

ERICSSON LM TELEPHONE CO

Form 6-K

April 23, 2018

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

the Securities Exchange Act of 1934

April 23, 2018

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. 333-223954) AND ON FORM S-8 (Nos. 333-196453,

333-161683, 333-161684 AND 333-167643) OF TELEFONAKTIEBOLAGET LM ERICSSON (PUBL.) AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED WITH OR FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION.

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SIGNATURES

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

TELEFONAKTIEBOLAGET LM ERICSSON (publ)

By: /s/ XAVIER DEDULLEN
Xavier Dedullen
**Senior Vice President, Chief Legal
Officer**

By: /s/ CARL MELLANDER
Carl Mellander
Senior Vice President
**Senior Vice President, Chief Financial
Officer**

Date: **April 23, 2018**

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First quarter report 2018,

as adjusted for incorporation by reference

Stockholm, April 20, 2018

First quarter highlights (In 2017, certain items affecting comparability had a significant negative impact on the results.)

Reported sales decreased by -9% YoY.

Gross margin was 34.2% (15.7%) ¹⁾.

Operating income (loss) was SEK -0.3 (-11.3) b.

Cash flow from operating activities was SEK 1.6 (-1.5) b.

- 1) Write-down of assets as well as provisions and adjustments related to certain customer projects had a significant negative impact on the 2017 results. In addition, a restate of 2016 and 2017 numbers has been made following IFRS 15 introduction.

| SEK b. | Q1 2018 | Q1 2017 | YoY change | Q4 2017 | QoQ change |
|-------------------------------------|------------|------------|---------------|------------|---------------|
| Net sales | 43.4 | 47.8 | -9% | 57.9 | -25% |
| Gross margin | 34.2% | 15.7% | | 21.6% | |
| Operating income (loss) | -0.3 | -11.3 | | -19.3 | |
| Operating margin | -0.7% | -23.6% | | -33.3% | |
| Net income (loss) | -0.7 | -10.0 | | -18.5 | |
| EPS diluted, SEK | -0.25 | -3.08 | | -5.63 | |
| Cash flow from operating activities | 1.6 | -1.5 | | 11.2 | -86% |

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CEO comments

We have continued to execute on our focused business strategy creating solutions that help our customers improve their business. Our efforts to improve efficiency in service delivery and common costs are starting to pay off.

A cornerstone in our strategy is to invest in R&D for both technology leadership and cost leadership, which will allow us to generate higher gross margins. We continue to increase our R&D investments in Networks to lead in 5G. In Digital Services we continue to increase investments into our new cloud-native portfolio as well as changing our ways of working for better R&D efficiency. In Managed Services we continue to focus on machine intelligence, automation and analytics to further enhance user experience, improve efficiency and better manage the increasingly complex networks of tomorrow.

In Networks we have seen the portfolio becoming more competitive in the last three quarters of 2017, resulting in market share gains, as reported by external sources. However, operating income in Digital Services remains challenging.

In segment Emerging Business and Other, we are gradually increasing investments in growth areas such as IoT and Unified Delivery Network (UDN). The combined operating income of Media Solutions and Red Bee Media improved YoY. We expect to close the announced Media Solutions divestment by the end of the third quarter.

In the quarter we reduced the total workforce by more than 3,000. Since the reduction activities were launched in July last year, we have reduced the total workforce by almost 18,000. The run-rate reduction does not yet fully impact the quarterly results.

The improvements in the quarter are encouraging. However, more work remains to be done. We have confidence in the strategic direction laid out and remain fully committed to our long-term targets. Looking ahead, we expect the rapidly increasing focus on 5G to continue, with initial business discussions focusing on enhanced mobile broadband. We continue to work closely with customers to define the optimal business models to enable them to tap into new revenue streams and capture the full value of 5G.

Börje Ekholm

President and CEO

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Financial highlights

| SEK b. | Q1 2018 | Q1 2017 | YoY change | Q4 2017 | QoQ change |
|--|------------|------------|---------------|------------|---------------|
| Net sales | 43.4 | 47.8 | -9% | 57.9 | -25% |
| Gross income | 14.9 | 7.5 | 98% | 12.5 | 19% |
| Gross margin (%) | 34.2% | 15.7% | | 21.6% | |
| Research and development expenses | -9.1 | -9.1 | 0% | -9.9 | |
| Selling and administrative expenses | -6.2 | -8.2 | | -8.2 | |
| Impairment losses on trade receivables | 0.0 | -1.6 | | -0.7 | |
| Other operating income and expenses | 0.1 | 0.1 | -40% | -12.9 | |
| Operating income (loss) | -0.3 | -11.3 | | -19.3 | |
| Operating margin (%) | -0.7% | -23.6% | | -33.3% | |
| Financial net | -0.5 | -0.4 | | -0.5 | |
| Taxes | 0.1 | 1.7 | -92% | 1.3 | -90% |
| Net income (loss) | -0.7 | -10.0 | | -18.5 | |
| Restructuring charges | -1.2 | -1.7 | | -2.4 | |

Net sales

Sales as reported decreased by -9 % YoY. Sales as reported in Networks declined by -10% YoY, mainly due to lower mobile broadband investments in Mainland China and earlier completion of larger mobile broadband projects in market area South East Asia, Oceania and India. Digital Services sales declined by -9% YoY, mainly due to continued decline in legacy product sales and related services. Managed Services sales declined by -8% YoY as a result of customer contract reviews and reduced variable sales in certain large contracts. Sales in Emerging Business and Other (former segment Other) declined by -7% YoY due to lower sales in the media business.

Sequential sales decreased by -25%.

IPR licensing revenues

IPR licensing revenues declined YoY to SEK 1.9 (2.1) b. and from SEK 2.1 b. in Q4 2017, mainly due to currency effects.

Gross margin

Gross margin increased to 34.2% (15.7%) with significant improvements in Networks, Digital Services and Managed Services. Effects of cost reductions, a continued ramp-up of the Ericsson Radio System (ERS) product platform and good progress in addressing low-performing customer contracts in Managed Services were key drivers of the improvement. Write-down of assets, as well as provisions and adjustments related to certain customer projects had a significant negative impact on gross margin in 2017. Restructuring charges included in the gross margin amounted to SEK -1.2 (-1.7) b. Completion of amortization of software release development expenses had a positive effect on gross margin YoY and QoQ.

Sequentially, gross margin increased with significant improvements in all segments.

Operating expenses

Operating expenses decreased to SEK 15.3 (18.9) b. Write-down of assets as well as provisions and adjustments related to certain customer projects had a significant negative impact on the 2017 operating expenses.

Selling and administrative expenses decreased YoY.

R&D expenses were SEK -9.1 (-9.1) b. The net effect of higher amortized than capitalized R&D expenses was SEK -1.1 b. Investments in Networks R&D increased YoY in accordance with the strategy.

Operating expenses decreased sequentially, following normal seasonality.

Operating expenses were negatively impacted by restructuring charges of SEK -0.4 (-0.3) b. and were flat QoQ.

Other operating income and expenses

Other operating income and expenses were SEK 0.1 (0.1) b. compared with SEK -12.9 b. in Q4 2017, which included write-down of goodwill of SEK -13.0 b.

Consequences of technology and portfolio shifts

Due to technology and portfolio shifts, the company is reducing the capitalization of development expenses for product platforms and software releases as well as the deferral of hardware costs. As a consequence, higher amortization than capitalization of development expenses and higher recognition than deferral of hardware costs had a negative impact on operating income YoY. The amounts related to capitalized software releases were fully amortized in 2017, positively impacting gross income QoQ.

Table of Contents**Net impact from amortization and capitalization of development expenses and from recognition and deferral of hardware costs**

| SEK b. | Q1 2018 | Q1 2017 | Q4 2017 |
|---------------------|-------------|------------|-------------|
| Cost of sales | -0.3 | -0.5 | -0.8 |
| R&D expenses | -0.4 | 0.7 | -0.6 |
| Total impact | -0.7 | 0.3 | -1.4 |

Restructuring charges

Restructuring charges were SEK -1.2 (-1.7) b. Restructuring charges in Q4 2017 were SEK -2.4 b.

Operating income (loss)

Operating income (loss) increased YoY to SEK -0.3 (-11.3) b., supported by improved gross margin and reduced operating expenses, partly offset by lower sales.

The change in net impact from amortizations and capitalization of development expenses YoY was SEK -0.9 b.

Operating income (loss) improved sequentially, supported by improved gross margin, reduced operating expenses and reduced restructuring charges, partly offset by lower sales.

Write-down of assets as well as provisions and adjustments related to certain customer projects had a significant impact on the 2017 operating expenses.

Financial net

Financial net was SEK -0.5 (-0.4) b. Revaluation and realization effects of foreign exchange forecast hedging were negative at SEK -0.1 b. in the quarter. Financial net was stable sequentially.

Taxes

Taxes were positive in the quarter following the negative income.

Net income (loss) and EPS

Net income (loss) and EPS diluted increased significantly both YoY and QoQ, following the improved operating income.

Employees

The number of employees on March 31, 2018, was 97,581 a net reduction of 3,154 employees in the quarter and of 13,317 employees compared with March 31, 2017. The decrease is mainly a result of cost and efficiency activities.

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Financial highlights

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Market area sales

| SEK b. | First quarter 2018 | | | | Total | Change | |
|------------------------------------|--------------------|------------------|------------------|-----------------------------|-------------|------------|-------------|
| | Digital Networks | Digital Services | Managed Services | Emerging Business and Other | | YoY | QoQ |
| South East Asia, Oceania and India | 4.4 | 1.2 | 0.7 | 0.0 | 6.4 | -24% | -19% |
| North East Asia | 2.2 | 0.7 | 0.4 | 0.0 | 3.4 | -39% | -48% |
| North America | 9.3 | 1.3 | 0.7 | 0.0 | 11.3 | -6% | -23% |
| Europe and Latin America | 7.5 | 2.7 | 2.9 | 0.1 | 13.1 | 7% | -23% |
| Middle East and Africa | 3.5 | 1.4 | 0.9 | 0.0 | 5.8 | 8% | -24% |
| Other ¹⁾ | 1.6 | 0.3 | 0.0 | 1.5 | 3.5 | -17% | -20% |
| Total | 28.6 | 7.7 | 5.5 | 1.6 | 43.4 | -9% | -25% |

¹⁾ Market Area Other includes primarily licensing revenues and the major part of segment Emerging Business and Other

South East Asia, Oceania and India

Sales declined YoY due to completion of major projects in Networks. Digital Services sales increased slightly.

North East Asia

Sales declined YoY due to lower Networks sales in Mainland China as a consequence of reduced LTE investments. Operators in Mainland China and Japan were awaiting results of spectrum allocations, which impacted sales negatively in the quarter.

North America

Reported sales declined YoY. Digital Services sales declined YoY, due to timing of project milestones. Managed Services sales declined.

Europe and Latin America

Sales increased YoY, driven by higher Networks sales primarily in Latin America, positively impacted by project timing. Parts of Europe also contributed to Networks sales growth YoY. Growth was partly offset by lower sales in Digital Services. In line with the strategy, sales were negatively impacted by contract reviews in Digital Services and Managed Services.

Middle East and Africa

Sales grew YoY, positively impacted by deployment of network modernization and LTE contracts in parts of the Middle East.

Other

Sales declined YoY, mainly in Media Solutions and Red Bee Media. IPR licensing revenues amounted to SEK 1.9 (2.1) b.

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Market area sales

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Segment results

Networks

| SEK b. | Q1 2018 | Q1 2017 | YoY change | Q4 2017 | QoQ change |
|--|------------|------------|---------------|------------|---------------|
| Net sales | 28.6 | 31.6 | -10% | 37.1 | -23% |
| <i>Of which products</i> | 19.5 | 21.9 | -11% | 25.4 | -23% |
| <i>Of which IPR licensing revenues</i> | 1.5 | 1.7 | -12% | 1.7 | -12% |
| <i>Of which services</i> | 9.1 | 9.8 | -7% | 11.7 | -22% |
| Gross income | 11.1 | 10.0 | 11% | 11.8 | -6% |
| Gross margin | 38.9% | 31.7% | | 32.0% | |
| Operating income | 3.4 | 2.7 | 24% | 1.9 | 73% |
| Operating margin | 11.8% | 8.6% | | 5.2% | |
| Restructuring charges | -0.5 | -1.3 | | -1.3 | |

Net sales

Sales as reported declined by -10% YoY. The YoY decline is mainly due to lower LTE investments in Mainland China and completion of larger projects in market area South East Asia, Oceania and India. This decline was partly offset by strong growth in Europe and Latin America as well as in the Middle East and Africa. Investments in network expansions and 5G readiness in North America continued.

Sales decreased by -23% QoQ, in line with normal seasonality.

Gross margin

Gross margin increased to 38.9% (31.7%) YoY. Gross margin was positively impacted by improved margins of hardware and services, driven by cost reductions and a successful shift of the radio platform. The gross margin increase was partly offset by higher recognition than deferral of hardware costs.

Gross margin improved QoQ from 32.0%.

Write-down of assets as well as provisions and adjustments related to certain customer projects had a negative impact on gross margin in 2017.

Operating margin

Operating margin improved YoY to 11.8% (8.6%), due to improved gross margin and lower restructuring charges. The improvement was partly offset by lower sales and increased R&D expenses.

Operating margin improved significantly QoQ from 5.2%.

Write-down of assets as well as provisions and adjustments related to certain customer projects had a negative impact on operating margin in 2017.

Net impact from amortization and capitalization of development expenses and from recognition and deferral of hardware costs

| SEK b. | Q1 2018 | Q1 2017 | Q4 2017 |
|---------------------|-------------|-------------|-------------|
| Cost of Sales | -0.3 | -0.2 | -0.5 |
| R&D expenses | 0.1 | 0.1 | -0.1 |
| Total impact | -0.2 | -0.2 | -0.6 |

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Digital Services

| SEK b. | Q1 2018 | Q1 2017 | YoY change | Q4 2017 | QoQ change |
|--|------------|------------|---------------|------------|---------------|
| Net sales | 7.7 | 8.4 | -9% | 12.5 | -39% |
| <i>Of which products</i> | 3.9 | 4.3 | -9% | 6.4 | -39% |
| <i>Of which IPR licensing revenues</i> | 0.3 | 0.4 | -12% | 0.4 | -12% |
| <i>Of which services</i> | 3.7 | 4.1 | -9% | 6.1 | -39% |
| Gross income (loss) | 2.9 | -2.3 | | 1.2 | 155% |
| Gross margin | 38.5% | -27.8% | | 9.2% | |
| Operating income | -2.6 | -9.0 | | -12.3 | |
| Operating margin (loss) | -33.4% | -107.6% | | -97.9% | |
| Restructuring charges | -0.6 | -0.3 | | -0.7 | |

Net sales

Sales as reported declined by -9% YoY. The ongoing digitalization drives opportunities for operators to reduce costs and be more agile by: automating operations, serving and engaging with customers digitally and building programmable core networks. Consequently, operators increasingly invest in the areas where Digital Services provide solutions. The momentum is strong for the new portfolio of 5G-ready and cloud-native products, with several important customer wins in the quarter.

Sales declined by -39% QoQ following a seasonally strong Q4 and lower sales in large transformation projects.

Gross margin

Improved services margin had a positive impact on gross margin YoY and QoQ. The improvement was driven by cost reductions in service delivery. In addition, lower sales in large low-margin transformation projects had a positive impact. Completion of amortization of software release development expenses had a positive effect on gross margin YoY and QoQ.

Write-down of assets as well as provisions and adjustments related to certain customer projects had a significant negative impact on gross margin in 2017.

Operating income (loss)

Operating income (loss) improved YoY, driven by increased gross margin and reduced operating expenses. Operating expenses continued to decline, when excluding related restructuring charges and SEK -0.4 (0.6) b. in impact from capitalized development expenses. Activities to improve efficiencies have accelerated in the quarter and further cost reductions are planned for the remainder of 2018. Total restructuring charges of SEK -0.6 (-0.3) b. had a negative impact on operating income YoY.

Operating income (loss) improved QoQ driven by gross margin improvements and reduced operating expenses.

Write-down of assets, as well as provisions and adjustments related to certain customer projects had a significant negative impact on operating income in 2017.

Net impact from amortization and capitalization of development expenses

| | Q1 2018 | Q1 2017 | Q4 2017 |
|---------------------|-------------|------------|-------------|
| SEK b. | | | |
| Cost of Sales | 0.0 | -0.2 | -0.3 |
| R&D expenses | -0.4 | 0.6 | -0.5 |
| Total impact | -0.4 | 0.3 | -0.7 |

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Managed Services

| SEK b. | Q1 2018 | Q1 2017 | YoY change | Q4 2017 | QoQ change |
|-------------------------|------------|------------|---------------|------------|---------------|
| Net sales | 5.5 | 6.0 | -8% | 6.2 | -11% |
| Gross income (loss) | 0.4 | -0.5 | | -0.7 | |
| Gross margin | 7.9% | -8.9% | | -11.8% | |
| Operating income (loss) | 0.1 | -1.8 | | -1.3 | |
| Operating margin | 1.0% | -30.1% | | -20.7% | |
| Restructuring charges | -0.1 | -0.1 | | -0.4 | |

Net sales

Sales as reported decreased by -8% YoY, as a result of contract reviews and reduced variable sales in certain large Managed Services Networks contracts. Sales in Managed Services IT showed good growth. Sales development is in line with the focused business strategy.

Sales as reported decreased by -11% QoQ.

Gross margin

Gross margin increased both YoY and QoQ, supported by results of efficiency measures as well as reviewed and addressed contracts. The QoQ gross margin increase was also supported by lower restructuring charges. Gross margin increased to 7.9% (-8.9%) YoY, and sequentially from -11.8%.

Write-down of assets as well as provisions and customer project adjustments had a significant negative impact on gross margin in 2017.

Operating income (loss)

Operating income (loss) increased to SEK 0.1 (-1.8) b. YoY, due to higher gross margin and lower operating expenses. Restructuring charges were SEK -0.1 (-0.1) b.

Sequentially, operating income (loss) increased, due to higher gross margin and lower operating expenses.

Write-down of assets as well as provisions and customer project adjustments had a significant negative impact on operating income in 2017.

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Emerging Business and Other (includes Emerging Business, Media Solutions, Red Bee Media and iconectiv)

| SEK b. | Q1 2018 | Q1 2017 | YoY change | Q4 2017 | QoQ change |
|-------------------------|------------|------------|---------------|------------|---------------|
| Net sales | 1.6 | 1.8 | -7% | 2.1 | -21% |
| Gross income | 0.3 | 0.3 | 3% | 0.2 | 42% |
| Gross margin | 21.1% | 18.9% | | 11.7% | |
| Operating income (loss) | -1.2 | -3.2 | | -7.7 | |
| Operating margin | -71.4% | -177.1% | | -369.2% | |
| Restructuring charges | -0.1 | 0.0 | | -0.1 | |

Net sales

Sales as reported declined by -7% YoY. Red Bee Media sales declined due to earlier renegotiations and scope changes of contracts. Media Solutions sales declined mainly due to lower sales in the discontinued portfolio including related services sales. Sales in Emerging Business and iconectiv grew YoY. In Emerging Business there was a continued YoY growth in IoT, while Unified Delivery Network (UDN) sales grew both YoY and QoQ.

Sales declined by -21% QoQ, mainly due to lower sales in Media Solutions and Red Bee Media, following a seasonally strong Q4.

Gross margin

Gross margin increased YoY, mainly driven by improved gross margins in iconectiv and Media Solutions.

Gross margin increased QoQ. Write-down of assets had a significant negative impact on gross margin in Q4 2017. Gross margin in Q1 2018 was negatively impacted by customer penalties of SEK -0.1 b.

Operating income (loss)

Operating income improved YoY. Write-down of assets had a significant negative impact on operating income (loss) in Q1 2017. Income for Media Solutions and iconectiv improved YoY. Red Bee Media income was negatively impacted by lower sales and actions are ongoing to improve operations and reduce costs.

In Q1 2018, sales for the media business (Media Solutions and Red Bee Media) were SEK 1.0 (1.3) b. Write-down of assets had a significant negative impact on operating income (loss) in Q1 2017.

Emerging Business operating income declined YoY, driven by increased investments in accordance with the strategy.

Operating income (loss) improved QoQ as write-down of assets had a significant negative impact on operating income in Q4 2017. Reduced sequential sales and customer penalties of SEK -0.1 b. had a negative impact on Q1 2018 operating income (loss). Media Solutions result declined QoQ partly due to lower sales and costs related to the planned transaction in Q3 2018.

Net impact from amortization and capitalization of development expenses

| | Q1 2018 | Q1 2017 | Q4 2017 |
|---------------------|-------------|------------|-------------|
| SEK b. | | | |
| Cost of Sales | 0.0 | 0.0 | 0.0 |
| R&D expenses | -0.1 | 0.1 | -0.1 |
| Total impact | -0.1 | 0.1 | -0.1 |

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Cash flow

| SEK b. | Q1 2018 | Q1 2017 | Q4 2017 |
|--|------------|-------------|------------|
| Net income reconciled to cash | -1.0 | -8.2 | -4.0 |
| Changes in operating net assets | 2.6 | 6.6 | 15.2 |
| Cash flow from operating activities | 1.6 | -1.5 | 11.2 |
| Cash flow from investing activities | -1.8 | -13.6 | -3.8 |
| Cash flow from financing activities | -0.1 | 10.9 | 2.1 |
| Effect of exchange rate changes on cash | 1.1 | 0.2 | 0.2 |
| Net change in cash and cash equivalents | 0.8 | -4.0 | 9.7 |

Operating activities

Cash flow from operating activities was SEK 1.6 b., driven by decreased trade receivables following seasonally lower sales and good collection. Sale of trade receivables decreased compared with the same period last year. Inventory increased due to seasonally lower delivery volumes. Cash outlays related to restructuring charges were SEK -1.4 (-1.6) b. in the quarter.

Investing activities

Cash flow from investing activities was SEK -1.8 b., impacted by investments in property, plant and equipment of SEK -0.9 b. and capitalized development expenses of SEK -0.3 b. In addition, Ericsson acquired a company related to Emerging Business in the quarter.

Financing activities

Cash flow from financing activities was slightly negative at SEK -0.1 b. Net change in cash and cash equivalents was SEK 0.8 b.

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Financial position

| | Mar 31 2018 | Mar 31 2017 | Dec 31 2017 |
|--|----------------|----------------|----------------|
| SEK b. | | | |
| + Cash and cash equivalents | 36.7 | 33.0 | 35.9 |
| + Interest-bearing securities, current | 5.5 | 13.5 | 6.7 |
| + Interest-bearing securities, non-current | 27.1 | 19.1 | 25.1 |
| Borrowings, current | 2.6 | 9.5 | 2.5 |
| Borrowings, non-current | 31.1 | 27.8 | 30.5 |
| Equity | 93.5 | 122.4 | 97.6 |
| Total assets | 260.7 | 292.0 | 259.9 |

Post-employments benefits increased in the quarter, to SEK 25.6 b. from SEK 25.0 b. due to normal service and interest costs as well as negative returns on assets, partially offset by increased discount rate in the US.

The average maturity of long-term borrowings as of March 31, 2018, was 4.1 years, the same as 12 months earlier.

Debt maturity profile, Parent Company

SEK b.

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Other information

Changes to Ericsson s Executive Team and Group structure

On January 31, 2018, Ericsson announced changes to the Group structure and its Executive Team. A Business Area Technology and Emerging Business was created. Effective April 1, 2018, Åsa Tamsons was appointed Senior Vice President, Head of Business Area Technology and Emerging Business as well as member of the Executive Team.

The Company announced that it would simplify its group function structure, from six functions to four. The majority of current Group Function Technology & Emerging Business, including hosted group responsibilities such as Ericsson Research, would form part of Business Area Technology and Emerging Business.

Effective February 1, 2018, Group Function Marketing & Communications and Group Function Sustainability & Public Affairs would be merged into a new Group Function Marketing & Corporate Relations, headed by Helena Norrman, former Head of Group Function Marketing & Communications.

Ericsson reported restated financials for 2016 and 2017

On March 16, 2018, Ericsson reported restated consolidated income statement information for 2016 and 2017, in line with the new accounting standard IFRS 15, applied as of January 1, 2018.

Changes to Ericsson s Executive Team

On March 27, 2018, the Board of Directors of Ericsson appointed Xavier Dedullen Senior Vice President, Chief Legal Officer and Head of Legal Affairs & Compliance, effective April 1, 2018. Effective the same date he would take a place in the Executive Team.

In addition, Erik Ekudden, Chief Technology Officer, has been appointed Senior Vice President, Chief Technology Officer and member of Ericsson s Executive Team, reporting to Börje Ekholm.

Chief Legal Officer Nina Macpherson has decided, after a distinguished career, to leave the company to retire. Nina Macpherson has led the company s global legal affairs function and has been part of the Ericsson Executive Team since January 1, 2011.

Resolutions at the AGM

On March 28, 2018, Ericsson held its AGM in Kista, Stockholm. The proposed dividend of SEK 1.00 per share was approved by the AGM.

In accordance with the proposal of the Nomination Committee. Ronnie Leten was elected new Chairman of the Board. Jon Fredrik Baksaas, Jan Carlson, Eric A. Elzvik, Nora Denzel, Börje Ekholm, Kristin S. Rinne, Helena Stjernholm and Jacob Wallenberg were re-elected to the Board. Kurt Jofs and Ronnie Leten were elected new Board members. Leif Johansson, Kristin Skogen Lund and Sukhinder Singh Cassidy left the Board in connection with the AGM.

In accordance with the Board of Directors proposal, the AGM resolved to approve the Guidelines for remuneration to Group Management and the implementation of a Long-Term Variable Compensation Program 2018 for members of

the Executive Team.

Ongoing litigation with LG Electronics

In March 2018, Ericsson Inc and Telefonaktiebolaget LM Ericsson sued LG Electronics, Inc. and LG Electronics MobileComm U.S.A., in the U.S. District Court for the Eastern District of Texas, Civil Action No. 4:18-cv-186Inc. Ericsson is seeking a declaratory judgment that the global, reciprocal cross-license that Ericsson offered during its negotiations with LG complied with Ericsson's FRAND commitment. Ericsson also claims that LG is an unwilling licensee, failed to negotiate in good faith, and breached its contractual obligation to ETSI.

POST-CLOSING EVENTS

Putative class action suit

In April 2018, the present CEO and CFO of Ericsson as well as three former executives were named defendants in a putative class action filed in the United States District Court for the Southern District of New York. The complaint alleges violations of United States securities laws, principally in connection with service revenues and recognition of expenses on long-term service projects. Ericsson is evaluating the complaint.

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

During the first quarter of 2018, Ericsson made sales of communications infrastructure related products and services in Iran to Mobile Communication Company of Iran and MTN Irancell, which generated gross revenues (reported as net sales) of approximately SEK 607 million. Ericsson does not normally allocate quarterly net profit (reported as net income) on a country-by-country or activity-by-activity basis, other than as set forth in Ericsson's consolidated financial statements prepared in accordance with IFRS as issued by the IASB. However, Ericsson has estimated that its operating income (income before taxes and financial net) from such sales, after internal cost allocation, during the first quarter of 2018 would be substantially lower than such gross revenues. During the first quarter of 2018, payment was made by Ericsson, via one of Ericsson's banks outside Iran, to Bank Mellat, under a previously issued performance bond.

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Risk factors

Ericsson's operational and financial risk factors and uncertainties are described in our Annual Report 2017.

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 Ericsson to provide financing, or delayed auctions of spectrums

Intense competition from existing competitors as well as new entrants, including IT companies entering the telecommunications market, which could have a material adverse effect on the results

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 including new network build-outs and new managed services or digital transformation deals with initial transition costs

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

New and ongoing partnerships which may not be successful and expose us to future costs

Changes in foreign exchange rates, in particular USD

Political unrest and uncertainty in certain markets, as well as escalating trade disputes

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

No guarantees that strategy execution, specific restructuring or cost-savings initiatives, profitability restoring efforts and/or organizational changes will be sufficient, successful or executed in time to deliver any improvements in earnings

Cybersecurity incidents, which may have a material negative impact.

Rapidly changing technologies and the ways these are brought to the market, which could be disruptive to the business.

Ericsson stringently monitors the compliance with all relevant trade regulations and trade embargoes applicable to dealings with customers operating in countries where there are trade restrictions or trade restrictions are discussed. Ericsson operates globally in accordance with Group policies and directives for business ethics and conduct and has a dedicated anti-corruption program. However, in some of the countries where the company operates, corruption risks can be high and compliance failure could have a material adverse impact on our business, financial condition and brand.

Stockholm, April 20, 2018

Telefonaktiebolaget LM Ericsson (publ)

Börje Ekholm, President and CEO

Org. No. 556016-0680

Date for next report: July 18, 2018

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Editor's note

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Forward-looking statements

This report includes forward-looking statements, including statements reflecting management's current views relating to the growth of the market, future market conditions, future events, financial condition, and expected operational and financial performance, including, in particular the following:

Our goals, strategies, planning assumptions and operational or financial performance expectations

Industry trends, future characteristics and development of the markets in which we operate

Our future liquidity, capital resources, capital expenditures, cost savings and profitability

The expected demand for our existing and new products and services as well as plans to launch new products and services including research and development expenditures

The ability to deliver on future plans and to realize potential for future growth

The expected operational or financial performance of strategic cooperation activities and joint ventures

The time until acquired entities and businesses will be integrated and accretive to income

Technology and industry trends including the regulatory and standardization environment in which we operate, competition and our customer structure.

The words believe, expect, foresee, anticipate, assume, intend, likely, projects, may, could, plan, will, should, would, predict, aim, ambition, seek, potential, target, might, continue, or, in each variations, and similar words or expressions are used to identify forward-looking statements. Any statement that refers to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements.

We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Important factors that could affect whether and to what extent any of our forward-looking statements materialize include, but are not limited to, the factors described in the section Risk Factors, and in Risk Factors in the Annual Report 2017.

These forward-looking statements also represent our estimates and assumptions only as of the date that they were made. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this report, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation.

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Financial statements

Consolidated income statement

| SEK million | Jan-Mar | | Jan-Dec | |
|--|----------------|----------------|-------------|-----------------------|
| | 2018 | 2017 | Change | 2017 |
| Net sales | 43,411 | 47,803 | 9% | 205,378 |
| Cost of sales | -28,553 | -40,302 | -29% | -157,451 |
| Gross income | 14,858 | 7,501 | 98% | 47,927 |
| Gross margin (%) | 34.2% | 15.7% | | 23.3% |
| Research and development expenses | -9,073 | -9,066 | 0% | -37,887 |
| Selling and administrative expenses | -6,156 | -8,223 | -25% | -29,027 |
| Impairment losses on trade receivables ¹⁾ | -28 | -1,640 | -98% | -3,649 |
| Operating expenses | -15,257 | -18,929 | -19% | -70,563 |
| Other operating income and expenses | 84 | 141 | | -12,131 ²⁾ |
| Shares in earnings of JV and associated companies | 3 | 11 | | 24 |
| Operating income (loss) | -312 | -11,276 | -97% | -34,743 |
| Financial income | -72 | -82 | | -372 |
| Financial expenses | -469 | -350 | | -843 |
| Income after financial items | -853 | -11,708 | -93% | -35,958 |
| Taxes | 128 | 1,682 | | 3,525 |
| Net income (loss) | -725 | -10,026 | -93% | -32,433 |
| Net income (loss) attributable to: | | | | |
| Stockholders of the Parent Company | -837 | -10,068 | | -32,576 |
| Non-controlling interests | 112 | 42 | | 143 |
| Other information | | | | |
| Average number of shares, basic (million) | 3,286 | 3,272 | | 3,277 |
| Earnings (loss) per share, basic (SEK) ³⁾ | -0.25 | -3.08 | | -9.94 |
| Earnings (loss) per share, diluted (SEK) ⁴⁾ | -0.25 | -3.08 | | -9.94 |

1) Impairment of trade receivables has been calculated according to IFRS 9 in 2018 and according to IAS 39 in 2017. Previously, these losses have been reported as selling and administrative expenses.

2) Includes write-down of goodwill of SEK -13.0 billion.

3) Based on net income (loss) attributable to stockholders of the Parent Company.

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

Statement of comprehensive income (loss)

| SEK million | Jan-Mar 2018 | Jan-Mar 2017 | Jan-Dec 2017 |
|---|-----------------|-----------------|-----------------|
| Net income (loss) | -725 | -10,026 | -32,433 |
| Other comprehensive income (loss) | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of defined benefits pension plans incl. asset ceiling | -849 | 398 | 970 |
| Revaluation of borrowings due to change in credit risk | 58 | | |
| Tax on items that will not be reclassified to profit or loss | 133 | -169 | -547 |
| Items that may be reclassified to profit or loss | | | |
| Available-for-sale financial assets | | | |
| Gains/losses arising during the period | | 32 | 68 |
| Reclassification adjustments on gains/losses included in profit or loss | | 3 | 5 |
| Revaluation of other investments in shares and participations | | | |
| Fair value remeasurement | | 2 | 99 |
| Changes in cumulative translation adjustments | 1,299 | -22 | -3,378 |
| Share of other comprehensive income on JV and associated companies | 11 | 10 | |
| Tax on items that may be reclassified to profit or loss | | -9 | -16 |
| Total other comprehensive income (loss), net of tax | 652 | 245 | -2,799 |
| Total comprehensive income (loss) | -73 | -9,781 | -35,232 |
| Total comprehensive income (loss) attributable to: | | | |
| Stockholders of the Parent Company | -200 | -9,846 | -35,357 |
| Non-controlling interest | 127 | 65 | 125 |

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Consolidated balance sheet

| SEK million | Mar 31 2018 | Dec 31 2017 |
|--|----------------|----------------|
| ASSETS | | |
| Non-current assets | | |
| Intangible assets | | |
| Capitalized development expenses | 4,229 | 4,593 |
| Goodwill | 28,777 | 27,815 |
| Intellectual property rights, brands and other intangible assets | 3,853 | 4,148 |
| Property, plant and equipment | 12,912 | 12,857 |
| Financial assets | | |
| Equity in JV and associated companies | 630 | 624 |
| Other investments in shares and participations | 1,302 | 1,279 |
| Customer finance, non-current | 1,845 | 2,178 |
| Interest-bearing securities, non-current | 27,104 | 25,105 |
| Other financial assets, non-current | 5,192 | 5,897 |
| Deferred tax assets | 23,822 | 21,963 |
| | 109,666 | 106,459 |
| Current assets | | |
| Inventories | 29,009 | 25,547 |
| Contract assets | 11,712 | 13,120 |
| Trade receivables | 42,455 | 48,105 |
| Customer finance, current | 1,709 | 1,753 |
| Other current receivables | 23,980 | 22,301 |
| Interest-bearing securities, current | 5,453 | 6,713 |
| Cash and cash equivalents | 36,697 | 35,884 |
| | 151,015 | 153,423 |
| Total assets | 260,681 | 259,882 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Stockholders' equity | 92,703 | 96,935 |
| Non-controlling interest in equity of subsidiaries | 763 | 636 |
| | 93,466 | 97,571 |
| Non-current liabilities | | |
| Post-employment benefits | 25,646 | 25,009 |
| Provisions, non-current | 2,597 | 3,596 |

| | | |
|--|----------------|----------------|
| Deferred tax liabilities | 1,325 | 901 |
| Borrowings, non-current | 31,134 | 30,500 |
| Other non-current liabilities | 2,792 | 2,776 |
| | 63,494 | 62,782 |
| Current liabilities | | |
| Provisions, current | 6,435 | 6,283 |
| Borrowings, current | 2,554 | 2,545 |
| Contract liabilities | 30,391 | 29,076 |
| Trade payables | 26,453 | 26,320 |
| Other current liabilities | 37,888 | 35,305 |
| | 103,721 | 99,529 |
| Total equity and liabilities | 260,681 | 259,882 |
| <i>Of which interest-bearing liabilities</i> | 33,688 | 33,045 |
| Assets pledged as collateral | 5,148 | 5,215 |
| Contingent liabilities | 1,412 | 1,561 |

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Consolidated statement of cash flows

| SEK million | Jan-Mar 2018 | 2017 | Jan-Dec 2017 |
|--|-----------------|----------------|-----------------|
| Operating activities | | | |
| Net income (loss) | -725 | -10,026 | -32,433 |
| Adjustments to reconcile net income to cash | | | |
| Taxes | -2,315 | -4,112 | -9,064 |
| Earnings/dividends in JV and associated companies | 4 | -7 | 56 |
| Depreciation, amortization and impairment losses | 1,891 | 5,431 | 27,892 |
| Other | 140 | 527 | 440 |
| Net income reconciled to cash | -1,005 | -8,187 | -13,109 |
| Changes in operating net assets | | | |
| Inventories | -2,813 | -3,206 | 4,719 |
| Customer finance, current and non-current | 400 | -834 | 798 |
| Trade receivables and contract assets | 7,316 | 2,818 | 1,379 |
| Trade payables | -598 | 363 | 1,886 |
| Provisions and post-employment benefits | -847 | 4,636 | 4,755 |
| Contract liabilities | 757 | 4,807 | 5,024 |
| Other operating assets and liabilities, net | -1,637 | -1,938 | 4,149 |
| | 2,578 | 6,646 | 22,710 |
| Cash flow from operating activities | 1,573 | -1,541 | 9,601 |
| Investing activities | | | |
| Investments in property, plant and equipment | -856 | -1,015 | -3,877 |
| Sales of property, plant and equipment | 123 | 69 | 1,016 |
| Acquisitions/divestments of subsidiaries and other operations, net | -449 | 3 | 276 |
| Product development | -254 | -865 | -1,444 |
| Other investing activities | 161 | 110 | -463 |
| Interest-bearing securities | -534 | -11,886 | -11,578 |
| Cash flow from investing activities | -1,809 | -13,584 | -16,070 |
| Cash flow before financing activities | -236 | -15,125 | -6,469 |
| Financing activities | | | |
| Dividends paid | | -4 | -3,424 |
| Other financing activities | -94 | 10,902 | 8,902 |
| Cash flow from financing activities | -94 | 10,898 | 5,478 |
| Effect of exchange rate changes on cash | 1,143 | 215 | -91 |
| Net change in cash and cash equivalents | 813 | -4,012 | -1,082 |

| | | | |
|---|---------------|---------------|---------------|
| Cash and cash equivalents, beginning of period | 35,884 | 36,966 | 36,966 |
| Cash and cash equivalents, end of period | 36,697 | 32,954 | 35,884 |

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Consolidated statement of changes in equity

| SEK million | Jan-Mar | | Jan-Dec |
|---|----------------------|----------------------|----------------|
| | 2018 | 2017 | 2017 |
| Opening balance ¹⁾ | 97,571 | 135,257 | 135,257 |
| Opening balance adjustment due to IFRS 9 | -983 | | |
| Adjusted opening balance | 96,588 | 135,257 | 135,257 |
| Total comprehensive income (loss) | -73 | -9,781 | -35,232 |
| Sale/repurchase of own shares | 21 | 25 | -5 |
| Stock issue (net) | | | 15 |
| Stock purchase plan | 217 | 210 | 885 |
| Dividends paid | -3,287 ²⁾ | -3,277 ²⁾ | -3,424 |
| Transactions with non-controlling interests | | | 75 |
| Closing balance | 93,466 | 122,434 | 97,571 |

1) The opening balance adjustment for IFRS 15 on initial application date (January 1, 2016) was SEK -4,353 million. Opening balances of 2017 and 2018 have been restated for IFRS 15.

2) Includes accrual of SEK 3,287 (3,273) million for the dividend approved by the Annual General Meeting on March 28, 2018 (March 29, 2017).

Consolidated income statement - isolated quarters

| Isolated quarters, SEK million | 2018 | | 2017 | | |
|--|----------------|-----------------------|----------------|----------------|----------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net sales | 43,411 | 57,881 | 49,413 | 50,281 | 47,803 |
| Cost of sales | -28,553 | -45,365 | -36,132 | -35,652 | -40,302 |
| Gross income | 14,858 | 12,516 | 13,281 | 14,629 | 7,501 |
| Gross margin (%) | 34.2% | 21.6% | 26.9% | 29.1% | 15.7% |
| Research and development expenses | -9,073 | -9,938 | -10,519 | -8,364 | -9,066 |
| Selling and administrative expenses | -6 156 | -8 245 | -5 741 | -6 818 | -8 223 |
| Impairment losses on trade receivables ¹⁾ | -28 | -680 | -1,094 | -235 | -1,640 |
| Operating expenses | -15,257 | -18,863 | -17,354 | -15,417 | -18,929 |
| Other operating income and expenses | 84 | -12,926 ²⁾ | 415 | 239 | 141 |
| Shares in earnings of JV and associated companies | 3 | -5 | 6 | 12 | 11 |
| Operating income (loss) | -312 | -19,278 | -3,652 | -537 | -11,276 |

| | | | | | |
|--|-------------|----------------|---------------|-------------|----------------|
| Financial income | -72 | -124 | -139 | -27 | -82 |
| Financial expenses | -469 | -394 | -182 | 83 | -350 |
| Income after financial items | -853 | -19,796 | -3,973 | -481 | -11,708 |
| Taxes | 128 | 1,303 | 516 | 24 | 1,682 |
| Net income (loss) | -725 | -18,493 | -3,457 | -457 | -10,026 |
| Net income (loss) attributable to: | | | | | |
| Stockholders of the Parent Company | -837 | -18,476 | -3,561 | -471 | -10,068 |
| Non-controlling interests | 112 | -17 | 104 | 14 | 42 |
| Other information | | | | | |
| Average number of shares, basic (million) | 3,286 | 3,283 | 3,279 | 3,275 | 3,272 |
| Earnings (loss) per share, basic (SEK) ³⁾ | -0.25 | -5.63 | -1.09 | -0.14 | -3.08 |
| Earnings (loss) per share, diluted (SEK) ⁴⁾ | -0.25 | -5.63 | -1.09 | -0.14 | -3.08 |

- 1) Impairment of trade receivables has been calculated according to IFRS 9 in 2018 and according to IAS 39 in 2017. Previously, these losses have been reported as selling and administrative expenses.
- 2) Includes write-down of goodwill of SEK -13.0 billion.
- 3) Based on net income (loss) attributable to stockholders of the Parent Company.
- 4) Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

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Consolidated statement of cash flows – isolated quarters

| Isolated quarters, SEK million | 2018 | | 2017 | | |
|--|---------------|---------------|--------------|---------------|----------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Operating activities | | | | | |
| Net income (loss) | -725 | -18,493 | -3,457 | -457 | -10,026 |
| Adjustments to reconcile net income to cash | | | | | |
| Taxes | -2,315 | -1,803 | -1,323 | -1,826 | -4,112 |
| Earnings/dividends in JV and associated companies | 4 | -2 | 73 | -8 | -7 |
| Depreciation, amortization and impairment losses | 1,891 | 16,118 | 4,146 | 2,197 | 5,431 |
| Other | 140 | 179 | -218 | -48 | 527 |
| Net income reconciled to cash | -1,005 | -4,001 | -779 | -142 | -8,187 |
| Changes in operating net assets | | | | | |
| Inventories | -2,813 | 8,356 | 1,061 | -1,492 | -3,206 |
| Customer finance, current and non-current | 400 | 36 | 456 | 1,140 | -834 |
| Trade receivables and contract assets | 7,316 | -2,246 | 623 | 184 | 2,818 |
| Trade payables | -598 | 2,565 | -1,061 | 19 | 363 |
| Provisions and post-employment benefits | -847 | 412 | -608 | 315 | 4,636 |
| Contract liabilities | 757 | 2,700 | -1,910 | -573 | 4,807 |
| Other operating assets and liabilities, net | -1,637 | 3,337 | 2,200 | 550 | -1,938 |
| | 2,578 | 15,160 | 761 | 143 | 6,646 |
| Cash flow from operating activities | 1,573 | 11,159 | -18 | 1 | -1,541 |
| Investing activities | | | | | |
| Investments in property, plant and equipment | -856 | -1,105 | -739 | -1,018 | -1,015 |
| Sales of property, plant and equipment | 123 | 898 | 12 | 37 | 69 |
| Acquisitions/divestments of subsidiaries and other operations, net | -449 | -107 | 371 | 9 | 3 |
| Product development | -254 | -138 | -126 | -315 | -865 |
| Other investing activities | 161 | -573 | 42 | -42 | 110 |
| Interest-bearing securities | -534 | -2,772 | 3,756 | -676 | -11,886 |
| Cash flow from investing activities | -1,809 | -3,797 | 3,316 | -2,005 | -13,584 |
| Cash flow before financing activities | -236 | 7,362 | 3,298 | -2,004 | -15,125 |
| Financing activities | | | | | |
| Dividends paid | | -1 | -145 | -3,274 | -4 |
| Other financing activities | -94 | 2,073 | 1,563 | -5,636 | 10,902 |
| Cash flow from financing activities | -94 | 2,072 | 1,418 | -8,910 | 10,898 |
| Effect of exchange rate changes on cash | 1,143 | 240 | 48 | -594 | 215 |

| | | | | | |
|---|---------------|---------------|---------------|----------------|---------------|
| Net change in cash and cash equivalents | 813 | 9,674 | 4,764 | -11,508 | -4,012 |
| Cash and cash equivalents, beginning of period | 35,884 | 26,210 | 21,446 | 32,954 | 36,966 |
| Cash and cash equivalents, end of period | 36,697 | 35,884 | 26,210 | 21,446 | 32,954 |

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Additional information

Accounting policies

The group

This interim report is prepared in accordance with IAS 34. The term "IFRS" used in this document refers to the application of IAS and IFRS as well as interpretations of these standards as issued by IASB's Standards Interpretation Committee (SIC) and IFRS Interpretations Committee (IFRIC). The accounting policies adopted are consistent with those of the annual report for the year ended December 31, 2017 and should be read in conjunction with that annual report, with exception for the accounting policies described below.

New standards as from January 1, 2018

Two new IFRS standards are effective as from January 1, 2018, IFRS 9 "Financial instruments" and IFRS 15 "Revenue from Customer Contracts".

Presentation in the financial statements

For IFRS 15 the Company has adopted the full retrospective method for transition, which means that prior year comparatives have been restated and equity has been adjusted at the initial application date (January 1, 2016). The Company has applied IFRS 9 retrospectively on the required effective date, January 1, 2018. The 2018 opening balances have been adjusted on a modified basis, but the previous periods have not been restated.

Based on the new requirements under IFRS 15, contract assets and contract liabilities have been added as new lines in the consolidated balance sheet and statement of cash flow. Previously, contract assets were reported as trade receivables and contract liabilities were reported as deferred revenue and as advances from customers within other current liabilities. Due to IFRS 9, impairment losses on trade receivables are reported on a separate line in the consolidated income statement. Previously, these losses have been reported as Selling and administrative expenses. In the statement of comprehensive income, a new line has been added for revaluation of borrowings due to changes in credit risk. A new line has been added to the consolidated statement of equity showing the adjustment to the opening balance.

The prior periods financial statements and key ratios presented in this quarterly report have been restated to reflect adoption of the IFRS 15 Revenue recognition standard.

Accounting policy IFRS 9 Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at amortized cost, at fair value through other comprehensive income (FVOCI), and at fair value through profit or loss (FVTPL). The classification depends on the characteristics of the asset and the business model in which it is held.

Financial assets at amortized cost

Financial assets are classified as amortized cost if the contractual terms give rise to payments that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows. These assets are subsequently measured at amortized cost using the effective interest method, minus impairment allowances.

Financial assets at fair value through other comprehensive income (FVOCI)

Assets are classified as FVOCI if the contractual terms give rise to payments that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. These assets are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (OCI), except for effective interest, impairment gains and losses and foreign exchange gains and losses recognized in the income statement. Upon derecognition, the cumulative gain or loss in OCI is reclassified to the income statement.

Financial assets at fair value through profit or loss (FVTPL)

All financial assets that are not classified as either amortized cost or FVOCI are classified as FVTPL. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term. Derivatives are classified as held for trading, unless they are designated as hedging instruments for the purpose of hedge accounting. Assets held for trading are classified as current assets. Debt instruments classified as FVTPL, but not held for trading, are classified on the balance sheet based on their maturity date (i.e. those with a maturity longer than one year are classified as non-current). Investments in shares and participations are classified as FVTPL and classified as non-current financial assets.

Gains or losses arising from changes in the fair values of the Financial assets at fair value through profit or loss category (excluding derivatives and customer financing) are presented in the income statement within Financial income in the period in which they arise. Gains and losses on derivatives are presented in the income statement either as Cost of sales, Other operating income, Financial income or Financial expense, depending on the intent with the transaction. Gains and losses on customer financing are presented in the income statement as Selling expenses.

Impairment in relation to financial assets

At each balance sheet date, financial assets classified as either amortized cost or FVOCI and contract assets are assessed for impairment based on Expected Credit Losses (ECL). Allowances for trade receivables and contract assets are always equal to lifetime ECL. The loss is recognized in the income statement. When there is no reasonable expectation of collection, the asset is written off.

Borrowings

Borrowings by the Parent Company are designated FVTPL because they are managed and evaluated on a fair value basis. Changes in fair value are recognized in the income statement, except for changes in fair value due to change in credit risk which are recognized in Other comprehensive income.

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Summary of changes to classification of financial assets and financial liabilities

| Type of asset | IAS 39 classification | IFRS 9 classification | Reason for IFRS 9 classification |
|---|-----------------------|-----------------------|--|
| Cash equivalents, interest-bearing securities, and derivatives (held for trading) | FVTPL | FVTPL | Held for trading portfolios are classified as FVTPL (no change). |
| Cash equivalents (not held for trading) | Loans and receivables | Amortized cost | These assets are held to collect contractual cash flows. |
| Interest-bearing securities (not held for trading) | Available-for-sale | FVTPL | These assets are not held for trading but are managed and evaluated on a fair value basis. |
| Trade receivables | Loans and receivables | FVOCI | Trade receivables are managed in a business model whose objective is achieved through both collection of contractual cash flows and selling of assets. |
| Customer financing | Loans and receivables | FVTPL | Customer finance assets are managed in a business model with the objective to realize cash flows through the sale of assets. |
| Investments in shares and participations (equity instruments) | Available-for-sale | FVTPL | This is an accounting policy choice under IFRS 9. |
| Borrowings by parent company | Amortized cost | Designated FVTPL | These borrowings are managed and evaluated on a fair value basis. |

Fair value hedging and fair value hedge accounting

Fair value hedge accounting is no longer applied as of January 1, 2018.

Financial guarantees

Financial guarantee contracts are initially recognized at fair value (i.e., usually the fee received). Subsequently, these contracts are measured at the higher of:

The expected credit losses.

The recognized contractual fee less cumulative amortization when amortized over the guarantee period, using the straight-line-method.

Accounting policy IFRS 15 Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers establishes a new principle-based model of recognizing revenue from customer contracts. It introduces a five-step model that requires revenue to be recognized when control over goods and services are transferred to the customer.

The following paragraphs describes the types of contracts, when performance obligations are satisfied, and the timing of revenue recognition. They also describe the normal payment terms associated with such contracts and the resulting impact on the balance sheet over the duration of the contracts. The vast majority of Ericsson's business is for the sale of standard products and services.

Standard products and services

Products and services are classified as standard solutions if they do not require significant installation and integration services to be delivered. Installation and integration services are generally completed within a short period of time, from the delivery of the related products. These products and services are viewed as separate distinct performance obligations. This type of customer contract is usually signed as a frame agreement and the customer issues individual purchase orders to commit to purchases of products and services over the duration of the agreement.

Revenue for standard products shall be recognized when control over the equipment is transferred to the customer at a point in time. This assessment shall be viewed from a customer's perspective considering indicators such as transfer of titles and risks, customer acceptance, physical possession, and billing rights. For hardware sales, transfer of control is usually deemed to occur when the equipment arrives at the customer site and for software sales, when the licenses are made available to the customer. Contractual terms may vary, therefore judgment will be applied when assessing the indicators of transfer of control. Revenue for installation and integration services is recognized upon completion of the service.

Transaction prices under these contracts are mostly billed upon delivery of the hardware or software, and completion of installation services, although a proportion may be billed upon formal acceptance of the related installation services. This will result in a contract asset for the proportion of the transaction price that is not yet billed.

Revenue for recurring services such as customer support and managed services is recognized as the services are delivered, generally pro-rata over time. Transaction prices under these contracts are billed over time, often on a quarterly basis. Contract liabilities or receivables may arise depending on whether the quarterly billing is in advance or in arrears.

Contract for standard products and services applies to business in all segments.

Customized solution

Some products and services are sold together as part of a customized solution to the customer. This type of contract requires significant installation and integration services to be delivered within the solution, normally over a period of more than 1 year. These products and services are viewed together as a combined performance obligation. This type of contract is usually sold as a firm contract in which the scope of the solution and obligations of both parties are clearly

defined for the duration of the contract.

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Additional information

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Revenue for the combined performance obligation shall be recognized over time if progress of completion can be reliably measured and enforceable right to payment exists over the duration of the contract. The progress of completion is estimated by reference to the output delivered such as achievement of contract milestones and customer acceptance. This method is considered appropriate as it reflects the nature of the customized solution and how integration service is delivered in these projects. Formal acceptance term is considered a key indicator of transfer of control for a customized solution and shall therefore be obtained prior to recognizing revenue. If the criteria above are not met, then all revenue shall be recognized upon the completion of the customized solution, when final acceptance is provided by the customer.

Transaction price under these contracts are represented by progress payments or billing milestones as defined in the contracts. In most cases, revenue recognized is limited to the progress payments or unconditional billing milestones over the duration of the contract, therefore no contract asset or contract liability arises on these contracts. In some contracts, revenue may be recognized in advance of billing milestones if enforceable payment rights exist at all times over the contract duration. This will result in a contract asset balance until billing milestones are reached.

Contract for customized solution applies to the Business Support Systems (BSS) business within the segment Digital Services and the Media Solutions business within the segment Emerging Business and Other.

Intellectual Property Rights (IPR)

This type of contract relates to the patent and licensing business. The Company has assessed that the nature of its IPR contracts is such that they provide customers a license with the right to access Ericsson intellectual properties over time, therefore revenue shall be recognized over the duration of the contract. Royalty revenue based on sales or usage is recognized when the sales and usage occurs.

The transaction price on these contracts is usually structured as a royalty fee based on sales or usage over the period, measured on a quarterly basis. This results in a receivable balance if the billing is performed the following quarter after measurement. Some contracts include lump sum amounts, payable either up front at commencement or on an annual basis. This results in a contract liability balance if payment is in advance of revenue, as revenue is recognized over time.

As described in Note C3 Segment Information of the Annual Report 2017, revenue from IPR licensing contracts are allocated to the segments Networks and Digital Services.

Impact of IFRS 9 and IFRS 15 on balance sheet items

| As reported at 31.12 2017 | IFRS 15 restatement | Restated balance at 31.12.2017 | IFRS 9 adjustment | Adjusted balance at 1.1.2018 |
|------------------------------|------------------------|---|----------------------|------------------------------------|
|------------------------------|------------------------|---|----------------------|------------------------------------|

ASSETS**Non-current assets**

| | | | | | |
|--------------------------------|--------|---------|--------|--------|--------|
| Deferred tax assets | 21,228 | 735 | 21,963 | 288 | 22,251 |
| Current assets | | | | | |
| Inventories | 24,960 | 587 | 25,547 | | 25,547 |
| Contract assets | | 13,120 | 13,120 | | 13,120 |
| Trade receivables | 63,210 | -15,105 | 48,105 | -1,240 | 46,865 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Stockholder s equity | 99,540 | 2,605 | 96,935 | -983 | 95,952 |
| Non-current liabilities | | | | | |
| Borrowings, non-current | 30,500 | | 30,500 | 31 | 30,531 |
| Current liabilities | | | | | |
| Provisions | 6,350 | -67 | 6,283 | | 6,283 |
| Contract liabilities | | 29,076 | 29,076 | | 29,076 |
| Other current liabilities | 62,370 | -27,065 | 35,305 | | 35,305 |

Segment reporting**Changes applied in Q1 2018**

As of Q1 2018, sales related to 3PP routing business are reported in Networks (earlier Digital Services). Comparative periods have been restated to reflect this change. In Q1 2018, these sales were SEK 151 (160) million.

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Net sales by segment by quarter

| Isolated quarters, SEK million | 2018 | | 2017 | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 28,602 | 37,077 | 31,871 | 31,699 | 31,638 |
| <i>Of which Products</i> | 19,473 | 25,404 | 21,734 | 21,281 | 21,858 |
| <i>Of which Services</i> | 9,129 | 11,673 | 10,137 | 10,418 | 9,780 |
| Digital Services | 7,658 | 12,521 | 9,410 | 10,345 | 8,389 |
| <i>Of which Products</i> | 3,945 | 6,435 | 4,860 | 5,369 | 4,325 |
| <i>Of which Services</i> | 3,713 | 6,086 | 4,550 | 4,976 | 4,064 |
| Managed Services | 5,503 | 6,203 | 6,143 | 6,231 | 5,995 |
| Emerging Business and Other | 1,648 | 2,080 | 1,989 | 2,006 | 1,781 |
| Total | 43,411 | 57,881 | 49,413 | 50,281 | 47,803 |

| Sequential change, percent | 2018 | | 2017 | | |
|-----------------------------|-------------|------------|------------|-----------|----|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | -23% | 16% | 1% | 0% | |
| <i>Of which Products</i> | -23% | 17% | 2% | -3% | |
| <i>Of which Services</i> | -22% | 15% | -3% | 7% | |
| Digital Services | -39% | 33% | -9% | 23% | |
| <i>Of which Products</i> | -39% | 32% | -9% | 24% | |
| <i>Of which Services</i> | -39% | 34% | -9% | 22% | |
| Managed Services | -11% | 1% | -1% | 4% | |
| Emerging Business and Other | -21% | 5% | -1% | 13% | |
| Total | -25% | 17% | -2% | 5% | |

| Year over year change, percent | 2018 | | 2017 | | |
|--------------------------------|------------|----|------|----|----|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | -10% | | | | |
| <i>Of which Products</i> | -11% | | | | |
| <i>Of which Services</i> | -7% | | | | |
| Digital Services | -9% | | | | |
| <i>Of which Products</i> | -9% | | | | |
| <i>Of which Services</i> | -9% | | | | |
| Managed Services | -8% | | | | |
| Emerging Business and Other | -7% | | | | |
| Total | -9% | | | | |

2018

2017

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| Year to date, SEK million | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
|-----------------------------|---------------|----------------|----------------|---------------|---------------|
| Networks | 28,602 | 132,285 | 95,208 | 63,337 | 31,638 |
| <i>Of which Products</i> | <i>19,473</i> | <i>90,277</i> | <i>64,873</i> | <i>43,139</i> | <i>21,858</i> |
| <i>Of which Services</i> | <i>9,129</i> | <i>42,008</i> | <i>30,335</i> | <i>20,198</i> | <i>9,780</i> |
| Digital Services | 7,658 | 40,665 | 28,144 | 18,734 | 8,389 |
| <i>Of which Products</i> | <i>3,945</i> | <i>20,989</i> | <i>14,554</i> | <i>9,694</i> | <i>4,325</i> |
| <i>Of which Services</i> | <i>3,713</i> | <i>19,676</i> | <i>13,590</i> | <i>9,040</i> | <i>4,064</i> |
| Managed Services | 5,503 | 24,572 | 18,369 | 12,226 | 5,995 |
| Emerging Business and Other | 1,648 | 7,856 | 5,776 | 3,787 | 1,781 |
| Total | 43,411 | 205,378 | 147,497 | 98,084 | 47,803 |

| Year over year change, percent | 2018 | | 2017 | | |
|--------------------------------|-------------|-------------|---------|---------|---------|
| | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | -10% | -6% | | | |
| <i>Of which Products</i> | <i>-11%</i> | <i>-4%</i> | | | |
| <i>Of which Services</i> | <i>-7%</i> | <i>-8%</i> | | | |
| Digital Services | -9% | -8% | | | |
| <i>Of which Products</i> | <i>-9%</i> | <i>-10%</i> | | | |
| <i>Of which Services</i> | <i>-9%</i> | <i>-4%</i> | | | |
| Managed Services | -8% | -11% | | | |
| Emerging Business and Other | -7% | -10% | | | |
| Total | -9% | -7% | | | |

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Gross income (loss) and gross margin by segment by quarter

| Isolated quarters, SEK million | 2018 | | 2017 | | |
|-----------------------------------|---------------|---------------|---------------|---------------|--------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 11,127 | 11,849 | 10,654 | 10,894 | 10,031 |
| Digital Services | 2,947 | 1,154 | 2,710 | 3,335 | -2,334 |
| Managed Services | 437 | -731 | -449 | -26 | -532 |
| Emerging Business and Other | 347 | 244 | 366 | 426 | 336 |
| Total | 14,858 | 12,516 | 13,281 | 14,629 | 7,501 |

| Isolated quarters, As percentage of net sales | 2018 | | 2017 | | |
|--|--------------|--------------|--------------|--------------|--------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 38.9% | 32.0% | 33.4% | 34.4% | 31.7% |
| Digital Services | 38.5% | 9.2% | 28.8% | 32.2% | -27.8% |
| Managed Services | 7.9% | -11.8% | -7.3% | -0.4% | -8.9% |
| Emerging Business and Other | 21.1% | 11.7% | 18.4% | 21.2% | 18.9% |
| Total | 34.2% | 21.6% | 26.9% | 29.1% | 15.7% |

| Year to date, SEK million | 2018 | | 2017 | | |
|------------------------------|---------------|---------------|---------------|---------------|--------------|
| | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 11,127 | 43,428 | 31,579 | 20,925 | 10,031 |
| Digital Services | 2,947 | 4,865 | 3,711 | 1,001 | -2,334 |
| Managed Services | 437 | -1,738 | -1,007 | -558 | -532 |
| Emerging Business and Other | 347 | 1,372 | 1,128 | 762 | 336 |
| Total | 14,858 | 47,927 | 35,411 | 22,130 | 7,501 |

| Year to date, As percentage of net sales | 2018 | | 2017 | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 38.9% | 32.8% | 33.2% | 33.0% | 31.7% |
| Digital Services | 38.5% | 12.0% | 13.2% | 5.3% | -27.8% |
| Managed Services | 7.9% | -7.1% | -5.5% | -4.6% | -8.9% |
| Emerging Business and Other | 21.1% | 17.5% | 19.5% | 20.1% | 18.9% |
| Total | 34.2% | 23.3% | 24.0% | 22.6% | 15.7% |

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Operating income (loss) and operating margin by segment by quarter

| Isolated quarters, SEK million | 2018 | | 2017 | | |
|-----------------------------------|-------------|----------------|---------------|-------------|----------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 3,371 | 1,945 | 2,375 | 3,424 | 2,711 |
| Digital Services | -2,559 | -12,260 | -3,690 | -2,197 | -9,026 |
| Managed Services | 53 | -1,284 | -807 | -297 | -1,807 |
| Emerging Business and Other | -1,177 | -7,679 | -1,530 | -1,467 | -3,154 |
| Total | -312 | -19,278 | -3,652 | -537 | -11,276 |

| Isolated quarters, As percentage of net sales | 2018 | | 2017 | | |
|--|--------------|---------------|--------------|--------------|---------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 11.8% | 5.2% | 7.5% | 10.8% | 8.6% |
| Digital Services | -33.4% | -97.9% | -39.2% | -21.2% | -107.6% |
| Managed Services | 1.0% | -20.7% | -13.1% | -4.8% | -30.1% |
| Emerging Business and Other | -71.4% | -369.2% | -76.9% | -73.1% | -177.1% |
| Total | -0.7% | -33.3% | -7.4% | -1.1% | -23.6% |

| Year to date, SEK million | 2018 | | 2017 | | |
|------------------------------|-------------|----------------|----------------|----------------|----------------|
| | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 3,371 | 10,455 | 8,510 | 6,135 | 2,711 |
| Digital Services | -2,559 | -27,173 | -14,913 | -11,223 | -9,026 |
| Managed Services | 53 | -4,195 | -2,911 | -2,104 | -1,807 |
| Emerging Business and Other | -1,177 | -13,830 | -6,151 | -4,621 | -3,154 |
| Total | -312 | -34,743 | -15,465 | -11,813 | -11,276 |

| Year to date As percentage of net sales | 2018 | | 2017 | | |
|--|--------------|---------------|---------------|---------------|---------------|
| | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 11.8% | 7.9% | 8.9% | 9.7% | 8.6% |
| Digital Services | -33.4% | -66.8% | -53.0% | -59.9% | -107.6% |
| Managed Services | 1.0% | -17.1% | -15.8% | -17.2% | -30.1% |
| Emerging Business and Other | -71.4% | -176.0% | -106.5% | -122.0% | -177.1% |
| Total | -0.7% | -16.9% | -10.5% | -12.0% | -23.6% |

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Net sales by market area by quarter

| Isolated quarters, SEK million | 2018 | | 2017 | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| South East Asia, Oceania and India | 6,379 | 7,844 | 7,858 | 7,234 | 8,410 |
| North East Asia | 3,385 | 6,465 | 5,653 | 5,901 | 5,564 |
| North America | 11,317 | 14,685 | 12,319 | 12,970 | 12,027 |
| Europe and Latin America ^{1) 2)} | 13,061 | 16,939 | 13,430 | 14,231 | 12,201 |
| Middle East and Africa | 5,765 | 7,581 | 6,297 | 5,731 | 5,356 |
| Other ^{1) 2)} | 3,504 | 4,367 | 3,856 | 4,214 | 4,245 |
| Total | 43,411 | 57,881 | 49,413 | 50,281 | 47,803 |

| | | | | | |
|----------------------------------|-------|--------|-------|-------|-------|
| ^{1) Of which in Sweden} | 915 | 872 | 660 | 785 | 1,017 |
| ^{2) Of which in EU} | 8,522 | 10,822 | 8,635 | 8,687 | 8,328 |

| Sequential change, percent | 2018 | | 2017 | | |
|---|-------------|------------|------------|-----------|----|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| South East Asia, Oceania and India | -19% | 0% | 9% | -14% | |
| North East Asia | -48% | 14% | -4% | 6% | |
| North America | -23% | 19% | -5% | 8% | |
| Europe and Latin America ^{1) 2)} | -23% | 26% | -6% | 17% | |
| Middle East and Africa | -24% | 20% | 10% | 7% | |
| Other ^{1) 2)} | -20% | 13% | -8% | -1% | |
| Total | -25% | 17% | -2% | 5% | |

| | | | | | |
|----------------------------------|------|-----|------|------|--|
| ^{1) Of which in Sweden} | 5% | 32% | -16% | -23% | |
| ^{2) Of which in EU} | -21% | 25% | -1% | 4% | |

| Year-over-year change, percent | 2018 | | 2017 | | |
|---|------------|----|------|----|----|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| South East Asia, Oceania and India | -24% | | | | |
| North East Asia | -39% | | | | |
| North America | -6% | | | | |
| Europe and Latin America ^{1) 2)} | 7% | | | | |
| Middle East and Africa | 8% | | | | |
| Other ^{1) 2)} | -17% | | | | |
| Total | -9% | | | | |

| | | | | | |
|----------------------------------|------|--|--|--|--|
| ^{1) Of which in Sweden} | -10% | | | | |
| ^{2) Of which in EU} | 2% | | | | |

2018

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| Year to date, SEK million | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
|---|---------------|----------------|----------------|---------------|---------------|
| South East Asia, Oceania and India | 6,379 | 31,346 | 23,502 | 15,644 | 8,410 |
| North East Asia | 3,385 | 23,583 | 17,118 | 11,465 | 5,564 |
| North America | 11,317 | 52,001 | 37,316 | 24,997 | 12,027 |
| Europe and Latin America ^{1) 2)} | 13,061 | 56,801 | 39,862 | 26,432 | 12,201 |
| Middle East and Africa | 5,765 | 24,965 | 17,384 | 11,087 | 5,356 |
| Other ^{1) 2)} | 3,504 | 16,682 | 12,315 | 8,459 | 4,245 |
| Total | 43,411 | 205,378 | 147,497 | 98,084 | 47,803 |

¹⁾ Of which in Sweden 915 3,334 2,462 1,802 1,017

²⁾ Of which in EU 8,522 36,472 25,650 17,015 8,328

| Year to date, year-over-year change, percent | 2018 | | 2017 | | |
|--|------------|------------|---------|---------|---------|
| | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| South East Asia, Oceania and India | -24% | 0% | | | |
| North East Asia | -39% | -13% | | | |
| North America | -6% | 1% | | | |
| Europe and Latin America ^{1) 2)} | 7% | -9% | | | |
| Middle East and Africa | 8% | -9% | | | |
| Other ^{1) 2)} | -17% | -18% | | | |
| Total | -9% | -7% | | | |

¹⁾ Of which in Sweden -10% -1%

²⁾ Of which in EU 2% -6%

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Top 5 countries in sales

| Country | Q1 | | Jan-Dec 2017 |
|-------------------------|------|------|-----------------|
| | 2018 | 2017 | |
| Percentage of Net sales | | | |
| United States | 27% | 27% | 27% |
| India | 6% | 5% | 5% |
| China | 4% | 7% | 7% |
| Japan | 3% | 4% | 4% |
| Saudi Arabia | 3% | 2% | 3% |

Net sales by market area by segment by quarter

| SEK million | Q1 2018 | | | | Total |
|------------------------------|---------------|---------------------|---------------------|-----------------------------------|---------------|
| | Networks | Digital Services | Managed Services | Emerging Business and Other | |
| South East Asia, Oceania and | | | | | |
| India | 4,419 | 1,236 | 716 | 8 | 6,379 |
| North East Asia | 2,243 | 743 | 375 | 24 | 3,385 |
| North America | 9,348 | 1,282 | 660 | 27 | 11,317 |
| Europe and Latin America | 7,450 | 2,671 | 2,875 | 65 | 13,061 |
| Middle East and Africa | 3,495 | 1,388 | 878 | 4 | 5,765 |
| Other | 1,647 | 338 | -1 | 1,520 | 3,504 |
| Total | 28,602 | 7,658 | 5,503 | 1,648 | 43,411 |
| Share of total | 66% | 17% | 13% | 4% | 100% |

| Sequential change, percent | Q1 2018 | | | | Total |
|------------------------------|-------------|---------------------|---------------------|--------------------------------------|-------------|
| | Networks | Digital Services | Managed Services | Emerging Business and Other | |
| South East Asia, Oceania and | | | | | |
| India | -25% | -6% | 15% | 60% | -19% |
| North East Asia | -48% | -55% | -26% | | -48% |
| North America | -21% | -38% | -2% | -29% | -23% |
| Europe and Latin America | -16% | -40% | -17% | -26% | -23% |
| Middle East and Africa | -16% | -44% | -6% | -79% | -24% |
| Other | -13% | -37% | 0% | -21% | -20% |
| Total | -23% | -39% | -11% | -21% | -25% |

| Year over year change, percent | Q1 2018 | | | | Total |
|------------------------------------|-------------|------------------|------------------|-----------------------------|------------|
| | Networks | Digital Services | Managed Services | Emerging Business and Other | |
| South East Asia, Oceania and India | -31% | 1% | -6% | | -24% |
| North East Asia | -48% | -13% | -7% | | -39% |
| North America | 0% | -24% | -28% | 8% | -6% |
| Europe and Latin America | 17% | -6% | -3% | 171% | 7% |
| Middle East and Africa | 16% | 0% | -7% | | 8% |
| Other | -23% | -12% | | -12% | -17% |
| Total | -10% | -9% | -8% | -7% | -9% |

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IPR licensing revenues by segment by quarter

| Isolated quarters, SEK million | 2018 | | 2017 | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 1,522 | 1,731 | 1,640 | 1,670 | 1,724 |
| Digital Services | 334 | 380 | 360 | 366 | 379 |
| Total | 1,856 | 2,111 | 2,000 | 2,036 | 2,103 |

| Year to date, SEK million | 2018 | | 2017 | | |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | 1,522 | 6,765 | 5,034 | 3,394 | 1,724 |
| Digital Services | 334 | 1,485 | 1,105 | 745 | 379 |
| Total | 1,856 | 8,250 | 6,139 | 4,139 | 2,103 |

Provisions

| Isolated quarters, SEK million | 2018 | | 2017 | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Opening balance | 9,879 | 9,514 | 10,357 | 10,514 | 6,320 |
| Additions | 1,315 | 2,769 | 1,942 | 1,403 | 6,365 |
| Utilization/Cash out | -2,216 | -2,186 | -2,626 | -1,324 | -2,085 |
| <i>Of which restructuring</i> | <i>-1,424</i> | <i>-1,204</i> | <i>-1,461</i> | <i>-1,075</i> | <i>-1,586</i> |
| Reversal of excess amounts | -117 | -199 | -32 | -65 | -66 |
| Reclassification, translation difference and other | 169 | -19 | -127 | -171 | -20 |
| Closing balance | 9,030 | 9,879 | 9,514 | 10,357 | 10,514 |

| | | | | | |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| <i>Of which restructuring</i> | <i>3,524</i> | <i>4,043</i> | <i>3,458</i> | <i>4,003</i> | <i>4,059</i> |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|

| Year to date, SEK million | 2018 | | 2017 | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Opening balance | 9,879 | 6,320 | 6,320 | 6,320 | 6,320 |
| Additions | 1,315 | 12,479 | 9,710 | 7,768 | 6,365 |
| Utilization/Cash out | -2,216 | -8,221 | -6,035 | -3,409 | -2,085 |
| <i>Of which restructuring</i> | <i>-1,424</i> | <i>-5,326</i> | <i>-4,122</i> | <i>-2,661</i> | <i>-1,586</i> |
| Reversal of excess amounts | -117 | -362 | -163 | -131 | -66 |
| Reclassification, translation difference and other | 169 | -337 | -318 | -191 | -20 |

| | | | | | |
|-------------------------------|--------------|--------------|--------------|---------------|---------------|
| Closing balance | 9,030 | 9,879 | 9,514 | 10,357 | 10,514 |
| <i>Of which restructuring</i> | <i>3,524</i> | <i>4,043</i> | <i>3,458</i> | <i>4,003</i> | <i>4,059</i> |

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Information on investments

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

| Isolated quarters, SEK million | 2018 | | 2017 | | |
|---|--------------|--------------|------------|--------------|--------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Additions | | | | | |
| Property, plant and equipment | 856 | 1,105 | 739 | 1,018 | 1,015 |
| Capitalized development expenses | 254 | 138 | 126 | 315 | 865 |
| Goodwill, IPR, brands and other intangible assets | 421 | 315 | 1 | 19 | 1 |
| Total | 1,531 | 1,558 | 866 | 1,352 | 1,881 |

Depreciation, amortization and impairment losses

| | | | | | |
|---|--------------|---------------|--------------|--------------|--------------|
| Property, plant and equipment | 928 | 1,284 | 2,894 | 1,061 | 1,075 |
| Capitalized development expenses | 616 | 881 | 874 | 690 | 2,481 |
| Goodwill, IPR, brands and other intangible assets | 347 | 13,953 | 378 | 446 | 1,875 |
| Total | 1,891 | 16,118 | 4,146 | 2,197 | 5,431 |

| Year to date, SEK million | 2018 | | 2017 | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Additions | | | | | |
| Property, plant and equipment | 856 | 3,877 | 2,772 | 2,033 | 1,015 |
| Capitalized development expenses | 254 | 1,444 | 1,306 | 1,180 | 865 |
| Goodwill, IPR, brands and other intangible assets | 421 | 336 | 21 | 20 | 1 |
| Total | 1,531 | 5,657 | 4,099 | 3,233 | 1,881 |

Depreciation, amortization and impairment losses

| | | | | | |
|---|--------------|---------------|---------------|--------------|--------------|
| Property, plant and equipment | 928 | 6,314 | 5,030 | 2,136 | 1,075 |
| Capitalized development expenses | 616 | 4,926 | 4,045 | 3,171 | 2,481 |
| Goodwill, IPR, brands and other intangible assets | 347 | 16,652 | 2,699 | 2,321 | 1,875 |
| Total | 1,891 | 27,892 | 11,774 | 7,628 | 5,431 |

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Other information

| | Jan-Mar | | Jan-Dec |
|---|---------|--------|---------|
| SEK million | 2018 | 2017 | 2017 |
| Number of shares and earnings per share | | | |
| Number of shares, end of period (million) | 3,334 | 3,331 | 3,334 |
| Of which class A-shares (million) | 262 | 262 | 262 |
| Of which class B-shares (million) | 3,072 | 3,069 | 3,072 |
| Number of treasury shares, end of period (million) | 47 | 58 | 50 |
| Number of shares outstanding, basic, end of period (million) | 3,287 | 3,273 | 3,284 |
| Numbers of shares outstanding, diluted, end of period (million) | 3,323 | 3,314 | 3,324 |
| Average number of treasury shares (million) | 48 | 59 | 56 |
| Average number of shares outstanding, basic (million) | 3,286 | 3,272 | 3,277 |
| Average number of shares outstanding, diluted (million) ¹⁾ | 3,322 | 3,313 | 3,317 |
| Earnings (loss) per share, basic (SEK) | -0.25 | -3.08 | -9.94 |
| Earnings (loss) per share, diluted (SEK) ¹⁾ | -0.25 | -3.08 | -9.94 |
| Ratios | | | |
| Days sales outstanding | 107 | 112 | 96 |
| Inventory turnover days | 87 | 75 | 66 |
| Payable days | 84 | 59 | 60 |
| Exchange rates used in the consolidation | | | |
| SEK/EUR- closing rate | 10.28 | 9.54 | 9.83 |
| SEK/USD- closing rate | 8.34 | 8.93 | 8.20 |
| Other | | | |
| Market area inventory, end of period | 17,364 | 19,979 | 14,480 |
| Export sales from Sweden | 20,679 | 21,449 | 87,463 |

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

Number of employees

| End of period | 2018 | | 2017 | | |
|--|---------------|----------------|----------------|----------------|----------------|
| | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| South East Asia, Oceania and India | 23,623 | 24,495 | 26,396 | 26,748 | 27,221 |
| North East Asia | 12,321 | 12,456 | 12,945 | 12,972 | 12,962 |
| North America | 9,798 | 10,009 | 10,665 | 11,073 | 11,253 |
| Europe and Latin America ¹⁾ | 47,528 | 49,231 | 50,832 | 53,173 | 54,194 |
| Middle East and Africa | 4,311 | 4,544 | 5,014 | 5,161 | 5,268 |
| Total | 97,581 | 100,735 | 105,852 | 109,127 | 110,898 |

| | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| <i>1) Of which in Sweden</i> | <i>13,763</i> | <i>13,864</i> | <i>14,195</i> | <i>14,483</i> | <i>14,712</i> |
|------------------------------|---------------|---------------|---------------|---------------|---------------|

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Restructuring charges

Restructuring charges by function

| Isolated quarters, SEK million | 2018 | | 2017 | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Cost of sales | -743 | -2,038 | -817 | -927 | -1,460 |
| Research and development expenses | -326 | 147 | -1,896 | -344 | -214 |
| Selling and administrative expenses | -103 | -534 | -106 | -243 | -69 |
| Total | -1,172 | -2,425 | -2,819 | -1,514 | -1,743 |

| Year to date, SEK million | 2018 | | 2017 | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Cost of sales | -743 | -5,242 | -3,204 | -2,387 | -1,460 |
| Research and development expenses | -326 | -2,307 | -2,454 | -558 | -214 |
| Selling and administrative expenses | -103 | -952 | -418 | -312 | -69 |
| Total | -1,172 | -8,501 | -6,076 | -3,257 | -1,743 |

Restructuring charges by segment

| Isolated quarters, SEK million | 2018 | | 2017 | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | -479 | -1,260 | -1,409 | -816 | -1,343 |
| <i>of which cost of sales</i> | -415 | -1,052 | -430 | -512 | -1,153 |
| <i>of which operating expenses</i> | -64 | -208 | -979 | -304 | -190 |
| Digital Services | -581 | -686 | -1,103 | -454 | -270 |
| <i>of which cost of sales</i> | -226 | -609 | -241 | -242 | -195 |
| <i>of which operating expenses</i> | -355 | -77 | -862 | -212 | -75 |
| Managed Services | -51 | -376 | -99 | -115 | -85 |
| <i>of which cost of sales</i> | -48 | -326 | -94 | -113 | -83 |
| <i>of which operating expenses</i> | -3 | -50 | -5 | -2 | -2 |
| Emerging Business and Other | -61 | -103 | -208 | -129 | -45 |
| <i>of which cost of sales</i> | -54 | -51 | -52 | -60 | -29 |
| <i>of which operating expenses</i> | -7 | -52 | -156 | -69 | -16 |
| Total | -1,172 | -2,425 | -2,819 | -1,514 | -1,743 |

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| Year to date, SEK million | 2018 | | 2017 | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Networks | -479 | -4,828 | -3,568 | -2,159 | -1,343 |
| <i>of which cost of sales</i> | -415 | -3,147 | -2,095 | -1,665 | -1,153 |
| <i>of which operating expenses</i> | -64 | -1,681 | -1,473 | -494 | -190 |
| Digital Services | -581 | -2,513 | -1,827 | -724 | -270 |
| <i>of which cost of sales</i> | -226 | -1,287 | -678 | -437 | -195 |
| <i>of which operating expenses</i> | -355 | -1,226 | -1,149 | -287 | -75 |
| Managed Services | -51 | -675 | -299 | -200 | -85 |
| <i>of which cost of sales</i> | -48 | -616 | -290 | -196 | -83 |
| <i>of which operating expenses</i> | -3 | -59 | -9 | -4 | -2 |
| Emerging Business and Other | -61 | -485 | -382 | -174 | -45 |
| <i>of which cost of sales</i> | -54 | -192 | -141 | -89 | -29 |
| <i>of which operating expenses</i> | -7 | -293 | -241 | -85 | -16 |
| Total | -1,172 | -8,501 | -6,076 | -3,257 | -1,743 |