

ERICSSON LM TELEPHONE CO

Form 6-K

April 23, 2014

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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, 2014**

**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 whether the registrant by furnishing the information contained in this Form is also thereby  
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.  
Yes  No

Announcement of LM Ericsson Telephone Company, dated April 23, 2014 regarding First Quarter Report 2014

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**SIGNATURES**

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

TELEFONAKTIEBOLAGET LM ERICSSON (publ)

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

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

Date: **April 23, 2014**

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First quarter report 2014 Stockholm, April 23, 2014

**FIRST QUARTER HIGHLIGHTS**

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| Sales in the quarter were SEK 47.5 (52.0) b. Sales for comparable units, adjusted for currency, decreased -7% YoY and -28% QoQ   | 3   |
| Sales declined YoY, primarily in North America and Japan but partly offset by China, Middle East and Latin America   | 2   |
| Business mix in the quarter was mainly driven by mobile broadband capacity projects. With current visibility, key contracts awarded will gradually impact sales and business mix, mainly in the second half of the year. | 2   |
| Operating margin improved YoY in all segments to 5.5% (4.0%) mainly driven by mobile broadband capacity sales and lower restructuring charges  | 3   |
| Operating income amounted to SEK 2.6 (2.1) b.  | 5-7 |
| Cash flow from operating activities was SEK 9.4 b. driven by the payment from Samsung related to the new license agreement as well as reduced trade receivables.   | 11  |

| <b>SEK b.</b>  | <b>Q1<br/>2014</b> | <b>Q1<br/>2013</b> | <b>YoY<br/>change</b> | <b>Q4<br/>2013</b> | <b>QoQ<br/>change</b> |
|--|--------------------|--------------------|-----------------------|--------------------|-----------------------|
| Net sales  | 47.5               | 52.0               | -9%                   | 67.0               | -29%                  |
| <i>Sales growth adj. for comparable units and currency</i> |                    |                    | -7%                   |                    | -28%                  |
| Gross margin   | 36.5%              | 32.0%              |                       | 37.1%              |                       |
| Operating income   | 2.6                | 2.1                | 25%                   | 9.1                | -71%                  |
| Operating margin   | 5.5%               | 4.0%               |                       | 13.5%              |                       |
| Net income   | 1.7                | 1.2                | 41%                   | 6.4                | -74%                  |
| EPS diluted, SEK   | 0.65               | 0.37               | 76%                   | 1.97               | -67%                  |
| EPS (Non-IFRS), SEK <sup>1)</sup>                          | 0.90               | 0.99               | -9%                   | 2.42               | -63%                  |
| Cash flow from operating activities                        | 9.4                | -3.0               |                       | 14.6               | -36%                  |
| Net cash, end of period                                    | 43.6               | 32.2               | 35%                   | 37.8               | 15%                   |

<sup>1)</sup> EPS, diluted, excl. amortizations and write-downs of acquired intangible assets, and restructuring

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### CEO Comments

#### **Sales for comparable units, adjusted for currency, declined by -7% year-over-year, with continued negative impact from North America and Japan. All segments showed margin improvements.**

The main reason behind the decline in sales is, as previously communicated, lower revenues from two large mobile broadband coverage projects in North America, which peaked in the first half of 2013, and the impact from reduced activity in Japan. This was partly offset by growth in China, Middle East and Latin America. The decline in sales impacted segment Networks as well as the Global Services network rollout business.

Our focus on profitability is paying off with gross margin improvement YoY, both including and excluding restructuring. All segments also showed improved operating margins. The business mix in the quarter was predominantly driven by mobile broadband capacity projects. In addition, some of our customers invested more in software to improve network performance and user experience.

Operating cash flow amounted to SEK 9.4 b., compared to a negative operating cash flow of SEK -3.0 b. in the first quarter last year. The payment from Samsung, related to IPR licensing, as well as lower sales had a positive effect on cash flow. Our continued efforts to reduce working capital through a better order-to-cash process are progressing well.

North America is currently characterized by operator investments in capacity and quality enhancements. At the same time we continue to strengthen our position in strategic areas. We are pleased to have been named partner to AT&T for their Domain 2.0 initiative which aims to simplify and scale their network utilizing Network Function Virtualization (NFV) and Software-Defined Networking (SDN).

In region North East Asia we are executing on previously awarded 4G/LTE contracts in mainland China. In addition, we have been awarded important 4G/LTE contracts in Japan and Taiwan.

In Europe, we have been awarded a five-year contract as part of Vodafone's Project Spring. It includes upgrades and expansions of Vodafone's 2G and 3G networks, and build-out of 4G/LTE along with professional services.

There is continued demand for our services offering and in the quarter we have won new managed services business in several regions.

With seven additional operators announcing trials of the Ericsson Radio Dot System we see strong interest in the solution. The innovative small-cell indoor solution will be commercially available later this year.

With current visibility, key contracts awarded will gradually impact sales and business mix, mainly in the second half of the year.

Political unrest prevails in parts of the Middle East and Africa and is still impacting sales. There is also an increased political uncertainty in Russia and the Ukraine. In 2013 Ericsson had SEK 5.9 b. in sales in Russia and Ukraine. The current political uncertainty has not impacted sales in the first quarter.

In a transforming ICT market, Ericsson continues to evolve through investments both into its core business and in new and targeted areas. Through our technology and services leadership we are well positioned to continue to stay relevant as our customers move to capture new market opportunities.

**Hans Vestberg**

President and CEO

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## Financial highlights

| <b>SEK b.</b>                       | <b>Q1<br/>2014</b> | <b>Q1<br/>2013</b> | <b>YoY<br/>change</b> | <b>Q4<br/>2013</b> | <b>QoQ<br/>change</b> |
|-------------------------------------|--------------------|--------------------|-----------------------|--------------------|-----------------------|
| Net sales                           | 47.5               | 52.0               | -9%                   | 67.0               | -29%                  |
| <i>Of which Networks</i>            | 24.4               | 28.1               | -13%                  | 34.8               | -30%                  |
| <i>Of which Global Services</i>     | 20.4               | 21.5               | -5%                   | 27.2               | -25%                  |
| <i>Of which Support Solutions</i>   | 2.8                | 2.4                | 13%                   | 5.1                | -46%                  |
| <i>Of which Modems</i>              | 0.0                |                    |                       | 0.0                |                       |
| Gross income                        | 17.3               | 16.6               | 4%                    | 24.9               | -30%                  |
| Gross margin (%)                    | 36.5%              | 32.0%              |                       | 37.1%              |                       |
| Research and development expenses   | -8.3               | -7.9               | 5%                    | -8.9               | -7%                   |
| Selling and administrative expenses | -6.5               | -6.6               | -3%                   | -7.2               | -11%                  |
| Other operating income and expenses | 0.0                | 0.0                | 5%                    | 0.3                | -94%                  |
| Operating income                    | 2.6                | 2.1                | 25%                   | 9.1                | -71%                  |
| Operating margin                    | 5.5%               | 4.0%               |                       | 13.5%              |                       |
| <i>for Networks</i>                 | 10%                | 6%                 |                       | 17%                |                       |
| <i>for Global Services</i>          | 5%                 | 3%                 |                       | 8%                 |                       |
| <i>for Support Solutions</i>        | 0%                 | -1%                |                       | 37%                |                       |
| <i>for Modems</i>                   |                    |                    |                       |                    |                       |
| Financial net                       | -0.2               | -0.4               | -45%                  | -0.1               | 48%                   |
| Taxes                               | -0.7               | -0.5               | 41%                   | -2.5               | -71%                  |
| Net income                          | 1.7                | 1.2                | 41%                   | 6.4                | -74%                  |
| <i>Restructuring charges</i>        | -0.1               | -1.8               | -93%                  | -1.0               | -86%                  |

**Net sales**

Sales, adjusted for comparable units and currency, decreased -7% YoY and -28% sequentially.

The YoY sales decrease was primarily driven by North America and Japan where large mobile broadband coverage projects peaked in the first half of 2013 and are now near completion. IPR revenues grew YoY following the new Samsung license agreement reached in January 2014.

Sales declined sequentially following a strong Q4, with significant decline in China.

**Gross margin**

The gross margin increased YoY. This was primarily due to a business mix with a large share of mobile broadband capacity projects with higher hardware margins. Lower restructuring charges, increased IPR revenues and lower Network Rollout sales also contributed positively to the gross margin.

The gross margin decreased sequentially following a strong fourth quarter 2013 with SEK 4.2 b. related to the Samsung IPR license agreement. Excluding the license agreement the gross margin was 32.9% in Q413. A higher share of mobile broadband capacity projects in the quarter contributed positively to the gross margin QoQ.

During the quarter a currency revaluation effect of SEK -0.4 b. was recognized mainly related to currency depreciation in emerging markets.

### **Restructuring charges**

Restructuring charges for the Group decreased both YoY and QoQ. The execution on the service delivery strategy, to move service delivery local resources to global centers continued, although at a slower pace in the beginning of the year.

### **Operating expenses**

Total operating expenses increased SEK 0.2 b. YoY mainly due to the added Modems and Mediaroom businesses, while restructuring charges decreased.



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**Other operating income and expenses**

The hedge effect on other operating income was SEK -0.1 b.

**Operating income**

Operating income increased YoY driven by mobile broadband capacity sales, IPR revenues and lower restructuring charges but negatively impacted by reduced sales and increased expenses. Currency continued to have a negative impact on operating income YoY and QoQ.

**Financial net**

Financial net improved YoY mainly due to currency revaluation effects.

**Net income and EPS**

Net income and EPS diluted increased following the improved operating income.

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Segment results

**NETWORKS**

| <b>SEK b.</b>  | <b>Q1<br/>2014</b> | <b>Q1<br/>2013</b> | <b>YoY<br/>change</b> | <b>Q4<br/>2013</b> | <b>QoQ<br/>change</b> |
|--|--------------------|--------------------|-----------------------|--------------------|-----------------------|
| Net sales  | 24.4               | 28.1               | -13%                  | 34.8               | -30%                  |
| <i>Sales growth adj. for comparable units and currency</i> |                    |                    | -10%                  |                    | -30%                  |
| Operating income   | 2.5                | 1.6                | 58%                   | 5.9                | -58%                  |
| Operating margin   | 10%                | 6%                 |                       | 17%                |                       |
| EBITA margin   | 13%                | 8%                 |                       | 19%                |                       |
| <i>Restructuring charges</i>                               | -0.1               | -1.3               | -93%                  | -0.3               | -71%                  |

**Net sales**

Sales, adjusted for comparable units and currency, decreased YoY. The anticipated decline in mobile broadband coverage projects, primarily related to North America and Japan was not fully offset by growth in China, Middle East and Latin America. The capacity business continued to show good growth. Sales declined QoQ following a strong fourth quarter 2013 and lower business activities in North East Asia. CDMA sales continued to decline by -71% YoY and -65% QoQ to SEK 0.4 b.

Ericsson's LTE business maintained steady YoY while the related adoption of Voice over LTE (VoLTE) contributed to sequential growth in both IP Multimedia Systems (IMS) and User Data Consolidation (UDC), required to support multi-access converged network services.

**Operating income and margin**

For the third consecutive quarter operating margin was 10% or above. The YoY improvement was supported by a larger share of mobile broadband capacity business, higher IPR revenues and solid development in the underlying business with continued focus on cost adaptation and portfolio efficiency. Lower restructuring charges contributed to the YoY improvement. The operating margin declined QoQ as a result of lower IPR revenues.

**Business update**

The momentum for the multi-application router, SSR 8000, continued with 109 contracts signed since the launch in December 2011. During the quarter 13 new contracts were signed of which 5 were for fixed networks. To further strengthen IP-optical capabilities, a strategic agreement with Ciena (a top three optical networking supplier) was announced in the quarter.



**Table of Contents****GLOBAL SERVICES**

| <b>SEK b.</b>  | <b>Q1<br/>2014</b> | <b>Q1<br/>2013</b> | <b>YoY<br/>change</b> | <b>Q4<br/>2013</b> | <b>QoQ<br/>change</b> |
|--|--------------------|--------------------|-----------------------|--------------------|-----------------------|
| Net sales  | <b>20.4</b>        | 21.5               | -5%                   | 27.2               | -25%                  |
| <i>Of which Professional Services</i>                      | <b>15.1</b>        | 14.6               | 3%                    | 18.8               | -20%                  |
| <i>Of which Managed Services</i>                           | <b>5.8</b>         | 5.9                | -2%                   | 6.6                | -12%                  |
| <i>Of which Network Rollout</i>                            | <b>5.3</b>         | 6.8                | -23%                  | 8.4                | -37%                  |
| <i>Sales growth adj. for comparable units and currency</i> |                    |                    | -3%                   |                    | -25%                  |
| Operating income   | <b>1.0</b>         | 0.7                | 43%                   | 2.1                | -50%                  |
| <i>Of which Professional Services</i>                      | <b>1.9</b>         | 1.8                | 3%                    | 2.6                | -28%                  |
| <i>Of which Network Rollout</i>                            | <b>-0.9</b>        | -1.1               | -23%                  | -0.5               | 58%                   |
| Operating margin   | <b>5%</b>          | 3%                 |                       | 8%                 |                       |
| <i>for Professional Services</i>                           | <b>13%</b>         | 13%                |                       | 14%                |                       |
| <i>for Network Rollout</i>                                 | <b>-16%</b>        | -16%               |                       | -6%                |                       |
| EBITA margin   | <b>6%</b>          | 4%                 |                       | 9%                 |                       |
| <i>Restructuring charges</i>                               | <b>-0.0</b>        | -0.4               | -92%                  | -0.6               | -95%                  |

**Net sales**

YoY sales increased in 7 out of 10 regions. Sales, adjusted for comparable units and currency, declined however due to reduced mobile broadband activities in North America and Japan. As anticipated the Network Rollout revenue decline accelerated after a period of high sales. Professional Services sales increased YoY although Managed Services sales declined slightly.

Global Services sales declined QoQ after a strong Q4 and due to reduced activities in Network Rollout.

**Operating income and margin**

Operating margin for Global Services improved YoY as a result of lower sales and reduced losses in Network Rollout. In the quarter, Network Rollout operating income was negatively impacted by temporary additional project costs in North America as well as losses in the Network modernization projects in Europe. As expected, activities and losses in the European modernization projects continue to trend down. Professional Services margin remained flat.

**Business update**

The market demand for Professional Services continues to be strong with several new contracts in the quarter.

**Other information**

|   | <b>Q1<br/>2014</b> | <b>Q1<br/>2013</b> |
|---|--------------------|--------------------|
| Number of signed Managed Services contracts   | <b>16</b>          | 21                 |
| Number of signed significant consulting & systems integration contracts <sup>1)</sup> | <b>9</b>           | 8                  |
| Number of Ericsson services professionals, end of period                              | <b>61,000</b>      | 61,000             |

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

**Table of Contents****SUPPORT SOLUTIONS**

| <b>SEK b.</b>  | <b>Q1<br/>2014</b> | <b>Q1<br/>2013</b> | <b>YoY<br/>change</b> | <b>Q4<br/>2013</b> | <b>QoQ<br/>change</b> |
|--|--------------------|--------------------|-----------------------|--------------------|-----------------------|
| Net sales  | <b>2.8</b>         | 2.4                | 13%                   | 5.1                | -46%                  |
| <i>Sales growth adj. for comparable units and currency</i> |                    |                    | 4%                    |                    | -45%                  |
| Operating income   | <b>0.0</b>         | 0.0                |                       | 1.9                |                       |
| Operating margin   | <b>0%</b>          | -1%                |                       | 37%                |                       |
| EBITA margin   | <b>7%</b>          | 5%                 |                       | 41%                |                       |
| <i>Restructuring charges</i>                               | <b>0.0</b>         | -0.1               |                       | 0.0                |                       |

**Net sales**

Both reported sales and sales adjusted for comparable units and currency increased YoY. The acquired Microsoft Mediaroom business and increased sales in OSS had a positive impact on sales. Sales declined QoQ after a seasonally strong Q4 and the positive effect from the Samsung IPR-licensing agreement.

**Operating income and margin**

Operating income and margin was flat YoY. Operating margin declined QoQ due to lower sales.

**Business update**

During the quarter the acquisition of Azuki Systems was completed and customer interest in the acquired portfolio is strong. The integration of Mediaroom is progressing according to plan.

In the OSS and BSS area Ericsson announced important contracts with CenturyLink in US for Service Agility solutions and with TeliaSonera in Sweden for the Customer Experience Management solution.

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| <b>SEK b.</b>   | <b>Q1<br/>2014</b> | <b>Q4<br/>2013</b> | <b>QoQ<br/>change</b> |
|---|--------------------|--------------------|-----------------------|
| Net sales   | <b>0.0</b>         | 0.0                |                       |
| <i>Sales growth for comparable units and currency</i> |                    |                    |                       |
| Operating income                                      | <b>-0.7</b>        | -0.5               | 37%                   |
| Operating margin                                      |                    |                    |                       |
| EBITA margin  |                    |                    |                       |
| <i>Restructuring charges</i>                          | <b>0.0</b>         | 0.0                |                       |

**Background**

Since August, 2013, Ericsson has an LTE thin- modem business with industry leading technology and intellectual property. The operation was integrated into Ericsson after the split-up of the joint venture ST-Ericsson last year. Modems are part of Ericsson's vision of 50 billion connected devices and the ambition is to be a top-three supplier in the thin-modems market. The first product, Ericsson M7450, was released for commercial use in the fourth quarter last year. Work is ongoing with a tier one smartphone manufacturer to integrate M7450 in their devices. Net sales are expected in the second half of 2014.

**Operating income**

Operating expenses for the modems business in 2014 are estimated to approximately SEK -2.6 b., of which SEK -0.7 b. in the first quarter.

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## Regional sales

| SEK b.                           | First quarter 2014 |             |                   | Total       | Change     |             |
|----------------------------------|--------------------|-------------|-------------------|-------------|------------|-------------|
|                                  | Global Networks    | Services    | Support Solutions |             | YoY        | QoQ         |
| North America                    | 6.5                | 5.0         | 0.6               | <b>12.2</b> | -23%       | -11%        |
| Latin America                    | 2.4                | 2.0         | 0.2               | <b>4.7</b>  | 8%         | -30%        |
| Northern Europe and Central Asia | 1.4                | 1.0         | 0.1               | <b>2.4</b>  | 7%         | -34%        |
| Western and Central Europe       | 1.8                | 2.5         | 0.1               | <b>4.4</b>  | 1%         | -16%        |
| Mediterranean                    | 2.0                | 2.6         | 0.2               | <b>4.8</b>  | -9%        | -32%        |
| Middle East                      | 1.8                | 1.9         | 0.2               | <b>3.9</b>  | 22%        | -35%        |
| Sub-Saharan Africa               | 0.7                | 0.8         | 0.3               | <b>1.8</b>  | -15%       | -30%        |
| India                            | 0.9                | 0.7         | 0.1               | <b>1.7</b>  | 6%         | -14%        |
| North East Asia                  | 2.8                | 2.0         | 0.1               | <b>4.9</b>  | -19%       | -43%        |
| South East Asia and Oceania      | 1.9                | 1.5         | 0.1               | <b>3.4</b>  | -17%       | -20%        |
| Other <sup>1)</sup>              | 2.2                | 0.3         | 0.8               | <b>3.3</b>  | 12%        | -55%        |
| <b>Total</b>                     | <b>24.4</b>        | <b>20.4</b> | <b>2.8</b>        | <b>47.5</b> | <b>-9%</b> | <b>-29%</b> |

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

**North America**

Lower mobile broadband coverage project activity resulted in a Networks sales decline as well as lower network rollout sales, partly offset by network quality and capacity expansion sales. Network ICT transformation drives a strong professional services business, including the modernization of OSS and BSS.

**Latin America**

Sales increased YoY driven by operators' investments to increase 3G network quality as well as LTE deployments in Chile and Brazil.

**Northern Europe and Central Asia**

Sales continued to grow YoY mainly driven by mobile broadband infrastructure investments in Russia. The positive development in Professional Services continued YoY driven by operator focus on network quality. The non-operator business in the Nordics showed stable growth.

**Western and Central Europe**

Sales were stable YoY. Network performance drives investments in 3G and LTE as well as services. Support Solutions increased YoY with the inclusion of Mediaroom, and increases in OSS and BSS.

**Mediterranean**



Sales declined YoY as major network modernization projects peaked early 2013. Business activity was lower in Italy and Spain, primarily due to operator consolidation discussions. There is an increasing demand for professional services, driven by managed services.

#### **Middle East**

Sales continued to grow YoY mainly driven by mobile broadband infrastructure deployments in Iraq, Pakistan and Saudi Arabia. In the quarter activities in Turkey were low and 4G deployments are delayed. Demand for professional services continued as operators seek network performance quality and operational efficiencies.

#### **Sub-Saharan Africa**

Network sales declined due to reduction in capex spend by a major customer. The negative development was partly offset by continued strong sales in OSS and BSS.

#### **India**

Sales grew YoY mainly due to network traffic growth in response to increasing smartphone penetration and data usage. Spectrum auctions were concluded in the quarter with operators securing necessary spectrum in their existing circles.

#### **North East Asia**

Sales decreased YoY as a result of lower network investment levels in Japan and the continued structural decline of GSM in China. The decline was partly offset by execution on previously awarded 4G/LTE contracts in China.

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**South East Asia and Oceania**

Sales in the region declined YoY as major mobile broadband coverage projects in Indonesia and Australia peaked. Demand continued for professional services, both systems integration and network design and optimization. The smartphone penetration is increasing from an overall low level in the region. During the quarter Ericsson announced a contract in Myanmar, which is a new market for the Group.

**Other**

Licensing revenues showed good development YoY, following the Samsung agreement. Broadcast services continued to grow. Sales of power modules and other businesses are also included in Other .

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## CASH flow

| <b>SEK b.</b>                           | <b>Q1<br/>2014</b> | <b>Q1<br/>2013</b> | <b>Q4<br/>2013</b> |
|---|--------------------|--------------------|--------------------|
| Net income reconciled to cash           | <b>3.2</b>         | 1.6                | 12.5               |
| Changes in operating net assets         | <b>6.2</b>         | -4.6               | 2.1                |
| Cash flow from operating activities     | <b>9.4</b>         | -3.0               | 14.6               |
| Cash flow from investing activities     | <b>-8.8</b>        | -4.1               | -11.4              |
| Cash flow from financing activities     | <b>-5.1</b>        | 0.0                | 3.5                |
| Net change in cash and cash equivalents | <b>-4.0</b>        | -7.2               | 6.9                |
| <i>Cash conversion (%)</i>              | <b>290%</b>        | -186%              | 117%               |

The positive cash flow from operating activities was driven by the initial IPR-licensing payment from Samsung and lower working capital. Working capital improved mainly as a result of improved business mix.

Investing activities relates primarily to normal capex investments of SEK 1.0 b.

Short-term investments with maturity more than 3 months have increased by SEK 6.8. b., primarily as a result of transferred liquidity from Cash and cash equivalents.

Cash flow from financing activities was impacted by repayment of debt of SEK -6.0 b.

Payments for ongoing restructuring amounted to approximately SEK -0.5 b. in the quarter.

**Working capital KPIs,**

| <b>number of days</b> | <b>Jan-Mar<br/>2014</b> | <b>Jan-Dec<br/>2013</b> | <b>Jan-Sep<br/>2013</b> | <b>Jan-Jun<br/>2013</b> | <b>Jan-Mar<br/>2013</b> |
|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Sales outstanding     | <b>112</b>              | 97                      | 109                     | 103                     | 108                     |
| Inventory             | <b>72</b>               | 62                      | 72                      | 73                      | 76                      |
| Payable               | <b>62</b>               | 53                      | 53                      | 55                      | 55                      |

Despite substantially reduced trade receivables, days sales outstanding increased. The main reason is lower sales in the quarter.

Inventory and payable days increased as an effect of the preparation for coming mobile broadband deployments.

Efforts to reduce working capital through a better order-to-cash process continue.



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## FINANCIAL POSITION

|   | <b>Mar 31</b> | <b>Mar 31</b> | <b>Dec 31</b> |
|---|---------------|---------------|---------------|
| <b>SEK b.</b>   | <b>2014</b>   | <b>2013</b>   | <b>2013</b>   |
| + Short-term investments                                    | <b>41.8</b>   | 34.6          | 35.0          |
| + Cash and cash equivalents                                 | <b>38.1</b>   | 37.4          | 42.1          |
| <b>Gross cash</b>   | <b>79.9</b>   | <b>72.1</b>   | <b>77.1</b>   |
| - Interest bearing liabilities and post-employment benefits | <b>36.3</b>   | 39.9          | 39.3          |
| <b>Net cash</b>   | <b>43.6</b>   | <b>32.2</b>   | <b>37.8</b>   |
| Equity  | <b>142.6</b>  | 139.2         | 141.6         |
| Total assets  | <b>267.2</b>  | 270.5         | 269.2         |
| Capital turnover (times)                                    | <b>1.1</b>    | 1.2           | 1.3           |
| Return on capital employed (%)                              | <b>6.7%</b>   | 5.1%          | 10.7%         |
| Equity ratio (%)  | <b>53.4%</b>  | 51.4%         | 52.6%         |
| Return on equity (%)  | <b>6.0%</b>   | 3.5%          | 8.7%          |

Net cash increased in the quarter as a result of positive cash flow from operating activities. Long-term borrowings decreased as a result of a repayment of a EIB loan of SEK 4.0 b., with original maturity in 2015 and repayment of a USD 300 million bond from the Swedish Export Credit Corporation with original maturity in 2016.

Post-employment benefits increased by SEK 1.8 b. mainly due to lower discount rates.

The average maturity of long-term borrowings as of March 31, 2014, was 5.7 years, compared to 4.8 years 12 months ago. In June 2014, maturing borrowings of SEK 2.0 b. will be repaid.

Ericsson has one unutilized Revolving Credit Facility of USD 2.0 b. The facility was signed in 2013 and is for five years with two one-year extension options.

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Parent company

Income after financial items was SEK 0.4 (1.2) b. YoY.

Major changes in the Parent Company's financial position for the year; increased cash, cash equivalents and short-term investments of SEK 4.0 b. and increased current and non-current liabilities to subsidiaries of SEK 9.3 b. At the end of the quarter, cash, cash equivalents and short-term investments amounted to SEK 62.5 (58.5) b.

In January 2014, the Parent Company repaid the SEK 4.0 b. EIB loan with original maturity July 2015. The Parent Company also repaid an USD 300 million bond during the quarter.

In accordance with the conditions of the long-term variable compensation program (LTV) for Ericsson employees, 2,777,896 shares from treasury stock were sold or distributed to employees during the first quarter. The holding of treasury stock at March 31, 2014, was 71,190,282 Class B shares.

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Other information

### **Antitrust investigations against Ericsson**

In March 2013, Ericsson filed a patent infringement lawsuit in the Indian Delhi High Court against Micromax Informatics Limited. As part of its defense, Micromax filed a complaint with the Competition Commission of India (CCI) and in November 2013 the CCI decided to refer the case to the Director General's Office for an in-depth investigation. In January 2014 the CCI announced they had opened another investigation against Ericsson based on claims made by Intex Technologies (India) Limited. Ericsson has made numerous attempts to sign a license agreement with Micromax and Intex on Fair, Reasonable and Non-discriminatory (FRAND) terms.

### **Ericsson and Ciena in strategic global agreement**

On February 14, 2014, Ericsson and Ciena announced a strategic global agreement to develop joint transport solutions for IP-optical convergence and service provider software-defined networking (SDN). As part of this agreement, Ericsson offers Ciena's Converged Packet Optical portfolio, including the 6500 Packet-Optical Platform and 5400 switching platform family. Ericsson will benefit from Ciena's best-in-class optical technology leadership, including its WaveLogic coherent optical processors and global market presence. The strategic agreement is effective immediately, and go-to-market activities and solution integration efforts are underway.

### **Ericsson acquires Azuki Systems**

On February 6, 2014, Ericsson announced it had entered into an agreement to acquire Massachusetts-based Azuki Systems, Inc., a provider of TV Anywhere delivery platforms for service providers, content owners and broadcasters. Azuki Systems extends Ericsson's leading TV and media portfolio which includes the recent addition of Mediaroom from Microsoft. Through the acquisition, Ericsson will accelerate the availability of new and compelling viewing experiences across a variety of devices and screens. The acquisition brings a team of highly skilled software engineers from Azuki Systems. Azuki Systems was founded in 2008 and is based in Acton, Massachusetts, USA. The company has 49 employees. The acquisition was concluded in February and will be incorporated into Business Unit Support Solutions.

## **POST-CLOSING EVENTS**

### **Changes in Ericsson leadership team**

On April 14, 2014, Ericsson announced that Douglas Gilstrap will resign from his role as Senior Vice President and Head of Group Function Strategy and leave Ericsson's Executive Leadership Team. Gilstrap joined Ericsson in his role in 2009 and has been responsible for developing Ericsson's business strategy and driving the company's M&A activities during this time. He has also played a key role in dissolving the ST-Ericsson joint venture and integrating the thin modems business into Ericsson. Since 2013 he also served as Chairman of Business Unit Modems.

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Risk factors

Ericsson's operational and financial risk factors and uncertainties along with our strategies and tactics to mitigate risk exposures or limit unfavorable outcomes are described in our Annual Report 2013. Compared to the risks described in the Annual Report 2013, no material, new or changed risk factors or uncertainties have been identified in the year.

Risk factors and uncertainties in focus short-term for the Parent Company and the Ericsson Group include:

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;

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

Effects on gross margins and/or working capital of the product mix in the Networks segment between sales of upgrades and expansions (mainly software) and new buildouts of coverage (mainly hardware);

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

A continued volatile sales pattern in the Support Solutions segment or variability in our overall sales seasonality could make it more difficult to forecast future sales;

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;

Changes in foreign exchange rates, in particular USD, JPY and EUR;

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;

Natural disasters and other events, affecting business, production, supply and transportation.

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 embargos are discussed. Moreover, Ericsson operates globally in accordance with Group policies and directives for business ethics and conduct.



Stockholm, April 23, 2014

Telefonaktiebolaget LM Ericsson

Hans Vestberg, President and CEO

Org. Nr. 556016-0680

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

Date for next report: July 18, 2014

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Editor's note

Ericsson invites media, investors and analysts to a press conference at the Ericsson Studio, Grönlandsgången 4, Stockholm, at 09.00 (CET), April 23, 2014. An analysts, investors and media conference call will begin at 14.00 (CET).

Live webcast of the press conference and conference call as well as supporting slides will be available at [www.ericsson.com/press](http://www.ericsson.com/press) and [www.ericsson.com/investors](http://www.ericsson.com/investors)

Video material will be published during the day on [www.ericsson.com/press](http://www.ericsson.com/press)

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Safe harbor statement

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

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

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**Table of Contents****CONSOLIDATED INCOME STATEMENT**

| SEK million                                       | Jan - Mar |         | Change | Jan - Dec |
|---|-----------|---------|--------|-----------|
|   | 2013      | 2014    |        | 2013      |
| Net sales   | 52,032    | 47,505  | -9%    | 227,376   |
| Cost of sales                                     | -35,394   | -30,184 | -15%   | -151,005  |
| <b>Gross income</b>                               | 16,638    | 17,321  | 4%     | 76,371    |
| Gross margin (%)                                  | 32.0%     | 36.5%   |        | 33.6%     |
| Research and development expenses                 | -7,877    | -8,275  | 5%     | -32,236   |
| Selling and administrative expenses               | -6,643    | -6,452  | -3%    | -26,273   |
| <b>Operating expenses</b>                         | -14,520   | -14,727 | 1%     | -58,509   |
| Other operating income and expenses               | 20        | 21      |        | 113       |
| Shares in earnings of JV and associated companies | -32       | 15      |        | -130      |
| <b>Operating income</b>                           | 2,106     | 2,630   | 25%    | 17,845    |
| Financial income                                  | 180       | 401     |        | 1,346     |
| Financial expenses                                | -565      | -612    |        | -2,093    |
| <b>Income after financial items</b>               | 1,721     | 2,419   | 41%    | 17,098    |
| Taxes   | -517      | -727    |        | -4,924    |
| <b>Net income</b>                                 | 1,204     | 1,692   | 41%    | 12,174    |
| Net income attributable to:                       |           |         |        |           |
| - Stockholders of the Parent Company              | 1,205     | 2,120   |        | 12,005    |
| - Non-controlling interests                       | -1        | -428    |        | 169       |
| Other information                                 |           |         |        |           |
| Average number of shares, basic (million)         | 3,222     | 3,233   |        | 3,226     |
| Earnings per share, basic (SEK) <sup>1)</sup>     | 0.37      | 0.66    |        | 3.72      |
| Earnings per share, diluted (SEK) <sup>1)</sup>   | 0.37      | 0.65    |        | 3.69      |

**STATEMENT OF COMPREHENSIVE INCOME**

| SEK million  | Jan - Mar |        | Jan - Dec |
|--|-----------|--------|-----------|
|  | 2013      | 2014   | 2013      |
| <b>Net income</b>  | 1,204     | 1,692  | 12,174    |
| <b>Other comprehensive income</b>                                    |           |        |           |
| <b>Items that will not be reclassified to profit or loss</b>         |           |        |           |
| Remeasurements of defined benefits pension plans incl. asset ceiling | 819       | -1,622 | 3,214     |
| Tax on items that will not be reclassified to profit or loss         | -388      | 329    | -1,235    |
| <b>Items that may be reclassified to profit or loss</b>              |           |        |           |
| Cash flow hedges   |           |        |           |
| Gains/losses arising during the period                               | 174       |        | 251       |

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|  |             |             |               |
|--|-------------|-------------|---------------|
| Reclassification adjustments for gains/losses included in profit or loss       | -466        |             | -1,072        |
| Adjustments for amounts transferred to initial carrying amount of hedged items |             |             | 0             |
| Revaluation of other investments in shares and participations                  |             |             |               |
| Fair value remeasurement   |             | 0           | 71            |
| Changes in cumulative translation adjustments                                  | -718        | 401         | -1,687        |
| Share of other comprehensive income on JV and associated companies             | -16         | 11          | -14           |
| Tax on items that may be reclassified to profit or loss                        | 62          |             | 179           |
| <b>Total other comprehensive income, net of tax</b>                            | <b>-533</b> | <b>-881</b> | <b>-293</b>   |
| <b>Total comprehensive income</b>  | <b>671</b>  | <b>811</b>  | <b>11,881</b> |
| Total comprehensive income attributable to:                                    |             |             |               |
| Stockholders of the Parent Company   | 693         | 1,240       | 11,712        |
| Non-controlling interest   | -22         | -429        | 169           |

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

**Table of Contents****CONSOLIDATED BALANCE SHEET**

| <b>SEK million</b>   | <b>Dec 31<br/>2013</b> | <b>Mar 31<br/>2014</b> |
|--|------------------------|------------------------|
| <b>ASSETS</b>  |                        |                        |
| <b>Non-current assets</b>  |                        |                        |
| Intangible assets  |                        |                        |
| Capitalized development expenses                                 | 3,348                  | 3,212                  |
| Goodwill   | 31,544                 | 32,114                 |
| Intellectual property rights, brands and other intangible assets | 12,815                 | 11,889                 |
| Property, plant and equipment                                    | 11,433                 | 11,209                 |
| Financial assets   |                        |                        |
| Equity in JV and associated companies                            | 2,568                  | 2,595                  |
| Other investments in shares and participations                   | 505                    | 509                    |
| Customer finance, non-current                                    | 1,294                  | 1,146                  |
| Other financial assets, non-current                              | 5,684                  | 5,779                  |
| Deferred tax assets  | 9,103                  | 10,030                 |
|  | 78,294                 | 78,483                 |
| <b>Current assets</b>  |                        |                        |
| Inventories  | 22,759                 | 24,962                 |
| Trade receivables  | 71,013                 | 63,643                 |
| Customer finance, current  | 2,094                  | 1,698                  |
| Other current receivables  | 17,941                 | 18,528                 |
| Short-term investments   | 34,994                 | 41,779                 |
| Cash and cash equivalents  | 42,095                 | 38,096                 |
|  | 190,896                | 188,706                |
| <b>Total assets</b>  | <b>269,190</b>         | <b>267,189</b>         |
| <b>EQUITY AND LIABILITIES</b>                                    |                        |                        |
| <b>Equity</b>  |                        |                        |
| Stockholders' equity   | 140,204                | 141,643                |
| Non-controlling interest in equity of subsidiaries               | 1,419                  | 990                    |
|  | 141,623                | 142,633                |
| <b>Non-current liabilities</b>                                   |                        |                        |
| Post-employment benefits   | 9,825                  | 11,633                 |
| Provisions, non-current  | 222                    | 198                    |
| Deferred tax liabilities   | 2,650                  | 2,466                  |
| Borrowings, non-current  | 22,067                 | 18,900                 |
| Other non-current liabilities                                    | 1,459                  | 1,532                  |
|  | 36,223                 | 34,729                 |
| <b>Current liabilities</b>                                       |                        |                        |
| Provisions, current  | 5,140                  | 4,730                  |



|   |         |         |
|---|---------|---------|
| Borrowings, current   | 7,388   | 5,737   |
| Trade payables  | 20,502  | 20,482  |
| Other current liabilities   | 58,314  | 58,878  |
|   | 91,344  | 89,827  |
| <b>Total equity and liabilities</b>                                       | 269,190 | 267,189 |
| <i>Of which interest-bearing liabilities and post-employment benefits</i> | 39,280  | 36,270  |
| <i>Of which net cash</i>  | 37,809  | 43,605  |
| Assets pledged as collateral  | 2,556   | 2,528   |
| Contingent liabilities  | 657     | 658     |

**Table of Contents****CONSOLIDATED STATEMENT OF CASH FLOWS**

| <b>SEK million</b>   | <b>Jan - Mar</b> |               | <b>Jan - Dec</b> |
|--|------------------|---------------|------------------|
|  | <b>2013</b>      | <b>2014</b>   | <b>2013</b>      |
| <b>Operating activities</b>  |                  |               |                  |
| Net income   | 1,204            | 1,692         | 12,174           |
| Adjustments to reconcile net income to cash                        |                  |               |                  |
| Taxes  | -1,849           | -1,348        | -1,323           |
| Earnings/dividends in JV and associated companies                  | 33               | -16           | 258              |
| Depreciation, amortization and impairment losses                   | 2,411            | 2,360         | 10,137           |
| Other  | -201             | 549           | 756              |
|  | 1,598            | 3,237         | 22,002           |
| <b>Changes in operating net assets</b>                             |                  |               |                  |
| Inventories  | -1,426           | -2,099        | 4,868            |
| Customer finance, current and non-current                          | 260              | 558           | 1,809            |
| Trade receivables  | -1,934           | 7,957         | -8,504           |
| Trade payables   | -2,948           | -110          | -2,158           |
| Provisions and post-employment benefits                            | 1,155            | -464          | -3,298           |
| Other operating assets and liabilities, net                        | 325              | 323           | 2,670            |
|  | -4,568           | 6,165         | -4,613           |
| <b>Cash flow from operating activities</b>                         | <b>-2,970</b>    | <b>9,402</b>  | <b>17,389</b>    |
| <b>Investing activities</b>  |                  |               |                  |
| Investments in property, plant and equipment                       | -1,196           | -1,034        | -4,503           |
| Sales of property, plant and equipment                             | 91               | 274           | 378              |
| Acquisitions/divestments of subsidiaries and other operations, net | -136             | -849          | -2,682           |
| Product development  | -282             | -197          | -915             |
| Other investing activities   | 298              | -169          | -1,330           |
| Short-term investments   | -2,860           | -6,790        | -2,057           |
| <b>Cash flow from investing activities</b>                         | <b>-4,085</b>    | <b>-8,765</b> | <b>-11,109</b>   |
| <b>Cash flow before financing activities</b>                       | <b>-7,055</b>    | <b>637</b>    | <b>6,280</b>     |
| <b>Financing activities</b>  |                  |               |                  |
| Dividends paid   | -61              |               | -9,153           |
| Other financing activities   | 92               | -5,069        | -355             |
| <b>Cash flow from financing activities</b>                         | <b>31</b>        | <b>-5,069</b> | <b>-9,508</b>    |
| Effect of exchange rate changes on cash                            | -214             | 433           | 641              |
| <b>Net change in cash and cash equivalents</b>                     | <b>-7,238</b>    | <b>-3,999</b> | <b>-2,587</b>    |
| <b>Cash and cash equivalents, beginning of period</b>              | <b>44,682</b>    | <b>42,095</b> | <b>44,682</b>    |
| <b>Cash and cash equivalents, end of period</b>                    | <b>37,444</b>    | <b>38,096</b> | <b>42,095</b>    |

**Table of Contents****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| <b>SEK million</b>                          | <b>Jan - Mar<br/>2013</b> | <b>Jan - Mar<br/>2014</b> | <b>Jan - Dec<br/>2013</b> |
|---|---------------------------|---------------------------|---------------------------|
| <b>Opening balance</b>                      | <b>138,483</b>            | <b>141,623</b>            | <b>138,483</b>            |
| Total comprehensive income                  | 671                       | 811                       | 11,881                    |
| Sale/repurchase of own shares               | 21                        | 24                        | 90                        |
| Stock purchase plan                         | 82                        | 175                       | 388                       |
| Dividends paid                              | -61                       |                           | -9,153                    |
| Transactions with non-controlling interests | -26                       |                           | -66                       |
| <b>Closing balance</b>                      | <b>139,170</b>            | <b>142,633</b>            | <b>141,623</b>            |

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**Table of Contents****CONSOLIDATED INCOME STATEMENT ISOLATED QUARTERS**

| Isolated quarters, SEK million                    | 2013    |         |         |         | 2014    |
|---|---------|---------|---------|---------|---------|
|   | Q1      | Q2      | Q3      | Q4      | Q1      |
| Net sales   | 52,032  | 55,331  | 52,981  | 67,032  | 47,505  |
| Cost of sales                                     | -35,394 | -37,412 | -36,028 | -42,171 | -30,184 |
| <b>Gross income</b>                               | 16,638  | 17,919  | 16,953  | 24,861  | 17,321  |
| Gross margin (%)                                  | 32.0%   | 32.4%   | 32.0%   | 37.1%   | 36.5%   |
| Research and development expenses                 | -7,877  | -7,747  | -7,710  | -8,902  | -8,275  |
| Selling and administrative expenses               | -6,643  | -6,629  | -5,778  | -7,223  | -6,452  |
| <b>Operating expenses</b>                         | -14,520 | -14,376 | -13,488 | -16,125 | -14,727 |
| Other operating income and expenses               | 20      | -1,040  | 805     | 328     | 21      |
| Shares in earnings of JV and associated companies | -32     | -38     | -51     | -9      | 15      |
| <b>Operating income</b>                           | 2,106   | 2,465   | 4,219   | 9,055   | 2,630   |
| Financial income                                  | 180     | 304     | 678     | 184     | 401     |
| Financial expenses                                | -565    | -606    | -595    | -327    | -612    |
| <b>Income after financial items</b>               | 1,721   | 2,163   | 4,302   | 8,912   | 2,419   |
| Taxes   | -517    | -647    | -1,292  | -2,468  | -727    |
| <b>Net income</b>                                 | 1,204   | 1,516   | 3,010   | 6,444   | 1,692   |
| Net income attributable to:                       |         |         |         |         |         |
| Stockholders of the Parent Company                | 1,205   | 1,469   | 2,921   | 6,410   | 2,120   |
| Non-controlling interests                         | -1      | 47      | 89      | 34      | -428    |
| <b>Other information</b>                          |         |         |         |         |         |
| Average number of shares, basic (million)         | 3,222   | 3,224   | 3,227   | 3,230   | 3,233   |
| Earnings per share, basic (SEK) <sup>1)</sup>     | 0.37    | 0.46    | 0.91    | 1.98    | 0.66    |
| Earnings per share, diluted (SEK) <sup>1)</sup>   | 0.37    | 0.45    | 0.90    | 1.97    | 0.65    |

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

**Table of Contents****CONSOLIDATED STATEMENT OF CASH FLOWS ISOLATED QUARTERS**

| Isolated quarters, SEK million                                     | 2013          |                |               |                | 2014          |
|--|---------------|----------------|---------------|----------------|---------------|
|  | Q1            | Q2             | Q3            | Q4             | Q1            |
| <b>Operating activities</b>  |               |                |               |                |               |
| Net income   | 1,204         | 1,516          | 3,010         | 6,444          | 1,692         |
| Adjustments to reconcile net income to cash                        |               |                |               |                |               |
| Taxes  | -1,849        | -689           | -881          | 2,096          | -1,348        |
| Earnings/dividends in JV and associated companies                  | 33            | 37             | 50            | 138            | -16           |
| Depreciation, amortization and impairment losses                   | 2,411         | 2,436          | 2,546         | 2,744          | 2,360         |
| Other  | -201          | 183            | -327          | 1,101          | 549           |
|  | 1,598         | 3,483          | 4,398         | 12,523         | 3,237         |
| <b>Changes in operating net assets</b>                             |               |                |               |                |               |
| Inventories  | -1,426        | 600            | 357           | 5,337          | -2,099        |
| Customer finance, current and non-current                          | 260           | 912            | 800           | -163           | 558           |
| Trade receivables  | -1,934        | 3,084          | -4,744        | -4,910         | 7,957         |
| Trade payables   | -2,948        | 518            | -588          | 860            | -110          |
| Provisions and post-employment benefits                            | 1,155         | -1,752         | -970          | -1,731         | -464          |
| Other operating assets and liabilities, net                        | 325           | -2,554         | 2,206         | 2,693          | 323           |
|  | -4,568        | 808            | -2,939        | 2,086          | 6,165         |
| <b>Cash flow from operating activities</b>                         | <b>-2,970</b> | <b>4,291</b>   | <b>1,459</b>  | <b>14,609</b>  | <b>9,402</b>  |
| <b>Investing activities</b>  |               |                |               |                |               |
| Investments in property, plant and equipment                       | -1,196        | -1,278         | -778          | -1,251         | -1,034        |
| Sales of property, plant and equipment                             | 91            | 11             | 97            | 179            | 274           |
| Acquisitions/divestments of subsidiaries and other operations, net | -136          | -39            | -1,794        | -713           | -849          |
| Product development  | -282          | -214           | -237          | -182           | -197          |
| Other investing activities   | 298           | -203           | -230          | -1,195         | -169          |
| Short-term investments   | -2,860        | 9,209          | -144          | -8,262         | -6,790        |
| <b>Cash flow from investing activities</b>                         | <b>-4,085</b> | <b>7,486</b>   | <b>-3,086</b> | <b>-11,424</b> | <b>-8,765</b> |
| <b>Cash flow before financing activities</b>                       | <b>-7,055</b> | <b>11,777</b>  | <b>-1,627</b> | <b>3,185</b>   | <b>637</b>    |
| <b>Financing activities</b>  |               |                |               |                |               |
| Dividends paid   | -61           | -8,863         | -21           | -208           |               |
| Other financing activities   | 92            | -4,236         | 43            | 3,746          | -5,069        |
| <b>Cash flow from financing activities</b>                         | <b>31</b>     | <b>-13,099</b> | <b>22</b>     | <b>3,538</b>   | <b>-5,069</b> |
| Effect of exchange rate changes on cash                            | -214          | 2,357          | -1,711        | 209            | 433           |
| <b>Net change in cash and cash equivalents</b>                     | <b>-7,238</b> | <b>1,035</b>   | <b>-3,316</b> | <b>6,932</b>   | <b>-3,999</b> |
| <b>Cash and cash equivalents, beginning of period</b>              | <b>44,682</b> | <b>37,444</b>  | <b>38,479</b> | <b>35,163</b>  | <b>42,095</b> |
| <b>Cash and cash equivalents, end of period</b>                    | <b>37,444</b> | <b>38,479</b>  | <b>35,163</b> | <b>42,095</b>  | <b>38,096</b> |

**Table of Contents****PARENT COMPANY INCOME STATEMENT**

| <b>SEK million</b>                       | <b>Jan - Mar</b> |             | <b>Jan - Dec</b> |
|--|------------------|-------------|------------------|
|  | <b>2013</b>      | <b>2014</b> | <b>2013</b>      |
| Net sales                                |                  |             |                  |
| Cost of sales                            |                  |             |                  |
| <b>Gross income</b>                      |                  |             |                  |
| Operating expenses                       | -256             | -342        | -1,380           |
| Other operating income and expenses      | 640              | 665         | 2,768            |
| <b>Operating income</b>                  | 384              | 323         | 1,388            |
| Financial net                            | 792              | 117         | 5,856            |
| <b>Income after financial items</b>      | 1,176            | 440         | 7,244            |
| Transfers to (-) / from untaxed reserves |                  |             | -142             |
| Taxes                                    | -119             | -74         | -247             |
| <b>Net income</b>                        | 1,057            | 366         | 6,855            |

**STATEMENT OF COMPREHENSIVE INCOME**

| <b>SEK million</b>                                  | <b>Jan - Mar</b> |             | <b>Jan - Dec</b> |
|---|------------------|-------------|------------------|
|   | <b>2013</b>      | <b>2014</b> | <b>2013</b>      |
| <b>Net income</b>                                   | 1,057            | 366         | 6,855            |
| Cash flow hedges                                    |                  |             |                  |
| Fair value remeasurement                            |                  |             | 69               |
| <b>Total other comprehensive income, net of tax</b> |                  |             | 69               |
| <b>Total comprehensive income</b>                   | 1,057            | 366         | 6,924            |

**PARENT COMPANY BALANCE SHEET**

| <b>SEK million</b>    | <b>Dec 31</b> | <b>Mar 31</b> |
|-----------------------|---------------|---------------|
|                       | <b>2013</b>   | <b>2014</b>   |
| <b>ASSETS</b>         |               |               |
| <b>Fixed assets</b>   |               |               |
| Intangible assets     | 646           | 591           |
| Tangible assets       | 571           | 613           |
| Financial assets      | 94,741        | 94,597        |
|                       | 95,958        | 95,801        |
| <b>Current assets</b> |               |               |
| Inventories           | 7             | 9             |

|  |                |                |
|--|----------------|----------------|
| Receivables  | 17,247         | 17,612         |
| Short-term investments                                       | 34,520         | 41,205         |
| Cash and cash equivalents                                    | 23,954         | 21,262         |
|  | 75,728         | 80,088         |
| <b>Total assets</b>  | <b>171,686</b> | <b>175,889</b> |
| <b>STOCKHOLDERS EQUITY, PROVISIONS AND LIABILITIES</b>       |                |                |
| <b>Equity</b>  |                |                |
| Restricted equity  | 48,018         | 48,018         |
| Non-restricted equity  | 23,798         | 24,193         |
|  | 71,816         | 72,211         |
| <b>Provisions</b>  | <b>2,097</b>   | <b>1,978</b>   |
| <b>Non-current liabilities</b>                               | <b>44,491</b>  | <b>42,623</b>  |
| <b>Current liabilities</b>                                   | <b>53,282</b>  | <b>59,077</b>  |
| <b>Total stockholders equity, provisions and liabilities</b> | <b>171,686</b> | <b>175,889</b> |
| Assets pledged as collateral                                 | 553            | 525            |
| Contingent liabilities                                       | 15,999         | 17,739         |

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Accounting policies

## **The Group**

This interim report is prepared in accordance with IAS 34. The term **IFRS** used in this document refers to the application of IAS and IFRS as well as interpretations of these standards as issued by IASB's Standards Interpretation Committee (SIC) and IFRS Interpretations Committee (IFRIC). The accounting policies adopted are consistent with those of the annual report for the year ended December 31, 2013, and should be read in conjunction with that annual report.

As from January 1, 2014, the Company has applied the following new or amended IFRSs and IFRICs:

**Amendment to IAS 32, Financial instruments: Presentation, Offsetting Financial Assets and Financial Liabilities.** This amendment is related to the application guidance in IAS 32, **Financial instruments: Presentation**, and clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

**IFRIC 21, Levies.** This interpretation of IAS 37 **Provisions, contingent liabilities and contingent assets** sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to the need to pay a levy and when a liability should be recognized.

None of the new or amended standards and interpretations has had any significant impact on the financial result or position of the Company. There is no significant difference between IFRS effective as per March 31, 2014 and IFRS as endorsed by the EU. However, IFRIC 21 is not yet endorsed by the EU.

In the interim reports of 2013 disclosure was given in relation to IFRS 7 about fair valuation of financial instruments. Due to that the amounts are not considered material this disclosure will not be given in the interim reports as from the first quarter of 2014. Should amounts become material quarterly disclosure will be given as from then.



**Table of Contents****NET SALES BY SEGMENT BY QUARTER**

Segment Modems was consolidated as of October 1, 2013.

| Isolated quarters, SEK million        | 2013          |               |               |               | 2014          |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
|                                       | Q1            | Q2            | Q3            | Q4            | Q1            |
| Networks                              | 28,133        | 28,142        | 26,655        | 34,769        | 24,383        |
| Global Services                       | 21,452        | 24,851        | 23,974        | 27,166        | 20,356        |
| <i>Of which Professional Services</i> | <i>14,626</i> | <i>16,773</i> | <i>16,229</i> | <i>18,767</i> | <i>15,078</i> |
| <i>Of which Managed Services</i>      | <i>5,888</i>  | <i>6,754</i>  | <i>6,264</i>  | <i>6,574</i>  | <i>5,754</i>  |
| <i>Of which Network Rollout</i>       | <i>6,826</i>  | <i>8,078</i>  | <i>7,745</i>  | <i>8,399</i>  | <i>5,278</i>  |
| Support Solutions                     | 2,447         | 2,338         | 2,352         | 5,097         | 2,765         |
| Modems                                |               |               |               |               | 1             |
| <b>Total</b>                          | <b>52,032</b> | <b>55,331</b> | <b>52,981</b> | <b>67,032</b> | <b>47,505</b> |

| Sequential change, percent            | 2013        |            |            |            | 2014        |
|---------------------------------------|-------------|------------|------------|------------|-------------|
|                                       | Q1          | Q2         | Q3         | Q4         | Q1          |
| Networks                              | -20%        | 0%         | -5%        | 30%        | -30%        |
| Global Services                       | -24%        | 16%        | -4%        | 13%        | -25%        |
| <i>Of which Professional Services</i> | <i>-23%</i> | <i>15%</i> | <i>-3%</i> | <i>16%</i> | <i>-20%</i> |
| <i>Of which Managed Services</i>      | <i>-13%</i> | <i>15%</i> | <i>-7%</i> | <i>5%</i>  | <i>-12%</i> |
| <i>Of which Network Rollout</i>       | <i>-26%</i> | <i>18%</i> | <i>-4%</i> | <i>8%</i>  | <i>-37%</i> |
| Support Solutions                     | -33%        | -4%        | 1%         | 117%       | -46%        |
| Modems                                |             |            |            |            |             |
| <b>Total</b>                          | <b>-22%</b> | <b>6%</b>  | <b>-4%</b> | <b>27%</b> | <b>-29%</b> |

| Year over year change, percent        | 2013       |            |            |            | 2014        |
|---------------------------------------|------------|------------|------------|------------|-------------|
|                                       | Q1         | Q2         | Q3         | Q4         | Q1          |
| Networks                              | 3%         | 1%         | -1%        | -1%        | -13%        |
| Global Services                       | 4%         | 3%         | -1%        | -3%        | -5%         |
| <i>Of which Professional Services</i> | <i>-2%</i> | <i>-1%</i> | <i>-1%</i> | <i>-1%</i> | <i>3%</i>   |
| <i>Of which Managed Services</i>      | <i>3%</i>  | <i>4%</i>  | <i>-1%</i> | <i>-3%</i> | <i>-2%</i>  |
| <i>Of which Network Rollout</i>       | <i>19%</i> | <i>13%</i> | <i>-2%</i> | <i>-8%</i> | <i>-23%</i> |
| Support Solutions                     | -19%       | -33%       | -29%       | 40%        | 13%         |
| Modems                                |            |            |            |            |             |
| <b>Total</b>                          | <b>2%</b>  | <b>0%</b>  | <b>-3%</b> | <b>0%</b>  | <b>-9%</b>  |

| Year to date, SEK million | 2013      |           |           |           | 2014      |
|---------------------------|-----------|-----------|-----------|-----------|-----------|
|                           | Jan - Mar | Jan - Jun | Jan - Sep | Jan - Dec | Jan - Mar |
|                           |           |           |           |           |           |

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|                                       |               |                |                |                |               |
|---------------------------------------|---------------|----------------|----------------|----------------|---------------|
| Networks                              | 28,133        | 56,275         | 82,930         | 117,699        | 24,383        |
| Global Services                       | 21,452        | 46,303         | 70,277         | 97,443         | 20,356        |
| <i>Of which Professional Services</i> | <i>14,626</i> | <i>31,399</i>  | <i>47,628</i>  | <i>66,395</i>  | <i>15,078</i> |
| <i>Of which Managed Services</i>      | <i>5,888</i>  | <i>12,642</i>  | <i>18,906</i>  | <i>25,480</i>  | <i>5,754</i>  |
| <i>Of which Network Rollout</i>       | <i>6,826</i>  | <i>14,904</i>  | <i>22,649</i>  | <i>31,048</i>  | <i>5,278</i>  |
| Support Solutions                     | 2,447         | 4,785          | 7,137          | 12,234         | 2,765         |
| Modems                                |               |                |                |                | 1             |
| <b>Total</b>                          | <b>52,032</b> | <b>107,363</b> | <b>160,344</b> | <b>227,376</b> | <b>47,505</b> |

| Year to date,<br>year over year change, percent | 2013       |            |            |            | 2014        |
|---|------------|------------|------------|------------|-------------|
|   | Jan - Mar  | Jan - Jun  | Jan - Sep  | Jan - Dec  | Jan - Mar   |
| Networks  | 3%         | 2%         | 1%         | 0%         | -13%        |
| Global Services                                 | 4%         | 4%         | 2%         | 0%         | -5%         |
| <i>Of which Professional Services</i>           | <i>-2%</i> | <i>-1%</i> | <i>-1%</i> | <i>-1%</i> | <i>3%</i>   |
| <i>Of which Managed Services</i>                | <i>3%</i>  | <i>4%</i>  | <i>2%</i>  | <i>1%</i>  | <i>-2%</i>  |
| <i>Of which Network Rollout</i>                 | <i>19%</i> | <i>16%</i> | <i>9%</i>  | <i>4%</i>  | <i>-23%</i> |
| Support Solutions                               | -19%       | -26%       | -27%       | -9%        | 13%         |
| Modems  |            |            |            |            |             |
| <b>Total</b>                                    | <b>2%</b>  | <b>1%</b>  | <b>0%</b>  | <b>0%</b>  | <b>-9%</b>  |

**SALES GROWTH ADJUSTED FOR COMPARABLE UNITS AND CURRENCY (%)**

| Sequential change, percent | 2013        |           |            |            | 2014        |
|----------------------------|-------------|-----------|------------|------------|-------------|
|                            | Q1          | Q2        | Q3         | Q4         | Q1          |
| Networks                   | -17%        | 0%        | -3%        | 31%        | -30%        |
| Global Services            | -20%        | 17%       | -2%        | 13%        | -25%        |
| Support Solutions          | -30%        | -5%       | 3%         | 102%       | -45%        |
| Modems                     |             |           |            |            |             |
| <b>Total</b>               | <b>-19%</b> | <b>6%</b> | <b>-2%</b> | <b>27%</b> | <b>-28%</b> |

| Isolated quarter,<br>year over year change, percent | 2013      |           |           |           | 2014       |
|---|-----------|-----------|-----------|-----------|------------|
|   | Q1        | Q2        | Q3        | Q4        | Q1         |
| Networks  | 7%        | 8%        | 4%        | 3%        | -10%       |
| Global Services                                     | 9%        | 9%        | 3%        | 1%        | -3%        |
| Support Solutions                                   | -3%       | -19%      | -15%      | 35%       | 4%         |
| Modems  |           |           |           |           |            |
| <b>Total</b>  | <b>7%</b> | <b>7%</b> | <b>3%</b> | <b>4%</b> | <b>-7%</b> |

| Year to date,<br>year over year change, percent | 2013      |           |           |           | 2014      |
|---|-----------|-----------|-----------|-----------|-----------|
|   | Jan - Mar | Jan - Jun | Jan - Sep | Jan - Dec | Jan - Mar |
|   |           |           |           |           |           |

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|                   |           |           |           |           |            |
|-------------------|-----------|-----------|-----------|-----------|------------|
| Networks          | 7%        | 7%        | 6%        | 5%        | -10%       |
| Global Services   | 9%        | 9%        | 7%        | 5%        | -3%        |
| Support Solutions | -3%       | -12%      | -13%      | 0%        | 4%         |
| Modems            |           |           |           |           |            |
| <b>Total</b>      | <b>7%</b> | <b>7%</b> | <b>5%</b> | <b>5%</b> | <b>-7%</b> |

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**Table of Contents****OPERATING INCOME BY SEGMENT BY QUARTER**

| Isolated quarters, SEK million        | 2013         |              |              |              | 2014         |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
|                                       | Q1           | Q2           | Q3           | Q4           | Q1           |
| Networks                              | 1,565        | 1,335        | 2,557        | 5,861        | 2,476        |
| Global Services                       | 726          | 1,564        | 1,808        | 2,087        | 1,036        |
| <i>Of which Professional Services</i> | 1,837        | 2,285        | 2,279        | 2,628        | 1,893        |
| <i>Of which Network Rollout</i>       | -1,111       | -721         | -471         | -541         | -857         |
| Support Solutions                     | -29          | -283         | -113         | 1,880        | 12           |
| Modems                                |              |              |              | -543         | -745         |
| Unallocated <sup>1)</sup>             | -156         | -151         | -33          | -230         | -149         |
| <b>Total</b>                          | <b>2,106</b> | <b>2,465</b> | <b>4,219</b> | <b>9,055</b> | <b>2,630</b> |

| Year to date, SEK million             | 2013         |              |              |               | 2014         |
|---------------------------------------|--------------|--------------|--------------|---------------|--------------|
|                                       | Jan - Mar    | Jan - Jun    | Jan - Sep    | Jan - Dec     | Jan - Mar    |
| Networks                              | 1,565        | 2,900        | 5,457        | 11,318        | 2,476        |
| Global Services                       | 726          | 2,290        | 4,098        | 6,185         | 1,036        |
| <i>Of which Professional Services</i> | 1,837        | 4,122        | 6,401        | 9,029         | 1,893        |
| <i>Of which Network Rollout</i>       | -1,111       | -1,832       | -2,303       | -2,844        | -857         |
| Support Solutions                     | -29          | -312         | -425         | 1,455         | 12           |
| Modems                                |              |              |              | -543          | -745         |
| Unallocated <sup>1)</sup>             | -156         | -307         | -340         | -570          | -149         |
| <b>Total</b>                          | <b>2,106</b> | <b>4,571</b> | <b>8,790</b> | <b>17,845</b> | <b>2,630</b> |

**OPERATING MARGIN BY SEGMENT BY QUARTER**

| As percentage of net sales, isolated quarters | 2013      |           |           |            | 2014      |
|---|-----------|-----------|-----------|------------|-----------|
|   | Q1        | Q2        | Q3        | Q4         | Q1        |
| Networks                                      | 6%        | 5%        | 10%       | 17%        | 10%       |
| Global Services                               | 3%        | 6%        | 8%        | 8%         | 5%        |
| <i>Of which Professional Services</i>         | 13%       | 14%       | 14%       | 14%        | 13%       |
| <i>Of which Network Rollout</i>               | -16%      | -9%       | -6%       | -6%        | -16%      |
| Support Solutions                             | -1%       | -12%      | -5%       | 37%        | 0%        |
| Modems  |           |           |           |            |           |
| <b>Total</b>                                  | <b>4%</b> | <b>4%</b> | <b>8%</b> | <b>14%</b> | <b>6%</b> |

| As percentage of net sales, Year to date | 2013      |           |           |           | 2014      |
|--|-----------|-----------|-----------|-----------|-----------|
|  | Jan - Mar | Jan - Jun | Jan - Sep | Jan - Dec | Jan - Mar |
| Networks                                 | 6%        | 5%        | 7%        | 10%       | 10%       |
| Global Services                          | 3%        | 5%        | 6%        | 6%        | 5%        |

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|                                       |           |           |           |           |           |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|
| <i>Of which Professional Services</i> | 13%       | 13%       | 13%       | 14%       | 13%       |
| <i>Of which Network Rollout</i>       | -16%      | -12%      | -10%      | -9%       | -16%      |
| Support Solutions                     | -1%       | -7%       | -6%       | 12%       | 0%        |
| Modems                                |           |           |           |           |           |
| <b>Total</b>                          | <b>4%</b> | <b>4%</b> | <b>5%</b> | <b>8%</b> | <b>6%</b> |

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

**Table of Contents****EBITA BY SEGMENT BY QUARTER**

| Isolated quarters, SEK million        | 2013         |              |              |               | 2014         |
|---------------------------------------|--------------|--------------|--------------|---------------|--------------|
|                                       | Q1           | Q2           | Q3           | Q4            | Q1           |
| Networks                              | 2,302        | 2,074        | 3,320        | 6,525         | 3,052        |
| Global Services                       | 942          | 1,783        | 2,043        | 2,342         | 1,257        |
| <i>Of which Professional Services</i> | 2,009        | 2,443        | 2,466        | 2,820         | 2,073        |
| <i>Of which Network Rollout</i>       | -1,067       | -660         | -423         | -478          | -816         |
| Support Solutions                     | 118          | -132         | 38           | 2,076         | 192          |
| Modems                                |              |              |              | -499          | -699         |
| Unallocated <sup>1)</sup>             | -155         | -150         | -32          | -229          | -149         |
| <b>Total</b>                          | <b>3,207</b> | <b>3,575</b> | <b>5,369</b> | <b>10,215</b> | <b>3,653</b> |

| Year to date, SEK million             | 2013         |              |               |               | 2014         |
|---------------------------------------|--------------|--------------|---------------|---------------|--------------|
|                                       | Jan - Mar    | Jan - Jun    | Jan - Sep     | Jan - Dec     | Jan - Mar    |
| Networks                              | 2,302        | 4,376        | 7,696         | 14,221        | 3,052        |
| Global Services                       | 942          | 2,725        | 4,768         | 7,110         | 1,257        |
| <i>Of which Professional Services</i> | 2,009        | 4,452        | 6,918         | 9,738         | 2,073        |
| <i>Of which Network Rollout</i>       | -1,067       | -1,727       | -2,150        | -2,628        | -816         |
| Support Solutions                     | 118          | -14          | 24            | 2,100         | 192          |
| Modems                                |              |              |               | -499          | -699         |
| Unallocated <sup>1)</sup>             | -155         | -305         | -337          | -566          | -149         |
| <b>Total</b>                          | <b>3,207</b> | <b>6,782</b> | <b>12,151</b> | <b>22,366</b> | <b>3,653</b> |

**EBITA MARGIN BY SEGMENT BY QUARTER**

| As percentage of net sales, isolated quarters | 2013      |           |            |            | 2014      |
|---|-----------|-----------|------------|------------|-----------|
|   | Q1        | Q2        | Q3         | Q4         | Q1        |
| Networks                                      | 8%        | 7%        | 12%        | 19%        | 13%       |
| Global Services                               | 4%        | 7%        | 9%         | 9%         | 6%        |
| <i>Of which Professional Services</i>         | 14%       | 15%       | 15%        | 15%        | 14%       |
| <i>Of which Network Rollout</i>               | -16%      | -8%       | -5%        | -6%        | -15%      |
| Support Solutions                             | 5%        | -6%       | 2%         | 41%        | 7%        |
| Modems  |           |           |            |            |           |
| <b>Total</b>                                  | <b>6%</b> | <b>6%</b> | <b>10%</b> | <b>15%</b> | <b>8%</b> |

| As percentage of net sales, year to date | 2013      |           |           |           | 2014      |
|--|-----------|-----------|-----------|-----------|-----------|
|  | Jan - Mar | Jan - Jun | Jan - Sep | Jan - Dec | Jan - Mar |
| Networks                                 | 8%        | 8%        | 9%        | 12%       | 13%       |
| Global Services                          | 4%        | 6%        | 7%        | 7%        | 6%        |

|                                       |           |           |           |            |           |
|---------------------------------------|-----------|-----------|-----------|------------|-----------|
| <i>Of which Professional Services</i> | 14%       | 14%       | 15%       | 15%        | 14%       |
| <i>Of which Network Rollout</i>       | -16%      | -12%      | -9%       | -8%        | -15%      |
| Support Solutions                     | 5%        | 0%        | 0%        | 17%        | 7%        |
| Modems                                |           |           |           |            |           |
| <b>Total</b>                          | <b>6%</b> | <b>6%</b> | <b>8%</b> | <b>10%</b> | <b>8%</b> |

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

**Table of Contents****NET SALES BY REGION BY QUARTER**

| <b>Isolated quarters, SEK million</b>           | <b>2013</b>   |               |               |               | <b>2014</b>   |
|---|---------------|---------------|---------------|---------------|---------------|
|   | <b>Q1</b>     | <b>Q2</b>     | <b>Q3</b>     | <b>Q4</b>     | <b>Q1</b>     |
| North America                                   | 15,773        | 15,341        | 14,453        | 13,772        | 12,215        |
| Latin America                                   | 4,374         | 5,565         | 5,294         | 6,749         | 4,710         |
| Northern Europe & Central Asia <sup>1) 2)</sup> | 2,283         | 2,708         | 2,949         | 3,678         | 2,436         |
| Western & Central Europe <sup>2)</sup>          | 4,349         | 4,522         | 4,399         | 5,215         | 4,381         |
| Mediterranean <sup>2)</sup>                     | 5,271         | 6,159         | 5,659         | 7,067         | 4,785         |
| Middle East                                     | 3,160         | 3,978         | 4,386         | 5,914         | 3,859         |
| Sub Saharan Africa                              | 2,131         | 2,653         | 2,693         | 2,572         | 1,813         |
| India   | 1,606         | 1,279         | 1,280         | 1,973         | 1,695         |
| North East Asia                                 | 6,054         | 6,642         | 6,053         | 8,649         | 4,908         |
| South East Asia & Oceania                       | 4,129         | 3,758         | 3,617         | 4,283         | 3,446         |
| Other <sup>1) 2)</sup>                          | 2,902         | 2,726         | 2,198         | 7,160         | 3,257         |
| <b>Total</b>                                    | <b>52,032</b> | <b>55,331</b> | <b>52,981</b> | <b>67,032</b> | <b>47,505</b> |

<sup>1)</sup> Of which in Sweden 1,020 1,276 798 1,333 999

<sup>2)</sup> Of which in EU 9,782 10,816 10,111 12,835 9,720

| <b>Sequential change, percent</b>               | <b>2013</b> |           |            |            | <b>2014</b> |
|---|-------------|-----------|------------|------------|-------------|
|   | <b>Q1</b>   | <b>Q2</b> | <b>Q3</b>  | <b>Q4</b>  | <b>Q1</b>   |
| North America                                   | -7%         | -3%       | -6%        | -5%        | -11%        |
| Latin America                                   | -33%        | 27%       | -5%        | 27%        | -30%        |
| Northern Europe & Central Asia <sup>1) 2)</sup> | -24%        | 19%       | 9%         | 25%        | -34%        |
| Western & Central Europe <sup>2)</sup>          | -20%        | 4%        | -3%        | 19%        | -16%        |
| Mediterranean <sup>2)</sup>                     | -25%        | 17%       | -8%        | 25%        | -32%        |
| Middle East                                     | -38%        | 26%       | 10%        | 35%        | -35%        |
| Sub Saharan Africa                              | -40%        | 24%       | 2%         | -4%        | -30%        |
| India   | 0%          | -20%      | 0%         | 54%        | -14%        |
| North East Asia                                 | -41%        | 10%       | -9%        | 43%        | -43%        |
| South East Asia & Oceania                       | -9%         | -9%       | -4%        | 18%        | -20%        |
| Other <sup>1) 2)</sup>                          | -3%         | -6%       | -19%       | 226%       | -55%        |
| <b>Total</b>                                    | <b>-22%</b> | <b>6%</b> | <b>-4%</b> | <b>27%</b> | <b>-29%</b> |

<sup>1)</sup> Of which in Sweden -20% 25% -37% 67% -25%

<sup>2)</sup> Of which in EU -24% 11% -7% 27% -24%

| <b>Year-over-year change, percent</b>           | <b>2013</b> |           |           |           | <b>2014</b> |
|---|-------------|-----------|-----------|-----------|-------------|
|   | <b>Q1</b>   | <b>Q2</b> | <b>Q3</b> | <b>Q4</b> | <b>Q1</b>   |
| North America                                   | 23%         | 18%       | 3%        | -19%      | -23%        |
| Latin America                                   | -9%         | 6%        | -2%       | 4%        | 8%          |
| Northern Europe & Central Asia <sup>1) 2)</sup> | 0%          | -19%      | 9%        | 23%       | 7%          |
| Western & Central Europe <sup>2)</sup>          | 1%          | 10%       | 21%       | -4%       | 1%          |



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|   |           |           |            |           |            |
|---|-----------|-----------|------------|-----------|------------|
| Mediterranean <sup>2)</sup>             | 14%       | -1%       | 5%         | 0%        | -9%        |
| Middle East                             | 0%        | 7%        | 21%        | 17%       | 22%        |
| Sub Saharan Africa                      | -3%       | -5%       | -4%        | -28%      | -15%       |
| India                                   | 13%       | -25%      | -26%       | 23%       | 6%         |
| North East Asia                         | -34%      | -21%      | -28%       | -16%      | -19%       |
| South East Asia & Oceania               | 22%       | 2%        | 3%         | -5%       | -17%       |
| Other <sup>1) 2)</sup>                  | 2%        | -13%      | -34%       | 141%      | 12%        |
| <b>Total</b>                            | <b>2%</b> | <b>0%</b> | <b>-3%</b> | <b>0%</b> | <b>-9%</b> |
| <i><sup>1)</sup> Of which in Sweden</i> | 22%       | 0%        | -52%       | 5%        | -2%        |
| <i><sup>2)</sup> Of which in EU</i>     | 3%        | -3%       | -5%        | -1%       | -1%        |

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**Table of Contents****NET SALES BY REGION BY QUARTER (continued)**

| Year to date, SEK million                       | 2013          |                |                |                | 2014          |
|---|---------------|----------------|----------------|----------------|---------------|
|   | Jan - Mar     | Jan - Jun      | Jan - Sep      | Jan - Dec      | Jan - Mar     |
| North America                                   | 15,773        | 31,114         | 45,567         | 59,339         | 12,215        |
| Latin America                                   | 4,374         | 9,939          | 15,233         | 21,982         | 4,710         |
| Northern Europe & Central Asia <sup>1) 2)</sup> | 2,283         | 4,991          | 7,940          | 11,618         | 2,436         |
| Western & Central Europe <sup>2)</sup>          | 4,349         | 8,871          | 13,270         | 18,485         | 4,381         |
| Mediterranean <sup>2)</sup>                     | 5,271         | 11,430         | 17,089         | 24,156         | 4,785         |
| Middle East                                     | 3,160         | 7,138          | 11,524         | 17,438         | 3,859         |
| Sub Saharan Africa                              | 2,131         | 4,784          | 7,477          | 10,049         | 1,813         |
| India   | 1,606         | 2,885          | 4,165          | 6,138          | 1,695         |
| North East Asia                                 | 6,054         | 12,696         | 18,749         | 27,398         | 4,908         |
| South East Asia & Oceania                       | 4,129         | 7,887          | 11,504         | 15,787         | 3,446         |
| Other <sup>1) 2)</sup>                          | 2,902         | 5,628          | 7,826          | 14,986         | 3,257         |
| <b>Total</b>                                    | <b>52,032</b> | <b>107,363</b> | <b>160,344</b> | <b>227,376</b> | <b>47,505</b> |

<sup>1)</sup> Of which in Sweden 1,020 2,296 3,094 4,427 999

<sup>2)</sup> Of which in EU 9,782 20,598 30,709 43,544 9,720

| Year to date,<br>year-over-year change, percent | 2013      |           |           |           | 2014       |
|---|-----------|-----------|-----------|-----------|------------|
|   | Jan - Mar | Jan - Jun | Jan - Sep | Jan - Dec | Jan - Mar  |
| North America                                   | 23%       | 21%       | 14%       | 5%        | -23%       |
| Latin America                                   | -9%       | -1%       | -2%       | 0%        | 8%         |
| Northern Europe & Central Asia <sup>1) 2)</sup> | 0%        | -12%      | -5%       | 2%        | 7%         |
| Western & Central Europe <sup>2)</sup>          | 1%        | 6%        | 10%       | 6%        | 1%         |
| Mediterranean <sup>2)</sup>                     | 14%       | 6%        | 5%        | 4%        | -9%        |
| Middle East                                     | 0%        | 4%        | 10%       | 12%       | 22%        |
| Sub Saharan Africa                              | -3%       | -4%       | -4%       | -11%      | -15%       |
| India   | 13%       | -8%       | -14%      | -5%       | 6%         |
| North East Asia                                 | -34%      | -28%      | -28%      | -24%      | -19%       |
| South East Asia & Oceania                       | 22%       | 12%       | 9%        | 5%        | -17%       |
| Other <sup>1) 2)</sup>                          | 2%        | -6%       | -16%      | 22%       | 12%        |
| <b>Total</b>                                    | <b>2%</b> | <b>1%</b> | <b>0%</b> | <b>0%</b> | <b>-9%</b> |

<sup>1)</sup> Of which in Sweden 22% 9% -18% -12% -2%

<sup>2)</sup> Of which in EU 3% -1% -2% -2% -1%

**TOP 5 COUNTRIES IN SALES**

Q1

Jan - Mar

| <b>Country</b> | <b>2013</b> | <b>2014</b> | <b>2013</b> | <b>2014</b> |
|----------------|-------------|-------------|-------------|-------------|
| UNITED STATES  | 30%         | 26%         | 30%         | 26%         |
| CHINA          | 4%          | 5%          | 4%          | 5%          |
| JAPAN          | 7%          | 4%          | 7%          | 4%          |
| INDIA          | 3%          | 4%          | 3%          | 4%          |
| KOREA          | 2%          | 4%          | 2%          | 4%          |

**Table of Contents****NET SALES BY REGION BY SEGMENT**

Revenue from Telcordia is reported 50/50 between segments Global Services and Support Solutions. In the regional dimension, all of Telcordia sales is reported in Support Solutions, except for North America where it is split 50/50.

|                                | Q1 2014, SEK million |                    |                      |                 | Jan - Mar 2014, SEK million |                    |                      |                 |               |      |
|--------------------------------|----------------------|--------------------|----------------------|-----------------|-----------------------------|--------------------|----------------------|-----------------|---------------|------|
|                                | Net-<br>works        | Global<br>Services | Support<br>Solutions | Modems<br>Total | Net-<br>works               | Global<br>Services | Support<br>Solutions | Modems<br>Total | Total         |      |
| North America                  | 6,545                | 5,038              | 632                  | <b>12,215</b>   | 6,545                       | 5,038              | 632                  |                 | <b>12,215</b> |      |
| Latin America                  | 2,435                | 2,038              | 237                  | <b>4,710</b>    | 2,435                       | 2,038              | 237                  |                 | <b>4,710</b>  |      |
| Northern Europe & Central Asia | 1,373                | 1,004              | 59                   | <b>2,436</b>    | 1,373                       | 1,004              | 59                   |                 | <b>2,436</b>  |      |
| Western & Central Europe       | 1,794                | 2,458              | 129                  | <b>4,381</b>    | 1,794                       | 2,458              | 129                  |                 | <b>4,381</b>  |      |
| Mediterranean                  | 1,988                | 2,606              | 191                  | <b>4,785</b>    | 1,988                       | 2,606              | 191                  |                 | <b>4,785</b>  |      |
| Middle East                    | 1,808                | 1,872              | 179                  | <b>3,859</b>    | 1,808                       | 1,872              | 179                  |                 | <b>3,859</b>  |      |
| Sub Saharan Africa             | 725                  | 830                | 258                  | <b>1,813</b>    | 725                         | 830                | 258                  |                 | <b>1,813</b>  |      |
| India                          | 888                  | 699                | 108                  | <b>1,695</b>    | 888                         | 699                | 108                  |                 | <b>1,695</b>  |      |
| North East Asia                | 2,770                | 2,025              | 113                  | <b>4,908</b>    | 2,770                       | 2,025              | 113                  |                 | <b>4,908</b>  |      |
| South East Asia & Oceania      | 1,862                | 1,492              | 92                   | <b>3,446</b>    | 1,862                       | 1,492              | 92                   |                 | <b>3,446</b>  |      |
| Other                          | 2,195                | 294                | 767                  | <b>3,257</b>    | 2,195                       | 294                | 767                  | 1               | <b>3,257</b>  |      |
| <b>Total</b>                   | <b>24,383</b>        | <b>20,356</b>      | <b>2,765</b>         | <b>1 47,505</b> | <b>24,383</b>               | <b>20,356</b>      | <b>2,765</b>         | <b>1</b>        | <b>47,505</b> |      |
| Share of Total                 | 51%                  | 43%                | 6%                   | 0%              | 100%                        | 51%                | 43%                  | 6%              | 0%            | 100% |

| Sequential change, percent     | Q1 2014       |                    |                      |        |             |
|--------------------------------|---------------|--------------------|----------------------|--------|-------------|
|                                | Net-<br>works | Global<br>Services | Support<br>Solutions | Modems | Total       |
| North America                  | 23%           | -32%               | -39%                 |        | <b>-11%</b> |
| Latin America                  | -31%          | -30%               | -20%                 |        | <b>-30%</b> |
| Northern Europe & Central Asia | -41%          | -20%               | -29%                 |        | <b>-34%</b> |
| Western & Central Europe       | -13%          | -16%               | -43%                 |        | <b>-16%</b> |
| Mediterranean                  | -31%          | -33%               | -35%                 |        | <b>-32%</b> |
| Middle East                    | -40%          | -20%               | -69%                 |        | <b>-35%</b> |
| Sub Saharan Africa             | -44%          | -22%               | 18%                  |        | <b>-30%</b> |
| India                          | -25%          | -2%                | 38%                  |        | <b>-14%</b> |
| North East Asia                | -54%          | -19%               | -29%                 |        | <b>-43%</b> |

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|                           |             |             |             |             |
|---------------------------|-------------|-------------|-------------|-------------|
| South East Asia & Oceania | -22%        | -14%        | -44%        | <b>-20%</b> |
| Other                     | -55%        | -18%        | -61%        | <b>-55%</b> |
| <b>Total</b>              | <b>-30%</b> | <b>-25%</b> | <b>-46%</b> | <b>-29%</b> |

| Year over year change, percent | Q1 2014     |                 |                   |        | Total       |
|--------------------------------|-------------|-----------------|-------------------|--------|-------------|
|                                | Net-works   | Global Services | Support Solutions | Modems |             |
| North America                  | -29%        | -18%            | 30%               |        | <b>-23%</b> |
| Latin America                  | 22%         | 1%              | -33%              |        | <b>8%</b>   |
| Northern Europe & Central Asia | 9%          | 5%              | -8%               |        | <b>7%</b>   |
| Western & Central Europe       | -5%         | 5%              | 10%               |        | <b>1%</b>   |
| Mediterranean                  | -19%        | -3%             | 35%               |        | <b>-9%</b>  |
| Middle East                    | 28%         | 27%             | -34%              |        | <b>22%</b>  |
| Sub Saharan Africa             | -34%        | 1%              | 23%               |        | <b>-15%</b> |
| India                          | 3%          | 11%             | -11%              |        | <b>6%</b>   |
| North East Asia                | -18%        | -22%            | 30%               |        | <b>-19%</b> |
| South East Asia & Oceania      | -28%        | 5%              | -15%              |        | <b>-17%</b> |
| Other                          | 10%         | -28%            | 57%               |        | <b>12%</b>  |
| <b>Total</b>                   | <b>-13%</b> | <b>-5%</b>      | <b>13%</b>        |        | <b>-9%</b>  |

| Year over year change, percent | Jan - Mar 2014 |                 |                   |        | Total       |
|--------------------------------|----------------|-----------------|-------------------|--------|-------------|
|                                | Net-works      | Global Services | Support Solutions | Modems |             |
| North America                  | -29%           | -18%            | 30%               |        | <b>-23%</b> |
| Latin America                  | 22%            | 1%              | -33%              |        | <b>8%</b>   |
| Northern Europe & Central Asia | 9%             | 5%              | -8%               |        | <b>7%</b>   |
| Western & Central Europe       | -5%            | 5%              | 10%               |        | <b>1%</b>   |
| Mediterranean                  | -19%           | -3%             | 35%               |        | <b>-9%</b>  |
| Middle East                    | 28%            | 27%             | -34%              |        | <b>22%</b>  |
| Sub Saharan Africa             | -34%           | 1%              | 23%               |        | <b>-15%</b> |
| India                          | 3%             | 11%             | -11%              |        | <b>6%</b>   |
| North East Asia                | -18%           | -22%            | 30%               |        | <b>-19%</b> |
| South East Asia & Oceania      | -28%           | 5%              | -15%              |        | <b>-17%</b> |
| Other                          | 10%            | -28%            | 57%               |        | <b>12%</b>  |
| <b>Total</b>                   | <b>-13%</b>    | <b>-5%</b>      | <b>13%</b>        |        | <b>-9%</b>  |

**Table of Contents****PROVISIONS**

| Isolated quarters, SEK million                     | 2013         |              |              |              | 2014         |
|--|--------------|--------------|--------------|--------------|--------------|
|  | Q1           | Q2           | Q3           | Q4           | Q1           |
| <b>Opening balance</b>                             | <b>8,638</b> | <b>9,499</b> | <b>7,716</b> | <b>6,414</b> | <b>5,362</b> |
| Additions  | 1,915        | 1,215        | 658          | 911          | 625          |
| Utilization/Cash out                               | -758         | -2,365       | -1,534       | -1,364       | -977         |
| <i>Of which restructuring</i>                      | -324         | -1,001       | -457         | -307         | -512         |
| Reversal of excess amounts                         | -209         | -586         | -191         | -575         | -88          |
| Reclassification, translation difference and other | -87          | -47          | -235         | -24          | 6            |
| <b>Closing balance</b>                             | <b>9,499</b> | <b>7,716</b> | <b>6,414</b> | <b>5,362</b> | <b>4,928</b> |

| Year to date, SEK million                          | 2013         |              |              |              | 2014         |
|--|--------------|--------------|--------------|--------------|--------------|
|  | Jan - Mar    | Jan - Jun    | Jan - Sep    | Jan - Dec    | Jan - Mar    |
| <b>Opening balance</b>                             | <b>8,638</b> | <b>8,638</b> | <b>8,638</b> | <b>8,638</b> | <b>5,362</b> |
| Additions  | 1,915        | 3,130        | 3,788        | 4,699        | 625          |
| Utilization/Cash out                               | -758         | -3,123       | -4,657       | -6,021       | -977         |
| <i>Of which restructuring</i>                      | -324         | -1,325       | -1,782       | -2,089       | -512         |
| Reversal of excess amounts                         | -209         | -795         | -986         | -1,561       | -88          |
| Reclassification, translation difference and other | -87          | -134         | -369         | -393         | 6            |
| <b>Closing balance</b>                             | <b>9,499</b> | <b>7,716</b> | <b>6,414</b> | <b>5,362</b> | <b>4,928</b> |

**INFORMATION ON INVESTMENTS IN ASSETS SUBJECT TO DEPRECIATION, AMORTIZATION, IMPAIRMENT AND WRITE-DOWNS**

| Isolated quarters, SEK million          | 2013         |              |              |              | 2014         |
|---|--------------|--------------|--------------|--------------|--------------|
|   | Q1           | Q2           | Q3           | Q4           | Q1           |
| <b>Additions</b>                        |              |              |              |              |              |
| Property, plant and equipment           | 1,196        | 1,278        | 778          | 1,251        | 1,034        |
| Capitalized development expenses        | 282          | 214          | 237          | 182          | 197          |
| IPR, brands and other intangible assets | 196          | 22           | 1,418        | 562          | 77           |
| <b>Total</b>                            | <b>1,674</b> | <b>1,514</b> | <b>2,433</b> | <b>1,995</b> | <b>1,308</b> |

**Depreciation, amortization and impairment losses**

|   |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
| Property, plant and equipment                 | 1,008        | 983          | 1,008        | 1,210        | 1,004        |
| Capitalized development expenses              | 303          | 342          | 388          | 374          | 333          |
| IPR, brands and other intangible assets, etc. | 1,100        | 1,111        | 1,150        | 1,160        | 1,023        |
| <b>Total</b>                                  | <b>2,411</b> | <b>2,436</b> | <b>2,546</b> | <b>2,744</b> | <b>2,360</b> |

**RECONCILIATION TABLE, NON-IFRS MEASUREMENTS**

**CASH CONVERSION**

| <b>Isolated quarters, SEK million</b> | <b>2013</b> |           |           |           | <b>2014</b> |
|---------------------------------------|-------------|-----------|-----------|-----------|-------------|
|                                       | <b>Q1</b>   | <b>Q2</b> | <b>Q3</b> | <b>Q4</b> | <b>Q1</b>   |
| Net income                            | 1,204       | 1,516     | 3,010     | 6,444     | 1,692       |
| Net income reconciled to cash         | 1,598       | 3,483     | 4,398     | 12,523    | 3,237       |
| Cash flow from operating activities   | -2,970      | 4,291     | 1,459     | 14,609    | 9,402       |
| Cash conversion                       | -185.9%     | 123.2%    | 33.2%     | 116.7%    | 290.5%      |
| <b>NET CASH, END OF PERIOD</b>        |             |           |           |           |             |

| <b>SEK million</b>         | <b>Dec 31<br/>2013</b> | <b>Mar 31<br/>2014</b> |
|----------------------------|------------------------|------------------------|
| Cash and cash equivalents  | 42,095                 | 38,096                 |
| + Short term investments   | 34,994                 | 41,779                 |
| - Borrowings, non-current  | 22,067                 | 18,900                 |
| - Borrowings, current      | 7,388                  | 5,737                  |
| - Post employment benefits | 9,825                  | 11,633                 |
| Net cash, end of period    | 37,809                 | 43,605                 |

**Table of Contents****OTHER INFORMATION**

|   | Jan - Mar<br>2013 | 2014   | Jan - Dec<br>2013 |
|---|-------------------|--------|-------------------|
| <b>Number of shares and earnings per share</b>                                      |                   |        |                   |
| Number of shares, end of period (million)   | 3,305             | 3,305  | 3,305             |
| <i>Of which class A-shares (million)</i>  | 262               | 262    | 262               |
| <i>Of which class B-shares (million)</i>  | 3,043             | 3,043  | 3,043             |
| Number of treasury shares, end of period (million)                                  | 82                | 71     | 74                |
| Number of shares outstanding, basic, end of period (million)                        | 3,223             | 3,234  | 3,231             |
| Numbers of shares outstanding, diluted, end of period (million)                     | 3,254             | 3,265  | 3,262             |
| Average number of treasury shares (million)   | 83                | 72     | 79                |
| Average number of shares outstanding, basic (million)                               | 3,222             | 3,233  | 3,226             |
| Average number of shares outstanding, diluted (million) <sup>1)</sup>               | 3,253             | 3,264  | 3,257             |
| Earnings per share, basic (SEK)   | 0.37              | 0.66   | 3.72              |
| Earnings per share, diluted (SEK) <sup>1)</sup>                                     | 0.37              | 0.65   | 3.69              |
| Earnings per share (Non-IFRS), diluted (SEK) <sup>2)</sup>                          | 0.61              | 0.88   | 4.69              |
| Earnings per share (Non-IFRS, excluding restructuring), diluted (SEK) <sup>2)</sup> | 0.99              | 0.90   | 5.62              |
| <b>Ratios</b>   |                   |        |                   |
| Days sales outstanding  | 108               | 112    | 97                |
| Inventory turnover days   | 76                | 72     | 62                |
| Payable days  | 55                | 62     | 53                |
| Equity ratio (%)  | 51.4%             | 53.4%  | 52.6%             |
| Return on equity (%)  | 3.5%              | 6.0%   | 8.7%              |
| Return on capital employed (%)  | 5.1%              | 6.7%   | 10.7%             |
| Capital turnover (times)  | 1.2               | 1.1    | 1.3               |
| Cash conversion %, end of period  | -185.9%           | 290.5% | 79.0%             |
| Payment readiness, end of period  | 80,024            | 87,108 | 82,631            |
| Payment readiness, as percentage of sales   | 38.4%             | 45.8%  | 36.3%             |
| <b>Exchange rates used in the consolidation</b>                                     |                   |        |                   |
| SEK/EUR - average rate  | 8.50              | 8.89   | 8.67              |
| - closing rate  | 8.34              | 8.95   | 8.90              |
| SEK/USD - average rate  | 6.46              | 6.48   | 6.52              |
| - closing rate  | 6.51              | 6.48   | 6.46              |
| <b>Other</b>  |                   |        |                   |
| Regional inventory, end of period,  | 20,781            | 16,456 | 14,652            |
| Export sales from Sweden  | 26,154            | 24,078 | 108,944           |

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

<sup>2)</sup> Excluding amortizations and write-downs of acquired intangibles

**NUMBER OF EMPLOYEES**



| End of period                                | 2013           |                |                |                | 2014           |
|--|----------------|----------------|----------------|----------------|----------------|
|  | Mar 31         | Jun 30         | Sep 30         | Dec 31         | Mar 31         |
| North America                                | 15,404         | 15,047         | 14,825         | 14,931         | 14,902         |
| Latin America                                | 11,153         | 11,412         | 11,402         | 11,445         | 9,731          |
| Northern Europe & Central Asia <sup>1)</sup> | 21,043         | 21,148         | 22,038         | 21,892         | 21,484         |
| Western & Central Europe                     | 11,118         | 11,235         | 11,612         | 11,530         | 11,455         |
| Mediterranean                                | 12,015         | 12,405         | 12,350         | 12,314         | 12,253         |
| Middle East                                  | 3,951          | 3,951          | 3,766          | 3,752          | 3,749          |
| Sub Saharan Africa                           | 1,967          | 2,101          | 2,081          | 2,084          | 2,094          |
| India  | 14,588         | 16,183         | 16,978         | 17,622         | 17,991         |
| North East Asia                              | 14,088         | 14,059         | 14,625         | 14,503         | 13,490         |
| South East Asia & Oceania                    | 4,321          | 4,264          | 4,312          | 4,267          | 4,234          |
| <b>Total</b>                                 | <b>109,648</b> | <b>111,805</b> | <b>113,989</b> | <b>114,340</b> | <b>111,383</b> |
| <i><sup>1)</sup> Of which in Sweden</i>      | <i>17,550</i>  | <i>17,264</i>  | <i>18,008</i>  | <i>17,858</i>  | <i>17,545</i>  |

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**Table of Contents****RESTRUCTURING CHARGES BY FUNCTION**

| Isolated quarters, SEK million      | 2013          |             |             |             | 2014        |
|-------------------------------------|---------------|-------------|-------------|-------------|-------------|
|                                     | Q1            | Q2          | Q3          | Q4          | Q1          |
| Cost of sales                       | -698          | -707        | -600        | -652        | -82         |
| Research and development expenses   | -552          | -117        | -64         | -139        | -19         |
| Selling and administrative expenses | -589          | -110        | -55         | -170        | -29         |
| <b>Total</b>                        | <b>-1,839</b> | <b>-934</b> | <b>-719</b> | <b>-961</b> | <b>-130</b> |

| Year to date, SEK million           | 2013          |               |               |               | 2014        |
|-------------------------------------|---------------|---------------|---------------|---------------|-------------|
|                                     | Jan - Mar     | Jan - Jun     | Jan - Sep     | Jan - Dec     | Jan - Mar   |
| Cost of sales                       | -698          | -1,405        | -2,005        | -2,657        | -82         |
| Research and development expenses   | -552          | -669          | -733          | -872          | -19         |
| Selling and administrative expenses | -589          | -699          | -754          | -924          | -29         |
| <b>Total</b>                        | <b>-1,839</b> | <b>-2,773</b> | <b>-3,492</b> | <b>-4,453</b> | <b>-130</b> |

**RESTRUCTURING CHARGES BY SEGMENT**

| Isolated quarters, SEK million        | 2013          |             |             |             | 2014        |
|---------------------------------------|---------------|-------------|-------------|-------------|-------------|
|                                       | Q1            | Q2          | Q3          | Q4          | Q1          |
| Networks                              | -1,251        | -316        | -299        | -316        | -93         |
| Global Services                       | -385          | -586        | -410        | -616        | -32         |
| <i>Of which Professional Services</i> | -270          | -389        | -290        | -420        | -25         |
| <i>Of which Network Rollout</i>       | -115          | -197        | -120        | -196        | -7          |
| Support Solutions                     | -111          | -34         | -11         | -30         | -5          |
| Modems                                |               |             |             |             |             |
| Unallocated                           | -92           | 2           | 1           | 1           | 0           |
| <b>Total</b>                          | <b>-1,839</b> | <b>-934</b> | <b>-719</b> | <b>-961</b> | <b>-130</b> |

| Year to date, SEK million             | 2013      |           |           |           | 2014      |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|
|                                       | Jan - Mar | Jan - Jun | Jan - Sep | Jan - Dec | Jan - Mar |
| Networks                              | -1,251    | -1,567    | -1,866    | -2,182    | -93       |
| Global Services                       | -385      | -971      | -1,381    | -1,997    | -32       |
| <i>Of which Professional Services</i> | -270      | -659      | -949      | -1,369    | -25       |
| <i>Of which Network Rollout</i>       | -115      | -312      | -432      | -628      | -7        |
| Support Solutions                     | -111      | -145      | -156      | -186      | -5        |
| Modems                                |           |           |           |           |           |
| Unallocated                           | -92       | -90       | -89       | -88       | 0         |

|              |               |               |               |               |             |
|--------------|---------------|---------------|---------------|---------------|-------------|
| <b>Total</b> | <b>-1,839</b> | <b>-2,773</b> | <b>-3,492</b> | <b>-4,453</b> | <b>-130</b> |
|--------------|---------------|---------------|---------------|---------------|-------------|

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