

ERICSSON LM TELEPHONE CO

Form 6-K

April 20, 2018

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN ISSUER**

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

**the Securities Exchange Act of 1934**

**April 20, 2018**

**Commission File Number**

**000-12033**

**LM ERICSSON TELEPHONE COMPANY**

**(Translation of registrant's name into English)**

**Torshamnsgatan 21, Kista**

**SE-164 83, Stockholm, Sweden**

**(Address of principal executive offices)**

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

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

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

Announcement of LM Ericsson Telephone Company, April 20, 2018 regarding    Ericsson reports first quarter results 2018 .

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**SIGNATURES**

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

TELEFONAKTIEBOLAGET LM ERICSSON (publ)

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

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

Date: **April 20, 2018**

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First quarter report 2018

**Stockholm, April 20, 2018**

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

Reported sales decreased by -9% YoY. Sales, adjusted for currency, decreased by -2% YoY with lower revenues in market areas North East Asia as well as in South East Asia, Oceania and India. The other market areas showed growth.

Gross margin was 34.2% (15.7%) <sup>1)</sup>. Gross margin excluding restructuring charges improved YoY, to 35.9% (18.7%) <sup>1)</sup>, supported by cost reductions and the continued ramp-up of Ericsson Radio System (ERS).

Operating income (loss) was SEK -0.3 (-11.3) b. Operating income (loss) excluding restructuring charges was SEK 0.9 (-9.5) b.

Networks operating margin excluding restructuring charges was 13.5% (12.8%) <sup>1)</sup> with strong gross margin and increased investments in R&D.

Digital Services gross margin excluding restructuring charges improved YoY, to 41.4% (-25.5%) <sup>1)</sup>, driven by improved services margins as a result of cost reductions. Operating income (loss) excluding restructuring charges was SEK -2.0 (-8.8) b.

Managed Services operating margin excluding restructuring charges was 1.9% (-28.7%) <sup>1)</sup> as a result of cost reductions and customer contract reviews.

Cash flow from operating activities was SEK 1.6 (-1.5) b. and free cash flow was SEK 0.3 (-3.2) b. Net cash increased YoY to SEK 35.6 (28.3) b.

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

| SEK b.                                                     | Q1<br>2018 | Q1<br>2017 | YoY<br>change | Q4<br>2017 | QoQ<br>change |
|------------------------------------------------------------|------------|------------|---------------|------------|---------------|
| Net sales                                                  | 43.4       | 47.8       | -9%           | 57.9       | -25%          |
| <i>Sales growth adj. for comparable units and currency</i> |            |            | -2%           |            | -24%          |
| Gross margin                                               | 34.2%      | 15.7%      |               | 21.6%      |               |
| Operating income (loss)                                    | -0.3       | -11.3      |               | -19.3      |               |
| Operating margin                                           | -0.7%      | -23.6%     |               | -33.3%     |               |
| Net income (loss)                                          | -0.7       | -10.0      |               | -18.5      |               |
| EPS diluted, SEK                                           | -0.25      | -3.08      |               | -5.63      |               |
| EPS (non-IFRS), SEK <sup>1)</sup>                          | 0.11       | -2.19      |               | -1.09      |               |
| Cash flow from operating activities                        | 1.6        | -1.5       |               | 11.2       | -86%          |
| Free cash flow <sup>2)</sup>                               | 0.3        | -3.2       |               | 10.1       | -97%          |
| Net cash, end of period                                    | 35.6       | 28.3       | 26%           | 34.7       | 3%            |

|                                                                |       |        |        |
|----------------------------------------------------------------|-------|--------|--------|
| <i>Gross margin excluding restructuring charges</i>            | 35.9% | 18.7%  | 25.1%  |
| <i>Operating income (loss) excluding restructuring charges</i> | 0.9   | -9.5   | -16.9  |
| <i>Operating margin excluding restructuring charges</i>        | 2.0%  | -19.9% | -29.1% |

- 1) EPS diluted, excl. amortizations and write-downs of acquired intangible assets, and excluding restructuring charges. When a company reports a loss, the number of shares used for calculating earnings diluted per share shall be the same as for basic calculation.
- 2) Free cash flow: Cash flow from operating activities less net capital expenditures and other investments, see APMs at the end of the report.

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

We have continued to execute on our focused business strategy creating solutions that help our customers improve their business. Our efforts to improve efficiency in service delivery and common costs are starting to pay off. The gross margin<sup>1</sup>) improved to 36% (19%) in the quarter, tracking well towards our Group target of 37-39% by 2020.

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

In Networks we have seen the portfolio becoming more competitive in the last three quarters of 2017, resulting in market share gains, as reported by external sources. In Networks the gross margin<sup>1</sup>) improved to 40% (35%). In Digital Services, the gross margin<sup>1</sup>) improved to 41% (-25%), supported by cost reductions mainly in service delivery. However, operating income in Digital Services remains challenging. In Managed Services the gross margin<sup>1</sup>) improved to 9% (-7%) supported by efficiency gains in service delivery and customer contract reviews, resulting in a positive operating income<sup>1</sup>).

In segment Emerging Business and Other, we are gradually increasing investments in growth areas such as IoT and Unified Delivery Network (UDN). While the combined operating income of Media

Solutions and Red Bee Media improved YoY, these businesses showed a loss<sup>2</sup>) of SEK -0.5 b. in the quarter. We expect to close the announced Media Solutions divestment by the end of the third quarter.

In the quarter we reduced the total workforce by more than 3,000. Since the reduction activities were launched in July last year, we have reduced the total workforce by almost 18,000. To date, the annual run-rate effect of cost savings is approximately SEK 8.5 b., compared with the target of SEK 10 b. for mid-2018. The run-rate reduction does not yet fully impact the quarterly results.

Free cash flow improved to SEK 0.3 (-3.2) b. another step forward in improving our financial resilience. Net cash was SEK 35.6 (28.3)b.

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

**Börje Ekholm**

President and CEO

- 1) Excluding restructuring charges
- 2) Excluding restructuring charges and corporate allocations

## Planning assumptions going forward

### Market related

The Radio Access Network (RAN) equipment market is estimated to decline by -2% for full-year 2018 with 2% CAGR (2018-2022). In 2018, the Chinese market is expected to decline due to reduced LTE investments, while there is positive momentum in North America.

### Currency exposure

Rule of thumb: A weakening by 10% of USD to SEK would have a negative impact of approximately -5% on net sales and approximately -1 percentage point on operating margin (based on 2017 full-year currency exposure). For historical rates, see [www.ericsson.com/en/investors](http://www.ericsson.com/en/investors)

### Ericsson related

5-year average sales seasonality between Q1 and Q2 is +9%

Focusing the business and addressing low-performing operations are expected to reduce full-year sales by up to SEK 10 b. in 2019 compared with 2016.

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

The plan is to implement cost savings with an annual run-rate effect of at least SEK 10 b. by mid-2018, compared with the Q2 2017 annual run rate.

Operating expenses typically vary between quarters due to seasonality.

Restructuring charges for full-year 2018 are estimated to be SEK 5-7 b and slightly higher in Q2 vs Q1.

Actual and estimated net impact from amortization and capitalization of development expenses and from recognition and deferral of hardware costs:

| Q1<br>2018 | Q2<br>2018 | Q2<br>2017 | FY<br>2017 | FY<br>2018 | FY<br>2019 |
|------------|------------|------------|------------|------------|------------|
|------------|------------|------------|------------|------------|------------|

| SEK b.              | Actual      | Estimate    | Actual      | Actual      | Estimate  | Estimate        |
|---------------------|-------------|-------------|-------------|-------------|-----------|-----------------|
| Cost of sales       | -0.3        | -0.2        | -0.4        | -2.6        | -1        |                 |
| R&D expenses        | -0.4        | -0.4        | 0.1         | -0.3        | -2        |                 |
| <b>Total impact</b> | <b>-0.7</b> | <b>-0.6</b> | <b>-0.3</b> | <b>-2.9</b> | <b>-3</b> | <b>-1 to -2</b> |

The divestment of Media Solutions is expected to be closed by the end of Q3 2018. Results will be reported as share of earnings according to the equity method. Ericsson's holding will be 49% of the shares. Media Solutions sales were SEK 3.2 b. in 2017.

Consequences of Q1 and Q2 changes in product responsibilities between segments are described in detail in Financial highlights, page 4.

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## Financial highlights

| SEK b.                                                     | Q1<br>2018 | Q1<br>2017 | YoY<br>change | Q4<br>2017 | QoQ<br>change |
|------------------------------------------------------------|------------|------------|---------------|------------|---------------|
| Net sales                                                  | 43.4       | 47.8       | -9%           | 57.9       | -25%          |
| <i>Sales growth adj. for comparable units and currency</i> |            |            | -2%           |            | -24%          |
| Gross income                                               | 14.9       | 7.5        | 98%           | 12.5       | 19%           |
| Gross margin (%)                                           | 34.2%      | 15.7%      |               | 21.6%      |               |
| Research and development expenses                          | -9.1       | -9.1       | 0%            | -9.9       |               |
| Selling and administrative expenses                        | -6.2       | -8.2       |               | -8.2       |               |
| Impairment losses on trade receivables                     | 0.0        | -1.6       |               | -0.7       |               |
| Other operating income and expenses                        | 0.1        | 0.1        | -40%          | -12.9      |               |
| Operating income (loss)                                    | -0.3       | -11.3      |               | -19.3      |               |
| Operating margin (%)                                       | -0.7%      | -23.6%     |               | -33.3%     |               |
| Financial net                                              | -0.5       | -0.4       |               | -0.5       |               |
| Taxes                                                      | 0.1        | 1.7        | -92%          | 1.3        | -90%          |
| Net income (loss)                                          | -0.7       | -10.0      |               | -18.5      |               |
| Gross income excluding restructuring charges               | 15.6       | 9.0        | 74%           | 14.6       | 7%            |
| Gross margin excluding restructuring charges               | 35.9%      | 18.7%      |               | 25.1%      |               |
| Operating income (loss) excl. restructuring charges        | 0.9        | -9.5       |               | -16.9      |               |
| Operating margin excluding restructuring charges           | 2.0%       | -19.9%     |               | -29.1%     |               |
| Restructuring charges                                      | -1.2       | -1.7       |               | -2.4       |               |

**Net sales**

Sales as reported decreased by -9 %YoY. Sales adjusted for comparable units and currency decreased by -2% YoY with growth in North America, Europe and Latin America as well as the Middle East and Africa. Sales as reported in Networks declined by -10% YoY, mainly due to lower mobile broadband investments in Mainland China and earlier completion of larger mobile broadband projects in market area South East Asia, Oceania and India. Digital Services sales declined by -9% YoY, mainly due to continued decline in legacy product sales and related services. Managed Services sales declined by -8% YoY as a result of customer contract reviews and reduced variable sales in certain large contracts. Sales in Emerging Business and Other (former segment Other) declined by -7% YoY due to lower sales in the media business.

Sequential sales decreased by -25%. Sales adjusted for comparable units and currency decreased by -24% QoQ, in line with normal seasonality.

**IPR licensing revenues**

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

**Gross margin**

Gross margin increased to 34.2% (15.7%) with significant improvements in Networks, Digital Services and Managed Services. Effects of cost reductions, a continued ramp-up of the Ericsson Radio System (ERS) product platform and good progress in addressing low-performing customer contracts in Managed Services were key drivers of the improvement. Write-down of assets, as well as provisions and adjustments related to certain customer projects had a significant negative impact on gross margin in 2017. Restructuring charges included in the gross margin amounted to SEK -1.2 (-1.7) b. and gross margin, excluding restructuring charges, was 35.9% (18.7%). Completion of amortization of software release development expenses had a positive effect on gross margin YoY and QoQ.

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

### **Operating expenses**

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

Selling and administrative expenses decreased YoY. Cost reductions contributed with SEK 0.6 b. to the decline.

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

Operating expenses decreased sequentially, following normal seasonality.

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

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

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

### **Consequences of technology and portfolio shifts**

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

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

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

**Restructuring charges**

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

**Operating income (loss)**

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

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

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

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

**Financial net**

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

**Taxes**

Taxes were positive in the quarter following the negative income.

**Net income (loss) and EPS**

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

**Employees**

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

### Focused strategy execution

The following four measures are indicators of the progress of strategy execution.

| Area             | Activity                                                                               | Status Q1 2018                                                                                                                                                            |
|------------------|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Networks         | Transition to new Ericsson Radio System                                                | 84% (2017: 61%) YTD accumulated (ERS radio unit deliveries out of total radio unit deliveries)                                                                            |
| Digital Services | - Growth in sales of new product portfolio -<br>Addressing critical customer contracts | - Net sales flat 12 months rolling (full-year 2017: -4%)<br>- Out of 45 contracts identified, in total 8 have been addressed (2 in Q417)                                  |
| Managed Services | Addressing low-performing customer contracts                                           | Out of a total of 42 contracts identified, 31 (full-year 2017: 23) have been addressed to result in an annualized profit improvement of SEK 0.7 b. (end 2017: SEK 0.5 b.) |

### Changes in segment reporting

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

As of Q2 2018, sales related to Application Development and Maintenance (ADM) and certain sales related to Business Support Solution (BSS) will be moved between the segments Managed Services and Digital Services, with increased sales in Managed Services and a corresponding sales decrease in Digital Services (net effect of SEK 1.9 b in 2017).

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## Market area sales

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

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

**South East Asia, Oceania and India**

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

**North East Asia**

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

**North America**

Reported sales declined YoY, while currency-adjusted sales increased by 6% . This growth was driven by Networks due to investments in network expansions and in 5G readiness. Digital Services sales declined YoY, due to timing of project milestones. Managed Services sales declined.

**Europe and Latin America**

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

**Middle East and Africa**

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

**Other**

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

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Segment results

**Networks**

| SEK b.                                                         | Q1<br>2018 | Q1<br>2017 | YoY<br>change | Q4<br>2017 | QoQ<br>change |
|----------------------------------------------------------------|------------|------------|---------------|------------|---------------|
| Net sales                                                      | 28.6       | 31.6       | -10%          | 37.1       | -23%          |
| <i>Of which products</i>                                       | 19.5       | 21.9       | -11%          | 25.4       | -23%          |
| <i>Of which IPR licensing revenues</i>                         | 1.5        | 1.7        | -12%          | 1.7        | -12%          |
| <i>Of which services</i>                                       | 9.1        | 9.8        | -7%           | 11.7       | -22%          |
| <i>Sales growth adjusted for comparable units and currency</i> |            |            | -2%           |            | -22%          |
| Gross income                                                   | 11.1       | 10.0       | 11%           | 11.8       | -6%           |
| Gross margin                                                   | 38.9%      | 31.7%      |               | 32.0%      |               |
| Operating income                                               | 3.4        | 2.7        | 24%           | 1.9        | 73%           |
| Operating margin                                               | 11.8%      | 8.6%       |               | 5.2%       |               |
| Restructuring charges                                          | -0.5       | -1.3       |               | -1.3       |               |
| <i>Gross income excl. restructuring charges</i>                | 11.5       | 11.2       | 3%            | 12.9       | -11%          |
| <i>Gross margin excl. restructuring charges</i>                | 40.4%      | 35.3%      |               | 34.8%      |               |
| <i>Operating income excl. restructuring charges</i>            | 3.9        | 4.1        | -5%           | 3.2        | 20%           |
| <i>Operating margin excl. restructuring charges</i>            | 13.5%      | 12.8%      |               | 8.6%       |               |

**Net sales**

Sales as reported declined by -10% YoY. Sales adjusted for comparable units and currency declined by -2%. The YoY decline is mainly due to lower LTE investments in Mainland China and completion of larger projects in market area South East Asia, Oceania and India. This decline was partly offset by strong growth in Europe and Latin America as well as in the Middle East and Africa. Investments in network expansions and 5G readiness in North America continued and sales grew in constant currencies.

Sales decreased by -23% QoQ, in line with normal seasonality. Sales adjusted for comparable units and currency decreased by -22% QoQ.

**Gross margin**

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

Gross margin improved QoQ from 32.0%.

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

**Operating margin**

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

Operating margin improved significantly QoQ from 5.2%.

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

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

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

**Strategy execution**

As presented at the 2017 Capital Markets Day, the ambition for Networks is to improve the operating margin to 15%-17% in 2020. Three important activities for profitability improvements are to

- invest in R&D to safeguard a leading portfolio
- fully transition the radio unit deliveries to Ericsson Radio System (ERS) in order to increase competitiveness
- continue to make savings in service delivery and common costs.

The ERS, which was introduced to the market in 2015, has proven to be competitive, creating improved earnings and a stronger market position. In the first quarter 2018, ERS accounted for 84% of total radio unit deliveries. The plan is to have fully transitioned the radio unit deliveries to ERS by the end of 2018.

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## Digital Services

| SEK b.                                                         | Q1<br>2018 | Q1<br>2017 | YoY<br>change | Q4<br>2017 | QoQ<br>change |
|----------------------------------------------------------------|------------|------------|---------------|------------|---------------|
| Net sales                                                      | 7.7        | 8.4        | -9%           | 12.5       | -39%          |
| <i>Of which products</i>                                       | 3.9        | 4.3        | -9%           | 6.4        | -39%          |
| <i>Of which IPR licensing revenues</i>                         | 0.3        | 0.4        | -12%          | 0.4        | -12%          |
| <i>Of which services</i>                                       | 3.7        | 4.1        | -9%           | 6.1        | -39%          |
| <i>Sales growth adjusted for comparable units and currency</i> |            |            | -3%           |            | -38%          |
| Gross income (loss)                                            | 2.9        | -2.3       |               | 1.2        | 155%          |
| Gross margin                                                   | 38.5%      | -27.8%     |               | 9.2%       |               |
| Operating income                                               | -2.6       | -9.0       |               | -12.3      |               |
| Operating margin (loss)                                        | -33.4%     | -107.6%    |               | -97.9%     |               |
| Restructuring charges                                          | -0.6       | -0.3       |               | -0.7       |               |
| <i>Gross income (loss) excl. restructuring charges</i>         | 3.2        | -2.1       |               | 1.8        | 80%           |
| <i>Gross margin excl. restructuring charges</i>                | 41.4%      | -25.5%     |               | 14.1%      |               |
| <i>Operating income (loss) excl. restructuring charges</i>     | -2.0       | -8.8       |               | -11.6      |               |
| <i>Operating margin excl. restructuring charges</i>            | -25.8%     | -104.4%    |               | -92.4%     |               |

**Net sales**

Sales as reported declined by -9% YoY. Sales adjusted for comparable units and currency decreased by -3% YoY. The ongoing digitalization drives opportunities for operators to reduce costs and be more agile by: automating operations, serving and engaging with customers digitally and building programmable core networks. Consequently, operators increasingly invest in the areas where Digital Services provide solutions. The momentum is strong for the new portfolio of 5G-ready and cloud-native products, with several important customer wins in the quarter. Currency-adjusted sales of new products grew in the quarter, however not enough to compensate for the legacy product sales decline.

Sales declined by -39% QoQ following a seasonally strong Q4 and lower sales in large transformation projects. Sales adjusted for comparable units and currency declined by -38% QoQ.

**Gross margin**

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

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

**Operating income (loss)**

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

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

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

#### Net impact from amortization and capitalization of development expenses

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

#### Strategy execution

As presented at the Capital Markets Day 2017, the target is to turn Digital Services into profits by 2020. Cost reduction activities were intensified in the quarter across the areas of service delivery, selling and administrative expenses and R&D. Cost reduction activities will continue by addressing complexity and inefficiency. While new ways of working are improving R&D efficiency, investments continue in a portfolio of 5G-ready and cloud-native products in order to defend the position and prepare Digital Services for future growth.

A key activity for profitability turnaround is to manage and complete 34 identified critical multi-year customer contracts and to either exit or complete 11 identified non-strategic contracts. 6 of the 45 contracts were successfully addressed in the quarter. At the end of the quarter, 8 contracts of the 45 have been addressed and the plan is to complete or exit approximately 50% of the 45 contracts during 2018.

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## Managed Services

| SEK b.                                                         | Q1<br>2018 | Q1<br>2017 | YoY<br>change | Q4<br>2017 | QoQ<br>change |
|----------------------------------------------------------------|------------|------------|---------------|------------|---------------|
| Net sales                                                      | 5.5        | 6.0        | -8%           | 6.2        | -11%          |
| <i>Sales growth adjusted for comparable units and currency</i> |            |            | -4%           |            | -11%          |
| Gross income (loss)                                            | 0.4        | -0.5       |               | -0.7       |               |
| Gross margin                                                   | 7.9%       | -8.9%      |               | -11.8%     |               |
| Operating income (loss)                                        | 0.1        | -1.8       |               | -1.3       |               |
| Operating margin                                               | 1.0%       | -30.1%     |               | -20.7%     |               |
| Restructuring charges                                          | -0.1       | -0.1       |               | -0.4       |               |
| <i>Gross income (loss) excl. restructuring charges</i>         | 0.5        | -0.4       |               | -0.4       |               |
| <i>Gross margin excl. restructuring charges</i>                | 8.8%       | -7.5%      |               | -6.5%      |               |
| <i>Operating income (loss) excl. restructuring charges</i>     | 0.1        | -1.7       |               | -0.9       |               |
| <i>Operating margin excl. restructuring charges</i>            | 1.9%       | -28.7%     |               | -14.6%     |               |

**Net sales**

Sales as reported decreased by -8% YoY, as a result of contract reviews and reduced variable sales in certain large Managed Services Networks contracts. Sales in Managed Services IT showed good growth. Sales adjusted for comparable units and currency decreased by -4% YoY. Sales development is in line with the focused business strategy.

Sales as reported decreased by -11% QoQ.

**Gross margin**

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

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

**Operating income (loss)**

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

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

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

**Strategy execution**

As part of the focused business strategy, Managed Services has its full attention on turning the business around through addressing low-performing operations and non-strategic contracts as well as improving efficiency in the service delivery process. Investments continue in machine intelligence, automation and analytics to further enhance user experience, improve efficiency and better manage the increasingly complex networks of tomorrow.

As presented at the 2017 Capital Markets Day, the ambition for Managed Services is to improve the operating margin to 4%-6% in 2020. In order to focus the business and improve profitability, 42 managed services contracts (out of >300) have been identified for exit, renegotiation or transformation. After Q1 2018, review actions for 31 of the 42 contracts have been completed resulting in an annualized profit improvement of approximately SEK 0.7 b. going forward.

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

| SEK b.                                                         | Q1<br>2018 | Q1<br>2017 | YoY<br>change | Q4<br>2017 | QoQ<br>change |
|----------------------------------------------------------------|------------|------------|---------------|------------|---------------|
| Net sales                                                      | 1.6        | 1.8        | -7%           | 2.1        | -21%          |
| <i>Sales growth adjusted for comparable units and currency</i> |            |            | -2%           |            | -20%          |
| Gross income                                                   | 0.3        | 0.3        | 3%            | 0.2        | 42%           |
| Gross margin                                                   | 21.1%      | 18.9%      |               | 11.7%      |               |
| Operating income (loss)                                        | -1.2       | -3.2       |               | -7.7       |               |
| Operating margin                                               | -71.4%     | -177.1%    |               | -369.2%    |               |
| Restructuring charges                                          | -0.1       | 0.0        |               | -0.1       |               |
| <i>Gross income excl. restructuring charges</i>                | 0.4        | 0.4        | 10%           | 0.3        | 36%           |
| <i>Gross margin excl. restructuring charges</i>                | 24.3%      | 20.4%      |               | 14.1%      |               |
| <i>Operating income (loss) excl. restructuring charges</i>     | -1.1       | -3.1       |               | -7.6       |               |
| <i>Operating margin excl. restructuring charges</i>            | -67.7%     | -174.6%    |               | -364.3%    |               |

**Net sales**

Sales as reported declined by -7% YoY. Sales adjusted for comparable units and currency decreased by -2%. Red Bee Media sales declined due to earlier renegotiations and scope changes of contracts. Media Solutions sales declined mainly due to lower sales in the discontinued portfolio including related services sales. Sales in Emerging Business and iconectiv grew YoY. In Emerging Business there was a continued YoY growth in IoT, while Unified Delivery Network (UDN) sales grew both YoY and QoQ.

Sales declined by -21% QoQ, mainly due to lower sales in Media Solutions and Red Bee Media, following a seasonally strong Q4. Sales adjusted for comparable units and currency decreased by -20% QoQ.

**Gross margin**

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

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

**Operating income (loss)**

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

In Q1 2018, sales for the media business (Media Solutions and Red Bee Media) were SEK 1.0 (1.3) b. and operating income (loss) excluding restructuring charges and corporate allocations was SEK -0.5 (-2.6) b. Write-down of assets had a significant negative impact on operating income (loss) in Q1 2017.

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

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

#### Net impact from amortization and capitalization of development expenses

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

#### Strategy execution

As outlined at the Capital Markets Day in 2017, the target for segment Emerging Business and Other is a break-even operating income by 2020.

Selective investments will continue in Emerging Business to build a position and grow sales in new areas.

For Red Bee Media the target is to achieve a sustainable profitable business, by continuing to develop the business as an independent entity within Ericsson and further improve operations.

In Media Solutions, Ericsson is partnering with One Equity Partners (OEP) and retaining a 49% ownership stake. This allows Ericsson to capture the upside of the business while at the same time taking an active part in the expected consolidation of the industry. Activities are ongoing to complete the transaction as planned during Q3 2018.

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## Cash flow

|                                                                                                                | Q1<br>2018 | Q1<br>2017  | Q4<br>2017  |
|----------------------------------------------------------------------------------------------------------------|------------|-------------|-------------|
| SEK b.                                                                                                         |            |             |             |
| Net income reconciled to cash                                                                                  | -1.0       | -8.2        | -4.0        |
| Changes in operating net assets                                                                                | 2.6        | 6.6         | 15.2        |
| Cash flow from operating activities                                                                            | 1.6        | -1.5        | 11.2        |
| Cash flow from investing activities                                                                            | -1.8       | -13.6       | -3.8        |
| Cash flow from financing activities                                                                            | -0.1       | 10.9        | 2.1         |
| Effect of exchange rate changes on cash                                                                        | 1.1        | 0.2         | 0.2         |
| Net change in cash and cash equivalents                                                                        | 0.8        | -4.0        | 9.7         |
| <i>Free cash flow: Cash flow from operating activities less net capital expenditures and other investments</i> | <i>0.3</i> | <i>-3.2</i> | <i>10.1</i> |

**Operating activities**

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

**Investing activities**

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

**Financing activities**

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

**Free cash flow**

Free cash flow was SEK 0.3 (-3.2) b.

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## Financial position

|                                            | Mar 31<br>2018 | Mar 31<br>2017 | Dec 31<br>2017 |
|--------------------------------------------|----------------|----------------|----------------|
| SEK b.                                     |                |                |                |
| + Cash and cash equivalents                | 36.7           | 33.0           | 35.9           |
| + Interest-bearing securities, current     | 5.5            | 13.5           | 6.7            |
| + Interest-bearing securities, non-current | 27.1           | 19.1           | 25.1           |
| <b>Gross cash</b>                          | <b>69.3</b>    | <b>65.6</b>    | <b>67.7</b>    |
| Borrowings, current                        | 2.6            | 9.5            | 2.5            |
| Borrowings, non-current                    | 31.1           | 27.8           | 30.5           |
| <b>Net cash</b>                            | <b>35.6</b>    | <b>28.3</b>    | <b>34.7</b>    |
| Equity                                     | 93.5           | 122.4          | 97.6           |
| Total assets                               | 260.7          | 292.0          | 259.9          |
| Capital turnover (times)                   | 1.1            | 1.0            | 1.2            |
| Return on capital employed (%)             | -1.0%          | -24.6%         | -20.6%         |
| Equity ratio (%)                           | 35.9%          | 41.9%          | 37.5%          |
| Return on equity (%)                       | -3.5%          | -31.4%         | -28.1%         |

Gross cash increased by SEK 1.6 b. and net cash increased by SEK 0.9 b. in the quarter. Gross cash was SEK 69.3 b. and net cash was SEK 35.6 b.

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

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

**Debt maturity profile, Parent Company**

SEK b.

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Parent Company

Income after financial items was SEK 0.37 (-0.05) b.

At the end of the quarter, gross cash (cash, cash equivalents, short-term investments, and interest-bearing securities non-current) amounted to SEK 52.3 (51.3) b.

In the quarter, a dividend of SEK 3.3 b. was recognized, as anticipated, after decision by the Annual General Meeting on the 28th of March. The dividend was paid out in first week of April.

In accordance with the conditions of the long-term variable compensation program (LTV) for Ericsson employees, 3,436,265 shares from treasury stock were sold or distributed to employees during the first quarter. The holding of treasury stock at March 31, 2018, was 46,829,234 Class B shares.

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Other information

### **Changes to Ericsson's Executive Team and Group structure**

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

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

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

### **Ericsson reported restated financials for 2016 and 2017**

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

### **Changes to Ericsson's Executive Team**

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

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

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

### **Resolutions at the AGM**

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

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

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

the Executive Team.

### **Ongoing litigation with LG Electronics**

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

### **POST-CLOSING EVENTS**

#### **Putative class action suit**

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

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Risk factors

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

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

Potential negative effects on operators' willingness to invest in network development due to uncertainty in the financial markets and a weak economic business environment, or reduced consumer telecom spending, or increased pressure on Ericsson to provide financing, or delayed auctions of spectrums

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

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

Effects on gross margins and/or working capital of the business mix in the Networks segment between capacity sales and new coverage build-outs

Effects on gross margins of the business mix including new network build-outs and new managed services or digital transformation deals with initial transition costs

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

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

Changes in foreign exchange rates, in particular USD

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

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

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

Cybersecurity incidents, which may have a material negative impact.

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

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

Stockholm, April 20, 2018

Telefonaktiebolaget LM Ericsson (publ)

Börje Ekholm, President and CEO

Org. No. 556016-0680

Date for next report: July 18, 2018

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Editor's note

Ericsson invites media, investors and analysts to conference calls on April 20, 2018; one starting at 09.00 (CET) and the other at 14.00 (CET).

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

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

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

Replay of the conference calls will be available approximately one hour after each call has ended and will remain available for seven days.

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Forward-looking statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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Consolidated income statement

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

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

<sup>2)</sup> Includes write-down of goodwill of SEK -13.0 billion.

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

<sup>4)</sup> Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per

share.

## Statement of comprehensive income (loss)

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

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## Consolidated balance sheet

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

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

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## Consolidated statement of cash flows

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

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

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Consolidated statement

of changes in equity

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

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

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

Consolidated income statement

- isolated quarters

| Isolated quarters, SEK million                       | 2018<br>Q1     | Q4             | 2017<br>Q3     | Q2             | Q1             |
|------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Net sales                                            | 43,411         | 57,881         | 49,413         | 50,281         | 47,803         |
| Cost of sales                                        | -28,553        | -45,365        | -36,132        | -35,652        | -40,302        |
| <b>Gross income</b>                                  | <b>14,858</b>  | <b>12,516</b>  | <b>13,281</b>  | <b>14,629</b>  | <b>7,501</b>   |
| Gross margin (%)                                     | 34.2%          | 21.6%          | 26.9%          | 29.1%          | 15.7%          |
| Research and development expenses                    | -9,073         | -9,938         | -10,519        | -8,364         | -9,066         |
| Selling and administrative expenses                  | -6 156         | -8 245         | -5 741         | -6 818         | -8 223         |
| Impairment losses on trade receivables <sup>1)</sup> | -28            | -680           | -1,094         | -235           | -1,640         |
| <b>Operating expenses</b>                            | <b>-15,257</b> | <b>-18,863</b> | <b>-17,354</b> | <b>-15,417</b> | <b>-18,929</b> |

|                                                        |             |                       |               |             |                |
|--------------------------------------------------------|-------------|-----------------------|---------------|-------------|----------------|
| Other operating income and expenses                    | 84          | -12,926 <sup>2)</sup> | 415           | 239         | 141            |
| Shares in earnings of JV and associated companies      | 3           | -5                    | 6             | 12          | 11             |
| <b>Operating income (loss)</b>                         | <b>-312</b> | <b>-19,278</b>        | <b>-3,652</b> | <b>-537</b> | <b>-11,276</b> |
| Financial income                                       | -72         | -124                  | -139          | -27         | -82            |
| Financial expenses                                     | -469        | -394                  | -182          | 83          | -350           |
| <b>Income after financial items</b>                    | <b>-853</b> | <b>-19,796</b>        | <b>-3,973</b> | <b>-481</b> | <b>-11,708</b> |
| Taxes                                                  | 128         | 1,303                 | 516           | 24          | 1,682          |
| <b>Net income (loss)</b>                               | <b>-725</b> | <b>-18,493</b>        | <b>-3,457</b> | <b>-457</b> | <b>-10,026</b> |
| Net income (loss) attributable to:                     |             |                       |               |             |                |
| Stockholders of the Parent Company                     | -837        | -18,476               | -3,561        | -471        | -10,068        |
| Non-controlling interests                              | 112         | -17                   | 104           | 14          | 42             |
| Other information                                      |             |                       |               |             |                |
| Average number of shares, basic (million)              | 3,286       | 3,283                 | 3,279         | 3,275       | 3,272          |
| Earnings (loss) per share, basic (SEK) <sup>3)</sup>   | -0.25       | -5.63                 | -1.09         | -0.14       | -3.08          |
| Earnings (loss) per share, diluted (SEK) <sup>4)</sup> | -0.25       | -5.63                 | -1.09         | -0.14       | -3.08          |

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

<sup>2)</sup> Includes write-down of goodwill of SEK -13.0 billion.

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

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

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Consolidated statement

of cash flows isolated quarters

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

|                                                       |               |               |               |                |               |
|-------------------------------------------------------|---------------|---------------|---------------|----------------|---------------|
| Effect of exchange rate changes on cash               | 1,143         | 240           | 48            | -594           | 215           |
| <b>Net change in cash and cash equivalents</b>        | <b>813</b>    | <b>9,674</b>  | <b>4,764</b>  | <b>-11,508</b> | <b>-4,012</b> |
| <b>Cash and cash equivalents, beginning of period</b> | <b>35,884</b> | <b>26,210</b> | <b>21,446</b> | <b>32,954</b>  | <b>36,966</b> |
| <b>Cash and cash equivalents, end of period</b>       | <b>36,697</b> | <b>35,884</b> | <b>26,210</b> | <b>21,446</b>  | <b>32,954</b> |

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## Parent Company income statement

| SEK million                              | Jan-Mar<br>2018 | 2017       | Jan-Dec<br>2017 |
|------------------------------------------|-----------------|------------|-----------------|
| Net sales                                |                 |            |                 |
| Cost of sales                            |                 |            |                 |
| <b>Gross income</b>                      |                 |            |                 |
| Operating expenses                       | -154            | -289       | -1,294          |
| Other operating income and expenses      | 343             | 572        | 1,616           |
| <b>Operating income</b>                  | <b>189</b>      | <b>283</b> | <b>322</b>      |
| Financial net                            | 177             | -331       | -2,297          |
| <b>Income after financial items</b>      | <b>366</b>      | <b>-48</b> | <b>-1,975</b>   |
| Transfers to ( ) / from untaxed reserves |                 |            | -120            |
| Taxes                                    | -83             | -10        | -53             |
| <b>Net income (loss)</b>                 | <b>283</b>      | <b>-58</b> | <b>-2,148</b>   |

## Parent company statement

## of comprehensive income (loss)

| SEK million                                                             | Jan-Mar<br>2018 | 2017       | Jan-Dec<br>2017 |
|-------------------------------------------------------------------------|-----------------|------------|-----------------|
| <b>Net income (loss)</b>                                                | <b>283</b>      | <b>-58</b> | <b>-2,148</b>   |
| Revaluation of borrowings due to change in credit risk                  | 58              |            |                 |
| Tax on items that will not be reclassified to profit or loss            | -13             |            |                 |
| Available-for-sale financial assets                                     |                 |            |                 |
| Gains/losses arising during the period                                  |                 | 32         | 68              |
| Reclassification adjustments on gains/losses included in profit or loss |                 | 3          | 5               |
| Revaluation of other investments in shares and participations           |                 |            |                 |
| Fair value remeasurement                                                |                 |            | 102             |
| Tax on items that may be reclassified to profit or loss                 |                 | -8         | -14             |
| <b>Total other comprehensive income, net of tax</b>                     | <b>45</b>       | <b>27</b>  | <b>161</b>      |
| <b>Total comprehensive income (loss)</b>                                | <b>328</b>      | <b>-31</b> | <b>-1,987</b>   |



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Parent company balance sheet

| SEK million                                                     | Mar 31<br>2018 | Dec 31<br>2017 |
|-----------------------------------------------------------------|----------------|----------------|
| <b>ASSETS</b>                                                   |                |                |
| <b>Fixed assets</b>                                             |                |                |
| Intangible assets                                               | 276            | 329            |
| Tangible assets                                                 | 293            | 346            |
| Financial assets <sup>1) 2)</sup>                               | 123,815        | 119,896        |
|                                                                 | <b>124,384</b> | <b>120,571</b> |
| <b>Current assets</b>                                           |                |                |
| Inventories                                                     |                | 1              |
| Receivables <sup>2)</sup>                                       | 44,359         | 41,173         |
| Short-term investments                                          | 5,028          | 6,446          |
| Cash and cash equivalents                                       | 20,215         | 18,715         |
|                                                                 | <b>69,602</b>  | <b>66,335</b>  |
| <b>Total assets</b>                                             | <b>193,986</b> | <b>186,906</b> |
| <b>STOCKHOLDERS EQUITY, PROVISIONS AND LIABILITIES</b>          |                |                |
| <b>Equity</b>                                                   |                |                |
| Restricted equity                                               | 48,164         | 48,164         |
| Non-restricted equity <sup>2)</sup>                             | 36,615         | 39,578         |
|                                                                 | <b>84,779</b>  | <b>87,742</b>  |
| <b>Provisions</b>                                               | 534            | 602            |
| <b>Non-current liabilities<sup>2)</sup></b>                     | 61,229         | 60,623         |
| <b>Current liabilities</b>                                      | 47,444         | 37,939         |
| <b>Total stockholders equity, provisions and liabilities</b>    | <b>193,986</b> | <b>186,906</b> |
| <sup>1)</sup> Of which interest-bearing securities, non-current | 27,104         | 25,105         |

- <sup>2)</sup> The following 2018 opening balances have been adjusted due to IFRS 9: financial assets increased by SEK 8 million, receivables decreased by SEK 4 million, non-restricted equity decreased by SEK 28 million, and non-current liabilities increased by SEK 31 million.

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Additional Information

Accounting policies

### **The group**

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

New standards as from January 1, 2018

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

Presentation in the financial statements

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

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

The prior periods financial statements and key ratios presented in this quarterly report have been restated to reflect adoption of these new standards.

Accounting policy IFRS 9 Financial instruments

Financial assets

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

Financial assets at amortized cost

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

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

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

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

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

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

#### Impairment in relation to financial assets

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

#### Borrowings

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

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## Summary of changes to classification of financial assets and financial liabilities

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

## Fair value hedging and fair value hedge accounting

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

## Financial guarantees

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

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

Accounting policy IFRS 15 Revenue from Contracts with Customers

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

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

#### Standard products and services

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

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

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

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

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

#### Customized solution

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

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

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

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

**Intellectual Property Rights (IPR)**

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

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

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

**Impact of IFRS 9 and IFRS 15 on balance sheet items**

|                           | As reported at<br>31.12 2017 | IFRS 15<br>restatement | Restated<br>balance<br>at<br>31.12.2017 | IFRS 9<br>adjustment | Adjusted<br>balance at<br>1.1.2018 |
|---------------------------|------------------------------|------------------------|-----------------------------------------|----------------------|------------------------------------|
| <b>ASSETS</b>             |                              |                        |                                         |                      |                                    |
| <b>Non-current assets</b> |                              |                        |                                         |                      |                                    |
| Deferred tax assets       | 21,228                       | 735                    | 21,963                                  | 288                  | 22,251                             |

**Current assets**

|                   |        |         |        |        |
|-------------------|--------|---------|--------|--------|
| Inventories       | 24,960 | 587     | 25,547 | 25,547 |
| Contract assets   |        | 13,120  | 13,120 | 13,120 |
| Trade receivables | 63,210 | -15,105 | 48,105 | -1,240 |
|                   |        |         |        | 46,865 |

**EQUITY AND LIABILITIES****Equity**

|                      |        |        |        |      |        |
|----------------------|--------|--------|--------|------|--------|
| Stockholder s equity | 99,540 | -2,605 | 96,935 | -983 | 95,952 |
|----------------------|--------|--------|--------|------|--------|

**Non-current liabilities**

|                         |        |  |        |    |        |
|-------------------------|--------|--|--------|----|--------|
| Borrowings, non-current | 30,500 |  | 30,500 | 31 | 30,531 |
|-------------------------|--------|--|--------|----|--------|

**Current liabilities**

|                           |        |         |        |        |
|---------------------------|--------|---------|--------|--------|
| Provisions                | 6,350  | -67     | 6,283  | 6,283  |
| Contract liabilities      |        | 29,076  | 29,076 | 29,076 |
| Other current liabilities | 62,370 | -27,065 | 35,305 | 35,305 |

Segment reporting

**Changes applied in Q1 2018**

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

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## Net sales by segment by quarter

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

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

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

| Year to date, SEK million | 2018<br>Jan-Mar | Jan-Dec | 2017<br>Jan-Sep | Jan-Jun | Jan-Mar |
|---------------------------|-----------------|---------|-----------------|---------|---------|
| Networks                  | 28,602          | 132,285 | 95,208          | 63,337  | 31,638  |

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

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

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Sales growth adjusted for comparable units and currency\*

| Sequential change, percent  | 2018<br>Q1  | Q4 | 2017<br>Q3 | Q2 | Q1 |
|-----------------------------|-------------|----|------------|----|----|
| Networks                    | -22%        |    |            |    |    |
| Digital Services            | -38%        |    |            |    |    |
| Managed Services            | -11%        |    |            |    |    |
| Emerging Business and Other | -20%        |    |            |    |    |
| <b>Total</b>                | <b>-24%</b> |    |            |    |    |

| Isolated quarter, year over year change, percent | 2018<br>Q1 | Q4 | 2017<br>Q3 | Q2 | Q1 |
|--------------------------------------------------|------------|----|------------|----|----|
| Networks                                         | -2%        |    |            |    |    |
| Digital Services                                 | -3%        |    |            |    |    |
| Managed Services                                 | -4%        |    |            |    |    |
| Emerging Business and Other                      | -2%        |    |            |    |    |
| <b>Total</b>                                     | <b>-2%</b> |    |            |    |    |

| Year to date, year over year change, percent | 2018<br>Jan-Mar | Jan-Dec | 2017<br>Jan-Sep | Jan-Jun | Jan-Mar |
|----------------------------------------------|-----------------|---------|-----------------|---------|---------|
| Networks                                     | -2%             |         |                 |         |         |
| Digital Services                             | -3%             |         |                 |         |         |
| Managed Services                             | -4%             |         |                 |         |         |
| Emerging Business and Other                  | -2%             |         |                 |         |         |
| <b>Total</b>                                 | <b>-2%</b>      |         |                 |         |         |

\* Sales growth adjusted for comparable units and currency has not been restated for 2017.

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

| Isolated quarters,<br>SEK million | 2018<br>Q1 | Q4     | 2017<br>Q3 | Q2     | Q1     |
|-----------------------------------|------------|--------|------------|--------|--------|
| Networks                          | 11,127     | 11,849 | 10,654     | 10,894 | 10,031 |
| Digital Services                  | 2,947      | 1,154  | 2,710      | 3,335  | -2,334 |

|                             |               |               |               |               |              |
|-----------------------------|---------------|---------------|---------------|---------------|--------------|
| Managed Services            | 437           | -731          | -449          | -26           | -532         |
| Emerging Business and Other | 347           | 244           | 366           | 426           | 336          |
| <b>Total</b>                | <b>14,858</b> | <b>12,516</b> | <b>13,281</b> | <b>14,629</b> | <b>7,501</b> |

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

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

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

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

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

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

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

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

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## EBITA and EBITA margin by segment by quarter

| Isolated quarters,<br>SEK million | 2018<br>Q1 | Q4            | 2017<br>Q3    | Q2         | Q1            |
|-----------------------------------|------------|---------------|---------------|------------|---------------|
| Networks                          | 3,461      | 2,032         | 2,460         | 3,509      | 2,892         |
| Digital Services                  | -2,395     | -4,879        | -3,497        | -1,994     | -8,268        |
| Managed Services                  | 58         | -1,277        | -806          | -298       | -1,803        |
| Emerging Business and Other       | -1,089     | -1,201        | -1,430        | -1,309     | -2,222        |
| <b>Total</b>                      | <b>35</b>  | <b>-5,325</b> | <b>-3,273</b> | <b>-92</b> | <b>-9,401</b> |

| Isolated quarters<br>As percentage of net sales | 2018<br>Q1  | Q4           | 2017<br>Q3   | Q2           | Q1            |
|-------------------------------------------------|-------------|--------------|--------------|--------------|---------------|
| Networks                                        | 12.1%       | 5.5%         | 7.7%         | 11.1%        | 9.1%          |
| Digital Services                                | -31.3%      | -39.0%       | -37.2%       | -19.3%       | -98.6%        |
| Managed Services                                | 1.1%        | -20.6%       | -13.1%       | -4.8%        | -30.1%        |
| Emerging Business and Other                     | -66.1%      | -57.7%       | -71.9%       | -65.3%       | -124.8%       |
| <b>Total</b>                                    | <b>0.1%</b> | <b>-9.2%</b> | <b>-6.6%</b> | <b>-0.2%</b> | <b>-19.7%</b> |

| Year to date,<br>SEK million | 2018<br>Jan-Mar | Jan-Dec        | 2017<br>Jan-Sep | Jan-Jun       | Jan-Mar       |
|------------------------------|-----------------|----------------|-----------------|---------------|---------------|
| Networks                     | 3,461           | 10,893         | 8,861           | 6,401         | 2,892         |
| Digital Services             | -2,395          | -18,638        | -13,759         | -10,262       | -8,268        |
| Managed Services             | 58              | -4,184         | -2,907          | -2,101        | -1,803        |
| Emerging Business and Other  | -1,089          | -6,162         | -4,961          | -3,531        | -2,222        |
| <b>Total</b>                 | <b>35</b>       | <b>-18,091</b> | <b>-12,766</b>  | <b>-9,493</b> | <b>-9,401</b> |

| Year to date<br>As a percentage of net sales | 2018<br>Jan-Mar | Jan-Dec      | 2017<br>Jan-Sep | Jan-Jun      | Jan-Mar       |
|----------------------------------------------|-----------------|--------------|-----------------|--------------|---------------|
| Networks                                     | 12.1%           | 8.2%         | 9.3%            | 10.1%        | 9.1%          |
| Digital Services                             | -31.3%          | -45.8%       | -48.9%          | -54.8%       | -98.6%        |
| Managed Services                             | 1.1%            | -17.0%       | -15.8%          | -17.2%       | -30.1%        |
| Emerging Business and Other                  | -66.1%          | -78.4%       | -85.9%          | -93.2%       | -124.8%       |
| <b>Total</b>                                 | <b>0.1%</b>     | <b>-8.8%</b> | <b>-8.7%</b>    | <b>-9.7%</b> | <b>-19.7%</b> |

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## Net sales by market area by quarter

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

<sup>1)</sup> Of which in Sweden 915 872 660 785 1,017

<sup>2)</sup> Of which in EU 8,522 10,822 8,635 8,687 8,328

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

<sup>1)</sup> Of which in Sweden 5% 32% -16% -23%

<sup>2)</sup> Of which in EU -21% 25% -1% 4%

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

<sup>1)</sup> Of which in Sweden -10%

<sup>2)</sup> Of which in EU 2%

| Year to date, SEK million | 2018    |         | 2017    |         |         |
|---------------------------|---------|---------|---------|---------|---------|
|                           | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |

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|                                           |        |        |        |        |        |
|-------------------------------------------|--------|--------|--------|--------|--------|
| South East Asia, Oceania and India        | 6,379  | 31,346 | 23,502 | 15,644 | 8,410  |
| North East Asia                           | 3,385  | 23,583 | 17,118 | 11,465 | 5,564  |
| North America                             | 11,317 | 52,001 | 37,316 | 24,997 | 12,027 |
| Europe and Latin America <sup>1) 2)</sup> | 13,061 | 56,801 | 39,862 | 26,432 | 12,201 |
| Middle East and Africa                    | 5,765  | 24,965 | 17,384 | 11,087 | 5,356  |
| Other <sup>1) 2)</sup>                    | 3,504  | 16,682 | 12,315 | 8,459  | 4,245  |

|              |               |                |                |               |               |
|--------------|---------------|----------------|----------------|---------------|---------------|
| <b>Total</b> | <b>43,411</b> | <b>205,378</b> | <b>147,497</b> | <b>98,084</b> | <b>47,803</b> |
|--------------|---------------|----------------|----------------|---------------|---------------|

|                                  |     |       |       |       |       |
|----------------------------------|-----|-------|-------|-------|-------|
| <sup>1)</sup> Of which in Sweden | 915 | 3,334 | 2,462 | 1,802 | 1,017 |
|----------------------------------|-----|-------|-------|-------|-------|

|                              |       |        |        |        |       |
|------------------------------|-------|--------|--------|--------|-------|
| <sup>2)</sup> Of which in EU | 8,522 | 36,472 | 25,650 | 17,015 | 8,328 |
|------------------------------|-------|--------|--------|--------|-------|

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

|              |            |            |  |  |  |
|--------------|------------|------------|--|--|--|
| <b>Total</b> | <b>-9%</b> | <b>-7%</b> |  |  |  |
|--------------|------------|------------|--|--|--|

|                                  |      |     |  |  |  |
|----------------------------------|------|-----|--|--|--|
| <sup>1)</sup> Of which in Sweden | -10% | -1% |  |  |  |
|----------------------------------|------|-----|--|--|--|

|                              |    |     |  |  |  |
|------------------------------|----|-----|--|--|--|
| <sup>2)</sup> Of which in EU | 2% | -6% |  |  |  |
|------------------------------|----|-----|--|--|--|

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## Top 5 countries in sales

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

## Net sales by market area by segment by quarter

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

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

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

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## IPR licensing revenues by segment by quarter

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

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

## Provisions

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

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

| Year to date, SEK million                          | 2018          |               | 2017          |               |               |
|----------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
|                                                    | Jan-Mar       | Jan-Dec       | Jan-Sep       | Jan-Jun       | Jan-Mar       |
| Opening balance                                    | 9,879         | 6,320         | 6,320         | 6,320         | 6,320         |
| Additions                                          | 1,315         | 12,479        | 9,710         | 7,768         | 6,365         |
| Utilization/Cash out                               | -2,216        | -8,221        | -6,035        | -3,409        | -2,085        |
| <i>Of which restructuring</i>                      | <i>-1,424</i> | <i>-5,326</i> | <i>-4,122</i> | <i>-2,661</i> | <i>-1,586</i> |
| Reversal of excess amounts                         | -117          | -362          | -163          | -131          | -66           |
| Reclassification, translation difference and other | 169           | -337          | -318          | -191          | -20           |
| <b>Closing balance</b>                             | <b>9,030</b>  | <b>9,879</b>  | <b>9,514</b>  | <b>10,357</b> | <b>10,514</b> |

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

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## Information on investments

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

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

## Depreciation, amortization and impairment losses

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

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

## Depreciation, amortization and impairment losses

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

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| SEK million                                                           | Jan-Mar<br>2018 | 2017   | Jan-Dec<br>2017 |
|-----------------------------------------------------------------------|-----------------|--------|-----------------|
| <b>Number of shares and earnings per share</b>                        |                 |        |                 |
| Number of shares, end of period (million)                             | 3,334           | 3,331  | 3,334           |
| Of which class A-shares (million)                                     | 262             | 262    | 262             |
| Of which class B-shares (million)                                     | 3,072           | 3,069  | 3,072           |
| Number of treasury shares, end of period (million)                    | 47              | 58     | 50              |
| Number of shares outstanding, basic, end of period (million)          | 3,287           | 3,273  | 3,284           |
| Numbers of shares outstanding, diluted, end of period (million)       | 3,323           | 3,314  | 3,324           |
| Average number of treasury shares (million)                           | 48              | 59     | 56              |
| Average number of shares outstanding, basic (million)                 | 3,286           | 3,272  | 3,277           |
| Average number of shares outstanding, diluted (million) <sup>1)</sup> | 3,322           | 3,313  | 3,317           |
| Earnings (loss) per share, basic (SEK)                                | -0.25           | -3.08  | -9.94           |
| Earnings (loss) per share, diluted (SEK) <sup>1)</sup>                | -0.25           | -3.08  | -9.94           |
| Earnings (loss) per share (Non-IFRS), diluted (SEK) <sup>2)</sup>     | 0.11            | -2.19  | -3.24           |
| <b>Ratios</b>                                                         |                 |        |                 |
| Days sales outstanding                                                | 107             | 112    | 96              |
| Inventory turnover days                                               | 87              | 75     | 66              |
| Payable days                                                          | 84              | 59     | 60              |
| <b>Alternative Performance Measures (APMs)</b>                        |                 |        |                 |
| Equity ratio (%)                                                      | 35.9%           | 41.9%  | 37.5%           |
| Return on equity (%)                                                  | -3.5%           | -31.4% | -28.1%          |
| Return on capital employed (%)                                        | -1.0%           | -24.6% | -20.6%          |
| Capital turnover (times)                                              | 1.1             | 1.0    | 1.2             |
| Free cash flow                                                        | 298             | -3,239 | 5,109           |
| Cash conversion (%)                                                   | -156.5%         | 18.8%  | -73.2%          |
| <b>Exchange rates used in the consolidation</b>                       |                 |        |                 |
| SEK/EUR - closing rate                                                | 10.28           | 9.54   | 9.83            |
| SEK/USD - closing rate                                                | 8.34            | 8.93   | 8.20            |
| <b>Other</b>                                                          |                 |        |                 |
| Market area inventory, end of period                                  | 17,364          | 19,979 | 14,480          |
| Export sales from Sweden                                              | 20,679          | 21,449 | 87,463          |

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

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

**Number of employees**

|                                    | 2018   |        | 2017   |        |        |
|------------------------------------|--------|--------|--------|--------|--------|
| End of period                      | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| South East Asia, Oceania and India | 23,623 | 24,495 | 26,396 | 26,748 | 27,221 |

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|                                         |               |                |                |                |                |
|-----------------------------------------|---------------|----------------|----------------|----------------|----------------|
| North East Asia                         | 12,321        | 12,456         | 12,945         | 12,972         | 12,962         |
| North America                           | 9,798         | 10,009         | 10,665         | 11,073         | 11,253         |
| Europe and Latin America <sup>1)</sup>  | 47,528        | 49,231         | 50,832         | 53,173         | 54,194         |
| Middle East and Africa                  | 4,311         | 4,544          | 5,014          | 5,161          | 5,268          |
| <b>Total</b>                            | <b>97,581</b> | <b>100,735</b> | <b>105,852</b> | <b>109,127</b> | <b>110,898</b> |
| <i><sup>1)</sup> Of which in Sweden</i> | <i>13,763</i> | <i>13,864</i>  | <i>14,195</i>  | <i>14,483</i>  | <i>14,712</i>  |

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Items excluding restructuring charges

Restructuring charges by function

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

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

Restructuring charges by segment

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

2018

2017

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

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Gross income (loss) and gross margin excluding restructuring charges by segment

| Isolated quarters,<br>SEK million | 2018<br>Q1    | Q4            | 2017<br>Q3    | Q2            | Q1           |
|-----------------------------------|---------------|---------------|---------------|---------------|--------------|
| Networks                          | 11,542        | 12,901        | 11,084        | 11,406        | 11,184       |
| Digital Services                  | 3,173         | 1,764         | 2,950         | 3,577         | -2,139       |
| Managed Services                  | 485           | -405          | -355          | 87            | -449         |
| Emerging Business and Other       | 401           | 294           | 419           | 487           | 364          |
| <b>Total</b>                      | <b>15,601</b> | <b>14,554</b> | <b>14,098</b> | <b>15,557</b> | <b>8,960</b> |

| Isolated quarters,<br>As percentage of net sales | 2018<br>Q1   | Q4           | 2017<br>Q3   | Q2           | Q1           |
|--------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Networks                                         | 40.4%        | 34.8%        | 34.8%        | 36.0%        | 35.3%        |
| Digital Services                                 | 41.4%        | 14.1%        | 31.3%        | 34.6%        | -25.5%       |
| Managed Services                                 | 8.8%         | -6.5%        | -5.8%        | 1.4%         | -7.5%        |
| Emerging Business and Other                      | 24.3%        | 14.1%        | 21.1%        | 24.3%        | 20.4%        |
| <b>Total</b>                                     | <b>35.9%</b> | <b>25.1%</b> | <b>28.5%</b> | <b>30.9%</b> | <b>18.7%</b> |

| Year to date,<br>SEK million | 2018<br>Jan-Mar | Jan-Dec       | 2017<br>Jan-Sep | Jan-Jun       | Jan-Mar      |
|------------------------------|-----------------|---------------|-----------------|---------------|--------------|
| Networks                     | 11,542          | 46,575        | 33,674          | 22,590        | 11,184       |
| Digital Services             | 3,173           | 6,152         | 4,388           | 1,438         | -2,139       |
| Managed Services             | 485             | -1,122        | -717            | -362          | -449         |
| Emerging Business and Other  | 401             | 1,564         | 1,270           | 851           | 364          |
| <b>Total</b>                 | <b>15,601</b>   | <b>53,169</b> | <b>38,615</b>   | <b>24,517</b> | <b>8,960</b> |

| Year to date,<br>As percentage of net sales | 2018<br>Jan-Mar | Jan-Dec      | 2017<br>Jan-Sep | Jan-Jun      | Jan-Mar      |
|---------------------------------------------|-----------------|--------------|-----------------|--------------|--------------|
| Networks                                    | 40.4%           | 35.2%        | 35.4%           | 35.7%        | 35.3%        |
| Digital Services                            | 41.4%           | 15.1%        | 15.6%           | 7.7%         | -25.5%       |
| Managed Services                            | 8.8%            | -4.6%        | -3.9%           | -3.0%        | -7.5%        |
| Emerging Business and Other                 | 24.3%           | 19.9%        | 22.0%           | 22.5%        | 20.4%        |
| <b>Total</b>                                | <b>35.9%</b>    | <b>25.9%</b> | <b>26.2%</b>    | <b>25.0%</b> | <b>18.7%</b> |



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Operating income (loss) and operating margin excluding restructuring charges by segment

| Isolated quarters,<br>SEK million | 2018<br>Q1 | Q4             | 2017<br>Q3  | Q2         | Q1            |
|-----------------------------------|------------|----------------|-------------|------------|---------------|
| Networks                          | 3,850      | 3,205          | 3,784       | 4,240      | 4,054         |
| Digital Services                  | -1,978     | -11,573        | -2,588      | -1,743     | -8,756        |
| Managed Services                  | 104        | -908           | -708        | -182       | -1,722        |
| Emerging Business and Other       | -1,116     | -7,577         | -1,321      | -1,338     | -3,109        |
| <b>Total</b>                      | <b>860</b> | <b>-16,853</b> | <b>-833</b> | <b>977</b> | <b>-9,533</b> |

| Isolated quarters,<br>As percentage of net sales | 2018<br>Q1  | Q4            | 2017<br>Q3   | Q2          | Q1            |
|--------------------------------------------------|-------------|---------------|--------------|-------------|---------------|
| Networks                                         | 13.5%       | 8.6%          | 11.9%        | 13.4%       | 12.8%         |
| Digital Services                                 | -25.8%      | -92.4%        | -27.5%       | -16.8%      | -104.4%       |
| Managed Services                                 | 1.9%        | -14.6%        | -11.5%       | -2.9%       | -28.7%        |
| Emerging Business and Other                      | -67.7%      | -364.3%       | -66.4%       | -66.7%      | -174.6%       |
| <b>Total</b>                                     | <b>2.0%</b> | <b>-29.1%</b> | <b>-1.7%</b> | <b>1.9%</b> | <b>-19.9%</b> |

| Year to date,<br>SEK million | 2018<br>Jan-Mar | Jan-Dec        | 2017<br>Jan-Sep | Jan-Jun       | Jan-Mar       |
|------------------------------|-----------------|----------------|-----------------|---------------|---------------|
| Networks                     | 3,850           | 15,283         | 12,078          | 8,294         | 4,054         |
| Digital Services             | -1,978          | -24,660        | -13,087         | -10,499       | -8,756        |
| Managed Services             | 104             | -3,520         | -2,612          | -1,904        | -1,722        |
| Emerging Business and Other  | -1,116          | -13,345        | -5,768          | -4,447        | -3,109        |
| <b>Total</b>                 | <b>860</b>      | <b>-26,242</b> | <b>-9,389</b>   | <b>-8,556</b> | <b>-9,533</b> |

| Year to date,<br>As percentage of net sales | 2018<br>Jan-Mar | Jan-Dec       | 2017<br>Jan-Sep | Jan-Jun      | Jan-Mar       |
|---------------------------------------------|-----------------|---------------|-----------------|--------------|---------------|
| Networks                                    | 13.5%           | 11.6%         | 12.7%           | 13.1%        | 12.8%         |
| Digital Services                            | -25.8%          | -60.6%        | -46.5%          | -56.0%       | -104.4%       |
| Managed Services                            | 1.9%            | -14.3%        | -14.2%          | -15.6%       | -28.7%        |
| Emerging Business and Other                 | -67.7%          | -169.9%       | -99.9%          | -117.4%      | -174.6%       |
| <b>Total</b>                                | <b>2.0%</b>     | <b>-12.8%</b> | <b>-6.4%</b>    | <b>-8.7%</b> | <b>-19.9%</b> |

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Items excluding restructuring charges

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## Alternative performance measures

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

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

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

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

For additional information, see Alternative Performance Measures in the Ericsson Annual Report 2017.

## Sales growth adjusted for

## comparable units and currency

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

|                                                             | 2018   |    |    | 2017 |    |
|-------------------------------------------------------------|--------|----|----|------|----|
| Isolated quarter, sequential change                         | Q1     | Q4 | Q3 | Q2   | Q1 |
| Reported net sales                                          | 43,411 |    |    |      |    |
| Acquired/divested business                                  |        |    |    |      |    |
| Net FX impact                                               | 423    |    |    |      |    |
| Comparable net sales, excluding FX impact                   | 43,834 |    |    |      |    |
| Sales growth adjusted for comparable units and currency (%) | -24%   |    |    |      |    |
|                                                             | 2018   |    |    | 2017 |    |
| Isolated quarter, year over year change                     | Q1     | Q4 | Q3 | Q2   | Q1 |
| Reported net sales                                          | 43,411 |    |    |      |    |
| Acquired/divested business                                  |        |    |    |      |    |
| Net FX impact                                               | 3,328  |    |    |      |    |
| Comparable net sales, excluding FX impact                   | 46,739 |    |    |      |    |
| Sales growth adjusted for comparable units and currency (%) | -2%    |    |    |      |    |

| Year to date, year over year change                         | 2018    | 2017    |         |                 |
|-------------------------------------------------------------|---------|---------|---------|-----------------|
|                                                             | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun Jan-Mar |
| Reported net sales                                          | 43,411  |         |         |                 |
| Acquired/divested business                                  |         |         |         |                 |
| Net FX impact                                               | 3,328   |         |         |                 |
| Comparable net sales, excluding FX impact                   | 46,739  |         |         |                 |
| Sales growth adjusted for comparable units and currency (%) | -2%     |         |         |                 |

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## Items excluding restructuring charges

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

| Isolated quarters, SEK million                                        | 2018    |         | 2017    |         |         |
|-----------------------------------------------------------------------|---------|---------|---------|---------|---------|
|                                                                       | Q1      | Q4      | Q3      | Q2      | Q1      |
| Gross income                                                          | 14,858  | 12,516  | 13,281  | 14,629  | 7,501   |
| Net sales                                                             | 43,411  | 57,881  | 49,413  | 50,281  | 47,803  |
| Gross margin (%)                                                      | 34.2%   | 21.6%   | 26.9%   | 29.1%   | 15.7%   |
| Gross income                                                          | 14,858  | 12,516  | 13,281  | 14,629  | 7,501   |
| Restructuring charges included in cost of sales                       | 743     | 2,038   | 817     | 927     | 1,460   |
| Gross income, excluding restructuring charges                         | 15,601  | 14,554  | 14,098  | 15,556  | 8,961   |
| Net sales                                                             | 43,411  | 57,881  | 49,413  | 50,281  | 47,803  |
| Gross margin, excluding restructuring charges (%)                     | 35.9%   | 25.1%   | 28.5%   | 30.9%   | 18.7%   |
| Operating expenses                                                    | -15,257 | -18,863 | -17,354 | -15,417 | -18,929 |
| Restructuring charges included in R&D expenses                        | 326     | -147    | 1,896   | 344     | 214     |
| Restructuring charges included in selling and administrative expenses | 103     | 534     | 106     | 243     | 69      |
| Operating expenses, excluding restructuring charges                   | -14,828 | -18,476 | -15,352 | -14,830 | -18,646 |
| Operating income (loss)                                               | -312    | -19,278 | -3,652  | -537    | -11,276 |
| Net sales                                                             | 43,411  | 57,881  | 49,413  | 50,281  | 47,803  |
| Operating margin (%)                                                  | -0.7%   | -33.3%  | -7.4%   | -1.1%   | -23.6%  |
| Operating income (loss)                                               | -312    | -19,278 | -3,652  | -537    | -11,276 |
| Total restructuring charges                                           | 1,172   | 2,425   | 2,819   | 1,514   | 1,743   |
| Operating income (loss), excluding restructuring charges              | 860     | -16,853 | -833    | 977     | -9,533  |
| Net sales                                                             | 43,411  | 57,881  | 49,413  | 50,281  | 47,803  |
| Operating margin, excluding restructuring charges (%)                 | 2.0%    | -29.1%  | -1.7%   | 1.9%    | -19.9%  |
| Year to date, SEK million                                             | 2018    |         | 2017    |         |         |
|                                                                       | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Gross income                                                          | 14,858  | 47,927  | 35,411  | 22,130  | 7,501   |
| Net sales                                                             | 43,411  | 205,378 | 147,497 | 98,084  | 47,803  |
| Gross margin (%)                                                      | 34.2%   | 23.3%   | 24.0%   | 22.6%   | 15.7%   |
| Gross income                                                          | 14,858  | 47,927  | 35,411  | 22,130  | 7,501   |
| Restructuring charges included in cost of sales                       | 743     | 5,242   | 3,204   | 2,387   | 1,460   |
| Gross income, excluding restructuring charges                         | 15,601  | 53,169  | 38,615  | 24,517  | 8,961   |
| Net sales                                                             | 43,411  | 205,378 | 147,497 | 98,084  | 47,803  |
| Gross margin, excluding restructuring charges (%)                     | 35.9%   | 25.9%   | 26.2%   | 25.0%   | 18.7%   |
| Operating expenses                                                    | -15,257 | -70,563 | -51,700 | -34,346 | -18,929 |

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|                                                                       |         |         |         |         |         |
|-----------------------------------------------------------------------|---------|---------|---------|---------|---------|
| Restructuring charges included in R&D expenses                        | 326     | 2,307   | 2,454   | 558     | 214     |
| Restructuring charges included in selling and administrative expenses | 103     | 952     | 418     | 312     | 69      |
| Operating expenses, excluding restructuring charges                   | -14,828 | -67,304 | -48,828 | -33,476 | -18,646 |
| Operating income (loss)                                               | -312    | -34,743 | -15,465 | -11,813 | -11,276 |
| Net sales                                                             | 43,411  | 205,378 | 147,497 | 98,084  | 47,803  |
| Operating margin (%)                                                  | -0.7%   | -16.9%  | -10.5%  | -12.0%  | -23.6%  |
| Operating income (loss)                                               | -312    | -34,743 | -15,465 | -11,813 | -11,276 |
| Total restructuring charges                                           | 1,172   | 8,501   | 6,076   | 3,257   | 1,743   |
| Operating income (loss), excluding restructuring charges              | 860     | -26,242 | -9,389  | -8,556  | -9,533  |
| Net sales                                                             | 43,411  | 205,378 | 147,497 | 98,084  | 47,803  |
| Operating margin, excluding restructuring charges (%)                 | 2.0%    | -12.8%  | -6.4%   | -8.7%   | -19.9%  |

**Table of Contents****EBITA and EBITA margin**

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

| Isolated quarters, SEK million                       | 2018   | 2017    |        |        |         |
|------------------------------------------------------|--------|---------|--------|--------|---------|
|                                                      | Q1     | Q4      | Q3     | Q2     | Q1      |
| Net income (loss)                                    | -725   | -18,493 | -3,457 | -457   | -10,026 |
| Taxes                                                | -128   | -1,303  | -516   | -24    | -1,682  |
| Financial income and expenses                        | 541    | 518     | 321    | -56    | 432     |
| Amortization and write-downs of acquired intangibles | 347    | 13,953  | 379    | 445    | 1,875   |
| EBITA                                                | 35     | -5,325  | -3,273 | -92    | -9,401  |
| Net sales                                            | 43,411 | 57,881  | 49,413 | 50,281 | 47,803  |
| EBITA margin (%)                                     | 0.1%   | -9.2%   | -6.6%  | -0.2%  | -19.7%  |

| Year to date, SEK million                            | 2018   | 2017    |         |         |         |
|------------------------------------------------------|--------|---------|---------|---------|---------|
|                                                      | Q1     | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Net income (loss)                                    | -725   | -32,433 | -13,940 | -10,483 | -10,026 |
| Taxes                                                | -128   | -3,525  | -2,222  | -1,706  | -1,682  |
| Financial income and expenses                        | 541    | 1,215   | 697     | 376     | 432     |
| Amortization and write-downs of acquired intangibles | 347    | 16,652  | 2,699   | 2,320   | 1,875   |
| EBITA                                                | 35     | -18,091 | -12,766 | -9,493  | -9,401  |
| Net sales                                            | 43,411 | 205,378 | 147,497 | 98,084  | 47,803  |
| EBITA margin (%)                                     | 0.1%   | -8.8%   | -8.7%   | -9.7%   | -19.7%  |

**Cash conversion**

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

| Isolated quarters, SEK million      | 2018    | 2017    |        |       |         |
|-------------------------------------|---------|---------|--------|-------|---------|
|                                     | Q1      | Q4      | Q3     | Q2    | Q1      |
| Net income (loss)                   | -725    | -18,493 | -3,457 | -457  | -10,026 |
| Net income reconciled to cash       | -1,005  | -4,001  | -779   | -142  | -8,187  |
| Cash flow from operating activities | 1,573   | 11,159  | -18    | 1     | -1,541  |
| Cash conversion (%)                 | -156.5% | -278.9% | 2.3%   | -0.7% | 18.8%   |

| Year to date, SEK million           | 2018    | 2017    |         |         |         |
|-------------------------------------|---------|---------|---------|---------|---------|
|                                     | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Net income (loss)                   | -725    | -32,433 | -13,940 | -10,483 | -10,026 |
| Net income reconciled to cash       | -1,005  | -13,109 | -9,108  | -8,329  | -8,187  |
| Cash flow from operating activities | 1,573   | 9,601   | -1,558  | -1,540  | -1,541  |
| Cash conversion (%)                 | -156.5% | -73.2%  | 17.1%   | 18.5%   | 18.8%   |

Gross cash and net cash, end of period

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

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

| SEK million                                | 2018   |        | 2017   |        |        |
|--------------------------------------------|--------|--------|--------|--------|--------|
|                                            | Q1     | Q4     | Q3     | Q2     | Q1     |
| Cash and cash equivalents                  | 36,697 | 35,884 | 26,210 | 21,446 | 32,954 |
| + Interest-bearing securities, current     | 5,453  | 6,713  | 6,526  | 10,754 | 13,548 |
| + Interest-bearing securities, non-current | 27,104 | 25,105 | 22,405 | 22,122 | 19,124 |
| Gross cash, end of period                  | 69,254 | 67,702 | 55,141 | 54,322 | 65,626 |
| - Borrowings, current                      | 2,554  | 2,545  | 3,004  | 3,230  | 9,514  |
| - Borrowings, non-current                  | 31,134 | 30,500 | 28,039 | 27,100 | 27,823 |
| Net cash, end of period                    | 35,566 | 34,657 | 24,098 | 23,992 | 28,289 |

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Capital employed

Total assets less non-interest-bearing provisions and liabilities.

| SEK million                                     | 2018<br>Q1 | Q4      | 2017<br>Q3 | Q2      | Q1      |
|-------------------------------------------------|------------|---------|------------|---------|---------|
| Total assets                                    | 260,681    | 259,882 | 267,239    | 275,160 | 291,976 |
| Non-interest-bearing provisions and liabilities |            |         |            |         |         |
| Provisions, non-current                         | 2,597      | 3,596   | 3,930      | 4,794   | 4,867   |
| Deferred tax liabilities                        | 1,325      | 901     | 1,736      | 1,838   | 1,888   |
| Other non-current liabilities                   | 2,792      | 2,776   | 2,563      | 2,602   | 2,699   |
| Provisions, current                             | 6,435      | 6,283   | 5,584      | 5,563   | 5,647   |
| Contract liabilities                            | 30,391     | 29,076  | 26,185     | 28,657  | 29,930  |
| Trade payables                                  | 26,453     | 26,320  | 23,559     | 25,266  | 26,077  |
| Other current liabilities                       | 37,888     | 35,305  | 33,395     | 32,599  | 37,323  |
| Capital employed                                | 152,800    | 155,625 | 170,287    | 173,841 | 183,545 |
| Capital turnover                                |            |         |            |         |         |

Annualized net sales divided by average capital employed.

| Isolated quarters, SEK million          | 2018<br>Q1 | Q4      | 2017<br>Q3 | Q2      | Q1      |
|-----------------------------------------|------------|---------|------------|---------|---------|
| Net sales                               | 43,411     | 57,881  | 49,413     | 50,281  | 47,803  |
| Annualized net sales                    | 173,644    | 231,524 | 197,652    | 201,124 | 191,212 |
| Average capital employed                |            |         |            |         |         |
| Capital employed at beginning of period | 155,625    | 170,287 | 173,841    | 183,545 | 185,667 |
| Capital employed at end of period       | 152,800    | 155,625 | 170,287    | 173,841 | 183,545 |
| Average capital employed                | 154,213    | 162,956 | 172,064    | 178,693 | 184,606 |
| Capital turnover (times)                | 1.1        | 1.4     | 1.1        | 1.1     | 1.0     |

| Year to date, SEK million               | 2018<br>Jan-Mar | Jan-Dec | 2017<br>Jan-Sep | Jan-Jun | Jan-Mar |
|-----------------------------------------|-----------------|---------|-----------------|---------|---------|
| Net sales                               | 43,411          | 205,378 | 147,497         | 98,084  | 47,803  |
| Annualized net sales                    | 173,644         | 205,378 | 196,663         | 196,168 | 191,212 |
| Average capital employed                |                 |         |                 |         |         |
| Capital employed at beginning of period | 155,625         | 185,667 | 185,667         | 185,667 | 185,667 |
| Capital employed at end of period       | 152,800         | 155,625 | 170,287         | 173,841 | 183,545 |
| Average capital employed                | 154,213         | 170,646 | 177,977         | 179,754 | 184,606 |
| Capital turnover (times)                | 1.1             | 1.2     | 1.1             | 1.1     | 1.0     |

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## Return on capital employed

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

| Isolated quarters, SEK million                        | 2018    |         |         | 2017    |         |
|-------------------------------------------------------|---------|---------|---------|---------|---------|
|                                                       | Q1      | Q4      | Q3      | Q2      | Q1      |
| Operating income (loss)                               | -312    | -19,278 | -3,652  | -537    | -11,276 |
| Financial income                                      | -72     | -124    | -139    | -27     | -82     |
| Annualized operating income (loss) + financial income | -1,536  | -77,608 | -15,164 | -2,256  | -45,432 |
| Average capital employed                              |         |         |         |         |         |
| Capital employed at beginning of period               | 155,625 | 170,287 | 173,841 | 183,545 | 185,667 |
| Capital employed at end of period                     | 152,800 | 155,625 | 170,287 | 173,841 | 183,545 |
| Average capital employed                              | 154,213 | 162,956 | 172,064 | 178,693 | 184,606 |
| Return on capital employed (%)                        | -1.0%   | -47.6%  | -8.8%   | -1.3%   | -24.6%  |

| Year to date, SEK million                             | 2018    |         |         | 2017    |         |
|-------------------------------------------------------|---------|---------|---------|---------|---------|
|                                                       | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Operating income (loss)                               | -312    | -34,743 | -15,465 | -11,813 | -11,276 |
| Financial income                                      | -72     | -372    | -248    | -109    | -82     |
| Annualized operating income (loss) + financial income | -1,536  | -35,115 | -20,951 | -23,844 | -45,432 |
| Average capital employed                              |         |         |         |         |         |
| Capital employed at beginning of period               | 155,625 | 185,667 | 185,667 | 185,667 | 185,667 |
| Capital employed at end of period                     | 152,800 | 155,625 | 170,287 | 173,841 | 183,545 |
| Average capital employed                              | 154,213 | 170,646 | 177,977 | 179,754 | 184,606 |
| Return on capital employed (%)                        | -1.0%   | -20.6%  | -11.8%  | -13.3%  | -24.6%  |
| Equity ratio                                          |         |         |         |         |         |

Equity, expressed as a percentage of total assets.

| SEK million      | 2018    |         |         | 2017    |         |
|------------------|---------|---------|---------|---------|---------|
|                  | Q1      | Q4      | Q3      | Q2      | Q1      |
| Total equity     | 93,466  | 97,571  | 112,710 | 119,887 | 122,434 |
| Total assets     | 260,681 | 259,882 | 267,239 | 275,160 | 291,976 |
| Equity ratio (%) | 35.9%   | 37.5%   | 42.2%   | 43.6%   | 41.9%   |
| Return on equity |         |         |         |         |         |

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

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| Isolated quarters, SEK million                                       | 2018<br>Q1 | Q4      | 2017<br>Q3 | Q2      | Q1      |
|----------------------------------------------------------------------|------------|---------|------------|---------|---------|
| Net income (loss) attributable to stockholders of the parent company | -837       | -18,476 | -3,561     | -471    | -10,068 |
| Annualized                                                           | -3,348     | -73,904 | -14,244    | -1,884  | -40,272 |
| Average stockholders' equity                                         |            |         |            |         |         |
| Stockholders' equity, beginning of period                            | 96,935     | 112,095 | 119,177    | 121,698 | 134,582 |
| Stockholders' equity, end of period                                  | 92,703     | 96,935  | 112,095    | 119,177 | 121,698 |
| Average stockholders' equity                                         | 94,819     | 104,515 | 115,636    | 120,438 | 128,140 |
| Return on equity (%)                                                 | -3.5%      | -70.7%  | -12.3%     | -1.6%   | -31.4%  |

| Year to date, SEK million                                            | 2018<br>Jan-Mar | Jan-Dec | 2017<br>Jan-Sep | Jan-Jun | Jan-Mar |
|----------------------------------------------------------------------|-----------------|---------|-----------------|---------|---------|
| Net income (loss) attributable to stockholders of the parent company | -837            | -32,576 | -14,100         | -10,539 | -10,068 |
| Annualized                                                           | -3,348          | -32,576 | -18,800         | -21,078 | -40,272 |
| Average stockholders' equity                                         |                 |         |                 |         |         |
| Stockholders' equity, beginning of period                            | 96,935          | 134,582 | 134,582         | 134,582 | 134,582 |
| Stockholders' equity, end of period                                  | 92,703          | 96,935  | 112,095         | 119,177 | 121,698 |
| Average stockholders' equity                                         | 94,819          | 115,759 | 123,339         | 126,880 | 128,140 |
| Return on equity (%)                                                 | -3.5%           | -28.1%  | -15.2%          | -16.6%  | -31.4%  |

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## Earnings (loss) per share (non-IFRS)

Earnings (loss) per share, diluted, excluding amortizations and write-down of acquired intangible assets and excluding restructuring charges.

| Isolated quarters, SEK                               | 2018  |       | 2017  |       |       |
|------------------------------------------------------|-------|-------|-------|-------|-------|
|                                                      | Q1    | Q4    | Q3    | Q2    | Q1    |
| Earnings (loss) per share, diluted                   | -0.25 | -5.63 | -1.09 | -0.14 | -3.08 |
| Restructuring charges                                | 0.30  | 0.37  | 0.73  | 0.38  | 0.46  |
| Amortization and write-downs of acquired intangibles | 0.06  | 4.17  | 0.07  | 0.09  | 0.43  |
| Earnings (loss) per share (non-IFRS)                 | 0.11  | -1.09 | -0.29 | 0.33  | -2.19 |

| Year to date, SEK                                    | 2018    |         | 2017    |         |         |
|------------------------------------------------------|---------|---------|---------|---------|---------|
|                                                      | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Earnings (loss) per share, diluted                   | -0.25   | -9.94   | -4.31   | -3.22   | -3.08   |
| Restructuring charges                                | 0.30    | 1.93    | 1.57    | 0.84    | 0.46    |
| Amortization and write-downs of acquired intangibles | 0.06    | 4.77    | 0.59    | 0.52    | 0.43    |
| Earnings (loss) per share (non-IFRS)                 | 0.11    | -3.24   | -2.15   | -1.86   | -2.19   |
| Free cash flow                                       |         |         |         |         |         |

Cash flow from operating activities less net capital expenditures and other investments.

| Isolated quarters, SEK million                                     | 2018  |        | 2017 |        |        |
|--------------------------------------------------------------------|-------|--------|------|--------|--------|
|                                                                    | Q1    | Q4     | Q3   | Q2     | Q1     |
| Cash flow from operating activities                                | 1,573 | 11,159 | -18  | 1      | -1,541 |
| Net capital expenditures and other investments                     |       |        |      |        |        |
| Investments in property, plant and equipment                       | -856  | -1,105 | -739 | -1,018 | -1,015 |
| Sales of property, plant and equipment                             | 123   | 898    | 12   | 37     | 69     |
| Acquisitions/divestments of subsidiaries and other operations, net | -449  | -107   | 371  | 9      | 3      |
| Product development                                                | -254  | -138   | -126 | -315   | -865   |
| Other investing activities                                         | 161   | -573   | 42   | -42    | 110    |
| Free cash flow                                                     | 298   | 10,134 | -458 | -1,328 | -3,239 |

| Year to date, SEK million                                          | 2018    |         | 2017    |         |         |
|--------------------------------------------------------------------|---------|---------|---------|---------|---------|
|                                                                    | Jan-Mar | Jan-Dec | Jan-Sep | Jan-Jun | Jan-Mar |
| Cash flow from operating activities                                | 1,573   | 9,601   | -1,558  | -1,540  | -1,541  |
| Net capital expenditures and other investments                     |         |         |         |         |         |
| Investments in property, plant and equipment                       | -856    | -3,877  | -2,772  | -2,033  | -1,015  |
| Sales of property, plant and equipment                             | 123     | 1,016   | 118     | 106     | 69      |
| Acquisitions/divestments of subsidiaries and other operations, net | -449    | 276     | 383     | 12      | 3       |
| Product development                                                | -254    | -1,444  | -1,306  | -1,180  | -865    |
| Other investing activities                                         | 161     | -463    | 110     | 68      | 110     |

|                |     |       |        |        |        |
|----------------|-----|-------|--------|--------|--------|
| Free cash flow | 298 | 5,109 | -5,025 | -4,567 | -3,239 |
|----------------|-----|-------|--------|--------|--------|

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Alternative performance measures