>	<b>2,687</b>
<b>Depreciation, amortization and impairment losses</b>					
Property, plant and equipment	1,075	1,318	1,106	1,083	1,062

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Capitalized development expenses	2,481	652	511	386	351
IPR, brands and other intangible assets	1,875	640	691	635	684
<b>Total</b>	<b>5,431</b>	<b>2,610</b>	<b>2,308</b>	<b>2,104</b>	<b>2,097</b>

1) Including reclassification

Year to date, SEK million

	2017		2016							
	Jan	Mar	Jan	Dec	Jan	Sep	Jan	Jun	Jan	Mar

**Additions**

Property, plant and equipment	1,015	6,129	4,430	3,046	1,474
Capitalized development expenses <sup>1)</sup>	865	4,483	3,192	2,307	1,208
IPR, brands and other intangible assets	1	14	14	18	5
<b>Total</b>	<b>1,881</b>	<b>10,626</b>	<b>7,636</b>	<b>5,371</b>	<b>2,687</b>

**Depreciation, amortization and impairment losses**

Property, plant and equipment	1,075	4,569	3,251	2,145	1,062
Capitalized development expenses	2,481	1,900	1,248	737	351
IPR, brands and other intangible assets	1,875	2,650	2,010	1,319	684
<b>Total</b>	<b>5,431</b>	<b>9,119</b>	<b>6,509</b>	<b>4,201</b>	<b>2,097</b>

1) Including reclassification

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## OTHER INFORMATION

SEK million	Jan 2017	Mar 2016	Jan Dec 2016
<b>Number of shares and earnings per share</b>			
Number of shares, end of period (million)	3,331	3,305	3,331
Of which class A-shares (million)	262	262	262
Of which class B-shares (million)	3,069	3,043	3,069
Number of treasury shares, end of period (million)	58	46	62
Number of shares outstanding, basic, end of period (million)	3,273	3,259	3,269
Numbers of shares outstanding, diluted, end of period (million)	3,314	3,293	3,309
Average number of treasury shares (million)	59	47	60
Average number of shares outstanding, basic (million)	3,272	3,258	3,263
Average number of shares outstanding, diluted (million) <sup>1)</sup>	3,313	3,292	3,303
Earnings per share, basic (SEK)	3.33	0.60	0.53
Earnings per share, diluted (SEK) <sup>1)</sup>	3.29	0.60	0.52
Earnings per share (Non IFRS), diluted (SEK <sup>2</sup> )	2.42	0.87	2.66
<b>Ratios</b>			
Days sales outstanding	117	108	95
Inventory turnover days	73	80	69
Payable days	58	58	56
Equity ratio (%)	43.4%	52.0%	49.6%
Return on equity (%)	32.8%	5.4%	1.2%
Return on capital employed (%)	26.2%	6.9%	3.2%
Capital turnover (times)	1.0	1.1	1.2
Cash conversion (%)	16.7%	65.3%	175.0%
<b>Exchange rates used in the consolidation <sup>3)</sup></b>			
SEK/EUR closing rate	9.54	9.23	9.56
SEK/USD closing rate	8.93	8.11	9.06
<b>Other</b>			
Regional inventory, end of period	19,047	18,089	16,231
Export sales from Sweden			
	21,460	23,254	107,036

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

<sup>2)</sup> Excluding amortizations and write downs of acquired intangibles and restructuring charges.

<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

2017

2016

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End of period	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
North America	11,253	11,547	12,229	13,838	14,081
Latin America	9,252	9,513	9,592	9,616	9,836
Northern Europe & Central Asia <sup>1)</sup>	18,534	19,136	19,759	20,177	20,167
Western & Central Europe	13,368	13,646	13,574	13,727	12,100
Mediterranean	13,040	12,578	13,110	12,957	12,906
Middle East	3,256	3,346	3,479	3,573	3,608
Sub Saharan Africa	2,012	2,086	2,167	2,347	2,377
India	23,253	22,552	22,340	22,541	22,424
North East Asia	12,962	13,042	13,434	13,547	13,623
South East Asia & Oceania	3,968	4,018	4,113	4,184	4,178
<b>Total</b>	<b>110,898</b>	<b>111,464</b>	<b>113,797</b>	<b>116,507</b>	<b>115,300</b>

<sup>1)</sup> *Of which in Sweden* 14,712    15,303    15,872    16,190    16,290



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## ITEMS EXCLUDING

## RESTRUCTURING CHARGES

## RESTRUCTURING CHARGES BY FUNCTION

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Cost of sales	1,460	2,140	546	461	328
Research and development expenses	214	1,531	529	422	257
Selling and administrative expenses	69	978	190	138	47
<b>Total</b>	<b>1,743</b>	<b>4,649</b>	<b>1,265</b>	<b>1,021</b>	<b>632</b>

Year to date, SEK million	2017				2016					
	Jan	Mar	Jan	Dec	Jan	Sep	Jan	Jun	Jan	Mar
Cost of sales	1,460	3,475	1,335	789	328					
Research and development expenses	214	2,739	1,208	679	257					
Selling and administrative expenses	69	1,353	375	185	47					
<b>Total</b>	<b>1,743</b>	<b>7,567</b>	<b>2,918</b>	<b>1,653</b>	<b>632</b>					

## RESTRUCTURING CHARGES BY SEGMENT

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Networks	1,447	2,430	557	472	434
<i>of which cost of sales</i>	<i>1,254</i>	<i>1,341</i>	<i>365</i>	<i>342</i>	<i>250</i>
<i>of which operating expenses</i>	<i>193</i>	<i>1,089</i>	<i>192</i>	<i>130</i>	<i>184</i>
IT & Cloud	241	1,810	604	478	191
<i>of which cost of sales</i>	<i>168</i>	<i>671</i>	<i>109</i>	<i>106</i>	<i>76</i>
<i>of which operating expenses</i>	<i>73</i>	<i>1,139</i>	<i>495</i>	<i>372</i>	<i>115</i>
Media	55	409	104	71	7
<i>of which cost of sales</i>	<i>38</i>	<i>128</i>	<i>72</i>	<i>13</i>	<i>2</i>
<i>of which operating expenses</i>	<i>17</i>	<i>281</i>	<i>32</i>	<i>58</i>	<i>5</i>
<b>Total</b>	<b>1,743</b>	<b>4,649</b>	<b>1,265</b>	<b>1,021</b>	<b>632</b>

Year to date, SEK million	2017				2016					
	Jan	Mar	Jan	Dec	Jan	Sep	Jan	Jun	Jan	Mar
Networks	1,447	3,893	1,463	906	434					

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<i>of which cost of sales</i>	1,254	2,298	957	592	250
<i>of which operating expenses</i>	193	1,595	506	314	184
IT & Cloud	241	3,083	1,273	669	191
<i>of which cost of sales</i>	168	962	291	182	76
<i>of which operating expenses</i>	73	2,121	982	487	115
Media	55	591	182	78	7
<i>of which cost of sales</i>	38	215	87	15	2
<i>of which operating expenses</i>	17	376	95	63	5
<b>Total</b>	<b>1,743</b>	<b>7,567</b>	<b>2,918</b>	<b>1,653</b>	<b>632</b>

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## GROSS INCOME AND GROSS MARGIN

## EXCLUDING RESTRUCTURING BY SEGEMENT BY QUARTER

Isolated quarters,	2017		2016		
SEK million	Q1	Q4	Q3	Q2	Q1
Networks	9,234	13,124	10,232	12,864	13,261
IT & Cloud	1,932	5,347	3,942	4,167	3,357
Media	596	689	832	925	1,100
<b>Total</b>	<b>7,898</b>	<b>19,160</b>	<b>15,006</b>	<b>17,956</b>	<b>17,718</b>

As percentage of net sales,	2017		2016		
isolated quarters	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	26%	27%	28%	32%	33%
IT & Cloud	20%	36%	34%	36%	34%
Media	30%	27%	36%	39%	45%
<b>Total</b>	<b>17%</b>	<b>29%</b>	<b>29%</b>	<b>33%</b>	<b>34%</b>

Year to date,	2017		2016		
SEK million	Q1	Q4	Q3	Q2	Q1
Networks	9,234	49,481	36,357	26,125	13,261
IT & Cloud	1,932	16,813	11,466	7,524	3,357
Media	596	3,546	2,857	2,025	1,100
<b>Total</b>	<b>7,898</b>	<b>69,840</b>	<b>50,680</b>	<b>35,674</b>	<b>17,718</b>

As percentage of net sales,	2017		2016		
year to date	Jan Mar	Jan Dec	Jan Sep	Jan Jun	Jan Mar
Networks	26%	30%	31%	33%	33%
IT & Cloud	20%	35%	35%	35%	34%
Media	30%	37%	40%	42%	45%
<b>Total</b>	<b>17%</b>	<b>31%</b>	<b>32%</b>	<b>34%</b>	<b>34%</b>

## OPERATING INCOME AND OPERATING MARGIN

## EXCLUDING RESTRUCTURING BY SEGEMENT BY QUARTER

Isolated quarters,	2017		2016		
SEK million	Q1	Q4	Q3	Q2	Q1
Networks	909	4,810	3,396	5,261	6,196
IT & Cloud	8,756	9	1,136	1,068	1,786
Media	2,749	432	654	409	303
<b>Total</b>	<b>10,596</b>	<b>4,369</b>	<b>1,606</b>	<b>3,784</b>	<b>4,107</b>

As percentage of net sales,	2017		2016		
isolated quarters	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	3%	10%	9%	13%	16%
IT & Cloud	92%	0%	10%	9%	18%
Media	140%	17%	28%	17%	12%
<b>Total</b>	<b>23%</b>	<b>7%</b>	<b>3%</b>	<b>7%</b>	<b>8%</b>

Year to date,	2017		2016		
SEK million	Q1	Q4	Q3	Q2	Q1
Networks	909	19,663	14,853	11,457	6,196
IT & Cloud	8,756	3,999	3,990	2,854	1,786
Media	2,749	1,798	1,366	712	303
<b>Total</b>	<b>10,596</b>	<b>13,866</b>	<b>9,497</b>	<b>7,891</b>	<b>4,107</b>

As percentage of net sales,	2017		2016		
year to date	Jan Mar	Jan Dec	Jan Sep	Jan Jun	Jan Mar
Networks	3%	12%	13%	14%	16%
IT & Cloud	92%	8%	12%	13%	18%
Media	140%	19%	19%	15%	12%
<b>Total</b>	<b>23%</b>	<b>6%</b>	<b>6%</b>	<b>7%</b>	<b>8%</b>

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This section includes a reconciliation of certain Alternative Performance Measures (APMs) to the most directly reconcilable line items in the financial statements. The presentation of APMs has limitations as analytical tools and should not be considered in isolation or as a substitute for related financial measures prepared in accordance with IFRS.

APMs are presented to enhance an investor's evaluation of ongoing operating results, to aid in forecasting future periods and to facilitate meaningful comparison of results between periods.

Management uses these APMs to, among other things, evaluate ongoing operations in relation to historical results, for internal planning and forecasting purposes and in the calculation of certain performance-based compensation.

The APMs presented in this report may differ from similarly titled measures used by other companies.

For additional information, see Alternative Performance Measures in the Ericsson Annual Report 2016.

**SALES GROWTH ADJUSTED FOR COMPARABLE UNITS AND CURRENCY**

Sales growth adjusted for the impact of acquisitions and divestments as well as the effects of foreign currency fluctuations.

	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Isolated quarter, sequential change					
Reported net sales	46,369	65,215	51,076	54,108	52,209
Acquired/divested business			63	35	
Net FX impact	234	2,446	1,924	1,221	766
Comparable net sales, excluding FX impact	46,603	62,769	49,089	55,294	52,975
Sales growth adjusted for comparable units and currency (%)	29%	23%	9%	6%	28%

	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Isolated quarter, year over year change					
Reported net sales	46,369	65,215	51,076	54,108	52,209
Acquired/divested business		49	96	95	73
Net FX impact	2,435	2,528	200	2,329	655
Comparable net sales, excluding FX impact	43,934	62,638	50,780	56,342	52,791
Sales growth adjusted for comparable units and currency (%)	16%	15%	14%	7%	1%

2017

2016

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Year to date, year over year change	Jan	Mar	Jan	Dec	Jan	Sep	Jan	Jun	Jan	Mar
Reported net sales	46,369		222,608		157,393		106,317		52,209	
Acquired/divested business				313		264		168		73
Net FX impact		2,435		254		2,783		2,983		655
Comparable net sales, excluding FX impact	43,934		222,549		159,912		109,132		52,791	
Sales growth adjusted for comparable units and currency (%)		16%		10%		8%		4%		1%

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## ITEMS EXCLUDING RESTRUCTURING CHARGES

Gross income, operating expenses, and operating income are presented excluding restructuring charges and, for certain measures, as a percentage of net sales.

Isolated quarters, SEK million	2017		2016							
	Q1	Q4	Q3	Q2	Q1					
Gross income	6,438	17,020	14,460	17,495	17,390					
Net sales	46,369	65,215	51,076	54,108	52,209					
Gross margin (%)	13.9%	26.1%	28.3%	32.3%	33.3%					
Gross income	6,438	17,020	14,460	17,495	17,390					
Restructuring charges included in cost of sales	1,460	2,140	546	461	328					
Gross income, excluding restructuring charges	7,898	19,160	15,006	17,956	17,718					
Net sales	46,369	65,215	51,076	54,108	52,209					
Gross margin, excluding restructuring charges (%)	17.0%	29.4%	29.4%	33.2%	33.9%					
Operating expenses	18,929	17,689	14,093	14,514	14,205					
Restructuring charges included in R&D expenses	214	1,531	529	422	257					
Restructuring charges included in selling and administrative expenses	69	978	190	138	47					
Operating expenses, excluding restructuring charges	18,646	15,180	13,374	13,954	13,901					
Operating income	12,339	280	341	2,763	3,475					
Net sales	46,369	65,215	51,076	54,108	52,209					
Operating margin (%)	26.6%	0.4%	0.7%	5.1%	6.7%					
Operating income	12,339	280	341	2,763	3,475					
Total restructuring charges	1,743	4,649	1,265	1,021	632					
Operating income, excluding restructuring charges	10,596	4,369	1,606	3,784	4,107					
Net sales	46,369	65,215	51,076	54,108	52,209					
Operating margin, excluding restructuring charges (%)	22.9%	6.7%	3.1%	7.0%	7.9%					
Year to date, SEK million	2017		2016							
	Jan	Mar	Jan	Dec	Jan	Sep	Jan	Jun	Jan	Mar
Gross income	6,438		66,365		49,345		34,885		17,390	
Net sales	46,369		222,608		157,393		106,317		52,209	
Gross margin (%)	13.9%		29.8%		31.4%		32.8%		33.3%	

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Gross income	6,438	66,365	49,345	34,885	17,390
Restructuring charges included in cost of sales	1,460	3,475	1,335	789	328
Gross income, excluding restructuring charges	7,898	69,840	50,680	35,674	17,718
Net sales	46,369	222,608	157,393	106,317	52,209
Gross margin, excluding restructuring charges (%)	17.0%	31.4%	32.2%	33.6%	33.9%
Operating expenses	18,929	60,501	42,812	28,719	14,205
Restructuring charges included in R&D expenses	214	2,739	1,208	679	257
Restructuring charges included in selling and administrative expenses	69	1,353	375	185	47
Operating expenses, excluding restructuring charges	18,646	56,409	41,229	27,855	13,901
Operating income	12,339	6,299	6,579	6,238	3,475
Net sales	46,369	222,608	157,393	106,317	52,209
Operating margin (%)	26.6%	2.8%	4.2%	5.9%	6.7%
Operating income	12,339	6,299	6,579	6,238	3,475
Total restructuring charges	1,743	7,567	2,918	1,653	632
Operating income, excluding restructuring charges	10,596	13,866	9,497	7,891	4,107
Net sales	46,369	222,608	157,393	106,317	52,209
Operating margin, excluding restructuring charges (%)	22.9%	6.2%	6.0%	7.4%	7.9%



**Table of Contents****EBITA AND EBITA MARGIN**

Earnings before interest, taxes, amortization and write-downs of acquired intangibles, also expressed as a percentage of net sales.

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Net income	10,855	1,597	180	1,566	2,106
Taxes	1,916	634	76	670	903
Financial income and expenses	432	683	597	527	466
Amortization and write-downs of acquired intangibles	1,875	640	691	635	684
<b>EBITA</b>	<b>10,464</b>	<b>360</b>	<b>1,032</b>	<b>3,398</b>	<b>4,159</b>
Net sales	46,369	65,215	51,076	54,108	52,209
EBITA margin (%)	23%	1%	2%	6%	8%

Year to date, SEK million	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Net income	10,855	1,895	3,492	3,672	2,106
Taxes	1,916	2,131	1,497	1,573	903
Financial income and expenses	432	2,273	1,590	993	466
Amortization and write-downs of acquired intangibles	1,875	2,650	2,010	1,319	684
<b>EBITA</b>	<b>10,464</b>	<b>8,949</b>	<b>8,589</b>	<b>7,557</b>	<b>4,159</b>
Net sales	46,369	222,608	157,393	106,317	52,209
EBITA margin (%)	23%	4%	5%	7%	8%

**CASH CONVERSION**

Cash flow from operating activities divided by the sum of net income and adjustments to reconcile net income to cash, expressed as a percentage.

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Net income	10,855	1,597	180	1,566	2,106
Net income reconciled to cash	9,249	1,557	1,498	1,321	3,631
Cash flow from operating activities	1,541	19,412	2,317	713	2,372
Cash conversion (%)	16.7%	1,246.8%	154.7%	54.0%	65.3%

Year to date, SEK million	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Net income	10,855	1,895	3,492	3,672	2,106
Net income reconciled to cash	9,249	8,007	6,450	4,952	3,631

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Cash flow from operating activities	1,541	14,010	5,402	3,085	2,372
Cash conversion (%)	16.7%	175.0%	83.8%	62.3%	65.3%
<b>GROSS CASH AND NET CASH, END OF PERIOD</b>					

Gross cash: Cash and cash equivalents plus interest bearing securities (current and non current).

Net cash: Cash and cash equivalents plus interest bearing securities (current and non current) less interest bearing liabilities (which include: non current borrowings and current borrowings).

SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Cash and cash equivalents	32,954	36,966	24,401	28,931	35,934
+ Interest-bearing securities, current	13,548	13,325	18,663	19,846	25,077
+ Interest-bearing securities, non-current	19,124	7,586	540		
Gross cash, end of period	65,626	57,877	43,604	48,777	61,011
Borrowings, current	9,514	8,033	9,007	9,653	2,414
Borrowings, non current	27,823	18,653	18,283	18,164	22,110
Net cash, end of period	28,289	31,191	16,314	20,960	36,487

**Table of Contents****CAPITAL EMPLOYED**

Total assets less non interest bearing provisions and liabilities.

SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Total assets	292,207	283,347	275,718	277,387	280,325
Non-interest-bearing provisions and liabilities					
Provisions, non-current	4,867	946	170	245	158
Deferred tax liabilities	1,888	2,147	2,052	2,036	2,098
Other non-current liabilities	2,699	2,621	2,127	2,030	1,834
Provisions, current	5,694	5,411	3,075	3,142	3,374
Trade payables	25,814	25,318	21,633	23,709	21,549
Other current liabilities	63,293	56,003	52,896	54,394	55,429
Capital employed	187,952	190,901	193,765	191,831	195,883

**CAPITAL TURNOVER**

Annualized net sales divided by average capital employed.

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Net sales	46,369	65,215	51,076	54,108	52,209
Annualized net sales	185,476	260,860	204,304	216,432	208,836
Average capital employed					
Capital employed at beginning of period	190,901	193,765	191,831	195,883	195,150
Capital employed at end of period	187,952	190,901	193,765	191,831	195,883
Average capital employed	189,427	192,333	192,798	193,857	195,517
Capital turnover (times)	1.0	1.4	1.1	1.1	1.1

Year to date, SEK million	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Net sales	46,369	222,608	157,393	106,317	52,209
Annualized net sales	185,476	222,608	209,857	212,634	208,836
Average capital employed					
Capital employed at beginning of period	190,901	195,150	195,150	195,150	195,150
Capital employed at end of period	187,952	190,901	193,765	191,831	195,883
Average capital employed	189,427	193,026	194,458	193,491	195,517
Capital turnover (times)	1.0	1.2	1.1	1.1	1.1

**RETURN ON CAPITAL EMPLOYED**

The annualized total of operating income plus financial income as a percentage of average capital employed.

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Operating income	12,339	280	341	2,763	3,475
Financial income	82	61	226	139	89
Annualized operating income + financial income	49,684	876	460	11,608	13,540
Average capital employed					
Capital employed at beginning of period	190,901	193,765	191,831	195,883	195,150
Capital employed at end of period	187,952	190,901	193,765	191,831	195,883
Average capital employed	189,427	192,333	192,798	193,857	195,517
Return on capital employed (%)	26.2%	0.5%	0.2%	6.0%	6.9%

Year to date, SEK million	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Operating income	12,339	6,299	6,579	6,238	3,475
Financial income	82	115	176	50	89
Annualized operating income + financial income	49,684	6,184	8,537	12,576	13,540
Average capital employed					
Capital employed at beginning of period	190,901	195,150	195,150	195,150	195,150
Capital employed at end of period	187,952	190,901	193,765	191,831	195,883
Average capital employed	189,427	193,026	194,458	193,491	195,517
Return on capital employed (%)	26.2%	3.2%	4.4%	6.5%	6.9%

**Table of Contents****EQUITY RATIO**

Equity, expressed as a percentage of total assets.

SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Total equity	126,841	140,492	134,012	136,691	145,644
Total assets	292,207	283,347	275,718	277,387	280,325
Equity ratio (%)	43.4%	49.6%	48.6%	49.3%	52.0%

**RETURN ON EQUITY**

Annualized net income attributable to stockholders of the Parent Company as a percentage of average Stockholders equity.

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Net income attributable to stockholders of the parent company	10,897	1,604	233	1,587	1,966
Annualized	43,588	6,416	932	6,348	7,864
Average stockholders equity					
Stockholders equity, beginning of period	139,817	133,138	135,746	144,699	146,525
Stockholders equity, end of period	126,105	139,817	133,138	135,746	144,699
Average stockholders equity	132,961	136,478	134,442	140,223	145,612
Return on equity (%)	32.8%	4.7%	0.7%	4.5%	5.4%

Year to date, SEK million	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Net income attributable to stockholders of the parent company	10,897	1,716	3,320	3,553	1,966
Annualized	43,588	1,716	4,427	7,106	7,864
Average stockholders equity					
Stockholders equity, beginning of period	139,817	146,525	146,525	146,525	146,525
Stockholders equity, end of period	126,105	139,817	133,138	135,746	144,699
Average stockholders equity	132,961	143,171	139,832	141,136	145,612
Return on equity (%)	32.8%	1.2%	3.2%	5.0%	5.4%

**EARNINGS PER SHARE (NON IFRS)**

EPS, diluted, excluding amortizations and write down of acquired intangible assets and excluding restructuring charges.

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Isolated quarters, SEK	2017		2016		
	Q1	Q4	Q3	Q2	Q1
EPS diluted	3.29	0.48	0.07	0.48	0.60
Restructuring charges	0.45	0.97	0.27	0.22	0.13
Amortization and write-downs of acquired intangibles	0.42	0.13	0.14	0.13	0.14
EPS (Non-IFRS)	2.42	0.62	0.34	0.83	0.87

  

Year to date, SEK	2017		2016		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
EPS diluted	3.29	0.52	1.01	1.08	0.60
Restructuring charges	0.45	1.59	0.62	0.35	0.13
Amortization and write-downs of acquired intangibles	0.42	0.55	0.41	0.27	0.14
EPS (Non-IFRS)	2.42	2.66	2.04	1.70	0.87

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## ITEMS EXCLUDING RESTRUCTURING, WRITE-DOWNS AS WELL AS

## PROVISIONS AND ADJUSTMENTS RELATED TO CERTAIN CUSTOMER PROJECTS

Net sales, gross income, research and development expenses, selling and administrative expenses and operating income are presented excluding restructuring charges, write-down of assets as well as provisions and adjustments related to certain customer projects. Numbers excluding these items are referred to as *adjusted*. Certain measures are also expressed as a percentage of adjusted net sales.

Isolated quarters, SEK million	2017		2016		
	Q1	Q4	Q3	Q2	Q1
Net sales	46,369	65,215	51,076	54,108	52,209
Adjustments related to certain customer projects	1,420				
Adjusted net sales	47,789	65,215	51,076	54,108	52,209
Gross income	6,438	17,020	14,460	17,495	17,390
Restructuring charges included in cost of sales	1,460	2,140	546	461	328
Provisions and adjustments related to certain customer projects included in cost of sales	6,697				
Adjusted gross income	14,595	19,160	15,006	17,956	17,718
Adjusted net sales	47,789	65,215	51,076	54,108	52,209
Adjusted gross margin (%)	30.5%	29.4%	29.4%	33.2%	33.9%
Research and development expenses	9,068	8,890	7,855	7,405	7,485
Restructuring charges included in R&D expenses	214	1,531	529	422	257
Write-down of assets included in R&D expenses	1,934				
Provisions and adjustments related to certain customer projects included in R&D expenses	217				
Adjusted research and development expenses	6,703	7,359	7,326	6,983	7,228
Selling and administrative expenses	-9,861	8,799	6,238	7,109	6,720
Restructuring charges included in selling and administrative expenses	69	978	190	138	47
Write-down of assets included in selling and administrative expenses	1,362				
Provisions and adjustments related to certain customer projects included in selling and administrative expenses	1,479				
Adjusted selling and administrative expenses	-6,951	7,821	6,048	6,971	6,673
Operating income	12,339	280	341	2,763	3,475
Total restructuring charges	1,743	4,649	1,265	1,021	632
Total write-down of assets	3,296				

Total provisions and adjustments related to certain customer projects	8,393				
Adjusted operating income	1,093	4,369	1,606	3,784	4,107
Adjusted net sales	47,789	65,215	51,076	54,108	52,209
Adjusted operating margin (%)	2.3%	6.7%	3.1%	7.0%	7.9%

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## ITEMS EXCLUDING RESTRUCTURING, WRITE-DOWNS AS WELL AS

## PROVISIONS AND ADJUSTMENTS RELATED TO CERTAIN CUSTOMER PROJECTS

Net sales, gross income, research and development expenses, selling and administrative expenses and operating income are presented excluding restructuring charges, write-down of assets as well as provisions and adjustments related to certain customer projects. Numbers excluding these items are referred to as *adjusted*. Certain measures are also expressed as a percentage of adjusted net sales.

Year to date, SEK million	2017		2016							
	Jan	Mar	Jan	Dec	Jan	Sep	Jan	Jun	Jan	Mar
Net sales	46,369	222,608	157,393		106,317		52,209			
Adjustments related to certain customer projects	1,420									
Adjusted net sales	47,789	222,608	157,393		106,317		52,209			
Gross income	6,438	66,365	49,345		34,885		17,390			
Restructuring charges included in cost of sales	1,460	3,475	1,335		789		328			
Provisions and adjustments related to certain customer projects included in cost of sales	6,697									
Adjusted gross income	14,595	69,840	50,680		35,674		17,718			
Adjusted net sales	47,789	222,608	157,393		106,317		52,209			
Adjusted gross margin (%)	30.5%	31.4%	32.2%		33.6%		33.9%			
Research and development expenses	9,068	31,635	22,745		14,890		7,485			
Restructuring charges included in R&D expenses	214	2,739	1,208		679		257			
Write-down of assets included in R&D expenses	1,934									
Provisions and adjustments related to certain customer projects included in R&D expenses	217									
Adjusted research and development expenses	6,703	28,896	21,537		14,211		7,228			
Selling and administrative expenses	9,861	28,866	20,067		13,829		6,720			
Restructuring charges included in selling and administrative expenses	69	1,353	375		185		47			
Write-down of assets included in selling and administrative expenses	1,362									
Provisions and adjustments related to certain customer projects included in selling and administrative expenses	1,479									
Adjusted selling and administrative expenses	6,951	27,513	19,692		13,644		6,673			
Operating income	12,339	6,299	6,579		6,238		3,475			
Total restructuring charges	1,743	7,567	2,918		1,653		632			

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Total write-down of assets	3,296				
Total provisions and adjustments related to certain customer projects	8,393				
Adjusted operating income	1,093	13,866	9,497	7,891	4,107
Adjusted net sales	47,789	222,608	157,393	106,317	52,209
Adjusted operating margin (%)	2.3%	6.2%	6.0%	7.4%	7.9%

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