ERICSSON LM TELEPHONE CO
Form 6-K
January 27, 2017
**Table of Contents**

**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**

**January 27, 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):

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENTS ON FORM F-3 (NO. 333-203977) AND ON FORM S-8 (Nos. 333-196453, 333-161683 AND 333-161684 ) OF TELEFONAKTIEBOLAGET LM ERICSSON (PUBL.) AND TO BE A PART

THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED WITH OR FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION.

**Table of Contents**

## SIGNATURES

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

TELEFONAKTIEBOLAGET LM ERICSSON (publ)

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

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

Date: **January 27, 2017**

Table of Contents

FOURTH QUARTER AND

FULL-YEAR REPORT 2016,

as adjusted for incorporation by reference

**Stockholm, January 26, 2017**

| **FOURTH QUARTER HIGHLIGHTS** | **Read more (page)** |
|---|---|
| Reported sales decreased by -11% YoY, with SEK -5.5 b. lower IPR licensing revenues. | **2** |
| Despite strong sequential sales growth in Networks, the underlying market remained weak in the fourth quarter. | **2** |
| Gross margin was 26.1% (36.3%). | **3** |
| Operating income was SEK -0.3 (11.0) b. | **4** |
| The cost and efficiency program is tracking towards target. The execution pace was faster than predicted in the quarter, resulting in full-year restructuring charges of SEK 7.6 b. compared with estimated SEK 5.5-6.5 b. | **2** |
| The baseline for current IPR licensing contract portfolio is approximately SEK 7 b. on an annual basis. Smartphone volumes, new agreements and IoT licensing will determine growth opportunities going forward. | **2** |
| Cash flow from operating activities was SEK 19.4 (21.9) b. supported by reduced operating assets. | **2** |
| Effective January 16, 2017, Börje Ekholm assumed the position of President and CEO. | **17** |
| **FULL YEAR HIGHLIGHTS** | |
| Reported sales decreased by -10% mainly due to weaker demand for mobile broadband, especially in markets with a weak macroeconomic environment. IPR licensing revenues declined to SEK 10.0 (14.4) b. | **3** |
| Operating income declined to SEK 6.3 (21.8) b. due to lower sales and a changed business mix in mobile broadband, with a lower proportion of capacity business. This was partly offset by lower operating expenses. | **2** |
| Cash flow from operating activities was SEK 14.0 (20.6) b. Net cash at year-end was SEK 31.2 b. | **2** |
| The Board of Directors will propose a dividend for 2016 of SEK 1.00 (3.70) per share to the AGM. | **9** |

| SEK b. | Q4 2016 | Q4 2015 | YoY change | Q3 2016 | QoQ change | Full year 2016 | Full year 2015 |
|---|---|---|---|---|---|---|---|
| Net sales | 65.2 | 73.6 | -11% | 51.1 | 28% | 222.6 | 246.9 |
| Gross margin | 26.1% | 36.3% | | 28.3% | | 29.8% | 34.8% |
| Operating income | -0.3 | 11.0 | -103% | 0.3 | -182% | 6.3 | 21.8 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Operating margin | -0.4% | 15.0% | | 0.7% | | 2.8% | 8.8% |
| Net income | -1.6 | 7.0 | -123% | -0.2 | | 1.9 | 13.7 |
| EPS diluted, SEK | -0.48 | 2.15 | -122% | -0.07 | | 0.52 | 4.13 |
| Cash flow from operating activities | 19.4 | 21.9 | -11% | -2.3 | | 14.0 | 20.6 |

Table of Contents

CEO COMMENTS

The negative industry trends remained in the fourth quarter. However, sales were positively impacted by favorable currency exchange rates combined with hardware deliveries, previously planned for Q1 2017. Profitability declined YoY following lower IPR licensing revenues mainly due to last year s agreement with Apple as well as increased restructuring charges. Operating cash flow in the fourth quarter was SEK 19.4 b., supported by reduced operating assets.

**Business**

Group sales declined by -11% YoY, primarily due to the decrease of SEK -5.5. b in IPR licensing revenues. Full-year IPR licensing revenues were SEK 10.0 (14.4) b.

In 2016, a number of markets, in regions such as Latin America, the Middle East and Africa, were impacted by a weak macroeconomic environment with a negative effect on mobile broadband investments. The underlying market remained weak in the fourth quarter with further weakness in Latin America. However, hardware deliveries previously planned for Q1 2017 were made on customer requests, and had a positive impact on sales in the fourth quarter. In combination with a weakened SEK versus USD, this resulted in a stronger than expected sequential sales growth in mobile broadband. Segment Networks sales increased by 39% QoQ. The new radio platform, Ericsson Radio System (ERS), represented almost 15% of total deliveries of radio units for 2016 and the roll-out of the new platform is gradually ramping up.

Global Services sales declined by -4% YoY mainly due to the reduced scope of a managed services contract in North America. Support Solutions sales declined by -39% YoY, mainly due to lower IPR licensing revenues. In addition, TV & Media sales were lower than expected due to a rapid decline in legacy products.

Sales in the targeted areas declined by -7% YoY, mainly impacted by lower sales in OSS and BSS following the transition from legacy to new products. We are allocating resources into our digital transformation projects to secure important deliveries in 2017. Full-year sales for targeted areas were flat and accounted for 20% of group sales in 2016.

The current industry trends and business mix of coverage and capacity sales in mobile broadband are expected to prevail in 2017. At the Investor Update in November we presented our estimate of the Radio Access Network (RAN) equipment market in USD; a decline by -10% to -15% in 2016 and further decline by -2% to -6% in 2017.

The baseline for current IPR licensing contract portfolio is approximately SEK 7 b. on an annual basis. Smartphone volume growth, agreements with currently unlicensed handset manufacturers and IoT licensing will determine growth opportunities going forward.

**Profitability**

Operating income decreased to SEK -0.3 (11.0) b. in the quarter, mainly due to lower IPR licensing revenues, higher restructuring charges and lower gross margin.

The execution pace of the cost and efficiency program was faster than predicted in the quarter resulting in front-loaded restructuring charges. With current plans, we expect restructuring charges of approximately SEK 3 b. for 2017.

**Cash flow**

Operating cash flow in Q4 was SEK 19.4 b. Operating cash flow was mainly driven by reduced operating assets. Full-year operating cash flow amounted to SEK 14.0 b. Net cash at the end of quarter was SEK 31.2 b.

The Board will propose a dividend of SEK 1.00 (3.70) per share to the AGM. The Board believes that it is prudent to align the dividend level with 2016 earnings adjusted for restructuring charges and the current market outlook. However, the Board expresses confidence in the ongoing actions to improve Ericsson s financial performance, and has the ambition to increase the dividend over time as our performance improves.

**Focus going forward**

We as well as our customers are going through a period of rapid change. As a consequence, we are reviewing our priorities in order to set the future direction of the company. This work has been initiated involving key teams in the company, to secure quality of decisions and speed in implementation once decisions are made. Emphasis will be on refining the strategy to focus investments into areas where we both can and must win. Building on the suggestion from the famous ice hockey player Wayne Gretzky; We will focus on skating where the puck will be, not where it has been.

In the near term, stability will be key to establishing a strong base for future growth. This means prioritizing profitability over growth, but also to diligently continue to work on efficiency and effectiveness across all operations. This can and will ensure that we remain at the forefront of technological development building on the combined strength across products, services and solutions.

**Börje Ekholm**

President and CEO

**Table of Contents**

FINANCIAL HIGHLIGHTS

| SEK b. | Q4 2016 | Q4 2015 | YoY change | Q3 2016 | QoQ change | Full year 2016 | Full year 2015 |
|---|---|---|---|---|---|---|---|
| Net sales | 65.2 | 73.6 | -11% | 51.1 | 28% | 222.6 | 246.9 |
| *Of which Networks* | *32.4* | *37.3* | *-13%* | *23.3* | *39%* | *108.3* | *123.7* |
| *Of which Global Services* | *29.4* | *30.7* | *-4%* | *24.8* | *19%* | *101.7* | *108.0* |
| *Of which Support Solutions* | *3.4* | *5.6* | *-39%* | *2.9* | *16%* | *12.5* | *15.0* |
| *Of which Modems* | | | | | | | *0.1* |
| Gross income | 17.0 | 26.7 | -36% | 14.5 | 18% | 66.4 | 85.8 |
| Gross margin (%) | 26.1% | 36.3% | | 28.3% | | 29.8% | 34.8% |
| Research and development expenses | -8.9 | -7.9 | 12% | -7.9 | 13% | -31.6 | -34.8 |
| Selling and administrative expenses | -8,8 | -8.0 | 10% | -6.2 | 41% | -28.9 | -29.3 |
| Other operating income and expenses | 0.4 | 0.3 | 43% | 0.0 | | 0.4 | 0.2 |
| Operating income | -0.3 | 11.0 | -103% | 0.3 | -182% | 6.3 | 21.8 |
| Operating margin | -0.4% | 15.0% | | 0.7% | | 2.8% | 8.8% |
| *for Networks* | *2%* | *19%* | | *-1%* | | *4%* | *10%* |
| *for Global Services* | *1%* | *8%* | | *4%* | | *3%* | *8%* |
| *for Support Solutions* | *-12%* | *30%* | | *-12%* | | *-8%* | *10%* |
| *for Modems* | | | | | | | |
| Financial net | -0.7 | -0.7 | -6% | -0.6 | 14% | -2.3 | -1.9 |
| Taxes | -0.6 | -3.3 | -81% | 0.1 | | -2.1 | -6.2 |
| Net income | -1.6 | 7.0 | -123% | -0.2 | | 1.9 | 13.7 |
| *Restructuring charges* | *-4.6* | *-0.7* | | *-1.3* | | *-7.6* | *-5.0* |

**FOURTH QUARTER COMMENTS**

**Net sales**

Sales as reported decreased by -11% YoY, with SEK -5.5 b. lower IPR licensing revenues, mainly related to last year s agreement with Apple.

In 2016, a number of markets, in regions such as Latin America, the Middle East and Africa, were impacted by a weak macroeconomic environment with a negative effect on mobile broadband investments. The underlying market remained weak in the fourth quarter with further weakness in Latin America. However, hardware deliveries previously planned for Q1 2017 were made on customer requests in countries such as Japan, Vietnam and Iran, and had a positive impact on sales in the fourth quarter. In combination with a weakened SEK versus USD, this resulted in a stronger than expected sequential sales growth in mobile broadband. Segment Networks sales increased by 39% QoQ.

The Networks business in North America, measured in local currency, declined slightly YoY due to continued reduced investments by one customer. Sales in Europe continued to decline YoY following completion of mobile broadband projects in 2015. Sales in Asia Pacific increased YoY, driven by transition from 3G to 4G.

Global Services sales declined by -4% YoY mainly due to lower sales in Managed Services related to the renewed managed services contract in North America. Support Solutions sales declined by -39% mainly due to lower IPR licensing revenues and lower TV & Media sales.

IPR licensing revenues declined by SEK -5.5 b. YoY. IPR licensing revenues were flat QoQ. The baseline for current IPR licensing contract portfolio is approximately SEK 7 b. on an annual basis.

Sales in the targeted areas declined by -7% YoY, mainly impacted by lower sales in OSS and BSS.

**Gross margin**

Gross margin declined YoY due to lower IPR licensing revenues, higher restructuring charges and a higher share of Global Services sales with reduced margin in the quarter. Sequentially gross margin was flat, negatively impacted by a lower share of IPR licensing revenues, offset by a lower share of services sales.

**Cost and efficiency program and restructuring charges**

The cost and efficiency program, first initiated in November 2014, is progressing according to plan. The execution pace was faster than predicted in the quarter resulting in full-year restructuring charges of SEK 7.6 b. compared with the estimated SEK 5.5-6.5 b. As a consequence, restructuring charges will be lower in 2017. With current plans, they are estimated to be approximately SEK 3 b.

In addition, focus on reducing cost of sales to improve gross margin remains.

Table of Contents

**Operating expenses**

Operating expenses increased YoY and QoQ, due to higher restructuring charges. Seasonality impacted operating expenses negatively. Currency movements had a negative effect on operating expenses both QoQ and YoY.

Items affecting comparability of SEK -0.4 b., impacted operating expenses negatively in the quarter.

**Other operating income and expenses**

Other operating income and expenses were stable YoY. The revaluation and realization effects of currency hedge contracts were SEK -0.4 (-0.1) b. The negative effects were more than offset by several positive items. The effects of currency hedge contracts are to be compared with SEK -0.2 b. in Q3, 2016.

The main part of the currency hedge contract balance is in USD. The SEK weakened further against the USD between Sep 30, 2016 (SEK/USD rate 8.62) and Dec 31, 2016 (SEK/USD rate 9.06).

**Operating income**

Operating income decreased YoY to SEK -0.3 (11.0) b. mainly due to SEK -5.5 b. lower IPR licensing revenues, SEK 3.9 b. higher restructuring charges and lower gross margin. In the quarter operating margin was 0% (15%).

Operating income decreased QoQ due to higher restructuring charges and increased operating expenses. The decrease was partly offset by higher sales and higher other operating income and expenses.

**Financial net**

Financial net declined YoY, due to lower interest rates. Financial net declined QoQ, mainly related to depreciated local currencies in certain markets.

**Taxes**

The tax cost in the quarter decreased to SEK -0.6 (-3.3) b. due to low net income offset by non-deductable expenses and tax adjustments related to prior years.

**Net income and EPS**

Net income and EPS diluted decreased YoY and QoQ, following the low operating income. EPS diluted was SEK -0.48 (2.15).

**Employees**

The number of employees on Dec 31, 2016 was 111,464 compared with 113,797 on Sep 30, 2016. The decrease was mainly a result of headcount reductions as part of the cost and efficiency program.

Table of Contents

## FULL-YEAR COMMENTS

### Net sales

Reported sales decreased by -10% mainly due to lower demand for mobile broadband, especially in markets with a weak macroeconomic environment. Sales in Europe declined following completion of mobile broadband projects in 2015. Mobile broadband sales in North America remained stable while Professional Services sales declined, mainly due to lower managed services activities. A significant managed services contract in North America was renewed with reduced scope. Sales in South East Asia increased, driven by large deliveries in coverage projects.

IPR licensing revenues amounted to SEK 10.0 (14.4) b. Sales in 2015 were positively impacted by a global patent license agreement signed with Apple. The baseline for current IPR licensing contract portfolio is approximately SEK 7 b. on an annual basis. Smartphone volume growth, agreements with currently unlicensed handset manufacturers and IoT licensing will determine growth opportunities going forward.

Networks reported sales decreased by -12% mainly due to lower mobile broadband sales in markets negatively impacted by a weak macroeconomic environment. In addition, sales declined in Europe and India following completion of large coverage projects in 2015 and delayed spectrum auctions respectively. Lower IPR licensing revenues also impacted Networks sales negatively.

Reported Global Services sales declined by -6%. Professional Services sales declined, mainly due to lower managed services activities in North America where a contract was renewed with reduced scope. In addition, CDMA customer support sales declined. Lower mobile broadband demand impacted Network Rollout sales negatively, primarily in Europe and Latin America.

Reported Support Solutions sales decreased by -17%. OSS and BSS sales declined, partly due to lower sales of legacy products and lower software sales in digital transformation projects where sales are mainly project milestone based. In addition, sales declined in markets with a weak macroeconomic environment. Sales in TV & Media declined due to lower sales of legacy products primarily in North America. Lower IPR licensing revenues also impacted Support Solutions sales negatively.

Currency exchange rates had no material impact on full-year sales. Sales, adjusted for comparable units and currency, decreased by -10%.

Full-year sales for targeted areas were flat and accounted for 20% of group sales. The partnership with Cisco has to date generated more than 100 deals across all regions.

The sales mix by commodity was: software 22% (23%), hardware 33% (34%) and services 45% (43%).

**Gross margin**

Gross margin declined to 29.8% (34.8%).

**Restructuring charges and efficiency program**

Restructuring charges amounted to SEK -7.6 (-5.0) b. The charges were mainly related to the cost and efficiency program initially announced in November 2014, and expanded in 2016. The cost and efficiency program is progressing according to plan. Efforts continue in order to reduce cost of sales, targeting to improve gross margin in the second half of 2017 compared with full-year 2016. With current plans, total restructuring charges for 2017 are estimated to be SEK 3 b.

**Operating expenses**

Total operating expenses decreased to SEK 60.5 (64.1) b.

**Other operating income and expenses**

Other operating income and expenses was SEK 0.4 (0.2) b. Currency hedge contract effects impacted the result with SEK -0.9 (-1.1) b. They derive from the hedge contract balance in USD. The SEK has weakened against the USD between December 31, 2015 (SEK/USD rate 8.40) and December 31, 2016 (SEK/ USD 9.06). The negative currency hedge effects were more than offset by several minor positive items.

**Operating income**

Operating income decreased to SEK 6.3 (21.8) b. due to lower sales and lower gross margin, partly offset by lower operating expenses. The net currency effect had a positive impact on operating income. Operating margin was 2.8% (8.8%).

**Financial net**

The financial net declined to SEK -2.3 (-1.9) b. following decreased interest rates and depreciated local currencies in certain markets.

**Taxes**

Tax cost decreased to SEK -2.1 (-6.2) b. due to low net income, offset by prior-year adjustments and non-deductable expenses. These factors resulted in a tax rate of 53% in 2016 compared with the more normal tax rate of 31% in 2015. Average tax rate for the years 2011-2015 was 32%.

**Net income and EPS**

Net income decreased to SEK 1.9 (13.7) b., for the same reasons as for the decrease in operating income. EPS diluted was SEK 0.52 (4.13).

**Employees**

In 2016, the number of employees decreased by almost 5,000 driven by the ongoing cost and efficiency program. At year-end 2016, the total number of employees was 111,464 (116,281).

**Modems**

The discontinuation of the modems business was completed in Q3 2015 and had no financial impact on 2016.

Table of Contents

REGIONAL SALES

| | Fourth quarter 2016 | | | | Change | | Full year 2016 | Change |
|---|---|---|---|---|---|---|---|---|
| SEK b. | Networks | Global Services | Support Solutions | Total | YoY | QoQ | Total | YoY |
| North America | 7.9 | 6.2 | 0.8 | 14.9 | -13% | 13% | 54.7 | -6% |
| Latin America | 1.9 | 2.8 | 0.3 | 5.0 | -19% | 13% | 17.9 | -16% |
| Northern Europe and Central Asia | 1.4 | 1.3 | 0.1 | 2.7 | -5% | 33% | 9.1 | -15% |
| Western and Central Europe | 1.3 | 2.7 | 0.2 | 4.2 | -21% | 19% | 16.2 | -18% |
| Mediterranean | 2.2 | 4.2 | 0.3 | 6.6 | -5% | 46% | 20.9 | -10% |
| Middle East | 2.7 | 3.4 | 0.3 | 6.4 | 5% | 49% | 19.2 | -16% |
| Sub-Saharan Africa | 1.3 | 1.3 | 0.1 | 2.7 | -4% | 36% | 9.2 | -11% |
| India | 1.9 | 1.0 | 0.1 | 3.0 | -4% | 17% | 10.7 | -20% |
| North East Asia | 6.5 | 2.9 | 0.2 | 9.6 | 8% | 57% | 27.4 | -3% |
| South East Asia and Oceania | 3.6 | 3.0 | 0.1 | 6.7 | 25% | 32% | 22.2 | 15% |
| Other [1)] | 1.8 | 0.7 | 0.9 | 3.3 | -63% | 2% | 15.1 | -23% |
| **Total** | **32.4** | **29.4** | **3.4** | **65.2** | **-11%** | **28%** | **222.6** | **-10%** |

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

**FOURTH QUARTER AND FULL-YEAR COMMENTS**

**North America**

Q4: Professional Services sales in North America were negatively impacted by a renewed managed services contract with reduced scope. Support Solutions sales decreased in OSS and BSS as well as in TV & Media.

Full year: Mobile broadband investments were stable. Professional Services sales were negatively impacted by reduced scope in a managed services contract. Support Solutions sales declined due to delayed investment decisions by customers. The focus on 5G strongly increased, with trials ongoing with all major customers.

**Latin America**

Q4: Sales declined as operators reduced their mobile broadband investments following a worsening macroeconomic environment across the region.

Full year: Sales decreased following reduced mobile broadband investments due to a weak macroeconomic environment in the region and due to devaluation of local currencies. The strong momentum for digital transformation continued. Professional Services sales declined due to lower activities in managed services.

**Northern Europe and Central Asia**

Q4: Sales declined as Networks and related services business were impacted by lower mobile broadband investments in Russia. Operators are investing in ICT transformation, creating demand for OSS and BSS.

Full year: Sales declined, primarily due to continued lower mobile broadband investments in Russia. Global Services sales were flat with a decline in Network Rollout, offset by increased Managed Services sales in Sweden. OSS and BSS sales were flat while TV & Media sales declined.

**Western and Central Europe**

Q4: Sales declined, following the same trend as earlier quarters, with reduced operator investments in mobile broadband as initial large LTE build-out programs have come to an end.

Full year: Sales declined as the initial LTE deployments were finalized. Operators continue to focus on transforming their networks to meet the increasing demand for coverage and capacity, while at the same time improving efficiency.

**Mediterranean**

Q4: Sales declined due to lower investments in mobile broadband infrastructure, with a continued weak development in the capacity business. Growth continued in managed services and operator investments in ICT transformation.

Full year: Sales declined due to lower investments in mobile broadband infrastructure, mainly related to capacity business. Operator investments in ICT transformation and demand for managed services continued.

**Middle East**

Q4: Sales increased in the quarter due to project completion in Saudi Arabia and mobile broadband sales in Iran. The overall challenge in the capacity business remains across the region, driven by the macroeconomic environment.

Full year: Sales declined, primarily in Networks due to lower broadband investments in Egypt, Pakistan, Ethiopia and Turkey. The decrease was partly offset by growth in Global Services sales, mainly in network rollout and optimization services in Saudi Arabia.

Table of Contents

**Sub-Saharan Africa**

Q4: Sales declined due to lower investment levels in a few key markets impacted by weak macroeconomic environment. The decline was partly offset by increased network roll-out activities in South Africa.

Full year: Investments declined, impacted by a weak macroeconomic environment, local currency depreciation in key markets as well as low oil and commodity prices.

**India**

Q4: Following the completed spectrum auctions in October, the pace of 4G deployments increased with a positive impact on mobile broadband sales in the quarter.

Full year: Mobile broadband sales declined mainly driven by delayed spectrum auctions which delayed operator investments. Professional Services sales remained stable with operators higher focus on network quality and cost optimization.

**North East Asia**

Q4: Sales increased driven by network modernizations in Japan. Sales were flat in Mainland China with continued 4G deployments despite significantly reduced investments by one customer.

Full year: Sales declined slightly due to lower investments in Mainland China and Korea, partly offset by market share gains in Japan and Taiwan. In Mainland China 4G deployments continued. However, reduced investments in legacy technologies and significantly reduced investment by one customer, impacted sales negatively.

**South East Asia and Oceania**

Q4: Sales growth YoY was driven primarily by mobile broadband investments in Vietnam and Myanmar. Professional Services developed favorably, mainly driven by managed services and network optimization.

Full year: Sales increased, primarily driven by mobile broadband deployments across several markets. Professional Services sales developed favorably as operators focus on efficiency and network optimization services.

**Other**

Q4: IPR licensing revenues declined by SEK -5.5 b. YoY, mainly related to last year s agreement with Apple. IPR licensing revenues were flat QoQ.

Full year: IPR licensing revenues amounted to SEK 10.0 (14.4) b. Sales in 2015 were positively impacted by a global patent license agreement signed with Apple.

**Table of Contents**

SEGMENT RESULTS

**NETWORKS**

| SEK b. | Q4 2016 | Q4 2015 | YoY change | Q3 2016 | QoQ change | Full year 2016 | Full year 2015 |
|---|---|---|---|---|---|---|---|
| Net sales | 32.4 | 37.3 | -13% | 23.3 | 39% | 108.3 | 123.7 |
| Operating income | 0.7 | 7.2 | -91% | -0.3 | | 4.7 | 12.9 |
| Operating margin | 2% | 19% | | -1% | | 4% | 10% |
| *Restructuring charges* | *-2.5* | *-0.3* | | *-0.6* | | *-4.0* | *-2.8* |

**FOURTH QUARTER COMMENTS**

**Net sales**

Sales as reported decreased by -13% YoY, mainly due to lower IPR licensing revenues. In addition, core networks sales declined YoY due to lower sales of legacy products, not offset by growth in the new portfolio.

In 2016, a number of markets, in regions such as Latin America, the Middle East and Africa, were impacted by a weak macroeconomic environment with a negative effect on mobile broadband investments. The underlying market remained weak in the fourth quarter with further weakness in Latin America. However, hardware deliveries, previously planned for Q1 2017, were made on customer requests in countries such as Japan, Vietnam and Iran, and had a positive impact on sales in the fourth quarter. In combination with a weakened SEK versus USD, this resulted in a stronger than expected sequential sales growth in mobile broadband. Sales increased by 39% QoQ.

Sales in Asia Pacific increased YoY, driven by the transition from 3G to 4G. In addition, a large mobile broadband coverage project in Vietnam contributed to the growth. In India, 4G deployments related to the recently issued spectrum licenses, had a positive impact on sales. Sales in Europe continued to decline YoY following completion of mobile broadband projects in 2015. The Networks business in North America, measured in local currency, declined slightly YoY due to continued reduced investments by one customer.

The current industry trends are expected to prevail in 2017. At the Investor Update in November the company presented estimates of the Radio Access Network (RAN) equipment market in USD; a decline by -10% to -15% in 2016 and further decline by -2% to -6% in 2017.

**Operating income and margin**

Operating income and margin decreased YoY, mainly due to lower IPR licensing revenues, higher restructuring charges and lower sales. The decrease was partly offset by lower operating expenses.

Operating income and margin increased QoQ mainly due to higher sales and positive effects from other operating income and expenses. The increase was partly offset by higher restructuring charges and seasonally higher operating expenses.

The effects of revaluation and realization of currency hedge contracts were negative at SEK -0.3 (-0.1) b. in the quarter. In Q3, 2016, the effects of currency hedge contracts were negative at SEK -0.2 b.

Table of Contents

## FULL-YEAR COMMENTS

### Net sales

Sales as reported decreased by -12%. The decrease was mainly due to lower sales of mobile broadband, reduced sales of core networks and lower IPR licensing revenues. Core networks sales declined due to lower sales of legacy products, not offset by growth of the new portfolio. Sales related to network products were SEK 84.6 b.

Mobile broadband investments were negatively impacted by a weak macroeconomic environment in a number of markets such as Latin America, the Middle East and South Africa. In addition, sales declined in Europe following the completion of large coverage projects in 2015 and in India due to delayed spectrum auctions. The sales decline was partly offset by sales growth in South East Asia where large deliveries in mobile broadband coverage projects were made.

In North America and in North East Asia investments in network equipment were stable. In Mainland China large-scale LTE deployments continued for the third consecutive year.

Ericsson Radio System (ERS) represented almost 15% of total deliveries of radio units for full-year 2016. The company is on track to reaching the target for 2017 of approximately 50% ERS of total deliveries.

### Operating income and margin

Operating income and margin decreased, mainly due to a lower share of mobile broadband capacity sales and lower IPR licensing revenues. The decrease was partly offset by reduced operating expenses, mainly as an effect of the ongoing cost and efficiency program. The work to improve profitability continued with significant headcount reductions and structural changes.

Restructuring charges amounted to SEK -4.0 (-2.8) b. and the negative effect from currency hedge contracts was SEK -0.7 (-0.9) b.

Table of Contents

## GLOBAL SERVICES

| SEK b. | Q4 2016 | Q4 2015 | YoY change | Q3 2016 | QoQ change | Full year 2016 | Full year 2015 |
|---|---|---|---|---|---|---|---|
| Net sales | 29.4 | 30.7 | -4% | 24.8 | 19% | 101.7 | 108.0 |
| *Of which Professional Services* | *21.5* | *23.1* | *-7%* | *18.7* | *15%* | *76.8* | *81.7* |
| *Of which Managed Services* | *6.9* | *8.2* | *-17%* | *7.2* | *-4%* | *28.7* | *31.8* |
| *Of which Network Rollout* | *8.0* | *7.6* | *5%* | *6.1* | *31%* | *24.9* | *26.3* |
| Operating income | 0.2 | 2.5 | -93% | 1.0 | -81% | 3.3 | 8.2 |
| *Of which Professional Services* | *0.8* | *2.7* | *-69%* | *1.4* | *-40%* | *5.2* | *9.6* |
| *Of which Network Rollout* | *-0.7* | *-0.2* | | *-0.4* | *61%* | *-1.9* | *-1.4* |
| Operating margin | 1% | 8% | | 4% | | 3% | 8% |
| *for Professional Services* | *4%* | *12%* | | *7%* | | *7%* | *12%* |
| *for Network Rollout* | *-8%* | *-2%* | | *-7%* | | *-8%* | *-5%* |
| *Restructuring charges* | *-1.7* | *-0.2* | | *-0.6* | | *-3.0* | *-1.7* |

## FOURTH QUARTER COMMENTS

### Net sales

Sales as reported declined by -4% YoY. Professional Services sales declined, mainly due to lower managed services business in North America where a contract has been renewed with reduced scope. In addition, CDMA sales continued to decline YoY. Network Rollout sales grew YoY, driven by increased activities in North America, the Middle East, Africa and India, partly offset by a sales decline in Europe.

Sales increased by 19% QoQ, driven by increased project completions in Network Rollout following a seasonally weaker Q3. Professional Services sequential sales growth was negatively impacted by the renewed managed services contract in North America with reduced scope.

### Operating income and margin

Global Services operating income decreased YoY mainly due to increased restructuring charges. The work to increase efficiency in the service delivery organization further accelerated in the quarter, resulting in increased restructuring charges YoY and QoQ.

Professional Services operating income declined QoQ due to increased restructuring charges. The operating margin, excluding restructuring charges, was flat QoQ.

Network Rollout operating income declined QoQ, primarily due to increased restructuring charges. Operating margin, excluding restructuring charges, improved QoQ.

Table of Contents

## FULL-YEAR COMMENTS

### Net sales

Sales as reported decreased by -6% YoY. Professional Services sales declined due to lower managed services activities in North America where a contract has been renewed with reduced scope. CDMA sales declined YoY impacting Professional Services sales negatively. Network Rollout sales declined due to lower mobile broadband demand, primarily in Europe and Latin America.

### Operating income and margin

Operating income decreased in Global Services YoY. Activities were performed to adapt the service delivery organization to lower business volumes and to increase the efficiency. Restructuring charges increased to SEK -3.0 (-1.7) b.

Professional Services operating income declined to SEK 5.2 (9.6) b. due to increased restructuring charges of SEK -2.3 (-0.7) b., lower sales and a negative impact from large projects in

systems integration transformation, where operators are looking to transform their IT environments to increase efficiency and prepare for 5G. Ericsson has been successful and won several IT transformation contracts. However, the short-term margin impact from these contracts is challenging as a consequence of investments in competence build-up and market share.

Network Rollout operating income declined to SEK -1.9 (-1.4) b. due to lower sales in combination with increased cost and negative effects from a few contracts in emerging markets. The effort to improve Network Rollout profitability continues through efficiency improvements including implementation of global methods and tools.

| | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Full year 2016 | Full year 2015 |
|---|---|---|---|---|---|---|
| Number of signed Managed Services contracts | 20 | 15 | 20 | 21 | 76 | 101 |
| Number of signed significant consulting & systems integration contracts [1)] | 19 | 19 | 18 | 13 | 69 | 66 |

[1)] In the areas of OSS and BSS, IP, Service Delivery Platforms and data center build projects.

Table of Contents

## SUPPORT SOLUTIONS

| SEK b. | Q4 2016 | Q4 2015 | YoY change | Q3 2016 | QoQ change | Full year 2016 | Full year 2015 |
|---|---|---|---|---|---|---|---|
| Net sales | 3.4 | 5.6 | -39% | 2.9 | 16% | 12.5 | 15.0 |
| Operating income | -0.4 | 1.7 | -125% | -0.4 | 19% | -1.0 | 1.5 |
| Operating margin | -12% | 30% | | -12% | | -8% | 10% |
| *Restructuring charges* | *-0.3* | *-0.2* | *41%* | *0.0* | | *-0.4* | *-0.5* |

## FOURTH QUARTER COMMENTS

### Net sales

Sales as reported decreased by -39% YoY, mainly due to lower IPR licensing revenues and lower sales in TV & Media. TV & Media sales were lower than expected, primarily due to a rapid decline of legacy products. The transition to next-generation platform is ongoing with several customer trials. However, efforts have not yet translated into sales.

Sales increased by 16% QoQ, supported by currency exchange rates and seasonally stronger sales primarily in OSS and BSS. The transition from legacy to new products in OSS and BSS is ongoing but creates some short-term sales challenges.

### Operating income and margin

Operating income and margin declined YoY, mainly due to lower IPR licensing revenues and higher restructuring charges.

Operating income declined slightly QoQ. Increased restructuring charges were partly offset by increased sales.

## FULL-YEAR COMMENTS

### Net sales

Sales as reported decreased by -17% YoY, partly due to lower IPR licensing revenues. OSS and BSS sales declined due to lower sales of legacy products and lower software sales in digital transformation projects where sales are mainly project milestone based. In addition, sales declined in markets with a weak macroeconomic environment.

Sales in TV & Media declined due to lower sales of legacy products primarily in North America. Customer trials on the next-generation TV & Media platform are ongoing, but have not yet translated into sales.

### Operating income and margin

Operating income declined YoY mainly due to lower IPR licensing revenues and lower sales in both OSS and BSS as well as in TV & Media. Several activities in order to reduce cost and adjust the organization to lower business volumes are ongoing.

The overall transition of business models continues, from traditional telecom software licenses to recurrent license revenue deals.

Table of Contents

CASH FLOW

| SEK b. | Q4 2016 | Q4 2015 | Q3 2016 | Full year 2016 | Full year 2015 |
|---|---|---|---|---|---|
| Net income reconciled to cash | 1.6 | 11.0 | 1.5 | 8.0 | 24.3 |
| Changes in operating net assets | 17.9 | 10.9 | -3.8 | 6.0 | -3.7 |
| Cash flow from operating activities | 19.4 | 21.9 | -2.3 | 14.0 | 20.6 |
| Cash flow from investing activities | -6.6 | -12.8 | -2.0 | -8.3 | -8.0 |
| Cash flow from financing activities | -1.0 | -0.7 | -1.5 | -11.7 | -10.7 |
| **Net change in cash and cash equivalents** | **12.6** | **6.3** | **-4.5** | **-3.3** | **-0.8** |

**FOURTH QUARTER COMMENTS**

Cash flow from operating activities was SEK 19.4 b. in the quarter, mainly driven by reduced operating assets. Inventory decreased sequentially following large deliveries of hardware and network rollout services. Despite increased sales, trade receivables were reduced, driven by good collection and higher sale of receivables. Trade payables increased QoQ mainly due to seasonally higher business activities.

Cash outlays related to restructuring charges were SEK -0.8 (-0.8) b. in the quarter.

Cash flow from investing activities was impacted by investments in property, plant and equipment of SEK -1.7 b., with continued investments in Global ICT centers. The capital expenditure level will continue to decline as the investments in the Global ICT

centers peaked in 2015. Sale of property, plant and equipment resulted in a cash flow effect of SEK 0.3 b. in the quarter. Development expenses of SEK -1.3 b. were capitalized. No large acquisition was made in the quarter.

Cash flow from financing activities amounted to SEK -1.0 b.

| Working capital KPIs, number of days | Jan-Dec 2016 | Jan-Sep 2016 | Jan-Jun 2016 | Jan-Mar 2016 | Jan-Dec 2015 |
|---|---|---|---|---|---|
| Sales outstanding (target: <90) | 95 | 122 | 115 | 108 | 87 |
| Inventory (target: <65) | 69 | 79 | 81 | 80 | 64 |
| Payable (target: >60) | 56 | 56 | 59 | 58 | 53 |

**FULL-YEAR COMMENTS**

Cash flow from operating activities was SEK 14.0 (20.6) b. The decline was mainly due to lower income and last year s payment to Ericsson, related to the signed global patent license agreement with Apple. Operating net assets decreased by SEK 6.0 b, supported by reduced trade receivables. Inventory increased while trade payables increased supported by implementation of supply chain financing.

Cash outlays related to restructuring charges were SEK -2.4 (-2.8) b. during the year.

Cash flow from investing activities was impacted by investments in property, plant and equipment of SEK -6.1 (-8.3) b., with continued investments in the Global ICT centers. The capital expenditure level will continue to decline as the investments in the Global ICT centers peaked in 2015. In addition, SEK -4.5 b. (-3.3) b. of development expenses were capitalized. The capitalized development expenses refer to development of new product platforms like the new IPTV platform, Ericsson MediaFirst, and the new BSS platform, Ericsson Revenue Manager. The company invested SEK 0.6 (2.2) b. in acquisitions of smaller companies, such as Ericpol and NodePrime in 2016.

Cash flow from financing activities amounted to SEK -11.7 b., impacted by SEK -12.3 b. of dividend payouts.

Net cash amounted to SEK 31.2 b., a decrease by SEK -10.0 b. compared with 2015.

**Table of Contents**

FINANCIAL POSITION

| SEK b. | Dec 31 2016 | Sep 30 2016 | Jun 30 2016 | Mar 31 2016 | Dec 31 2015 |
|---|---|---|---|---|---|
| + Cash and cash equivalents | 37.0 | 24.4 | 28.9 | 35.9 | 40.2 |
| + Interest-bearing securities, current | 13.3 | 18.7 | 19.8 | 25.1 | 26.0 |
| + Interest-bearing securities, non-current | 7.6 | 0.5 | | | |
| Equity | 140.5 | 134.0 | 136.7 | 145.6 | 147.4 |
| Total assets | 283.3 | 275.7 | 277.4 | 280.3 | 284.4 |

**FOURTH QUARTER COMMENTS**

Post-employment benefits were SEK 23.7 b., compared with SEK 32.5 b. on Sep 30, 2016, mainly due to increased discount rates.

The company signed a new EUR 0.5 b. term loan facility in the quarter. The new facility has a tenure of two years with one extension option of one year. The facility serves for general corporate purposes and is unutilized.

In the quarter Standard & Poor s downgraded Ericsson s long-term rating from BBB+ with negative outlook to BBB with negative outlook. Moody s downgraded Ericsson s long-term rating twice in the quarter. In October, they downgraded Ericsson from Baa1, with negative outlook to Baa2 on review for further downgrade. In December, they downgraded Ericsson to Baa3 with negative outlook.

**FULL-YEAR COMMENTS**

Net cash decreased to SEK 31.2 (41.2) b. due to lower income and increased dividends. The decrease was partly offset by reduced operating assets.

Pension liabilities increased by SEK 1.1 b, due to decreased discount rates.

Standard & Poor s and Moody´s downgraded Ericsson s long-term rating from BBB+/Baa1 with stable outlook to BBB/Baa3 with negative outlook. The average maturity of long-term borrowings as of Dec 31, 2016, was 3.8 years, compared with 4.8 years 12 months earlier.

Ericsson has an unutilized Revolving Credit Facility of USD 2.0 b. The facility expires in 2021.

The company signed a new EUR 0.5 b. term loan facility in 2016. The new facility has a tenure of two years with one extension option of one year. The facility serves for general corporate purposes and is unutilized.

**Debt maturity profile, Parent Company**

SEK b.

Table of Contents

DIVIDEND, AGM

AND ANNUAL REPORT

**Dividend proposal**

The Board of Directors will propose to the Annual General Meeting to resolve on a dividend of SEK 1.00 (3.70) per share, representing some SEK 3.3 (12.1) b., and March 31, 2017, as the record date for payment of dividend. The dividend reflects this year s earnings and balance sheet structure, as well as coming years business plans and expected economic development.

**Ericsson Annual General Meeting**

The Annual General Meeting of shareholders will be held on March 29, 2017, 15.00 (CET) at Kistamässan, Stockholm, Sweden.

**Annual Report**

The annual report will be made available on our website www.ericsson.com and at the Ericsson headquarters, Torshamnsgatan 21, Kista, Stockholm, Sweden, in the first week of March.

Table of Contents

OTHER INFORMATION

**The rating for Ericsson was downgraded to Baa2 by Moody s**

On October 14, 2016, Moody s announced that they had downgraded the senior unsecured debt ratings to Baa2 from Baa1 and the MTN program rating to Baa2 from Baa1. At the same time, the agency placed the company s Baa2/Baa2 ratings on review for further downgrade.

**The rating for Ericsson was downgraded to BBB by S&P**

On October 17, 2016, Standard & Poor s announced that they had downgraded the long-term corporate credit rating on Ericsson to BBB from BBB+, with a negative outlook.

**Börje Ekholm appointed President and CEO**

On October 26, 2016, Ericsson announced that its Board of Directors has appointed Börje Ekholm President and CEO, effective January 16, 2017. Börje Ekholm will also remain a member of the Board of Directors of Ericsson.

**Ericsson Investor Update**

On November 10, 2016, Ericsson held its annual Investor Update event in New York. The company gave an update on market development, how to improve profitability and the progress of strategy implementation for faster business execution based on its new company structure. In addition, the company provided high level, unaudited numbers for the new segments for full-year 2015.

**Update on Cost and efficiency program**

On December 8, 2016, Ericsson announced that total company restructuring charges for 2016 is estimated to SEK 5.5-6.5 b., compared to previous estimate of SEK 4-5 b. due to faster implementation of the cost and efficiency program in Sweden.

**The rating for Ericsson was downgraded to Baa3 by Moody s**

On December 15, 2016, Moody s announced that they had downgraded the senior unsecured debt ratings to Baa3 from Baa2 and the MTN program rating to Baa3 from Baa2. The outlook on the ratings is negative.

**Litigations relating to Unwired Planet**

Ericsson has since 2014 been involved in litigations in the UK and Germany brought by Unwired Planet against Google, Samsung, Huawei, HTC and LG for infringement of patents, some of which were purchased from Ericsson. Unwired Planet has settled some of the cases and all counterclaims against Ericsson from the defendants in the UK case have as from October 2016 been withdrawn. Ericsson remains as intervener in the German cases where an appealed court decision has rejected all allegations made by the defendants against Ericsson.

**POST-CLOSING EVENTS**

**Börje Ekholm takes office as CEO and President**

On January 16, 2017, Ericsson announced that in connection with Börje Ekholm assuming the position as President and CEO of Ericsson, Jan Frykhammar, who has temporarily held the position as President and CEO, remains a member of the Executive Leadership Team and is appointed Executive Vice President and Advisor to the CEO. Jan Frykhammar will support Börje Ekholm during a transition period and will focus on corporate governance and efficiency.

Magnus Mandersson remains Executive Vice President, Advisor to the CEO, focusing on customer relationships, and a member of the Executive Leadership Team. Mandersson also remains Chairperson of four out of Ericsson s ten regions.

Carl Mellander remains acting Chief Financial Officer and a member of the Executive Leadership Team.

## NEW FINANCIAL REPORTING STRUCTURE

The organizational structure that was effective as of July 1, 2016, aims to align company reporting with strategy execution in a simpler and more transparent way. As of Q1, 2017, financial reporting will be made according to this new organizational structure. Restated numbers will be presented in March 2017.

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

During the fourth quarter of 2016, Ericsson made sales of telecommunications infrastructure related products and services in Iran to Hiweb, Mobile Communication Company of Iran and to MTNIrancell, which generated gross revenues (reported as net sales) of approximately SEK 1,168 million. Ericsson does not normally allocate quarterly net profit (reported as net income) on a country-by-country or activity-by-activity basis, other than as set forth in Ericsson s consolidated financial statements prepared in accordance with IFRS as issued by the IASB. However, Ericsson has estimated that its operating income (income before taxes and financial net) from such sales, after internal cost allocation, during the fourth quarter of 2016 would be substantially lower than such gross revenues. During the fourth quarter of 2016, Post Bank of Iran (a local bank in Iran) issued bank guarantees to secure an Iranian customer s payment obligations to Ericsson.

Table of Contents

RISK FACTORS

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

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

- Potential negative effects on operators willingness to invest in network development due to uncertainty in the financial markets and a weak economic business environment, or reduced consumer telecom spending, or increased pressure on us to provide financing, or delayed auctions of spectrums;
- Uncertainty regarding the financial stability of suppliers, for example due to lack of financing;
- Effects on gross margins and/or working capital of the business mix in the Networks segment between capacity sales and new coverage build-outs;
- Effects on gross margins of the business mix in the Global Services segment including proportion of new network build-outs and share of new managed services 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 JV arrangements or partnerships which may not be successful and expose us to future costs;
- Changes in foreign exchange rates, in particular USD;
- Political unrest or instability in certain markets;
- Effects on production and sales from restrictions with respect to timely and adequate supply of materials, components and production capacity and other vital services on competitive terms;
- No guarantees that specific restructuring or cost-savings initiatives will be sufficient, successful or executed in time to deliver any improvements in short-term earnings;
- Various geopolitical forces may impact the global economy and our business;

Cyber security incidents, which may have material negative impact.

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, January 26, 2017

Telefonaktiebolaget LM Ericsson

Board of Directors

Date for next report: April 25, 2017

Table of Contents

AUDITORS REVIEW REPORT

**Introduction**

We have reviewed the condensed interim financial information (interim report) of Telefonaktiebolaget LM Ericsson (publ.) as of December 31, 2016, and the twelve months period then ended. The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

**Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity.

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, January 26, 2017

PricewaterhouseCoopers AB

Bo Hjalmarsson

Authorized Public Accountant

Auditor in Charge

Johan Engstam

Authorized Public Accountant

Table of Contents

EDITOR S NOTE

For further information, please contact:

Helena Norrman, Senior Vice President, Chief Marketing and

Communications Officer

Phone: +46 10 719 34 72

E-mail: investor.relations@ericsson.com or

media.relations@ericsson.com

Telefonaktiebolaget LM Ericsson

Org. number: 556016-0680

Torshamnsgatan 21

SE-164 83 Stockholm

Phone: +46 10 719 00 00

www.ericsson.com

**Investors**

Peter Nyquist, Vice President,
Head of Investor Relations

| | |
|---|---|
| Phone: | +46 10 714 64 49, +46 70 575 29 06 |
| E-mail: | peter.nyquist@ericsson.com |

Stefan Jelvin, Director,
Investor Relations

| | |
|---|---|
| Phone: | +46 10 714 20 39, +46 70 986 02 27 |
| E-mail: | stefan.jelvin@ericsson.com |

Åsa Konnbjer, Director,
Investor Relations

| | |
|---|---|
| Phone: | +46 10 713 39 28, +46 73 082 59 28 |
| E-mail: | asa.konnbjer@ericsson.com |

Rikard Tunedal, Director,
Investor Relations

Phone: +46 10 714 54 00, +46 761 005 400
E-mail: rikard.tunedal@ericsson.com

**Media**

Ola Rembe, Vice President,
Head of External Communications
Phone: +46 10 719 97 27, +46 73 024 48 73
E-mail: media.relations@ericsson.com

Corporate Communications
Phone: +46 10 719 69 92
E-mail: media.relations@ericsson.com

Table of Contents

SAFE HARBOR STATEMENT

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

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

Table of Contents

FINANCIAL STATEMENTS AND

ADDITIONAL INFORMATION

Contents

Table of Contents

CONSOLIDATED INCOME STATEMENT

| | Oct-Dec | | | Jan-Dec | | |
|---|---|---|---|---|---|---|
| SEK million | 2016 | 2015 | Change | 2016 | 2015 | Change |
| Net sales | 65,215 | 73,568 | -11% | 222,608 | 246,920 | -10% |
| Cost of sales | -48,195 | -46,899 | 3% | -156,243 | -161,101 | -3% |
| **Gross income** | **17,020** | **26,669** | **-36%** | **66,365** | **85,819** | **-23%** |
| Gross margin (%) | 26.1% | 36.3% | | 29.8% | 34.8% | |
| Research and development expenses | -8,890 | -7,921 | 12% | -31,635 | -34,844 | -9% |
| Selling and administrative expenses | -8,799 | -7,996 | 10% | -28,866 | -29,285 | -1% |
| **Operating expenses** | **-17,689** | **-15,917** | **11%** | **-60,501** | **-64,129** | **-6%** |
| Other operating income and expenses | 364 | 254 | | 404 | 153 | |
| Shares in earnings of JV and associated companies | 25 | 29 | | 31 | -38 | |
| **Operating income** | **-280** | **11,035** | **-103%** | **6,299** | **21,805** | **-71%** |
| Financial income | 61 | -109 | | -115 | 525 | |
| Financial expenses | -744 | -619 | | -2,158 | -2,458 | |
| **Income after financial items** | **-963** | **10,307** | **-109%** | **4,026** | **19,872** | **-80%** |
| Taxes | -634 | -3,329 | | -2,131 | -6,199 | |
| **Net income** | **-1,597** | **6,978** | **-123%** | **1,895** | **13,673** | **-86%** |
| Net income attributable to: | | | | | | |
| Stockholders of the Parent Company | -1,604 | 7,056 | | 1,716 | 13,549 | |
| Non-controlling interests | 7 | -78 | | 179 | 124 | |
| Other information | | | | | | |
| Average number of shares, basic (million) | 3,268 | 3,254 | | 3,263 | 3,249 | |
| Earnings per share, basic (SEK) [1] | -0.49 | 2.17 | | 0.53 | 4.17 | |
| Earnings per share, diluted (SEK) [1] | -0.48 | 2.15 | | 0.52 | 4.13 | |

[1] Based on Net income attributable to stockholders of the Parent Company.

STATEMENT OF COMPREHENSIVE INCOME

| | Oct-Dec | Jan-Dec |
|---|---|---|

| SEK million | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|
| **Net income** | **-1,597** | **6,978** | **1,895** | **13,673** |
| **Other comprehensive income** | | | | |
| **Items that will not be reclassified to profit or loss** | | | | |
| Remeasurements of defined benefits pension plans incl. asset ceiling | 8,024 | 3,860 | -1,766 | -2,026 |
| Tax on items that will not be reclassified to profit or loss | -1,886 | -797 | 520 | 721 |
| **Items that may be reclassified to profit or loss** | | | | |
| Available-for-sale financial assets | | | | |
| Gains/losses arising during the period | -7 | | -7 | |
| Revaluation of other investments in shares and participations | | | | |
| Fair value remeasurement | 2 | 216 | -2 | 457 |
| Changes in cumulative translation adjustments | 1,867 | -1,141 | 4,235 | -604 |
| Share of other comprehensive income on JV and associated companies | -7 | | -362 | 141 |
| Tax on items that may be reclassified to profit or loss | 1 | | 1 | |
| **Total other comprehensive income, net of tax** | **7,994** | **2,138** | **2,619** | **-1,311** |
| **Total comprehensive income** | **6,397** | **9,116** | **4,514** | **12,362** |
| Total comprehensive income attributable to: | | | | |
| Stockholders of the Parent Company | 6,406 | 9,173 | 4,285 | 12,218 |
| Non-controlling interest | -9 | -57 | 229 | 144 |

Table of Contents

CONSOLIDATED BALANCE SHEET

| SEK million | Dec 31 2016 | Sep 30 2016 | Dec 31 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | | |
| Capitalized development expenses | 8,076 | 7,437 | 5,493 |
| Goodwill | 43,387 | 41,976 | 41,087 |
| Intellectual property rights, brands and other intangible assets | 7,747 | 8,076 | 9,316 |
| Property, plant and equipment | 16,734 | 17,082 | 15,901 |
| Financial assets | | | |
| Equity in JV and associated companies | 775 | 761 | 1,210 |
| Other investments in shares and participations | 1,179 | 1,188 | 1,275 |
| Customer finance, non-current | 2,128 | 1,989 | 1,739 |
| Interest-bearing securities, non-current | 7,586 | 540 | |
| Other financial assets, non-current | 4,442 | 4,310 | 5,634 |
| Deferred tax assets | 15,522 | 17,383 | 13,183 |
| | **107,576** | **100,742** | **94,838** |
| **Current assets** | | | |
| Inventories | 30,307 | 34,140 | 28,436 |
| Trade receivables | 68,117 | 70,370 | 71,069 |
| Customer finance, current | 2,625 | 2,644 | 2,041 |
| Other current receivables | 24,431 | 24,758 | 21,709 |
| Interest-bearing securities, current | 13,325 | 18,663 | 26,046 |
| Cash and cash equivalents | 36,966 | 24,401 | 40,224 |
| | **175,771** | **174,976** | **189,525** |
| **Total assets** | **283,347** | **275,718** | **284,363** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Stockholders equity | 139,817 | 133,138 | 146,525 |
| Non-controlling interest in equity of subsidiaries | 675 | 874 | 841 |
| | **140,492** | **134,012** | **147,366** |
| **Non-current liabilities** | | | |
| Post-employment benefits | 23,723 | 32,463 | 22,664 |
| Provisions, non-current | 946 | 170 | 176 |
| Deferred tax liabilities | 2,147 | 2,052 | 2,472 |

| | | | |
|---|---|---|---|
| Borrowings, non-current | 18,653 | 18,283 | 22,744 |
| Other non-current liabilities | 2,621 | 2,127 | 1,851 |
| | **48,090** | **55,095** | **49,907** |
| **Current liabilities** | | | |
| Provisions, current | 5,411 | 3,075 | 3,662 |
| Borrowings, current | 8,033 | 9,007 | 2,376 |
| Trade payables | 25,318 | 21,633 | 22,389 |
| Other current liabilities | 56,003 | 52,896 | 58,663 |
| | **94,765** | **86,611** | **87,090** |
| **Total equity and liabilities** | **283,347** | **275,718** | **284,363** |
| *Of which interest-bearing liabilities* | *26,686* | *27,290* | *25,120* |
| Assets pledged as collateral | 2,584 | 2,534 | 2,526 |
| Contingent liabilities | 1,186 | 1,146 | 922 |

Table of Contents

CONSOLIDATED STATEMENT

OF CASH FLOWS

| | Oct-Dec | | Jan-Dec | |
|---|---|---|---|---|
| SEK million | 2016 | 2015 | 2016 | 2015 |
| **Operating activities** | | | | |
| Net income | -1,597 | 6,978 | 1,895 | 13,673 |
| Adjustments to reconcile net income to cash | | | | |
| Taxes | -300 | 395 | -6,200 | -2,835 |
| Earnings/dividends in JV and associated companies | -21 | -33 | 58 | 130 |
| Depreciation, amortization and impairment losses | 2,610 | 2,521 | 9,119 | 10,206 |
| Other | 865 | 1,092 | 3,135 | 3,110 |
| | **1,557** | **10,953** | **8,007** | **24,284** |
| **Changes in operating net assets** | | | | |
| Inventories | 4,286 | 3,496 | -613 | -366 |
| Customer finance, current and non-current | -106 | 302 | -950 | 824 |
| Trade receivables | 3,713 | 2,754 | 5,933 | 7,000 |
| Trade payables | 3,306 | 886 | 2,775 | -2,676 |
| Provisions and post-employment benefits | 2,772 | -673 | 3,106 | 544 |
| Other operating assets and liabilities, net | 3,884 | 4,141 | -4,248 | -9,013 |
| | **17,855** | **10,906** | **6,003** | **-3,687** |
| **Cash flow from operating activities** | **19,412** | **21,859** | **14,010** | **20,597** |
| **Investing activities** | | | | |
| Investments in property, plant and equipment | -1,699 | -1,740 | -6,129 | -8,338 |
| Sales of property, plant and equipment | 277 | 92 | 482 | 1,301 |
| Acquisitions/divestments of subsidiaries and other operations, net | -50 | -945 | -622 | -2,200 |
| Product development | -1,291 | -1,183 | -4,483 | -3,302 |
| Other investing activities | -2,341 | -418 | -3,004 | -543 |
| Interest-bearing securities | -1,505 | -8,613 | 5,473 | 5,095 |
| **Cash flow from investing activities** | **-6,609** | **-12,807** | **-8,283** | **-7,987** |
| **Cash flow before financing activities** | **12,803** | **9,052** | **5,727** | **12,610** |
| **Financing activities** | | | | |
| Dividends paid | | | -12,263 | -11,337 |
| Other financing activities | -1,039 | -669 | 521 | 627 |
| **Cash flow from financing activities** | **-1,039** | **-669** | **-11,742** | **-10,710** |
| Effect of exchange rate changes on cash | 801 | -2,109 | 2,757 | -2,664 |

| | | | | |
|---|---|---|---|---|
| **Net change in cash and cash equivalents** | **12,565** | **6,274** | **-3,258** | **-764** |
| **Cash and cash equivalents, beginning of period** | **24,401** | **33,950** | **40,224** | **40,988** |
| **Cash and cash equivalents, end of period** | **36,966** | **40,224** | **36,966** | **40,224** |

Table of Contents

CONSOLIDATED STATEMENT

OF CHANGES IN EQUITY

| SEK million | Jan-Dec 2016 | Jan-Dec 2015 |
|---|---|---|
| **Opening balance** | **147,366** | **145,309** |
| Total comprehensive income | 4,514 | 12,362 |
| Sale/repurchase of own shares | -216 | 169 |
| Stock issue (net) | 131 | |
| Stock purchase plan | 957 | 865 |
| Dividends paid | -12,263 | -11,337 |
| Transactions with non-controlling interests | 3 | -2 |
| **Closing balance** | **140,492** | **147,366** |

CONSOLIDATED INCOME STATEMENT

- ISOLATED QUARTERS

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Isolated quarters, SEK million | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net sales | 65,215 | 51,076 | 54,108 | 52,209 | 73,568 | 59,161 | 60,671 | 53,520 |
| Cost of sales | -48,195 | -36,616 | -36,613 | -34,819 | -46,899 | -39,110 | -40,536 | -34,556 |
| **Gross income** | **17,020** | **14,460** | **17,495** | **17,390** | **26,669** | **20,051** | **20,135** | **18,964** |
| Gross margin (%) | 26.1% | 28.3% | 32.3% | 33.3% | 36.3% | 33.9% | 33.2% | 35.4% |
| Research and development expenses | -8,890 | -7,855 | -7,405 | -7,485 | -7,921 | -8,540 | -9,896 | -8,487 |
| Selling and administrative expenses | -8,799 | -6,238 | -7,109 | -6,720 | -7,996 | -6,393 | -7,765 | -7,131 |
| **Operating expenses** | **-17,689** | **-14,093** | **-14,514** | **-14,205** | **-15,917** | **-14,933** | **-17,661** | **-15,618** |
| Other operating income and expenses | 364 | -3 | -230 | 273 | 254 | 80 | 1,059 | -1,240 |
| Shares in earnings of JV and associated companies | 25 | -23 | 12 | 17 | 29 | -121 | 27 | 27 |
| **Operating income** | **-280** | **341** | **2,763** | **3,475** | **11,035** | **5,077** | **3,560** | **2,133** |
| Financial income | 61 | -226 | 139 | -89 | -109 | 188 | -238 | 684 |
| Financial expenses | -744 | -371 | -666 | -377 | -619 | -809 | -290 | -740 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Income after financial items** | **-963** | **-256** | **2,236** | **3,009** | **10,307** | **4,456** | **3,032** | **2,077** |
| Taxes | -634 | 76 | -670 | -903 | -3,329 | -1,338 | -909 | -623 |
| **Net income** | **-1,597** | **-180** | **1,566** | **2,106** | **6,978** | **3,118** | **2,123** | **1,454** |
| Net income attributable to: | | | | | | | | |
| Stockholders of the Parent Company | -1,604 | -233 | 1,587 | 1,966 | 7,056 | 3,080 | 2,094 | 1,319 |
| Non-controlling interests | 7 | 53 | -21 | 140 | -78 | 38 | 29 | 135 |
| Other information | | | | | | | | |
| Average number of shares, basic (million) | 3,268 | 3,264 | 3,261 | 3,258 | 3,254 | 3,251 | 3,247 | 3,244 |
| Earnings per share, basic (SEK) [1)] | -0.49 | -0.07 | 0.49 | 0.60 | 2.17 | 0.95 | 0.64 | 0.41 |
| Earnings per share, diluted (SEK) [1)] | -0.48 | -0.07 | 0.48 | 0.60 | 2.15 | 0.94 | 0.64 | 0.40 |

1) Based on Net income attributable to stockholders of the Parent Company.

Table of Contents

CONSOLIDATED STATEMENT

OF CASH FLOWS - ISOLATED QUARTERS

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Isolated quarters, SEK million | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| **Operating activities** | | | | | | | | |
| Net income | -1,597 | -180 | 1,566 | 2,106 | 6,978 | 3,118 | 2,123 | 1,454 |
| Adjustments to reconcile net income to cash | | | | | | | | |
| Taxes | -300 | -1,282 | -3,410 | -1,208 | 395 | 51 | -1,360 | -1,921 |
| Earnings/dividends in JV and associated companies | -21 | 22 | 73 | -16 | -33 | 136 | 49 | -22 |
| Depreciation, amortization and impairment losses | 2,610 | 2,308 | 2,104 | 2,097 | 2,521 | 2,425 | 2,579 | 2,681 |
| Other | 865 | 630 | 988 | 652 | 1,092 | 1,052 | 22 | 944 |
| | **1,557** | **1,498** | **1,321** | **3,631** | **10,953** | **6,782** | **3,413** | **3,136** |
| **Changes in operating net assets** | | | | | | | | |
| Inventories | 4,286 | 980 | -1,667 | -4,212 | 3,496 | -226 | 383 | -4,019 |
| Customer finance, current and non-current | -106 | 223 | -816 | -251 | 302 | 375 | 405 | -258 |
| Trade receivables | 3,713 | -624 | -564 | 3,408 | 2,754 | -1,421 | 3,630 | 2,037 |
| Trade payables | 3,306 | -2,371 | 2,457 | -617 | 886 | -494 | -1,400 | -1,668 |
| Provisions and post-employment benefits | 2,772 | 130 | 218 | -14 | -673 | -302 | 1,685 | -166 |
| Other operating assets and liabilities, net | 3,884 | -2,153 | -1,662 | -4,317 | 4,141 | -3,154 | -5,038 | -4,962 |
| | **17,855** | **-3,815** | **-2,034** | **-6,003** | **10,906** | **-5,222** | **-335** | **-9,036** |
| **Cash flow from operating activities** | **19,412** | **-2,317** | **-713** | **-2,372** | **21,859** | **1,560** | **3,078** | **-5,900** |
| **Investing activities** | | | | | | | | |
| Investments in property, plant and equipment | -1,699 | -1,384 | -1,572 | -1,474 | -1,740 | -1,807 | -2,424 | -2,367 |
| Sales of property, plant and equipment | 277 | 111 | 50 | 44 | 92 | 59 | 1,075 | 75 |
| Acquisitions/divestments of subsidiaries and other operations, net | -50 | 16 | -480 | -108 | -945 | -1,028 | -169 | -58 |
| Product development | -1,291 | -885 | -1,099 | -1,208 | -1,183 | -982 | -843 | -294 |
| Other investing activities | -2,341 | -508 | -890 | 735 | -418 | 37 | -280 | 118 |
| Interest-bearing securities | -1,505 | 610 | 5,355 | 1,013 | -8,613 | 3,631 | 9,678 | 399 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Cash flow from investing activities** | **-6,609** | **-2,040** | **1,364** | **-998** | **-12,807** | **-90** | **7,037** | **-2,127** |
| **Cash flow before financing activities** | **12,803** | **-4,357** | **651** | **-3,370** | **9,052** | **1,470** | **10,115** | **-8,027** |
| **Financing activities** | | | | | | | | |
| Dividends paid | | -163 | -12,067 | -33 | | -277 | -11,035 | -25 |
| Other financing activities | -1,039 | -1,295 | 2,761 | 94 | -669 | -34 | 431 | 899 |
| **Cash flow from financing activities** | **-1,039** | **-1,458** | **-9,306** | **61** | **-669** | **-311** | **-10,604** | **874** |
| Effect of exchange rate changes on cash | 801 | 1,285 | 1,652 | -981 | -2,109 | -171 | -1,860 | 1,476 |
| **Net change in cash and cash equivalents** | **12,565** | **-4,530** | **-7,003** | **-4,290** | **6,274** | **988** | **-2,349** | **-5,677** |
| **Cash and cash equivalents, beginning of period** | **24,401** | **28,931** | **35,934** | **40,224** | **33,950** | **32,962** | **35,311** | **40,988** |
| **Cash and cash equivalents, end of period** | **36,966** | **24,401** | **28,931** | **35,934** | **40,224** | **33,950** | **32,962** | **35,311** |

Table of Contents

ACCOUNTING POLICIES

## THE GROUP

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

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

***Amendments applied as from the first quarter of 2016****

### Presentation in financial statements

In the Consolidated Balance Sheet, Interest-bearing securities, non-current has been added as a new line and Short term investments has been renamed Interest-bearing securities, current. On the Statement of Cash Flow, the line Short-term investments has been renamed Interest-bearing securities.

### Accounting for bonds

Due to the conditions in the market for government and mortgage bonds in Sweden, Ericsson now intends to hold bonds purchased in its Asset management portfolio until maturity instead of intending to hold them for trading. Bonds purchased in this portfolio after January 1, 2016 are classified as available-for-sale. Bonds held as available-for-sale with a maturity longer than one year are included in Interest-bearing securities, non-current. Bonds held as available-for-sale with a maturity shorter than one year are included in Interest-bearing securities, current. Unrealized gains and losses are recognized in Other comprehensive income. When these securities are derecognized, the accumulated fair value adjustments will be included in financial income.

* Updated in the third quarter of 2016 due to purchase of available-for-sale bond

Table of Contents

NET SALES BY SEGMENT BY QUARTER

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| l quarters, SEK million | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q |
| ks | 32,410 | 23,343 | 26,765 | 25,820 | 37,304 | 28,817 | 31,163 | 26 |
| Services | 29,419 | 24,804 | 24,481 | 23,018 | 30,670 | 27,055 | 26,392 | 23 |
| *h Professional Services* | *21,467* | *18,747* | *18,670* | *17,932* | *23,072* | *20,545* | *20,001* | *18* |
| *h Managed Services* | *6,853* | *7,153* | *7,330* | *7,352* | *8,214* | *7,976* | *8,150* | *7* |
| *h Network Rollout* | *7,952* | *6,057* | *5,811* | *5,086* | *7,598* | *6,510* | *6,391* | *5* |
| t Solutions | 3,386 | 2,929 | 2,862 | 3,371 | 5,594 | 3,289 | 3,092 | 3 |
| s | | | | | | | 24 | |
| | **65,215** | **51,076** | **54,108** | **52,209** | **73,568** | **59,161** | **60,671** | **53** |

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| tial change, percent | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q |
| ks | 39% | -13% | 4% | -31% | 29% | -8% | 18% | |
| Services | 19% | 1% | 6% | -25% | 13% | 3% | 10% | |
| *h Professional Services* | *15%* | *0%* | *4%* | *-22%* | *12%* | *3%* | *10%* | |
| *h Managed Services* | *-4%* | *-2%* | *0%* | *-10%* | *3%* | *-2%* | *9%* | |
| *h Network Rollout* | *31%* | *4%* | *14%* | *-33%* | *17%* | *2%* | *11%* | |
| t Solutions | 16% | 2% | -15% | -40% | 70% | 6% | 1% | |
| s | | | | | | | | |
| | **28%** | **-6%** | **4%** | **-29%** | **24%** | **-2%** | **13%** | |

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| er year change, percent | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q |
| ks | -13% | -19% | -14% | -2% | 9% | -4% | 8% | |
| Services | -4% | -8% | -7% | -4% | 3% | 11% | 14% | |
| *h Professional Services* | *-7%* | *-9%* | *-7%* | *-1%* | *8%* | *15%* | *21%* | |
| *h Managed Services* | *-17%* | *-10%* | *-10%* | *-2%* | *6%* | *11%* | *26%* | |
| *h Network Rollout* | *5%* | *-7%* | *-9%* | *-12%* | *-9%* | *-2%* | *-2%* | |
| t Solutions | -39% | -11% | -7% | 10% | 40% | 8% | 9% | |
| s | | | | | | | | |
| | **-11%** | **-14%** | **-11%** | **-2%** | **8%** | **3%** | **11%** | |

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| date, SEK million | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan- |
| ks | 108,338 | 75,928 | 52,585 | 25,820 | 123,720 | 86,416 | 57,599 | 26 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Services | 101,722 | 72,303 | 47,499 | 23,018 | 108,018 | 77,348 | 50,293 | 23 |
| *h Professional Services* | *76,816* | *55,349* | *36,602* | *17,932* | *81,749* | *58,677* | *38,132* | *18* |
| *h Managed Services* | *28,688* | *21,835* | *14,682* | *7,352* | *31,841* | *23,627* | *15,651* | *7* |
| *h Network Rollout* | *24,906* | *16,954* | *10,897* | *5,086* | *26,269* | *18,671* | *12,161* | *5* |
| Solutions | 12,548 | 9,162 | 6,233 | 3,371 | 15,049 | 9,455 | 6,166 | 3 |
| s | | | | | 133 | 133 | 133 | |
| | **222,608** | **157,393** | **106,317** | **52,209** | **246,920** | **173,352** | **114,191** | **53** |

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| date, year over year change, percent | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan- |
| ks | -12% | -12% | -9% | -2% | 5% | 4% | 8% | |
| Services | -6% | -7% | -6% | -4% | 11% | 14% | 16% | |
| *h Professional Services* | *-6%* | *-6%* | *-4%* | *-1%* | *15%* | *19%* | *21%* | |
| *h Managed Services* | *-10%* | *-8%* | *-6%* | *-2%* | *17%* | *22%* | *28%* | |
| *h Network Rollout* | *-5%* | *-9%* | *-10%* | *-12%* | *-2%* | *1%* | *3%* | |
| Solutions | -17% | -3% | 1% | 10% | 19% | 9% | 10% | |
| s | | | | | | | | |
| | **-10%** | **-9%** | **-7%** | **-2%** | **8%** | **8%** | **12%** | |

Table of Contents

OPERATING INCOME

BY SEGMENT BY QUARTER

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Isolated quarters, SEK million | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 661 | -251 | 1,593 | 2,724 | 7,154 | 2,764 | 2,435 | 590 |
| Global Services | 187 | 993 | 1,484 | 644 | 2,530 | 2,364 | 1,640 | 1,681 |
| *Of which Professional Services* | *844* | *1,401* | *1,676* | *1,293* | *2,712* | *2,386* | *2,403* | *2,109* |
| *Of which Network Rollout* | *-657* | *-408* | *-192* | *-649* | *-182* | *-22* | *-763* | *-428* |
| Support Solutions | -417 | -351 | -421 | 238 | 1,668 | -6 | -240 | 82 |
| Modems | | | | | 1 | -1 | 7 | 0 |
| Unallocated [1)] | -711 | -50 | 107 | -131 | -318 | -44 | -282 | -220 |
| **Total** | **-280** | **341** | **2,763** | **3,475** | **11,035** | **5,077** | **3,560** | **2,133** |

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Year to date, SEK million | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 4,727 | 4,066 | 4,317 | 2,724 | 12,943 | 5,789 | 3,025 | 590 |
| Global Services | 3,308 | 3,121 | 2,128 | 644 | 8,215 | 5,685 | 3,321 | 1,681 |
| *Of which Professional Services* | *5,214* | *4,370* | *2,969* | *1,293* | *9,610* | *6,898* | *4,512* | *2,109* |
| *Of which Network Rollout* | *-1,906* | *-1,249* | *-841* | *-649* | *-1,395* | *-1,213* | *-1,191* | *-428* |
| Support Solutions | -951 | -534 | -183 | 238 | 1,504 | -164 | -158 | 82 |
| Modems | | | | | 7 | 6 | 7 | 0 |
| Unallocated [1)] | -785 | -74 | -24 | -131 | -864 | -546 | -502 | -220 |
| **Total** | **6,299** | **6,579** | **6,238** | **3,475** | **21,805** | **10,770** | **5,693** | **2,133** |

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

OPERATING MARGIN

BY SEGMENT BY QUARTER

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| As percentage of net sales, isolated quarters | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 2% | -1% | 6% | 11% | 19% | 10% | 8% | 2% |
| Global Services | 1% | 4% | 6% | 3% | 8% | 9% | 6% | 7% |
| *Of which Professional Services* | *4%* | *7%* | *9%* | *7%* | *12%* | *12%* | *12%* | *12%* |
| *Of which Network Rollout* | *-8%* | *-7%* | *-3%* | *-13%* | *-2%* | *0%* | *-12%* | *-7%* |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Support Solutions | -12% | -12% | -15% | 7% | 30% | 0% | -8% | 3% |
| Modems | | | | | | | | |
| **Total** | **0%** | **1%** | **5%** | **7%** | **15%** | **9%** | **6%** | **4%** |

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

Table of Contents

NET SALES

BY REGION BY QUARTER

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Isolated quarters, SEK million | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| North America | 14,915 | 13,224 | 13,426 | 13,182 | 17,082 | 14,355 | 14,578 | 12,246 |
| Latin America | 4,970 | 4,381 | 4,542 | 4,040 | 6,106 | 5,610 | 5,067 | 4,574 |
| Northern Europe & Central Asia [1) 2)] | 2,711 | 2,043 | 2,093 | 2,222 | 2,847 | 2,520 | 2,556 | 2,726 |
| Western & Central Europe [2)] | 4,226 | 3,565 | 4,466 | 3,953 | 5,320 | 4,540 | 5,131 | 4,741 |
| Mediterranean [2)] | 6,639 | 4,543 | 5,427 | 4,296 | 6,971 | 5,470 | 5,887 | 4,982 |
| Middle East | 6,388 | 4,280 | 4,921 | 3,567 | 6,089 | 5,728 | 6,515 | 4,517 |
| Sub Saharan Africa | 2,732 | 2,012 | 2,313 | 2,120 | 2,847 | 2,691 | 2,653 | 2,158 |
| India | 3,042 | 2,597 | 2,426 | 2,683 | 3,172 | 3,629 | 3,049 | 3,531 |
| North East Asia | 9,623 | 6,122 | 6,041 | 5,579 | 8,916 | 6,348 | 6,943 | 6,030 |
| South East Asia & Oceania | 6,655 | 5,054 | 5,272 | 5,199 | 5,329 | 4,750 | 4,897 | 4,259 |
| Other [1) 2)] | 3,314 | 3,255 | 3,181 | 5,368 | 8,889 | 3,520 | 3,395 | 3,756 |
| **Total** | **65,215** | **51,076** | **54,108** | **52,209** | **73,568** | **59,161** | **60,671** | **53,520** |
| *[1)] Of which in Sweden* | *843* | *690* | *477* | *1,113* | *972* | *1,135* | *598* | *1,091* |
| *[2)] Of which in EU* | *11,154* | *8,507* | *9,635* | *9,229* | *12,644* | *10,584* | *11,453* | *10,904* |

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Sequential change, percent | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| North America | 13% | -2% | 2% | -23% | 19% | -2% | 19% | -6% |
| Latin America | 13% | -4% | 12% | -34% | 9% | 11% | 11% | -30% |
| Northern Europe & Central Asia [1) 2)] | 33% | -2% | -6% | -22% | 13% | -1% | -6% | -33% |
| Western & Central Europe [2)] | 19% | -20% | 13% | -26% | 17% | -12% | 8% | -22% |
| Mediterranean [2)] | 46% | -16% | 26% | -38% | 27% | -7% | 18% | -34% |
| Middle East | 49% | -13% | 38% | -41% | 6% | -12% | 44% | -34% |
| Sub Saharan Africa | 36% | -13% | 9% | -26% | 6% | 1% | 23% | -17% |
| India | 17% | 7% | -10% | -15% | -13% | 19% | -14% | 49% |
| North East Asia | 57% | 1% | 8% | -37% | 40% | -9% | 15% | -35% |
| South East Asia & Oceania | 32% | -4% | 1% | -2% | 12% | -3% | 15% | -14% |
| Other [1) 2)] | 2% | 2% | -41% | -40% | 153% | 4% | -10% | -19% |
| **Total** | **28%** | **-6%** | **4%** | **-29%** | **24%** | **-2%** | **13%** | **-21%** |
| *[1)] Of which in Sweden* | *22%* | *45%* | *-57%* | *15%* | *-14%* | *90%* | *-45%* | *4%* |
| *[2)] Of which in EU* | *31%* | *-12%* | *4%* | *-27%* | *19%* | *-8%* | *5%* | *-24%* |

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|

| Year-over-year change, percent | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
|---|---|---|---|---|---|---|---|---|
| North America | -13% | -8% | -8% | 8% | 31% | 2% | -4% | 0% |
| Latin America | -19% | -22% | -10% | -12% | -7% | -5% | -6% | -3% |
| Northern Europe & Central Asia [1) 2)] | -5% | -19% | -18% | -18% | -30% | -20% | -6% | 12% |
| Western & Central Europe [2)] | -21% | -21% | -13% | -17% | -13% | -2% | 12% | 8% |
| Mediterranean [2)] | -5% | -17% | -8% | -14% | -7% | 5% | 7% | 4% |
| Middle East | 5% | -25% | -24% | -21% | -11% | -5% | 44% | 17% |
| Sub Saharan Africa | -4% | -25% | -13% | -2% | 9% | 10% | 41% | 19% |
| India | -4% | -28% | -20% | -24% | 34% | 81% | 85% | 108% |
| North East Asia | 8% | -4% | -13% | -7% | -3% | -10% | 8% | 23% |
| South East Asia & Oceania | 25% | 6% | 8% | 22% | 8% | 25% | 34% | 24% |
| Other [1) 2)] | -63% | -8% | -6% | 43% | 91% | 4% | 1% | 15% |
| **Total** | **-11%** | **-14%** | **-11%** | **-2%** | **8%** | **3%** | **11%** | **13%** |
| [1)] *Of which in Sweden* | *-13%* | *-39%* | *-20%* | *2%* | *-7%* | *4%* | *-41%* | *9%* |
| [2)] *Of which in EU* | *-12%* | *-20%* | *-16%* | *-15%* | *-12%* | *-1%* | *11%* | *12%* |

**Table of Contents**

NET SALES

BY REGION BY QUARTER, CONT.

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| date, SEK million | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan- |
| merica | 54,747 | 39,832 | 26,608 | 13,182 | 58,261 | 41,179 | 26,824 | 12 |
| merica | 17,933 | 12,963 | 8,582 | 4,040 | 21,357 | 15,251 | 9,641 | 4 |
| n Europe & Central Asia 1) 2) | 9,069 | 6,358 | 4,315 | 2,222 | 10,649 | 7,802 | 5,282 | 2 |
| & Central Europe 2) | 16,210 | 11,984 | 8,419 | 3,953 | 19,732 | 14,412 | 9,872 | 4 |
| ranean 2) | 20,905 | 14,266 | 9,723 | 4,296 | 23,310 | 16,339 | 10,869 | 4 |
| East | 19,156 | 12,768 | 8,488 | 3,567 | 22,849 | 16,760 | 11,032 | 4 |
| aran Africa | 9,177 | 6,445 | 4,433 | 2,120 | 10,349 | 7,502 | 4,811 | 2 |
| | 10,748 | 7,706 | 5,109 | 2,683 | 13,381 | 10,209 | 6,580 | 3 |
| ast Asia | 27,365 | 17,742 | 11,620 | 5,579 | 28,237 | 19,321 | 12,973 | 6 |
| ast Asia & Oceania | 22,180 | 15,525 | 10,471 | 5,199 | 19,235 | 13,906 | 9,156 | 4 |
| 2) | 15,118 | 11,804 | 8,549 | 5,368 | 19,560 | 10,671 | 7,151 | 3 |
| | **222,608** | **157,393** | **106,317** | **52,209** | **246,920** | **173,352** | **114,191** | **53** |
| *ich in Sweden* | *3,123* | *2,280* | *1,590* | *1,113* | *3,796* | *2,824* | *1,689* | *1* |
| *ich in EU* | *38,525* | *27,371* | *18,864* | *9,229* | *45,585* | *32,941* | *22,357* | *10* |

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| date, year-over-year change, percent | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan- |
| merica | -6% | -3% | -1% | 8% | 7% | -1% | -2% | |
| merica | -16% | -15% | -11% | -12% | -5% | -5% | -5% | |
| n Europe & Central Asia 1) 2) | -15% | -19% | -18% | -18% | -14% | -6% | 3% | |
| & Central Europe 2) | -18% | -17% | -15% | -17% | 0% | 6% | 10% | |
| ranean 2) | -10% | -13% | -11% | -14% | 1% | 5% | 6% | |
| East | -16% | -24% | -23% | -21% | 7% | 16% | 32% | |
| aran Africa | -11% | -14% | -8% | -2% | 18% | 22% | 30% | |
| | -20% | -25% | -22% | -24% | 74% | 91% | 97% | |
| ast Asia | -3% | -8% | -10% | -7% | 2% | 5% | 15% | |
| ast Asia & Oceania | 15% | 12% | 14% | 22% | 21% | 28% | 29% | |
| 2) | -23% | 11% | 20% | 43% | 33% | 7% | 8% | |
| | **-10%** | **-9%** | **-7%** | **-2%** | **8%** | **8%** | **12%** | |
| *ich in Sweden* | *-18%* | *-19%* | *-6%* | *2%* | *-8%* | *-9%* | *-16%* | |
| *ich in EU* | *-15%* | *-17%* | *-16%* | *-15%* | *1%* | *7%* | *12%* | |

TOP 5 COUNTRIES IN SALES

| Country | Q4 | | Jan-Dec | |
|---|---|---|---|---|
| As percentage of net sales | 2016 | 2015 | 2016 | 2015 |
| United States | 23% | 31% | 25% | 26% |
| China | 9% | 8% | 9% | 8% |
| India | 5% | 4% | 5% | 5% |
| Italy | 4% | 3% | 3% | 3% |
| Japan | 4% | 3% | 3% | 3% |

**Table of Contents**

NET SALES

BY REGION BY SEGMENT

| | Q4 2016 | | | | Jan-Dec 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| SEK million | Networks | Global Services | Support Solutions | Total | Networks | Global Services | Support Solutions | Total |
| North America | 7,920 | 6,214 | 781 | 14,915 | 26,978 | 24,692 | 3,077 | 54,747 |
| Latin America | 1,890 | 2,780 | 300 | 4,970 | 7,830 | 9,270 | 833 | 17,933 |
| Northern Europe & Central Asia | 1,385 | 1,259 | 67 | 2,711 | 4,767 | 4,059 | 243 | 9,069 |
| Western & Central Europe | 1,312 | 2,682 | 232 | 4,226 | 5,388 | 10,223 | 599 | 16,210 |
| Mediterranean | 2,214 | 4,166 | 259 | 6,639 | 7,324 | 12,823 | 758 | 20,905 |
| Middle East | 2,683 | 3,391 | 314 | 6,388 | 7,553 | 10,473 | 1,130 | 19,156 |
| Sub Saharan Africa | 1,321 | 1,315 | 96 | 2,732 | 4,059 | 4,649 | 469 | 9,177 |
| India | 1,901 | 1,010 | 131 | 3,042 | 5,536 | 4,617 | 595 | 10,748 |
| North East Asia | 6,468 | 2,918 | 237 | 9,623 | 18,077 | 8,564 | 724 | 27,365 |
| South East Asia & Oceania | 3,563 | 2,977 | 115 | 6,655 | 12,249 | 9,571 | 360 | 22,180 |
| Other | 1,753 | 707 | 854 | 3,314 | 8,577 | 2,781 | 3,760 | 15,118 |
| **Total** | **32,410** | **29,419** | **3,386** | **65,215** | **108,338** | **101,722** | **12,548** | **222,608** |
| Share of Total | 50% | 45% | 5% | 100% | 49% | 46% | 5% | 100% |

| | Q4 2016 | | | |
|---|---|---|---|---|
| Sequential change, percent | Networks | Global Services | Support Solutions | Total |
| North America | 30% | -2% | -2% | 13% |
| Latin America | 4% | 15% | 111% | 13% |
| Northern Europe & Central Asia | 29% | 37% | 31% | 33% |
| Western & Central Europe | 23% | 12% | 113% | 19% |
| Mediterranean | 44% | 46% | 69% | 46% |
| Middle East | 69% | 41% | 13% | 49% |
| Sub Saharan Africa | 50% | 28% | -6% | 36% |
| India | 39% | -10% | 17% | 17% |
| North East Asia | 67% | 48% | -17% | 57% |
| South East Asia & Oceania | 54% | 12% | 34% | 32% |
| Other | 2% | -1% | 5% | 2% |
| **Total** | **39%** | **19%** | **16%** | **28%** |

| | Q4 2016 | | | |
|---|---|---|---|---|
| Year over year change, percent | Networks | Global Services | Support Solutions | Total |
| North America | 0% | -18% | -49% | -13% |
| Latin America | -34% | -7% | 14% | -19% |
| Northern Europe & Central Asia | -3% | -5% | -31% | -5% |
| Western & Central Europe | -29% | -17% | -6% | -21% |
| Mediterranean | -17% | 3% | 2% | -5% |
| Middle East | -2% | 13% | -6% | 5% |
| Sub Saharan Africa | -16% | 16% | -28% | -4% |
| India | 11% | -23% | -2% | -4% |
| North East Asia | 11% | 2% | 0% | 8% |
| South East Asia & Oceania | 35% | 23% | -56% | 25% |
| Other | -71% | -3% | -59% | -63% |
| **Total** | **-13%** | **-4%** | **-39%** | **-11%** |

| | Jan-Dec 2016 | | | |
|---|---|---|---|---|
| Year over year change, percent | Networks | Global Services | Support Solutions | Total |
| North America | 3% | -11% | -26% | -6% |
| Latin America | -20% | -14% | -2% | -16% |
| Northern Europe & Central Asia | -23% | -1% | -26% | -15% |
| Western & Central Europe | -20% | -16% | -20% | -18% |
| Mediterranean | -20% | -4% | 1% | -10% |
| Middle East | -36% | 8% | -9% | -16% |
| Sub Saharan Africa | -15% | -5% | -28% | -11% |
| India | -32% | 1% | -18% | -20% |
| North East Asia | -3% | -3% | 6% | -3% |
| South East Asia & Oceania | 22% | 10% | -33% | 15% |
| Other | -30% | -3% | -14% | -23% |
| **Total** | **-12%** | **-6%** | **-17%** | **-10%** |

**Table of Contents**

PROVISIONS

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Isolated quarters, SEK million | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| **Opening balance** | **3,245** | **3,387** | **3,532** | **3,838** | **4,331** | **5,354** | **4,056** | **4,427** |
| Additions | 4,349 | 666 | 839 | 492 | 589 | 695 | 2,777 | 915 |
| Utilization/Cash out | -976 | -716 | -794 | -667 | -1,096 | -1,545 | -1,217 | -1,204 |
| *Of which restructuring* | *-785* | *-529* | *-639* | *-487* | *-754* | *-1,103* | *-472* | *-437* |
| Reversal of excess amounts | -253 | -129 | -240 | -67 | 87 | -168 | -161 | -236 |
| Reclassification, translation difference and other | -8 | 37 | 50 | -64 | -73 | -5 | -101 | 154 |
| **Closing balance** | **6,357** | **3,245** | **3,387** | **3,532** | **3,838** | **4,331** | **5,354** | **4,056** |

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Year to date, SEK million | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| **Opening balance** | **3,838** | **3,838** | **3,838** | **3,838** | **4,427** | **4,427** | **4,427** | **4,427** |
| Additions | 6,346 | 1,997 | 1,331 | 492 | 4,976 | 4,387 | 3,692 | 915 |
| Utilization/Cash out | -3,153 | -2,177 | -1,461 | -667 | -5,062 | -3,966 | -2,421 | -1,204 |
| *Of which restructuring* | *-2,440* | *-1,655* | *-1,126* | *-487* | *-2,766* | *-2,012* | *-909* | *-437* |
| Reversal of excess amounts | -689 | -436 | -307 | -67 | -478 | -565 | -397 | -236 |
| Reclassification, translation difference and other | 15 | 23 | -14 | -64 | -25 | 48 | 53 | 154 |
| **Closing balance** | **6,357** | **3,245** | **3,387** | **3,532** | **3,838** | **4,331** | **5,354** | **4,056** |

INFORMATION ON INVESTMENTS

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

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Isolated quarters, SEK million | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| **Additions** | | | | | | | | |
| Property, plant and equipment | 1,699 | 1,384 | 1,572 | 1,474 | 1,739 | 1,807 | 2,424 | 2,367 |
| Capitalized development expenses [1)] | 1,291 | 885 | 1,099 | 1,208 | 1,183 | 982 | 843 | 294 |
| IPR, brands and other intangible assets | 0 | -4 | 13 | 5 | 23 | 10 | 26 | 11 |
| **Total** | **2,990** | **2,265** | **2,684** | **2,687** | **2,945** | **2,799** | **3,293** | **2,672** |

**Depreciation, amortization and impairment losses**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Property, plant and equipment | 1,318 | 1,106 | 1,083 | 1,062 | 1,194 | 1,129 | 1,152 | 1,214 |
| Capitalized development expenses | 652 | 511 | 386 | 351 | 349 | 354 | 333 | 342 |
| IPR, brands and other intangible assets | 640 | 691 | 635 | 684 | 978 | 942 | 1,094 | 1,125 |
| **Total** | **2,610** | **2,308** | **2,104** | **2,097** | **2,521** | **2,425** | **2,579** | **2,681** |

1) Including reclassification

Table of Contents

OTHER INFORMATION

| SEK million | Oct-Dec 2016 | Oct-Dec 2015 | Jan-Dec 2016 | Jan-Dec 2015 |
|---|---|---|---|---|
| **Number of shares and earnings per share** | | | | |
| Number of shares, end of period (million) | 3,331 | 3,305 | 3,331 | 3,305 |
| Of which class A-shares (million) | 262 | 262 | 262 | 262 |
| Of which class B-shares (million) | 3,069 | 3,043 | 3,069 | 3,043 |
| Number of treasury shares, end of period (million) | 62 | 49 | 62 | 49 |
| Number of shares outstanding, basic, end of period (million) | 3,269 | 3,256 | 3,269 | 3,256 |
| Numbers of shares outstanding, diluted, end of period (million) | 3,309 | 3,289 | 3,309 | 3,289 |
| Average number of treasury shares (million) | 63 | 51 | 60 | 56 |
| Average number of shares outstanding, basic (million) | 3,268 | 3,254 | 3,263 | 3,249 |
| Average number of shares outstanding, diluted (million) 1) | 3,308 | 3,288 | 3,303 | 3,282 |
| Earnings per share, basic (SEK) | -0.49 | 2.17 | 0.53 | 4.17 |
| Earnings per share, diluted (SEK) 1) | -0.48 | 2.15 | 0.52 | 4.13 |
| **Ratios** | | | | |
| Days sales outstanding | | | 95 | 87 |
| Inventory turnover days | 61 | 59 | 69 | 64 |
| Payable days | 44 | 43 | 56 | 53 |
| **Exchange rates used in the consolidation** 2) | | | | |
| SEK/EUR- closing rate | | | 9.56 | 9.17 |
| SEK/USD- closing rate | | | 9.06 | 8.40 |
| **Other** | | | | |
| Regional inventory, end of period | 16,231 | 15,453 | 16,231 | 15,453 |
| Export sales from Sweden | 33,396 | 34,601 | 107,036 | 117,486 |

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

2) Translation method changed from 2015. Monthly rates used to translate transactions are available on www.ericsson.com/thecompany/investors

NUMBER OF EMPLOYEES

| End of period | 2016 Dec 31 | 2016 Sep 30 | 2016 Jun 30 | 2016 Mar 31 | 2015 Dec 31 | 2015 Sep 30 | 2015 Jun 30 | 2015 Mar 31 |
|---|---|---|---|---|---|---|---|---|
| North America | 11,547 | 12,229 | 13,838 | 14,081 | 14,548 | 14,669 | 14,975 | 15,156 |
| Latin America | 9,513 | 9,592 | 9,616 | 9,836 | 10,412 | 10,754 | 10,823 | 10,970 |
| Northern Europe & Central Asia 1) | 19,136 | 19,759 | 20,177 | 20,167 | 20,700 | 20,953 | 21,441 | 21,556 |
| Western & Central | 13,646 | 13,574 | 13,727 | 12,100 | 12,220 | 12,042 | 12,400 | 12,575 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Europe Mediterranean | 12,578 | 13,110 | 12,957 | 12,906 | 12,702 | 12,748 | 12,925 | 13,363 |
| Middle East | 3,346 | 3,479 | 3,573 | 3,608 | 3,639 | 3,634 | 3,717 | 3,813 |
| Sub Saharan Africa | 2,086 | 2,167 | 2,347 | 2,377 | 2,301 | 2,306 | 2,389 | 2,442 |
| India | 22,552 | 22,340 | 22,541 | 22,424 | 21,999 | 21,343 | 21,353 | 21,215 |
| North East Asia | 13,042 | 13,434 | 13,547 | 13,623 | 13,706 | 13,782 | 13,104 | 13,488 |
| South East Asia & Oceania | 4,018 | 4,113 | 4,184 | 4,178 | 4,054 | 4,009 | 4,056 | 4,128 |
| **Total** | **111,464** | **113,797** | **116,507** | **115,300** | **116,281** | **116,240** | **117,183** | **118,706** |
| *[1] Of which in Sweden* | *15,303* | *15,872* | *16,190* | *16,290* | *17,041* | *17,242* | *17,560* | *17,569* |

Table of Contents

RESTRUCTURING CHARGES BY FUNCTION

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Isolated quarters, SEK million | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Cost of sales | -2,140 | -546 | -461 | -328 | -282 | -351 | -1,157 | -484 |
| Research and development expenses | -1,531 | -529 | -422 | -257 | -305 | -547 | -1,118 | -51 |
| Selling and administrative expenses | -978 | -190 | -138 | -47 | -117 | -80 | -469 | -79 |
| **Total** | **-4,649** | **-1,265** | **-1,021** | **-632** | **-704** | **-978** | **-2,744** | **-614** |

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Year to date, SEK million | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Cost of sales | -3,475 | -1,335 | -789 | -328 | -2,274 | -1,992 | -1,641 | -484 |
| Research and development expenses | -2,739 | -1,208 | -679 | -257 | -2,021 | -1,716 | -1,169 | -51 |
| Selling and administrative expenses | -1,353 | -375 | -185 | -47 | -745 | -628 | -548 | -79 |
| **Total** | **-7,567** | **-2,918** | **-1,653** | **-632** | **-5,040** | **-4,336** | **-3,358** | **-614** |

RESTRUCTURING CHARGES BY SEGMENT

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Isolated quarters, SEK million | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | -2,529 | -609 | -607 | -295 | -259 | -565 | -1,842 | -173 |
| Global Services | -1,725 | -598 | -346 | -315 | -213 | -358 | -691 | -419 |
| *Of which Professional Services* | *-1,351* | *-475* | *-273* | *-237* | *-60* | *-316* | *-175* | *-140* |
| *Of which Network Rollout* | *-374* | *-123* | *-73* | *-78* | *-153* | *-42* | *-516* | *-279* |
| Support Solutions | -324 | -35 | -68 | -22 | -230 | -37 | -194 | -19 |
| Modems | | | | | 1 | -1 | -12 | -3 |
| Unallocated | -71 | -23 | | | -3 | -17 | -5 | |
| **Total** | **-4,649** | **-1,265** | **-1,021** | **-632** | **-704** | **-978** | **-2,744** | **-614** |

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Year to date, SEK million | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | -4,040 | -1,511 | -902 | -295 | -2,839 | -2,580 | -2,015 | -173 |
| Global Services | -2,984 | -1,259 | -661 | -315 | -1,681 | -1,468 | -1,110 | -419 |
| *Of which Professional Services* | *-2,336* | *-985* | *-510* | *-237* | *-691* | *-631* | *-315* | *-140* |
| *Of which Network Rollout* | *-648* | *-274* | *-151* | *-78* | *-990* | *-837* | *-795* | *-279* |
| Support Solutions | -449 | -125 | -90 | -22 | -480 | -250 | -213 | -19 |
| Modems | | | | | -15 | -16 | -15 | -3 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Unallocated | -94 | -23 | | | -25 | -22 | -5 | |
| **Total** | **-7,567** | **-2,918** | **-1,653** | **-632** | **-5,040** | **-4,336** | **-3,358** | **-614** |