

ERICSSON LM TELEPHONE CO
Form 6-K
April 17, 2019

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 17, 2019

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

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

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 17, 2019 regarding First quarter report 2019 .

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 17, 2019**

First quarter report 2019

Stockholm, April 17, 2019

First quarter highlights

Sales were SEK 48.9 (43.4) b. Sales adjusted for comparable units and currency increased by 7% driven by strong growth in North America. Reported sales grew by 13%.

Gross margin was 38.4% (34.2%) driven by improvements in Networks and Managed Services.

Operating income was SEK 4.9 (-0.3) b. and operating margin was 10.0% (-0.7%). Operating income, excluding restructuring charges of SEK -0.2 b. and certain positive non-recurrent items¹⁾ of SEK 1.6 b. was SEK 3.5 b., which equals to an operating margin of 7.2%.

Net income improved to SEK 2.4 (-0.7) b.

Free cash flow excluding M&A was SEK 4.1 (0.7) b. Net cash amounted to SEK 36.1 (35.6) b.

51% of MediaKind was divested February 1, 2019. The acquisition of antenna and filter assets from Kathrein is expected to close Q3.

SEK b.	Q1 2019	Q1 2018	YoY change	Q4 2018	QoQ change
Net sales	48.9	43.4	13%	63.8	-23%
<i>Sales growth adj. for comparable units and currency</i>			7%		
Gross margin	38.4%	34.2%		25.7%	
Operating income (loss)	4.9	-0.3		-1.9	
Operating margin	10.0%	-0.7%		-2.9%	
Net income (loss)	2.4	-0.7		-6.5	
EPS diluted SEK	0.70	-0.25		-1.99	
EPS (non-IFRS) SEK ²⁾	0.80	0.11		-0.77	
Free cash flow excluding M&A	4.1	0.7		3.0	37%
Net cash. end of period	36.1	35.6	2%	35.9	1%
<i>Gross margin excluding restructuring charges</i>	38.5%	35.9%		32.0%	
<i>Operating income (loss) excluding restructuring charges</i>	5.1	0.9		2.6	99%
<i>Operating margin excluding restructuring charges</i>	10.4%	2.0%		4.0%	

¹⁾ Certain non-recurrent items are; a capital gain related to the divestment of 51% of MediaKind (SEK 0.7 b.), divestment of certain assets in Red Bee Media (SEK 0.1 b.) and a reversal of an earlier provision for impairment

- of trade receivables following customer payment (SEK 0.7 b.)
- 2) EPS diluted, excl. amortizations and write-downs of acquired intangible assets, and excluding restructuring charges. Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

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

CEO comments

For the third consecutive quarter we showed organic sales growth¹), this quarter by 7%. Growth was mainly driven by North America. Our strategy, to work with lead customers in lead markets, is generating both 5G business and hands-on experience in 5G rollout and commercialization. To date we have publicly announced commercial 5G deals with 18 named operator customers, which, at the moment, is more than any other vendor.

5G services, including mobility, have been launched in South Korea and North America. While Switzerland has released spectrum allowing Swisscom to offer commercial 5G services, using our equipment, the development in other parts of Europe is considerably slower primarily due to lack of spectrum, poor investment climate and additional uncertainties related to future vendor market access.

Gross margin²) improved to 38.5% (35.9%) YoY, driven by improvements in segments Networks and Managed Services, and also by the recently signed patent license agreement with OPPO.

Segment Networks had a strong quarter with an organic sales growth¹) of 10% YoY, driven by increased investments in North America. Networks gross margin²) improved to 43.2% (40.4%) YoY, mainly due to higher hardware capacity sales and IPR revenues. In the quarter we announced our intent to acquire the German company Kathrein's antenna and filters business. This will further expand our capabilities in the advanced active and passive antenna domains, which are growing in importance as 5G evolves.

In Managed Services, sales fell organically¹) by -5% due to headwind from contract exits. In the quarter, our Operations Engine was launched with good response from our customers. Gross margin²) improved to 17.7% (9.1%) YoY, supported by efficiency gains and customer contract reviews. Excluding a non-recurrent positive effect of SEK 0.7 b. from a customer settlement, the operating margin²) was 8.6%, exceeding the higher range of our financial target for 2020.

Organic sales¹) in Digital Services were stable YoY. We continue to see a good business momentum for the new portfolio of 5G-ready and cloud-native products, with many important contract wins in the quarter. Gross margin excluding restructuring charges and the BSS provision in Q4 2018³) was stable QoQ and operating income²) improved YoY driven by reductions in operating expenses. Gross margin²) declined YoY as Q1 2018 was supported by a favorable business mix. We continue to execute on our plan to turn the Digital Services business around. Implementation of the revised BSS strategy, announced in January 2019, is progressing well.

Organic sales growth¹) in segment Emerging Business and Other was 38% YoY driven by growth in iconectiv. Gross margin²) was stable YoY. In the quarter 51% of MediaKind was divested, generating a gain of SEK 0.7 b. In segment Emerging Business and Other we invest in initiatives that aim to scale and help create future business for Ericsson. With the exception of iconectiv, the portfolio is still in an early phase. We are also incurring extra costs as we restructure some of the older innovation investments.

Driven by improved earnings, free cash flow excluding M&A amounted to SEK 4.1 (0.7) b. in the quarter and with a strong cash position we are well positioned to grow the company in a profitable way.

As previously disclosed, we have been voluntarily cooperating since 2013 with an investigation by the United States Securities and Exchange Commission (SEC) and, since 2015, with an investigation by the United States Department of Justice (DOJ) into Ericsson's compliance with the U.S. Foreign Corrupt Practices Act (FCPA). We continue to cooperate with the SEC and the DOJ, and have recently begun settlement discussions. These discussions are in a very early stage and therefore we are not able to estimate their length. Further, as this is an ongoing legal matter we cannot

provide any detail. However, based on the current status of the discussions it is our assessment that the resolution of these matters will result in material financial and other measures, the magnitude and impact of which cannot be reliably estimated or ascertained at this time.

As previously communicated, we continue to take strategic contracts and incur costs for 5G field trials and, in addition, by end of 2019 we expect large-scale deployments of 5G to commence in parts of Asia. Combined, this will gradually impact short-term margins but strengthen our position in the long term. The impact of strategic contracts and 5G field trials was limited in Q1. The 5G market is gaining momentum and we are well positioned to capture opportunities. We will continue to make substantial investments in R&D, especially in 5G, automation and AI. This is a key part of our focused strategy to strengthen our long-term business and path to reaching our targets for 2020 and 2022.

Börje Ekholm

President and CEO

- 1) Organic sales growth: Sales growth adjusted for comparable units and currency
- 2) Excluding restructuring charges
- 3) BSS (Business Support Systems) provision in Q4 2018 was SEK 5.9 b.

Planning assumptions going forward

Market related

The Radio Access Network (RAN) equipment market is estimated to increase by 3% for full-year 2019 with 2% CAGR for 2018-2023. (Source: Dell Oro.)

Ericsson related

Net sales

Two-year average sales seasonality between Q1 and Q2 is 10%. However, the current sales level in North America is expected to remain, leading to lower effects from seasonality between quarters than normally throughout 2019.

The revenues for current IPR licensing contract portfolio is approximately SEK 9 b. on an annual basis.
Gross margin

Strategic contracts in Networks, with initially low margins, taken to strengthen the market position, will have a negative impact on gross margins without jeopardizing the 2020 target. The impact was limited in the quarter but is expected to start to impact gross margin in Q2.

Large 5G deployments in parts of Asia are expected to commence at the end of 2019 and will impact gross margin negatively in the short term.

The share of services sales in North America is expected to gradually increase, impacting gross margin negatively.

Operating expenses

Operating expenses typically increase between Q1 and Q2 due to seasonality.

Costs for 5G field trials will impact SG&A and will increase in the next few quarters.

Networks R&D expenses are expected to flatten out.

Restructuring charges and Tax

Restructuring charges for full-year 2019 are estimated to be SEK -3 to -5 b.

Tax rate in Q1 2019 was 44%. The rate is a result of forecasted geographical distribution of profits for full-year 2019.

Currency exposure

Rule of thumb: A change by 10% of USD to SEK would have an impact of approximately +/-5% on net sales and approximately +/-1 percentage point

Financial highlights

SEK b.	Q1 2019	Q1 2018	YoY change	Q4 2018	QoQ change
Net sales	48.9	43.4	13%	63.8	-23%
<i>Sales growth adj. for comparable units and currency</i>			7%		
Gross income	18.8	14.9	26%	16.4	15%
Gross margin (%)	38.4%	34.2%		25.7%	
Research and development (R&D) expenses	-9.2	-9.1	1%	-10.7	
Selling and administrative expenses	-6.0	-6.2		-7.7	
Impairment losses on trade receivables	0.6	0.0		0.4	45%
Other operating income and expenses	0.8	0.1		-0.3	
Operating income (loss)	4.9	-0.3		-1.9	
Operating margin (%)	10.0%	-0.7%		-2.9%	
Financial net	-0.6	-0.5	12%	-0.7	-15%
Taxes	-1.9	0.1		-3.9	-52%
Net income (loss)	2.4	-0.7		-6.5	
Restructuring charges	-0.2	-1.2		-4.4	
<i>Gross income excluding restructuring charges</i>	18.8	15.6	21%	20.4	-8%
<i>Gross margin excluding restructuring charges</i>	38.5%	35.9%		32.0%	
<i>R&D expenses excluding restructuring charges</i>	-9.0	-8.7	3%	-10.4	-13%
<i>SG&A expenses excluding restructuring charges</i>	-6.0	-6.1		-7.6	
<i>Operating income (loss) excl. restructuring charges</i>	5.1	0.9		2.6	99%
<i>Operating margin excluding restructuring charges</i>	10.4%	2.0%		4.0%	
Net sales					

Sales adjusted for comparable units and currency increased by 7% YoY, driven by growth in Networks. Networks sales adjusted for comparable units and currency increased by 10% YoY, with strong sales growth in North America and in North East Asia. Digital Services sales adjusted for comparable units and currency were flat YoY. Managed Services sales adjusted for comparable units and currency declined by -5% YoY, as a result of exited contracts. Sales adjusted for comparable units and currency in Emerging Business and Other increased by 38% YoY, driven by iconectiv.

Reported sales for the Group increased by 13% YoY.

Sequentially, sales as well as sales adjusted for comparable units and currency declined following a seasonally strong Q4.

IPR licensing revenues

IPR licensing revenues increased to SEK 2.5 (1.9) b. YoY and sequentially from SEK 2.1 b. The YoY increase was mainly due to new contracts signed and currency effects from a stronger USD versus SEK.

Gross margin

Gross margin increased to 38.4% (34.2%). Gross margin excluding restructuring charges increased to 38.5% (35.9%), driven mainly by improvements in Networks and Managed Services. Higher IPR licensing revenues and progress in customer contract reviews in Managed Services had a positive impact on gross margin YoY.

Sequentially, gross margin increased to 38.4% from 25.7%. Gross margin excluding restructuring charges increased to 38.5% from 32.0%, with improvements in all segments.

Operating expenses

R&D expenses increased to SEK -9.2 (-9.1) b. mainly due to currency effects. R&D expenses increased in both Networks and Managed Services while it decreased in Digital Services as well as in Emerging Business and Other. The net impact from capitalized and amortized R&D expenses was SEK 0.0 (-0.4) b.

Selling and administrative (SG&A) expenses decreased to SEK -6.0 (-6.2) b. YoY despite a negative impact from currency effects.

Impairment losses on trade receivables were positive at SEK 0.6 (0.0) b., due to a reversal of a provision for impairment of trade receivables following customer payments of SEK 0.7 b.

Other operating income and expenses

Other operating income and expenses increased YoY to SEK 0.8 (0.1) b. and sequentially from SEK -0.3 b., mainly due to capital gains related to the divestment of 51% of MediaKind and the divestment of assets in Red Bee Media.

Restructuring charges

Restructuring charges decreased to SEK -0.2 (-1.2) b. YoY.

Operating income and margin

Operating income and margin, excluding restructuring of SEK -0.2 b. and certain non-recurrent items of SEK 1.6 b., improved YoY to SEK 3.5 (0.9) b. and 7.2% (2.0%) respectively. The above non-recurrent items are a capital gain related to the divestment of 51% of MediaKind (SEK 0.7 b.), divestment of certain assets in Red Bee Media (SEK 0.1 b.) and a reversal of a provision for impairment of trade receivables following customer payment (SEK 0.7 b.)

Reported operating income and margin improved to SEK 4.9 (-0.3) b. and 10.0% (-0.7%) respectively. Implementation of IFRS 16 improved operating income by SEK 0.1 b.

Sequentially, operating income and margin improved to SEK 4.9 b. from SEK -1.9 b. and to 10.0% from -2.9% respectively. Operating income excluding restructuring charges improved to SEK 5.1 b. from SEK 2.6 b. supported by capital gains of SEK 0.8 b. and of the reversal of the provision in trade receivables of SEK 0.7 b.

In Q4 2018, operating income was significantly impacted by negative effects of costs related to the revised BSS strategy.

Financial net

The negative financial net increased to SEK -0.6 (-0.5) b. and improved sequentially from SEK -0.7 b. The currency hedge effects, which derive from the hedge loan balance in USD, impacted financial net by SEK -0.2 (-0.1) b. The SEK weakened against the USD between December 31, 2018 (SEK/USD rate 8.94) and March 31, 2019 (SEK/USD rate 9.26). In the quarter, interest expenses on financial leases were SEK -0.1 (0.0) b. as an effect of IFRS 16 implementation.

Taxes

Taxes were SEK -1.9 (0.1) b., equal to a tax rate of 44%. The rate is a result of forecasted geographical distribution of profits for 2019.

Net income (loss) and EPS

Net income increased to SEK 2.4 (-0.7) b. and EPS diluted increased to SEK 0.70 (-0.25) YoY.

Employees

The number of employees on March 31, 2019, was 94,580, a net decrease of 779 employees in the quarter. The employee reduction is related to the 51% divestment of MediaKind.

Market area sales

SEK b.	First quarter 2019				Total	Change	
	Digital Networks	Digital Services	Managed Services	Emerging Business and Other		YoY	QoQ
South East Asia, Oceania and India	4.5	0.8	0.8	0.0	6.1	-4%	-25%
North East Asia	2.8	0.7	0.3	0.0	3.8	13%	-54%
North America	13.3	1.8	1.1	0.0	16.2	43%	-10%
Europe and Latin America	7.6	2.6	2.9	0.1	13.1	1%	-27%
Middle East and Africa	3.1	1.4	0.9	0.0	5.4	-8%	-21%
Other ¹⁾	2.2	0.5	0.0	1.6	4.2	21%	-5%
Total	33.5	7.8	5.9	1.8	48.9	13%	-23%

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

South East Asia, Oceania and India

Sales decreased YoY, primarily in Digital Services, due to timing of project deliveries and milestones. Network sales increased slightly YoY, mainly in South East Asia. Managed Services sales increased YoY, mainly as a result of a new contract won in 2018.

North East Asia

Sales increased YoY, primarily driven by Networks sales with 5G deliveries in South Korea and continued 4G deployment in Mainland China. Digital Services sales declined slightly YoY due to timing of project deliveries. Trials for 5G continue in Mainland China and Japan.

North America

Sales increased, primarily driven by 4G and 5G investments by all major customers. Managed Services sales grew YoY, driven by strong variable sales in large customer contracts.

Europe and Latin America

Sales increased YoY driven by positive impact of earlier announced contract wins in Europe. Managed Services sales declined as a consequence of contract exits.

Middle East and Africa

Sales declined YoY. Networks sales declined due to timing of investments. There is however high interest in 5G in the Middle East and several new contracts have been signed. Digital Services sales grew following high project-milestone fulfillment. Managed Services sales declined due to exit of contracts.

Other

Sales increased YoY, mainly driven by growth in IPR licensing revenues and iconectiv (part of segment Emerging Business and Other) partly offset by divestment of MediaKind. IPR licensing revenues amounted to SEK 2.5 (1.9) b., supported by a new contract signed and currency effects of a stronger USD versus SEK.

Segment results

Networks

SEK b.	Q1 2019	Q1 2018	YoY change	Q4 2018	QoQ change
Net sales	33.5	28.6	17%	41.6	-20%
<i>Of which products</i>	23.8	19.5	22%	29.8	-20%
<i>Of which IPR licensing revenues</i>	2.1	1.5	36%	1.8	17%
<i>Of which services</i>	9.7	9.1	6%	11.8	-18%
<i>Sales growth adjusted for comparable units and currency</i>			10%		
Gross income	14.5	11.1	30%	16.6	-13%
Gross margin	43.2%	38.9%		39.9%	
Operating income	5.5	3.4	62%	6.9	-20%
Operating margin	16.3%	11.8%		16.5%	
Restructuring charges	0.0	-0.5		-0.4	
<i>Gross income excl. restructuring charges</i>	14.5	11.5	25%	17.1	-15%
<i>Gross margin excl. restructuring charges</i>	43.2%	40.4%		41.0%	
<i>Operating income excl. restructuring charges</i>	5.5	3.9	42%	7.3	-25%
<i>Operating margin excl. restructuring charges</i>	16.4%	13.5%		17.5%	

Net sales

Sales adjusted for comparable units and currency increased by 10% YoY. The increase is mainly due to strong growth in North America and North East Asia, driven by 4G and 5G investments.

Reported sales increased by 17% YoY.

Gross margin

Gross margin increased to 43.2% (38.9%) YoY. Gross margin excluding restructuring charges increased to 43.2% (40.4%) driven by higher sales of hardware capacity and higher IPR licensing revenues.

Gross margin increased to 43.2% from 39.9% QoQ. The increase was due to higher IPR licensing revenues, lower restructuring charges and lower negative impact from strategic contracts. The strategic contracts are taken to strengthen the market position and their negative impact on gross margin may vary between quarters.

Operating income and margin

Operating income increased to SEK 5.5 (3.4) b. YoY and operating margin improved to 16.3% (11.8%). The improvement was mainly driven by higher sales and higher gross margin. In addition, the total impact from amortization and capitalization of development expenses and from recognition and deferral of hardware costs contributed with SEK 0.3 (-0.2) b. to operating income.

Strategy execution

As presented at the 2018 Capital Markets Day, the target for Networks is to generate an operating margin of 15%-17% (excluding restructuring charges) by 2020. Four important ongoing strategic activities are to:

Invest in R&D to safeguard a leading product portfolio and cost leadership

Fully transition the radio unit deliveries to Ericsson Radio System (ERS) for increased competitiveness

Increase investments in automation and serviceability driving down costs

Selectively gain market shares based on technology and cost competitiveness.

At the close of the quarter Ericsson had announced commercial 5G deals with 18 named operators. The market share of Ericsson RAN equipment has improved to 29.2% in 2018 compared with 28.7% for 2017, according to Dell'Oro's report from February 2019.

As antenna technology is growing in importance, Ericsson announced plans to expand its Ericsson Radio System portfolio with new products and to strengthen its in-house competence and capabilities in antenna technology, through an acquisition of Kathrein's antenna and filter business.

Digital Services

SEK b.	Q1 2019	Q1 2018	YoY change	Q4 2018	QoQ change
Net sales	7.8	7.3	8%	13.0	-40%
<i>Of which products</i>	3.9	3.9	0%	7.5	-47%
<i>Of which IPR licensing revenues</i>	0.5	0.3	36%	0.4	17%
<i>Of which services</i>	3.9	3.3	17%	5.5	-30%
<i>Sales growth adjusted for comparable units and currency</i>			0%		
Gross income	2.9	2.9	0%	-1.2	
Gross margin	36.8%	39.8%		-9.5%	
Operating income (loss)	-1.8	-2.6		-7.1	
Operating margin	-23.0%	-35.9%		-54.5%	
Restructuring charges	-0.2	-0.6		-3.5	
<i>Gross income excl. restructuring charges</i>	2.9	3.1	-6%	2.1	38%
<i>Gross margin excl. restructuring charges</i>	37.6%	42.9%		16.4%	
<i>Operating income (loss) excl. restructuring charges</i>	-1.6	-2.0		-3.5	
<i>Operating margin excl. restructuring charges</i>	-20.6%	-27.9%		-27.2%	

Net sales

Sales adjusted for comparable units and currency were stable YoY. Reported sales increased by 8% YoY with growth in North America, partly offset by lower sales in India. Sales in Operations Support Systems (OSS) and Cloud Core increased but were partly offset by lower sales in Business Support Systems (BSS).

Gross margin

Gross margin decreased to 36.8% (39.8%) YoY. Gross margin excluding restructuring charges declined to 37.6% (42.9%). Gross margin in Q1 2018 was strong, supported by a favorable business mix.

Gross margin increased to 36.8% from -9.5% QoQ. Provisions related to the revised BSS strategy had a significant negative impact on gross margin in Q4 2018. Gross margin excluding restructuring and these provisions was stable QoQ.

Operating income (loss)

Operating income was SEK -1.8 (-2.6) b. Operating income excluding restructuring charges was SEK -1.6 (-2.0) b., with a positive impact from reduced operating expenses. Operating expenses excluding restructuring charges decreased by SEK 0.6 b. YoY despite adverse currency effects.

Strategy execution

Top priority for Digital Services is to turn the segment into a profitable business, targeting low single-digit operating margin by 2020 (excluding restructuring charges). The positive business momentum for the new portfolio of 5G-ready and cloud-native products continued, with several important contract wins in the quarter.

The implementation of the revised BSS strategy, announced in January 2019, is progressing according to plan. Measures across service delivery and R&D are being implemented with the target to have all activities concluded by mid-2019. The measures aim to materially contribute to reduced losses in BSS already in 2019, and de-risk the plan for Digital Services to reach the 2020 financial target.

New ways of working to further improve R&D efficiency as well as investments in the portfolio of 5G-ready and cloud-native products will continue in order to defend the current market position and prepare Digital Services for future profitable growth.

A key activity for turnaround of the Digital Services business is to complete, renegotiate or exit 45 identified critical and non-strategic customer contracts. Two contracts were addressed in the quarter, and a total of 25 contracts have been addressed to date. The plan is to have completed 75% of the 45 contracts by the end of 2019. The sales shift towards the new portfolio continues. The rolling 12 months sales of the new portfolio increased by 6%.

Managed Services

SEK b.	Q1 2019	Q1 2018	YoY change	Q4 2018	QoQ change
Net sales	5.9	5.9	-1%	6.9	-15%
<i>Sales growth adjusted for comparable units and currency</i>			-5%		
Gross income	1.0	0.5	111%	0.8	33%
Gross margin	17.7%	8.3%		11.4%	
Operating income	1.3	0.1		0.3	339%
Operating margin	21.4%	1.7%		4.1%	
Restructuring charges	0.0	-0.1		-0.1	
<i>Gross income excl. restructuring charges</i>	1.0	0.5	92%	0.9	22%
<i>Gross margin excl. restructuring charges</i>	17.7%	9.1%		12.4%	
<i>Operating income excl. restructuring charges</i>	1.3 ¹⁾	0.2		0.4	253%
<i>Operating margin excl. restructuring charges</i>	21.4%	2.6%		5.2%	

1) Q1 2019 Operating income was SEK 0.5 b., when excluding restructuring charges and reversal of a provision for impairment of trade receivables

Net sales

Sales adjusted for comparable units and currency decreased by -5% YoY due to customer contract exits. Sales in Network Design & Optimization (project business) and in Managed Services IT & ADM showed growth. Variable sales in certain large Managed Services Networks contracts increased in the quarter.

Reported sales decreased by -1% YoY.

Gross margin

Gross margin increased to 17.7% (8.3%) YoY, mainly as a result of customer contract exits and efficiencies as well as lower restructuring charges.

Gross margin increased to 17.7% from 11.4% QoQ, driven by seasonally lower costs following high costs in Q4 2018, a shift of resources and costs to R&D and lower restructuring charges.

Operating income and margin

Operating income increased to SEK 1.3 (0.1) b. YoY. The improvement was partly driven by reversal of a provision for impairment of trade receivables of SEK 0.7 (0.0) b. A higher gross margin also contributed positively to the operating income increase YoY. Excluding the provision reversal (SEK 0.7 b.), operating margin was 8.6%.

Strategy execution

AI and automation are essential to managing the increasing complexity of current and future networks. These capabilities are evolving operations from being network centric, towards being userexperience centric. To address and lead this evolution, Ericsson has launched a new Artificial Intelligence (AI)-based managed services offering for

operators the Ericsson Operations Engine. This AI-based offering addresses this increasing network complexity, including operators need to handle growing volumes of devices, multiple technologies (4G, 5G, IoT), and more diverse service requirements.

Further investments will be made in automation, analytics and AI-driven offerings, to support 5G, IoT and cloud as well as to increase service delivery efficiency.

As presented at the 2018 Capital Markets Day, the ambition for Managed Services is to improve operating margin to 5%-8% (excluding restructuring charges) in 2020.

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

SEK b.	Q1 2019	Q1 2018	YoY change	Q4 2018	QoQ change
Net sales	1.8	1.7	6%	2.3	-23%
<i>Of which Emerging Business and iconectiv</i>	1.0	0.6	67%	1.0	1%
<i>Of which Red Bee Media</i>	0.6	0.5	26%	0.6	7%
<i>Of which Media Solutions</i>	0.1	0.5	-80%	0.7	-84%
<i>Sales growth adjusted for comparable units and currency</i>			38%		
Gross income	0.4	0.3	18%	0.2	93%
Gross margin	23.4%	21.1%		9.3%	
Operating income (loss)	0.0	-1.2		-1.9	
Operating margin	-1.7%	-71.2%		-83.3%	
Restructuring charges	0.0	-0.1		-0.4	
<i>Gross income excl. restructuring charges</i>	0.4	0.4	2%	0.4	6%
<i>Gross margin excl. restructuring charges</i>	23.5%	24.3%		17.1%	
<i>Operating income (loss) excl. restructuring charges</i>	0.0 ¹⁾	-1.1		-1.5	
<i>Of which Emerging Business, iconectiv and common costs</i>	-0.5	-0.6		-0.9	
<i>Of which Red Bee Media</i>	0.0	-0.1		-0.1	
<i>Of which Media Solutions</i>	0.4	-0.4		-0.5	
<i>Operating margin excl. restructuring charges</i>	-1.3%	-67.5%		-67.1%	

¹⁾ Q1 2019 Operating income was SEK -0.8 b., when excluding restructuring charges and capital gains of SEK 0.8 b. in Media Solutions and Red Bee Media

Net sales

Sales adjusted for comparable units (adjusted for the divestment of MediaKind) and currency increased by 38% YoY. The increase was driven by iconectiv, mainly due to a number portability contract in United States for which deliveries started in May 2018.

Reported sales increased by 6% YoY.

Gross margin

Gross margin increased to 23.4% (21.1%) YoY. Gross margin excluding restructuring charges declined to 23.5% (24.3%) due to the divestment of 51% of MediaKind.

Gross margin increased QoQ to 23.4% from 9.3%. Gross margin excluding restructuring charges increased to 23.5% from 17.1% with improvements in Emerging Business, Red Bee Media and iconectiv.

Operating income (loss)

Operating income improved to SEK 0.0 (-1.2) b. YoY. Operating income excluding restructuring charges improved to SEK 0.0 (-1.1) b. A capital gain of SEK 0.8 b. impacted operating income positively. In addition, growth in iconectiv had a positive impact on income YoY.

Media Solutions (MediaKind and transaction-related costs etc.) operating income excluding restructuring was SEK 0.4 b., driven by a capital gain of SEK 0.7 b. from the MediaKind divestment. The operating income was also impacted by losses of SEK -0.3 b., including certain non-recurrent costs.

A capital gain related to divestment of certain assets in Red Bee Media had a positive impact on income.

Strategy execution

Emerging Business

Selective investments, disciplined governance and a lean-startup approach have been implemented in Emerging Business to build a position and grow sales in new areas. The portfolio is still in an early phase, with focus on generating sales and scaling the business. The offering Ericsson Industry Connect was launched to strengthen Ericsson's portfolio for private networks by making 4G and 5G technologies accessible to new industrial markets. The main go-to-market model is via mobile operators, leveraging access to licensed spectrum.

Red Bee Media

The target to achieve a sustainable profitable business remains, by continuing to develop and manage the business as an independent and focused media services entity within Ericsson. Certain assets were divested in the quarter, supporting the Red Bee Media strategy of focusing on delivering market-leading managed services within broadcasting and media.

Media Solutions

51% of the MediaKind business was divested February 1, 2019. After the transaction, Ericsson carries 49% of the MediaKind results as a share in earnings of JV and associated companies. Actions taken are expected to result in improved sales and cost structures in the second half of 2019.

Cash flow

SEK b.	Q1 2019	Q1 2018	Q4 2018
Net income reconciled to cash	5.5	-1.0	-0.1
Changes in operating net assets	0.3	2.6	4.4
Cash flow from operating activities	5.8	1.6	4.3
Cash flow from investing activities	3.3	-1.8	-2.2
Cash flow from financing activities	-2.6	-0.1	-0.6
Effect of exchange rate changes on cash	0.6	1.1	0.8
Net change in cash and cash equivalents	7.1	0.8	2.3
<i>Free cash flow excluding M&A</i>	<i>4.1</i>	<i>0.7</i>	<i>3.0</i>
<i>Free cash flow</i>	<i>4.4</i>	<i>0.3</i>	<i>3.0</i>

Operating activities

Net income reconciled to cash was SEK 5.5 (-1.0) b. mainly driven by improved profitability, and supported by a reversal of a provision for impairment of trade receivables of SEK 0.7 b. following customer payment. Cash flow from operating activities was SEK 5.8 (1.6) b. and includes SEK 0.3 b. in changes in operating net assets.

Inventory increased due to high business activity while trade receivables decreased on the back of the seasonally high sales in Q4. Provisions decreased in the quarter. Out of the SEK 6.1 b. provision related to reshaping the BSS business in Q4 2018, SEK 3.1 b. was reclassified as other current liabilities in the quarter, of which SEK 1.6 b. was paid out. Cash outlays related to other provisions were SEK 1.7 (2.2) b. of which SEK 0.6 (1.4) b. were restructuring charges. Total cash outlays for 2019, related to the balance for provisions as of December 31, 2018, are estimated to be SEK 10 b., of which cash outlays in the quarter were SEK 3.3 b.

Investing activities

Cash flow from investing activities was SEK 3.3 (-1.8) b. supported by SEK 4.7 b. of sale of interest-bearing securities (i.e. government/ mortgage bonds). Cash flow related to M&A was SEK 0.3 (-0.4) b., mainly as a result of the divestment of 51% of MediaKind. Cash flow from investments in property, plant and equipment was SEK -1.3 (-0.9) b., following investments in test equipment. Cash flow from capitalized development expenses was SEK -0.5 (-0.3) b. following increased 5G R&D activities.

Financing activities

Cash flow from financing activities was SEK -2.6 (-0.1) b. of which the main part relates to payment of dividends of SEK -1.0 b. and repayment of loans of SEK -1.8 b. to a minority shareholder in one of the subsidiaries.

Free cash flow

Free cash flow excluding M&A was SEK 4.1 (0.7) b. and free cash flow including M&A was SEK 4.4 (0.3) b., supported by the divestment of 51% of MediaKind.

Effects from implementation of IFRS 16 Leases

Cash flow from operating activities was positively impacted by SEK

0.6 b. Financing activities were negatively impacted by amortization of the leasing liability of the same amount. These effects generated a free cash flow that was positively impacted by SEK 0.6 b. through the implementation of IFRS 16.

Financial position

	Mar 31 2019	Mar 31 2018	Dec 31 2018
SEK b.			
+ Cash and cash equivalents	45.5	36.7	38.4
+ Interest-bearing securities, current	3.2	5.5	6.6
+ Interest-bearing securities, non-current	23.0	27.1	24.0
Gross cash	71.7	69.3	69.0
Borrowings, current	3.0	2.6	2.3
Borrowings, non-current	32.5	31.1	30.9
Net cash	36.1	35.6	35.9
Equity	84.5	93.5	87.8
Total assets	284.0	260.7	268.8
Capital turnover (times)	1.3	1.1	1.4
Return on capital employed (%)	12.7%	-1.0%	0.6%
Equity ratio (%)	29.8%	35.9%	32.7%
Return on equity (%)	10.8%	-3.5%	-7.1%

Gross cash increased by SEK 2.7 b. as a result of the positive free cash flow. Net cash increased by SEK 0.2 b. in the quarter, impacted by revaluation of borrowings due to changes in foreign exchange rates and interest rates. Gross cash was SEK 71.7 b. and net cash was SEK 36.1 b. Net cash does not include lease liabilities.

Liability for post-employment benefits increased in the quarter, to SEK 30.7 b. from SEK 28.7 b., due to lower interest rates. The Swedish defined benefit obligation (DBO) was calculated using a discount rate based on the yields of Swedish government bonds. If the discount rate had been based on Swedish covered mortgage bonds, the liability for post-employment benefits would have been approximately SEK 10.2 b. lower as of March 31, 2019.

The average maturity of long-term borrowings as of March 31, 2019, was 3.1 years, a decrease from 4.1 years 12 months earlier.

Parent Company

Income after financial items was SEK -0.12 (0.37) b.

At the end of the quarter, gross cash (cash, cash equivalents, short-term investments and interest-bearing securities non-current) amounted to SEK 60.6 (52.3) b.

In the quarter, a dividend of SEK 3.3 b. was recognized, as anticipated, after decision by the Annual General Meeting on the 27th of March. The dividend was paid out in the first week of April.

There was a decrease in intercompany lending of SEK 10.7 b. and in intercompany borrowing of SEK 24.9 b. in the quarter.

In the quarter, there was an increase of SEK 1.2 b. in associated companies due to an acquisition of 49% of shares in company Leone Media Inc. (MediaKind).

In accordance with the conditions of the long-term variable compensation program (LTV) for Ericsson employees, 4,434,772 shares from treasury stock were sold or distributed to employees during the first quarter. The holding of treasury stock at March 31, 2019, was 32,622,267 Class B shares.

Other information

Ericsson completed divestment of majority stake in MediaKind

On February 1, 2019 Ericsson announced that it had closed the divestment of its MediaKind business to the private equity firm One Equity Partners. As previously announced, One Equity Partners is the majority owner, while Ericsson retains 49% of the shares after the transaction on January 31, 2019.

Ericsson to acquire Kathrein's antenna and filters business

On February 25, 2019 Ericsson announced that it intends to acquire Kathrein's antenna and filter business. The acquisition will include Kathrein's antenna and filter business for mobile networks and will add around 4,000 professionals in R&D, production, and sales.

The acquisition is an asset deal where certain assets and liabilities are acquired by Ericsson at closing, which is expected in Q3 2019. The business will be added as a separate unit in Business Area Networks and will be reported in Segment Networks, with a positive contribution to 2020 profitability targets. Preliminary and unaudited revenues from the part of Kathrein to be acquired were approximately EUR 270 million in 2018, excluding sales to Ericsson. The parties have agreed to keep the purchase price undisclosed.

The closing of the acquisition is subject to customary conditions and approvals from relevant regulatory authorities.

Ericsson announced changes to Executive Team

On March 12, 2019, Ericsson announced that Rafiah Ibrahim would leave her position as Senior Vice President and Head of Market Area Middle East & Africa and take on a role as advisor to CEO Börje Ekholm. Rafiah Ibrahim, who has held her current position since April 1, 2017, will assume her new role effective August 31, 2019. She will leave the Ericsson Executive Team effective the same date.

Resolutions at the AGM

On March 27, 2019, 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 re-elected as Chair of the Board and Jon Fredrik Baksaas, Jan Carlson, Nora Denzel, Börje Ekholm, Eric A. Elzvik, Kurt Jofs, Ronnie Leten, Kristin S. Rinne, Helena Stjernholm and Jacob Wallenberg were re-elected as Board members.

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 2019 for members of the Executive Team.

Ongoing litigation with Intellectual Ventures

The company Intellectual Ventures (IV) has previously filed a number of patent infringement lawsuits in the United States accusing Ericsson and some of Ericsson's U.S. customers of patent infringement. In February 2019, in one of the lawsuits in the Eastern District of Texas, a jury awarded IV damages of USD 43 million in one of those lawsuits. Ericsson disagrees with the jury's verdict and intends to appeal. Separately, the Patent Trial and Appeal Board has

instituted a review of the patents that were the subject of the February 2019 trial, following its finding that there is a reasonable likelihood that those patents are unpatentable. The next case in the Eastern District of Texas is currently set to go to trial in May 2019. As a result of the lawsuits filed by IV, Ericsson may be required to indemnify its customers and/or pay IV damages.

POST-CLOSING EVENTS

Investigation into Ericsson's patent licensing practices in China

On April 11, 2019, Ericsson was informed by the Chinese SAMR (State Administration for Market Regulation) Anti-Monopoly Bureau that they have initiated an investigation into Ericsson's patent licensing practices in China. Ericsson is cooperating with the investigation.

Over the past decades, Ericsson has made substantial investments in technology research and standards development in the mobile industry. These consistent investments in R&D have made Ericsson a leading innovator and the driving force in the creation of each new generation of cellular technology.

In order to provide access to its patented technology to others, and also to get a fair return on its heavy investments, Ericsson has a patent licensing program that offers licenses to implementers of the cellular standards on FRAND (Fair, Reasonable and Non-Discriminatory) terms and conditions. Ericsson has always been committed to these FRAND principles, as they ensure a balance between contributors to the standards and implementers of the technology, thus accelerating the development and adoption of new technologies in our industry.

SEC and DOJ inquiries

As previously disclosed, Ericsson has been voluntarily cooperating since 2013 with an investigation by the United States Securities and Exchange Commission (SEC) and, since 2015, with an investigation by the United States Department of Justice (DOJ) into Ericsson's compliance with the U.S. Foreign Corrupt Practices Act (FCPA). The Company continues to cooperate with the SEC and the DOJ, and has recently begun settlement discussions. These discussions are in a very early stage and therefore the Company is not able to estimate their length. Further, as this is an ongoing legal matter Ericsson cannot provide any detail. However, based on the current status of the discussions, it is the Company's assessment that the resolution of these matters will result in material financial and other measures, the magnitude and impact of which cannot be reliably estimated or ascertained at this time. Potential future cash outflows are currently not capable of being reliably estimated. Accordingly, no provisions have been recorded for such potential exposure.

Ericsson continuously seeks to strengthen its ethics and compliance program with risk-relevant policies, processes and tools for preventing, detecting and remediating non-compliance. These efforts have been further reinforced in recent years. In addition, in 2016 the Board hired an independent compliance advisory firm to assist the Company and the Board on compliance related matters. Their recommendations are currently being implemented. Recent improvement efforts focused on the following areas: people and culture (including tone from the top, senior leadership vetting, disciplinary processes, and training), third party engagements (including resources, policies, controls and processes), compliance and investigation capabilities (including resources, policies, governance, processes and tools), and internal control capabilities (including resources, governance, processes and tools).

The Company is committed to having a robust and fit-for-purpose compliance program and is continuously looking to improve on ways to better manage its compliance risks throughout the Company with due effort and attention.

Risk factors

Ericsson is exposed to a number of risks in its activities. To stimulate identification and support cross-functional treatment within the Ericsson Group, risks are grouped in a number of categories, including for example risks relating to technology, IPR, compliance, project execution, operations, products and services, treasury and accounting, the geopolitical environment, M&A, cyber security and occupational health and safety. Ericsson's risk management is embedded into strategy development and operational processes and is a part of the Ericsson Group Management System to ensure accountability, effectiveness, efficiency, business continuity and compliance. Risks are defined in both a short-term and long-term perspective and are related to long-term objectives as per the strategic direction as well as to short-term objectives. Risk factors and uncertainties of relevance to Ericsson are described in the Annual Report 2018. Updates to these risk factors and uncertainties observed by Ericsson that are deemed of short-term relevance include, but are not limited to, the following:

As previously disclosed, Ericsson is voluntarily cooperating with investigations by the United States Securities and Exchange Commission (SEC) and the United States Department of Justice (DOJ) into Ericsson's compliance with the U.S. Foreign Corrupt Practices Act (FCPA). The Company continues to cooperate with the SEC and the DOJ, and has recently begun settlement discussions. These discussions are in a very early stage and therefore the Company is not able to estimate their length. Further, as this is an ongoing legal matter Ericsson cannot provide any detail. However, based on the current status of the discussions, it is the Company's assessment that the resolution of these matters will result in material financial and other measures, the magnitude and impact of which cannot be reliably estimated or ascertained at this time. Potential future cash outflows are currently not capable of being reliably estimated. Accordingly, no provisions have been recorded for such potential exposure.

Stockholm, April 17, 2019

Telefonaktiebolaget LM Ericsson

Börje Ekholm, President and CEO

Org. no. 556016-0680

Date for next report: July 17, 2019

Editor's note

Press briefing and live webcast

Ericsson invites media, investors and analysts to conference calls on April 17, 2019; one starting at 09.00 (CET) and the other at 13.00 (CET).

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

www.ericsson.com/investors and

www.ericsson.com/press

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

For further information, please contact:

Carl Mellander Senior Vice President, Chief Financial Officer

Phone: +46 10 713 89 70

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

media.relations@ericsson.com

Helena Norrman, Senior Vice President, Chief Marketing and

Communications Officer

Phone: +46 10 719 34 72

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

media.relations@ericsson.com

Telefonaktiebolaget LM Ericsson

Org. number: 556016-0680

Torshamnsgatan 21

SE-164 83 Stockholm

Phone: +46 10 719 00 00

www.ericsson.com

Investors

Peter Nyquist, Vice President,

Head of Investor Relations

Phone: +46 10 714 64 99, +46 70 575 29 06

E-mail: peter.nyquist@ericsson.com

Stefan Jelvin, Director,

Investor Relations

Phone: +46 10 714 20 39, +46 70 986 02 27

E-mail: stefan.jelvin@ericsson.com

Åsa Konnbjer, Director,

Investor Relations

Phone: +46 10 713 39 28, +46 73 082 59 28

E-mail: asa.konnbjer@ericsson.com

Rikard Tunedal, Director,

Investor Relations

Phone: +46 10 714 54 00, +46 761 005 400

E-mail: rikard.tunedal@ericsson.com

Media

Ola Rembe, Vice President,

Head of External Communications

Phone: +46 10 719 97 27, +46 73 024 48 73

E-mail: media.relations@ericsson.com

Corporate Communications

Phone: +46 10 719 69 92

E-mail: media.relations@ericsson.com

15 Ericsson | First Quarter Report 2019

Editor's note

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 2018.

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.

Financial statements

and other information

Contents

Financial statements

18	<u>Consolidated income statement</u>
18	<u>Statement of comprehensive income (loss)</u>
19	<u>Consolidated balance sheet</u>
20	<u>Consolidated statement of cash flows</u>
21	<u>Consolidated statement of changes in equity</u>
21	<u>Consolidated income statement – isolated quarters</u>
22	<u>Consolidated statement of cash flows – isolated quarters</u>
23	<u>Parent Company income statement</u>
23	<u>Parent Company statement of comprehensive income (loss)</u>
24	<u>Parent Company balance sheet</u>

Additional information

25	<u>Accounting policies</u>
26	<u>Market area reporting</u>
27	<u>Net sales by segment by quarter</u>
28	<u>Sales growth adjusted for comparable units and currency</u>
28	<u>Gross income (loss) and gross margin by segment by quarter</u>
29	<u>Operating income (loss) and operating margin by segment by quarter</u>
30	<u>EBITA and EBITA margin by segment by quarter</u>
31	<u>Net sales by market area by quarter</u>
32	<u>Top 5 countries in sales</u>
32	<u>Net sales by market area by segment</u>
33	<u>IPR licensing revenues by segment by quarter</u>
33	<u>Provisions</u>
34	<u>Information on investments</u>
35	<u>Other information</u>
35	<u>Number of employees</u>

Items excluding restructuring charges

36	<u>Restructuring charges by function</u>
36	<u>Restructuring charges by segment</u>
37	<u>Gross income (loss) and gross margin excluding restructuring charges by segment</u>
38	<u>Operating income (loss) and operating margin excluding restructuring charges by segment</u>

Alternative performance measures

39	<u>Sales growth adjusted for comparable units and currency</u>
40	<u>Items excluding restructuring charges</u>
41	<u>EBITA and EBITA margin</u>
41	<u>Cash conversion</u>
42	<u>Gross cash and net cash, end of period</u>
42	<u>Capital employed</u>
42	<u>Capital turnover</u>
43	<u>Return on capital employed</u>
43	<u>Equity ratio</u>

- 43 Return on equity
- 44 Earnings (loss) per share (non-IFRS)
- 44 Free cash flow and free cash flow excluding M&A

17 Ericsson | First Quarter Report 2019

Financial statements and other information

Financial statements

Consolidated income statement

SEK million	2019	Jan-Mar 2018	Change	Jan-Dec 2018
Net sales	48,906	43,411	13%	210,838
Cost of sales	-30,127	-28,553	6%	-142,638
Gross income	18,779	14,858	26%	68,200
Gross margin (%)	38.4%	34.2%		32.3%
Research and development expenses	-9,167	-9,073	1%	-38,909
Selling and administrative expenses	-6,031	-6,156	-2%	-27,519
Impairment losses on trade receivables ¹⁾	559	-28		-420
Operating expenses	-14,639	-15,257	-4%	-66,848
Other operating income and expenses	773	84		-168
Shares in earnings of JV and associated companies	-17	3		58
Operating income (loss)	4,896	-312		1,242
Financial income	38	-72		-316
Financial expenses	-643	-469		-2,389
Income after financial items	4,291	-853		-1,463
Taxes	-1,888	128		-4,813
Net income (loss)	2,403	-725		-6,276
Net income (loss) attributable to:				
Stockholders of the Parent Company	2,317	-837		-6,530
Non-controlling interests	86	112		254
Other information				
Average number of shares, basic (million)	3,300	3,286		3,291
Earnings (loss) per share, basic (SEK) ²⁾	0.70	-0.25		-1.98
Earnings (loss) per share, diluted (SEK) ³⁾	0.70	-0.25		-1.98

¹⁾ Impairment of trade receivables has been calculated according to IFRS 9 in 2018.

²⁾ Based on net income (loss) attributable to stockholders of the Parent Company.

³⁾ 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		Jan-Dec
	2019	2018	2018
Net income (loss)	2,403	-725	-6,276
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefits pension plans incl. asset ceiling	-2,826	-849	-2,453
Revaluation of borrowings due to change in credit risk	-427	58	207
Tax on items that will not be reclassified to profit or loss	656	133	285
Items that may be reclassified to profit or loss			
Cash flow hedge reserve			
Gains/losses arising during the period	-169		
Reclassification adjustments for gains/losses included in profit or loss			
Adjustments for amounts transferred to initial carrying amount of hedged items			
Revaluation of other investments in shares and participations			
Fair value remeasurement			
Changes in cumulative translation adjustments	1,407	1,299	2,047
Share of other comprehensive income on JV and associated companies	38	11	14
Tax on items that may be reclassified to profit or loss	35		
Total other comprehensive income (loss), net of tax	-1,286	652	100
Total comprehensive income (loss)	1,117	-73	-6,176
Total comprehensive income (loss) attributable to:			
Stockholders of the Parent Company	1,010	-200	-6,470
Non-controlling interest	107	127	294

Consolidated balance sheet

SEK million	Mar 31 2019	Dec 31 2018
ASSETS		
Non-current assets		
Intangible assets		
Capitalized development expenses	3,971	4,237
Goodwill	30,870	30,035
Intellectual property rights, brands and other intangible assets	2,682	3,474
Property, plant and equipment	13,188	12,849
Right-of-use assets	8,440	
Financial assets		
Equity in JV and associated companies	1,830	611
Other investments in shares and participations	1,366	1,515
Customer finance, non-current	1,932	1,180
Interest-bearing securities, non-current	23,022	23,982
Other financial assets, non-current	6,056	6,559
Deferred tax assets	29,689	23,152
	123,046	107,594
Current assets		
Inventories	33,024	29,255
Contract assets	11,411	13,178
Trade receivables	50,529	51,172
Customer finance, current	1,955	1,704
Other current receivables	15,357	20,844
Interest-bearing securities, current	3,183	6,625
Cash and cash equivalents	45,453	38,389
	160,912	161,167
Total assets	283,958	268,761
EQUITY AND LIABILITIES		
Equity		
Stockholders' equity	84,619	86,978
Non-controlling interest in equity of subsidiaries	-87	792
	84,532	87,770
Non-current liabilities		
Post-employment benefits	30,714	28,720
Provisions, non-current	2,670	5,471
Deferred tax liabilities	792	670
Borrowings, non-current	32,533	30,870
Lease liabilities, non-current	8,470	

Other non-current liabilities	2,118	4,346
	77,297	70,077
Current liabilities		
Provisions, current	9,363	10,537
Borrowings, current	3,015	2,255
Lease liabilities, current	1,776	
Contract liabilities	38,605	29,348
Trade payables	30,842	29,883
Other current liabilities	38,528	38,891
	122,129	110,914
Total equity and liabilities	283,958	268,761
Assets pledged as collateral	5,657	5,681
Contingent liabilities ¹⁾	1,470	1,638

- ¹⁾ Contingent liabilities does not include any amounts related to investigation by the SEC and the DOJ about Ericsson's compliance with the U.S. Foreign Corrupt Practices Act (FCPA). For information about the investigation by the SEC and the DOJ, please refer to "Other information" on page 13 of this report.

Consolidated statement of cash flows

SEK million	Jan-Mar 2019	2018	Jan-Dec 2018
Operating activities			
Net income (loss)	2,403	-725	-6,276
Adjustments to reconcile net income to cash			
Taxes	804	-2,315	-1,897
Earnings/dividends in JV and associated companies	24	4	-23
Depreciation, amortization and impairment losses	2,326	1,891	8,318
Other	-76	140	1,432
Net income reconciled to cash	5,481	-1,005	1,554
Changes in operating net assets			
Inventories	-2,951	-2,813	-4,807
Customer finance, current and non-current	-911	400	1,085
Trade receivables and contract assets	4,345	7,316	-2,047
Trade payables	20	-598	2,436
Provisions and post-employment benefits	-3,459	-847	6,696
Contract liabilities	8,463	757	-808
Other operating assets and liabilities, net	-5,223	-1,637	5,233
	284	2,578	7,788
Cash flow from operating activities	5,765	1,573	9,342
Investing activities			
Investments in property, plant and equipment	-1,314	-856	-3,975
Sales of property, plant and equipment	232	123	334
Acquisitions/divestments of subsidiaries and other operations, net	299	-449	-1,285
Product development	-457	-254	-925
Other investing activities	-165	161	-523
Interest-bearing securities	4,673	-534	2,242
Cash flow from investing activities	3,268	-1,809	-4,132
Cash flow before financing activities	9,033	-236	5,210
Financing activities			
Dividends paid	-986		-3,425
Lease liabilities	-604		
Other financing activities	-1,010	-94	-652
Cash flow from financing activities	-2,600	-94	-4,077
Effect of exchange rate changes on cash	631	1,143	1,372
Net change in cash and cash equivalents	7,064	813	2,505
Cash and cash equivalents, beginning of period	38,389	35,884	35,884

Cash and cash equivalents, end of period	45,453	36,697	38,389
---	---------------	---------------	---------------

20 Ericsson | First Quarter Report 2019

Financial statements

Consolidated statement of changes in equity

SEK million	Jan-Mar		Jan-Dec
	2019	2018	2018
Opening balance ¹⁾	87,770	97,571	97,571
Adjustment due to new accounting standards ²⁾	-249	-983	-983
Adjusted opening balance	87,521	96,588	96,588
Total comprehensive income (loss)	1,117	-73	-6,176
Sale/repurchase of own shares	43	21	107
Stock issue (net)			
Long-term variable compensation plans	139	217	677
Dividends paid	-4,288	-3,287 ³⁾	-3,425
Transactions with non-controlling interests			-1
Closing balance	84,532	93,466	87,770

1) Opening balance of 2018 has been restated for IFRS 15.

2) Opening balance adjustment in 2019 due to IFRS 16, and in 2018 due to IFRS 9.

3) Includes accrual of SEK 3,302 (3,287) million for the dividend approved by the Annual General Meeting on March 27, 2019 (March 28, 2018).

Consolidated income statement - isolated quarters

Isolated quarters, SEK million	2019		2018		
	Q1	Q4	Q3	Q2	Q1
Net sales	48,906	63,809	53,810	49,808	43,411
Cost of sales	-30,127	-47,430	-34,180	-32,475	-28,553
Gross income	18,779	16,379	19,630	17,333	14,858
Gross margin (%)	38.4%	25.7%	36.5%	34.8%	34.2%
Research and development expenses	-9,167	-10,665	-9,388	-9,783	-9,073
Selling and administrative expenses	-6,031	-7,685	-6,625	-7,053	-6,156
Impairment losses on trade receivables ¹⁾	559	386	-409	-369	-28
Operating expenses	-14,639	-17,964	-16,422	-17,205	-15,257
Other operating income and expenses	773	-294	31	11	84
Shares in earnings of JV and associated companies	-17	27	2	26	3
Operating income (loss)	4,896	-1,852	3,241	165	-312
Financial income	38	-294	-225	275	-72

Financial expenses	-643	-421	-414	-1,085	-469
Income after financial items	4,291	-2,567	2,602	-645	-853
Taxes	-1,888	-3,930	146	-1,157	128
Net income (loss)	2,403	-6,497	2,748	-1,802	-725
Net income (loss) attributable to:					
Stockholders of the Parent Company	2,317	-6,553	2,745	-1,885	-837
Non-controlling interests	86	56	3	83	112
Other information					
Average number of shares, basic (million)	3,300	3,296	3,293	3,290	3,286
Earnings (loss) per share, basic (SEK) ²⁾	0.70	-1.99	0.84	-0.58	-0.25
Earnings (loss) per share, diluted (SEK) ³⁾	0.70	-1.99	0.83	-0.58	-0.25

- 1) Impairment of trade receivables has been calculated according to IFRS 9 in 2018.
- 2) Based on net income (loss) attributable to stockholders of the Parent Company.
- 3) Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

Consolidated statement of cash flows - isolated quarters

Isolated quarters, SEK million	2019		2018		
	Q1	Q4	Q3	Q2	Q1
Operating activities					
Net income (loss)	2,403	-6,497	2,748	-1,802	-725
Adjustments to reconcile net income to cash					
Taxes	804	3,590	-2,101	-1,071	-2,315
Earnings/dividends in JV and associated companies	24	-36	28	-19	4
Depreciation, amortization and impairment losses	2,326	2,469	1,893	2,065	1,891
Other	-76	376	348	568	140
Net income reconciled to cash	5,481	-98	2,916	-259	-1,005
Changes in operating net assets					
Inventories	-2,951	1,689	-1,773	-1,910	-2,813
Customer finance, current and non-current	-911	-863	1,001	547	400
Trade receivables and contract assets	4,345	-7,521	-3,503	1,661	7,316
Trade payables	20	829	953	1,252	-598
Provisions and post-employment benefits	-3,459	7,330	-265	478	-847
Contract liabilities	8,463	-1,112	-220	-233	757
Other operating assets and liabilities, net	-5,223	4,033	2,931	-94	-1,637
	284	4,385	-876	1,701	2,578
Cash flow from operating activities	5,765	4,287	2,040	1,442	1,573
Investing activities					
Investments in property, plant and equipment	-1,314	-1,080	-1,088	-951	-856
Sales of property, plant and equipment	232	57	102	52	123
Acquisitions/divestments of subsidiaries and other operations, net	299	20	-425	-431	-449
Product development	-457	-195	-151	-325	-254
Other investing activities	-165	-96	-190	-398	161
Interest-bearing securities	4,673	-910	30	3,656	-534
Cash flow from investing activities	3,268	-2,204	-1,722	1,603	-1,809
Cash flow before financing activities	9,033	2,083	318	3,045	-236
Financing activities					
Dividends paid	-986	-134	-2	-3,289	
Lease liabilities	-604				
Other financing activities	-1,010	-429	254	-383	-94
Cash flow from financing activities	-2,600	-563	252	-3,672	-94
Effect of exchange rate changes on cash	631	811	-1,562	980	1,143
Net change in cash and cash equivalents	7,064	2,331	-992	353	813

Cash and cash equivalents, beginning of period	38,389	36,058	37,050	36,697	35,884
Cash and cash equivalents, end of period	45,453	38,389	36,058	37,050	36,697

Parent Company income statement

SEK million	Jan-Mar		Jan-Dec
	2019	2018	2018
Net sales			
Cost of sales			
Gross income			
Operating expenses	-521	-154	-1,686
Other operating income and expenses	451	343	2,111
Operating income	-70	189	425
Financial net	-53	177	5,340
Income after financial items	-123	366	5,765
Transfers to () / from untaxed reserves			-1,535
Taxes	-31	-83	-36
Net income (loss)	-154	283	4,194

Parent Company statement of comprehensive income (loss)

SEK million	Jan-Mar		Jan-Dec
	2019	2018	2018
Net income (loss)	-154	283	4,194
Revaluation of borrowings due to change in credit risk	-336	58	91
Tax on items that will not be reclassified to profit or loss	69	-13	-19
Available-for-sale financial assets			
Gains/losses arising during the period			
Reclassification adjustments on gains/losses included in profit or loss			
Revaluation of other investments in shares and participations			
Fair value remeasurement			
Tax on items that may be reclassified to profit or loss			
Total other comprehensive income, net of tax	-267	45	72
Total comprehensive income (loss)	-421	328	4,266

Parent Company balance sheet

SEK million	Mar 31 2019	Dec 31 2018
ASSETS		
Fixed assets		
Intangible assets	83	139
Tangible assets	264	259
Financial assets ^{1) 2)}	110,377	109,177
	110,724	109,575
Current assets		
Inventories		
Receivables ²⁾	27,425	38,760
Short-term investments	2,707	6,268
Cash and cash equivalents	34,851	27,850
	64,983	72,878
Total assets	175,707	182,453
STOCKHOLDERS EQUITY, PROVISIONS AND LIABILITIES		
Equity		
Restricted equity	48,164	48,164
Non-restricted equity ²⁾	37,016	40,752
	85,180	88,916
Provisions	61	86
Non-current liabilities ²⁾	40,051	62,581
Current liabilities	50,415	30,870
Total stockholders equity, provisions and liabilities	175,707	182,453
¹⁾ <i>Of which interest-bearing securities, non-current</i>	23,022	23,982

²⁾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.

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, 2018 and should be read in conjunction with that annual report, with exception for the accounting policies described below.

New standards as from January 1, 2019

One new IFRS standard IFRS 16 "Leases" and one new interpretation IFRIC 23 "Uncertainty over income tax treatments" are effective as from January 1, 2019. IFRIC 23, has not had a material impact on the Company's financial statements.

IFRS 16 "Leases"

Presentation in the financial statements

The Company has implemented this standard using the cumulative catch-up method, which means that the prior periods financial statements and key ratios presented in this quarterly report have not been restated to reflect adoption of this new standard.

Based on the new requirements under IFRS 16, right-of-use assets and lease liabilities have been added as new lines in the consolidated balance sheet and lease liabilities as a new line in the statement of cash flows. The right-of-use assets and liabilities were previously reported as off-balance and repayment to lessors was reported as a part of cash flow from operating activities. Now the amortization of lease liabilities is reported as cash flow from financing activities.

Transition

The standard is effective for annual periods beginning on or after January 1, 2019. The Company has applied the new standard as from January 1, 2019. At transition, the Company has applied the practical expedient under IFRS 16 to not reassess whether a contract is, or contains, a lease. Therefore, the Company has applied the standard to contracts previously identified as leases, or as containing a lease under IAS 17 and IFRIC 4. The Company has also applied the following practical expedients when applying IFRS 16 at transition date:

The IAS 37 onerous lease contract measurement for the operating leases existing as per the transition date. This expedient has been applied as a substitute for the measurement of impairment for the related right-of-use assets. Impairment testing will be applied going-forward.

Exclusion of initial direct costs from the measurement of the right-to-use asset at the date of initial recognition. The Company has implemented the standard using the cumulative catch-up method, with the cumulative effect being adjusted to the opening retained earnings balance in equity at transition date. No restated information has been

presented for previous years.

The Company has, as a lessee, recognized lease liabilities for leases previously classified as operating leases. The weighted average incremental borrowing rate applied to lease liabilities recognized in the balance sheet at the transition date was 5.4%. Right-of-use assets have for most contracts been recognized based on the amount equal to the related lease liability. For some larger real estate contracts right-of-use assets have been recognized as if IFRS 16 had been applied since the commencement date, however, using the incremental borrowing rate as per the effective date. The asset value for these contracts is SEK 249 million lower than the related liabilities. This difference causes the reduction of equity as per transition date.

Under IAS 17 operating leases were not recognized in the balance sheet of a lessee. Future undiscounted minimum lease payments obligations were however disclosed in a note, see note C3 Leasing in the annual report of 2018, amounting to SEK 13.4 billion. The lease liabilities were as per January 1st, 2019 recognized in the balance sheet with SEK 10.4 billion. The difference is mainly related to the discounting effect of the liability. The liability is calculated as the net present value of the future payments, while the numbers disclosed according to IAS 17 was not discounted as prescribed in IAS 17. And also, the exclusion of lease payments related to low-value assets from the balance sheet, they are instead expensed straight-line in the income statement.

Opening balance sheet impact of IFRS 16

SEK million	IFRS 16 adjustment
Right-of-use assets	8,651
Lease liabilities, current	2,195
Lease liabilities, non-current	8,203
Equity	249

In the transition the following items have been considered: Onerous contracts with SEK 767 million, straight-lining, periodization of lease costs, with SEK 721 million and other net adjustments with SEK 10 million. The tax effect on the equity posting is deemed to be immaterial. There is no impact on the income statement.

The impact of right-of-use assets increased the total asset value by approximately 3%.

Accounting policy IFRS 16 Leases

Leasing when the Company is the lessee

The main types of assets leased by the Company are, in the order of materiality, real estate, IT-equipment and vehicles. Vehicles are mainly used under service contracts.

The Company recognizes right-of-use assets and lease liabilities arising from all leases in the balance sheet, with some exceptions. This model reflects that, at the start of a lease, the lessee always obtains the right to use an asset for a period of time and has an obligation to pay for that right.

In the assessment of a lease contract the lease components are separated from non-lease components and the lease term is defined considering any extension or termination options.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted normally using the Company's incremental borrowing rate. Lease payments included in the liability are fixed payments, variable payments depending on an index or rate, residual values and penalties for termination of contracts.

The right-of-use asset is initially measured at cost, which equals the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received plus any initial direct costs, and restoration costs.

The Company applies the recognition exemption for short-term leases and leases for which the underlying asset is of low-value recognizing the lease payments for those leases as an expense on a straight-line basis over the lease term.

Leasing when the Company is the lessor

Leasing contracts with the Company as lessor are classified as finance leases when the majority of risks and rewards are transferred to the lessee, and otherwise as operating leases. Under a finance lease, a receivable is recognized at an amount equal to the net investment in the lease and revenue is recognized in accordance with the revenue recognition principles. Under operating leases the equipment is recorded as property, plant and equipment and revenue as well as depreciation is recognized on a straight-line basis over the lease term.

APM impact in Q1 2019

Lease interest expense is reported under finance costs according to IFRS 16, which is different from prior to 2019, when it was embedded in the lease expense for operating leases, either as costs of sales or operating expenses. This has had a positive impact on the APM operating margin of approximately 0.3 percentage points, because lease interest expense is no longer a part of this measurement. The EBITA has increased with SEK 138 million for the same reason.

The reported amortization of lease liabilities is reported as financing cash flows under IFRS 16 and not as operating cash flows as prior to 2019. The impact of this reclassification is in Q1 2019 is SEK 604 million and impacts the APM Free cash flow. The APM Cash conversion has also improved for the same reason. The timing of the cash flows is not impacted.

Because right-of-use assets under IFRS 16 are included in total assets the APM capital employed has increased by approximately 5%. The APM equity ratio has decreased for the same reason.

Cash flow hedge accounting

The company has identified certain customer contracts where a fluctuation in the USD/SEK foreign exchange rate would significantly impact net sales and operating income recorded from the contracts. These contracts are multi-year contracts denominated in USD with highly probable payments at fixed points in time. From Q1 2019, the Company has entered into FX forward contracts that match the terms of the foreign exchange exposure as closely as possible and designated these as hedging instruments.

When applying hedge accounting, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI. The gain or loss relating to an ineffective portion is recognized immediately in the Income Statement within Financial income or expense. Upon recognition of the hedged net sales, the cumulative amount in cash flow hedge reserve is released from OCI as a reclassification adjustment and

recognized in net sales.

Market area reporting

Changes applied in Q1 2019

As of Q1 2019, sales reported on Morocco is reported on market area Middle East and Africa (earlier Europe and Latin America). Comparative periods have been restated to reflect this change. In Q1 2019, these sales were SEK 151 (103) million. Also Number of employees by market area has been updated to reflect this change.

Net sales by segment by quarter

Isolated quarters, SEK million	2019		2018		
	Q1	Q4	Q3	Q2	Q1
Networks	33,481	41,641	35,934	32,393	28,602
<i>Of which Products</i>	23,765	29,803	25,336	22,319	19,473
<i>Of which Services</i>	9,716	11,838	10,598	10,074	9,129
Digital Services	7,817	13,007	8,987	8,833	7,262
<i>Of which Products</i>	3,937	7,462	4,582	4,467	3,947
<i>Of which Services</i>	3,880	5,545	4,405	4,366	3,315
Managed Services	5,856	6,881	6,465	6,528	5,896
Emerging Business and Other	1,752	2,280	2,424	2,054	1,651
Total	48,906	63,809	53,810	49,808	43,411

Sequential change, percent	2019		2018		
	Q1	Q4	Q3	Q2	Q1
Networks	-20%	16%	11%	13%	-23%
<i>Of which Products</i>	-20%	18%	14%	15%	-23%
<i>Of which Services</i>	-18%	12%	5%	10%	-22%
Digital Services	-40%	45%	2%	22%	-39%
<i>Of which Products</i>	-47%	63%	3%	13%	-39%
<i>Of which Services</i>	-30%	26%	1%	32%	-38%
Managed Services	-15%	6%	-1%	11%	-15%
Emerging Business and Other	-23%	-6%	18%	24%	-21%
Total	-23%	19%	8%	15%	-25%

Year over year change, percent	2019		2018		
	Q1	Q4	Q3	Q2	Q1
Networks	17%	12%	13%	2%	-10%
<i>Of which Products</i>	22%	17%	17%	5%	-11%
<i>Of which Services</i>	6%	1%	5%	-3%	-7%
Digital Services	8%	10%	1%	-11%	-10%
<i>Of which Products</i>	0%	16%	-6%	-17%	-9%
<i>Of which Services</i>	17%	3%	8%	-4%	-12%
Managed Services	-1%	0%	-2%	-2%	-6%
Emerging Business and Other	6%	9%	22%	2%	-7%
Total	13%	10%	9%	-1%	-9%

Year to date, SEK million	2019		2018		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	33,481	138,570	96,929	60,995	28,602
<i>Of which Products</i>	23,765	96,931	67,128	41,792	19,473

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

<i>Of which Services</i>	9,716	41,639	29,801	19,203	9,129
Digital Services	7,817	38,089	25,082	16,095	7,262
<i>Of which Products</i>	3,937	20,458	12,996	8,414	3,947
<i>Of which Services</i>	3,880	17,631	12,086	7,681	3,315
Managed Services	5,856	25,770	18,889	12,424	5,896
Emerging Business and Other	1,752	8,409	6,129	3,705	1,651
Total	48,906	210,838	147,029	93,219	43,411

Year over year change, percent	2019		2018		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	17%	5%	2%	-4%	-10%
<i>Of which Products</i>	22%	7%	3%	-3%	-11%
<i>Of which Services</i>	6%	-1%	-2%	-5%	-7%
Digital Services	8%	-2%	-7%	-11%	-10%
<i>Of which Products</i>	0%	-3%	-11%	-13%	-9%
<i>Of which Services</i>	17%	-1%	-2%	-8%	-12%
Managed Services	-1%	-3%	-3%	-4%	-6%
Emerging Business and Other	6%	7%	6%	-2%	-7%
Total	13%	3%	0%	-5%	-9%

Sales growth adjusted for comparable units and currency

Isolated quarter, year over year change, percent	2019		2018		
	Q1	Q4	Q3	Q2	Q1
Networks	10%	6%	5%	2%	-2%
Digital Services	0%	5%	-6%	-12%	-3%
Managed Services	-5%	-5%	-8%	-3%	-4%
Emerging Business and Other	38%	1%	11%	1%	-2%
Total	7%	4%	1%	-1%	-2%

Year to date, year over year change, percent	2019		2018		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	10%	3%	2%	0%	-2%
Digital Services	0%	-4%	-7%	-8%	-3%
Managed Services	-5%	-5%	-5%	-3%	-4%
Emerging Business and Other	38%	3%	3%	-1%	-2%
Total	7%	1%	-1%	-2%	-2%

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

Isolated quarters, SEK million	2019		2018		
	Q1	Q4	Q3	Q2	Q1
Networks	14,455	16,626	14,835	12,565	11,127
Digital Services	2,878	-1,240	3,208	3,458	2,892
Managed Services	1,036	781	805	809	491
Emerging Business and Other	410	212	782	501	348
Total	18,779	16,379	19,630	17,333	14,858

Isolated quarters, As percentage of net sales	2019		2018		
	Q1	Q4	Q3	Q2	Q1
Networks	43.2%	39.9%	41.3%	38.8%	38.9%
Digital Services	36.8%	-9.5%	35.7%	39.1%	39.8%
Managed Services	17.7%	11.4%	12.5%	12.4%	8.3%
Emerging Business and Other	23.4%	9.3%	32.3%	24.4%	21.1%
Total	38.4%	25.7%	36.5%	34.8%	34.2%

Year to date, SEK million	2019		2018		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	14,455	55,153	38,527	23,692	11,127
Digital Services	2,878	8,318	9,558	6,350	2,892

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

Managed Services	1,036	2,886	2,105	1,300	491
Emerging Business and Other	410	1,843	1,631	849	348
Total	18,779	68,200	51,821	32,191	14,858

Year to date, As percentage of net sales	2019		2018		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	43.2%	39.8%	39.7%	38.8%	38.9%
Digital Services	36.8%	21.8%	38.1%	39.5%	39.8%
Managed Services	17.7%	11.2%	11.1%	10.5%	8.3%
Emerging Business and Other	23.4%	21.9%	26.6%	22.9%	21.1%
Total	38.4%	32.3%	35.2%	34.5%	34.2%

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

Isolated quarters, SEK million	2019		2018		
	Q1	Q4	Q3	Q2	Q1
Networks	5,472	6,850	5,656	3,544	3,371
Digital Services	-1,798	-7,087	-1,784	-2,374	-2,607
Managed Services	1,252	285	409	299	100
Emerging Business and Other	-30	-1,900	-1,040	-1,304	-1,176
Total	4,896	-1,852	3,241	165	-312

Isolated quarters, As percentage of net sales	2019		2018		
	Q1	Q4	Q3	Q2	Q1
Networks	16.3%	16.5%	15.7%	10.9%	11.8%
Digital Services	-23.0%	-54.5%	-19.9%	-26.9%	-35.9%
Managed Services	21.4%	4.1%	6.3%	4.6%	1.7%
Emerging Business and Other	-1.7%	-83.3%	-42.9%	-63.5%	-71.2%
Total	10.0%	-2.9%	6.0%	0.3%	-0.7%

Year to date, SEK million	2019		2018		
	Jan-Mar	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar
Networks	5,472	19,421	12,571	6,915	3,371
Digital Services	-1,798	-13,852	-6,765	-4,981	-2,607
Managed Services	1,252	1,093	808	399	100
Emerging Business and Other	-30	-5,420	-3,520	-2,480	-1,176
Total	4,896	1,242	3,094	-147	-312