ERICSSON LM TELEPHONE CO
Form 6-K
April 25, 2017
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

of the Securities Exchange Act of 1934

April 25, 2017

Commission File Number

000-12033

LM ERICSSON TELEPHONE COMPANY

(Translation of registrant s name into English)

Torshamnsgatan 21, Kista

SE-164 83, Stockholm, Sweden

(Address of principal executive offices)

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

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

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

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

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SIGNATURES

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

TELEFONAKTIEBOLAGET LM ERICSSON (publ)

By: /s/ NINA MACPHERSON
Nina Macpherson
Senior Vice President & Chief Legal Officer

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

Date: **April 25, 2017**

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FIRST QUARTER 2017

Stockholm, April 25, 2017

FIRST QUARTER HIGHLIGHTS	**Read more (page)**
Reported sales decreased by -11% YoY. Sales, adjusted for currency, decreased -16% YoY partly due to lower IPR licensing revenues which amounted to SEK 2.0 (3.8) b.	**3**
Provisions and adjustments related to certain customer contracts of SEK -8.4 b., asset write-downs of SEK -3.3 b. and restructuring charges of SEK -1.7 b. were made in the quarter, in line with the announcement on March 28, 2017.	**2**
Gross margin was 13.9%. Adjusted1) gross margin declined to 30.5% (33.9%) mainly due to lower IPR licensing revenues.	**4**
Operating income was SEK -12.3 b. Adjusted [1)] operating income declined to SEK 1.1 (4.1) b. due to lower sales and lower gross margin.	**4**
Networks operating margin was -2%. Networks adjusted1) operating margin was solid at 12%, despite lower sales including reduced IPR licensing revenues.	**2**
IT & Cloud operating income was SEK -9.0 b. Adjusted1) operating income for IT & Cloud showed a significant negative development YoY with increased losses. Actions have been initiated to improve performance.	**2**
Media operating income was SEK -2.8 b. Adjusted1) operating income was significantly reduced YoY. Strategic opportunities are being explored.	**2**
Cash flow from operating activities was SEK -1.5 (-2.4) b.	**9**

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

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

Operating margin excluding restructuring charges and adjusted for items affecting comparability in Q1 2017	*2.3%*	*7.9%*		*6.7%*	
Net income	-10.9	2.1		-1.6	
EPS diluted, SEK	-3.29	0.60		-0.48	
EPS (Non-IFRS), SEK [2)]	-2.42	0.87		0.62	
Cash flow from operating activities	-1.5	-2.4	-35%	19.4	-108%
Net cash, end of period	28.3	36.5	-22%	31.2	-9%

[2)] EPS diluted, excl. amortizations and write-downs of acquired intangible assets, and excluding restructuring charges.

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

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CEO Comments

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

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

Despite lower sales, Networks delivered a solid result. Sales declined YoY due to lower investment levels in certain markets, lower IPR licensing revenues and the renewed managed services contract with reduced scope in North America. Networks adjusted1) operating margin improved sequentially and was supported by an improved business mix and a more competitive portfolio. The new Ericsson Radio System platform contributed to improving profitability and stabilizing the market share position, after several years of decline.

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

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

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

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

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

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

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

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

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

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

Börje Ekholm

President and CEO

Planning assumptions going forward

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

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

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

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

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

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

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

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FINANCIAL HIGHLIGHTS

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

Q1 2017 ADJUSTED FOR RESTRUCTURING CHARGES AND ITEMS AFFECTING COMPARABILITY

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

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

Net sales

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

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

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

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

IPR licensing revenues

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

Asset write-downs, provisions and adjustments

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

As also announced on March 28, provisions and adjustments triggered by negative developments late in the quarter, related to certain large customer projects were required. These provisions and adjustments amounted to SEK -8.4 b. Customer settlements and revaluation of customer discounts, due to lower projected customer volumes, reduced net sales by SEK -1.4 b. Operating expenses were impacted by SEK -1.5 b. due to reassessment of the value of trade receivables. The remaining SEK -5.5 b. is provisions for additional project costs, mainly related to certain transformation projects in IT & Cloud, which due to recent negative developments are not expected to be covered by future project revenues.

Gross margin

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

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

Operating expenses

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

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

Other operating income and expenses

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

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

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

Restructuring charges

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

Operating income

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

Operating income decreased sequentially from SEK -0.3 b., mainly due to the additional provisions and adjustments as well as asset write-downs, partly offset by reduced restructuring charges. The adjusted operating income decreased to SEK 1.1 b. from SEK 4.4 b. due to lower sales, partly offset by increased gross margin and lower operating expenses.

Financial net

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

Taxes

Taxes were positive in the quarter following the negative income.

Net income and EPS

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

Employees

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

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REGIONAL SALES

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

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

North America

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

Latin America

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

Northern Europe and Central Asia

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

Western and Central Europe

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

Mediterranean

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

Middle East

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

Sub-Saharan Africa

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

India

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

North East Asia

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

South East Asia and Oceania

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

Other

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

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SEGMENT RESULTS

NETWORKS

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

Q1 2017 ADJUSTED FOR RESTRUCTURING CHARGES AND ITEMS AFFECTING COMPARABILITY

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

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

Net sales

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

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

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

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

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

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

Gross margin

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

Operating income and margin

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

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

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IT & CLOUD

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

Q1 2017 ADJUSTED FOR RESTRUCTURING CHARGES AND ITEMS AFFECTING COMPARABILITY

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

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

Net sales

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

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

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

Gross margin

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

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

Operating income and margin

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

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

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

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MEDIA

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

Q1 2017 ADJUSTED FOR RESTRUCTURING CHARGES AND ITEMS AFFECTING COMPARABILITY

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

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

Net sales

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

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

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

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

Gross margin

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

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

Operating income and margin

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

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

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

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CASH FLOW

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

Operating activities

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

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

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

Investing activities

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

Financing activities

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

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

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

Payable (target: >60)	58	56	56	59	58

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FINANCIAL POSITION

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

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

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

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

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

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

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

Debt maturity profile, Parent Company

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PARENT COMPANY

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

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

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

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

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OTHER INFORMATION

Ericsson launched Euro corporate bonds

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

Ericsson reported restated financials for 2015 and 2016

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

Ericsson presented focused business strategy

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

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

Ericsson simplified organizational structure and named Executive Team

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

President and CEO Börje Ekholm,

Business Area Networks Fredrik Jejdling,

Business Area Managed Services Peter Laurin,

Business Area Digital Services Ulf Ewaldsson,

Market Area North America Rima Qureshi,

Market Area Europe & Latin America Arun Bansal, Market Area Middle East & Africa Rafiah Ibrahim,

Market Area North East Asia Chris Houghton,

South East Asia, Oceania & India Nunzio Mirtillo,

Technology & Emerging Business Niklas Heuveldop,

Finance & Common Functions Carl Mellander,

Human Resources MajBritt Arfert,

Marketing & Communications Helena Norrman,

Sustainability & Corporate Responsibility Elaine Weidman Grunewald,

Legal Affairs Nina Macpherson,

Advisor to the CEO Jan Frykhammar,

Advisor to the CEO Magnus Mandersson.

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

Resolutions at the AGM

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

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

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

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

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

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

Patent infringement lawsuits

In 2012 and 2013, Intellectual Ventures (IV) filed patent infringement lawsuits in the United States District Court for the District of Delaware accusing a number of Ericsson s U.S. customers of infringing 16 U.S. patents, seeking an injunction and monetary damages. The first of these cases is set to go to trial in January 2018. IV subsequently filed another wave of lawsuits in the District of Delaware accusing a number of Ericsson s U.S. customers of infringing 12 U.S. patents, seeking monetary damages. The first of these cases is set to go to trial in July 2017. The claims and scope of these lawsuits have recently become more well defined.

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RISK FACTORS

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

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

- Potential negative effects on operators willingness to invest in network development due to uncertainty in the financial markets and a weak economic business environment, or reduced consumer telecom spending, or increased pressure on us to provide financing, or delayed auctions of spectrums;
- Uncertainty regarding the financial stability of suppliers, for example due to lack of financing;
- Effects on gross margins and/or working capital of the business mix in the Networks segment between capacity sales and new coverage build-outs;
- Effects on gross margins of the business mix in the Networks and IT & Cloud segments including new network build-outs and new managed services or digital transformation deals with initial transition costs;
- Effects of the ongoing industry consolidation among our customers as well as between our largest competitors, e.g. with postponed investments and intensified price competition as a consequence;
- New and ongoing partnerships which may not be successful and expose us to future costs;
- Changes in foreign exchange rates, in particular USD;
- Political unrest and uncertainty in certain markets;
- Effects on production and sales from restrictions with respect to timely and adequate supply of materials, components and production capacity and other vital services on competitive terms;
- No guarantees that strategy execution, specific restructuring or cost-savings initiatives, profitability restoring efforts and/or organizational changes will be sufficient, successful or executed in time to deliver any improvements in earnings;
- Cyber security incidents, which may have a material negative impact.

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

Stockholm, April 25, 2017

Telefonaktiebolaget LM Ericsson (publ)

Börje Ekholm, President and CEO

Org. Nr 556016-0680

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

Date for next report: July 18, 2017

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EDITOR S NOTE

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

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

www.ericsson.com/press and

www.ericsson.com/investors

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

For further information, please contact:

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SAFE HARBOR STATEMENT

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

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

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FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

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

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

STATEMENT OF COMPREHENSIVE INCOME

	Jan-Mar	Jan-Dec

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

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CONSOLIDATED BALANCE SHEET

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

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

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

Cash and cash equivalents, end of period	**32,954**	**35,934**	**36,966**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

CONSOLIDATED INCOME STATEMENT - ISOLATED QUARTERS

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

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

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

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CONSOLIDATED STATEMENT OF CASH FLOWS ISOLATED QUARTERS

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

Cash and cash equivalents, end of period	**32,954**	**36,966**	**24,401**	**28,931**	**35,934**

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PARENT COMPANY INCOME STATEMENT

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

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

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

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PARENT COMPANY BALANCE SHEET

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

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ADDITIONAL INFORMATION

ACCOUNTING POLICIES

THE GROUP

This interim report is prepared in accordance with IAS 34. The term IFRS used in this document refers to the application of IAS and IFRS as well as interpretations of these standards as issued by IASB s Standards Interpretation Committee (SIC) and IFRS Interpretations Committee (IFRIC). The accounting policies adopted are consistent with those of the annual report for the year ended December 31, 2016, and should be read in conjunction with that annual report.

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

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

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NET SALES BY SEGMENT BY QUARTER*

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

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

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

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

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

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

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

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SALES GROWTH ADJUSTED FOR COMPARABLE UNITS AND CURRENCY*

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

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

	2017	2016